

# Consolidated Financial Results

## For the Third Quarter of the Fiscal Year Ending March 31, 2020 [JGAAP]

January 31, 2020

Company Name: ZOZO, Inc. Listed stock exchange: Tokyo  
 Code: 3092 URL <https://corp.zozo.com/en>  
 Representative: Representative Director, President & CEO Kotaro Sawada  
 Contact Person: Director, Executive Vice President & CFO Koji Yanagisawa (TEL) 043(213)5171  
 Scheduled date to file February 14, 2020 Scheduled date of quarterly securities report dividend payment: -  
 Supplementary materials for quarterly financial results : Yes  
 Quarterly results briefing : Yes ( For analysts and institutional investors )

(Rounded down to million yen)

### 1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 (April 1 to December 31, 2019)

(1) Consolidated Business Results (Cumulative) (Percentages indicate YoY changes)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of fiscal year ending March 31, 2020	91,887	2.4	19,385	-6.0	19,224	-7.1	12,172	-10.9
Third quarter of fiscal year ended March 31, 2019	89,774	26.6	20,630	-12.4	20,685	-12.4	13,665	-16.1

(Note) Comprehensive income Third quarter of fiscal year ending March 31, 2020 12,172 Million yen (-10.9%)  
 Third quarter of fiscal year ended March 31, 2019 13,659 Million yen (-17.0%)

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
Third quarter of fiscal year ending March 31, 2020	39.87	-
Third quarter of fiscal year ended March 31, 2019	44.58	-

(Note) Fully diluted net profit per share is not presented as there are no potential shares with dilutive effect.

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Third quarter of fiscal year ending March 31, 2020	86,473	28,005	32.4
Fiscal year ended March 31, 2019	78,961	22,656	28.6

(Reference) Equity Third quarter of fiscal year ending March 31, 2020 27,999 Million yen  
 Fiscal year ended March 31, 2019 22,546 Million yen

### 2. Dividend payment

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	-	14.00	-	10.00	24.00
Fiscal year ending March 31, 2020	-	12.00	-		
Fiscal year ending March 31, 2020 (forecast)				18.00	30.00

(Note) Revisions to the most recently announced dividend forecast : None

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentages indicate YoY changes)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	136,000	14.9	32,000	24.7	32,000	24.4	22,500	40.8	73.70

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

\* Notes

(1) Changes of important subsidiaries during the period : Yes

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

New: 1 ZOZO NEW ZEALAND LIMITED , Exclusion: —

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements : None

(3) Changes in accounting policies and changes or restatement of accounting estimates

① Changes in accounting policies caused by revision of accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatements : None

(4) Number of shares outstanding (common stock)

① Number of shares outstanding at the end of period (including treasury stock)

Q3 for fiscal year ending March 31, 2020	311,644,285 Shares	Fiscal year ended March 31, 2019	311,644,285 Shares
Q3 for fiscal year ending March 31, 2020	6,349,103 Shares	Fiscal year ended March 31, 2019	6,349,103 Shares
Q3 for fiscal year ending March 31, 2020	305,295,182 Shares	Q3 for fiscal year ending March 31, 2019	306,514,396 Shares

② Treasury stock at the end of period

③ Average number of shares during the period (quarterly cumulative period)

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

\* Explanation and other special notes concerning the appropriate use of financial forecasts

- The financial forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ materially from these forecasts due to various factors. Please refer to "Explanation of Consolidated Financial Forecasts and Other Future Statements" on page 12 for the assumptions underlying the financial forecasts and notes for using the financial forecasts.
- The Company is scheduling to hold a financial result briefing for institutional investors and analysts on January 31, 2020. The Company plans to post the content of the briefing and the briefing materials used on the day on its website promptly after the briefing.

