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Consolidated Financial Results for the Six Months (Interim) Ended August 31, 2024 (Under Japanese GAAP)

October 10, 2024

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Listings Tokyo Stock Exchange, Fukuoka Stock Exchange
Security code 8203
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Scheduled dates:

Submission of statutory interim financial report October 10, 2024
Commencement of dividend payments —
Supplementary materials to the interim results Yes
Interim earnings results briefing Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest million)

1. Consolidated Financial Results for the Six Months (Interim) Ended August 31, 2024 (March 1, 2024 to August 31, 2024)

(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, 2024	69,183	5.6	2,243	18.1	2,245	21.3	1,455	21.6
Six months ended August 31, 2023	65,524	2.5	1,899	(31.5)	1,851	(31.6)	1,196	(34.7)

Note: Comprehensive income: Six months ended August 31, 2024: 1,449 million yen [14.7%]

Six months ended August 31, 2023: 1,263 million yen [(31.8)%]

	Earnings per share		Earnings per share – fully diluted	
	yen		yen	
Six months ended August 31, 2024	43.74		—	
Six months ended August 31, 2023	36.00		—	

(2) Financial Position

	Total assets		Net assets		Total equity ratio	
	million yen		million yen		%	
August 31, 2024	86,725		35,008		40.4	
February 29, 2024	83,511		34,129		40.9	

Reference: Total equity: August 31, 2024: 35,008 million yen February 29, 2024: 34,129 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 29, 2024	—	0.00	—	18.00	18.00
Year ending February 28, 2025	—	0.00			
Year ending February 28, 2025 (forecast)			—	20.00	20.00

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

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 2025 (March 1, 2024 to February 28, 2025)

(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	132,000	1.9	3,300	9.2	3,200	10.0	2,200	(10.0)	66.16

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 interim 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, 2024: 39,611,134 shares

February 29, 2024: 39,611,134 shares

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

August 31, 2024: 6,321,835 shares

February 29, 2024: 6,362,036 shares

3) Average number of shares outstanding during the period:

Six months ended August 31, 2024: 33,265,726 shares

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

*Quarterly (Interim) review status

This report is exempt from a 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 under review (March 1, 2024 to August 31, 2024), the Japanese economy was expected to follow a gradual recovery path with the employment and income conditions improving. However, the economic outlook remained uncertain mainly due to continued rises in consumer prices resulting from rapid fluctuations in foreign exchange markets and the soaring prices of raw materials and energy.

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 was pushing forward with continued efforts to contribute to the everyday lives of its customers through measures such as price reduction plans and an apps campaign.

Sales from all stores for the six months under review were 66,522 million yen (up 5.6% year on year). In terms of products, sales of rice increased substantially as rice shortages in the market boosted demand. As the result of apps campaigns and active low-price promotions, those of detergents for clothes, pet foods, paper diapers, and other products continued to be strong. Regarding PB products, product lineups of home appliances, paper products, food, and so forth were strengthened, and as a result, net sales went up 14.6% year on year with their percentage to total sales rising 1.7 percentage points to 21.6%. In addition, the awareness of people about disaster risk reduction grew due to the effects of earthquakes and typhoons that occurred during the term, helping increase sales of products such as emergency survival kits, emergency rations and processed foods substantially.

As a result, the operating revenue (which consists of net sales, real estate lease revenue, and other operating revenue) for the first six months of the fiscal year under review was 69,183 million yen (up 5.6% year on year). Sales of existing stores made a 6.2% year-on-year increase.

Gross profit was 14,631 million yen (up 5.7% year on year). Sales of PB products with a high gross profit ratio rose, continuing to improve the performance of each division, but those of food with a low gross profit ratio grew more than expected, and as a result, the overall gross profit ratio remained at the same level as a year earlier, at 22.0%.

In terms of cost, selling, general and administrative expenses were 15,049 million yen (up 3.9% year on year), resulting mainly from increases in DX-related expenses and cashless payment charges.

As a result, the Company saw both its revenue and profit grow, posting an operating profit of 2,243 million yen (up 18.1% year on year), an ordinary profit of 2,245 million yen (up 21.3% year on year) and a profit attributable to owners of parent of 1,455 million yen (up 21.6% year on year). For the upcoming three months and beyond, we will strive to improve financial results by continuing to focus on profit expansion and low-cost operation.

