

**FY2012**

**April 1, 2012 - September 30, 2012**

**Consolidated Business Results**



## FY2013 2Q Highlights

• During the consolidated cumulative second quarter (for the fiscal year ending March 2013), the group's transaction value reached 40.803 billion yen, which represents a 22.0% year-on-year growth. However, if we take into consideration that last year's figures included charity T-shirts sales, the growth rate shifts to 23.3%. We believe that we have been able to achieve such a continuous high rate of growth due to the increase in the total number of shops offered on ZOZOTOWN, which has now reached 469 (321 shops / September 2011, 389 shops / March 2012), as well as the total number of purchasers, which has surpassed 2.23 million (there were 1.51 million purchasers the same month previous year).

• The operating profits for this period was 2.89 billion yen (down 14.2% year-on-year, or down 7.8% if we exclude the impact of charity T-shirts sales). This negative growth may be mainly attributed to a cost increase resulting from logistics facilities we have gradually been expanding since October 2011 and to the front-loading of costs for ZOZOCOLLE held this September. (The revenues from pre-orders placed at this event will be recognized next quarter.)

• Although we maintained high levels of growth with respect to the total transaction value, the results fell short of the goals we had set at the beginning of the term (as disclosed on 18th October). One of the key reasons for this shortfall was acquisition of new customers. We were unable to meet our initial targets in this respect; therefore the total number of purchasers for this period remained at 1.39 million. We recognize that this situation has arisen as a result of the challenges we have been facing in the areas of merchandise, website operation, customer relationships, and logistics. We are confident, however, that we will be able to meet the targets we set at the beginning of the fiscal year (transaction value of 111.5 billion yen, operating profits of 10.44 billion yen) by always bearing in mind our point of origin, our philosophy as fashion EC professionals, bringing more and more people together, continuing to improve our merchandise offering, website, customer relationships, and logistics, and bringing to life an unexampled fashion EC site and service.

• We will undertake a wide range of activities during the third and fourth quarters of this fiscal year. One such measure is the "ZOZOTOWN Improvement Program" we launched this September. As the number of brands we offer continue to increase and the scale and recognition of our business expands, we have found that there are areas we can improve in order to continue to offer a custom-tailored, "attention-to-detail" service to our brands and to our users. We believe that making improvements to address each and every much-valued feedback we receive will lead us to greater future growth.

# **Business Performance**



## FY2012 2Q Overview

### Consolidated income statement (includes transaction value)

(¥ million)

Item	FY2012 2Q	FY2011 2Q	YoY change (%)	Target	Percent completion
Transaction value	40,803	33,447	+ 22.0%	111,500	36.6%
Net sales	15,378	13,773	+ 11.7%	41,700	36.9%
Operating profit	2,890	3,366	△ 14.2%	10,440	27.7%
Recurring profit	2,894	3,352	△ 13.7%	10,450	27.7%
Net income	1,757	2,105	△ 16.5%	6,370	27.6%



## Consolidated balance sheet

(¥ million)

	FY2011 (as of March 31, 2012)	FY2012 2Q		FY2011 (as of March 31, 2012)	FY2012 2Q
<b>Current assets</b>	<b>20,877</b>	<b>16,731</b>	<b>Current liabilities</b>	<b>8,707</b>	<b>8,299</b>
Cash and deposits	13,888	9,328	Deposit received for consignment sales	4,214	4,457
Merchandise inventory	1,239	1,315	<b>Noncurrent liabilities</b>	<b>590</b>	<b>625</b>
<b>Noncurrent assets</b>	<b>2,330</b>	<b>2,459</b>	<b>Total liabilities</b>	<b>9,298</b>	<b>8,925</b>
Tangible assets	810	794	<b>Shareholders' equity</b>	<b>13,401</b>	<b>9,851</b>
Intangible assets	902	816	Treasury stock	—	▲3,660
Investments and other assets	618	848	<b>Total net assets</b>	<b>13,910</b>	<b>10,265</b>
<b>Total assets</b>	<b>23,208</b>	<b>19,191</b>	<b>Total liabilities and net assets</b>	<b>23,208</b>	<b>19,191</b>



## Cash Flow

(¥ million)

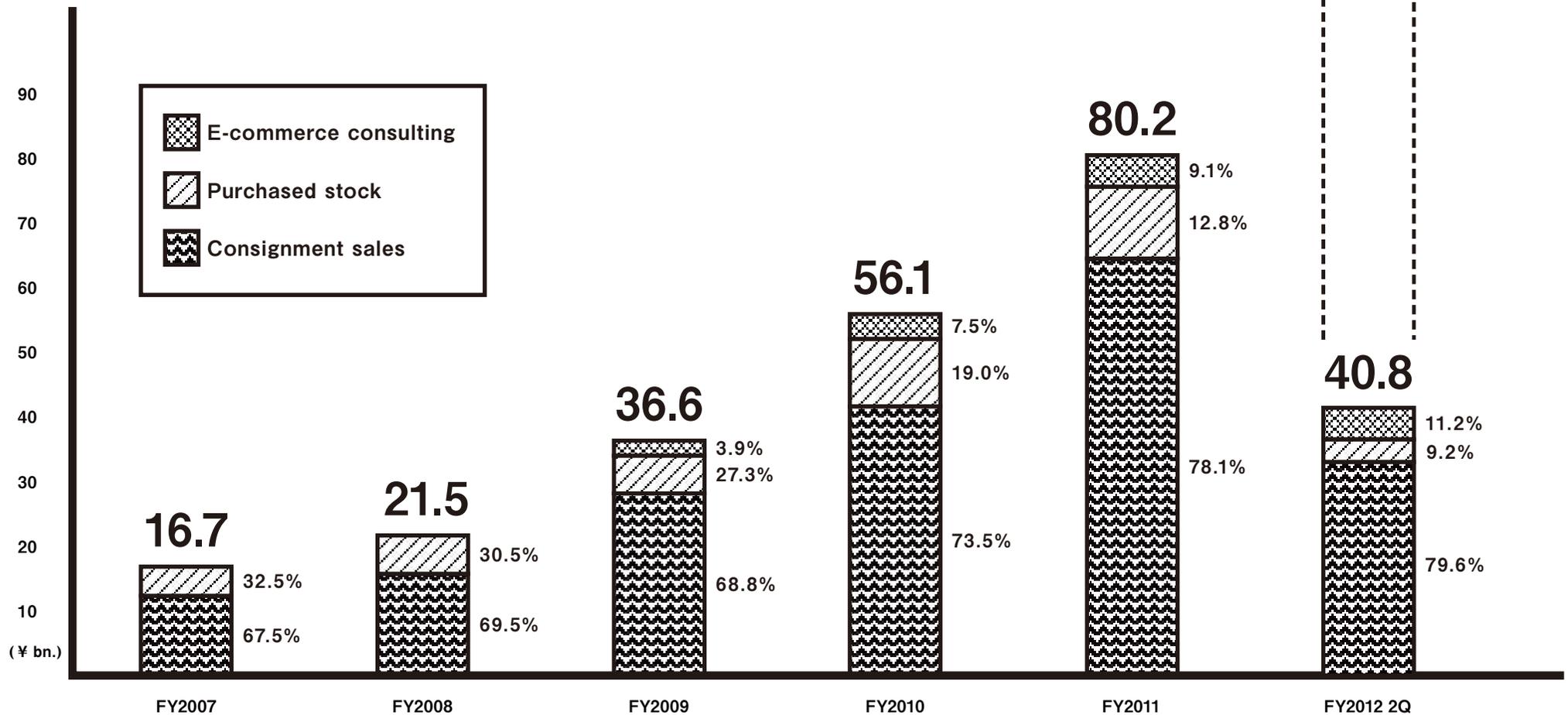
Item	FY2012 2Q	FY2011 2Q	YoY	Causes
Cash flows From business activities	1,102	1,737	▲ 634	Net income decrease
Cash flows From investments	▲ 353	▲ 773	419	Acquisition of additional shares of an affiliate (Crown Jewel, Co. Ltd.), acquired in FY2011
Cash flows From financing activities	▲ 5,302	▲ 534	▲ 4,768	· Share buyback · Increase of dividend payments
End of quarter balance of cash and cash equivalents	9,328	10,430	▲ 1,101	—



# Transaction Value

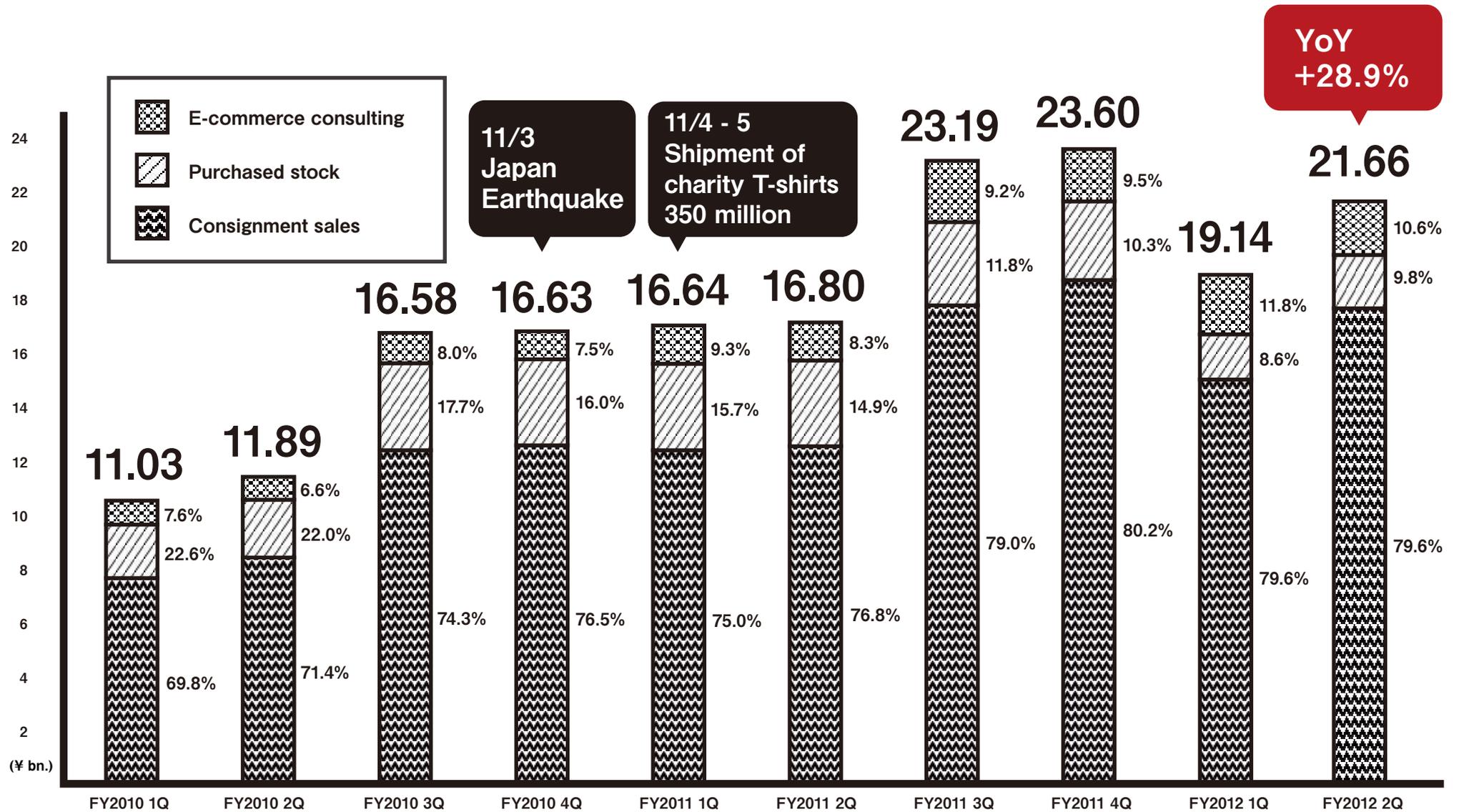
Gross transaction value of new shops for FY2012 2Q  
ZOZOTOWN: ¥1.07billion, 2.6% of the transaction value

