



ZOZO

Be unique. Be equal.

FY2018 3Q
CONSOLIDATED BUSINESS RESULTS

FY2018 3Q HIGHLIGHTS

01

Overview	Gross Merchandise Value	:	235,030	million yen	(+ 19.3% ,Yoy)
	Operating Profit	:	20,630	million yen	(- 12.4% ,Yoy)

- In light of the recent business performances, the company revised its consolidated business forecast on January 31, 2019.
- The company is scrutinizing effects on the Medium-term Management Plan which was announced on April, 27, 2018 closely and if the revision is judged to be needed, the company will disclose immediately.

Gross Merchandise Value	ZOZOTOWN BUSINESS				
	Gross Merchandise Value	:	226,113	million yen	(+ 18.1% ,Yoy)
	Consignment Business	:	213,337	million yen	(+ 18.5% ,Yoy)
	Purchased Stock Business	:	128	million yen	(- 0.5% ,Yoy)
	ZOZOUSED Business	:	12,647	million yen	(+ 11.2% ,Yoy)
	Private Brand Business	:	2,260	million yen	
	Average Retail Price	:	4,759	yen	(- 2.0% ,Yoy)
	Average Purchase Amount per Shipment	:	9,560	yen	(+ 5.7% ,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	:	6,656	million yen	(+ 23.3% ,Yoy)

Profitability	Operating profit margin (to the total gross merchandise value)	:	8.8%	(12.0% for FY2018 3Q)
	Factors improving profitability	:	Increase in GPM, Decrease in the commission regarding payment collection	
	Factors worsening profitability	:	Initiation of mass distribution of ZOZOSUIT Increase in the rate of shipping cost due to the change of shipping charge from the carrier, Increase in the rate of payroll, Increase in the rate of other expenses,	

Topic	<ul style="list-style-type: none"> • Start Today Group changed its corporate name to “ZOZO” (October, 2018) • ZOZO, Inc. Signed a Sponsorship Agreement With “PGA TOUR” , The Very First PGA TOUR Tournament in Japan, “ZOZO CHAMPIONSHIP” Will Take Place in Fall of 2019. (November, 2018) • ZOZOTOWN started a paid member service “ZOZOARIGATO Membership” , a social contribution type paid service to express thankfulness (December, 2018) • The Private Brand “ZOZO” Launched Heating Innerwear in “Your Size” , The “ZOZOHEAT” and “ZOZOHEAT COTTON” (December, 2018)
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ZOZOARIGATO Membership Service Overview

02

ZOZOARIGATO Membership

Release date: December 25, 2018

Sign-up condition:

Registered ZOZOTOWN members who can make their payment by credit cards

Price: 3,000 yen (excluding tax) per annum,
or 500 yen (excluding tax) per month

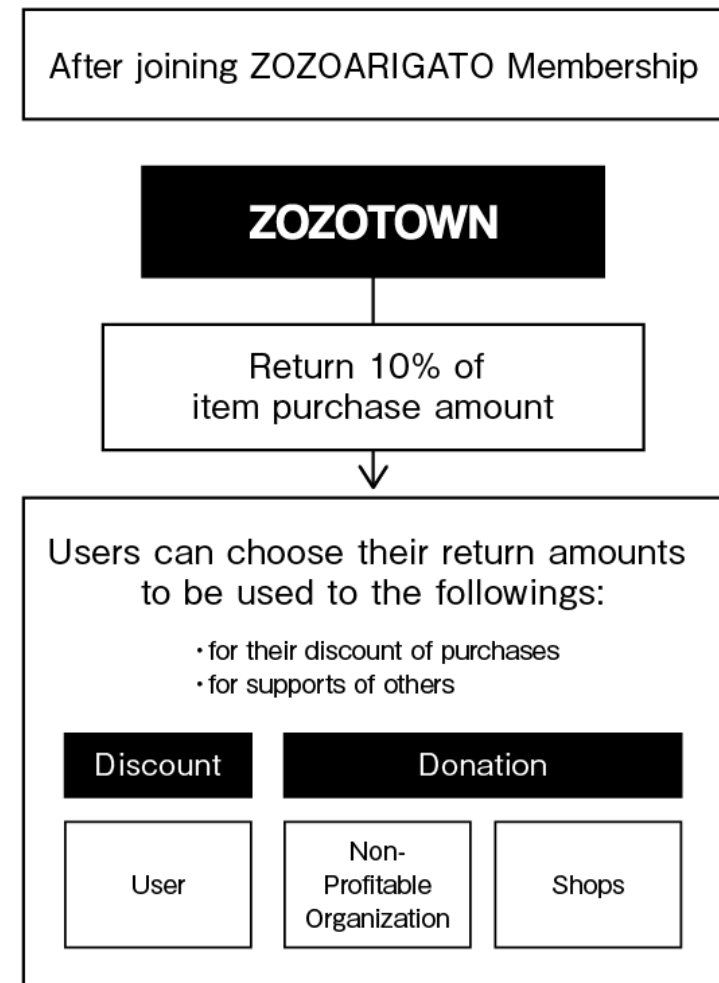
Members benefits:

1. Application of 10% discount for purchases. Either portion or full of the discounted amounts can be used for donation to the designated Non-Profitable Organizations selected by ZOZO or return to the shops where items were purchased.

【First Registration Campaign】 For those who registered to ZOZOTOWN for the first time, 30% discount will be given to the purchased items during the first month from registration.

Discount limit: 50,000 yen per month

2. Invitation of new-year sales precedential to normal members.



- Gross Merchandise Value: The amount is before deduction of discounts attributable to the paid-membership service.
- Net Sales: The amount is after the abovementioned deduction.
- Paid-Membership Income: Booked in the others segment of net sales.



BUSINESS RESULTS

OVERVIEW OF THE FY2018 3Q

04

(million¥)

Item	FY2017 3Q	FY2018 3Q	YoY Change(%)	Target*	Progress Rate (%)
Gross Merchandise Value	196,987	235,030	19.3%	360,000	65.3%
Net sales	70,915	89,774	26.6%	147,000	61.1%
Gross profit	65,575	81,057	23.6%	-	-
(%Gross Merchandise Value)	33.3%	34.5%	1.2%	-	-
SG & A	42,023	60,426	43.8%	-	-
(%Gross Merchandise Value)	21.3%	25.7%	4.4%	-	-
Operating profit	23,551	20,630	-12.4%	40,000	51.6%
(% Gross Merchandise Value)	12.0%	8.8%	- 3.2%	11.1%	-
Recurring profit	23,600	20,685	-12.4%	40,000	51.7%
Profit attributable to owners of parent	16,285	13,665	-16.1%	28,000	48.8%

※ The company revised its consolidated business forecast on January 31, 2019. Numbers in the Target column above are numbers before the revision.

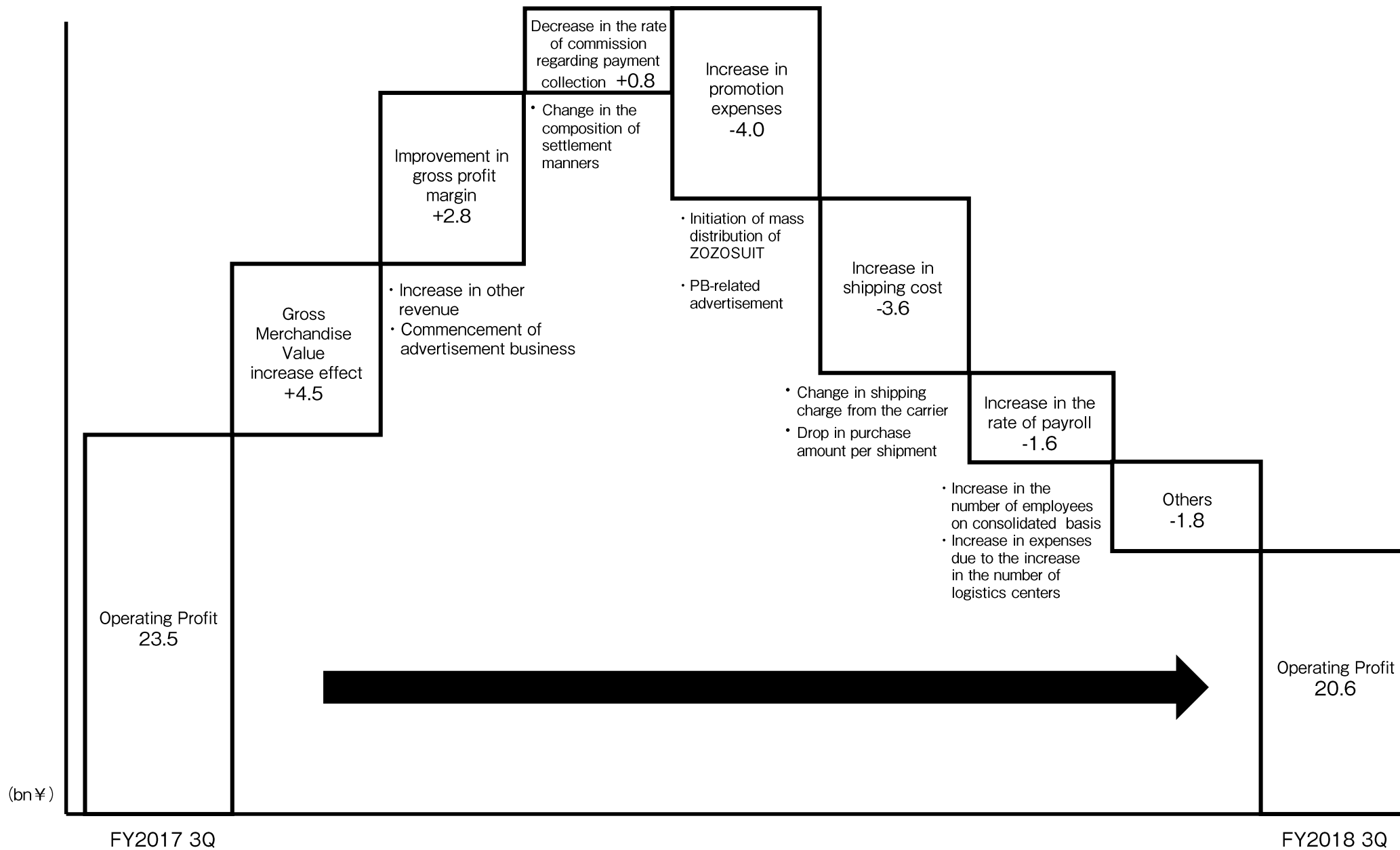
OVERVIEW OF EACH QUARTER

05

(million ¥)

Item	FY2017				FY2018		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Gross Merchandise Value	59,574	60,082	77,331	73,555	70,406	70,814	93,809
YoY (%)	40.9%	35.9%	25.5%	14.9%	18.2%	17.9%	21.3%
Net sales	21,451	21,242	28,220	27,517	26,552	27,212	36,010
SG&A	11,863	13,684	16,476	15,770	18,376	20,559	21,490
YoY (%)	35.0%	48.3%	45.2%	16.3%	54.9%	50.2%	30.4%
(%Gross Merchandise Value)	19.9%	22.8%	21.3%	21.4%	26.1%	29.0%	22.9%
Operating profit	7,981	5,850	9,720	9,118	5,874	4,178	10,577
YoY (%)	59.3%	4.9%	11.7%	30.4%	-26.4%	-28.6%	8.8%
(%Gross Merchandise Value)	13.4%	9.7%	12.6%	12.4%	8.3%	5.9%	11.3%

INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (YoY COMPARISON)



