

# 2020

## 1Q FY2019

CONSOLIDATED

BUSINESS RESULTS



UNITY  
&  
FIGHT



# HIGHLIGHTS

1Q FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS

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# FY2019 1Q HIGHLIGHTS

## Overview

- Gross Merchandise Value : 79,237 million yen (+12.5%,Yoy)
- Operating Profit : 7,786 million yen (+32.6%,Yoy)

## Gross Merchandise Value

### ○ ZOZOTOWN BUSINESS

Gross Merchandise Value : 76,300 million yen (+11.7%,Yoy)

Consignment Business : 72,622 million yen (+13.0%,Yoy)

Purchased Stock Business : 103 million yen (+132.7%,Yoy)

○ ZOZOUSED Business : 3,574 million yen (-10.8%,Yoy)

○ Private Brand Business : 462 million yen (+306.7%,Yoy)

○ Average Retail Price : 3,877 yen (-1.9%,Yoy)

○ Average Order Value : 8,335 yen (+2.6%,Yoy)

○ BtoB Business : 2,474 million yen (+25.0%,Yoy)

# FY2019 1Q HIGHLIGHTS

## Profitability

○ **Operating profit margin** (to the gross merchandise value) : **9.8%** (8.3% for FY2018 1Q)

• **Factors improving profitability :**

Drop of the rate of promotion related expenses due to a decrease in the number of ZOZOSUIT distribution  
/ Decrease in the rate of payroll, Decrease in the rate of other expenses

• **Factors worsening profitability :**

Decrease in GPM, Increase in the rate of rent due to an increase in the number of logistics bases

## Topic

○ Initiated "ZOZO part-timer reform" raising hourly pay for part-timers working at ZOZOBASE up to maximum of 1,300 yen.  
Hiring of 2,000 new part-timers in anticipation of expansion of the gross merchandise value (May 2019)

○ ZOZOTOWN Customer Support Center was awarded "HDI Five Star Recognition" twice in a row, the very first time in the apparel industry (May 2019)

○ Hosted "ZOZOTOWN Brand Conference 2019" for the brands on ZOZOTOWN (May 2019)

○ ZOZO announces the ZOZOMAT, a free printed mat and smartphone app that scans feet in 3D.  
ZOZOMAT pre-order starts today with delivery planned within the year (June 2019)

○ The "ZOZO CHAMPIONSHIP", a PGA TOUR tournament hosted by ZOZO, Inc this fall,  
will begin ticket sales lottery on July 23rd 6:00 pm (July 2019)





# BUSINESS RESULTS

1Q FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS



# OVERVIEW OF THE FY2019 1Q

(million¥)

	FY2018 1Q	FY2019 1Q	YoY	Target	Progress Rate(%)
Gross Merchandise Value	70,406	79,237	12.5%	367,000	21.6%
Net sales	26,552	28,197	6.2%	136,000	20.7%
Gross profit	24,251	26,270	8.3%	—	—
(%Gross Merchandise Value)	34.4%	33.2%	-1.2%	—	—
SG&A	18,376	18,483	0.6%	—	—
(%Gross Merchandise Value)	26.1%	23.3%	-2.8%	—	—
Operating profit	5,874	7,786	32.6%	32,000	24.3%
(%Gross Merchandise Value)	8.3%	9.8%	1.5%	8.7%	—
Ordinary profit	5,859	7,618	30.0%	32,000	23.8%
Profit attributable to owners of parent	4,163	5,326	27.9%	22,500	23.7%

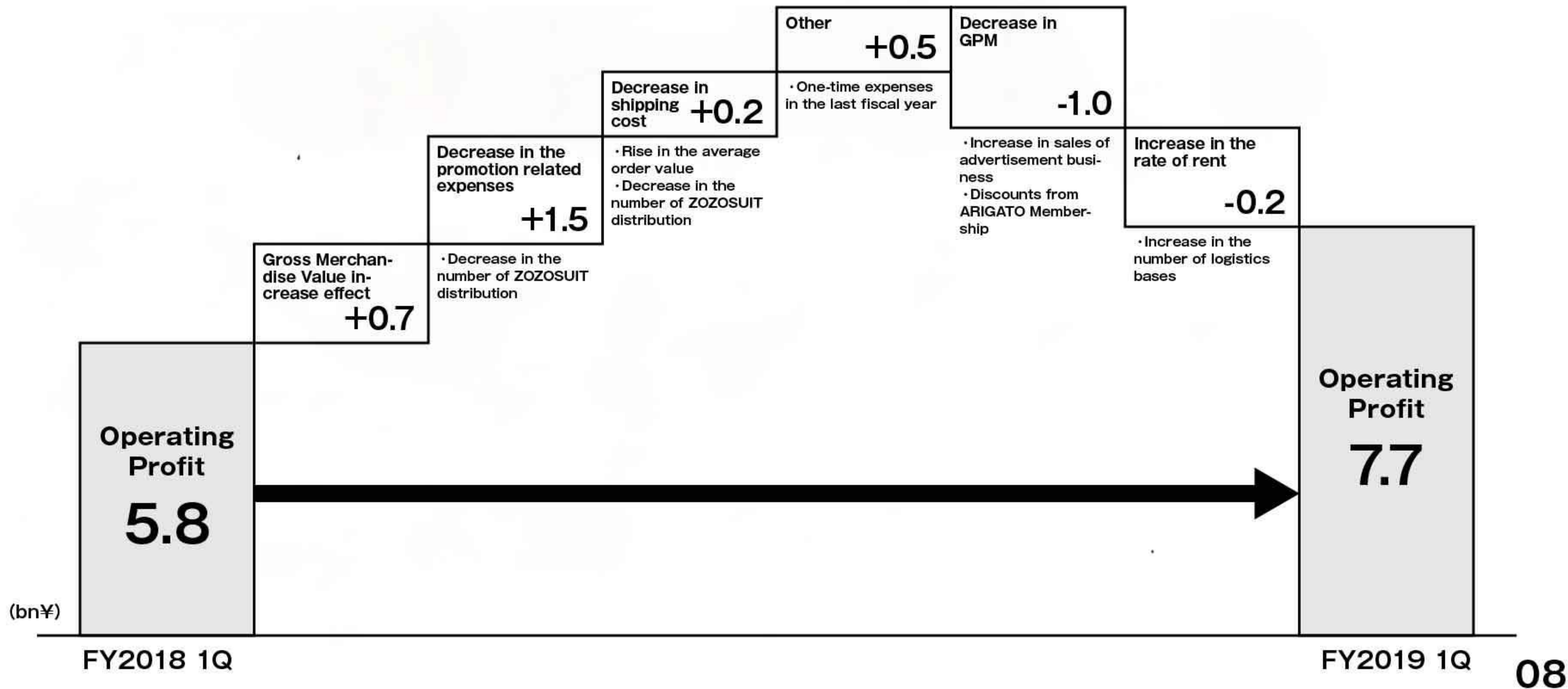
# OVERVIEW OF EACH QUARTER

(million¥)

	FY2018				FY2019
	1Q	2Q	3Q	4Q	1Q
Gross Merchandise Value	70,406	70,814	93,809	88,098	79,237
YoY (%)	18.2%	17.9%	21.3%	19.8%	12.5%
Net sales	26,552	27,212	36,010	28,630	28,197
SG&A	18,376	20,559	21,490	18,882	18,483
YoY (%)	54.9%	50.2%	30.4%	19.7%	0.6%
(%Gross Merchandise Value)	26.1%	29.0%	22.9%	21.4%	23.3%
Operating profit	5,874	4,178	10,577	5,023	7,786
YoY (%)	-26.4%	-28.6%	8.8%	-44.9%	32.6%
(%Gross Merchandise Value)	8.3%	5.9%	11.3%	5.7%	9.8%



# INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (YoY COMPARISON)





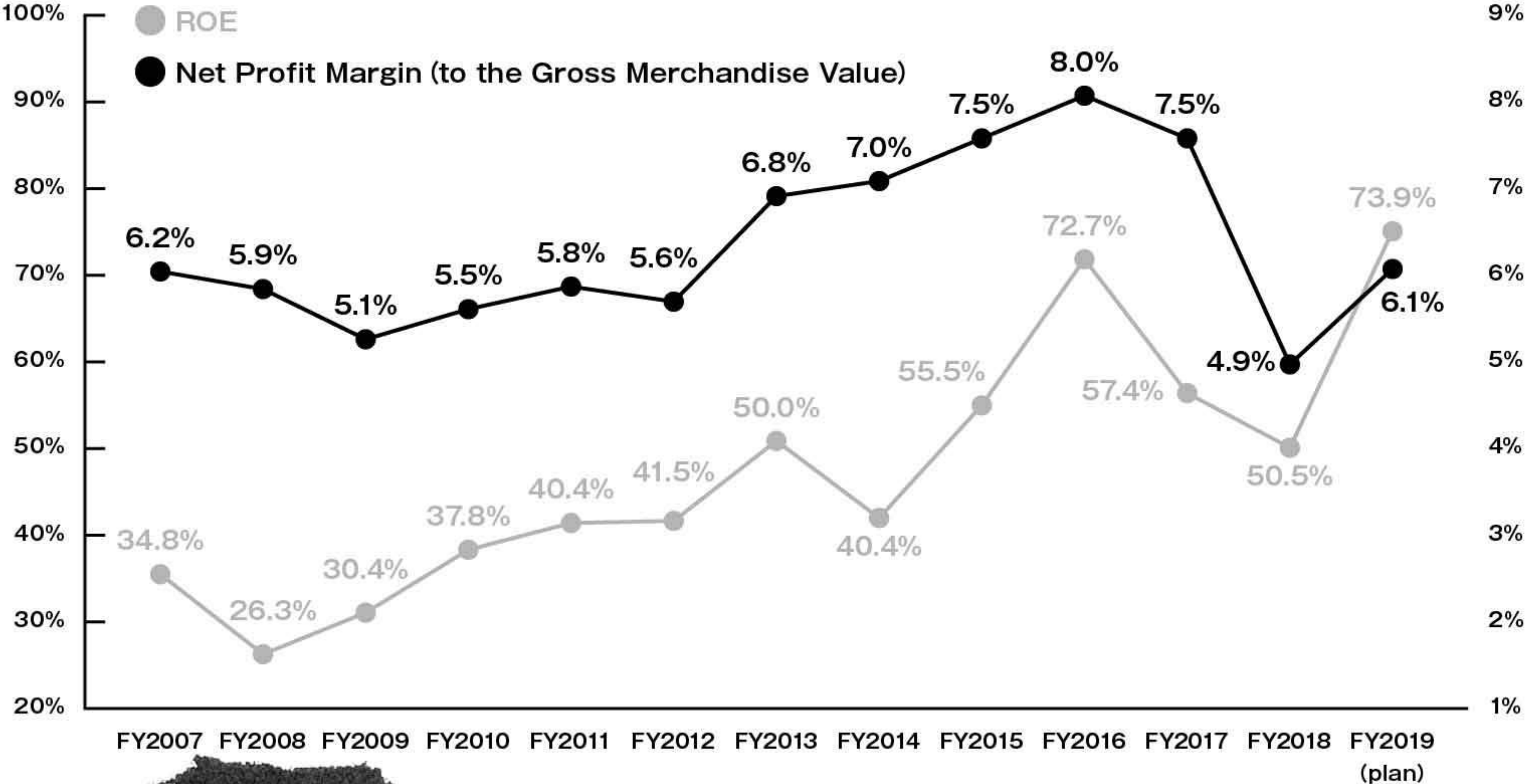
# CONSOLIDATED BALANCE SHEET

(million¥)

	FY2018 (as of March 31, 2019)	FY2019 1Q (as of June 30, 2019)		FY2018 (as of March 31, 2019)	FY2019 1Q (as of June 30, 2019)
<b>Current assets</b>	<b>57,904</b>	<b>57,195</b>	<b>Current liabilities</b>	<b>52,245</b>	<b>50,697</b>
Cash and deposits	21,560	18,974	Short-term borrowing	22,000	22,000
Merchandise and finished products	4,533	4,950	Noncurrent liabilities	4,059	3,815
<b>Noncurrent assets</b>	<b>21,056</b>	<b>22,219</b>	<b>Total liabilities</b>	<b>56,304</b>	<b>54,512</b>
Tangible assets	6,318	7,976	Shareholders' equity	22,528	24,801
Intangible assets	3,112	3,277	Treasury stock	-24,412	-24,412
Investments and other assets	11,626	10,964	<b>Total net assets</b>	<b>22,656</b>	<b>24,902</b>
<b>Total assets</b>	<b>78,961</b>	<b>79,414</b>	<b>Total liabilities and net assets</b>	<b>78,961</b>	<b>79,414</b>

