ZOZO
2Q FY2019
CONSOLIDATED
BUSINESS RESULTS
FY2019 2Q HIGHLIGHTS

Overview
○ Gross Merchandise Value : 157,915 million yen (+11.8%, Yoy)
○ Operating Profit : 13,254 million yen (+31.8%, Yoy)

Gross Merchandise Value
○ ZOZOTOWN BUSINESS
  Gross Merchandise Value : 152,770 million yen (+11.7%, Yoy)
  Consignment Business : 145,558 million yen (+12.8%, Yoy)
  Purchased Stock Business : 142 million yen (+50.8%, Yoy)
  ZOZOUSED Business : 7,070 million yen (-7.1%, Yoy)
○ Private Brand Business : 698 million yen (+6.0%, Yoy)
○ MSP Business : 35 million yen (-)
FY2019 2Q HIGHLIGHTS

Profitability

- **Operating profit margin** (to the total gross merchandise value) : 8.4% (7.1% for FY2018 2Q)

  - Factors improving profitability: Drop of the rate promotion related expenses and shipping costs due to a decrease in the number of ZOZOSUIT distribution / Drop of the rate of other expenses due to a decrease in the amount of one-off costs

  - Factors worsening profitability: Drop in GPM derived from discount initiatives such as ZOZOARIGATO etc., / Rise in the rate of reward points related expenses due to an increase in the number of reward points initiatives / Increase in the rate of rent due to an increase in the number of logistics bases

Topic

- ZOZOTOWN, rolled out a function of "Search Similar Items" to find items similar to the browsing items by utilizing AI (August 2019)
- ZOZO, expressed an opinion in support of the Tender Offer of ZOZO's shares by Yahoo Japan Corporation (Z Holdings Corporation) and executed the Capital and Business Alliance (September 2019)
- Notice Concerning Change of Representative Director and Resignation of Director (September 2019)
- ZOZOTOWN, started an initiative "Discounts from replacing by purchase at any time", to exchange clothes you are not wearing anymore to points (September 2019)
- The "ZOZO CHAMPIONSHIP", a PGA TOUR Tournament takes place (Tournament Schedule: October 24, 2019, to October 28, 2019)
TENDER OFFER FOR ZOZO'S SHARES BY Z HOLDINGS CORPORATION

Objective
With anticipation of the capital and business alliance, Z Holdings Corporation (former: Yahoo Japan Corporation) aims to make ZOZO a consolidated subsidiary.

Tender Offer Overview
- Tender offer period: September 30, 2019 to November 13, 2019 (30 business days)
- Shareholding ratio: 33.4% as the minimum to 50.1% as the maximum
  - Excluding the treasury stock
  - If the total number of the shares tendered exceeds the maximum number, settlement for the purchase of shares tendered will be on a pro rata basis
  - In the event of Z Holdings Corporation cannot make ZOZO a consolidated subsidiary, acquisition of additional shares by Z Holdings Corporation is planning to be discussed (Business alliance will continue to be initiated)
- Tender offer price per share: 2,620 yen (Market capitalization: about 800 billion yen)
  - Premium of +4.6% to the closing price on Sep. 26, +20.9% to the closing price on Sep. 11, +21.1% to the simple average price for the past 1 month, +30.3% to the simple average price for the past 3 months, +31.5% to the simple average price for the past 6 months

Tender overview of Mr. Maezawa, the founder of ZOZO
Shareholding ratio at the time of announcement: 36.8%
30.4% will be tendered

Shareholders composition

<table>
<thead>
<tr>
<th></th>
<th>Present</th>
<th>Future (From mid-November and later)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Shareholders</td>
<td>Mr. Maezawa (MZ)</td>
</tr>
<tr>
<td></td>
<td>63%</td>
<td>37%</td>
</tr>
</tbody>
</table>
CAPITAL AND BUSINESS ALLIANCE WITH Z HOLDINGS CORPORATION

Alliance detail

- ZOZOTOWN opens its store in PayPay Mall, ZOZO leads the fashion category within the mall
- Current ZOZOTOWN will continue to operate its service, maintain ZOZO’s independence as a listed company

Benefits from the alliance

Z Holdings Corporation
- Strengthening the fashion category in PayPay Mall
- Introduction of PayPay to ZOZOTOWN to accelerate penetration

