



**FY2011**

**April 1,2011- September 30,2011**

**Consolidated Business Results**

# Business Performance



# Highlights for the second quarter of FY2011

## 1. Achieved Target Transaction Value and Net sales

- Transaction value for 2Q : ¥ 34,142 million (+ 46.1 % year on year)
- Net sales for 1Q: ¥13,773 million (+ 34.5 % year on year)
- Operating profit for 1Q: ¥ 3,366 million(+ 36.4 % year on year)

## 2. Exceeded 3.69million in total members and 1.51million in active members

- Members : 3,698,962 ( FY2010: + 565,871 )
- Active members : 1,515,500 ( FY2010 : + 298,802 )

## 3. New store opening

Number of stores as of September 30, 2011

- Store Operations & Administration Business ( Consignment Sales ) : 280 stores  
( FY2010 : + 82 stores )
- Store Planning & Development Business ( Purchased Stock ) : 41 stores  
( FY2010 : - 9 stores )

## 4. B to B Business : Begun supporting 2 new shop openings in 2Q

- MIDWEST OFFICIAL ONLINE SHOP
  - TOMMY HILFIGER Online Store JAPAN
- Consigning companies : 19 companies(as of September 30, 2011)

## 5. Held an online modeling audition to find an exclusive model for ZOZOTOWN.

Winners with the most number of votes from the customers were chosen as exclusive models.

## 6. CFM (Customer Friendship Management) adopts a new measure

- By strengthening one-to-one marketing (personalized email delivering, etc.)
  - Enhanced the active rate of newly registered members.
  - Improved email magazine open rate as well as the purchase rate.





## Overview of Second Quarter of FY2011

(¥ million)

Item	FY2011 2Q	FY2010 2Q	YoY Change (%)
Transaction Value	34,142	23,375	+ 46.1 %
Net sales	13,773	10,243	+ 34.5 %
Operating profit	3,366	2,468	+ 36.4 %
Recurring profit	3,352	2,465	+ 36.0 %
Net income	2,105	1,363	+ 54.4 %

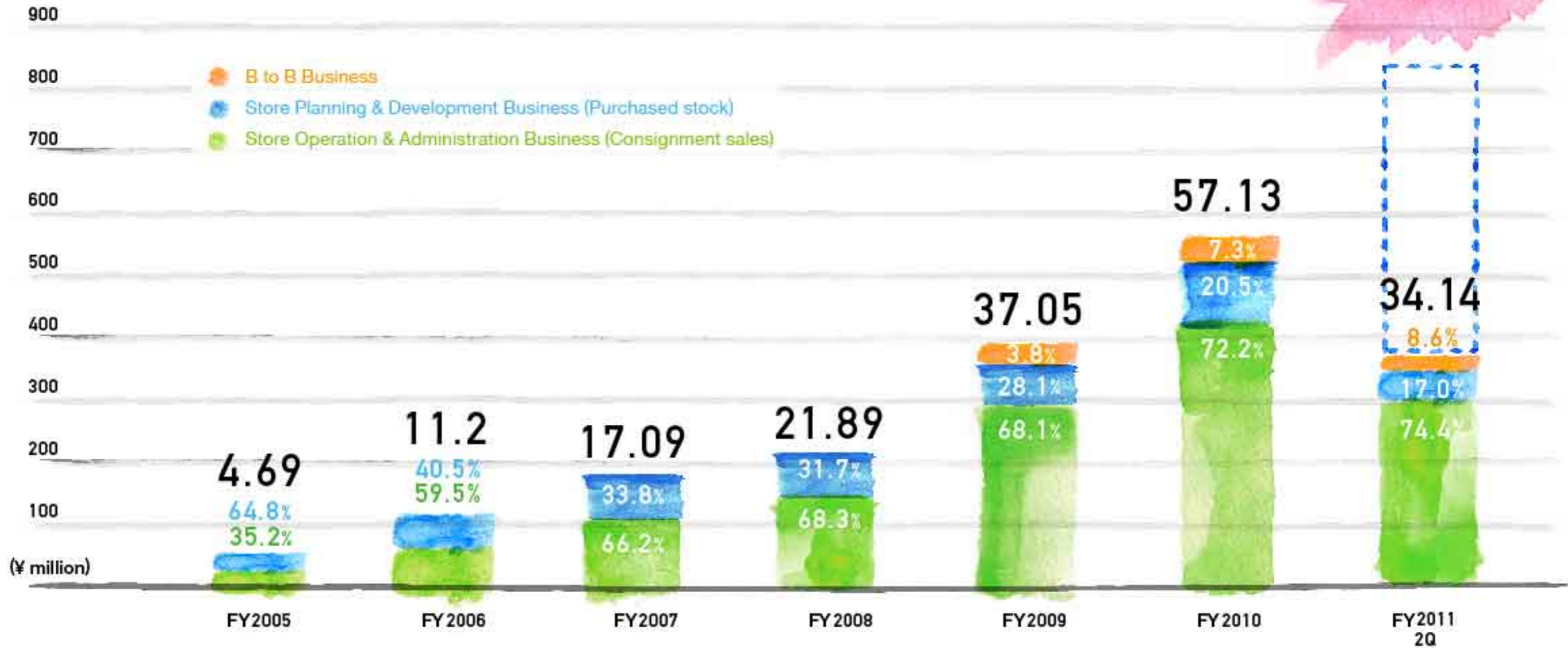


# Transaction Value

Transaction value for 2Q FY2011: ¥34.1 billion  
 Consignment transaction value for 2Q FY2011: ¥ 25.3 billion  
 BtoB business transaction value for 2Q FY2011: ¥ 2.9 billion  
 Percent completion of transaction value for FY2011: 40.6% (FY2010: 40.9%)

## Target for transaction value for 2Q FY2011 was achieved

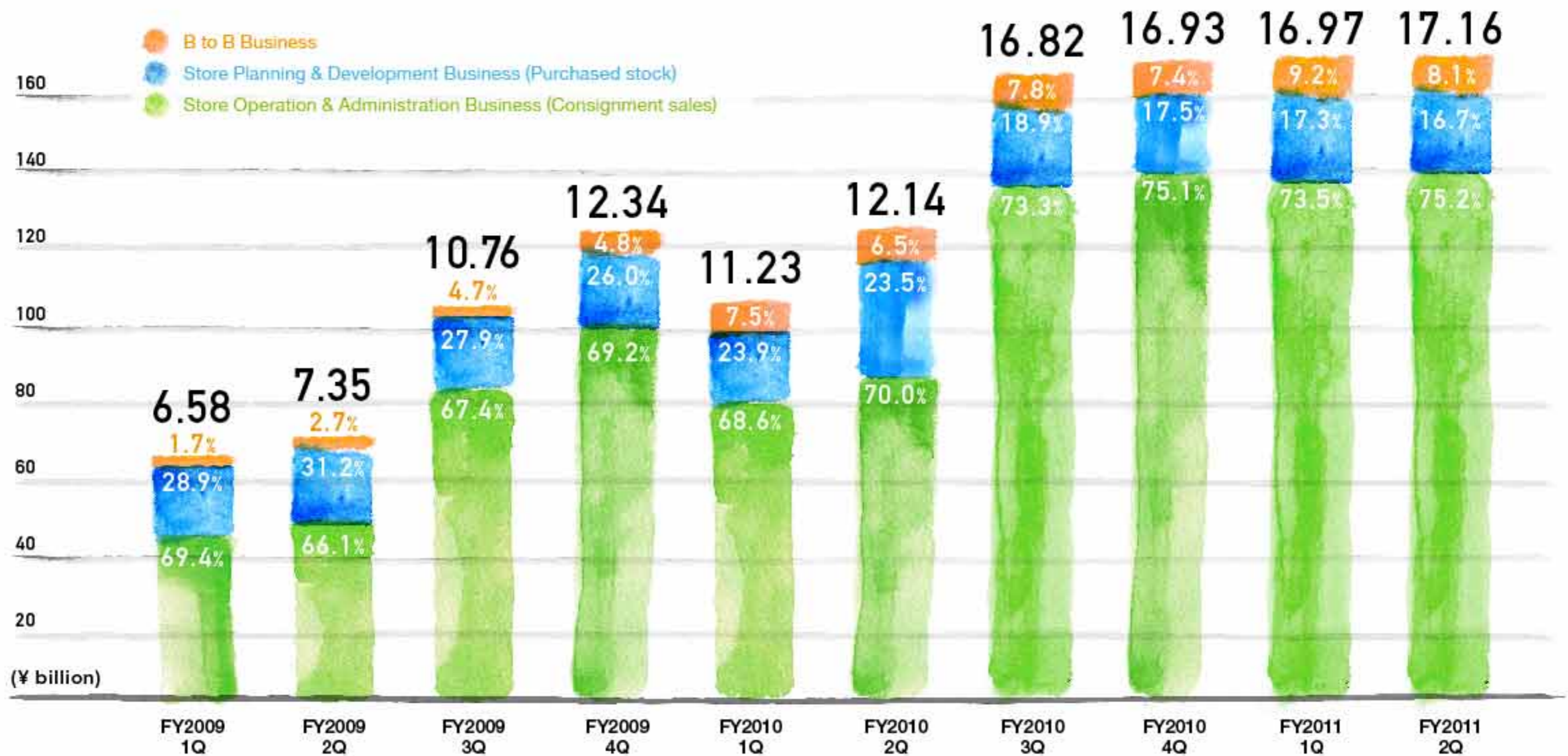
Gross transaction value of new shops for 2Q FY2011  
 • ZOZOTOWN: ¥ 670 million, 2.0% of the transaction value  
 • BtoBbusiness : ¥ 90 million, 0.3% of the transaction value





