

**FY2023 2Q ZOZO, Inc.
CONSOLIDATED BUSINESS RESULTS**



With an
easy-to-understand
explanation
by CFO Yanagisawa
and VP of IR!



Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Background and Current Issues

As for profit return to shareholders, our group has the basic policy for deliberating and implementing profit return by balancing internal reserve through comprehensive consideration of the followings: business performance, financial status, future business and investment plans.

We re-examined based on the analysis of current situation and future forecasts, as requested by Tokyo Stock Exchange, Inc. in the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” announced on March 31, 2023.

Our Group’s ROE has remained high at 60.1% (actual results for the fiscal year ended March 31, 2023), compared to the lower limit of 30% which is the external target.

On the other hand, our group’s equity capital has been increasing due to the accumulation of internal reserve, and in consideration of future business and investment plans, etc., it is expected that ROE and other indicators of return on capital will gradually deteriorate.



Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Response Policy and Goals

We deemed that maintaining the current level of consolidated dividend payout ratio will lower capital efficiency in the future. Thus, we set out a policy to return surplus funds to shareholders more proactively than ever before.

In addition to raising the consolidated dividend payout ratio, we will consider the share repurchases on an ongoing basis, taking into account stock liquidity and stock price conditions.

Our goal is to maintain a total return ratio, including share buybacks, of more than 80% on 5-year average over the medium to long term.

In addition to increasing dividends and share buybacks, we will also explore fundamental initiatives to achieve capital returns exceeding the cost of capital consistently, to attain sustainable growth of the company.



Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Specific measures

The specific measures decided on October 31, 2023 are as follows.

As a result of this action, ROE for the fiscal year ending March 31, 2024 is expected to be 53.1%*.

*When (2) is acquired up to the limit

(1) Raise the consolidated dividend payout ratio

Raise the consolidated dividend payout ratio target from 50% to 70%

Details of the revision for the fiscal year ending March 31, 2024 End of Q2: 49yen Year-end: 49yen Total: 98yen

Previous forecast (Announced on April 27, 2023) End of Q2: 28yen Year-end: 43yen Total: 71yen

(2) Repurchase of own shares

Up to 10 billion yen or 5 million shares to be acquired through market purchase

Period of acquisition: November 1, 2023 to March 1, 2024 (Plan)

(3) Cancellation of treasury stock

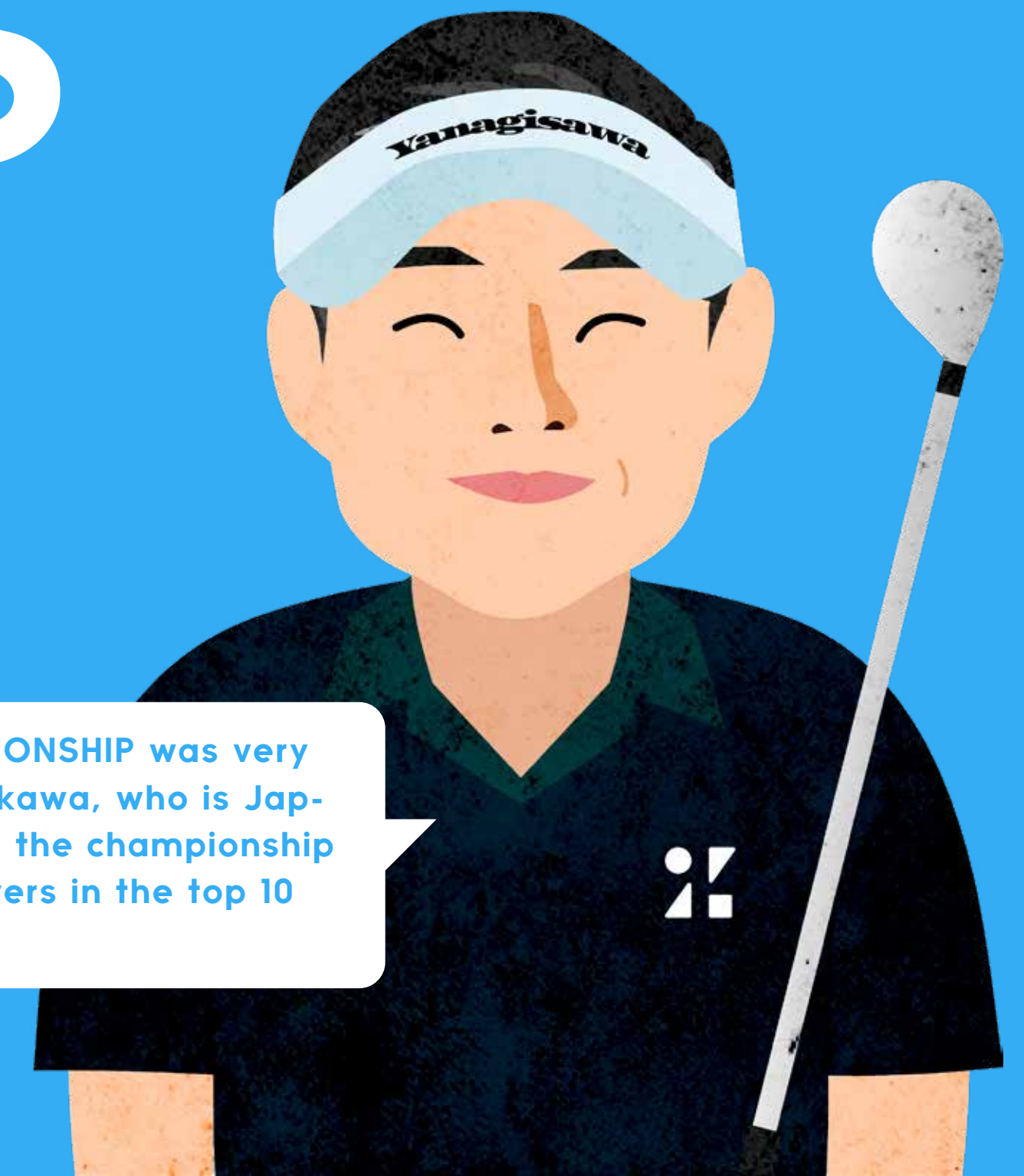
Cancelled of 11,170,104 shares (3.58% of the total number of shares outstanding before the cancellation)

Scheduled date of the cancellation: November 9, 2023

HIGHLIGHTS



This year's ZOZO CHAMPIONSHIP was very exciting, with Collin Morikawa, who is Japanese American, winning the championship and three Japanese players in the top 10 as well!





FY2023 2Q HIGHLIGHTS

Gross Merchandise Value

258.7 billion yen

(+3.0% YoY / Achievement rate 44.6%)

Gross Merchandise Value

(excluding other GMV)

241.6 billion yen

(+6.2% YoY / Achievement rate 45.2%)

Operating Profit

28.9 billion yen

(+6.3% YoY / Achievement rate 48.2%)

Operating Profit Margin

12.0 % (+0.0 point YoY)

※ Operating profit margin is calculated by dividing operating profit by the Gross Merchandise Value (excluding other GMV).



OVERVIEW OF EACH QUARTER

(million¥)

	FY2022				FY2023	
	1Q	2Q	3Q	4Q	1Q	2Q
Gross Merchandise Value	127,928	123,210	155,358	137,820	131,920	126,870
Gross Merchandise Value (excluding other GMV)	115,948	111,533	144,540	129,085	123,327	118,317
YoY (%)	8.7%	9.0%	9.1%	7.0%	6.4%	6.1%
Net sales	42,590	41,176	52,699	46,956	45,871	44,345
SG&A	26,028	25,667	31,328	31,895	27,182	28,100
YoY (%)	7.0%	7.6%	5.6%	11.2%	4.4%	9.5%
(% to the Gross Merchandise Value)	22.4%	23.0%	21.7%	24.7%	22.0%	23.8%
Operating profit	14,312	12,897	17,425	11,785	15,862	13,068
YoY (%)	13.7%	15.2%	16.3%	8.4%	10.8%	1.3%
(% to the Gross Merchandise Value)	12.3%	11.6%	12.1%	9.1%	12.9%	11.0%

* The percentages are calculated by dividing each item by the Gross Merchandise Value (excluding other GMV).

BUSINESS RESULTS

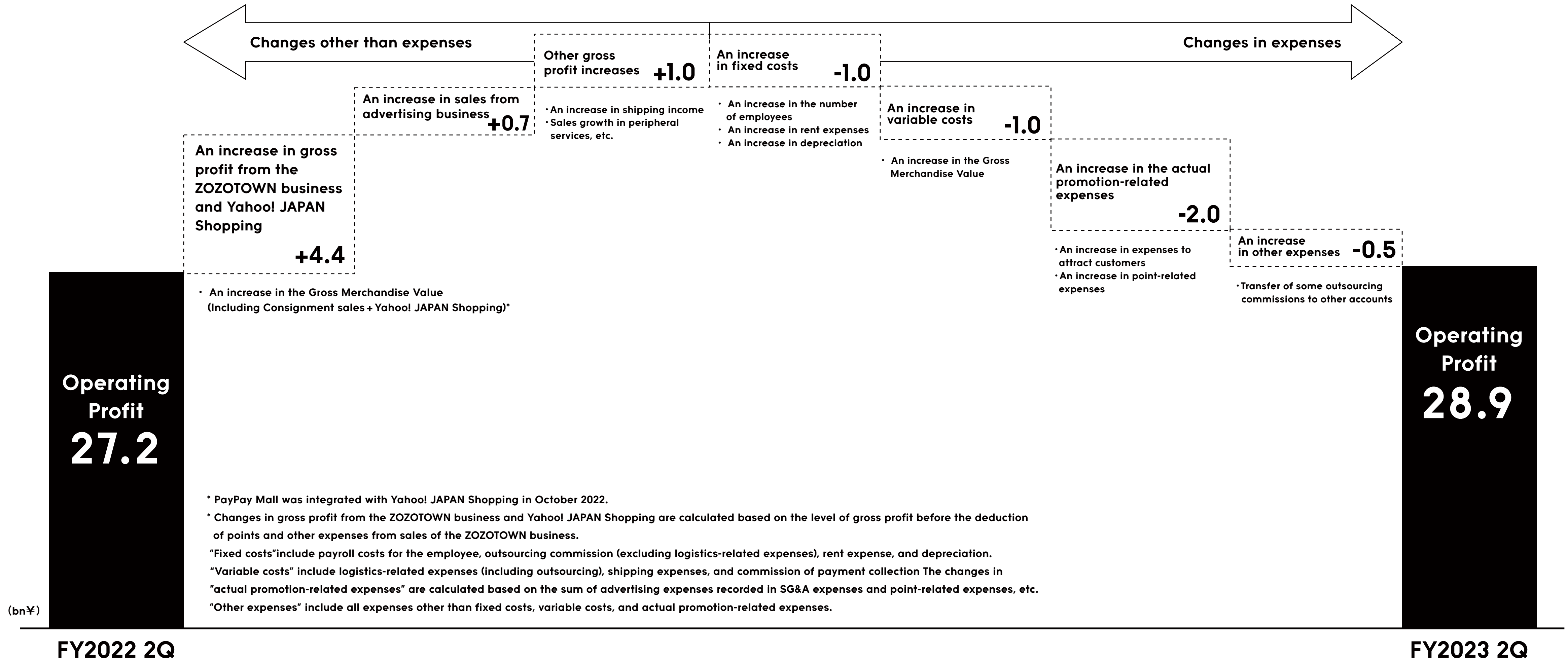


The new "ZOZO WORKSTYLE" started this April. Many employees are working vigorously because of the updated personnel system, benefits, and work style.





INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (YoY COMPARISON)



* PayPay Mall was integrated with Yahoo! JAPAN Shopping in October 2022.

* Changes in gross profit from the ZOZOTOWN business and Yahoo! JAPAN Shopping are calculated based on the level of gross profit before the deduction of points and other expenses from sales of the ZOZOTOWN business.

"Fixed costs" include payroll costs for the employee, outsourcing commission (excluding logistics-related expenses), rent expense, and depreciation.

"Variable costs" include logistics-related expenses (including outsourcing), shipping expenses, and commission of payment collection. The changes in

"actual promotion-related expenses" are calculated based on the sum of advertising expenses recorded in SG&A expenses and point-related expenses, etc.

"Other expenses" include all expenses other than fixed costs, variable costs, and actual promotion-related expenses.

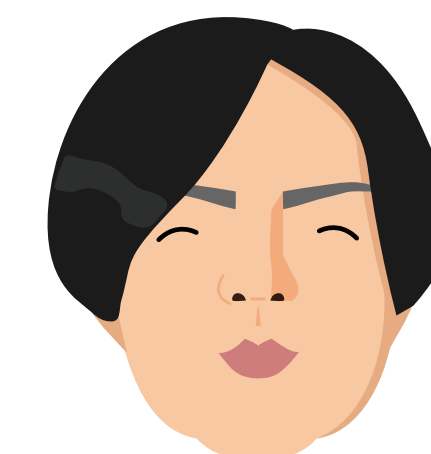


CONSOLIDATED BALANCE SHEET

(million¥)

	FY2022 (as of March 31, 2023)	FY2023 2Q (as of September 30, 2023)		FY2022 (as of March 31, 2023)	FY2023 2Q (as of September 30, 2023)
Current assets	123,493	122,489	Current liabilities	72,204	64,095
Cash and deposits	69,126	68,048	Short-term borrowing	20,400	20,500
Merchandise and finished products	3,155	4,141	Non-current liabilities	6,844	9,029
Non-current assets	32,248	35,962	Total liabilities	79,048	73,125
Tangible assets	18,796	22,402	Shareholders' equity	76,771	85,153
Intangible assets	2,381	2,664	Treasury stock	-44,558	-43,571
Investments and other assets	11,070	10,895	Total net assets	76,693	85,326
Total assets	155,742	158,452	Total liabilities and net assets	155,742	158,452

Investments in the new distribution warehouse, which began operations in August, proceeded as planned.





CASH FLOWS

	FY2022 2Q	FY2023 2Q	YoY	Reason for change
Cash flows from operating activities	15,605	15,605	0	Increase in income taxes paid Increase in prepaid expenses
Cash flows from investing activities	-3,896	-4,604	-707	Expenditures for opening a new distribution base in both the previous and current fiscal years
Cash flows from financing activities	-10,630	-12,077	-1,447	Increase in dividends paid
Cash and cash equivalents at the end of the quarter	66,888	73,091	6,202	

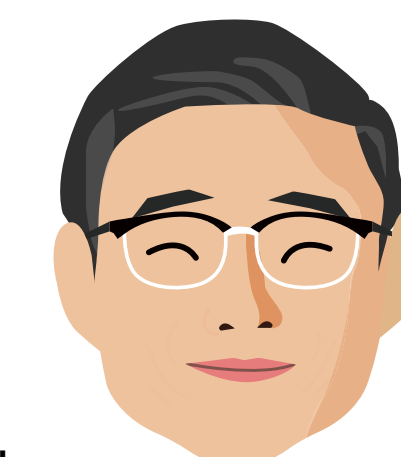


SELLING, GENERAL AND ADMINISTRATIVE(SG&A) EXPENSES

(million¥)

	FY2022 2Q		FY2023 2Q		YoY	Increase / decrease factors
	Amount	% to the Gross Merchandise Value	Amount	% to the Gross Merchandise Value	% to the Gross Merchandise Value	
Payroll and staff costs(*)	14,087	6.2%	15,293	6.3%	0.1%	
Payroll costs for employee	6,226	2.7%	6,767	2.8%	0.1%	Transition of the number of employees on consolidated basis : FY2022 2Q 1,485 → FY2023 2Q 1,677
Logistics-Related Expenses (Including Outsourcing)	7,860	3.5%	8,525	3.5%	0.0%	
Outsourcing Commission (Excluding Logistics-Related Expenses)	3,303	1.5%	3,176	1.3%	-0.2%	A decrease due to the transfer of accounts Some expenses that were recognized as outsourcing commissions in the previous fiscal year are now recognized as others
Shipping	15,705	6.9%	15,800	6.5%	-0.4%	The ratio of shipping expenses to the Gross Merchandise Value decreased due to the impact of higher order value
Commission of Payment collection	5,443	2.4%	5,699	2.4%	0.0%	
Advertising	3,512	1.5%	4,507	1.9%	0.4%	An increase in the measures to attract customers through web advertising Recognition of expenses related to the advertising expenses for ZOZO FIT and niaulab
Rent expense	3,028	1.3%	3,448	1.4%	0.1%	An increase in a logistics center (Started the lease of IBARAKI 4 from March 2023)
Depreciation	938	0.4%	1,148	0.5%	0.1%	With the start of operations of IBARAKI4 in August 2023, the company began to record depreciation expenses for each piece of equipment, etc., sequentially according to the timing of the start of use.
Amortization of goodwill	212	0.1%	192	0.1%	0.0%	
Stock Compensation Expenses	45	0.0%	107	0.0%	0.0%	
Others	5,416	2.4%	5,907	2.4%	0.0%	An increase due to the transfer of accounts Some expenses that were recognized as outsourcing commissions in the previous fiscal year are now recognized as others
Total SG&A	51,696	22.7%	55,282	22.9%	0.2%	

Full-scale recording of expenses for rent and depreciation of the new distribution center, which started operation in August, began in the middle of 2Q.



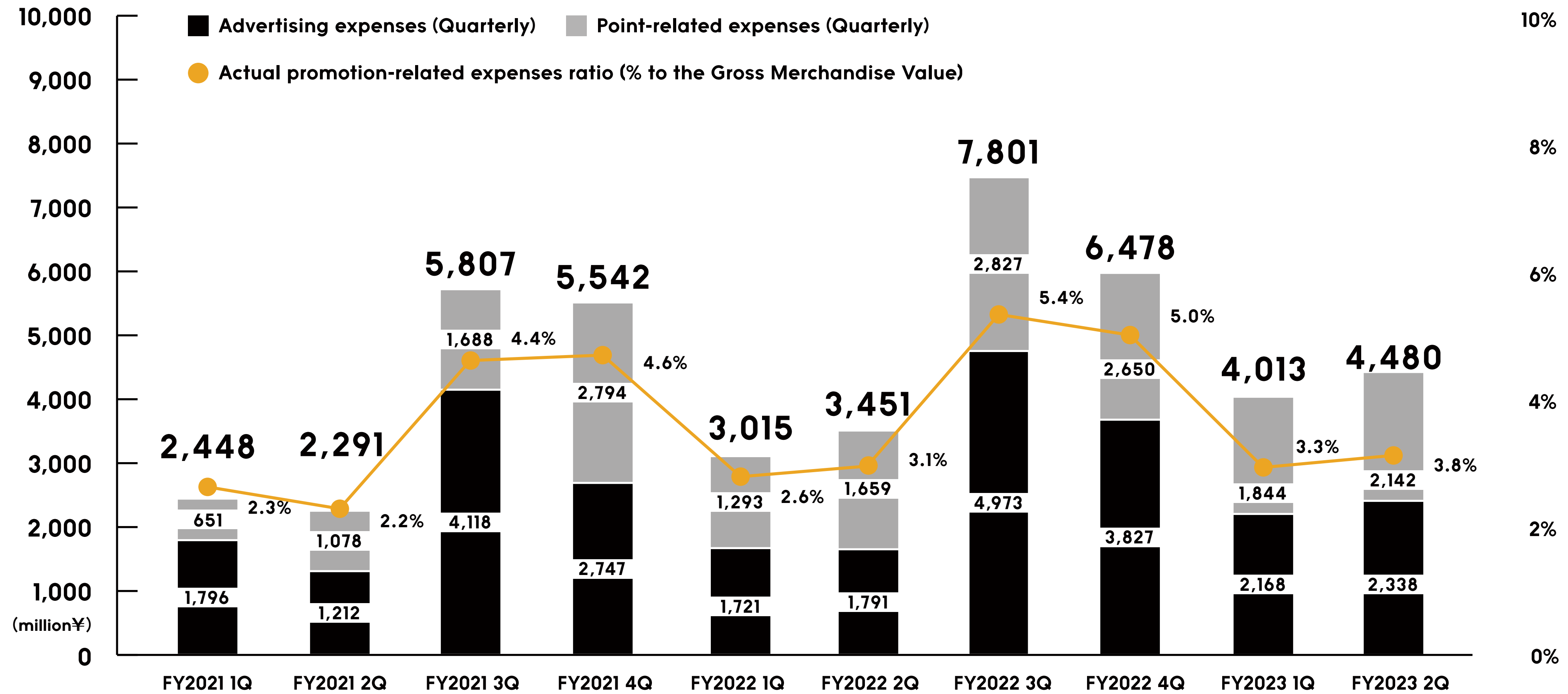
* Payroll includes directors' remuneration, employee salaries, bonuses, legal welfare expenses, welfare expenses, retirement benefits cost, provision for employee bonuses, expenses of company pension premium, subcontracting payroll, a portion of expenses at logistics centers operation. "Employee" includes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

* The percentages to the Gross Merchandise Value are calculated by dividing each expense by the Gross Merchandise Value (excluding other GMV).

