

Consolidated Financial Results for the Six Months Ended May 31, 2019

(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 5, 2019
 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, 2019 (From December 1, 2018 to May 31, 2019)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2019	104,821	38.6	3,285	62.9	3,194	71.2	2,295	90.1
May 31, 2018	75,641	31.4	2,016	25.7	1,866	18.7	1,207	12.7

Reference: Comprehensive income

For the six months ended May 31, 2019: ¥2,293 million, [90.3%]

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

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
May 31, 2019	32.39	30.41
May 31, 2018	17.67	16.42

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
May 31, 2019	73,912	25,889	35.0
November 30, 2018	63,679	17,987	28.2

Reference: NEXTAGE shareholders' equity

As of May 31, 2019: ¥25,883 million

As of November 30, 2018: ¥17,984 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, 2018	—	0.00	—	4.00	4.00
Fiscal year ended November 30, 2019	—	0.00			
Fiscal year ending November 30, 2019 (forecasts)			—	4.00	4.00

Note: Revision to the latest forecast of dividends: None

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
Fiscal year ending November 30, 2019	215,000	31.8	5,700	30.0	5,500	31.4	3,600	23.7	50.81

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, 2019 75,223,600 shares

As of November 30, 2018 69,628,200 shares

b. Number of shares of treasury stock at the end of the period

As of May 31, 2019 222 shares

As of November 30, 2018 222 shares

c. Average number of shares

For the six months ended May 31, 2019 70,850,995 shares

For the six months ended May 31, 2018 68,327,778 shares

* 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended May 31, 2019, 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 trade issues and the outlook for the Chinese economy, as well as 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 2018 through May 2019 were 3,398,806 vehicles (on a par at 100.2% year on year). By vehicle type, used car registrations were 1,739,075 vehicles (up 0.1% year on year) for ordinary passenger cars and 1,659,731 vehicles (up 0.3% year on year) 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 increased opportunities to provide services by improving inventory turnover, investing capital in facilities for vehicle safety inspection and maintenance work as well as vehicle purchasing operations, and promoting lifelong dealings and dealings within the same household, while working to maximize profitability in the used car business cycle. In dealership openings, the Group opened Natori Store in April 2019 as a general store, which is our second store in Miyagi Prefecture. The Group also opened 2 vehicle purchasing specialist stores as storefront additions to existing dealerships as well as Yokohama Kohoku Inter Store as a vehicle purchasing store in a standalone format. With regard to authorized imported car dealerships, the Group opened in May 2019 “JAGUAR LAND ROVER Nagoya Chuo” in Nagoya City in Aichi Prefecture and “JAGUAR LAND ROVER Hamamatsu” in Hamamatsu City in Shizuoka Prefecture as authorized dealerships for JAGUAR LAND ROVER.

As a result, for the six months to May 31, 2019, the Group posted net sales of ¥104,821 million (up 38.6% year on year), operating profit of ¥3,285 million (up 62.9%), ordinary profit of ¥3,194 million (up 71.2%), and profit attributable to owners of parent of ¥2,295 million (up 90.1%).

Used car dealership business

In the used car dealership business, the store count as of May 31, 2019 was 57 dealership bases (comprising 96 storefronts). New store openings consisted of 1 dealership base (1 storefront) in the Hokkaido-Tohoku region, and 1 dealership base (1 storefront) as a vehicle purchasing specialist store in a standalone format in the Kanto-Koshinetsu region, as well as 2 vehicle purchasing specialist stores as storefront additions in the Kanto-Koshinetsu region.

New car dealership business

In the new car dealership business, the store count as of May 31, 2019 was 18 dealership bases (comprising 20 storefronts). New store openings consisted of 2 dealership bases (2 storefronts) in the Tokai-Hokuriku region.

As a result, the store count as of May 31, 2019 was 75 dealership bases (comprising 116 storefronts).

Regional breakdowns of net sales were as follows.

