

HIGHLIGHTS

1Q FY2020 ZOZO, Inc.
CONSOLIDATED BUSINESS RESULTS



FY2020 1Q HIGHLIGHTS

03

Overview

- Gross Merchandise Value : 95,331 million yen (+19.5%,Yoy)
- Operating Profit : 10,423 million yen (+33.9%,Yoy)

Gross Merchandise Value

○ ZOZOTOWN BUSINESS

Gross Merchandise Value : 84,499 million yen (+10.0%,Yoy)

Consignment Business : 82,390 million yen (+12.7%,Yoy)

Purchased Stock Business : 15 million yen (-85.2%,Yoy)

ZOZOUSED Business : 2,093 million yen (-41.4%%,Yoy)

- PayPay Mall : 4,371 million yen (-)
- Private Brand Business : 178 million yen (-61.4%,Yoy)
- MSP Business : 322 million yen (-)
- BtoB Business : 5,959 million yen (+140.8%,Yoy)
- Average Order Value : 7,409 yen (-11.7%,Yoy)
- Average Retail Price : 3,443 yen (-11.8%,Yoy)



FY2020 1Q HIGHLIGHTS

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Profitability

- Operating profit margin (to the total gross merchandise value) : 10.9% (9.8% for FY2019 1Q)
 - Factors improving profitability : Decrease in discounting costs such as ZOZOARIGATO etc. and a decrease in on-the-spot expenses in others
 - Factors worsening profitability : Increases in packing and freight ratio and logistics-related expenses ratio to the gross merchandise value, due to decreases in the average retail price and the average order value

Topic

- The gross merchandise value increased as the positive impact of the digital shift exceeded the negative impact of lowering in demand derived from the spread of COVID-19 Despite the strong self-restraint of going outside, sales of the shoe category grew steadily from contribution from ZOZOSHOES
- Yahoo Japan Corporation and ZOZO started to offer new function which enables users to sell items purchased from ZOZOTOWN at PayPay Furima with 3 easy steps (July 2020)
- With the introduction of “EAZY” by Yamato Transport, no face-to-face receipt of packages is available for items purchased from ZOZOTOWN (June 2020)
- Initiated “YOUR BRAND PROJECT Powered by ZOZO” which produced brands with individuals Providing comprehensive support in design, manufacturing and sales (June 2020)"
- The number of people measured using the ZOZOMAT exceeded a million (June 2020)
- Produced charity T-shirt “SAVE FASHION, SAVE THE TOWN TEE” as a support project to combat COVID-19 (May 2020)



BUSINESS RESULTS



1Q FY2020 ZOZO, Inc.
CONSOLIDATED BUSINESS RESULTS

OVERVIEW OF THE FY2020 1Q

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(million¥)



	FY2019 1Q	FY2020 1Q	YoY	Target	Progress Rate(%)
Gross Merchandise Value	79,743	95,330	19.5%	387,300	24.6%
Net sales	28,197	33,674	19.4%	143,700	23.4%
Gross profit	26,270	32,283	22.9%	-	-
(%Gross Merchandise Value)	32.9%	33.9%	1.0%	-	-
SG&A	18,483	21,860	18.3%	-	-
(%Gross Merchandise Value)	23.2%	22.9%	-0.3%	-	-
Operating profit	7,786	10,423	33.9%	39,500	26.4%
(%Gross Merchandise Value)	9.8%	10.9%	1.1%	10.2%	-
Ordinary profit	7,618	10,473	37.5%	39,500	26.5%
Profit attributable to owners of parent	5,326	7,321	37.5%	27,600	26.5%

OVERVIEW OF EACH QUARTER

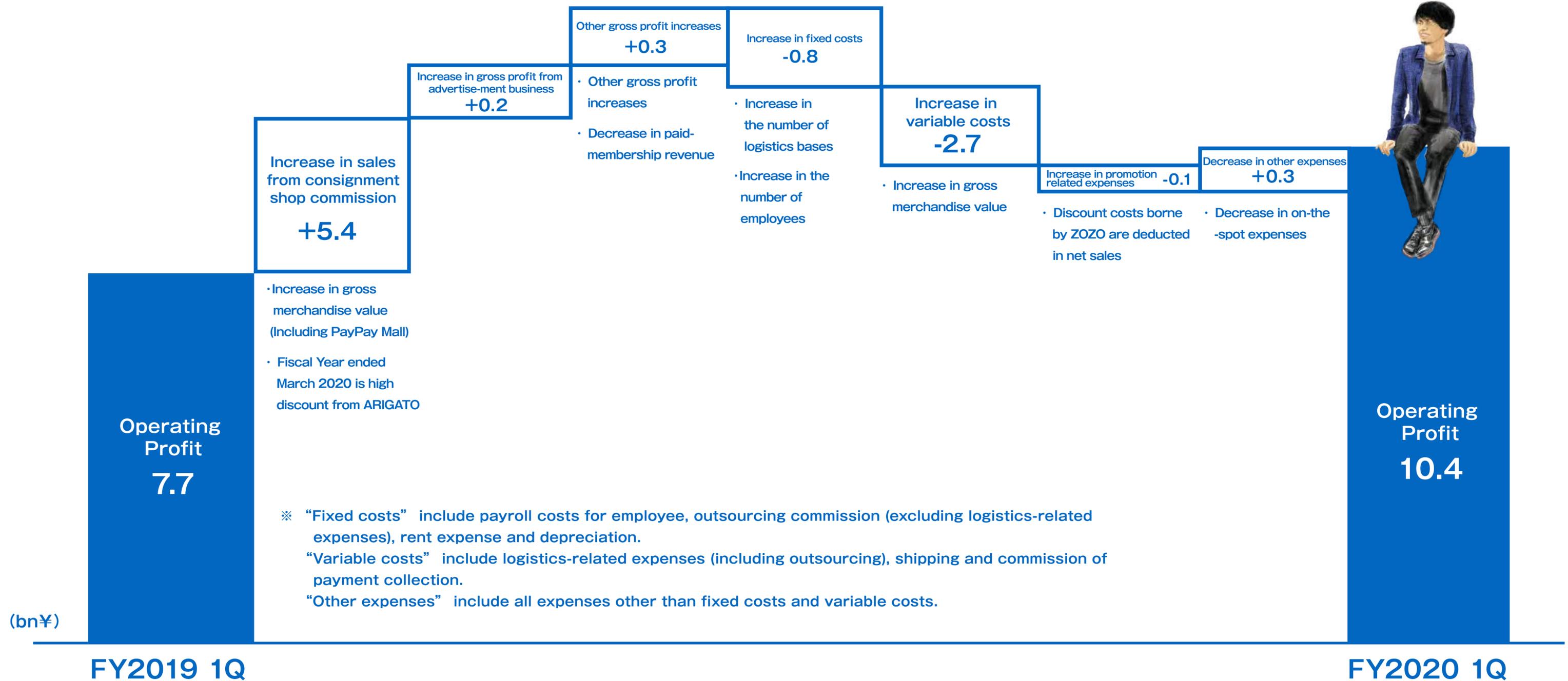


(million¥)

	FY2019				FY2020
	1Q	2Q	3Q	4Q	1Q
Gross Merchandise Value	79,743	79,845	94,278	91,218	95,330
YoY (%)	13.1%	12.6%	0.3%	3.2%	19.5%
Net sales	28,197	29,045	34,645	33,629	33,674
SG&A	18,483	20,683	25,382	21,283	21,860
YoY (%)	0.6%	0.6%	18.1%	12.7%	18.3%
(%Gross Merchandise Value)	23.2%	25.9%	26.9%	23.3%	22.9%
Operating profit	7,786	5,467	6,131	8,503	10,423
YoY (%)	32.6%	30.8%	-42.0%	69.3%	33.9%
(%Gross Merchandise Value)	9.8%	6.8%	6.5%	9.3%	10.9%

- Growth acceleration factor of the gross merchandise value : Within impact from COVID-19, the positive factor (digital shift) exceeded the negative factor (lowering of demand)
- Operating profit improving factors : Increase of gross profit in tandem with growth of the gross merchandise value and no occurrence of discount expense from ARIGATO program

INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT(YoY COMPARISON)



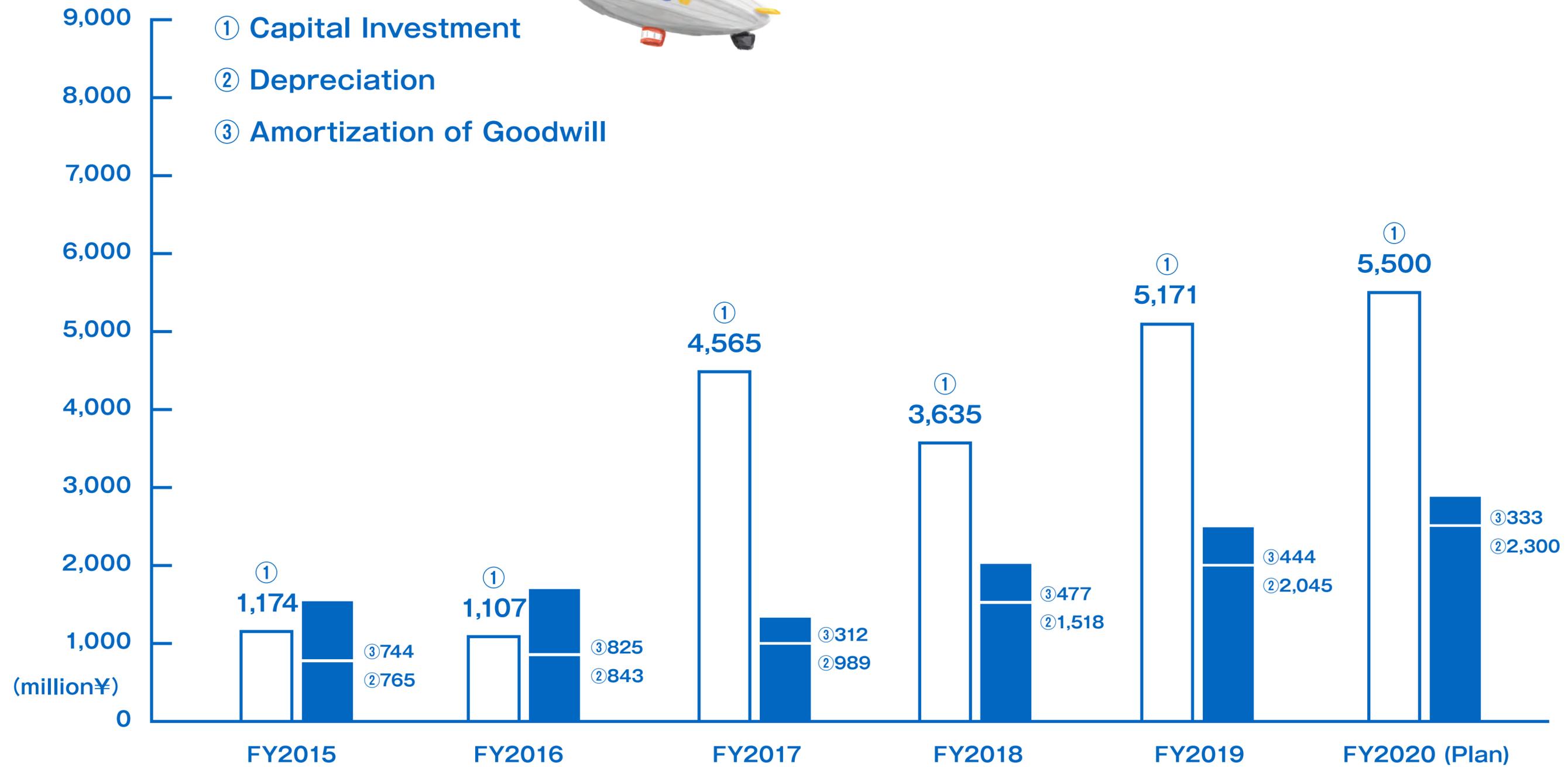
CONSOLIDATED BALANCE SHEET

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(million¥)

	FY2019 (as of March 31, 2020)	FY2020 1Q (as of June 30, 2020)		FY2019 (as of March 31, 2020)	FY2020 1Q (as of June 30, 2020)
Current assets	70,429	68,974	Current liabilities	56,126	52,227
Cash and deposits	33,602	27,629	Short-term borrowing	22,000	20,000
Merchandise and finished products	1,664	1,898	Noncurrent liabilities	3,525	3,783
Noncurrent assets	23,756	23,416	Total liabilities	59,651	56,010
Tangible assets	10,493	10,445	Shareholders' equity	34,616	36,442
Intangible assets	2,968	2,877	Treasury stock	-24,412	-24,412
Investments and other assets	10,295	10,093	Total net assets	34,534	36,380
Total assets	94,186	92,390	Total liabilities and net assets	94,186	92,390

