



January 5, 2023

Consolidated Financial Results for the Fiscal Year Ended November 30, 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 of General Shareholders' Meeting: February 22, 2023
 Scheduled date to file Securities Report: February 22, 2023
 Scheduled date to commence dividend payments: February 24, 2023
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: Yes (For securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended November 30, 2022 (From December 1, 2021 to November 30, 2022)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

Fiscal year 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	%
November 30, 2022	418,117	43.6	19,448	42.6	19,080	42.5	13,886	43.7
November 30, 2021	291,263	20.8	13,637	99.8	13,388	105.1	9,663	103.9

Reference: Comprehensive income

For the year ended November 30, 2022: ¥13,826 million, [43.0%]

For the year ended November 30, 2021: ¥9,667 million, [106.7%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity (ROE)	Ordinary profit/Total assets	Operating margin
	Yen	Yen	%	%	%
November 30, 2022	176.30	175.74	28.4	14.0	4.7
November 30, 2021	127.13	124.95	27.0	12.7	4.7

(2) Consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
November 30, 2022	161,259	56,301	34.9	707.91
November 30, 2021	111,032	41,617	37.5	541.91

Reference: NEXTAGE shareholders' equity

As of November 30, 2022: ¥56,301 million

As of November 30, 2021: ¥41,617 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash used in investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of the fiscal year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
November 30, 2022	(17,853)	(13,831)	28,812	19,845
November 30, 2021	3,214	(8,256)	317	22,718

2. Cash Dividends

	Annual dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended November 30, 2021	—	0.00	—	15.00	15.00	1,171	11.8	3.2
Fiscal year ended November 30, 2022	—	0.00	—	24.00	24.00	1,933	13.6	3.8
Fiscal year ending November 30, 2023 (forecasts)	—	0.00	—	32.00	32.00		—	

3. Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2023 (From December 1, 2022 to November 30, 2023)

(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, 2023	234,000	28.3	11,200	22.4	11,000	23.2	7,700	23.6	96.82
Fiscal year ending November 30, 2023	500,000	19.6	25,000	28.5	24,500	28.4	17,200	23.9	216.26

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) 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

(3) Number of common shares issued

a. Total number of issued shares at the end of the period (including treasury stock)

As of November 30, 2022 80,735,200 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 November 30, 2022 1,202,522 shares

As of November 30, 2021 3,339,571 shares

c. Average number of shares

For the year ended November 30, 2022 78,763,814 shares

For the year ended November 30, 2021 76,013,279 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 November 30, 2022 1,030,600 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 year ended November 30, 2022 1,182,277 shares

(Reference) Summary of Non-Consolidated Operating Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended November 30, 2022 (From December 1, 2021 to November 30, 2022)

(1) Non-Consolidated Operating Results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2022	409,784	45.4	18,650	41.5	18,307	41.3	13,303	41.6
November 30, 2021	281,863	21.0	13,182	101.9	12,956	100.5	9,396	101.7

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
November 30, 2022	168.91	168.36
November 30, 2021	123.62	121.50

(2) Non-Consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
November 30, 2022	156,305	55,410	35.4	696.70
November 30, 2021	106,896	41,242	38.6	537.03

Reference: NEXTAGE shareholders' equity

As of November 30, 2022: ¥55,410 million

As of November 30, 2021: ¥41,242 million

2. Non-Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2023 (From December 1, 2022 to November 30, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending May 31, 2023	232,000	29.7	10,700	24.6	7,500	25.2	94.30
Fiscal year ending November 30, 2023	490,000	19.6	23,700	29.5	16,600	24.8	208.72

* This report is not subject to audit by certified public accountants or audit firms.

* 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 "Analysis of Operating Results" beginning on page 2 of the attached documentation.

Attachment Contents

1. Overview of Operating Results, etc.....	2
(1) Analysis of Operating Results.....	2
(2) Analysis of Financial Position.....	4
(3) Basic Policy on Distribution of Profits and Dividends for Fiscal 2022 and Fiscal 2023.....	5
2. Management Policies.....	5
(1) Basic Management Policies of the Company.....	5
(2) Key Performance Indicators.....	5
(3) Medium- to Long-Term Management Strategies of the Company.....	6
(4) Key Priorities Ahead.....	7
3. Basic Stance on the Selection of Accounting Standards.....	7
4. Consolidated Financial Statements and Primary Notes.....	8
(1) Consolidated Balance Sheets.....	8
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	10
(3) Consolidated Statements of Changes in Equity.....	12
(4) Consolidated Statements of Cash Flows.....	14
(5) Notes to the Consolidated Financial Statements.....	15
Uncertainties of entity's ability to continue as going concern.....	15
Significant accounting policies for preparation of consolidated financial statements.....	15
Changes in accounting policies.....	17
Segment information, etc.	18
Per-share information.....	19
Significant events after reporting period.....	19

1. Overview of Operating Results, etc.

(1) Analysis of Operating Results

In fiscal 2022, the year ended November 30, 2022, the Japanese economy is expected to recover as a result of various government policies. However, uncertainty about the future remains due to factors such as the impact of volatility in global financial and capital markets, surging prices, and supply shortages of parts and materials, especially semiconductors.

