

Consolidated Financial Results

For the fiscal year ended March 31, 2023 [JGAAP]

April 27, 2023

Company name: ZOZO, Inc. Listed stock exchanges Tokyo
 Code 3092 URL <https://corp.zozo.com/en>
 Representative Representative Director, President & CEO Kotaro Sawada
 Contact Director, Executive Vice President & CFO Koji Yanagisawa (TEL) 043(213)5171
 Scheduled date of the General Meeting of Shareholders June 28, 2023 Scheduled date of dividend payment June 29, 2023
 Scheduled date to file the financial report June 14, 2023
 Supplementary materials 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 fiscal year ended March 31, 2023 (April 1, 2022, to March 31, 2023)

(1) Consolidated business results

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2023	183,423	10.4	56,421	13.6	56,716	14.2	39,526	14.6
Fiscal year ended March 31, 2022	166,199	12.8	49,656	12.5	49,655	11.9	34,492	11.5

(NOTE) Comprehensive income Fiscal year ended March 31, 2023 39,434 Million yen (13.9%)
Fiscal year ended March 31, 2022 34,651 Million yen (12.4%)

	Net profit per share	Net profit per share after adjusting dilutive shares	ROE	ROA	Operating profit margin to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	131.83	-	60.1	40.1	30.8
Fiscal year ended March 31, 2022	115.02	115.01	62.5	39.3	29.9

(NOTE) Fully diluted net profit per share for the fiscal year ended March 31, 2023 (consolidated cumulative period) is not presented because there are no potential shares with dilutive effects.

(2) Consolidated financial position

	Total assets	Net assets	Equity Ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2023	155,742	76,693	49.2	255.31
Fiscal year ended March 31, 2022	127,276	55,099	43.2	183.23

(Reference) Shareholders' equity Fiscal year ended March 31, 2023 76,556 Million yen
Fiscal year ended March 31, 2022 54,923 Million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2023	36,671	-10,588	-17,738	74,145
Fiscal year ended March 31, 2022	39,895	-1,283	-34,823	65,520

2. Dividends

	Annual dividends					Total dividend	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2022	-	22.00	-	36.00	58.00	17,387	50.4	31.8
Fiscal year ended March 31, 2023	-	24.00	-	41.00	65.00	19,490	49.3	29.6
Fiscal year ending March 31, 2024 (Forecast)	-	28.00	-	43.00	71.00		50.7	

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

※ Notes

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

New — Exclusion —

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

① Changes in accounting policies caused by revision of accounting standards : Yes

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement of revisions : None

(3) Number of shares outstanding (common stock)

① Year-end shares outstanding (including treasury stocks)

Fiscal year ended March 31, 2023	311,644,285Shares	Fiscal year ended March 31, 2022	311,644,285Shares
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② Number of year-end treasury stocks

Fiscal year ended March 31, 2023	11,787,504Shares	Fiscal year ended March 31, 2022	11,840,467Shares
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③ Average number of shares during the period

Fiscal year ended March 31, 2023	299,837,990Shares	Fiscal year ended March 31, 2022	299,891,989Shares
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※ 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 financial 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 fiscal year ended March 31, 2023, (4) Future outlook" on page 13 for the assumptions underlying the forecasts and cautionary statements regarding the use of the forecasts.

-We are scheduling a financial results briefing for institutional investors and analysts on April 27, 2023. 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 fiscal year ended March 31, 2023

(1) Overview of business results

Business results for the current fiscal year

[Table 1] YoY comparison

(Unit: Million yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)		Current consolidated fiscal year (April 1, 2022 to March 31, 2023)		YoY basis
Gross merchandise value	508,876	(110.1%)	544,317	(108.6%)	7.0%
Gross merchandise value (excluding other GMV)	462,175	(100.0%)	501,108	(100.0%)	8.4%
Net sales	166,199	(36.0%)	183,423	(36.6%)	10.4%
Gross profit	156,172	(33.8%)	171,341	(34.2%)	9.7%
Operating profit	49,656	(10.7%)	56,421	(11.3%)	13.6%
Ordinary profit	49,655	(10.7%)	56,716	(11.3%)	14.2%
Profit attributable to owners of parent	34,492	(7.5%)	39,526	(7.9%)	14.6%

Figures 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 current consolidated fiscal year, the apparel industry, particularly at physical stores, experienced growth due to increased opportunities for going out and increased demand for clothing as the spread of COVID-19 subsided. 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 14 to 23, 2022, 11 days in total from September 13 to 19, and 22 to 25, 2022, and 18 days in total from November 3 to 13, and 17 to 23, 2022) and broadcasted TV commercials to attract customers during the summer and winter sale. 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 700 cosmetics brands, which includes both domestic and overseas brands, as of the end of March 2023. We will proactively continue to open new brand shops to expand the merchandise value of the cosmetics category in ZOZOTOWN. Furthermore, we implemented a purchase assist function that recommends the best foundation and concealer color closest to the measured skin tone using "ZOZOGLASS", a device that can measure skin tone with high precision. This enables users to have new purchasing experiences.

