



November 8, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: HARD OFF CORPORATION Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2674
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 Scheduled date to file quarterly securities report: November 14, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(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	%
Six months ended September 30, 2022	12,968	10.4	1,054	131.4	1,145	119.0	738	84.6
Six months ended September 30, 2021	11,741	22.1	455	31.7	523	37.1	400	84.5

Note: Comprehensive income For the six months ended September 30, 2022: ¥1,041 million [148.4%]
 For the six months ended September 30, 2021: ¥419 million [(19.8)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	53.23	—
Six months ended September 30, 2021	28.84	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	19,165	14,246	74.0
March 31, 2022	18,736	13,750	73.1

Reference: Equity

As of September 30, 2022: ¥14,176 million
 As of March 31, 2022: ¥13,693 million

2. Cash dividends

	Annual dividends				
	End Q1	End Q2	End Q3	End FY	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	0.00	—	40.00	40.00

	Annual dividends				
	End Q1	End Q2	End Q3	End FY	Total
Fiscal year ending March 31, 2023	—	0.00			
Fiscal year ending March 31, 2023 (Forecast)			—	50.00	50.00

Notes: 1. Revisions to the forecast of cash dividends most recently announced: Yes

2. 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
Fiscal year ending March 31, 2023	26,500	8.1	2,150	40.5	2,300	37.8	1,400	34.4	100.86

Note: Revisions to the earnings forecasts most recently announced: Yes

*** 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: 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 September 30, 2022	13,954,000 shares	As of March 31, 2022	13,954,000 shares
As of September 30, 2022	73,979 shares	As of March 31, 2022	73,979 shares
Fiscal year ended September 30, 2022	13,880,021 shares	Fiscal year ended September 30, 2021	13,880,021 shares

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

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

* 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 six months ended September 30 2022, (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.

(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. Qualitative information regarding financial results for the six months ended September 30, 2022

(1) Explanation of operating results

During the six months ended September 30, 2022, while the Japanese economy saw some signs of gradual recovery mainly in personal consumption, the outlook still remains uncertain due to the intensifying situation in Russia and Ukraine as well as the effects of the rapid depreciation of the Japanese yen. In the reuse (secondhand) industry, of which the HARD OFF CORPORATION Co., Ltd. (the “Company”) is a part, the market has been growing steadily, influenced by the rising awareness of 3R (Reuse, Reduce, Recycle) amidst the broader movement to promote the SDGs throughout global society as well as the increased demand for reused goods due to inflation.

With respect to the opening of secondhand stores during the six months ended September 30, 2022, the Company opened nine directly operated stores, closed eight directly operated stores, opened five franchised stores, and closed three franchised stores. As a result, the total number of secondhand stores was 917, which was comprised of 397 directly operated stores and 520 franchised stores.

The number of stores by business category as of September 30, 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	135 [+2]	124 [-1]	15 [-3]	10 [-1]	53 [+3]	4 [±0]	50 [±0]	6 [+1]	397 [+1]	1 [-1]
Franchised stores	236 [+3]	196 [-1]	2 [±0]	5 [±0]	73 [±0]	1 [±0]	—	7 [±0]	520 [+2]	—
Total	371 [+5]	320 [-2]	17 [-3]	15 [-1]	126 [+3]	5 [±0]	50 [±0]	13 [+1]	917 [+3]	1 [-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 six months ended September 30, 2022, net sales for the existing stores remained strong, up 10.4% year on year. As a result of a 29.4% increase in Internet sales and the continued strong performance of stores in the U.S. and Taiwan, consolidated net sales amounted to ¥12,968 million (up 10.4% year on year).

In terms of profit, the gross profit margin improved 0.2%, resulting in gross profit of ¥8,895 million (up 10.7% year on year). Selling, general, and administrative expenses increased by 3.4% year on year, causing operating profit to amount to ¥1,054 million (up 131.4% year on year) and ordinary profit to amount to ¥1,145 million (up 119.0% year on year).

Furthermore, profit attributable to owners of parent increased significantly to ¥738 million (up 84.6% year on year), despite a large decrease in extraordinary income.

(2) Explanation of financial position

Assets

Total current assets as of September 30, 2022 amounted to ¥10,041 million, an increase of ¥258 million compared with the end of the previous fiscal year. This was primarily due to a decrease of ¥153 million in cash and deposits and an increase of ¥343 million in merchandise.

Total non-current assets amounted to ¥9,124 million, an increase of ¥171 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥34 million in property, plant, and equipment and an increase of ¥138 million in investments and other assets.

As a result, total assets amounted to ¥19,165 million, an increase of ¥429 million compared with the end of the previous fiscal year.