In this environment, in the Japanese used car sales industry, domestic used car registrations from December 2021 through November 2022 were 5,873,969 vehicles (down 6.6% year on year). By vehicle type, used car registrations were 3,059,476 vehicles (down 6.4% year on year) for ordinary passenger cars and 2,814,493 vehicles (down 6.8% 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 the number of customers under management (“managed customers”), which means the number of users who have had a transaction with us within the past three years, in mind.

In the expansion of store openings, the Group opened 20 large-scale stores in fiscal 2022 in line with the policy under the medium-term management plan to open some 20 large-scale stores every year.

In dealership openings, the Group opened Tomishiro Store in Okinawa Prefecture in January 2022, Atsugi Store in Kanagawa Prefecture and Tsu Store in Mie Prefecture in March, Nagano-Minami Store in Nagano Prefecture and Yamagata-Kita Store, which is the first in Yamagata Prefecture in April, Hakodate Hokuto Store in Hokkaido and Yahata-Nishi Store in Fukuoka Prefecture in May, Nagasaki Store, which is the first in Nagasaki Prefecture in July, Nagaoka Store in Niigata Prefecture and Moriyama Store in Aichi Prefecture in August, Okayama Store in Okayama Prefecture, Higashiomi Store in Shiga Prefecture, Wakayama Kokutai Road Store in Wakayama Prefecture, and Yokosuka Store in Kanagawa Prefecture in September, Ichinomiya Interchange Store in Aichi Prefecture, Akita Store, which is the first in Akita Prefecture, Kitakami Store in Iwate Prefecture, Asahikawa Store in Hokkaido, and Mito-Minami Store in Ibaraki Prefecture in October, and Hachinohe Store in Aomori Prefecture in November, all as general stores.

The Group also opened Tomishiro SUV Specialist Store in Okinawa Prefecture and Tempaku Sedan Sports Car Specialist Store in Aichi Prefecture in January 2022, Kasukabe-Subaru Specialist Store in Saitama Prefecture in April, and Kasugai Sedan Sports Car Specialist Store in Aichi Prefecture in August as specialist stores. In addition, the Group opened 19 vehicle purchasing specialist stores as storefront additions to new stores, as well as Fukuyama Store, Kodaira Store, Konosu Store, Togitsu Store, Shizuoka Store, Obihiro Store, Kobe-Kita Store, Yaizu Store, Koriyama Store, Hofu Store, Hitachi Store, Matsue Store, Tomisato Store, and Kishiwada Store, all as vehicle purchasing stores in a standalone format.

Used car dealership business

In the used car dealership business, the store count as of November 30, 2022 was 138 dealership bases (comprising 216 storefronts). New store openings consisted of 8 dealership bases (8 storefronts) in the Hokkaido-Tohoku region, 9 dealership bases (10 storefronts) in the Kanto-Koshinetsu region, 6 dealership bases (7 storefronts) in the Tokai-Hokuriku region, 4 dealership bases (4 storefronts) in the Kansai region, 4 dealership bases (4 storefronts) in the Chugoku-Shikoku region, and 4 dealership bases (5 storefronts) in the Kyushu-Okinawa region. In addition, the Group opened 19 vehicle purchasing specialist stores as storefront additions.

New car dealership business

In the new car dealership business, the store count as of November 30, 2022 was 21 dealership bases (comprising 23 storefronts).

As a result, the store count as of November 30, 2022 was 159 dealership bases (comprising 239 storefronts).

As a result of the above, for fiscal 2022, the Group posted net sales of ¥418,117 million (up 43.6% year on year), operating profit of ¥19,448 million (up 42.6% year on year), ordinary profit of ¥19,080 million (up 42.5% year on year), and profit attributable to owners of parent of ¥13,886 million (up 43.7% year on year).

Regional breakdowns of net sales were as follows.