Sales of ZOZOTOWN on Yahoo! JAPAN Shopping (which integrated PayPay Mall in October, 2022) have been growing steadily due to the high retention rate of new customers acquired in the previous fiscal year through the continued active sales promotion by Yahoo Japan Corporation which operates Yahoo! JAPAN Shopping.

Regarding the BtoB business, brands are actively continuing to enhance their own e-commerce websites, although there was a withdrawal of a brand that accounted for a large portion of the merchandise value during the fourth quarter consolidated accounting period of the previous fiscal year.

Consequently, the gross merchandise value in the current consolidated fiscal year was 544,317 million yen (+7.0% YoY), and the gross merchandise value (excluding other GMV) was 501,108 million yen (+8.4% YoY). Net sales were 183,423 million yen (+10.4% YoY), and gross profit was 171,341 million yen (+9.7% YoY). The ratio of gross profit to the gross merchandise value (excluding other GMV) (gross profit margin) was 34.2%, an increase of 0.4% from the previous fiscal year.

As for net sales, the YoY growth rate exceeded that of the gross merchandise value (excluding other GMV), mainly due to growth in Outright purchase/production & sales, USED sales, and the advertising business, which has high sales ratio to the gross merchandise value, a decrease in the composition ratio of the BtoB business, which has a low sales ratio to the

gross merchandise value, and the growth rate of the advertising business exceeded that of the gross merchandise value (excluding other GMV).

As mentioned in the sales part, the main factor of increased gross profit margin was growth in Outright purchase/production & sales, USED sales, and the advertising business. Also, a decrease in the composition ratio of the BtoB business, which has a low gross profit margin, to the gross merchandise value (excluding other GMV) contributed to it.

Selling, general and administrative expenses were 114,920 million yen (+7.9% YoY). Its ratio to the gross merchandise value (excluding other GMV) was 22.9%, a decrease of 0.1% compared with the same quarter of the previous fiscal year. The main reasons for the decline 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. Logistics-related expenses in personnel expenses to the gross merchandise value declined by 0.3% due to the operational efficiency improvement inside logistics bases.
2. Shipping expenses to the gross merchandise value declined by 0.3% due to a higher average order value on a YoY basis, and the optimization of the cardboard box size and other materials used for delivery.

Worsening factors

1. Advertising expenses to the gross merchandise value rose 0.4% due to the increased investment in the TV commercials and web advertising.
2. Other expenses to the gross merchandise value rose by 0.2% points due to higher communication expenses resulting from an increased cloud server usage through service enforcement and system replacement.

Consequently, the operating profit of the current consolidated fiscal year was 56,421 million yen (+13.6% YoY) and the operating profit margin was 11.3% to the gross merchandise value (excluding other GMV), an increase of 0.6% compared with the previous year. Ordinary profit was 56,716 million yen (+14.2% YoY), and net profit attributable to owners of parent was 39,526 million yen (+14.6% YoY).

[Table2] Comparison with the revised consolidated forecast disclosed on January 31, 2023

(Unit: Million yen)

	Current consolidated fiscal year (Revised forecast)		Current consolidated fiscal year (Results)		Comparison to the revised forecast
Gross merchandise value	543,800	(109.7%)	544,317	(108.6%)	0.1%
Gross merchandise value (excluding other GMV)	495,800	(100.0%)	501,108	(100.0%)	1.1%
Net sales	181,300	(36.6%)	183,423	(36.6%)	1.2%
Operating profit	55,000	(11.1%)	56,421	(11.3%)	2.6%
Ordinary profit	55,200	(11.1%)	56,716	(11.3%)	2.7%
Profit attributable to owners of parent	38,400	(7.7%)	39,526	(7.9%)	2.9%

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

Compared to the revised consolidated business forecast disclosed on January 31, 2023, the gross merchandise value, the gross merchandise value (excluding other GMV), net sales, operating profit, ordinary profit, and profit attributable to owners of parent exceeded 0.1%, 1.1%, 1.2%, 2.6%, 2.7% and 2.9% respectively. The main reason for achieving the targets was the good retention rate of existing users and steady acquisition of new users during the fourth quarter consolidated accounting period of the current fiscal year.

