



**FY2013**

**April 1, 2013 - September 30, 2013**

**Consolidated Business Results**

**2013.10.31**



# FY2013 2Q Highlights

## Overview for the consolidated business result

- Total Transaction value : 49.5 billion yen (+21.5% increase / yoy), Operating profit : 5.4 billion yen (+88.3% increase / yoy)
- No change in the initial corporate plan for the whole financial year.

## Online shopping mall business

- Transaction value of the mall business: 43.1 billion yen (+19.1% increase / yoy)
- The number of shops : 556 shops (492 shops / March, 2013)
- Annual number of purchasers (October, 2012 ~ September, 2013), 2.80 million ( 2.48 million / FY2013 total)
- The styling/lookbook service offering and the increased supply of products led to the rise in CVR.

## E-commerce consulting business

- Transaction value of e-commerce consulting business : 6.4 billion yen (+40.9% increase / yoy)
- The number of clients' websites entrusted: 27 sites (25 sites / March, 2013)
- Steady performance of existing websites. The sales volume derived from clients' websites that have been entrusted since the preceding term contributed entirely to the transaction value in this second quarter.

## Profitability

- Operating profit ratio(to the total transaction value) : 11.0% (the year-earlier period, 7.1%)
- Free shipping service offering caused the decrease in gross profit margin (to the total transaction value).
- Revision of promotional strategies and inexecution of ZOZOCOLLE contributed to the decrease in SG & A ratio (to the total transaction value).

## Topics

- Acquired 100% ownership of BRACKET, INC through simplified share exchange procedures (August, 2013).
- Launched the new online mall called "LA BOO" (September, 2013)
- Starts the newly developing service "WEAR" (October, 2013)

# **Business Performance**



# Overview of the second quarter FY2013

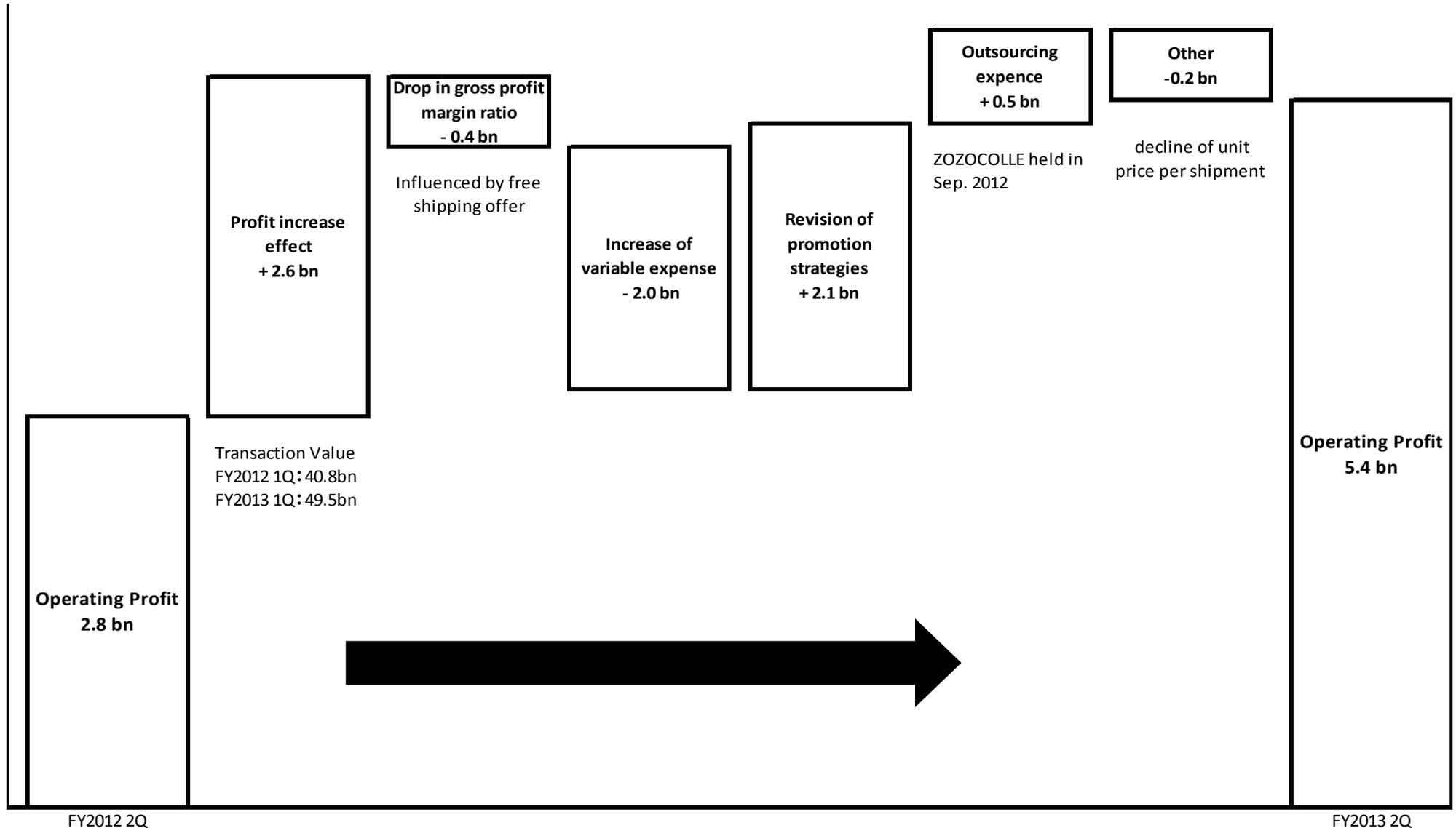
## Consolidated income statement (includes transaction value)

(million)

Item	FY2013 2Q	FY2012 2Q	YoY Change (%)	Target (※)	Progress Rate (%)
Transaction value	49,572	40,803	+21.5%	108,400	45.7%
Net sales	17,467	15,378	+13.6%	36,800	47.5%
Gross profit	14,438	12,289	+17.5%	-	-
(% Transaction Value)	29.1%	30.1%	-1.0%	-	-
SG & A	8,996	9,399	-4.3%	-	-
(% Transaction Value)	18.1%	23.0%	-4.9%	-	-
Operating profit	5,441	2,890	+88.3%	10,320	52.7%
(% Transaction Value)	11.0%	7.1%	+3.9%	9.5%	-
Recurring profit	5,454	2,894	+88.4%	10,320	52.9%
Net income	3,467	1,757	+97.3%	6,320	54.9%



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





## Consolidated balance sheet

(million)

	FY2012	FY2013 (as of Sep 30, 2013)		FY2012	FY2013 (as of Sep 30, 2013)
<b>Current assets</b>	<b>20,655</b>	<b>20,996</b>	<b>Current liabilities</b>	<b>10,426</b>	<b>10,253</b>
cash and deposits	<b>12,037</b>	<b>12,613</b>	Deposit received for consignment sales	<b>5,444</b>	<b>5,276</b>
Merchandise inventory	<b>1,276</b>	<b>947</b>	<b>Noncurrent liabilities</b>	<b>673</b>	<b>965</b>
<b>Noncurrent assets</b>	<b>3,217</b>	<b>6,131</b>	<b>Total liabilities</b>	<b>11,099</b>	<b>11,219</b>
Tangible assets	<b>1,538</b>	<b>3,201</b>	<b>Shareholders' equity</b>	<b>12,385</b>	<b>15,435</b>
Intangible assets	<b>725</b>	<b>1,343</b>	Treasury stock	<b>-3,660</b>	<b>-3,276</b>
Investments and other assets	<b>953</b>	<b>1,585</b>	<b>Total net assets</b>	<b>12,773</b>	<b>15,908</b>
<b>Total assets</b>	<b>23,873</b>	<b>27,128</b>	<b>Total liabilities and net assets</b>	<b>23,873</b>	<b>27,128</b>



## Consolidated balance sheet

(million)

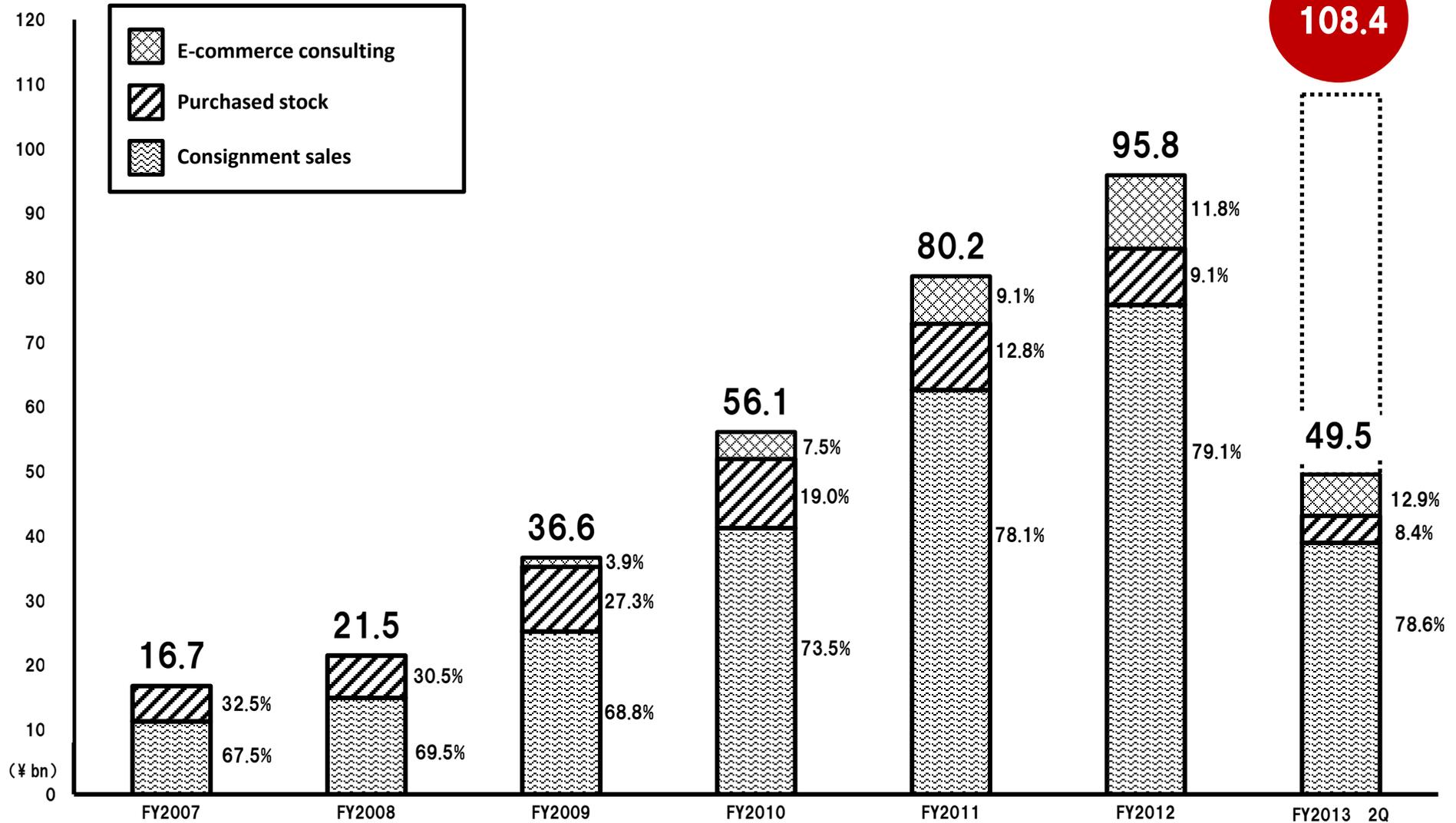
Item	FY2013 2Q	FY2012 2Q	YOY	Reasons for the change
Cash flows from operating activities	3,517	1,102	2,415	Second quarter net profit increased (current term)
Cash flows from investing activities	-2,065	-353	-1,711	Investment in the new logistic facilities (current term)
Cash flows from financing activities	-1,067	-5,302	4,234	Treasury stock acquisition (preceding term)
Cash and cash equivalents at the end of year	12,613	9,328	3,284	-



