

Consolidated Financial Results

For the second quarter of fiscal year ending March 31, 2024 [JGAAP]

October 31, 2023

Company name: ZOZO, 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, 2023 Scheduled date of dividend payment November 27, 2023
 Supplementary material for 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, 2024 (April 1, 2023 to September 30, 2023)

(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, 2024	90,217	7.7	28,931	6.3	29,104	6.1	20,314	6.5
Second quarter of fiscal year ended March 31, 2023	83,767	9.9	27,210	14.4	27,433	15.5	19,067	15.3

(NOTE) Comprehensive income Second quarter of fiscal year ending March 2024 20,578 Million yen (6.6%)
Second quarter of fiscal year ended March 2023 19,295 Million yen (16.1%)

	Net profit per share	Net profit per share after adjusting dilutive shares
	Yen	Yen
Second quarter of fiscal year ending March, 2024	67.73	-
Second quarter of fiscal year ended March, 2023	63.60	-

(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, 2024	158,452	85,326	53.8
Fiscal year ended March 31, 2023	155,742	76,693	49.2

(Reference) Shareholders' equity Second quarter of fiscal year ending March 31, 2024 85,176 Million yen
Fiscal year ended March 31, 2023 76,556 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, 2023	-	24.00	-	41.00	65.00
Fiscal year ending March 31, 2024	-	49.00			
Fiscal year ending March 31, 2024 (Forecast)			-	49.00	98.00

(NOTE) Revisions to the dividends forecasts most recently announced : Yes

3. Consolidated business forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(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, 2024	200,700	9.4	60,000	6.3	60,000	5.8	42,000	6.3	140.07

(NOTE) Revisions to the consolidated business 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 : None

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 2024	311,644,285Shares	Fiscal year Ended March 2023	311,644,285Shares
② Number of year-end treasury stocks	11,563,454Shares	Fiscal year Ended March 2023	11,787,504Shares
③ Average number of shares during the period (quarterly cumulative)	299,947,287Shares	Q2 of fiscal year ended March 2023	299,819,404Shares

※ 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 performance 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, 2023, (3) Explanation of consolidated business forecast and other forward-looking statements" on page 13 for the assumptions underlying the forecasts and cautionary statements regarding the use of the forecasts.

-We are scheduling financial results briefing for institutional investors and analysts on October 31, 2023. 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, 2023

(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, 2022)		Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2023)		YoY basis
Gross merchandise value	251,138	(110.4%)	258,791	(107.1%)	3.0%
Gross merchandise value (excluding other GMV)	227,481	(100.0%)	241,644	(100.0%)	6.2%
Net sales	83,767	(36.8%)	90,217	(37.3%)	7.7%
Gross profit	78,906	(34.7%)	84,213	(34.9%)	6.7%
Operating profit	27,210	(12.0%)	28,931	(12.0%)	6.3%
Ordinary profit	27,433	(12.1%)	29,104	(12.0%)	6.1%
Profit attributable to owners of parent	19,067	(8.4%)	20,314	(8.4%)	6.5%

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

Under the corporate philosophy of “Inspire the world. Deliver joy every day,” we mainly operate the following businesses: The largest fashion e-commerce website in Japan, “ZOZOTOWN,” and an outfit-sharing app “WEAR”.

During the consolidated cumulative second quarter of the current fiscal year, the apparel industry, particularly at physical stores, experienced growth due to increased opportunities for going out and increased demand for clothing as a result of the easing of behavioral restrictions against COVID-19 infections, while the economic outlook remained uncertain due to the price hike of resources and raw materials and the yen's continued depreciation. Under this circumstance, our group has been focusing even stronger on creating ZOZOTOWN more attractive to both users and brands with the goal 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 12 to 21, 2023, 11 days in total from September 12 to 18, and 21 to 24, 2023) 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, which includes both domestic and overseas brands, as of the end of September 2023. We will proactively continue to open new brand shops to increase the merchandise value of the cosmetics category in ZOZOTOWN. In addition, as our unique value-added service, we have launched “niaulab,” an ultimate personalized-styling service that utilizes our AI technologies. We are aiming to provide solutions to help find one’s “style” that approaches the upstream of purchasing.