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 3] YoY comparison by business segment

By business segment	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)			Current consolidated fiscal year (April 1, 2022 to March 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	391,647	77.0	122,976	435,542	80.0	136,075	11.2	10.7
(Outright purchase/ production & sales)	3,233	0.6	3,175	4,726	0.9	4,561	46.2	43.6
(Consignment Sales)	374,966	73.8	106,591	414,769	76.2	115,815	10.6	8.7
(USED Sales)	13,448	2.6	13,209	16,046	2.9	15,699	19.3	18.8
Yahoo! JAPAN Shopping	43,844	8.6	12,769	49,881	9.2	14,652	13.8	14.7
BtoB business	26,682	5.2	4,945	15,684	2.9	2,587	-41.2	-47.7
Advertising business	-	-	6,301	-	-	7,770	-	23.3
Subtotal excluding Others	462,175	90.8	146,993	501,108	92.1	161,086	8.4	9.6
Others	46,701	9.2	19,206	43,209	7.9	22,336	-7.5	16.3
Total	508,876	100.0	166,199	544,317	100.0	183,423	7.0	10.4

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 4] 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	1,488	1,502	1,516	1,510	1,523	1,532	1,554	1,562
Outright purchase/production & sales	20	24	24	24	25	27	28	28
Consignment sales	1,468	1,478	1,492	1,486	1,498	1,505	1,526	1,534
Number of brands (Note) 1,2	8,490	8,451	8,481	8,433	8,512	8,455	8,545	8,455

(NOTE)

1. Figures are as of the end of quarter accounting period.
2. Private brand "ZOZO" and "Multi-size" are not included.

The number of new shops opened during the current consolidated fiscal year was 111 (a net increase of 52 shops). The number of shops opened in the fourth quarter consolidated accounting period was 31. The major new stores are "FOREVER21", a fast fashion brand from the U.S. that has re-launched in Japan, "nissen," operated by the major catalog retailer Nissen Co., Ltd., and "PERFECT ONE," a skincare brand that pursues simplicity and collagen.

(Number of annual buyers)

[Table 5] 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	9,730,162	9,890,784	10,103,351	10,418,331	10,619,934	10,859,876	11,211,383	11,411,712
(YoY)	1,067,602	1,085,629	963,555	932,662	889,772	969,092	1,108,032	993,381
(QoQ)	244,493	160,622	212,567	314,980	201,603	239,942	351,507	200,329
Number of active members (Note)3	8,367,073	8,507,997	8,711,879	9,043,194	9,269,080	9,545,087	9,935,769	10,192,333
(YoY)	1,143,320	1,073,468	937,939	905,465	902,007	1,037,090	1,223,890	1,149,139
(QoQ)	229,344	140,924	203,882	331,315	225,886	276,007	390,682	256,564
Number of guest buyers (Note)	1,363,089	1,382,787	1,391,472	1,375,137	1,350,854	1,314,789	1,275,614	1,219,379
(YoY)	-75,718	12,161	25,616	27,197	-12,235	-67,998	-115,858	-155,758
(QoQ)	15,149	19,698	8,685	-16,335	-24,283	-36,065	-39,175	-56,235

(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 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 fourth 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 steady 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 summer and winter sale, which started in June and January, respectively, and the second anniversary of ZOZOCOSME in March 2023, as well as good retention rate of the members newly acquired during the previous fiscal year.

(Annual purchase amount and annual purchase pieces)

[Table 6] Changes in 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	42,363	42,343	42,549	42,403	42,559	42,401	42,331	42,224
(YoY)	-6.1%	-4.5%	-2.9%	-1.0%	0.5%	0.1%	-0.5%	-0.4%
(QoQ)	-1.1%	-0.0%	0.5%	-0.3%	0.4%	-0.4%	-0.2%	-0.3%
Annual purchase pieces (Total) (Note) 1, 2, 3	11.4	11.5	11.6	11.6	11.6	11.4	11.1	10.9
(YoY)	-3.6%	-2.0%	-0.7%	0.1%	1.5%	-1.4%	-4.5%	-5.9%
(QoQ)	-1.3%	1.0%	0.9%	-0.4%	0.0%	-1.8%	-2.3%	-1.8%
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	49,257	49,037	49,064	49,254	49,407	49,331	49,336	48,716
(YoY)	-5.6%	-4.8%	-3.9%	-1.8%	0.3%	0.6%	0.6%	-1.1%
(QoQ)	-1.8%	-0.4%	0.1%	0.4%	0.3%	-0.2%	0.0%	-1.3%
Annual purchase pieces (Existing members) (Note) 1, 2, 3	13.2	13.3	13.4	13.4	13.4	13.2	12.9	12.6
(YoY)	-2.8%	-2.2%	-1.7%	-0.7%	1.3%	-0.9%	-3.4%	-6.4%
(QoQ)	-2.2%	0.3%	0.8%	0.4%	-0.3%	-1.9%	-1.8%	-2.7%

(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 fourth quarter consolidated accounting period of the current fiscal year, the annual purchase amount (Total) decreased YoY and QoQ. This was due to steady growth in the acquisition of new members (whose annual purchase amount is lower than the overall average). The annual purchase pieces (Total) also decreased YoY and QoQ. This was due to steady growth in the acquisition of new members (whose annual purchase pieces are lower than the overall average), and an increase in the average retail price.

The annual purchase pieces (Existing members) decreased, while the annual purchase amount (Existing members) remained the same YoY and QoQ. This was due to a decrease in the ratio of combined purchases resulting from a higher retail price.

(Average retail price etc.)

