



FY2022 Second Quarter Financial Results

(From April 1, 2022 to September 30, 2022)

Scroll Corporation
(TSE Prime Section : 8005)

Notice:

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FY2022 Second Quarter Results

(FY2022 First Half)

Highlights (consolidated)

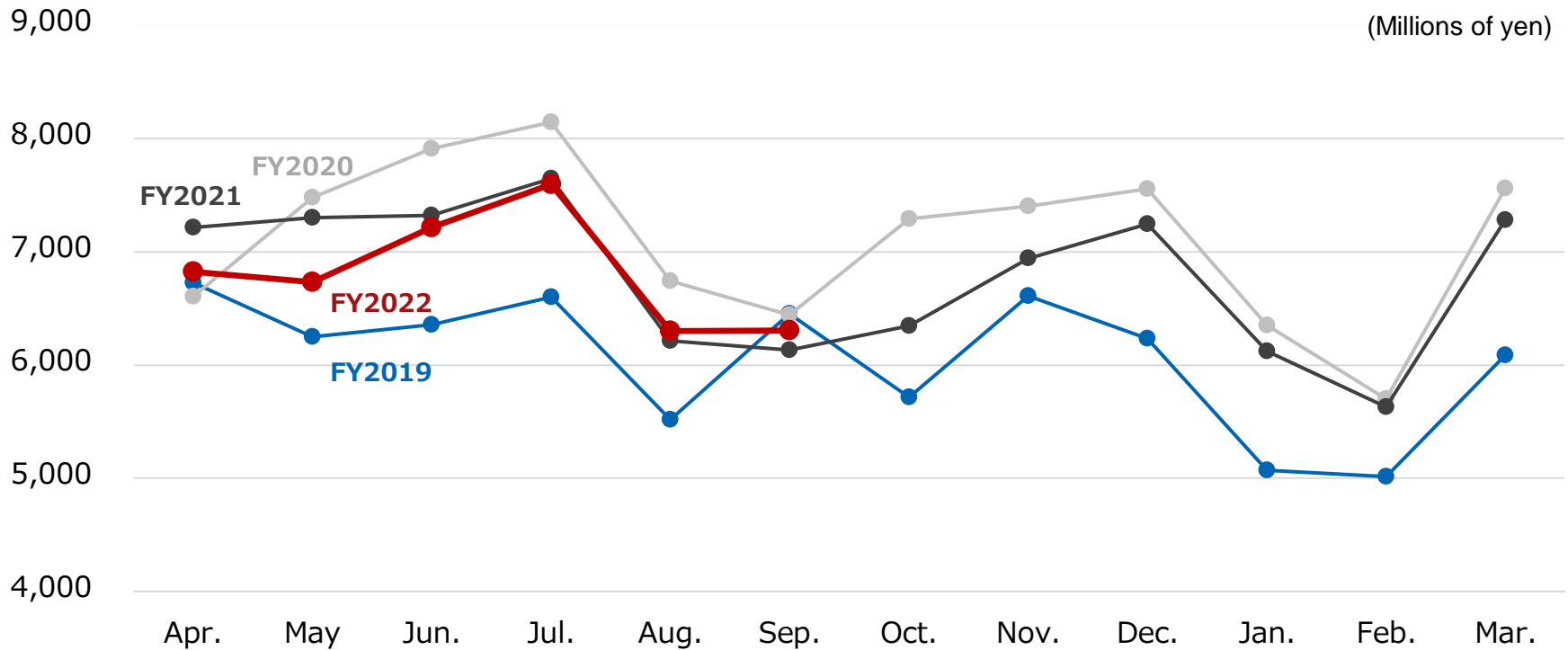
- Net sales : Overall sales decreased despite sales growth in the Solutions Business
- Ordinary profit : Decrease due to lower sales and cost increase factors

(Millions of yen)

	H1 FY2021 Actual	H1 FY2022 Actual	Change YoY	% Change YoY
Net sales	41,830	40,965	-864	-2.1%
Operating profit (Operating profit / net sales)	4,680 (11.2%)	3,496 (8.5%)	-1,184	-25.3%
Ordinary profit (Ordinary profit / net sales)	4,708 (11.3%)	3,373 (8.2%)	-1,335	-28.4%
Profit attributable to owners of parent	3,231	2,333	-898	-27.8%
Earnings per share	¥92.69	¥66.88	- ¥ 25.81	—

Changes in monthly net sales (consolidated)

