

2Q FY2016

**CONSOLIDATED
BUSINESS RESULTS
APRIL1,2016-SEPTEMBER30,2016**

FY2016 2Q HIGHLIGHTS

01

Overview	· Total Transaction Value	:	86,495million yen	(+28.3%, Yoy)
	· Operating Profit	:	10,588million yen	(+51.1%, Yoy)
	→ Maintained a high growth rate			

Total Transaction Value	ZOZOTOWN BUSINESS			
	Total Transaction Value	:	83,191million yen	(+39.2%, Yoy)
	Consignment Business	:	77,929million yen	(+37.5%, Yoy)
	Purchased Stock Business	:	106million yen	(-71.2%, Yoy)
	ZOZOUSED Business	:	5,155million yen	(+89.2%, Yoy)
	Significant drop in the average purchase amount			
	Average Retail Price	:	3,855yen	(-14.7%, Yoy)
	Average Purchase Amount per Shipment	:	7,941yen	(-14.4%, Yoy)
	B to B Business	:	2,899million yen	(-62.0%, Yoy) → Progressed as planned

Profitability	· Operating profit margin (to the total transaction value)	:	12.2%(10.4% for FY2015 Q2).	
	Factors improving profitability	:	Increased gross profit margin by the sales increase of other-business-segment. Reduced promotion-related spending	
	Factors worsening profitability	:	Increase in shipping cost burden due to decreasing average purchase amount per shipment	

Topic	<ul style="list-style-type: none">• Achieved a high rate of growth as expected in the first half• New initiative is necessary to maintain a high growth rate in the latter half• Blacket Inc. split off by MBO (September 30,2016)			
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**BUSINESS
PERFORMANCE
FY2016 2Q
CONSOLIDATED
BUSINESS RESULTS
APRIL 1, 2016 -
SEPTEMBER 30, 2016**

OVERVIEW OF THE FY2016

(million ¥)

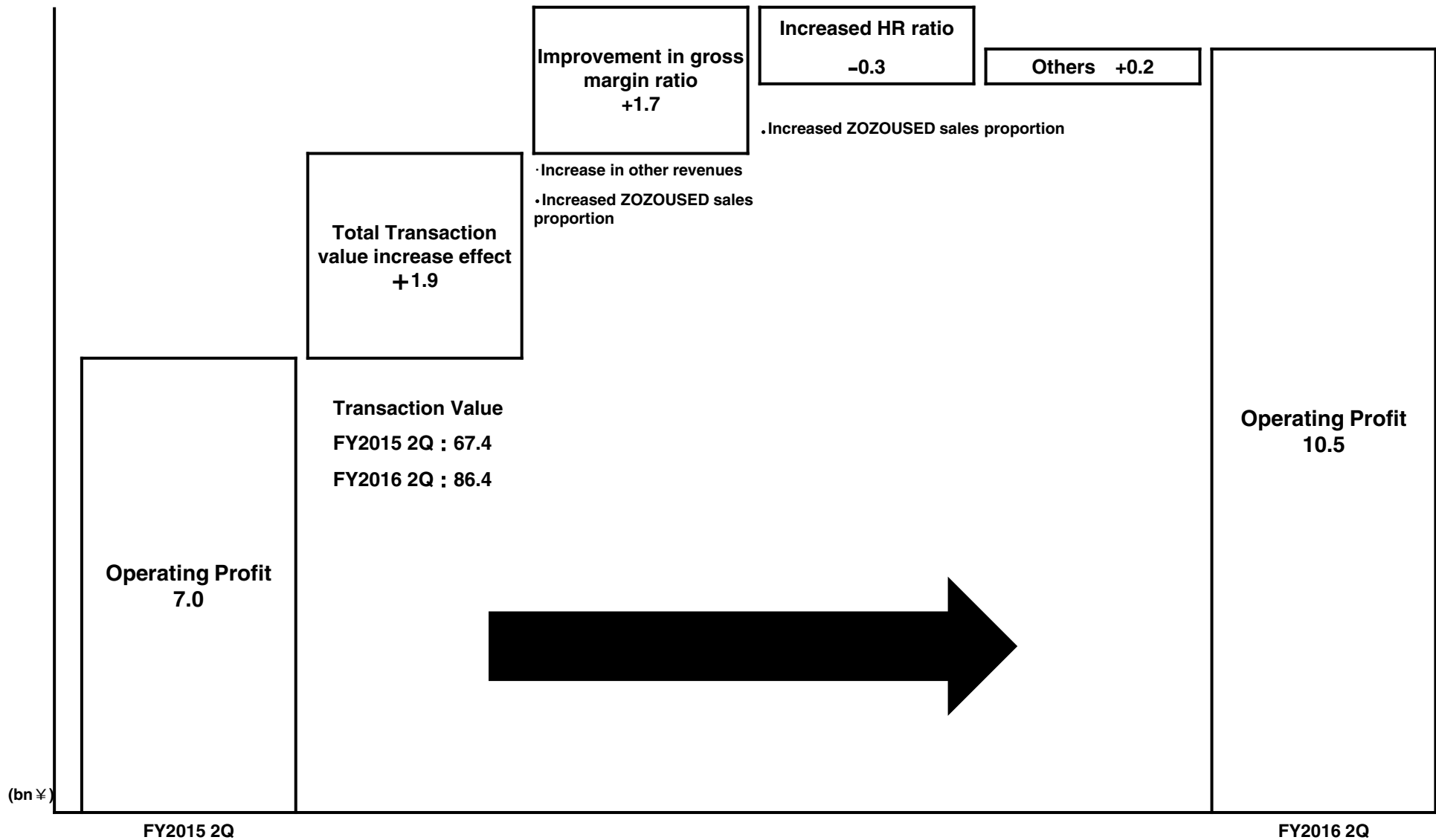
Item	FY2015 2Q	FY2016 2Q	YoY Change(%)	Target	Progress Rate(%)
Transaction value	67,414	86,495	+28.3%	195,000	44.4%
Net sales	22,417	31,566	+40.8%	69,030	45.7%
Gross profit	20,907	28,604	+36.8%	-	-
(% Transaction Value)	31.0%	33.1%	+2.1%	-	-
SG&A	13,898	18,016	+29.6%	-	-
(% Transaction Value)	20.6%	20.8%	+0.2%	-	-
Operating profit	7,009	10,588	+51.1%	22,140	47.8%
(% Transaction Value)	10.4%	12.2%	+1.8%	11.4%	-
Recurring profit	7,126	10,630	+49.2%	22,150	48.0%
Profit attributable to owners of parent	4,789	8,059	+68.3%	15,260	52.8%

OVERVIEW OF EACH QUARTER

(million¥)

Item	FY2015				FY2016	
	1Q	2Q	3Q	4Q	1Q	2Q
Transaction value	33,271	34,142	44,526	47,559	42,284	44,210
YoY (%)	22.2%	18.4%	23.5%	28.7%	27.1%	29.5%
Net sales	10,856	11,560	15,333	16,671	15,386	16,180
SG&A	6,453	7,444	9,193	9,236	8,788	9,228
YoY (%)	24.9%	33.3%	46.7%	38.4%	36.2%	24.0%
(% Transaction Value)	19.4%	21.8%	20.6%	19.4%	20.8%	20.9%
Operating profit	3,733	3,276	4,735	6,011	5,011	5,576
YoY (%)	29.5%	3.7%	2.7%	35.7%	34.2%	70.2%
(% Transaction Value)	11.2%	9.6%	10.6%	12.6%	11.9%	12.6%

INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (YoY COMPARISON)



CONSOLIDATED BALANCE SHEET

06

(million¥)

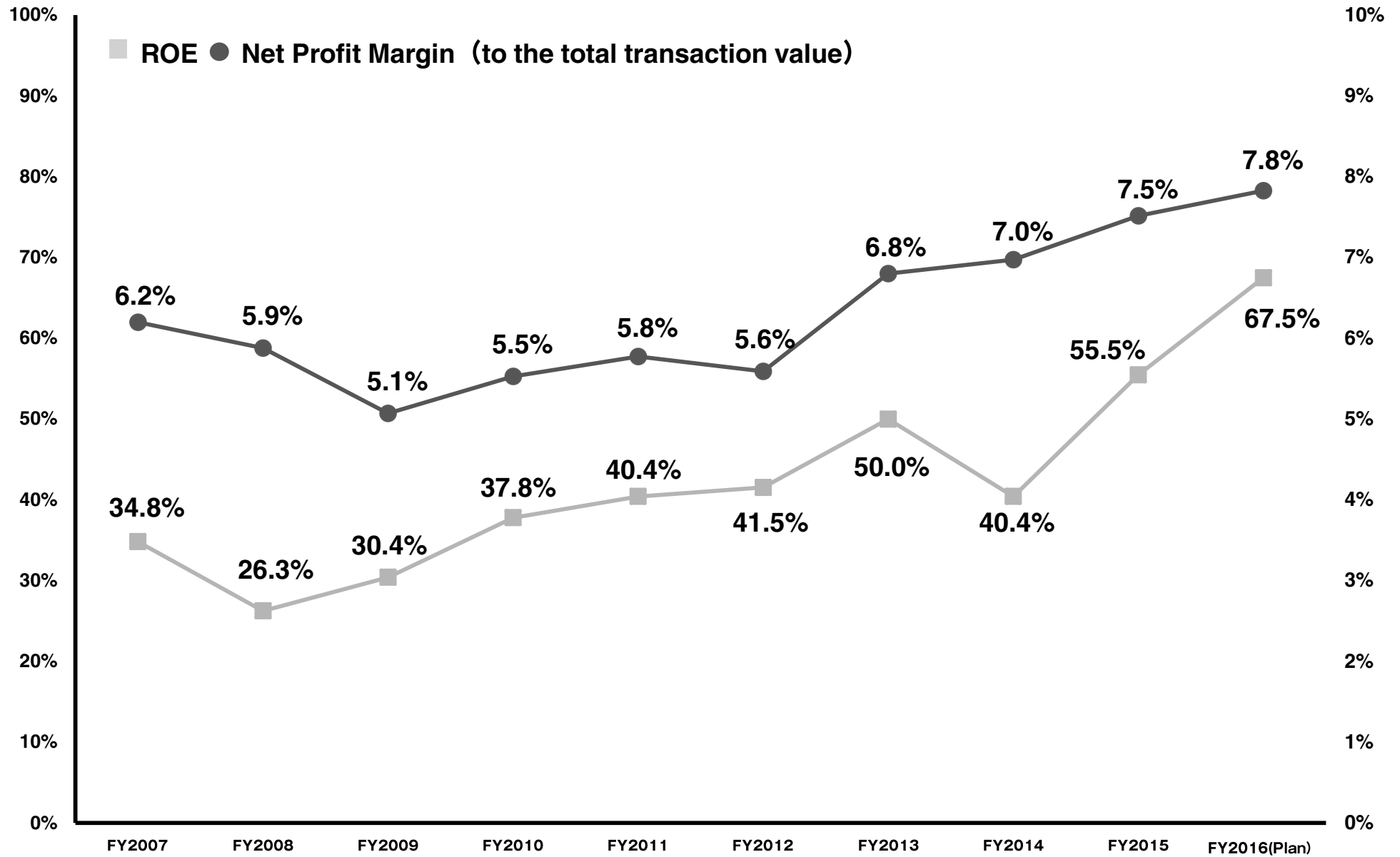
	FY2015 (as of March 31, 2016)	FY2016 2Q (as of September 30, 2016)		FY2015 (as of March 31, 2016)	FY2016 2Q (as of September 30, 2016)
Current assets	24,822	30,091	Current liabilities	15,374	15,786
Cash and deposits	11,343	15,477	Deposit received for consignment sales	7,901	8,175
Merchandise inventory	1,191	1,722	Noncurrent liabilities	1,610	1,695
Noncurrent assets	10,094	10,335	Total liabilities	16,984	17,481
Tangible assets	3,157	3,340	Shareholders' equity	17,413	22,564
Intangible assets	3,272	2,749	Treasury stock	-11,757	-11,758
Investments and other assets	3,664	4,245	Total net assets	17,932	22,945
Total assets	34,916	40,427	Total liabilities and net assets	34,916	40,427

CASH FLOWS

(million¥)

