

FY2014 1Q

Consolidated Business Results

April1,2014-June30,2014



STARTTODAY CO.,LTD.

FY2014 1Q Highlights

Overview

- Total transaction value : 27.2billion yen (+ 12.0% increase / yoy) Operating Profit 2.8 billion (+0.3% increase / yoy).
- Not satisfied about Total Transaction value, though showed good progress in Operating Profit.

Total Transaction Value

- Mall business Total transaction value : 23.2billion yen (+ 10.8% increase / yoy).
- E-commerce Consulting Business Total Transaction Value : 3.9billion yen (+ 19.4% increase / yoy).
- Number of shipments : 2.37million(+ 15.5% yoy) Average shipment price : 9,791yen(- 4.0% yoy).
- Number of buyers (2013 July ~ 2014 June) : 3.4million (3.21 million in the end of FY 2013).

Profitability

- Operating profit margin (to total transaction value) : 10.6% (11.8% for FY2013).
- Positive factors : Control over promotion strategies as well as increase in gross profit due to change in the sales mix.
- Negative factors : New logistics facilities caused an increase in fixed cost burden.

Topics

- Made an end to the Scan function of WEAR ~Excluding the bottle neck factor towards the brands
- Having non-celeb ordinary users as "WEARISTA", in order to direct more users to become a stronger fashion SNS.
- Launching WEAR overseas, starting in Taiwan, Korea and Hong Kong ~ No borders for fashion medias
- Closing ZOZOTOWN.com (2014, June)
- Merged Girl's fashion site "LABOO" into ZOZOTOWN.(2014, July)
- WEAR's MOOK BOOK will be published,(2014, August) we will also work towards developing an electronic magazine as well.

FY2014 Corporate Plan

- Total transaction value : 132.4billion yen (+15.5% increase / yoy) Operating profit: 13.71billion yen (+10.7% increase / yoy)
- The slow growth in the Transaction Value is a minor issue, considering the growth we plan to achieve though out the year.

FY2014 1Q

**Consolidated Business Results
STARTTODAY CO.,LTD.**

Business Performance

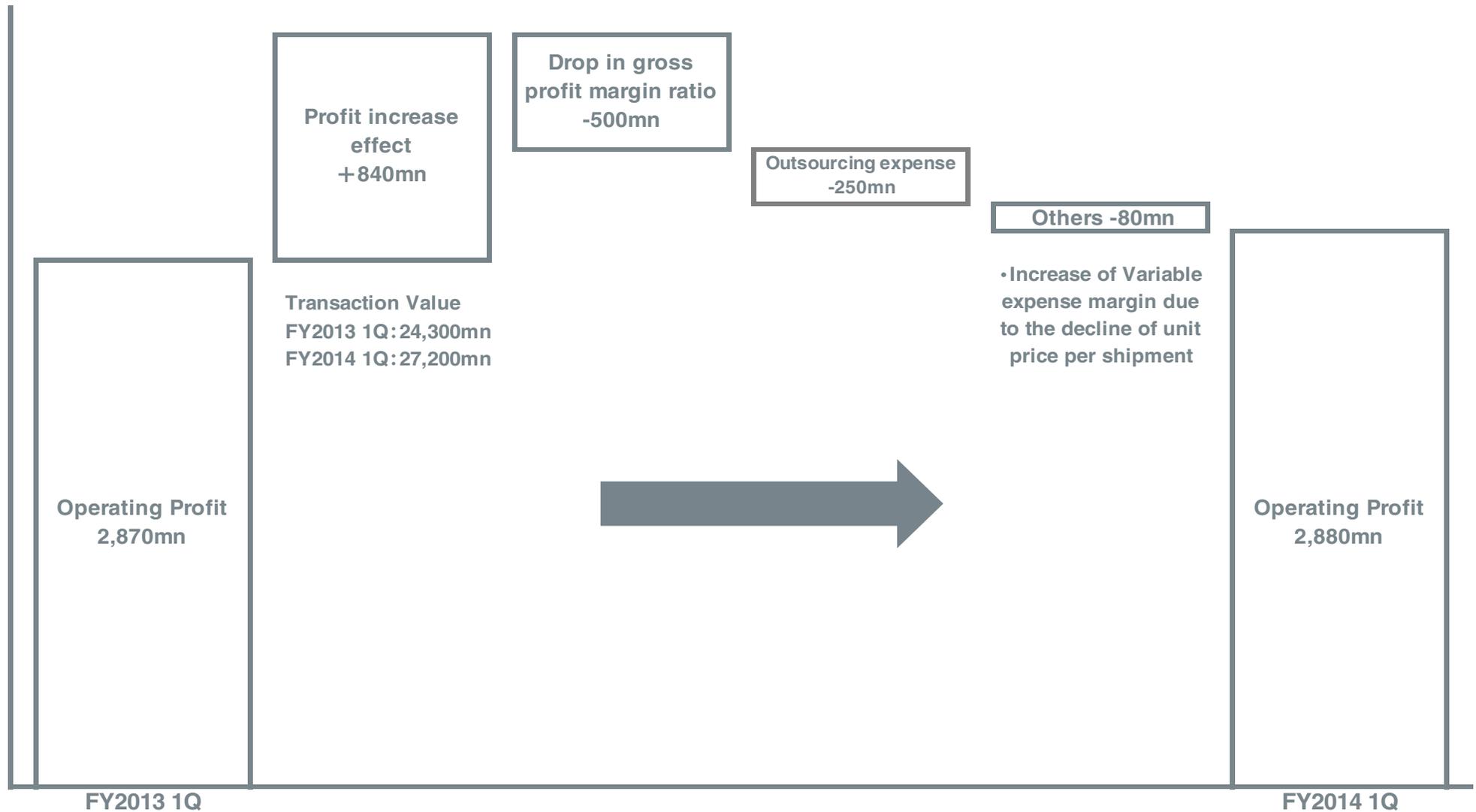
Overview of the First quarter FY2014

Consolidated income statement (includes transaction value)

(million)

Item	FY2014 1Q	FY2013 1Q	YoY Change(%)	Target	Progress Rate(%)
Transaction value	27,224	24,309	+12.0%	132,400	20.6%
Net sales	8,401	8,536	-1.6%	41,700	20.1%
Gross profit	8,050	7,056	+14.1%	-	-
(% Transaction Value)	29.6%	29.0%	+0.6%	-	-
SG&A	5,167	4,183	+23.5%	-	-
(% Transaction Value)	19.0%	17.2%	+1.8%	-	-
Operating profit	2,883	2,873	+0.3%	13,710	21.0%
(% Transaction Value)	10.6%	11.8%	-1.2%	10.4%	-
Recurring profit	2,912	2,880	+1.1%	13,720	21.2%
Net income	1,873	1,835	+2.0%	8,430	22.2%