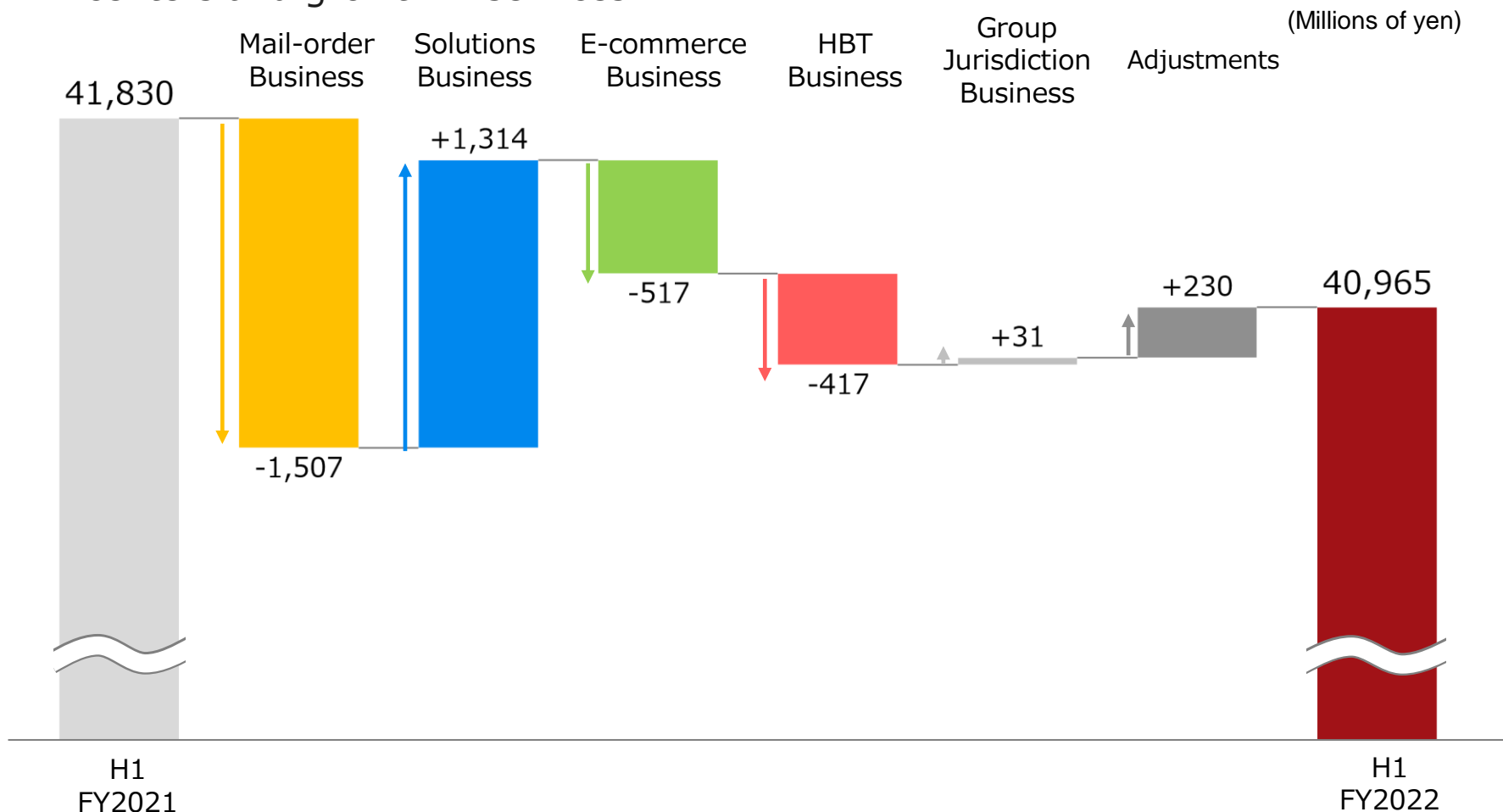
- In the Mail-order Business, orders for spring and summer products (April-May) were sluggish, but recovered to the same level as the previous year from June onward.
- Sales since August have exceeded the previous year's results due to growth in the Solutions Business.



*Figures for FY2019 and FY2020 on this page are figures before the application of the Accounting Standard for Revenue Recognition, etc. It is displayed for reference.

Analysis of Sales Increase/Decrease (consolidated)

