

**2020**

**FY2019**

**CONSOLIDATED**

**BUSINESS RESULTS**



KNE

# HIGHLIGHTS

FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS

# FY2019 HIGHLIGHTS

## Overview

- Gross Merchandise Value : 345,085 million yen (+6.6%,Yoy)
- Operating Profit : 27,888 million yen (+8.7%,Yoy)

## Gross Merchandise Value

### ○ ZOZOTOWN BUSINESS

Gross Merchandise Value : 324,846 million yen (+4.1%,Yoy)

Consignment Business : 308,888 million yen (+4.7%,Yoy)

Purchased Stock Business : 204 million yen (+36.4%,Yoy)

ZOZUSED Business : 15,753 million yen (-7.2%,Yoy)

- PayPay Mall : 6,199 million yen ( - )
- Private Brand Business : 1,255 million yen (-54.6%,Yoy)
- MSP Business : 752 million yen ( - )
- BtoB Business : 12,032 million yen (+33.5%,Yoy)
- Average Order Value : 8,304 yen (-12.5%,Yoy)
- Average Retail Price : 3,909 yen (-10.7%,Yoy)

# FY2019 HIGHLIGHTS

## Profitability

- Operating profit margin (to the total gross merchandise value) : **8.1%** (7.9% for FY2018)
  - Factors improving profitability : Improvement of gross profit margin due to growth in advertisement business and a decrease in discounting costs such as ZOZOARIGATO etc.
  - Factors worsening profitability : Rise in the rate of logistics-related expenses due to "ZOZO part-timer reform"(hourly pay increase), Increase in the rate of rent due to an increase in the number of logistics bases

## Topic

- Started delivery of the “ZOZOMAT” which allows users to easily measure the 3D size of a foot with a smartphone (February 2020)
- Launched “ZOZOSHORES”, a new platform exclusively dedicated to footwear, offers an unprecedented online shoe shopping experience (March 2020)
- The number of orders of the “ZOZOMAT” exceeded 1 million. In two weeks from the delivery started, more than 300,000 people measured using the “ZOZOMAT” (March 2020)
- Launch of “Multi-size” denim of “Levi’s®” in 64 sizes total for men’s/ladies’, the largest-ever number of sizes, exclusive for ZOZOTOWN (February 2020)

# BUSINESS RESULTS

FY2019 ZOZO, Inc. CONSOLIDATED BUSINESS RESULTS

# OVERVIEW OF THE FY2019

(million¥)

	FY2018	FY2019	YoY	Target	Progress Rate(%)
Gross Merchandise Value	323,819	345,085	6.6%	367,000	94.0%
Net sales	118,405	125,517	6.0%	136,000	92.3%
Gross profit	104,962	113,721	8.3%	—	—
(%Gross Merchandise Value)	32.4%	33.0%	0.6%	—	—
SG&A	79,308	85,832	8.2%	—	—
(%Gross Merchandise Value)	24.5%	24.9%	0.4%	—	—
Operating profit	25,654	27,888	8.7%	32,000	87.2%
(%Gross Merchandise Value)	7.9%	8.1%	0.2%	8.7%	—
Ordinary profit	25,717	27,644	7.5%	32,000	86.4%
Profit attributable to owners of parent	15,985	18,804	17.6%	22,500	83.6%

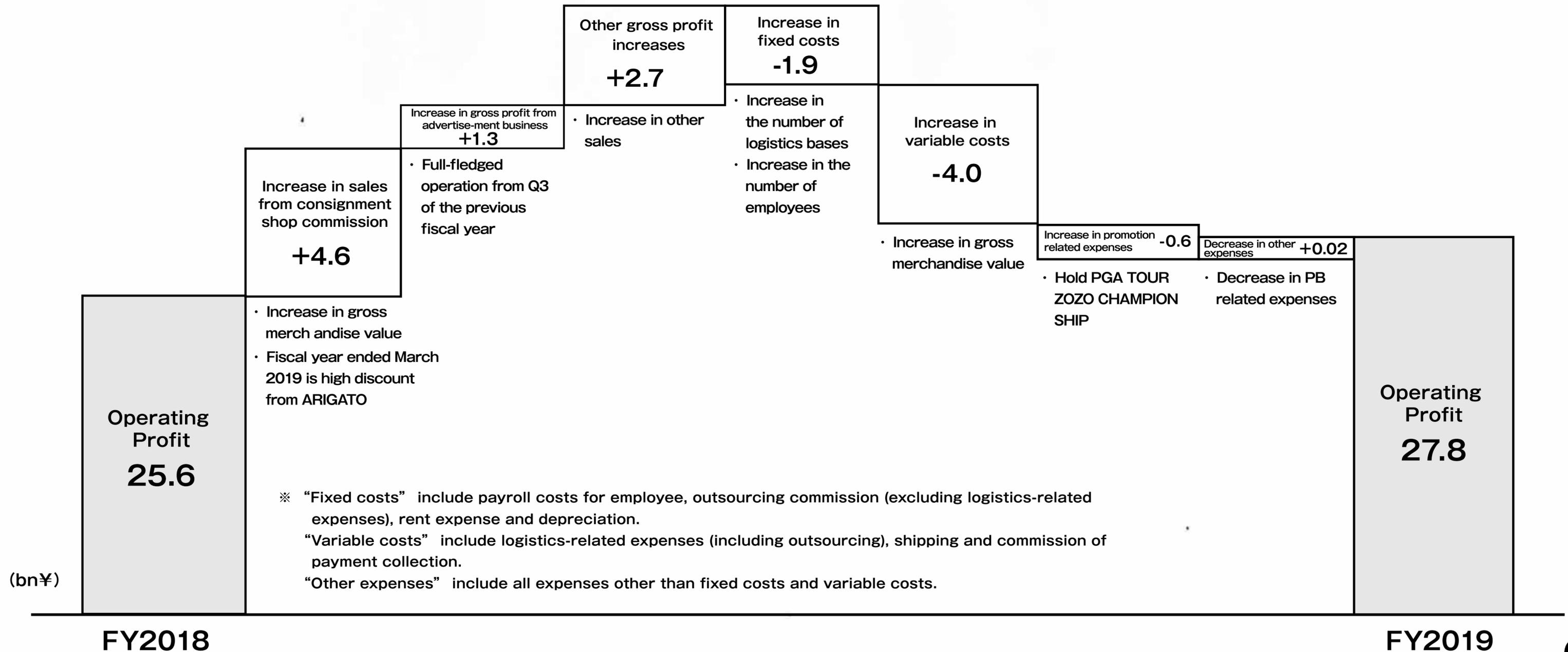
# OVERVIEW OF EACH QUARTER

(million¥)

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

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

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

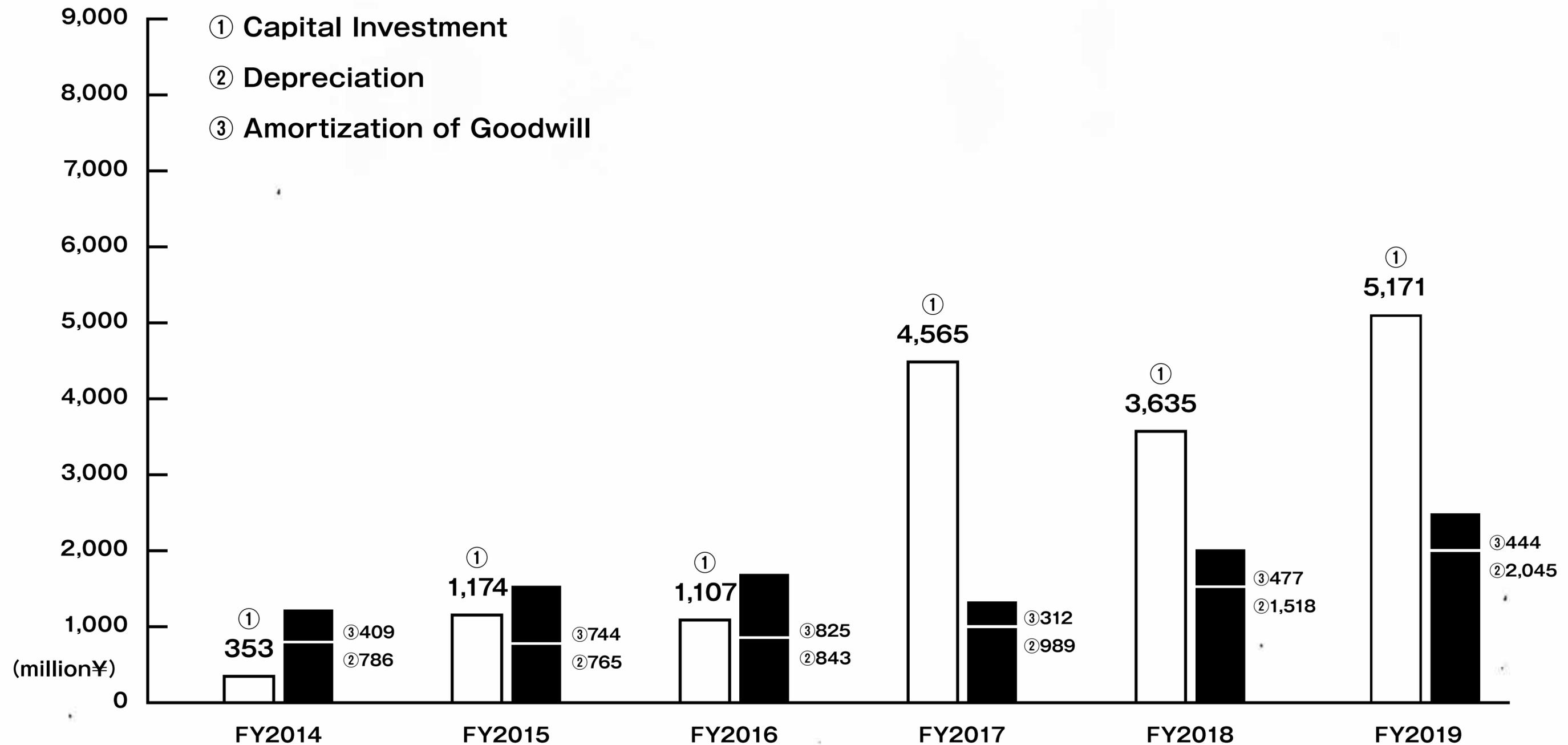


# CONSOLIDATED BALANCE SHEET

(million¥)

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

# CAPITAL INVESTMENT



# CASH FLOWS

(million¥)

