



3. Consolidated financial forecasts for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2021	143,700	+14.5	39,500	+41.6	39,500	+42.9	27,600	+46.8	90.40

(NOTE) Revisions to the most recently announced consolidated financial forecasts None

※ Notes

(1) Changes of important subsidiaries during the period : None

(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

New - , Exclusion -

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : None

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies caused by revision of accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatements : None

(4) Number of shares outstanding (Ordinary stock)

① Year-end shares outstanding (including treasury stocks)

Q2 of fiscal year ending March 2021	311,644,285 Shares	Fiscal year ended March 2020	311,644,285 Shares
Q2 of fiscal year ending March 2021	6,279,913 Shares	Fiscal year ended March 2020	6,349,103 Shares
Q2 of fiscal year ending March 2021	305,322,646 Shares	Q2 of fiscal year ended March 2020	305,295,182 Shares

② Number of year-end treasury stocks

③ Average number of shares during the period

※ Quarterly financial report is not subject to quarterly review by a certified public accountant or an auditing firm.

※ Explanations and other special notes concerning the appropriate use of financial forecasts

-The financial forecasts and other statements related to the future contained in this material are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ materially from these forecasts due to various factors. Please refer to "(3) Explanation of consolidated business forecast and other forward-looking statements " on page 12 for the assumptions underlying the forecasts and cautionary statements regarding the use of the forecasts.

-We are scheduling to hold a financial result briefing for institutional investors and analysts on October 29, 2020. We plan to post the content of the briefing and the materials used on the day on its website promptly after the briefing.

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1. Qualitative information on results for the second quarter ended September 30, 2012

(1) Overview of business results

Business results for the current fiscal year

[Table 1] YoY comparison

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1 to September 30, 2019)		Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2020)		YoY basis
Gross merchandise value	159,589	(100.0%)	185,631	(100.0%)	16.3%
Net sales	57,242	(35.9%)	66,492	(35.8%)	16.2%
Gross profit	52,421	(32.8%)	63,337	(34.1%)	20.8%
Operating profit	13,254	(8.3%)	19,905	(10.7%)	50.2%
Ordinary profit	13,052	(8.2%)	19,957	(10.8%)	52.9%
Net profit attributable to owners of parent	7,919	(5.0%)	13,943	(7.5%)	76.1%

Figures in parentheses are percentages to the gross merchandise value

Under the corporate philosophy of “Make the World a better place, bring smiles to the World. Be unique. Be equal.,” we mainly operate the following businesses: Japan's largest fashion eCommerce website ZOZOTOWN and a fashion media WEAR.

The consolidated cumulative second quarter of the current fiscal year remained extremely challenging for the apparel industry in Japan. The whole industry faced impacts from the continuous expansion of COVID-19, while a new living standard is gradually establishing. Under this circumstance, our group has been focusing even stronger on creating ZOZOTOWN more attractive to both users and brands, with the aim of increasing the number of unique users and improving the conversion rate (the purchasing rate of unique users). To maximize sales at ZOZOTOWN, we have implemented measures such as sales events ZOZOWEEK (10 days from May 15 to 24, 2020 and 10 days in total from September 9 to 13 and 18 to 22, 2020) and the recommendation program for trending items at the beginning of autumn/winter season in September. In addition, we proactively welcomed new brands in a wide range of genres to meet diversifying needs of users. In terms of product expansion, we have started sales of 18 new brands from “YOUR BRAND PROJECT Powered by ZOZO” from October 22, 2020. This project is the D2C business that we create fashion brands together with individuals who have brilliant talents and good taste.

On August 20, 2020 we introduced PayPay, a cashless payment service operated by PayPay Corporation, as a new way of payment in ZOZOTOWN. PayPay is a payment method used by more than 30 million users mainly at offline, and we expect the introduction will improve convenience for existing users and drive acquisition of new users. In September of the same year, we participated the online campaign sponsored by PayPay Corporation to actively promote awareness of our services.