Increase-decrease analysis of operating profit (YoY comparison)



Consolidated balance sheet

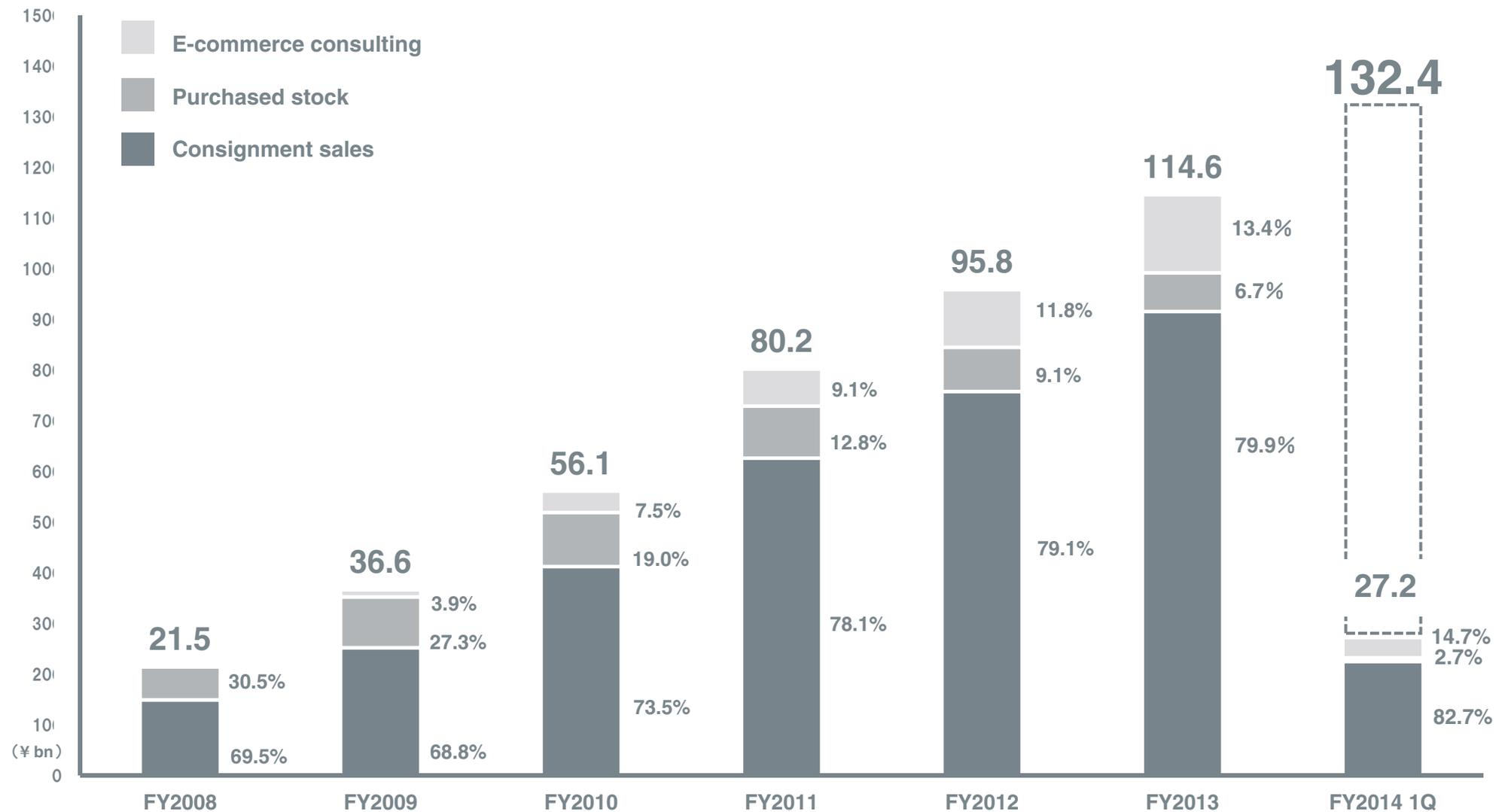
(million)

	FY2013	FY2014 1Q (as of June 30, 2014)		FY2013	FY2014 1Q (as of June 30, 2014)
Current assets	26,970	25,714	Current liabilities	12,710	11,063
cash and deposits	17,711	16,037	Deposit received for consignment sales	7,071	7,344
Merchandise inventory	321	341	Noncurrent liabilities	1,250	1,283
Noncurrent assets	6,217	6,091	Total liabilities	13,961	12,347
Tangible assets	3,232	3,143	Shareholders' equity	18,695	18,960
Intangible assets	1,150	1,069	Treasury stock	-3,276	-3,276
Investments and other assets	1,834	1,878	Total net assets	19,227	19,458
Total assets	33,188	31,805	Total liabilities and net assets	33,188	31,805

