

First Quarter FY2010

April 1, 2010 – June 30, 2010

Consolidated Business Results

Business Performance

Highlights for the First Quarter of FY2010

1. Achieved Target Net Sales and Transaction Value

Sales for 1Q : ¥4,891 million (+59.3% year-on-year)
Transaction value for 1Q : ¥11,233 million (+70.7% year-on-year)

2. Marked Record for the Operating Income Rate

Operating income rate for 1Q : 23.0% (+17.2% year-on-year)
Operating income for 1Q : ¥1,125 million (+112.6% year-on-year)

3. Even Though Average Shipment Value Increased, Total Members Fell Short of Target Membership Level for 1Q

Total number of members : 2,197,147
Acquired members for 1Q : 168,440
(vs.target membership level for 1Q : -20,744)



Average shipment value increased following the end of free shipping campaign period. Annual purchase amount per member recovered, and net sales and transaction value achieved target for 1Q.
Record-high operating income rate was posted due to cut in SG&A such as packing charge since purchase items per shipment increased.

4. Commenced of Operation of inventory-linked system with UNITED ARROWS LTD.

Aimed to improve inventory control efficiency, with preventing sales opportunity loss and increasing customer satisfaction.
Started on May 19, 2010.

5. New Shop Openings for 1Q

New shop openings : Total 5 shops

6. Start of E-Commerce (EC) Support of Popular Brands

SHIPS ONLINE SHOP : June 18, 2010

7. Start of "BOMB A SALE"

Initially implemented : Friday, June 25, 2010
to Wednesday June 30, 2010
Transaction value : ¥1,135 million

Overview of the First Quarter of FY2010

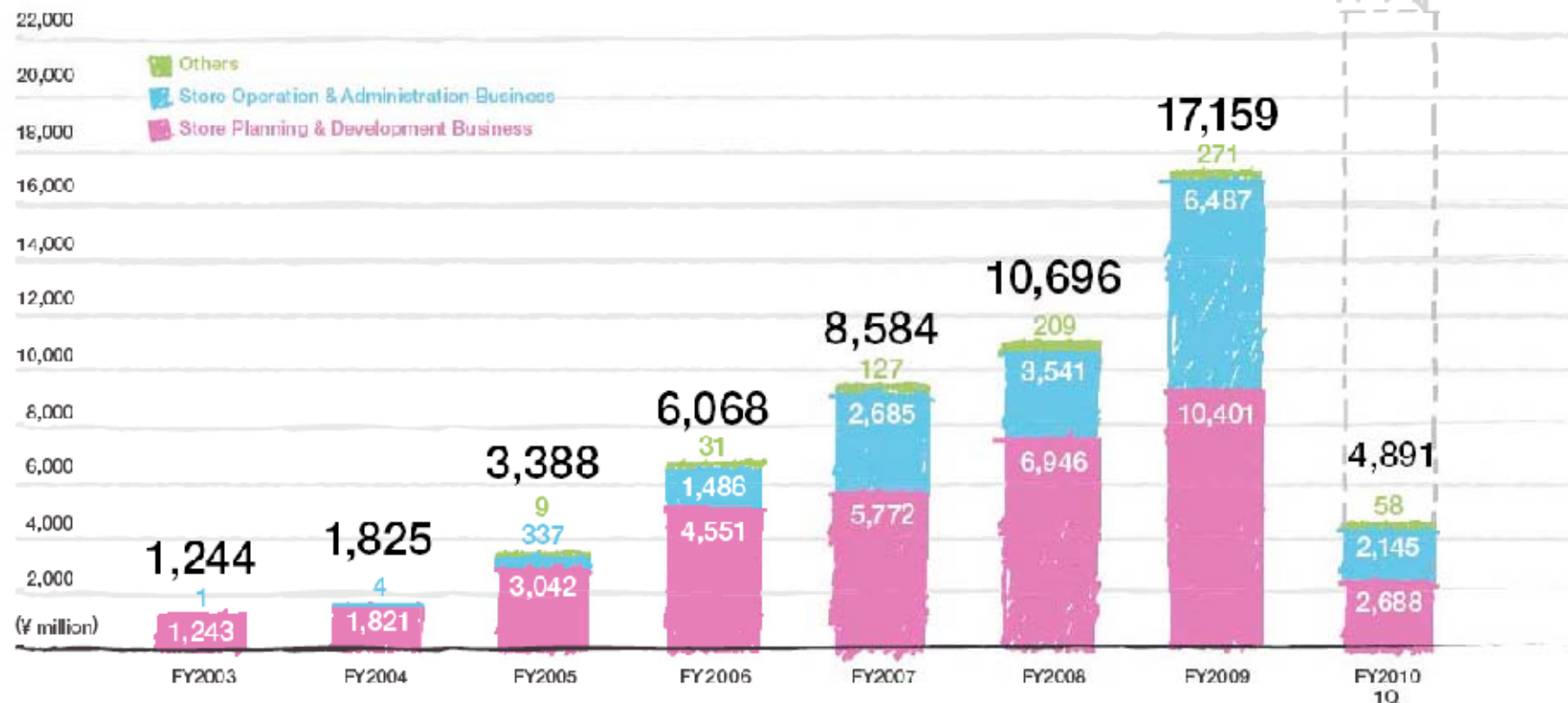
(¥ million)

Item	FY2010 1Q	FY2009 1Q	YoY change	Budget for FY2010 first half	Percent completion of budget for FY2010 first half	Reasons for increase/decrease
Net sales	4,891	3,071	+59.3%	9,690	50.5%	<ul style="list-style-type: none"> • Transaction value: ¥11.23 billion (+70.7% YoY) • Shipment value recovered following the end of free shipping campaign period.
Operating income	1,125	529	+112.6%	1,560	72.1%	Operating income increased by injecting varied advertisement and holding down SG&A.
Ordinary income	1,121	534	+110.0%	1,560	71.9%	Recognition of foreign exchange losses.
Net income	613	302	+103.0%	870	70.5%	

Net Sales

Steady sales growth

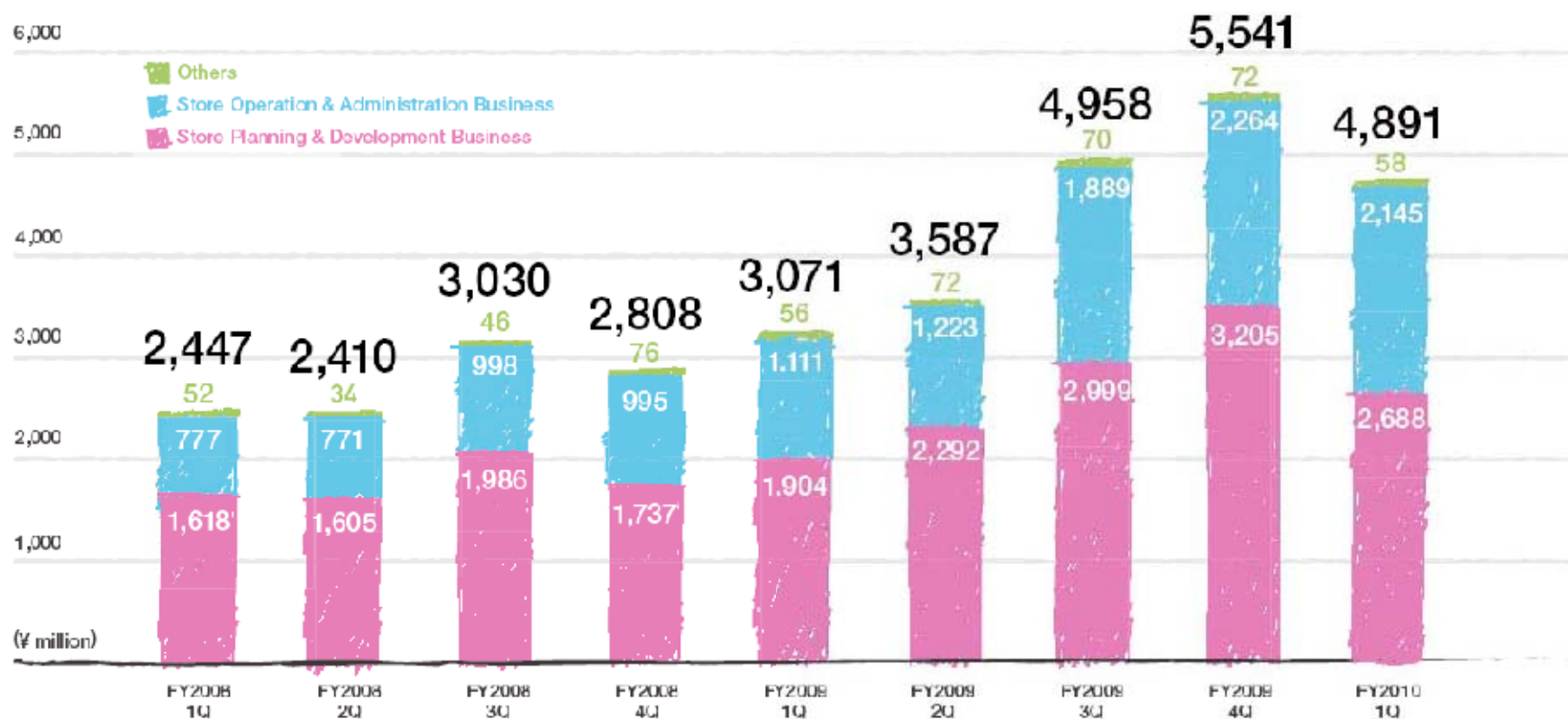
- Budgeted sales were achieved in 1Q.
- Percent completion of budget for the first half: 50.5%
- Significant growth in net sales was 59.3% above same quarter last year.



