

3. Consolidated financial forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year 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 consolidated forecasts most recently announced 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 accounting 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 Restatements : None

(4) Number of shares outstanding (Ordinary stock)

① Year-end shares outstanding (including treasury stocks)	Q3 of fiscal year ending March 2022	311,644,285Shares	Fiscal year ended March 2021	311,644,285Shares
② Number of year-end treasury stocks	Q3 of fiscal year ending March 2022	11,833,667Shares	Fiscal year ended March 2021	6,279,914Shares
③ Average number of shares during the period	Q3 of fiscal year ending March 2022	299,918,547Shares	Q3 of Fiscal year ended March 2021	305,336,554Shares

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

※ Explanations and other special notes concerning the appropriate use of financial forecasts

-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 third quarter ended December 31, 2021 (3) Explanation of consolidated business forecast and other forward-looking statements" 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 January 28, 2022. 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 third quarter ended December 31, 2021	5
(1) Overview of business results.....	5
(2) Explanation of financial position	11
(3) Explanation of consolidated business forecast and other forward-looking statements.....	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 the Going Concern Assumption)	16
(Notes on significant changes in Shareholders' Equity).....	16
(Changes in Accounting Policies).....	16

1. Qualitative information on results for the third quarter ended December 31, 2021

(1) Overview of business results

Business results for the current fiscal year

[Table 1] YoY comparison

(Unit: Million yen)

	Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2020)		Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 2021)		YoY basis
Gross merchandise value	304,243	(101.2%)	375,506	(109.9%)	23.4%
Gross merchandise value (excluding other GMV)	300,774	(100.0%)	341,587	(100.0%)	13.6%
Net sales	108,480	(36.1%)	123,778	(36.2%)	14.1%
Gross profit	102,960	(34.2%)	116,620	(34.1%)	13.3%
Operating profit	33,785	(11.2%)	38,779	(11.4%)	14.8%
Ordinary profit	33,891	(11.3%)	38,756	(11.3%)	14.4%
Profit attributable to owners of parent	23,725	(7.9%)	26,653	(7.8%)	12.3%

Figures in parentheses are percentages to the 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.

During the consolidated cumulative third 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" (10 days in total from May 14 to 23, 2021, 10 days in total from September 15 to 20 and 23 to 26, 17 days in total from November 5 to 14 and 17 to 23) and broadcasted TV commercial to attract customers in the period of summer and winter sales. In addition, we continued to proactively welcome 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 of 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 & sales. In order to strengthen a certain category, we are expanding merchandise value of the shoe category in ZOZOTOWN with "ZOZOMAT". Of the shoes available in ZOZOTOWN at present, the number of shoes covered by ZOZOMAT exceeds 4,185 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 domestic and overseas luxury brands. ZOZOCOSME handles more than 600 cosmetics brands both from domestic and overseas brands as of the end of December 2021, 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 recommends the best foundation color 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 120 domestic and overseas luxury brands. 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 branding as ZOZOTOWN through the operation of ZOZOVILLA.

Sales of ZOZOTOWN PayPay Mall Shop have been growing steadily due to the good retention rate 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, in the consolidated cumulative third quarter of current fiscal year. Also, "Summer PayPay Festival" (25 days in total from July 1 to 25, 2021) and "Super PayPay Festival" (42 days in total from October 18 to November 28) were implemented in the consolidated cumulative third quarter of the current fiscal year of the current fiscal year.

Regarding the BtoB business, brands are actively continuing to enhance their own eCommerce websites, due to the impact of COVID-19.

Consequently, the gross merchandise value in the consolidated cumulative third quarter of the current fiscal year was 375,506 million yen (+23.4% YoY), and the gross merchandise value (excluding other GMV) was 341,587 million yen (+13.6% YoY). Net sales were 123,778 million yen (+14.1% YoY), and gross profit was 116,620 million yen (+13.3% YoY). The ratio of gross profit to the gross merchandise value (excluding other GMV) (gross profit margin) was 34.1%, a decrease of 0.1% 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 growth in outright purchase/production & sales, USED sales, and advertisement business. From the beginning of the first quarter consolidated accounting period 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 factor behind the decline in gross profit margin was, although there was an increase in growth of the advertisement business, and others in sales, the negative impact of "Accounting Standard for Revenue Recognition" which exceeded the increasing factors.

