

**2020**

**FY2019**

**CONSOLIDATED**

**BUSINESS RESULTS**



**HIGHLIGHTS**

FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS

# FY2019 HIGHLIGHTS

**Gross Merchandise Value**

**345.0** billion yen

( +6.6% YoY / Achievement rate 94.0% )

**Operating Profit**

**27.8** billion yen

( +8.7% YoY / Achievement rate 87.2% )

**Operating Profit Margin**

**8.1 %**

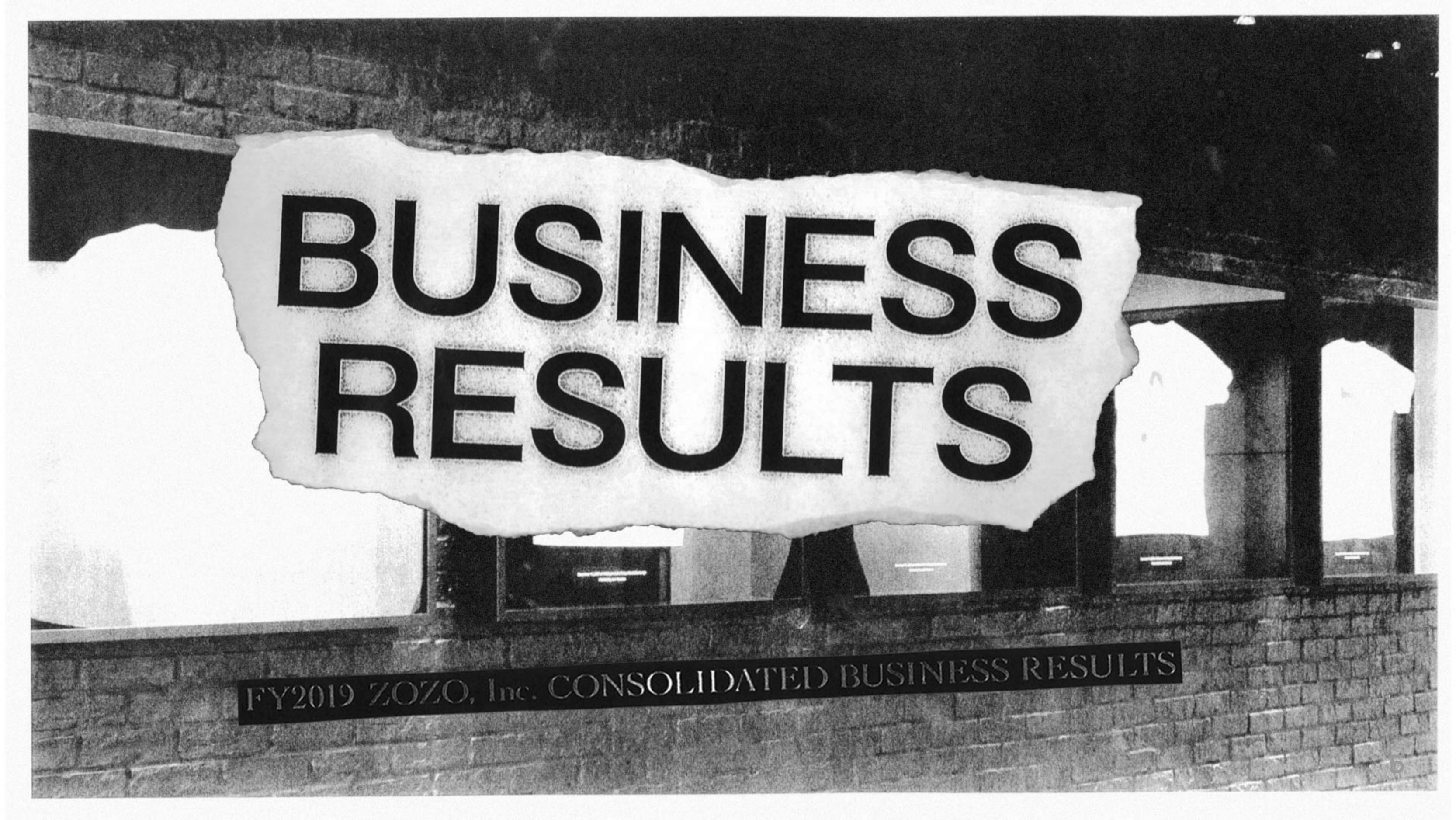
( +0.2 points YoY )

# OVERVIEW OF EACH QUARTER

(million¥)

	FY2018				FY2019			
Item	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Gross Merchandise Value	70,506	70,906	94,005	88,400	79,743	79,845	94,278	91,218
YoY (%)	18.0%	16.8%	21.0%	20.1%	13.1%	12.6%	0.3%	3.2%
Net sales	26,552	27,212	36,010	28,630	28,197	29,045	34,645	33,629
SG&A	18,376	20,559	21,490	18,882	18,483	20,683	25,382	21,283
YoY (%)	54.9%	50.2%	30.4%	19.7%	0.6%	0.6%	18.1%	12.7%
(%Gross Merchandise Value)	26.1%	29.0%	22.9%	21.4%	23.2%	25.9%	26.9%	23.3%
Operating profit	5,874	4,178	10,577	5,023	7,786	5,467	6,131	8,503
YoY (%)	-26.4%	-28.6%	8.8%	-44.9%	32.6%	30.8%	-42.0%	69.3%
(%Gross Merchandise Value)	8.3%	5.9%	11.3%	5.7%	9.8%	6.8%	6.5%	9.3%

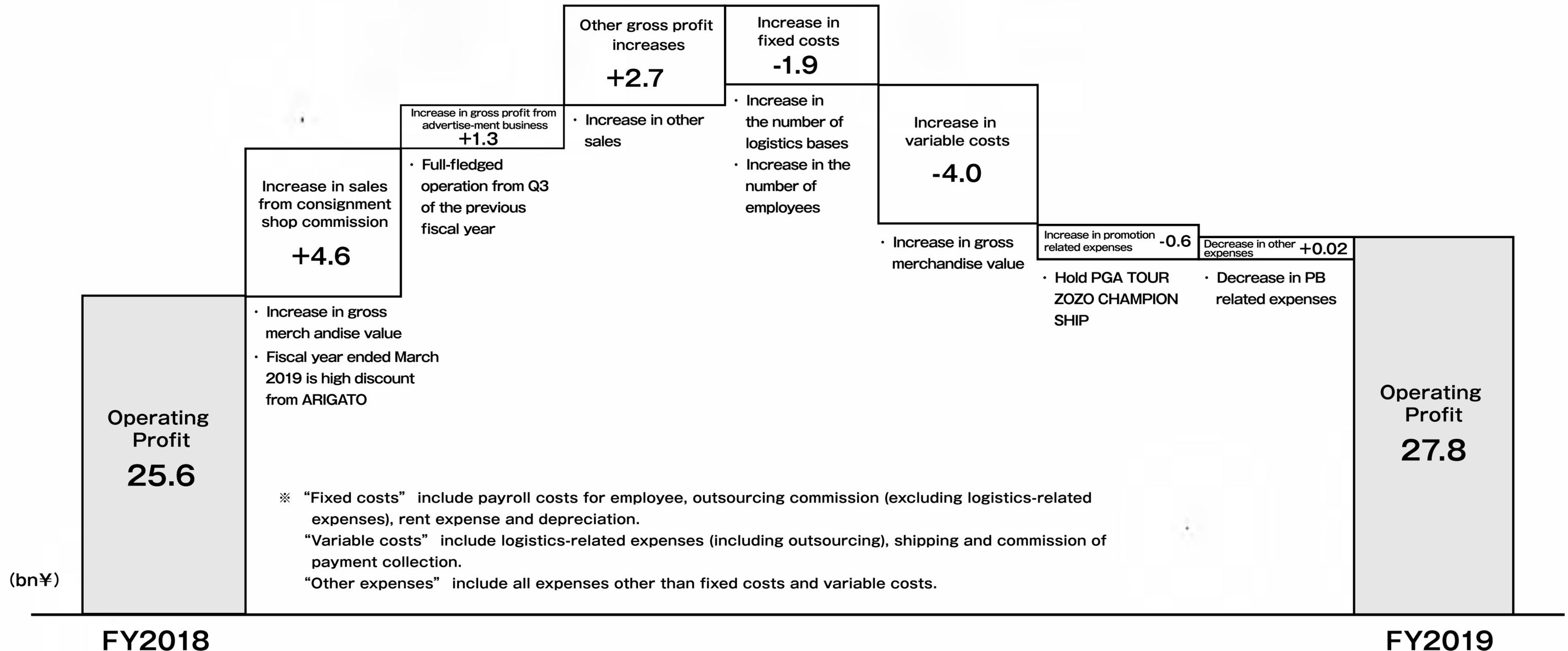
- Factors slowing down the GMV growth : Deterioration of market condition due to continuous warm winter from Q3 etc. and reverse impact from ARIGATO program in last fiscal year
- Operating profit improving factors : No occurrence of discount expense from ARIGATO program and a decrease in PB related valuation loss



