

3. Consolidated financial forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year 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, 2022	162,600	10.3	47,800	8.3	47,800	7.7	33,300	7.7	109.05

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

※ Notes

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

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

New - Exclusion -

(2) Application of particular 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 : Yes

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)

② Number of year-end treasury stocks

③ Average number of shares during the period

Q2 of fiscal year ending March 2022	311,644,285 Shares	Fiscal year ended March 2021	311,644,285 Shares
Q2 of fiscal year ending March 2022	11,903,539 Shares	Fiscal year ended March 2021	6,279,914 Shares
Q2 of fiscal year ending March 2022	299,978,462 Shares	Fiscal year ended March 2021	305,322,646 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 "1. Qualitative information on results for the second quarter ended September 30, 2021 (3) Explanation of consolidated business forecast and other forward-looking statements " on page 12 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 October 28, 2021. 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 September 30, 2021

(1) Overview of business results

Business results for the current fiscal year

[Table 1] YoY comparison

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1 to September 30, 2020)		Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2021)		YoY basis
Gross merchandise value	185,631	(100.1%)	229,507	(109.8%)	23.6%
Gross merchandise value (excluding other GMV)	185,526	(100.0%)	209,067	(100.0%)	12.7%
Net sales	66,492	(35.8%)	76,212	(36.5%)	14.6%
Gross profit	63,337	(34.1%)	71,976	(34.4%)	13.6%
Operating profit	19,905	(10.7%)	23,791	(11.4%)	19.5%
Ordinary profit	19,957	(10.8%)	23,759	(11.4%)	19.1%
Profit attributable to owners of parent	13,943	(7.5%)	16,541	(7.9%)	18.6%

Figures in parentheses are percentages to the 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.

During the consolidated cumulative second quarter of the current fiscal year, it was challenging for the apparel industry, as operation of physical stores of some brands was restricted under the continuous expansion of COVID-19. 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 in total from May 14 to 23, 2021, and 10 days in total from September 15 to 20 and 23 to 26), and broadcasted TV commercial to attract customers in the period of summer sales. In addition, we continued to proactively welcome new brands in a wide range of genres to meet diversifying needs of users.

We are also actively strengthening the D2C business and product categories, which we have been developing since the previous consolidated fiscal year. On October 22, 2020, "YOUR BRAND PROJECT Powered by ZOZO", the D2C business that we create fashion brands together with individuals who have brilliant talents and senses, started to sell items under the brands that we launched with the influencers. New popular influencers have also participated for the new product rollout for spring/summer in 2021. As explained in the consolidated financial results for the fiscal year ended March 31, 2021, we have changed our business segments from the current fiscal year. Due to this change, the merchandise value in the D2C business is mostly recorded in outright purchase/production & sales. As the categories enhancement, we are expanding merchandise value of the shoe category in ZOZOTOWN with "ZOZOMAT". Of the shoes available in ZOZOTOWN at present, the number of shoes covered by the ZOZOMAT exceeds 3,300 styles, and sales in the shoe category are growing steadily. In addition, on March 18, 2021, we renewed ZOZOTOWN; launched ZOZOCOSME to strengthen the cosmetics category, and ZOZOVILLA, which offers a lineup of domestic and overseas luxury brands. ZOZOCOSME handles more than 500 cosmetics brands both from domestic and overseas brands at the time of the launch, with a female active member ratio of over 70%, and it aims to expand merchandise value of the cosmetics category in ZOZOTOWN. Furthermore, we have implemented a purchase assist function that recommend the color of the foundation that is closest to the measured skin color using "ZOZOGLASS", a device that can measure skin color with high precision. This enables users to have new purchasing experiences. ZOZOVILLA is a luxury and designer brands zone in ZOZOTOWN, with more than 120 domestic and overseas luxury brands. As we have grown together with fashion ever since our foundation, we have again started the zone with strong mind to provide opportunities for "fashion-lovers". We are expecting improvement of branding as ZOZOTOWN through the operation of ZOZOVILLA.

