



ZOZO

Be unique. Be equal.

FY2018 2Q
CONSOLIDATED BUSINESS RESULTS

FY2018 2Q HIGHLIGHTS

01

Overview	Gross Merchandise Value	:	141,221	million yen	(+ 18.0% ,Yoy)
	Operating Profit	:	10,053	million yen	(- 27.3% ,Yoy)

Gross Merchandise Value	ZOZOTOWN BUSINESS				
	Gross Merchandise Value	:	136,719	million yen	(+ 17.4% ,Yoy)
	Consignment Business	:	129,012	million yen	(+ 17.5% ,Yoy)
	Purchased Stock Business	:	94	million yen	(+ 2.7% ,Yoy)
	ZOZOUSED Business	:	7,612	million yen	(+ 16.1% ,Yoy)
	Private Brand Business	:	658	million yen	
	Average Retail Price	:	3,655	yen	(- 0.2% ,Yoy)
	Average Purchase Amount per Shipment	:	7,777	yen	(- 5.0% ,Yoy)
	*Average retail price and average purchase amount per shipment are averages calculated from combined results of the ZOZOTOWN business and the PB business.				
	B to B Business	:	3,843	million yen	(+ 21.9% ,Yoy)

Profitability	Operating profit margin (to the total gross merchandise value)	:	7.1%	(11.6% for FY2017 2Q)
	Factors improving profitability	:	Increase in GPM, Decrease in the commission regarding payment collection	
	Factors worsening profitability	:	Increase in the rate of shipping cost due to the change of shipping charge from the carrier, Initiation of mass distribution of ZOZOSUIT, Increase in the rate of other expenses, Increase in the rate of payroll	

Topic	<ul style="list-style-type: none"> Investment of a Singapore based sizing recommendation software development company “Pixibo” (August, 2018) Start Today Research commenced collective research with Kyushu Institute of Technology (September, 2018) Start Today Group changed its corporate name to “ZOZO” (October, 2018) About Private brand “ZOZO” <ul style="list-style-type: none"> Number of selling items which started to offer during the Q2 Men’ s : 11 items Women’ s : 10 items Total : 21 items
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BUSINESS RESULTS

OVERVIEW OF THE FY2018 2Q

03

(million ¥)

Item	FY2017 2Q	FY2018 2Q	YoY Change(%)	Target	Progress Rate(%)
Gross Merchandise Value	119,656	141,221	18.0%	360,000	39.2%
Net sales	42,694	53,764	25.9%	147,000	36.6%
Gross profit	39,378	48,989	24.4%	-	-
(%Gross Merchandise Value)	32.9%	34.7%	1.8%	-	-
SG & A	25,547	38,936	52.4%	-	-
(%Gross Merchandise Value)	21.4%	27.6%	6.2%	-	-
Operating profit	13,831	10,053	-27.3%	40,000	25.1%
(%Gross Merchandise Value)	11.6%	7.1%	-4.5%	11.1%	-
Recurring profit	13,837	10,007	-27.7%	40,000	25.0%
Profit attributable to owners of parent	9,551	6,291	-34.1%	28,000	22.5%

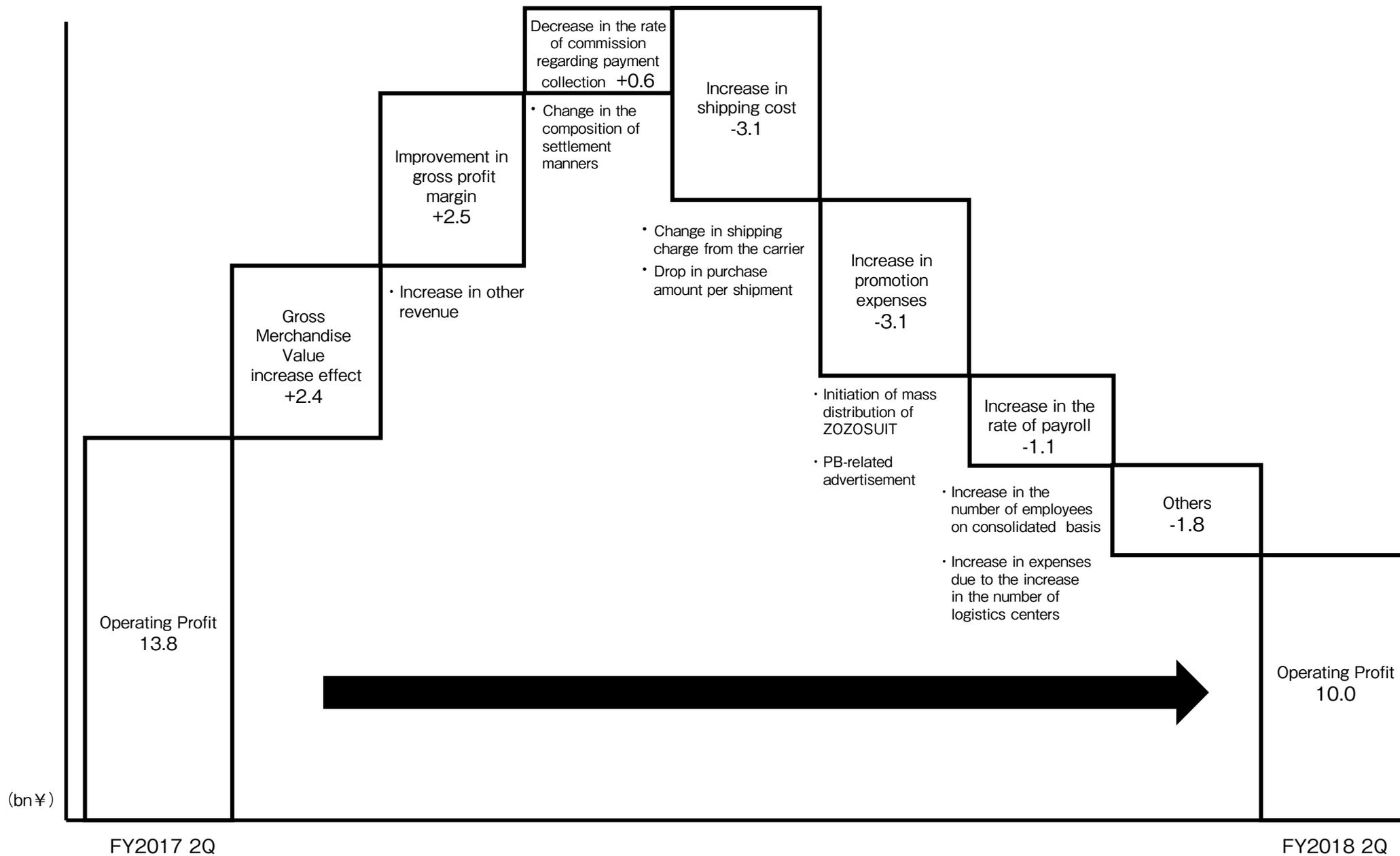
OVERVIEW OF EACH QUARTER

04

(million ¥)

Item	FY2017				FY2018	
	1Q	2Q	3Q	4Q	1Q	2Q
Gross Merchandise Value	59,574	60,082	77,331	73,555	70,406	70,814
YoY (%)	40.9%	35.9%	25.5%	14.9%	18.2%	17.9%
Net sales	21,451	21,242	28,220	27,517	26,552	27,212
SG&A	11,863	13,684	16,476	15,770	18,376	20,559
YoY (%)	35.0%	48.3%	45.2%	16.3%	54.9%	50.2%
(%Gross Merchandise Value)	19.9%	22.8%	21.3%	21.4%	26.1%	29.0%
Operating profit	7,981	5,850	9,720	9,118	5,874	4,178
YoY (%)	59.3%	4.9%	11.7%	30.4%	-26.4%	-28.6%
(%Gross Merchandise Value)	13.4%	9.7%	12.6%	12.4%	8.3%	5.9%

INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (YoY COMPARISON)



CONSOLIDATED BALANCE SHEET

06

(million ¥)

	FY2017 (as of March 31, 2018)	FY2018 2Q (as of September 30, 2018)		FY2017 (as of March 31, 2018)	FY2018 2Q (as of September 30, 2018)
Current assets	53,574	52,002	Current liabilities	27,243	49,921
Cash and deposits	24,571	19,188	short-term borrowing	-	24,000
Merchandise inventory	2,194	3,177	Noncurrent liabilities	2,659	2,817
Noncurrent assets	17,138	17,993	Total liabilities	29,902	52,739
Tangible assets	5,668	4,856	Shareholders' equity	40,892	17,108
Intangible assets	3,222	3,317	Treasury stock	-	-24,412
Investments and other assets	8,247	9,819	Total net assets	40,810	17,256
Total assets	70,712	69,995	Total liabilities and net assets	70,712	69,995

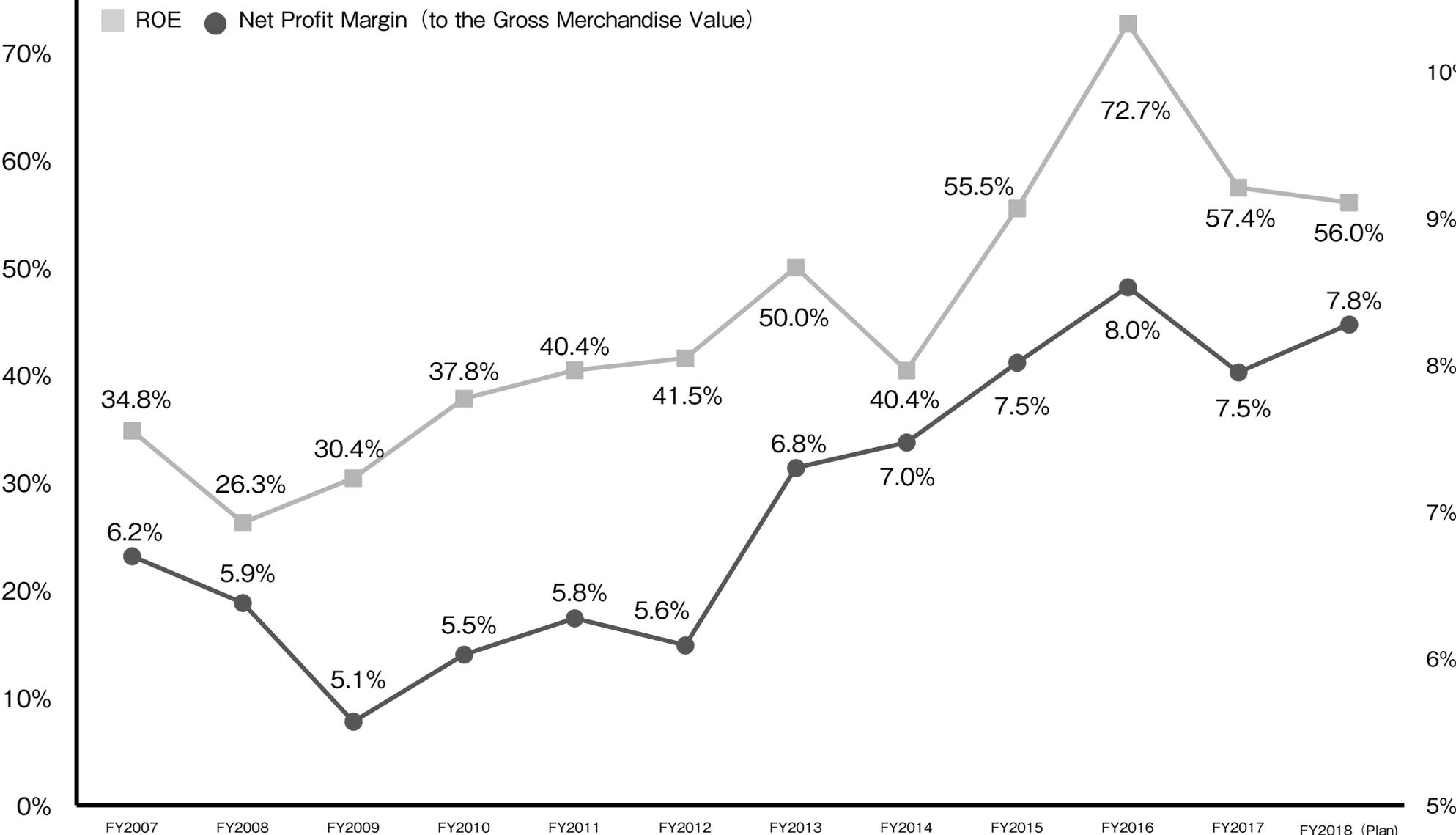
CASH FLOWS

07

(million¥)