Net Sales (Quarterly)

Steady quarterly sales growth as well

- Year-on-year comparison : Store Planning & Development Business : +41.2%, Store Operation & Administration Business : +93.2%
- Commission rate : average of FY2009 : 24.4%, average of 1Q FY2010 : 25.1%



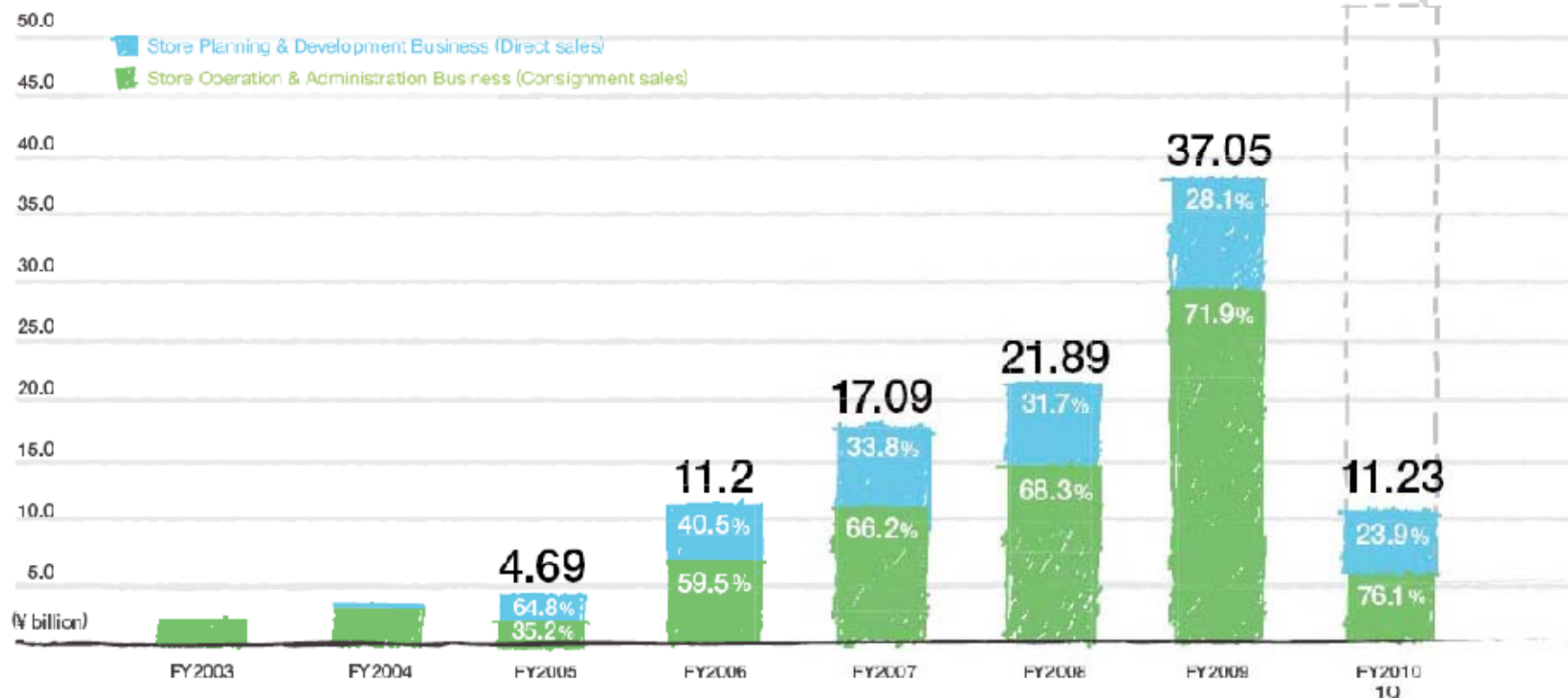
Transaction Value

Transaction value for 1Q FY2010 : ¥11.23 billion

Commission transaction value for 1Q FY2010 : ¥8.54 billion

Budgeted transaction value was achieved as well

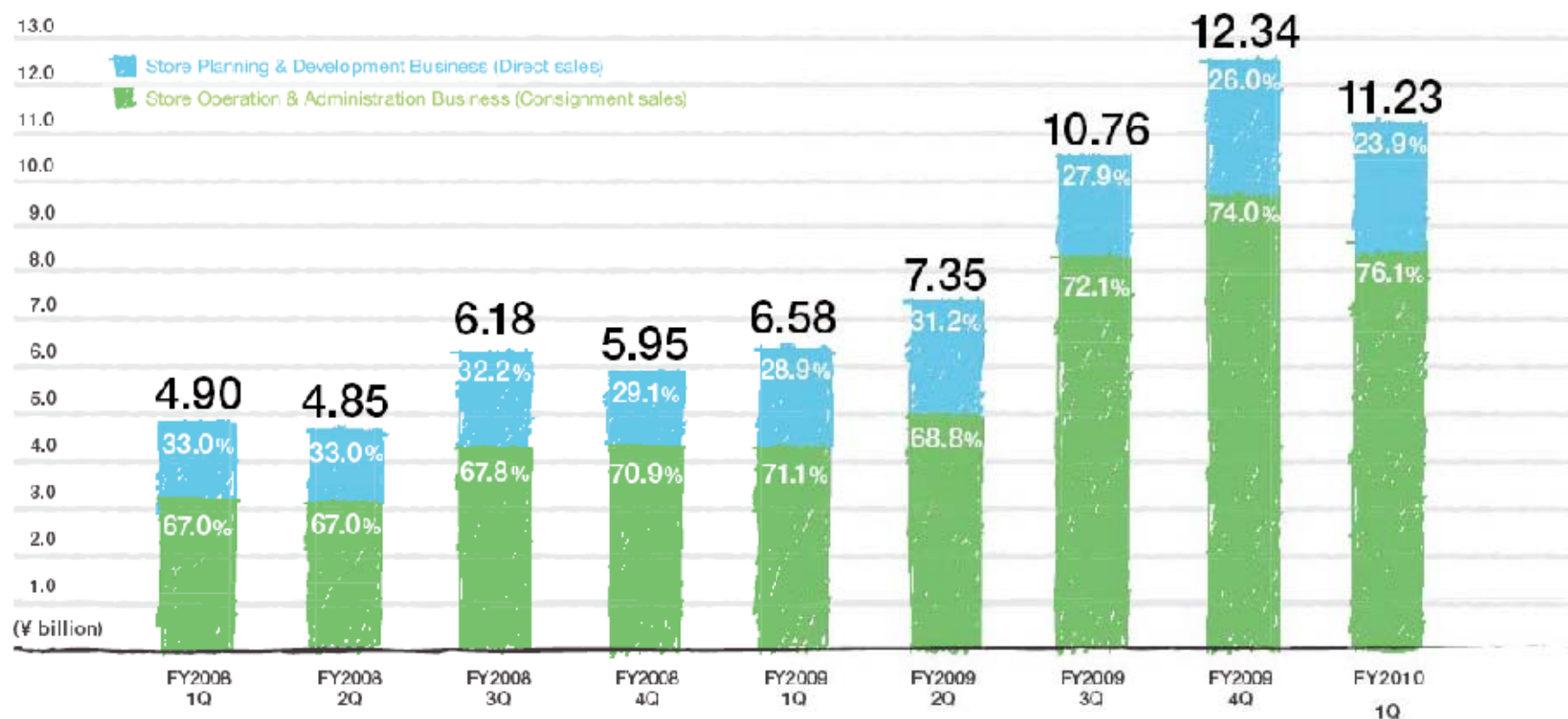
- B to B transaction value for 1Q (including commission transaction value) : ¥0.63 billion (¥0.11 billion for 1Q FY2009)
- Total transaction value of new stores for 1Q : ¥57 million, 0.6% of the commission transaction value (excluding B to B transaction)



Transaction Value (Quarterly)

Marked the second-highest transaction value following 4Q of FY2009

・+¥4.65 billion (+70.7%) year-on-year



Selling, General and Administrative Expenses

(¥ million)

Item	FY2010 1Q		FY2009 1Q		YoY change (% Sales)	Reasons for increase/decrease
	Amount	% Sales	Amount	% Sales		
Total SG&A	1,872	38.3%	1,296	42.2%	-3.9%	Holding down SG&A by talking advantage of scale
Personnel expenses	289	5.9%	255	8.3%	-2.4%	Holding down personnel expenses by outsourcing
Shipping & transportation	282	5.8%	189	6.2%	-0.4%	Number of purchase item per shipment increased after the end of free shipping campaign period
Payment Collection fees	238	4.9%	140	4.6%	+0.3%	Due to an increase of commission rate to net sales (No change in the ratio of transaction value)
Advertising fees	184	3.8%	126	4.1%	-0.3%	Implementation of varied measures to make best use of advertising fees
Outsourcing fees	98	2.0%	60	2.0%	+0.0%	
Others	779	15.9%	523	17.0%	-1.1%	Talking advantage of scale on fixed cost (especially rent fees)

