



October 3, 2022

Consolidated Financial Results for the Nine Months Ended August 31, 2022

(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: October 3, 2022
 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 Nine Months Ended August 31, 2022 (From December 1, 2021 to August 31, 2022)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended August 31, 2022	289,330	36.4	14,756	50.5	14,556	51.6	10,333	49.9
August 31, 2021	212,093	18.7	9,804	164.1	9,604	174.9	6,893	174.3

Reference: Comprehensive income

For the nine months ended August 31, 2022: ¥10,347 million, [49.4%]

For the nine months ended August 31, 2021: ¥6,924 million, [176.0%]

	Basic earnings per share	Diluted earnings per share
Nine months ended August 31, 2022	Yen 131.60	Yen 131.16
August 31, 2021	90.96	89.19

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
August 31, 2022	140,896	52,715	37.4
November 30, 2021	111,032	41,617	37.5

Reference: NEXTAGE shareholders' equity

As of August 31, 2022: ¥52,715 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	165.55

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: 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 August 31, 2022 80,684,200 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 August 31, 2022 1,273,171 shares
As of November 30, 2021 3,339,571 shares
c. Average number of shares
For the nine months ended August 31, 2022 78,524,585 shares
For the nine months ended August 31, 2021 75,781,585 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 August 31, 2022 1,101,400 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 nine months ended August 31, 2022 1,220,430 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended August 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 August 2022 were 4,476,763 vehicles (down 7.0% year on year). By vehicle type, used car registrations were 2,323,240 vehicles (down 6.5% year on year) for ordinary passenger cars and 2,153,523 vehicles (down 7.5% 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 Nagasaki Store in Nagasaki Prefecture in July 2022, and Nagaoka Store in Niigata Prefecture and Moriyama Store in Aichi Prefecture in August 2022, all as general stores. In addition, the Group opened Kasugai Sedan Sports Car Specialist Store in Aichi Prefecture as a specialist store. Furthermore, the Group opened 2 vehicle purchasing specialist stores as storefront additions to new dealerships, as well as Yaizu Store, Koriyama Store, Hofu Store, and Hitachi Store as vehicle purchasing stores in a standalone format.

As a result, for the nine months ended August 31, 2022, the Group posted net sales of ¥289,330 million (up 36.4% year on year), operating profit of ¥14,756 million (up 50.5% year on year), ordinary profit of ¥14,556 million (up 51.6% year on year), and profit attributable to owners of parent of ¥10,333 million (up 49.9% year on year).

Used car dealership business

In the used car dealership business, the store count as of August 31, 2022 was 125 dealership bases (comprising 193 storefronts). New store openings consisted of 1 dealership base (1 storefront) in the Hokkaido-Tohoku region, 2 dealership bases (2 storefronts) in the Kanto-Koshinetsu region, 2 dealership bases (3 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 2 vehicle purchasing specialist stores as storefront additions.

New car dealership business

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

As a result, the store count as of August 2022 was 146 dealership bases (comprising 216 storefronts).

Regional breakdowns of net sales were as follows.

Region	Nine months ended August 31, 2021 (From December 1, 2020 to August 31, 2021)			Nine months ended August 31, 2022 (From December 1, 2021 to August 31, 2022)			Change YoY		
	Sales amount (Millions of yen)	Bases at third quarter-end	Sales volume (Vehicles)	Sales amount (Millions of yen)	Bases at third quarter-end	Sales volume (Vehicles)	Sales amount (%)	Bases at third quarter-end	Sales volume (%)
Hokkaido-Tohoku	20,076	12 (17)	13,452	30,275	18 (26)	21,556	150.8	6 (9)	160.2
Kanto-Koshinetsu	53,611	29 (44)	31,080	78,858	39 (60)	48,966	147.1	10 (16)	157.5
Tokai-Hokuriku	72,642	38 (53)	47,059	88,015	43 (61)	54,446	121.2	5 (8)	115.7
Kansai	35,724	17 (25)	21,886	44,929	21 (29)	27,659	125.8	4 (4)	126.4
Chugoku-Shikoku	3,371	3 (5)	2,732	9,079	6 (9)	7,518	269.3	3 (4)	275.2
Kyushu-Okinawa	26,666	15 (24)	18,024	38,172	19 (31)	27,041	143.1	4 (7)	150.0
Total	212,093	114 (168)	134,233	289,330	146 (216)	187,186	136.4	32 (48)	139.4

- 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, 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, Yamaguchi Prefecture, Ehime Prefecture, Kochi Prefecture
- Kyushu-Okinawa: Fukuoka Prefecture, Nagasaki Prefecture, Kumamoto Prefecture, Oita Prefecture, Miyazaki Prefecture, Kagoshima Prefecture, Okinawa Prefecture
3. Figures in parentheses under bases at third 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 by department.

(2) Explanation of Financial Position

Total assets as of August 31, 2022 were ¥140,896 million, an increase of ¥29,864 million from the previous fiscal year-end.

