

FY2012

April 1, 2012 - March 31, 2013

Consolidated Business Results



FY2013 Highlights

Overview for the consolidated business result for the fiscal year ending March 2013

- Total transaction value 95.8 billion yen (+19.5% increase / yoy), Operating profit 8.5 billion yen (+ 10.7% increase / yoy)
- Although the result felt short of the initial corporate plan, pushed the figures to the highest mark ever in terms of sales and profit

ZOZOTOWN business

- Total transaction value of ZOZOTOWN business, 84.5 billion yen (+15.9% increase / yoy)
- The number of shops in ZOZOTOWN, 492 shops (389 shops, end of the preceding term)
- Annual number of purchasers, 2.48 million (1.96 million, the preceding term)
- The progress of new customer acquisition as well as the active rate for the existing customers fell short of our initial estimation.

E-commerce consulting business

- Total transaction value of e-commerce consulting business, 11.3 billion yen (+55.1% increase / yoy)
- The number of clients' websites entrusted, 25 sites (21 sites, end of the preceding term)
- Achieved as originally planned, delivered strong result.

Profitability

- Operating profit ratio (to the total transaction value), 8.9 %. (9.6%, the preceding term)
- Started free-shipping services. The proportion of discount sales to the total transaction increased and caused the drop of the percentage of gross margin.
- Covered the cost associated with outsourcing expenses by decreasing the promotion related cost.

Corporate plan for the fiscal year ending March 2014

- Total transaction value 108.4 billion yen (+13.0% increase / yoy), Operating profit 10.32 billion yen (+21.0 % increase / yoy)
- Slogan: [Serious], [Cool], [Impressive]
- The plan is based on our normal sales growth speed, not relying on unscheduled new promotion activities.

Business Performance



FY2012 Overview

Consolidated income statement (includes transaction value)

(¥ million)

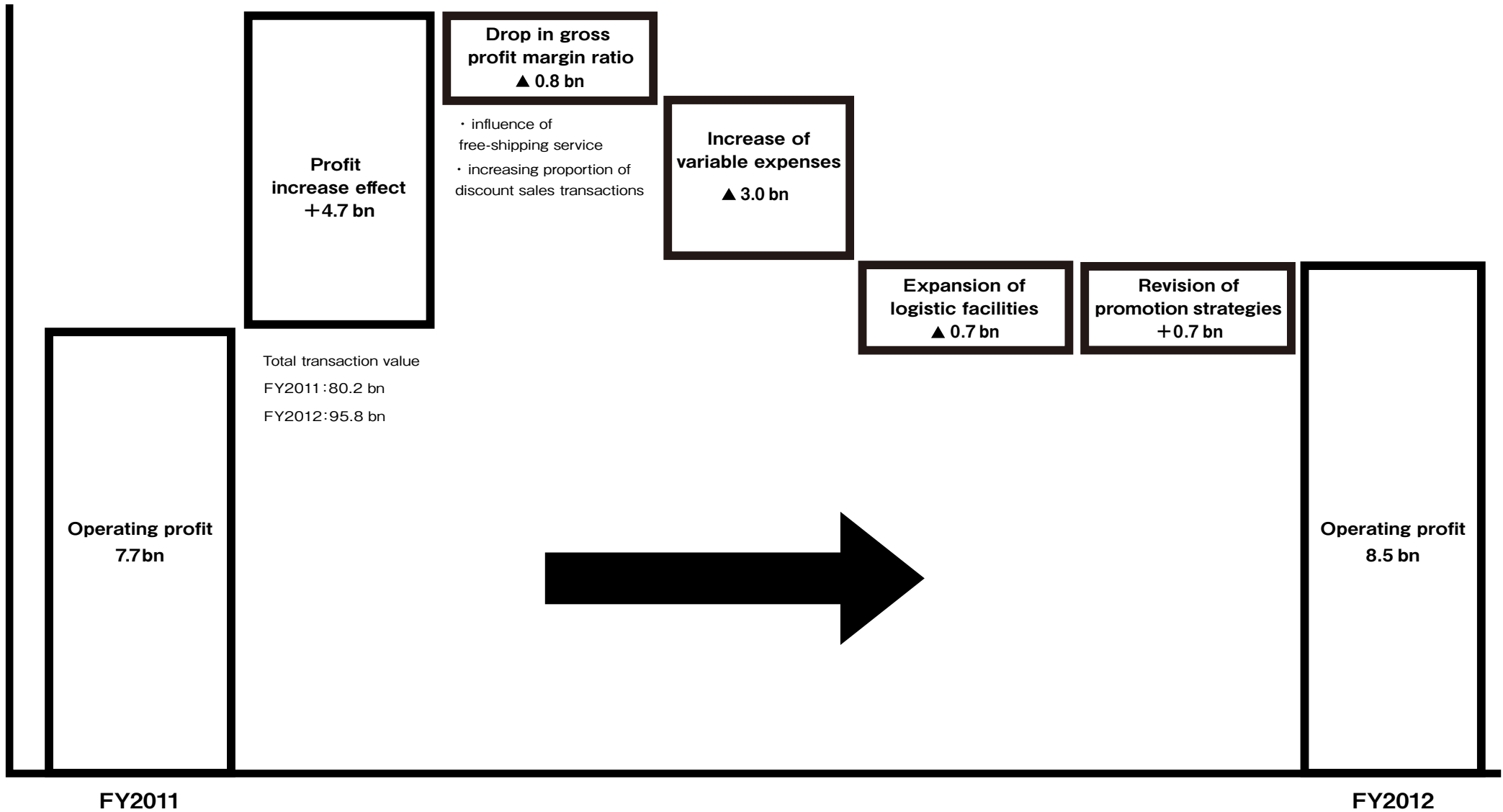
Item	FY2012	FY2011	YoYchange (%)	Target (※)	Achievement rate (%)
Transaction value	95,897	80,248	19.5	93,500	102.6
Net sales	35,050	31,806	10.2	33,800	103.7
Gross profit	28,159	24,252	16.1	—	—
(% Transaction Value)	29.4%	30.2%	-0.8	—	—
SG&A	19,629	16,548	18.6	—	—
(% Transaction Value)	20.5%	20.6%	-0.1	—	—
Operating profit	8,529	7,704	10.7	7,770	109.8
(% Transaction Value)	8.9%	9.6%	-0.7	8.3%	—
Recurring profit	8,570	7,617	12.5	7,800	109.9
Net income	5,360	4,634	15.7	4,740	113.1

※ We announced "notice regarding the revision of the earnings estimate for the whole financial year on 30th January, 2013.

The above planned value is made up of figures after the revision.



Increase-decrease analysis of operating profit (YoY comparison)





Consolidated balance sheet

(¥ million)

	FY2011	FY2012 (as of March 31, 2013)		FY2011	FY2012 (as of March 31, 2013)
Current assets	20,877	20,655	Current liabilities	8,707	10,426
Cash and deposits	13,888	12,037	Deposit received for consignment sales	4,214	5,444
Merchandise inventory	1,239	1,276	Noncurrent liabilities	590	673
Noncurrent assets	2,330	3,217	Total liabilities	9,298	11,099
Tangible assets	810	1,538	Shareholders' equity	13,401	12,385
Intangible assets	902	725	Treasury stock	—	-3,660
Investments and other assets	618	953	Total net assets	13,910	12,773
Total assets	23,208	23,873	Total liabilities and net assets	23,208	23,873



Cash Flows

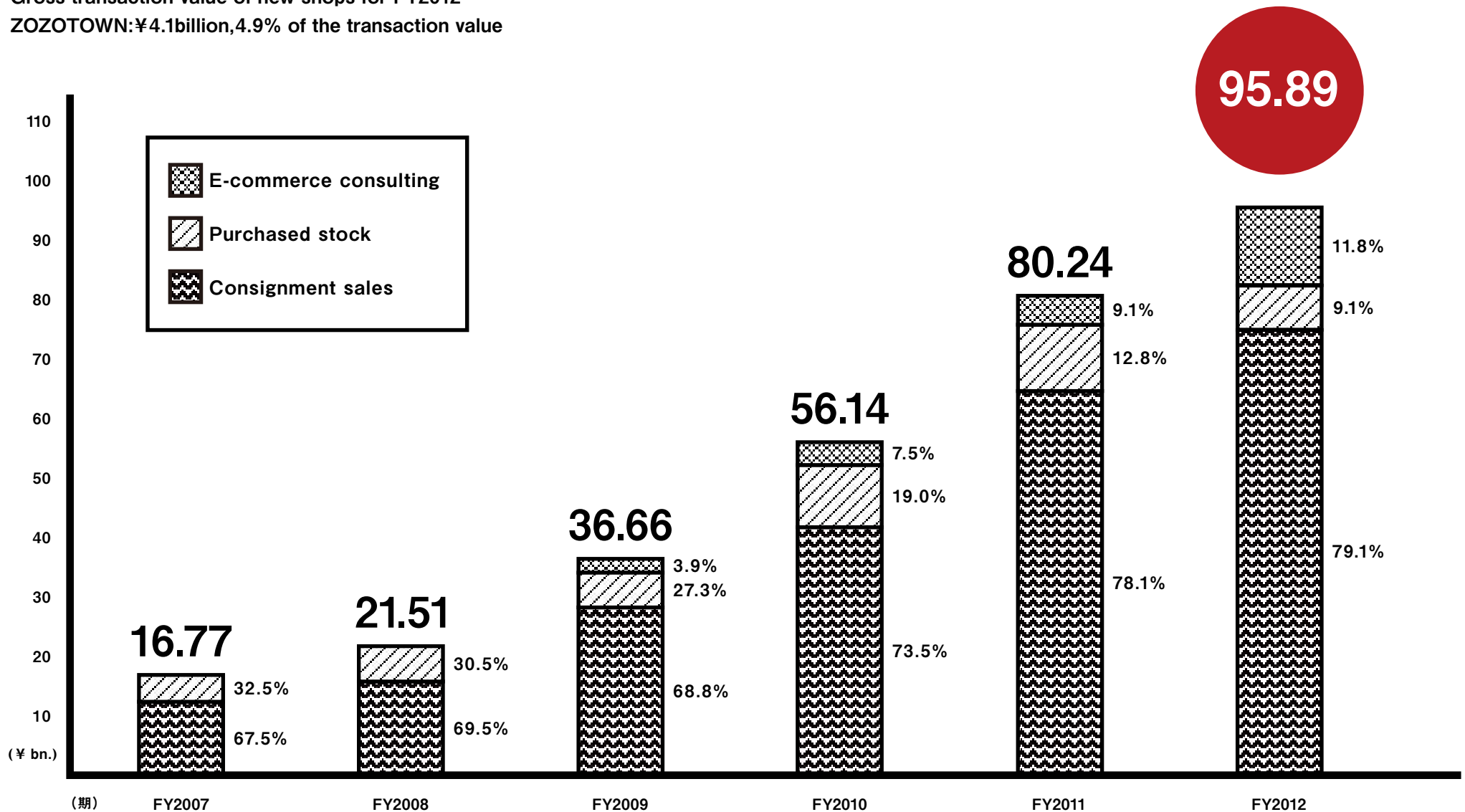
(¥ million)

