

Third Quarter FY2010
April 1, 2010 – December 31, 2010
Consolidated Business Results

Results briefing material

Business Performance

Highlights for the Third Quarter (Q3) of FY2010

1. Net Sales and Transaction Value Achieved Target

- Net sales for the first three quarters : ¥17,045 million (+46.7% year-on-year)
- Transaction value for the first three quarters : ¥40,195 million (+62.7% year-on-year)

2. Operating Profit Marked a Record High

- Operating profit for 3Q : ¥1,539 million (+72.9% year-on-year)
- Operating profit for the first 3Qs : ¥4,007 million (+90.7% year-on-year)

3. Business Tie-up with Yahoo Japan Corporation

- Fashion Database
StartToday is aiming to construct the largest fashion database in Japan, including information of all items handled in ZOZOTOWN, and all others distributed in Japan. All of these information will appear on Yahoo!JAPAN's search results when a keyword contained in this database has been searched.
- Yahoo!Shopping and ZOZOTOWN
All items handled in ZOZOTOWN are able to search through Yahoo! Shopping. When clicking an item, it will automatically link to ZOZOTOWN and you can purchase the item by using Yahoo!Japan's ID, points and wallet as the paying method.
- Yahoo!Fashion
StartToday and Yahoo! will upgrade our service by making use of the contents ZOZO RESORT has accumulated. Planning to share the data below: More than 100,000 items information, Shop data of more than 5,000 real shops, 150,000 fashion snaps, Over 580,000 shop information data.

4. Renewal of ZOZO RESORT, Opening of ZOZO OUTLET

- The "town" which used to symbolize ZOZOTOWN has been eliminated from the site. The concept and design has been renewed to put more focus the "people" who came to visit our town. Addition of functions for information sharing with Twitter, Facebook, and other social networking service sites and enhancement of category search functions.

5. New Store Openings Continued

- Stores opened for Q3:
Store Operations & Administration Business
(Consignment Sales) : 12 stores
Store Planning & Development Business
(Direct Sales) : 3 stores Total 15 stores

6. E-Commerce Support Business for Apparel Manufacturers: Four On-line Stores Opened

- "PAL CLOSET ONLINE STORE" (PAL CO., LTD.)
- "MELROSE ONLINE STORE" (MELROSE CO., LTD.)
- "MARGARET HOWELL SHOP ONLINE" (Anglobal Ltd.)
- "Adam et Rope' ONLINE SHOP" (Jun Co., Ltd.)

7. New Members Fell Short of the Target

- Total members : 2,772,976
- New members for the first 3Qs : 744,269
(Compared to Q3 FY2010 target : -296,855)

8. Failed to secure the naming rights for Chiba Marine Stadium

Overview of the First Three Quarters of FY2010

(¥ million)

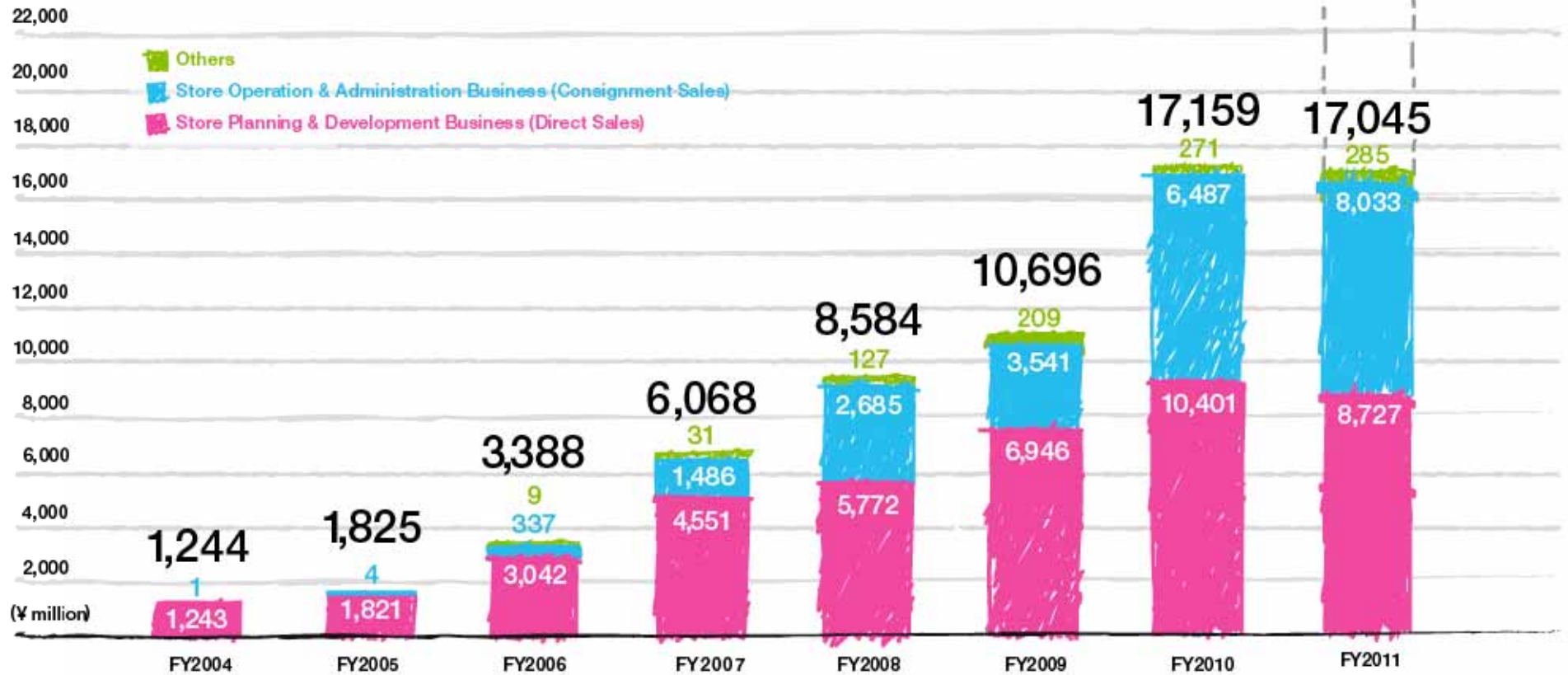
Item	First 3Qs FY2010	First 3Qs FY2009	YoY change (%)	Target for FY2010	Target achievement	Reasons for change
Net sales	17,045	11,617	+46.7%	23,500	72.5%	•Transaction value: ¥40.19 billion (+62.7% year on year)
Operating profit	4,007	2,101	+90.7%	5,210	76.9%	Reasons for the first 3Qs' result outperformed the first 3Qs' target: 1) the benefit of the economies of scale attained by transaction value growth and 2) increased consignment commission rate
Recurring profit	4,006	2,113	+89.5%	5,210	76.9%	-
Net income	2,236	1,201	+86.1%	2,920	76.6%	-

Above figures reflect the effects of "Stock Split, Adoption of Unit Share System, and Amendments to the Articles of Incorporation", announced on December 14, 2010, and "Revisions of Consolidated Business Forecast and Dividend Forecast for FY2010," announced on January 28, 2011

Net Sales (First Three Quarters)

Steady growth

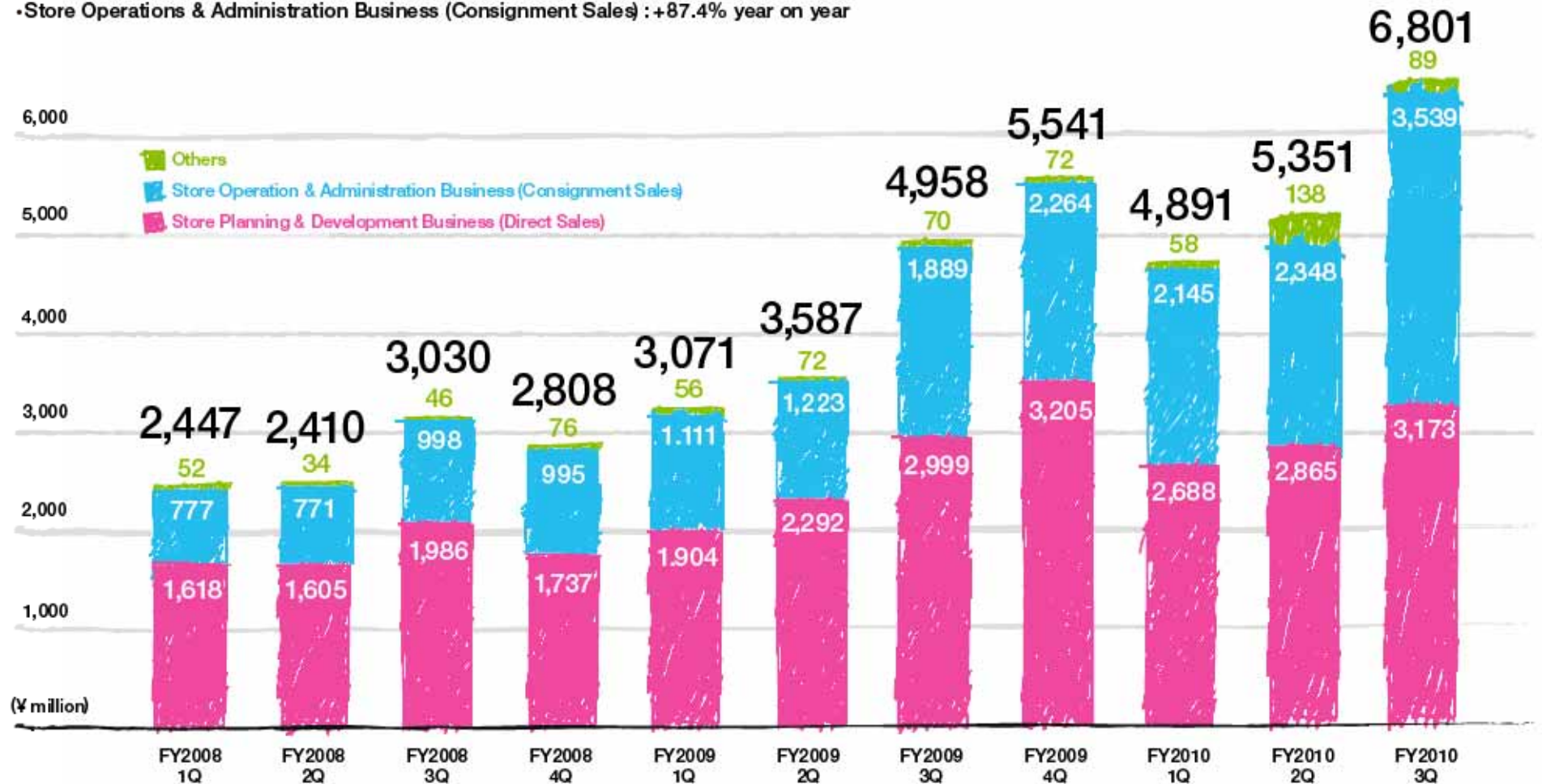
- Achieved target
- As a percent of full-year target :72.5%
- Significant growth of 46.7% year-on-year