# BUSINESS RESULTS

FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS

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



# CONSOLIDATED BALANCE SHEET

(million¥)

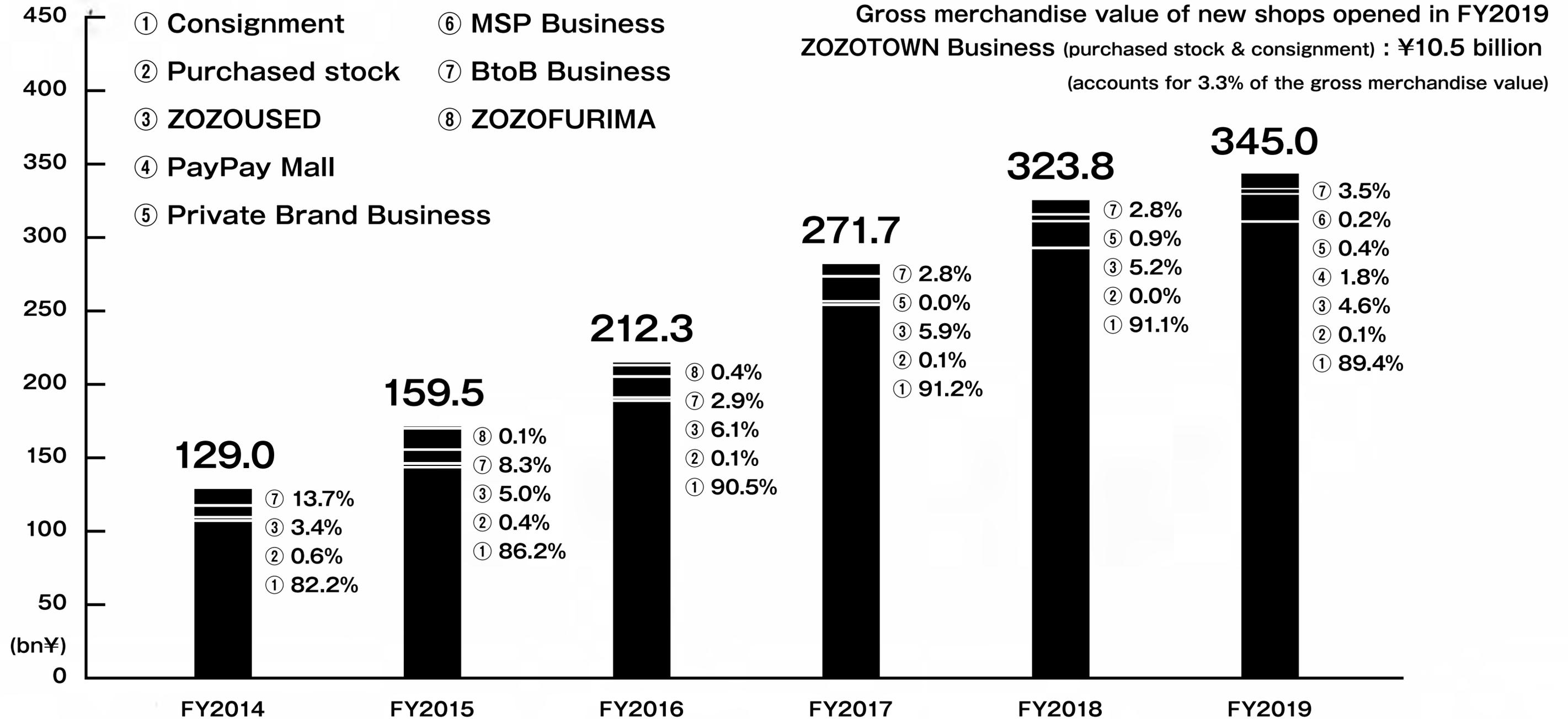
	FY2018 (as of March 31, 2019)	FY2019 (as of March 31, 2020)		FY2018 (as of March 31, 2019)	FY2019 (as of March 31, 2020)
<b>Current assets</b>	<b>57,904</b>	<b>70,429</b>	<b>Current liabilities</b>	<b>52,245</b>	<b>56,126</b>
Cash and deposits	21,560	33,602	Short-term borrowing	22,000	22,000
Merchandise and finished products	4,533	1,664	Noncurrent liabilities	4,059	3,525
<b>Noncurrent assets</b>	<b>21,056</b>	<b>23,756</b>	<b>Total liabilities</b>	<b>56,304</b>	<b>59,651</b>
Tangible assets	6,318	10,493	Shareholders' equity	22,528	34,616
Intangible assets	3,112	2,968	Treasury stock	-24,412	-24,412
Investments and other assets	11,626	10,295	<b>Total net assets</b>	<b>22,656</b>	<b>34,534</b>
<b>Total assets</b>	<b>78,961</b>	<b>94,186</b>	<b>Total liabilities and net assets</b>	<b>78,961</b>	<b>94,186</b>

# CASH FLOWS

(million¥)

Item	FY2018	FY2019	YOY	Reasons for change
Cash flows from operating activities	<b>14,807</b>	<b>24,789</b>	<b>9,981</b>	(FY2019) Decrease in expenditure related to PB business
Cash flows from investing activities	<b>-6,125</b>	<b>-5,987</b>	<b>138</b>	
Cash flows from financing activities	<b>-12,059</b>	<b>-6,771</b>	<b>5,288</b>	(FY2018) Expenditure of purchase of treasury stock
Cash and cash equivalents at the end of the year	<b>21,560</b>	<b>33,602</b>	<b>12,042</b>	

# GROSS MERCHANDISE VALUE



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

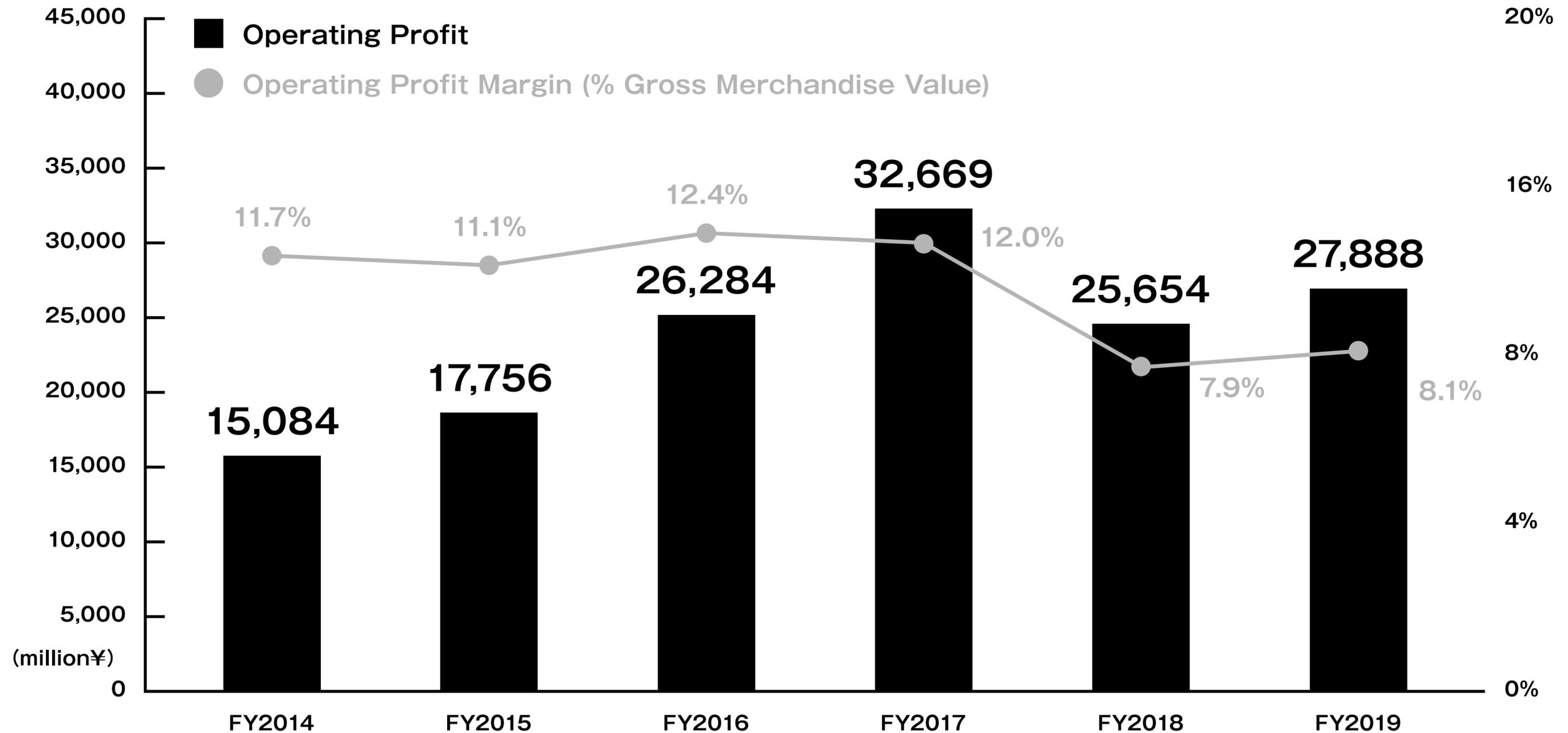
# SELLING, GENERAL AND ADMINISTRATIVE(SG&A) EXPENSES