Selling, general and administrative expenses was 77,841 million yen (+12.5% YoY) and its ratio to the gross merchandise value (excluding other GMV) was 22.8%, a decrease of 0.2% points compared with the same period of the previous fiscal year. The main reasons for the decline in the SG&A-to-GMV ratio on a YoY basis were as follows. All the percentages to the gross merchandise value are calculated by dividing SG&A expenses by the gross merchandise value (excluding other GMV):

Improving factors

1. Promotion related expenses to the gross merchandise value declined by 0.5% 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 are recorded in the sales item).
2. Logistics related expenses in personnel expenses to the gross merchandise value declined by 0.3% 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 a change in packaging materials (consumables), etc.

Worsening factors

1. Advertising expenses to the gross merchandise value rose by 0.9% points, from the active measures to attract customers, such as TV commercial, and the free distribution of ZOZOGLOSS.

Consequently, operating profit of the consolidated cumulative third quarter of the current fiscal year was 38,779 million yen (+14.8% YoY) and operating profit margin was 11.4% toward the gross merchandise value (excluding other GMV), an increase of 0.2% points compared with the same period of the previous year. Ordinary profit was 38,756 million yen (+14.4% YoY) and net profit attributable to owners of parent was 26,653 million yen (+12.3% YoY).

In the consolidated cumulative third quarter of the current fiscal year, we decided to withdraw from ZOZOTOWN business in China, where the company is offering cross-border e-commerce services as a result of business review. Accordingly, we recorded 55 million yen as impairment loss on non-current assets and 184 million yen as loss on business liquidation.

Since our group is a single segment of the eCommerce business, information by segment is omitted. However, the

performance of each business segment within the single segment is shown below.

[Table 2] YoY comparison by business segment

By business segment	Consolidated cumulative third quarter of previous fiscal year (April 1 to December 31, 2020)			Consolidated cumulative third quarter of current fiscal year (April 1 to December 31, 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	268,015	88.1	85,639	289,572	77.1	91,461	8.0	6.8
(Outright purchase/production & sales)	1,398	0.5	1,398	2,147	0.6	2,112	53.6	51.1
(Consignment Sales)	258,067	84.8	75,724	277,644	73.9	79,731	7.6	5.3
(USED Sales)	8,549	2.8	8,517	9,779	2.6	9,616	14.4	12.9
PayPay Mall	16,129	5.3	4,717	31,568	8.5	9,199	95.7	95.0
BtoB business	16,629	5.5	3,172	20,447	5.4	3,805	23.0	20.0
Advertisement business	-	-	2,890	-	-	4,636	-	60.4
Subtotal excluding Others	300,774	98.9	96,419	341,587	91.0	109,102	13.6	13.2
Others	3,469	1.1	12,060	33,919	9.0	14,675	877.6	21.7
Total	304,243	100.0	108,480	375,506	100.0	123,778	23.4	14.1

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 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	1,502	1,516	-
Outright purchase/production & sales (Note) 2	5	5	6	18	20	24	24	-
Consignment sales	1,343	1,399	1,427	1,450	1,468	1,478	1,492	-
Number of brands (Note) 1,2	7,989	7,953	8,109	8,227	8,490	8,451	8,481	-

(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 was 30 (net increase of 14 from the previous quarter). The major new stores are "THE BODY SHOP", which was born in UK and handles cosmetics made from natural ingredients, "karrimor", the outdoor brand from UK, and "AMBUSH", which is popular for uniquely designed and elaborated jewelry products with Japanese craftsmanship.

(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 (Note)2	8,662,560	8,805,155	9,139,796	9,485,669	9,730,162	9,890,784	10,103,351	-
(YoY)	540,897	578,767	983,540	1,212,066	1,067,602	1,085,629	963,555	-
(QoQ)	388,957	142,595	334,641	345,873	244,493	160,622	212,567	-
Number of active members (Note)3	7,223,753	7,434,529	7,773,940	8,137,729	8,367,073	8,507,997	8,711,879	-
(YoY)	666,609	685,517	973,505	1,298,063	1,143,320	1,073,468	937,939	-
(QoQ)	384,087	210,776	339,411	363,789	229,344	140,924	203,882	-
Number of guest buyers (Note)	1,438,807	1,370,626	1,365,856	1,347,940	1,363,089	1,382,787	1,391,472	-
(YoY)	-125,712	-106,750	10,035	-85,997	-75,718	12,161	25,616	-
(QoQ)	4,870	-68,181	-4,770	-17,916	15,149	19,698	8,685	-

(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 third quarter consolidated accounting period of the current fiscal year, the number of annual buyers increased as a result of an increase in the number of active members and guest buyers 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 and online advertisement in "ZOZOWEEK" held in May, September and November 2021, and the summer sales in June 2021.

