

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Six Months ended August 31, 2022 (Under Japanese GAAP)

October 14, 2022

Company name Mr Max Holdings Ltd.
Listings Tokyo Stock Exchange, Fukuoka Stock Exchange
Security code 8203
URL <https://www.mrmax.co.jp/>
Representative Yoshiaki Hirano, President
Contact Hirokazu Ishii, Senior Executive Officer in charge of Finance Division
Telephone +81-92-623-1111

Scheduled dates:

Submission of statutory quarterly financial report October 14, 2022
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, 2022 (March 1, 2022 to August 31, 2022)

(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, 2022	63,952	1.3	2,771	6.2	2,707	5.8	1,832	12.0
Six months ended August 31, 2021	63,108	(8.0)	2,609	(29.4)	2,559	(29.7)	1,636	(23.6)

Note: Comprehensive income: Six months ended August 31, 2022: 1,853 million yen [12.3%]
Six months ended August 31, 2021: 1,650 million yen [(24.3%)]

	Earnings per share		Earnings per share – fully diluted	
	yen		yen	
Six months ended August 31, 2022	55.19		—	
Six months ended August 31, 2021	49.31		—	

(2) Financial Position

	Total assets		Net assets		Total equity ratio	
	million yen		million yen		%	
August 31, 2022	81,996		30,677		37.4	
February 28, 2022	82,216		29,706		36.1	

Reference: Total equity: August 31, 2022: 30,677 million yen February 28, 2022: 29,699 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, 2022	—	0.00	—	27.00	27.00
Year ending February 28, 2023	—	0.00			
Year ending February 28, 2023 (forecast)			—	27.00	27.00

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

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 2023 (March 1, 2022 to February 28, 2023)

(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	127,800	2.4	5,000	11.4	4,800	10.4	3,000	5.1	90.38

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: Yes

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, 2022: 39,611,134 shares

February 28, 2022: 39,611,134 shares

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

August 31, 2022: 6,388,721 shares

February 28, 2022: 6,418,171 shares

3) Average number of shares outstanding during the period:

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

Six months ended August 31, 2021: 33,193,561 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

Contents

1. Review of Operating Results and Financial Statements.....	2
(1) Analysis of Operating Results	2
(2) Consolidated Financial Condition	2
(3) Consolidated Earnings Forecast.....	2
2. Consolidated Financial Statements and Main Notes	3
(1) Consolidated Balance Sheet	3
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.....	5
(Consolidated Statement of Income).....	5
(Consolidated Statement of Comprehensive Income).....	6
(3) Notes on the Consolidated Financial Statements	7
(Notes on the Going Concern Assumption)	7
(Notes on Significant Changes in the Amount of Shareholders' Equity).....	7
(Change in Accounting Policies)	7
(Significant Subsequent Events).....	7

1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

During the first six months of the fiscal year ending February 28, 2023 (March 1, 2022–August 31, 2022), the Japanese economy saw a gradual progress in consumption toward normalization owing to the relaxation of movement restrictions despite a resurgence of COVID-19 cases. On the other hand, the Japanese economy continues to face a challenging environment. Most notably, saving propensity is rising further as food prices and power rates rise due to the rapid depreciation of the yen and soaring resource prices.

In such an environment, the Group, as an operator of general discount stores that support the lives of people in local communities, has focused on 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."

Sales of existing stores for the fiscal year under review increased 0.7% year on year. One of the contributing factors was our merchandising strategy focused on low prices, which garnered support from customers. For example, sales of PB products increased as a result of price freeze from March through August. Moreover, the prolonged period of brutal heat following the earliest end of the rainy season observed in history boosted the sales of seasonal home appliances, such as air conditioners and electric fans. In addition, reflecting the increasing opportunities to go out, outdoor products, such as pool toys and coolers, as well as suitcases, hats, and oral care products, sold well. Strong sales of these products supported net sales while sales of interior goods and storage furniture, whose demand had risen due to the stay-at-home life, as well as rice and daily foods fell in reaction to previous rises in sales.