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

# CASH FLOWS

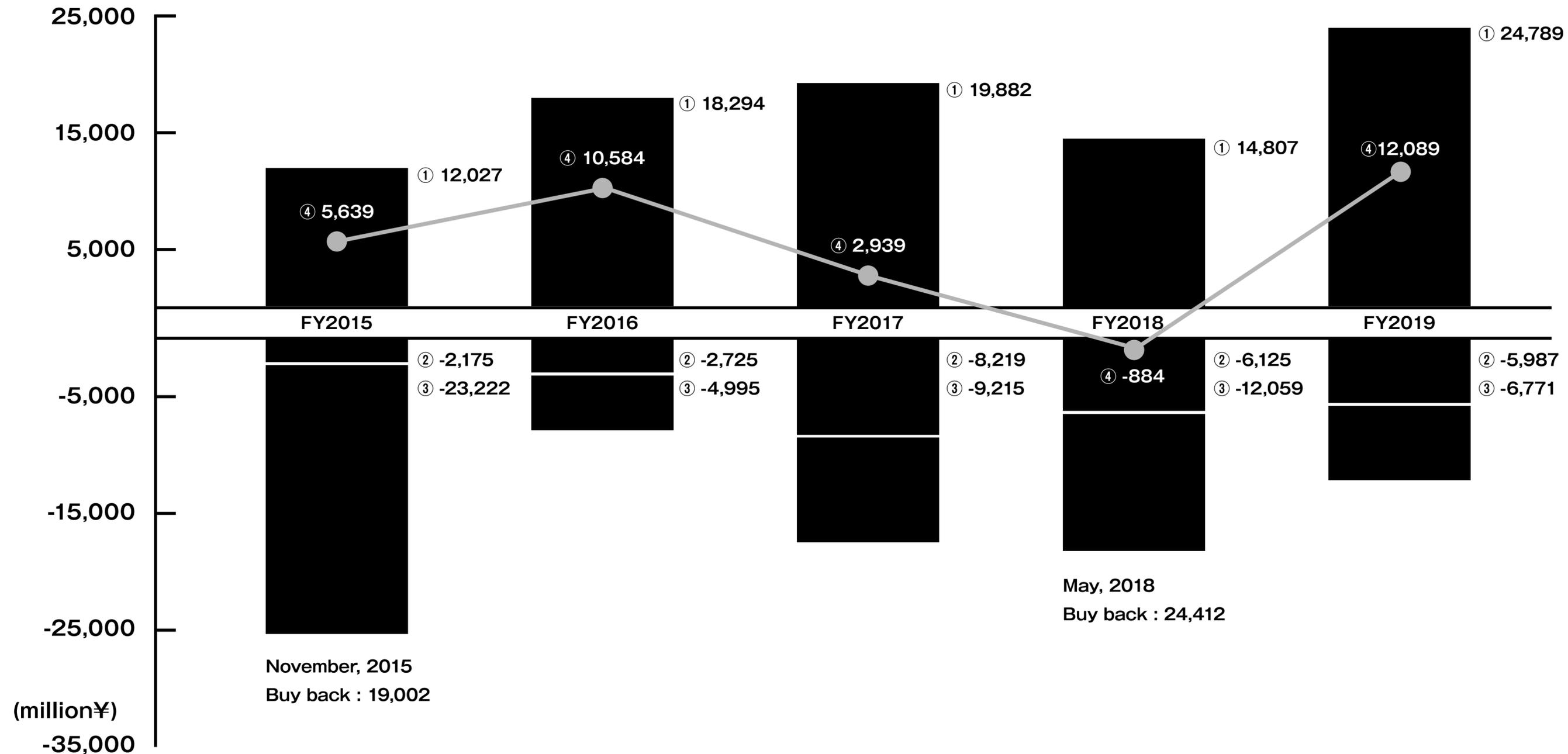
① Cash flows from operating activities

② Cash flows from investing activities

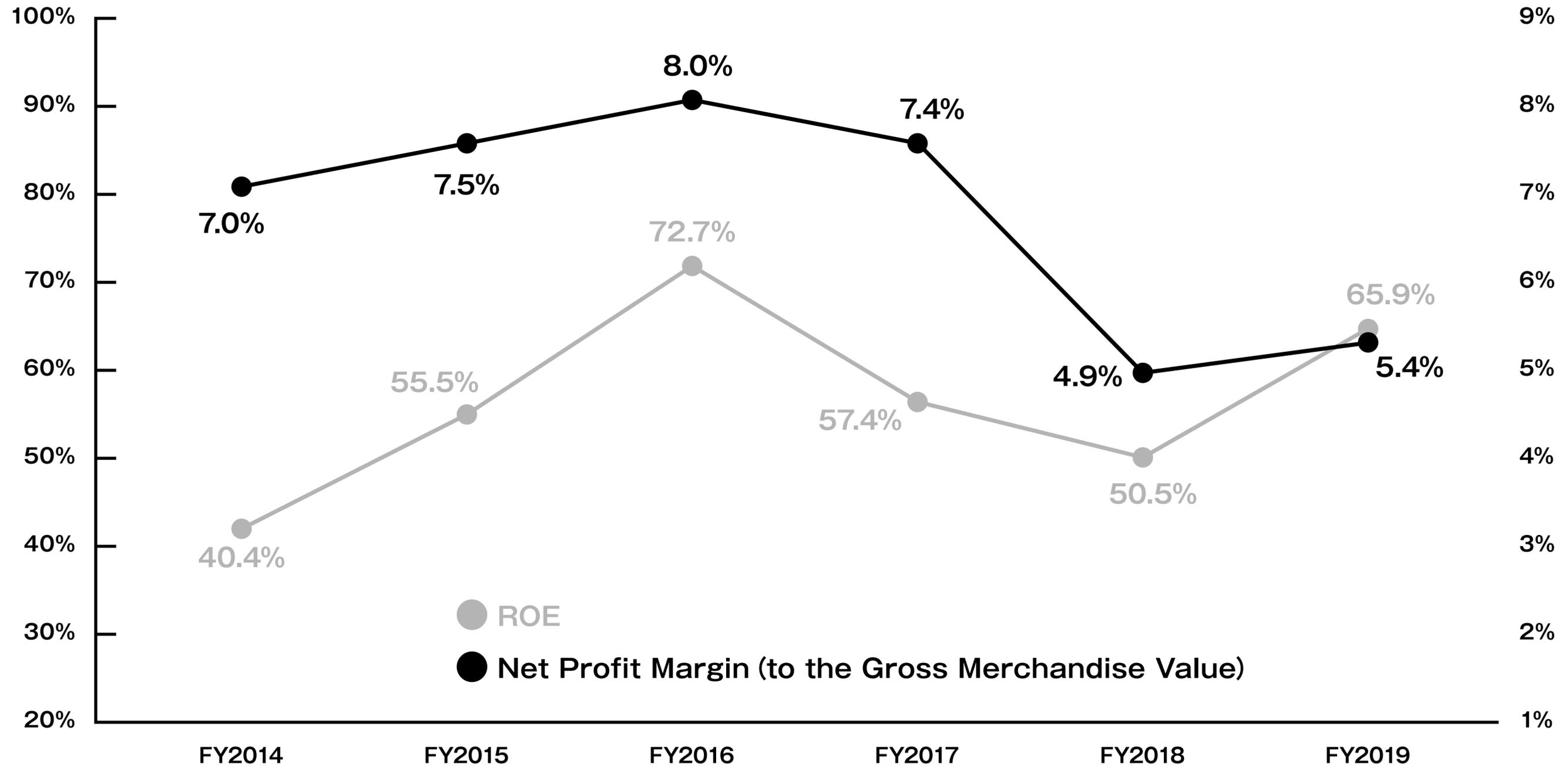
③ Cash flows from financing activities

④ Substantial free cash flows

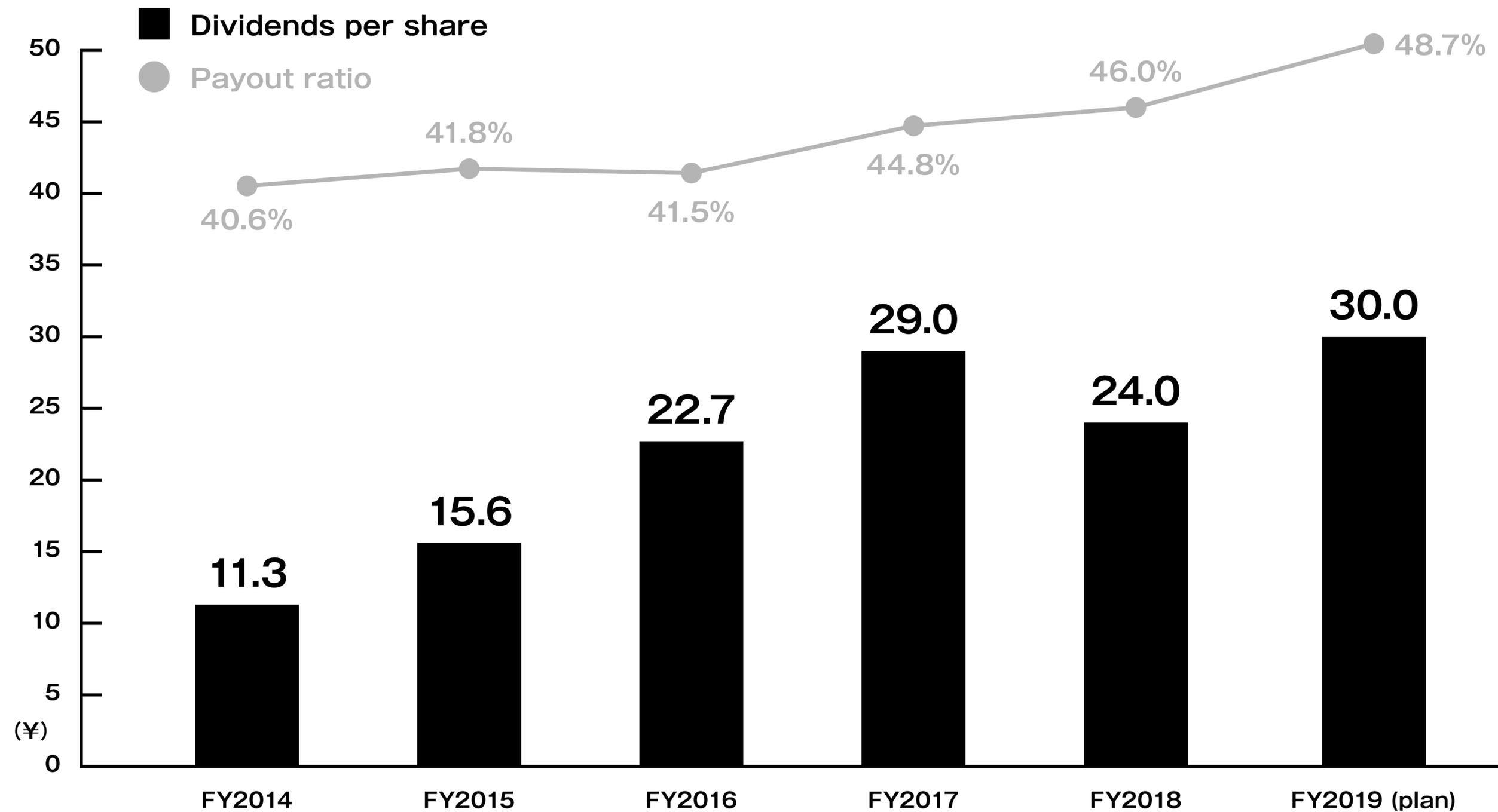
