

Consolidated Financial Results

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

July 31, 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 person Director, Executive Vice President & CFO Koji Yanagisawa (TEL) 043(213)5171
 Scheduled date to file the financial report August 14, 2023 Scheduled date of dividend payment -
 Supplementary material for quarterly financial results : Yes
 Quarterly results briefing : Yes (For analysts and institutional investors)

(Rounded down to million yen)

1. Consolidated business results for the first quarter of fiscal year ending March 31, 2024 (April 1, 2023 to June 30, 2023)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parents | |
|--|-------------|-----|------------------|------|-----------------|------|--|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| First quarter of fiscal year ending March 31, 2024 | 45,871 | 7.7 | 15,862 | 10.8 | 15,943 | 11.5 | 11,204 | 12.5 |
| First quarter of fiscal year ended March 31, 2023 | 42,590 | 9.6 | 14,312 | 13.7 | 14,296 | 14.1 | 9,960 | 14.1 |

(NOTE) Comprehensive income First Quarter of Fiscal Year Ending March 2024 11,391 Million yen (13.4%)
First Quarter of Fiscal Year Ended March 2023 10,048 Million yen (14.3%)

| | Net profit per share | Net profit per share after adjusting dilutive shares |
|---|----------------------|--|
| | Yen | Yen |
| First quarter of fiscal year ending March, 2024 | 37.36 | - |
| First quarter of fiscal year ended March, 2023 | 33.23 | - |

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

(2) Consolidated financial position

| | Total assets | Net assets | Equity Ratio |
|--|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| First quarter of fiscal year ending March 31, 2024 | 144,854 | 75,794 | 52.2 |
| Fiscal year ended March 31, 2023 | 155,742 | 76,693 | 49.2 |

(Reference) Shareholders' equity First quarter of fiscal year ending March 31, 2024 75,677 Million yen
Fiscal year ended March 31, 2023 76,556 Million yen

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------|-----------|----------|-------|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2023 | - | 24.00 | - | 41.00 | 65.00 |
| Fiscal year ending March 31, 2024 | - | | | | |
| Fiscal year ending March 31, 2024 (Forecast) | | 28.00 | - | 43.00 | 71.00 |

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

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

(Percentages indicate YoY changes)

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

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

※ Notes

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

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

New - Exclusion -

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

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

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

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement of revisions : None

(4) Number of shares outstanding (Common stock)

① Year-end shares outstanding (including treasury stocks)

| | | | |
|---|-------------------|------------------------------------|-------------------|
| Q1 of fiscal year ending March 2024 | 311,644,285Shares | Fiscal year Ended March 2023 | 311,644,285Shares |
| ② Number of year-end treasury stocks | 11,787,504Shares | Fiscal year Ended March 2023 | 11,787,504Shares |
| ③ Average number of shares during the period (cumulative) | 299,856,781Shares | Q1 of fiscal year ended March 2023 | 299,801,526Shares |

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

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

-The business forecasts and other statements related to the future contained in this material are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ materially from these forecasts due to various factors. Please refer to "1. Qualitative information on results for the first quarter ended June 30, 2023, (3) Explanation of consolidated business forecast and other forward-looking statements" on page 11 for the assumptions underlying the forecasts and cautionary statements regarding the use of the forecasts.

-We are scheduling financial results briefing for institutional investors and analysts on July 31, 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 first quarter ended June 30, 2023

(1) Overview of business results

Business results for the current fiscal year

[Table 1] YoY comparison

(Unit: Million yen)

| | Consolidated cumulative first quarter of previous fiscal year (April 1 to June 30, 2022) | | Consolidated cumulative first quarter of current fiscal year (April 1 to June 30, 2023) | | YoY basis |
|---|--|----------|---|----------|-----------|
| Gross merchandise value | 127,928 | (110.3%) | 131,920 | (107.0%) | 3.1% |
| Gross merchandise value (excluding other GMV) | 115,948 | (100.0%) | 123,327 | (100.0%) | 6.4% |
| Net sales | 42,590 | (36.7%) | 45,871 | (37.2%) | 7.7% |
| Gross profit | 40,341 | (34.8%) | 43,044 | (34.9%) | 6.7% |
| Operating profit | 14,312 | (12.3%) | 15,862 | (12.9%) | 10.8% |
| Ordinary profit | 14,296 | (12.3%) | 15,943 | (12.9%) | 11.5% |
| Profit attributable to owners of parent | 9,960 | (8.6%) | 11,204 | (9.1%) | 12.5% |

