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August 5, 2021

Consolidated Financial Results for the Three Months Ended June 30, 2021 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 2674
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 Scheduled date to file quarterly securities report: August 12, 2021
 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, 2021 (from April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2021	5,965	26.5	352	301.9	382	200.7	349	419.6
June 30, 2020	4,716	(4.4)	87	(67.7)	127	(62.4)	67	(76.0)

Note: Comprehensive income For the three months ended June 30, 2021: ¥374 million [62.0%]
 For the three months ended June 30, 2020: ¥231 million [(57.0)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	25.21	—
June 30, 2020	5.03	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	17,863	12,927	72.1
March 31, 2021	18,105	13,039	71.8

Reference: Equity
 As of June 30, 2021: ¥12,880 million
 As of March 31, 2021: ¥12,996 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, 2021	—	0.00	—	35.00	35.00
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (Forecast)		0.00	—	35.00	35.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 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
Six months ending September 30, 2021	11,750	22.2	520	50.3	575	50.7	400	84.4	28.82
Fiscal year ending March 31, 2022	24,000	12.8	1,200	50.8	1,300	46.6	700	101.1	50.43

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

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): 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: Yes
 - (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, 2021	13,954,000 shares
As of March 31, 2021	13,954,000 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2021	73,979 shares
As of March 31, 2021	73,979 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2021	13,880,021 shares
Three months ended June 30, 2020	13,403,119 shares

- * Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

- * 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. Qualitative information regarding financial results for the three months ended June 30, 2021, (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 3 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.

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1. Qualitative information regarding financial results for the three months ended June 30, 2021

(1) Explanation of operating results

During the three months ended June 30, 2021, the Japanese economy continued to be impacted by the spread of the novel coronavirus disease (COVID-19) and the economic outlook remains uncertain. Under such conditions, HARD OFF CORPORATION Co., Ltd. (the “Company”) has been pushing ahead with the enhancement of human resource development and expansion of the procurement channel while setting “Work in Real-Time -Back to the Basics, Have Fun and Smile-” as the annual theme. By carrying out initiatives such as establishing the Pickup Buying Center for the Metropolitan Area and promoting procurement activities at temporary locations for a limited period of time in areas without permanent stores, the Company aims to enhance its procurement capability, which is a key factor for the Secondhand Business.

With respect to the opening of secondhand stores during the three months ended June 30, 2021, the Company opened three directly operated stores and closed two franchised stores. As a result, the total number of secondhand stores was 914, which was comprised of 392 directly operated stores and 522 franchised stores.

The number of stores by business category as of June 30, 2021 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	130 [+1]	122 [+2]	22 [±0]	11 [±0]	47 [±0]	4 [±0]	51 [±0]	5 [±0]	392 [+3]	3 [±0]
Franchised stores	232 [±0]	200 [-2]	3 [±0]	5 [±0]	74 [±0]	1 [±0]	—	7 [±0]	522 [-2]	—
Total	362 [+1]	322 [±0]	25 [±0]	16 [±0]	121 [±0]	5 [±0]	51 [±0]	12 [±0]	914 [+1]	3 [±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 ECO TOWN HAWAII INC., 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 three months ended June 30, 2021, net sales for the existing stores remained strong, up 5.9% year on year. In addition, due to the contribution from the net sales of the subsidiary ecoplus Co., Ltd., which was included in the scope of consolidation from the third quarter ended December 31, 2020, consolidated net sales amounted to ¥5,965 million (up 26.5% year on year).

In terms of profit, as a result of an improvement in gross profit margin of 0.8%, an increase in gross profit of 28.0%, and an increase in selling, general and administrative expenses of 20.4%, operating profit amounted to ¥352 million (up 301.9% year on year) and ordinary profit amounted to ¥382 million (up 200.7% year on year). Furthermore, as a result of recording ¥97 million from gain on sale of investment securities as extraordinary income, profit attributable to owners of parent amounted to ¥349 million (up 419.6% year on year) and the Company achieved significant increases in the profit items.

(2) Explanation of financial position

Assets

Total current assets as of June 30, 2021 amounted to ¥9,013 million, a decrease of ¥55 million compared with the end of the previous fiscal year. This was primarily due to a decrease of ¥250 million in cash and deposits, and an increase of ¥141 million in merchandise. Total non-current assets amounted to ¥8,849 million, a decrease of ¥187 million compared with the end of the previous fiscal

year. This was primarily due to an increase of ¥21 million in property, plant and equipment, an increase of ¥17 million in intangible assets, and a decrease of ¥226 million in investments and other assets.

As a result, total assets amounted to ¥17,863 million, a decrease of ¥242 million compared with the end of the previous fiscal year.

Liabilities

Total current liabilities as of June 30, 2021 amounted to ¥3,831 million, a decrease of ¥132 million compared with the end of the previous fiscal year. This was primarily due to a decrease of ¥200 million in income taxes payable. Total non-current liabilities amounted to ¥1,104 million, an increase of ¥2 million compared with the end of the previous fiscal year.