# Transaction Value

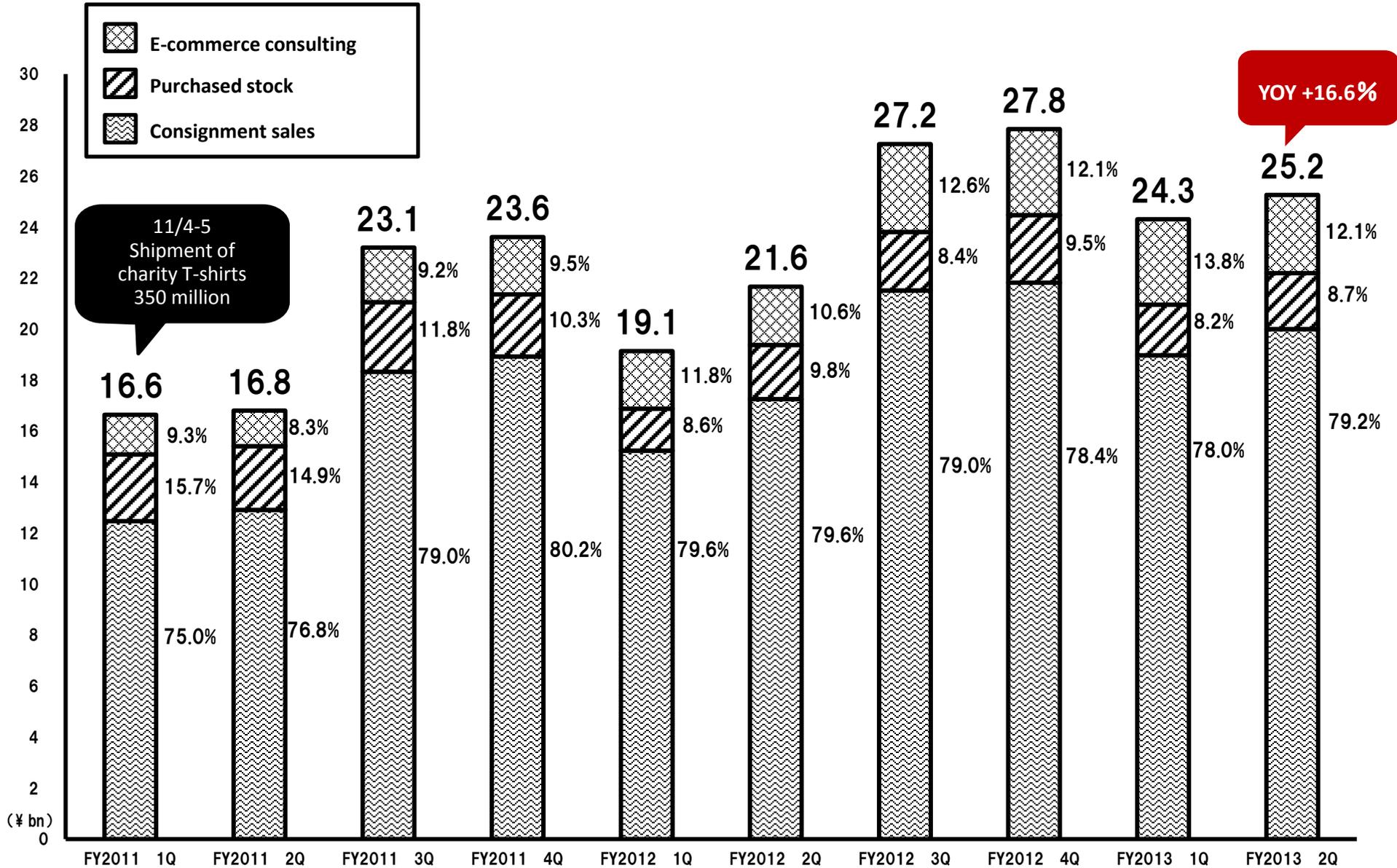
Gross transaction value of new shops opened in Q2 FY2013

Online mall business ( purchased stock & consignment sales ) : ¥ 1.0 billion, (accounts for 2.5% of the total)





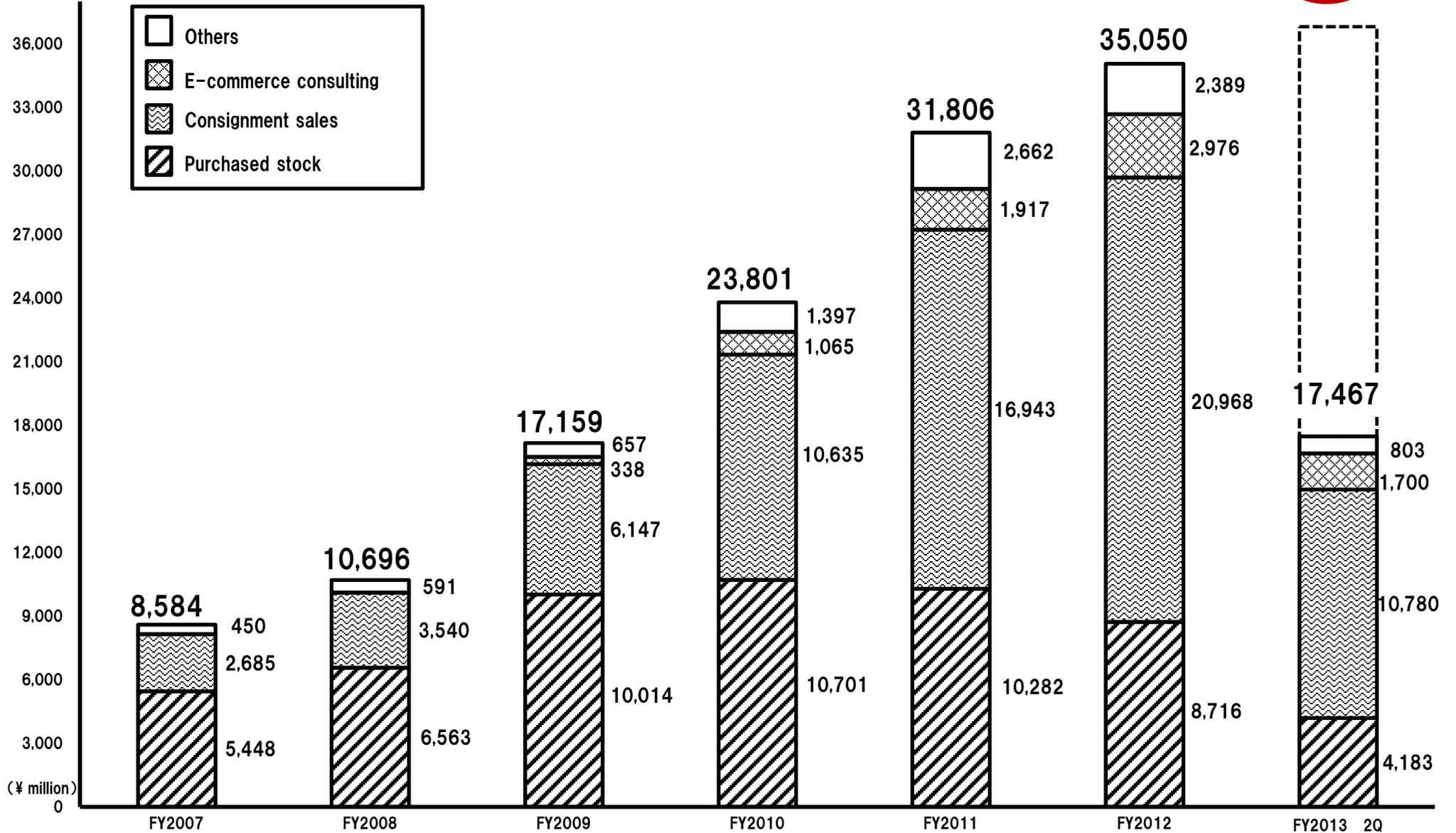
# Transaction Value (Quarterly)