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 consolidated cumulative first quarter of the current fiscal year, the apparel industry, particularly at physical stores, experienced growth due to increased opportunities for going out and increased demand for clothing as a result of the easing of behavioral restrictions against COVID-19 infections, while the economic outlook remained uncertain due to the price hike of resources and raw materials and the yen's continued depreciation. Under this circumstance, our group has been focusing even stronger on creating ZOZOTOWN more attractive to both users and brands with the goal of increasing the number of unique users and improving the conversion rate (the purchasing rate of unique users). To maximize sales at ZOZOTOWN, we have implemented measures such as the sale event “ZOZOWEEK” (10 days in total from May 12 to 21, 2023) and broadcasted TV commercials to attract customers during the summer sale (from June 23). 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 June 2023. We will proactively continue to open new brand shops to expand the merchandise value of the cosmetics category in ZOZOTOWN. In addition, as our unique value-added service, we have launched “niaulab,” an ultimate personalized-styling service that utilizes our AI technologies. We are aiming to provide solutions to help find one’s “style” that approaches the upstream of purchasing.

Sales of ZOZOTOWN on Yahoo! JAPAN Shopping (which integrated PayPay Mall in October 2022) have been growing steadily due to the retention of new customers acquired in the previous consolidated fiscal year, and promotion activities such as “Serious ZOZO Festival” (June 25, 2023) by Yahoo Japan Corporation which operates Yahoo! JAPAN Shopping. Regarding the BtoB business, brands that we currently support are actively continuing to enhance their own e-commerce websites, although there was a withdrawal of a few brands in the previous consolidated fiscal year.

Consequently, the gross merchandise value in the consolidated cumulative first quarter of the current fiscal year was 131,920 million yen (+3.1% YoY), and the gross merchandise value (excluding other GMV) was 123,327 million yen (+6.4% YoY). Net sales were 45,871 million yen (+7.7% YoY), and gross profit was 43,044 million yen (+6.7% YoY). The ratio of gross profit to the gross merchandise value (excluding other GMV) (gross profit margin) was 34.9%, an increase of 0.1% from the same quarter of 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, which has high sales ratio to the gross merchandise value, and the advertising business, an increase in sales of others due to increased shipping income, a decrease in the composition ratio of the BtoB business, which has a low sales ratio to the gross merchandise value.

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, and an increase in sales of others due to increased shipping income. 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 27,182 million yen (+4.4% YoY). Its ratio to the gross merchandise value (excluding other GMV) was 22.0%, a decrease of 0.4% 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. Shipping expenses to the gross merchandise value declined by 0.5% due to a higher average order value on a YoY basis.

Worsening factors

1. Advertising expenses to the gross merchandise value rose by 0.3% due to the increased investment in TV commercials and web advertising.

Consequently, operating profit in the consolidated cumulative first quarter of the current fiscal year was 15,862 million yen (+10.8% YoY) and the operating profit margin was 12.9% to the gross merchandise value (excluding other GMV), an increase of 0.6% compared with the same quarter of the previous year. Ordinary profit was 15,943 million yen (+11.5% YoY), and net profit attributable to owners of parent was 11,204 million yen (+12.5% YoY).

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

[Table 2] YoY comparison by business segment

| By business segment | Consolidated cumulative first quarter of previous fiscal year (April 1 to June 30, 2022) | | | Consolidated cumulative first quarter of current fiscal year (April 1 to June 30, 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 | 101,043 | 79.0 | 32,001 | 108,275 | 82.1 | 33,881 | 7.2 | 5.9 |
| (Outright purchase/production & sales) | 972 | 0.8 | 938 | 1,212 | 0.9 | 1,162 | 24.7 | 23.8 |
| (Consignment Sales) | 96,807 | 75.6 | 27,818 | 103,228 | 78.3 | 28,962 | 6.6 | 4.1 |
| (USED Sales) | 3,263 | 2.6 | 3,244 | 3,834 | 2.9 | 3,755 | 17.5 | 15.8 |
| Yahoo! JAPAN Shopping | 11,227 | 8.7 | 3,283 | 11,607 | 8.8 | 3,449 | 3.4 | 5.0 |
| BtoB business | 3,677 | 2.9 | 620 | 3,443 | 2.6 | 549 | -6.4 | -11.4 |
| Advertising business | - | - | 1,751 | - | - | 2,179 | - | 24.4 |
| Subtotal excluding Others | 115,948 | 90.6 | 37,657 | 123,327 | 93.5 | 40,059 | 6.4 | 6.4 |
| Others | 11,979 | 9.4 | 4,933 | 8,593 | 6.5 | 5,812 | -28.3 | 17.8 |
| Total | 127,928 | 100.0 | 42,590 | 131,920 | 100.0 | 45,871 | 3.1 | 7.7 |

① ZOZOTOWN business

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

promote the purchase of new products.

