



July 9, 2018

Consolidated Financial Results for the Six Months Ended May 31, 2018

(Japanese Accounting Standards)

Name of listed company: **NEXTAGE Co., Ltd.**
 Stock Exchange Listings: Tokyo, Nagoya
 Stock code: 3186
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Scheduled date to file Quarterly Securities Report: July 9, 2018
 Scheduled date to commence dividend payments: -
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended May 31, 2018 (From December 1, 2017 to May 31, 2018)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2018	75,641	31.4	2,016	25.7	1,866	18.7	1,207	12.7
May 31, 2017	57,564	37.3	1,604	45.6	1,572	48.8	1,071	52.4

Reference: Comprehensive income

For the six months ended May 31, 2018: ¥1,205 million, [12.7%]

For the six months ended May 31, 2017: ¥1,069 million, [51.0%]

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
May 31, 2018	17.67	16.42
May 31, 2017	18.28	16.78

Reference: Equity in earnings (losses) of affiliates

For the six months ended May 31, 2018: ¥- million

For the six months ended May 31, 2017: ¥(14) million

Note: The Company conducted 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 split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
May 31, 2018	45,432	16,251	35.8
November 30, 2017	35,523	15,085	42.5

Reference: NEXTAGE shareholders' equity

As of May 31, 2018: ¥16,247 million

As of November 30, 2017: ¥15,080 million

2. Cash Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended November 30, 2017	—	0.00	—	6.00	6.00
Fiscal year ending November 30, 2018	—	0.00			
Fiscal year ending November 30, 2018 (forecasts)			—	2.00	2.00

Notes 1. Revision to the latest forecast of dividends: None

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
Fiscal year ending November 30, 2018	135,000	13.5	3,800	9.4	3,700	12.0	2,500	10.5	36.21

Note: Revision to the latest forecast of financial results: None

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) Adoption of accounting method specific to preparation of quarterly consolidated financial statements: None
- (3) 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
- (4) Number of common shares issued
a. Total number of issued shares at the end of the period (including treasury stock)
As of May 31, 2018 69,040,578 shares
As of November 30, 2017 67,970,400 shares
b. Number of shares of treasury stock at the end of the period
As of May 31, 2018 222 shares
As of November 30, 2017 222 shares
c. Average number of shares
For the six months ended May 31, 2018 68,327,778 shares
For the six months ended May 31, 2017 58,603,878 shares

Note: The Company conducted 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 split was conducted at the beginning of the previous consolidated fiscal year.

- * This report is not subject to quarterly review by certified public accountants or audit firms.
This report is not subject to quarterly review procedures under the Financial Instruments and Exchange Act, and at the time of disclosure of the report, review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act have not been completed.
- * 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 “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attached documentation.
- * Change in unit of amounts presented
Presentation of amounts of items and other amounts in consolidated financial statements of the Company has changed to in million-yen from in thousand-yen starting from the first three months ended February 28, 2018. Amounts for fiscal year ended November 30, 2017 and first six months ended May 31, 2017 are also presented in million-yen for fair comparison.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended May 31, 2018, the Japanese economy continued on a moderate recovery trend as a result of various government policies, and saw a moderate recovery in personal consumption and consumer sentiment, amid ongoing improvement in employment and personal income. Although the global economy is expected to continue a moderate recovery, attention must be paid to situations in China and other emerging countries in Asia, such as the outlook for the economies, impact of uncertainty about government policies, and impact of volatility in the financial and capital markets.

In this environment, in the Japanese used car sales industry, domestic used car registrations from December 2017 through May 2018 were 3,392,081 vehicles (on a par year on year). By vehicle type, used car registrations were 1,736,589 vehicles (down 1.2%) for ordinary passenger cars and 1,655,492 vehicles (up 1.4%) 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 acquired opportunities to provide services by investing capital in facilities for vehicle safety inspection and maintenance work as well as vehicle purchasing operations, while working to improve profitability. In dealership openings, in April 2018, the Group opened “SUV LAND Sakai” as a large-scale specialty store of SUVs, which boasts the largest number of SUV stocks in Japan, and three vehicle purchasing specialist stores as storefront additions to existing dealerships. With regard to authorized imported car dealerships, in April 2018, the Group opened “JAGUAR LAND ROVER Mie Chuo” and “JAGUAR LAND ROVER Yokkaichi” at the same time in Matsusaka City and Yokkaichi City, Mie Prefecture as authorized dealerships for JAGUAR LAND ROVER. As a result, the number of JAGUAR LAND ROVER dealerships totaled three. Furthermore, in March 2018, NEW Co., Ltd., a consolidated subsidiary of the Company, opened the first store “Volkswagen Osaka Joto,” which is one of the largest stores in Osaka Prefecture, as an authorized Volkswagen dealership, and the entire Group is seeking to expand the new car dealership business.

