

For FY2017 3Q, we could maintain the growth momentum supported by our successful measures aiming for transaction growth, and could overachieve our original corporate plan (undisclosed). Details are as follows.

(Unit: million yen)

	FY2016 3Q		FY2017 3Q		YoY(%)
Total Transaction Value	148,090	(100.0%)	196,987	(100.0%)	33.0%
Net Sales	53,694	(36.3%)	70,915	(36.0%)	32.1%
Gross Profit	48,659	(32.9%)	65,575	(33.3%)	34.8%
Operating Profit	19,291	(13.0%)	23,551	(12.0%)	22.1%
Recurring Profit	19,433	(13.1%)	23,600	(12.0%)	21.4%
Profit Attributable to Owners of Parent	14,117	(9.5%)	16,285	(8.3%)	15.4%

The total transaction value resulted as 196,987 million yen (+33.0% increase Y/y), net sales resulted as 70,915 million yen (+32.1% increase Y/y), and gross profit resulted as 65,575 million yen (+34.8% increase Y/y). Gross profit margin (towards the total transaction value) rose by 0.4p from 32.9% to 33.3% on Y/y basis. The factors increasing the GP margin was rise in the other revenue segment due to increase in shipping income and settlement commission despite the decrease in termination of paid membership services.

SG&A resulted as 42,023 million yen (+43.1% increase Y/y) and SG&A ratio (towards the total transaction value) increased by 1.5p from 19.8% to 21.3% on Y/y basis. As primary reasons for such the increase in the SG&A ratio are as follows. The ratio of shipping cost (towards the total transaction value) increased by 0.8p due to the price revision of the shipping fees to the carrier in Sep 2017, the ratio of payment collection cost (towards the total transaction value) increased by 0.7p due to the change in composition regarding settlement manners, and the ratio of outsourcing expenses (towards the total transaction value) increased by 1.0p due to branding and design fees incurred in associated with our private brand development as well as R&D expenditure for "ZOZOSUIT", and increase in outsourcing expenses at logistics and warehouse. On the one hand, the ratio of HR cost (towards the total transaction value) decreased by 0.6p, and goodwill amortization amount (towards the total transaction value) dropped by 0.3p.

As a result, operating profit resulted as 23,551 million yen (+22.1% increase Y/y), and operating profit margin (towards the total transaction value) decreased by 1.0p from 13.0% to 12.0% on Y/y basis.

We announced the release regarding a body measurement suit “ZUZOSUIT” and our private brand “ZOZO”, and began to take pre-orders of “ZUZOSUIT” with free of charge in Nov 2017.

As of shipping charge, we implemented the measure where customers can set charge at any amount for a month from Oct 2017. Then the shipping policy was amended in Nov 2017 to 200 yen per shipping (including tax). The shipping policy prior to Oct 2017 was no charge to orders (including tax) higher than 4,999 yen and 399 yen (including tax) for lower than that.

For logistics and warehouse, we are planning to rent a new logistics center from the fall 2018 and the fall 2019 in Tsukuba city in Ibaraki prefecture due to the estimation of further expansion of total transaction value in the future. Through this contract, the entire floor space of ZOZOBASE is expected to be approximately 330,000m² (approximately 200,000m² at present) in total.

Results by business segment are as follows.

Business Unit	FY2016 3Q (Apr 1 to Dec 31, 2016)			FY2017 3Q (Apr 1 to Dec 31, 2017)			Transaction Value YoY (%)	Net Sales YoY (%)
	Transaction Value (million ¥)	Ratio (%)	Net Sales (million ¥)	Transaction Value (million ¥)	Ratio (%)	Net Sales (million ¥)		
ZOZOTOWN								
(Consignment)	133,485	90.0	38,405	180,002	91.4	51,712	34.8	34.6
(Purchased Stock)	145	0.1	145	129	0.1	129	-10.9	-10.9
(ZOZOUSED)	9,270	6.3	9,270	11,370	5.8	11,370	22.7	22.7
Total	142,901	96.4	47,820	191,502	97.3	63,212	34.0	32.2
BtoB	4,522	3.1	988	5,398	2.7	1,161	19.4	17.5
ZOZOFURIMA	666	0.5	-0	86	0.0	-	-87.1	-100.0
Others	-	-	4,885	-	-	6,541	-	33.9
Total	148,090	100.0	53,694	196,987	100.0	70,915	33.0	32.1