(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	42,343	42,549	-
(YoY)	-3.8%	-6.7%	-8.0%	-7.9%	-6.1%	-4.5%	-2.9%	-
(QoQ)	-3.0%	-1.7%	-1.2%	-2.2%	-1.1%	-0.0%	0.5%	-
Annual purchase pieces (Total) (Note) 1, 2, 3	11.8	11.8	11.7	11.6	11.4	11.5	11.6	-
(YoY)	4.9%	1.4%	0.1%	-1.8%	-3.6%	-2.0%	-0.7%	-
(QoQ)	0.4%	-0.6%	-0.5%	-1.2%	-1.3%	1.0%	0.9%	-
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	52,175	51,523	51,066	50,139	49,257	49,037	49,064	-
(YoY)	-5.2%	-5.9%	-5.6%	-5.4%	-5.6%	-4.8%	-3.9%	-
(QoQ)	-1.6%	-1.2%	-0.9%	-1.8%	-1.8%	-0.4%	0.1%	-
Annual purchase pieces (Existing members) (Note) 1, 2, 3	13.6	13.6	13.6	13.5	13.2	13.3	13.4	-
(YoY)	2.4%	1.5%	2.1%	1.0%	-2.8%	-2.2%	-1.7%	-
(QoQ)	1.6%	-0.3%	0.3%	-0.7%	-2.2%	0.3%	0.8%	-

(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 third quarter consolidated accounting period of the current fiscal year, the annual purchase amount (total) and

the annual purchase amount (existing members) decreased in both YoY and QoQ. This was due to a continuous decrease of the average retail price as well as an increase in the composition of active members with short membership history among all the active members and existing active members as a result of the steady acquisition of new members after the expansion of COVID-19 (annual purchase amounts and annual purchase pieces tend to increase according to length of membership). The annual purchase pieces for all members and existing members decreased in YoY and this is due to the increase of the composition of the active members with short membership as described above for the annual purchase amount. On the other hand, those increased in QoQ, and the factor behind this is the increase of the number of pieces per order in the second and third quarter consolidated accounting period of the current fiscal year.

(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 (YoY)	3,443 -11.8%	3,381 -3.8%	4,301 -4.5%	3,748 -4.1%	3,490 1.4%	3,264 -3.5%	4,167 -3.1%	- -
Average order value (Note) 1, 2, 3 (YoY)	7,409 -11.7%	7,370 -2.1%	8,516 -5.1%	7,991 -3.8%	7,501 1.2%	7,346 -0.3%	8,592 0.9%	- -
Average purchase pieces per order (Note) 1, 3 (YoY)	2.15 0.1%	2.18 1.8%	1.98 -0.7%	2.13 0.4%	2.15 -0.1%	2.25 3.2%	2.06 4.1%	- -
Number of shipments (Note) 1, 3 (YoY)	11,472,548 24.6%	11,011,990 6.4%	11,960,223 18.4%	11,162,186 14.4%	12,085,053 5.3%	11,816,663 7.3%	13,049,762 9.1%	- -

(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 in the third quarter consolidated accounting period of the current fiscal year decreased in YoY. The major factor was a decrease of the retail price of the merchandise on sales, as a result of increase in customers who prefer the products with lower price, although there was not a big change in the proportion of discount sales in the gross merchandise value. Also, the average order value increased in YoY due to an increase in the number of average purchase pieces per order.

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 third quarter of the current fiscal year, the merchandise value was 2,147 million yen (+53.6% YoY), accounting for 0.6% of the gross merchandise value (0.5% in the same period of the previous fiscal year). Net sales were 2,112 million yen (+51.1% YoY). As of the end of December 2021, the number of shops opened on ZOZOTOWN for outright purchase/production & sales was 24 (24 as of the end of September 2021).

ii. Consignment Sales

In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 277,644 million yen (+7.6% YoY), accounting for 73.9% of the gross merchandise value (84.8% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 79,731 million yen (+5.3% YoY). As of the end of December 2021, the number of shops opened on ZOZOTOWN for consignment sales was 1,492 (1,478 as of the end of September 2021).

iii. USED Sales

In the consolidated cumulative third quarter of the current fiscal year, the merchandise value was 9,779 million yen (+14.4% YoY), accounting for 2.6% of the gross merchandise value (2.8% in the same period of the previous fiscal year).

