

Consolidated Financial Results

For the second quarter of fiscal year ending March 31, 2023 [JGAAP]

October 28, 2022

Company name ZOSO, Inc. Listed stock exchanges Tokyo
 Code 3092 URL <https://corp.zozo.com/en>
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 Scheduled date to file the financial report November 14, 2022 Scheduled date of dividend payment November 28, 2022
 Supplementary material on quarterly financial results: Yes
 Quarterly results briefing : Yes (For analysts and institutional investors)

(Rounded down to million yen)

1. Consolidated business results for the second quarter of fiscal year ending March 31, 2023 (April 1, 2022 to September 30, 2022)

(1) Consolidated business results (cumulative) (Percentages indicate YoY changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parents	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter of fiscal year ending March 31, 2023	83,767	9.9	27,210	14.4	27,433	15.5	19,067	15.3
Second quarter of fiscal year ended March 31, 2022	76,212	14.6	23,791	19.5	23,759	19.1	16,541	18.6

(NOTE) Comprehensive income Second Quarter of Fiscal Year Ending March 2023 19,295 Million yen (16.1%)
 Second Quarter of Fiscal Year Ended March 2022 16,613 Million yen (18.9%)

	Net profit per share	Net profit per share after adjusting dilutive shares
	Yen	Yen
Second quarter of fiscal year ending March 2023	63.60	-
Second quarter of fiscal year ended March 2022	55.14	-

(NOTE) Net profit per share after adjusting dilutive shares is not presented because there are no potential shares with dilutive effects.

(2) Consolidated financial position

	Total assets	Net assets	Equity Ratio
	Million yen	Million yen	%
Second quarter of fiscal year ending March 31, 2023	129,142	63,707	49.2
Fiscal year ended March 31, 2022	127,276	55,099	43.2

(Reference) Shareholders' equity Second quarter of fiscal year ending March 31, 2023 63,575 Million yen
 Fiscal year ended March 31, 2022 54,932 Million yen

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	22.00	-	36.00	58.00
Fiscal year ending March 31, 2023	-	24.00			
Fiscal year ending March 31, 2023 (Forecast)			-	36.00	60.00

(NOTE) Revisions to the most recently announced dividend forecasts None

3. Consolidated business forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year 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, 2023	181,300	9.1	51,500	3.7	51,500	3.7	35,900	4.1	119.74

(NOTE) Revisions to the consolidated forecasts most recently announced 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 accounting 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 the revision of accounting standards : Yes

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement of revisions : None

(4) Number of shares outstanding (Common stock)

① Year-end shares outstanding (including treasury stocks)	Q2 of fiscal year ending March 2023	311,644,285Shares	Fiscal year Ended March 2022	311,644,285Shares
② Number of year-end treasury stocks	Q2 of fiscal year ending March 2023	11,787,504Shares	Fiscal year Ended March 2022	11,840,467Shares
③ Average number of shares during the period (cumulative)	Q2 of fiscal year ending March 2023	299,819,404Shares	Q2 of fiscal year ended March 2022	299,978,462Shares

※ This financial results report is not subject to an audit by a certified public accountant or an auditing firm.

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

-The business 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 "1. Qualitative information on results for the second quarter ended September 30, 2022, (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 a financial results briefing for institutional investors and analysts on October 28, 2022. We plan to post the content of the briefing and the materials used on the day on the Company's website promptly after the briefing.

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1. Qualitative information on results for the second quarter ended September 30, 2022

(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, 2021)		Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2022)		YoY basis
Gross merchandise value	229,507	(109.8%)	251,138	(110.4%)	9.4%
Gross merchandise value (excluding other GMV)	209,067	(100.0%)	227,481	(100.0%)	8.8%
Net sales	76,212	(36.5%)	83,767	(36.8%)	9.9%
Gross profit	71,976	(34.4%)	78,906	(34.7%)	9.6%
Operating profit	23,791	(11.4%)	27,210	(12.0%)	14.4%
Ordinary profit	23,759	(11.4%)	27,433	(12.1%)	15.5%
Profit attributable to owners of parent	16,541	(7.9%)	19,067	(8.4%)	15.3%

Figures in parentheses are percentages to the gross merchandise value (excluding other GMV).

