

Consolidated Financial Results

For the Third Quarter of Fiscal Year Ending March 31, 2021 [JGAAP]

January 29, 2020

| | | | |
|---|--|-------------------------------------|---|
| Company Name: | ZOZO, Inc. | Listed stock exchange: | 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 | February 12, 2021 | Scheduled date of dividend payment: | — |
| Supplementary materials for quarterly financial results | : Yes | | |
| Quarterly results briefing | : Yes (For analysts and institutional investors) | | |

(Rounded down to million yen)

Consolidated business results for the third quarter of the fiscal year ending March 31, 2021 (April 1 to December 31, 2020)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|--|-------------|------|------------------|------|-----------------|------|---|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Third quarter of fiscal year ending March 31, 2021 | 108,480 | 18.1 | 33,785 | 74.3 | 33,891 | 76.3 | 23,725 | 94.9 |
| Third quarter of fiscal year ended March 31, 2020 | 91,887 | 2.4 | 19,385 | -6.0 | 19,224 | -7.1 | 12,172 | -10.9 |

(NOTE) Comprehensive income Third quarter of fiscal year ending March 31, 2021 23,764 Million yen (95.2%)
Third quarter of fiscal year ended March 31, 2020 12,172 Million yen (-10.9%)

| | Net profit per share | Fully diluted net profit per share |
|--|----------------------|------------------------------------|
| | Yen | Yen |
| Third quarter of fiscal year ending March 31, 2021 | 77.70 | - |
| Third quarter of fiscal year ended March 31, 2020 | 39.87 | - |

(NOTE) Fully diluted net profit per share 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 | % |
| Third quarter of fiscal year ending March 31, 2021 | 116,482 | 48,464 | 41.5 |
| Fiscal year ended March 31, 2020 | 94,186 | 34,534 | 36.7 |

(Reference) Shareholders' equity Third quarter of fiscal year ending March 31, 2021 48,374 Million yen
Fiscal year ended March 31, 2020 34,533 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, 2020 | - | 12.00 | - | 18.00 | 30.00 |
| Fiscal year ending March 31, 2021 | - | 15.00 | - | | |
| Fiscal year ending March 31, 2021 (Forecast) | | | | 23.00 | 38.00 |

(NOTE) Revisions to the most recently announced dividend forecasts Yes

3. Consolidated financial forecasts for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(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, 2021 | 145,000 | 15.5 | 41,500 | 48.8 | 41,600 | 50.5 | 28,500 | 51.6 | 93.34 |

(NOTE) Revisions to the most recently announced consolidated financial forecasts Yes

※ 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 accounts 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 revision of accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatements : None

(4) Number of shares outstanding (Ordinary stock)

① Year-end shares outstanding (including treasury stocks)

| | | | |
|-------------------------------------|--------------------|------------------------------|--------------------|
| Q3 of fiscal year ending March 2021 | 311,644,285 Shares | Fiscal year ended March 2020 | 311,644,285 Shares |
|-------------------------------------|--------------------|------------------------------|--------------------|

② Number of year-end treasury stocks

| | | | |
|-------------------------------------|------------------|------------------------------|------------------|
| Q3 of fiscal year ending March 2021 | 6,279,913 Shares | Fiscal year ended March 2020 | 6,349,103 Shares |
|-------------------------------------|------------------|------------------------------|------------------|

③ Average number of shares during the period

| | | | |
|-------------------------------------|--------------------|------------------------------------|--------------------|
| Q3 of fiscal year ending March 2021 | 305,336,554 Shares | Q3 of fiscal year ended March 2020 | 305,295,182 Shares |
|-------------------------------------|--------------------|------------------------------------|--------------------|

※ Quarterly financial report is not subject to quarterly review by a certified public accountant or an auditing firm.

