

Consolidated Financial Results

For the Fiscal Year Ended March 31, 2020 [JGAAP]

April 28, 2020

Company Name: ZOZO, Inc. Listed stock exchange: Tokyo
 Code: 3092 URL <https://corp.zozo.com/en>

Representative: Representative Director, President & CEO Kotaro Sawada

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Scheduled date of the ordinary June 29, 2020 Scheduled date of June 30, 2020
 general shareholders' meeting dividend payment:

Scheduled date to file the June 12, 2020
 financial report

Supplementary materials for quarterly : Yes
 financial results

Quarterly results briefing : Yes (For analysts and institutional investors)

(Rounded down to million yen)

Consolidated Business Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(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, 2020	125,517	6.0	27,888	8.7	27,644	7.5	18,804	17.6
Fiscal year ended March 2019	118,405	20.3	25,654	-21.5	25,717	-21.4	15,985	-20.7

(NOTE) Comprehensive income Fiscal Year ended March 2020 18,706 Million yen (16.3%)
 Fiscal year ended March 2019 16,082 Million yen (-20.2%)

	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 2020	61.60	-	65.9	31.9	22.2
Fiscal year ended March 2019	52.20	-	50.5	34.4	21.7

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 2020	94,186	34,534	36.7	113.11
Fiscal year ended March 2019	78,961	22,656	28.6	73.85

(Reference) Shareholders' equity Fiscal year ended March 2020 34,533 Million yen
 Fiscal year ended March 2019 22,546 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 2020	24,789	-5,987	-6,771	33,602
Fiscal year ended March 2019	14,807	-6,125	-12,059	21,560

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 2019	-	14.00	-	10.00	24.00	7,327	46.0	23.4
Fiscal year ended March 2020	-	12.00	-	18.00	30.00	9,158	48.7	32.1
Fiscal year ending March 2021 (Forecast)	-		-					

(Note) Annual dividends for fiscal year ending March 2021 (Forecast) is yet-to-be determined

3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2020 to March 31, 2021)

With regard to the consolidated business forecasts for the fiscal year ending March 31, 2021, since it is unclear to anticipate the expansion of COVID-19 and when it will settle down, it is difficult to calculate the reliable consolidated business forecasts for the full year. Therefore, the Company will disclose the forecasts if it becomes possible to disclose.

* Notes

(1) Changes of important subsidiaries during the period : Yes

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

New: 1 ZOZO NEW ZEALAND LIMITED , Exclusion: —

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

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

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatements : None

(3) Number of shares outstanding (common stock)

① Year-end shares outstanding (including treasury stocks)

Fiscal year ended March 2020	311,644,285 Shares	Fiscal year ended March 2019	311,644,285 Shares
Fiscal year ended March 2020	6,349,103 Shares	Fiscal year ended March 2019	6,349,103 Shares
Fiscal year ended March 2020	305,295,182 Shares	Fiscal year ended March 2019	306,214,590 Shares

② Number of year-end treasury stocks

③ Average number of shares during the period

(Reference) Overview of Non-Consolidated Business Results

Non-consolidated Business Results for the Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Non-Consolidated Business Results

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Net Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2020	117,238	13.2	25,052	3.9	24,930	2.7	18,426	33.2
Fiscal year ended March 2019	103,523	23.1	24,110	-21.8	24,265	-21.7	13,830	-26.4
	Net profit per share		Fully diluted Net profit per share					
	Yen		Yen					
Fiscal year ended March 2020	60.36		-					
Fiscal year ended March 2019	45.17		-					

(NOTE) Diluted net profit per share is not presented because there are no potential shares with dilutive effects.

(2) Non-Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net asset per share	
	Million yen		Million yen		%		Yen	
Fiscal year ended March 2020	88,117		29,955		34.0		98.12	
Fiscal year ended March 2019	73,452		18,431		24.9		60.01	

(Reference) Shareholders' equity Fiscal year ended March 2020 29,954 Million yen
Fiscal year ended March 2019 18,321 Million yen

- ※ Consolidated financial results is not subject to the audit by a certified public accountant or auditing firm.
- ※ Explanation other special notes concerning the appropriate use of financial forecasts
 - The earnings forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual results may differ materially from these forecasts for a number of reasons. Please refer to "1. Overview of Business Results (4) Future Outlook" on page 13 of the attached material for the assumptions used for forecasts and notes on the use of forecasts.
 - The Company plans to hold a financial results meeting for institutional investors and analysts on April 28, 2020. Details and explanations will be posted on the Company's IR website immediately after the meeting, along with the materials used on the meeting.

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1. Overview of Business Results

(1) Overview of Business Results for the Current Fiscal Year

Business Results for the Current Fiscal Year

[Table 1] YoY comparison

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)		Current consolidated fiscal year (April 1, 2019 to March 31, 2020)		YoY
Gross merchandise value	323,819	(100.0%)	345,085	(100.0%)	6.6%
Net sales	118,405	(36.6%)	125,517	(36.4%)	6.0%
Gross profit	104,962	(32.4%)	113,721	(33.0%)	8.3%
Operating profit	25,654	(7.9%)	27,888	(8.1%)	8.7%
Ordinary profit	25,717	(7.9%)	27,644	(8.0%)	7.5%
Profit attributable to owners of parent	15,985	(4.9%)	18,804	(5.4%)	17.6%

Figures in parentheses are percentages to the gross merchandise value

Under the corporate philosophy of “Make the World a better place, bring smiles to the World. Be unique. Be equal.”, ZOZO, Inc. (hereinafter, referred to as the “Company”) group mainly operates the following businesses: Japan's largest fashion eCommerce website ZOZOTOWN and a fashion media WEAR.