Region	Fiscal 2021 (From December 1, 2020 to November 30, 2021)			Fiscal 2022 (From December 1, 2021 to November 30, 2022)			Change YoY		
	Sales amount (Millions of yen)	Bases at year-end	Sales volume (Vehicles)	Sales amount (Millions of yen)	Bases at year-end	Sales volume (Vehicles)	Sales amount (%)	Bases at year-end	Sales volume (%)
Hokkaido-Tohoku	27,813	14 (20)	18,953	44,930	22 (34)	32,372	161.5	8 (14)	170.8
Kanto-Koshinetsu	74,396	33 (50)	43,818	113,643	42 (65)	70,351	152.8	9 (15)	160.6
Tokai-Hokuriku	98,555	38 (53)	63,521	126,367	44 (63)	77,054	128.2	6 (10)	121.3
Kansai	48,311	20 (28)	29,558	63,482	24 (34)	39,048	131.4	4 (6)	132.1
Chugoku-Shikoku	5,158	4 (7)	4,336	14,634	8 (12)	11,946	283.7	4 (5)	275.5
Kyushu-Okinawa	37,027	15 (24)	25,320	55,058	19 (31)	38,645	148.7	4 (7)	152.6
Total	291,263	124 (182)	185,506	418,117	159 (239)	269,416	143.6	35 (57)	145.2

- 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, Akita 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: Okayama Prefecture, Hiroshima Prefecture, Shimane 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 year-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.

Outlook for Fiscal 2023

Fiscal 2023 will mark the second year of the three-year medium-term management plan ending in fiscal 2024. While the medium-term management plan anticipated net sales of ¥430,000 million, operating profit of ¥23,700 million, ordinary profit of ¥23,400 million, and profit attributable to owners of parent of ¥16,300 million, the Group is forecasting ¥500,000 million in net sales (up 19.6% year on year), ¥25,000 million in operating profit (up 28.5% year on year), ¥24,500 million in ordinary profit (up 28.4% year on year), and ¥17,200 million in profit attributable to owners of parent (up 23.9% year on year), all above the anticipated figures.

Fiscal 2022 saw achievements in the promotion of continuous dealings with customers as we opened our first large-scale stores at 20 locations and standardization of store operations at existing dealerships functioned at a high level. As a result, the results in fiscal 2022 were well above the figures under the medium-term management plan, and this trend is projected to continue throughout fiscal 2023.

(2) Analysis of Financial Position

1) Assets, Liabilities, and Net Assets

Total assets as of November 30, 2022, the fiscal year-end, were ¥161,259 million, an increase of ¥50,227 million from the previous fiscal year-end.

Total current assets increased by ¥36,291 million from the previous fiscal year-end to ¥111,157 million. The main contributing factors were increases of ¥5,542 million in accounts receivable - trade and ¥31,210 million in merchandise, partly offset by a decrease of ¥2,902 million in cash and deposits.

Total non-current assets increased by ¥13,935 million from the previous fiscal year-end to ¥50,102 million. The main contributing factor was an increase of ¥7,926 million in buildings and structures, primarily in connection with the opening of new stores.

Total current liabilities increased by ¥24,711 million from the previous fiscal year-end to ¥52,723 million. The main contributing factors were increases of ¥1,893 million in accounts payable - trade and ¥14,468 million in short-term borrowings.

Total non-current liabilities increased by ¥10,832 million from the previous fiscal year-end to ¥52,234 million. The main contributing factor was an increase of ¥8,949 million in long-term borrowings.

Total net assets increased by ¥14,683 million from the previous fiscal year-end to ¥56,301 million. The main contributing factor was an increase of ¥9,830 million in retained earnings.

2) Cash Flows

Cash and cash equivalents (“cash”) on November 30, 2022 was ¥19,845 million, a decrease of ¥2,872 million from the previous fiscal year-end. Cash flows during the fiscal year under review and analysis of the main components were as follows:

Cash Flows from Operating Activities

Net cash used in operating activities was ¥17,853 million, compared with ¥3,214 million provided in the previous fiscal year. The main components were an increase in inventories of ¥31,383 million and income taxes paid of ¥4,712 million, partly offset by profit before income taxes of ¥18,765 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥13,831 million, compared with ¥8,256 million used in the previous fiscal year. The main components were purchase of property, plant and equipment of ¥12,556 million accompanying new store openings and payments of guarantee deposits of ¥1,058 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥28,812 million, compared with ¥317 million provided in the previous fiscal year. The main components were repayments of long-term borrowings of ¥6,362 million, partly offset by an increase in short-term borrowings of ¥14,468 million and proceeds from long-term borrowings of ¥17,500 million.

(Reference) Trends in Cash Flow Indicators

	Fiscal 2021	Fiscal 2022
Equity ratio (%)	37.5	34.9
Market-value equity ratio (%)	158.4	152.1
Interest-bearing debt to cash flow ratio (Years)	15.8	—
Interest coverage ratio (Times)	13.1	—

Equity ratio: NEXTAGE shareholders' equity / total assets

Market-value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest bearing debt / operating cash flow

Interest coverage ratio: operating cash flow / interest payments

- Notes:
1. All of the aforementioned indicators are calculated from consolidated financial figures.
 2. Market capitalization is calculated based on the number of issued shares excluding treasury stock.
 3. The figures used for cash flow are cash flows from operating activities.
 4. Interest-bearing debt represents all liabilities recorded on the consolidated balance sheets for which interest is paid.
 5. The interest-bearing debt to cash flow ratio and the interest coverage ratio for fiscal 2022 are not shown because cash flows from operating activities were negative.

