

2020

2Q FY2019

CONSOLIDATED

BUSINESS RESULTS



KNE

HIGHLIGHTS

2Q FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS

FY2019 2Q HIGHLIGHTS

Overview

- Gross Merchandise Value : 157,915 million yen (+11.8%,Yoy)
- Operating Profit : 13,254 million yen (+31.8%,Yoy)

Gross Merchandise Value

○ ZOZOTOWN BUSINESS

Gross Merchandise Value : 152,770 million yen (+11.7%,Yoy)

Consignment Business : 145,558 million yen (+12.8%,Yoy)

Purchased Stock Business : 142 million yen (+50.8%,Yoy)

ZOZOUSED Business : 7,070 million yen (-7.1%,Yoy)

○ Private Brand Business : 698 million yen (+6.0%,Yoy)

○ MSP Business : 35 million yen (-)

○ Average Retail Price : 3,463 yen (-5.2%,Yoy)

○ Average Order Value : 7,416 yen (-4.6%,Yoy)

○ BtoB Business : 4,411 million yen (+14.8%,Yoy)

FY2019 2Q HIGHLIGHTS

Profitability

- Operating profit margin (to the total gross merchandise value) : **8.4%** (7.1% for FY2018 2Q)
 - Factors improving profitability : Drop of the rate promotion related expenses and shipping costs due to a decrease in the number of ZOZOSUIT distribution / Drop of the rate of other expenses due to a decrease in the amount of one-off costs
 - Factors worsening profitability : Drop in GPM derived from discount initiatives such as ZOZOARIGATO etc., / Rise in the rate of reward points related expenses due to an increase in the number of reward points initiatives / Increase in the rate of rent due to an increase in the number of logistics bases

Topic

- ZOZOTOWN, rolled out a function of "Search Similar Items" to find items similar to the browsing items by utilizing AI (August 2019)
- ZOZO, expressed an opinion in support of the Tender Offer of ZOZO's shares by Yahoo Japan Corporation (Z Holdings Corporation) and executed the Capital and Business Alliance (September 2019)
- Notice Concerning Change of Representative Director and Resignation of Director (September 2019)
- ZOZOTOWN, started an initiative "Discounts from replacing by purchase at any time", to exchange clothes you are not wearing anymore to points (September 2019)
- The "ZOZO CHAMPIONSHIP", a PGA TOUR Tournament takes place (Tournament Schedule: October 24, 2019, to October 28, 2019)

TENDER OFFER FOR ZOZO'S SHARES BY Z HOLDINGS CORPORATION

Objective

With anticipation of the capital and business alliance, Z Holdings Corporation (former: Yahoo Japan Corporation) aims to make ZOZO a consolidated subsidiary.

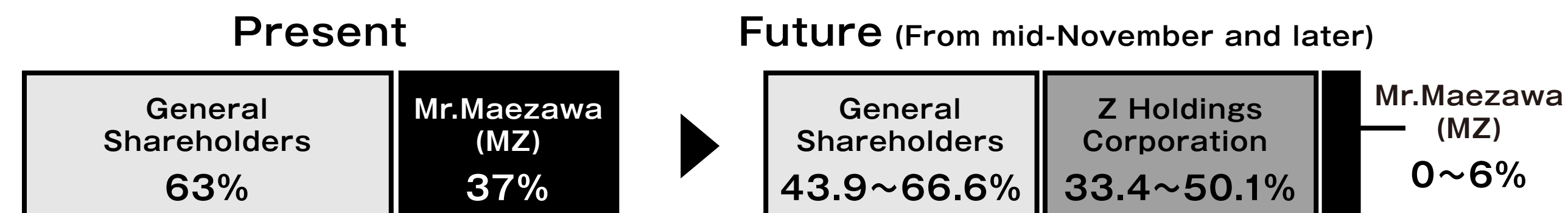
Tender Offer Overview

- Tender offer period: September 30, 2019 to November 13, 2019 (30 business days)
- Shareholding ratio: 33.4% as the minimum to 50.1 % as the maximum
 - ※Excluding the treasury stock
 - ※If the total number of the shares tendered exceeds the maximum number, settlement for the purchase of shares tendered will be on a pro rata basis
 - ※In the event of Z Holdings Corporation cannot make ZOZO a consolidated subsidiary, acquisition of additional shares by Z Holdings Corporation is planning to be discussed (Business alliance will continue to be initiated)
- Tender offer price per share: 2.620 yen (Market capitalization: about 800 billion yen)
 - ※Premium of +4.6% to the closing price on Sep. 26, +20.9% to the closing price on Sep. 11, +21.1% to the simple average price for the past 1 month,+30.3% to the simple average price for the past 3 months, +31.5% to the simple average price for the past 6 months

Tender overview of Mr. Maezawa, the founder of ZOZO

Shareholding ratio at the time of announcement: 36.8%
30.4% will be tendered

Shareholders composition



CAPITAL AND BUSINESS ALLIANCE WITH Z HOLDINGS CORPORATION

Alliance detail

- ZOZOTOWN opens its store in PayPay Mall, ZOZO leads the fashion category within the mall
- Current ZOZOTOWN will continue to operate its service, maintain ZOZO' s independence as a listed company

Benefits from the alliance

Z Holdings Corporation

- Strengthening the fashion category in PayPay Mall
- Introduction of PayPay to ZOZOTOWN to accelerate penetration

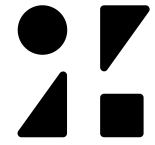
ZOZO

- User traffic from Z Holdings Corporation and SoftBank Group to ZOZOTOWN

Differences between the core users of two companies

YAHOO!
JAPAN

Monthly login user IDs: 49.01 million
Gender Ratio (Male : Female) 6 : 4
Mainly 30s to 40s


ZOZO

Annual buyers: 8.12 million
Gender Ratio (Male : Female) 3 : 7
Mainly 20s to 30s

※Quote from the press conference material on September 12, 2019

Governance structure in the future

- Planning to dispatch 2 directors from Z Holdings Corporation (1 in the special general meeting of shareholders in January 2020 and 1 in the ordinary general meeting of shareholders in June 2020)
- In the case of Z Holdings Corporation making a shareholder proposal, it requires prior consultation with ZOZO.
- More than 1 /3 of the directors are independent outside directors.



BUSINESS RESULTS

2Q FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS

OVERVIEW OF THE FY2019 2Q

(million¥)

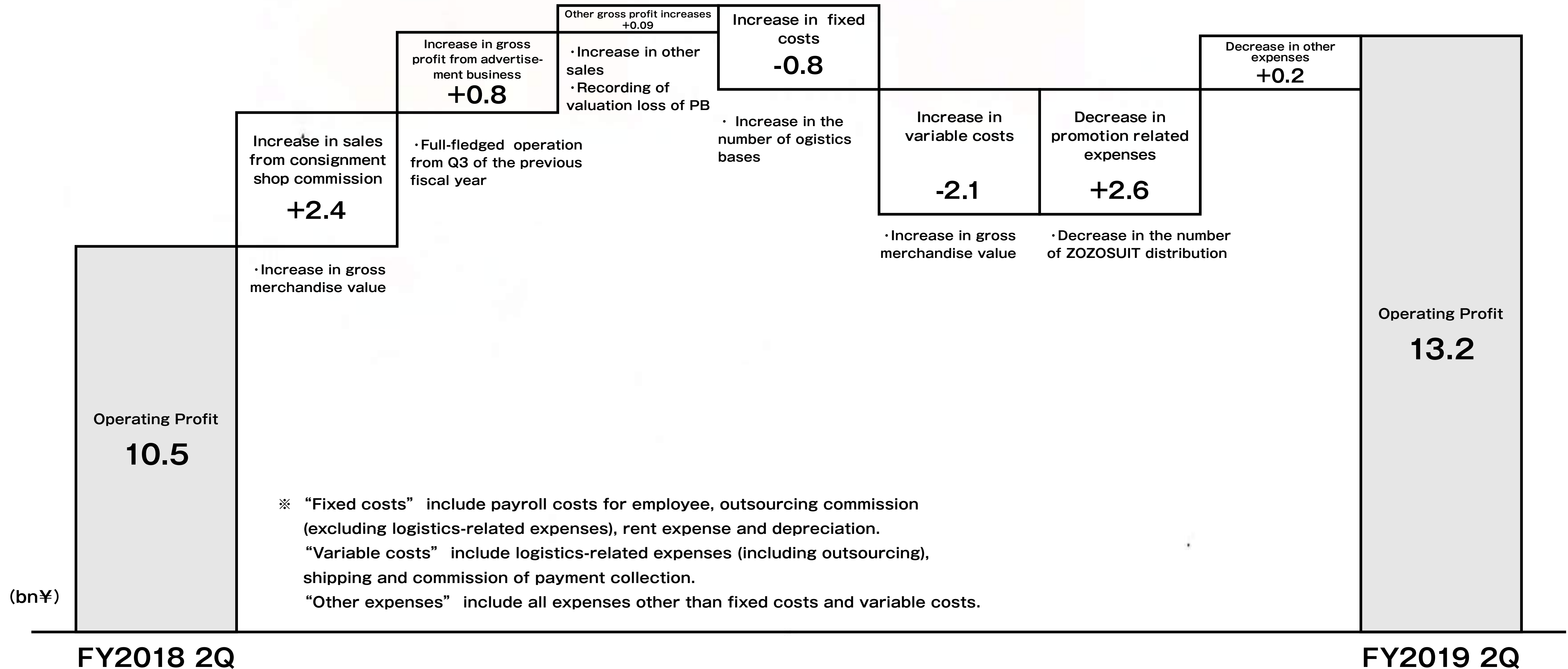
	FY2018 2Q	FY2019 2Q	YoY	Target	Progress Rate(%)
Gross Merchandise Value	141,221	157,915	11.8%	367,000	43.0%
Net sales	53,764	57,242	6.5%	136,000	42.1%
Gross profit	48,989	52,421	7.0%	—	—
(%Gross Merchandise Value)	34.7%	33.2%	-1.5%	—	—
SG&A	38,936	39,167	0.6%	—	—
(%Gross Merchandise Value)	27.6%	24.8%	-2.8%	—	—
Operating profit	10,053	13,254	31.8%	32,000	41.4%
(%Gross Merchandise Value)	7.1%	8.4%	1.3%	8.7%	—
Ordinary profit	10,007	13,052	30.4%	32,000	40.8%
Profit attributable to owners of parent	6,291	7,919	25.9%	22,500	35.2%

OVERVIEW OF EACH QUARTER

(million¥)

	FY2018				FY2019	
	1Q	2Q	3Q	4Q	1Q	2Q
Gross Merchandise Value	70,406	70,814	93,809	88,098	79,237	78,678
YoY (%)	18.2%	17.9%	21.3%	19.8%	12.5%	11.1%
Net sales	26,552	27,212	36,010	28,630	28,197	29,045
SG&A	18,376	20,559	21,490	18,882	18,483	20,683
YoY (%)	54.9%	50.2%	30.4%	19.7%	0.6%	0.6%
(%Gross Merchandise Value)	26.1%	29.0%	22.9%	21.4%	23.3%	26.3%
Operating profit	5,874	4,178	10,577	5,023	7,786	5,467
YoY (%)	-26.4%	-28.6%	8.8%	-44.9%	32.6%	30.8%
(%Gross Merchandise Value)	8.3%	5.9%	11.3%	5.7%	9.8%	6.9%

INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (YoY COMPARISON)



CONSOLIDATED BALANCE SHEET

(million¥)

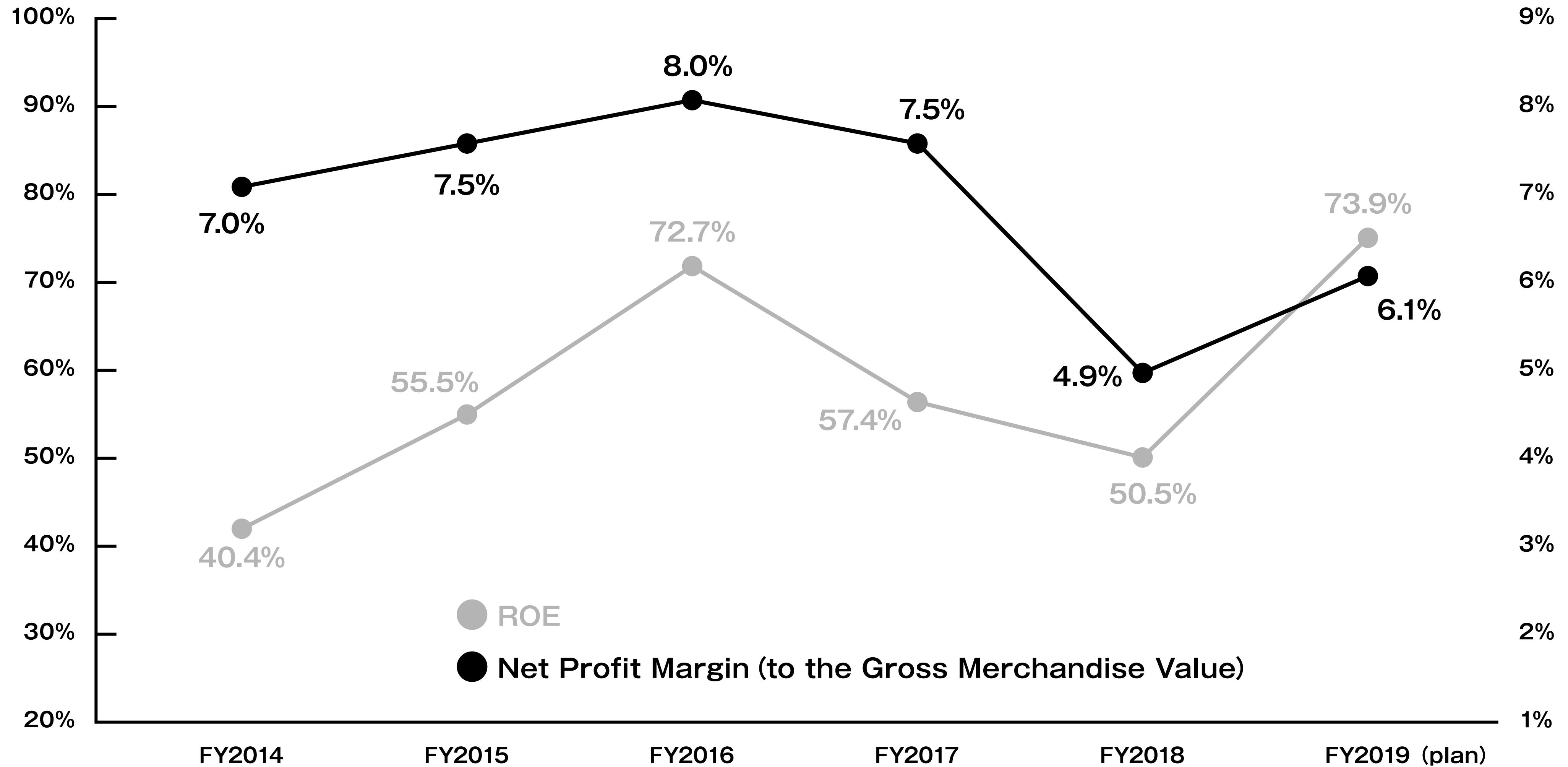
	FY2018 (as of March 31, 2019)	FY2019 2Q (as of September 30, 2019)		FY2018 (as of March 31, 2019)	FY2019 2Q (as of September 30, 2019)
Current assets	57,904	60,317	Current liabilities	52,245	51,154
Cash and deposits	21,560	22,396	Short-term borrowing	22,000	22,000
Merchandise and finished products	4,533	4,437	Noncurrent liabilities	4,059	3,660
Noncurrent assets	21,056	21,879	Total liabilities	56,304	54,814
Tangible assets	6,318	8,188	Shareholders' equity	22,528	27,394
Intangible assets	3,112	3,144	Treasury stock	-24,412	-24,412
Investments and other assets	11,626	10,547	Total net assets	22,656	27,382
Total assets	78,961	82,197	Total liabilities and net assets	78,961	82,197