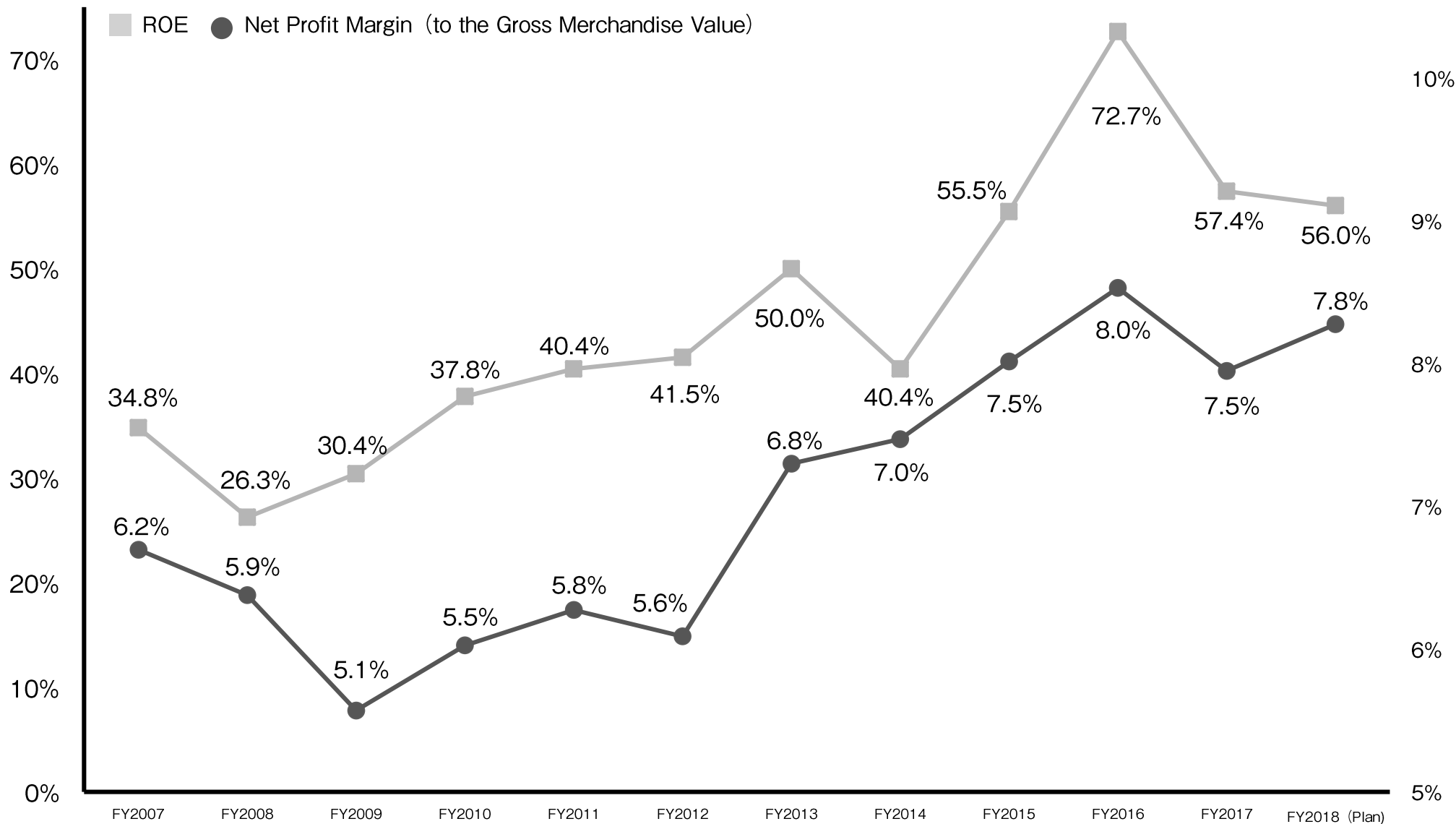
CONSOLIDATED BALANCE SHEET

07

(million¥)

	FY2017 (as of March 31, 2018)	FY2018 3Q (as of December 31, 2018)		FY2017 (as of March 31, 2018)	FY2018 3Q (as of December 31, 2018)
Current assets	53,574	56,489	Current liabilities	27,243	52,942
Cash and deposits	24,571	8,234	short-term borrowing	-	22,000
Merchandise and finished products	2,194	5,068	Noncurrent liabilities	2,659	3,295
Noncurrent assets	17,138	19,952	Total liabilities	29,902	56,238
Tangible assets	5,668	6,673	Shareholders' equity	40,892	20,208
Intangible assets	3,222	3,346	Treasury stock	-	-24,412
Investments and other assets	8,247	9,932	Total net assets	40,810	20,203
Total assets	70,712	76,441	Total liabilities and net assets	70,712	76,441

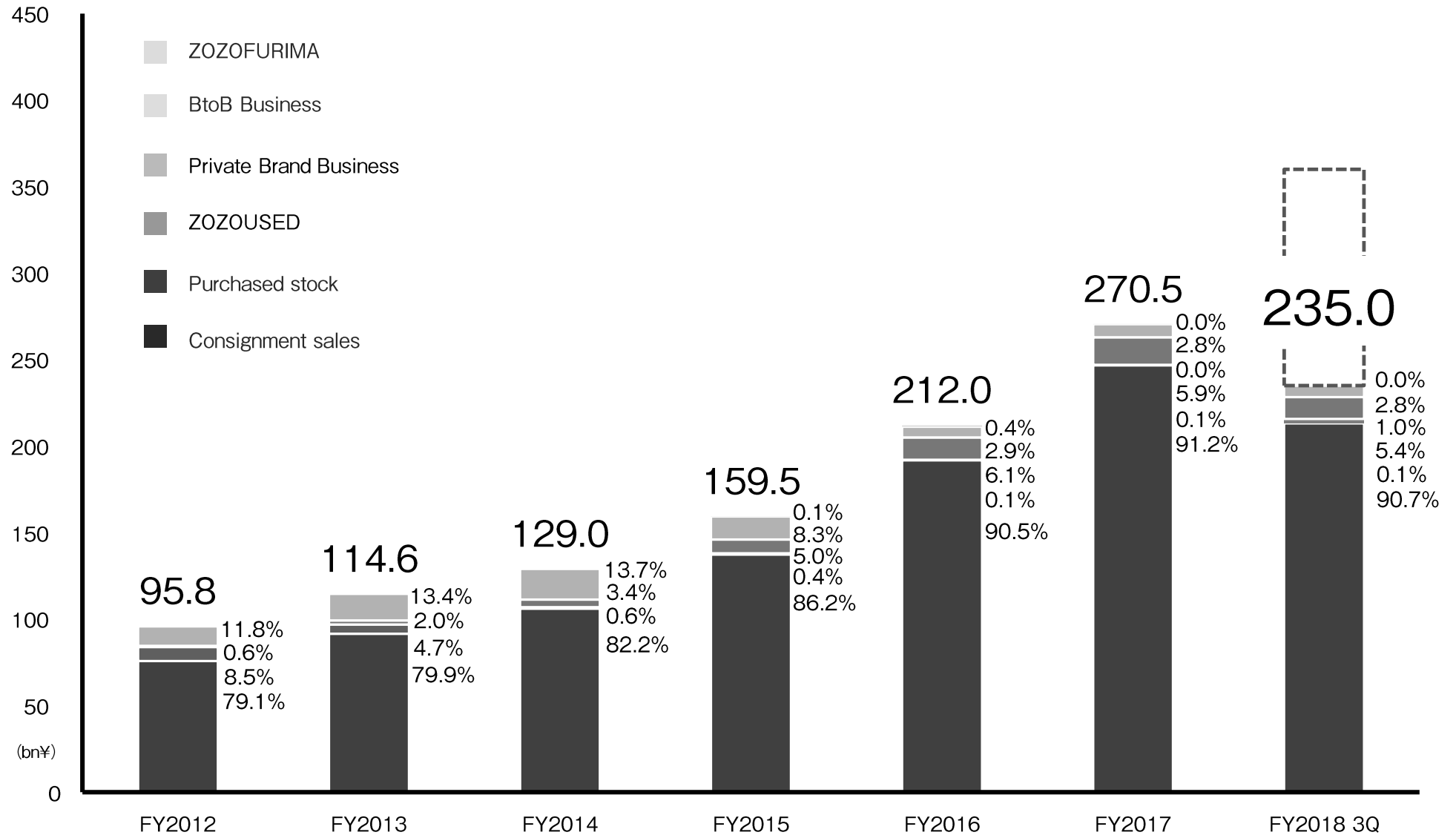
ROE AND NET PROFIT MARGIN



※ The company revised its consolidated business forecast on January 31, 2019. The above figures of (Plan) are not reflecting the revision.

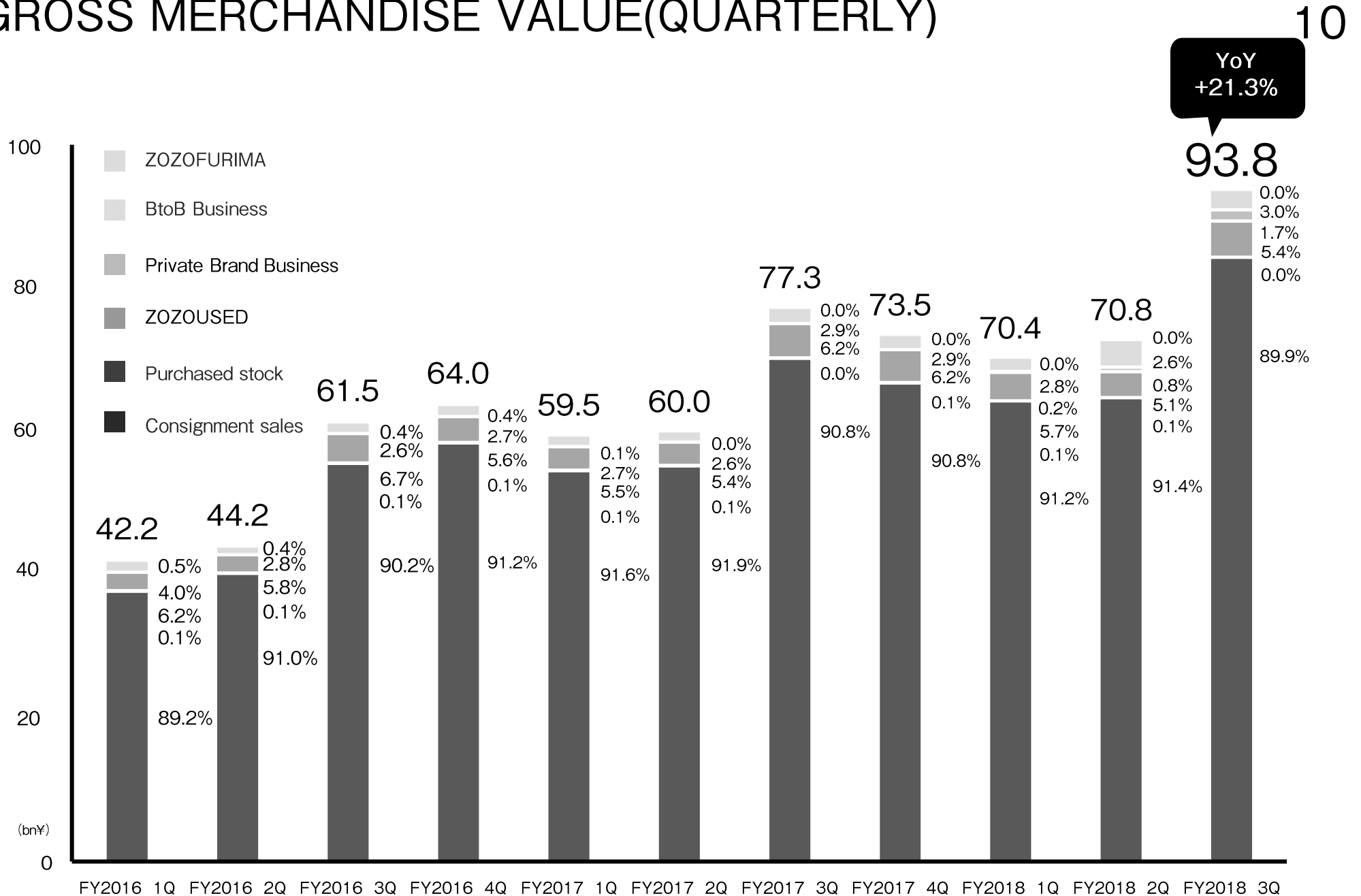
GROSS MERCHANDISE VALUE

• Gross merchandise value of new shops opened in FY2018 3Q
 ZOZOTOWN Business (purchased stock & consignment sales) : ¥4.6 billion (accounts for 2.1% of the total gross merchandise value)



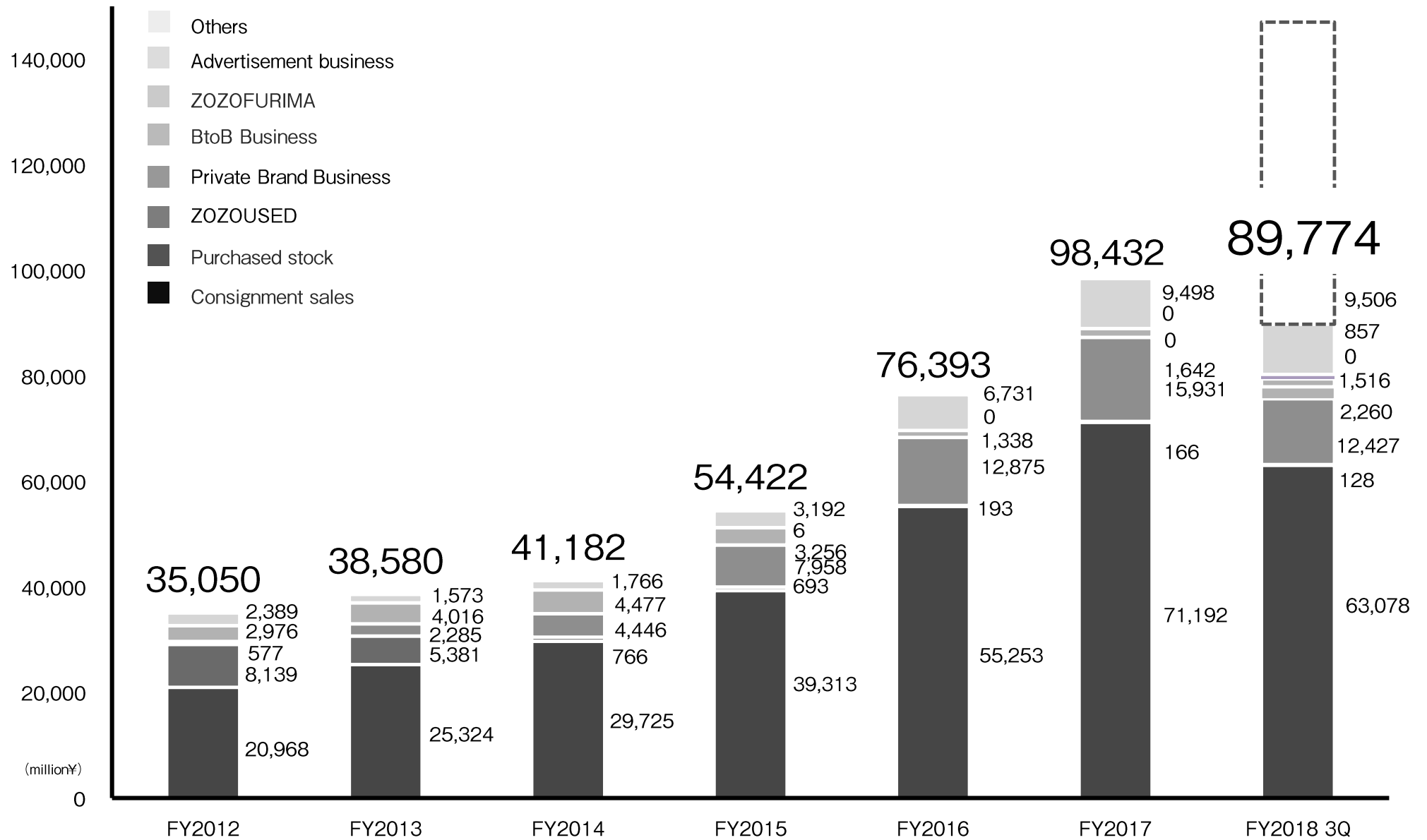
※ZOZO FURIMA Business ended on June 30, 2017.