(3) Basic Policy on Distribution of Profits and Dividends for Fiscal 2022 and Fiscal 2023

The Company considers it a top priority to secure returns for shareholders from its operations, and has a basic policy of consistently paying stable dividends to shareholders, while considering the need to strengthen the business foundation and maintain a healthy financial structure. In principle the Company plans to pay a year-end dividend each fiscal year, with the General Meeting of Shareholders as the body approving the dividend. The Company has established a provision in its Articles of Incorporation stipulating that the Company may issue an interim dividend pursuant to a resolution by the Board of Directors, with May 31 as the record date.

The Company plans to pay dividends after setting aside a portion of retained earnings as cash on hand for enhancing shareholders' equity and as reserves for investing effectively in the Group's growth, including in the development of stores in which growth can be expected.

Based on the policy above, for fiscal 2022, in order to further increase returns for shareholders from its operations and contribute to the medium- to long-term enhancement of corporate value, the Company plans to pay an annual dividend of ¥24 per share.

In addition, based on the above policy, the Company is planning to pay an annual dividend of ¥32 per share for fiscal 2023, which will be an increase from fiscal 2022.

2. Management Policies

(1) Basic Management Policies of the Company

Based on the management philosophy of "Be loved by Customers," the NEXTAGE Group is expanding lifelong dealings with customers. The Group will increase the number of "managed customers", and increase profitability by staying closely attuned to customers' lifelong needs around cars and offering the most appropriate services to each and every customer, which include not only sales of cars but also maintenance, vehicle inspections, sheet metal, tire sales, insurance contracts, vehicle purchasing and suggestions for the next car.

To realize sustained growth and enhancement of corporate value that will help achieve our vision for 2030, the Group will increase the number of "managed customers" by expanding nationwide new store development and improving customer convenience.

(2) Key Performance Indicators

Under the 2030 Long-term Vision, the Group is aiming to achieve net sales of ¥1 trillion, an operating margin of 9%, and an operating profit of ¥90 billion. This can be achieved by acquiring a 5% market share of the approximately 62 million passenger cars owned in Japan and acquiring around 3 million "managed customers".

In addition, the three-year period of the medium-term management plan ending in fiscal 2024 has been positioned as a critical period for achieving our vision for 2030.

Continuing store development to expand lifelong dealings with customers and expanding the number of "managed customers" are essential in achieving the medium-term management plan. The Group will expand its market share by systematically developing new stores on an ongoing basis and promote expansion of dealings with customers through store developments with a focus on large-scale stores in areas where we do not have stores yet.

Financial targets (consolidated basis)

(Millions of yen)

	Fiscal 2022 results	Fiscal 2023 forecast	Fiscal 2024 medium-term management plan	Fiscal 2030 vision
Net sales	418,117	500,000	500,000	1,000,000
Operating profit	19,448	25,000	30,000	90,000
Operating margin	4.7%	5.0%	6.0%	9.0%
Ordinary profit	19,080	24,500	29,700	90,000
Profit attributable to owners of parent	13,886	17,200	20,800	63,000

(3) Medium- to Long-Term Management Strategies of the Company

Based on the management policies mentioned before, in order to continue store development and expand lifelong dealings with customers, four mechanisms are particularly important: (1) nationwide store expansion, (2) standardization of store operations, (3) expansion of “managed customers”, and (4) product management.

① Nationwide Store Expansion

The Group will establish “No. 1 store in the region” which means the store with the largest number of “managed customers” in the area where the store is located mainly in local cities to attract new customers. On top of that, the Group expect that the Group will be able to expand our stores, including those in urban areas, if the Group strengthen our management base by expanding sales. In areas where it is difficult to open large-scale stores, the Group will promote the opening of standalone vehicle purchasing stores to meet the population and the number of vehicles owned by each area. The Group will build a foundation for increasing the number of lifelong dealings with customers by developing stores nationwide with an integrated service environment covering sales, insurance, vehicle inspections, maintenance, and purchasing.

② Standardization of Store Operations

To accelerate the expansion of store openings, it is necessary to acquire human resources by hiring new graduates and mid-career employees. In order to operate stores efficiently by unexperienced staff, it is necessary to standardize and implement operations. The Group will establish a system to maintain uniform store management by conducting customer service operations based on the store manual common to the Group. In addition, by capturing KPIs (Key Performance Indicators) common to all stores, the Group will establish a system to manage the appropriate store management situation based on store manuals.