In the current consolidated fiscal year, the Company group focused on creating ZOZOTOWN more attractive to both users and brands, in order to increase the number of unique users and improve the conversion rate (purchasing rate of unique users). Specifically, to meet diversifying needs of users, the Company proactively welcomed new brands in a wide range of genre and held sales event “ZOZOWEEK” in May, September and November 2019 respectively. In addition, from the second quarter consolidated accounting period of the current fiscal year, with aim of revitalizing existing members, the Company continues to actively implement personalized discounts and reward points measures based on information such as purchasing history of each member.

On December 17, 2019, the Company opened ZOZOTOWN in PayPay Mall, an online shopping mall operated by Yahoo Japan Corporation. Approximately 90% of the stores in ZOZOTOWN also sell in PayPay Mall, and sales are also strong. From the day after the store opened to March 31, 2020, the Company conducted a large-scale reward point campaign to give back 30% of PayPay bonuses to purchases at ZOZOTOWN PayPay Mall Shop. This is the first attempt by the Company to open ZOZOTOWN in other eCommerce malls, but the Company has aimed to expand its customer base by increasing contact points with a wide range of users that differ in their attributes from conventional ZOZOTOWN customers.

Regarding the MSP (Multi-Size Platform) business, the Company began receiving orders on ZOZOTOWN from September 6, 2019. In the current consolidated fiscal year, the Company sold mainly autumn and winter merchandise. As for the body measurement device, the Company began delivery of the “ZOZOMAT” from February 27, 2020, which enables to measure a plurality of parts required for shoe selection by converting foot shape into 3D data. Through this initiative, the Company aims to expand the gross merchandise value of shoe categories in ZOZOTOWN and expects that it can provide new purchase experience that will enable users to find and select shoes that are comfortable and convenient.

Regarding the BtoB business, the Company started “Fulfillment by ZOZO”, a service specialized in fulfillment support from the third quarter consolidated accounting period of the current fiscal year. The Company will work on the minimization of opportunity losses by centralizing inventory of ZOZOTOWN and brands' own eCommerce sites whose shops are on ZOZOTOWN.

With the Company as the title sponsor, the ZOZO CHAMPIONSHIP, the first official PGA TOUR tournament in Japan, took place for 5 days from October 24 to 28, 2019. Despite troubles from adverse weather conditions, with magnificent shots by the world's best players and supports from enthusiastic Japanese golf fan, the championship ended highly successful with Tiger Woods as the winner. The Company is planning to continue the title sponsorship

from the next year onward, to raise recognition of the Company to new customer segments.

In addition, the Company became a consolidated subsidiary of Z Holdings Corporation through a tender offer of the company's shares by Z Holdings Corporation, and since then the company has been strengthening collaboration. Going forward, the company will continue to deepen the level of collaboration with the parent company and make every effort to maximize synergies.

As a result, the gross merchandise value in the consolidated cumulative fiscal year stood at 345,085 million yen (up 6.6% YoY), net sales stood at 125,517 million yen (up 6.0% YoY), and gross profit stood at 113,721 million yen (up 8.3% YoY). With regard to the gross merchandise value, it grew steadily at about the pace as initially planned until the second quarter consolidated accounting period of the current fiscal year. However, in the third quarter consolidated accounting period of the current fiscal year, in addition to sluggish consumer spending from saving trend after the consumption tax hike, unseasonable weather, from impacts including the landing of large typhoons and the impact of record warm winter, sales of high-priced seasonal products remained sluggish. In view of the negative impact of the deteriorating market conditions, the Company restrained aggressive price promotions from the standpoint of efficiency. The record warm winter continued in the fourth quarter consolidated accounting period as well, thus the Company continued to curb inefficient promotions. Furthermore, the growth rate of the gross merchandise value of the current consolidated fiscal year to the initial forecasts stayed comparatively low, due to the impact of large-scale discount promotion from the paid-membership service "ZOZOARIGATO" which the cost is borne by the Company in the fourth quarter accounting period of the previous fiscal year. The amount of the gross merchandise value is represented in the amount before deductions of the said service and other discount promotions borne by the Company. On the other hand, as for the net sales, it is represented in the amount after the discounts.

Selling, general and administrative expenses stood at 85,832 million yen (+8.2% YoY) and its ratio to the gross merchandise value was 24.9%, down 0.4% points YoY. The main reasons for the decline in the SG&A-to-GMV ratio in YoY are as follows:

- Rising (worsening) factor
 - ① Point-related expenses (toward the gross merchandise value) rose 0.5% points due to an increase in the number of reward points measures.
 - ② Logistics-related expenses (toward the gross merchandise value) rose 0.3% points due to an increase in the ratio derive from the drop in the average retail price, an increase in expenses of transportation between logistics bases from an increase in the number of logistics bases and increases in hourly pay for part-timers.
 - ③ Rent (toward the gross merchandise value) rose 0.3% points due to an increase in the number of logistics bases.
- Decrease (improvement) factor
 - ① While there were sponsorship fees etc. for the PGA TOUR tournament "ZOZO CHAMPIONSHIP", the number of ZOSUIT distribution decreased, leading to the advertising expenses (toward the gross merchandise value) to drop 0.5% points.
 - ② Other expenses (toward the gross merchandise value) dropped 0.1% points due to absence of the impact of expensive on-the-spot costs incurred in the previous fiscal year (settlement costs related to the older sensor-based ZOSUIT and contingency fee attributable to improvement research of the new version ZOSUIT with marker-based method).
 - ③ Payroll costs for employee (toward the gross merchandise value) dropped 0.1% points due to the normalization of impact from the change in the bonus payment policy implemented in the previous fiscal year.