Sales of ZOZOTOWN PayPay Mall Shop have been growing steadily due to the good customer retention of new customers acquired through the large-scale "Super PayPay Festival" and other measures implemented in the second half of the previous consolidated fiscal year, as well as the continuous and active deploy of promotional expenses by Yahoo Japan Corporation

which operates PayPay Mall, in the consolidated cumulative second quarter of current fiscal year. Also, "Summer PayPay Festival" (25 days in total from July 1 to 25) was implemented in the second quarter consolidated accounting period of the current fiscal.

Regarding the B2B business, brands are actively continuing to enhance their own eCommerce sites, due to the impact of COVID-19.

Consequently, the gross merchandise value in the consolidated cumulative second quarter of the current fiscal year was 229,507 million yen (+23.6% YoY), and the gross merchandise value (excluding other GMV) was 209,067 million yen (+12.7% YoY). Net sales were 76,212 million yen (+14.6% YoY), and gross profit was 71,976 million yen (+13.6% YoY). The ratio of gross profit to the gross merchandise value (excluding other GMV) (gross profit margin) was 34.4%, an improvement of 0.3% point from the same quarter of the previous fiscal year.

As for net sales, the YoY growth rate exceeded that of the gross merchandise value (excluding other GMV), mainly due to growth in outright purchase/production & sales, USED sales, and advertising business. From the beginning of the first quarter of the current fiscal year, we adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "New Accounting Standard") etc. For details, please refer to 2. Consolidated financial statements (4) Notes to quarterly consolidated financial statements (Changes in accounting policies).

The main factors behind the improvement in gross profit margin were, as mentioned above, growth in the advertising business and an increase in other sales.

Selling, general and administrative expenses was 48,184 million yen (+10.9% YoY) and its ratio to the gross merchandise value (excluding other GMV) was 23.0%, a decrease of 0.4% points compared to the same period of the previous fiscal year. The main reasons for the decline in the SG&A-to-GMV ratio in YoY basis were as follows. All the percentages to the gross merchandise value are calculated by dividing SG&A expenses by the gross merchandise value (excluding other GMV):

Improving factors

1. Promotion related expenses to the gross merchandise value declined by 0.5% points, from the change in accounting treatment following the adoption of the New Accounting Standard etc. (point-related expenses that were recorded in selling, general and administrative expenses in the same period of the previous fiscal year are recorded in the sales item).
2. Logistics related expenses in personnel expenses to the gross merchandise value declined by 0.3% points, from operation efficiency improvement inside logistics bases.
3. Payment collection commission to the gross merchandise value declined by 0.3% points, from the better economic contract terms due to the change of payment collection agency for credit card payments.
4. Other expenses to the gross merchandise value declined by 0.3% points, from mainly a change in packaging materials (consumables).

Worsening factors

1. Advertising expenses to the gross merchandise value rose by 0.6% points, from the active measures to attract customers, such as TV commercial, and the free distribution of ZOZOGLASS.
2. Rent expenses to the gross merchandise value rose by 0.2% points, due to the expansion of the logistics base.

Consequently, operating profit of the consolidated cumulative second quarter of the current fiscal year was 23,791 million yen (+19.5% YoY) and operating profit margin was 11.4% toward the gross merchandise value (excluding other GMV), an increase of 0.7% points compared with the same period of the previous year. Ordinary profit was 23,759 million yen (+19.1% YoY) and net profit attributable to owners of parent was 16,541 million yen (+18.6% YoY).