Net Sales(Quarterly)

Quarterly net sales marked a record high

- Store Planning & Development Business (Direct Sales) :+5.8% year on year
- Store Operations & Administration Business (Consignment Sales) :+87.4% year on year



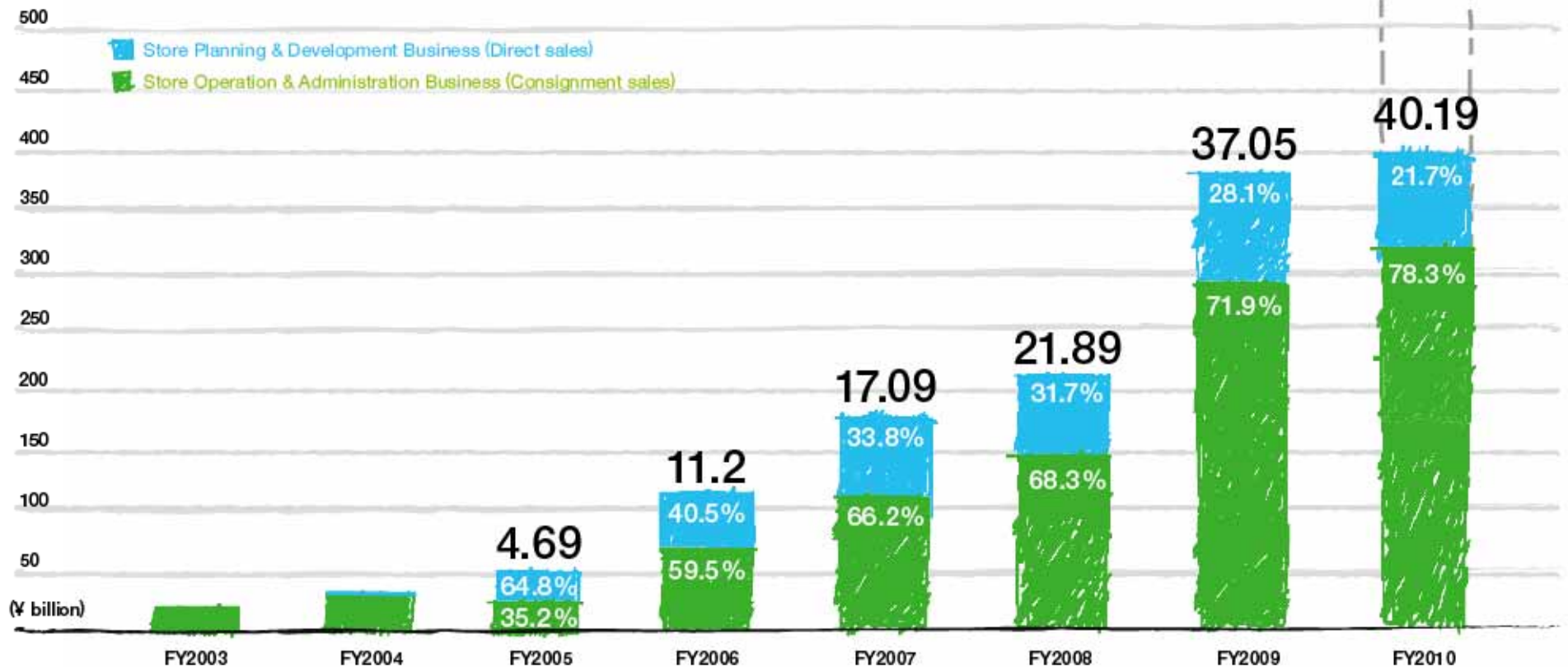
Transaction Value (First Three Quarters)

Transaction value for First 3Qs FY2010 : ¥40.19billion

Consignment transaction value for First 3Qs FY2010 : ¥31.46 billion

Target for transaction value was achieved as well.

- B to B transaction value for First 3Qs FY2010 (included in consignment transaction value) : ¥2.94 billion
(Re: First 3Qs FY2009: ¥0.81billion)
- Gross transaction value of new stores for First 3Qs FY2010 : ¥2.2 billion, 5.5% of the total consignment transaction value (excluding B to B transaction)

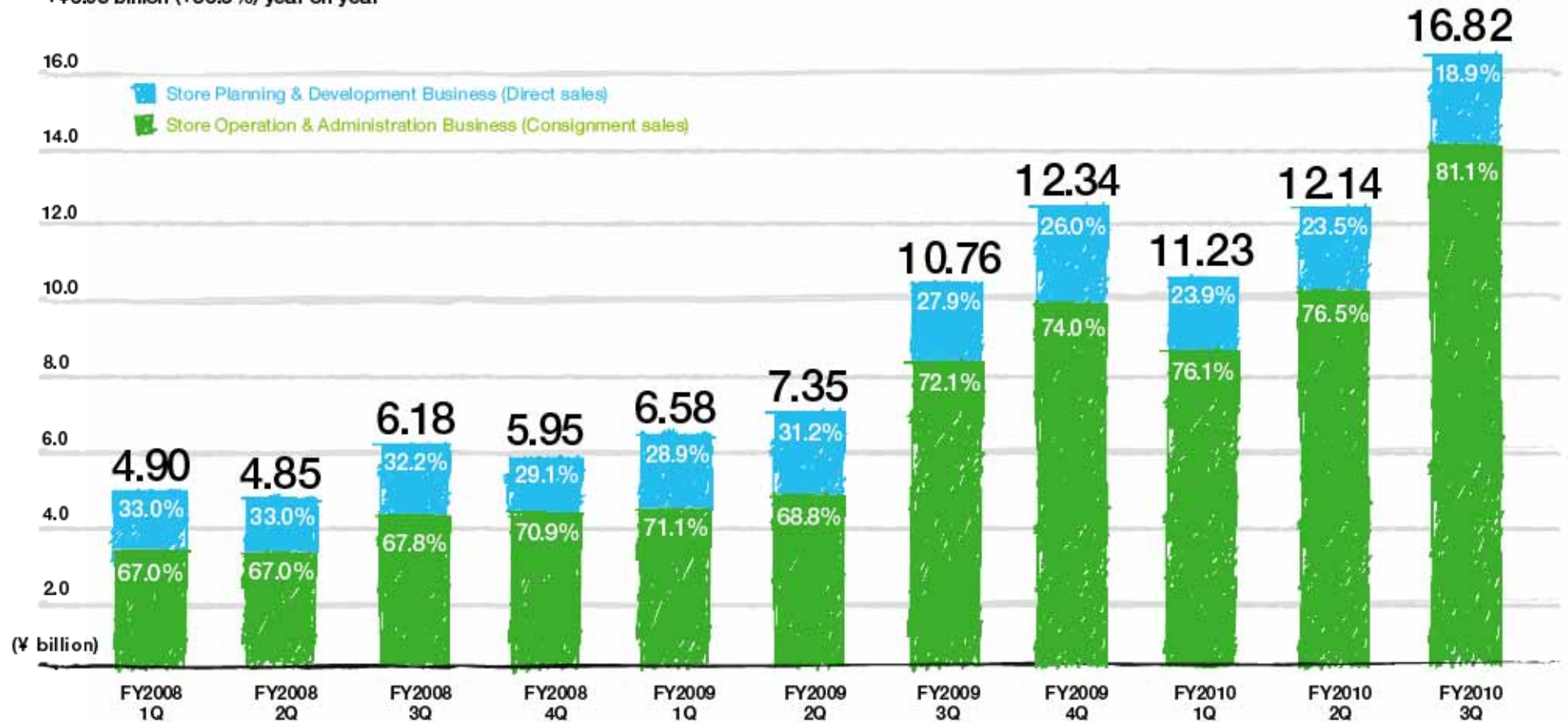


Transaction Value (Quarterly)

- Transaction value for Q3 FY2010: ¥16.82 billion
- Consignment transaction value for Q3 FY2010: ¥13.64 billion

Transaction value marked a record high.

