

# 3Q FY2016

**CONSOLIDATED**

**BUSINESS RESULTS**

**APRIL 1, 2016 - DECEMBER 31, 2016**

# FY2016 3Q HIGHLIGHTS

01

Overview	- Total Transaction Value	: 148,090 million yen	( + 32.3% ,Yoy)	
	- Operating Profit	: 19,291 million yen	( + 64.3% ,Yoy)	→ Maintain a high growth rate

## Total ZOZOTOWN BUSINESS

Transaction Value	Total Transaction Value	: 142,901 million yen	( + 41.0% ,Yoy)	
	Consignment Business	: 133,485 million yen	( + 39.7% ,Yoy)	
	Purchased Stock Business	: 145 million yen	( - 71.9% ,Yoy)	
	ZOZOUSED Business	: 9,270 million yen	( + 76.8% ,Yoy)	
	Average Retail Price	: 5,236 yen	( - 11.8% ,Yoy)	
	Average Purchase Amount per Shipment	: 10,143 yen	( - 4.8% ,Yoy)	
	B to B Business	: 4,522 million yen	( - 57.3% ,Yoy)	→ Progressed as planned

Profitability	- Operating profit margin (to the total transaction value)	: 13.0% (10.5% for FY2015 Q3).	
	Factors improving profitability	: Increase in GPM (ZOZOUSED growth, increase in other revenue segment). Decrease in promotion-related expense ratio. → planning to spend in the 4Q in this fiscal year.	
	Factors worsening profitability	: Increase in HR expense ratio (ZOZOUSED growth). Increase in shipping expense ratio (decrease in average purchase amount).	

Topic	<ul style="list-style-type: none"><li>• Started offering “deferred payment services” (payable at 2 months) in November 2016.</li><li>• Started offering “replacement purchase services” in November 2016. (Enable users to trade-in their clothes to get new items at a discounted price).</li><li>• Earn the “enterprise value enhancement awards” for excellence held by TSE (January, 2017).</li></ul>
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**BUSINESS  
PERFORMANCE  
FY2016 3Q  
CONSOLIDATED  
BUSINESS RESULTS  
APRIL 1, 2016 -  
DECEMBER 31, 2016**

# OVERVIEW OF THE FY2016 3Q

| 03

(million¥)

Item	FY2015 3Q	FY2016 3Q	YoY Change(%)	Target	Progress Rate(%)
Transaction value	111,941	148,090	+32.3%	195,000	75.9%
Net sales	37,750	53,694	+42.2%	69,030	77.8%
Gross profit	34,836	48,659	+39.7%	-	-
(% Transaction Value)	31.1%	32.9%	+1.8%	-	-
SG&A	23,092	29,367	+27.2%	-	-
(% Transaction Value)	20.6%	19.8%	-0.8%	-	-
Operating profit	11,744	19,291	+64.3%	22,140	87.1%
(% Transaction Value)	10.5%	13.0%	+2.5%	11.4%	-
Recurring profit	11,898	19,433	+63.3%	22,150	87.7%
Profit attributable to owners of parent	7,927	14,117	+78.1%	15,260	92.5%

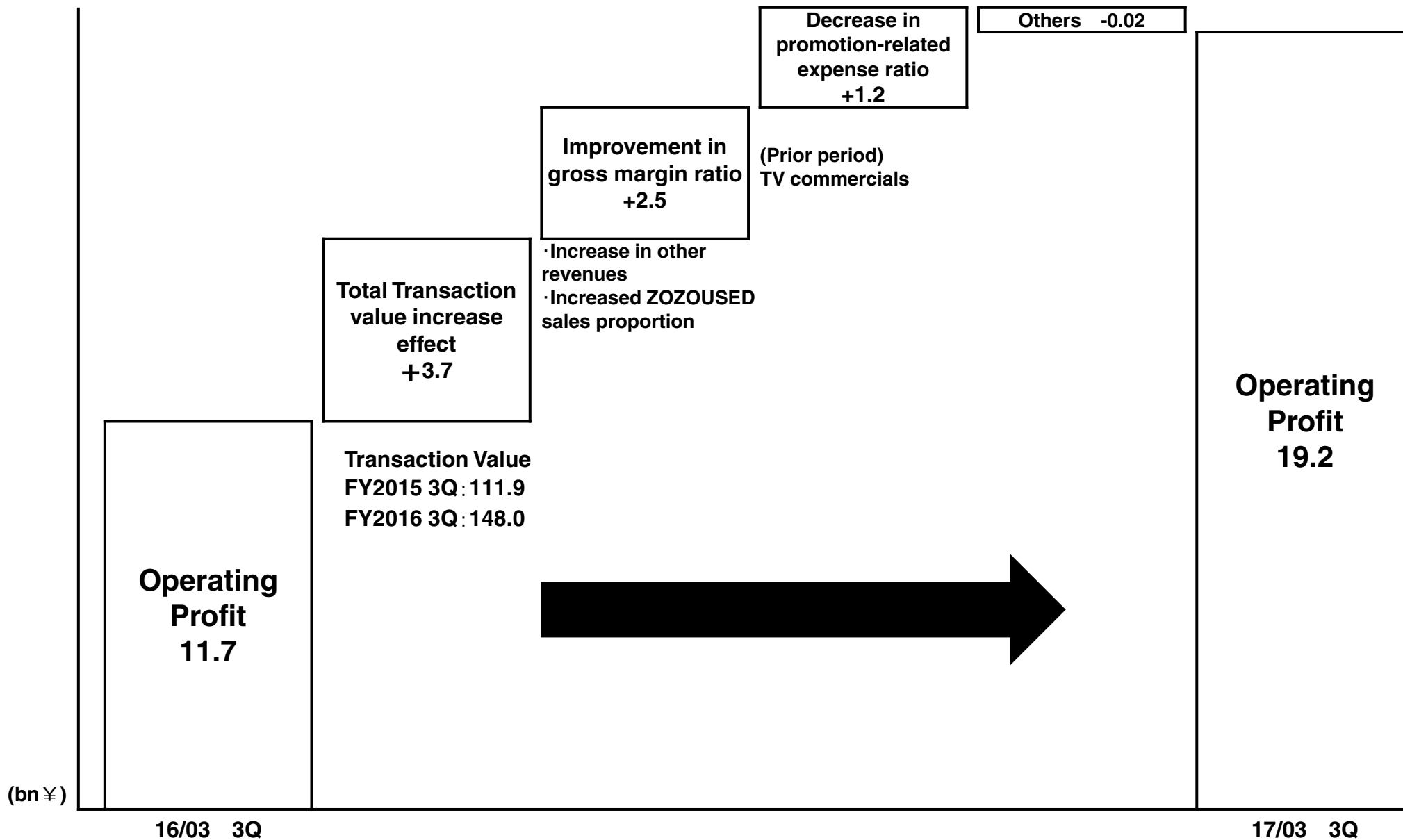
# OVERVIEW OF EACH QUARTER

| 04

(million¥)

Item	FY2015				FY2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Transaction value</b>	<b>33,271</b>	<b>34,142</b>	<b>44,526</b>	<b>47,559</b>	<b>42,284</b>	<b>44,210</b>	<b>61,595</b>
<b>YoY (%)</b>	<b>22.2%</b>	<b>18.4%</b>	<b>23.5%</b>	<b>28.7%</b>	<b>27.1%</b>	<b>29.5%</b>	<b>38.3%</b>
<b>Net sales</b>	<b>10,856</b>	<b>11,560</b>	<b>15,333</b>	<b>16,671</b>	<b>15,386</b>	<b>16,180</b>	<b>22,127</b>
<b>SG&amp;A</b>	<b>6,453</b>	<b>7,444</b>	<b>9,193</b>	<b>9,236</b>	<b>8,788</b>	<b>9,228</b>	<b>11,350</b>
<b>YoY (%)</b>	<b>24.9%</b>	<b>33.3%</b>	<b>46.7%</b>	<b>38.4%</b>	<b>36.2%</b>	<b>24.0%</b>	<b>23.5%</b>
<b>(% Transaction Value)</b>	<b>19.4%</b>	<b>21.8%</b>	<b>20.6%</b>	<b>19.4%</b>	<b>20.8%</b>	<b>20.9%</b>	<b>18.4%</b>
<b>Operating profit</b>	<b>3,733</b>	<b>3,276</b>	<b>4,735</b>	<b>6,011</b>	<b>5,011</b>	<b>5,576</b>	<b>8,703</b>
<b>YoY (%)</b>	<b>29.5%</b>	<b>3.7%</b>	<b>2.7%</b>	<b>35.7%</b>	<b>34.2%</b>	<b>70.2%</b>	<b>83.8%</b>
<b>(% Transaction Value)</b>	<b>11.2%</b>	<b>9.6%</b>	<b>10.6%</b>	<b>12.6%</b>	<b>11.9%</b>	<b>12.6%</b>	<b>14.1%</b>

# INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (YoY COMPARISON)



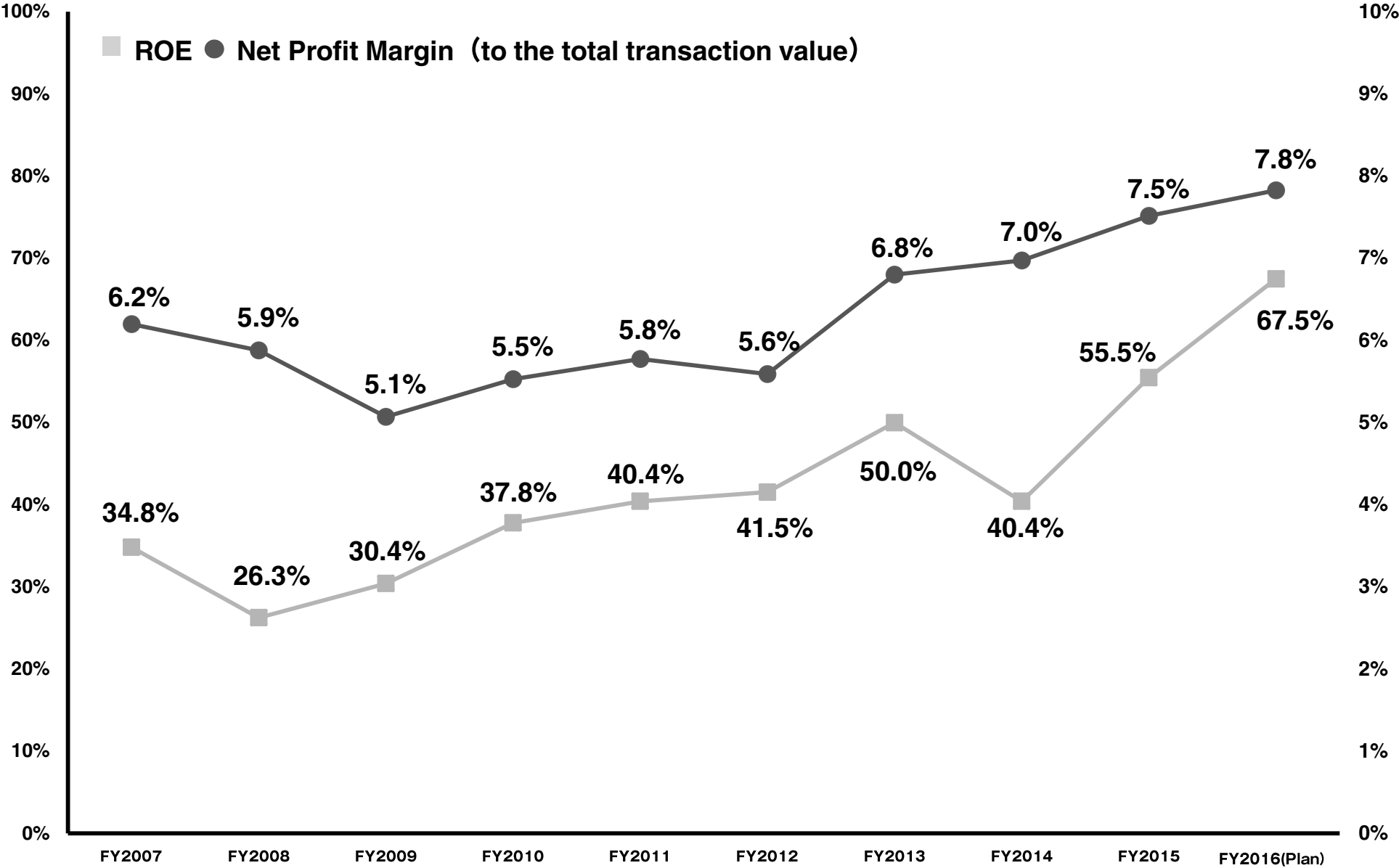
# CONSOLIDATED BALANCE SHEET

06

(million¥)