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

[Table 2] YoY comparison by business segment

By business segment	Consolidated cumulative second quarter of previous fiscal year (April 1 to September 30, 2020)			Consolidated cumulative second quarter of current fiscal year (April 1 to September 30, 2021)			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	166,157	89.5	52,561	177,454	77.3	56,119	6.8	6.8
(Outright purchase/production & sales)	789	0.4	789	1,295	0.6	1,278	64.1	62.0
(Consignment Sales)	160,652	86.6	47,067	170,556	74.3	49,313	6.2	4.8
(USED Sales)	4,714	2.5	4,704	5,602	2.4	5,527	18.8	17.5
PayPay Mall	8,744	4.7	2,554	19,154	8.4	5,595	119.1	119.1
BtoB business	10,625	5.7	2,098	12,458	5.4	2,426	17.3	15.6
Advertisement business	-	-	1,652	-	-	2,851	-	72.6
Subtotal excluding Others	185,526	99.9	58,866	209,067	91.1	66,992	12.7	13.8
Others	105	0.1	7,626	20,439	8.9	9,220	-	20.9
Total	185,631	100.0	66,492	229,507	100.0	76,212	23.6	14.6

Figures in parentheses are percentages to gross merchandise value (excluding other GMV)

① ZOZOTOWN Business

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

We recognize that increasing the number of buyers and increasing 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.

(The 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	1,348	1,404	1,433	1,468	1,488	1,502	-	-
Outright purchase/production & sales (Note) 2	5	5	6	18	20	24	-	-
Consignment sales	1,343	1,399	1,427	1,450	1,468	1,478	-	-
Number of brands (Note) 1,2	7,989	7,953	8,109	8,227	8,490	8,451	-	-

(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 second quarter consolidated accounting period of the current fiscal year was 38 (net increase of 14 from the previous quarter). The major new stores are "CHANEL," the world-renowned luxury brand, "RIMOWA," that mainly offers high-quality suitcase, and "SWATCH," the store specializing in watch.

(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)2	8,662,560	8,805,155	9,139,796	9,485,669	9,730,162	9,890,784	-	-
(YoY)	540,897	578,767	983,540	1,212,066	1,067,602	1,085,629	-	-
(QoQ)	388,957	142,595	334,641	345,873	244,493	160,622	-	-
Number of active members (Note)3	7,223,753	7,434,529	7,773,940	8,137,729	8,367,073	8,507,997	-	-
(YoY)	666,609	685,517	973,505	1,298,063	1,143,320	1,073,468	-	-
(QoQ)	384,087	210,776	339,411	363,789	229,344	140,924	-	-
Number of guest buyers (Note)	1,438,807	1,370,626	1,365,856	1,347,940	1,363,089	1,382,787	-	-
(YoY)	-125,712	-106,750	10,035	-85,997	-75,718	12,161	-	-
(QoQ)	4,870	-68,181	-4,770	-17,916	15,149	19,698	-	-

(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 second quarter consolidated accounting period of the current fiscal year, the number of annual buyers increased as a result of an increase in the number of active members and guest buyers in both YoY and QoQ. The steady growth in the number of active members was attributable to the retention of new members acquired in the previous fiscal year. Furthermore, the acquisition was boosted by strengthening of customer attraction through broadcasting TV commercial in "ZOZOWEEK" held in May and September 2021 and the summer sales in June 2021.

(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	45,128	44,341	43,809	42,845	42,363	42,343	-	-
(YoY)	-3.8%	-6.7%	-8.0%	-7.9%	-6.1%	-4.5%	-	-
(QoQ)	-3.0%	-1.7%	-1.2%	-2.2%	-1.1%	-0.0%	-	-
Annual purchase pieces (Total) (Note) 1, 2, 3	11.8	11.8	11.7	11.6	11.4	11.5	-	-
(YoY)	4.9%	1.4%	0.1%	-1.8%	-3.6%	-2.0%	-	-
(QoQ)	0.4%	-0.6%	-0.5%	-1.2%	-1.3%	1.0%	-	-
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	52,175	51,523	51,066	50,139	49,257	49,037	-	-
(YoY)	-5.2%	-5.9%	-5.6%	-5.4%	-5.6%	-4.8%	-	-
(QoQ)	-1.6%	-1.2%	-0.9%	-1.8%	-1.8%	-0.4%	-	-
Annual purchase pieces (Existing members) (Note) 1, 2, 3	13.6	13.6	13.6	13.5	13.2	13.3	-	-
(YoY)	2.4%	1.5%	2.1%	1.0%	-2.8%	-2.2%	-	-
(QoQ)	1.6%	-0.3%	0.3%	-0.7%	-2.2%	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 second quarter consolidated accounting period of the current fiscal year, the annual purchase amount (total) and the annual purchase amount (existing members) decreased in both YoY and QoQ. This was due to a continuous decrease of the average retail price as well as an increase in the composition of active members with short membership history among