① + ② - Expenditure from dividends



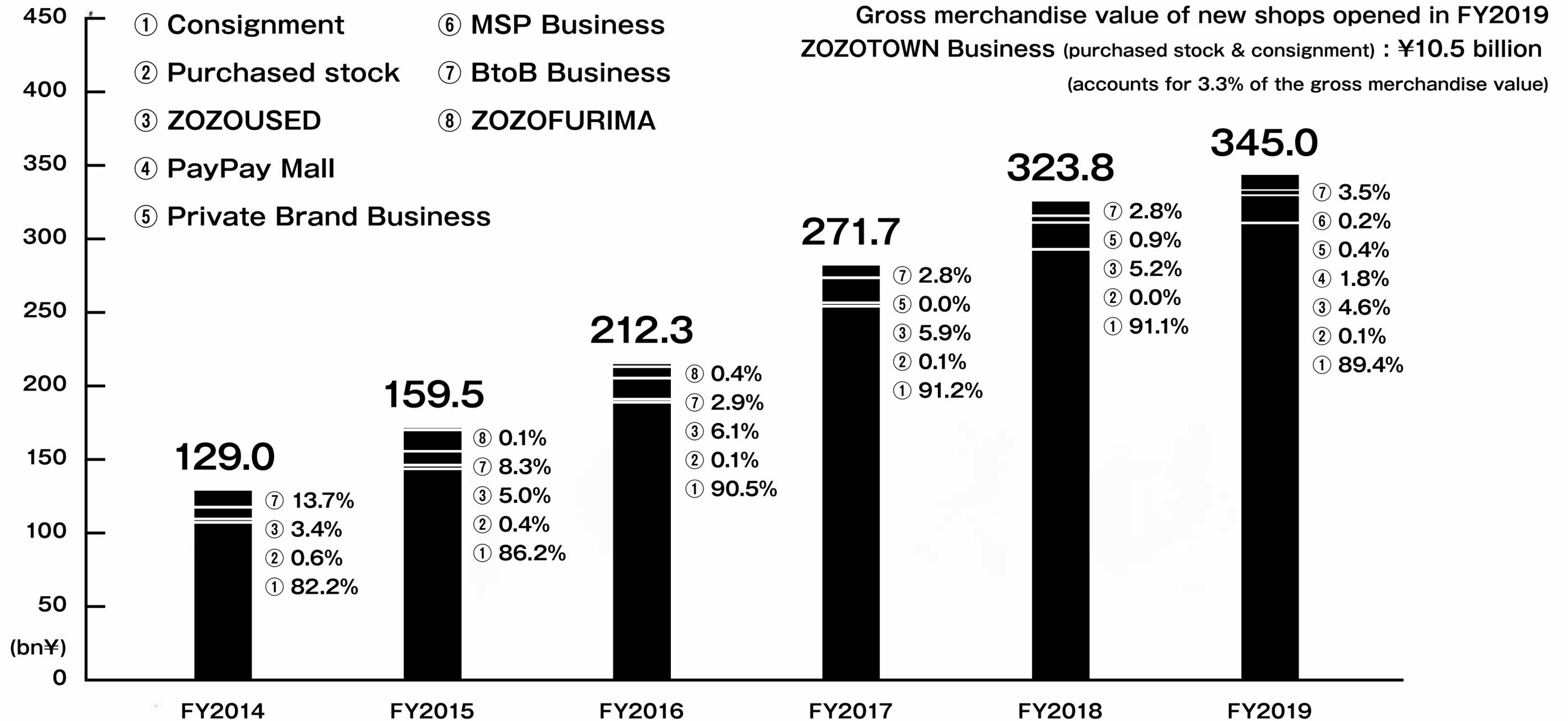
# ROE AND NET PROFIT MARGIN



# DIVIDENDS PER SHARE AND PAYOUT RATIO



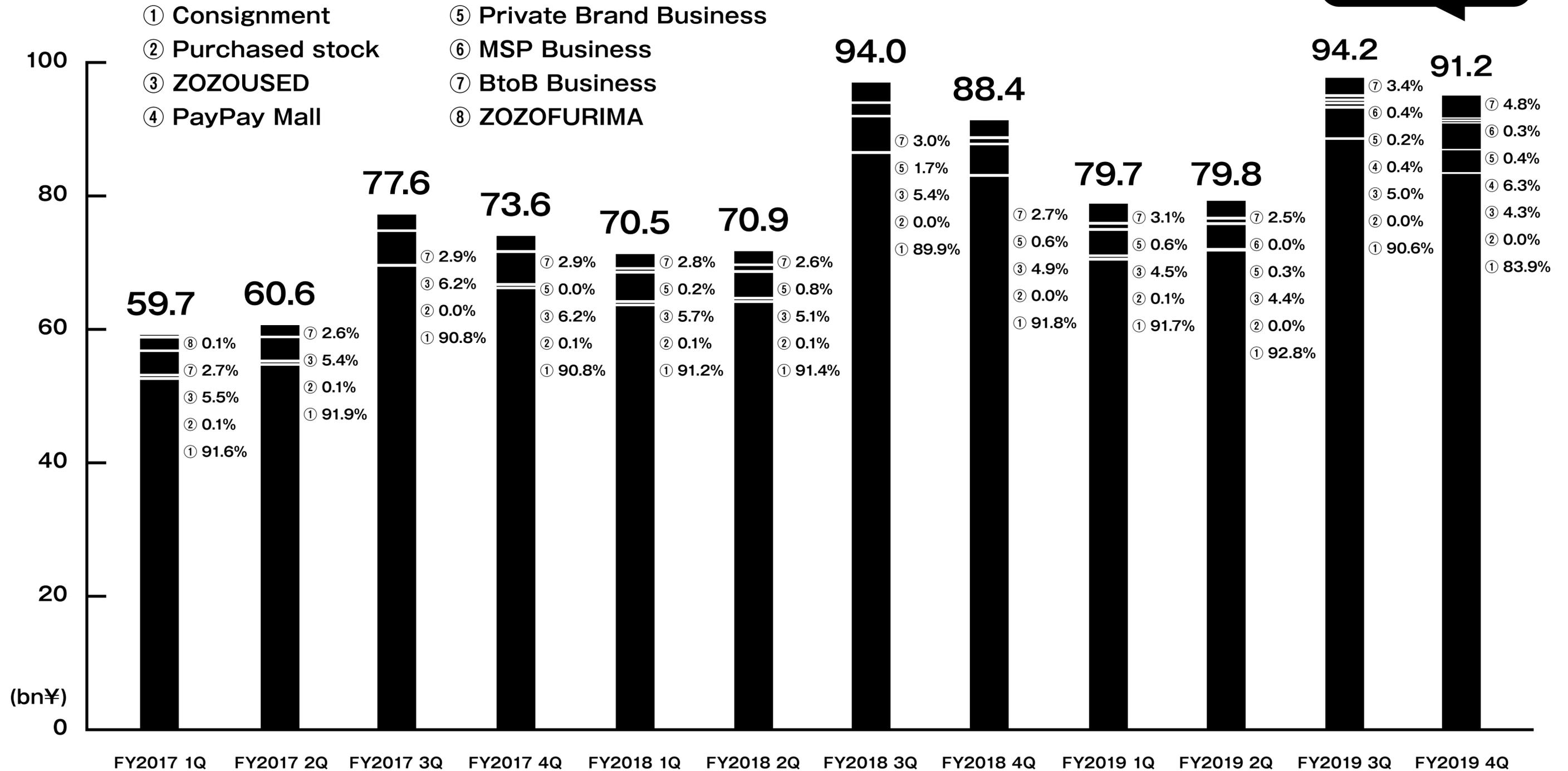
# GROSS MERCHANDISE VALUE



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

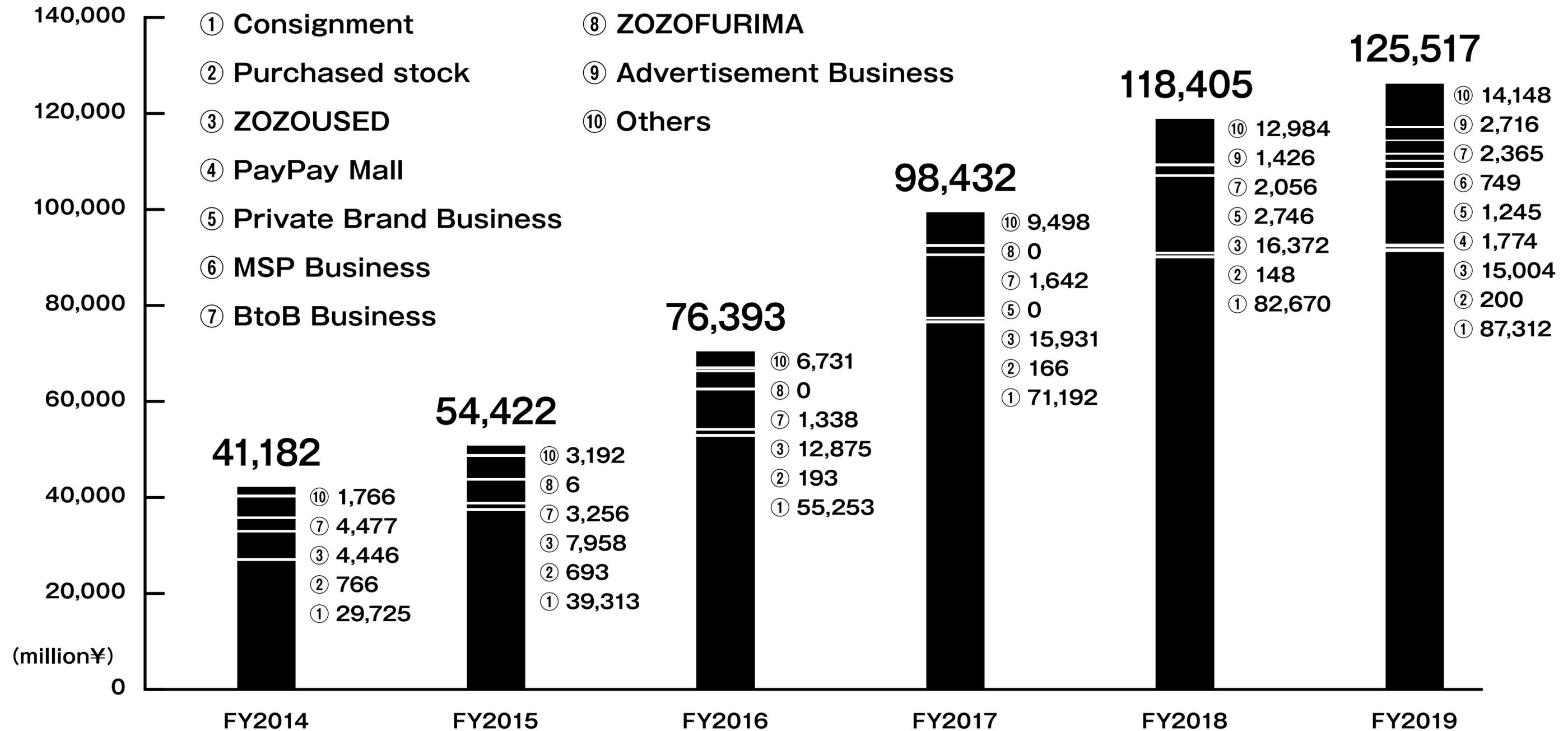
# GROSS MERCHANDISE VALUE(QUARTERLY)