	FY2015 (as of March 31, 2016)	FY2016 3Q (as of December 31, 2016)		FY2015 (as of March 31, 2016)	FY2016 3Q (as of December 31, 2016)
Current assets	<b>24,822</b>	<b>39,369</b>	Current liabilities	<b>15,374</b>	<b>22,644</b>
Cash and deposits	<b>11,343</b>	<b>11,507</b>	Deposit received for consignment sales	<b>7,901</b>	<b>13,592</b>
Merchandise inventory	<b>1,191</b>	<b>1,532</b>	Noncurrent liabilities	<b>1,610</b>	<b>1,784</b>
Noncurrent assets	<b>10,094</b>	<b>12,142</b>	Total liabilities	<b>16,984</b>	<b>24,429</b>
Tangible assets	<b>3,157</b>	<b>3,493</b>	Shareholders' equity	<b>17,413</b>	<b>26,544</b>
Intangible assets	<b>3,272</b>	<b>2,570</b>	Treasury stock	<b>-11,757</b>	<b>-11,758</b>
Investments and other assets	<b>3,664</b>	<b>6,078</b>	Total net assets	<b>17,932</b>	<b>27,082</b>
Total assets	<b>34,916</b>	<b>51,511</b>	Total liabilities and net assets	<b>34,916</b>	<b>51,511</b>

# ROE AND NET PROFIT MARGIN

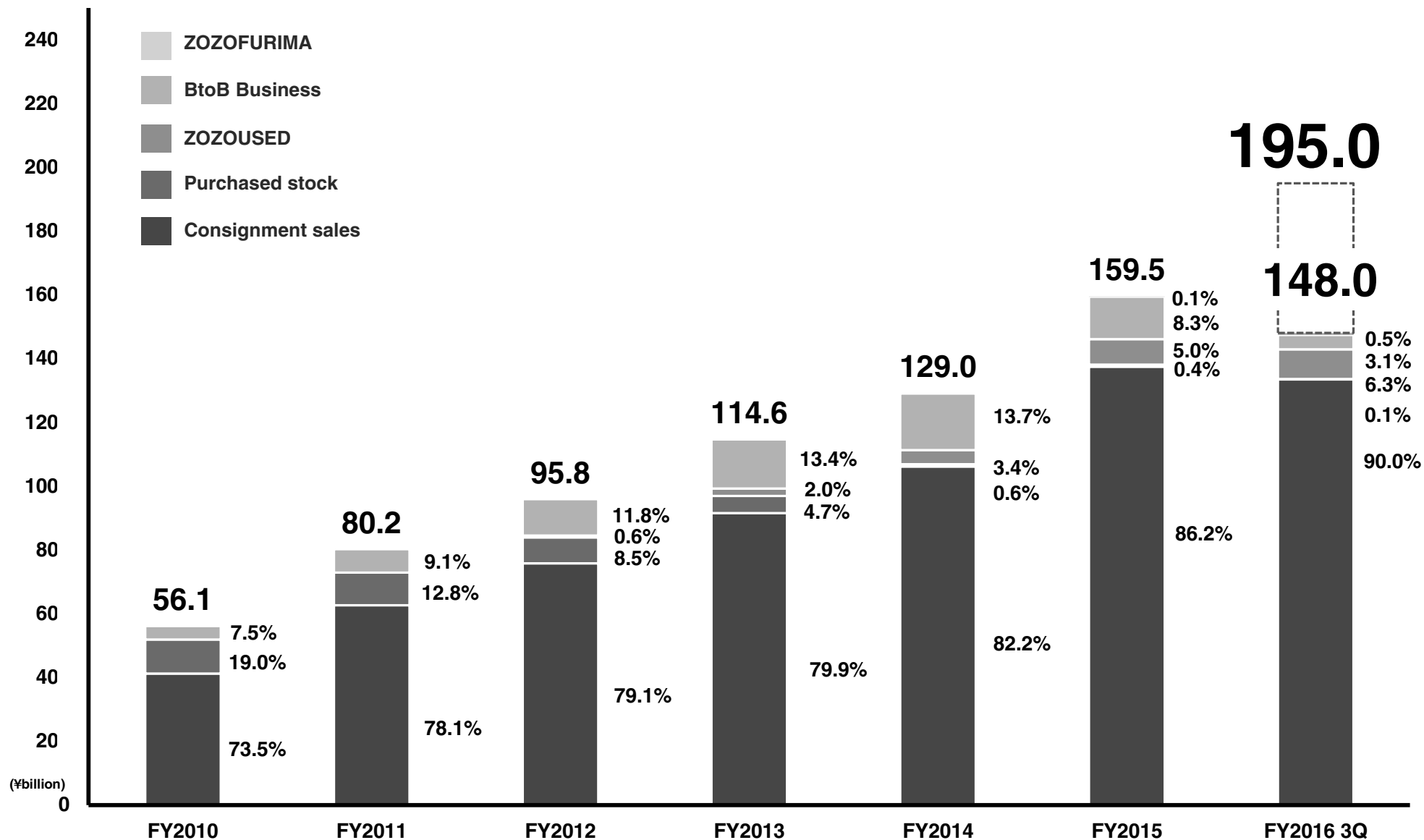




# TRANSACTION VALUE

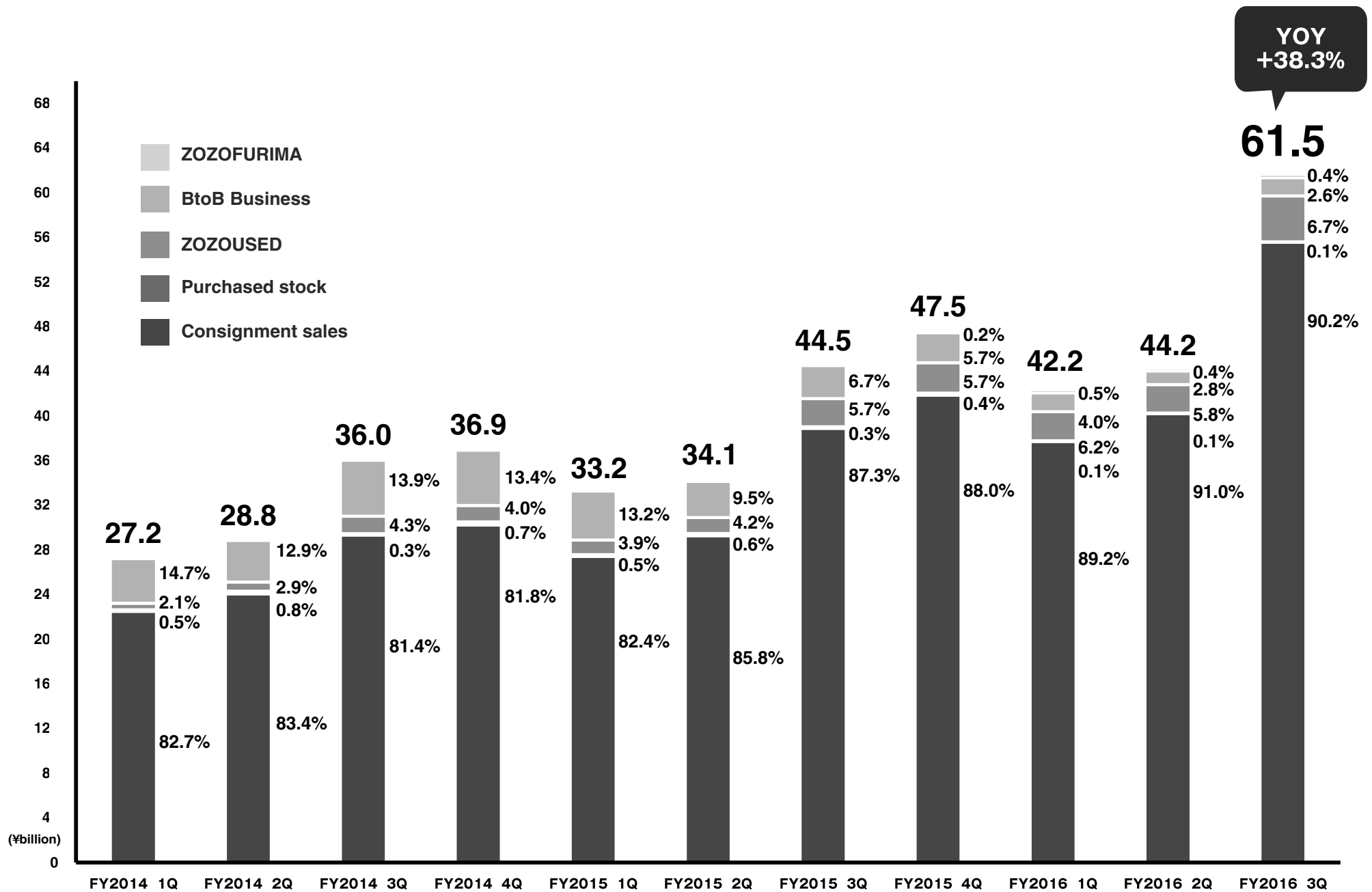
Gross transaction value of new shops opened in FY2016

ZOZOTOWN Business ( purchased stock & consignment sales ) : ¥ 4.5 billion (accounts for 3.1% of the total transaction value)