(2) Consolidated Financial Condition

(Total assets)

Current assets as of August 31, 2024 were 23,075 million yen, an increase of 3,913 million yen from the end of the previous fiscal year (February 29, 2024). The increase is mainly attributable to an increase of 2,586 million yen in cash and deposits. Non-current assets were 63,649 million yen, a decrease of 700 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 86,725 million yen, an increase of 3,213 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of August 31, 2024 were 29,363 million yen, an increase of 2,578 million yen from the end of the previous fiscal year (February 29, 2024). The increase is mainly attributable to an increase of 1,870 million yen in notes and accounts payable - trade. Non-current liabilities were 22,352 million yen, a decrease of 245 million yen from the end of the previous fiscal year. The decrease is mainly attributable to a decrease of 1,119 million yen in long-term borrowings.

As a result, liabilities were 51,716 million yen, an increase of 2,333 million yen from the end of the previous fiscal year.

(Net assets)

Net assets as of August 31, 2024 were 35,008 million yen, an increase of 879 million yen from the end of the previous fiscal year (February 29, 2024). The decrease is mainly attributable to an increase of 856 million yen in retained earnings.

(3) Cash Flows

Cash and cash equivalents (“funds”) as of August 31, 2024 were 4,975 million yen, an increase of 2,586 million yen from the end of the previous fiscal year.

The status of cash flows during the first six months of the fiscal year under review and its factors are as described below.

(Cash flows from operating activities)

Funds gained as the result of operating activities were 3,835 million yen (2,257 million yen gained during the same period of the previous year). The increase is mainly attributable to an increase of 2,225 million yen in profit before income taxes, an increase of 1,410 million yen in trade payables, an increase of 628 million yen in trade receivables, and a payment of 719 million yen for income taxes.

(Cash flows from investing activities)

Funds used as the result of investing activities were 700 million yen (1,187 million yen used during the same period of the previous year). The decrease is mainly attributable to a payment of 651 million yen for the purchase of property, plant and equipment and proceeds of 219 million yen from refund of leasehold and guarantee deposits.

(Cash flows from financing activities)

Funds used as the result of financing activities were 549 million yen (2,313 million yen used during the same period of the previous year). This decrease is mainly attributable to proceeds of 2,000 million yen from long-term borrowings, an expenditure of 3,120 million yen for the repayments of long-term borrowings, and a payment of 599 million yen for dividends.

(4) Consolidated Earnings Forecast

The consolidated earnings forecast for the fiscal year ending February 28, 2025 is unchanged from the forecast announced on April 11, 2024.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

	As of February 29, 2024	As of August 31, 2024
(Millions of yen)		
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Assets		
Current assets		
Cash and deposits	2,389	4,975
Accounts receivable - trade	3,467	4,095
Merchandise	11,862	12,377
Supplies	43	43
Other	1,399	1,583
Total current assets	19,161	23,075
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,355	13,866
Land	30,115	30,115
Other, net	4,067	3,963
Total property, plant and equipment	48,538	47,945
Intangible assets	1,561	1,510
Investments and other assets		
Guarantee deposits	6,871	6,664
Other	7,413	7,560
Allowance for doubtful accounts	(34)	(31)
Total investments and other assets	14,251	14,193
Total non-current assets	64,350	63,649
Total assets	83,511	86,725

	As of February 29, 2024	As of August 31, 2024
(Millions of yen)		
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Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,313	10,184
Electronically recorded obligations - operating	6,830	6,403
Current portion of long-term borrowings	5,920	5,919
Current portion of bonds payable	286	586
Income taxes payable	791	823
Provision for bonuses	725	559
Other	3,916	4,888
Total current liabilities	26,784	29,363
Non-current liabilities		
Bonds payable	1,142	2,199
Long-term borrowings	13,261	12,142
Retirement benefit liability	917	926
Asset retirement obligations	1,572	1,583
Other	5,703	5,501
Total non-current liabilities	22,597	22,352
Total liabilities	49,382	51,716
Net assets		
Shareholders' equity		
Share capital	10,229	10,229
Capital surplus	7,992	8,003
Retained earnings	18,159	19,015
Treasury shares	(2,580)	(2,563)
Total shareholders' equity	33,800	34,685
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	232	233
Deferred gains or losses on hedges	3	(3)
Foreign currency translation adjustment	5	6
Remeasurements of defined benefit plans	86	86
Total accumulated other comprehensive income	328	323
Total net assets	34,129	35,008
Total liabilities and net assets	83,511	86,725

