



May 11, 2022

Consolidated Financial Results for the Fiscal year ended March 31, 2022 (Under Japanese GAAP)

Company name: HARD OFF CORPORATION Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2674
 URL: <https://www.hardoff.co.jp/>
 Representative: Taro Yamamoto, Representative Director and President
 Inquiries: Tsuyoshi Nagahashi, Senior Managing Director, General Manager of president's office, and General Manager of Management Administration Headquarters
 Telephone: +81-254-24-4344
 Scheduled date of annual general meeting of shareholders: June 22, 2022
 Scheduled date to commence dividend payments: June 23, 2022
 Scheduled date to file securities report: June 23, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (For institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2022	24,507	15.2	1,530	92.4	1,668	88.2	1,041	199.3
March 31, 2021	21,270	9.9	795	(4.3)	886	(8.6)	348	(10.6)

Note: Comprehensive income Fiscal year ended March 31, 2022: ¥1,196 million [81.9%]
 Fiscal year ended March 31, 2021: ¥657 million [134.0%]

	Basic earnings per share	Diluted earnings per share	Return on Equity	Return on Assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2022:	75.06	—	7.8	9.1	6.2
March 31, 2021	25.60	—	2.7	5.2	3.7

Reference: Share of profit and loss of entities accounted for using equity method

Fiscal year ended March 31, 2022: —
 Fiscal year ended March 31, 2021: ¥(17) million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	18,736	13,750	73.1	986.56
March 31, 2021	18,105	13,039	71.8	936.32

Reference: Equity
 As of March 31, 2022: ¥13,693 million
 As of March 31, 2021: ¥12,996 million

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2022	1,484	(219)	(899)	2,604
March 31, 2021	1,130	(312)	(480)	2,197

2. Cash dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	—	0.00	—	35.00	35.00	485	136.7	3.7
Fiscal year ended March 31, 2022	—	0.00	—	40.00	40.00	555	53.3	4.2
Fiscal year ending March 31, 2023 (Forecast)	—	0.00	—	40.00	40.00		50.5	

Notes: Breakdown of year-end dividends for the fiscal year ended March 31, 2022

Ordinary dividends: ¥35.00

Commemorative dividends: ¥5.00

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 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 September 30, 2022	12,200	3.9	610	33.9	690	31.8	420	4.9	30.26
Fiscal year ending March 31, 2023	25,300	3.2	1,620	5.8	1,750	4.9	1,100	5.6	79.25

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) 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

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	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 March 31, 2022	73,979 shares
As of March 31, 2021	73,979 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2022	13,880,021 shares
Fiscal year ended March 31, 2021	13,598,350 shares

* Financial results report is out of scope of financial audit 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. Summary of consolidated financial results, etc (4) Business forecasts” on page 7 for forecast assumptions and notes of caution for usage.

(How to obtain supplementary material on financial results)

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

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1. Summary of consolidated financial results, etc.

(1) Summary of operating results for the fiscal year under review

During the fiscal year ended March 31, 2022, the Japanese economy showed some signs of recovery as the severe impact of the novel coronavirus disease (COVID-19) gradually eased. Under such conditions, HARD OFF CORPORATION Co., Ltd. (the “Company”) had 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 aimed to enhance its procurement capability, which was a key factor for the Secondhand Business.

With respect to the opening of secondhand stores during the fiscal year ended March 31, 2022, the Company opened thirteen directly operated stores, closed seven directly operated stores, opened four franchised stores, and closed nine franchised stores. Moreover, one OFF HOUSE store was transferred from a franchised store to a directly operated store. As a result, the total number of secondhand stores was 914, which was comprised of 396 directly operated stores and 518 franchised stores.

The number of stores by business category as of March 31, 2022 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	133 [+4]	125 [+5]	18 [-4]	11 [±0]	50 [+3]	4 [±0]	50 [-1]	5 [±0]	396 [+7]	2 [-1]
Franchised stores	233 [+1]	197 [-5]	2 [-1]	5 [±0]	73 [-1]	1 [±0]	—	7 [±0]	518 [-6]	—
Total	366 [+5]	322 [±0]	20 [-5]	16 [±0]	123 [+2]	5 [±0]	50 [-1]	12 [±0]	914 [+1]	2 [-1]

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 fiscal year ended March 31, 2022, net sales remained strong, up 5.2% year on year for existing stores in Japan, and up 27.5% year on year for Internet sales.