<ZOZOTOWN Business>

Breaking down the transaction value of ZOZOTOWN business which ended in 191,502 million yen (+34.0% increase Y/y), consignment sales is 180,002 million yen (+34.8% increase Y/y), purchased stock sales is 129 million yen (-10.9% decrease Y/y), and ZOZOUSED business

sales is 11,370 million yen (+22.7% increase Y/y). The driving forces supported the high growth momentum of ZOZOTOWN Business are as follows.

- Sales contribution from new shops opened in the last fiscal year
- Aggressive new shop openings in this fiscal year from variety of genres.
- Effective promotion activities including coupons campaign with our brands. (We increased the number of brands' joint coupons campaigns from Apr 2017, and changed the usable period to 1-day from Nov 2017)
- CRM system enabling diversified communication approach
- Offering diversified payment methods to improve user conveniences.

Since the financial impact of deferred payment method which was introduced in Nov 2016 has taken around in Oct 2017, the net increase from this method will be marginal in FY2017 4Q.

Next we will explain about KPI performances of ZOZOTOWN business.

	FY2016				FY2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Shops on ZOZOTOWN (*)1	842	872	934	954	987	1,016	1,094	—
Purchased Stock	10	7	7	7	8	7	6	—
Consignment	832	865	927	947	979	1,009	1,088	—
Number of Brands (*)1	5,148	5,333	5,655	5,683	5,859	6,032	6,346	—
Number of Total Buyers (*)2	4,832,558	5,252,541	5,783,381	6,324,033	6,734,740	6,963,986	7,205,777	—
Active Member	2,844,171	3,059,991	3,421,440	3,893,156	4,181,873	4,591,017	4,957,861	—
Guest Buyer	1,988,387	2,192,550	2,361,941	2,430,877	2,552,867	2,372,969	2,247,916	—
Annual Purchase Amount (*)2,4,5	48,644	48,556	48,275	46,417	47,119	46,818	46,707	—
Annual Purchase Pieces (*)2,4	9.9	10.4	10.5	10.3	10.7	10.9	11.0	—
Number of Shipment (*)3	4,652,101	5,391,093	5,886,580	6,931,318	6,787,599	7,148,647	8,303,595	—
Average Retail Price (*)3,5	4,468	3,855	5,236	4,474	4,099	3,664	4,858	—
Average Purchase Amount per Shipment (*)3,5	8,680	7,941	10,143	8,955	8,530	8,186	9,043	—
By Access Terminal (*)3								—
PC	29.7%	28.1%	24.6%	22.3%	20.5%	19.5%	17.8	—
smartphone	69.9%	71.6%	75.2%	77.5%	79.4%	80.4%	82.1	—
Other Mobiles	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1	—

(*)

1. As at the end of each quarter period
2. Data is based on 12 months-period prior to the quarter end.
3. Figures are quarterly basis
4. Indicators are per active user basis
5. Japanese yen basis

<Number of new shop openings>

By the end of Dec 2017, we ended with 1,094 shops and 6,346 brands (1016 shops and 6,032 brands as of Sep 2017), which we think steady growth in the number. We welcomed 92 new shops (net increase of 78 shops) in this quarter and total number of new shop openings during this fiscal year reached 183 (net increase of 140 shops). We originally planned to open 150 new shops in this fiscal year, therefore we have already overachieved the target. Major shops opened during 3Q are "NIKE", "ALPEN/SPORTS DEPO", "MIKI HOUSE", and "PIGALLE". "TOMORROWLAND" the shop we have been attracting over past several years, opened its store by renewing the name of existing store("EDITION") to "TOMORROWLAND" and adding brands such as "TOMORROWLAND", "MACPHEE", "DES PRES".

(*) We changed the definition regarding the number of brands from 1Q to correct the discrepancy between the numbers obtained by our internal counting rules and that of actuals.

<Number of total annual buyers>

The number of total annual buyers are as follows.