[Table 7] 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 (YoY)	3,490 1.4%	3,264 -3.5%	4,167 -3.1%	3,752 0.1%	3,552 1.8%	3,487 6.8%	4,438 6.5%	3,987 6.3%
Average order value (Note) 1, 2, 3 (YoY)	7,501 1.2%	7,346 -0.3%	8,592 0.9%	7,974 -0.2%	7,699 2.6%	7,566 3.0%	8,961 4.3%	8,300 4.1%
Average purchase pieces per order (Note) 1, 3 (YoY)	2.15 -0.1%	2.25 3.2%	2.06 4.1%	2.13 -0.3%	2.17 0.9%	2.17 -3.6%	2.02 -2.1%	2.08 -2.1%
Number of shipments (Note) 1, 3 (YoY)	12,085,053 5.3%	11,816,663 7.3%	13,049,762 9.1%	12,800,550 14.7%	13,123,988 8.6%	12,742,183 7.8%	14,178,195 8.6%	13,379,524 4.5%

(NOTE)

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

The average retail price in the fourth quarter consolidated accounting period of the current fiscal year increased YoY. The main factor was an increase in list prices for certain items and a decrease in the proportion of merchandise on sale. Additionally, the average order value increased YoY. This was due to the impact of the higher average retail price, which outweighed the effect of a decrease in the number of purchase pieces per order.

Results for ZOZOTOWN Business (Outright purchase/production & sales, Consignment sales, and USED sales) are as follows:

i. Outright Purchase/Production & Sales

In the current consolidated fiscal year, the merchandise value was 4,726 million yen (+46.2% YoY), accounting for 0.9% of the gross merchandise value (0.6% in the previous fiscal year). Net sales were 4,561 million yen (+43.6% YoY). As of the end of March 2023, the number of shops opened on ZOZOTOWN for Outright purchase/production & sales was 28 (28 as of the end of December 2022).

ii. Consignment Sales

In the current consolidated fiscal year, the merchandise value was 414,769 million yen (+10.6% YoY), accounting for 76.2% of the gross merchandise value (73.8% in the previous fiscal year). Net sales (consignment sales commission) were 115,815 million yen (+8.7% YoY). As of the end of March 2023, the number of shops opened on ZOZOTOWN for consignment sales was 1,534 (1,526 as of the end of December 2022).

iii. USED Sales

In the current consolidated fiscal year, the merchandise value was 16,046 million yen (+19.3% YoY), accounting for 2.9% of the gross merchandise value (2.6% in the previous fiscal year). Net sales were 15,699 million yen (+18.8% YoY).

② Yahoo! JAPAN Shopping

ZOZOTOWN opened a shop on "Yahoo! JAPAN Shopping," an online shopping mall operated by Yahoo Japan Corporation. In the current consolidated fiscal year, the merchandise value was 49,881 million yen, (+13.8% YoY), accounting for 9.2% of the gross merchandise value (8.6% in the previous fiscal year). Net sales (consignment sales commission) were 14,652 million yen (+14.7% 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 current consolidated fiscal year, the merchandise value was 15,684 million yen (-41.2% YoY), accounting for 2.9% of the gross merchandise value (5.2% in the previous fiscal year). Net sales (consignment sales commission) were 2,587 million yen (-47.7% YoY). As of the end of March 2023, the number of consigned websites was 36 (37 as of the end of December 2022).

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 current consolidated fiscal year, net sales were 7,700 million yen (+23.3% 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, which was recorded from the fourth quarter consolidated accounting period of the previous fiscal year, and 4) the merchandise value of "ZOZOSUIT" which is sold for a fee in the U.S. The merchandise value during the current consolidated fiscal year was 43,209 million yen (-7.5% YoY), accounting for 7.9% of the gross merchandise value (9.2% in 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 current consolidated fiscal year, net sales were 22,336 million yen (+16.3% YoY).

(2) Overview of financial position

Overview of total assets, liabilities, and net assets

(Unit: Million yen)

	Previous consolidated fiscal year	Current consolidated fiscal year	Increase/ decrease rate
Total assets	127,276	155,742	22.4%
Liabilities	72,177	79,048	9.5%
Net assets	55,099	76,693	39.2%

(Total Assets)

Total assets amounted to 155,742 million yen, an increase of 28,465 million yen (+22.4% from the previous consolidated fiscal year end). Current assets increased by 21,187 million yen, or 20.7%, compared with the previous consolidated fiscal year end, amounted to 123,493 million yen. Major components are an increase of 3,605 million yen in cash and deposits, an increase of 12,385 million yen in accounts receivable, an increase of 5,000 million yen in marketable securities, etc. Non-current assets increased by 7,277 million yen, or 29.1%, compared with the previous consolidated fiscal year end, amounted to 32,248 million yen. Major components are an increase of 7,512 million yen in tangible assets, and a decrease of 1,009 million yen in deferred tax assets, etc.

