

Translation

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.

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2024 (Based on Japanese GAAP)

July 31, 2024

Company name: Scroll Corporation
 Stock exchange listing: Tokyo
 Stock code: 8005 URL: <https://www.scroll.jp/>
 Representative: President Tomohisa Tsurumi
 Director, General Manager of Corporate Management Dept. Yasunori Sugimoto TEL +81-53-464-1114
 Inquiries: Management Dept.
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	21,034	1.2	2,270	10.4	2,317	10.2	1,568	7.2
Three months ended June 30, 2023	20,791	0.1	2,057	1.9	2,103	7.5	1,463	10.5

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	45.79	–
Three months ended June 30, 2023	41.85	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	53,502	34,652	64.8
As of March 31, 2024	53,258	33,383	62.7

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	–	24.00	–	18.00	42.00
Year ending March 31, 2025	–				
Year ending March 31, 2025 (Forecast)		24.00	–	24.00	48.00

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	80,000	0.2	6,000	12.9	6,200	12.5	4,200	15.1	122.32

4. Notes

- (1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	35,098,550 shares	As of March 31, 2024	35,098,550 shares
---------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of June 30, 2024	735,499 shares	As of March 31, 2024	848,498 shares
---------------------	----------------	----------------------	----------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	34,253,777 shares	Three months ended June 30, 2023	34,973,154 shares
----------------------------------	-------------------	----------------------------------	-------------------

Contents of Exhibit

1. Overview of business results	2
(1) Summary of operating results for the three months ended June 30, 2024	2
(2) Summary of financial position	3
(3) Explanation of consolidated earnings forecasts and other forward-looking statements.....	3
2. Quarterly consolidated financial statements and significant notes thereto	4
(1) Quarterly consolidated balance sheets.....	4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income.....	6
Quarterly consolidated statements of income (cumulative).....	6
Quarterly consolidated statements of comprehensive income (cumulative).....	7
(3) Notes to quarterly consolidated financial statements.....	8
(Notes on changes in accounting policies)	8
(Notes on segment information, etc.)	8
(Notes on significant changes in the amount of shareholders' equity).....	9
(Notes on going concern assumption)	9
(Notes on quarterly consolidated statements of cash flows).....	9

1. Overview of business results

(1) Summary of operating results for the three months ended June 30, 2024

In the three months ended June 30, 2024, economic activity was gradually recovering due to improvement in the employment and income environment and recovery in inbound tourism. However, the outlook was uncertain due to soaring prices and a prolonged period of weak yen and the impact of the unstable international situation. In the retail industry, in addition to concerns over a decline in consumer sentiment accompanying a decline in real wages and growing trend of belt-tightening due to soaring prices, there was an increase in various costs, such as purchasing prices, resulting in a harsh business environment. In the mail-order industry, where a slowdown in the growth rate is seen, competition between companies across industries and business categories has been intensifying due to an increasing number of companies entering the industry.

In this environment, the Group formulated a new medium-term management plan called “Marketing Solution 2026: From DMSC to MSC,” which began in FY2024. By taking on the challenge of market expansion and enhancing our value proposition under the medium-term management plan, we aim to break out of our existing shell and evolve into a new corporate entity. In FY2024, we are working to improve the Group’s corporate value by focusing on two main policies: “return to growth trajectory: revision of business portfolio” and “promoting effective responsibility management.”

As a result, net sales for the three months ended June 30, 2024 amounted to ¥21,034 million (up 1.2% from the three months ended June 30, 2023). As for profits, operating profit was ¥2,270 million (up 10.4% from the three months ended June 30, 2023), ordinary profit was ¥2,317 million (up 10.2% from the three months ended June 30, 2023), and profit attributable to owners of parent was ¥1,568 million (up 7.2% from the three months ended June 30, 2023).

Operating results by segment are as follows.

Until the previous fiscal year, the Group carried out business in five reportable segments. However, from the first quarter of the current fiscal year, in order to improve the efficiency of our business management, we have merged our previous “HBT Business” into “E-commerce Business,” and changed to a structure with four reportable segments. In the following year-on-year comparisons, figures from the same quarter of the previous fiscal year have been compared based on the segment classification after such change. For details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto (3) Notes to quarterly consolidated financial statements (Notes on segment information, etc.)”

Net sales for each segment include intersegment sales or transfers.

