



2Q FY2020 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS



HIGHLIGHTS



2Q FY2020 ZOZO, Inc.
CONSOLIDATED BUSINESS RESULTS

FY2020 2Q HIGHLIGHTS

03

Overview

- Gross Merchandise Value : 185,631 million yen (+16.3%,Yoy)
- Operating Profit : 19,905 million yen (+50.2%,Yoy) Achieved the highest profit ever in the half-year financial results

Gross Merchandise Value

○ ZOZOTOWN BUSINESS

Gross Merchandise Value : 165,411 million yen (+7.1%,Yoy)

Consignment Business : 160,652 million yen (+9.1%,Yoy)

Purchased Stock Business : 44 million yen (-68.7%,Yoy)

ZOZOUSED Business : 4,714 million yen (-33.4%,Yoy)

- PayPay Mall : 8,744 million yen (-)
- Private Brand Business : 184 million yen (-73.6%,Yoy)
- MSP Business : 560 million yen (-)
- BtoB Business : 10,625 million yen (+140.9%,Yoy)
- Others : 105 million yen (-)
- Average Order Value : 7,370 yen (-2.1%,Yoy)
- Average Retail Price : 3,381 yen (-3.8%,Yoy)



FY2020 2Q HIGHLIGHTS

04

Profitability

- Operating profit margin (to the total gross merchandise value) : 10.7% (8.3% for FY2019 2Q)
 - Factors improving profitability : Improvement of gross profit margin due to a decrease in discounting costs such as ZOZOARIGATO etc., and decreases in PB related costs and on-the spot expenses.
 - Factors worsening profitability : An increase in packing and freight ratio to the gross merchandise value, due to decreases in the average order value.

Topic

- Cashless payment "PayPay" is available at ZOZOTOWN (August 2020)
- Opened "ZOZOGOLF", place dedicated for golf items where offers fashionable golfwear and goods (August 2020)
- PGA TOUR'S "ZOZO CHAMPIONSHIP", to be held in California, USA as the "ZOZO CHAMPIONSHIP @ SHERWOOD" this year (August 2020)
Tournament schedule: October 22nd Thursday~25th Sunday, 2020 *without spectators
- "YOUR BRAND PROJECT Powered by ZOZO", which produces brands with individuals, started its sales with 18 remarkable personalities (October 2020)



BUSINESS RESULTS

2Q FY2020 ZOZO, Inc.
CONSOLIDATED BUSINESS RESULTS



OVERVIEW OF THE FY2020 2Q

06

(million¥)

	FY2019 2Q	FY2020 2Q	YoY	Target	Progress Rate(%)
Gross Merchandise Value	159,589	185,631	16.3%	387,300	47.9%
Net sales	57,242	66,492	16.2%	143,700	46.3%
Gross profit	52,421	63,337	20.8%	-	-
(%Gross Merchandise Value)	32.8%	34.1%	1.3%	-	-
SG&A	39,167	43,431	10.9%	-	-
(%Gross Merchandise Value)	24.5%	23.4%	-1.1%	-	-
Operating profit	13,254	19,905	50.2%	39,500	50.4%
(%Gross Merchandise Value)	8.3%	10.7%	2.4%	10.2%	-
Ordinary profit	13,052	19,957	52.9%	39,500	50.5%
Profit attributable to owners of parent	7,919	13,943	76.1%	27,600	50.5%

OVERVIEW OF EACH QUARTER

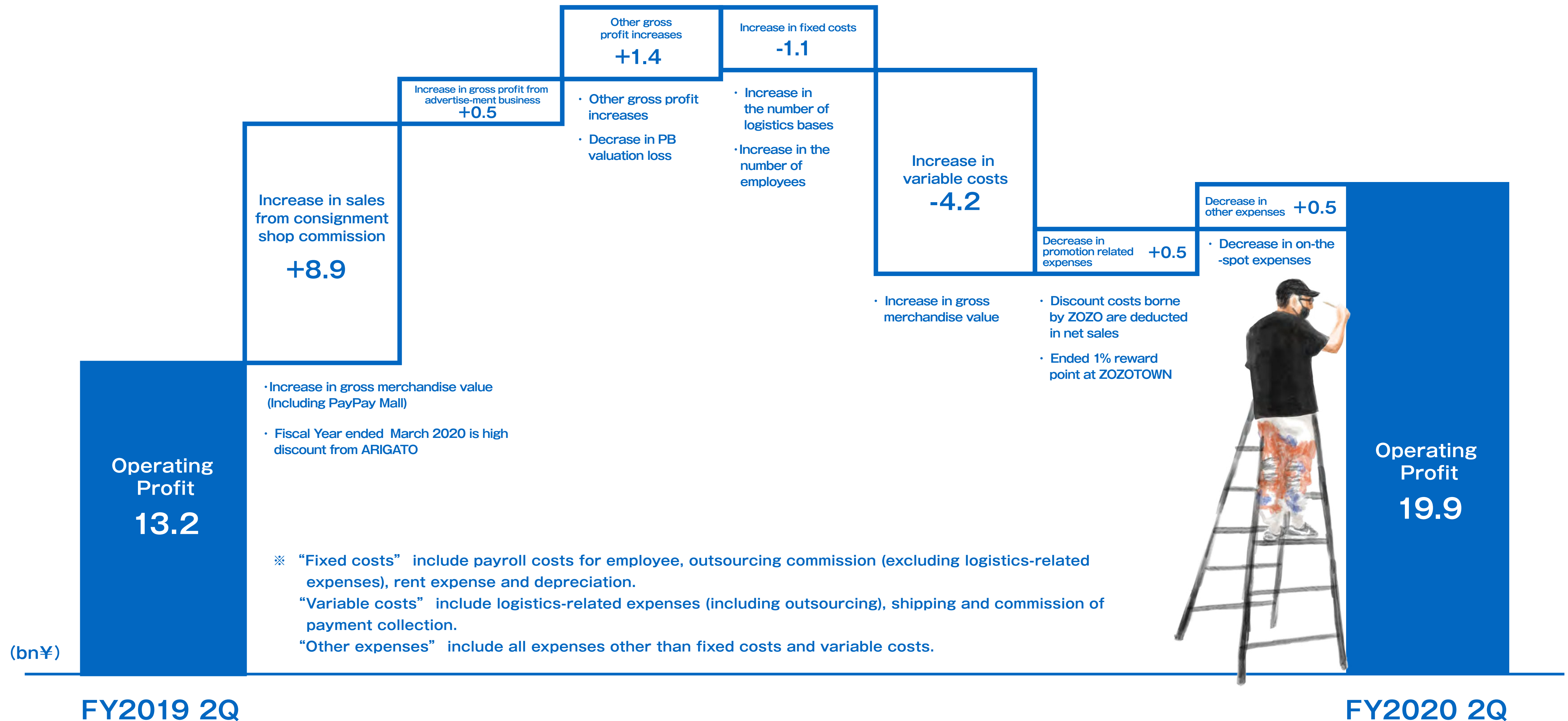


(million¥)

	FY2019				FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q
Gross Merchandise Value	79,743	79,845	94,278	91,218	95,330	90,301
YoY (%)	13.1%	12.6%	0.3%	3.2%	19.5%	13.1%
Net sales	28,197	29,045	34,645	33,629	33,674	32,818
SG&A	18,483	20,683	25,382	21,283	21,860	21,571
YoY (%)	0.6%	0.6%	18.1%	12.7%	18.3%	4.3%
(%Gross Merchandise Value)	23.2%	25.9%	26.9%	23.3%	22.9%	23.9%
Operating profit	7,786	5,467	6,131	8,503	10,423	9,482
YoY (%)	32.6%	30.8%	-42.0%	69.3%	33.9%	73.4%
(%Gross Merchandise Value)	9.8%	6.8%	6.5%	9.3%	10.9%	10.5%

- Growth acceleration factor of the gross merchandise value : Within impact from COVID-19, the positive factor (digital shift) exceeded the negative factor (lowering of demand)
- Operating profit improving factors: Increase of gross profit in tandem with growth of the gross merchandise value, decrease in the number of discount measures and a decrease in on-the spot expenses.


INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT(YoY COMPARISON)



CONSOLIDATED BALANCE SHEET

09

(million¥)

	FY2019 (as of March 31, 2020)	FY2020 (as of September 30, 2020)		FY2019 (as of March 31, 2020)	FY2020 (as of September 30, 2020)
Current assets	70,429	76,368	Current liabilities	56,126	53,925
Cash and deposits	33,602	40,270	Short-term borrowing	22,000	20,000
Merchandise and finished products	1,664	1,951	Noncurrent liabilities	3,525	3,959
Noncurrent assets	23,756	24,774	Total liabilities	59,651	57,885
Tangible assets	10,493	10,451	Shareholders' equity	34,616	43,243
Intangible assets	2,968	3,133	Treasury stock	-24,412	-24,146
Investments and other assets	10,295	11,189	Total net assets	34,534	43,258
Total assets	94,186	101,143	Total liabilities and net assets	94,186	101,143

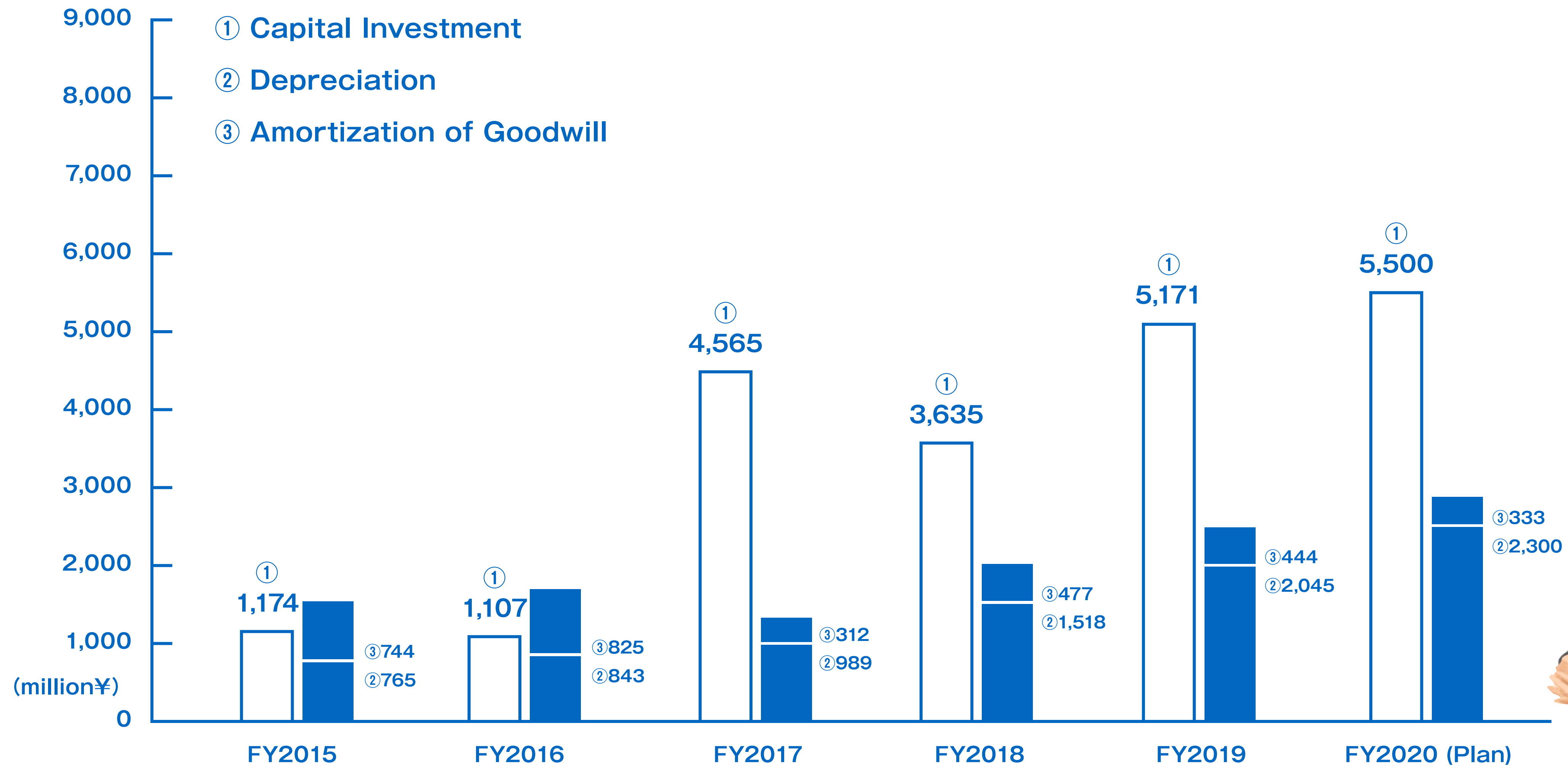
CASH FLOWS

(million¥)

	FY2019 2Q	FY2020 2Q	YoY	Reasons for change
Cash flows from operating activities	6,947	15,663	8,715	
Cash flows from investing activities	-3,055	-1,463	1,591	Acquisition of yutori inc. shares Expenditure from the new office and new logisticsbases expansion
Cash flows from financing activities	-3,053	-7,530	-4,476	Repayment of short-term borrowings
Cash and cash equivalents at the end of the year	22,400	40,270	17,869	