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

-The financial 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 "(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 to hold a financial result briefing for institutional investors and analysts on January 29, 2020. 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 second quarter ended December 31, 2020

(1) Overview of business results

Business results for the current fiscal year

[Table 1] YoY comparison

(Unit: Million yen)

| | Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2019) | | Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2020) | | YoY |
|---|---|----------|--|----------|-------|
| Gross merchandise value | 253,867 | (100.0%) | 304,243 | (101.2%) | 19.8% |
| Gross merchandise value (excluding other GMV) | 253,867 | (100.0%) | 300,774 | (100.0%) | 18.5% |
| Net sales | 91,887 | (36.2%) | 108,480 | (36.1%) | 18.1% |
| Gross profit | 83,934 | (33.1%) | 102,960 | (34.2%) | 22.7% |
| Operating profit | 19,385 | (7.6%) | 33,785 | (11.2%) | 74.3% |
| Ordinary profit | 19,224 | (7.6%) | 33,891 | (11.3%) | 76.3% |
| Net Income attributable to owners of parent | 12,172 | (4.8%) | 23,725 | (7.9%) | 94.9% |

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: Japan's largest fashion eCommerce website ZOZOTOWN and a fashion media WEAR.

In the consolidated cumulative third quarter of the current fiscal year, remained extremely challenging for the apparel industry in Japan. The whole industry faced impacts from the continuous expansion of COVID-19, while a new living standard is gradually establishing. Under this circumstance, our group has been focusing even stronger on creating ZOZOTOWN more attractive to both users and brands, with the aim 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 sales events ZOZOWEEK (10 days from May 15 to 24, 2020, 10 days in total from September 9 to 13 and 18 to 22, 2020, and 17 days in total from November 6 to 15 and 19 to 25) and broadcasted TV commercial at the same time of ZOZOWEEK in November. In addition, we proactively welcomed new brands in a wide range of genres to meet diversifying needs of users. In terms of product expansion, we have started sales of 18 new brands from "YOUR BRAND PROJECT Powered by ZOZO" from October 22, 2020. This project is the D2C business that we create fashion brands together with individuals who have brilliant talents and good taste. Merchandise value of the D2C business is recorded in purchase stock shop.

On August 20, 2020 we introduced PayPay, a cashless payment service operated by PayPay Corporation, as a new way of payment in ZOZOTOWN. PayPay is a payment method used by more than 35 million users mainly at offline, and we expect the introduction will improve convenience for existing users and drive acquisition of new users. We participated the online campaigns sponsored by PayPay Corporation to actively promote awareness of our services.

On December 17, 2019, we opened ZOZOTOWN in PayPay Mall, an online shopping mall operated by Yahoo Japan Corporation. Approximately 90% of the shops in ZOZOTOWN also sell in PayPay Mall and their sales are expanding gradually. From the opening date, we have been successfully expanding our customer base. We achieved this by increasing contact points with users who are different from conventional ZOZOTOWN users through leveraging the mall's strength in price competitiveness from dynamic reward points. In the third quarter consolidated accounting period of the current fiscal year, Yahoo Japan Corporation proactively deployed promotional expenses to PayPay Mall: large-scale sales and bonus returns event "Super PayPay Festival" (from October 17 to November 15, 2020). We will continue to work closely with parent companies to maximize synergies by all means necessary.

The MSP (Multi-Size Platform) business which began in the autumn of 2019, we continued to sell items mainly by increasing the number of partnering brands and expanding the variety of items. We have been delivering the ZOZOMAT from February 27, 2020, which enables to measure plurality of parts required for shoe selection by converting foot shape into 3D data. Since its delivery, many users have measured their feet. The number of shoes purchasable with

ZOZOMAT data exceeded 2,100 styles and sales of the shoe category in ZOZOTOWN is growing steadily. With the device, we are confident that we can provide new purchase experience that will enable users to conveniently find and select shoes that are comfortable, as well as growing the gross merchandise value of the category in ZOZOTOWN.

In the B2B business, we have been focusing on "Fulfillment by ZOZO" which started in October 2019. The service is specialized in fulfillment support for brands in ZOZOTOWN. The main objective of this service is to minimize sales opportunity loss by centralizing inventory of ZOZOTOWN and brands' own eCommerce websites. We are expecting further growth of this business, as brands will actively enhance their own eCommerce websites through the digital transformation following the COVID-19 expansion.

With all the measures and the initiatives we implemented, the gross merchandise value for the consolidated cumulative third quarter of the current fiscal year was 304,243 million yen (+19.8% YoY), the gross merchandise value (excluding other GMV) was 300,774 million yen (+18.5% YoY). Net sales were 108,480 million yen (+18.1% YoY), and gross profit was 102,960 million yen (+22.7% YoY).