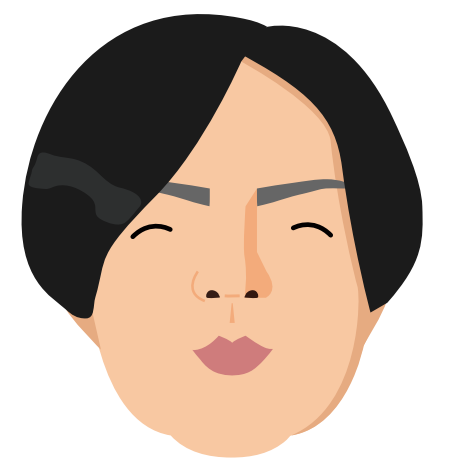


ACTUAL PROMOTION-RELATED EXPENSES

Actual promotion-related expenses: The sum of advertising expenses and point-related expenses



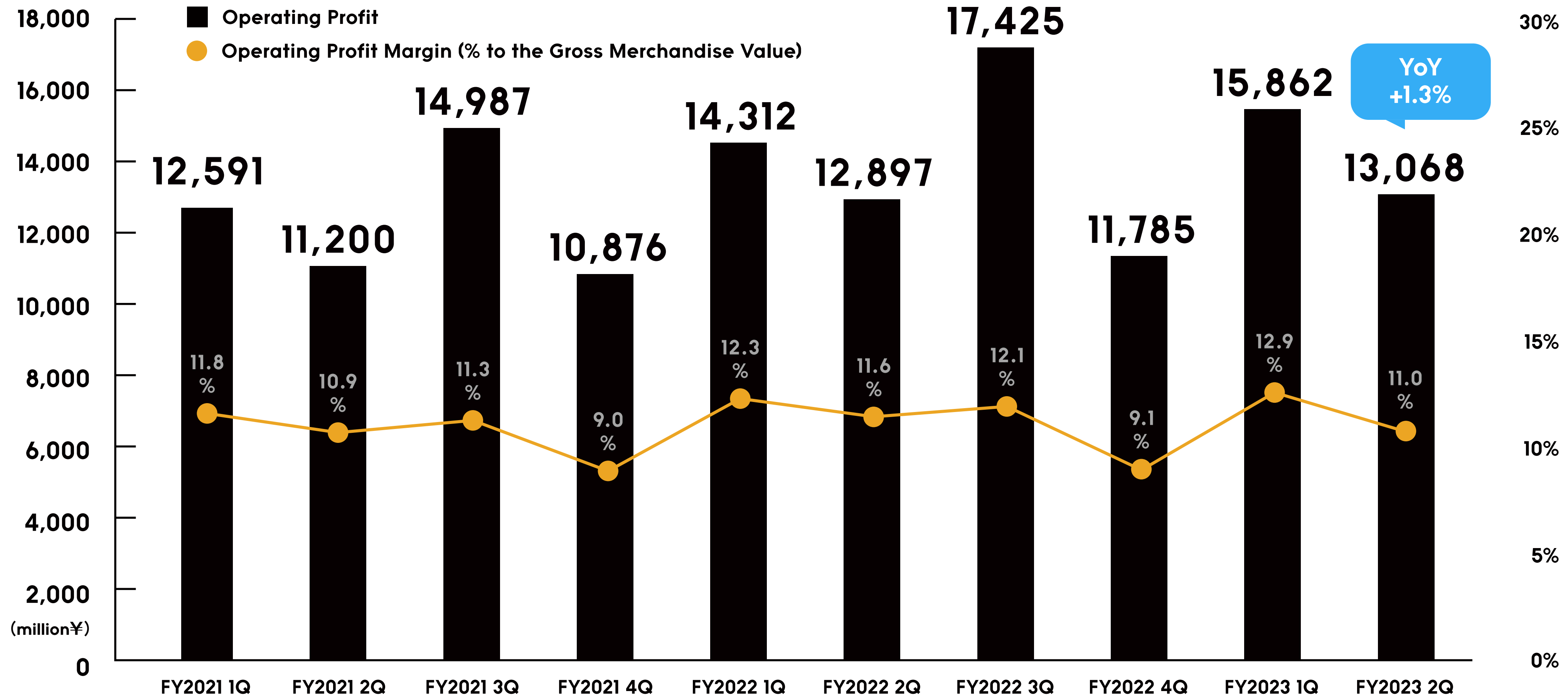
Continuing from 1Q, the number of reward point programs and web advertising increased compared to last year.



* The actual promotion-related expenses ratio is calculated by dividing the actual promotion-related expenses by the Gross Merchandise Value (excluding other GMV)



OPERATING PROFIT AND OPERATING PROFIT MARGIN (QUARTERLY)



* Operating profit margins are calculated by dividing operating profit by the Gross Merchandise Value (excluding other GMV)

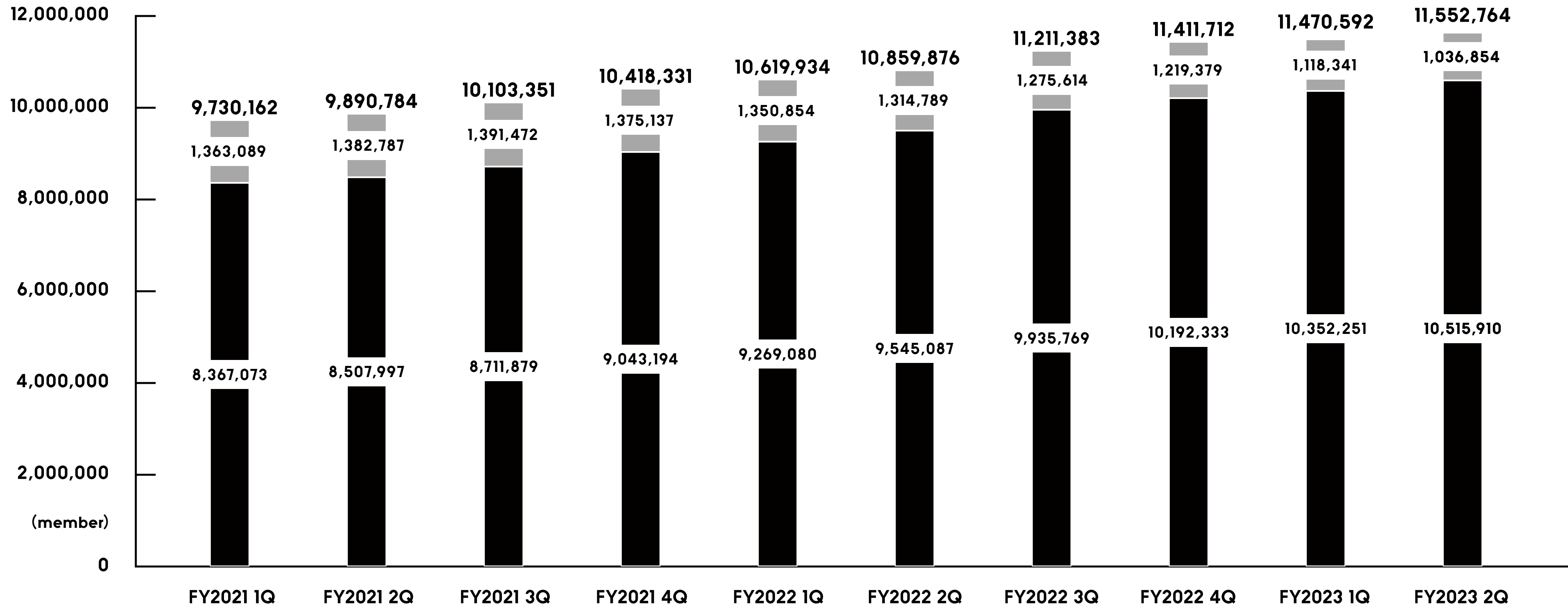


NUMBER OF TOTAL BUYERS

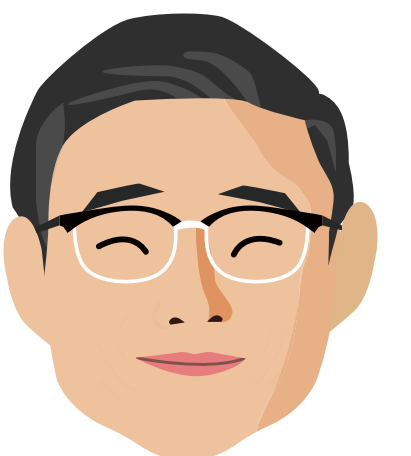
Number of total buyers = Active members and guest buyers who made at least one purchase within a year

■ Guest buyers = Total number of guest purchases within a year

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



We are focusing more energy on promotions based on detailed customer segmentation.