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# 1. Qualitative Information on Results for the Third Quarter Ended December 31, 2019

## (1) Explanation of Business Results

(Business Results for this Fiscal Year)

[Table 1] YoY comparison

(Million yen)

	Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2018)		Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2019)		YoY
Gross merchandise value	235,418	(100.0%)	253,867	(100.0%)	7.8%
Net sales	89,774	(38.1%)	91,887	(36.2%)	2.4%
Gross profit	81,057	(34.4%)	83,934	(33.1%)	3.5%
Operating profit	20,630	(8.8%)	19,385	(7.6%)	-6.0%
Ordinary profit	20,685	(8.8%)	19,224	(7.6%)	-7.1%
Profit attributable to owners of parent	13,665	(5.8%)	12,172	(4.8%)	-10.9%

Figures in parentheses are percentage to the gross merchandise value

Under the corporate philosophy of “Make the World a better place, bring smiles to the World. Be unique. Be equal.”, ZOZO, Inc. (hereinafter, referred to as the “Company”) group mainly operates the following businesses: Japan’s largest fashion eCommerce website ZOZOTOWN and a fashion media WEAR.

In the consolidated cumulative third quarter of the current fiscal year, the Company group focused on creating ZOZOTOWN more attractive to both users and brands, in order to increase the number of unique users and improve the conversion rate (purchasing rate of unique users). Specifically, to meet diversifying needs of users, the Company proactively welcomed new brands in a wide range of genre and held sales event “ZOZOWEEK” in May, September and November 2019 respectively. In addition, from the second quarter consolidated accounting period of the current fiscal year, with aim of revitalizing existing members, the Company continues to actively implement personalized discounts and reward points measures based on information such as purchasing history of each member.

Furthermore, from December 17, 2019, ZOZOTOWN opened a shop on “PayPay Mall” an online shopping mall operated by Yahoo Japan Corporation. Progress of shop opening is in good pace where about 90% of the shops on ZOZOTOWN are selling their items on PayPay Mall. It is the very first time for ZOZOTOWN to open its shop at other eCommerce malls and by increasing touch points with wider range of users with different characteristics of current ZOZOTOWN users, the Company is aiming to expand to new user bases.

As for the MSP (Multi-Size Platform) business which had been preparing for its launch in this autumn, the Company started to take orders on ZOZOTOWN from September 6, 2019 as originally planned and its full-scale delivery has been starting from the third quarter consolidated accounting period of the current fiscal year. Regarding the body measurement device, the Company began accepting preorder for “ZOZOMAT” which enables to measure a plurality of parts required for shoe selection by converting foot shape into 3D data. In addition to aiming to expand the gross merchandise value of shoes category in ZOZOTOWN, the Company will strive to provide new purchasing experiences that will enable users to select shoes that are comfortable and convenient. This is slated to be launched in this fiscal year.

Regarding the BtoB business, the Company started “Fulfillment by ZOZO” a service specialized in fulfillment support from the third quarter consolidated accounting period of the current fiscal year. The Company will work on the minimization of opportunity losses by centralizing inventory of ZOZOTOWN and brands’ own eCommerce sites whose shops are on ZOZOTOWN.

With the Company as the title sponsor, the ZOZO CHAMPIONSHIP the first official PGA TOUR tournament in Japan, took place for 5 days from October 24 to 28, 2019. Despite troubles from adverse weather conditions, with magnificent shots by the world’s best players and supports from enthusiastic Japanese golf fan, the championship

ended highly successful with Tiger Woods as the winner. The Company is planning to continue the title sponsorship from the next year onward, to raise recognition of the Company to new customer segments.

As a result of the above, the gross merchandise value in the consolidated cumulative third quarter of the current fiscal year stood at 253,867 million yen (up 7.8% YoY), net sales were 91,877 million yen (up 2.4% YoY), and gross profit was 83,934 million yen (up 3.5% YoY). In the third quarter consolidated accounting period of the current fiscal year, considering deterioration of the market conditions due to backlash from the consumption tax hike from October 1, 2019 and warm winter, the Company refrained from conducting active price promotion initiatives from a standpoint of efficiency. Consequently, the growth rate of the gross merchandise value stayed lower compared to the forecast from the beginning of the fiscal year. Effective from the third quarter consolidated accounting period of the previous fiscal year, the gross merchandise value is represented in the amount before deduction of discount attributable to the paid-membership service "ZOZOARIGATO". Also, as for other discount measures borne by the Company in which were not attributable to the said paid-membership service, the Company changed to show the amount in before deduction of such discount measures. Since discount measures borne by the Company have been starting from the fiscal year ending March 2017, the Company adjusted the gross merchandise values from the past retroactively to amounts before discount measures based on the perspective of comparability. On the other hand, as for net sales, since the amounts are represented in after discounts, the sales commission rate declined on calculation basis. The gross profit margin (toward the gross merchandise value) was 33.1% (down 1.3% points YoY). This was because more than the rising factors from sales increase such as the Advertisement Business and shipping revenue in other segment sales, impact from discounts derived from measures borne by the Company and the valuation loss on merchandise and raw materials of the PB business affected negatively.