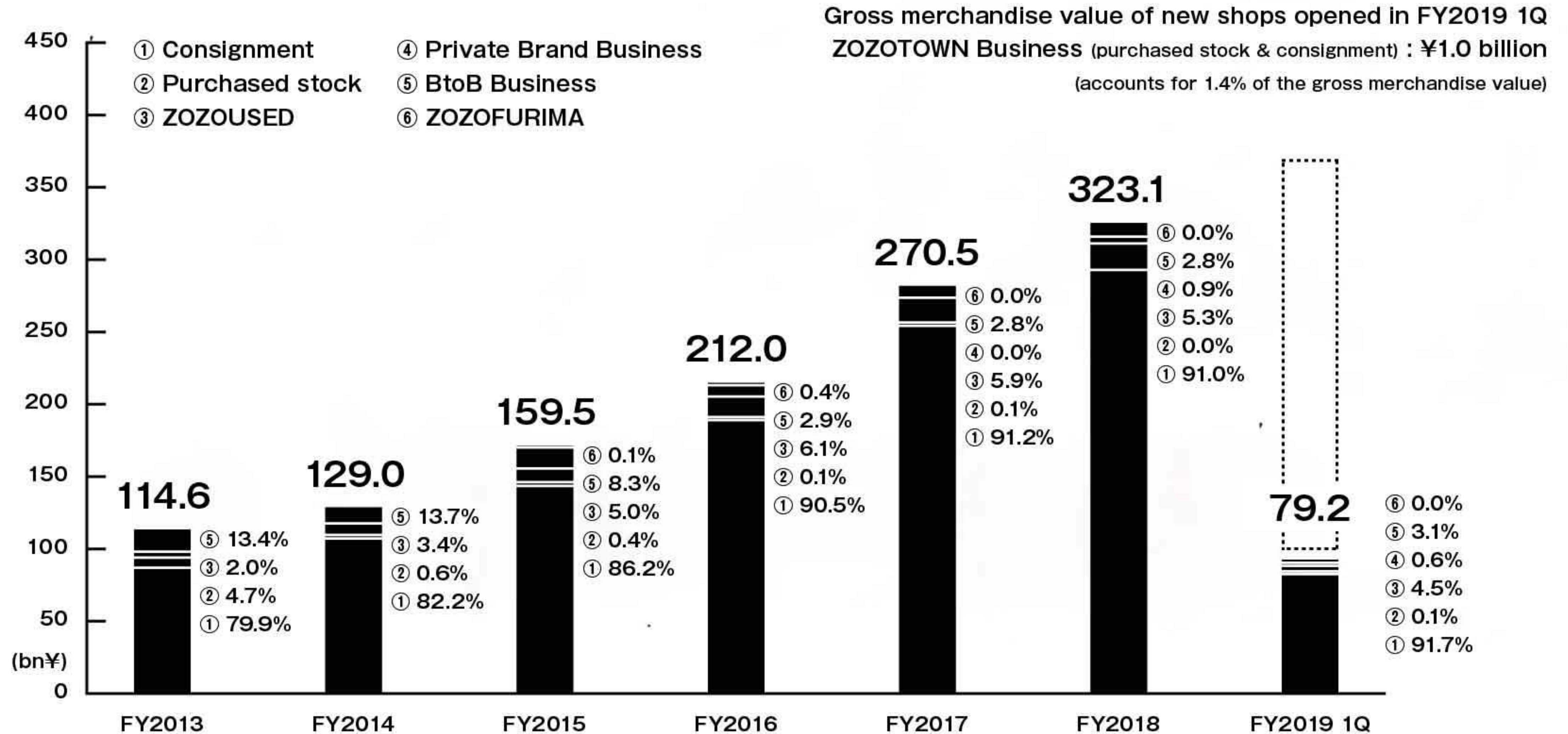


# ROE AND NET PROFIT MARGIN





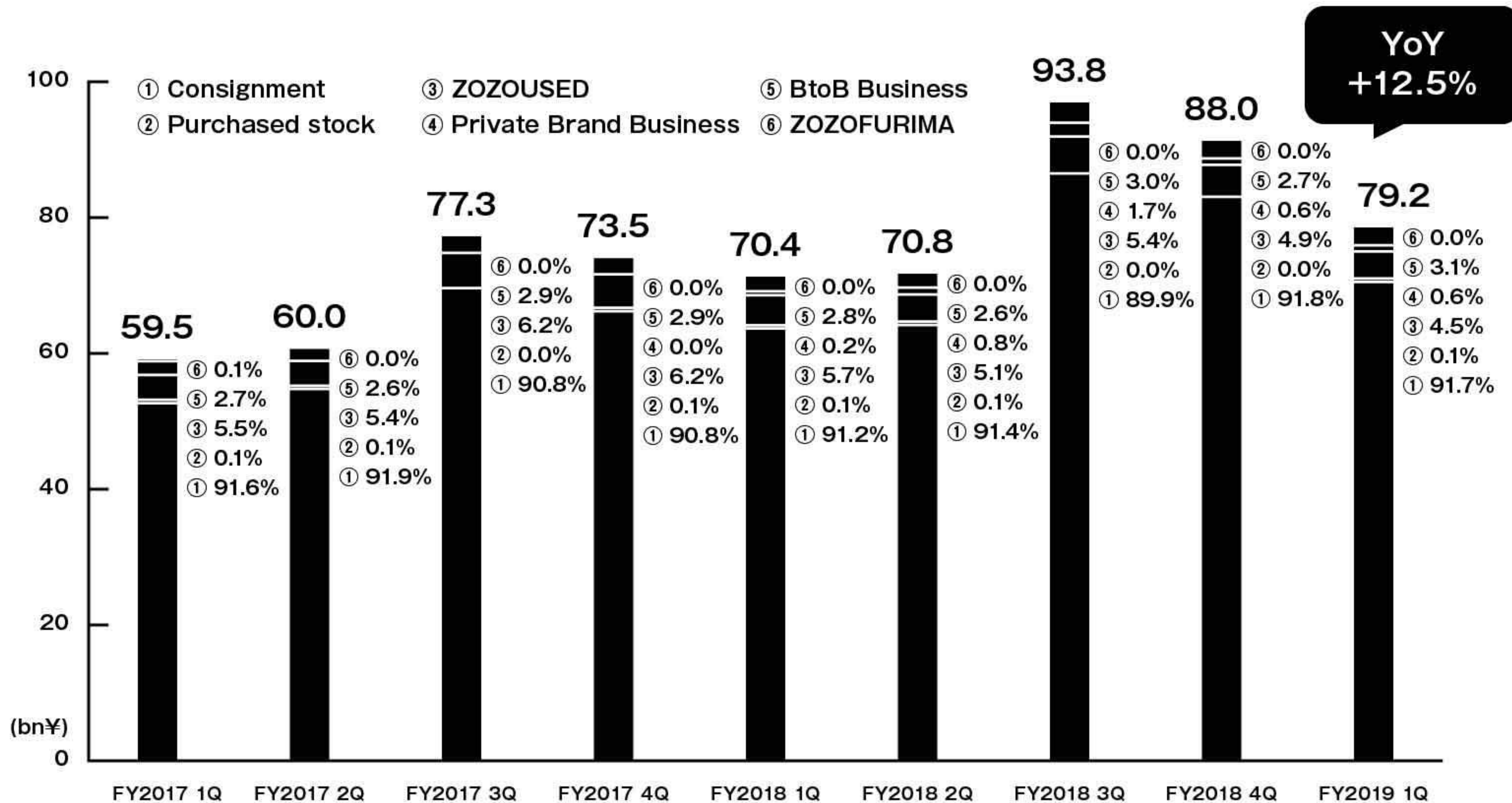
# GROSS MERCHANDISE VALUE



\* ZOZO FURIMA Business ended on June 30, 2017.



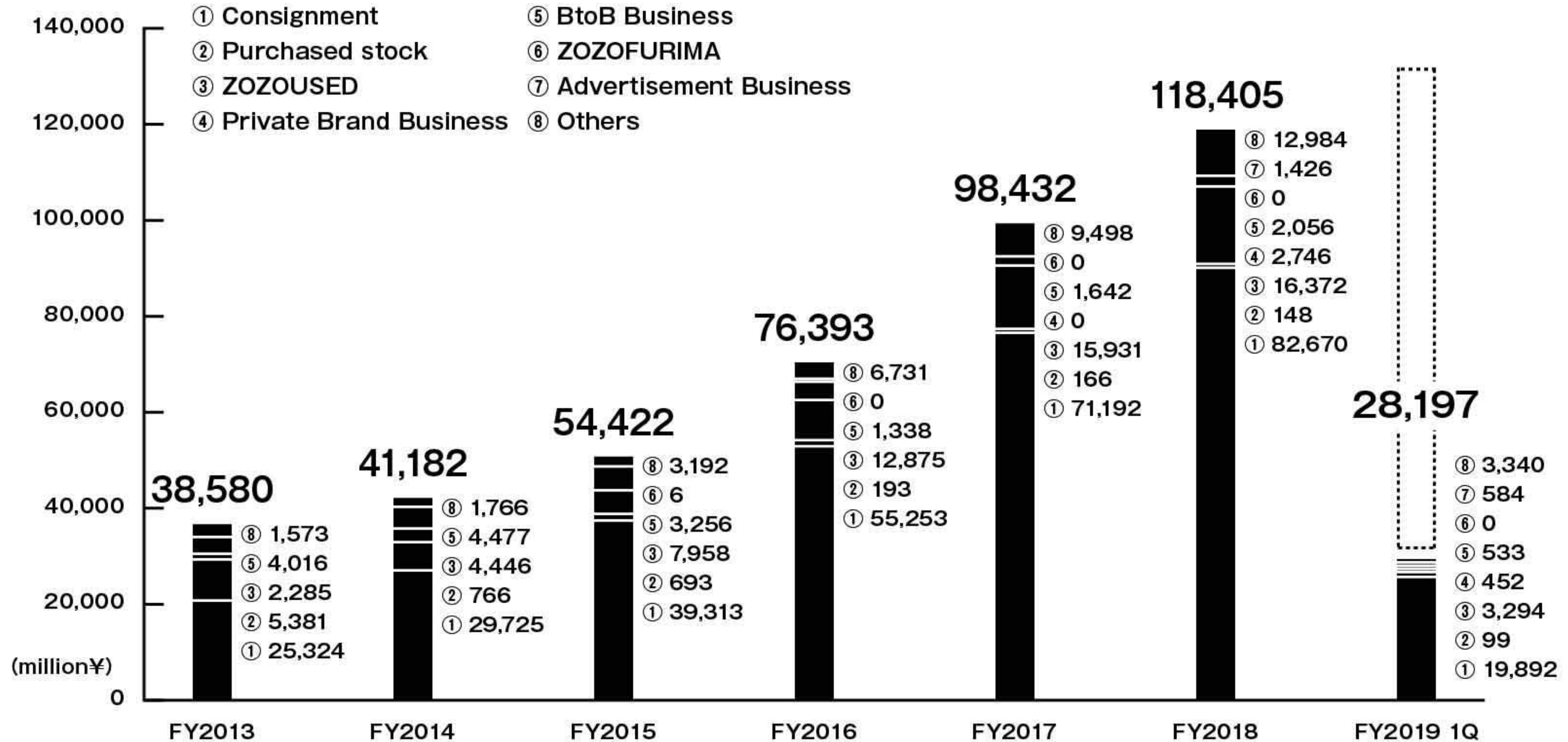
# GROSS MERCHANDISE VALUE(QUARTERLY)



\* ZOZOFURIMA Business ended on June 30, 2017.



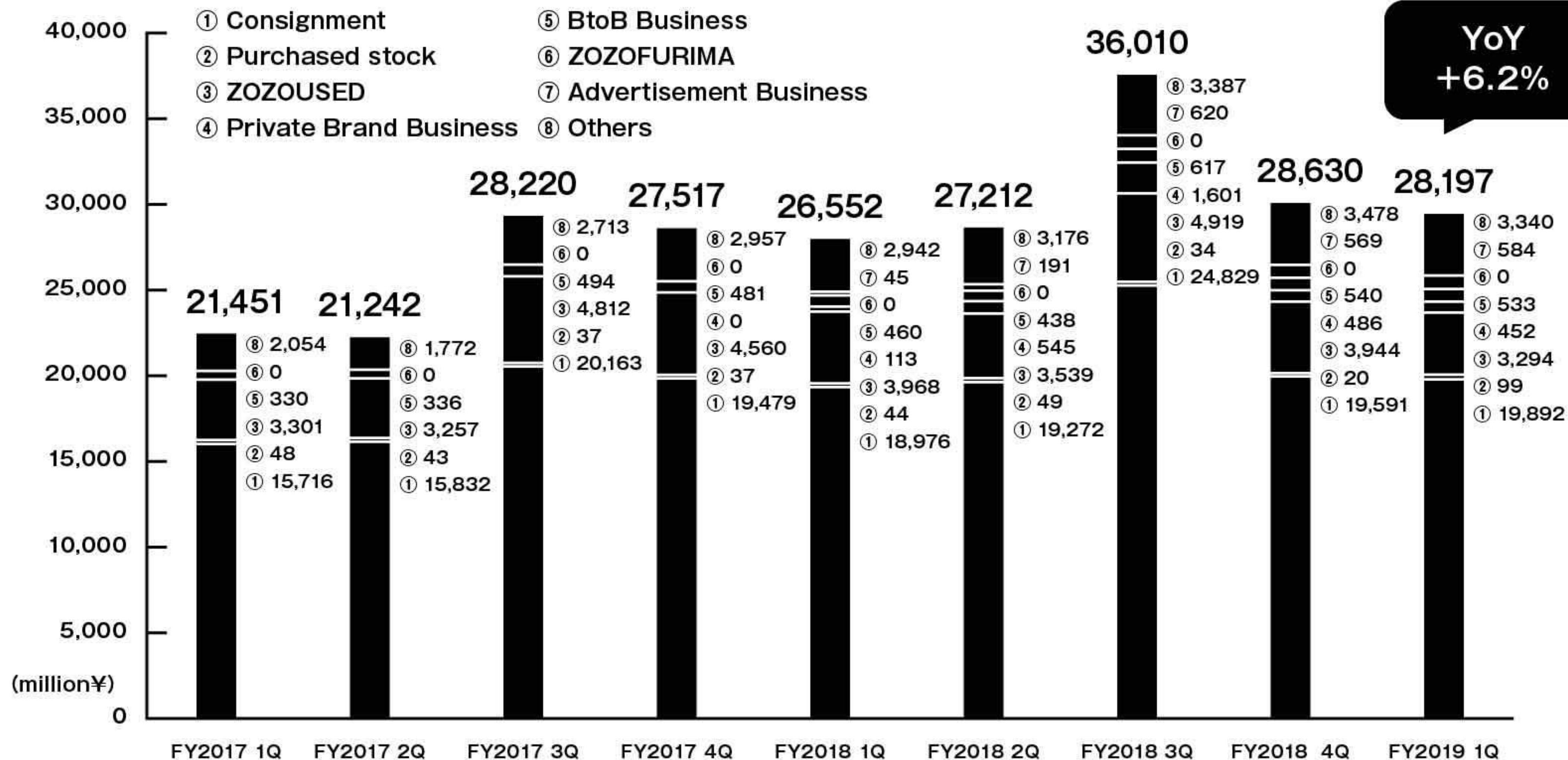
# NET SALES



\* ZOZO FURIMA Business ended on June 30, 2017.