111.5





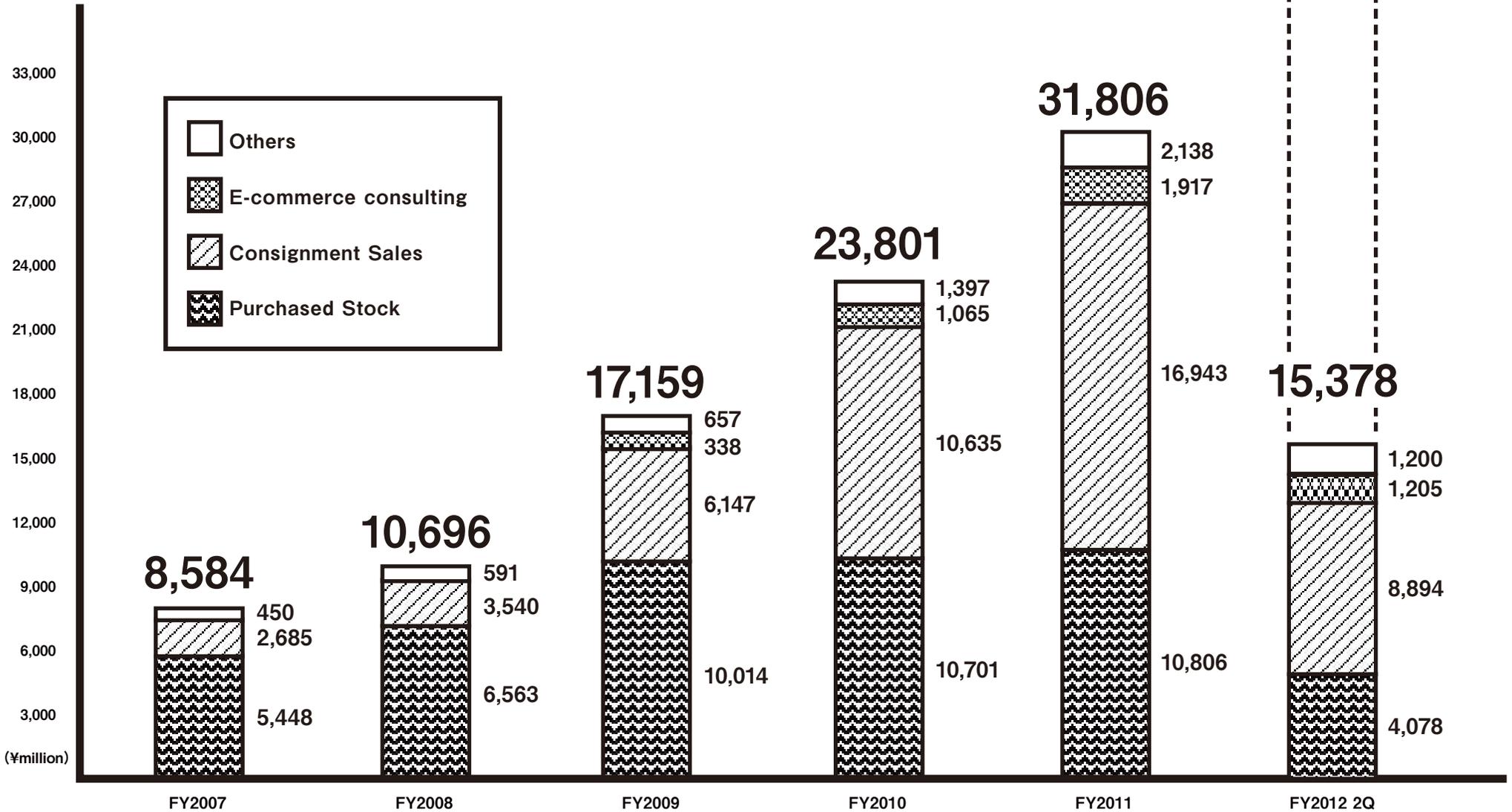
# Transaction Value (Quarterly)





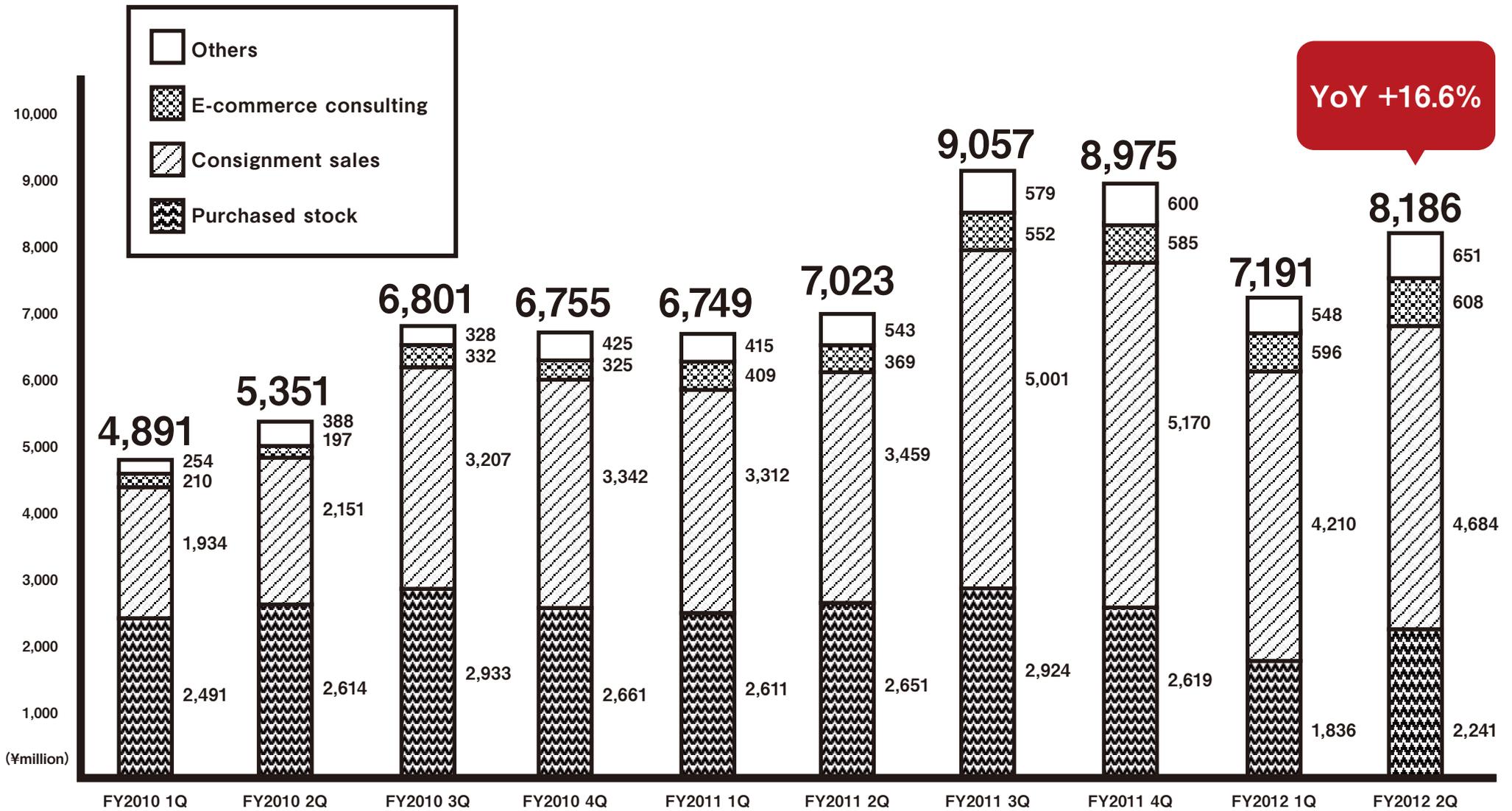
# Net Sales

41,700





# Net Sales (Quarterly)





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

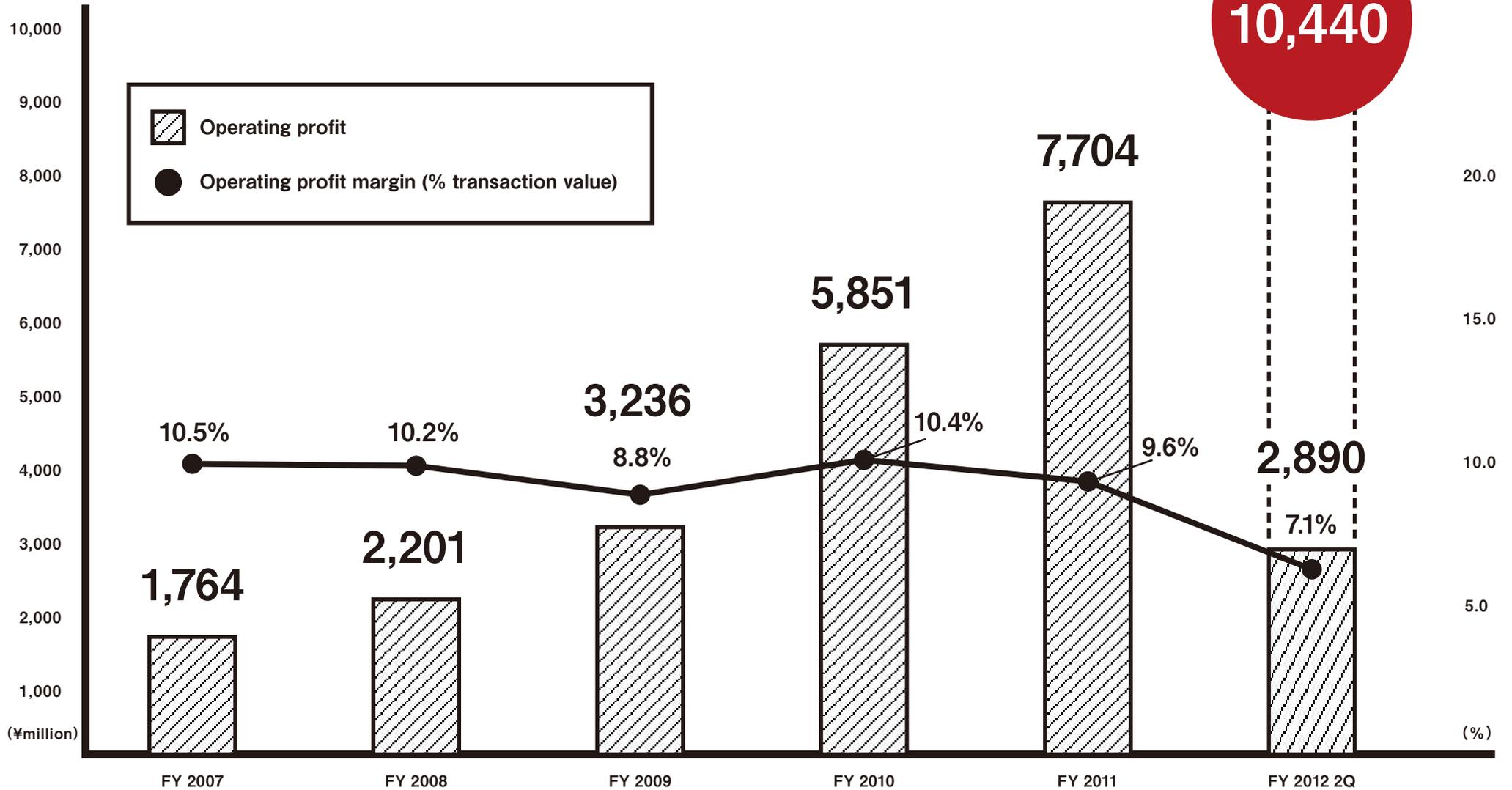
(¥ million)