Net sales were 9,616 million yen (+12.9% 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 was 31,568 million yen, (+95.7% YoY), accounting for 8.5% of the gross merchandise value (5.3% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 9,199 million yen (+95.0% 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 third quarter of the current fiscal year, the merchandise value was 20,447 million yen (+23.0% YoY), accounting for 5.4% of the gross merchandise value (5.5% in the same period of the previous fiscal year). Net sales (consignment sales commission) were 3,805 million yen (+20.0% YoY). As of the end of December 2021, the number of consigned sites was 48 (48 as of the end of September 2021).

④ Advertisement business

The advertisement business is a business model that generates advertising revenue by providing advertising space to client brands by utilizing the user reach base of ZOZOTOWN and WEAR. In the consolidated cumulative third quarter of the current fiscal year, net sales were 4,636 million yen (+60.4% YoY). As for WEAR, we continue to focus on expanding the number of users and contents. As of the end of December 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 third quarter of the current fiscal year, the merchandise value was 33,919 million yen, accounting for 9.0% of the gross merchandise value (1.1% in the same period of the previous fiscal year).

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 third quarter of the current fiscal year, net sales were 14,675 million yen (+21.7% YoY).

(2) Explanation of financial position

Overview of total assets, liabilities, and net assets

(Unit: Million yen)

	Previous consolidated fiscal year	Third quarter consolidated accounting period	Increase/decrease rate
Total assets	125,656	119,713	-4.7%
Liabilities	70,149	72,457	3.3%
Net assets	55,507	47,255	-14.9%

(Total assets)

Total assets amounted to 119,713 million yen, a decrease of 5,943 million yen (-4.7% from the previous consolidated fiscal year end). Current assets decreased by 4,760 million yen, or -4.8%, compared with the previous consolidated fiscal year end, amounted to 95,035 million yen. Major component is a decrease of 10,710 million yen in cash and deposits. Non-current assets decreased by 1,182 million yen, or -4.6%, compared with the previous consolidated fiscal year end, amounted to 24,677 million yen. Major components are a decrease of 345 million yen in property, plant and equipment, a decrease of 300 million yen in goodwill, and a decrease of 481 million yen in investments and other assets.

(Liabilities)

Liabilities amounted to 72,457 million yen, an increase of 2,308 million yen (+3.3% from the previous consolidated fiscal year end). Current liabilities increased by 1,544 million yen, or +2.4%, compared with the previous consolidated fiscal year end, amounted to 66,725 million yen. Major component is an increase of 7,558 million yen in deposits received for consignment sales. Non-current liabilities increased by 764 million yen, or 15.4%, compared with the previous consolidated fiscal year end, amounted to 5,732 million yen. Major components are an increase of 684 million yen in retirement benefit liability and an increase of 19 million yen in asset retirement obligations.

(Net assets)

Net assets amounted to 47,255 million yen, a decrease of 8,252 million yen (-14.9% from the previous consolidated fiscal year end). Major components are a decrease of 31,997 million yen due to the acquisition of treasury stock, an increase of 11,359 million yen due to the disposal of treasury stock, an increase of 26,653 million yen due to recognition of net profit attributable to owners of parent, and a decrease of 14,533 million yen due to cash dividends.

(3) Explanation of consolidated business forecast and other forward-looking statements