Selling, general and administrative expenses stood at 64,594 million yen (up 6.8% YoY) and its ratio to the gross merchandise value was 25.4%, down 0.3% points YoY. The main reasons for decline in the SG&A-to-GMV ratio in YoY are as follows:

- Worsening factors

- ① Point-related expenses (toward the gross merchandise value) rose 0.5% points due to active reward point measures.
- ② Logistics-related expenses (toward the gross merchandise value) rose 0.3% points due to an increase in the ratio derive from the drop in the average retail price, an increase in expenses of transportation between logistics bases from an increase in the number of logistics bases and increases in hourly pay for part-timers.
- ③ Rent (toward the gross merchandise value) rose 0.3% points due to an increase in the number of logistics bases.

- Improving factors

- ① While there were sponsorship fees etc. for the PGA TOUR tournament "ZOZO CHAMPIONSHIP", the number of ZOZOSUIT distribution decreased, leading to the advertising expenses (toward the gross merchandise value) to drop 0.6% points.
- ② Other expenses (toward the gross merchandise value) dropped 0.2% points due to absence of the impact of expensive on-the-spot costs incurred in the consolidated cumulative third quarter of the previous fiscal year (settlement costs related to the older sensor-based ZOZOSUIT and contingency fee attributable to improvement research of the new version ZOZOSUIT with marker-based method).
- ③ Payroll costs for employee (toward the gross merchandise value) dropped 0.1% points due to the normalization of impact from the change in the bonus payment policy implemented in the previous fiscal year.
- ④ Packaging and transportation expenses (toward the gross merchandise value) dropped 0.1% points due to a decrease in the number of ZOZOSUIT distribution.
- ⑤ Payment collection commission (toward the gross merchandise value) dropped 0.1% points due to the change in the composition of payment methods.

As a result of the above, operating profit for the consolidated third quarter of the current fiscal year stood at 19,385

million yen (down 6.0% YoY) and the operating profit margin was 7.6% toward the gross merchandise value, down 1.2% points YoY. Ordinary profit stood at 19,224 million yen (down 7.1% YoY) and profit attributable to owners of parent stood at 12,172 million yen (down 10.9% YoY).

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

Results by business segment are as follows.

[Table 2] Previous Year Comparison by Business Segment

Business segment	Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2018)			Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2019)			Merchandise value YoY (%)	Net Sales YoY (%)
	Merchandise value (Million yen)	Ratio (%)	Net sales (Million yen)	Merchandise value (Million yen)	Ratio (%)	Net sales (Million yen)		
ZOZOTOWN Business								
(Consignment shop)	213,722	90.7	63,078	232,478	91.5	65,187	8.8	3.3
(Purchased stock shop)	128	0.1	128	166	0.1	162	29.3	26.4
(ZOZOUSED)	12,649	5.4	12,427	11,810	4.6	11,196	-6.6	-9.9
Subtotal	226,501	96.2	75,634	244,455	96.2	76,546	7.9	1.2
PayPay Mall	-	-	-	409	0.2	114	-	-
PB Business	2,260	1.0	2,260	927	0.4	918	-59.0	-59.4
MSP Business	-	-	-	443	0.2	441	-	-
BtoB Business	6,656	2.8	1,516	7,631	3.0	1,545	14.6	1.9
Advertisement Business	-	-	857	-	-	1,917	-	123.6
Other	-	-	9,506	-	-	10,405	-	9.5
Total	235,418	100.0	89,774	253,867	100.0	91,887	7.8	2.4

#### ① ZOZOTOWN Business

The ZOZOTOWN Business consists of three business forms: consignment shop, purchased stock shop, and ZOZOUSED. "Consignment Shop" handles consignment inventory of merchandise from each brand and sell them on consignment basis. "Purchased stock shop" purchases fashion merchandise from each brand and sell them as in-house inventory. "ZOZOUSED" mainly buys and sells used fashion-related merchandise from individual users. The Company recognizes 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, the Company is working to create websites that are attractive to both users and brands.