GROSS MERCHANDISE VALUE(QUARTERLY)



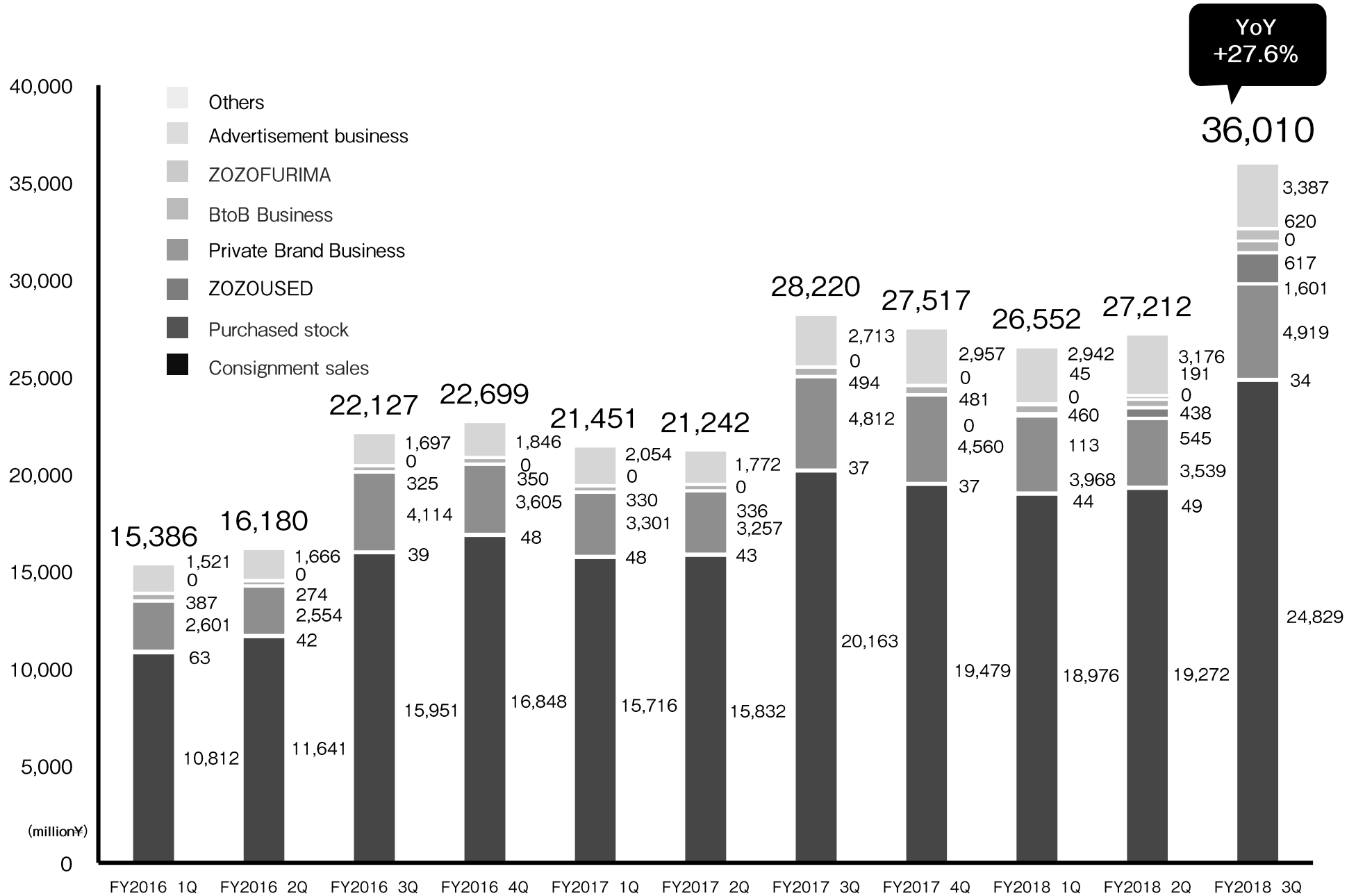
*ZOZO FURIMA Business ended on June 30, 2017.

NET SALES



※ZOZO FURIMA Business ended on June 30, 2017.

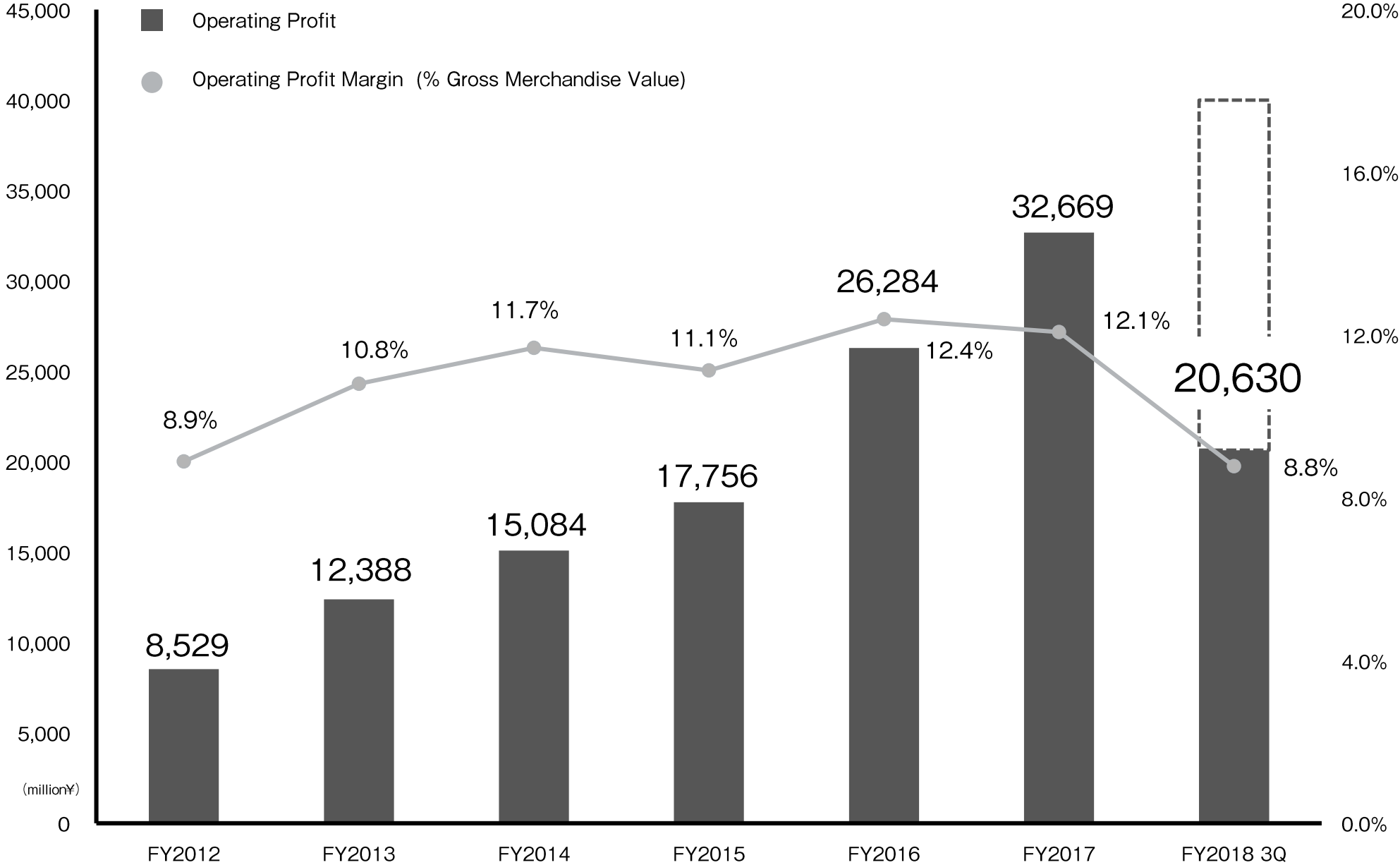
NET SALES (QUARTERLY)



YoY
+27.6%

*ZOZO FURIMA Business ended on June 30, 2017.

OPERATING PROFIT AND OPERATING PROFIT MARGIN



SELLING, GENERAL AND ADMINISTRATIVE (SG & A) EXPENSES

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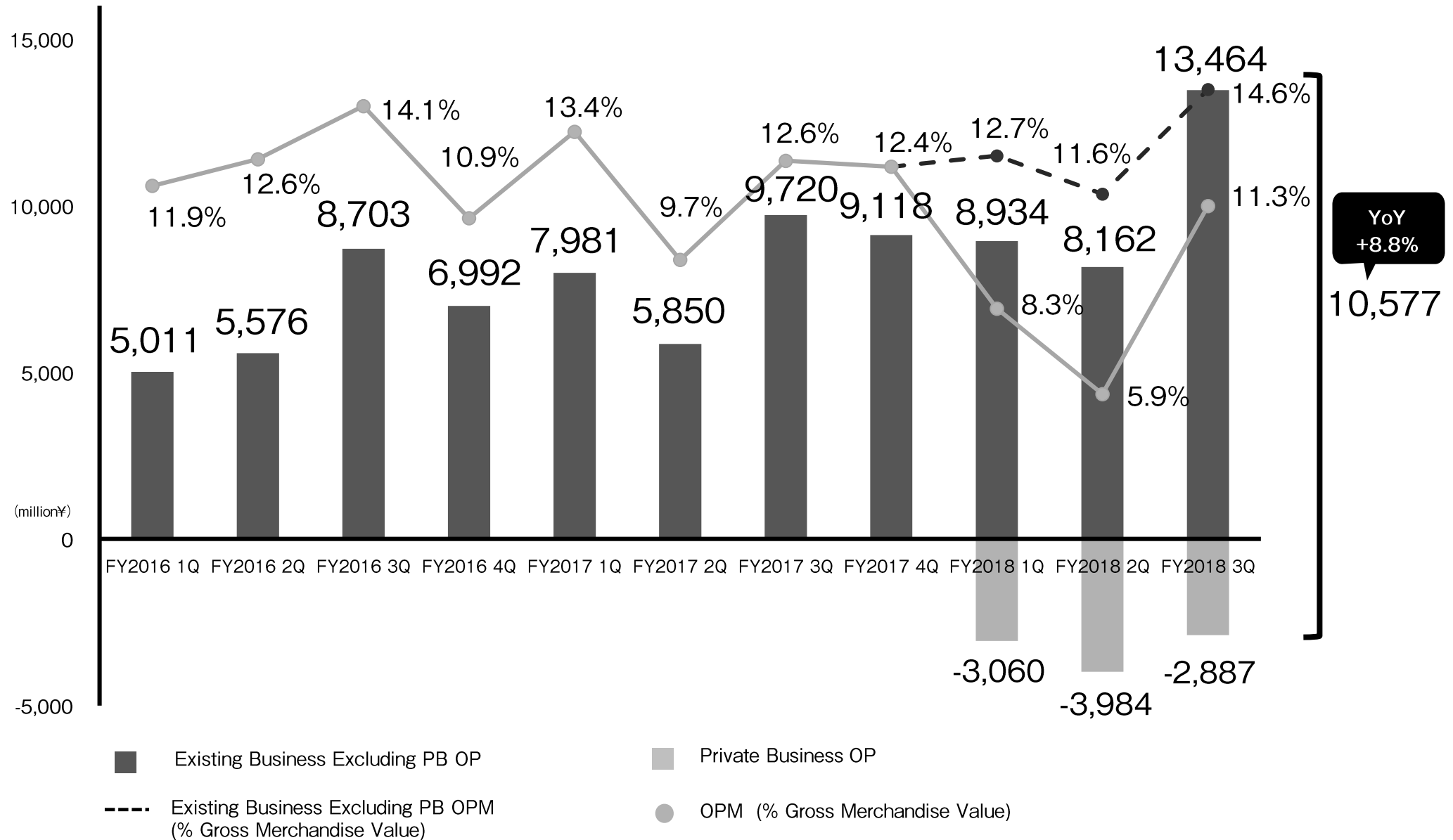
(million¥)