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)
(Interim Consolidated Accounting Period)

(Millions of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Net sales	62,976	66,522
Cost of sales	49,139	51,890
Gross profit	13,837	14,631
Operating revenue		
Real estate lease revenue	1,918	1,986
Other operating revenue	628	674
Total operating revenue	2,547	2,661
Operating gross profit	16,384	17,292
Selling, general and administrative expenses		
Selling expenses	3,157	3,267
General and administrative expenses	11,327	11,782
Total selling, general and administrative expenses	14,484	15,049
Operating profit	1,899	2,243
Non-operating income		
Interest income	12	10
Subsidy income	—	39
Other	31	54
Total non-operating income	44	105
Non-operating expenses		
Interest on bonds	0	3
Interest expenses	65	62
Other	27	36
Total non-operating expenses	93	103
Ordinary profit	1,851	2,245
Extraordinary income		
Gain on sale of investment securities	4	—
Total extraordinary income	4	—
Extraordinary losses		
Loss on retirement of non-current assets	79	19
Total extraordinary losses	79	19
Profit before income taxes	1,776	2,225
Income taxes - current	541	778
Income taxes - deferred	38	(8)
Total income taxes	579	770
Profit	1,196	1,455
Profit attributable to owners of parent	1,196	1,455

(Consolidated Statement of Comprehensive Income)
(Interim Consolidated Accounting Period)

	Six months ended August 31, 2023	Six months ended August 31, 2024
	(Millions of yen)	
Profit	1,196	1,455
Other comprehensive income		
Valuation difference on available-for-sale securities	56	1
Deferred gains or losses on hedges	8	(6)
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans, net of tax	2	(0)
Total other comprehensive income	67	(5)
Comprehensive income	1,263	1,449
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,263	1,449
Comprehensive income attributable to non-controlling interests	—	—

(3) Cash Flow Statements

	(Millions of yen)	
	Six months ended August 31, 2023	Six months ended August 31, 2024
Cash flows from operating activities		
Profit before income taxes	1,776	2,225
Depreciation	1,263	1,318
Increase (decrease) in provision for bonuses	(311)	(166)
Increase (decrease) in retirement benefit liability	21	8
Increase (decrease) in allowance for doubtful accounts	(0)	(2)
Interest and dividend income	(20)	(19)
Interest expenses	65	66
Loss (gain) on sale of investment securities	(4)	—
Loss on retirement of non-current assets	79	19
Decrease (increase) in trade receivables	(1,062)	(628)
Decrease (increase) in inventories	(631)	(515)
Increase (decrease) in trade payables	1,430	1,410
Other	(21)	760
Subtotal	2,584	4,478
Interest and dividends received	7	8
Interest paid	(64)	(62)
Income taxes paid	(344)	(719)
Income taxes refund	73	130
Net cash provided by (used in) operating activities	2,257	3,835
Cash flows from investing activities		
Purchase of property, plant and equipment	(933)	(651)
Purchase of intangible assets	(422)	(147)
Purchase of investment securities	(11)	—
Proceeds from sale of investment securities	14	—
Payment of leasehold and guarantee deposits	(4)	(56)
Proceeds from refund of leasehold and guarantee deposits	255	219
Proceeds from leasehold and guarantee deposits received	73	37
Refund of leasehold and guarantee deposits received	(97)	(79)
Other	(60)	(23)
Net cash provided by (used in) investing activities	(1,187)	(700)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,900	—
Proceeds from long-term borrowings	—	2,000
Repayments of long-term borrowings	(2,885)	(3,120)
Proceeds from issuance of bonds	—	1,500
Redemption of bonds	(143)	(143)
Dividends paid	(894)	(599)
Repayments of lease liabilities	(292)	(192)
Other	2	6
Net cash provided by (used in) financing activities	(2,313)	(549)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(1,243)	2,586
Cash and cash equivalents at beginning of period	3,136	2,389
Cash and cash equivalents at end of period	1,893	4,975

(4) 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

(Notes on Segment Information, Etc.)
[Segment Information]

- I. Six months ended August 31, 2023
Segment information is omitted because the Group's retail and accompanying businesses consist of a single segment.
- II. Six months ended August 31, 2024
Segment information is omitted because the Group's retail and accompanying businesses consist of a single segment.

(Significant Subsequent Events)
Not applicable