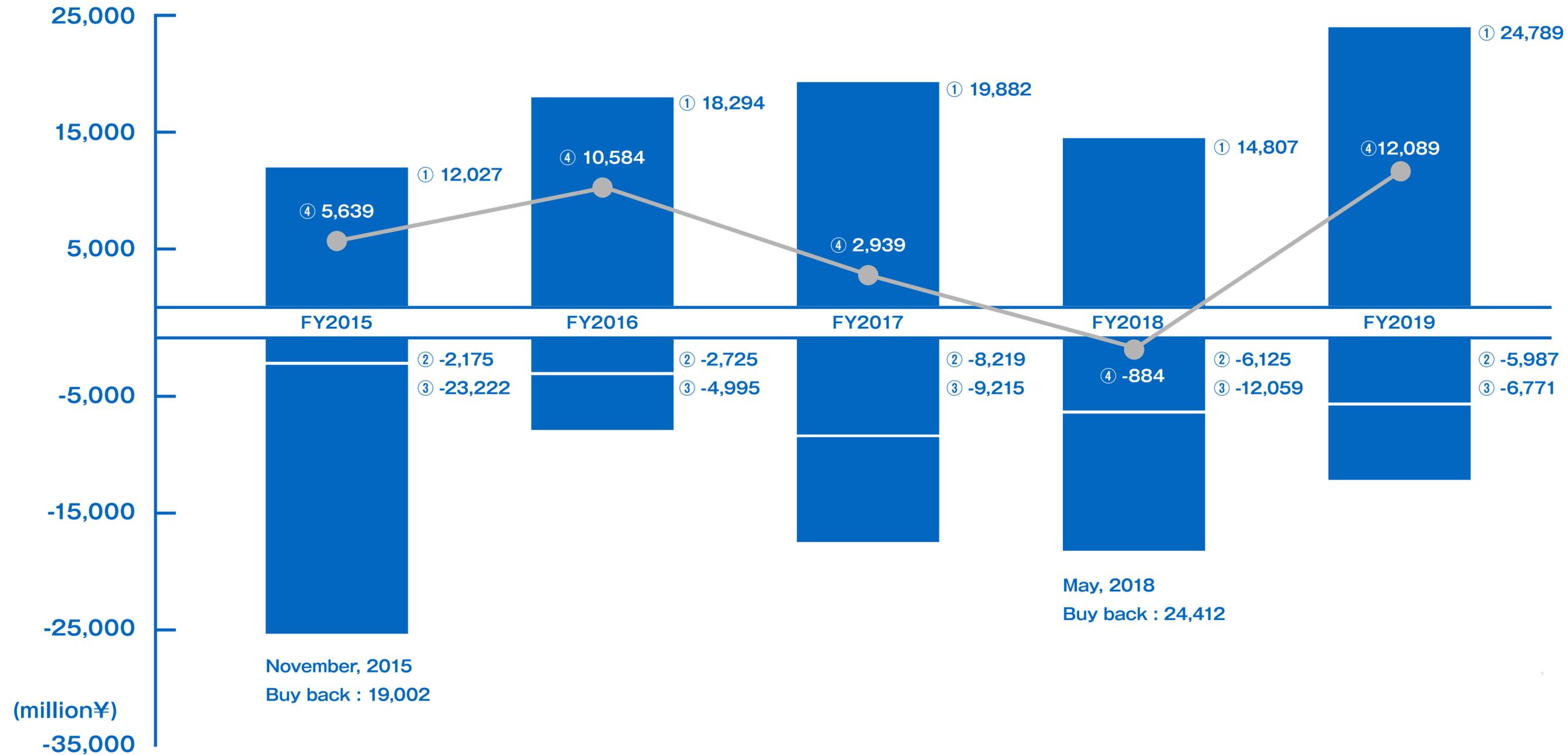
CAPITAL INVESTMENT



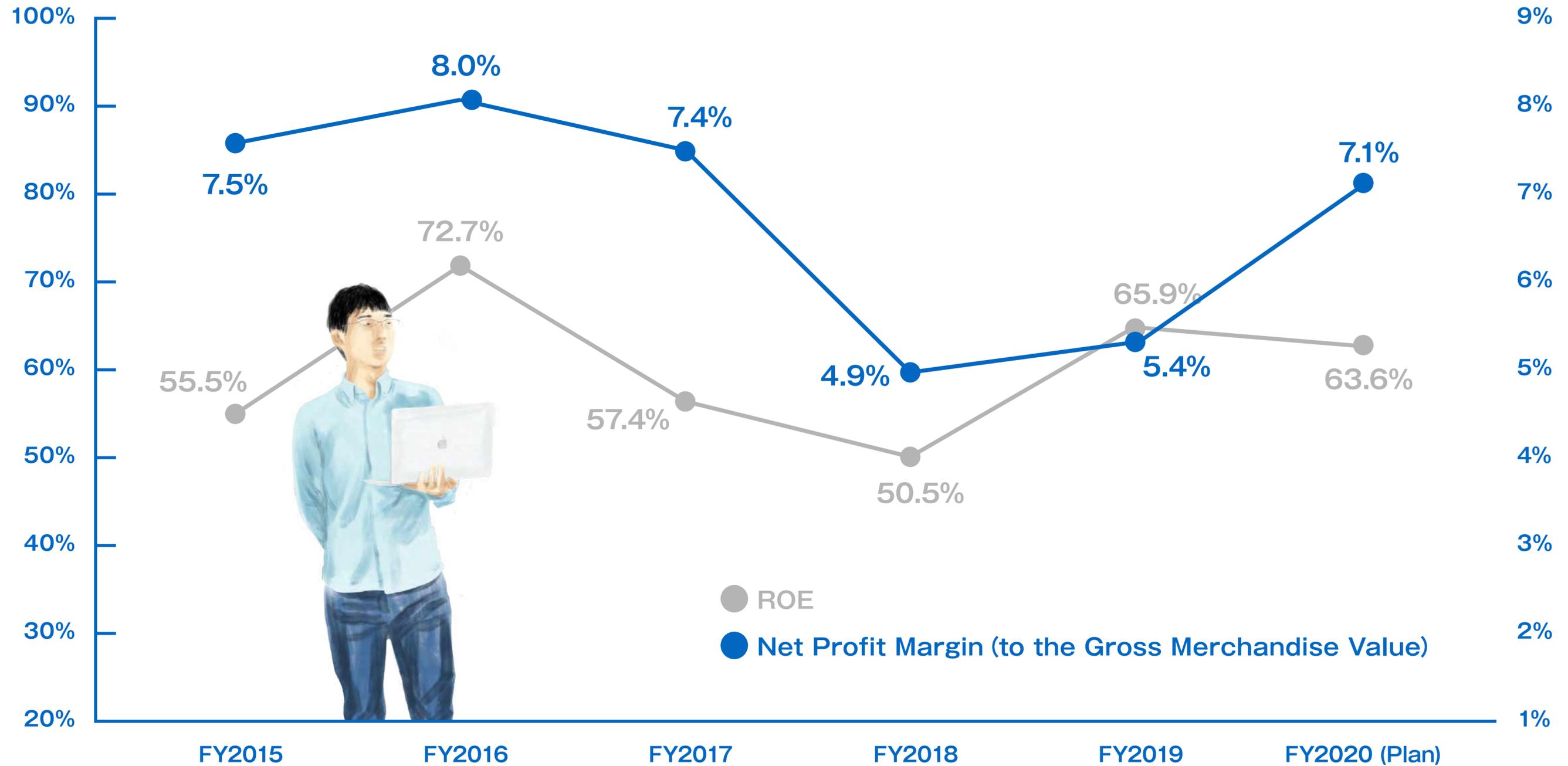
CASH FLOWS

- ① Cash flows from operating activities
- ② Cash flows from investing activities

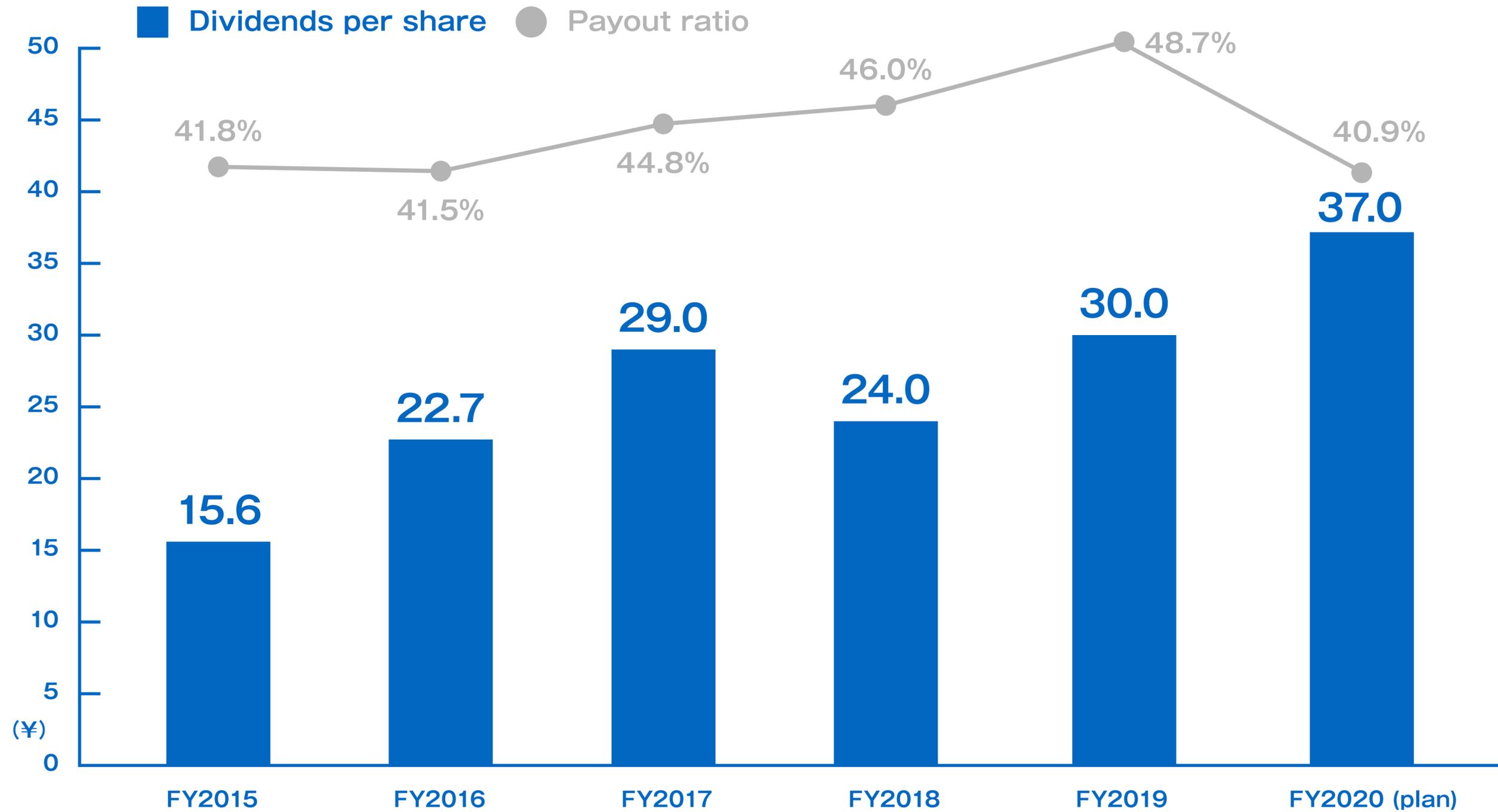
- ③ Cash flows from financing activities
- ④ Substantial free cash flows
- ① + ② - Expenditure from dividends