CASH FLOWS

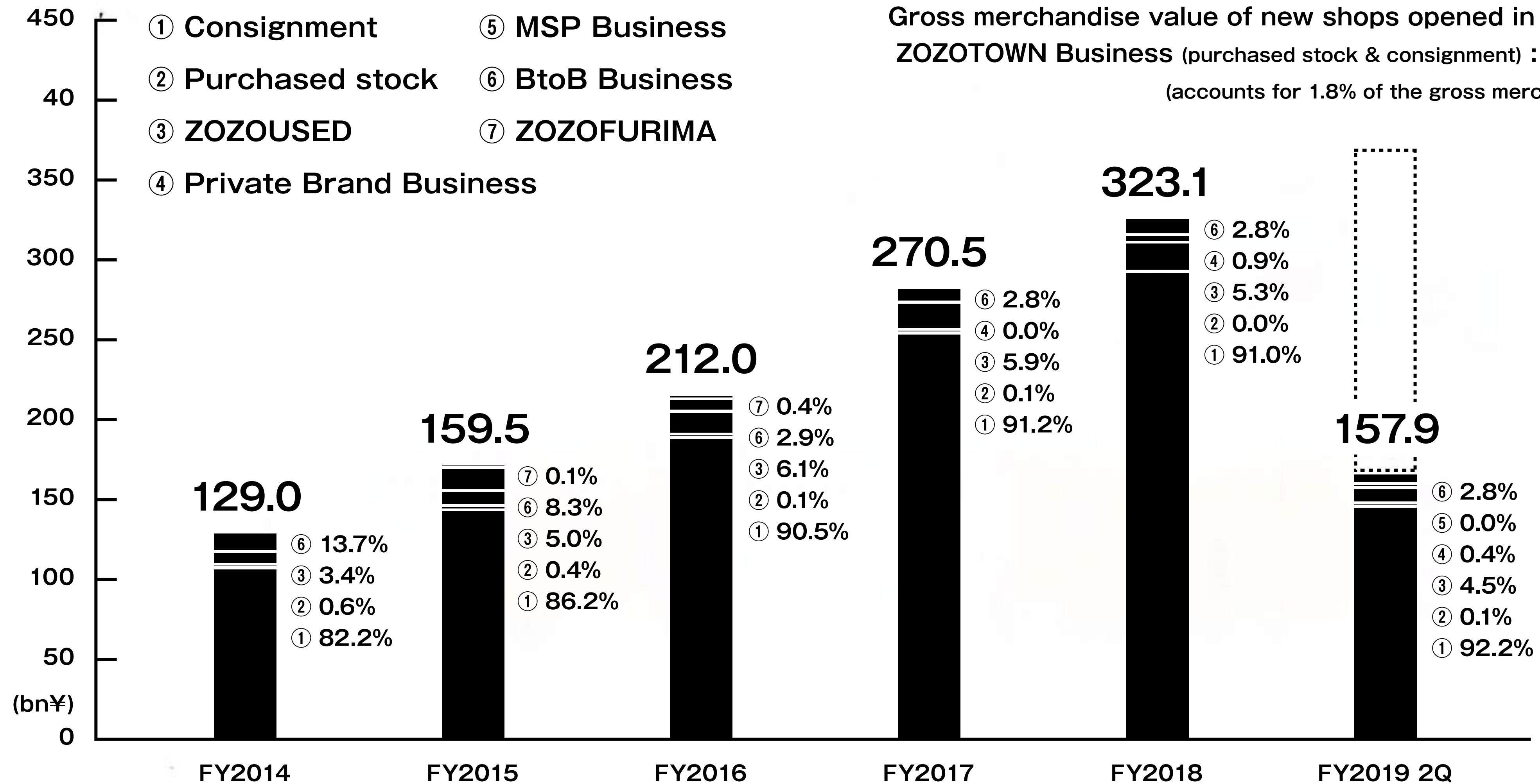
(million¥)

Item	FY2018 2Q	FY2019 2Q	YOY	Reasons for change
Cash flows from operating activities	2,588	6,947	4,359	(FY2019) Decrease in expenditure related to PB business
Cash flows from investing activities	-2,642	-3,055	-413	(FY2019) Expenditure from new office and expansion of logistics centers
Cash flows from financing activities	-5,707	-3,053	2,653	
Cash and cash equivalents at the end of the year	19,188	22,400	3,212	

ROE AND NET PROFIT MARGIN

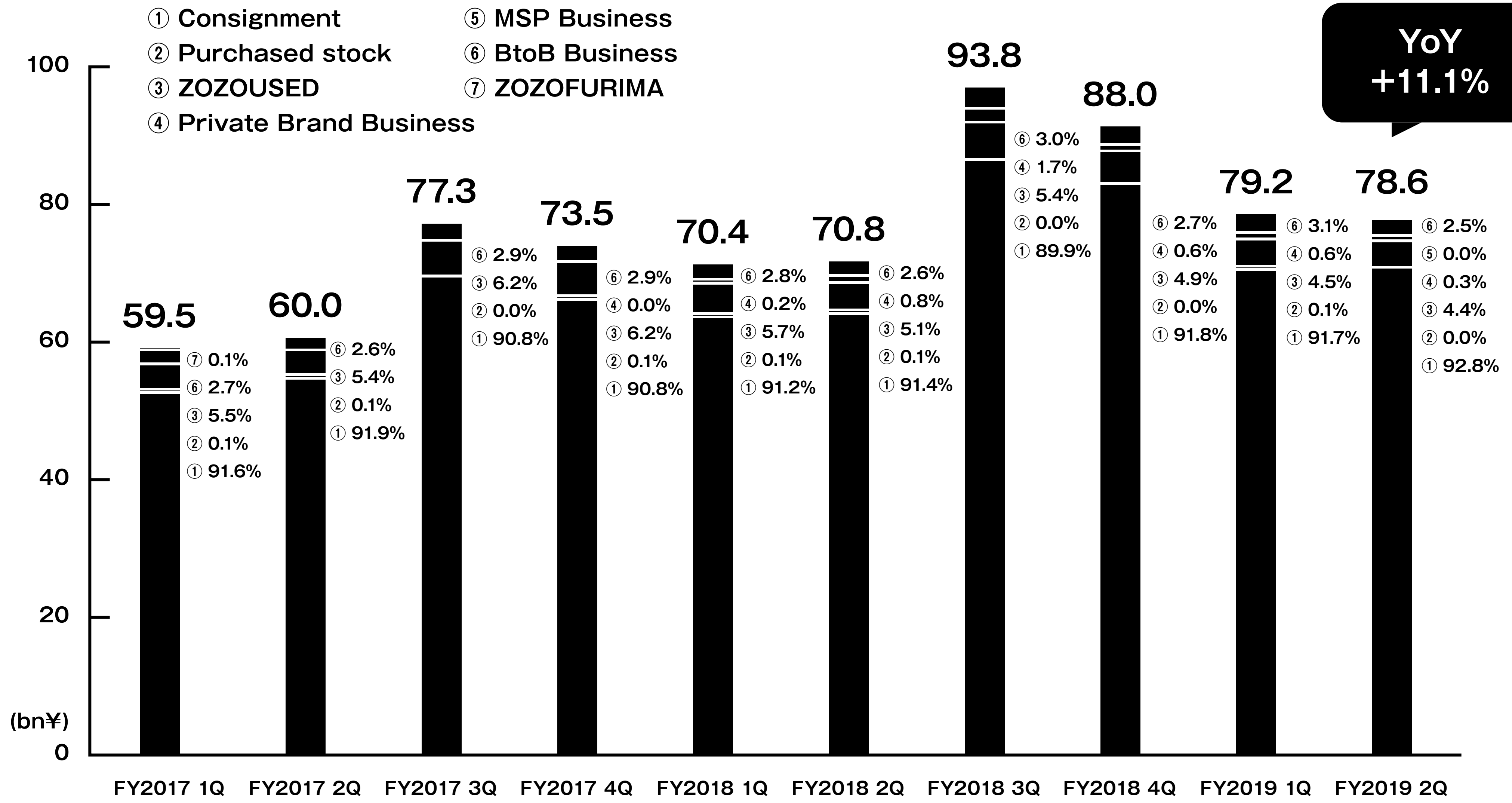


GROSS MERCHANDISE VALUE



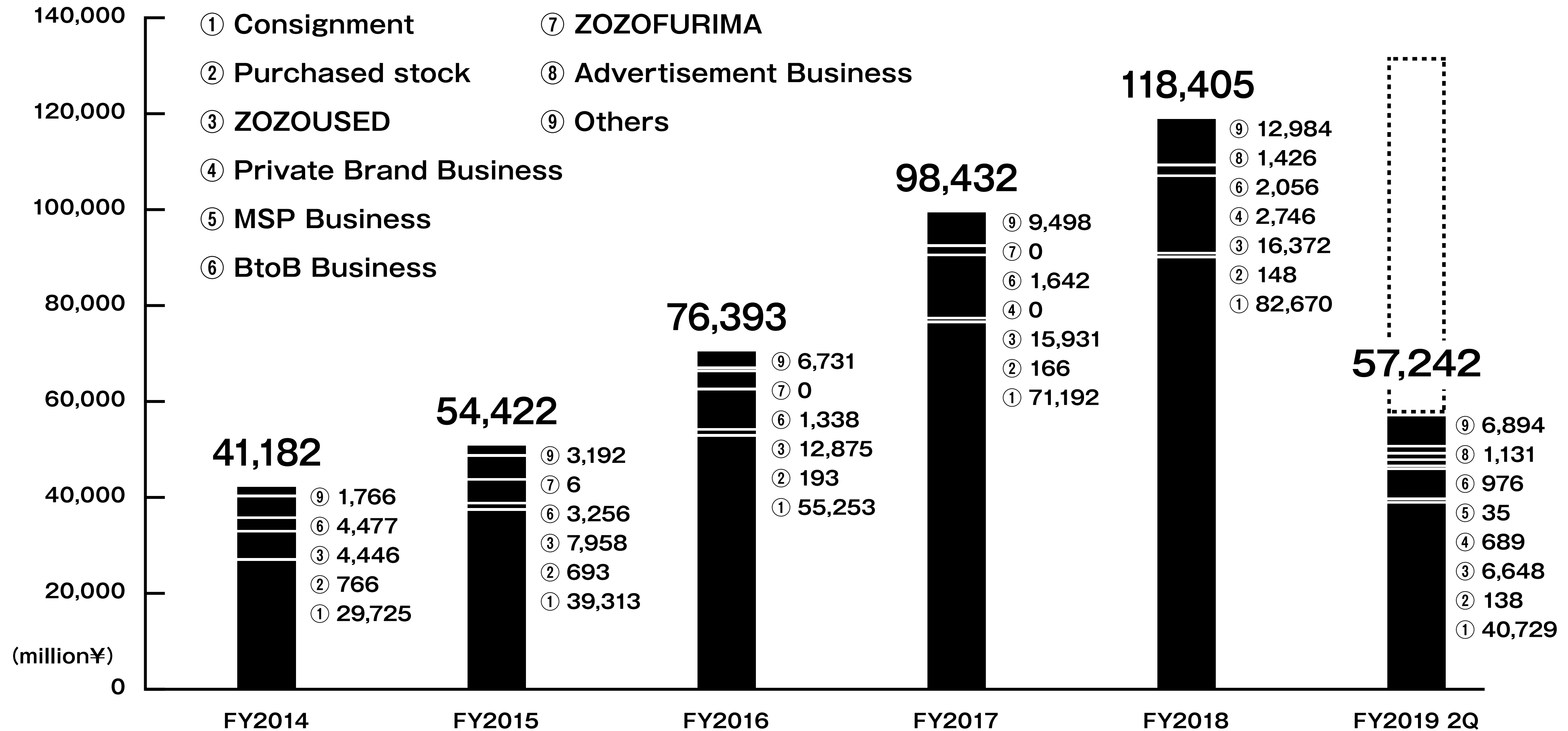
* ZOZO FURIMA Business ended on June 30, 2017.

