



February 21, 2019

Dear All,

Announcement on Media Reports on Financial Results of ZOZO, Inc.

There are media reports on articles pointing out that accounts receivable of ZOZO, Inc. (hereinafter referred to as the "Company") is becoming bad loans; however, these are not the official announcement made by the Company and there is no fact of such change happening.

Statements in the articles have analysis on accounts receivable turnover period based on the background which does not reflect the actual structure of the Company's businesses. Therefore, the Company is providing an explanation of its businesses.

The Company's core business, ZOZOTOWN business consists of 3 forms: consignment shop, purchase stock shop and ZOZOUSED where majority is comprised of consignment shop (% share towards the whole gross merchandise value and net sales are 90.7% and 70.3% respectively (result of the consolidated cumulative 3rd quarter of fiscal year ending March 2019)). Consignment shop is a business form where each brand opens its shop at ZOZOTOWN platform in tenant form and the Company manages its operation after opening. Selling items of a brand are stored in the Company's logistics centers as consignment inventory. In this form, since the Company collects the amount of sold items from users through payment collection agencies, most of the accounts receivable come from the agencies. On the other hand, as for net sales, consignment sales commission is recorded with the amount of commissions which the Company receive from brands.

Accordingly, it is certainly not incorrect to calculate accounts receivable turnover period by the formula using accounts receivable and net sales however, this calculation would result discrepancy from the actual turnover period of accounts receivable of the Company. If the turnover period is calculated using gross merchandising value, this would lead to a figure close to the Company's actual turnover period. In this sense, instead of using net sales for analysis, please note the relationship between gross merchandise value and net sales when analyzing financial statements using turnover periods etc. to understand the Company's businesses.

It is true that the amount of accounts receivable is in an incremental trend as it was pointed out in the articles. However, reasons for this are in addition to the Company's gross merchandise value growth, the amount of settlement attributable to the introduction and the usage ratio of the deferred payment service, which has longer payment collection period compared to conventional payment methods such as credit cards. There is no question arises for collectability of accounts receivable.

Lastly, same as the calculation of accounts receivable turnover period, due to the abovementioned reason, calculation of operating profit margin etc. by comparison with net sales may not reflect true profitability of the businesses.

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