As a result, for the six months ended May 31, 2018, the Group posted net sales of ¥75,641 million (up 31.4% year on year), operating profit of ¥2,016 million (up 25.7%), ordinary profit of ¥1,866 million (up 18.7%), and profit attributable to owners of parent of ¥1,207 million (up 12.7%).

Used car dealership business

In the used car dealership business, the store count as of May 31, 2018 was 49 dealership bases (comprising 77 storefronts). New store openings consisted of 1 dealership base (1 storefront) and 1 vehicle purchasing specialist store as storefront addition in the Kansai region. On the other hand, the Group integrated its storefront additions in the Tohoku, Tokai-Hokuriku and Kansai regions (3 storefronts). Furthermore, the Group opened 2 vehicle purchasing specialist stores as storefront additions in the Hokkaido-Tohoku and Kyushu-Okinawa regions.

New car dealership business

In the new car dealership business, the store count as of May 31, 2018 was 8 dealership bases (comprising 8 storefronts). New store openings consisted of 2 dealership bases (2 storefronts) in the Tokai-Hokuriku region and 1 dealership base (1 storefront) in the Kansai region.

As a result, the store count as of May 31, 2018 was 57 dealership bases (comprising 85 storefronts).

Regional breakdowns of net sales were as follows.

Region	Six months ended May 31, 2017 (From December 1, 2016 to May 31, 2017)			Six months ended May 31, 2018 (From December 1, 2017 to May 31, 2018)			Change YoY		
	Sales amount (¥ million)	Bases at second quarter-end	Sales volume (vehicles)	Sales amount (¥ million)	Bases at second quarter-end	Sales volume (vehicles)	Sales amount (%)	Bases at second quarter-end	Sales volume (%)
Hokkaido-Tohoku	6,123	5 (6)	4,078	7,383	6 (9)	4,456	120.6	1 (3)	109.3
Kanto-Koshinetsu	14,601	10 (13)	8,800	18,186	10 (18)	10,971	124.5	— (5)	124.7
Tokai-Hokuriku	24,393	23 (32)	18,843	30,455	26 (34)	21,114	124.9	3 (2)	112.1
Kansai	5,425	7 (8)	2,737	11,906	10 (15)	7,328	219.5	3 (7)	267.7
Kyushu-Okinawa	7,020	6 (9)	4,784	7,708	5 (9)	4,965	109.8	-1 (—)	103.8
Total	57,564	51 (68)	39,242	75,641	57 (85)	48,834	131.4	6 (17)	124.4

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

3. Figures in parentheses under bases at second quarter-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) Explanation of Financial Position

Total assets as of May 31, 2018 were ¥45,432 million, an increase of ¥9,909 million from the previous fiscal year-end.

Total current assets had increased ¥6,649 million from the previous fiscal year-end to ¥33,018 million. The main contributing factors were increases of ¥4,360 million in cash and deposits, ¥1,290 million in accounts receivable – trade and ¥515 million in merchandise.

Total non-current assets had increased ¥3,260 million from the previous fiscal year-end to ¥12,414 million. The main contributing factor was an increase of ¥2,209 million in buildings and structures, primarily in connection with the opening of new stores.

Total current liabilities had increased by ¥3,610 million from the previous fiscal year-end to ¥15,796 million. The main contributing factors were increases of ¥1,821 million in short-term loans payable and ¥564 million in accounts payable – trade.

Total non-current liabilities had increased ¥5,133 million from the previous fiscal year-end to ¥13,384 million. The main contributing factor was an increase of ¥4,995 million in long-term loans payable.

Total net assets had increased ¥1,165 million from the previous fiscal year-end to ¥16,251 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

No revisions have been made to the consolidated financial forecast for the fiscal year ending November 30, 2018 announced in “Consolidated Financial Results for the Fiscal Year Ended November 30, 2017” on January 9, 2018.

2. Matters concerning the Summary Information (Notes)

(1) Changes in Significant Subsidiary during the Consolidated Quarter

None

(2) Adoption of Specific Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements

None

(3) Changes in Accounting Policies, Accounting Estimates and restatement of revisions

None

3. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2017 (As of November 30, 2017)	First six months of fiscal 2018 (As of May 31, 2018)
Assets		
Current assets		
Cash and deposits	6,670	11,030
Accounts receivable – trade	3,136	4,426
Merchandise	15,217	15,733
Work in process	57	56
Supplies	126	175
Other	1,162	1,597
Allowance for doubtful accounts	(1)	(1)
Total current assets	26,368	33,018
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,597	6,806
Other, net	2,177	2,603
Total property, plant and equipment	6,774	9,410
Intangible assets	717	869
Investments and other assets	1,662	2,134
Total non-current asset	9,154	12,414
Total assets	35,523	45,432
Liabilities		
Current liabilities		
Accounts payable – trade	2,301	2,866
Short-term loans payable	4,813	6,634
Current portion of long-term loans payable	1,282	1,463
Income taxes payable	861	749
Provision for bonuses	—	371
Asset retirement obligations	4	—
Other	2,922	3,711
Total current liabilities	12,186	15,796
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	6,625	11,621
Asset retirement obligations	468	552
Other	156	211
Total non-current liabilities	8,251	13,384
Total liabilities	20,437	29,181