item	FY2017 3Q		FY2018 3Q		YoY	Increase decrease factors
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	%Gross Merchandise Value	
Payroll(*)	11,655	5.9%	15,549	6.6%	0.7%	
Employee	4,359	2.2%	6,066	2.6%	0.4%	Increase due to an increase in the number of employees on consolidated basis: 872 FY17 3Q → 1,077 FY18 3Q Actively hiring employees for PB business and engineer / Increase in the number of consolidated subsidiaries
Logistics-Related Expenses (Including Outsourcing)	7,296	3.7%	9,482	4.0%	0.3%	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 Commission (Excluding Logistics-Related Expenses)	3,045	1.5%	3,270	1.4%	-0.1%	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 ZOTOSUIT 1 and PB branding
Shipping	9,831	5.0%	15,373	6.5%	1.5%	Change in shipping fees / Initiation of mass distribution of ZOTOSUIT
Commission of Payment collection	6,394	3.2%	6,741	2.9%	-0.3%	Changes in the composition ratio of settlement manners
Promotion related expenses	3,451	1.8%	7,651	3.3%	1.5%	
Advertising	1,268	0.6%	5,530	2.4%	1.8%	Initiation of mass distribution of ZOTOSUIT / Advertising expenses of PB business / Implementation of overseas campaign
Reward points related expenses	2,182	1.1%	2,120	0.9%	-0.2%	
Rent expense	2,183	1.1%	2,864	1.2%	0.1%	
Depreciation	686	0.3%	1,054	0.4%	0.1%	
Amortization of goodwill	199	0.1%	358	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	-	-	80	0.0%	0.0%	
Others	4,576	2.3%	7,481	3.2%	0.9%	No occurrence of one-time high expenses during this 3Q accounting period
Total SG&A	42,023	21.3%	60,426	25.7%	4.4%	

※*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.

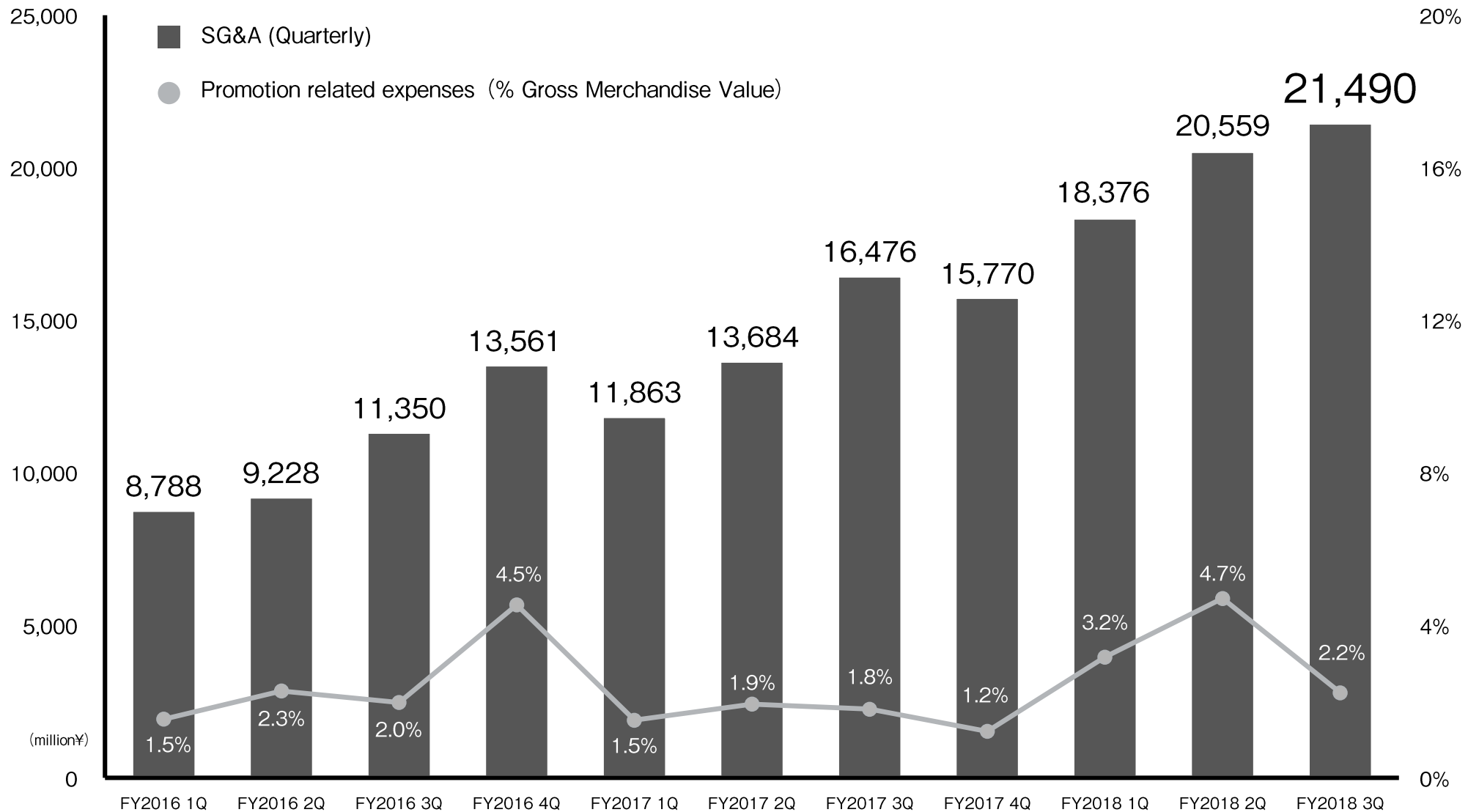
"Employee" includes directors and employees, "Logistics-Related Expenses" includes part-timers, dispatched workers(subcontracting payroll) and substantial personnel expenses within outsourcing commission of staff working for logistics operations.

OPERATING PROFIT AND OPERATING PROFIT MARGIN (QUARTERLY)



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

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OVERVIEW OF SG & A BY EACH QUARTER

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(million¥)

Item	FY2018								FY2018					
	1Q		2Q		3Q		4Q		1Q		2Q		3Q	
	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	Amount	%Gross Merchandise Value	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%	5,706	6.1%
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%	2,018	2.2%
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%	3,688	3.9%
Outsourcing Commission (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%	1,257	1.3%
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%	5,631	6.0%
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%	2,633	2.8%
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%	2,091	2.2%
Advertising	345	0.6%	393	0.7%	529	0.7%	283	0.4%	1,548	2.2%	2,741	3.9%	1,240	1.3%
Reward points related expenses	554	0.9%	766	1.3%	861	1.1%	612	0.8%	679	1.0%	590	0.8%	851	0.9%
Rent expense	597	1.0%	757	1.3%	828	1.1%	828	1.1%	856	1.2%	891	1.3%	1,116	1.2%
Depreciation	197	0.3%	211	0.4%	278	0.4%	303	0.4%	290	0.4%	333	0.5%	430	0.5%
Amortization of goodwill	56	0.1%	56	0.1%	86	0.1%	113	0.2%	119	0.2%	119	0.2%	119	0.1%
Stock Compensation Expenses	-	-	-	-	-	-	-	-	-	-	179	0.3%	-99	-0.1%
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%	2,603	2.8%
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%	21,490	22.9%

※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.

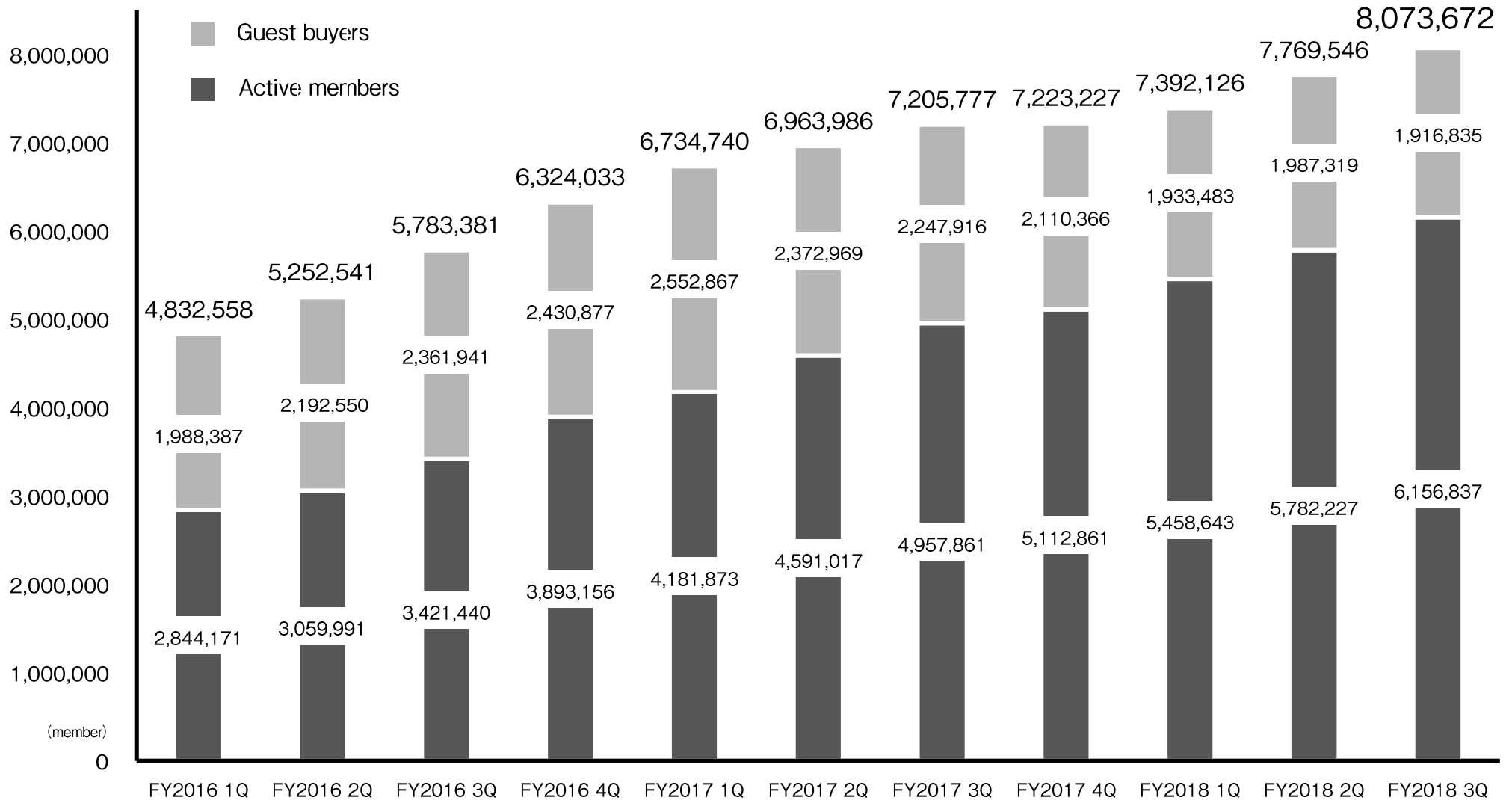
"Employee" includes directors and employees, "Logistics-Related Expenses" includes part-timers, dispatched workers(subcontracting payroll) and substantial personnel expenses within outsourcing commission of staff working for logistics operations.