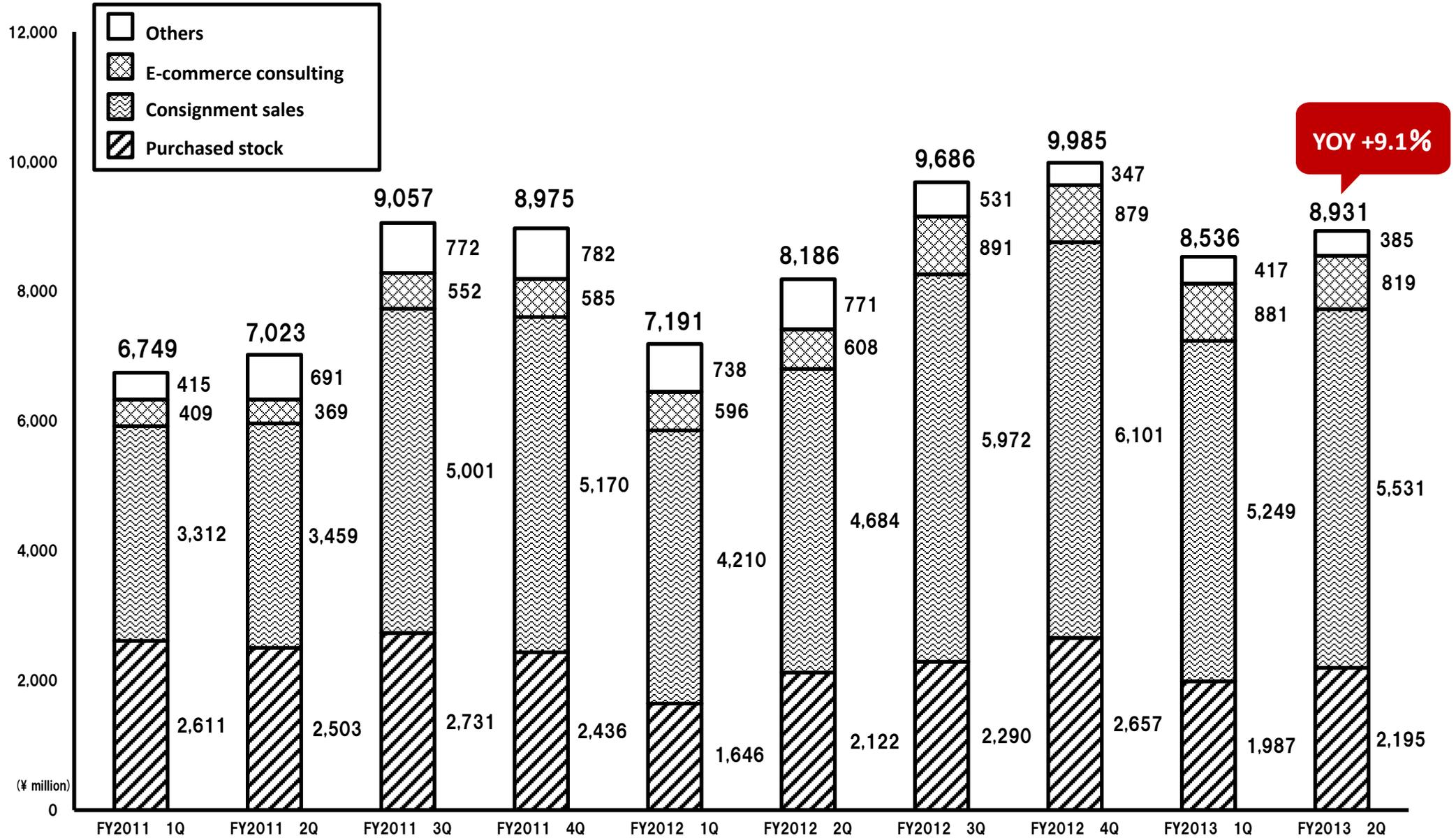
# Net Sales

36,800





# Net Sales (Quarterly)





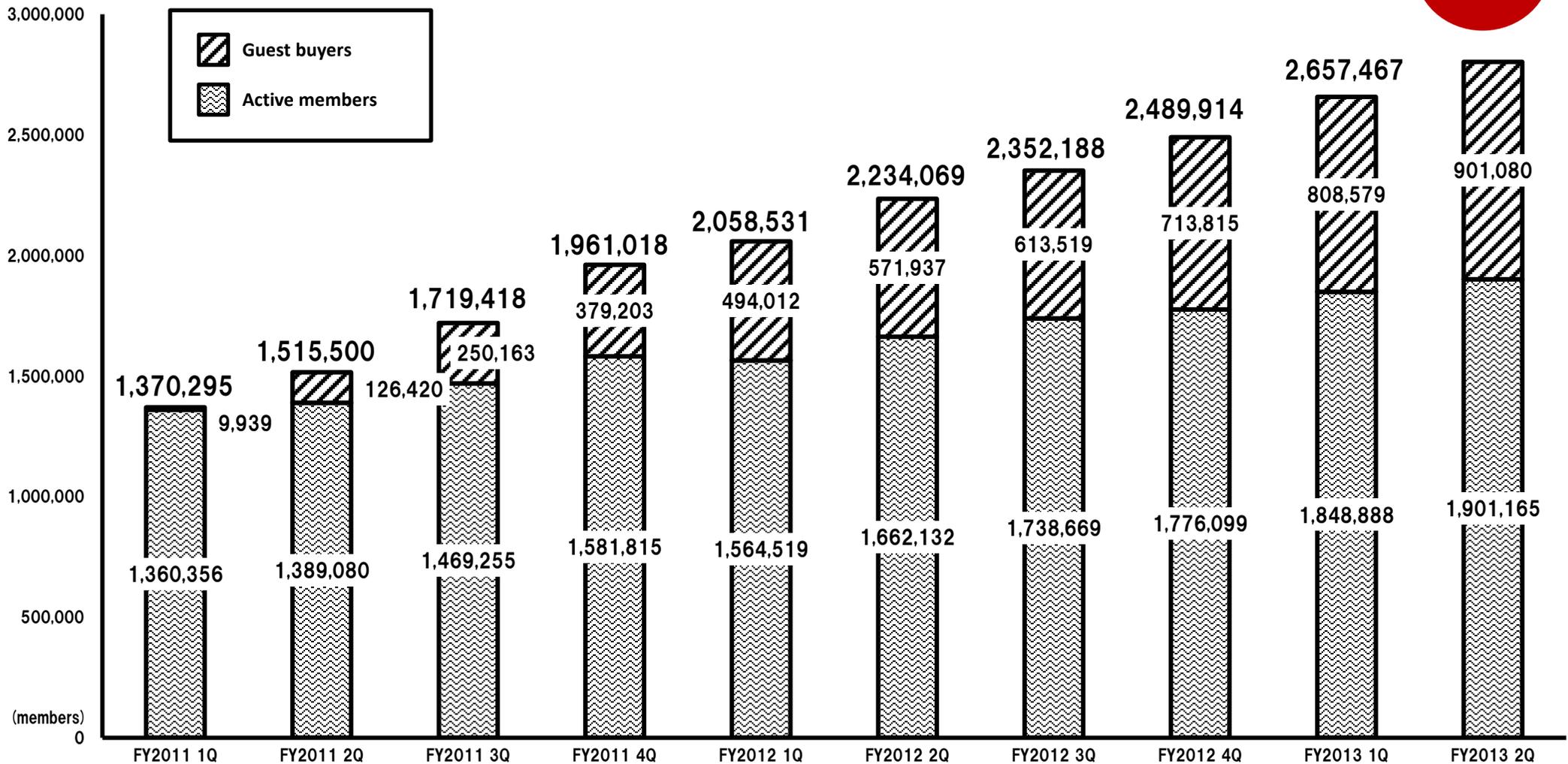
# Number of Total Buyers

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

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

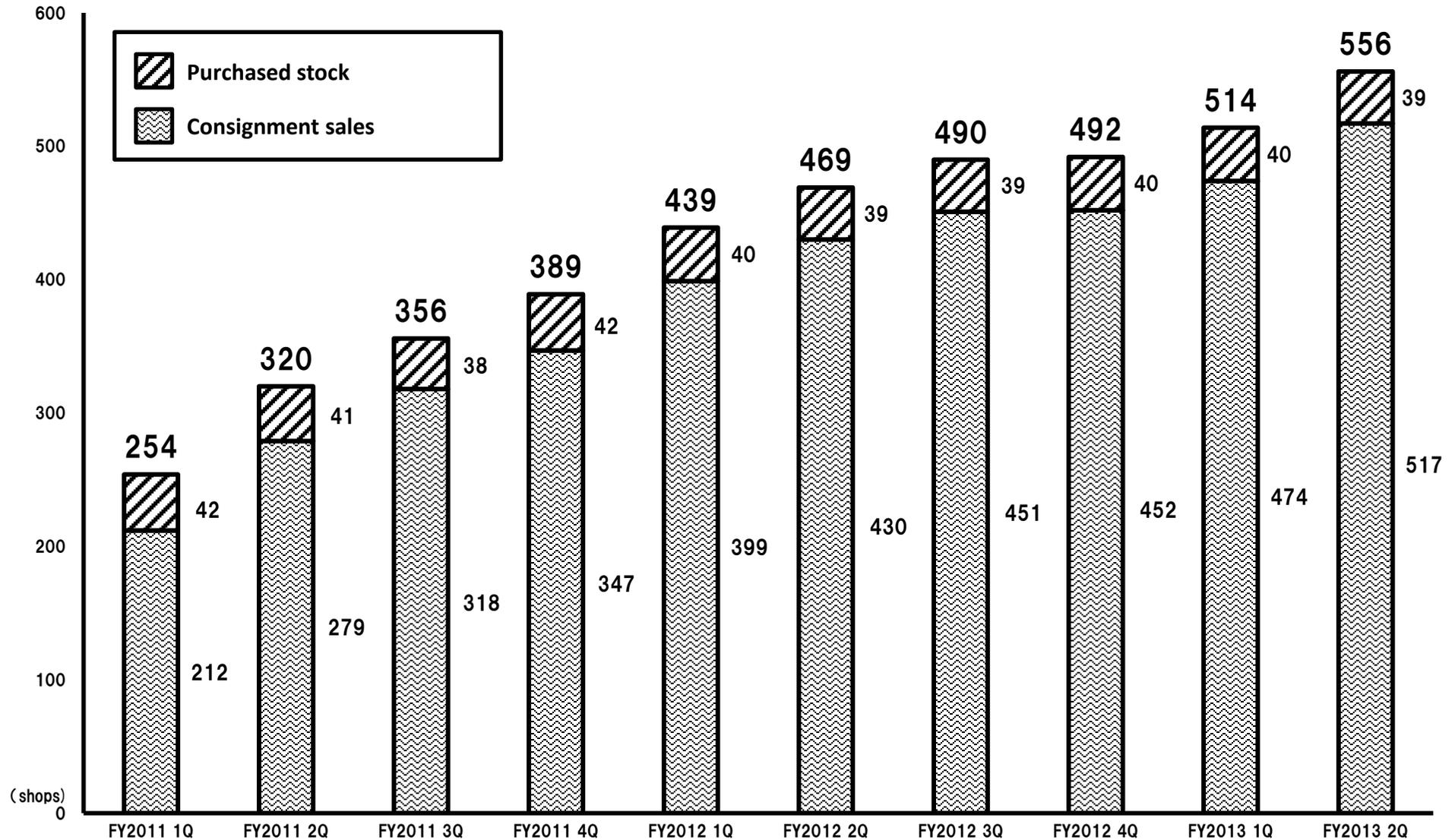
Active members = Members who have made at least one purchase within a year