Under the corporate philosophy of "Inspire the world. Deliver joy every day.", we mainly operate the following businesses: Japan's largest fashion e-commerce website, "ZOZOTOWN," and a fashion media "WEAR".

During the consolidated cumulative second quarter of the current fiscal year, the apparel industry (especially at physical stores) thrived due to increased opportunities to go out, and increased demand for clothing as the spread of COVID-19 subsided. 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 the sale event "ZOZOWEEK" (10 days in total from May 14 to 23, 2022, 11 days in total from September 13 to 19, and 22 to 25, 2022) and broadcasted TV commercials to attract customers during the summer sale. In addition, we continued to proactively welcome new brands in a wide range of genres to meet diversifying needs of users.

As an initiative to strengthen a specific category, we have been concentrating on "ZOZOCOSME". ZOZOCOSME handles more than 700 cosmetics brands, both domestic and overseas brands, as of the end of September 2022. We will proactively continue to open new brand shops to expand the merchandise value of the cosmetics category in ZOZOTOWN. Furthermore, we implemented a purchase assist function that recommends the best foundation and concealer color closest to the measured skin tone using "ZOZOGLASS", a device that can measure skin tone with high precision. This enables users to have new purchasing experiences.

Sales of ZOZOTOWN PayPay Mall Shop have been growing steadily due to the good retention rate of new customers acquired by the previous fiscal year through the continued active sales promotion spending by Yahoo Japan Corporation which operates PayPay Mall.

Regarding the BtoB business, brands are actively continuing to enhance their own e-commerce websites, although there was a withdrawal of a brand that accounted for a large portion of the merchandise value during the fourth quarter consolidated accounting period of the previous fiscal year.

Consequently, the gross merchandise value in the consolidated cumulative second quarter of the current fiscal year was 251,138 million yen (+9.4% YoY), and the gross merchandise value (excluding other GMV) was 227,481 million yen (+8.8% YoY). Net sales were 83,767 million yen (+9.9% YoY), and gross profit was 78,906 million yen (+9.6% YoY). The ratio of gross profit to the gross merchandise value (excluding other GMV) (gross profit margin) was 34.7%, an increase of 0.3% from the same quarter of the previous fiscal year.

As for net sales, the YoY growth rate exceeded that of the gross merchandise value (excluding other GMV), mainly due to growth in Outright purchase/production & sales, USED sales, and the advertising business, which has high sales ratio to the gross merchandise value, and a decrease in the composition ratio of the BtoB business, which has a low sales ratio to the gross merchandise value.

As mentioned in the sales part, the main factor of increased gross profit margin was growth in Outright purchase/production & sales, USED sales, and the advertising business. Also, a decrease in the composition ratio of the BtoB business, which has a low gross profit margin, to the gross merchandise value (excluding other GMV) contributed to it.

Selling, general and administrative expenses were 51,696 million yen (+7.3% YoY). Its ratio to the gross merchandise value (excluding other GMV) was 22.7%, a decrease of 0.3% compared with the same quarter of the previous fiscal year. The main reasons for the decline in the SG&A-to-GMV ratio on a YoY basis are as follows. All the percentages to the gross merchandise value are calculated by dividing each SG&A expense by the gross merchandise value (excluding other GMV):

Improving factors

1. Logistics-related expenses in personnel expenses to the gross merchandise value declined by 0.4% due to the operational efficiency improvement inside logistics bases.
2. Shipping expenses to the gross merchandise value declined by 0.3% due to a higher average order value on a YoY basis.

Worsening factors

1. Expenses for others to the gross merchandise value rose 0.3% due to the recognition of on-the-spot expenses incurred during the consolidated cumulative first quarter of the current fiscal year, such as equipment purchases for the expansion of distribution centers and an increase in communication expenses for the increased usage of cloud servers due to the system replacement and increased transactions.

Consequently, the operating profit of the consolidated cumulative second quarter of the current fiscal year was 27,210 million yen (+14.4% YoY) and the operating profit margin was 12.0% to the gross merchandise value (excluding other GMV), an increase of 0.6% compared with the same quarter of the previous year. Ordinary profit was 27,433 million yen (+15.5% YoY) and net profit attributable to owners of parent was 19,067 million yen (+15.3% YoY).

Since our group is a single segment of the e-commerce business, information by segment is omitted. However, the performance of each business segment within the single segment is shown below.