- +¥6.05 billion (+56.3%) year on year



Selling, General and Administrative (SG&A) Expenses

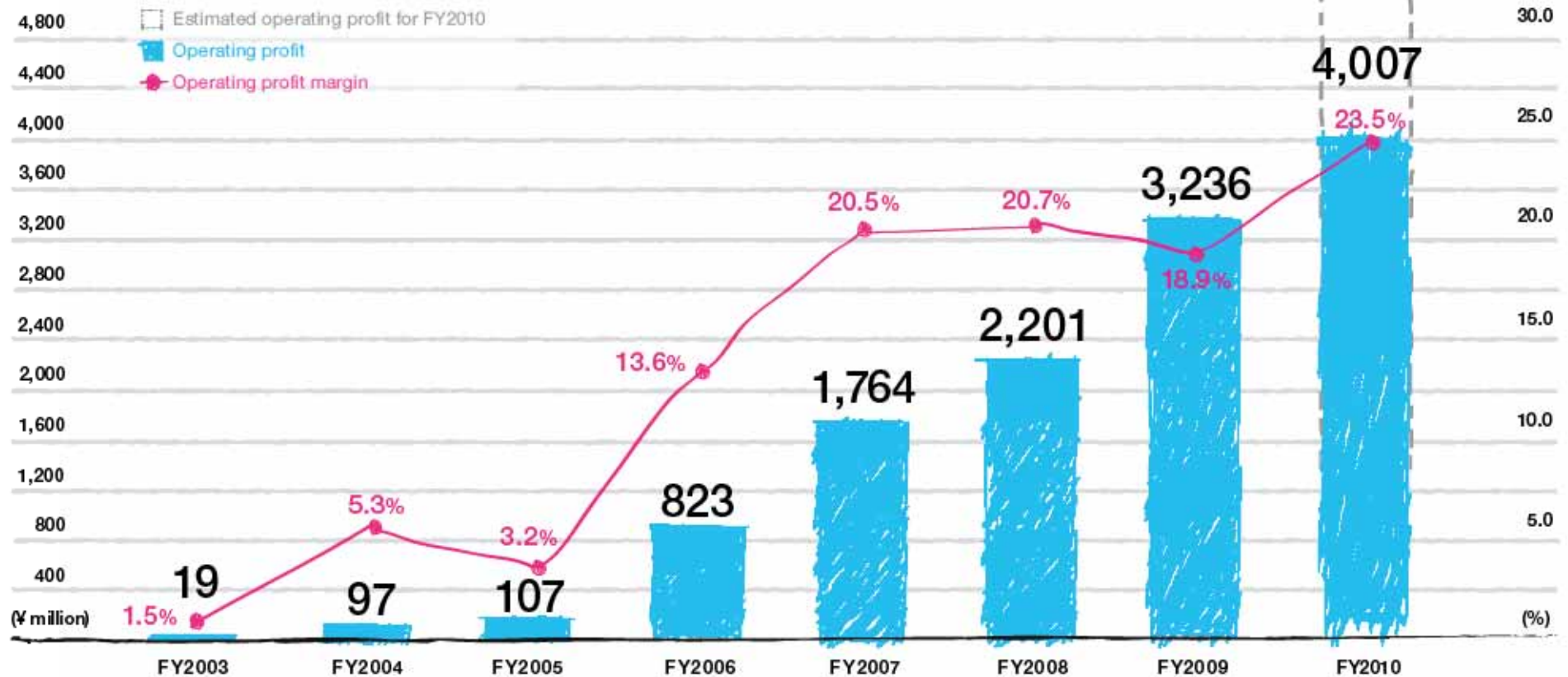
(¥ million)

Item	First 3Qs FY2010		First 3Qs FY2009		YoY change (%net sales)	Q3 FY2010		Q2 FY2009		Change from Q3 FY2009	
	Amount	% net Sales	Amount	% net Sales		Amount	% net Sales	Amount	% net Sales	% net Sales	Reasons for the change
Total SG&A	7,356	43.2%	4,797	41.3%	1.9%	3,208	47.2%	2,274	42.5%	4.7%	Advertising expenses increased
Payroll and staff	989	5.8%	789	6.8%	-1.0%	384	5.6%	315	5.9%	-0.3%	
Shipping	960	5.6%	655	5.6%	0.0%	362	5.3%	315	5.9%	-0.6%	
Payment Collection	837	4.9%	515	4.4%	0.5%	341	5.0%	257	4.8%	0.2%	
Advertising	1,667	9.8%	727	6.3%	3.5%	1,017	15.0%	465	8.7%	6.3%	Active sales promotion conducted
Outsourcing	299	1.8%	238	2.1%	-0.3%	103	1.5%	97	1.8%	-0.3%	
Others	2,602	15.3%	1,872	16.1%	-0.8%	999	14.7%	823	15.4%	-0.7%	Held down fixed charge rate due to economies of scale. Lease expense: -0.6%

Operating Profit and Operating Profit Margin (First Three Quarters)

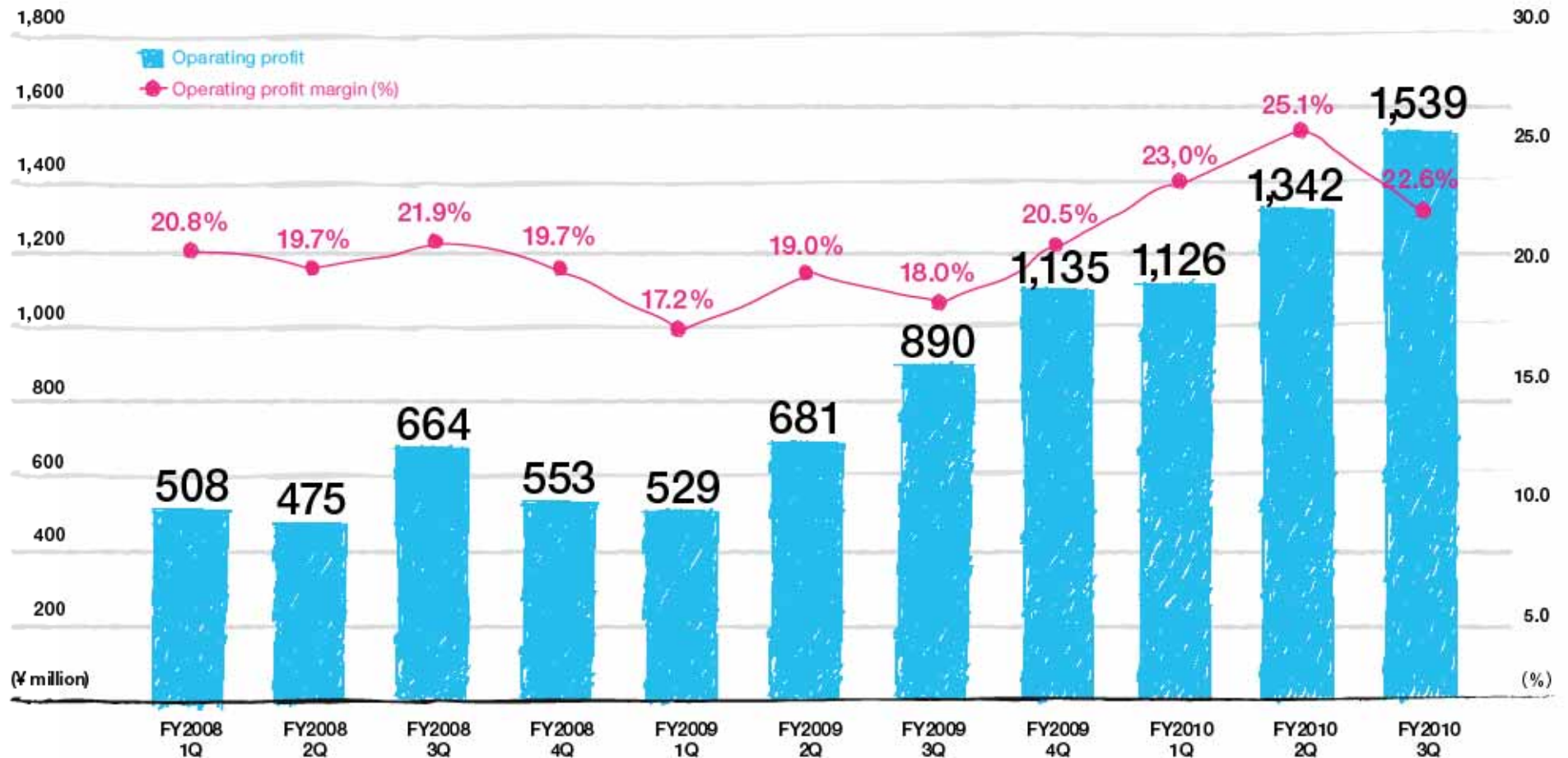
Operating profit margin marked a record high

• Operating profit : +90.7% year on year



Operating Profit and Operating Profit Margin (Quarterly)

Operating profit marked a record high



Cash Flows

(¥ million)

