January 8, 2019

Consolidated Financial Results
for the Fiscal Year Ended November 30, 2018

(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:	Shigeyuki Kitai, Head of Administration Department, Administration Division Tel: +81-52-228-6914

Scheduled date of General Shareholders' Meeting:	February 21, 2019
Scheduled date to file Securities Report:	February 21, 2019
Scheduled date to commence dividend payments:	February 22, 2019
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, 2018 (From December 1, 2017 to November 30, 2018)

(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, 2018	163,174	37.2	4,384	26.2	4,186	26.7	2,910	28.7
November 30, 2017	118,971	36.4	3,474	60.6	3,304	58.4	2,262	69.6

Reference: Comprehensive income
For the year ended November 30, 2018: ¥2,888 million, [28.2%]
For the year ended November 30, 2017: ¥2,252 million, [69.3%]

	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, 2018	42.28	39.59	17.6	8.4	2.7
November 30, 2017	38.26	35.08	22.0	11.2	2.9

Reference: Equity in earnings (losses) of affiliates
For the year ended November 30, 2018: ¥- million
For the year ended November 30, 2017: ¥(87) million

Note: The Company conducted a two-for-one stock split of its common shares on April 1, 2017 and a three-for-one stock split of its 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, 2018	63,679	17,987	28.2	258.29
November 30, 2017	35,523	15,085	42.5	221.87

Reference: NEXTAGE shareholders' equity
As of November 30, 2018: ¥17,984 million
As of November 30, 2017: ¥15,080 million

Note: The Company conducted a three-for-one stock split of its common shares on December 1, 2017. Net assets per share are calculated upon the assumption that the stock split was 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, 2018	(2,083)	(7,422)	19,359	16,493
November 30, 2017	(266)	(3,478)	8,187	6,639

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, 2017	—	0.00	—	6.00	6.00	135	5.2	0.5
Fiscal year ended November 30, 2018	—	0.00	—	4.00	4.00	278	9.5	1.7
Fiscal year ending November 30, 2019 (forecasts)	—	0.00	—	4.00	4.00		7.7	

Note: The Company conducted a three-for-one stock split of its 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 for the fiscal year ended November 30, 2018 and dividends (forecast) for the fiscal year ending November 30, 2019 are stated in consideration of the said stock split.

3. Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2019 (From December 1, 2018 to November 30, 2019)

(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, 2019	100,000	32.2	2,800	38.9	2,700	44.7	1,750	44.9	25.13
Fiscal year ending November 30, 2019	215,000	31.8	5,700	30.0	5,500	31.4	3,600	23.7	51.70

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, 2018 69,628,200 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 November 30, 2018 222 shares

As of November 30, 2017 222 shares

c. Average number of shares

For the year ended November 30, 2018 68,841,553 shares

For the year ended November 30, 2017 59,132,078 shares

Note: The Company conducted a two-for-one stock split of its common shares on April 1, 2017 and a three-for-one stock split of its 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, 2018 (From December 1, 2017 to November 30, 2018)

(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, 2018	158,988	33.7	4,212	26.0	4,275	30.5	3,036	37.9
November 30, 2017	118,943	36.4	3,344	62.8	3,274	58.8	2,201	64.8

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
November 30, 2018	44.10	41.30
November 30, 2017	37.23	34.13

Note: The Company conducted a two-for-one stock split of its common shares on April 1, 2017 and a three-for-one stock split of its 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, 2018	60,710	18,008	29.7	258.59
November 30, 2017	35,407	14,958	42.2	220.00

Reference: NEXTAGE shareholders' equity

As of November 30, 2018: ¥18,005 million

As of November 30, 2017: ¥14,953 million

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

2. Non-Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2019 (From December 1, 2018 to November 30, 2019)

(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, 2019	95,000	26.5	2,600	40.8	1,700	34.3	24.42
Fiscal year ending November 30, 2019	200,000	25.8	5,300	24.0	3,500	15.3	50.27

* This report is not subject to audit by certified public accountants or audit firms.

* 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.