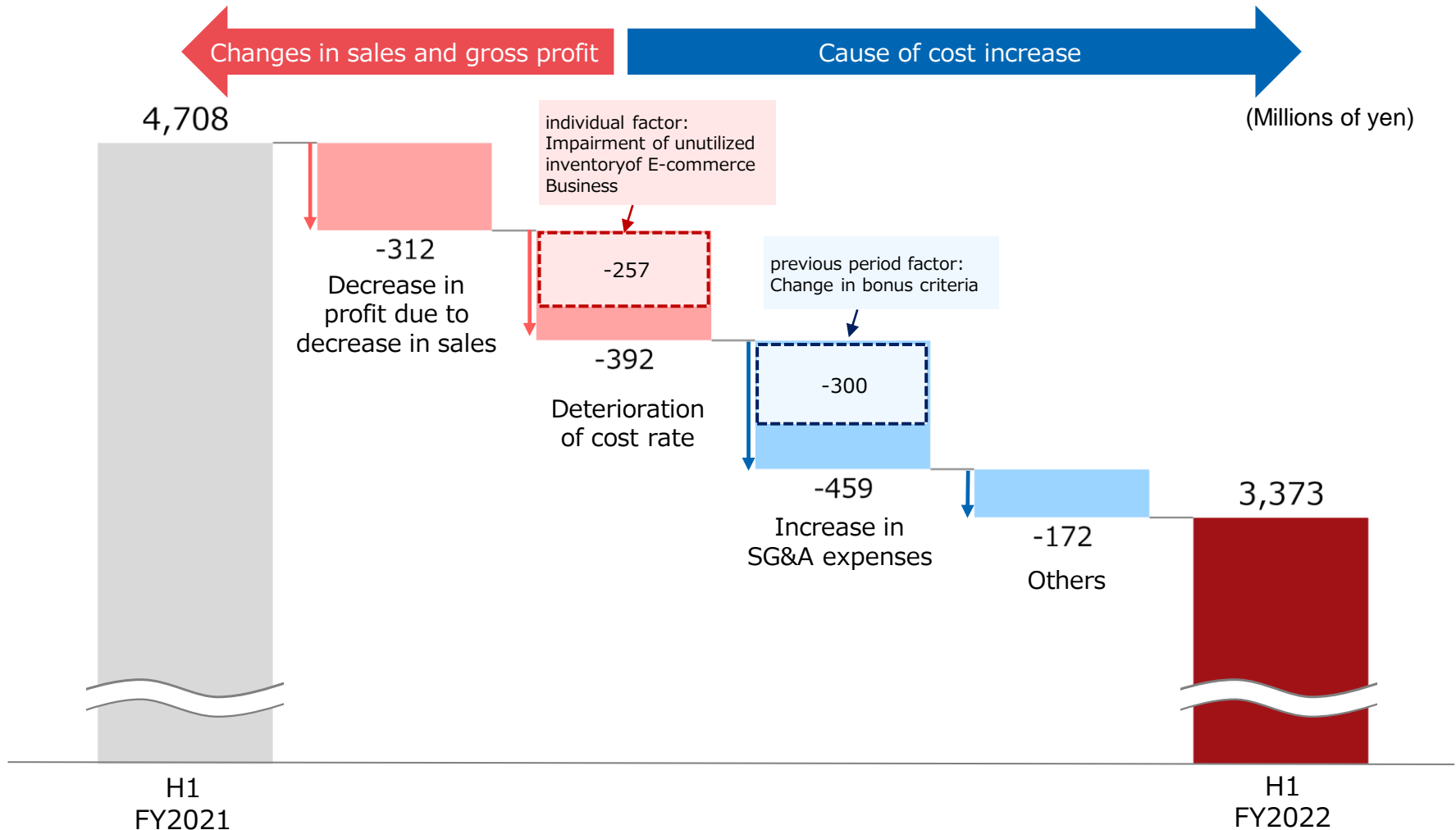
- In the Mail-order Business, sales declined due to weak spring and summer sales (April-May).
- In the Solutions Business, increased due to the contribution of new distribution centers and growth in services.



* Effective from the beginning of the FY2022, the Company has changed its reportable segments.

Analysis of Changes in Ordinary profit (consolidated)

- The decrease in profit was due to the occurrence of special factors in the previous fiscal year and cost increase factors, in addition to the decrease in profit due to lower sales.



Selling, general and administrative expenses (consolidated)

- The selling, general and administrative (SG&A) expense ratio increased 1.7 percentage points due to higher personnel expenses and others.

(Millions of yen)

	H1 FY2021 Actual	H1 FY2022 Actual	Change	Increase/Decrease Factors (round numbers)
Freightage related expenses	814	772	-41	
Advertising expenses	5,095	5,115	+20	[-] sales promotion expenses -30 (Streamlining the distribution of weekly deployment catalogs) [+] sales promotion expenses +100 (Increased circulation of booklet catalogs)
Personnel expenses	2,209	2,427	+218	[+] Bonus-related expenses +300 (previous period factor : Change in bonus criteria)
Others	3,139	3,402	+263	[+] Commission fee +186(Change of account : Transferred to cost) [+] Provision for allowance for doubtful accounts +51 (Payment agency business)
SG&A expenses (SG&A expenses ratio)	11,258 (26.9%)	11,718 (28.6%)	+459 (+1.7P)	

Performance by Segment

Mail-order Business

Decrease in sales and profit

Orders are recovering despite declining sales and profits

Net sales :	¥ 21,263 million	(-6.6%)
Segment profit :	¥ 3,341 million	(-21.4%)

Solutions Business

Increase in sales and profit

Growth in logistics services and other services

Net sales :	¥ 10,094 million	(+15.0%)
Segment profit :	¥ 229 million	(+38.2%)

E-commerce Business

Decrease in sales and profit

Struggled as market environment became more severe

Net sales :	¥ 10,170 million	(-4.8%)
Segment profit :	-¥ 235 million	(¥ 181 million in H1 FY2021)

HBT Business

Decrease in sales and profit

Decrease in sales and income due to business restructuring

Net sales :	¥ 660 million	(-38.7%)
Segment profit :	-¥ 95 million	(¥ 3 million in H1 FY2021)

Group Jurisdiction Business

Increase in sales and decrease in profit

Due to the impact of intra-group balance of income and expenses in the real estate business

Net sales :	¥ 1,688 million	(+1.9%)
Segment profit :	¥ 100 million	(-16.3%)