ZOZO
- User traffic from Z Holdings Corporation and SoftBank Group to ZOZOTOWN

Differences between the core users of two companies

<table>
<thead>
<tr>
<th>YAHHOO! JAPAN</th>
<th>ZOZO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly login user IDs: 49.01 million</td>
<td>Annual buyers: 8.12 million</td>
</tr>
<tr>
<td>Gender Ratio (Male : Female) 6 : 4 Mainly 30s to 40s</td>
<td>Gender Ratio (Male : Female) 3 : 7 Mainly 20s to 30s</td>
</tr>
</tbody>
</table>

*Quote from the press conference material on September 12, 2019

Governance structure in the future

- Planning to dispatch 2 directors from Z Holdings Corporation (1 in the special general meeting of shareholders in January 2020 and 1 in the ordinary general meeting of shareholders in June 2020)
- In the case of Z Holdings Corporation making a shareholder proposal, it requires prior consultation with ZOZO.
- More than 1 /3 of the directors are independent outside directors.
# OVERVIEW OF THE FY2019 2Q

<table>
<thead>
<tr>
<th></th>
<th>FY2018 2Q</th>
<th>FY2019 2Q</th>
<th>YoY</th>
<th>Target</th>
<th>Progress Rate(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Merchandise Value</td>
<td>141,221</td>
<td>157,915</td>
<td>11.8%</td>
<td>367,000</td>
<td>43.0%</td>
</tr>
<tr>
<td>Net sales</td>
<td>53,764</td>
<td>57,242</td>
<td>6.5%</td>
<td>136,000</td>
<td>42.1%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>48,989</td>
<td>52,421</td>
<td>7.0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(%Gross Merchandise Value)</td>
<td>34.7%</td>
<td>33.2%</td>
<td>-1.5%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>38,936</td>
<td>39,167</td>
<td>0.6%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(%Gross Merchandise Value)</td>
<td>27.6%</td>
<td>24.8%</td>
<td>-2.8%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit</td>
<td>10,053</td>
<td>13,254</td>
<td>31.8%</td>
<td>32,000</td>
<td>41.4%</td>
</tr>
<tr>
<td>(%Gross Merchandise Value)</td>
<td>7.1%</td>
<td>8.4%</td>
<td>1.3%</td>
<td>8.7%</td>
<td>-</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>10,007</td>
<td>13,052</td>
<td>30.4%</td>
<td>32,000</td>
<td>40.8%</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>6,291</td>
<td>7,919</td>
<td>25.9%</td>
<td>22,500</td>
<td>35.2%</td>
</tr>
</tbody>
</table>
# Overview of Each Quarter

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th></th>
<th>FY2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q</td>
<td>2Q</td>
<td>3Q</td>
<td>4Q</td>
</tr>
<tr>
<td>Gross Merchandise Value</td>
<td>70,406</td>
<td>70,814</td>
<td>93,809</td>
<td>88,098</td>
</tr>
<tr>
<td>YoY (%)</td>
<td>18.2%</td>
<td>17.9%</td>
<td>21.3%</td>
<td>19.8%</td>
</tr>
<tr>
<td>Net sales</td>
<td>26,552</td>
<td>27,212</td>
<td>36,010</td>
<td>28,630</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>18,376</td>
<td>20,559</td>
<td>21,490</td>
<td>18,882</td>
</tr>
<tr>
<td>YoY (%)</td>
<td>54.9%</td>
<td>50.2%</td>
<td>30.4%</td>
<td>19.7%</td>
</tr>
<tr>
<td>(% Gross Merchandise Value)</td>
<td>26.1%</td>
<td>29.0%</td>
<td>22.9%</td>
<td>21.4%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5,874</td>
<td>4,178</td>
<td>10,577</td>
<td>5,023</td>
</tr>
<tr>
<td>YoY (%)</td>
<td>-26.4%</td>
<td>-28.6%</td>
<td>8.8%</td>
<td>-44.9%</td>
</tr>
<tr>
<td>(% Gross Merchandise Value)</td>
<td>8.3%</td>
<td>5.9%</td>
<td>11.3%</td>
<td>5.7%</td>
</tr>
</tbody>
</table>
INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (YoY COMPARISON)