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

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

(Number of shops, etc.)

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

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

(NOTE)

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

The number of new shops opened during the first quarter consolidated accounting period was 19 (net increase of 2 shops). The major new stores are "MoonStar", a long-established shoe manufacturer, and "HACCI", a honey beauty brand born from a long-established apiary.

(Number of annual buyers)

[Table 4] Changes in the number of annual buyers

| | Previous consolidated fiscal year | | | | Current consolidated fiscal year | | | |
|-----------------------------------|-----------------------------------|------------|------------|------------|----------------------------------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Number of annual buyers (Note) 2 | 10,619,934 | 10,859,876 | 11,211,383 | 11,411,712 | 11,470,592 | - | - | - |
| (YoY) | 889,772 | 969,092 | 1,108,032 | 993,381 | 850,658 | - | - | - |
| (QoQ) | 201,603 | 239,942 | 351,507 | 200,329 | 58,880 | - | - | - |
| Number of active members (Note) 3 | 9,269,080 | 9,545,087 | 9,935,769 | 10,192,333 | 10,352,251 | - | - | - |
| (YoY) | 902,007 | 1,037,090 | 1,223,890 | 1,149,139 | 1,083,171 | - | - | - |
| (QoQ) | 225,886 | 276,007 | 390,682 | 256,564 | 159,918 | - | - | - |
| Number of guest buyers | 1,350,854 | 1,314,789 | 1,275,614 | 1,219,379 | 1,118,341 | - | - | - |
| (YoY) | -12,235 | -67,998 | -115,858 | -155,758 | -232,513 | - | - | - |
| (QoQ) | -24,283 | -36,065 | -39,175 | -56,235 | -101,038 | - | - | - |

(NOTE)

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

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

(Annual purchase amount and annual purchase pieces)

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

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

(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 first quarter consolidated accounting period of the current fiscal year, the annual purchase amount (Total) decreased YoY. 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 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 6] Changes in the average retail price, average order value, average purchase pieces per order, and number of shipments

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

(NOTE)

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

The average retail price in the first quarter consolidated accounting period of the current fiscal year increased YoY. The main factors were an increase in list prices for certain items and a decrease in the discount rate for sale items. Additionally, the average order value increased more than the growth rate of the average retail price YoY due to the impact of an increase in the average purchase pieces per order, as well as the impact of an increase in the average retail price.

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

i. Outright Purchase/Production & Sales

In the consolidated cumulative first quarter of the current fiscal year, the merchandise value was 1,212 million yen (+24.7% YoY), accounting for 0.9% of the gross merchandise value (0.8% in the same quarter of the previous fiscal year). Net sales were 1,162 million yen (+23.8% YoY). As of the end of June 2023, the number of shops opened on ZOZOTOWN for Outright purchase/production & sales was 28 (28 as of the end of March 2023).

ii. Consignment Sales

In the consolidated cumulative first quarter of the current fiscal year, the merchandise value was 103,228 million yen (+6.6% YoY), accounting for 78.3% of the gross merchandise value (75.6% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 28,962 million yen (+4.1% YoY). As of the end of June 2023, the number of shops opened on ZOZOTOWN for consignment sales was 1,536 (1,534 as of the end of March 2023).

iii. USED Sales

In the consolidated cumulative first quarter of the current fiscal year, the merchandise value was 3,834 million yen (+17.5% YoY), accounting for 2.9% of the gross merchandise value (2.6% in the same quarter of the previous fiscal year). Net sales were 3,755 million yen (+15.8% YoY).

② Yahoo! JAPAN Shopping

ZOZOTOWN opened a shop on "Yahoo! JAPAN Shopping," an online shopping mall operated by Yahoo Japan Corporation. In the consolidated cumulative first quarter of the current fiscal year, the merchandise value was 11,607 million yen (+3.4% YoY), accounting for 8.8% of the gross merchandise value (8.7% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 3,449 million yen (+5.0% YoY).