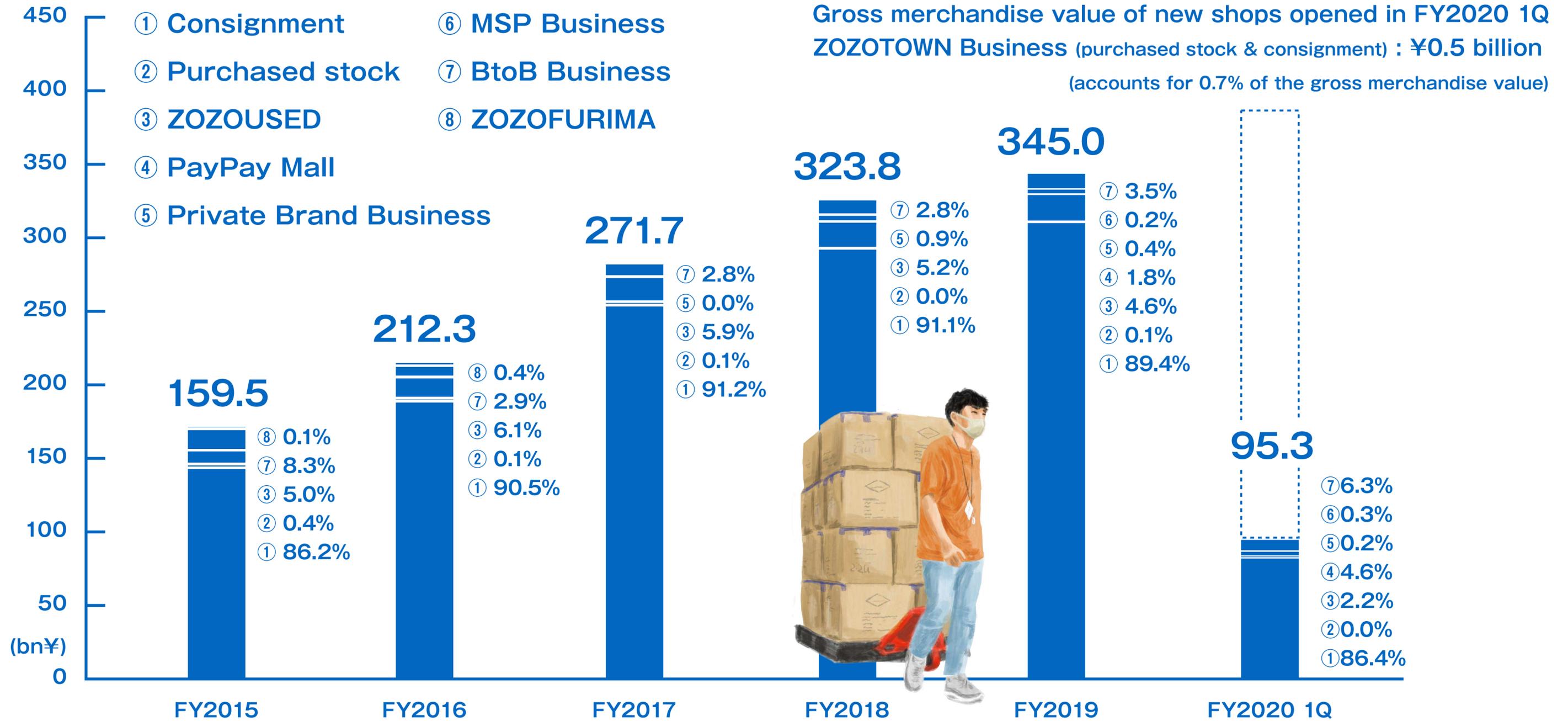
ROE AND NET PROFIT MARGIN



DIVIDENDS PER SHARE AND PAYOUT RATIO

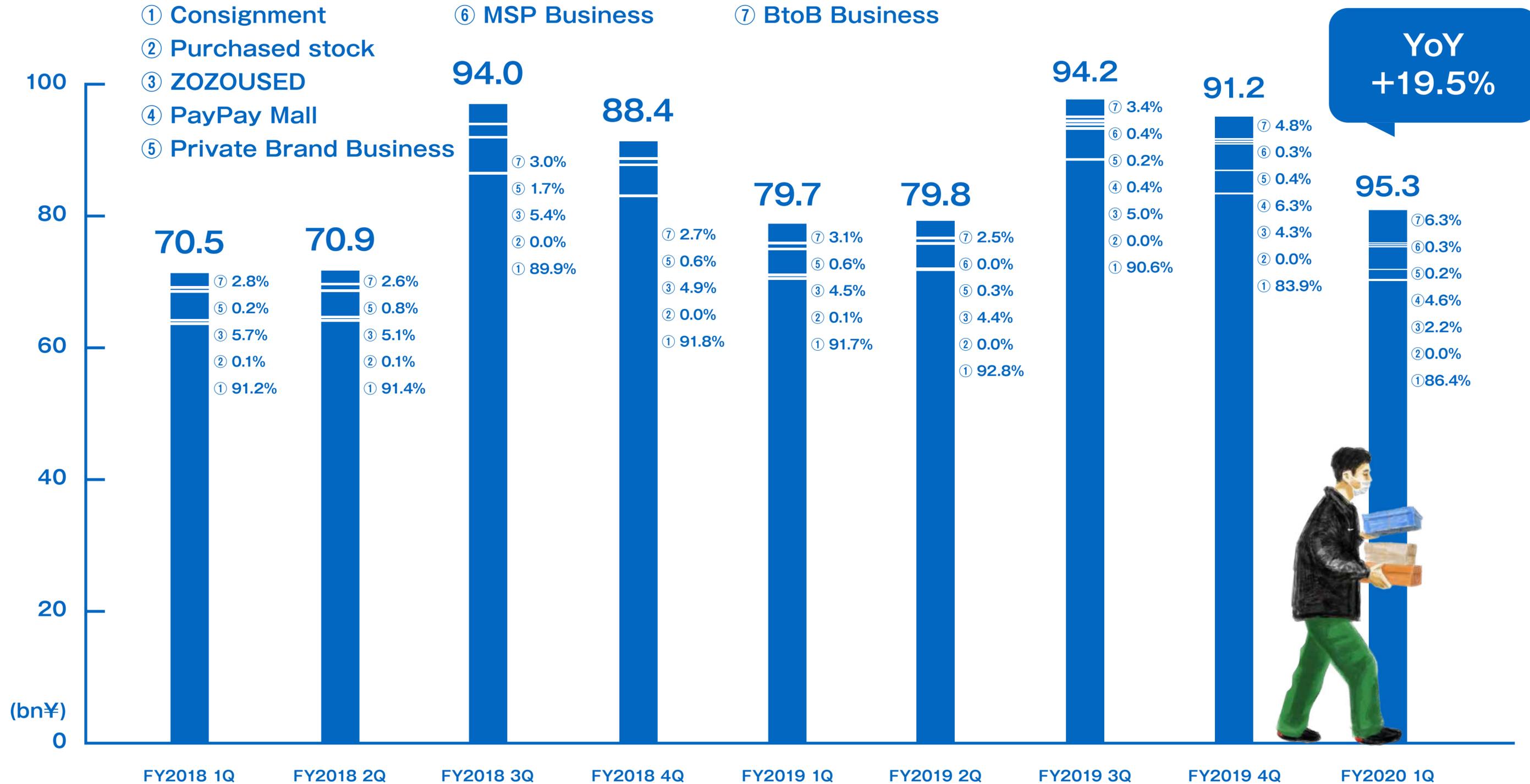


GROSS MERCHANDISE VALUE

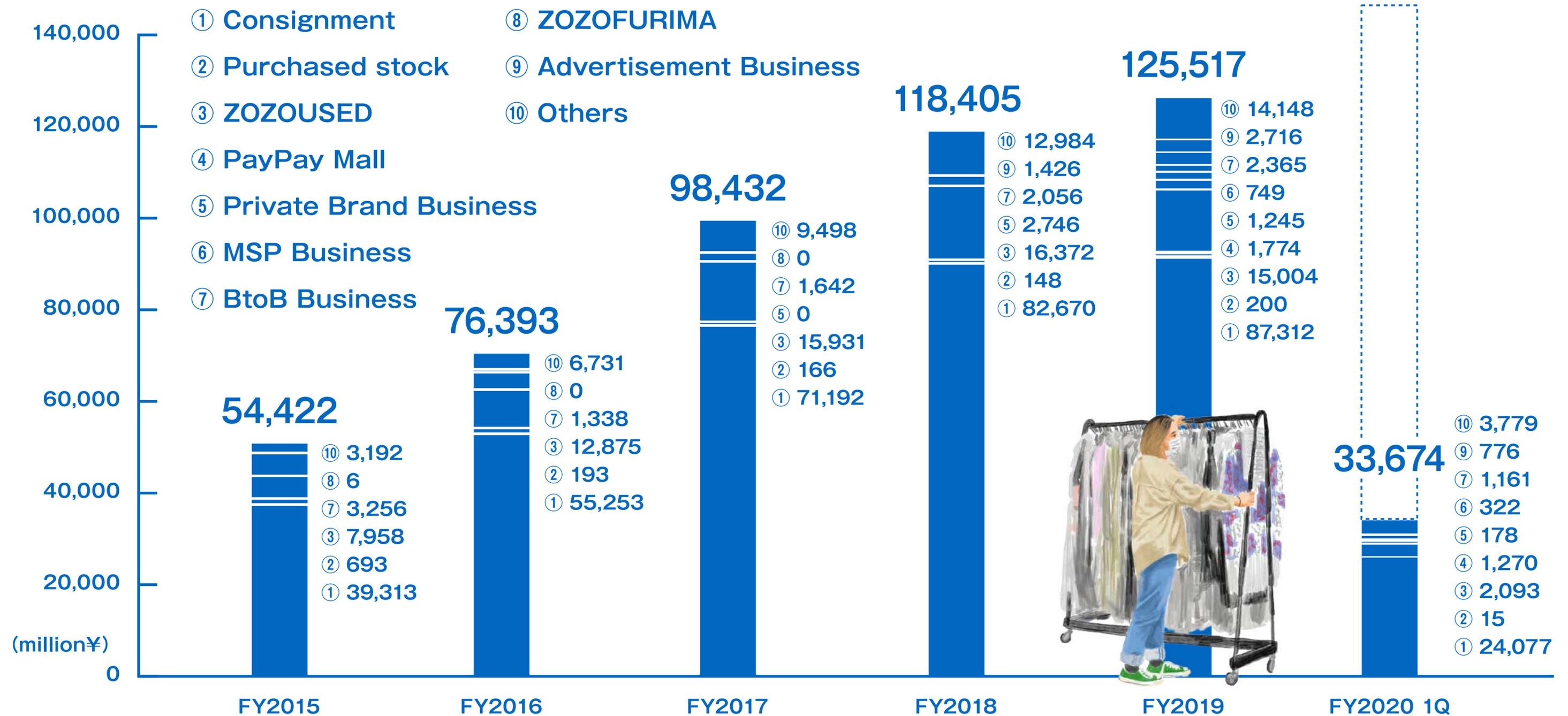


* ZOZO FURIMA Business ended on June 30, 2017.

GROSS MERCHANDISE VALUE(QUARTERLY)