Item	FY2012	FY2011	YoY	Reasons for the change
Cash flows from operating activities	5,661	5,222	439	—
Cash flows from investing activities	-1,249	-1,220	-29	—
Cash flows from financing activities	-6,369	-157	-6,212	<ul style="list-style-type: none">· Acquisition of own shares· Dividend payment
Cash and cash equivalents at the end of year	12,037	13,888	1,851	—



Transaction Value

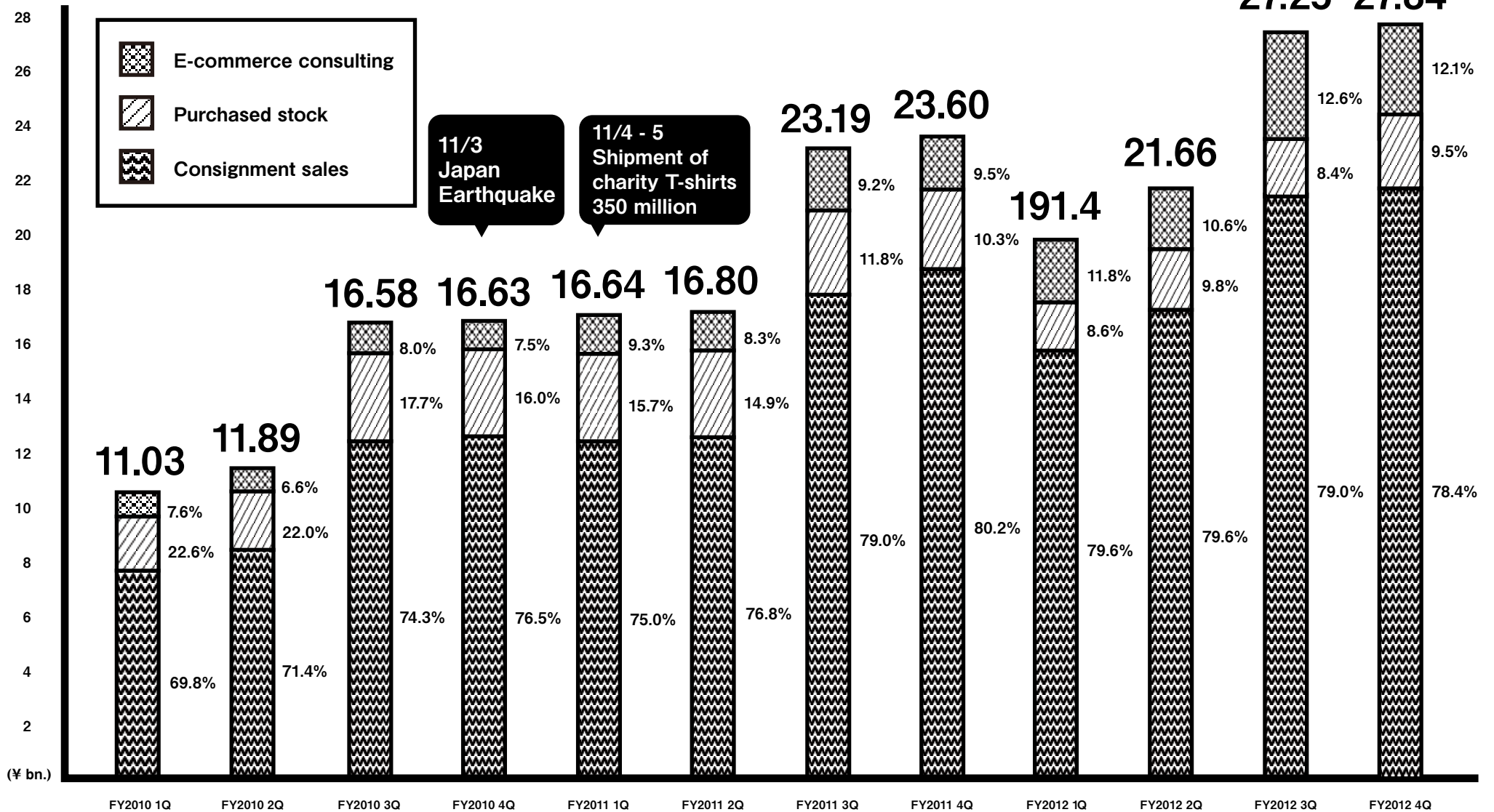
Gross transaction value of new shops for FY2012
ZOZOTOWN: ¥4.1 billion, 4.9% of the transaction value





YoY
+17.9%

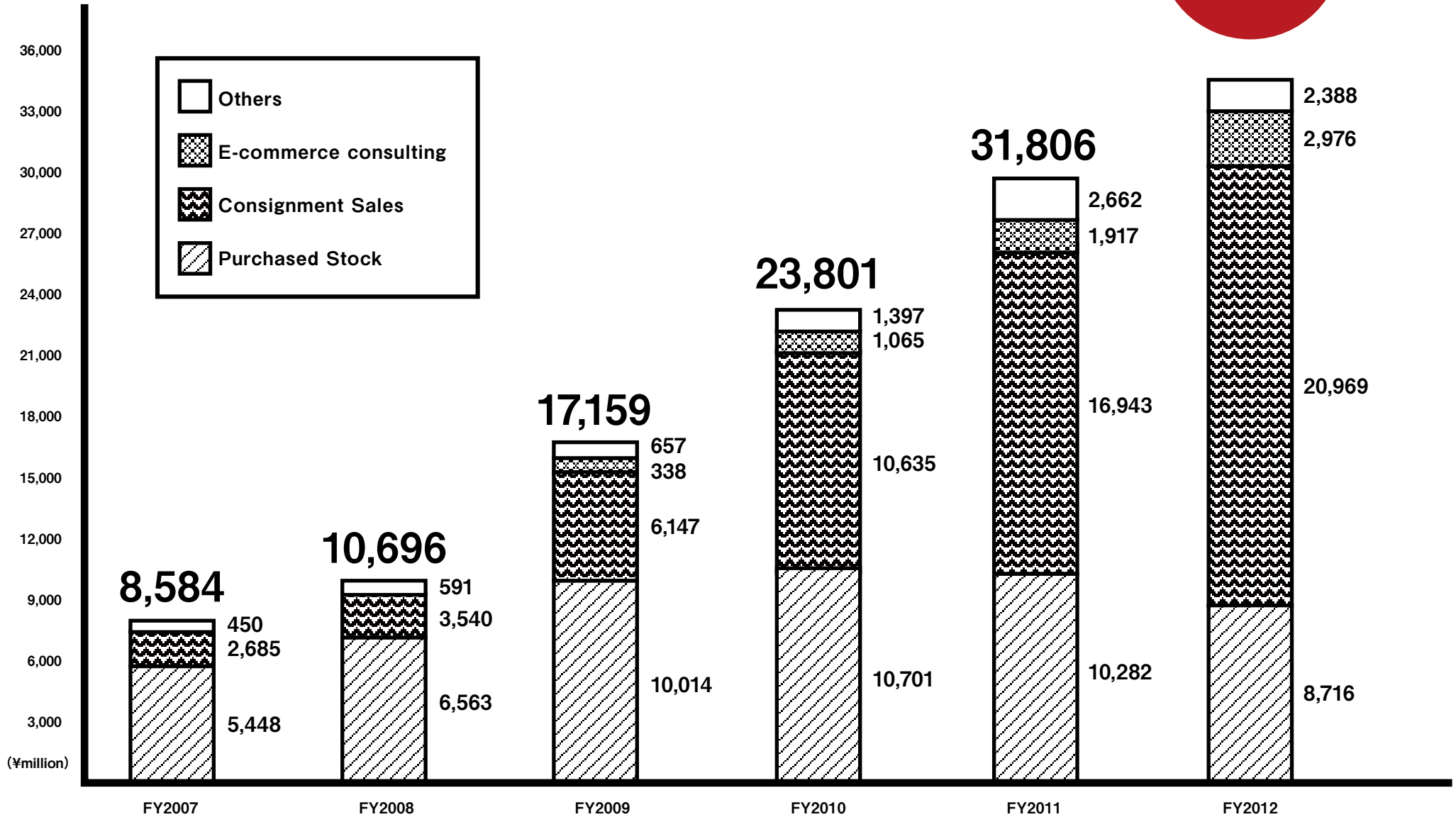
Transaction Value (Quarterly)