[Table 2] YoY comparison by business segment

By business segment	Consolidated cumulative second quarter of previous fiscal year (April 1 to September 30, 2021)			Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2022)			Merchandise Value YoY (%)	Net sales YoY (%)
	Merchandise value (Million yen)	Composition (%)	Net sales (Million yen)	Merchandise Value (Million yen)	Composition (%)	Net sales (Million yen)		
ZOZOTOWN Business	177,454	77.3	56,119	197,444	78.6	62,194	11.3	10.8
(Outright purchase/production & sales)	1,295	0.6	1,278	1,790	0.7	1,735	38.2	35.7
(Consignment Sales)	170,556	74.3	49,313	188,859	75.2	53,771	10.7	9.0
(USED Sales)	5,602	2.4	5,527	6,795	2.7	6,687	21.3	21.0
PayPay Mall	19,154	8.4	5,595	22,739	9.1	6,661	18.7	19.0
BtoB business	12,458	5.4	2,426	7,296	2.9	1,258	-41.4	-48.1
Advertising business	-	-	2,851	-	-	3,493	-	22.5
Subtotal excluding Others	209,067	91.1	66,992	227,481	90.6	73,608	8.8	9.9
Others	20,439	8.9	9,220	23,657	9.4	10,159	15.7	10.2
Total	229,507	100.0	76,212	251,138	100.0	83,767	9.4	9.9

① ZOZOTOWN business

The ZOZOTOWN Business consists of three business forms: "Outright purchase/production & sales," "Consignment sales," and "USED sales." "Outright purchase/production & sales" purchases fashion merchandise from each brand and sell them as in-house inventory with inventory risk. This corresponds to the form of purchasing fashion merchandise from each brand and the form of ordering merchandise by our group, such as MS (Multi-Size). "Consignment sales" handles

consignment inventory of merchandise from each brand and sell them on a consignment basis. "USED sales" mainly buys and sells used fashion-related merchandise from individual users and is positioned as a value-added service to promote the purchase of new products.

We recognize that increasing the number of buyers and the usage rate of ZOZOTOWN in fashion consumption are the key factors in achieving sustainable growth. To realize this, we are working on creating a website that is attractive to both users and brands.

The transition of major KPIs for the ZOZOTOWN Business is as follows.

(Number of shops, etc.)

[Table 3] Changes in the 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	1,488	1,502	1,516	1,510	1,523	1,532	-	-
Outright purchase/production & sales (Note) 2	20	24	24	24	25	27	-	-
Consignment sales	1,468	1,478	1,492	1,486	1,498	1,505	-	-
Number of brands (Note) 1,2	8,490	8,451	8,481	8,433	8,512	8,455	-	-

(NOTE)

1. Figures are as of the end of the quarterly accounting period.
2. Private brand "ZOZO" and "Multi-size" are not included.

The number of new shops opened during the consolidated cumulative second quarter of the current fiscal year was 24 (a net increase of 9 shops). The major new stores are "ANNA SUI COSMETICS"; a cosmetics line run by the global fashion brand ANNA SUI, "Barbour"; a British luxury outdoor brand, and "SKECHERS"; an American footwear brand that is famous for its sneakers and other footwear items.

(Number of annual buyers)

[Table 4] Changes in the 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) 2	9,730,162	9,890,784	10,103,351	10,418,331	10,619,934	10,859,876	-	-
(YoY)	1,067,602	1,085,629	963,555	932,662	889,772	969,092	-	-
(QoQ)	244,493	160,622	212,567	314,980	201,603	239,942	-	-
Number of active members (Note) 3	8,367,073	8,507,997	8,711,879	9,043,194	9,269,080	9,545,087	-	-
(YoY)	1,143,320	1,073,468	937,939	905,465	902,007	1,037,090	-	-
(QoQ)	229,344	140,924	203,882	331,315	225,886	276,007	-	-
Number of guest buyers (Note)	1,363,089	1,382,787	1,391,472	1,375,137	1,350,854	1,314,789	-	-
(YoY)	-75,718	12,161	25,616	27,197	-12,235	-67,998	-	-
(QoQ)	15,149	19,698	8,685	-16,335	-24,283	-36,065	-	-

(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 the 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 an increase in the number of active members in both YoY and QoQ. The steady growth in the number of active members is attributable to strengthening customer attraction through broadcasting TV commercials and online advertisement of "ZOZOWEEK" held in May and September, and the summer sale which started in June.

