Consolidated Financial Results for the Six Months (Interim Period) Ended September 30, 2024 (Under Japanese GAAP)

November 7, 2024

Company name: HARD OFF CORPORATION Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 2674
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Scheduled date to file semiannual securities report: November 14, 2024
Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (For institutional investors and analysts) *Held online

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

1. Consolidated financial results for the six months (interim period) ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages represent year-on-year changes from the previous interim period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent (interim)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending March 31, 2025 (interim period)	16,165	14.0	1,532	41.4	1,639	36.4	1,021	34.9
Fiscal year ended March 31, 2024 (interim period)	14,177	9.3	1,083	2.8	1,201	4.9	757	2.5

Note: Comprehensive income
Fiscal year ending March 31, 2025 (interim period) ¥1,080 million [6.0%]
Fiscal year ended March 31, 2024 (interim period) ¥1,019 million [(2.2%)]

	Basic earnings per share (interim)	Diluted earnings per share (interim)
	Yen	Yen
Fiscal year ending March 31, 2025 (interim period)	73.51	–
Fiscal year ended March 31, 2024 (interim period)	54.50	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
Fiscal year ending March 31, 2025 (interim period)	24,018	17,020	70.4
Fiscal year ended March 31, 2024	23,099	16,999	73.2

Reference: Equity
Fiscal year ending March 31, 2025 (interim period) ¥16,914 million
Fiscal year ended 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	–	0.00			
Fiscal year ending March 31, 2025 (forecast)			–	76.00	76.00

Note: 1. 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
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)	Fiscal year ending March 31, 2025 (interim period)	13,954,000 shares	Fiscal year ended March 31, 2024	13,954,000 shares
(ii) Number of treasury shares at the end of the period	Fiscal year ending March 31, 2025 (interim period)	57,274 shares	Fiscal year ended March 31, 2024	56,905 shares
(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Fiscal year ending March 31, 2025 (interim period)	13,896,860 shares	Fiscal year ended March 31, 2024 (interim period)	13,897,545 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

Index

1. Qualitative information regarding interim financial results 5
(1) Explanation of operating results 5
(2) Explanation of financial position 5
(3) Explanation of consolidated earnings forecasts and other forward-looking statements 6
2. Interim consolidated financial statements and significant notes thereto 7
(1) Interim consolidated balance sheet 7
(2) Interim consolidated statement of income and interim consolidated statement of comprehensive income 9
Interim consolidated statement of income 9
Interim consolidated statement of comprehensive income 10
(3) Notes to interim consolidated financial statements 11
Notes on premise of going concern 11
Notes on significant changes in the amount of shareholders' equity 11
Changes in significant subsidiaries during the period 11

1. Qualitative information regarding interim financial results

(1) Explanation of operating results

During the six months ended September 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 six months ended September 30, 2024, the Company opened 13 directly operated stores, closed 2 directly operated store, opened 13 franchised stores, and closed 4 franchised stores. As a result, the total number of secondhand stores was 989, which was comprised of 441 directly operated stores and 548 franchised stores.

The number of stores by business category as of September 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	157 [+5]	128 [+1]	15 [±0]	10 [±0]	69 [+5]	4 [±0]	50 [±0]	8 [±0]	441 [+11]	1 [±0]
Franchised stores	246 [+5]	196 [-1]	2 [±0]	5 [±0]	89 [+4]	1 [±0]	–	9 [+1]	548 [+9]	–
Total	403 [+10]	324 [±0]	17 [±0]	15 [±0]	158 [+9]	5 [±0]	50 [±0]	17 [+1]	989 [+20]	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 September 30, 2024, net sales for the existing stores remained strong, up 7.6% year on year, the 37th consecutive month of year-on-year increases. The company's net sales reached ¥16,165 million yen (an increase of 14.0% year on year), in large part due to the contribution of 23 directly operated stores opened in the previous fiscal year and 13 directly operated stores opened in this fiscal year.

Regarding profitability, selling, general and administrative expenses increased by 10.4% due to various factors, including opening costs for 13 new stores and relocation expenses for 3 existing stores. Due to the above, operating profit was ¥1,532 million (an increase of 41.4% year on year), ordinary profit was ¥1,639 million (an increase of 36.4% year on year), and the profit attributable to owners of parent was ¥1,021 million (a increase of 34.9% year on year), all of which mark record highs.

(2) Explanation of financial position

Assets

Total current assets as of the end of the current interim consolidated accounting period amounted to ¥12,912 million, an increase of ¥426 million compared with the end of the previous consolidated fiscal year. This was primarily due to a decrease of ¥114 million in cash and deposits, and an increase of ¥556 million in merchandise.

Total non-current assets amounted to ¥11,105 million, an increase of ¥492 million compared with the end of the previous consolidated fiscal year. This was primarily due to an increase of ¥437 million in property, plant and equipment, and an increase of ¥34 million in investments and other assets.

As a result, total assets amounted to ¥24,018 million, an increase of ¥918 million compared with the end of the previous consolidated fiscal year.