Net Sales

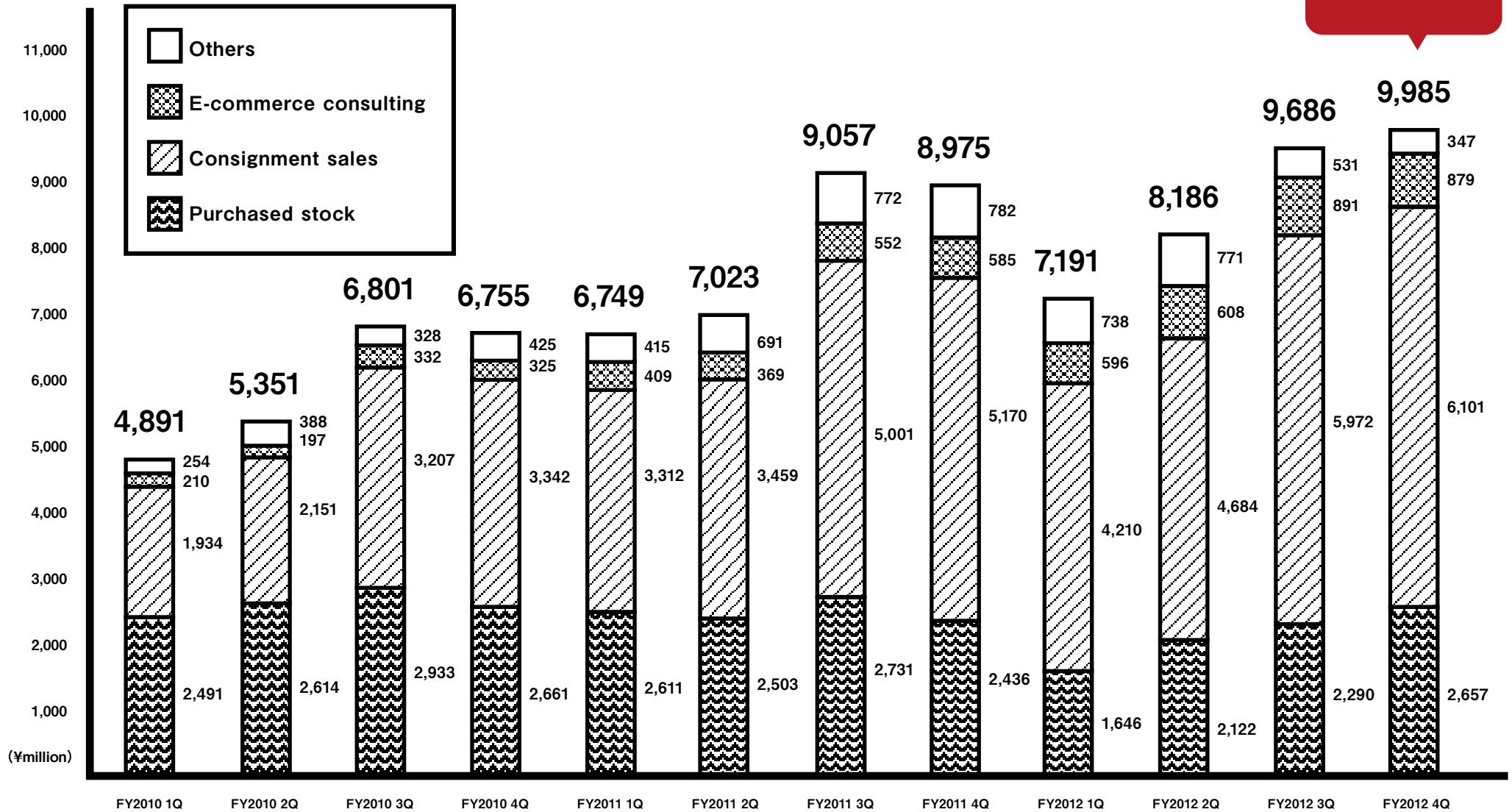
35,050





Net Sales (Quarterly)