Sales of ZOZOTOWN on Yahoo! JAPAN Shopping (which integrated PayPay Mall in October 2022) have been growing steadily due to the retention of new customers acquired in the previous consolidated fiscal year, and promotion activities such as “Serious ZOZO Festival” (June 25, 2023 and September 18, 2023) by LY Corporation which operates Yahoo! JAPAN Shopping.

Regarding the BtoB business, brands that we currently support are actively continuing to enhance their own e-commerce websites, although there were withdrawals of a few brands in the previous consolidated fiscal year.

In August 2023, we started operations of our new logistics base, “ZOZOBASE Tsukuba 3” in anticipation of future growth in the gross merchandise value.

The new logistics base has the largest facility capacity in our company in terms of total floor space and the number of products stored, etc. As a measure to cope with the future trend of a declining workforce, we are making aggressive capital investments, including the introduction of the state-of-the-art equipment for the first time in Japan, aiming to reduce the labor force through automation of operations.

Consequently, the gross merchandise value in the consolidated cumulative second quarter of the current fiscal year was 258,791 million yen (+3.0% YoY), and the gross merchandise value (excluding other GMV) was 241,644 million yen (+6.2%

YoY). Net sales were 90,217 million yen (+7.7% YoY), and gross profit was 84,213 million yen (+6.7% YoY). The ratio of gross profit to the gross merchandise value (excluding other GMV) (gross profit margin) was 34.9%, an increase of 0.2% from the same quarter of the previous fiscal year.

As for net sales, despite higher point-related expenses compared to the previous year, 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 an increase in sales of others due to increased shipping income.

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, and an increase in sales of others due to increased shipping income, despite higher point-related expenses compared to the previous year.

Selling, general and administrative expenses were 55,282 million yen (+6.9% YoY). Its ratio to the gross merchandise value (excluding other GMV) was 22.9%, an increase of 0.2% compared with the same quarter of the previous fiscal year. The main reasons for the rise 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. Shipping expenses to the gross merchandise value declined by 0.4% due to a higher average order value on a YoY basis.

Worsening factors

1. Advertising expenses to the gross merchandise value rose by 0.4% due to the increased marketing in TV commercials and web advertising.
2. Rent expenses to the gross merchandise value rose by 0.1% due to the increase in our new logistics base.
3. Depreciation expenses to the gross merchandise value rose by 0.1% due to the depreciation for material handling equipment, etc., for the commencement of operations at our new logistics base.

Consequently, the operating profit in the consolidated cumulative second quarter of the current fiscal year was 28,931 million yen (+6.3% YoY) and the operating profit margin was 12.0% to the gross merchandise value (excluding other GMV), remained consistent with the same quarter of the previous year. Ordinary profit was 29,104 million yen (+6.1% YoY), and net profit attributable to owners of parent was 20,314 million yen (+6.5% 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, 2022)			Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2023)			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	197,444	78.6	62,194	211,749	81.8	66,234	7.2	6.5
(Outright purchase/ production & sales)	1,790	0.7	1,735	2,360	0.9	2,260	31.8	30.3
(Consignment Sales)	188,859	75.2	53,771	201,627	77.9	56,389	6.6	4.9
(USED Sales)	6,795	2.7	6,687	7,761	3.0	7,584	14.2	13.4
Yahoo! JAPAN Shopping	22,739	9.1	6,661	23,265	9.0	6,920	2.3	3.9
BtoB business	7,296	2.9	1,258	6,629	2.6	1,092	-9.2	-13.2
Advertising business	—	—	3,493	—	—	4,273	—	22.3
Subtotal excluding Others	227,481	90.6	73,608	241,644	93.4	78,521	6.2	6.7
Others	23,657	9.4	10,159	17,146	6.6	11,696	-27.5	15.1
Total	251,138	100.0	83,767	258,791	100.0	90,217	3.0	7.7

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 sells 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 sells 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	1,523	1,532	1,554	1,562	1,564	1,581-	-	-
Outright purchase/production & sales (Note) 2	25	27	28	28	28	29-	-	-
Consignment sales	1,498	1,505	1,526	1,534	1,536	1,552-	-	-
Number of brands (Note) 1,2	8,512	8,455	8,545	8,455	8,981	8,940-	-	-

(NOTE)

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

The number of new shops opened during the second quarter consolidated accounting period was 34 (net increase of 17 shops). The major new stores are "MUJI," operated by Ryohin Keikaku Co., Ltd., "VERSACE," a luxury brand from Milan, Italy, and in the cosmetic category, "PRADA BEAUTY," operated by NIHON L'ORÉAL K.K. and "LAURA MERCIER," operated by Shiseido Japan Co., Ltd..