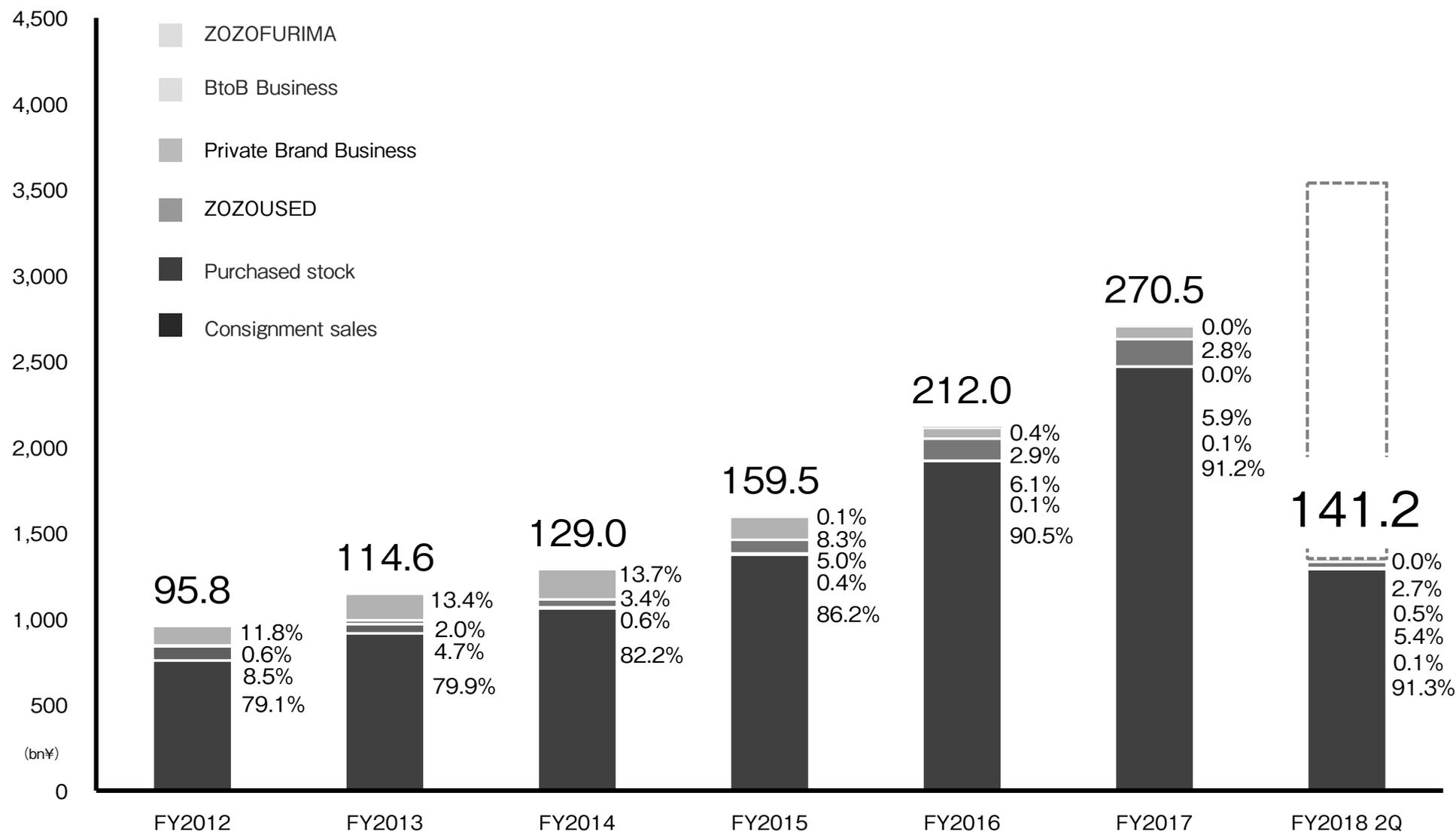
Item	FY2017 2Q	FY2018 2Q	YoY	Reasons for change
Cash flows from operating activities	6,548	2,588	-3,960	(FY2018) Decrease in profit before income taxes
Cash flows from investing activities	-1,989	-2,642	-653	(FY2018) Expenditure of purchase of investment securities
Cash flows from financing activities	-5,428	-5,707	-279	(FY2018) Increase in short-term borrowings (FY2018) Expenditure of purchase of treasury stock
Cash and cash equivalents at the end of the year	21,263	19,188	-2,075	

ROE AND NET PROFIT MARGIN



GROSS MERCHANDISE VALUE

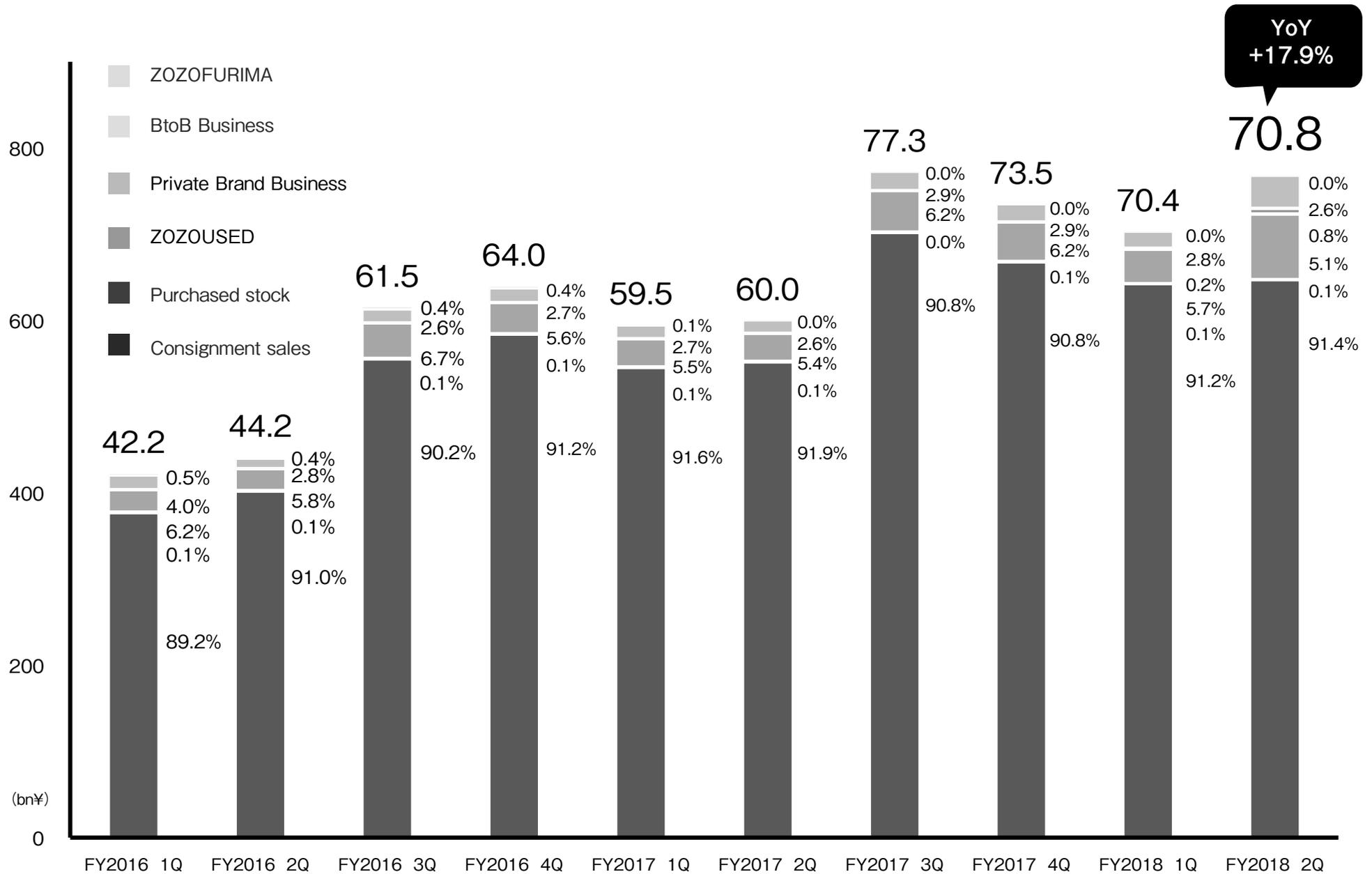
• Gross merchandise value of new shops opened in FY2018 2Q
 ZOZOTOWN Business (purchased stock & consignment sales) : ¥ 1.6 billion (accounts for 1.2% of the total gross merchandise value)



※ZOZO FURIMA Business ended on June 30, 2017.

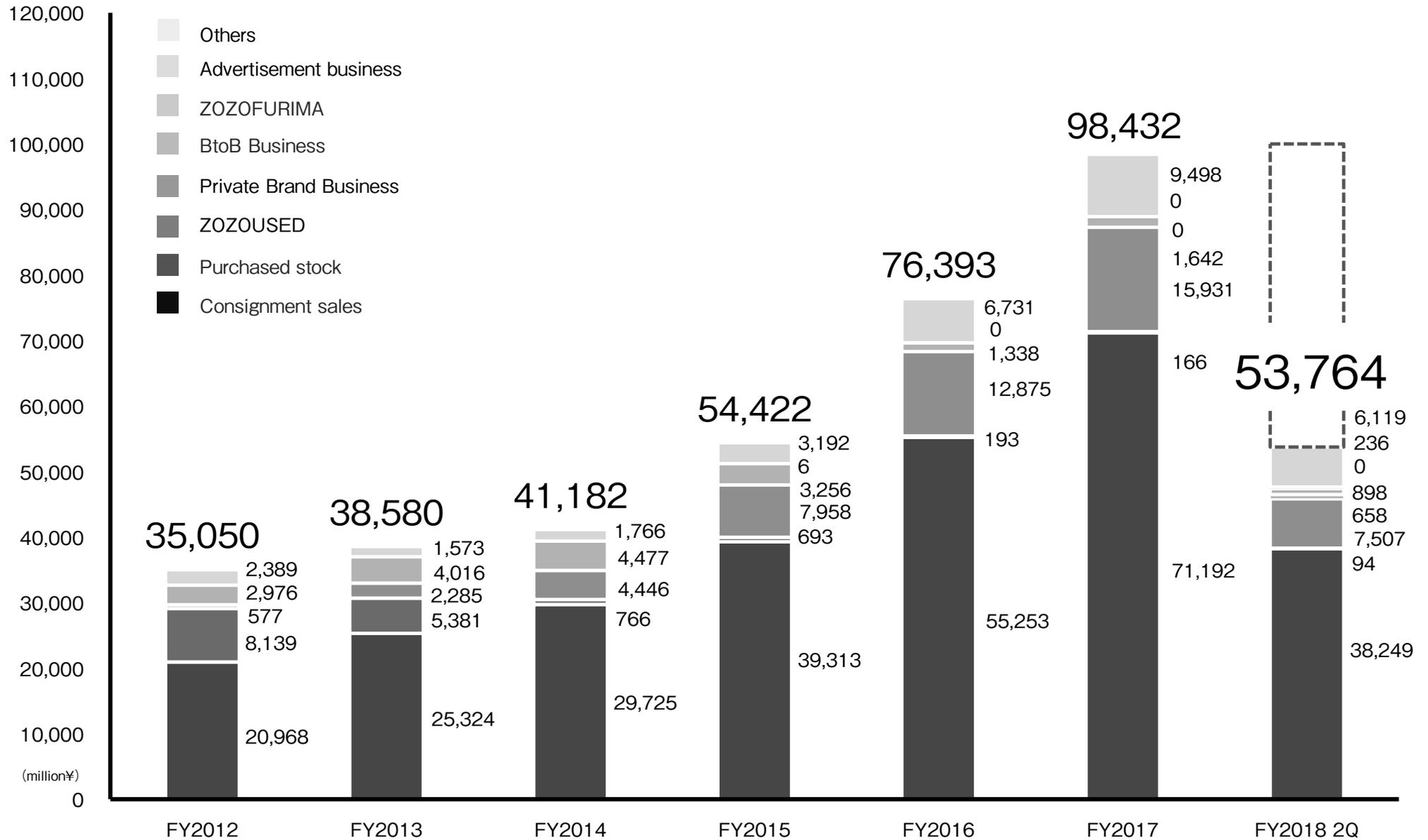
GROSS MERCHANDISE VALUE(QUARTERLY)

10



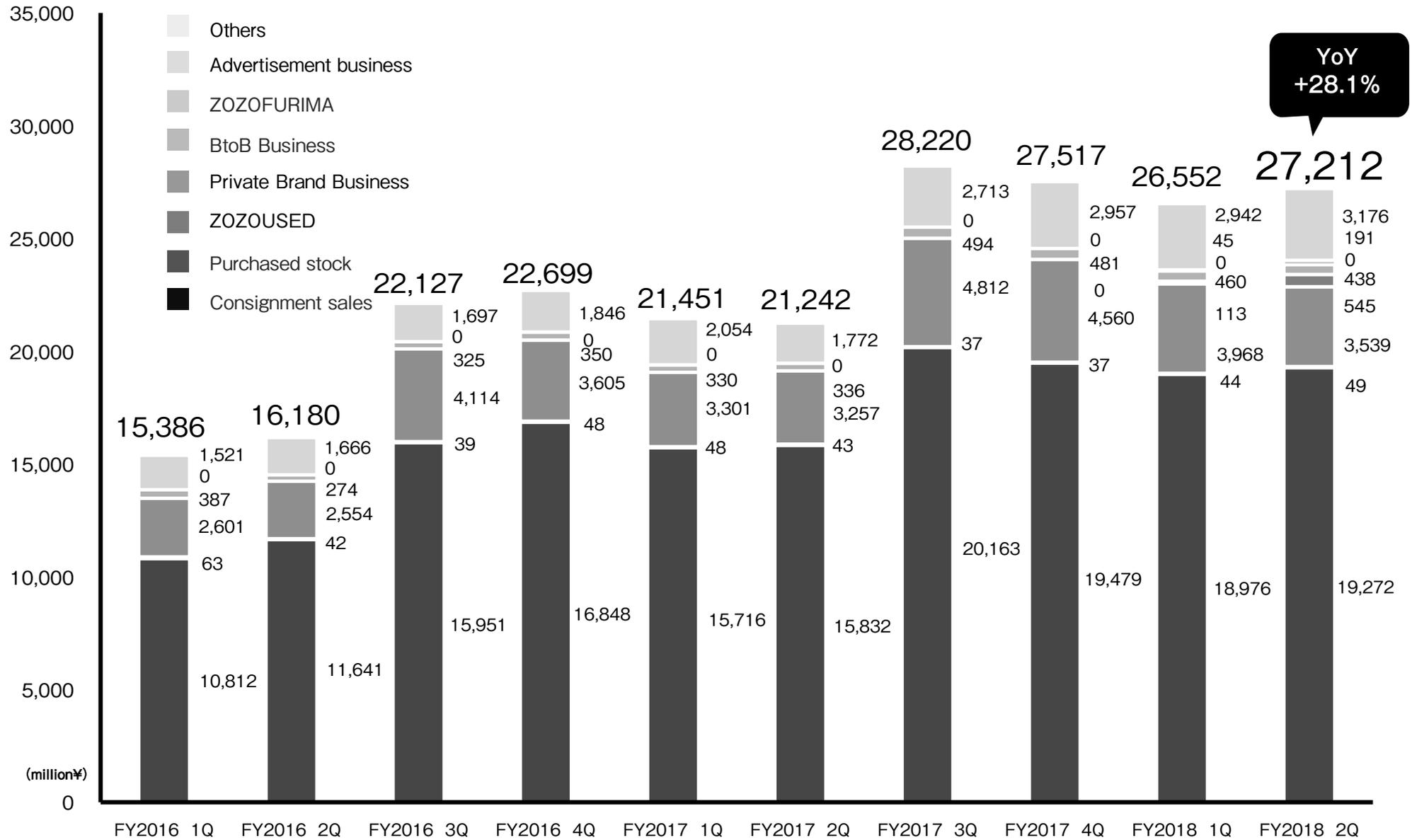
*ZOZO FURIMA Business ended on June 30, 2017.

