



**FY2013**

**April 1, 2013 - June 30, 2013**

**Consolidated Business Results**

2013.07.31



# FY2013 1Q Highlights

## Overview for the consolidated business result

- Total Transaction value : 24.3 billion yen(+27.0% increase / yoy), Operating profit : 2.8 billion yen(+75.7% increase / yoy)
- Reduction in the percentage of opportunity loss by strengthening relations with brand partners
- No change in the initial corporate plan for the whole financial year

## ZOZOTOWN business

- Transaction value of ZOZOTOWN : 20.9 billion yen(+24.2% increase / yoy)
- The number of shops in ZOZOTOWN, 514 shops(492 shops / March, 2013)
- Annual number of purchasers(July, 2012 ~ June, 2013), 2.65 million( 2.48 million / FY2013 total)
- Implementation of styling lookbook services and word-of-mouth effect of our business contributed to PV increase

## E-commerce consulting business

- Transaction value of e-commerce consulting business : 3.3 billion yen(+48.0% increase / yoy)
- The number of clients' websites entrusted, 27 sites (25 sites / March, 2013)
- Existing e-commerce sites showed steady increases in sales. Also, clients' websites entrusted in the preceding term contributed fully to the sales volume in this first quarter.

## Profitability

- Operating profit ratio(to the total transaction value) : 11.8%( the year-earlier period, 8.5% )
- Implementation of free shipping services caused decreases of operating profit ratio (to the total transaction value)
- By revising promotion strategies, successfully squeezed the ratio of promotional cost (to the total transaction value)

## Topics

- Released the teaser site for our new service 「WEAR」(May, 2013)
- Dissolution of a business partnership with eBay Korea Co.,Ltd(May, 2013)
- Acquired 100% ownership of BRACKET, INC through simplified share exchange procedures (July, 2013)

# **Business Performance**



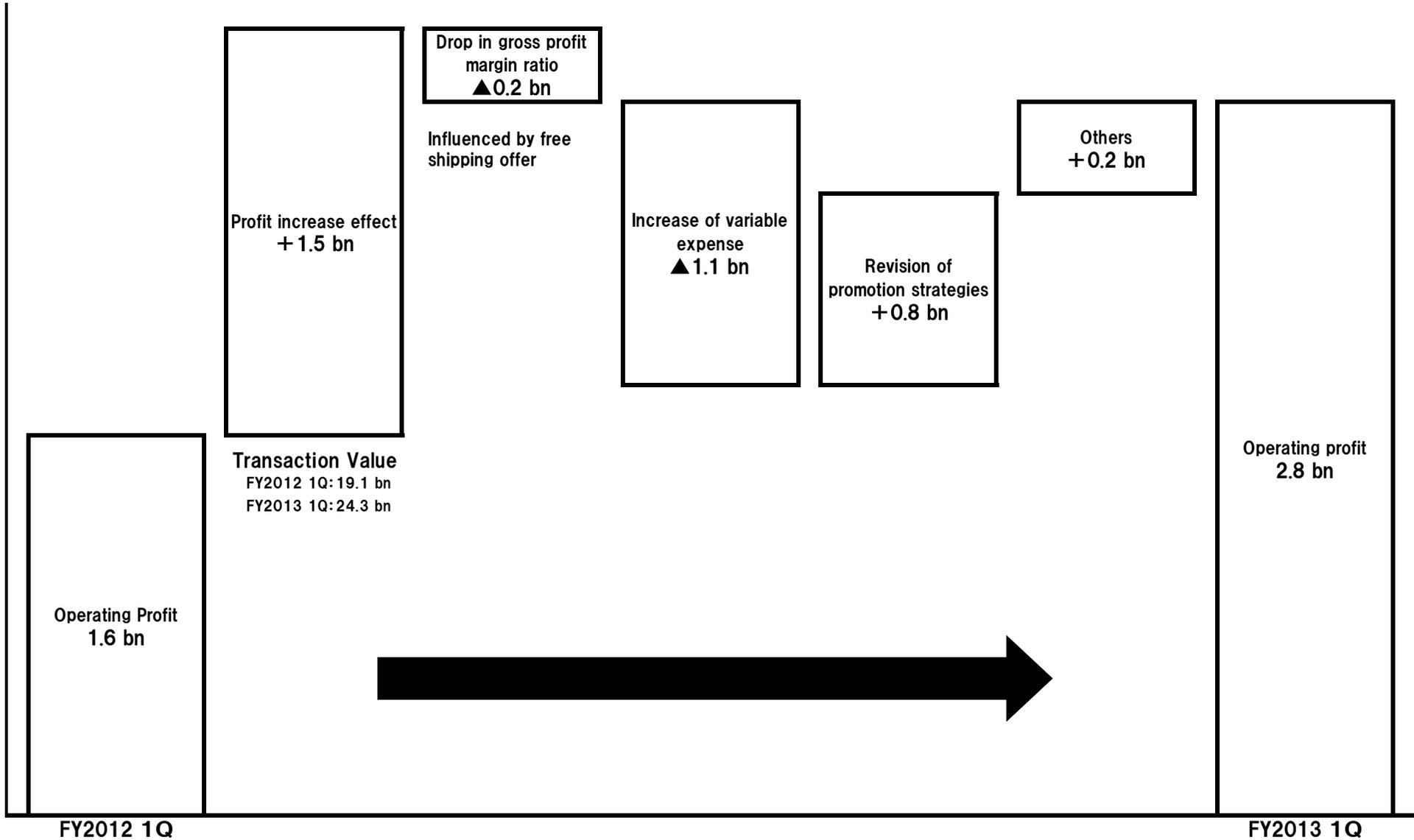
# Overview of the first quarter FY2013

## Consolidated income statement (includes transaction value)

Item	FY2013 1Q	FY2012 1Q	YoY Change (%)	Target (※)	Percent completion (%)
Transaction value	24,309	19,140	+27.0%	108,400	22.4%
Net sales	8,536	7,191	+18.7%	36,800	23.2%
Gross profit	7,056	5,766	+22.4%	-	-
(% Transaction Value)	29.0%	30.1%	-1.1%	-	-
SG & A	4,183	4,130	+1.3%	-	-
(% Transaction Value)	17.2%	21.6%	-4.4%	-	-
Operating profit	2,873	1,635	+75.7%	10,320	27.8%
(% Transaction Value)	11.8%	8.5%	+3.3%	9.5%	-
Recurring profit	2,880	1,630	+76.6%	10,320	27.9%
Net income	1,835	997	+84.0%	6,320	29.0%