(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	10,619,934	10,859,876	11,211,383	11,411,712	11,470,592	11,552,764	-	-
(YoY)	889,772	969,092	1,108,032	993,381	850,658	692,888	-	-
(QoQ)	201,603	239,942	351,507	200,329	58,880	82,172	-	-
Number of active members (Note)3	9,269,080	9,545,087	9,935,769	10,192,333	10,352,251	10,515,910	-	-
(YoY)	902,007	1,037,090	1,223,890	1,149,139	1,083,171	970,823	-	-
(QoQ)	225,886	276,007	390,682	256,564	159,918	163,659	-	-
Number of guest buyers	1,350,854	1,314,789	1,275,614	1,219,379	1,118,341	1,036,854	-	-
(YoY)	-12,235	-67,998	-115,858	-155,758	-232,513	-277,935	-	-
(QoQ)	-24,283	-36,065	-39,175	-56,235	-101,038	-81,487	-	-

(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 "Yahoo! JAPAN Shopping" 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 YoY and QoQ. The growth in the number of active members is attributable to strengthening customer attraction through broadcasting TV commercials and web advertising of "ZOZOWEEK" held in May, and the summer sale which started in June 2023 as well as the retention of the members newly acquired during the previous consolidated fiscal year. The number of guest buyers continued to decline YoY and QoQ due to enhanced services for members.

(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	42,559	42,401	42,331	42,224	42,341	42,403	-	-
(YoY)	0.5%	0.1%	-0.5%	-0.4%	-0.5%	0.0%	-	-
(QoQ)	0.4%	-0.4%	-0.2%	-0.3%	0.3%	0.1%	-	-
Annual purchase pieces (Total) (Note) 1, 2, 3	11.6	11.4	11.1	10.9	10.8	10.8	-	-
(YoY)	1.5%	-1.4%	-4.5%	-5.9%	-6.6%	-5.3%	-	-
(QoQ)	0.0%	-1.8%	-2.3%	-1.8%	-0.8%	-0.4%	-	-
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	49,407	49,331	49,336	48,716	48,856	48,752	-	-
(YoY)	0.3%	0.6%	0.6%	-1.1%	-1.1%	-1.2%	-	-
(QoQ)	0.3%	-0.2%	0.0%	-1.3%	0.3%	-0.2%	-	-
Annual purchase pieces (Existing members) (Note) 1, 2, 3	13.4	13.2	12.9	12.6	12.5	12.3	-	-
(YoY)	1.3%	-0.9%	-3.4%	-6.4%	-7.2%	-6.4%	-	-
(QoQ)	-0.3%	-1.9%	-1.8%	-2.7%	-1.1%	-1.1%	-	-

(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 "Yahoo! JAPAN Shopping" 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) remained almost flat YoY. The annual purchase pieces (Total) decreased YoY and QoQ. Despite a decrease in purchase pieces due to increased retail prices, this was offset by the upward pressure on retail prices, resulting in a nearly flat annual purchase amount. For existing members, a slight decrease in the annual purchase amounts and a decrease in the annual purchase pieces YoY and QoQ for the same reasons.

(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	3,552	3,487	4,438	3,987	3,726	3,590	-	-
(YoY)	1.8%	6.8%	6.5%	6.3%	4.9%	3.0%	-	-
Average order value (Note) 1, 2, 3	7,699	7,566	8,961	8,300	8,177	7,894	-	-
(YoY)	2.6%	3.0%	4.3%	4.1%	6.2%	4.3%	-	-
Average purchase pieces per order (Note) 1, 3	2.17	2.17	2.02	2.08	2.19	2.20	-	-
(YoY)	0.9%	-3.6%	-2.1%	-2.1%	1.3%	1.3%	-	-
Number of shipments (Note) 1, 3	13,123,988	12,742,183	14,178,195	13,379,524	13,240,721	13,107,431	-	-
(YoY)	8.6%	7.8%	8.6%	4.5%	0.9%	2.9%	-	-

(NOTE)

1. Figures for the quarter accounting period are used.
2. The amounts are in yen.
3. "Yahoo! JAPAN Shopping" is not included.