NET SALES



※ZOZO FURIMA Business ended on June 30, 2017.

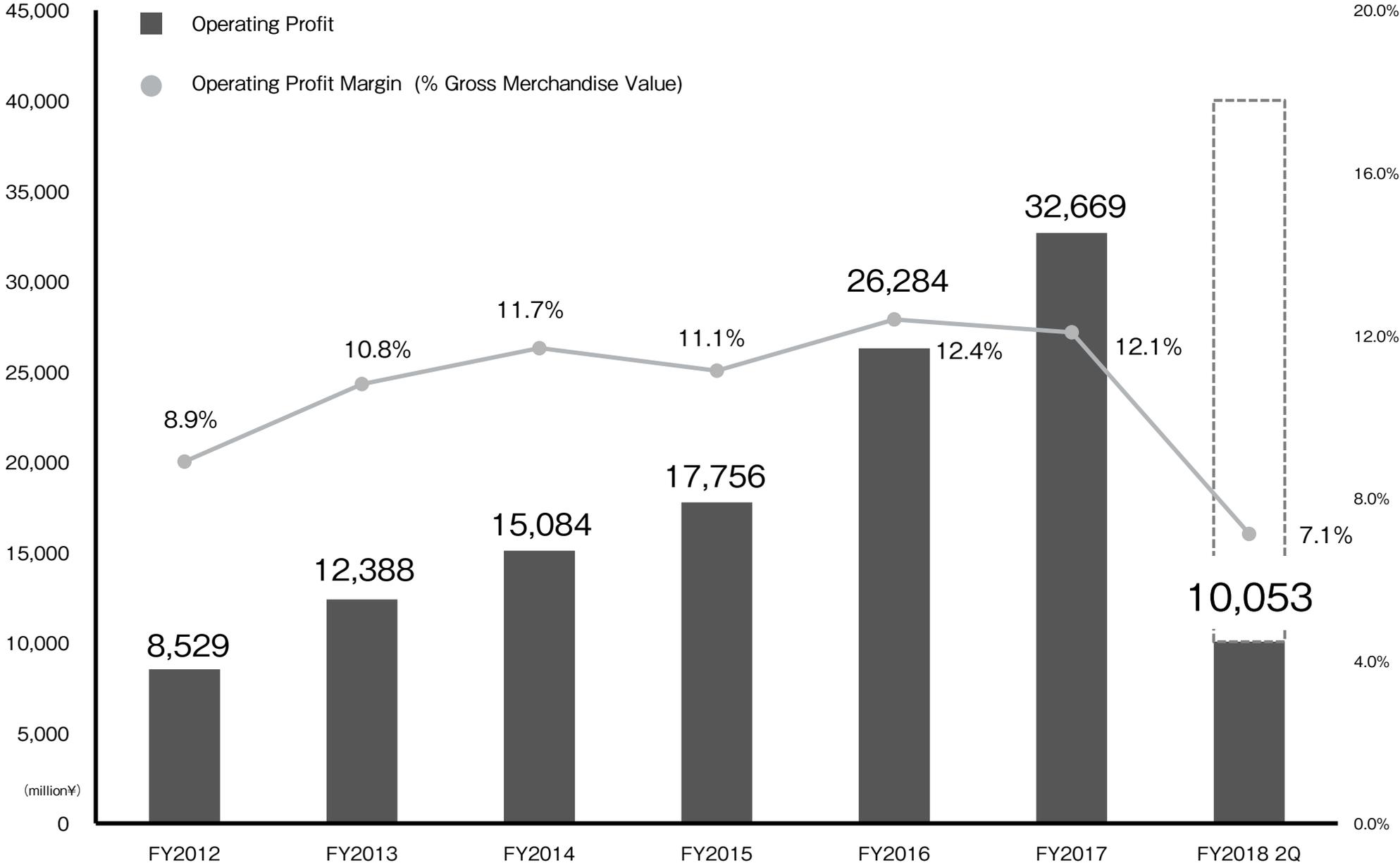
NET SALES (QUARTERLY)



YoY
+28.1%

*ZOZO FURIMA Business ended on June 30, 2017.

OPERATING PROFIT AND OPERATING PROFIT MARGIN



SELLING, GENERAL AND ADMINISTRATIVE (SG & A) EXPENSES

14

(million ¥)

item	FY2017 2Q		FY2018 2Q		YoY	Increase decrease factors
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	%Gross Merchandise Value	
Payroll(*)	7,348	6.1%	9,842	7.0%	0.9%	
Employee	2,889	2.4%	4,048	2.9%	0.5%	Details are described in the next page
Logistics-Related Expenses (Including Outsourcing)	4,458	3.7%	5,794	4.1%	0.4%	Increase in proportion of outsourced workers with higher unit price due to changes in logistics Centers / Increase in proportion in line with the drop in retail price / Shipping expenses between logistics centers
Outsourcing Expenses (Excluding Logistics-Related Expenses)	2,019	1.7%	2,013	1.4%	-0.3%	Increase in operation expenses due to the increase in the number of logistics centers / Increase in expenses of trademarks registration (FY2017 2Q) Outsourcing of development of ZOZOSUIT 1 and PB branding
Shipping	5,548	4.6%	9,741	6.9%	2.3%	change in shipping fees / Initiation of mass distribution of ZOZOSUIT
Commission of Payment collection	3,991	3.3%	4,108	2.9%	-0.4%	Changes in the composition ratio of settlement manners
Promotion related expenses	2,060	1.7%	5,560	3.9%	2.2%	
Advertising	739	0.6%	4,290	3.0%	2.4%	Initiation of mass distribution of ZOZOSUIT / Advertising expenses of PB business / Implementation of overseas campaign
Reward points related expenses	1,320	1.1%	1,269	0.9%	-0.2%	
Rent expense	1,354	1.1%	1,748	1.2%	0.1%	
Depreciation	408	0.3%	624	0.4%	0.1%	
Amortization of goodwill	113	0.1%	238	0.2%	0.1%	VASILY Inc. (Nov. 2017) and Colorcle Inc. (Feb. 2018) *Both subsidiaries have been merged to ZOZO TECHNOLOGIES Inc. from Apr. 2018
Stock Compensation Expenses	-	-	179	0.1%	0.1%	
Others	2,702	2.3%	4,878	3.5%	1.2%	Details are described in the next page
Total SG&A	25,547	21.4%	38,936	27.6%	6.2%	

※*Payroll includes directors' remuneration, employee salaries, bonus, legal welfare expenses, welfare expenses, retirement benefits cost, provision for employee bonus, expenses of company pension premium, subcontracting payroll, a portion of expenses at logistics centers operation.

"Employee" includes directors and employees, "Logistics-Related Expenses" includes part-timers, dispatched workers(subcontracting payroll) and substantial personnel expenses within outsourcing commission of staff working for logistics operations.

SELLING, GENERAL AND ADMINISTRATIVE (SG & A) EXPENSES

15

- Payroll (Employee): % towards gross merchandise value +0.5% YoY

Increase due to the increase in the number of employees on consolidated basis: 838 FY2017 2Q end → 1,031 at FY2018 2Q end
Actively hiring employees for PB business and engineer / Increase in the number of consolidated subsidiaries

- PB Business: 19 at FY2017 2Q end → 79 at FY2018 2Q end
- Engineer: 133 at FY2017 2Q end → 225 at FY2018 2Q end
- Overseas subsidiaries: 28 at FY2018 2Q end (included in the scope of consolidation from FY2018 1Q)

Increase in the amount of provision for reserve for bonuses and legal welfare expenses due to the change in bonus payment policy

- FY2017: bonuses based on monthly budget achievements
- FY2018: fix amount bonuses

- Others: % towards gross merchandise value +1.2% YoY

Occurrence of one-time high expenses (Impact to % towards gross merchandise value +0.5%)

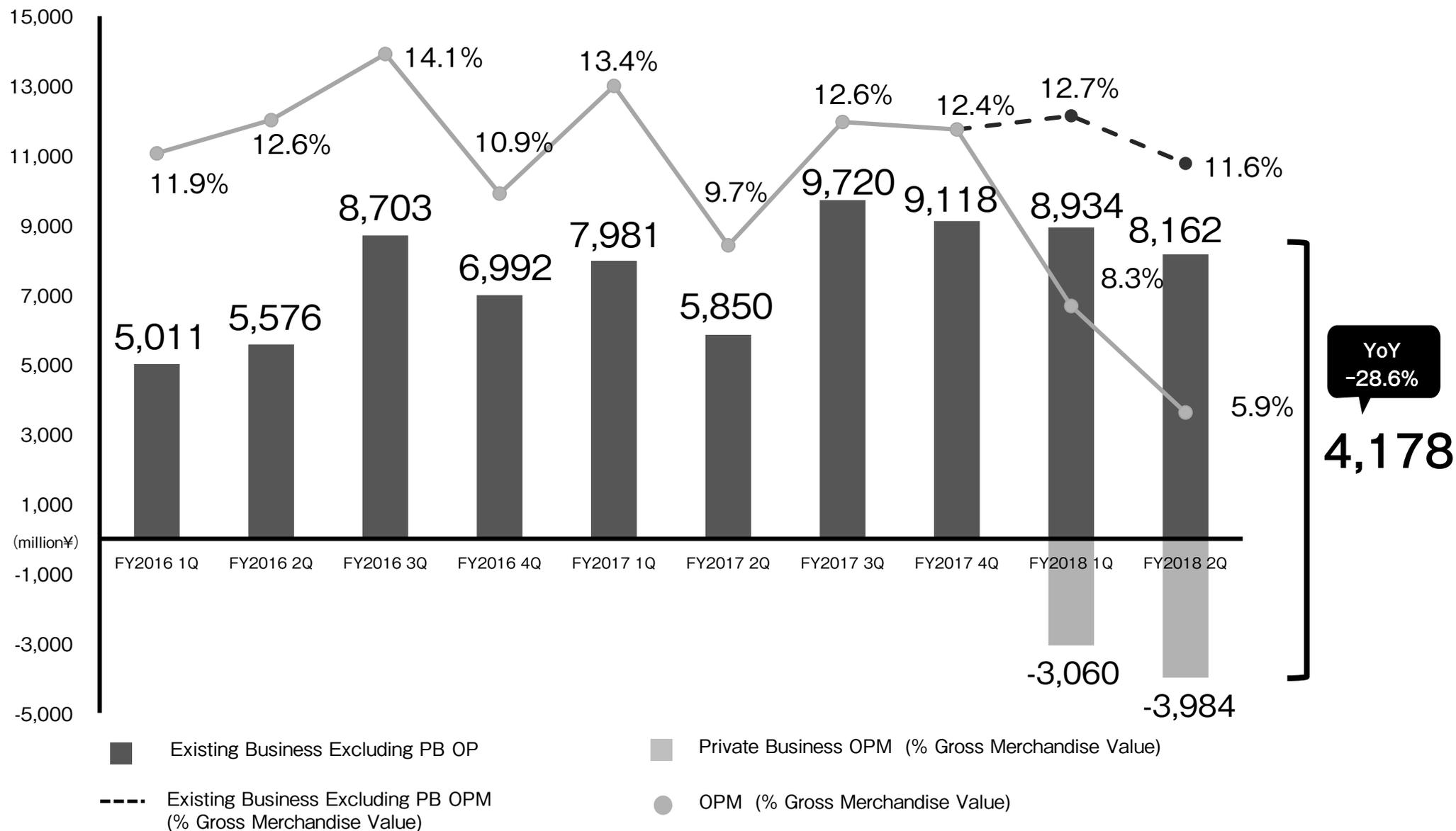
Detail	1Q	2Q
Expenses for ZOZOSUIT1 material disposal	○	-
Contingency fee for ZOZOSUIT improvement research	○	○
Donation to affected area	-	○

※All the expenses listed above are not expected to occur from 3Q onward.