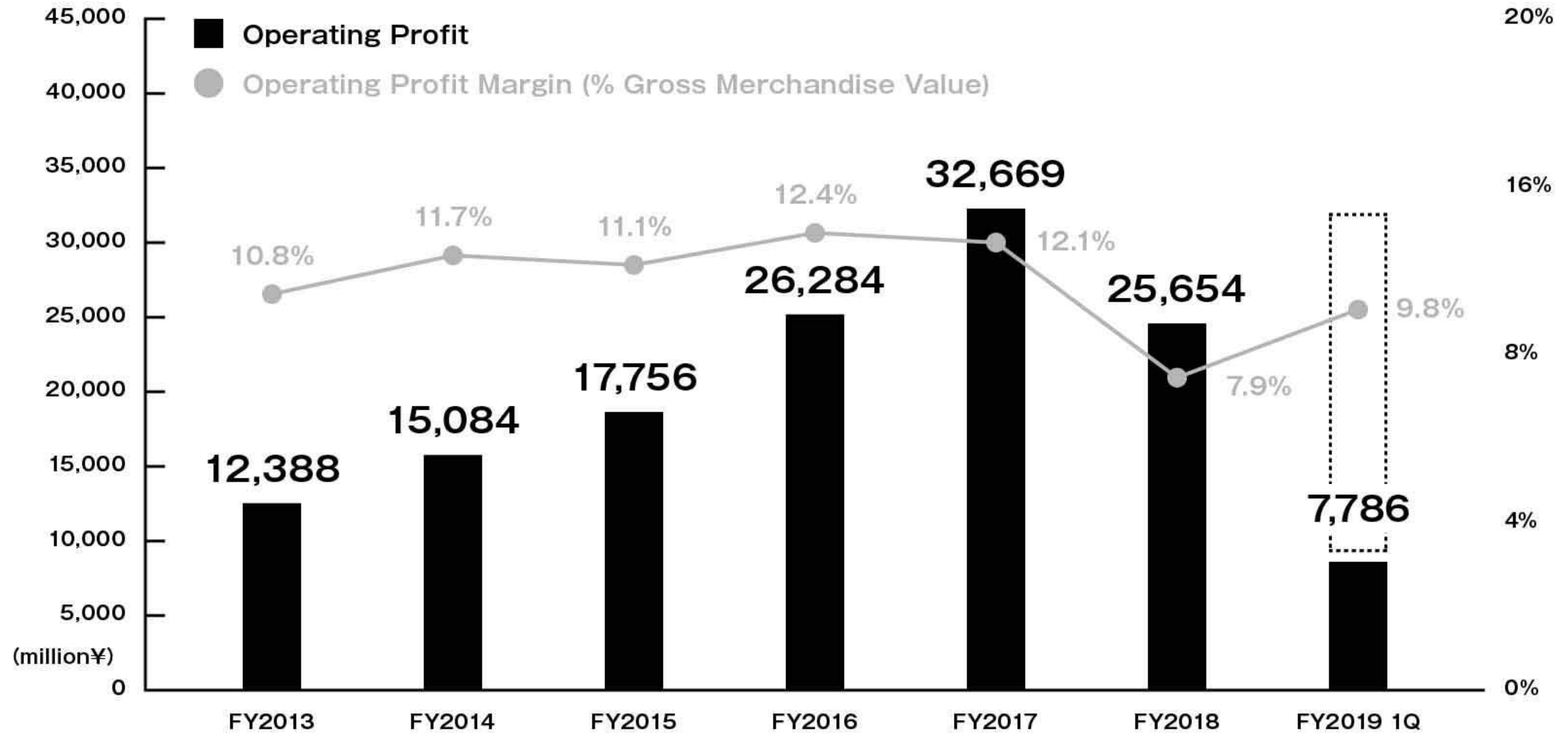
# NET SALES(QUARTERLY)



\* ZOZO FURIMA Business ended on June 30, 2017.



# OPERATING PROFIT AND OPERATING PROFIT MARGIN





# SELLING, GENERAL AND ADMINISTRATIVE(SG&A) EXPENSES

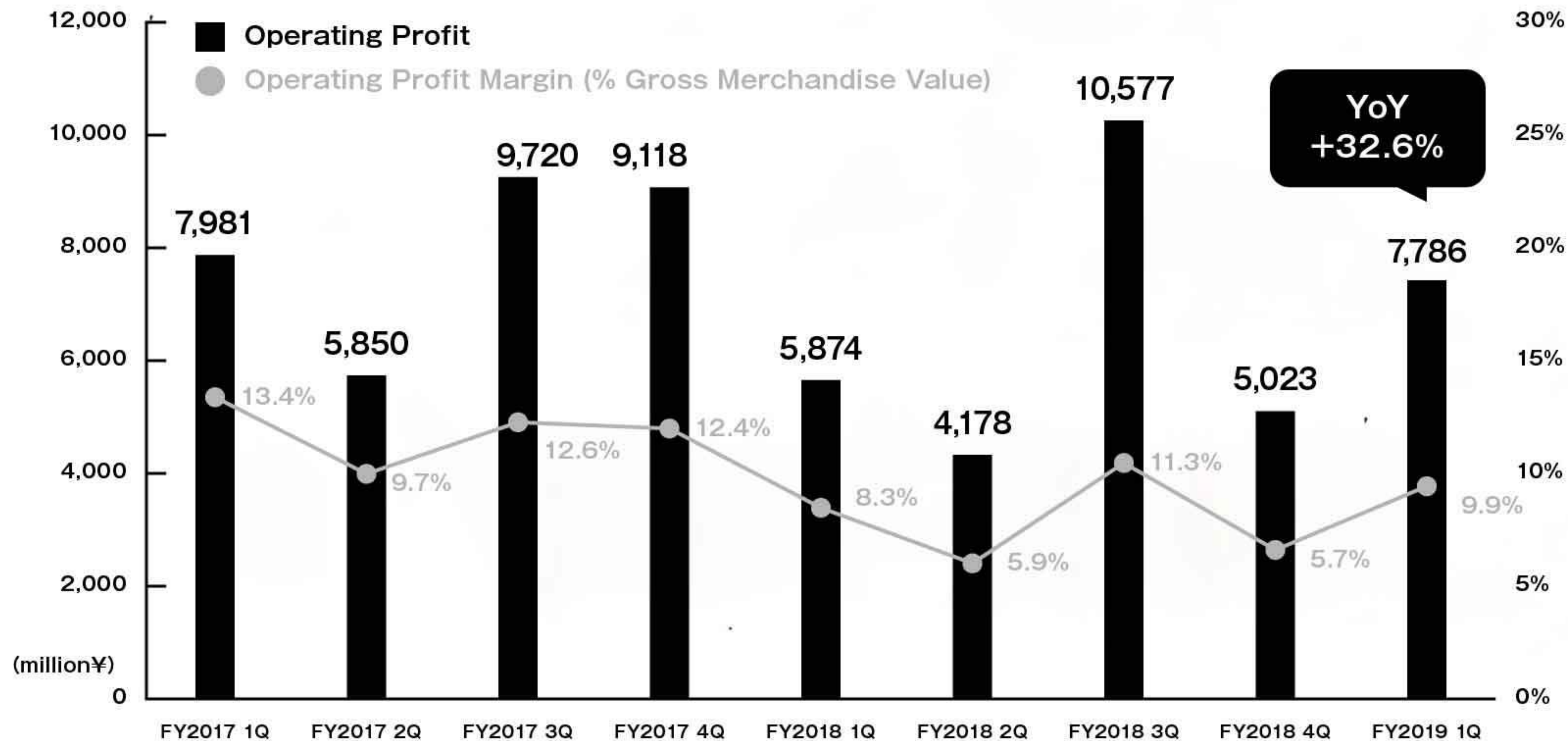
(million¥)

	FY2018 1Q		FY2019 1Q		YOY	Increase decrease factors
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	%Gross Merchandise Value	
Payroll and staff costs(*)	4,825	6.9%	5,219	6.6%	-0.3%	
Payroll costs for employee	1,988	2.8%	1,940	2.4%	-0.4%	Transition of the number of employees on consolidated basis: 991 FY2018 1Q → 1,130 FY2019 1Q / Decrease due to the change in bonus payment policy
Logistics-Related Expenses (Including Outsourcing)	2,836	4.0%	3,278	4.1%	0.1%	Increase in the ratio due to a decrease in average retail price / Increase in Shipping expenses between logistics centers
Outsourcing Commission (Excluding Logistics-Related Expenses)	995	1.4%	1,023	1.3%	-0.1%	A decrease in expenses for trademark registration An increase in operation expenses due to an increase in the number of logistics bases / An increase in expenses of system maintenance & development
Shipping	4,665	6.6%	5,011	6.3%	-0.3%	Decrease in the ratio due to increase in average order value / Decrease in the number of ZOZOSUIT distribution
Commission of Payment collection	2,030	2.9%	2,243	2.8%	-0.1%	Changes in the composition ratio of settlement manners
Promotion related expenses	2,228	3.2%	927	1.2%	-2.0%	
Advertising	1,548	2.2%	378	0.5%	-1.7%	Decrease in the number of ZOZOSUIT distribution
Reward points related expenses	679	1.0%	548	0.7%	-0.3%	Decrease in the number of reward points initiatives / No reward points for ARIGATO settlement
Rent expense	856	1.2%	1,169	1.5%	0.3%	Increase due to an increase in the number of logistics bases
Depreciation	290	0.4%	442	0.6%	0.2%	
Amortization of goodwill	119	0.2%	140	0.2%	0.0%	VASILY, Inc. (Nov. 2017 <sup>~</sup> ) and Colorcle, Inc. (Feb. 2018 <sup>~</sup> ) *Both subsidiaries have been merged to ZOZO TECHNOLOGIES, Inc. from Apr. 2018 / NZ Subsidiary (Apr. 2019 <sup>~</sup> )
Stock Compensation Expenses	—	—	-6	0.0%	0.0%	
Others	2,365	3.4%	2,312	2.9%	-0.5%	Costly one-time expenses in Q1 last fiscal year
<b>Total SG&amp;A</b>	<b>18,376</b>	<b>26.1%</b>	<b>18,483</b>	<b>23.3%</b>	<b>-2.8%</b>	

\* Payroll includes directors' remuneration, employee salaries, bonus, legal welfare expenses, welfare expenses, retirement benefits cost, provision for employee bonus, expenses of company pension premium, subcontracting payroll, a portion of expenses at logistics centers operation. "Employee" includes directors and employees, "Logistics-Related Expenses" includes part-timers, dispatched workers(subcontracting payroll) and substantial personnel expenses within outsourcing commission of staff working for logistics operations.

