

Consolidated Financial Results **for the Three Months Ended February 29, 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: April 3, 2020
Scheduled date to commence dividend payments: —
Supplementary explanatory materials prepared: Yes
Explanatory meeting: No

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

1. Consolidated Financial Results for the Three Months Ended February 29, 2020 **(From December 1, 2019 to February 29, 2020)**

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 29, 2020	61,694	25.6	305	(77.3)	207	(83.7)	71	(91.2)
February 28, 2019	49,130	42.2	1,345	53.1	1,277	46.8	814	49.2

Reference: Comprehensive income

For the three months ended February 29, 2020: ¥61 million, [(92.4)%]

For the three months ended February 28, 2019: ¥813 million, [49.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
February 29, 2020	0.95	0.90
February 28, 2019	11.68	11.03

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
February 29, 2020	89,204	27,472	30.8
November 30, 2019	86,355	27,858	32.3

Reference: NEXTAGE shareholders' equity

As of February 29, 2020: ¥27,466 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	—				
Fiscal year ending November 30, 2020 (forecasts)		0.00	—	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
Six months ending May 31, 2020	124,000	18.3	850	(74.1)	600	(81.2)	450	(80.4)	5.96
Fiscal year ending November 30, 2020	245,000	11.7	3,000	(50.7)	2,600	(55.8)	1,850	(56.6)	24.51

Note: Revision to the latest forecast of financial results: Yes

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 February 29, 2020 75,490,600 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 February 29, 2020 271 shares

As of November 30, 2019 271 shares

c. Average number of shares

For the three months ended February 29, 2020 75,472,129 shares

For the three months ended February 28, 2019 69,715,411 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 three months ended February 29, 2020, the Japanese economy is expected to continue on a moderate recovery trend as a result of various government policies amid ongoing improvement in employment and personal income. However, it is necessary to pay close attention to the impact of the novel coronavirus infection (COVID-19) on the domestic and overseas economies. Although the global economy is expected to continue a moderate recovery, attention must be paid to mounting tension surrounding trade issues, the outlook for the Chinese economy, impact of uncertainty about overseas economic trends and government policies such as the future of Brexit, as well as the 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 2019 through February 2020 were 1,456,832 vehicles (**down** 3.5% year on year). By vehicle type, used car registrations were 751,425 vehicles (**down** 4.1% year on year) for ordinary passenger cars and 705,407 vehicles (**down** 3.0% 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 Matsuyama Chuo Store, which is the first in Ehime Prefecture, Odaka Store in Aichi Prefecture, and Shingu Store in Fukuoka Prefecture in December 2019 as general stores. The Group also opened 2 vehicle purchasing specialist stores as storefront additions to existing dealerships. With regard to authorized imported car dealerships, the Group opened “MASERATI Nagoya Sakurayama” as an authorized dealership for MASERATI and “Volvo Cars Odawara” as an authorized dealership for Volvo Cars.

As a result, for the three months to February 29, 2020, the Group posted net sales of ¥61,694 million (up 25.6% year on year), operating profit of ¥305 million (down 77.3%), ordinary profit of ¥207 million (down 83.7%), and profit attributable to owners of parent of ¥71 million (down 91.2%).

Used car dealership business

In the used car dealership business, the store count as of February 29, 2020 was 71 dealership bases (comprising 115 storefronts). New store openings consisted of 1 dealership base (1 storefront) in the Tokai-Hokuriku region, 1 dealership base (2 storefronts) in the Chugoku-Shikoku region, and 1 dealership base (2 storefronts) in the Kyushu-Okinawa region. On the other hand, the Group closed 1 dealership base (1 storefront) in the Tokai-Hokuriku region.

New car dealership business

In the new car dealership business, the store count as of February 29, 2020 was 20 dealership bases (comprising 21 storefronts). New store openings consisted of 1 dealership base (1 storefront) in the Tokai-Hokuriku region and 1 dealership base (1 storefront) in the Kanto-Koshinetsu region.

As a result, the store count as of February 29, 2020 was 91 dealership bases (comprising 136 storefronts).

Regional breakdowns of net sales were as follows.

Region	Three months ended February 28, 2019 (From December 1, 2018 to February 28, 2019)			Three months ended February 29, 2020 (From December 1, 2019 to February 29, 2020)			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	4,219	6 (9)	2,382	6,148	9 (12)	3,943	145.7	3 (3)	165.5
Kanto-Koshinetsu	12,098	16 (27)	6,583	15,510	23 (36)	7,740	128.2	7 (9)	117.6
Tokai-Hokuriku	19,354	30 (42)	12,902	22,823	33 (46)	14,785	117.9	3 (4)	114.6
Kansai	8,619	12 (20)	5,520	9,144	14 (22)	5,667	106.1	2 (2)	102.7
Chugoku-Shikoku	—	— (—)	—	967	1 (2)	768	—	1 (2)	—
Kyushu-Okinawa	4,837	7 (12)	2,963	7,100	11 (18)	4,471	146.8	4 (6)	150.9
Total	49,130	71 (110)	30,350	61,694	91 (136)	37,374	125.6	20 (26)	123.1

- 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, 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 first 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 February 29, 2020 were ¥89,204 million, an increase of ¥2,848 million from the previous fiscal year-end.

Total current assets increased by ¥1,830 million from the previous fiscal year-end to ¥63,341 million. The main contributing factors were increases of ¥774 million in accounts receivable - trade and ¥2,969 million in merchandise.