YoY  
+3.2%



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

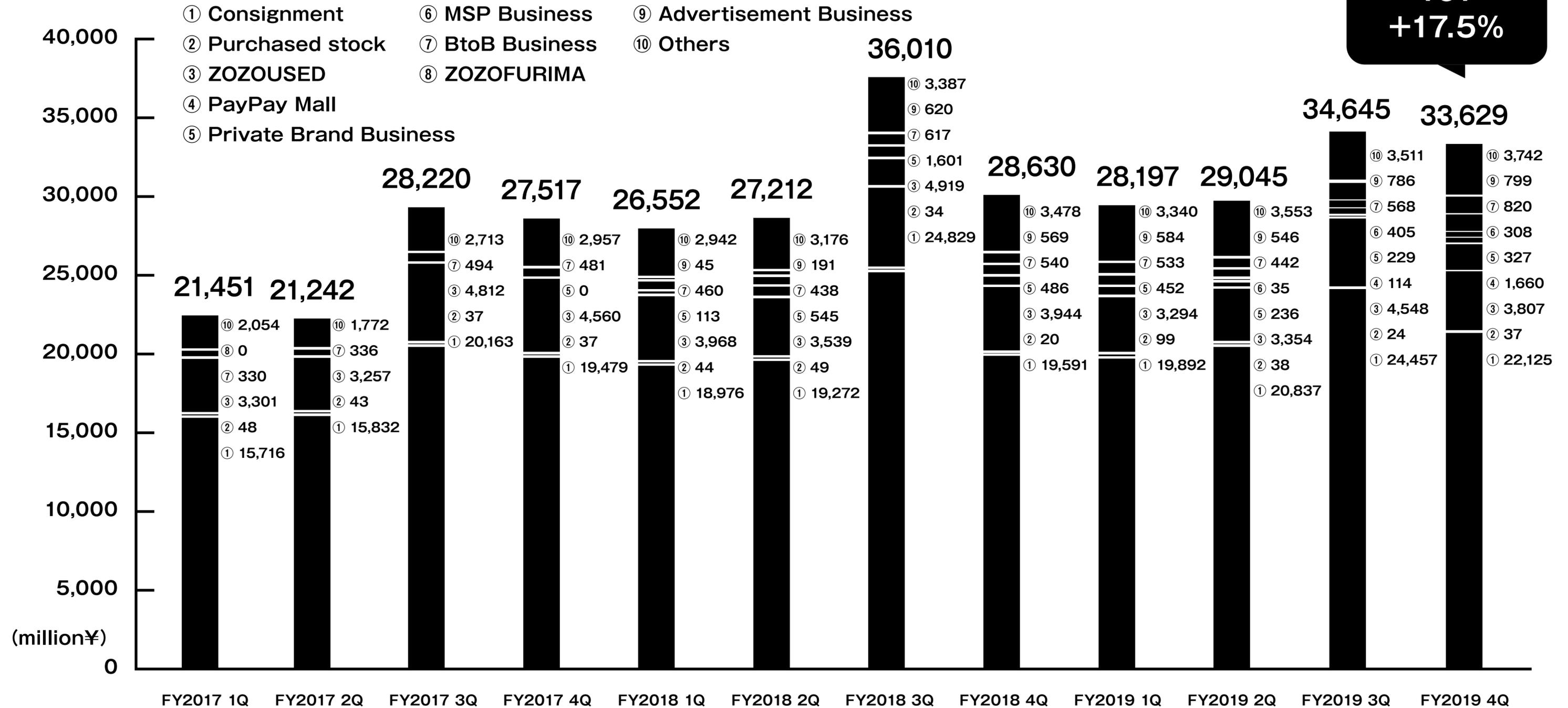
# NET SALES



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

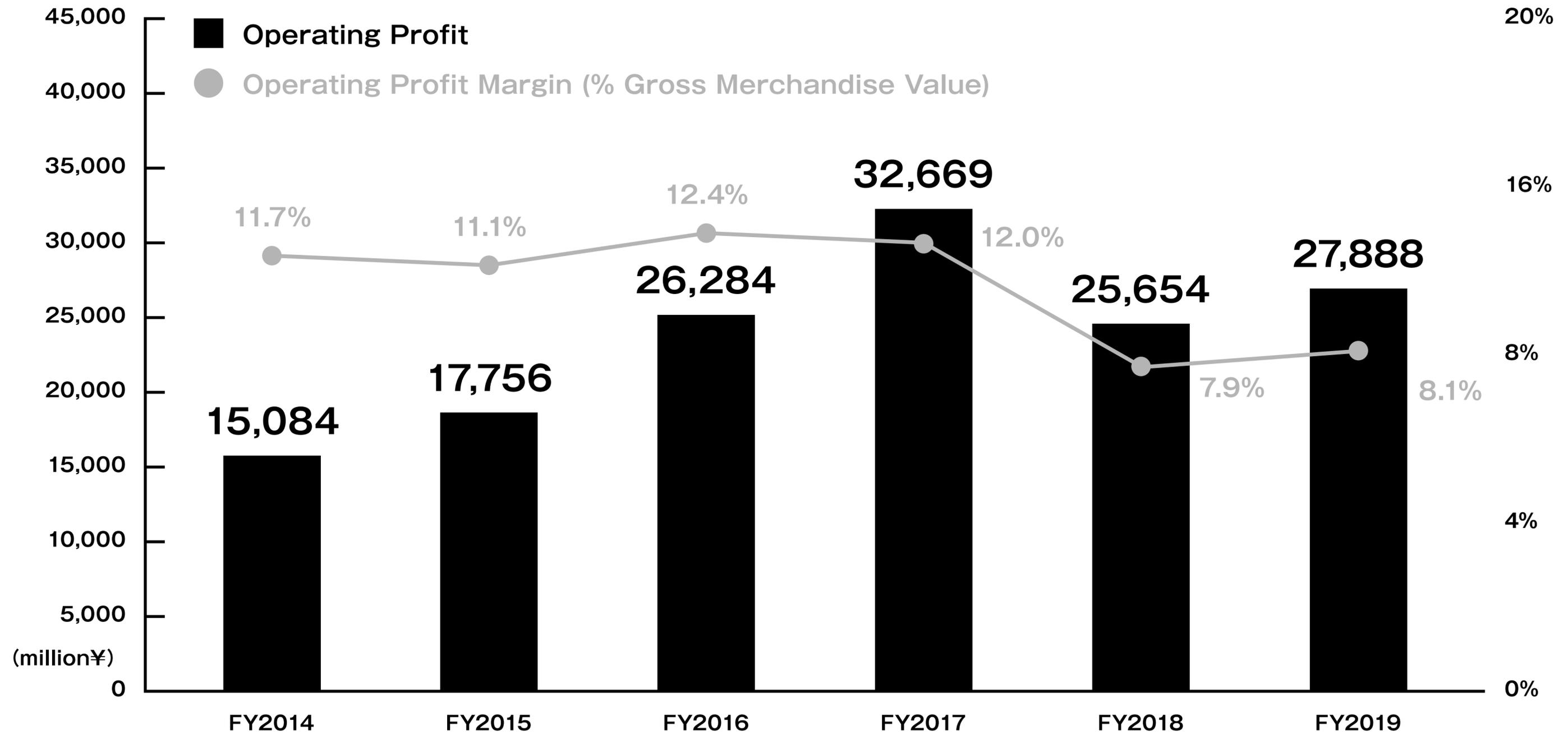
# NET SALES(QUARTERLY)

YoY  
+17.5%



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

# OPERATING PROFIT AND OPERATING PROFIT MARGIN



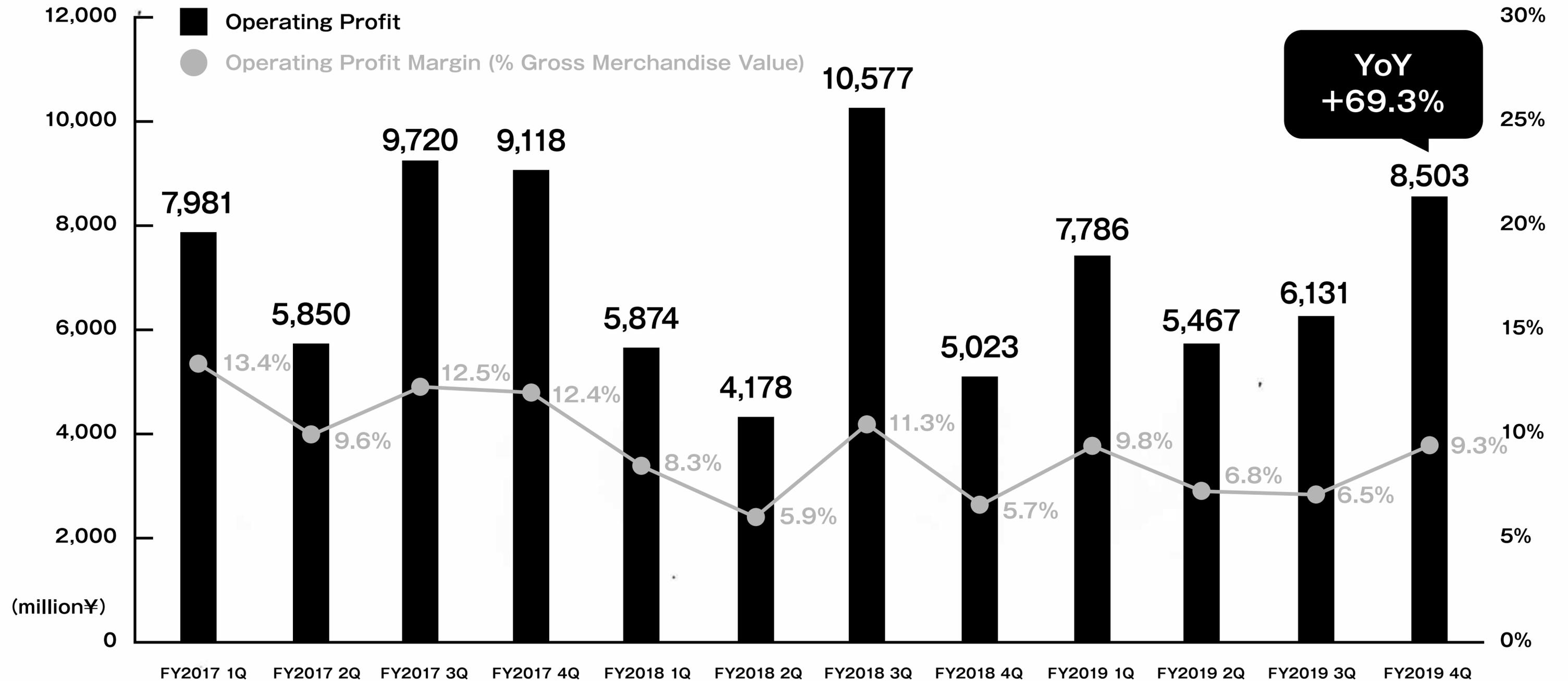
# SELLING, GENERAL AND ADMINISTRATIVE(SG&A) EXPENSES

(million¥)

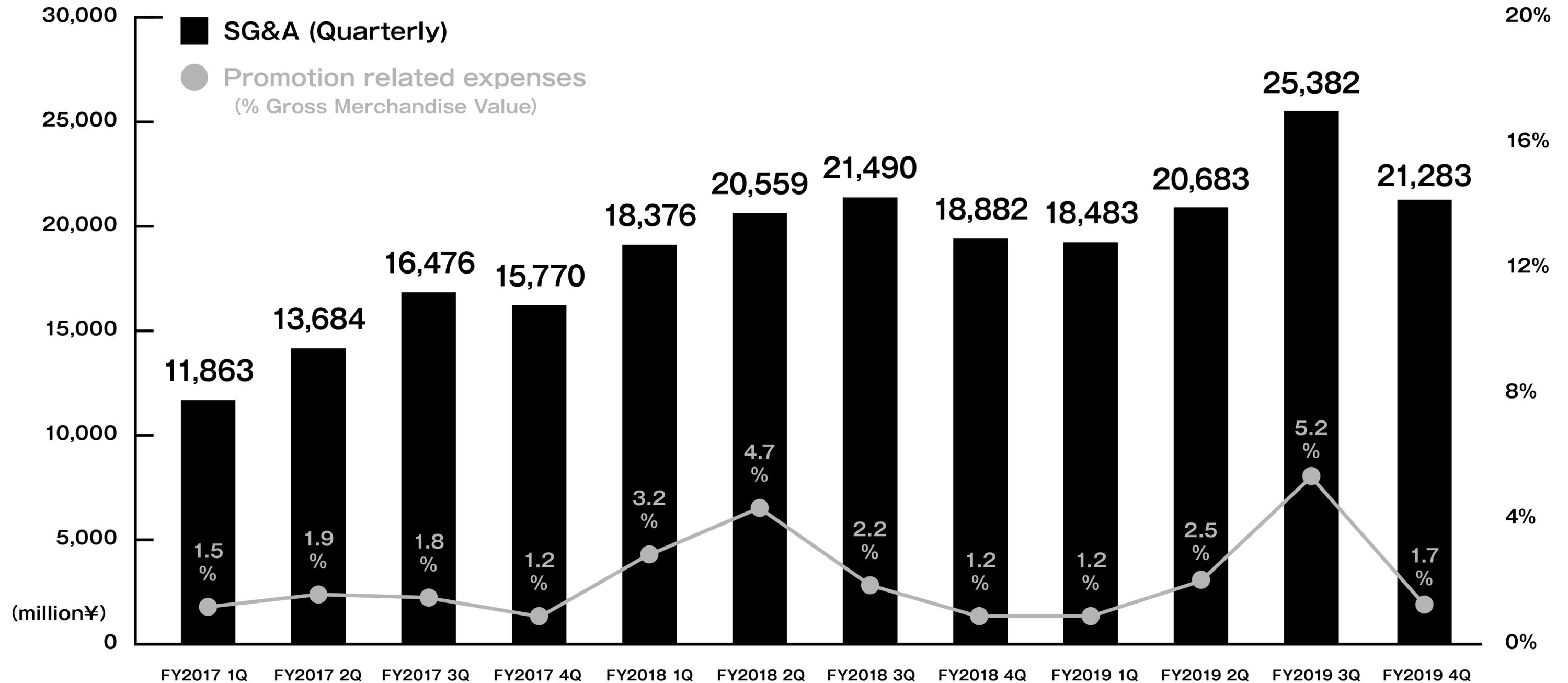
	FY2018		FY2019		YOY	Increase decrease factors
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	%Gross Merchandise Value	
<b>Payroll and staff costs(*)</b>	<b>20,874</b>	<b>6.4%</b>	<b>23,320</b>	<b>6.8%</b>	<b>0.4%</b>	
Payroll costs for employee	8,016	2.5%	8,417	2.4%	-0.1%	Transition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

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

# OPERATING PROFIT AND OPERATING PROFIT MARGIN (QUARTERLY)



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



# OVERVIEW OF SG&A BY EACH QUARTER

(million¥)