GROSS MERCHANDISE VALUE(QUARTERLY)



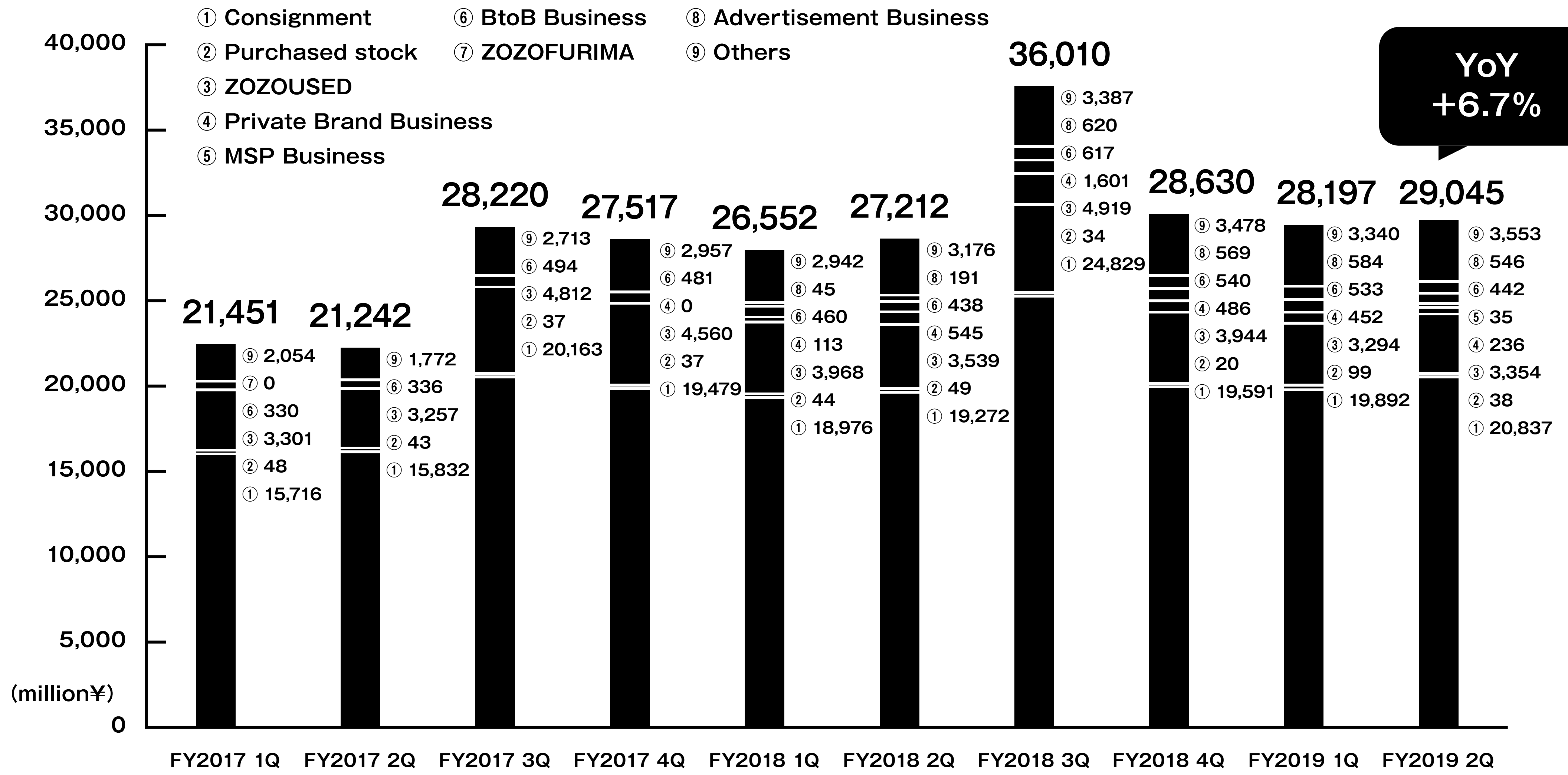
* ZOZO FURIMA Business ended on June 30, 2017.

NET SALES



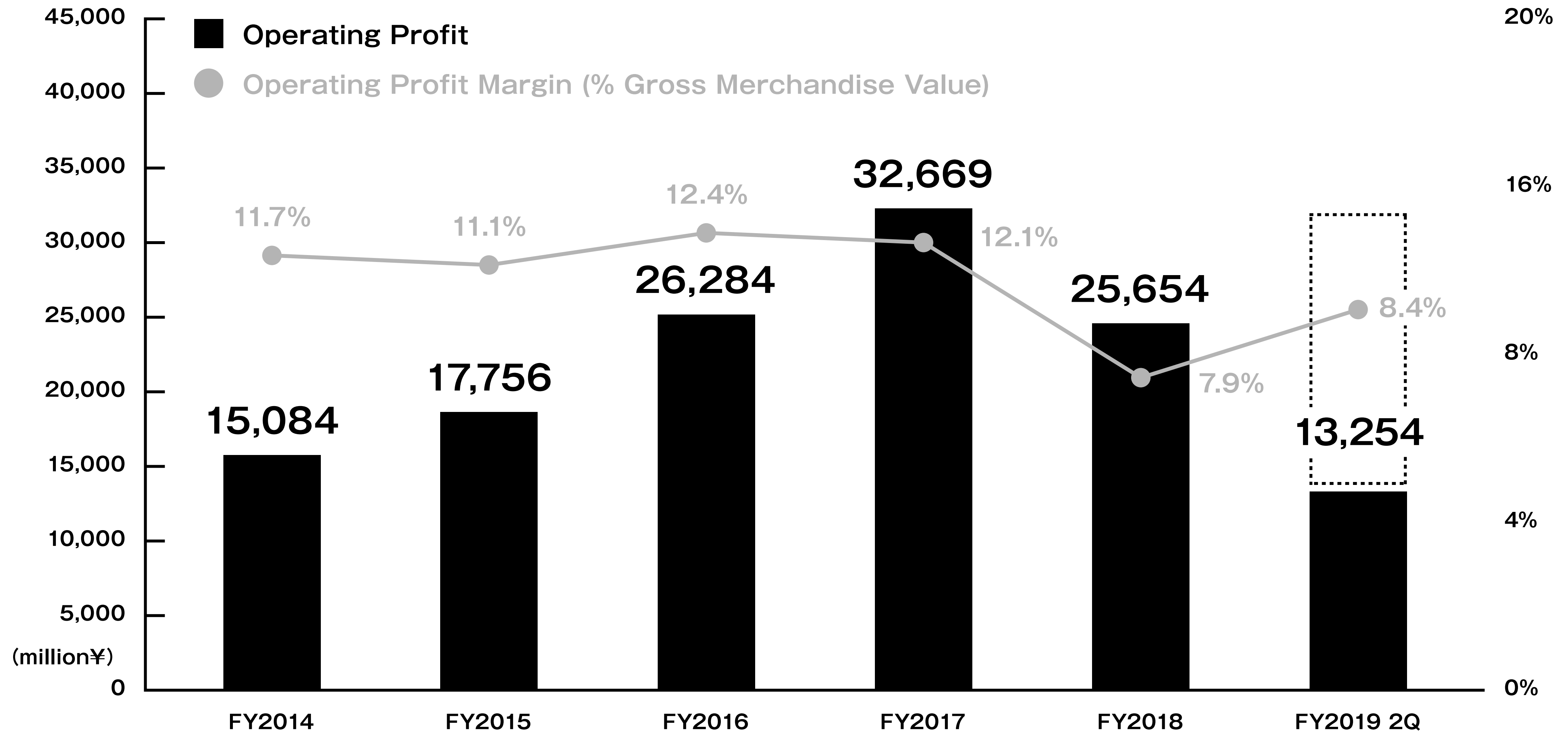
* ZOZO FURIMA Business ended on June 30, 2017.

NET SALES(QUARTERLY)



* ZOZO FURIMA Business ended on June 30, 2017.

OPERATING PROFIT AND OPERATING PROFIT MARGIN



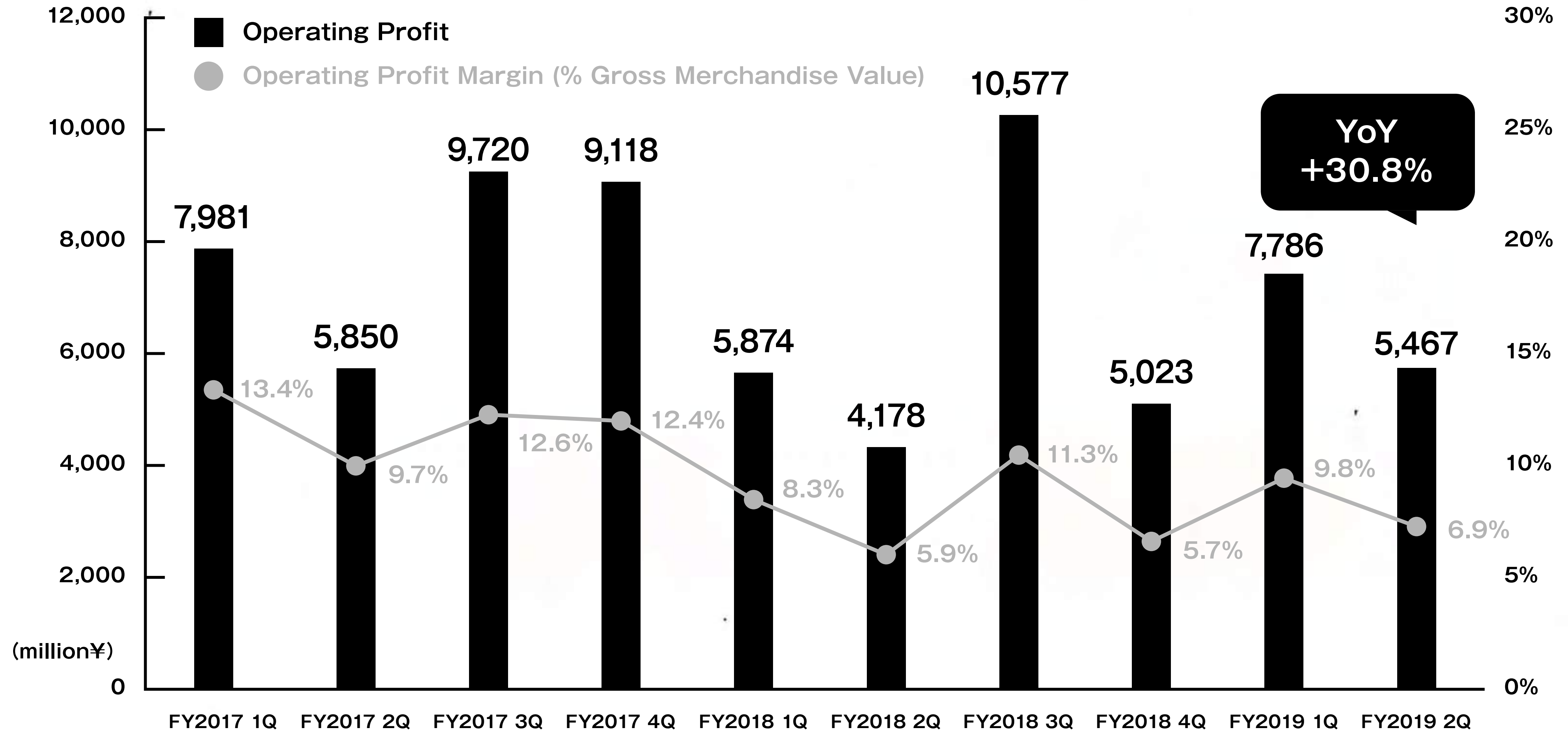
SELLING, GENERAL AND ADMINISTRATIVE(SG&A) EXPENSES

(million¥)

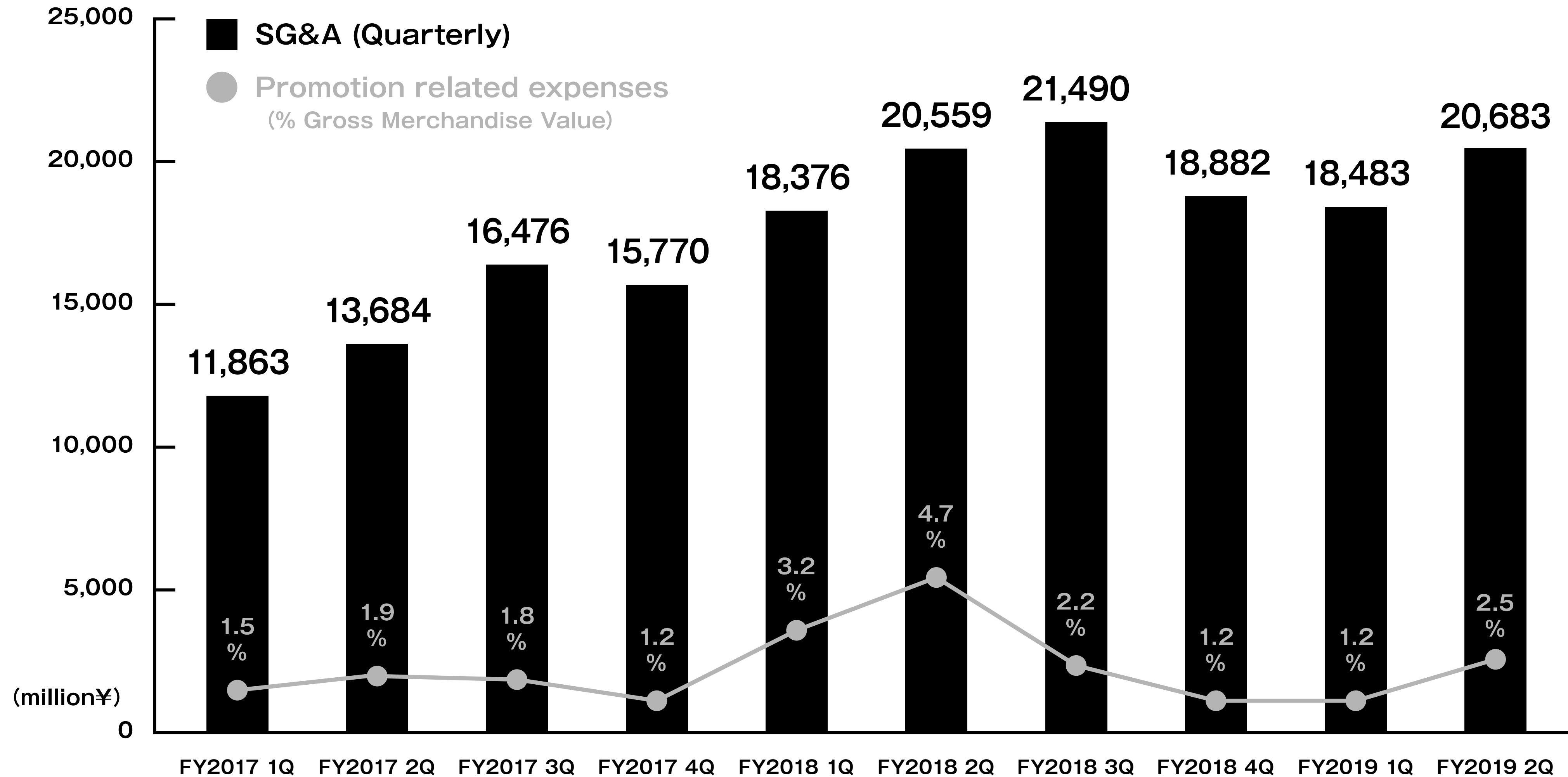
	FY2018 2Q		FY2019 2Q		YOY	Increase decrease factors
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	%Gross Merchandise Value	
Payroll and staff costs(*)	9,842	7.0%	10,734	6.8%	-0.2%	
Payroll costs for employee	4,048	2.9%	3,958	2.5%	-0.4%	Transition of the number of employees on consolidated basis: 1,031 FY2018 2Q → 1,139 FY2019 2Q / Decrease due to the change in bonus payment policy
Logistics-Related Expenses (Including Outsourcing)	5,794	4.1%	6,776	4.3%	0.2%	Increase in the ratio due to a decrease in average retail price / Increase in Shipping expenses between logistics centers
Outsourcing Commission (Excluding Logistics-Related Expenses)	2,013	1.4%	2,136	1.4%	0.0%	
Shipping	9,741	6.9%	10,522	6.7%	-0.2%	Decrease in the number of ZOZOSUIT distribution
Commission of Payment collection	4,108	2.9%	4,530	2.9%	0.0%	
Promotion related expenses	5,560	3.9%	2,921	1.9%	-2.0%	
Advertising	4,290	3.0%	717	0.5%	-2.5%	Decrease in the number of ZOZOSUIT distribution
Reward points related expenses	1,269	0.9%	2,204	1.4%	0.5%	Increase in the number of reward points initiatives
Rent expense	1,748	1.2%	2,373	1.5%	0.3%	Increase due to an increase in the number of logistics bases
Depreciation	624	0.4%	854	0.5%	0.1%	
Amortization of goodwill	238	0.2%	279	0.2%	0.0%	
Stock Compensation Expenses	179	0.1%	-100	-0.1%	-0.2%	
Others	4,878	3.5%	4,913	3.1%	-0.4%	Costly one-time expenses in last fiscal year
Total SG&A	38,936	27.6%	39,167	24.8%	-2.8%	