# Transaction Value (Quarterly)

•+¥ 5.0 billion (+ 41.1 %) year on year





# Net Sales

Target for net sales for 2Q FY2011 was achieved as well

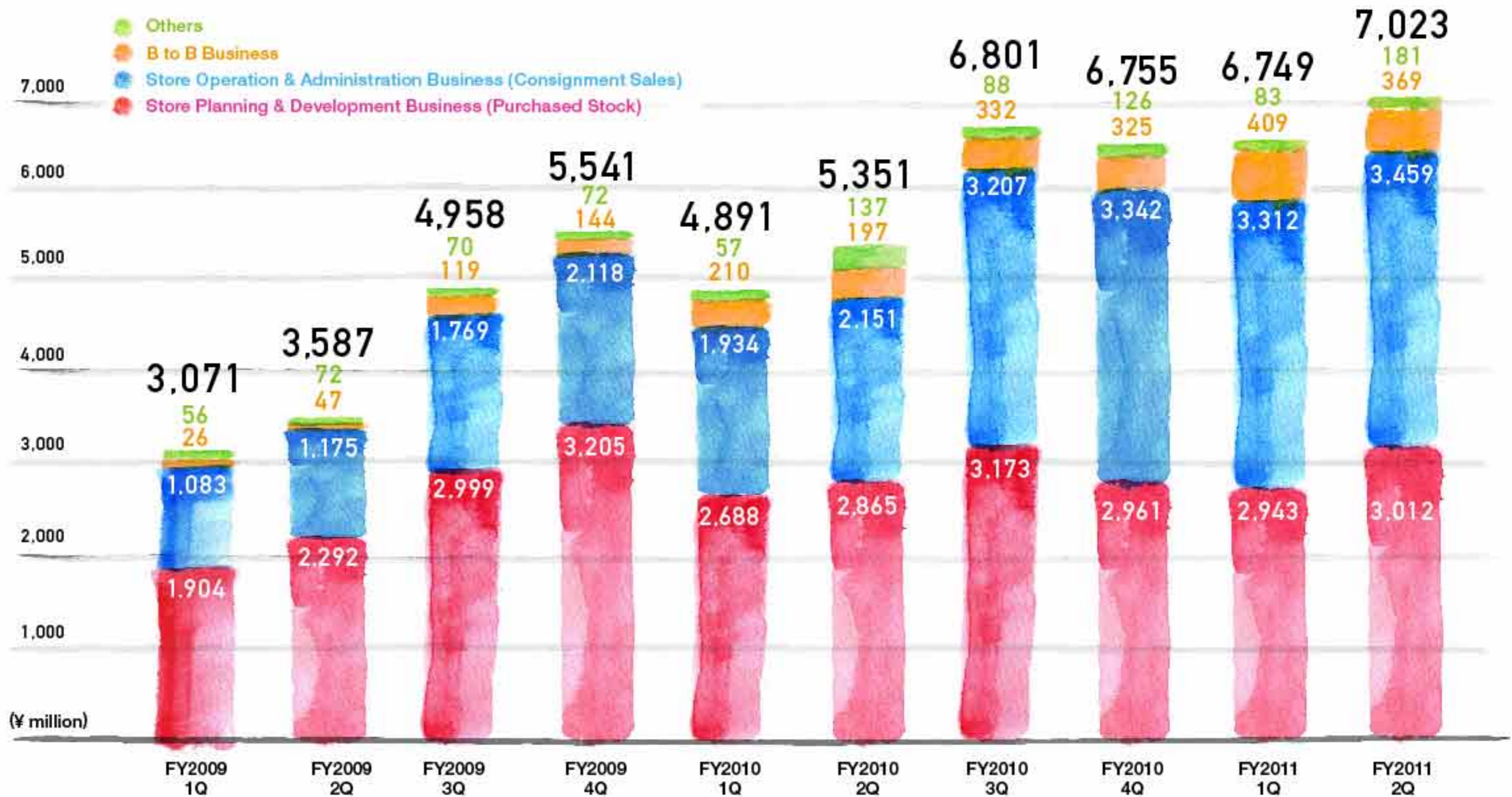
• Significant growth of 34.5 % year on year





# Net Sales (Quarterly)

• Store Operations & Administration Business (Consignment Sales): +60.8% , B to B Business +87.3% year on year







## Selling, General and Administrative (SG&A) Expenses



(¥ million)

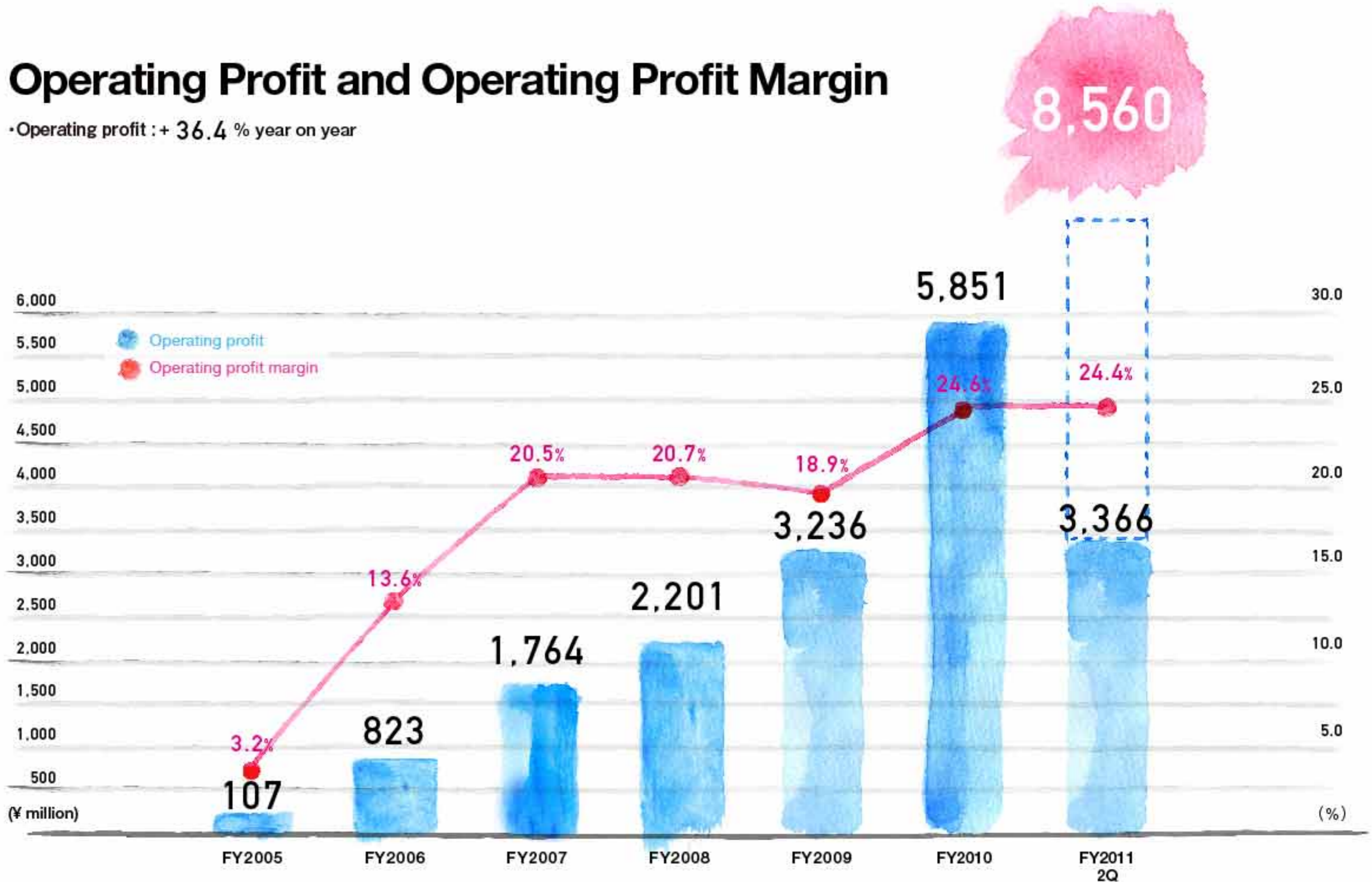
Item	FY2011 2Q			FY2010 2Q			YoY change	
	Amount	% Transaction value	% Sales	Amount	% Transaction value	% Sales	% Transaction value	% Sales
Payroll	1,290	3.8%	9.4%	923	3.9%	9.0%	-0.2%	0.4%
Shipping	964	2.8%	7.0%	598	2.6%	5.8%	0.3%	1.2%
Payment collection	749	2.2%	5.4%	496	2.1%	4.8%	0.1%	0.6%
Advertising	728	2.1%	5.3%	649	2.8%	6.3%	-0.6%	-1.1%
point sales promotion	1,124	3.3%	8.2%	274	1.2%	2.7%	2.1%	5.5%
Outsourcing	494	1.4%	3.6%	278	1.2%	2.7%	0.3%	0.9%
Others	1,405	4.1%	10.2%	926	4.0%	9.0%	0.2%	1.2%
<b>Total SG&amp;A</b>	<b>6,757</b>	<b>19.8%</b>	<b>49.1%</b>	<b>4,147</b>	<b>17.7%</b>	<b>40.5%</b>	<b>2.0%</b>	<b>8.6%</b>

※Payroll includes subcontracting payroll.



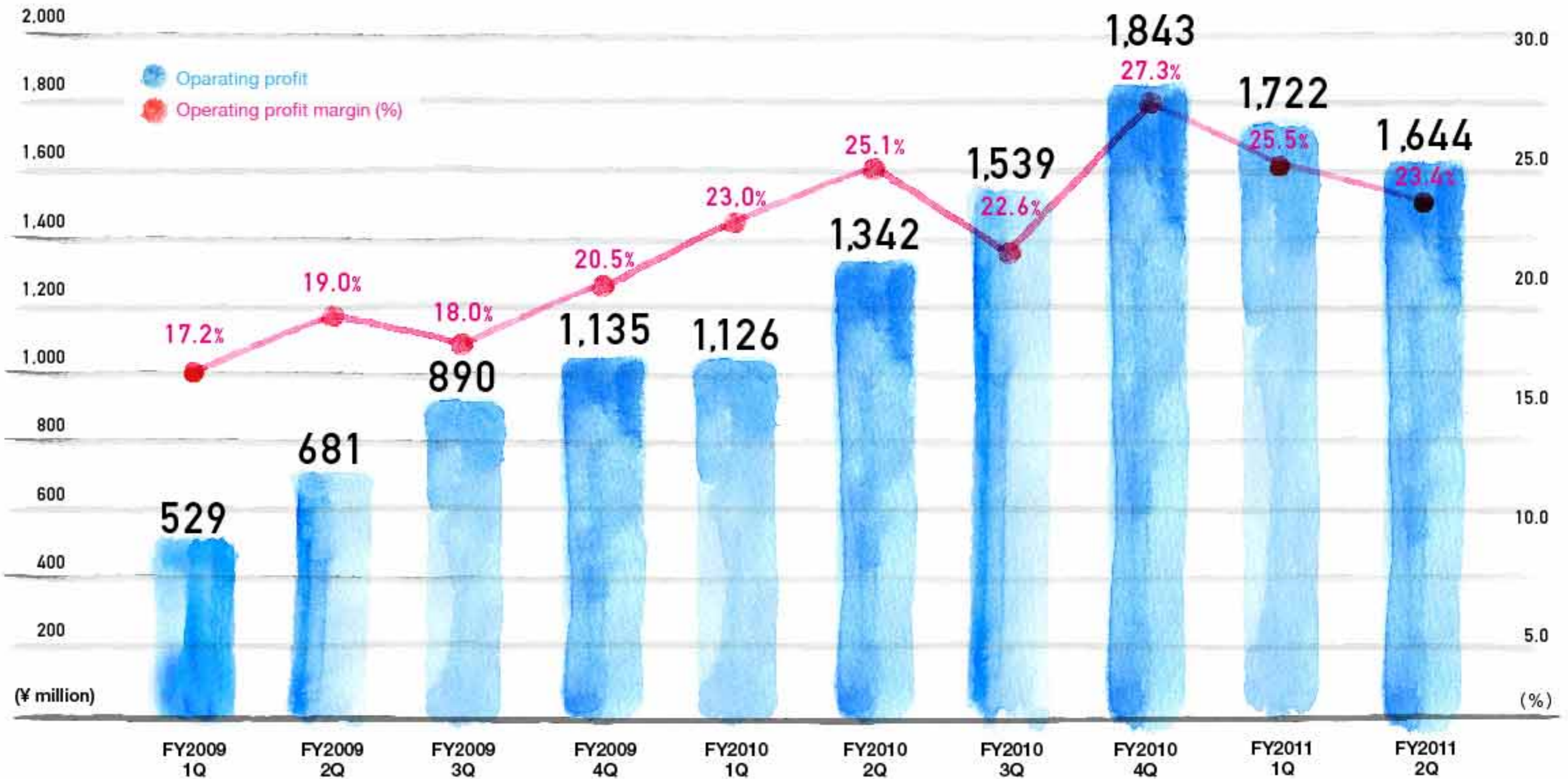
# Operating Profit and Operating Profit Margin