(million¥)

	FY2018		FY2019		YOY	Increase decrease factors
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	%Gross Merchandise Value	
<b>Payroll and staff costs(*)</b>	<b>20,874</b>	<b>6.4%</b>	<b>23,320</b>	<b>6.8%</b>	<b>0.4%</b>	
Payroll costs for employee	8,016	2.5%	8,417	2.4%	-0.1%	Transition of the number of employees on consolidated basis: 1,094 FY2018 → 1,158 FY2019
Logistics-Related Expenses (Including Outsourcing)	12,857	4.0%	14,902	4.3%	0.3%	Increase in the ratio due to a decrease in average retail price / Increase in Shipping expenses between logistics centers / hourly pay increase due to "ZOZO part-timer reform"
Outsourcing Commission (Excluding Logistics-Related Expenses)	4,560	1.4%	4,551	1.3%	-0.1%	
<b>Shipping</b>	<b>20,463</b>	<b>6.3%</b>	<b>21,993</b>	<b>6.4%</b>	<b>0.1%</b>	
Commission of Payment collection	9,077	2.8%	9,526	2.8%	0.0%	
<b>Promotion related expenses</b>	<b>8,731</b>	<b>2.7%</b>	<b>9,344</b>	<b>2.7%</b>	<b>0.0%</b>	
Advertising	6,065	1.9%	4,812	1.4%	-0.5%	Decrease in the number of ZOZOSUIT distribution
Reward points related expenses	2,665	0.8%	4,531	1.3%	0.5%	Increase in the give back cost of ZOZOCARD settlement / Increase in the number of reward points initiatives
<b>Rent expense</b>	<b>4,028</b>	<b>1.2%</b>	<b>5,019</b>	<b>1.5%</b>	<b>0.3%</b>	Increase due to an increase in the number of logistics bases
<b>Depreciation</b>	<b>1,518</b>	<b>0.5%</b>	<b>2,045</b>	<b>0.6%</b>	<b>0.1%</b>	Increase due to an increase in the number of logistics bases
<b>Amortization of goodwill</b>	<b>477</b>	<b>0.1%</b>	<b>444</b>	<b>0.1%</b>	<b>0.0%</b>	
<b>Stock Compensation Expenses</b>	<b>110</b>	<b>0.0%</b>	<b>-109</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>Others</b>	<b>9,466</b>	<b>2.9%</b>	<b>9,695</b>	<b>2.8%</b>	<b>-0.1%</b>	
<b>Total SG&amp;A</b>	<b>79,308</b>	<b>24.5%</b>	<b>85,832</b>	<b>24.9%</b>	<b>0.4%</b>	

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

# OPERATING PROFIT AND OPERATING PROFIT MARGIN

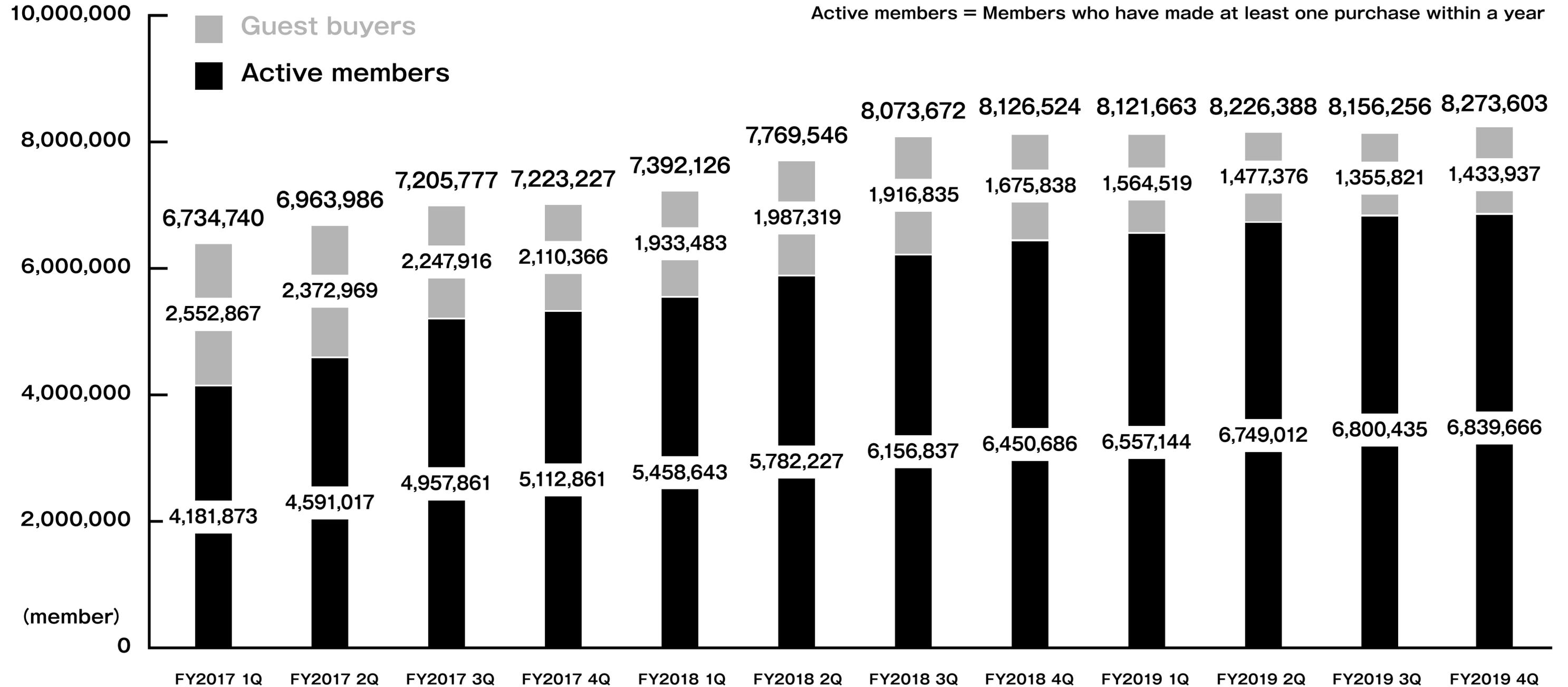


# NUMBER OF TOTAL BUYERS

Number of total buyers = Active members and guest buyers who made at least one purchase within a year