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

(Number of shops, etc.)

[Table 3] Number of Shops and Brands

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Shops on ZOZOTOWN (Note) 1	1,139	1,183	1,255	1,245	1,297	1,312	1,345	-
Purchased stock shop (Note) 2	5	5	5	5	5	5	5	-
Consignment shop	1,134	1,178	1,250	1,240	1,292	1,307	1,340	-
Number of brands (Note) 1, 2	6,820	6,957	7,115	7,056	7,349	7,305	7,462	-

(Note)

1. Figures are as of the end of quarter accounting period.
2. Private brand "ZOZO" and "Multi-Size" are not included.

The number of new shops opened in the third quarter consolidated accounting period of the current fiscal year totaled 53 (net increase of 33). The major new shops include "EAST BOY" a trad fashion brand, "HUNTER" a brand famous for its rain boots and "MOLESKINE" a stationary brand originated from Italy.

The number of new shops opened during the consolidated cumulative third quarter of the current fiscal year totaled 169 (net increase of 100) and is increasing in the pace faster than the plan.

(Number of Annual Buyers)

[Table 4] Transition of 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	7,392,126	7,769,546	8,073,672	8,126,524	8,121,663	8,226,388	8,156,256	-
(YoY)	657,386	805,560	867,895	903,297	729,537	456,842	82,584	-
(QoQ)	168,899	377,420	304,126	52,852	-4,861	104,725	-70,132	-
Number of active members (Note) 3	5,458,643	5,782,227	6,156,837	6,450,686	6,557,144	6,749,012	6,800,435	-
(YoY)	1,276,770	1,191,210	1,198,976	1,337,825	1,098,501	966,785	643,598	-
(QoQ)	345,782	323,584	374,610	293,849	106,458	191,868	51,423	-
Number of guest buyers	1,933,483	1,987,319	1,916,835	1,675,838	1,564,519	1,477,376	1,355,821	-
(YoY)	-619,384	-385,650	-331,081	-434,528	-368,964	-509,943	-561,014	-
(QoQ)	-176,883	53,836	-70,484	-240,997	-111,319	-87,143	-121,555	-

(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. Purchasers of "PayPay Mall" are not included.

In the third quarter consolidated accounting period of the current fiscal year, due to slowdown in the pace of new members acquisition, the number of annual buyers decreased compared to the previous quarter. Continuing from the second quarter consolidated accounting period of the current fiscal year, with aim to revitalize existing members, the Company actively implemented personalized discounts and reward point initiatives based on the purchasing history of each member. Consequently, while the number of active members grew from the previous quarter, the number of guest buyers declined in the same comparison.

(Annual Purchase Amount and Annual Purchase Pieces)

[Table 5] Transition of Annual Purchase Amount and Annual Purchase Pieces

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annual purchase amount (Total) (Note) 1, 2, 3, 4	46,870	46,120	46,009	46,315	46,934	47,506	47,593	-
(YoY)	-0.5%	-1.5%	-1.5%	-2.8%	0.1%	3.0%	3.4%	-
(QoQ)	-1.7%	-1.6%	-0.2%	0.7%	1.3%	1.2%	0.2%	-
Annual purchase pieces (Note) 1, 2, 3	11.3	11.2	11.1	11.1	11.3	11.6	11.7	-
(YoY)	5.8%	3.0%	1.4%	-2.9%	-0.4%	3.5%	5.1%	-
(QoQ)	-0.5%	-1.0%	-0.7%	-0.6%	2.0%	2.9%	0.8%	-
Annual purchase amount (Existing)	59,569	57,563	56,304	55,792	55,048	54,750	54,092	-



members) (Note) 1, 2, 3, 4									
(YoY)	-5.5%	-10.5%	-10.3%	-8.7%	-7.6%	-4.9%	-3.9%	-	-
(QoQ)	-2.5%	-3.4%	-2.2%	-0.9%	-1.3%	-0.5%	-1.2%	-	-
Annual purchase pieces (Note) 1, 2, 3	14.2	13.8	13.6	13.4	13.3	13.4	13.4	-	-
(YoY)	0.6%	-5.5%	-6.2%	-6.8%	-6.2%	-2.7%	-1.6%	-	-
(QoQ)	-1.4%	-3.0%	-1.5%	-1.1%	-0.8%	0.6%	-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. Purchasers of "PayPay Mall" are not included.
4. The amounts are in yen.