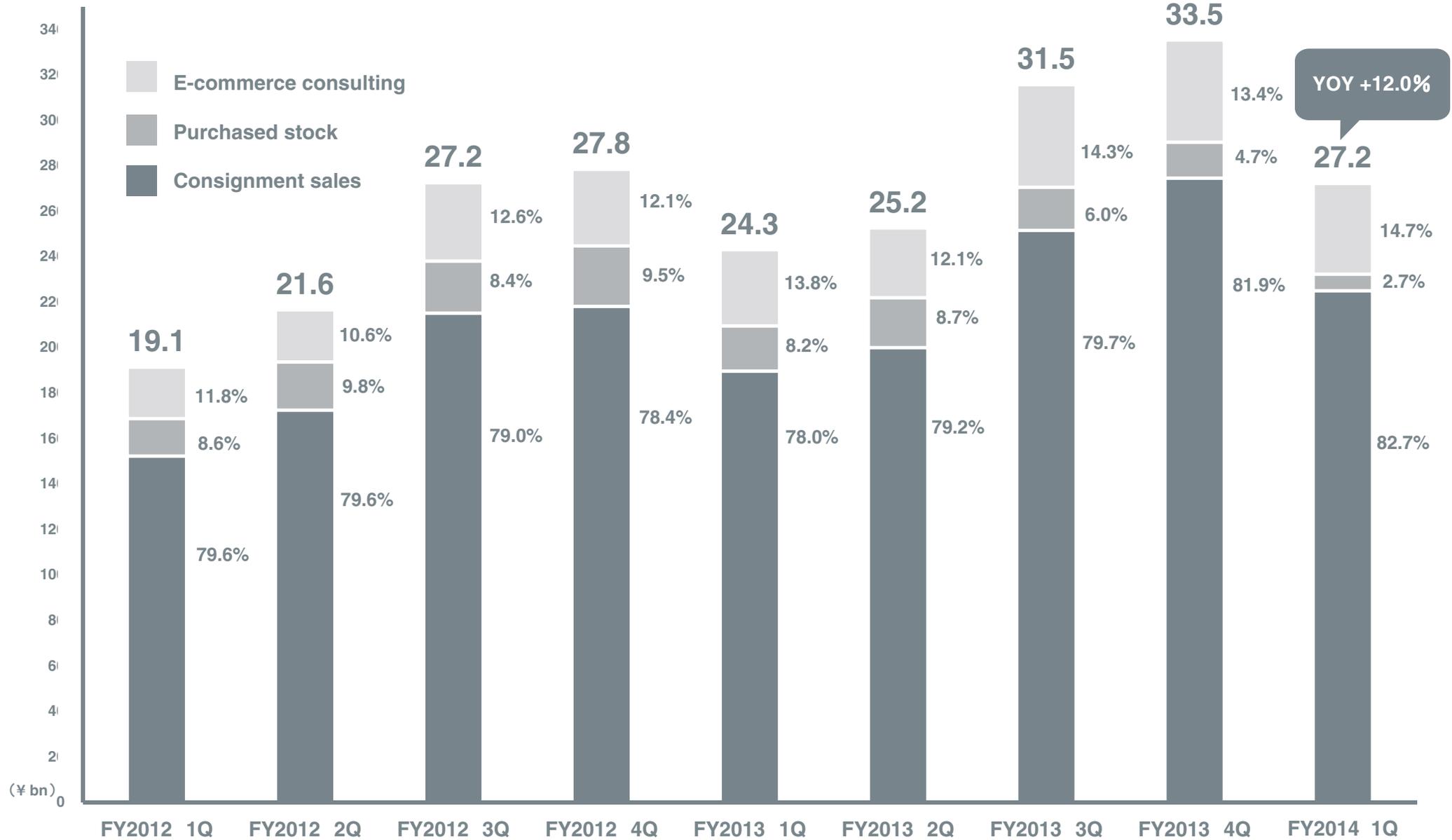
Transaction Value

Gross transaction value of new shops opened in FY2014 1Q

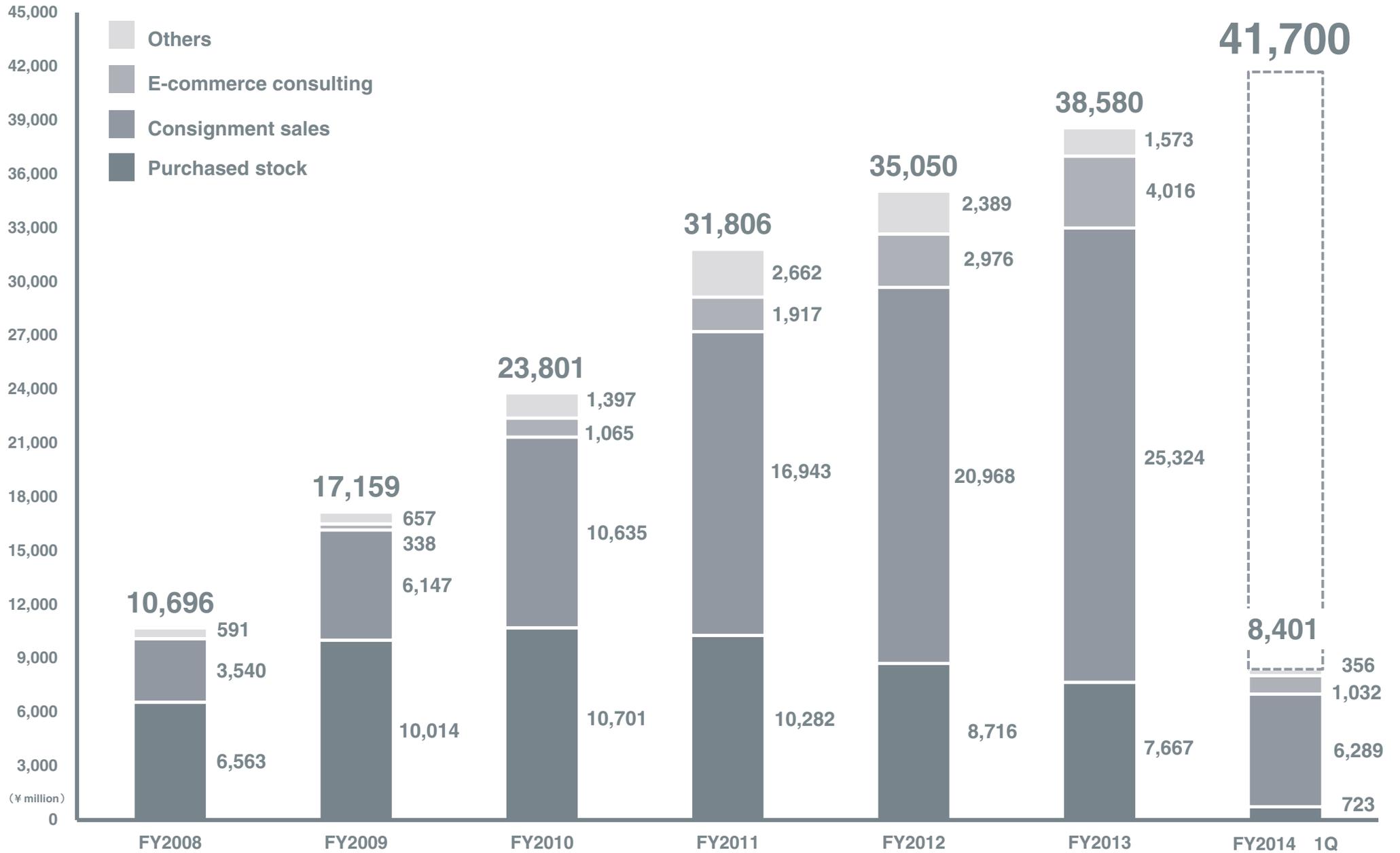
Online mall business (purchased stock & consignment sales) : ¥ 110 million, (accounts for 0.5% of the total)