* () Figures in parentheses are year-on-year changes

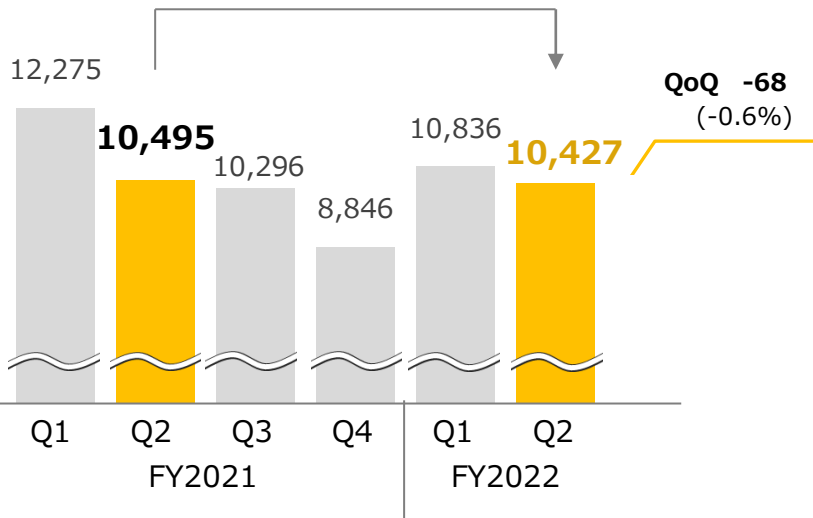
* Effective from the beginning of the FY2022, the Company has changed its reportable segments. * Consolidation adjustments are not included.

Mail-order Business Segment

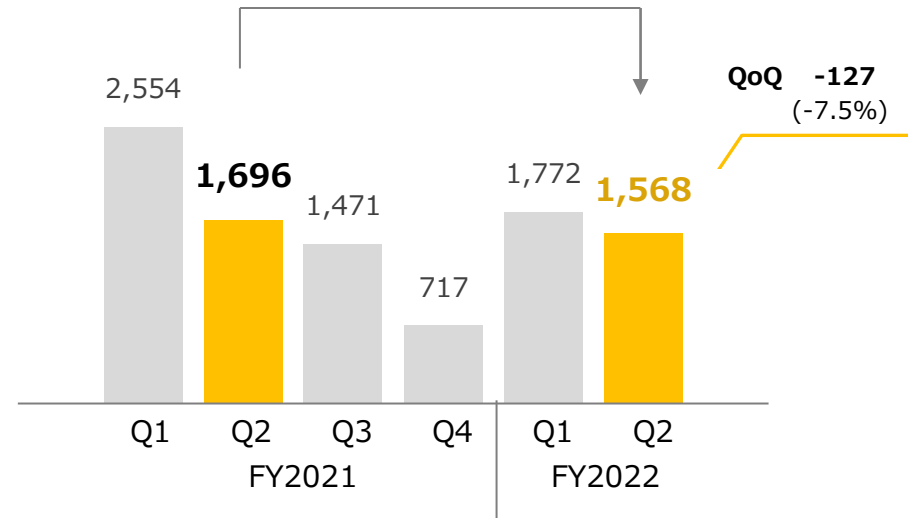
- Sales in the second quarter were on par with the same period of the previous year, but sales and profits declined in the first half of the year due to lower sales of spring and summer products.
 - Sales remained steady as orders recovered in midsummer and late summer.
 - Profit decreased due to a decrease in gross profit and an increase in SG&A expenses caused by a special factor (change in bonus criteria) in the previous period.

H1 Net sales : ¥ 21,263 million (YoY - 6.6%)
 Segment profit : ¥ 3,341 million (YoY -21.4%)

Quarterly Sales (Millions of yen)



Quarterly Segment Profit (Millions of yen)