As a result of the above, operating profit for the current consolidated fiscal year stood at 27,888 million yen (up 8.7% YoY), and the operating profit margin was 8.1% toward the gross merchandise value, up 0.2% points YoY. Ordinary profit stood at 27,644 million yen (up 7.5% YoY) and profit attributable to owners of parent stood at 18,804 million yen (+17.6% YoY).

[Table 2] Comparison with initial forecasts

(Unit: million yen)

	Current consolidated fiscal year (Initial forecasts)		Current consolidated fiscal year (Results)		Comparison to initial forecasts
Gross merchandise value	367,000	(100.0%)	345,085	(100.0%)	-6.0%
Net sales	136,000	(37.1%)	125,517	(36.4%)	-7.7%
Operating profit	32,000	(8.7%)	27,888	(8.1%)	-12.8%
Ordinary profit	32,000	(8.7%)	27,644	(8.0%)	-13.6%
Profit attributable to owners of parent	22,500	(6.1%)	18,804	(5.4%)	-16.4%

The gross merchandise value and net sales were 6.0% and 7.7%, respectively, below the initial forecasts disclosed on April 25, 2019. The main factor behind this was the strong impact of market deterioration after the consumption tax hike and the record warm winter since the third quarter consolidated accounting period of this fiscal year. As the gross merchandise value and net sales missed the initial forecasts, operating profit was 12.8%, ordinary profit was 13.6%, and net profit attributable to owners of parent was 16.4% below the forecast.

Since the Company group is a single segment of the eCommerce business, segment information is omitted. However, the performance of each business segment within each single segment is shown below.

Results by business segment are as follows.

[Table 3] Previous Year Comparison by Business Segment

Business Segment	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)			Current consolidated fiscal year (April 1, 2019 to March 31, 2020)			Merchandise value YoY (%)	Net sales YoY (%)
	Merchandise value (million yen)	Ratio (%)	Net sales (million yen)	Merchandise value (million yen)	Ratio (%)	Net sales (million yen)		
ZOZOTOWN Business								
(Consignment shop)	294,918	91.1	82,670	308,888	89.4	87,312	4.7	5.6
(Purchased stock shop)	149	0.0	148	204	0.1	200	36.4	34.4
(ZOZOUSED)	16,973	5.2	16,372	15,753	4.6	15,004	-7.2	-8.4
Subtotal	312,041	96.3	99,191	324,846	94.1	102,517	4.1	3.4
PayPay Mall	-	-	-	6,199	1.8	1,774	-	-
PB business	2,763	0.9	2,746	1,255	0.4	1,245	-54.6	-54.6
MSP business	-	-	-	752	0.2	749	-	-
BtoB business	9,014	2.8	2,056	12,032	3.5	2,365	33.5	15.0
Advertisement business	-	-	1,426	-	-	2,716	-	90.4
Others	-	-	12,984	-	-	14,148	-	9.0
Total	323,819	100.0	118,405	345,085	100.0	125,517	6.6	6.0

① ZOZOTOWN Business

The ZOZOTOWN Business consists of three business forms: consignment shop, purchased stock shop, and ZOZOUSED. "Consignment Shop" handles consignment inventory of merchandise from each brand and sell them on consignment basis. "Purchased stock shop" purchases fashion merchandise from each brand and sell them as in-house inventory. "ZOZOUSED" mainly buys and sells used fashion-related merchandise from individual users. The Company recognizes that increasing the number of buyers and increasing the rate of ZOZOTOWN use in fashion consumption are the key factors in achieving sustainable growth. To this end, the Company is working to create websites that are attractive to both users and brands.

Transition of major KPIs for the ZOZOTOWN Business are as follows.

(Number of shops, etc.)

[Table 4] Changes in the number of shops and the number of brands

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Shops on ZOZOTOWN (Note) 1	1,139	1,183	1,255	1,245	1,297	1,312	1,345	1,337
Purchased Stock Shop (Note) 2	5	5	5	5	5	5	5	5
Consignment Shop	1,134	1,178	1,250	1,240	1,292	1,307	1,340	1,332
Number of brands (Note) 1, 2	6,820	6,957	7,115	7,056	7,349	7,305	7,462	7,643

(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 in the current consolidated fiscal year totaled 184 (net increase of 92), which was well in line with the initial forecasts. The number of new shops opened during the fourth quarter consolidated accounting period of the current fiscal year was 15 (a net decrease of 8). The major new shops are "BeAMS DOT", a limited-line brand only for eCommerce developed by BEAMS, and "ASAHI SHOES", a long-established domestic shoe brand. The number of new shops slightly decreased compared with the previous quarter, but this was mainly due to the termination, consolidation, or closure of shops due to sluggish sales of brands.