Item	2012 2Q			2011 2Q			YoY change	
	Amount	% Transaction value	% Total	Amount	% Transaction value	% Total	% Transaction value (PPT)	% Total (PPT)
Payroll	1,642	4.0	17.5	1,290	3.9	19.1	0.1	-1.6
Shipping	1,200	2.9	12.8	964	2.9	14.3	0.0	-1.5
Payment collection	928	2.3	9.9	749	2.2	11.1	0.1	-1.2
Advertising	1,890	4.6	20.1	728	2.2	10.8	2.4	9.3
Point sales promotion	525	1.3	5.6	1,124	3.4	16.6	-2.1	-11.0
Outsourcing	1,476	3.6	15.7	494	1.5	7.3	2.1	8.4
Others	1,734	4.3	18.5	1,405	4.2	20.8	0.1	-2.3
Total SG&A	9,399	23.0	100.0	6,757	20.2	100.0	2.8	—

※Payroll includes subcontracting payroll.

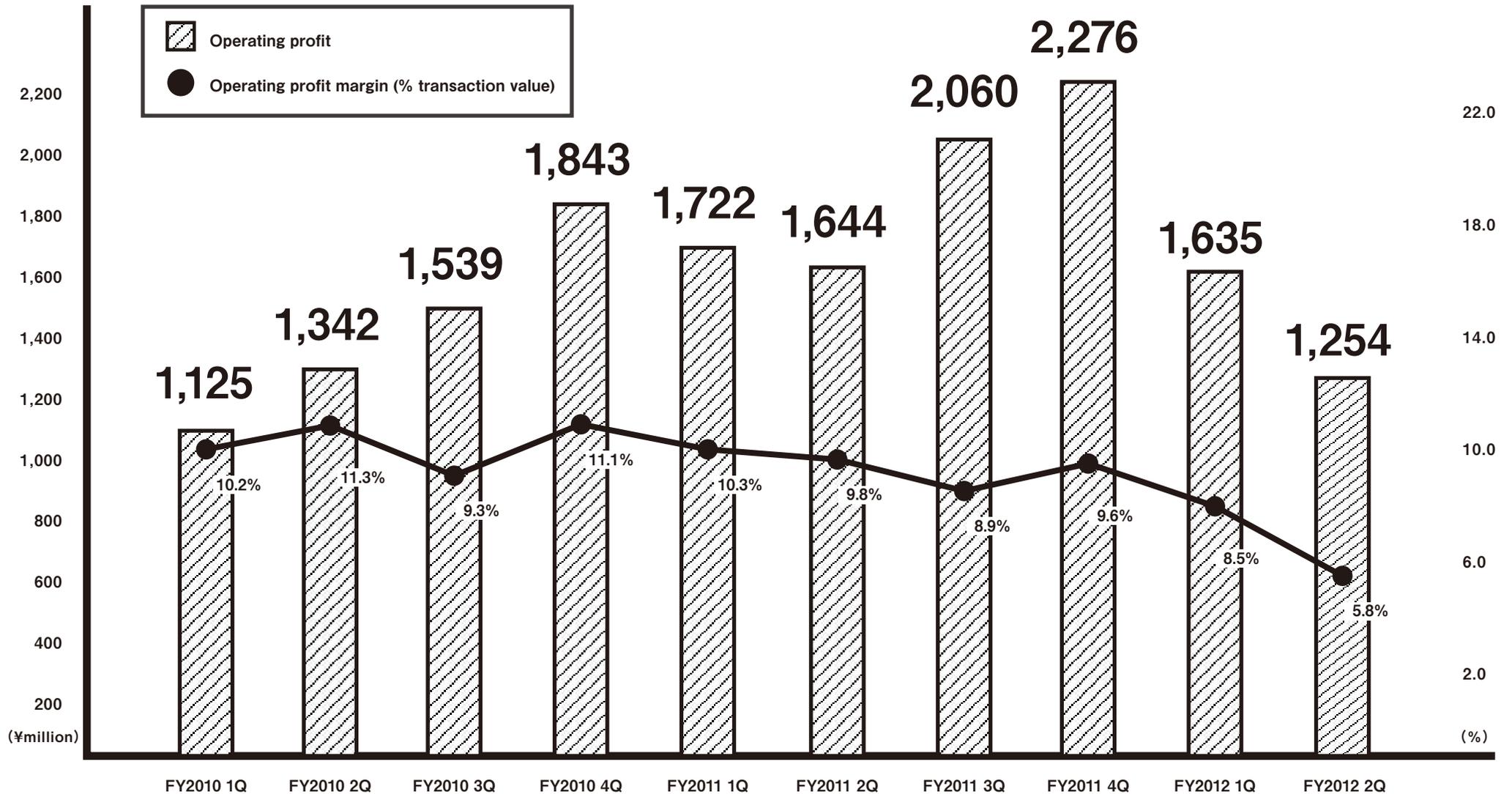


# Operating Profit and Operating Profit Margin (% Transaction Value)





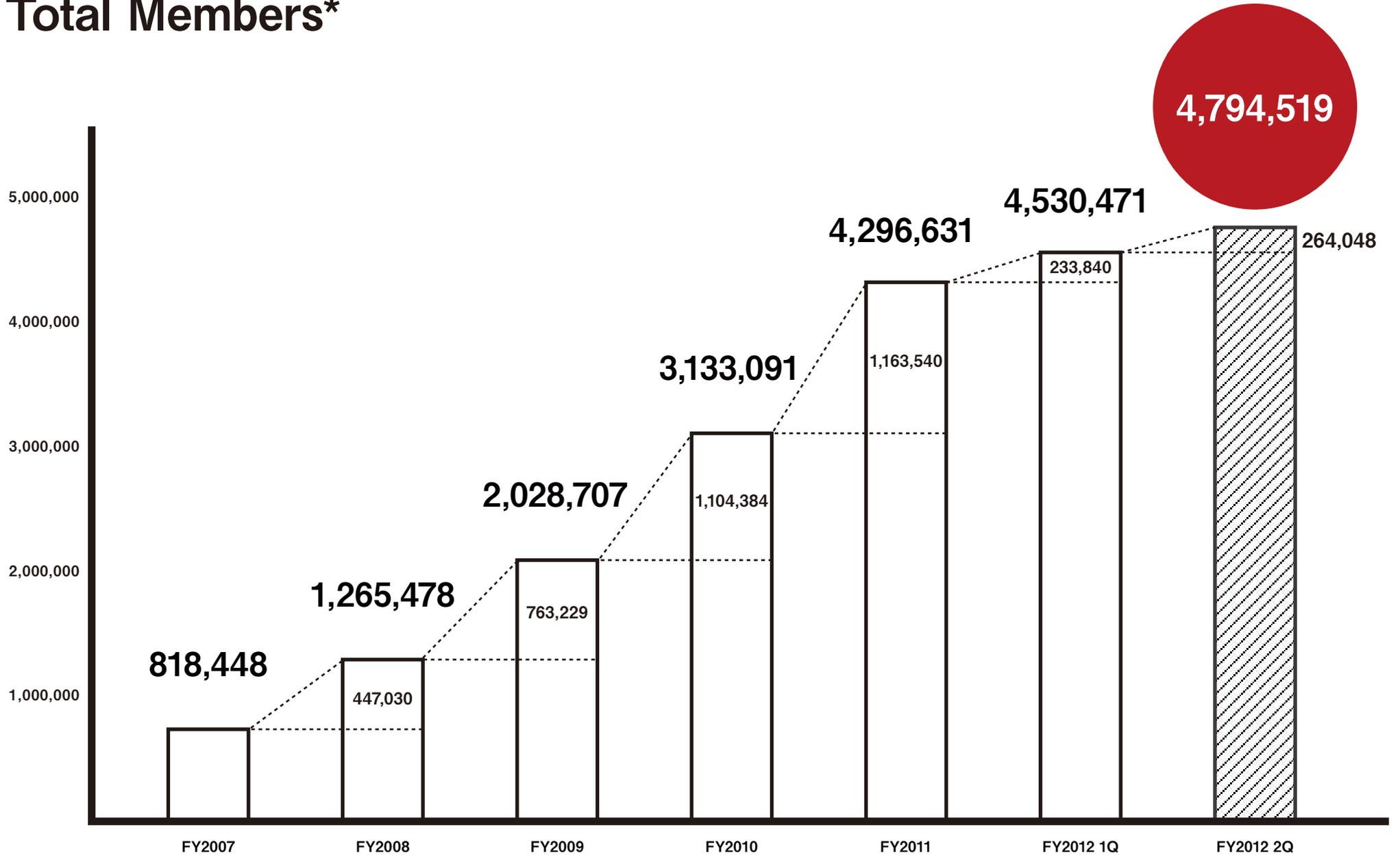
## Operating Profit and Operating Profit Margin (Quarterly) (% Transaction Value)