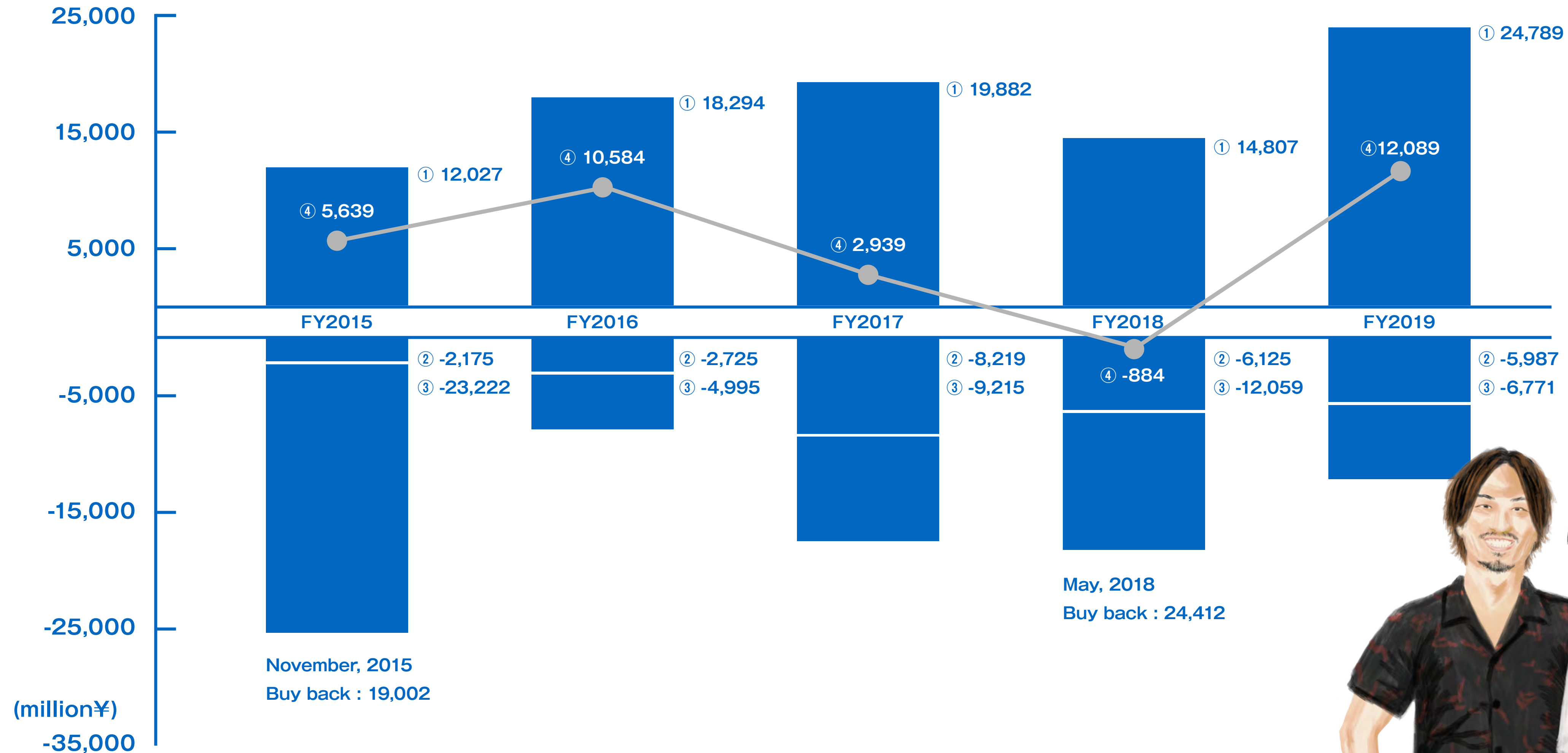
CAPITAL INVESTMENT



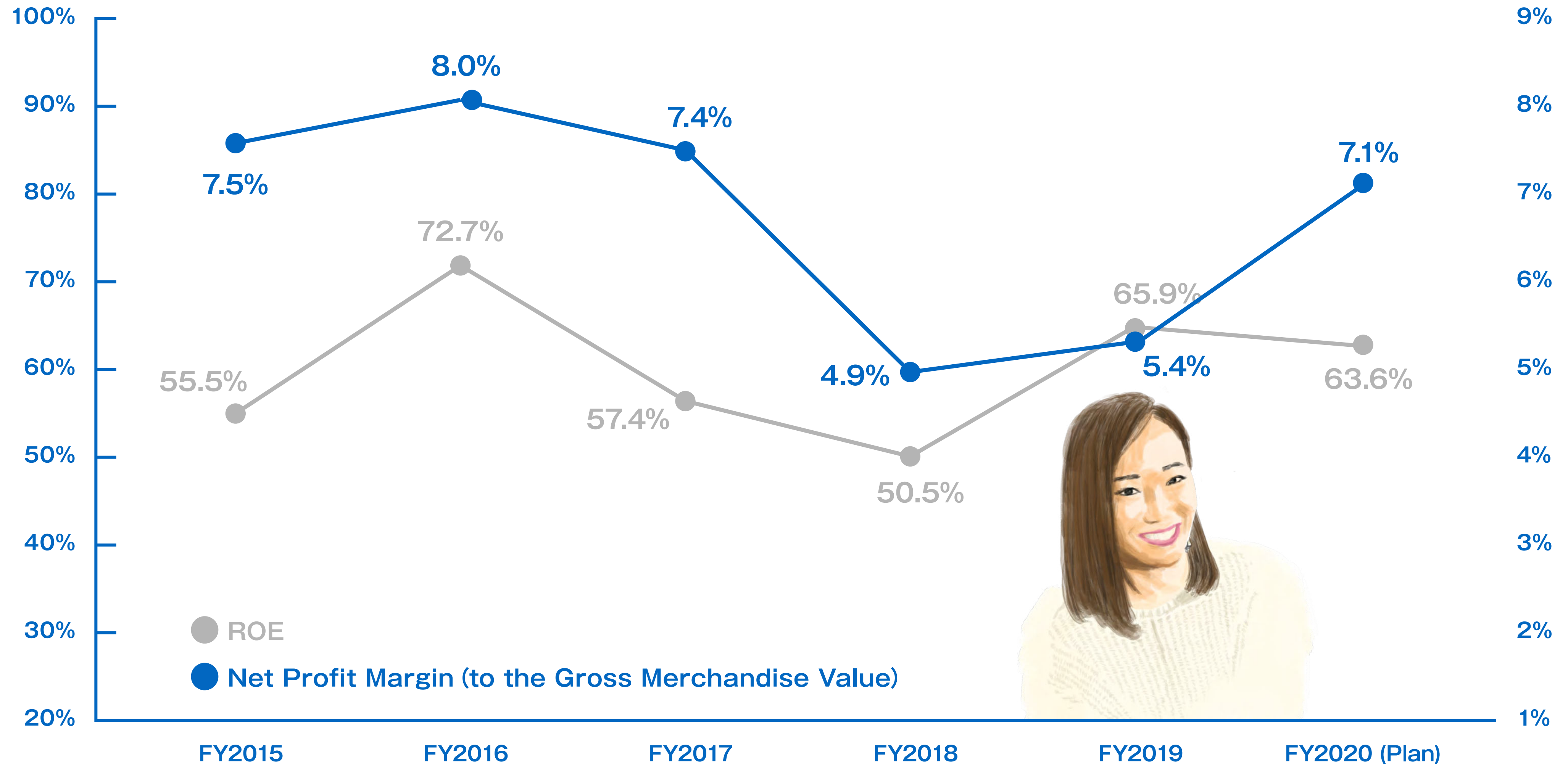
CASH FLOWS

- ① Cash flows from operating activities
- ② Cash flows from investing activities

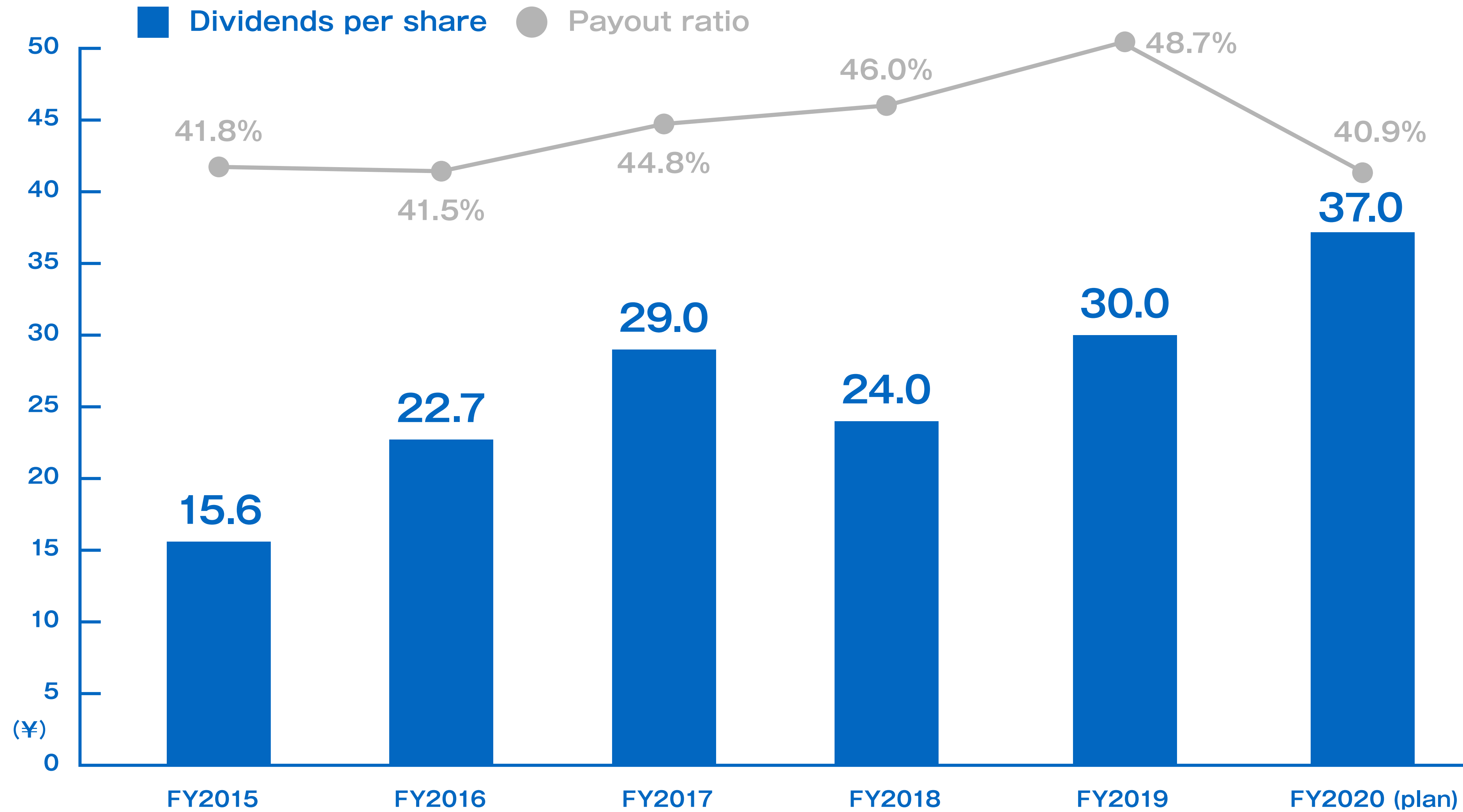
- ③ Cash flows from financing activities
- ④ Substantial free cash flows
- ① + ② - Expenditure from dividends