As for the gross merchandise value, the result exceeded the initial forecast as the positive impact of the digital shift triggered by the spread of COVID-19 continued from the first quarter consolidated accounting period of the current fiscal year. In the third quarter consolidated accounting period of the current fiscal year, the condition was favorable as the positive impact of digital shift acceleration in this year and there were negative impacts of warm winter and the consumption tax hike in the previous year. Though positive impacts were somewhat counterbalanced by the negative impact of the slowdown in consumer spending, the quarter ended with significant excess.

As for net sales, the YoY growth was lower than that of the gross merchandise value. The growth rate of consignment shop exceeded that of gross merchandise value, due to absence of discount measures that we took the costs, such as ZOZOARIGATO (the paid-membership service until the end of May 2019), active implementation of personalized discount services for registered members, etc. In contrast, downsizing of ZOZOUSED and PB business impacted negatively. The amount of the gross merchandise value was represented in the amount before deductions of the discount services. On the other hand, net sales are represented was the amount after the discounts.

The gross profit margin to the gross to the gross merchandise value (excluding other GMV) was 34.2%, 1.1% points improvement from the same quarter of the previous fiscal year. This improvement was mainly due to an improvement in the consignment sales commission rate to the gross merchandise value, from a decrease in discount measures that we took the costs in the consolidated third quarter of the current fiscal year, and an increase in sales from the advertisement business and others.

Selling, general and administrative expenses was 69,174 million yen (+7.2% YoY) and the SG&A ratio to the gross merchandise value (excluding other GMV) was 23.0%, down 2.4% points from the same period of the previous fiscal year. The main reasons for the decline in the SG&A ratio were as follows. All the percentages to the gross merchandise value are calculated by dividing SG&A expenses the gross merchandise value (excluding other GMV):

Improving factors

1. Reward-point related expenses to the gross merchandise value declined by 0.9% points, from the cessation of 1% worth of ZOZO points rewards for items users purchased in ZOZOTOWN on April 1, 2020,
2. Advertising expenses to the gross merchandise value declined by 0.5% points, from a decline in the ratio to the gross merchandise value in the current fiscal year, in addition to positive impact from high expenses in the third quarter consolidated accounting period of the previous fiscal year: sponsorship costs for the Basquiat Exhibition and ZOZOHEAT distribution for free-of-charge,
3. Rent to the gross merchandise value declined by 0.3% points, from the expiration of some logistics bases with objectives of the gross merchandise value growth and logistics bases consolidation,
4. Logistics related expenses in personnel expenses to the gross merchandise value declined by 0.3% points, from operation efficiency improvement inside logistics bases, and
5. Other expenses to the gross merchandise value declined by 0.7% points, from a decrease in on-the-spot expenses in the same period of the previous fiscal year.

Worsening factor

1. Packing and freight to the gross merchandise value rose by 0.4% points, from a decline in the average retail price,

As a result, operating profit for the consolidated cumulative third quarter of the current fiscal year was 33,785 million yen (+74.3% YoY), and operating profit margin to the gross merchandise value (excluding other GMV) was 11.2%, increased 3.6 percentage points YoY. Ordinary profit was 33,891 million yen (+76.3% YoY), and net income attributable to owners of parent was 23,725 million yen (+94.9% YoY).

Since our group is a single segment of the eCommerce business, information by segment is omitted; however, performance of each business segment within the single segment is shown below:

[Table 2] YoY comparison by business unit

| By business | Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2019) | | | Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2020) | | | Merchandise Value YoY (%) | Net sales YoY (%) |
|---------------------------|---|-----------|-------------------------|--|-----------|-------------------------|---------------------------|-------------------|
| | Merchandise value (Million yen) | Ratio (%) | Net sales (Million yen) | Merchandise Value (Million yen) | Ratio (%) | Net sales (Million yen) | | |
| ZOZOTOWN Business | | | | | | | | |
| Consignment shop | 232,478 | 91.5 | 65,187 | 258,067 | 84.8 | 75,724 | 11.0 | 16.2 |
| Purchased stock shop | 166 | 0.1 | 162 | 228 | 0.1 | 228 | 37.1 | 40.5 |
| ZOZOUSED | 11,810 | 4.6 | 11,196 | 8,549 | 2.8 | 8,517 | -27.6 | -23.9 |
| Subtotal | 244,455 | 96.2 | 76,546 | 266,845 | 87.7 | 84,469 | 9.2 | 10.4 |
| PayPay Mall | 409 | 0.2 | 114 | 16,129 | 5.3 | 4,717 | - | - |
| PB business | 927 | 0.4 | 918 | 186 | 0.1 | 186 | -79.8 | -79.6 |
| MSP business | 443 | 0.2 | 441 | 983 | 0.3 | 983 | 121.9 | 122.9 |
| B2B business | 7,631 | 3.0 | 1,545 | 16,629 | 5.5 | 3,172 | 117.9 | 105.3 |
| Advertisement business | - | - | 1,917 | - | - | 2,890 | - | 50.8 |
| Subtotal excluding Others | 253,867 | 100.0 | 81,482 | 300,774 | 98.9 | 96,419 | 18.5 | 18.3 |
| Others | - | - | 10,405 | 3,469 | 1.1 | 12,060 | - | 15.9 |
| Total | 253,867 | 100.0 | 91,887 | 304,243 | 100.0 | 108,480 | 19.8 | 18.1 |

① ZOZOTOWN Business

ZOZOTOWN Business consists of three business forms: consignment shop, purchased stock shop, and ZOZOUSED.

"Consignment Shop" handles consignment inventory of merchandise from each brand and sells them on consignment basis. "Purchased stock shop" purchases fashion merchandise from each brand and sells them as in-house inventory.

"ZOZOUSED" mainly buys and sells used fashion-related merchandise from individual users.

We recognize that increasing the number of buyers and the rate of ZOZOTOWN use in fashion consumption are the key factors in achieving sustainable growth. To this end, we are working to create websites that are attractive to both users and brands.

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

(Number of shops, etc.)

[Table 3] Changes in 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 | 1,297 | 1,312 | 1,345 | 1,337 | 1,348 | 1,404 | 1,433 | - |
| Purchased Stock Shop (Note) 2 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | - |
| Consignment Shop | 1,292 | 1,307 | 1,340 | 1,332 | 1,343 | 1,399 | 1,427 | - |
| Number of brands (Note) 1,2 | 7,349 | 7,305 | 7,462 | 7,643 | 7,989 | 7,953 | 8,109 | - |

(NOTE)

1. Figures are as of the end of quarter accounting period.

2. Private brand "ZOZO" and "Multi-size" are not included.

The number of new shops opened in the third quarter consolidated accounting period was 47 (a net increase of 29 from the previous quarter). Major new shops are ZOZOMARKET(purchased stock shop) which sells the D2C brands launched by ZOZO together with influencers, “idem” directed by Ms. Rinko Murata who is also known as a WEARISTA, “Loro Piana” (limited-time opening) a luxury brand from LVMH Group and “ALAND” a famous select shop from South Korea.

(Number of annual buyers)

[Table 4] Changes in number of annual buyers

| | Previous consolidated fiscal year | | | | Current consolidated fiscal year | | | |
|--|-----------------------------------|-----------|-----------|-----------|----------------------------------|-----------|-----------|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Number of annual buyers (Note) 1,2,4 | 8,121,663 | 8,226,388 | 8,156,256 | 8,273,603 | 8,662,560 | 8,805,155 | 9,139,796 | - |
| (YoY) | 729,537 | 456,842 | 82,584 | 147,079 | 540,897 | 578,767 | 983,540 | - |
| (QoQ) | -4,861 | 104,725 | -70,132 | 117,347 | 388,957 | 142,595 | 334,641 | - |
| Number of active members (Note) 1,3,4 | 6,557,144 | 6,749,012 | 6,800,435 | 6,839,666 | 7,223,753 | 7,434,529 | 7,773,940 | - |
| (YoY) | 1,098,501 | 966,785 | 643,598 | 388,980 | 666,609 | 685,517 | 973,505 | - |
| (QoQ) | 106,458 | 191,868 | 51,423 | 39,231 | 384,087 | 210,776 | 339,411 | - |
| Number of guest buyers (Note) 1,4 | 1,564,519 | 1,477,376 | 1,355,821 | 1,433,937 | 1,438,807 | 1,370,626 | 1,365,856 | - |
| (YoY) | -368,964 | -509,943 | -561,014 | -241,901 | -125,712 | -106,750 | 10,035 | - |
| (QoQ) | -111,319 | -87,143 | -121,555 | 78,116 | 4,870 | -68,181 | -4,770 | - |