**Fact Data**



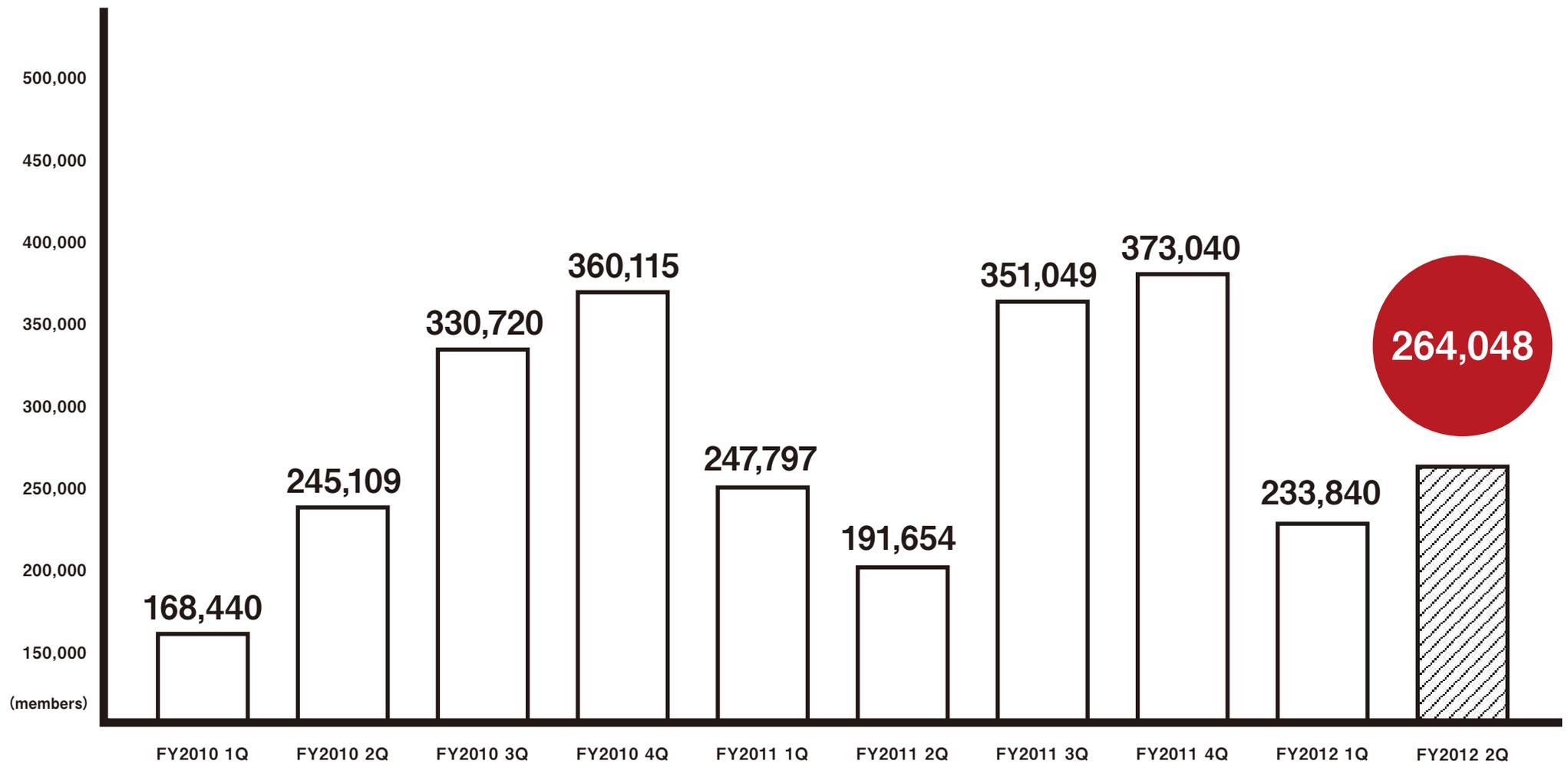
# Total Members\*



\*Guest buyers have not been included in the above figures.



# New Members (Quarterly)





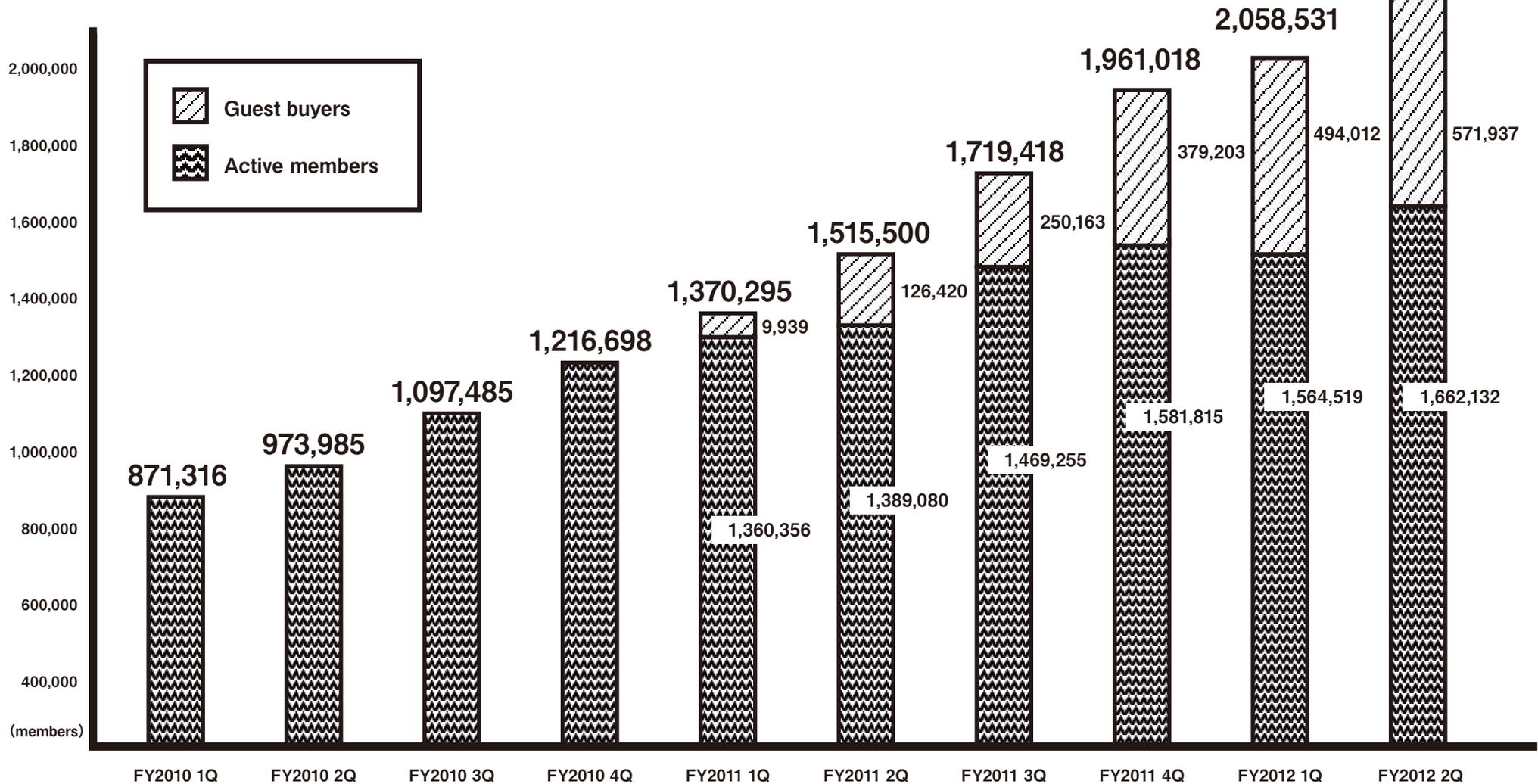
# Number of Total Buyers

2,234,069

Number of total buyers = Active members and guest buyers who made at least 1 purchase within a year

Guest buyers = Unique buyers who made a purchase without registering as a member

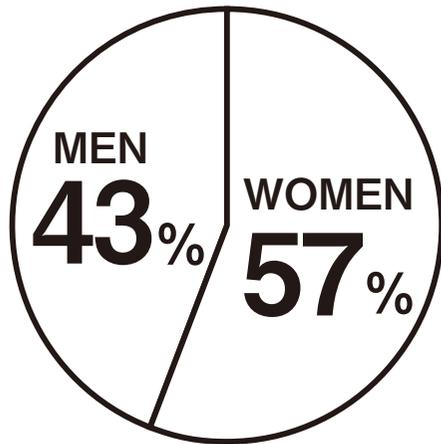
Active members = Members who have made at least one purchase within a year