On December 17, 2019, we opened ZOZOTOWN in PayPay Mall, an online shopping mall operated by Yahoo Japan Corporation. Approximately 90% of the shops in ZOZOTOWN also sell in PayPay Mall and their sales are expanding gradually. From the opening date, we have been successfully expanding our customer base. We achieved this by increasing contact points with users who are different from conventional ZOZOTOWN users through leveraging the mall's strength in price competitiveness from dynamic reward points. We will continue to work closely with parent companies to maximize synergies by all means necessary.

The MSP (Multi-Size Platform) business which began in the autumn of 2019, we sold spring/summer items mainly by increasing the number of partnering brands and expanding the variety of items. We have been delivering the ZOZOMAT from February 27, 2020, which enables to measure plurality of parts required for shoe selection by converting foot shape into 3D data. Since its delivery, many users have measured their feet. The number of shoes purchasable with ZOZOMAT data exceeded 1,000 styles and sales of the shoe category in ZOZOTOWN is growing steadily. With the device, we are confident that we can provide new purchase experience that will enable users to conveniently find and select shoes that are comfortable, as well as growing the gross merchandise value of the category in ZOZOTOWN.

In the B2B business, we have been focusing on “Fulfillment by ZOZO” which started in October 2019. The service is specialized in fulfillment support for brands in ZOZOTOWN. The main objective of this service is to minimize sales opportunity loss by centralizing inventory of ZOZOTOWN and brands’ own eCommerce websites. We are expecting further growth of this business, as brands will actively enhance their own eCommerce websites through the digital transformation following the COVID-19 expansion.

With all the measures and initiatives we implemented, the gross merchandise value for the consolidated cumulative second quarter of the current fiscal year was 185,631 million yen (+16.3% YoY), net sales were 66,492 million yen (+16.2% YoY), and gross profit was 63,337 million yen (+20.8%).

As for the gross merchandise value, the positive impact of the digital shift triggered by the spread of COVID-19 continued from the first quarter consolidated accounting period. The impact was somewhat weaker in the second quarter consolidated accounting period due to the negative impact of the slowdown in consumer spending; however, it was counterbalanced by the digital shift, and the result was favorable compared to the initial forecasts. As for net sales, the YoY growth was in tandem with that of the gross merchandise value. The growth rate of consignment shop exceeded that of gross merchandise value, due to absence of discount measures that we took the costs, such as ZOZOARIGATO (the paid-membership service until the end of May 2019), active implementation of personalized discount services for registered members, etc. In contrast, downsizing of ZOZOUSED and PB business impacted negatively. The amount of the gross merchandise value was represented in the amount before deductions of the discount services. On the other hand, net sales are represented as the amount after the discounts.

The gross profit margin to the gross merchandise value was 34.1%, 1.3% points improvement from the same quarter of the previous fiscal year. This improvement was mainly due to an improvement in the consignment sales commission rate to the gross merchandise value, from a decrease in discount measures that we took the costs in the consolidated second quarter of the current fiscal year.

Selling, general and administrative expenses was 43,431 million yen (+10.9% YoY) and the ratio to the gross merchandise value was 23.4%, down 1.2% points from the same period of the previous fiscal year. The main reasons for the decline in the SG&A ratio were as follows:

#### Improving factors

1. Pointed-related expenses to the gross merchandise value declined by 0.9% points, from the completion of 1% worth of ZOZO points rewards for items users purchased in ZOZOTOWN on April 1, 2020,
2. Rent to the gross merchandise value declined by 0.3% points, from the expiration of some logistics bases with objectives of the gross merchandise value growth and logistics bases consolidation, and
3. Other expenses to the gross merchandise value declined by 0.8% points, from a decrease in on-the-spot expenses in the same period of the previous fiscal year.