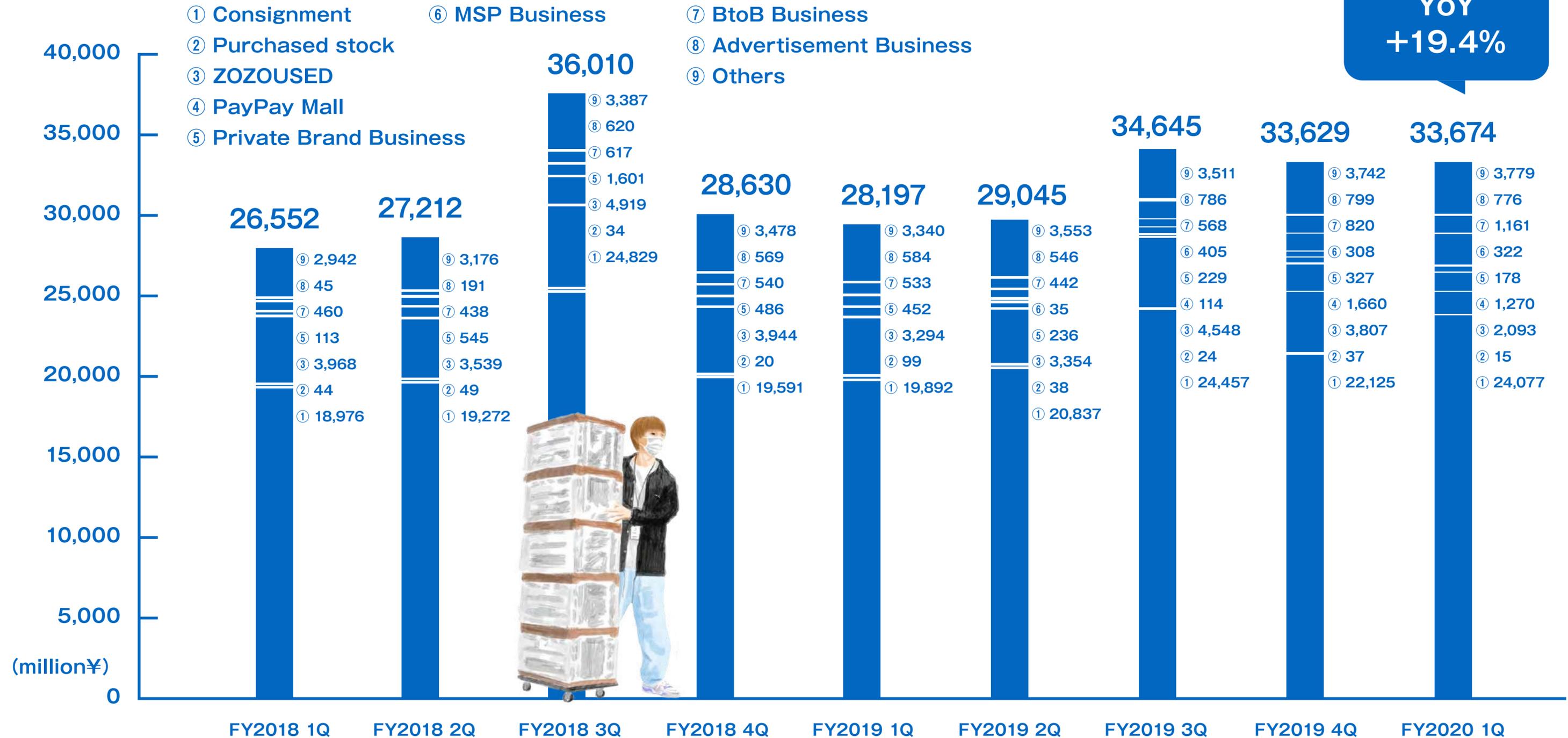
NET SALES



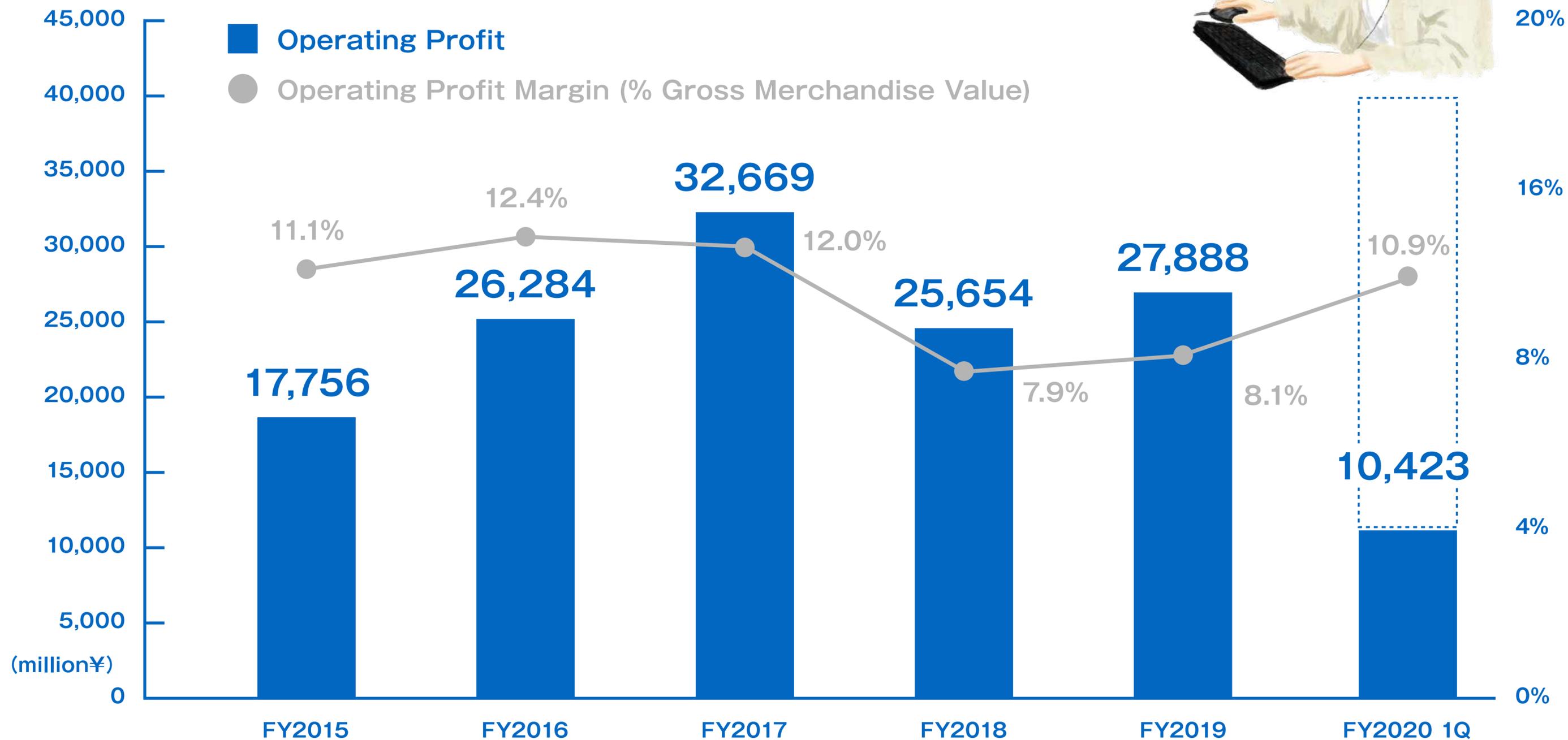
* ZOZO FURIMA Business ended on June 30, 2017.

NET SALES(QUARTERLY)

YoY
+19.4%



OPERATING PROFIT AND OPERATING PROFIT MARGIN



SELLING, GENERAL AND ADMINISTRATIVE(SG&A) EXPENSES

19

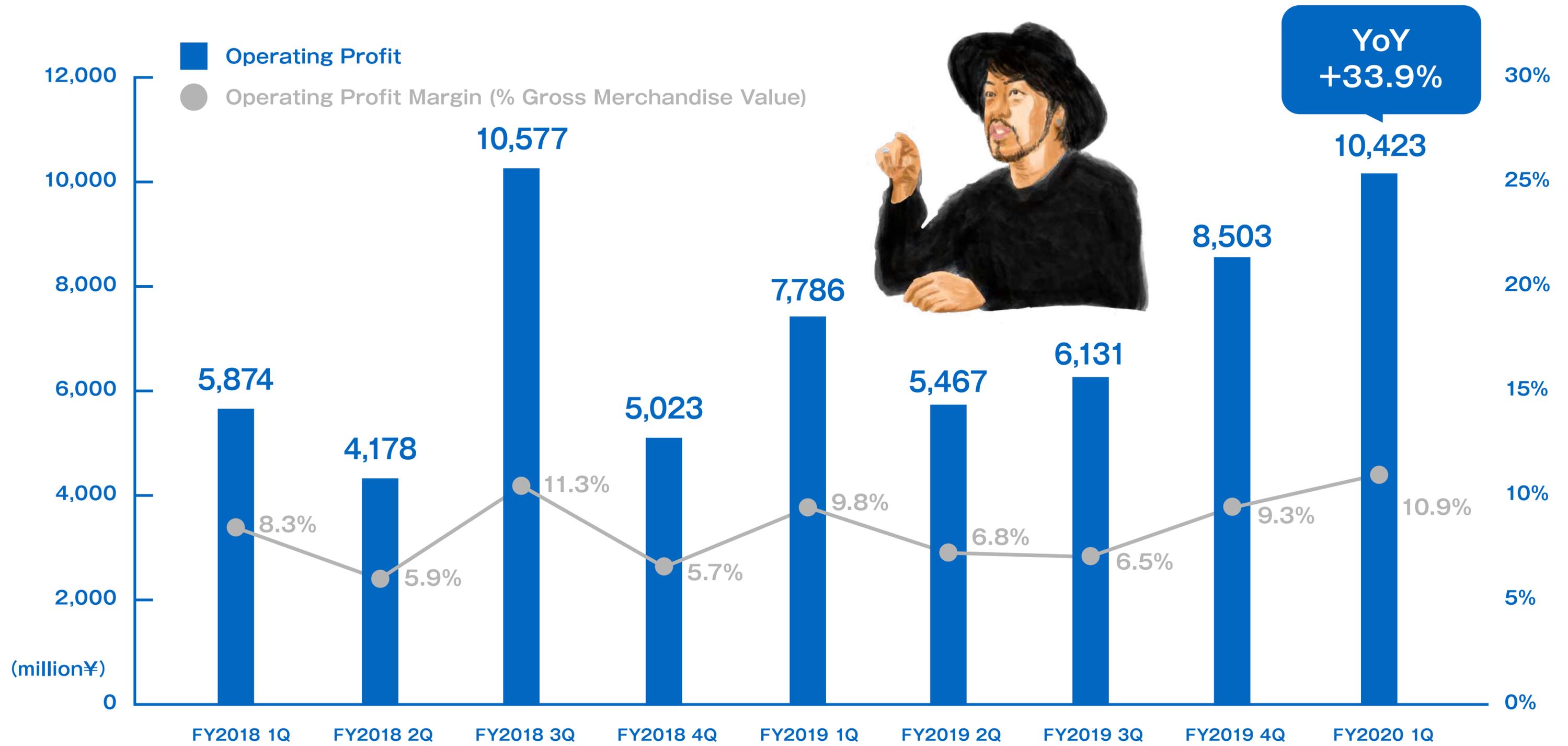
(million¥)

	FY2019 1Q		FY2020 1Q		YOY	Increase decrease factors
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	%Gross Merchandise Value	
Payroll and staff costs(*)	5,219	6.5%	6,465	6.8%	0.3%	
Payroll costs for employee	1,940	2.4%	2,409	2.5%	0.1%	Transition of the number of employees on consolidated basis: 1,130 FY2019 1Q → 1,209 FY2020 1Q / Previous fiscal year: reversal of provision of bonuses
Logistics-Related Expenses (Including Outsourcing)	3,278	4.1%	4,056	4.3%	0.2%	Increase in the ratio due to a decrease in average retail price / Increase in hourly pay for part-time workers (June 2019~)
Outsourcing Commission (Excluding Logistics-Related Expenses)	1,023	1.3%	1,197	1.3%	0.0%	
Shipping	5,011	6.3%	6,655	7.0%	0.7%	Increase in ratio due to a decrease in the average order value (Increase in the discount sales ratio to the gross merchandise value and the reverse impact from ZOZOARIGATO in the previous fiscal year)
Commission of Payment collection	2,243	2.8%	2,561	2.7%	-0.1%	
Promotion related expenses	927	1.2%	1,075	1.1%	-0.1%	
Advertising	378	0.5%	619	0.7%	0.2%	
Reward points related expenses	548	0.7%	455	0.5%	-0.2%	Ended 1% reward point (April 2020~) / Reward points related expenses increased for ZOZOCARD holders
Rent expense	1,169	1.5%	1,232	1.3%	-0.2%	Lease end and increase of logistics bases
Depreciation	442	0.6%	553	0.6%	0.0%	Increase due to an increase in the number of logistics bases
Amortization of goodwill	140	0.2%	81	0.1%	-0.1%	
Stock Compensation Expenses	-6	0.0%	0	0.0%	0.0%	
Others	2,312	2.9%	2,035	2.1%	-0.8%	Decrease in on-the-spot expenses
Total SG&A	18,483	23.2%	21,860	22.9%	-0.3%	