(Number of annual buyers)

[Table 5] Changes in 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	7,392,126	7,769,546	8,073,672	8,126,524	8,121,663	8,226,388	8,156,256	8,273,603
(YoY)	657,386	805,560	867,895	903,297	729,537	456,842	82,584	147,079
(QoQ)	168,899	377,420	304,126	52,852	-4,861	104,725	-70,132	117,347
Number of active members (Note) 3	5,458,643	5,782,227	6,156,837	6,450,686	6,557,144	6,749,012	6,800,435	6,839,666
(YoY)	1,276,770	1,191,210	1,198,976	1,337,825	1,098,501	966,785	643,598	388,980
(QoQ)	345,782	323,584	374,610	293,849	106,458	191,868	51,423	39,231
Number of guest buyers	1,933,483	1,987,319	1,916,835	1,675,838	1,564,519	1,477,376	1,355,821	1,433,937
(YoY)	-619,384	-385,650	-331,081	-434,528	-368,964	-509,943	-561,014	-241,901
(QoQ)	-176,883	53,836	-70,484	-240,997	-111,319	-87,143	-121,555	78,116

(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 "PayPay Mall" are not included.

Number of annual buyers increased compared with the previous quarter due to increases in number of active members and of guest buyers respectively during the fourth quarter consolidated accounting period from the previous quarter. Number of active members also increased due to the implementation of personalized discounts and reward point measures based on information such as purchase histories of each member with aim to revitalize existing members.

(Annual purchase amount and annual purchase pieces)

[Table 6] Transition 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	46,870	46,120	46,009	46,315	46,934	47,506	47,593	46,519
(YoY)	-0.5%	-1.5%	-1.5%	-2.8%	0.1%	3.0%	3.4%	0.4%
(QoQ)	-1.7%	-1.6%	-0.2%	0.7%	1.3%	1.2%	0.2%	-2.3%
Annual purchase pieces (Note) 1, 2, 3	11.3	11.2	11.1	11.1	11.3	11.6	11.7	11.8
(YoY)	5.8%	3.0%	1.4%	-2.9%	-0.4%	3.5%	5.1%	6.5%
(QoQ)	-0.5%	-1.0%	-0.7%	-0.6%	2.0%	2.9%	0.8%	0.7%
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	59,569	57,563	56,304	55,792	55,048	54,750	54,092	53,027
(YoY)	-5.5%	-10.5%	-10.3%	-8.7%	-7.6%	-4.9%	-3.9%	-5.0%
(QoQ)	-2.5%	-3.4%	-2.2%	-0.9%	-1.3%	-0.5%	-1.2%	-2.0%
Annual purchase pieces (Note) 1, 2, 3	14.2	13.8	13.6	13.4	13.3	13.4	13.4	13.4
(YoY)	0.6%	-5.5%	-6.2%	-6.8%	-6.2%	-2.7%	-1.6%	-0.1%
(QoQ)	-1.4%	-3.0%	-1.5%	-1.1%	-0.8%	0.6%	-0.3%	0.4%

(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 "PayPay Mall" 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) increased in YoY, however, this was due to an increase in the composition of existing members to the whole, as a result of slowdown in the pace of acquiring new members. YoY and QoQ decreases in the annual purchase amount of existing members were reflecting an increase in the percentage of existing active members with short membership history (annual purchase amounts tends to increase according to length of membership).

(Average retail price etc.)

[Table 7] Transition of average retail price, average order value, 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)	3,959 -3.7%	3,660 -1.1%	4,770 -2.3%	4,379 4.1%	3,903 -1.4%	3,516 -3.9%	4,501 -5.6%	3,909 -10.7%
Average order value (Note) 1, 2, 3 (YoY)	8,134 -4.9%	7,788 -5.8%	9,581 5.5%	9,487 10.1%	8,390 3.2%	7,529 -3.3%	8,973 -6.3%	8,304 -12.5%
Average purchase pieces per order (Note) 1, 3 (YoY)	2.05 -1.3%	2.13 -4.8%	2.01 7.9%	2.17 5.7%	2.15 4.6%	2.14 0.6%	1.99 -0.8%	2.12 -1.9%
Number of shipments (Note) 1, 3 (YoY)	8,425,033 24.1%	8,865,330 24.0%	9,512,052 14.6%	9,065,816 9.3%	9,209,344 9.3%	10,347,938 16.7%	10,101,875 6.2%	9,757,344 7.6%

(NOTE)

1. Figures for quarter accounting period are used.
2. The amounts are in yen.
3. "PayPay Mall" is not included.

In terms of average retail price, it decreased in YoY basis. The main factor behind this was a rise in the percentage of discount sales from strong sales of discount items resulting from active sales events such as time-limited sales and ZOZOWEEK, whereas original price sales were sluggish due to the warm winter and other factors. In addition, large-scale discount measures from ZOZOARIGATO, which the costs were borne by the Company in the fourth quarter consolidated accounting period of the previous fiscal year, the paid members benefited from the discount. As a result, there was a tendency for those members to purchase items in higher-priced ranges than their usual purchases. Similarly, average order value also declined in YoY basis.

Results of the ZOZOTOWN Business (consignment shop, purchased stock shop and ZOZOUSED) are as follows.

a. Consignment Shop

In the current consolidated fiscal year, the merchandise value stood at 308,888 million yen (up 4.7% YoY), accounting for 89.4% of the gross merchandise value (91.1% in the previous consolidated fiscal year). Net sales (consignment sales commission) were 87,312 million yen (up 5.6% YoY). As of the end of March 2020, the number of consignment shop was 1,332 (1,340 at the end of December 2019).

b. Purchased Stock Shop

In the current consolidated fiscal year, the merchandise value stood at 204 million yen (up 36.4% YoY), accounting for 0.1% of the gross merchandise value (0.0% in the previous consolidated fiscal year). Net sales were 200 million yen (up 34.4% YoY). As of the end of March 2020, the number of purchased stock shop is 5 (5 at the end of December 2019).

c. ZOZOUSED

In the current consolidated fiscal year, the merchandise value stood at 15,753 million yen (down 7.2% YoY), accounting for 4.6% of the gross merchandise value (5.2% in the previous fiscal year). Net sales were 15,004 million yen (down 8.4% YoY).