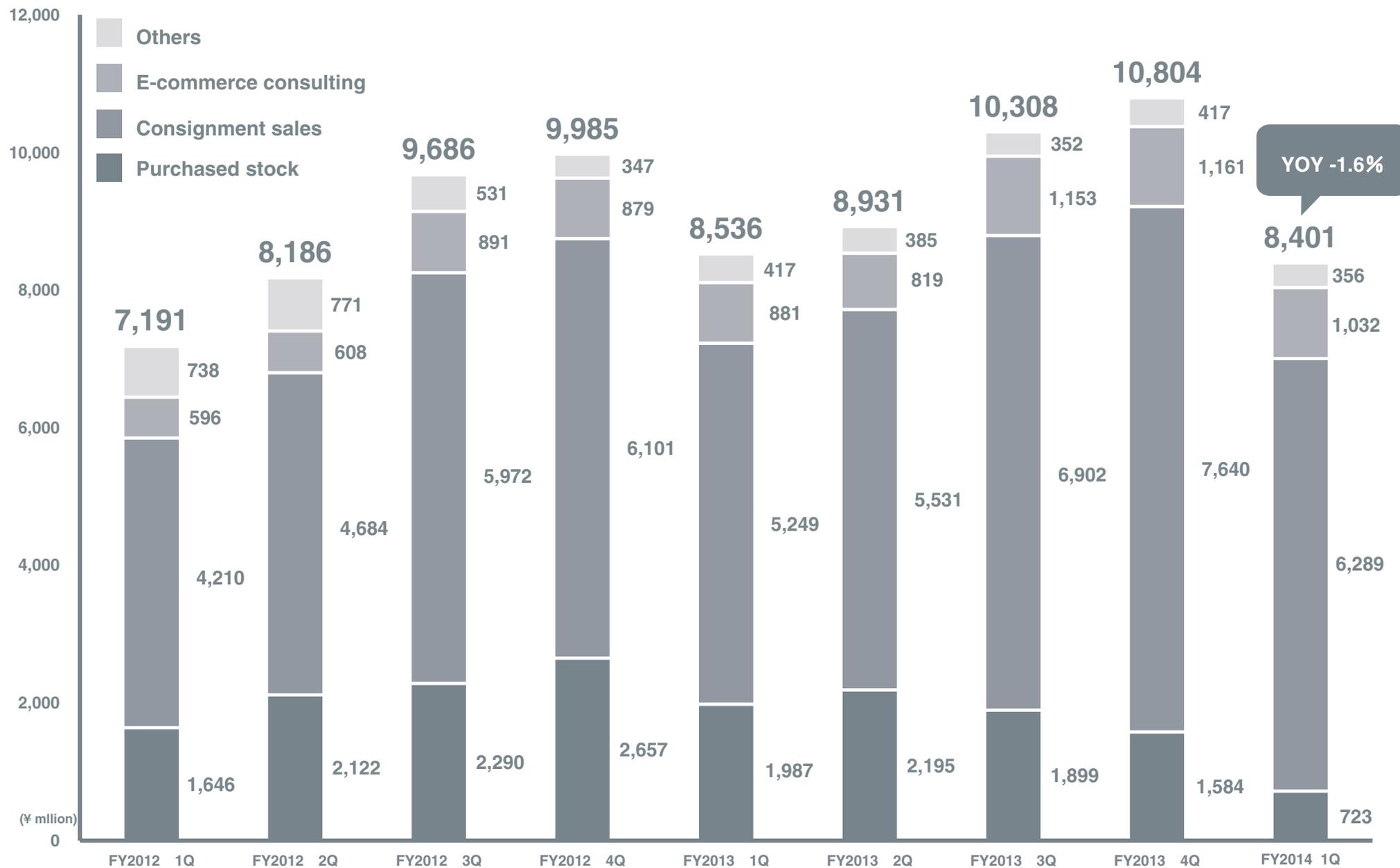
Transaction Value (Quarterly)