(Annual purchase amount and annual purchase pieces)

[Table 5] Changes in the 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	42,363	42,343	42,549	42,403	42,559	42,401	-	-
(YoY)	-6.1%	-4.5%	-2.9%	-1.0%	0.5%	0.1%	-	-
(QoQ)	-1.1%	-0.0%	0.5%	-0.3%	0.4%	-0.4%	-	-
Annual purchase pieces (Total) (Note) 1, 2, 3	11.4	11.5	11.6	11.6	11.6	11.4	-	-
(YoY)	-3.6%	-2.0%	-0.7%	0.1%	1.5%	-1.4%	-	-
(QoQ)	-1.3%	1.0%	0.9%	-0.4%	0.0%	-1.8%	-	-
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	49,257	49,037	49,064	49,254	49,407	49,331	-	-
(YoY)	-5.6%	-4.8%	-3.9%	-1.8%	0.3%	0.6%	-	-
(QoQ)	-1.8%	-0.4%	0.1%	0.4%	0.3%	-0.2%	-	-
Annual purchase pieces (Existing members) (Note) 1, 2, 3	13.2	13.3	13.4	13.4	13.4	13.2	-	-
(YoY)	-2.8%	-2.2%	-1.7%	-0.7%	1.3%	-0.9%	-	-
(QoQ)	-2.2%	0.3%	0.8%	0.4%	-0.3%	-1.9%	-	-

(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) and the annual purchase amount (Existing members) increased in YoY. This was due to an increase in the average retail price over the past one year. Also, the annual purchase amount (Total) and the annual purchase amount (Existing members) decreased in QoQ. This was due to a decrease in the annual purchase pieces as a result of a decrease in the ratio of combined purchases, in which multiple items are ordered at the same time, because of an increase in the retail price during the second quarter consolidated accounting period of the current fiscal year.

(Average retail price etc.)

[Table 6] Changes in the average retail price, average order value, average purchase pieces per order, 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	3,490	3,264	4,167	3,752	3,552	3,487	-	-
(YoY)	1.4%	-3.5%	-3.1%	0.1%	1.8%	6.8%	-	-
Average order value (Note) 1, 2, 3	7,501	7,346	8,592	7,974	7,699	7,566	-	-
(YoY)	1.2%	-0.3%	0.9%	-0.2%	2.6%	3.0%	-	-
Average purchase pieces per order (Note) 1, 3	2.15	2.25	2.06	2.13	2.17	2.17	-	-
(YoY)	-0.1%	3.2%	4.1%	-0.3%	0.9%	-3.6%	-	-
Number of shipments (Note) 1, 3	12,085,053	11,816,663	13,049,762	12,800,550	13,123,988	12,742,183	-	-
(YoY)	5.3%	7.3%	9.1%	14.7%	8.6%	7.8%	-	-

(NOTE)

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

The average retail price in the second quarter consolidated accounting period of the current fiscal year increased in YoY. The major factor was a decrease in the ratio of merchandise on sale. Also, the average order value increased in YoY due to an increase in the average retail price, although the annual purchase pieces per order decreased.

Results for ZOZOTOWN Business (Outright purchase/production & sales, Consignment sales, and USED sales) are as follows:

i. Outright Purchase/Production & Sales

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 1,790 million yen (+38.2% YoY), accounting for 0.7% of the gross merchandise value (0.6% in the same quarter of the previous fiscal year). Net sales were 1,735 million yen (+35.7% YoY). As of the end of September 2022, the number of shops opened on ZOZOTOWN for Outright purchase/production & sales was 27 (25 as of the end of June 2022).

ii. Consignment Sales

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 188,859 million yen (+10.7% YoY), accounting for 75.2% of the gross merchandise value (74.3% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 53,771 million yen (+9.0% YoY). As of the end of September 2022, the number of shops opened on ZOZOTOWN for consignment sales was 1,505 (1,498 as of the end of June 2022).

iii. USED Sales

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 6,795 million yen (+21.3% YoY), accounting for 2.7% of the gross merchandise value (2.4% in the same quarter of the previous fiscal year). Net sales were 6,687 million yen (+21.0% YoY).