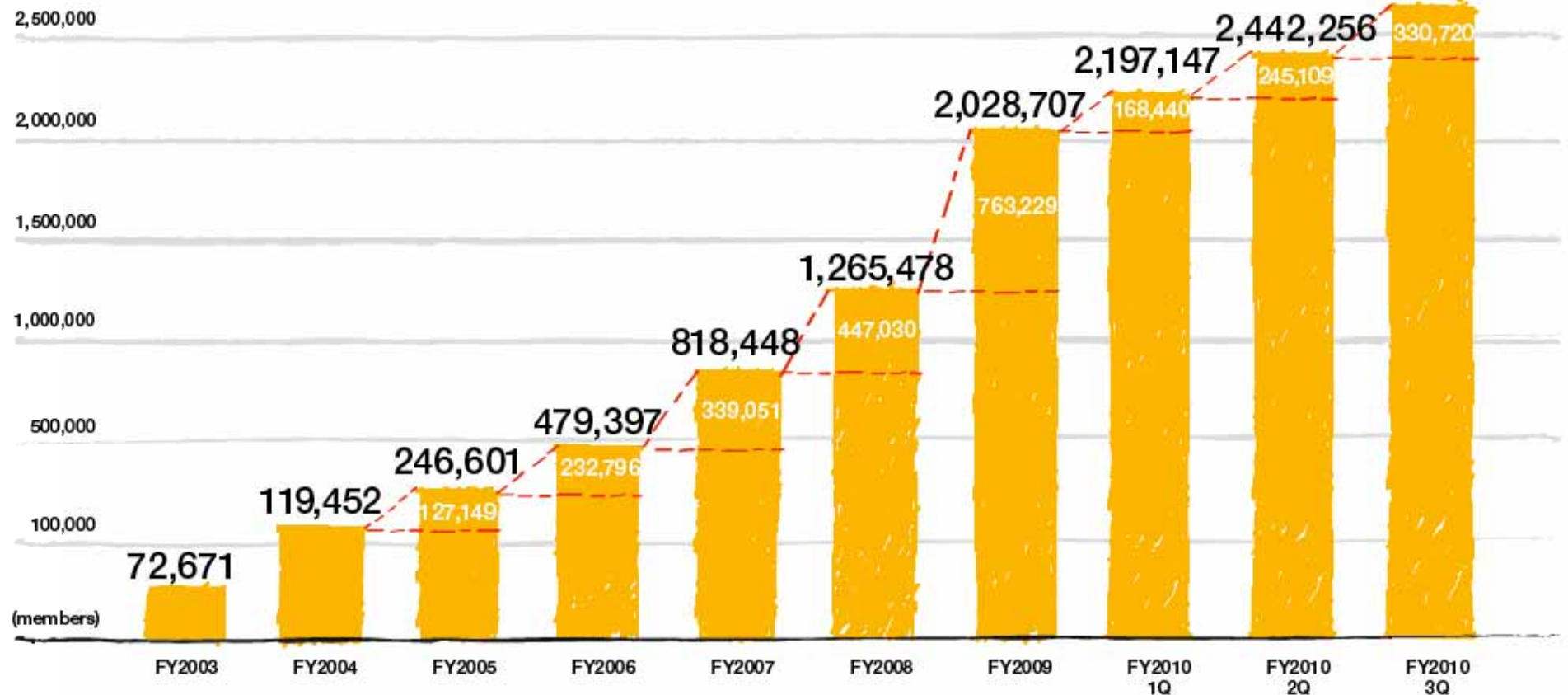
	First 3Qs FY2010	First 3Qs FY2009	YoY	Reasons for the change
Cash flows from operating activities	2,705	1,216	1,489	Increase of net income and income tax payment
Cash flows from investing activities	-275	-116	-159	Acquisition of shares of an affiliate (Crown Jewel, Inc.)
Cash flows from financing activities	-462	-307	-155	Dividend payment (Dividend per share ¥1,270)
Cash and cash equivalents at end of period	9,113	5,905	3,208	—

Fact Data Analysis

Total Members (First Three Quarters)

Total members increased steadily, but fell short of First 3Qs' target.

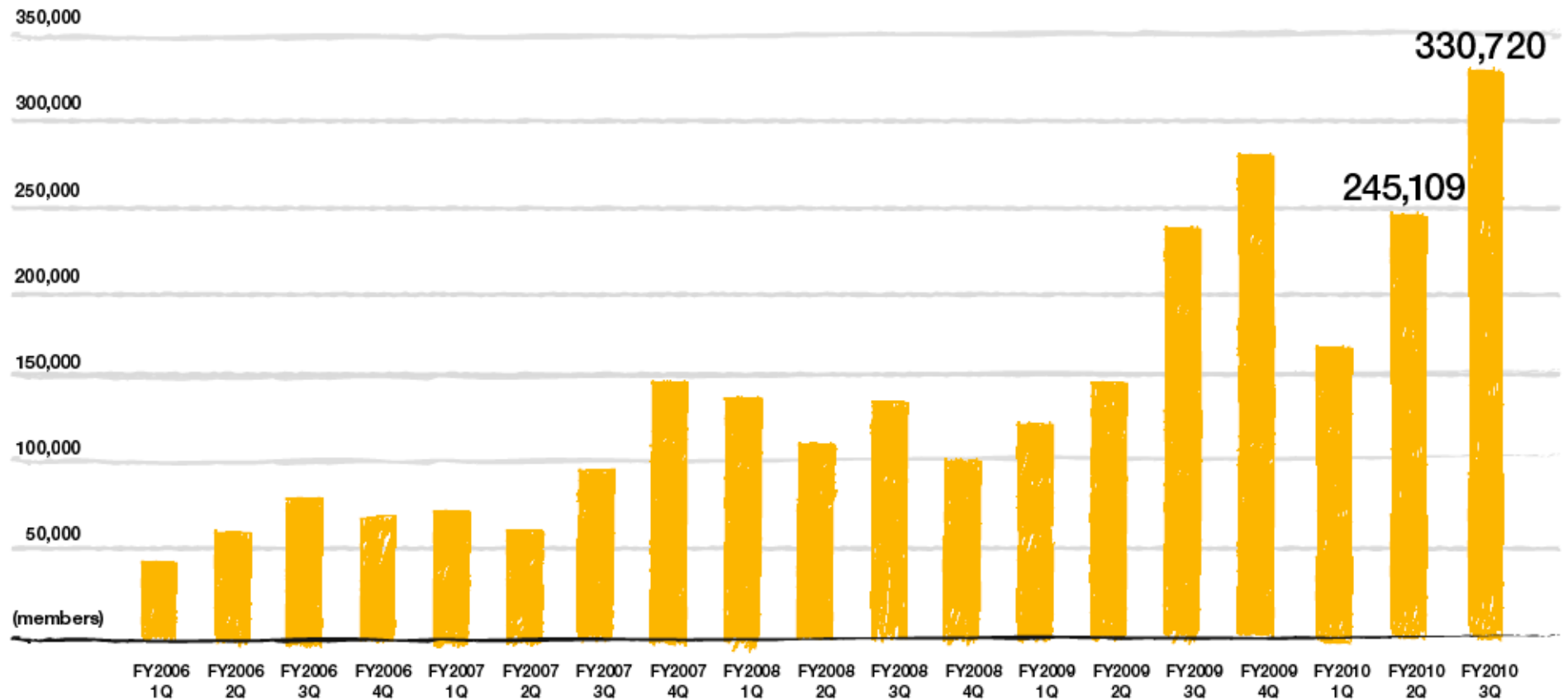
- Compared to First 3Qs' target: -296,855 members
- +57.4% year on year



New Members (Quarterly)

New members marked a record high

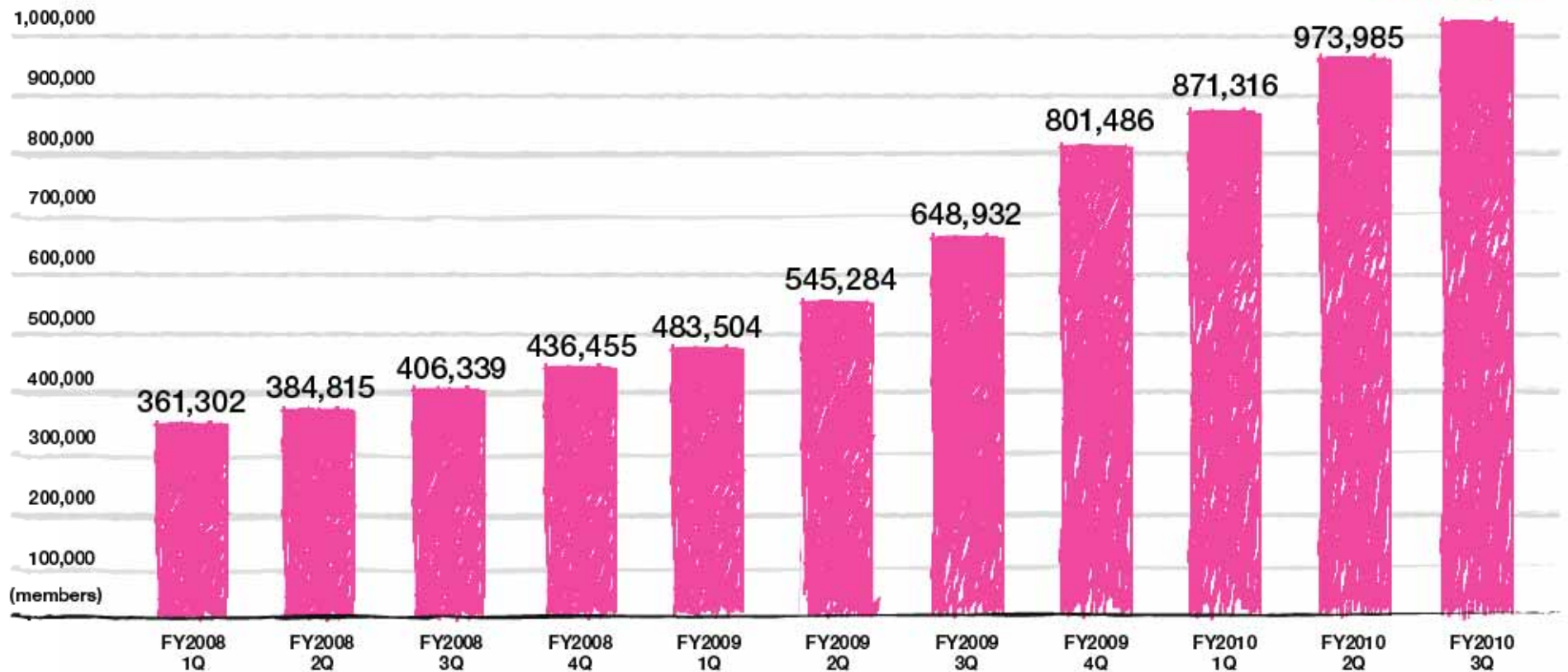
•+36.6% year on year



Active Members (Quarterly)