(NOTE)

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

In the third quarter consolidated accounting period of the current fiscal year, the number of annual buyers increased as a result of increases in the numbers of active members in both YoY and QoQ. Steady growth in the number of active members was attributable to acquisition of new active members from the digital shift following the expansion of COVID-19, and strengthening of customer attraction by broadcasting TV commercial in November 2020. The number of guest buyers were increasing slightly in YoY and decreasing slightly in QoQ. This was mainly because of enhancement of membership services over the last several years; this downward trend is expected to continue in the future.

(Annual purchase amount and annual purchase pieces)

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

| | Previous consolidated fiscal year | | | | Current consolidated fiscal year | | | |
|--|-----------------------------------|--------|--------|--------|----------------------------------|--------|--------|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Annual purchase amount (Total) (Note) 1, 2, 3, 4 | 46,934 | 47,506 | 47,593 | 46,519 | 45,128 | 44,341 | 43,809 | - |
| (YoY) | 0.1% | 3.0% | 3.4% | 0.4% | -3.8% | -6.7% | -8.0% | - |
| (QoQ) | 1.3% | 1.2% | 0.2% | -2.3% | -3.0% | -1.7% | -1.2% | - |
| Annual purchase pieces (Total) (Note) 1, 2, 3 | 11.3 | 11.6 | 11.7 | 11.8 | 11.8 | 11.8 | 11.7 | - |
| (YoY) | -0.4% | 3.5% | 5.1% | 6.5% | 4.9% | 1.4% | 0.1% | - |
| (QoQ) | 2.0% | 2.9% | 0.8% | 0.7% | 0.4% | -0.6% | -0.5% | - |
| Annual purchase amount (Existing members) (Note) 1, 2, 3, 4 | 55,048 | 54,750 | 54,092 | 53,027 | 52,175 | 51,523 | 51,066 | - |
| (YoY) | -7.6% | -4.9% | -3.9% | -5.0% | -5.2% | -5.9% | -5.6% | - |
| (QoQ) | -1.3% | -0.5% | -1.2% | -2.0% | -1.6% | -1.2% | -0.9% | - |
| Annual purchase pieces (Existing members) (Note) 1, 2, 3 | 13.3 | 13.4 | 13.4 | 13.4 | 13.6 | 13.6 | 13.6 | - |

| | | | | | | | | |
|-------|-------|-------|-------|-------|------|-------|------|---|
| (YoY) | -6.2% | -2.7% | -1.6% | -0.1% | 2.4% | 1.5% | 2.1% | - |
| (QoQ) | -0.8% | 0.6% | -0.3% | 0.4% | 1.6% | -0.3% | 0.3% | - |

(NOTE)

1. The calculating period is the most recent one-year before the end of the accounting periods.
2. Indexes for each active member.
3. Buyers of "PayPay Mall" are not included.
4. The amounts are in yen.

During the third quarter consolidated accounting period of the current fiscal year, the annual purchase amount (Total) decreased in both YoY and QoQ. This was due to an increase in the composition of new members to the total, as a result of the steady acquisition of new members from the digital shift in line with the expansion of COVID-19. YoY and QoQ decreases in the annual purchase amounts of existing members were reflecting an increase in the percentage of existing active members with short membership history (annual purchase amounts tends to increase according to length of membership). Both annual purchase pieces of total and existing members were increasing in YoY due to a decrease in the average retail price. Contrarily, annual purchase pieces of total was decreasing in QoQ. The factor behind this was the same factor of the decline in the annual purchase amount.

(Average retail price etc.)

