

FY2023 Second Quarter Financial Results

(From April 1, 2023 to September 30, 2023)

Scroll Corporation
(TSE Prime Section : 8005)

Notice:

This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.



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(FY2023 First Half)

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FY2023 Second Quarter Results

(FY2023 First Half)

Highlights (consolidated)

- Net sales decreased 948 million yen YoY.
- Operating profit decreased. However, ordinary profit increased due to a decrease in non-operating expenses.

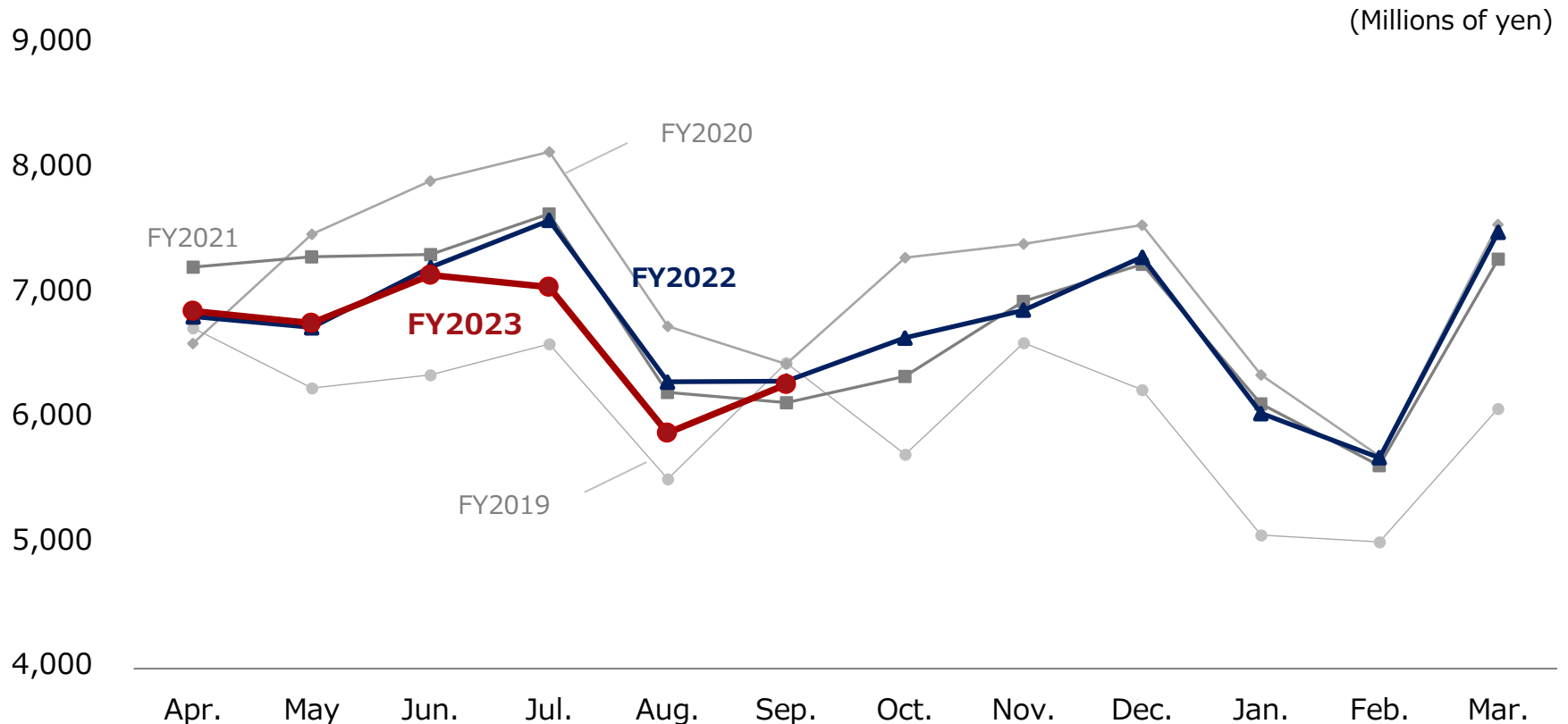
(Millions of yen)

	H1 FY2022 Actual	H1 FY2023 Actual	Y o Y	
			Change	% Change
Net sales	40,965	40,016	-948	-2.3%
Operating profit (Operating profit / net sales)	3,496 (8.5%)	3,374 (8.4%)	-122	-3.5%
Ordinary profit (Ordinary profit / net sales)	3,373 (8.2%)	3,438 (8.6%)	+65	+1.9%
Profit attributable to owners of parent	2,333	2,346	+13	+0.6%
Earnings per share	¥66.88	¥67.15	+¥0.27	—

* Yen(¥) denotes Japanese yen. The same notation is used on all pages below.

Changes in monthly net sales (consolidated)