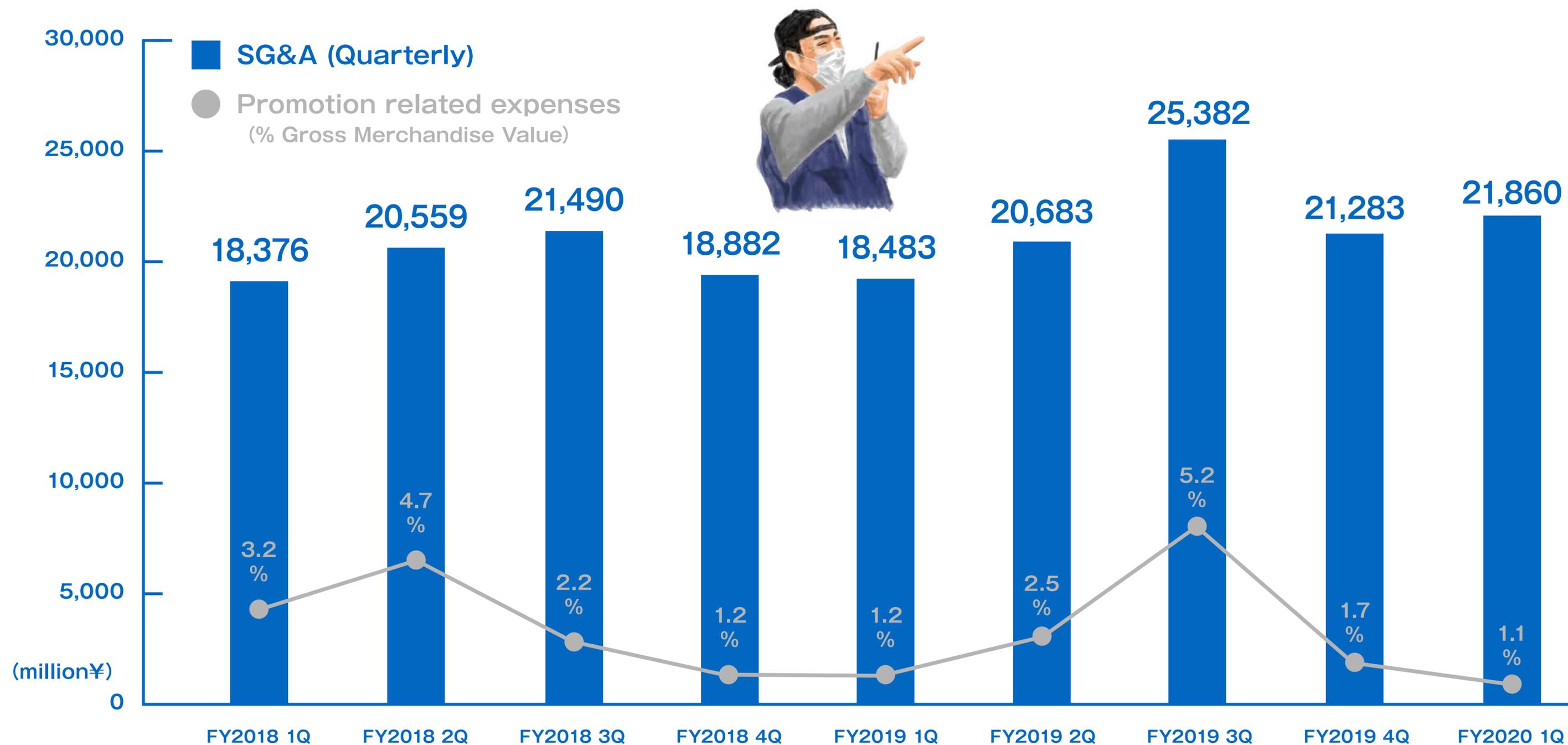
* Payroll includes directors' remuneration, employee salaries, bonus, legal welfare expenses, welfare expenses, retirement benefits cost, provision for employee bonus, expenses of company pension premium, subcontracting payroll, a portion of expenses at logistics centers operation. "Employee" includes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



OPERATING PROFIT AND OPERATING PROFIT MARGIN (QUARTERLY)



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



OVERVIEW OF SG&A BY EACH QUARTER

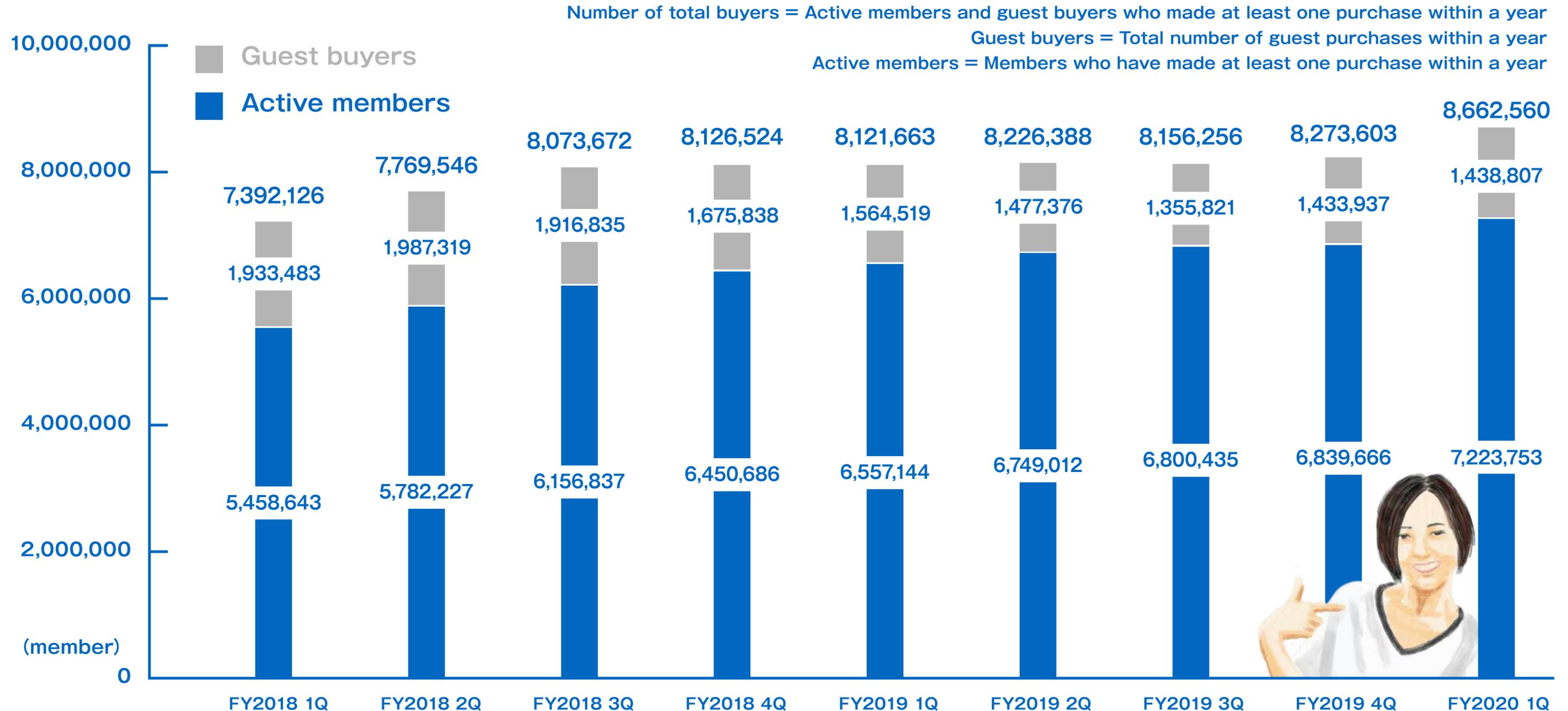


(million¥)

	FY2019								FY2020	
	1Q		2Q		3Q		4Q		1Q	
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value
Payroll and staff costs(*)	5,219	6.5%	5,515	6.9%	6,493	6.9%	6,091	6.7%	6,465	6.8%
Payroll costs for employee	1,940	2.4%	2,017	2.5%	2,307	2.4%	2,152	2.4%	2,409	2.5%
Logistics-Related Expenses (Including Outsourcing)	3,278	4.1%	3,498	4.4%	4,185	4.4%	3,939	4.3%	4,056	4.3%
Outsourcing Commission (Excluding Logistics-Related Expenses)	1,023	1.3%	1,112	1.4%	1,182	1.3%	1,233	1.4%	1,197	1.3%
Shipping	5,011	6.3%	5,511	6.9%	5,661	6.0%	5,808	6.4%	6,655	7.0%
Commission of Payment collection	2,243	2.8%	2,286	2.9%	2,550	2.7%	2,445	2.7%	2,561	2.7%
Promotion related expenses	927	1.2%	1,994	2.5%	4,866	5.2%	1,556	1.7%	1,075	1.1%
Advertising	378	0.5%	339	0.4%	3,571	3.8%	524	0.6%	619	0.7%
Reward points related expenses	548	0.7%	1,655	2.1%	1,294	1.4%	1,032	1.1%	455	0.5%
Rent expense	1,169	1.5%	1,203	1.5%	1,335	1.4%	1,310	1.4%	1,232	1.3%
Depreciation	442	0.6%	412	0.5%	555	0.6%	635	0.7%	553	0.6%
Amortization of goodwill	140	0.2%	139	0.2%	82	0.1%	82	0.1%	81	0.1%
Stock Compensation Expenses	-6	0.0%	-93	-0.1%	-3	0.0%	-5	0.0%	0	0.0%
Others	2,312	2.9%	2,601	3.3%	2,658	2.8%	2,123	2.3%	2,035	2.1%
Total SG&A	18,483	23.2%	20,683	25.9%	25,382	26.9%	21,283	23.3%	21,860	22.9%

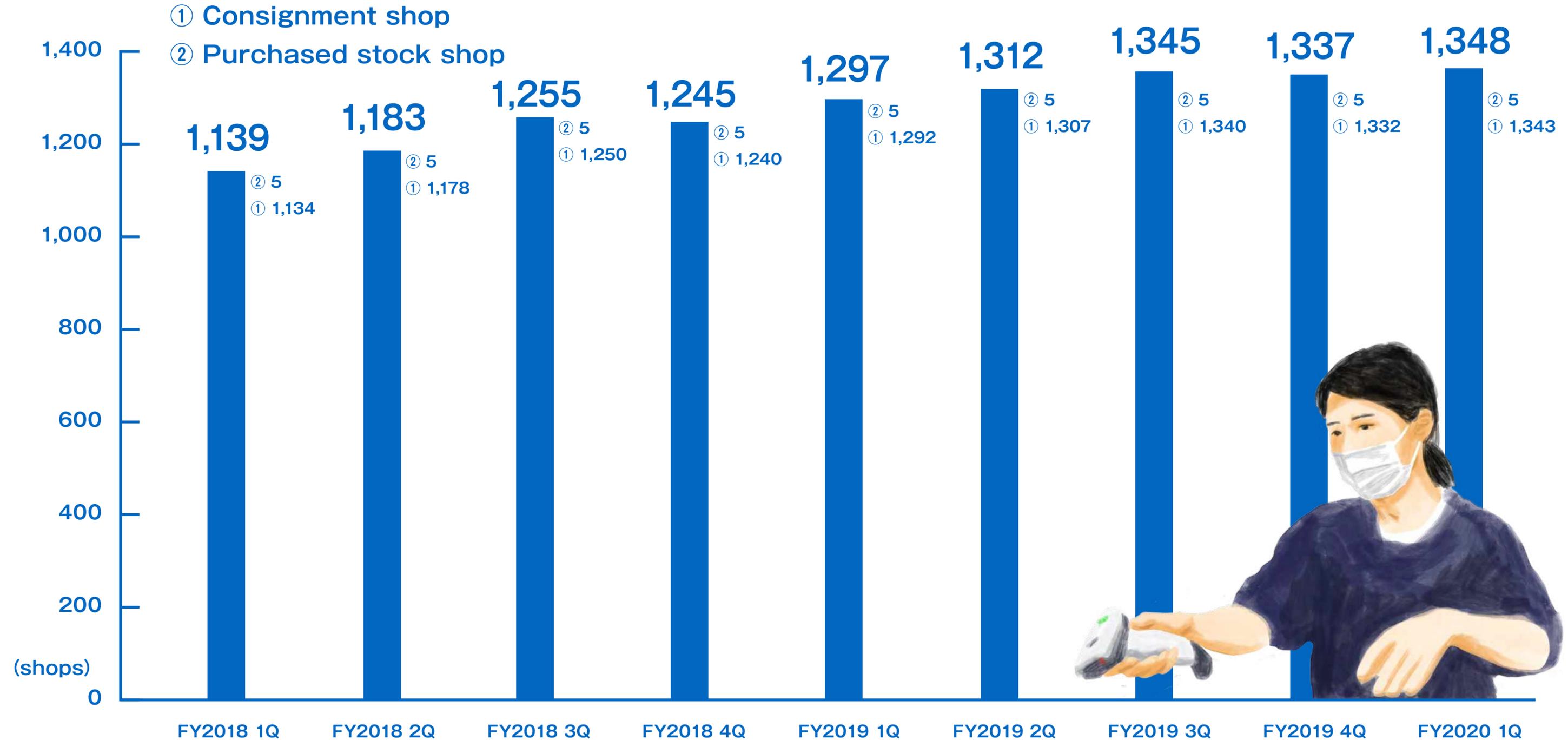
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NUMBER OF TOTAL BUYERS



* Excluding the users only purchased the body measurement device "ZOSOSUIT" and "ZOSOMAT"
 * PayPay Mall is not included