[Table 6] Changes in average retail price, average order value and number of shipments

| | Previous consolidated fiscal year | | | | Current consolidated fiscal year | | | |
|--|-----------------------------------|------------|------------|-----------|----------------------------------|------------|------------|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Average retail price (Note) 1, 2, 3 | 3,903 | 3,516 | 4,501 | 3,909 | 3,443 | 3,381 | 4,301 | - |
| (YoY) | -1.4% | -3.9% | -5.6% | -10.7% | -11.8% | -3.8% | -4.5% | - |
| Average order value (Note) 1, 2, 3 | 8,390 | 7,529 | 8,973 | 8,304 | 7,409 | 7,370 | 8,516 | - |
| (YoY) | 3.2% | -3.3% | -6.3% | -12.5% | -11.7% | -2.1% | -5.1% | - |
| Average purchase pieces per order (Note) 1, 3 | 2.15 | 2.14 | 1.99 | 2.12 | 2.15 | 2.18 | 1.98 | - |
| (YoY) | 4.6% | 0.6% | -0.8% | -1.9% | 0.1% | 1.8% | -0.7% | - |
| Number of shipments (Note) 1, 3 | 9,209,344 | 10,347,938 | 10,101,875 | 9,757,344 | 11,472,548 | 11,011,990 | 11,960,223 | - |
| (YoY) | 9.3% | 16.7% | 6.2% | 7.6% | 24.6% | 6.4% | 18.4% | - |

(NOTE)

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

The average retail price decreased in YoY mainly due to strong sales of merchandise of relatively low price. The decline of the average order value exceeded that of the average retail price, as the average purchase pieces per order slightly decreased YoY in the third quarter consolidated accounting period of the current fiscal year, in addition to the decrease of the average retail price.

Results for ZOZOTOWN business (consignment shop, purchased stock shop and ZOZOUSED) are as follows:

a. Consignment Shop

In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 258,067 million yen (+11.0% YoY), accounting for 84.8% of the gross merchandise value (91.5% in the same period of the previous fiscal year). Net sales were 75,724 million yen (+16.2% YoY). As of the end of December 2020, the number of consignment shops was 1,427 shops (1,399 as of the end of September 2020).

b. Purchased Stock Shop

In the consolidated cumulative third quarter of the current fiscal year, merchandise value was 228 million yen (+37.1%

YoY), accounting for 0.1% of the gross merchandise value (0.1% in the same period of the previous fiscal year). Net sales were 228 million yen (+40.5% YoY). As of the end of December 2020, the number of purchased stock shops was 6 (5 as of the end of September 2020).

c. ZOZOUSED

In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 8,549 million yen (-27.6% YoY), accounting for 2.8% of the gross merchandise value (4.7% in the same period of the previous fiscal year). Net sales were 8,517 million yen (-23.9% YoY).

② PayPay malls

ZOZOTOWN opened a shop on PayPay Mall an online shopping mall operated by Yahoo Japan Corporation. In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 16,129 million yen, accounting for 5.3% of the gross merchandise value (0.2% in the same period of the previous fiscal year). Net sales were 4,717 million yen.

③ PB business

In the PB business, we sell in-house designed apparel products tailored to individual bodies of users. In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 186 million yen (-79.8% YoY), accounting for 0.1% of the gross merchandise value (0.4% in the same period of the previous fiscal year). Net sales were 186 million yen (-79.6% YoY).

④ MSP business

The MSP business manufactures a portion of item line-up from shops with strong user demands and sell them on ZOZOTOWN, by combining the know-how of manufacturing clothes in a variety of sizes; accumulated from the PB business, sales capability and planning ability of shops on ZOZOTOWN. We offer products in recommending sizes by users providing their height and weight data. In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 983 million yen (+121.9% YoY), accounting for 0.3% of the gross merchandise value (0.2% in the same period of the previous fiscal year). Net sales were 983 million yen (+122.9% YoY).

⑤ BtoB business

The B2B business is a business model which we are commissioned to build and operate brands' own eCommerce sites. In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 16,629 million yen (+117.9% YoY), accounting for 5.5% of the gross merchandise value (3.0% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 3,172 million yen (+105.3% YoY). As of the end of December 2020, the number of consigned sites was 55 (54 as of the end of September 2020).

⑥ Advertisement business

The advertisement business is a business model that generates advertising revenue by providing advertising space to client brands and group companies in SoftBank Group, by utilizing the user reach base of ZOZOTOWN. In the consolidated cumulative third quarter of the current fiscal year, the net sales were 2,890 million yen (+50.8% YoY). As for WEAR, we continue to focus on expanding the number of users and contents. As of the end of December 2020, the number of app downloads exceeded 15 million, and the number of monthly active users is growing steadily.

