

Second Quarter FY2010

April 1, 2010 – September 30, 2010

Consolidated Business Results

Business Performance

Highlights for Second Quarter (Q2) FY2010

1. Achieved Target Net Sales and Transaction Value

- Net sales for H1: ¥10,243 million (+53.8% year on year)
- Transaction value for H1: ¥23,375 million (+67.7% year on year)

2. Made record for the operating Profit Margin

- Operating profit margin for Q2: 25.1% (+19.0% year on year)
- Operating profit for H1: ¥2,468 million (+103.9% year on year)

3. New Members Fell Short of the Target for the First Half (H1) Following Q1

- Total number of members: 2,442,256
- New members for H1 FY2010 : 413,549
(Compared to H1 FY2010 target: -128,999)

4. New Store Openings Continued

- Stores opened for Q2:
Store Planning & Development Business (Direct Sales): 5 stores
Store Operation & Administration Business (Consignment Sales): 42 stores (of which, 20 brands handled by Store Planning and Development Business became the tenants)

5. Enhanced Category Search Function

- Search items based on various attributes
- Make ZOZOTOWN an easy-to-understand, easy-to-shop site even for first-time visitors

6. Commenced E-Commerce (EC) Support of Popular Brands

ROSE BUD: September 30, 2010

Overview of the First Half of FY2010

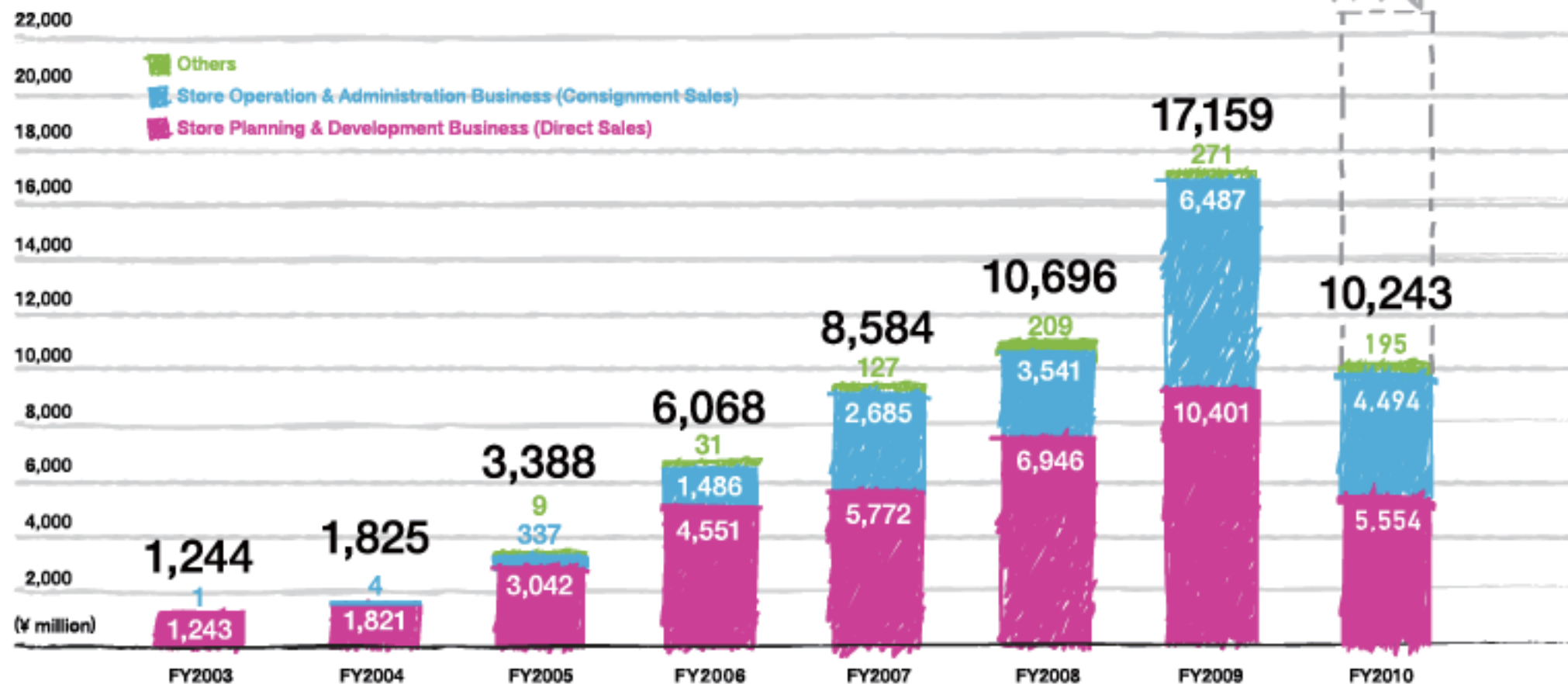
(¥ million)

Item	H1 FY2010	H1 FY2009	YoY change (%)	Target for FY2010	Target achievement	Reasons for change
Net sales	10,243	6,659	+53.8%	23,000	44.5%	<ul style="list-style-type: none"> Transaction value: ¥23.37 billion (+67.7% year on year) Purchase amount per shipment recovered due to cease of free shipping
Operating profit	2,468	1,210	+103.9%	4,600	53.7%	Reasons for the H1 result outperformed the H1 target: SG&A decreased due to 1) unexpended or postponed budget, and 2) the benefit of the economies of scale attained by transaction value growth
Recurring profit	2,465	1,219	+102.1%	4,610	53.5%	-
Net income	1,363	698	+95.2%	2,580	52.8%	-

Net Sales (First Half)

Steady growth

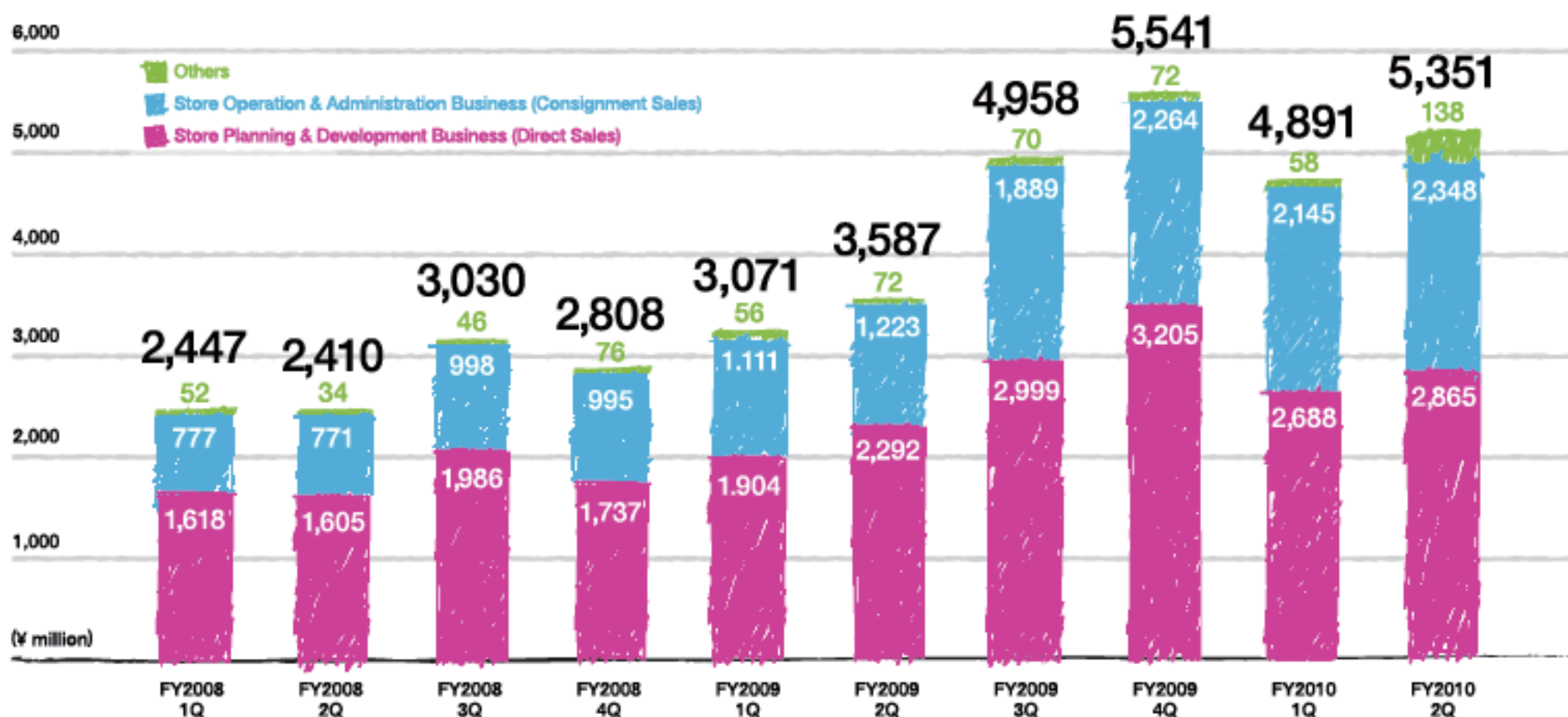
- Achieved target
- As a percent of full-year target: 44.5%
- Significant growth of 53.8% year on year



Net Sales (Quarterly)

Second highest following after Q4 FY2009

- Store Planning & Development Business (Direct Sales): +25.0% year on year
- Store Operation & Administration Business (Consignment Sales): +92.0% year on year