* Change in unit of amounts presented
Presentation of amounts of items and other amounts in the consolidated financial statements of the Company has been changed to millions of yen from thousands of yen starting from the fiscal year ended November 30, 2018.
Amounts for the fiscal year ended November 30, 2017 are also presented in millions of yen for fair comparison.

Attachment Contents

1. Overview of Operating Results, etc.

(1) Analysis of Operating Results

In fiscal 2018, the year ended November 30, 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 November 2018 were 6,481,904 vehicles (on a par at 100.5% year on year). By vehicle type, used car registrations were 3,363,871 vehicles (down 0.7%) for ordinary passenger cars and 3,118,033 vehicles (101.8%) 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, the Group opened Hikone Store and Kariya Store in January 2018, Wakayama Store which is the first in Wakayama Prefecture in July 2018, Yokkaichi Store in October 2018 and Toki-Tajimi Store in November 2018 as general stores. Under SUV LAND format, the Group opened “SUV LAND Sakai” in April 2018 and “SUV LAND Kitakyushu” in June 2018. As a new concept, the Group opened “UNIVERSE Fukui” in November 2018 as a large-scale specialty store dedicated to imported cars. In addition, the Group opened 17 vehicle purchasing specialist stores as storefront additions to existing dealerships, and Nishio Store and Sotokan Higashiosaka Store as vehicle purchasing stores in a standalone format. With regard to authorized imported car dealerships, the Group opened “JAGUAR LAND ROVER Mie Chuo,” “JAGUAR LAND ROVER Yokkaichi,” “JAGUAR LAND ROVER Chibakita” and “JAGUAR LAND ROVER Osakahigashi” as authorized dealerships for JAGUAR LAND ROVER. As authorized dealerships for Volvo Cars, the Group opened “Volvo Car Fukui.” Furthermore, in March 2018, NEW Co., Ltd., a consolidated subsidiary of the Company, opened the first store “Volkswagen Osaka Joto,” as an authorized Volkswagen dealership. In June 2018, as a new entry to the Audi brand, the Group acquired all the stocks of Weins Import Co., Ltd., a car dealer that operates authorized Audi dealerships in Kanagawa Prefecture, changed its company name to Ai Co., Ltd. and started operating four storefronts as authorized Audi dealerships. Thus, the entire Group is seeking to expand the new car dealership business.

As a result, for fiscal 2018, the Group posted net sales of ¥163,174 million (up 37.2% year on year), operating profit of ¥4,384 million (up 26.2%), ordinary profit of ¥4,186 million (up 26.7%), and profit attributable to owners of parent of ¥2,910 million (up 28.7%).

Used car dealership business

In the used car dealership business, the store count as of November 30, 2018 was 54 dealership bases (comprising 89 storefronts). New store openings consisted of 4 dealership bases (4 storefronts) in the Tokai-Hokuriku region, 3 dealership bases (3 storefronts) in the Kansai region and 1 dealership base (1 storefront) in the Kyushu-Okinawa region. On the other hand, the Group closed 3 dealership bases (3 storefronts) in the Tokai-Hokuriku and Kyushu-Okinawa regions, and integrated its storefront additions in the Hokkaido-Tohoku, Kanto-Koshinetsu, Tokai-Hokuriku, Kansai and Kyushu-Okinawa regions (5 storefronts). Furthermore, the Group opened 2 dealership bases (2 storefronts) as vehicle purchasing specialist stores in a standalone format in the Tokai-Hokuriku and Kansai regions, and opened 17 vehicle purchasing specialist stores as storefront additions in the Hokkaido-Tohoku, Kanto-Koshinetsu, Tokai-Hokuriku, Kansai and Kyushu-Okinawa regions.

New car dealership business

In the new car dealership business, the store count as of November 30, 2018 was 13 dealership bases (comprising 15 storefronts). The Group made Fortuna Co., Ltd., the Company’s former associate accounted for using equity method, into a consolidated subsidiary following the acquisition of all of its stocks, and conducted an absorption-type merger with the Company as the surviving company. As a result, 1 dealership base (1 storefront) increased in the Hokkaido-Tohoku region. New store openings consisted of 4 dealership bases (4 storefronts) in the Kanto-Koshinetsu region, 3 dealership bases (3 storefronts) in the Tokai-Hokuriku region, 1 dealership base (1 storefront) in the Kansai region and 2 storefronts as storefront additions in the Kanto-Koshinetsu and Kansai regions.