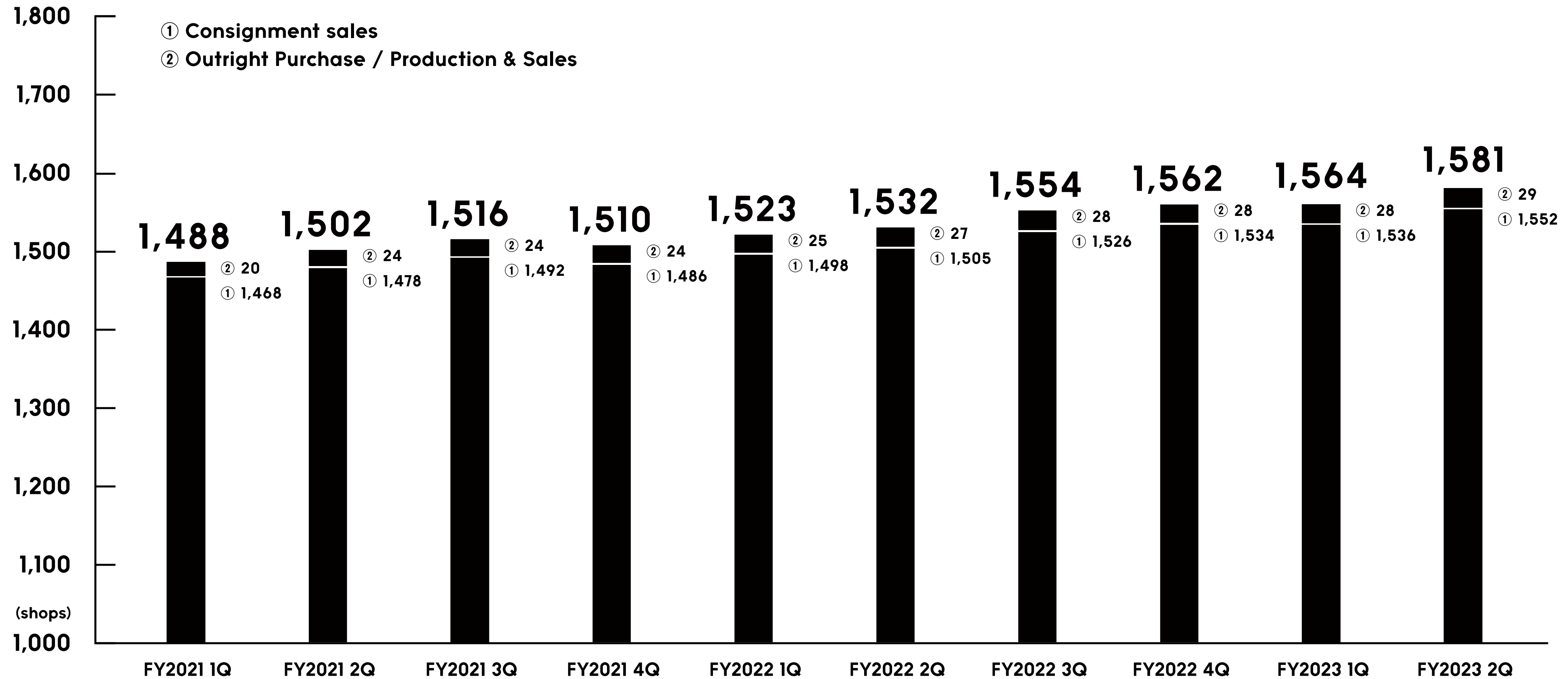
* The results are only from the ZOZOTOWN business (<https://zozo.jp>). Yahoo! JAPAN Shopping is not included.

* PayPay Mall was integrated with Yahoo! JAPAN Shopping in October 2022.

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



NUMBER OF SHOPS ON ZOZOTOWN



There was a wide variety of store openings in 2Q, including cosmetics, luxury, and home.



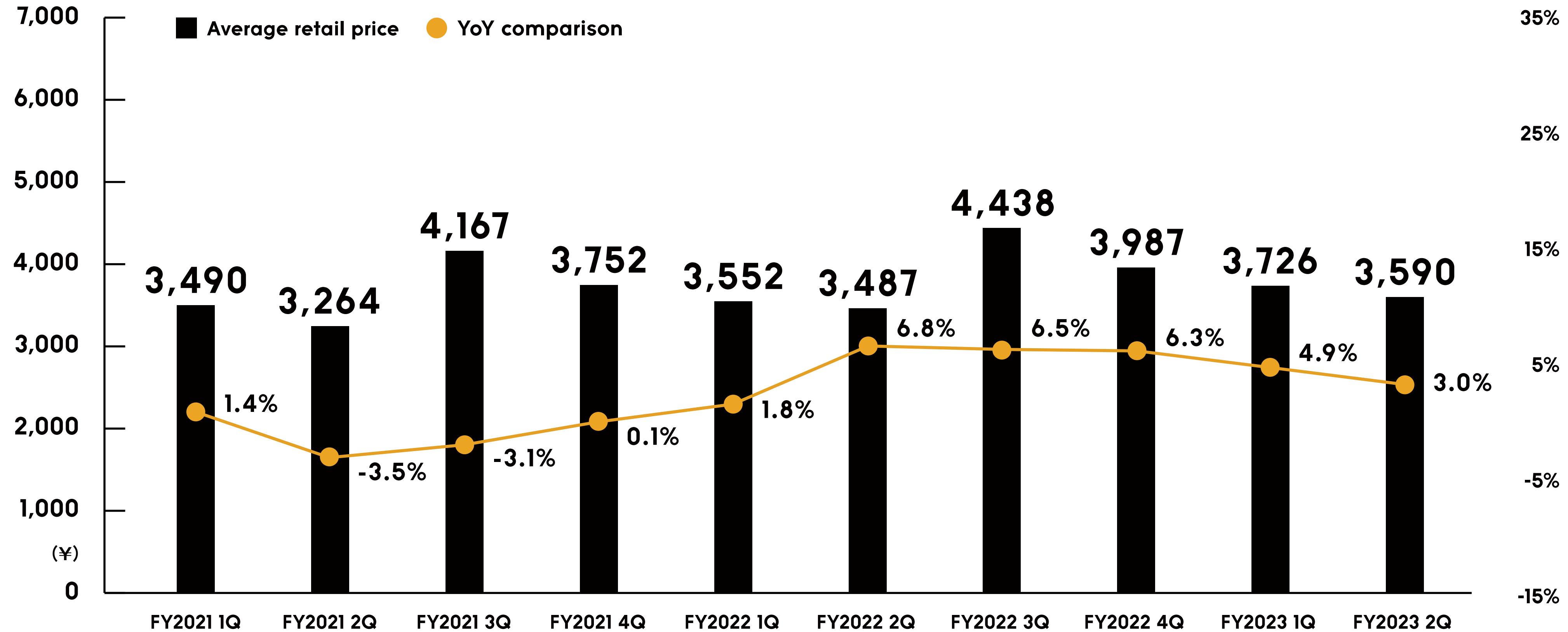
* Shops of the private brand "ZOZO" and "Multi-Size" are not included to the number of shops.



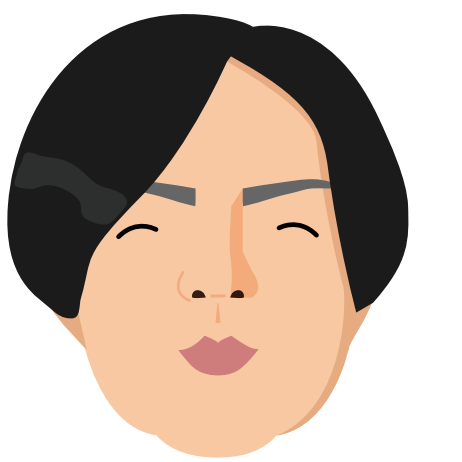
AVERAGE RETAIL PRICE

Average retail price

= Gross Merchandise Value of the ZOZOTOWN Business / Number of pieces shipped



The rate of increase was lower than in the last several quarters because sales of fall/winter items, which began selling in the latter half of 2Q due to the intense lingering in the latter half, were weaker than in the previous year.



* The results are only from the ZOZOTOWN business (<https://zozo.jp>). Yahoo! JAPAN Shopping is not included.

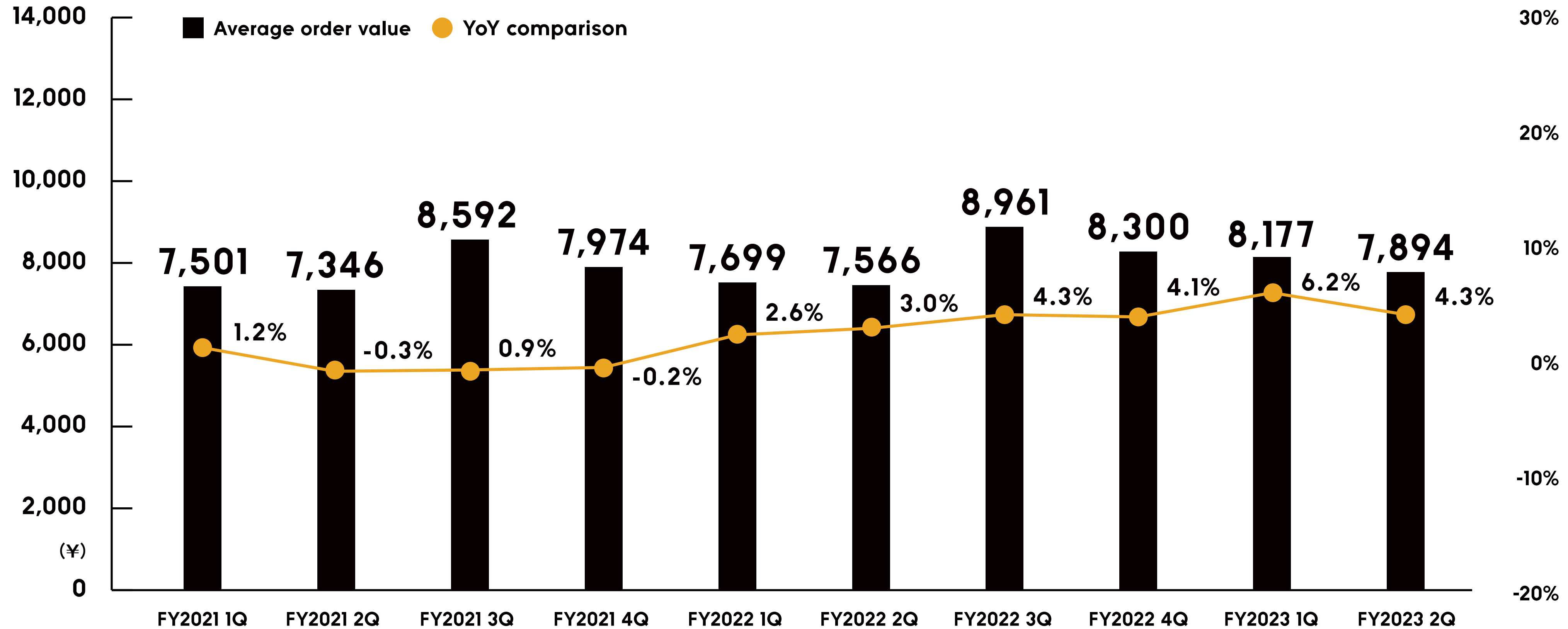
* PayPay Mall was integrated with Yahoo! JAPAN Shopping in October 2022.