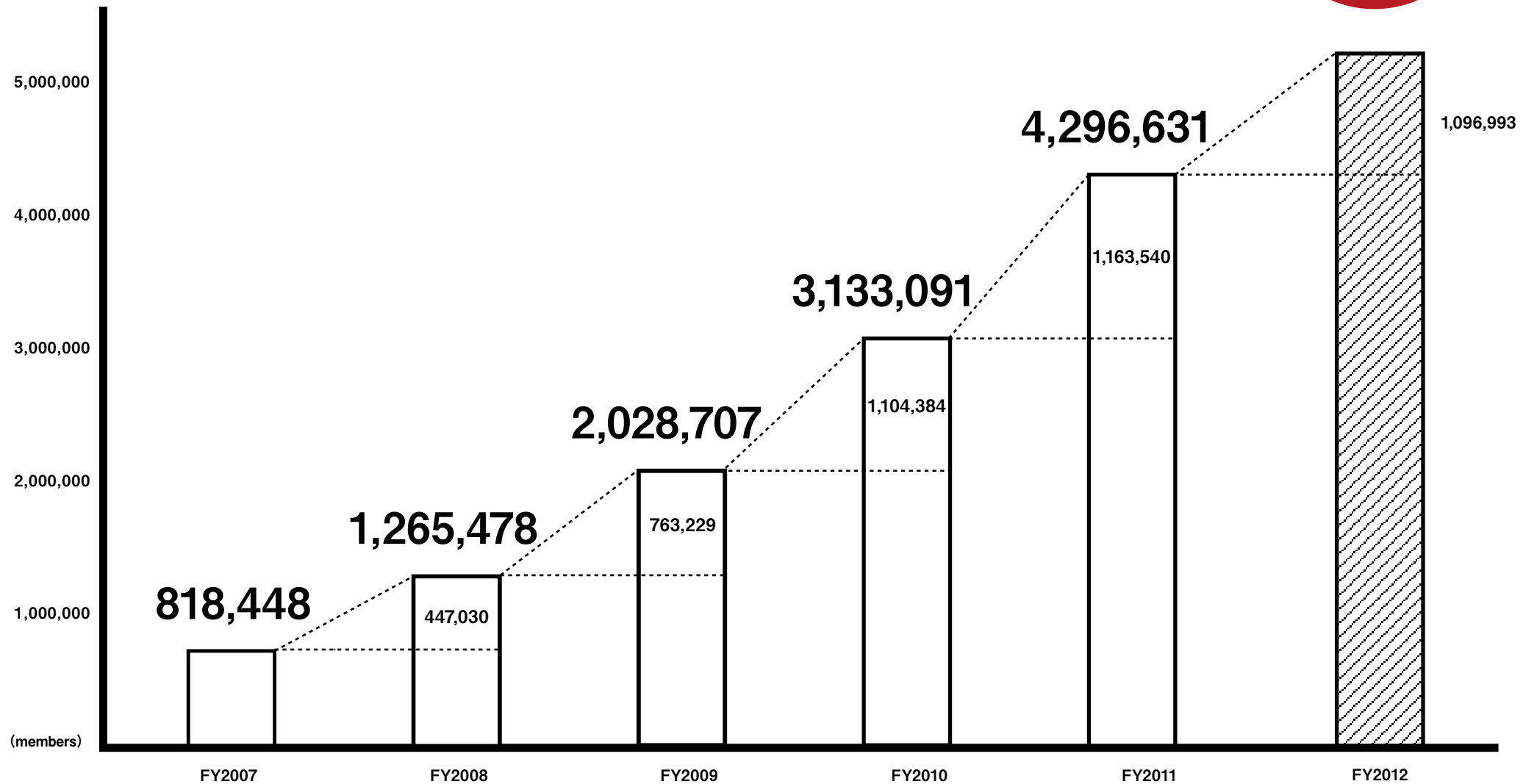
YoY+11.2%





Total Members*

5,393,624



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



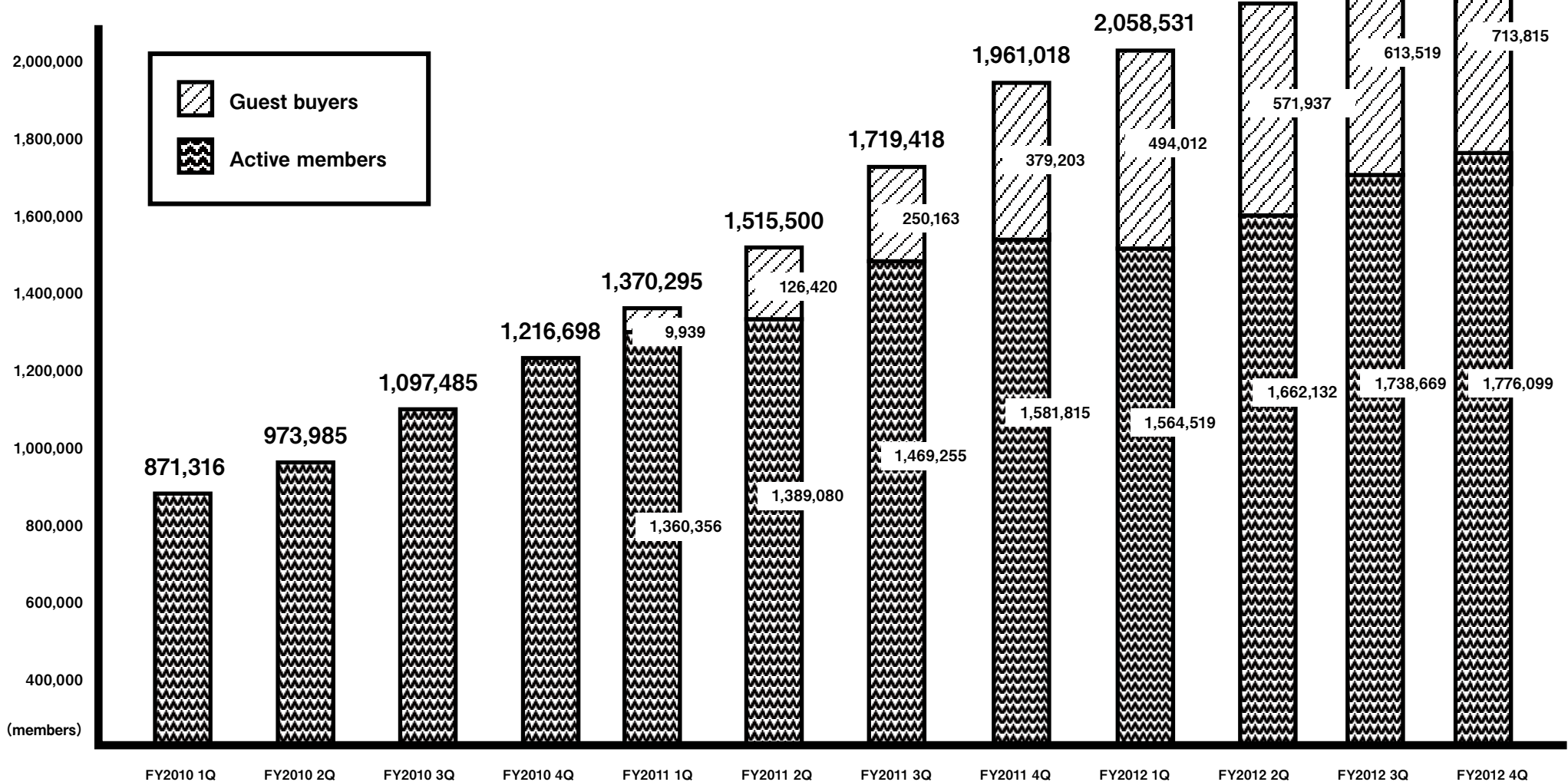
2,489,914

Number of Total Buyers

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

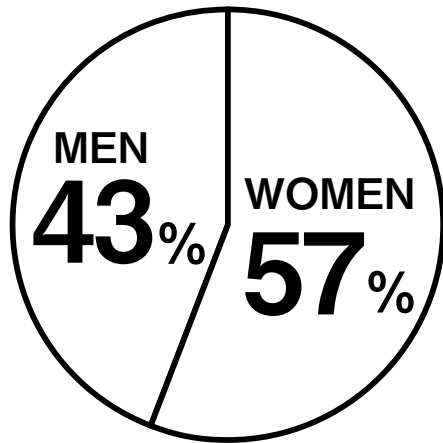
Active members = Members who have made at least one purchase within a year



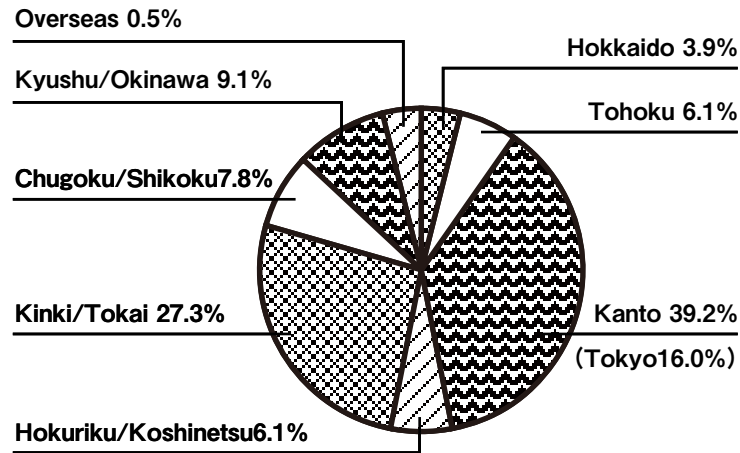


Member Distribution (As of March 31, 2012)

