



Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

February 7, 2024

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, 2024
 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, 2023 (from April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	22,052	10.2	2,029	11.3	2,191	12.2	1,353	13.3
Nine months ended December 31, 2022	20,004	10.1	1,823	72.5	1,954	69.5	1,194	56.8

Note: Comprehensive income For the nine months ended December 31, 2023: ¥1,543 million [(11.3)%]
 For the nine months ended December 31, 2022: ¥1,740 million [118.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	97.37	—
Nine months ended December 31, 2022	86.07	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	22,171	16,056	72.0
As of March 31, 2023	20,722	15,349	73.7

Reference: Equity As of December 31, 2023: ¥15,964 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)

As of December 31, 2023:	13,954,000 shares	As of March 31, 2023:	13,954,000 shares
(ii) Number of treasury shares at the end of the period	56,617 shares	As of March 31, 2023:	56,454 shares
(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Nine months ended December 31, 2023 13,897,491 shares	Nine months ended December 31, 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 financial results for the nine months ended December 31, 2023, (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, 2023

(1) Explanation of operating results

Over the course of the nine months ended December 31, 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 nine months ended December 31, 2023, the Company opened 17 directly operated stores and 13 franchised stores, and closed one store. As a result, the total number of secondhand stores was 960, which was comprised of 425 directly operated stores and 535 franchised stores.

The number of stores by business category as of December 31, 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	150 (+10)	128 (+ 2)	15 (±0)	10 (±0)	61 (+ 5)	4 (±0)	50 (±0)	7 (±0)	425 (+17)	1 (±0)
Franchised stores	240 (+ 3)	197 (+ 2)	2 (±0)	5 (±0)	83 (+ 7)	1 (±0)	—	7 (±0)	535 (+12)	—
Total	390 (+13)	325 (+ 4)	17 (±0)	15 (±0)	144 (+12)	5 (±0)	50 (±0)	14 (±0)	960 (+29)	1 (±0)

Note: 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 nine months ended December 31, 2023, net sales for our existing stores performed robustly with a 5.2% increase. The opening of 17 new directly operated stores led to total company net sales of ¥22,052 million, a 10.2% increase year on year.

In terms of profit, the gross profit margin has been maintained at the same level as the previous year, and gross profit increased by 10.3%. In addition to the costs for opening 17 new stores during the period, relocation costs for four existing stores along with renovation costs for 22 existing stores were incurred as well. As a result, selling, general and administrative expenses increased by 10.2%. As a result of the above, operating profit amounted to ¥2,029 million (up 11.3% year on year), ordinary profit amounted to ¥2,191 million (up 12.2% year on year), and profit attributable to owners of parent amounted to ¥1,353 million (up 13.3% year on year), all setting new record highs.

(2) Explanation of financial position

Assets

Total current assets as of December 31, 2023 amounted to ¥11,995 million, an increase of ¥974 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥971 million in merchandise.

Total non-current assets amounted to ¥10,175 million, an increase of ¥474 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥357 million in property, plant and equipment and an increase of ¥85 million in investments and other assets.

As a result, total assets amounted to ¥22,171 million, an increase of ¥1,448 million compared with the end of the previous fiscal year.

Liabilities

Total current liabilities as of December 31, 2023 amounted to ¥4,935 million, an increase of ¥747 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥910 million in short-term borrowings, and a decrease of ¥241 million in income taxes payable. Total non-current liabilities amounted to ¥1,178 million, a decrease of ¥6 million compared with the end of the previous fiscal year.

As a result, total liabilities amounted to ¥6,114 million, an increase of ¥740 million compared with the end of the previous fiscal year.

Net assets

Total net assets as of December 31, 2023 amounted to ¥16,056 million, an increase of ¥707 million compared with the end of the previous fiscal year. This was primarily due to an increase of ¥517 million in retained earnings and an increase of ¥135 million in valuation difference on available-for-sale securities.