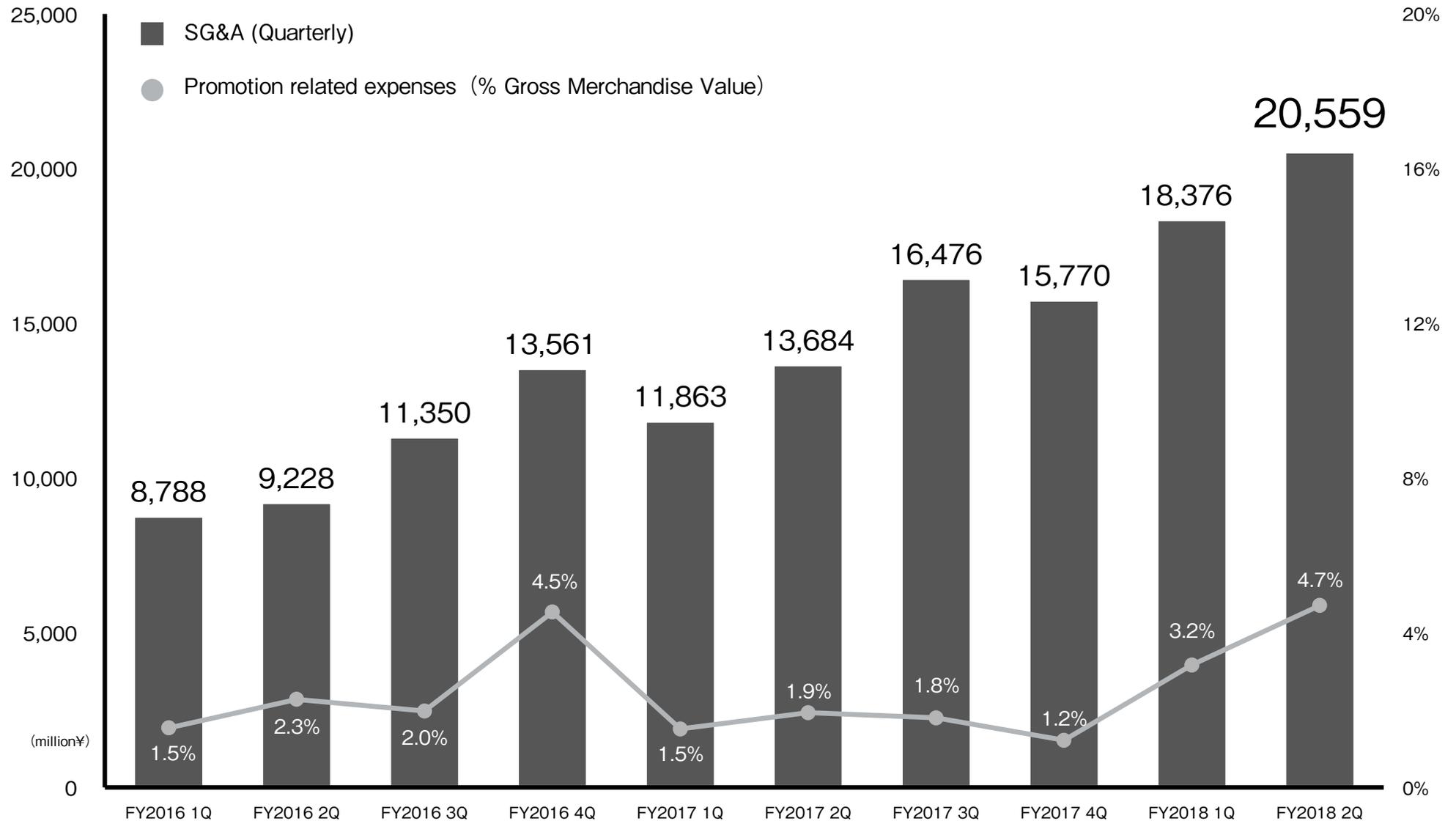
Increase in ordinary expenses (Impact to % towards gross merchandise value +0.4%)

- Increase in the rate of supplies expenses due to the drop in retail price and purchase amount per shipment
- Increase in communication expenses for the improvement of websites and services

OPERATING PROFIT AND OPERATING PROFIT MARGIN (QUARTERLY)



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



OVERVIEW OF SG & A BY EACH QUARTER

18

(million ¥)

item	FY2017								FY2018			
	1Q		2Q		3Q		4Q		1Q		2Q	
	Amount	%Gross Merchandise Value										
Payroll(*)	3,534	5.9%	3,814	6.3%	4,307	5.6%	4,198	5.7%	4,825	6.9%	5,017	7.1%
Employee	1,423	2.4%	1,465	2.4%	1,469	1.9%	1,299	1.8%	1,988	2.8%	2,060	2.9%
Logistics-Related Expenses (Including Outsourcing)	2,110	3.5%	2,348	3.9%	2,837	3.7%	2,898	3.9%	2,836	4.0%	2,957	4.2%
Outsourcing Expenses (Excluding Logistics-Related Expenses)	746	1.3%	1,272	2.1%	1,025	1.3%	913	1.2%	995	1.4%	1,017	1.4%
Shipping	2,616	4.4%	2,931	4.9%	4,282	5.5%	4,341	5.9%	4,665	6.6%	5,076	7.2%
Commission of Payment collection	1,953	3.3%	2,037	3.4%	2,402	3.1%	2,126	2.9%	2,030	2.9%	2,077	2.9%
Promotion related expenses	899	1.5%	1,160	1.9%	1,391	1.8%	895	1.2%	2,228	3.2%	3,331	4.7%
Advertising	345	0.6%	393	0.7%	529	0.7%	283	0.4%	1,548	2.2%	2,741	3.9%
Reward points related expenses	554	0.9%	766	1.3%	861	1.1%	612	0.8%	679	1.0%	590	0.8%
Rent expense	597	1.0%	757	1.3%	828	1.1%	828	1.1%	856	1.2%	891	1.3%
Depreciation	197	0.3%	211	0.4%	278	0.4%	303	0.4%	290	0.4%	333	0.5%
Amortization of goodwill	56	0.1%	56	0.1%	86	0.1%	113	0.2%	119	0.2%	119	0.2%
Stock Compensation Expenses	-	-	-	-	-	-	-	-	-	-	179	0.3%
Others	1,259	2.1%	1,442	2.4%	1,874	2.4%	2,050	2.8%	2,365	3.4%	2,513	3.5%
Total SG&A	11,863	19.9%	13,684	22.8%	16,476	21.3%	15,770	21.4%	18,376	26.1%	20,559	29.0%

※Payroll includes directors' remuneration, employee salaries, bonus, legal welfare expenses, welfare expenses, retirement benefits cost, provision for employee bonus, expenses of company pension premium, subcontracting payroll, a portion of expenses at logistics centers operation.

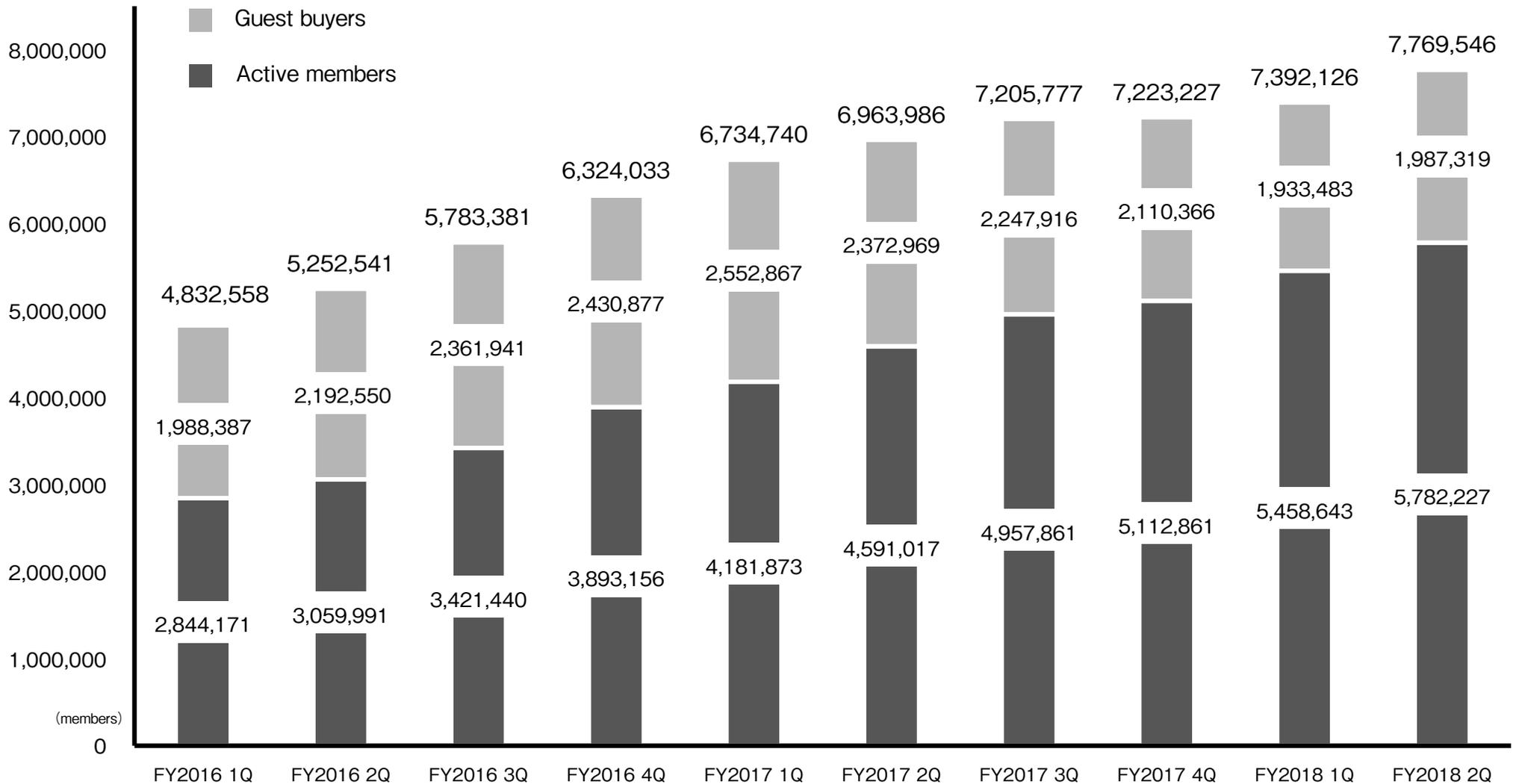
"Employee" includes directors and employees, "Logistics-Related Expenses" includes part-timers, dispatched workers(subcontracting payroll) and substantial personnel expenses within outsourcing commission of staff working for logistics operations.

NUMBER OF TOTAL BUYERS

Number of total buyers = Active members and guest buyers who made at least one purchase within a year

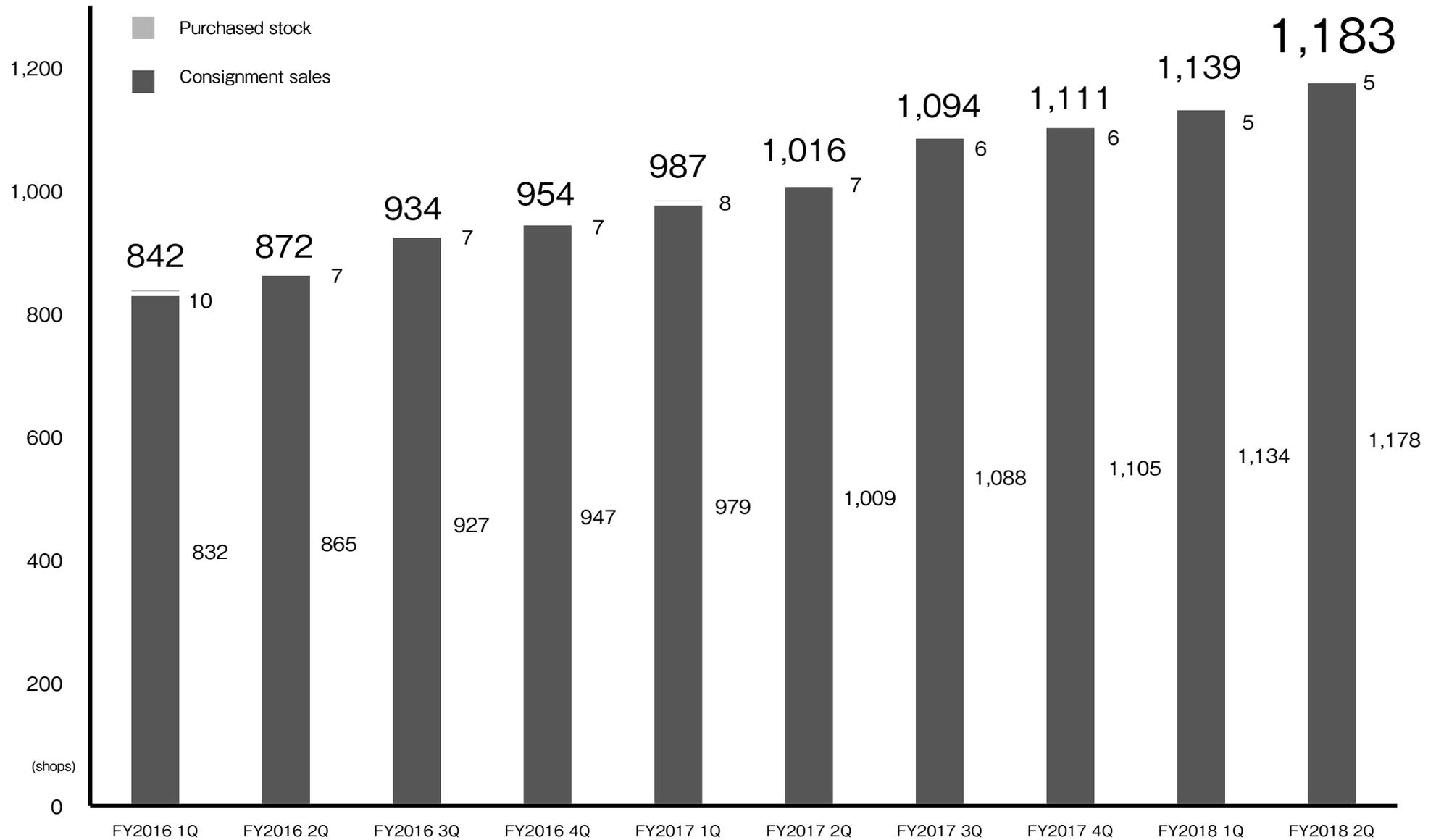
Guest buyers = Total number of guest purchases within a year

