Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

August 8, 2024

Company name: HARD OFF CORPORATION Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 2674
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Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(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	%
Three months ended June 30, 2024	8,282	15.4	967	42.7	1,019	38.6	667	37.7
Three months ended June 30, 2023	7,177	9.4	678	(6.9)	735	(4.0)	484	(5.5)

Note: Comprehensive income For the three months ended June 30, 2024: ¥706 million [(13.7%)]
For the three months ended June 30, 2023: ¥818 million [66.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	48.02	–
Three months ended June 30, 2023	34.86	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	23,675	16,649	69.9
As of March 31, 2024	23,099	16,999	73.2

Reference: Equity As of June 30, 2024: ¥16,550 million
As of March 31, 2024: ¥16,904 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	0.00	–	76.00	76.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (forecast)		0.00	–	76.00	76.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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 September 30, 2024	15,600	10.0	1,370	26.4	1,462	21.6	900	18.8	64.76
Fiscal year ending March 31, 2025	32,750	8.8	3,150	12.3	3,280	9.7	2,120	1.3	152.55

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	As of June 30, 2024	13,954,000 shares	As of March 31, 2024	13,954,000 shares
(ii) Number of treasury shares at the end of the period	As of June 30, 2024	57,238 shares	As of March 31, 2024	56,905 shares
(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Three months ended June 30, 2024	13,896,981 shares	Three months ended June 30, 2023	13,897,546 shares

*Review of the attached quarterly consolidated financial statements by Certified Public Accountant or auditing firm: None

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements and others)

Forward-looking statements, including the earnings forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. These forward-looking statements are not guarantees of future performance. Actual results may differ materially from these forecasts due to a variety of reasons.

Please refer to “1. Summary of consolidated financial results, etc., (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 6 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(How to obtain supplementary material on quarterly financial results)

Supplementary material on quarterly financial results was disclosed on the same day on TDnet.

Attached Material

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1. Summary of consolidated financial results, etc.

(1) Summary of operating results for the quarter under review

During the three months ended June 30, 2024, the Japanese economy showed signs of moderate recovery with improvements in employment and income conditions. However, prolonged global instability and rising prices have led to continued uncertainty in the economic outlook. In the secondhand industry in which our company operates, the concept of “reusing” has become increasingly integrated into consumer lifestyles, resulting in continuous expansion of the secondhand market.

With respect to the opening of secondhand stores during the three months ended June 30, 2024, the Company opened 3 directly operated stores, closed 2 directly operated store, opened 6 franchised stores, and closed 3 franchised stores. As a result, the total number of secondhand stores was 973, which was comprised of 431 directly operated stores and 542 franchised stores.

The number of stores by business category as of June 30, 2024 is shown in the following table.

(Stores)

Number of stores	HARD OFF	OFF HOUSE	MODE OFF	Garage OFF	Hobby OFF	Liquor OFF	BOOK OFF	Overseas	Total number of secondhand stores	BOOK ON
Directly operated stores	153 [+1]	127 [±0]	15 [±0]	10 [±0]	64 [±0]	4 [±0]	50 [±0]	8 [±0]	431 [+1]	1 [±0]
Franchised stores	243 [+2]	196 [-1]	2 [±0]	5 [±0]	87 [+2]	1 [±0]	–	8 [±0]	542 [+3]	–
Total	396 [+3]	323 [-1]	17 [±0]	15 [±0]	151 [+2]	5 [±0]	50 [±0]	16 [±0]	973 [+4]	1 [±0]

Notes: 1. Figures in square brackets [ ] indicate the increase or decrease in the number of stores during the period.
2. The stores operated by the Company’s subsidiaries HARD OFF Family Co., Ltd. and ecoplus Co., Ltd. are included in the number of directly operated stores.
3. The stores operated by the Company’s subsidiaries HARD OFF TAIWAN INC. and ECO TOWN USA INC. are included in the number of directly operated overseas stores.