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



AVERAGE ORDER VALUE

Average order value
= Gross Merchandise Value of the ZOZOTOWN Business / Number of shipments



In addition to a continued increase in the average retail price in 1Q, the number of items purchased per order continued to increase.[†]



* The results are only from the ZOZOTOWN business (<https://zozo.jp>). Yahoo! JAPAN Shopping is not included.

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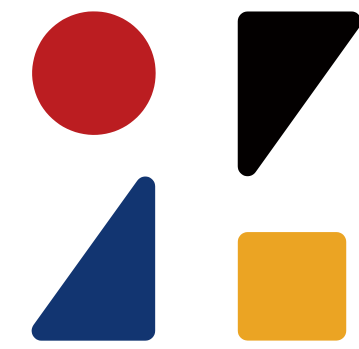


CONSOLIDATED BUSINESS FORECAST AND DIVIDEND FORECAST FOR FY2023

	FY2023 Plan	YoY
Gross Merchandise Value	580.8 billion yen	6.7%
Gross Merchandise Value (excluding other GMV)	535.2 billion yen	6.8%
Net sales	200.7 billion yen	9.4%
Operating profit	60.0 billion yen	6.3%
Operating Profit Margin (% to the Gross Merchandise Value)	11.2%	—
Ordinary profit	60.0 billion yen	5.8%
Profit attributable to owners of parent	42.0 billion yen	6.3%
Net profit per share	140.07 yen	—
Estimated dividends per share (Plan)	98 yen	—

* Operating profit margin is calculated by dividing operating profit by the Gross Merchandise Value (excluding other GMV).

* Please note that the "Notice concerning revision of year-end dividend forecast and decision of dividend from surplus (interim dividend)" was released on October 31, 2023. The figures mentioned above reflect these revisions.

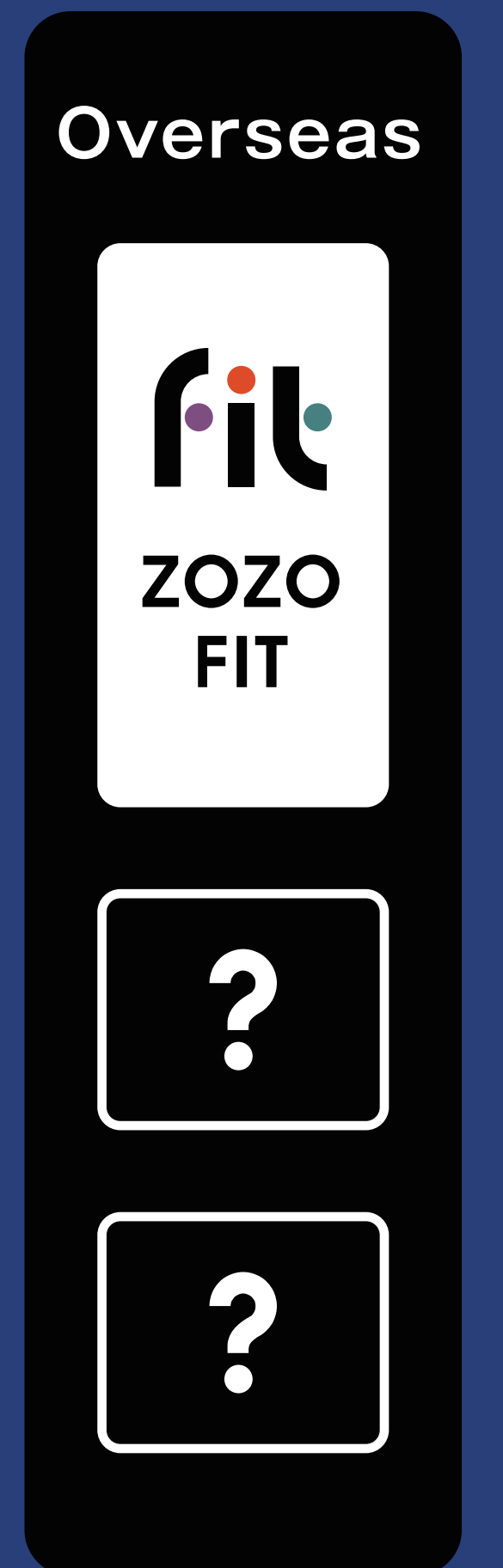
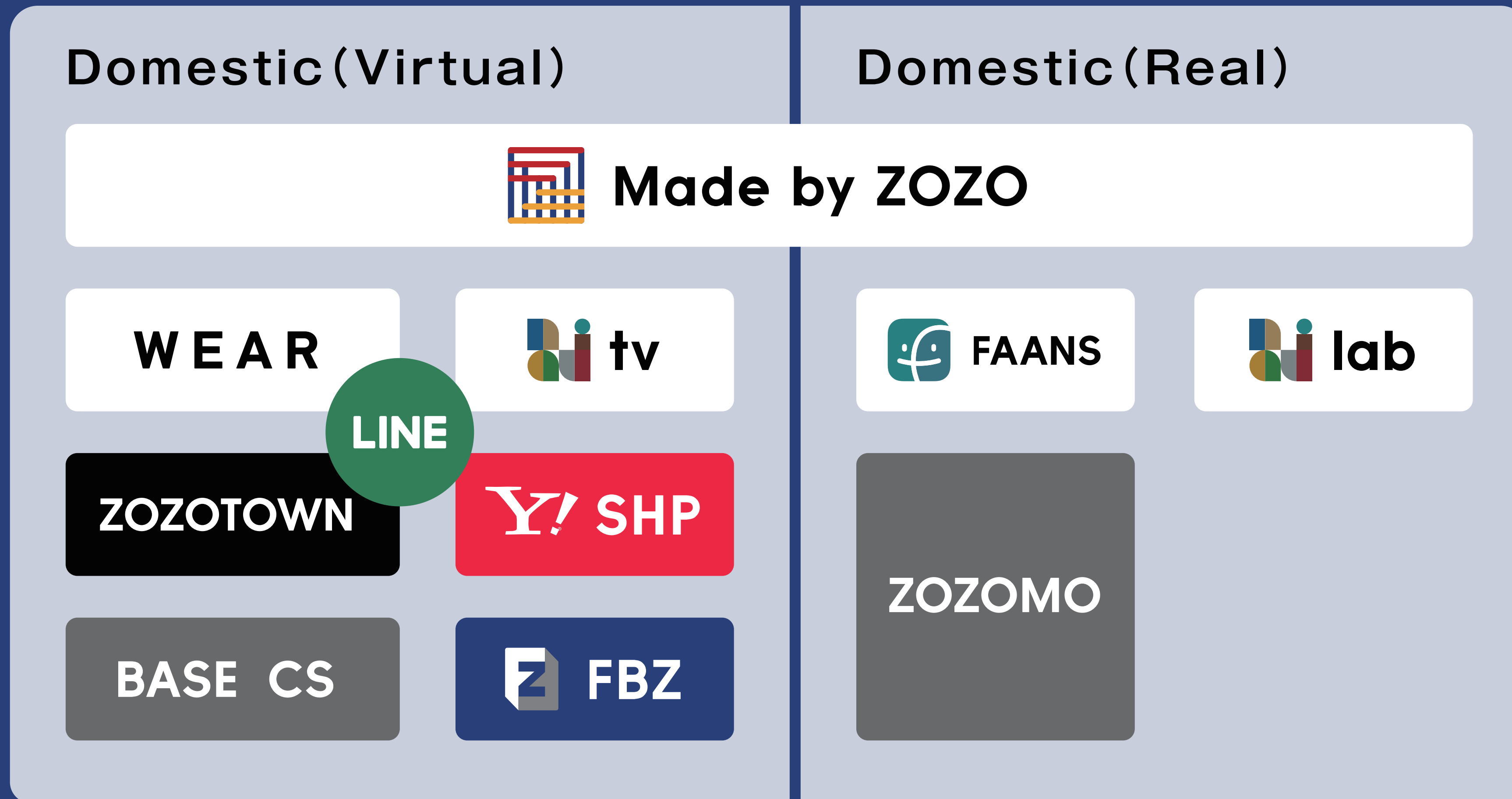


ZOZO

Status of Initiatives

"Produce" "Communicate"
"Sell" "Deliver" for Fashion

Technology & Data



Produce

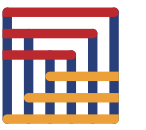
"Ambient Weaving Collection -- Environment and Textiles"

The aim of this project

Not only sell the textiles developed, but also develop new markets by summarizing "What kind of experience we can have beyond the pursuit of textile beauty" as a concept.