Item	FY2018								FY2019							
	1Q		2Q		3Q		4Q		1Q		2Q		3Q		4Q	
	Amount	%Gross Merchandise Value														
Payroll and staff costs(*)	4,825	6.8%	5,017	7.1%	5,706	6.1%	5,325	6.0%	5,219	6.5%	5,515	6.9%	6,493	6.9%	6,091	6.7%
Payroll costs for employee	1,988	2.8%	2,060	2.9%	2,018	2.1%	1,950	2.2%	1,940	2.4%	2,017	2.5%	2,307	2.4%	2,152	2.4%
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%	4,185	4.4%	3,939	4.3%
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%	1,182	1.3%	1,233	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	6.9%	5,661	6.0%	5,808	6.4%
Commission of Payment collection	2,030	2.9%	2,077	2.9%	2,633	2.8%	2,335	2.6%	2,243	2.8%	2,286	2.9%	2,550	2.7%	2,445	2.7%
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%	4,866	5.2%	1,556	1.7%
Advertising	1,548	2.2%	2,741	3.9%	1,240	1.3%	534	0.6%	378	0.5%	339	0.4%	3,571	3.8%	524	0.6%
Reward points related expenses	679	1.0%	590	0.8%	851	0.9%	544	0.6%	548	0.7%	1,655	2.1%	1,294	1.4%	1,032	1.1%
Rent expense	856	1.2%	891	1.3%	1,116	1.2%	1,163	1.3%	1,169	1.5%	1,203	1.5%	1,335	1.4%	1,310	1.4%
Depreciation	290	0.4%	333	0.5%	430	0.5%	463	0.5%	442	0.6%	412	0.5%	555	0.6%	635	0.7%
Amortization of goodwill	119	0.2%	119	0.2%	119	0.1%	119	0.1%	140	0.2%	139	0.2%	82	0.1%	82	0.1%
Stock Compensation Expenses	—	—	179	0.3%	-99	-0.1%	30	0.0%	-6	0.0%	-93	-0.1%	-3	0.0%	-5	0.0%
Others	2,365	3.4%	2,513	3.5%	2,603	2.8%	1,984	2.2%	2,312	2.9%	2,601	3.3%	2,658	2.8%	2,123	2.3%
<b>Total SG&amp;A</b>	<b>18,376</b>	<b>26.1%</b>	<b>20,559</b>	<b>29.0%</b>	<b>21,490</b>	<b>22.9%</b>	<b>18,882</b>	<b>21.4%</b>	<b>18,483</b>	<b>23.2%</b>	<b>20,683</b>	<b>25.9%</b>	<b>25,382</b>	<b>26.9%</b>	<b>21,283</b>	<b>23.3%</b>

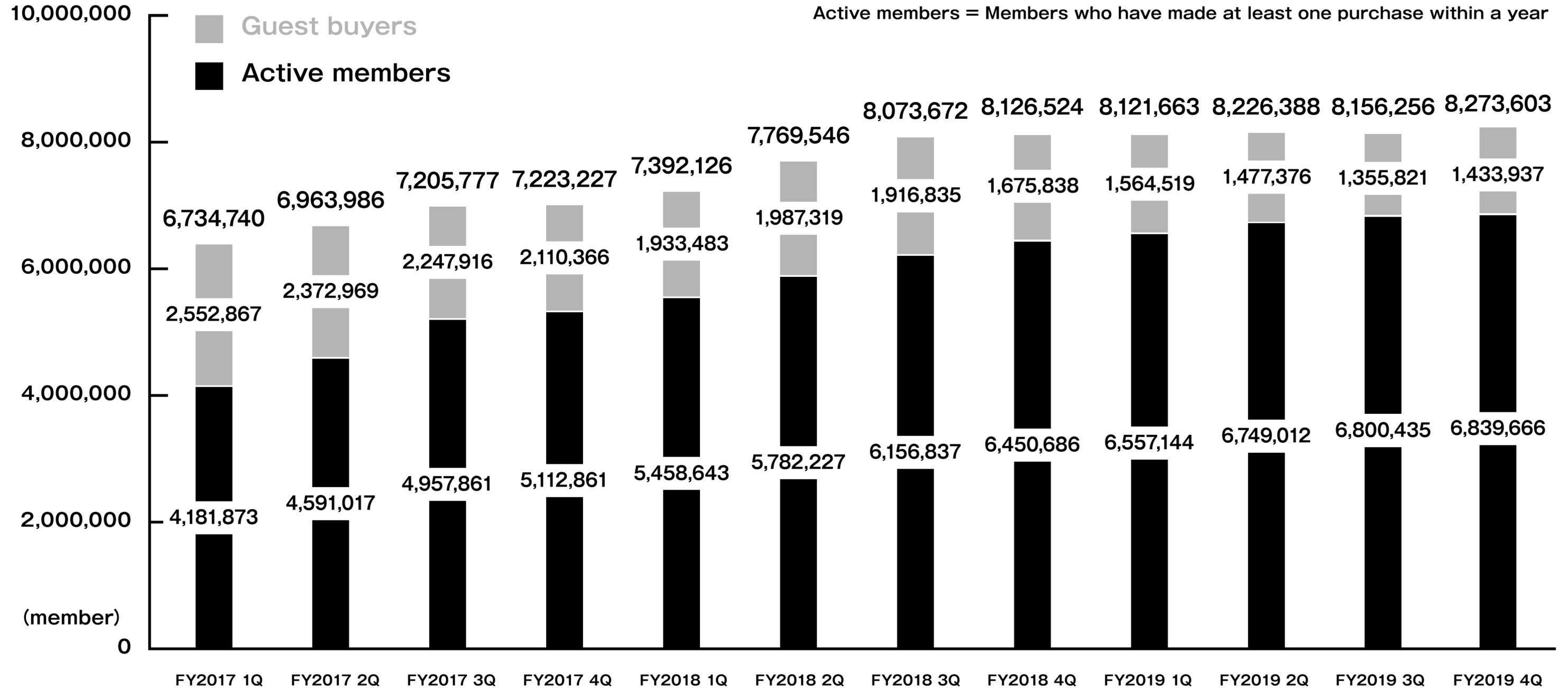
\* Payroll includes directors' remuneration, employee salaries, bonus, legal welfare expenses, welfare expenses, retirement benefits cost, provision for employee bonus, expenses of company pension premium, subcontracting payroll, a portion of expenses at logistics centers operation. "Employee" includes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

# NUMBER OF TOTAL BUYERS

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

Guest buyers = Total number of guest purchases within a year

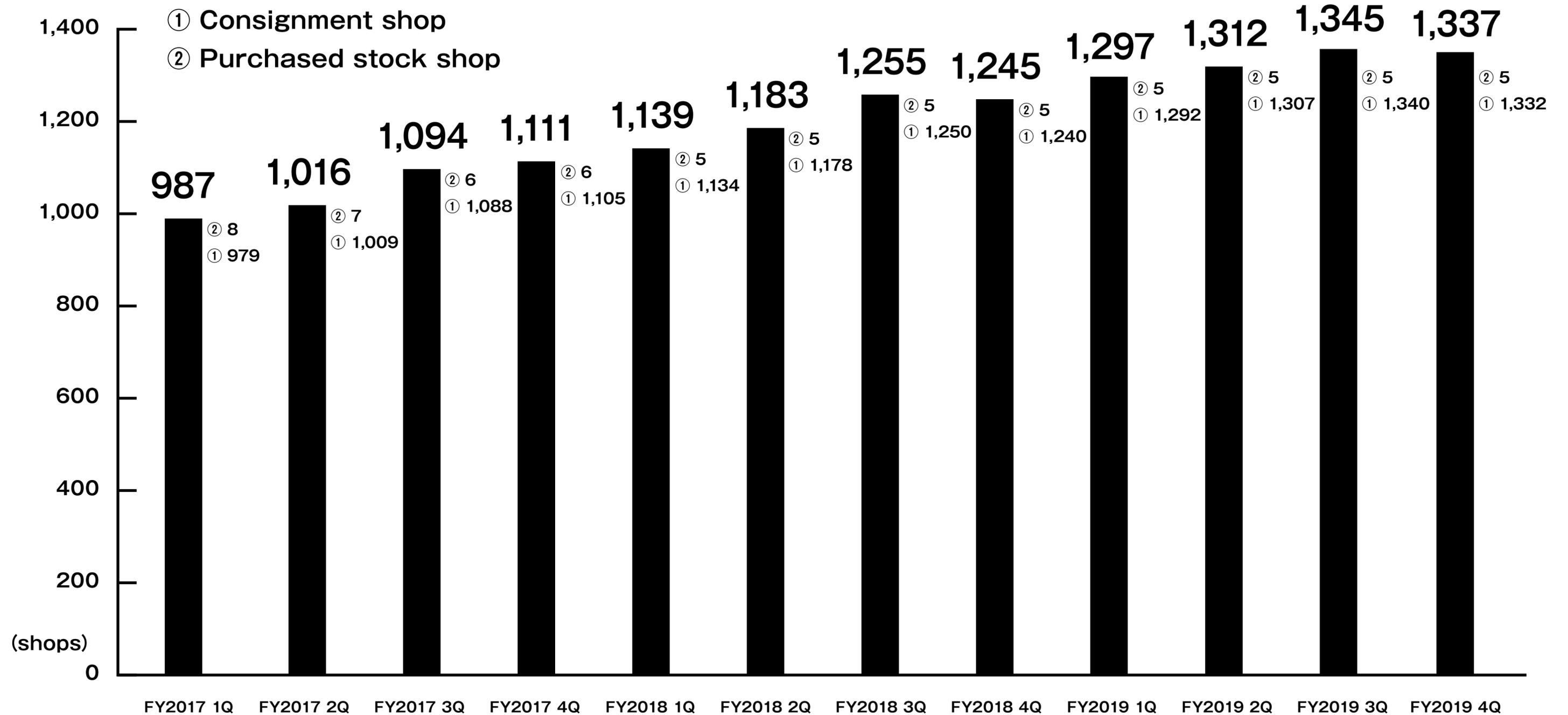
Active members = Members who have made at least one purchase within a year



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

\* PayPay Mall is not included

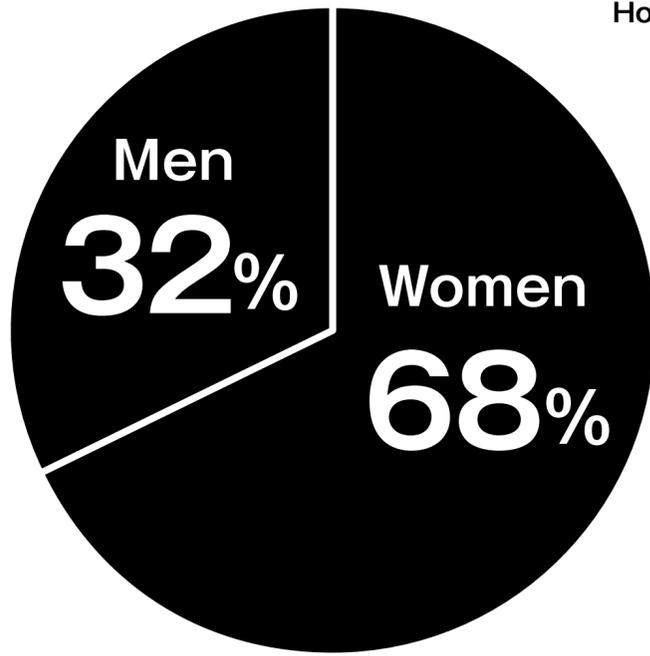
# NUMBER OF SHOPS ON ZOZOTOWN



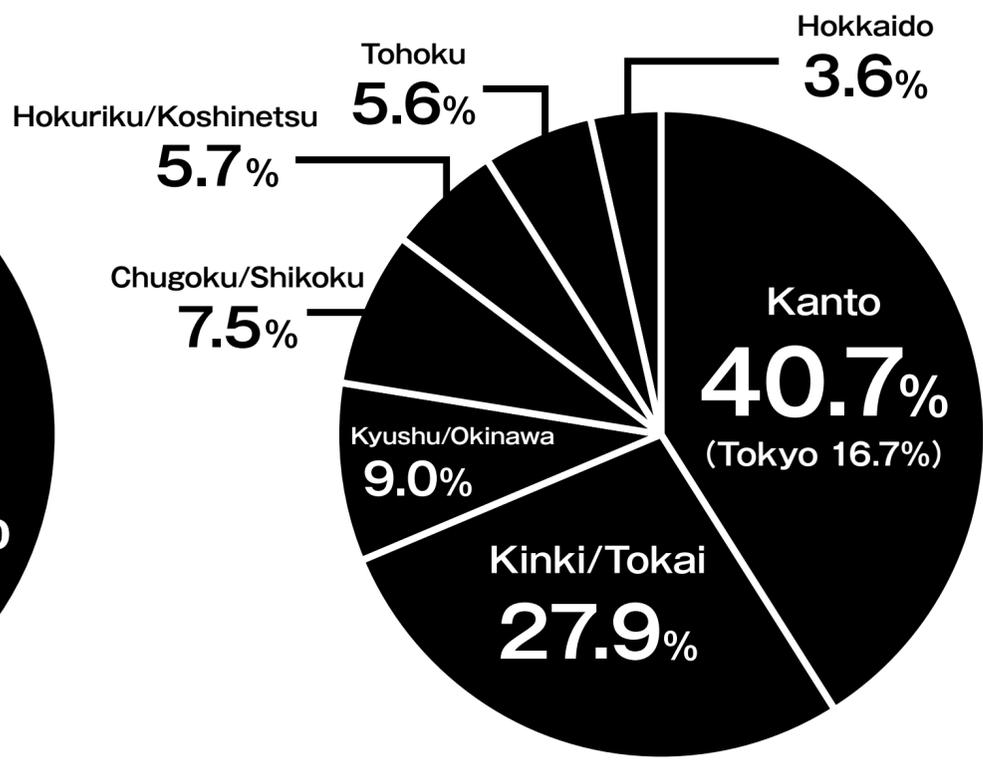
※Shops of the private brand "ZOZO" and "Multi-Size" are not included to the number of shops