With respect to the operating results for the quarter ended June 30, 2024, net sales for the existing stores remained strong, up 8.0% year on year, the 34th consecutive month of year-on-year increases. The company's net sales reached 8,282 million yen (an increase of 15.4% year on year), in large part due to the contribution of 23 directly operated stores opened in the previous fiscal year.

Regarding profitability, selling, general and administrative expenses increased by 9.6% due to various factors, including opening costs for three new stores, relocation expenses for three existing stores, and renovation costs for four stores. Due to the above, operating profit was ¥967 million (an increase of 42.7% year on year), ordinary profit was ¥1,019 million (an increase of 38.6% year on year), and the profit attributable to owners of parent was ¥667 million (a increase of 37.7% year on year), all of which mark record highs.

(2) Summary of financial position for the quarter under review

Assets

Total current assets as of June 30, 2024 amounted to ¥12,993 million, an increase of ¥507 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥79 million in cash and deposits, and an increase of ¥318 million in merchandise.

Total non-current assets amounted to ¥10,682 million, an increase of ¥69 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥65 million in buildings and structures.

As a result, total assets amounted to ¥23,675 million, an increase of ¥576 million compared with the end of the previous fiscal year.

Liabilities

Total current liabilities as of June 30, 2024 amounted to ¥5,887 million, an increase of ¥950 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥1,200 million in short-term borrowings, and a decrease of ¥302 million in income taxes payable. Total non-current liabilities amounted to ¥1,138 million, a decrease of ¥23 million compared with the end of the previous fiscal year.

As a result, total liabilities amounted to ¥7,026 million, an increase of ¥926 million compared with the end of the previous

fiscal year.

Net assets

Total net assets as of June 30, 2024 amounted to ¥16,649 million, a decrease of ¥350 million compared with the end of the previous fiscal year.

As a result, the equity-to-asset ratio was 69.9% (73.2% at the end of the previous fiscal year).

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

No revisions have been made to the consolidated earnings forecasts for the six months ending September 30, 2024 and the fiscal year ending March 31, 2025

announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024” on May 9, 2024.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	3,024,396	3,103,775
Accounts receivable - trade	1,244,938	1,311,468
Merchandise	7,709,038	8,027,368
Work in process	1,801	625
Other	510,053	554,149
Allowance for doubtful accounts	(3,800)	(3,899)
Total current assets	12,486,429	12,993,487
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,448,154	2,513,936
Land	972,119	972,119
Construction in progress	18,078	4,851
Other, net	715,912	799,003
Total property, plant and equipment	4,154,265	4,289,910
Intangible assets		
Software	590,963	600,852
Other	23,241	21,873
Total intangible assets	614,205	622,726
Investments and other assets		
Investment securities	3,465,169	3,487,030
Other	2,386,243	2,289,500
Allowance for doubtful accounts	(7,075)	(6,775)
Total investments and other assets	5,844,337	5,769,756
Total non-current assets	10,612,808	10,682,394
Total assets	23,099,237	23,675,881

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	41,771	122,987
Short-term borrowings	2,120,000	3,320,000
Income taxes payable	585,355	282,623
Provision for bonuses	–	159,620
Contract liabilities	23,123	25,855
Other	2,166,763	1,976,500
Total current liabilities	4,937,012	5,887,587
Non-current liabilities		
Asset retirement obligations	649,588	652,308
Other	512,806	486,252
Total non-current liabilities	1,162,394	1,138,561
Total liabilities	6,099,407	7,026,148
Net assets		
Shareholders' equity		
Share capital	1,676,275	1,676,275
Capital surplus	1,910,632	1,910,632
Retained earnings	11,874,435	11,485,635
Treasury shares	(29,348)	(29,832)
Total shareholders' equity	15,431,994	15,042,711
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,436,316	1,451,561
Foreign currency translation adjustment	36,339	56,095
Total accumulated other comprehensive income	1,472,656	1,507,657
Non-controlling interests	95,178	99,364
Total net assets	16,999,829	16,649,733
Total liabilities and net assets	23,099,237	23,675,881