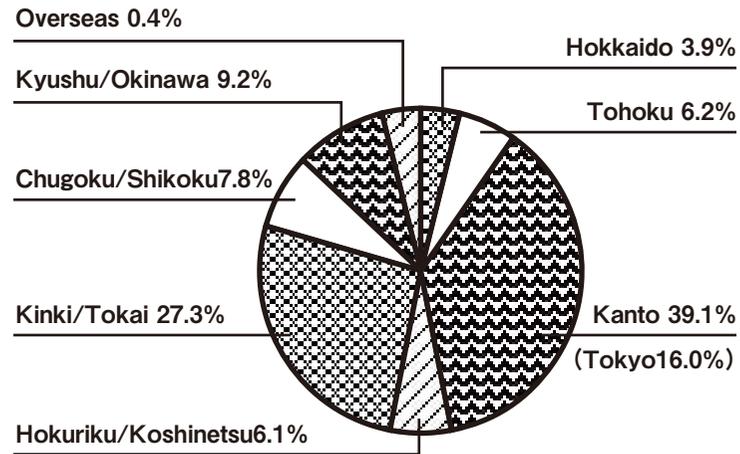


# Member Distribution (As of September 30, 2012)

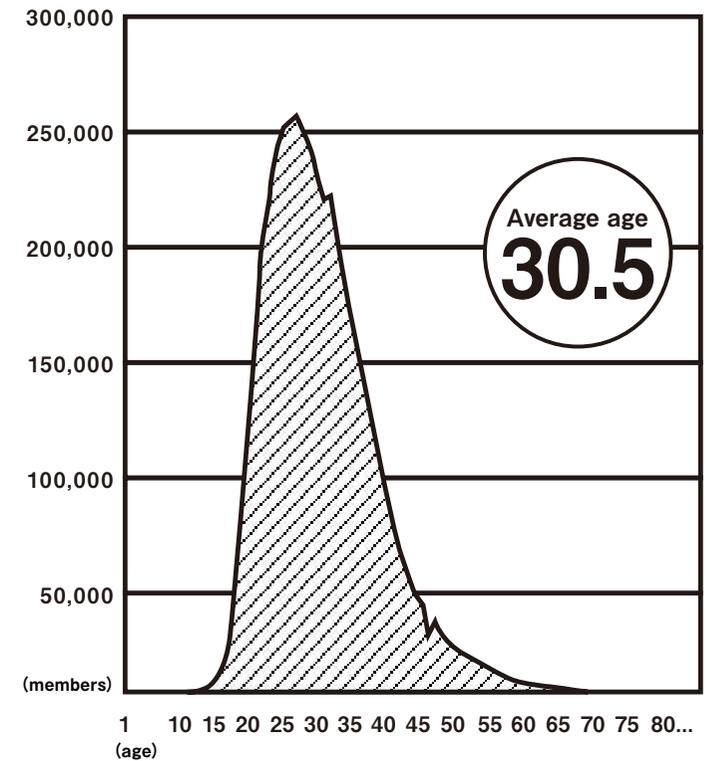
Gender ratio



Geographical distribution



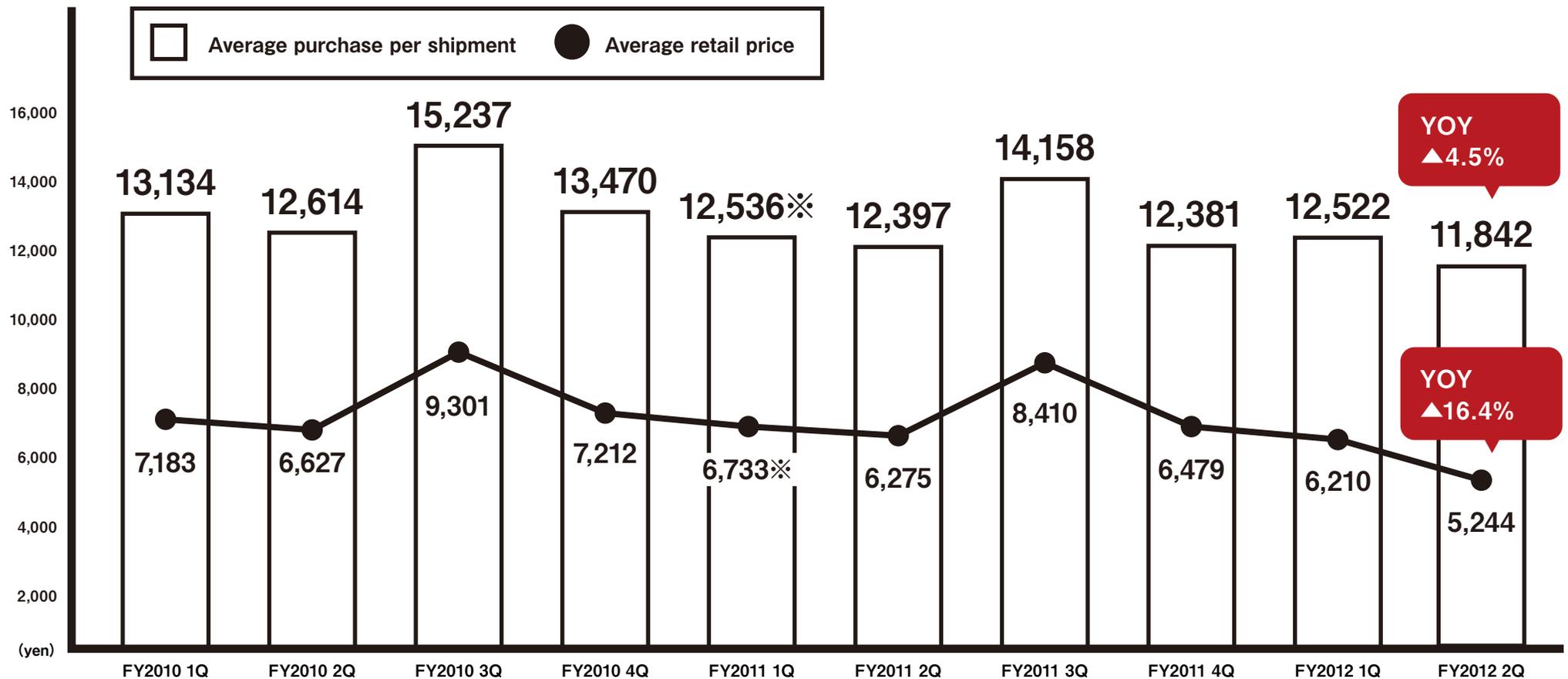
Age distribution





# Average Purchase per Shipment and Average Retail Price

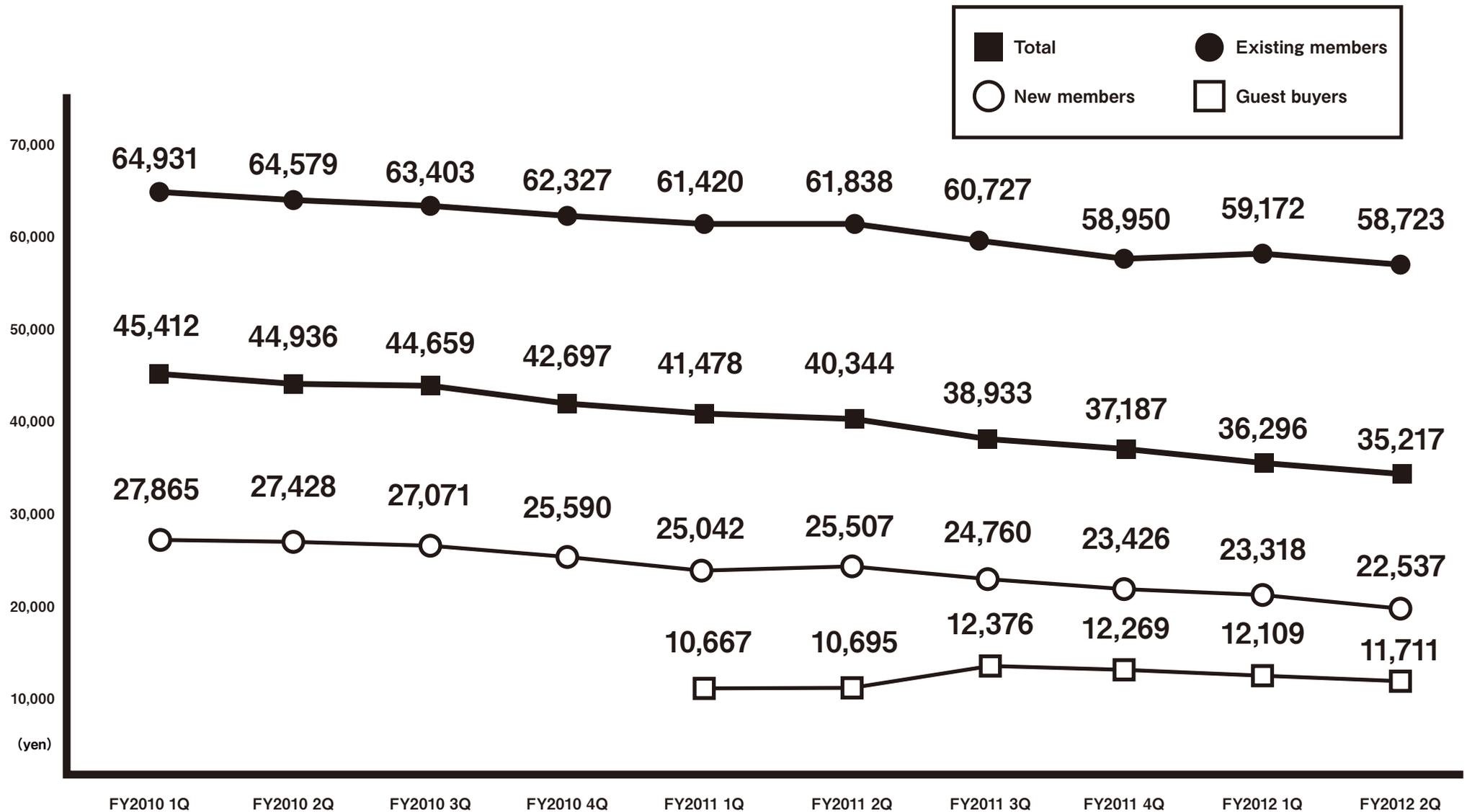
Average purchase amount per shipment = Transaction value / Number of shipments



\*The transaction value and number of shipments for ZOZOTOWN charity T-shirts in FY2011 1Q have not been included.  
(Average purchase per shipment when above is included: ¥11,891; Average retail price: ¥6,379)