As a result, 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 28, 2023 was 63,952 million yen (up 1.3% year on year).

Gross profit was 14,199 million yen (up 3.0% year on year). In the current challenging environment of the weaker yen and soaring raw material prices, gross profit margin improved by 0.4% from 22.7% last year to 23.1% as the Company focused on freezing of prices and product development, which led to an increase in the ratio of PB products in total sales, as well as on strict inventory control.

In terms of cost, selling, general and administrative expenses were 13,900 million yen (up 2.0% year on year) due to soaring power rates and increases in cashless payment charges.

As a result, the Company posted an operating profit of 2,771 million yen (up 6.2% year on year), an ordinary profit of 2,707 million yen (up 5.8% year on year), and a profit attributable to owners of parent of 1,832 million yen (up 12.0% year on year). We will build a chain of competitive general discount stores by strengthening the earning power of existing stores through the promotion of renovation and digital transformation (DX) to provide new services as well as cost reduction achieved through productivity improvement.

(2) Consolidated Financial Condition

(Total assets)

Current assets as of August 31, 2022 were 17,766 million yen, an increase of 753 million yen from the end of the previous fiscal year (February 28, 2022). The increase is mainly attributable to an increase of 916 million yen in accounts receivable – trade and an increase of 901 million yen in merchandise. Non-current assets were 64,230 million yen, a decrease of 973 million yen from the end of the previous fiscal year. The decrease is mainly attributable to a decrease of 1,094 million yen in guarantee deposits.

As a result, total assets were 81,996 million yen, a decrease of 219 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of August 31, 2022 were 26,831 million yen, an increase of 113 million yen from the end of the previous fiscal year (February 28, 2022). The increase is mainly attributable to an increase of 1,496 million yen in notes and accounts payable - trade. Non-current liabilities were 24,487 million yen, a decrease of 1,305 million yen from the end of the previous fiscal year. The decrease is mainly attributable to a decrease of 849 million yen in long-term borrowings.

As a result, liabilities were 51,318 million yen, a decrease of 1,191 million yen from the end of the previous fiscal year.

(Net assets)

Net assets as of August 31, 2022 were 30,677 million yen, an increase of 971 million yen from end of the previous fiscal year (February 28, 2022). The increase is mainly attributable to an increase of 936 million yen in retained earnings.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the fiscal year ending February 28, 2023 is unchanged from the forecast announced on April 14, 2022.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

	As of February 28, 2022	As of August 31, 2022
(Millions of yen)		
<hr/>		
Assets		
Current assets		
Cash and deposits	2,887	2,033
Accounts receivable - trade	2,645	3,562
Merchandise	9,866	10,767
Supplies	40	43
Other	1,573	1,359
Total current assets	17,012	17,766
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,439	13,742
Land	31,093	31,105
Other, net	4,320	4,111
Total property, plant and equipment	48,852	48,960
Intangible assets	1,036	1,089
Investments and other assets		
Guarantee deposits	8,614	7,519
Other	6,756	6,695
Allowance for doubtful accounts	(56)	(34)
Total investments and other assets	15,314	14,180
Total non-current assets	65,203	64,230
Total assets	82,216	81,996

	As of February 28, 2022	As of August 31, 2022
(Millions of yen)		
<hr/>		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,412	8,909
Electronically recorded obligations - operating	7,477	6,406
Current portion of long-term borrowings	5,842	5,514
Current portion of bonds payable	286	286
Income taxes payable	361	802
Provision for bonuses	861	672
Asset retirement obligations	5	—
Other	4,470	4,240
Total current liabilities	26,717	26,831
Non-current liabilities		
Bonds payable	1,714	1,571
Long-term borrowings	15,316	14,467
Retirement benefit liability	1,082	1,087
Asset retirement obligations	1,162	1,176
Other	6,516	6,185
Total non-current liabilities	25,793	24,487
Total liabilities	52,510	51,318
Net assets		
Shareholders' equity		
Share capital	10,229	10,229
Capital surplus	7,980	7,986
Retained earnings	14,081	15,017
Treasury shares	(2,603)	(2,591)
Total shareholders' equity	29,688	30,642
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	53	69
Deferred gains or losses on hedges	—	1
Foreign currency translation adjustment	5	5
Remeasurements of defined benefit plans	(47)	(41)
Total accumulated other comprehensive income	10	35
Non-controlling interests	6	—
Total net assets	29,706	30,677
Total liabilities and net assets	82,216	81,996

