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(TSE: 319A)  
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### **Financial Results FY2025 Q2 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.

■ Regarding Q2 Business Performance

⇒ Following on from Q1, profit decreased year-on-year due to a delay in order at Aerocraft Japan. While we anticipate receiving these orders within the current fiscal year, our progress for the period remained at 48.4% of Net Sales, 42.8% of Adjusted EBITDA, and 42.5% of Adjusted Profit.

■ What is the expected recovery timeline for the order delays at Aerocraft Japan?

⇒ We began to receive orders in Q2, but later than originally anticipated. Given the nature of these orders, we are confident the orders will be finalized within this fiscal year.

■ How are the other group companies besides Aero craft Japan performing?

⇒ While there is some variation by company, overall performance remains steady compared to the previous fiscal year. We believe that diversification of our customer base contributes to risk mitigation.

■ How is the value-up process progressing for Miyasaka Industries and Suntec Industry, which were acquired in April?

⇒ The value-up initiatives are progressing smoothly, utilizing our proprietary value-up program, NGP, and leveraging synergies within the group. However, we expect the full effects of these value-up activities to substantively contribute to profits from the next fiscal year.

■ How are you affected by increases in U.S. tariffs or foreign exchange fluctuations?

⇒ The primary customer base of our acquired companies is domestic. As of the current fiscal year, overseas sales accounted for approximately 15% of total revenue. The United States represents only a portion of this, and at present, we do not recognize any significant concerns.

■ Do you plan to raise additional capital in the future? If so, what are the criteria?

⇒ We are committed to avoiding shareholder dilution and, at this time, have no plans for capital increases. However, we may consider it in the event of an acquisition that is expected to have a significantly positive impact on earnings per share (EPS), subject to prudent evaluation.

■ What are the characteristics of Kanda Iron Works, and why was it acquired?

⇒ Kanda Iron Works specializes in the cutting and machining of parts for various industrial equipment and machinery, with a particular strength in medium-to-large scale lathe processing. We decided to proceed with the acquisition based on its stable profitability and the nature of the business, which is expected to maintain consistent demand in the future.

■ What is the expected impact of Kanda Iron Works on the consolidated financial results?

⇒ For the current fiscal year, we anticipate a five-month contribution to our performance from Kanda Iron Works. Should any future acquisitions necessitate a revision of our full-year earnings forecast, we will promptly disclose the updated information.

■ Will you be revising the full-year earnings forecast following the new acquisition?

⇒ We are not revising our earnings forecast at this time, as we believe it will take a certain period to establish a solid operational structure. Should any future acquisitions or developments necessitate a revision, we will make a prompt disclosure.

■ Why have you announced an Adjusted EBITDA forecast of JPY 3.0B for the next fiscal year?

⇒ This is to show the impact of our newly acquired companies on a full-year basis. Our current fiscal year forecast (Net Sales: JPY 11.6B, Adjusted EBITDA: JPY 2.4B, Adjusted Profit: JPY 1.2B) does not include these new acquisitions, and their contribution this year is limited since they were acquired mid-year. The next-year forecast, therefore, provides a clearer picture of the current consolidated earning potential.

■ Do you have any shareholder return policies, such as dividends or share buybacks?

⇒ At present, we have no plans for shareholder returns. While we maintain sufficient cash reserves, we anticipate increased opportunities for acquisitions that may require equity contributions. In order not to miss such opportunities, we are conserving cash to pursue attractive acquisitions at appropriate times.

■ Is there any seasonality in sales or profit?

⇒ There is no notable seasonality.

■ Has the increase in group companies resulted in any synergies?

⇒ We do not pursue acquisition purely for synergies; however, as the number of group companies grows, we have been able to share best practices more effectively. Examples include client and supplier referrals, HR information sharing, joint new graduate training, and the internal “CEO Academy” for current and future executive candidates. Additionally, various collaborations have emerged, such as contracting cutting and sheet metal work within the group, technical exchanges, equipment trading, and sharing of unused space.

■ Will the management of the acquired company be replaced after the acquisition?

⇒ We respond in accordance with the needs of the acquired company. Generally, there are three scenarios: (i) the existing management remains in place at the time of acquisition, with a transition period of approximately five years before succession; (ii) the current management continues in their role over the long term; or (iii) a new executive is appointed from outside the organization. While respecting the preferences of the acquired company, we fundamentally consider either continued leadership by the existing management or internal promotion as the basis for post-acquisition management structure. Even in cases where an external executive is appointed, we aim to eventually hand over leadership to a candidate who has emerged from within the organization.

■ What initiatives are included in your value creation (value-up) activities?

⇒ We have established a value creation playbook referred to as “NGP.” This encompasses a broad range of initiatives, including on-site cost reduction, operational improvements, visualization of cost accounting, website renewal and web marketing, support for patent acquisition, recruitment assistance, implementation of HR systems, and revisions to management control structures.

■ 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.

■ 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 selling.

■ 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.

■ Why do you use Adjusted EBITDA and Adjusted 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-consolidated B/S, but are recognized as expenses in the consolidated P/L. 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 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 the 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.

※ Please refer to the link below for previously disclosed Q&A.

• May 16, 2025

<https://azcms.ir-service.net/DATA/319A/ir/140120250516555785.pdf>

• April 14, 2025

<https://azcms.ir-service.net/DATA/319A/ir/140120250414514884.pdf>

• February 17, 2025

<https://azcms.ir-service.net/DATA/319A/ir/140120250217577193.pdf>