Region	Six months ended May 31, 2018 (From December 1, 2017 to May 31, 2018)			Six months ended May 31, 2019 (From December 1, 2018 to May 31, 2019)			Change YoY		
	Sales amount (Millions of yen)	Bases at first quarter-end	Sales volume (Vehicles)	Sales amount (Millions of yen)	Bases at first quarter-end	Sales volume (Vehicles)	Sales amount (%)	Bases at first quarter-end	Sales volume (%)
Hokkaido-Tohoku	7,383	6 (9)	4,456	9,500	7 (10)	5,508	128.7	1 (1)	123.6
Kanto-Koshinetsu	18,186	10 (18)	10,971	26,154	17 (30)	14,053	143.8	7 (12)	128.1
Tokai-Hokuriku	30,455	26 (34)	21,114	40,843	32 (44)	27,246	134.1	6 (10)	129.0
Kansai	11,906	10 (15)	7,328	17,885	12 (20)	11,622	150.2	2 (5)	158.6
Kyushu-Okinawa	7,708	5 (9)	4,965	10,436	7 (12)	6,564	135.4	2 (3)	132.2
Total	75,641	57 (85)	48,834	104,821	75 (116)	64,993	138.6	18 (31)	133.1

- 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, Oita 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, 2019 were ¥73,912 million, an increase of ¥10,233 million from the previous fiscal year-end.

Total current assets increased by ¥6,773 million from the previous fiscal year-end to ¥54,209 million. The main contributing factors were increases of ¥4,517 million in cash and deposits, ¥1,286 million in accounts receivable – trade and ¥1,155 million in merchandise.

Total non-current assets increased by ¥3,459 million from the previous fiscal year-end to ¥19,703 million. The main contributing factor was an increase of ¥1,682 million in buildings and structures, primarily in connection with the opening of new stores.

Total current liabilities increased by ¥2,063 million from the previous fiscal year-end to ¥22,808 million. The main contributing factor was an increase of ¥1,345 million in short-term loans payable.

Total non-current liabilities increased by ¥268 million from the previous fiscal year-end to ¥25,214 million. The main contributing factor was an increase of ¥224 million in long-term loans payable.

Total net assets increased by ¥7,901 million from the previous fiscal year-end to ¥25,889 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, 2019 announced in “Consolidated Financial Results for the Fiscal Year Ended November 30, 2018” on January 8, 2019.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2018 (As of November 30, 2018)	First six months of fiscal 2019 (As of May 31, 2019)
Assets		
Current assets		
Cash and deposits	16,523	21,041
Accounts receivable - trade	4,290	5,576
Merchandise	23,347	24,502
Work in process	95	123
Supplies	290	382
Other	2,891	2,592
Allowance for doubtful accounts	(3)	(9)
Total current assets	47,435	54,209
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,580	10,263
Other, net	3,755	5,204
Total property, plant and equipment	12,336	15,468
Intangible assets	906	881
Investments and other assets	3,000	3,354
Total non-current assets	16,243	19,703
Total assets	63,679	73,912
Liabilities		
Current liabilities		
Accounts payable - trade	4,603	4,429
Short-term loans payable	8,138	9,483
Current portion of long-term loans payable	2,728	3,039
Lease obligations	262	78
Income taxes payable	796	1,047
Provision for bonuses	—	553
Asset retirement obligations	4	5
Other	4,212	4,171
Total current liabilities	20,744	22,808
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	22,998	23,222
Lease obligations	253	248
Asset retirement obligations	641	710
Other	53	33
Total non-current liabilities	24,946	25,214
Total liabilities	45,691	48,023

(Millions of yen)

	Fiscal 2018 (As of November 30, 2018)	First six months of fiscal 2019 (As of May 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	3,144	6,086
Capital surplus	5,551	8,493
Retained earnings	9,310	11,327
Treasury shares	(0)	(0)
Total shareholders' equity	18,007	25,907
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Remeasurements of defined benefit plans	(23)	(24)
Total accumulated other comprehensive income	(23)	(24)
Share acquisition rights	3	5
Total net assets	17,987	25,889
Total liabilities and net assets	63,679	73,912

