January 9, 2018

Consolidated Financial Results for the Fiscal Year Ended November 30, 2017

(Japanese Accounting Standards)

Name of listed company:	**NEXTAGE Co., Ltd.**
Stock Exchange Listings:	Tokyo, Nagoya
Stock code:	3186
URL:	https://www.nextage.jp/
Representative:	Seiji Hirota, President and CEO
Contact person:	Hiroshi Ando, Director, CFO and General Manager of Administration
	Tel: +81-52-228-6914

Scheduled date of General Shareholders' Meeting:	February 21, 2018
Scheduled date to file Securities Report:	February 21, 2018
Scheduled date to commence dividend payments:	February 22, 2018
Supplementary explanatory materials prepared:	Yes
Explanatory meeting:	Yes (For securities analysts and institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal Year Ended November 30, 2017 (From December 1, 2016 to November 30, 2017)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2017	118,971	36.4	3,474	60.6	3,304	58.4	2,262	69.6
November 30, 2016	87,201	38.2	2,163	70.5	2,086	55.7	1,333	58.4

Reference: Comprehensive income
For the year ended November 30, 2017: ¥2,252 million, (69.3)%
For the year ended November 30, 2016: ¥1,330 million, (56.8)%

	Basic earnings per share	Diluted earnings per share	Return on equity (ROE)	Ordinary profit/ Total assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
November 30, 2017	38.26	35.08	22.0	11.2	2.9
November 30, 2016	22.40	21.29	26.9	10.1	2.5

Reference: Equity in earnings (losses) of affiliates
For the year ended November 30, 2017: ¥(87) million
For the year ended November 30, 2016: ¥(32) million

Note: The Company conducted a two-for-one stock split of common shares on April 1, 2017 and a three-for-one stock split of common shares on December 1, 2017. Basic earnings per share and diluted earnings per share are calculated upon the assumption that the stock splits were conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
November 30, 2017	35,523	15,085	42.5	221.87
November 30, 2016	23,465	5,451	23.2	93.17

Reference: NEXTAGE shareholders' equity
As of November 30, 2017: ¥15,080 million
As of November 30, 2016: ¥5,446 million

Note: The Company conducted a two-for-one stock split of common shares on April 1, 2017 and a three-for-one stock split of common shares on December 1, 2017. Net assets per share are calculated upon the assumption that the stock splits were conducted at the beginning of the previous consolidated fiscal year.

(3) Consolidated Cash Flows

	Net cash used in operating activities	Net cash used in investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of the fiscal year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
November 30, 2017	(266)	(3,478)	8,187	6,639
November 30, 2016	(90)	(2,137)	2,642	2,197

2. Cash Dividends

	Annual dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended November 30, 2016	—	0.00	—	6.00	6.00	58	4.5	1.2
Fiscal year ended November 30, 2017	—	0.00	—	6.00	6.00	135	5.2	0.5
Fiscal year ending November 30, 2018 (forecasts)	—	0.00	—	2.00	2.00		4.7	

Notes
1. The Company conducted a two-for-one stock split of common shares on April 1, 2017. Dividends stated for the fiscal year ended November 30, 2016 are figures before the said stock split was conducted.
2. The Company conducted a three-for-one stock split of common shares on December 1, 2017. Dividends stated for the fiscal year ended November 30, 2017 are figures before the said stock split was conducted, while dividends (forecast) for the fiscal year ending November 30, 2018 are stated in consideration of the said stock split.

3. Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2018 (From December 1, 2017 to November 30, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending May 31, 2018	65,000	12.9	1,700	6.0	1,650	4.9	1,120	4.6	18.94
Fiscal year ending November 30, 2018	135,000	13.5	3,800	9.4	3,700	12.0	2,500	10.5	36.78

Notes
1. The Company conducted a three-for-one stock split of common shares on December 1, 2017.
2. With a payment date of November 28, 2017, the Company had 1,503,000 shares (before the above stock split) increased through public offering and 390,000 shares (before the above stock split) through third party allotment. Basic earnings per share for the above consolidated financial forecasts are calculated by reflecting the number of shares newly issued with the capital increase on the number of shares after this stock split.

Notes:
(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None
New: None
Excluded: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
a. Changes in accounting policies due to revisions to accounting standards and other guidelines: None
b. Changes in accounting policies due to reasons other than a. above: None
c. Changes in accounting estimates: None
d. Restatement of revisions: None

(3) Number of common shares issued
a. Total number of issued shares at the end of the period (including treasury stock)
As of November 30, 2017 67,970,400 shares
As of November 30, 2016 61,749,000 shares

b. Number of shares of treasury stock at the end of the period
As of November 30, 2017 222 shares
As of November 30, 2016 3,291,222 shares

c. Average number of shares
For the year ended November 30, 2017 59,132,078 shares
For the year ended November 30, 2016 59,545,122 shares

Note: The Company conducted a two-for-one stock split of common shares on April 1, 2017 and a three-for-one stock split of common shares on December 1, 2017. Total number of issued shares at the end of the period, number of shares of treasury stock at the end of the period and average number of shares are calculated upon the assumption that the stock splits were conducted at the beginning of the previous consolidated fiscal year.