	FY2016				FY2017			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Number of Total Buyers	4,832,558	5,252,541	5,783,381	6,324,033	6,734,740	6,963,986	7,205,777	—
(YoY Difference)	1,229,362	1,554,287	1,748,639	1,846,683	1,902,182	1,711,445	1,422,396	—
(Previous Quarter Comparison)	355,208	419,983	530,840	540,652	410,707	229,246	241,791	—
Active Member	2,844,171	3,059,991	3,421,440	3,893,156	4,181,873	4,591,017	4,957,861	—
(YoY Difference)	442,750	658,674	898,940	1,206,230	1,337,702	1,531,026	1,536,421	—
(Previous Quarter Comparison)	157,245	215,820	361,449	471,716	288,717	409,144	366,844	—
Guest Buyer	1,988,387	2,192,550	2,361,941	2,430,877	2,552,867	2,372,969	2,247,916	—
(YoY Difference)	786,612	895,613	849,699	640,453	564,480	180,419	-114,025	—
(Previous Quarter Comparison)	191,963	204,163	169,391	68,936	121,990	-179,898	-125,053	—

The number of new active members increased during 3Q compared to the previous quarter, but that of guest members decreased. This was due to the shift from guest members to active members during 3Q through the change in distribution of brand coupons, which are available only for registered members.

<Annual purchase amount, annual purchase pieces>

	FY2016				FY2017			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Annual Purchase Amount (All Members)	48,644	48,556	48,275	46,417	47,119	46,818	46,707	—
(YoY %)	9.9%	5.2%	2.4%	-3.2%	-3.1%	-3.6%	-3.2%	—

(Previous Quarter Comparison)	1.5%	-0.2%	-0.6%	-3.8%	1.5%	-0.6%	-0.2%	—
Annual Purchase Pieces	9.9	10.4	10.5	10.3	10.7	10.9	11.0	—
(YoY %)	22.9%	21.6%	17.0%	9.2%	8.2%	4.5%	4.9%	—
(Previous Quarter Comparison)	5.1%	5.3%	0.5%	-1.8%	4.1%	1.7%	0.9%	—
Annual Purchase Amount (Active Member)	58,953	60,106	60,929	61,770	63,004	64,290	62,761	—
(YoY %)	7.5%	7.5%	7.7%	6.7%	6.9%	7.0%	3.0%	—
(Previous Quarter Comparison)	1.9%	2.0%	1.4%	1.4%	2.0%	2.0%	-2.4%	—
Annual Purchase Pieces	11.8	12.6	13.1	13.6	14.1	14.6	14.5	—
(YoY %)	19.0%	22.1%	22.3%	20.2%	19.2%	15.7%	10.5%	—
(Previous Quarter Comparison)	4.9%	6.3%	4.0%	3.7%	4.0%	3.2%	-0.7%	—

The annual purchase amount decreased compared to the same quarter of last fiscal year and the previous quarter of this fiscal year because the number of short-term active members increased. They tend to have lower average annual purchase amount compared to long-term active members.

The annual purchase amount of existing active members is also decreasing due to the increase of short-term active members who registered through the introduction of deferred payment services in Nov 2016 and 3,000 points offer for new registration in Dec 2016. It has been a year since measures took place and newly-registered members became existing members thus the proportion of short-term members to the existing active members increased.

<Average retail price, average purchase amount per shipment and number of shipments>

	FY2016				FY2017			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Average Retail Price	4,468	3,855	5,236	4,474	4,099	3,664	4,858	—
(YoY %)	-11.4%	-14.7%	-11.8%	-9.1%	-8.3%	-5.0%	-7.2%	—
(Previous Quarter Comparison)	-9.2%	-13.7%	35.8%	-14.5%	-8.4%	-10.6%	32.6%	—
Average Purchase Amount per Shipment	8,680	7,941	10,143	8,955	8,530	8,186	9,043	—
(YoY %)	-9.6%	-14.4%	-4.8%	-2.5%	-1.7%	3.1%	-10.9%	—
(Previous Quarter Comparison)	-5.5%	-8.5%	27.7%	-11.7%	-4.7%	-4.0%	10.5%	—
Average Purchase Pieces per Order	1.94	2.06	1.94	2.00	2.08	2.23	1.86	—
(YoY %)	2.0%	0.4%	8.0%	7.2%	7.1%	8.5%	-3.9%	—
(Previous Quarter Comparison)	4.0%	6.0%	-5.9%	3.3%	4.0%	7.3%	-16.7%	—
Number of Shipment	4,652,101	5,391,093	5,886,580	6,931,318	6,787,599	7,148,647	8,303,595	—
(YoY %)	54.7%	61.9%	50.9%	42.3%	45.9%	32.6%	41.1%	—
(Previous Quarter Comparison)	-4.5%	15.9%	9.2%	17.7%	-2.1%	5.3%	16.2%	—