# Increase-decrease analysis of operating profit (YoY comparison)



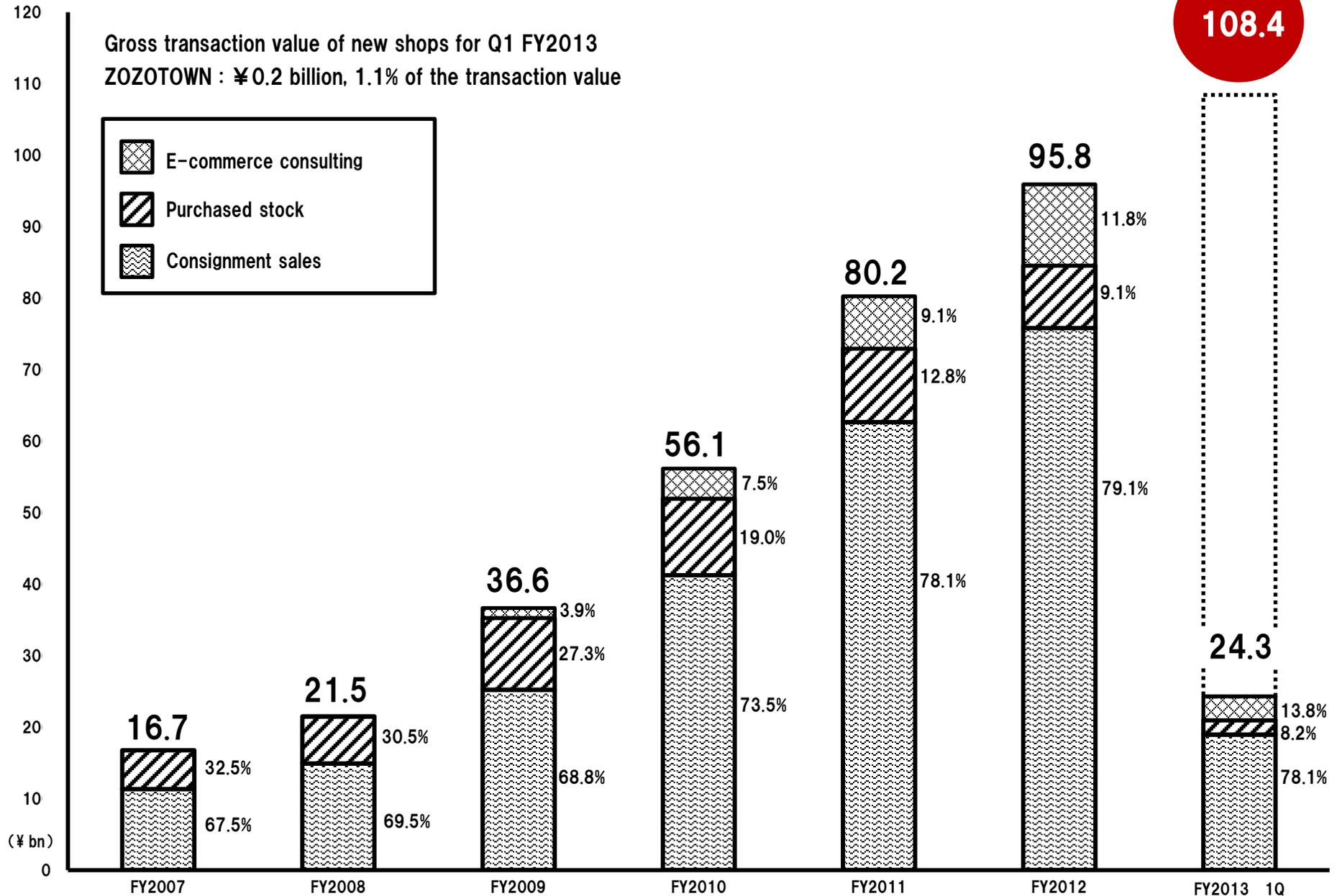


## Consolidated balance sheet

	FY2012	FY2013 (as of June 30, 2013)		FY2012	FY2013 (as of June 30, 2013)
<b>Current assets</b>	<b>20,655</b>	<b>20,304</b>	<b>Current liabilities</b>	<b>10,426</b>	<b>9,815</b>
cash and deposits	12,037	10,845	Deposit received for consignment sales	5,444	6,089
Merchandise inventory	1,276	1,072	<b>Noncurrent liabilities</b>	<b>673</b>	<b>713</b>
<b>Noncurrent assets</b>	<b>3,217</b>	<b>3,819</b>	<b>Total liabilities</b>	<b>11,099</b>	<b>10,529</b>
Tangible assets	1,538	2,153	<b>Shareholders' equity</b>	<b>12,385</b>	<b>13,152</b>
Intangible assets	725	720	Treasury stock	-3,660	-3,660
Investments and other assets	953	945	<b>Total net assets</b>	<b>12,773</b>	<b>13,594</b>
<b>Total assets</b>	<b>23,873</b>	<b>24,123</b>	<b>Total liabilities and net assets</b>	<b>23,873</b>	<b>24,123</b>

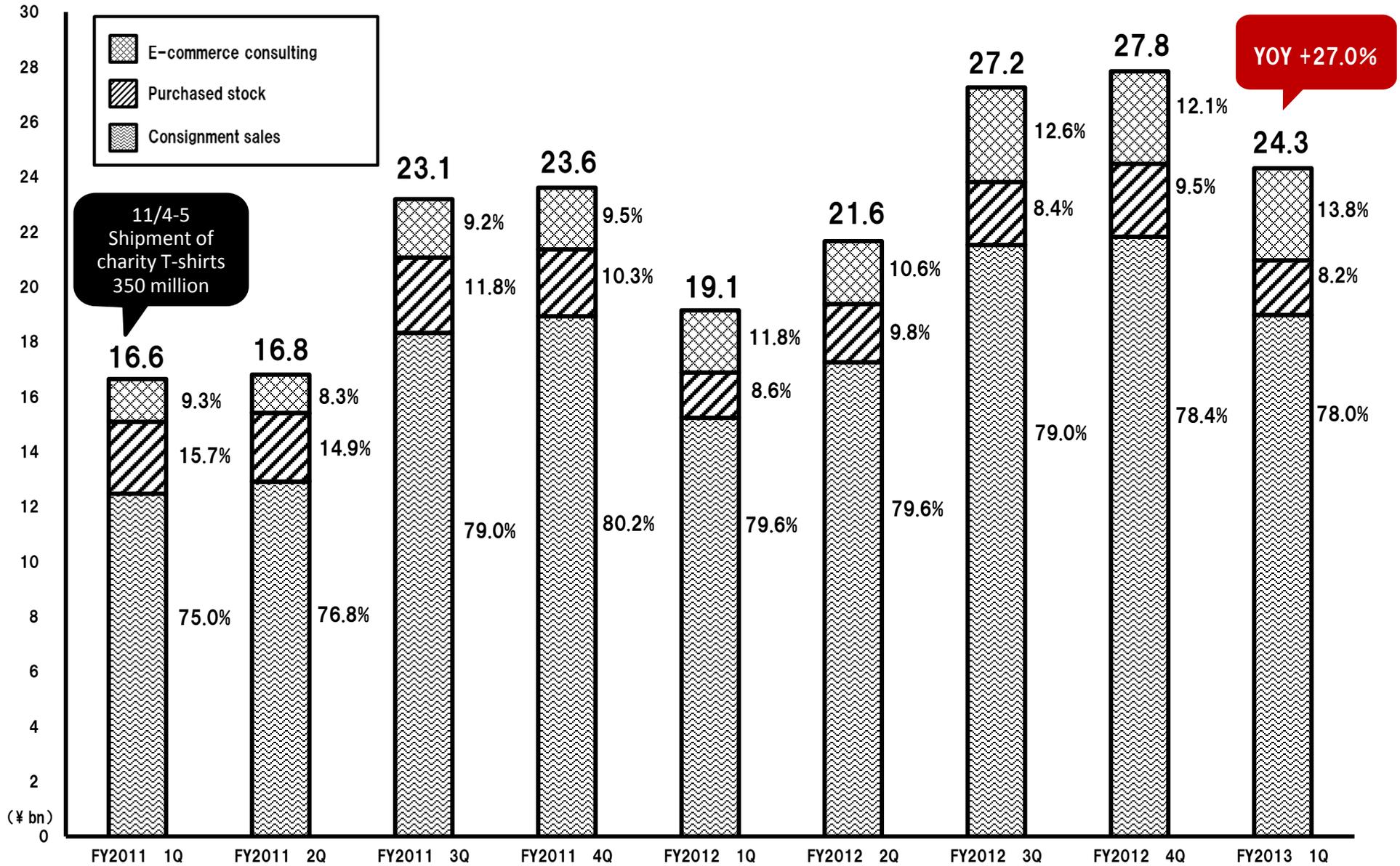


# Transaction Value





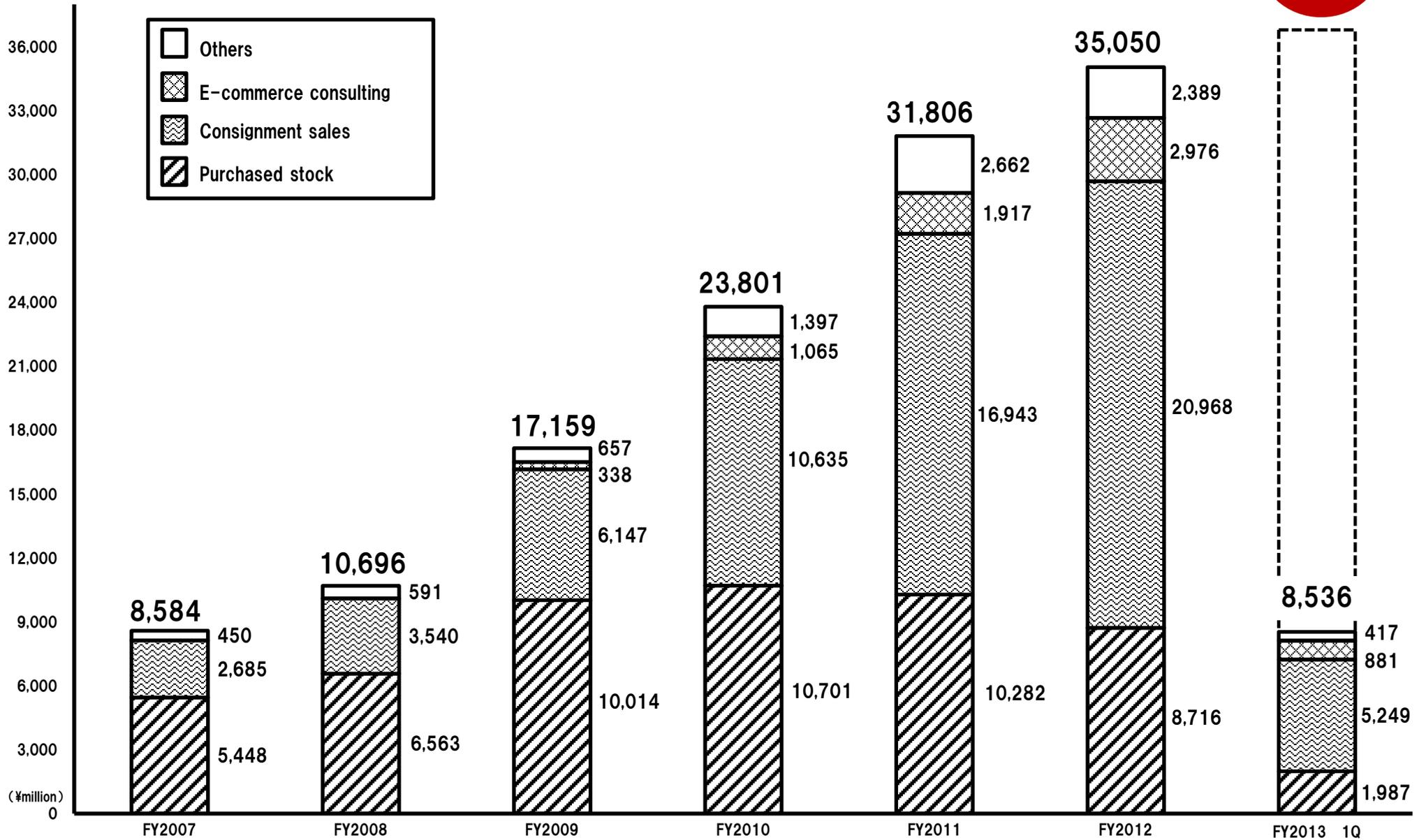
# Transaction Value (Quarterly)