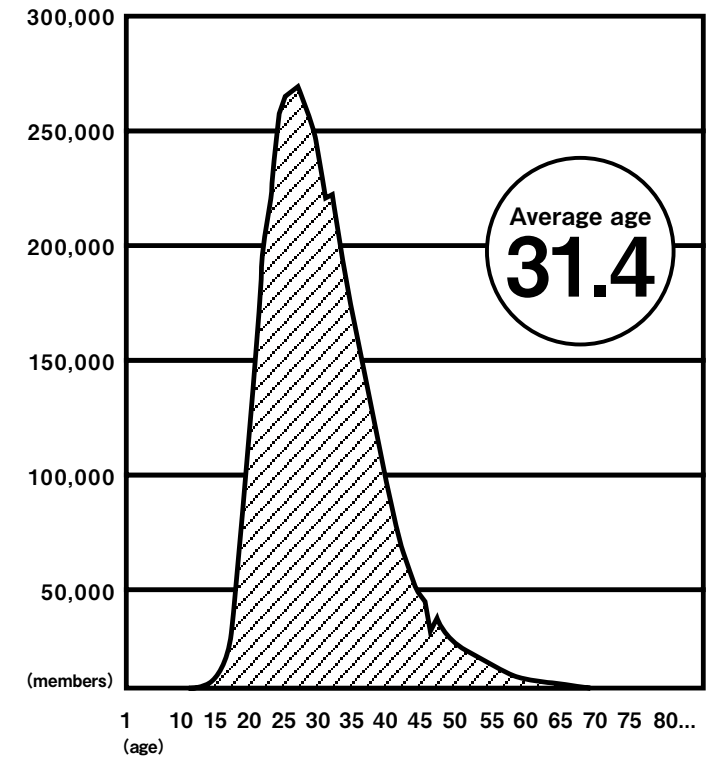
Gender ratio



Geographical distribution

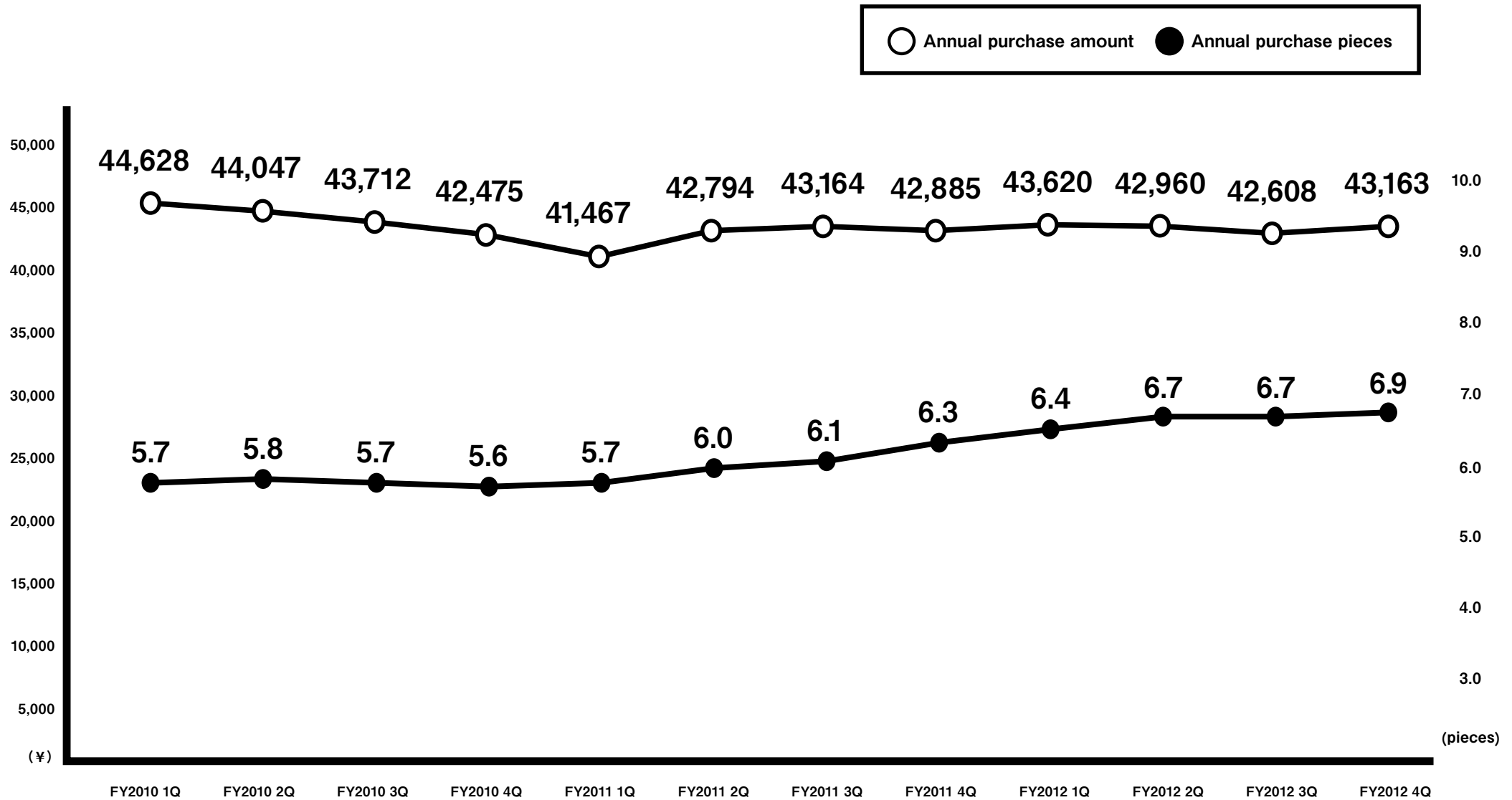


Age distribution





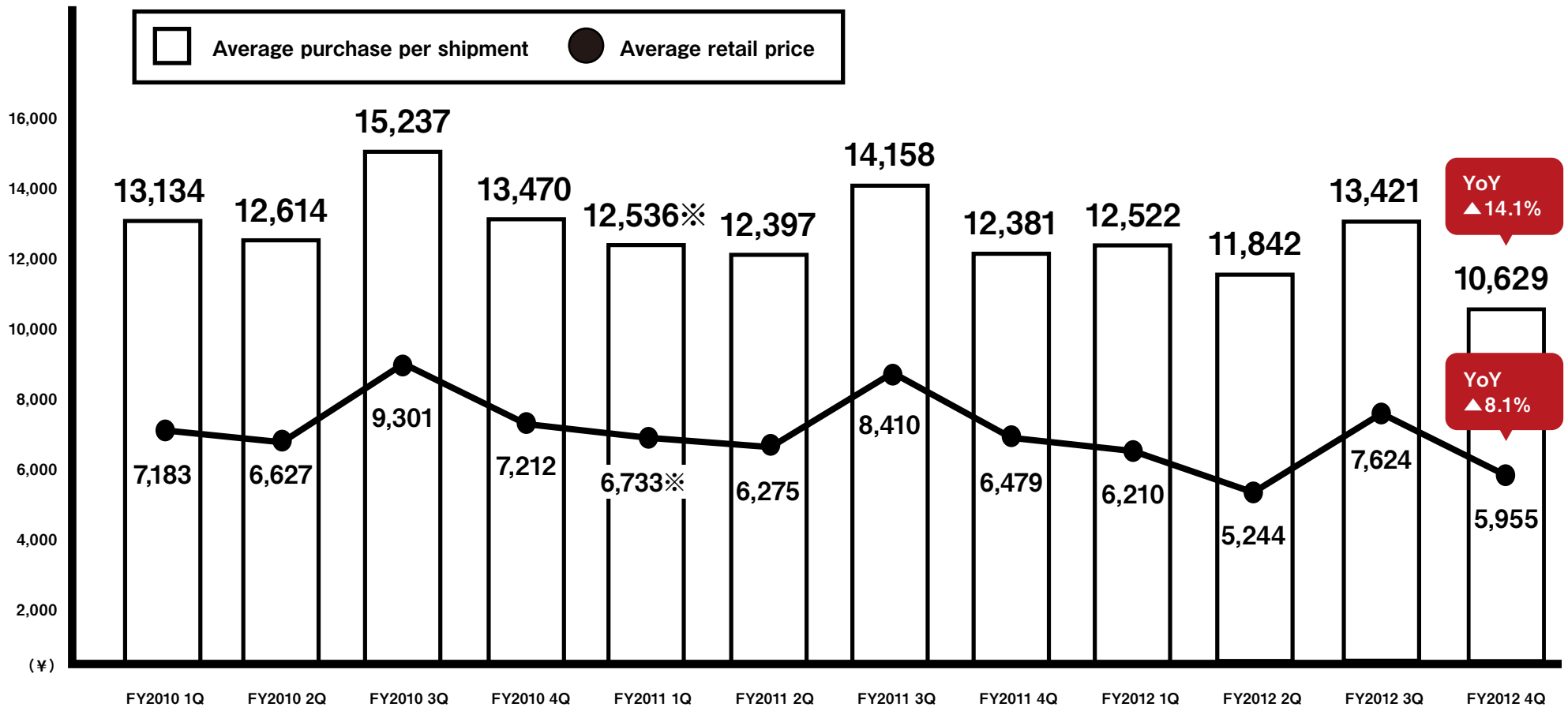
Annual Purchase amount and pieces per Active Member





Average Purchase per Shipment and Average Retail Price

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

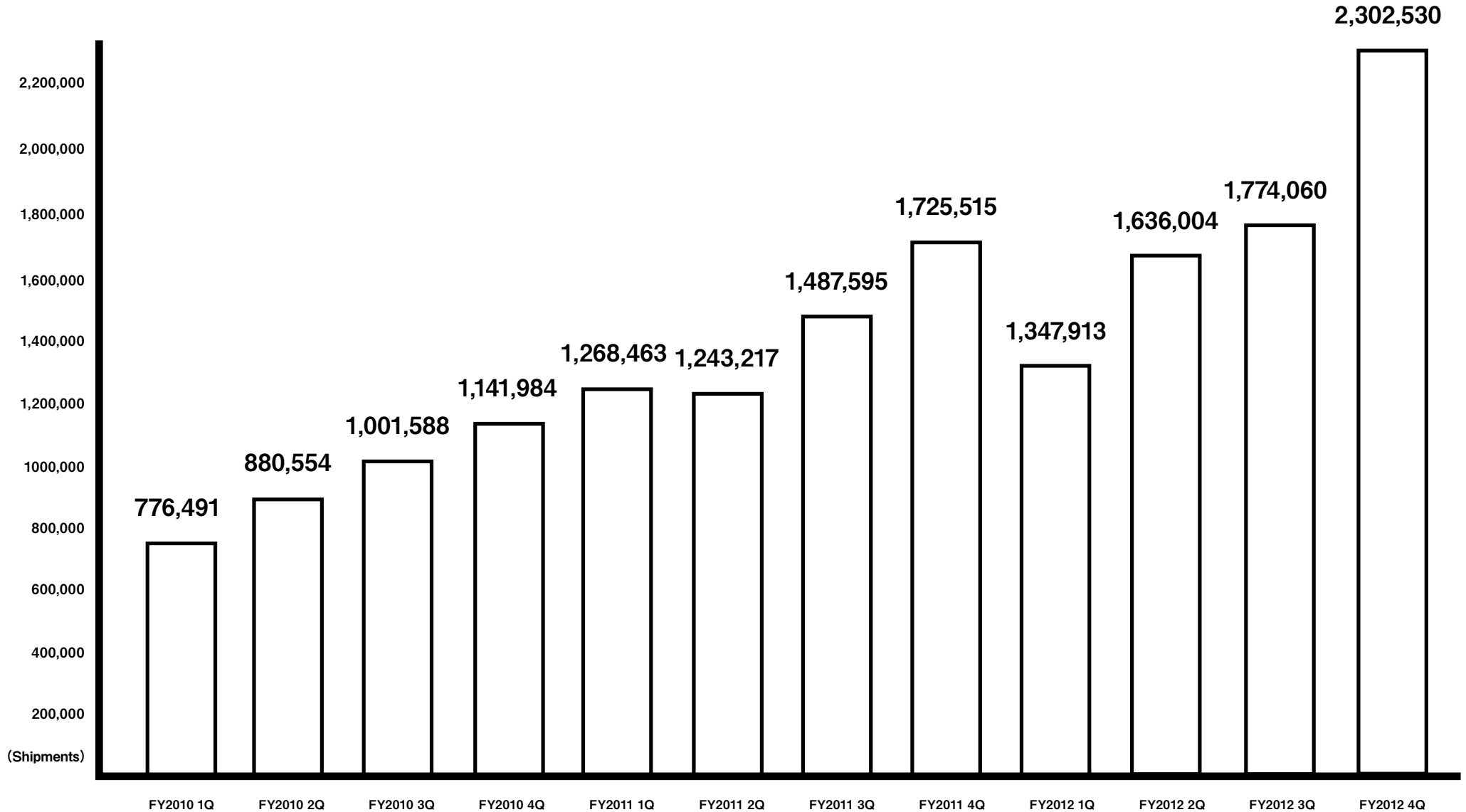


*The transaction value and number of shipments for ZOZOTOWN charity T-shirts in FY2011 1Q have not been included.
(Average purchase per shipment when above is included: ¥11,891; Average retail price: ¥6,379)



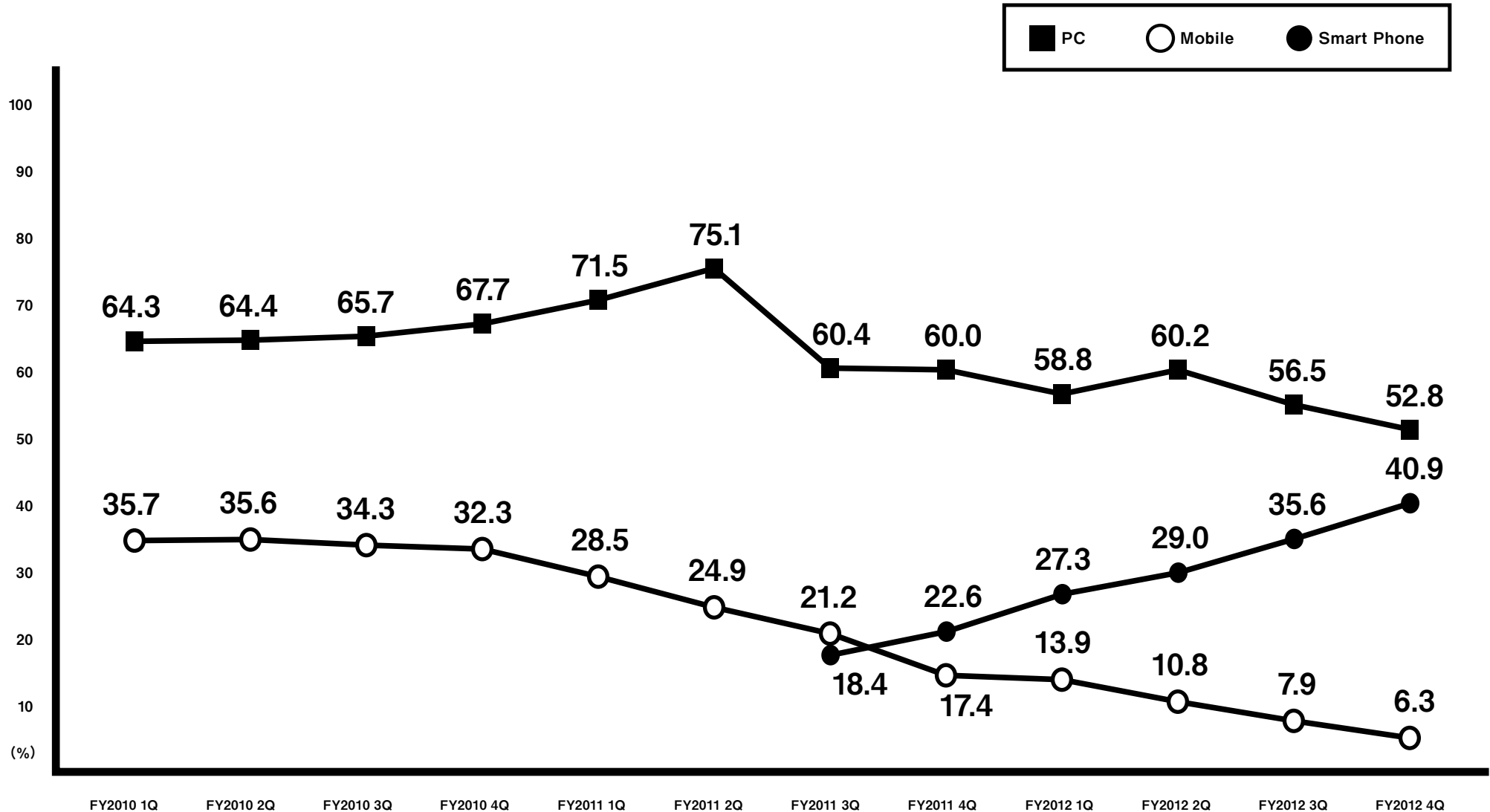
Number of Shipments

YoY
+33.4%





The Ratio of Shipping Volume to the Total Purchase Volume (by access terminals)