- Increase in gross profit from advertisement business: +0.8
- Increase in other sales: -0.8
- Recording of valuation loss of PB: -2.1
- Increase in the number of logistics bases: +2.6
- Increase in variable costs: +2.6
- Increase in gross merchandise value: +2.6
- Decrease in promotion related expenses: +2.6
- Increase in fixed costs: +2.6

- "Fixed costs" include payroll costs for employee, outsourcing commission (excluding logistics-related expenses), rent expense and depreciation.
- "Variable costs" include logistics-related expenses (including outsourcing), shipping and commission of payment collection.
- "Other expenses" include all expenses other than fixed costs and variable costs.

Operating Profit 13.2

10.5

FY2018 2Q

FY2019 2Q
## CONSOLIDATED BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>FY2018 (as of March 31, 2019)</th>
<th>FY2019 2Q (as of September 30, 2019)</th>
<th>FY2018 (as of March 31, 2019)</th>
<th>FY2019 2Q (as of September 30, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td>57,904</td>
<td>60,317</td>
<td>52,245</td>
<td>51,154</td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>21,560</td>
<td>22,396</td>
<td>22,000</td>
<td>22,000</td>
</tr>
<tr>
<td>Merchandise and</td>
<td>4,533</td>
<td>4,437</td>
<td>4,059</td>
<td>3,660</td>
</tr>
<tr>
<td>finished products</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Noncurrent assets</strong></td>
<td>21,056</td>
<td>21,879</td>
<td>56,304</td>
<td>54,814</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>6,318</td>
<td>8,188</td>
<td>22,528</td>
<td>27,394</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>3,112</td>
<td>3,144</td>
<td>-24,412</td>
<td>-24,412</td>
</tr>
<tr>
<td>Investments and</td>
<td>11,626</td>
<td>10,547</td>
<td>22,656</td>
<td>27,382</td>
</tr>
<tr>
<td>other assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>78,961</td>
<td>82,197</td>
<td>78,961</td>
<td>82,197</td>
</tr>
</tbody>
</table>

(million ¥)
## CASH FLOWS

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2018 2Q</th>
<th>FY2019 2Q</th>
<th>YOY</th>
<th>Reasons for change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>2,588</td>
<td>6,947</td>
<td>4,359</td>
<td>(FY2019) Decrease in expenditure related to PB business</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>-2,642</td>
<td>-3,055</td>
<td>-413</td>
<td>(FY2019) Expenditure from new office and expansion of logistics centers</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>-5,707</td>
<td>-3,053</td>
<td>2,653</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>19,188</td>
<td>22,400</td>
<td>3,212</td>
<td></td>
</tr>
</tbody>
</table>
ROE AND NET PROFIT MARGIN

- ROE
- Net Profit Margin (to the Gross Merchandise Value)
GROSS MERCHANDISE VALUE

- Consignment
- MSP Business
- Purchased stock
- BtoB Business
- ZOZOUSED
- ZOZFURIMA
- Private Brand Business

Gross merchandise value of new shops opened in FY2019 2Q
ZOZOTOWN Business (purchased stock & consignment) : ¥2.7 billion
(accounts for 1.8% of the gross merchandise value)

GROSS MERCHANDISE VALUE (QUARTERLY)

1. Consignment
2. Purchased stock
3. ZOZOUSED
4. Private Brand Business
5. MSP Business
6. BtoB Business
7. ZOZOFURIMA

YoY +11.1%

FY2017 1Q FY2017 2Q FY2017 3Q FY2017 4Q FY2018 1Q FY2018 2Q FY2018 3Q FY2018 4Q FY2019 1Q FY2019 2Q

*(Z) ZOZO FURIMA Business ended on June 30, 2017.*
NET SALES

----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
41,182 | 54,422 | 76,393 | 98,432 | 118,405 | 57,242 | 6,894 | 12,984 | 1,426 | 2,056 | 2,746 | 16,372 | 148 | 82,670

(million ¥)

**NET SALES (QUARTERLY)**

- **Consignment**
- **BtoB Business**
- **Advertisement Business**
- **Purchased stock**
- **ZOZOFURIMA**
- **Others**
- **ZOZOUSED**
- **Private Brand Business**
- **MSP Business**