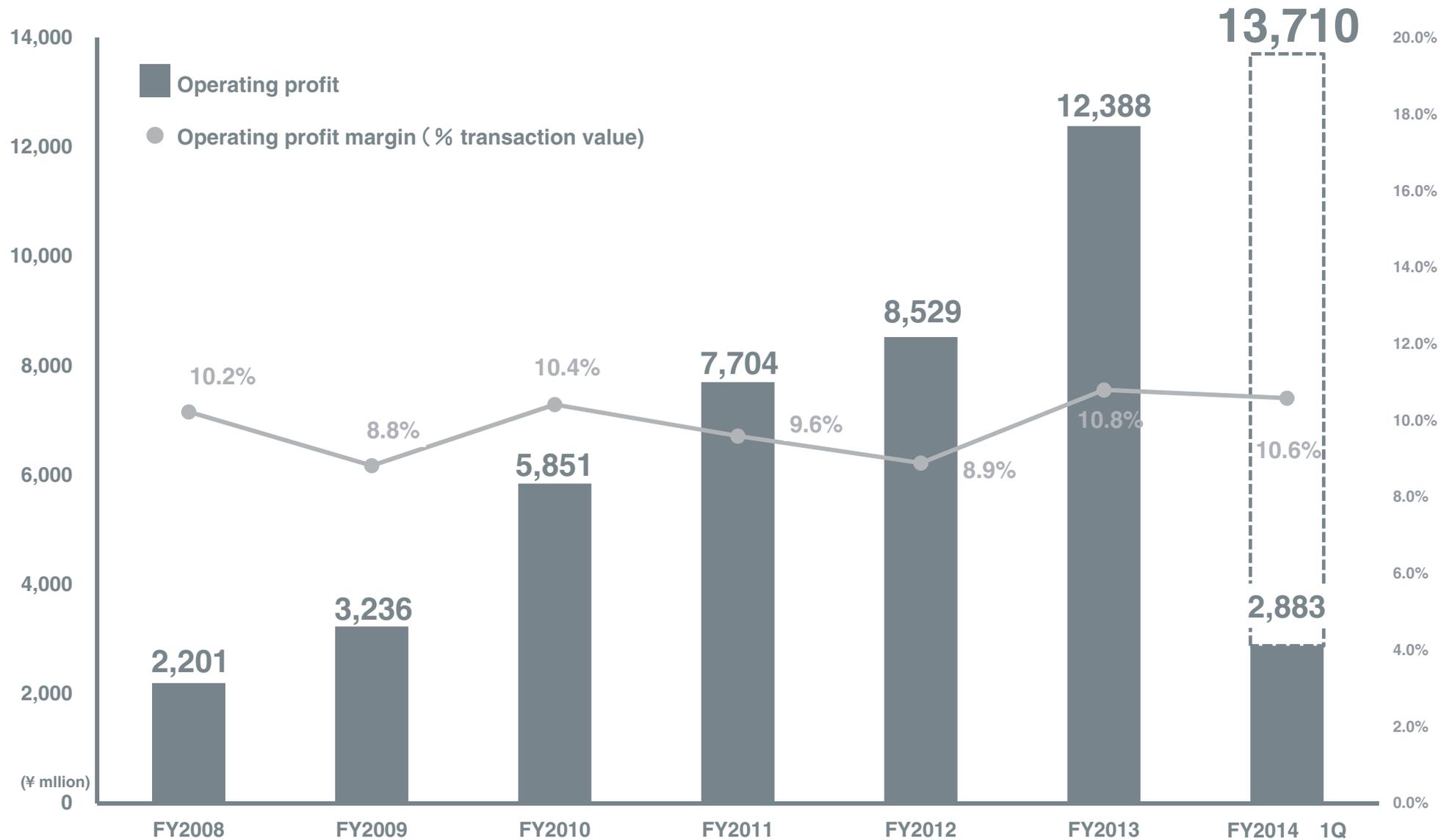
Net Sales



Net Sales(Quarterly)



Operating Profit and Operating Profit Margin



Selling, General and Administrative (SG&A) Expenses

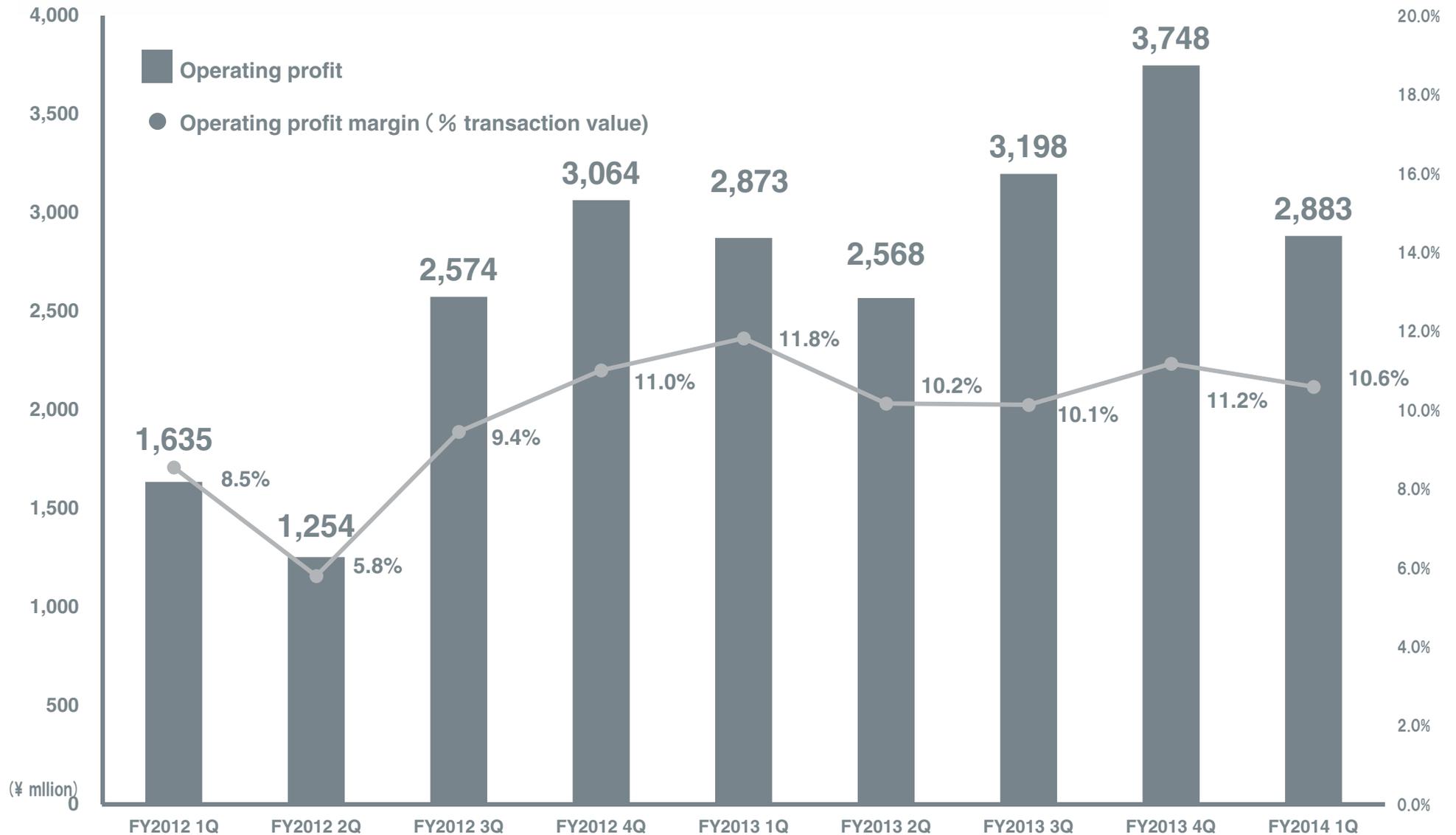
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(million)