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



* Excluding the users only purchased the body measurement device "ZOTOSUIT"

NUMBER OF SHOPS ON ZOZOTOWN



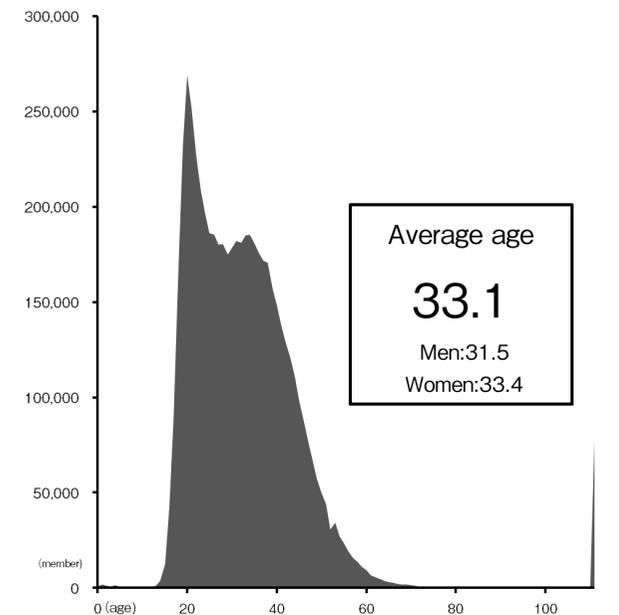
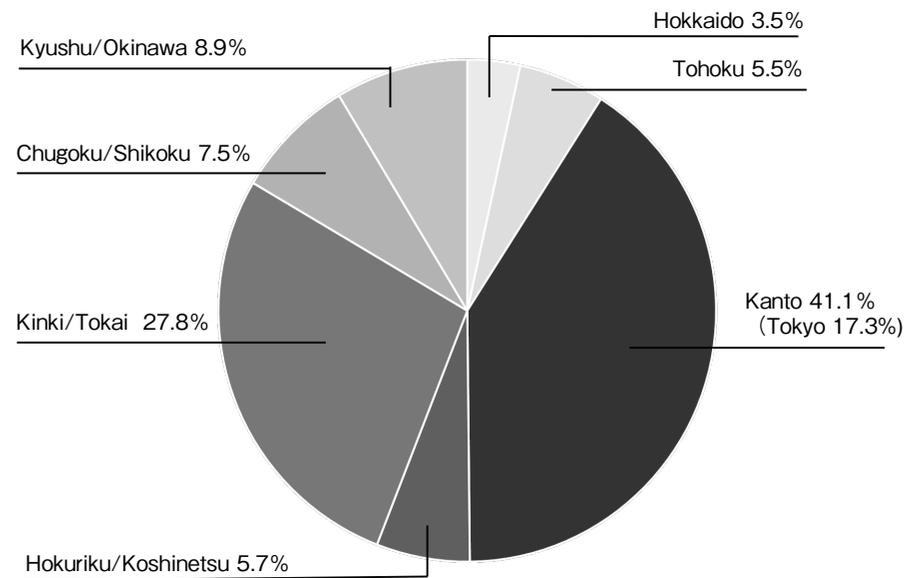
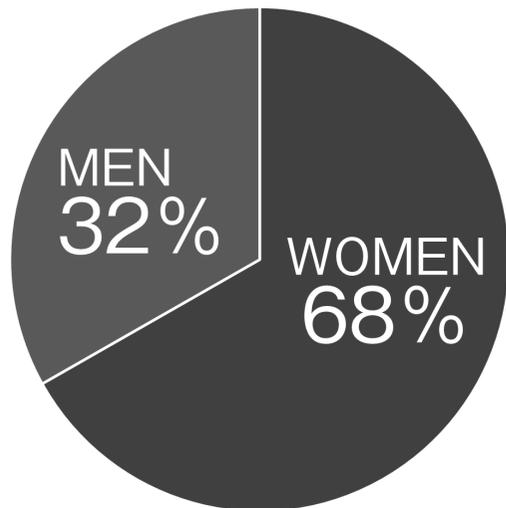
*Private brand "ZOZO" is not included to the number of shops