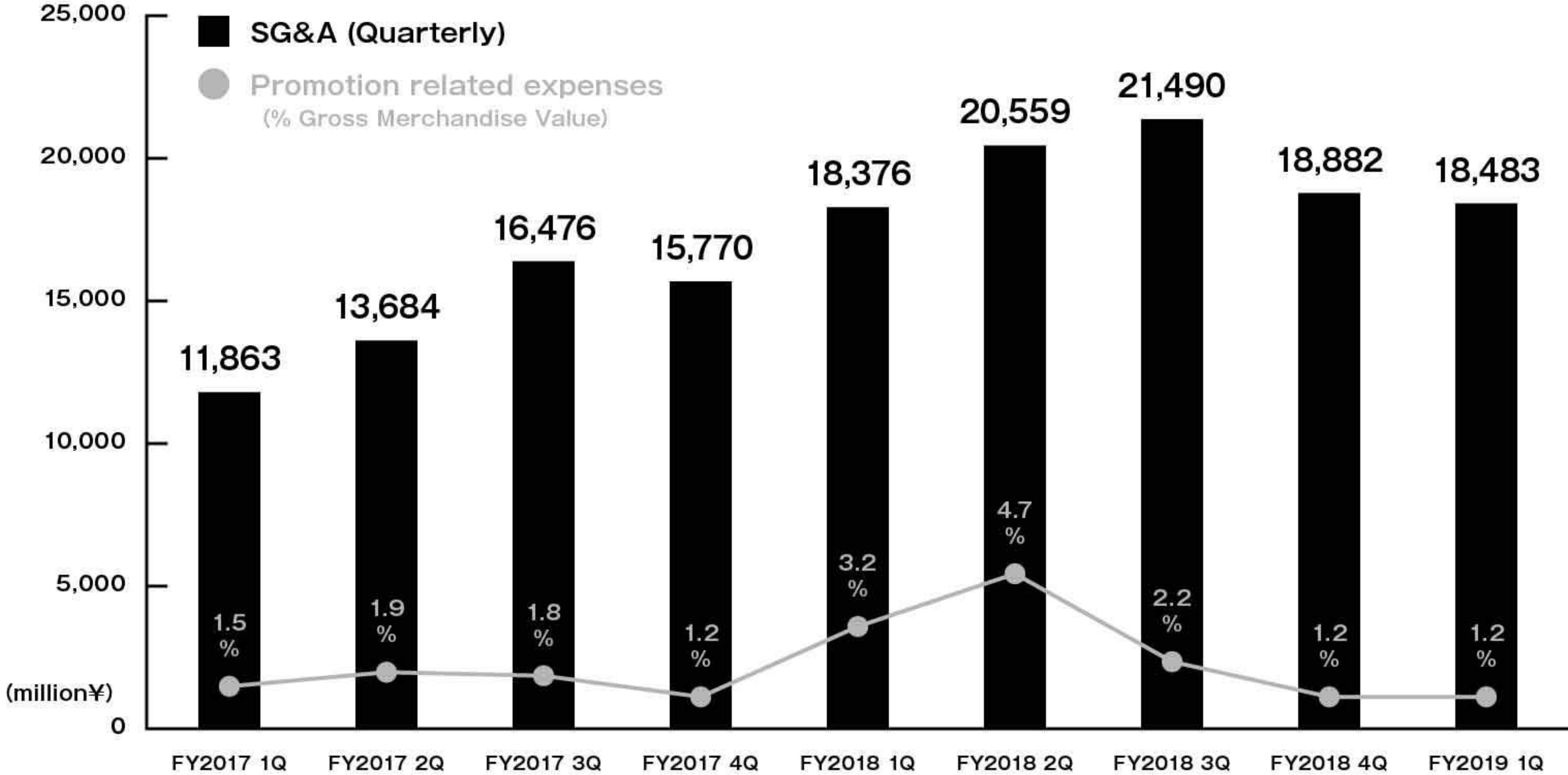


# OPERATING PROFIT AND OPERATING PROFIT MARGIN (QUARTERLY)





# SELLING, GENERAL AND ADMINISTRATIVE(SG&A) EXPENSES(QUARTERLY)





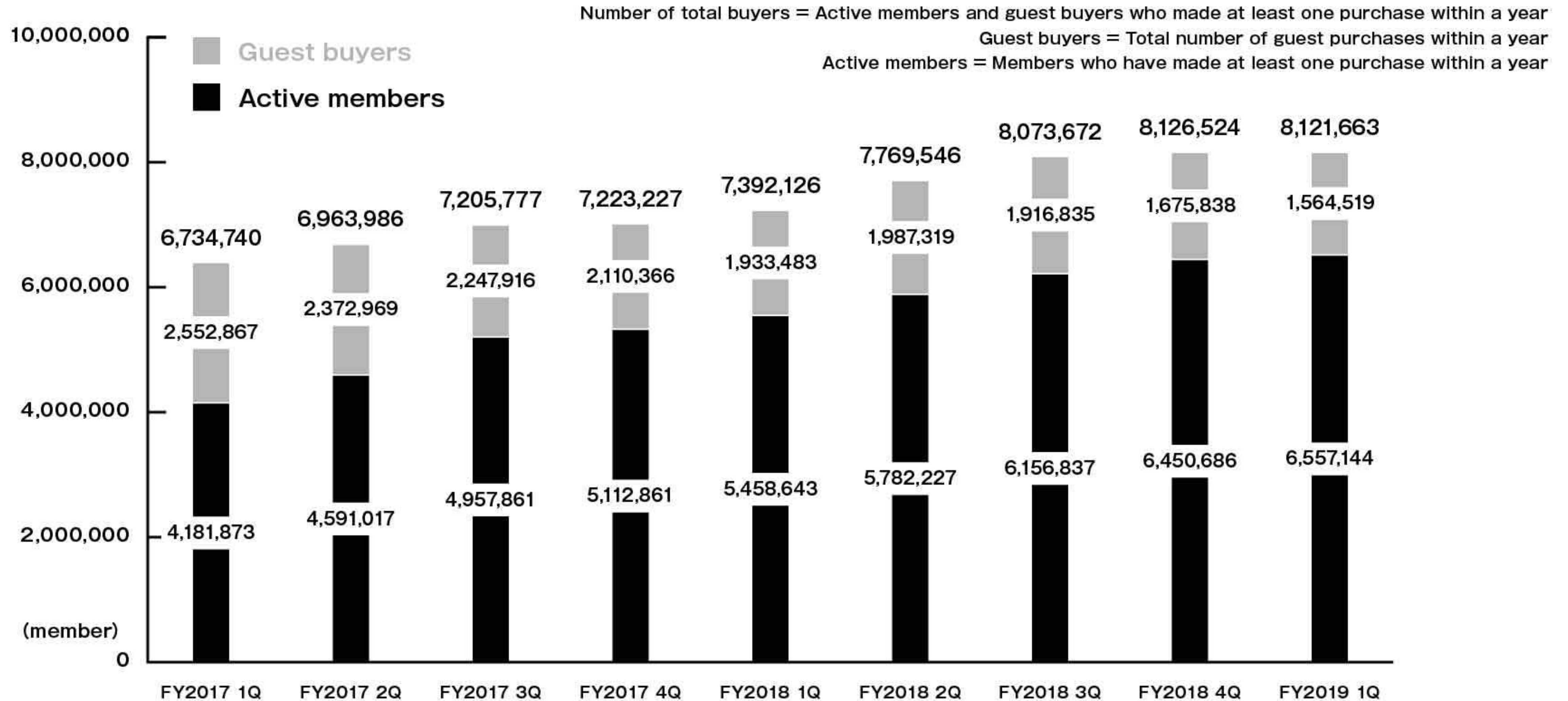
# OVERVIEW OF SG&A BY EACH QUARTER

	FY2018								FY2019	
	1Q		2Q		3Q		4Q		1Q	
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value
<b>Payroll and staff costs(*)</b>	4,825	6.9%	5,017	7.1%	5,706	6.1%	5,325	6.0%	5,219	6.6%
Payroll costs for employee	1,988	2.8%	2,060	2.9%	2,018	2.2%	1,950	2.2%	1,940	2.4%
Logistics-Related Expenses (Including Outsourcing)	2,836	4.0%	2,957	4.2%	3,688	3.9%	3,375	3.8%	3,278	4.1%
Outsourcing Commission (Excluding Logistics-Related Expenses)	995	1.4%	1,017	1.4%	1,257	1.3%	1,290	1.5%	1,023	1.3%
<b>Shipping</b>	4,665	6.6%	5,076	7.2%	5,631	6.0%	5,090	5.8%	5,011	6.3%
Commission of Payment collection	2,030	2.9%	2,077	2.9%	2,633	2.8%	2,335	2.7%	2,243	2.8%
<b>Promotion related expenses</b>	2,228	3.2%	3,331	4.7%	2,091	2.2%	1,079	1.2%	927	1.2%
Advertising	1,548	2.2%	2,741	3.9%	1,240	1.3%	534	0.6%	378	0.5%
Reward points related expenses	679	1.0%	590	0.8%	851	0.9%	544	0.6%	548	0.7%
<b>Rent expense</b>	856	1.2%	891	1.3%	1,116	1.2%	1,163	1.3%	1,169	1.5%
<b>Depreciation</b>	290	0.4%	333	0.5%	430	0.5%	463	0.5%	442	0.6%
<b>Amortization of goodwill</b>	119	0.2%	119	0.2%	119	0.1%	119	0.1%	140	0.2%
<b>Stock Compensation Expenses</b>	-	-	179	0.3%	-99	-0.1%	30	0.0%	-6	0.0%
<b>Others</b>	2,365	3.4%	2,513	3.5%	2,603	2.8%	1,984	2.3%	2,312	2.9%
<b>Total SG&amp;A</b>	18,376	26.1%	20,559	29.0%	21,490	22.9%	18,882	21.4%	18,416	23.3%

\* Payroll includes directors' remuneration, employee salaries, bonus, legal welfare expenses, welfare expenses, retirement benefits cost, provision for employee bonus, expenses of company pension premium, subcontracting payroll, a portion of expenses at logistics centers operation. "Employee" includes directors and employees, "Logistics-Related Expenses" includes part-timers, dispatched workers(subcontracting payroll) and substantial personnel expenses within outsourcing commission of staff working for logistics operations.



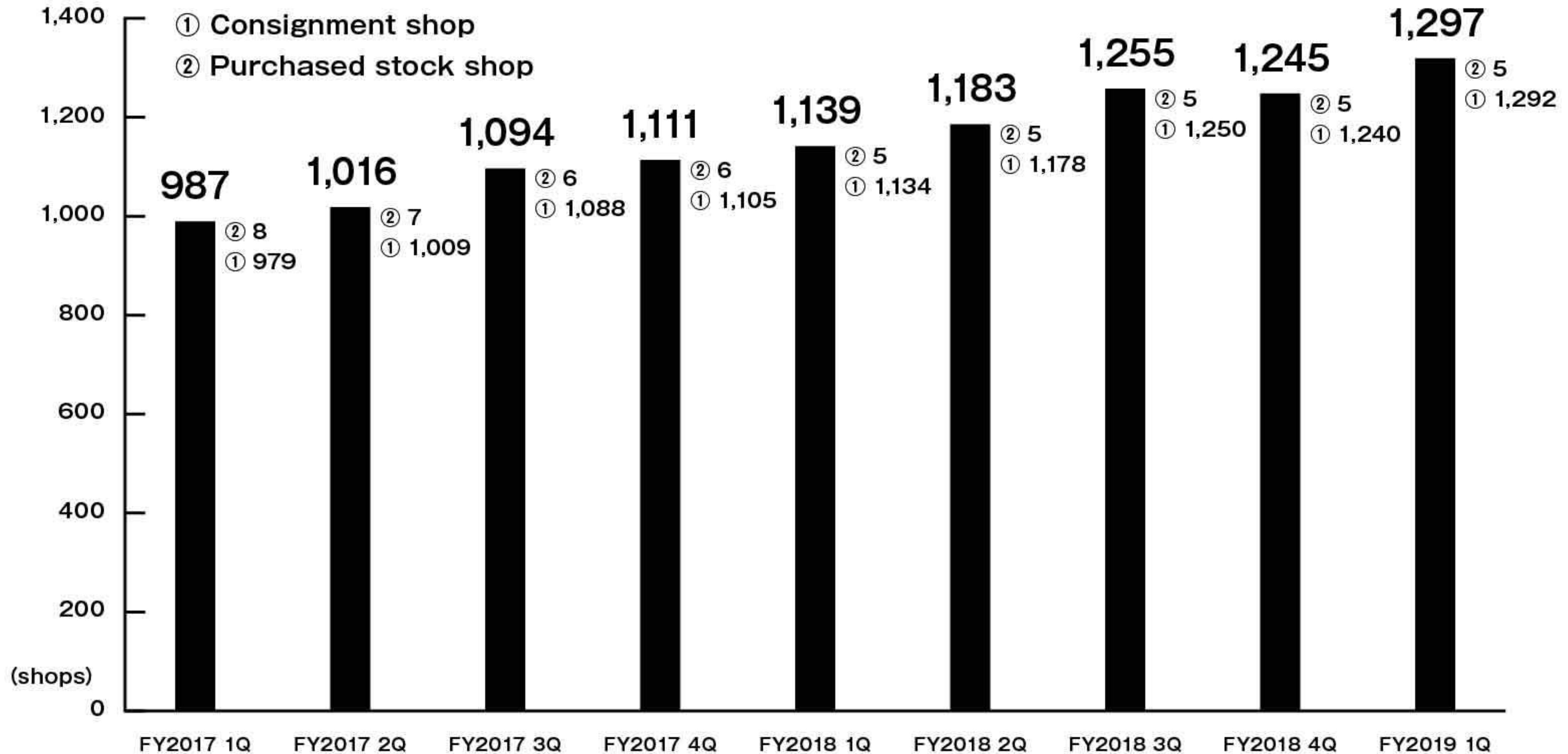
# NUMBER OF TOTAL BUYERS



\* Excluding the users only purchased the body measurement device "ZOSUIT"