**FY2017 1Q**
- ① 21,451
- ② 2,054
- ③ 1,772
- ④ 48
- ⑤ 15,716

**FY2017 2Q**
- ① 21,242
- ② 330
- ③ 3,301
- ④ 43
- ⑤ 15,832

**FY2017 3Q**
- ① 28,220
- ② 2,713
- ③ 494
- ④ 37
- ⑤ 20,163

**FY2017 4Q**
- ① 27,517
- ② 4,812
- ③ 37
- ④ 20,163

**FY2018 1Q**
- ① 26,552
- ② 2,957
- ③ 481
- ④ 37
- ⑤ 19,479

**FY2018 2Q**
- ① 27,212
- ② 2,942
- ③ 45
- ④ 36
- ⑤ 19,272

**FY2018 3Q**
- ① 36,010
- ② 3,387
- ③ 620
- ④ 617
- ⑤ 1,601

**FY2018 4Q**
- ① 28,630
- ② 3,478
- ③ 569
- ④ 540
- ⑤ 486

**FY2019 1Q**
- ① 28,197
- ② 3,440
- ③ 584
- ④ 533
- ⑤ 452

**FY2019 2Q**
- ① 29,045
- ② 3,553
- ③ 546
- ④ 442
- ⑤ 35

Operating Profit and Operating Profit Margin

- **Operating Profit**
  - FY2014: 15,084 million ¥
  - FY2015: 17,756 million ¥
  - FY2016: 26,284 million ¥
  - FY2017: 32,669 million ¥
  - FY2018: 25,654 million ¥
  - FY2019 2Q: 13,254 million ¥

- **Operating Profit Margin (% Gross Merchandise Value)**
  - FY2014: 11.7%
  - FY2015: 11.1%
  - FY2016: 12.4%
  - FY2017: 12.1%
  - FY2018: 7.9%
  - FY2019 2Q: 8.4%
# SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>FY2018 2Q</th>
<th>FY2019 2Q</th>
<th>YOY</th>
<th>Increase decrease factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%Gross Merchandise Value</td>
<td>Amount</td>
<td>%Gross Merchandise Value</td>
</tr>
<tr>
<td>Payroll and staff costs(*)</td>
<td>9,842</td>
<td>7.0%</td>
<td>10,734</td>
<td>6.8%</td>
</tr>
<tr>
<td>Payroll costs for employee</td>
<td>4,048</td>
<td>2.9%</td>
<td>3,958</td>
<td>2.5%</td>
</tr>
<tr>
<td>Logistics-Related Expenses</td>
<td>5,794</td>
<td>4.1%</td>
<td>6,776</td>
<td>4.3%</td>
</tr>
<tr>
<td>(Including Outsourcing)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outsourcing Commission</td>
<td>2,013</td>
<td>1.4%</td>
<td>2,136</td>
<td>1.4%</td>
</tr>
<tr>
<td>(Excluding Logistics-Related Expenses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shipping</td>
<td>9,741</td>
<td>6.9%</td>
<td>10,522</td>
<td>6.7%</td>
</tr>
<tr>
<td>Commission of Payment collection</td>
<td>4,108</td>
<td>2.9%</td>
<td>4,530</td>
<td>2.9%</td>
</tr>
<tr>
<td>Promotion related expenses</td>
<td>5,560</td>
<td>3.9%</td>
<td>2,921</td>
<td>1.9%</td>
</tr>
<tr>
<td>Advertising</td>
<td>4,290</td>
<td>3.0%</td>
<td>717</td>
<td>0.5%</td>
</tr>
<tr>
<td>Reward points related expenses</td>
<td>1,269</td>
<td>0.9%</td>
<td>2,204</td>
<td>1.4%</td>
</tr>
<tr>
<td>Rent expense</td>
<td>1,748</td>
<td>1.2%</td>
<td>2,373</td>
<td>1.5%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>624</td>
<td>0.4%</td>
<td>854</td>
<td>0.5%</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>238</td>
<td>0.2%</td>
<td>279</td>
<td>0.2%</td>
</tr>
<tr>
<td>Stock Compensation Expenses</td>
<td>179</td>
<td>0.1%</td>
<td>-100</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Others</td>
<td>4,878</td>
<td>3.5%</td>
<td>4,913</td>
<td>3.1%</td>
</tr>
<tr>
<td>Total SG&amp;A</td>
<td>38,936</td>
<td>27.6%</td>
<td>39,167</td>
<td>24.8%</td>
</tr>
</tbody>
</table>