• Operating profit : + 36.4 % year on year



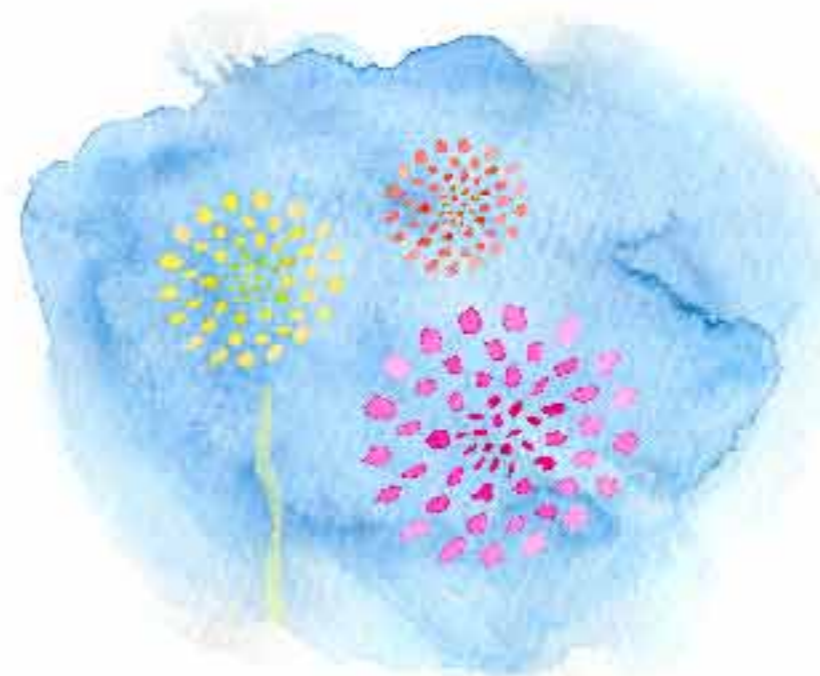


## Operating Profit and Operating Profit Margin (Quarterly)





## Cash Flows



(¥ million)

Item	FY2011 2Q	FY2010 2Q	YoY	Reasons for the change
Cash flows from operating activities	1,737	1,323	413	Increase of net income and tax payment
Cash flows from investing activities	-773	-221	-551	Acquisition of additional shares of an affiliate (Crown Jewel Co.,Ltd)
Cash flows from financing activities	-534	-462	-71	Dividend payment
Cash cash equivalents at end of periodating activities	10,430	7,792	2,638	—

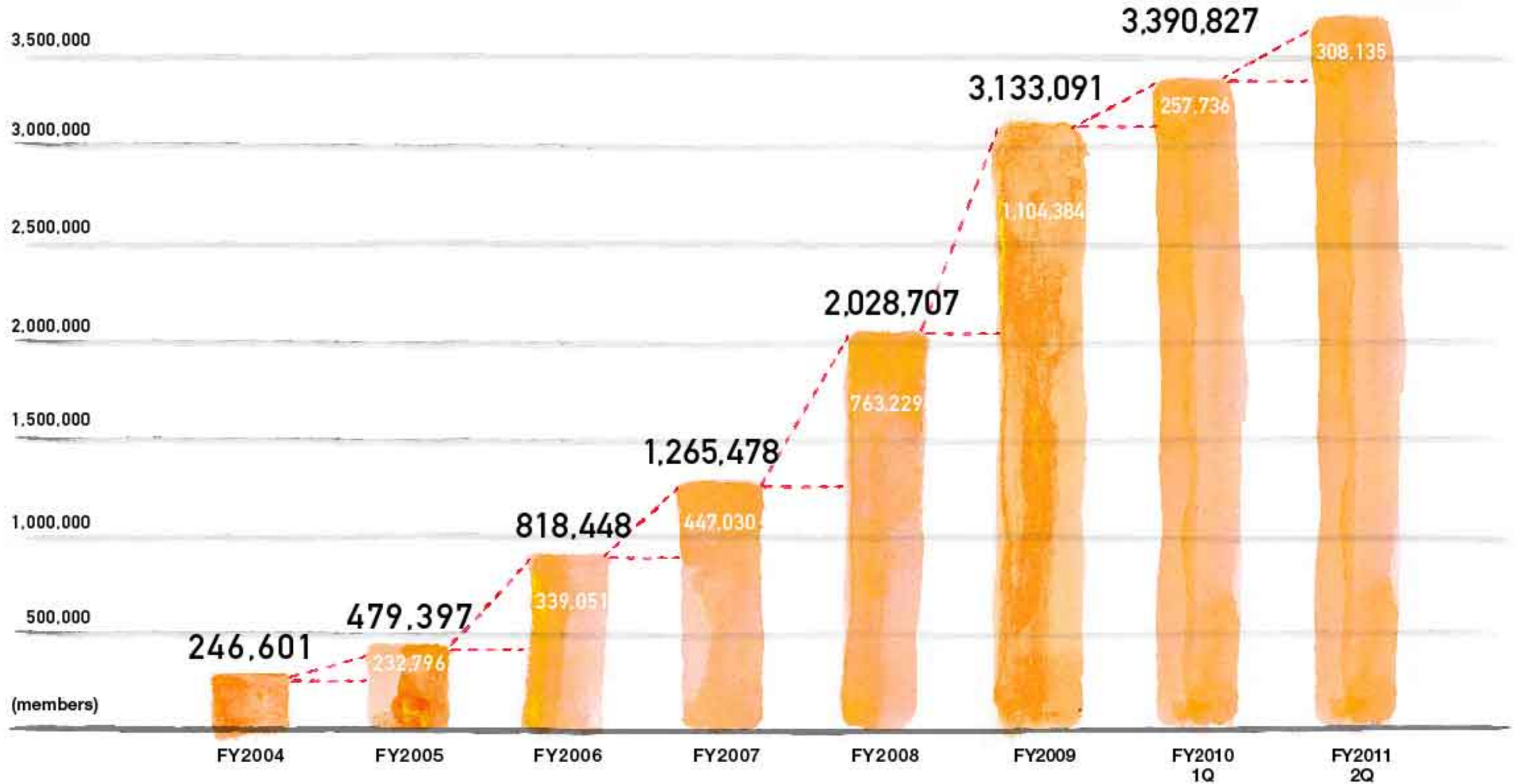
The background is a watercolor-style wash. The left side is dominated by various shades of blue, ranging from light sky blue to deep cerulean. The right side features a wash of yellow-green and light green, with some white highlights. The overall texture is soft and painterly.

# Fact Data Analysis



# Total Members

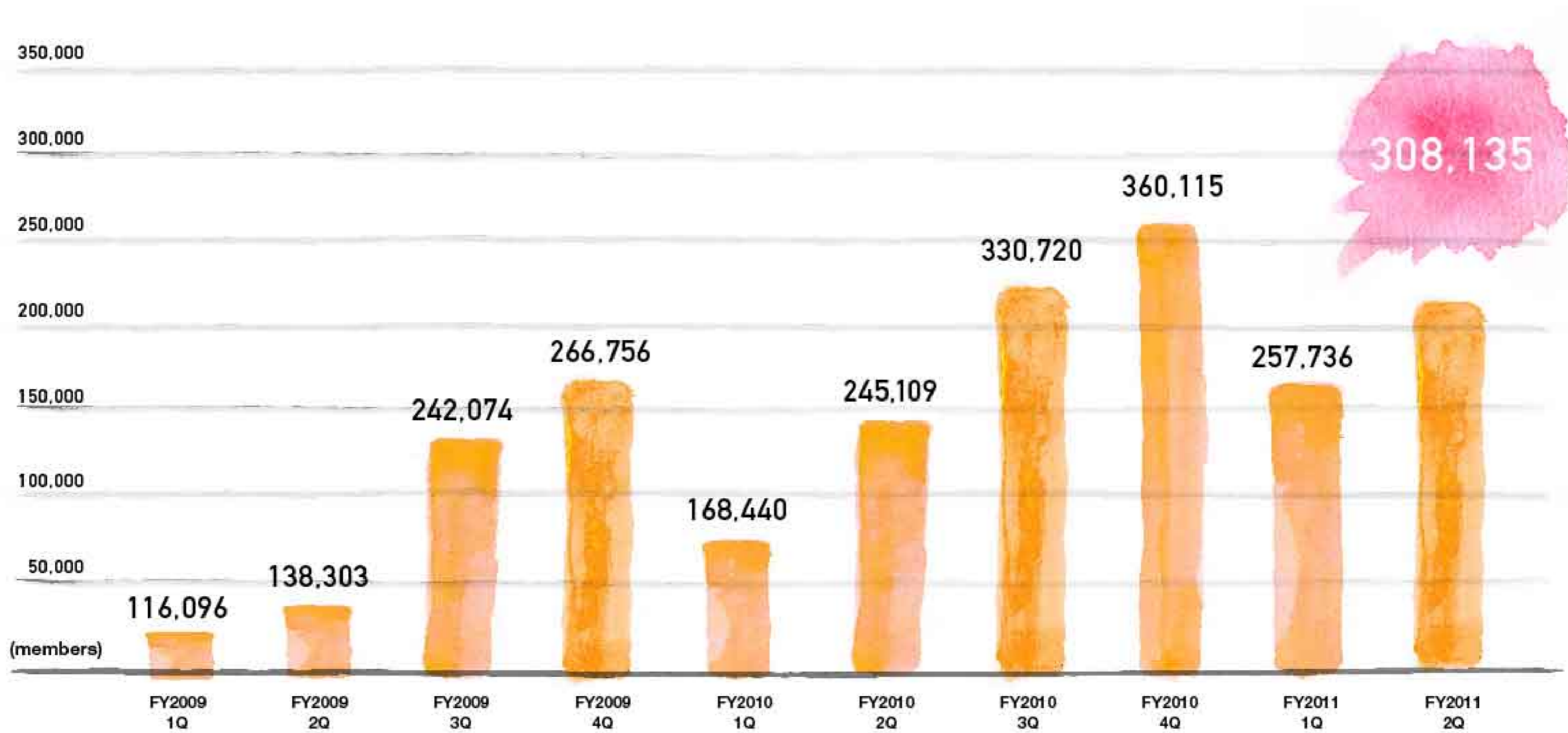
• New members for 2Q FY2011 : 308,135 members  
• + 1,256,706 members year on year