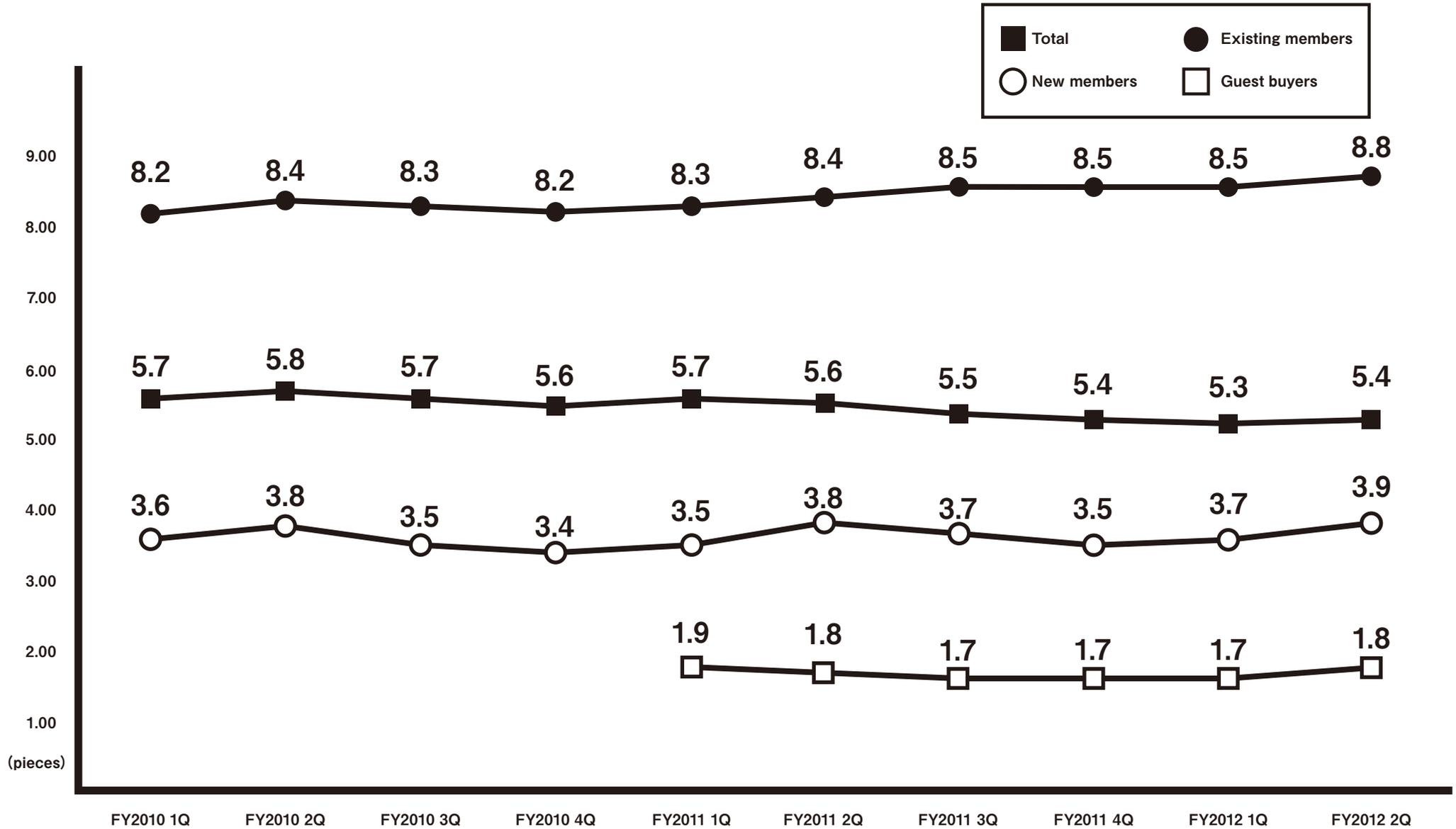


# Annual Purchase per Active Member and Guest Buyer



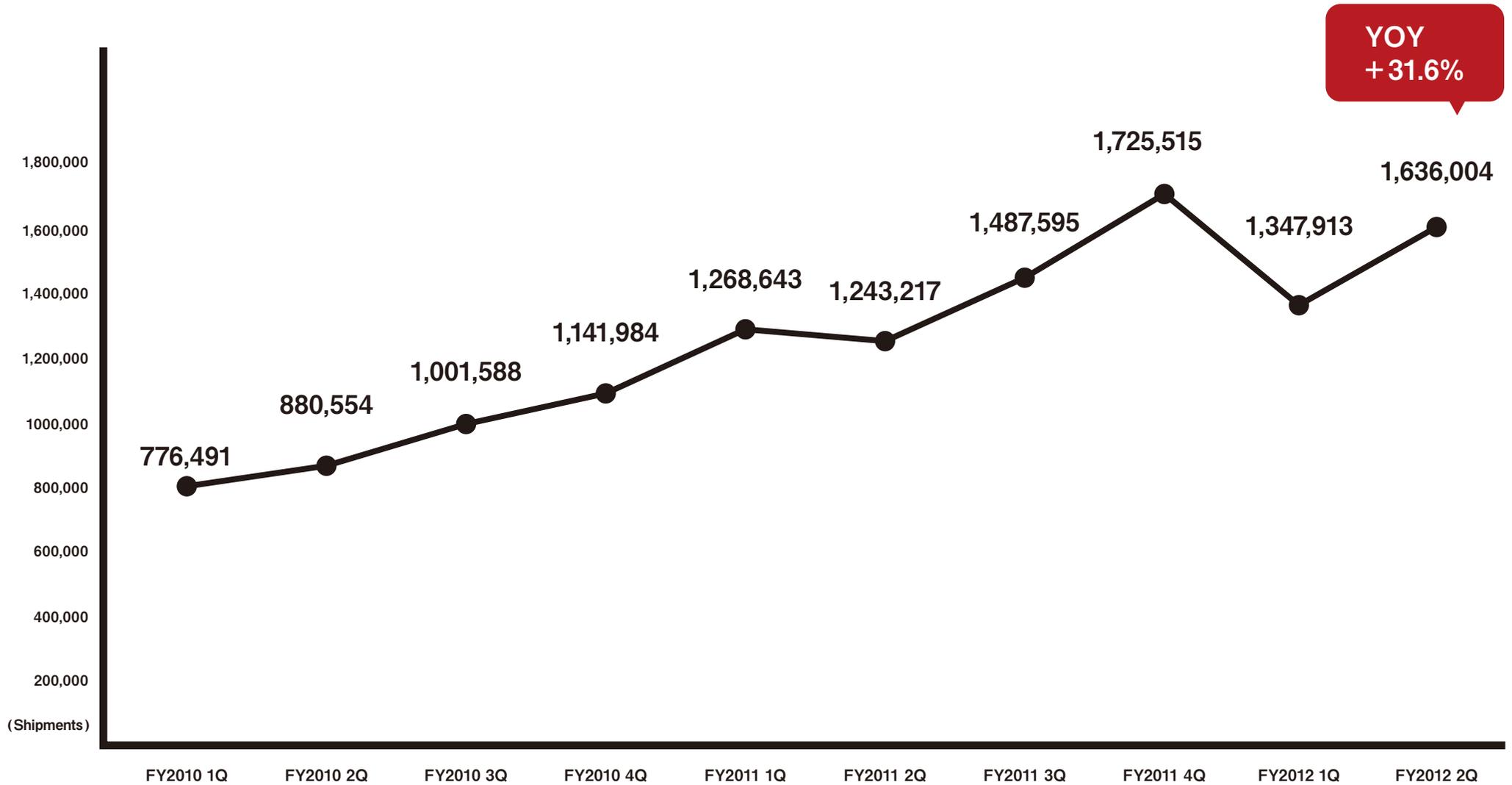


# Annual Items Purchased per Active Member and Guest Buyer





# Number of Shipments





## Transaction Value Target by Member Type

	FY 2012 2Q			FY2011 2Q		
	New members	Existing members	Guest buyers	New members	Existing members	Guest buyers
Total members	518,272	4,296,631	319,154	464,000	3,133,360	126,420
Total buyers	280,076	798,619	319,154	278,720	658,473	126,420
Purchase ratio (%)	54.0%	18.6%	100.0%	60.1%	21.0%	100.0%
Annual purchase per member (¥)	17,546	35,007	10,590	18,712	36,348	10,667
Total purchase (¥ million)	4,914	27,957	3,380	5,215	23,934	1,348

\*Number of total buyers = members who made a purchase during the current fiscal year (this also includes members who unsubscribed from our service).

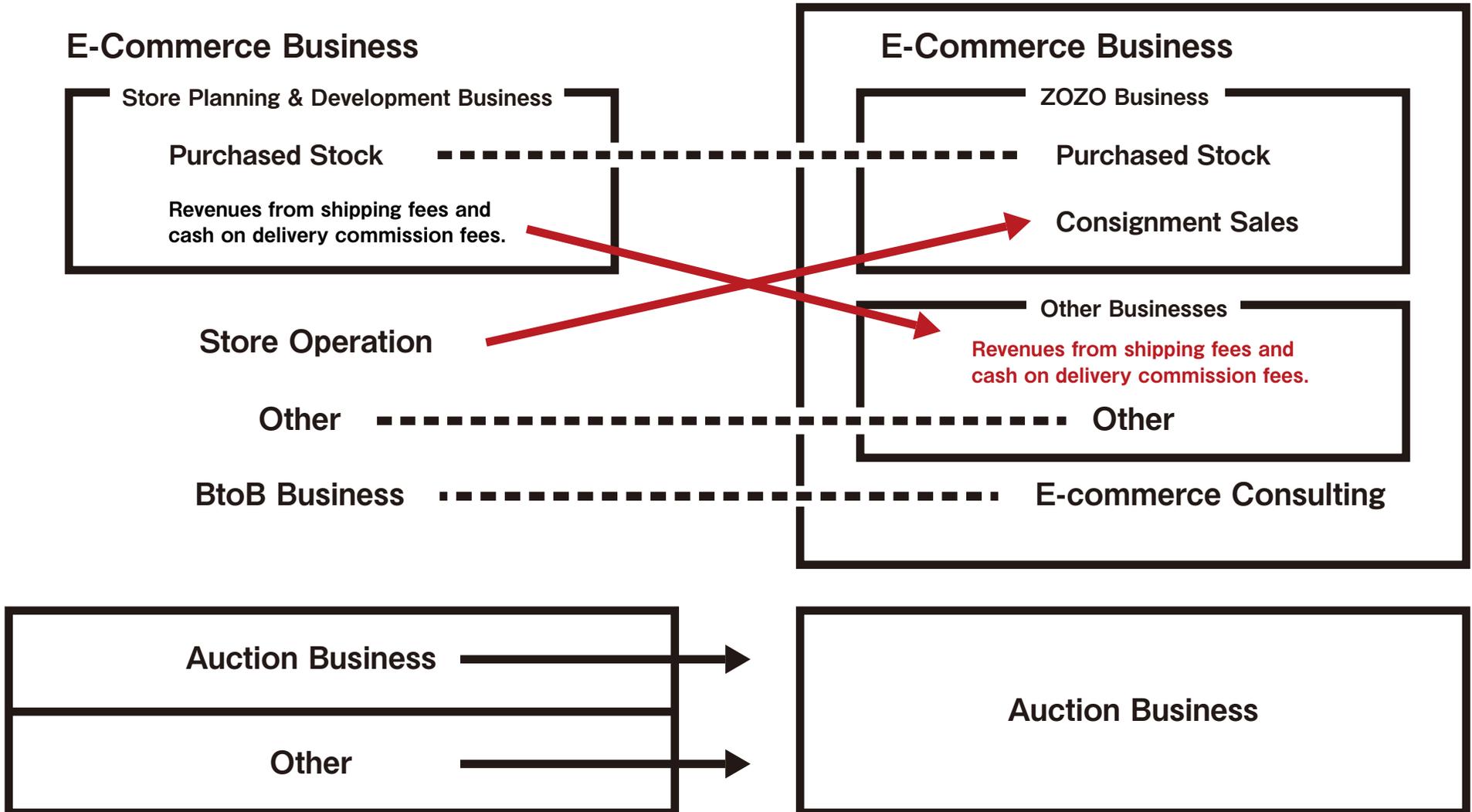
# **Business Plan For FY2012**



# Change in Business Segments

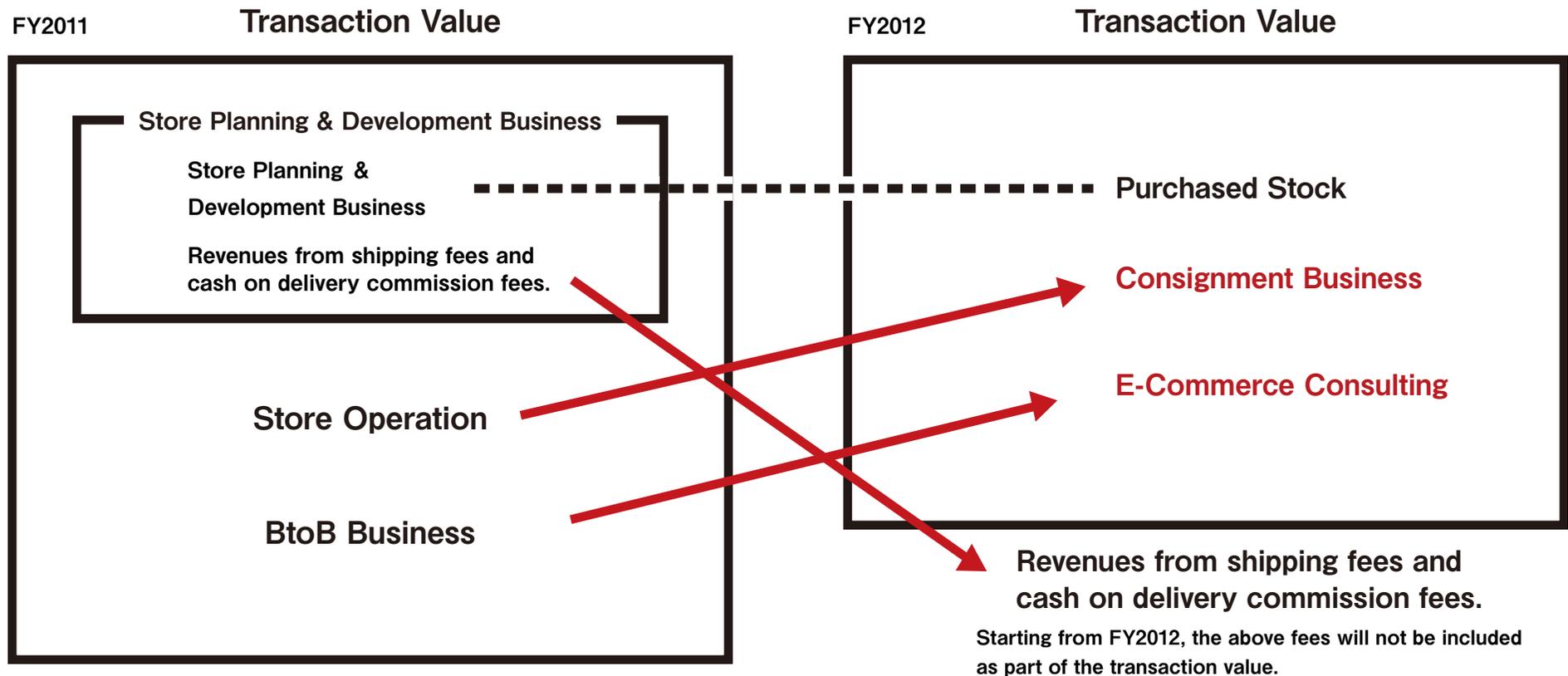
FY2011

FY2012





# Change in the Scope of the Transaction Value





## Consolidated Business Forecast and Dividend Forecast for FY2012

	Business Plan for FY2012	YoY change(%)
Transaction value	¥111.5 billion	38.9
Net sales	¥41.7 billion	31.1
Operating profit	¥10.4 billion	35.5
Recurring profit	¥10.4 billion	37.2
Net income	¥6.3 billion	37.5
Earnings per share	¥58.0	—
Estimated dividends per share	¥20.0	—