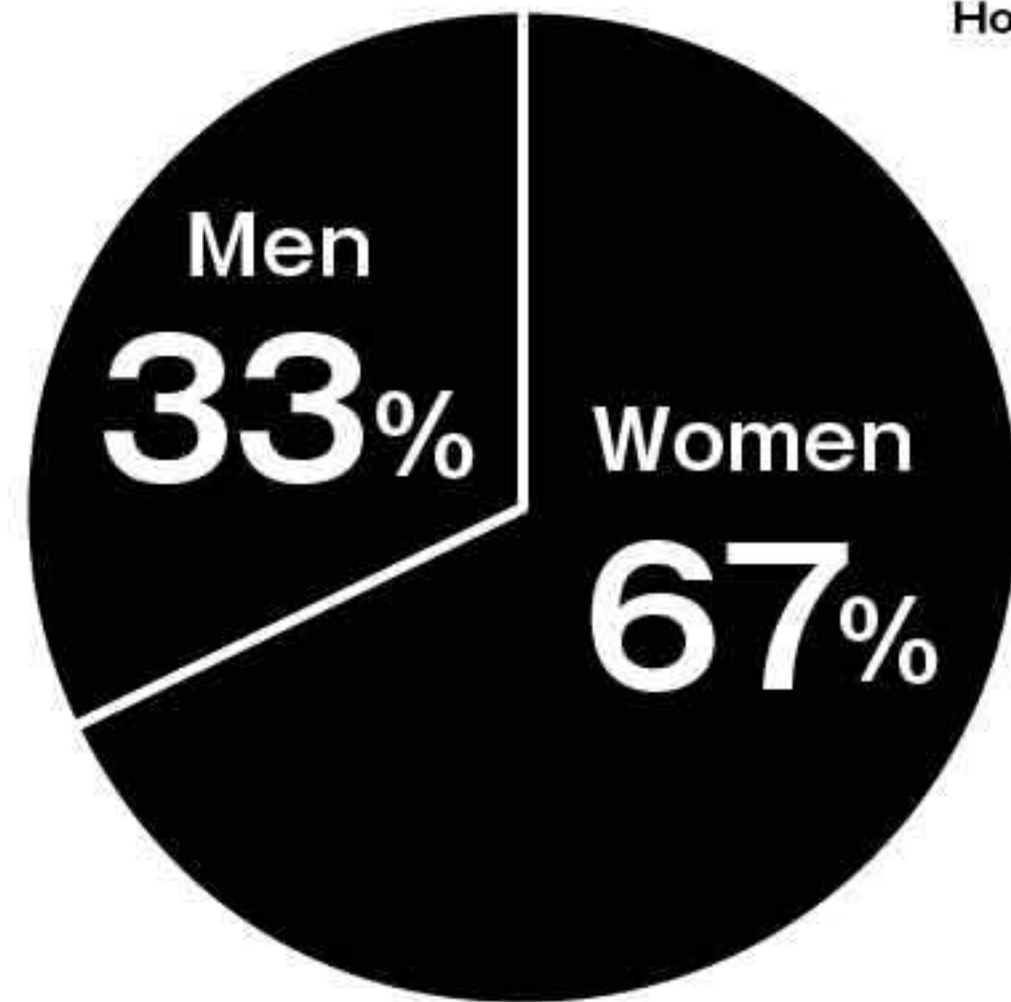
# NUMBER OF SHOPS ON ZOZOTOWN



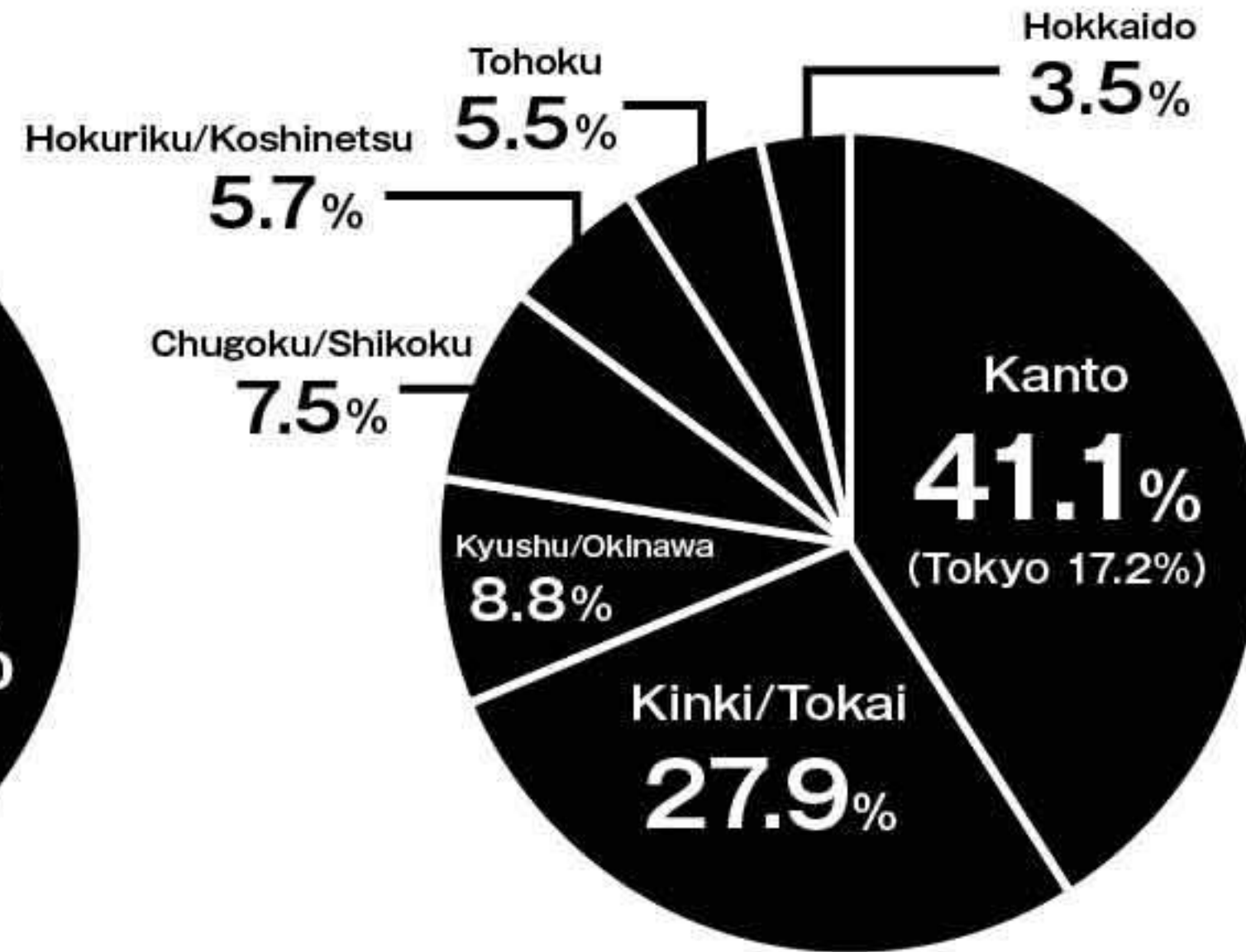
\* Private brand "ZOZO" is not included to the number of shops