② PayPay 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 22,739 million yen, (+18.7% YoY), accounting for 9.1% of the gross merchandise value (8.4% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 6,661 million yen (+19.0% YoY).

③ BtoB business

The BtoB business is a business model in which we are commissioned to build and operate brands' own e-commerce websites. In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 7,296 million yen (-41.4% YoY), accounting for 2.9% of the gross merchandise value (5.4% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 1,258 million yen (-48.1% YoY). As of the end of September 2022, the number of consigned websites was 39 (40 as of the end of June 2022).

④ Advertising business

The advertising business is a business model that generates advertising revenue by providing advertising space to client brands by utilizing the user reach base of ZOZOTOWN and WEAR. In the consolidated cumulative second quarter of the current fiscal year, net sales were 3,493 million yen (+22.5% YoY). As for WEAR, we continue to focus on expanding the number of users and content. As of the end of September 2022, the number of app downloads exceeded 16 million, and monthly active users are growing steadily.

⑤ Others

The segment for others within the gross merchandise value includes 1) the merchandise value of the stores that contracted "ZOZO Option" in the fashion category stores excluding ZOZOTOWN on PayPay Mall (service that enables those stores to get benefits from sales support such as participation in the special events by the Company), 2) the merchandise value of a consolidated subsidiary's own e-commerce website, 3) the merchandise value from ZOZOMO, the system to support for sending customers to the physical stores from ZOZOTOWN, which was recorded from the fourth quarter consolidated accounting period of the previous fiscal year, and 4) the merchandise value of "ZOZOSUIT" which is sold for a fee in the U.S. The merchandise value during the consolidated cumulative second quarter of the current fiscal year was 23,657 million yen, accounting for 9.4% of the gross merchandise value (8.9% in the same quarter of the previous fiscal year). Within the

segment for others, net sales generated from businesses related to ZOZOTOWN (shipping income and settlement commission income, etc.) and other revenues mentioned above are included. In the consolidated cumulative second quarter of the current fiscal year, net sales were 10,159 million yen (+10.2% YoY).

(2) Overview 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	127,276	129,142	1.5%
Liabilities	72,177	65,434	-9.3%
Net assets	55,099	63,707	15.6%

(Total Assets)

Total assets amounted to 129,142 million yen, an increase of 1,865 million yen (+1.5% from the previous consolidated fiscal year end). Current assets increased by 1,469 million yen, or 1.4%, compared with the previous consolidated fiscal year end, amounted to 103,775 million yen. Major components are an increase of 1,367 million yen in cash and deposits, a decrease of 1,509 million yen in accounts receivable, and an increase of 1,118 million yen in merchandise and finished products. Non-current assets increased by 396 million yen, or 1.6%, compared with the previous consolidated fiscal year end, amounted to 25,367 million yen. Major components are an increase of 2,499 million yen in tangible assets, a decrease of 1,865 million yen in investments and other assets.

(Liabilities)

Liabilities amounted to 65,434 million yen, a decrease of 6,743 million yen (-9.3% from the previous consolidated fiscal year end). Current liabilities decreased by 7,225 million yen, or 10.9%, amounted to 58,946 million yen compared with the previous consolidated fiscal year end. Major components are a decrease of 1,716 million yen in deposits received for consignment sales, a decrease of 1,722 million yen in income taxes payable, and a decrease of 1,169 million yen in provision for bonuses. Non-current liabilities increased by 482 million yen, or 8.0%, amounted to 6,487 million yen compared with the previous consolidated fiscal year end. Major component is an increase of 289 million yen in retirement benefit liability.

(Net Assets)

Net assets amounted to 63,707 million yen, an increase of 8,608 million yen (+15.6% from the previous consolidated fiscal year end). Major components are an increase of 19,067 million yen due to the recognition of profit attributable to owners of parent, a decrease of 10,792 million yen due to cash dividends.

② Overview of cash flows

Cash and cash equivalents ("cash") at the end of the second quarter consolidated accounting period of the current fiscal year amounted to 66,888 million yen, an increase of 1,367 million yen from the previous consolidated fiscal year end.