#### Worsening factors

1. Packing and freight to the gross merchandise value rose by 0.5% points, from a decline in the average retail price,
2. Advertising expenses to the gross merchandise value rose by 0.4% points, from the following reasons:  
Previous fiscal year: recorded negative sponsorship income related to the PGATOURTOURNAMENT “ZOZO CHAMIPIONSHIP”  
Current fiscal year: costs incurred from the change in venue of the “ZOZO CHAMPIONSHIP” in October 2020 and commission associated with PayPay Mall are recorded (commissions are recorded in split in payment collection commission and advertising expenses), and
3. Personnel expenses to the gross merchandise value rose by 0.1% points, from an increase in the number of employees.

As a result, operating profit for the consolidated cumulative second quarter of the current fiscal year was 19,905 million yen (+50.2% YoY), and operating profit ratio to the gross merchandise value was 10.7%, increased 2.4% points YoY.

Ordinary profit was 19,957 million yen (+52.9% YoY), and net profit attributable to owners of parent was 13,943 million yen (+76.1% YoY).

Since our group is a single segment of the eCommerce business, information by segment is omitted; however, performance of each business segment within the single segment is shown below:

[Table 2] YoY comparison by business unit

By business	Consolidated cumulative second quarter of previous fiscal year (April 1 to September 30, 2019)			Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2020)			Merchandise Value YoY (%)	Net sales YoY (%)
	Merchandise value (Million yen)	Ratio (%)	Net sales (Million yen)	Merchandise Value (Million yen)	Ratio (%)	Net sales (Million yen)		
ZOZOTOWN Business								
Consignment shop	147,222	92.3	40,729	160,652	86.6	47,067	9.1	15.6
Purchased stock shop	142	0.1	138	44	0.0	44	-68.7	-67.8
ZOZOUSED	7,080	4.4	6,648	4,714	2.5	4,704	-33.4	-29.2
Subtotal	154,444	96.8	47,516	165,411	89.1	51,816	7.1	9.0
PayPay Mall	-	-	-	8,744	4.7	2,554	-	-
PB business	698	0.4	689	184	0.1	184	-73.6	-73.3
MSP business	35	0.0	35	560	0.3	560	-	-
B2B business	4,411	2.8	976	10,625	5.7	2,098	140.9	114.8
Advertisement business	-	-	1,131	-	-	1,652	-	46.1
Others	-	-	6,894	105	0.1	7,626	-	10.6
Total	159,589	100.0	57,242	185,631	100.0	66,492	16.3	16.2

①ZOZOTOWN Business

ZOZOTOWN Business consists of three business forms: consignment shop, purchased stock shop, and ZOZOUSED.

"Consignment Shop" handles consignment inventory of merchandise from each brand and sells them on consignment basis. "Purchased stock shop" purchases fashion merchandise from each brand and sells them as in-house inventory.

"ZOZOUSED" mainly buys and sells used fashion-related merchandise from individual users.

We recognize that increasing the number of buyers and the rate of ZOZOTOWN use in fashion consumption are the key factors in achieving sustainable growth. To this end, we are working to create websites that are attractive to both users and brands.

Transition of major KPIs for the ZOZOTOWN Business are as follows.

(Number of shops, etc.)

[Table 3] Changes in number of shops and brands

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Shops in ZOZOTOWN (Note) 1	1,297	1,312	1,345	1,337	1,348	1,404	-	-
Purchased Stock Shop (Note) 2	5	5	5	5	5	5	-	-
Consignment Shop	1,292	1,307	1,340	1,332	1,343	1,399	-	-
Number of brands (Note) 1,2	7,349	7,305	7,462	7,643	7,989	7,953	-	-

(NOTE)

1. Figures are as of the end of quarter accounting period.

2. Private brand "ZOZO" and "Multi-size" are not included.

The number of new shops opened in the second quarter consolidated accounting period was 71 (a net increase of 56 from the previous quarter). Major new shops are BVLGARI (limited-time opening), an Italian luxury jewelry brand, MARNI, also an Italian luxury brand from Milan, L.L. Bean, an American outdoor brand, and reopening of 11 shops from ONWARD HOLDINGS, CO., Ltd. such as any SiS.