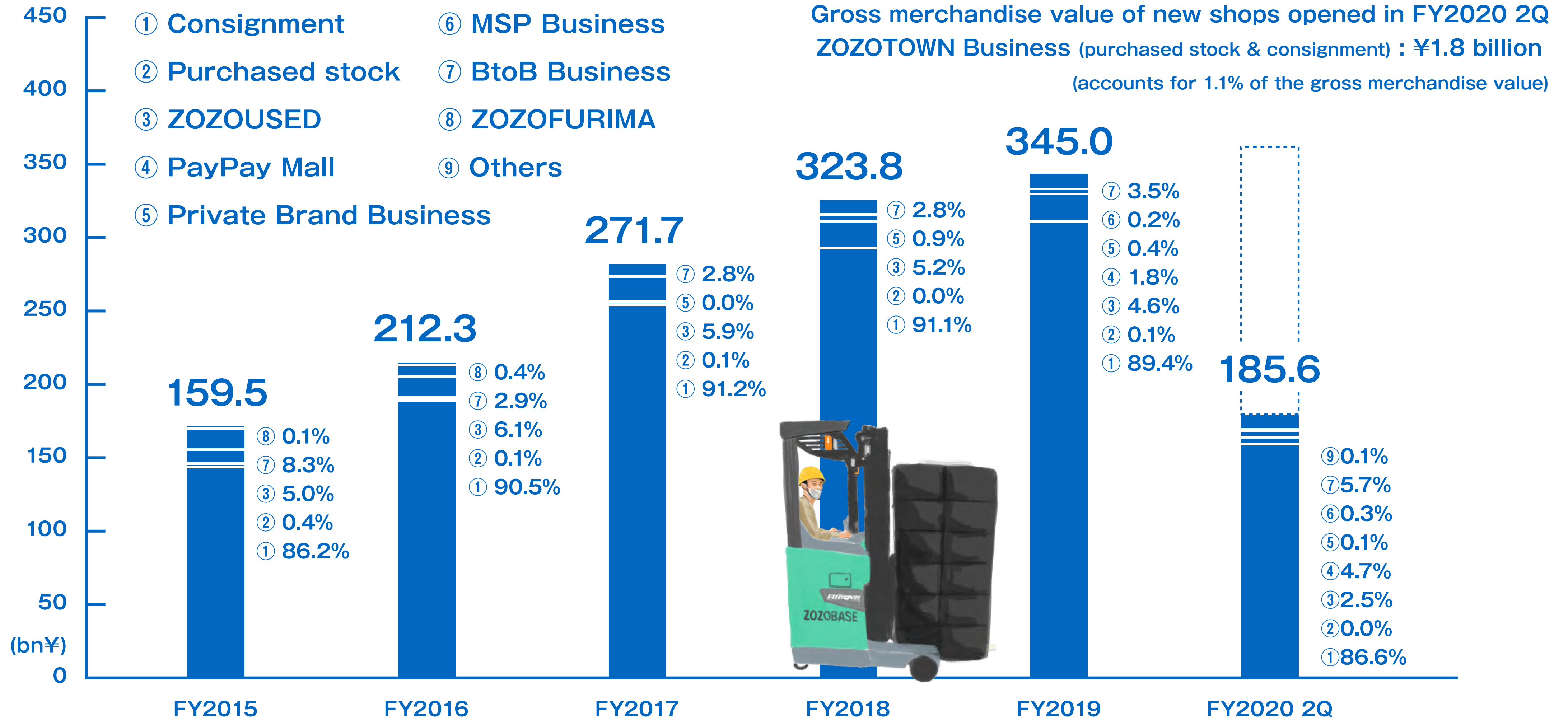
ROE AND NET PROFIT MARGIN



DIVIDENDS PER SHARE AND PAYOUT RATIO

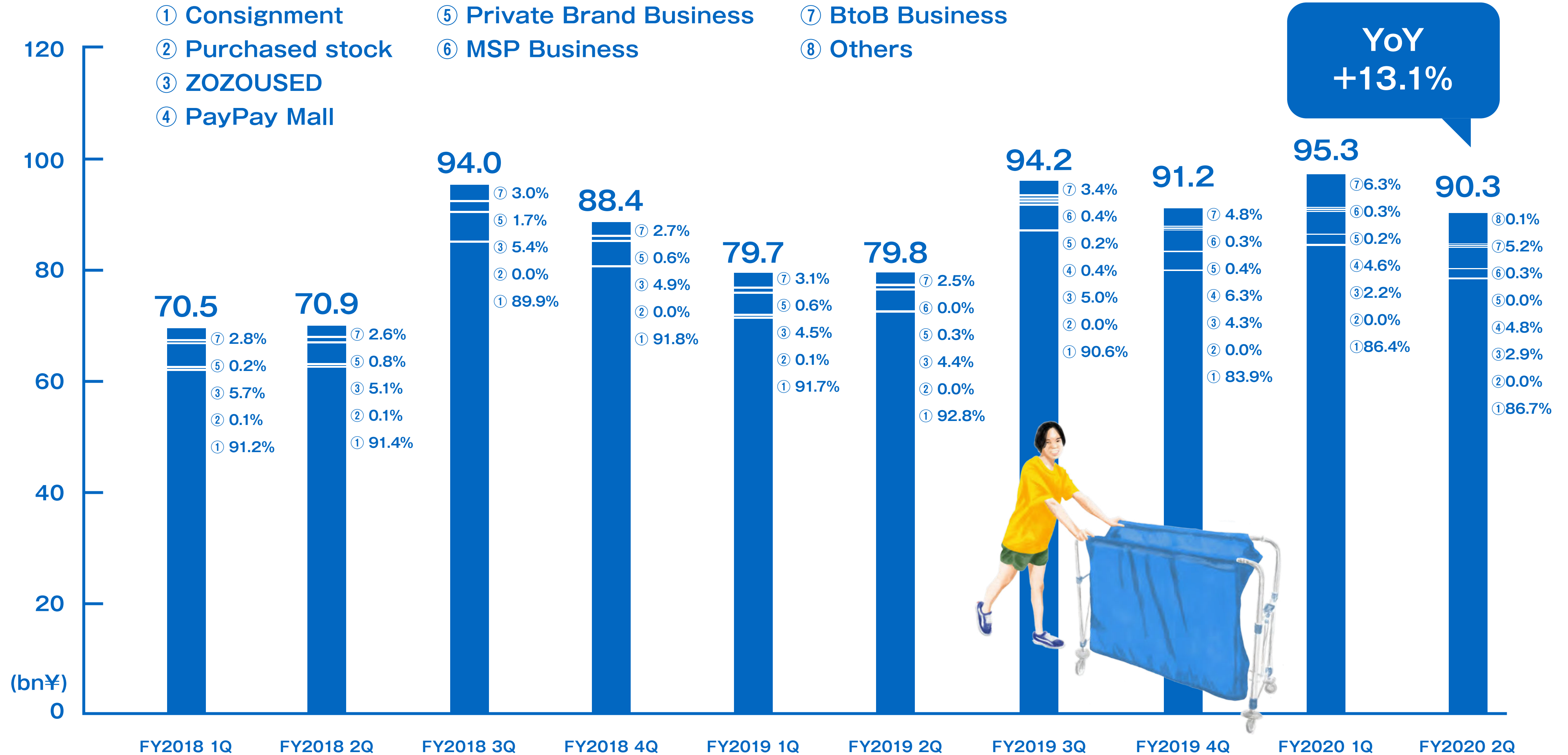


GROSS MERCHANDISE VALUE

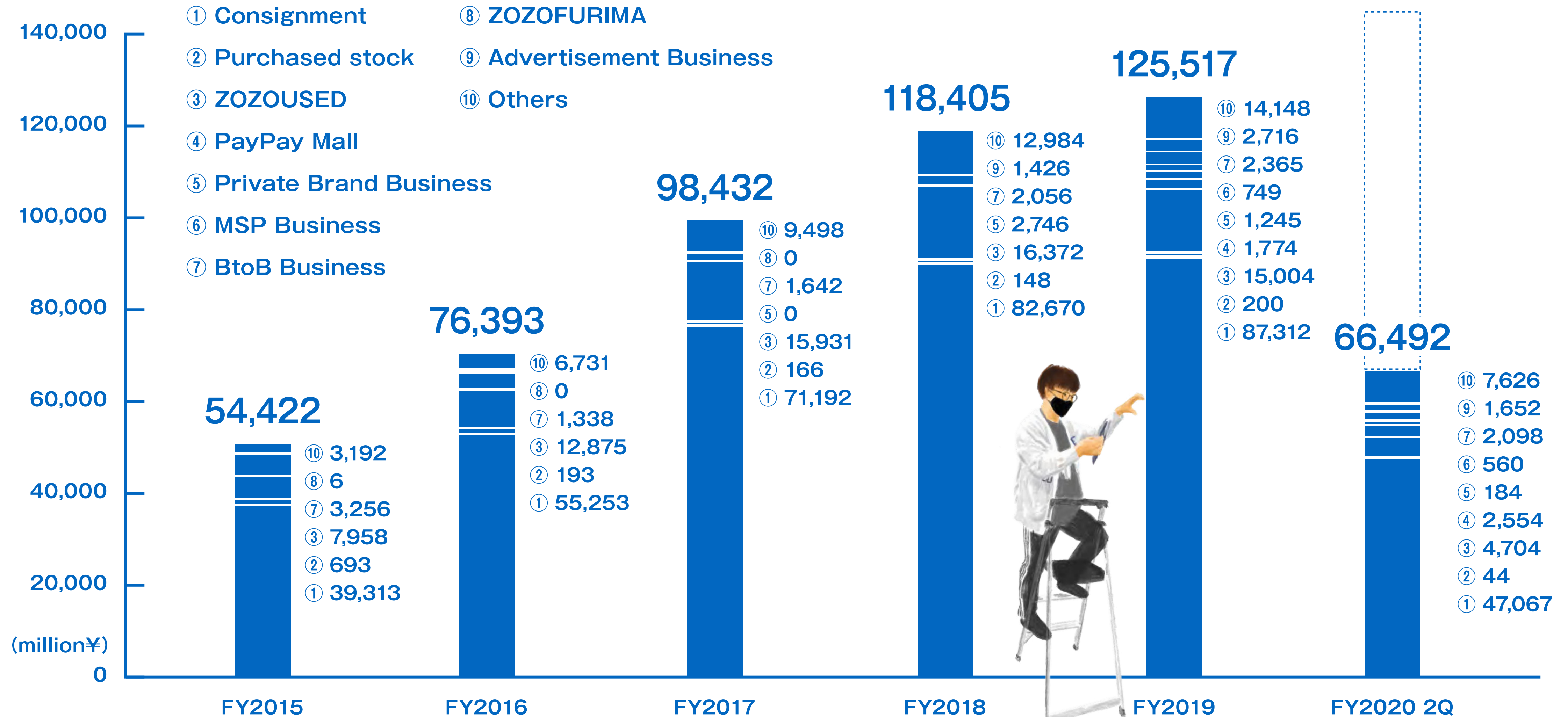


* ZOZO FURIMA Business ended on June 30, 2017.

GROSS MERCHANDISE VALUE(QUARTERLY)



NET SALES

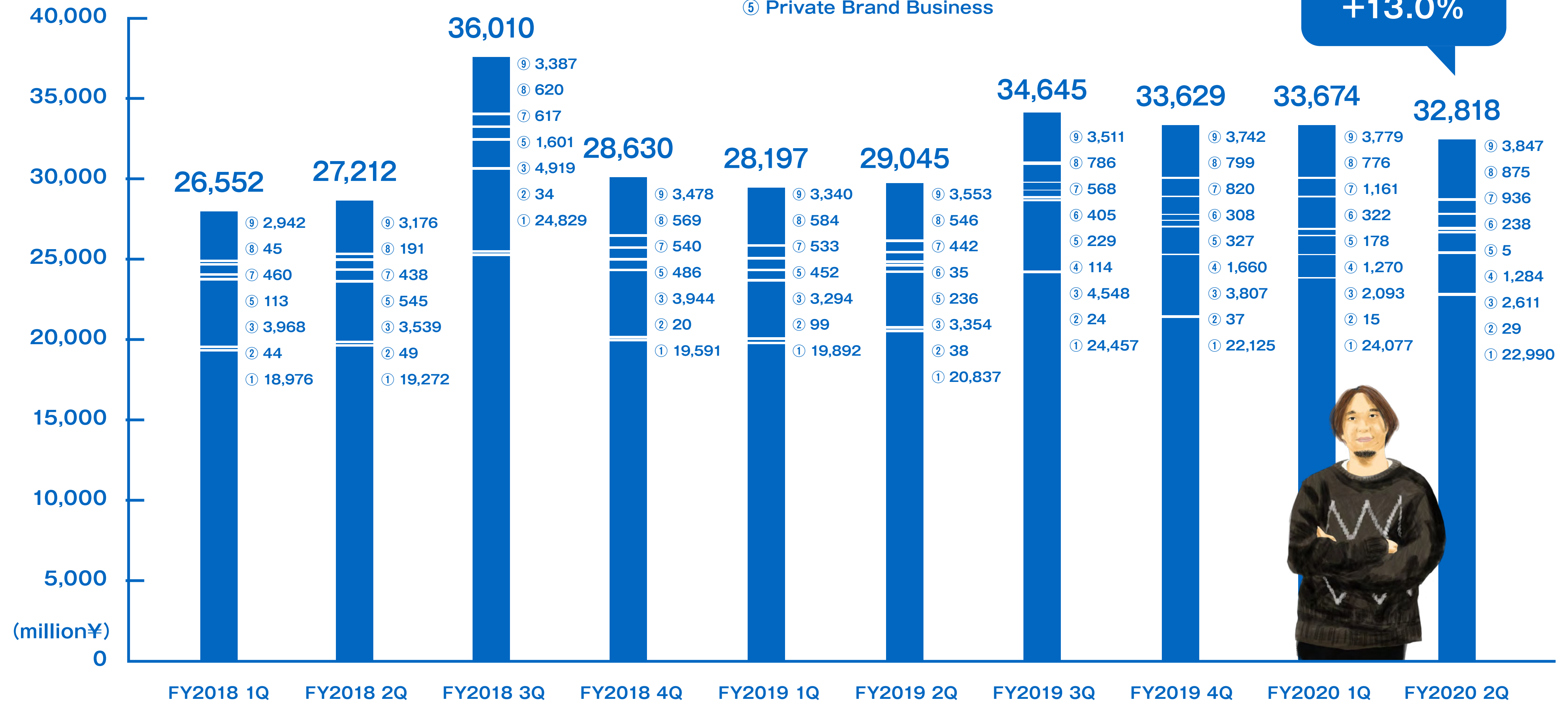


* ZOZO FURIMA Business ended on June 30, 2017.