(Reference) Summary of Non-Consolidated Operating Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended November 30, 2017 (From December 1, 2016 to November 30, 2017)

(1) Non-Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2017	118,943	36.4	3,344	62.8	3,274	58.8	2,201	64.8
November 30, 2016	87,184	38.1	2,054	68.9	2,061	59.9	1,335	65.5

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
November 30, 2017	37.23	34.13
November 30, 2016	22.43	21.32

Note: The Company conducted a two-for-one stock split of common shares on April 1, 2017 and a three-for-one stock split of common shares on December 1, 2017. Basic earnings per share and diluted earnings per share are calculated upon the assumption that the stock splits were conducted at the beginning of the previous fiscal year.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
November 30, 2017	35,407	14,958	42.2	220.00
November 30, 2016	23,370	5,375	23.0	91.86

Reference: NEXTAGE shareholders’ equity
As of November 30, 2017: ¥14,953 million
As of November 30, 2016: ¥5,370 million

Note: The Company conducted a two-for-one stock split of common shares on April 1, 2017 and a three-for-one stock split of common shares on December 1, 2017. Net assets per share are calculated upon the assumption that the stock splits were conducted at the beginning of the previous fiscal year.

2. Non-Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2018 (From December 1, 2017 to November 30, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending May 31, 2018	64,500	12.1	1,600	2.6	1,090	2.4	18.43
Fiscal year ending November 30, 2018	134,500	13.1	3,650	11.5	2,450	11.3	36.05

Notes

1. The Company conducted a three-for-one stock split of common shares on December 1, 2017.
2. With a payment date of November 28, 2017, the Company had 1,503,000 shares (before the above stock split) increased through public offering and 390,000 shares (before the above stock split) through third party allotment. Basic earnings per share for the above non-consolidated financial forecasts are calculated by reflecting the number of shares newly issued with the capital increase on the number of shares after this stock split.

* This report is not subject to audit.

* Proper use of financial forecasts, and other special matters

Financial forecasts and other statements about the future that are included in this material are based on information currently in the possession of the Company and certain conditions judged reasonable by the Company. Actual results may differ significantly due to various factors. For notes on the conditions for financial forecasts and the use of financial forecasts, please refer to “Analysis of Operating Results” beginning on page 2 of the attached documentation.

Attachment Contents

1. Overview of Operating Results, etc.

(1) Analysis of Operating Results

1) Operating Performance and Results

In fiscal 2017, the year ended November 30, 2017, the Japanese economy saw a recovery trend in corporate earnings against a backdrop of government economic policies, and a moderate recovery in personal consumption as a result of improvement in employment and personal income. Although the global economy is expected to continue a moderate recovery, the situation remains uncertain in Middle Eastern and Asian countries due to uncertainty about government policies.

In this environment, in the Japanese used car sales industry, domestic used car registrations from December 2016 through November 2017 were 6,448,527 vehicles (up 2.6% year on year). By vehicle type, used car registrations were 3,386,752 vehicles (up 3.0%) for ordinary passenger cars and 3,061,775 vehicles (up 2.2%) for kei-cars for the same period. (Source: statistical data from the Japan Automobile Dealers Association and Japan Light Motor Vehicle and Motorcycle Association.)

In this business environment, the NEXTAGE Group has invested capital in facilities for vehicle safety inspection and maintenance work as well as vehicle purchasing operations, while continuously working to improve opportunity loss. In dealership openings, the Group opened the Kumamoto Store in January 2017, Kusatsu Store in April 2017 and Gifu Route 21 Bypass Store in September 2017 as general stores, and eleven vehicle purchasing specialist stores as storefront additions to existing dealerships. In addition, with regard to authorized imported car dealerships, the Group opened “Volvo Car Sakai” and “Volvo Car Toyama” in January 2017, and “JAGUAR LAND ROVER Tenpaku” as an authorized imported car dealership for a new brand in September 2017.

As a result, for fiscal 2017, the Group posted net sales of ¥118,971 million (up 36.4% year on year), operating profit of ¥3,474 million (up 60.6%), ordinary profit of ¥3,304 million (up 58.4%), and profit attributable to owners of parent of ¥2,262 million (up 69.6%).

Used car dealership business

In the used car dealership business, the store count as of November 30, 2017 was 47 dealership bases (comprising 70 storefronts). New store openings consisted of 1 dealership base (1 storefront) in the Tokai-Hokuriku region, 1 dealership base (1 storefront) in the Kansai region, and 1 dealership base (1 storefront) in the Kyushu-Okinawa region. On the other hand, the Group closed 2 dealership bases (2 storefronts) in the Tokai-Hokuriku region, and integrated its storefront additions in the Hokkaido-Tohoku, Kanto-Koshinetsu, Tokai-Hokuriku and Kyushu-Okinawa regions (4 storefronts). Furthermore, the Group opened 11 vehicle purchasing specialist stores as storefront additions in the Hokkaido-Tohoku, Kanto-Koshinetsu, Kansai and Kyushu-Okinawa regions.

New car dealership business

In the new car dealership business, the store count as of November 30, 2017 was 4 dealership bases (comprising 4 storefronts). New store openings consisted of 1 dealership base (1 storefront) in the Kansai region and 2 dealership bases (2 storefronts) in the Tokai-Hokuriku region.

As a result, the store count as of November 30, 2017 was 51 dealership bases (comprising 74 storefronts).

Regional breakdowns of net sales were as follows.