As a result, the store count as of November 30, 2018 was 67 dealership bases (comprising 104 storefronts).

Regional breakdowns of net sales were as follows.

Region	Fiscal 2017 (From December 1, 2016 to November 30, 2017)			Fiscal 2018 (From December 1, 2017 to November 30, 2018)			Change YoY		
	Sales amount (Millions of yen)	Bases at year-end	Sales volume (Vehicles)	Sales amount (Millions of yen)	Bases at year-end	Sales volume (Vehicles)	Sales amount (%)	Bases at year-end	Sales volume (%)
Hokkaido-Tohoku	12,076	5 (7)	7,948	14,928	6 (9)	9,042	123.6	1 (2)	113.8
Kanto-Koshinetsu	30,476	10 (16)	18,890	40,587	14 (25)	24,071	133.2	4 (9)	127.4
Tokai-Hokuriku	49,059	23 (32)	36,935	62,948	29 (40)	43,301	128.3	6 (8)	117.2
Kansai	13,005	7 (10)	7,226	27,808	12 (20)	17,483	213.8	5 (10)	241.9
Kyushu-Okinawa	14,353	6 (9)	9,759	16,902	6 (10)	10,673	117.8	— (1)	109.4
Total	118,971	51 (74)	80,758	163,174	67 (104)	104,570	137.2	16 (30)	129.5

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: Tochigi Prefecture, Gunma Prefecture, Saitama Prefecture, Chiba Prefecture, Metropolitan Tokyo, Kanagawa Prefecture, Yamanashi Prefecture, Niigata Prefecture
   Tokai-Hokuriku: Gifu Prefecture, Aichi Prefecture, Mie Prefecture, Shizuoka Prefecture, Toyama Prefecture, Ishikawa Prefecture, Fukui Prefecture
   Kansai: Shiga Prefecture, Osaka Prefecture, Hyogo Prefecture, Wakayama Prefecture
   Kyushu-Okinawa: Fukuoka Prefecture, Kumamoto Prefecture
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 2019

In keeping with the initiatives to promote lifelong dealings and expansion of the sales network, the Company will proactively open more dealerships, centered on large-scale dealerships including general stores, SUV LAND and UNIVERSE used imported car specialty stores, in order to conduct sales, maintenance and purchases in the vehicle sales-related business at one stop. At the same time, the Company will strengthen its purchasing system to accommodate the future increase in the number of stores by opening vehicle purchasing specialist stores as storefront additions to existing dealerships as well as strengthening door-to-door purchases and storefront purchases, with the aim of making the most of the synergy with dealerships to promote store openings nationwide. 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 2019 the Company is forecasting ¥215,000 million in net sales (up 31.8% year on year), ¥5,700 million in operating profit (up 30.0%), ¥5,500 million in ordinary profit (up 31.4%), and ¥3,600 million in profit attributable to owners of parent (up 23.7%).

(2) Analysis of Financial Position

1) Assets, Liabilities, and Net Assets

Total assets as of November 30, 2018, the fiscal year-end, were ¥63,679 million, an increase of ¥28,155 million from the previous fiscal year-end.

Total current assets had increased by ¥21,304 million from the previous fiscal year-end to ¥47,673 million. The main contributing factors were increases of ¥9,853 million in cash and deposits, ¥8,129 million in merchandise and ¥1,153 million in accounts receivable – trade.

Total non-current assets had increased by ¥6,850 million from the previous fiscal year-end to ¥16,005 million. The main contributing factors were increases of ¥3,982 million in buildings and structures, ¥1,423 million in machinery, equipment and vehicles and ¥924 million in payments for guarantee deposits, primarily in connection with the opening of new stores.

Total current liabilities had increased by ¥8,558 million from the previous fiscal year-end to ¥20,744 million. The main contributing factors were increases of ¥2,301 million in accounts payable – trade, ¥3,325 million in short-term loans payable and ¥1,446 million in current portion of long-term loans payable.