Produce

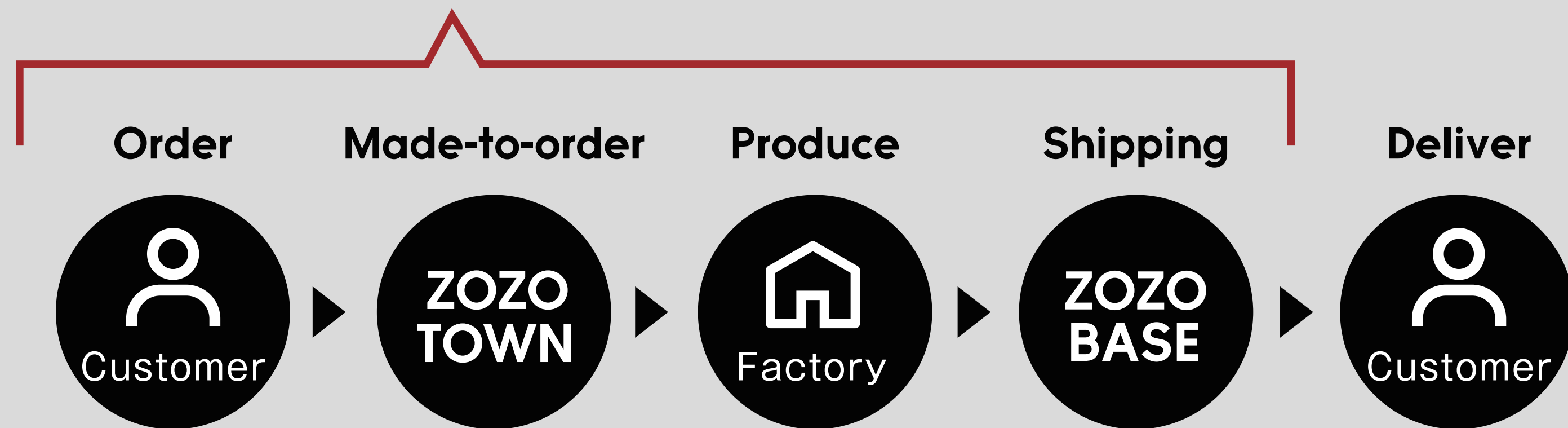
Made by ZOZO(Since September 2022)
Steady percolation of "sell,then produce
and make decisions based on the data"
without inventory.



Made by ZOZO

Produce even one garment per order

Ship within **10 days** at the earliest after order is placed

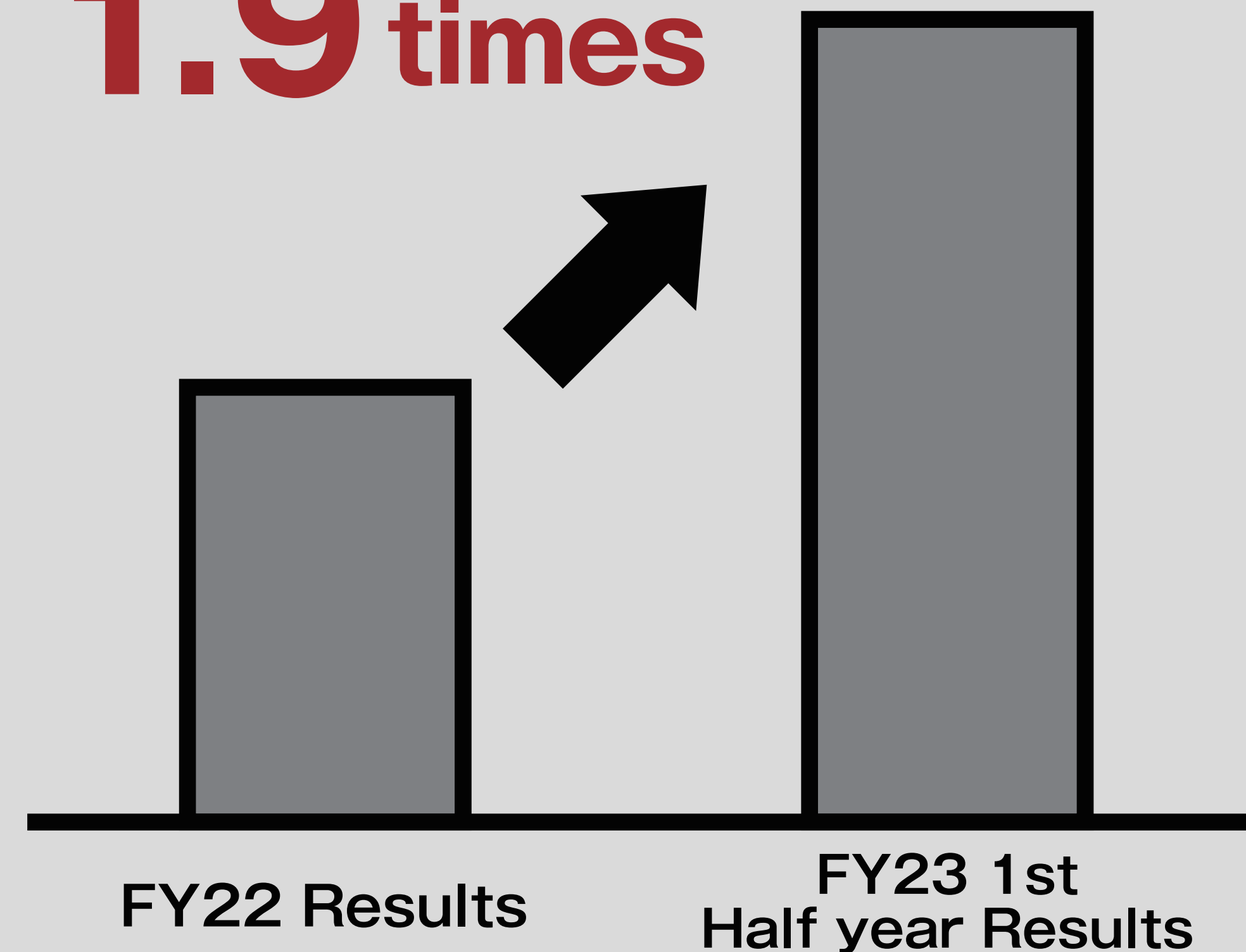


**Participating brands can sell their
products without carrying inventory**

info. BEAUTY&YOUTH /
nano-universe / SHIPS / etc...

Number of production types

1.9 times



※Participating brands as of September 2023

Produce

Sustainable Initiatives
Made to order using materials recycled
from plastic bottles, etc.



Made by ZOZO



SHIPS.me
Tシャツ/カットソー



SHIPS.me
Tシャツ/カットソー



SHIPS.me
Tシャツ/カットソー



SHIPS.me
Tシャツ/カットソー



JOURNAL STANDARD
Tシャツ/カットソー



JOURNAL STANDARD
Tシャツ/カットソー



JOURNAL STANDARD
Tシャツ/カットソー



JOURNAL STANDARD
Tシャツ/カットソー

Communicate

Steady growth in the number of staff accounts



FAANS

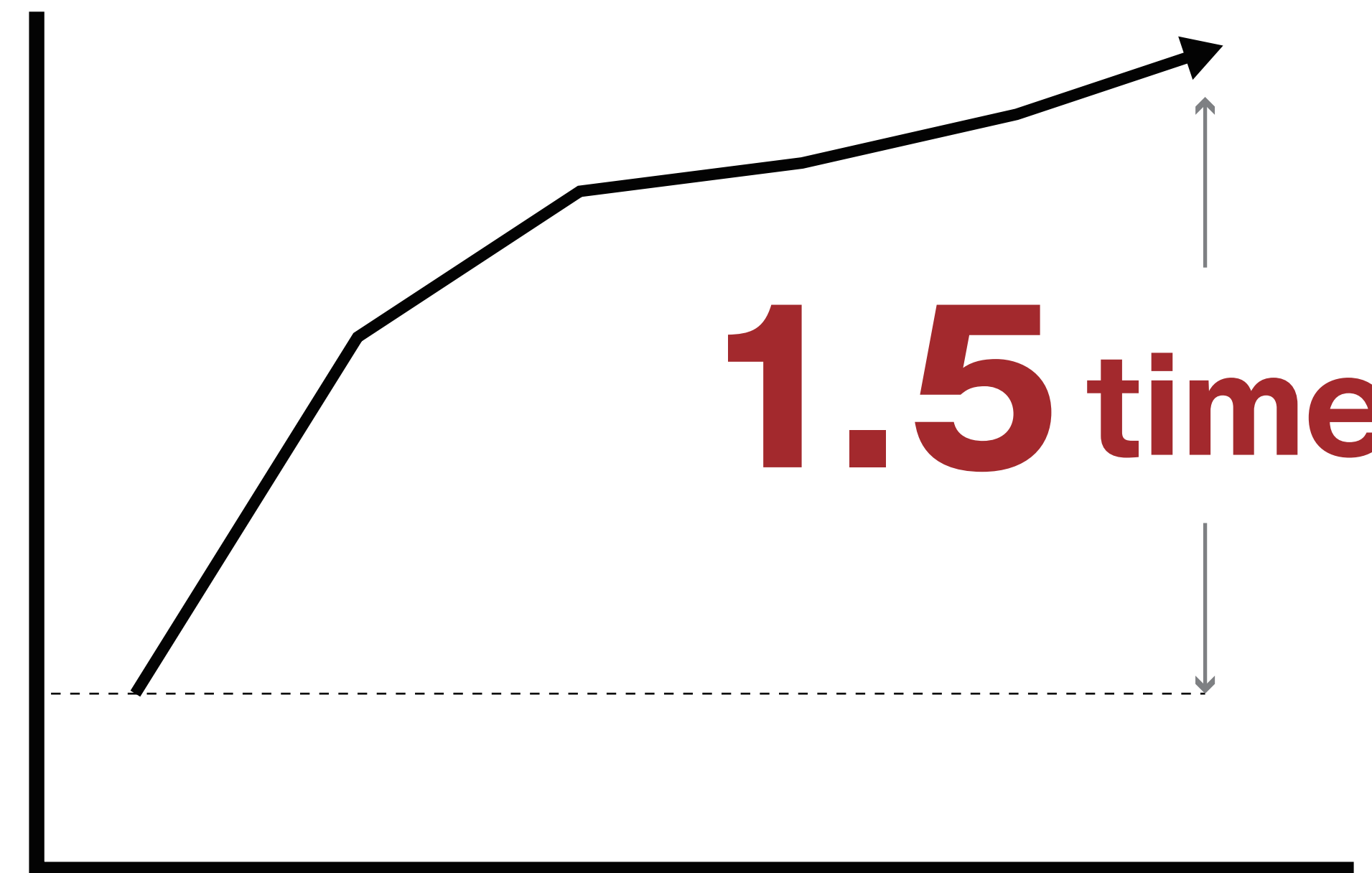
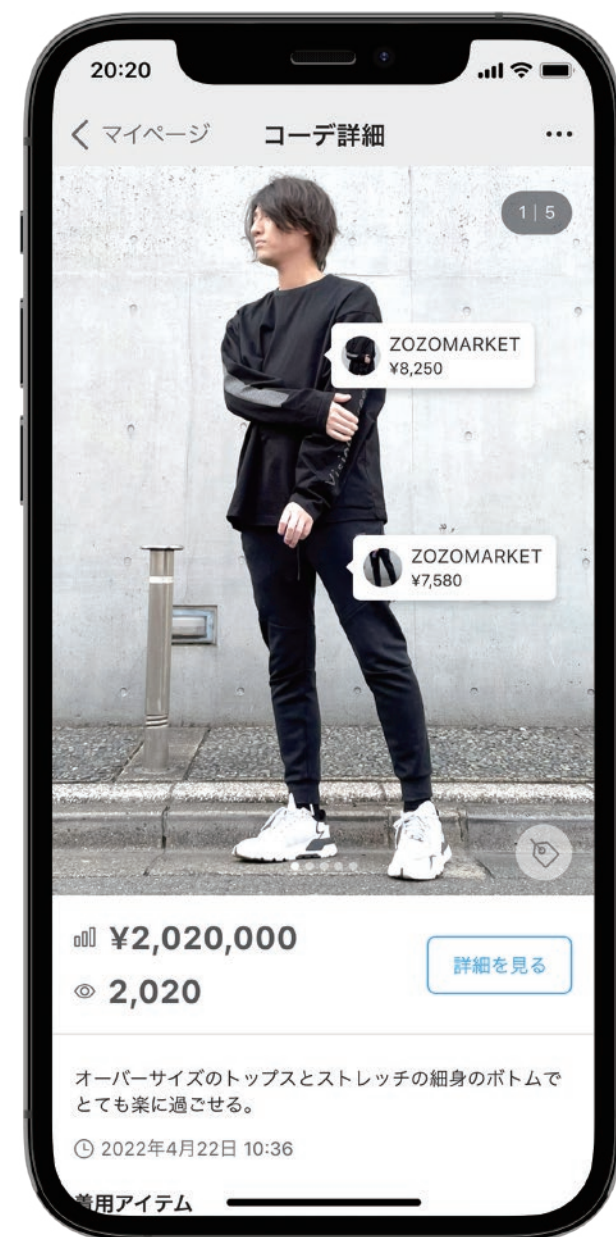
Sales support tools for store staff connecting multiple channels