2,802,245





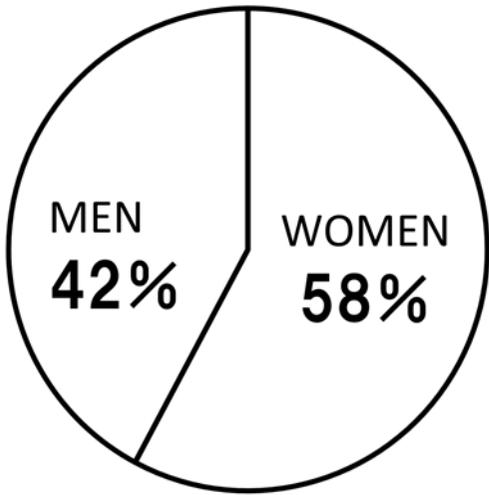
# Number of shops of Mall business



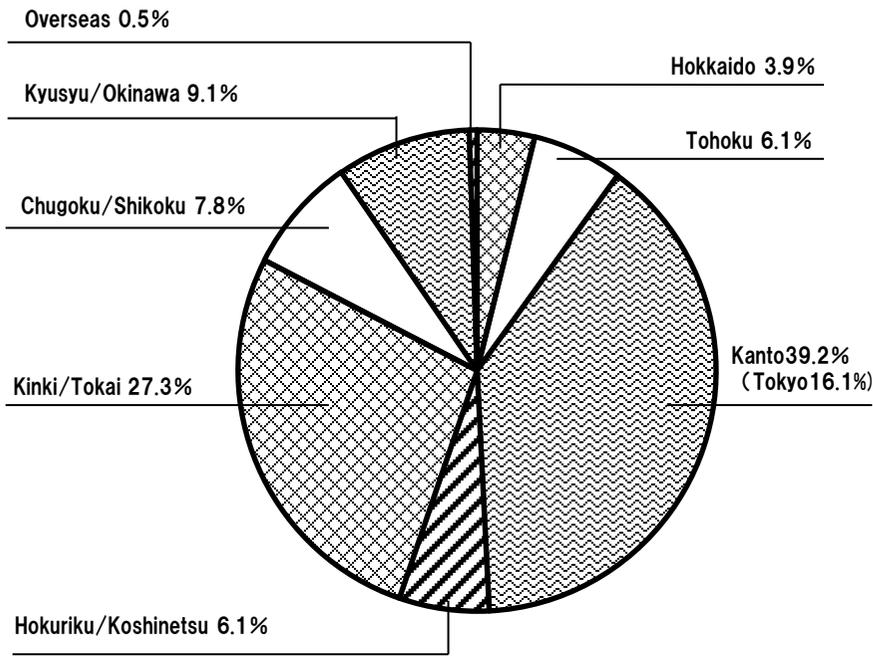


# Member Distribution (As of September 30, 2013)

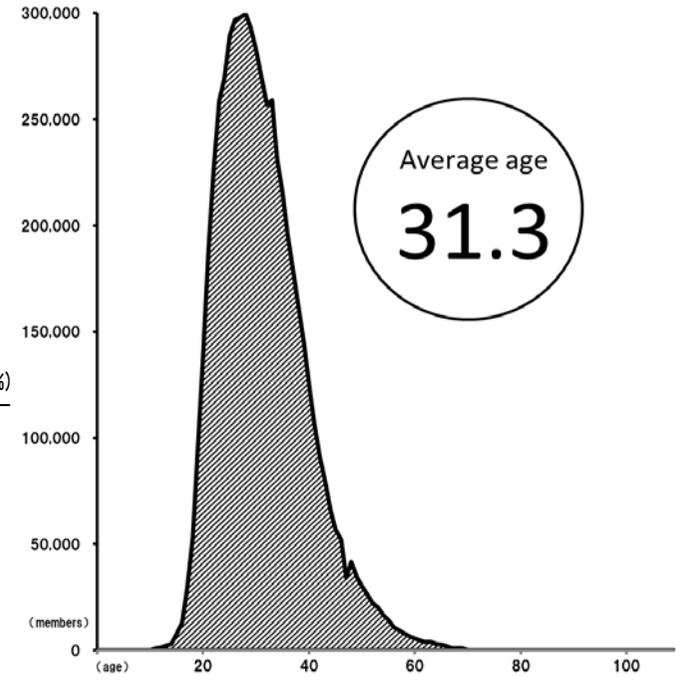
■ Gender ratio



■ Geographical ditribution

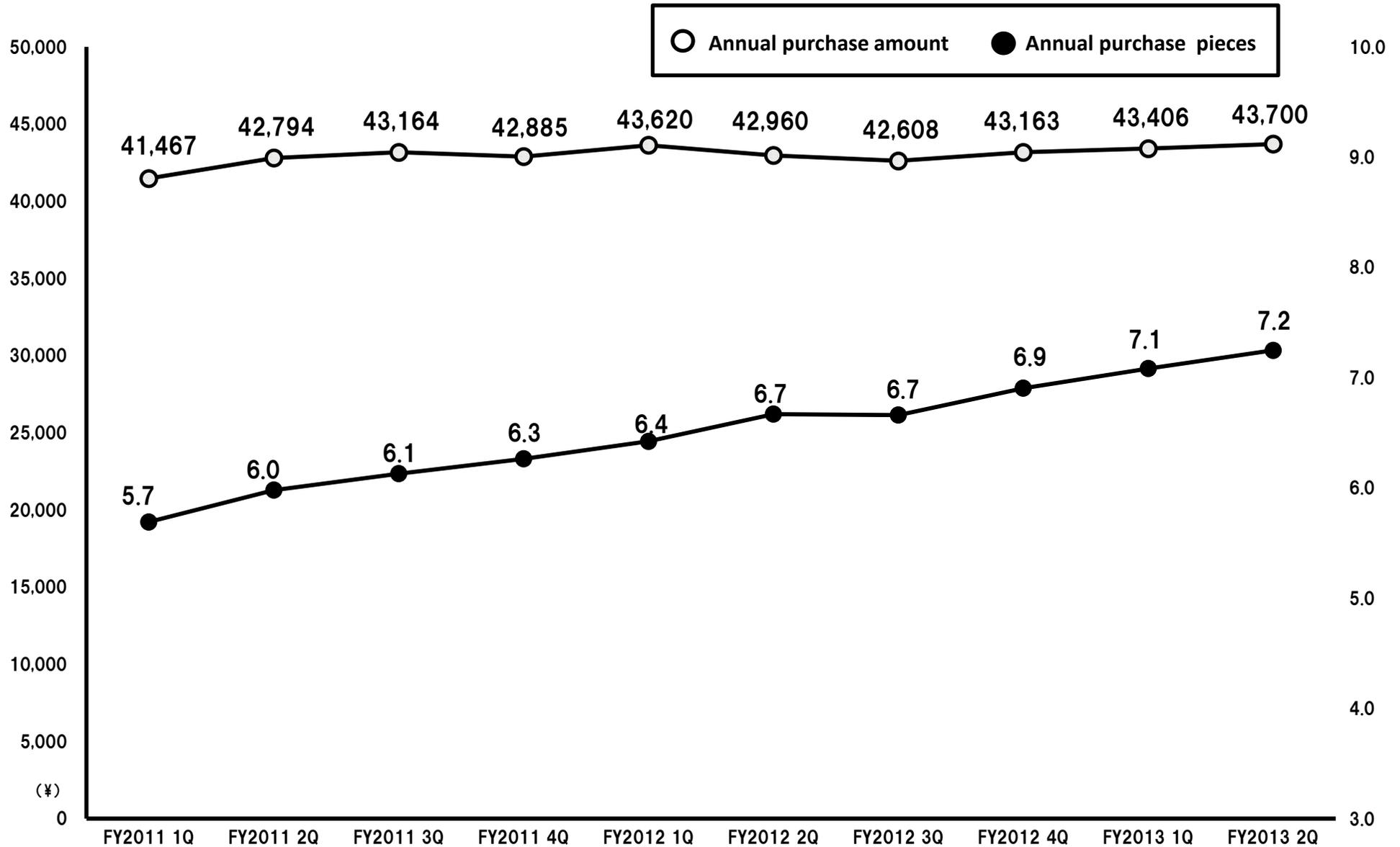


■ Age distribution





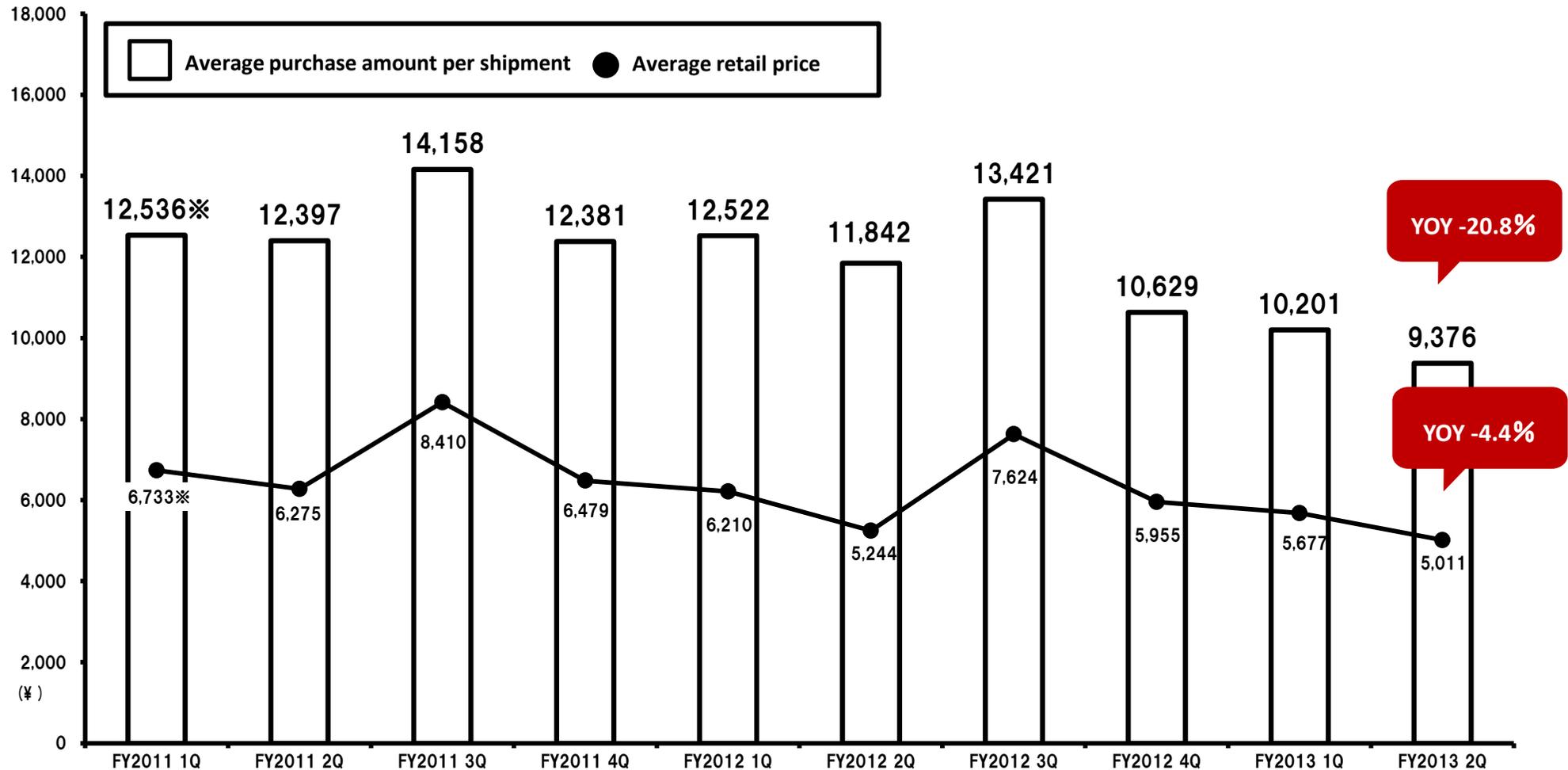