(i) Solutions Business

In the Solutions Business, we operate as a one-stop mail-order solution menu provider, providing support mainly to EC and mail order businesses. With regards to distribution agency services, in addition to working on sales activities to acquire new customers and distribution center efficiency enhancement, the Group has embarked on developing new markets such as B to B logistics and EC for food products. In payment agency services, transaction volume remained steady as a result of expanding the services to service provider companies. Furthermore, in conjunction with expanding the customers we provide services to, there was a temporary increase in the amount of the burden recorded for the allowance. The marketing support business continued to achieve a strong performance.

In addition, the Group recorded expenses associated with the acquisition of shares of BeBorn co., Ltd.

As a result, net sales amounted to ¥6,927 million (up 19.9% from the three months ended June 30, 2023), and segment profit was ¥156 million (down 25.9% from the three months ended June 30, 2023).

(ii) Mail-order Business

In the Mail-order Business, while steady orders were received for summer products, gross profit declined due to the higher purchasing prices resulting from the weak yen, etc. On the other hand, selling, general and administrative expenses were reduced through efforts aimed at cutting or curtailing various costs, particularly sales promotion costs.

As a result, net sales amounted to ¥11,052 million (up 1.2% from the three months ended June 30, 2023), and segment profit was ¥2,055 million (up 2.9% from the three months ended June 30, 2023).

(iii) E-commerce Business

In the E-commerce Business, net sales decreased significantly due to the withdrawal or scaling down of unprofitable merchandise in connection with business restructuring aimed at improving business efficiency. Moreover, inventory clearance efforts progressed well and costs such as sales promotion costs were reduced.

As a result, net sales amounted to ¥3,416 million (down 25.9% from the three months ended June 30, 2023), and segment

profit was ¥29 million (segment loss of ¥150 million in the three months ended June 30, 2023).

(iv) Group Jurisdiction Business

In the Group Jurisdiction Business, the Group's rental of real estate including its own logistics facilities, Group logistics operations, and overseas subsidiaries management have been conducted. In its logistics operations, the Group reinforced its center operations in the Tokai, Kansai, and Kanto areas and strove to create a stable operating system.

As a result, net sales amounted to ¥892 million (up 5.2% from the three months ended June 30, 2023), and segment profit was ¥77 million (up 67.5% from the three months ended June 30, 2023).

(2) Summary of financial position

(Assets)

Total assets as of June 30, 2024 were ¥53,502 million, up by ¥244 million compared with March 31, 2024. This is mainly due to an increase in accounts receivable - trade, an increase in inventories, an increase in goodwill, and a decrease in cash and deposits.

(Liabilities)

Liabilities were ¥18,850 million, down by ¥1,024 million compared with March 31, 2024. This is principally due to a decrease in income taxes payable, a decrease in provisions, and a decrease in accounts payable - other.

(Net assets)

Net assets were ¥34,652 million, up by ¥1,268 million compared with March 31, 2024, and the equity ratio stood at 64.8%.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

As for consolidated earnings forecasts, there is no change in the full-year consolidated earnings forecasts for the fiscal year ending March 31, 2025 announced in the "Summary of Consolidated Financial Results for the Year Ended March 31, 2024" as of May 8, 2024.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	7,396	3,995
Accounts receivable - trade	11,787	14,335
Inventories	8,615	9,467
Accounts receivable - other	7,844	7,666
Other	1,202	1,270
Allowance for doubtful accounts	(634)	(809)
Total current assets	36,212	35,926
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,106	6,006
Land	5,489	5,489
Other, net	873	828
Total property, plant and equipment	12,469	12,323
Intangible assets		
Goodwill	–	599
Other	691	665
Total intangible assets	691	1,264
Investments and other assets		
Other	4,395	4,479
Allowance for doubtful accounts	(510)	(491)
Total investments and other assets	3,885	3,987
Total non-current assets	17,046	17,576
Total assets	53,258	53,502
Liabilities		
Current liabilities		
Accounts payable - trade	2,624	2,629
Short-term borrowings	3,000	3,000
Accounts payable - other	9,623	9,270
Income taxes payable	1,122	619
Provisions	580	221
Other	1,244	1,362
Total current liabilities	18,195	17,103
Non-current liabilities		
Provisions	52	117
Retirement benefit liability	1,459	1,452
Other	167	176
Total non-current liabilities	1,679	1,746
Total liabilities	19,874	18,850