* 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 (QUARTERLY)



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



OVERVIEW OF SG&A BY EACH QUARTER

(million¥)

	FY2018								FY2019			
	1Q		2Q		3Q		4Q		1Q		2Q	
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value
Payroll and staff costs(*)	4,825	6.9%	5,017	7.1%	5,706	6.1%	5,325	6.0%	5,219	6.6%	5,515	7.0%
Payroll costs for employee	1,988	2.8%	2,060	2.9%	2,018	2.2%	1,950	2.2%	1,940	2.4%	2,017	2.6%
Logistics-Related Expenses (Including Outsourcing)	2,836	4.0%	2,957	4.2%	3,688	3.9%	3,375	3.8%	3,278	4.1%	3,498	4.4%
Outsourcing Commission (Excluding Logistics-Related Expenses)	995	1.4%	1,017	1.4%	1,257	1.3%	1,290	1.5%	1,023	1.3%	1,112	1.4%
Shipping	4,665	6.6%	5,076	7.2%	5,631	6.0%	5,090	5.8%	5,011	6.3%	5,511	7.0%
Commission of Payment collection	2,030	2.9%	2,077	2.9%	2,633	2.8%	2,335	2.7%	2,243	2.8%	2,286	2.9%
Promotion related expenses	2,228	3.2%	3,331	4.7%	2,091	2.2%	1,079	1.2%	927	1.2%	1,994	2.5%
Advertising	1,548	2.2%	2,741	3.9%	1,240	1.3%	534	0.6%	378	0.5%	339	0.4%
Reward points related expenses	679	1.0%	590	0.8%	851	0.9%	544	0.6%	548	0.7%	1,655	2.1%
Rent expense	856	1.2%	891	1.3%	1,116	1.2%	1,163	1.3%	1,169	1.5%	1,203	1.5%
Depreciation	290	0.4%	333	0.5%	430	0.5%	463	0.5%	442	0.6%	412	0.5%
Amortization of goodwill	119	0.2%	119	0.2%	119	0.1%	119	0.1%	140	0.2%	139	0.2%
Stock Compensation Expenses	—	—	179	0.3%	-99	-0.1%	30	0.0%	-6	0.0%	-93	-0.1%
Others	2,365	3.4%	2,513	3.5%	2,603	2.8%	1,984	2.3%	2,312	2.9%	2,601	3.3%
Total SG&A	18,376	26.1%	20,559	29.0%	21,490	22.9%	18,882	21.4%	18,483	23.3%	20,683	26.3%

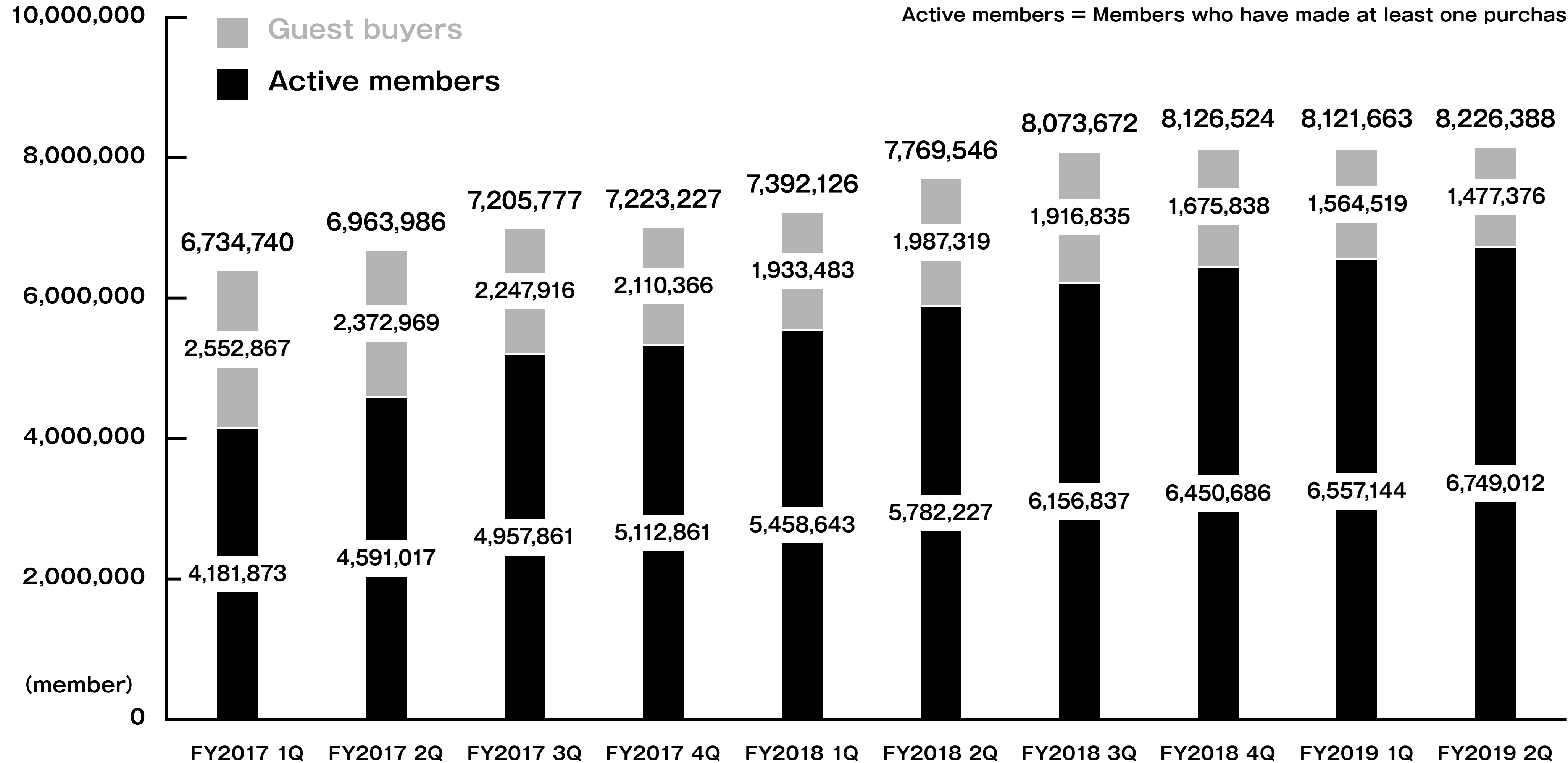
* Payroll includes directors' remuneration, employee salaries, bonus, legal welfare expenses, welfare expenses, retirement benefits cost, provision for employee bonus, expenses of company pension premium, subcontracting payroll, a portion of expenses at logistics centers operation. "Employee" includes 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.

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"