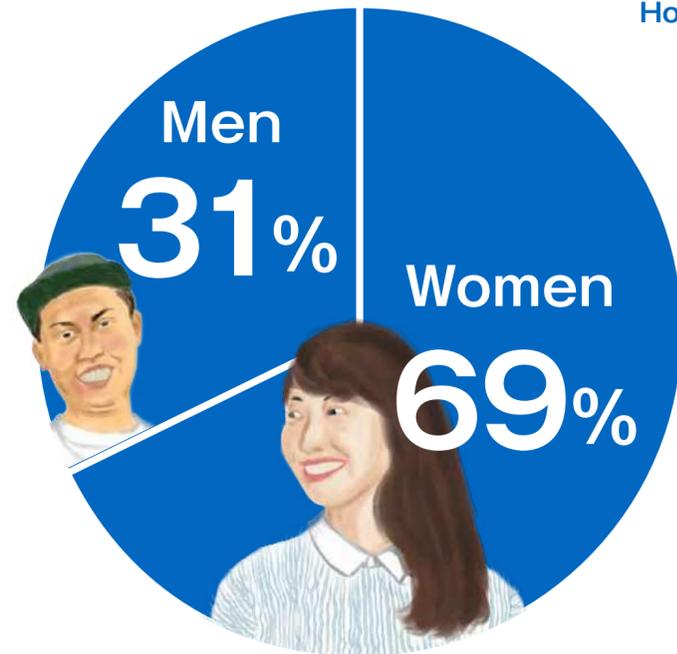
NUMBER OF SHOPS ON ZOZOTOWN



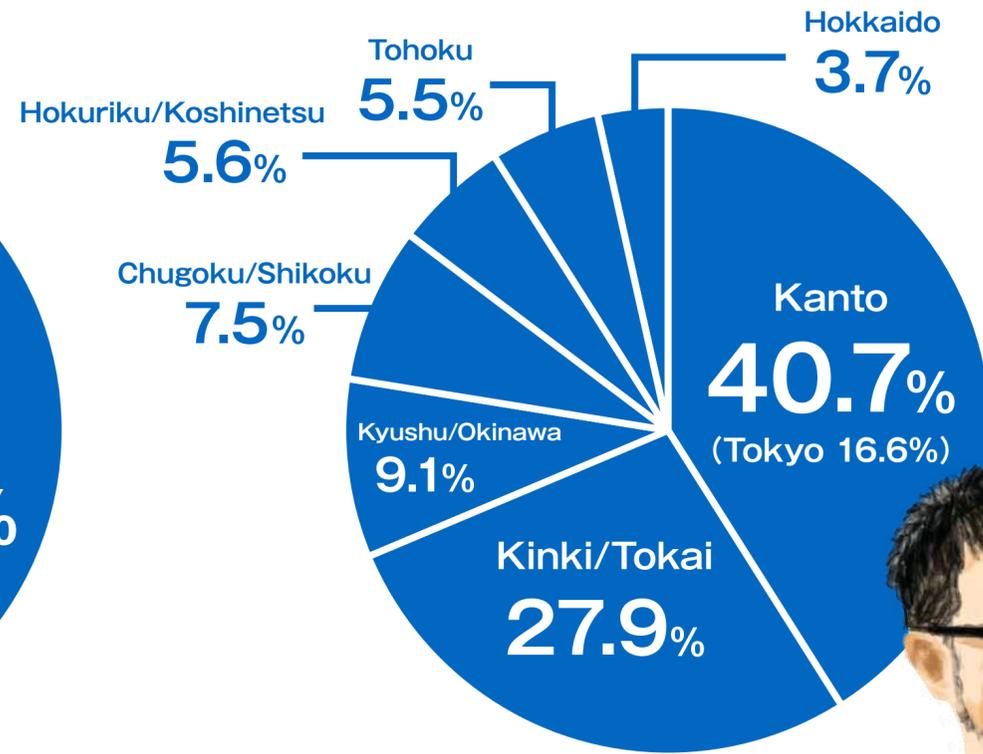
※Shops of the private brand "ZOZO" and "Multi-Size" are not included to the number of shops