Item	FY2015 2Q	FY2016 2Q	YOY	Reasons for change
Cash flows from operating activities	3,925	7,336	3,411	(FY2016)Increase in net profit in this quarter
Cash flows from investing activities	-435	-278	157	
Cash flows from financing activities	-2,165	-2,915	-750	(FY2016)Increase in dividend
Cash and cash equivalents at the end of the year	26,289	15,540	-10,749	(FY2015)Share buyback (November 2015)

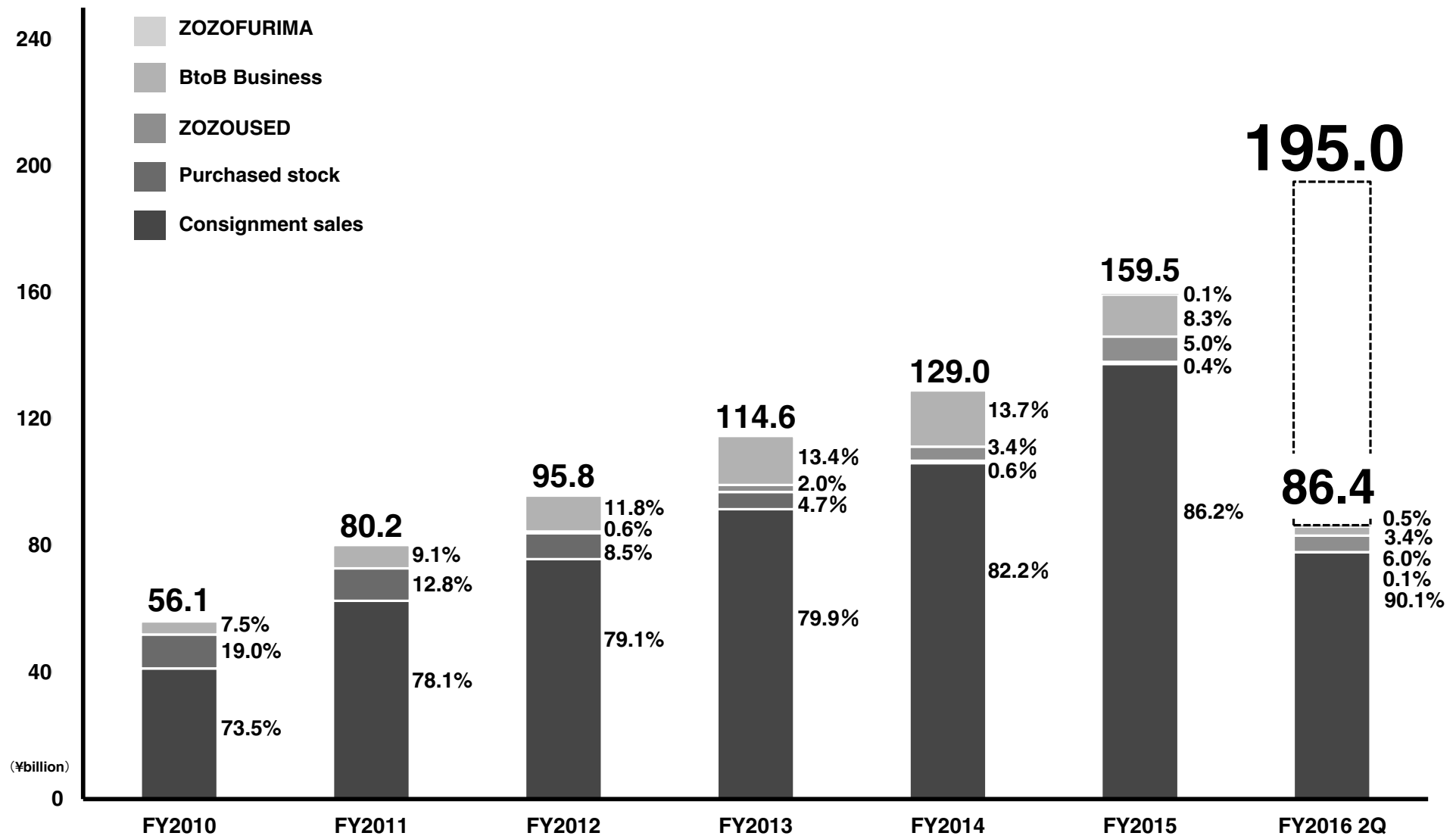
ROE AND NET PROFIT MARGIN



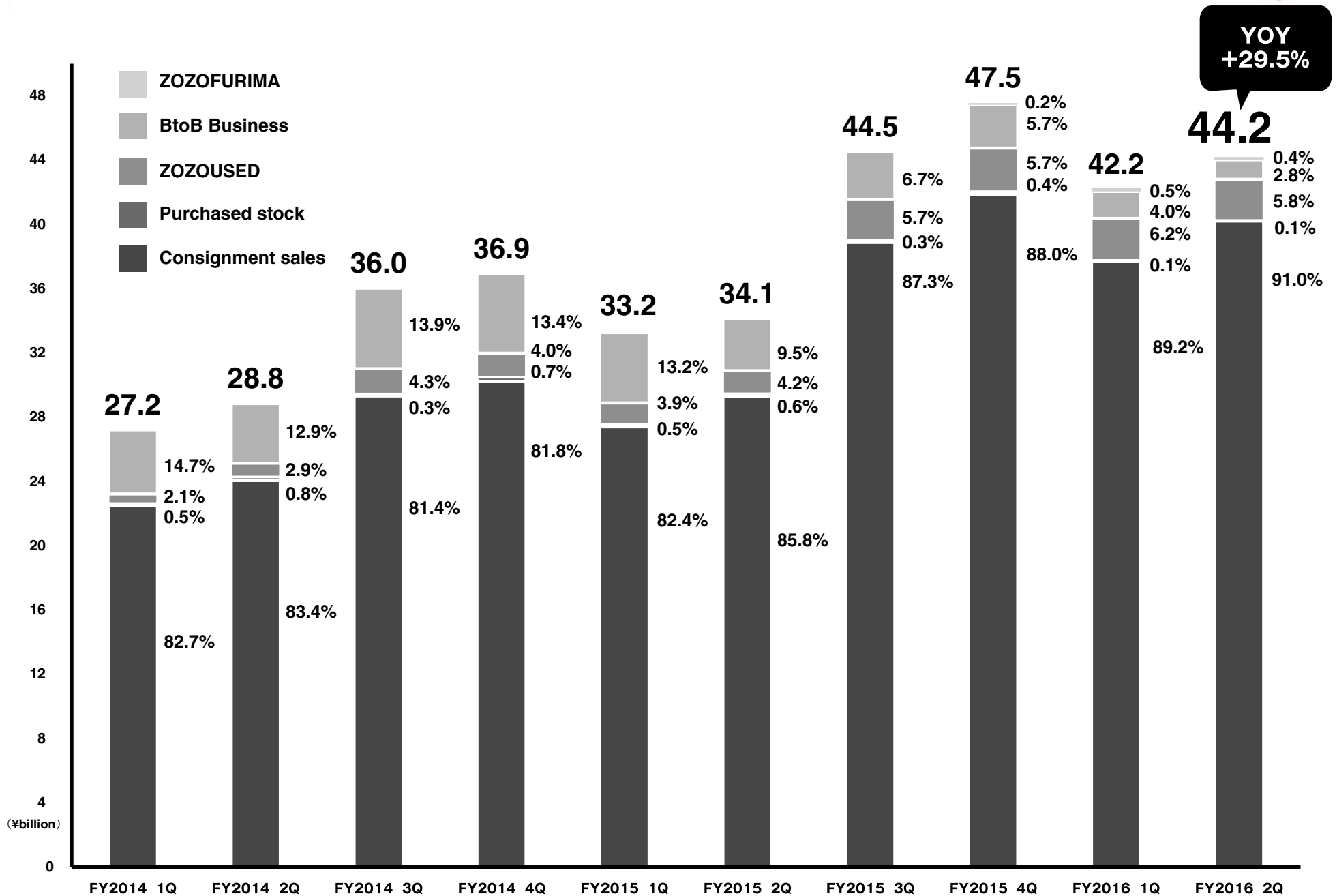
TRANSACTION VALUE

Gross transaction value of new shops opened in FY2016

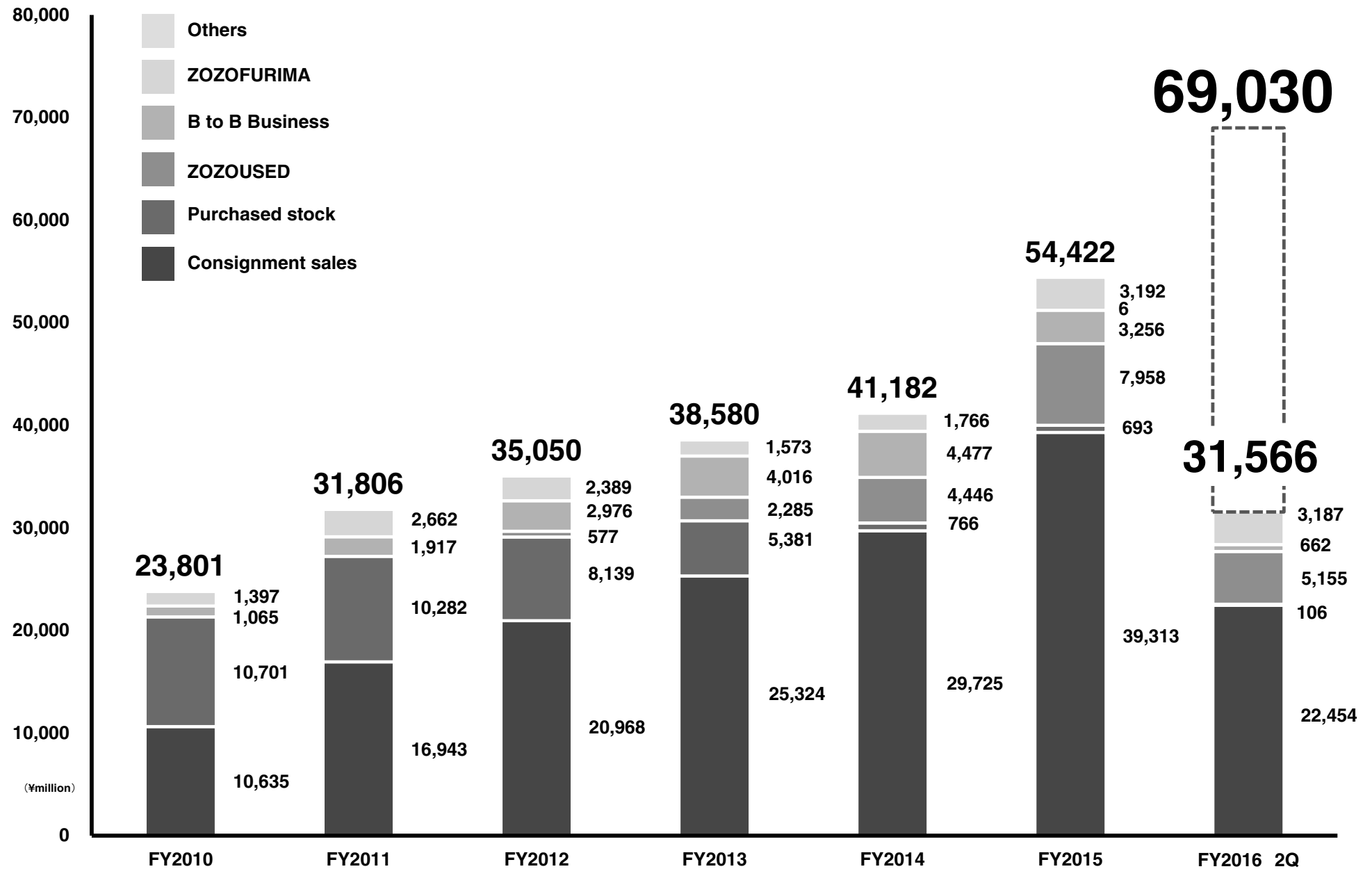
ZOZOTOWN Business (purchased stock & consignment sales) : ¥ 810 million (accounts for 1.0% of the total transaction value)