ACTIVE MEMBER DISTRIBUTION

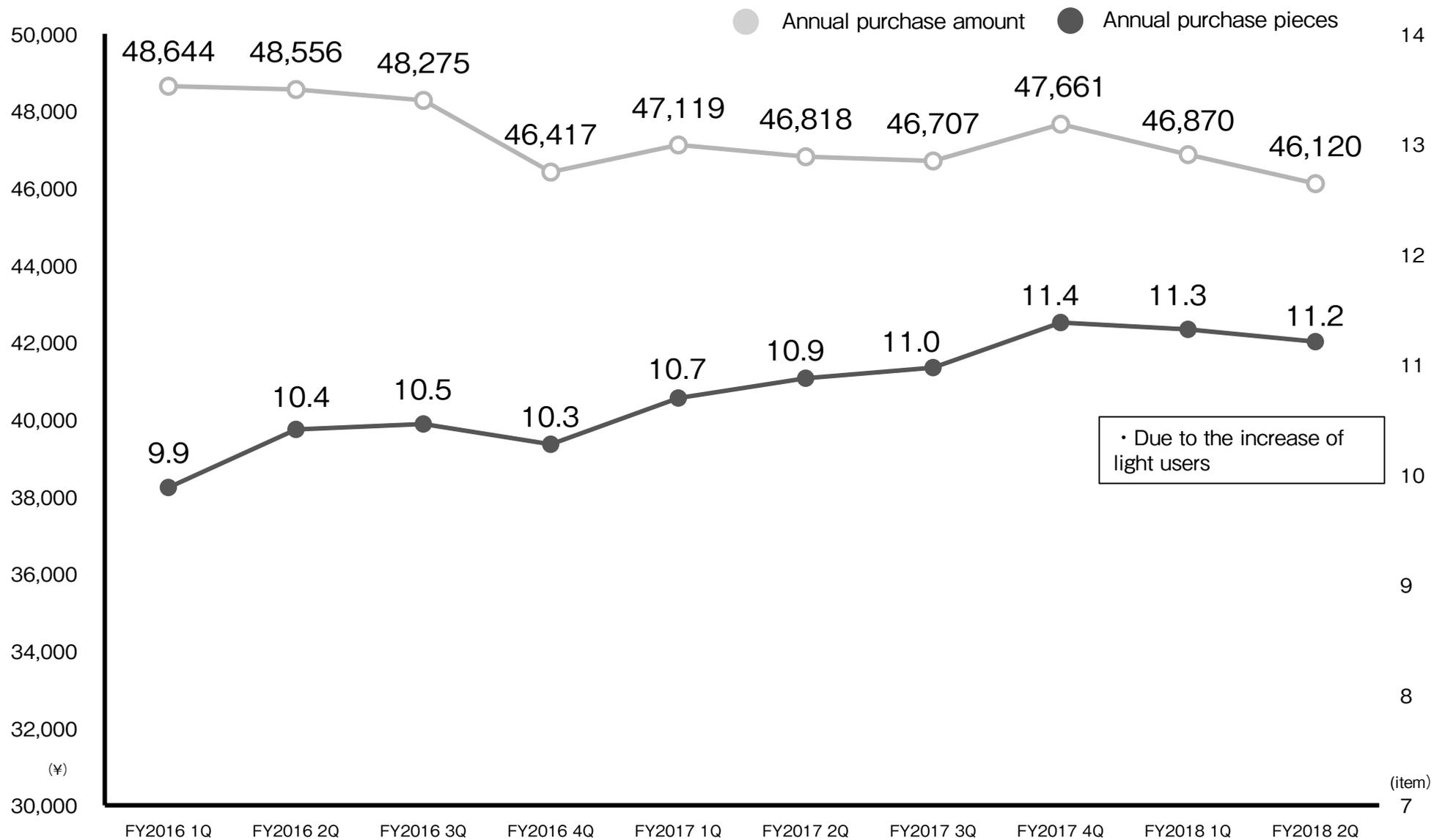
■ Gender ratio

■ Geographical distribution

■ Age distribution

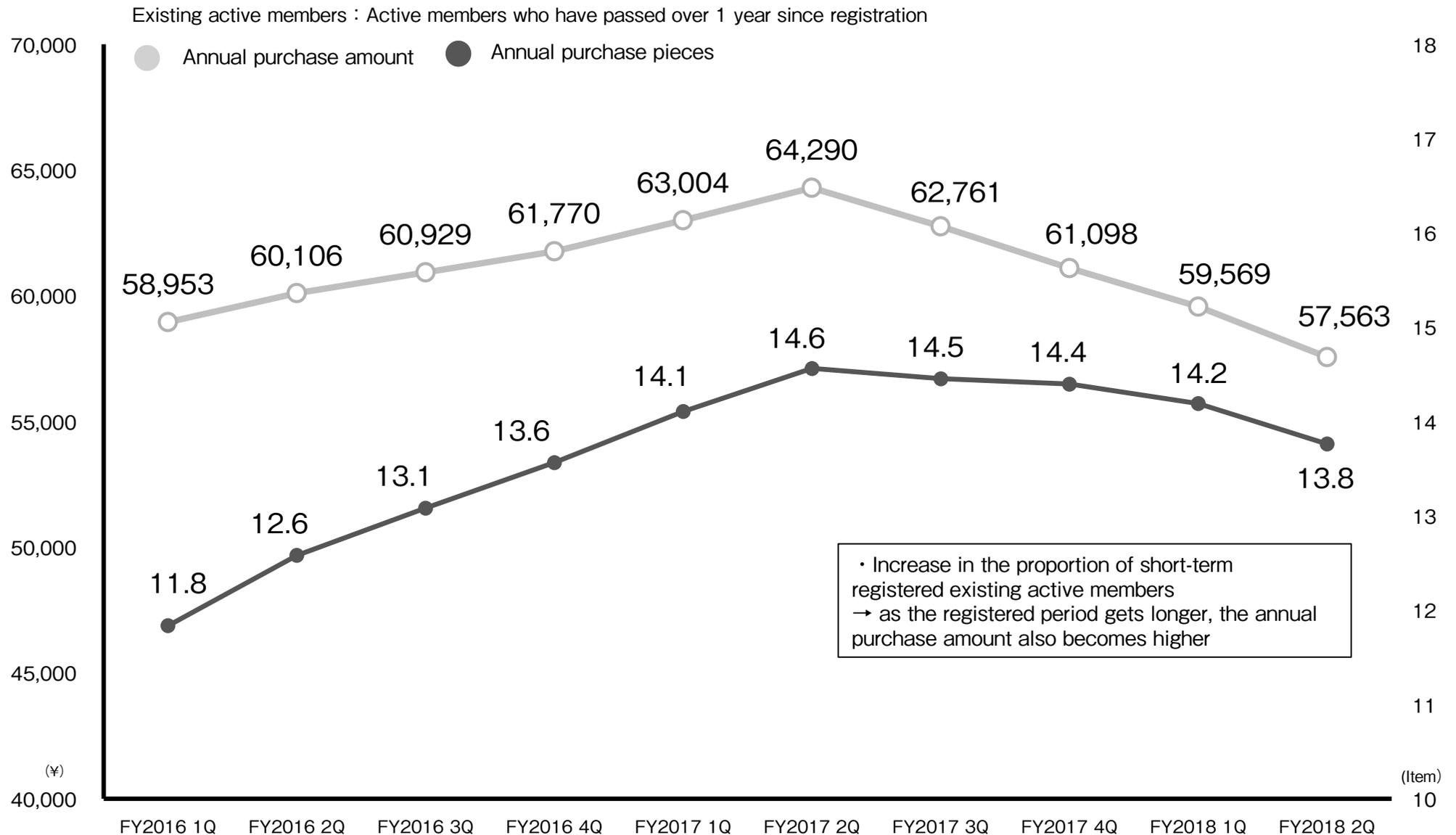


ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



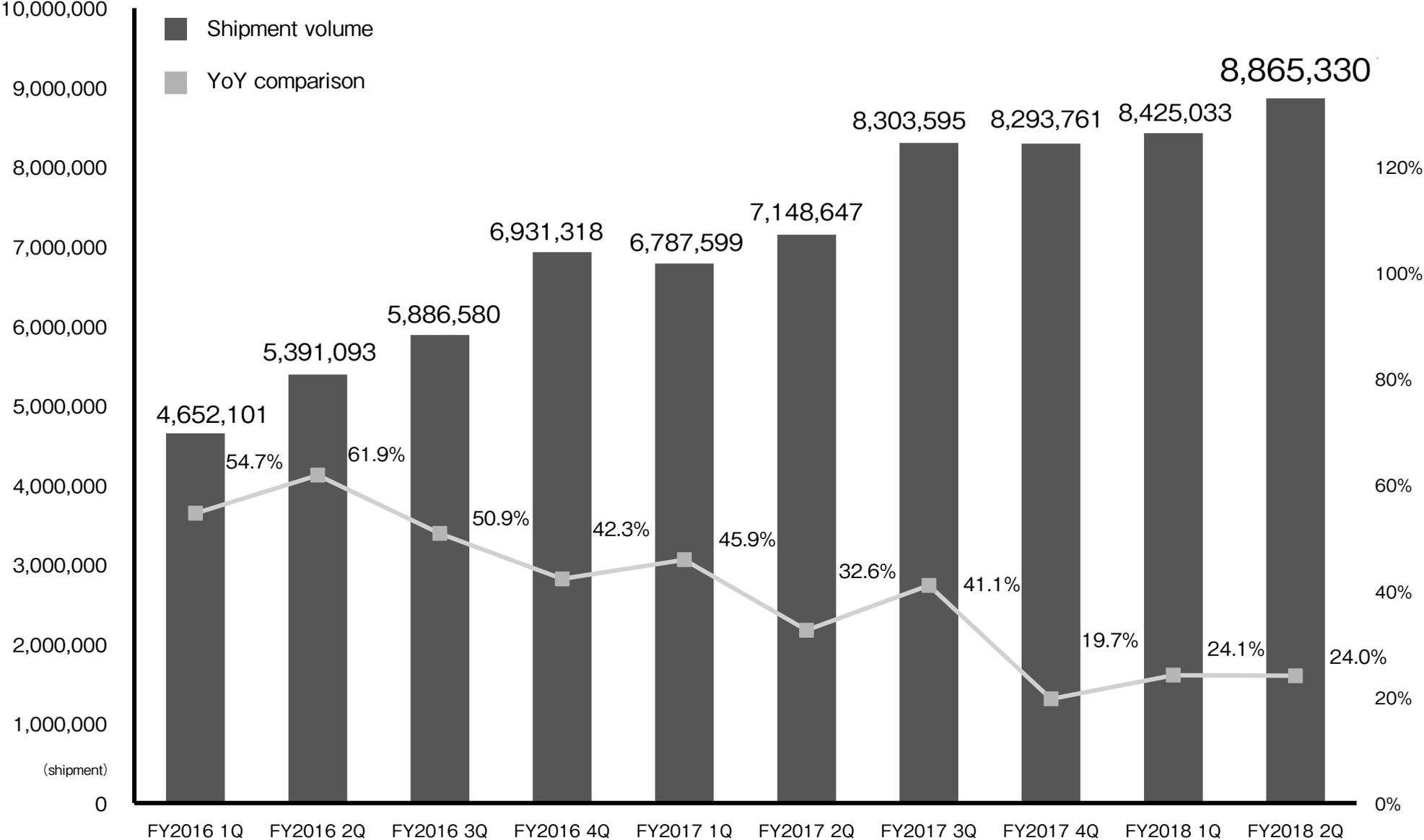
* Excluding the users only purchased the body measurement device "ZOSOSUIT"

ANNUAL PURCHASE AMOUNT AND PIECES PER EXISTING ACTIVE MEMBER



* Excluding the users only purchased the body measurement device "ZOTOSUIT"

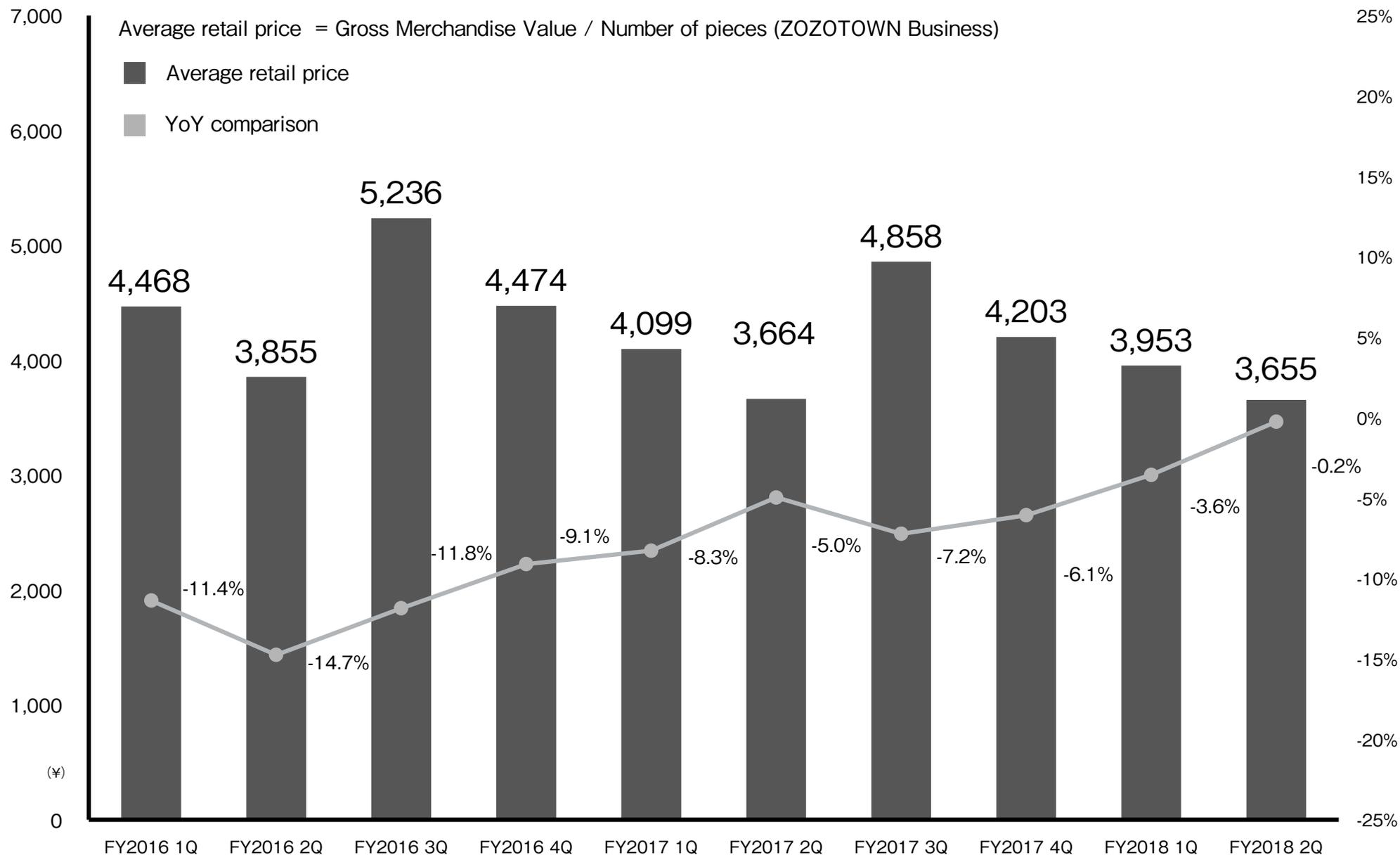
NUMBER OF SHIPMENT



* Excluding the number of shipment of the body measurement device "ZOZOSUIT" only.

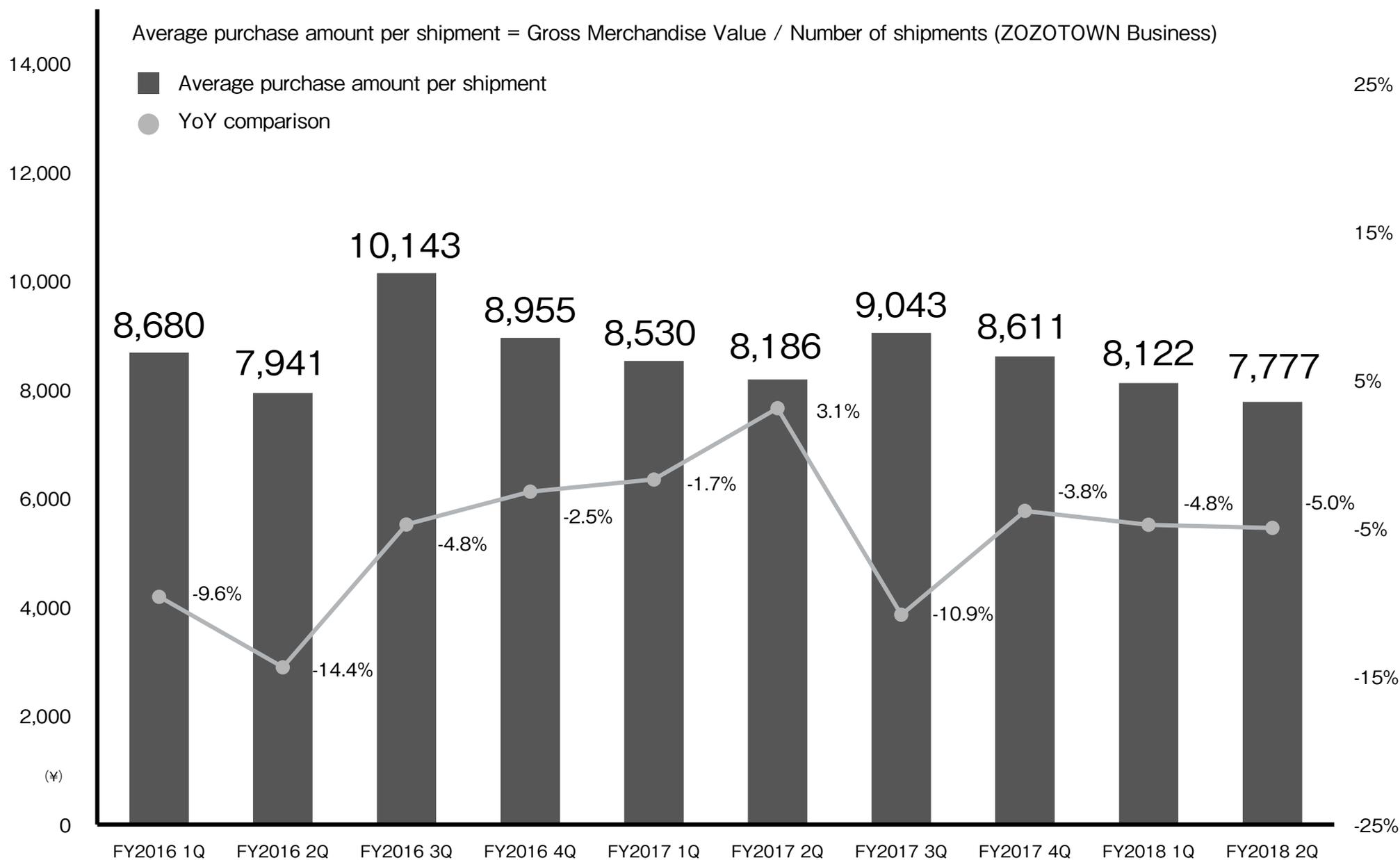
* The number of shipment is the combined results of the ZOZOTOWN business and the PB business.