ACTIVE MEMBER DISTRIBUTION

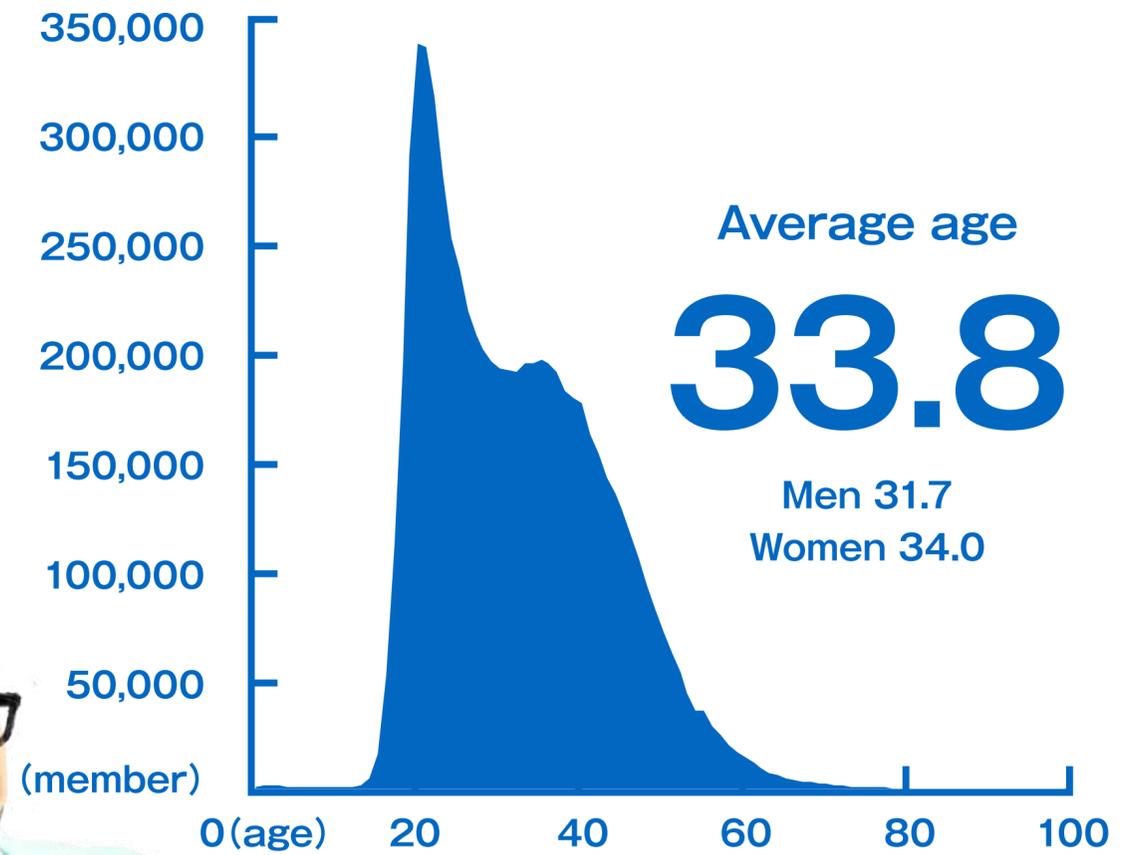
Gender ratio



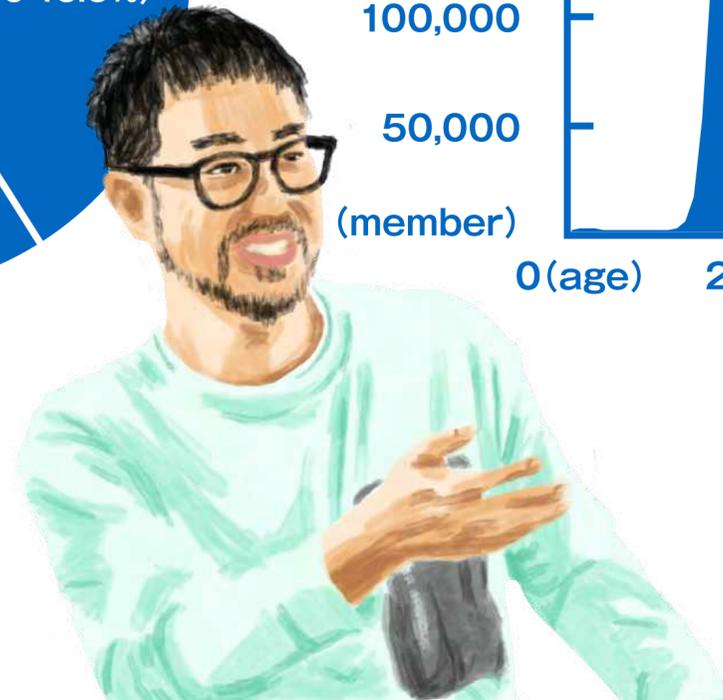
Geographical distribution



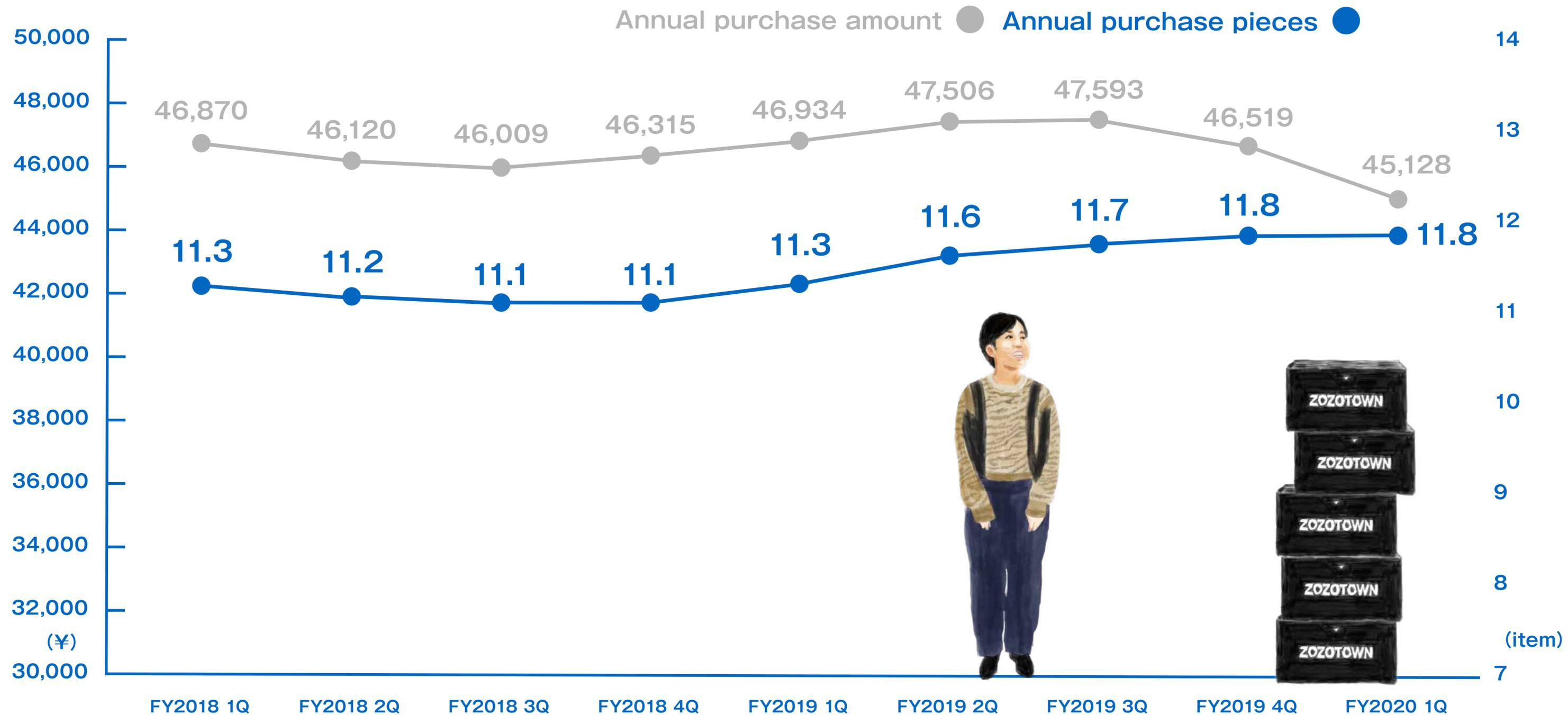
Age distribution



* PayPay Mall is not included

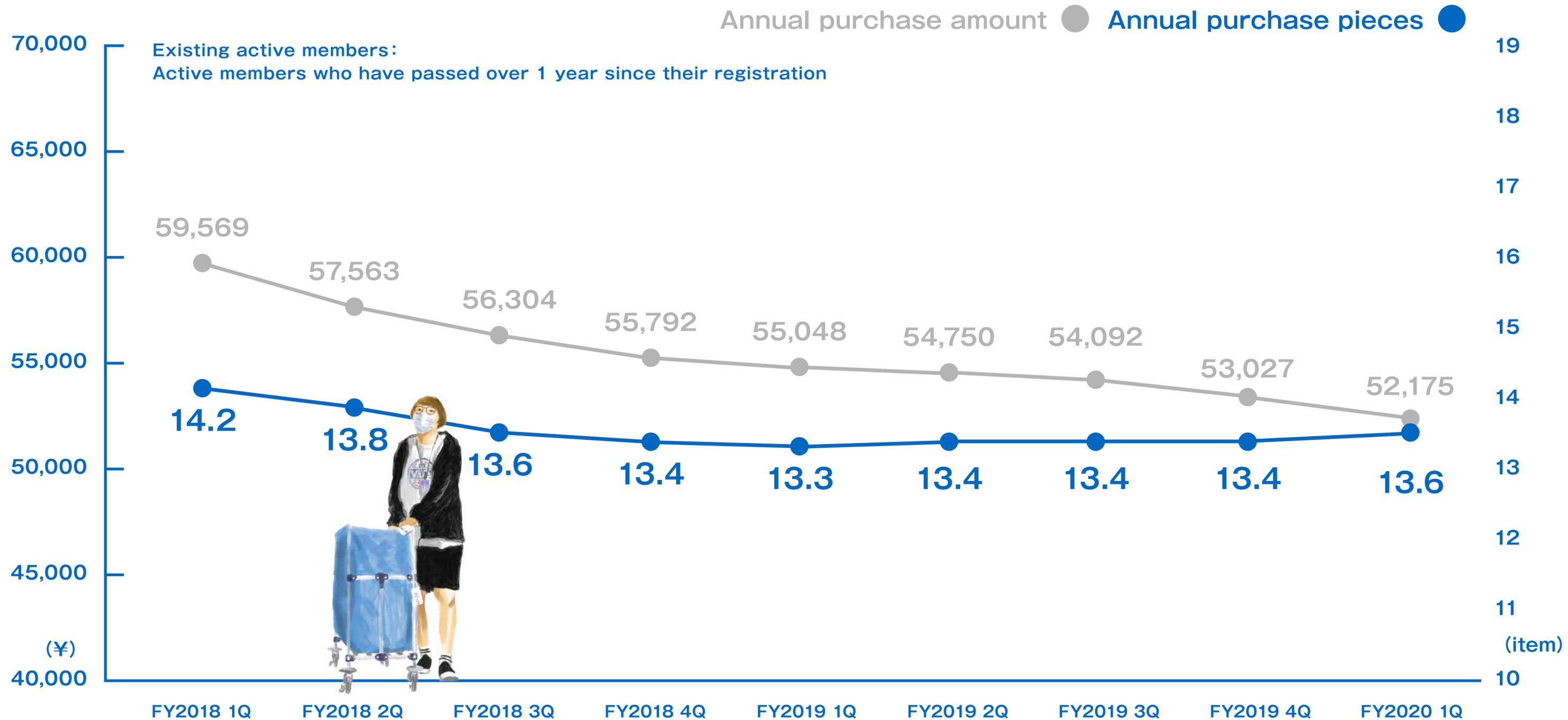


ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



* Excluding the users only purchased the body measurement device "ZOZOSUIT" and "ZOZOMAT"
 * PayPay Mall is not included

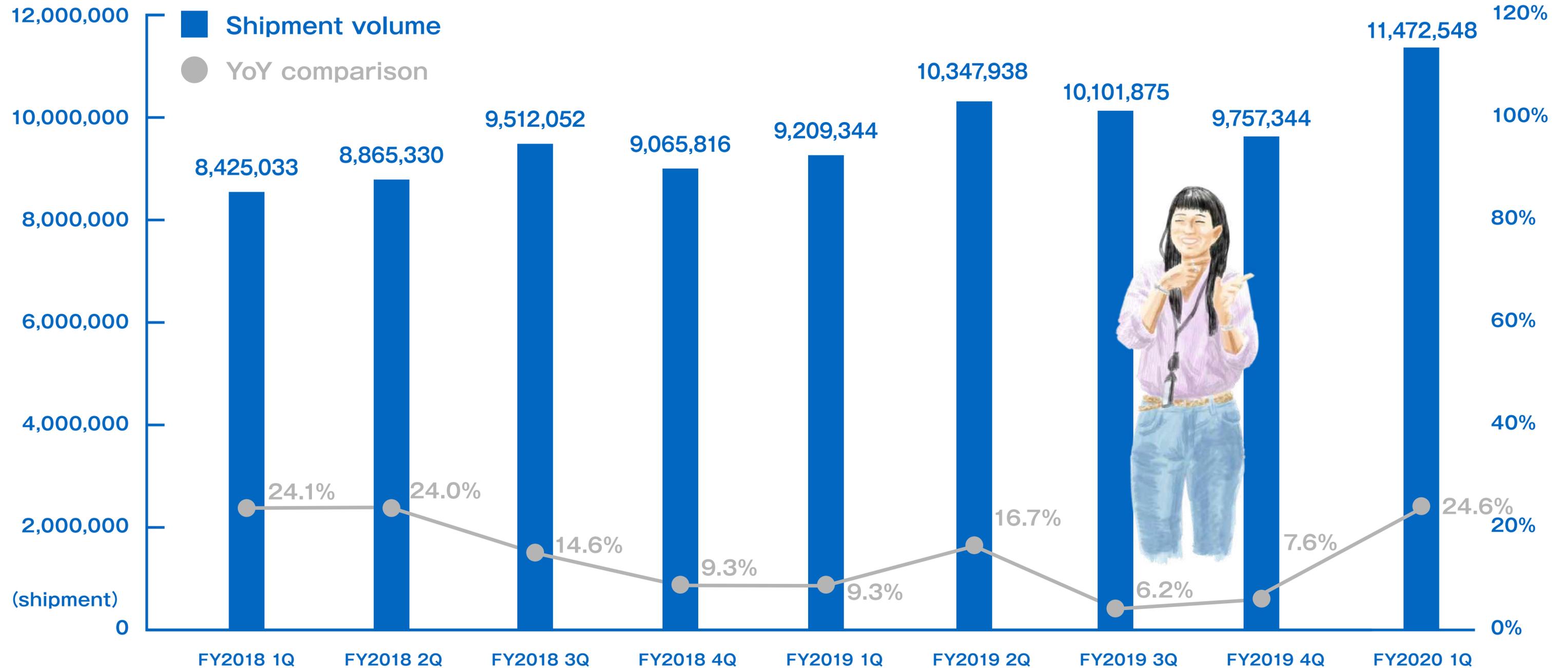
ANNUAL PURCHASE AMOUNT AND PIECES PER EXISTING ACTIVE MEMBER



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

* 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

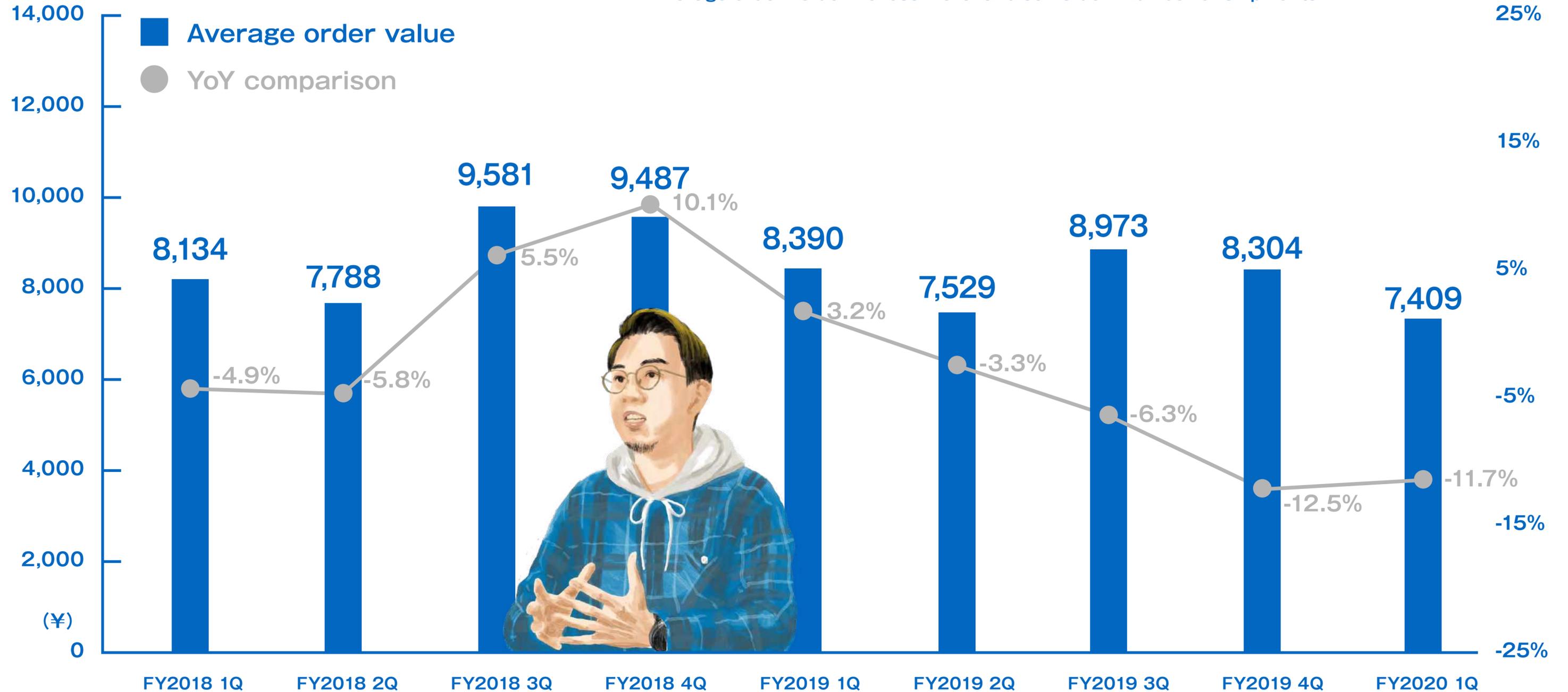


* The numbers of average retail price are averages calculated from combined results of the ZOZOTOWN business, the PB business, and the MSP business

* 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

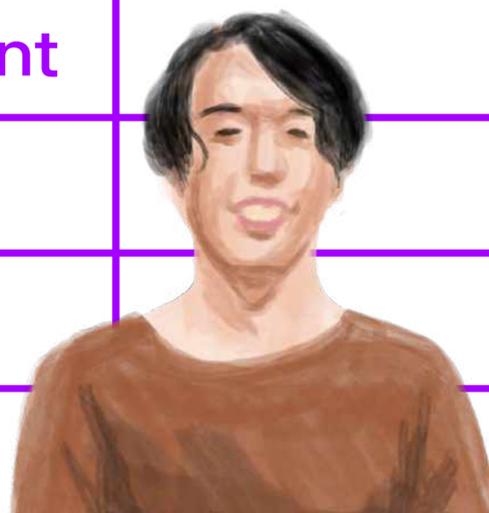
BUSINESS PLAN FOR FY2020



1Q FY2020 ZOZO, Inc.
CONSOLIDATED BUSINESS RESULTS

CONSOLIDATED BUSINESS FORCAST AND DIVIDEND FORECAST FOR FY2020

	FY2020 Plan	YoY
Gross Merchandise Value	387.3 billion yen	12.2%
Net sales	143.7 billion yen	14.5%
Operating profit	39.5 billion yen	41.6%
Operating Profit Margin (to the Gross Merchandise Value)	10.2%	—
Ordinary profit	39.5 billion yen	42.9%
Profit attributable to owners of parent	27.6 billion yen	46.8%
Net profit per share	90.4 yen	—
Estimated dividends per share (Plan)	37.0 yen	—