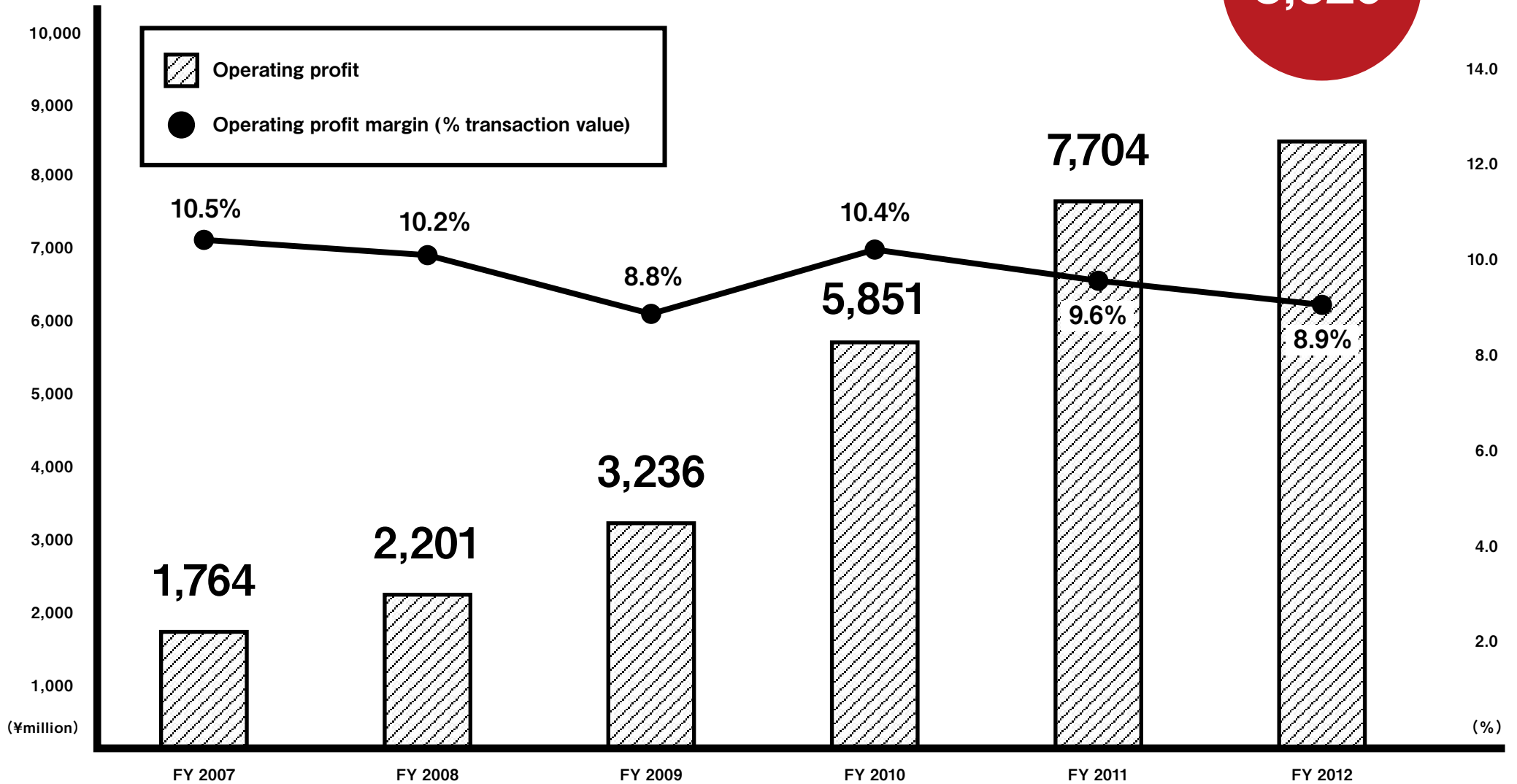


※ Until 2Q of FY2013, the shipping volume generated via smart phone was included in that of PC.



Operating Profit and Operating Profit Margin (% Transaction Value)

8,529





Selling, General and Administrative (SG&A) Expenses

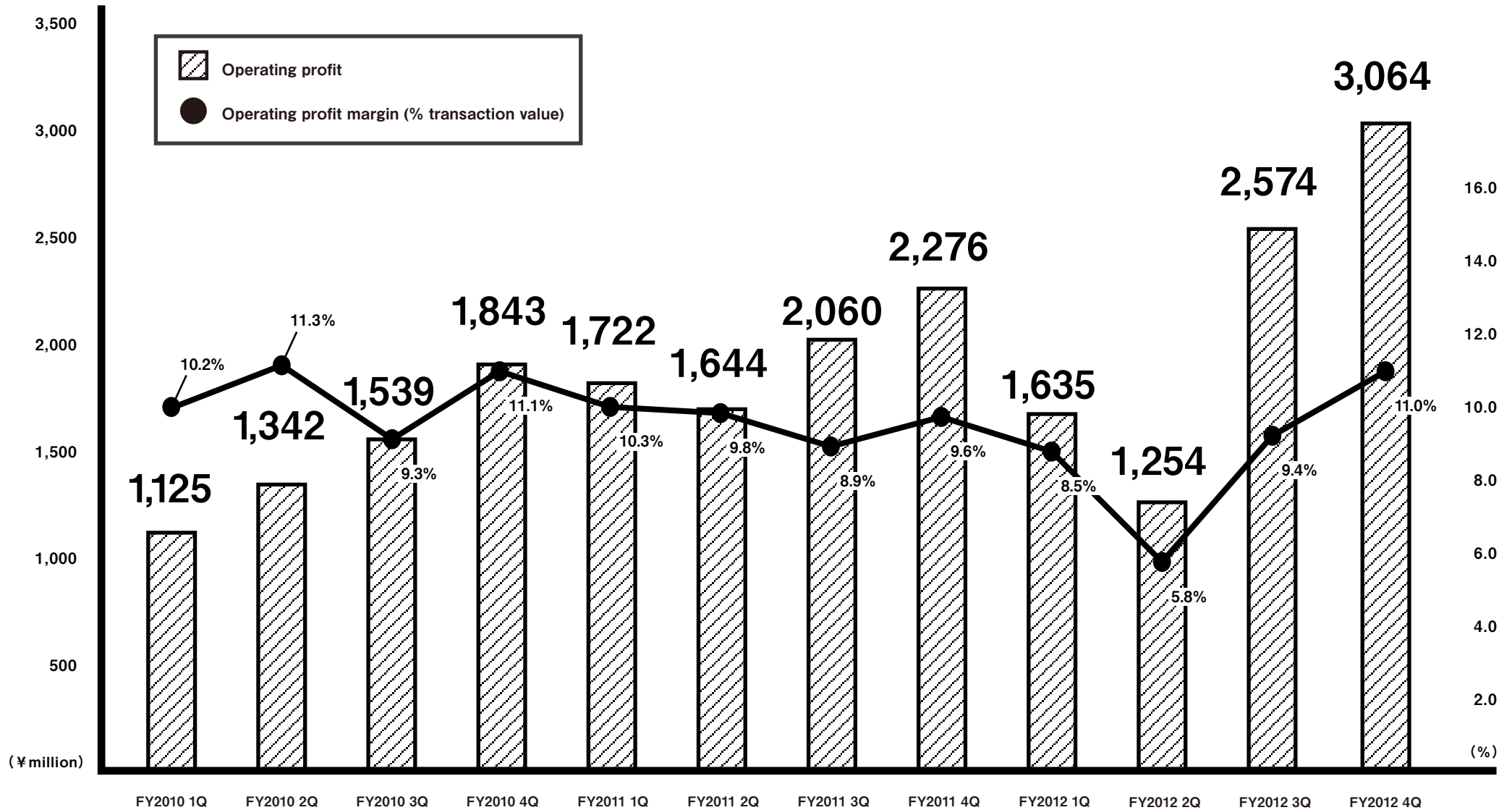
(¥ million)