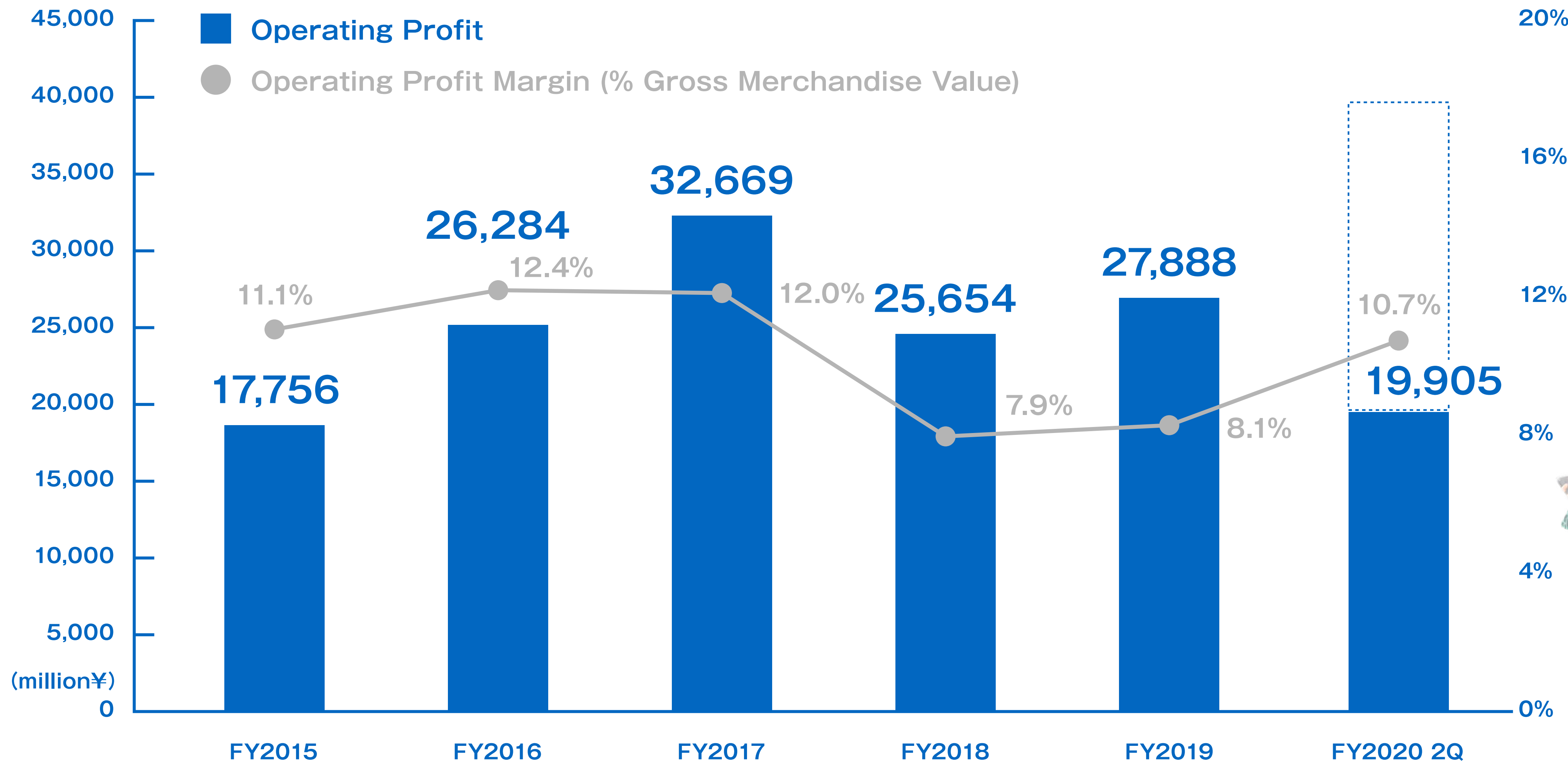
NET SALES(QUARTERLY)

- ① Consignment
- ② Purchased stock
- ③ ZOZOUSED
- ④ PayPay Mall
- ⑤ Private Brand Business
- ⑥ MSP Business
- ⑦ BtoB Business
- ⑧ Advertisement Business
- ⑨ Others

YoY
+13.0%



OPERATING PROFIT AND OPERATING PROFIT MARGIN



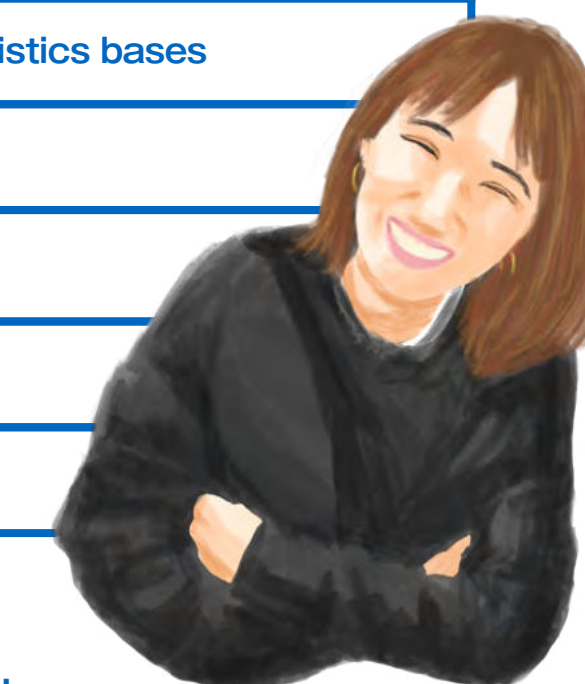
SELLING, GENERAL AND ADMINISTRATIVE(SG&A) EXPENSES

20

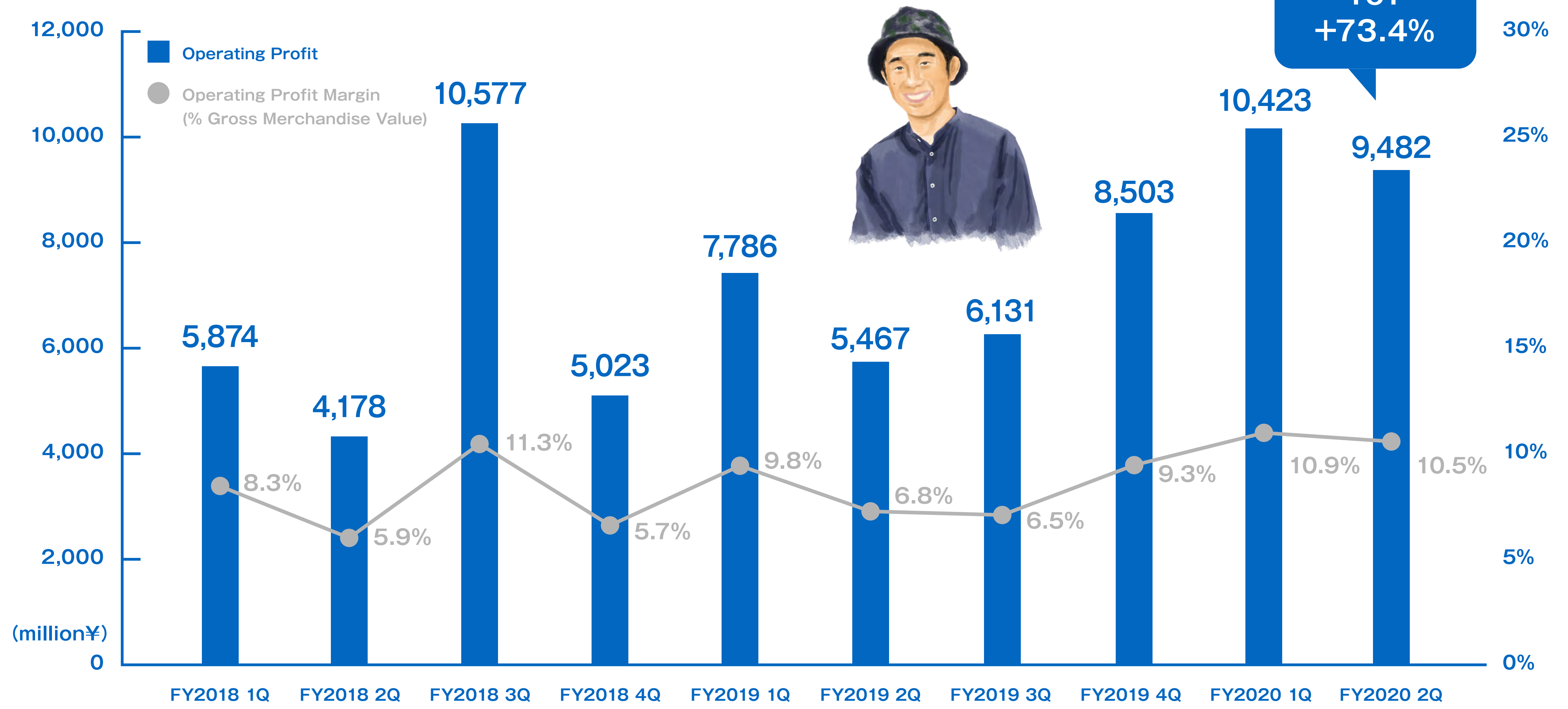
(million¥)

	FY2019 2Q		FY2020 2Q		YOY	Increase decrease factors
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	%Gross Merchandise Value	
Payroll and staff costs(*)	10,734	6.7%	12,760	6.9%	0.2%	
Payroll costs for employee	3,958	2.5%	4,894	2.6%	0.1%	Transition of the number of employees on consolidated basis: FY2019 2Q 1,139 → FY2020 2Q 1,265
Logistics-Related Expenses (Including Outsourcing)	6,776	4.2%	7,866	4.2%	0.0%	
Outsourcing Commission (Excluding Logistics-Related Expenses)	2,136	1.3%	2,347	1.3%	0.0%	
Shipping	10,522	6.6%	13,197	7.1%	0.5%	Increase in ratio due to a decrease in the average order value (Increase in the discount sales ratio to the gross merchandise value and the reverse impact from ZOZOARIGATO in the previous fiscal year)
Commission of Payment collection	4,530	2.8%	5,026	2.7%	-0.1%	
Promotion related expenses	2,921	1.8%	2,355	1.3%	-0.5%	
Advertising	717	0.4%	1,475	0.8%	0.4%	Recorded shop opening commission move in tandem with sales of PayPay Mall (Dec. 2019~) Recorded costs incurred from the change in venue of PGA TOUR (Sep. 2020)
Reward points related expenses	2,204	1.4%	880	0.5%	-0.9%	Ended 1% reward point (April 2020~) Decrease in the number of reward point programs
Rent expense	2,373	1.5%	2,224	1.2%	-0.3%	Cancellation of logistic bases Newly contracted logistics bases are free-rent for limited time
Depreciation	854	0.5%	1,004	0.5%	0.0%	Increase due to an increase in the number of logistics bases
Amortization of goodwill	279	0.2%	175	0.1%	-0.1%	
Stock Compensation Expenses	-100	-0.1%	18	0.0%	0.1%	
Others	4,913	3.1%	4,321	2.3%	-0.8%	Decrease in on-the-spot expenses
Total SG&A	39,167	24.5%	43,431	23.4%	-1.1%	

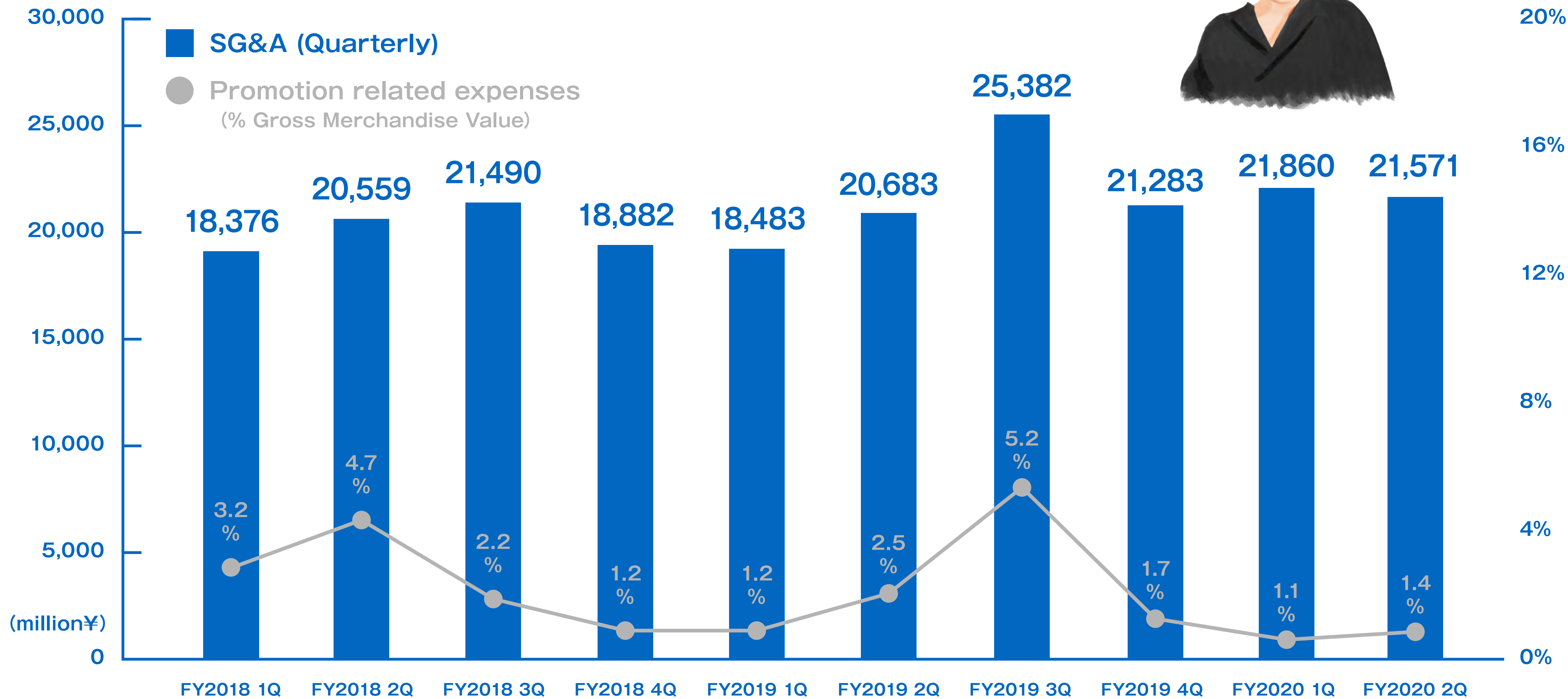
* Payroll includes directors' remuneration, employee salaries, bonus, legal welfare expenses, welfare expenses, retirement benefits cost, provision for employee bonus, expenses of company pension premium, subcontracting payroll, a portion of expenses at logistics centers operation. "Employee" includes 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