(Millions of yen)

	Fiscal 2017 (As of November 30, 2017)	First six months of fiscal 2018 (As of May 31, 2018)
Net Assets		
Shareholders' equity		
Capital stock	3,069	3,117
Capital surplus	5,476	5,524
Retained earnings	6,536	7,607
Treasury shares	(0)	(0)
Total shareholders' equity	15,081	16,250
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans	(0)	(2)
Total accumulated other comprehensive income	(0)	(2)
Subscription rights to shares	4	3
Total net assets	15,085	16,251
Total liabilities and net assets	35,523	45,432

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

Quarterly Consolidated Statements of Income

First Six months

(Millions of yen)

	First six months of fiscal 2017 (From December 1, 2016 to May 31, 2017)	First six months of fiscal 2018 (From December 1, 2017 to May 31, 2018)
Net sales	57,564	75,641
Cost of sales	48,616	63,373
Gross profit	8,948	12,267
Selling, general and administrative expenses	7,343	10,251
Operating profit	1,604	2,016
Non-operating income		
House rent income	10	10
Subsidy income	—	45
Consulting fee income	17	—
Other	43	58
Total non-operating income	71	113
Non-operating expenses		
Interest expenses	35	39
Rent cost	9	9
Commission fee	39	197
Share of loss of entities accounted for using equity method	14	—
Other	3	16
Total non-operating expenses	102	263
Ordinary profit	1,572	1,866
Extraordinary income		
Gain on sales of non-current assets	8	—
Gain on reversal of subscription rights to shares	0	0
Total extraordinary income	8	0
Profit before income taxes	1,580	1,866
Income taxes – current	520	647
Income taxes – deferred	(10)	10
Total income taxes	509	658
Profit	1,071	1,207
Profit attributable to owners of parent	1,071	1,207

Quarterly Consolidated Statements of Comprehensive Income

First Six months

(Millions of yen)

	First six months of fiscal 2017 (From December 1, 2016 to May 31, 2017)	First six months of fiscal 2018 (From December 1, 2017 to May 31, 2018)
Profit	1,071	1,207
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(1)	(2)
Total other comprehensive income	(1)	(2)
Comprehensive income	1,069	1,205
Comprehensive income attributable to:		
Owners of parent	1,069	1,205
Non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of fiscal 2017 (From December 1, 2016 to May 31, 2017)	First six months of fiscal 2018 (From December 1, 2017 to May 31, 2018)
Cash flows from operating activities		
Profit before income taxes	1,580	1,866
Depreciation	408	652
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Increase (decrease) in provision for bonuses	248	371
Increase in net defined benefit asset	(7)	(7)
Loss (gain) on sales of non-current assets	(8)	—
Interest income	(2)	—
Interest expenses	35	39
Commission fee	4	55
Share of loss of entities accounted for using equity method	14	—
Gain on reversal of subscription rights to shares	(0)	(0)
Increase in notes and accounts receivable – trade	(1,190)	(1,370)
Increase in inventories	677	(283)
Increase in notes and accounts payable – trade	(136)	372
Other	303	597
Subtotal	1,925	2,293
Interest and dividend income received	0	0
Interest expenses paid	(37)	(38)
Income taxes paid	(479)	(760)
Net cash used in operating activities	1,409	1,494
Cash flows from investing activities		
Payments into time deposits	(31)	(31)
Proceeds from withdrawal of time deposits	10	10
Purchase of property, plant and equipment	(1,064)	(2,965)
Proceeds from sales of property, plant and equipment	43	—
Purchase of intangible assets	(210)	(226)
Payments for guarantee deposits	(102)	(498)
Proceeds from collection of guarantee deposits	0	10
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	9
Other	(2)	(6)
Net cash used in investing activities	(1,356)	(3,697)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,470	1,671
Proceeds from long-term loans payable	—	5,485
Repayments of long-term loans payable	(562)	(570)
Redemption of bonds	(105)	—
Proceeds from issuance of common shares	19	96
Cash dividends paid	(58)	(136)
Commissions paid for syndicate loan	(3)	(3)
Net cash provided by financing activities	760	6,542
Net increase in cash and cash equivalents	812	4,339
Cash and cash equivalents at beginning of period	2,197	6,639
Cash and cash equivalents at end of period	3,010	10,979

**(4) Notes to the Quarterly Consolidated Financial Statements
(Uncertainties of entity's ability to continue as going concern)**

None

(Notes in case of a significant change in shareholders' equity)

None

(Segment Information, etc.)

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

(Significant events after reporting period)

None