



Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

November 8, 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: November 14, 2023
 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, 2023 (from April 1, 2023 to September 30, 2023)

(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, 2023	14,177	9.3	1,083	2.8	1,201	4.9	757	2.5
Six months ended September 30, 2022	12,968	10.4	1,054	131.4	1,145	119.0	738	84.6

Note: Comprehensive income For the six months ended September 30, 2023: ¥1,019 million [(2.2)%]
 For the six months ended September 30, 2022: ¥1,041 million [148.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	54.50	—
Six months ended September 30, 2022	53.23	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	21,383	15,532	72.2
As of March 31, 2023	20,722	15,349	73.7

Reference: Equity As of September 30, 2023: ¥15,442 million
 As of March 31, 2023: ¥15,277 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, 2023	—	0.00	—	60.00	60.00
Fiscal year ending March 31, 2024	—	0.00			
Fiscal year ending March 31, 2024 (Forecast)			—	62.00	62.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	30,000	10.9	2,550	10.3	2,700	7.5	1,700	2.8	122.32

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 September 30, 2023	13,954,000 shares	As of March 31, 2023	13,954,000 shares
As of September 30, 2023	56,617 shares	As of March 31, 2023	56,454 shares
Six months ended September 30, 2023	13,897,545 shares	Six months ended September 30, 2022	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 quarterly financial results, (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 six months ended September 30, 2023

(1) Explanation of operating results

Over the course of the six months ended September 30, 2023, the national economy witnessed a gradual upswing. However, uncertainty continues to shroud the economic forecast due to the prolonged geopolitical tensions between Russia and Ukraine, inflation triggered by exchange rate fluctuations, and the persisting depreciation of the yen, among other factors. 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 increased awareness of SDGs as well as increased demand for secondhand goods due to inflation.

With respect to the opening of secondhand stores during the six months ended September 30, 2023, the Company opened nine directly operated stores and five franchised stores. As a result, the total number of secondhand stores was 945, which was comprised of 417 directly operated stores and 528 franchised stores.

The number of stores by business category as of September 30, 2023 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 Total	BOOK ON
Directly operated stores	145 [+5]	127 [+1]	15 [±0]	10 [±0]	59 [+3]	4 [±0]	50 [±0]	7 [±0]	417 [+9]	1 [±0]
Franchised stores	238 [+1]	196 [+1]	2 [±0]	5 [±0]	79 [+3]	1 [±0]	—	7 [±0]	528 [+5]	—
Total	383 [+6]	323 [+2]	17 [±0]	15 [±0]	138 [+6]	5 [±0]	50 [±0]	14 [±0]	945 [+14]	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.

In the six months ended September 30, 2023, net sales for our existing stores performed robustly with a 4.5% increase. The opening of nine new directly operated stores led to total company net sales of ¥14,177 million, a 9.3% increase year on year, marking a new record high.

In terms of profits, in addition to the nine new stores opened during the period, the costs for opening two additional new stores occurred ahead of schedule during the period, and relocation costs for two existing stores along with renovation costs for 22 existing stores were incurred as well. As a result, selling, general and administrative expenses increased by 10.4%. Net sales were slightly less than forecast, but operating profit reached ¥1,083 million (up 2.8% year on year) and ordinary profit was ¥1,201 million (up 4.9% year on year) due to selling, general and administrative expenses being within the scope of the plan. Both figures surpassed the reduced profit forecast and set new record highs. Profit attributable to owners of parent also exceeded the reduced profit forecast, reaching ¥757 million (up 2.5% year on year). This set a new record high when excluding the six months ended September 30, 2011, when extraordinary income of ¥683 million was recorded.

(2) Explanation of financial position

Assets

Total current assets as of September 30, 2023 amounted to ¥11,190 million, an increase of ¥169 million compared with the end of the previous fiscal year. This was primarily due to a decrease of ¥543 million in cash and deposits and an increase of ¥645 million in merchandise.

Total non-current assets amounted to ¥10,193 million, an increase of ¥492 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥276 million in property, plant and equipment and an increase of ¥194 million in investments and other assets.

As a result, total assets amounted to ¥21,383 million, an increase of ¥661 million compared with the end of the previous fiscal

year.

