

Consolidated Financial Results

For the third quarter of fiscal year ending March 31, 2024 [JGAAP]

January 31, 2024

Company name: ZOZO, Inc. Listed stock exchanges Tokyo
 Code 3092 URL <https://corp.zozo.com/en>
 Representative Representative Director, President & CEO Kotaro Sawada
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 Scheduled date to file the financial report February 14, 2024 Scheduled date of dividend payment —
 Supplementary material for quarterly financial results : Yes
 Quarterly results briefing : Yes (For analysts and institutional investors)

(Rounded down to million yen)

1. Consolidated business results for the third quarter of fiscal year ending March 31, 2024 (April 1, 2023 to December 31, 2023)

(1) Consolidated business results (cumulative) (Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parents	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of fiscal year ending March 31, 2024	147,568	8.1	45,698	2.4	45,906	2.3	32,470	4.0
Third quarter of fiscal year ended March 31, 2023	136,467	10.3	44,635	15.1	44,872	15.8	31,213	17.1

(NOTE) Comprehensive income Third quarter of fiscal year ending March 2024 32,639 Million yen (4.4%)
Third quarter of fiscal year ended March 2023 31,268 Million yen (16.8%)

	Net profit per share	Net profit per share after adjusting dilutive shares
	Yen	Yen
Third quarter of fiscal year ending March, 2024	108.31	-
Third quarter of fiscal year ended March, 2023	104.10	-

(NOTE) Net profit per share after adjusting dilutive shares is not presented because there are no potential shares with dilutive effects.

(2) Consolidated financial position

	Total assets	Net assets	Equity Ratio
	Million yen	Million yen	%
Third quarter of fiscal year ending March 31, 2024	158,558	77,285	48.7
Fiscal year ended March 31, 2023	155,742	76,693	49.2

(Reference) Shareholders' equity Third quarter of fiscal year ending March 31, 2024 77,285 Million yen
Fiscal year ended March 31, 2023 76,556 Million yen

2. Dividends

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	24.00	-	41.00	65.00
Fiscal year ending March 31, 2024	-	49.00			
Fiscal year ending March 31, 2024 (Forecast)				49.00	98.00

(NOTE) Revisions to the dividends forecasts most recently announced : None

3. Consolidated business forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2024	200,700	9.4	60,000	6.3	60,000	5.8	42,000	6.3	140.07

(NOTE) Revisions to the consolidated business forecasts most recently announced :None

※ Notes

(1) Changes of important subsidiaries during the period : None

(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

New - Exclusion -

(2) Application of particular accounting procedures to the preparation of quarterly consolidated financial statements : None

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies caused by the revision of accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement of revisions : None

(4) Number of shares outstanding (Common stock)

① Year-end shares outstanding (including treasury stocks)

Q3 of fiscal year ending March 2024	300,474,181Shares	Fiscal year Ended March 2023	311,644,285Shares
② Number of year-end treasury stocks	2,088,350Shares	Fiscal year Ended March 2023	11,787,504Shares
③ Average number of shares during the period (quarterly cumulative)	299,800,950Shares	Q3 of fiscal year ended March 2023	299,831,863Shares

※ This financial results report is not subject to an audit by a certified public accountant or an auditing firm

※ Explanations and other special notes concerning the appropriate use of business performance forecasts

-The business forecasts and other statements related to the future contained in this material are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ materially from these forecasts due to various factors. Please refer to "1. Qualitative information on results for the third quarter ended December 31, 2023, (3) Explanation of consolidated business forecast and other forward-looking statements" on page 12 for the assumptions underlying the forecasts and cautionary statements regarding the use of the forecasts.

-We are scheduling financial results briefing for institutional investors and analysts on January 31, 2024. We plan to post the content of the briefing and the materials used on the day on its website promptly after the briefing.