During the third quarter consolidated accounting period of the current fiscal year, the annual purchase amount (total) increased both YoY and QoQ, however, this was due to an increase in the composition of existing members to the whole, as a result of slowdown in the pace of acquiring new members. YoY and QoQ decreases in the annual purchase amount of existing members were reflecting an increase in the percentage of existing active members with short membership history (annual purchase amounts tends to increase according to length of membership).

(Average retail price etc.)

[Table 6] Transition of Average Retail Price, Average Order Value and Number of Shipments

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average retail price (Note) 1, 2, 3	3,959	3,660	4,770	4,379	3,903	3,516	4,501	-
(YoY)	-3.7%	-1.1%	-2.3%	4.1%	-1.4%	-3.9%	-5.6%	-
Average order value (Note) 1, 2, 3	8,134	7,788	9,581	9,487	8,390	7,529	8,973	-
(YoY)	-4.9%	-5.8%	5.5%	10.1%	3.2%	-3.3%	-6.3%	-
Average purchase pieces per order (Note) 1, 3	2.05	2.13	2.01	2.17	2.15	2.14	1.99	-
(YoY)	-1.3%	-4.8%	7.9%	5.7%	4.6%	0.6%	-0.8%	-
Number of shipments (Note) 1, 3	8,425,033	8,865,330	9,512,052	9,065,816	9,209,344	10,347,938	10,101,875	-
(YoY)	24.1%	24.0%	14.6%	9.3%	9.3%	16.7%	6.2%	-

(NOTE)

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

The average retail price decreased in YoY basis. This was mainly because sales of discounted products were strong due to the sales events such as time-limited sale and ZOZOWEEK, whereas original price sales were sluggish; thus, the ratio of discount sales to the whole increased. Similarly, the average order value declined as well due to the impact of decline in the average retail price.

Results of the ZOZOTOWN Business (consignment shop, purchased stock shop and ZOZOUSED) are as follows.

#### a. Consignment Shop

In the consolidated cumulative third quarter of the current fiscal year, the merchandise value stood at 232,478 million yen (up 8.8% YoY), accounting for 91.5% of the gross merchandise value (90.7% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 65,187 million yen (up 3.3% YoY). As of the end of December 2019, the number of consignment shop was 1,345 (1,307 at the end of September 2019).

#### b. Purchased Stock Shop

In the consolidated cumulative third quarter of the current fiscal year, the merchandise value stood at 166 million yen (up 29.3% YoY), accounting for 0.1% of the gross merchandise value (0.1% in the same period of the previous fiscal year). Net sales were 162 million yen (up 26.4% YoY). As of the end of December 2019, the number of purchased stock shop was 5 (5 at the end of September 2019).

#### c. ZOZOUSED

In the consolidated cumulative third quarter of the current fiscal year, the merchandise value stood at 11,810 million yen (down 6.6% YoY), accounting for 4.6% of the gross merchandise value (5.4% in the same period of the previous fiscal year). Net sales were 11,196 million yen (down 9.9% YoY).

#### ② PayPay Mall

ZOZOTOWN opened a shop on "PayPay Mall" an online shopping mall operated by Yahoo Japan Corporation. In the consolidated cumulative third quarter of the current fiscal year, the merchandise value stood at 409 million yen, accounting for 0.2% of the gross merchandise value. Net sales were 114 million yen.

#### ③ PB Business

In the PB Business, the Company sells in-house designed apparel products tailored to individual bodies of users. In the consolidated cumulative third quarter of the current fiscal year, the merchandise value stood at 927 million yen (down 59.0% YoY), accounting for 0.4% of the gross merchandise value (1.0% in the same period of the previous fiscal year). Net sales were 918 million yen (down 59.4% YoY).

#### ④ MSP Business

The MSP Business manufactures a portion of item line-up from shops with strong user demands and sell them on ZOZOTOWN, by combining the know-how of manufacturing clothes in a variety of sizes which accumulated from the Company's PB Business, sales capability and planning ability of shops on ZOZOTOWN. The Company offers products in recommending sizes by users providing their height and weight data. In the consolidated cumulative third quarter of the current fiscal year, the merchandise value stood at 443 million yen. Net sales were 441 million yen.

