



Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

February 7, 2023

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: February 14, 2023
 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended December 31, 2022	20,004	10.1	1,823	72.5	1,954	69.5	1,194	56.8
Nine months ended December 31, 2021	18,173	16.7	1,057	47.9	1,153	42.9	761	68.1

Note: Comprehensive income For the nine months ended December 31, 2022: ¥1,740 million [118.7%]
 For the nine months ended December 31, 2021: ¥795 million [21.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	86.07	—
Nine months ended December 31, 2021	54.90	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	20,272	14,944	73.4
March 31, 2022	18,736	13,750	73.1

Reference: Equity As of December 31, 2022: ¥14,876 million
 As of March 31, 2022 ¥13,693 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, 2022	—	0.00	—	40.00	40.00
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: None

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: 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: 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)

(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)

As of December 31, 2022	13,954,000 shares	As of March 31, 2022	13,954,000 shares
As of December 31, 2022	73,979 shares	As of March 31, 2022	73,979 shares
Nine months ended December 31, 2022	13,880,021 shares	Nine months ended December 31, 2021	13,880,021 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 nine months ended December 31, 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.

(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. Qualitative information regarding financial results for the nine months ended December 31, 2022

(1) Explanation of operating results

During the nine months ended December 31, 2022, while the Japanese economy showed signs of gradual recovery due to easing of behavioral restrictions in some areas, the economic outlook, including the recovery of personal consumption, remains uncertain. 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 nine months ended December 31, 2022, the Company opened fifteen directly operated stores, closed eight directly operated stores, opened eleven franchised stores, and closed five franchised stores. As a result, the total number of secondhand stores was 927, which was comprised of 403 directly operated stores and 524 franchised stores.

The number of stores by business category as of December 31, 2022 is shown in the following table.

Number of stores	HARD OFF	OFF HOUSE	MODE OFF	Garage OFF	Hobby OFF	Liquor OFF	BOOK OFF	Overseas	(Stores)	
									Total number of secondhand stores Total	BOOK ON
Directly operated stores	138 [+5]	125 [±0]	15 [-3]	10 [-1]	55 [+5]	4 [±0]	50 [±0]	6 [+1]	403 [+7]	1 [-1]
Franchised stores	238 [+5]	197 [±0]	2 [±0]	5 [±0]	74 [+1]	1 [±0]	—	7 [±0]	524 [+6]	—
Total	376 [+10]	322 [±0]	17 [-3]	15 [-1]	129 [+6]	5 [±0]	50 [±0]	13 [+1]	927 [+13]	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 nine months ended December 31, 2022, net sales for the existing stores in Japan remained strong, up 10.1% year on year. As a result of a 25.3% increase in Internet sales and the continued strong performance of the U.S. and Taiwan stores, consolidated net sales amounted to ¥20,004 million (up 10.1% year on year).

In terms of profit, the gross profit margin increased by 0.1% to ¥13,753 million (up 10.2% year on year). As a result of an increase in selling, general and administrative expenses of 4.4%, operating profit amounted to ¥1,823 million (up 72.5% year on year), ordinary profit amounted to ¥1,954 million (up 69.5% year on year), and profit attributable to owners of parent amounted to ¥1,194 million (up 56.8% year on year), achieving significant increases in the profit.

(2) Explanation of financial position

Assets

Total current assets as of December 31, 2022 amounted to ¥10,611 million, an increase of 828 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥95 million in cash and deposits, an increase of ¥131 million in accounts receivable - trade, and an increase of ¥594 million in merchandise.

Total non-current assets amounted to ¥9,660 million, an increase of ¥707 million compared with the end of the previous fiscal year. This was primarily due to an increase of 332 million in property, plant and equipment and an increase of 357 million in investments and other assets.

As a result, total assets amounted to ¥20,272 million, an increase of 1,536 million compared with the end of the previous fiscal year.

Liabilities

Total current liabilities as of December 31, 2022 amounted to ¥4,124 million, an increase of ¥255 million compared with the end of the previous fiscal year. Total non-current liabilities amounted to ¥1,202 million, an increase of 85 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥99 million in asset retirement obligations.