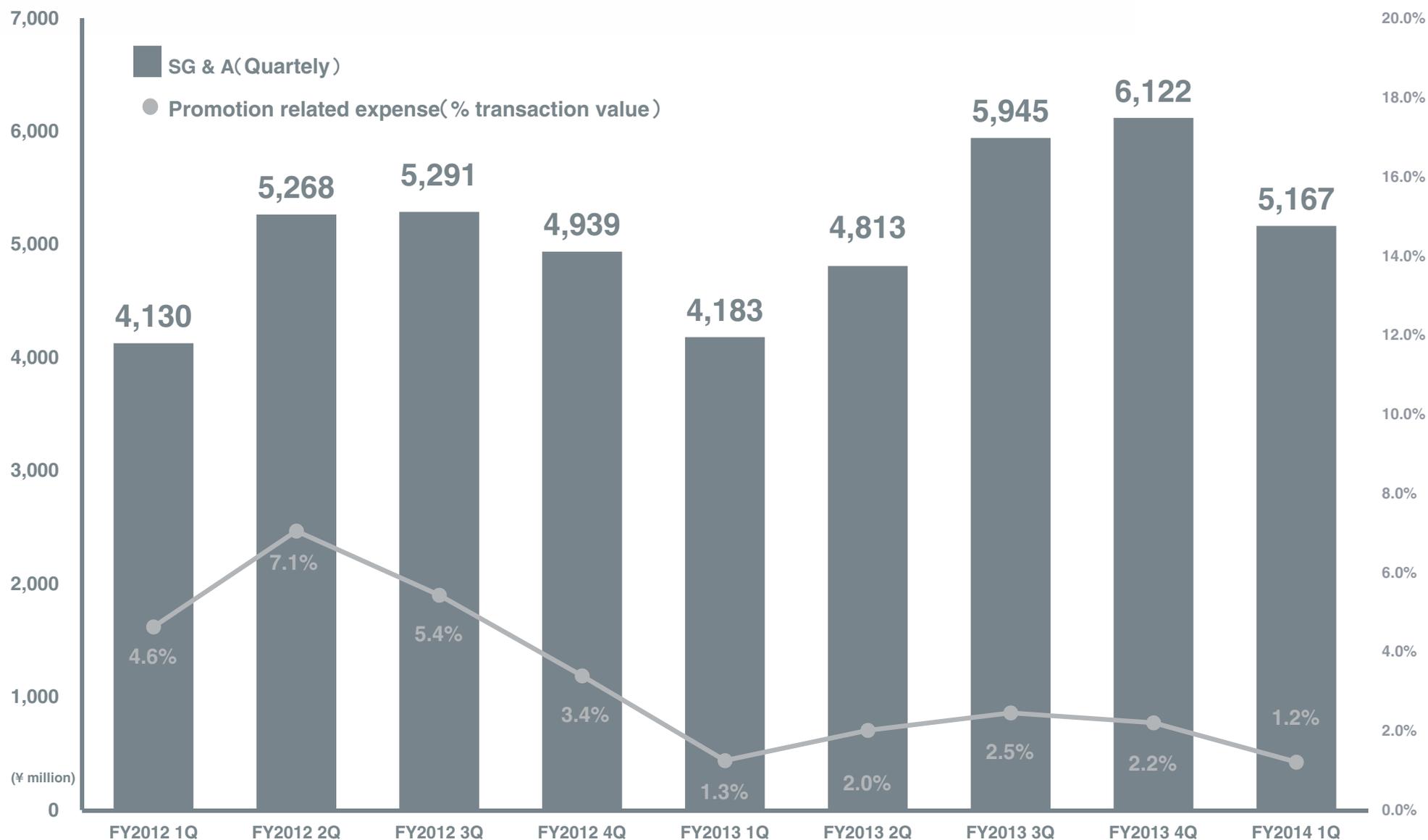
Item	FY2014 1Q		FY2013 1Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll(*)	1,414	5.2%	1,204	5.0%	0.2%	The number of employees in our group has grown from 559 to 633 of June, 2014.
Shipping	1,003	3.7%	807	3.3%	0.4%	Due to decreased unit price per shipment(-4.0% / yoy) the burden ration costs have risen.
Payment collection	663	2.4%	566	2.3%	0.1%	
Promotion related expenses	331	1.2%	305	1.3%	-0.1%	
Advertising	123	0.5%	122	0.5%	0.0%	Promotional Activities for CROWN JEWEL.
Reward points related expenses	207	0.8%	183	0.8%	0.0%	Not taking noteworthy measures (1% reward points to our customers as usual)
Outsourcing	586	2.2%	636	2.6%	-0.4%	Change in outsourcing scope caused budget transfer to personnel fees, also ending sublease had impact.
Rent expense	422	1.6%	124	0.5%	1.1%	Annual lease expense for new logistics facilities, 1.25 billion yen (Accrued from Sep 2013)
Depreciation	183	0.7%	78	0.3%	0.4%	Increase of depreciation burden due to the new logistics facilities' operation
Others	561	2.1%	459	1.9%	0.2%	
Total SG&A	5,167	19.0%	4,183	17.2%	1.8%	

※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)



Selling, General and Administrative Expenses (Quarterly)

