

1Q FY2016

**CONSOLIDATED
BUSINESS RESULTS
APRIL1,2016-JUNE30,2016**

FY2016 HIGHLIGHTS

01

Overview

- **Total Transaction Value** : 42,284million yen (+27.1%, Yoy)
- **Operating Profit** : 5,011million yen (+34.2%, Yoy)

→ Maintained the growth momentum from the second half of the last fiscal year with continuously improving CVR.

Total

- **ZOZOTOWN BUSINESS**

Transaction Value

- **Total Transaction Value** : 40,378million yen (+39.8%, Yoy)
- **Consignment Business** : 37,714million yen (+37.6%, Yoy)
- **Purchased Stock Business** : 63million yen (-63.0%, Yoy)
- **ZOZOUSED BUSINESS** : 2,601million yen (+99.0%, Yoy)
- **Significant drop in the average purchase amount** (-9.6%, Yoy)
- **B to B BUSINESS** : 1,682million yen (-61.6%, Yoy) → Progressed as planned.

Profitability

- **Operating profit margin (to the total transaction value)** : 11.9%(11.2% for FY2015 Q1).

Factors improving profitability

- Growth of ZOZOUSED, increased gross profit margin by the sales increase of other-business-segment.
- Reduced promotion-related spending

Factors worsening profitability

- Consolidation of aratana inc, as well as the increased HR cost burden caused by the growth of ZOZOUSED

Topic

- Steady growth in Q1 while still will be a challenge for us to keep such high growth in the second half.
- Plans to be aggressive on promotional activities starting from the 2Q which will be related to WEAR and our private brand launch.

**BUSINESS
PERFORMANCE
FY2016 1Q
CONSOLIDATED
BUSINESS RESULTS
APRIL 1, 2016 -
JUNE 30, 2016**

OVERVIEW OF THE FY2016

(million¥)

Item	FY2015 1Q	FY2016 1Q	YoY Change(%)	Target	Progress Rate(%)
Transaction value	33,271	42,284	+27.1%	195,000	21.7%
Net sales	10,856	15,386	+41.7%	69,000	22.3%
Gross profit	10,186	13,799	+35.5%	-	-
(% Transaction Value)	30.6%	32.6%	+2.0%	-	-
SG&A	6,453	8,788	+36.2%	-	-
(% Transaction Value)	19.4%	20.8%	+1.4%	-	-
Operating profit	3,733	5,011	+34.2%	22,140	22.6%
(% Transaction Value)	11.2%	11.9%	+0.7%	11.4%	-
Recurring profit	3,797	5,035	+32.6%	22,150	22.7%
Profit attributable to owners of parent	2,501	3,580	+43.1%	15,260	23.5%

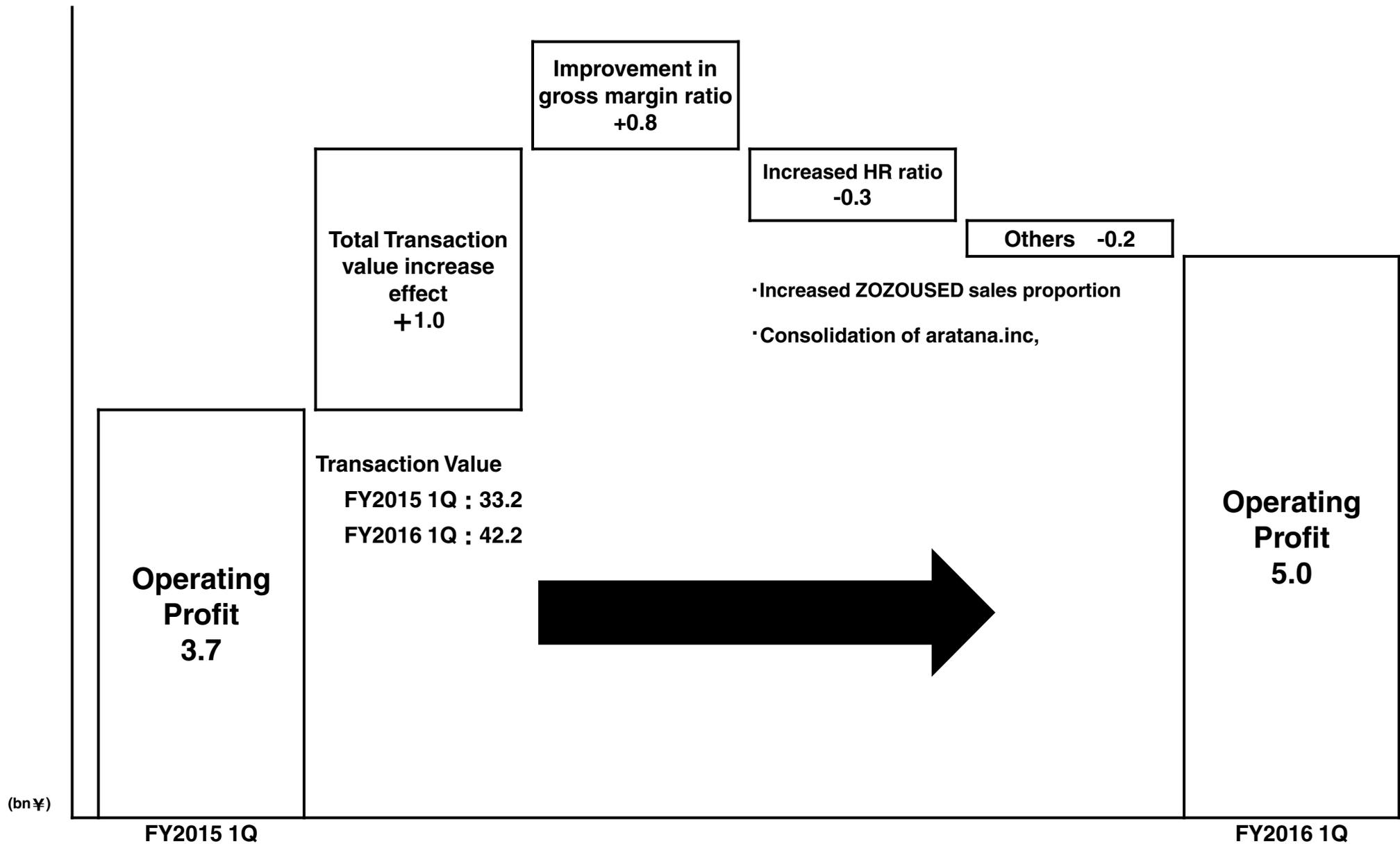
OVERVIEW OF EACH QUARTER

(million¥)

Item	FY2015				FY2016
	1Q	2Q	3Q	4Q	1Q
Transaction value	33,271	34,142	44,526	47,559	42,284
YoY (%)	22.2%	18.4%	23.5%	28.7%	27.1%
Net sales	10,856	11,560	15,333	16,671	15,386
SG&A	6,453	7,444	9,193	9,236	8,788
YoY (%)	24.9%	33.3%	46.7%	38.4%	36.2%
(% Transaction Value)	19.4%	21.8%	20.6%	19.4%	20.8%
Operating profit	3,733	3,276	4,735	6,011	5,011
YoY (%)	29.5%	3.7%	2.7%	35.7%	34.2%
(% Transaction Value)	11.2%	9.6%	10.6%	12.6%	11.9%

INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (YoY COMPARISON)

05



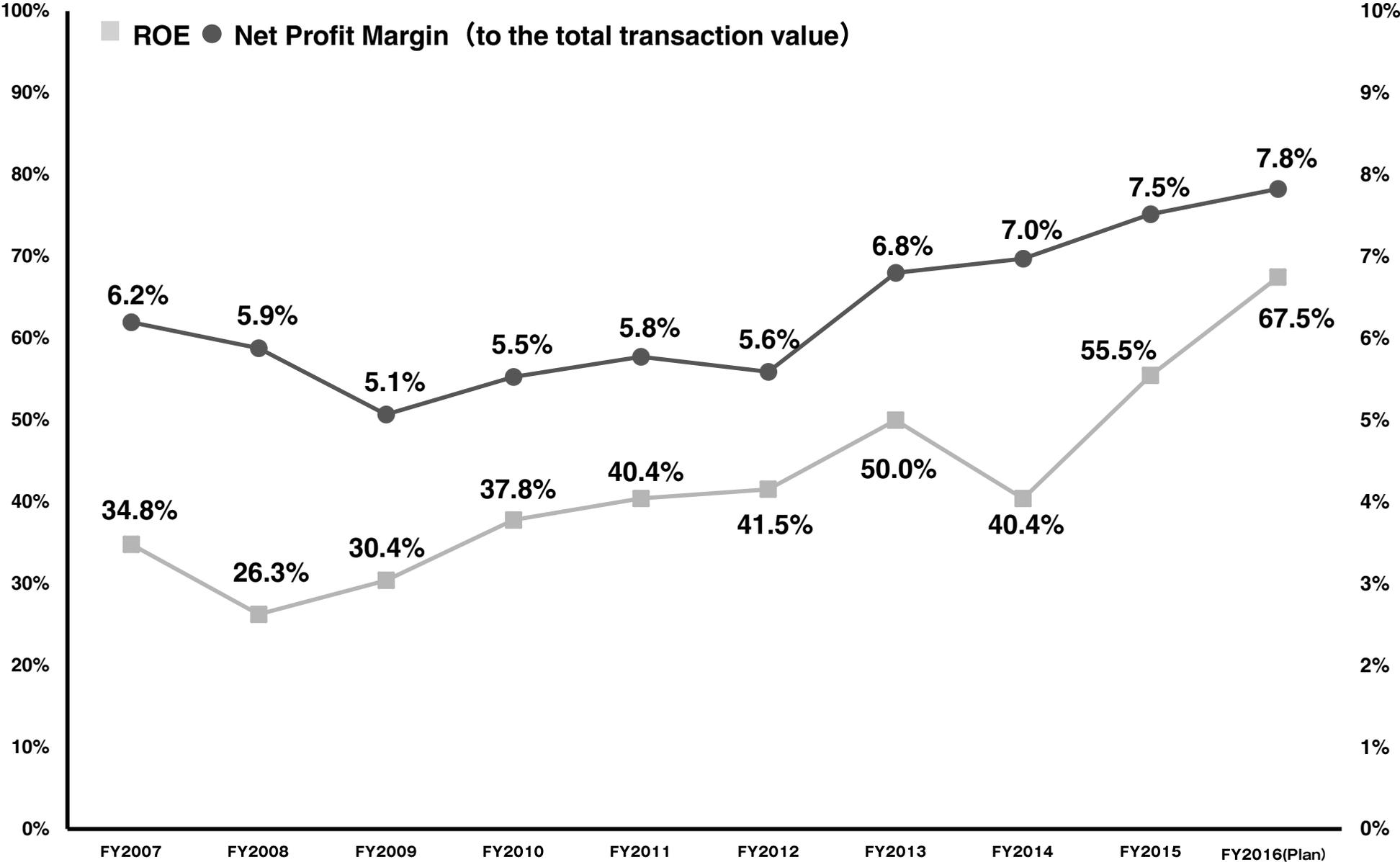
CONSOLIDATED BALANCE SHEET

06

(million¥)

	FY2015 (as of March 31, 2016)	FY2016 1Q (as of June 30, 2016)		FY2015 (as of March 31, 2016)	FY2016 1Q (as of June 30, 2016)
Current assets	24,822	25,737	Current liabilities	15,374	16,022
Cash and deposits	11,343	9,837	Deposit received for consignment sales	7,901	9,490
Merchandise inventory	1,191	1,246	Noncurrent liabilities	1,610	1,657
Noncurrent assets	10,094	10,403	Total liabilities	16,984	17,679
Tangible assets	3,157	3,211	Shareholders' equity	17,413	18,085
Intangible assets	3,272	3,033	Treasury stock	-11,757	-11,757
Investments and other assets	3,664	4,159	Total net assets	17,932	18,461
Total assets	34,916	36,140	Total liabilities and net assets	34,916	36,140