⑦ Others

The other segment of the gross merchandise value includes 1) the merchandise value of shops concluded "ZOZO Option" contracts in the fashion category stores excluding ZOZOTOWN in PayPay Mall (service that enables those shops enjoy merits through sales support such as to participate special events by ZOZO) which was recorded from

the third quarter consolidated accounting period of the current fiscal year, and 2) the merchandise value of a consolidated subsidiary's own eCommerce website which was recorded from the second quarter consolidated accounting period of the current fiscal year. In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 3,469 million yen, accounting for 1.1% of the gross merchandise value. Within the others segment of net sales, net sales generated from businesses related to ZOZOTOWN (shipping income, settlement commission, paid-membership program etc.), and other sales related to the aforementioned other GMV are included. In the consolidated cumulative third quarter of the current fiscal year, net sales were 12,060 million yen (+15.9% YoY).

(2) Explanation of Financial Position

Overview of total assets, liabilities and net assets

(Unit: Million yen)

| | Previous consolidated fiscal year | Third quarter consolidated accounting period | Increase/ decrease rate |
|--------------|-----------------------------------|--|-------------------------|
| Total assets | 94,186 | 116,482 | 23.7% |
| Liabilities | 59,651 | 68,017 | 14.0% |
| Net assets | 34,534 | 48,464 | 40.3% |

(Total Assets)

Total assets amounted to 116,482 million yen, an increase of 22,296 million yen (+23.7% from the previous consolidated fiscal year end). Current assets increased 20,204 million yen, or 28.7%, to 90,634 million yen compared with the previous consolidated fiscal year end. Major components are an increase in cash and deposit of 9,006 million yen and an increase in accounts receivable of 10,945 million yen. Non-current assets increased 2,091 million yen, or 8.8%, to 25,848 million yen compared with the previous consolidated fiscal year end. Major components are an increase in property, plant and equipment of 1,949 million yen, an increase in goodwill of 135 million yen, and an increase in investments and other assets of 74 million yen.

(Liabilities)

Liabilities amounted to 68,017 million yen, an increase of 8,366 million yen (+14.0% from the previous consolidated fiscal year end). Current liabilities increased 7,732 million yen, or 13.8%, to 63,859 million yen compared with the previous consolidated fiscal year end. Major components are an increase in deposits received for consignment sales of 5,940 million yen, and an increase in income taxes payable of 3,027 million yen. Non-current liabilities increased 633 million yen, or 18.0%, to 4,158 million yen compared with the previous fiscal year. Major components are an increase in retirement benefit liability of 317 million yen and an increase in asset retirement obligations of 291 million yen.

(Net Assets)

Net assets amounted to 48,464 million yen, an increase of 13,930 million yen (+40.3% from the previous consolidated fiscal year end). Major components are an increase in the recording of net income attributable to owners of parent of 23,725 million yen and a decrease in cash dividends of 10,075 million yen.

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

For the consolidated business forecast of the fiscal year ending March 31, 2020, we revised the original forecast which was announced on July 30, 2020. For detail, please refer to the timely disclosure "Notice concerning revision of consolidated business forecast and year-end dividend" released today.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheets

(Unit: Million yen)

| | Previous consolidated fiscal year (As of March 31, 2020) | Third quarter consolidated accounting period (As of December 31, 2020) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 33,602 | 42,609 |
| Accounts receivable- trade | 31,547 | 42,492 |
| Merchandise and finished products | 1,664 | 1,829 |
| Raw materials and supplies | 106 | 21 |
| Others | 3,508 | 3,680 |
| Total current assets | 70,429 | 90,634 |
| Non-current assets | | |
| Property, plant and equipment | 10,493 | 12,442 |
| Intangible assets | | |
| Goodwill | 2,148 | 2,283 |
| Others | 820 | 752 |
| Total intangible assets | 2,968 | 3,036 |
| Investments and other assets | 10,295 | 10,369 |
| Total non-current assets | 23,756 | 25,848 |
| Total assets | 94,186 | 116,482 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable- trade | 60 | 133 |
| Deposits received for consignment sales | 18,998 | 24,939 |
| Short-term borrowings | 22,000 | 20,000 |
| Income taxes payable | 3,812 | 6,840 |
| Provision for bonuses | 459 | 293 |
| Provision for bonuses for directors | - | 36 |
| Provision for point certificates | 1,387 | 652 |
| Provision for sales returns | 107 | 188 |
| Others | 9,300 | 10,776 |
| Total current liabilities | 56,126 | 63,859 |
| Non-current liabilities | | |
| Retirement benefit liability | 2,007 | 2,324 |
| Asset retirement obligations | 1,497 | 1,789 |
| Others | 20 | 44 |
| Total non-current liabilities | 3,525 | 4,158 |
| Total liabilities | 59,651 | 68,017 |