Descriptions of each cash flow 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	15,278	15,605	2.1%
Cash flows from investing activities	-558	-3,896	597.7%
Cash flows from financing activities	-28,571	-10,630	-62.8%

(Cash flows from operating activities)

The net cash provided by operating activities was 15,605 million yen. The major increasing factor was the recognition of profit before income taxes of 27,406 million yen. The major decreasing factors were an increase of 1,716 million yen in deposits received for consignment sales, and 7,402 million yen in income taxes paid.

(Cash flows from investing activities)

The net cash used in investing activities was 3,896 million yen. This was mainly due to the outflow from the purchase of

tangible assets of 3,415 million yen.

(Cash flows from financing activities)

The net cash used in financing activities was 10,630 million yen. This was mainly due to the dividends paid of 10,790 million yen.

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

There is no change in the consolidated financial forecast announced on April 27, 2022

2. Consolidated financial statements

(1) Quarterly consolidated balance sheets

(Unit: Million yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Second quarter consolidated accounting period of current fiscal year (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	65,520	66,888
Accounts receivable-trade	30,609	29,099
Merchandise and finished products	2,060	3,178
Raw materials and supplies	27	53
Others	4,086	4,554
Total current assets	102,305	103,775
Non-current assets		
Property, plant and equipment	11,284	13,783
Intangible assets		
Goodwill	1,796	1,623
Others	824	760
Total intangible assets	2,621	2,383
Investments and other assets	11,065	9,200
Total non-current assets	24,971	25,367
Total assets	127,276	129,142
Liabilities		
Current liabilities		
Accounts payable-trade	373	354
Deposits received for consignment sales	23,447	21,731
Short-term borrowings	20,200	20,200
Income taxes payable	8,259	6,536
Provision for bonuses	1,726	556
Provision for bonuses for directors	59	34
Provision for loss on business liquidation	231	45
Others	11,873	9,487
Total current liabilities	66,172	58,946
Non-current liabilities		
Retirement benefit liability	3,631	3,921
Asset retirement obligations	2,274	2,278
Others	98	287
Total non-current liabilities	6,005	6,487
Total liabilities	72,177	65,434

(Unit: Million yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Second quarter consolidated accounting period of current fiscal year (As of September 30, 2022)
Net assets		
Shareholders' equity		
Capital stock	1,359	1,359
Capital surplus	1,457	1,328
Retained earnings	97,067	105,334
Treasury stock	-44,784	-44,558
Total shareholders' equity	55,100	63,464
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	73
Deferred gains or losses on hedges	-	130
Foreign currency translation adjustment	79	159
Remeasurements of defined benefit plans	-270	-251
Total accumulated other comprehensive income	-168	111
Stock acquisition rights	22	19
Non-controlling interests	144	113
Total net assets	55,099	63,707
Total liabilities and net assets	127,276	129,142

(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, 2021 to September 30, 2021)	Consolidated cumulative second quarter of current fiscal year (April 1, 2022 to September 30, 2022)
Net sales	76,212	83,767
Cost of sales	4,236	4,860
Gross profit	71,976	78,906
Selling, general and administrative expenses	48,184	51,696
Operating profit	23,791	27,210
Non-operating income		
Interest income	5	4
Received rent	143	1
Foreign exchange gains	-	45
Operations support fee	9	5
Income from recycling	16	15
Subsidy income	19	18
Gain on unused points	22	59
Reversal of allowance for doubtful accounts	-	171
Others	15	23
Total non-operating income	232	345
Non-operating expenses		
Interest expenses	36	39
Provision for allowance for doubtful accounts	0	7
Rent expenses	136	1
Commissions expenses	13	6
Foreign exchange losses	1	-
Loss on investments in partnerships	76	68
Total non-operating expenses	264	122
Ordinary profit	23,759	27,433
Gain on sales of non-current assets	0	-
Total extraordinary income	0	-
Extraordinary losses		
Loss on sales and retirement of non-current assets	5	27
Total extraordinary loss	5	27
Profit before income taxes	23,754	27,406
Income taxes-current	6,542	6,162
Income taxes-deferred	651	2,207
Total income taxes	7,193	8,370
Net profit	16,561	19,035
Net profit / loss attributable to non-controlling interests	19	-31
Net profit attributable to owners of parent	16,541	19,067

Quarterly consolidated statements of comprehensive income
 Consolidated cumulative second quarter