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

	(Millions of yen)	
	Six months ended August 31, 2021	Six months ended August 31, 2022
Net sales	60,662	61,480
Cost of sales	46,872	47,280
Gross profit	<u>13,790</u>	<u>14,199</u>
Operating revenue		
Real estate lease revenue	1,918	1,915
Other operating revenue	526	556
Total operating revenue	<u>2,445</u>	<u>2,472</u>
Operating gross profit	<u>16,235</u>	<u>16,671</u>
Selling, general and administrative expenses		
Selling expenses	2,772	2,869
General and administrative expenses	10,854	11,030
Total selling, general and administrative expenses	<u>13,626</u>	<u>13,900</u>
Operating profit	<u>2,609</u>	<u>2,771</u>
Non-operating income		
Interest income	17	14
Subsidy income	—	6
Dividend income of insurance	—	7
Reversal of allowance for doubtful accounts	30	1
Other	39	25
Total non-operating income	<u>87</u>	<u>54</u>
Non-operating expenses		
Interest on bonds	—	0
Interest expenses	97	91
Loss on discontinuation of a systems development	16	—
Other	23	26
Total non-operating expenses	<u>137</u>	<u>119</u>
Ordinary profit	<u>2,559</u>	<u>2,707</u>
Extraordinary income		
Insurance claim income	3	32
Total extraordinary income	<u>3</u>	<u>32</u>
Extraordinary losses		
Loss on disaster	15	24
Loss on retirement of non-current assets	10	23
Store closure-related losses	—	26
Total extraordinary losses	<u>25</u>	<u>74</u>
Profit before income taxes	<u>2,536</u>	<u>2,665</u>
Income taxes - current	673	740
Income taxes - deferred	237	96
Total income taxes	<u>911</u>	<u>836</u>
Profit	<u>1,625</u>	<u>1,828</u>
Loss attributable to non-controlling interests	(11)	(3)
Profit attributable to owners of parent	<u>1,636</u>	<u>1,832</u>

(Consolidated Statement of Comprehensive Income)

	Six months ended August 31, 2021	(Millions of yen) Six months ended August 31, 2022
Profit	1,625	1,828
Other comprehensive income		
Valuation difference on available-for-sale securities	9	16
Deferred gains or losses on hedges	-	1
Foreign currency translation adjustment	6	1
Remeasurements of defined benefit plans, net of tax	9	5
Total other comprehensive income	24	25
Comprehensive income	1,650	1,853
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,659	1,857
Comprehensive income attributable to non-controlling interests	(8)	(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

(Change in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Accounting Standard for Revenue Recognition"), etc. has been applied since the beginning of the first quarter of the current fiscal year. Under this accounting standard, the Company recognizes revenue at the time of the transfer of control of promised goods or services to the customer at the price expected to be received in exchange for those goods or services. The application has no impact on quarterly consolidated financial statements.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Accounting Standard for Fair Value Measurement"), etc. has been applied since the beginning of first quarter of the current fiscal year, and the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc. will be applied prospectively in accordance with the transitional provisions prescribed in paragraph 19 of the Accounting Standard For Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application has no impact on quarterly consolidated financial statements.

(Significant Subsequent Events)

(Establishment of a subsidiary and a company split between consolidated subsidiaries)

At the meeting of its Board of Directors held on September 8, 2022, the Company resolved to establish a new subsidiary (hereinafter the "New Company").