Item	FY2012		FY2011		YoY	Increase decrease factors
	金額	(% Transaction Value)	金額	(% Transaction Value)	(PPT Transaction Value)	
Payroll(*)	4,259	4.4	3,742	4.7	-0.3	
Shipping	2,801	2.9	2,232	2.8	0.1	
Payment collection	2,151	2.2	1,773	2.2	0.0	
Promotion related expenses	4,844	5.1	4,887	6.1	-1.0	• Re-examining the promotion activities from the last November
Advertising	2,555	2.7	2,219	2.8	-0.1	• Active promotion activities (TV Programme and TVCM offering, etc)
Reward points related expenses	2,288	2.4	2,667	3.3	-0.9	• Raised the ratio of reward points to 10% (November 2012 ~ January 2013)
Outsourcing	2,771	2.9	1,473	1.8	1.1	• Expansion of logistic facilities • Held an off-line real event[ZOZOCOLLE]
Rent expense	517	0.5	447	0.6	-0.1	
Depreciation	322	0.3	277	0.3	0.0	
Others	1,961	2.0	1,715	2.1	-0.1	
Total SG&A	19,629	20.5	16,548	20.6	-0.1	

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

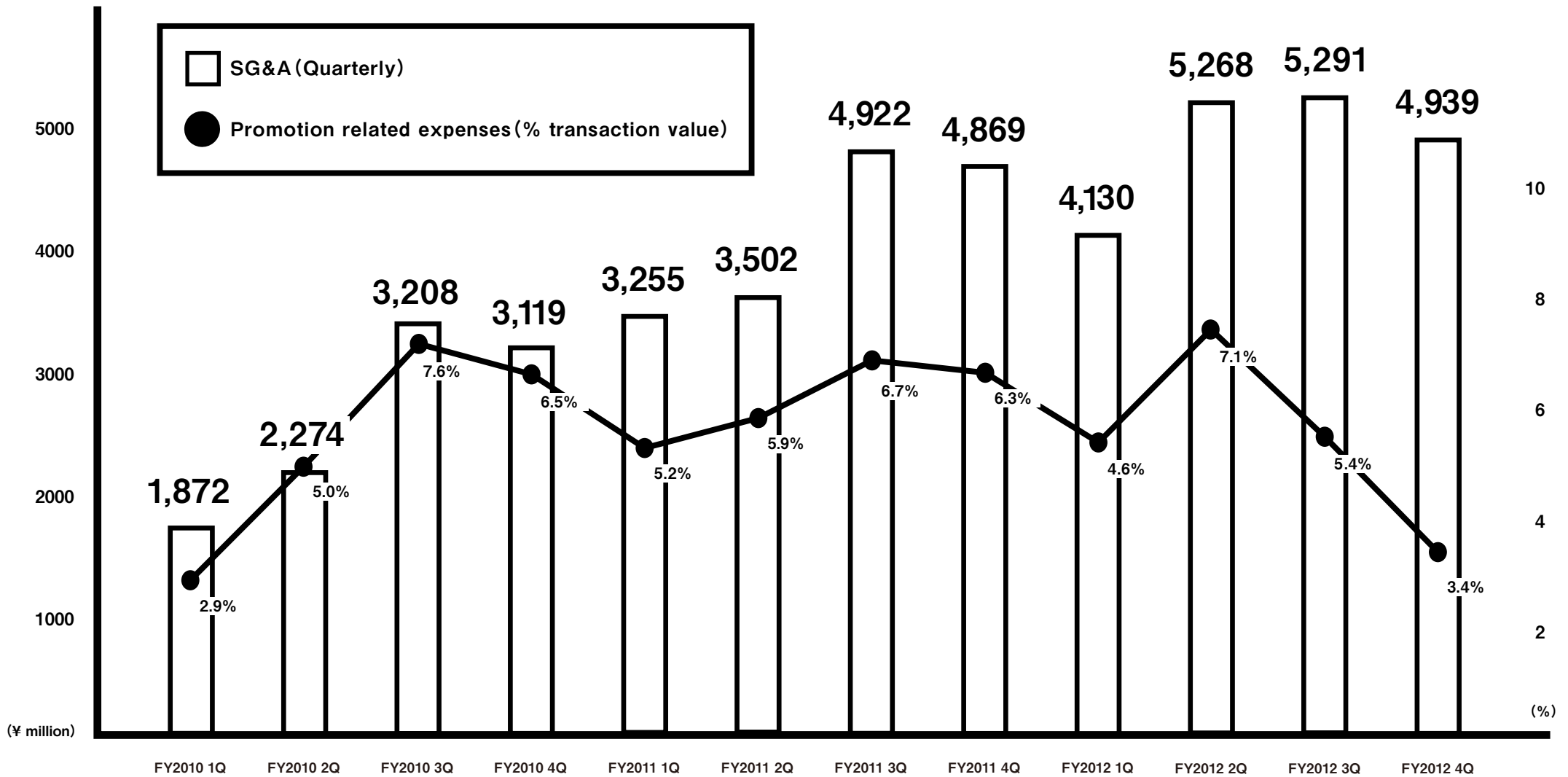


Operating Profit and Operating Profit Margin (Quarterly) (% Transaction Value)





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



Business Plan For FY2013

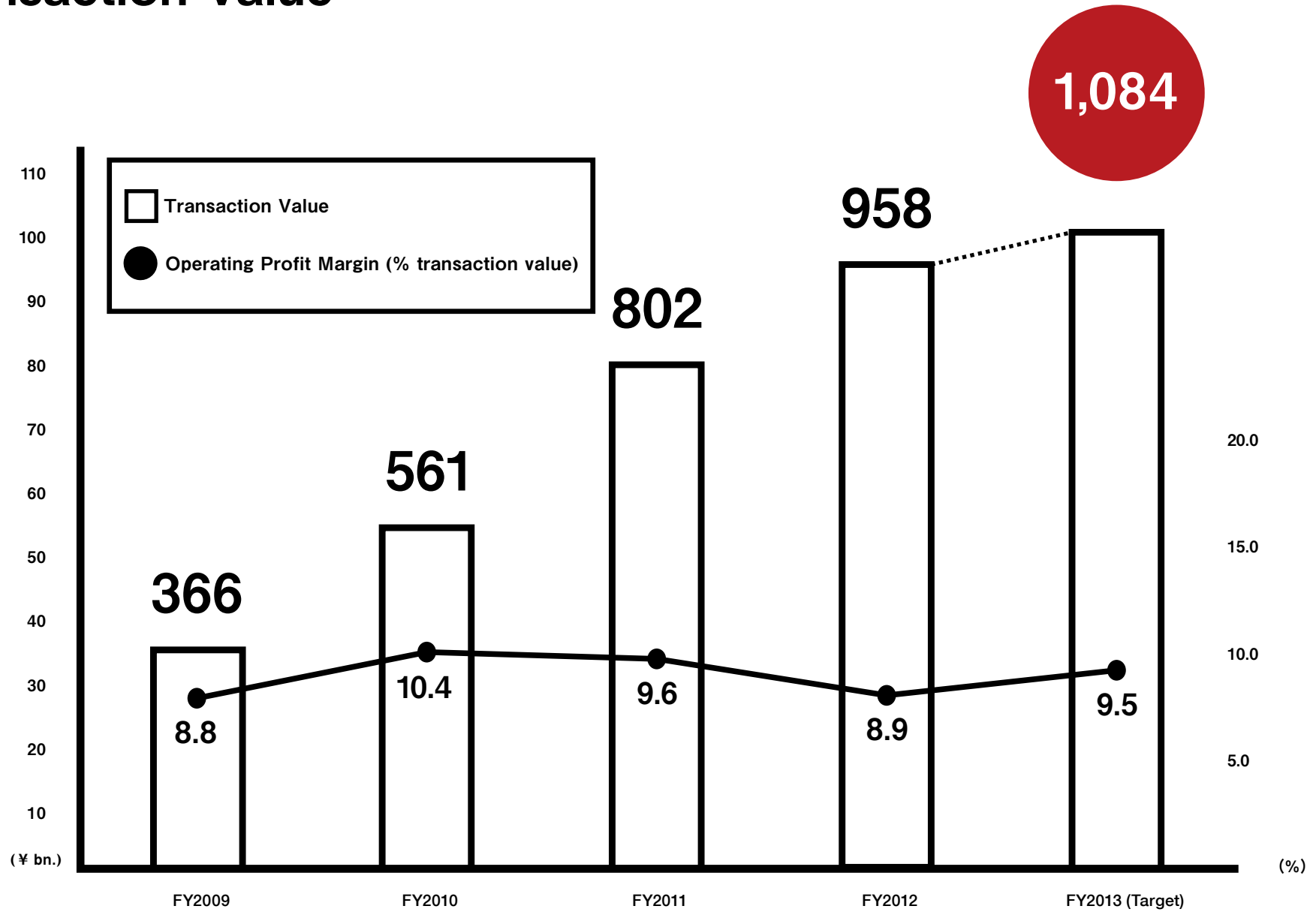


Consolidated Business Forecast and Dividend Forecast for FY2013

	Business Plan for FY2013	YoY change(%)
Transaction value	¥108,400 million	13.0
Net sales	¥36,800 million	5.0
Operating profit	¥10,320 million	21.0
Recurring profit	¥10,320 million	20.4
Net income	¥6,320 million	17.9
Earnings per share	¥59.1	—
Estimated dividends per share	¥20.0	—



Transaction Value





Breakdown of the total transaction value and each policy

Start Today (Total)

Transaction Value Target : ¥**108,400** million (+13.0% year on year)

- Conservative plan based on our 15% natural growth rate
- Planned under assumption of not holding any promotion activities

Consignment Sales

Transaction Value Target : ¥**84,400** million (+11.3% year on year)

- Attempt to develop and expand product categories
- Countermeasures against opportunity loss

Purchased stock

Transaction Value Target : ¥**8,800** million (+1.0% year on year)

- Continued to discover, cultivate, and introduce promising brands.
- Expectation of ZOZUSED's growth

E-Commerce Consulting

Transaction Value Target : ¥**15,200** million (+33.8% year on year)

- Continued to open new shops. Several new contracts have already been confirmed.
- Improve satisfaction level of the existing brand partners
- Implemented measures to improve collaboration between brands' brick and mortar stores and e-commerce sites.



