

Consolidated Financial Results for the Six Months Ended May 31, 2020

(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 3, 2020
 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, 2020 (From December 1, 2019 to May 31, 2020)

(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, 2020	115,791	10.5	177	(94.6)	(23)	—	(148)	—
May 31, 2019	104,821	38.6	3,285	62.9	3,194	71.2	2,295	90.1

Reference: Comprehensive income

For the six months ended May 31, 2020: ¥(156) million, [—%]

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

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
May 31, 2020	(1.98)	—
May 31, 2019	32.39	30.41

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
May 31, 2020	100,191	25,973	25.9
November 30, 2019	86,355	27,858	32.3

Reference: NEXTAGE shareholders' equity

As of May 31, 2020: ¥25,967 million

As of November 30, 2019: ¥27,852 million

2. Cash Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
Fiscal year ended November 30, 2019	Yen —	Yen 0.00	Yen —	Yen 6.00	Yen 6.00
Fiscal year ending November 30, 2020	—	0.00			
Fiscal year ending November 30, 2020 (forecasts)			—	6.00	6.00

Note: Revision to the latest forecast of dividends: None

3. Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2020 (From December 1, 2019 to November 30, 2020)

(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, 2020	245,000	11.7	3,000	(50.7)	2,600	(55.8)	1,850	(56.6)	24.59

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, 2020 75,771,400 shares

As of November 30, 2019 75,428,200 shares

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

As of May 31, 2020 1,902,471 shares

As of November 30, 2019 271 shares

c. Average number of shares

For the six months ended May 31, 2020 75,231,612 shares

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

Status of Financial Results

During the six months ended May 31, 2020, the Japanese economy faced an extremely severe situation but is expected to start to recover as a result of various government policies, amid a phased increase in the level of socio-economic activities while preventative measures are being taken to prevent the spread of the novel coronavirus infection (COVID-19). However, attention must be paid to trends in COVID-19 in Japan and overseas, as well as the impact of volatility in global financial and capital markets.

In this environment, in the Japanese used car sales industry, domestic used car registrations from December 2019 through May 2020 were 3,182,703 vehicles (down 6.4% year on year). By vehicle type, used car registrations were 1,611,293 vehicles (down 7.3% year on year) for ordinary passenger cars and 1,571,410 vehicles (down 5.3% 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, based on the management philosophy of “Be loved by Customers,” the NEXTAGE Group has operated stores with “Lifetime value” and “Active users” in mind.

In dealership openings, the Group opened Oyama Store in Tochigi Prefecture and Settsu Store in Osaka Prefecture in April 2020 as general stores. In addition, the Group opened one vehicle purchasing specialist store as a storefront addition to an existing dealership, as well as Tomishiro Store in Okinawa Prefecture as a vehicle purchasing store in a standalone format. With regard to authorized imported car dealerships, in April 2020, the Group relocated “JAGUAR LAND ROVER Mie Chuo” in Matsusaka City in Mie Prefecture to “JAGUAR LAND ROVER Suzuka” in Suzuka City in Mie Prefecture as an authorized dealership for JAGUAR LAND ROVER.

As a result, for the six months to May 31, 2020, the Group posted net sales of ¥115,791 million (up 10.5% year on year), operating profit of ¥177 million (down 94.6%), ordinary loss of ¥23 million (ordinary profit of ¥3,194 million in the same period for the previous fiscal year) and loss attributable to owners of parent of ¥148 million (profit attributable to owners of parent of ¥2,295 million in the same period for the previous fiscal year).

Used car dealership business

In the used car dealership business, the store count as of May 31, 2020 was 73 dealership bases (comprising 115 storefronts). New store openings consisted of 1 dealership base (2 storefronts) in the Kanto-Koshinetsu 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 1 dealership base (1 storefront) in the Kanto-Koshinetsu region and 3 vehicle purchasing specialist stores as storefront additions.

New car dealership business

In the new car dealership business, the store count as of May 31, 2020 was 20 dealership bases (comprising 21 storefronts). One dealership base (1 storefront) was relocated in the Tokai-Hokuriku region.

As a result, the store count as of May 31, 2020 was 93 dealership bases (comprising 136 storefronts).

Regional breakdowns of net sales were as follows.