all the active members and existing active members as a result of the steady acquisition of new members after the expansion of COVID-19 (annual purchase amounts and annual purchase pieces tend to increase according to length of membership). The annual purchase pieces for all members and existing members decreased in YoY and this is due to the increase of the composition of the active members with short membership as described above for the annual purchase amount. On the other hand, those increased in QoQ, and the factor behind this is the increase of the number of pieces per order in the second quarter consolidated accounting period of the current fiscal year.

(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 (YoY)	3,443 -11.8%	3,381 -3.8%	4,301 -4.5%	3,748 -4.1%	3,490 1.4%	3,264 -3.5%	- -	- -
Average order value (Note) 1, 2, 3 (YoY)	7,409 -11.7%	7,370 -2.1%	8,516 -5.1%	7,991 -3.8%	7,501 1.2%	7,346 -0.3%	- -	- -
Average purchase pieces per order (Note) 1, 3 (YoY)	2.15 0.1%	2.18 1.8%	1.98 -0.7%	2.13 0.4%	2.15 -0.1%	2.25 3.2%	- -	- -
Number of shipments (Note) 1, 3 (YoY)	11,472,548 24.6%	11,011,990 6.4%	11,960,223 18.4%	11,162,186 14.4%	12,085,053 5.3%	11,816,663 7.3%	- -	- -

(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 of the second quarter consolidated accounting period of the current fiscal year decreased in YoY. The major factor was a decrease of the retail price of the merchandise on sales, as a result of increase of customers who prefer the products with lower price, although there was not a big change in the proportion of discount sales in the gross merchandise value. Also, the average order value decreased in YoY due to the impact of a decrease in the retail price, although there was an increase in the number of average purchase pieces per order.

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

i. Outright Purchase/Production & Sales

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 1,295 million yen (+64.1% YoY), accounting for 0.6% of the gross merchandise value (0.4% in the same period of the previous fiscal year). Net sales were 1,278 million yen (+62.0% YoY). As of the end of September 2021, the number of shops opened on ZOZOTOWN for outright purchase/production & sales was 24 (20 as of the end of June 2021).

ii. Consignment Sales

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 170,556 million yen (+6.2% YoY), accounting for 74.3% of the gross merchandise value (86.6% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 49,313 million yen (+4.8% YoY). As of the end of September 2021, the number of shops opened on ZOZOTOWN for consignment sales was 1,478 (1,468 as of the end of June 2021).

iii. USED Sales

In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 5,602 million yen (+18.8% YoY), accounting for 2.4% of the gross merchandise value (2.5% in the same period of the previous fiscal year). Net sales were 5,527 million yen (+17.5% YoY).

② PayPay Mall

ZOZOTOWN opened a shop on “PayPay Mall”, an online shopping mall operated by Yahoo Japan Corporation. In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 19,154 million yen, (+119.1% YoY), accounting for 8.4% of the gross merchandise value (4.7% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 5,595 million yen (+119.1% YoY).

