

Consolidated Financial Results

For the first quarter for the fiscal year ending March 31, 2022 [JGAAP]

July 29, 2021

Company Name: ZOZO, Inc.	Listed stock exchange: Tokyo	July 29, 2021
Code: 3092	URL: https://corp.zozo.com	
Representative: Representative Director, President & CEO	Kotaro Sawada	
Contact Person: Director, Executive Vice President & CFO	Koji Yanagisawa	(TEL) 043(213)5171
Scheduled date to file the financial report: August 13, 2021	Scheduled date of dividend payment: -	
Supplementary material for quarterly financial results: Yes		
Quarterly results briefing: Yes	(For analysts and institutional investors)	

(Rounded down to million yen)

1. Consolidated business results for the first quarter of the fiscal year ending March 31, 2022 (April 1 to June 30, 2021)

(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	%
First quarter of fiscal year ending March 31, 2022	38,866	15.4	12,591	20.8	12,534	19.7	8,731	19.3
First quarter for the Year Ended March 31, 2021	33,674	19.4	10,423	33.9	10,473	37.5	7,321	37.5

(NOTE)	Comprehensive income	First quarter of fiscal year ending March 31, 2022	8,790 Million yen	(19.7%)
		First quarter of fiscal year ended March 31, 2021	7,340 Million yen	(38.3%)

	Net profit per share	Fully diluted net profit per share
	Yen	Yen
First quarter of fiscal year ending March 31, 2022	28.91	-
First quarter of fiscal year ended March 31, 2021	23.98	-

(NOTE) Fully diluted net profit per share is not presented because there are no potential shares with dilutive effects.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First quarter of fiscal year ending March 31, 2022	85,726	24,392	28.3
Fiscal year ended March 31, 2021	125,656	55,507	44.1

(Reference)	Shareholders' equity	First quarter of fiscal year ending March 31, 2022	24,287 Million yen	
		Fiscal year ended March 31, 2021	55,433 Million yen	

2. Dividend

	Annual dividends				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	15.00	-	26.00	41.00
Fiscal year ending March 31, 2022	-				
Fiscal year ending March 31, 2022 (Forecast)		22.00	-	33.00	55.00

3. Forecasts for the fiscal year ending March 31, 3.2022 (April 1, 2021, to March 31, 2022)

(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
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 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 Restatement of revisions : None

(NOTE) For further information, please refer to "Changes in Accounting Policies" in (3) Notes on quarterly consolidated financial statements on page 16 of this material.

(4) Number of shares outstanding (Ordinary stock)

① Year-end shares outstanding (including Treasury shares)

② Number of year-end treasury stocks

③ Average number of shares during the period

Q1 of fiscal year ending March 2022	311,644,285 Shares	Fiscal year ended March 2021	311,644,285 Shares
Q1 of fiscal year ending March 2022	14,823,939 Shares	Fiscal year ended March 2021	6,279,914 Shares
Q1 of fiscal year ending March 2022	302,021,058 Shares	Q1 of fiscal year ended March 2021	305,295,182 Shares

※ Quarterly financial results are not subject to quarterly review by certified public accountants or auditing firms.

※ Explanation regarding the appropriate use of financial forecasts and others special notes

- 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 first quarter ended June 30, 2021, (3) Explanation of consolidated business forecasts and other forward-looking information on page 11 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 July 29, 2021. We plan to post the content of the briefing and the materials used on the day on its website promptly after the briefing.

Table of contents of appendix

1. Qualitative information on results for the first quarter ended June 30, 2021	5
(1) Overview of business results	5
(2) Explanation of financial position	11
(3) Explanation of consolidated business forecasts and other forward-looking information	11
2. Consolidated financial statements	12
(1) Quarterly consolidated balance sheets	12
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income	14
(3) Notes to quarterly consolidated financial statements	16
(Notes on going concern assumptions)	16
(Notes on significant changes in shareholders' equity)	16
(Changes in accounting policies)	16

1. Qualitative information on results for the first quarter ended June 30, 2021

(1) Overview of business results

Business results for the current fiscal year

[Table 1] YoY comparison

(Unit: Million yen)

	Consolidated cumulative first quarter of previous fiscal year (April 1 to June 30, 2020)		Consolidated cumulative first quarter of current fiscal year (April 1 to June 30, 2021)		YoY basis
Gross merchandise value	95,330	(100.0%)	116,812	(109.5%)	22.5%
Gross merchandise value (excluding other GMV)	95,330	(100.0%)	106,700	(100.0%)	11.9%
Net sales	33,674	(35.3%)	38,866	(36.4%)	15.4%
Gross profit	32,283	(33.9%)	36,924	(34.6%)	14.4%
Operating profit	10,423	(10.9%)	12,591	(11.8%)	20.8%
Ordinary profit	10,473	(11.0%)	12,534	(11.7%)	19.7%
Profit attributable to owners of parent	7,321	(7.7%)	8,731	(8.2%)	19.3%

Figures in parentheses are percentages to 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.