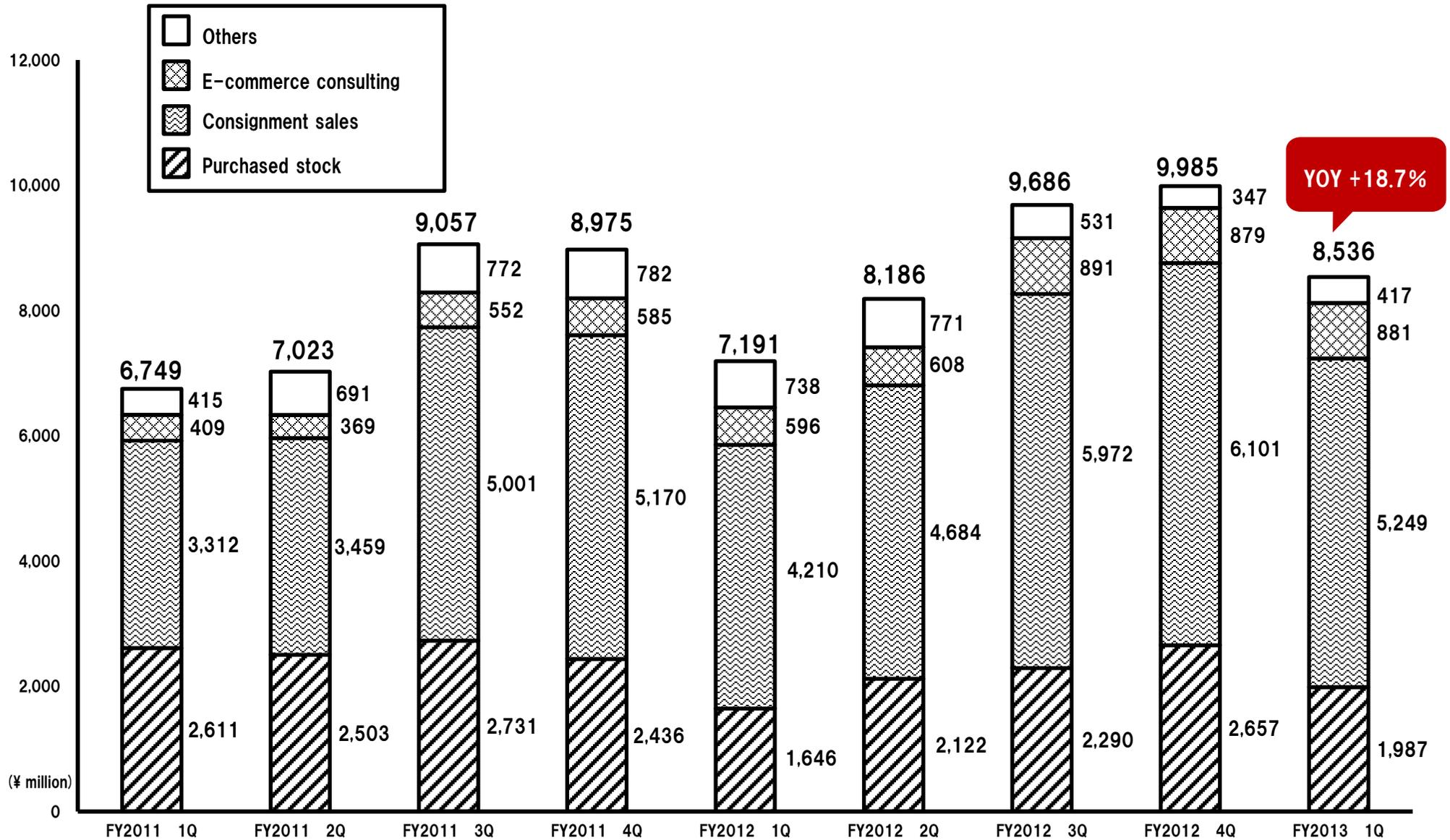
# Net Sales

**36,800**





# Net Sales (Quarterly)



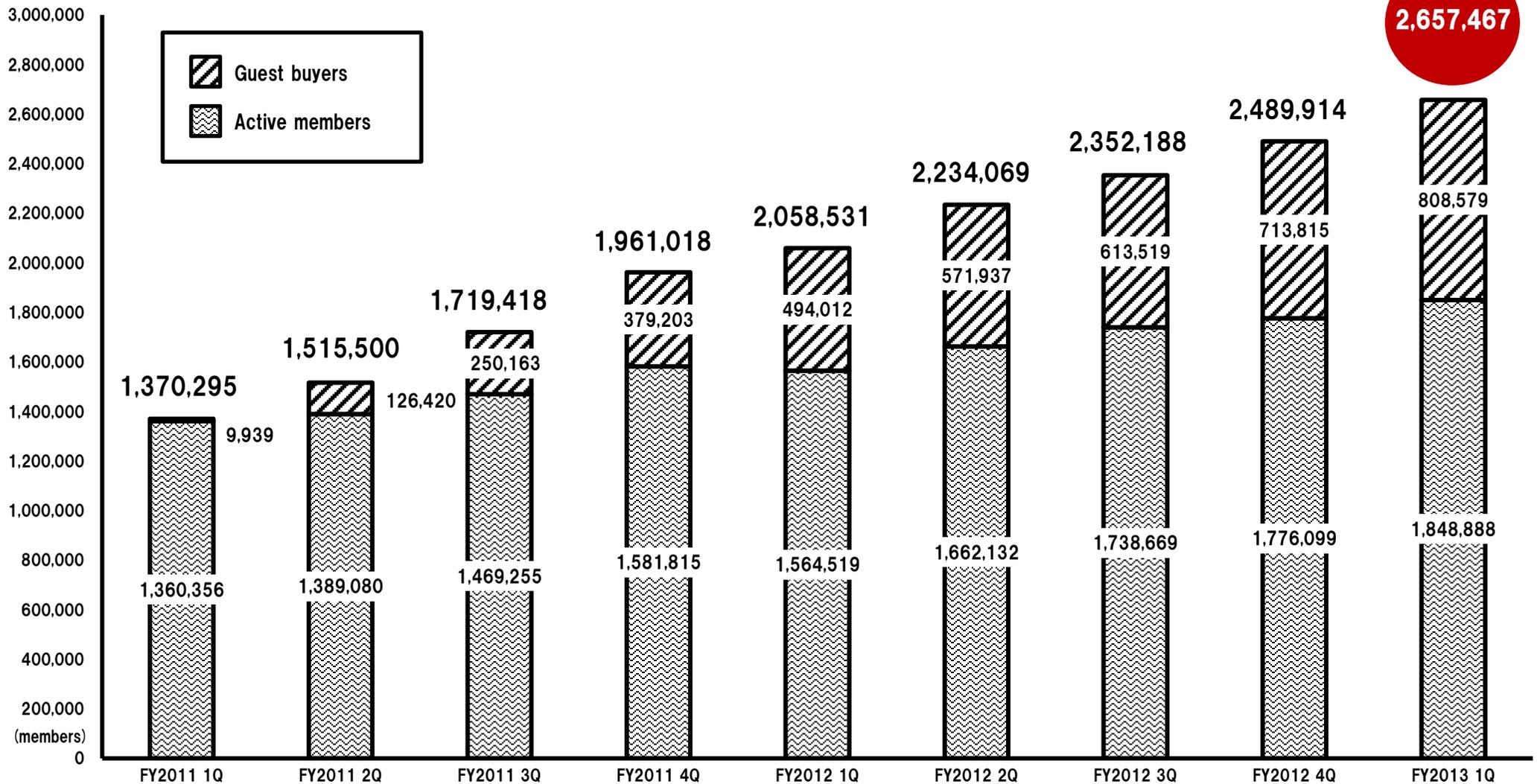


# Number of Total Buyers

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

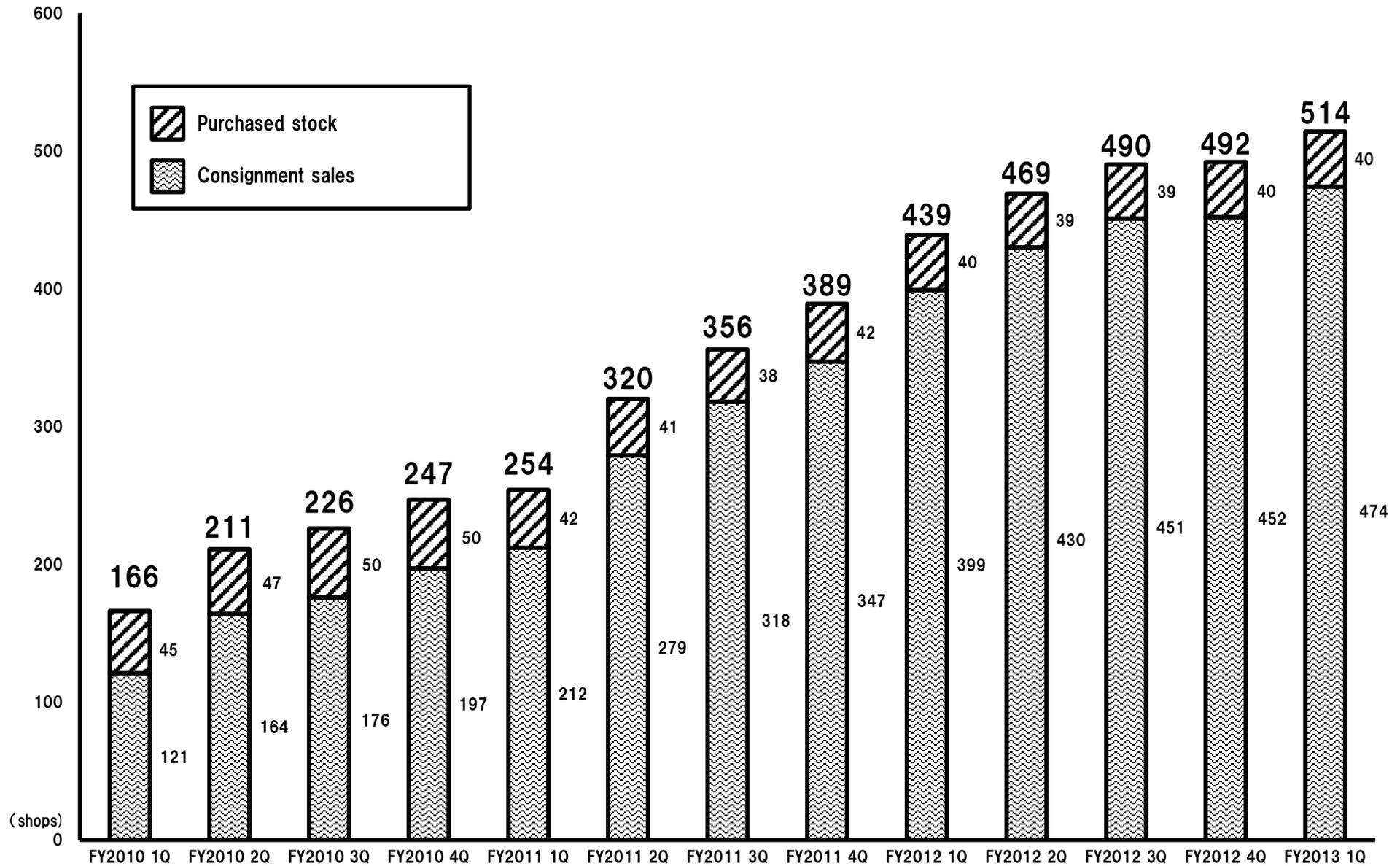
Guest buyers = Unique buyers who made a purchase without registering as a member