③ BtoB business

The BtoB business is a business model in which we are commissioned to build and operate brands’ own eCommerce sites. In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 12,458 million yen (+17.3% YoY), accounting for 5.4% of the gross merchandise value (5.7% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 2,426 million yen (+15.6% YoY). As of the end of September 2021, the number of consigned sites was 48 (49 as of the end of June 2021).

④ Advertisement business

The advertisement business is a business model that generates advertising revenue by providing advertising space to client brands and ad agencies by utilizing the user reach base of ZOZOTOWN and WEAR. In the consolidated cumulative second quarter of the current fiscal year, net sales were 2,851 million yen (+72.6% YoY). As for WEAR, we continue to focus on expanding the number of users and contents. As of the end of September 2021, the number of app downloads exceeded 15 million, and the number of monthly active users is growing steadily.

⑤ 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 previous 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 previous fiscal year. In the consolidated cumulative second quarter of the current fiscal year, the merchandise value was 20,439 million yen, accounting for 8.9% of the gross merchandise value (0.1% in the same period of the previous fiscal year).

Within the others segment, net sales generated from businesses related to ZOZOTOWN (shipping income and settlement commission etc.), and other revenues mentioned above are included. In the consolidated cumulative second quarter of the current fiscal year, net sales were 9,220 million yen (+20.9% YoY).

(2) Explanation of financial position

① Overview of total assets, liabilities, and net assets

(Unit: Million yen)

	Previous consolidated fiscal year	Second quarter consolidated accounting period	Increase/ decrease rate
Total assets	125,656	105,076	-16.4%
Liabilities	70,149	61,650	-12.1%
Net assets	55,507	43,425	-21.8%

(Total assets)

Total assets amounted to 105,076 million yen, a decrease of 20,580 million yen (-16.4% from the previous consolidated fiscal year end). Current assets decreased by 19,406 million yen, or -19.4%, compared with the previous consolidated fiscal year end, amounted to 80,390 million yen. Major components are a decrease of 13,837 million yen in cash and deposits due to the acquisition of treasury stock and a decrease of 7,065 million yen in accounts receivable. Non-current assets decreased by 1,174 million yen, or -4.5%, compared with the previous consolidated fiscal year end, amounted to 24,685 million yen. Major components are a decrease of 249 million yen in property, plant and equipment, a decrease of 202 million yen in goodwill, and a decrease of 666 million yen in investments and other assets.

(Liabilities)

Liabilities amounted to 61,650 million yen, a decrease of 8,498 million yen (-12.1% from the previous consolidated fiscal year end). Current liabilities decreased by 8,846 million yen, or -13.6%, compared with the previous consolidated fiscal year end, amounted to 56,334 million yen. Major components are a decrease of 1,441 million yen in deposits received for consignment sales, a decrease of 3,646 million yen in income taxes payable, and a decrease of 1,080 million yen in provision for bonuses. Non-current liabilities increased by 347 million yen, or 7.0%, compared with the previous consolidated fiscal year end, amounted to 5,315 million yen. Major components are an increase of 249 million yen in net retirement benefit liability and an increase of 17 million yen in asset retirement obligations.

(Net assets)

Net assets amounted to 43,425 million yen, a decrease of 12,082 million yen (-21.8% from the previous consolidated fiscal year end). Major components are a decrease of 31,997 million yen due to the acquisition of treasury stock, an increase of 11,094 million yen due to the disposal of treasury stock, an increase of 16,541 million yen due to recognition of net profit attributable to owners of parent, and a decrease of 7,939 million yen due to cash dividends.

② Overview of cash flows

Cash and cash equivalents (Cash) at the end of the second quarter consolidated accounting period of the current fiscal year amounted to 47,810 million yen, a decrease of 13,837 million yen from the previous consolidated fiscal year end.

Descriptions of each cash flows are as follows.