NUMBER OF TOTAL BUYERS

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

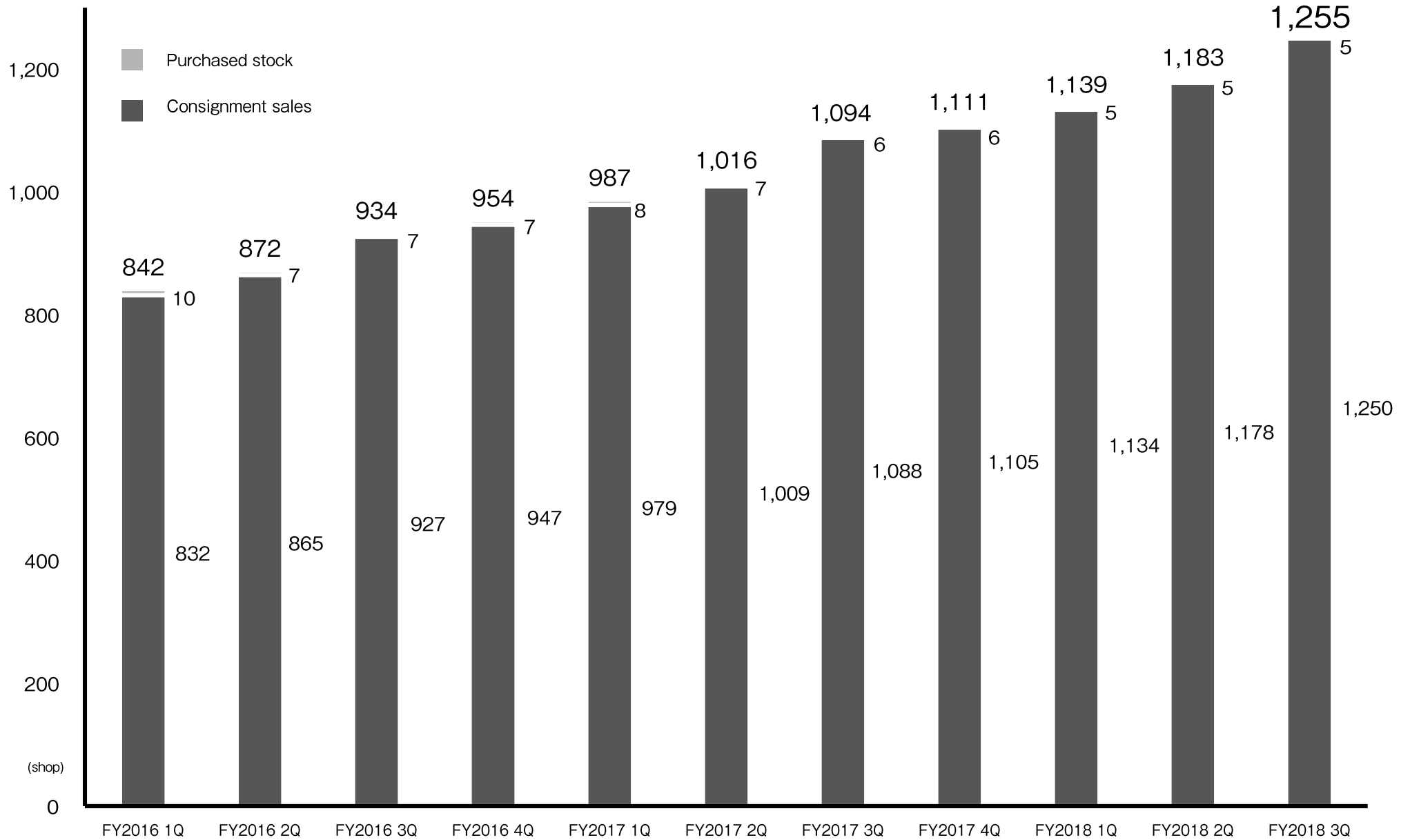
Guest buyers = Total number of guest purchases within a year

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



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

NUMBER OF SHOPS ON ZOZOTOWN



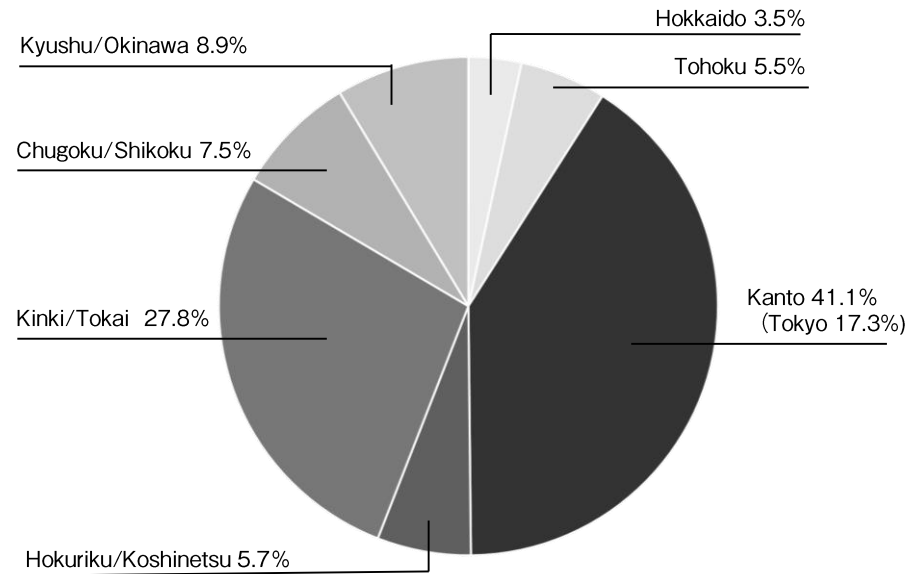
※Private brand "ZOZO" is not included to the number of shops