(Liabilities)

Liabilities amounted to 79,048 million yen, an increase of 6,870 million yen (+9.5% from the previous consolidated fiscal year end). Current liabilities increased by 6,031 million yen, or 9.1%, amounted to 72,204 million yen compared with the previous consolidated fiscal year end. Major components are an increase of 2,124 million yen in deposits received for consignment sales, an increase of 1,625 million yen in accounts payable, an increase of 1,536 million yen in income taxes payable. Non-current liabilities increased by 838 million yen, or 14.0%, amounted to 6,844 million yen compared with the previous consolidated fiscal year end. Major component is an increase of 758 million yen in retirement benefit liability.

(Net Assets)

Net assets amounted to 76,693 million yen, an increase of 21,594 million yen (+39.2% from the previous consolidated fiscal year end). Major components are an increase of 39,526 million yen due to the recognition of profit attributable to owners of parent, a decrease of 17,989 million yen due to cash dividends.

(3) Overview of cash flows

Overview of cash flows

Cash and cash equivalents ("cash") at the end of the current consolidated fiscal year amounted to 74,145 million yen, an increase of 8,624 million yen from the previous consolidated fiscal year end.

Descriptions of each cash flow are as follows:

(Unit: Million yen)

	Previous consolidated fiscal year	Current consolidated fiscal year	Increase/ decrease rate
Cash flows from operating activities	39,895	36,671	-8.1%
Cash flows from investing activities	-1,283	-10,588	725.3%
Cash flows from financing activities	-34,823	-17,738	-49.1%

(Cash flows from operating activities)

The net cash provided by operating activities was 36,671 million yen. The major increasing factor was the recognition of profit before income taxes of 56,641 million yen. The major decreasing factors were an increase of 12,326 million yen in accounts receivable, an increase of 1,001 million yen in merchandise and finished products, and 14,232 million yen in income taxes paid.

(Cash flows from investing activities)

The net cash used in investing activities was 10,588 million yen. This was mainly due to the outflow from the purchase of tangible assets of 8,957 million yen and payment of leasehold and guarantee deposits of 1,002 million yen.

(Cash flows from financing activities)

The net cash used in financing activities was 17,738 million yen. This was mainly due to the dividends paid of 17,986 million yen.

(4) Future outlook

Prospect for the next fiscal year

[Table 8] Consolidated business forecast

(Unit: Million yen)

	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)		Next consolidated fiscal year (April 1, 2023 to March 31, 2024)		YoY
Gross merchandise value	544,317	(108.6%)	580,881	(108.5%)	6.7%
Gross merchandise value (excluding other GMV)	501,108	(100.0%)	535,281	(100.0%)	6.8%
Net sales	183,423	(36.6%)	200,700	(37.5%)	9.4%
Operating profit	56,421	(11.3%)	60,000	(11.2%)	6.3%
Ordinary profit	56,716	(11.3%)	60,000	(11.2%)	5.8%
Profit attributable to owners of parent	39,526	(7.9%)	42,000	(7.8%)	6.3%

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

The domestic fashion e-commerce market, which is the axis and focus of our group, is still at a low level compared to the fashion e-commerce ratio of the Western countries and China. However, we assume the overall expansion trend will continue. Under such circumstances, in addition to continuous focus on making more attractive websites for both users and brands, we aim to increase the gross merchandise value.

The breakdown of the gross merchandise value plan for the next consolidated fiscal year by the business segment is as follows:

[Table 9] Merchandise value forecast by business units

By business segment	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)		Next consolidated fiscal year (April 1, 2023 from March 31, 2024)		YoY
	Merchandise value (Million yen)	Ratio (%)	Merchandise value (Million yen)	Ratio (%)	
ZOZOTOWN Business	435,542	80.0	470,400	81.0	8.0%
(Outright	4,726	0.9	3,700	0.6	-21.7%
Purchase/Production & Sales)					
(Consignment Sales)	414,769	76.2	449,100	77.4	8.3%
(USED Sales)	16,046	2.9	17,600	3.0	9.7%
Yahoo! JAPAN Shopping	49,881	9.2	49,881	8.5	0.0%
BtoB Business	15,684	2.9	15,000	2.6	-4.4%
Subtotal excluding Others	501,108	92.1	535,281	92.1	6.8%
Others	43,209	7.9	45,600	7.9	5.5%
Total	544,317	100.0	580,881	100.0	6.7%

Regarding the ZOZOTOWN Business, we will aim to grow the gross merchandise value by "increasing the number of buyers" and "increasing ZOZOTOWN utilization rate in fashion-related consumption." Specifically, we will expand the range of items, brands, and categories to meet users' diversifying needs, and broaden unique and value-added services. Other focusing areas will include 1) seeking mid to long-term profit growth drivers that do not rely on the gross merchandise value growth, and 2) pursuing sustainability initiatives that are unique to ZOZO.