Guest buyers = Total number of guest purchases within a year

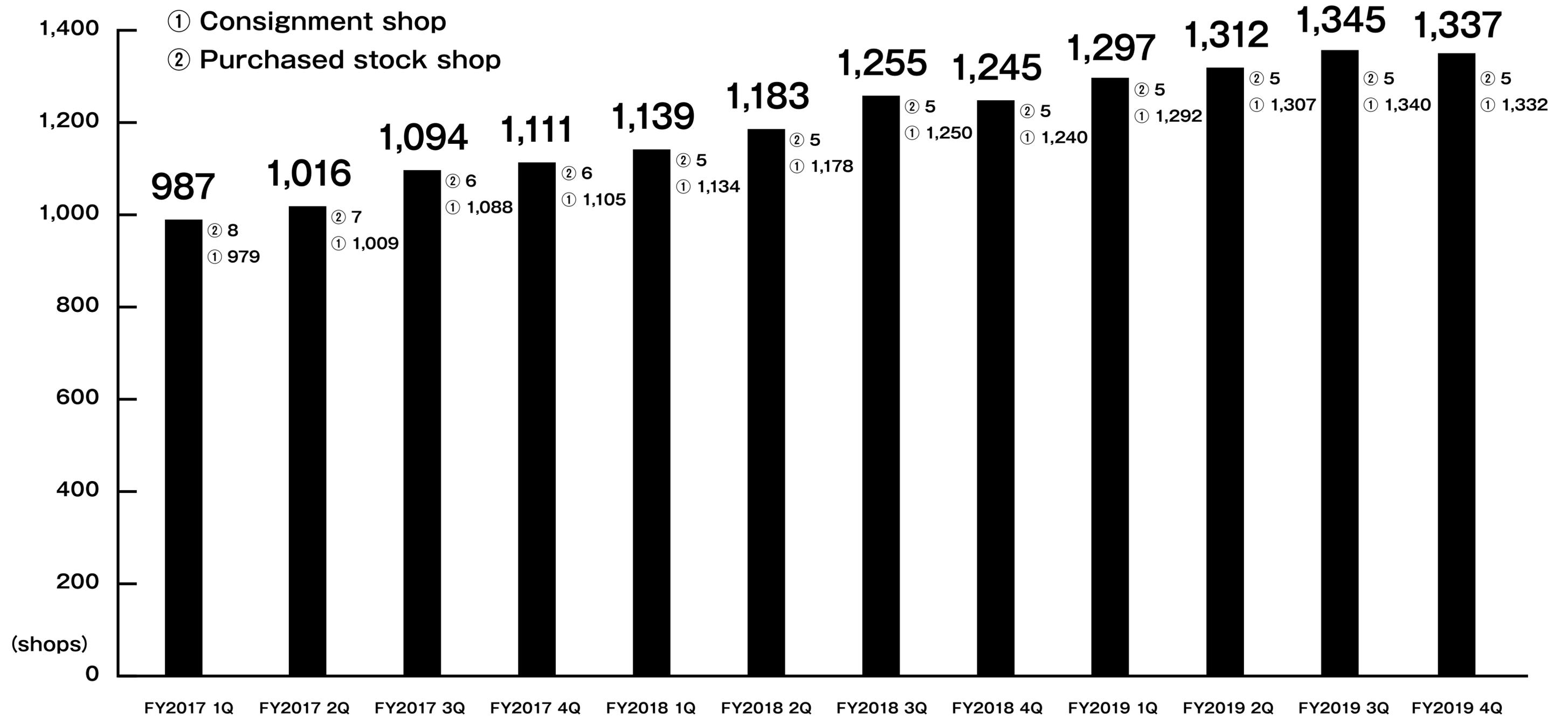
Active members = Members who have made at least one purchase within a year



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

\* PayPay Mall is not included

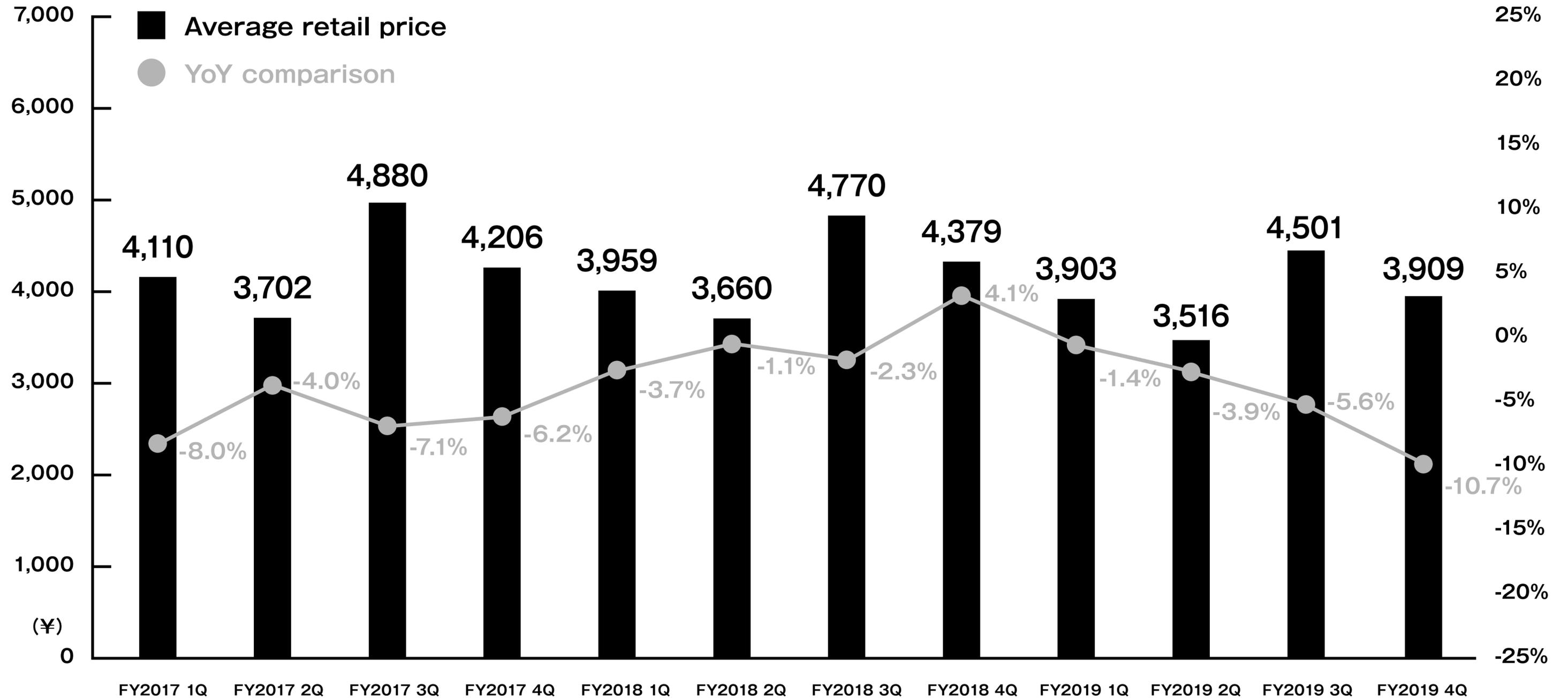
# NUMBER OF SHOPS ON ZOZOTOWN



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

# AVERAGE RETAIL PRICE

Average retail price = Gross Merchandise Value / Number of pieces

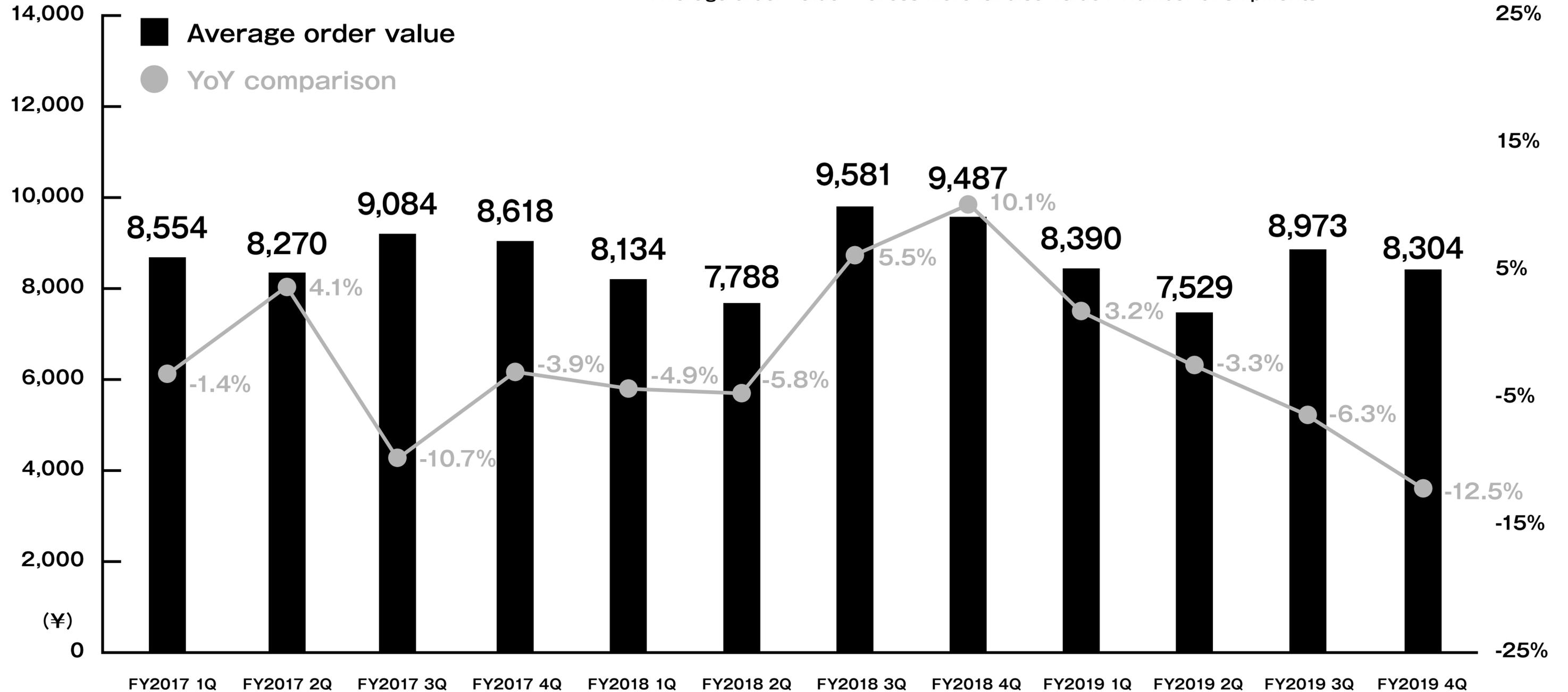


\* The numbers of average retail price are averages calculated from combined results of the ZOZOTOWN business, the PB business, and the MSP business