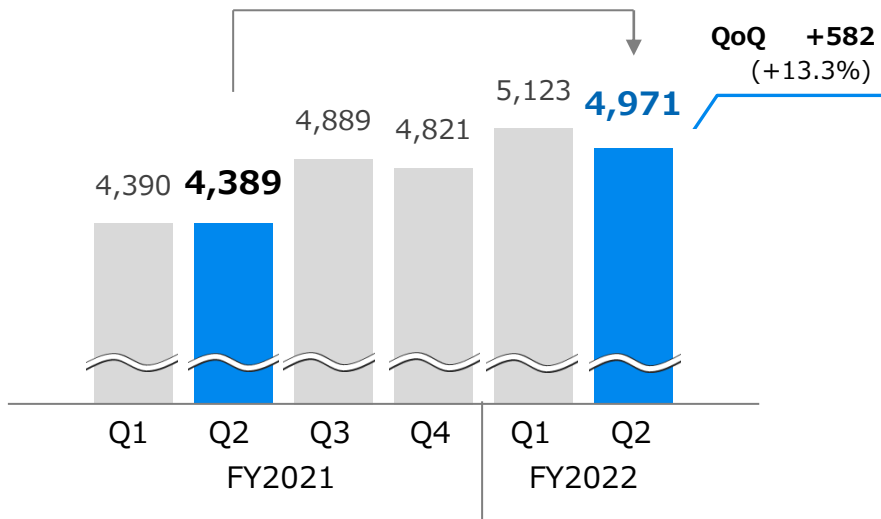


Solutions Business Segment

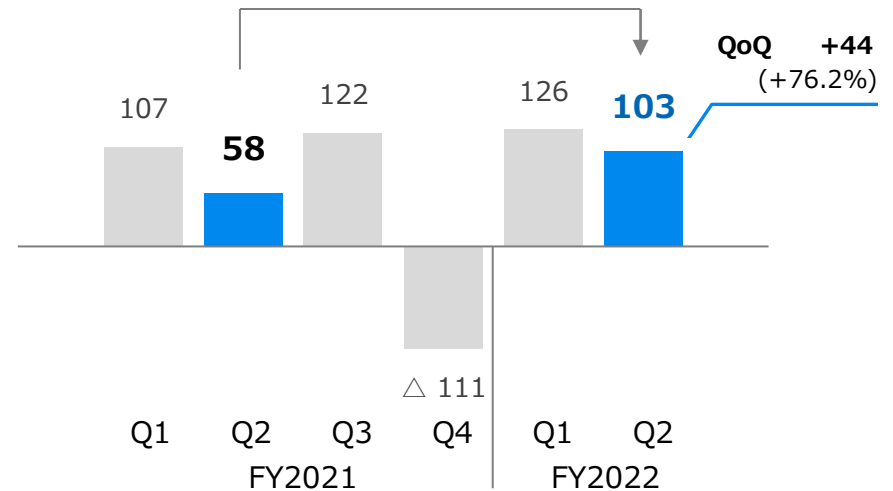
- Sales and profits increased due to growth in each of the mail-order solution services, including logistics agency services.
 - Sales increased due to new distribution center and contact center operations and growth in marketing support business.
 - Performance of Payment agency services remained steady.

H1 Net sales : ¥ 10,094 million (YoY +15.0%)
 Segment profit : ¥ 229 million (YoY +38.2%)

Quarterly Sales (Millions of yen)



Quarterly Segment Profit (Millions of yen)

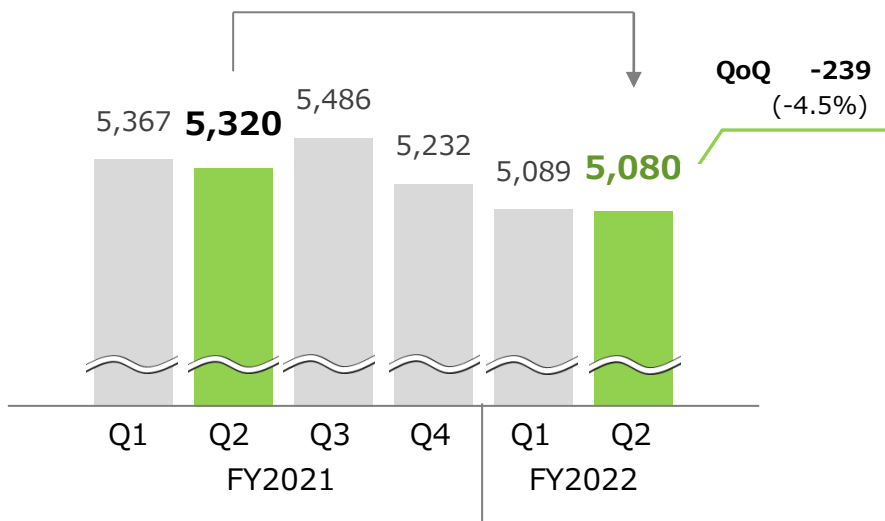


E-commerce Business Segment

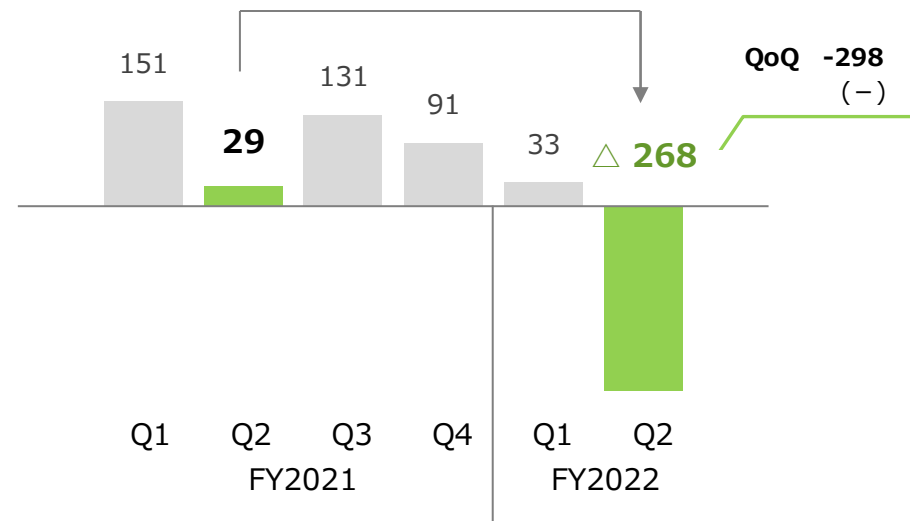
- E-commerce market environment became more severe and struggled.
 - Promoted differentiation strategies such as developing original products and offering new business models.
 - Profitability deteriorated due to intensified price competition and higher purchase prices.
 - Impairment of unutilized inventory in response to deteriorating market conditions.

H1 Net sales : ¥ 10,170 million (YoY -4.8%)
 Segment profit : -¥ 235 million (¥ 181 million in H1 FY2021)

Quarterly Sales (Millions of yen)



Quarterly Segment Profit (Millions of yen)



Balance sheet (consolidated)

- Net assets totaled 30,630 million yen (equity ratio 61.1%) due to net profit and an increase in capital.