## Consignment Sales

**Transaction Value Target : ¥91,500 million (+ 46.1% year on year)**

- Continued to open new stores and expanded our coverage of the fashion industry.
- Reorganized our E-commerce Business Division and improved the level of satisfaction among brands offered on ZOZOTOWN.

## Purchased stock

**Transaction Value Target : ¥8,500 million (▲17.3% year on year)**

- Continued to discover, cultivate, and introduce promising brands.

## E-Commerce Consulting

**Transaction Value Target : ¥11,500 million (+57.0% year on year)**

- Continued to open new shops. Several new contracts have already been confirmed.
- Implemented measures to improve collaboration between brands' brick and mortar stores and e-commerce sites.



## Transaction Value Target by Member Category

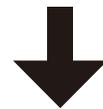
### ZOZO members

Active members: 1,182,500 x Annual purchase: ¥57,471 = approx. ¥67.9 billion

New members: 1,075,310 x Annual purchase: ¥23,008 = approx. ¥24.7 billion

Guest buyers: 676,394 x Annual purchase: ¥10,836 = approx. ¥7.3 billion

+ E-Commerce Consulting ¥ 11.5 billion



**111.5 billion**



# Overseas Operations

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## China

Until now, products were exported from Japan and then sold in China, but from now on, we will only offer products of brands that already have a presence (therefore inventory) in China on a consignment basis.

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## Korea

We will establish a branch office in Korea this fiscal year. We will aggressively develop our business in Korea to raise awareness for Japanese fashion brands.

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## Global Website

Sales in Asia are going smoothly. We will continue with our marketing efforts for the various different countries. Together with the Japan Tourism Agency, we launched a fashion event, which encouraged tourists to come and visit Japan.

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# **Future Strategies**

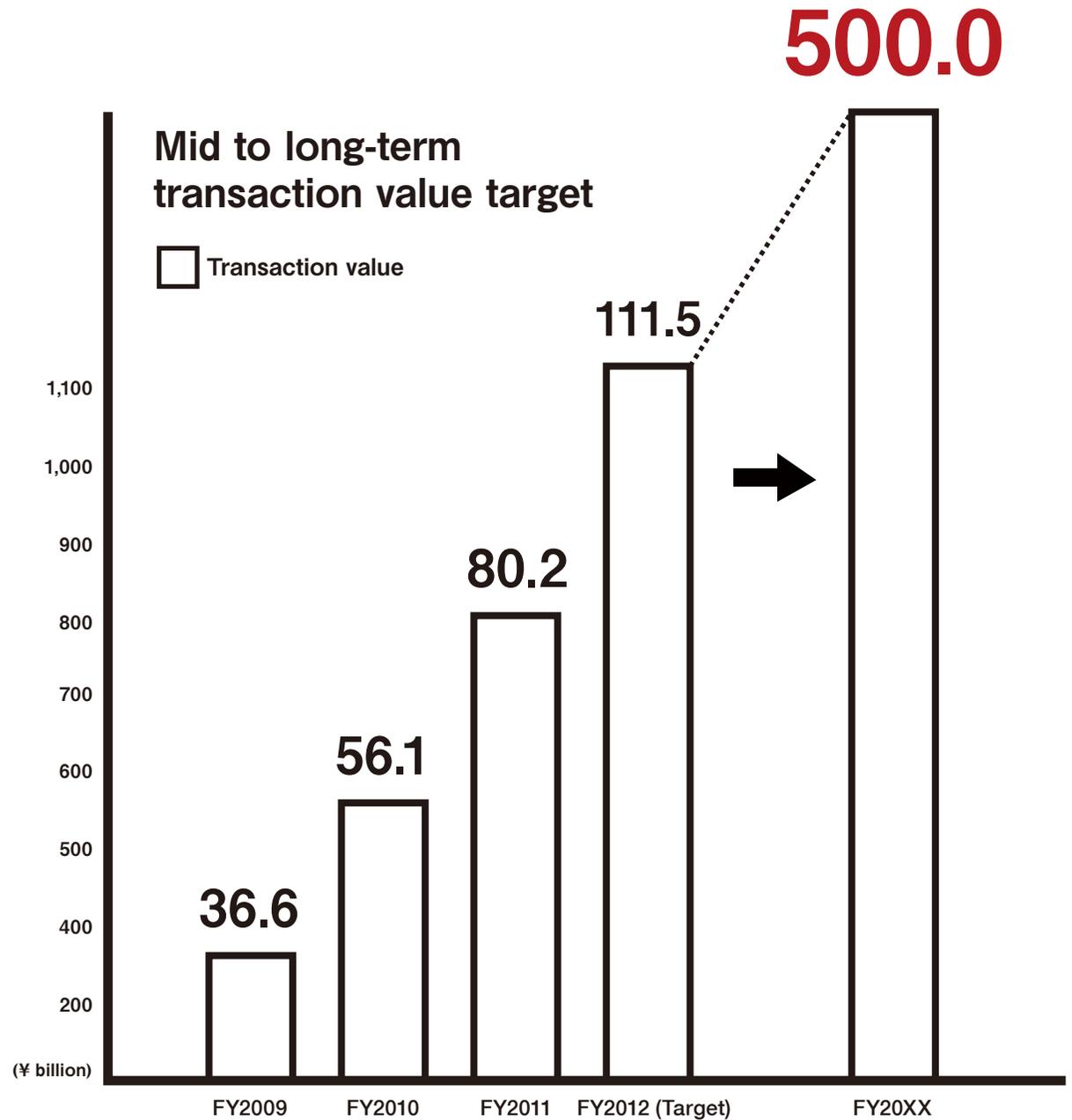


# Mid to Long-term Vision

Start Today's mid to long-term target

FY20XX term

Transaction value	<b>500</b> billion
Recurring profit	<b>50</b> billion

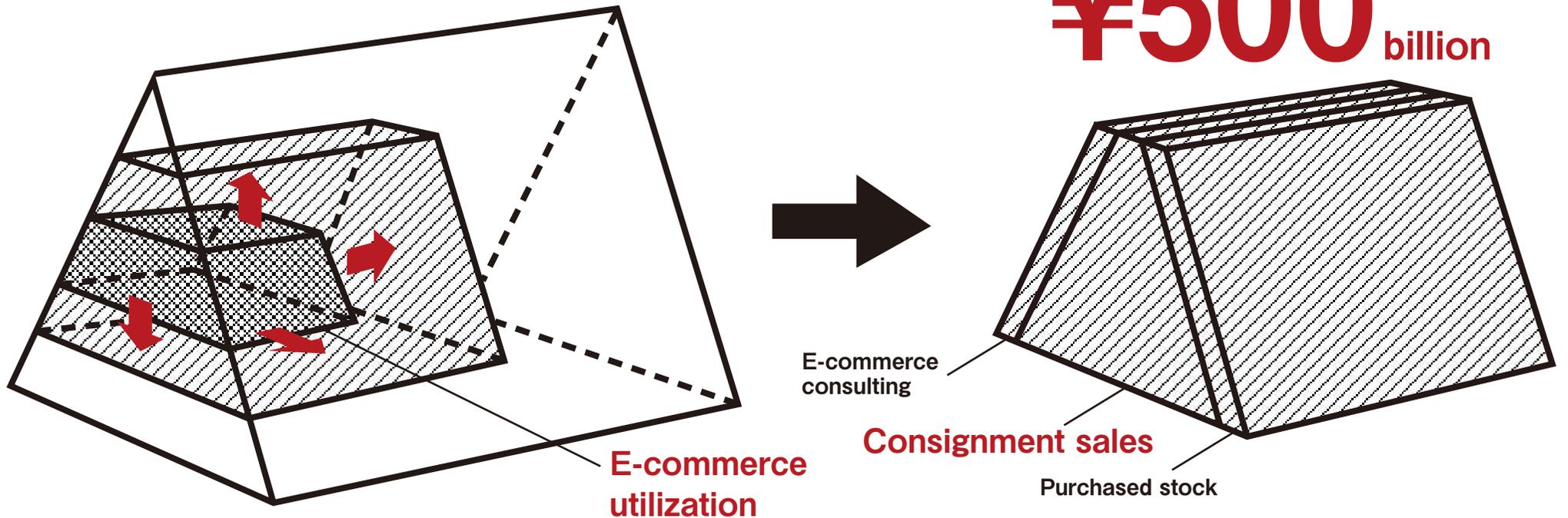




# Market Expansion Strategy

While ZOZOTOWN will continue to focus on the fashion e-commerce market, we will expand the depth and breadth of the areas of fashion we cover by continuing to offer e-commerce support to fashion brands.

-  Entire apparel market
-  START TODAY's market (mid to long-term target)
-  ZOZO's current market



# Reference Data



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

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

- One of Japan's largest online shopping sites for fashion items  
469 stores offering 2,035 brands. At any given time, more than 130,000 items are available with 3,000 plus new items added 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.