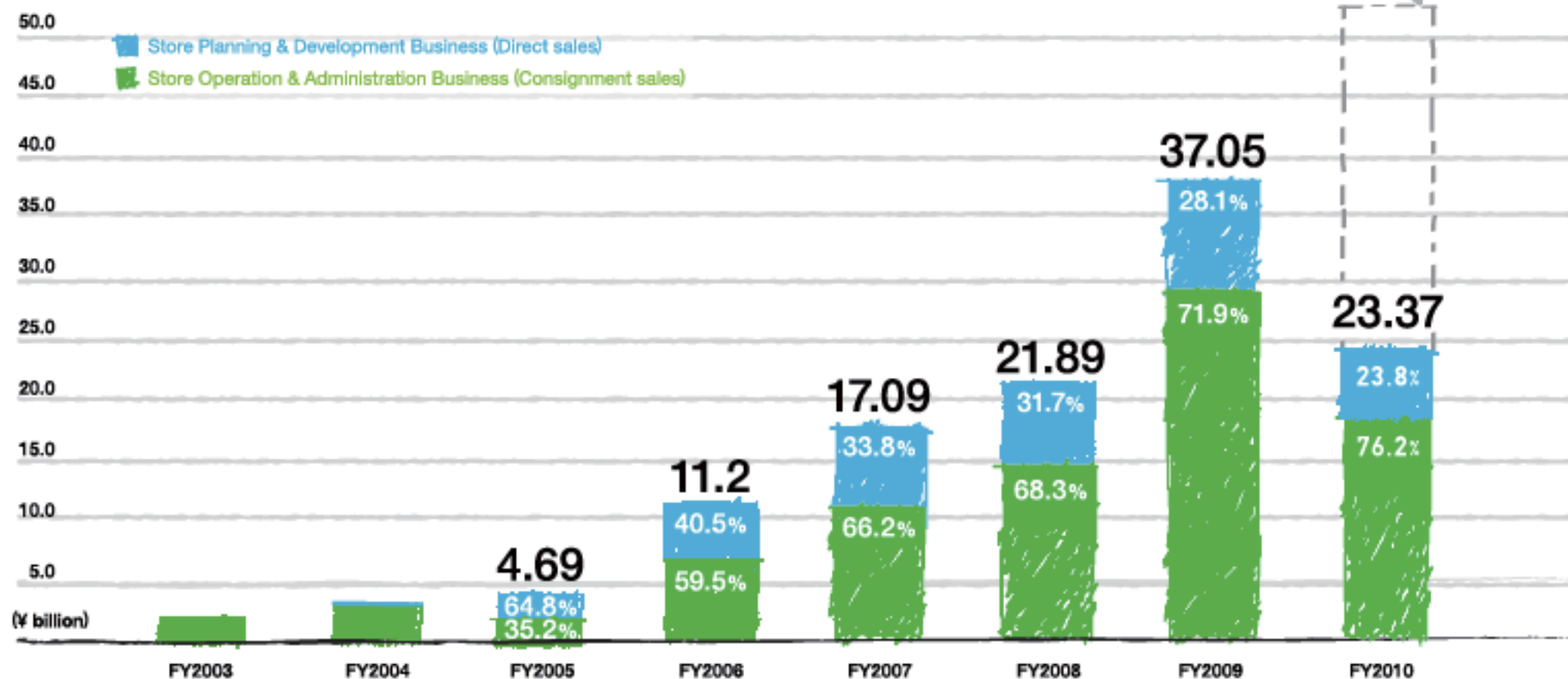
Transaction Value (First Half)

Transaction value for H1 FY2010: ¥23.37 billion

Consignment transaction value for H1 FY2010: ¥17.82 billion

Target for transaction value was achieved as well.

- B to B transaction value for H1 FY2010 (included in consignment transaction value): ¥1.62 billion (Re: H1 FY2009: ¥0.31 billion)
- Gross transaction value of new stores for H1 FY2010 : ¥450 million, 2.1% of the gross transaction value (excluding B to B transaction)

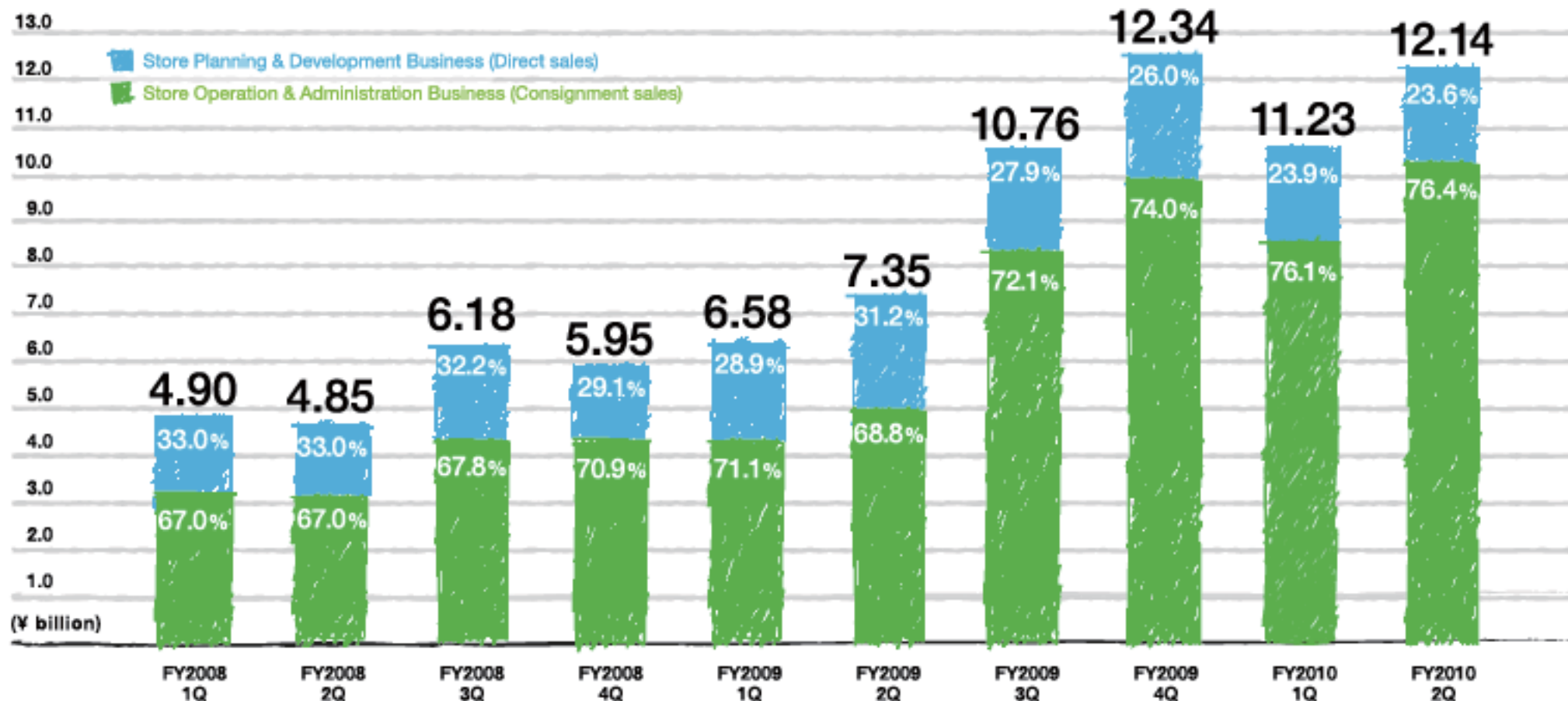


Transaction Value (Quarterly)

- Transaction value for Q2 FY2010: ¥12.14 billion
- Consignment transaction value for Q2 FY2010: ¥9.27 billion

Second highest following after Q4 FY2009.

• +¥4.2 billion (+83.1%) year on year



Selling, General and Administrative Expenses

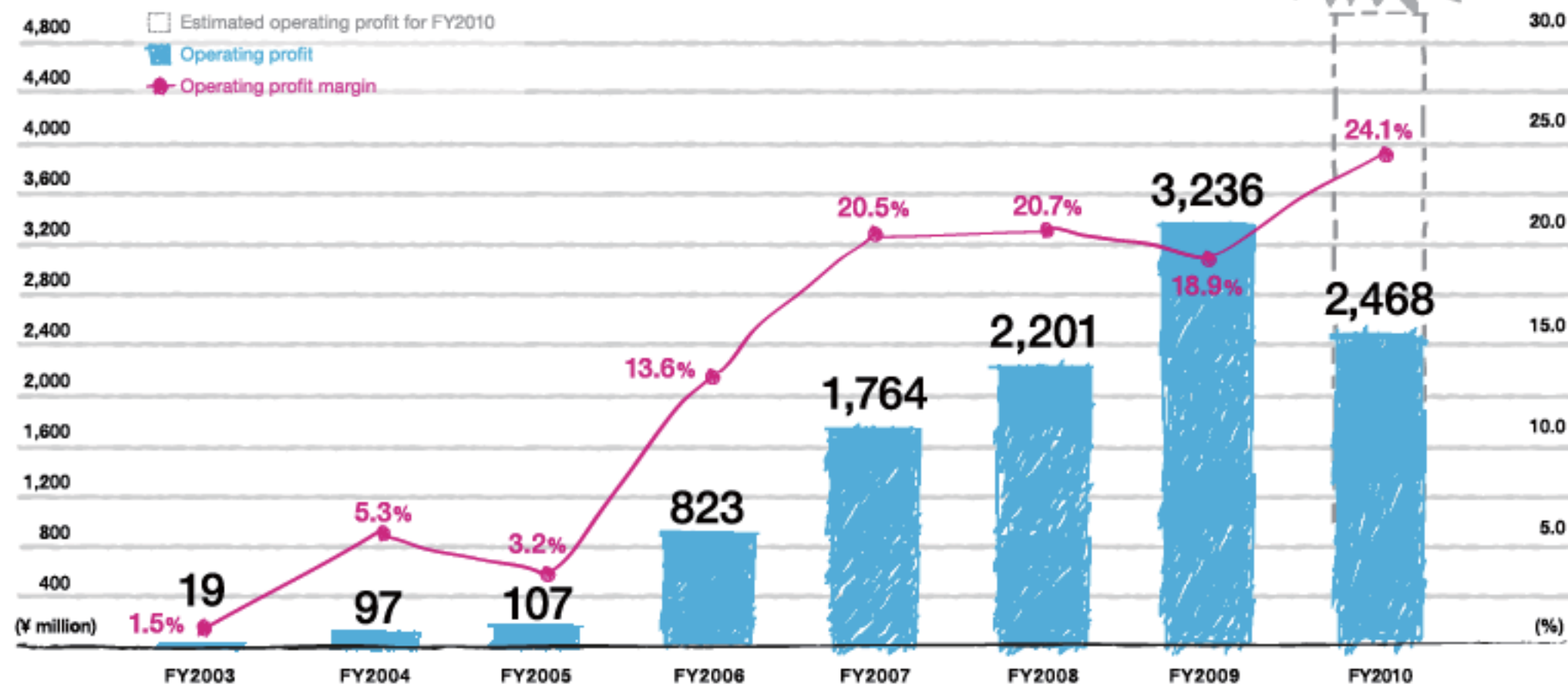
(¥ million)