Outside of Japan, three stores in the U.S. have returned to or above the pre-COVID-19 level (fiscal year ended March 31, 2020), and two stores in Taiwan continued the strong performance from the previous year.

Due to the full-year contribution from the 12 new stores in Japan from the previous year and the 60 stores of the subsidiary ecoplus Co., Ltd., which was included in the scope of consolidation from the third quarter ended December 31, 2021, consolidated net sales amounted to ¥24,507 million (up 15.2% year on year).

In terms of profit, as a result of improving gross profit margin by 0.2%, gross profit totaled ¥16,843 million (up 15.6% year on year), and selling, general and administrative expenses totaled ¥15,312 million (up 11.2% year on year), operating profit amounted to ¥1,530 million (up 92.4% year on year) and ordinary profit amounted to ¥1,668 million (up 88.2% year on year).

Furthermore, as a result of recording ¥108 million from gain on sale of investment securities and others as extraordinary income, ¥169 million from impairment losses on non-current assets of stores as extraordinary losses, profit attributable to owners of parent amounted to ¥1,041 million (up 199.3% year on year) and the Company achieved significant increases in the profit items.

1) Secondhand Business

Net sales in Secondhand Business amounted to ¥23,251 million (up 16.1% year on year).

2) FC Business

Sales of merchandise, franchise fees, royalty income, and other revenues in FC Business amounted to ¥1,224 million (up 2.0% year on year).

(2) Summary of financial position for the fiscal year under review

Assets

Total current assets amounted to ¥9,783 million, an increase of ¥714 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥407 million in cash and deposits and an increase of ¥262 million in merchandise. Total non-current assets amounted to ¥8,952 million, a decrease of ¥84 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥29 million in property, plant and equipment, an increase of ¥28 million in intangible assets, and a decrease of ¥141 million in investments and other assets. Accordingly, total assets amounted to ¥18,736 million, an increase of ¥630 million compared with the end of the previous fiscal year.

Liabilities

Total current liabilities amounted to ¥3,869 million, a decrease of ¥94 million compared with the end of the previous fiscal year. This was primarily due to a decrease of ¥220 million in short-term borrowings and an increase of ¥111 million in accrued expenses. Total non-current liabilities amounted to ¥1,116 million, an increase of ¥14 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥49 million in asset retirement obligations and a decrease of ¥28 million in lease obligations. Accordingly, total liabilities amounted to ¥4,985 million, a decrease of ¥80 million compared with the end of the previous fiscal year.

Net assets

Total net assets amounted to ¥13,750 million, an increase of ¥710 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥556 million in retained earnings and an increase of ¥114 million in valuation difference on available-for-sale securities.

(3) Summary of cash flows for the fiscal year under review

Cash and cash equivalents (the “funds”) at the end of the fiscal year ended March 31, 2022 amounted to ¥2,604 million due to profit before income taxes of ¥1,607 million, which was partly offset by income taxes paid and other factors.

The following is a summary of cash flows and major components during the fiscal year ended March 31, 2022.

(Cash flows from operating activities)

Funds provided by operating activities for the fiscal year ended March 31, 2022 totaled ¥1,484 million (prior year ¥1,130 million provided). Contributing factors mainly included profit before income taxes of ¥1,607 million.

(Cash flows from Investing activities)

Funds used in investing activities for the fiscal year ended March 31, 2022 totaled ¥219 million (prior year ¥312 million used). Contributing factors mainly included purchase of property, plant and equipment of ¥307 million, purchase of intangible assets of ¥213 million, and proceeds from sales of investment securities of ¥315 million.

(Cash flows from financing activities)

Funds used in financing activities for the fiscal year ended March 31, 2022 totaled ¥899 million (prior year ¥480 million used). Contributing factors mainly included dividends paid of ¥485 million and repayments of short-term borrowings of ¥220 million.

(4) Business forecasts

The Company has established the following new long-term vision starting with the fiscal year 2019.