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





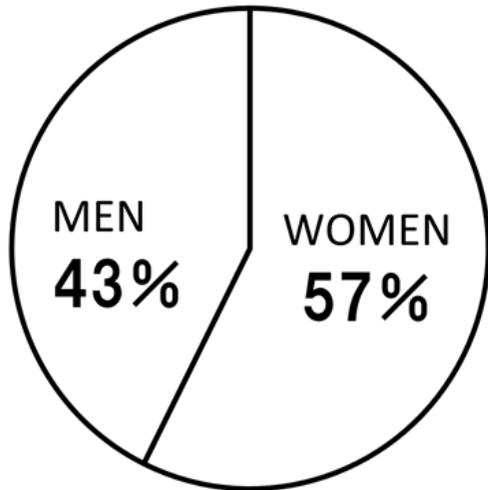
# Number of shops on ZOZOTOWN



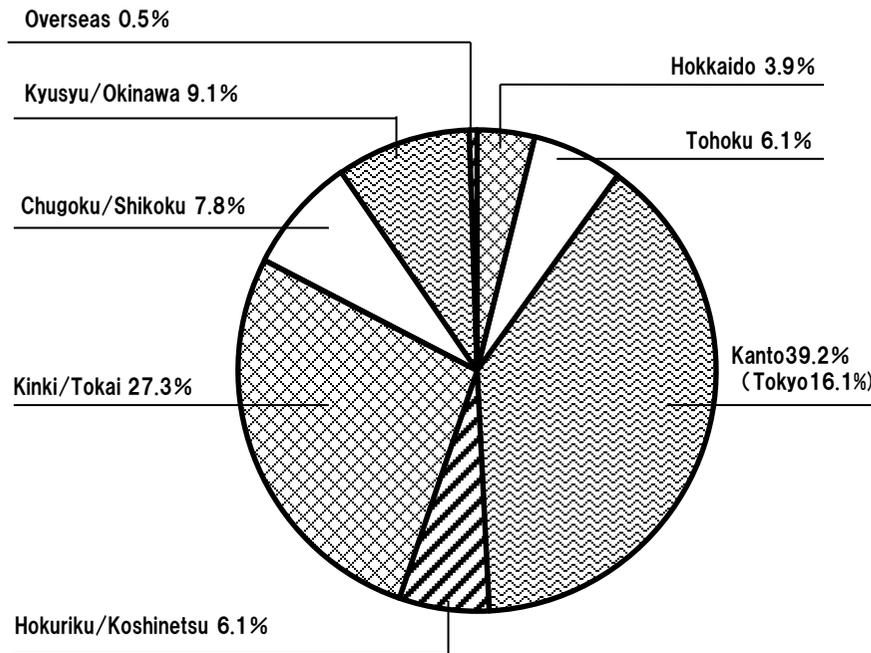


# Member Distribution (As of June 30, 2013)

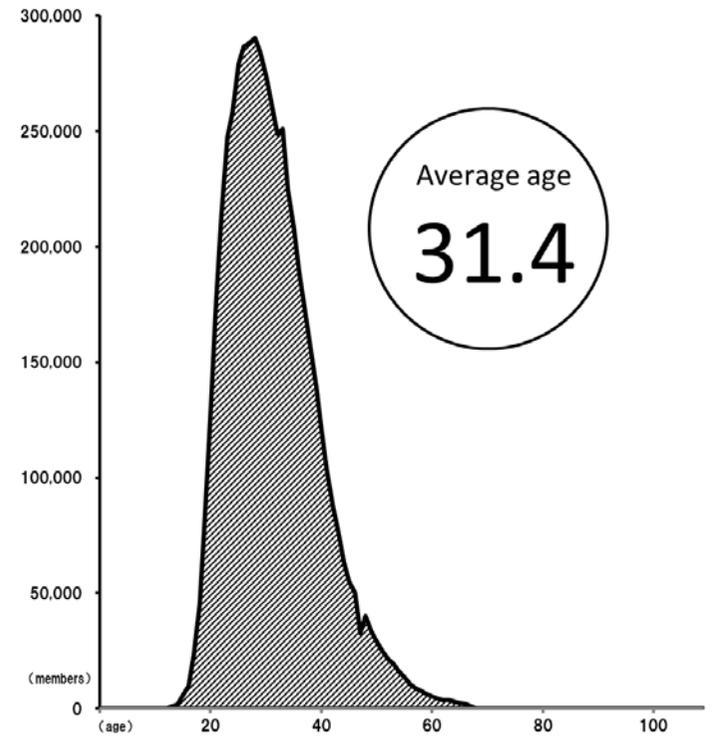
Gender ratio



Geographical ditribution

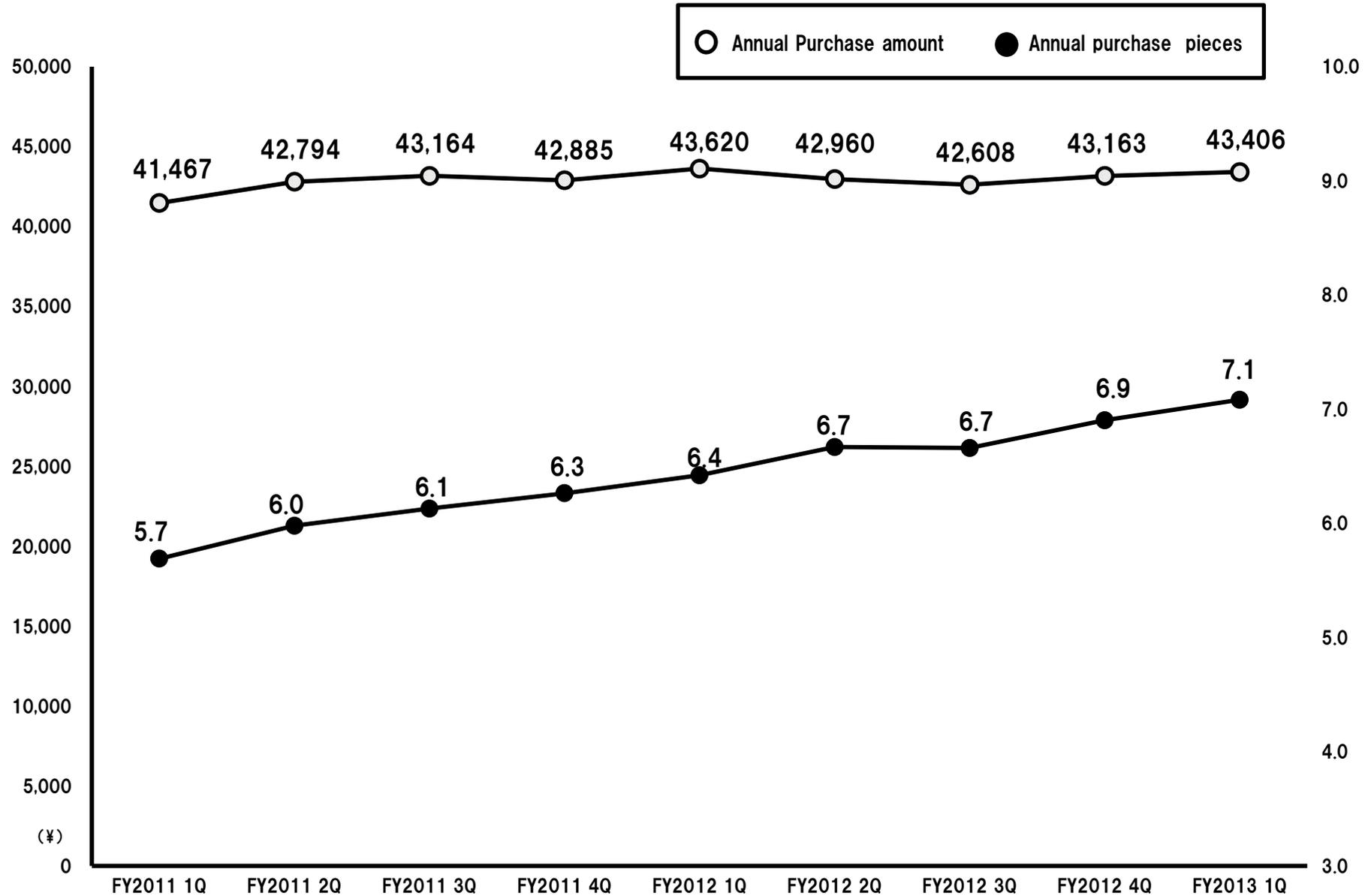