Total non-current liabilities had increased by ¥16,694 million from the previous fiscal year-end to ¥24,946 million. The main contributing factor was an increase of ¥16,372 million in long-term loans payable.

Total net assets had increased by ¥2,902 million from the previous fiscal year-end to ¥17,987 million. The contributing factors were increases of ¥75 million in capital stock, ¥75 million in capital surplus and ¥2,774 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, 2018 was ¥16,493 million, an increase of ¥9,853 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 ¥2,083 million, compared with ¥266 million used in the previous fiscal year. The main components were profit before income taxes of ¥4,056 million, depreciation of ¥1,604 million, and an increase in notes and accounts payable – trade of ¥1,633 million, partly offset by an increase in inventories of ¥7,063 million, an increase in notes and accounts receivable – trade of ¥975 million, and income taxes paid of ¥1,327 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥7,422 million, compared with ¥3,478 million used in the previous fiscal year. The main components were purchase of property, plant and equipment of ¥6,328 million accompanying new store openings, purchase of intangible assets of ¥361 million and payments for guarantee deposits of ¥869 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥19,359 million, compared with ¥8,187 million provided in the previous fiscal year. The main components were a net increase in short-term loans payable of ¥2,802 million, proceeds from long-term loans payable of ¥18,485 million and proceeds from issuance of common shares of ¥150 million, partly offset by repayments of long-term loans payable of ¥1,776 million.

(Reference) Trends in Cash Flow Indicators

	Fiscal 2017	Fiscal 2018
Equity ratio (%)	42.5	28.2
Market-value equity ratio (%)	174.3	131.1
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 flows 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 2017 and fiscal 2018 are omitted due to negative operating cash flows.

(3) Basic Policy on Distribution of Profits and Dividends for Fiscal 2018 and Fiscal 2019

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 ¥2 per share for fiscal 2018. However, in consideration of the importance of securing returns for shareholders from its operations, the Company plans to pay an annual dividend of ¥4 per share.

In addition, based on the above policy, the Company is also planning to pay the same annual dividend of ¥4 per share for fiscal 2019.

2. Management Policies

(1) Basic Management Policies of the Company

Based on the 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.

By offering a complete range of services in the used car business including vehicle safety inspection, insurance contracts, vehicle purchasing and vehicle repairs after accident on top of vehicle sales, the Group will establish a system to enable lifelong dealings (*) with customers that support the safe, reliable and comfortable driving experience of customers, in an effort to enhance profitability and expand businesses. In addition, the Group will continue developing storefronts centered on general stores, SUV LAND and UNIVERSE, while in the authorized imported car dealership business, it will expand business with a view to maximizing synergy effects with the used car dealership business.

* Lifelong dealings: refers to the Company’s business model that can provide comprehensive services including sales, maintenance work, after-sales care and used car purchases

(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 Group’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

(Millions of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Assets		
Current assets		
Cash and deposits	6,670	16,523
Accounts receivable – trade	3,136	4,290
Merchandise	15,217	23,347
Work in process	57	95
Supplies	126	290
Deferred tax assets	210	238
Other	951	2,891
Allowance for doubtful accounts	(1)	(3)
Total current assets	26,368	47,673
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,401	12,076
Accumulated depreciation	(2,803)	(3,496)
Buildings and structures, net	4,597	8,580
Machinery, equipment and vehicles	1,054	2,755
Accumulated depreciation	(332)	(608)
Machinery, equipment and vehicles, net	722	2,146
Construction in progress	1,050	668
Other	905	1,733
Accumulated depreciation	(502)	(793)
Other, net	403	940
Total property, plant and equipment	6,774	12,336
Intangible assets	717	906
Investments and other assets		
Investment securities	97	92
Long-term loans receivable	45	126
Net defined benefit asset	250	240
Deferred tax assets	66	179
Guarantee deposits	1,111	2,036
Real estate for investment	80	79
Accumulated depreciation	(68)	(69)
Real estate for investment, net	11	9
Other	79	76
Total investments and other assets	1,662	2,762
Total non-current assets	9,154	16,005
Total assets	35,523	63,679