Active members = Members who have made at least one purchase within a year

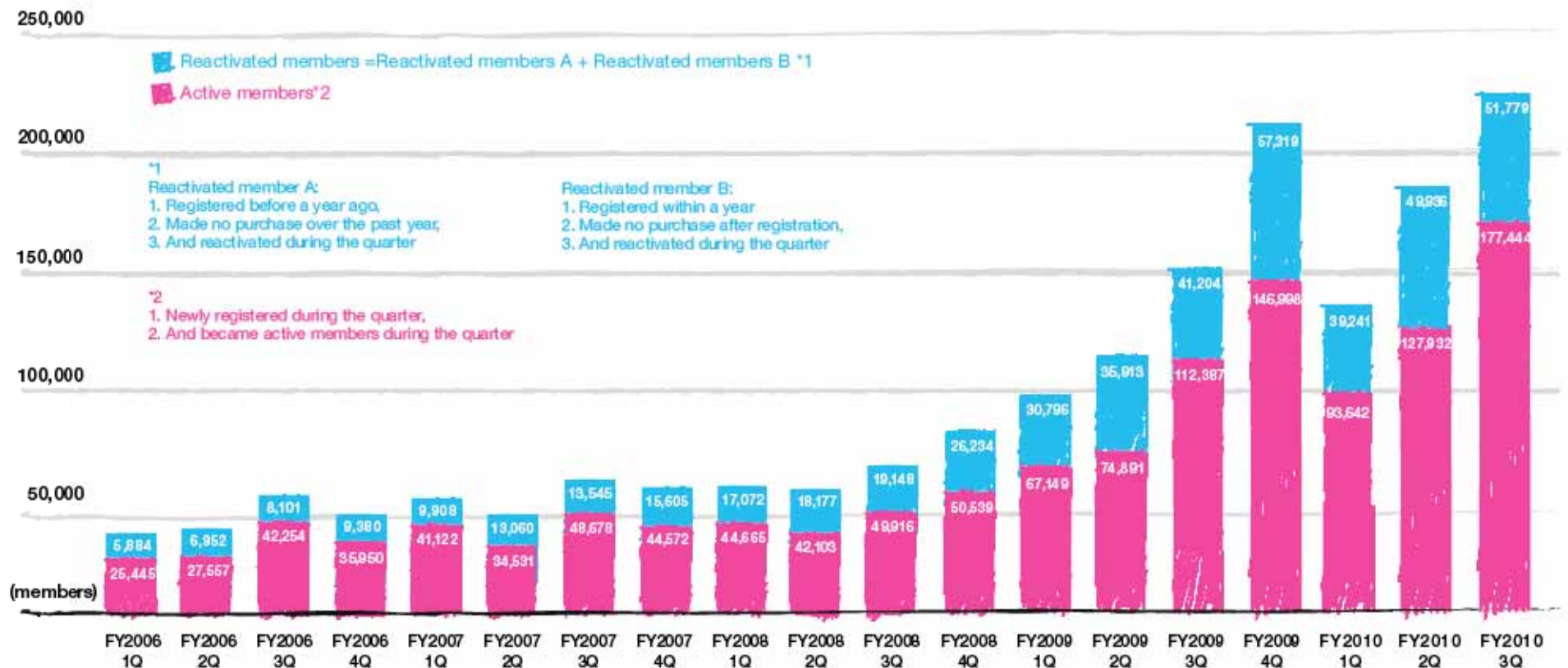
• + 448,553 members year on year (+123,500 members quarter on quarter)



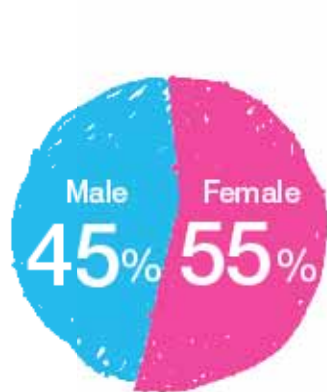
Active Members (New and Reactivated, Quarterly)

Active members = Members who have made at least one purchase within a year

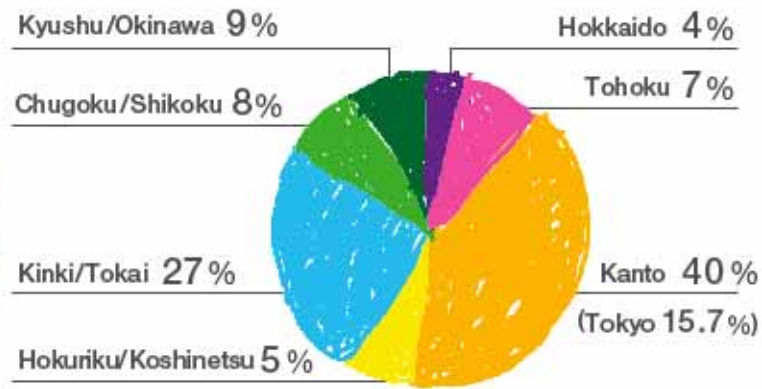
- 53.7% of new members in Q3 became active members
- Marked record for new active members



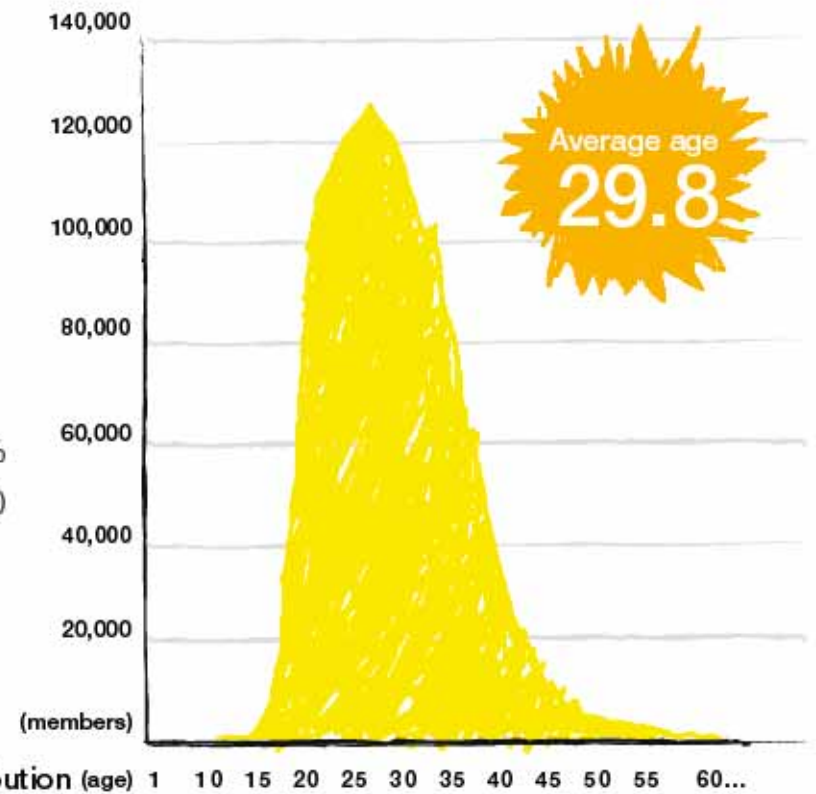
Member Distribution (As of December 31, 2010)