	Fiscal 2016 (From December 1, 2015 to November 30, 2016)			Fiscal 2017 (From December 1, 2016 to November 30, 2017)			Change YoY		
	Sales amount (¥ thousand)	Bases at year-end	Sales volume (vehicles)	Sales amount (¥ thousand)	Bases at year-end	Sales volume (vehicles)	Sales amount (%)	Bases at year-end	Sales volume (%)
Hokkaido-Tohoku	10,161,832	5 (7)	6,963	12,076,938	5 (7)	7,948	118.8	— (—)	114.1
Kanto-Koshinetsu	24,598,307	10 (12)	14,652	30,476,306	10 (16)	18,890	123.9	— (4)	128.9
Tokai-Hokuriku	34,060,077	22 (32)	25,876	49,059,624	23 (32)	36,935	144.0	1 (—)	142.7
Kansai	7,757,878	5 (5)	4,182	13,005,753	7 (10)	7,226	167.6	2 (5)	172.8
Kyushu-Okinawa	10,270,167	5 (7)	6,628	14,353,376	6 (9)	9,759	139.8	1 (2)	147.2
Overseas (Used car export)	352,947	— (—)	983	—	— (—)	—	—	— —	—
Total	87,201,209	47 (63)	59,284	118,971,998	51 (74)	80,758	136.4	4 (11)	136.2

Notes:
1. Consumption and other sales taxes were not included in the amounts above.
2. The regions were composed of the following prefectures in which the Group has bases.
   Hokkaido-Tohoku: Hokkaido, Miyagi Prefecture
   Kanto-Koshinetsu: Gunma Prefecture, Saitama Prefecture, Chiba Prefecture, Metropolitan Tokyo, Tochigi Prefecture, Yamanashi Prefecture, Niigata Prefecture
   Tokai-Hokuriku: Gifu Prefecture, Aichi Prefecture, Mie Prefecture, Shizuoka Prefecture, Toyama Prefecture, Ishikawa Prefecture
   Kansai: Shiga Prefecture, Osaka Prefecture, Hyogo Prefecture
   Kyushu-Okinawa: Fukuoka Prefecture, Kumamoto Prefecture
   The Group ended sales activities for the overseas export business in November 2016.
3. Figures in parentheses under bases at year-end represent the number of storefronts. The number of dealership bases varies from the number of storefronts because a dealership base may have multiple storefronts for various types of vehicles as well as vehicle purchasing stores.

2) Outlook for Fiscal 2018

The Company will proactively open more dealerships, centered on large-scale dealerships including general stores and SUV LAND, in order to conduct vehicle sales, maintenance and purchases in the vehicle sales-related business cycle at one stop. At the same time, the Company will establish a purchasing environment which does not rely on vehicle auctions, by opening vehicle purchasing specialist stores as storefront additions to existing dealerships. In addition, the Company will enhance the quality of customer reception and other services and strengthen its sales capabilities, emphasizing employee education and training for sales staff.

As for other initiatives, in order to maximize insurance revenues, the Company will implement thorough employee education and training in collaboration with non-life insurance companies, and strive to improve the rate of acquisition of automobile insurance contracts. The Company will also work to build close relationships with customers through efforts to increase insurance contracts, to raise the rate of return of vehicles to the Company's maintenance factories for vehicle safety inspection and repair work, thereby increasing vehicle maintenance revenues.

Consequently, in fiscal 2018 the Company is forecasting ¥135,000 million in net sales (up 13.5% year on year), ¥3,800 million in operating profit (up 9.4%), ¥3,700 million in ordinary profit (up 12.0%), and ¥2,500 million in profit attributable to owners of parent (up 10.5%).

(2) Analysis of Financial Position

1) Assets, Liabilities, and Net Assets

Total assets as of November 30, 2017, the fiscal year-end, were ¥35,523 million, an increase of ¥12,057 million from the previous fiscal year-end.

Total current assets had increased ¥9,410 million from the previous fiscal year-end to ¥26,368 million. The main contributing factors were increases of ¥4,441 million in cash and deposits, ¥2,695 million in merchandise and ¥2,107 million in accounts receivable – trade.

Total non-current assets had increased ¥2,647 million from the previous fiscal year-end to ¥9,154 million. The main contributing factors were increases of ¥899 million in buildings and structures, ¥403 million in machinery, equipment and vehicles and ¥779 million in construction in progress, as well as an increase of ¥258 million in payments for guarantee deposits, primarily in connection with the opening of new stores.

Total current liabilities had increased by ¥3,500 million from the previous fiscal year-end to ¥12,186 million. The main contributing factors were increases of ¥562 million in accounts payable – trade and ¥2,330 million in short-term loans payable.

Total non-current liabilities had decreased ¥1,076 million from the previous fiscal year-end to ¥8,251 million. The main contributing factor was a decrease of ¥1,282 million in long-term loans payable.

Total net assets had increased ¥9,633 million from the previous fiscal year-end to ¥15,085 million. The contributing factors were increases of ¥2,360 million in capital stock, ¥4,681million in capital surplus and ¥2,203 million in retained earnings, mainly owing to a capital increase due to issuance of common shares.