Item	H1 FY2010		H1 FY2009		YoY change (%net sales)	Q2 FY2010		Q1 FY2009		Reasons for the change
	Amount	% Sales	Amount	% Sales		Amount	% Sales	Amount	% Sales	
Total SG&A	4,147	40.5%	2,749	41.3%	-0.8%	2,274	42.5%	1,872	38.3%	Advertising expenses increased
Payroll and staff	604	5.9%	519	7.8%	-1.9%	315	5.9%	289	5.9%	
Shipping	598	5.8%	401	6.0%	-0.2%	315	5.9%	282	5.8%	
Payment Collection	496	4.8%	299	4.5%	0.3%	257	4.8%	238	4.9%	
Advertising	649	6.3%	304	4.6%	1.7%	465	8.7%	184	3.8%	TV advertising significantly increased
Outsourcing	195	1.9%	140	2.1%	-0.2%	97	1.8%	98	2.0%	Some budgeted expenses were not expended or postpone
Others	1,603	15.6%	1,084	16.3%	-0.7%	823	15.4%	779	15.9%	1) Some budgeted expenses were not expended or postpone and 2) the benefit of the economies of scale

Operating Profit and Operating Profit Margin (First Half)

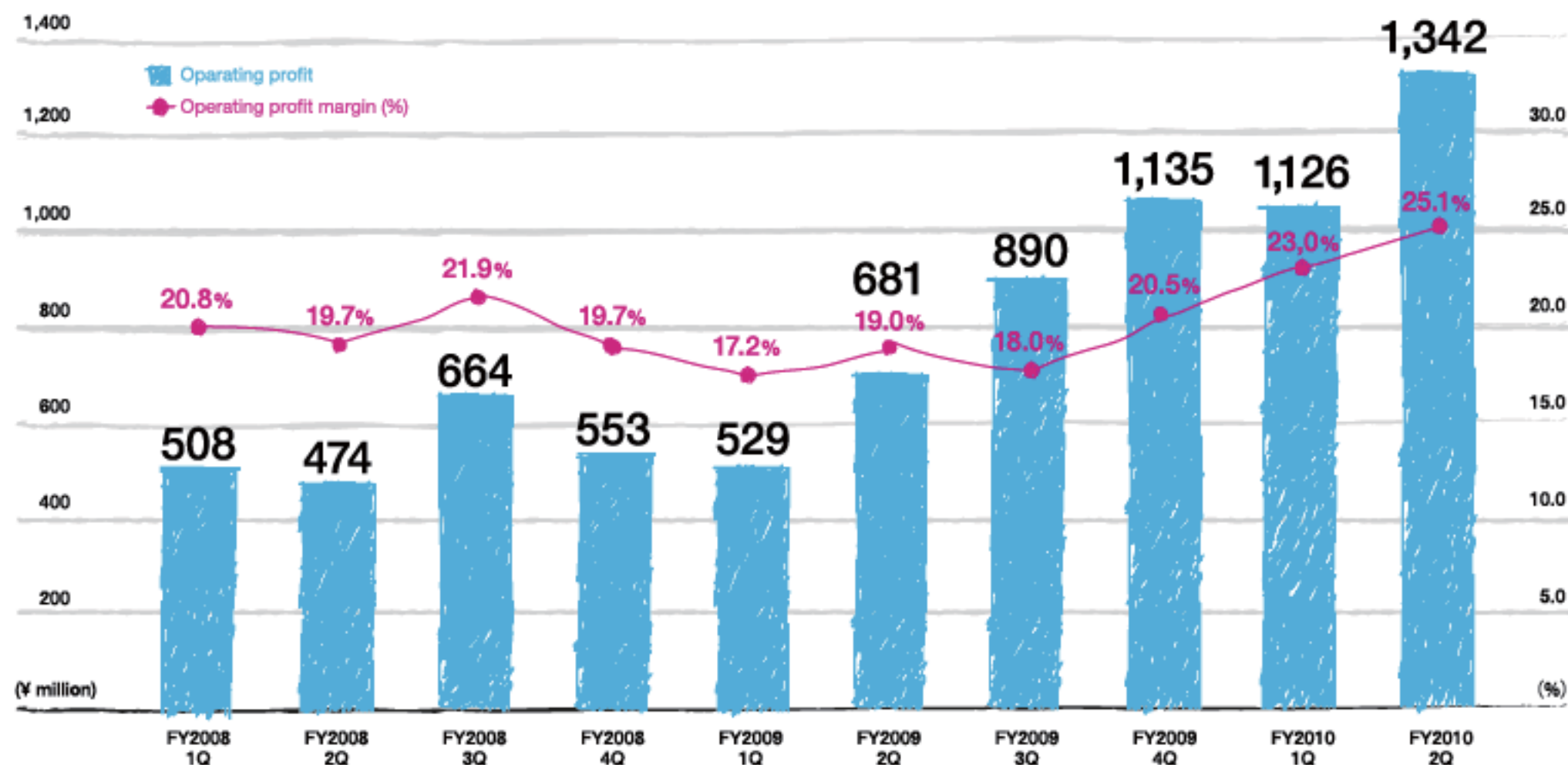
Marked record for the operating profit margin

+103.9% year on year



Operating Profit and Operating Profit Margin (Quarterly)

Marked record for the operating profit and operating profit margin



Cash Flows

(¥ million)

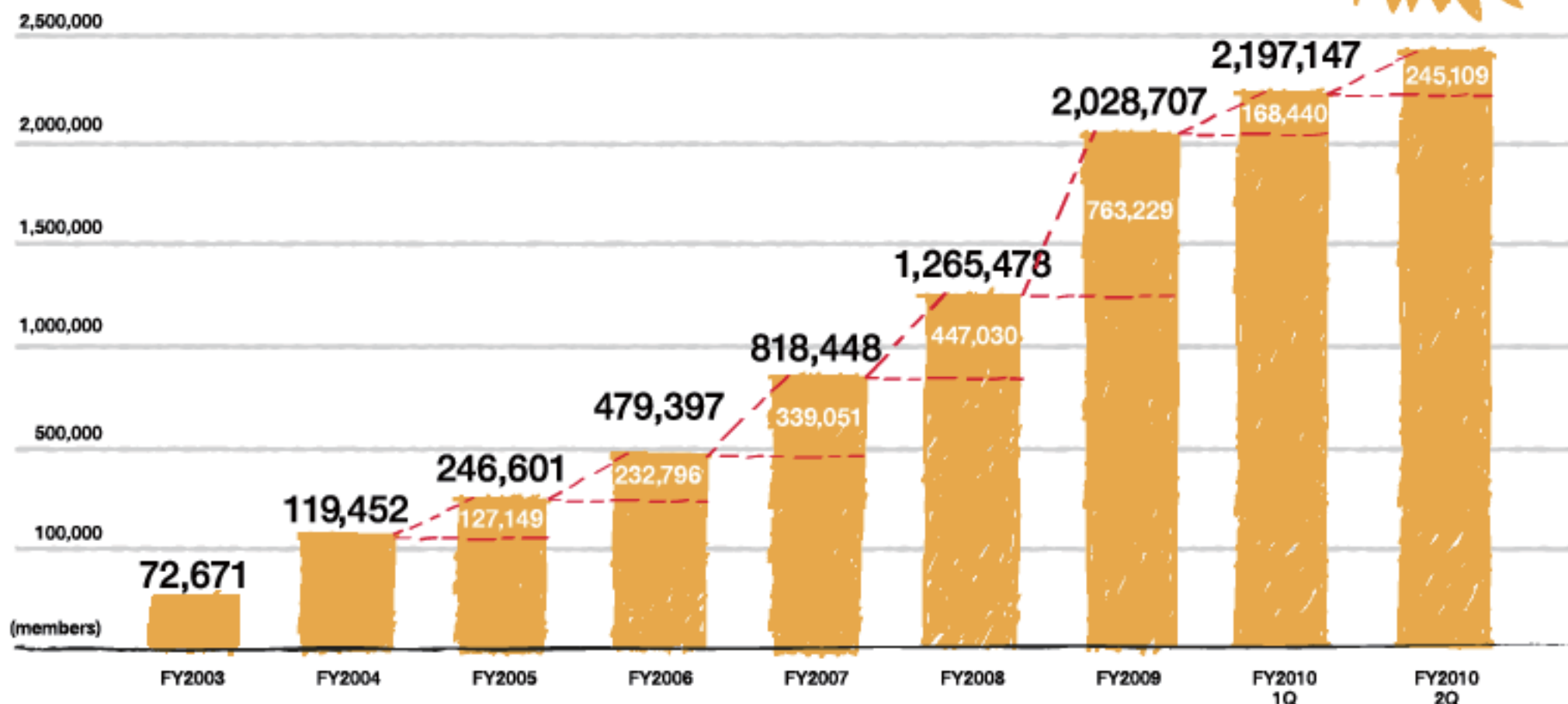
	1H FY2010	1H FY2009	YoY	Reasons for the change
Cash flows from operating activities	1,323	597	-726	Increase of net income and income tax payment
Cash flows from investing activities	-221	-91	-130	Acquisition of shares of an affiliate (Crown Jewel, Inc.)
Cash flows from financing activities	-462	-308	-154	Dividend payment (Dividend per share ¥1,270)
Cash and cash equivalents at end of period	7,792	5,310	2,482	—

Fact Data Analysis

Total Members (First Half)

Total members increased steadily, but fell short of the H1 target.