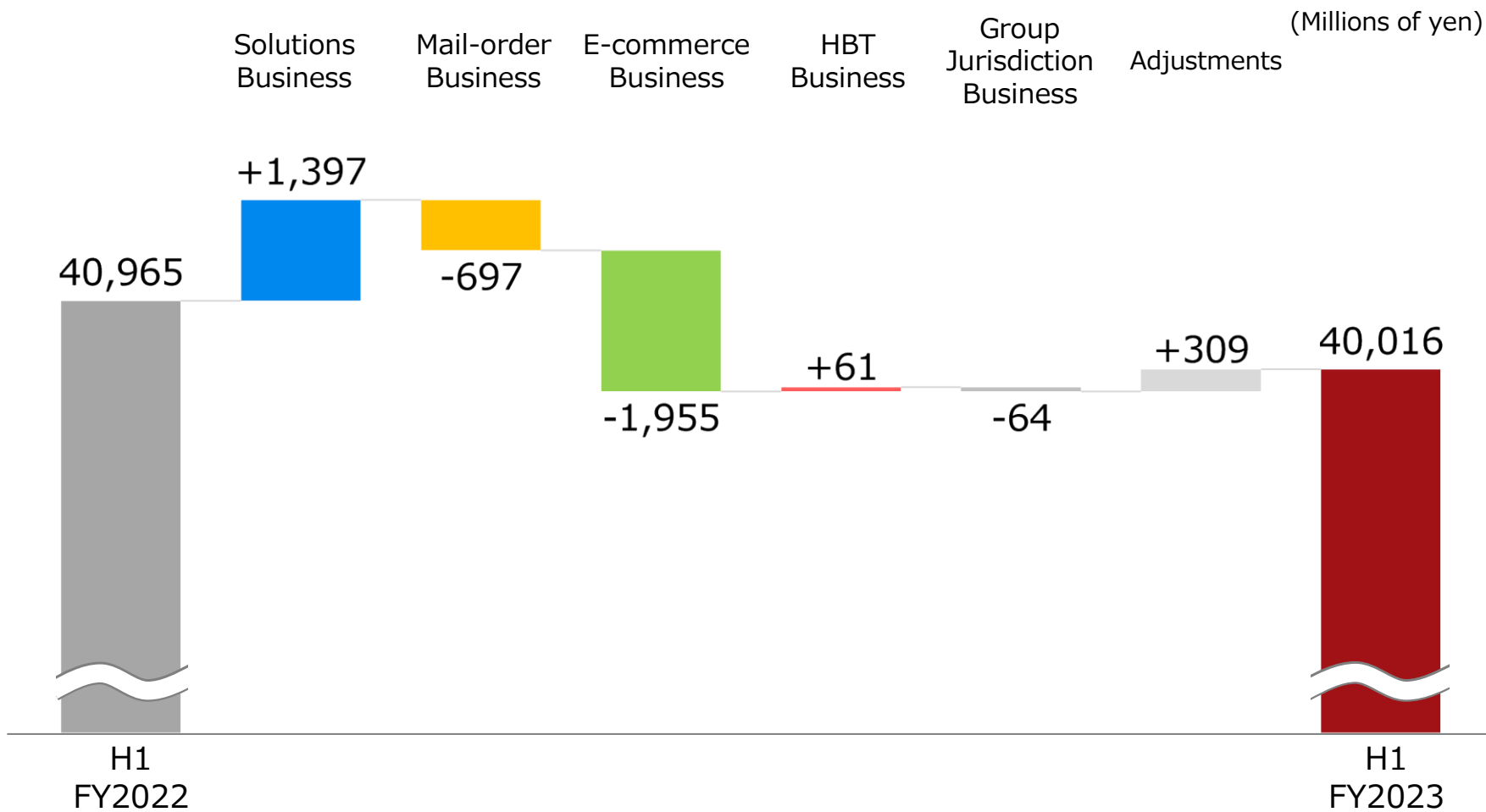
- Monthly sales from April to June and September were almost the same level as the previous year.
- July and August were about 7% lower than the same months last year.



* 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.

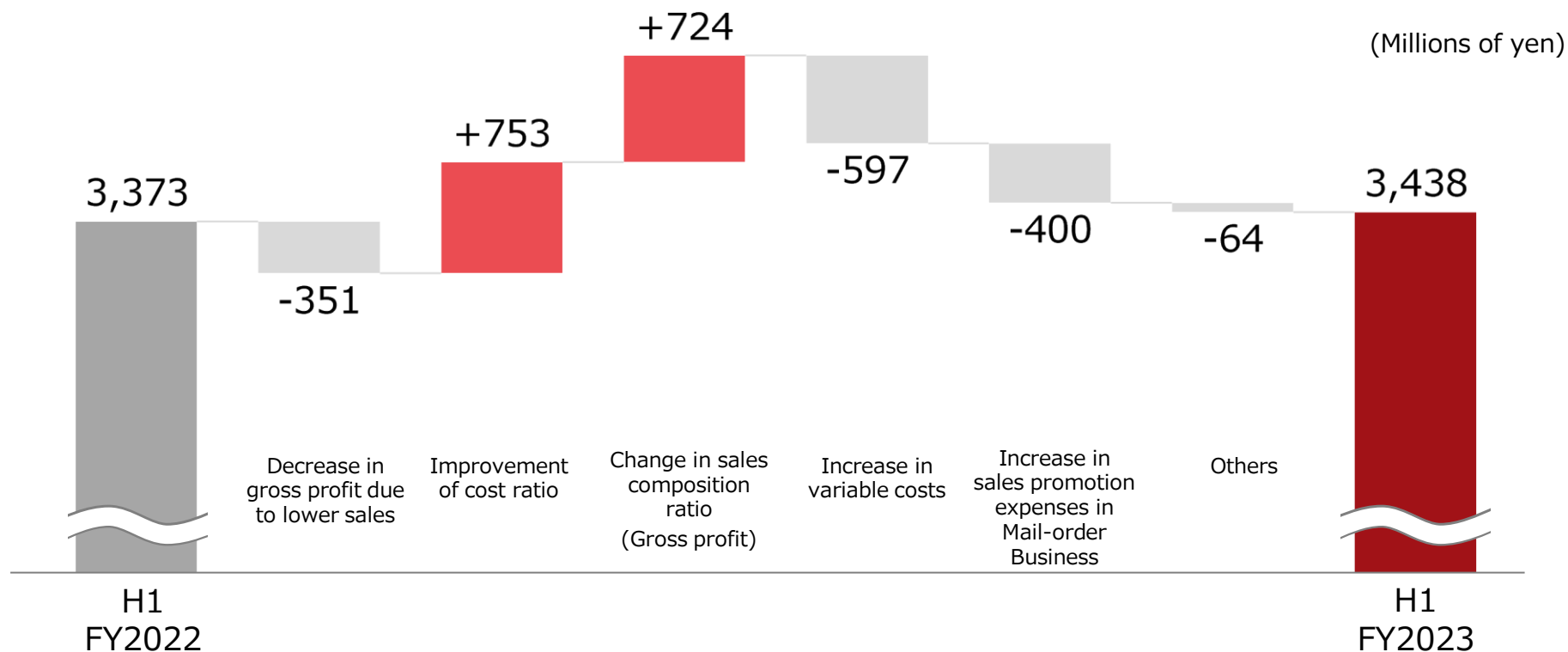
Analysis of Sales Increase/Decrease (consolidated)

- While the Solutions Business grew, sales in the E-commerce Business declined, resulting in a decline in overall sales.



Analysis of Changes in Ordinary profit (consolidated)

- Gross profit declined due to lower sales in the Mail-order and E-commerce Businesses, despite higher sales in the Solutions Business.
- Cost ratio improved in the Solutions and Mail-order Businesses.
- Gross profit increased due to changes in the sales composition (mainly growth in the Solutions Business).
- Sales promotion expenses in the Mail-order Business increased due to higher catalog-related costs.



Performance by Segment

Net sales

Segment
profit

(Millions of yen)

Solutions
Business11,491
(+13.8%)400
(+74.2%)**Increase in sales and profit**
Growth in various mail-order solution
servicesMail-order
Business20,566
(-3.3%)3,336
(-0.1%)**Decrease in sales and profit**
Maintain profitability in a challenging
cost environmentE-commerce
Business8,214
(-19.2%)-334
(-235 in
H1 FY2022)**Decrease in sales and profit**
Market environment deteriorated due to
changes in purchasing behavior

HBT Business

722
(+9.4%)-41
(-95 in
H1 FY2022)**Increase in sales, deficit shrinks**
Travel demand on the road to recovery

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

* Sales for each segment include internal sales or transfers between segments.

