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Consolidated Financial Results for the Six Months ended August 31, 2023 (Under Japanese GAAP)

October 13, 2023

Company name Mr Max Holdings Ltd.
Listings Tokyo Stock Exchange, Fukuoka Stock Exchange
Security code 8203
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Scheduled dates:

Submission of statutory quarterly financial report October 13, 2023
Commencement of dividend payments —
Supplementary materials to the quarterly results Available
Quarterly earnings results briefing Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million)

1. Consolidated Financial Results for the Six Months ended August 31, 2023 (March 1, 2023 to August 31, 2023)

(1) Operating Results

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended August 31, 2023	65,524	2.5	1,899	(31.5)	1,851	(31.6)	1,196	(34.7)
Six months ended August 31, 2022	63,952	1.3	2,771	6.2	2,707	5.8	1,832	12.0

Note: Comprehensive income: Six months ended August 31, 2023: 1,263 million yen [(31.8%)]
Six months ended August 31, 2022: 1,853 million yen [12.3%]

	Earnings per share		Earnings per share – fully diluted	
	yen		yen	
Six months ended August 31, 2023	36.00		—	
Six months ended August 31, 2022	55.19		—	

(2) Financial Position

	Total assets		Net assets		Total equity ratio	
	million yen		million yen		%	
August 31, 2023	82,429		32,836		39.8	
February 28, 2023	81,932		32,452		39.6	

Reference: Total equity: August 31, 2023: 32,836 million yen February 28, 2023: 32,452 million yen

2. Dividends

	Dividend per share				
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total
	yen	yen	yen	yen	yen
Year ended February 28, 2023	—	0.00	—	27.00	27.00
Year ending February 28, 2024	—	0.00			
Year ending February 28, 2024 (forecast)			—	21.00	21.00

Note: Revisions to the dividends forecasts most recently announced: None

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 29, 2024 (March 1, 2023 to February 29, 2024)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	129,500	2.0	4,000	(13.6)	3,800	(16.0)	2,500	(27.1)	75.25

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

(1) Changes affecting the consolidation status of significant subsidiaries during the period: None

Newly included: — (company name), Excluded: — (company name)

(2) Application of special accounting treatment for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatements:

1) Changes in accounting policies in accordance with amendments to accounting standards: None

2) Changes other than the above 1): None

3) Changes in accounting estimates: None

4) Retrospective restatements: None

(4) Number of shares issued (common stock)

1) Number of shares issued at end of period (including treasury shares):

August 31, 2023: 39,611,134 shares

February 28, 2023: 39,611,134 shares

2) Number of treasury shares held at end of period:

August 31, 2023: 6,361,315 shares

February 28, 2023: 6,388,805 shares

3) Average number of shares outstanding during the period:

Six months ended August 31, 2023: 33,232,685 shares

Six months ended August 31, 2022: 33,203,976 shares

*Quarterly review status

This report is exempt from a quarterly review by a certified public accountant or audit firm.

*Appropriate Use of Earnings Forecasts and Other Important Information

The above forecasts, which constitute forward-looking statements, are based on information available to the Company as of the date of the release of this document. The actual results may differ materially from the above forecasts due to a range of factors. For the assumptions underlying the earnings forecasts and important notes on the use of the earnings forecasts, please refer to page 2 of the accompanying materials.

Accompanying Materials

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1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

During the first six months of the fiscal year ending February 29, 2024 (March 1, 2023–August 31, 2023), the Japanese economy saw a normalization of social and economic activities following the downgrading under Japanese law of COVID-19 to Class 5, the category for common infectious diseases. On the other hand, the economic outlook continued to be uncertain as households and corporate activities were affected by inflation caused by the soaring prices of energy and raw materials.