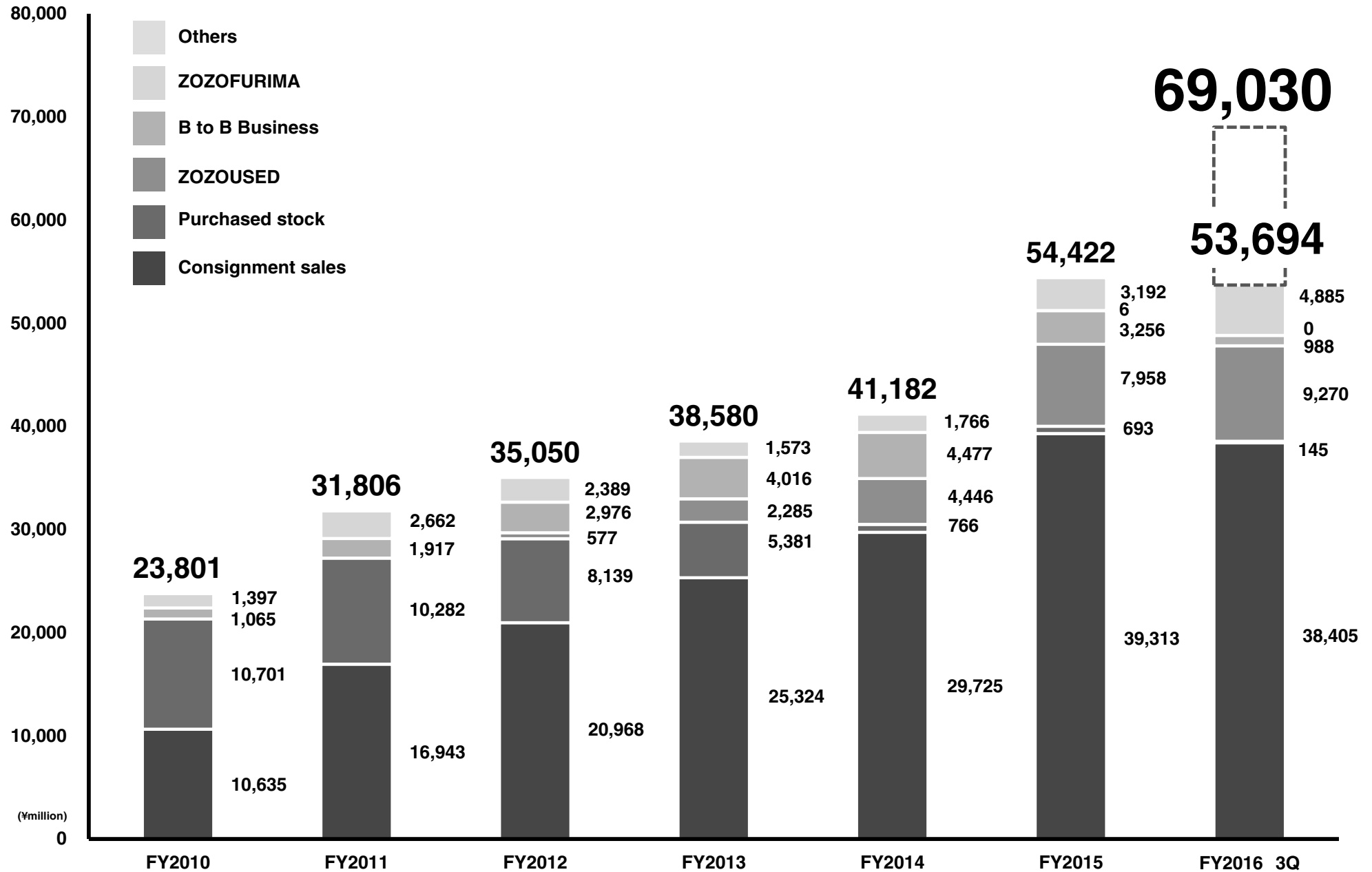


# TRANSACTION VALUE (QUARTERLY)

09

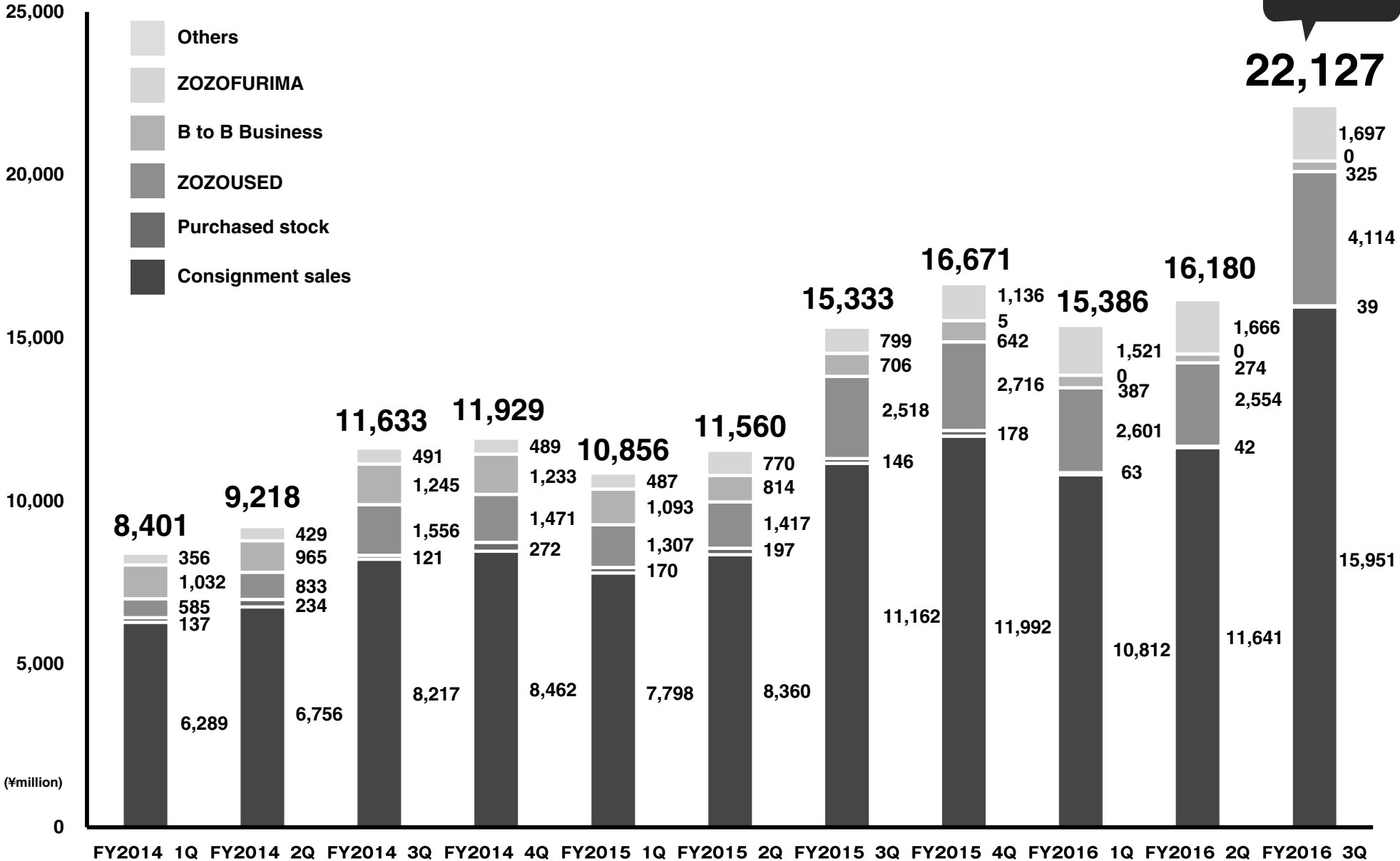


# NET SALES

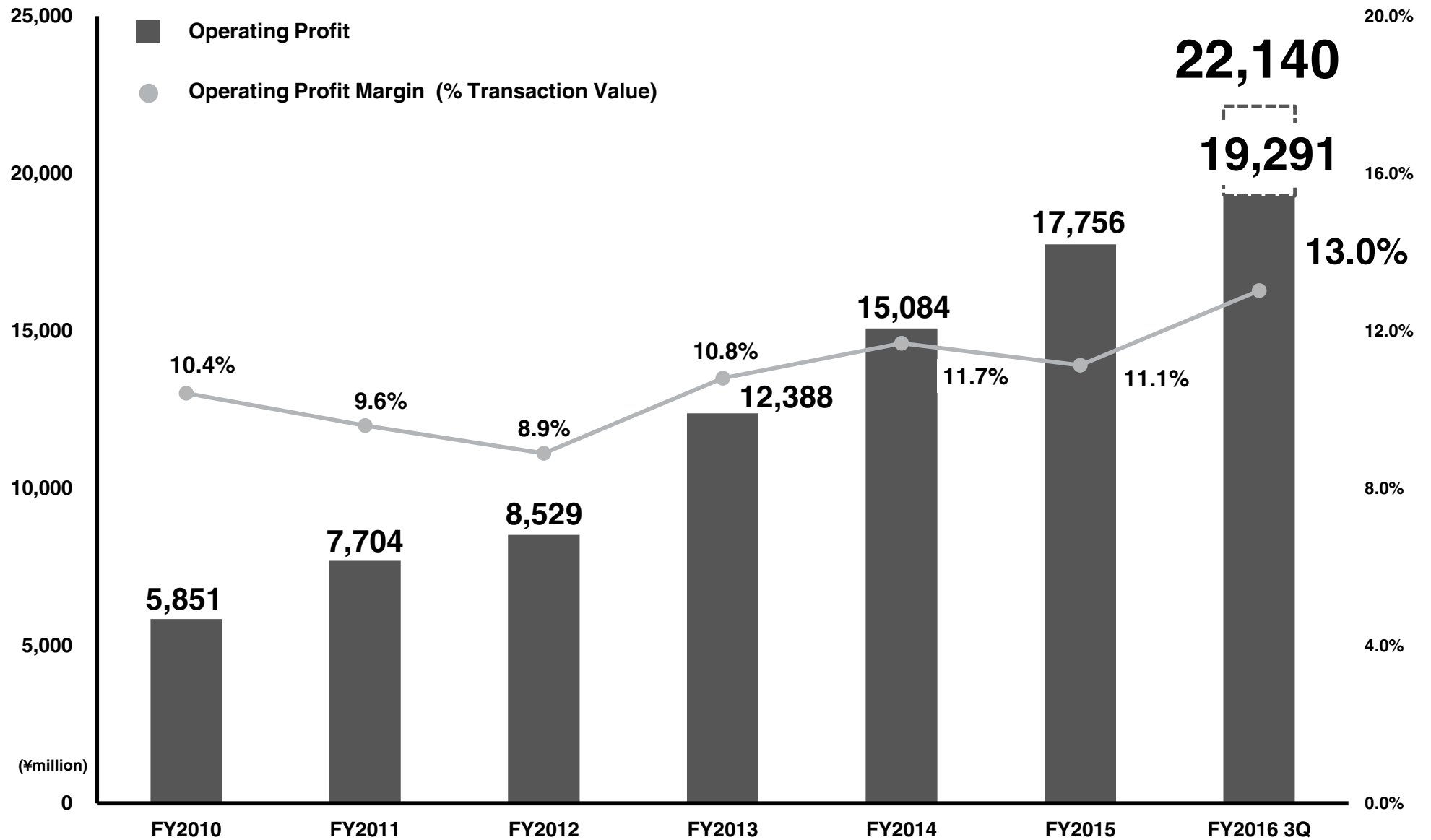


# NET SALES (QUARTERLY)

11  
YOY  
+44.3%



# OPERATING PROFIT AND OPERATING PROFIT MARGIN



# SELLING, GENERAL AND ADMINISTRATIVE (SG & A) EXPENSES

13

(million ¥)

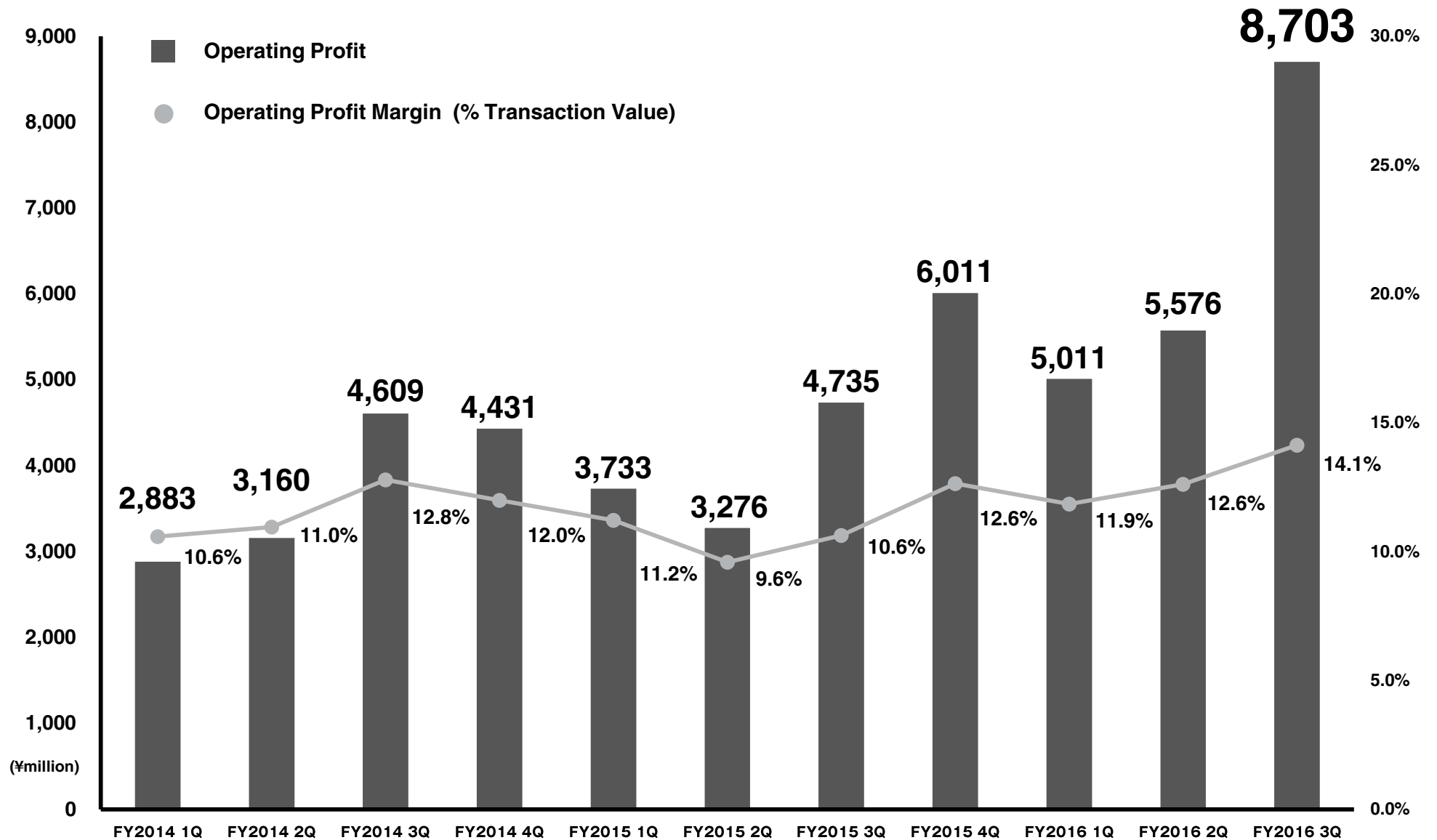
item	FY2015 3Q		FY2016 3Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll(*)	5,689	5.1%	7,791	5.3%	0.2%	The number of employees in our group has grown from 786 as of December, 2015 to 811 as of December, 2016. Due to increased HR ratio by the growth of ZOZOUSED
Shipping	4,607	4.1%	6,233	4.2%	0.1%	Increased cost burden by the drop in average purchase amount, decreased utilization of the same day shipping service
Commission of Payment collection	2,710	2.4%	3,729	2.5%	0.1%	
Promotion related expenses	3,088	2.8%	2,873	1.9%	-0.9%	
Advertising	1,441	1.3%	1,229	0.8%	-0.5%	(FY2015) TV commercials (FY2016) Re-targeting AD spending, PR for WEAR overseas expansion
Reward points related expenses	1,646	1.5%	1,644	1.1%	-0.4%	(FY2016) Several promotion activities using reward points
Outsourcing	2,040	1.8%	2,609	1.8%	0.0%	
Rent expense	1,317	1.2%	1,512	1.0%	-0.2%	
Depreciation	544	0.5%	610	0.4%	-0.1%	
Amortization of goodwill	529	0.5%	648	0.4%	-0.1%	
Others	2,563	2.3%	3,358	2.3%	0.0%	
Total SG&A	23,092	20.6%	29,367	19.8%	-0.8%	

※ Payroll includes salaries, bonuses, legal welfare expenses, welfare expenses, provision for retirement benefits, provision for bonuses, provision for directors' retirement benefits and subcontracting payroll