Operating Income and Operating Income Rate

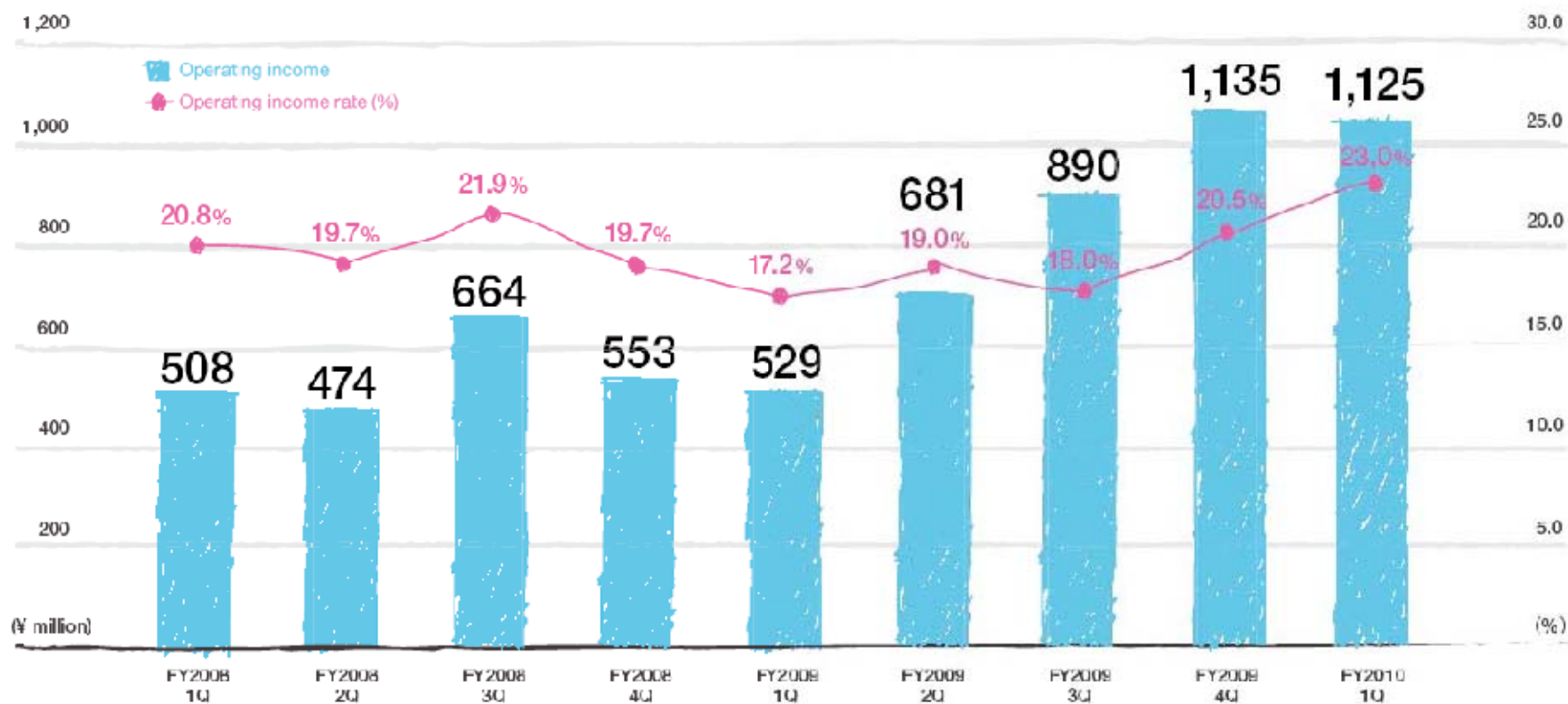
Marked record for the operating income rate

+112.6% year-on-year



Operating Income and Operating Income Rate (Quarterly)

Achieved record for the quarterly operating income rate as well



Cash Flows

(¥ million)

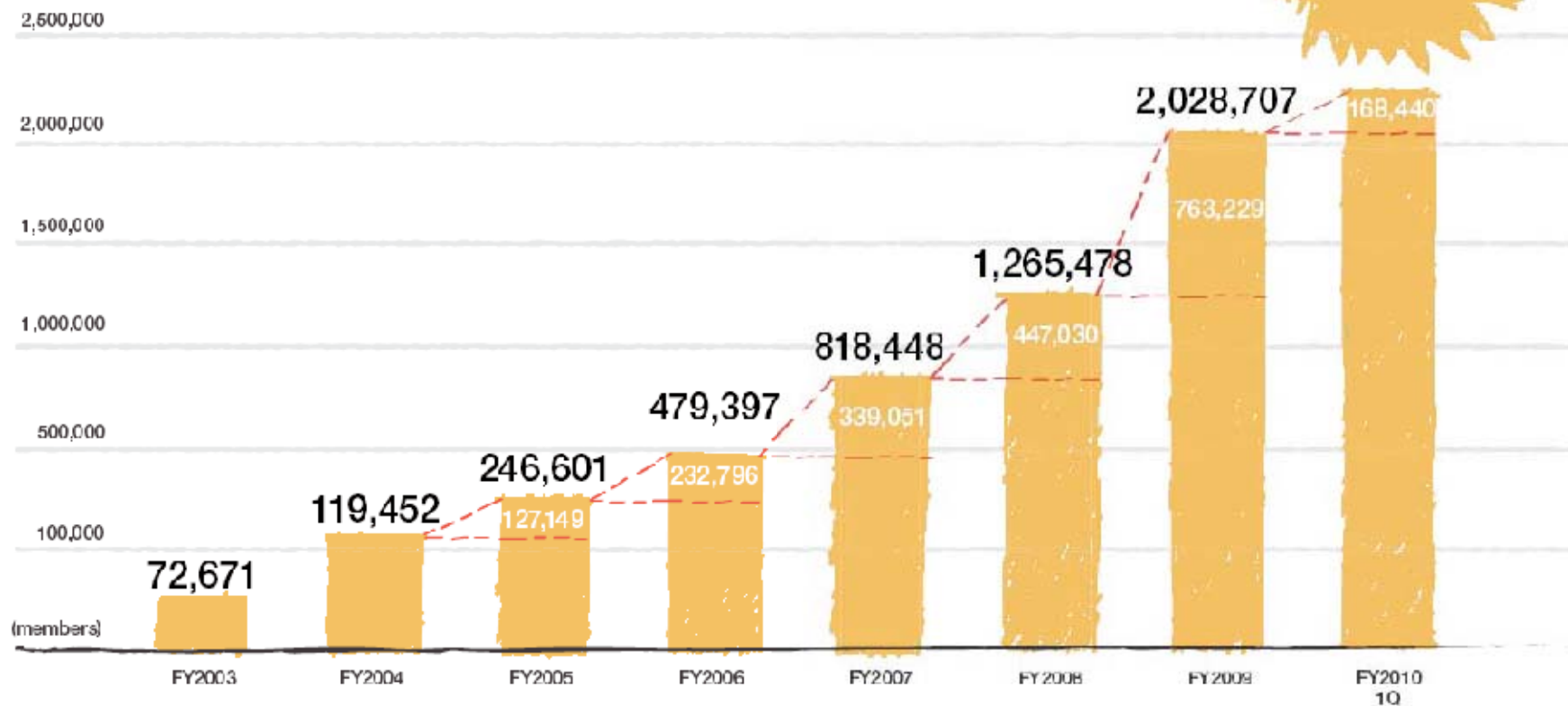
Item	FY2010 1Q	FY2009 1Q	YoY	Reasons for increase/decrease
Cash flows from operating activities	-200	-153	-47	Payment of income taxes, etc. (+¥0.38 billion year-on-year)
Cash flows from investing activities	-106	-49	-57	Acquisition of shares of an affiliate (Crown Jewel, Inc.)
Cash flows from financing activities	-389	-309	-80	Dividend payment (Dividend per share ¥1,270)
Cash and cash equivalents at end of period	6,456	4,600	1,856	—

Fact Data Analysis

Number of Members

Total number of members increased steadily,
however, fell short of target membership level for 1Q

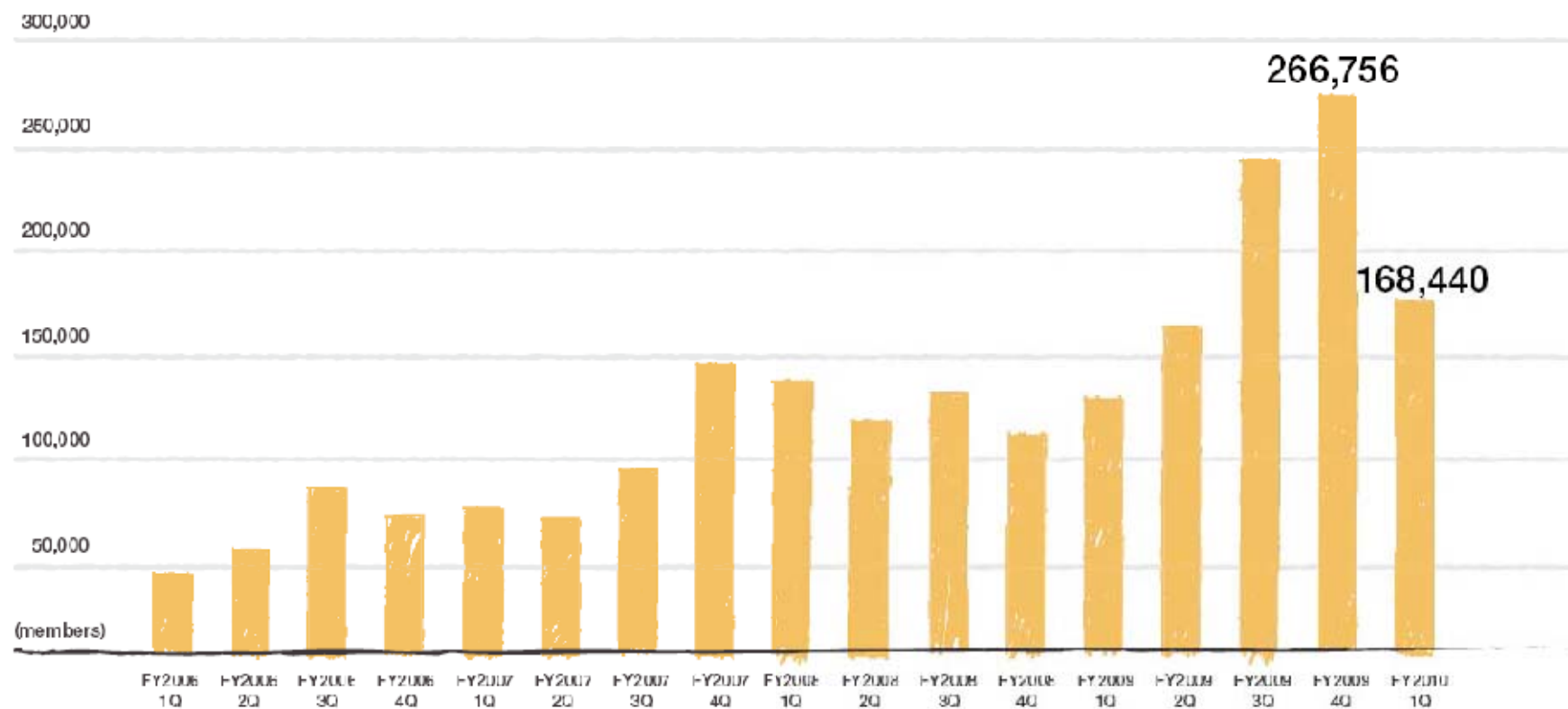
- vs.target membership level for 1Q : -20,744
- +59.0% year-on-year
- Implementation of varied measures to make best use of advertising fees