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

- Transition of the number of employees on consolidated basis: 1,031 FY2018 2Q → 1,139 FY2019 2Q / Decrease due to the change in bonus payment policy
- Increase in the ratio due to a decrease in average retail price / Increase in Shipping expenses between logistics centers
- Decrease in the number of ZOZOSUIT distribution
- Increase in the number of reward points initiatives
- Increase due to an increase in the number of logistics bases
- Costly one-time expenses in last fiscal year
OPERATING PROFIT AND OPERATING PROFIT MARGIN (QUARTERLY)

Year

<table>
<thead>
<tr>
<th>FY2017 1Q</th>
<th>FY2017 2Q</th>
<th>FY2017 3Q</th>
<th>FY2017 4Q</th>
<th>FY2018 1Q</th>
<th>FY2018 2Q</th>
<th>FY2018 3Q</th>
<th>FY2018 4Q</th>
<th>FY2019 1Q</th>
<th>FY2019 2Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit</td>
<td>7,981</td>
<td>5,850</td>
<td>9,720</td>
<td>9,118</td>
<td>10,577</td>
<td>7,786</td>
<td>5,467</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Profit Margin (%)</td>
<td>13.4%</td>
<td>9.7%</td>
<td>12.6%</td>
<td>12.4%</td>
<td>8.3%</td>
<td>11.3%</td>
<td>9.8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

YoY +30.8%

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

- SG&A (Quarterly)
- Promotion related expenses (% Gross Merchandise Value)

<table>
<thead>
<tr>
<th>Period</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>11,863</td>
<td>13,684</td>
<td>16,476</td>
<td>15,770</td>
<td>18,376</td>
<td>20,559</td>
<td>21,490</td>
<td>18,882</td>
<td>18,483</td>
<td>20,683</td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>1.5%</td>
<td>1.9%</td>
<td>1.8%</td>
<td>1.2%</td>
<td>3.2%</td>
<td>4.7%</td>
<td>2.2%</td>
<td>1.2%</td>
<td>1.2%</td>
<td>2.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(million ¥)
## Overview of SG&A by Each Quarter (million ¥)

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th></th>
<th>FY2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% Gross Merchandise Value</td>
<td>Amount</td>
<td>% Gross Merchandise Value</td>
</tr>
<tr>
<td>Payroll and staff costs(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll costs for employee</td>
<td>4,825</td>
<td>6.9%</td>
<td>5,017</td>
<td>7.1%</td>
</tr>
<tr>
<td>Logistics-Related Expenses (Including Outsourcing)</td>
<td>1,988</td>
<td>2.8%</td>
<td>2,060</td>
<td>2.9%</td>
</tr>
<tr>
<td>Outsourcing Commission (Excluding Logistics-Related Expenses)</td>
<td>2,836</td>
<td>4.0%</td>
<td>2,957</td>
<td>4.2%</td>
</tr>
<tr>
<td>Shipping</td>
<td>995</td>
<td>1.4%</td>
<td>1,017</td>
<td>1.4%</td>
</tr>
<tr>
<td>Commission of Payment collection</td>
<td>4,665</td>
<td>6.6%</td>
<td>5,076</td>
<td>7.2%</td>
</tr>
<tr>
<td>Promotion related expenses</td>
<td>2,228</td>
<td>3%</td>
<td>3,331</td>
<td>4.7%</td>
</tr>
<tr>
<td>Advertising</td>
<td>1,548</td>
<td>2.2%</td>
<td>2,741</td>
<td>3.9%</td>
</tr>
<tr>
<td>Reward points related expenses</td>
<td>679</td>
<td>1.0%</td>
<td>590</td>
<td>0.8%</td>
</tr>
<tr>
<td>Rent expense</td>
<td>856</td>
<td>1.2%</td>
<td>891</td>
<td>1.3%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>290</td>
<td>0.4%</td>
<td>333</td>
<td>0.5%</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>119</td>
<td>0.2%</td>
<td>119</td>
<td>0.2%</td>
</tr>
<tr>
<td>Stock Compensation Expenses</td>
<td>-</td>
<td>-</td>
<td>179</td>
<td>0.3%</td>
</tr>
<tr>
<td>Others</td>
<td>2,365</td>
<td>3.4%</td>
<td>2,513</td>
<td>3.5%</td>
</tr>
<tr>
<td>Total SG&amp;A</td>
<td>18,376</td>
<td>26.1%</td>
<td>20,559</td>
<td>29.0%</td>
</tr>
</tbody>
</table>

