

Consolidated Financial Results for the Six Months Ended May 31, 2021

(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: Masashi Nomura
 Executive Officer, General Manager of Administration Division
 Tel: +81-52-228-6914

Scheduled date to file Quarterly Securities Report: July 5, 2021
 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, 2021 (From December 1, 2020 to May 31, 2021)

(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, 2021	139,231	20.2	6,345	—	6,201	—	4,366	—
May 31, 2020	115,791	10.5	177	(94.6)	(23)	—	(148)	—

Reference: Comprehensive income

For the six months ended May 31, 2021: ¥4,392 million, [—%]

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

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
May 31, 2021	57.91	56.76
May 31, 2020	(1.98)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
May 31, 2021	108,734	36,153	33.2
November 30, 2020	99,633	30,017	30.1

Reference: NEXTAGE shareholders' equity

As of May 31, 2021: ¥36,152 million

As of November 30, 2020: ¥30,013 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, 2020	—	0.00	—	7.00	7.00
Fiscal year ending November 30, 2021	—	0.00			
Fiscal year ending November 30, 2021 (forecasts)			—	7.00	7.00

Note: Revision to the latest forecast of dividends: None

3. Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2021 (From December 1, 2020 to November 30, 2021)

(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, 2021	280,000	16.1	11,000	61.2	10,700	63.9	7,600	60.3	100.80

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, 2021 79,938,800 shares
As of November 30, 2020 77,360,000 shares
b. Number of shares of treasury stock at the end of the period
As of May 31, 2021 3,458,071 shares
As of November 30, 2020 3,608,571 shares
c. Average number of shares
For the six months ended May 31, 2021 75,394,204 shares
For the six months ended May 31, 2020 75,231,612 shares

(Note) The Company introduced a trust-type employee stock ownership incentive plan (E-Ship) in October 2020.
The number of shares of treasury stock at the end of the period includes the following number of shares of the Company held by the NEXTAGE Employee Stock Ownership Trust Account, a dedicated account for E-Ship set up with a trust bank.
As of May 31, 2021 1,441,200 shares
In calculation of the average number of shares, the number of shares of treasury stock deducted from the number of common shares issued includes the following number of shares of the Company owned by the above-mentioned account.
For the six months ended May 31, 2021 1,515,657 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.

Attachment Contents

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position.....	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.....	3
2. Matters concerning the Summary Information (Notes).....	4
(1) Changes in Significant Subsidiaries during the Consolidated Quarter.....	4
(2) Adoption of Specific Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements.....	4
(3) Changes in Accounting Policies, Accounting Estimates and Restatement of Revisions.....	4
3. Quarterly Consolidated Financial Statements and Primary Notes.....	5
(1) Quarterly Consolidated Balance Sheets.....	5
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	7
(3) Quarterly Consolidated Statements of Cash Flows.....	9
(4) Notes to the Quarterly Consolidated Financial Statements.....	10
Uncertainties of entity's ability to continue as going concern.....	10
Segment information, etc.	10
Significant events after reporting period	10

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Status of Financial Results

During the six months ended May 31, 2021, 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 2020 through May 2021 were 3,339,301 vehicles (up 4.9% year on year). By vehicle type, used car registrations were 1,708,602 vehicles (up 6.0% year on year) for ordinary passenger cars and 1,630,699 vehicles (up 3.8% 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 Miyazaki-Kita Store in Miyazaki Prefecture, Nisshin-Ekimae Store in Aichi Prefecture, and Kochi Store in Kochi Prefecture in April 2021, and Makuhari Store in Chiba Prefecture in May 2021, all as general stores. In addition, the Group opened Ichinomiya-Subaru Specialist Store in Aichi Prefecture in April 2021 and UNIVERSE Chiba-Kita in Chiba Prefecture in May 2021 as specialist stores. Furthermore, the Group opened 4 vehicle purchasing specialist stores as storefront additions to new dealerships, as well as Nagakute-Green Road Store, Hamamatsu Store, Akishima Store, Saitama-Chuo Store, and Ishioka Store as vehicle purchasing stores in a standalone format.

As a result, for the six months to May 31, 2021, the Group posted net sales of ¥139,231 million (up 20.2% year on year), operating profit of ¥6,345 million (up 3,465.0%), ordinary profit of ¥6,201 million (ordinary loss of ¥23 million in the same period of the previous fiscal year) and profit attributable to owners of parent of ¥4,366 million (loss attributable to owners of parent of ¥148 million in the same period of the previous fiscal year).