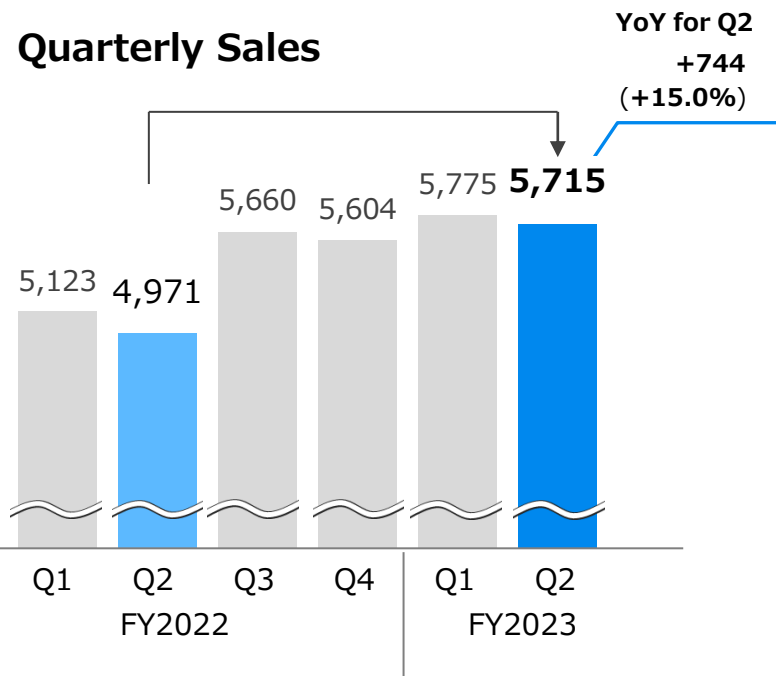
Solutions Business Segment

- Both sales and income increased due to growth in various mail-order solution services.
 - In logistics agency services, profitability improved due to business efficiencies at distribution centers.
 - Settlement agency services and marketing support business grew and performed well.

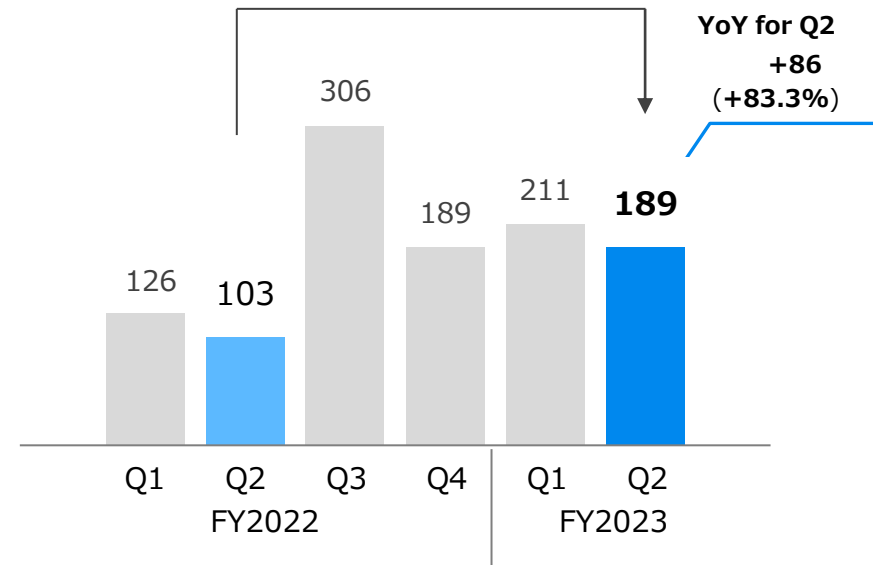
(Millions of yen)

H1 FY2023	Net sales :	11,491	(YoY +13.8%)
	Segment profit :	400	(YoY +74.2%)

Quarterly Sales



Quarterly Segment Profit



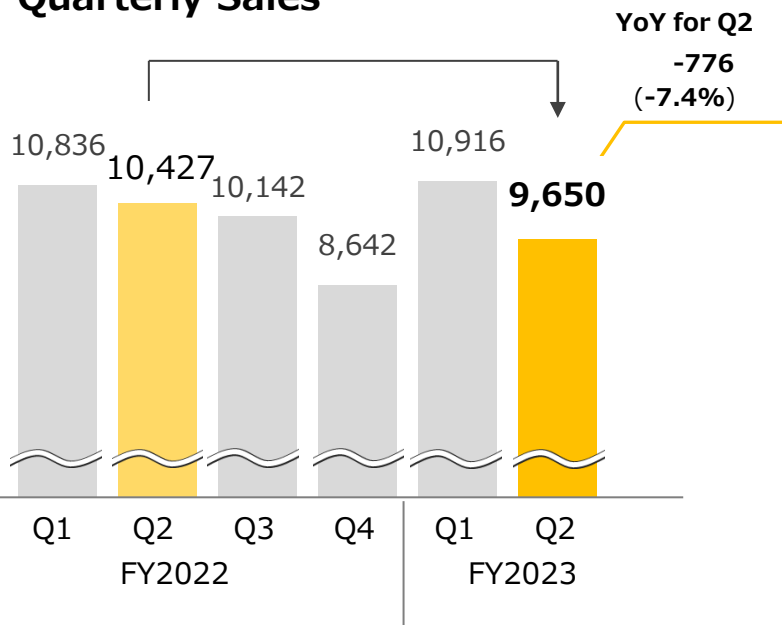
Mail-order Business Segment

- Maintain profitability in a challenging cost environment.
 - Improved product supply ratio and sales price control resulted in higher gross profit despite lower revenue.
 - While the cost of paper for catalogs is rising, the company curbed the rise in sales promotion costs through efforts such as reducing the amount of paper used.