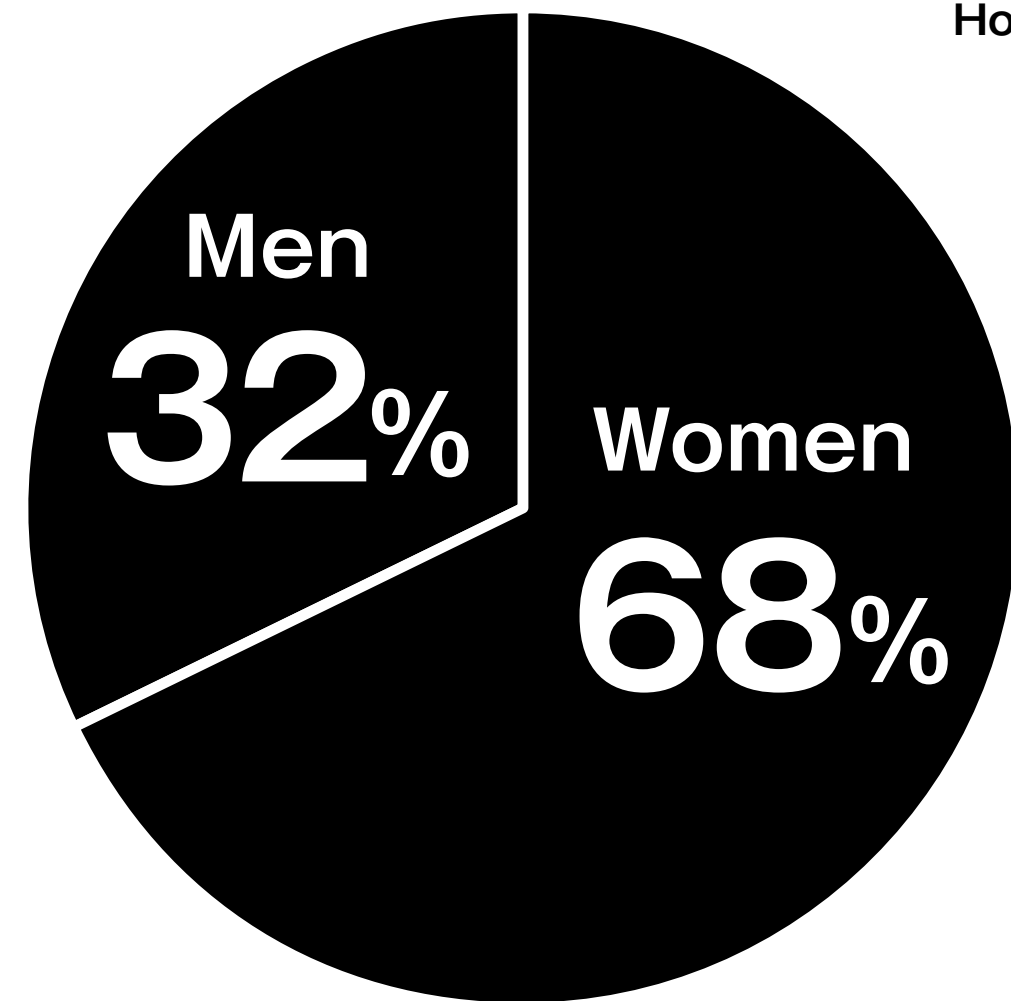
NUMBER OF SHOPS ON ZOZOTOWN



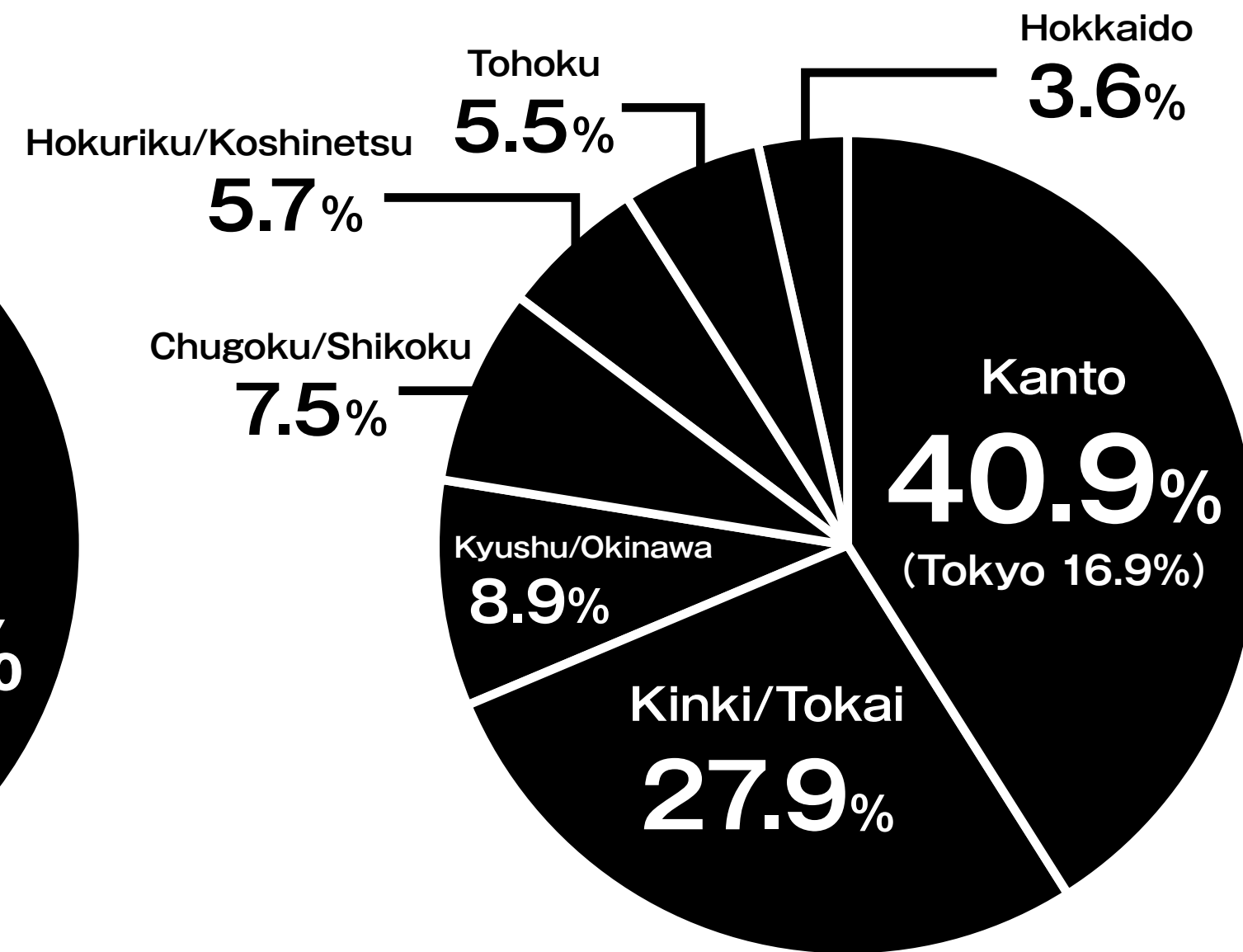
※Shops of the private brand "ZOZO" and "Multi-Size" are not included to the number of shops