③ Expansion of “Managed Customers”

A car’s business cycle averages nine years from purchase to let go. During that time, various transactions occur such as daily maintenance, car inspection, insurance, and purchasing. The Group regards the number of “managed customers” as an important index and woks to implement customer management in which the Group makes proposals considering customers’ situation and appropriate timing so as not only to acquire new users but also to build a mechanism that prevent customers who have made transactions once from leaving. In addition, we will implement efforts to increase the number of “managed customers” by promoting transactions with existing users’ households with whom the Group has no business transactions. (Source: “Consumers’ Behavior Survey”, Cabinet Office)

④ Product Management

It is important to manage products for the Group because we handle many products and a wide range of vehicles at the store. Therefore, we regard the product turnover days as an important index and carry out management with an awareness of lead time. We believe that controlling the lead time by grasping the lead time from warehousing to commercialization, commercialization to contract, and contract to delivery leads to appropriate pricing that reflects the market price that changes daily. As of November 30, 2022, the number of used car product turnover days is approximately 40 days.

(4) Key Priorities Ahead

The Group's key business priorities in implementing its management policies, management strategies and 2030 vision, are as follows.

①Store Openings

The Group considers the opening of new stores to be an important issue to expand its market share in Japan. In order to open the stores in good locations along the main arterial road at reasonable prices, we have assigned store development personnel nationwide and acquired various information on leisure facilities, retail business including other industries, etc. We will continue to develop stores with the best conditions among the many candidate sites.

②Securing Human Resources

In order for the Group to maintain a high growth rate in the future, it is necessary to secure human resources. And in order to secure human resources, we consider the two aspects of acquire human resources and preventing employee turnover are important issues. Regarding the acquisition of human resources, we will promote efforts to increase the number of human resources acquired by shortening the lead time from interview to recruitment. In addition, efforts to prevent employee turnover, we will create a working environment where all staff can achieve uniform and high results by building a customer service system based on the store manual which is common to the Group, and we will strive to reduce the turnover rates.

③Increasing the Number of “Managed Customers”

In order for the Group to maintain a high growth rate in the future, it is necessary to increase the number of “managed customers.” And in order to increase the number of “managed customers,” we consider it important to further encourage customers to use our various services, including not only sales of cars but also daily maintenance, car inspection, and insurance. As we aim to expand dealings of various services and increase profitability, we will build departments and personnel structures to promote lifelong dealings, and will enhance systems and tools to manage customers.

④Securing Products

The Group relies on purchasing from auto auction sites for approximately 35% of its retail vehicles. In order to procure demanded products at the right timing while dealing with market change, we analyze the demand situation and utilize purchasing analysis systems to create a product mix that meets demand.

3. Basic Stance on the Selection of Accounting Standards

The NEXTAGE Group applies Japanese generally accepted accounting principles (J-GAAP) as its accounting standard to ensure the comparability of its financial statements with other companies in its industry in Japan. The Group will review the adoption of International Financial Reporting Standards (IFRS) should the need arise, in view of changes in the shareholding ratio of its stock by foreign investors.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2021 (As of November 30, 2021)	Fiscal 2022 (As of November 30, 2022)
Assets		
Current assets		
Cash and deposits	22,748	19,845
Accounts receivable - trade	7,286	12,829
Merchandise	41,352	72,563
Work in process	128	160
Supplies	568	709
Other	2,784	5,057
Allowance for doubtful accounts	(3)	(8)
Total current assets	74,865	111,157
Non-current assets		
Property, plant and equipment		
Buildings and structures	31,119	40,496
Accumulated depreciation	(7,556)	(9,007)
Buildings and structures, net	23,563	31,489
Machinery, equipment and vehicles	5,878	7,493
Accumulated depreciation	(1,863)	(1,964)
Machinery, equipment and vehicles, net	4,014	5,529
Construction in progress	464	1,542
Other	3,646	4,408
Accumulated depreciation	(2,025)	(2,144)
Other, net	1,620	2,264
Total property, plant and equipment	29,663	40,826
Intangible assets	722	668
Investments and other assets		
Investment securities	82	84
Long-term loans receivable	520	679
Retirement benefit asset	343	376
Deferred tax assets	1,154	2,731
Guarantee deposits	3,346	4,388
Investment property	35	35
Accumulated depreciation	(0)	(2)
Investment property, net	34	32
Other	297	314
Total investments and other assets	5,780	8,607
Total non-current assets	36,166	50,102
Total assets	111,032	161,259

(Millions of yen)

	Fiscal 2021 (As of November 30, 2021)	Fiscal 2022 (As of November 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	5,407	7,300
Short-term borrowings	6,455	20,923
Current portion of long-term borrowings	5,250	7,438
Lease liabilities	136	33
Income taxes payable	3,147	3,595
Asset retirement obligations	-	73
Other	7,615	13,358
Total current liabilities	28,012	52,723
Non-current liabilities		
Long-term borrowings	39,066	48,015
Lease liabilities	579	113
Deferred tax liabilities	17	13
Asset retirement obligations	1,493	1,830
Other	244	2,260
Total non-current liabilities	41,401	52,234
Total liabilities	69,414	104,958
Net assets		
Shareholders' equity		
Share capital	7,961	8,036
Capital surplus	10,369	13,494
Retained earnings	26,714	36,544
Treasury shares	(3,333)	(1,619)
Total shareholders' equity	41,712	56,456
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	8
Remeasurements of defined benefit plans	(96)	(162)
Total accumulated other comprehensive income	(94)	(154)
Share acquisition rights	0	-
Total net assets	41,617	56,301
Total liabilities and net assets	111,032	161,259