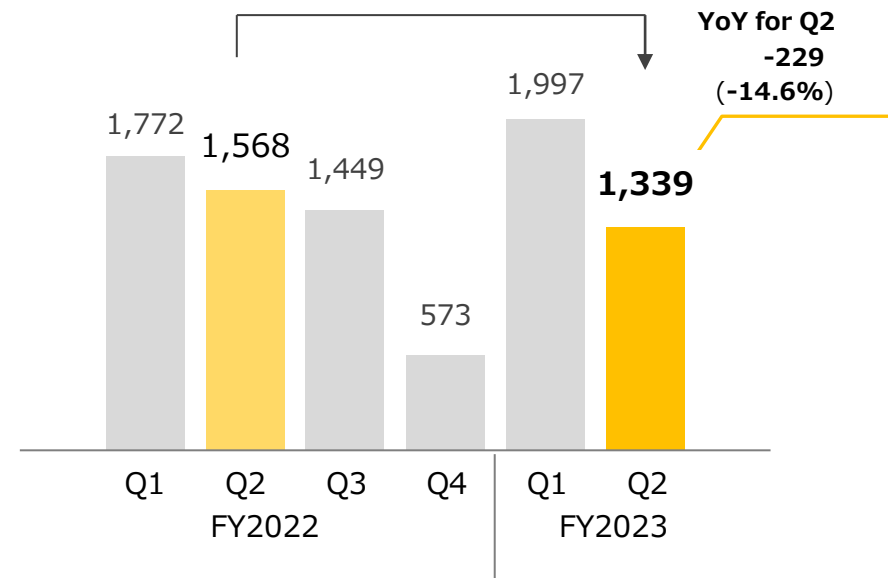
(Millions of yen)

H1 FY2023	Net sales :	20,566	(YoY -3.3%)
	Segment profit :	3,336	(YoY -0.1%)

Quarterly Sales



Quarterly Segment Profit



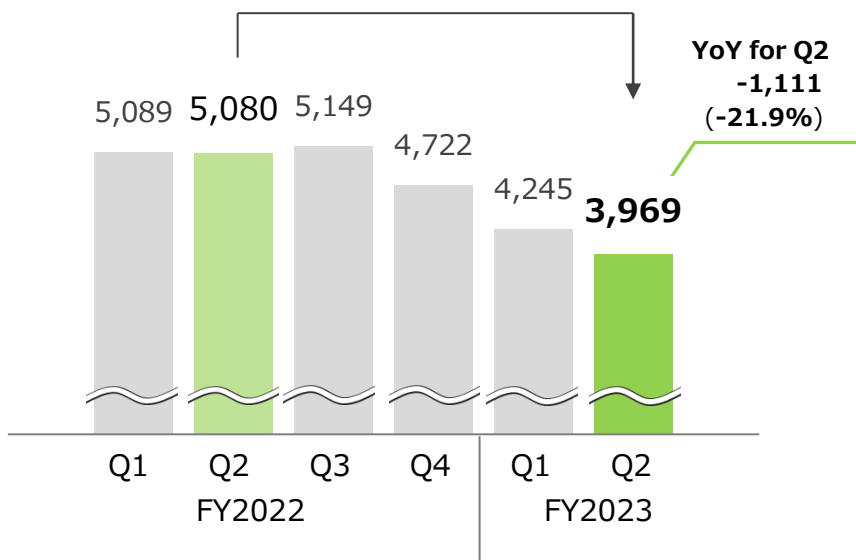
E-commerce Business Segment

- Sales and profits fell sharply due to changes in purchasing behavior.
 - In outdoor and camping equipment, struggled due to intensified price competition.
 - In other commercial products, the number of orders received also declined due to the deteriorating market environment. the number of orders received also declined due to the deteriorating market environment.

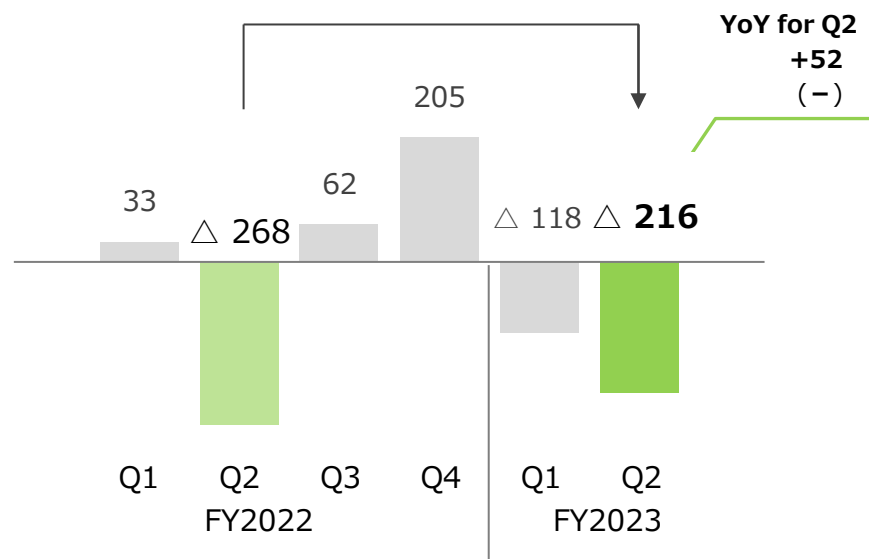
(Millions of yen)

H1 FY2023	Net sales :	8,214	(YoY -19.2%)
	Segment profit :	-334	(-235 in H1 FY2022)

Quarterly Sales



Quarterly Segment Profit



Balance sheet (consolidated)

- Total net assets reached 33,258 million yen (equity ratio 64.8%) due to net profit and capital increase.

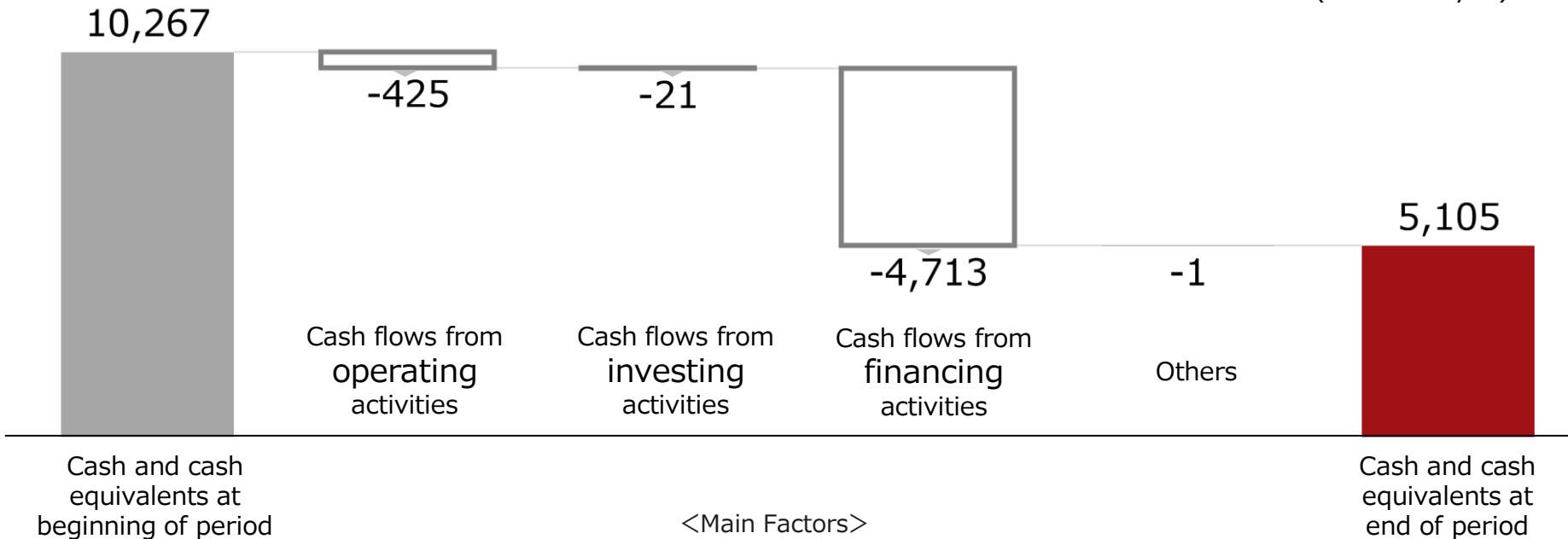
(Millions of yen)