ACTIVE MEMBER DISTRIBUTION

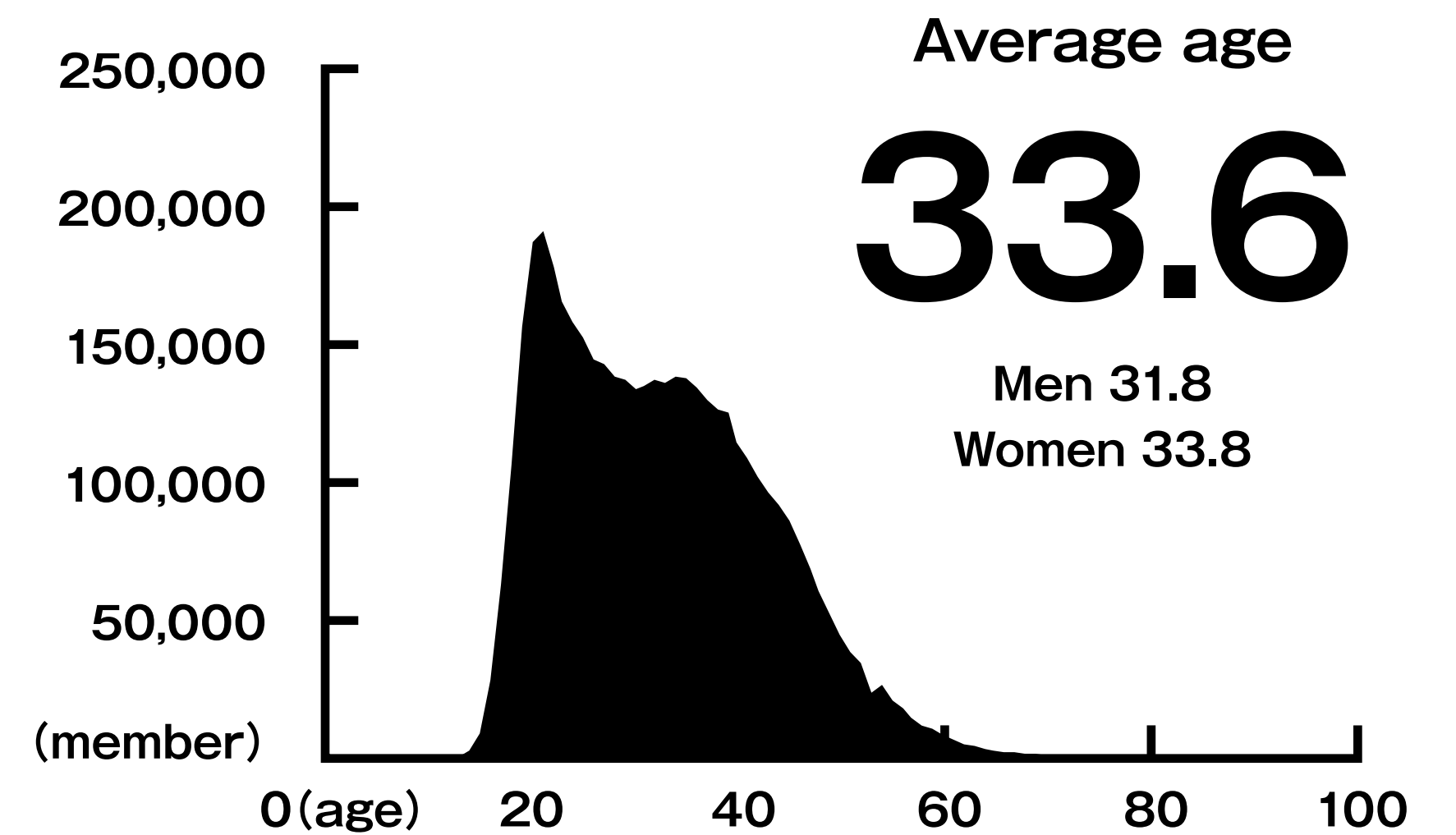
Gender ratio



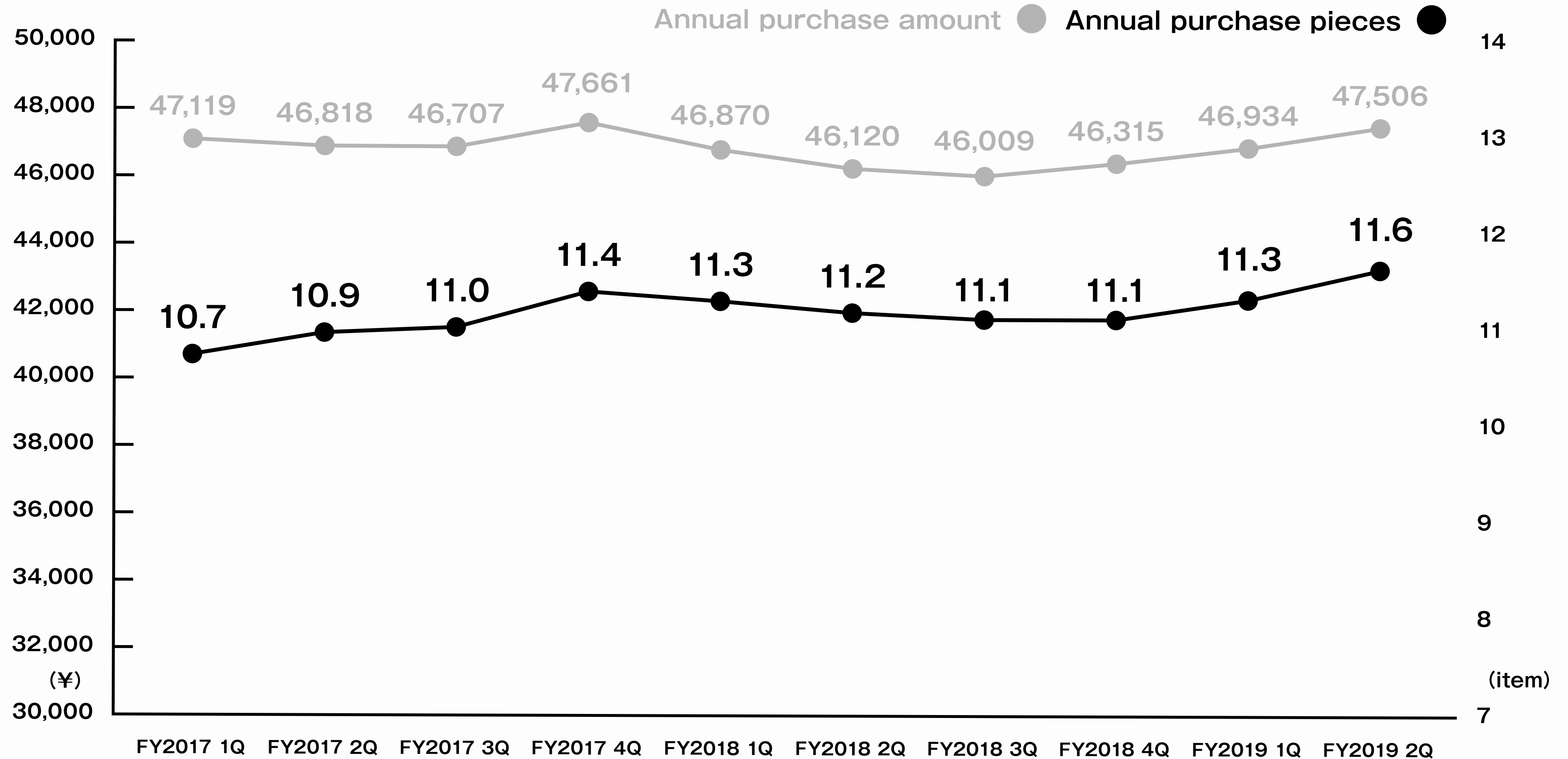
Geographical distribution



Age distribution

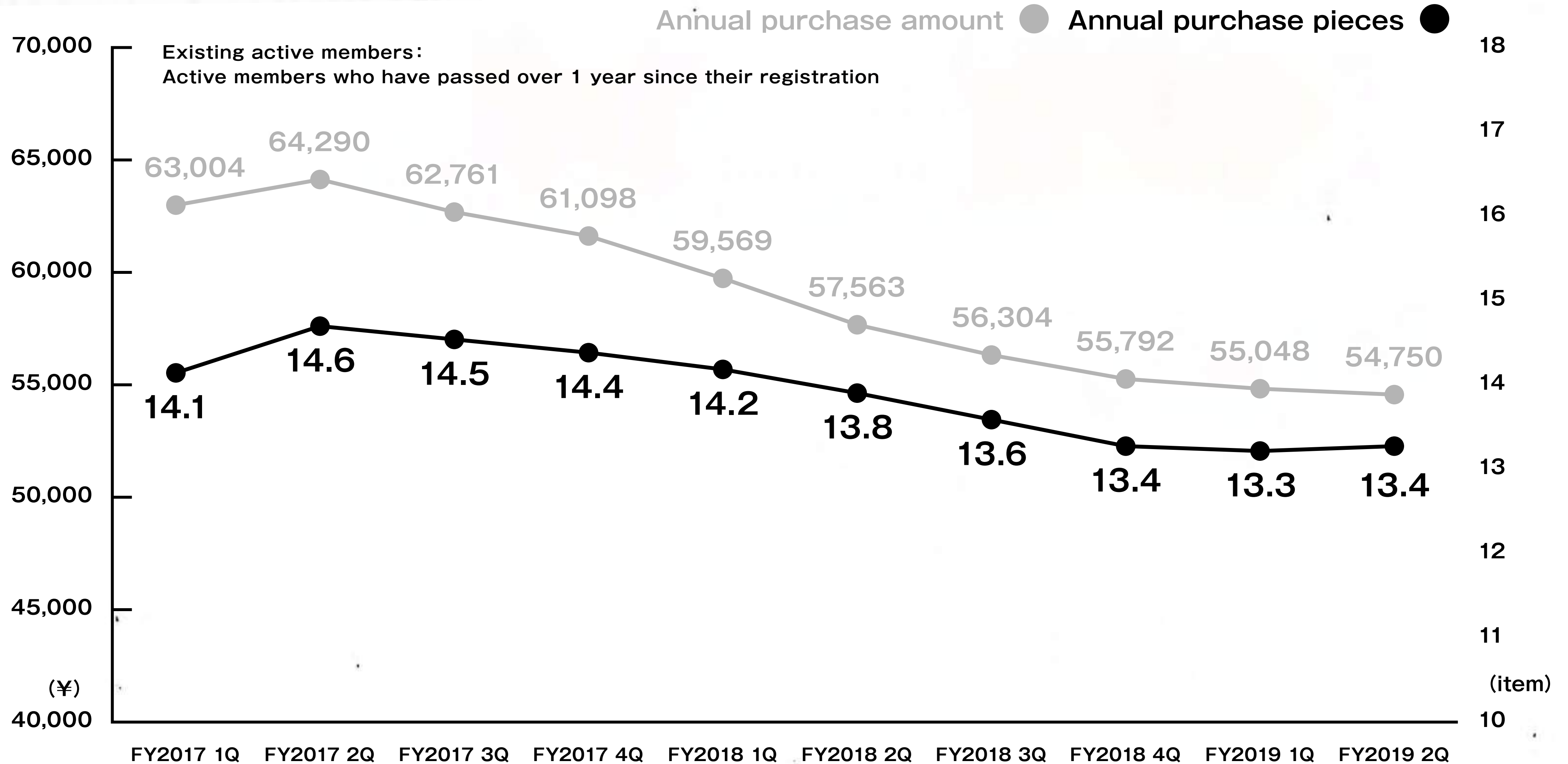


ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



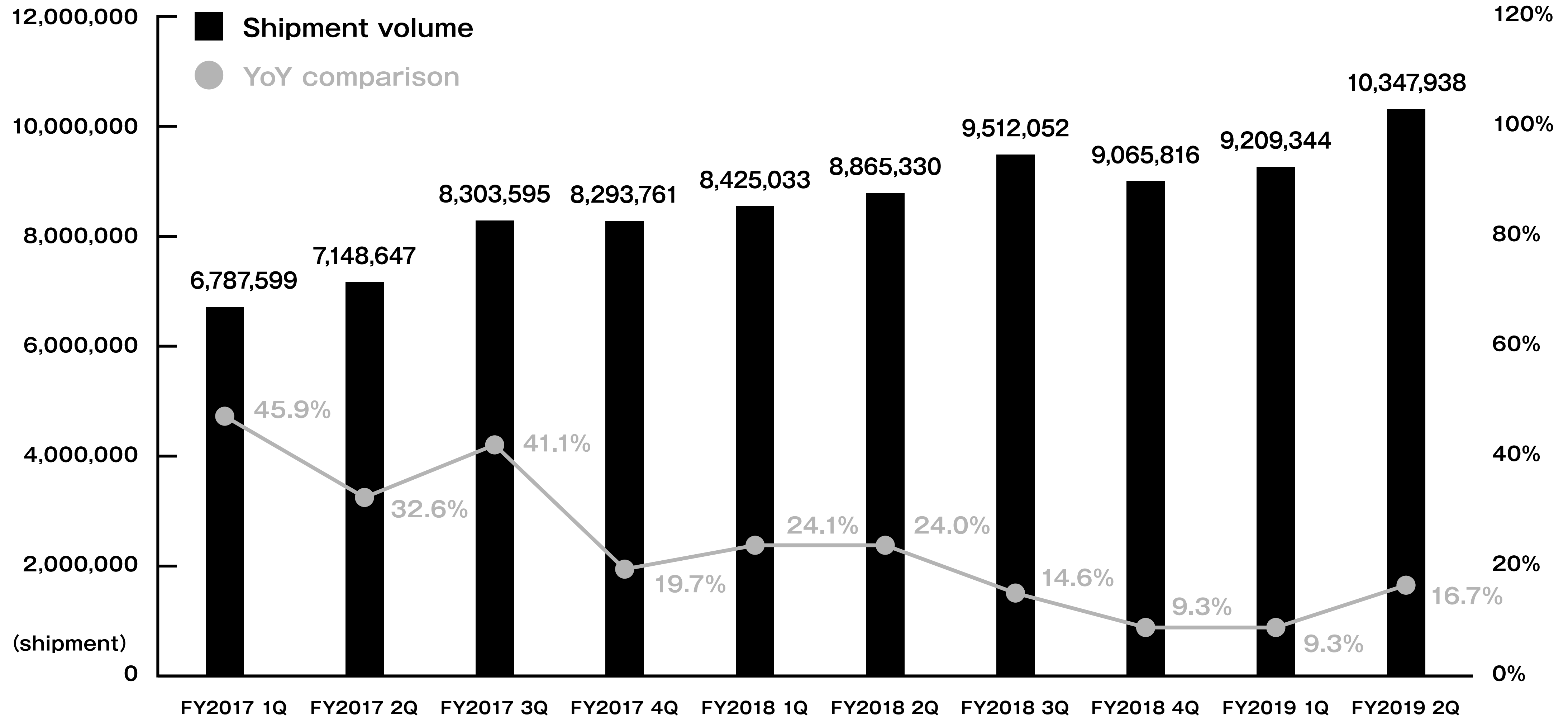
* Excluding the users only purchased the body measurement device "ZOZOSUIT"

ANNUAL PURCHASE AMOUNT AND PIECES PER EXISTING ACTIVE MEMBER



* Excluding the users only purchased the body measurement device "ZOSOSUIT"

NUMBER OF SHIPMENTS

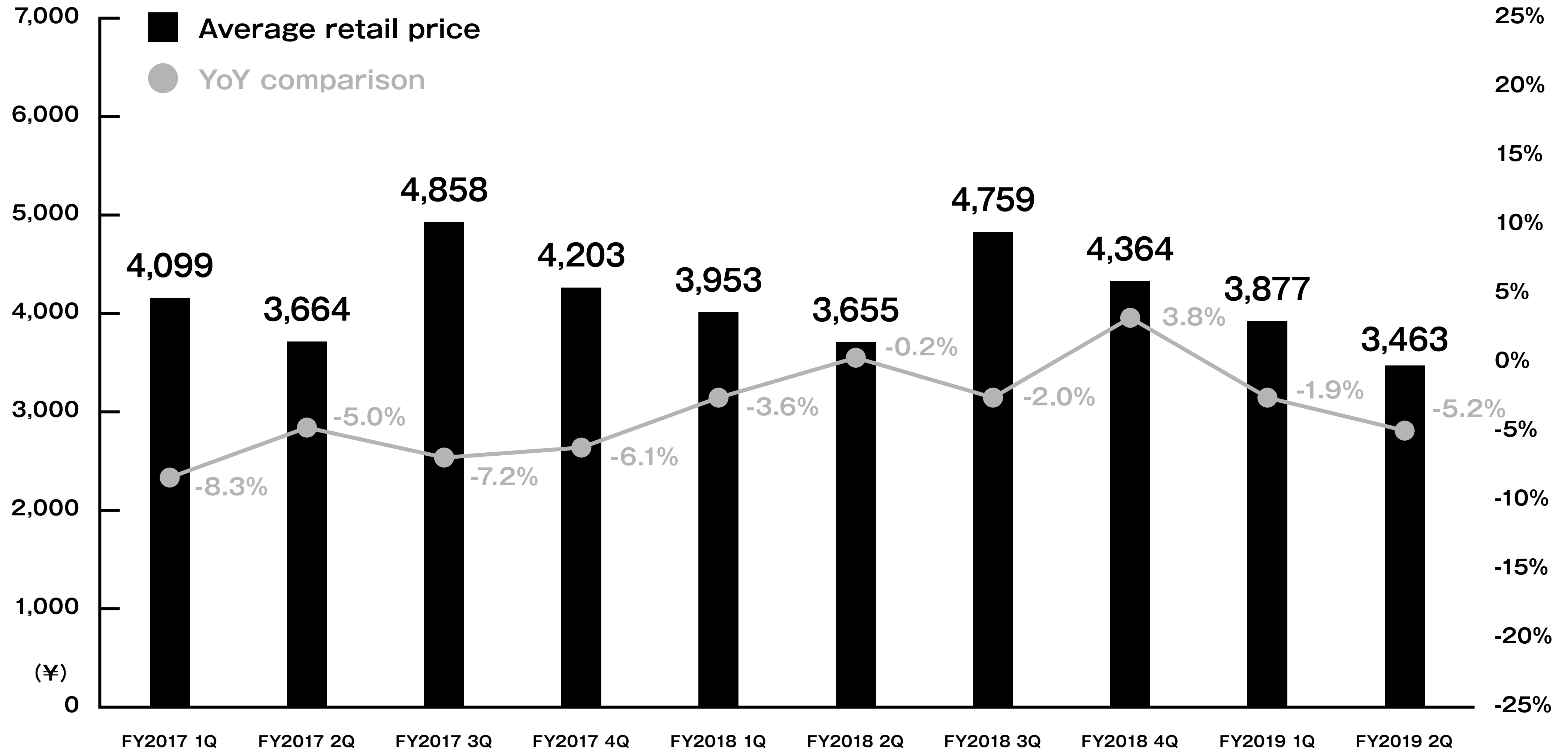


* Excluding the number of shipments of the body measurement device "ZOZOSUIT" only.

* The numbers of shipments are the combined results of the ZOZOTOWN business, the PB business, and the MSP business

AVERAGE RETAIL PRICE

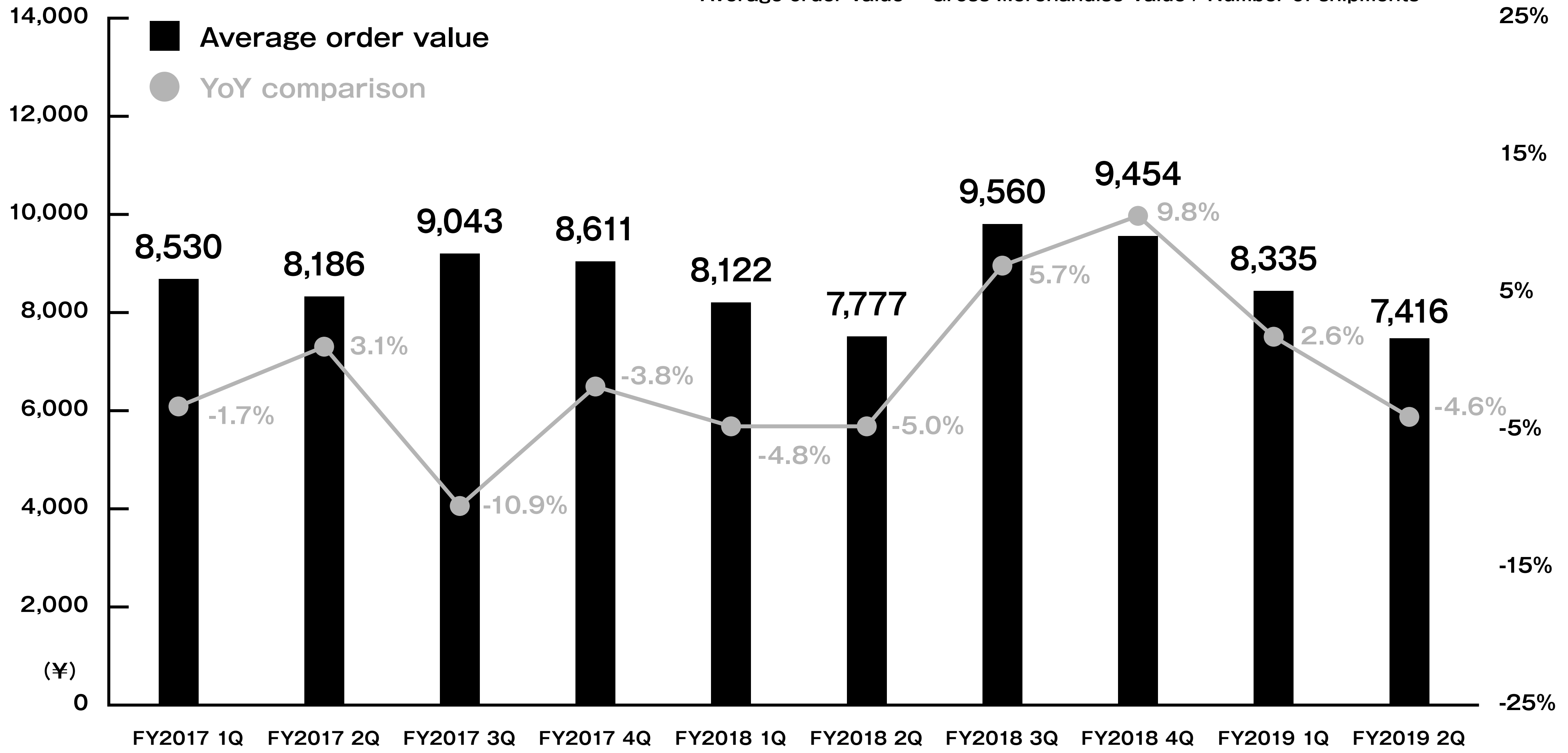
Average retail price = Gross Merchandise Value / Number of pieces



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

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



BUSINESS PLAN FOR FY2019

2Q FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS

CONSOLIDATED BUSINESS FORECAST AND DIVIDEND FORECAST FOR FY2019

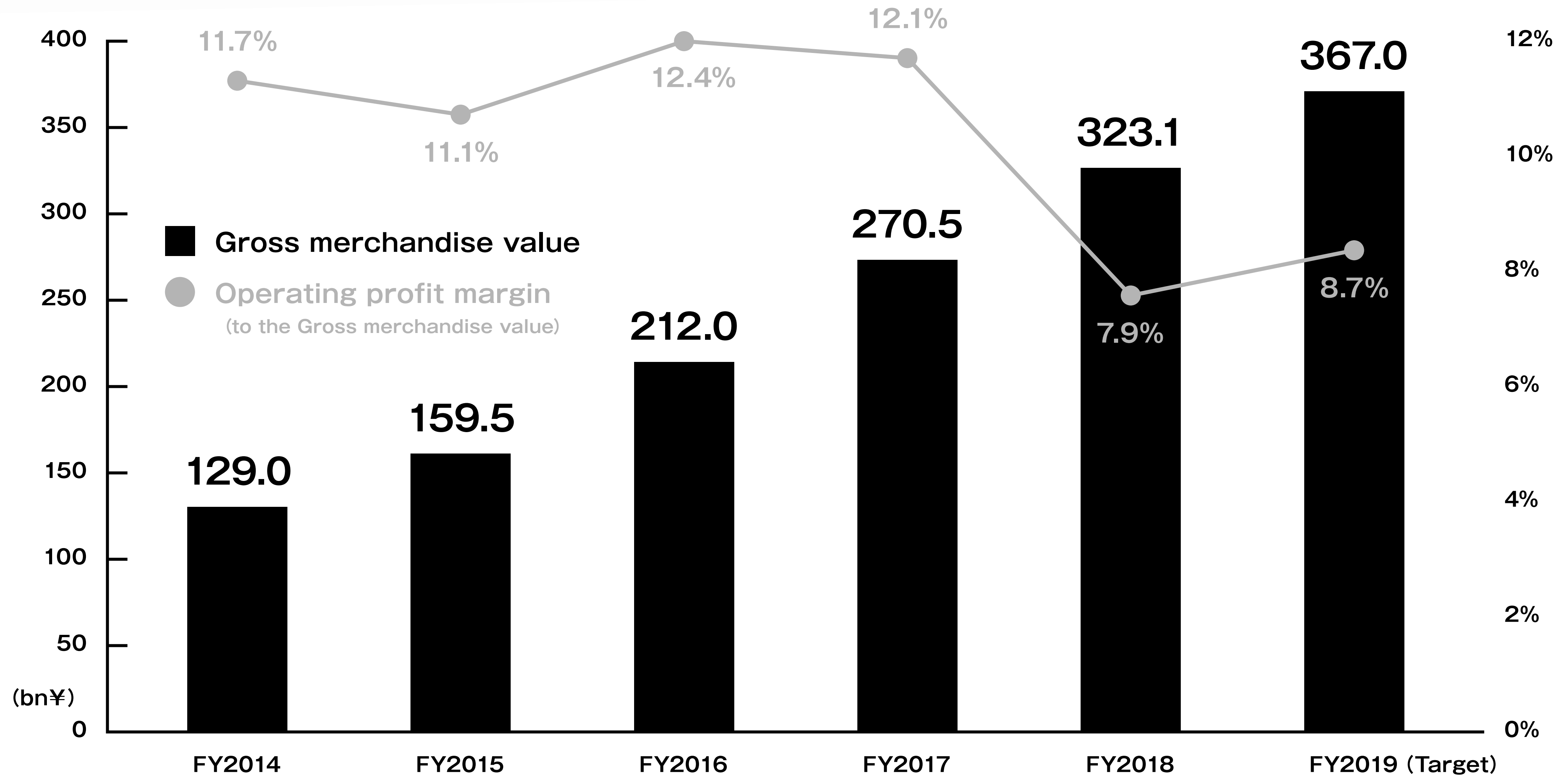
	FY2019 Plan	YoY
Gross Merchandise Value	367.0 billion yen	+13.6%
Net Sales	136.0 billion yen	+14.9%
Operating Profit	32.0 billion yen	+24.7%
Operating Profit Margin (to the Gross Merchandise Value)	8.7%	—
Ordinary Profit	32.0 billion yen	+24.4%
Profit attributable to owners of parent	22.5 billion yen	+40.8%
Net profit per share	73.7 yen	—
Estimated dividends per share (Plan)	30.0 yen	—