In the consolidated cumulative first 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 in May 2021 (10 days from May 14 to 23, 2021) and broadcasted TV commercial to attract customers in the period of summer sales. In addition, we proactively welcomed 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 and sales. As the categories enhancement, we are expanding merchandise value of the shoe category in ZOZOTOWN by using the "ZOZOMAT". Of the shoes available in ZOZOTOWN at present, the number of shoes covered by the ZOZOMAT exceeds 3,000 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 domestics and overseas luxury brands. ZOZOCOSME handles more than 500 cosmetics brands both from domestic and overseas 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 90 luxury brands domestically and overseas. 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 ZOZOTOWN branding 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.

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 first quarter of the current fiscal year was 116,812 million yen (+22.5% YoY), and the gross merchandise value (excluding other GMV) was 106,700 million yen (+11.9% YoY). Net sales were 38,866 million yen (+15.4% YoY), and gross profit was 36,924 million yen (+14.4% YoY). The ratio of gross profit to the gross merchandise value (gross profit margin) was 34.6%, an improvement of 0.7% 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 the implementation of the free shipping campaign in the same period of the previous year, which was not implemented in the first quarter of the current fiscal year, and growth in outright purchase/production and 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 (3) Notes to quarterly consolidated financial statements (Changes in accounting policies).

The main factors behind the improvement in gross profit margin were, as mentioned above, the non-implementation of the free shipping campaign, growth in the USED business and advertising business with high gross profit margin, and an increase in other sales.

Selling, general and administrative expenses was 24,333 million yen (+11.3% YoY) and its ratio to the gross merchandise value was 22.8%, a decrease of 0.1% points compared to the same period of the previous fiscal year. The main reasons for the decline in the SG&A-to-sales ratio in YoY basis were as follows. All the percentages to the gross merchandise value are calculated by dividing SG&A expenses the gross merchandise value (excluding other GMV):

Improving factors

1. Promotion related expenses to the gross merchandise value declined by 0.6% 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 were recorded in the sales item).
2. Logistics related expenses in personnel expenses to the gross merchandise value declined by 0.5% 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 0.2% points, from mainly a change in packaging materials (consumables).

Worsening factors

1. Advertising expenses to the gross merchandise value rose by 1.0% points, from the active measures to attract customers, such as TV commercial, and the free distribution of ZOZOGLASS.
2. Packaging and freight to the gross merchandise value rose by 0.1% points, from the resumption of the same-day delivery service which had been suspended in the same period of the previous fiscal year due to the expansion of COVID-19, in the first quarter of the current fiscal year.

Consequently, operating profit of the consolidated cumulative first quarter of the current fiscal year was 12,591 million yen (+20.8% YoY) and operating profit margin was 11.8% toward the gross merchandise value, an increase of 0.9% points compared with the same period of the previous year. Ordinary profit was 12,534 million yen (+19.7% YoY) and net profit attributable to owners of parent was 8,731 million yen (+19.3% YoY).

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

[Table 2] YoY comparison by business segment

By business segment	Consolidated cumulative first quarter of previous fiscal year (April 1 to June 30, 2020)	Consolidated cumulative first quarter of current fiscal year (From April 1 to June 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	84,999	89.1	26,686	90,648	77.6	28,812	6.6	8.0
(Outright purchase/ production & sales)	516	0.5	515	720	0.6	716	39.7	38.8
(Consignment Sales)	82,390	86.4	24,077	87,346	74.8	25,549	6.0	6.1
(USED Sales)	2,093	2.2	2,093	2,581	2.2	2,546	23.3	21.7
PayPay Mall	4,371	4.6	1,270	9,805	8.4	2,872	124.3	126.2
BtoB business	5,959	6.3	1,161	6,246	5.3	1,190	4.8	2.5
Advertisement business	-	-	776	-	-	1,382	-	77.9
Subtotal excluding Others	95,330	100.0	29,894	106,700	91.3	34,258	11.9	14.6
Others	-	-	3,779	10,111	8.7	4,608	-	21.9
Total	95,330	100.0	33,674	116,812	100.0	38,866	22.5	15.4