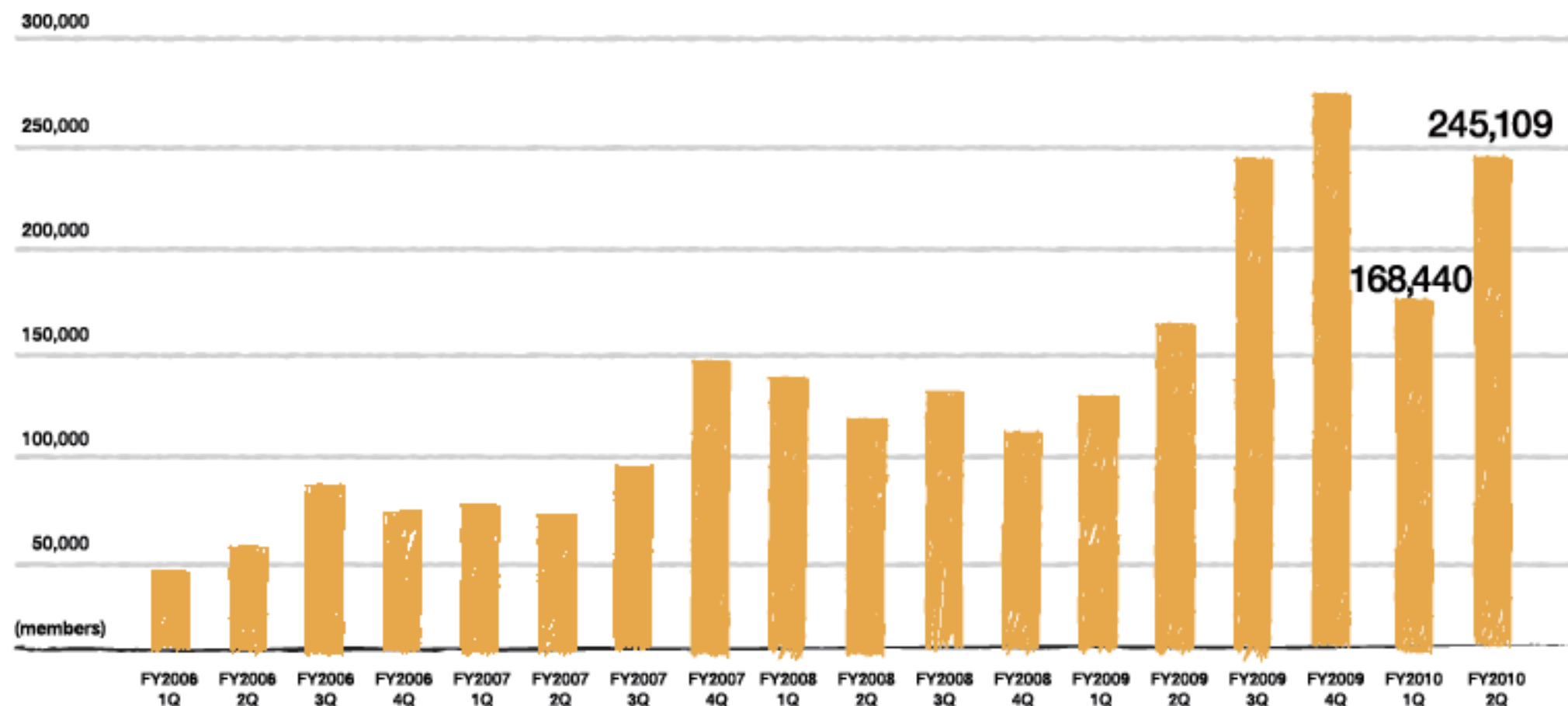
- Compared to H1 target: -128,999 members
- +60.7% year on year



New Members (Quarterly)

Second highest following after Q4 FY2009.

- +77.2% year on year
- Nationwide TV commercial launch helped to get noticed ZOZO and acquire new members.

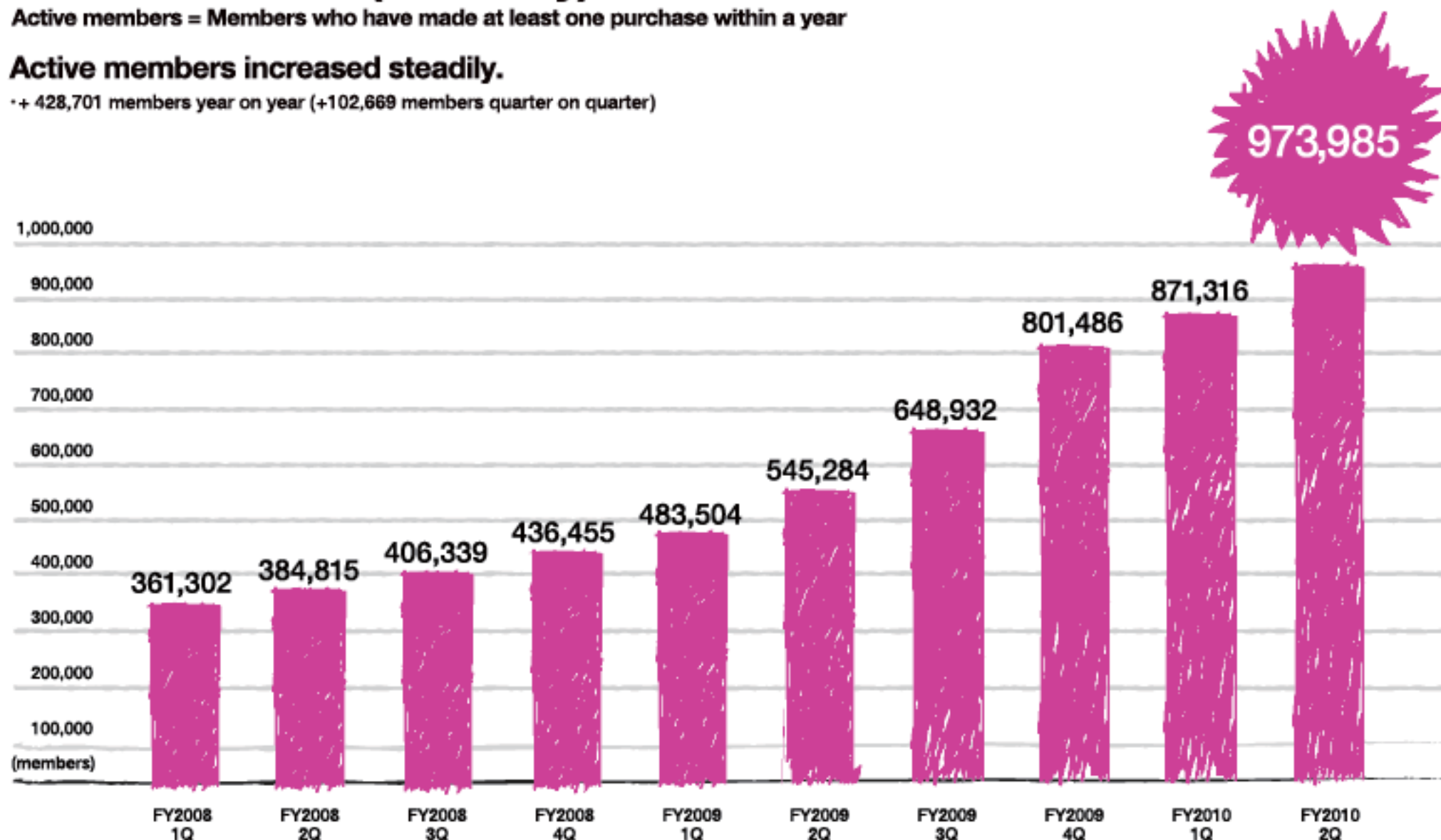


Active Members (Quarterly)

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

Active members increased steadily.

+ 428,701 members year on year (+102,669 members quarter on quarter)

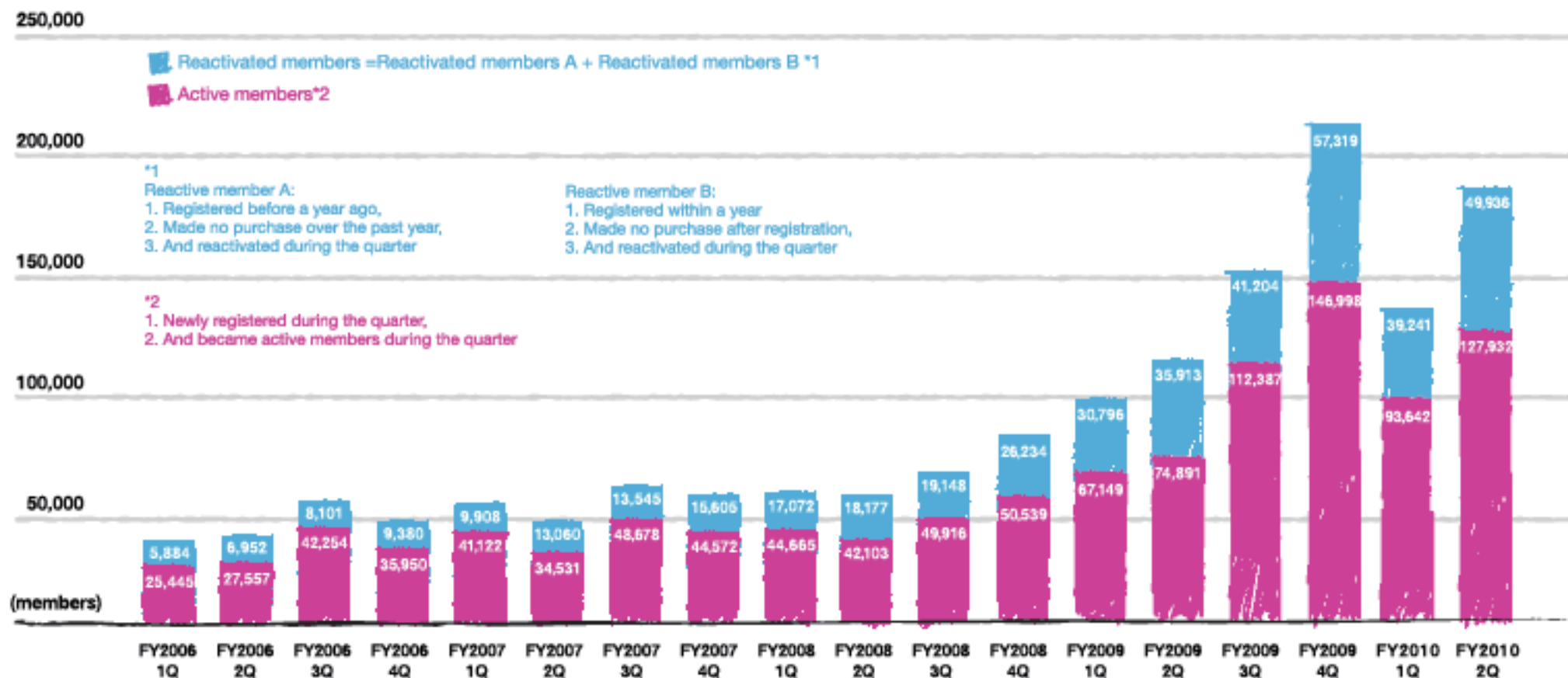


Active Members (New and Reactivated, Quarterly)

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

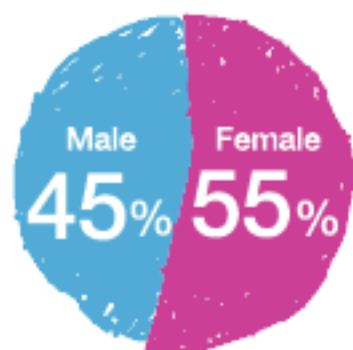
Number of new active members remained high