② PayPay Mall

ZOZOTOWN opened a shop on “PayPay Mall” an online shopping mall operated by Yahoo Japan Corporation. In the current consolidated fiscal year, the merchandise value stood at 6,199 million yen and accounted for 1.8% of the gross merchandise value. Net sales were 1,774 million yen.

③ PB business

In the PB business, the Company sells in-house designed apparel products tailored to individual bodies of users. In the current consolidated fiscal year, merchandise value stood at 1,255 million yen (down 54.6% YoY), accounting for 0.4% of the gross merchandise value (0.9% in the previous fiscal year). Net sales were 1,245 million yen (down 54.6% YoY).

④ MSP business

The MSP business manufactures a portion of item line-up from shops with strong user demands and sell them on ZOZOTOWN, by combining the know-how of manufacturing clothes in a variety of sizes; accumulated from the Company’s PB business, sales capability and planning ability of shops on ZOZOTOWN. The Company offers products in recommending sizes by users providing their height and weight data. In the current consolidated fiscal year, the merchandise value stood at 752 million yen, accounting for 0.2% of the gross merchandise value. Net sales were 749 million yen.

⑤ BtoB business

The BtoB business is a business model which the Company is commissioned to build and operate brands’ own eCommerce sites. In the current consolidated fiscal year, the merchandise value stood 12,032 million yen (up 33.5% YoY), accounting for 3.5% of the gross merchandise value (2.8% in the previous fiscal year). Net sales (consignment sales commission) were 2,365 million yen (up 15.0% YoY). As of the end of March 2020, the number of consigned sites was 50 (47 at the end of December 2019).

⑥ Advertisement business

The advertisement business is a business model that generates advertising revenue by providing advertising space to client brands and ad agencies by utilizing the user reach base of ZOZOTOWN and WEAR. In the current consolidated fiscal year, net sales were 2,716 million yen (up 90.4% YoY). As for WEAR, the Company will reduce the monetization of advertising and focus on expanding the number of users and contents. As of the end of March 2020, the number of app downloads exceeded 14 million, and the number of monthly active users is growing steadily.

⑦ Others

Within the others segment, net sales generated from businesses related to ZOZOTOWN (shipping income, settlement commission, paid-membership program etc.), and other revenues from the consolidated subsidiaries are included. In the current consolidated fiscal year, net sales were 14,148 million yen (up 9.0% 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	78,961	94,186	19.3%

Liabilities	56,304	59,651	5.9%
Net assets	22,656	34,534	52.4%

(Total Assets)

Total assets amounted to 94,186 million yen, an increase of 15,224 million yen (up 19.3% from the previous consolidated fiscal year end). Current assets increased by 12,525 million yen, or 21.6%, compared with the previous consolidated fiscal year end, amounted to 70,429 million yen. Major components are an increase of 12,042 million yen in cash and deposits, an increase of 4,142 million yen in accounts receivable, a decrease of 2,869 million yen in merchandise and finished products, and a decrease of 1,246 million yen in raw materials and supplies. Non-current assets increased by 2,699 million yen, or 12.8%, compared with the previous consolidated fiscal year end, amounted to 23,756 million yen. Major components are an increase of 2,770 million yen in construction in progress and a decrease of 1,820 million yen in investments and other assets.

(Liabilities)

Liabilities amounted to 59,651 million yen, an increase of 3,347 million yen (up 5.9% from the previous consolidated fiscal year end). Current liabilities increased by 3,881 million yen, or 7.4%, amounted to 56,126 million yen compared with the previous consolidated fiscal year end. Major components are a decrease of 1,633 million yen in accounts payable - trade, an increase of 2,688 million yen in deposits received for consignment sales, an increase of 815 million yen in accounts payable – other, and an increase of 1,830 million yen in consumption tax payable. Non-current liabilities decreased by 534 million yen, or 13.2%, amounted to 3,525 million yen compared with the previous consolidated fiscal year end. Major components are a decrease of 812 million yen in provision for loss on business liquidation and an increase of 469 million yen in asset retirement obligations.

(Net Assets)

Net assets amounted to 34,534 million yen, an increase of 11,877 million yen (up 52.4% from the previous consolidated fiscal year end). Major components are an increase of 18,804 million yen due to the recognition of profit attributable to owners of parent and a decrease of 6,716 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 33,602 million yen, an increase of 12,042 million yen from the previous consolidated fiscal year end.

Descriptions of each cash flow are as follows:

	Previous consolidated fiscal year	Current consolidated fiscal year	Increase/ decrease rate
Cash Flows from Operating activities	14,807	24,789	67.4%
Cash flows from Investing activities	-6,125	-5,987	-2.3%
Cash flows from Financing Activities	-12,059	-6,771	-43.9%

(Cash Flows from Operating Activities)

The net cash provided by operating activities was 24,789 million yen. The major increasing factor is the recognition of profit before income taxes of 26,113 million yen. The major decreasing factors are an increase of 4,143 million yen in accounts receivable and an increase of 7,727 million yen in income taxes paid.