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

"Logistics-Related Expenses" includes part-timers, dispatched workers(subcontracting payroll) and substantial personnel expenses within outsourcing commission of staff working for logistics operations.
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

* Excluding the users only purchased the body measurement device "ZOZOSUIT"
NUMBER OF SHOPS ON ZOZOTOWN

① Consignment shop
② Purchased stock shop

<table>
<thead>
<tr>
<th>Shops</th>
<th>FY2017 1Q</th>
<th>FY2017 2Q</th>
<th>FY2017 3Q</th>
<th>FY2017 4Q</th>
<th>FY2018 1Q</th>
<th>FY2018 2Q</th>
<th>FY2018 3Q</th>
<th>FY2018 4Q</th>
<th>FY2019 1Q</th>
<th>FY2019 2Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consignment shop</td>
<td>987</td>
<td>1,016</td>
<td>1,094</td>
<td>1,111</td>
<td>1,139</td>
<td>1,183</td>
<td>1,255</td>
<td>1,245</td>
<td>1,297</td>
<td>1,312</td>
</tr>
<tr>
<td>Purchased stock shop</td>
<td>① 8</td>
<td>① 979</td>
<td>① 1,009</td>
<td>① 1,088</td>
<td>① 1,105</td>
<td>① 1,134</td>
<td>① 1,250</td>
<td>① 1,240</td>
<td>① 1,292</td>
<td>① 1,307</td>
</tr>
</tbody>
</table>

Shop of the private brand "ZOZO" and "Multi-Size" are not included in the number of shops.
Gender ratio

Men 32%
Women 68%

Geographical distribution

Hokuriku/Koshinetsu 5.7%
Chugoku/Shikoku 7.5%
Tohoku 5.5%
Kanto 40.9% (Tokyo 16.9%)
Kinki/Tokai 27.9%
Hokkaido 3.6%

Age distribution

Average age

33.6
Men 31.8
Women 33.8
ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER

Annual purchase amount

Annual purchase pieces

FY2017 1Q  FY2017 2Q  FY2017 3Q  FY2017 4Q  FY2018 1Q  FY2018 2Q  FY2018 3Q  FY2018 4Q  FY2019 1Q  FY2019 2Q

* Excluding the users only purchased the body measurement device "ZOZOSUIT"
ANNUAL PURCHASE AMOUNT
AND PIECES PER EXISTING ACTIVE MEMBER

Existing active members:
Active members who have passed over 1 year since their registration

* Excluding the users only purchased the body measurement device “ZOZOSUIT”
NUMBER OF SHIPMENTS

Excluding the number of shipments of the body measurement device "ZOZOSUIT" only.

* The numbers of shipments are the combined results of the ZOZOTOWN business, the PB business, and the MSP business.
**AVERAGE RETAIL PRICE**

Average retail price = Gross Merchandise Value / Number of pieces

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

Average order value = Gross Merchandise Value / Number of shipments

*The numbers of Average Order Value are averages calculated from combined results of the ZOZOTOWN business, the PB business, and the MSP business*
<table>
<thead>
<tr>
<th></th>
<th>FY2019 Plan</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Merchandise Value</td>
<td>367.0 billion yen</td>
<td>+13.6%</td>
</tr>
<tr>
<td>Net Sales</td>
<td>136.0 billion yen</td>
<td>+14.9%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>32.0 billion yen</td>
<td>+24.7%</td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>8.7%</td>
<td>—</td>
</tr>
<tr>
<td>(to the Gross Merchandise Value)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>32.0 billion yen</td>
<td>+24.4%</td>
</tr>
<tr>
<td>Profit attributable to owners</td>
<td>22.5 billion yen</td>
<td>+40.8%</td>
</tr>
<tr>
<td>of parent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit per share</td>
<td>73.7 yen</td>
<td>—</td>
</tr>
</tbody>
</table>
| Estimated dividends per share  | 30.0 yen          | —     | (Plan)
## FY2019 Target by Business Segment