- 55.2% of new members in Q2 became active members
- Second highest reactivated members following after Q4 FY2009

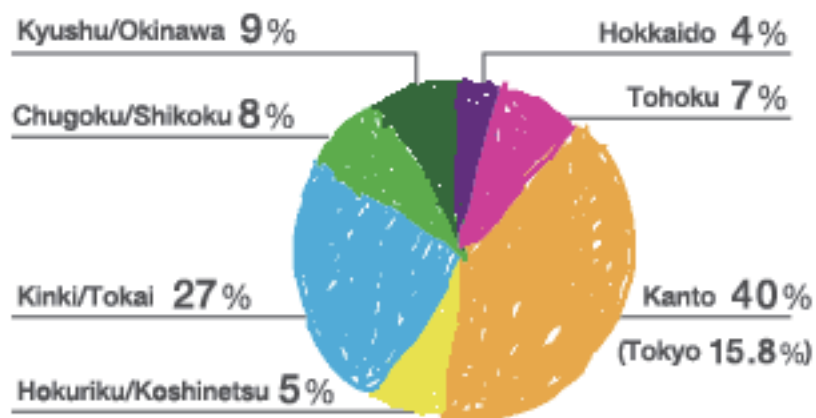


Member Attribution (As of September 30, 2010)

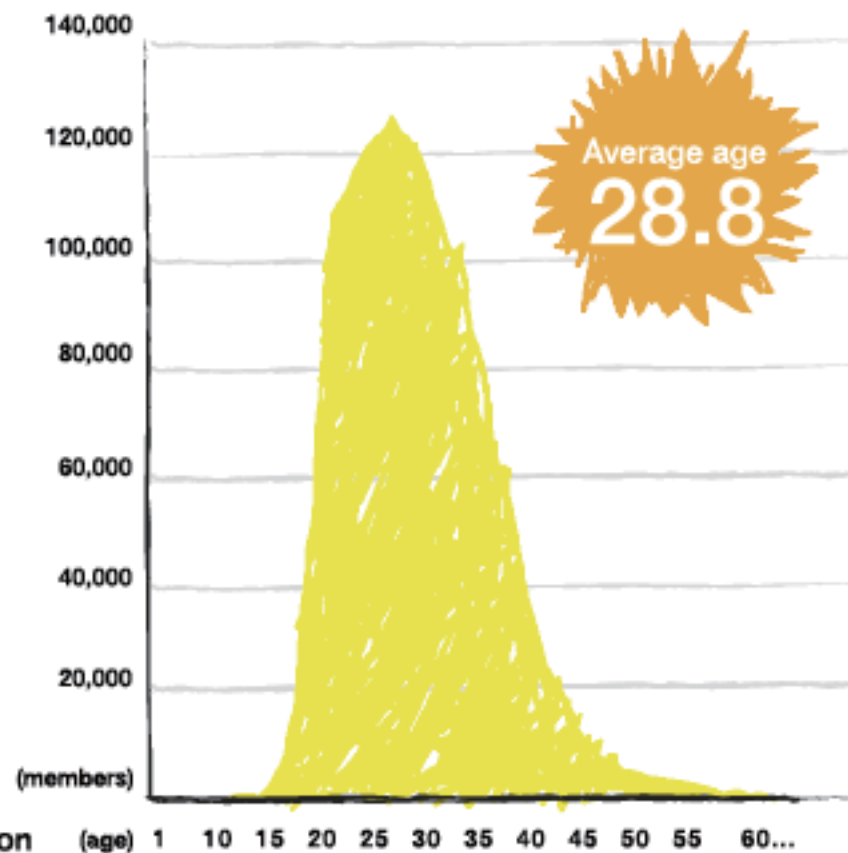
No significant change in member distribution



Gender ratio



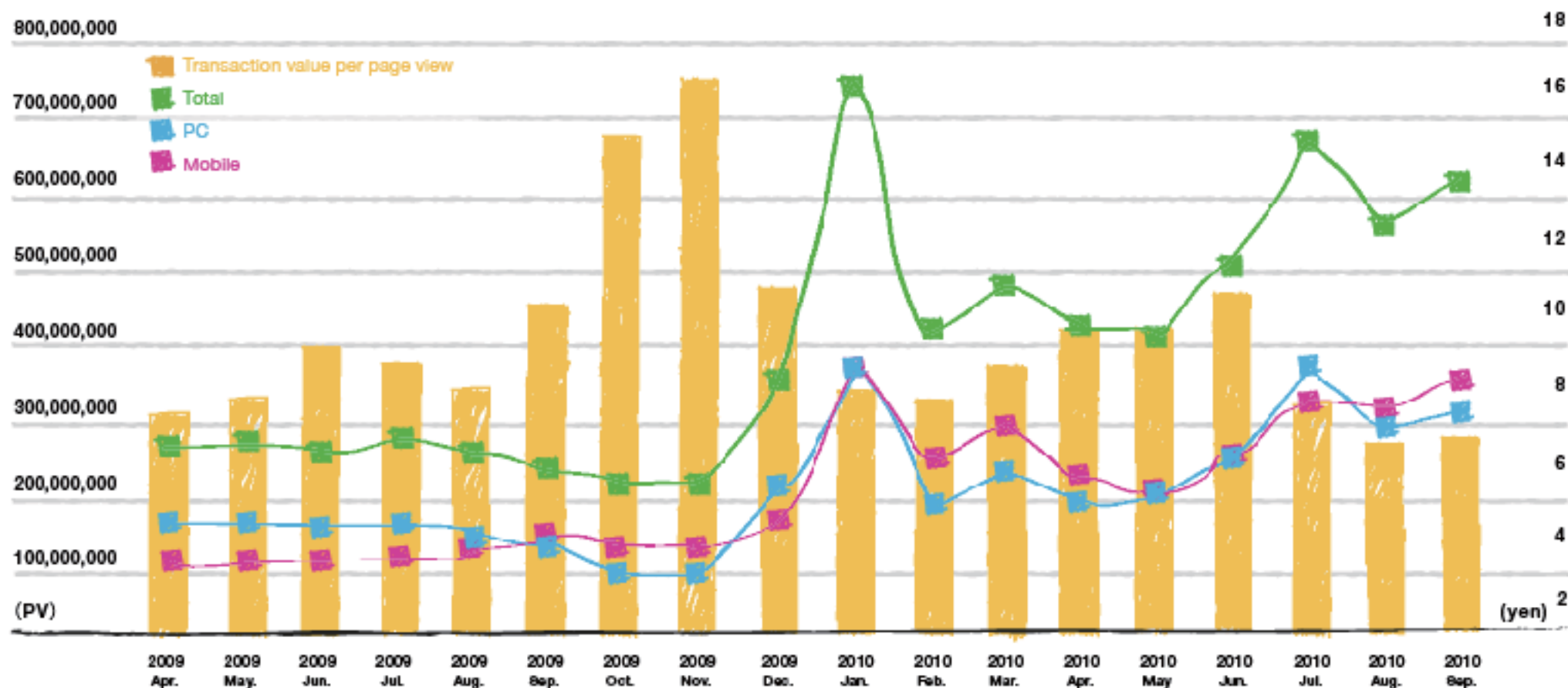
Geographical distribution



Age distribution (age) 1 10 15 20 25 30 35 40 45 50 55 60...

Total Page Views per Month

Total page views increased thanks to summer sale, TV commercials, and other measures.