Gender ratio

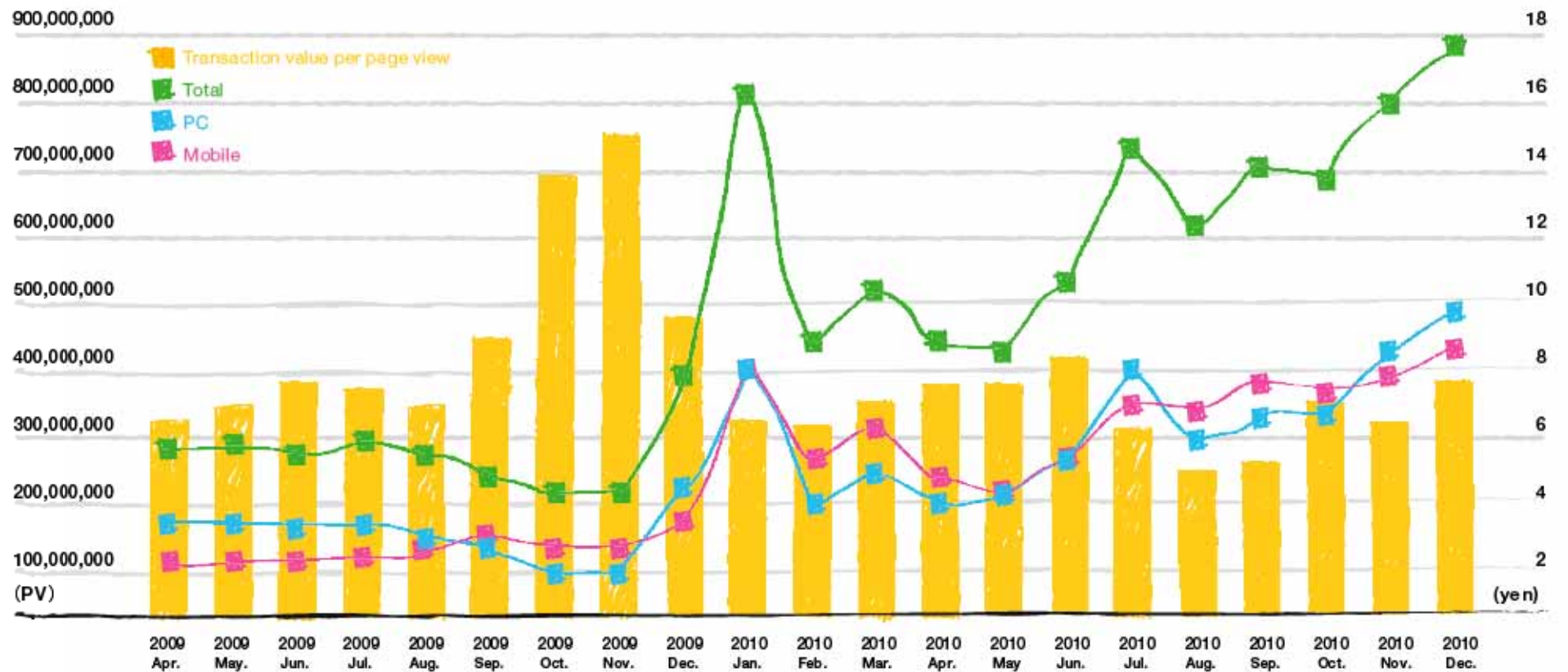


Geographical distribution



Age distribution (age) 1 10 15 20 25 30 35 40 45 50 55 60...

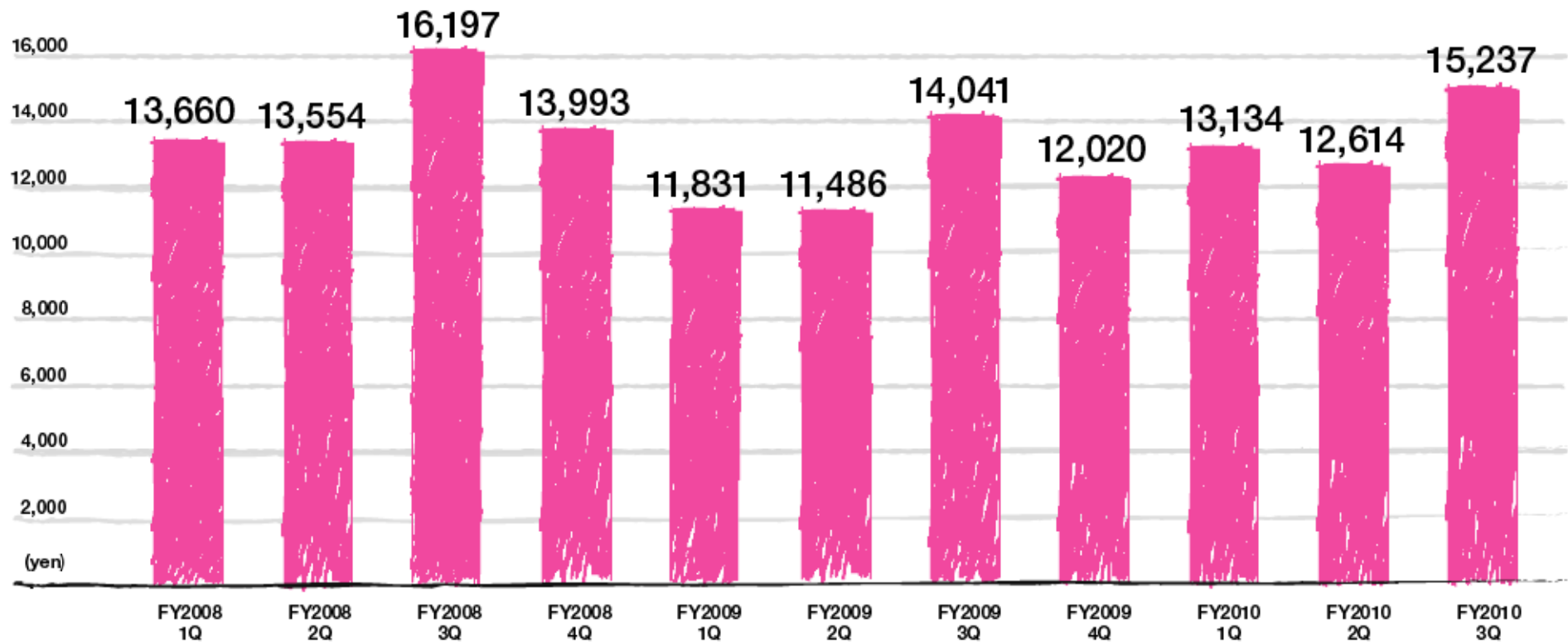
Total Page Views per Month



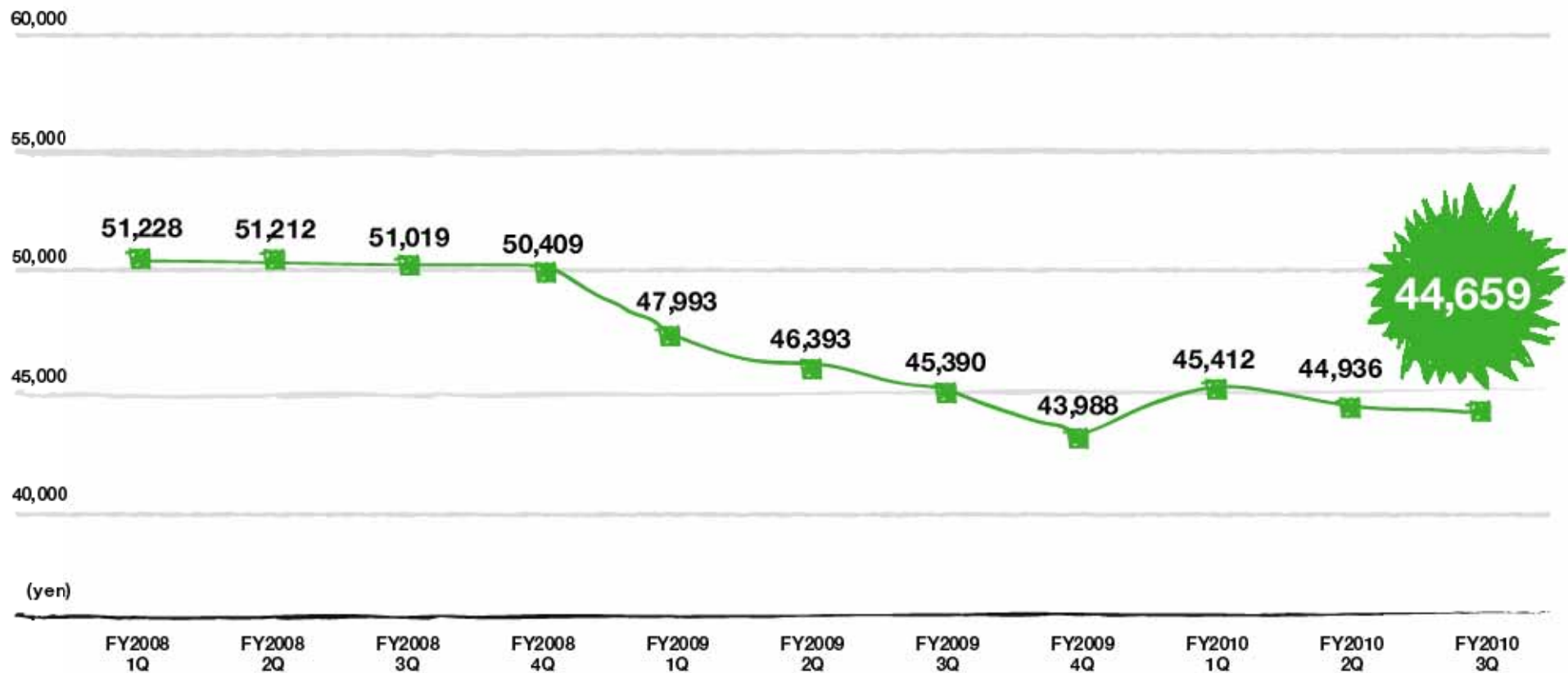
Average Purchase Amount per Shipment

Average purchase amount per shipment = Transaction value / Number of shipments

- Average purchase amount per shipment Q3 FY2010: ¥15,237 (+8.5% year on year)
- Ratio of purchases of ¥10,000 or less Q3 FY2010: 37.2% (Q3 FY2009: 41.1%)
- Average price per product Q3 FY2010: ¥9,301 (Q3 FY2009: ¥9,680)