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	7,177,611	8,282,088
Cost of sales	2,187,805	2,586,984
Gross profit	4,989,806	5,695,103
Selling, general and administrative expenses	4,311,347	4,727,200
Operating profit	678,458	967,902
Non-operating income		
Interest income	505	460
Dividend income	23,038	29,626
Rental income from land and buildings	12,930	12,777
Income from recycling	7,748	8,211
Other	15,159	9,867
Total non-operating income	59,383	60,943
Non-operating expenses		
Interest expenses	2,191	2,753
Lease contract cancellation losses	–	6,202
Other	159	246
Total non-operating expenses	2,350	9,203
Ordinary profit	735,490	1,019,642
Profit before income taxes	735,490	1,019,642
Income taxes - current	147,503	240,347
Income taxes - deferred	95,809	110,219
Total income taxes	243,313	350,567
Profit	492,177	669,075
Profit attributable to non-controlling interests	7,647	1,696
Profit attributable to owners of parent	484,530	667,378

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	492,177	669,075
Other comprehensive income		
Valuation difference on available-for-sale securities	317,015	15,245
Foreign currency translation adjustment	9,474	22,244
Total other comprehensive income	326,489	37,490
Comprehensive income	818,667	706,566
Breakdown:		
Comprehensive income attributable to owners of parent	810,178	702,380
Comprehensive income attributable to non-controlling interests	8,489	4,185

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Notes on quarterly consolidated statement of cash flows

We have not prepared a quarterly consolidated statement of cash flows for the three months ended June 30, 2024. The depreciation expenses (including amortization of intangible assets) for the three months ended June 30, 2023 and June 30, 2024 are as follows.

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	¥150,716 thousand	¥188,918 thousand

Notes on segment information, etc.

[Segment information]

I. Three months ended June 30, 2023

1. Information on net sales and profit/loss for each reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated statement of income amount (Note 3)
	Secondhand Business	FC Business	Total				
Net sales							
Net sales to external customers	6,831,031	339,873	7,170,904	6,706	7,177,611	–	7,177,611
Inter-segment net sales or transfers	–	81,328	81,328	60,567	141,896	(141,896)	–
Total	6,831,031	421,201	7,252,232	67,274	7,319,507	(141,896)	7,177,611
Segment profit	1,111,775	226,610	1,338,385	8,946	1,347,331	(668,872)	678,458

Notes: (1) “Other” is a business segment excluded from the reportable segments and includes the system development business.

(2) ¥(668,872) thousand in segment profit adjustments consist of ¥8,226 thousand in inter-segment eliminations and ¥(677,099) thousand in company-wide expenses not allocated to any specific reportable segment.

(3) Segment profit is adjusted for operating profit in the quarterly consolidated statement of income.

2. Information related to impairment losses of non-current assets or goodwill, etc., for each reportable segment

Not applicable.

II. Three months ended June 30, 2024

1. Information on net sales and profit/loss for each reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated statement of income amount (Note 3)
	Secondhand Business	FC Business	Total				
Net sales							
Net sales to external customers	7,752,086	519,763	8,271,850	10,238	8,282,088	–	8,282,088
Inter-segment net sales or transfers	–	106,024	106,024	76,112	182,136	(182,136)	–
Total	7,752,086	625,787	8,377,874	86,350	8,464,224	(182,136)	8,282,088
Segment profit	1,362,266	352,044	1,714,310	9,685	1,723,996	(756,094)	967,902

Notes: (1) “Other” is a business segment excluded from the reportable segments and includes the system development business.

(2) ¥(756,094) thousand in segment profit adjustments consist of ¥(11,830) thousand in inter-segment eliminations and ¥(744,263) thousand in company-wide expenses not allocated to any specific reportable segment.

(3) Segment profit is adjusted for operating profit in the quarterly consolidated statement of income.

2. Information related to impairment losses of non-current assets or goodwill, etc., for each reportable segment

Not applicable.

Changes in significant subsidiaries during the period

Not applicable.