Total current assets increased by ¥21,266 million from the previous fiscal year-end to ¥96,132 million. The main contributing factors were increases of ¥4,691 million in accounts receivable – trade and ¥15,798 million in merchandise.

Total non-current assets increased by ¥8,597 million from the previous fiscal year-end to ¥44,764 million. The main contributing factor was an increase of ¥3,757 million in property, plant and equipment, primarily in connection with the opening of new stores.

Total current liabilities increased by ¥11,998 million from the previous fiscal year-end to ¥40,010 million. The main contributing factors were increases of ¥2,767 million in accounts payable – trade, ¥3,261 million in short-term borrowings and ¥1,873 million in current portion of long-term borrowings.

Total non-current liabilities increased by ¥6,768 million from the previous fiscal year-end to ¥48,170 million. The main contributing factor was an increase of ¥4,697 million in long-term borrowings.

Total net assets increased by ¥11,097 million from the previous fiscal year-end to ¥52,715 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, 2022 announced in “Notice Regarding Differences Between Forecast and Actual Results for the First Half of the Fiscal Year and Revision of Financial Forecast” on 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 “(3) 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 nine months of fiscal 2022 (As of August 31, 2022)
Assets		
Current assets		
Cash and deposits	22,748	21,926
Accounts receivable – trade	7,286	11,978
Merchandise	41,352	57,150
Work in process	128	190
Supplies	568	651
Other	2,784	4,241
Allowance for doubtful accounts	(3)	(7)
Total current assets	74,865	96,132
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,563	27,320
Other, net	6,100	8,887
Total property, plant and equipment	29,663	36,208
Intangible assets	722	592
Investments and other assets	5,780	7,963
Total non-current assets	36,166	44,764
Total assets	111,032	140,896
Liabilities		
Current liabilities		
Accounts payable – trade	5,407	8,175
Short-term borrowings	6,455	9,716
Current portion of long-term borrowings	5,250	7,124
Lease obligations	136	69
Income taxes payable	3,147	2,440
Provision for bonuses	—	703
Other	7,615	11,781
Total current liabilities	28,012	40,010
Non-current liabilities		
Long-term borrowings	39,066	43,764
Lease obligations	579	248
Asset retirement obligations	1,493	1,726
Other	261	2,430
Total non-current liabilities	41,401	48,170
Total liabilities	69,414	88,180

(Millions of yen)

	Fiscal 2021 (As of November 30, 2021)	First nine months of fiscal 2022 (As of August 31, 2022)
Net assets		
Shareholders' equity		
Share capital	7,961	8,033
Capital surplus	10,369	13,491
Retained earnings	26,714	32,992
Treasury shares	(3,333)	(1,721)
Total shareholders' equity	41,712	52,795
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	7
Remeasurements of defined benefit plans	(96)	(88)
Total accumulated other comprehensive income	(94)	(80)
Share acquisition rights	0	0
Total net assets	41,617	52,715
Total liabilities and net assets	111,032	140,896

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
First Nine Months

(Millions of yen)

	First nine months of fiscal 2021 (From December 1, 2020 to August 31, 2021)	First nine months of fiscal 2022 (From December 1, 2021 to August 31, 2022)
Net sales	212,093	289,330
Cost of sales	171,230	235,510
Gross profit	40,862	53,819
Selling, general and administrative expenses	31,058	39,063
Operating profit	9,804	14,756
Non-operating income		
Insurance claim income	9	74
Subsidy income	52	32
Gain on sales of scraps	12	16
Other	105	103
Total non-operating income	180	227
Non-operating expenses		
Interest expenses	191	170
Rent cost	4	5
Commission expenses	98	135
Other	86	115
Total non-operating expenses	380	427
Ordinary profit	9,604	14,556
Extraordinary income		
Gain on reversal of share acquisition rights	1	—
Total extraordinary income	1	—
Profit before income taxes	9,606	14,556
Income taxes – current	2,663	4,114
Income taxes – deferred	49	108
Total income taxes	2,713	4,222
Profit	6,893	10,333
Profit attributable to owners of parent	6,893	10,333

Quarterly Consolidated Statements of Comprehensive Income

First Nine Months

(Millions of yen)

	First nine months of fiscal 2021 (From December 1, 2020 to August 31, 2021)	First nine months of fiscal 2022 (From December 1, 2021 to August 31, 2022)
Profit	6,893	10,333
Other comprehensive income		
Valuation difference on available-for-sale securities	2	6
Remeasurements of defined benefit plans, net of tax	29	8
Total other comprehensive income	31	14
Comprehensive income	6,924	10,347
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,924	10,347
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

(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 nine months ended August 31, 2022, net sales decreased by ¥3,251 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥1,069 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 nine months ended August 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 nine months ended August 31, 2022, operating profit, ordinary profit, and profit before income taxes each increased by ¥1,237 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