February 17, 2025

Company name: Next Generation Technology Group Inc.
Name of representative: ARAI Eiichi, Representative Director and President
(Securities code: 319A; Growth Market)
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Financial Results FY2024 Q&A

In conjunction with our financial results announcement, we have prepared this Q&A format disclosure to address common investor inquiries. Please note that there may be slight discrepancies due to timing differences; however, the most recent responses reflect our latest company policies.

■ Can you explain the guidance for FY2025?
⇒Revenue: JPY 11.6 billion, Adjusted EBITDA: JPY 2.4 billion, Adjusted Profit: JPY 1.2 billion.The guidance is conservative and calculated based solely on organic growth, excluding any new acquisitions (M&A).
⇒For FY2025, we plan to add new acquisitions on top of this guidance for further enhancement and will disclose updates at an appropriate time. Additionally, we may revise the guidance upward as necessary.

■ Will you expand beyond the manufacturing sector?
⇒We remain committed to focusing on the manufacturing sector and have no plans to expand into other fields at this time. However, we are considering manufacturing related industries such as trading companies, construction, and rental businesses.
⇒Apart from business succession, we are also exploring carve-outs from large corporations and TOB of listed companies.

■ Do you plan to sell any portfolio companies?
⇒Given the importance of reputation in our business, we do not plan to sell portfolio companies. Most of our portfolio companies generate stable cash flow, eliminating the necessity for disposal.

■ Are you considering overseas expansion for M&A?
⇒At present, Japan's business succession market in the manufacturing sector remains vast, and we see no immediate need for overseas expansion. However, we recognize that aging demographics and the resulting shortage of successors in the manufacturing industry will become an issue in Asia as well. When the time is right, we may consider expanding overseas.

■ Is there any seasonality in revenue and profit?
⇒There is no significant seasonality in our revenue and profit.

■ Do you plan to disclose a mid-term management plan?
⇒We currently have no plans to disclose a mid-term management plan. We believe that pursuing aggressive acquisitions to meet a mid-term target could be risky. Instead, we will continue to steadily advance our current acquisition efforts.

■ What is the proportion of overseas revenue?
⇒At present, our direct overseas revenue accounts for approximately 15-20%. We estimate that about half of our end customers have overseas exposure.

■ Do you have plans for shareholder returns such as dividends and share buybacks?
⇒We currently have no plans for shareholder returns such as dividends or share buybacks. While we have sufficient cash on hand, we are seeing an increase in new acquisitions opportunities, some of which may require equity contributions. To ensure that we do not miss out on these opportunities, we intend to retain our cash reserves and execute acquisitions at the appropriate timing.

■How do you ensure expertise in evaluating manufacturing businesses?
⇒All members are deeply involved in sourcing and value-up operations, continuously enhancing their technical evaluation capabilities. Our strength lies in thoroughly assessing a large number of acquisition opportunities in depth.

■ Are you considering adopting IFRS?
⇒We are not currently considering a transition to IFRS. Since we have not conducted many M&A transactions generating goodwill, we do not see substantial benefits outweighing the associated costs and burdens. However, as we proceed with further acquisitions and if goodwill accumulation increases, we may reconsider this decision.

■ Do you acquire a majority stake in acquisitions?
⇒As a principle, we aim to acquire 100% ownership.

■ How much capital was raised through this IPO?
⇒Excluding the overallotment portion, we raised JPY 1.37 billion through the IPO.

■ What are your expectations for FY2026 performance?
⇒We have not disclosed our FY2026 performance outlook at this time, but we will share relevant information at an appropriate timing in the future.

■ What was the reason for the IPO?
⇒There are three main reasons:1) Capital Raising: Future large acquisitions may require equity contributions, and we want to be prepared for such opportunities. 2) Enhanced Reputation: Since announcing our listing, the number of acquisition opportunities has increased, demonstrating the positive impact of our public status. 3) Stronger Talent Acquisition for Portfolio Companies: Being a listed entity improves our ability to attract talent to our portfolio companies.

■ Why does NGTG conduct business in the manufacturing industry?
⇒We believe Japan's manufacturing industry is globally competitive. Additionally, future M&A opportunities in overseas markets may emerge as part of our long-term strategy.

■ The Tokyo Stock Exchange classifies your industry as 'Metal Products.' Does this reflect your business composition?
⇒While the TSE has classified us under 'Metal Products,' our customer base is highly diversified across industries. We are not dependent on a single industry, and in terms of EBITDA contribution, businesses unrelated to metal products represent a significant portion of our consolidated earnings. We will continue pursuing serial M&A across various manufacturing industries to further enhance diversification.

■ Can you explain your business model?
⇒We operate as a serial acquirer, continuously acquiring small and mid-sized manufacturing and manufacturing-related businesses.

■ What factors are considered when selecting acquisition targets?
⇒We prioritize companies with high profitability and technologies that are difficult to replace. Our business model is designed to generate cash flow from acquired companies, using this cash flow to fund further acquisitions.

■Why do you use Adjusted EBITDA and Adjusted Net Profit as key performance indicators?
⇒Adjusted EBITDA: EBITDA with acquisition related costs added back.
⇒Acquisition related costs are the fees paid to M&A advisors and represent one-time.
⇒Adjusted EBITDA is emphasized to remove the impact of these temporary expenses on profits.
⇒Acquisition related costs are recorded as part of the investment securities in the non-consolidatedBS, but are recognized as expenses in the consolidated PL. These costs are conceptual expenses that are not deductible for tax purposes.
⇒When valuing the stock for acquisitions, we also subtract acquisition-related costs from the equity value calculation, and from a cash flow perspective, these costs are factored into the value of the acquired shares.
⇒Adjusted Net Profit: The figure excluding the effects of amortization of goodwill, gain from negative goodwill, goodwill impairment loss, and acquisition related costs from the profit attributable to owners of parent.

⇒Adjusted Profit, which excludes differences from international accounting standards and temporary gains or losses arising from M&A activities, is emphasized as an indicator representing the profit attributable to shareholders.

Adjusted EBITDA

[Formula]

	Operating profit
+)	Amortization of goodwill
+)	Depreciation and amortization
	EBITDA
+)	Acquisition related costs
	Adjusted EBITDA

Adjusted Profit

[Formula]

	Profit attributable to owners of parent
+)	Amortization of goodwill
+)	Goodwill impairment loss
-)	Gain from negative goodwill
+)	Acquisition related costs
	Adjusted Profit