

For FY2017 2Q, we could maintain the growth momentum supported by our successful measures aiming for transaction growth, and could overachieve our original corporate plan (disclosed). Details are as follows.

(Unit : million yen)

	FY2016 2Q		FY2017 2Q		YoY(%)
Total Transaction Value	86,495	(100.0%)	119,656	(100.0%)	38.3%
Net Sales	31,566	(36.5%)	42,694	(35.7%)	35.3%
Gross Profit	28,604	(33.1%)	39,378	(32.9%)	37.7%
Operating Profit	10,588	(12.2%)	13,831	(11.6%)	30.6%
Recurring Profit	10,630	(12.3%)	13,837	(11.6%)	30.2%
Net Income	8,059	(9.3%)	9,551	(8.0%)	18.5%

The total transaction value resulted as 119,656 million yen (+38.3% increase Y/y), net sales resulted as 42,694 million yen (+35.3% increase Y/y), and gross profit resulted as 39,378 million yen (+37.7% increase Y/y). Gross profit margin (towards the total transaction value) dropped by 0.2p from 33.1% to 32.9% on Y/y basis. The factors worsening the GP margin was drop in the other revenue segment due to termination of paid membership services and promotion campaigns regarding free of charge deferred payment services offering despite the increase in shipping income.

SG&A resulted as 25,547 million yen (+41.8% increase Y/y) and SG&A ratio (towards the total transaction value) increased by 0.6p from 20.8% to 21.4% on Y/y basis. As primary reasons for such the increase in the SG&A ratio are as follows. The ratio of payment collection cost (towards the total transaction value) increased by 0.8p due to change in composition regarding settlement manners, and the ratio of outsourcing expenses (towards the total transaction value) increased by 0.9p due to branding and marketing fees incurred in associated with our private brand development as well as R&D expenditure for our private brand product. On the one hand, the ratio of HR cost (towards the total transaction value) decreased by 0.6p, and goodwill amortization amount (towards the total transaction value) dropped by 0.4p.

As a result, operating profit resulted as 13,831 million yen (+30.6% increase Y/y), and operating profit margin (towards the total transaction value) decreased by 0.6p from 12.2% to 11.6% on Y/y basis.

Results by business segment are as follows.

Business Unit	FY2016 2Q (1 st half)			FY2017 2Q (1 st half)			Transaction Value YoY (%)	Net Sales YoY (%)
	Transaction Value (million ¥)	Ratio (%)	Net Sales (million ¥)	Transaction Value (million ¥)	Ratio (%)	Net Sales (million ¥)		
ZOZOTOWN (Consignment)	77,929	90.0	22,454	109,766	91.7	31,549	40.9	40.5
(Purchased Stock)	106	0.1	106	91	0.1	91	△13.5	△13.5
(ZOZOUSED)	5,155	6.0	5,155	6,558	5.5	6,558	27.2	27.2
Total	83,191	96.1	27,716	116,417	97.3	38,199	39.9	37.8
BtoB	2,899	3.4	662	3,152	2.6	667	8.7	0.7
ZOZOFURIMA	404	0.5	0	86	0.1	-	△78.7	△100.0
Others	-	-	3,187	-	-	3,827	-	20.1
Total	86,495	100.0	31,566	119,656	100.0	42,694	38.3	35.3

<ZOZOTOWN Business>

Breaking down the transaction value of ZOZOTOWN business which ended in 116,417 million yen (+39.9% increase Y/y), consignment sales is 109,766 million yen (+40.9% increase Y/y), purchased stock sales is 91 million yen (-13.5% decrease Y/y), and ZOZOUSED business sales is 6,558 million yen (+27.2% increase Y/y). The driving forces supported the high growth momentum of ZOZOTOWN Business are as follows which are similar to those of 1Q 2017 period.

- Sales contribution from new shops opened in the last fiscal year
- Aggressive new shop openings in this fiscal year from variety of genres.
- Effective promotion activities including coupons campaign with our brands.
- CRM system enabling diversified communication approach
- Offering diversified payment methods to improve user conveniences.

Next we will explain about KPI performances of ZOZOTOWN Business.

	FY2016				FY2017			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Number of Shops on ZOZOTOWN (*)1	842	872	934	954	987	1,016	—	—
Purchased Stock	10	7	7	7	8	7	—	—
Consignment	832	865	927	947	979	1,009	—	—
Number of Brands(*)1	5,148	5,333	5,655	5,683	5,859	6,032		
Number of Total Buyers (*)2	4,832,558	5,252,541	5,783,381	6,324,033	6,734,740	6,963,986	—	—
Active Member	2,844,171	3,059,991	3,421,440	3,893,156	4,181,873	4,591,017	—	—
Guest Buyer	1,988,387	2,192,550	2,361,941	2,430,877	2,552,867	2,372,969	—	—
Annual Purchase Amount (*)2、 4、 5	48,644	48,556	48,275	46,417	47,119	46,818	—	—
Annual Purchase Pieces (*)2、 4	9.9	10.4	10.5	10.3	10.7	10.9	—	—
Number of Shipment (*)3	4,652,101	5,391,093	5,886,580	6,931,318	6,787,599	7,148,647	—	—
Average Retail Price (*)3、 5	4,468	3,855	5,236	4,474	4,099	3,664	—	—
Average Purchase Amount per Shipment (*)3、 5	8,680	7,941	10,143	8,955	8,530	8,186	—	—
By Access Terminal (*)3								
PC	29.7%	28.1%	24.6%	22.3%	20.5%	19.5%	—	—
Smart Phone	69.9%	71.6%	75.2%	77.5%	79.4%	80.4%	—	—
Other Mobiles	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%	—	—

