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Consolidated Financial Results for the Six Months Ended August 31, 2023 [Japanese GAAP]

October 11, 2023

Company name: ABC-MART, INC.

Stock exchange listing: Tokyo

Code number: 2670

URL: <https://www.abc-mart.co.jp/ir/>

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Scheduled date of filing quarterly securities report: October 12, 2023

Scheduled date of commencing dividend payments: November 13, 2023

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

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

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	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 August 31, 2023	169,464	24.4	29,320	46.6	30,580	49.2	21,043	58.0
August 31, 2022	136,191	12.3	19,995	39.8	20,501	38.9	13,317	27.3

(Note) Comprehensive income: Six months ended August 31, 2023: ¥ 23,956 million [1.6%]
Six months ended August 31, 2022: ¥ 23,586 million [67.8%]

	Basic earnings per share	Diluted earnings per share
Six months ended August 31, 2023	Yen 84.98	-
August 31, 2022	53.78	-

(Note) As the Company conducted a 3-for-1 stock split of common shares on September 1, 2023, "Net income per share" is calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of August 31, 2023	Millions of yen 373,858	Millions of yen 327,446	87.0
February 28, 2023	355,850	310,974	86.9

(Reference) Equity: As of August 31, 2023: ¥ 325,264 million
As of February 28, 2023: ¥ 309,095 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended February 28, 2023	Yen -	Yen 85.00	Yen -	Yen 85.00	Yen 170.00
Fiscal year ending February 29, 2024	-	85.00	-	-	-
Fiscal year ending February 29, 2024 (Forecast)	-	-	-	29.00	-

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Since the Company conducted a 3-for-1 stock split of shares of common stock on September 1, 2023, the year-end dividend per share for the fiscal year ending February 29, 2024 (forecast) is shown as "-" for the total annual dividend per share to reflect the effect of this stock split. If the stock split is not taken into account, the year-end dividend per share for the fiscal year ending February 29, 2024 (forecast) is 87 yen per share, and the annual dividend per share is 172 yen per share.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024(March 1, 2023 to February 29, 2024)

(% indicates changes from the previous corresponding period.)

	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
Full year	332,200	14.5	50,700	19.9	52,000	19.9	35,500	17.3	143.37

(Note) Revision to the financial results forecast announced most recently: No

(Note) Net income per share in the forecast for the fiscal year ending February 29, 2024 (full year) takes into account the effect of the stock split.

* Notes:

(1) Changes in significant subsidiaries during the six months ended August 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

August 31, 2023: 247,618,938 shares

February 28, 2023: 247,618,938 shares

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

August 31, 2023: 2,052 shares

February 28, 2023: 1,764 shares

3) Average number of shares outstanding during the period:

Six months ended August 31, 2023: 247,616,937 shares

Six months ended August 31, 2022: 247,617,444 shares

(Note) The Company conducted a 3-for-1 stock split of common stock on September 1, 2023. Therefore, "Number of issued shares at the end of the period," "Number of treasury shares at the end of the period," and "Average number of shares outstanding during the period" are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

THIS QUARTERLY CONSOLIDATED FINANCIAL RESULTS STATEMENT IS EXEMPT FROM THE QUARTERLY REVIEW PROCEDURES.

FORWARD LOOKING STATEMENTS AND OTHER SPECIAL ITEMS

The forecast for the year ending February 29, 2024 is based on ABC-MART, INC.'s hypotheses, plans and estimates at the date of publication. It is possible that some uncertain factors will cause the Company's future performance to differ significantly from the contents of forecast.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	138,918	148,354
Notes and accounts receivable - trade	15,096	15,760
Securities	9,529	8,985
Inventories	88,584	97,856
Other	9,432	7,425
Allowance for doubtful accounts	(170)	(206)
Total current assets	261,391	278,176
Non-current assets		
Property, plant and equipment		
Buildings and structures	36,216	38,671
Accumulated depreciation	(20,329)	(21,244)
Buildings and structures, net	15,887	17,426
Tools, furniture and fixtures	19,350	21,257
Accumulated depreciation	(15,197)	(16,729)
Tools, furniture and fixtures, net	4,153	4,527
Land	19,310	19,561
Construction in progress	610	209
Other	461	472
Accumulated depreciation	(389)	(405)
Other, net	71	67
Total property, plant and equipment	40,033	41,792
Intangible assets		
Trademark right	162	130
Software	3,187	3,624
Goodwill	80	274
Other	1,199	806
Total intangible assets	4,629	4,836
Investments and other assets		
Investment securities	18,906	16,699
Shares of subsidiaries and associates	614	609
Long-term loans receivable	237	201
Leasehold and guarantee deposits	27,010	27,923
Retirement benefit asset	236	51
Deferred tax assets	2,245	2,968
Other	563	636
Allowance for doubtful accounts	(18)	(36)
Total investments and other assets	49,796	49,052
Total non-current assets	94,459	95,682
Total assets	355,850	373,858