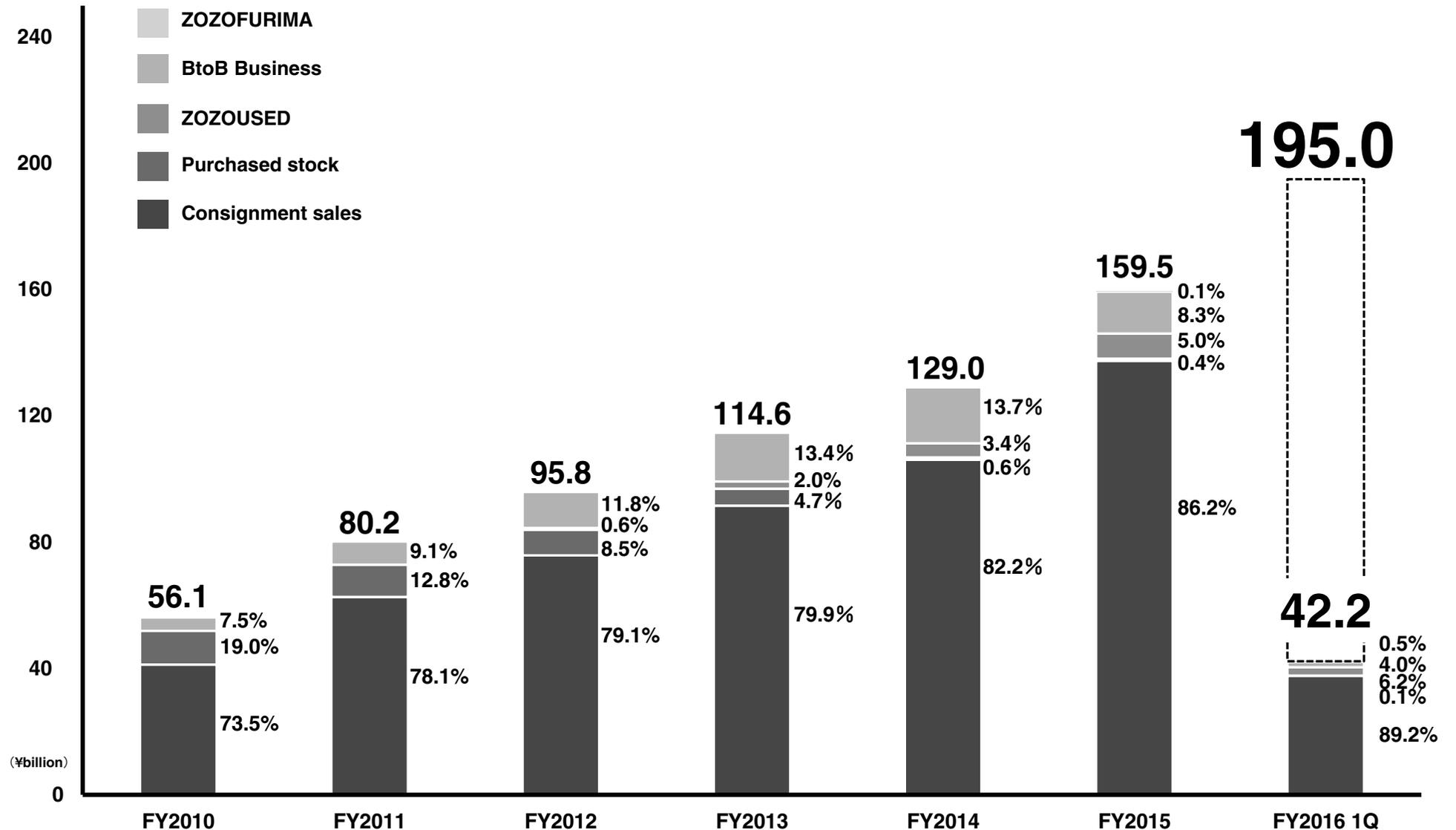
ROE AND NET PROFIT MARGIN



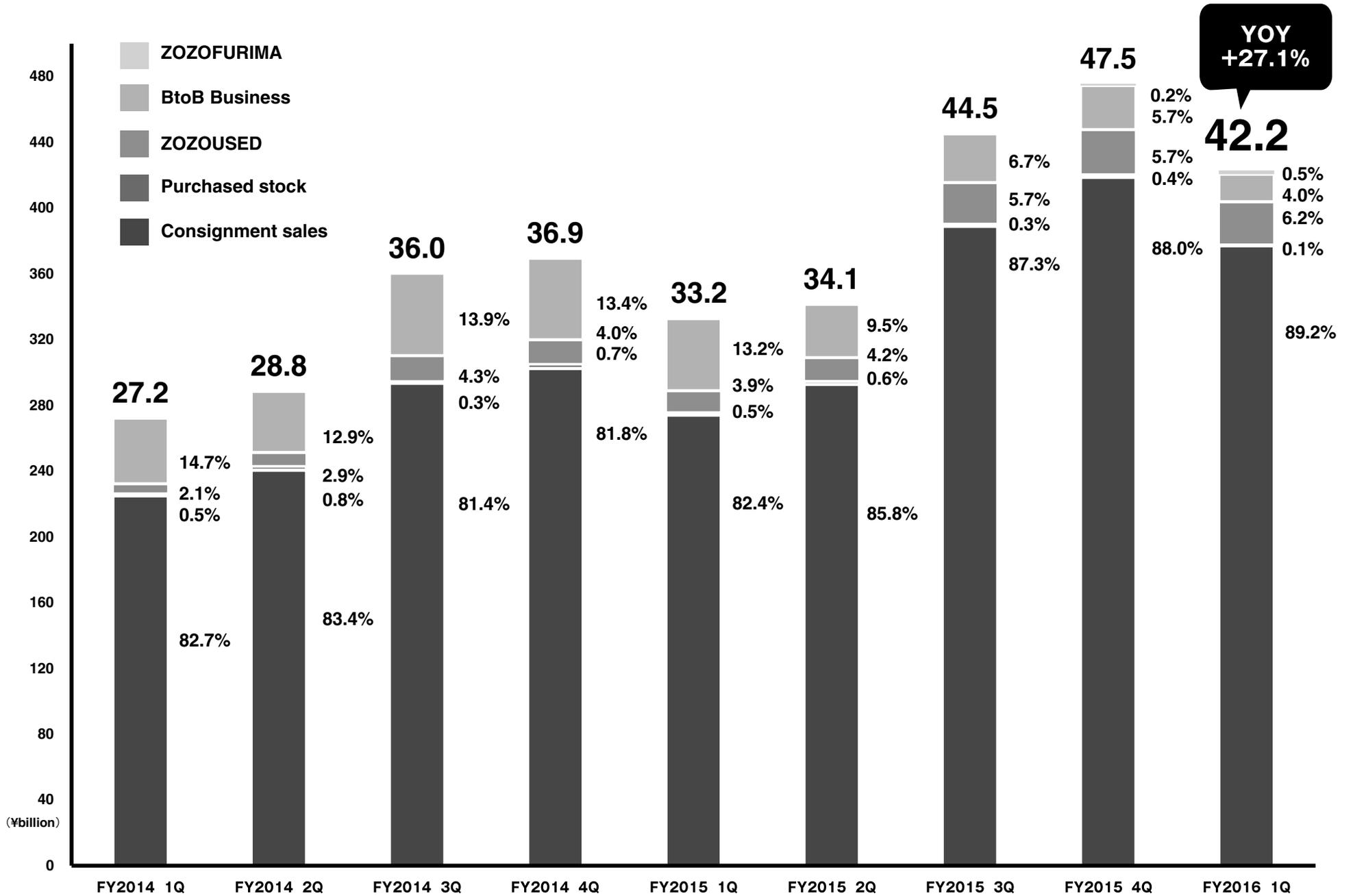
TRANSACTION VALUE

Gross transaction value of new shops opened in FY2016 Q1

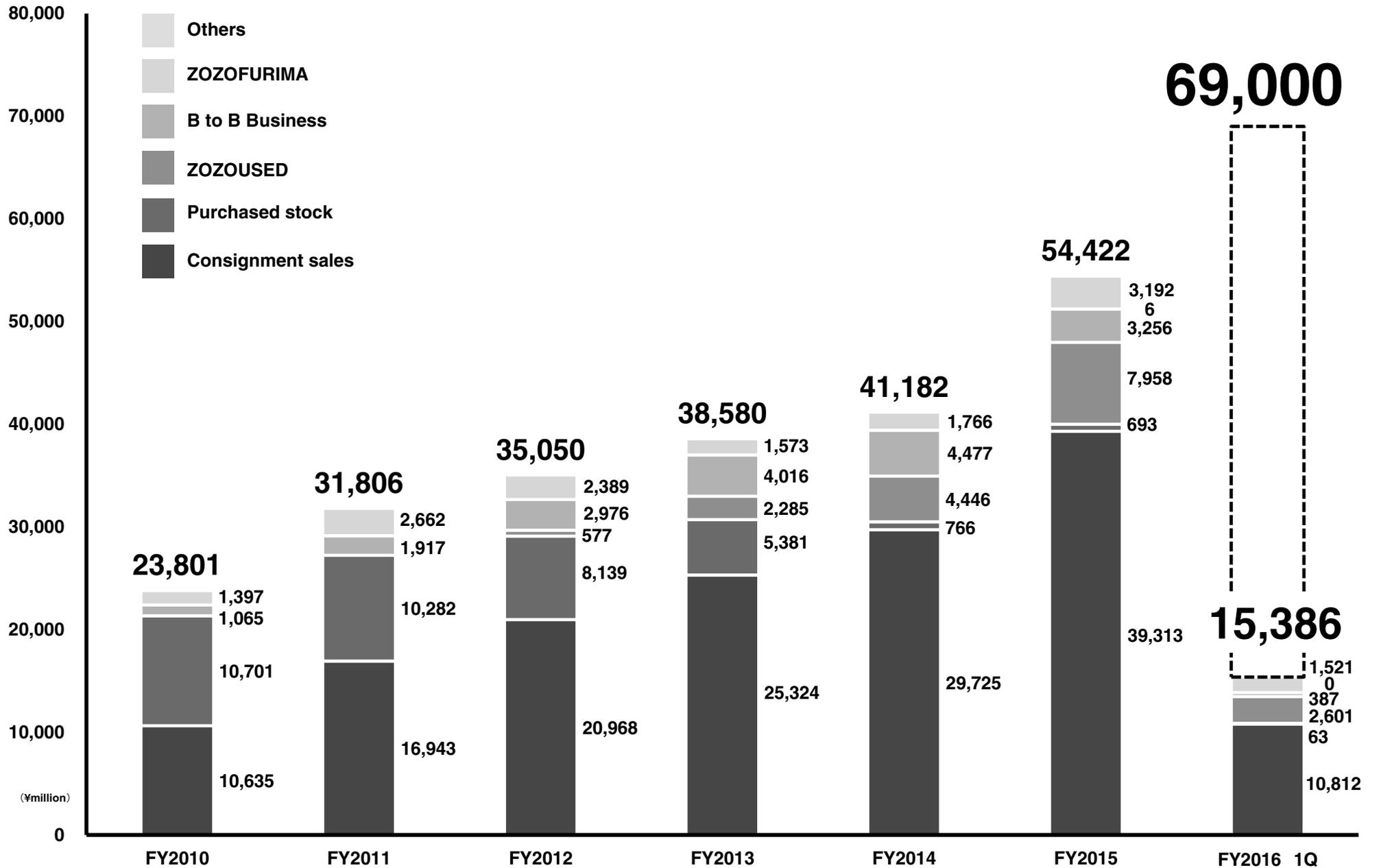
ZOZOTOWN Business (purchased stock & consignment sales) : ¥ 100 million (accounts for 0.3% of the total transaction value)



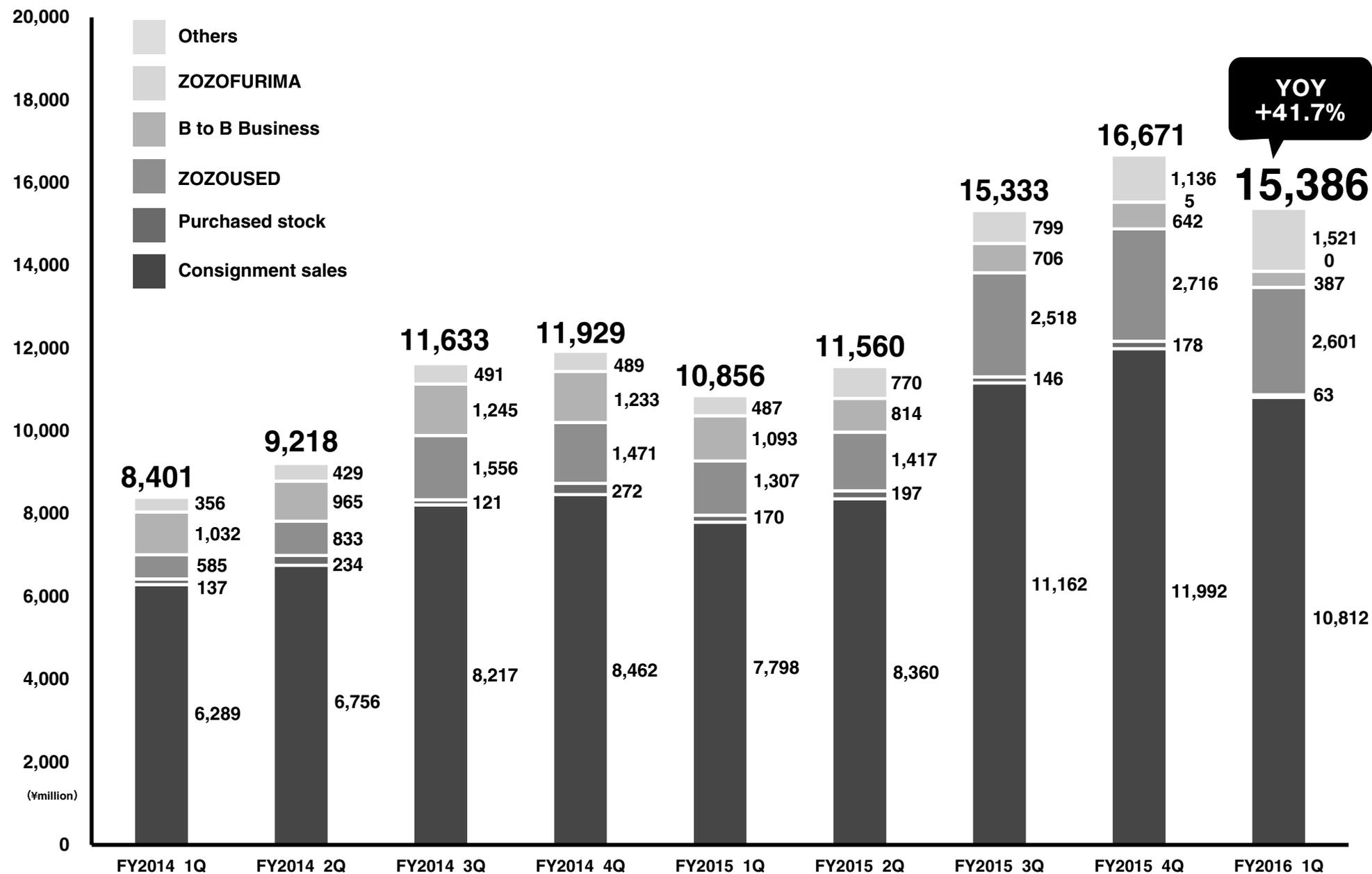
TRANSACTION VALUE (QUARTERLY)