<table>
<thead>
<tr>
<th></th>
<th>Target for Gross Merchandise Value</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ZOZO Group</strong></td>
<td>367.0 billion yen</td>
<td>+13.6%</td>
</tr>
<tr>
<td><strong>ZOZOTOWN Business</strong></td>
<td>355.4 billion yen</td>
<td>+14.4%</td>
</tr>
<tr>
<td>· Consignment Business</td>
<td>338.5 billion yen</td>
<td>+15.0%</td>
</tr>
<tr>
<td>· ZOZOUSED</td>
<td>16.9 billion yen</td>
<td>-0.4%</td>
</tr>
<tr>
<td><strong>BtoB Business</strong></td>
<td>8.9 billion yen</td>
<td>-1.3%</td>
</tr>
<tr>
<td><strong>Private Brand Business</strong></td>
<td>1.7 billion yen</td>
<td>-38.5%</td>
</tr>
<tr>
<td><strong>MSP Business</strong></td>
<td>1.0 billion yen</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Target for Net Sales</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement Business</td>
<td>2.1 billion yen</td>
<td>+47.2%</td>
</tr>
</tbody>
</table>
Gross Merchandise Value & Operating Profit Margin

- Gross merchandise value
- Operating profit margin (to the Gross merchandise value)

FY2014: 129.0 bn¥
FY2015: 159.5 bn¥
FY2016: 212.0 bn¥
FY2017: 270.5 bn¥
FY2018: 323.1 bn¥
FY2019 (Target): 367.0 bn¥
CAPITAL INVESTMENT

① Capital Investment
② Depreciation
③ Amortization of Goodwill

① 353  1,174  1,107  4,565  3,635  7,700
② 312  765  843  3,123  1,518  3,365
③ 409  786  825  4,773  2,000

(million¥)
# Logistics Bases Expansion Plan

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Floor Area (m²)</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIBA1</td>
<td>34,000</td>
<td></td>
<td></td>
<td>End of Mar, 2020</td>
</tr>
<tr>
<td>CHIBA2</td>
<td>91,500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHIBA3</td>
<td>19,500</td>
<td></td>
<td></td>
<td>End of Nov, 2021</td>
</tr>
<tr>
<td>CHIBA4</td>
<td>58,000</td>
<td></td>
<td></td>
<td>End of Sep, 2020</td>
</tr>
<tr>
<td>IBARAKI1</td>
<td>65,000</td>
<td>New establishment in Oct, 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IBARAKI2</td>
<td>65,000</td>
<td>New establishment in Oct, 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHIBA5</td>
<td>72,000</td>
<td>New establishment in Feb, 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IBARAKI3</td>
<td>110,000</td>
<td></td>
<td></td>
<td>New establishment in Oct, 2020</td>
</tr>
</tbody>
</table>

* CHIBA2 and IBARAKI1 are warehouses with shipping function
DIVIDENDS PER SHARE AND PAYOUT RATIO

- **Dividends per share**
- **Payout ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends per Share</th>
<th>Payout Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>11.3</td>
<td>40.6%</td>
</tr>
<tr>
<td>FY2015</td>
<td>15.6</td>
<td>41.8%</td>
</tr>
<tr>
<td>FY2016</td>
<td>22.7</td>
<td>41.5%</td>
</tr>
<tr>
<td>FY2017</td>
<td>29.0</td>
<td>44.8%</td>
</tr>
<tr>
<td>FY2018</td>
<td>24.0</td>
<td>46.0%</td>
</tr>
<tr>
<td>FY2019 (plan)</td>
<td>30.0</td>
<td>40.7%</td>
</tr>
</tbody>
</table>
CASH FLOWS

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

FY2014
① 6,878
② 10,488
③ -502
④ -3,109

FY2015
① 5,639
② 12,028
③ -2,176
④ -23,223

FY2016
① 10,584
② 18,295
③ -2,726
④ -4,996

FY2017
① 2,940
② 19,882
③ -8,219
④ -9,216

FY2018
① 14,808
② -6,126
③ -12,060
④ -884

May, 2018
Buy back : 24,412

November, 2015
Buy back : 19,002

(million¥)
-35,000
Make the world a better place,
Bring smiles to the world.