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year	Consolidated cumulative second quarter of current fiscal year	Increase/ Decrease rate
Cash flows from operating activities	15,663	15,278	-2.5%
Cash flows from investing activities	-1,463	-558	-61.8%
Cash flows from financing activities	-7,530	-28,571	279.4%

(Cash flows from operating activities)

The net cash provided by operating activities was 15,278 million yen. The major increasing factor is the recognition of profit before income taxes of 23,754 million yen. On the other hand, the major decreasing factors were an increase of 1,358 million yen in prepaid expenses and 10,090 million yen in income taxes paid.

(Cash flows from investing activities)

The net cash used in investing activities was 558 million yen. This was mainly due to purchase of property, plant and

equipment of 664 million yen.

(Cash flows from financing activities)

The net cash used in financing activities was 28,571 million yen. This was mainly due to the acquisition of treasury stock of 31,997 million yen, and proceeds from the disposal of treasury stock by the exercise of stock acquisition right of 11,143 million yen, and cash dividends paid of 7,937 million yen.

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

There is no change in the consolidated financial forecast announced on April 27, 2021.

2. Consolidated financial statements

(1) Quarterly consolidated balance sheets

(Unit: Million yen)

	Previous consolidated fiscal year (As of March 31, 2021)	Second quarter consolidated accounting period of current fiscal year (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	61,648	47,810
Accounts receivable – trade	32,781	25,715
Merchandise and finished goods	1,792	2,132
Raw materials and supplies	79	47
Others	3,494	4,683
Total current assets	99,796	80,390
Non-current assets		
Property, plant and equipment	12,019	11,769
Intangible assets		
Goodwill	2,190	1,988
Others	724	668
Total intangible assets	2,915	2,657
Investments and other assets	10,925	10,258
Total non-current assets	25,860	24,685
Total assets	125,656	105,076
Liabilities		
Current liabilities		
Accounts payable – trade	147	297
Deposits received for consignment sales	21,535	20,094
Short-term borrowings	20,000	20,119
Income taxes payable	9,980	6,334
Provision for bonuses	1,622	542
Provision for bonuses for directors	81	40
Provision for point certificates	361	-
Provision for sales returns	139	-
Others	11,313	8,906
Total current liabilities	65,180	56,334
Non-current liabilities		
Retirement benefit liability	2,686	2,936
Asset retirement obligations	2,237	2,255
Others	44	123
Total non-current liabilities	4,968	5,315
Total liabilities	70,149	61,650

(Unit: Million yen)

	Previous consolidated fiscal year (As of March 31, 2021)	Second quarter consolidated accounting period of current fiscal year (As of September 30, 2021)
Net assets		
Shareholders' equity		
Amount Capital	1,359	1,359
Capital surplus	1,328	1,448
Retained earnings	77,109	85,711
Treasury stock	-24,146	-45,048
Total shareholders' equity	55,651	43,471
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	3
Foreign currency translation adjustment	-9	29
Remeasurements of retirement benefit plan	-213	-198
Total accumulated other comprehensive income	-217	-165
Stok acquisition right	3	30
Non-controlling interests	70	90
Total net assets	55,507	43,425
Total liabilities and net assets	125,656	105,076

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

Quarterly consolidated statements of income

Consolidated cumulative second quarter

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2020 to September 30, 2020)	Consolidated cumulative second quarter of current fiscal year (April 1, 2021 to September 30, 2021)
Net sales	66,492	76,212
Cost of sales	3,180	4,236
Gross profit	63,312	71,976
Reversal of provision for sales returns	107	-
Provision for sales returns	82	-
Gross profit-net	63,337	71,976
Selling, general and administrative expenses	43,431	48,184
Operating income	19,905	23,791
Non-operating income		
Interest income	2	5
Received rent	119	143
Foreign exchange gain	7	-
Operations support fee	2	9
Income from recycling	18	16
Subsidy income	34	19
Gain on unused points	36	22
Others	5	15
Total non-operating income	227	232
Non-operating expenses		
Interest expenses	36	36
Provision for allowance for doubtful accounts	11	0
Rent expenses	114	136
Commissions expenses	5	13
Foreign exchange losses	-	1
Loss on investments in partnerships	7	76
Total non-operating expenses	175	264
Ordinary income	19,957	23,759
Extraordinary gains		
Gain on sales of noncurrent assets	-	0
Total extraordinary income	-	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	1	5
Total extraordinary loss	1	5
Profit before income taxes	19,955	23,754
Income taxes- current	6,288	6,542
Income taxes – deferred	-282	651
Total income taxes	6,005	7,193
Net income	13,950	16,561
Net income attributable to non-controlling interests	6	19
Net profit attributable to owners of parent	13,943	16,541