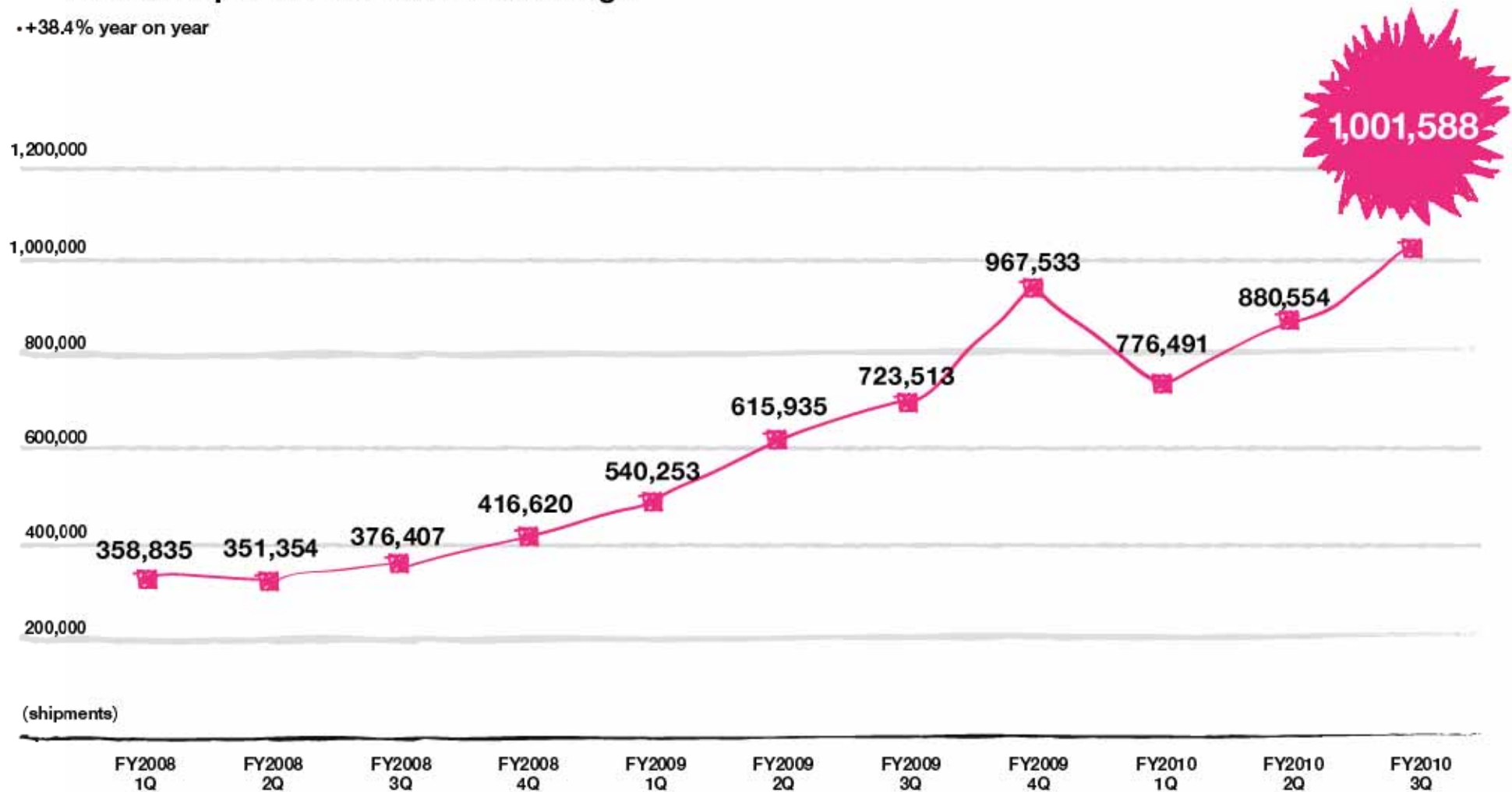
Annual Purchase Amount per Active Member



Number of Shipments

Number of shipments marked a record high

• +38.4% year on year



Transaction Value Target by Member Types

Transaction Value Target from New Members : ¥18.4 billion

New members	First 3Qs FY2010		Difference
	Target	Result	
New members (person)	1,041,129	744,269	-296,860
Active members (person)*	460,027	432,470	-27,557
Ratio of active members to new members (%)	44.2%	58.1%	13.9%
Annual purchase amount per member (¥)	24,783	23,742	-1,041
Total purchase amount (¥million)	11,400	10,267	-1,133

Please see page 35 for the basis for calculation of annual target.

New member acquisition

·Number of new members in First 3Qs fell short of target.

Ratio of active members to new members (%)

·Higher than estimation.

Purchase amount

·Purchase amount of new members in First 3Qs fell short of target.

Transaction Value Target of Existing Members : ¥33.5 billion

Existing members	H1 of FY2010		Difference
	Target	Result	
Total members as of March 31, 2010 (resigned members included)	2,081,975	2,081,975	-
Active members (person)*	510,752	502,101	-8,651
Ratio of active members to existing members (%)	24.5%	24.1%	-0.4%
Annual purchase amount per member (¥)	48,227	52,384	4,157
Total purchase amount (¥million)	24,631	26,302	1,671

Please see page 34 for the basis for calculation of annual target.

*The active members is the number of members who made a purchase during FY2010 (including withdrawn members as at Q3 end)

Ratio of active members to existing members (%)

·Stayed on track as planned.

Purchase amount

·Purchase amount per shipment increased after the free shipping service ended. This led to increasing the amount of annual purchase per member.
·Purchase amount of existing members in the first three quarters was significantly higher than target.

Forecasts for FY2010

Highlights for Fourth Quarter (Q4) of FY2010

1. Preliminary Result of Winter's "BOMB A SALE" (Jan.1 - 5,2011)

- Transaction value of the sales items (order-based) : ¥1,983 million (¥1,528 million for Jan.1-5,2010)

2. Revised Forecast for FY2010

Net sales	23.50billion
Operating profit	5,21 billion
Recurring profit	5,21 billion
Net income	2,92billion

3. New Store Openings in ZOZORESORT

- Store Planning & Development Business (Direct Sales) : 3 stores
- Store Operations & Administration Business (Consignment Sales) : 19 stores

4. New Store Openings for Manufacturer E-commerce Support Business (B to B Business)

- "R. NEWBOLD ONLINE SHOP" (JOI'X CORPORATION)
- "nano universe Online Store" (NANO UNIVERSE CO., LTD.)
- "MEN'S BIGI ONLINE STORE"(MEN'S BIGI CO., LTD.)

Consolidated Business Forecast and Dividend Forecast for FY2010

		YoY change (%)
Net sales	¥23.5 billion	36.9
Operating profit	¥5.21 billion	61.0
Recurring profit	¥5.21 billion	60.4
Net income	¥2.92 billion	57.1
Earning per share	¥26.6	—
Dividend per share (plan)	¥7	—

Breakdown of net sales

Business segment			YoY change (%)
E-commerce business	Store Planning & Development Business (Direct Sales)	¥11.91 billion	14.5
	Store Operation & Administration Business (Consignment Sales)	¥11.24 billion *	73.3
Others		¥0.35 billion	28.9
Total		¥23.5 billion	36.9

*Include EC support business for apparel manufactures

Above figures reflect the effects of "Stock Split, Adoption of Unit Share System, and Amendments to the Articles of Incorporation", announced on December 14, 2010, and "Revisions of Consolidated Business Forecast and Dividend Forecast for FY2010," announced on January 28, 2011

Future Strategies

Mid-term Vision

Mid-term target of START TODAY

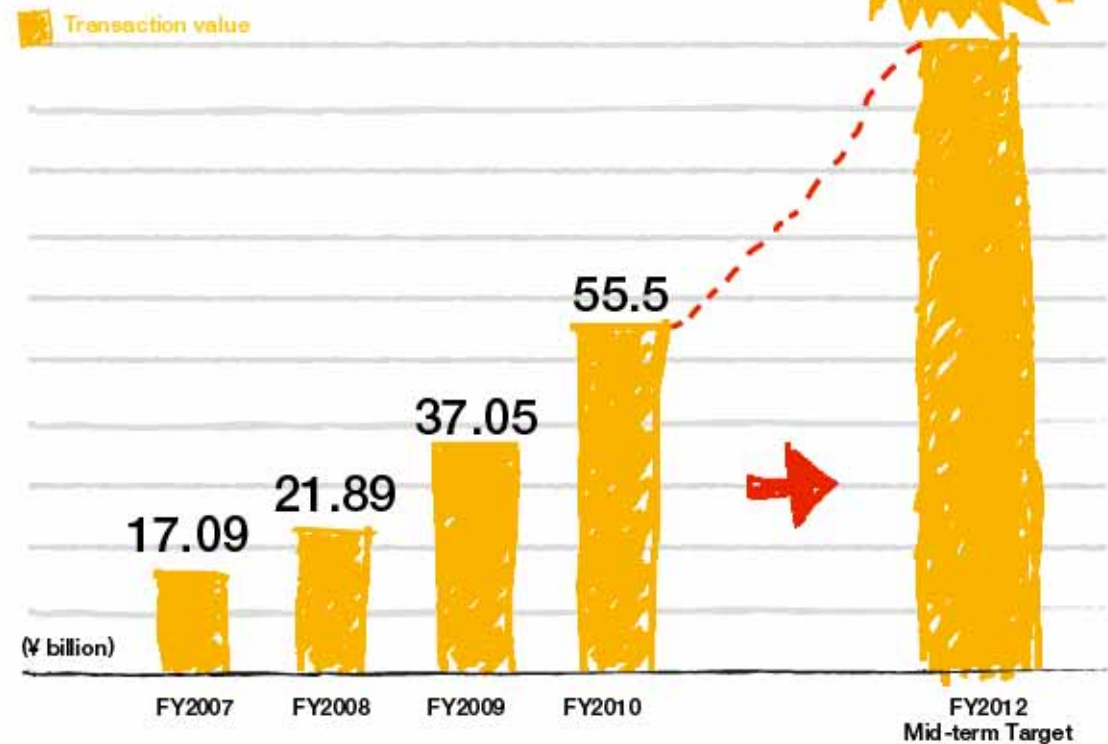
Transaction value **100** billion
Recurring profit **10** billion

High Fashion
E-Commerce
"ZOZORESORT"



Fashion
E-Commerce
"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 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

Following 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 (consignment sales)

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 Q1
- Plan to commence linking to inventory, which is carried not only in ZOZO but also in warehouses and retail stores at tenant side
- By improving inventory control efficiency, it enables to decrease opportunity loss and fix inadequate matching of supply and demand
- As long as the tenant has stock somewhere, it is possible to sell those items even if ZOZO becomes out of stock

Portion of brands handled by Store Planning and Development Business will become tenants

- Avoid inventory risk and increase members' satisfaction by covering more part numbers which were not handled by direct sales
- Increase the amount of consigned inventory and aim to expand the number of items

Development of new fashion area

- Plan to open tenant stores in ZOZOVILLA
- Expand fashion categories 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., existing ZOZO stores ➔ aquagirl and IENA for OL-type style, MIDWEST and ESTNATION for Ginza-type style, and SHEL'TTER for gal-type style)

Store Planning & Development Business(direct sales)

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

Improve gross profit margin by strengthening merchandising

- Communicate more closely with brand side, and focus on supplying more subscription sales and restocking of hot-selling products, reproduction, and accepting more orders
- Reduce inventory risk and promote efficient sales
- Maintain and increase gross profit margin by implementing flexible and strategic sales

E-Commerce Support Business for Apparel Manufacturers

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

FY2009 results

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

- Rapid increase in the number of members and active members. Business results are moving favorably and are on track.
- The number of total members and active members for ZOZO do not include E-Commerce Support Business portion.