(Number of annual buyers)

[Table 4] Changes in number of annual buyers

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of annual buyers (Note) 1,2,4	8,121,663	8,226,388	8,156,256	8,273,603	8,662,560	8,805,155	-	-
(YoY)	729,537	456,842	82,584	147,079	540,897	578,767	-	-
(QoQ)	-4,861	104,725	-70,132	117,347	388,957	142,595	-	-
Number of active members (Note) 1,3,4	6,557,144	6,749,012	6,800,435	6,839,666	7,223,753	7,434,529	-	-
(YoY)	1,098,501	966,785	643,598	388,980	666,609	685,517	-	-
(QoQ)	106,458	191,868	51,423	39,231	384,087	210,776	-	-
Number of guest buyers (Note) 1,4	1,564,519	1,477,376	1,355,821	1,433,937	1,438,807	1,370,626	-	-
(YoY)	-368,964	-509,943	-561,014	-241,901	-125,712	-106,750	-	-
(QoQ)	-111,319	-87,143	-121,555	78,116	4,870	-68,181	-	-

(NOTE)

1. The calculating period is the most recent one-year period prior to the end of the accounting periods.
2. Numbers of annual buyers are sum of active members and guest buyers who purchased more than once within the past year from each quarter.
3. Numbers of active members are members who purchased more than once within the past year from each quarter.
4. Buyers of "PayPay Mall" are not included.

In the second quarter consolidated accounting period of the current fiscal year, the number of annual buyers increased as a result of increases in the numbers of active members in both YoY and QoQ. Steady growth in the number of active members was attributable to acquisition of new active members from the digital shift following the expansion of COVID-19. On the other hand, the number of guest buyers were declining in both YoY and QoQ. This was mainly because of enhancement of membership services over the last several years; this downward trend is expected to continue in the future.

(Annual purchase amount and annual purchase pieces)

[Table 5] Changes in annual purchase amount and annual purchase pieces

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annual purchase amount (Total) (Note) 1, 2, 3, 4	46,934	47,506	47,593	46,519	45,128	44,341	-	-
(YoY)	0.1%	3.0%	3.4%	0.4%	-3.8%	-6.7%	-	-
(QoQ)	1.3%	1.2%	0.2%	-2.3%	-3.0%	-1.7%	-	-
Annual purchase pieces (Total) (Note) 1, 2, 3	11.3	11.6	11.7	11.8	11.8	11.8	-	-
(YoY)	-0.4%	3.5%	5.1%	6.5%	4.9%	1.4%	-	-
(QoQ)	2.0%	2.9%	0.8%	0.7%	0.4%	-0.6%	-	-
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	55,048	54,750	54,092	53,027	52,175	51,523	-	-
(YoY)	-7.6%	-4.9%	-3.9%	-5.0%	-5.2%	-5.9%	-	-
(QoQ)	-1.3%	-0.5%	-1.2%	-2.0%	-1.6%	-1.2%	-	-
Annual purchase pieces (Existing members) (Note) 1, 2, 3	13.3	13.4	13.4	13.4	13.6	13.6	-	-
(YoY)	-6.2%	-2.7%	-1.6%	-0.1%	2.4%	1.5%	-	-
(QoQ)	-0.8%	0.6%	-0.3%	0.4%	1.6%	-0.3%	-	-

(NOTE)

1. The calculating period is the most recent one-year before the end of the accounting periods.
2. Indexes for each active member.
3. Buyers of "PayPay Mall" are not included.
4. The amounts are in yen.

During the second quarter consolidated accounting period of the current fiscal year, the annual purchase amount (Total) decreased in both YoY and QoQ. This was due to an increase in the composition of new members to the total, as a result of the steady acquisition of new members from the digital shift in line with the expansion of COVID-19.