# New Members (Quarterly)

•+25.7% year on year





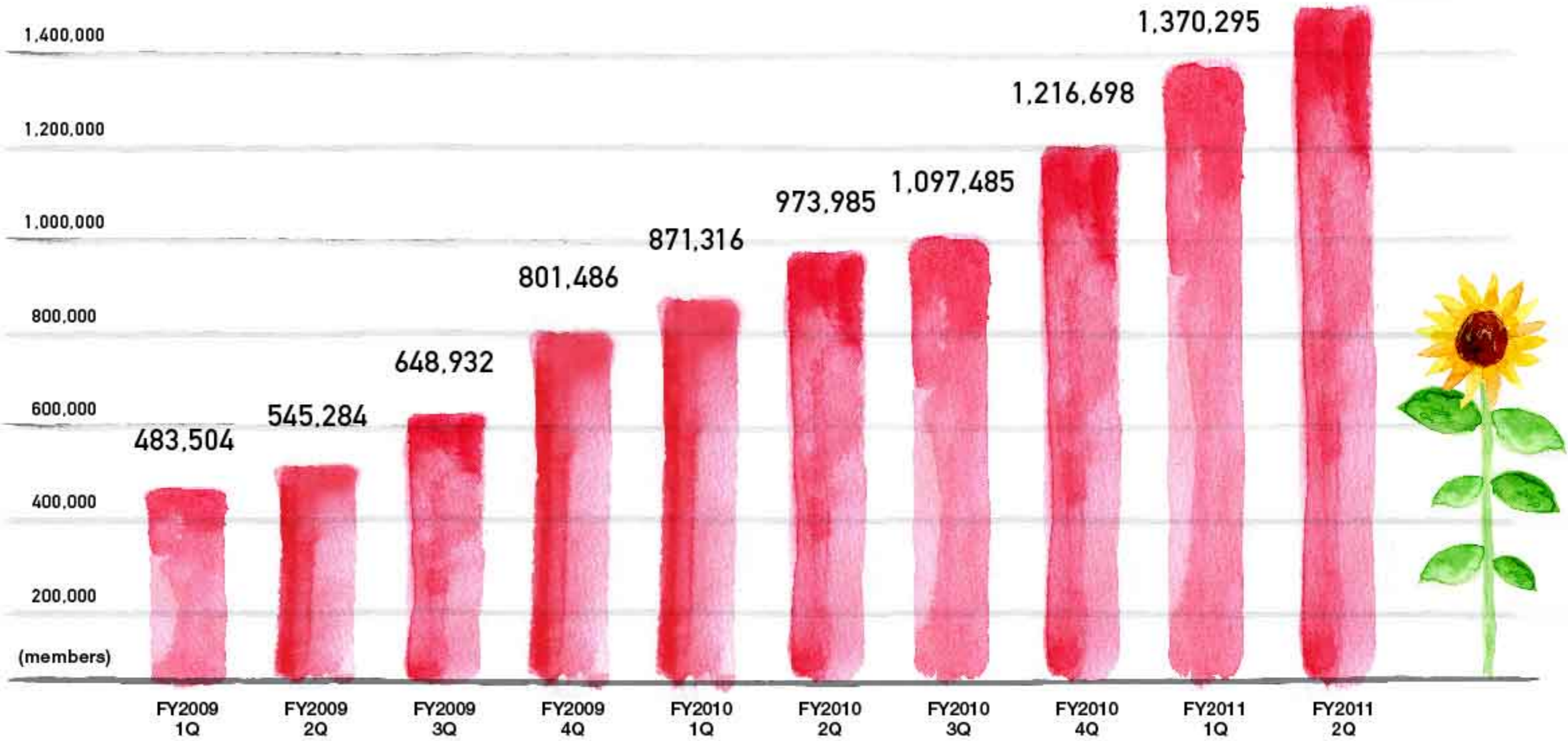
# Active Members (Quarterly)

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

+ 541,515 members year on year ( +145,205 members quarter on quarter )