\* 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

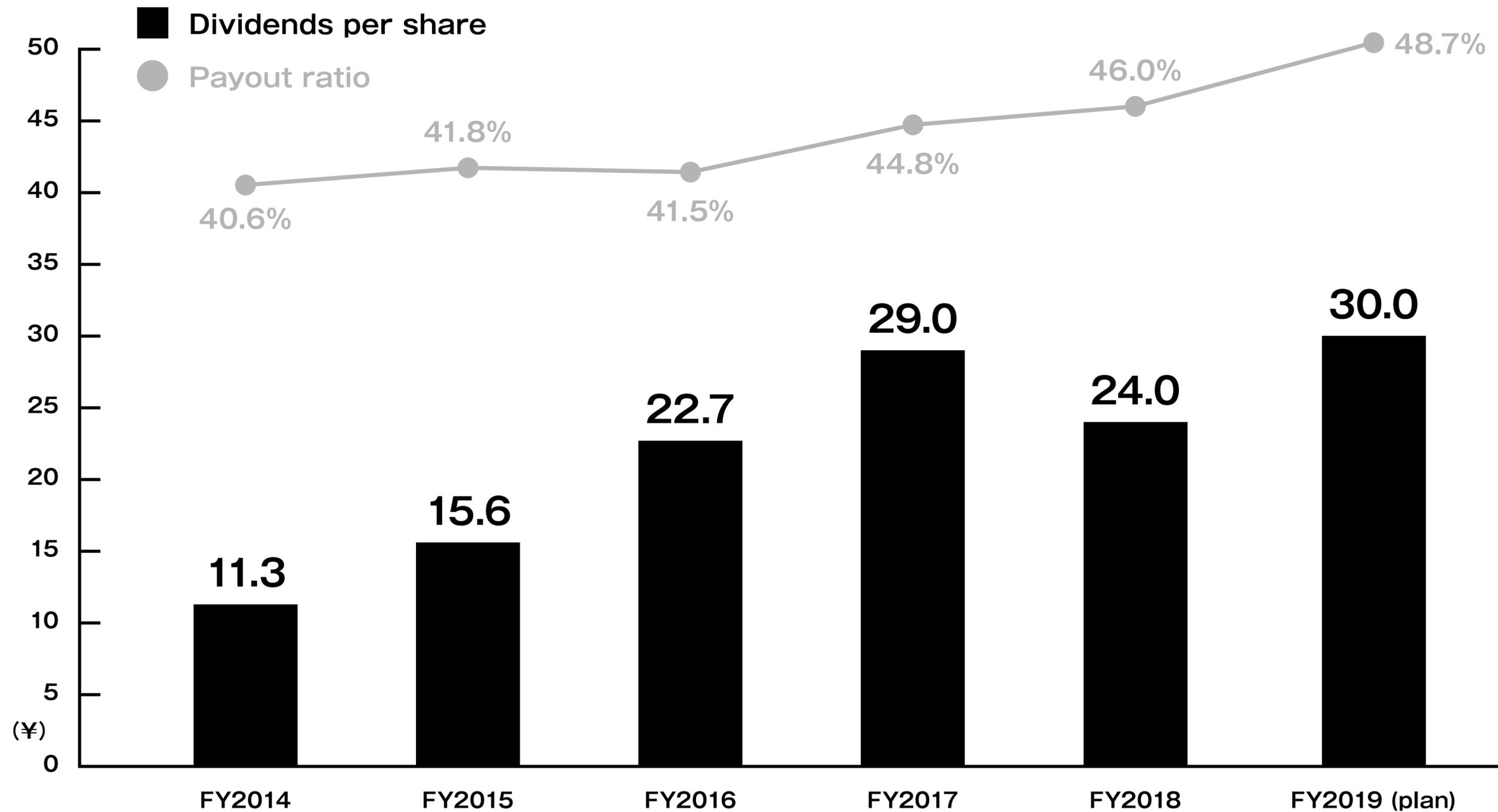
\* PayPay Mall is not included

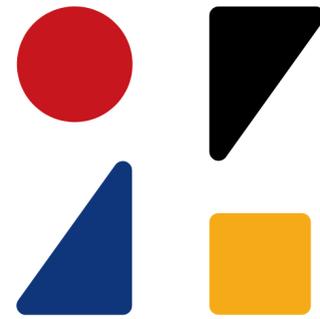


# **BUSINESS PLAN FOR FY2020**

FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS

# DIVIDENDS PER SHARE AND PAYOUT RATIO





**ZOZO**

## Initiatives toward COVID-19 infection

**From the standpoint of preventing infection expansion  
and the structure to maintain business continuity**

### **From April, compulsory remote work for employees**

\*excluding fulfillment and customer support division

### **Countermeasures of COVID-19 for divisions not operating remotely**

Shortening of operating hours / Handwash and gurgle / Wearing surgical mask and temperature check are mandatory/ Staggered commuting / Periodic air ventilation / No non-essential meetings / Call center pause/ Add more break rooms / Increase the number of buses to Logistics warehouses / sanitization of communal area