	March 31, 2023	September 30,2023	Change	<Main changes>
Current assets	36,149	34,362	-1,786	Cash and deposits -5,161 Accounts receivable – trade +984
Non-current assets	17,051	16,923	-127	Inventories +985 Accounts receivable – other +1,305
Total assets	53,200	51,286	-1,913	
Current liabilities	16,529	16,323	-206	
Non-current liabilities	4,673	1,704	-2,969	Long-term borrowing -3,000
Total liabilities	21,203	18,027	-3,175	
Total net assets	31,997	33,258	+1,261	Share capital / Capital surplus +105 Treasury shares -387 Dividend payment profit -1,328 +2,346
Total liabilities and net assets	53,200	51,286	-1,913	
Equity ratio	60.1%	64.8%	+4.7P	

Cash flows (consolidated)

- Cash and cash equivalents at the end of the quarter was 5,105 million yen, down 5,161 million yen from the end of the previous period.

(Millions of yen)



<Main Factors>

Cash flows from operating activities

Profit before income taxes	+3,541
Income taxes paid	-1,381
Increase in other current assets	-1,250
Increase in trade receivables	-996
Increase in inventories	-985

Cash flows from investing activities

Proceeds from transfer of business	+100
Purchase of property, plant, equipment and intangible assets	-142

Cash flows from financing activities

Repayments of long-term loans payable	-3,000
Cash dividends paid	-1,325

Progress of the Medium-term Management Plan “Direct Marketing Solution 2025”