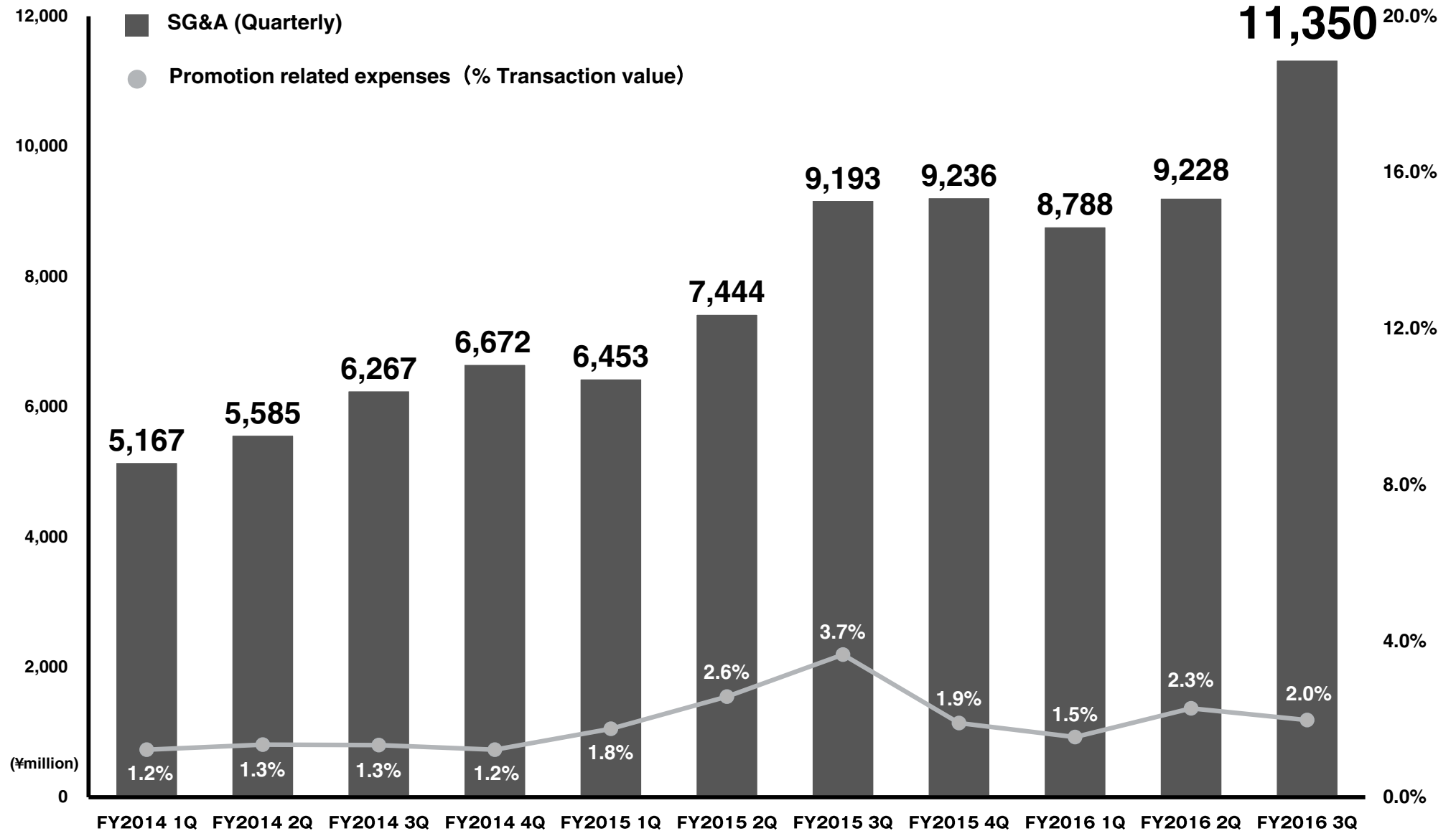
# OPERATING PROFIT AND OPERATING PROFIT MARGIN (QUARTERLY)

14

YOY  
+83.8%



# SELLING, GENERAL AND ADMINISTRATIVE (SG & A) EXPENSES





# OVERVIEW OF SG & A BY EACH QUARTER

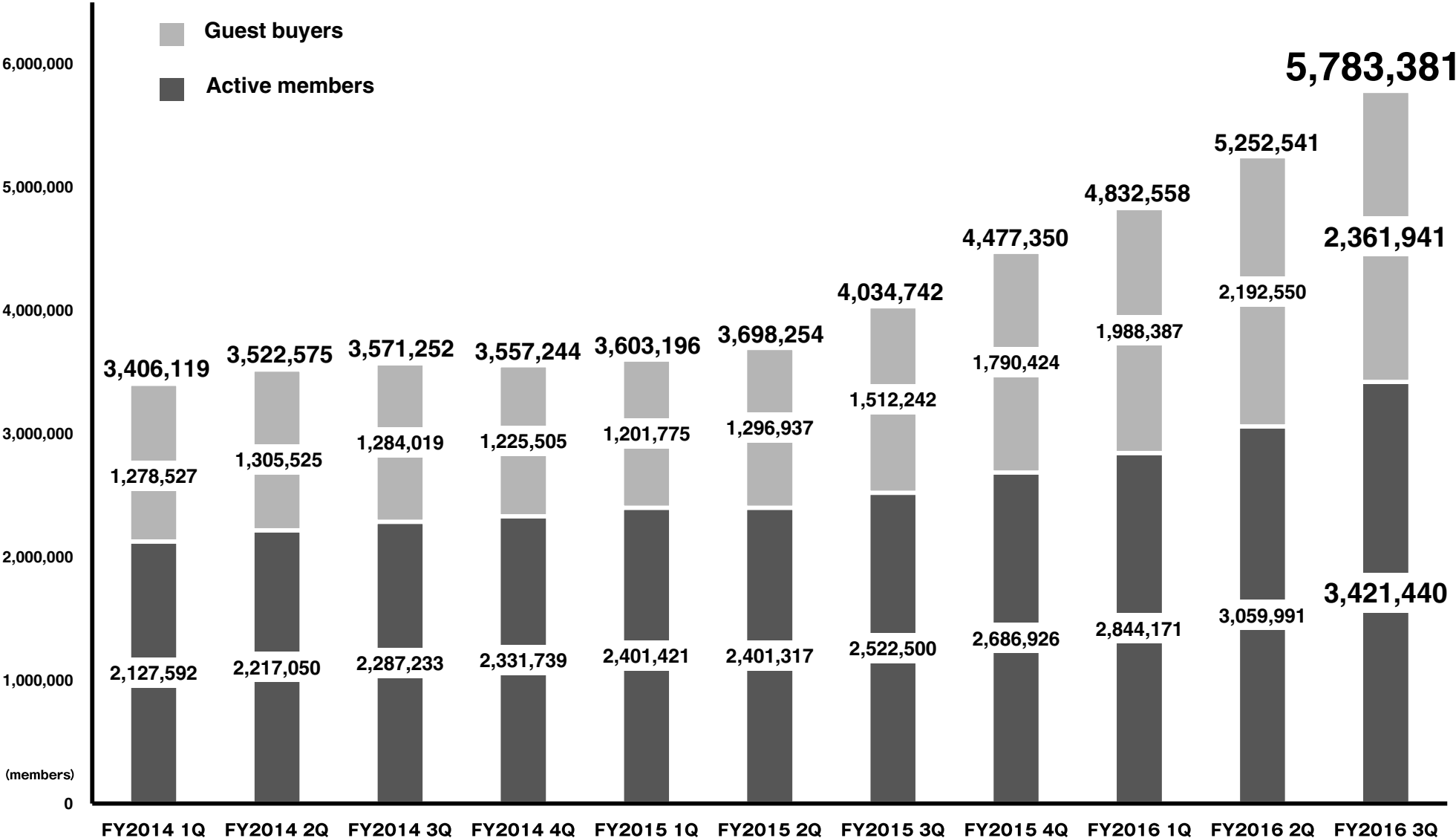
16

(million ¥)

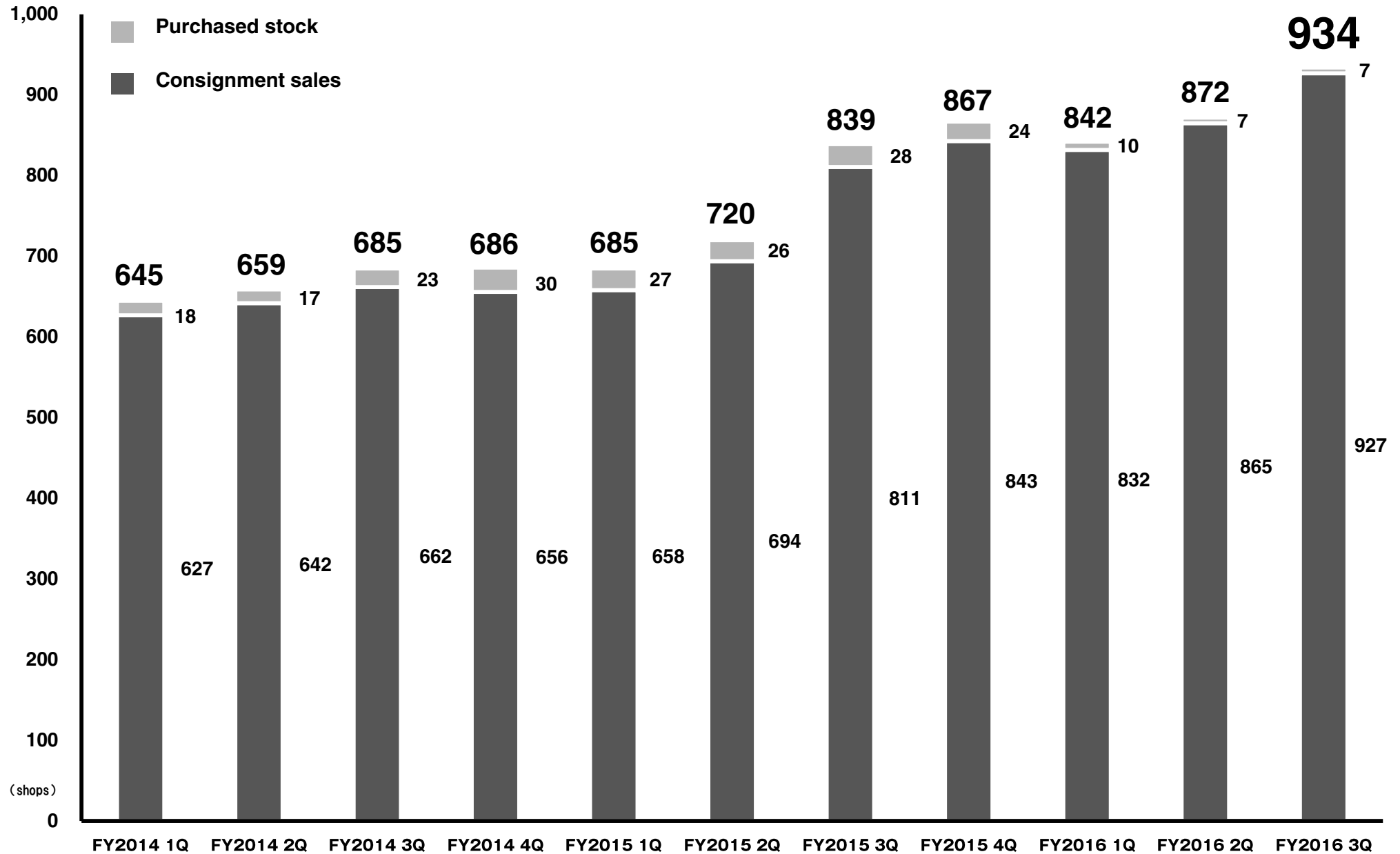
Item	FY2015								FY2016					
	1Q		2Q		3Q		4Q		1Q		2Q		3Q	
	Amount	%Transaction value	Amount	%Transaction value	Amount	%Transaction value	Amount	%Transaction value	Amount	%Transaction value	Amount	%Transaction value	Amount	%Transaction value
Payroll(*)	1,643	4.9%	1,835	5.4%	2,209	5.0%	2,477	5.2%	2,472	5.8%	2,383	5.4%	2,935	4.8%
Shipping	1,393	4.2%	1,521	4.5%	1,692	3.8%	1,988	4.2%	1,837	4.3%	2,073	4.7%	2,321	3.8%
Commission of Payment collection	810	2.4%	846	2.5%	1,053	2.4%	1,157	2.4%	1,043	2.5%	1,108	2.5%	1,578	2.6%
Promotion related expenses	583	1.8%	878	2.6%	1,625	3.7%	903	1.9%	650	1.5%	1,006	2.3%	1,216	2.0%
Advertising	183	0.6%	148	0.4%	1,109	2.5%	490	1.0%	223	0.5%	454	1.0%	551	0.9%
Reward points related expenses	399	1.2%	730	2.1%	516	1.2%	412	0.9%	427	1.0%	551	1.2%	665	1.1%
Outsourcing	646	1.9%	655	1.9%	738	1.7%	819	1.7%	807	1.9%	798	1.8%	1,003	1.6%
Rent expense	415	1.2%	433	1.3%	469	1.1%	484	1.0%	478	1.1%	468	1.1%	565	0.9%
Depreciation	165	0.5%	176	0.5%	202	0.5%	220	0.5%	194	0.5%	195	0.4%	220	0.4%
Amortization of goodwill	98	0.3%	217	0.6%	214	0.5%	214	0.5%	214	0.5%	256	0.6%	176	0.3%
Others	696	2.1%	880	2.6%	987	2.2%	970	2.0%	1,089	2.6%	936	2.1%	1,332	2.2%
<b>Total SG&amp;A</b>	<b>6,453</b>	<b>19.4%</b>	<b>7,444</b>	<b>21.8%</b>	<b>9,193</b>	<b>20.6%</b>	<b>9,236</b>	<b>19.4%</b>	<b>8,788</b>	<b>20.8%</b>	<b>9,228</b>	<b>20.9%</b>	<b>11,350</b>	<b>18.4%</b>