(Unit: Million yen)

| | Previous consolidated fiscal year (As of March 31, 2020) | Third quarter consolidated accounting period (As of December 31, 2020) |
|---|---|--|
| Net assets | | |
| Shareholders' equity | | |
| Amount of Capital | 1,359 | 1,359 |
| Capital surplus | 1,328 | 1,328 |
| Retained earnings | 56,340 | 69,902 |
| Treasury shares | -24,412 | -24,146 |
| Total shareholders' equity | 34,616 | 48,444 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 0 | -1 |
| Foreign currency translation adjustment | -11 | -6 |
| Remeasurements of defined benefit plans | -71 | -62 |
| Total accumulated other comprehensive income | -83 | -69 |
| Share acquisition rights | 1 | 3 |
| Non-controlling interests | - | 86 |
| Total net assets | 34,534 | 48,464 |
| Total liabilities and net assets | 94,186 | 116,482 |

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

Quarterly consolidated statements of income

Consolidated cumulative third quarter

(Unit: Million yen)

| | Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2019) | Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2020) |
|---|--|---|
| Net sales | 91,887 | 108,480 |
| Cost of sales | 7,941 | 5,439 |
| Gross profit | 83,946 | 103,041 |
| Reversal of provision for sales returns | 92 | 107 |
| Provision for sales returns | 103 | 188 |
| Gross profit- net | 83,934 | 102,960 |
| Selling, general and administrative expenses | 64,549 | 69,174 |
| Operating profit | 19,385 | 33,785 |
| Non-operating income | | |
| Interest income | 1 | 4 |
| Received rent | - | 191 |
| Foreign exchange gain | - | 18 |
| Operations support fee | 45 | 6 |
| Income from recycling | 30 | 28 |
| Subsidy income | 41 | 83 |
| Gain on unused points | 34 | 42 |
| Others | 28 | 19 |
| Total non-operating income | 181 | 395 |
| Non-operating expenses | | |
| Interest expenses | 69 | 53 |
| Provision for allowance for doubtful accounts | 186 | 22 |
| Rent expense | - | 182 |
| Commission expenses | 5 | 7 |
| Foreign exchange losses | 51 | - |
| Loss on investments in partnerships | 28 | 21 |
| Total non-operating expenses | 342 | 288 |
| Ordinary profit | 19,224 | 33,891 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 18 | - |
| Gain on reversal of Foreign currency translation adjustment | - | 22 |
| Total extraordinary income | 18 | 22 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 23 | 20 |
| Loss on valuation of investment securities | 1,697 | - |
| Total extraordinary losses | 1,721 | 20 |
| Profit before income taxes | 17,521 | 33,893 |
| Income taxes- current | 5,413 | 10,022 |
| Income taxes- deferred | -64 | 119 |
| Total income taxes | 5,348 | 10,142 |
| Net Income | 12,172 | 23,751 |
| Net Income attributable to non-controlling interests | - | 25 |
| Net Income attributable to owners of parent | 12,172 | 23,725 |

Quarterly consolidated statements of comprehensive income

Consolidated cumulative third quarter

(Unit: Million yen)

| | Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2019) | Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2020) |
|--|--|---|
| Net Income | 12,172 | 23,751 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -17 | -1 |
| Foreign currency translation adjustment | 3 | 5 |
| Remeasurements of defined benefit plans, net of tax | 14 | 8 |
| Total other comprehensive income | 0 | 13 |
| Comprehensive income | 12,172 | 23,764 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 12,172 | 23,738 |
| Comprehensive income attributable to non-controlling interests | - | 25 |

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumptions)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

DISCLAIMER:

This document is summary translation of Japanese version. All readers are recommended to refer the original Japanese version for complete information. In the event of any discrepancy, errors and/or omissions, the Japanese version shall prevail.