As for selling, general and administrative expenses, we assume increases in rent and depreciation expenses for the new logistics center, which is scheduled to start operation in August 2023, advertising expenses for ZOZOTOWN, logistics-related expenses, outsourcing expenses, and shipping expenses to the gross merchandise value (excluding other GMV). As a result, the growth rate of operating profit for the next consolidated fiscal year is expected to be lower than the growth of gross merchandise value, but we will maintain steady profit growth.

2. Basic principle of accounting standards selection

Our policy is to prepare consolidated financial statements on a Japanese basis by taking the comparability of periods and in between companies into consideration. With regard to the application of IFRS, our policy is to respond appropriately after contemplating various domestic and international situations.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	65,520	69,126
Accounts receivable-trade	30,609	42,994
Marketable securities	-	5,000
Merchandise and finished products	2,060	3,155
Raw materials and supplies	27	49
Others	4,086	3,166
Total current assets	102,305	123,493
Non-current assets		
Property, plant and equipment		
Buildings	10,143	10,447
Accumulated depreciation	-2,123	-2,756
Buildings, net	8,020	7,690
Vehicles	25	25
Accumulated depreciation	-18	-21
Vehicles, net	7	4
Tools, furniture, and fixtures	9,862	11,235
Accumulated depreciation	-6,612	-7,228
Tools, furniture, and fixtures, net	3,250	4,007
Construction in progress	6	7,094
Total property, plant and equipment	11,284	18,796
Intangible assets		
Goodwill	1,796	1,700
Software	546	416
Others	278	263
Total intangible assets	2,621	2,381
Investments and other assets		
Investment securities	1,025	1,051
Deferred tax assets	7,045	6,035
Others	3,257	3,983
Allowance for doubtful accounts	-261	-
Total investments and other assets	11,065	11,070
Total non-current assets	24,971	32,248
Total assets	127,276	155,742

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	373	532
Deposits received for consignment sales	23,447	25,590
Accounts payable-other	7,215	8,841
Short-term borrowings	20,200	20,400
Income taxes payable	8,259	9,796
Provision for bonuses	1,726	2,401
Provision for bonuses for directors	59	78
Provision for loss on business liquidation	231	-
Others	4,657	4,563
Total current liabilities	66,172	72,204
Non-current liabilities		
Retirement benefit liability	3,631	4,389
Asset retirement obligations	2,274	2,248
Others	98	205
Total non-current liabilities	6,005	6,844
Total liabilities	72,177	79,048
Net assets		
Shareholders' equity		
Capital stock	1,359	1,359
Capital surplus	1,457	1,349
Retained earnings	97,067	118,620
Treasury stock	-44,784	-44,558
Total shareholders' equity	55,100	76,771
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	39
Deferred gains or losses on hedges	-	40
Foreign currency translation adjustments	79	92
Accumulated remeasurements of defined benefit plans	-270	-386
Total accumulated other comprehensive income	-168	-214
Stock acquisition rights	22	18
Non-controlling interests	144	117
Total net assets	55,099	76,693
Total liabilities and net assets	127,276	155,742

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

Consolidated statements of income

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net sales	166,199	183,423
Cost of sales	10,026	12,081
Gross profit	156,172	171,341
Selling, general and administrative expenses		
Outsourcing expenses	8,673	9,434
Packing and transportation expenses	31,380	32,421
Payment collection commission	10,978	11,877
Advertising expenses	9,876	12,314
Payroll and allowances	16,398	16,969
Provision for bonuses	1,723	2,401
Provision for bonuses or directors	59	75
Retirement benefit expenses	936	727
Share-based compensation expenses	86	114
Depreciation	1,977	2,050
Amortization of goodwill	404	460
Others	24,021	26,071
Total selling, general and administrative expenses	106,516	114,920
Operating profit	49,656	56,421
Non-operating income		
Interest income	11	9
Received rent	286	2
Foreign exchange gains	3	62
Operations support fee	17	10
Income from recycling	35	34
Subsidy income	46	28
Gain on unused points	43	106
Reversal of allowance for doubtful accounts	-	171
Others	27	36
Total non-operating income	473	461
Non-operating expenses		
Interest expenses	74	78
Provision for allowance for doubtful accounts	25	3
Rent expenses	273	2
Commissions paid	21	12
Loss on investments in partnership	79	69
Total non-operating expenses	474	166
Ordinary profit	49,655	56,716

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Extraordinary income		
Reversal of foreign currency translation adjustments	-	40
Gain on sales of non-current assets	0	1
Total extraordinary income	0	42
Extraordinary losses		
Loss on disposal of non-current assets	67	65
Loss on valuation of investment securities	-	23
Impairment loss	81	27
Loss on business liquidation	218	-
Total extraordinary losses	368	116
Profit before income taxes	49,286	56,641
Income taxes- current	14,499	16,074
Income taxes- deferred	221	1,067
Total income taxes	14,720	17,141
Net profit	34,566	39,500
Profit or loss attributable to non-controlling interests	73	-26
Profit attributable to owners of parent	34,492	39,526