Liabilities

Total current liabilities as of the end of the current interim consolidated accounting period amounted to ¥5,825 million, an increase of ¥888 million compared with the end of the previous consolidated fiscal year. This was primarily due to an increase of ¥1,110 million in short-term borrowings. Total non-current liabilities amounted to ¥1,172 million, an increase of ¥9 million compared with the end of the previous consolidated fiscal year.

As a result, total liabilities amounted to ¥6,997 million, an increase of ¥897 million compared with the end of the previous consolidated fiscal year.

Net assets

Total net assets as of the end of the current interim consolidated accounting period amounted to ¥17,020 million, an increase of ¥20 million compared with the end of the previous consolidated fiscal year. This was primarily due to an increase of ¥37 million in valuation difference on available-for-sale securities.

As a result, the equity-to-asset ratio was 70.4% (73.2% at the end of the previous consolidated 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 fiscal year ending March 31, 2025 announced in the "Financial Results for the Fiscal Year Ended March 31, 2024" released on May 9, 2024.

2. Interim consolidated financial statements and significant notes thereto

(1) Interim consolidated balance sheet

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	3,024,396	2,909,938
Accounts receivable - trade	1,244,938	1,188,006
Merchandise	7,709,038	8,265,297
Work in process	1,801	—
Other	510,053	553,191
Allowance for doubtful accounts	(3,800)	△3,709
Total current assets	12,486,429	12,912,726
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,448,154	2,717,262
Land	972,119	972,119
Construction in progress	18,078	9,608
Other, net	715,912	893,034
Total property, plant and equipment	4,154,265	4,592,024
Intangible assets		
Software	590,963	613,513
Other	23,241	21,319
Total intangible assets	614,205	634,833
Investments and other assets		
Investment securities	3,465,169	3,513,959
Other	2,386,243	2,370,944
Allowance for doubtful accounts	(7,075)	△6,475
Total investments and other assets	5,844,337	5,878,429
Total non-current assets	10,612,808	11,105,287
Total assets	23,099,237	24,018,013

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	41,771	85,419
Short-term borrowings	2,120,000	3,230,000
Income taxes payable	585,355	600,620
Contract liabilities	23,123	30,814
Other	2,166,763	1,878,176
Total current liabilities	4,937,012	5,825,031
Non-current liabilities		
Asset retirement obligations	649,588	708,774
Other	512,806	463,393
Total non-current liabilities	1,162,394	1,172,167
Total liabilities	6,099,407	6,997,198
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	11,839,808
Treasury shares	(29,348)	△29,881
Total shareholders' equity	15,431,994	15,396,834
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,436,316	1,474,253
Foreign currency translation adjustment	36,339	43,872
Total accumulated other comprehensive income	1,472,656	1,518,125
Non-controlling interests	95,178	105,854
Total net assets	16,999,829	17,020,814
Total liabilities and net assets	23,099,237	24,018,013

(2) Interim consolidated statement of income and interim consolidated statement of comprehensive income

Interim consolidated statement of income

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	14,177,013	16,165,017
Cost of sales	4,432,941	5,071,228
Gross profit	9,744,072	11,093,789
Selling, general and administrative expenses	8,660,217	9,561,001
Operating profit	1,083,855	1,532,787
Non-operating income		
Interest income	1,333	1,457
Dividend income	58,585	65,062
Rental income from land and buildings	25,807	25,242
Income from recycling	13,885	14,021
Other	24,555	17,032
Total non-operating income	124,167	122,817
Non-operating expenses		
Interest expenses	4,761	6,767
Lease contract cancellation losses	—	6,350
Other	1,392	3,437
Total non-operating expenses	6,153	16,555
Ordinary profit	1,201,869	1,639,049
Extraordinary income		
Gain on sale of investment securities	10	—
Gain on sale of non-current assets	110	—
Total extraordinary income	121	—
Extraordinary losses		
Loss on valuation of investment securities	4,062	5,661
Loss on retirement of non-current assets	—	1,967
Impairment losses	10,556	54,712
Loss on disaster	1,773	—
Total extraordinary losses	16,392	62,341
Profit before income taxes	1,185,598	1,576,708
Income taxes - current	386,289	535,967
Income taxes - deferred	30,061	12,782
Total income taxes	416,350	548,750
Profit	769,247	1,027,957
Profit attributable to non-controlling interests	11,832	6,405
Profit attributable to owners of parent	757,415	1,021,551

Interim consolidated statement of comprehensive income

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	769,247	1,027,957
Other comprehensive income		
Valuation difference on available-for-sale securities	209,700	37,937
Foreign currency translation adjustment	40,088	14,493
Total other comprehensive income	249,789	52,430
Comprehensive income	1,019,037	1,080,388
Breakdown:		
Comprehensive income attributable to owners of parent	1,001,182	1,067,021
Comprehensive income attributable to non-controlling interests	17,854	13,366

(3) Notes to interim consolidated financial statements

Notes on premise of going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Changes in significant subsidiaries during the period

Not applicable.