#### ⑤ BtoB Business

The BtoB Business is a business model which the Company is commissioned to build and operate brands' own eCommerce sites. In the consolidated cumulative third quarter of the current fiscal year, merchandise value stood at 7,631 million yen (up 14.6% YoY), accounting for 3.0% of the gross merchandise value (2.8% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 1,545 million yen (up 1.9% YoY). As of the end of December 2019, the number of consigned sites was 47 (28 at the end of September 2019).

#### ⑥ 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 third quarter of the current fiscal year, net sales were 1,917 million yen (up 123.6% YoY). As for WEAR, the Company group will continue to expand the number of users and contents, while working to make it profitable through advertising. As of December 2019, the number of app downloads exceeded 14 million, and the number of monthly active users is growing steadily.

#### ⑦ Other

Within the other segment, net sales generated from businesses related to ZOZOTOWN (shipping income, settlement

commission, paid-membership program etc.), and other revenues of the consolidated subsidiaries are included. Net sales of the other segment in the consolidated cumulative third quarter of the current fiscal year were 10,405 million yen (up 9.5% YoY).

As announced in the press release of “Announcement of Results of Tender Offer for Shares of the Company by Z Holdings Corporation and Changes in Parent Companies and the Largest and Major Shareholders” dated November 14, 2019, a tender offer (hereinafter, referred to as the “Tender Offer”) for the Company’s shares from Z Holdings Corporation (hereinafter, referred to as the “Offeror”) which started from September 30, 2019 had completed on November 13, 2019.

As a result of the Tender Offer, as of November 20, 2019 the commencement date of settlement, the Offeror acquired 50.1% of the total number of voting rights of the shareholders of the Company. Since the number exceeds 50%, the Offeror became a parent company and the largest and major shareholder of the Company. In addition, SoftBank Corp., SoftBank Group Japan Corporation, SoftBank Group Corporation and Shiodome Z Holdings, which are the parent companies of the Offeror, also indirectly own the shares of the Company through the Offeror. Therefore, the four companies became parent companies of the Company as well on the same day. Going forward, by further deepening alliances between the parent companies, the Company will strive to generate synergetic effects as early as possible.

## (2) Explanation of Financial Position

### Overview of Total Assets, Liabilities and Net Assets

(Million yen)

	Previous consolidated fiscal year	Consolidated cumulative third quarter of current fiscal year	Increase/ decrease rate
Total assets	78,961	86,473	9.5%
Liabilities	56,304	58,468	3.8%
Net assets	22,656	28,005	23.6%

#### (Total Assets)

Total assets amounted to 86,473 million yen, an increase of 7,512 million yen (up 9.5% from the previous fiscal year end). Current assets increased by 6,517 million yen, or 11.3%, amounted to 64,421 million yen compared with the previous fiscal year end. Major components are a decrease of 1,349 million yen of cash and deposits, an increase of 10,640 million yen in accounts receivable, a decrease of 1,057 million yen in merchandise and finished products, a decrease of 1,082 million yen in raw material and supplies, and a decrease of 586 million yen in prepaid expenses. Non-current assets increased by 994 million yen, or 4.7%, amounted to 22,051 million yen compared with the previous fiscal year end. Major components are an increase of 2,672 million yen in property, plant and equipment and a decrease of 1,647 million yen in investments and other assets.

#### (Liabilities)

Liabilities amounted to 58,468 million yen, an increase of 2,163 million yen (up 3.8% from the previous fiscal year end). Current liabilities increased 2,110 million yen, or 4.0%, amounted to 54,355 million yen compared to the previous fiscal year end. Major components are an increase of 4,687 million yen in deposits receive for consignment sales, a decrease of 2,249 million yen in income taxes payable. Non-current liabilities increased 53 million yen, or 1.3%, amounted to 4,112 million yen compared with the previous fiscal year end. The major components are a decrease of 680 million yen in provision for loss on business liquidation and an increase of 613 million yen in asset retirement obligations.

#### (Net Assets)

Net assets amounted to 28,005 million yen, an increase of 5,348 million yen (up 23.6% from the previous fiscal year end). Major components are an increase of 12,172 million yen in recording of profit attributable to owners of parent and a decrease of 6,716 million yen in dividends of surplus.