Consolidated statements of comprehensive income

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net profit	34,566	39,500
Other comprehensive income		
Valuation difference on available-for-sale securities	18	16
Deferred gains or losses on hedges	-	40
Foreign currency translation adjustments	88	-6
Remeasurements of defined benefit plans	-57	-115
Total other comprehensive income	49	-66
Comprehensive income	34,615	39,434
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	34,541	39,460
Comprehensive income attributable to non-controlling interests	73	-26

(3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (April 1, 2021, to March 31, 2022)

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balance as of March 31, 2021	1,359	1,328	77,109	-24,146	55,651	4	-
Changes of items during the current fiscal year							
Cash dividends			-14,533		-14,533		
Profit attributable to owners of parent			34,492		34,492		
Purchase of treasury stock				-31,997	-31,997		
Disposal of treasury stock		129		11,359	11,489		
Changes in retained earnings due to new consolidation					-		
Net changes of items other than Shareholders' equity, net						18	-
Total changes of items during the current fiscal year	-	129	19,958	-20,638	-550	18	-
Balance as of March 31, 2022	1,359	1,457	97,067	-44,784	55,100	23	-

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2021	-9	-213	-217	3	70	55,507
Changes of items during the current fiscal year						
Cash dividends						-14,533
Profit attributable to owners of parent						34,492
Purchase of treasury stock						-31,997
Disposal of treasury stock						11,489
Changes in retained earnings due to new consolidation						-
Net changes of items other than Shareholders' equity, net	88	-57	49	18	73	141
Total changes of items during the current fiscal year	88	-57	49	18	73	-408
Balance as of March 31, 2022	79	-270	-168	22	144	55,099

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balance as of March 31, 2022	1,359	1,457	97,067	-44,784	55,100	23	-
Changes of items during the current fiscal year							
Cash dividends			-17,989		-17,989		
Profit attributable to owners of parent			39,526		39,526		
Purchase of treasury stock				-0	-0		
Disposal of treasury stock		-108		226	117		
Changes in retained earnings due to new consolidation			15		15		
Net changes of items other than Shareholders' equity, net						16	40
Total changes of items during the current fiscal year	-	-108	21,552	225	21,670	16	40
Balance as of March 31, 2023	1,359	1,349	118,620	-44,558	76,771	39	40

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2022	79	-270	-168	22	144	55,099
Changes of items during the current fiscal year						
Cash dividends						-17,989
Profit attributable to owners of parent						39,526
Purchase of treasury stock						-0
Disposal of treasury stock						177
Changes in retained earnings due to new consolidation						15
Net changes of items other than Shareholders' equity, net	13	-115	-46	-3	-26	-75
Total changes of items during the current fiscal year	13	-115	-46	-3	-26	21,594
Balance as of March 31, 2023	92	-386	-214	18	117	76,693

(4) Consolidated statements of cash flows

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	49,286	56,641
Depreciation	1,977	2,050
Amortization of goodwill	404	460
Share-based compensation expenses	86	114
Loss on business liquidation	218	-
Impairment loss	81	27
Reversal of foreign currency translation adjustments	-	-40
Loss on valuation of investment securities	-	23
Provision for allowance for doubtful accounts	25	3
Reversal of allowance for doubtful accounts	-	-171
Loss (gain) on investments in partnership (- is a gain)	79	69
Loss (gain) on sales of non-current assets (- is a gain)	67	64
Increase (decrease) in provision for bonuses (- is a decrease)	100	668
Increase (decrease) in provision for bonuses for directors (- is a decrease)	-21	19
Increase (decrease) in provision for point certificates (- is a decrease)	-361	-
Increase (decrease) in provision for sales returns (- is a decrease)	-139	-
Increase (decrease) in retirement benefit liability (- is a decrease)	862	593
Interest and dividends income	-11	-9
Interest expenses	74	78
Commissions paid	21	12
Foreign exchange gains (losses) (- is a gain)	-25	-6
Increase (decrease) in accounts receivable-trade (- is an increase)	2,172	-12,326
Increase (decrease) in inventories (- is an increase (- is an increase)	-215	-1,001
Increase (decrease) in prepaid expenses (- is an increase)	-533	992
Increase (decrease) in accounts payable-trade (- is a decrease)	226	44
Increase (decrease) in deposits received for consignment sales (- is a decrease)	1,911	2,142
Increase (decrease) in accounts payable-other (- is a decrease)	133	1,183
Increase (decrease) in accrued expenses (- is a decrease)	17	64
Increase (decrease) in accrued consumption taxes (- is a decrease)	-376	-304
Others	481	-420
Subtotal	56,545	50,974
Interest and dividends income received	10	7
Interest expenses paid	-74	-78
Income taxes paid	-16,585	-14,232
Net cash provided by (used in) operating activities	39,895	36,671