Crisis to the fashion industry

**Things ZOZO must do,  
as the largest  
fashion eCommerce mall**



# Things ZOZO must do, as the largest fashion eCommerce mall

**Now**

**Full concentration to  
support the whole industry  
with its sales capacity**

---

**Deploy promotion costs for  
sales of gathering inventory**

**Prompt action for the companies  
wanting to open their shops**



# Things ZOZO must do, as the largest fashion eCommerce mall

## Now

**Full concentration to support the whole industry with its sales capacity**

---

**Deploy promotion costs for sales of gathering inventory**

**Prompt action for the companies wanting to open their shops**

## After COVID-19

**Lead prompt recovery of the industry from digital shift**

---

**Active expansion of sales space and product as eCommerce**

**Active support for recovery of physical stores**

# Full leverage of synergies between



**Now**

**Full concentration to support the whole industry with its sales capacity**

**Sharing of crisis management over the whole group**

Sharing of best practices for COVID-19 countermeasures

Accommodation of material for countermeasures

**Contribution to PayPay Mall through sales capacity**

**After COVID-19**

**Lead prompt recovery of the industry from digital shift**

**Participation of X-Shopping to support physical stores**

**Logistics collaboration**

**Collaboration between PayPay Fleamarket and ZOZOTOWN**

**Sharing of engineering resources**

**Year 2020**  
**ZOZOYEAR**



**MORE  
FASHION**



**FASHION  
TECH**

# 3 things we work on

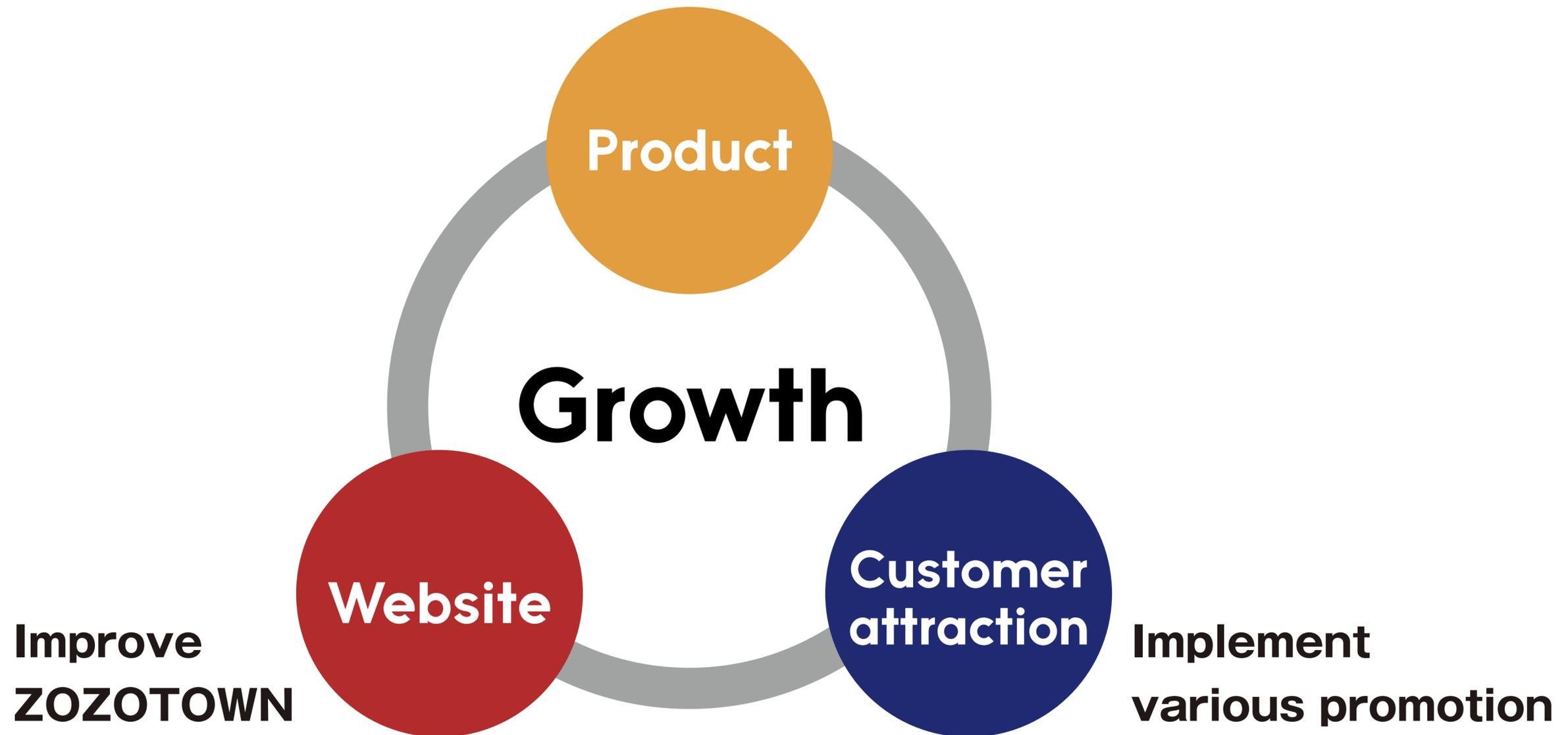
**1** | **Selling space expansion**

**2** | **Product expansion**

**3** | **Revenue model expansion**

# Growth model of ZOZO in the past

Bring in more brands and products



# Selling space expansion

# Product expansion

Growth model of ZOZO in the past

Customer attraction	WEAR	WEAR	PayPay	Various promotion	ZOZO MAT	?	Influencer	?	Welfare program for companies
Website	WEAR	ZOZO CHINA	PayPay Mall	ZOZOTOWN	ZOZO TOWN	ZOZO TOWN	ZOZO TOWN	ZOZO TOWN	ZOZO TOWN
Product	830,000 items 7,600 brands			830,000 items 7,600 brands	SHOES	COSME	D2C Product	Luxury Brands	Business & Casual