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	-	-	-
Outright purchase/production & sales (Note) 2	5	5	6	18	20	-	-	-
Consignment sales	1,343	1,399	1,427	1,450	1,468	-	-	-
Number of brands (Note) 1,2	7,989	7,953	8,109	8,227	8,490	-	-	-

(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 first quarter consolidated accounting period of the current fiscal year was 36 (net increase of 20 from the previous quarter). The major new stores are DIOR and GUERLAIN from LVMH group, Italian luxury brands Salvatore Ferragamo, and the influencer brand eim.

(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	8,662,560	8,805,155	9,139,796	9,485,669	9,730,162	-	-	-

(Note) 2								
(YoY)	540,897	578,767	983,540	1,212,066	1,067,602	-	-	-
(QoQ)	388,957	142,595	334,641	345,873	244,493	-	-	-
Number of active members (Note) 3	7,223,753	7,434,529	7,773,940	8,137,729	8,367,073	-	-	-
(YoY)	666,609	685,517	973,505	1,298,063	1,143,320	-	-	-
(QoQ)	384,087	210,776	339,411	363,789	229,344	-	-	-
Number of guest buyers (Note)	1,438,807	1,370,626	1,365,856	1,347,940	1,363,089	-	-	-
(YoY)	-125,712	-106,750	10,035	-85,997	-75,718	-	-	-
(QoQ)	4,870	-68,181	-4,770	-17,916	15,149	-	-	-

(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 consolidated cumulative first quarter of the current fiscal year, the number of annual buyers increased as a result of an increase in the number of active members 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 2021 and the summer sale in June 2021. The number of guest buyers decreased in YoY due to the enhancement of membership services, such as the enhancement of brand coupons, but increased in QoQ.

(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	-	-	-
(YoY)	-3.8%	-6.7%	-8.0%	-7.9%	-6.1%	-	-	-
(QoQ)	-3.0%	-1.7%	-1.2%	-2.2%	-1.1%	-	-	-
Annual purchase pieces (Total) (Note) 1, 2, 3	11.8	11.8	11.7	11.6	11.4	-	-	-
(YoY)	4.9%	1.4%	0.1%	-1.8%	-3.6%	-	-	-
(QoQ)	0.4%	-0.6%	-0.5%	-1.2%	-1.3%	-	-	-
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	52,175	51,523	51,066	50,139	49,257	-	-	-
(YoY)	-5.2%	-5.9%	-5.6%	-5.4%	-5.6%	-	-	-
(QoQ)	-1.6%	-1.2%	-0.9%	-1.8%	-1.8%	-	-	-
Annual purchase pieces (Existing members) (Note) 1, 2, 3	13.6	13.6	13.6	13.5	13.2	-	-	-
(YoY)	2.4%	1.5%	2.1%	1.0%	-2.8%	-	-	-
(QoQ)	1.6%	-0.3%	0.3%	-0.7%	-2.2%	-	-	-

(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 consolidated cumulative first quarter of the current fiscal year, the annual purchase amount (Total) decreased in both YoY and QoQ. This was due to an increase in the composition of new members as a result of the steady acquisition of new members from the digital shift in line with the expansion of COVID-19. YoY and QoQ decreases in the annual purchase

amounts of existing members were due to an increase in the percentage of existing active members with short membership history (annual purchase amounts tends to increase according to length of membership). Annual purchase pieces of total, and annual purchase pieces of existing members decreased in both YoY and QoQ. The factors behind this are the same as the factors behind the decrease in the annual purchase amount.

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

(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 consolidated cumulative first quarter of the current fiscal year increased in YoY. The reason why it increased was a decrease in the proportion of discount sales in the gross merchandise value, as each brand actively lowered prices at the unprecedented timing due to the impact of the expansion of COVID-19 in the same period of the previous year. The average order value also increased YoY.