YoY and QoQ decreases in the annual purchase amounts of existing members were reflecting an increase in the percentage of existing active members with short membership history (annual purchase amounts tends to increase according to length of membership). Both annual purchase pieces of total and existing members were increasing in YoY due to a decrease in the average retail price. Contrarily, both annual purchase pieces of total and existing members were decreasing in QoQ. The factor behind this was the same factor of the decline in the annual purchase amount.

(Average retail price etc.)

[Table 6] Changes in average retail price, average order value and number of shipments

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average retail price (Note) 1, 2, 3 (YoY)	3,903 -1.4%	3,516 -3.9%	4,501 -5.6%	3,909 -10.7%	3,443 -11.8%	3,381 -3.8%	- -	- -
Average order value (Note) 1, 2, 3 (YoY)	8,390 3.2%	7,529 -3.3%	8,973 -6.3%	8,304 -12.5%	7,409 -11.7%	7,370 -2.1%	- -	- -
Average purchase pieces per order (Note) 1, 3 (YoY)	2.15 4.6%	2.14 0.6%	1.99 -0.8%	2.12 -1.9%	2.15 0.1%	2.18 1.8%	- -	- -
Number of shipments (Note) 1, 3 (YoY)	9,209,344 9.3%	10,347,938 16.7%	10,101,875 6.2%	9,757,344 7.6%	11,472,548 24.6%	11,011,990 6.4%	- -	- -

(NOTE)

1. Figures for quarter accounting period are used.
2. The amounts are in yen.
3. "PayPay Mall" is not included.

The average retail price decreased in YoY because the proportion of discount sales in the gross merchandise value increased, as a result of active implementation of sales events etc. Although the downward trend continued, degree of decline improved from double-digit decline in the first quarter consolidated accounting period of the current fiscal year. This was because the impact from the rise in retail price settled, as ZOZOARIGATO service ended in the first quarter consolidated accounting period of the previous fiscal year. The average purchase pieces per order increased in YoY but, the average order value decreased from the impact from the decline in the average retail price.

Results for ZOZOTOWN business (consignment shop, purchased stock shop and ZOZOUSED) are as follows:

a. Consignment Shop

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 160,652 million yen (+9.1% YoY), accounting for 86.6% of the gross merchandise value (92.3% in the same period of the previous fiscal year). Net sales were 47,067 million yen (+15.6% YoY). As of the end of September 2020, the number of consignment shops was 1,399 (1,343 as of the end of June 2020).

b. Purchased Stock Shop

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 44 million yen (-68.7% YoY), accounting for 0.0% of the gross merchandise value (0.1% in the same period of the previous fiscal year). Net sales were 44 million yen (-67.8% YoY). As of the end of September 2020, the number of purchased stock shops was 5 (5 as of the end of June 2020).

### c. ZOZOUSED

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 4,714 million yen (-33.4% YoY), accounting for 2.5% of the gross merchandise value (4.4% in the same period of the previous fiscal year). Net sales were 4,704 million yen (-29.2% YoY).

### ②PayPay Mall

ZOZOTOWN opened a shop on PayPay Mall an online shopping mall operated by Yahoo Japan Corporation. In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 8,744 million yen, accounting for 4.7% of the gross merchandise value. Net sales were 2,554 million yen.

### ③PB business

In the PB business, we sell in-house designed apparel products tailored to individual bodies of users. In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 184 million yen (-73.6% YoY), accounting for 0.1% of the gross merchandise value (0.4% in the same period of the previous fiscal year). Net sales were 184 million yen (-73.3% YoY).

### ④MSP business

The MSP business manufactures a portion of item line-up from shops with strong user demands and sell them on ZOZOTOWN, by combining the know-how of manufacturing clothes in a variety of sizes; accumulated from the PB business, sales capability and planning ability of shops on ZOZOTOWN. We offer products in recommending sizes by users providing their height and weight data. In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 560 million yen and net sales were 560 million yen.