2) Cash Flows

Cash and cash equivalents (“cash”) at November 30, 2017 was ¥6,639 million, an increase of ¥4,441 million from the previous fiscal year-end. Cash flows during the fiscal year under review and analysis of the main components were as follows:

Cash Flows from Operating Activities

Net cash used in operating activities was ¥266 million, compared with ¥90 million in the previous fiscal year. The main components were profit before income taxes of ¥3,254 million, depreciation of ¥917 million, and increase in notes and accounts payable – trade of ¥562 million, partly offset by increase in inventories of ¥2,785 million, increase in notes and accounts receivable – trade of ¥2,107 million, and income taxes paid of ¥838 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥3,478 million, compared with ¥2,137 million in the previous fiscal year. The main components were purchase of property, plant and equipment of ¥2,948 million accompanying new store openings, purchase of intangible assets of ¥308 million and payments for guarantee deposits of ¥268 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥8,187 million, compared with ¥2,642 million in the previous fiscal year. The main components were a net increase in short-term loans payable of ¥2,330 million, proceeds from issuance of common shares of ¥4,718 million and proceeds from sales of treasury shares of ¥2,718 million, partly offset by repayments of long-term loans payable of ¥1,128 million.

(Reference) Trends in Cash Flow Indicators

	Fiscal 2016	Fiscal 2017
Equity ratio (%)	23.2	42.5
Market-value equity ratio (%)	45.5	174.3
Interest-bearing debt to cash flow ratio (Years)	—	—
Interest coverage ratio (Times)	—	—

Equity ratio: NEXTAGE shareholders' equity / total assets
Market-value equity ratio: market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest bearing debt / operating cash flow
Interest coverage ratio: operating cash flow / interest payments

Notes:
1. All of the aforementioned indicators are calculated from consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares excluding treasury stock.
3. The figures used for cash flow are cash flow from operating activities.
4. Interest-bearing debt represents all liabilities recorded on the consolidated balance sheets for which interest is paid.
5. The interest-bearing-debt to cash-flow ratio and interest coverage ratio for fiscal 2016 and fiscal 2017 are omitted due to negative operating cash flow.

(3) Basic Policy on Distribution of Profits and Dividends for Fiscal 2017 and Fiscal 2018

The Company considers it a top priority to secure returns for shareholders from its operations, and has a policy of consistently distributing some of its retained earnings (profits) as stable dividends to shareholders. In principle the Company plans to pay a year-end dividend each fiscal year, with the General Meeting of Shareholders as the body approving the dividend.

Based on this dividend policy, the Company plans to pay dividends after setting aside a portion of retained earnings as cash on hand for enhancing shareholders' equity and as reserves for investing effectively in the Group's growth, including in the development of stores in which growth can be expected.

The Company has established a provision in its Articles of Incorporation stipulating that the Company may issue an interim dividend pursuant to a resolution by the Board of Directors, with May 31 as the record date.

Based on the above, the Company planned to pay an annual dividend of ¥3 per share for fiscal 2017. However, in consideration of the importance of securing returns for shareholders from its operations, the Company plans to pay an annual dividend of ¥6 per share.

In addition, based on the above policy, the Company is also planning to pay an annual dividend of ¥2 per share for fiscal 2018, which is substantially the same as fiscal 2017.

(Note) The Company has resolved at the Board of Directors' meeting held on October 10, 2017 to conduct a three-for-one stock split of common shares, with an effective date of December 1, 2017. The Company plans to pay an annual dividend of ¥6 per share for fiscal 2018, the same as fiscal 2017, which is presented as an annual dividend of ¥2 per share in consideration of the stock split.

2. Management Policies

(1) Basic Management Policies of the Company

Based on a management philosophy of “Providing hope to everyone by tearing down conventions of the automotive retail industry,” the NEXTAGE Group has conducted business activities positioning the retail of automobiles to customers as a core operation. To this end, the Group has endeavored to execute fair and transparent used car transactions with sincerity in compliance with laws, regulations and social norms as it expands the scope of vehicles it handles from used Japanese cars to well-known European and American brands.

The Group will develop storefronts centered on large-scale general stores with enhanced maintenance facilities and vehicle purchasing stores and SUV LAND, seeking to maximize the profits from the used car business cycle. In the authorized imported car dealership business, with a view to achieving synergy effects with the used car dealership business, the Group will implement employee education and training and allocation of human resources aimed at sharing of best practices.

(2) Key Performance Indicators

The Group’s basic policy is to follow its medium- to long-term management plan, investing proactively while placing maximum emphasis on return on invested capital. With this approach, the Group is aiming to achieve consolidated net sales of ¥200 billion and consolidated ordinary profit of ¥10 billion in fiscal 2020 under the 2020 Medium-term Plan. In the long-term, under the 2030 Long-term Plan, the Group is aiming to achieve consolidated net sales of ¥1 trillion and establish the Group’s position as a leading company in the industry.

(3) Medium- to Long-Term Management Strategies of the Company

As a medium- to long-term management strategy, the Group has an investment policy for developing multiple storefronts to increase both market share and profits. Specifically, the Group is planning to continue opening large-scale dealerships with enhanced maintenance facilities, aimed at generating a consistent stream of vehicle maintenance revenues and to bolster the vehicle purchasing operation in order to increase revenues. To expand operations going forward, the Group will strengthen its sales capabilities through training and education incorporating best practices from its top salespeople based on a firm conviction that people are its greatest asset. The Group will also focus on equipping its people with execution capabilities that will enable them to overcome difficulties along with a well-developed sense of ethics. In this way, the Group will adhere to corporate compliance requirements, which are emphasized in recent years, and conduct management activities as a company trusted by all stakeholders.