(Millions of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Liabilities		
Current liabilities		
Accounts payable – trade	2,301	4,603
Short-term loans payable	4,813	8,138
Current portion of long-term loans payable	1,282	2,728
Lease obligations	28	262
Income taxes payable	861	796
Asset retirement obligations	4	4
Other	2,894	4,212
Total current liabilities	12,186	20,744
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	6,625	22,998
Lease obligations	105	253
Deferred tax liabilities	―	15
Asset retirement obligations	468	641
Other	51	37
Total non-current liabilities	8,251	24,946
Total liabilities	20,437	45,691
Net Assets		
Shareholders’ equity		
Capital stock	3,069	3,144
Capital surplus	5,476	5,551
Retained earnings	6,536	9,310
Treasury shares	(0)	(0)
Total shareholders’ equity	15,081	18,007
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans	(0)	(23)
Total accumulated other comprehensive income	(0)	(23)
Subscription rights to shares	4	3
Total net assets	15,085	17,987
Total liabilities and net assets	35,523	63,679

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Net sales	118,971	163,174
Cost of sales	99,968	136,037
Gross profit	19,003	27,136
Selling, general and administrative expenses	15,528	22,752
Operating profit	3,474	4,384
Non-operating income		
House rent income	20	21
Waste recycling income	14	17
Consulting fee income	38	—
Subsidy income	—	52
Other	75	108
Total non-operating income	149	200
Non-operating expenses		
Interest expenses	70	108
Rent cost	18	18
Commission fee	124	241
Share of loss of entities accounted for using equity method	87	—
Other	19	30
Total non-operating expenses	319	398
Ordinary profit	3,304	4,186
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
Extraordinary losses		
Loss on compensation	—	100
Impairment loss	59	18
Other	—	11
Total extraordinary losses	59	129
Profit before income taxes	3,254	4,056
Income taxes – current	1,082	1,269
Income taxes – deferred	(90)	(123)
Total income taxes	991	1,145
Profit	2,262	2,910
Profit attributable to owners of parent	2,262	2,910

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Profit	2,262	2,910
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans, net of tax	(10)	(22)
Total other comprehensive income	(9)	(22)
Comprehensive income	2,252	2,888
Comprehensive income attributable to:		
Owners of parent	2,252	2,888
Non-controlling interests	—	—

(3) Consolidated Statements of Changes in Equity

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

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	708	794	4,332	(397)	5,437
Changes of items during period					
Issuance of new shares	2,360	2,360			4,721
Dividends of surplus			(58)		(58)
Profit attributable to owners of parent			2,262		2,262
Disposal of treasury shares		2,321		397	2,718
Net changes of items other than shareholders' equity					
Total changes of items during period	2,360	4,681	2,203	397	9,643
Balance at end of current period	3,069	5,476	6,536	(0)	15,081

(Millions 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	9	5	5,451
Changes of items during period					
Issuance of new shares				(0)	4,721
Dividends of surplus					(58)
Profit attributable to owners of parent					2,262
Disposal of treasury shares					2,718
Net changes of items other than shareholders' equity	0	(10)	(9)	(0)	(10)
Total changes of items during period	0	(10)	(9)	(0)	9,633
Balance at end of current period	0	(0)	(0)	4	15,085

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,069	5,476	6,536	(0)	15,081
Changes of items during period					
Issuance of new shares	75	75			151
Dividends of surplus			(135)		(135)
Profit attributable to owners of parent			2,910		2,910
Disposal of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	75	75	2,774	—	2,926
Balance at end of current period	3,144	5,551	9,310	(0)	18,007

(Millions 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	0	(0)	(0)	4	15,085
Changes of items during period					
Issuance of new shares				(1)	150
Dividends of surplus					(135)
Profit attributable to owners of parent					2,910
Disposal of treasury shares					—
Net changes of items other than shareholders' equity	0	(22)	(22)	—	(22)
Total changes of items during period	0	(22)	(22)	(1)	2,902
Balance at end of current period	0	(23)	(23)	3	17,987