### ⑤B2B business

The B2B business is a business model which we are commissioned to build and operate brands' own eCommerce sites. In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 10,625 million yen (+140.9% YoY), accounting for 5.7% of the gross merchandise value (2.8% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 2,098 million yen (+114.8% YoY). As of the end of September 2020, the number of consigned sites was 54 (51 as of the end of June 2020).

### ⑥Advertisement business

The advertisement business is a business model that generates advertising revenue by providing advertising space to client brands and group companies in SoftBank Group, by utilizing the user reach base of ZOZOTOWN. In the consolidated cumulative second quarter of the current fiscal year, the net sales were 1,652 million yen (+46.1% YoY). As for WEAR, we will reduce the monetization of advertising and focus on expanding the number of users and contents. As of the end of September 2020, the number of app downloads exceeded 15 million, and the number of monthly active users is growing steadily.

### ⑦Others

The others segment of the gross merchandise value is the gross merchandise value of a consolidated subsidiary's own eCommerce website. In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 105 million yen, accounting for 0.1% of the gross merchandise value. Within the others segment of net sales, net sales generated from businesses related to ZOZOTOWN (shipping income, settlement commission, paid-membership program etc.), and other revenues from the consolidated subsidiaries are included. In the consolidated cumulative first quarter of the current fiscal year, net sales were 7,626 million yen (+10.6% YoY).

## (2) Explanation of financial position

### ① Overview of Total Assets, Liabilities and Net Assets

(Unit: Million yen)

	Previous consolidated fiscal year	Second quarter consolidated accounting period	Increase/ decrease rate
Total assets	94,186	101,143	7.4%
Liabilities	59,651	57,885	-3.0%
Net assets	34,534	43,258	25.3%

#### (Total Assets)

Total assets amounted to 101,143 million yen, an increase of 6,957 million yen (up 7.4% from the previous consolidated fiscal year end). Current assets increased by 5,939 million yen, or 8.4%, compared with the previous consolidated fiscal year end, amounted to 76,368 million yen. Major components are an increase of 6,667 million yen in cash and deposits and a decrease of 1,818 million yen in accounts receivable. Non-current assets increased by 1,017 million yen, or 4.3%, compared with the previous consolidated fiscal year end, amounted to 24,774 million yen. Major components are an increase of 222 million yen in goodwill, 894 million yen in investments and other assets, and a decrease of 41 million yen in property, plant and equipment.

#### (Liabilities)

Liabilities amounted to 57,855 million yen, a decrease of 1,766 million yen (-3.0% from the previous fiscal year end). Current liabilities decreased by 2,200 million yen, or 3.9%, compared with the previous fiscal year end, amounted to 53,925 million yen. Major components are a decrease of 1,473 million yen in deposits received for consignment sales, an increase of 2,826 million yen in income taxes payable, a decrease of 546 million yen in provision for point certificates and 2,000 million yen of short-term borrowings. Non-current liabilities increased by 434 million yen, or 12.3%, compared with the previous fiscal year end, amounted to 3,959 million yen. Major components are an increase of 192 million yen in retirement benefit liability and an increase of 216 million yen in asset retirement obligations.

#### (Net Assets)

Net assets amounted to 43,258 million yen, an increase of 8,723 million yen (+25.3% from the previous fiscal year end). Major components are an increase of 13,943 million yen due to the recognition of net profit attributable to owners of parent and a decrease of 5,495 million yen due to cash dividends.

### ② Overview of Cash Flows

Cash and cash equivalents (Cash) at the end of the consolidated cumulative second quarter of the current fiscal year amounted to 40,270 million yen, an increase of 6,667 million yen from the previous consolidated fiscal year end.

Descriptions of each cash flows are as follows

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year	Consolidated cumulative second quarter of current fiscal year	Increase/ decrease rate
Cash flows from operating activities	6,947	15,663	125.4%
Cash flows from investing activities	-3,055	-1,463	-52.1%
Cash flows from financing activities	-3,053	-7,530	146.6%

#### (Cash Flows from Operating Activities)

The net cash provided by operating activities was 15,663 million yen. The major increasing factor is the recognition of profit before income taxes of 19,955 million yen. Meanwhile, the major decreasing factors were an increase of 1,331 million yen in prepaid expenses and 3,515 million yen in income taxes paid.