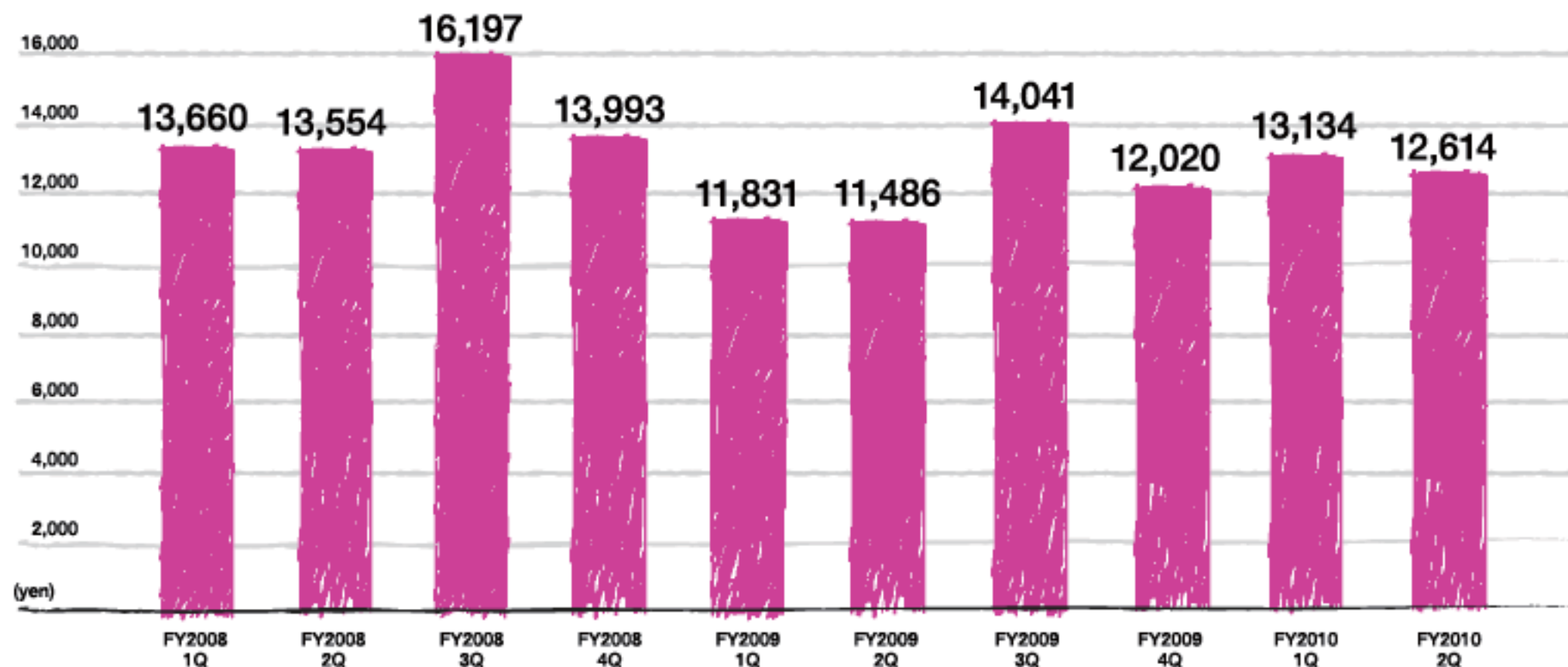


Average Purchase Amount per Shipment

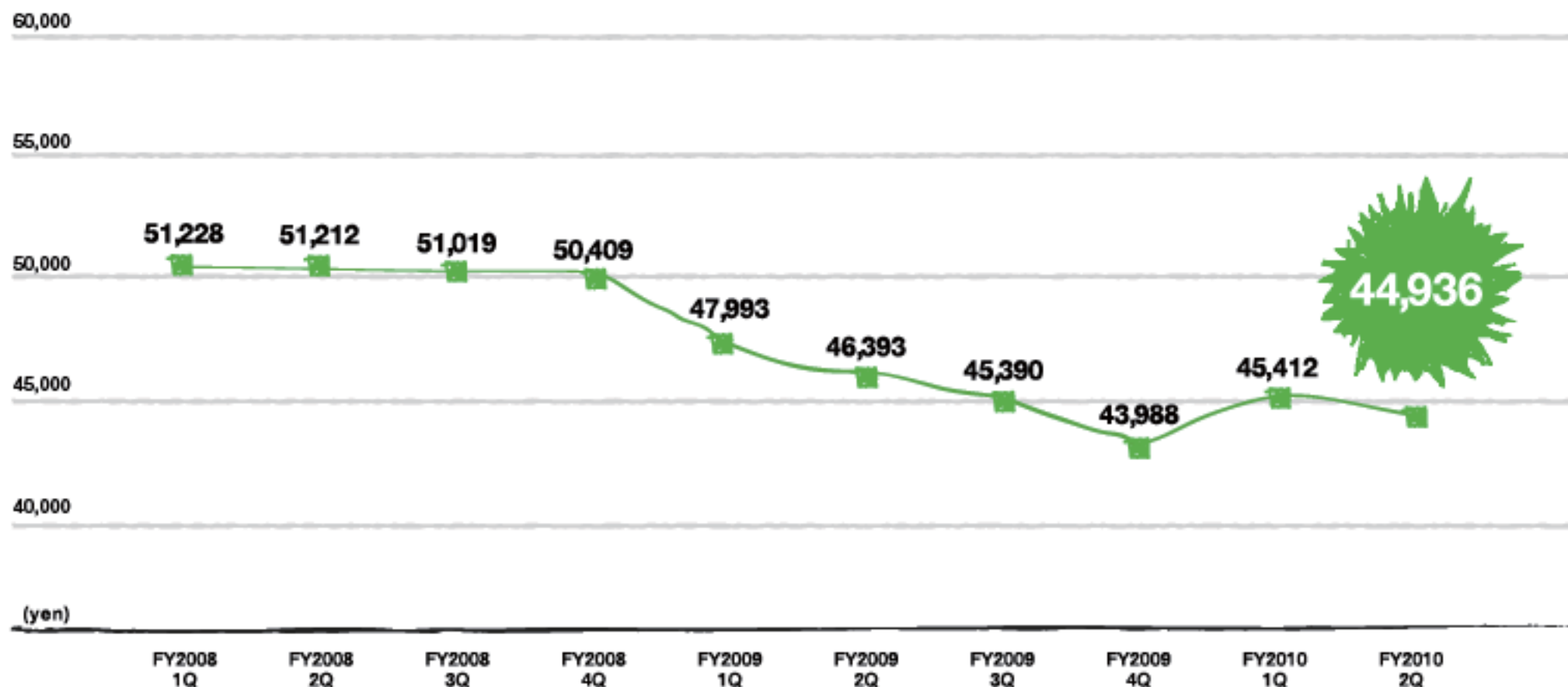
Average purchase amount per shipment = Transaction value / Number of shipments

Average purchase amount started gradual recovery.

- Average purchase amount recovered due to cease of the free shipping. The percentage of purchases of ¥10,000 or less also decreased.
- Average purchase amount Q2 FY2010: ¥12,614 (+9.8% year on year)
- Ratio of purchases of ¥10,000 or less Q2 FY2010: 45.5% (Q2 FY2009: 55.7%)
- Average price per product Q2 FY2010: ¥6,627 (Q2 FY2009: ¥7,574)



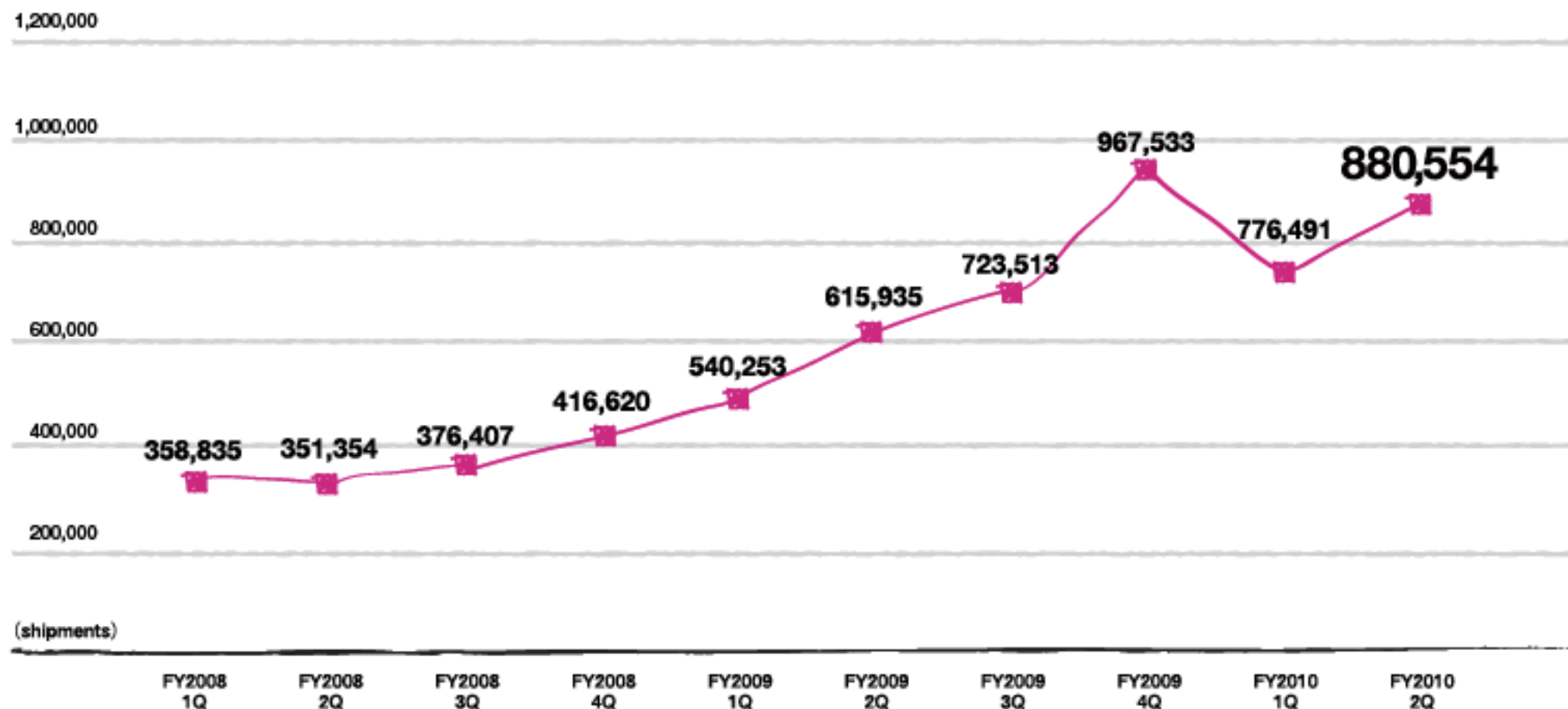
Annual Purchase Amount per Active Member



Number of Shipments

Number of shipments steadily increased as well, due to summer sales, etc.

•+43.0% year on year



Transaction Value Target by Member Types

Transaction Value Target from New Members : ¥18.4 billion

New members	H1 of FY2010		Difference
	Target	Result	
New members (person)	542,548	413,549	-128,999
Active members (person)*	260,614	237,015	-23,599
Ratio of active members to new members (%)	48.0%	57.3%	9.3%
Purchase amount per member (¥)	20,256	19,422	-834
Total purchase amount (¥ million)	5,279	4,603	-676

Refer to page 35 for basis of calculation in the annual plan.

New member acquisition

·Number of new members in H1 fell short of target.

Ratio of active members to new members (%)

·Higher than estimation.

Purchase amount

·Transaction value of new members in H1 fell short of target.

Transaction Value Target from Existing Members : Existing Members ¥33.5 billion

Existing members	H1 of FY2010		Difference
	Target	Result	
Total members as of March 31, 2010	2,081,975	2,081,975	-
Active members (person)*	427,732	424,968	-2,764
Ratio of active members to existing members (%)	20.5%	20.4%	-0.1%
Purchase amount per member (¥)	36,232	39,302	3,070
Total purchase amount (¥ million)	15,497	16,702	1,205

Please see page 34 for the basis of calculation in the annual target.

*Active members is the number of members who made a purchase during FY2010 (including withdrawn members as at Q2 end)

Ratio of active members to existing members (%)

·Stayed on track as planned.

Purchase amount

·Purchase amount per member rose as shipment value rose due to cease of free shipping.

·Transaction value of existing members in H1 was higher than target.

Forecasts for FY2010

Highlights for Third Quarter (Q3) FY2010

1. Business Tie-up with Yahoo Japan

- Providing Yahoo Japan with the information about apparel products
- Cooperation in apparel shopping business via Website

2. Renewal of ZOZORESORT

Renewal date: November 24

3. ZOZOOUTLET Opening

Opening date: November 24

4. New store openings

- Store Planning & Development Business:
4 new stores are scheduled to open
- Store Operation & Administration Business:
13 new stores are scheduled to open

5. “FENDI” Opening in ZOZOVILLA

6. New Shop Openings for Q3

- PAL CROSET ONLINE STORE : PAL CO., LTD.
- MELROSE ONLINE STORE : MELROSE CO., LTD.
- MARGARET HOWELL SHOP ONLINE : Anglobal Ltd.
- Adam et Ropé ONLINE SHOP : Jun Co., Ltd.