# NUMBER OF TOTAL BUYERS

Number of total buyers = Active members and guest buyers who made at least one purchase within a year  
 Guest buyers = Unique buyers who made a purchase without registering as a member  
 Active members = Members who have made at least one purchase within a year

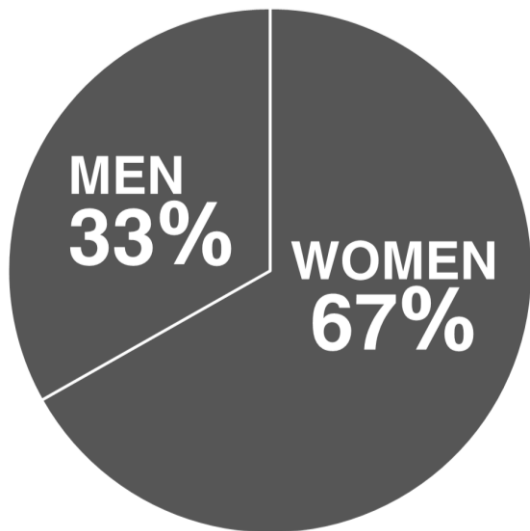


# NUMBER OF SHOPS OF MALL BUSINESS

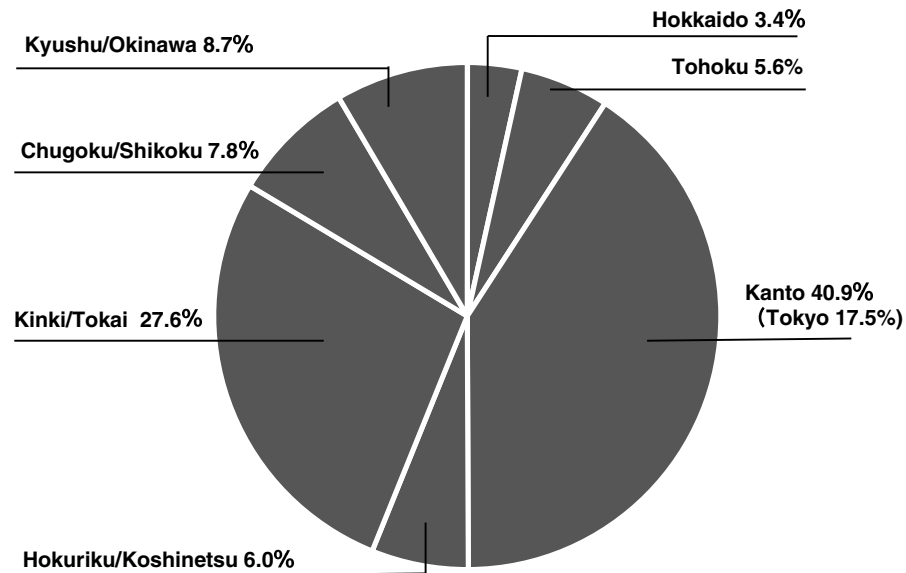


# ACTIVE MEMBER DISTRIBUTION

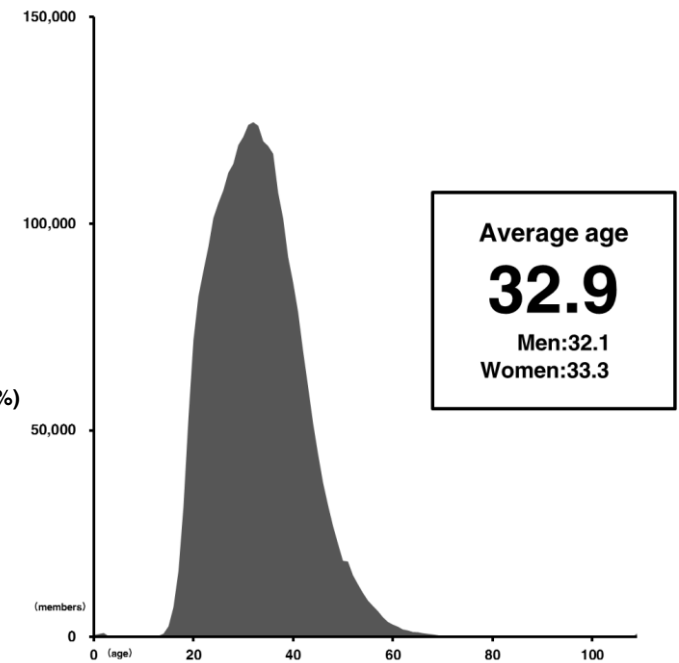
■ Gender ratio



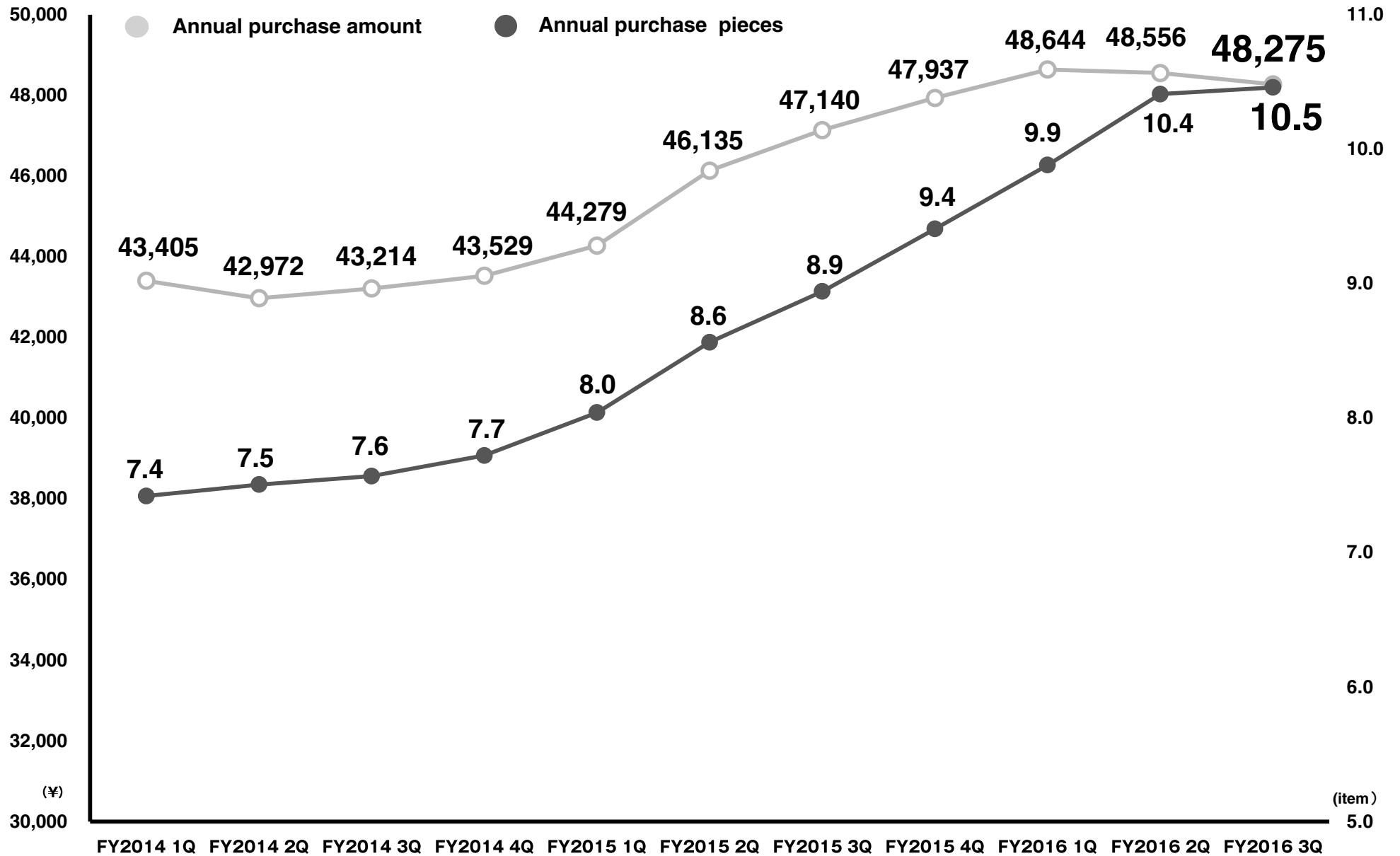
■ Geographical distribution



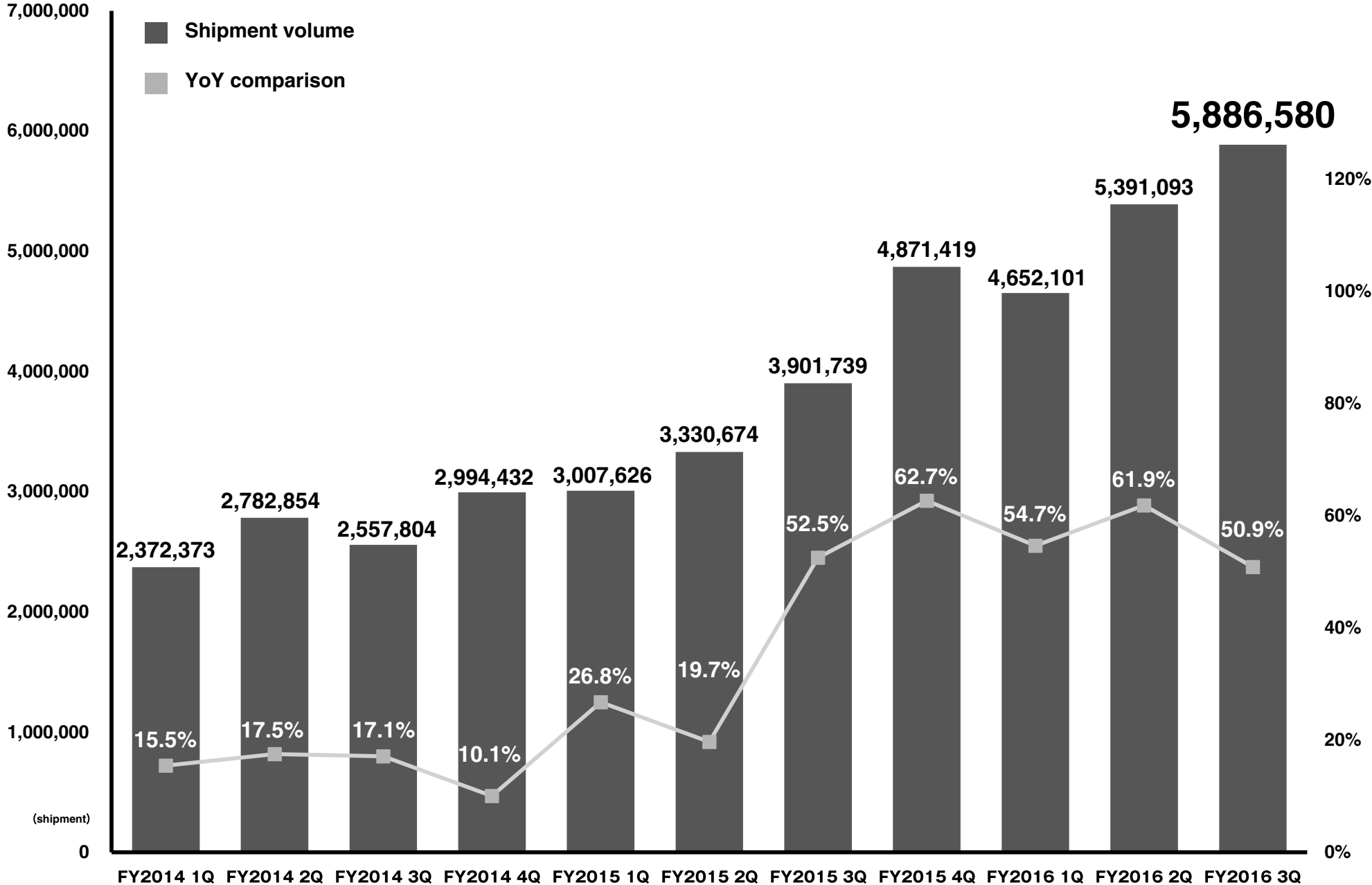
■ Age distribution



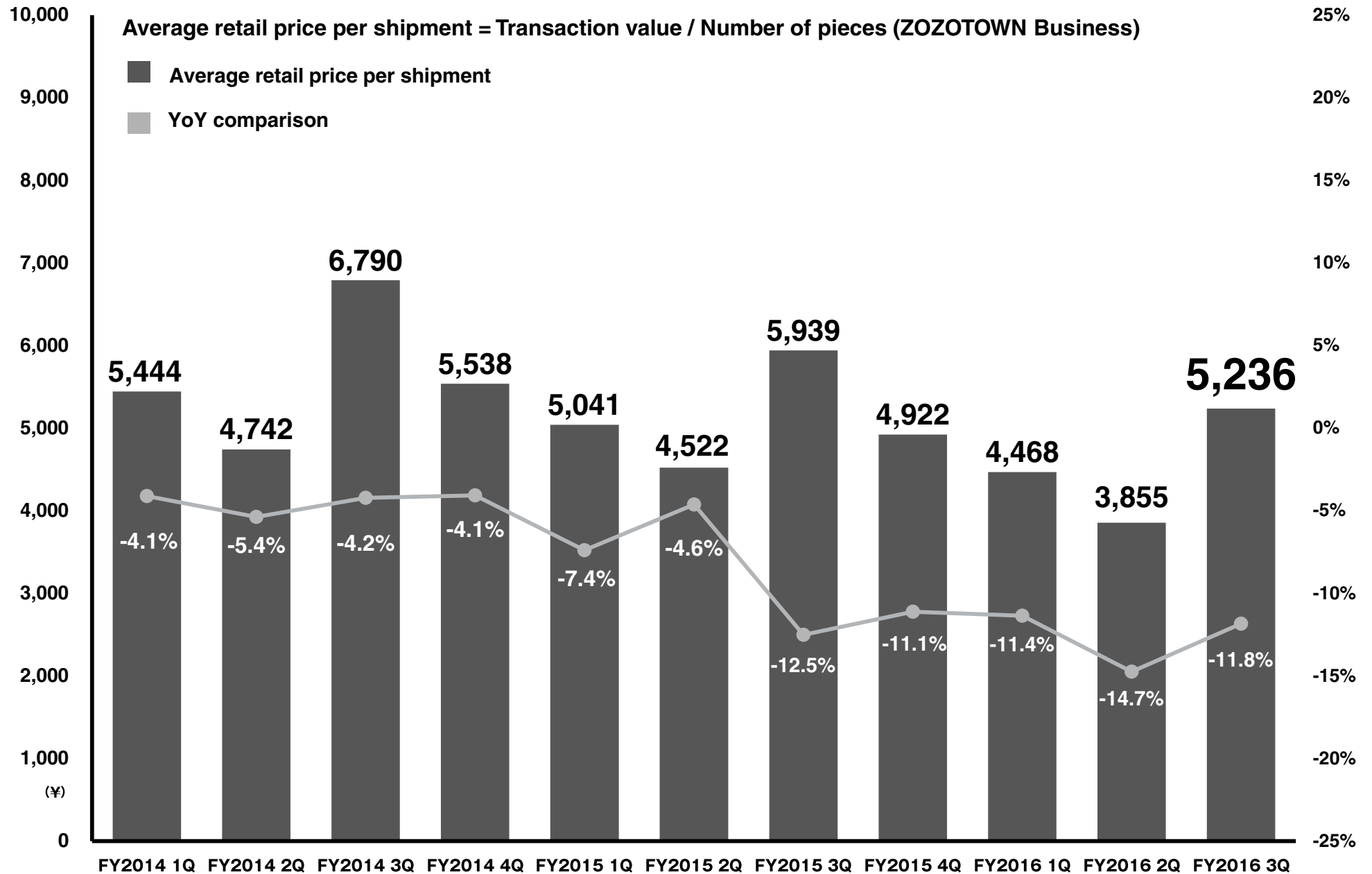
# ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



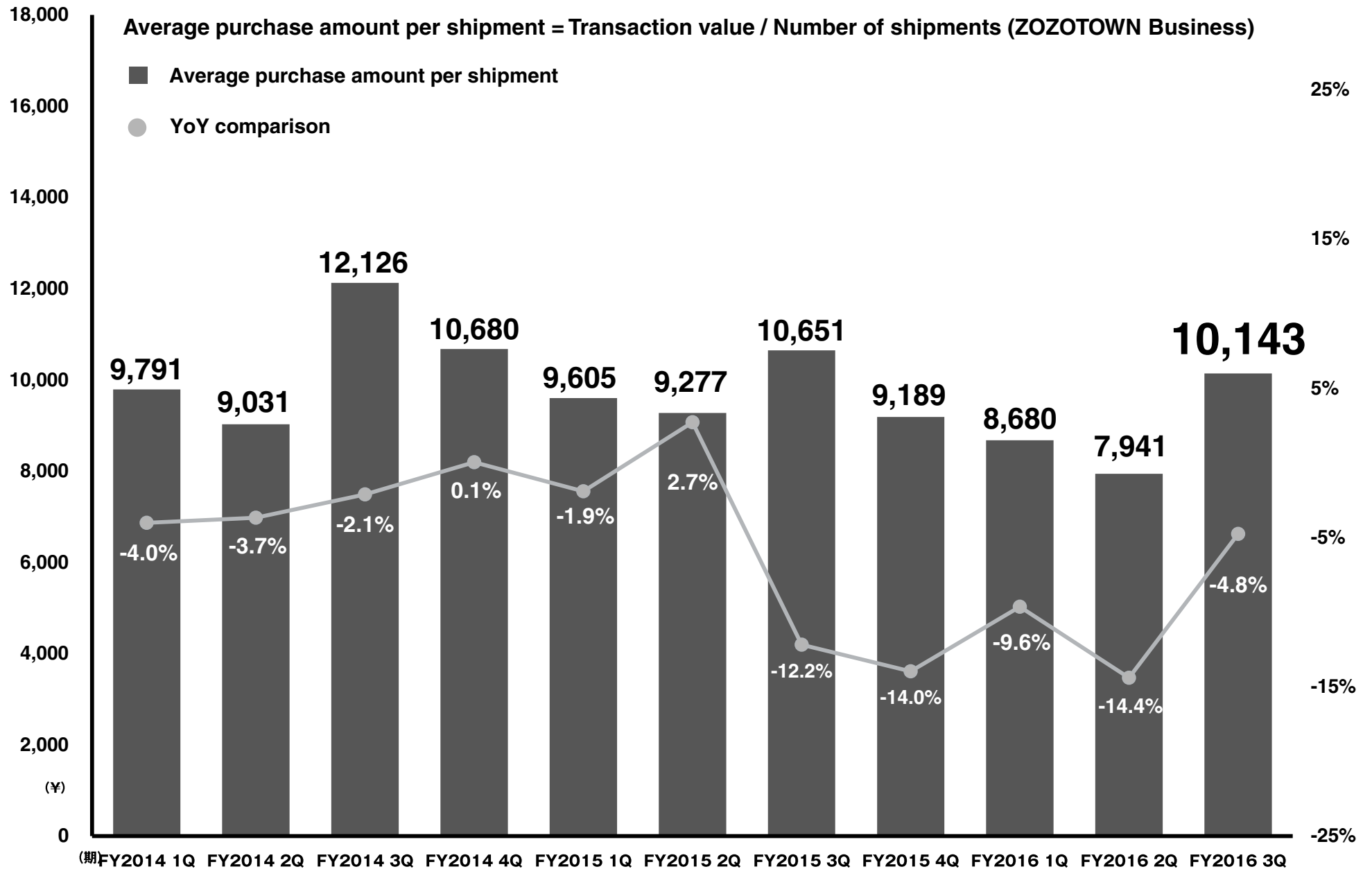