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,484	17,590
Short-term borrowings	5,959	2,133
Income taxes payable	9,330	9,750
Contract liabilities	1,039	1,113
Provision for bonuses	1,037	1,174
Provisions	301	254
Asset retirement obligations	208	303
Notes payable - facilities	3,974	1,541
Other	9,277	10,677
Total current liabilities	43,613	44,540
Non-current liabilities		
Retirement benefit liability	156	186
Asset retirement obligations	395	460
Other	710	1,224
Total non-current liabilities	1,263	1,872
Total liabilities	44,876	46,412
Net assets		
Shareholders' equity		
Share capital	19,972	19,972
Capital surplus	24,043	24,043
Retained earnings	244,387	257,878
Treasury shares	(3)	(4)
Total shareholders' equity	288,400	301,891
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,060	4,703
Foreign currency translation adjustment	14,634	18,670
Total accumulated other comprehensive income	20,694	23,373
Non-controlling interests	1,878	2,181
Total net assets	310,974	327,446
Total liabilities and net assets	355,850	373,858

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Net sales	136,191	169,464
Cost of sales	64,325	81,169
Gross profit	71,866	88,295
Selling, general and administrative expenses		
Packing and transportation costs	1,923	2,081
Advertising expenses	2,699	3,391
Storage costs	1,249	1,662
Remuneration, salaries and allowances for directors (and other officers)	13,760	15,878
Bonuses	390	434
Provision for bonuses	1,013	1,172
Retirement benefit expenses	477	342
Legal and other welfare expenses	2,182	2,508
Rent expenses on land and buildings	14,681	16,658
Depreciation	2,793	2,683
Utilities expenses	1,226	1,461
Commission expenses	3,931	4,828
Taxes and dues	816	1,004
Amortization of goodwill	441	64
Other	4,282	4,799
Total selling, general and administrative expenses	51,871	58,975
Operating profit	19,995	29,320
Non-operating income		
Interest income	62	266
Dividend income	160	327
Foreign exchange gains	-	325
Rent income for house	444	368
Advertising medium income	17	17
Other	112	139
Total non-operating income	796	1,444
Non-operating expenses		
Interest expenses	3	5
Foreign exchange losses	59	-
Rental expenses	194	155
Other	33	24
Total non-operating expenses	290	184
Ordinary profit	20,501	30,580

(Millions of yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Extraordinary income		
Gain on sale of non-current assets	16	7
Gain on sale of securities	-	354
Employment adjustment subsidies for covid19	43	-
Total extraordinary income	60	362
Extraordinary losses		
Loss on retirement of non-current assets	104	136
Loss on valuation of investment securities	305	-
Impairment losses	409	246
Loss due to covid19	20	-
Other	-	0
Total extraordinary losses	840	383
Profit before income taxes	19,721	30,559
Income taxes - current	6,470	9,515
Income taxes - deferred	(153)	(78)
Total income taxes	6,316	9,436
Profit	13,404	21,123
Profit attributable to non-controlling interests	86	79
Profit attributable to owners of parent	13,317	21,043

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Profit	13,404	21,123
Other comprehensive income		
Valuation difference on available-for-sale securities	3,944	(1,357)
Foreign currency translation adjustment	6,237	4,190
Total other comprehensive income	10,182	2,833
Comprehensive income	23,586	23,956
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,311	23,721
Comprehensive income attributable to non-controlling interests	275	235

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Cash flows from operating activities		
Profit before income taxes	19,721	30,559
Depreciation	2,887	2,788
Increase (decrease) in provision for bonuses	27	101
Increase (decrease) in allowance for doubtful accounts	1	28
Interest and dividend income	(222)	(593)
Interest expenses	3	5
Foreign exchange losses (gains)	(65)	(249)
Loss (gain) on sale of securities	-	(354)
Loss (gain) on valuation of short-term and long-term investment securities	305	-
Loss (gain) on sale and retirement of non-current assets	88	128
Impairment losses	409	246
Decrease (increase) in trade receivables	(2,509)	(606)
Decrease (increase) in inventories	(12,982)	(5,177)
Increase (decrease) in trade payables	4,067	1,409
Other, net	(1,069)	1,095
Subtotal	10,661	29,380
Interest and dividends received	177	334
Interest paid	(2)	(4)
Income taxes paid	(4,057)	(8,690)
Net cash provided by (used in) operating activities	6,779	21,019
Cash flows from investing activities		
Payments into time deposits	(263)	(3,648)
Purchase of property, plant and equipment	(2,536)	(3,037)
Proceeds from sale of property, plant and equipment	35	0
Purchase of intangible assets	(780)	(644)
Payments for store removal	(108)	(157)
Loan advances	(1,780)	(200)
Proceeds from collection of loans receivable	284	244
Payments of leasehold and guarantee deposits	(927)	(606)
Proceeds from refund of leasehold and guarantee deposits	957	595
Other payments	(236)	(115)
Other proceeds	41	342
Net cash provided by (used in) investing activities	(5,313)	(7,228)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,111	(3,828)
Dividends paid	(7,011)	(7,011)
Proceeds from share issuance to non-controlling shareholders	69	-
Other payments	(0)	(0)
Net cash provided by (used in) financing activities	(4,831)	(10,841)
Effect of exchange rate change on cash and cash equivalents	3,933	1,583
Net increase (decrease) in cash and cash equivalents	568	4,533
Cash and cash equivalents at beginning of period	151,770	148,224
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	863
Cash and cash equivalents at end of period	152,338	153,621