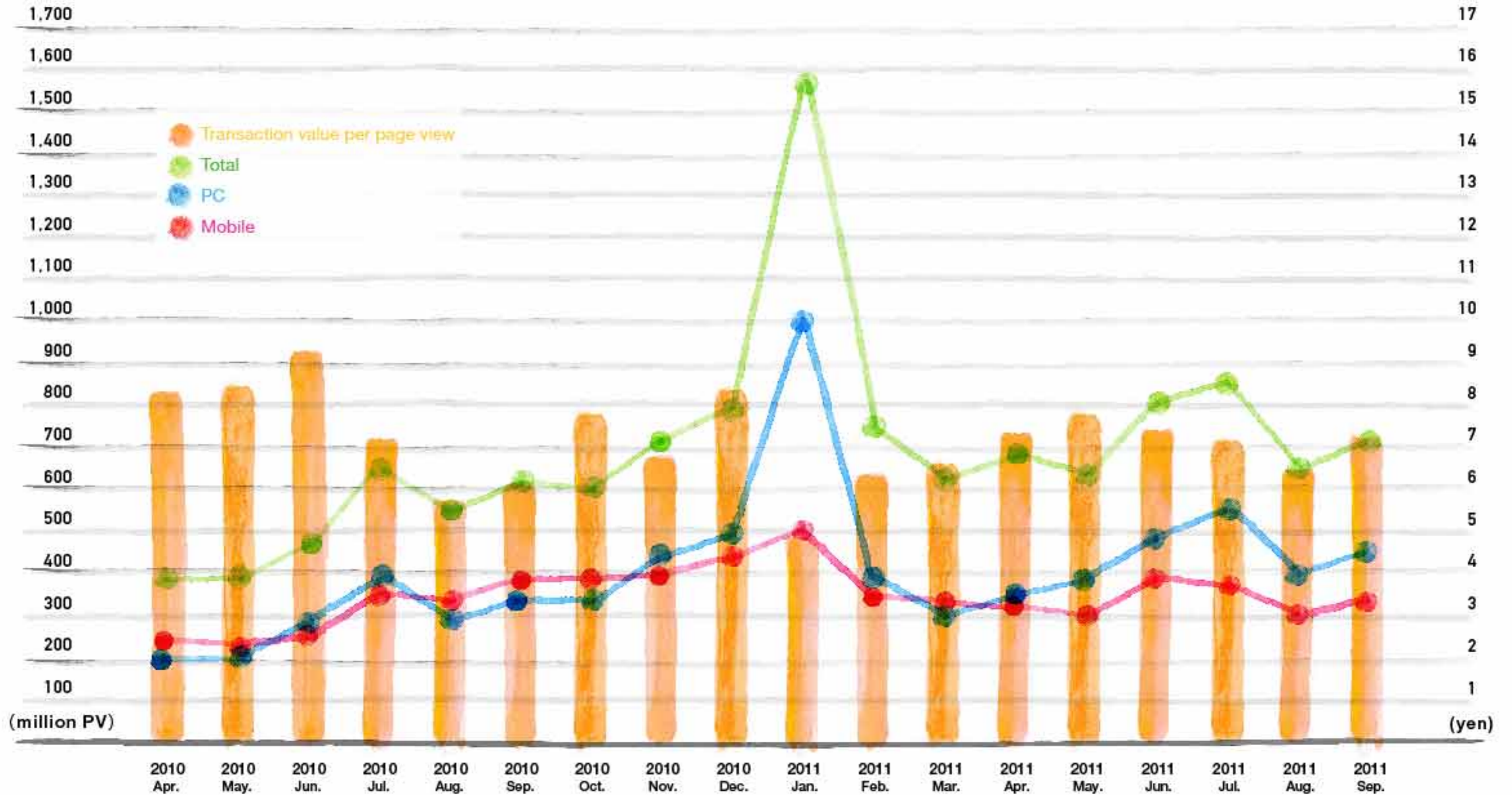
1,515,500





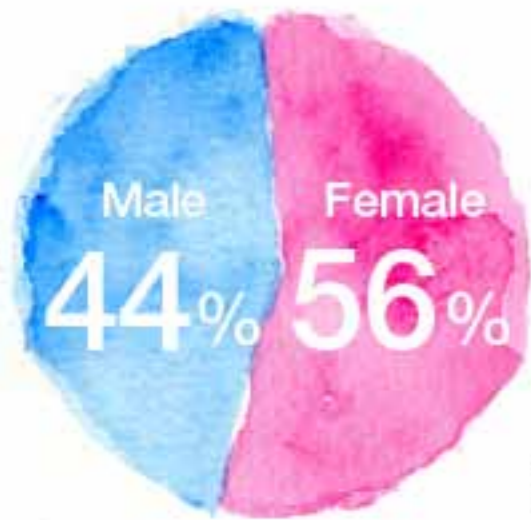


# Total Page Views per Month

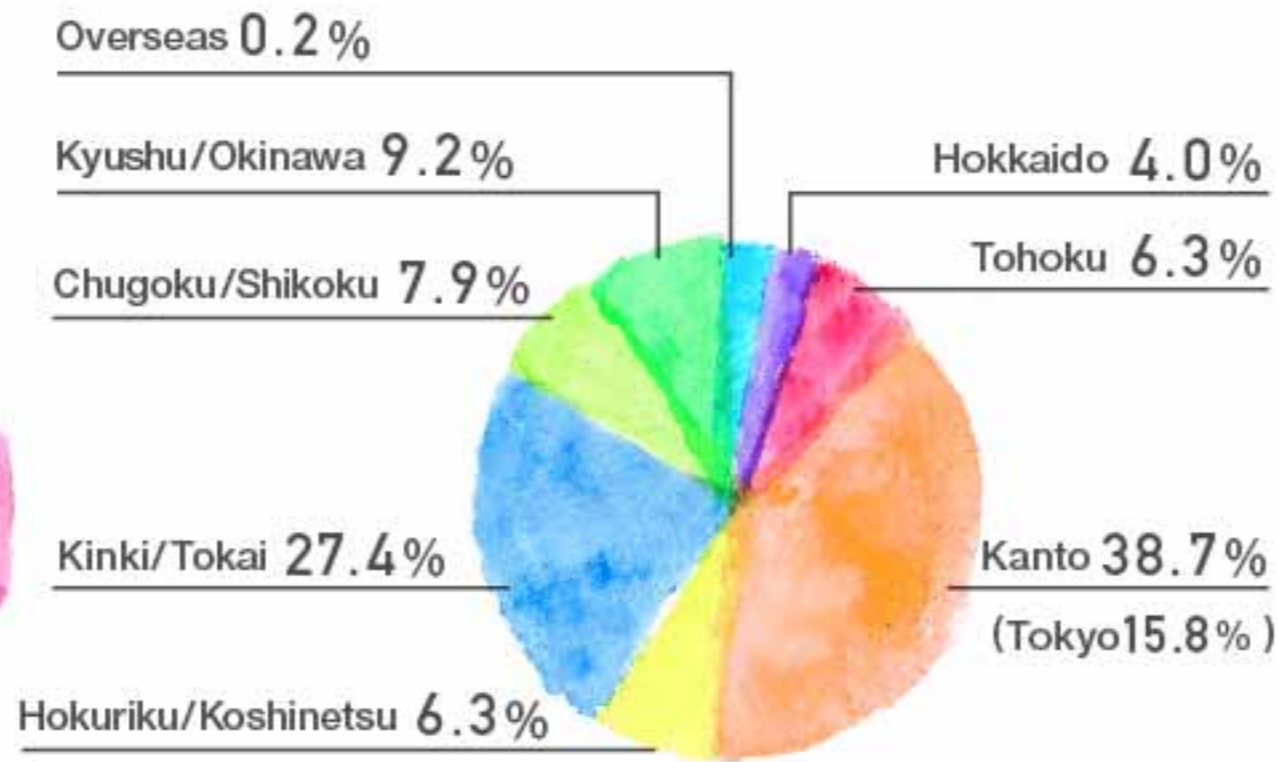




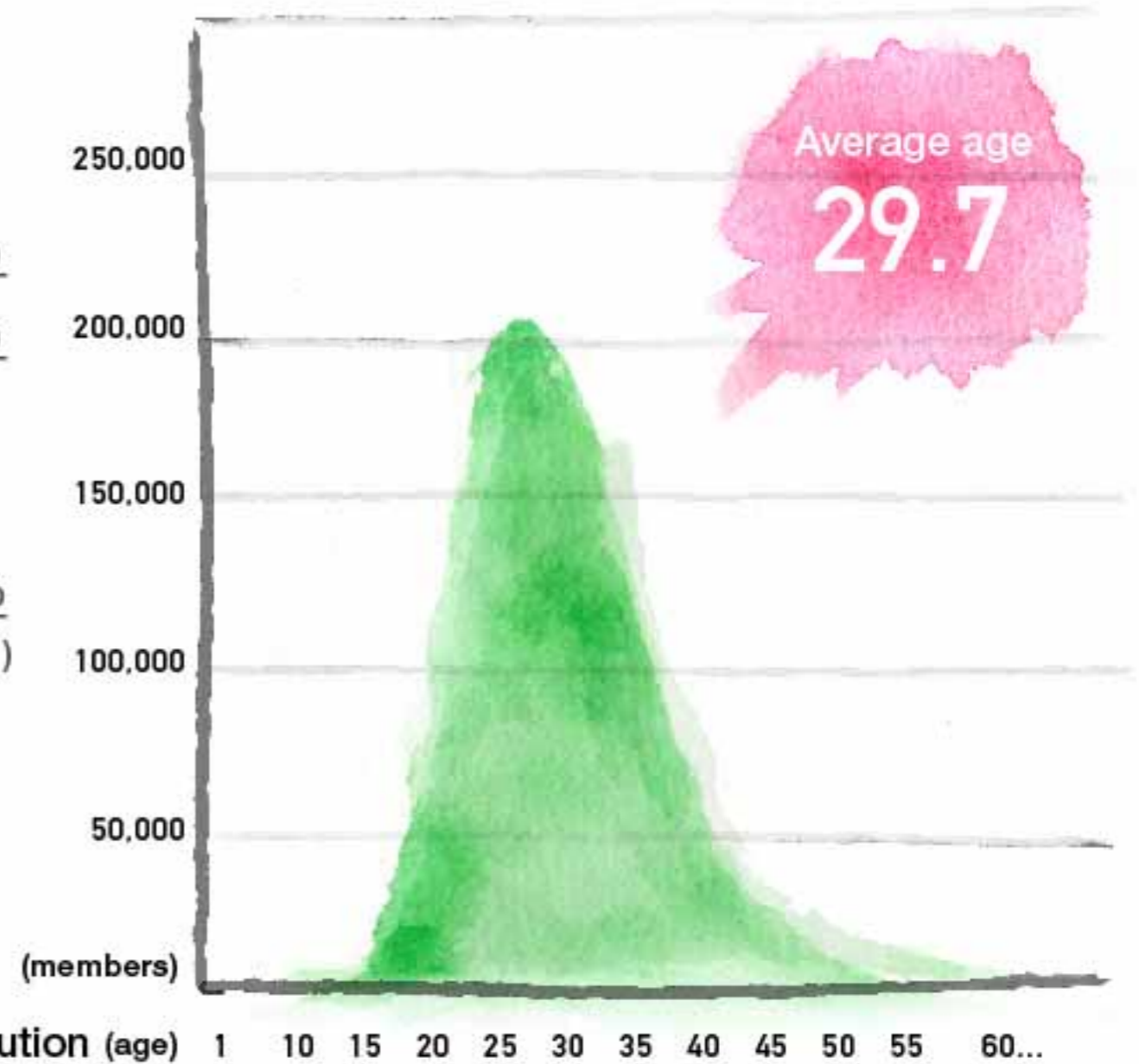
# Member Distribution (As of September 30, 2011)



Gender ratio



Geographical distribution



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



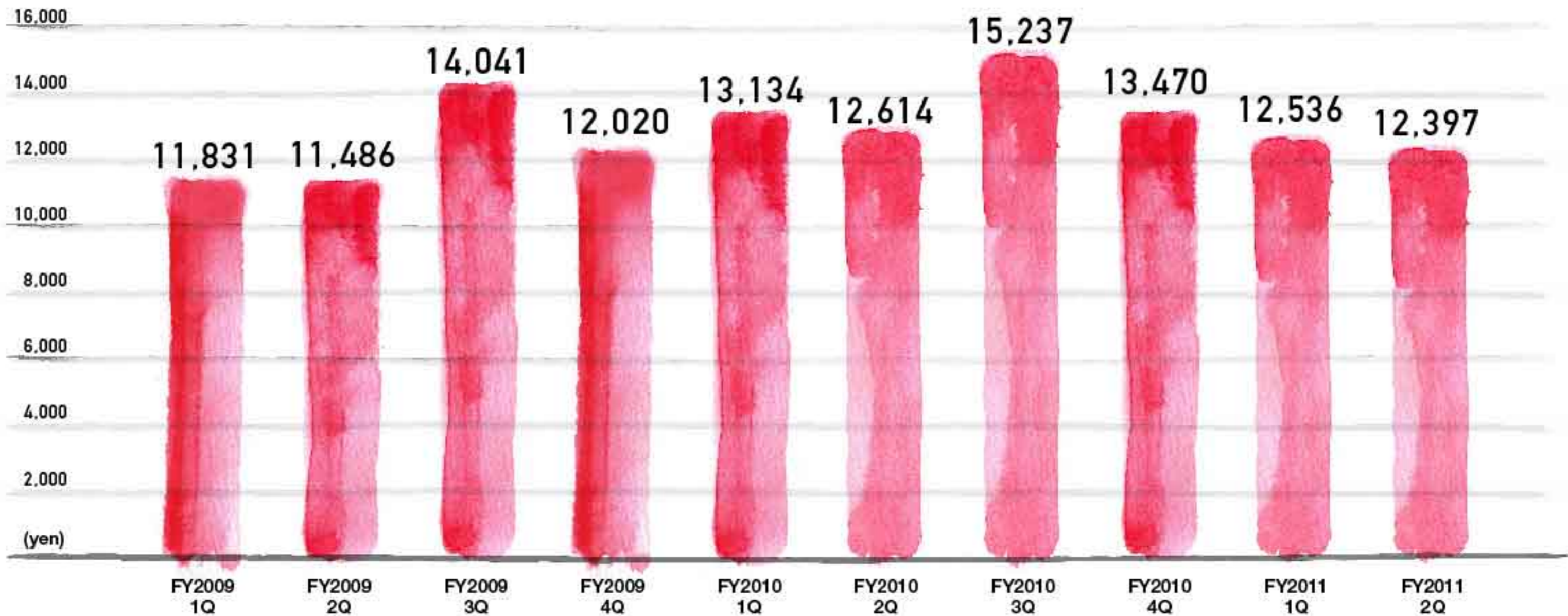
## Average Purchase Amount per Shipment

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

•Average Purchase amount per shipment Q2 FY2011: ¥ 12,397 ( - 1.7 % year on year )