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

(Millions of yen)

	Fiscal 2021 (From December 1, 2020 to November 30, 2021)	Fiscal 2022 (From December 1, 2021 to November 30, 2022)
Net sales	291,263	418,117
Cost of sales	234,532	344,088
Gross profit	56,731	74,028
Selling, general and administrative expenses	43,093	54,580
Operating profit	13,637	19,448
Non-operating income		
Insurance claim income	16	79
Gain on sales of scraps	16	22
Subsidy income	52	37
Other	128	135
Total non-operating income	214	275
Non-operating expenses		
Interest expenses	246	245
Rent cost	6	5
Commission expenses	99	236
Other	110	154
Total non-operating expenses	463	642
Ordinary profit	13,388	19,080
Extraordinary income		
Gain on reversal of share acquisition rights	1	-
Total extraordinary income	1	-
Extraordinary losses		
Impairment losses	89	314
Total extraordinary losses	89	314
Profit before income taxes	13,301	18,765
Income taxes - current	3,867	5,159
Income taxes - deferred	(229)	(280)
Total income taxes	3,638	4,879
Profit	9,663	13,886
Profit attributable to owners of parent	9,663	13,886

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2021 (From December 1, 2020 to November 30, 2021)	Fiscal 2022 (From December 1, 2021 to November 30, 2022)
Profit	9,663	13,886
Other comprehensive income		
Valuation difference on available-for-sale securities	2	6
Remeasurements of defined benefit plans, net of tax	1	(66)
Total other comprehensive income	4	(59)
Comprehensive income	9,667	13,826
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,667	13,826
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statements of Changes in Equity

Fiscal 2021 (From December 1, 2020 to November 30, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,925	9,332	17,578	(3,724)	30,112
Changes during period					
Issuance of new shares	1,036	1,036			2,072
Dividends of surplus			(527)		(527)
Profit attributable to owners of parent			9,663		9,663
Disposal of treasury shares				391	391
Net changes in items other than shareholders' equity					
Total changes during period	1,036	1,036	9,136	391	11,599
Balance at end of period	7,961	10,369	26,714	(3,333)	41,712

(Millions of yen)

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(0)	(98)	(99)	3	30,017
Changes during period					
Issuance of new shares				(3)	2,068
Dividends of surplus					(527)
Profit attributable to owners of parent					9,663
Disposal of treasury shares					391
Net changes in items other than shareholders' equity	2	1	4	—	4
Total changes during period	2	1	4	(3)	11,600
Balance at end of period	1	(96)	(94)	0	41,617

Fiscal 2022 (From December 1, 2021 to November 30, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,961	10,369	26,714	(3,333)	41,712
Cumulative effects of changes in accounting policies			(2,884)		(2,884)
Restated Balance	7,961	10,369	23,830	(3,333)	38,828
Changes during period					
Issuance of new shares	74	74			148
Dividends of surplus			(1,171)		(1,171)
Profit attributable to owners of parent			13,886		13,886
Disposal of treasury shares		3,051		1,714	4,765
Net changes in items other than shareholders' equity					
Total changes during period	74	3,125	12,714	1,714	17,628
Balance at end of period	8,036	13,494	36,544	(1,619)	56,456

(Millions of yen)

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1	(96)	(94)	0	41,617
Cumulative effects of changes in accounting policies					(2,884)
Restated Balance	1	(96)	(94)	0	38,733
Changes during period					
Issuance of new shares				(0)	147
Dividends of surplus					(1,171)
Profit attributable to owners of parent					13,886
Disposal of treasury shares					4,765
Net changes in items other than shareholders' equity	6	(66)	(59)	–	(59)
Total changes during period	6	(66)	(59)	(0)	17,568
Balance at end of period	8	(162)	(154)	–	56,301