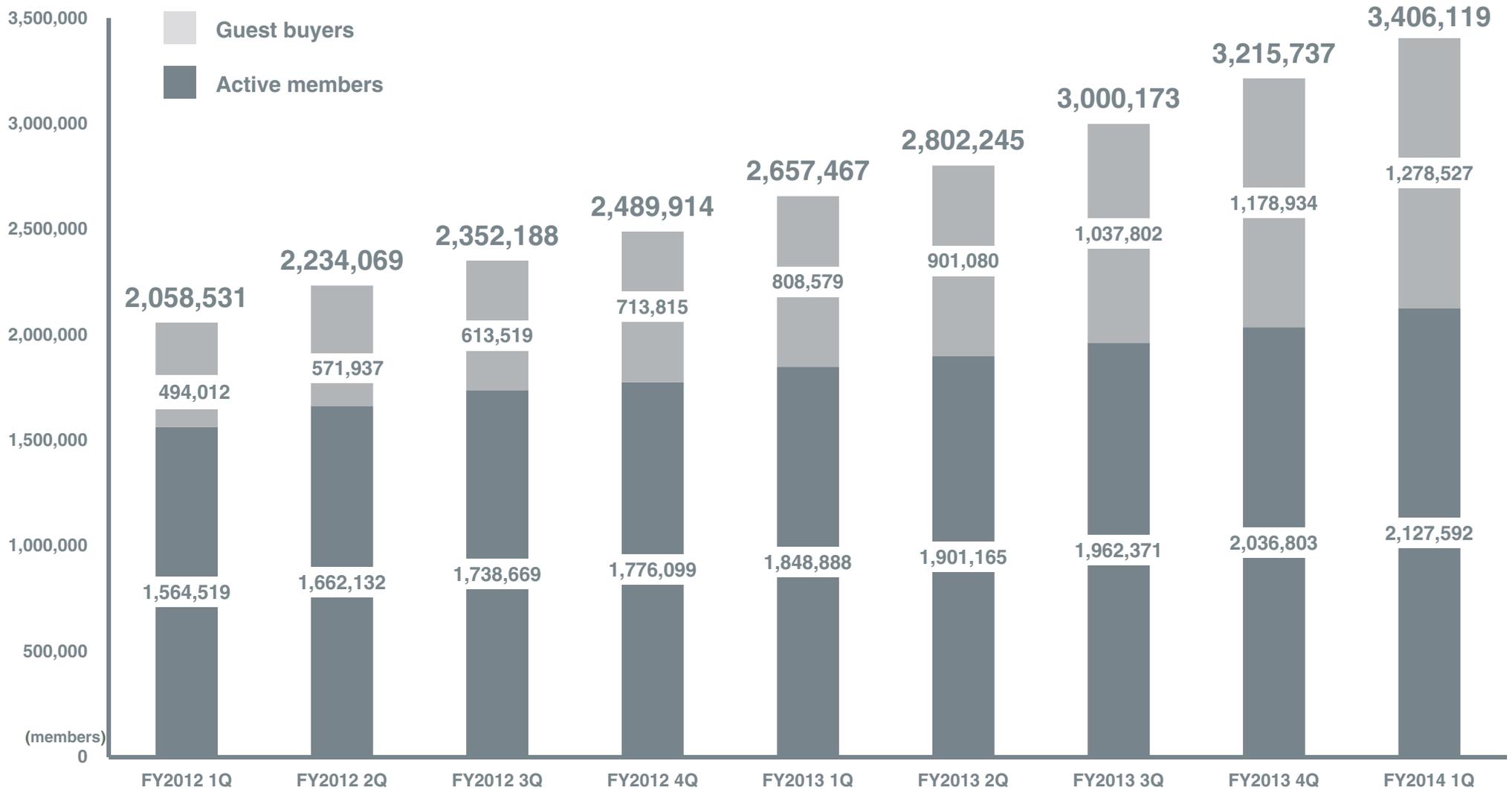


Number of Total Buyers

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

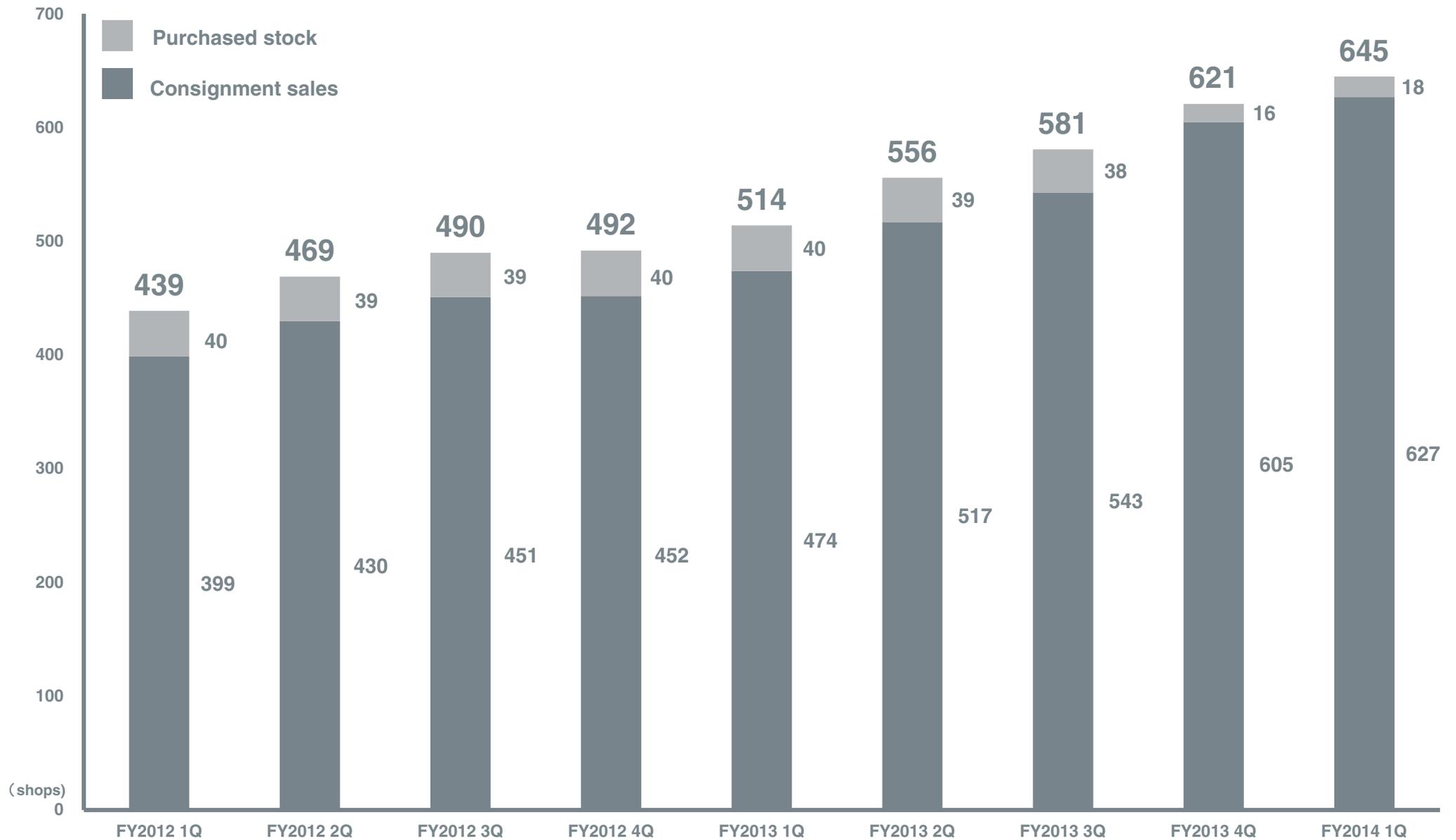
Guest buyers = Unique buyers who made a purchase without registering as a member