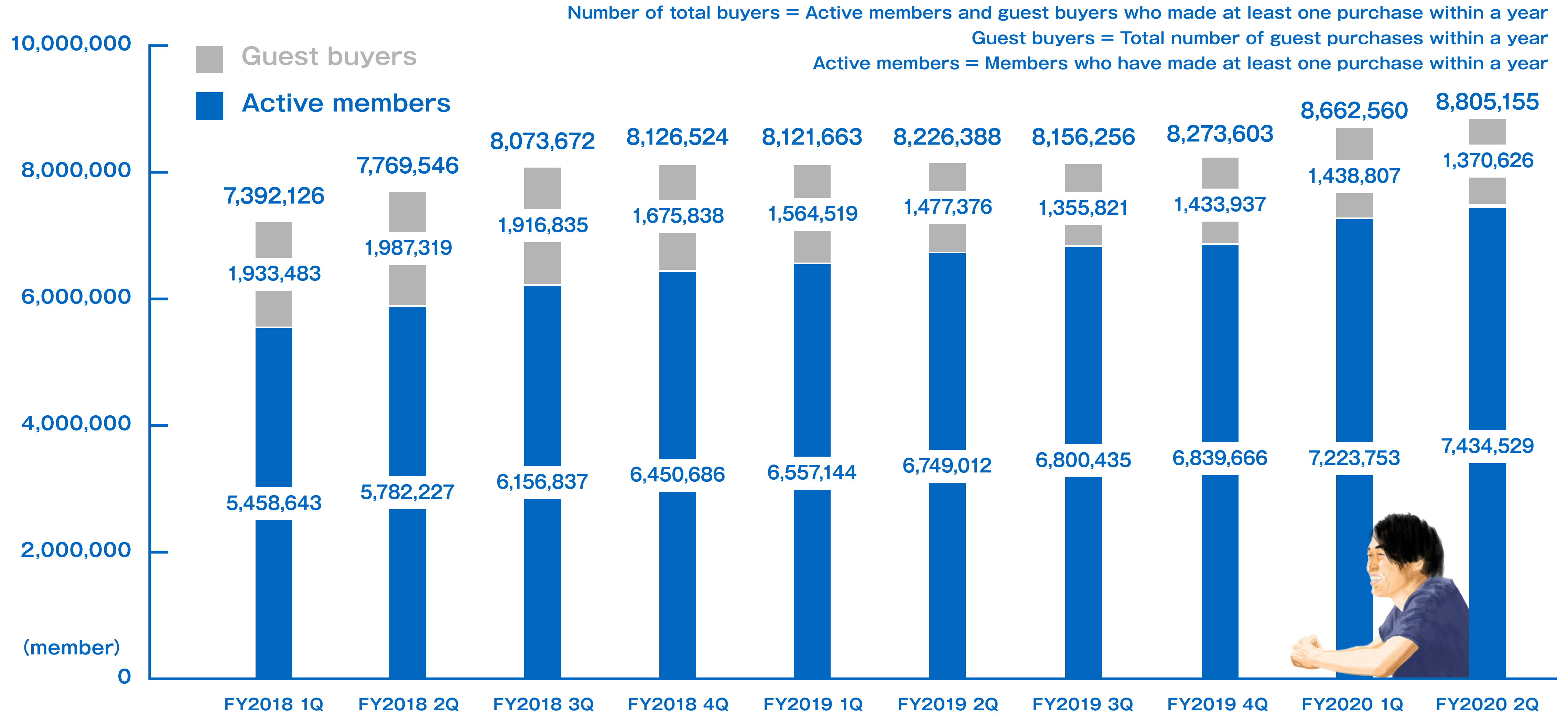
23

(million¥)

	FY2019								FY2020			
	1Q		2Q		3Q		4Q		1Q		2Q	
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value
Payroll and staff costs(*)	5,219	6.5%	5,515	6.9%	6,493	6.9%	6,091	6.7%	6,465	6.8%	6,294	7.0%
Payroll costs for employee	1,940	2.4%	2,017	2.5%	2,307	2.4%	2,152	2.4%	2,409	2.5%	2,484	2.8%
Logistics-Related Expenses (Including Outsourcing)	3,278	4.1%	3,498	4.4%	4,185	4.4%	3,939	4.3%	4,056	4.3%	3,809	4.2%
Outsourcing Commission (Excluding Logistics-Related Expenses)	1,023	1.3%	1,112	1.4%	1,182	1.3%	1,233	1.4%	1,197	1.3%	1,149	1.3%
Shipping	5,011	6.3%	5,511	6.9%	5,661	6.0%	5,808	6.4%	6,655	7.0%	6,542	7.2%
Commission of Payment collection	2,243	2.8%	2,286	2.9%	2,550	2.7%	2,445	2.7%	2,561	2.7%	2,464	2.7%
Promotion related expenses	927	1.2%	1,994	2.5%	4,866	5.2%	1,556	1.7%	1,075	1.1%	1,279	1.4%
Advertising	378	0.5%	339	0.4%	3,571	3.8%	524	0.6%	619	0.7%	855	0.9%
Reward points related expenses	548	0.7%	1,655	2.1%	1,294	1.4%	1,032	1.1%	455	0.5%	424	0.5%
Rent expense	1,169	1.5%	1,203	1.5%	1,335	1.4%	1,310	1.4%	1,232	1.3%	992	1.1%
Depreciation	442	0.6%	412	0.5%	555	0.6%	635	0.7%	553	0.6%	450	0.5%
Amortization of goodwill	140	0.2%	139	0.2%	82	0.1%	82	0.1%	81	0.1%	93	0.1%
Stock Compensation Expenses	-6	0.0%	-93	-0.1%	-3	0.0%	-5	0.0%	0	0.0%	17	0.0%
Others	2,312	2.9%	2,601	3.3%	2,658	2.8%	2,123	2.3%	2,035	2.1%	2,285	2.5%
Total SG&A	18,483	23.2%	20,683	25.9%	25,382	26.9%	21,283	23.3%	21,860	22.9%	21,571	23.9%

* 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 "ZOZOSUIT" and "ZOZOMAT"

* PayPay Mall is not included

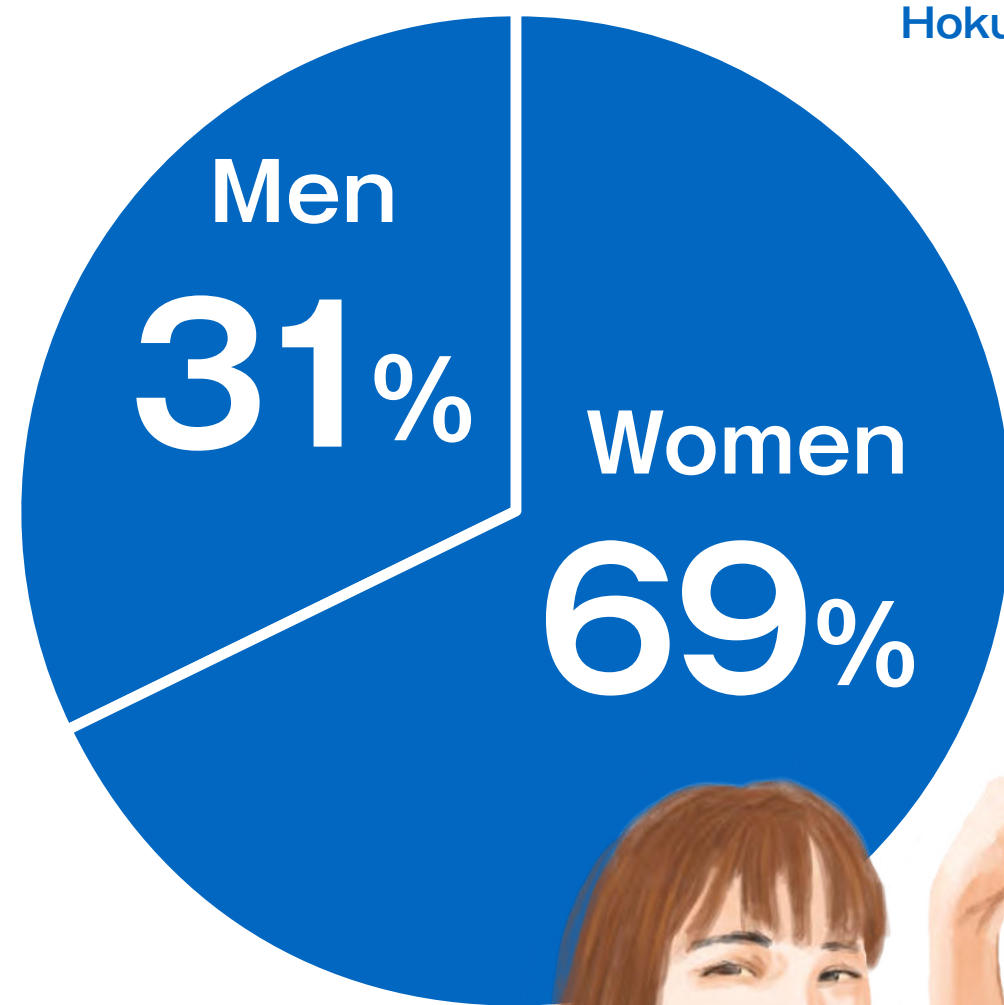
NUMBER OF SHOPS ON ZOZOTOWN



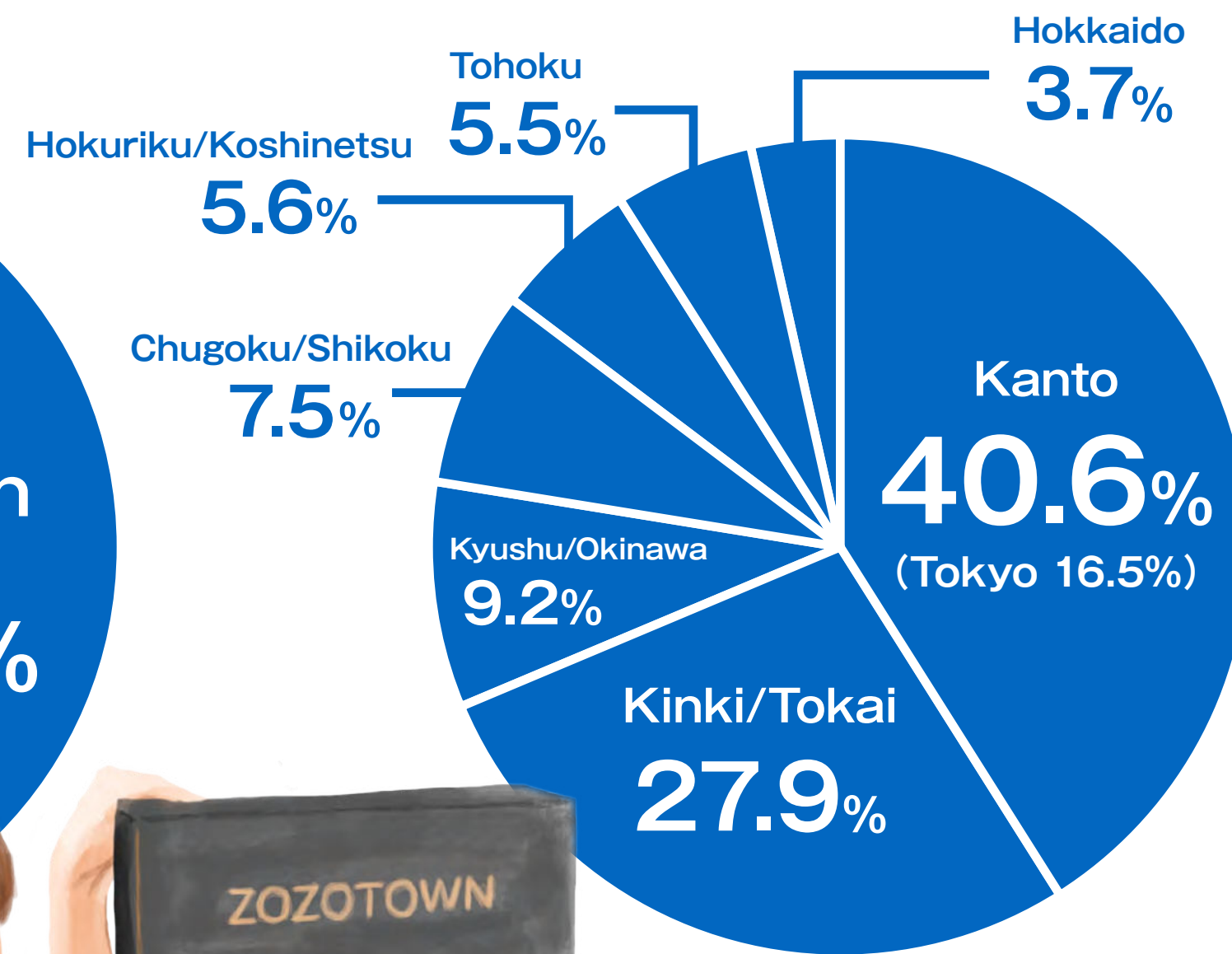
※Shops of the private brand "ZOZO" and "Multi-Size" are not included to the number of shops