(Millions of yen)

	March 31, 2022	September 30,2022	Change	<Main changes>
Current assets	32,233	32,861	+628	Cash and deposits - 952 Inventories +1,504
Non-current assets	17,477	17,308	-169	
Total assets	49,711	50,170	+458	
Current liabilities	12,051	14,877	+2,825	Short-term borrowing +2,950
Non-current liabilities	7,621	4,662	-2,959	Long-term borrowing - 3,000
Total liabilities	19,673	19,539	-133	
Total net assets	30,037	30,630	+592	Share capital / Capital surplus +90 Dividend payment - 1,900 profit +2,333
Total liabilities and net assets	49,711	50,170	+458	
Equity ratio	60.4%	61.1%	+0.7P	

Cash flows (consolidated)

(Millions of yen)

	H1 FY2021 Actual	H1 FY2022 Actual	Change
Net cash provided by (used in) operating activities	-538	1,205	+1,743
Net cash provided by (used in) investing activities	-491	-232	+258
Net cash provided by (used in) financing activities	-3,074	-1,944	+1,130
Effect of exchange rate change on cash and cash equivalents	18	19	+1
Net increase (decrease) in cash and cash equivalents	-4,086	-952	+3,134
Cash and cash equivalents at beginning of period	8,084	7,142	-941
Cash and cash equivalents at end of period	3,997	6,189	+2,192

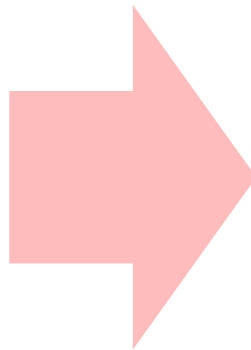
- Main components of net cash provided by (used in) operating activities
 - Profit before income taxes +¥ 3,374million
 - Increase in inventory -¥ 1,504million
- Main components of net cash provided by (used in) investing activities
 - Purchase of intangible assets -¥ 142million
- Main components of net cash provided by (used in) financing activities
 - Dividends paid -¥ 1,893million

Medium-term Management Plan and Full-year Forecasts

Changes in the external environment that we need to address

- The external environment is changing from a mid-term perspective, and in order to enhance growth potential and risk tolerance, it is necessary to change into a corporate entity that meets the needs of the times and reflect these changes in business activities.

Changes in the external environment from a mid-term perspective
<u>Declining birthrate and aging population</u>
<u>Global recession</u>
<u>Unstable World Situation</u>
<u>Climate change</u>
<u>Lifestyle changes due to COVID-19</u>



Changes that need to be reflected in business activities
Rising production costs
Accelerating yen depreciation
Shrink of consumer market and mindset
Diversification of customer needs of goods and services
Increased use of E-commerce and Mail-order
Intensifying competition across industries and business categories
Growing awareness of sustainability

Next Evolution 2024 ~To the Next Goal~

Transformation and Evolution of DMC

(Direct Marketing Conglomerate)

FY2022

FY2023-FY2024

Two priority policies for FY2022

Promotion of second DMC management

Breaking away from single-business management that relies on the Mail-order Business

- Expanding SVB sales in the Mail-order Business segment
- Increasing profit in the Solutions Business segment
- Improve profitability in the E-commerce Business segment

Medium- to long-term goals

Optimizing our business portfolio for the second completion of DMC

Stepped-up efforts in Responsibility management

Advancing initiatives that contribute to business profit

- Initiatives toward eco-friendliness and a decarbonized society (E / Environment)
- Promotion of task diversity management (S / Social)
- Enhancement of corporate governance (G / Governance)

Advancing efforts to achieve environmental and social goals

Progress of Medium-Term Management Plan

: Promotion of second DMC management

Breaking away from single-business management that relies on the Mail-order Business

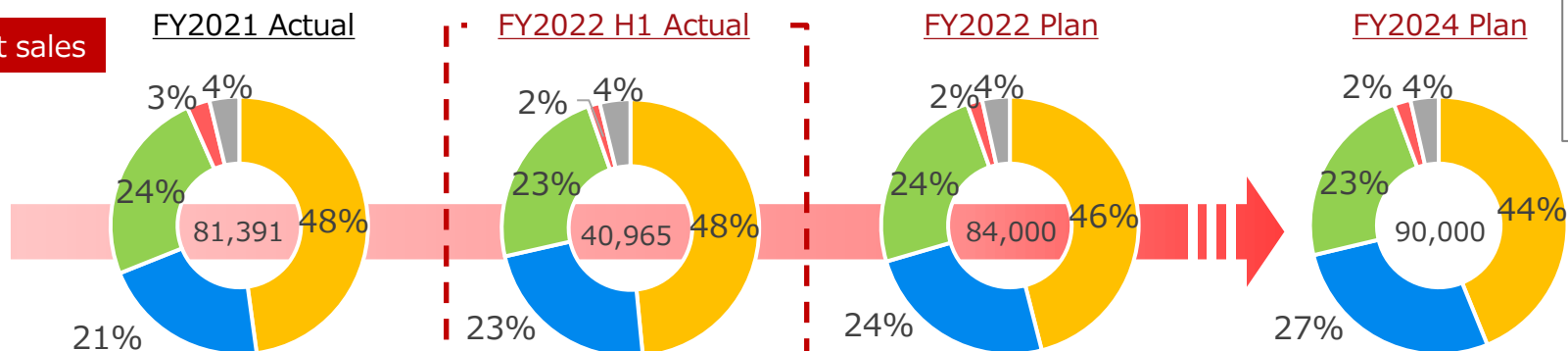
(Summary of the first half)

In ordinary profit, the composition ratio of the Solutions Business increased, but the E-commerce Business decreased.