ACTIVE MEMBER DISTRIBUTION

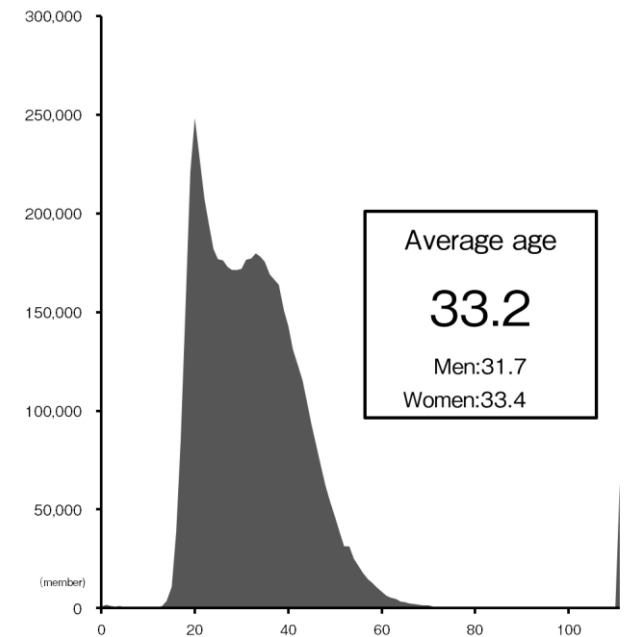
■ Gender ratio



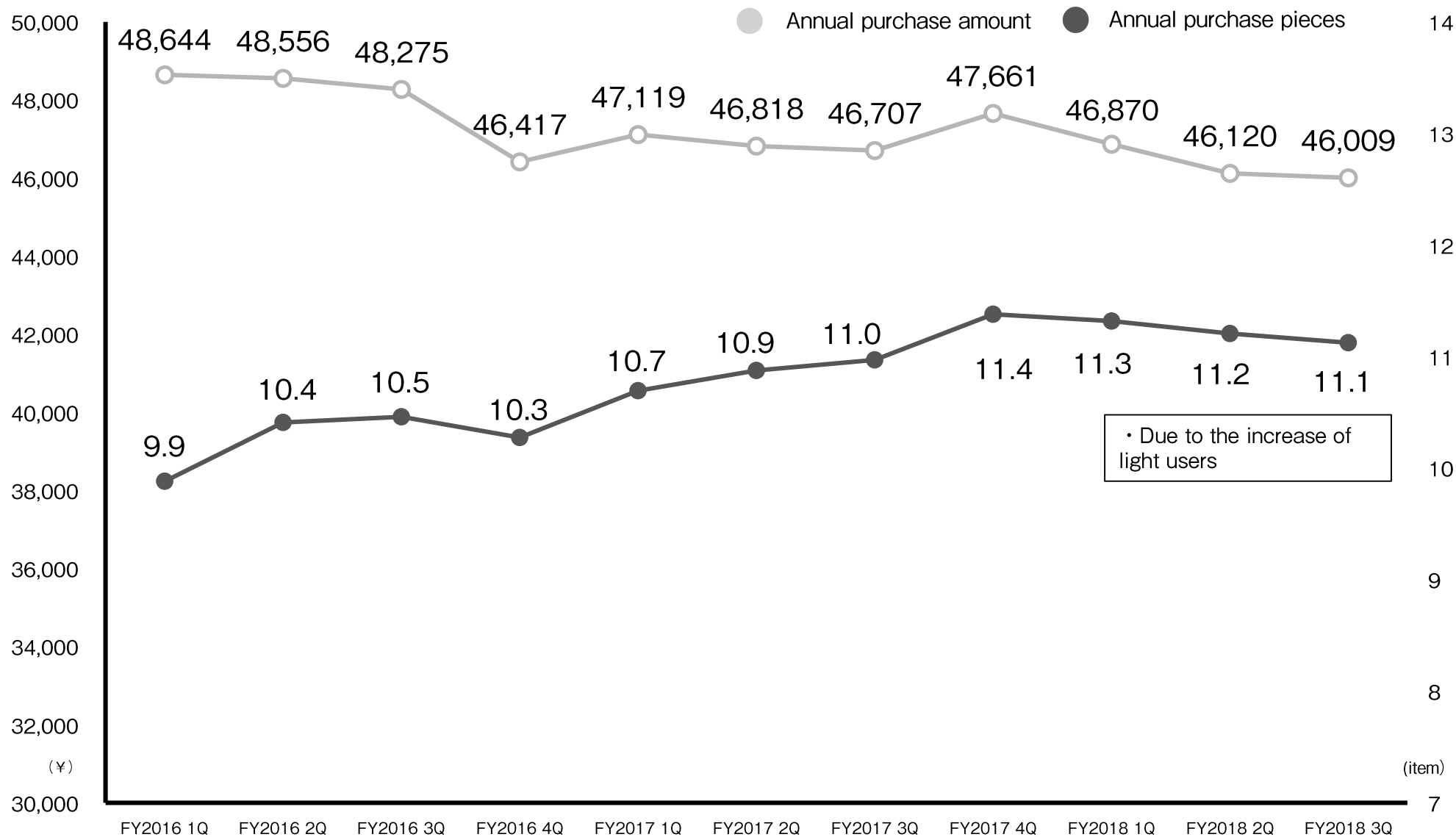
■ Geographical distribution



■ Age distribution

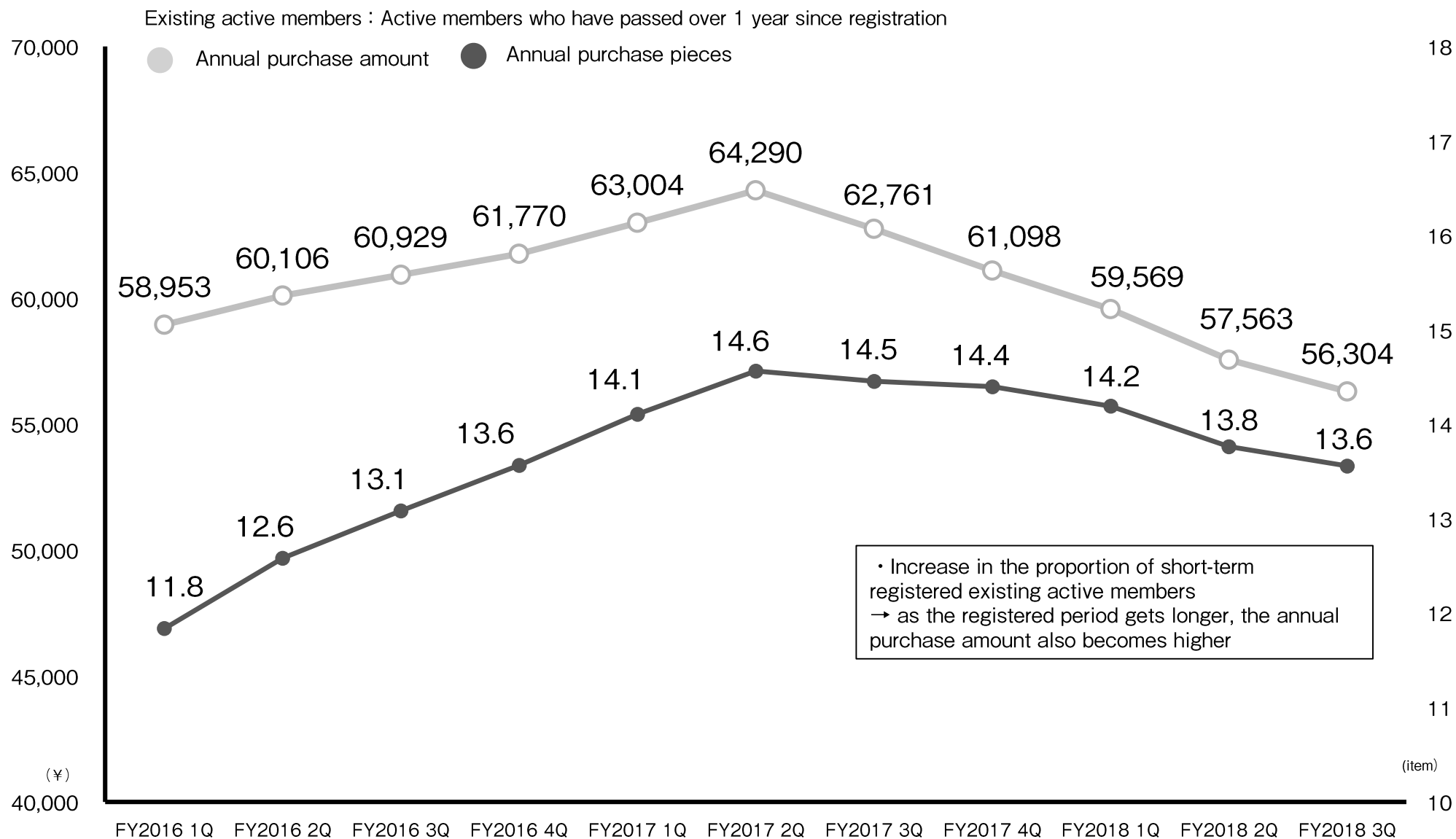


ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



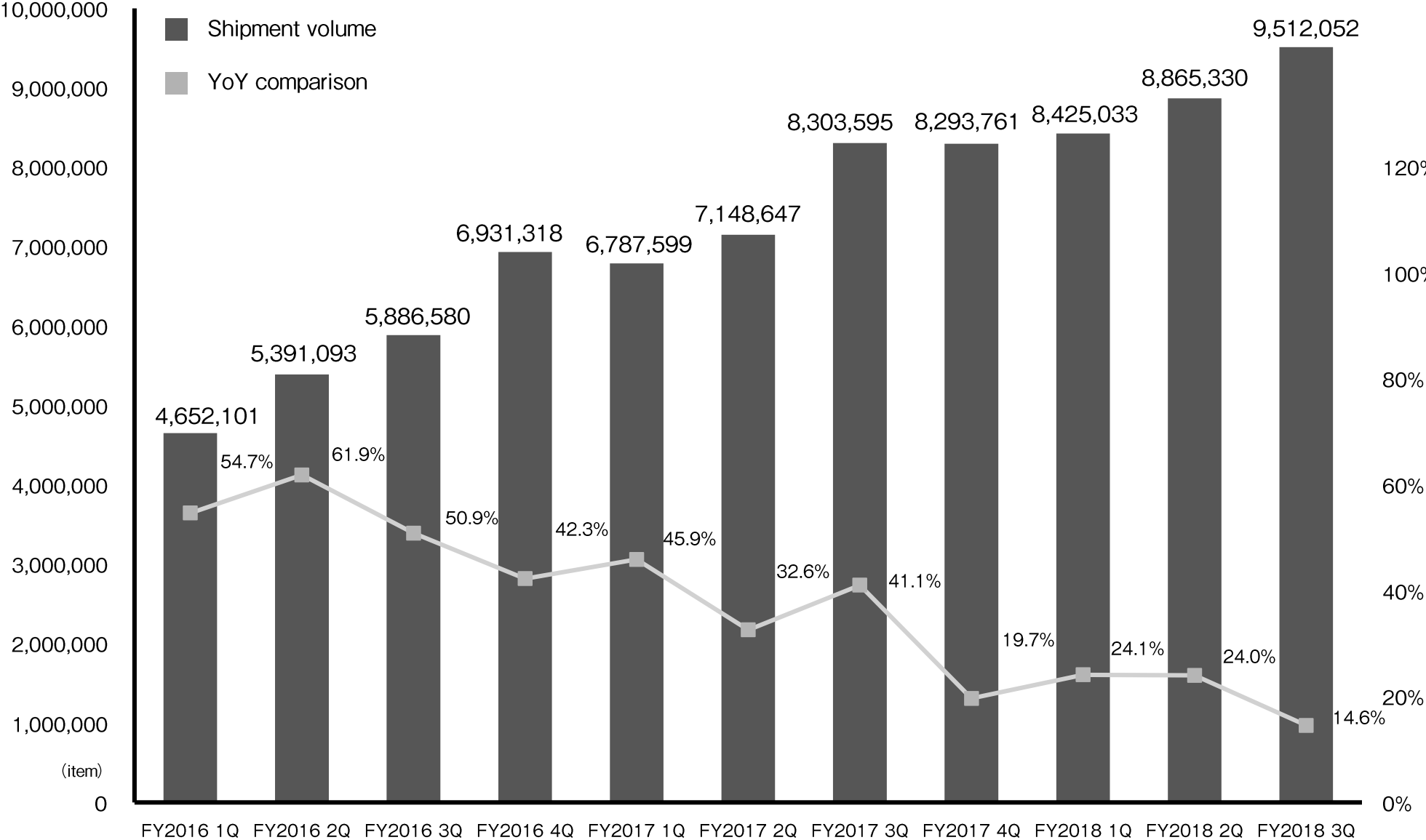
* Excluding the users only purchased the body measurement device "ZOSOSUIT"

ANNUAL PURCHASE AMOUNT AND PIECES PER EXISTING ACTIVE MEMBER



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

NUMBER OF SHIPMENT

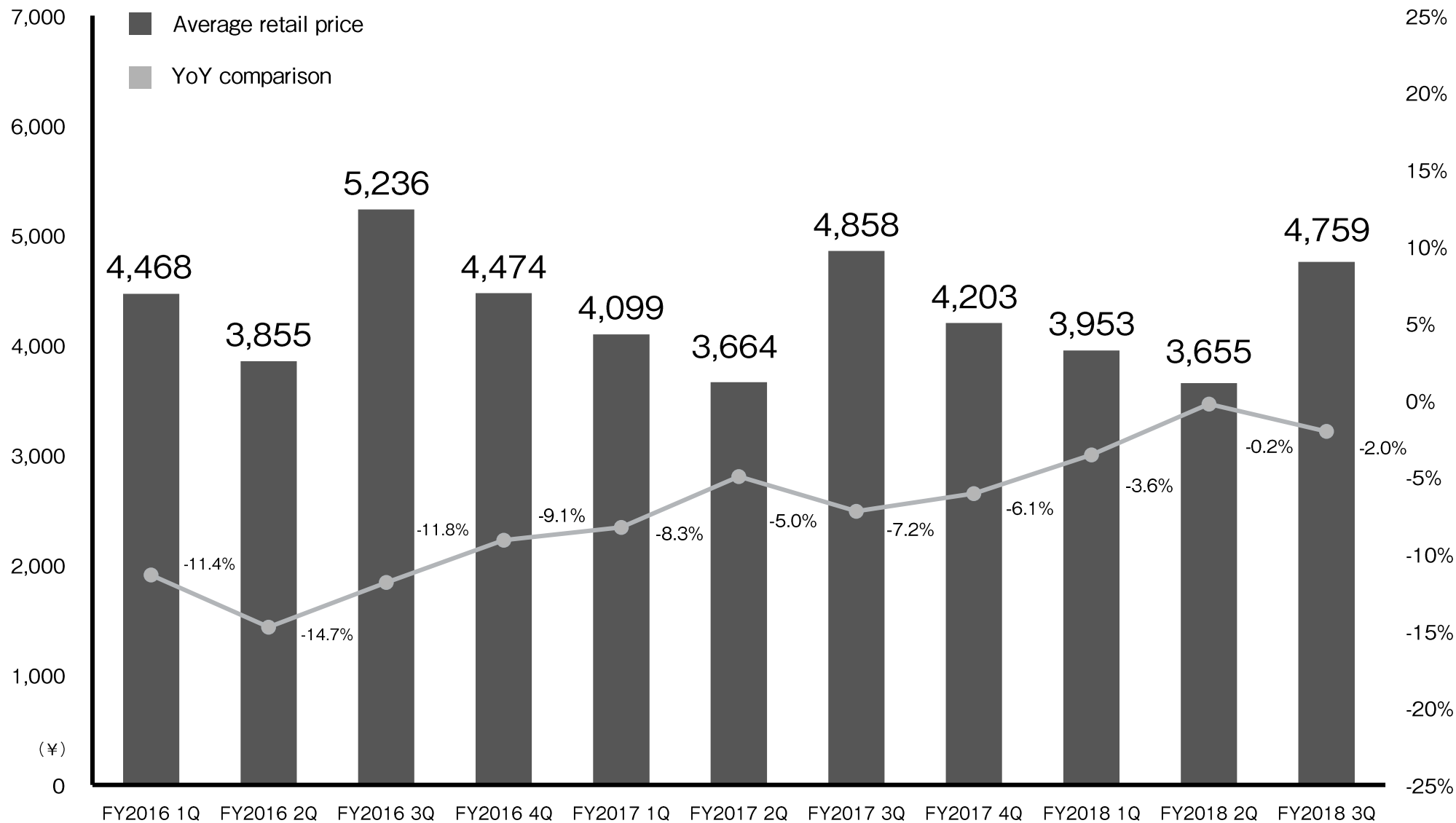


* Excluding the number of shipment of the body measurement device “ZOSOSUIT” only.

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

AVERAGE RETAIL PRICE

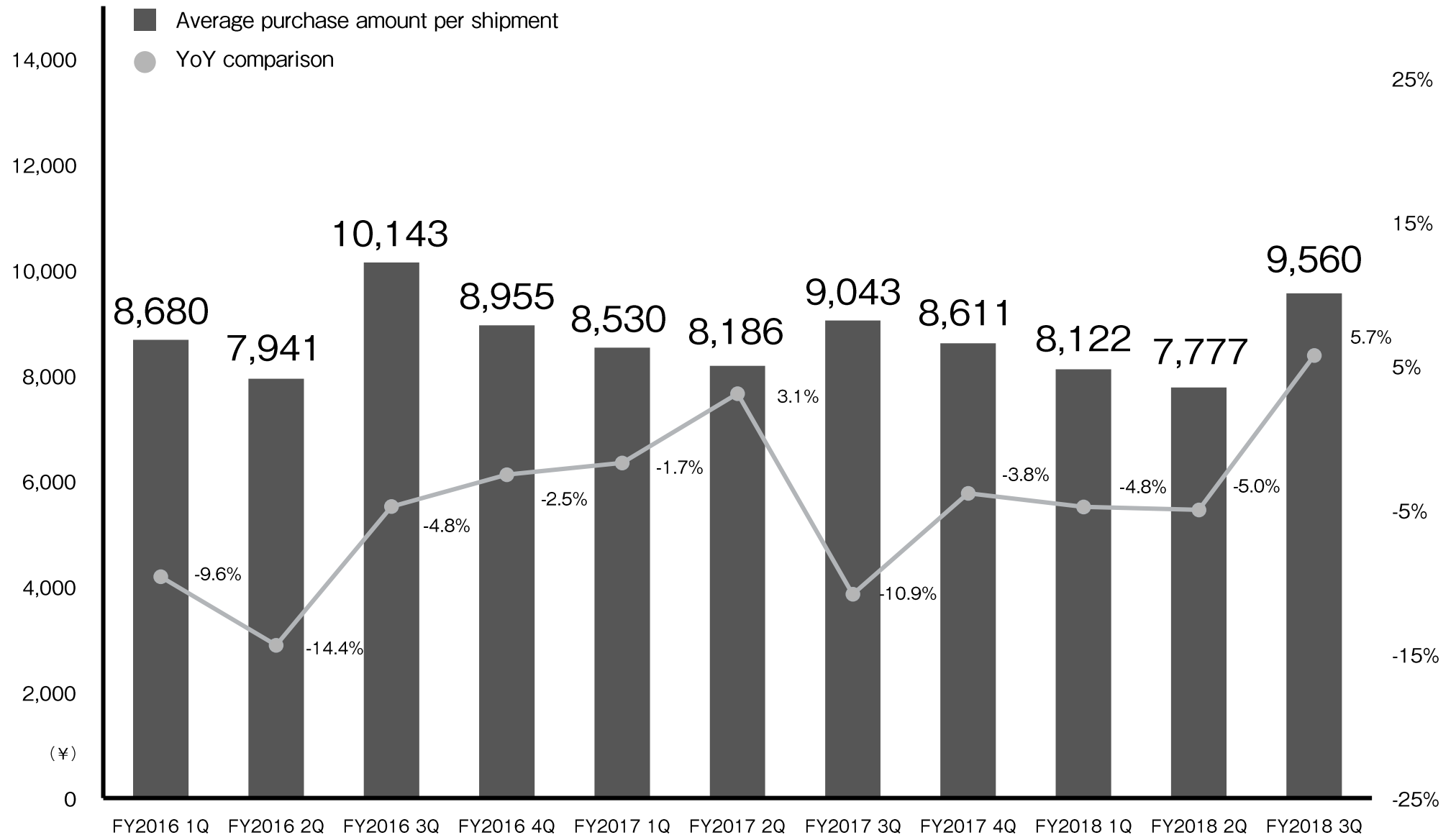
Average retail price = Gross Merchandise Value / Number of pieces (ZOZOTOWN Business)