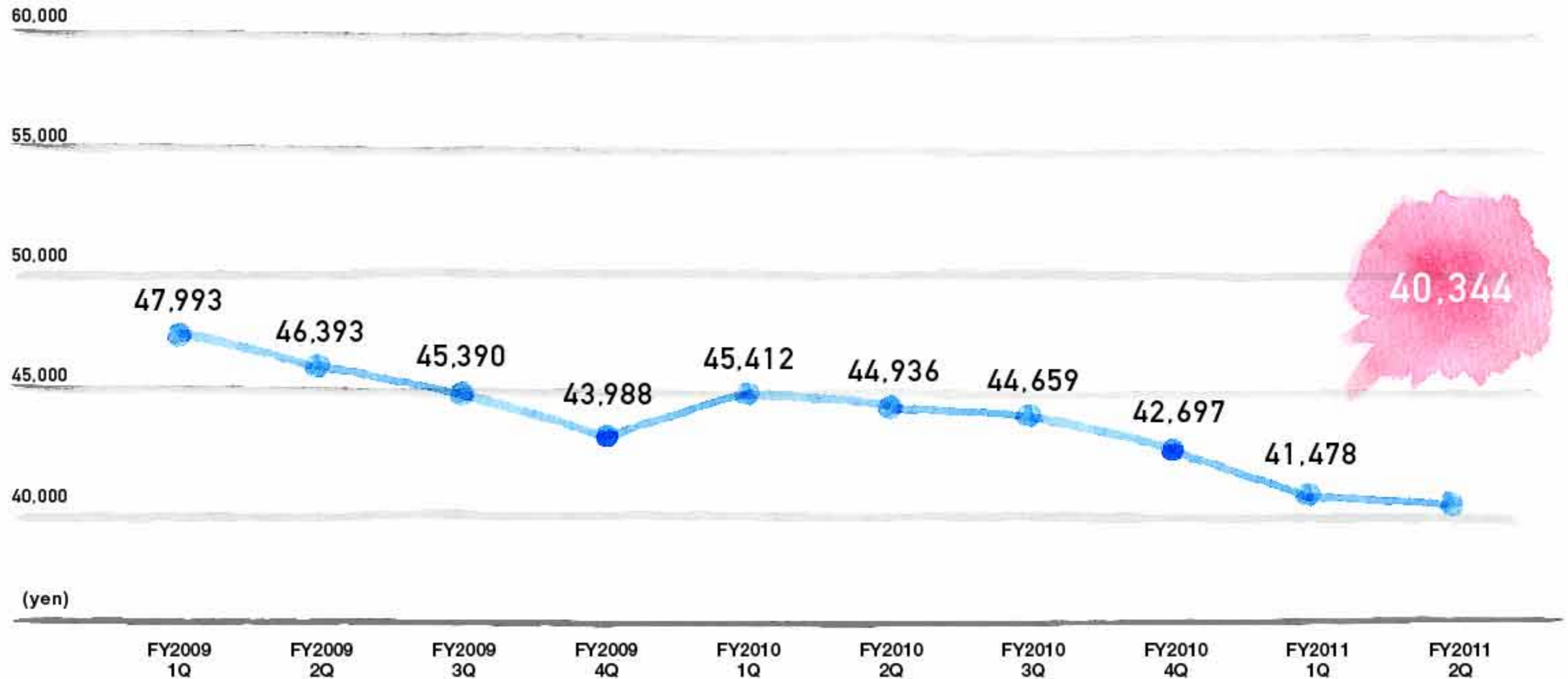
•Average price per product Q2 FY2011 : ¥ 6,275 ( Q2 FY2010 ¥ 6,627 )

\* Q1 FY2011 Transaction value and number of shipments for ZOZOTOWN-charity T-shirts are excluded  
(Reference: Average purchase amount per shipment including the charity t-shirts: ¥ 11,891 /  
average price per product: ¥ 6,379)





## Annual Purchase Amount per Active Member

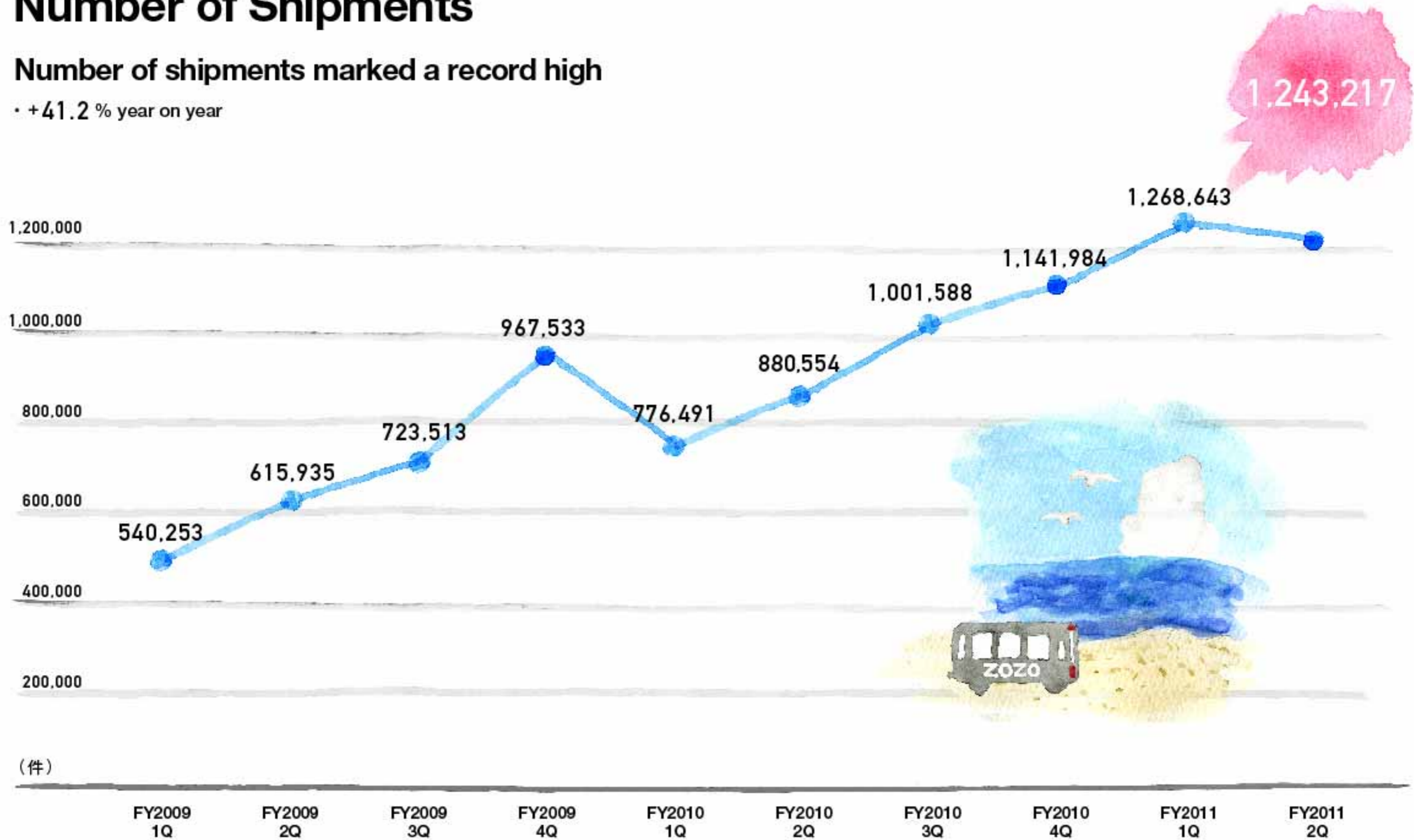




# Number of Shipments

Number of shipments marked a record high

• +41.2 % year on year



(件)



## Transaction Value Target by Member Type

### Transaction Value Target for New Members : ¥ 16.5 billion

New members	Q2 FY2011			Difference	Q1 FY2010
	Target	Result	(Of which are guest buyers)		
New members (person)	-	590,420	(126,420)	-	413,549
Active members (person)*	219,809	405,140	(126,420)	185,331	237,015
Ratio of active members to new members (%)	-	68.6%	(100.0%)	-	57.3%
Annual purchase amount per member (¥)	19,853	16,354	(10,767)	- 3,499	19,422
Total purchase amount (¥million)	4,363	6,625	(1,361)	2,261	4,603

#### Active members

- Higher than estimation

#### Purchase amount

- The purchase amount per member fell short of the target, but the total purchase amount remained nearly as planned.

### Transaction Value Target for Existing Members : ¥ 60.0 billion

Existing members	Q2 FY2011		Difference	Q1 FY2010
	Target	Result		
Total members as of March 31, 2010 (resigned members included)	3,133,360	3,133,360	-	2,081,975
Active members (person)*	622,424	658,473	36,049	424,968
Ratio of active members to existing members (%)	19.9%	21.0%	1.1%	20.4%
Annual purchase amount per member (¥)	42,066	36,689	- 5,377	39,302
Total purchase amount (¥million)	26,182	24,158	- 2,024	16,702

※ The active members is the numbers of member who made a purchase during FY2011 (including withdrawn members as at Q1 end)

# Forecasts for FY2011



## Consolidated Business Forecast and Dividend Forecast for FY2011

		YoY change (%)
Transaction value	¥ 84.0 billion	47.0
Net sales	¥ 32.2 billion	35.3
Operating profit	¥ 8.5 billion	46.3
Recurring profit	¥ 8.5 billion	46.1
Net income	¥ 4.8 billion	54.7
Earning per share	¥ 43.7	—
Dividend per share (estimate)	¥ 10.5	—

### Breakdown of net sales

	Business segment	Transaction value	YoY change (%)	Net sales	YoY change (%)
business	Store Operation & Administration Business (Consignment Sales)	67.0 billion	62.4	18.3 billion	72.2
	Store Planning & Development Business (Purchase stock)	9.5 billion	-18.7	11.4 billion	-1.7
	B toB Business	7.5 billion	78.8	2.0 billion	88.0
Others		—	—	0.39 billion	3.5
Total		84.0 billion	47.0	32.2 billion	35.3



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# **Business Plan for FY2011**



## Business Plan for FY2011

We have now started running towards...

# 840

## STARTTODAY

### CFM

(Customer Friendship Management)

Manage close relationships with customers.

- Accepting returns.
- 3% point reward.
- Former CRM department is re-named as "CFM department".

### EFM

(Employee Friendship Management)

Stimulate close relationships among co-workers.

- Increase House Rent Allowance for employees living near the Makuhari area.
- Encourage and financially support employee wellness activities.(Planned)
- Provide personal Smartphones.(Planned)
- Planning to constitute a new department specializing in EFM



## Store Operation & Administration Business (consignment sales)

**Transaction Value Target : ¥67,000 million (+62.4% year on year)**

- Continue to open new stores and expand fashion territory.
- Start the inventory-linked system with SHIPS Co.,Ltd.

## Store Planning & Development Business (purchased stock)

**Transaction Value Target : ¥9,500 million (-18.7% year on year)\***

- Continue discovering, cultivating and delivering promising brands, expanding scale of each business.
- Re-categorize our original Men's select shops by style, combining 12 shops into 4 shops.

## E-Commerce Support Business for Apparel Manufacturers

**Transaction Value Target : ¥7,500 million (+78.8% year on year)**

- FY2010 results [ Consignor : 8 Acquired member : 376,128 Active members : 177,683 ]
- Upcoming launch sites include :
  - NANO-UNIVERSE Co., LTD (in April, 2011 )
  - Little Anderson Co., LTD (in April, 2011)
  - American Rag Cie Co., LTD (in May, 2011) and more to follow
- Intensify service of consulting by reconstructing the existing personnel structure, officially setting up STARTTODAY CONSULTING up as a holding company.