# ACTIVE MEMBER DISTRIBUTION

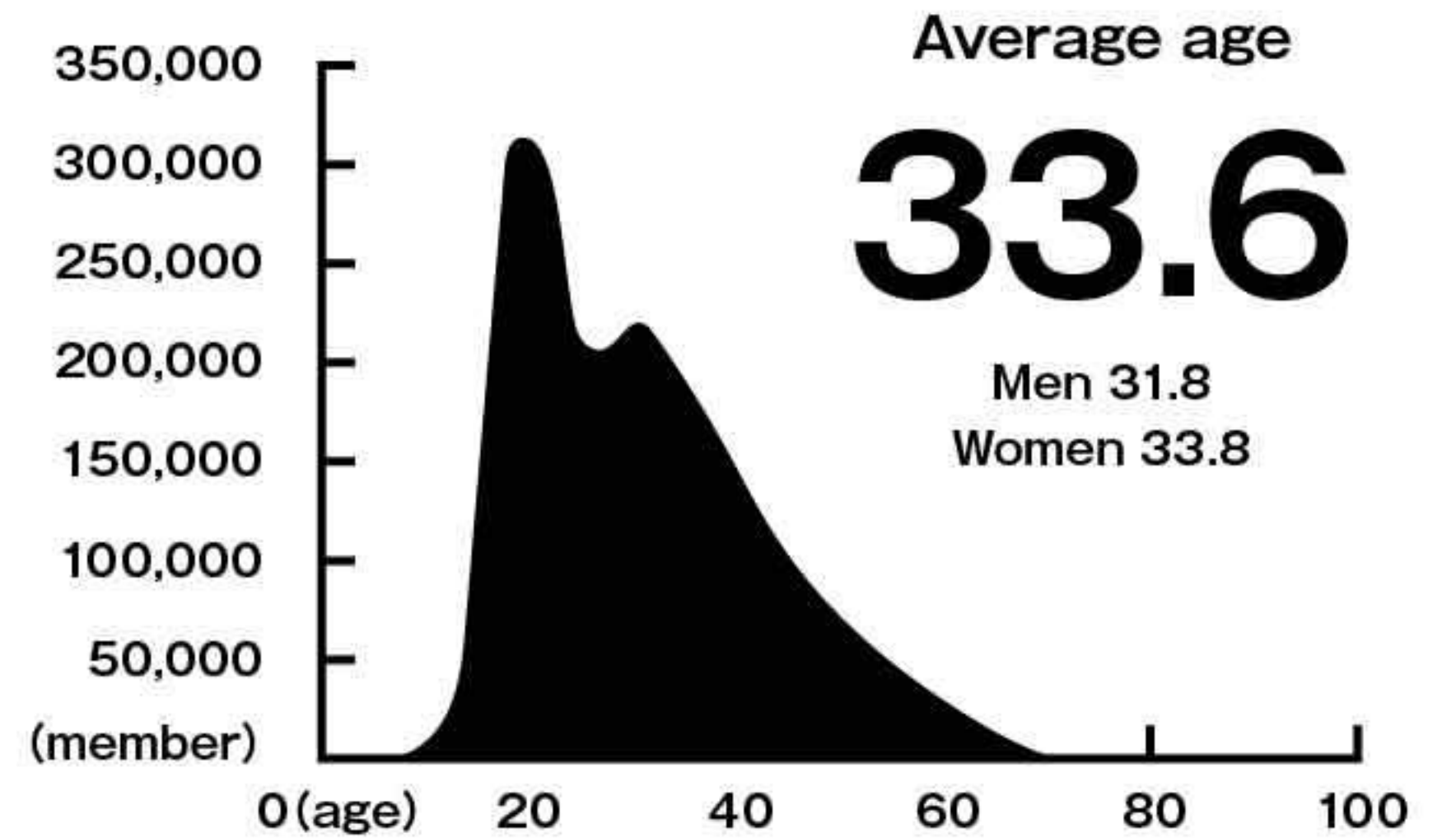
## Gender ratio



## Geographical distribution

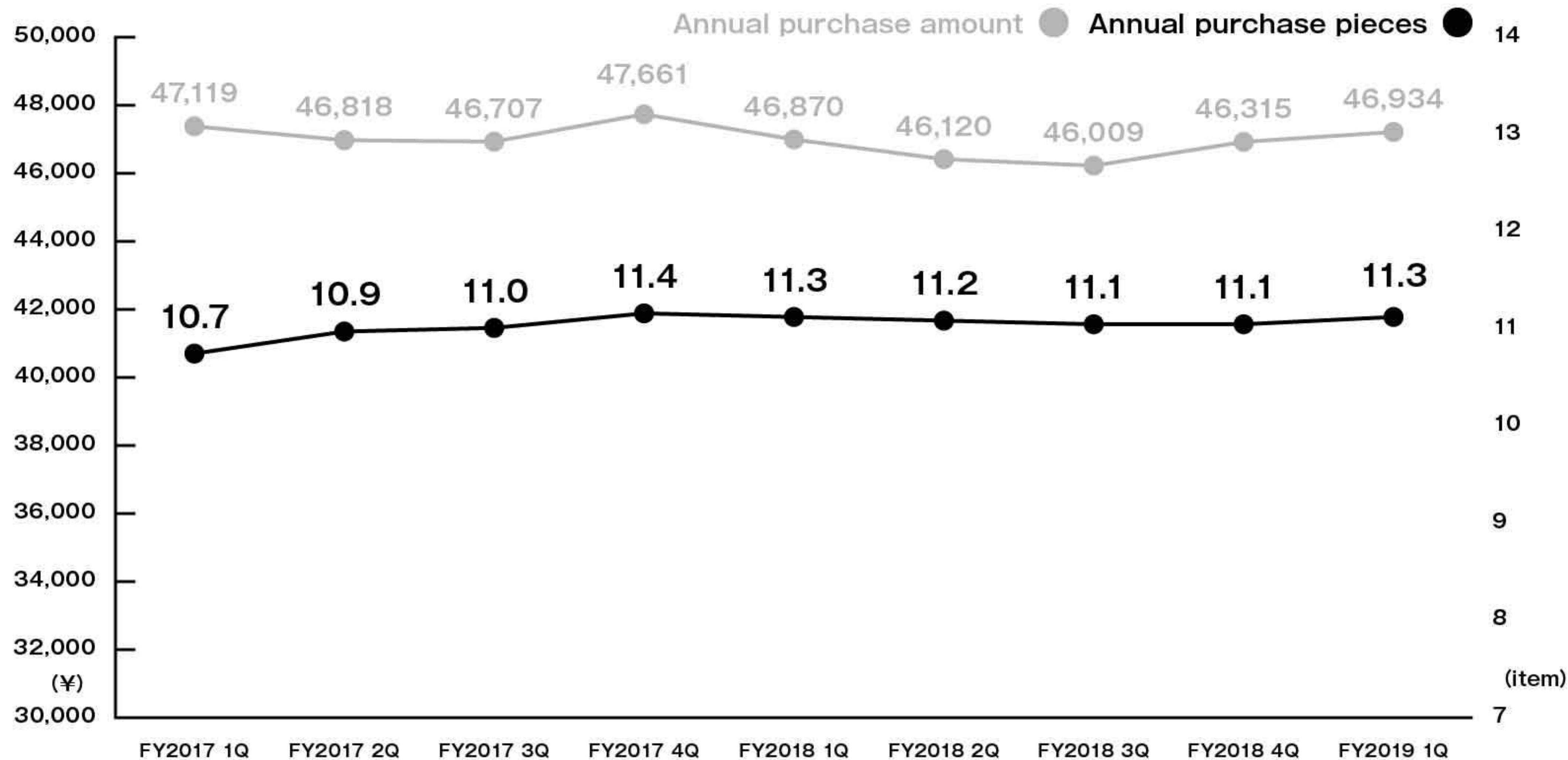


## Age distribution



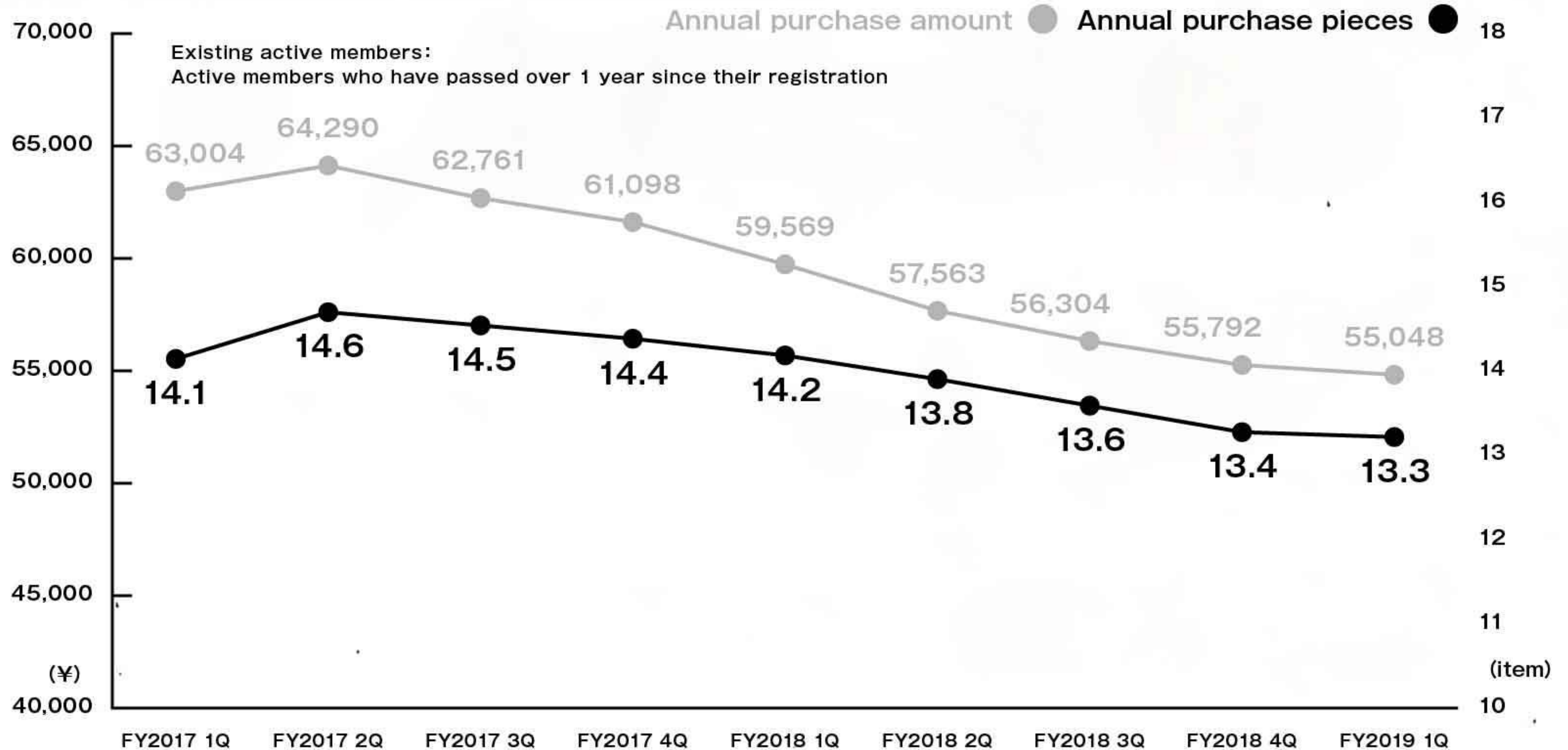


# ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



\* Excluding the users only purchased the body measurement device "ZOZOSUIT"

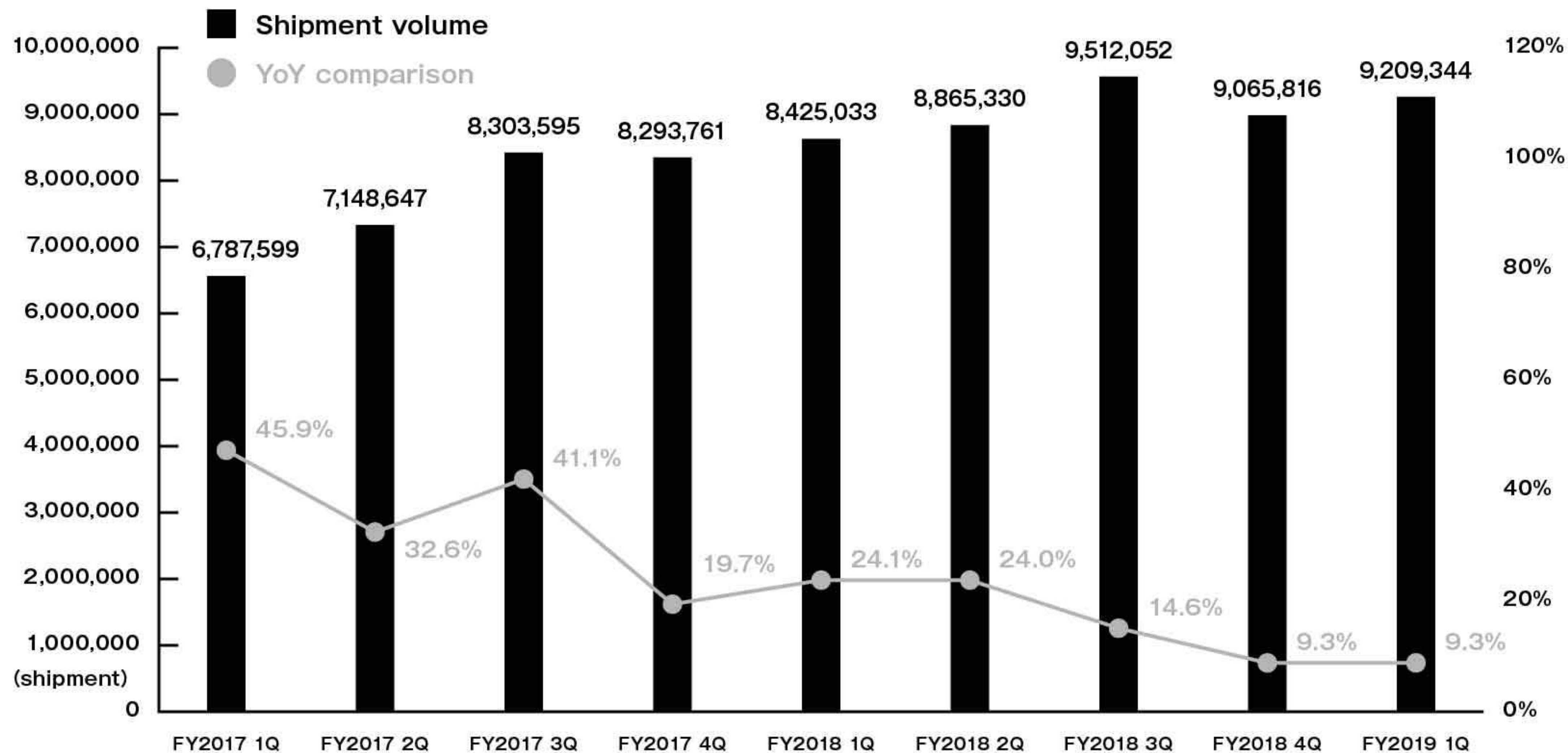
# ANNUAL PURCHASE AMOUNT AND PIECES PER EXISTING ACTIVE MEMBER



\* Excluding the users only purchased the body measurement device "ZOSUIT"



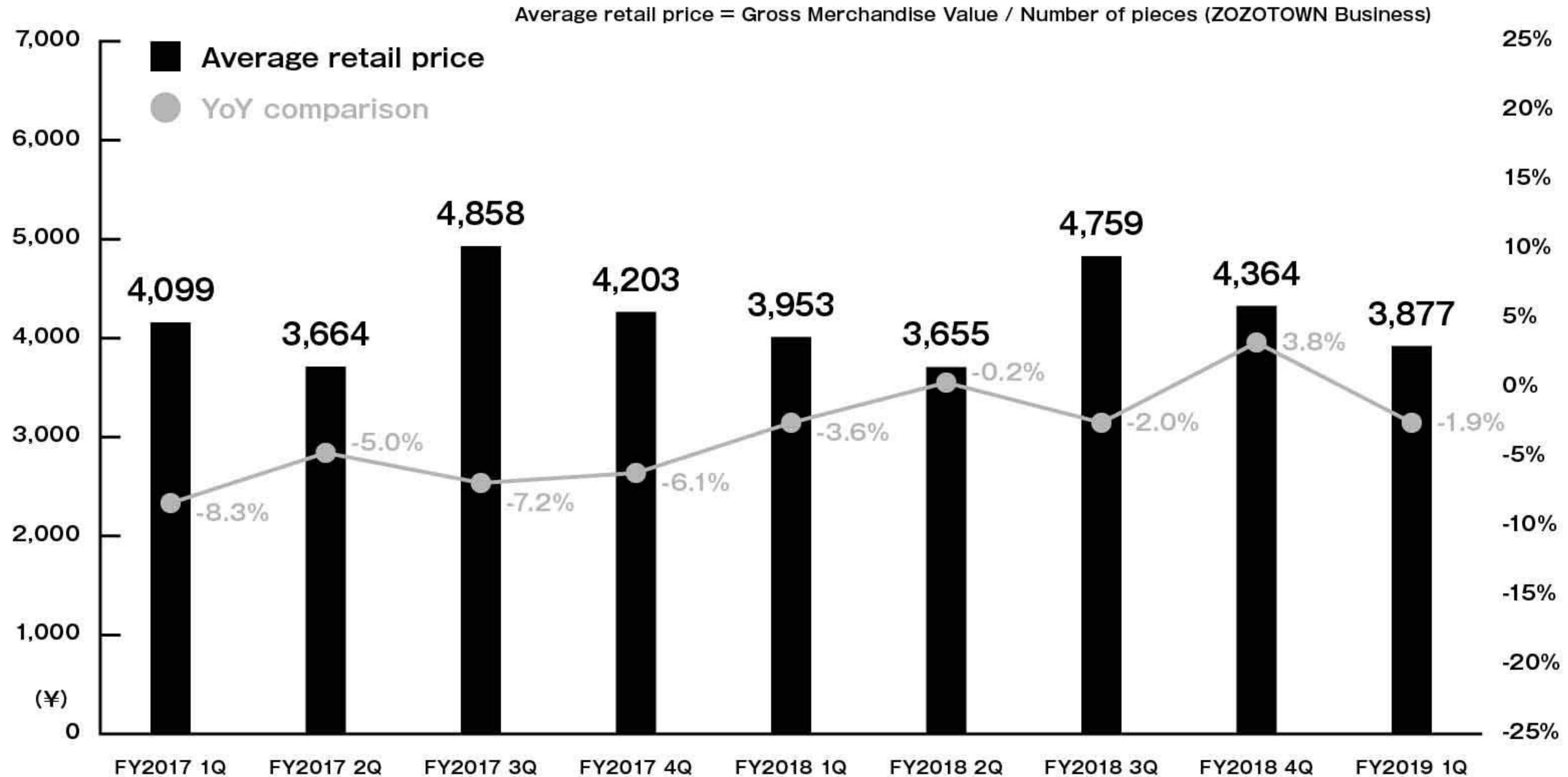
# NUMBER OF SHIPMENTS



\* Excluding the number of shipments of the body measurement device "ZOSOSUIT" only.

\* The numbers of shipments are the combined results of the ZOZOTOWN business and the PB business.