(4) Key Priorities Ahead

The Japanese used car sales market continues to be stagnant. Faced with this situation, the Group continues to promote growth strategies and to increase its revenues and profits by growing its sales share in the domestic market. However, to make profits in a market gripped by intensifying competition, the Group can no longer rely solely on vehicle auctions for its purchasing, and must develop channels for purchasing directly from customers. For this reason, in its future dealership-opening activities, it is crucial to build a structure capable of responding to the expected further oligopolization of the market, while investing capital proactively in the vehicle purchasing operation.

The used car market is expected to continue presenting an adverse business environment, and further reorganization and elimination of industry players is expected to occur. Going forward, it is crucial to reinforce the Group’s revenue structure by maximizing the used car sales-related business cycle, which includes acquisition of insurance contracts, vehicle safety inspection and maintenance, and vehicle purchases, in addition to the existing business model of expanding market share through sales of vehicles and car accessories.

Furthermore, due to the declining working population, securing human resources is expected to become more difficult than ever. Therefore, it is crucially important to create a system that ensures the Group is able to secure more qualified human resources and to implement measures to improve the work environment, etc., and develop a more enhanced education and training system.

The Group has positioned employee education and training as its most important issue to address, and is aiming for corporate management that enables anyone to offer “provided value” that exceeds the price – one of the corporate principles, by sharing internal best practices among all of the Company’s sales staff.

3. Basic Stance on the Selection of Accounting Standards

The NEXTAGE Group applies Japanese generally accepted accounting principles (J-GAAP) as its accounting standard to ensure the comparability of its financial statements with other companies in its industry in Japan. The Group will review the adoption of International Financial Reporting Standards (IFRS) should the need arise, in view of changes in the shareholding ratio of its stock by foreign investors.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2016 (As of November 30, 2016)	Fiscal 2017 (As of November 30, 2017)
Assets		
Current assets		
Cash and deposits	2,228,407	6,670,356
Accounts receivable – trade	1,029,212	3,136,335
Merchandise	12,522,498	15,217,655
Work in process	8,452	57,712
Supplies	85,438	126,637
Deferred tax assets	153,444	210,697
Other	933,368	951,411
Allowance for doubtful accounts	(2,373)	(1,861)
Total current assets	16,958,448	26,368,946
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,759,770	7,401,032
Accumulated depreciation	(2,061,571)	(2,803,350)
Buildings and structures, net	3,698,198	4,597,682
Machinery, equipment and vehicles	488,178	1,054,960
Accumulated depreciation	(168,997)	(332,023)
Machinery, equipment and vehicles, net	319,180	722,936
Construction in progress	271,021	1,050,494
Other	567,695	905,825
Accumulated depreciation	(336,622)	(502,207)
Other, net	231,072	403,618
Total property, plant and equipment	4,519,473	6,774,731
Intangible assets	470,026	717,118
Investments and other assets		
Investment securities	116,326	97,504
Long-term loans receivable	125,783	45,578
Net defined benefit asset	247,940	250,265
Deferred tax assets	28,988	66,277
Guarantee deposits	853,082	1,111,457
Real estate for investment	113,404	80,300
Accumulated depreciation	(65,568)	(68,629)
Real estate for investment, net	47,836	11,670
Other	97,902	79,853
Total investments and other assets	1,517,860	1,662,607
Total non-current asset	6,507,361	9,154,457
Total assets	23,465,809	35,523,403

(Thousands of yen)

	Fiscal 2016 (As of November 30, 2016)	Fiscal 2017 (As of November 30, 2017)
Liabilities		
Current liabilities		
Accounts payable – trade	1,739,709	2,301,874
Short-term loans payable	2,483,000	4,813,000
Current portion of bonds	390,000	—
Current portion of long-term loans payable	1,128,361	1,282,461
Lease obligations	—	28,412
Income taxes payable	522,057	861,226
Asset retirement obligations	—	4,802
Other	2,422,953	2,894,398
Total current liabilities	8,686,081	12,186,175
Non-current liabilities		
Bonds payable	1,000,000	1,000,000
Long-term loans payable	7,908,392	6,625,931
Lease obligations	—	105,094
Asset retirement obligations	375,078	468,953
Other	44,303	51,793
Total non-current liabilities	9,327,774	8,251,773
Total liabilities	18,013,856	20,437,949
Net Assets		
Shareholders' equity		
Capital stock	708,236	3,069,163
Capital surplus	794,236	5,476,047
Retained earnings	4,332,171	6,536,058
Treasury shares	(397,405)	(60)
Total shareholders' equity	5,437,239	15,081,209
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	305
Remeasurements of defined benefit plans	9,364	(941)
Total accumulated other comprehensive income	9,364	(635)
Subscription rights to shares	5,350	4,880
Total net assets	5,451,953	15,085,454
Total liabilities and net assets	23,465,809	35,523,403