Region	Six months ended May 31, 2019 (From December 1, 2018 to May 31, 2019)			Six months ended May 31, 2020 (From December 1, 2019 to May 31, 2020)			Change YoY		
	Sales amount (Millions of yen)	Bases at second quarter-end	Sales volume (Vehicles)	Sales amount (Millions of yen)	Bases at second quarter-end	Sales volume (Vehicles)	Sales amount (%)	Bases at second quarter-end	Sales volume (%)
Hokkaido-Tohoku	9,500	7 (10)	5,508	11,721	9 (12)	7,409	123.4	2 (2)	134.5
Kanto-Koshinetsu	26,154	17 (30)	14,053	29,241	23 (36)	15,997	111.8	6 (6)	113.8
Tokai-Hokuriku	40,843	32 (44)	27,246	42,160	33 (45)	27,500	103.2	1 (1)	100.9
Kansai	17,885	12 (20)	11,622	17,586	15 (22)	10,960	98.3	3 (2)	94.3
Chugoku-Shikoku	-	- (-)	-	1,716	1 (2)	1,384	-	1 (2)	-
Kyushu-Okinawa	10,436	7 (12)	6,564	13,364	12 (19)	8,633	128.1	5 (7)	131.5
Total	104,821	75 (116)	64,993	115,791	93 (136)	71,883	110.5	18 (20)	110.6

- 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, Fukushima Prefecture
- Kanto-Koshinetsu: Tochigi Prefecture, Gunma Prefecture, Saitama Prefecture, Chiba Prefecture, Metropolitan Tokyo, Kanagawa Prefecture, Yamanashi Prefecture, Niigata Prefecture, Nagano 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
- Chugoku-Shikoku: Ehime Prefecture
- Kyushu-Okinawa: Fukuoka Prefecture, Kumamoto Prefecture, Oita Prefecture, Kagoshima Prefecture, Okinawa 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, 2020 were ¥100,191 million, an increase of ¥13,835 million from the previous fiscal year-end.

Total current assets increased by ¥11,847 million from the previous fiscal year-end to ¥73,358 million. The main contributing factor was an increase of ¥23,315 million in cash and deposits, partly offset by decreases of ¥249 million in accounts receivable – trade and ¥7,057 million in merchandise.

Total non-current assets increased by ¥1,988 million from the previous fiscal year-end to ¥26,832 million. The main contributing factor was an increase of ¥2,243 million in buildings and structures, primarily in connection with the opening of new stores.

Total current liabilities increased by ¥6,228 million from the previous fiscal year-end to ¥34,575 million. The main contributing factor was an increase of ¥6,429 million in short-term borrowings.

Total non-current liabilities increased by ¥9,491 million from the previous fiscal year-end to ¥39,642 million. The main contributing factor was an increase of ¥10,262 million in long-term borrowings.

Total net assets decreased by ¥1,884 million from the previous fiscal year-end to ¥25,973 million.

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

For details of the consolidated financial forecast, please refer to “Notice Regarding Revision of Financial Forecast” announced on April 3, 2020.

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 2019 (As of November 30, 2019)	First six months of fiscal 2020 (As of May 31, 2020)
Assets		
Current assets		
Cash and deposits	11,060	34,375
Accounts receivable - trade	5,233	4,984
Merchandise	38,675	31,618
Work in process	126	125
Supplies	497	412
Other	5,923	1,845
Allowance for doubtful accounts	(5)	(4)
Total current assets	61,511	73,358
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,535	15,779
Other, net	6,554	6,073
Total property, plant and equipment	20,090	21,853
Intangible assets	853	880
Investments and other assets	3,900	4,098
Total non-current assets	24,844	26,832
Total assets	86,355	100,191
Liabilities		
Current liabilities		
Accounts payable - trade	7,169	4,758
Short-term borrowings	11,942	18,371
Current portion of bonds	—	1,000
Current portion of long-term borrowings	2,996	4,283
Lease obligations	65	77
Income taxes payable	1,297	242
Provision for bonuses	—	743
Asset retirement obligations	2	—
Other	4,874	5,098
Total current liabilities	28,347	34,575
Non-current liabilities		
Bonds payable	1,000	—
Long-term borrowings	27,966	38,229
Lease obligations	289	323
Asset retirement obligations	863	1,060
Other	31	29
Total non-current liabilities	30,150	39,642
Total liabilities	58,497	74,217