Be the only one that no one else comes close to imitating, by refining our philosophy-based management. “Re”NK CHANNEL will be created with a focus on powerful stores, and contribute to the creation of a recycling-oriented society as the overwhelming leading secondhand company, not only in Japan but also overseas.

*“Re”NK CHANNEL: HARD OFF’s omni-channel strategy, that integrates various channels of stores and the Internet.

During the fiscal 2023, the Company has reviewed its medium-term plan and set a new target of “1,000 stores by 2025,” aiming to brush up existing stores and actively open new stores.

Leveraging both store and internet operations, the Company is committed to achieving its plans.

For fiscal 2023, the Company plans to open eleven directly operated stores and fifteen franchised stores, for a total net increase of twenty six stores.

As a result, for the fiscal year ending March 31, 2023, the Company forecasts net sales of ¥25,300 million (up 3.2% year on year), operating profit of ¥1,620 million (up 5.8% year on year), ordinary profit of ¥1,750 million (up 4.9% year on year), and profit attributable to owners of parent of ¥1,100 million (up 5.6% year on year).

(5) Fundamental policy for allocation of profit and dividends for the fiscal 2022 and 2023

1) Fundamental policy for allocation of profit

The Company considers “the return of profits to shareholders” as one of its priority management policies. The Company’s policy is to strengthen its management base and financial position by improving earnings per share, return on equity (ROE), and cash flows and by promoting aggressive business development to increase corporate value, and to pay stable dividends backed by our business performance, with a target consolidated payout ratio of approximately 50%.

2) Dividend of surplus for the fiscal 2022

For the fiscal year ended March 31, 2022, the Company plans pay a year-end dividend of ¥40 per share, consisting of an ordinary dividend of ¥35.00 per share plus a commemorative dividend of ¥5.00 per share for the 50th anniversary of the Company’s founding, comprehensively taking into consideration the business performance, retained earnings, and other factors for the fiscal 2022.

3) Dividend of surplus for the fiscal 2023

For the fiscal year ending March 31, 2023, the Company plans to pay an annual dividend of ¥40 per share.

2. Basic concept of selecting accounting standards

The Group intends to prepare its consolidated financial statements in accordance with Japanese Accounting Standards (Japanese GAAP) for now, considering the comparability of consolidated financial statements between different accounting periods and different companies.

Furthermore, the Group continues to consider conditions in both Japan and abroad and appropriately respond with regards to the potential implementation of International Financial Reporting Standards (IFRS).

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	2,197,245	2,604,860
Accounts receivable - trade	774,764	836,176
Merchandise	5,618,336	5,881,313
Work in process	459	447
Other	480,456	463,718
Allowance for doubtful accounts	(2,312)	(3,066)
Total current assets	9,068,949	9,783,449
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,795,906	6,925,529
Accumulated depreciation	(4,790,400)	(4,938,173)
Buildings and structures, net	2,005,505	1,987,355
Land	970,044	970,044
Leased assets	1,681,445	1,792,431
Accumulated depreciation	(1,389,600)	(1,461,862)
Leased assets, net	291,844	330,568
Construction in progress	8,855	6,715
Other	789,085	816,983
Accumulated depreciation	(736,960)	(754,014)
Other, net	52,125	62,968
Total property, plant and equipment	3,328,376	3,357,652
Intangible assets		
Software in progress	17,022	728
Other	521,330	565,672
Total intangible assets	538,353	566,401
Investments and other assets		
Investment securities	2,436,524	2,401,942
Deferred tax assets	539,620	478,546
Leasehold deposits	1,497,131	1,482,886
Other	707,542	674,627
Allowance for doubtful accounts	(10,685)	(9,475)
Total investments and other assets	5,170,133	5,028,527
Total non-current assets	9,036,863	8,952,581
Total assets	18,105,812	18,736,031