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1. Qualitative information on results for the third quarter ended December 31, 2023

(1) Overview of business results

Business results for the current fiscal year

[Table 1] YoY comparison

(Unit: Million yen)

	Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2022)		Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2023)		YoY basis
Gross merchandise value	406,497	(109.3%)	427,146	(106.9%)	5.1%
Gross merchandise value (excluding other GMV)	372,022	(100.0%)	399,496	(100.0%)	7.4%
Net sales	136,467	(36.7%)	147,568	(36.9%)	8.1%
Gross profit	127,660	(34.3%)	137,313	(34.4%)	7.6%
Operating profit	44,635	(12.0%)	45,698	(11.4%)	2.4%
Ordinary profit	44,872	(12.1%)	45,906	(11.5%)	2.3%
Profit attributable to owners of parent	31,213	(8.4%)	32,470	(8.1%)	4.0%

Numbers in parentheses are percentages to gross merchandise value (excluding other GMV)

Under the corporate philosophy of “Inspire the world. Deliver joy every day,” we mainly operate the following businesses: The largest fashion e-commerce website in Japan, “ZOZOTOWN,” and an outfit-sharing app “WEAR”.

During the consolidated cumulative third quarter of the current fiscal year, the apparel industry, particularly at physical stores, experienced growth due to increased opportunities for going out and increased demand for clothing as a result of the easing of behavioral restrictions against COVID-19 infections, while the economic outlook remained uncertain due to the price hike of resources and raw materials and the yen's continued depreciation. On the other hand, we experienced unusual climatic effects this year, with an extended period of lingering summer heat and many unseasonably warm days even after entering fall and winter seasons. Under this circumstance, our group has been focusing even stronger on creating ZOZOTOWN more attractive to both users and brands with the goal of increasing the number of unique users and improving the conversion rate (the purchasing rate of unique users). To maximize sales at ZOZOTOWN, we have implemented measures such as the sale event “ZOZOWEEK” (10 days in total from May 12 to 21, 2023, 11 days in total from September 12 to 18, and 21 to 24, 2023, 17 days in total from November 1 to 12 and 15 to 19, 2023), broadcasted TV commercials to attract customers during the summer sale. We also implemented the Black Friday sale for 4 days from November 23 to 26, 2023, contributed to the peak of our autumn-winter sales, aided by the drop in temperatures during the same period. In addition, we continued to proactively welcome new brands in a wide range of genres to meet diversifying needs of users.

As an initiative to strengthen a specific category, we have been concentrating on “ZOZOCOSME.” ZOZOCOSME handles more than 750 cosmetics brands, which includes both domestic and overseas brands, as of the end of December 2023. We will proactively continue to open new brand shops to increase the merchandise value of the cosmetics category in ZOZOTOWN. In addition, as our unique value-added service, we have launched “niaulab,” an ultimate personalized-styling service that utilizes our AI technologies. We are aiming to provide solutions to help find one’s “style” that approaches the upstream of purchasing.

Sales of ZOZOTOWN on Yahoo! JAPAN Shopping (which integrated PayPay Mall in October 2022) have been growing steadily due to the retention of new customers acquired in the previous consolidated fiscal year, and promotion activities such as “Serious ZOZO Festival” (June 25, 2023, September 18, 2023, October 15, 2023, and November 26, 2023) by LY Corporation which operates Yahoo! JAPAN Shopping.

Regarding the BtoB business, brands that we currently support are actively continuing to enhance their own e-commerce websites, although there were withdrawals of a few brands in the previous consolidated fiscal year.

In August 2023, we started operations of our new logistics base, “ZOZOBASE Tsukuba 3” in anticipation of future growth in the gross merchandise value. The new logistics base has the largest facility capacity in our company in terms of total floor space and the number of products stored, etc. As a measure to cope with the future trend of a declining workforce, we are making aggressive capital investments, including the introduction of the state-of-the-art equipment for the first time in

Japan, aiming to reduce the labor force through automation of operations.

Consequently, the gross merchandise value in the consolidated cumulative third quarter of the current fiscal year was 427,146 million yen (+5.1% YoY), and the gross merchandise value (excluding other GMV) was 399,496 million yen (+7.4% YoY). Net sales were 147,568 million yen (+8.1% YoY), and gross profit was 137,313 million yen (+7.6% YoY). The ratio of gross profit to the gross merchandise value (excluding other GMV) (gross profit margin) was 34.4%, an increase of 0.1% from the same quarter of the previous fiscal year.

As for net sales, despite higher point-related expenses compared to the previous year, the YoY growth rate exceeded that of the gross merchandise value (excluding other GMV), mainly due to growth in USED sales, and the advertising business, and an increase in sales of others due to increased shipping income.

As mentioned in the sales part, the main factor of increased gross profit margin was growth in USED sales, and the advertising business, and an increase in sales of others due to increased shipping income, despite higher point-related expenses compared to the previous year.