## Transaction Value Target by Member Category

### ZOZO members

Number of estimated active members : 904,800 ×  
Estimated annual purchase amount per member: ¥66,313=approx. ¥60.0billion

Number of estimated new members : 660,000 ×  
Annual purchase amount per member : ¥25,000 = ¥16.5 billion



**B to B business** ¥ 7.5 billion



**84.0 billion**



## Overseas Operations

ZOZOTOWN'S overseas sales transaction value of FY2010

**¥ 100 million** (approximately)



**FY2011**

- Grand opening of Global Website
- Fashion e-commerce website development in China



# Grand Opening of Global Website

(Global Website IMAGE)



Opened at the end of May, 2011.

Available in three different languages

- Japanese
- Chinese (Traditional)
- English

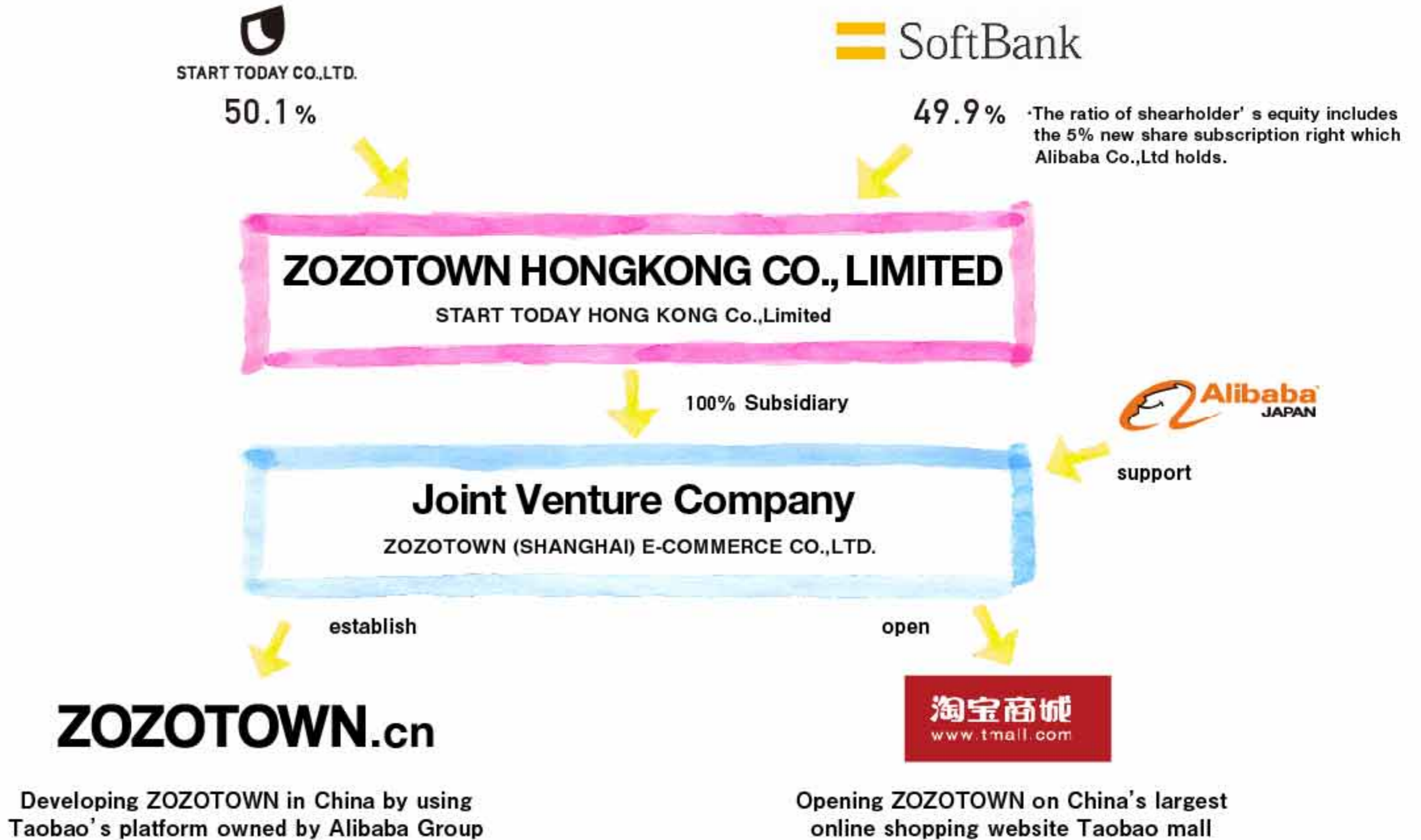
Number of brands at the time of the grand opening : over 600

Payment Method: Paypal only

Will be making deliveries to 82 countries worldwide.



# Fashion Website Development in China





# Grand opening of ZOZOTOWN CHINA

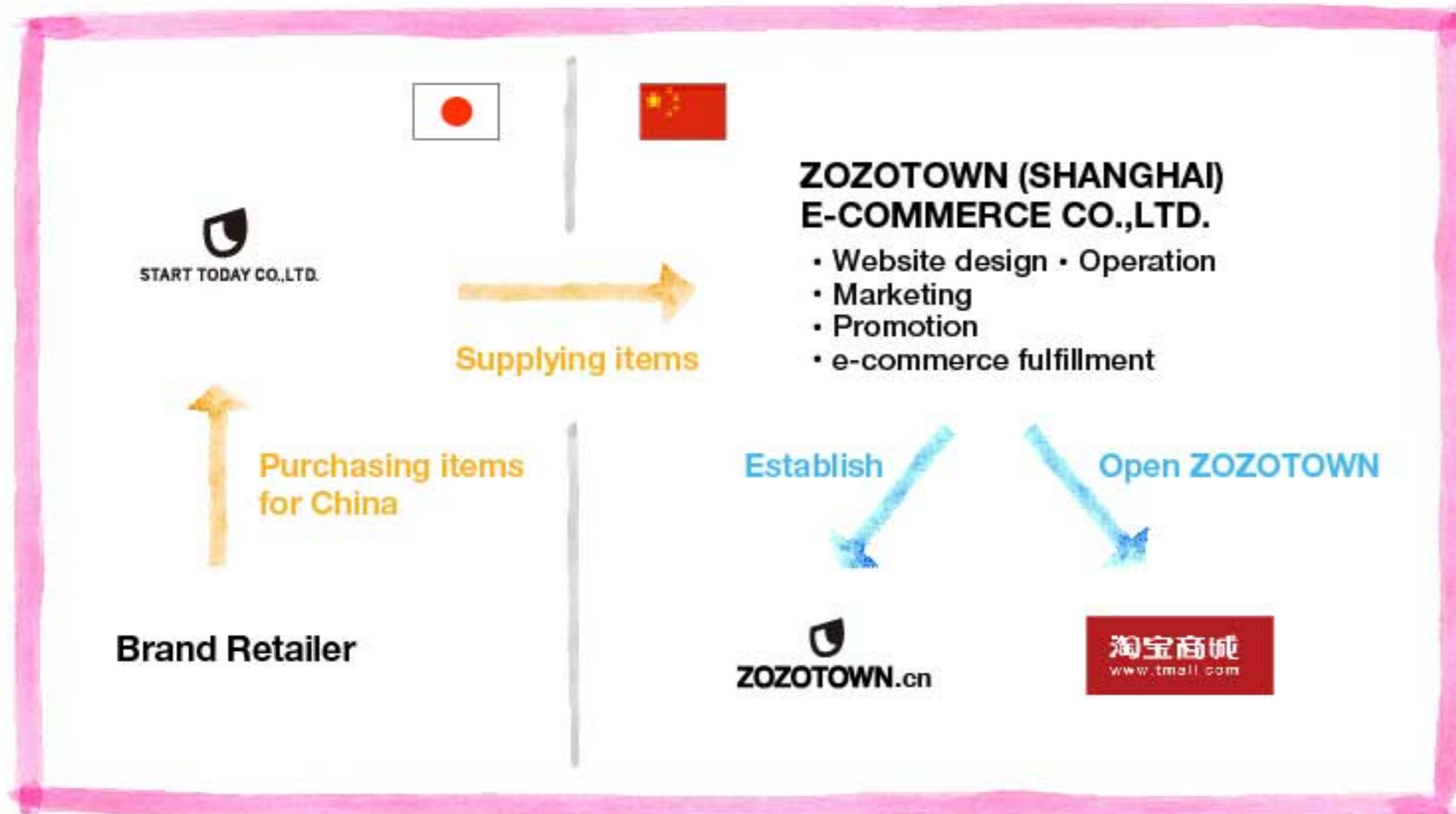
Opened ZOZOTOWN in China' s largest shopping website "Taobao Mall," as well as the grand opening of ZOZOTOWN' s own e-commerce website using the platform of "Taobao."

- Grand opening date: October 31st, 2011
- Number of brands: Approximately 40 brands
- Payment method: Alipay
- Logistics and customer support services are consigned to a partner company.

(ZOZOTOWN.cn)



(ZOZOTOWN.cn opening ceremony commemorative t-shirts)







# Official start-up of Korea development

We plan to launch our EC site, "ZOZOTOWN" in the new category that will focus on "Japanese brands (name of category to be decided)", which will be added to Korea's largest shopping websites "eBay Gmarket" and "eBay Auction" in order to introduce Japanese fashion brands to Korean consumers.

- Opening: November 1st ,2011
- Number of brands at the time of the grand opening: over 110
- Products to be delivered to customers from Japan via EMS using the services of tenso.com.

(Gmarket)



(AUCTION)





# Acquisition of additional Crown Jewel, Inc. shares (making Crown Jewel a wholly-owned subsidiary)

## Crown Jewel, Inc.

Operates an auction site that specializes in highly sensitive fashion.

Crown Jewel has allocated new shares to Start Today on April 15, 2010 in order to reinforce its business operations in apparel's secondary distribution market\*.

In order to deliver even greater group synergy, Crown Jewel became a wholly-owned subsidiary of Start Today in June 2011. Together, we will expand our market share and business activities in apparel's secondary distribution market.

\*Apparel's secondary distribution market: A secondary distribution market for pre-owned apparel. Consumer trends have diversified, triggering a rise in consumer demand to purchase better products for cheaper prices. Hence this market is expected to undergo further growth.