The average retail price in the second quarter consolidated accounting period of the current fiscal year increased YoY. The main factors were an increase in list prices for certain items and a decrease in the discount rate for sale items.

Additionally, the average order value increased more than the growth rate of the average retail price YoY due to the impact of an increase in the average purchase pieces per order, as well as the impact of an increase in the average retail price. The average purchase pieces per order was increased mainly due to the expansion of the free shipping promotion, which offers free shipping on purchases of 10,000 yen or more compared to the same period of the previous year, and a rise in the percentage of combined purchases during promotional implementation dates.

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 2,360 million yen (+31.8% YoY), accounting for 0.9% of the gross merchandise value (0.7% in the same quarter of the previous fiscal year). Net sales were 2,260 million yen (+30.3% YoY). As of the end of September 2023, the number of shops opened on ZOZOTOWN for Outright purchase/production & sales was 29 (28 as of the end of June 2023).

ii. Consignment Sales

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 201,627 million yen (+6.8% YoY), accounting for 77.9% of the gross merchandise value (75.2% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 56,389 million yen (+4.9% YoY). As of the end of September 2023, the number of shops opened on ZOZOTOWN for consignment sales was 1,552 (1,536 as of the end of June 2023).

iii. USED Sales

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 7,761 million yen (+14.2% YoY), accounting for 3.0% of the gross merchandise value (2.7% in the same quarter of the previous fiscal year). Net sales were 7,584 million yen (+13.4% YoY).

② Yahoo! JAPAN Shopping

ZOZOTOWN opened a shop on “Yahoo! JAPAN Shopping,” an online shopping mall operated by LY Corporation. In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 23,265 million yen (+2.3% YoY), accounting for 9.0% of the gross merchandise value (9.1% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 6,920 million yen (+3.9% 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 6,629 million yen (-9.2% YoY), accounting for 2.6% of the gross merchandise value (2.9% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 1,092 million yen (-13.2% YoY). As of the end of September 2023, the number of consigned websites was 34 (35 as of the end of June 2023).

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 4,273 million yen (+22.3% YoY). As for WEAR, we continue to focus on expanding the number of users and content.

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 Yahoo! JAPAN Shopping (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, 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 17,146 million yen, accounting for 6.6% of the gross merchandise value (9.4% 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 11,696 million yen (+15.1% YoY).

(2) Overview of financial position

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	155,742	158,452	1.7%
Liabilities	79,048	73,125	-7.5%
Net assets	76,693	85,326	11.3%

(Total Assets)

Total assets amounted to 158,452 million yen, an increase of 2,710 million yen (1.7% from the previous consolidated fiscal year end). Current assets decreased by 1,003 million yen, or 0.8%, compared with the previous consolidated fiscal year end, amounted to 122,489 million yen. Major components are a decrease of 1,077 million yen in cash and deposits, a decrease of 3,084 million yen in accounts receivable, and an increase of 986 million yen in merchandise and finished products etc. Non-current assets increased by 3,713 million yen, or 11.5%, compared with the previous consolidated fiscal year end, amounted to 35,962 million yen. Major components are an increase of 3,605 million yen in tangible assets, a decrease of 192 million yen in goodwill, and a decrease of 175 million yen in investments and other assets, etc.

(Liabilities)

Liabilities amounted to 73,125 million yen, a decrease of 5,922 million yen (-7.5% from the previous consolidated fiscal year end). Current liabilities decreased by 8,108 million yen, or 11.2%, amounted to 64,095 million yen compared with the previous consolidated fiscal year end. Major components are a decrease of 2,536 million yen in deposits received for consignment sales, a decrease of 1,080 million yen in income taxes payable, and a decrease of 1,769 million yen in the provision for bonuses. Non-current liabilities increased by 2,185 million yen, or 31.9%, amounted to 9,029 million yen compared with the previous consolidated fiscal year end. Major components are an increase of 1,746 million yen in asset retirement obligations, and an increase of 342 million yen in retirement benefit liability.