Selling, general and administrative expenses were 91,614 million yen (+10.3% YoY). Its ratio to the gross merchandise value (excluding other GMV) was 22.9%, an increase of 0.6% compared with the same quarter of the previous fiscal year. The main reasons for the rise in the SG&A-to-GMV ratio on a YoY basis are as follows. All the percentages to the gross merchandise value are calculated by dividing each SG&A expense by the gross merchandise value (excluding other GMV):

Improving factors

1. Shipping expenses to the gross merchandise value declined by 0.2% due to a higher average order value on a YoY basis.

Worsening factors

1. Logistics-related expenses in personnel costs increased by 0.3% as a result of reduced operational efficiency due to higher logistics quantities.
2. Depreciation expenses to the gross merchandise value rose by 0.2% due to the depreciation for material handling equipment, etc., for the commencement of operations at our new logistics base.
3. Rent expenses to the gross merchandise value rose by 0.2% due to the increase in our new logistics base.
4. Advertising expenses to the gross merchandise value rose by 0.1% due to the increased marketing in TV commercials and web advertising.

Consequently, the operating profit in the consolidated cumulative third quarter of the current fiscal year was 45,698 million yen (+2.4% YoY), and the operating profit margin was 11.4% to the gross merchandise value (excluding other GMV), a decrease of 0.6% compared with the same quarter of the previous year. Ordinary profit was 45,906 million yen (+2.3% YoY), and net profit attributable to owners of parent was 32,470 million yen (+4.0% YoY).

Since our group is a single segment of the e-commerce business, information by segment is omitted. However, the performance of each business segment within the single segment is shown below.

[Table 2] YoY comparison by business segment

By business segment	Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2022)			Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2023)			Merchandise Value YoY (%)	Net sales YoY (%)
	Merchandise value (Million yen)	Composition (%)	Net sales (Million yen)	Merchandise Value (Million yen)	Composition (%)	Net sales (Million yen)		
ZOZOTOWN Business	324,498	79.8	101,909	348,545	81.6	108,304	7.4	6.3
(Outright purchase/ production & sales)	3,564	0.9	3,458	3,647	0.9	3,504	2.3	1.3
(Consignment Sales)	309,188	76.0	86,949	331,580	77.6	91,830	7.2	5.6
(USED Sales)	11,746	2.9	11,500	13,317	3.1	12,969	13.4	12.8
Yahoo! JAPAN Shopping	35,668	8.8	10,482	40,250	9.4	11,935	12.8	13.9
BtoB business	11,855	2.9	1,950	10,700	2.5	1,670	-9.7	-14.3
Advertising business	—	—	5,711	—	—	7,056	—	23.5
Subtotal excluding Others	372,022	91.5	120,053	399,496	93.5	128,967	7.4	7.4
Others	34,475	8.5	16,413	27,650	6.5	18,601	-19.8	13.3
Total	406,497	100.0	136,467	427,146	100.0	147,568	5.1	8.1

① ZOZOTOWN business

The ZOZOTOWN Business consists of three business forms: "Outright purchase/production & sales," "Consignment sales," and "USED sales." "Outright purchase/production & sales" purchases fashion merchandise from each brand and sells them as in-house inventory with inventory risk. This corresponds to the form of purchasing fashion merchandise from each brand and the form of ordering merchandise by our group, such as MS (Multi-Size). "Consignment sales" handles consignment inventory of merchandise from each brand and sells them on a consignment basis. "USED sales" mainly buys and sells used fashion-related merchandise from individual users and is positioned as a value-added service to promote the purchase of new products.

We recognize that increasing the number of buyers and the usage rate of ZOZOTOWN in fashion consumption are the key factors in achieving sustainable growth. To realize this, we are working on creating a website that is attractive to both users and brands.

The transition of major KPIs for the ZOZOTOWN Business is as follows.

(Number of shops, etc.)