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2021 to September 30, 2021)	Consolidated cumulative second quarter of current fiscal year (April 1, 2022 to September 30, 2022)
Net profit	16,561	19,035
Other comprehensive income		
Valuation difference on available-for-sale securities	-0	50
Deferred gains or losses on hedges	-	130
Foreign currency translation adjustment	38	59
Remeasurements of retirement benefit plan	14	19
Total other comprehensive income	52	259
Quarterly comprehensive income	16,613	19,295
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	16,593	19,326
Quarterly comprehensive income attributable to non-controlling interests	19	-31

(3) Consolidated statements of cash flows

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2021 to September 30, 2021)	Consolidated cumulative second quarter of current fiscal year (April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	23,754	27,406
Depreciation	932	938
Amortization of goodwill	201	212
Share-based compensation expenses	51	45
Allowance for doubtful accounts	0	7
Reversal of allowance for doubtful accounts	-	-171
Loss (gain) on investments in partnership	76	68
Loss (gain) on sales and retirement of non-current assets	5	27
Increase (decrease) in provision for bonuses	-1,080	-1,177
Increase (decrease) in provision for bonuses for directors	-40	-25
Increase (decrease) in provision for point certificates	-361	-
Increase (decrease) in provision for sales returns	-139	-
Increase (decrease) in retirement benefit liability	270	317
Increase (decrease) in provision for loss on business liquidation (-)	-	-201
Interest and dividends income	-5	-4
Interest expenses	36	39
Commissions expenses	13	6
Foreign exchange losses (gains)	0	-44
Decrease (increase) in notes and accounts receivable-trade	7,065	1,534
Decrease (increase) in inventories	-308	-1,095
Increase (decrease) in prepaid expenses	-1,358	-746
Increase (decrease) in notes and accounts payable-trade	150	-72
Increase (decrease) in deposits received for consignment sales	-1,441	-1,716
Increase (decrease) in accounts payable-other	-1,113	-1,034
Increase (decrease) in accrued consumption taxes	-1,478	-1,056
Others	168	-215
Subtotal	25,400	23,044
Interest and dividends income received	5	3
Interest expenses paid	-36	-39
Income taxes paid	-10,090	-7,402
Net cash provided by (used in) operating activities	15,278	15,605
Cash flows from investing activities		
Purchase of property, plant and equipment	-664	-3,415
Purchase of intangible assets	-18	-294
Proceeds from collection of lease and guarantee deposits	195	22
Payments for lease and guarantee deposits	-2	-53
Purchase of investment securities	-68	-314
Payments for investments in capital of subsidiaries and associates	-	-13
Acquisition of newly consolidated subsidiaries	1	173
Others	-1	-1
Net cash provided by (used in) investing activities	-558	-3,896

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2021 to September 30, 2021)	Consolidated cumulative second quarter of current fiscal year (April 1, 2022 to September 30, 2022)
Cash flows from financing activities		
Increase in short-term loans payable	100	-
Proceeds from long-term debt	100	184
Repayment of long-term loans payable	-1	-24
Commission expenses paid	-9	-
Purchase of treasury stock	-31,997	-0
Proceeds from issuance of stock acquisition rights	31	-
Proceeds from disposal of treasury stock by the exercise of stock acquisition rights	11,143	-
Cash dividends paid	-7,937	-10,790
Net cash provided by (used in) financing activities	-28,571	-10,630
Effect of the exchange rate change on cash and cash equivalents	13	166
Increase (decrease) in cash and cash equivalents	-13,837	1,246
Cash and cash equivalents at beginning of the period	61,648	65,520
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	-	121
Cash and cash equivalents at end of the period	47,810	66,888

(4) Notes to quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Implementation Guidance on Accounting Standards for Fair Value Measurement") from the beginning of the first quarter consolidated accounting period of the current fiscal year, and will apply the new accounting policies stipulated by the Implementation Guidance on Accounting Standards for Fair Value Measurement in accordance with the transitional treatment stipulated in paragraph 27-2 of the Implementation Guidance on Accounting Standards for Fair Value measurement in the future. There is no impact on the quarterly consolidated financial statements.

DISCLAIMER:

This document is summary translation of Japanese version. All readers are recommended to refer the original Japanese version for complete information. In the event of any discrepancy, errors and/or omissions, the Japanese version shall prevail.