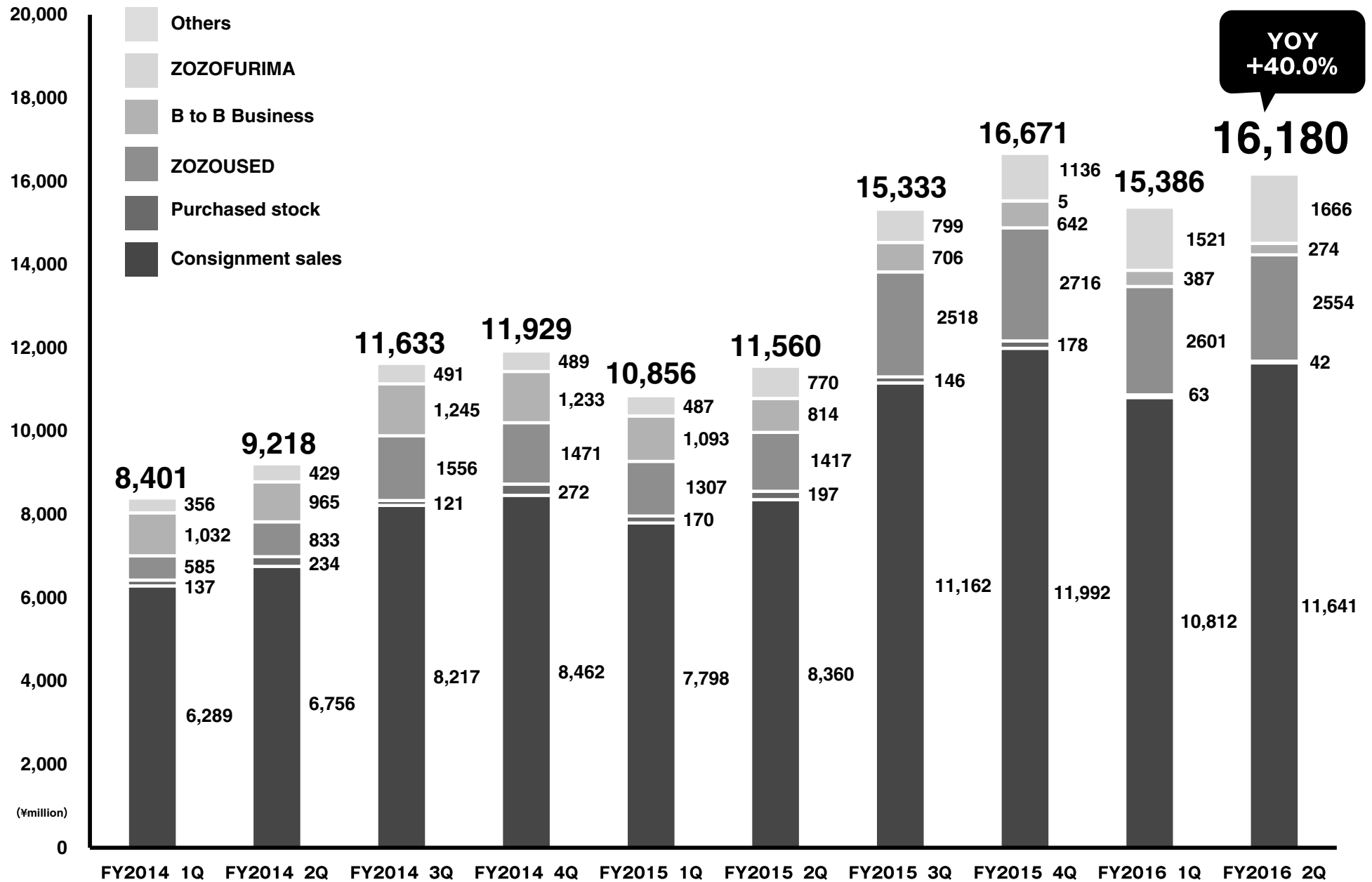
TRANSACTION VALUE (QUARTERLY)



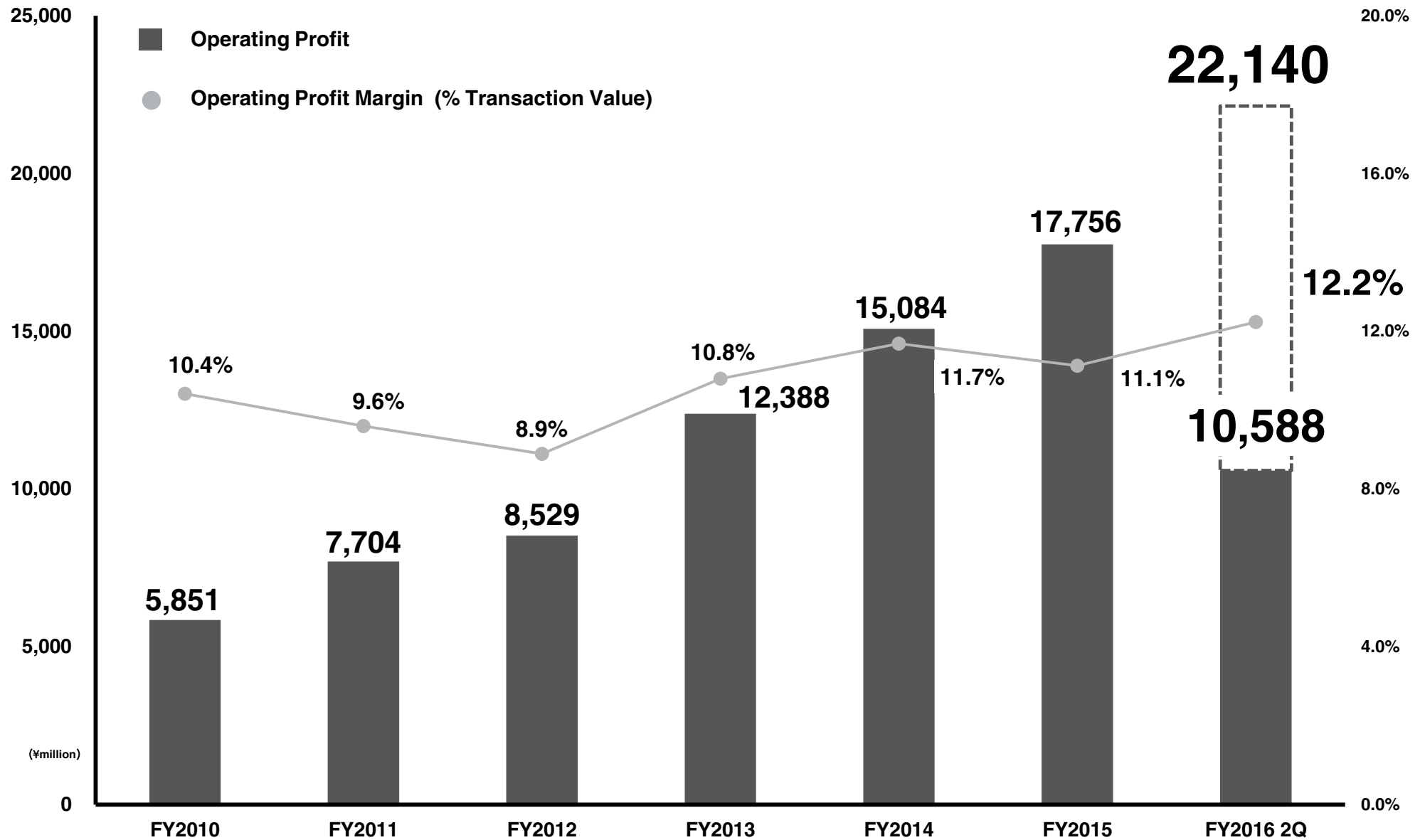
NET SALES



NET SALES (QUARTERLY)



OPERATING PROFIT AND OPERATING PROFIT MARGIN



SELLING, GENERAL AND ADMINISTRATIVE (SG & A) EXPENSES

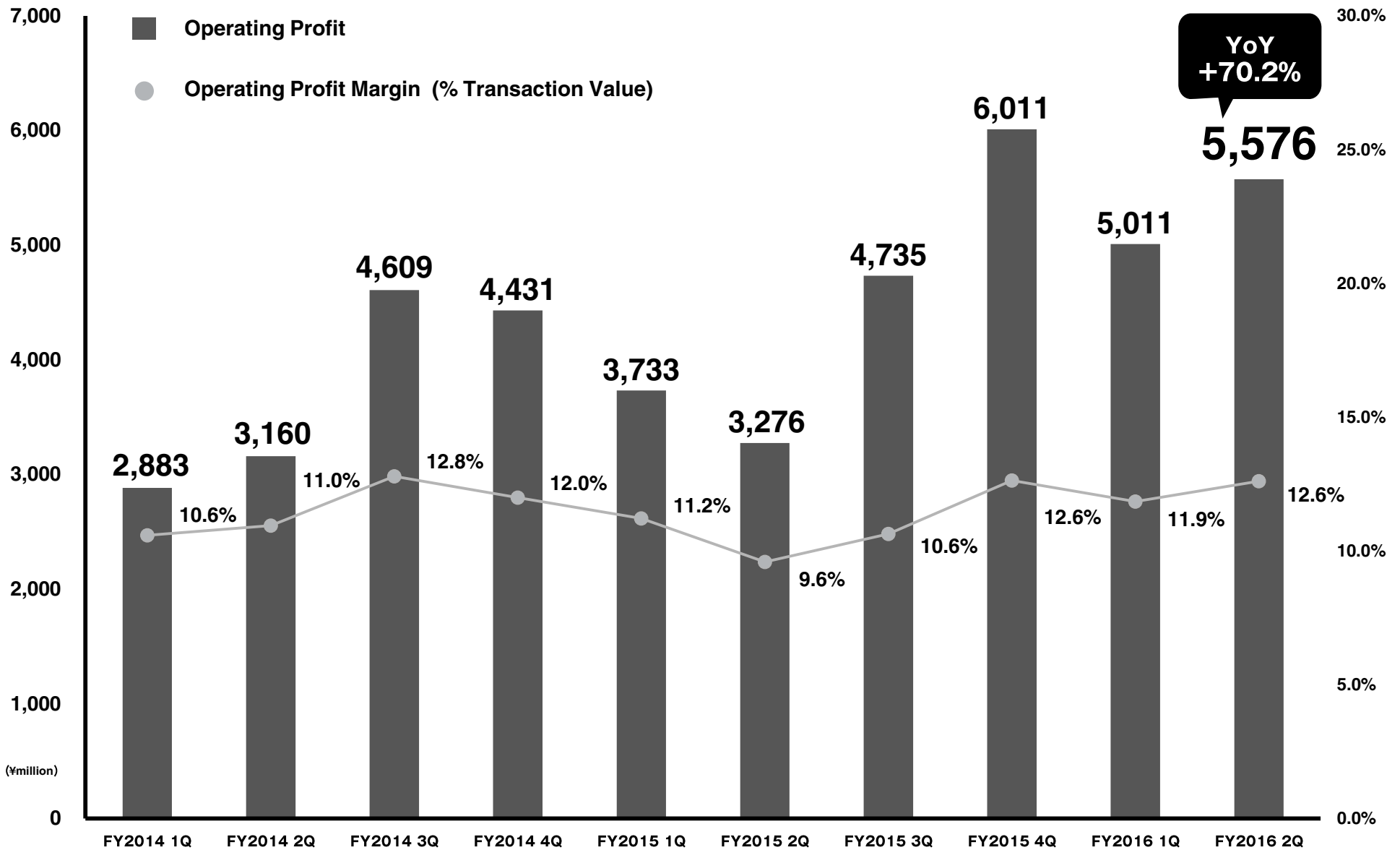
14

(million ¥)