# NUMBER OF SHIPMENT



# AVERAGE RETAIL PRICE

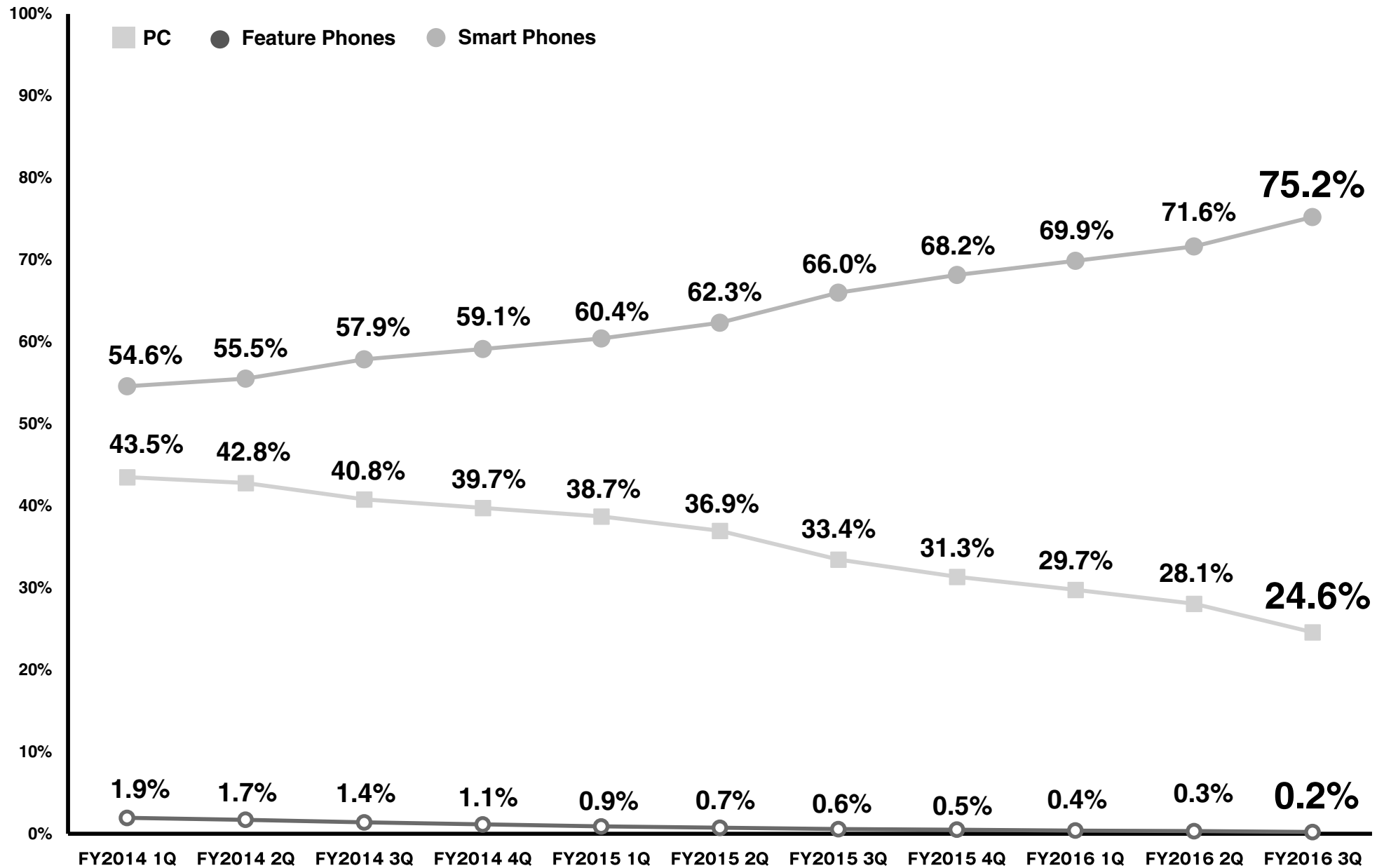


# AVERAGE PURCHASE AMOUNT PER SHIPMENT





# THE RATIO OF SHIPMENT VOLUME TO THE TOTAL PURCHASE VOLUME (by access terminal)



# PREPARATION TO DISCOVER OUR GROWTH FIELD



U.S. New York

「Material World.com」

A fashion EC platform which provides high-end second hand apparel, using prepaid debit cards.

Thailand

「Wear YouWant.com」

One of the leading drop shipping typed fashion EC platform in Thailand.

Malaysia

「Fashion Valet.com」

A fashion EC platform with the largest range of local products in Malaysia.

New Zealand

「Stretch Sense Limited.」

Developer and supplier of soft stretch sensors and generators.