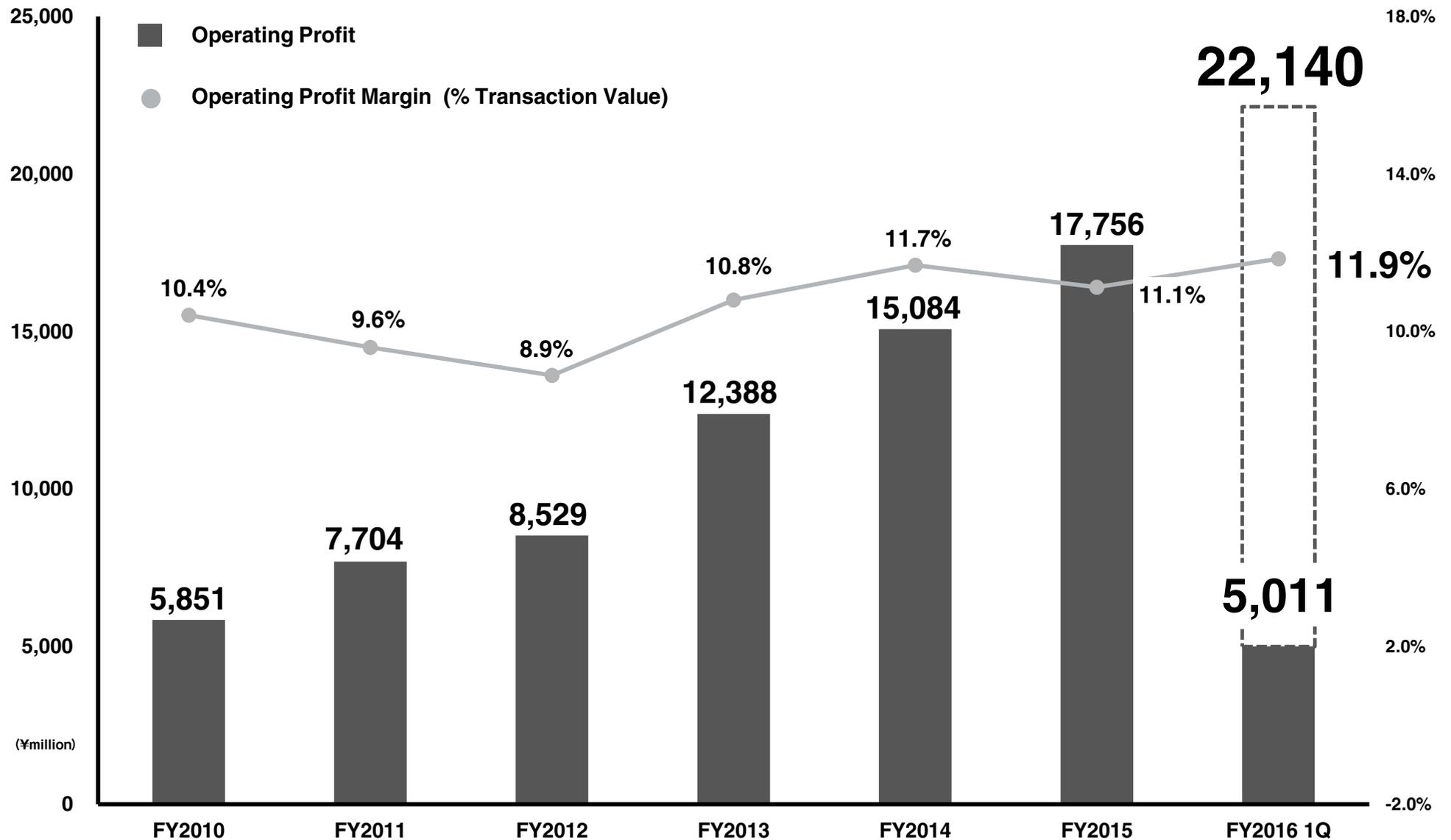
NET SALES



NET SALES (QUARTERLY)



OPERATING PROFIT AND OPERATING PROFIT MARGIN



SELLING, GENERAL AND ADMINISTRATIVE (SG & A) EXPENSES

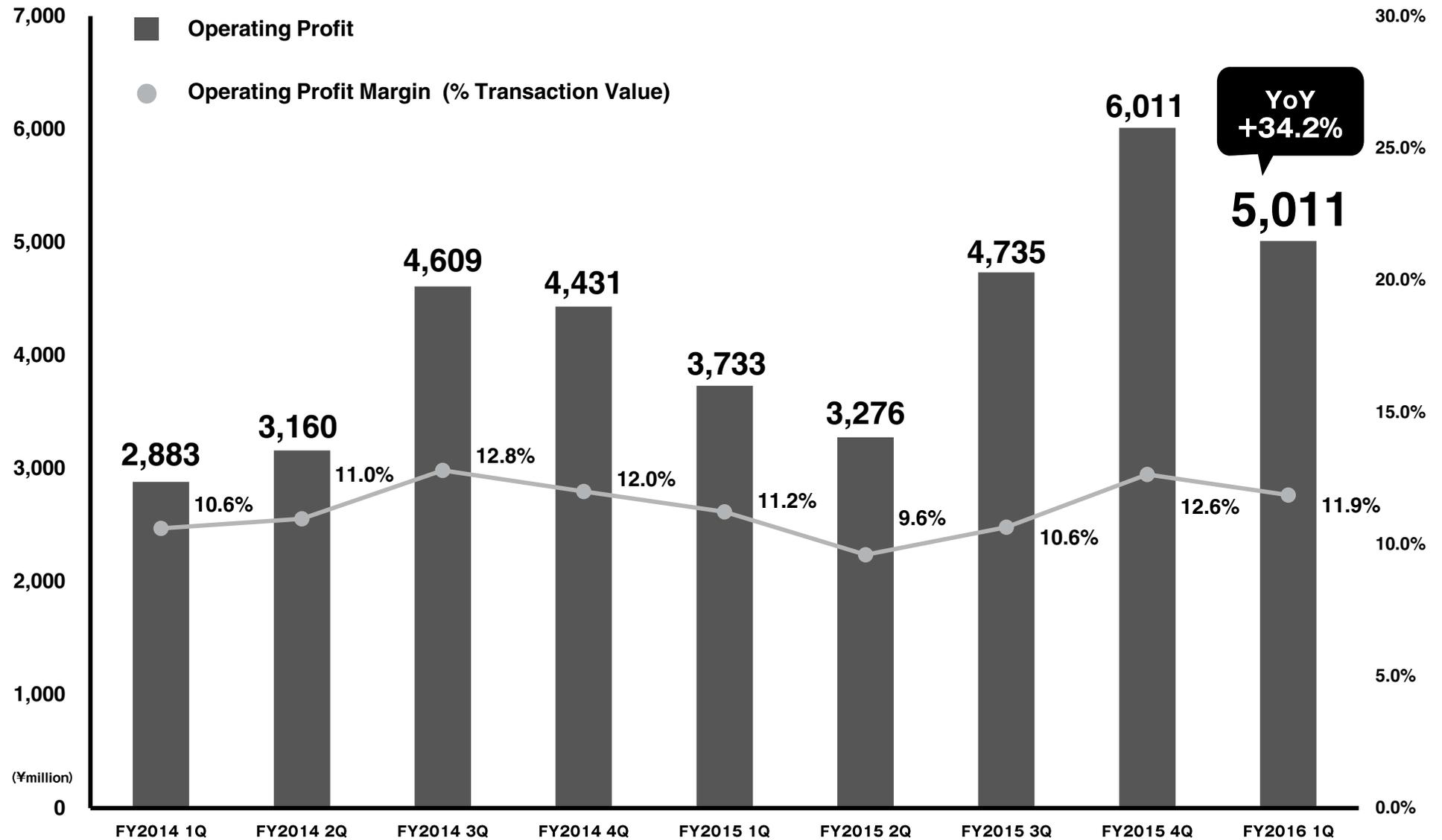
13

(million ¥)

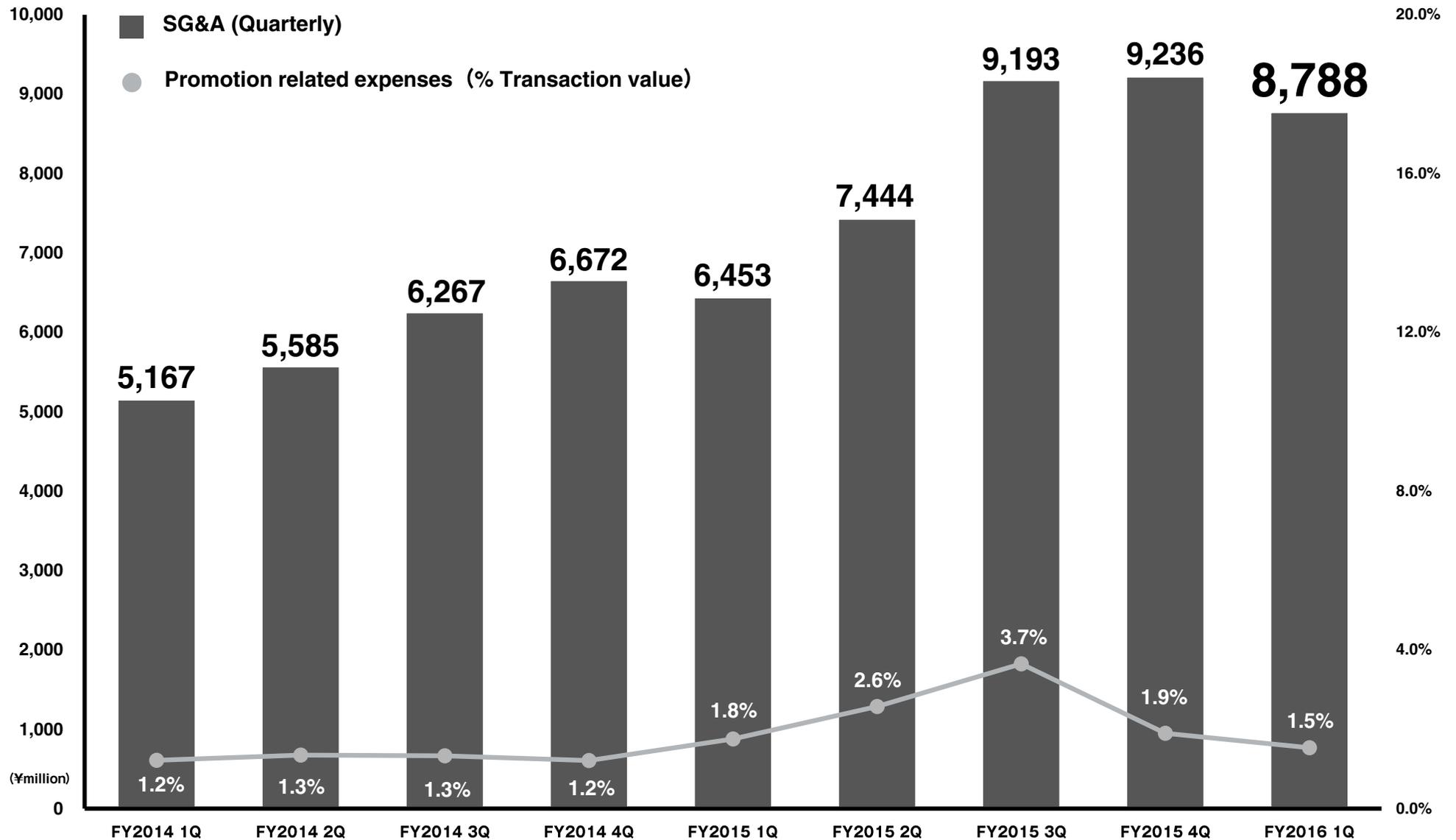
item	FY2015 1Q		FY2016 1Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll(*)	1,643	4.9%	2,472	5.8%	0.9%	The number of employees in our group has grown from 677 as of June, 2015 to 819 as of June, 2016, due to consolidation of aratana.inc, increased HR ratio by the growth of ZOZOUSED
Shipping	1,393	4.2%	1,837	4.3%	0.1%	Increased cost burden by the drop in average purchase amount, decreased utilization of the same day shipping service
Commission of Payment collection	810	2.4%	1,043	2.5%	0.1%	
Promotion related expenses	583	1.8%	650	1.5%	-0.3%	No remarkable promotional activities held in Q1
Advertising	183	0.6%	223	0.5%	-0.1%	
Reward points related expenses	399	1.2%	427	1.0%	-0.2%	
Outsourcing	646	1.9%	807	1.9%	0.0%	
Rent expense	415	1.2%	478	1.1%	-0.1%	
Depreciation	165	0.5%	194	0.5%	0.0%	
Amortization of goodwill	98	0.3%	214	0.5%	0.2%	
Others	696	2.1%	1,089	2.6%	0.5%	
Total SG&A	6,453	19.4%	8,788	20.8%	1.4%	