Attitude to our sales estimate

- **The plan is based on our normal sales growth speed, not relying on unscheduled promotion activities.**
- **Solid business management focusing on profitability**
- **Expecting factors for the increase of fixed cost in this fiscal year.**

Starting operation of new logistic facilities: amount of capital investment, 3 billion yen

Increase in personnel: 75 new graduates joined our company.



Operation of new logistic facilities

Start operating new logistic facilities which will be in charge of general fulfillment tasks such as receipt of goods, photographing, measurement, storage, packing and shipment. With the addition of currently operational logistic facilities, the expansion of facilities make it possible to handle transaction value around 300~400 billion yen.

Brief information regarding new logistic facilities

Contract type	: Lease contract
Commencement date of the lease contract	: 1st September, 2013
Scheduled commencement date of the operation	: October, 2013
Total cost of the lease contract	: 12.5 billion yen
Amount of capital investment	: 3 billion yen



Image

Future Strategies

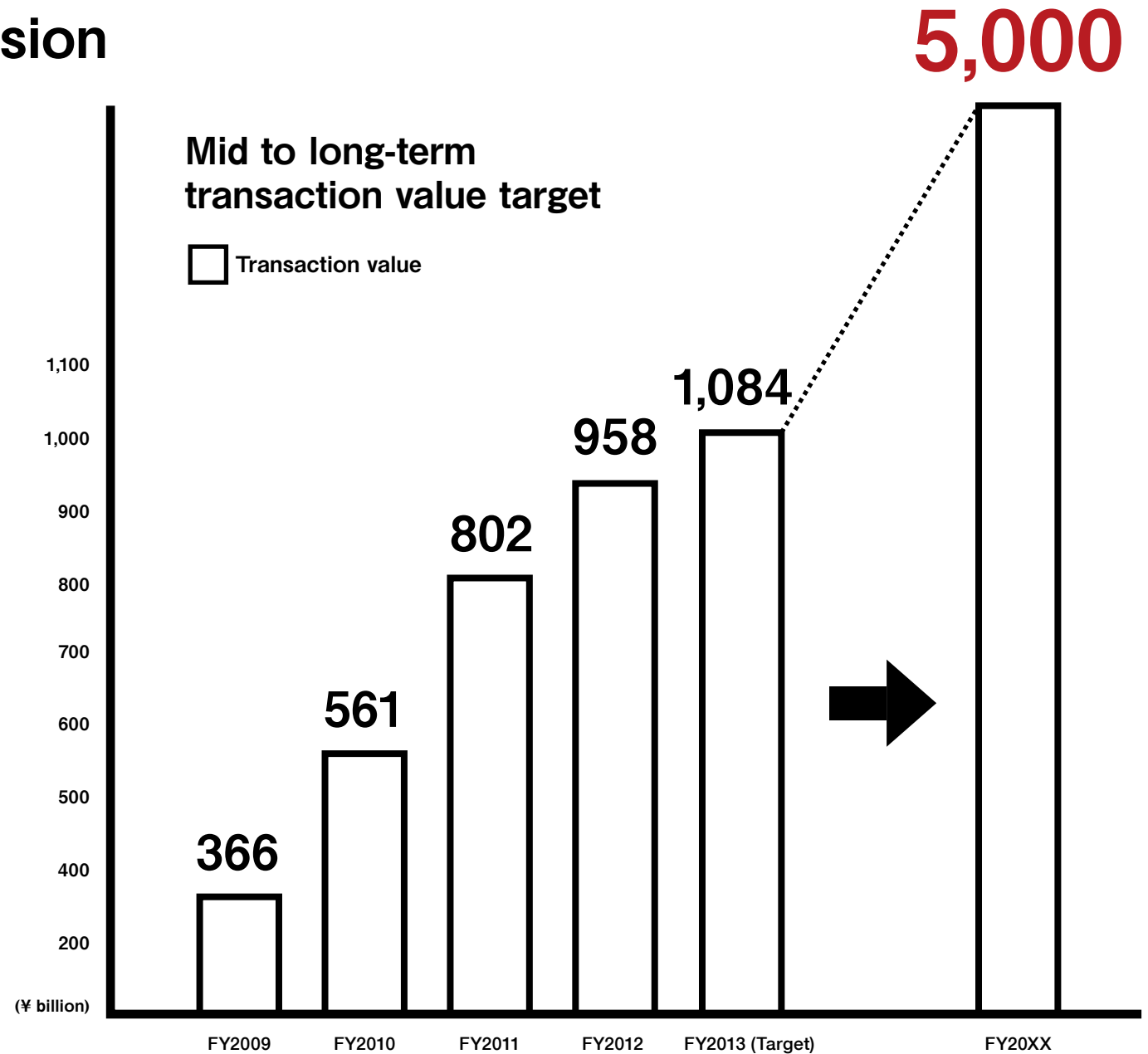


Mid to Long-term Vision

Start Today's mid to long-term target

FY20XX term




Transaction value **500** billion
Operating profit **50** billion

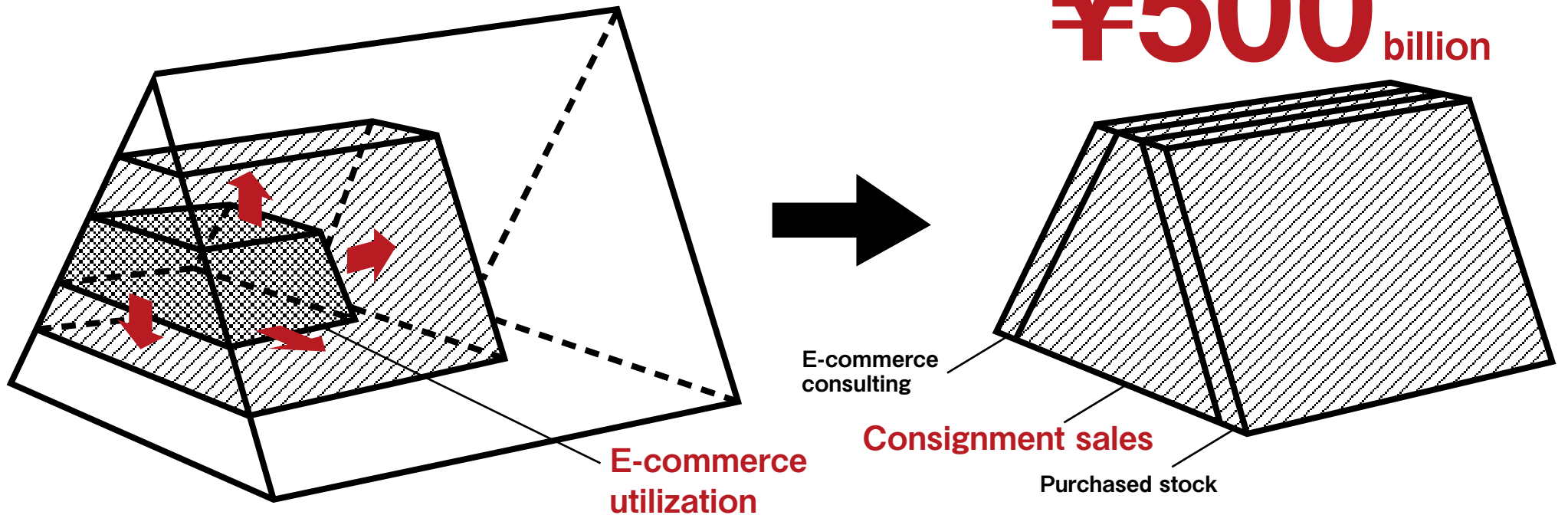




Market Expansion Strategy

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
492 stores offering 2,072 brands. At any given time, more than 210,000 items are available with 1,300 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.

ZOZOTOWN.COM <http://zozotown.com/>

- Available in 3 different languages. (Japanese / Chinese (Traditional) / English)
- Number of brands: over 600
- Delivers to 82 countries worldwide.





Summary of Other Services

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

- Users can search for their desired shops from among over 6,000 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.



480 employees
(average age 28.0)

2,072
high fashion brands

13,391
shareholders

Corporate philosophy

**“Make the world a better place
Bring smiles to the world.”**

6,094 stores
across Japan

2.48 million
fashion savvy consumers



Store Planning & Development Business (Purchased Stock)

We operate 40 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 452 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

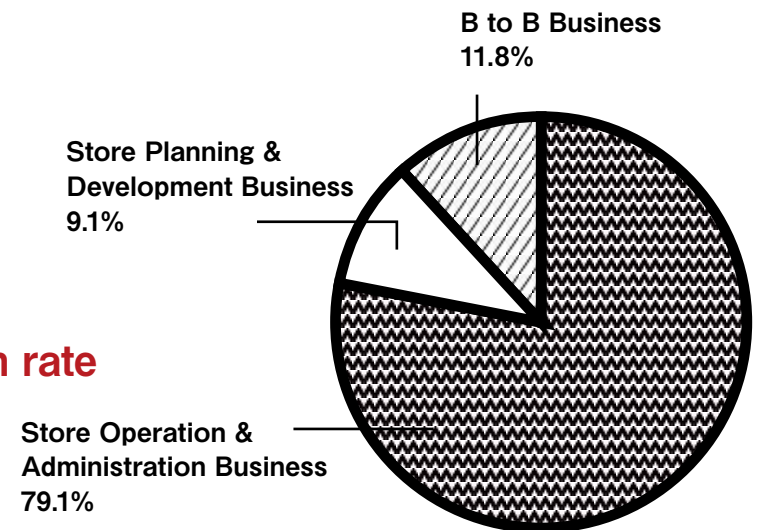
We help develop and operate online shops on behalf of various brands such as “United Arrows” and “Onward.”

We currently provide back-end service for 25 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.”



(Transaction value for FY2012)



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.