As a result, the equity-to-asset ratio was 72.0% (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 December 31, 2023
Assets		
Current assets		
Cash and deposits	2,909,983	2,625,293
Accounts receivable - trade	984,567	1,240,234
Merchandise	6,650,020	7,621,907
Work in process	478	336
Other	479,187	511,363
Allowance for doubtful accounts	(3,153)	(3,796)
Total current assets	11,021,084	11,995,338
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,203,890	2,410,248
Land	972,119	972,119
Construction in progress	11,665	1,320
Other, net	531,774	693,058
Total property, plant and equipment	3,719,449	4,076,746
Intangible assets		
Software	552,421	592,409
Other	34,113	25,626
Total intangible assets	586,535	618,035
Investments and other assets		
Investment securities	2,996,680	3,189,657
Other	2,407,210	2,298,631
Allowance for doubtful accounts	(8,275)	(7,375)
Total investments and other assets	5,395,616	5,480,913
Total non-current assets	9,701,601	10,175,694
Total assets	20,722,685	22,171,033

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	63,897	62,946
Short-term borrowings	1,750,000	2,660,000
Income taxes payable	568,475	326,641
Provision for bonuses	—	145,579
Contract liabilities	27,502	19,891
Other	1,778,729	1,720,810
Total current liabilities	4,188,604	4,935,870
Non-current liabilities		
Asset retirement obligations	594,052	642,827
Other	590,541	535,363
Total non-current liabilities	1,184,594	1,178,190
Total liabilities	5,373,198	6,114,060
Net assets		
Shareholders' equity		
Share capital	1,676,275	1,676,275
Capital surplus	1,910,632	1,910,445
Retained earnings	10,615,106	11,132,662
Treasury shares	(28,723)	△28,863
Total shareholders' equity	14,173,290	14,690,518
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,109,803	1,244,934
Foreign currency translation adjustment	(5,515)	29,282
Total accumulated other comprehensive income	1,104,287	1,274,217
Non-controlling interests	71,908	92,235
Total net assets	15,349,487	16,056,972
Total liabilities and net assets	20,722,685	22,171,033

(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, 2022	Nine months ended December 31, 2023
Net sales	20,004,209	22,052,060
Cost of sales	6,250,477	6,878,234
Gross profit	13,753,732	15,173,826
Selling, general and administrative expenses	11,930,660	13,144,753
Operating profit	1,823,072	2,029,072
Non-operating income		
Interest income	1,645	1,807
Dividend income	61,320	61,431
Rental income from land and buildings	23,921	38,720
Income from recycling	22,411	22,933
Other	31,546	47,844
Total non-operating income	140,844	172,737
Non-operating expenses		
Interest expenses	7,201	7,182
Commission expenses	1,157	—
Other	1,531	2,824
Total non-operating expenses	9,889	10,006
Ordinary profit	1,954,027	2,191,803
Extraordinary income		
Gain on sale of non-current assets	—	110
Gain on sale of investment securities	2,112	10
Insurance claim income	12,111	—
Total extraordinary income	14,223	121
Extraordinary losses		
Loss on retirement of non-current assets	16	97
Loss on valuation of investment securities	—	1,216
Impairment losses	91,417	80,052
Loss on disaster	3,681	1,927
Total extraordinary losses	95,115	83,293
Profit before income taxes	1,873,135	2,108,630
Income taxes - current	569,458	665,697
Income taxes - deferred	102,565	75,185
Total income taxes	672,024	740,883
Profit	1,201,111	1,367,747
Profit attributable to non-controlling interests	6,427	14,512
Profit attributable to owners of parent	1,194,683	1,353,235

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	1,201,111	1,367,747
Other comprehensive income		
Valuation difference on available-for-sale securities	543,608	135,131
Foreign currency translation adjustment	△4,670	40,613
Total other comprehensive income	538,937	175,744
Comprehensive income	1,740,049	1,543,492
Breakdown:		
Comprehensive income attributable to owners of parent	1,728,099	1,523,165
Comprehensive income attributable to non-controlling interests	11,949	20,326

(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.