As a result, total liabilities amounted to ¥5,327 million, an increase of ¥341 million compared with the end of the previous fiscal year.

Net assets

Total net assets as of December 31, 2022 amounted to ¥14,944 million, an increase of ¥1,194 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥649 million in retained earnings and an increase of ¥543 million in valuation difference on available-for-sale securities.

As a result, the equity-to-asset ratio was 73.4% (73.1% 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 fiscal year ending March 31, 2023, announced in “Notice Concerning Revision of Earnings Forecasts and Dividend Forecast” on 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	2,604,860	2,700,564
Accounts receivable - trade	836,176	968,137
Merchandise	5,881,313	6,475,903
Work in process	447	132
Other	463,718	470,326
Allowance for doubtful accounts	(3,066)	(3,067)
Total current assets	9,783,449	10,611,996
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,987,355	2,198,366
Land	970,044	972,549
Construction in progress	6,715	1,088
Other, net	393,536	518,630
Total property, plant and equipment	3,357,652	3,690,635
Intangible assets		
Software in progress	728	323
Other	565,672	582,926
Total intangible assets	566,401	583,250
Investments and other assets		
Investment securities	2,401,942	3,118,879
Other	2,636,060	2,275,964
Allowance for doubtful accounts	(9,475)	(8,575)
Total investments and other assets	5,028,527	5,386,269
Total non-current assets	8,952,581	9,660,154
Total assets	18,736,031	20,272,151

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	56,501	60,388
Short-term borrowings	1,760,000	1,800,000
Income taxes payable	354,283	360,720
Provision for bonuses	—	118,980
Lease obligations	12,671	23,293
Other	1,685,557	1,761,455
Total current liabilities	3,869,013	4,124,836
Non-current liabilities		
Asset retirement obligations	482,610	582,413
Other	634,224	620,142
Total non-current liabilities	1,116,834	1,202,556
Total liabilities	4,985,847	5,327,392
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	10,165,713
Treasury shares	(37,603)	(37,662)
Total shareholders' equity	13,050,480	13,699,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	651,093	1,194,702
Foreign currency translation adjustment	(8,074)	(18,267)
Total accumulated other comprehensive income	643,018	1,176,434
Non-controlling interests	56,685	68,635
Total net assets	13,750,184	14,944,758
Total liabilities and net assets	18,736,031	20,272,151

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

Quarterly consolidated statement of income

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	18,173,324	20,004,209
Cost of sales	5,691,699	6,250,477
Gross profit	12,481,625	13,753,732
Selling, general and administrative expenses	11,424,596	11,930,660
Operating profit	1,057,029	1,823,072
Non-operating income		
Interest income	1,787	1,645
Dividend income	25,265	61,320
Rental income from land and buildings	22,804	23,921
Income from recycling	19,948	22,411
Other	36,417	31,546
Total non-operating income	106,224	140,844
Non-operating expenses		
Interest expenses	8,578	7,201
Commission expenses	15	1,157
Other	1,566	1,531
Total non-operating expenses	10,160	9,889
Ordinary profit	1,153,092	1,954,027
Extraordinary income		
Gain on sale of non-current assets	27	—
Gain on sale of investment securities	105,118	2,112
Insurance claim income	—	12,111
Total extraordinary income	105,146	14,223
Extraordinary losses		
Loss on retirement of non-current assets	1,761	16
Loss on valuation of investment securities	6,241	—
Impairment losses	93,882	91,417
Loss on disaster	—	3,681
Total extraordinary losses	101,885	95,115
Profit before income taxes	1,156,353	1,873,135
Income taxes - current	361,528	569,458
Income taxes - deferred	31,915	102,565
Total income taxes	393,444	672,024
Profit	762,909	1,201,111
Profit attributable to non-controlling interests	934	6,427
Profit attributable to owners of parent	761,974	1,194,683

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	762,909	1,201,111
Other comprehensive income		
Valuation difference on available-for-sale securities	8,696	543,608
Foreign currency translation adjustment	23,981	(4,670)
Total other comprehensive income	32,678	538,937
Comprehensive income	795,587	1,740,049
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	790,795	1,728,099
Comprehensive income attributable to non-controlling interests	4,792	11,949

(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.