(Cash Flows from Investing Activities)

The net cash used in investing activities was 5,987 million yen. This was mainly due to the recognition of purchase of property, plant and equipment of 4,976 million yen and payments for leasehold and guarantee deposits of 798 million yen.

(Cash Flows from Financing Activities)

The net cash used in financing activities was 6,771 million yen. This was mainly due to cash dividends paid of 6,711 million yen.

(4) Future Outlook

(Prospect for the next fiscal year)

The recent spread of the COVID-19 is causing concern about a slowdown in Japan's economy due to stagnant consumer spending. The environment surrounding the Company's business is changing, and the Company expects that this will have a significant impact on the business performance. At this stage, the Company has determined that it is difficult to forecast the business forecasts for the next consolidated fiscal year due to uncertainties such as the timing of convergence of the spread. Accordingly, the forecasts is yet-to-be determined. The Company will promptly disclose the forecasts if it becomes possible to calculate the impacts on business performance appropriately and rationally.

If given the abovementioned impact was not present, the domestic fashion eCommerce market, which is the axis and focus of the Company group, is still at low level compared to the fashion eCommerce ratio of the West and China; combined with efforts of brands to strengthen own eCommerce business, it is expected that that overall trend of expansion will continue in the future. In addition to continuing to focus on making of a more attractive site for both users and brands, the Company is aiming to increase the gross merchandise value with sum of 2 malls; ZOZOTOWN and ZOZOTOWN PayPay Mall Shop. PayPay Mall is operated by Yahoo Japan Corporation and the Company opened its shop inside the mall on December 17, 2019. In the next consolidated fiscal year, the Company will see these as two pillars and use selling spaces of these separately and efficiently.

Regarding "new products + PayPay Mall" which includes ZOZOTOWN Consignment Shop, Purchased Stock Shop and PayPay Mall, the Company will continue aim to further grow the gross merchandise value by increasing the number of buyers and increase ZOZOTOWN utilization rate in fashion-related consumption. Specifically, at ZOZOTOWN PayPay Mall Shop, the Company will acquire new customer segments that differ from conventional ZOZOTOWN users, expand the range of items, brands and categories to meet diversifying needs of users, and expansion of services that are unique and value-added. As for ZOZOUSUED, the Company will continue to improve usability as a value-added service for ZOZOTOWN users to purchase new products. Regarding the PB business, the Company will not plan new products and will terminate the business as soon as existing inventory is sold out. Going forward, by leverage the know-how cultivated through the business, the Company will shift toward the MSP business which manufactures a portion of item line-up from shops on ZOZOTOWN in a variety of sizes. In BtoB business, the Company will continue to support the operation of the existing commissioned websites and further strengthen new contracts of "Fulfillment by ZOZO". Others focus businesses will be ① increase recognition of the Chinese business in cross-border eCommerce launched on December 10, 2019 and ② expand advertisement business by refining the existing advertising menu and adding new advertising products.

With regard to selling, general and administrative expenses (toward the gross merchandise value), the Company expects to cut costs by ① reducing point-related expenses as a result of the termination of the provision of 1% worth of ZOZO points for purchased products to ZOZOTOWN members on March 31, 2020, ② further streamlining promotional expenses as a result of cost-cutting measures, and ③ reducing expenses incurred from the PB business in the current consolidated fiscal year.

2. Basic Principle of Accounting Standards Selection

At the moment, the Company group's policy is to prepare consolidated financial statements on Japanese basis by taking comparability of periods and in between companies into consideration.

With regard to the application of IFRS, the Company's 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, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	21,560	33,602
Accounts receivable	27,404	31,547
Merchandise and finished products	4,533	1,664
Raw materials and supplies	1,352	106
Others	3,053	3,508
Total current assets	57,904	70,429
Non-current assets		
Property, plant and equipment		
Buildings	3,663	5,323
Accumulated depreciation	-1,236	-1,739
Buildings, net	2,426	3,583
Vehicles	25	31
Accumulated depreciation	-17	-12
Vehicles, net	7	19
Tools, furniture and fixtures	7,392	8,538
Accumulated depreciation	-3,794	-4,704
Tools, furniture and fixtures, net	3,598	3,833
Construction in progress	285	3,056
Total property, plant and equipment	6,318	10,493
Intangible assets		
Goodwill	2,291	2,148
Software	448	386
Others	371	434
Total intangible assets	3,112	2,968
Investments and other assets		
Investment securities	2,339	519
Deferred tax assets	6,409	6,969
Others	2,877	3,009
Allowance for doubtful accounts	-	-204
Total investments and other assets	11,626	10,295
Total non-current assets	21,056	23,756
Total assets	78,961	94,186

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2019)	Current consolidated fiscal year (As of March 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	1,693	60
Deposits received for consignment sales	16,310	18,998
Accounts payable - other	4,480	5,296
Short-term borrowings	22,000	22,000
Income taxes payable	3,671	3,812
Provision for bonuses	395	459
Provision for point certificates	1,343	1,387
Provision for sales returns	92	107
Others	2,258	4,003
Total current liabilities	52,245	56,126
Non-current liabilities		
Retirement benefit liability	1,730	2,007
Asset retirement obligations	1,028	1,497
Provision for loss on business liquidation	812	-
Deferred tax Liabilities	-	10
Others	488	9
Total non-current liabilities	4,059	3,525
Total liabilities	56,304	59,651
Net assets		
Shareholders' equity		
Capital Stock	1,359	1,359
Capital surplus	1,328	1,328
Retained earnings	44,252	56,340
Treasury shares	-24,412	-24,412
Total shareholders' equity	22,528	34,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	77	0
Foreign currency translation adjustment	18	-11
Remeasurements of defined benefit plans	-77	-71
Total accumulated other comprehensive income	17	-83
Share acquisition rights	110	1
Total net assets	22,656	34,534
Total liabilities and net assets	78,961	94,186