AVERAGE RETAIL PRICE



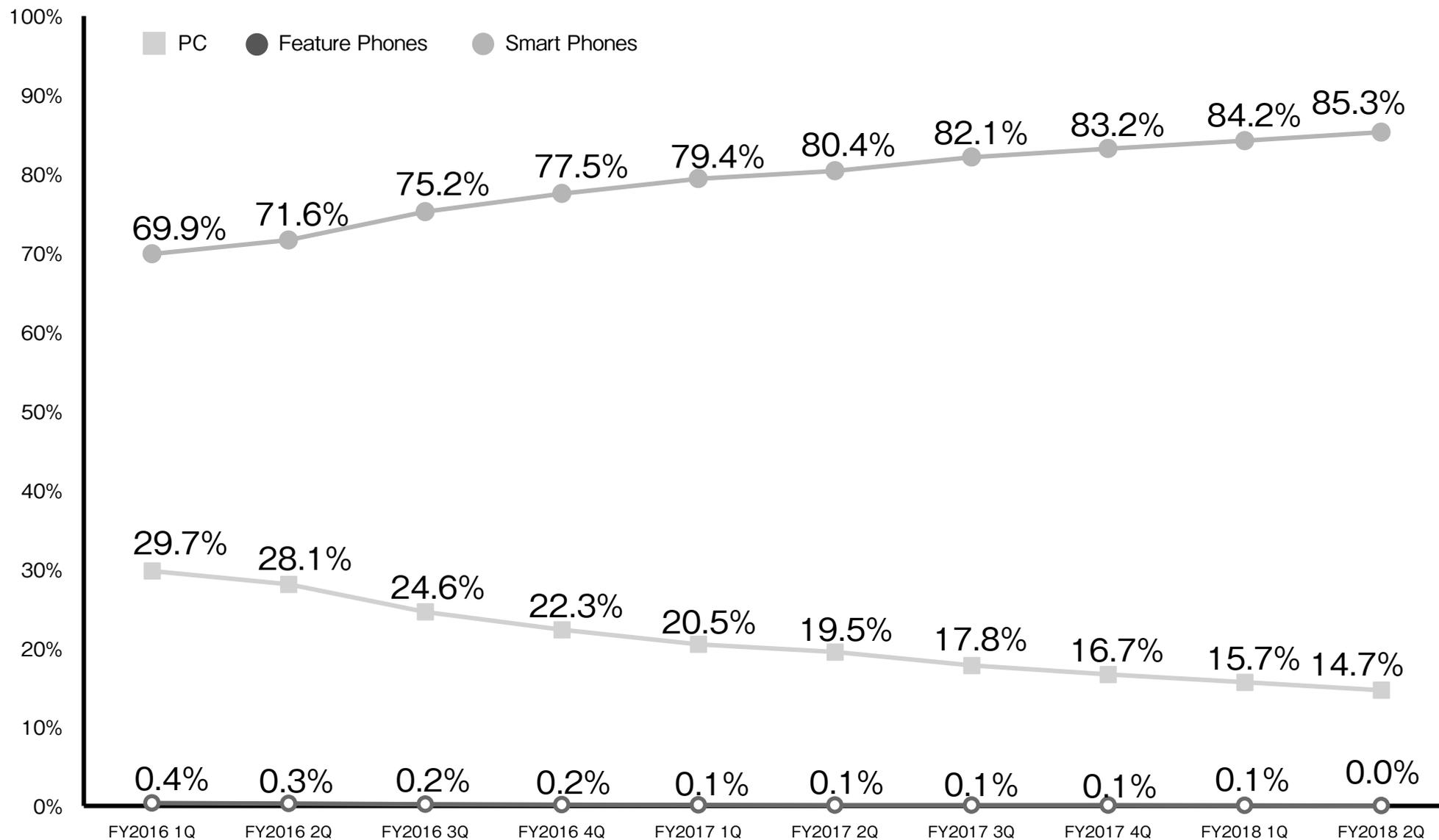
* The numbers of average retail price are averages calculated from combined results of the ZOZOTOWN business and the PB business.

AVERAGE PURCHASE AMOUNT PER SHIPMENT



* The numbers of average purchase amount per shipment are averages calculated from combined results of the ZOZOTOWN business and the PB business.

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





BUSINESS PLAN
FOR FY2018

CONSOLIDATED BUSINESS FORECAST AND DIVIDEND FORECAST FOR FY2018

29

	FY2018 Plan	Growth Rate(%)
Gross Merchandise Value	360.0billion yen	33.1%
Net Sales	147.0billion yen	49.3%
Operating Profit	40.0billion yen	22.4%
Operating Profit Margin (to the Gross Merchandise Value)	11.1 %	-
Recurring Profit	40.0billion yen	22.2%
Profit attributable to owners of parent	28.0billion yen	38.9%
Earnings per share	91.4yen	-
Estimated dividends per share (Plan)	36.0yen	-

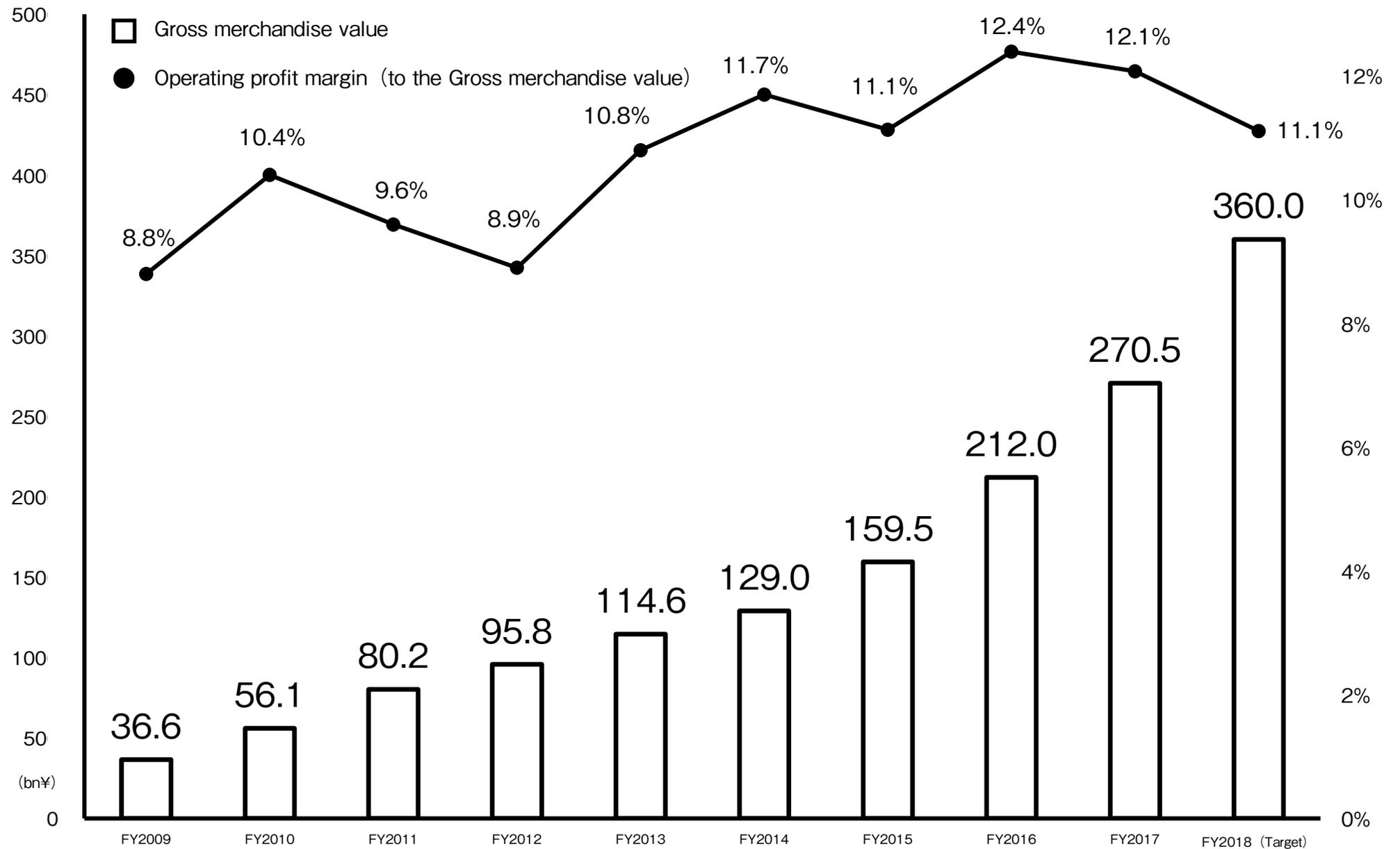
FY2018 TARGET BY BUSINESS SEGMENT

30

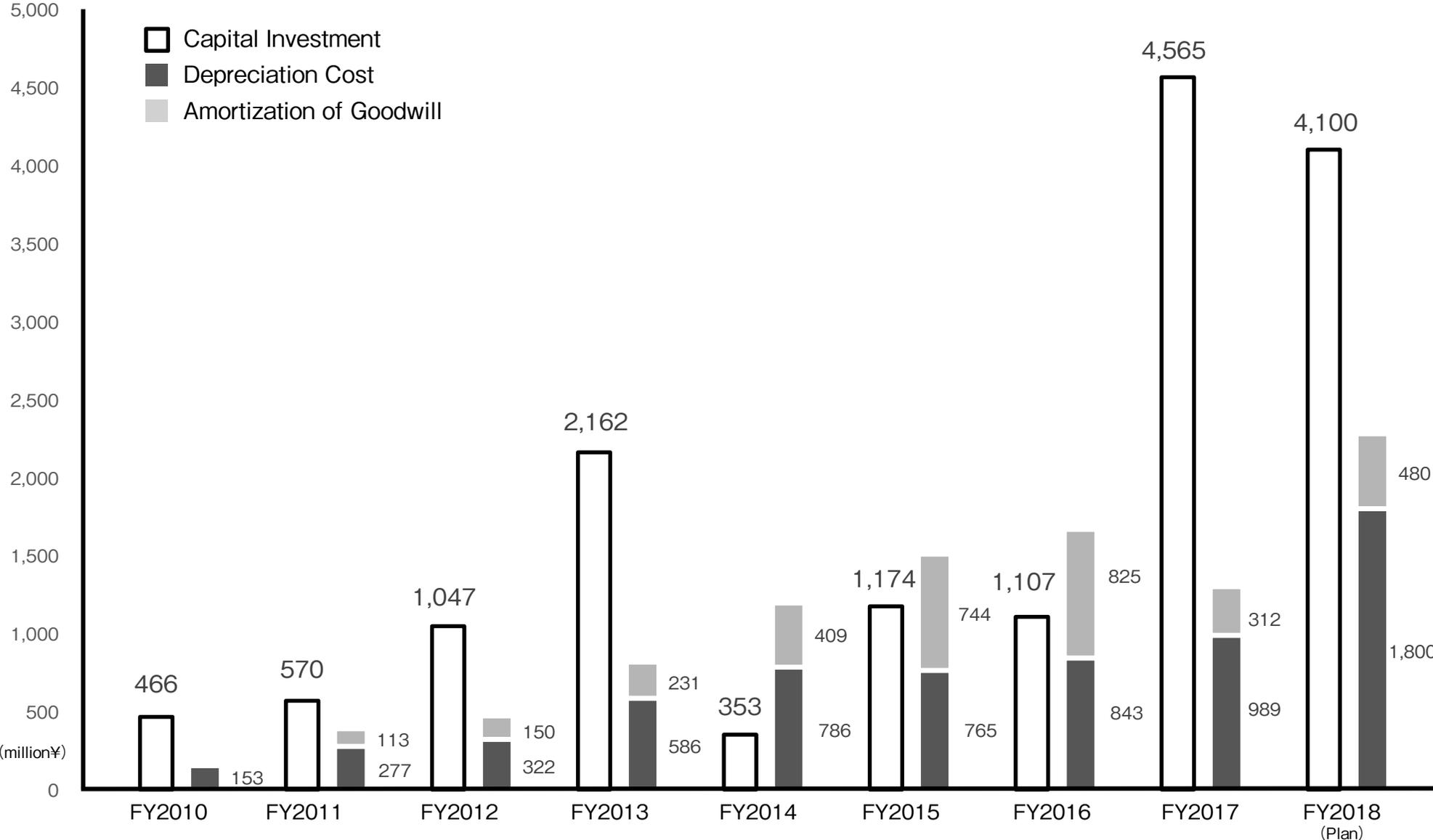
	Target for Gross Merchandise Value	Yoy
ZOZO Group	360.0 billion yen	+33.1%
ZOZOTOWN Business	330.0 billion yen	+25.5%
• Consignment Business	309.0 billion yen	+25.2%
• ZOZOUSED	21.0 billion yen	+31.7%
Private Brand Business	20.0 billion yen	—
BtoB Business	10.0 billion yen	+32.7%