Summary of Medium-term Management Plan, FY2023 - FY2025 **scroll**

Direct Marketing Solution 2025 Conversion to Direct Marketing Solution Company

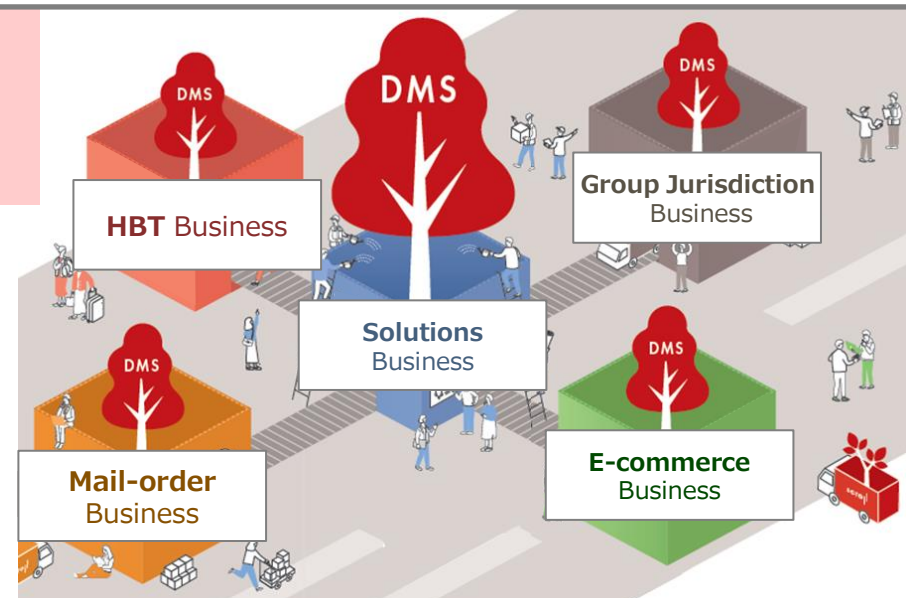
Two major policies for FY2023

Promote growth strategy by
optimizing our business
portfolio

Promotion of Effective
Responsibility Management

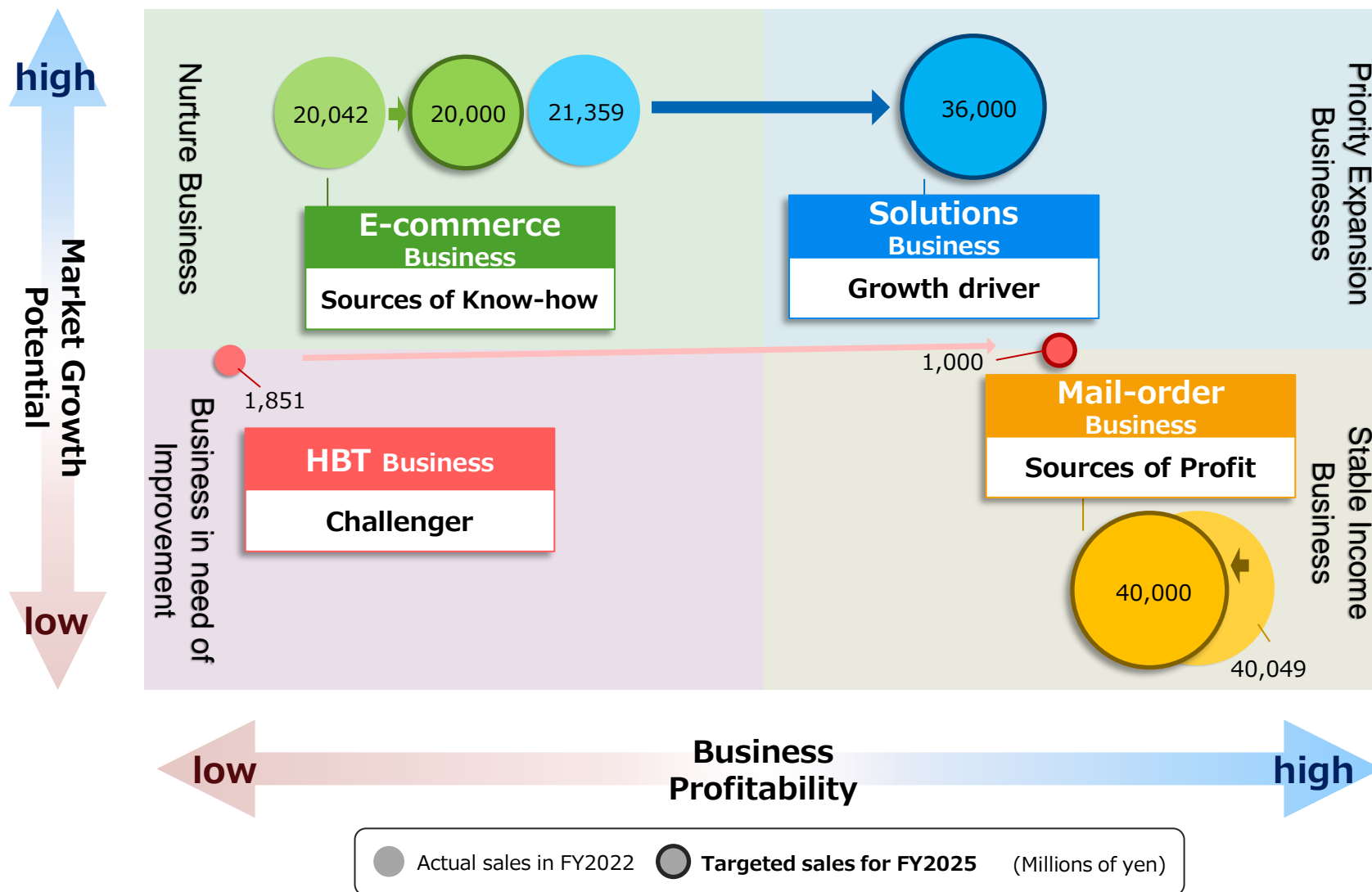
What is Direct Marketing Solution? (DMS)

Respond to customer needs by making full use of all the knowledge and know-how related to direct marketing that the Group possesses.



Promote growth strategy Business Portfolio Optimization

- The Solutions Business will be the growth driver for the entire group.



Promote growth strategy Business Portfolio Optimization (progress)

- The goal for the final year of the medium-term plan is to increase the ratio of the Solutions Business to ordinary profit to 35%.
- At present, the sales composition of the Solutions Business is growing, while the recurring profit composition remains unchanged.

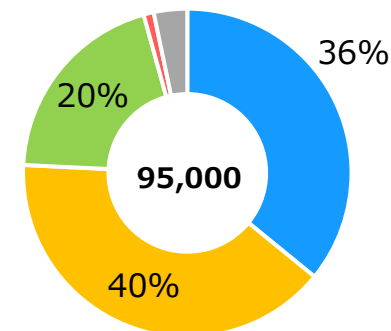
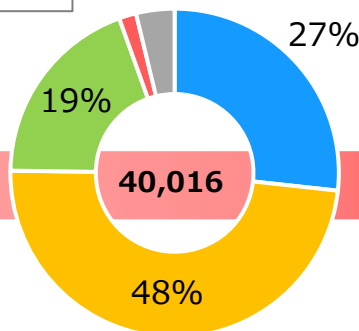
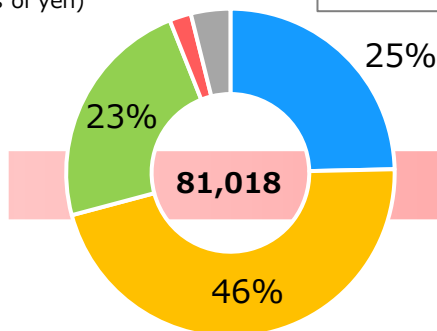
FY2022 Actual

H1 FY2023 Actual

FY2025 Target

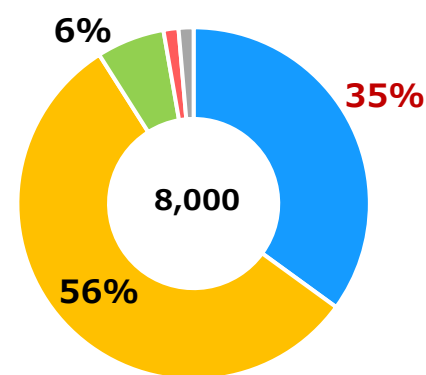
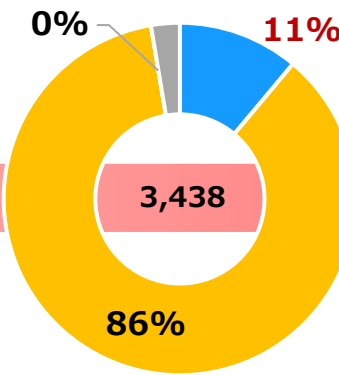
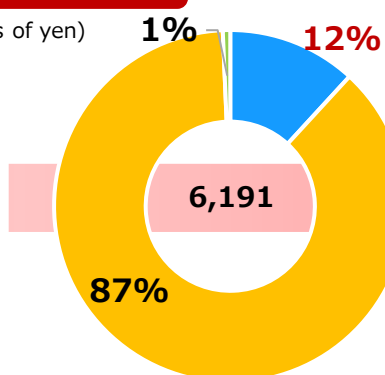
Net sales

(Millions of yen)