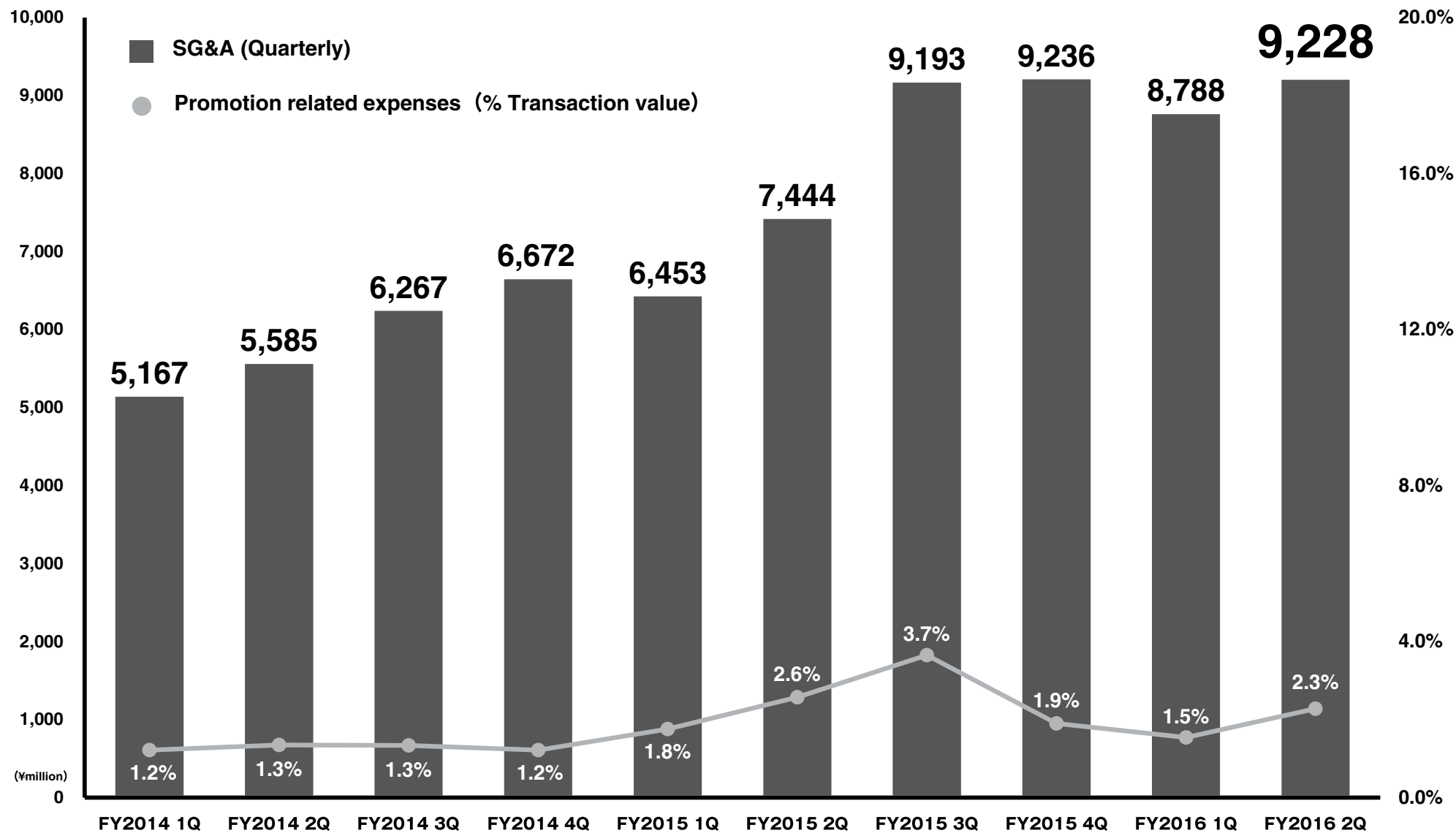
item	FY2015 2Q		FY2016 2Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll(*)	3,479	5.2%	4,856	5.6%	0.4%	The number of employees in our group has grown from 733 as of September, 2015 to 831 as of September, 2016. Due to increased HR ratio by the growth of ZOZOUSED
Shipping	2,915	4.3%	3,911	4.5%	0.2%	Increased cost burden by the drop in average purchase amount, decreased utilization of the same day shipping service
Commission of Payment collection	1,657	2.5%	2,151	2.5%	0.0%	
Promotion related expenses	1,462	2.2%	1,657	1.9%	-0.3%	
Advertising	332	0.5%	677	0.8%	0.3%	Re-targeting AD spending, PR for WEAR overseas expansion
Reward points related expenses	1,130	1.7%	979	1.1%	-0.6%	
Outsourcing	1,301	1.9%	1,605	1.9%	0.0%	
Rent expense	848	1.3%	946	1.1%	-0.2%	
Depreciation	342	0.5%	390	0.5%	0.0%	
Amortization of goodwill	315	0.5%	471	0.5%	0.0%	
Others	1,576	2.3%	2,025	2.3%	0.0%	
Total SG&A	13,898	20.6%	18,016	20.8%	0.2%	

*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

17

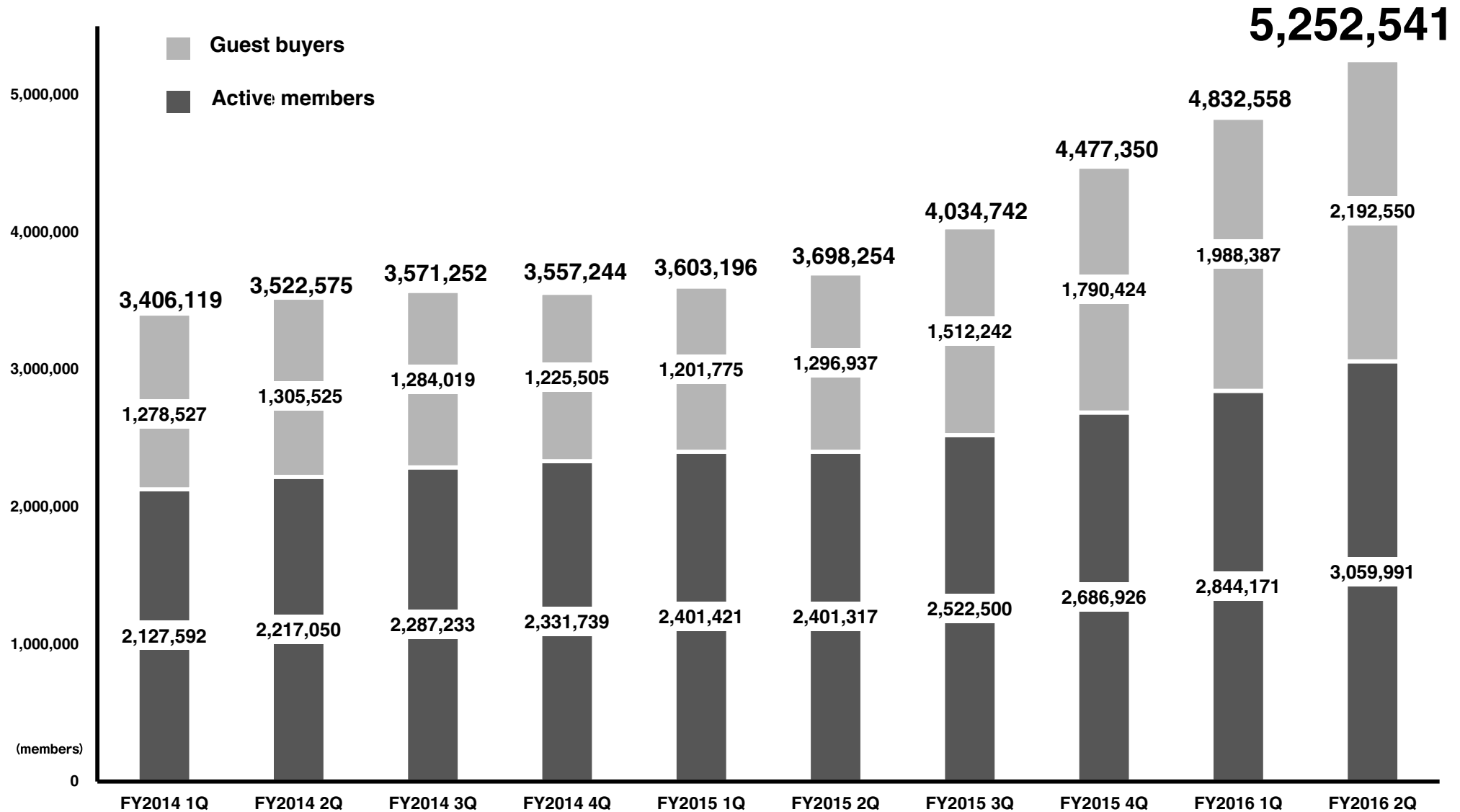
(million ¥)

Item	FY2015								FY2016			
	1Q		2Q		3Q		4Q		1Q		2Q	
	Amount	%Transaction value	Amount	%Transaction value	Amount	%Transaction value	Amount	%Transaction value	Amount	%Transaction value	Amount	%Transaction value
Payroll(*)	1,643	4.9%	1,835	5.4%	2,209	5.0%	2,477	5.2%	2,472	5.8%	2,383	5.4%
Shipping	1,393	4.2%	1,521	4.5%	1,692	3.8%	1,988	4.2%	1,837	4.3%	2,073	4.7%
Commission of Payment collection	810	2.4%	846	2.5%	1,053	2.4%	1,157	2.4%	1,043	2.5%	1,108	2.5%
Promotion related expenses	583	1.8%	878	2.6%	1,625	3.7%	903	1.9%	650	1.5%	1,006	2.3%
Advertising	183	0.6%	148	0.4%	1,109	2.5%	490	1.0%	223	0.5%	454	1.0%
Reward points related expenses	399	1.2%	730	2.1%	516	1.2%	412	0.9%	427	1.0%	551	1.2%
Outsourcing	646	1.9%	655	1.9%	738	1.7%	819	1.7%	807	1.9%	798	1.8%
Rent expense	415	1.2%	433	1.3%	469	1.1%	484	1.0%	478	1.1%	468	1.1%
Depreciation	165	0.5%	176	0.5%	202	0.5%	220	0.5%	194	0.5%	195	0.4%
Amortization of goodwill	98	0.3%	217	0.6%	214	0.5%	214	0.5%	214	0.5%	256	0.6%
Others	696	2.1%	880	2.6%	987	2.2%	970	2.0%	1,089	2.6%	936	2.1%
Total SG&A	6,453	19.4%	7,444	21.8%	9,193	20.6%	9,236	19.4%	8,788	20.8%	9,228	20.9%

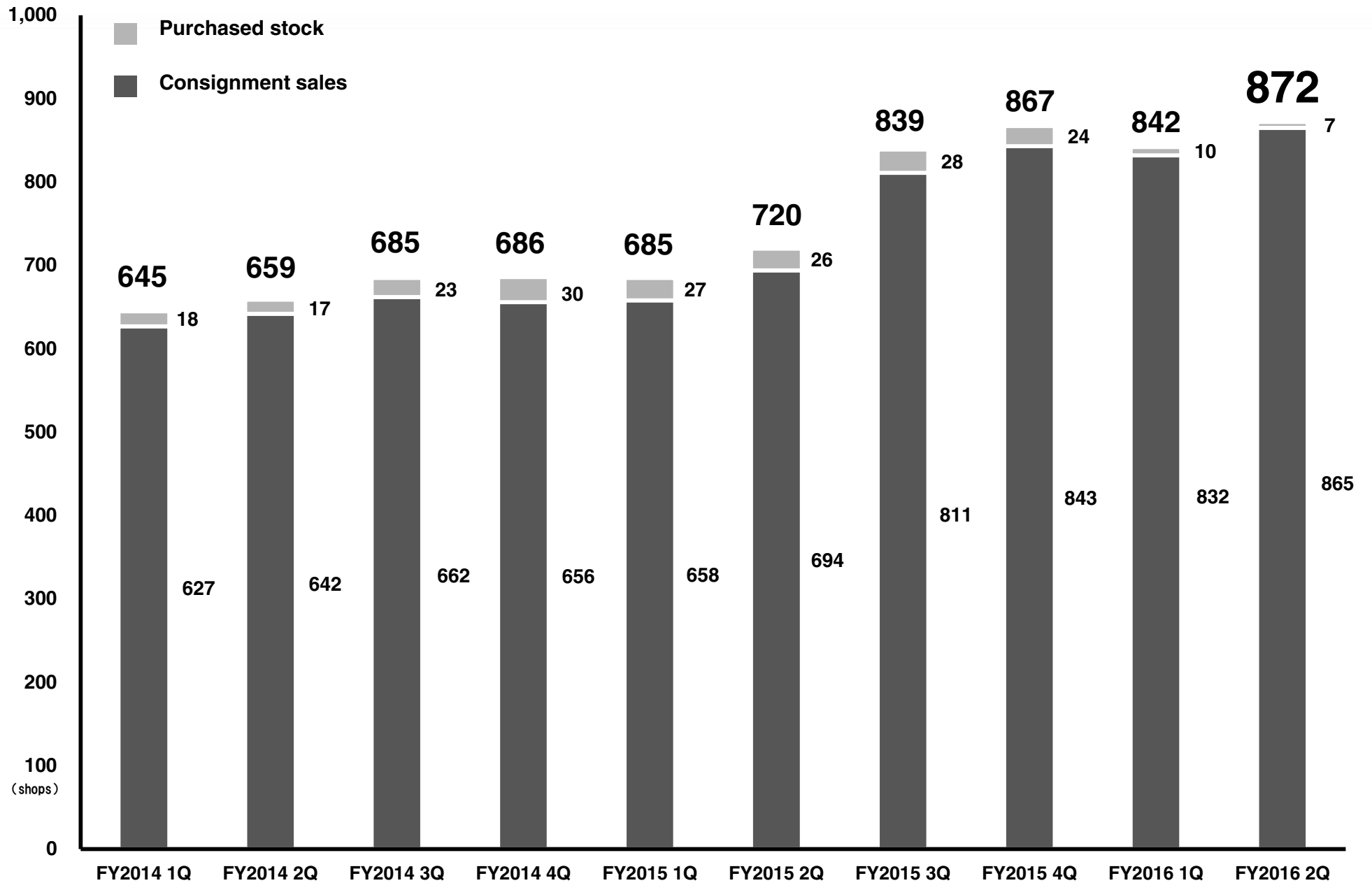
※Payroll includes salaries, bonuses, legal welfare expenses, welfare expenses, provision for retirement benefits, provision for bonuses, provision for directors' retirement benefits and subcontracting payroll