# Annual Purchase Amount and pieces per Active Member





# Average Purchase Amount per Shipment and Average Retail Price

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

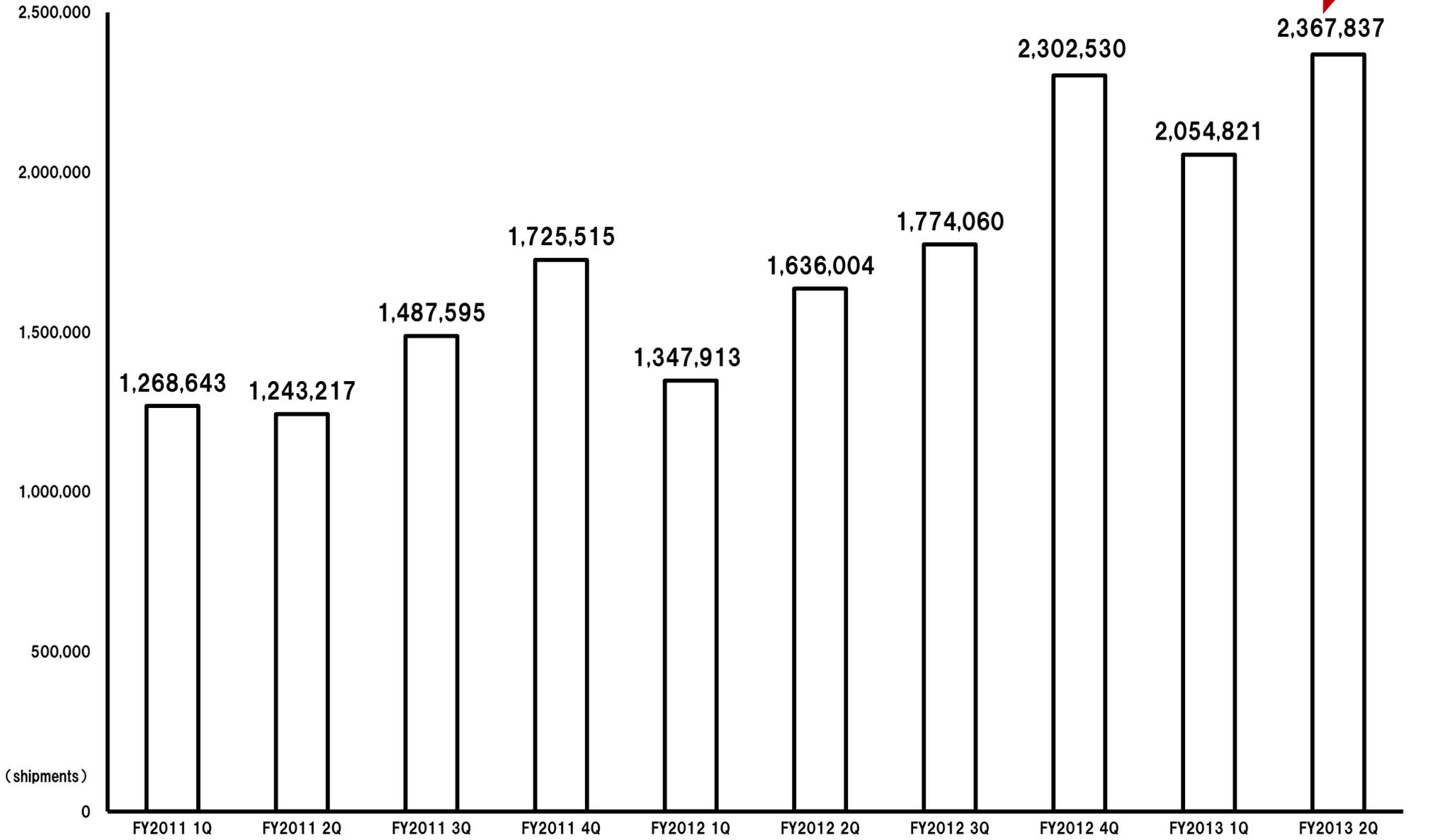


※The transaction value and number of shipments for ZOZOTOWN charity T-shirts in FY2011 1Q are not included.

With this point in consideration, average purchase per shipment when above is included: ¥11,891; average retail price: ¥6,379