Age distribution





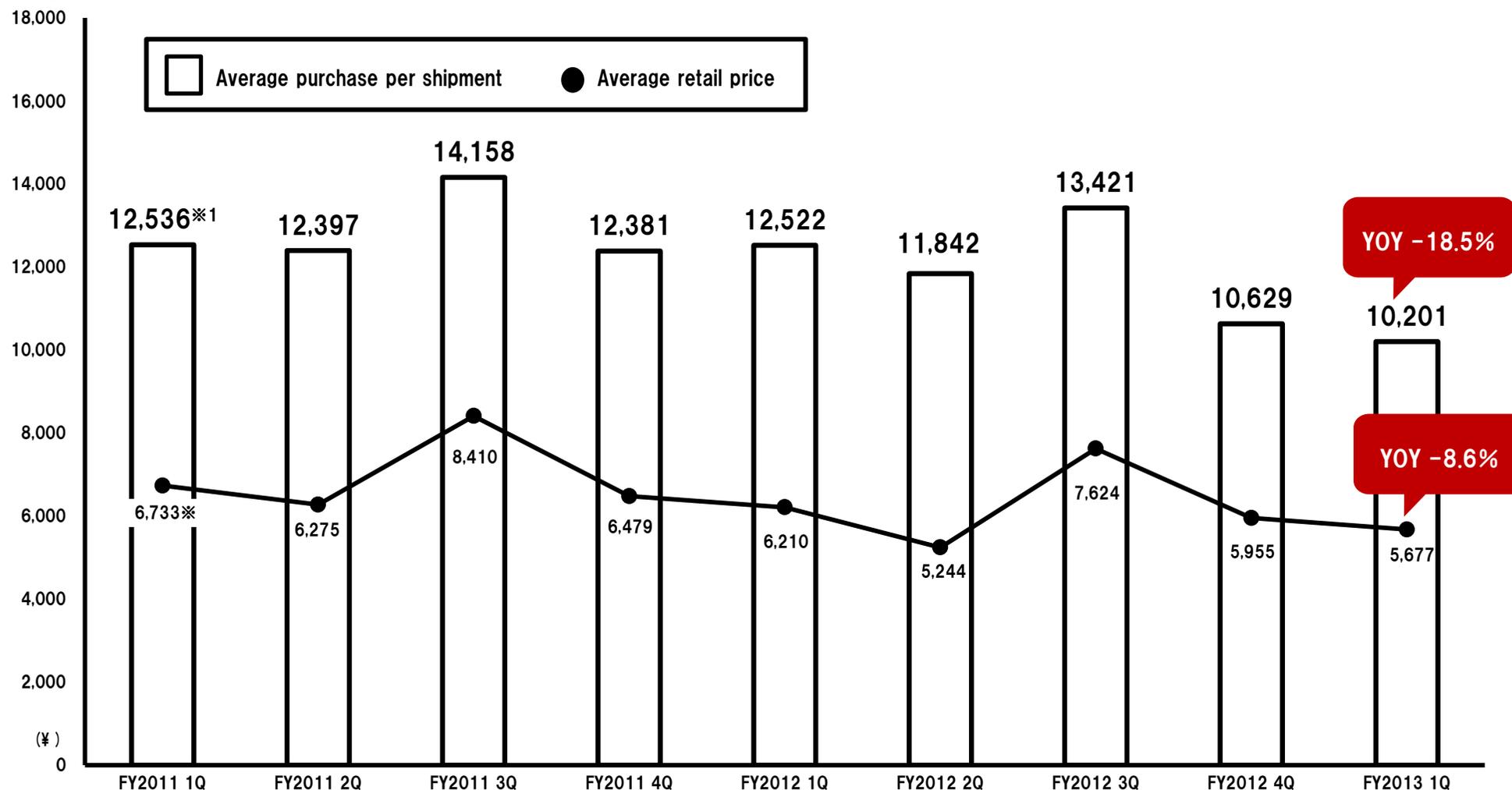
## Annual Purchase amount and pieces per Active Member





# Average Purchase per Shipment and Average Retail Price

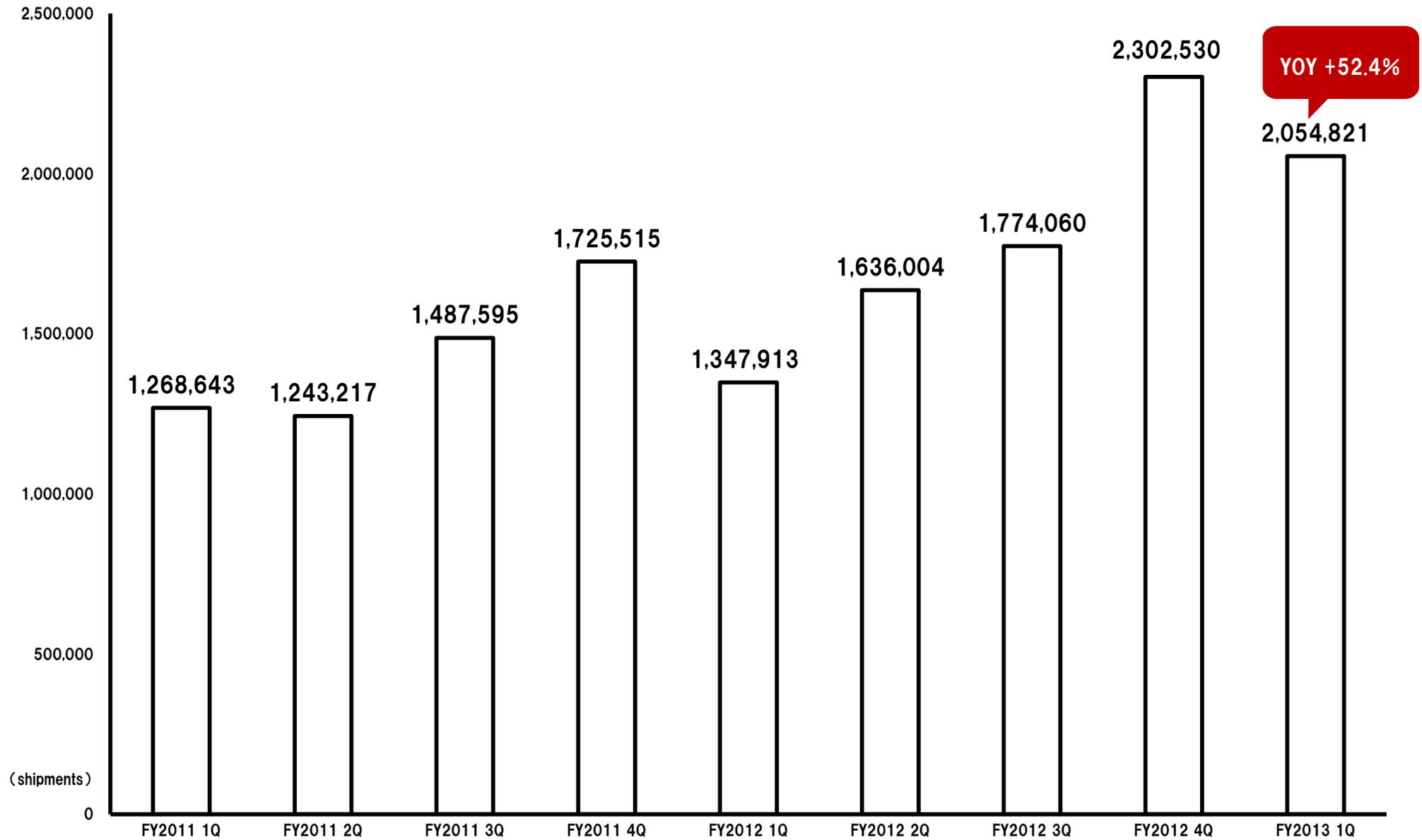
Average purchase amount per shipment = Transaction value / Number of shipments



※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)