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

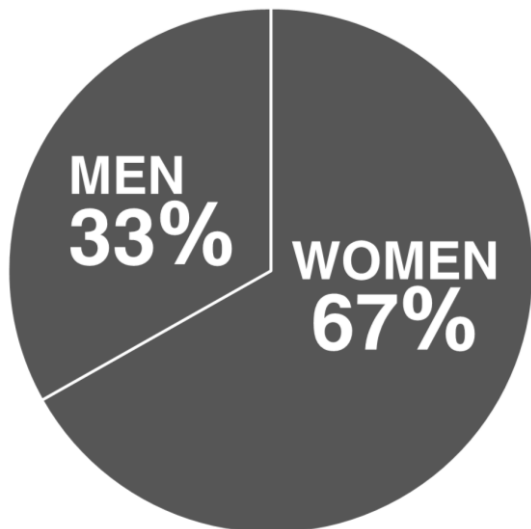


NUMBER OF SHOPS OF MALL BUSINESS

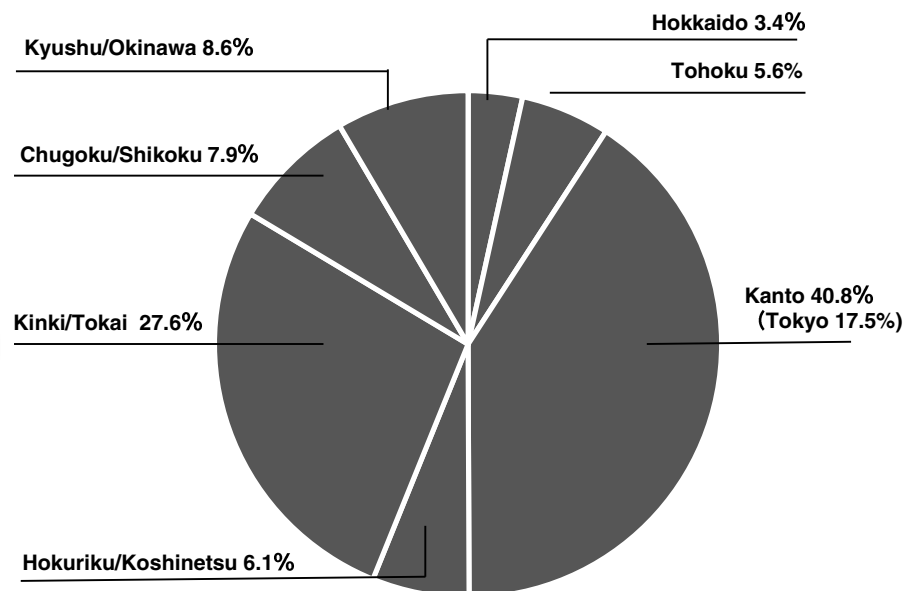


ACTIVE MEMBER DISTRIBUTION

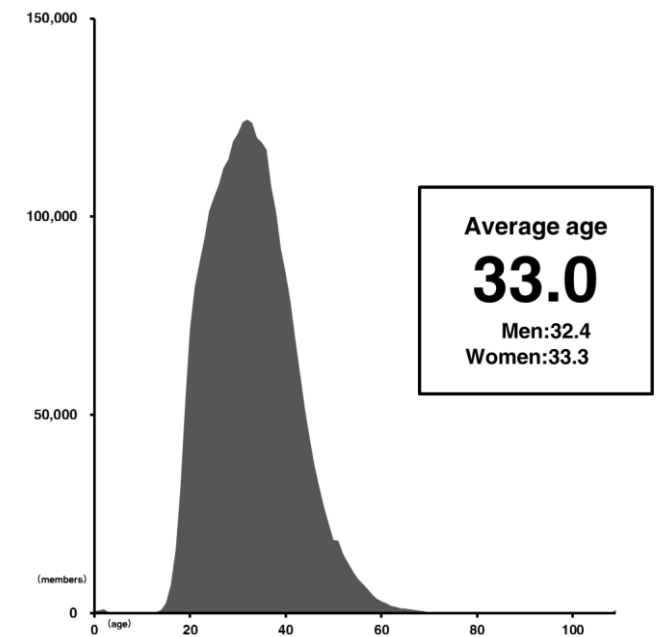
■ Gender ratio



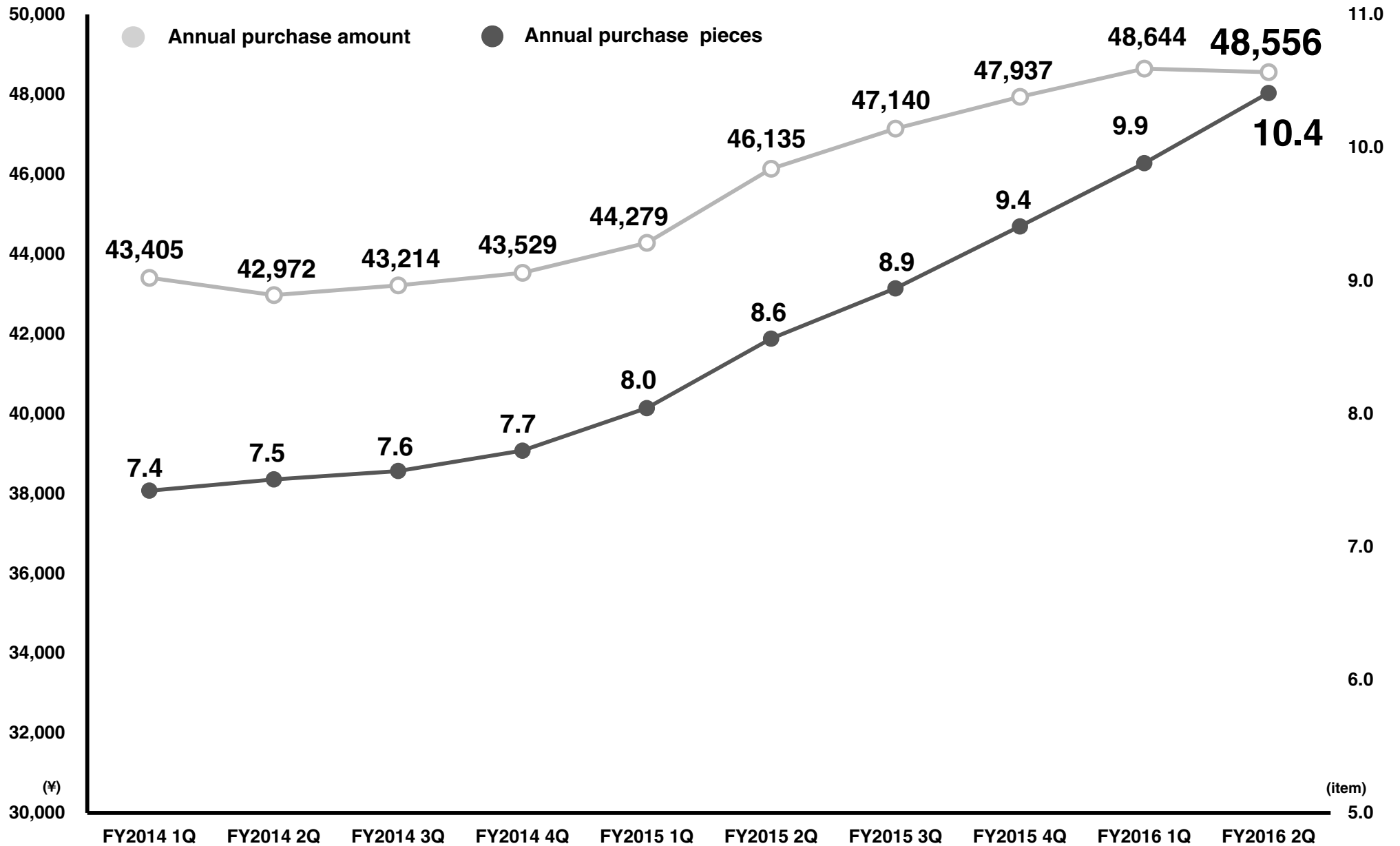
■ Geographical distribution



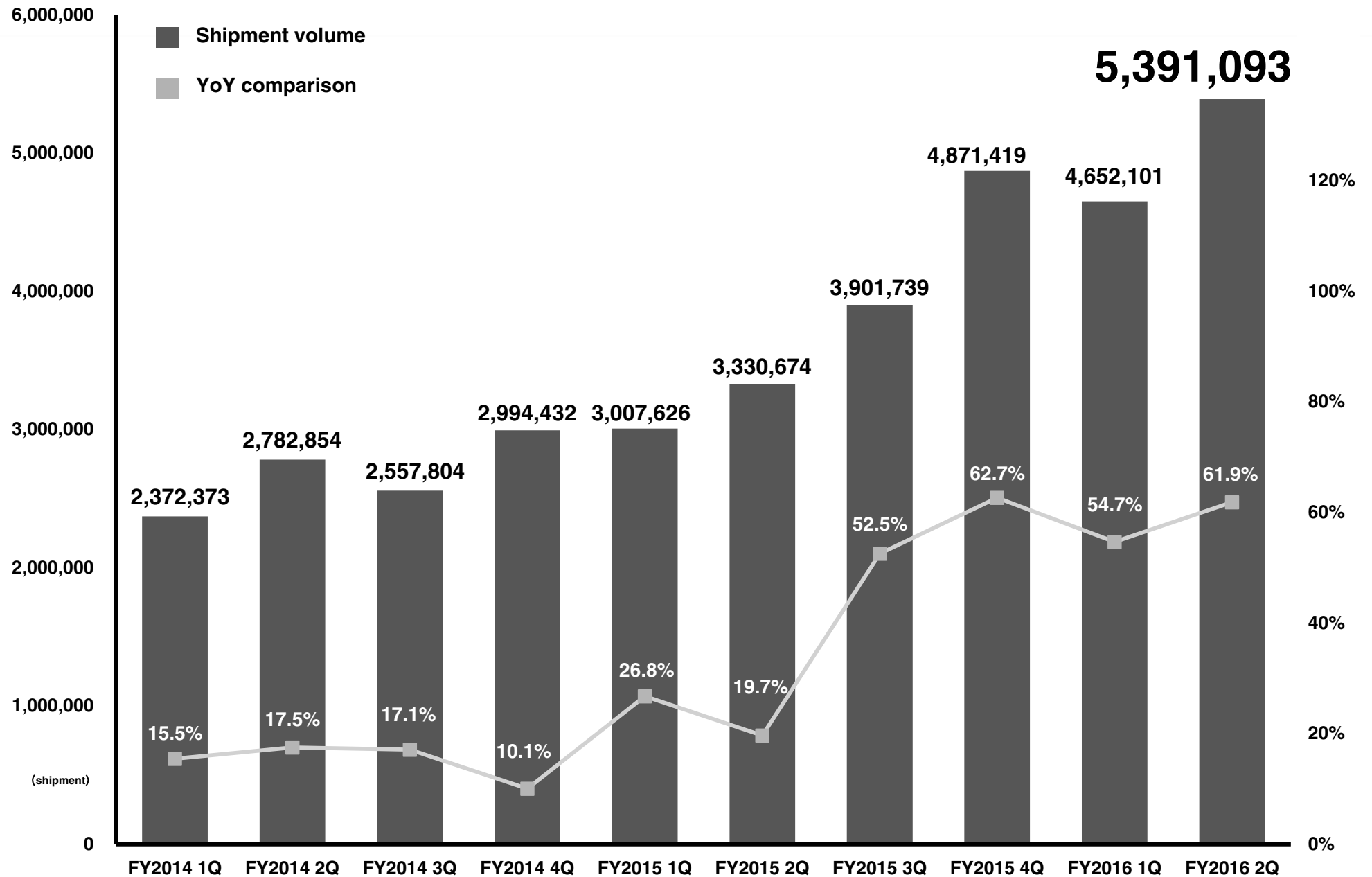
■ Age distribution



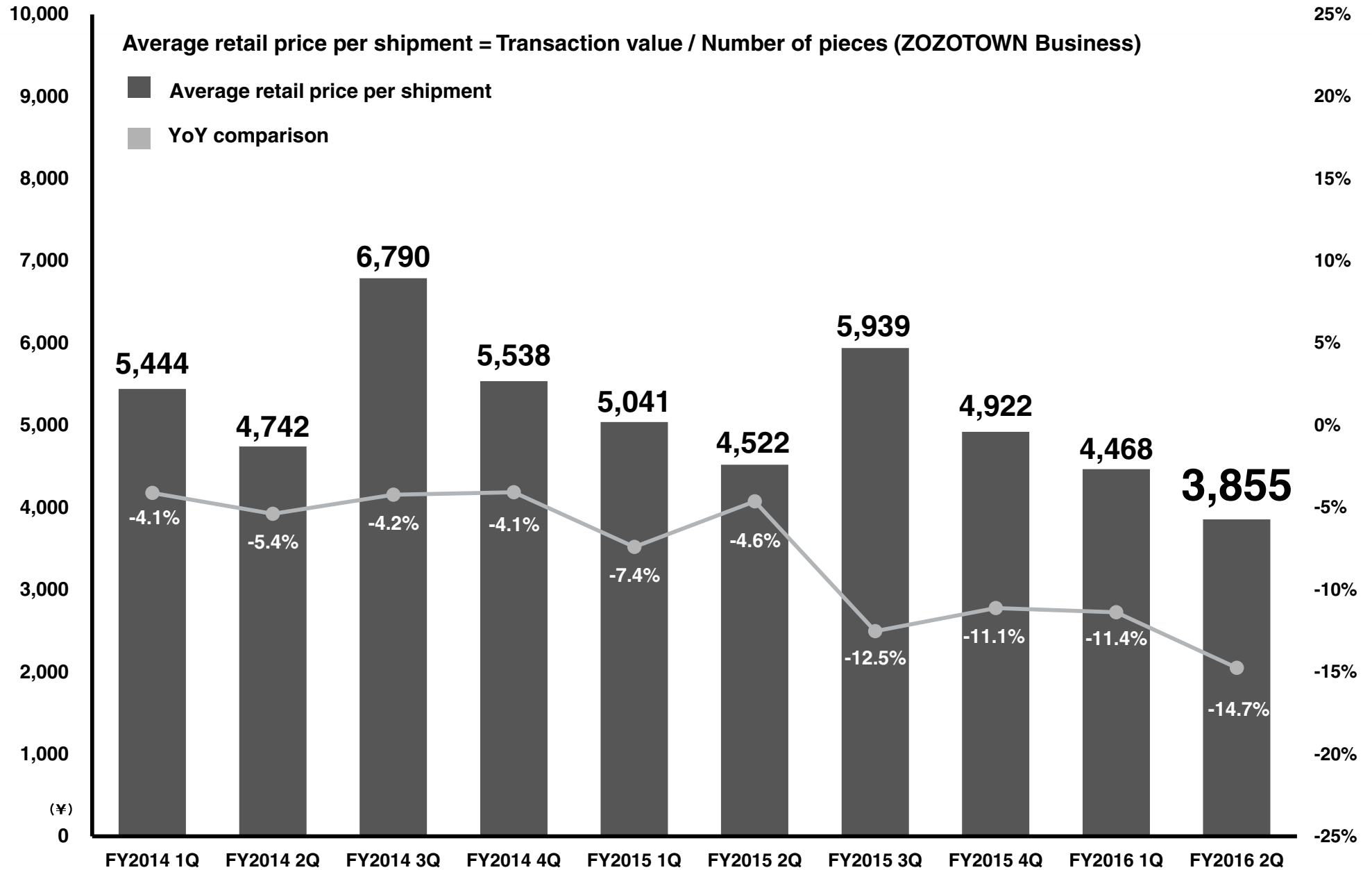
ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