There is no change in the consolidated financial forecast 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)	Third quarter consolidated accounting period of current fiscal year (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	61,648	50,937
Accounts receivable-trade	32,781	37,922
Merchandise and finished goods	1,792	2,050
Raw materials and supplies	79	37
Others	3,494	4,086
Total current assets	99,796	95,035
Non-current assets		
Property, plant and equipment	12,019	11,673
Intangible assets		
Goodwill	2,190	1,890
Others	724	670
Total intangible assets	2,915	2,560
Investments and other assets	10,925	10,443
Total noncurrent assets	25,860	24,677
Total assets	125,656	119,713
Liabilities		
Current liabilities		
Accounts payable-trade	147	371
Deposits received for consignment sales	21,535	29,093
Short-term borrowings	20,000	20,100
Income taxes payable	9,980	4,742
Provision for bonuses	1,622	293
Provision for bonuses for directors	81	61
Provision for point certificates	361	-
Provision for sales returns	139	-
Provision for loss on business liquidation	—	190
Others	11,313	11,872
Total current liabilities	65,180	66,725
Non-current liabilities		
Retirement benefit liability	2,686	3,370
Asset retirement obligations	2,237	2,256
Others	44	104
70,149	4,968	5,732
Total liabilities	70,149	72,457

(Unit: Million yen)

	Previous consolidated fiscal year (As of March 31, 2021)	Third quarter consolidated accounting period of current fiscal year (As of December 31, 2021)
Net assets		
Shareholders' equity		
Amount of Capital	1,359	1,359
Capital surplus	1,328	1,463
Retained earnings	77,109	89,229
Treasury stock	-24,146	-44,784
Total shareholders' equity	55,651	47,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	7
Foreign currency translation adjustment	-9	16
Remeasurements of retirement benefit plan	-213	-191
Total accumulated other comprehensive income	-217	-167
Stock acquisition right	3	25
Non-controlling interests	70	130
Total net assets	55,507	47,255
Total liabilities and net assets	125,656	119,713

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

(Unit: Million yen)

	Consolidated cumulative third quarter of previous fiscal year (April 1, 2020 to December 31, 2020)	Consolidated cumulative third quarter of current fiscal year (April 1, 2021 to December 31, 2021)
Net sales	108,480	123,778
Cost of sales	5,439	7,158
Gross profit	103,041	116,620
Reversal of provision for sales returns	107	-
Provision for sales returns	188	-
Gross profit-net	102,960	116,620
Selling, general and administrative expenses	69,174	77,841
Operating income	33,785	38,779
Non-operating income		
Interest income	4	8
Received rent	191	214
Foreign exchange gain	18	-
Operations support fee	6	14
Income from recycling	28	27
Subsidy income	83	20
Gain on unused points	42	33
Others	19	22
Total non-operating income	395	341
Non-operating expenses		
Interest expenses	53	55
Provision for allowance for doubtful accounts	22	5
Rent expenses	182	205
Commissions expenses	7	17
Foreign exchange losses	-	3
Loss on investments in partnerships	21	77
Total non-operating expenses	288	364
Ordinary income	33,891	38,756
Extraordinary gains		
Gain on sales of noncurrent assets	-	0
Reversal of Provision for foreign currency translation adjustment	22	-
Total extraordinary income	22	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	20	10
Impairment loss	-	55
Loss on business liquidation	-	184
Total extraordinary loss	20	250
Profit before income taxes	33,893	38,505
Income taxes- current	10,022	11,162
Income taxes – deferred	119	630
Total income taxes	10,142	11,792
Net income	23,751	26,713
Net income attributable to non-controlling interests	25	59
Net profit attributable to owners of parent	23,725	26,653

Quarterly Consolidated Statements of Comprehensive Income
 Consolidated cumulative third quarter

(Unit: Million yen)

	Consolidated cumulative third quarter of previous fiscal year (April 1, 2020 to December 31, 2020)	Consolidated cumulative third quarter of current fiscal year (April 1, 2021 to December 31, 2021)
Net profit	23,751	26,713
Other comprehensive income		
Valuation difference on available-for-sale securities	-1	2
Foreign currency translation adjustment	5	25
Remeasurements of retirement benefit plan	8	21
Total other comprehensive income	13	49
Quarterly comprehensive income	23,764	26,762
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	23,738	26,703
Comprehensive income attributable to non-controlling interests	25	59

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Notes on significant changes in Shareholders' Equity)

(1) Acquisition of treasury stock

On May 25, 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.

(2) Disposal of treasury stock

Based on the resolution of the Board of Directors held on May 24, 2021, other capital surplus increased by 226 million yen and treasury stock decreased by 11,198 million yen due to the disposal of treasury stock.

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Revenue Recognition)

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 third quarter's net sales decreased by 2,036 million yen, cost of sales increased by 576 million yen, and selling, general and administrative expenses decreased by 2,524 million 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 third 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.

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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.