In such an environment, the Group fully implemented as an operator of general discount stores our EDLP (Everyday Low Price) strategy of selling living necessities in the main at low prices every day under the management philosophy of “making everyday life of customers richer, more convenient, and more fun” while focusing on our EDLC (Everyday Low Cost) strategy to support EDLP. The Group has pushed forward with initiatives to contribute to the daily lives of our customers, including lowering prices in an ongoing manner. In addition, the Group opened an online store in March while striving to increase the profitability of its existing stores through renovation, in order to improve the customer convenience.

Sales at all stores for the six months under review increased 2.4% year on year to 62,976 million yen. By product category, sales of rice and daily foods remained strong as consumers became more cost-conscious. Sales of PB products increased by 20% year on year as sales were strong in broad categories. Among NB products, sales of drinks, confectionery, pet foods, etc., whose prices had been reduced, remained strong right from the beginning of the fiscal year as EDLP gained support from customers. Trolley bags and cosmetics, among other items, also achieved sales growth due to increasing opportunities to go out.

Operating revenue (which consists of net sales, real estate lease revenue, and other operating revenue) for the first six months of the fiscal year ending February 29, 2024 was 65,524 million yen (up 2.5% year on year). Sales of existing stores for the six months under review also increased 2.5% year on year. While sales of PB products, whose profitability is high, increased, gross profit margin decreased by 1.1 percentage points due to a decrease in sales of COVID-related products, such as masks and test kits, whose profit margin is high, and an increase in cost. As a result, gross profit was 13,837 million yen (down 2.6% year on year).

In terms of cost, personnel expenses remained flat from the previous fiscal year as we mainly worked to improve the operating efficiency of stores. On the other hand, selling, general and administrative expenses were 14,484 million yen (up 4.2% year on year) due to increases mainly in cashless payment charges, in addition to investments in renovation and EC business.

As a result, the Company posted an operating profit of 1,899 million yen (down 31.5% year on year), an ordinary profit of 1,851 million yen (down 31.6% year on year), and a profit attributable to owners of parent of 1,196 million yen (down 34.7% year on year). We will continue to strive to improve our financial performance by focusing on revenue expansion and low-cost operations.

(2) Consolidated Financial Condition

(Total assets)

Current assets as of August 31, 2023 were 18,761 million yen, an increase of 514 million yen from the end of the previous fiscal year (February 28, 2023). The increase is mainly attributable to an increase of 1,062 million yen in accounts receivable – trade. Non-current assets were 63,667 million yen, a decrease of 18 million yen from the end of the previous fiscal year. The decrease is mainly attributable to a decrease of 206 million yen in guarantee deposits.

As a result, total assets were 82,429 million yen, an increase of 496 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of August 31, 2023 were 28,881 million yen, an increase of 3,027 million yen from the end of the previous fiscal year (February 28, 2023). The increase is mainly attributable to an increase of 2,593 million yen in notes and accounts payable - trade. Non-current liabilities were 20,711 million yen, a decrease of 2,914 million yen from the end of the previous fiscal year. The decrease is mainly attributable to a decrease of 2,570 million yen in long-term borrowings.

As a result, liabilities were 49,593 million yen, an increase of 112 million yen from the end of the previous fiscal year.

(Net assets)

Net assets as of August 31, 2023 were 32,836 million yen, an increase of 383 million yen from end of the previous fiscal year (February 28, 2022). The increase is mainly attributable to an increase of 299 million yen in retained earnings.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the fiscal year ending February 29, 2024 is unchanged from the forecast announced on April 13, 2023.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

	As of February 28, 2023	As of August 31, 2023
(Millions of yen)		
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Assets		
Current assets		
Cash and deposits	3,136	1,893
Accounts receivable - trade	3,030	4,092
Merchandise	10,769	11,404
Supplies	45	41
Other	1,265	1,329
Total current assets	18,246	18,761
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,328	13,373
Land	30,115	30,115
Other, net	4,983	4,952
Total property, plant and equipment	48,428	48,442
Intangible assets	1,233	1,480
Investments and other assets		
Guarantee deposits	7,284	7,077
Other	6,774	6,701
Allowance for doubtful accounts	(34)	(34)
Total investments and other assets	14,023	13,744
Total non-current assets	63,686	63,667
Total assets	81,932	82,429