Net Increase in Members (Quarterly)

Achieved huge net increase in members following the record of 3Q and 4Q in previous fiscal year

- Net increase in members : +45.1% year-on-year
- Nationwide TV commercials helped to raise awareness of ZOZO and acquire new members

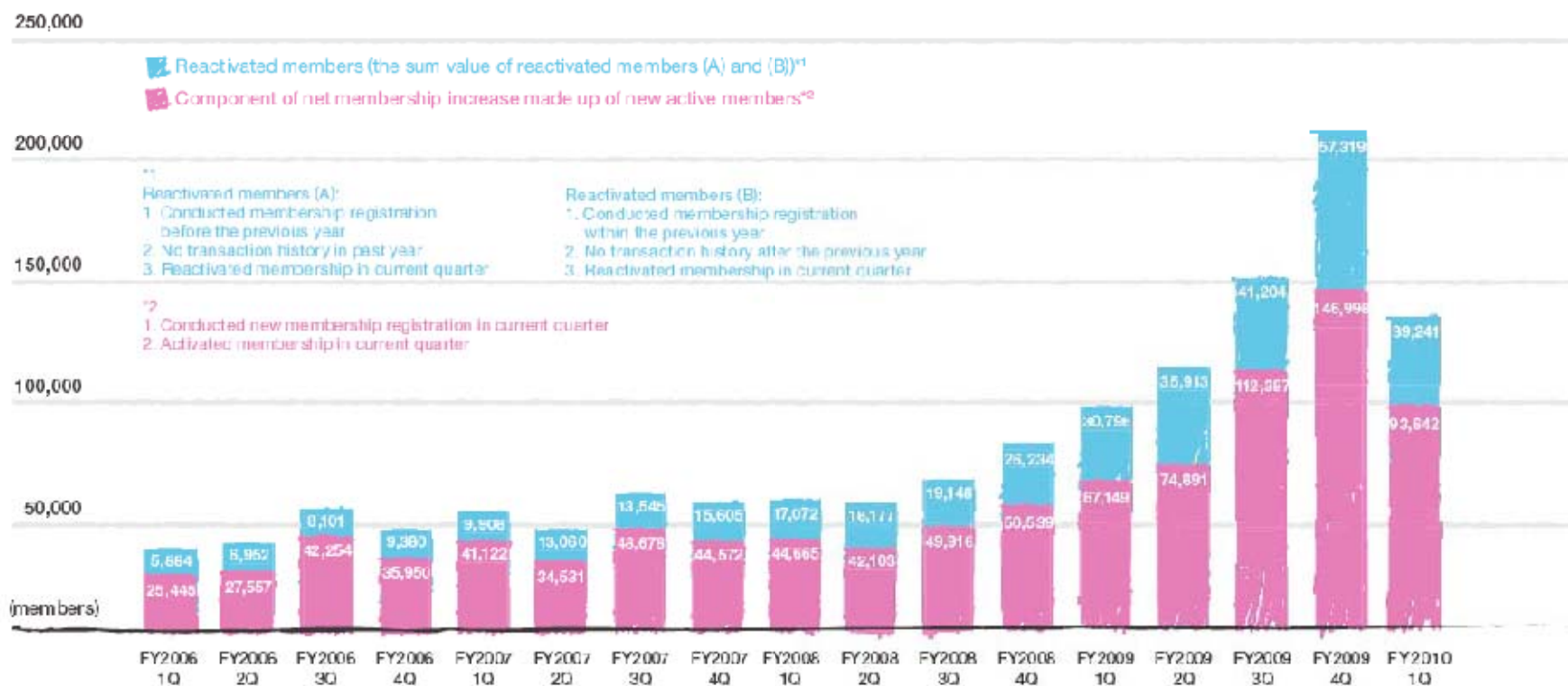


Number of Active Members (New and Reactivated)

Active members = Members who have made a purchase within the previous year

Net increase of new active members remained high

-55.6% of by acquired new members in 1Q become active members

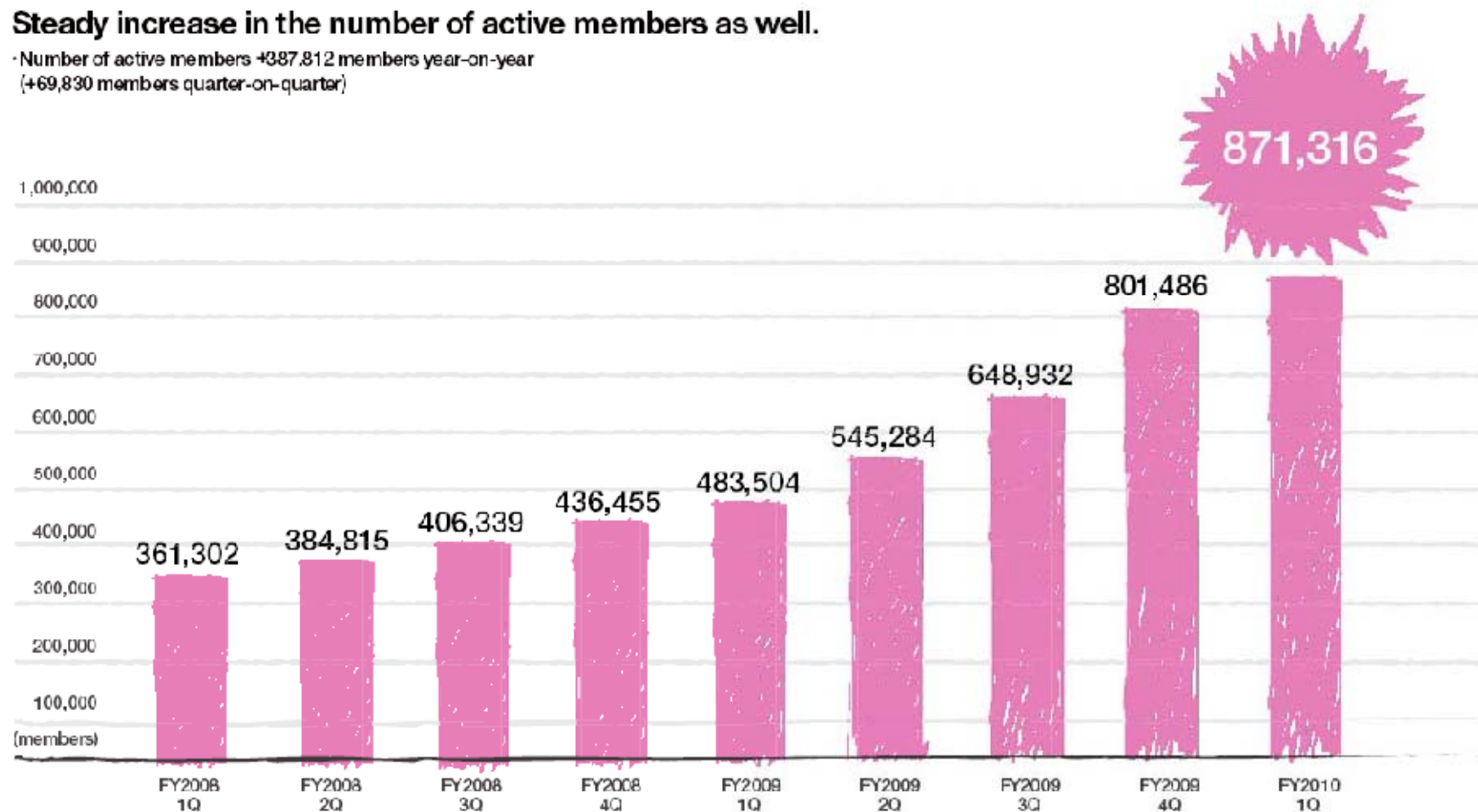


Number of Active Members

Active member = Members who have made a purchase within the previous year

Steady increase in the number of active members as well.