# **BUSINESS PLAN FOR FY2016**

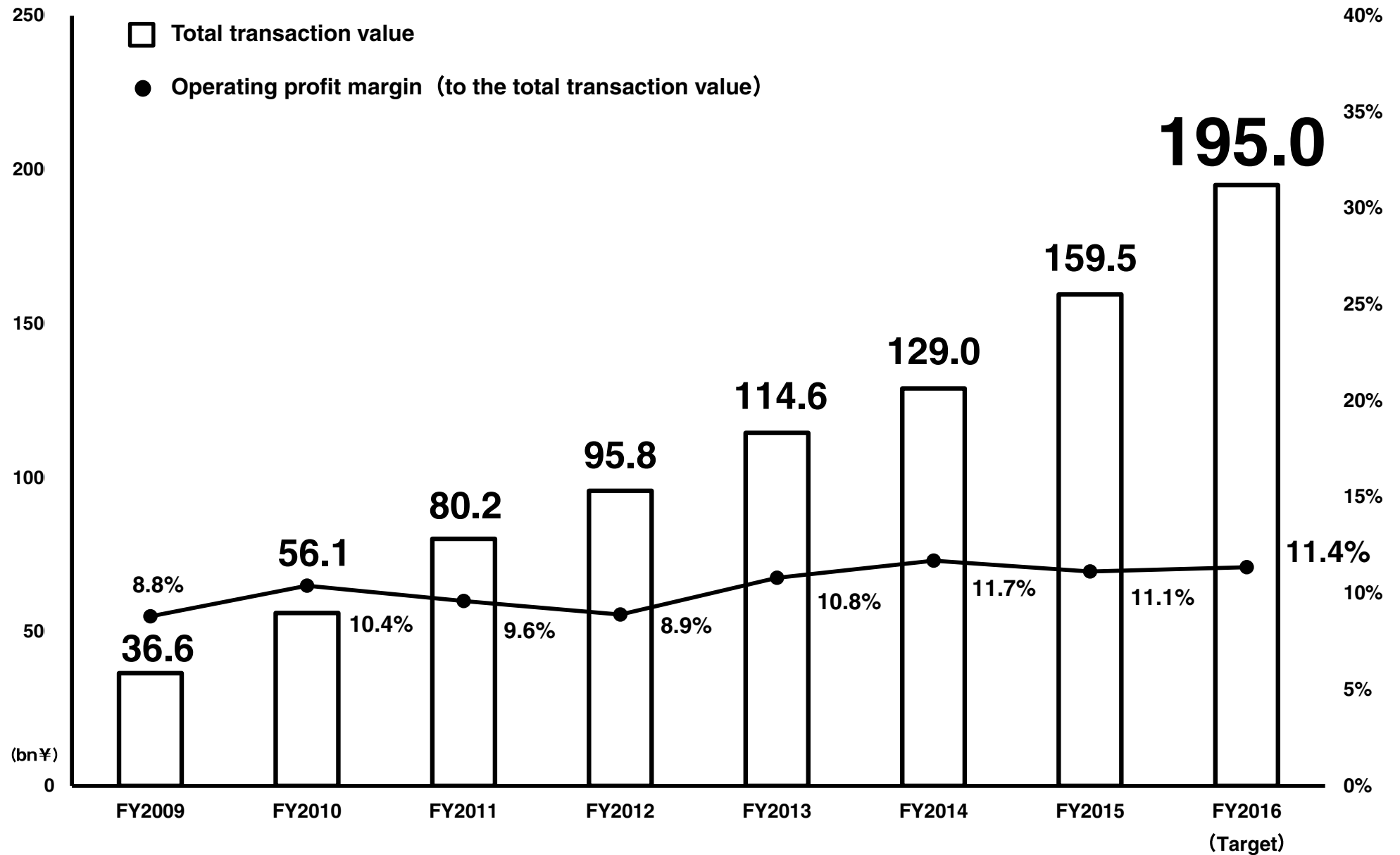
# CONSOLIDATED BUSINESS FORECAST AND DIVIDEND FORECAST FOR FY2016

27

	FY2016 PLAN	Growth Rate(%)
Transaction value	<b>195,000</b> (¥million)	<b>22.3%</b>
Net sales	<b>69,030</b> (¥million)	<b>26.8%</b>
Operating profit	<b>22,140</b> (¥million)	<b>24.7%</b>
Recurring profit	<b>22,150</b> (¥million)	<b>23.9%</b>
Profit attributable to owners of parent	<b>15,260</b> (¥million)	<b>27.3%</b>
Earnings per share	<b>48.9</b> (¥)	-
Estimated dividends per share	※ <b>20.7</b> (¥)	-

※On September 30, 2016 the company conducted a stock split. The projected dividend per share is the amount after the stock split.

# TRANSACTION VALUE



# BREAKDOWN OF THE TOTAL TRANSACTION VALUE AND EACH POLICY

## Start Today Group

Target for Total Transaction Value : 195.0 billion yen (+22.3%, Yoy)

## ZOZOTOWN Business

Target for Total Transaction Value : 185.0 billion yen (+26.6%, Yoy)

- Consignment Business 172.8 billion yen (+25.7%, Yoy)
- Purchased Stock Business 0.2 billion yen (-71.2%, Yoy)
- ZOZOUSED Business 12 billion yen (+50.8%, Yoy)

## B to B Business

Target for Total Transaction Value : 5 billion yen ( -62.4%, Yoy)

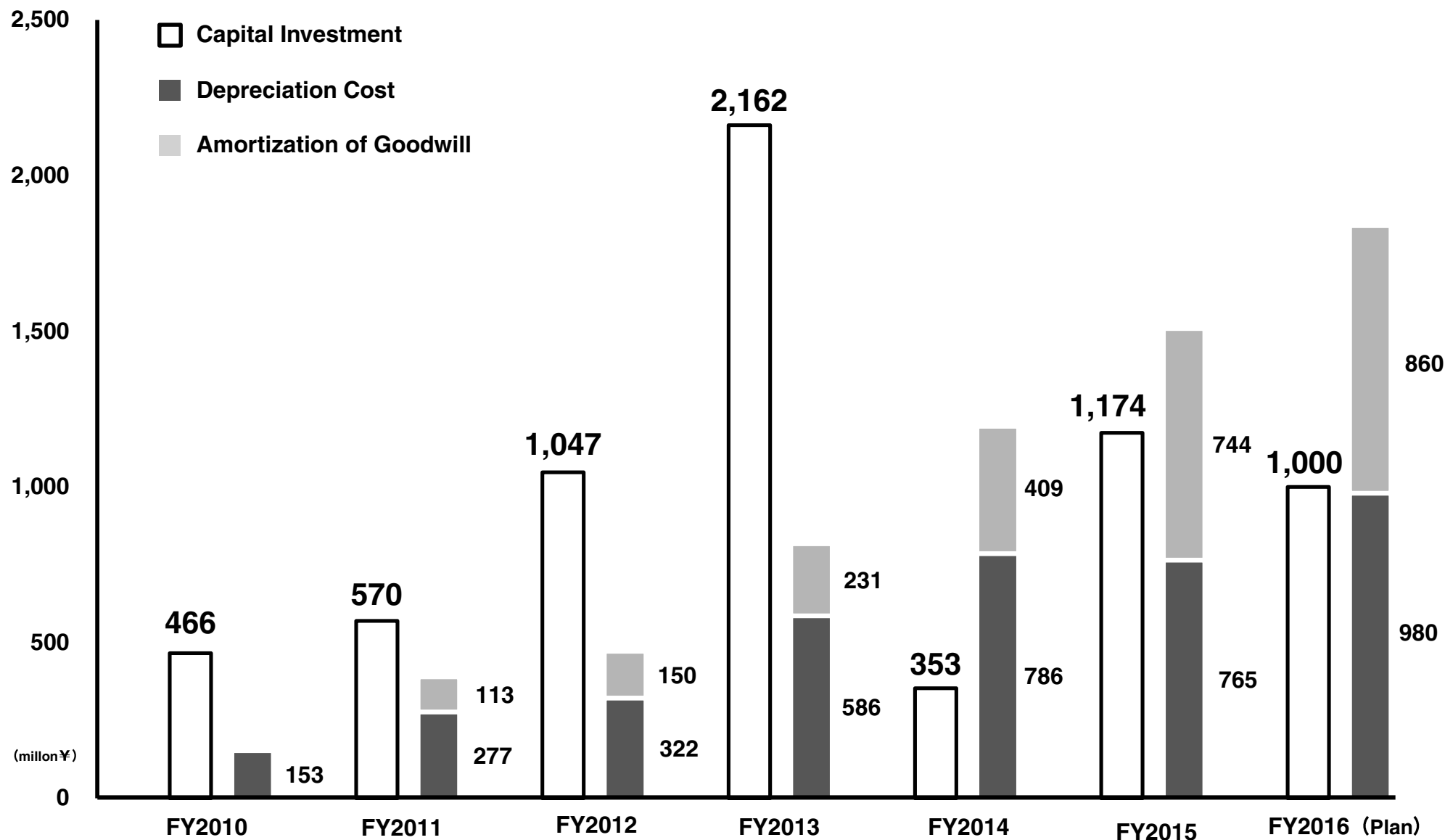
## ZOZO FURIMA

Target for Total Transaction Value : 5 billion yen

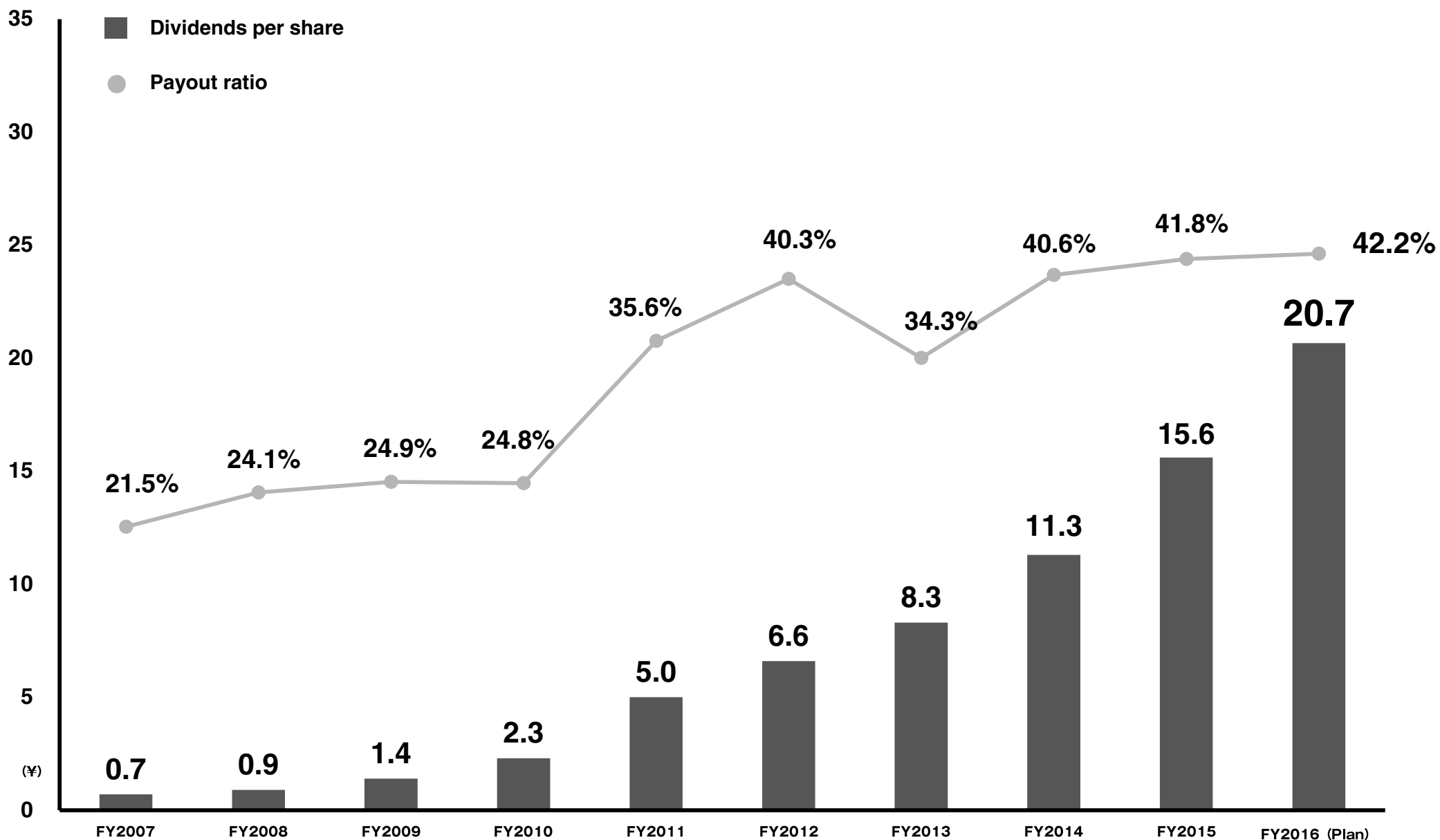
## Operating Profit Margin(to the total transaction value)

The target ratio of consolidated operating profit : 11.4% (11.1% for FY2015)