# AVERAGE RETAIL PRICE

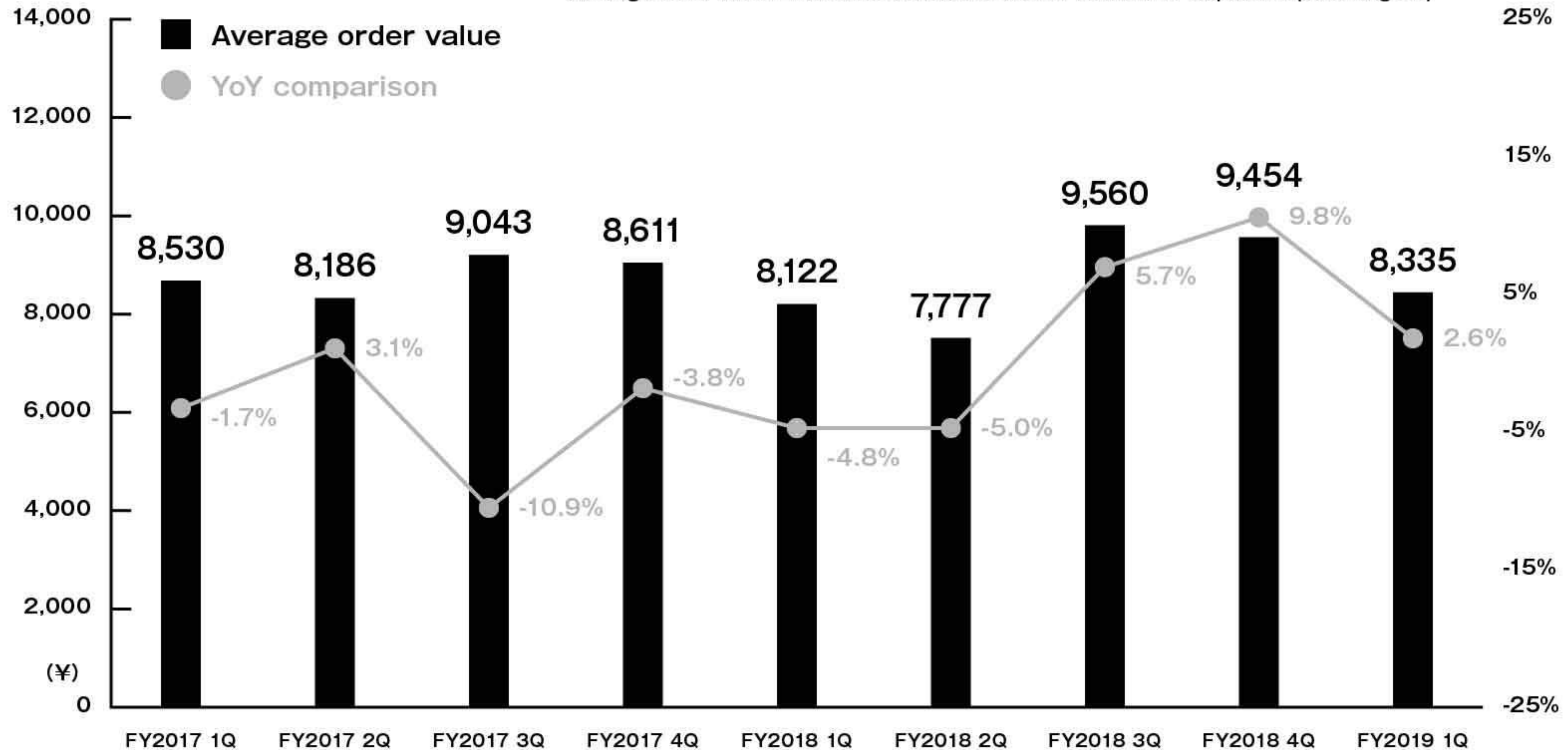


\* The numbers of average retail price are averages calculated from combined results of the ZOZOTOWN business and the PB business.



# AVERAGE ORDER VALUE

Average order value = Gross Merchandise Value / Number of shipments (Including PB)



\* The numbers of Average Order Value are averages calculated from combined results of the ZOZOTOWN business and the PB business.



# BUSINESS PLAN FOR FY2019

IQ FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS



# CONSOLIDATED BUSINESS FORECAST AND DIVIDEND FORECAST FOR FY2019

	FY2019 Plan	YoY
Gross Merchandise Value	367.0 billion yen	+13.6%
Net Sales	136.0 billion yen	+14.9%
Operating Profit	32.0 billion yen	+24.7%
Operating Profit Margin (to the Gross Merchandise Value)	8.7%	—
Ordinary Profit	32.0 billion yen	+24.4%
Profit attributable to owners of parent	22.5 billion yen	+40.8%
Net profit per share	73.7 yen	—
Estimated dividends per share (Plan)	30.0 yen	—

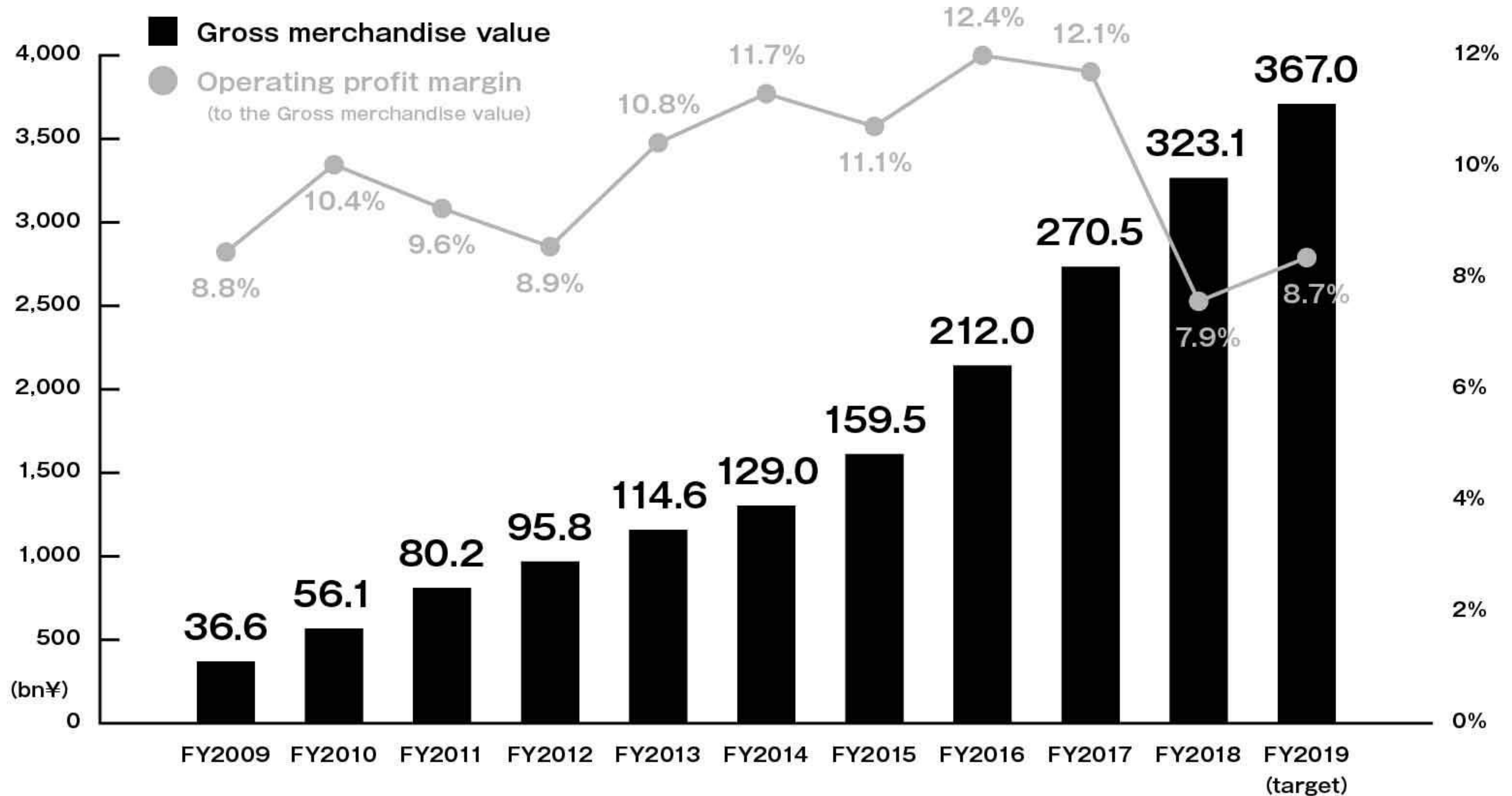
# FY2019 TARGET BY BUSINESS SEGMENT

	Target for Gross Merchandise Value	YoY
ZOZO Group	367.0 billion yen	+ 13.6%
ZOZOTOWN Business	355.4 billion yen	+ 14.4%
· Consignment Business	338.5 billion yen	+ 15.0%
· ZOZOUSED	16.9 billion yen	-0.4%
BtoB Business	8.9 billion yen	-1.3%
Private Brand Business	1.7 billion yen	-38.5%
MSP Business	1.0 billion yen	—

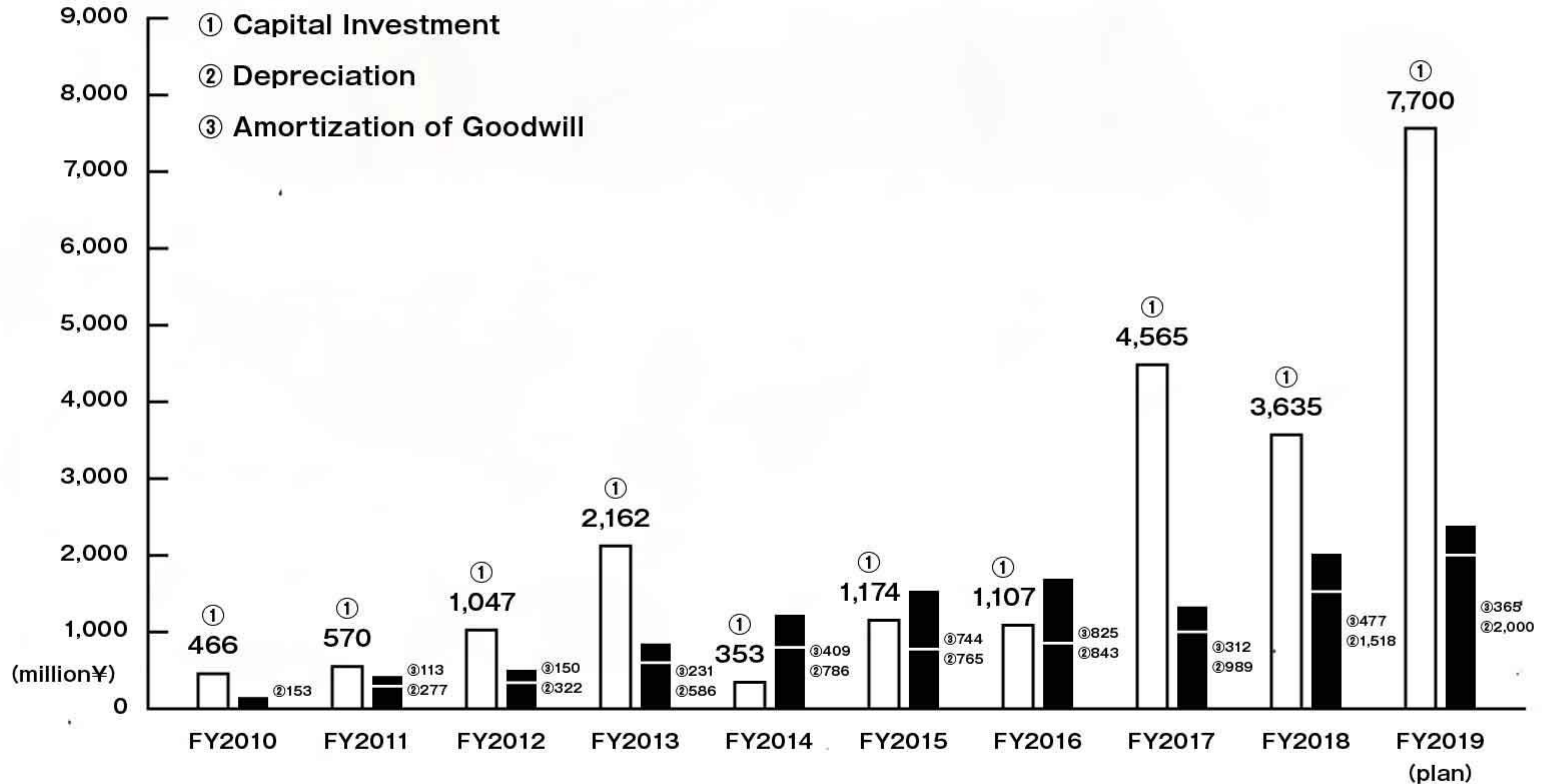
	Target for Net Sales	YoY
Advertisement Business	2.1 billion yen	+47.2%