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 first quarter of the current fiscal year, the merchandise value was 720 million yen (+39.7% YoY), accounting for 0.6% of the gross merchandise value (0.5% in the same period of the previous fiscal year). Net sales were 716 million yen (+38.8% YoY). As of the end of June 2021, the number of shops opened on ZOZOTOWN for outright purchase/production & sales is 20 (18 as of the end of March 2021).

ii. Consignment Sales

In the consolidated cumulative first quarter of the current fiscal year, the merchandise value was 87,346 million yen (+6.0% YoY), accounting for 74.8% of the gross merchandise value (86.4% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 25,549 million yen (+6.1% YoY). As of the end of June 2021, the number of shops opened on ZOZOTOWN for consignment sales was 1,468 (1,450 as of the end of March 2021).

iii. USED Sales

In the consolidated cumulative first quarter of the current fiscal year, the merchandise value was 2,581 million yen (+23.3% YoY), accounting for 2.2% of the gross merchandise value (2.2% in the same period of the previous fiscal year). Net sales were 2,546 million yen (+21.7% YoY).

② PayPay Mall

ZOZOTOWN opened a shop on "PayPay Mall" an online shopping mall operated by Yahoo Japan Corporation. In the consolidated cumulative first quarter of the current fiscal year, the merchandise value was 9,805 million yen,

(+124.3% YoY), accounting for 8.4% of the gross merchandise value (4.6% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 2,872 million yen (+126.2% 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 first quarter of the current fiscal year, the merchandise value was 6,246 million yen (+4.8% YoY), accounting for 5.3% of the gross merchandise value (6.3% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 1,190 million yen (+2.5% YoY). As of the end of June 2021, the number of consigned sites was 49 (53 as of the end of March 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 first quarter of the current fiscal year, net sales were 1,382 million yen (+77.9% YoY). As for WEAR, the Company continues to focus on expanding the number of users and contents. As of the end of June 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 first quarter of the current fiscal year, the merchandise value was 10,111 million yen, accounting for 8.7% of the gross merchandise value.

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 first quarter of the current fiscal year, net sales were 4,608 million yen (+21.9% YoY).

(2) Explanation of financial position

Overview of total assets, liabilities, and net assets

(Unit: Million Yen)

	Previous consolidated fiscal year	First quarter consolidated accounting period	Increase/ decrease rate
Total assets	125,656	85,726	-31.8%
Liabilities	70,149	61,333	-12.6%
Net assets	55,507	24,392	-56.1%

(Total assets)

Total assets amounted to 85,726 million yen, a decrease of 39,930 million yen (-31.8% from the previous consolidated fiscal year). Current assets decreased by 38,918 million yen, or 39.0%, compared with the previous fiscal year end, amounted to 60,877 million yen. Major components are a decrease of cash and deposits of 34,613 million yen due to share buyback and a decrease of accounts receivable-trade of 5,114 million yen. Non-current assets decreased by 1,011 million yen, or 3.9%, compared with the previous consolidated fiscal year end, amounted to 24,848 million yen. Major components are a decrease of 9 million yen in property, plant and equipment, a decrease of 101 million yen in goodwill, and a decrease of 877 million yen in investments and other assets.

(Liabilities)

Liabilities amounted to 61,333 million yen, a decrease of 8,815 million yen (-12.6% from the previous fiscal year end). Current liabilities decreased by 8,973 million yen, or 13.8%, compared with the previous fiscal year end, amounted to 56,207 million. Major components are a decrease of 518 million yen in deposits received for consignment sales and a decrease of 7,395 million yen in income taxes payable. Non-current liabilities increased by 158 million yen, or 3.2%, compared with the previous fiscal year end, amounted to 5,126 million yen. Major components are an increase of 142 million yen in retirement benefit liability and an increase of 16 million yen in asset retirement obligations.

(Net assets)

Net assets amounted to 24,392 million yen, a decrease of 31,114 million yen (- 56.1% from the previous consolidated fiscal year). Major components are a decrease of 31,997 million yen due to share buyback, an increase of 8,731 million yen due to the recognition of profit attributable to owners of parent, and a decrease of 7,939 million yen due to cash dividends.