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	Fiscal 2016 (From December 1, 2015 to November 30, 2016)	Fiscal 2017 (From December 1, 2016 to November 30, 2017)
Net sales	87,201,209	118,971,998
Cost of sales	74,279,340	99,968,458
Gross profit	12,921,869	19,003,539
Selling, general and administrative expenses	10,758,355	15,528,851
Operating profit	2,163,513	3,474,687
Non-operating income		
Interest and dividend income	2,025	3,044
House rent income	21,170	20,930
Waste recycling income	12,355	14,922
Consulting fee income	15,516	38,126
Subsidy income	24,216	—
Other	75,993	72,498
Total non-operating income	151,278	149,521
Non-operating expenses		
Interest expenses	72,894	70,101
Rent cost	18,989	18,627
Commission fee	80,727	124,332
Amortization of bond issuance cost	10,768	—
Share of loss of entities accounted for using equity method	32,151	87,431
Other	12,845	19,132
Total non-operating expenses	228,376	319,626
Ordinary profit	2,086,415	3,304,582
Extraordinary income		
Gain on sales of non-current assets	—	8,630
Gain on reversal of subscription rights to shares	227	233
Total extraordinary income	227	8,863
Extraordinary losses		
Loss on sales of non-current assets	291	—
Impairment loss	115,775	59,104
Total extraordinary losses	116,067	59,104
Profit before income taxes	1,970,576	3,254,342
Income taxes – current	722,546	1,082,015
Income taxes – deferred	(85,746)	(90,017)
Total income taxes	636,799	991,997
Profit	1,333,776	2,262,344
Profit attributable to owners of parent	1,333,776	2,262,344

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal 2016 (From December 1, 2015 to November 30, 2016)	Fiscal 2017 (From December 1, 2016 to November 30, 2017)
Profit	1,333,776	2,262,344
Other comprehensive income		
Valuation difference on available-for-sale securities	—	305
Remeasurements of defined benefit plans, net of tax	(3,729)	(10,305)
Total other comprehensive income	(3,729)	(9,999)
Comprehensive income	1,330,046	2,252,345
Comprehensive income attributable to:		
Owners of parent	1,330,046	2,252,345
Non-controlling interests	—	—

(3) Consolidated Statements of Changes in Equity

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	706,463	792,463	3,059,069	(99,220)	4,458,776
Changes of items during period					
Issuance of new shares	1,773	1,773			3,546
Dividends of surplus			(60,674)		(60,674)
Profit attributable to owners of parent			1,333,776		1,333,776
Purchase of treasury shares				(298,185)	(298,185)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	1,773	1,773	1,273,101	(298,185)	978,462
Balance at end of current period	708,236	794,236	4,332,171	(397,405)	5,437,239

(Thousands of yen)

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Remeasuremens of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	—	13,093	13,093	5,577	4,477,447
Changes of items during period					
Issuance of new shares					3,546
Dividends of surplus					(60,674)
Profit attributable to owners of parent					1,333,776
Purchase of treasury shares					(298,185)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity	—	(3,729)	(3,729)	(227)	(3,956)
Total changes of items during period	—	(3,729)	(3,729)	(227)	974,505
Balance at end of current period	—	9,364	9,364	5,350	5,451,953

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	708,236	794,236	4,332,171	(397,405)	5,437,239
Changes of items during period					
Issuance of new shares	2,360,927	2,360,691			4,721,618
Dividends of surplus			(58,457)		(58,457)
Profit attributable to owners of parent			2,262,344		2,262,344
Purchase of treasury shares					—
Disposal of treasury shares		2,321,119		397,344	2,718,464
Net changes of items other than shareholders' equity					
Total changes of items during period	2,360,927	4,681,810	2,203,887	397,344	9,643,970
Balance at end of current period	3,069,163	5,476,047	6,536,058	(60)	15,081,209

(Thousands of yen)

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	—	9,364	9,364	5,350	5,451,953
Changes of items during period					
Issuance of new shares				(236)	4,721,382
Dividends of surplus					(58,457)
Profit attributable to owners of parent					2,262,344
Purchase of treasury shares					—
Disposal of treasury shares					2,718,464
Net changes of items other than shareholders' equity	305	(10,305)	(9,999)	(233)	(10,233)
Total changes of items during period	305	(10,305)	(9,999)	(469)	9,633,500
Balance at end of current period	305	(941)	(635)	4,880	15,085,454

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal 2016 (From December 1, 2015 to November 30, 2016)	Fiscal 2017 (From December 1, 2016 to November 30, 2017)
Cash flows from operating activities		
Profit before income taxes	1,970,576	3,254,342
Depreciation	714,752	917,933
Impairment loss	115,775	59,104
Increase (decrease) in allowance for doubtful accounts	175	(511)
Increase in net defined benefit asset	(16,862)	(2,325)
Interest and dividend income	(2,025)	(3,044)
Interest expenses	72,894	70,101
Commission fee	6,184	6,296
Bond issuance cost	10,768	—
Foreign exchange losses	2,292	—
Share of loss of entities accounted for using equity method	32,151	87,431
Gain on reversal of subscription rights to shares	(227)	(233)
(Gain) loss on sales of property, plant and equipment	291	(8,630)
Increase in notes and accounts receivable – trade	(581,605)	(2,107,035)
Increase in inventories	(2,478,694)	(2,785,617)
Increase in notes and accounts payable – trade	496,587	562,164
Increase in advances received	333,317	128,541
Other	(82,391)	466,638
Subtotal	593,960	645,157
Interest and dividend income received	1,775	1,009
Interest expenses paid	(71,246)	(73,698)
Income taxes paid	(614,797)	(838,667)
Net cash used in operating activities	(90,307)	(266,199)
Cash flows from investing activities		
Payments into time deposits	(73,300)	(73,600)
Proceeds from withdrawal of time deposits	73,600	73,600
Purchase of property, plant and equipment	(1,504,527)	(2,948,567)
Proceeds from sales of property, plant and equipment	383	46,563
Purchase of intangible assets	(258,617)	(308,081)
Purchase of investment securities	(100,000)	—
Payments of loans receivable	(114,140)	(500)
Payments for guarantee deposits	(173,567)	(268,358)
Proceeds from collection of guarantee deposits	15,981	3,434
Other	(3,740)	(3,466)
Net cash used in investing activities	(2,137,928)	(3,478,976)