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	32,981	56,501
Short-term borrowings	1,980,000	1,760,000
Lease obligations	169,942	158,719
Income taxes payable	271,917	354,283
Accounts payable - other	322,143	337,122
Accrued expenses	783,910	894,991
Lease obligations	—	12,671
Other	403,112	294,723
Total current liabilities	3,964,008	3,869,013
Non-current liabilities		
Lease obligations	358,041	329,855
Asset retirement obligations	433,437	482,610
Long-term accounts payable - other	218,136	216,704
Other	92,651	87,665
Total non-current liabilities	1,102,267	1,116,834
Total liabilities	5,066,275	4,985,847
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	9,516,445
Treasury shares	(37,603)	(37,603)
Total shareholders' equity	12,494,378	13,050,480
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	536,233	651,093
Foreign currency translation adjustment	(34,487)	(8,074)
Total accumulated other comprehensive income	501,745	643,018
Non-controlling interests	43,412	56,685
Total net assets	13,039,536	13,750,184
Total liabilities and net assets	18,105,812	18,736,031

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	21,270,193	24,507,275
Cost of sales	6,700,089	7,664,105
Gross profit	14,570,103	16,843,170
Selling, general and administrative expenses	13,774,517	15,312,422
Operating profit	795,586	1,530,748
Non-operating income		
Dividend income	27,217	25,265
Rental income from land and buildings	25,537	30,436
Net foreign exchange gains	1,383	16,577
Income from recycling	24,613	25,205
Grant income	21,032	26,121
Other	45,558	27,960
Total non-operating income	145,343	151,566
Non-operating expenses		
Interest expenses	12,137	11,253
Share of loss of entities accounted for using equity method	17,590	—
Other	24,427	2,155
Total non-operating expenses	54,156	13,409
Ordinary profit	886,773	1,668,905
Extraordinary income		
Gain on sale of investment securities	127,169	105,118
Gain on sale of non-current assets	—	27
Subsidy income	—	3,245
Compensation income	66,699	—
Gain on step acquisitions	19,066	—
Gain on bargain purchase	13,382	—
Total extraordinary income	226,317	108,391
Extraordinary losses		
Loss on retirement of non-current assets	—	1,809
Loss on tax purpose reduction entry of non-current assets	—	3,245
Impairment losses	369,313	139,232
Loss on disaster	—	18,799
Loss on valuation of investment securities	9,871	6,642
Total extraordinary losses	379,184	169,728
Profit before income taxes	733,906	1,607,567
Income taxes - current	397,654	547,660
Income taxes - deferred	(11,578)	10,671
Total income taxes	386,075	558,331
Profit	347,830	1,049,236
Profit (loss) attributable to non-controlling interests	(288)	7,334
Profit attributable to owners of parent	348,119	1,041,901

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	347,830	1,049,236
Other comprehensive income		
Valuation difference on available-for-sale securities	335,627	114,860
Foreign currency translation adjustment	(25,574)	32,351
Total other comprehensive income	310,053	147,211
Comprehensive income	657,884	1,196,448
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	659,039	1,183,175
Comprehensive income attributable to non-controlling interests	(1,155)	13,273

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (April 1 to March 31, 2021)

(Thousands of yen)

Balance at beginning of period	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,676,275	1,769,327	9,371,294	(178,291)	12,638,606
Changes during period					
Dividends of surplus			(539,440)		(539,440)
Profit attributable to owners of parent			348,119		348,119
Changes in the scope of consolidation			(219,629)		(219,629)
Purchase of treasury shares				(187,462)	(187,462)
Disposal of treasury shares		126,035		328,150	454,186
Net changes in items other than shareholders' equity					
Total changes during period	—	126,035	(410,950)	140,688	(144,227)
Balance at end of period	1,676,275	1,895,362	8,960,344	(37,603)	12,494,378

Balance at beginning of period	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	200,051	(9,780)	190,270	—	12,828,877
Changes during period					
Dividends of surplus					(539,440)
Profit attributable to owners of parent					348,119
Changes in the scope of consolidation					(219,629)
Purchase of treasury shares					(187,462)
Disposal of treasury shares					454,186
Net changes in items other than shareholders' equity	336,181	(24,707)	311,474	43,412	354,886
Total changes during period	336,181	(24,707)	311,474	43,412	210,659
Balance at end of period	536,233	(34,487)	501,745	43,412	13,039,536

Current consolidated fiscal year (April 1 to March 31, 2022)

(Thousands of yen)