Company name	Crown Jewel, Inc.
Main business	Auction business
Date established	July 15, 2005
Headquarters	6-7-2 Minami-aoyama, Minato-ku, Tokyo
Representative	President Takeyuki Fukumoto
Capital	227,575,000 yen
Total shares outstanding	31,715 shares
Beginning of the fiscal year	September



- Number of members : 100,981
- Number of active members : 15,059
- Male : 40.1 % Female : 59.9 %

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# **Future Strategies**



# Mid-to and Long-term Vision

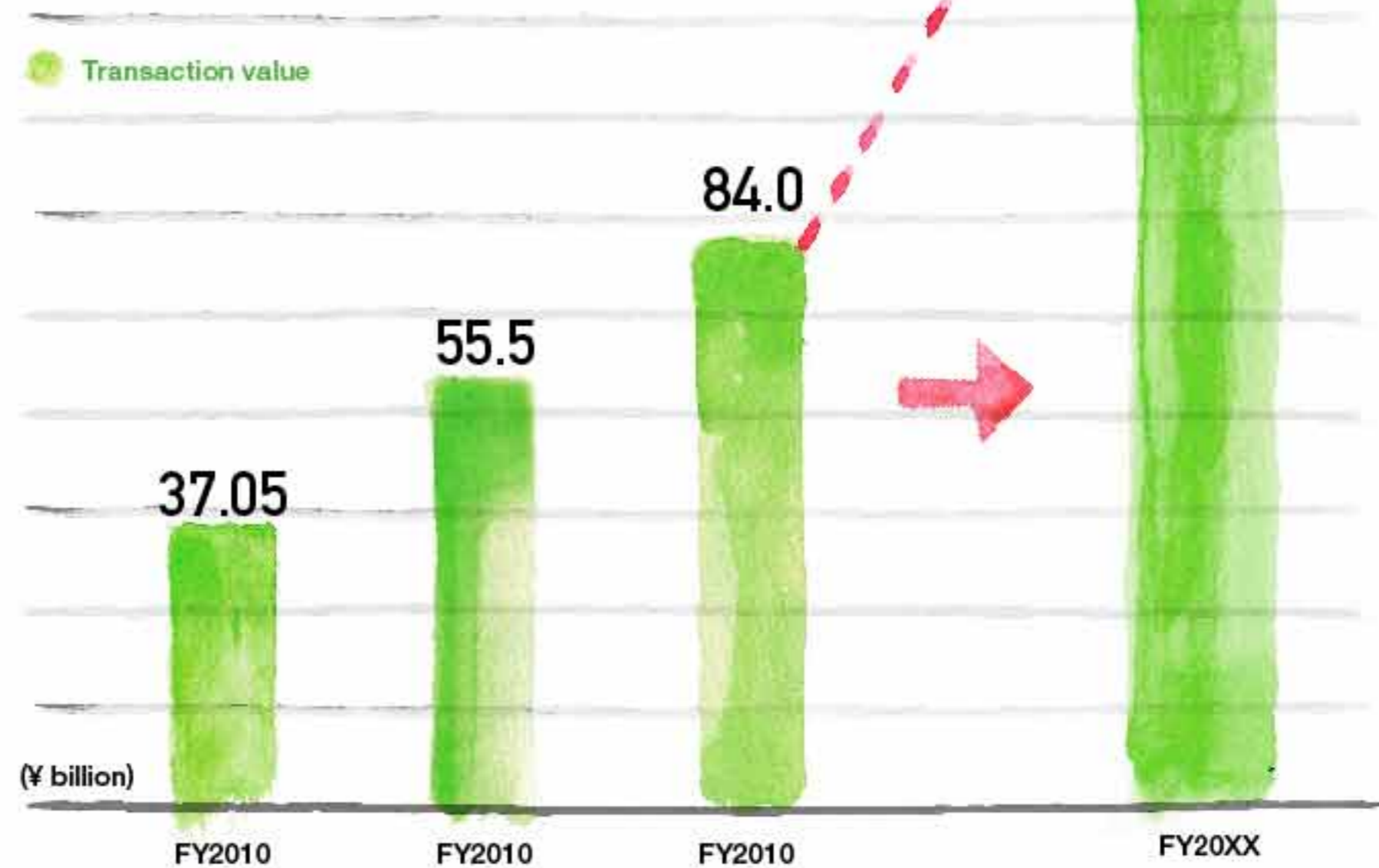
Mid-to and Long-term target of START TODAY

FY20XX term

Transaction value **500** billion  
Recurring profit **50** billion



## Mid-to and Long-term Target for Transaction Value

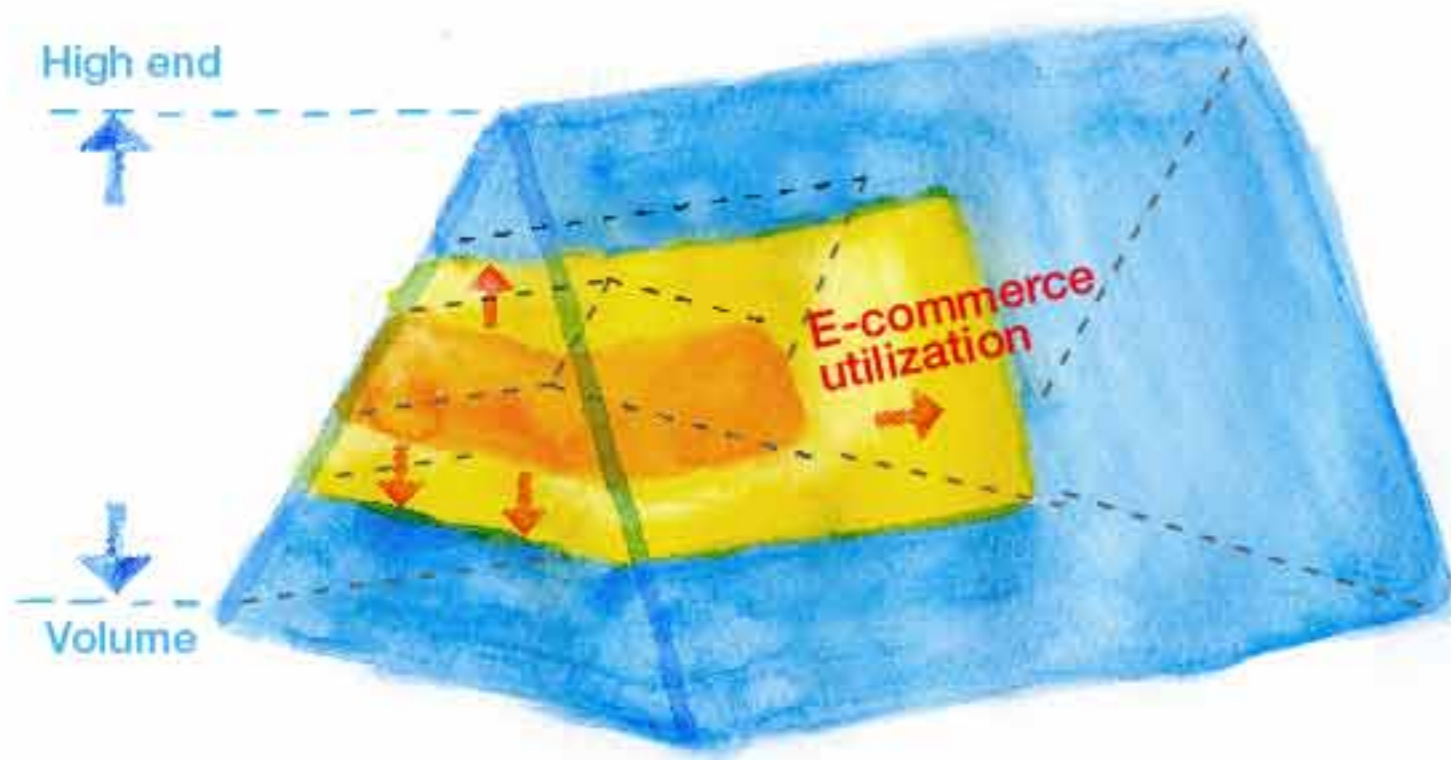




# Strategy of Market Expansion

While ZOZOTOWN 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-to-Long target)
- ZOZO dealing market (Current)



The background is a watercolor wash with a gradient from light orange on the left to deep red on the right. The colors are blended and have a soft, painterly texture.

# Reference Data



# Japan's Largest Online Retailer of Apparel and Accessories – ZOZOTOWN

(ZOZOTOWN)

## ZOZOTOWN <http://zozo.jp/>

- One of Japan's largest online shopping sites for fashion items  
321 stores handling 1,666 brands. Always offering more than 130,000 items with more than 3,000 new items a day on average.
- Users can comment on merchandise and share information via social networking sites such as Twitter, Mixi, GREE and Facebook.
- Systems, design, logistics and other e-commerce functions retained in house.

## ZOZOVILLA <http://zozo.jp/zozovilla/>

- Online shopping site handling Japanese and international designer brands and luxury brands.
- Based on the visual theme of islands, the uniqueness of each brand is communicated by operating a different store on each island.

## ZOZOOUTLET <http://zozo.jp/outlet/>

- Offers items from United Arrows, BEAMS, TSUMORI CHISATO and other popular multi-label stores and brands.





## A Summary and a Characteristic of Other Services



### **ZOZOPRESS** <http://zozo.jp/zozopress/>

- Fashion news site offering the latest information focusing on three genres, including “casual” and “mode,” for men and women, respectively, in the form of 1-page magazine articles devoted to each genre.

### **ZOZONAVI** <http://navi.zozo.jp/>

- Search site covering over 5,000 apparel stores throughout Japan.

### **ZOZOGALLERY** <http://gallery.zozo.jp/>

- Download services of computer wallpaper and mobile phone standby screen image of popular brands.

### **ZOZOPEOPLE** <http://people.zozo.jp/>

- Social networking service specializing in the distribution of information about people, journals and items.

### **ZOZOQ&A** <http://qa.zozo.jp/>

- A bulletin board where fashion-sensitive people can exchange information through Q&A-style posting.

### **ZOZOARIGATO** <http://arigato.zozo.jp/>

- “Thank you” message posting service to encourage people to express gratitude for the good things in life.
- Every time a “thank you” message is posted, START TODAY donates ¥10 to World Vision Japan, an NGO.







## Store Planning & Development Business (Purchased Stock)

Operate 41 stores such as “ZOZOEPROZE” and “QUNIEE” in ZOZOTOWN.

Purchase from brand manufacturers and sell.

**Sales = Transaction value on each store**

## Store Operation & Administration Business (Consignment Sales)

Operating 280 online stores, such as “United Arrows”, “BEAMS” in ZOZOTOWN and “MARCJACOBS” 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: 19 companies (as of September 30, 2011)

**Sales = Transaction value of manufacturers × consignment commission rate**

## Others

Initial store opening charge, paid membership service “ZOZOPREMIUM”, handling fee of the allied credit card “ZOZOCARD”.

**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.**