FY2019 TARGET BY BUSINESS SEGMENT

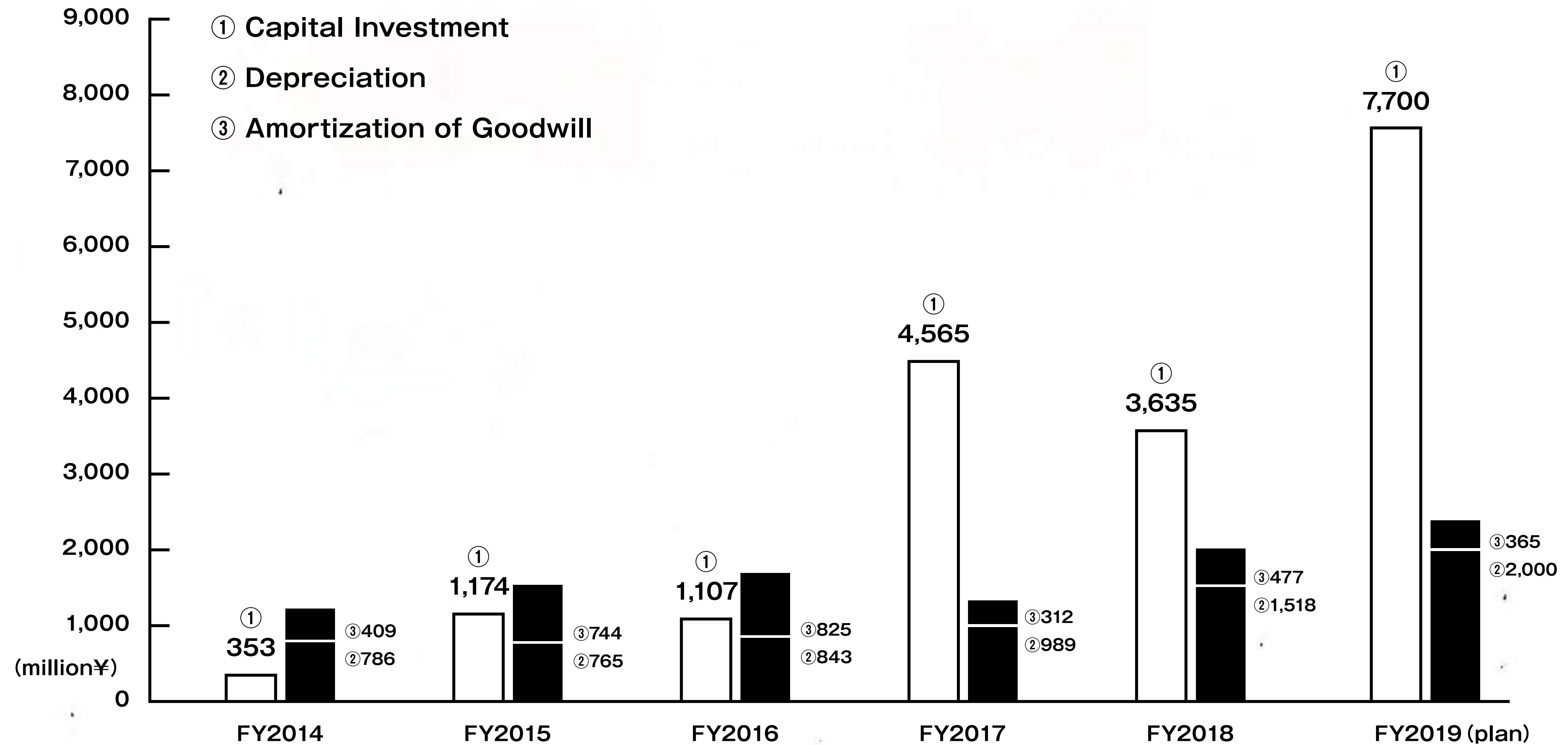
	Target for Gross Merchandise Value	YoY
ZOZO Group	367.0 billion yen	+ 13.6%
ZOZOTOWN Business	355.4 billion yen	+ 14.4%
• Consignment Business	338.5 billion yen	+ 15.0%
• ZOZOUSED	16.9 billion yen	-0.4%
BtoB Business	8.9 billion yen	-1.3%
Private Brand Business	1.7 billion yen	-38.5%
MSP Business	1.0 billion yen	—

	Target for Net Sales	YoY
Advertisement Business	2.1 billion yen	+47.2%

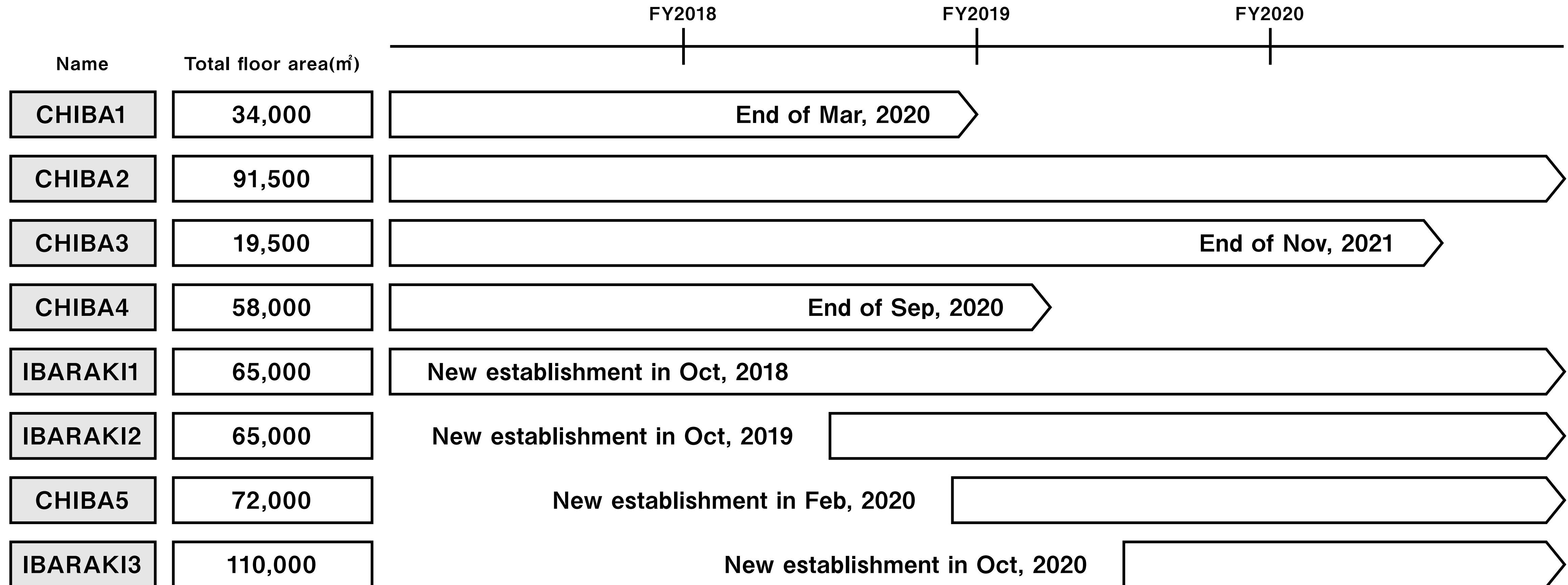
Gross Merchandise Value & Operating Profit Margin