At the same meeting, the Company also resolved to undertake a company split in which the New Company as the succeeding company succeeds to the logistics business of Mr Max Ltd., a consolidated subsidiary of the Company, as the splitting company (hereinafter the "Company Split").

1. Purpose of establishing the New Company and undertaking a company split

The Company has decided to establish the New Company and transfer the logistics business of Mr Max Ltd. to the New Company by way of business succession through the Company Split for the purpose of expanding and improving the efficiency of the business of the Group.

The Group intends to expand its business by enhancing its logistics support services through a structure in which the New Company contracts to provide cargo collection, inventory control, etc., on behalf of other companies including its existing business partners. It is also our intention to realize speedier decision making and agile business operations through the transfer of the logistics business, which has been operated as part of the discount store business of Mr Max Ltd., to the New Company by way of business succession in order to further increase the corporate value of the Group.

2. Summary of the establishment of the New Company and the Company Split

(1) Schedule

Resolution of the Board of Directors of the Company to establish the New Company	September 8, 2022
Incorporation of the New Company	November 2022 (plan)
Execution of an absorption-type split agreement	November 2022 (plan)
Resolutions of the general meetings of shareholders of Mr Max Ltd. and the New Company to approve the absorption-type split agreement	January 2023 (plan)
Effective date of the absorption-type split	March 2023 (plan)

(2) Method of establishing the New Company and undertraining the Company Split

The Company plans to establish the New Company as its wholly-owned subsidiary in November 2022 and carry out a business succession in March 2023 through an absorption-type split in which the Mr Max Ltd. is the splitting company and the New Company is the succeeding company.

(3) Allotment pertaining to the Company Split

There will be no allotment of shares, money, etc., in relation to the Company Split.

- (4) Treatment of share subscription rights and corporate bonds with subscription warrants in connection with the Company Split
Not applicable.
- (5) Change in share capital
There will be no change in capital as a result of the Company Split.
- (6) Rights and obligations to be succeeded by the New Company
The New Company will succeed to the assets, liabilities, and contractual status pertaining to the business that is subject to the Company Split and other rights and obligations incidental thereto that are specified by the absorption-type split agreement.
- (7) Prospect of performance of obligations
We have determined that any obligations to be assumed by the Mr Max Ltd. (splitting company) and the New Company (succeeding company) in the Company Split are highly likely to be performed.

3. Outline of the splitting company and the succeeding company

	Splitting company	Succeeding company
(1) Name	Mr Max Ltd.	To be determined
(2) Location	1-5-7 Matsuda, Higashi-ku, Fukuoka City, Fukuoka	1-5-7 Matsuda, Higashi-ku, Fukuoka City, Fukuoka
(3) Representative's title and name	Yoshiaki Hirano, President	President (to be appointed from within the Group)
(4) Description of business	Discount store operation business	Third-party logistics business within the supply chain of the Group (Comprehensive service contracting of cargo collection, inventory control, etc.)
(5) Capital	10 million yen	10 million yen
(6) Date of incorporation	March 1, 2017	November 2022 (plan)
(7) Total number of issued shares	250 shares	To be determined
(8) Financial year end date	February	February
(9) Major shareholder and its shareholding ratio	Mr Max Holdings Ltd.: 100%	Mr Max Holdings Ltd.: 100%
(10) Financial condition and operation results		
Accounting period	Fiscal year ended February 28, 2022	—
Net assets	4,155 million yen	—
Total assets	22,771 million yen	—
Net assets per share	16,621,503 yen	—
Net sales	119,933 million yen	—
Operating profit	2,305 million yen	—
Ordinary profit	2,346 million yen	—
Profit	1,502 million yen	—
Earnings per share	6,010,905.75 yen	—

4. Impact on earnings

We expect that the impact of the establishment of the New Company and the Company Split will be insignificant. We will promptly disclose information on any matters that should be disclosed as they may arise.