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

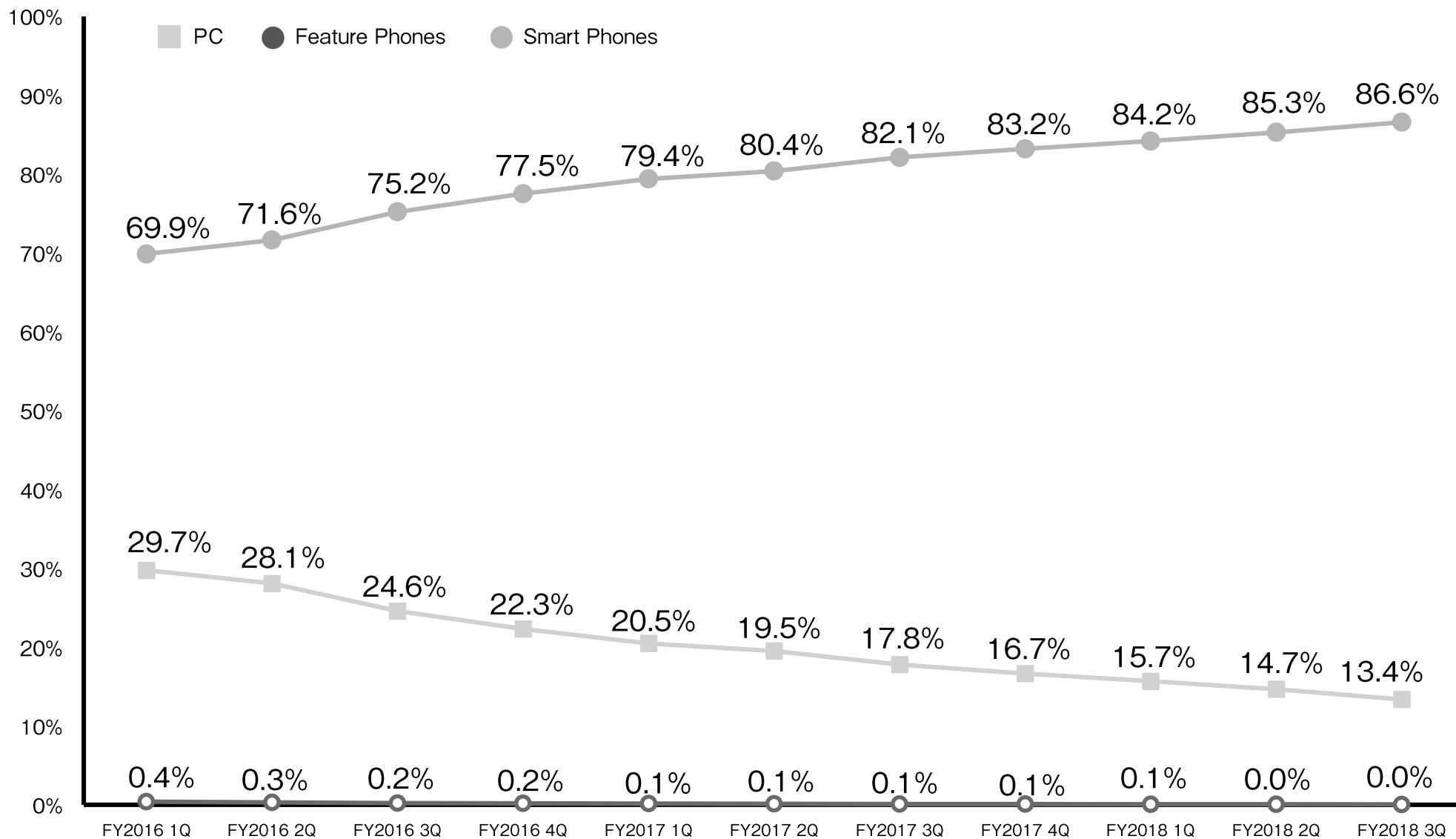
AVERAGE PURCHASE AMOUNT PER SHIPMENT

Average purchase amount per shipment = Gross Merchandise Value / Number of shipments (including PB)



* 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

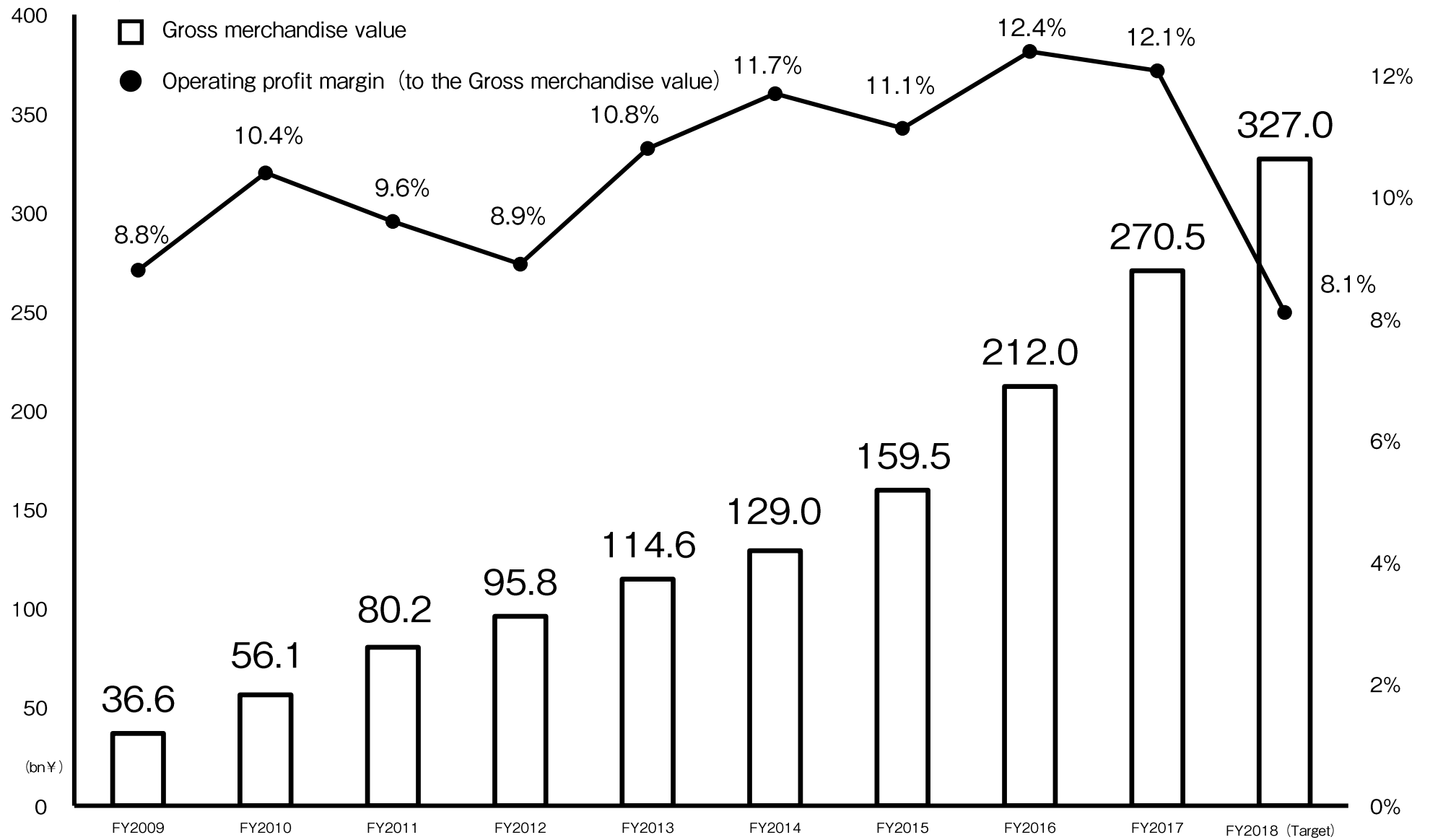
CONSOLIDATED BUSINESS FORECAST AND DIVIDEND FORECAST FOR FY2018

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	FY2018 Plan [※]	Growth Rate(%)
Gross Merchandise Value	327.0billion yen	20.9%
Net Sales	118.0billion yen	19.9%
Operating Profit	26.5billion yen	-18.9%
Operating Profit Margin (to the Gross Merchandise Value)	8.1 %	-
Recurring Profit	26.5billion yen	-19.1%
Profit attributable to owners of parent	17.8billion yen	-11.7%
Earnings per share	58.1 yen	-
Estimated dividends per share (Plan)	24.0yen	-

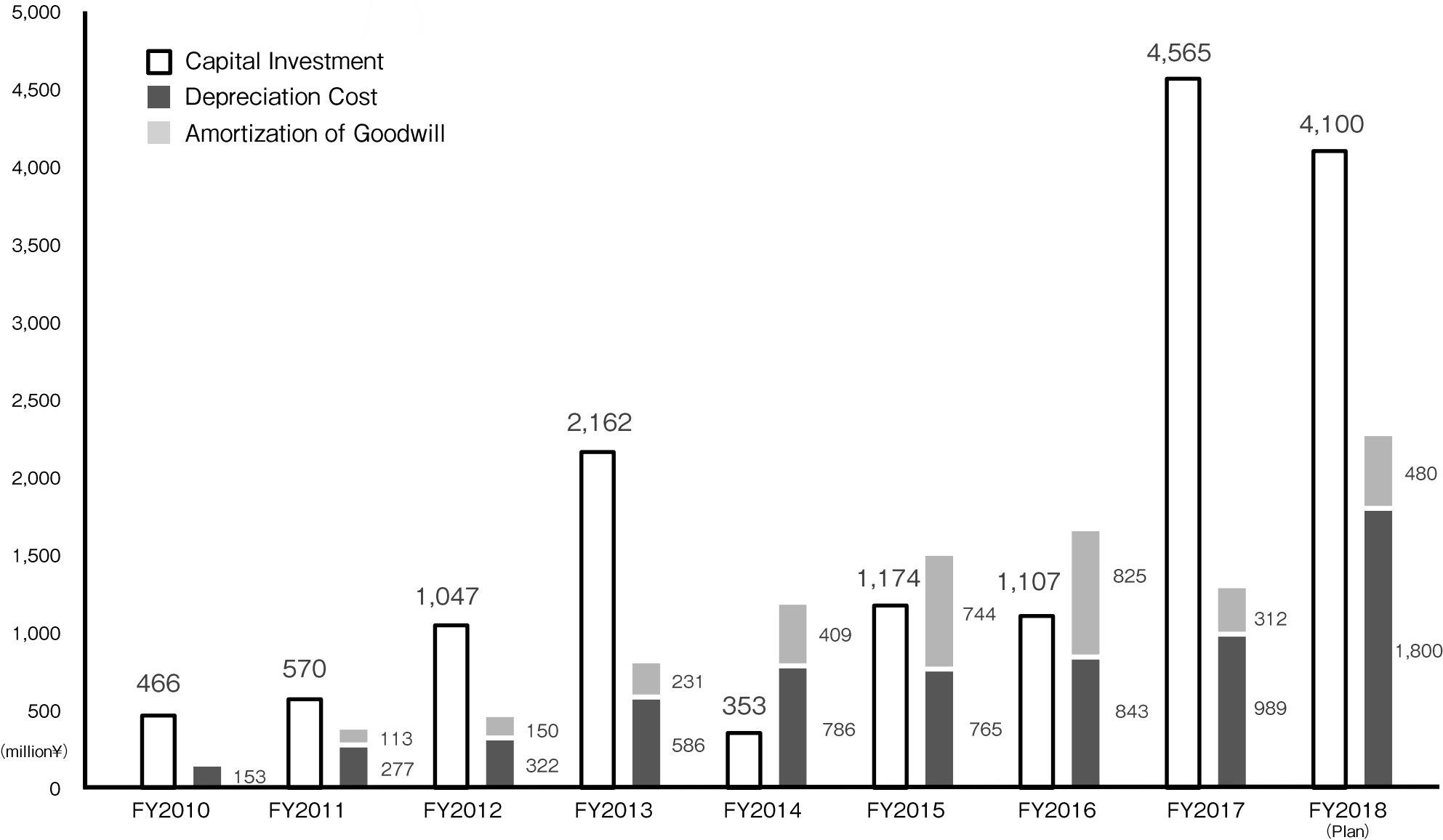
※ The company revised its consolidated business forecast on January 31, 2019. Numbers in the FY2018 Plan are numbers after the revision.