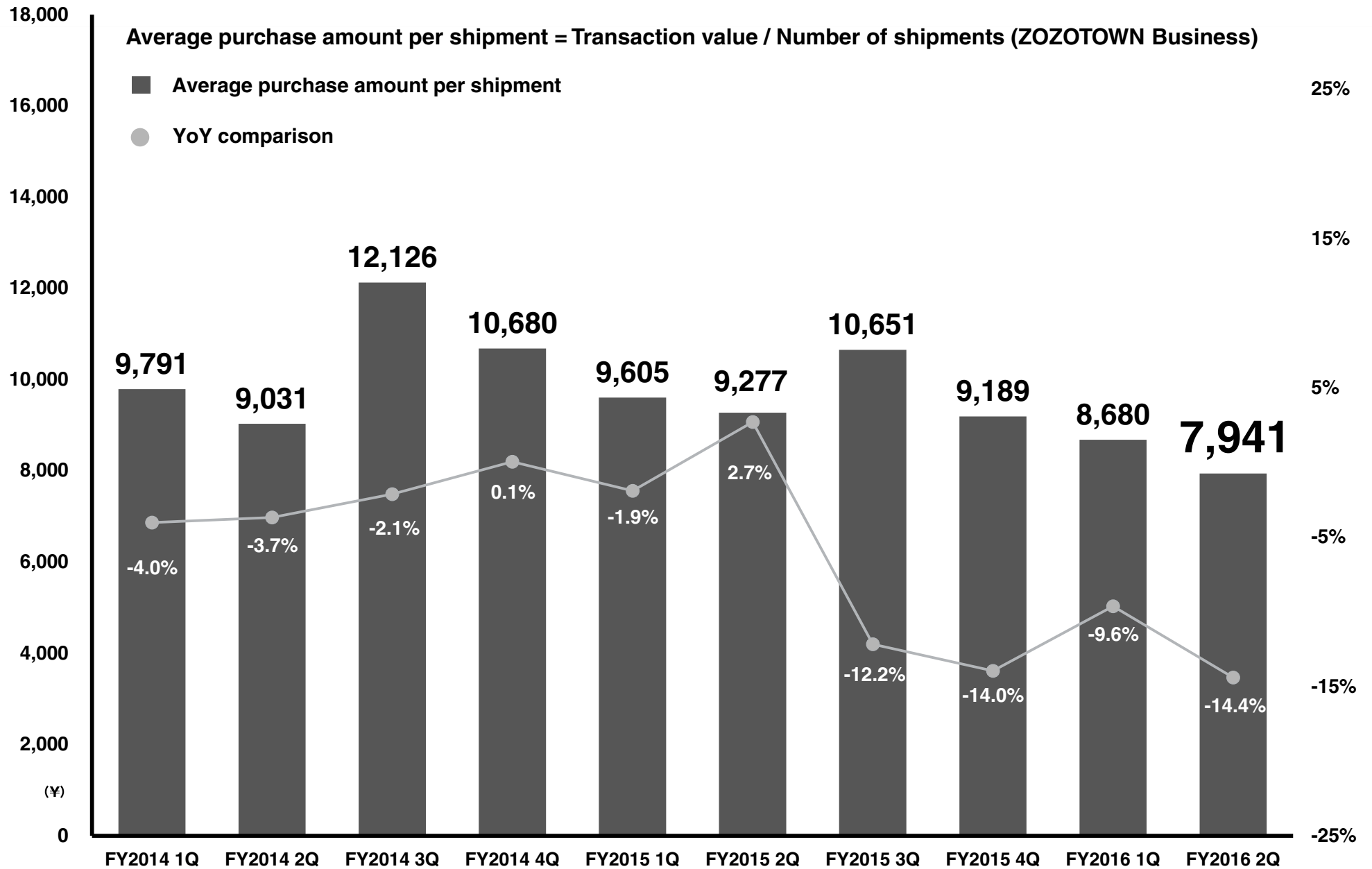
NUMBER OF SHIPMENT



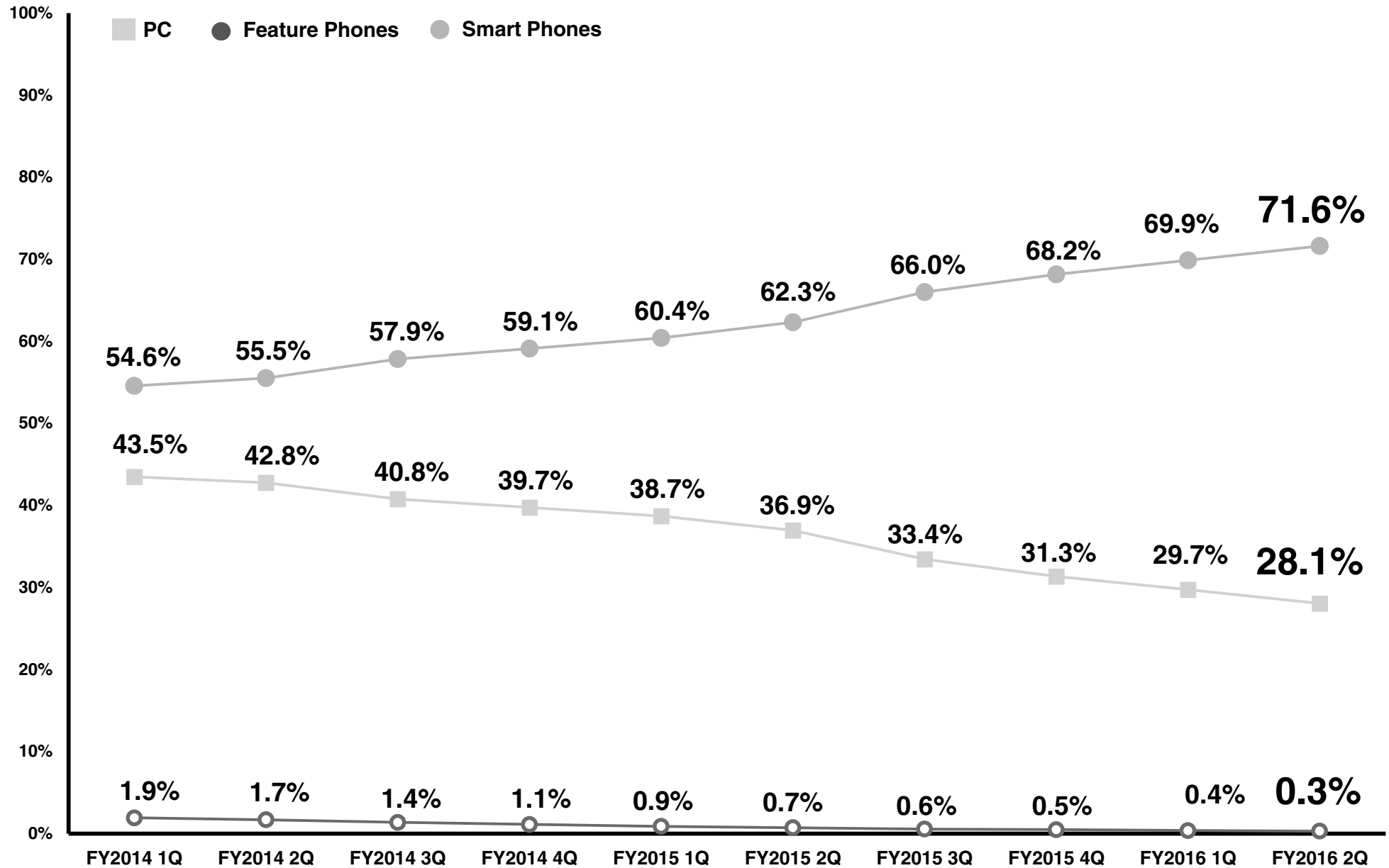
AVERAGE RETAIL PRICE



AVERAGE PURCHASE AMOUNT PER SHIPMENT



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





BUSINESS PLAN FOR FY2016

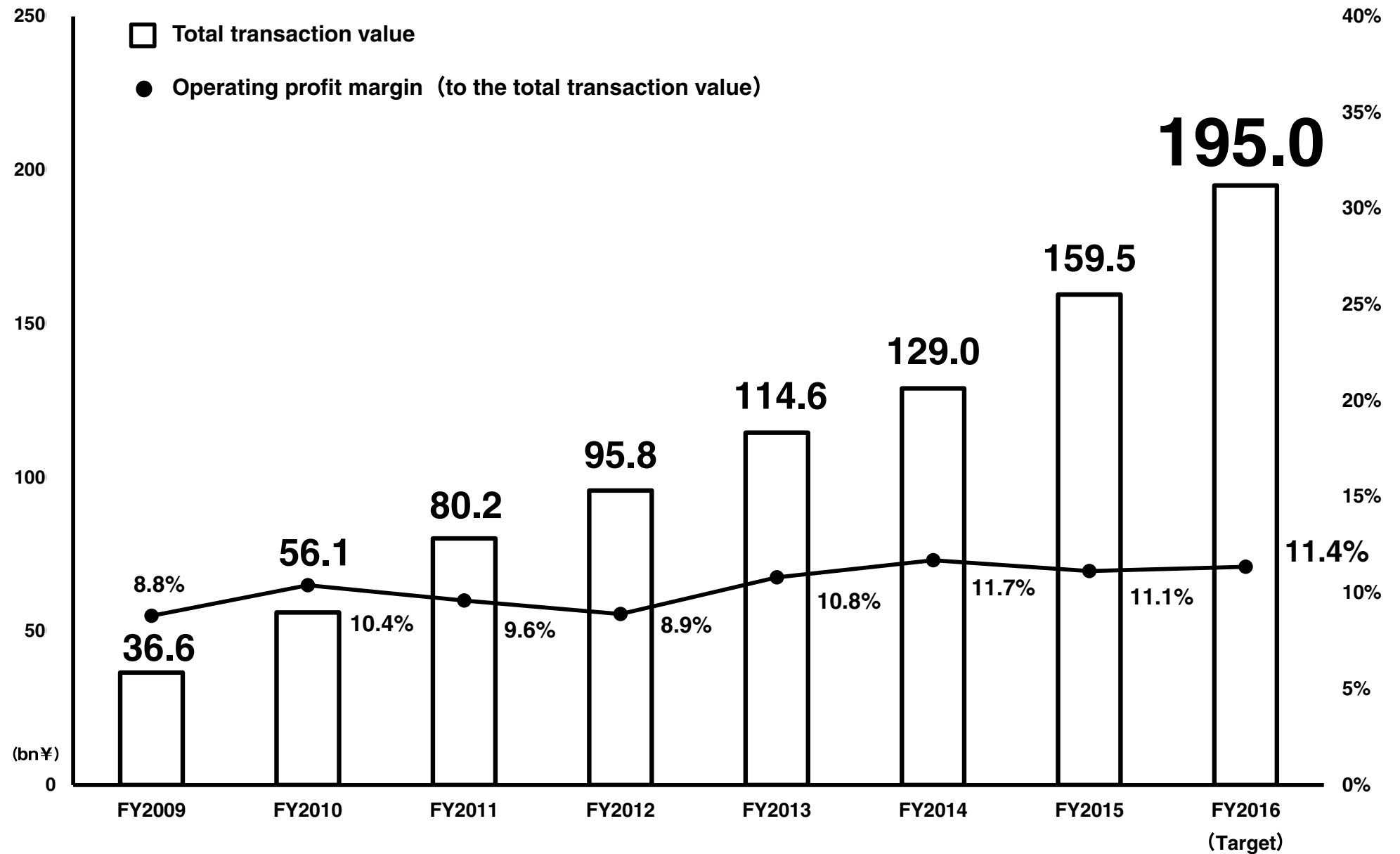
CONSOLIDATED BUSINESS FORECAST AND DIVIDEND FORECAST FOR FY2016

28

	FY2016 PLAN	Growth Rate(%)
Transaction value	195,000 (¥million)	22.3%
Net sales	69,030 (¥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	48.9 (¥)	-