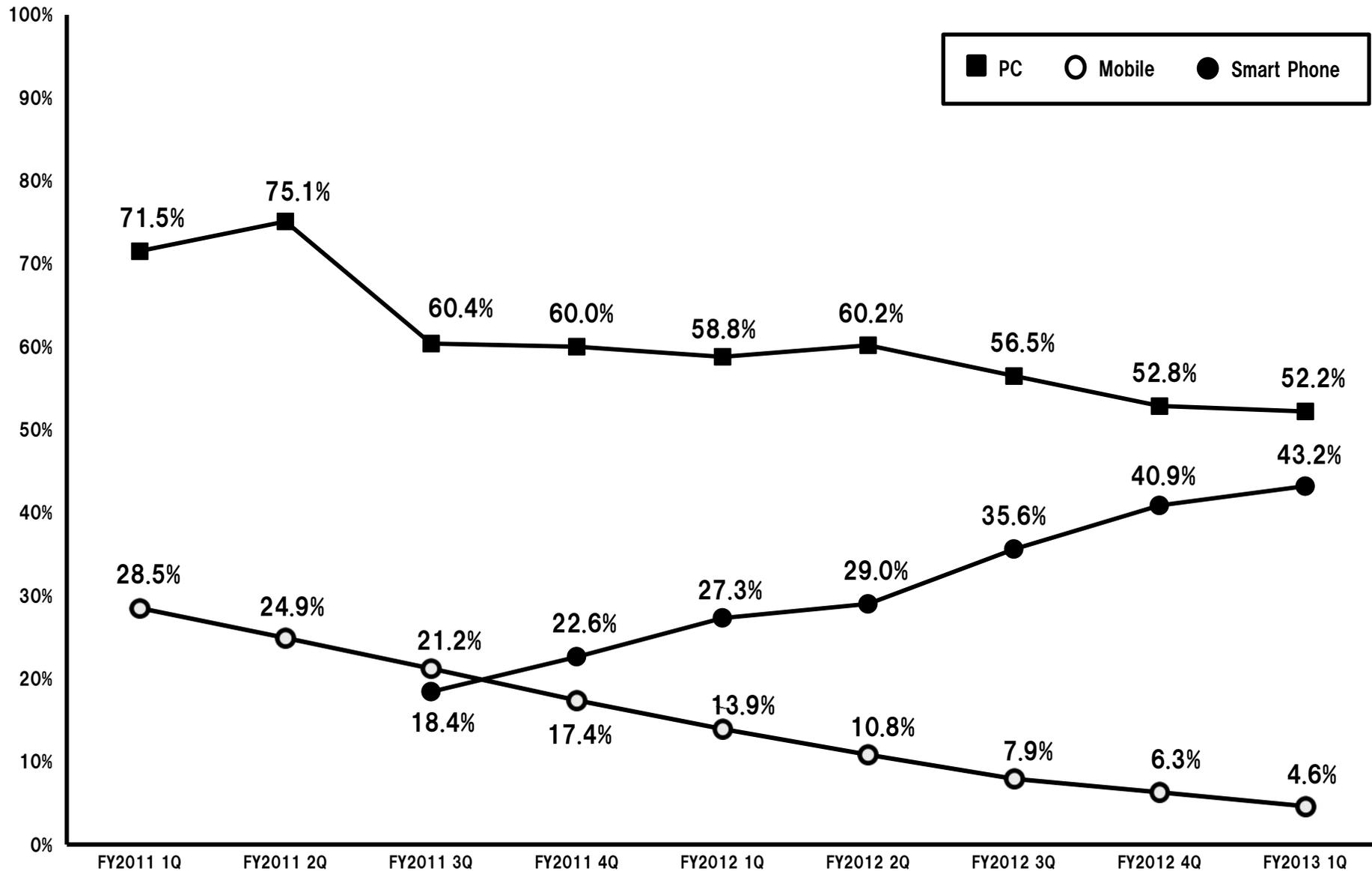


# Number of Shipments



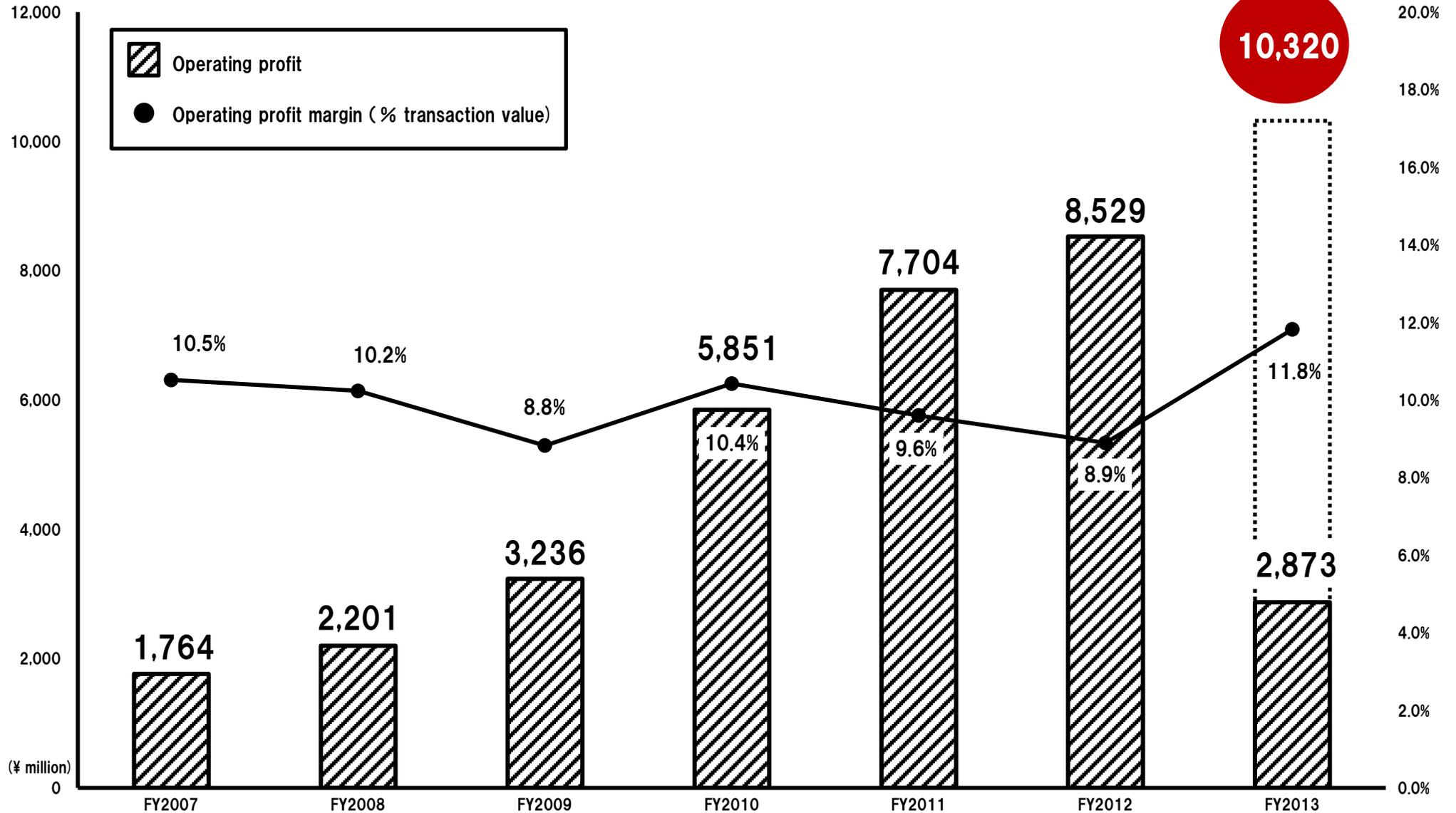


# The Ratio of Shipping Volume to the Total Purchase Volume (by access terminals)





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





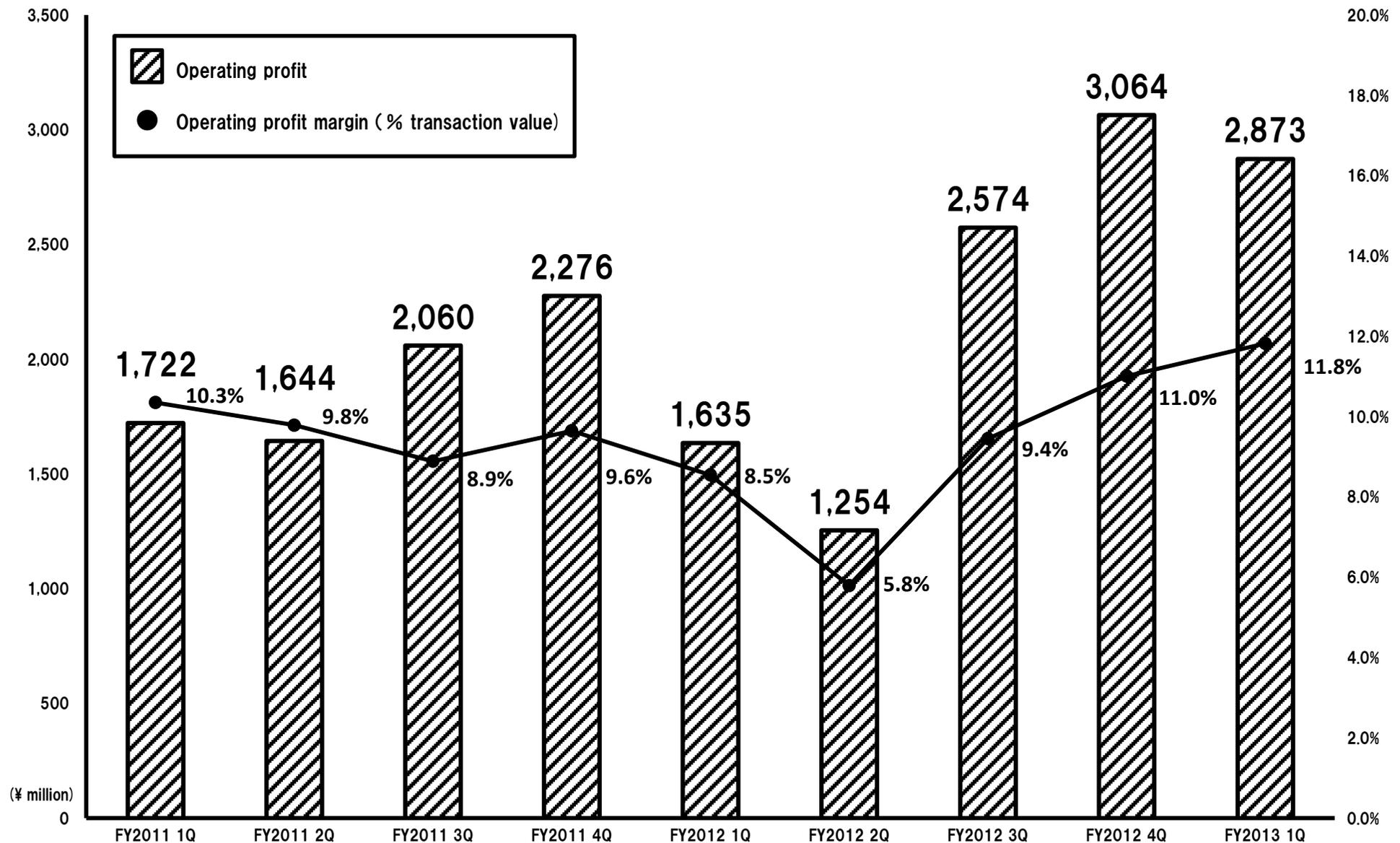
## Selling, General and Administrative (SG&A) Expenses