Liabilities

Total current liabilities as of September 30, 2022 amounted to ¥3,843 million, a decrease of ¥25 million compared with the end

of the previous fiscal year. This was primarily due to a decrease of ¥30 million in short-term borrowings. Total non-current liabilities amounted to ¥1,075 million, a decrease of ¥41 million compared with the end of the previous fiscal year. As a result, total liabilities amounted to ¥4,919 million, a decrease of ¥66 million compared with the end of the previous fiscal year.

Net assets

Total net assets as of September 30, 2022 amounted to ¥14,246 million, an increase of ¥496 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥193 million in retained earnings and an increase of ¥257 million in valuation difference on available-for-sale securities.

As a result, the equity-to-asset ratio was 74.0% (73.1% at the end of the previous fiscal year).

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

Revisions have been made to the consolidated earnings forecasts for the fiscal year ending March 31, 2023, announced in “Consolidated Financial Results for the Three Months Ended June 30, 2022” on August 4, 2022.

Revisions have been made to the forecast of cash dividends, announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2022” on May 11, 2022.

For details, please see the “Notice Concerning Revision of Earnings Forecasts and Dividend Forecast” released today (November 8, 2022).

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	2,604,860	2,451,454
Accounts receivable - trade	836,176	859,989
Merchandise	5,881,313	6,225,070
Work in process	447	1,225
Other	463,718	506,902
Allowance for doubtful accounts	(3,066)	(3,026)
Total current assets	9,783,449	10,041,616
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,987,355	2,043,362
Land	970,044	970,044
Construction in progress	6,715	3,575
Other, net	393,536	374,993
Total property, plant and equipment	3,357,652	3,391,975
Intangible assets		
Software in progress	728	11,954
Other	565,672	552,967
Total intangible assets	566,401	564,921
Investments and other assets		
Investment securities	2,401,942	2,717,338
Other	2,636,060	2,458,937
Allowance for doubtful accounts	(9,475)	(8,875)
Total investments and other assets	5,028,527	5,167,401
Total non-current assets	8,952,581	9,124,298
Total assets	18,736,031	19,165,914

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	56,501	29,881
Short-term borrowings	1,760,000	1,730,000
Income taxes payable	354,283	412,563
Lease obligations	12,671	19,692
Other	1,685,557	1,651,812
Total current liabilities	3,869,013	3,843,950
Non-current liabilities		
Asset retirement obligations	482,610	496,062
Other	634,224	579,656
Total non-current liabilities	1,116,834	1,075,719
Total liabilities	4,985,847	4,919,669
Net assets		
Shareholders' equity		
Share capital	1,676,275	1,676,275
Capital surplus	1,895,362	1,895,362
Retained earnings	9,516,445	9,709,910
Treasury shares	(37,603)	(37,603)
Total shareholders' equity	13,050,480	13,243,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	651,093	908,325
Foreign currency translation adjustment	(8,074)	24,290
Total accumulated other comprehensive income	643,018	932,615
Non-controlling interests	56,685	69,684
Total net assets	13,750,184	14,246,244
Total liabilities and net assets	18,736,031	19,165,914

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

Quarterly consolidated statement of income

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	11,741,942	12,968,517
Cost of sales	3,705,605	4,072,810
Gross profit	8,036,337	8,895,706
Selling, general, and administrative expenses	7,580,635	7,841,423
Operating profit	455,701	1,054,283
Non-operating income		
Interest income	1,209	1,114
Dividend income	23,343	47,303
Rental income from land and buildings	15,278	14,879
Income from recycling	12,114	13,980
Other	21,974	21,654
Total non-operating income	73,920	98,932
Non-operating expenses		
Interest expenses	5,787	4,789
Commission expenses	15	1,052
Other	474	1,431
Total non-operating expenses	6,277	7,272
Ordinary profit	523,344	1,145,942
Extraordinary income		
Gain on sale of investment securities	105,118	1,612
Insurance claim income	—	12,111
Total extraordinary income	105,118	13,724
Extraordinary losses		
Loss on retirement of non-current assets	845	16
Impairment losses	29,102	12,732
Loss on disaster	—	3,681
Total extraordinary losses	29,947	16,430
Profit before income taxes	598,515	1,143,235
Income taxes - current	191,529	353,549
Income taxes - deferred	7,551	43,956
Total income taxes	199,081	397,505
Profit	399,434	745,730
Profit (loss) attributable to non-controlling interests	(844)	6,850
Profit attributable to owners of parent	400,278	738,880

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	399,434	745,730
Other comprehensive income		
Valuation difference on available-for-sale securities	4,591	257,231
Foreign currency translation adjustment	15,163	38,514
Total other comprehensive income	19,754	295,745
Comprehensive income	419,189	1,041,475
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	416,908	1,028,477
Comprehensive income attributable to non-controlling interests	2,280	12,998

(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.