#### (Cash Flows from Investing Activities)

The net cash used in investing activities was 1,463 million yen. This was mainly due to the recognition of the purchase of property, plant and equipment of 768 million yen and the payment for leasehold and guarantee deposits of 627 million yen.

#### (Cash Flows from Financing Activities)

The net cash used in financing activities amounted to 7,530 million yen. This was mainly due to cash dividends paid of 5,493 million yen.

(3) Explanation of consolidated business forecast and other forward-looking statements

There is no change in the consolidated financial forecast announced on July 30, 2020.

## 2. Consolidated financial statements

### (1) Quarterly consolidated balance sheets

(Unit: Million yen)

	Previous consolidated fiscal year (As of March 31, 2020)	Second quarter consolidated accounting period (As of September 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	33,602	40,270
Accounts receivable- trade	31,547	29,728
Merchandise and finished products	1,664	1,951
Raw materials and supplies	106	45
Others	3,508	4,372
Total current assets	70,429	76,368
Non-current assets		
Property, plant and equipment	10,493	10,451
Intangible assets		
Goodwill	2,148	2,370
Others	820	762
Total intangible assets	2,968	3,133
Investments and other assets	10,295	11,189
Total non-current assets	23,756	24,774
Total assets	94,186	101,143
<b>Liabilities</b>		
Current liabilities		
Accounts payable- trade	60	224
Deposits received for consignment sales	18,998	17,524
Short-term borrowings	22,000	20,000
Income taxes payable	3,812	6,639
Provision for bonuses	459	489
Provision for bonuses for directors	-	36
Provision for point certificates	1,387	840
Provision for sales returns	107	82
Others	9,300	8,087
Total current liabilities	56,126	53,925
Non-current liabilities		
Retirement benefit liability	2,007	2,200
Asset retirement obligations	1,497	1,713
Others	20	45
Total non-current liabilities	3,525	3,959
Total liabilities	59,651	57,885

(Unit: Million yen)

	Previous consolidated fiscal year (As of March 31, 2020)	Second quarter consolidated accounting period (As of September 30, 2020)
<b>Net assets</b>		
Shareholders' equity		
Amount of Capital	1,359	1,359
Capital surplus	1,328	1,328
Retained earnings	56,340	64,701
Treasury shares	-24,412	-24,146
<b>Total shareholders' equity</b>	<b>34,616</b>	<b>43,243</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	-0
Foreign currency translation adjustment	-11	8
Remeasurements of defined benefit plans	-71	-65
<b>Total accumulated other comprehensive income</b>	<b>-83</b>	<b>-57</b>
Share acquisition rights	1	4
Non-controlling interests	-	67
<b>Total net assets</b>	<b>34,534</b>	<b>43,258</b>
<b>Total liabilities and net assets</b>	<b>94,186</b>	<b>101,143</b>

## (2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

## Quarterly consolidated statements of income

## Consolidated cumulative second quarter

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1 to September 30, 2019)	Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2020)
Net sales	57,242	66,492
Cost of sales	4,780	3,180
Gross profit	52,461	63,312
Reversal of provision for sales returns	92	107
Provision for sales returns	133	82
Gross profit- net	52,421	63,337
Selling, general and administrative expenses	39,167	43,431
Operating profit	13,254	19,905
Non-operating income		
Interest income	0	2
Received rent	-	119
Foreign exchange gain	-	7
Operations support fee	45	2
Income from recycling	17	18
Subsidy income	0	34
Gain on unused points	24	36
Others	21	5
Total non-operating income	109	227
Non-operating expenses		
Interest expenses	46	36
Provision for allowance for doubtful accounts	172	11
Rent expense	-	114
Commission expenses	3	5
Foreign exchange losses	59	-
Loss on investments in partnerships	28	7
Total non-operating expenses	310	175
Ordinary profit	13,052	19,957
Extraordinary losses		
Loss on sales and retirement of non-current assets	3	1
Loss on valuation of investment securities	1,697	-
Total extraordinary losses	1,700	1
Profit before income taxes	11,351	19,955
Income taxes- current	4,014	6,288
Income taxes- deferred	-581	-282
Total income taxes	3,432	6,005
Net Income	7,919	13,950
Net Income attributable to non-controlling interests	-	6
Net Income attributable to owners of parent	7,919	13,943