Total non-current assets increased by ¥1,018 million from the previous fiscal year-end to ¥25,862 million. The main contributing factor was an increase of ¥1,094 million in buildings and structures, primarily in connection with the opening of new stores.

Total current liabilities increased by ¥3,334 million from the previous fiscal year-end to ¥31,682 million. The main contributing factor was an increase of ¥3,991 million in short-term borrowings.

Total non-current liabilities decreased by ¥100 million from the previous fiscal year-end to ¥30,049 million. The main contributing factor was a decrease of ¥199 million in long-term borrowings.

Total net assets decreased by ¥385 million from the previous fiscal year-end to ¥27,472 million.

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

As for consolidated financial forecast for the Six months ending May 31, 2020 and the fiscal year ending November 30, 2020 have been revised from the projections announced in "Consolidated Financial Results for the Fiscal Year Ended November 30, 2019" on January 7, 2020. For details, please refer to "Notice Regarding Revision of Financial Forecast" announced today (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 three months of fiscal 2020 (As of February 29, 2020)
Assets		
Current assets		
Cash and deposits	11,060	12,766
Accounts receivable - trade	5,233	6,008
Merchandise	38,675	41,645
Work in process	126	132
Supplies	497	534
Other	5,923	2,258
Allowance for doubtful accounts	(5)	(4)
Total current assets	61,511	63,341
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,535	14,629
Other, net	6,554	6,481
Total property, plant and equipment	20,090	21,111
Intangible assets	853	833
Investments and other assets	3,900	3,917
Total non-current assets	24,844	25,862
Total assets	86,355	89,204
Liabilities		
Current liabilities		
Accounts payable - trade	7,169	7,143
Short-term borrowings	11,942	15,933
Current portion of long-term borrowings	2,996	2,584
Lease obligations	65	78
Income taxes payable	1,297	98
Provision for bonuses	—	393
Asset retirement obligations	2	2
Other	4,874	5,448
Total current liabilities	28,347	31,682
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term borrowings	27,966	27,766
Lease obligations	289	328
Asset retirement obligations	863	923
Other	31	30
Total non-current liabilities	30,150	30,049
Total liabilities	58,497	61,731

(Millions of yen)

	Fiscal 2019 (As of November 30, 2019)	First three months of fiscal 2020 (As of February 29, 2020)
Net assets		
Shareholders' equity		
Share capital	6,095	6,098
Capital surplus	8,502	8,505
Retained earnings	13,290	12,909
Treasury shares	(0)	(0)
Total shareholders' equity	27,888	27,513
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Remeasurements of defined benefit plans	(36)	(46)
Total accumulated other comprehensive income	(36)	(46)
Share acquisition rights	5	5
Total net assets	27,858	27,472
Total liabilities and net assets	86,355	89,204

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

Quarterly Consolidated Statements of Income

First Three Months

(Millions of yen)

	First three months of fiscal 2019 (From December 1, 2018 to February 28, 2019)	First three months of fiscal 2020 (From December 1, 2019 to February 29, 2020)
Net sales	49,130	61,694
Cost of sales	40,763	51,882
Gross profit	8,367	9,812
Selling, general and administrative expenses	7,021	9,506
Operating profit	1,345	305
Non-operating income		
Insurance claim income	5	26
Gain on sales of scraps	4	3
Other	49	22
Total non-operating income	58	52
Non-operating expenses		
Interest expenses	43	56
Rent cost	6	2
Commission expenses	73	84
Other	4	7
Total non-operating expenses	127	150
Ordinary profit	1,277	207
Extraordinary losses		
Loss on disaster	6	—
Total extraordinary losses	6	—
Profit before income taxes	1,270	207
Income taxes - current	373	13
Income taxes - deferred	82	122
Total income taxes	455	136
Profit	814	71
Profit attributable to owners of parent	814	71

Quarterly Consolidated Statements of Comprehensive Income

First Three Months

(Millions of yen)

	First three months of fiscal 2019 (From December 1, 2018 to February 28, 2019)	First three months of fiscal 2020 (From December 1, 2019 to February 29, 2020)
Profit	814	71
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Remeasurements of defined benefit plans, net of tax	(0)	(9)
Total other comprehensive income	(0)	(9)
Comprehensive income	813	61
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	813	61
Comprehensive income attributable to non-controlling interests	—	—

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

None

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

None

(Segment information, etc.)

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

(Significant events after reporting period)

(Acquisition of Treasury Stock)

NEXTAGE Co., Ltd. (the "Company") at the Board of Directors meeting held on April 3, 2020, the Company has resolved to acquire its treasury stock, pursuant to the Article 156 as applied by replacing the terms of Article 165, Paragraph 3 of the Companies Act.

1. Reasons for Repurchase of Own Shares

To return capital to shareholders, promote capital efficiency and implement an agile capital policy in view of the growth strategies, the Company will repurchase treasury stock.

2. Outline of Repurchase

- (1) Type of shares to be repurchased: Common shares of the Company
- (2) Total number of shares to be repurchased: 7,000,000 shares (Maximum)
(Representing 9.2% of the total number of issued shares (excluding treasury stocks))
- (3) Total amount of repurchase price: JPY 3,000,000,000 (Maximum)
- (4) Repurchase period: From April 6, 2020 to July 31, 2020
- (5) Acquisition method: Purchase on the Tokyo Stock Exchange