※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)



SELLING, GENERAL AND ADMINISTRATIVE (SG & A) EXPENSES



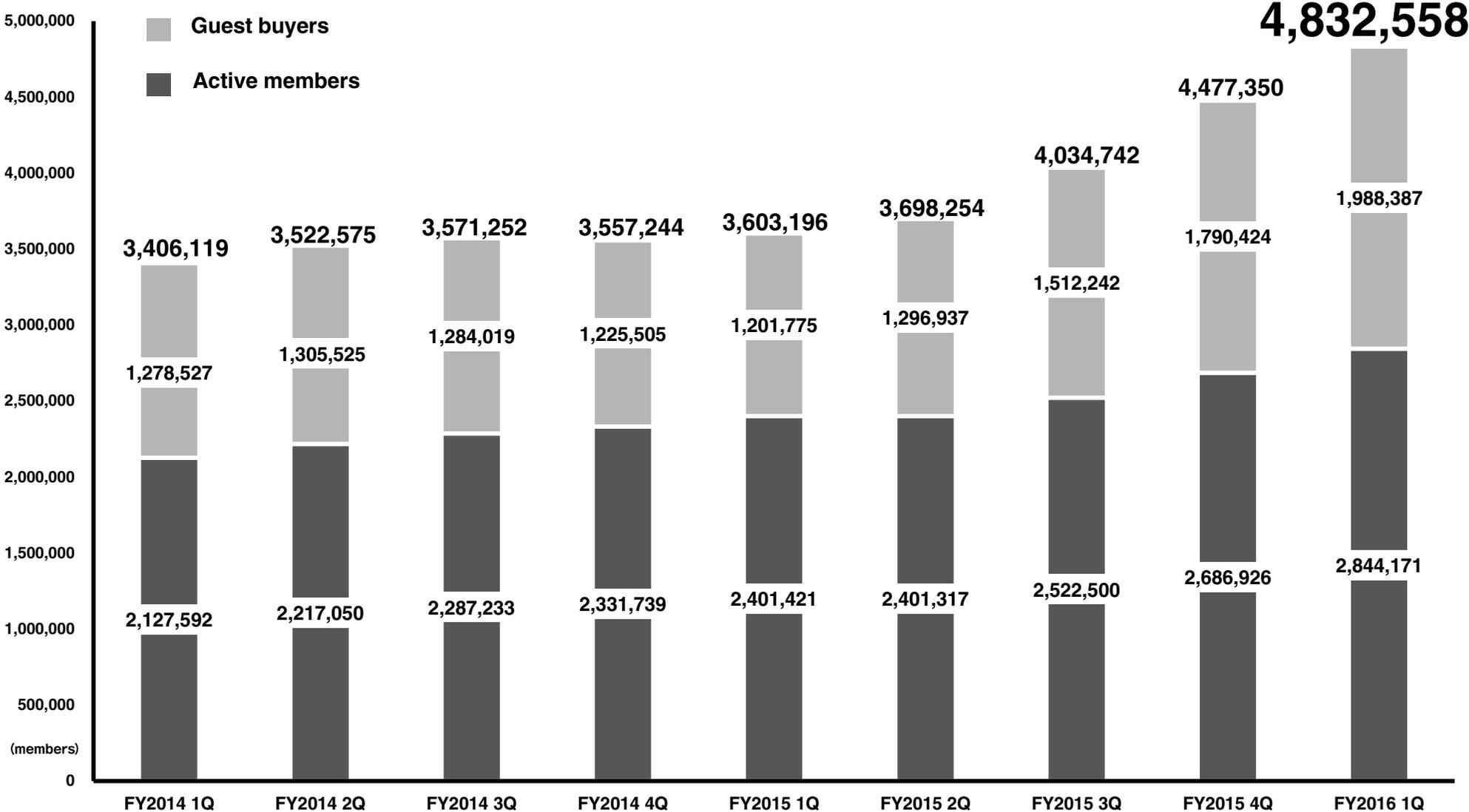
OVERVIEW OF SG & A BY EACH QUARTER

(million ¥)

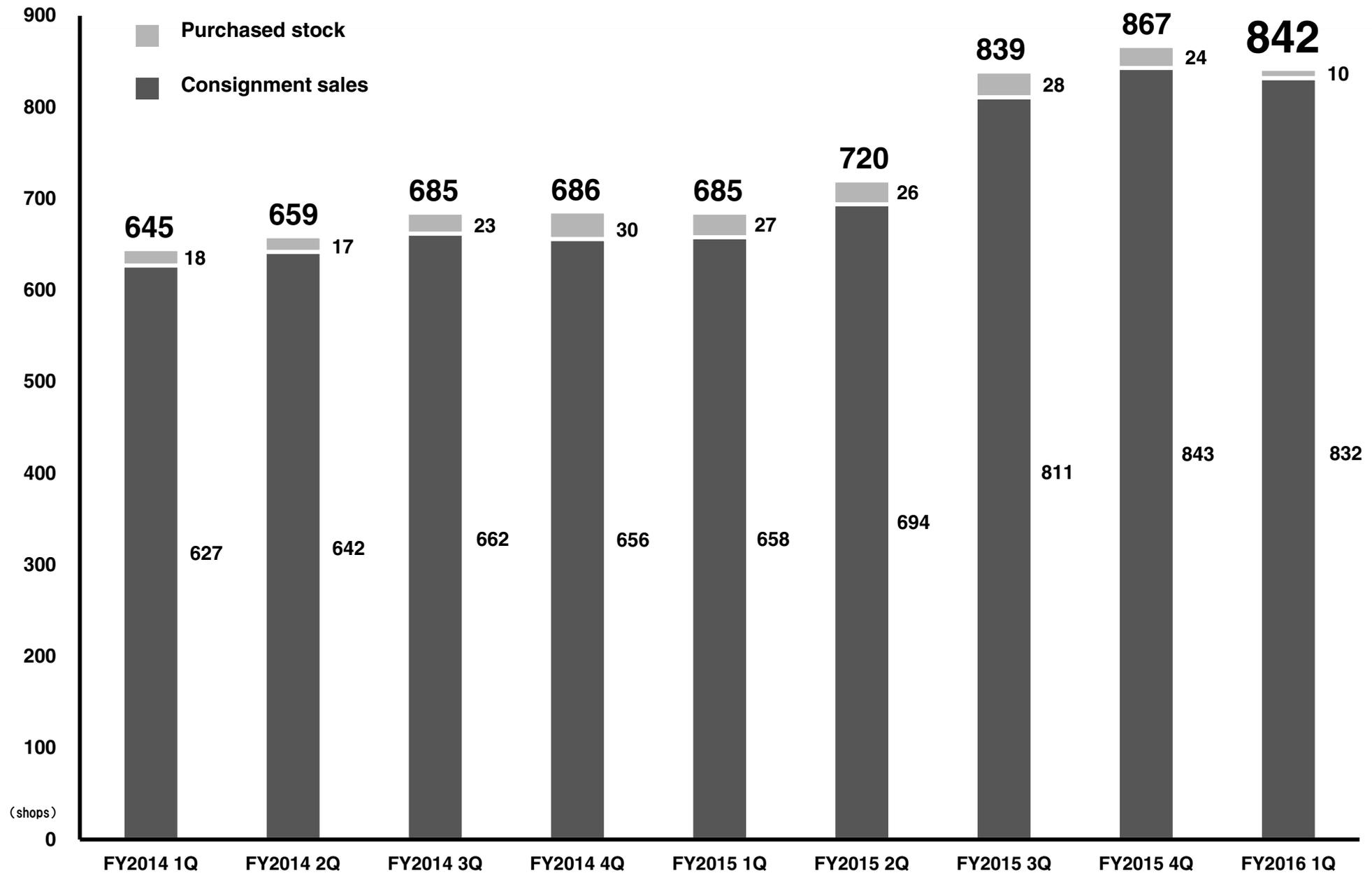
Item	FY2015								FY2016	
	1Q		2Q		3Q		4Q		1Q	
	Amount	%Transaction value								
Payroll(*)	1,643	4.9%	1,835	5.4%	2,209	5.0%	2,477	5.2%	2,472	5.8%
Shipping	1,393	4.2%	1,521	4.5%	1,692	3.8%	1,988	4.2%	1,837	4.3%
Commission of Payment collection	810	2.4%	846	2.5%	1,053	2.4%	1,157	2.4%	1,043	2.5%
Promotion related expenses	583	1.8%	878	2.6%	1,625	3.7%	903	1.9%	650	1.5%
Advertising	183	0.6%	148	0.4%	1,109	2.5%	490	1.0%	223	0.5%
Reward points related expenses	399	1.2%	730	2.1%	516	1.2%	412	0.9%	427	1.0%
Outsourcing	646	1.9%	655	1.9%	738	1.7%	819	1.7%	807	1.9%
Rent expense	415	1.2%	433	1.3%	469	1.1%	484	1.0%	478	1.1%
Depreciation	165	0.5%	176	0.5%	202	0.5%	220	0.5%	194	0.5%
Amortization of goodwill	98	0.3%	217	0.6%	214	0.5%	214	0.5%	214	0.5%
Others	696	2.1%	880	2.6%	987	2.2%	970	2.0%	1,089	2.6%
Total SG&A	6,453	19.4%	7,444	21.8%	9,193	20.6%	9,236	19.4%	8,788	20.8%