[Table 3] Changes in the number of shops and brands

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Shops in ZOZOTOWN (Note) 1	1,523	1,532	1,554	1,562	1,564	1,581	1,605	-
Outright purchase/production & sales (Note) 2	25	27	28	28	28	29	28	-
Consignment sales	1,498	1,505	1,526	1,534	1,536	1,552	1,577	-
Number of brands (Note) 1,2	8,512	8,455	8,545	8,455	8,981	8,940	9,109	-

(NOTE)

1. Numbers are as of the end of the quarter accounting period.

2. Private brand "ZOZO" and "Multi-size" are not included.

The number of new shops opened during the third quarter consolidated accounting period was 48 (net increase of 24 shops). The major new stores are luxury brands "Mulberry," and "Valextra," a footwear brand "Dr. Martens," and in the cosmetic category, "Yves Saint Laurent Beaute," and "shu uemura" both operated by NIHON L'ORÉAL K.K.

(Number of annual buyers)

[Table 4] Changes in the number of annual buyers

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of annual buyers (Note)2	10,619,934	10,859,876	11,211,383	11,411,712	11,470,592	11,552,764	11,690,958	-
(YoY)	889,772	969,092	1,108,032	993,381	850,658	692,888	479,575	-
(QoQ)	201,603	239,942	351,507	200,329	58,880	82,172	138,194	-
Number of active members (Note)3	9,269,080	9,545,087	9,935,769	10,192,333	10,352,251	10,515,910	10,739,246	-
(YoY)	902,007	1,037,090	1,223,890	1,149,139	1,083,171	970,823	803,477	-
(QoQ)	225,886	276,007	390,682	256,564	159,918	163,659	223,336	-
Number of guest buyers	1,350,854	1,314,789	1,275,614	1,219,379	1,118,341	1,036,854	951,712	-
(YoY)	-12,235	-67,998	-115,858	-155,758	-232,513	-277,935	-323,902	-
(QoQ)	-24,283	-36,065	-39,175	-56,235	-101,038	-81,487	-85,142	-

(NOTE)

1. The calculating period is the most recent one-year period prior to the end of the accounting periods.
2. Numbers of annual buyers are the sum of active members and guest buyers who purchased more than once within the past year from each quarter.
3. Numbers of active members are members who purchased more than once within the past year from each quarter.
4. Buyers of "Yahoo! JAPAN Shopping" are not included.

In the third quarter consolidated accounting period of the current fiscal year, the number of annual buyers increased as a result of an increase in the number of active members YoY and QoQ. The growth in the number of active members is attributable to strengthening customer attraction through broadcasting TV commercials and web advertising of "ZOZOWEEK" held in May, September, and November, the Black Friday sale, and the summer sale which started in June 2023, as well as the retention of the members newly acquired during the previous consolidated fiscal year. The number of guest buyers continued to decline YoY and QoQ due to enhanced services for members.

(Annual purchase amount and annual purchase pieces)

[Table 5] Changes in the annual purchase amount and annual purchase pieces

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annual purchase amount (Total) (Note) 1, 2, 3, 4	42,559	42,401	42,331	42,224	42,341	42,403	42,502	-
(YoY)	0.5%	0.1%	-0.5%	-0.4%	-0.5%	0.0%	0.4%	-
(QoQ)	0.4%	-0.4%	-0.2%	-0.3%	0.3%	0.1%	0.2%	-
Annual purchase pieces (Total) (Note) 1, 2, 3	11.6	11.4	11.1	10.9	10.8	10.8	10.8	-
(YoY)	1.5%	-1.4%	-4.5%	-5.9%	-6.6%	-5.3%	-2.6%	-
(QoQ)	0.0%	-1.8%	-2.3%	-1.8%	-0.8%	-0.4%	0.4%	-
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	49,407	49,331	49,336	48,716	48,856	48,752	48,290	-
(YoY)	0.3%	0.6%	0.6%	-1.1%	-1.1%	-1.2%	-2.1%	-
(QoQ)	0.3%	-0.2%	0.0%	-1.3%	0.3%	-0.2%	-0.9%	-
Annual purchase pieces (Existing members) (Note) 1, 2, 3	13.4	13.2	12.9	12.6	12.5	12.3	12.3	-
(YoY)	1.3%	-0.9%	-3.4%	-6.4%	-7.2%	-6.4%	-5.2%	-
(QoQ)	-0.3%	-1.9%	-1.8%	-2.7%	-1.1%	-1.1%	-0.5%	-

(NOTE)

1. The calculating period is the most recent one-year before the end of the accounting periods.
2. Indexes for each active member.
3. Buyers of "Yahoo! JAPAN Shopping" are not included.
4. The amounts are in yen.