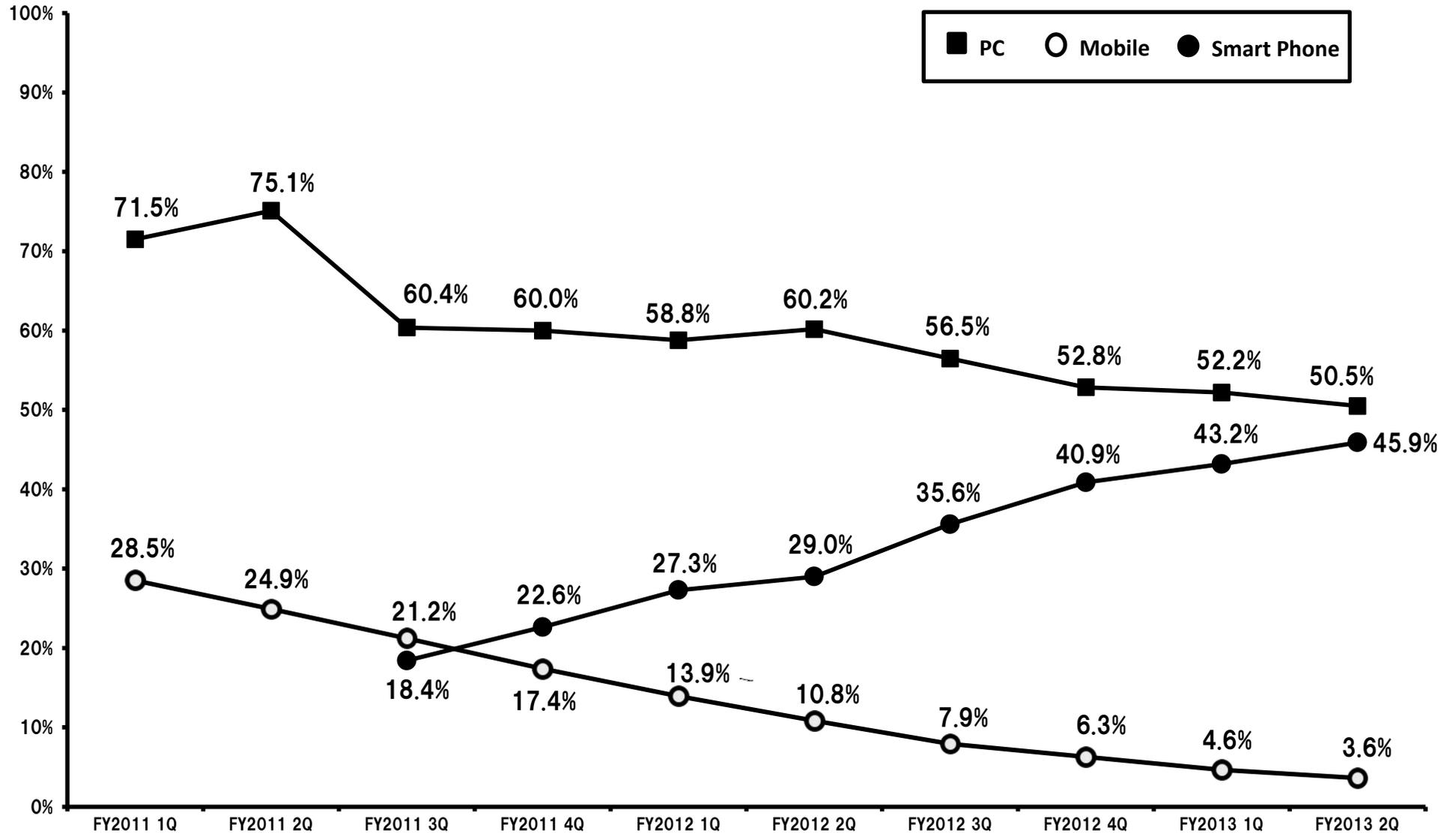


# Number of Shipments



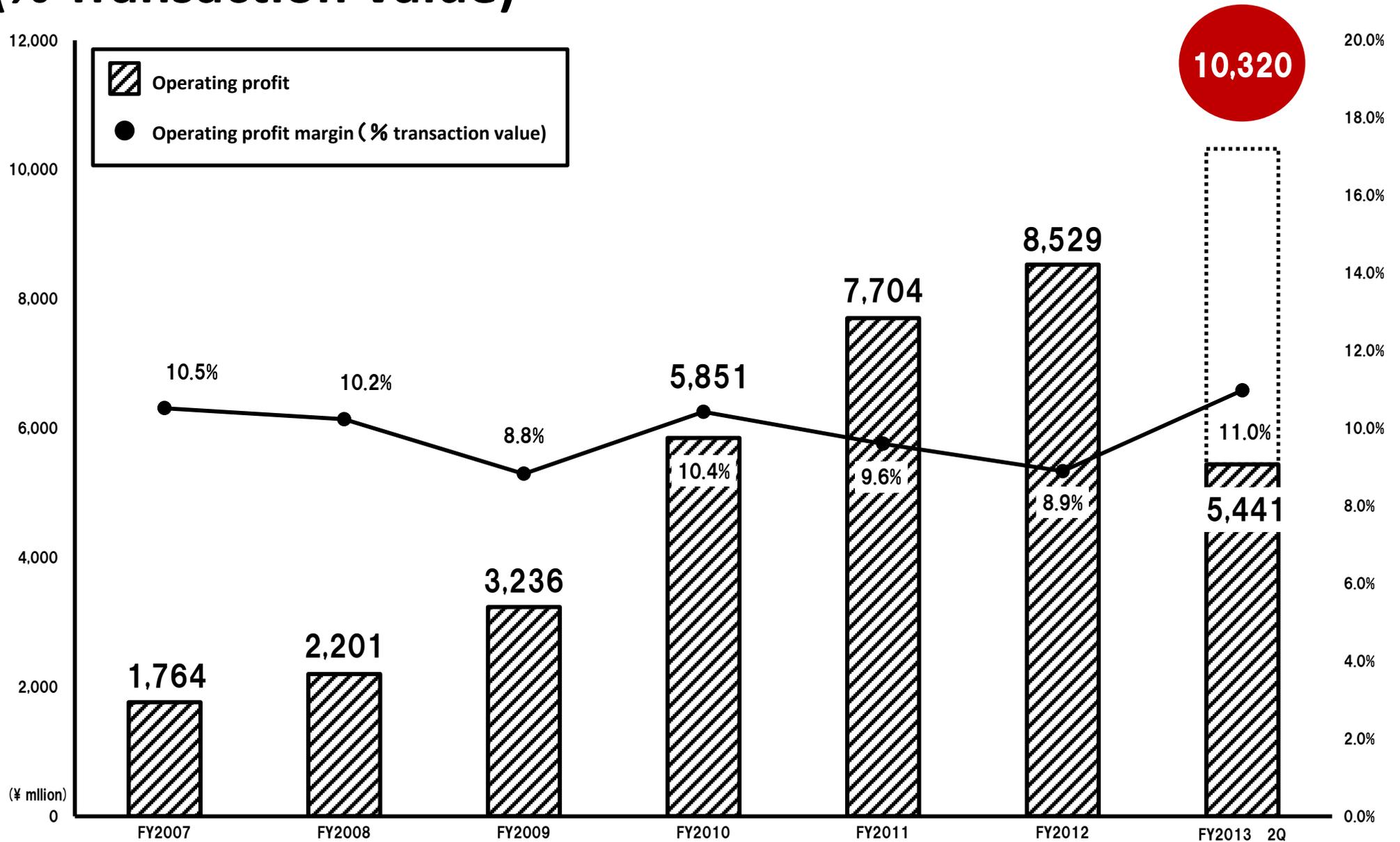


# The Ratio of Shipping Volume to the Total Purchase Volume (by access terminals)





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





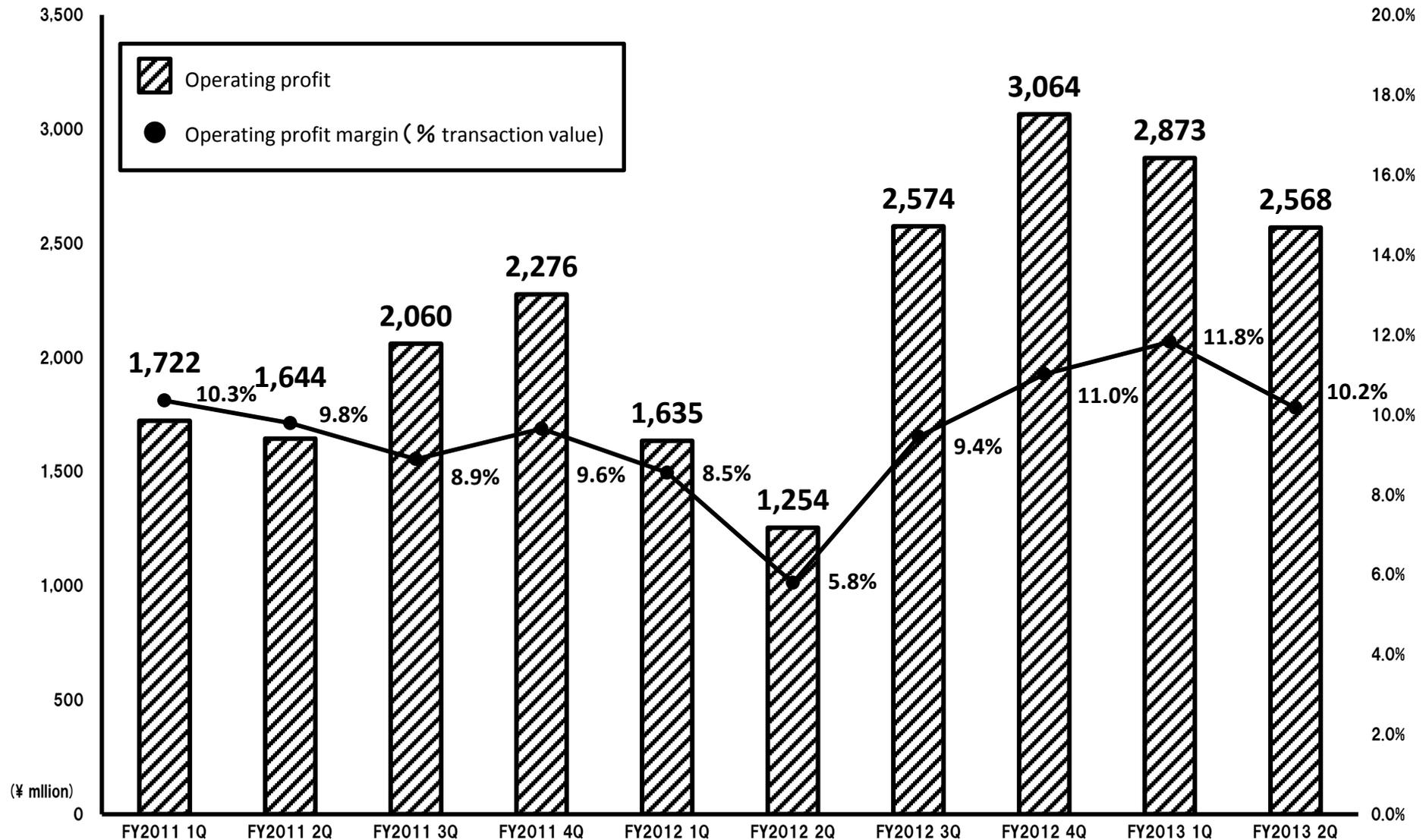
## Selling, General and Administrative (SG&A) Expenses

Item	2013 2Q		2012 2Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll(*)	2,452	4.9%	2,023	5.0%	-0.1%	The number of employee in our group: 464 as of Sep 2012 ⇒580 as of Sep 2013
Shipping	1,719	3.5%	1,200	2.9%	0.6%	Due to the decreased unit price per shipment (-19.7%, yoy) arising from free shipment service offering, burden ratio of shipping cost has risen.
Payment collection	1,173	2.4%	928	2.3%	0.1%	
Promotion related expenses	816	1.6%	2,416	5.9%	-4.3%	Moving in line with the initial budget for the whole financial year (2% to the total transaction value)
Advertising	498	1.0%	1,890	4.6%	-3.6%	TVCM and other promotions for the new services
Reward points related expenses	317	0.6%	525	1.3%	-0.7%	Point reward campaign has shrunked.
Outsourcing	1,273	2.6%	1,476	3.6%	-1.0%	ZOZOCOLLE was held in 2012 only.
Rent expense	351	0.7%	256	0.6%	0.1%	Annual lease expense for the new logistic facilities is 1.25 billion yen (Accrues from Sep 2013)
Depreciation	167	0.3%	146	0.4%	-0.1%	
Others	1,042	2.1%	951	2.3%	-0.2%	
<b>Total SG&amp;A</b>	<b>8,996</b>	<b>18.1%</b>	<b>9,399</b>	<b>23.0%</b>	<b>-4.9%</b>	