ACTIVE MEMBER DISTRUBUTION

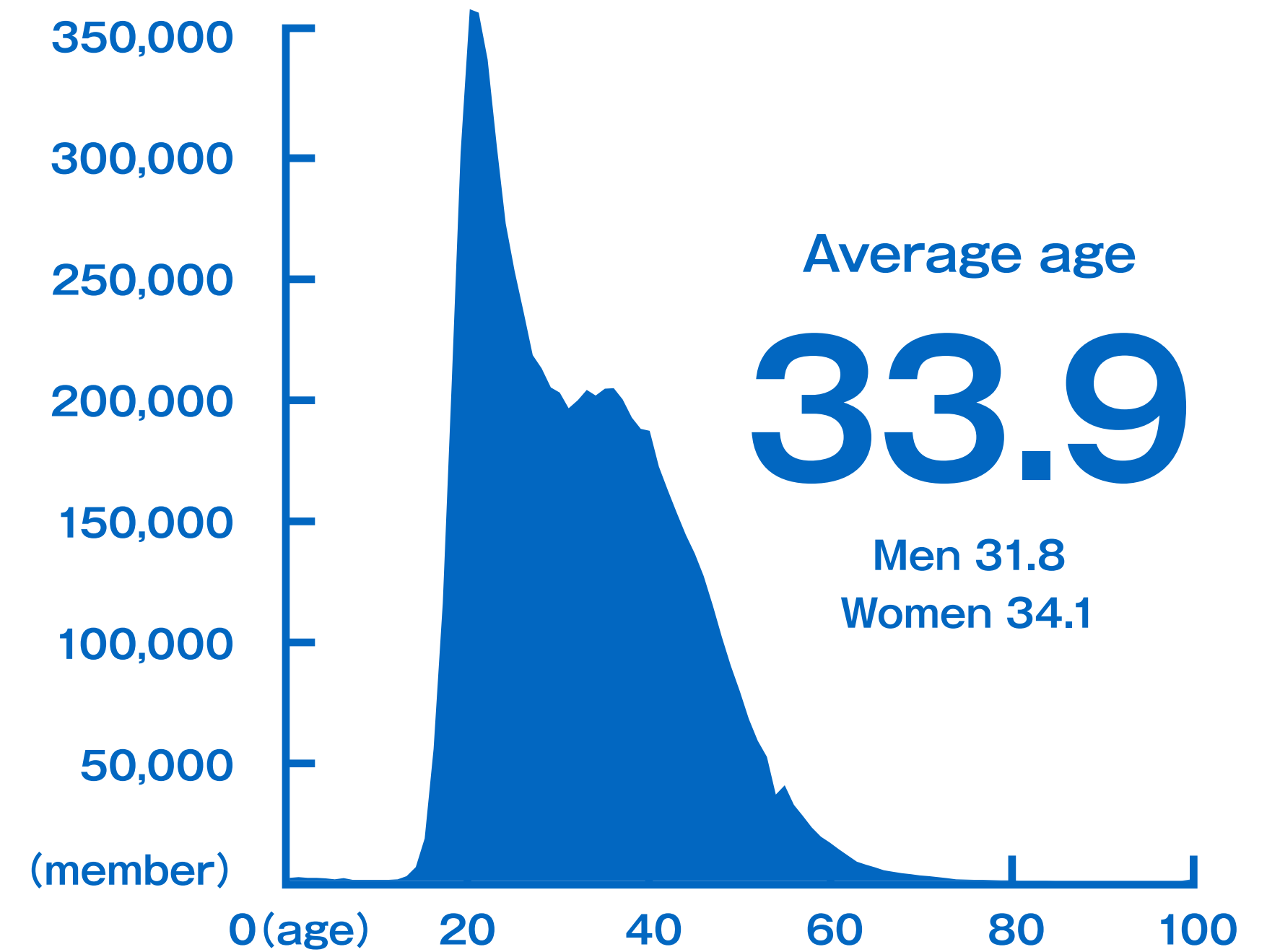
Gender ratio



Geographical distribution

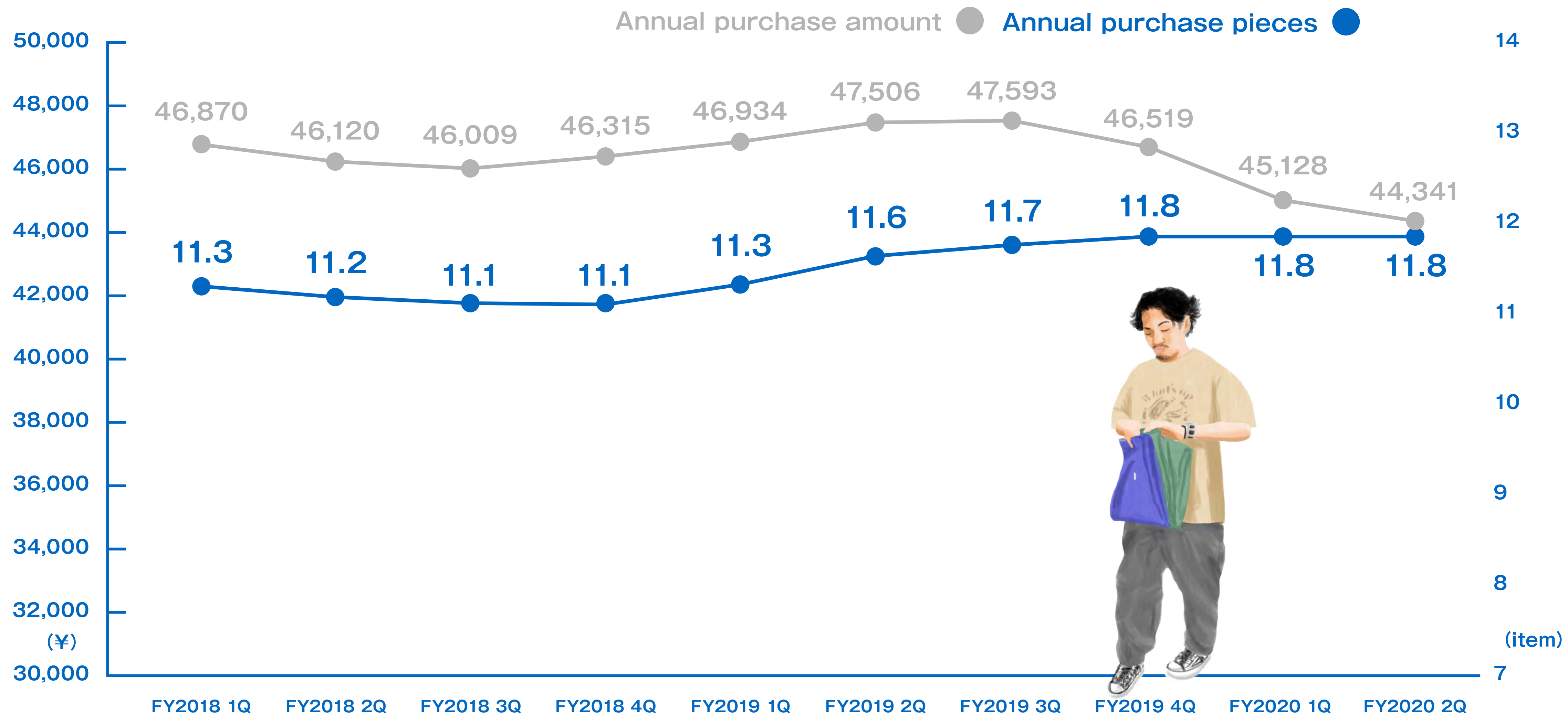


Age distribution



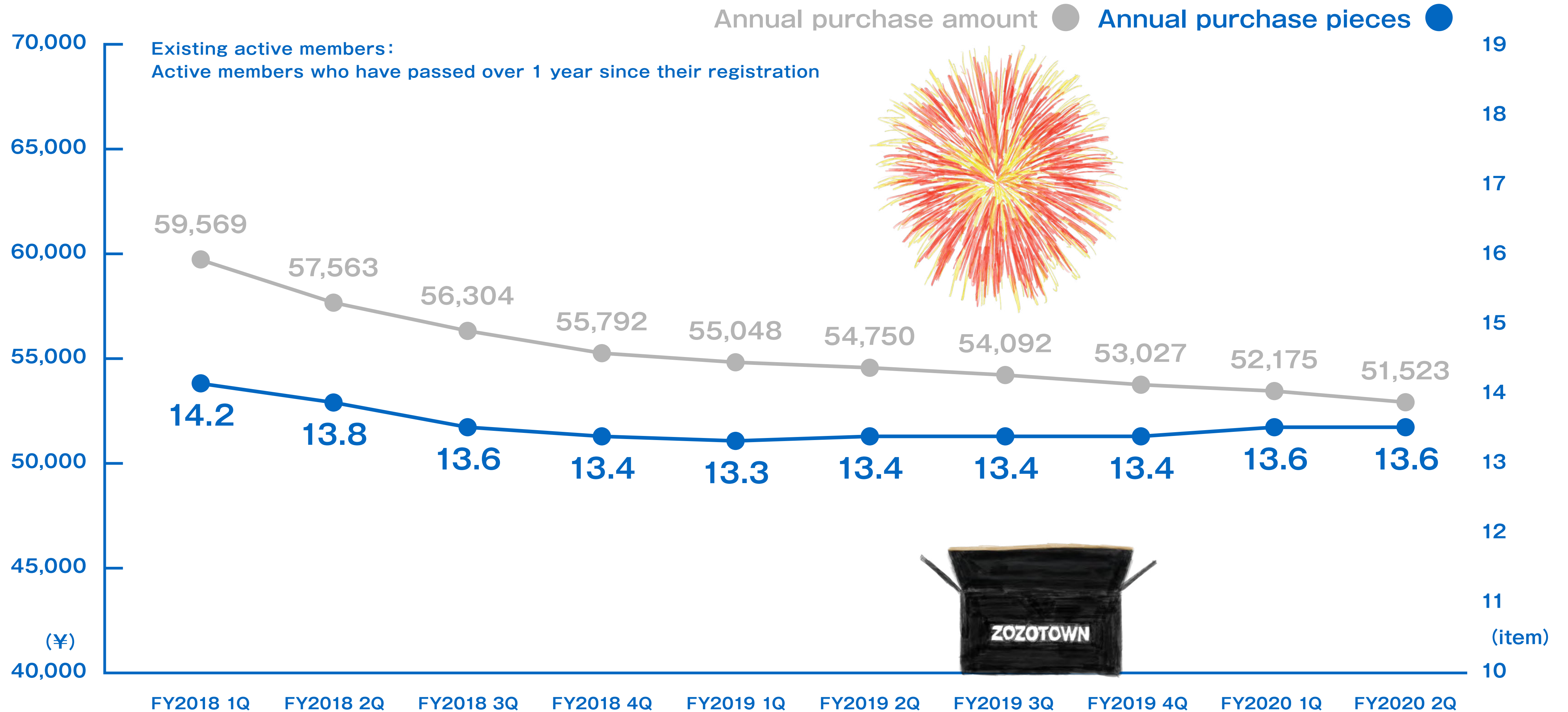
* PayPay Mall is not included

ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



* Excluding the users only purchased the body measurement device "ZOZOSUIT" and "ZOZOMAT"
 * PayPay Mall is not included

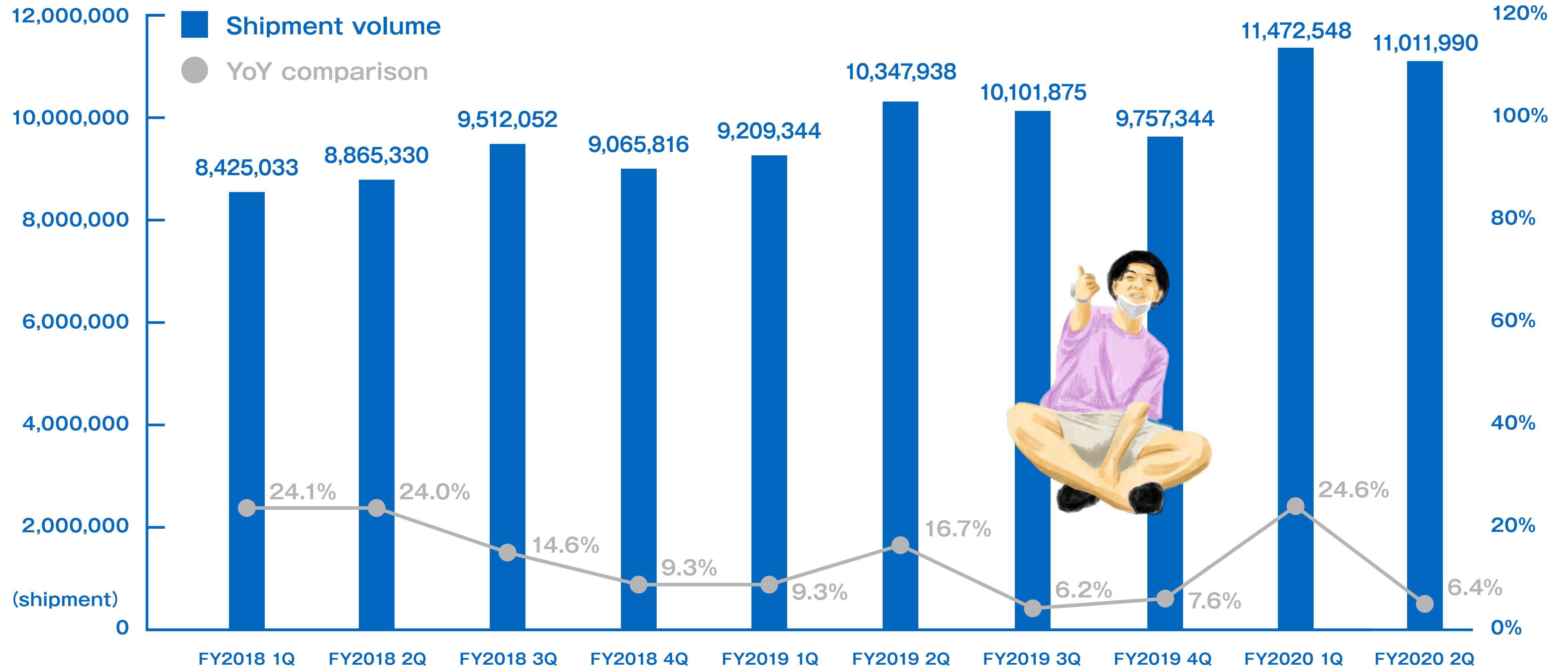
ANNUAL PURCHASE AMOUNT AND PIECES PER EXISTING ACTIVE MEMBER



* Excluding the users only purchased the body measurement device "ZOZOSUIT" and "ZOZOMAT"