Quarterly Consolidated Statements of Comprehensive Income

Consolidated cumulative second quarter

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2020 to September 30, 2020)	Consolidated cumulative second quarter of current fiscal year (April 1, 2021 to September 30, 2021)
Net income	13,950	16,561
Other comprehensive income		
Valuation difference on available-for-sale securities	-0	-0
Foreign currency translation adjustment	20	38
Remeasurements of retirement benefit plan	5	14
Total other comprehensive income	25	52
Comprehensive income	13,975	16,613
(Breakdown)		
Comprehensive income attributable to owners of the parent	13,969	16,593
Comprehensive income attributable to non-controlling interests	6	19

(3) Quarterly consolidated statements of cash flows

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2020 to September 30, 2020)	Consolidated cumulative second quarter of current fiscal year (April 1, 2021 to September 30, 2021)
Net cash provided by (used in) operating activities		
Profit before income taxes	19,955	23,754
Depreciation	1,004	932
Amortization of goodwill	175	201
Share-based compensation expenses	18	51
Provision for allowance for doubtful accounts	11	0
Loss (gain) on investments in partnership	7	76
Loss (gain) on sales and retirement of non-current assets	1	5
Increase (decrease) in provision for bonuses	30	-1,080
Increase (decrease) in provision for bonuses for directors	36	-40
Increase (decrease) in provision for point certificates	-546	-361
Increase (decrease) in provision for sales returns	-24	-139
Increase (decrease) in retirement benefit liability	201	270
Interest and dividends income	-2	-5
Interest expenses	36	36
Commissions expenses	5	13
Foreign exchange losses (gains)	-13	0
Decrease (increase) in notes and accounts receivable-trade	1,829	7,065
Decrease (increase) in inventories	-163	-308
Increase (decrease) in prepaid expenses	-1,331	-1,358
Increase (decrease) in notes and accounts payable-trade	152	150
Increase (decrease) in deposits received for consignment sales	-1,473	-1,441
Increase (decrease) in accounts payable-other	-284	-1,113
Increase (decrease) in accrued consumption taxes	-583	-1,478
Others	161	168
Subtotal	19,203	25,400
Interest and dividends income received	2	5
Interest expenses paid	-27	-36
Income taxes paid	-3,515	-10,090
Net cash provided by (used in) operating activities	15,663	15,278
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-768	-664
Purchase of intangible assets	-83	-18
Proceeds from collection of lease and guarantee deposits	607	195
Payments for lease and guarantee deposits	-627	-2
Purchase of investment securities	-22	-68
Payments for investments in capital of subsidiaries and associates	-22	-
Acquisition of newly consolidated subsidiaries	-264	-
Others	-282	-0
Net cash provided by (used in) investing activities	-1,463	-558

(Unit: Million yen)