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

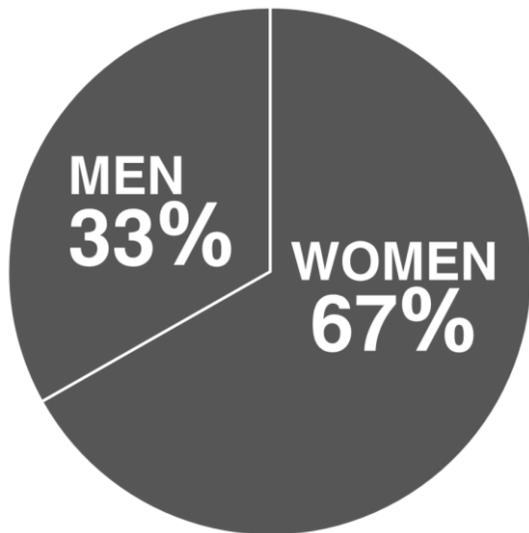


NUMBER OF SHOPS OF MALL BUSINESS

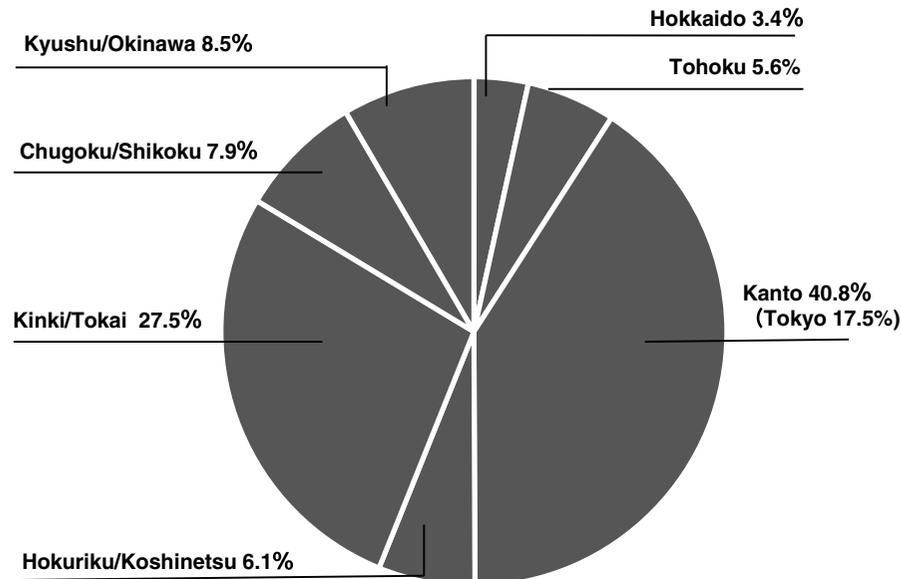


ACTIVE MEMBER DISTRIBUTION

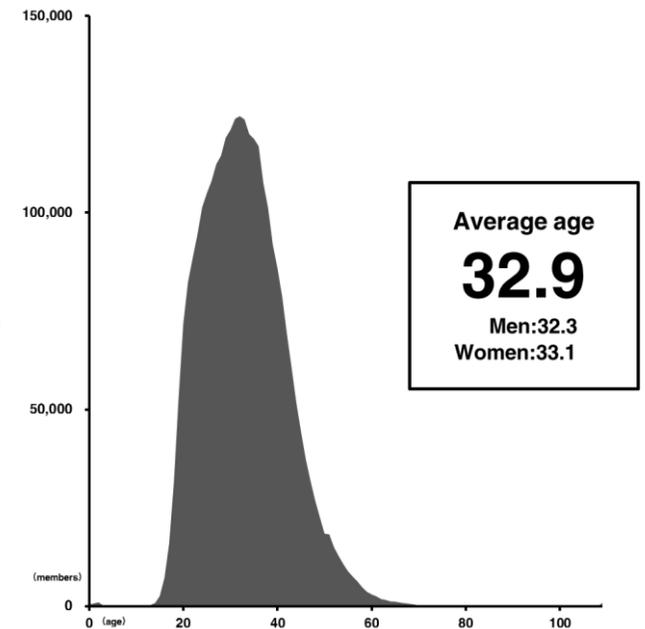
■ Gender ratio



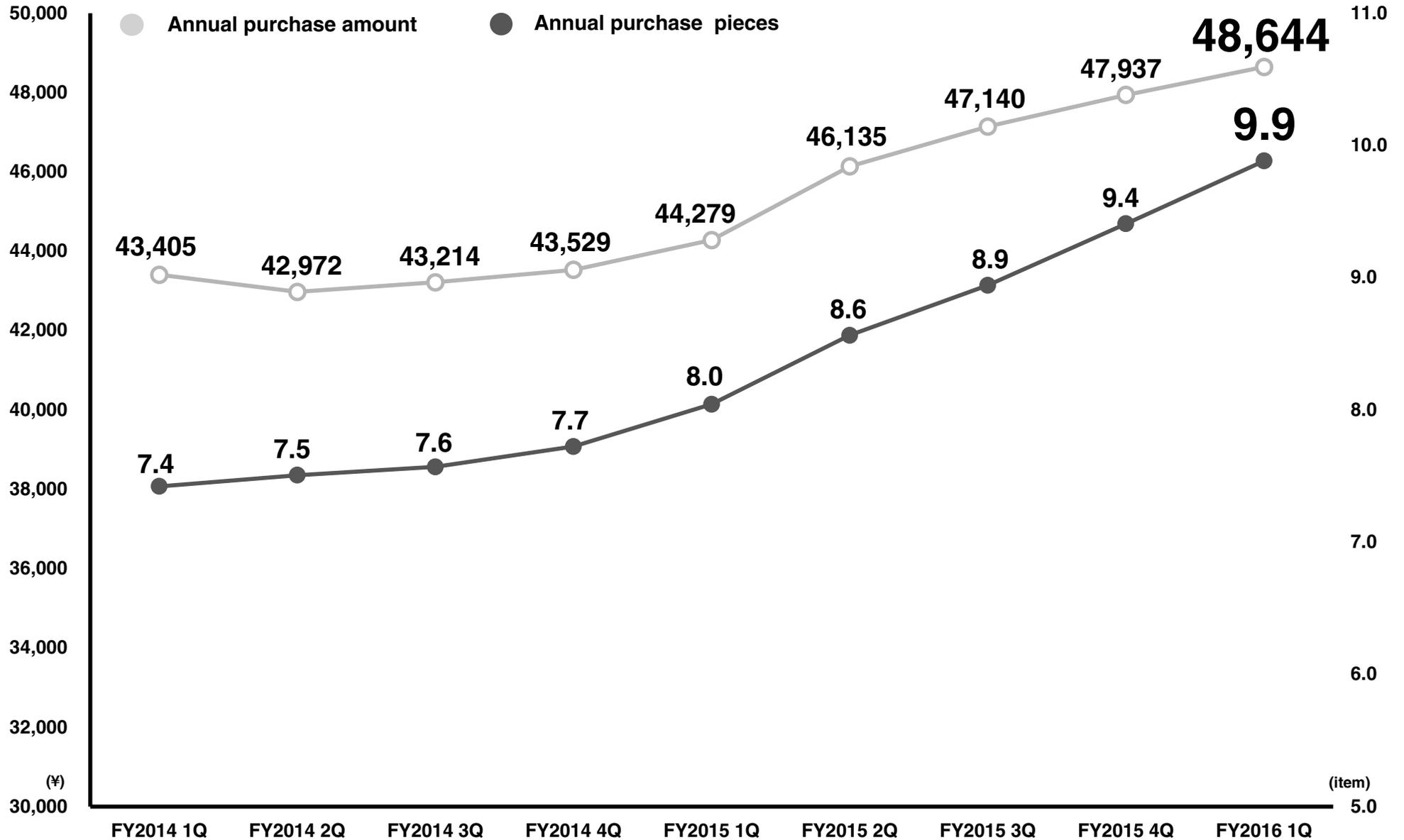
■ Geographical distribution



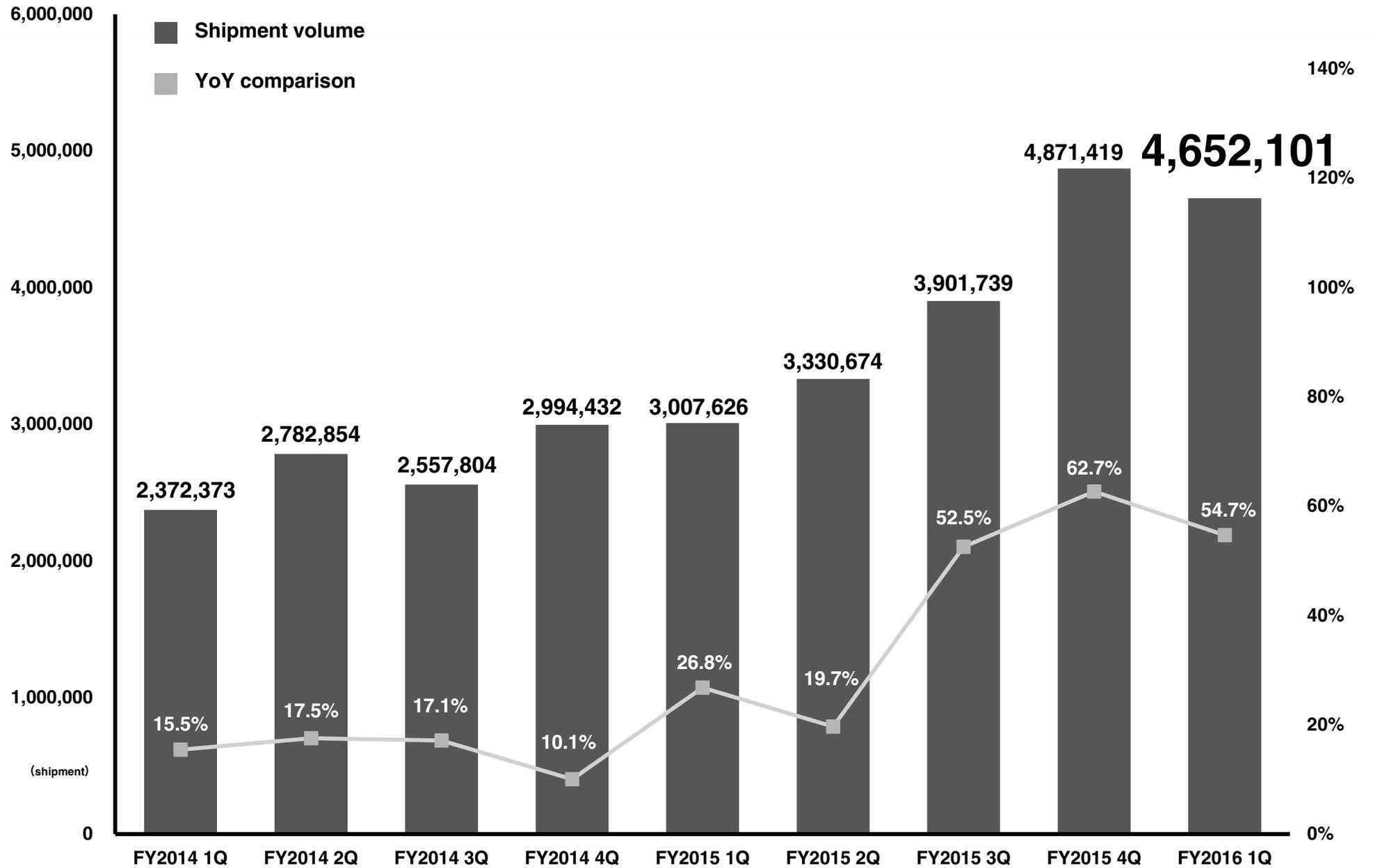
■ Age distribution



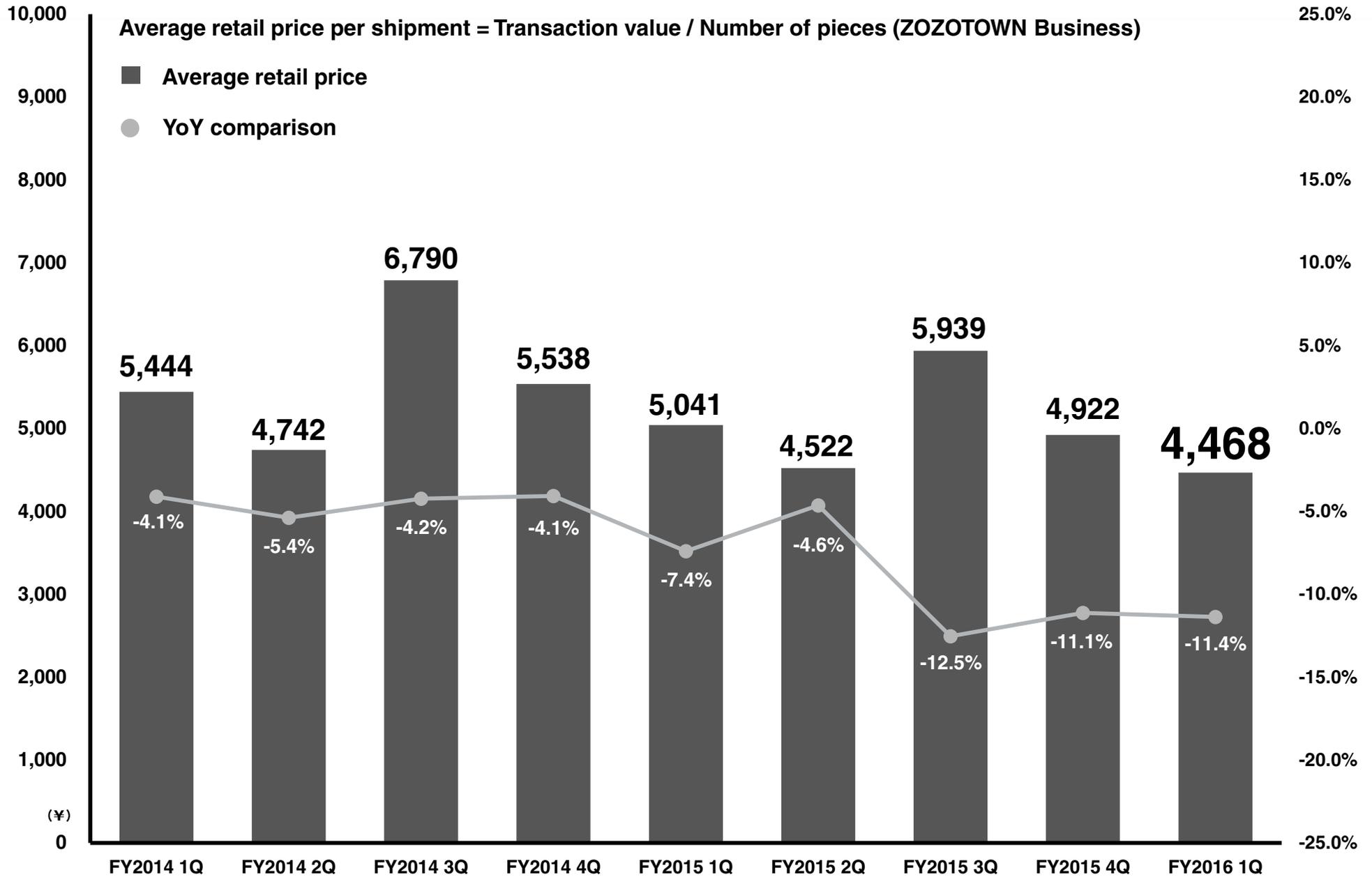
ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