Quarterly consolidated statements of comprehensive income

Consolidated cumulative second quarter

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1 to September 30, 2019)	Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2020)
Net Income	7,919	13,950
Other comprehensive income		
Valuation difference on available-for-sale securities	-19	-0
Foreign currency translation adjustment	-26	20
Remeasurements of defined benefit plans, net of tax	9	5
Total other comprehensive income	-37	25
Comprehensive income	7,882	13,975
(Breakdown)		
Comprehensive income attributable to owners of parent	7,882	13,969
Comprehensive income attributable to non-controlling interests	-	6

## (3) Quarterly consolidated statements of cash flows

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1 to September 30, 2019)	Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2020)
Net cash provided by (used in) operating activities		
Profit before income taxes	11,351	19,955
Depreciation	854	1,004
Amortization of goodwill	279	175
Share-based compensation expenses	-100	18
Loss on valuation of investment securities	1,697	-
Provision for allowance for doubtful accounts	172	11
Loss (gain) on investments in partnership	28	7
Loss (gain) on sales and retirement of non-current assets	3	1
Increase (decrease) in provision for bonuses	-23	30
Increase (decrease) in provision for bonuses for directors	-	36
Increase (decrease) in provision for point certificates	17	-546
Increase (decrease) in provision for sales returns	40	-24
Increase (decrease) in retirement benefit liability	148	201
Interest and dividend income	-0	-2
Interest expenses	46	36
Commission expenses	3	5
Foreign exchange losses (gains)	19	-13
Decrease (increase) in notes and accounts receivable- trade	-906	1,829
Decrease (increase) in inventories	1,058	-163
Decrease (increase) in prepaid expenses	-1,570	-1,331
Increase (decrease) in notes and accounts payable- trade	-1,357	152
Increase (decrease) in deposits received for consignment sales	30	-1,473
Increase (decrease) in accounts payable- other	-86	-284
Increase (decrease) in accrued consumption taxes	467	-583
Others	-1,778	161
Subtotal	10,394	19,203
Interest and dividend income received	0	2
Interest expenses paid	-44	-27
Income taxes paid	-3,403	-3,515
Net cash provided by (used in) operating activities	6,947	15,663
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-2,315	-768
Purchase of intangible assets	-120	-83
Proceeds from collection of lease and guarantee deposits	-	607
Payments for leasehold and guarantee deposits	-492	-627
Purchase of investment securities	-50	-22
Payments for investments in capital of subsidiaries and associates	-76	-22
Acquisition of newly consolidated subsidiaries	-	-264
Others	-1	-282
Net cash provided by (used in) investing activities	-3,055	-1,463

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1 to September 30, 2019)	Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2020)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	-	17,500
Decrease in short-term loans payable	-	-19,530
Repayments of long-term loans payable	-	-0
Commission expenses paid	-3	-5
Purchase of treasury stocks	-	-0
Cash dividends paid	-3,050	-5,493
Net cash provided by (used in) financing activities	-3,053	-7,530
Effect of exchange rate change on cash and cash equivalents	-20	-0
Net increase (decrease) in cash and cash equivalents	817	6,667
Cash and cash equivalents at beginning of period	21,560	33,602
Increase in cash and cash equivalents from newly consolidated subsidiary	22	-
Period-end balance of cash and cash equivalents	22,400	40,270

(4) Notes to quarterly consolidated financial statements

(Notes on going concern assumptions)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

DISCLAIMER:

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