Be unique. Be equal.
STATISTICS OF ZOZO

EMPLOYEES

1,139
(Average age 33.0 years old)

SHARE HOLDERS

38,117

NUMBER OF BRANDS HANDLED

7,305

ZOZOTOWN TOTAL BUYERS
(1 year basis)

8.22 million
MAJOR SERVICES

ZOZOTOWN  Japan’s Largest Online Retailer of Apparel and Accessories

- 1,312 stores offering 7,305 brands.
- At any given time, more than 730,000 items are available
  with an average of 3,200 new items added everyday.
- Systems, design, to fulfillment, all functions are built in house.

WEAR  Japan’s largest fashion coordination app

- When uploading coordinate pictures, tag each item worn in the look, using information on our data base.
  The systems allows anyone to search for coordinates and items by various queries.
- Official users who we call WEARISTAs, include popular models, singers, actors and actresses.
- Over 13.0 million DL
- Now available in all geographic areas.

Private Brand “ZOZO”

- Operates in ZOZOTOWN.
- The brand offers basic items based on individual customer’s body size.
- Depending on characteristics of items,
  sizes are available in either multi-sized or custom made.
OUR SUBSIDIARIES

ZOZO Technologies, Inc.
System development, web design, CRM, Technological development, R&D

ZOZOUSED, Inc.
A business operated by reselling second hand apparel items purchased from our users

* ZOZOUSED will be absorbed by ZOZO effective from November 1, 2019 (planned).

aratana, Inc.
Specializes in building EC sites, web marketing, web security systems, and EC rated applications
BUSINESS MODEL

ZOZOTOWN Business

○ Consignment
We operate 1,307 shops as consignment businesses. This business model allows us to carry a certain amount of products from the brands, while giving us low inventory risk.
Sales = Gross merchandise value* of each store x commission rate

○ Purchased Stock
We operate 5 stores within ZOZOTOWN, which offer products we purchase from brands.
Sales = Gross merchandise value* generated by each store

○ ZOZOUSED Business
We purchase used fashion products from our users, and resell them as a second-hand business.
Sales = Gross merchandise value* of purchase stock + Consignment commission of marketplace

MSP Business
Manufacture and sell a portion of items from shops with strong user demands, by leveraging the know-how of manufacturing clothes in a variety of sizes which gathered in the company, sales capability and planning ability of shops on ZOZOTOWN.
Sales = Gross merchandise value of MSP items

BtoB Business
We help develop and operate online shops on behalf of various brands, such as "United Arrows". We currently provide back-end service to 28 stores.
Sales = Gross merchandise value of these online shops x commission rate
* Above sales includes other sales such as initial shop opening commission, shipping income etc.

Advertisement Business
Advertisement business will gain advertisement income from client companies including brands by providing advertisement spots utilizing the user base of ZOZOTOWN and WEAR.
Sales = Advertisement income
* Gross merchandise values used for the calculation of sales are the amounts after deduction of discount attributable to the paid-membership service.

Private Brand Business
Under the brand name "ZOZO", it manufactures and sells basic items based on individual customer’s body size. Using data measured by the body measurement device "ZOZOSUIT" which developed in-house, and sell items at ZOZOTOWN.
Sales = Gross merchandise value* of private brand items
Appendix


Information below are available at our IR website. Please kindly confirm.

IR News  ... The latest IR information are posted in a timely manner.  

ESG  ... Introducing our initiatives on ESG.  

Financial Highlights  ... Financials for the past 3 years are available. Data can be downloaded in both PDF and excel format.  

Introduction of IR Mail

By registering your email address to our IR Mail, we will send you information pertain to our IR such as latest news releases.  
If you wish to register, please make access to the following link.  
* News and information will be sent through the service provided by Magical Pocket Corporation.

IR Mail Subscription  https://corp.zozo.com/ir-info/mail-magazine/
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