7. CRM (Customer Relationship Management) Department Established

Implement various measures to achieve the target of annual purchase amount of ¥50,000 per active member.

Estimated Consolidated Business Forecasts and Dividends for FY2010

		YoY change (%)
Net sales	¥23.00 billion	34.0
Operating profit	¥4.60 billion	42.2
Recurring profit	¥4.61 billion	42.0
Net income	¥2.58 billion	38.8
Net income per share	¥7,053.57	–
Dividend per share (plan)	¥1,750	–

Breakdown of net sales

Segment			YoY change (%)
E-commerce business	Store Planning & Development Business(Direct Sales)	¥11.91 billion	14.5
	Store Operation & Administration Business (Consignment Sales)	¥10.88 billion *	67.9
Others		¥0.20 billion	-23.3
Total		¥23.00 billion	34.0

*Include EC support business for apparel manufacturers

Future Strategies

Mid-term Vision

Mid-term target of START TODAY

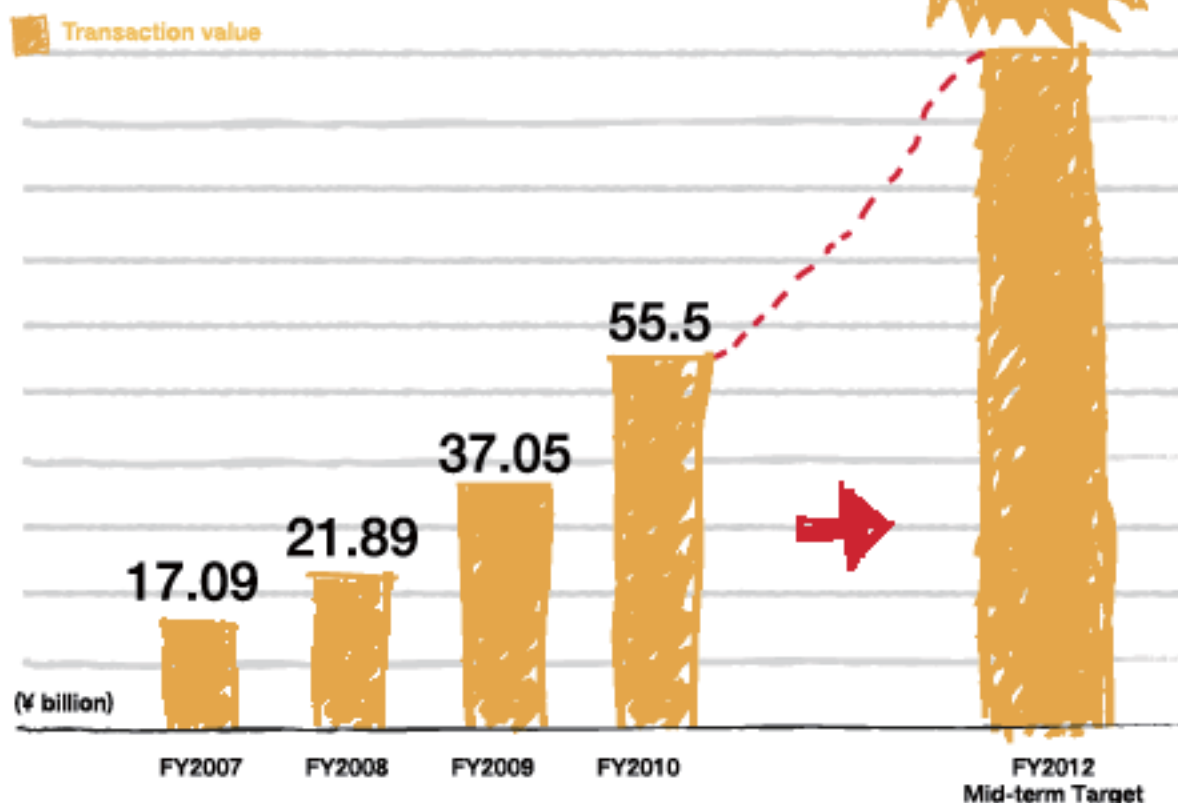
Transaction value **100** billion
Recurring profit **10** billion

High Fashion
E-Commerce
“ZOZORESORT”



Fashion
E-Commerce
“START TODAY”

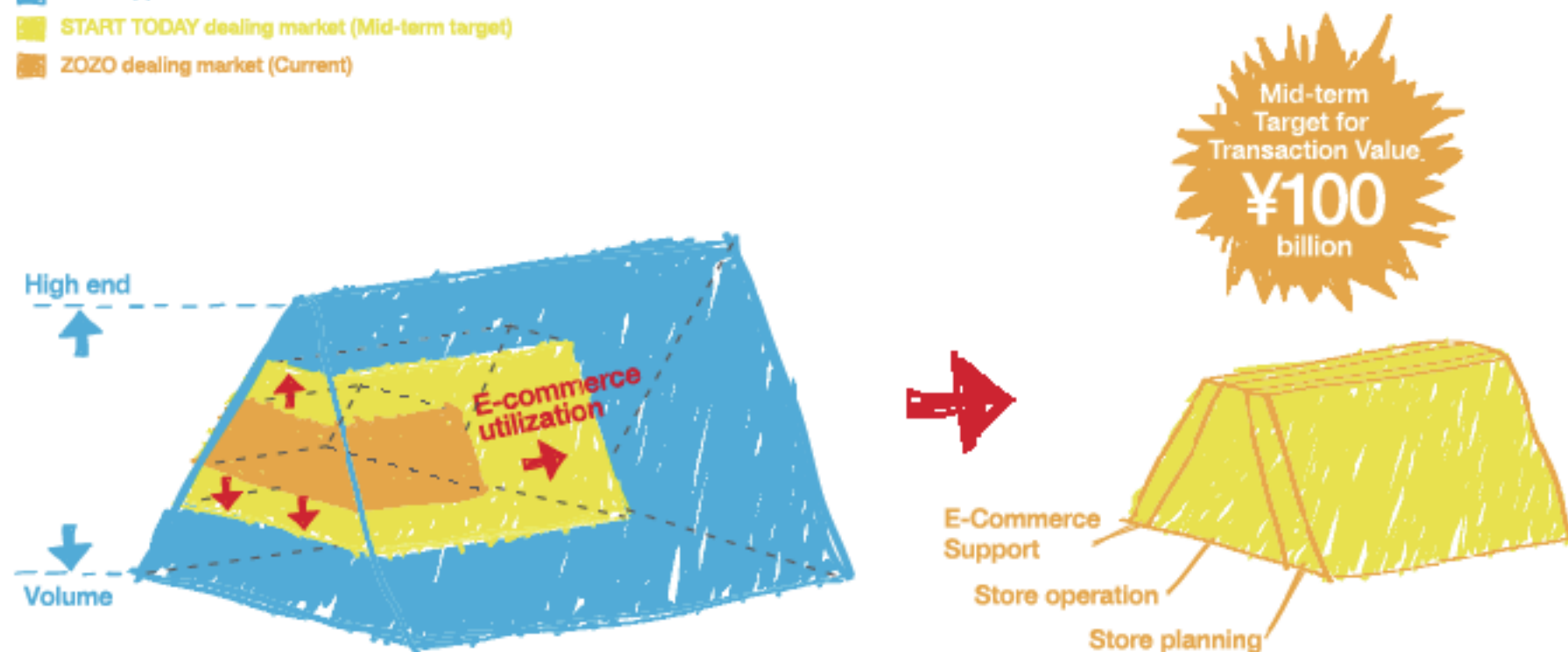
Mid-term Target for Transaction Value



Strategy of Market Expansion

While ZOZORESORT expansion is promoted focusing on the fashion e-commerce market, we accelerate the development of our business into various fashion areas through e-commerce support.

- Entire apparel market
- START TODAY dealing market (Mid-term target)
- ZOZO dealing market (Current)



Business Plan for FY2010

Business Plan for FY2010

Following after “1Day 1Million” in a year of challenges, new challenge has come into view ...

a year of revolution

555TM
Revolution

**Industry
Revolution**

**Consumer
Revolution**

**START TODAY
Revolution**

Store Operation & Administration Business (consignment sales)

Transaction Value Target : ¥40,900 million (+62.0% year on year)

Commencement of partial operation of inventory-linked system

- Evaluating implementation as first business initiative during Q1
- Plan to commence linking to inventory, which is carried not only in ZOZO but also in warehouses and retail stores at tenant side
- By improving inventory control efficiency, it enables to decrease missing business opportunities and fix inadequate matching of supply and demand
- Even if ZOZO does not have inventory, possible to continue to sell at ZOZO sites as long as tenant side has inventory somewhere

Portion of brands handled by Store Planning and Development Business will become tenants

- Avoid inventory risk and improve members satisfaction by expanding the number of brands that were not handled by purchasing alone
- Increase the amount of consigned inventory and aim to expand the number of items.

Development of new fashion area

- Plan to open tenant stores in ZOZOVILLA
- Expand fashion categories handled by opening new stores
- ➔ Develop brands with different targets from those of ZOZOTOWN, such as female-office-worker style so called “OL-type style,” Ginza-type ladies style, and gal-type girls style
(i.e., existing ZOZO stores ➔ aquagirl and IENA for OL-type style, MIDWEST and ESTNATION for Ginza-type style, and SHEL'TTER for gal-type style)

Store Planning & Development Business(direct sales)

Transaction Value Target : ¥11,000 million (+9.8% year on year)*

*Calculation based on merchandise sales only.

Cultivate and deliver up-and-coming brands

- Focus on discovering, cultivating and delivering promising brands, and expand scale of each brand

Strengthen overseas transactions

- Create an exclusive division for overseas transactions
- Steadily carry out expansion starting with asos / DOVER STREET MARKET opened in the previous fiscal year

Improve gross margin rate by strengthening MD

- Communicate more closely with brand side, and focus on supplying more subscription sales and restocking of hot-selling products, reproduction, and accepting more orders
- Reduce inventory risk and promote efficient sales
- Maintain and increase gross profit margin by implementing flexible and strategic sales

E-Commerce Support Business for Apparel Manufacturer

Transaction Value Target : ¥3,600 million (+154.9% year on year)

FY2009 results

Consigning companies: 6 Acquired members: 125,199 Active members: 65,227

- Rapid increase in the number of members and active members. Business results are moving favorably and are on track.
- The number of total members and active members for ZOZO do not include E-Commerce Support Business portion.