# GROSS MERCHANDISE VALUE

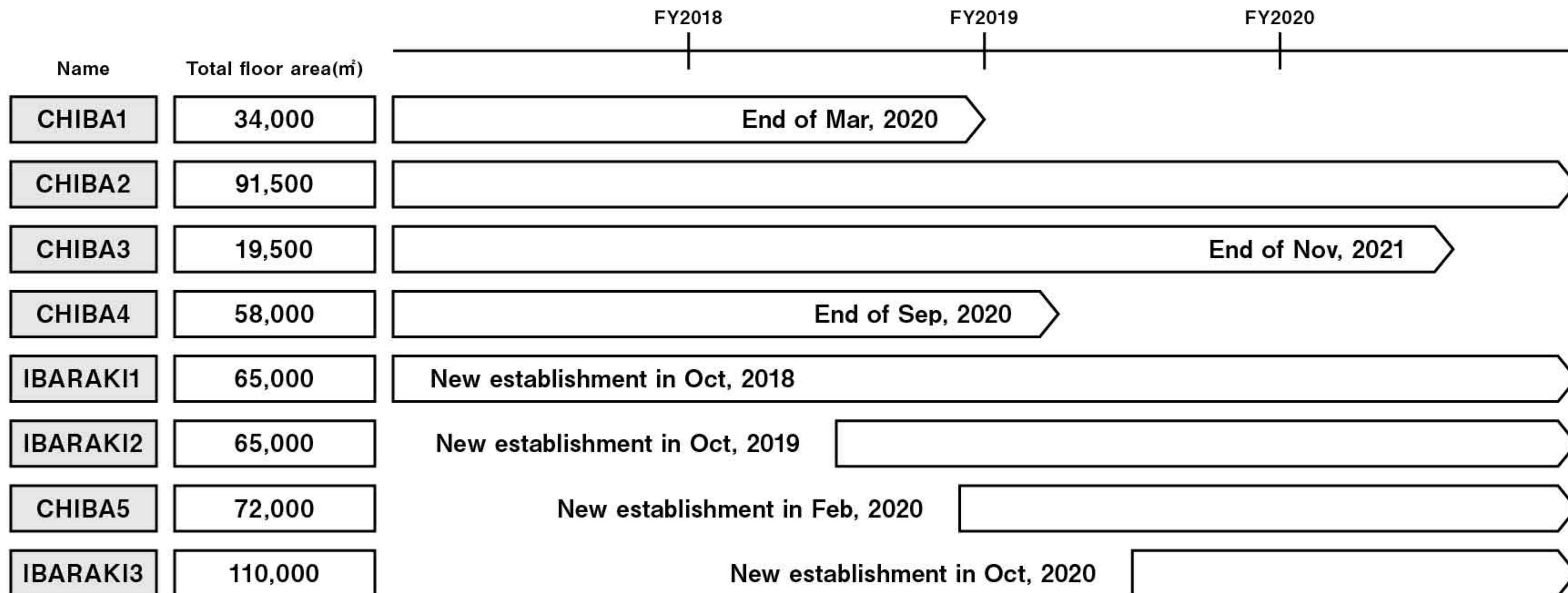


# CAPITAL INVESTMENT



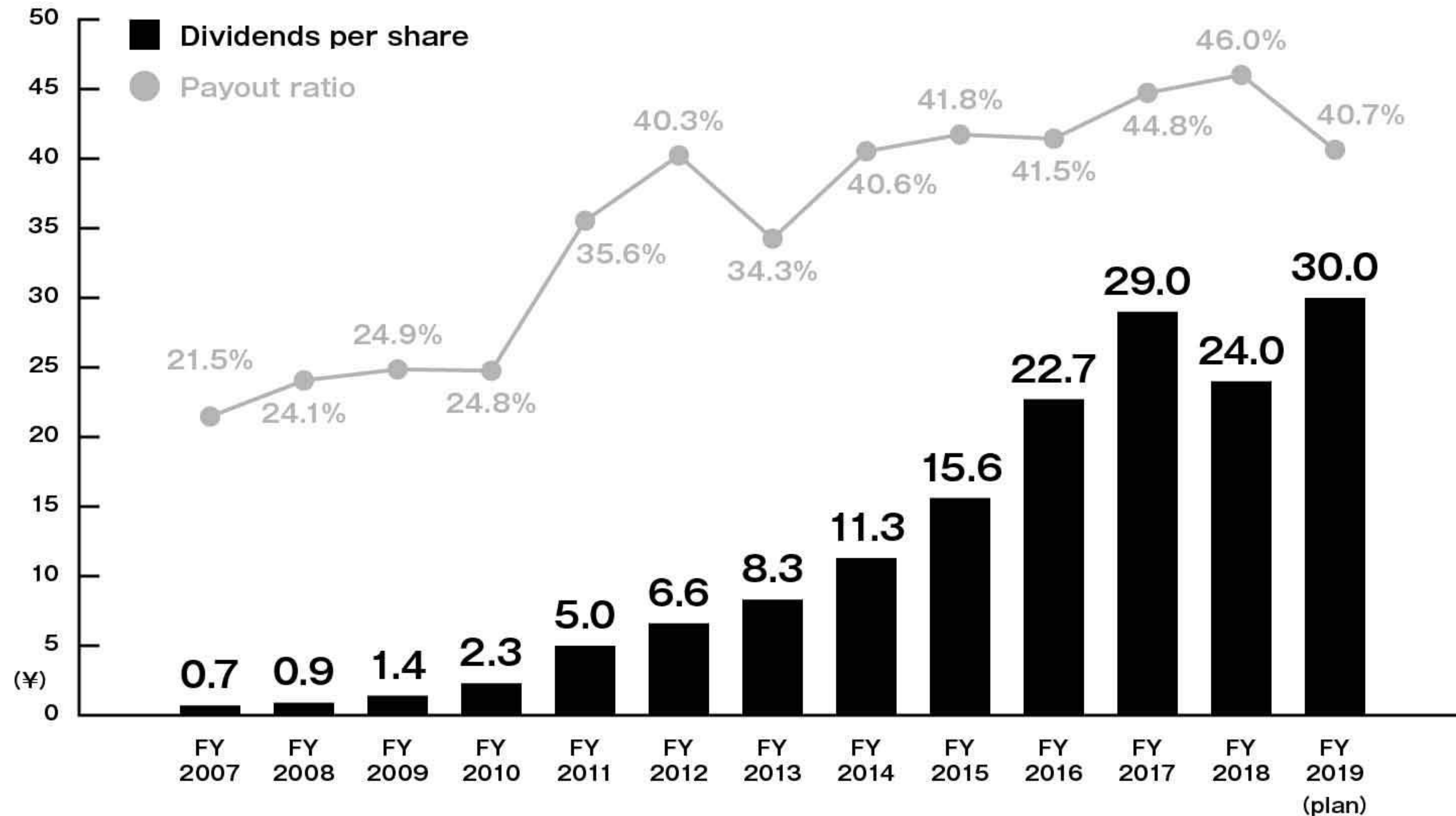


# LOGISTICS BASES EXPANSION PLAN



\* CHIBA2 and IBARAKI1 are warehouses with shipping function

# DIVIDENDS PER SHARE AND PAYOUT RATIO







# REFERENCE DATA

*1Q FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS*





Corporate

Philosophy

世界中をカッコよく、  
世界中に笑顔を。

Make the world a better place,  
Bring smiles to the world.

Be unique. Be equal.





# STATISTICS OF ZOZO

EMPLOYEES

**1,130**

(Average age 32.7 years old)

SHARE HOLDERS

**40,635**

NUMBER OF BRANDS HANDLED

**7,349**

ZOZOTOWN TOTAL BUYERS

(1 year basis)

**812** million

# MAJOR SERVICES

## ZOZOTOWN Japan's Largest Online Retailer of Apparel and Accessories

- 1,297 stores offering 7,349 brands.
- At any given time, more than 730,000 items are available with an average of 3,200 new items added everyday.
- Systems, design, to fulfillment, all functions are built in house.



## WEAR Japan's largest fashion coordination app

- When uploading coordinate pictures, tag each item worn in the look, using information on our data base. The systems allows anyone to search for coordinates and items by various queries.
- Official users who we call WEARISTAs, include popular models, singers, actors and actresses.
- Over 13.0 million DL
- Now available in all geographic areas.



## Private Brand "ZOZO"

- Operates in ZOZOTOWN.
- The brand offers basic items based on individual customer's body size.
- Depending on characteristics of items, sizes are available in either multi-sized or custom made.





# OUR SUBSIDIARIES

## ZOZO Technologies, Inc.

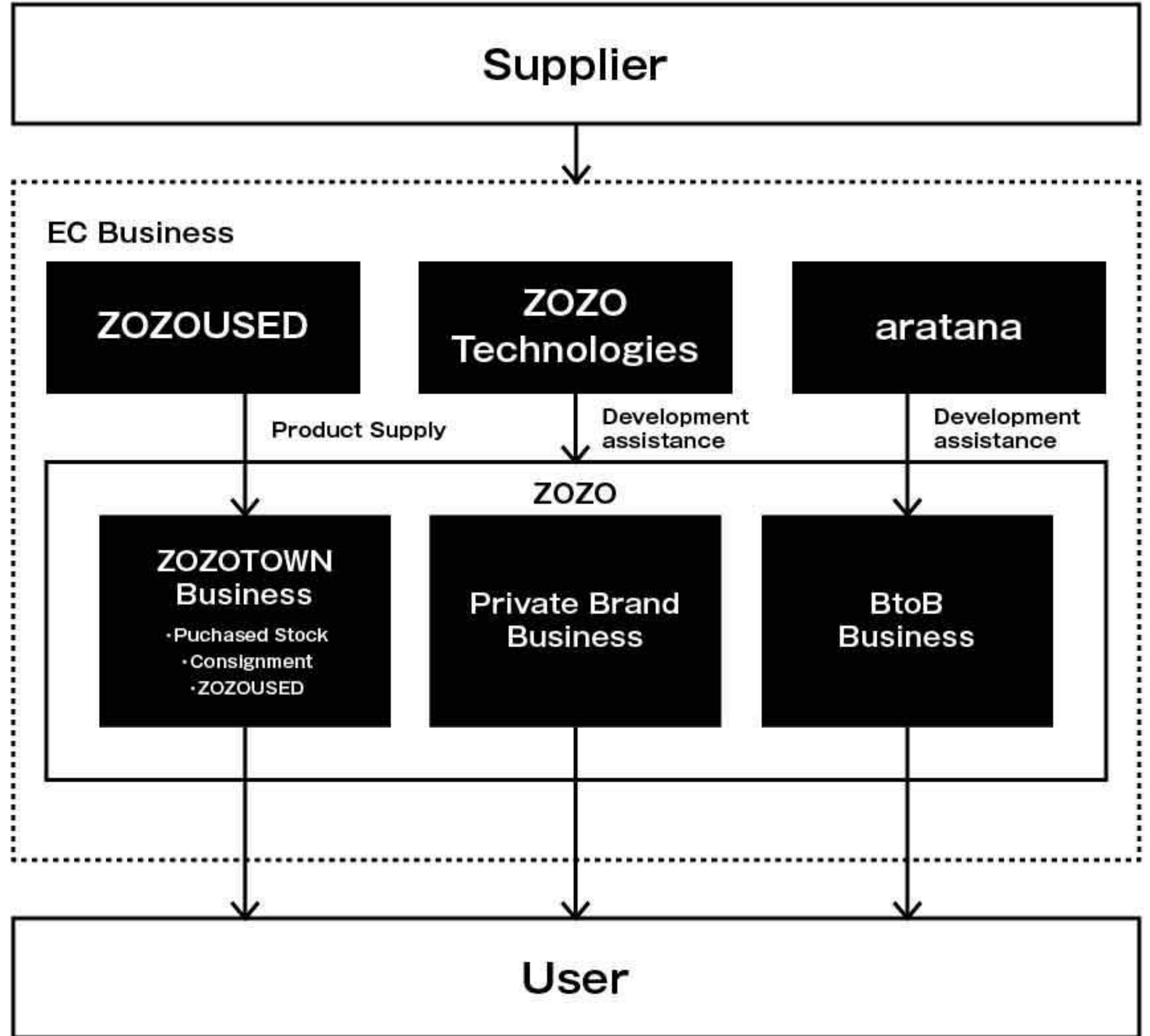
System development, web design, CRM,  
Technological development, R&D

## ZOZOUSED, Inc.

A business operated by reselling second hand apparel items  
purchased from our users

## aratana, Inc.

Specializes in building EC sites, web marketing,  
web security systems, and EC related applications



# MAJOR SERVICES

## ZOZOTOWN Business

### ○ Consignment

We operate 1,292 shops as consignment businesses.  
This business model allows us to carry a certain amount of products from the brands, while giving us low inventory risk.  
Sales = Gross merchandise value\* of each store x commission rate

### ○ Purchased Stock

We operate 5 stores within ZOZOTOWN,  
which offer products we purchase from brands.  
Sales = Gross merchandise value\* generated by each store

### ○ ZOZOUSED Business

We purchase used fashion products from our users,  
and resell them as a second-hand business.  
Sales = Gross merchandise value\* of purchase stock  
+ Consignment commission of marketplace

## Private Brand Business

Under the brand name "ZOZO", it manufactures and sells basic items based on individual customer's body size. Using data measured by the body measurement device "ZOZOSUIT" which developed in-house, and sell items at ZOZOTOWN.  
Sales = Gross merchandise value\* of private brand items

## BtoB Business

We help develop and operate online shops on behalf of various brands, such as "United Arrows". We currently provide back-end service to 25 stores.  
Sales = Gross merchandise value of these online shops x commission rate

\* Above sales includes other sales such as Initial shop opening commission, shipping income etc.

## Advertisement Business

Advertisement business will gain advertisement income from client companies including brands by providing advertisement spots utilizing the user base of ZOZOTOWN and WEAR.  
Sales = Advertisement income

\* Gross merchandise values used for the calculation of sales are the amounts after deduction of discount attributable to the paid-membership service.



# Appendix

## Introduction of IR website <https://corp.zozo.com/en/ir-info/>

Information below are available at our IR website. Please kindly confirm.

**IR News** ... The latest IR information are posted in a timely manner.  
<https://corp.zozo.com/en/ir/>

**ESG** ... Introducing our initiatives on ESG.  
<https://corp.zozo.com/en/ir-info/management-policy/esg/>

**Financial Highlights** ... Financials for the past 3 years are available. Data can be downloaded in both PDF and excel format.  
<https://corp.zozo.com/en/ir-info/financial-highlights/>

## Introduction of IR Mail

By registering your email address to our IR Mail,  
we will send you information pertain to our IR such as latest news releases.  
If you wish to register, please make access to the following link.

\* News and information will be sent through the service provided by Magical Pocket Corporation.

IR Mail Subscription <https://corp.zozo.com/en/ir-info/mail-magazine/>

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**This material has been created for  
the sole purpose of introducing the company's business activities,  
and not for soliciting investments.**

**The business forecasts and the future outlook described in the material  
is based on information currently available.**

**The forecast includes uncertainties such as sudden changes,  
therefore actual results may differ.**





ZOZO