During the third quarter consolidated accounting period of the current fiscal year, the annual purchase amount (Total) increased slightly YoY and QoQ. The annual purchase pieces (Total) decreased YoY but increased slightly QoQ. The average retail price per item had been rising until the second quarter of this fiscal year. However, due to changes in the product mix and an increase in sales with discounts, the average retail price per item decreased, leading to an increase in the annual purchase pieces QoQ. For existing members, both the annual purchase amount and the number of annual purchase pieces decreased YoY and QoQ. This is primarily due to the impact of robust new member acquisitions during the COVID-19 pandemic, which led to an increase in the proportion of members with shorter membership histories among our existing members. (The shorter the membership history, the lower the annual purchase amount and pieces.)

(Average retail price etc.)

[Table 6] Changes in the average retail price, average order value, average purchase pieces per order, and number of shipments

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average retail price (Note) 1, 2, 3	3,552	3,487	4,438	3,987	3,726	3,590	4,360	-
(YoY)	1.8%	6.8%	6.5%	6.3%	4.9%	3.0%	-1.7%	-
Average order value (Note) 1, 2, 3	7,699	7,566	8,961	8,300	8,177	7,894	9,119	-
(YoY)	2.6%	3.0%	4.3%	4.1%	6.2%	4.3%	1.8%	-
Average purchase pieces per order (Note) 1, 3	2.17	2.17	2.02	2.08	2.19	2.20	2.09	-
(YoY)	0.9%	-3.6%	-2.1%	-2.1%	1.3%	1.3%	3.6%	-
Number of shipments (Note) 1, 3	13,123,988	12,742,183	14,178,195	13,379,524	13,240,721	13,107,431	15,000,816	-
(YoY)	8.6%	7.8%	8.6%	4.5%	0.9%	2.9%	5.8%	-

(NOTE)

1. Numbers for the quarter accounting period are used.
2. The amounts are in yen.
3. "Yahoo! JAPAN Shopping" is not included.

The average retail price in the third quarter consolidated accounting period of the current fiscal year decreased YoY, though there were increases in full retail price by various brands this autumn and winter. The decrease was primarily because changes in the product mix and an increase in sales with discounts, due to unusual weather such as the lingering summer heat and mild winter made the sales of fall and winter goods different from those of previous years, and the sales composition ratio of outerwear was sluggish, which has a higher unit price. Meanwhile, the average order value increased YoY, due to an increase in the number of items purchased per order. This was because a decrease in the average purchase price per order as well as an increase in the volume of free-shipping policies, which offer free shipping for purchases of 10,000 yen or 12,000 yen or more, compared with the same period of the previous year, and a rise in the percentage of combined purchases during the days of free shipping initiative.

i. Outright Purchase/Production & Sales

In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 3,647 million yen (+2.3% YoY), accounting for 0.9% of the gross merchandise value (0.9% in the same quarter of the previous fiscal year). Net sales were 3,504 million yen (+1.3% YoY). As of the end of December 2023, the number of shops opened on ZOZOTOWN for Outright purchase/production & sales was 28 (29 as of the end of September 2023).

ii. Consignment Sales

In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 331,580 million yen (+7.2% YoY), accounting for 77.6% of the gross merchandise value (76.0% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 91,830 million yen (+5.6% YoY). As of the end of December 2023, the number of shops opened on ZOZOTOWN for consignment sales was 1,577 (1,552 as of the end of September 2023).

iii. USED Sales

In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 13,317 million yen (+13.4% YoY), accounting for 3.1% of the gross merchandise value (2.9% in the same quarter of the previous fiscal year). Net sales were 12,969 million yen (+12.8% YoY).

② Yahoo! JAPAN Shopping

ZOZOTOWN opened a shop on "Yahoo! JAPAN Shopping," an online shopping mall operated by LY Corporation. In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 40,250 million yen (+12.8% YoY), accounting for 9.4% of the gross merchandise value (8.8% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 11,935 million yen (+13.9% YoY).

③ BtoB business

The BtoB business is a business model in which we are commissioned to build and operate brands' own e-commerce websites. In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 10,700 million yen (-9.7% YoY), accounting for 2.5% of the gross merchandise value (2.9% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 1,670 million yen (-14.3% YoY). As of the end of December 2023, the number of consigned websites was 33 (34 as of the end of September 2023).