(3) Explanation of consolidated business forecasts and other forward-looking information

There are no changes to the consolidated business forecasts 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)	1 st quarter consolidated accounting period of current fiscal year (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	61,648	27,034
Accounts receivable- trade	32,781	27,667
Merchandise and finished products	1,792	2,223
Raw materials and supplies	79	41
Others	3,494	3,910
Total current assets	99,796	60,877
Non-current assets		
Property, plant, and equipment	12,019	12,010
Intangible assets		
Goodwill	2,190	2,089
Others	724	700
Total intangible assets	2,915	2,790
Investments and other assets	10,925	10,048
Total non-current assets	25,860	24,848
Total assets	125,656	85,726
Liabilities		
Current liabilities		
Accounts payable – trade	147	227
Deposits received for consignment sales	21,535	21,017
Short-term borrowings	20,000	20,000
Income taxes payable	9,980	2,585
Provision for bonuses	1,622	772
Provision for bonuses for directors	81	20
Provision for point certificates	361	-
Provision for sales returns	139	-
Others	11,313	11,584
Total current liabilities	65,180	56,207
Non-current liabilities		
Retirement benefit liability	2,686	2,828
Asset retirement obligations	2,237	2,253
Others	44	43
Total non-current liabilities	4,968	5,126
Total liabilities	70,149	61,333

(Unit: Million yen)

	Previous consolidated fiscal year (As of March 31, 2021)	1 st quarter consolidated accounting period of current fiscal year (As of June 30, 2021)
Net assets		
Shareholders' equity		
Amount of Capital	1,359	1,359
Capital surplus	1,328	1,328
Retained earnings	77,109	77,901
Treasury stock	-24,146	-56,143
Total shareholders' equity	55,651	24,445
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	1
Foreign currency translation adjustment	-9	45
Remeasurements of defined benefit plans	-213	-205
Total accumulated other comprehensive income	-217	-158
Share acquisition rights	3	35
Non-controlling interests	70	69
Total net assets	55,507	24,392
Total liabilities and net assets	125,656	85,726

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
 Quarterly consolidated statements of income
 Consolidated cumulative first quarter

(Unit: Million yen)

	Consolidated cumulative first quarter of previous fiscal year (April 1, 2020, to June 30, 2020)	Consolidated cumulative first quarter of current fiscal year (April 1, 2021, to June 30, 2021)
Net sales	33,674	38,866
Cost of sales	1,377	1,942
Gross profit	32,296	36,924
Reversal of provision for sales returns	107	-
Provision for sales returns	120	-
Gross profit – net	32,283	36,924
Selling, general and administrative expenses	21,860	24,333
Operating profit	10,423	12,591
Non-operating income		
Interest income	1	1
Received rent	47	71
Foreign exchange gain	7	1
Operations support fee	-	3
Income from recycling	8	8
Subsidy income	33	6
Gain on unused points	26	11
Others	3	12
Total non-operating income	129	115
Non-operating expenses		
Interest expenses	19	18
Provision for allowance for doubtful accounts	10	0
Rent expense	45	68
Commission expenses	2	10
Loss on investments in partnerships	-	76
Total non-operating expenses	78	173
Ordinary profit	10,473	12,534
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	1
Total extraordinary losses	0	1
Profit before income taxes	10,473	12,532
Income taxes- current	2,938	3,011
Income taxes- deferred	213	790
Total income taxes	3,151	3,802
Net Income	7,321	8,730
Net Income attributable to non-controlling interests	-	-1
Net Income attributable to owners of parent	7,321	8,731

Quarterly consolidated statements of comprehensive income
 Consolidated cumulative first quarter

(Unit: Million yen)

	Consolidated cumulative first quarter of previous fiscal year (April 1, 2020, to June 30, 2020)	Consolidated cumulative first quarter of current fiscal year (April 1, 2021, to June 30, 2021)
Net Income	7,321	8,730
Other comprehensive income		
Valuation difference on available-for-sale securities	-0	-2
Foreign currency translation adjustment	15	54
Remeasurements of defined benefit plans, net of tax	2	7
Total other comprehensive income	18	59
Comprehensive income	7,340	8,790
(Breakdown)		
Comprehensive income attributable to owners of parent	7,340	8,791
Comprehensive income attributable to non-controlling interests	-	-1

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumptions)

Not applicable.

(Notes on significant changes in shareholders' equity)

On May 26, 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 in consolidated cumulative first quarter of the current fiscal year.

(Changes in accounting policies)

(Adoption of new accounting standard)

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 first quarter's net sales decreased by 419 million yen, cost of sales increased by 164 million yen, and selling, general and administrative expenses decreased by 622million 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 first 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.

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.