(Thousands of yen)

	Fiscal 2016 (From December 1, 2015 to November 30, 2016)	Fiscal 2017 (From December 1, 2016 to November 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(417,000)	2,330,000
Proceeds from long-term loans payable	3,850,000	―
Repayments of long-term loans payable	(1,207,054)	(1,128,361)
Proceeds from issuance of bonds	989,231	―
Redemption of bonds	(210,000)	(390,000)
Proceeds from issuance of common shares	3,546	4,718,887
Purchase of treasury shares	(300,384)	―
Proceeds from disposal of treasury shares	―	2,718,464
Cash dividends paid	(60,514)	(58,616)
Commissions paid for syndicate loan	(4,850)	(3,250)
Net cash provided by financing activities	2,642,974	8,187,124
Effect of exchange rate change on cash and cash equivalents	(2,292)	―
Net increase in cash and cash equivalents	412,446	4,441,948
Cash and cash equivalents at beginning of period	1,785,361	2,197,807
Cash and cash equivalents at end of period	2,197,807	6,639,756

(5) Notes to the Consolidated Financial Statements

(Uncertainties of entity's ability to continue as going concern)

None

(Significant accounting policies for preparation of consolidated financial statements)

1. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: 2

Name of consolidated subsidiaries: ASAP Co., Ltd.
NEW Co., Ltd.

(2) Unconsolidated subsidiaries

None

2. Disclosure about application of equity method

(1) Number of unconsolidated subsidiaries and associates accounted for using equity method: 1

Name of company: Fortuna Co., Ltd.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

The fiscal year-end of the consolidated subsidiaries matches the consolidated fiscal year-end of the Company.

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

i. Marketable securities

Other marketable securities

Items without available fair values

Measured at cost using the moving average method.

Investments in investment partnerships and other such partnerships (those considered as marketable securities under Article 2 Paragraph 2 of the Financial Instruments & Exchange Act) are measured by incorporating the net amount of the Company's equity based on the most recent financial report available as of the financial reporting date stipulated in the partnership agreement.

ii. Inventories

Merchandise and work in process

Measured at cost by the specific identification method (the balance sheet value is calculated by writing down the carrying amount based on the decrease in profitability)

Supplies

Measured at cost by the latest purchase price method (the balance sheet value is calculated by writing down the carrying amount based on the decrease in profitability)

(2) Accounting policy for depreciation of significant assets

i. Property, plant and equipment (excluding lease assets) and real estate for investment

Buildings are measured by the straight-line method (excluding facilities attached to buildings) and other non-current assets are measured by the declining-balance method.

The main useful lives are measured as follows.

Buildings and structures	3 – 39 years
Machinery, equipment and vehicles	2 – 15 years
Real estate for investment	10 – 20 years

ii. Intangible assets (excluding lease assets)

Measured by the straight-line method.

Software used by the Company is measured based on the estimated useful life within the Company (five years).

iii. Lease assets

Lease assets relating to finance lease transactions without transfer of ownership are depreciated by the straight-line method over the lease term.

(3) Accounting policy for deferred assets

Share issuance cost

The entire amount of cost is recognized when incurred

(4) Accounting policy for significant provisions

Allowance for doubtful accounts

To provide for loss due to bad debts, the Company recognizes the amount of its ordinary receivables multiplied by the loan loss ratio, and the expected unrecoverable amounts for particular receivables such as doubtful accounts receivable after examining the individual potential for recovery in each case.

(5) Accounting policy for retirement benefits

i. Method of attributing expected benefit to periods

In calculating retirement benefit obligations, the expected retirement benefit amount to the service period up until the end of the consolidated fiscal year under review is attributed on the benefit formula basis.

ii. Method of accounting for actuarial gains and losses

Actuarial gains and losses are recognized in profit and loss in amounts distributed proportionately from the consolidated fiscal year in which they arise by the straight-line method over a certain number of years not longer than the average remaining service period of the executives and employees (six years) when they arise in each consolidated fiscal year.

(6) Accounting policy for hedging

i. Accounting policy for hedging

Interest rate swaps are accounted for using “exceptional accounting” (tokurei shori) as they qualify for this.

ii. Hedging methods and hedged items

(Hedging methods)	(Hedged items)
Interest rate swaps	Interest on borrowings

iii. Hedging policy

The Company conducts interest-rate swap transactions to mitigate interest-rate fluctuation risk on its borrowings. Hedged items are recognized separately for each individual contract.

iv. Method for evaluating hedge efficacy

Interest rate swaps qualify for “exceptional accounting” (tokurei shori) and the evaluation of their efficacy on the consolidated closing date is therefore omitted.