③ BtoB business

The BtoB business is a business model in which we are commissioned to build and operate brands' own e-commerce websites. In the consolidated cumulative first quarter of the current fiscal year, the merchandise value was 3,443 million yen (-6.4% YoY), accounting for 2.6% of the gross merchandise value (2.9% in the same quarter of the previous fiscal year). Net sales (consignment sales commission) were 549 million yen (-11.4% YoY). As of the end of June 2023, the number of consigned websites was 35 (36 as of the end of March 2023).

④ Advertising business

The advertising business is a business model that generates advertising revenue by providing advertising space to client brands by utilizing the user reach base of ZOZOTOWN and WEAR. In the consolidated cumulative first quarter of the current fiscal year, net sales were 2,179 million yen (+24.4% 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 consolidated cumulative first quarter of the current fiscal year was 8,593 million yen, accounting for 6.5% of the gross merchandise value (9.4% 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 consolidated cumulative first quarter of the current fiscal year, net sales were 5,812 million yen (+17.8% YoY).

(2) Overview of financial position

Overview of total assets, liabilities, and net assets

(Unit: Million yen)

| | Previous consolidated fiscal year | First quarter consolidated accounting period | Increase/ decrease rate |
|--------------|-----------------------------------|--|-------------------------|
| Total assets | 155,742 | 144,854 | -7.0% |
| Liabilities | 79,048 | 69,060 | -12.6% |
| Net assets | 76,693 | 75,794 | -1.2% |

(Total Assets)

Total assets amounted to 144,854 million yen, a decrease of 10,887 million yen (-7.0% from the previous consolidated fiscal year end). Current assets decreased by 11,632 million yen, or 9.4%, compared with the previous consolidated fiscal year end, amounted to 111,860 million yen. Major components are a decrease of 14,265 million yen in cash and deposits, an increase of 656 million yen in accounts receivable, etc. Non-current assets increased by 745 million yen, or 2.3%, compared with the previous consolidated fiscal year end, amounted to 32,994 million yen. Major components are an increase of 1,469 million yen in tangible assets, and a decrease of 797 million yen in investments and other assets, etc.

(Liabilities)

Liabilities amounted to 69,060 million yen, a decrease of 9,988 million yen (-12.6% from the previous consolidated fiscal year end). Current liabilities decreased by 10,260 million yen, or 14.2%, amounted to 61,943 million yen compared with the previous consolidated fiscal year end. Major components are a decrease of 1,730 million yen in deposits received for consignment sales, a decrease of 5,699 million yen in income taxes payable, and a decrease of 1,540 million yen in the provision for bonuses. Non-current liabilities increased by 271 million yen, or 4.0%, amounted to 7,116 million yen compared with the previous consolidated fiscal year end. Major component is an increase of 171 million yen in retirement benefit liability.

(Net Assets)

Net assets amounted to 75,794 million yen, a decrease of 898 million yen (-1.2% from the previous consolidated fiscal year end). Major components are an increase of 11,204 million yen due to the recognition of profit attributable to owners of parent, and a decrease of 12,294 million yen due to cash dividends.

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

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

2. Consolidated financial statements

(1) Quarterly consolidated balance sheets

(Unit: million yen)

| | Previous consolidated fiscal year (As of March 31, 2023) | First quarter consolidated accounting period of current fiscal year (As of June 30, 2023) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 69,126 | 54,861 |
| Accounts receivable-trade | 42,994 | 43,651 |
| Marketable securities | 5,000 | 5,000 |
| Merchandise and finished products | 3,155 | 3,707 |
| Raw materials and supplies | 49 | 54 |
| Others | 3,166 | 4,585 |
| Total current assets | 123,493 | 111,860 |
| Non-current assets | | |
| Property, plant and equipment | 18,796 | 20,265 |
| Intangible assets | | |
| Goodwill | 1,700 | 1,604 |
| Others | 680 | 851 |
| Total intangible assets | 2,381 | 2,455 |
| Investments and other assets | 11,070 | 10,272 |
| Total non-current assets | 32,248 | 32,994 |
| Total assets | 155,742 | 144,854 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 532 | 452 |
| Deposits received for consignment sales | 25,590 | 23,859 |
| Short-term borrowings | 20,400 | 20,400 |
| Income taxes payable | 9,796 | 4,097 |
| Provision for bonuses | 2,401 | 861 |
| Provision for bonuses for directors | 78 | 35 |
| Others | 13,404 | 12,237 |
| Total current liabilities | 72,204 | 61,943 |
| Non-current liabilities | | |
| Retirement benefit liability | 4,389 | 4,560 |
| Asset retirement obligations | 2,248 | 2,286 |
| Others | 205 | 268 |
| Total non-current liabilities | 6,844 | 7,116 |
| Total liabilities | 79,048 | 69,060 |