# ACTIVE MEMBER DISTRIBUTION

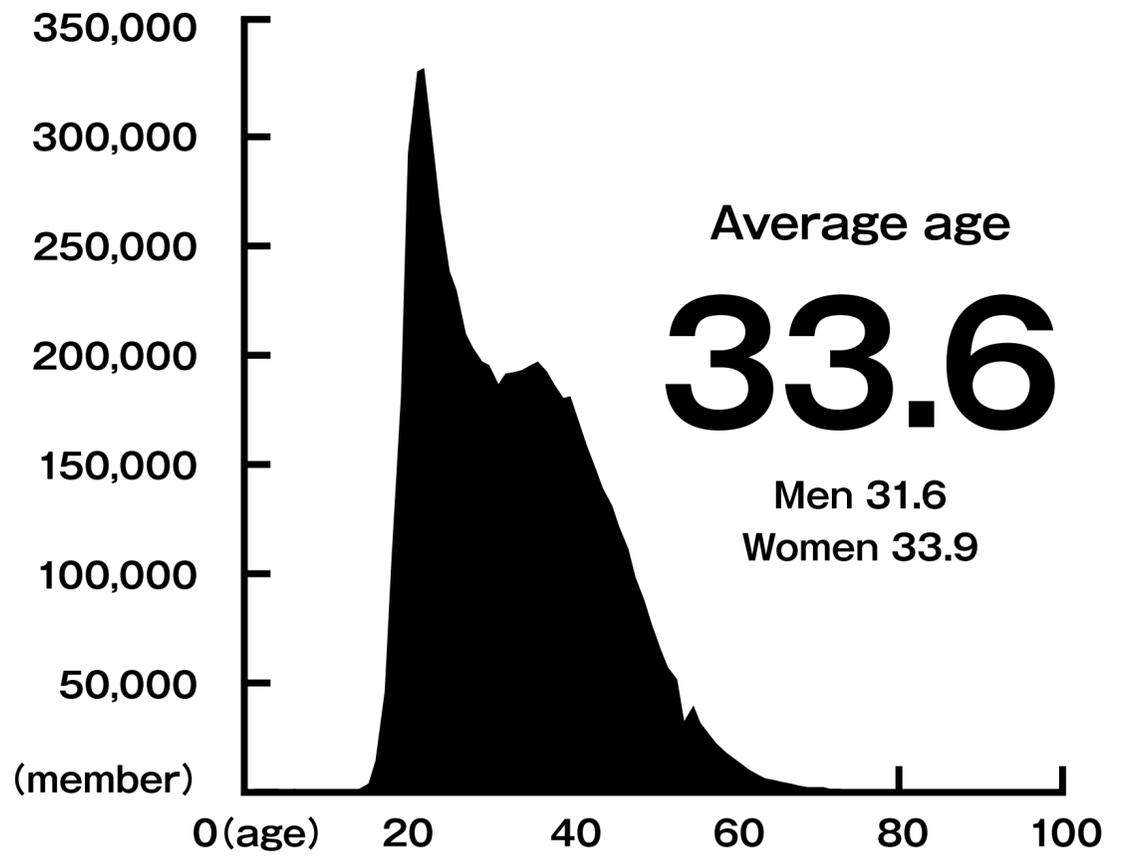
## Gender ratio



## Geographical distribution

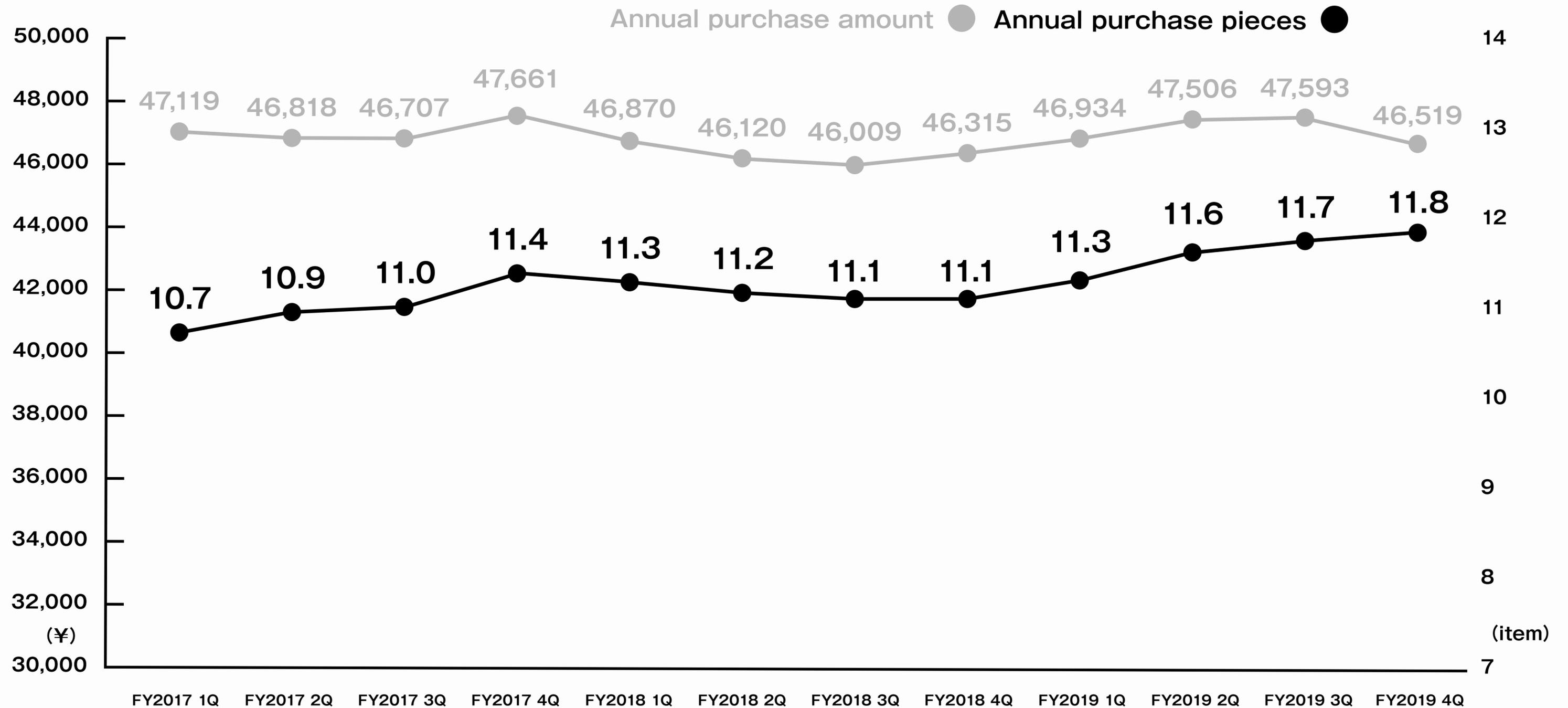


## Age distribution



\* PayPay Mall is not included

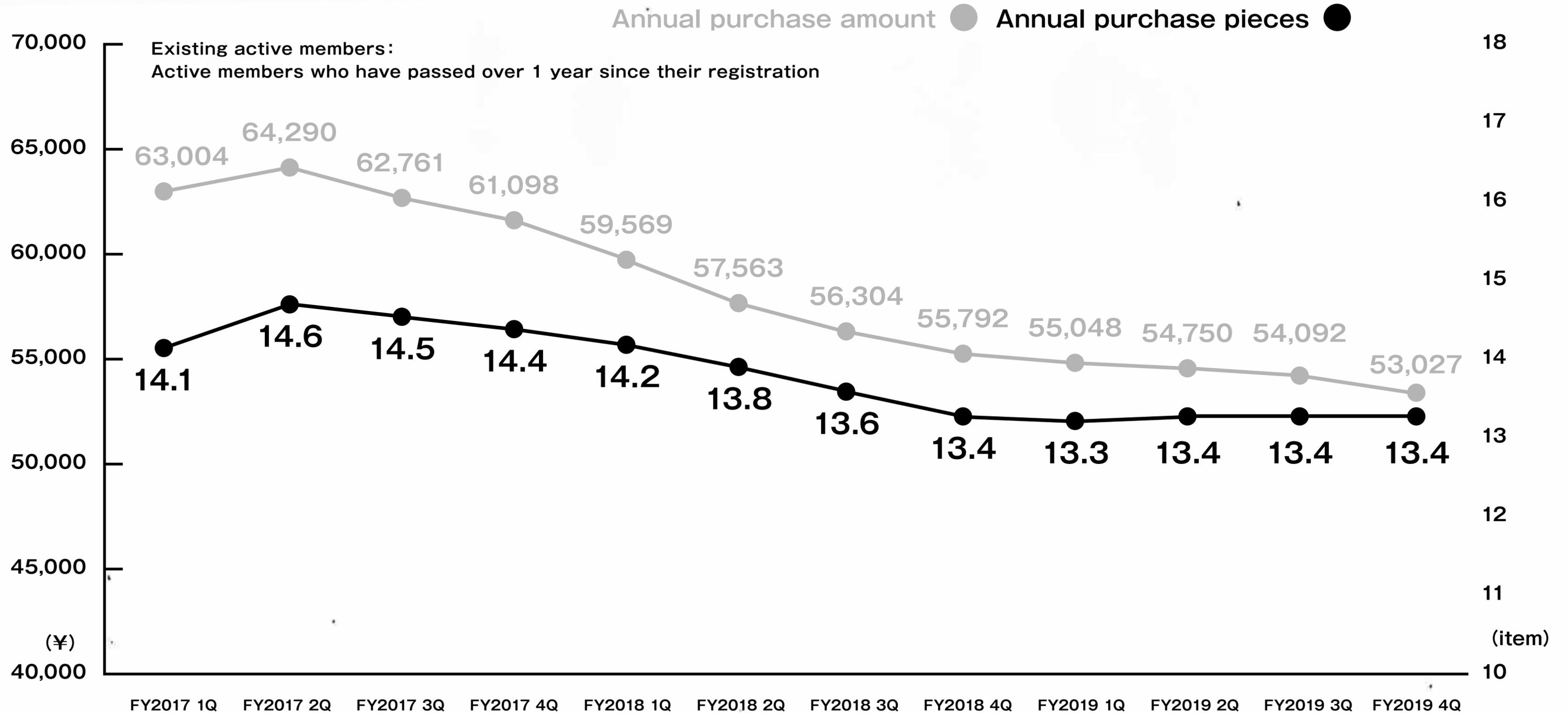
# ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



\* Excluding the users only purchased the body measurement device "ZOZOSUIT" and "ZOZOMAT"