# CAPITAL INVESTMENT



# DIVIDENDS PER SHARE AND PAYOUT RATIO

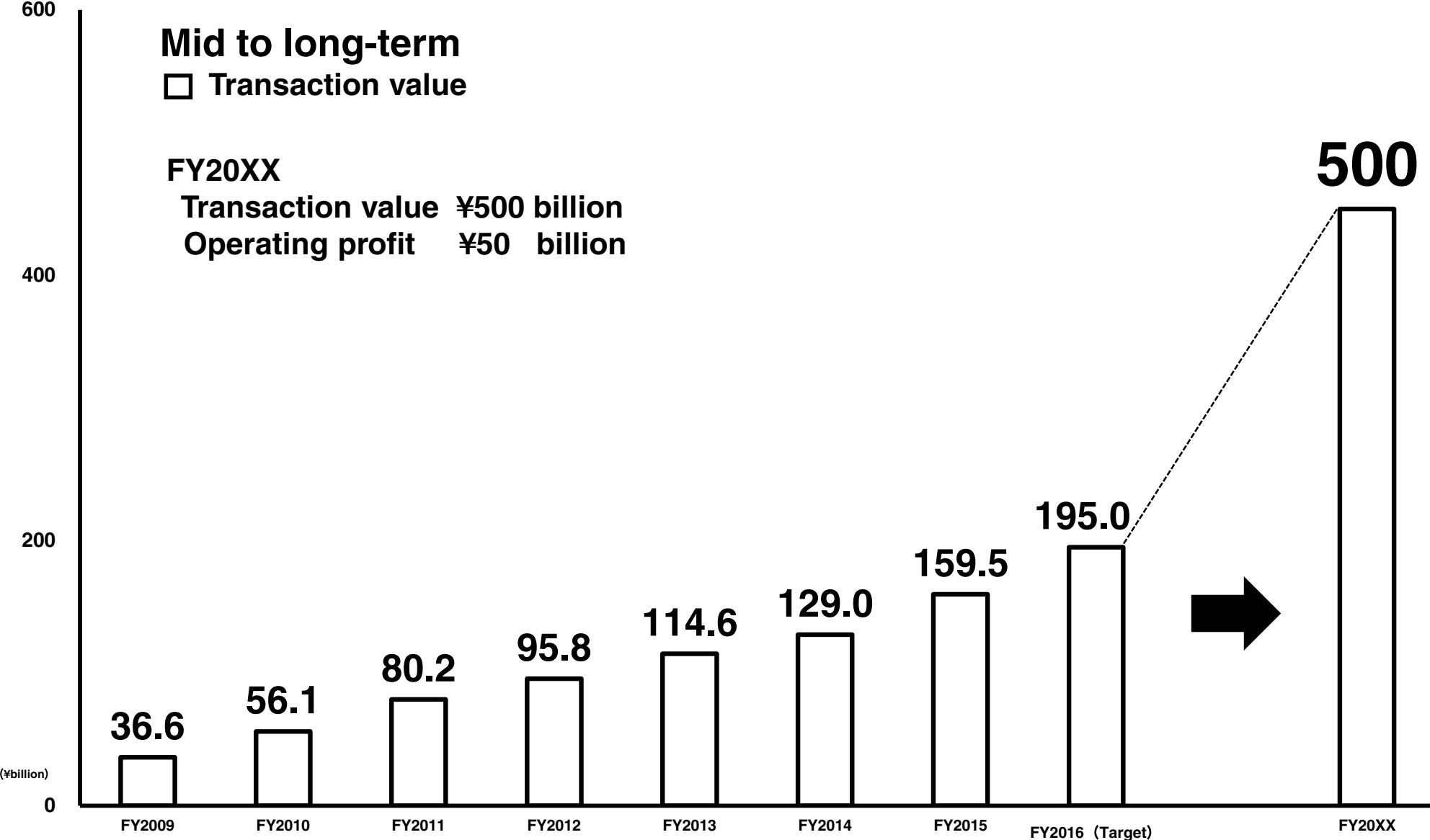


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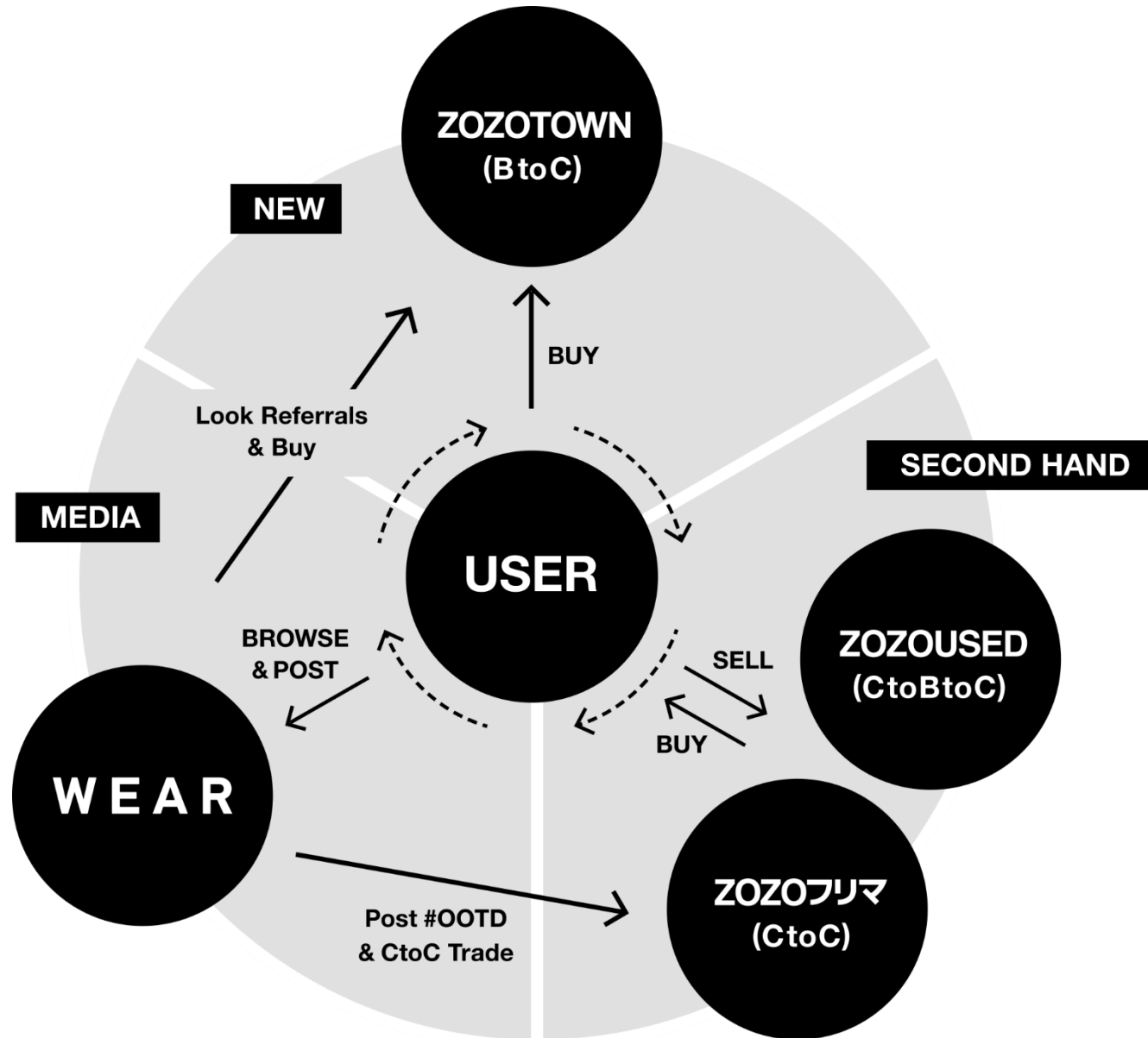


# **FUTURE STRATEGIES**

# MID TO LONG-TERM VISION



# MARKET EXPANSION STRATEGY



# REFERENCE DATA

**3,821**

POPULAR BRANDS

**811**

EMPLOYEES ( average age 30.6 years old )

世界中をカッコよく、世界中に笑顔を。

**Make the world a better place Bring smiles to the world.**

**6,023**

SHARE HOLDERS

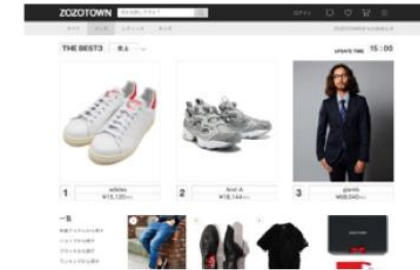
**5.7** Million

TOTAL BUYERS ( 1year basis )

## ZOZOTOWN

Japan's Largest Online Retailer of Apparel and Accessories

- 934 stores offering 3,821 brands.
- At any given time, more than 410,000 items are available with an average of 2,700 new items added each day.
- Systems, design, to fulfillment, all functions are built in house.



ZOZOTOWN <http://zozo.jp/>

## ZOZO FURIMA

- By linking with ZOZOTOWN and WEAR, users are able to sell their items easily without having to type in specific details.
- By linking IDs from both services, users are able to select items they would like to sell based on their purchase history or the closet function on WEAR, which adds a whole new convenience compared to the existing flea-market Apps.



ZOZOフリマ <https://zozo-f.jp/>

## WEAR

Japan's largest fashion coordination app

- When uploading coordinate pics, tag each item worn in the look, using information on our data base. The systems allows anyone to search for coordinates and items by various queries.
- Official users who we call WEARISTAs, include popular models, singers, actors and actresses.
- Over 8.0 million DL
- Now available in all geographic areas.



WEAR <http://wear.jp/>

# OUR SUBSIDIARIES

## START TODAY Engineering Co.,LTD.

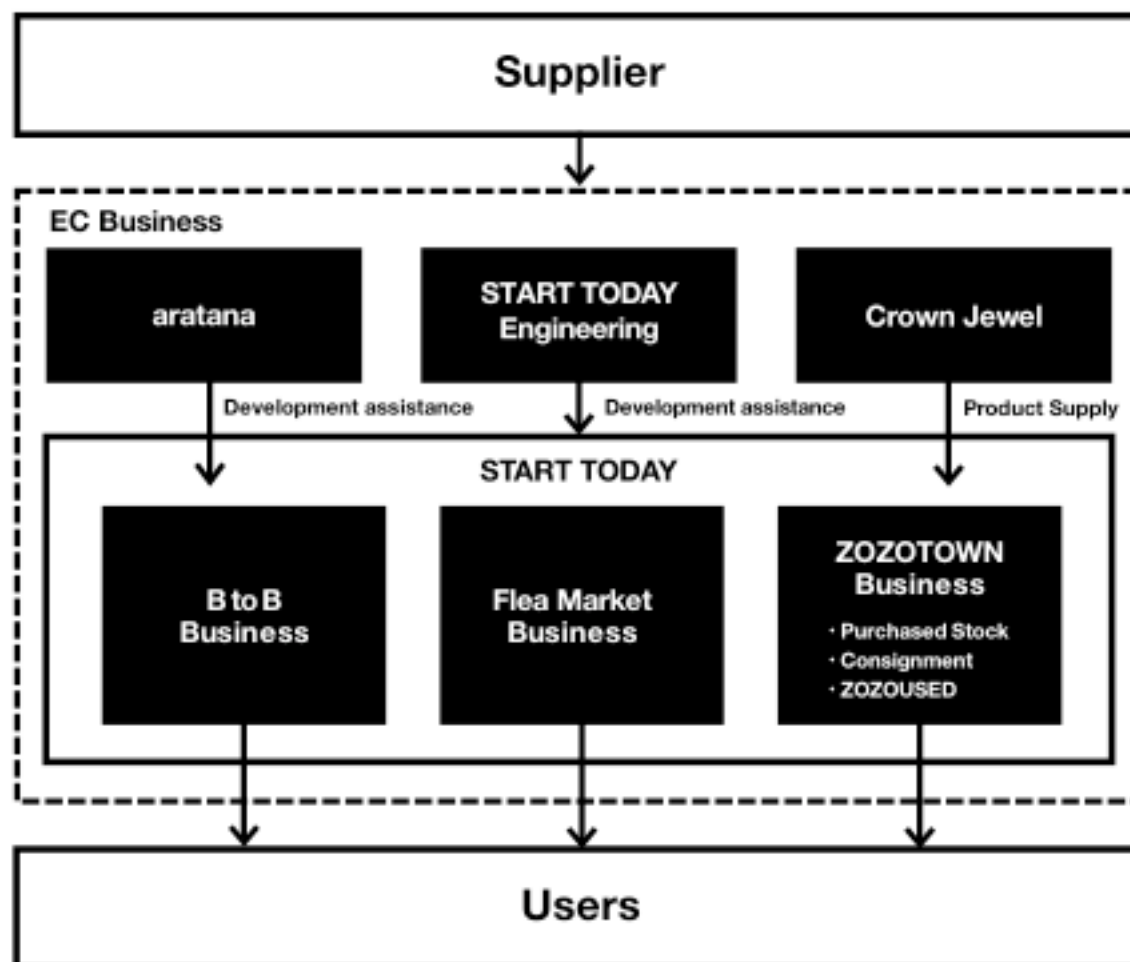
System development, WEB design, CRM,  
Technological development, R&D

## Crown Jewel, Inc.

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

## aratanaInc.

Specializes in building EC sites, web marketing,  
web security systems, and EC related  
applications



## ZOZOTOWN BUSINESS

### • Consignment Sales

We operate 927 shops as consignment sales businesses.

This business model allows us to carry a certain amount of products from the brands, while giving us low inventory risk.

**Sales include = Transaction value of each store x commission rate**

### • Purchased Stock

We operate 7 stores within ZOZOTOWN, which offer products we purchase from brands.

**Sales include = Transaction value generated by each store**

### • ZOZOUSED Business

We purchase used fashion products from our users, and resell them as a second hand business.

**Sales = Transaction value**

※Total transaction value and Net sales from ZOZOUSED are included in the purchased stock business.

## ZOZO FURIMA Business

Our smartphone App where users are able to sell and purchase personal fashion items.

**Sales = Transaction Value × Take rate for the flea-market business**

※Net Sales from the flea-market business is included in “Others”

## B to B Business

We help develop and operate online shops on behalf of various brands, such as “United Arrows”.

We currently provide back-end service to 36 stores.

**Sales include = Transaction value of these online shops x commission rate**

\*Total Sales include, contents written above as well as other sales (such as shipping fee revenues and fees from shop openings ).



**This material has been created for the sole purpose of introducing the company's business activities, and not for soliciting investments. The business forecasts and the future outlook described in the material is based on information currently available. The forecast includes uncertainties such as sudden changes, therefore actual results may differ.**



START TODAY CO.,LTD.