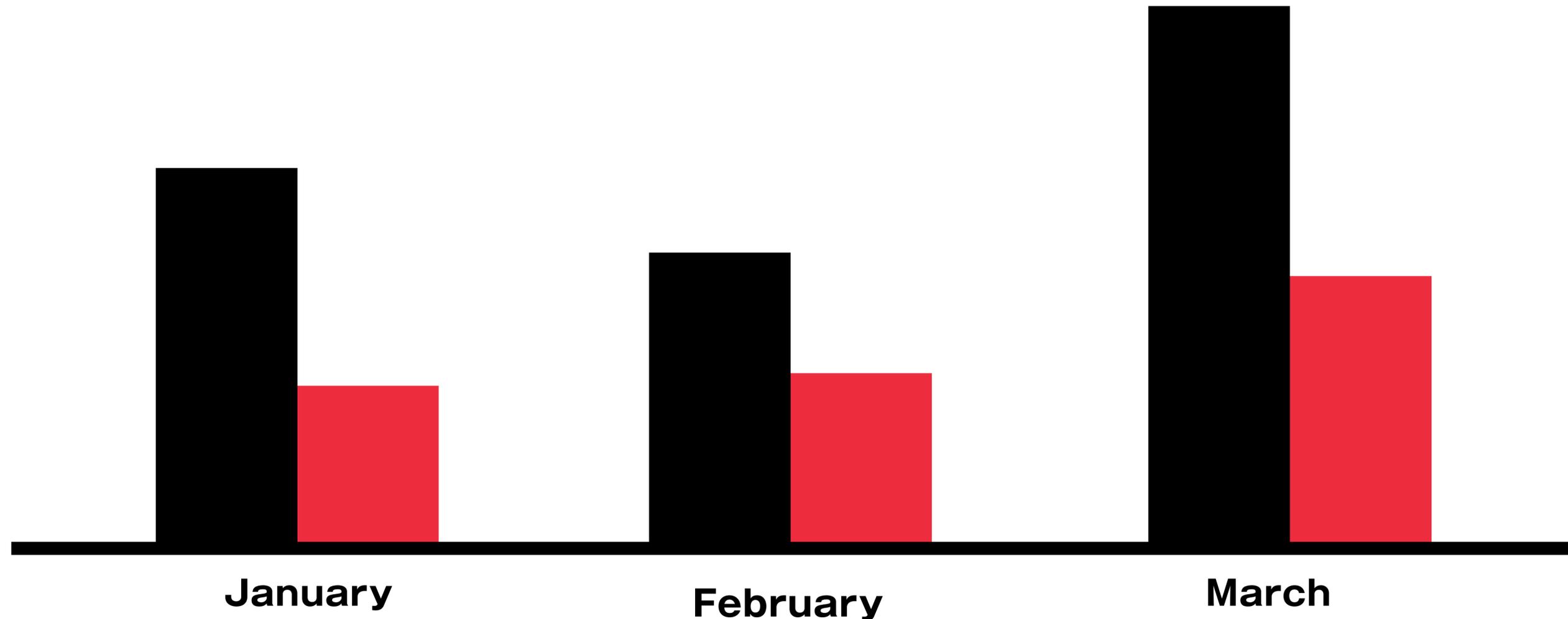
**Selling space expansion**

**No.1**

**PayPay Mall**

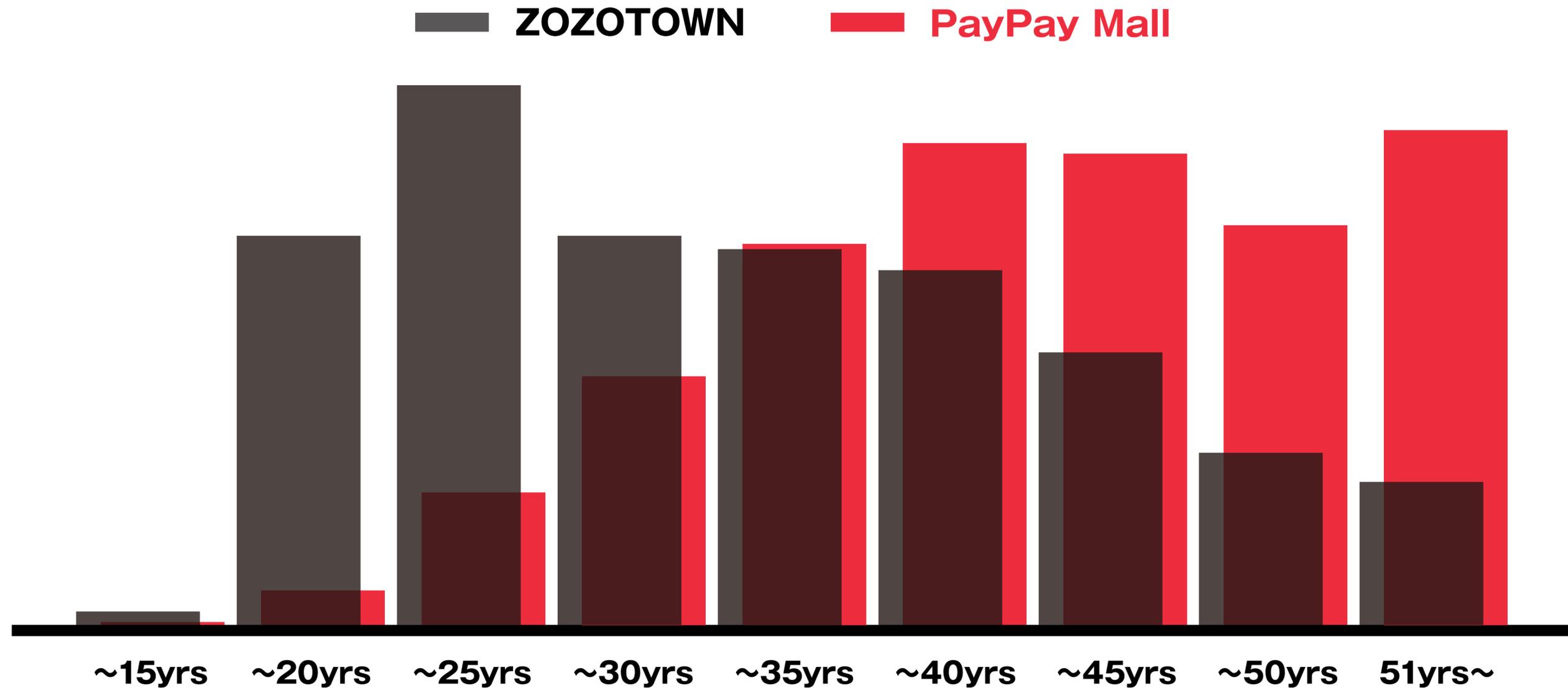
# New user acquisition

■ ZOZOTOWN    ■ PayPay Mall



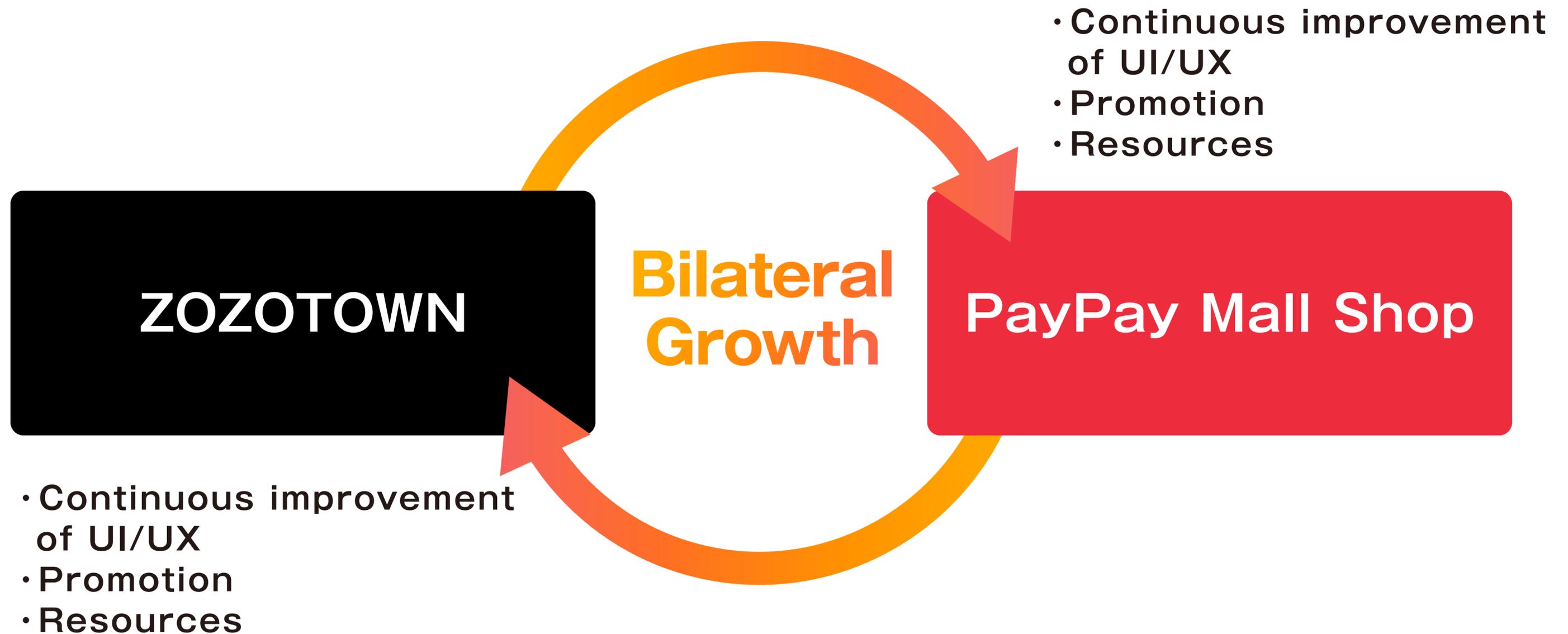
**Already achieved 50% of ZOZOTOWN**

# Customer segments are complementary to each other



**Able to reach to customer segments  
where ZOZOTOWN could not reach in the past**

# Keep the direction of active injection of know-how from ZOZOTOWN

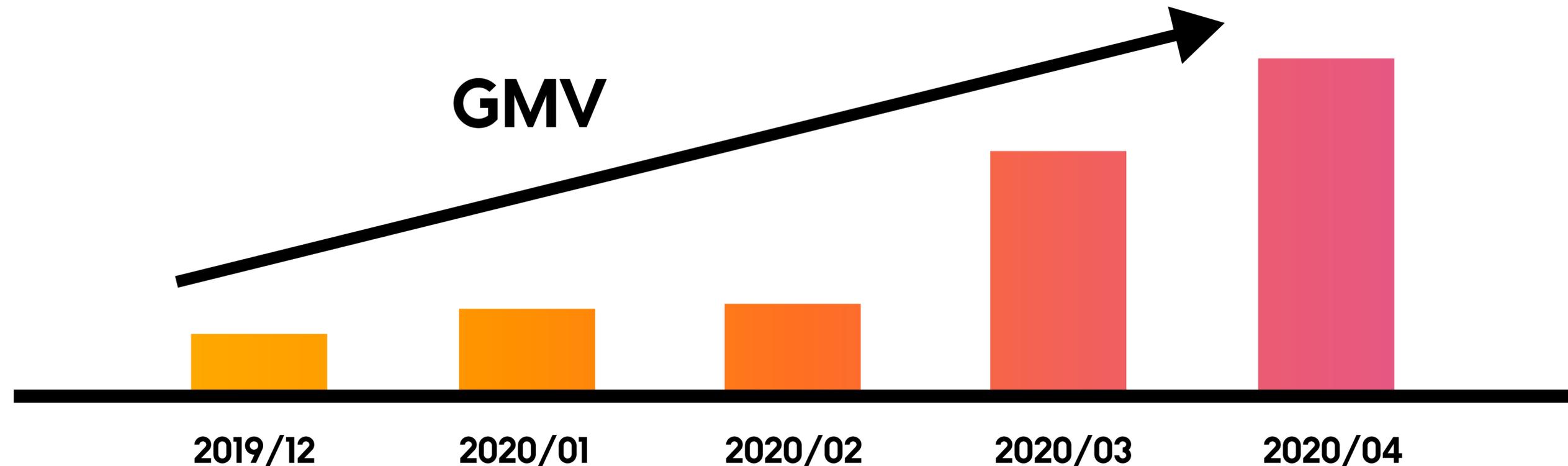


**Selling space expansion**

**No.2**

**ZOZOCHINA / WEAR**

# Started promotion of ZOZOCHINA



- Due to the COVID-19 impact, no promotion until the end of March
- Started promotion in April, as consumers' life is now back to normal state

# Able to shop at WEAR

Now

MAU 12 million  
**WEAR**

Customer referring

**ZOZOTOWN**

Future

MAU 12 million +  $a$   
**Complete**  
**at WEAR**

**Product expansion**

**No.1**

**ZOZOSHOOES / ZOZOMAT**

# ZOZOMAT

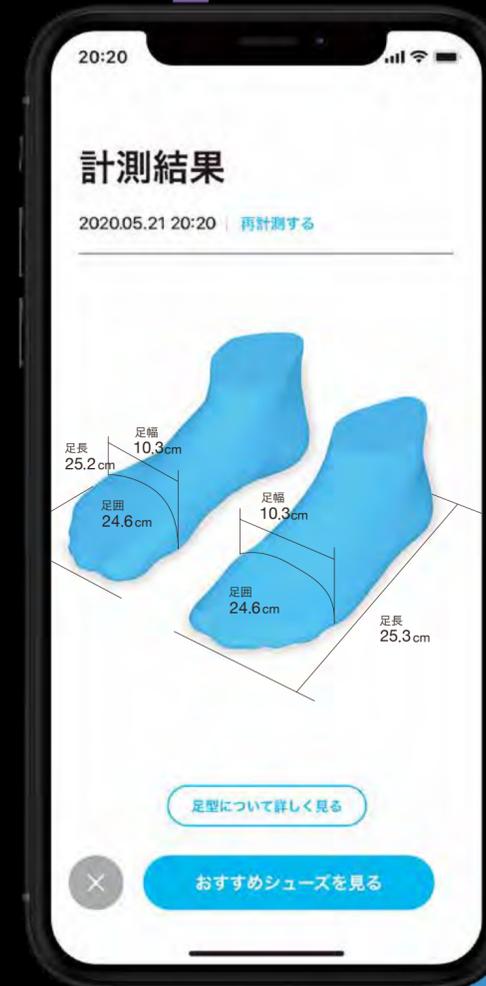
**1,190,000** delivered

Number of  
people measured

**930,000** people

Net increase of  
new users in March

**+19.4%**



# #ZOZOMAT



ZOZOMAT is awesome!  
Bought the recommendation  
and it doesn't hurt at all!



It's great that I can easily  
measure accurately with a piece  
of paper and a smartphone!  
Data are useful for future.