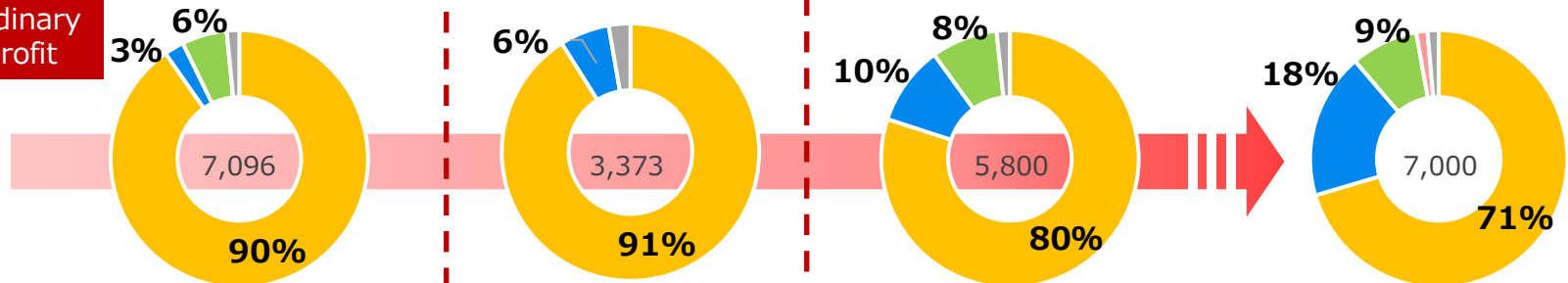
Composition ratio

(Millions of yen)

Net sales



Ordinary profit



* The figures in the FY2022 plan are the figures announced as of May 10, 2022.

Breaking away from single-business management that relies on the Mail-order Business

We will continue to accelerate growth in the Solutions Business and aim to optimize our business portfolio by promoting a differentiation strategy in the E-commerce Business.



Expanding SVB sales in the Mail-order Business segment

Increasing profit in the Solutions Business segment

Improve profitability in the E-commerce Business segment

Promote efficiency in existing businesses

Forecast for Full-year FY2022 (consolidated)

- Based on the results through the second quarter, we have revised our forecast figures as follows, due to the anticipated further decline in personal consumption in the third quarter and beyond, accompanying rising prices, and the expected stronger impact of higher production costs.

(Millions of yen)

	FY2021 Actual	FY2022 Forecast		Change (% change) / [*]	
		Previous Forecasts (announced on May 10, 2022)	New Forecasts (announced on October 28, 2022)	Vs FY2021 Actual	Vs Previous Forecasts
Net sales	81,391	84,000	79,000	-2,391 (-2.9%)	-5,000 (-6.0%)
Operating profit (Operating profit / net sales)	7,000 (8.6%)	5,700 (6.8%)	4,500 (5.7%)	-2,500 [-2.9P]	-1,200 [-1.1P]
Ordinary profit (Ordinary profit / net sales)	7,096 (8.7%)	5,800 (6.9%)	4,500 (5.7%)	-2,596 [-3.0P]	-1,300 [-1.2P]
Profit attributable to owners of parent	5,585	4,000	3,100	-2,485	-900
Earnings per share	19.7%	13.0%	10.1%	-9.6P	-2.9P

* [change in percentage points]

Forecast for Full-year FY2022 (by Segment)

- By segment, we have revised the forecast figures for the Mail-order Business, Solutions Business, and E-commerce Business, as shown below.

(Millions of yen)

Business	FY2021 Actual		FY2022 Forecast				Change				
			Previous Forecasts		New Forecasts		Vs FY2021 Actual		Vs Previous		
		% change (*2)		% change (*2)		% change (*2)		% change [*3]		% change [*3]	
Net sales	Mail-order	41,914	–	41,000	-2.2%	38,000	-9.3%	-3,914	-9.3%	-3,000	-7.3%
	Solutions	18,490	–	21,800	+17.9%	20,800	+12.5%	+2,309	+12.5%	-1,000	-4.6%
	E-commerce	21,406	–	21,500	+0.4%	20,500	-4.2%	-906	-4.2%	-1,000	-4.7%
	HBT	2,510	–	1,700	-32.3%	1,700	-32.3%	-810	-32.3%	–	–
	Group Jurisdiction	3,287	–	3,100	-5.7%	3,100	-5.7%	-187	-5.7%	–	–
	Adjustments	-6,217	–	-5,100	–	-5,100	–	+1,117	–	–	–
Total	81,391	–	84,000	+3.2%	79,000	-2.9%	-5,000	-2.9%	-5,000	-6.0%	
Ordinary profit	Mail-order	6,439	(15.4%)	4,800	(11.7%)	3,900	(10.3%)	-2,539	[-5.1P]	-900	[-1.4P]
	Solutions	177	(1.0%)	600	(2.8%)	600	(2.9%)	+422	[+1.9P]	–	–
	E-commerce	404	(1.9%)	500	(2.3%)	0	(0.0%)	-404	[-1.9P]	-500	[-2.3P]
	HBT	-1	(-0.1%)	-100	(-5.9%)	-100	(-5.9%)	-98	[-5.8P]	–	–
	Group Jurisdiction	111	(3.4%)	100	(3.2%)	100	(3.2%)	-11	[-0.2P]	–	–
	Adjustments	-35	–	-100	–	0	–	+35	–	+100	–
Total (Ordinary profit)	7,096	(8.7%)	5,800	(6.9%)	4,500	(5.7%)	-2,596	[-3.0P]	-1,300	[-1.2P]	

*1 As the FY2021 is the first year of application of the "Accounting Standard for Revenue Recognition" and other standards, % change from the previous fiscal year is not shown.