* PayPay Mall is not included

NUMBER OF SHIPMENTS



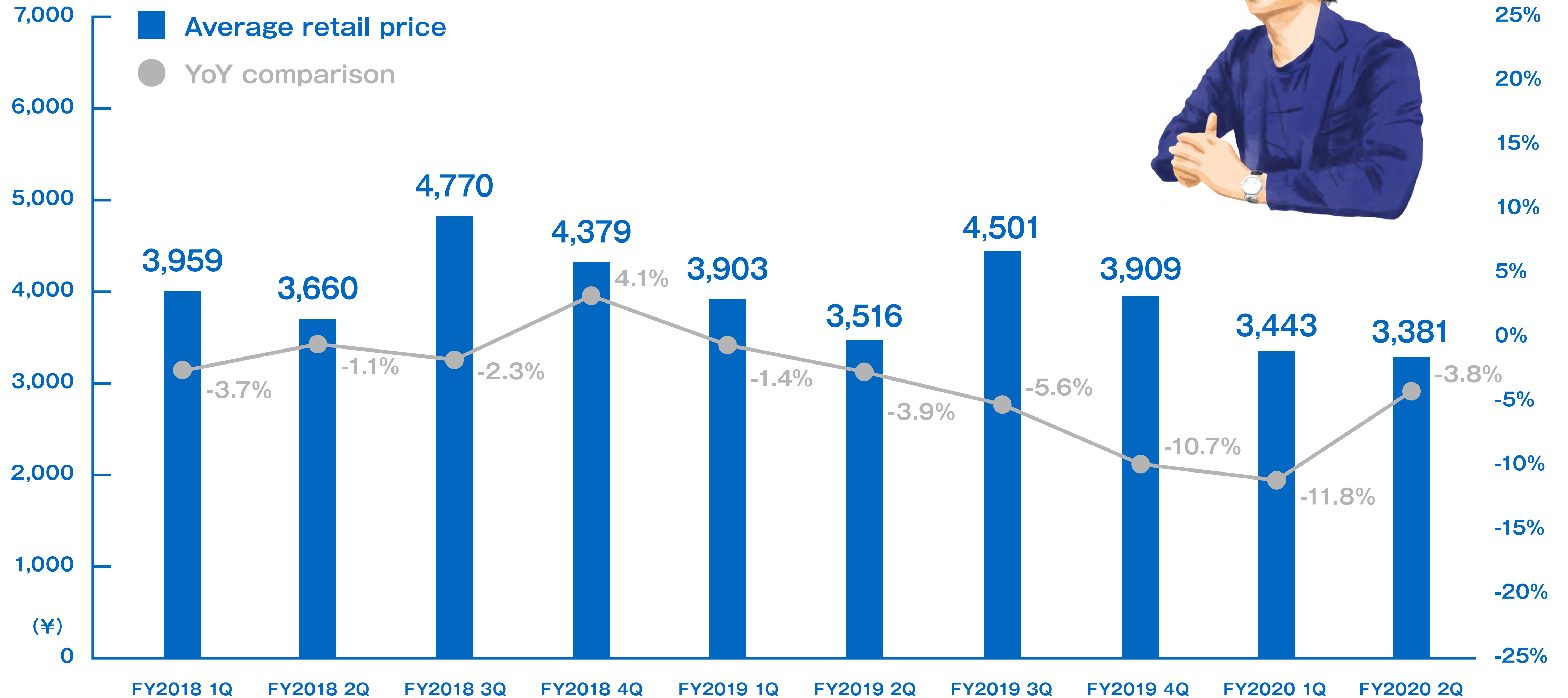
* Excluding the number of shipments of the body measurement device "ZOSUIT" and "ZOMAT" only. * PayPay Mall is not included

* The numbers of shipments are the combined results of the ZOTOWN business, the PB business and the MSP business

AVERAGE RETAIL PRICE

Average retail price =
Gross Merchandise Value / Number of pieces

30

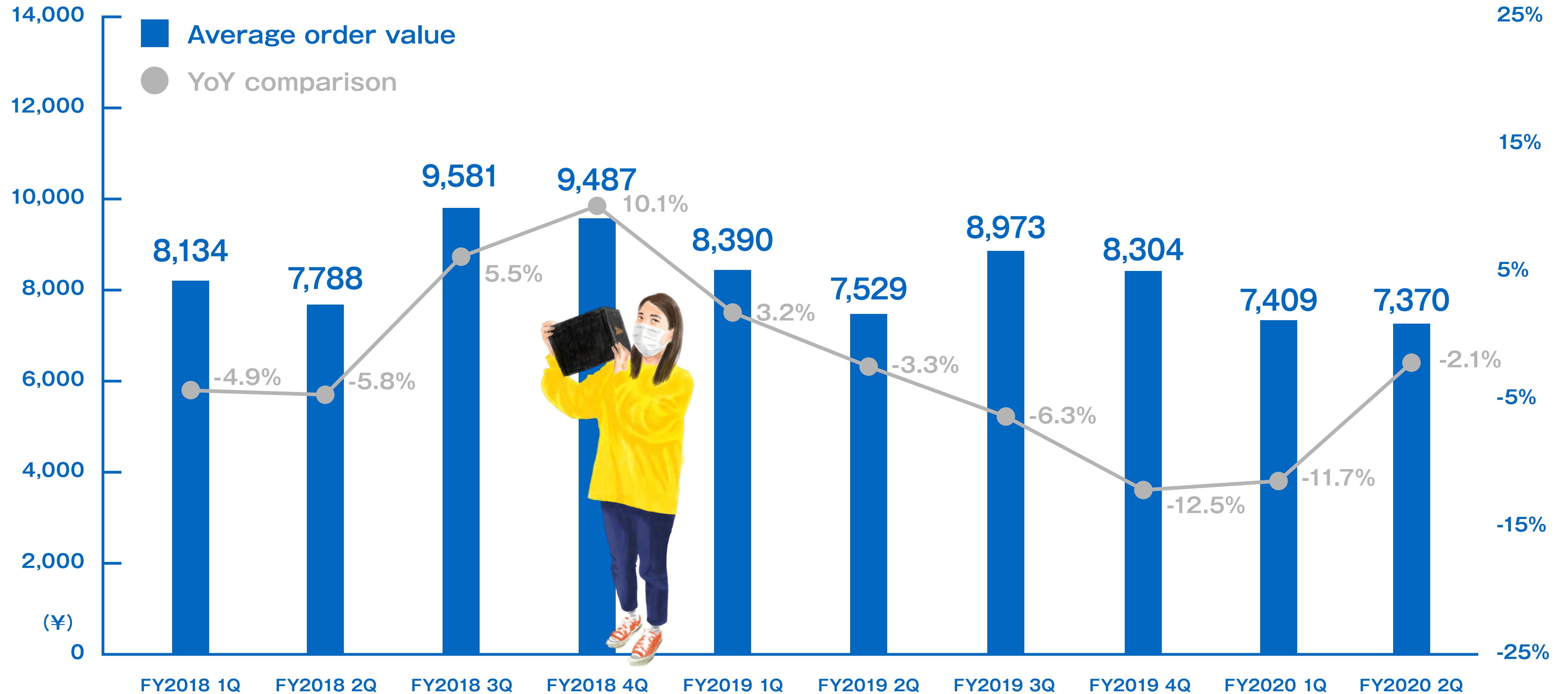


* The numbers of average retail price are averages calculated from combined results of the ZOZOTOWN business, the PB business and the MSP business

* PayPay Mall is not included

AVERAGE ORDER VALUE

Average order value = Gross Merchandise Value / Number of shipments



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

* PayPay Mall is not included


BUSINESS PLAN FOR FY2020



2Q FY2020 ZOZO, Inc.
CONSOLIDATED BUSINESS RESULTS

CONSOLIDATED BUSINESS FORCAST AND DIVIDEND FORECAST FOR FY2020

33



	FY2020 Plan	YoY
Gross Merchandise Value	387.3 billion yen	12.2%
Net sales	143.7 billion yen	14.5%
Operating profit	39.5 billion yen	41.6%
Operating Profit Margin (% Gross Merchandise Value)	10.2%	—
Ordinary profit	39.5 billion yen	42.9%
Profit attributable to owners of parent	27.6 billion yen	46.8%
Net profit per share	90.4 yen	—
Estimated dividends per share (Plan)	37.0 yen	—

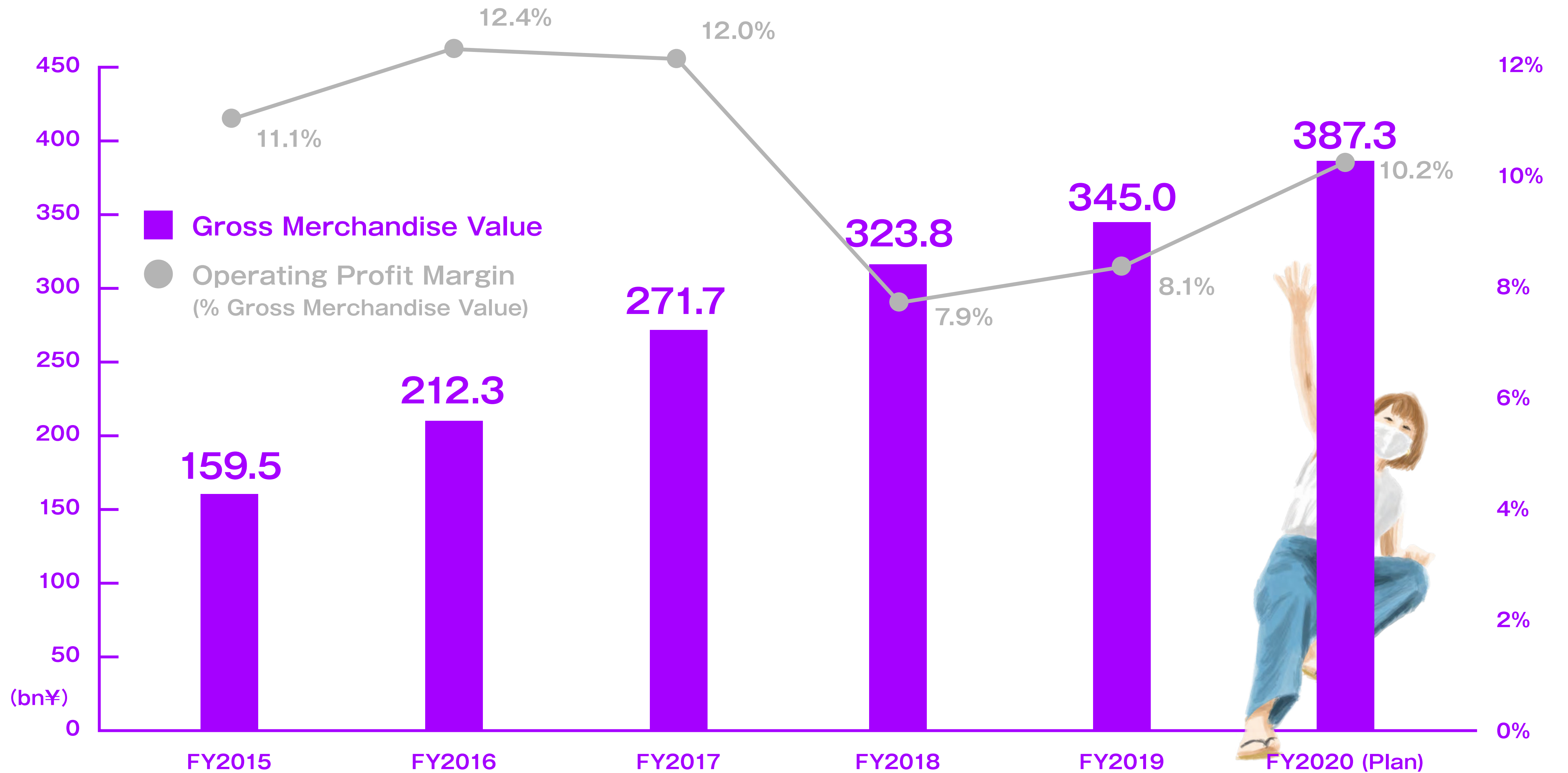
FY2020 TARGET BY BUSINESS SEGMENT

	Target for Gross Merchandise Value	YoY
ZOZO Group	387.3 billion yen	+12.2%
Consignment Business	331.0 billion yen	+7.2%
ZOZOUSED	14.9 billion yen	-5.4%
PayPay Mall	20.0 billion yen	+222.6%
BtoB Business	20.0 billion yen	+66.2%
Private Brand Business	0.2 billion yen	-84.1%
MSP Business	1.2 billion yen	+59.6%



	Target for Net Sales	YoY
Advertisement Business	4.2 billion yen	+54.6%

GROSS MERCHANDISE VALUE & OPERATING PROFIT MARGIN



REFERENCE DATA



2Q FY2020 ZOZO, Inc.
CONSOLIDATED BUSINESS RESULTS



Inspire the world. Deliver joy every day.