	(Millions of yen)	
	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	6,116	6,116
Capital surplus	7,045	7,059
Retained earnings	19,829	20,787
Treasury shares	(815)	(649)
Total shareholders' equity	32,176	33,313
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,062	1,203
Deferred gains or losses on hedges	92	73
Foreign currency translation adjustment	52	61
Total accumulated other comprehensive income	1,207	1,338
Total net assets	33,383	34,652
Total liabilities and net assets	53,258	53,502

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

Quarterly consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	20,791	21,034
Cost of sales	12,124	11,873
Gross profit	8,667	9,160
Selling, general and administrative expenses	6,610	6,890
Operating profit	2,057	2,270
Non-operating income		
Interest income	4	4
Dividend income	28	47
Gain on adjustment of accounts payable	14	12
Recoveries of written off receivables	10	12
Other	20	27
Total non-operating income	78	104
Non-operating expenses		
Interest expenses	5	2
Foreign exchange losses	25	49
Other	1	4
Total non-operating expenses	32	57
Ordinary profit	2,103	2,317
Extraordinary income		
Gain on sale of businesses	100	–
Total extraordinary income	100	–
Extraordinary losses		
Loss on retirement of non-current assets	3	0
Total extraordinary losses	3	0
Profit before income taxes	2,200	2,317
Income taxes - current	617	605
Income taxes - deferred	118	143
Total income taxes	736	749
Profit	1,463	1,568
Profit attributable to owners of parent	1,463	1,568

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,463	1,568
Other comprehensive income		
Valuation difference on available-for-sale securities	136	140
Deferred gains or losses on hedges	227	(18)
Foreign currency translation adjustment	4	9
Total other comprehensive income	367	131
Comprehensive income	1,831	1,699
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,831	1,699
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes to quarterly consolidated financial statements

(Notes on changes in accounting policies)

(Application of “Accounting Standard for Current Income Taxes” and other relevant ASBJ regulations)

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) and other relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; the “Revised Application Guidance of 2022”). This change of accounting policy has no impact on the quarterly consolidated financial statements.

(Notes on segment information, etc.)

I. Three months ended June 30, 2023

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment					Adjustments (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Solutions Business	Mail-order Business	E-commerce Business	Group Jurisdiction Business	Total		
Net sales							
Sales to external customers	5,288	10,916	4,578	8	20,791	–	20,791
Intersegment sales or transfers	486	0	32	840	1,359	(1,359)	–
Total	5,775	10,916	4,610	848	22,151	(1,359)	20,791
Segment profit (loss)	211	1,997	(150)	45	2,103	(0)	2,103

(Notes) 1. Adjustments of segment profit (loss) include ¥(0) million of unrealized profit, etc.

2. Segment profit (loss) is adjusted against ordinary profit in the quarterly consolidated statements of income.

II. Three months ended June 30, 2024

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment					Adjustments (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Solutions Business	Mail-order Business	E-commerce Business	Group Jurisdiction Business	Total		
Net sales							
Sales to external customers	6,601	11,052	3,372	8	21,034	–	21,034
Intersegment sales or transfers	326	0	43	883	1,254	(1,254)	–
Total	6,927	11,052	3,416	892	22,289	(1,254)	21,034
Segment profit (loss)	156	2,055	29	77	2,318	(0)	2,317

(Notes) 1. Adjustments of segment profit (loss) include ¥(0) million of unrealized profit, etc.

2. Segment profit (loss) is adjusted against ordinary profit in the quarterly consolidated statements of income.

2. Changes, etc. in reportable segments

From the first quarter of the current fiscal year, in order to improve the efficiency of our business management, we have merged our previous “HBT Business” into “E-commerce Business,” and changed to a structure with four reportable segments.

The disclosed segment information for the first quarter of the previous fiscal year has been created based on the classification of the reportable segments for the first quarter of the current fiscal year.

3. Information on impairment losses of non-current assets or goodwill, etc. by reportable segment

[Significant changes in amount of goodwill]

In the Solutions Business, the Group acquired shares of BeBorn co., ltd. in the first quarter of the current fiscal year, making it a consolidated subsidiary of the Company. As a result, ¥630 million in goodwill was recorded.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes on quarterly consolidated statements of cash flows)

The Company has not prepared quarterly consolidated statements of cash flows for the three months ended June 30, 2024.

Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024 are as follows.

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	239	236
Amortization of goodwill	10	31