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Cash flows from operating activities		
Profit before income taxes	3,254	4,056
Depreciation	917	1,604
Impairment loss	59	18
Decrease in allowance for doubtful accounts	(0)	(0)
Decrease (increase) in net defined benefit asset	(2)	10
Interest and dividend income	(3)	(0)
Interest expenses	70	108
Commission fee	6	68
Share of loss of entities accounted for using equity method	87	—
Gain on reversal of subscription rights to shares	(0)	(0)
Loss (gain) on sales of non-current assets	(8)	—
Increase in notes and accounts receivable – trade	(2,107)	(975)
Increase in inventories	(2,785)	(7,063)
Increase in notes and accounts payable – trade	562	1,633
Increase in advances received	128	70
Other	466	(175)
Subtotal	645	(645)
Interest and dividend income received	1	0
Interest expenses paid	(73)	(111)
Income taxes paid	(838)	(1,327)
Net cash used in operating activities	(266)	(2,083)
Cash flows from investing activities		
Payments into time deposits	(73)	(63)
Proceeds from withdrawal of time deposits	73	63
Purchase of property, plant and equipment	(2,948)	(6,328)
Proceeds from sales of property, plant and equipment	46	—
Purchase of intangible assets	(308)	(361)
Payments for guarantee deposits	(268)	(869)
Proceeds from collection of guarantee deposits	3	10
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	132
Other	(3)	(6)
Net cash used in investing activities	(3,478)	(7,422)
Cash flows from financing activities		
Net increase in short-term loans payable	2,330	2,802
Proceeds from long-term loans payable	—	18,485
Repayments of long-term loans payable	(1,128)	(1,776)
Redemption of bonds	(390)	—
Proceeds from issuance of common shares	4,718	150
Repayments of lease obligations	—	(162)
Proceeds from disposal of treasury shares	2,718	—
Cash dividends paid	(58)	(136)
Commissions paid for syndicate loan	(3)	(3)
Net cash provided by financing activities	8,187	19,359
Net increase in cash and cash equivalents	4,441	9,853
Cash and cash equivalents at beginning of period	2,197	6,639
Cash and cash equivalents at end of period	6,639	16,493

(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: 3

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

Ai Co., Ltd. is included in the scope of consolidation as it became the Company's subsidiary through a stock acquisition on June 1, 2018.

(2) Unconsolidated subsidiaries

None

2. Disclosure about application of equity method

There are no unconsolidated subsidiaries or associates accounted for using equity method.

On December 16, 2017, the Company acquired all the issued shares of Fortuna Co., Ltd., the Company's former associate accounted for using equity method, and on June 1, 2018, Fortuna Co., Ltd. was extinguished through an absorption-type merger with the Company as the surviving company. Accordingly, the company was excluded from the scope of application of equity method.

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 the Company's 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 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.

(4) 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.

(5) 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.

(6) 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.

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

Accounting policy for consumption taxes

Financial statements are prepared excluding consumption taxes.

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

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 2018 (December 1, 2017 to November 30, 2018)

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, 2016 to November 30, 2017)	Fiscal year under review (December 1, 2017 to November 30, 2018)
Net assets per share	¥221.87	¥258.29
Basic earnings per share	¥38.26	¥42.28
Diluted earnings per share	¥35.08	¥39.59

Notes: 1. The Company conducted a two-for-one stock split of its common shares on April 1, 2017 and a three-for-one stock split of its 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, 2016 to November 30, 2017)	Fiscal year under review (December 1, 2017 to November 30, 2018)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	2,262	2,910
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common shares (Millions of yen)	2,262	2,910
Average number of common shares during the period	59,132,078	68,841,553
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in number of common shares (Shares)	5,367,465	4,675,937
(Of which, subscription rights to shares) (Shares)	(5,367,465)	(4,675,937)
Summary of convertible securities not included in diluted earnings per share due to having no dilutive effect	—	—

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

Item	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Total amount in net assets (Millions of yen)	15,085	17,987
Amount deducted from total amount in net assets (Millions of yen)	4	3
(Of which, subscription rights to shares) (Millions of yen)	(4)	(3)
Net assets at the end of the period related to common shares (Millions of yen)	15,080	17,984
Number of common shares at the end of the period used for calculation of net assets per share (Shares)	67,970,178	69,627,978

(Significant events after reporting period)

Not applicable.