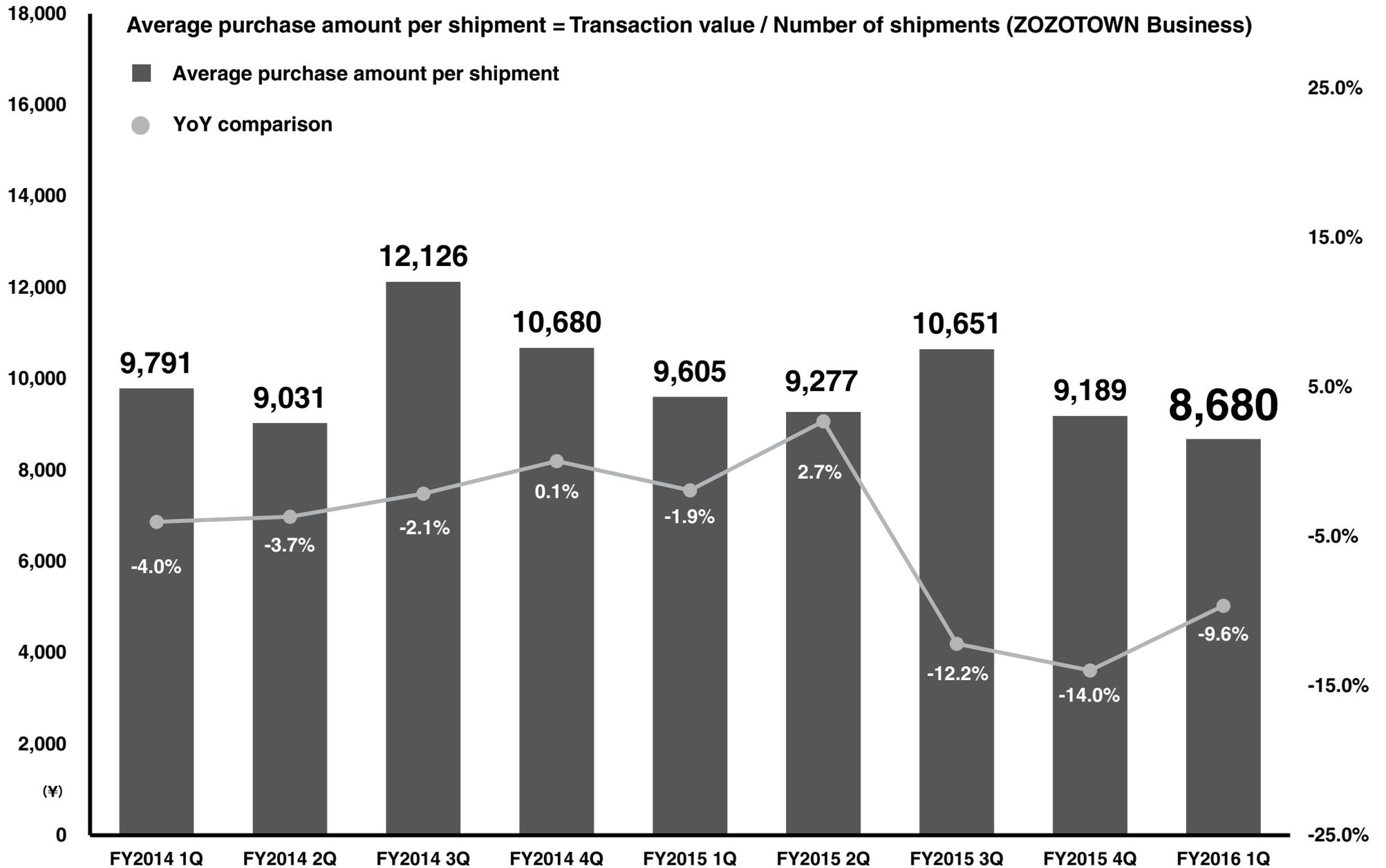
NUMBER OF SHIPMENT



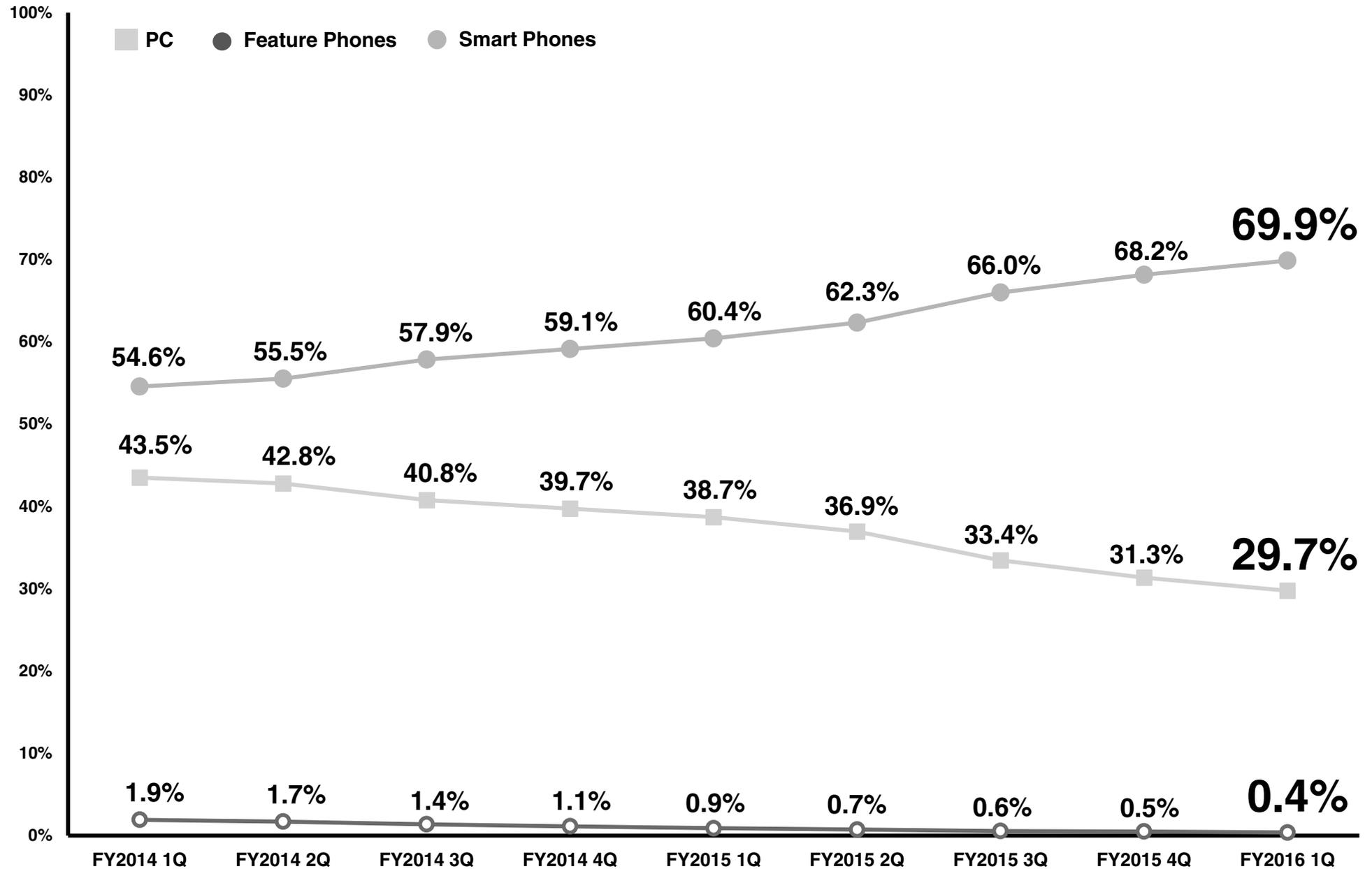
AVERAGE RETAIL PRICE



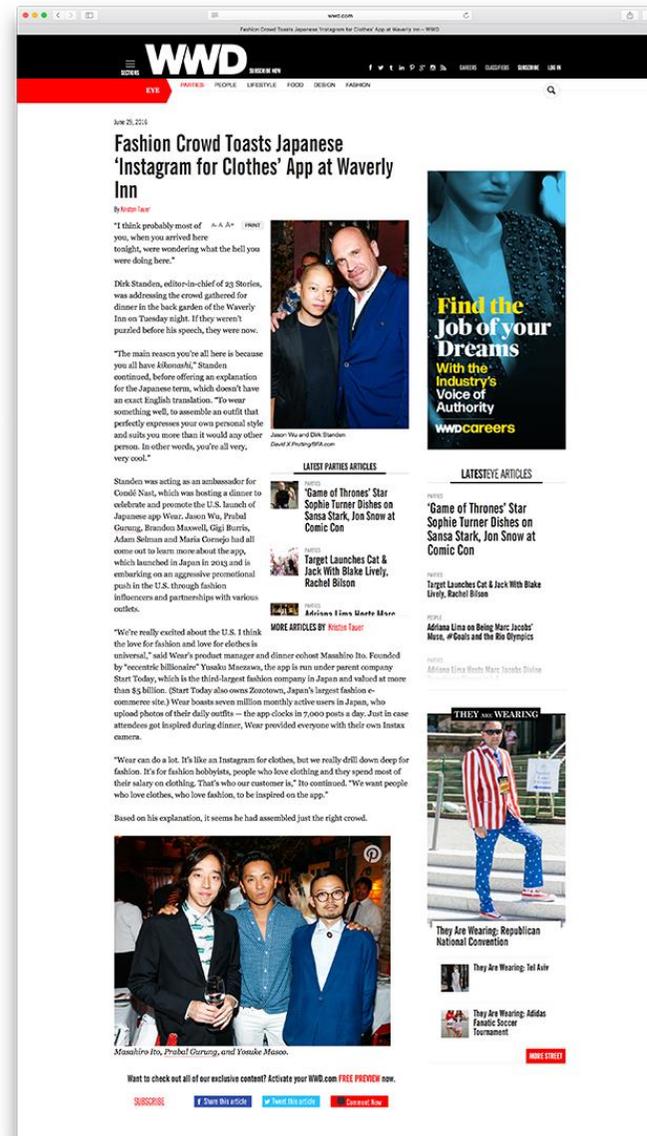
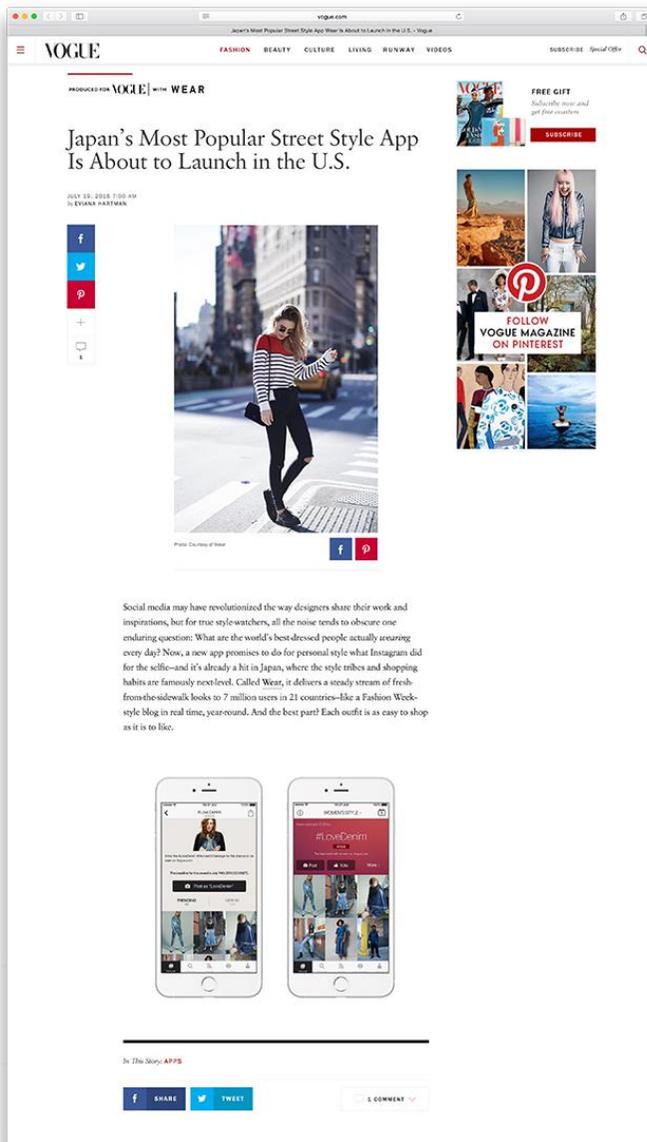
AVERAGE PURCHASE AMOUNT PER SHIPMENT