	As of February 28, 2023	(Millions of yen) As of August 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,846	9,439
Electronically recorded obligations - operating	7,556	6,209
Short-term borrowings	-	1,900
Current portion of long-term borrowings	5,570	5,255
Current portion of bonds payable	286	286
Income taxes payable	407	627
Provision for bonuses	875	564
Asset retirement obligations	-	6
Other	4,311	4,593
Total current liabilities	25,854	28,881
Non-current liabilities		
Bonds payable	1,428	1,285
Long-term borrowings	13,956	11,386
Retirement benefit liability	864	885
Asset retirement obligations	1,230	1,233
Other	6,145	5,920
Total non-current liabilities	23,625	20,711
Total liabilities	49,480	49,593
Net assets		
Shareholders' equity		
Share capital	10,229	10,229
Capital surplus	7,986	7,992
Retained earnings	16,612	16,911
Treasury shares	(2,591)	(2,580)
Total shareholders' equity	32,237	32,553
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	115	172
Deferred gains or losses on hedges	(1)	7
Foreign currency translation adjustment	5	5
Remeasurements of defined benefit plans	95	97
Total accumulated other comprehensive income	215	282
Total net assets	32,452	32,836
Total liabilities and net assets	81,932	82,429

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

	(Millions of yen)	
	Six months ended August 31, 2022	Six months ended August 31, 2023
Net sales	61,480	62,976
Cost of sales	47,280	49,139
Gross profit	14,199	13,837
Operating revenue		
Real estate lease revenue	1,915	1,918
Other operating revenue	556	628
Total operating revenue	2,472	2,547
Operating gross profit	16,671	16,384
Selling, general and administrative expenses		
Selling expenses	2,869	3,157
General and administrative expenses	11,030	11,327
Total selling, general and administrative expenses	13,900	14,484
Operating profit	2,771	1,899
Non-operating income		
Interest income	14	12
Subsidy income	6	-
Dividend income of insurance	7	-
Other	26	31
Total non-operating income	54	44
Non-operating expenses		
Interest on bonds	0	0
Interest expenses	91	65
Other	26	27
Total non-operating expenses	119	93
Ordinary profit	2,707	1,851
Extraordinary income		
Gain on sale of investment securities	-	4
Insurance claim income	32	-
Total extraordinary income	32	4
Extraordinary losses		
Loss on retirement of non-current assets	23	79
Loss on disaster	24	-
Store closure-related losses	26	-
Total extraordinary losses	74	79
Profit before income taxes	2,665	1,776
Income taxes - current	740	541
Income taxes - deferred	96	38
Total income taxes	836	579
Profit	1,828	1,196
Loss attributable to non-controlling interests	(3)	-
Profit attributable to owners of parent	1,832	1,196

(Consolidated Statement of Comprehensive Income)

	Six months ended August 31, 2022	(Millions of yen) Six months ended August 31, 2023
Profit	1,828	1,196
Other comprehensive income		
Valuation difference on available-for-sale securities	16	56
Deferred gains or losses on hedges	1	8
Foreign currency translation adjustment	1	0
Remeasurements of defined benefit plans, net of tax	5	2
Total other comprehensive income	25	67
Comprehensive income	1,853	1,263
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,857	1,263
Comprehensive income attributable to non-controlling interests	(3)	-

(3) Notes on the Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Significant Subsequent Events)

(Procurement of funds by way of positive impact finance)

The Company procured funds by concluding positive impact financing agreements on September 29, 2023.

The outline of these financing arrangements is as follows:

(1) Lenders	The Bank of Fukuoka, Ltd.	The Nishi-Nippon City Bank, Ltd.
(2) Borrowing methods	Syndicated loan	One-to-one loan
(3) Borrowing amount	3.5 billion yen	2.0 billion yen
(4) Drawdown date	September 29, 2023	
(5) Borrowing period	Five years	
(6) Use of funds	Working capital	