As a result, total liabilities amounted to ¥4,935 million, a decrease of ¥130 million compared with the end of the previous fiscal year.

Net assets

Total net assets as of June 30, 2021 amounted to ¥12,927 million, a decrease of ¥111 million compared with the end of the previous fiscal year. This was primarily due to ¥485 million in dividends of surplus.

As a result, the equity-to-asset ratio was 72.1% (71.8% 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, 2021 and the fiscal year ending March 31, 2022, announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021” on May 11, 2021.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	2,197,245	1,946,475
Accounts receivable - trade	774,764	788,374
Merchandise	5,618,336	5,759,991
Work in process	459	1,253
Other	480,456	519,628
Allowance for doubtful accounts	(2,312)	(2,192)
Total current assets	9,068,949	9,013,529
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,005,505	2,019,814
Land	970,044	970,044
Construction in progress	8,855	—
Other, net	343,970	360,418
Total property, plant and equipment	3,328,376	3,350,277
Intangible assets		
Software in progress	17,022	7,304
Other	521,330	548,558
Total intangible assets	538,353	555,862
Investments and other assets		
Investment securities	2,436,524	2,244,397
Other	2,744,294	2,709,654
Allowance for doubtful accounts	(10,685)	(10,375)
Total investments and other assets	5,170,133	4,943,677
Total non-current assets	9,036,863	8,849,817
Total assets	18,105,812	17,863,346

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	32,981	15,733
Short-term borrowings	1,980,000	2,070,000
Income taxes payable	271,917	70,939
Provision for bonuses	—	128,061
Other	1,679,109	1,546,328
Total current liabilities	3,964,008	3,831,062
Non-current liabilities		
Asset retirement obligations	433,437	446,434
Other	668,829	658,041
Total non-current liabilities	1,102,267	1,104,476
Total liabilities	5,066,275	4,935,538
Net assets		
Shareholders' equity		
Share capital	1,676,275	1,676,275
Capital surplus	1,895,362	1,895,362
Retained earnings	8,960,344	8,824,290
Treasury shares	(37,603)	(37,603)
Total shareholders' equity	12,494,378	12,358,324
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	536,233	544,042
Foreign currency translation adjustment	(34,487)	(22,286)
Total accumulated other comprehensive income	501,745	521,755
Non-controlling interests	43,412	47,727
Total net assets	13,039,536	12,927,807
Total liabilities and net assets	18,105,812	17,863,346

(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, 2020	Three months ended June 30, 2021
Net sales	4,716,815	5,965,764
Cost of sales	1,492,823	1,837,700
Gross profit	3,223,991	4,128,064
Selling, general and administrative expenses	3,136,319	3,775,748
Operating profit	87,671	352,315
Non-operating income		
Interest income	815	602
Dividend income	24,845	14,785
Rental income from land and buildings	5,100	7,653
Share of profit of entities accounted for using equity method	1,986	—
Income from recycling	7,190	6,883
Other	6,576	3,437
Total non-operating income	46,514	33,363
Non-operating expenses		
Interest expenses	3,607	2,980
Commission expenses	3,215	—
Other	144	158
Total non-operating expenses	6,967	3,138
Ordinary profit	127,218	382,540
Extraordinary income		
Gain on sale of investment securities	—	97,196
Gain on bargain purchase	13,382	—
Total extraordinary income	13,382	97,196
Extraordinary losses		
Loss on valuation of investment securities	13,365	—
Total extraordinary losses	13,365	—
Profit before income taxes	127,235	479,737
Income taxes - current	22,690	76,918
Income taxes - deferred	37,474	50,830
Total income taxes	60,164	127,749
Profit	67,071	351,988
Profit (loss) attributable to non-controlling interests	(289)	2,012
Profit attributable to owners of parent	67,360	349,975

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	67,071	351,988
Other comprehensive income		
Valuation difference on available-for-sale securities	182,560	7,808
Foreign currency translation adjustment	(18,582)	14,503
Total other comprehensive income	163,978	22,312
Comprehensive income	231,049	374,300
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	233,166	369,985
Comprehensive income attributable to non-controlling interests	(2,116)	4,315

(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.

Changes in significant subsidiaries during the period

Not applicable.

Changes in accounting policies*Application of Accounting Standard for Revenue Recognition, Etc.*

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter ended June 30, 2021, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. Due to this application, the awarding of points for sales to customers, which had previously been recognized as selling, general and administrative expenses, has now been changed to a method of recognizing such points under revenue as sales discounts.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter ended June 30, 2021, was added to or deducted from the opening balance of retained earnings of the first quarter ended June 30, 2021, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter ended June 30, 2021, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, the impact from these changes in accounting policies on the quarterly consolidated financial statements is immaterial. Moreover, there is no impact on the beginning balance of retained earnings.

Application of Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant revised ASBJ regulations from the beginning of the first quarter ended June 30, 2021, and has prospectively applied the new accounting policies stipulated by the Accounting Standard for Fair Value Measurement and relevant revised ASBJ regulations in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the quarterly consolidated financial statements.