(7) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investment that are readily convertible into cash, have only a small risk of value fluctuation, and have maturity dates within three months from the date of acquisition.

(8) Other important matters in preparation of the consolidated financial statements

Accounting policy for consumption taxes

Financial statements are prepared excluding consumption taxes.

(Additional information)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the consolidated fiscal year under review.

(Segment information, etc.)

Segment information

Segment information is omitted as the Group has only a single segment, which is engaged in automobile sales and associated services.

Information associated with reportable segments

Fiscal 2016 (December 1, 2015 to November 30, 2016)

1. Information for each product or service

This information is omitted as sales to external customers for a single product or services category exceed 90% of the net sales reported in the consolidated statements of income.

2. Information for each region

(1) Revenues from external customers

This information is omitted because revenues from external customers in Japan exceed 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

There is no relevant information as the Company does not own any property, plant and equipment outside of Japan.

3. Information for each of main customers

This information is not recorded because there are no cases where revenues from an external customer account for 10% or more of net sales in the consolidated statements of income.

Fiscal 2017 (December 1, 2016 to November 30, 2017)

1. Information for each product or service

This information is omitted because revenues from external customers for a single product or service category exceed 90% of net sales in the consolidated statements of income.

2. Information for each region

(1) Revenues from external customers

This information is omitted because revenues from external customers in Japan exceed 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

There is no relevant information as the Company does not own any property, plant and equipment outside of Japan.

3. Information for each of main customers

This information is not recorded because there are no cases where revenues from an external customer account for 10% or more of net sales in the consolidated statements of income.

Disclosure of impairment loss on non-current assets for each reportable segment

Segment information is omitted as the Group has only a single segment.

Amortization and unamortized balance of goodwill for each reportable segment

Not applicable.

Information about gain on bargain purchase for each reportable segment

Not applicable.

(Per-share information)

	Previous fiscal year (December 1, 2015 to November 30, 2016)	Fiscal year under review (December 1, 2016 to November 30, 2017)
Net assets per share	¥93.17	¥221.87
Basic earnings per share	¥22.40	¥38.26
Diluted earnings per share	¥21.29	¥35.08

Notes: 1. The Company conducted a two-for-one stock split of common shares on April 1, 2017 and a three-for-one stock split of common shares on December 1, 2017. The figures of net assets per share, basic earnings per share and diluted earnings per share are calculated upon the assumption that the stock splits were conducted at the beginning of the previous consolidated fiscal year.

2. The basis for calculation of basic earnings per share and diluted earnings per share is as follows.

Item	Previous fiscal year (December 1, 2015 to November 30, 2016)	Fiscal year under review (December 1, 2016 to November 30, 2017)
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	1,333,776	2,262,344
Amount not attributable to ordinary shareholders (Thousand yen)	—	—
Profit attributable to owners of parent related to common shares (Thousand yen)	1,333,776	2,262,344
Average number of common shares during the period	59,545,122	59,132,078
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Thousand yen)	—	—
Increase in number of common shares (Shares)	3,096,162	5,367,465
(Of which, subscription rights to shares) (Shares)	(3,096,162)	(5,367,465)
Summary of convertible securities not included in diluted earnings per share due to having no dilutive effect	—	—

2. The basis for calculation of net assets per share is as follows.

Item	Fiscal 2016 (As of November 30, 2016)	Fiscal 2017 (As of November 30, 2017)
Total amount in net assets (Thousand yen)	5,451,953	15,085,454
Amount deducted from total amount in net assets (Thousand yen)	5,350	4,880
(Of which, subscription rights to shares) (Thousand yen)	(5,350)	(4,880)
Net assets at the end of the period related to common shares (Thousand yen)	5,446,603	15,080,573
Number of common shares at the end of the period used for calculation of net assets per share (Shares)	58,457,778	67,970,178

(Significant events after reporting period)

1. Stock split and partial amendments to the Articles of Incorporation

Based on the resolution at the Board of Directors' meeting held on October 10, 2017, the Company conducted a stock split and made partial amendments to its Articles of Incorporation on December 1, 2017.

(1) Purpose of the stock split

The Company has been working to increase the number of stable shareholders through IR activities. However, in light of the current number of shareholders and trends in stock price, it is necessary to improve the investment environment for the Company’s shares, by increasing and maintaining the liquidity of the Company’s shares and lowering the price of share-trading units. The Company believes that implementation of the stock split enables the Company to broaden its investor base.

(2) Outline of the stock split

i. Method of the stock split

Each share of common stock held by shareholders listed or recorded in the register of shareholders as of the end of the day on the record date, which was November 30, 2017, was split into three.

ii. Increase in total number of authorized shares

The Company made partial amendments to its Articles of Incorporation on December 1, 2017, and increased the total number of authorized shares by 120,192,000 shares to 180,288,000 shares.

(3) Timing of the stock split

The effective date shall be December 1, 2017.

(4) Impact on per-share information

The figures in per-share information are calculated assuming the stock split was conducted at the beginning of the previous consolidated fiscal year, and the impact on per-share information is stated in the corresponding section.