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

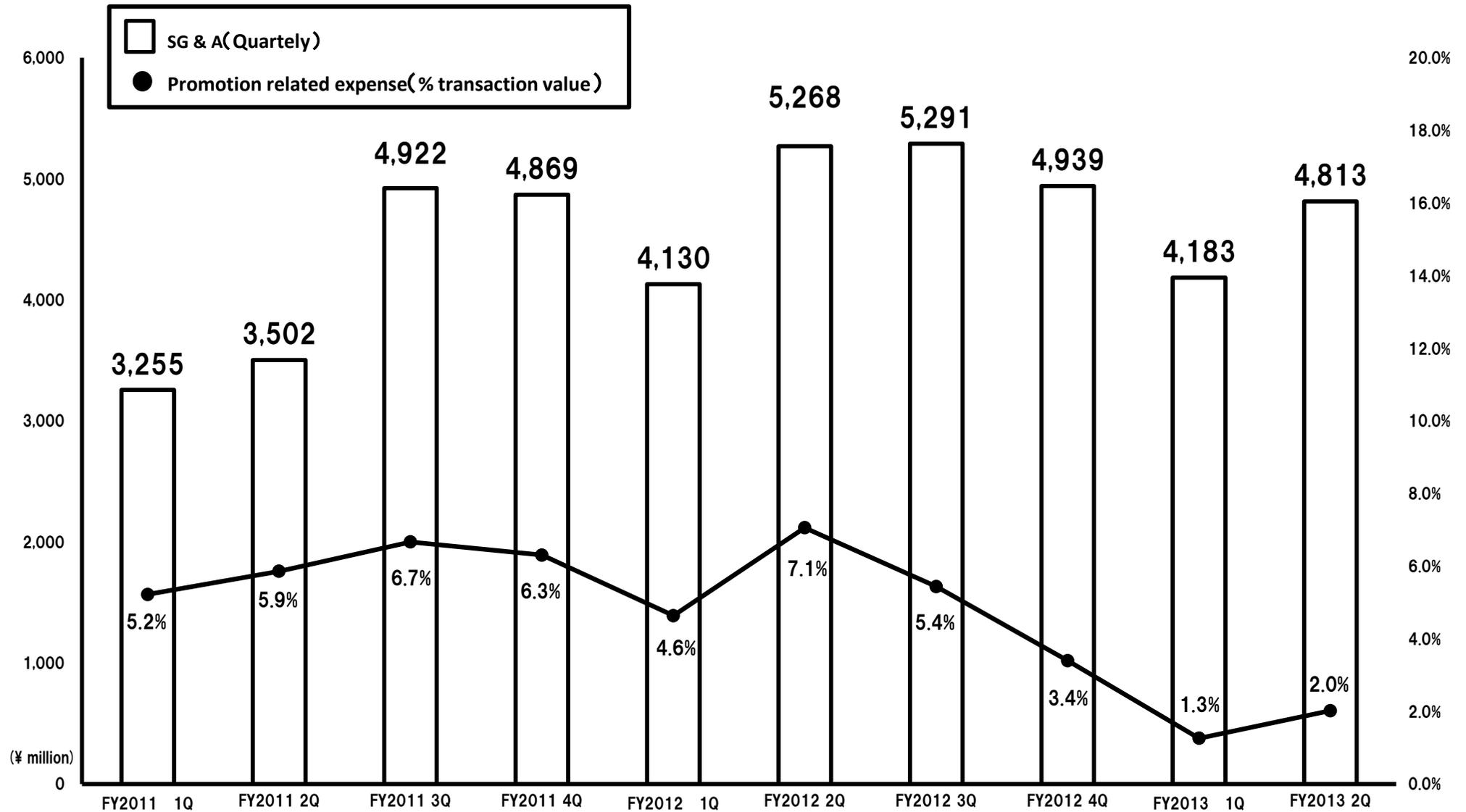


# Operating Profit and Operating Profit Margin (Quarterly) (% Transaction Value)





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





# Operation of New Logistic Facilities

Starts the operation of new logistic facilities from November 2013 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 operating 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
Total cost of the lease contract	: 12.5 billion yen
Amount of capital investment	: 3 billion yen





## Our newly new online shopping mall named “LA BOO” launched on 25th September



- LA BOO is a mall-styled online shopping website where online store of apparel brands that are popular among women in teens and twenties gather.
- LA BOO will be able to have appealing design, contents, service, and promotions for such target which is apart from ZOZOTOWN, and will be the attractive website focused on the fashion category for them.
- Main participating stores are as follows.  
Moussy、snidel、EMODA、CECIL McBEE、TOPSHOP etc. more than 100 stores have joined.



## 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 October 31th 2013.
- The promotional campaign using the service on a trial basis will be held from Friday 8th of November at four of commercial facilities located in Shibuya, Ikebukuro, Nagoya and Chiba run by PARCO.

# **Business Plan For FY2013**



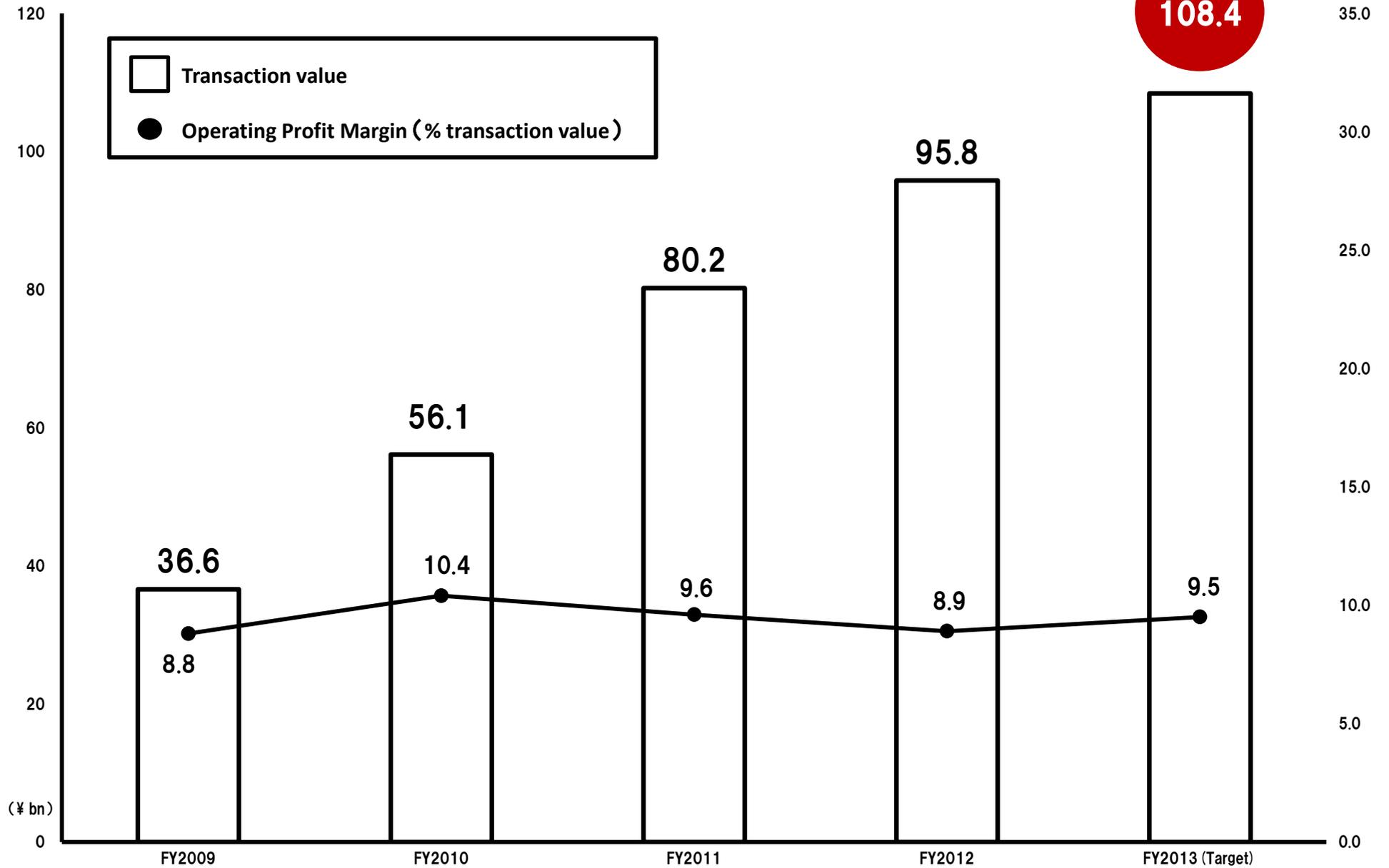
# Consolidated Business Forecast and Dividend Forecast for FY2013

(million)

	Business Plan for FY2013	YoY change(%)
Transaction value	¥108,400	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

## Mall 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)
- Expand and deepen the product category, countermeasure against the sales opportunity loss, the expansion of ZOZOUSUED

## E-Commerce Consulting Business

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

- Improving satisfaction level of the existing brand partners
- Close coordination between physical retail stores and online stores

## 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 November. Amount of capital investment 3 billion yen (planned)
- Increase in personnel (75 new graduates)
- In an effort to improve profit ratio by reducing promotional cost ratio