Item	2013 1Q		2012 1Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll (*)	1,204	5.0%	1,000	5.2%	-0.2%	The number of employees:458, as of June 2012 ⇒ 559, as of June 2013(75 of the employees are fresh graduate joined in April 2013)
Shipping	807	3.3%	552	2.9%	0.4%	Due to decreased unit price per shipment(-18.5%, yoy) arising from free shipment offering, burden ratio of shipping cost has risen
Payment collection	566	2.3%	433	2.3%	0.0%	
Promotion related expenses	305	1.3%	887	4.6%	-3.3%	Re-examination of promotion strategies
Advertising	122	0.5%	592	3.1%	-2.6%	As a current plan, will be spent intensively in Q2
Reward points related expenses	183	0.8%	294	1.5%	-0.7%	The ratio of reward points is 1%
Outsourcing	636	2.6%	584	3.1%	-0.5%	Decrease in outsourcing
Rent expense	124	0.5%	127	0.7%	-0.2%	Lease expense for new logistics facilities accrues from this September
Depreciation	78	0.3%	71	0.4%	-0.1%	Depreciation expense related to the capital investment for new logistics facilities accrues from this October
Others	459	1.9%	474	2.5%	-0.6%	
Total SG&A	4,183	17.2%	4,130	21.6%	-4.4%	strategic cost management aiming to absorb the increased cost led by free shipment offering

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

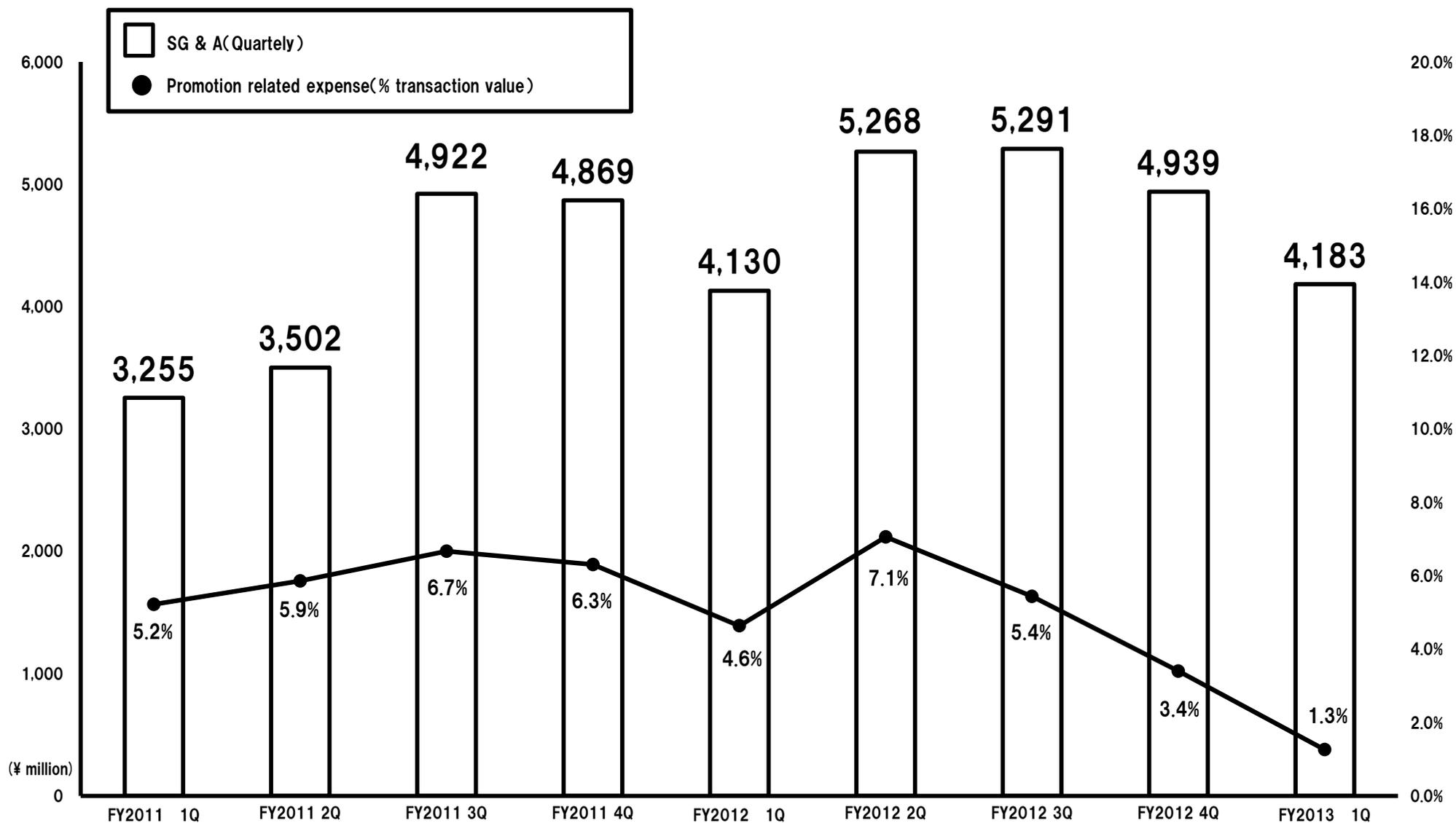


## Operating Profit and Operating Profit Margin (Quarterly) (% Transaction Value)





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



# **Business Plan For FY2013**

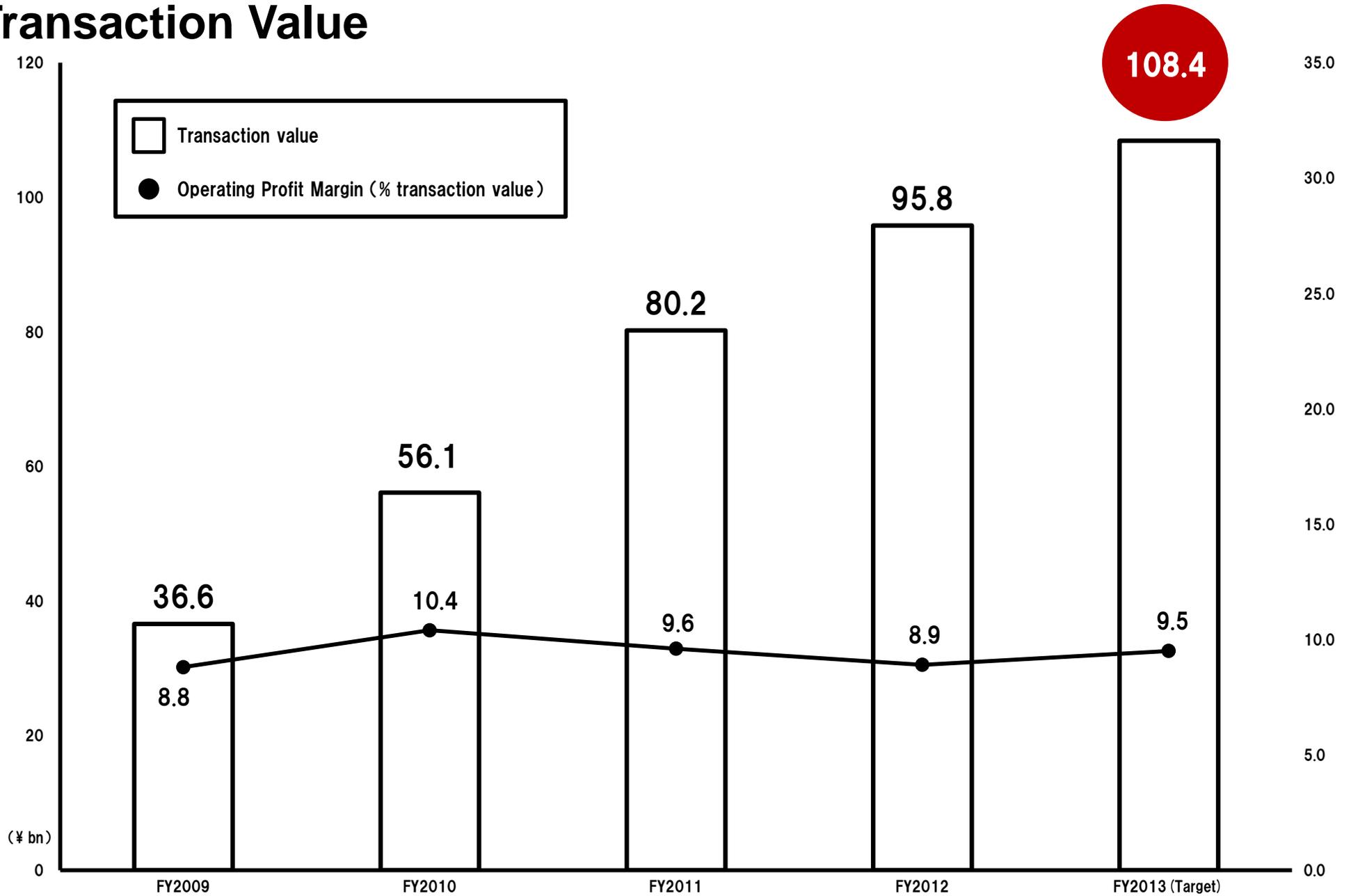


## Consolidated Business Forecast and Dividend Forecast for FY2013

	Business Plan for FY2013	YoY change (%)
Transaction value	¥108,400 million	13.0
Net sales	¥36,800	5.0
Operating profit	¥10,320	21.0
Recurring profit	¥10,320	20.4
Net income	¥6,320	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

**Group 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

## ZOZOTOWN Business

**Transaction Value Target : ¥ 93,200 million (+10.2% year on year)**

- Consignment sales business: ¥ 84,400 million ( +11.3%, yoy), Purchased Stock Business ¥8,800million (+1.0% yoy)

## E-Commerce Consulting Business

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

- Improving satisfaction level of the existing brand partners

## Operating Profit Margin

**The ratio of consolidated operating profit : 9.5 % (to the total transaction value, FY2013 8.9%)**

- New logistics facilities start its operation from September. Amount of capital investment 3 billion yen (planned)
- In an effort to improve profit ratio by reducing promotional cost ratio



## 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

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





## Acquired 100% ownership of BRACKET, INC



- Starttoday owned all of the outstanding shares in BRACKET, INC, operating so-called instant E-commerce builder「STORES. jp」 which service concept is “Everybody can easily build his or her own online shopping site within a few minutes”
- Seeking to expand our business further by enhancing the partnership between the two companies especially in the light of system and service infrastructures.
- Aiming to generate synergy effect by the mutual coordination of ZOZOTOWN Business, E-commerce Consulting Business and WEAR Business which are run by STARTTODAY CO., LTD, and STORES.jp Business run by BRACKET, INC.