## Global Website <http://zozotown.com/>



(Global Website IMAGE)

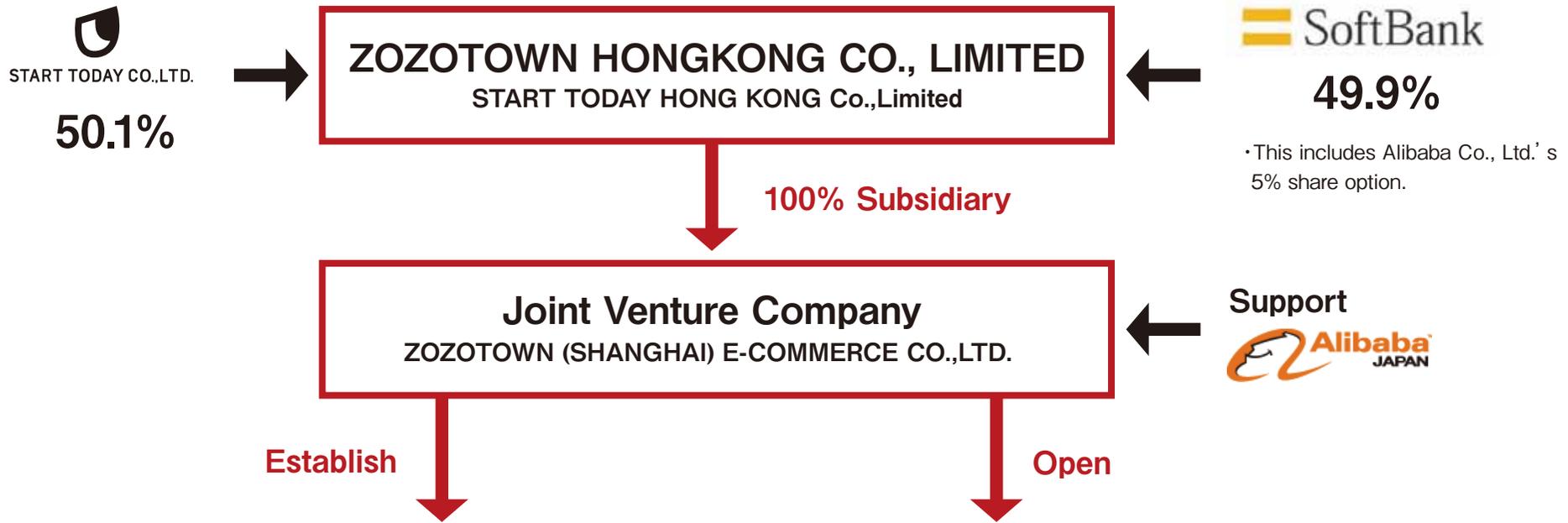
- Launched in May 2011 as a test marketing website to explore possibilities of introducing ZOZOTOWN to different countries.
- Available in 3 different languages.  
( Japanese / Chinese (Traditional) / English )
- Number of brands: over 600
- Delivers to 82 countries worldwide.
- Payment method: PayPal
- Together with the Japan Tourism Agency, we launched a fashion event, which encouraged tourists to come and visit Japan.

We launched the webpage, Japan Hot Brand File, on ZOZOTOWN.COM dedicated to introducing Japanese fashion brands and trendy areas of town.

The information offered combines the allure of the various fashion brands and areas around Tokyo.



# Fashion E-commerce Website in China



**ZOZOTOWN.cn**

Developed ZOZOTOWN in China using Taobao's platform owned by the Alibaba Group



Opened ZOZOTOWN on China's largest online shopping website, Taobao Mall.



# ZOZOTOWN in China

Opened the ZOZOTOWN shop in China's largest shopping website, "Taobao Mall" and ZOZOTOWN's e-commerce website using Taobao's platform.

- Opened: October 31, 2011.
- Number of brands: Approx. 20 brands
- Payment method: Alipay
- Logistics and customer support services have been consigned to a partner company.



(ZOZOTOWN.cn)



(ZOZOTOWN.cn opening ceremony commemorative t-shirts)



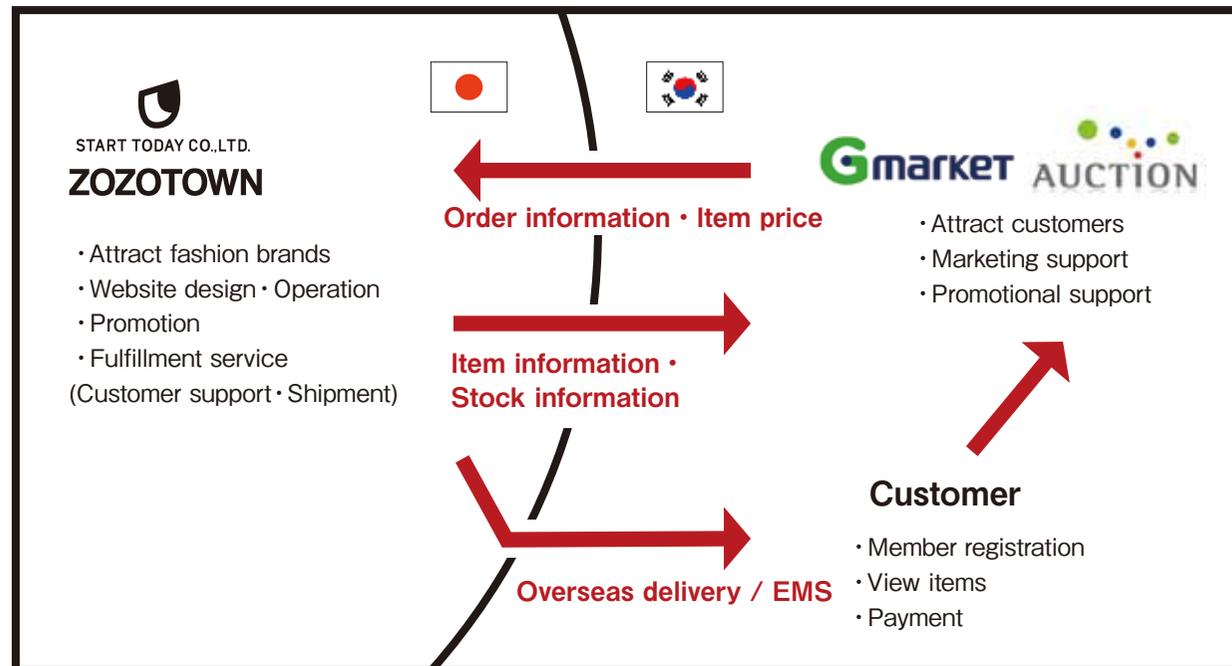


# Launched Fashion E-Commerce Website in Korea

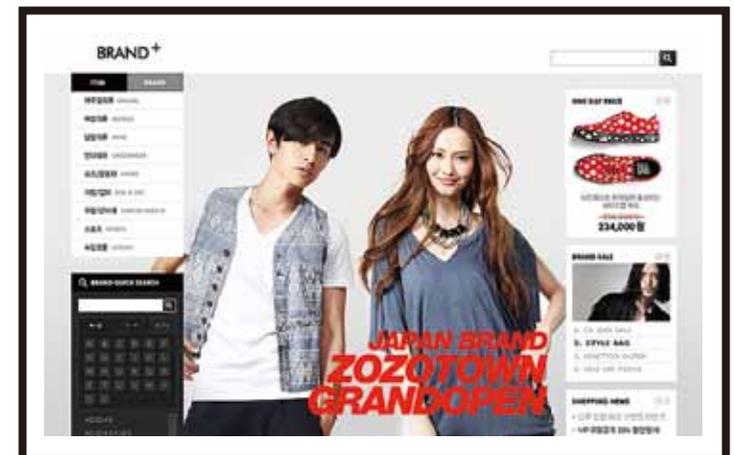
Opened “ZOZOTOWN” under a new category named “JAPAN BRAND” carrying Japanese fashion brands on Korea’s largest shopping websites, “eBay Gmarket” and “eBay Auction.”

Website opened in November 2011 with approximately 120 fashion brands.

A branch office was established in Korea in April 2012.



(Gmarket)



(AUCTION)



## Opened “ZOZUSED” for second-hand clothing

Opened “ZOZUSED” in ZOZOTOWN, which handles second-hand clothing.  
This activity will be a first of its kind for ZOZOTOWN.

Working closely with CROWN JEWEL (START TODAY’s wholly owned subsidiary)  
we will aim to enhance CROWN JEWEL’s revenue stream  
as well as to expand the product line-up we offer as well as our user base.



ZOZUSED Website IMAGE



## Summary of Other Services

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

- Users can search for their desired shops from among over 5,000 stores across Japan.

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

- Users can download wallpapers of popular brands for their computers and mobile phones.

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

- Social networking service dedicated to providing information about people, activities (journals), and products.

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

- A bulletin board, which enables fashion savvy people to exchange information.

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

- “Thank you” message posting service, which encourages people to express their gratitude.
- For every “thank you” message posted, START TODAY donates ¥10 to the specified non-profit organization, World Vision Japan.



**464** employees  
(average age 28.1)

**2,035**  
high fashion brands

**15,939**  
shareholders

Corporate philosophy

**“Make the world a better place  
and make people smile  
all over the place.”**

**6,029** stores  
across Japan

**4.79** million  
fashion savvy consumers



## Store Planning & Development Business (Purchased Stock)

We operate 39 original stores such as “ZOZOEPROZE” and “ZOZOPHAGGE” on ZOZOTOWN, which offer products we purchase from various brands.

**Sales = Transaction value generated by each store**

## Store Operation & Administration Business (Consignment Sales)

We operate 430 online stores such as “United Arrows” and “BEAMS” on ZOZOTOWN and “MARC JACOBS” on ZOZOVILLA on a consignment basis. This does not involve any inventory risks.

**Sales = Transaction value of each store x commission rate**

## B to B Business

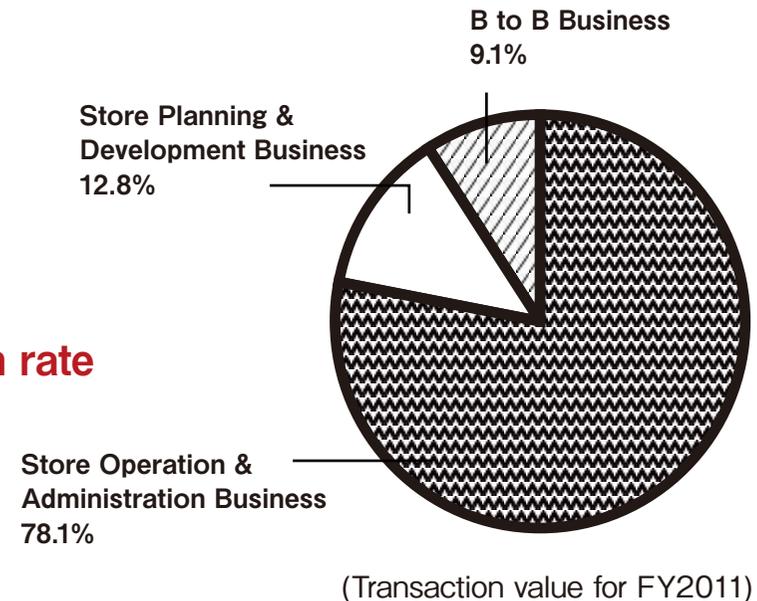
We help develop and operate online shops on behalf of various brands such as “United Arrows” and “Onward.”

We currently provide back-end service for 24 stores.

**Sales = Transaction value of these online shops x commission rate**

## Others

Initial store opening fees, paid membership service “ZOZOPREMIUM,” and handling charges of the affiliated credit card, “ZOZOCARD.”





**This material has been created for the sole purpose of introducing the company's business activities, and not for soliciting investment.**

**The business forecasts and the future outlook herein described are based on information currently available.**

**They are subject to uncertainties and therefore change, thus actual results may differ.**