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2021 (From December 1, 2020 to November 30, 2021)	Fiscal 2022 (From December 1, 2021 to November 30, 2022)
Cash flows from operating activities		
Profit before income taxes	13,301	18,765
Depreciation	3,933	2,951
Impairment losses	89	314
Increase (decrease) in allowance for doubtful accounts	(3)	4
Decrease (increase) in retirement benefit asset	(76)	(32)
Interest and dividend income	(3)	(5)
Interest expenses	246	245
Commission expenses	99	132
Decrease (increase) in trade receivables	(870)	(6,682)
Decrease (increase) in inventories	(8,569)	(31,383)
Increase (decrease) in trade payables	(996)	1,893
Increase (decrease) in advances received	527	1,058
Other, net	(2,070)	(163)
Subtotal	5,607	(12,900)
Interest and dividends received	3	5
Interest paid	(245)	(247)
Income taxes paid	(2,151)	(4,712)
Net cash provided by (used in) operating activities	3,214	(17,853)
Cash flows from investing activities		
Payments into time deposits	(90)	–
Proceeds from withdrawal of time deposits	60	30
Purchase of property, plant and equipment	(7,349)	(12,556)
Purchase of intangible assets	(90)	(96)
Payments of guarantee deposits	(682)	(1,058)
Proceeds from refund of guarantee deposits	43	17
Other, net	(146)	(167)
Net cash provided by (used in) investing activities	(8,256)	(13,831)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	179	14,468
Proceeds from long-term borrowings	5,500	17,500
Repayments of long-term borrowings	(6,130)	(6,362)
Redemption of bonds	(1,000)	–
Proceeds from issuance of shares	1,995	24
Repayments of lease liabilities	(118)	(90)
Proceeds from disposal of treasury shares	494	4,664
Dividends paid	(527)	(1,171)
Other, net	(75)	(220)
Net cash provided by (used in) financing activities	317	28,812
Net increase (decrease) in cash and cash equivalents	(4,724)	(2,872)
Cash and cash equivalents at beginning of period	27,443	22,718
Cash and cash equivalents at end of period	22,718	19,845

(5) Notes to the Consolidated Financial Statements

(Uncertainties of entity's ability to continue as going concern)

None

(Significant accounting policies for preparation of consolidated financial statements)

1. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: 4

Name of consolidated subsidiaries: ASAP Co., Ltd.
NEW Co., Ltd.
Ai Co., Ltd.
Universe Rent a Car Co., Ltd.

(2) Unconsolidated subsidiaries

None

2. Disclosure about application of equity method

There are no unconsolidated subsidiaries or associates accounted for using equity method.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

The fiscal year-end of the consolidated subsidiaries matches the consolidated fiscal year-end of the Company.

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

i. Marketable securities

Other marketable securities

Items without available fair values

Measured at cost using the moving average method.

Investments in investment partnerships and other such partnerships (those considered as marketable securities under Article 2 Paragraph 2 of the Financial Instruments & Exchange Act) are measured by incorporating the net amount of the Company's equity based on the most recent financial report available as of the financial reporting date stipulated in the partnership agreement.

ii. Inventories

Merchandise and work in process

Measured at cost by the specific identification method (the balance sheet value is calculated by writing down the carrying amount based on the decrease in profitability)

Supplies

Measured at cost by the latest purchase price method (the balance sheet value is calculated by writing down the carrying amount based on the decrease in profitability)

(2) Accounting policy for depreciation of significant assets

i. Property, plant and equipment (excluding lease assets) and real estate for investment

Measured by the straight-line method. The main useful lives are measured as follows.

Buildings and structures	3 – 39 years
Machinery, equipment and vehicles	2 – 15 years
Real estate for investment	10 – 20 years

ii. Intangible assets (excluding lease assets)

Measured by the straight-line method.

Software used by the Company is measured based on the estimated useful life within the Company (five years).

iii. Lease assets

Lease assets relating to finance lease transactions without transfer of ownership are depreciated by the straight-line method over the lease term.

(3) Accounting policy for significant provisions

Allowance for doubtful accounts

To provide for loss due to bad debts, the Company recognizes the amount of its ordinary receivables multiplied by the loan loss ratio, and the expected unrecoverable amounts for particular receivables such as doubtful accounts receivable after examining the individual potential for recovery in each case.

(4) Accounting policy for retirement benefits

i. Method of attributing expected benefit to periods

In calculating retirement benefit obligations, the expected retirement benefit amount to the service period up until the end of the consolidated fiscal year under review is attributed on the benefit formula basis.

ii. Method of accounting for actuarial gains and losses

Actuarial gains and losses are recognized in profit and loss in amounts distributed proportionately from the consolidated fiscal year in which they arise by the straight-line method over a certain number of years not longer than the average remaining service period of the executives and employees (five years) when they arise in each consolidated fiscal year.

(5) Accounting policy for hedging

i. Accounting policy for hedging

Interest rate swaps are accounted for using “exceptional accounting” (tokurei shori) as they qualify for this.

ii. Hedging methods and hedged items

(Hedging methods)	(Hedged items)
Interest rate swaps	Interest on borrowings

iii. Hedging policy

The Company conducts interest-rate swap transactions to mitigate interest-rate fluctuation risk on its borrowings. Hedged items are recognized separately for each individual contract.

iv. Method for evaluating hedge efficacy

Interest rate swaps qualify for “exceptional accounting” (tokurei shori) and the evaluation of their efficacy on the consolidated closing date is therefore omitted.