### (3) Explanation of Consolidated Earnings Forecasts and Other Future Statements

There is no change in the consolidated financial forecast announced on April 25, 2019.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (March 31, 2019)	Consolidated cumulative third quarter of current fiscal year (December 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	21,560	20,210
Accounts receivable	27,404	38,044
Merchandise and finished products	4,533	3,476
Raw materials and supplies	1,352	270
Others	3,053	2,419
Total current assets	57,904	64,421
Non-current assets		
Property, plant and equipment	6,318	8,990
Intangible assets		
Goodwill	2,291	2,261
Others	820	820
Total intangible assets	3,112	3,081
Investments and other assets	11,626	9,978
Total non-current assets	21,056	22,051
Total assets	78,961	86,473
<b>Liabilities</b>		
Current liabilities		
Accounts payable	1,693	60
Deposits received for consignment sales	16,310	20,998
Short-term borrowings	22,000	22,000
Income taxes payable	3,671	1,232
Provision for bonuses	395	221
Provision for point certificates	1,343	1,377
Provision for sales returns	92	103
Others	6,739	8,361
Total current liabilities	52,245	54,355
Non-current liabilities		
Retirement benefit liability	1,730	1,950
Asset retirement obligations	1,028	1,641
Provision for loss on business liquidation	812	131
Others	488	389
Total non-current liabilities	4,059	4,112
Total liabilities	56,304	58,468

(Million yen)

	Previous consolidated fiscal year (March 31, 2019)	Consolidated cumulative third quarter of current fiscal year (December 31, 2019)
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,359	1,359
Capital surplus	1,328	1,328
Retained earnings	44,252	49,707
Treasury stock	-24,412	-24,412
Total shareholders' equity	22,528	27,983
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	77	59
Foreign currency translation adjustment	18	19
Remeasurements of defined benefit plans	-77	-63
Total accumulated other comprehensive income	17	15
Stock acquisition rights	110	6
Total net assets	22,656	28,005
Total liabilities and net assets	78,961	86,473

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income  
Quarterly Consolidated Income Statement  
Consolidated Cumulative Third Quarter

(Million yen)

	Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2018)	Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2019)
Net sales	89,774	91,887
Cost of sales	8,726	7,941
Gross profit	81,048	83,946
Reversal of provision for sales returns	106	92
Provision for sales returns	97	103
Gross profit - net	81,057	83,934
Selling, general and administrative expenses	60,426	64,549
Operating profit	20,630	19,385
Non-operating income		
Interest income	0	1
Received rent	4	-
Subsidy income	10	41
Operations support fee	56	45
Income from recycling	42	30
Gain on unused points	38	34
Others	12	28
Total non-operating income	165	181
Non-operating expenses		
Interest expenses	52	69
Rent expense	4	-
Commission expenses	-	5
Foreign exchange losses	22	51
Loss on investments in partnerships	30	28
Provision for allowance for doubtful accounts	-	186
Total non-operating expenses	110	342
Ordinary profit	20,685	19,224
Extraordinary income		
Gain on sales of non-current assets	8	18
Gain on sale of businesses	169	-
Total extraordinary income	178	18
Extraordinary losses		
Loss on sales and retirement of non-current assets	16	23
Loss on valuation of investment securities	85	1,697
Impairment loss	1,176	-
Total extraordinary losses	1,278	1,721
Profit before income taxes	19,585	17,521
Income taxes - current	6,494	5,413
Income taxes - deferred	-574	-64
Total income taxes	5,919	5,348
Net Income	13,665	12,172
Profit attributable to owners of parent	13,665	12,172

Quarterly Consolidated Statements of Comprehensive Income  
 Consolidated Cumulative Third Quarter

(Million yen)

	Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2018)	Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2019)
Net Income	13,665	12,172
Other comprehensive income		
Valuation difference on available-for-sale securities	-28	-17
Foreign currency translation adjustment	7	3
Remeasurements of defined benefit plans, net of tax	14	14
Total other comprehensive income	-6	0
Comprehensive income	13,659	12,172
(Breakdown)		
Comprehensive income attributable to owners of parent	13,659	12,172



(3) Notes to Quarterly Consolidated Financial Statements  
(Notes on going concern assumptions)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

**DISCLAIMER:**

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