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



Overseas development of WEAR





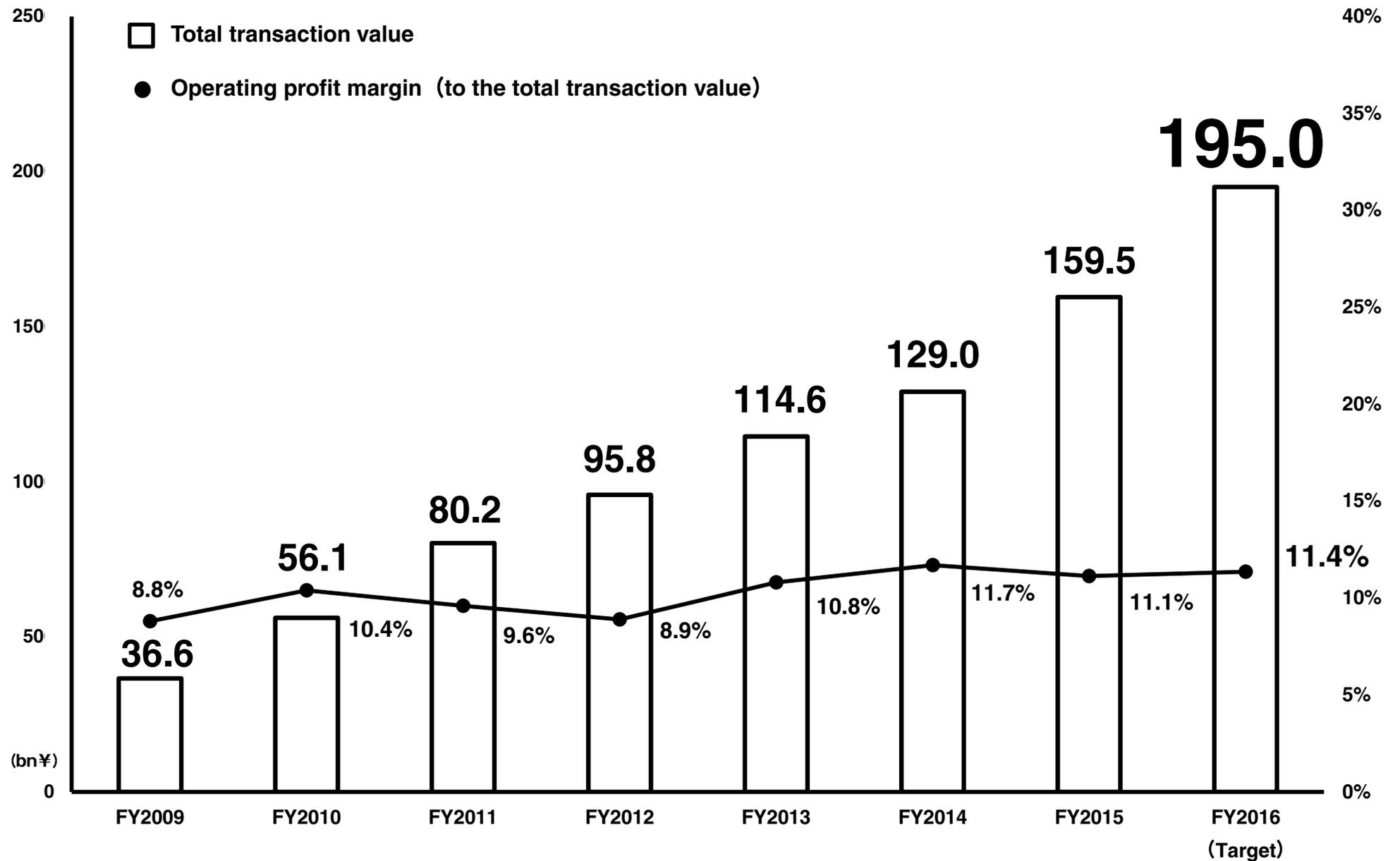
BUSINESS PLAN FOR FY2016

CONSOLIDATED BUSINESS FORECAST AND DIVIDEND FORECAST FOR FY2016

	FY2016 PLAN	Growth Rate(%)
Transaction value	195,000 (¥million)	22.3%
Net sales	69,000 (¥million)	26.8%
Operating profit	22,140 (¥million)	24.7%
Recurring profit	22,150 (¥million)	23.9%
Profit attributable to owners of parent	15,260 (¥million)	27.3%
Earnings per share	146.9 (¥)	-
Estimated dividends per share	62 (¥)	-

※Dividends per share (plan) is indicated at the price before share split.

TRANSACTION VALUE



BREAKDOWN OF THE TOTAL TRANSACTION VALUE AND EACH POLICY

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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)

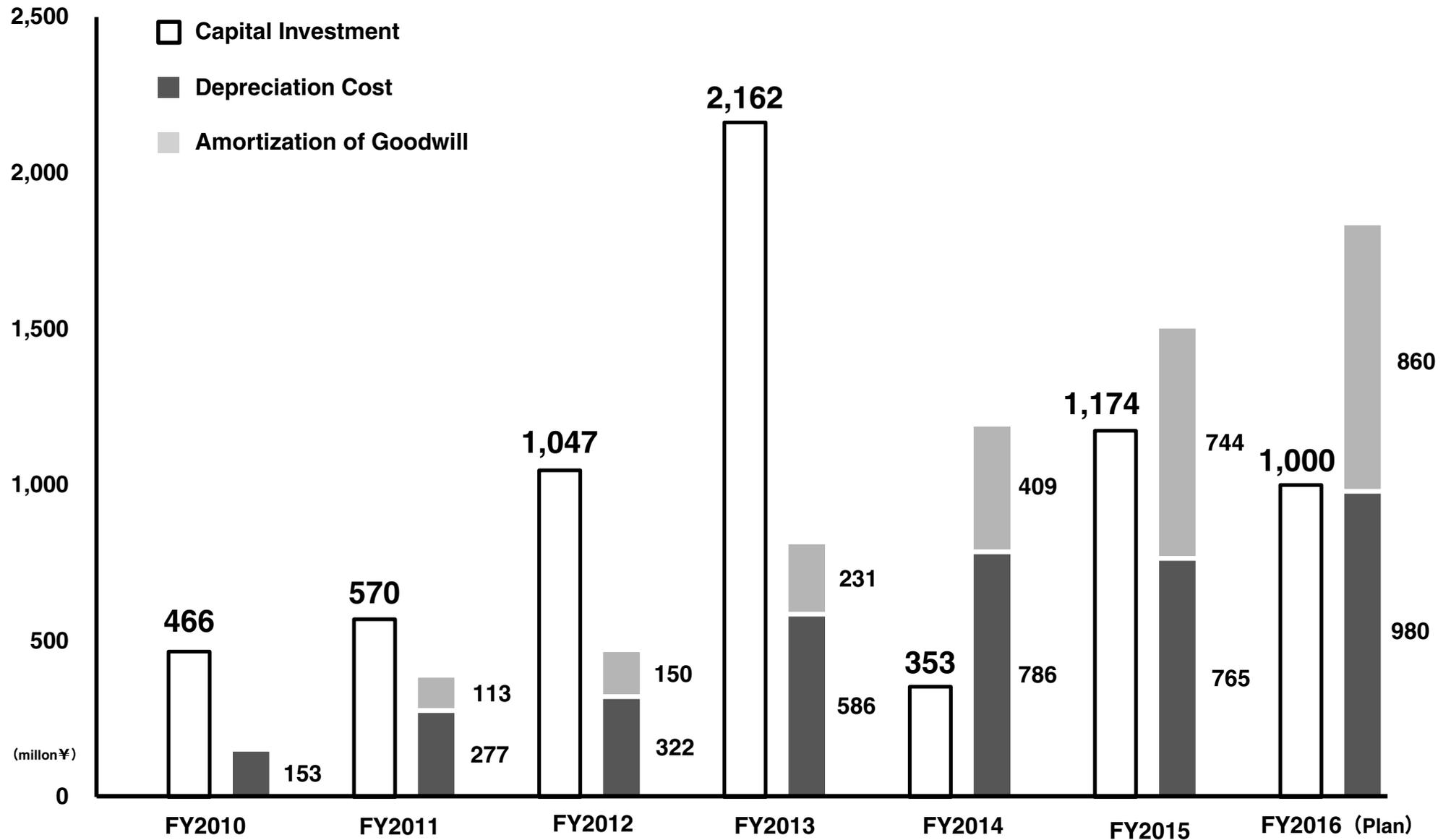
ZOZO FURIMA

Target for Total Transaction Value : 5 billion yen

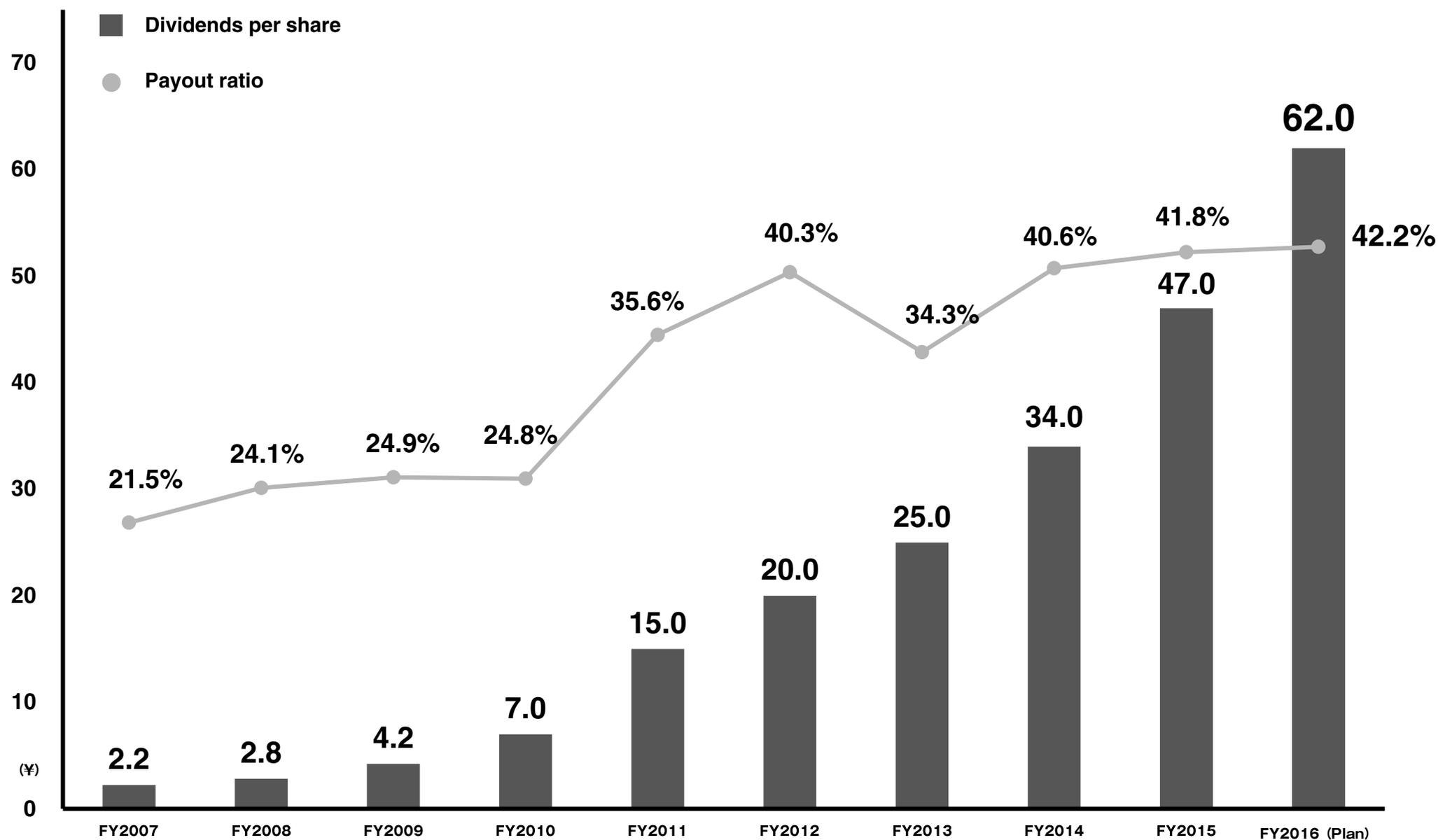
Operating Profit Margin(to the total transaction value)