	Consolidated cumulative second quarter of previous fiscal year (April 1, 2020 to September 30, 2020)	Consolidated cumulative second quarter of current fiscal year (April 1, 2021 to September 30, 2021)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	17,500	100
Increase in long-term loans payable	-	100
Decrease in short-term loans payable	-19,530	-
Repayment of long-term loans payable	-0	-1
Commission expenses paid	-5	-9
Purchase of treasury stock	-0	-31,997
Proceeds from issuance of stock acquisition rights	-	31
Proceeds from disposal of treasury stock by exercise of stock acquisition right	-	11,143
Cash dividends paid	-5,493	-7,937
Net cash provided by (used in) financing activities	-7,530	-28,571
Effect of exchange rate change on cash and cash equivalents	-0	13
Net increase (decrease) in cash and cash equivalents	6,667	-13,837
Cash and cash equivalents at beginning of period	33,602	61,648
Cash and cash equivalents at end of period	40,270	47,810

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on significant changes in Shareholders' Equity)

(1) Acquisition of treasury stock

On May 25, 2021, we acquired 8,544,000 shares of treasury shares through an off-floor purchase transaction (ToSTNeT-3) on the Tokyo Stock Exchange. Consequently, treasury stock increased by 31,997 million yen.

(2) Disposal of treasury stock

Based on the resolution of the Board of Directors held on May 24, 2021, other capital surplus increased by 223 million yen and treasury stock decreased by 10,933 million yen due to the disposal of treasury stock.

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Revenue Recognition)

The New Accounting Standard is adopted from the beginning of current first quarter consolidated accounting period, and it recognizes revenue when (or as) it satisfies a performance obligation by transferring promised goods or services (i.e., a goods) to a customer. Goods are transferred when (or as) the customer obtains control of that good. It recognizes as revenue the amount expected to be received upon exchange of goods or services.

As a result, regarding ZOZO points issued on users' purchases at our eCommerce website "ZOZOTOWN," the allowance method was previously adopted for the expenses which was assumed to be exchanged to points in the future and recorded as Point promotion expenses, or Provisions for point certificates. However, if such points provide significant rights to customers, these are identified as performance obligations (contract liabilities) and the recognition of revenue is deferred. Regarding coupon points that are borne by the company, such as sales promotion points for acquiring new customers, the amount equivalent to the points allocated for purchasing merchandise is reduced from the transaction prices, in accordance with the provision of consideration paid to customers stipulated in the New Accounting Standard etc. In addition, for sales with return rights, provision for sales returns was recorded based on the amount which is equivalent to gross profit. However, for merchandise or products that are assumed to be returned, revenue is not recognized at the time of sales in accordance with the provisions for variable consideration, and refund liabilities is recognized based on the amount of consideration received or merchandise or products received.

With respect to the implementation of the New accounting Standard, in accordance with the transitional treatment stipulated in the provisions of paragraph 84 of the New Accounting Standard, the cumulative effect of retrospective implementation of the new accounting policy prior to the beginning of current first quarter consolidated accounting period is added to or deducted from retained earnings at the beginning of the current accounting period and the new accounting policy is applied at the same timing.

Consequently, compared to the previous accounting treatment, consolidated cumulative second quarter's net sales decreased by 1,041 million yen, cost of sales increased by 353 million yen, and selling, general and administrative expenses decreased by 1,377 million yen. Meanwhile, there was no impact on operating profit, ordinary profit, or net income attributable to owners of parent. It also has no impact on retained earnings of the beginning balance.

In accordance with the transitional treatment set forth in paragraph 89-2 of the New Accounting Standard, previous consolidated fiscal year has not been reclassified following the new presentation method. Furthermore, in accordance with the transitional treatment set forth in paragraph 28-15 of the "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), the company has not presented information of disaggregated revenue arising from contracts with customers under the previous consolidated cumulative second quarter.

(Application of accounting standard for calculation of fair value)

The Accounting Standard for Calculation of Fair Value (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Calculation of Fair Value") and other standards have been applied from the beginning of current first quarter consolidated accounting period, and in accordance with the transitional treatment set forth in paragraph 19 of

the Accounting Standard for Calculation of Fair Value and paragraph 44-2 of the Accounting Standard for Financial Merchandise (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Calculation of Fair Value will be applied in the future. There was no impact on the quarterly consolidated financial statements.

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