\* PayPay Mall is not included

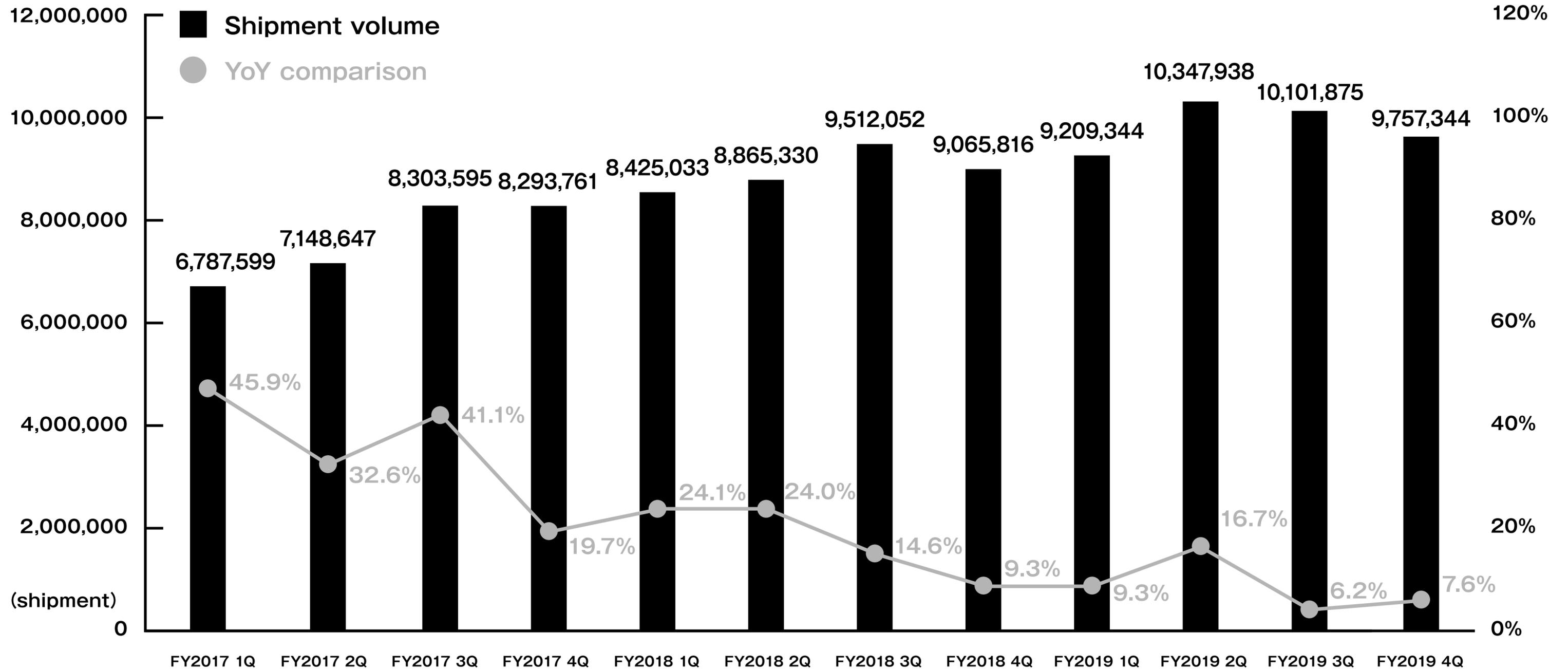
# ANNUAL PURCHASE AMOUNT AND PIECES PER EXISTING ACTIVE MEMBER



\* Excluding the users only purchased the body measurement device "ZOSOSUIT" and "ZOSOMAT"

\* PayPay Mall is not included

# NUMBER OF SHIPMENTS

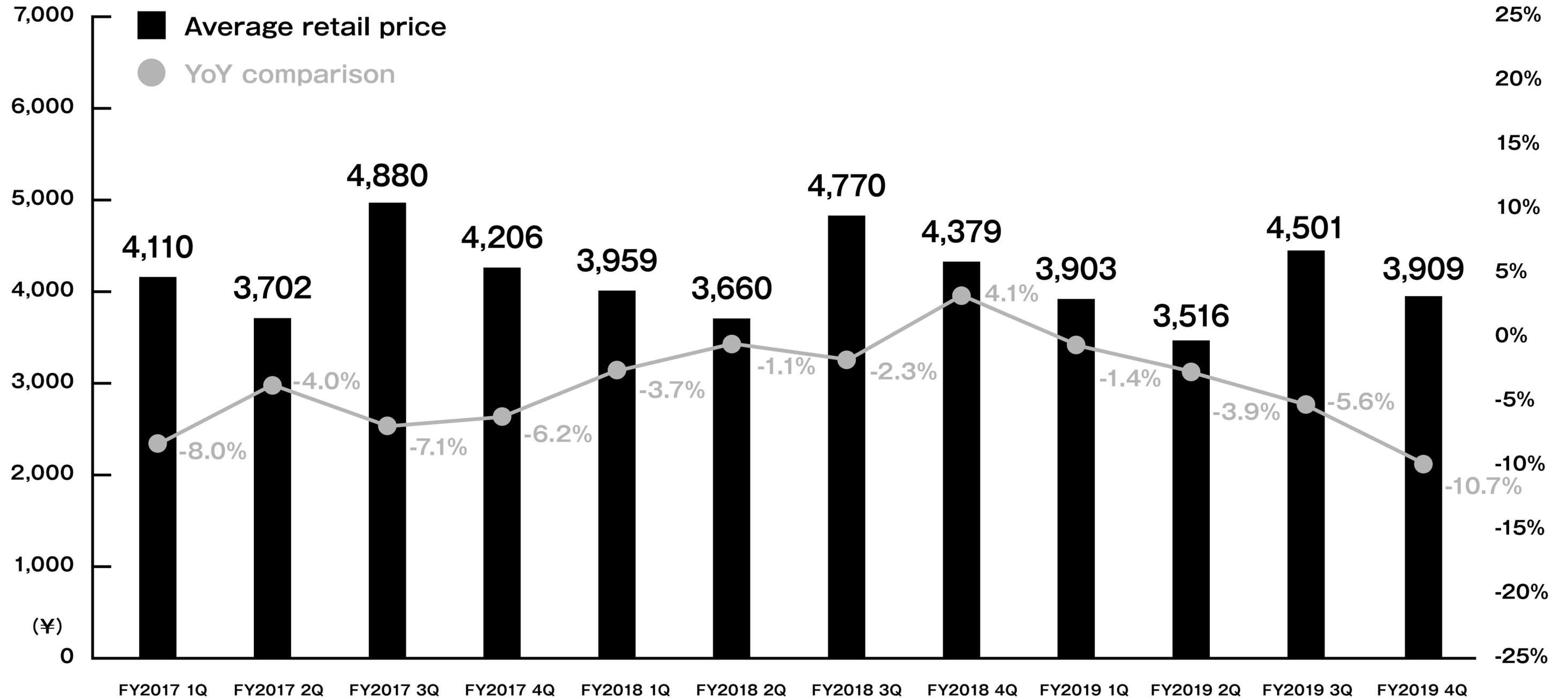


\* Excluding the number of shipments of the body measurement device "ZOZOSUIT" and "ZOZOMAT" only. \* PayPay Mall is not included

\* 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

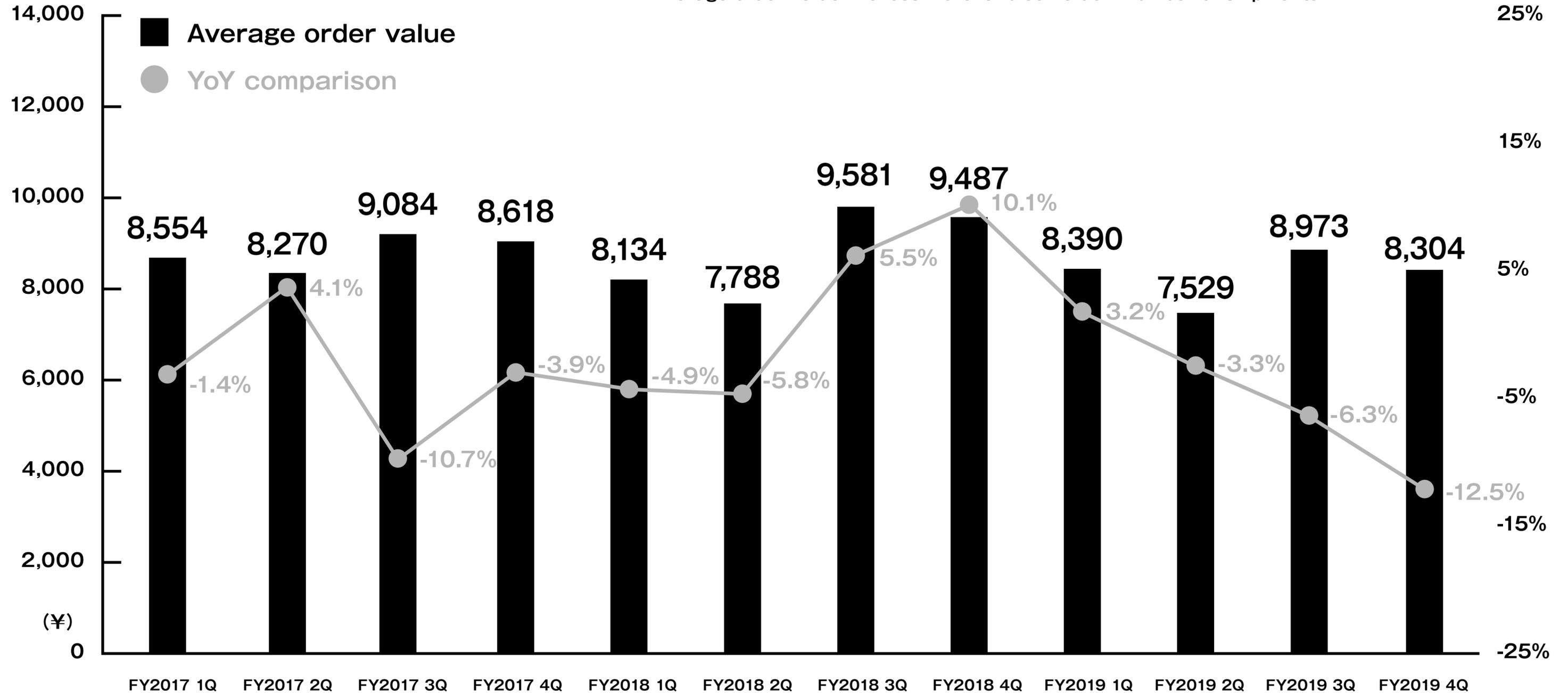


\* The numbers of average retail price are averages calculated from combined results of the ZOZOTOWN business, the PB business, and the MSP business