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from investing activities		
Purchase of property, plant and equipment	-1,222	-8,957
Purchase of intangible assets	-114	-313
Proceeds from sales of property, plant and equipment	0	1
Proceeds from sales of intangible non-current assets	4	-
Payments for leasehold and guarantee deposits	-26	-1,002
Proceeds from collection of leasehold and guarantee deposits	473	39
Purchase of investment securities	-362	-418
Payments for investments in capital of subsidiaries and associates	-29	-13
Payments of loans receivable	-2	-1
Collection of loans receivable	5	174
Others	-8	-95
Net cash provided by (used in) investing activities	-1,283	-10,588
Cash flows from financing activities		
Increase in short-term loans payable	300	300
Decrease in short-term loans payable	-100	-100
Proceeds from long-term debt	100	167
Repayments of long-term loans payable	-13	-113
Commission expenses paid	-22	-6
Purchase of treasury stock	-31,997	-0
Cash dividends paid	-14,531	-17,986
Proceeds from issuance of stock acquisition rights	31	-
Proceeds from disposal of treasury stock by exercise of stock acquisition rights	11,411	-
Net cash provided by (used in) financing activities	-34,823	-17,738
Effect of exchange rate change on cash and cash equivalents	83	126
Net increase (decrease) in cash and cash equivalents (- is a decrease)	3,872	8,469
Cash and cash equivalents at beginning of period	61,648	65,520
Cash and cash equivalents of newly consolidated subsidiaries	-	154
Cash and cash equivalents at end of term	65,520	74,145

(5) Notes on consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Changes in accounting policies)

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Implementation Guidance on Accounting Standards for Fair Value Measurement") from the beginning of the first quarter consolidated accounting period of the current fiscal year, and will apply the new accounting policies stipulated by the Implementation Guidance on Accounting Standards for Fair Value Measurement in accordance with the transitional treatment stipulated in paragraph 27-2 of the Implementation Guidance on Accounting Standards for Fair Value measurement in the future. There is no impact on the quarterly consolidated financial statements.

(Segment Information)

[Segment Information]

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

The company group operates in a single segment of eCommerce business, so descriptions are omitted.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

The company group operates in a single segment of eCommerce business, so descriptions are omitted.

(Per share information)

Item	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net assets per share	183.23 yen	255.31 yen
Net profit per share	115.02 yen	131.83 yen
Diluted net profit per share	115.01 yen	-

(NOTE)

1. Fully diluted net profit per share for the previous fiscal year is not presented because there were no dilutive potential shares.
2. The basis for computation of net assets per share is as follows.

Item	Previous consolidated fiscal year (April 1, 2021 To March 31, 2022)	Current consolidated fiscal year (April 1, 2022 To March 31, 2023)
(1) Net profit per share	115.02 yen	131.83 yen
(Basis of calculation)		
Profit attributable to owners of parent (million yen)	34,492	39,526
Amount not allocated to common shareholders (million yen)	-	-
Profit attributable to owners of parent (million yen) related to common stock	34,492	39,526
Average number of shares of common stock outstanding during the fiscal year (shares)	299,891,989	299,837,990
(2) Diluted net profit per share	115.01 yen	-
(Basis of calculation)		
Adjustment of profit attributable to owners of parent (million yen)	-	-
Increase in common stock (shares)	10,885	-
Summary of potential shares not included in the calculation of fully diluted net profit per share due to lack of dilutive potential with significant changes from the previous fiscal year end	<p>Stock acquisition rights by resolution of the Board of Directors on June 25, 2019</p> <p>The 4th stock acquisition rights have expired due to the non-vesting of the right.</p> <p>5th stock acquisition rights 498 units (Common stock 49,800)</p> <p>6th Stock Acquisition rights 332 units (Common stock 33,200)</p> <p>Stock acquisition rights by resolution of the Board of Directors on October 18, 2019</p> <p>The 7th stock acquisition rights have expired due to the non-vesting of the right.</p> <p>8th Stock Acquisition rights 1,500 units (Common stock 150,000)</p> <p>9th Stock Acquisition rights 1000 units (Common 100,000)</p>	<p>Stock acquisition rights by resolution of the Board of Directors on June 25, 2019</p> <p>5th stock acquisition rights 498 units (Common stock 49,800)</p> <p>6th Stock Acquisition rights 332 units (Common stock 33,200)</p> <p>Stock acquisition rights by resolution of the Board of Directors on October 18, 2019</p> <p>8th Stock Acquisition rights 1,500 units (Common stock 150,000)</p> <p>9th Stock Acquisition rights 1,000 units (Common stock 100,000)</p> <p>Stock acquisition rights by resolution of the Board of Directors on May 24, 2021</p> <p>10th Stock Acquisition 6,780 units</p>

		rights (Common stock 6,780,000)
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(NOTE) Fully diluted net profit per share for the previous fiscal year is not presented because there were no dilutive potential shares.

(Significant Subsequent Events)

Not applicable.

DISCLAIMER:

This document is summary translation of Japanese version. All readers are recommended to refer the original Japanese version for complete information. In the event of any discrepancy, errors and/or omissions, the Japanese version shall prevail.