CAPITAL INVESTMENT

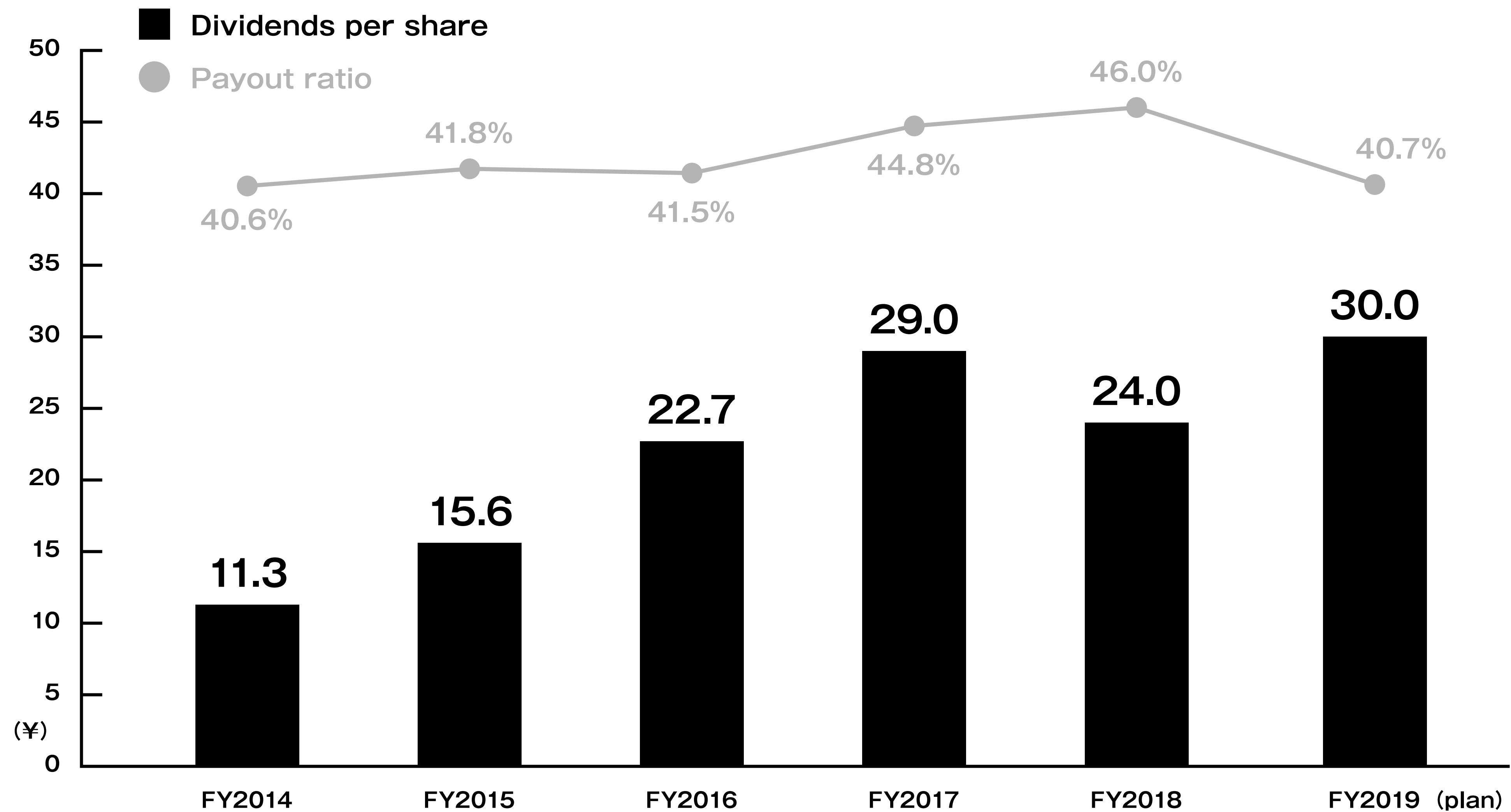


LOGISTICS BASES EXPANSION PLAN



* CHIBA2 and IBARAKI1 are warehouses with shipping function

DIVIDENDS PER SHARE AND PAYOUT RATIO



CASH FLOWS

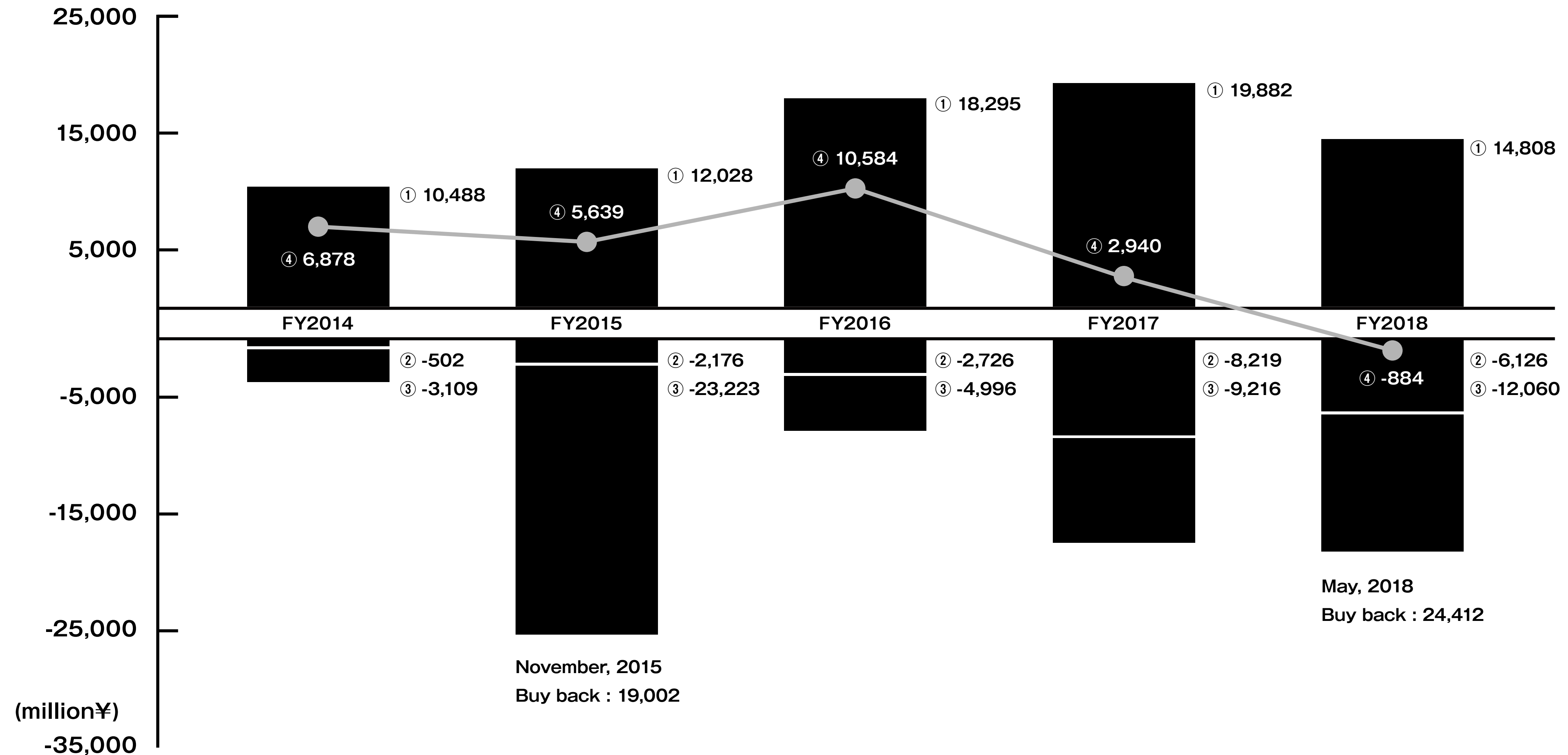
① Cash flows from operating activities

② Cash flows from investing activities

③ Cash flows from financing activities

④ Substantial free cash flows

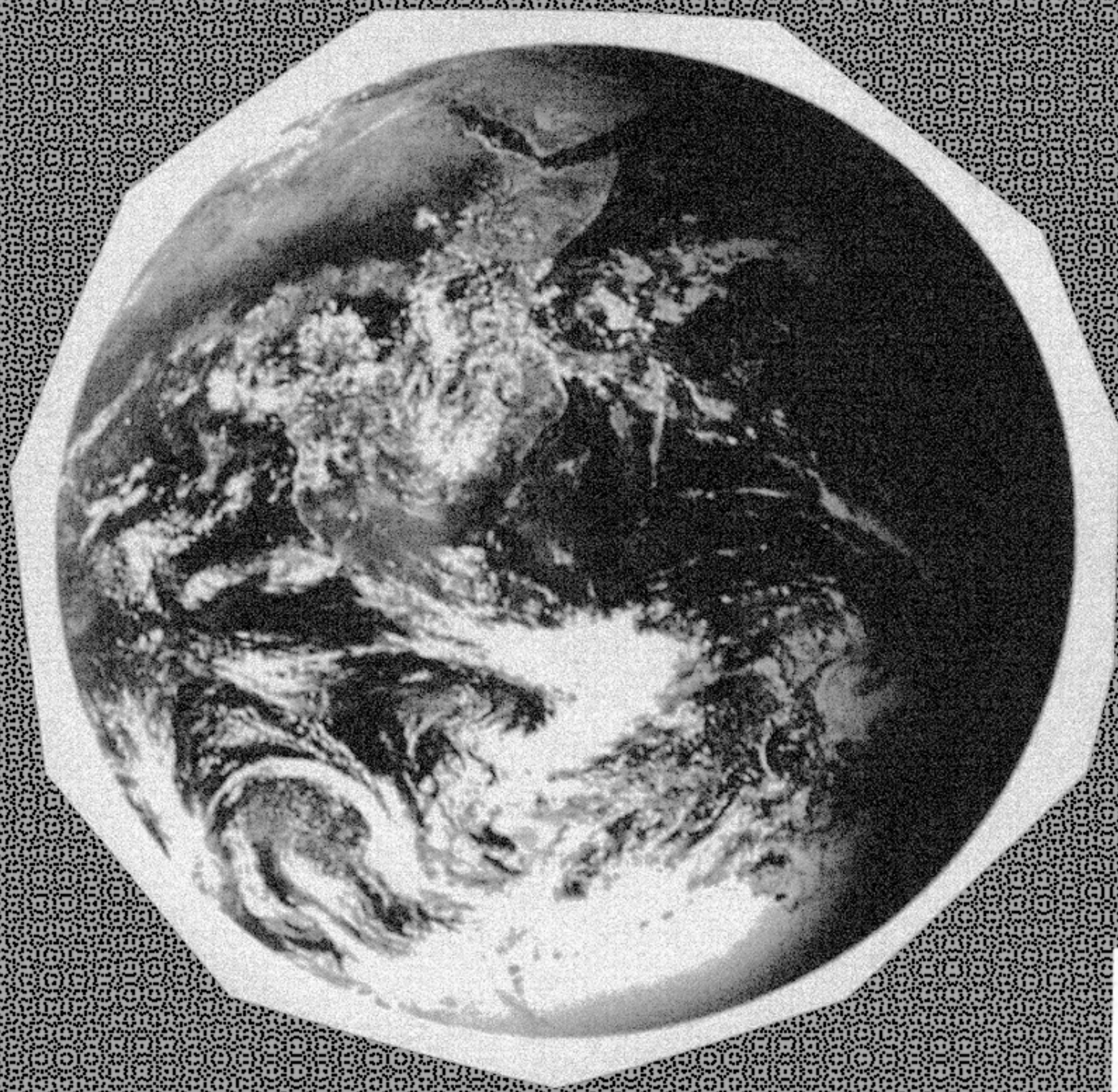
① + ② - Expenditure from dividends





REFERENCE DATA

2Q FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS



Corporate

Philosophy

世界中をカッコよく、
世界中に笑顔を。

Make the world a better place,
Bring smiles to the world.

Be unique. Be equal.



STATISTICS OF ZOZO

EMPLOYEES

1,139

(Average age 33.0 years old)

SHARE HOLDERS

38,117

NUMBER OF BRANDS HANDLED

7,305

ZOZOTOWN TOTAL BUYERS

(1 year basis)

8.22 million

MAJOR SERVICES

ZOZOTOWN Japan's Largest Online Retailer of Apparel and Accessories

- 1,312 stores offering 7,305 brands.
- At any given time, more than 730,000 items are available with an average of 3,200 new items added everyday.
- Systems, design, to fulfillment, all functions are built in house.



WEAR Japan's largest fashion coordination app

- When uploading coordinate pictures, tag each item worn in the look, using information on our data base. The systems allows anyone to search for coordinates and items by various queries.
- Official users who we call WEARISTAs, include popular models, singers, actors and actresses.
- Over 13.0 million DL
- Now available in all geographic areas.



Private Brand "ZOZO"

- Operates in ZOZOTOWN.
- The brand offers basic items based on individual customer's body size.
- Depending on characteristics of items, sizes are available in either multi-sized or custom made.



OUR SUBSIDIARIES

ZOZO Technologies, Inc.

System development, web design, CRM,
Technological development, R&D

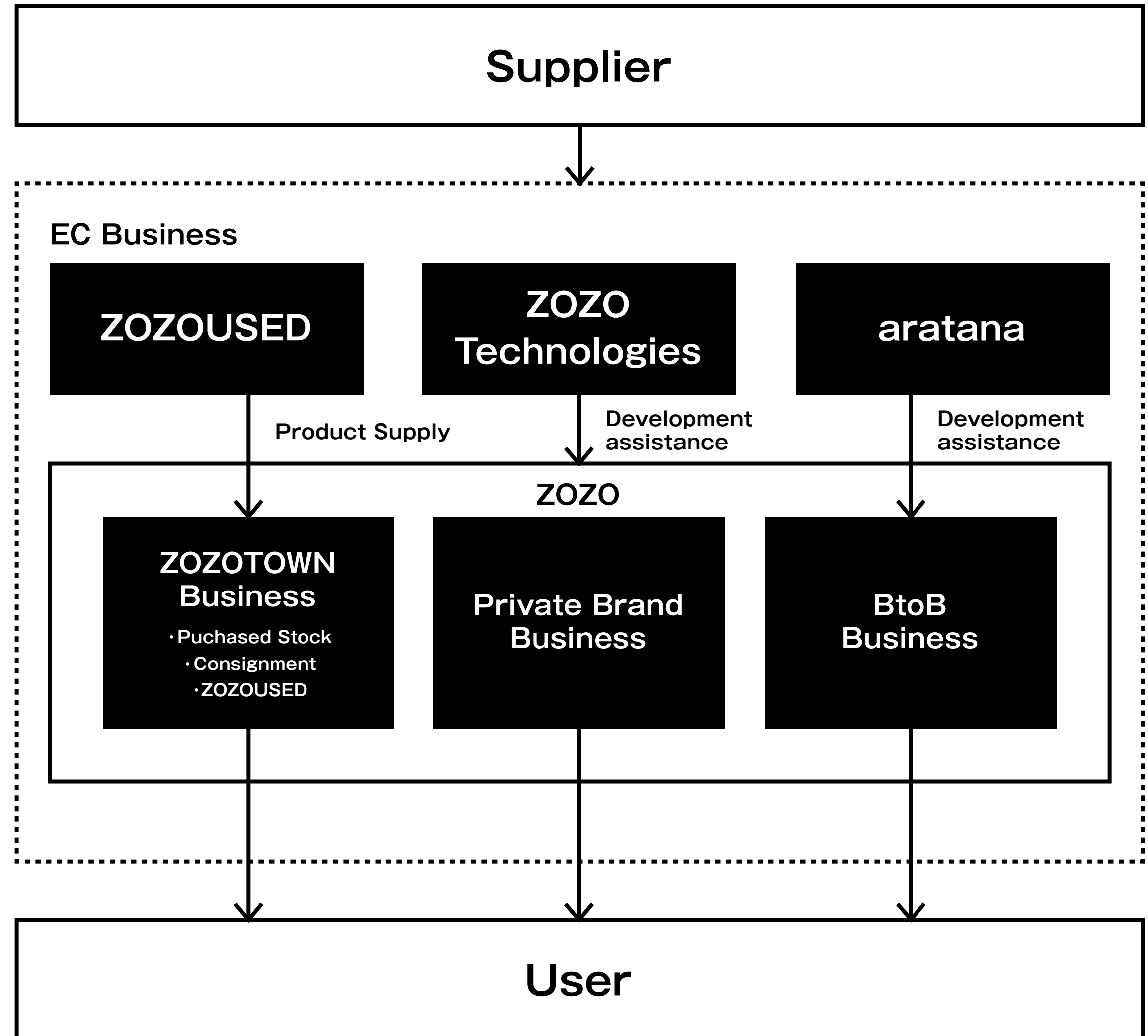
ZOZOUSED, Inc.

A business operated by reselling second hand apparel items
purchased from our users

* ZOZOUSED will be absorbed by ZOZO effective from November 1, 2019 (planned).

aratana, Inc.

Specializes in building EC sites, web marketing,
web security systems, and EC related applications



BUSINESS MODEL

ZOZOTOWN Business

○ Consignment

We operate 1,307 shops as consignment businesses.
This business model allows us to carry a certain amount of products from the brands, while giving us low inventory risk.
Sales = Gross merchandise value* of each store × commission rate

○ Purchased Stock

We operate 5 stores within ZOZOTOWN,
which offer products we purchase from brands.
Sales = Gross merchandise value* generated by each store

○ ZOZOUSED Business

We purchase used fashion products from our users,
and resell them as a second-hand business.
Sales = Gross merchandise value* of purchase stock
+ Consignment commission of marketplace

Private Brand Business

Under the brand name “ZOZO”, it manufactures and sells basic items based on individual customer’s body size. Using data measured by the body measurement device “ZOZOSUIT” which developed in-house, and sell items at ZOZOTOWN.
Sales = Gross merchandise value* of private brand items

MSP Business

Manufacture and sell a portion of items from shops with strong user demands, by leveraging the know-how of manufacturing clothes in a variety of sizes which gathered in the company, sales capability and planning ability of shops on ZOZOTOWN.
Sales = Gross merchandise value of MSP items

BtoB Business

We help develop and operate online shops on behalf of various brands, such as “United Arrows”. We currently provide back-end service to 28 stores.
Sales = Gross merchandise value of these online shops × commission rate
* Above sales includes other sales such as initial shop opening commission, shipping income etc.

Advertisement Business

Advertisement business will gain advertisement income from client companies including brands by providing advertisement spots utilizing the user base of ZOZOTOWN and WEAR.
Sales = Advertisement income

* Gross merchandise values used for the calculation of sales are the amounts after deduction of discount attributable to the paid-membership service.

Appendix

Introduction of IR website <https://corp.zozo.com/en/ir-info/>

Information below are available at our IR website. Please kindly confirm.

IR News ... The latest IR information are posted in a timely manner.

<https://corp.zozo.com/en/ir/>

ESG ... Introducing our initiatives on ESG.

<https://corp.zozo.com/en/ir-info/management-policy/esg/>

Financial Highlights ... Financials for the past 3 years are available. Data can be downloaded in both PDF and excel format.

<https://corp.zozo.com/en/ir-info/financial-highlights/>

Introduction of IR Mail

By registering your email address to our IR Mail,
we will send you information pertain to our IR such as latest news releases.
If you wish to register, please make access to the following link.

* News and information will be sent through the service provided by Magical Pocket Corporation.

IR Mail Subscription <https://corp.zozo.com/ir-info/mail-magazine/>

**This material has been created for
the sole purpose of introducing the company's business activities,
and not for soliciting investments.**

**The business forecasts and the future outlook described in the material
is based on information currently available.**

**The forecast includes uncertainties such as sudden changes,
therefore actual results may differ.**



ZOZO

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