Number of FAANS accounts

Posting of coordinates

Check the results

Number of FAANS accounts



Simultaneous posting of coordinates to ZOZOTOWN and the brand's own EC, etc.

You can check the results via the coordination you posted.

April 2023

Monthly Trends

September

Sell

MUJI in ZOZOTOWN

MUJI

in ZOZOTOWN

2023.09.01 FRI OPEN

無印良品

MUJI has opened on ZOZOTOWN. We will introduce you to MUJI's comfortable clothes and lifestyle goods.



Sell

VERSACE is now available at ZOZOVILLA / VERSACE



VERSACE
香水
¥14,520



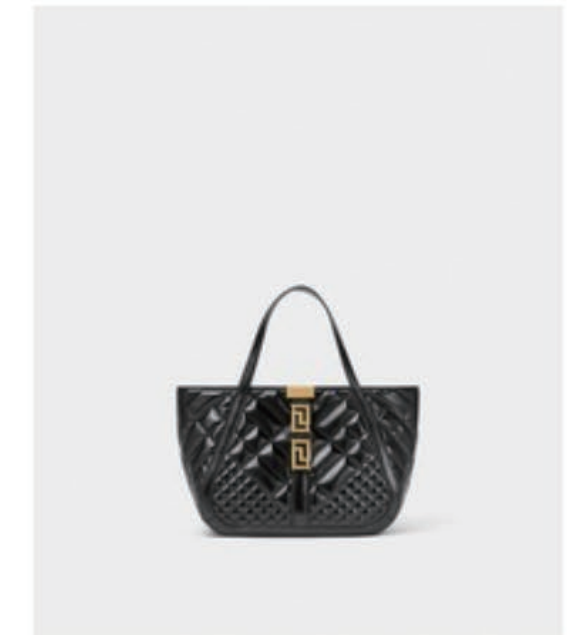
VERSACE
香水
¥16,170



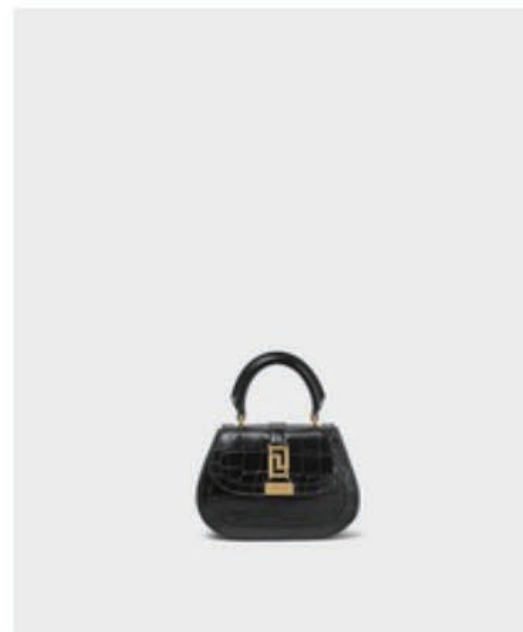
VERSACE
香水
¥12,320



VERSACE
財布
¥80,300



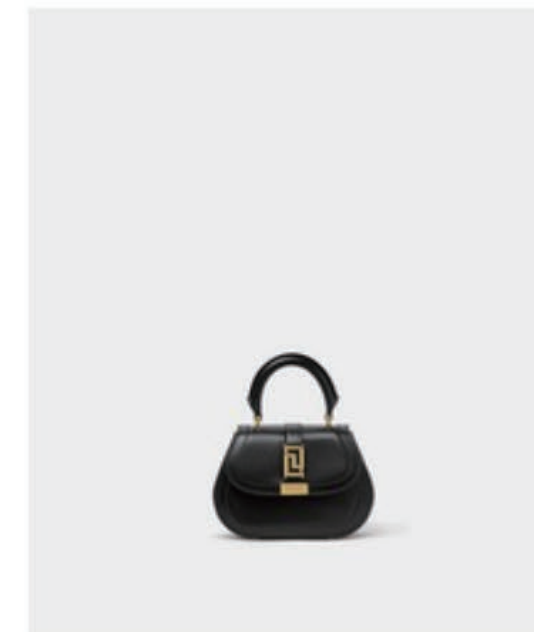
VERSACE
トートバッグ
¥315,700



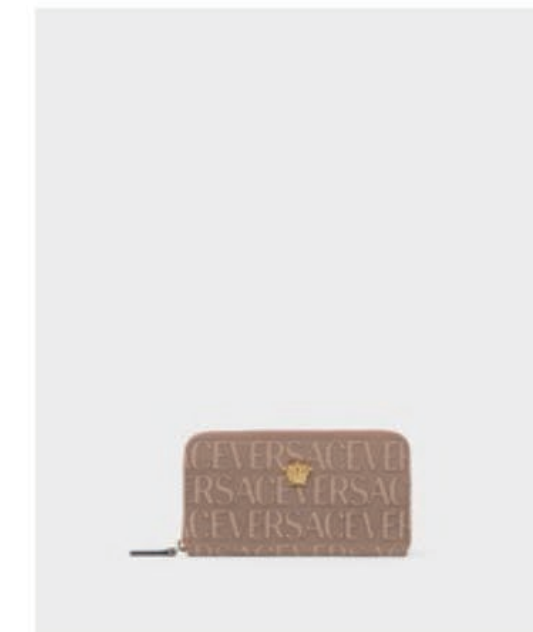
VERSACE
ハンドバッグ
¥315,700



VERSACE
ネックレス
¥86,900



VERSACE
ハンドバッグ
¥299,200



VERSACE
財布
¥86,900



VERSACE
スニーカー
¥154,000



Sell

Launched the digital fashion brand "REVINAL" and started selling fashion items that can be enjoyed wearing digitally.

Introducing the New Digital Fashion Brand

"REVINAL"

