



July 4, 2022

Consolidated Financial Results
for the Six Months Ended May 31, 2022
 (Japanese Accounting Standards)

Name of listed company: **NEXTAGE Co., Ltd.**
 Stock Exchange Listings: Tokyo, Nagoya
 Stock code: 3186
 URL: <https://www.nextage.jp/>
 Representative: Koji Hamawaki, President and Representative Director, Executive Officer
 Contact person: Masashi Nomura, Director and Executive Officer
 Tel: +81-52-228-6914

Scheduled date to file Quarterly Securities Report: July 4, 2022
 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, 2022
(From December 1, 2021 to May 31, 2022)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2022	182,332	31.0	9,151	44.2	8,929	44.0	6,229	42.7
May 31, 2021	139,231	20.2	6,345	—	6,201	—	4,366	—

Reference: Comprehensive income

For the six months ended May 31, 2022: ¥6,235 million, [42.0%]

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

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
May 31, 2022	79.73	79.42
May 31, 2021	57.91	56.76

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
May 31, 2022	130,841	48,479	37.1
November 30, 2021	111,032	41,617	37.5

Reference: NEXTAGE shareholders' equity

As of May 31, 2022: ¥48,479 million

As of November 30, 2021: ¥41,617 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, 2021	—	0.00	—	15.00	15.00
Fiscal year ending November 30, 2022	—	0.00			
Fiscal year ending November 30, 2022 (forecasts)			—	21.00	21.00

Note: Revision to the latest forecast of dividends: None

3. Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2022 (From December 1, 2021 to November 30, 2022)

(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, 2022	380,000	30.5	19,150	40.4	18,730	39.9	13,000	34.5	166.38

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: Yes
b. Changes in accounting policies due to reasons other than a. above: Yes
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, 2022 | 80,548,000 shares | |
| As of November 30, 2021 | 80,136,800 shares | |
| b. Number of shares of treasury stock at the end of the period | | |
| As of May 31, 2022 | 1,349,871 shares | |
| As of November 30, 2021 | 3,339,571 shares | |
| c. Average number of shares | | |
| For the six months ended May 31, 2022 | 78,136,137 shares | |
| For the six months ended May 31, 2021 | 75,394,204 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, 2022 | 1,178,100 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, 2022 | 1,261,642 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 4 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.....	4
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
Notes in case of a significant change in shareholders' equity.....	10
Changes in accounting policies, etc.	10
Segment information, etc.	11
Significant events after reporting period	11

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended May 31, 2022, the Japanese economy is expected to recover as a result of various government policies, as socio-economic activities continue with thorough infectious disease control measures in place. However, uncertainty about the future remains due to factors such as supply shortages of parts and materials, especially semiconductors, disruption of supply chains, and surging prices of natural resources caused by the situation in Russia and Ukraine.

In this environment, in the Japanese used car sales industry, domestic used car registrations from December 2021 through May 2022 were 3,074,254 vehicles (down 7.9% year on year). By vehicle type, used car registrations were 1,578,119 vehicles (down 7.6% year on year) for ordinary passenger cars and 1,496,135 vehicles (down 8.3% 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 the number of customers under management in mind.

In dealership openings, the Group opened Atsugi Store in Kanagawa Prefecture and Tsu Store in Mie Prefecture in March 2022, Nagano-Minami Store in Nagano Prefecture and Yamagata-Kita Store in Yamagata Prefecture in April 2022, and Hakodate Hokuto Store in Hokkaido and Yahata-Nishi Store in Fukuoka Prefecture in May 2022, all as general stores. In addition, the Group opened Kasukabe-Subaru Specialist Store in Saitama Prefecture in April 2022 as a specialist store. Furthermore, the Group opened 7 vehicle purchasing specialist stores as storefront additions to new dealerships, as well as Kodaira Store, Konosu Store, Togitsu Store, Shizuoka Store, Obihiro Store, and Kobe-Kita Store as vehicle purchasing stores in a standalone format.

As a result, for the six months ended May 31, 2022, the Group posted net sales of ¥182,332 million (up 31.0% year on year), operating profit of ¥9,151 million (up 44.2% year on year), ordinary profit of ¥8,929 million (up 44.0% year on year) and profit attributable to owners of parent of ¥6,229 million (up 42.7% year on year).