(6) Accounting policy for significant revenues and expenses

The Group applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020), etc. (“Revenue Recognition Accounting Standard, etc.”), and recognizes revenues 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.

The details of the main performance obligations in the major businesses related to revenues generated from contracts with the Group's customers and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

i. Vehicle sales

Revenues are 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.

ii. Vehicle sales in installments

Revenues are recognized in their cash sales prices when vehicles are sold, and the interest portion of the installment fees are 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.

(7) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investment that are readily convertible into cash, have only a small risk of value fluctuation, and have maturity dates within three months from the date of acquisition.

(8) Other important matters in preparation of the consolidated financial statements

Accounting policy for consumption taxes

Financial statements are prepared excluding consumption taxes.

(Changes in accounting policies)

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 first quarter 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 year ended November 30, 2022, net sales decreased by ¥4,461 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥1,387 million. In addition, the balance of retained earnings at the beginning of the period decreased by ¥2,884 million.

(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 first quarter ended February 28, 2022, the method has been changed to the straight-line method.

Under the 2030 Long-term Vision, 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 year ended November 30, 2022, operating profit, ordinary profit, and profit before income taxes each increased by ¥1,902 million, compared with those based on the previous method.

(Segment information, etc.)

Segment information

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

Information associated with reportable segments

Fiscal 2021 (December 1, 2020 to November 30, 2021)

1. Information for each product or service

This information is omitted as sales to external customers for a single product or service category exceed 90% of net sales in the consolidated statements of income.

2. Information for each region

(1) Revenues from external customers

This information is omitted because revenues from external customers in Japan exceed 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

There is no relevant information as the Company does not own any property, plant and equipment outside of Japan.

3. Information for each of main customers

This information is not recorded because there are no cases where revenues from an external customer account for 10% or more of net sales in the consolidated statements of income.

Fiscal 2022 (December 1, 2021 to November 30, 2022)

1. Information for each product or service

This information is omitted because revenues from external customers for a single product or service category exceed 90% of net sales in the consolidated statements of income.

2. Information for each region

(1) Revenues from external customers

This information is omitted because revenues from external customers in Japan exceed 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

There is no relevant information as the Company does not own any property, plant and equipment outside of Japan.

3. Information for each of main customers

This information is not recorded because there are no cases where revenues from an external customer account for 10% or more of net sales in the consolidated statements of income.

Disclosure of impairment losses on non-current assets for each reportable segment

Segment information is omitted as the Group has only a single segment.

Amortization and unamortized balance of goodwill for each reportable segment

Not applicable.

Information about gain on bargain purchase for each reportable segment

Not applicable.

(Per-share information)

	Previous fiscal year (December 1, 2020 to November 30, 2021)	Fiscal year under review (December 1, 2021 to November 30, 2022)
Net assets per share	¥541.91	¥707.91
Basic earnings per share	¥127.13	¥176.30
Diluted earnings per share	¥124.95	¥175.74

Note: 1. The basis for calculation of basic earnings per share and diluted earnings per share is as follows.

Item	Previous fiscal year (December 1, 2020 to November 30, 2021)	Fiscal year under review (December 1, 2021 to November 30, 2022)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	9,663	13,886
Amount not attributable to ordinary shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	9,663	13,886
Average number of common shares during the period	76,013,279	78,763,814
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of common shares (Shares)	1,326,582	254,596
(Of which, share acquisition rights (Shares))	(1,326,582)	(254,596)
Summary of convertible securities not included in diluted earnings per share due to having no dilutive effect	–	–

2. The basis for calculation of net assets per share is as follows.

Item	Fiscal 2021 (As of November 30, 2021)	Fiscal 2022 (As of November 30, 2022)
Total amount in net assets (Millions of yen)	41,617	56,301
Amount deducted from total amount in net assets (Millions of yen)	0	–
(Of which, share acquisition rights (Millions of yen))	(0)	(–)
Net assets at the end of the period related to common shares (Millions of yen)	41,617	56,301
Number of common shares at the end of the period used for calculation of net assets per share (Shares)	76,797,229	79,532,678

Note: Shares of the Company held by the NEXTAGE Employee Stock Ownership Trust Account (1,448,892 shares for the year ended November 30, 2021 and 1,182,277 shares for the year ended November 30, 2022) have been included in the number of treasury shares that are deducted from the average number of shares for the purpose of calculating basic earnings per share. Shares of the Company held by the NEXTAGE Employee Stock Ownership Trust Account (1,322,700 shares as of November 30, 2021 and 1,030,600 shares as of November 30, 2022) have been included in the number of treasury shares that are deducted from the total number of issued shares at the end of the period for the purpose of calculating net assets per share.

(Significant events after reporting period)

Not applicable.