RVNL

ZOZONEXT



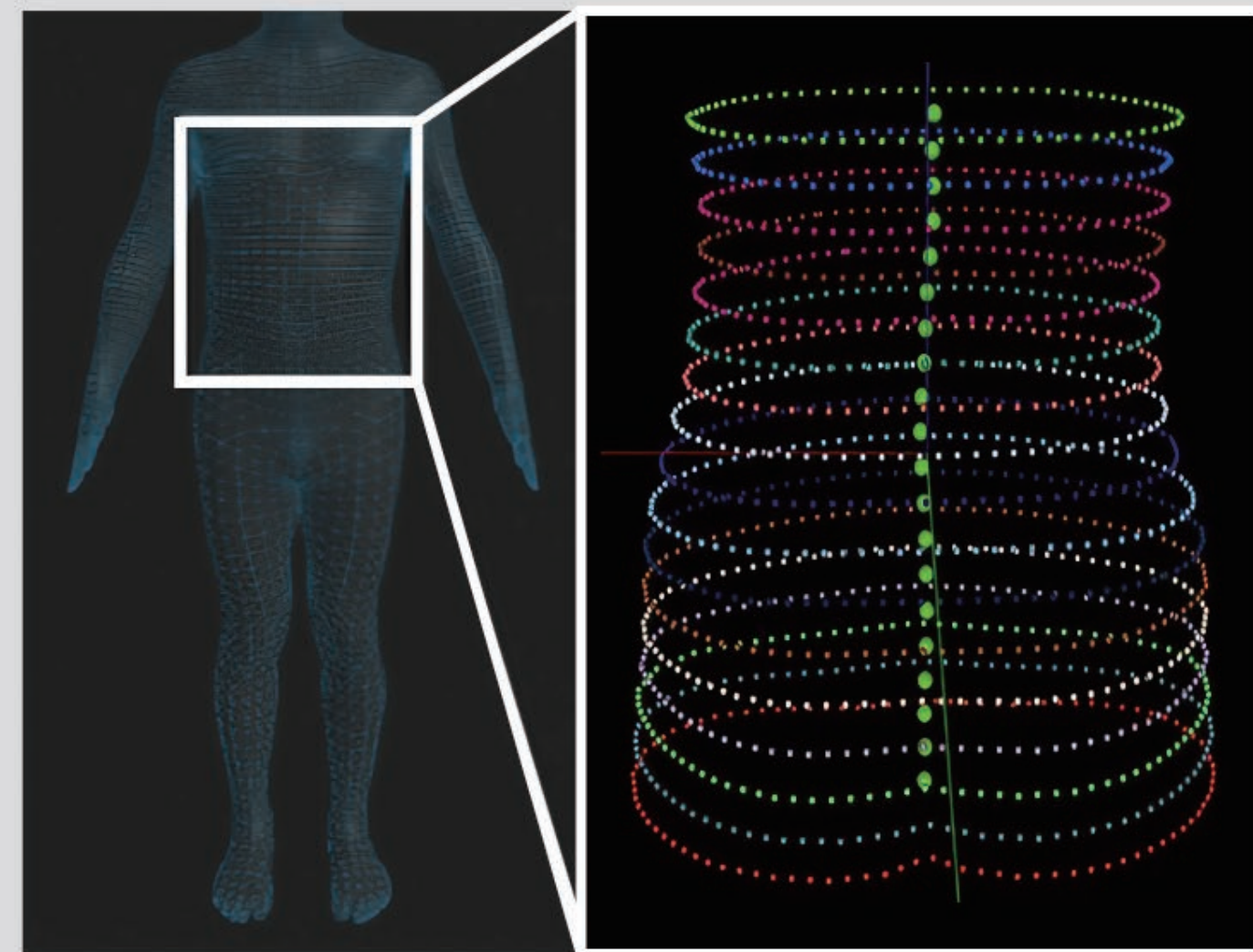
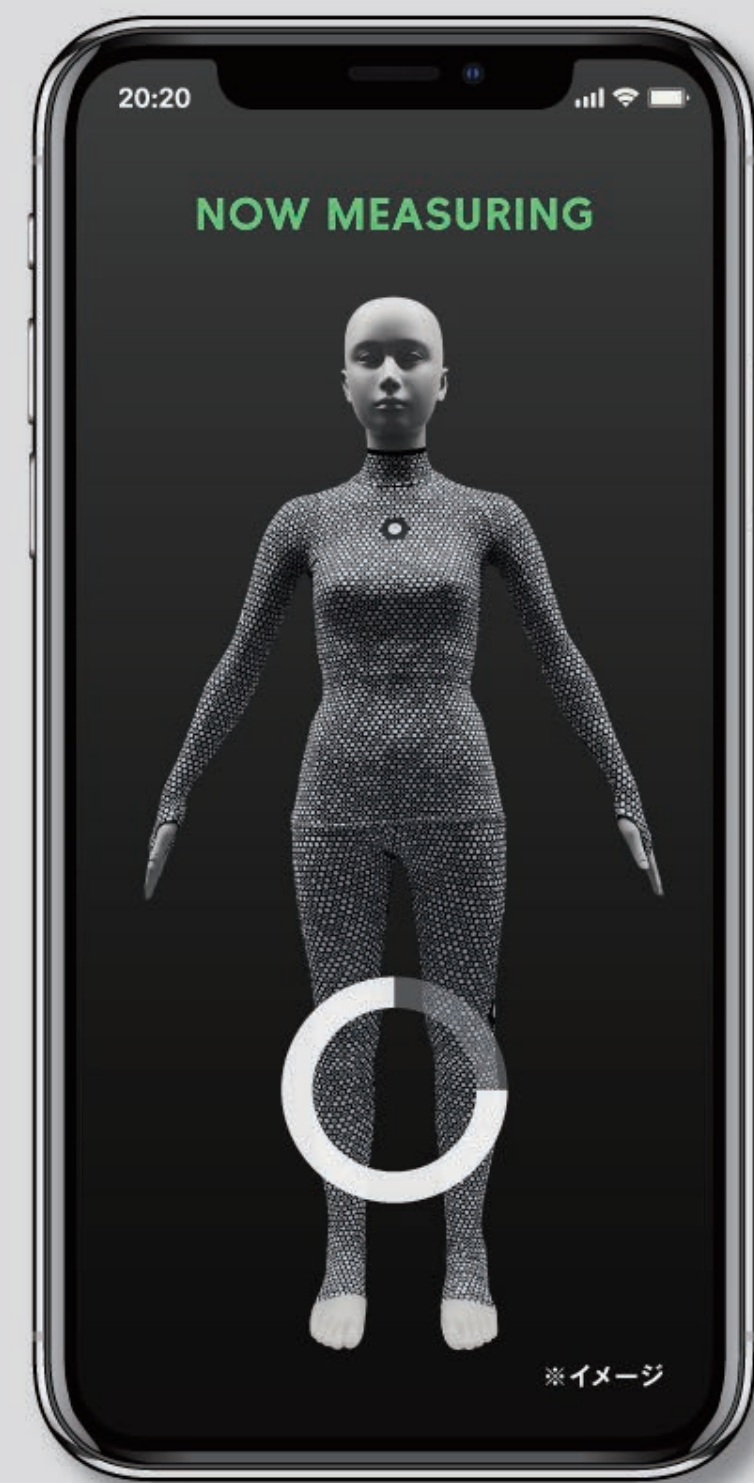
Explore the needs and possibilities of digital fashion items and create a world where more people can enjoy fashion.

Deliver

ZOZO's largest logistics base
"ZOZOBASE Tsukuba 3" begins operations



Introduced Pocket Sorter™, the first system in Japan to automatically sort picked products by order.

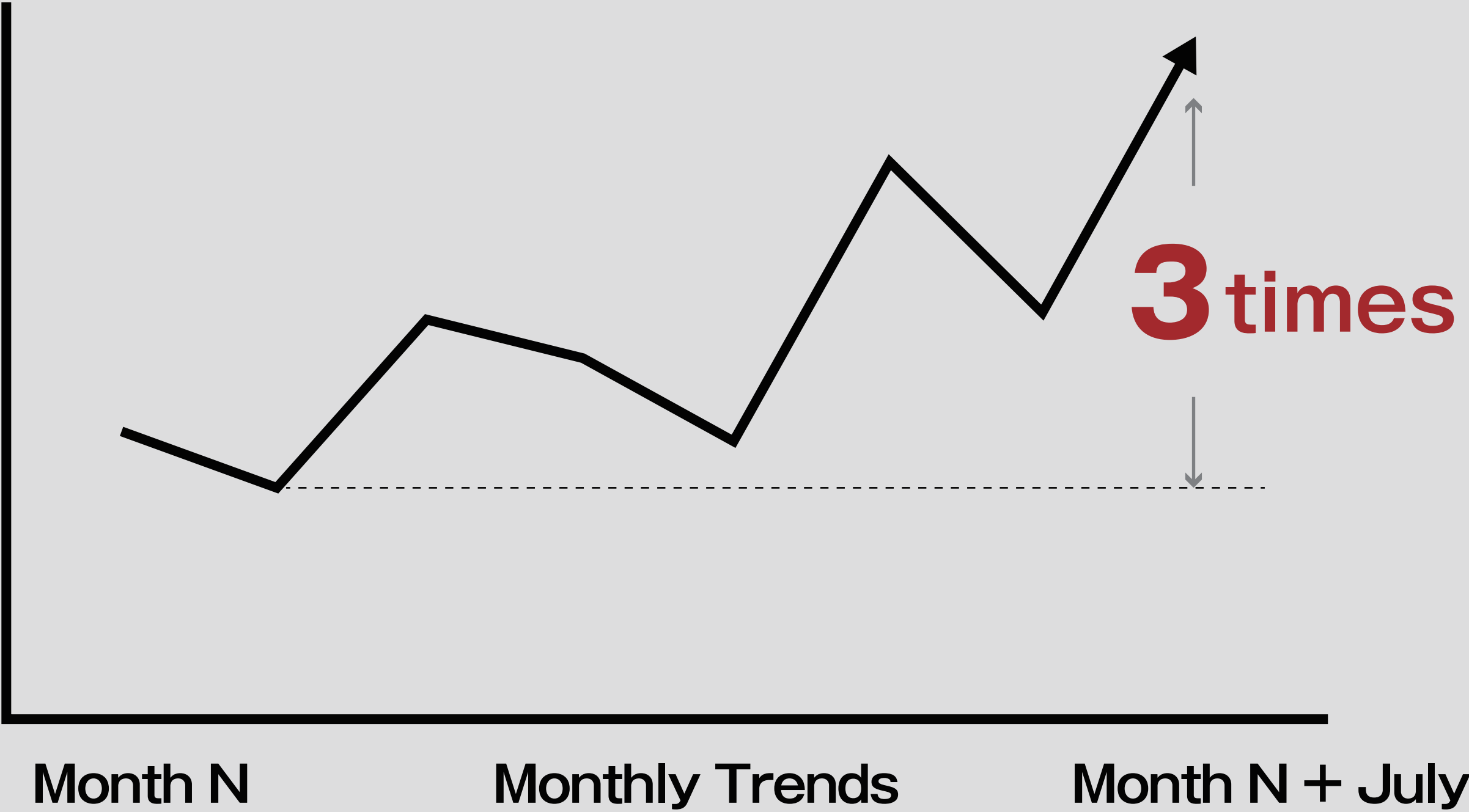


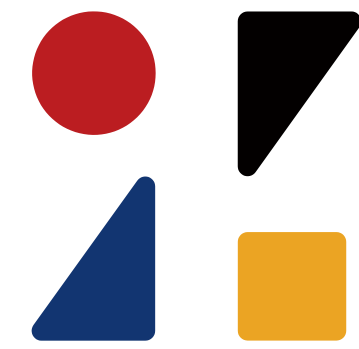
Joint research by
the University of Tokyo
and ZOZO to detect
scoliosis using ZOZOSUIT
and its smartphone app



ZOZOFIT Sales Trend

Average number of order per day





ZOZO