## About our new service 「WEAR」



### **WEAR FOR CONNECTION**

- Fashion-specific mobile app services with the concept “WEAR FOR CONNECTION”, enables people enjoying communication about fashion and referring to posted styling images.
- Scheduled service launch date is around August to September 2013.

# **Future Strategies**

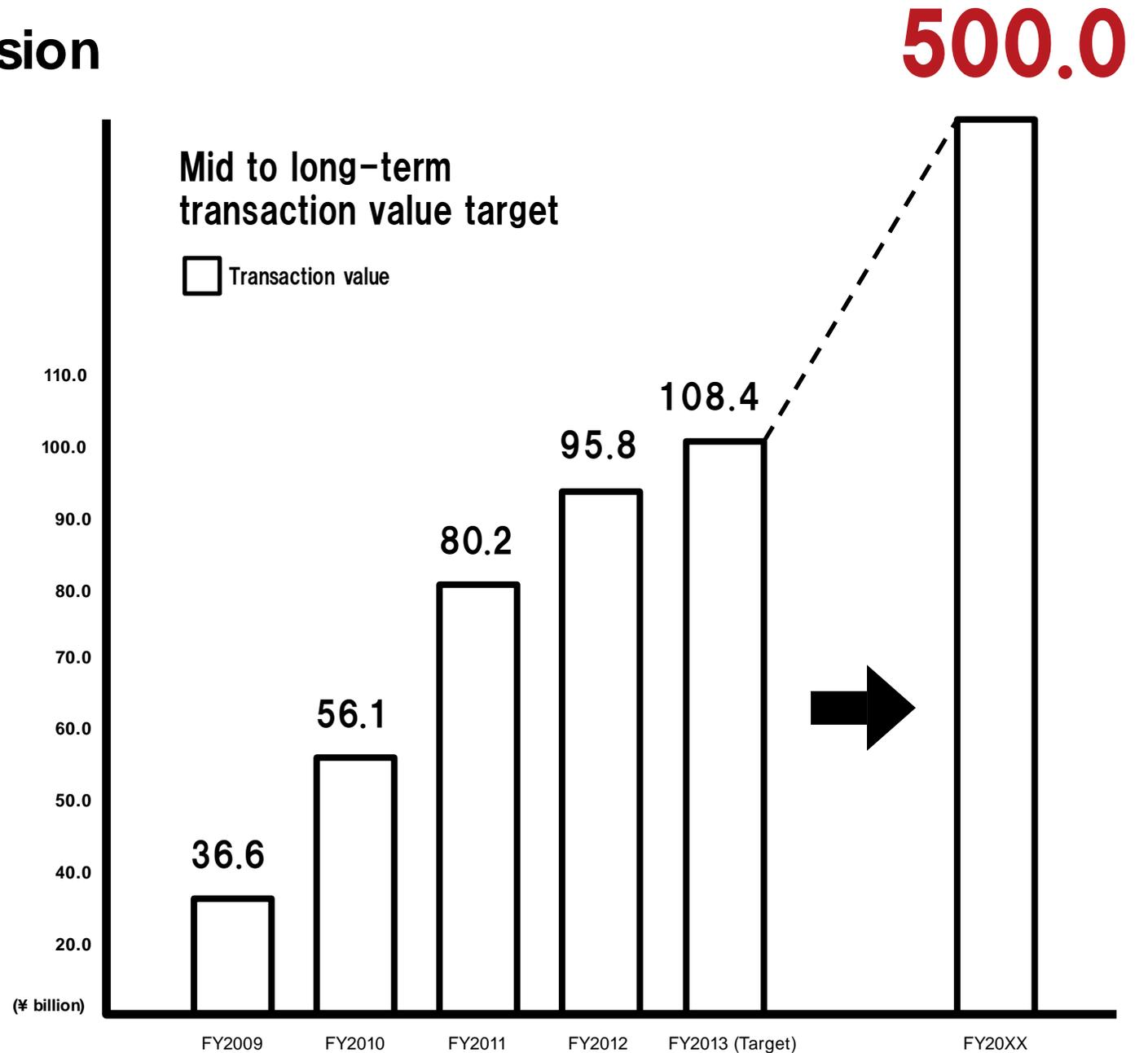


# Mid to Long-term Vision

Start Today' s mid to long-term target

FY20XX term

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

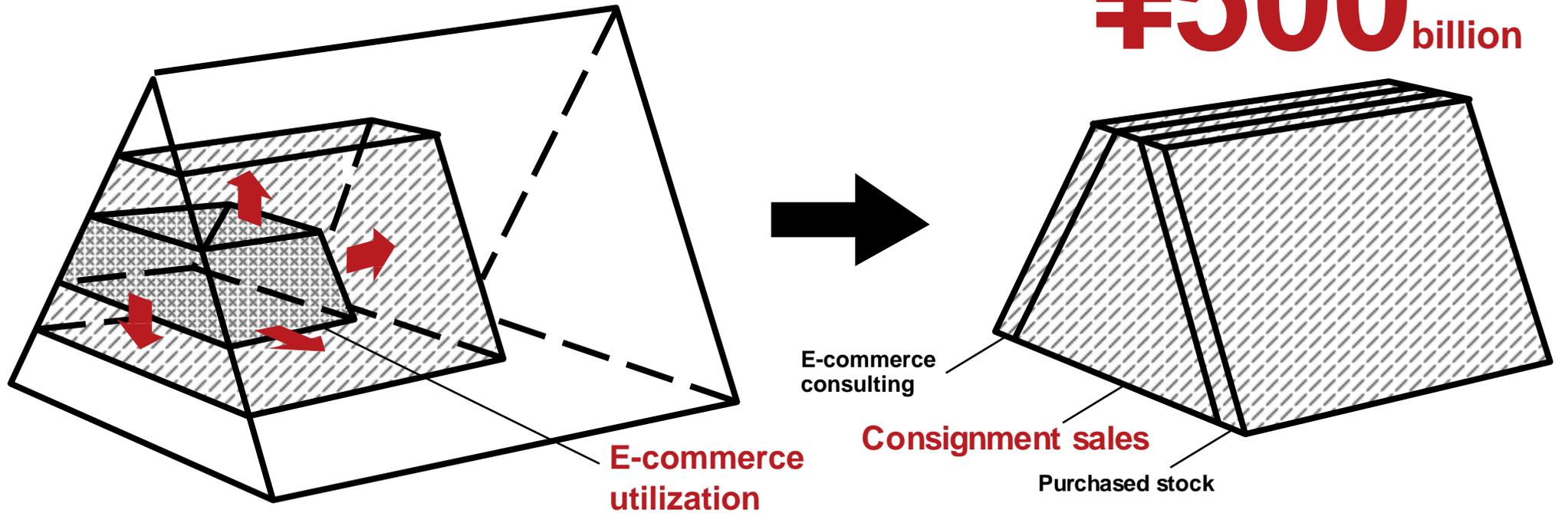




# Market Expansion Strategy

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



# **Future Strategies**



# 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  
514 stores offering 2,181 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://gallety.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.



**559**  
employees  
(average age 27.9)

**2,181**  
high fashion brands

**7,209**  
shareholders

Corporate philosophy

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

**6,094** shops  
across Japan

**2.65** 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 474 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

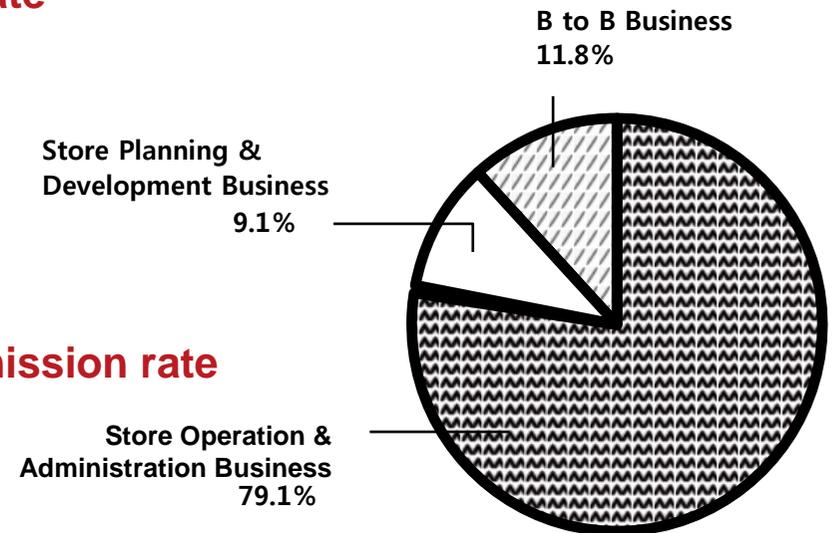
We help develop and operate online shops on behalf of various brands such as “United Arrows” and “Onward.”

We currently provide back-end service for 27 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.**