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (April 1, 2019 to March 31, 2020)
Net sales	118,405	125,517
Cost of sales	13,457	11,780
Gross profit	104,948	113,737
Reversal of provision for sales returns	106	92
Provision for sales returns	92	107
Gross profit - net	104,962	113,721
Selling, general and administrative expenses		
Point promotion expenses	2,665	4,531
Outsourcing expenses	9,252	8,947
Packing and transportation expenses	20,463	21,993
Payment collection commission	9,077	9,526
Advertising expenses	6,065	4,812
Payroll and allowances	8,283	11,800
Provision for bonuses	395	459
Retirement benefit expenses	339	358
Share-based compensation expenses	110	-109
Depreciation	1,518	2,045
Amortization of goodwill	477	444
Others	20,659	21,021
Total selling, general and administrative expenses	79,308	85,832
Operating profit	25,654	27,888
Non-operating income		
Interest income	0	2
Received rent	5	-
Operations support fee	90	45
Income from recycling	59	40
Subsidy income	58	44
Gain on unused points	48	43
Others	18	33
Total non-operating income	283	208
Non-operating expenses		
Interest expenses	71	92
Provision for allowance for doubtful accounts	-	204
Rent expense	5	-
Commission expenses	80	59
Foreign exchange losses	26	68
Loss on investments in partnerships	34	28
Total non-operating expenses	219	453
Ordinary profit	25,717	27,644

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (April 1, 2019 to March 31, 2020)
Extraordinary income		
Reversal of Provision for loss on business liquidation	-	130
Gain on sale of businesses	169	-
Gain on sales of non-current assets	8	15
Gain on sales of Investment securities	-	50
Total extraordinary income	178	196
Extraordinary losses		
Loss on sales and retirement of non-current assets	23	29
Loss on valuation of investment securities	264	1,697
Impairment loss	1,407	-
Loss on valuation of inventories	876	-
Loss on business liquidation	822	-
Total extraordinary losses	3,394	1,726
Profit before income taxes	22,501	26,113
Income taxes - current	8,579	7,828
Income taxes - deferred	-2,062	-519
Total income taxes	6,516	7,308
Net Profit	15,985	18,804
Profit attributable to owners of parent	15,985	18,804

Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (April 1, 2019 to March 31, 2020)
Net Profit	15,985	18,804
Other comprehensive income		
Valuation difference on available-for-sale securities	-14	-76
Foreign currency translation adjustment	15	-27
Remeasurements of defined benefit plans, net of tax	95	6
Total other comprehensive income	97	-98
Comprehensive income	16,082	18,706
(Breakdown)		
Comprehensive income attributable to owners of parent	16,082	18,706

(3) Consolidated Statements of Change in Net Assets

Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)

(Unit: million yen)

	Shareholders' equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2018	1,359	1,328	38,204	-	40,892
Changes of items during the current fiscal year					
Cash dividends			-9,572		-9,572
Profit attributable to owners of parent			15,985		15,985
Repurchase of Treasury stock				-24,412	-24,412
Changes in retained earnings from newly consolidated subsidiary			-364		-364
Net changes of items other than Shareholders' equity, net					
Total changes of items during the current fiscal year	-	-	6,048	-24,412	-18,363
Balance as of March 31, 2019	1,359	1,328	44,252	-24,412	22,528

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2018	91	-	-173	-81	-	40,810
Changes of items during the current fiscal year						
Cash dividends						-9,572
Profit attributable to owners of parent						15,985
Repurchase of Treasury stock						-24,412
Changes in retained earnings from newly consolidated subsidiary						-364
Net changes of items other than Shareholders' equity, net	-14	18	95	99	110	210
Total changes of items during the current fiscal year	-14	18	95	99	110	-18,153
Balance as of March 31, 2019	77	18	-77	17	110	22,656

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Unit: million yen)

	Shareholders' equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2019	1,359	1,328	44,252	-24,412	22,528
Changes of items during the current fiscal year					
Cash dividends			-6,716		-6,716
Profit attributable to owners of parent			18,804		18,804
Repurchase of Treasury stock					-
Changes in retained earnings from newly consolidated subsidiary			-0		-0
Net changes of items other than Shareholders' equity, net					
Total changes of items during the current fiscal year	-	-	12,087	-	12,087
Balance as of March 31, 2020	1,359	1,328	56,340	-24,412	34,616

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2019	77	18	-77	17	110	22,656
Changes of items during the current fiscal year						
Cash dividends						-6,716
Profit attributable to owners of parent						18,804
Repurchase of Treasury stock						-
Changes in retained earnings from newly consolidated subsidiary						-0
Net changes of items other than Shareholders' equity, net	-76	-30	6	-101	-109	-210
Total changes of items during the current fiscal year	-76	-30	6	-101	-109	11,877
Balance as of March 31, 2020	0	-11	-71	-83	1	34,534