STATISTICS OF ZOZO

EMPLOYEES

1,265

(Average age 33.2 years old)

SHARE HOLDERS

21,772

NUMBER OF BRANDS HANDLED

7,953

ZOZOTOWN TOTAL BUYERS

(1 year basis)

8.80 million



MAJOR SERVICES

ZOZOTOWN Japan's Largest Online Retailer of Apparel and Accessories

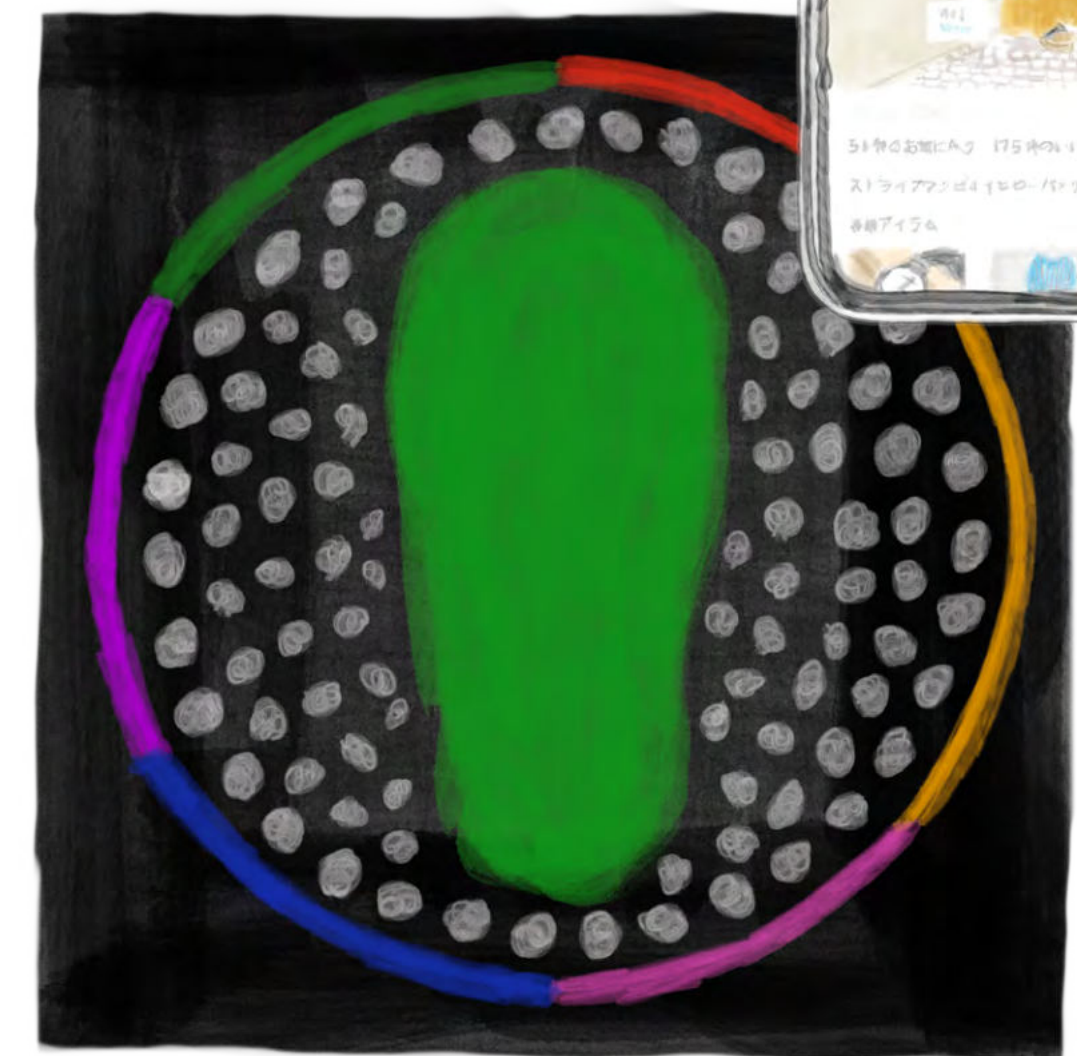
- 1,404 stores offering 7,953 brands.
- At any given time, more than 830,000 items are available with an average of 3,000 new items added everyday.
- Systems, design, to fulfillment, all functions are built in house.
- Same-day delivery service/Gift-wrapping service/Deferred payment etc.
- Opened ZOZOTOWN shop on PayPay Mall which is operated by Yahoo Japan Corporation.

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 15.0 million DL
- Now available in all geographic areas.

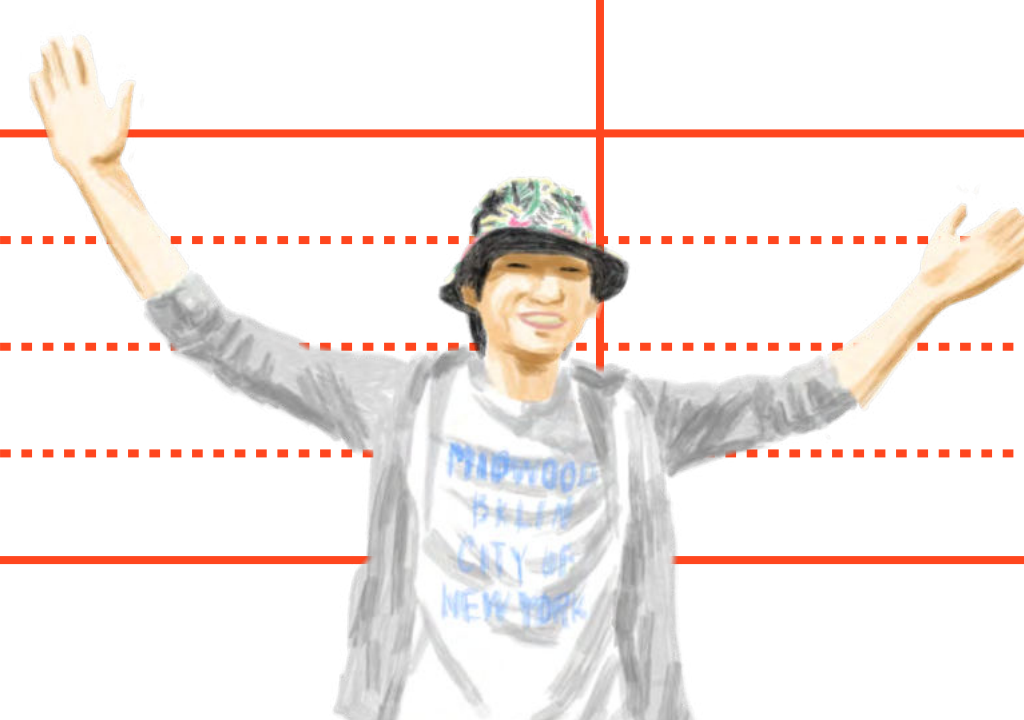
Private Brand "ZOZO"

- 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.



DIFFERENCES BETWEEN ZOZOTOWN AND ZOZOTOWN SHOP ON PAYPAY MALL

	ZOZOTOWN	ZOZOTOWN PayPay Mall Shop
Overview	One of the largest fashion e-commerce sites in Japan providing original services specialized in fashion	E-commerce site for wide range of users also expecting cross-category shopping other than the fashion category
Number of shops	1,404 (As of September 30, 2020)	1,271 (As of September 30, 2020)
Selling items	Full line-up	Freely selected by each shop
Detail of consignment	All the operations needed for EC business such as shooting, measurement, logistics, customer support, operation support etc.	Same as the left
Original services provided	Deferred payment, ZOZO Trade-in, same-day delivery, preorder, ZOZOCARD, brand coupons, gift-wrapping service, image search function etc.	Brand coupons
Payment methods	Credit cards, cash on delivery, convenience store payment, deferred payment, LINEPay, PayPay	PayPay, credit cards, cash on delivery
Reward points	No *ZOZO point of 5% of product price (excluding tax) will be granted only for ZOZOCARD	PayPay bonus points or T points based on PayPay campaign
Revenue	Consignment sales commission from brands	Commission rate stipulated in each contract with brands
	Shipping revenue from customers	210 yen (including tax)
Expenses bear by ZOZO	Shop opening commission	No
	Payment collection commission	Yes
	Customer attraction cost	Yes
	Reward points cost	Yes



BUSINESS MODEL

ZOZOTOWN Business

○ Consignment

We operate 1,399 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*(1) of each store × commission rate

○ Purchased Stock

We operate 5 stores within ZOZOTOWN, which offer products we purchase from brands.
Sales = Gross merchandise value*(1) 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*(1) of purchase stock + Consignment commission of marketplace*(2)



PayPay Mall

Opened ZOZOTOWN shop on PayPay Mall which is operated by Yahoo Japan Corporation.
Sales = Gross merchandise value of each store × commission rate

*(1) The amounts of gross merchandise value of ZOZOTOWN Business and PB Business for calculating net sales are amounts after deduction of discounts borne by the company

*(2) Sales of marketplace form ended February 29, 2020

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 “ZOSUIT” which developed in-house, and sell items at ZOZOTOWN.
Sales = Gross merchandise value*(1) of private brand items



41

MSP Business

Manufacture and sell a portion of items from shops with strong user demands, by leveraging the know-how of manufacturing clothes in a variety of sizes which gathered in the company, sales capability and planning ability of shops on ZOZOTOWN.
Sales = Gross merchandise value of MSP items

BtoB Business

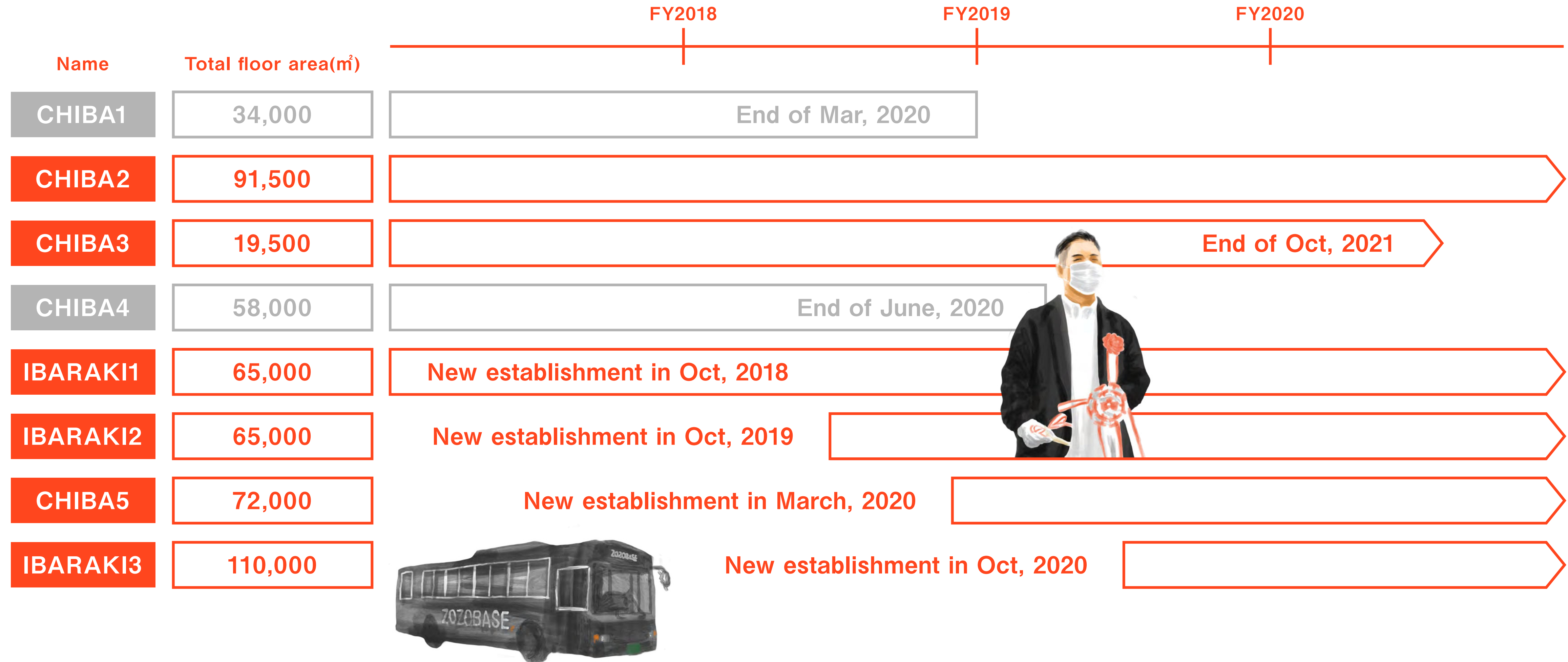
We help develop and operate online shops on behalf of various brands, such as “United Arrows”. We currently provide back-end service to 54 stores.
Sales = Gross merchandise value of these online shops x commission rate

* 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

LOGISTICS BASES EXPANSION PLAN



* CHIBA2 and IBARAKI1 are warehouses with shipping function

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/ir-info/mail-magazine/>



**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.**



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