Used car dealership business

In the used car dealership business, the store count as of May 31, 2022 was 118 dealership bases (comprising 183 storefronts). New store openings consisted of 3 dealership bases (5 storefronts) in Hokkaido-Tohoku region, 4 dealership bases (7 storefronts) in the Kanto-Koshinetsu region, 2 dealership bases (4 storefronts) in the Tokai-Hokuriku region, 1 dealership base (1 storefront) in Kansai region, and 2 dealership bases (3 storefronts) in the Kyushu-Okinawa region. In addition, the Group opened 7 vehicle purchasing specialist stores as storefront additions.

New car dealership business

In the new car dealership business, the store count as of May 31, 2022 was 21 dealership bases (comprising 23 storefronts).

As a result, the store count as of May 31, 2022 was 139 dealership bases (comprising 206 storefronts).

Regional breakdowns of net sales were as follows.

Region	Six months ended May 31, 2021 (From December 1, 2020 to May 31, 2021)			Six months ended May 31, 2022 (From December 1, 2021 to May 31, 2022)			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	13,476	11 (15)	8,845	18,594	17 (25)	13,344	138.0	6 (10)	150.9
Kanto-Koshinetsu	34,960	27 (42)	20,015	48,631	37 (57)	30,867	139.1	10 (15)	154.2
Tokai-Hokuriku	47,887	38 (53)	31,238	56,934	41 (58)	34,951	118.9	3 (5)	111.9
Kansai	23,883	17 (25)	14,694	28,662	21 (29)	17,811	120.0	4 (4)	121.2
Chugoku-Shikoku	1,793	2 (4)	1,432	5,417	5 (8)	4,830	302.1	3 (4)	337.3
Kyushu-Okinawa	17,229	14 (22)	11,468	24,092	18 (29)	17,015	139.8	4 (7)	148.4
Total	139,231	109 (161)	87,692	182,332	139 (206)	118,818	131.0	30 (45)	135.5

- 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, Aomori Prefecture, Iwate Prefecture, Miyagi Prefecture, Yamagata 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, Kyoto Prefecture, Osaka Prefecture, Hyogo Prefecture, Nara Prefecture, Wakayama Prefecture
 - Chugoku-Shikoku: Hiroshima Prefecture, Ehime Prefecture, Kochi Prefecture
 - Kyushu-Okinawa: Fukuoka Prefecture, Nagasaki 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, 2022 were ¥130,841 million, an increase of ¥19,809 million from the previous fiscal year-end.

Total current assets increased by ¥14,644 million from the previous fiscal year-end to ¥89,510 million. The main contributing factors were increases of ¥2,547 million in cash and deposits, ¥3,491 million in accounts receivable - trade, and ¥8,109 million in merchandise.

Total non-current assets increased by ¥5,165 million from the previous fiscal year-end to ¥41,331 million. The main contributing factor was an increase of ¥2,288 million in buildings and structures, primarily in connection with the opening of new stores.

Total current liabilities increased by ¥10,190 million from the previous fiscal year-end to ¥38,202 million. The main contributing factors were increases of ¥1,332 million in accounts payable - trade, ¥3,543 million in short-term borrowings, and ¥2,133 million in current portion of long-term borrowings.

Total non-current liabilities increased by ¥2,758 million from the previous fiscal year-end to ¥44,160 million. The main contributing factor was an increase of ¥909 million in long-term borrowings.

Total net assets increased by ¥6,861 million from the previous fiscal year-end to ¥48,479 million. The main contributing factors were an increase of ¥3,116 million in capital surplus and a decrease of ¥1,500 million in treasury shares due primarily to disposal of treasury shares.

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

Consolidated financial forecasts for the fiscal year ending November 30, 2022 have been revised from the projections announced in “Consolidated Financial Results for the Fiscal Year Ended November 30, 2021” on January 6, 2022. For details, please refer to “Notice Regarding Differences Between Forecast and Actual Results for the First Half of the Fiscal Year and Revision of Financial Forecast” announced today (July 4, 2022).

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

For changes in accounting policies, please refer to “(Changes in accounting policies, etc.)” under “(4) Notes to the Quarterly Consolidated Financial Statements” in “3. Quarterly Consolidated Financial Statements and Primary Notes.” There are no matters concerning changes in accounting estimates or restatement of revisions.

3. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2021 (As of November 30, 2021)	First six months of fiscal 2022 (As of May 31, 2022)
Assets		
Current assets		
Cash and deposits	22,748	25,296
Accounts receivable - trade	7,286	10,778
Merchandise	41,352	49,462
Work in process	128	165
Supplies	568	589
Other	2,784	3,225
Allowance for doubtful accounts	(3)	(6)
Total current assets	74,865	89,510
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,563	25,851
Other, net	6,100	7,285
Total property, plant and equipment	29,663	33,137
Intangible assets	722	634
Investments and other assets	5,780	7,559
Total non-current assets	36,166	41,331
Total assets	111,032	130,841
Liabilities		
Current liabilities		
Accounts payable - trade	5,407	6,739
Short-term borrowings	6,455	9,998
Current portion of long-term borrowings	5,250	7,384
Lease obligations	136	95
Income taxes payable	3,147	2,795
Provision for bonuses	—	1,103
Other	7,615	10,085
Total current liabilities	28,012	38,202
Non-current liabilities		
Long-term borrowings	39,066	39,976
Lease obligations	579	357
Asset retirement obligations	1,493	1,573
Other	261	2,252
Total non-current liabilities	41,401	44,160
Total liabilities	69,414	82,362

(Millions of yen)

	Fiscal 2021 (As of November 30, 2021)	First six months of fiscal 2022 (As of May 31, 2022)
Net assets		
Shareholders' equity		
Share capital	7,961	8,027
Capital surplus	10,369	13,485
Retained earnings	26,714	28,888
Treasury shares	(3,333)	(1,833)
Total shareholders' equity	41,712	48,567
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	5
Remeasurements of defined benefit plans	(96)	(94)
Total accumulated other comprehensive income	(94)	(88)
Share acquisition rights	0	0
Total net assets	41,617	48,479
Total liabilities and net assets	111,032	130,841

(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 2021 (From December 1, 2020 to May 31, 2021)	First six months of fiscal 2022 (From December 1, 2021 to May 31, 2022)
Net sales	139,231	182,332
Cost of sales	112,913	148,852
Gross profit	26,318	33,480
Selling, general and administrative expenses	19,972	24,328
Operating profit	6,345	9,151
Non-operating income		
Insurance claim income	9	8
Subsidy income	51	14
Gain on sales of scraps	8	11
Other	76	66
Total non-operating income	146	100
Non-operating expenses		
Interest expenses	129	116
Rent cost	3	4
Commission expenses	92	132
Other	64	70
Total non-operating expenses	290	323
Ordinary profit	6,201	8,929
Extraordinary income		
Gain on reversal of share acquisition rights	1	—
Total extraordinary income	1	—
Profit before income taxes	6,203	8,929
Income taxes - current	1,855	2,494
Income taxes - deferred	(18)	204
Total income taxes	1,836	2,699
Profit	4,366	6,229
Profit attributable to owners of parent	4,366	6,229

Quarterly Consolidated Statements of Comprehensive Income

First Six Months

(Millions of yen)