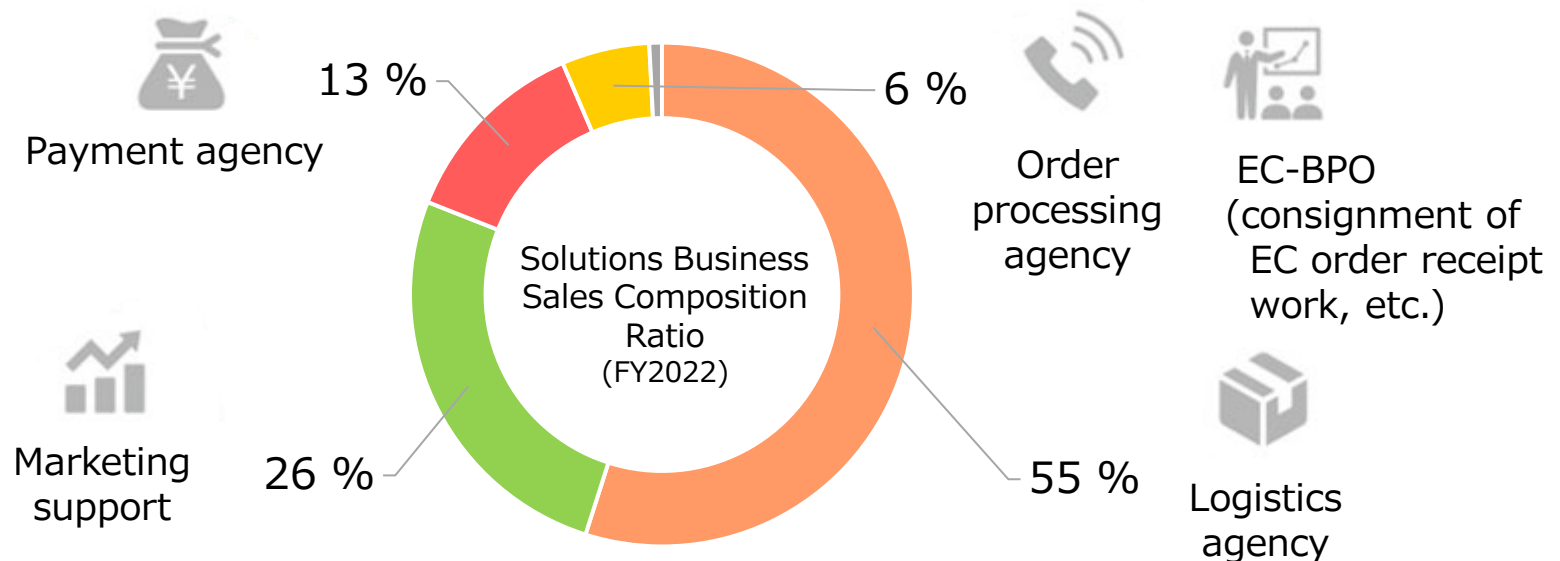
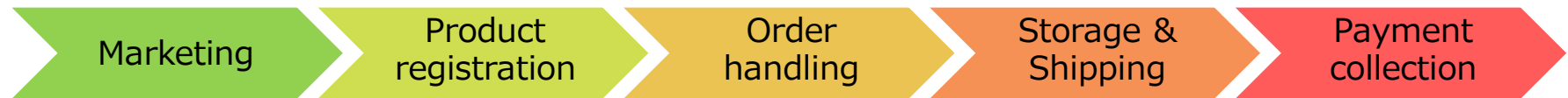
Ordinary profit

(Millions of yen)



Promote growth strategy About the Solutions Business

Workflow of EC and mail-order businesses and our group's mail-order solution services



As the EC market expands, we provide a one-stop solution service for EC and mail-order businesses, offering the mechanisms we have developed in the course of operating our Mail-order Business, including logistics infrastructure, marketing support, and payment services, to support mail-order businesses.

Promote growth strategy Case studies of DMS initiatives

- Sharing the know-how accumulated by each group company to create new value.

ECショップ運営代行なら！

通販一筋
スクロール360へ
サンロクマル
まるごと
アウトソーシング

イーシーアクト

ECACT

E-commerce store operation service

AXES Co., Ltd.

In 2004, the company opened a store on the Rakuten market. Since then, the company has expanded to official stores and multiple malls. The company has received numerous awards, including the Rakuten Shop of the Year award.



Scroll360 Corporation

The Group's know-how has been sublimated into the provision of services as "ECACT."

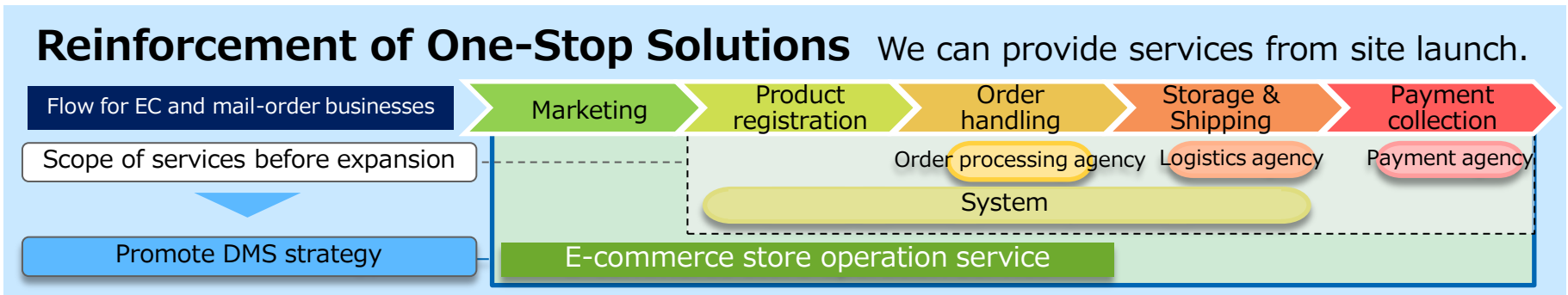
EC Operation Know-How

✕

share

Service Provide

EC and mail-order businesses



Horizontal expansion into various mail-order solutions services (cross-selling)

Full-year Forecast for the FY2023

Forecast for Full-year FY2023 (consolidated)

- The forecast figures have been revised as follows as a result of a renewed scrutiny of the future business environment, affected by changes in consumer purchasing behavior.

(Millions of yen)

	FY2022 Actual	FY2023 Forecast		Change (% change) / [*]	
		Previous Forecasts (announced on May 9, 2023)	New Forecasts (announced on October 27, 2023)	Vs FY2022 Actual	Vs Previous Forecasts
Net sales	81,018	83,000	80,000	-1,018 (-1.3%)	-3,000 (-3.6%)
Operating profit (Operating profit / net sales)	6,121 (7.6%)	6,100 (7.3%)	5,300 (6.6%)	-821 [-1.0P]	-800 [-0.7P]
Ordinary profit (Ordinary profit / net sales)	6,191 (7.6%)	6,200 (7.5%)	5,400 (6.8%)	-791 [-0.8P]	-800 [-0.7P]
Profit attributable to owners of parent	4,170	4,200	3,600	-570	-600
Earnings per share	13.4%	12.7%	11.1%	-2.3P	-1.6P

* [change in percentage points]

Forecast for Full-year FY2023 (by Segment)

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

(Millions of yen)