Number of active members +387,812 members year-on-year
(+69,830 members quarter-on-quarter)

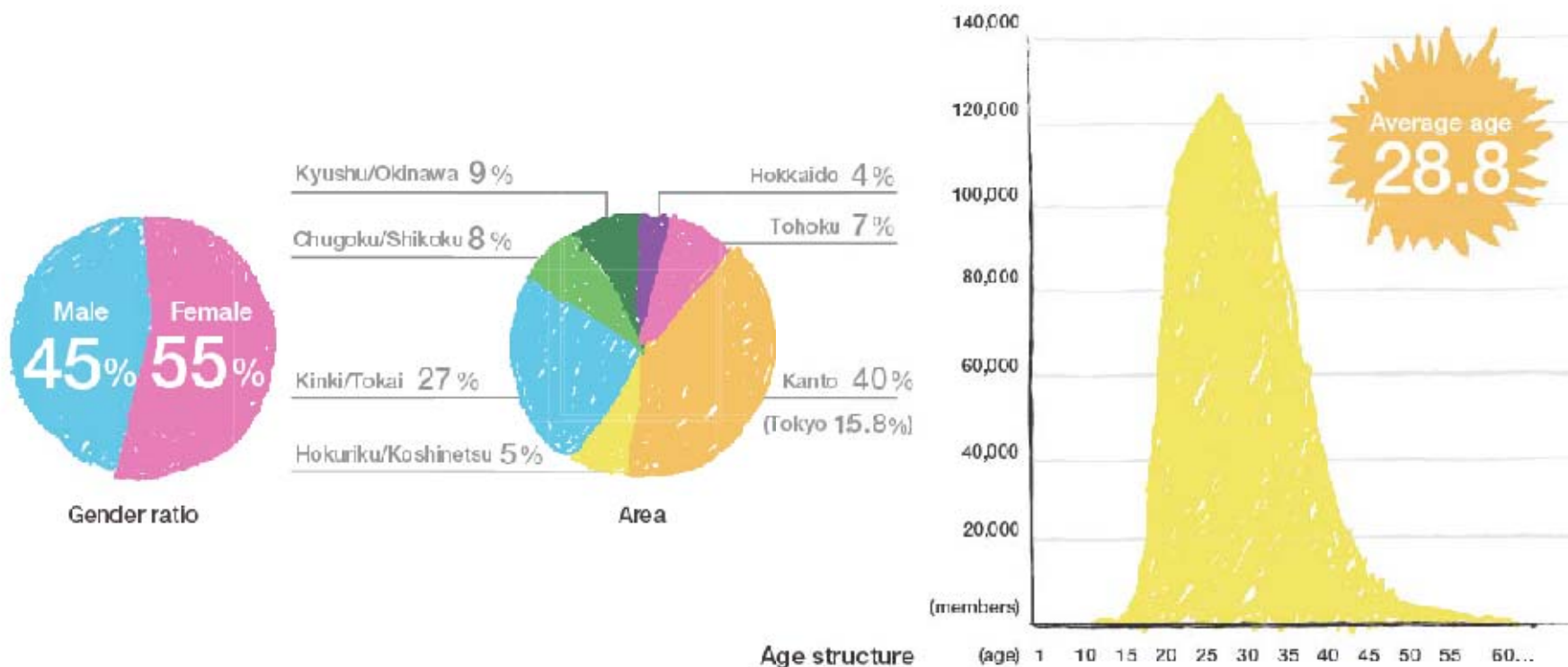


Member Demographics (As of June 30, 2010)

No significant change in member demographics

Female ratio continuously increased

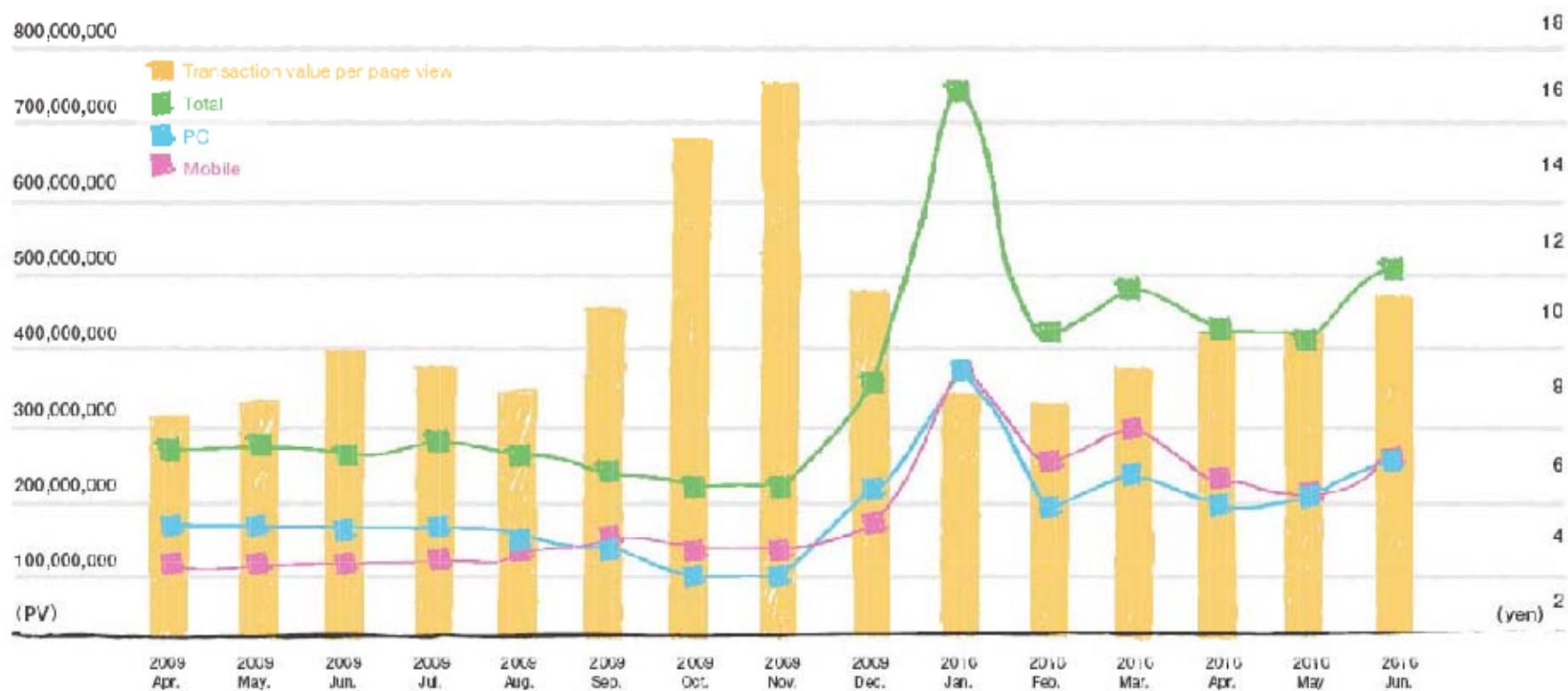
• Nationwide TV commercials helped to do increase of members in Chugoku/Shikoku area where the commercials were not other air.



Total Number of Page Views per Month

Total number page views up in June thanks to summer sale

· Increased in total number of page views in June as a result of summer sale started on June 25 and effect of TV commercials.