I used to purchase shoes  
around 27.5cm but the best fit  
is actually 28. yes, indeed, it  
fits perfectly.



I knew that widths of right and  
left foot are different, but it's  
interesting to know other parts  
are different as well.

**Product expansion**

**No.2**

**D2C**

# Sales of D2C products

ZOZO manufactures products produced by influencers and sell at ZOZOTOWN and brands' EC sites



INFLUENCER  
INFLUENCER  
INFLUENCER

ZOZO

Consignment sales agreement + manufacturing consignment

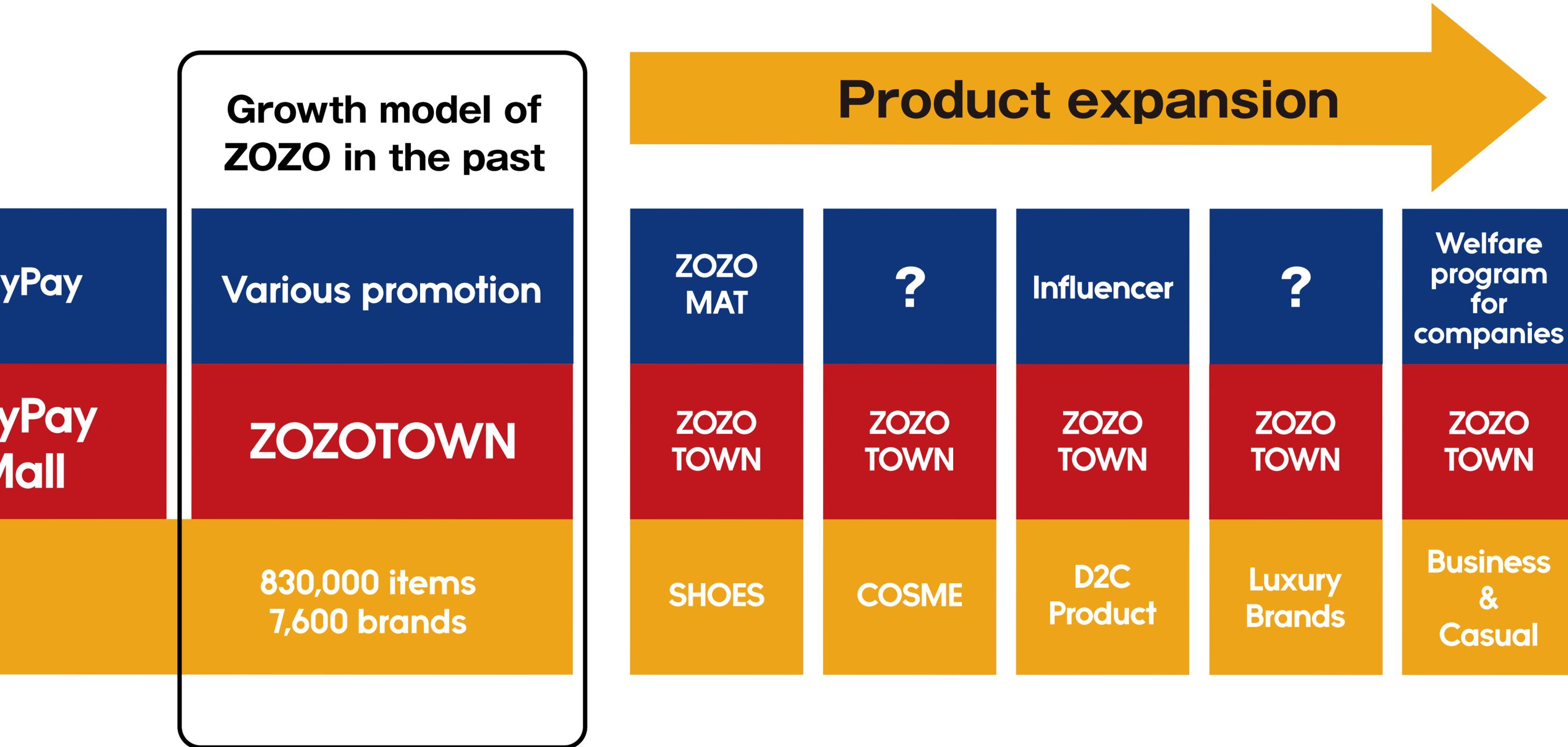
ZOZOTOWN  
Brands'own EC

ZOZOTOWN  
Brands'own EC

INFLUENCER

WEAR

# Product expansion No.3



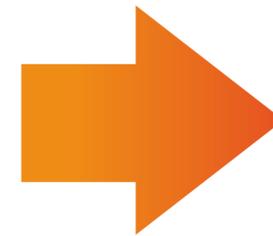
**Revenue model expansion**

**Physical stores support**

**(making of sales space and customer attraction)**

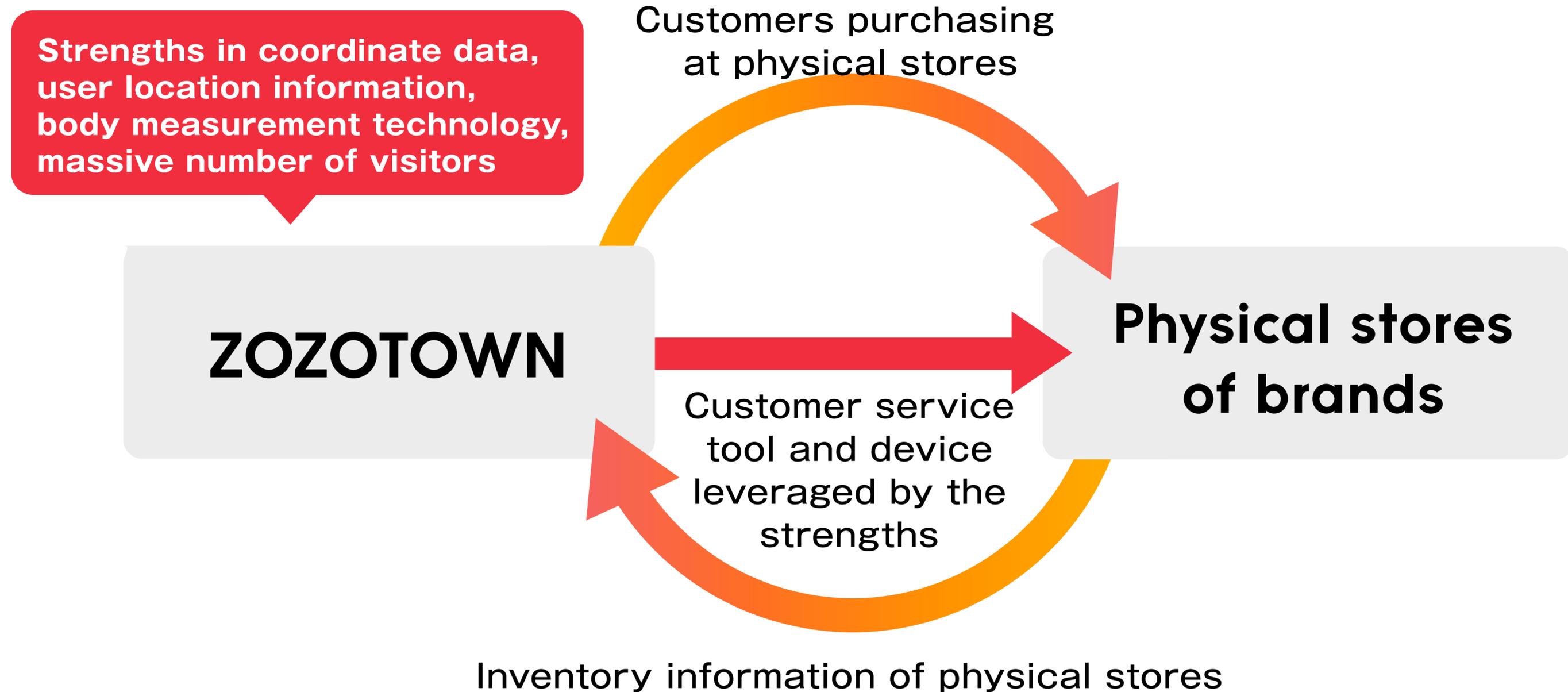
**For example...**

# Physical stores support



\*Inventory information will be displayed only if permission of information usage is granted by brands/companies

# In the future, ZOZO will start providing services for operation at physical stores

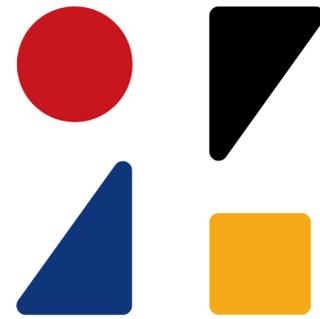


# Physical store support service



# Year 2020 ZOZOYEAR





**ZOZO**