(Net Assets)

Net assets amounted to 85,326 million yen, an increase of 8,632 million yen (11.3% from the previous consolidated fiscal year end). Major components are an increase of 20,314 million yen due to the recognition of quarterly profit attributable to owners of parent, and a decrease of 12,294 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 73,091 million yen, a decrease of 1,053 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	15,605	15,605	0.0%
Cash flows from investing activities	-3,896	-4,604	18.2%
Cash flows from financing activities	-10,630	-12,077	13.6%

(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 29,103 million yen. The major decreasing factors were an increase of 2,536 million yen in deposits received for consignment sales, and 9,124 million yen in income taxes paid.

(Cash flows from investing activities)

The net cash used in investing activities was 4,604 million yen. This was mainly due to the outflow from the purchase of

tangible assets of 3,305 million yen.

(Cash flows from financing activities)

The net cash used in financing activities was 12,077 million yen. This was mainly due to the dividends paid of 12,291 million yen.

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

We have revised the year-end dividend forecast announced on April 27, 2023, for the fiscal year ending March 2023.

For details, please refer to “Notice concerning revision of year-end dividend forecast and decision of dividend from surplus (interim dividend)” announced separately today.

There is no change in the consolidated business forecast announced on April 27, 2023.

2. Consolidated financial statements

(1) Quarterly consolidated balance sheets

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Second quarter consolidated accounting period of current fiscal year (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	69,126	68,048
Accounts receivable-trade	42,994	39,910
Marketable securities	5,000	5,000
Merchandise and finished products	3,155	4,141
Raw materials and supplies	49	52
Others	3,166	5,336
Total current assets	123,493	122,489
Non-current assets		
Property, plant and equipment	18,796	22,402
Intangible assets		
Goodwill	1,700	1,507
Others	680	1,156
Total intangible assets	2,381	2,664
Investments and other assets	11,070	10,895
Total non-current assets	32,248	35,962
Total assets	155,742	158,452
Liabilities		
Current liabilities		
Accounts payable-trade	532	589
Deposits received for consignment sales	25,590	23,053
Short-term borrowings	20,400	20,500
Income taxes payable	9,796	8,716
Provision for bonuses	2,401	632
Provision for bonuses for directors	78	59
Others	13,404	10,545
Total current liabilities	72,204	64,095
Non-current liabilities		
Retirement benefit liability	4,389	4,732
Asset retirement obligations	2,248	3,994
Others	205	302
Total non-current liabilities	6,844	9,029
Total liabilities	79,048	73,125

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Second quarter consolidated accounting period of current fiscal year (As of September 30, 2023)
Net assets		
Shareholders' equity		
Capital stock	1,359	1,359
Capital surplus	1,349	1,328
Retained earnings	118,620	126,037
Treasury stock	-44,558	-43,571
Total shareholders' equity	76,771	85,153
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39	85
Deferred gains or losses on hedges	40	124
Foreign currency translation adjustment	92	171
Remeasurements of defined benefit plan	-386	-358
Total accumulated other comprehensive income	-214	22
Stock acquisition right	18	4
Non-controlling interests	117	145
Total net assets	76,693	85,326
Total liabilities and net assets	155,742	158,452

(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, 2022 to September 30, 2022)	Consolidated cumulative second quarter of current fiscal year (April 1, 2023 to September 30, 2023)
Net sales	83,767	90,217
Cost of sales	4,860	6,003
Gross profit	78,906	84,213
Selling, general and administrative expenses	51,696	55,282
Operating income	27,210	28,931
Non-operating income		
Interest income	4	2
Received rent	1	1
Foreign exchange gains	45	100
Operations support fee	5	6
Income from recycling	15	15
Subsidy income	18	1
Gain on unused points	59	51
Reversal of allowance for doubtful accounts	171	51
Others	23	30
Total non-operating income	345	261
Non-operating expenses		
Interest expenses	39	39
Provision for allowance for doubtful accounts	7	—
Rent expenses	1	1
Commissions expenses	6	—
Loss on investments in partnership	68	46
Total non-operating expenses	122	87
Ordinary profit	27,433	29,104
Extraordinary income		
Gain on sales of non-current assets	—	4
Total extraordinary income	—	4
Extraordinary losses		
Loss on sales and retirement of non-current assets	27	5
Total extraordinary loss	27	5
Profit before income taxes	27,406	29,103
Income taxes-current	6,162	8,099
Income taxes-deferred	2,207	662
Total income taxes	8,370	8,762
Net profit	19,035	20,341
Loss attributable to non-controlling interests	-31	27
Profit attributable to owners of parent	19,067	20,314