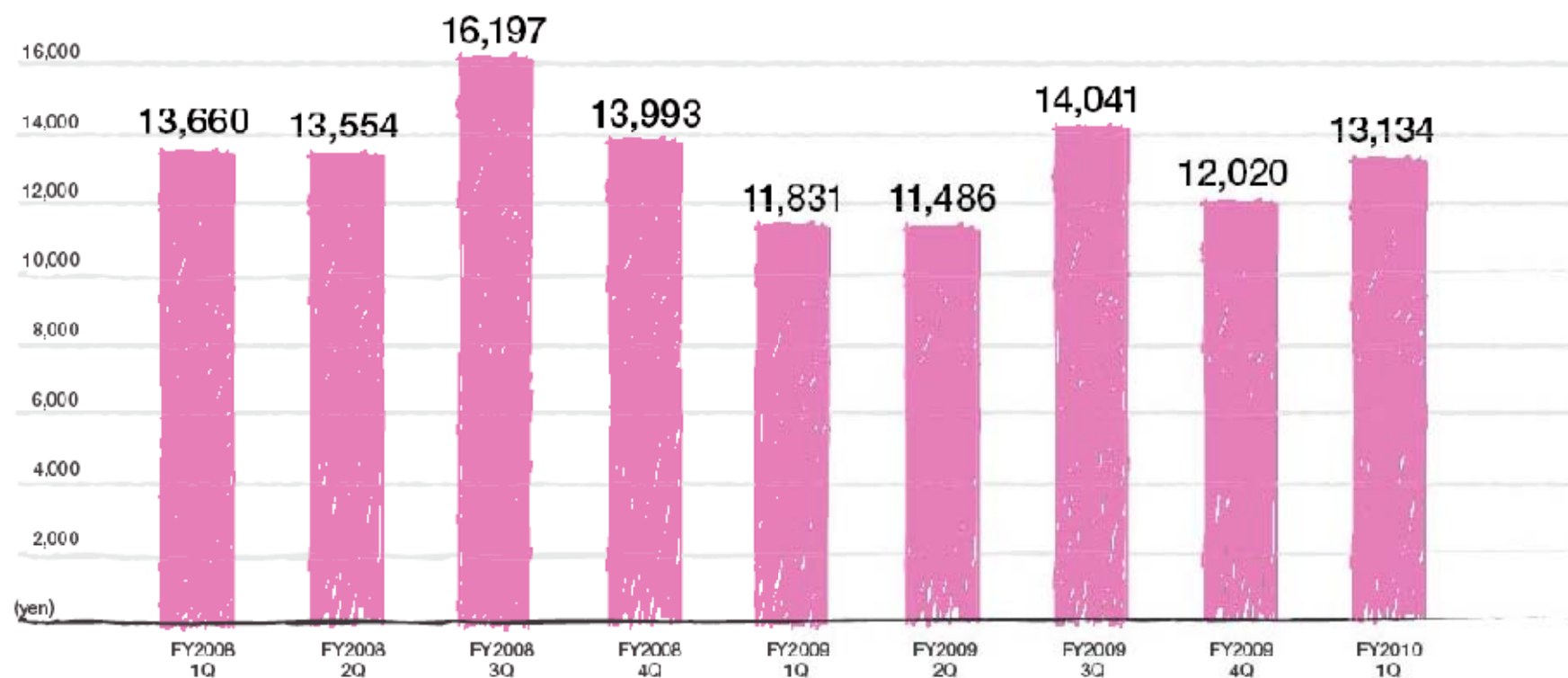


Annual Average Shipment Value

Average shipment value = Transaction value of EC business / Number of shipments

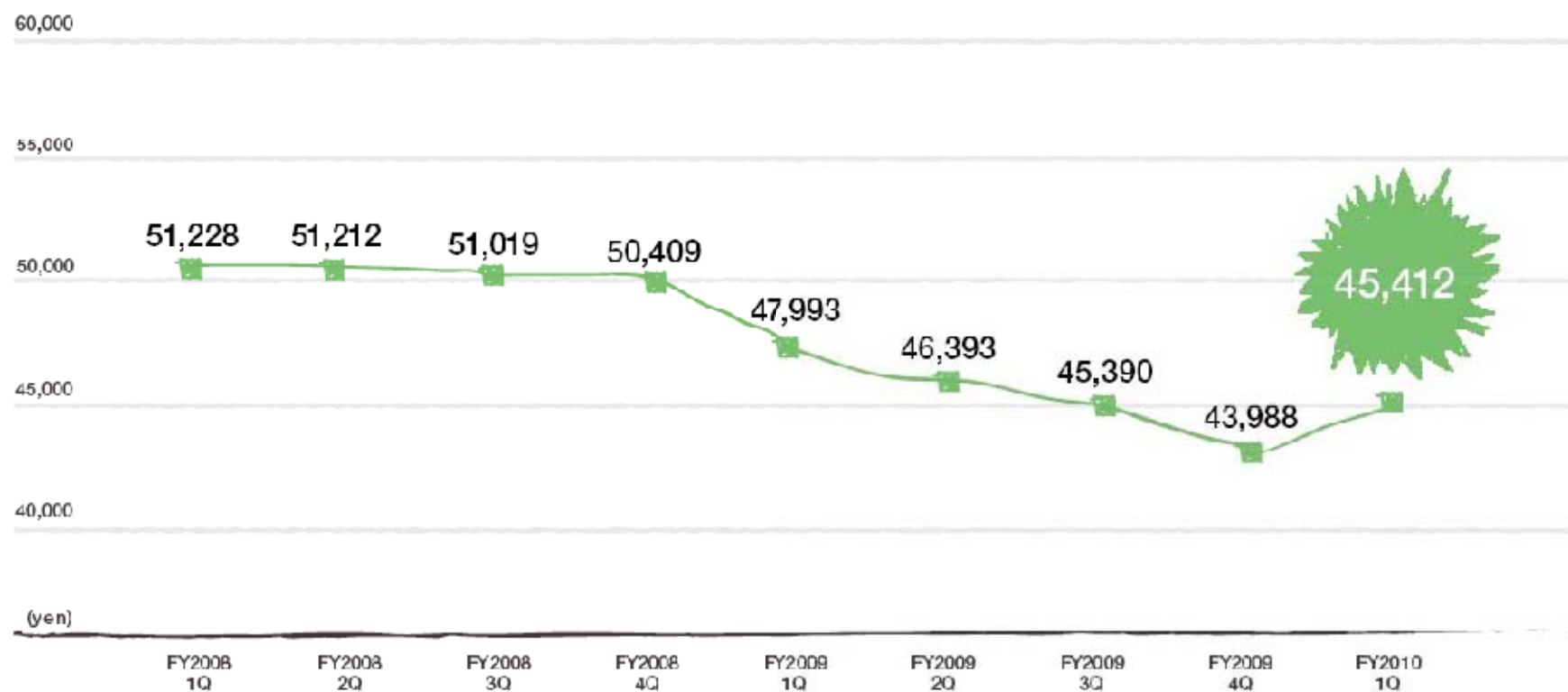
Average shipment value was recovering

- Average shipment value 1Q FY2010: ¥13,134 (+11.1% year-on-year)
- Proportion of purchases of ¥ less than 10,000 1Q FY2009: 54.2% 1Q FY2010: 40.6%
- Product unit value 1Q FY2009: ¥7,463 1Q FY2010: ¥7,183



Annual Purchase Amount per Active Member

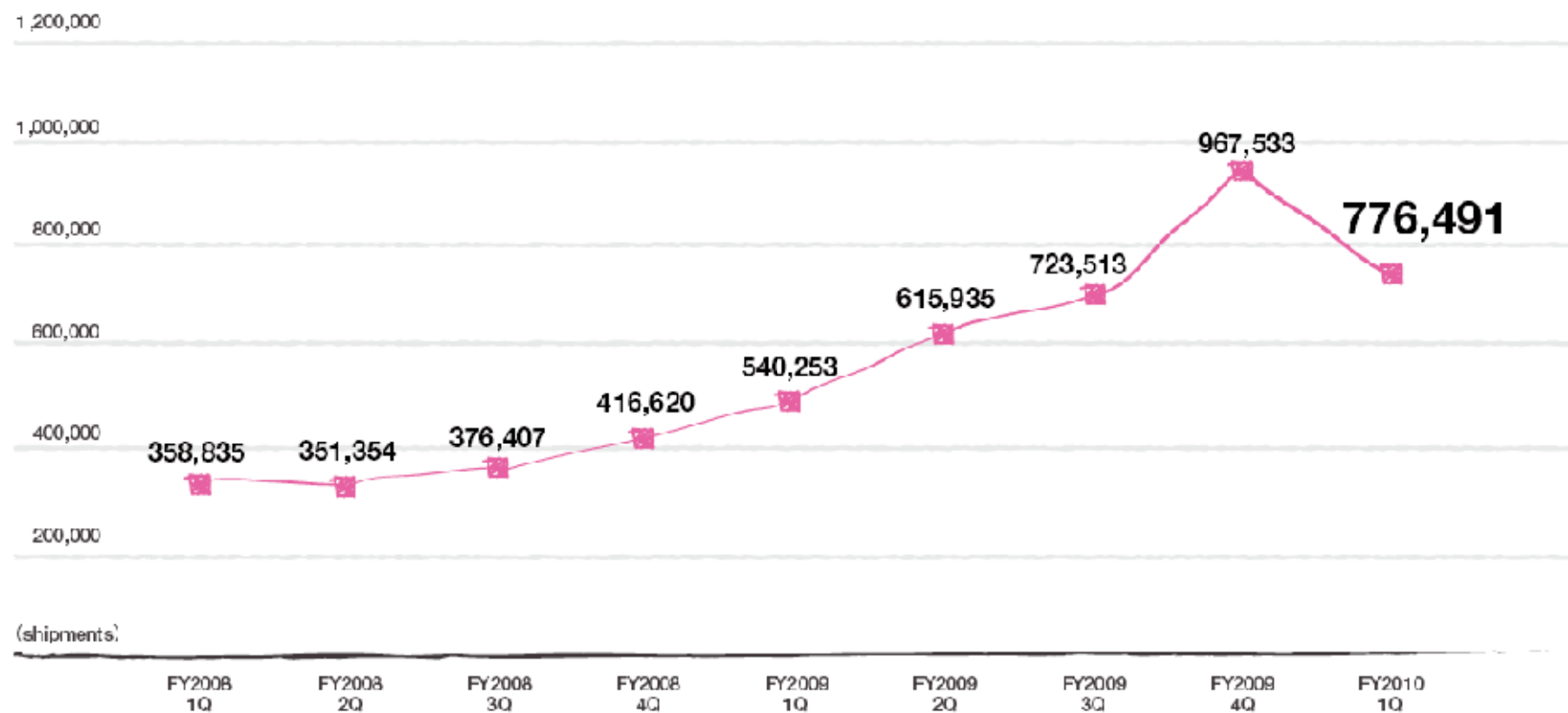
Annual purchase amount was recovering as shipment value rose



Number of Shipments

Number of shipments was favorable as well

+43.7% year-on-year



Forecasts for FY2010

Forecast Highlights for the Second Quarter of FY2010

1. More new shop openings are scheduled

- Store Planning & Development Business : 5 new shops are scheduled to open
- Store Operation & Administration Business : 34 new shops are scheduled to open

2. “Paul Smith” is opening in ZOZOVILLA

3. EC support business for apparel manufacturers (B to B business)

Release of new projects opening this autumn-winter season

“PAL CROSET ONLINE STORE” PAL CO., LTD.

“MELROSE ONLINE STORE” MELROSE CO., LTD.