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

CAPITAL INVESTMENT



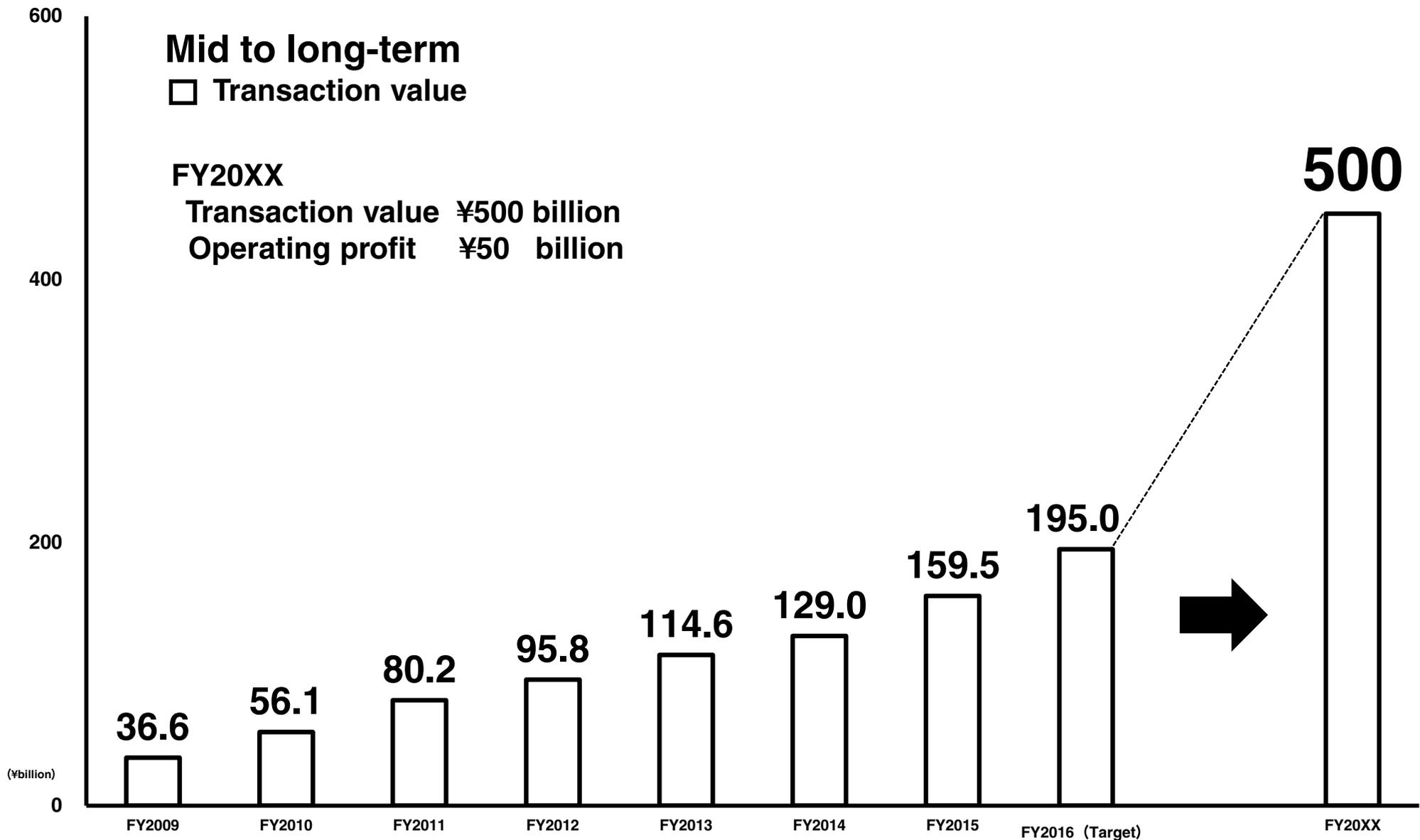
DIVIDENDS PER SHARE AND PAYOUT RATIO



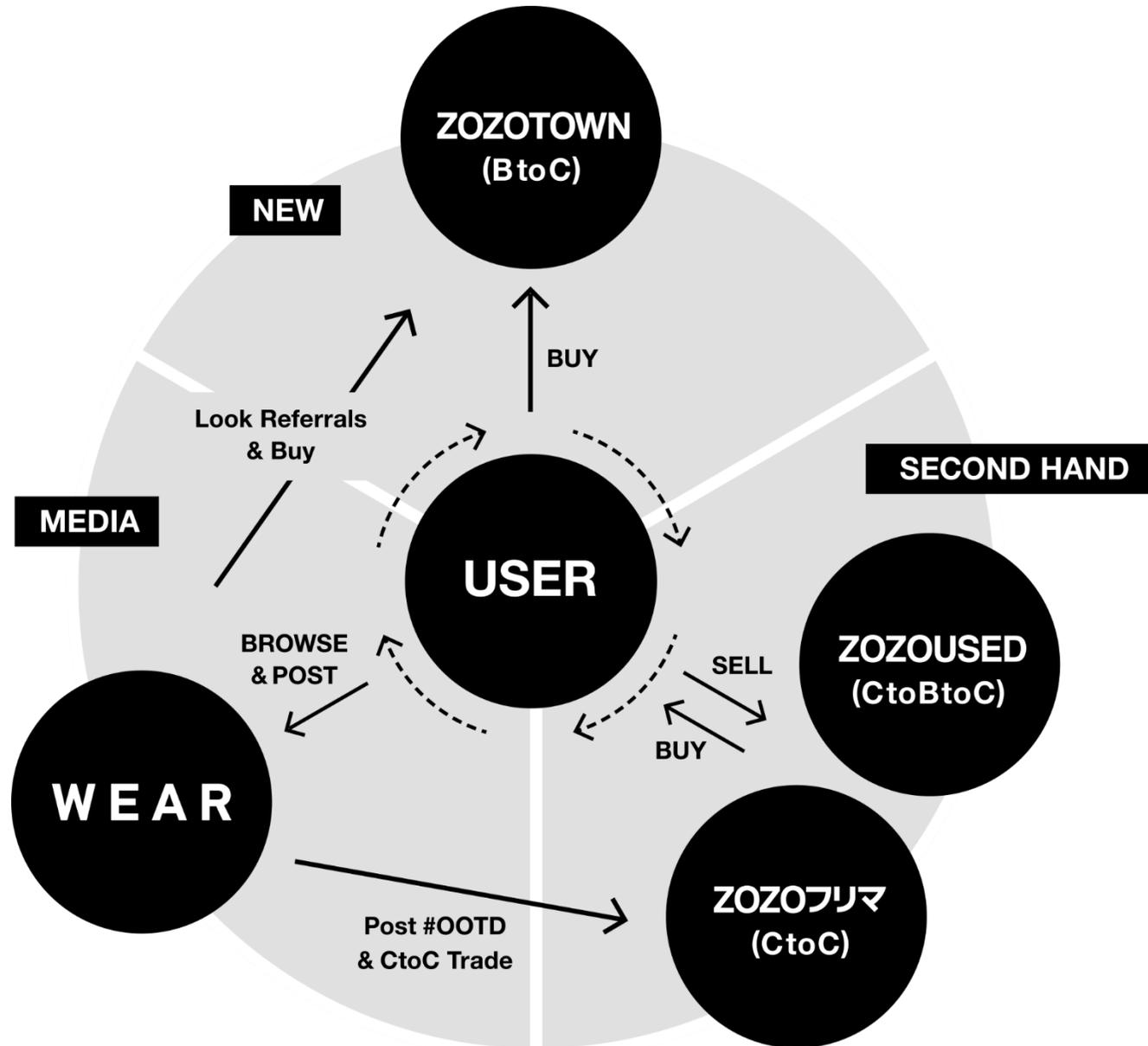
※Dividends per share (plan) for FY 2016 is indicated at the price before share split

FUTURE STRATEGIES

MID TO LONG-TERM VISION



MARKET EXPANSION STRATEGY



REFERENCE DATA

3,538

POPULAR BRANDS

819

EMPLOYEES (average age 30.1 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.

3,651

SHARE HOLDERS

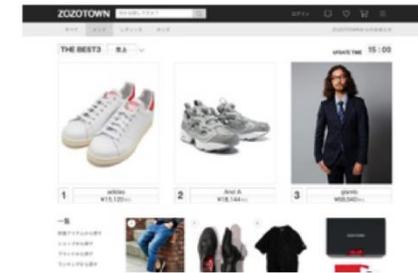
4.83 Million

TOTAL BUYERS (1 year basis)

ZOZOTOWN

Japan's Largest Online Retailer of Apparel and Accessories

- 842 stores offering 3,538 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.



ZOZOFURIMA <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 7.0 million DL
- Now available in all geographic areas.



WEAR <http://wear.jp/>

START TODAY Engineering Co.,LTD.

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

Crown Jewel, Inc.

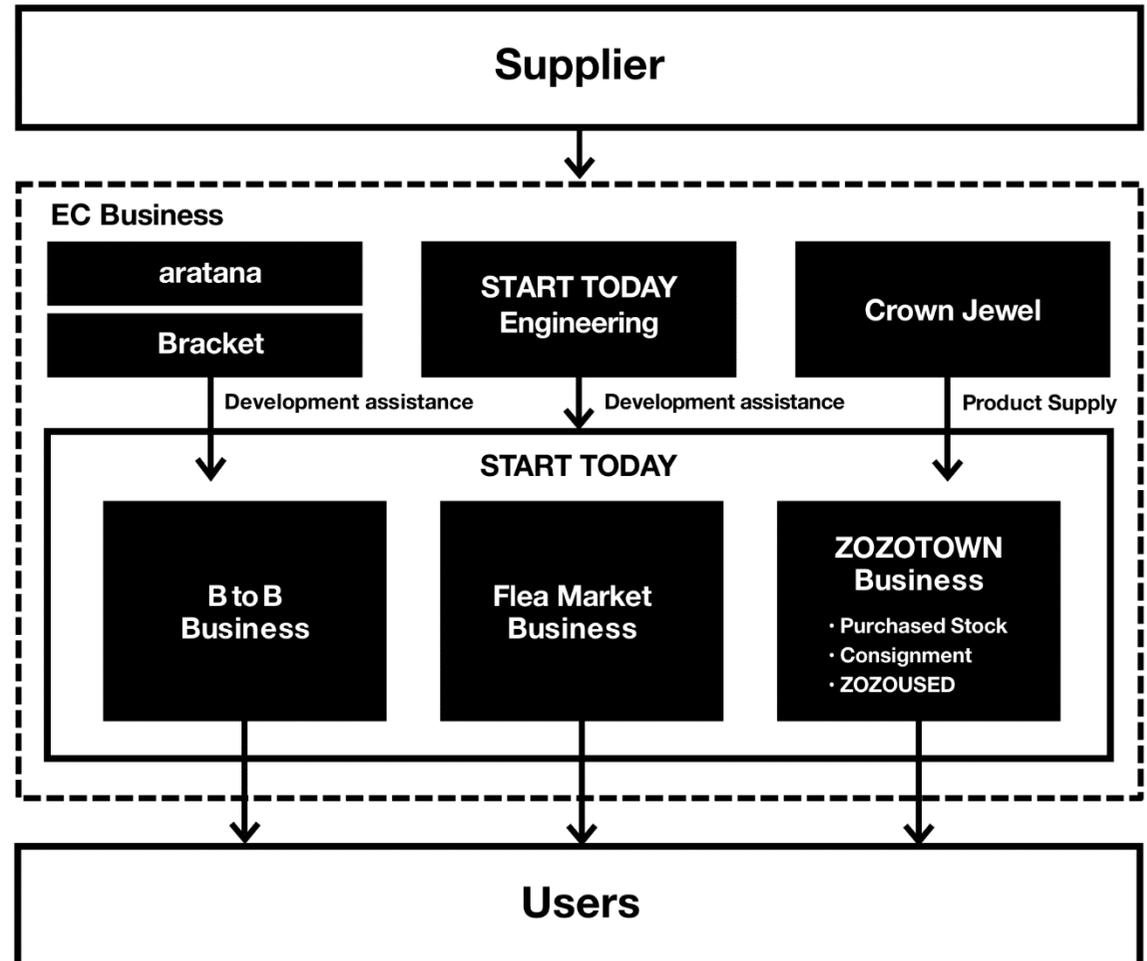
A business operated by reselling second hand
apparel items purchased from our users.

Bracket, Inc.

Operation, development, and planning of
internet businesses.

aratanaInc.

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



ZOZOTOWN BUSINESS

• Consignment Sales

We operate 832 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 10 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 35 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.