(*)

1. As at the end of each quarter period
2. Data is based on 12 months-period prior to the quarter end.
3. Figures are quarterly basis
4. Indicators are per active user basis
5. Japanese yen basis

<Number of new shop openings>

By the end of Sep 2017, we ended with 1,016 shops and 6,032 brands (987 shops and 5,859 brands as of June 2017), which we think steady growth in the number. We welcomed 44 new shops (15 shops closing) in this quarter including "N.HOOLYWOOD", "BEDWIN & THE HEARTBREAKERS", "ATTACHMENT", "NATAL DESIGN", and "Haglofs". We plan to acquire 150 new shops during this fiscal year and 91 shops have already been opened so far, which is in good pace. To deal with diversified user needs, we open new shops aggressively in this fiscal year too.

(*) We changed the definition regarding the number of brands from 1Q to correct the discrepancy between the numbers obtained by our internal counting rules and that of actuals.

<Number of total annual buyers>

The number of total buyers resulted as 6,963,986 during Oct 2016 to Sep 2017 period (Y/y +1,711,445 increase, Q/q +229,246 increase). For active members, the number reached 4,591,017 (Y/y +1,531,026 increase, Q/q +409,144 increase). For guest members, the number reached 2,372,969 (Y/y +180,419 increase, Q/q -179,898 decrease). This is because we conducted several promotion activities during this 2Q period such as free of charge deferred payment offering (membership registration is necessary when customers use the deferred payment services), and point-related campaign offered for newly-registered members, together encouraged guest users to shift to be active members.

<Annual purchase amount, annual purchase pieces, and number of shipments>

The annual purchase amount per active member was 46,818 yen (-3.6% decrease Y/y, -0.6% decrease Q/q), and the annual purchase pieces resulted as 10.9 pieces (+4.5% increase Y/y, +1.7% increase Q/q).

The drop in the annual purchase amount on Y/y basis as well as on Q/q basis was because of the rapid increase of new active members joined in the last quarter. New active members are technically unable to purchase through a full year, therefore, their contribution to the average annual purchase amount becomes low as a result.

Speaking about existing active member status, the annual purchase amount was 64,290 yen (+7.0% increase Y/y, +2.0% increase Q/q), and the annual purchase pieces resulted as 14.6 pieces (+15.7% increase Y/y, +3.2% increase Q/q).

The number of shipments in the first half was 7,148,647 (+32.6% increase Y/y).

<Average retail price and average purchase amount>

For FY2017 Q2, the average retail price resulted as 3,664 yen, which was -5.0% decrease Y/y. And the average purchase amount per shipment resulted as 8,186 yen, which was 3.1% increase on Y/y basis. The main factor causing such the decrease in the average retail price was the drop in the price of non-discounted items due to successive opening of new shops that had relatively low price points.

When it comes to the average purchase amount per shipment, which we had seen the downward trend since FY2016 3Q, has turned to upward trend. This is because average purchase pieces per order (this is calculated by dividing the average purchase amount by the average retail price) have been increasing to 2.23 pieces (2.06 pieces in the same period of the last fiscal year) owing to the diversified item lineup and the improvement in user interface. However, we estimate that the average purchase amount would fluctuate affected by change in shipping policy such as shipping fees liberalization (Customers are able to decide shipping fees at their own discretion) starting from 1st October.

<ZOZOUSSED>

For ZOZOUSSED which is included in the ZOZOTOWN business, the transaction value resulted as 6,558 million yen (+27.2% increase Y/y) which accounts for 5.5% of the total transaction value (6.0% in the same period of the last fiscal year). The net sales is equivalent to the transaction value (6,558 million yen and 27.2% Y/y growth). Since the

last fiscal year, we have actually prioritized refreshing the fulfillment structure in addition to the expansion of transaction value, therefore, the 1st half transaction growth rate became lower when compared to our full-year corporate plan level. However, we are continuously aiming to achieve our target for this fiscal year by several counter measures including partly amending services mechanism concerning trade-in transaction for replacement purchase.

<BtoB Business>

The transaction value of BtoB Business resulted as 3,152 million yen (+8.7% increase Y/y). This accounts for 2.6% of the total transaction value (3.4% in the same period of the last fiscal year). In terms of the BtoB Business, our policy prioritizes assistances to the existing client websites over scale expansion, thus this progress is in line with our plan.

<Others>

In order to revitalize the entire fashion market on our fashion platform WEAR, we are continuously operating to expand both the user base as well as the content volume. We have seen a steady growth in the service including over 10 million App downloads as of Sep 2017, and the number of monthly active users has also been in good movement.

<Guidance for FY2017>

The disclosing corporate plan for FY2017 which is, 270,000 million yen for the total transaction value (+27.3% Y/y), 100,000 million yen for net sales (+30.9% Y/y), 32,000 million yen for operating profit (+21.7% Y/y), 32,000million yen for recurring profit (+21.0% Y/y), and 22,200 million yen for net profit (+30.3% Y/y). The payout ratio for dividend is planned to be 40%, at 29.0 yen per share.

In terms of shipping services agreement with Yamato Transport Co., Ltd. offering courier services to ZOZOTOWN users, we made amendment to the contract and had an increase of approximately 40%~50% in the shipping fees starting from Sep 2017. We are planning to absorb such the increased cost portion by adjusting marketing spend and other several expenditures, thus no change in the above target figures.