Business scale at new stores is almost the same as the previous fiscal year's results

- Newly opened SHIPS Co., Ltd.'s e-commerce (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 division for e-commerce support within the Store Operation & Administration Business
- Support strengthening of merchandising through close communication with the brand holders

Transaction value Target by Member Category

ZOZO members

Existing members : ¥33.5billion (Please refer to page 35.)

+ New members : ¥18.4billion = ¥51.9billion (Please refer to page 36.)



**Members of E-Commerce Support Business for
Apparel Manufacturers: ¥3.6 billion**

(Please refer to page 33.)



55.5 billion

Transaction Value Target: Existing Members ¥33.5 billion

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

Table I

Item	Fiscal year when new members were acquired						Notes
	FY2009	FY2008	FY2007	FY2006	Before FY2006	Total	
A New Members (including withdrawn members) (person)	780,795	460,965	353,293	235,570	251,357	2,081,975	
B Active members (including withdrawn members) (person)	447,159	138,476	99,614	68,320	49,615	803,184	
C A Ratio of active members to new members (%)	57.3	30.0	28.2	29.0	19.7	38.6	Became stable from the following years of acquisitions
D Annual purchase amount per member (¥)	27,362	57,406	62,095	72,130	79,767	43,895	Increased from the following years of acquisitions
E Total purchase amount (¥million)	12,235	7,949	6,186	4,928	3,958	35,256	E=B×D

FY2009
results



FY2010
forecasts

F Estimated ratio of active members to total members (%)	33.5	25.3	25.5	26.6	18.1	27.7	F = C × (1)
G Estimated active members (person)	261,919	116,560	90,157	62,585	45,592	576,813	G = A × F
H Estimated annual purchase amount per member (¥)	48,658	59,420	62,195	74,207	78,389	58,075	H = D × (2) *Total amount = I / G
I Total purchase amount (¥million)	12,737	6,922	5,604	4,641	3,594	33,498	I = G × H

* Purchase amount does not include B to B transaction.

Table II

Items		1st - 2nd year	2nd - 3rd year	3rd - 4th year	4th - 5th year	5th year and after	Notes
Compared to a year ago	(1) Change of ratio of active members to total members (%)	59	84	91	92	92	Significantly decreased for one year after acquisitions, but became stable from the second year
	(2) Change of annual purchase amount per member (%)	178	103	100	103	99	Increased from the following years of acquisitions

* Change of estimated ratio of active members to new members and change of annual purchase amount per member are calculated based on the average figures for the most recent three years.

Transaction Value Target of New Members : ¥18.4 billion

$$\text{Number of new members: 150 million} \times \text{Estimated ratio of active members to total members: 44\%} \times \text{Annual purchase amount per member: ¥28,000} = \text{¥18.4 billion (excluding B to B transaction)}$$

Target number of new members : 150 million

	As of April 20, 2010	April 2009	April 2008	Notes
New members (person)	29,730	35,547	31,326	-
Advertising and sales promotion (¥ million)	32	50	29	-
Cost per member acquisition (¥)	1,078	1,422	937	• New 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
Acquired members (person)	1,500,000	763,229	447,030	339,051	-
Advertising and sales promotion expenses (¥ million)	2,100	1,034	403	378	Invested ¥2.1 billion in advertising and sales promotion expenses
Cost per member acquisition (¥)	1,400	1,355	903	1,115	Moderately estimated

Estimated ratio of active members to total members : 44%

Annual purchase amount per member : ¥28,000

	As of April 20, 2010	April 2009	April 2008	Notes
Average delivery unit cost (¥)	13,655	12,487	13,503	Significant recovery of average shipment value due to discontinuation of free shipping

	FY2010 estimate	FY2009	FY2008	FY2007	Notes
Estimated ratio of active members to total members (%)	44	57	47	55	Estimated ratio of active members to total members 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 E-Commerce” = “START TODAY”

Entering into Second-hand Market

Investment in Crown Jewel, Inc.

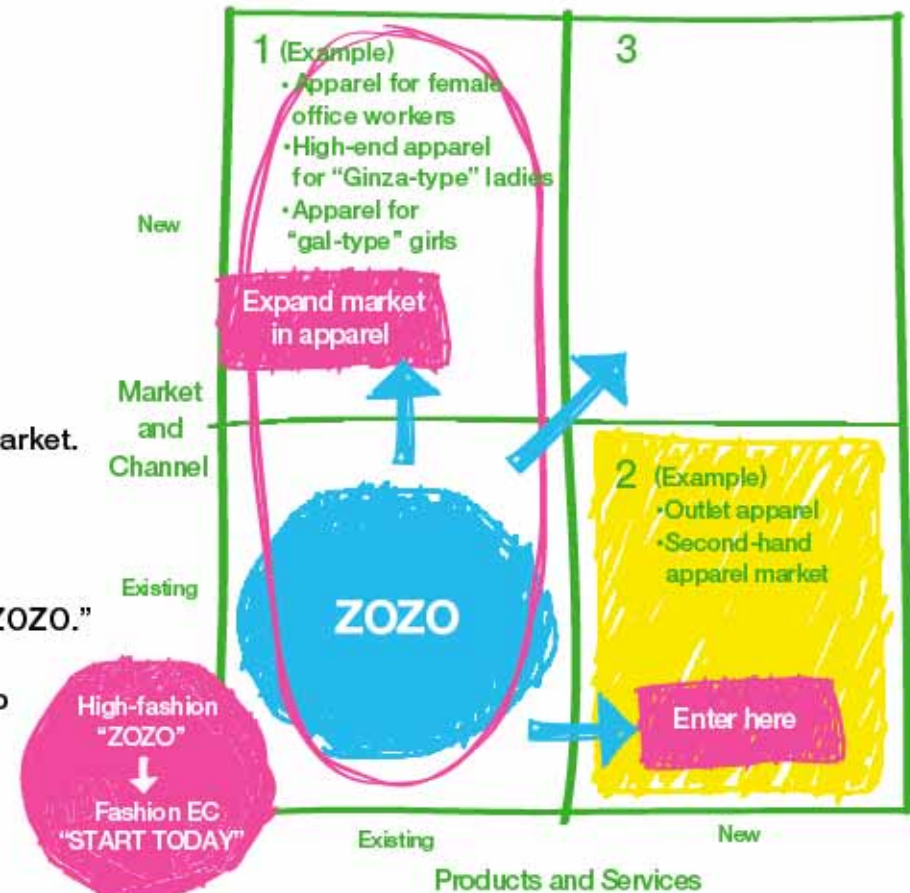
- Investment in Crown Jewel, Inc., a subsidiary of CyberAgent, Inc., that operates an auction site “CROWN JEWEL,” specializing in popular fashion items.

Expand market in apparel industry

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

Advantage of tie-up

- Develop business in 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.



Reference Data

A resort on the internet made by 想像 (SOZO: Imagination) & 創造 (SOZO: Creation)

ZOZO RESORT

Business Domain : High-sense Fashion

Six 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

- 5,008 real-life apparel stores introduction
- Electronic Dictionary of fashion information
- Each store actively transmits variety of information
- 156,218 patterns of coordinated styles recommended by stores
- Induce customers by search navigation services

ZOZOGALLERY

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

ZOZOPEOPLE

- SNS blog 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

- Text message donation





Our Strength

- The largest apparel e-commerce business in Japan
- Dominant position in high-fashion field
- Holding of our own e-commerce-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

E-Commerce Business

Store Planning & Development Business (Direct Sales)

Operate 50 original stores such as “EPROZE” and “QUNIEE” in ZOZOTOWN.
Purchase from brand manufacturers and sell.

Sales = Transaction value on each store

Store Operation & Administration Business (Consignment Sales)

Operating 176 online stores, such as “United Arrows”, “BEAMS” in ZOZOTOWN on commission basis without any inventory risk

Sales = Transaction value of stores × consignment commission rate

B to B Business

E-Commerce Support Business for Apparel Manufacturers: Established a subsidiary Start Today Consulting, Co., Ltd. in May 2008
Consigning companies: 12 companies (as of December 31, 2010)

Sales = Transaction value of manufacturers × consignment commission rate

Others

Media Business

Advertisement using front pages and search results

Sales = Advertisement charge

Credit Card Business

Issue "ZOZO CARD" (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.