	First six months of fiscal 2021 (From December 1, 2020 to May 31, 2021)	First six months of fiscal 2022 (From December 1, 2021 to May 31, 2022)
Profit	4,366	6,229
Other comprehensive income		
Valuation difference on available-for-sale securities	2	4
Remeasurements of defined benefit plans, net of tax	24	1
Total other comprehensive income	26	6
Comprehensive income	4,392	6,235
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,392	6,235
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of fiscal 2021 (From December 1, 2020 to May 31, 2021)	First six months of fiscal 2022 (From December 1, 2021 to May 31, 2022)
Cash flows from operating activities		
Profit before income taxes	6,203	8,929
Depreciation	1,795	1,355
Increase (decrease) in allowance for doubtful accounts	(1)	3
Increase (decrease) in provision for bonuses	865	1,103
Decrease (increase) in retirement benefit asset	(59)	(47)
Interest expenses	129	116
Decrease (increase) in trade receivables	(1,424)	(4,631)
Decrease (increase) in inventories	120	(8,167)
Increase (decrease) in trade payables	(346)	1,332
Other, net	(3,112)	632
Subtotal	4,169	626
Interest and dividends received	5	3
Interest paid	(128)	(115)
Income taxes paid	(1,212)	(2,846)
Net cash provided by (used in) operating activities	2,833	(2,331)
Cash flows from investing activities		
Payments into time deposits	(60)	—
Proceeds from withdrawal of time deposits	9	30
Purchase of property, plant and equipment	(3,616)	(4,453)
Purchase of intangible assets	(153)	(62)
Payments of guarantee deposits	(333)	(494)
Proceeds from refund of guarantee deposits	23	17
Other, net	6	(103)
Net cash provided by (used in) investing activities	(4,124)	(5,066)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,779	3,543
Proceeds from long-term borrowings	5,500	6,000
Repayments of long-term borrowings	(2,897)	(2,956)
Redemption of bonds	(1,000)	—
Proceeds from issuance of shares	1,977	15
Dividends paid	(527)	(1,171)
Proceeds from disposal of treasury shares	239	4,664
Other, net	(53)	(118)
Net cash provided by (used in) financing activities	5,018	9,976
Net increase (decrease) in cash and cash equivalents	3,727	2,577
Cash and cash equivalents at beginning of period	27,443	22,718
Cash and cash equivalents at end of period	31,170	25,296

(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)

None

(Changes in accounting policies, etc.)

Application of the Accounting Standard for Revenue Recognition, etc.

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020), etc. ("Revenue Recognition Accounting Standard, etc.") have been applied since the beginning of the three months ended February 28, 2022, and revenues are recognized when the control of the promised goods or services is transferred to customers, in an amount that the Group expects to receive in exchange for those goods or services.

Major changes resulting from this are as follows.

- (1) While revenues from vehicle sales were previously recognized when vehicles were registered, they are now recognized when purchased vehicles are delivered to customers. However, for vehicles that meet the requirements for the transfer of control in bill-and-hold arrangements, revenues are recognized when those requirements are met.
- (2) Previously, installment fees for vehicles sold in installments were recognized as revenues and posted as net sales in full amount when vehicles were sold. After an analysis of the performance obligations included in installment sales, the Group has changed this procedure and decided that when vehicles are sold, their cash sales prices should be posted as net sales, and the interest portion of the installment fees should be distributed in profit or loss in every fiscal year over the period through the settlement date by using the amortized cost method (interest method) because the installment interest has been determined to be an important financial element of the accounts receivable - trade.

The application of the Revenue Recognition Accounting Standard, etc. complies with the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The aggregate amount of the impact from retroactive application of the new accounting policy before the beginning of the three months ended February 28, 2022 is added to or subtracted from the retained earnings at the beginning of the three months ended February 28, 2022, and the new accounting policy is applied from the balance at the beginning of the same period.

As a result, for the six months ended May 31, 2022, net sales decreased by ¥1,974 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥598 million. In addition, the balance of retained earnings at the beginning of the period decreased by ¥2,884 million. In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenues generated from contracts with customers for the six months ended May 31, 2021 is not shown.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Change in depreciation method for property, plant and equipment

Property, plant and equipment (excluding lease assets) were previously depreciated by the declining-balance method except for the Company's buildings. Effective from the three months ended February 28, 2022, the method has been changed to the straight-line method.

Under the 2030 Long-term Plan, the Group is aiming to achieve net sales of ¥1 trillion, an operating margin of 9%, and an operating profit of ¥90 billion. To achieve the 2030 Long-term Vision, the Group has set the target of 223 large-scale stores by 2030 by opening some 20 of them every year. With Japan's imported new car market expected to grow to approximately ¥1.5 trillion, the Group will seek a continued expansion of the authorized imported car dealership business as part of its automobile sales business. In view of such increases in the number of store openings in the automobile sales business, the Group reviewed the usage of its property, plant and equipment and found that vehicles for display, which are important for new car dealerships, had low mileage relative to their number of years since acquisition, and that the number of customers visiting the stores, which is related to the consumption pattern of store assets, was also stable. These findings have led to the decision that it is appropriate to evenly distribute the associated expenses over their useful lives, and the Group has changed the depreciation method to the straight-line method.

As a result, for the six months ended May 31, 2022, operating profit, ordinary profit, and profit before income taxes each increased by ¥705 million, compared with those based on the previous method.

(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