*2 (Ordinary profit / net sales)

*3 [change in percentage points]

About shareholder return

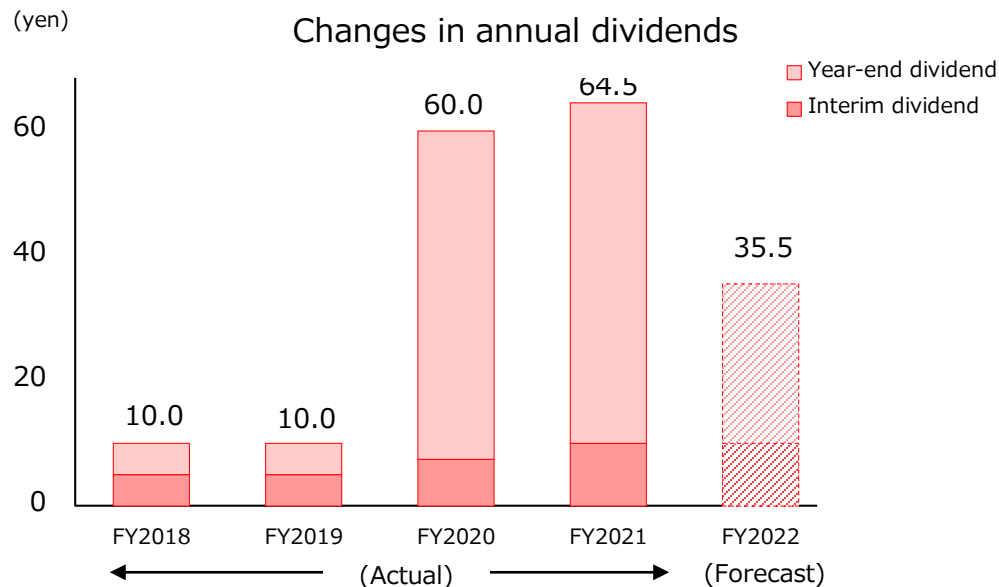
■ Basic policy for return to shareholders

- We regards the return of profit to its shareholders as a management policy of utmost importance.
- Our basic policy regarding dividends is to "implement an annual dividend of 20 yen as the minimum and a consolidated dividend payout ratio of 40% in principle".
For fiscal years in which net income for the current term fluctuates significantly due to sales of real estate or securities not directly related to business activities and other special factors, the amount of dividends will be determined after excluding the impact of such sales.
- We use internal reserves primarily for appropriate investments to strive to maintain and strengthen inter-corporate competitiveness.

■ FY2022 Dividend per share (Forecast)

- With respect to the dividend forecast for the FY2022, we have revised the year-end dividend forecast to 25.5 yen and the annual dividend forecast to 35.5 yen, respectively, in line with the aforementioned revision of the earnings forecast.

Interim dividend	¥ 10.0
Year-end dividend	¥ 25.5 (forecast)
Annual dividend	¥ 35.5 (forecast)



Company Profile / Business Segments Introduction

Company profile

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Scroll Corporation

- Headquarters : 2-24-1 Sato, Naka-ku, Hamamatsu-shi, Shizuoka
- Representative : Tomohisa Tsurumi
- Established : October 1, 1943
- Capital : ¥ 6,064 million (as of September 30, 2022)
- Employees (consolidated) : 900 (as of September 30, 2022)
- Description of business : Mail-order Business of apparel, general merchandise, cosmetics and health food products, travel, etc., as well as the Solutions Business for e-commerce and mail-order business vendors
- Business structure : Direct Marketing Conglomerate made up of 19 consolidated companies

Business Segments and Business Overview

<p>Mail-order Business</p>	<p>We are developing mail-order sales (catalog and partially internet) for members of the co-op home delivery business.</p>  <p>SCROLL TRADING (SHANGHAI) Co.,LTD.</p>
<p>Solutions Business</p>	<p>We provide "one-stop solution services" that provide 360-degree support for EC and mail-order businesses.</p>    
<p>E-commerce Business</p>	<p>We sell specialized product categories over the Internet, primarily through our own website and online shopping malls.</p> <p>A X E S   </p>
<p>HBT Business</p>	<p>We sell cosmetics and health foods over the Internet, focusing on natural and organic products to help our customers stay healthy in mind and body. We also sell domestic travel planning.</p>  <p>木 草 果 花</p>  <p>株式会社トラベックス ツアーズ</p>
<p>Group Jurisdiction Business</p>	<p>We operate logistics centers and make effective use of real estate at our domestic locations. In addition, overseas subsidiaries manage the production of products.</p>  <p>SCROLL VIETNAM CO.,LTD.</p>

Contact



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★Caution regarding forward-looking statements

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ from the forecast figures due to various factors going forward.