Business scale at new stores is almost the same as the previous fiscal year's results

- Newly opened SHIPS Co., Ltd.'s e-commerce (in June)
- Developing business in a wide range of fashion areas including major overseas companies
- Currently maintain contact with multiple companies, several for which probability is quite high

Strengthen support for existing support sites

- Create an exclusive division for e-commerce support within the Store Operation & Administration Business
- Support strengthening of merchandising through close communication with the brand holders

Transaction value Target by Member Category

ZOZO members

Existing members : ¥33.5billion (Please refer to page 35.)

+ New members : ¥18.4billion = ¥51.9billion (Please refer to page 36.)



**Members of E-Commerce Support Business for
Apparel Manufacturers: ¥3.6 billion**

(Please refer to page 33.)



55.5 billion

Transaction Value Target: Existing Members ¥33.5 billion

(Table I-G)
Number of estimated active members : 576,813 ×
Estimated annual purchase amount per member : ¥58,075 = approx. ¥33.5 billion
 (Table I-H) (excluding B to B transaction)

Table J

Item	Fiscal year when new members were acquired						Notes
	FY2009	FY2008	FY2007	FY2006	Before FY2006	Total	
A New Members (including withdrawn members) (person)	780,795	460,965	353,293	235,570	251,357	2,081,975	
B Active members (including withdrawn members) (person)	447,159	138,476	99,614	68,320	49,615	803,184	
C A Ratio of active members to acquired members (%)	57.3	30.0	28.2	29.0	19.7	38.6	Became stable from the following years of acquisitions
D Annual purchase amount per member (¥)	27,362	57,406	62,095	72,130	79,767	43,895	Increased from the following years of acquisitions
E Total purchase amount (¥million)	12,235	7,949	6,186	4,928	3,958	35,256	E=B×D

FY2009
results



FY2010
estimates

F Estimated ratio of active members to total members (%)	33.5	25.3	25.5	26.6	18.1	27.7	F=C×(1)
G Estimated active members (person)	261,919	116,560	90,157	62,585	45,592	576,813	G=A×F
H Estimated annual purchase amount per member (¥)	48,658	59,420	62,195	74,207	78,389	58,075	H=D×(2) *Total amount = I / G
I Total purchase amount (¥million)	12,737	6,922	5,604	4,641	3,594	33,498	I=G×H

*Purchase amount does not include B to B transaction.

Table JI

Items		1st - 2nd year	2nd - 3rd year	3rd - 4th year	4th - 5th year	5th year and after	Notes
Compared to a year ago	(1) Change of ratio of active members to total members (%)	59	84	91	92	92	Significantly decreased for one year after acquisitions, but became stable from the second year
	(2) Change of annual purchase amount per member (%)	178	103	100	103	99	Increased from the following years of acquisitions

* Change of estimated ratio of active members to acquired members and change of annual purchase amount per member are calculated based on the average figures for the most recent three years.

Transaction Value Target of New Members: ¥18.4 billion

Number of new members: 1.5 million: 1.5 million × **Estimated ratio of active members to total members: 44%** × **Annual purchase amount per member: ¥28,000** × **¥18.4 billion**
 (excluding B to B transaction)

Target number of acquired members : 150million

	As of April 20, 2010	April 2009	April 2008	Notes
New members (person)	29,730	35,547	31,326	-
Advertising and sales promotion (¥ million)	32	50	29	-
Cost per member acquisition (¥)	1,078	1,422	937	<ul style="list-style-type: none"> Member acquisition has made more efficient in FY2010 No decrease of efficiency in acquisition due to discontinuation of free shipping

	FY2010 estimate	FY2009	FY2008	FY2007	Notes
Acquired members (person)	1,500,000	763,229	447,030	339,051	-
Advertising and sales promotion expenses (¥ million)	2,100	1,034	403	378	Invested ¥2.1 billion in advertising and sales promotion expenses
Cost per member acquisition (¥)	1,400	1,355	903	1,115	Moderately estimated

Estimated ratio of active members to total members : 44%

Annual purchase amount per member : ¥28,000

	As of April 20, 2010	April 2009	April 2008	Notes
Average delivery unit cost (¥)	13,655	12,487	13,503	Significant recovery of average shipment value due to discontinuation of free shipping

	FY2010 estimate	FY2009	FY2008	FY2007	Notes
Active rate (%)	44	57	47	55	Estimated active rate is conservative
Annual purchase amount per person (¥)	28,000	27,379	32,310	34,103	Annual purchase amount per person is conservative

Working Toward “Fashion E-Commerce” = “START TODAY”

Entering into Second-hand Market

Investment in Crown Jewel, Inc.

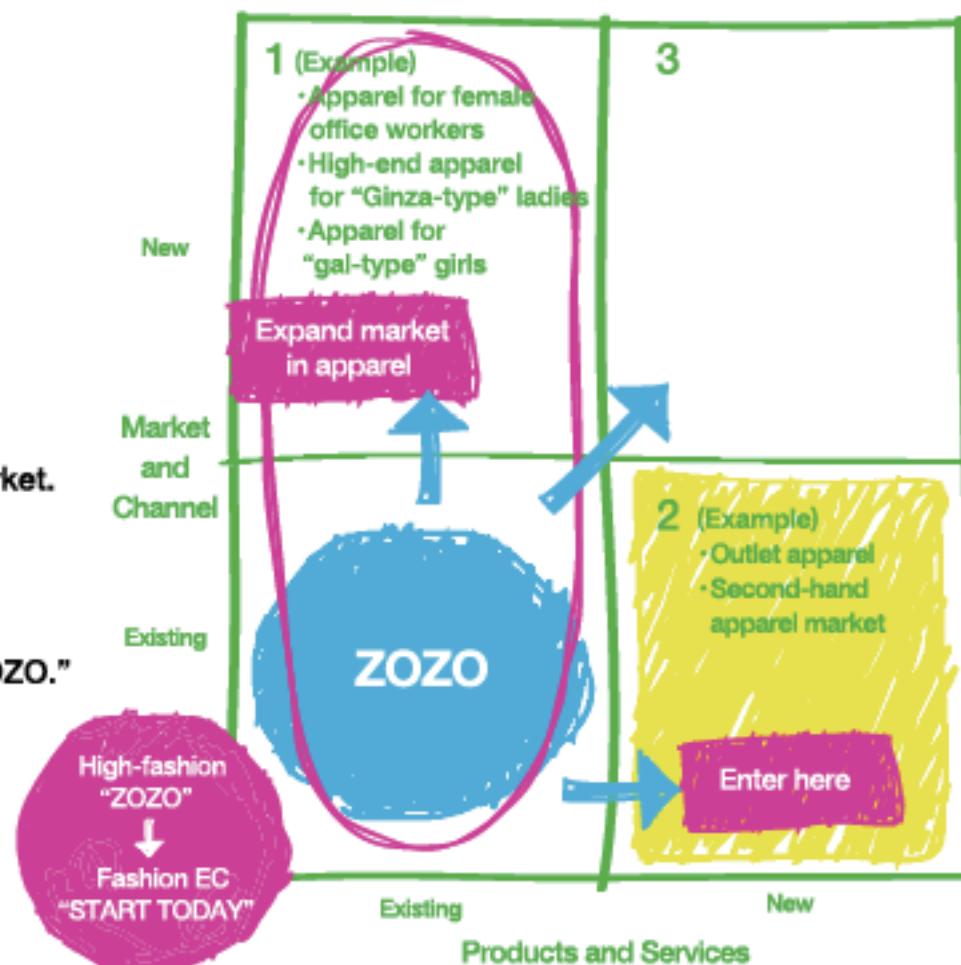
- Investment in Crown Jewel, Inc., a subsidiary of CyberAgent, Inc., that operates an auction site “CROWN JEWEL,” specializing in popular fashion items.

Expand market in apparel industry

- Use our know-how cultivated in apparel e-commerce business and Crown Jewel’s know-how gained in the apparel auction business, and promote development of business in the second-hand apparel market.

Advantage of tie-up

- Develop business in second-hand market at sites other than ZOZO.
- Expect effect of enclosing customers through “Buy at ZOZO, Sell at ZOZO.”
- Crown Jewel specializes in fashion and handles similar brands, so it is easy to match to existing ZOZO members and also possible to send customers from ZOZO.



Forecast for FY2010

		YoY change (%)
Net sales	¥23,000 million	34.0
Transaction value	¥55,500 million	49.8
Recurring profit	¥4,610 million	42.0

Breakdown of · transaction value

		YoY change (%)
Store Planning & Development Business	¥11,000 million	9.8
Store Operation & Administration Business	¥40,900 million	62.0
Manufacturer E-Commerce Support Business	¥3,600 million	154.9

Reference Data

想像 (SOZO : Imagination) & 創造 (SOZO : Creation) + Internet

ZOZO RESORT

Business Domain : High-sense Fashion

Six Services: Buy, Find, Gather, Decorate, Ask, Convey





Our Strength

- The largest apparel e-commerce business in Japan
- Dominant position in high-fashion field
- Holding of our own e-commerce-related functions: System, Design, Logistics, etc.
- Accompanied by original fashion information media
- Very loyal members with a fifty-fifty male-to-female ratio
- Solid relationship with business partners

Others

Media Business

Advertisement using front pages and search results

Sales = Advertisement charge

Credit Card Business

Issue "ZOZOCARD" (tied-up with POCKETCARD CO., LTD.)

Sales = Cashing balance × Commission rate + Shopping amount × Commission rate

Others

Initial store opening charge, paid membership service "ZOZOPREMIUM," etc.

E-Commerce Business

Store Planning & Development Business (Direct Sales)

Operate 47 original stores such as “EPROZE” and “QUNIEE” in ZOZOTOWN.
Purchase from brand manufacturers and sell.

Sales = Transaction value on each shops

Store Operation & Administration Business (Consignment Sales)

Operating 164 online stores, such as “United Arrows,” “BEAMS,” “DIESEL,” etc., in ZOZOTOWN: “Marc jacobs” in ZOZOVILLA
On commission basis without any inventory risk

Sales = Transaction value of stores × consignment commission rate

B to B Business

E-Commerce Support Business for Apparel Manufacturers: Established a subsidiary Start Today Consulting, Co., Ltd. in May 2008
Consigning companies: 8 companies (as of September 2010)

Sales = Transaction value of manufacturers × consignment commission rate

This material was made only for understanding the business of the company and not for offering to solicit investment.

The future outlook of the business results, etc. described in this material was judged by the company based on the information currently available, and include various uncertainties. Actual results may differ from the future outlook.