Estimated dividends per share	※ 20.7 (¥)	-

※On September 30, 2016 the company conducted a stock split. The projected dividend per share is the amount after the stock split.

TRANSACTION VALUE



BREAKDOWN OF THE TOTAL TRANSACTION VALUE AND EACH POLICY

30

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)

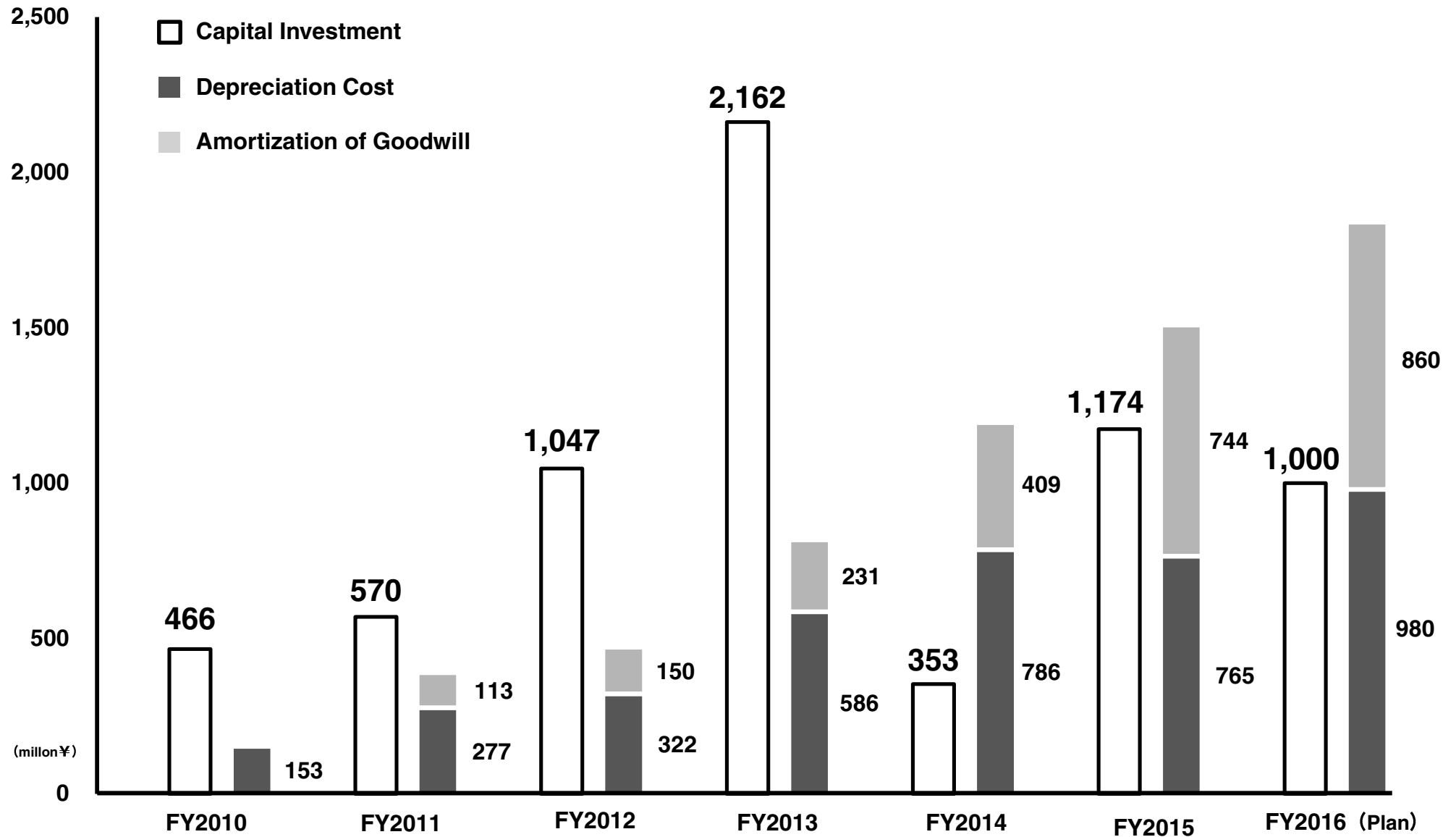
ZOZO FURIMA

Target for Total Transaction Value : 5 billion yen

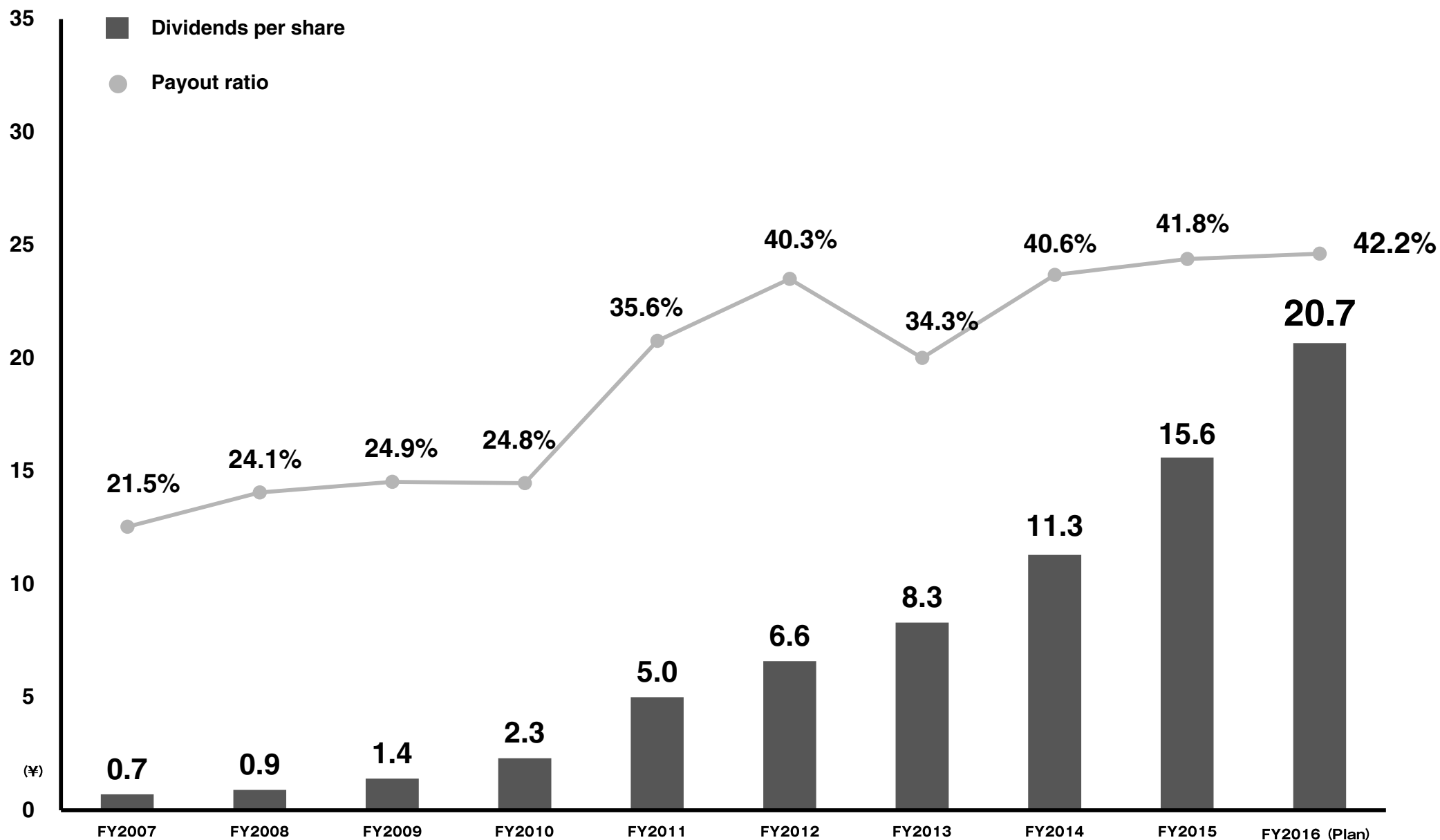
Operating Profit Margin(to the total transaction value)