Used car dealership business

In the used car dealership business, the store count as of May 31, 2021 was 88 dealership bases (comprising 138 storefronts). New store openings consisted of 4 dealership bases (5 storefronts) in the Kanto-Koshinetsu region, 4 dealership bases (4 storefronts) in the Tokai-Hokuriku region, 1 dealership base (1 storefront) in the Chugoku-Shikoku region, and 1 dealership base (1 storefront) in the Kyushu-Okinawa region. In addition, the Group opened 4 vehicle purchasing specialist stores as storefront additions.

New car dealership business

In the new car dealership business, the store count as of May 31, 2021 was 21 dealership bases (comprising 23 storefronts).

As a result, the store count as of May 31, 2021 was 109 dealership bases (comprising 161 storefronts).

Regional breakdowns of net sales were as follows.

Region	Six months ended May 31, 2020 (From December 1, 2019 to May 31, 2020)			Six months ended May 31, 2021 (From December 1, 2020 to May 31, 2021)			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	11,721	9 (12)	7,409	13,476	11 (15)	8,845	115.0	2 (3)	119.4
Kanto-Koshinetsu	29,241	23 (36)	15,997	34,960	27 (42)	20,015	119.6	4 (6)	125.1
Tokai-Hokuriku	42,160	33 (45)	27,500	47,887	38 (53)	31,238	113.6	5 (8)	113.6
Kansai	17,586	15 (22)	10,960	23,883	17 (25)	14,694	135.8	2 (3)	134.1
Chugoku-Shikoku	1,716	1 (2)	1,384	1,793	2 (4)	1,432	104.5	1 (2)	103.5
Kyushu-Okinawa	13,364	12 (19)	8,633	17,229	14 (22)	11,468	128.9	2 (3)	132.8
Total	115,791	93 (136)	71,883	139,231	109 (161)	87,692	120.2	16 (25)	122.0

- Notes:
- Consumption and other sales taxes were not included in the amounts above.
 - The regions were composed of the following prefectures in which the Group has bases.
Hokkaido-Tohoku: Hokkaido, Miyagi Prefecture, Fukushima Prefecture
Kanto-Koshinetsu: Ibaraki Prefecture, Tochigi Prefecture, Gunma Prefecture, Saitama Prefecture, Chiba Prefecture, Metropolitan Tokyo, Kanagawa Prefecture, Yamanashi Prefecture, Nagano 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
Chugoku-Shikoku: Ehime Prefecture, Kochi Prefecture
Kyushu-Okinawa: Fukuoka Prefecture, Kumamoto Prefecture, Oita Prefecture, Miyazaki Prefecture, Kagoshima Prefecture, Okinawa Prefecture
 - 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, 2021 were ¥108,734 million, an increase of ¥9,100 million from the previous fiscal year-end.

Total current assets increased by ¥6,357 million from the previous fiscal year-end to ¥75,246 million. The main contributing factors were increases of ¥3,778 million in cash and deposits and ¥1,424 million in accounts receivable – trade.

Total non-current assets increased by ¥2,743 million from the previous fiscal year-end to ¥33,487 million. The main contributing factor was an increase of ¥2,977 million in buildings and structures, primarily in connection with the opening of new stores.

Total current liabilities increased by ¥507 million from the previous fiscal year-end to ¥28,520 million. The main contributing factor was an increase of ¥1,779 million in short-term borrowings.

Total non-current liabilities increased by ¥2,457 million from the previous fiscal year-end to ¥44,060 million. The main contributing factor was an increase of ¥2,202 million in long-term borrowings.

Total net assets increased by ¥6,135 million from the previous fiscal year-end to ¥36,153 million.

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

No changes have been made to the consolidated financial forecast for the fiscal year ending November 30, 2021 announced in “Consolidated Financial Results for the Fiscal Year Ended November 30, 2020” on January 7, 2021.

2. Matters concerning the Summary Information (Notes)

(1) Changes in Significant Subsidiaries 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 2020 (As of November 30, 2020)	First six months of fiscal 2021 (As of May 31, 2021)
Assets		
Current assets		
Cash and deposits	27,443	31,221
Accounts receivable - trade	6,416	7,840
Merchandise	32,951	32,711
Work in process	99	127
Supplies	429	521
Other	1,556	2,829
Allowance for doubtful accounts	(7)	(5)
Total current assets	68,889	75,246
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,884	21,862
Other, net	6,348	5,807
Total property, plant and equipment	25,232	27,669
Intangible assets	895	785
Investments and other assets	4,615	5,032
Total non-current assets	30,743	33,487
Total assets	99,633	108,734
Liabilities		
Current liabilities		
Accounts payable - trade	6,403	6,056
Short-term borrowings	6,276	8,055
Current portion of bonds payable	1,000	—
Current portion of long-term borrowings	5,201	5,601
Lease obligations	73	103
Income taxes payable	1,430	2,073
Provision for bonuses	—	865
Other	7,626	5,763
Total current liabilities	28,012	28,520
Non-current liabilities		
Long-term borrowings	39,746	41,949
Lease obligations	320	428
Asset retirement obligations	1,191	1,379
Other	344	303
Total non-current liabilities	41,603	44,060
Total liabilities	69,615	72,580