④ Advertising business

The advertising business is a business model that generates advertising revenue by providing advertising space to client brands by utilizing the user reach base of ZOZOTOWN and WEAR. In the consolidated cumulative third quarter of the current fiscal year, net sales were 7,056 million yen (+23.5% YoY). As for WEAR, we continue to focus on expanding the number of users and content.

⑤ Others

The segment for others within the gross merchandise value includes 1) the merchandise value of the stores that

contracted "ZOZO Option" in the fashion category stores excluding ZOZOTOWN on Yahoo! JAPAN Shopping (service that enables those stores to get benefits from sales support such as participation in the special events by the Company), 2) the merchandise value of a consolidated subsidiary's own e-commerce website, 3) the merchandise value from ZOZOMO, the system to support for sending customers to the physical stores from ZOZOTOWN, and 4) the merchandise value of "ZOSUIT" which is sold for a fee in the U.S. The merchandise value during the consolidated cumulative third quarter of the current fiscal year was 27,650 million yen (-19.8% YoY), accounting for 6.5% of the gross merchandise value (8.5% in the same quarter of the previous fiscal year). Within the segment for others, net sales generated from businesses related to ZOZOTOWN (shipping income and settlement commission income, etc.) and other revenues mentioned above are included. In the consolidated cumulative third quarter of the current fiscal year, net sales were 18,601 million yen (+13.3% YoY).

(2) Explanation of financial position

Overview of total assets, liabilities, and net assets

(Unit: Million yen)

	Previous consolidated fiscal year	Third quarter consolidated accounting period	Increase/decrease rate
Total assets	155,742	158,558	1.8%
Liabilities	79,048	81,273	2.8%
Net assets	76,693	77,285	0.8%

(Total assets)

Total assets amounted to 158,558 million yen, an increase of 2,816 million yen (+1.8% from the previous consolidated fiscal year end). Current assets decreased by 3,890 million yen, or 3.2%, compared with the previous consolidated fiscal year end, amounted to 119,602 million yen. Major components are a decrease of 23,616 million yen in cash and deposits, an increase of 14,723 million yen in accounts receivable, and an increase of 221 million yen in merchandise and finished products etc. Non-current assets increased by 6,707 million yen, or 20.8%, compared with the previous consolidated fiscal year end, amounted to 38,955 million yen. Major components are an increase of 6,751 million yen in tangible assets, a decrease of 717 million yen in goodwill, and a decrease of 66 million yen in investments and other assets, etc.

(Liabilities)

Liabilities amounted to 81,273 million yen, an increase of 2,224 million yen (+2.8% from the previous consolidated fiscal year end). Current liabilities increased by 149 million yen, or +0.2%, compared with the previous consolidated fiscal year end, amounted to 72,353 million yen. Major components are an increase of 7,751 million yen in deposits received for consignment sales, a decrease of 4,082 million yen in income taxes payable, and a decrease of 2,053 million yen in the provision for bonuses. Non-current liabilities increased by 2,075 million yen, or 30.3%, amounted to 8,919 million yen compared with the previous consolidated fiscal year end. Major components are an increase of 1,750 million yen in asset retirement obligations, and an increase of 519 million yen in retirement benefit liability.

(Net assets)

Net assets amounted to 77,285 million yen, an increase of 591 million yen (0.8% from the previous consolidated fiscal year end). Major components are an increase of 32,470 million yen due to recognition of net profit attributable to owners of parent, and a decrease of 26,998 million yen due to cash dividends.

(3) Explanation of consolidated business forecast and other forward-looking statements

There is no change in the consolidated financial forecast announced on April 27, 2023.

There is no change in the year-end dividend forecast revised on October 31, 2023.

2. Consolidated financial statements

(1) Quarterly consolidated balance sheets

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Third quarter consolidated accounting period of current fiscal year (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	69,126	45,510
Accounts receivable-trade	42,994	57,718
Marketable securities	5,000	5,000
Merchandise and finished products	3,155	3,376
Raw materials and supplies	49	40
Others	3,166	7,957
Total current assets	123,493	119,602
Non-current assets		
Property, plant and equipment	18,796	25,548
Intangible assets		
Goodwill	1,700	982
Others	680	1,420
Total intangible assets	2,381	2,403
Investments and other assets	11,070	11,003
Total non-current assets	32,248	38,955
Total assets	155,742	158,558
Liabilities		
Current liabilities		
Accounts payable-trade	532	380
Deposits received for consignment sales	25,590	33,342
Short-term borrowings	20,400	20,000
Income taxes payable	9,796	5,714
Provision for bonuses	2,401	348
Provision for bonuses for directors	78	85
Others	13,404	12,482
Total current liabilities	72,204	72,353
Non-current liabilities		
Retirement benefit liability	4,389	4,909
Asset retirement obligations	2,248	3,999
Others	205	10
Total non-current liabilities	6,844	8,919
Total liabilities	79,048	81,273