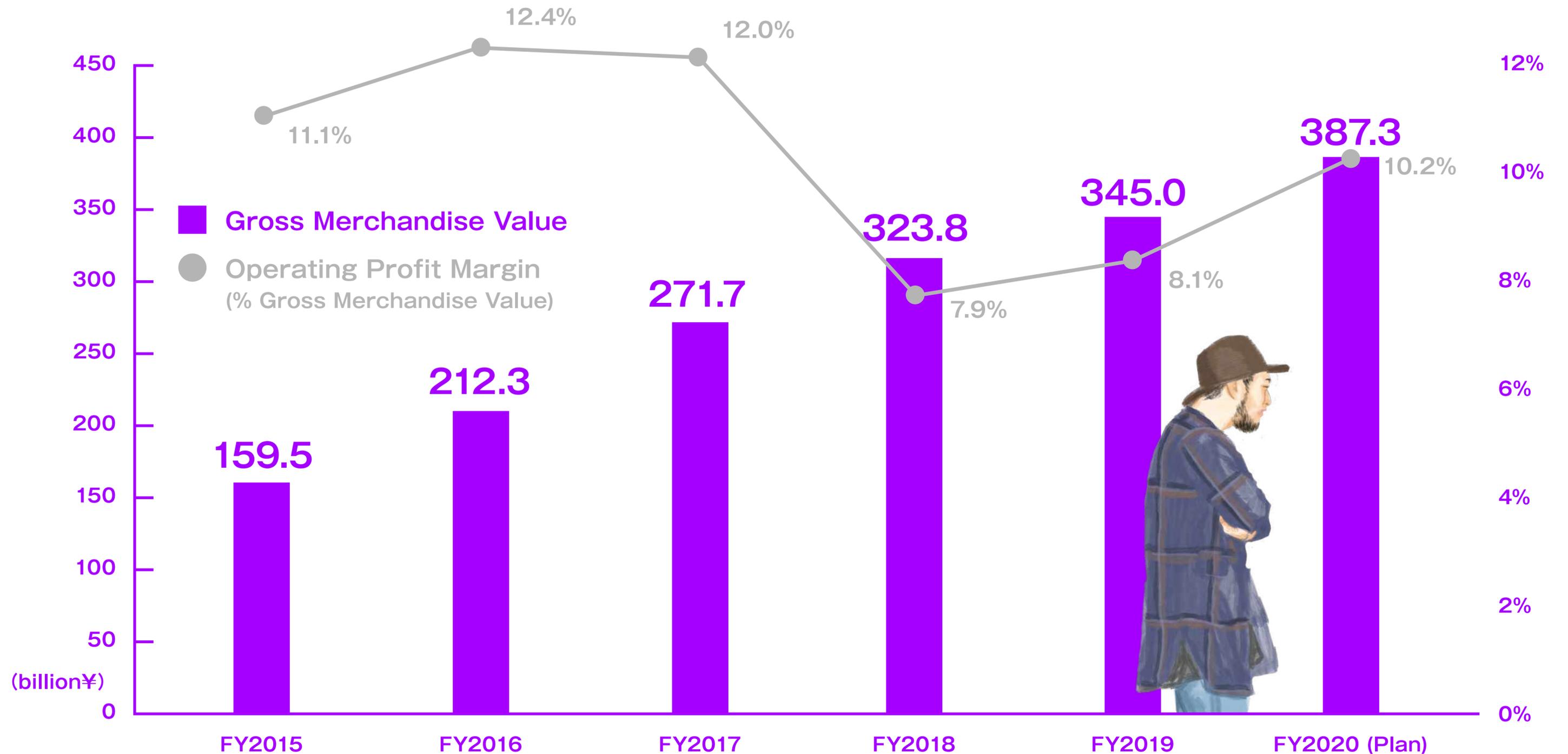
FY2020 TARGET BY BUSINESS SEGMENT

	Target for Gross Merchandise Value	YoY
ZOZO Group	387.3 billion yen	+12.2%
Consignment Business	331.0 billion yen	+7.2%
ZOZOUSED	14.9 billion yen	-5.4%
PayPay Mall	20.0 billion yen	+222.6%
BtoB Business	20.0 billion yen	+66.2%
Private Brand Business	0.2 billion yen	-84.1%
MSP Business	1.2 billion yen	+59.6%



	Target for Net Sales	YoY
Advertisement Business	4.2 billion yen	+54.6%

GROSS MERCHANDISE VALUE & OPERATING PROFIT MARGIN



REFERENCE DATA

1Q FY2020 ZOZO, Inc.
CONSOLIDATED BUSINESS RESULTS



A watercolor-style illustration of the Earth, showing continents in green and brown and oceans in blue. The style is soft and painterly.

Be unique. Be equal.

STATISTICS OF ZOZO

EMPLOYEES

1,209

(Average age 33.2 years old)

SHARE HOLDERS

23,925

NUMBER OF BRANDS HANDLED

7,989

ZOZOTOWN TOTAL BUYERS

(1 year basis)

8.66 million



MAJOR SERVICES

ZOZOTOWN Japan's Largest Online Retailer of Apparel and Accessories

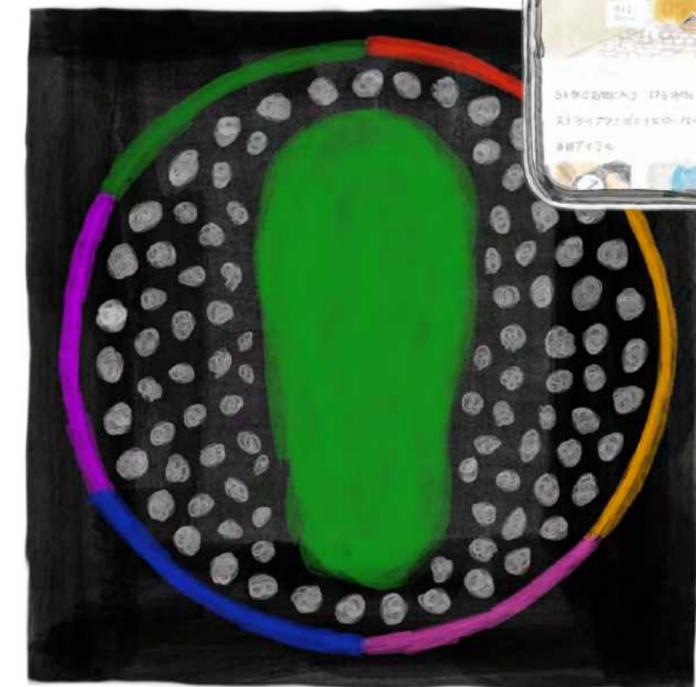
- 1,348 stores offering 7,989 brands.
- At any given time, more than 830,000 items are available with an average of 3,000 new items added everyday.
- Systems, design, to fulfillment, all functions are built in house.
- Same-day delivery service/Gift-wrapping service/Deferred payment etc.
- Opened ZOZOTOWN 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.

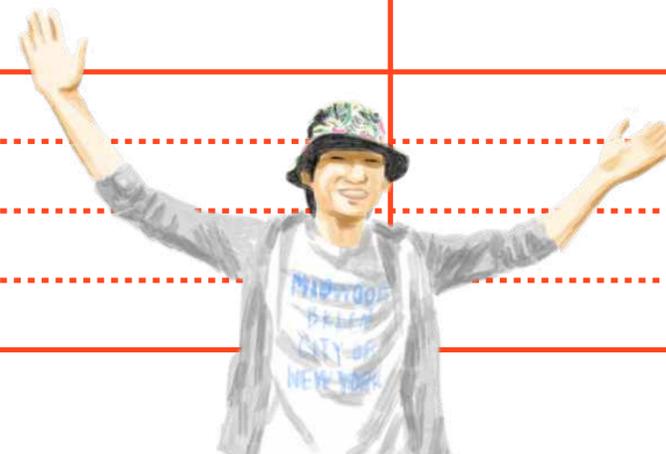
Private Brand "ZOZO"

- 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 ZOZOTOWN AND ZOZOTOWN SHOP ON PAYPAY MALL

	ZOZOTOWN	ZOZOTOWN 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	1,348 (As of June 30, 2020)	1,229 (As of June 30, 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	Commission rate stipulated in each contract with brands
	Shipping revenue from customers	210 yen (including tax)
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 1,343 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

*(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

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



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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

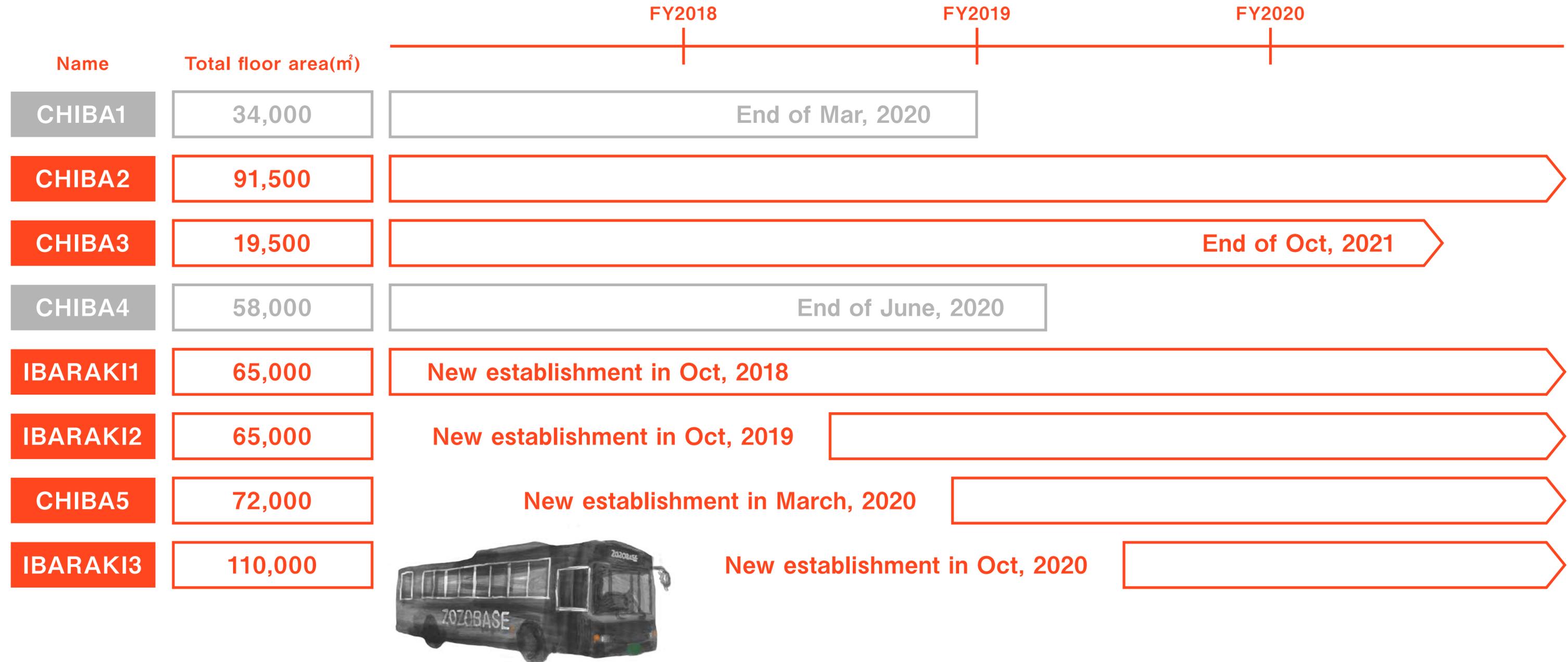
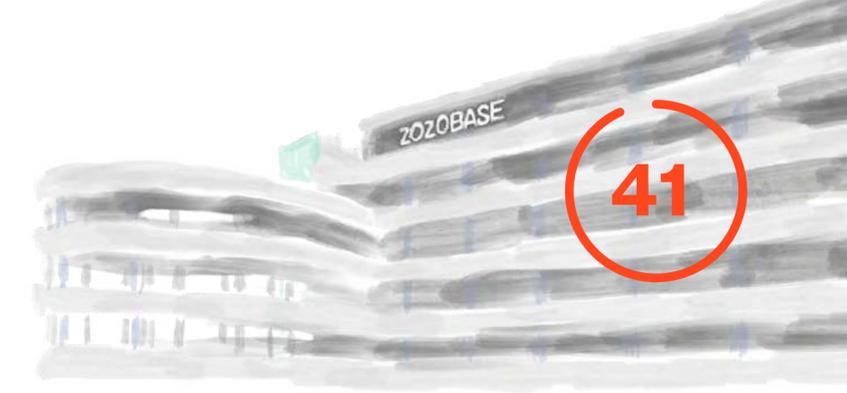
We help develop and operate online shops on behalf of various brands, such as “United Arrows”. We currently provide back-end service to 51 stores.
Sales = Gross merchandise value of these online shops x commission rate

* 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

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/>



**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.**



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