For FY2017 3Q, the average retail price decreased. The main factor causing such was the increase in the transaction value of new shops with relatively low-price points.

The average purchase amount per shipment also decreased Y/y mainly due to the change of shipping fee from “free to choose any amount” to 200-yen flat, resulting the drop of the purchased pieces per order.

<ZOZOUSED>

For ZOZOUSED which is included in the ZOZOTOWN business, the transaction value resulted as 11,370 million yen (+22.7% increase Y/y) which accounts for 5.8% of the total transaction value (6.3% in the same period of the last fiscal year). The net sales is equivalent to the transaction value (11,370 million yen and 22.7% Y/y growth). At this point, it would be difficult to recover the cumulative loss in Q4 FY2017 and achieve the full-year corporate plan of the transaction value 18,000 million yen (+39.8% increase Y/y). The background of this shortfall is because of putting emphasis on conducting the operational restructure in the 1st half of FY2017, to provide full-fledged trade-in transactions for replacement purchase. This restructure was completed in Q3 and from promotion campaigns from Nov to Dec 2017 (Additional 500 yen tack on to offered trade-in price higher than 3,000 yen), we managed to increase the number of trade-in items. Going forward, we will discuss internally on further enhancement of trade-in transaction for replacement purchase, and expansion of the variety of selling items.

<BtoB Business>

The transaction value of BtoB Business resulted as 5,398 million yen (+19.4% increase Y/y) which accounts for 2.7% of the total transaction value (3.1% in the same period of the last fiscal year). Net sales resulted as 1,161 million yen (+17.5% increase Y/y). In terms of the BtoB Business, our policy prioritizes assistances to the existing client websites over scale expansion.

Other Topics

<WEAR>

WEAR, our fashion platform aiming to revitalize the entire fashion market, is continuously operating to expand both the user base as well as the content volume. We have seen a steady growth in the service including over 10 million App downloads and the number of monthly active users has also been in good shape.

<ZOZOSUIT and Private Brand>

On Nov 22, 2017, we announced the release of a body measurement suit “ZOZOSUIT” and commenced pre-orders of free distribution on the same day. Pre-order started from noon

and received 230 thousand orders in that day. ZOZOTOWN will be using these body measurement metrics to combat the common issue of “anxiety of size matching” in fashion e-commerce by upgrading research and recommending features. “ZOZOSUIT” will provide easier buying experience of fashion not only to the existing customers but also brand-new customers.

Furthermore, we also announced our private brand “ZOZO” with its logo and mission statement. The mission statement is “be unique, be equal”, hoping to connect every single person in the world with fashion.

<Guidance for FY2017>

The disclosing corporate plan for FY2017 which is, 270,000 million yen for the total transaction value (+27.3% Y/y), 100,000 million yen for net sales (+30.9% Y/y), 32,000 million yen for operating profit (+21.7% Y/y), 32,000million yen for recurring profit (+21.0% Y/y), and 22,200 million yen for profit attributable to owners of parent (+30.3% Y/y), and the payout ratio for dividend is planned to be 40% at 29.0 yen per share, has not been changed from the beginning of this fiscal year.

In terms of the impact of free distribution of “ZOZOSUIT”, calculation of the numerical impact and that of net sales and profit contribution of the private brand “ZOZO” which will be initiated after the distribution of “ZOZOSUIT”, are extremely difficult at present. If anything requires disclosure should happen in the future, we will disclose accordingly in timely manner.