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Second quarter consolidated accounting period of current fiscal year (As of December 31, 2023)
Net assets		
Shareholders' equity		
Capital stock	1,359	1,359
Capital surplus	1,349	1,328
Retained earnings	118,620	81,596
Treasury stock	-44,558	-6,879
Total shareholders' equity	76,771	77,405
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39	62
Deferred gains or losses on hedges	40	24
Foreign currency translation adjustment	92	138
Remeasurements of defined benefit plan	-386	-344
Total accumulated other comprehensive income	-214	-119
Stock acquisition right	18	0
Non-controlling interests	117	—
Total net assets	76,693	77,285
Total liabilities and net assets	155,742	158,558

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

Quarterly consolidated statements of income

Consolidated cumulative third quarter

(Unit: million yen)

	Consolidated cumulative third quarter of previous fiscal year (April 1, 2022 to December 31, 2022)	Consolidated cumulative third quarter of current fiscal year (April 1, 2023 to December 31, 2023)
Net sales	136,467	147,568
Cost of sales	8,806	10,255
Gross profit	127,660	137,313
Selling, general and administrative expenses	83,024	91,614
Operating income	44,635	45,698
Non-operating income		
Interest income	6	4
Received rent	1	2
Foreign exchange gains	17	97
Operations support fee	8	7
Income from recycling	26	30
Subsidy income	27	10
Gain on unused points	85	76
Reversal of allowance for doubtful accounts	171	51
Others	30	50
Total non-operating income	375	330
Non-operating expenses		
Interest expenses	58	59
Provision for allowance for doubtful accounts	2	—
Rent expenses	1	2
Commissions expenses	6	—
Loss on investments in partnership	69	61
Total non-operating expenses	139	123
Ordinary profit	44,872	45,906
Extraordinary income		
Gain on sales of non-current assets	—	5
Gain on sale of investment securities	—	10
Gain on sale of shares of subsidiaries and affiliates	—	735
Total extraordinary income	—	751
Extraordinary losses		
Loss on sales and retirement of non-current assets	58	39
Total extraordinary loss	58	39
Profit before income taxes	44,813	46,617
Income taxes-current	11,256	13,318
Income taxes-deferred	2,351	753
Total income taxes	13,607	14,072
Net profit	31,205	32,544
Loss attributable to non-controlling interests	-7	74
Profit attributable to owners of parent	31,213	32,470

Quarterly consolidated statements of comprehensive income
 Consolidated cumulative second quarter

(Unit: million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2022 to December 31, 2022)	Consolidated cumulative second quarter of current fiscal year (April 1, 2023 to December 31, 2023)
Net profit	31,205	32,544
Other comprehensive income		
Valuation difference on available-for-sale securities	17	22
Deferred gains or losses on hedges	5	-15
Foreign currency translation adjustment	10	45
Remeasurements of retirement benefit plan	28	41
Total other comprehensive income	63	94
Comprehensive income	31,268	32,639
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	31,276	32,565
Quarterly comprehensive income attributable to non-controlling interests	-7	74

(3) Notes to quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

(1) Acquisition of treasury stock

Based on the resolution of the Board of Directors held on October 31, 2023, we acquired 1,695,000 shares of treasury stock. Consequently, treasury stock increased by 5,251 million yen in consolidated cumulative third quarter of the current fiscal year.

(2) Disposal of treasury stock

Based on the resolution of the Board of Directors held on October 31, 2023, we disposed 11,170,104 shares of treasury stock. Consequently, treasury stock and retained earnings decreased by 41,943 million yen each in consolidated cumulative third quarter of the current fiscal year.

DISCLAIMER:

This document is a summary translation of the Japanese version. All readers are recommended to refer to the original Japanese version for complete information. The Japanese version shall prevail in any discrepancies, errors, or omissions.