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	22,501	26,113
Depreciation	1,534	2,045
Amortization of goodwill	477	444
Share-based compensation expenses	110	-109
Loss on valuation of inventories	876	-
Loss on business liquidation	822	-
Impairment loss	1,407	-
Loss on valuation of investment securities	264	1,697
Gain on business transfer	-169	-
Provision for allowance for doubtful accounts	-	204
Loss (gain) on investments in partnership	34	28
Loss (gain) on sales of Investment securities (- is gain)	-	-50
Loss (gain) on asset retirement obligation	14	13
Increase (decrease) in provision for bonuses	369	63
Increase (decrease) in provision for bonuses for directors	-10	-
Increase (decrease) in provision for point certificates	219	44
Increase (decrease) in provision for sales returns	-14	15
Increase (decrease) in retirement benefit liability	301	285
Interest and dividend income	-1	-2
Interest expenses	71	92
Commission expenses	80	59
Foreign exchange losses (gains)	-2	26
Decrease (increase) in accounts receivable - trade	-2,021	-4,143
Decrease (increase) in inventories	-4,365	4,083
Decrease (increase) in prepaid expenses	-1,506	-260
Increase (decrease) in notes and accounts payable – trade	1,672	-1,628
Increase (decrease) in deposits received for consignment sales	2,638	2,688
Increase (decrease) in accounts payable - other	784	812
Increase (decrease) in accrued expenses	170	316
Increase (decrease) in accrued consumption taxes	-989	1,830
Others	945	-2,061
Subtotal	26,214	32,611
Interest and dividend income received	0	1
Interest expenses paid	-80	-95
Income taxes paid	-11,327	-7,727
Net cash provided by (used in) operating activities	14,807	24,789

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (April 1, 2019 to March 31, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	-3,031	-4,976
Purchase of intangible assets	-603	-194
Proceeds from sales of property, plant and equipment	12	18
Purchase of investment securities	-1,146	-83
Payment for establishment of subsidiary	-130	-
Proceeds from sale of businesses	150	-
Payments for leasehold and guarantee deposits	-903	-798
Proceeds from sales of Investment securities	-	7
Payments for investments in capital of subsidiaries and associates	-188	-76
Payments of loans receivable	-290	-4
Collection of loans receivable	2	1
Others	2	119
Net cash provided by (used in) investing activities	-6,125	-5,987
Cash flows from financing activities		
Increase in short-term loans payable	24,000	600
Decrease in short-term loans payable	-2,000	-600
Repayments of long-term loans payable	-0	-
Commission expenses paid	-80	-59
Purchase of treasury stocks	-24,412	-
Cash dividends paid	-9,566	-6,711
Net cash provided by (used in) financing activities	-12,059	-6,771
Effect of exchange rate change on cash and cash equivalents	18	-10
Net increase (decrease) in cash and cash equivalents	-3,358	12,019
Cash and cash equivalents at beginning of period	24,571	21,560
Increase in cash and cash equivalents from newly consolidated subsidiary	348	22
Cash and cash equivalents at end of period	21,560	33,602

(5) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Segment Information and other)

[Segment Information]

Previous consolidated fiscal year (From April 1, 2018 to March 31, 2019)

The company group operates in a single segment of e-commerce business, descriptions are omitted.

Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)

The company group operates in a single segment of e-commerce business, descriptions are omitted.

(Per share information)

Item	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (April 1, 2019 to March 31, 2020)
Net assets per share	73.85 yen	113.11 yen
Net income per share	52.20 yen	61.60 yen

(NOTE) 1. Net profit per share after adjusting dilutive shares are not filled in since there are no dilutive shares in the fiscal year ended March 2019.

2. The basis for computation of net assets per share is as follows.

Item	Previous consolidated fiscal year (April 1, 2018 To March 31, 2019)	Current consolidated fiscal year (April 1, 2019 To March 31, 2020)
Profit attributable to owners of parent (million yen)	15,985	18,804
Amount not allocated to common stock (million yen)	-	-
Profit attributable to owners of parent (million yen) related to Ordinary stock	15,985	18,804
Average number of shares of common stock outstanding during the fiscal year (shares)	306,214,590	305,295,182
Summary of potential shares not included in the calculation of fully diluted net income per share due to lack of dilutive potential with significant changes from previous fiscal year end	Stock acquisition rights by resolution of the Board of Directors on June 18, 2018	Stock acquisition rights by resolution of the Board of Directors on June 18, 2018
	1 st stock acquisition right 150,108 unit (Ordinary stock 15,010,800)	1 st stock acquisition right 5,847 units (Ordinary stock 584,700)
	2 nd stock acquisition right 90,064 unit (Ordinary stock 9,006,400)	2 nd stock acquisition right 3,510 units (Ordinary stock 351,000)
	3 rd stock acquisition right 60,043 unit (Ordinary stock 6,004,300)	3 rd stock acquisition right 2,340 units (Ordinary stock 234,000)
		Stock acquisition rights by resolution of the Board of Directors on June 25, 2019
		4 th stock acquisition rights 995 units (Ordinary stock 99,500)
		5 th stock acquisition rights 597 units (Ordinary stock 59,700)
		6 th stock acquisition rights 398 units (Ordinary stock 39,800)
		Stock acquisition rights by resolution of the Board of Directors on October 18, 2019
		7 th stock acquisition rights 2,500 units (Ordinary stock 250,000)
	8 th stock acquisition rights 1,500 units (Ordinary stock 150,000)	
	9 th stock acquisition rights 1,000 units (Ordinary stock 100,000)	

(Significant subsequent events)

None

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