Business	FY2022 Actual		FY2023 Forecast				Change				
			Previous Forecasts		New Forecasts		Vs FY2022 Actual		Vs Previous		
		% change (*1)		% change (*1)		% change (*1)		% change [*2]		% change [*2]	
Net sales	Solutions	21,359	+15.5%	26,000	+21.7%	24,000	+12.4%	+2,640	+12.4%	-2,000	-7.7%
	Mail-order	40,049	-4.4%	39,000	-2.6%	39,000	-2.6%	-1,049	-2.6%	—	—
	E-commerce	20,042	-6.4%	19,000	-5.2%	17,000	-15.2%	-3,042	-15.2%	-2,000	-10.5%
	HBT	1,851	-26.2%	1,000	-46.0%	1,800	-2.8%	-51	-2.8%	+800	+80.0%
	Group Jurisdiction	3,369	+2.5%	3,200	-5.0%	3,200	-5.0%	-169	-5.0%	—	—
	Adjustments	-5,653	—	-5,200	—	-5,000	—	+653	—	+200	—
	Total	81,018	-0.5%	83,000	+2.4%	80,000	-3.6%	-1,018	-1.3%	-3,000	-3.6%
Segment profit	Solutions	725	(3.4%)	1,400	(5.4%)	1,200	(5.0%)	+474	[+1.6P]	-200	[-0.4P]
	Mail-order	5,364	(13.4%)	4,500	(11.5%)	4,500	(11.5%)	-864	[-1.9P]	—	—
	E-commerce	31	(0.2%)	200	(1.1%)	-400	—	-431	—	-600	—
	HBT	-98	—	0	(0.0%)	0	(0.0%)	+98	—	—	—
	Group Jurisdiction	108	(3.2%)	100	(3.1%)	100	(3.1%)	-8	[-0.1P]	—	—
	Adjustments	58	—	0	—	0	—	-58	—	—	—
	Total (Ordinary profit)	6,191	(7.6%)	6,200	(7.5%)	5,400	(6.8%)	-791	[-0.9P]	-800	[-0.7P]

*1 (Ordinary profit / net sales)

*2 [change in percentage points]

About shareholder return

■ Basic Policy on Shareholder Return

- We promote ROE-oriented management, aiming to maximize direct profit returns and shareholder value over the medium to long term.
- Our basic target for dividends is a consolidated dividend payout ratio of 40%, with a minimum dividend on equity (DOE) ratio of 4%.
- Retained earnings will be returned to shareholders by investing in growth and stable profit distribution with the aim of maximizing corporate value, and by flexibly purchasing treasury stock and other means with respect to surplus funds reserved for the long term.

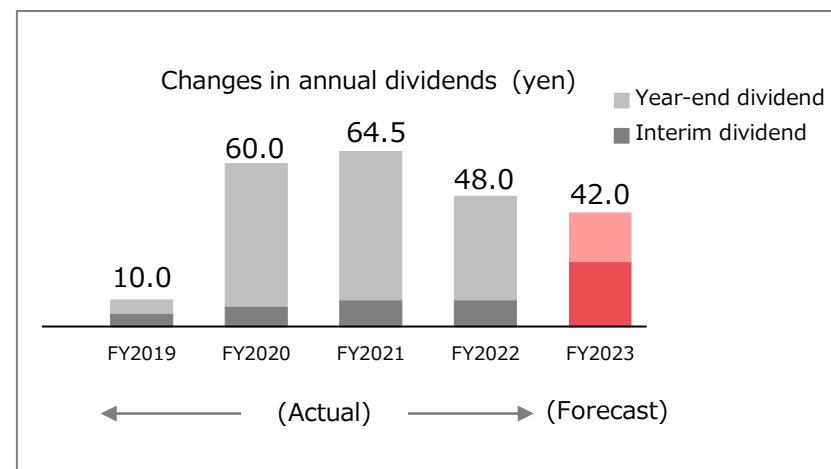
● Acquisition of treasury stock

- August 22, 2023 400,000 shares of common stock of the Company
- *Ratio to the total number of shares issued (excluding treasury stock): 1.1

■ FY2023 Dividend per share

- With respect to the dividend forecast for the FY2023, we have revised the year-end dividend forecast to 18 yen and the annual dividend forecast to 42 yen, respectively, in line with the aforementioned revision of the earnings forecast.

Interim dividend	¥ 24.0
Year-end dividend	¥ 18.0 (forecast)
Annual dividend	¥ 42.0 (forecast)



Appendix

- ESG Initiatives

Promote growth strategy

Promotion of Effective Responsibility Management

- As a company listed on the TSE prime market, we will promote effective initiatives.

Environmental considerations and efforts toward a decarbonized society

- Publication of catalogs on the SDGs
(Aim for **50%** SDGs-related products in apparel products by FY2025)



SDGs Catalog "Tsuzukumirai"

Promotion of task diversity management

- Support independent and autonomous career development by expanding training programs for employees
(Training for the next generation and female managers, sustainability and internal knowledge training)



Sustainability Training

Compliance with corporate governance code

- Introduction of a performance-based compensation system for directors led by the Nomination and Compensation Committee
- Measures to disclose management plans that take capital cost and stock price into account

Appendix

- Company Profile
/ Business Segments Introduction

Company profile

Scroll Corporation

- Headquarters : 2-24-1 Sato, Naka-ku, Hamamatsu-shi, Shizuoka
- Representative : Tomohisa Tsurumi
- Established : October 1, 1943
- Capital : ¥ 6,116 million (as of September 30, 2023)
- Employees (consolidated) : 891 (as of September 30, 2023)
- Description of business : Solutions Business for e-commerce and mail-order business vendors, as well as Mail-order Business of apparel, general merchandise, cosmetics and health food products, travel, etc.
- Business structure : Direct Marketing Conglomerate made up of 17 consolidated companies

■ Scroll Group Integrated Report 2023

June 30, 2023 Issued

This report integrates financial and non-financial information for value creation, from top management messages to business strategies and sustainability (ESG) initiatives.
(Language: Japanese)

<https://www.scroll.jp/ir/annual/>



Business Segments and Business Overview

Solutions Business

We provide "one-stop solution services" that provide 360-degree support for EC and mail-order businesses.



Mail-order Business

We are developing mail-order sales (catalog and partially internet) for members of the co-op home delivery business.



**SCROLL TRADING
(SHANGHAI) Co.,LTD.**

E-commerce Business

We sell specialized product categories over the Internet, primarily through our own website and online shopping malls.



HBT Business

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.



Group Jurisdiction Business

We operate logistics centers and make effective use of real estate at our domestic locations. In addition, overseas subsidiaries manage the production of products.



**SCROLL VIETNAM
CO.,LTD.**

通販まるごとソリューション

scroll

Contact

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Website address: <https://www.scroll.jp/en/>

★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.