Liabilities

Total current liabilities as of September 30, 2023 amounted to ¥4,668 million, an increase of ¥479 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥550 million in short-term borrowings. Total non-current liabilities amounted to ¥1,183 million, a decrease of ¥1 million compared with the end of the previous fiscal year. As a result, total liabilities amounted to ¥5,851 million, an increase of ¥478 million compared with the end of the previous fiscal year.

Net assets

Total net assets as of September 30, 2023 amounted to ¥15,532 million, an increase of ¥183 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥209 million in valuation difference on available-for-sale securities.

As a result, the equity-to-asset ratio was 72.2% (73.7% 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, 2024, announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023” on May 11, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	2,909,983	2,366,654
Accounts receivable - trade	984,567	1,013,335
Merchandise	6,650,020	7,295,628
Work in process	478	308
Other	479,187	517,564
Allowance for doubtful accounts	(3,153)	(3,314)
Total current assets	11,021,084	11,190,177
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,203,890	2,364,075
Land	972,119	972,119
Construction in progress	11,665	30,998
Other, net	531,774	628,402
Total property, plant and equipment	3,719,449	3,995,595
Intangible assets		
Software	552,421	580,301
Other	34,113	27,862
Total intangible assets	586,535	608,163
Investments and other assets		
Investment securities	2,996,680	3,294,133
Other	2,407,210	2,303,501
Allowance for doubtful accounts	(8,275)	(7,675)
Total investments and other assets	5,395,616	5,589,960
Total non-current assets	9,701,601	10,193,720
Total assets	20,722,685	21,383,897

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	63,897	62,116
Short-term borrowings	1,750,000	2,300,000
Income taxes payable	568,475	440,485
Contract liabilities	27,502	17,886
Other	1,778,729	1,847,773
Total current liabilities	4,188,604	4,668,262
Non-current liabilities		
Asset retirement obligations	594,052	627,744
Other	590,541	555,274
Total non-current liabilities	1,184,594	1,183,019
Total liabilities	5,373,198	5,851,281
Net assets		
Shareholders' equity		
Share capital	1,676,275	1,676,275
Capital surplus	1,910,632	1,910,507
Retained earnings	10,615,106	10,536,841
Treasury shares	(28,723)	(28,826)
Total shareholders' equity	14,173,290	14,094,797
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,109,803	1,319,504
Foreign currency translation adjustment	(5,515)	28,550
Total accumulated other comprehensive income	1,104,287	1,348,054
Non-controlling interests	71,908	89,763
Total net assets	15,349,487	15,532,616
Total liabilities and net assets	20,722,685	21,383,897

(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, 2022	Six months ended September 30, 2023
Net sales	12,968,517	14,177,013
Cost of sales	4,072,810	4,432,941
Gross profit	8,895,706	9,744,072
Selling, general and administrative expenses	7,841,423	8,660,217
Operating profit	1,054,283	1,083,855
Non-operating income		
Interest income	1,114	1,333
Dividend income	47,303	58,585
Rental income from land and buildings	14,879	25,807
Income from recycling	13,980	13,885
Other	21,654	24,555
Total non-operating income	98,932	124,167
Non-operating expenses		
Interest expenses	4,789	4,761
Commission expenses	1,052	–
Other	1,431	1,392
Total non-operating expenses	7,272	6,153
Ordinary profit	1,145,942	1,201,869
Extraordinary income		
Gain on sale of investment securities	1,612	10
Gain on sale of non-current assets	–	110
Insurance claim income	12,111	–
Total extraordinary income	13,724	121
Extraordinary losses		
Loss on valuation of investment securities	–	4,062
Loss on retirement of non-current assets	16	–
Impairment losses	12,732	10,556
Loss on disaster	3,681	1,773
Total extraordinary losses	16,430	16,392
Profit before income taxes	1,143,235	1,185,598
Income taxes - current	353,549	386,289
Income taxes - deferred	43,956	30,061
Total income taxes	397,505	416,350
Profit	745,730	769,247
Profit attributable to non-controlling interests	6,850	11,832
Profit attributable to owners of parent	738,880	757,415

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	745,730	769,247
Other comprehensive income		
Valuation difference on available-for-sale securities	257,231	209,700
Foreign currency translation adjustment	38,514	40,088
Total other comprehensive income	295,745	249,789
Comprehensive income	1,041,475	1,019,037
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,028,477	1,001,182
Comprehensive income attributable to non-controlling interests	12,998	17,854

(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.