Gross Merchandise Value

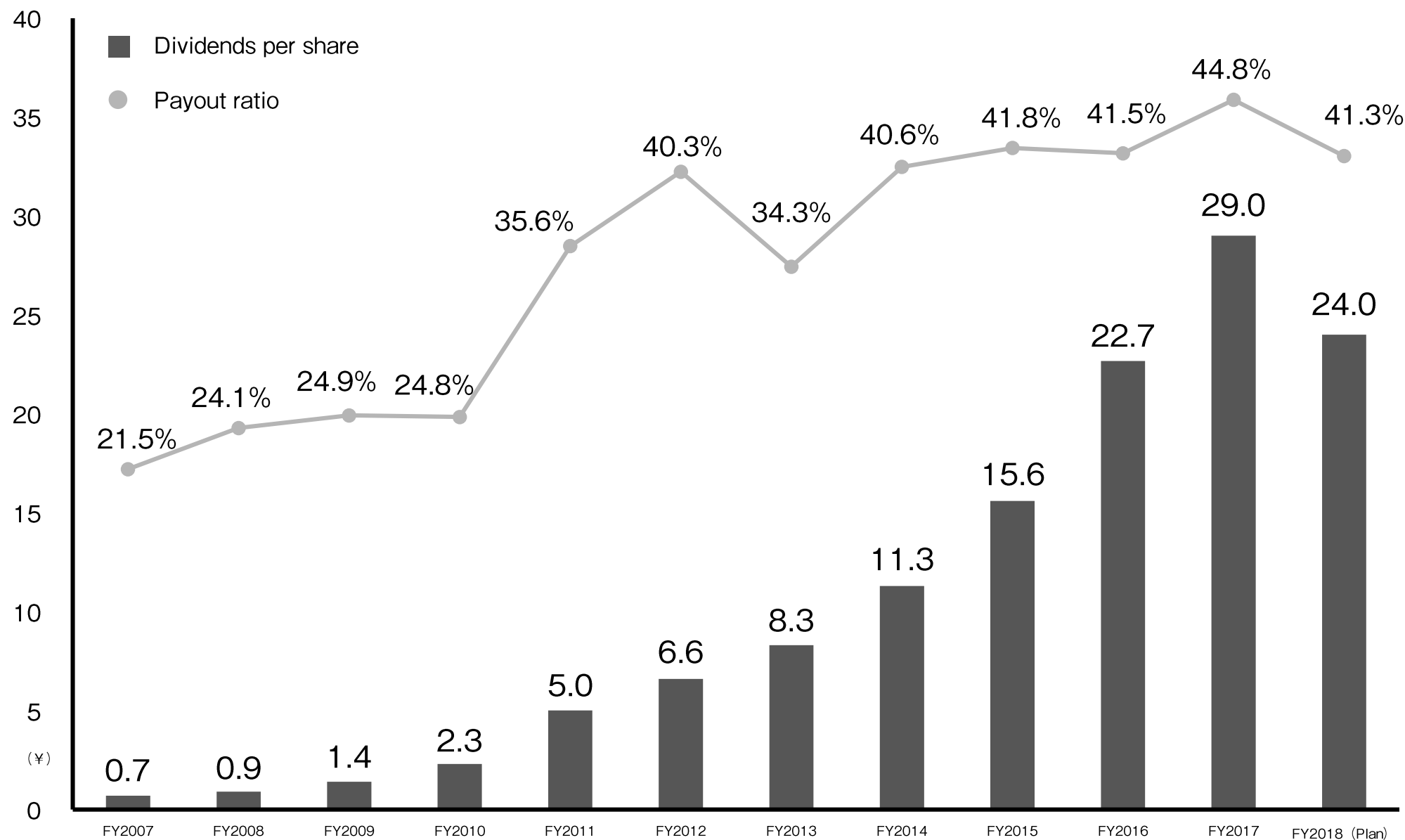


※ The company revised its consolidated business forecast on January 31, 2019. Numbers of FY2018 (Target) are numbers after the revision.

CAPITAL INVESTMENT



DIVIDENDS PER SHARE AND PAYOUT RATIO

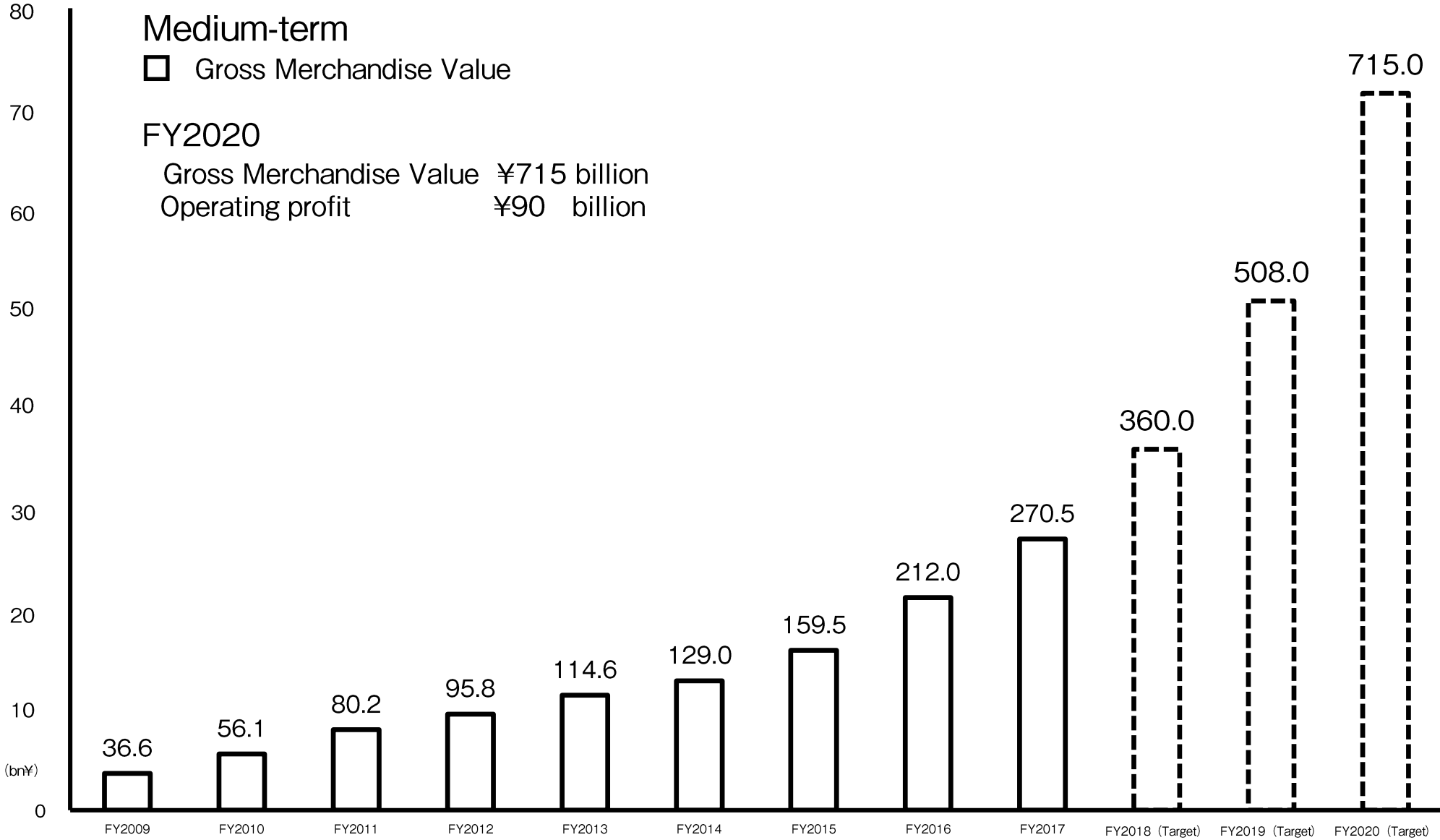


※ The company revised its consolidated business forecast on January 31, 2019. Numbers in FY2018 (Plan) are numbers after the revision.

A modern, brightly lit interior space, likely a lounge or meeting area. The room features wooden flooring, large windows in the background, and various pieces of furniture including a long wooden table with colorful chairs, a red sofa, and a blue table with chairs. The text "FUTURE STRATEGIES" is overlaid in white, centered in the image.

FUTURE STRATEGIES

MEDIUM-TERM VISION



※ The company revised its consolidated business forecast on January 31, 2019. The above target figures are not reflecting the revision. The company is scrutinizing effects on the Medium-term Management Plan which was announced on April 27, 2018.

DETAIL OF MEDIUM-TERM VISION

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(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%

※ The company revised its consolidated business forecast on January 31, 2019. The above target figures are not reflecting the revision. The company is scrutinizing effects on the Medium-term Management Plan which was announced on April 27, 2018.



REFERENCE
DATA

7,115
POPULAR BRANDS

1,077
EMPLOYEES (average age 32.4 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.

36,276
SHARE HOLDERS

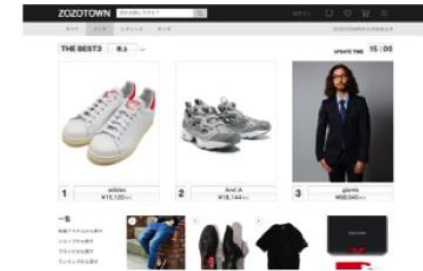
807 Million
TOTAL BUYERS (1year basis)

MAJOR SERVICES

ZOZOTOWN

Japan's Largest Online Retailer of Apparel and Accessories

- 1,255 stores offering 7,115 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.

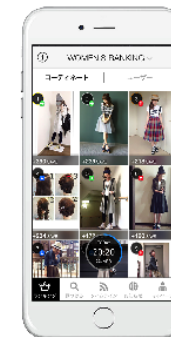


ZOZOTOWN <http://zozo.jp/>

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” .
- Number of selling items : Men's : 17 items Women's : 16 items (December 2018)
- Sold at ZOZOTOWN and dedicated sales sites for overseas.



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.

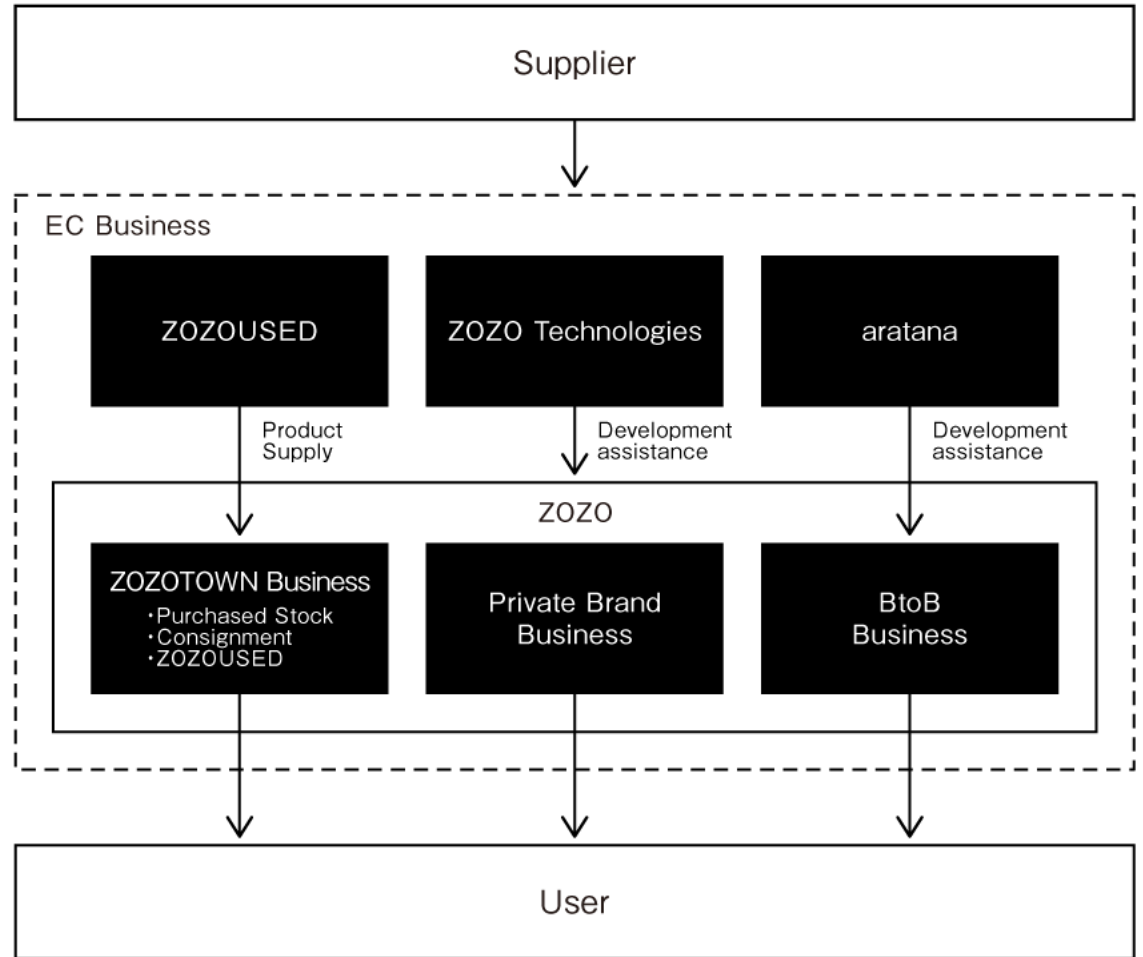
Specializes in building EC sites, web marketing,
web security systems, and EC related applications

• 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 1,250 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 18 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

※Gross merchandise values used for the calculation of sales are the amounts after deduction of discount attributable to the paid-membership service.

Introduction of IR website ([ZOZO IR Top](https://corp.zozo.com/en/ir-info/))

URL : <https://corp.zozo.com/en/ir-info/>

Information below are available at our IR website. Please kindly confirm.

- [IR News](https://corp.zozo.com/en/ir-info/) . . . The latest IR information are posted in a timely manner.

URL : <https://corp.zozo.com/en/ir/>

- [ESG](https://corp.zozo.com/en/ir-info/management-policy/esg/) . . . Introducing our initiatives on ESG.

URL : <https://corp.zozo.com/en/ir-info/management-policy/esg/>

- [Financial Highlights](https://corp.zozo.com/en/ir-info/financial-highlights/) . . . Financials for the past 3 years are available.

Data can be downloaded in both PDF and excel format.

URL : <https://corp.zozo.com/en/ir-info/financial-highlights/>

Introduction of IR Mail

By registering your email address to our IR Mail, we will send you information pertain to our IR such as latest news releases.

If you wish to register, please click [here](https://corp.zozo.com/en/ir-info/mail-magazine/) or make access to the following link:

URL : <https://corp.zozo.com/en/ir-info/mail-magazine/>

News and information will be sent through the service provided by Magical Pocket Corporation.

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.