(Unit: million yen)

| | Previous consolidated fiscal year (As of March 31, 2023) | First quarter consolidated accounting period of current fiscal year (As of June 30, 2023) |
|---|--|---|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,359 | 1,359 |
| Capital surplus | 1,349 | 1,371 |
| Retained earnings | 118,620 | 117,530 |
| Treasury stock | -44,558 | -44,558 |
| Total shareholders' equity | 76,771 | 75,702 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 39 | 72 |
| Deferred gains or losses on hedges | 40 | 131 |
| Foreign currency translation adjustment | 92 | 143 |
| Remeasurements of defined benefit plan | -386 | -372 |
| Total accumulated other comprehensive income | -214 | -25 |
| Stock acquisition right | 18 | 0 |
| Non-controlling interests | 117 | 116 |
| Total net assets | 76,693 | 75,794 |
| Total liabilities and net assets | 155,742 | 144,854 |

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

Quarterly consolidated statements of income

Consolidated cumulative first quarter

(Unit: million yen)

| | Consolidated cumulative first quarter of previous fiscal year (April 1, 2022 to June 30, 2022) | Consolidated cumulative first quarter of current fiscal year (April 1, 2023 to June 30, 2023) |
|--|--|---|
| Net sales | 42,590 | 45,871 |
| Cost of sales | 2,249 | 2,826 |
| Gross profit | 40,341 | 43,044 |
| Selling, general and administrative expenses | 26,028 | 27,182 |
| Operating income | 14,312 | 15,862 |
| Non-operating income | | |
| Interest income | 2 | 1 |
| Received rent | 0 | 0 |
| Foreign exchange gains | - | 100 |
| Operations support fee | 3 | 3 |
| Income from recycling | 7 | 7 |
| Subsidy income | 11 | 0 |
| Gain on unused points | 34 | 26 |
| Others | 13 | 8 |
| Total non-operating income | 73 | 148 |
| Non-operating expenses | | |
| Interest expenses | 19 | 20 |
| Provision for allowance for doubtful accounts | 4 | 4 |
| Rent expenses | 0 | 0 |
| Commissions expenses | 3 | - |
| Foreign exchange losses | 3 | - |
| Loss on investments in partnership | 59 | 41 |
| Total non-operating expenses | 89 | 66 |
| Ordinary profit | 14,296 | 15,943 |
| Extraordinary income | | |
| Gain on sales of non-current assets | - | 0 |
| Total extraordinary income | - | 0 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 3 | 0 |
| Total extraordinary loss | 3 | 0 |
| Profit before income taxes | 14,293 | 15,943 |
| Income taxes-current | 3,774 | 3,887 |
| Income taxes-deferred | 569 | 852 |
| Total income taxes | 4,344 | 4,740 |
| Net profit | 9,949 | 11,203 |
| Loss attributable to non-controlling interests | -11 | -0 |
| Profit attributable to owners of parent | 9,960 | 11,204 |

Quarterly consolidated statements of comprehensive income
 Consolidated cumulative first quarter

(Unit: million yen)

| | Consolidated cumulative first quarter of previous fiscal year (April 1, 2022 to June 30, 2022) | Consolidated cumulative first quarter of current fiscal year (April 1, 2023 to June 30, 2023) |
|--|--|---|
| Net profit | 9,949 | 11,203 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 29 | 32 |
| Deferred gains or losses on hedges | 26 | 91 |
| Foreign currency translation adjustment | 33 | 50 |
| Remeasurements of retirement benefit plan | 9 | 13 |
| Total other comprehensive income | 99 | 188 |
| Comprehensive income | 10,048 | 11,391 |
| (Comprehensive income attributable to) | | |
| Quarterly comprehensive income attributable to owners of the parent | 10,059 | 11,392 |
| Quarterly comprehensive income attributable to non-controlling interests | -11 | -0 |

(3) Notes to quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

DISCLAIMER:

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