Quarterly consolidated statements of comprehensive income
 Consolidated cumulative second quarter

(Unit: million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2022 to September 30, 2022)	Consolidated cumulative second quarter of current fiscal year (April 1, 2023 to September 30, 2023)
Net profit	19,035	20,341
Other comprehensive income		
Valuation difference on available-for-sale securities	50	46
Deferred gains or losses on hedges	130	83
Foreign currency translation adjustment	59	78
Remeasurements of retirement benefit plan	19	27
Total other comprehensive income	259	237
Comprehensive income	19,295	20,578
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	19,326	20,551
Quarterly comprehensive income attributable to non-controlling interests	-31	27

(3) Consolidated statements of cash flows

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2022 to September 30, 2022)	Consolidated cumulative second quarter of current fiscal year (April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	27,406	29,103
Depreciation	938	1,148
Amortization of goodwill	212	192
Share-based compensation expenses	45	107
Allowance for doubtful accounts	7	—
Reversal of allowance for doubtful accounts	-171	—
Loss (gain) on investments in partnership	68	46
Loss (gain) on sales and retirement of non-current assets	27	1
Increase (decrease) in provision for bonuses	-1,177	-1,770
Increase (decrease) in provision for bonuses for directors	-25	-19
Increase (decrease) in retirement benefit liability	317	382
Increase (decrease) in provision for loss on business liquidation (-)	-201	—
Interest and dividends income	-4	-2
Interest expenses	39	39
Commissions expenses	6	—
Foreign exchange losses (gains)	-44	-57
Decrease (increase) in notes and accounts receivable-trade	1,534	3,086
Decrease (increase) in inventories	-1,095	-948
Increase (decrease) in prepaid expenses	-746	-2,067
Increase (decrease) in notes and accounts payable-trade	-72	50
Increase (decrease) in deposits received for consignment sales	-1,716	-2,536
Increase (decrease) in accounts payable-other	-1,034	-1,323
Increase (decrease) in accrued consumption taxes	-1,056	-1,172
Others	-215	505
Subtotal	23,044	24,765
Interest and dividends income received	3	4
Interest expenses paid	-39	-40
Income taxes paid	-7,402	-9,124
Net cash provided by (used in) operating activities	15,605	15,605
Cash flows from investing activities		
Purchase of property, plant and equipment	-3,415	-3,305
Purchase of intangible assets	-294	-577
Proceeds from collection of lease and guarantee deposits	22	2
Payments for lease and guarantee deposits	-53	-37
Purchase of investment securities	-314	-56
Payments for investments in capital of subsidiaries and associates	-13	-291
Acquisition of newly consolidated subsidiaries	—	-71
Payments for loans receivable	-1	-56
Proceeds from collection of loans receivable	173	54
Others	0	-263
Net cash provided by (used in) investing activities	-3,896	-4,604

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2022 to September 30, 2022)	Consolidated cumulative second quarter of current fiscal year (April 1, 2023 to September 30, 2023)
Cash flows from financing activities		
Increase in short-term loans payable	—	180
Proceeds from long-term debt	184	167
Repayment of short-term loans payable	—	-80
Repayment of long-term loans payable	-24	-34
Purchase of treasury stock	-0	—
Proceeds from issuance of stock acquisition rights	—	-17
Cash dividends paid	-10,790	-12,291
Net cash provided by (used in) financing activities	-10,630	-12,077
Effect of the exchange rate change on cash and cash equivalents	166	21
Increase (decrease) in cash and cash equivalents	1,246	-1,053
Cash and cash equivalents at beginning of the period	65,520	74,145
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	121	—
Cash and cash equivalents at end of the period	66,888	73,091

(4) Notes to quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

DISCLAIMER:

This document is a summary translation of the Japanese version. All readers are recommended to refer to the original Japanese version for complete information. The Japanese version shall prevail in any discrepancies, errors, or omissions.