Balance at beginning of period	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,676,275	1,895,362	8,960,344	(37,603)	12,494,378
Changes during period					
Dividends of surplus			(485,800)		(485,800)
Profit attributable to owners of parent			1,041,901		1,041,901
Changes in the scope of consolidation					—
Purchase of treasury shares					—
Disposal of treasury shares					—
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	556,101	—	556,101
Balance at end of period	1,676,275	1,895,362	9,516,445	(37,603)	13,050,480

Balance at beginning of period	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	536,233	(34,487)	501,745	43,412	13,039,536
Changes during period					
Dividends of surplus					(485,800)
Profit attributable to owners of parent					1,041,901
Changes in the scope of consolidation					
Purchase of treasury shares					
Disposal of treasury shares					
Net changes in items other than shareholders' equity	114,860	26,412	141,273	13,273	154,546
Total changes during period	114,860	26,412	141,273	13,273	710,647
Balance at end of period	651,093	(8,074)	643,018	56,685	13,750,184

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	733,906	1,607,567
Depreciation	489,960	522,463
Impairment losses	369,313	139,232
Compensation income	(66,699)	(3,245)
Amortization of goodwill	3,841	—
Gain on bargain purchase	(13,382)	—
Increase (decrease) in allowance for doubtful accounts	(1,645)	(455)
Interest and dividend income	(30,517)	(27,748)
Interest expenses	12,137	11,253
Share of loss (profit) of entities accounted for using equity method	17,590	—
Loss (gain) on sale and valuation of investment securities	(117,298)	(98,476)
Decrease (increase) in trade receivables	(95,269)	(61,076)
Decrease (increase) in inventories	37,714	(252,554)
Increase (decrease) in trade payables	(81,943)	22,351
Increase (decrease) in accrued consumption taxes	26,163	(46,677)
Increase (decrease) in accounts payable - other	(37,002)	8,287
Increase (decrease) in accrued expenses	58,096	110,069
Other	88,759	142
Subtotal	1,393,726	1,931,133
Interest and dividends received	29,900	25,511
Interest paid	(12,137)	(11,161)
Proceeds from compensation	66,699	3,829
Income taxes paid	(347,955)	(465,294)
Net cash provided by (used in) operating activities	1,130,232	1,484,017
Cash flows from Investing activities		
Purchase of investment securities	—	(16,830)
Proceeds from sale of investment securities	135,763	315,151
Purchase of property, plant and equipment	(200,787)	(307,261)
Purchase of intangible assets	(258,841)	(213,134)
Loan advances	(2,000)	—
Payments of guarantee deposits	(13,726)	(10,168)
Payments of leasehold deposits	(62,411)	(53,880)
Proceeds from refund of leasehold deposits	64,789	67,033
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	15,106	—
Other	9,473	(455)
Net cash provided by (used in) investing activities	(312,634)	(219,544)

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Proceeds from short-term borrowings	500,000	—
Repayments of short-term borrowings	(60,000)	(220,000)
Purchase of treasury shares	(187,462)	—
Repayments of lease obligations	(192,894)	(193,914)
Dividends paid	(540,438)	(485,778)
Net cash provided by (used in) financing activities	(480,795)	(899,692)
Effect of exchange rate change on cash and cash equivalents	7,284	42,834
Net increase (decrease) in cash and cash equivalents	344,086	407,614
Cash and cash equivalents at beginning of period	1,528,428	2,197,245
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	324,730	—
Cash and cash equivalents at end of period	2,197,245	2,604,860

(5) Notes to consolidated financial statements

Notes on premise of going concern

Not applicable.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) (the “Revenue Recognition Accounting Standard”) and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, 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 Company has adopted the Revenue Recognition Accounting Standard and relevant revised ASBJ regulations in accordance with the transitional treatment set forth in paragraph 84 of the Revenue Recognition Accounting Standard. Therefore, cumulative effects of retrospective application of the new accounting standard prior to the beginning of the fiscal year ended March 31, 2022 has been added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2022, and the new accounting standard has been adopted since the beginning balance of the current first year. However, the new accounting policies have not been retroactively adopted to contracts in which almost all of the revenue amount was recognized because the Company had adopted the method set forth in paragraph 86 of the Revenue Recognition Accounting Standard in accordance with the previous transitional treatment prior to the beginning of the fiscal year ended March 31, 2022.