Consolidated Business Forecasts and Dividends for FY2010

		YoY change (%)
Net sales	¥23.00 billion	34.0
Operating income	¥4.60 billion	42.2
Ordinary income	¥4.61 billion	42.0
Net income	¥2.58 billion	38.8
Net income per share	¥7,053.57	—
Dividend per share (plan)	¥1,750	—

Breakdown of net sales

Segment			YoY change (%)
EC business	Store Planning & Development Business	¥11.91 billion	14.5
	Store Operation & Administration Business	¥10.88 billion [*]	67.9
Others		¥0.20 billion	-23.3
Total		¥23.00 billion	34.0

^{*}Include EC support business for apparel manufacturers

Future Strategies

Mid-term Vision

Mid-term target of the Group

Transaction value **100** billion

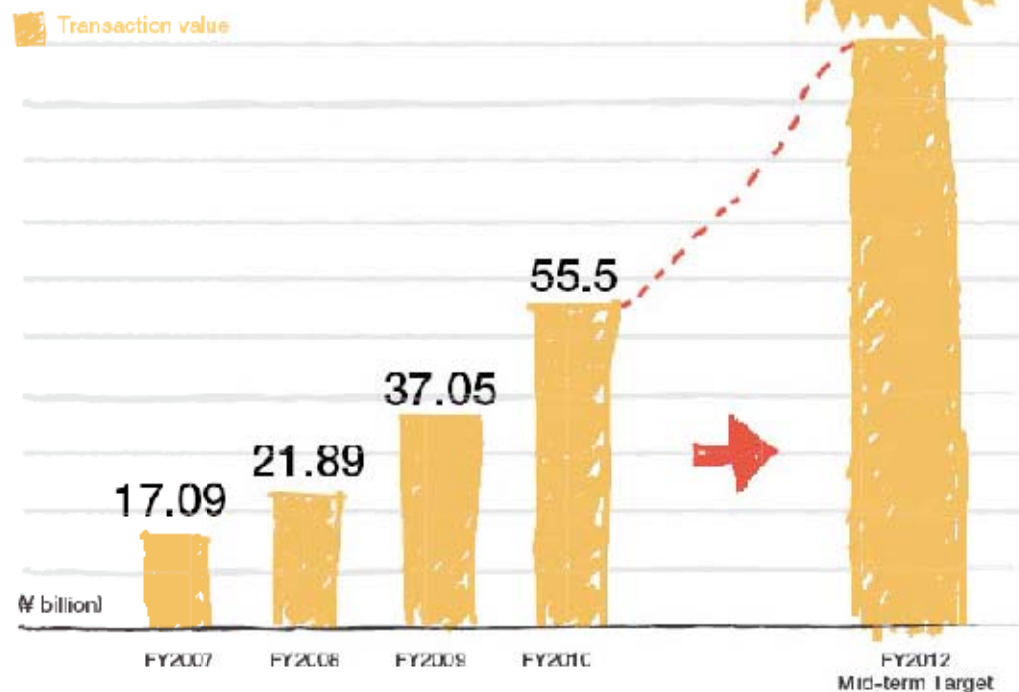
Ordinary income **10** billion

High Fashion
E-Commerce Website
"ZOZORESORT"



Fashion
E-Commerce Website
"START TODAY"

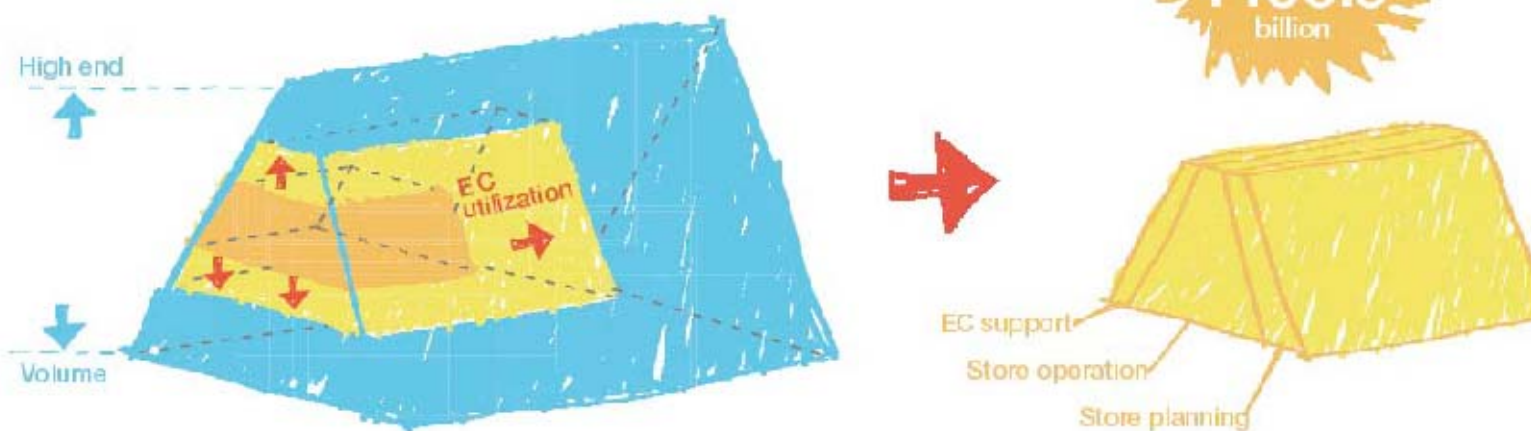
Mid-term Target for Transaction Value



Strategy of Market Expansion

While ZOZORESORT expansion is promoted focusing on the fashion E-commerce market, we accelerate the development of our business into the various fashion areas through E-commerce support.

- Entire apparel market
- START TODAY dealing market (Mid-term target)
- ZOZO dealing market (Current)



Business Plan for FY2010

Business Plan for FY2010

After “1Day 1Million” in a year of challenges, new challenge has come into view ...

a year of revolution

555TM
Revolution

**Industry
Revolution**

**Consumer
Revolution**

**START TODAY
Revolution**

Store Operation & Administration Business

Transaction Value Target : ¥40,900 million (+62.0% year-on-year)

Commencement of partial operation of inventory-linked system

- Evaluating implementation as first business initiative during 1Q
- Plan to commence linking to inventory, which is carried not only in ZOZO but also in warehouses and retail shops at tenant-side
- By improving inventory control efficiency, it enables to reduce sales opportunity losses and fix inadequate matching of supply and demand
- Even if ZOZO does not have inventory, it is possible to continue to sell at ZOZO sites as long as tenant side has inventory somewhere

Portion of brands handled by Store Planning & Development Business moved to tenants

- Increase member's satisfaction by reducing inventory risk and expanding the number of brands that were not handled by purchasing alone
- Increase amount of inventory and aim to expand scale of brand

Development of new sector

- Plan to open tenant stores in ZOZOVILLA
- Expand types of items handled by opening new stores
- ➔ Develop brands with different targets from those of ZOZOTOWN, such as female-office-worker style so called "OL-type style",
Ginza-type ladies style and gal-type girls style
(i.e., As for the existing ZOZO shops ➔ aquagirl and IENA for OL-type style, MIDWEST and ESTNATION for Ginza-type ladies style,
and SHEL'TTER for gal-type girl style)

Store Planning & Development Business

Transaction Value Target : ¥11,000 million (+9.8% year-on-year)*

*Calculation based on merchandise sales only.

Cultivate and deliver up-and-coming brands

- Focus on discovering, cultivating and delivering promising brands, and expand scale of each brand

Strengthen overseas transactions

- Create an exclusive block for overseas transactions
- Steadily carry out expansion starting with asos / DOVER STREET MARKET opened in the previous fiscal year

Improve gross margin rate by strengthening MD

- By communicating more closely with brand sides, we focus on supplying more subscription sales and reorders of hot-selling products, reproduction, and accepting more orders
- Curb inventory risk and promote efficient sales
- Maintain and increase gross margin rate by implementing flexible and strategic sales

EC Support Business for Apparel Manufacturer

Transaction Value Target : ¥3,600 million (+154.9% year-on-year)

FY2009 results

Commissioned companies: 6 Acquired members: 125,199 Active members: 65,227

- Rapid increase in number of members and active members. Business results are moving favorably and are on track.
- EC support business portion is not added to number of members and active members for ZOZO overall.

Business scale at new stores is equivalent to previous fiscal year actual results

- SHIPS Co., Ltd.'s EC opening (in June)
- Developing business in a wide range of fashion areas including major overseas companies
- Currently maintain contact with multiple companies, several for which probability is quite high

Strengthen support for existing support sites

- Create an exclusive block for EC support within the Store Operation & Administration Business
- Support strengthening of MD through close communication with brand side

Transaction value Target by Member Category

ZOZO members

Existing members : ¥33.5billion (Please refer to page 34.)

+ Newly acquired members : ¥18.4billion = ¥51.9billion (Please refer to page 35.)



Manufacturer EC members: ¥3.6 billion

(Please refer to page 32.)



55.5 billion

Transaction Value Target: Existing Members ¥33.5 billion

Number of existing active members :
576,813 × Annual purchase amount per member ¥58,075 = approx. ¥33.5 billion
 (Table I-G) (Table I-H) (excluding B to B transaction)

Table I

Item	Fiscal year when new members acquired						Notes
	FY2006	FY2008	FY2007	FY2006	Before FY2006	Total	
A Number of acquired (induce and withdrawn members) (person)	780,795	460,965	353,293	235,570	251,357	2,061,975	
B Number of active members (induce and withdrawn members) (person)	447,159	138,476	99,614	68,320	49,615	803,184	
C Active rate (%)	57.3	30.0	28.2	29.0	19.7	38.6	Stable movement since year after acquisition
D Annual purchase amount per member (¥)	27,362	57,406	62,095	72,130	79,757	43,895	Increase since year after acquisition
E Total purchase amount (¥ million)	12,235	7,949	6,186	4,923	3,958	35,256	
F Estimated active rate (%)	33.5	25.3	25.5	26.5	18.1	27.7	F=C×(t)
G Number of active members (person)	251,919	115,660	90,157	62,585	45,592	576,813	G=A×F
H Annual purchase amount per member (¥)	48,658	59,420	62,195	74,207	78,389	58,075	H=D×C *Total amount = I/G
I Total purchase amount (¥ million)	12,737	6,922	5,604	4,541	3,594	33,498	I=G×H

* Purchase amount does not include B to B transaction.