\* PayPay Mall is not included

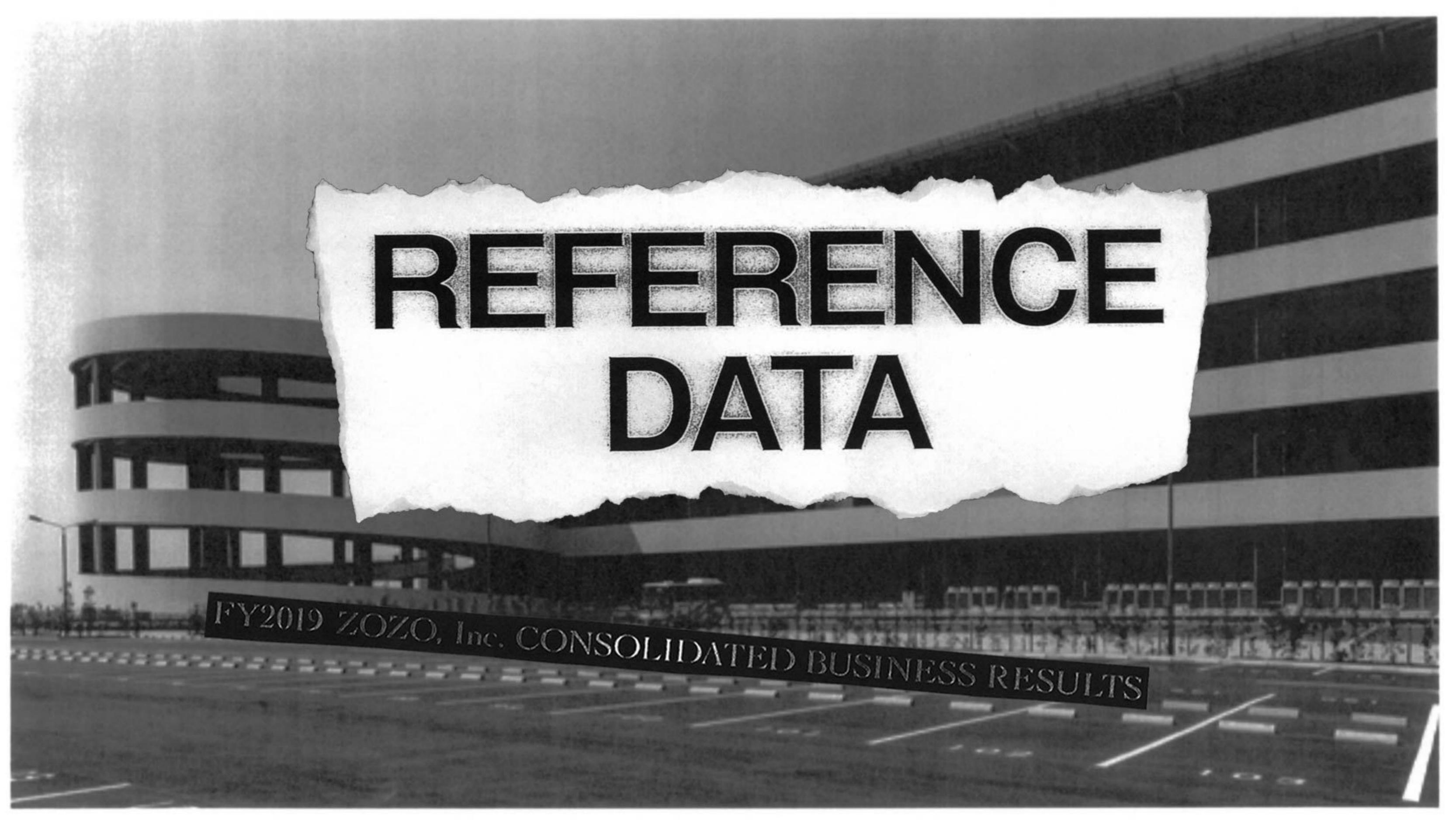
# AVERAGE ORDER VALUE

Average order value = Gross Merchandise Value / Number of shipments



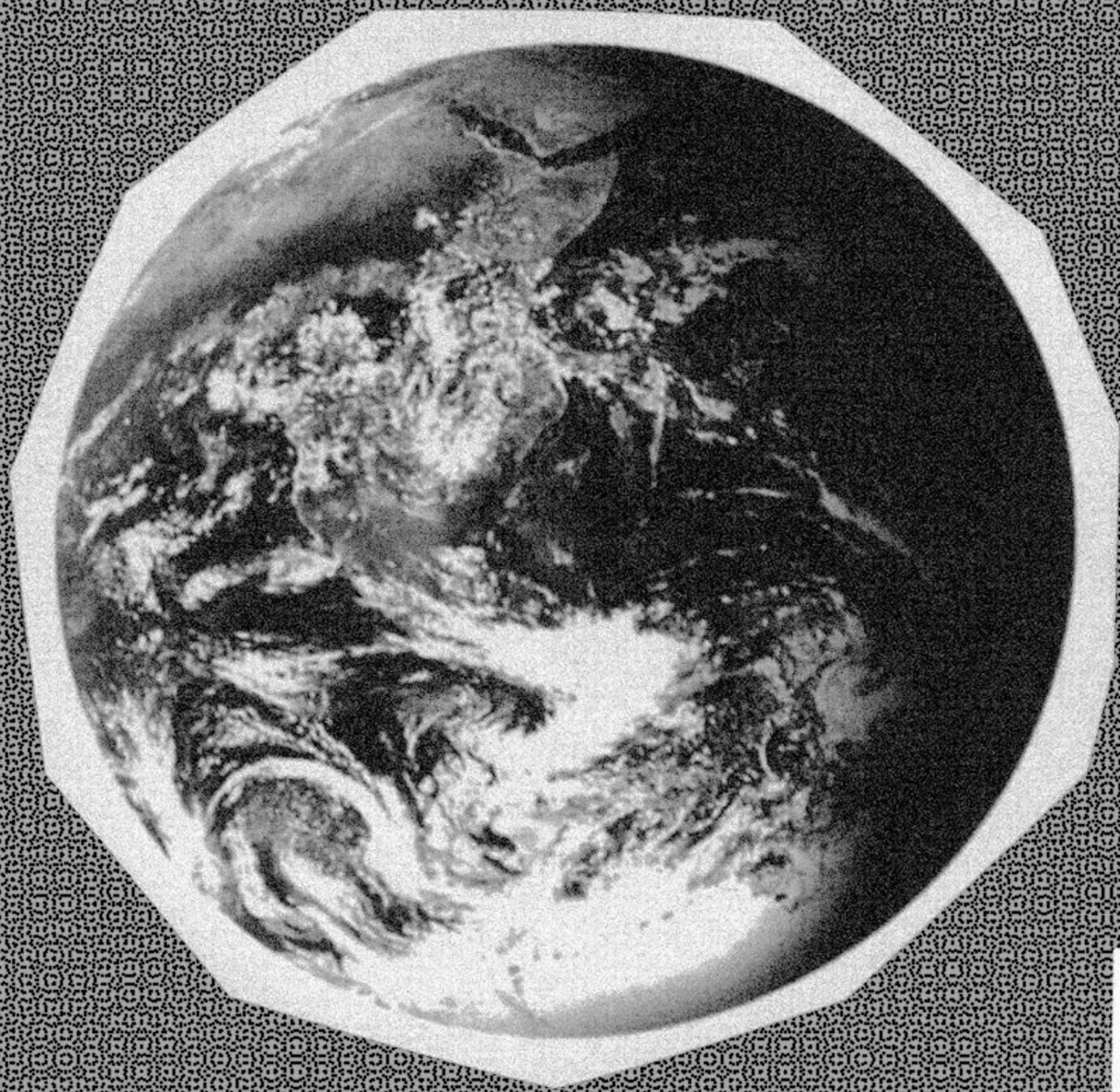
\* The numbers of Average Order Value are averages calculated from combined results of the ZOZOTOWN business, the PB business, and the MSP business

\* PayPay Mall is not included



# REFERENCE DATA

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

**1,158**

(Average age 33.3 years old)

SHARE HOLDERS

**28,087**

NUMBER OF BRANDS HANDLED

**7,643**

ZOZOTOWN TOTAL BUYERS

(1 year basis)

**8.27** million

# MAJOR SERVICES

## ZOZOTOWN Japan's Largest Online Retailer of Apparel and Accessories

- 1,337 stores offering 7,643 brands.
- At any given time, more than 830,000 items are available with an average of 3,000 new items added everyday.
- Systems, design, to fulfillment, all functions are built in house.
- Same-day delivery service/Gift-wrapping service/Deferred payment etc.
- Opened ZOZOTOWN shop on PayPay Mall which is operated by Yahoo Japan Corporation.



## 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 14.0 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.



# DIFFERENCES BETWEEN ZUZOTOWN AND ZUZOTOWN SHOP ON PAYPAY MALL

	ZUZOTOWN	ZUZOTOWN PayPay Mall Shop
Overview	One of the largest fashion e-commerce sites in Japan providing original services specialized in fashion	E-commerce site for wide range of users also expecting cross-category shopping other than the fashion category
Number of shops	1,337 (As of March 31, 2020)	1,184 (As of March 31, 2020)
Selling items	Full line-up	Freely selected by each shop
Detail of consignment	All the operations needed for EC business such as shooting, measurement, logistics, customer support, operation support etc.	Same as the left
Original services provided	Deferred payment, ZOZO Trade-in, same-day delivery, preorder, ZOZOCARD, brand coupons, gift-wrapping service, image search function etc.	PayPay balance payment, brand coupons
Payment methods	Credit cards, cash on delivery, convenience store payment, deferred payment, LINEPay	PayPay balance payment, credit cards, cash on delivery
Reward points	No *ZOZO point of 5% of product price (excluding tax) will be granted only for ZOZOCARD	PayPay bonus points or T points based on PayPay campaign
Revenue	Consignment sales commission from brands	Same as the left (Commission rate is same as ZUZOTOWN)
	Shipping revenue from customers	Same as the left
Expenses bear by ZOZO	Shop opening commission	No
	Payment collection commission	Yes
	Customer attraction cost	Yes
	Reward points cost	Yes

# BUSINESS MODEL

## ZOZOTOWN Business

### ○ Consignment

We operate 1,332 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\*(1) of each store × commission rate

### ○ Purchased Stock

We operate 5 stores within ZOZOTOWN, which offer products we purchase from brands.

Sales = Gross merchandise value\*(1) 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\*(1) of purchase stock

+ Consignment commission of marketplace\*(2)

## PayPay Mall

Opened ZOZOTOWN shop on PayPay Mall which is operated by Yahoo Japan Corporation.

Sales = Gross merchandise value of each store × commission rate

## 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 “ZOSUIT”

which developed in-house, and sell items at ZOZOTOWN.

Sales = Gross merchandise value\*(1) 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 50 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

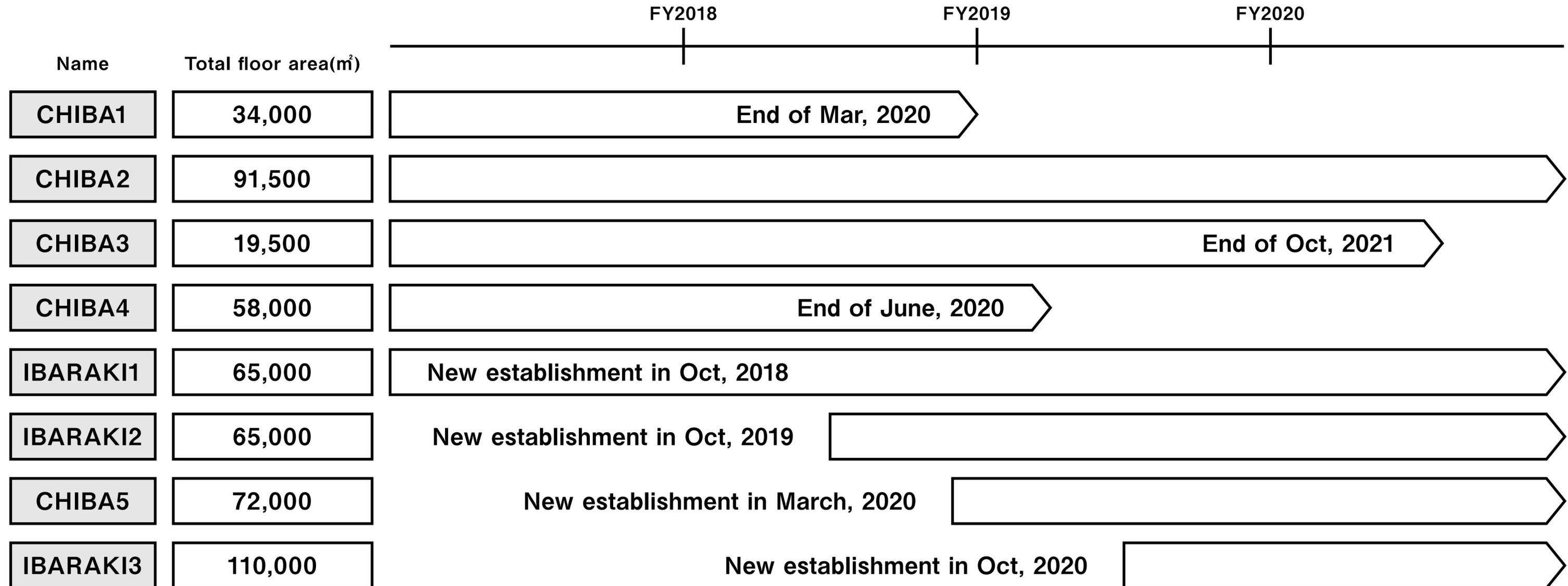
base of ZOZOTOWN and WEAR.

Sales = Advertisement income

\*(1) The amounts of gross merchandise value of ZOZOTOWN Business and PB Business for calculating net sales are amounts after deduction of discounts borne by the company

\*(2) Sales of marketplace form ended February 29, 2020

# LOGISTICS BASES EXPANSION PLAN



\* CHIBA2 and IBARAKI1 are warehouses with shipping function

# 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/>

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**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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