	Target for Net Sales	Yoy
Advertisement Business	3.0 billion yen	—

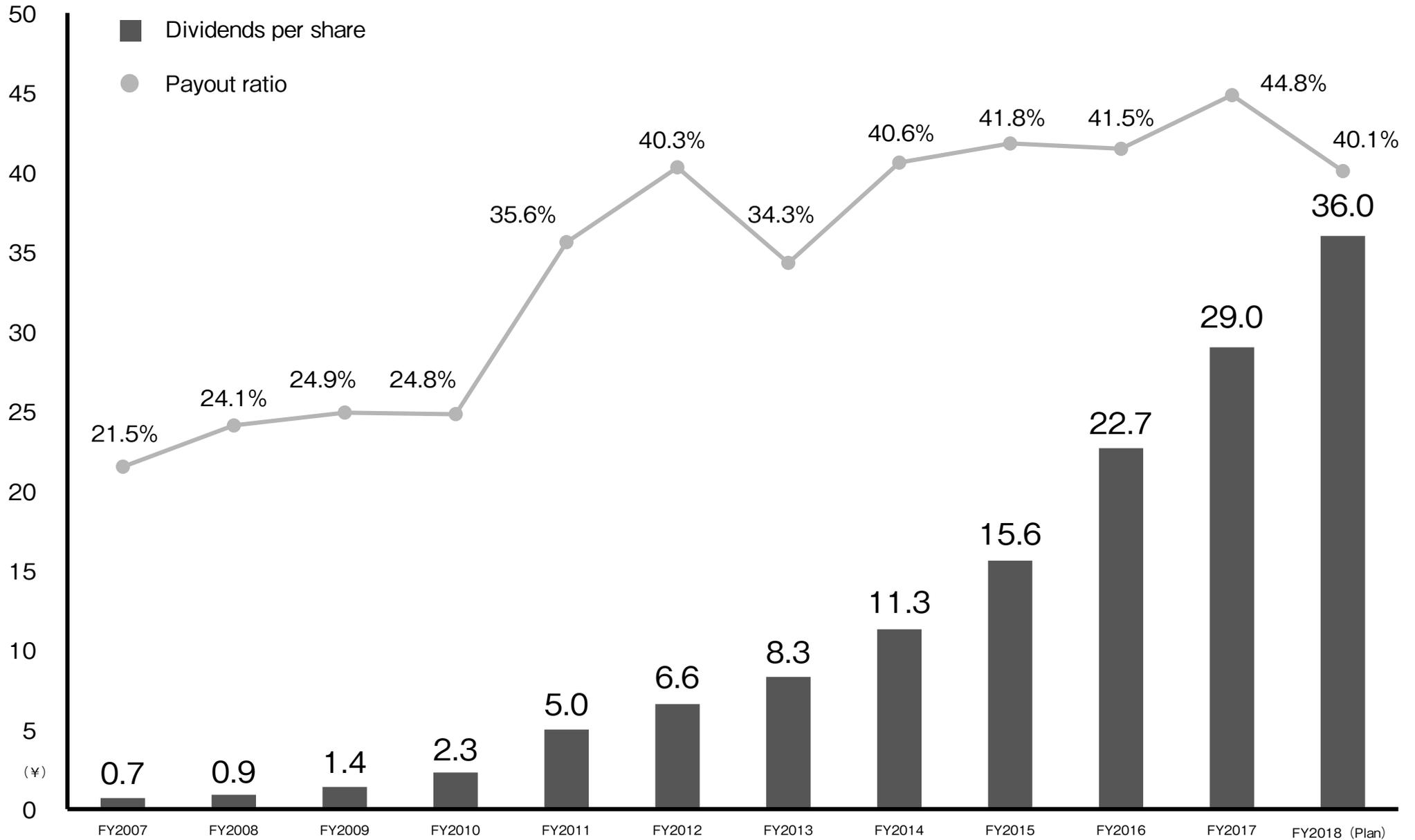
Gross Merchandise Value



CAPITAL INVESTMENT



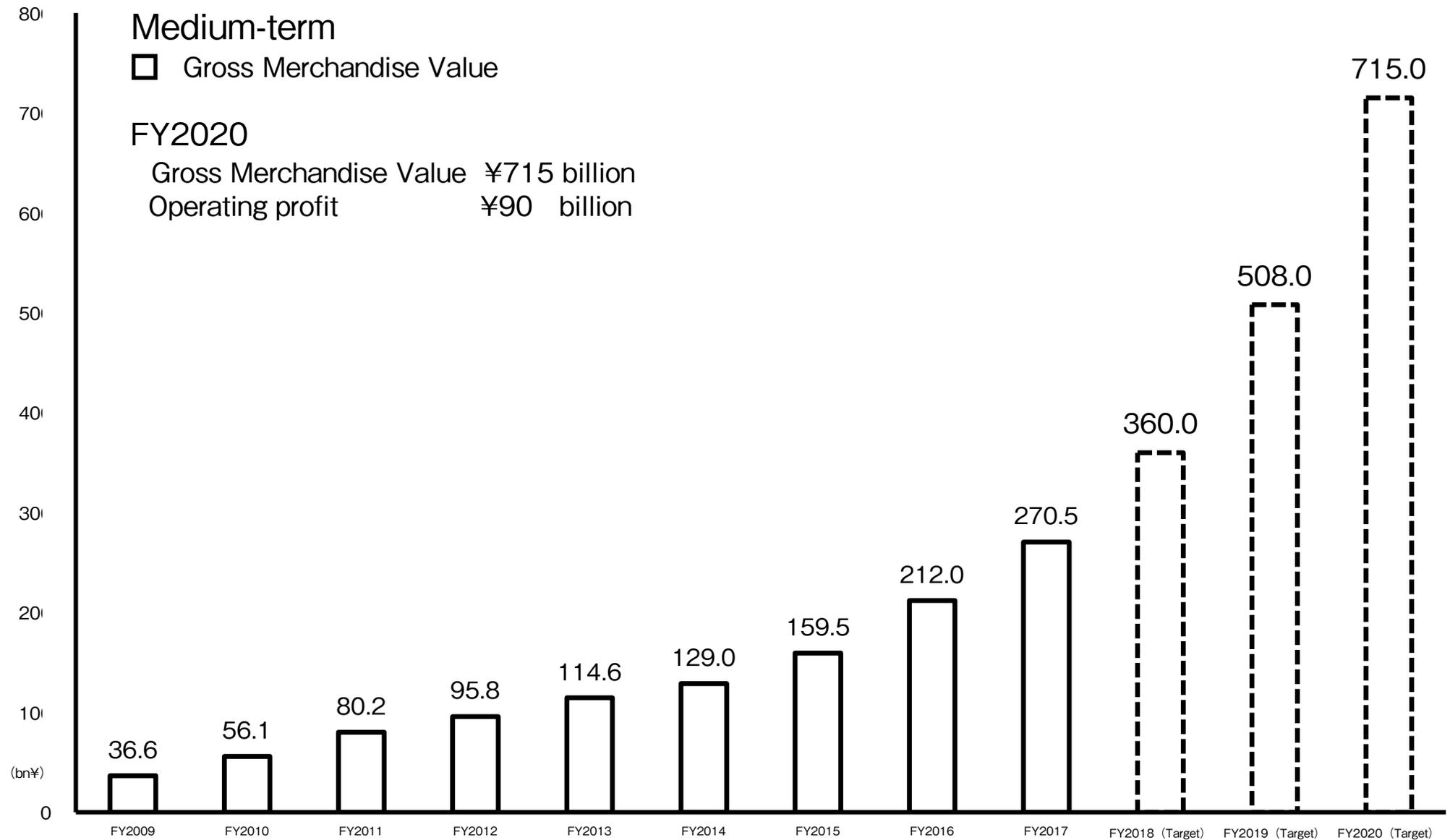
DIVIDENDS PER SHARE AND PAYOUT RATIO



A modern, open-plan living and dining area with a large window, wooden floors, and contemporary furniture. The room features a long wooden dining table on the left with colorful chairs, a red sofa and a brown leather sofa in the center, and a dark wooden dining table on the right with dark chairs. A large window in the background offers a view of a cityscape. The text "FUTURE STRATEGIES" is overlaid in white, sans-serif font across the center of the image.

FUTURE STRATEGIES

MEDIUM-TERM VISION



DETAIL OF MEDIUM-TERM VISION

36

(bn¥)

	FY2018		FY2019		FY2020	
	Target	Yoy	Target	Yoy	Target	Yoy
Gross Merchandise Value	360.0	33.1%	508.0	41.1%	715.0	40.7%
ZOZOTOWN Business	330.0	25.5%	408.0	23.6%	485.0	18.9%
Private Brand Business	20.0	—	80.0	300.0%	200.0	150.0%
From Domestic	18.0	—	60.0	233.3%	120.0	100.0%
From Overseas	2.0	—	20.0	900.0%	80.0	300.0%
BtoB Business	10.0	32.7%	20.0	100.0%	30.0	50.0%
Net Sales	147.0	49.3%	241.0	63.9%	393.0	63.1%
Advertisement Business	3.0	—	5.0	66.7%	10.0	100.0%
Operating Profit	40.0	22.4%	58.0	45.0%	90.0	55.2%
(% GMV)	11.1%	-1.0%	11.4%	0.3%	12.6%	1.2%



REFERENCE
DATA

6,957
POPULAR BRANDS

1,031
EMPLOYEES (average age 32.3 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.

32,431
SHARE HOLDERS

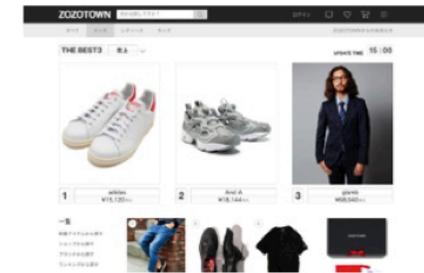
776 Million
TOTAL BUYERS (1year basis)

MAJOR SERVICES

ZOZOTOWN

Japan's Largest Online Retailer of Apparel and Accessories

- 1,183 stores offering 6,957 brands.
- At any given time, more than 650,000 items are available with an average of 3,100 new items added each day.
- Systems, design, to fulfillment, all functions are built in house.



ZOZOTOWN <http://zozo.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 12.0 million DL
- Now available in all geographic areas.



WEAR <http://wear.jp/>

Private Brand “ZOZO”

- Sales and manufacture of made-to-order basic items fitting every body uniquely and perfectly, from measurement data extracted from the body measurement device the company developed “ZOSUIT” .
- Offering U-neck/V-neck T-shirt, denim pants, Oxford shirt, business suit, dress shirt etc.
- Sold at ZOZOTOWN and dedicated sales sites for overseas.



ZOZO

OUR SUBSIDIARIES

• Domestic

ZOZO Technologies, Inc.

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

ZOZOUSED, Inc.

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

aratana inc.

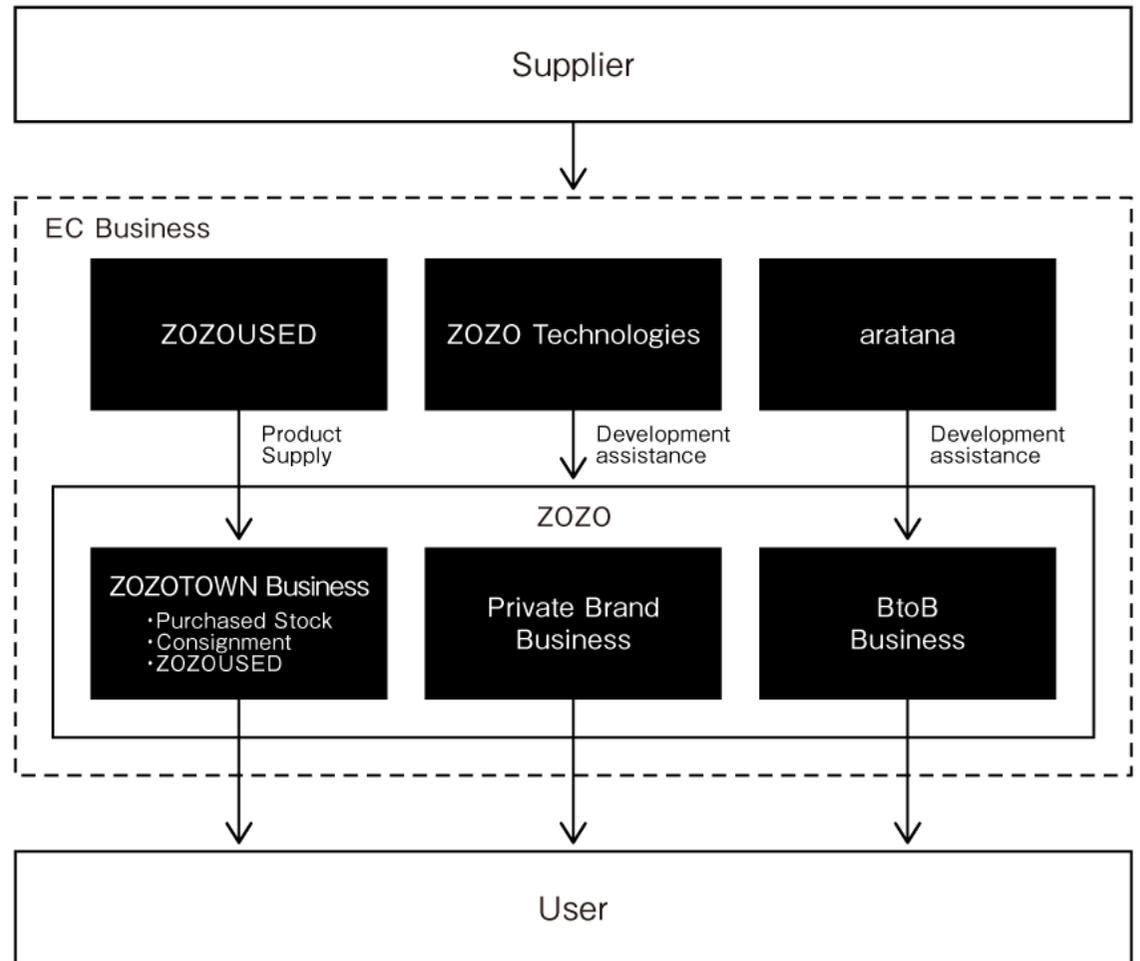
Specializes in building EC sites, web marketing,
web security systems, and EC related applications

• Overseas

ZOZO Apparel USA, Inc. (California)

ZOZO Germany GmbH (Berlin)

Overseas sales subsidiaries for the private brand "ZOZO"



MAJOR SERVICES

ZOZOTOWN Business

- Consignment Sales

We operate 1,178 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 = Gross merchandise value of each store x commission rate

- Purchased Stock

We operate 5 stores within ZOZOTOWN, which offer products we purchase from brands.

Sales = Gross merchandise value generated by each store

- ZOZOUSED Business

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

Sales = Gross merchandise value of purchase stock + Consignment commission of marketplace

Private Brand Business

The business model which manufacture and sell order-made basic items with best fit for each customer, by utilizing the data measured by the body measurement suit " ZOZOSUIT" developed by Start Today.

Items are sold at the private brand shop on ZOZOTOWN in Japan, and will be sold at dedicated sales websites at overseas.

Sales = Gross merchandise value of private brand items

BtoB Business

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

We currently provide back-end service to 12 stores.

Sales = Gross merchandise value of these online shops x commission rate

※Above sales includes other sales such as initial shop opening commission, shipping income etc.

Advertisement Business

Advertisement business will gain advertisement income from client companies including brands by providing advertisement spots utilizing the user base of ZOZOTOWN and WEAR.

Sales = Advertisement income

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.