FY2009
results



FY2010
estimates

Table II

Item	Year						Notes
	1st - 2nd year	2nd - 3rd year	3rd - 4th year	4th - 5th year	5th year and after		
(1) Change rate of estimated active rate (%)	59	34	91	92	92	Significant decrease in year after acquisition, but stable movement from second year	
(2) Annual purchase amount per member (¥)	178	103	100	103	99	Increase since year after acquisition	

* Calculation of change rate of active rate for years elapsed and year-to-year annual purchase amount per member is based on the average for past three years.

Transaction Value Target: New Members ¥18.4 billion

Number of newly acquired members: **150 million** × Estimated active rate: **44%** × Annual purchase amount per member: **¥28,000** × **¥18.4 billion**
 (excluding B to B transaction)

Number of newly acquired members : 150million

	As of April 20, 2010	April 2009	April 2008	Notes
Acquired members (person)	29,730	35,547	31,326	—
Advertising and sales promotion fees (¥ million)	32	50	29	—
Member acquisition unit cost (¥)	1,073	1,422	937	- Member acquisition has made more efficient in FY2010 - No decrease of efficiency in acquisition due to discontinuation of free shipping

	FY2010 estimate	FY2009	FY2008	FY2007	Notes
Net increase in members	1,600,000	763,229	447,030	339,061	—
Advertising and sales promotion fees (¥ million)	2,100	1,034	403	676	Investment of ¥2.1 billion in advertising and sales promotion fees
Member acquisition unit cost (¥)	1,400	1,355	903	1,115	Member acquisition unit cost is conservative

Estimated active rate : 44% Annual purchase amount per member : ¥28,000

	As of April 20, 2010	April 2009	April 2008	Notes
Average delivery unit cost (¥)	13,555	12,487	13,503	Significant recovery of average shipment value due to discontinuation of free shipping

	FY2010 estimate	FY2009	FY2008	FY2007	Notes
Active rate (%)	44	57	47	55	Estimated active rate is conservative
Annual purchase amount per person (¥)	28,000	27,379	32,310	34,103	Annual purchase amount per person is conservative

Working Toward “Fashion EC” = “START TODAY” Entering into the Second-hand Market

Investment with Crown Jewel, Inc.

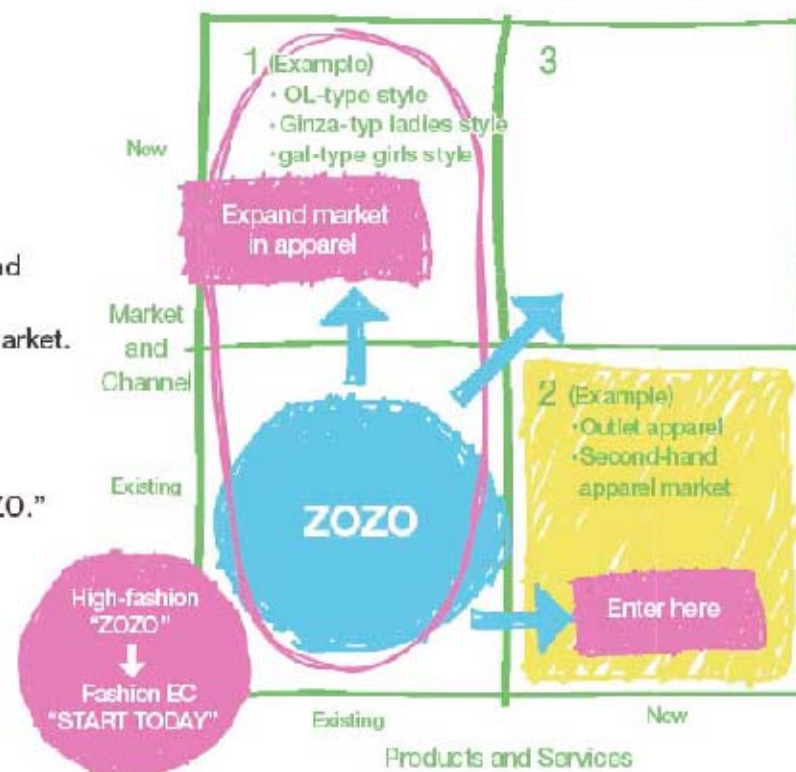
- Investment with Crown Jewel, Inc., a subsidiary of CyberAgent, Inc., that operates an auction site “CROWN JEWEL,” specializing in popular fashion items.

Expand market in apparel industry

- By utilizing our know-how cultivated in apparel e-commerce business and Crown Jewel’s know-how gained in the apparel auction business, we aim to promote development of business in the second-hand apparel market.

Advantage of capital tie-up

- Develop business in the second-hand market at sites other than ZOZO.
- Expect effect of enclosing customers through “Buy at ZOZO, Sell at ZOZO.”
- Crown Jewel specializes in fashion and handles similar brands, so it is easy to match to existing ZOZO members and also possible to send customers from ZOZO.



Progress in Transaction Value Target by Member Types

Transaction Value Target : New Members ¥18.4 billion

New members	1Q of FY2010		Difference
	Plan	Actual	
Number of newly acquired members (person)	189,164	168,440	-20,744
Number of active members (person)**	98,548	94,074	-4,474
Active rate (%)	52.1%	55.9%	3.8%
Purchase amount per member (¥)	17,136	16,992	-144
Total purchase amount (¥ million)	1,668	1,593	-90

Refer to page 36 for basis for calculation of annual plan.

New members acquired

- Number of newly acquired members in 1Q fell short of target level.
- Accelerate member acquisition along with full-swing TV commercials after 1Q. (During 1Q, only 6 days from June 25.)

Active rate

- Higher than estimation.

Purchase amount

- Transaction value of new members in 1Q fell short of the target level.

Transaction Value Target : Existing Members ¥33.5 billion

Existing members	1Q of FY2010		Difference
	Plan	Actual	
Number of members as of March 31, 2010 (include withdrawn members)	-	2,081,975	-
Number of active members (person)**	304,505	297,752	-6,848
Active rate (%)	11.6%	14.3%	-0.3%
Purchase amount per member (¥)	27,025	28,883	1,859
Total purchase amount (¥ million)	8,251	8,500	369

Refer to page 34 for basis for calculation of annual plan.

**The number of active members is the number of unique users who purchased during FY2010 (including withdrawn members)

Active rate

- Stayed on track as planned.

Purchase amount

- Purchase amount per member rose as shipment value rose due to the end of free shipping campaign period.
- Transaction value of existing members in 1Q was higher than estimation.

Forecast for FY2010

		YoY change (%)
Net sales	¥23,000 million	34.0
Transaction value	¥55,500 million	49.8
Ordinary income	¥4,610 million	42.0

Breakdown of transaction value

		YoY change (%)
Store Planning & Development Business	¥11,000 million	9.8
Store Operation & Administration Business	¥40,900 million	62.0
EC Support Business for apparel manufacturer	¥3,600 million	154.9

Reference Data

想像 (SOZO : Imagination) & 創造 (SOZO : Creation) + Internet

ZOZO RESORT

Business Domain : High-sense Fashion
6 Services : Buy, Find, Gather, Decorate, Ask, Convey



A Summary and a Characteristic of Each Service

ZOZOTOWN

- The largest fashion shopping site in Japan
- System, design, logistics
— originally developed and operated
- Solid relationship with the brands carried,
ex) Inventory data connection

ZOZONAVI

- 4,832 real-life apparel shops introduction
- Electronic Dictionary of fashion information
- Variety of information from shops
- 135,328 patterns of coordinated styles
recommended by shops
- Induce customers by search navigation services

ZOZOGALLERY

- PC and mobile wallpaper & screen saver
download service of popular brands

ZOZOPEOPLE

- Website specializing in the distribution of
information about people, journals and items
- Users can share information among
themselves

ZOZO Q&A

- Everyday problems can be solved in a highly
responsive way among users

ZOZO ARIGATO

- Posted message contributions





Our Strength

- The largest apparel EC business in Japan
- Dominant position in high-fashion field
- Holding of our own EC-related functions : System, Design, Logistics, etc.
- Accompanied by original fashion information media
- Very loyal members with a fifty-fifty male-to-female ratio
- Solid relationship with business partners

EC Business

Store Planning & Development Business (Direct Sales)

Launched 45 original shops such as “EPROZE” and “QUNIEE” in ZOZOTOWN.

Purchase and sell inventory from brand manufacturer.

Sales = Transaction value on each shops

Store Operation & Administration Business (Consignment Sales)

Operating 121 online shops, such as “United Arrows,” “BEAMS,” etc., in ZOZOTOWN :

On commission basis without any inventory risk

Sales = Transaction value on each shops × commission rate

B to B Business

EC Support for apparel manufacturer : Established a subsidiary, Start Today Consulting, Co., Ltd. , in May 2008

Sales = Transaction value on each manufacture × commission rate

Others

Media Business

Advertisement using front pages and search results

Sales = Advertisement charge

Credit Card Business

Issue "ZOZOCARD" (tied-up with POCKETCARD CO., LTD.)

Sales = Cashing balance × Commission rate + Shopping amount × Commission rate

Others

Initial store opening charge, paid membership service "ZOZOPREMIUM," etc.

This material was made only for understanding the business of the company and not for offering to solicit investment.

The future outlook of the business results, etc. described in this material was judged by the company based on the information currently available, and include various uncertainties. Actual results may differ from the future outlook.