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

Application of Accounting Standard, Etc. for Fair Value Measurement

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) (the “Fair Value Measurement Accounting Standard”) and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and has prospectively adopted the new accounting policies stipulated by the Fair Value Measurement Accounting Standard and relevant revised ASBJ regulations in accordance with the transitional treatment provided for in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the consolidated financial statements.

Segment information, etc.

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are components of the Company and its subsidiaries for which independent financial information is available and which are subject to regular examination by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Group's business activities consist mainly of the purchase and sale of secondhand goods, and are classified into the "Secondhand Business" and "FC Business" segments based on the type of business. Therefore, these two businesses are considered as reportable segments.

The Secondhand Business operates reused stores of HARD OFF, OFF HOUSE, MODE OFF, Garage OFF, Hobby OFF, Liquor OFF, and BOOK OFF (franchisee). The FC Business operates franchise chains of HARD OFF, OFF HOUSE, MODE OFF, Garage OFF, Hobby OFF, and Liquor OFF.

2. Calculation methods for net sales, profit/loss, assets, and other items by reportable segments

The accounting methods for each reported segment are similar to those described in the "Significant Accounting Policies for Preparing the Consolidated Financial Statements."

Profits for reportable segments are operating profit figures.

Inter-segment transactions are based on prevailing market prices.

3. Information on net sales, profit/loss, assets, and other items by reportable segments

Previous consolidated fiscal year (April 1 to March 31, 2021)

(Thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated financial statements (Note 3)
	Secondhand Business	FC Business	Total				
Net sales							
Net sales to external customers	20,035,395	1,200,458	21,235,854	34,338	21,270,193	—	21,270,193
Inter-segment net sales or transfers	—	190,921	190,921	102,879	293,800	(293,800)	—
Total	20,035,395	1,391,379	21,426,775	137,217	21,563,993	(293,800)	21,270,193
Segment profit	1,944,260	637,276	2,581,537	22,646	2,604,183	(1,808,597)	795,586
Segment assets	11,437,430	323,847	11,761,278	20,382	11,781,660	6,324,152	18,105,812
Other items							
Depreciation	350,693	3,424	354,118	299	354,417	135,542	489,960
Amortization of goodwill	3,841	—	3,841	—	3,841	—	3,841
Increase of property, plant and equipment and intangible assets	281,547	10,403	291,950	—	291,950	325,034	616,985

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

2 Adjustments are as follows.

(1) ¥(1,808,597) thousand in segment profit adjustments consist of ¥4,593 thousand in inter-segment eliminations and ¥(1,813,190) thousand in company-wide expenses not allocated to any specific reportable segment.

(2) ¥6,324,152 thousand in segment assets adjustments are company-wide expenses not allocated to any specific reportable segment.

(3) Inter-segment net sales or transfers is presented separately.

3 Segment profit is adjusted for operating profit in the consolidated financial statements.

Current consolidated fiscal year (April 1 to March 31, 2022)

(Thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated financial statements (Note 3)
	Secondhand Business	FC Business	Total				
Net sales							
Net sales to external customers	23,251,453	1,224,626	24,476,080	31,195	24,507,275	—	24,507,275
Inter-segment net sales or transfers	—	283,281	283,281	141,772	425,053	(425,053)	—
Total	23,251,453	1,507,907	24,759,361	172,967	24,932,329	(425,053)	24,507,275
Segment profit	2,923,064	645,972	3,569,037	23,234	3,592,271	(2,061,523)	1,530,748
Segment assets	11,760,211	289,616	12,049,828	18,579	12,068,408	6,667,623	18,736,031
Other items							
Depreciation	317,087	4,691	321,778	241	322,019	200,444	522,463
Amortization of goodwill	—	—	—	—	—	—	—
Increase of property, plant and equipment and intangible assets	505,612	3,369	508,981	—	508,981	238,601	747,583

Notes: 1. "Other" is a business segment excluded from the reportable segments and includes the system development business.

2 Adjustments are as follows.

(1) ¥(2,061,523) thousand in segment profit adjustments consist of ¥94,124 thousand in inter-segment eliminations and ¥(2,155,648) thousand in company-wide expenses not allocated to any specific reportable segment.