# **Future Strategies**

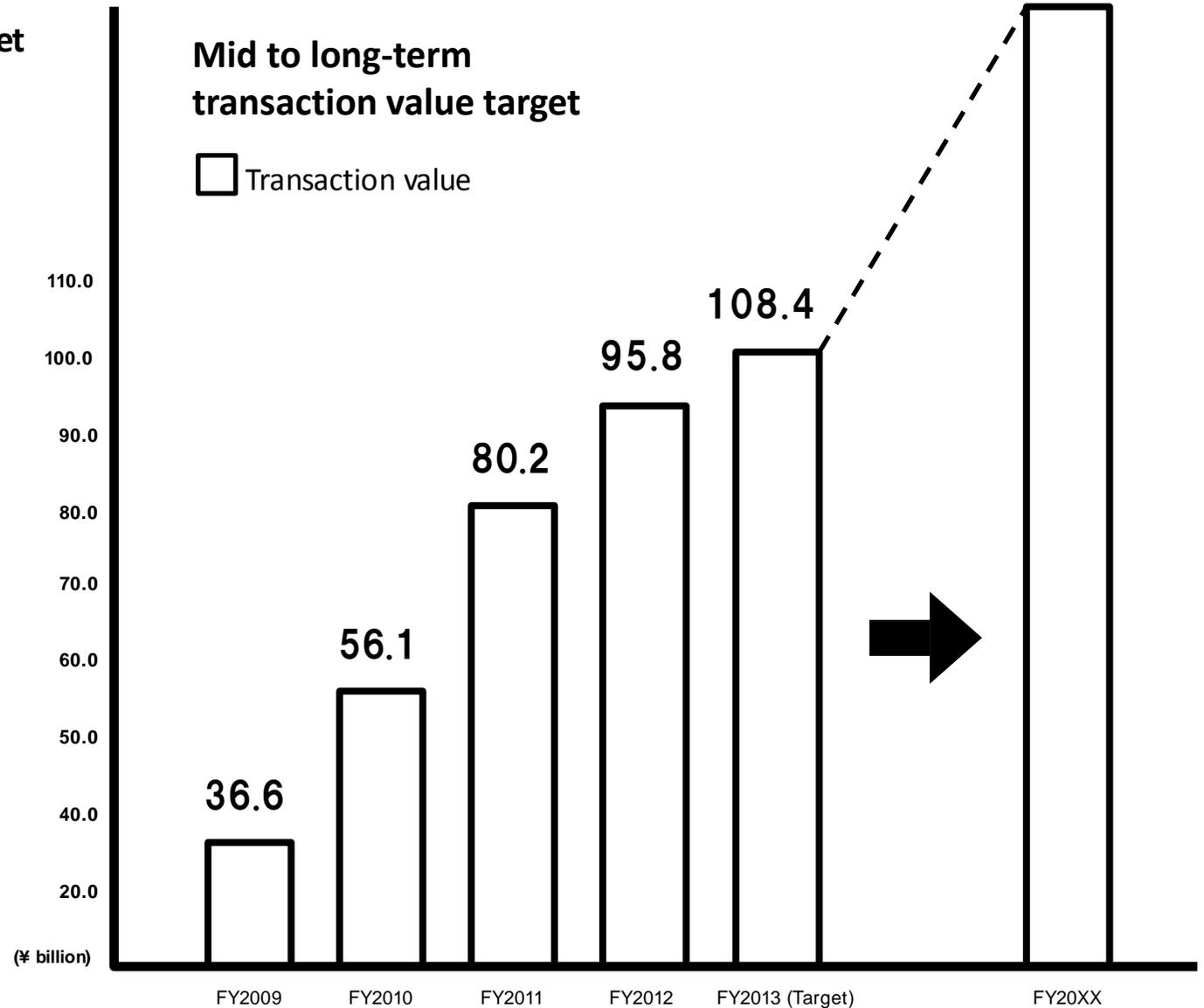


# Mid to Long-term Vision

Start Today's mid to long-term target

FY20XX term

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

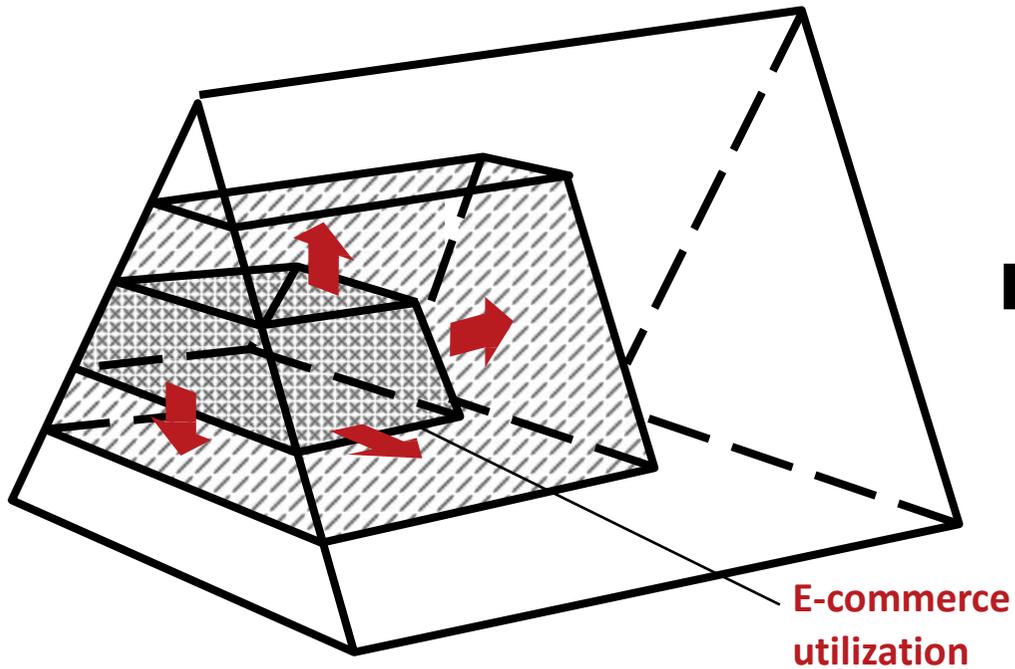




# Market Expansion Strategy

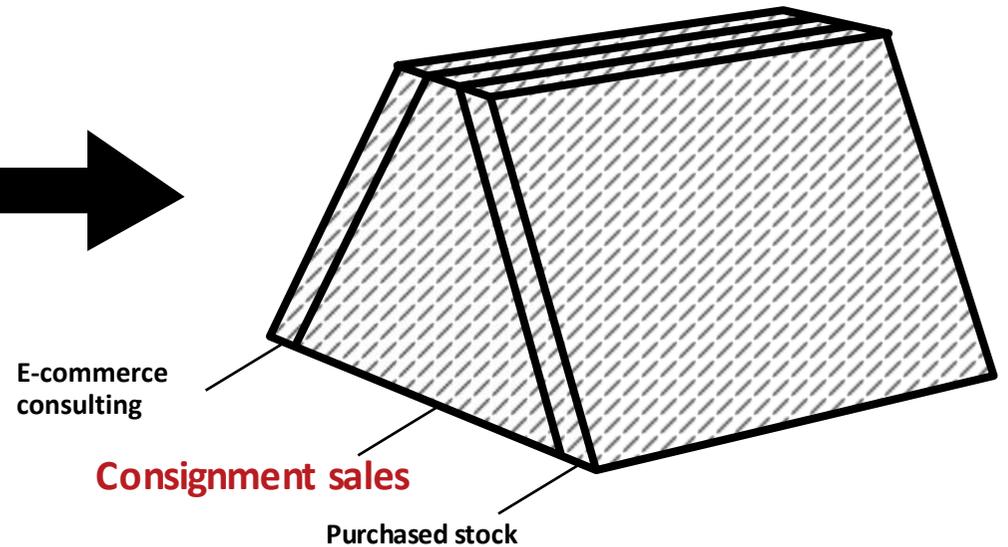
While ZOZOTOWN will continue to focus on the fashion e-commerce market, we will expand the depth and breadth of the areas of fashion we cover by continuing to offer e-commerce support to fashion brands.

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



Mid to long-term transaction value target

**¥500** billion



# 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  
554 stores offering 2,199 brands. At any given time, more than 210,000 items are available with 1,300 plus new items added a day on average.
- Store finder function for several boutiques in Japan is also available
- 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.
- ZOZOTOWN.COM Delivers to 82 countries worldwide.  
Available in 3 different languages. (Japanese / Chinese (Traditional) / English)

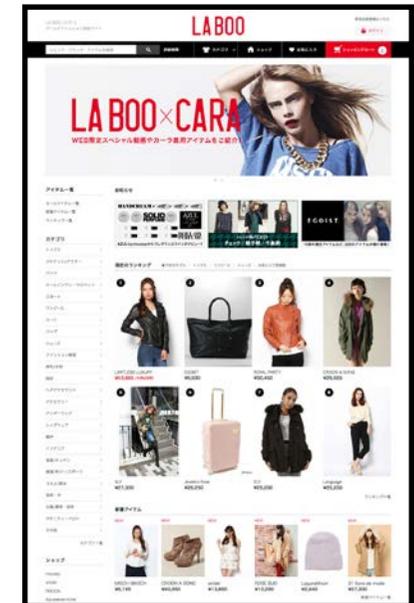


ZOZOTOWN トップページ

# The new online shopping mall “LA BOO” targeting the teens-to-20s girls fashion market

LA BOO <http://la-boo.jp/>

LA BOO is a mall-styled online shopping website where more than 100 online stores of apparel brands that are popular among women in teens and twenties such as “moussy”, “snidel”, “EMODA”, “CECIL McBEE” and “TOPSHOP” gather. Opened on Wednesday 25<sup>th</sup> of September, 2013



LA BOO トップページ



**580**  
employees  
(average age 28.3)

**2,199**  
high fashion brands

**5,501**  
shareholders

Corporate philosophy

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

**6,068** shops  
across Japan

**2.80** 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 517 online stores such as “United Arrows” and “BEAMS” on ZOZOTOWN , “MARC JACOBS” on ZOZOVILLA and LA BOO on a consignment basis. This does not involve any inventory risks.

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

### B to B Business

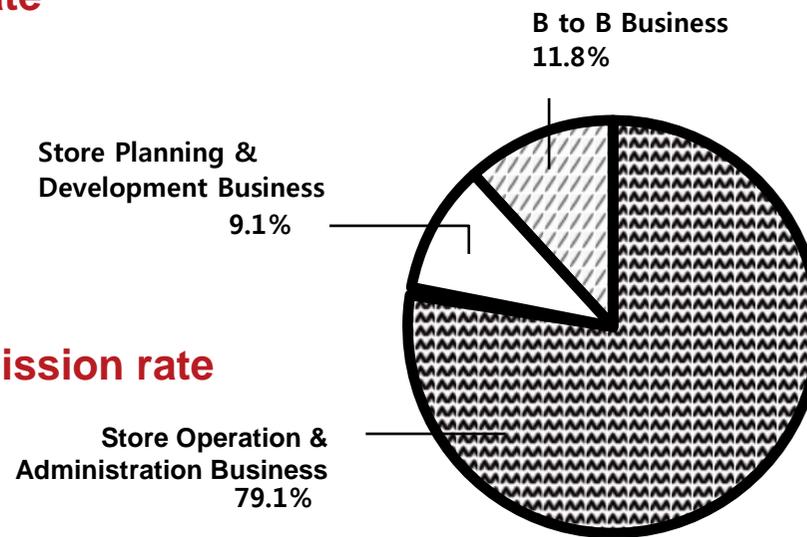
We help develop and operate online shops on behalf of various brands such as “United Arrows” and “Onward.”

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.**