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

CAPITAL INVESTMENT



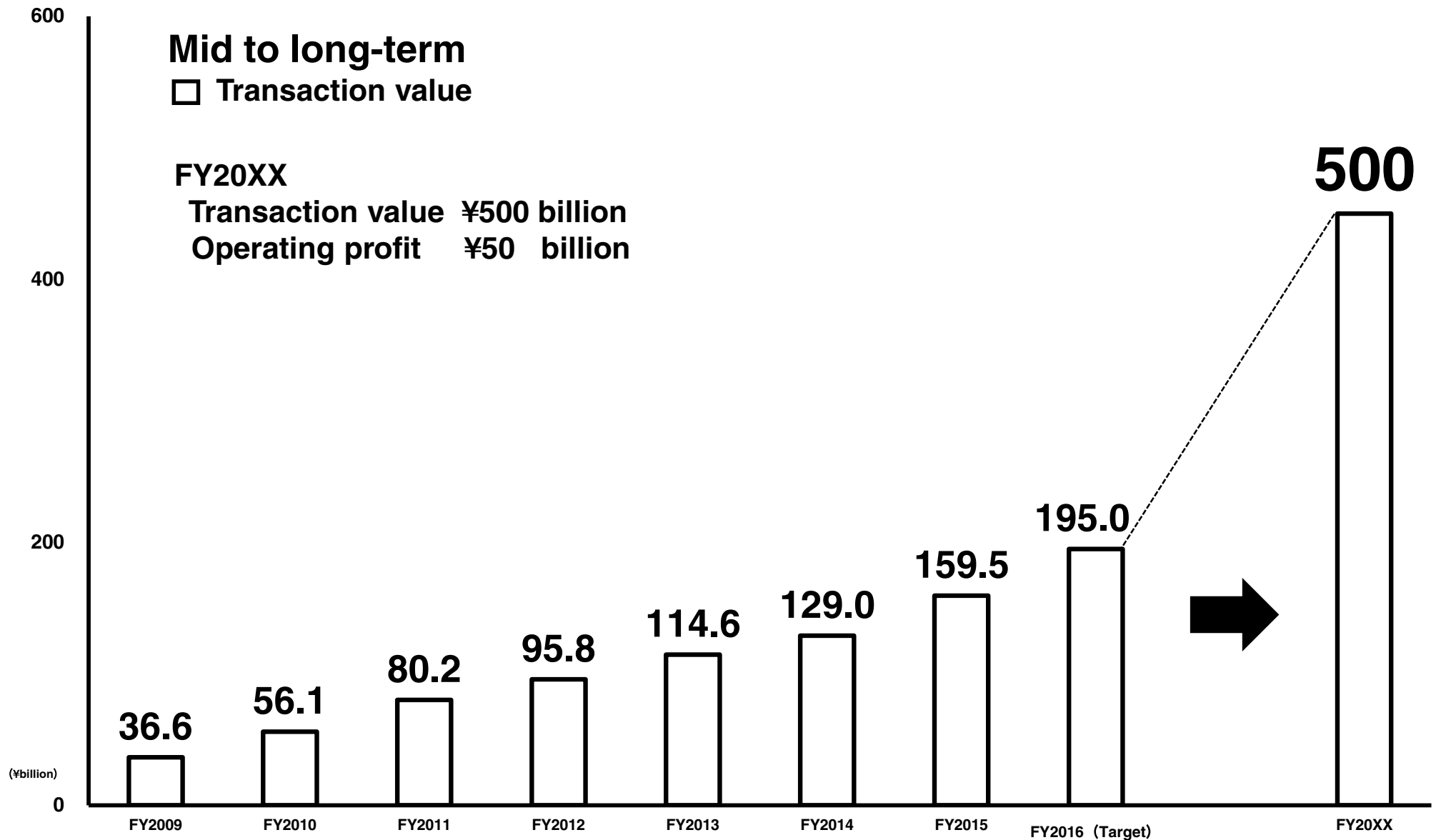
DIVIDENDS PER SHARE AND PAYOUT RATIO



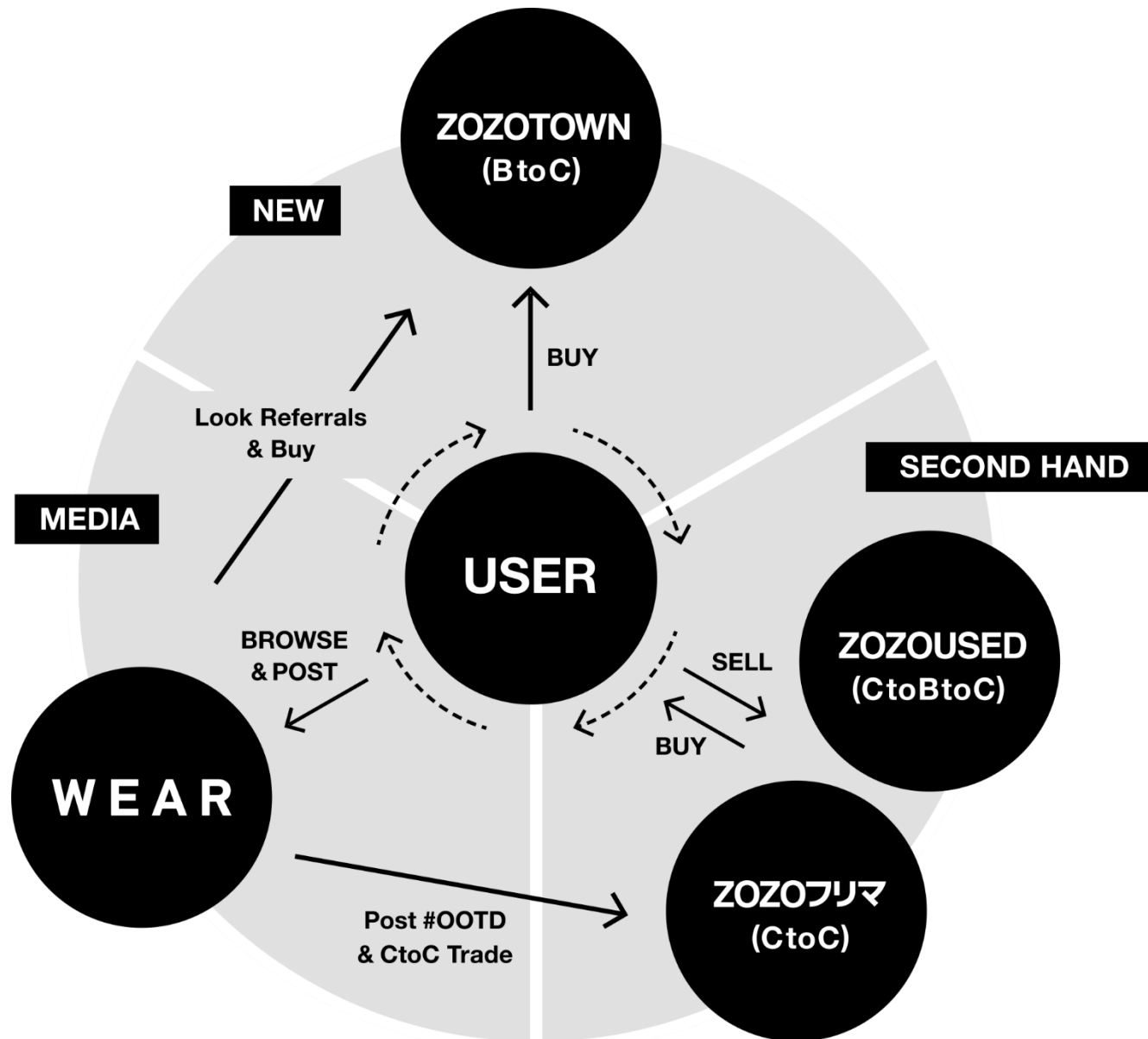
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FUTURE STRATEGIES

MID TO LONG-TERM VISION



MARKET EXPANSION STRATEGY



REFERENCE DATA

3,608

POPULAR BRANDS

831

EMPLOYEES (average age 30.3 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.

4,518

SHARE HOLDERS

5.2

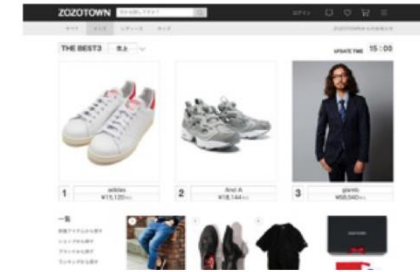
Million

TOTAL BUYERS (1year basis)

ZOZOTOWN

Japan's Largest Online Retailer of Apparel and Accessories

- 872 stores offering 3,608 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 7.5 million DL
- Now available in all geographic areas.



WEAR <http://wear.jp/>

OUR SUBSIDIARIES

START TODAY Engineering Co.,LTD.

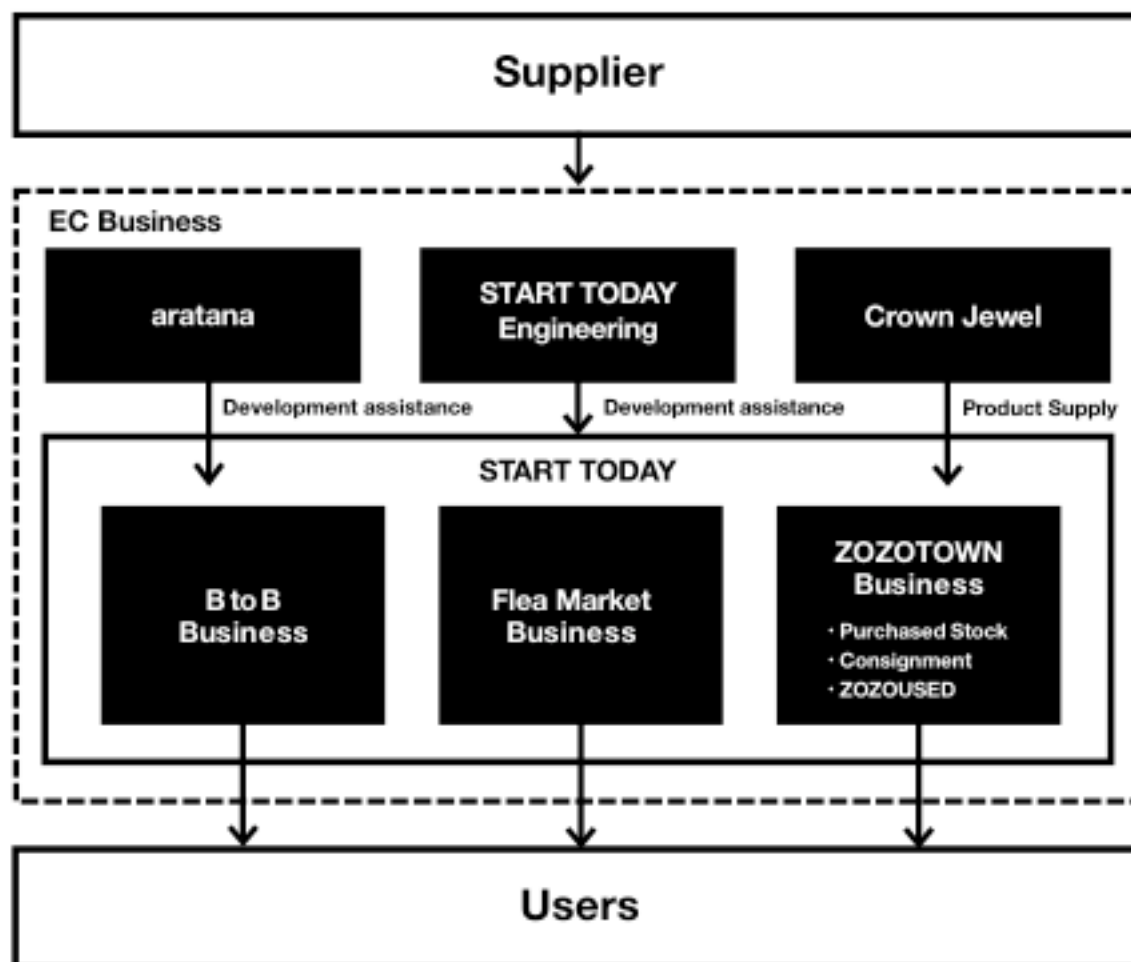
System development, WEB design, CRM,
Technological development, R&D

Crown Jewel, Inc.

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

aratanaInc.

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



ZOZOTOWN BUSINESS

• Consignment Sales

We operate 865 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 7 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.