(Millions of yen)

	Fiscal 2020 (As of November 30, 2020)	First six months of fiscal 2021 (As of May 31, 2021)
Net assets		
Shareholders' equity		
Share capital	6,925	7,953
Capital surplus	9,332	10,360
Retained earnings	17,578	21,417
Treasury shares	(3,724)	(3,505)
Total shareholders' equity	30,112	36,225
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	1
Remeasurements of defined benefit plans	(98)	(74)
Total accumulated other comprehensive income	(99)	(72)
Share acquisition rights	3	0
Total net assets	30,017	36,153
Total liabilities and net assets	99,633	108,734

(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 2020 (From December 1, 2019 to May 31, 2020)	First six months of fiscal 2021 (From December 1, 2020 to May 31, 2021)
Net sales	115,791	139,231
Cost of sales	97,226	112,913
Gross profit	18,565	26,318
Selling, general and administrative expenses	18,387	19,972
Operating profit	177	6,345
Non-operating income		
Insurance claim income	26	9
Subsidy income	—	51
Gain on sales of scraps	7	8
Other	40	76
Total non-operating income	74	146
Non-operating expenses		
Interest expenses	116	129
Rent cost	3	3
Commission expenses	122	92
Other	32	64
Total non-operating expenses	275	290
Ordinary profit (loss)	(23)	6,201
Extraordinary income		
Subsidies income	85	—
Gain on reversal of share acquisition rights	—	1
Total extraordinary income	85	1
Extraordinary losses		
Loss on disaster	5	—
Infectious disease related loss	90	—
Impairment loss	6	—
Total extraordinary losses	102	—
Profit (loss) before income taxes	(40)	6,203
Income taxes - current	89	1,855
Income taxes - deferred	18	(18)
Total income taxes	108	1,836
Profit (loss)	(148)	4,366
Profit (loss) attributable to owners of parent	(148)	4,366

Quarterly Consolidated Statements of Comprehensive Income
First Six Months

(Millions of yen)

	First six months of fiscal 2020 (From December 1, 2019 to May 31, 2020)	First six months of fiscal 2021 (From December 1, 2020 to May 31, 2021)
Profit (loss)	(148)	4,366
Other comprehensive income		
Valuation difference on available-for-sale securities	0	2
Remeasurements of defined benefit plans, net of tax	(7)	24
Total other comprehensive income	(7)	26
Comprehensive income	(156)	4,392
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(156)	4,392
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of fiscal 2020 (From December 1, 2019 to May 31, 2020)	First six months of fiscal 2021 (From December 1, 2020 to May 31, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(40)	6,203
Depreciation	1,606	1,795
Impairment loss	6	—
Increase (decrease) in allowance for doubtful accounts	(1)	(1)
Increase (decrease) in provision for bonuses	743	865
Decrease (increase) in retirement benefit asset	(21)	(59)
Interest expenses	116	129
Decrease (increase) in trade receivables	249	(1,424)
Decrease (increase) in inventories	7,143	120
Increase (decrease) in trade payables	(2,411)	(346)
Other, net	4,532	(3,112)
Subtotal	11,923	4,169
Interest and dividends received	0	5
Interest paid	(115)	(128)
Income taxes paid	(1,144)	(1,212)
Net cash provided by (used in) operating activities	10,663	2,833
Cash flows from investing activities		
Payments into time deposits	(28)	(60)
Proceeds from withdrawal of time deposits	9	9
Purchase of property, plant and equipment	(3,215)	(3,616)
Purchase of intangible assets	(142)	(153)
Payments of guarantee deposits	(150)	(333)
Proceeds from refund of guarantee deposits	—	23
Other, net	(50)	6
Net cash provided by (used in) investing activities	(3,576)	(4,124)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,429	1,779
Proceeds from long-term borrowings	12,800	5,500
Repayments of long-term borrowings	(1,249)	(2,897)
Redemption of bonds	—	(1,000)
Proceeds from issuance of shares	31	1,977
Purchase of treasury shares	(1,307)	—
Dividends paid	(452)	(527)
Proceeds from disposal of treasury shares	—	239
Other, net	(40)	(53)
Net cash provided by (used in) financing activities	16,210	5,018
Net increase (decrease) in cash and cash equivalents	23,296	3,727
Cash and cash equivalents at beginning of period	11,030	27,443
Cash and cash equivalents at end of period	34,326	31,170

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

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