(Millions of yen)

	Fiscal 2019 (As of November 30, 2019)	First six months of fiscal 2020 (As of May 31, 2020)
Net assets		
Shareholders' equity		
Share capital	6,095	6,111
Capital surplus	8,502	8,518
Retained earnings	13,290	12,689
Treasury shares	(0)	(1,307)
Total shareholders' equity	27,888	26,011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans	(36)	(43)
Total accumulated other comprehensive income	(36)	(43)
Share acquisition rights	5	5
Total net assets	27,858	25,973
Total liabilities and net assets	86,355	100,191

(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 2019 (From December 1, 2018 to May 31, 2019)	First six months of fiscal 2020 (From December 1, 2019 to May 31, 2020)
Net sales	104,821	115,791
Cost of sales	86,769	97,226
Gross profit	18,052	18,565
Selling, general and administrative expenses	14,767	18,387
Operating profit	3,285	177
Non-operating income		
Insurance claim income	8	26
Gain on sales of scraps	6	7
Other	104	40
Total non-operating income	119	74
Non-operating expenses		
Interest expenses	90	116
Rent cost	10	3
Commission expenses	102	122
Other	6	32
Total non-operating expenses	210	275
Ordinary profit (loss)	3,194	(23)
Extraordinary income		
Subsidies income	—	85
Total extraordinary income	—	85
Extraordinary losses		
Loss on disaster	8	5
Infectious disease related loss	—	90
Impairment loss	28	6
Total extraordinary losses	36	102
Profit (loss) before income taxes	3,157	(40)
Income taxes - current	917	89
Income taxes - deferred	(55)	18
Total income taxes	862	108
Profit (loss)	2,295	(148)
Profit (loss) attributable to owners of parent	2,295	(148)

Quarterly Consolidated Statements of Comprehensive Income

First Six Months

(Millions of yen)

	First six months of fiscal 2019 (From December 1, 2018 to May 31, 2019)	First six months of fiscal 2020 (From December 1, 2019 to May 31, 2020)
Profit (loss)	2,295	(148)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Remeasurements of defined benefit plans, net of tax	(0)	(7)
Total other comprehensive income	(1)	(7)
Comprehensive income	2,293	(156)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,293	(156)
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of fiscal 2019 (From December 1, 2018 to May 31, 2019)	First six months of fiscal 2020 (From December 1, 2019 to May 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	3,157	(40)
Depreciation	1,159	1,606
Impairment loss	28	6
Increase (decrease) in allowance for doubtful accounts	5	(1)
Increase (decrease) in provision for bonuses	553	743
Decrease (increase) in retirement benefit asset	(18)	(21)
Interest expenses	90	116
Decrease (increase) in trade receivables	(1,286)	249
Decrease (increase) in inventories	(1,274)	7,143
Increase (decrease) in trade payables	(173)	(2,411)
Other, net	1,013	4,532
Subtotal	3,256	11,923
Interest and dividends received	0	0
Interest paid	(91)	(115)
Income taxes paid	(666)	(1,144)
Net cash provided by (used in) operating activities	2,499	10,663
Cash flows from investing activities		
Payments into time deposits	(31)	(28)
Proceeds from withdrawal of time deposits	9	9
Purchase of property, plant and equipment	(5,057)	(3,215)
Purchase of intangible assets	(81)	(142)
Payments of guarantee deposits	(278)	(150)
Other, net	8	(50)
Net cash provided by (used in) investing activities	(5,430)	(3,576)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,345	6,429
Proceeds from long-term borrowings	2,000	12,800
Repayments of long-term borrowings	(1,464)	(1,249)
Proceeds from issuance of shares	5,886	31
Purchase of treasury shares	—	(1,307)
Dividends paid	(279)	(452)
Other, net	(60)	(40)
Net cash provided by (used in) financing activities	7,426	16,210
Net increase (decrease) in cash and cash equivalents	4,495	23,296
Cash and cash equivalents at beginning of period	16,493	11,030
Cash and cash equivalents at end of period	20,988	34,326

(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)

Based on a resolution of the Board of Directors meeting held on April 3, 2020, the Company acquired 1,902,200 shares of treasury stock. As a result, treasury stock increased by ¥1,307 million during the six months ended May 31, 2020 to a total of ¥1,307 million as of May 31, 2020.

(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