(2) ¥6,667,623 thousand in segment assets adjustments are company-wide expenses not allocated to any specific reportable segment.

(3) Inter-segment net sales or transfers is presented separately.

3 Segment profit is adjusted for operating profit in the consolidated financial statements.

[Related Information]

Previous consolidated fiscal year (April 1 to March 31, 2021)

1. Information by product and service

The Group purchases and sells secondhand goods. Description is omitted as net sales to external customers in a single product/service category exceed 90% of net sales in the consolidated statements of income.

2. information by region

(1) Net sales

Information is omitted as net sales to external customers in Japan exceed 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Information is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customers

Information is omitted as there are no sales to specific customers representing 10% or more of net sales in the consolidated statements of income.

Current consolidated fiscal year (April 1 to March 31, 2022)

1. Information by product and service

The Group purchases and sells secondhand goods. Description is omitted as net sales to external customers in a single product/service category exceed 90% of net sales in the consolidated statements of income.

2. information by region

(1) Net sales

Information is omitted as net sales to external customers in Japan exceed 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Information is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customers

Information is omitted as there are no sales to specific customers representing 10% or more of net sales in the consolidated statements of income.

[Information related to impairment losses of non-current assets for each reportable segment]

Previous consolidated fiscal year (April 1 to March 31, 2021)

(Thousands of yen)

	Secondhand Business	FC Business	Total	Company-wide / amortization	Amount in consolidated financial statements
Impairment losses	369,313	—	369,313	—	369,313

Current consolidated fiscal year (April 1 to March 31, 2022)

(Thousands of yen)

	Secondhand Business	FC Business	Total	Company-wide / amortization	Amount in consolidated financial statements
Impairment losses	139,232	—	139,232	—	139,232

[Information related to goodwill amortization and the unamortized balance for each reportable segment]

Previous consolidated fiscal year (April 1 to March 31, 2021)

(Thousands of yen)

	Secondhand Business	FC Business	Total	Company-wide / amortization	Amount in consolidated financial statements
Amount of amortization for the fiscal year	3,841	—	3,841	—	3,841
Balance at end of period	—	—	—	—	—

Current consolidated fiscal year (April 1 to March 31, 2022)

Not applicable.

[Information related to gain on bargain purchase for each reportable segment]

Previous consolidated fiscal year (April 1 to March 31, 2021)

Negative goodwill was recognized in the “Other” segment due to the consolidation of ReNK CHANNEL Co., Ltd. as a consolidated subsidiary from the fiscal year ended March 31, 2022. The amount of gain on bargain purchase resulting from this event posted ¥13,382 thousand.

Note that gain on bargain purchase was extraordinary income and therefore excluded from the segment profit shown above.

Current consolidated fiscal year (April 1 to March 31, 2022)

Not applicable.

Per-share information

	Previous consolidated fiscal year (April 1 to March 31, 2021)	Current consolidated fiscal year (April 1 to March 31, 2022)
Net assets per share	936.32 yen	986.56 yen
Basic earnings per share	25.60 yen	75.06 yen

Notes: 1. Diluted earnings per share is not shown in the above table, as there are no potential shares.

2. Basis of calculating net assets per share is as follows.

	As of March 31, 2021	As of March 31, 2022
Total net assets	¥13,039,536 thousand	¥13,750,184 thousand
Deduction on total net assets	¥43,412 thousand	¥56,685 thousand
(of which, non-controlling interests)	(¥43,412 thousand)	(¥56,685 thousand)
Net assets at year-end applicable to common shares	¥12,996,124 thousand	¥13,693,498 thousand
Number of common shares calculated for net assets per share at year-end	13,880 thousand shares	13,880 thousand shares

3. Basis of calculating basic earnings per share is as follows.

	Previous consolidated fiscal year (April 1 to March 31, 2021)	Current consolidated fiscal year (April 1 to March 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent	¥348,119 thousand	¥1,041,901 thousand
Profit not available to common shares	—	—
Profit attributable to owners of parent applicable to common shares	¥348,119 thousand	¥1,041,901 thousand
Average number of shares outstanding during the period	13,598 thousand shares	13,880 thousand shares

Significant subsequent events

Not applicable.