(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 2018 (From December 1, 2017 to May 31, 2018)	First six months of fiscal 2019 (From December 1, 2018 to May 31, 2019)
Net sales	75,641	104,821
Cost of sales	63,373	86,769
Gross profit	12,267	18,052
Selling, general and administrative expenses	10,251	14,767
Operating profit	2,016	3,285
Non-operating income		
House rent income	10	12
Subsidy income	45	21
Other	58	86
Total non-operating income	113	119
Non-operating expenses		
Interest expenses	39	90
Rent cost	9	10
Commission fee	197	102
Other	16	6
Total non-operating expenses	263	210
Ordinary profit	1,866	3,194
Extraordinary income		
Gain on reversal of share acquisition rights	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on disaster	—	8
Impairment loss	—	28
Total extraordinary losses	—	36
Profit before income taxes	1,866	3,157
Income taxes - current	647	917
Income taxes - deferred	10	(55)
Total income taxes	658	862
Profit	1,207	2,295
Profit attributable to owners of parent	1,207	2,295

Quarterly Consolidated Statements of Comprehensive Income

First Six Months

(Millions of yen)

	First six months of fiscal 2018 (From December 1, 2017 to May 31, 2018)	First six months of fiscal 2019 (From December 1, 2018 to May 31, 2019)
Profit	1,207	2,295
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(0)
Remeasurements of defined benefit plans, net of tax	(2)	(0)
Total other comprehensive income	(2)	(1)
Comprehensive income	1,205	2,293
Comprehensive income attributable to:		
Owners of parent	1,205	2,293
Non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of fiscal 2018 (From December 1, 2017 to May 31, 2018)	First six months of fiscal 2019 (From December 1, 2018 to May 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,866	3,157
Depreciation	652	1,159
Impairment loss	—	28
Increase (decrease) in allowance for doubtful accounts	(0)	5
Increase (decrease) in provision for bonuses	371	553
Decrease (increase) in net defined benefit asset	(7)	(18)
Interest expenses	39	90
Commission fee	55	—
Gain on reversal of share acquisition rights	(0)	—
Decrease (increase) in notes and accounts receivable - trade	(1,370)	(1,286)
Decrease (increase) in inventories	(283)	(1,274)
Increase (decrease) in notes and accounts payable - trade	372	(173)
Other, net	597	1,013
Subtotal	2,293	3,256
Interest and dividend income received	0	0
Interest expenses paid	(38)	(91)
Income taxes paid	(760)	(666)
Net cash provided by (used in) operating activities	1,494	2,499
Cash flows from investing activities		
Payments into time deposits	(31)	(31)
Proceeds from withdrawal of time deposits	10	9
Purchase of property, plant and equipment	(2,965)	(5,057)
Purchase of intangible assets	(226)	(81)
Payments for guarantee deposits	(498)	(278)
Proceeds from collection of guarantee deposits	10	10
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	9	—
Other, net	(6)	(1)
Net cash provided by (used in) investing activities	(3,697)	(5,430)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,671	1,345
Proceeds from long-term loans payable	5,485	2,000
Repayments of long-term loans payable	(570)	(1,464)
Proceeds from issuance of common shares	96	5,886
Cash dividends paid	(136)	(279)
Commission for syndicate loan paid	(3)	(3)
Other, net	—	(57)
Net cash provided by (used in) financing activities	6,542	7,426
Net increase (decrease) in cash and cash equivalents	4,339	4,495
Cash and cash equivalents at beginning of period	6,639	16,493
Cash and cash equivalents at end of period	10,979	20,988

**(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)

The Company received the payment for the third-party allotment of new shares from Nomura Securities Co., Ltd. during the six months ended May 31, 2019. As a result, capital stock increased by ¥2,937 million and legal capital surplus increased by ¥2,937 million during the six months ended May 31, 2019. Capital stock stood at ¥6,086 million and capital surplus stood at ¥8,493 million as of May 31, 2019.

(Segment information, etc.)

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

(Additional information)

(Adoption of the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) effective from the beginning of the first quarter of the consolidated fiscal year under review. Deferred tax assets are classified under the category of investments and other assets, while deferred tax liabilities are classified under the category of non-current liabilities.

(Significant events after reporting period)

None