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



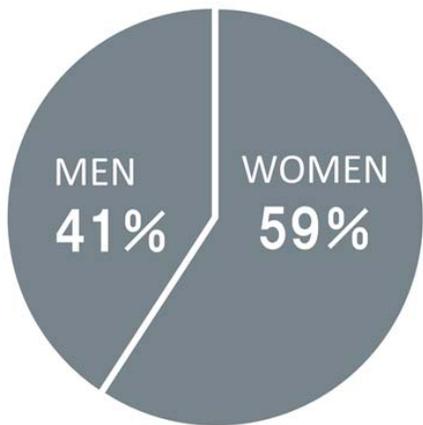
Number of shops of Mall business

15

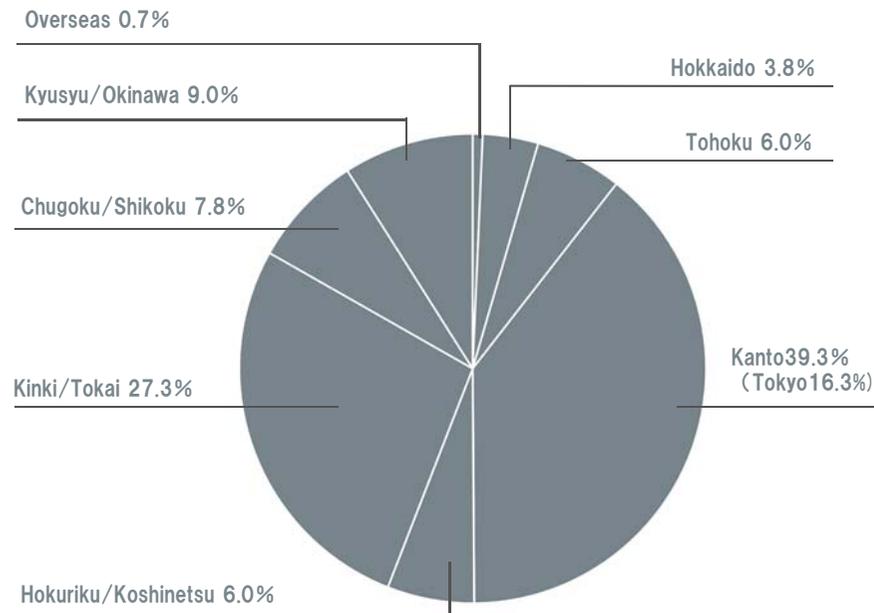


Member Distribution

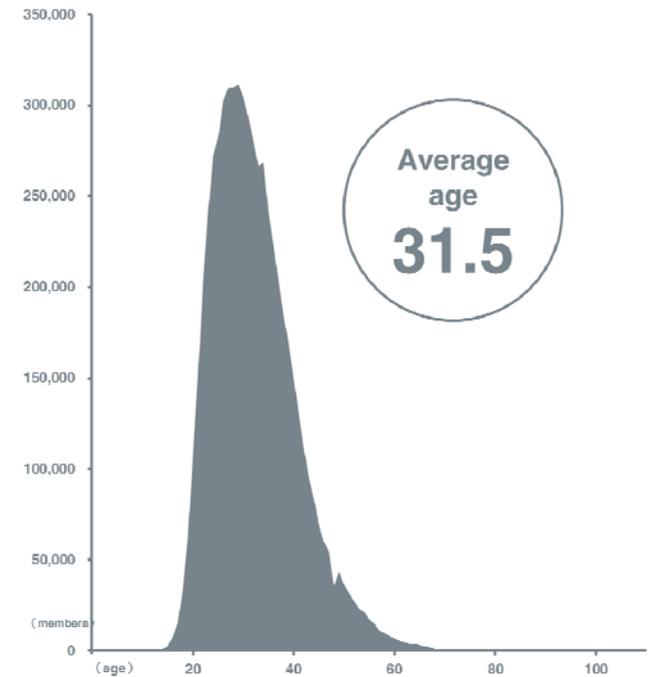
■ Gender ratio



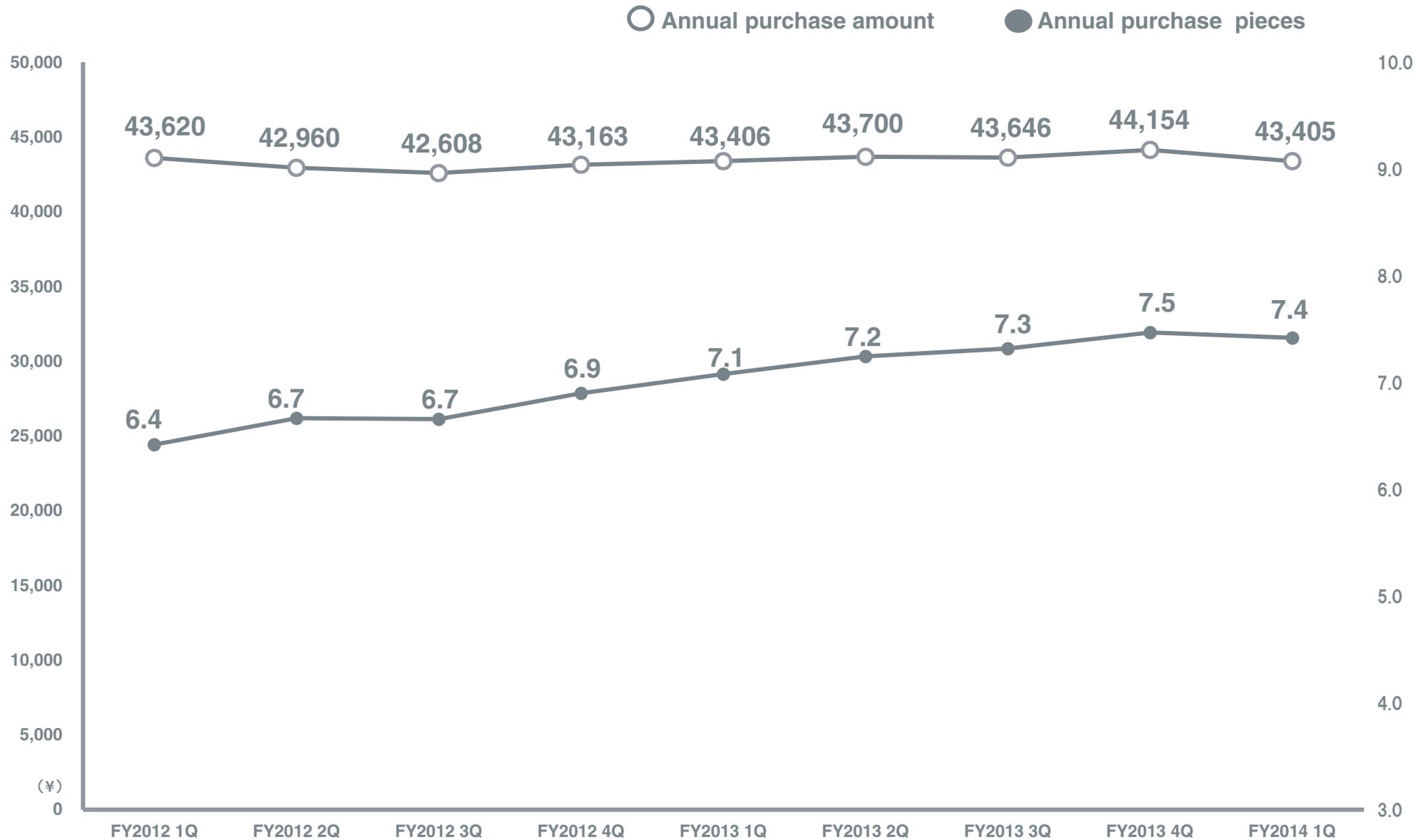
■ Geographical distribution



■ Age distribution

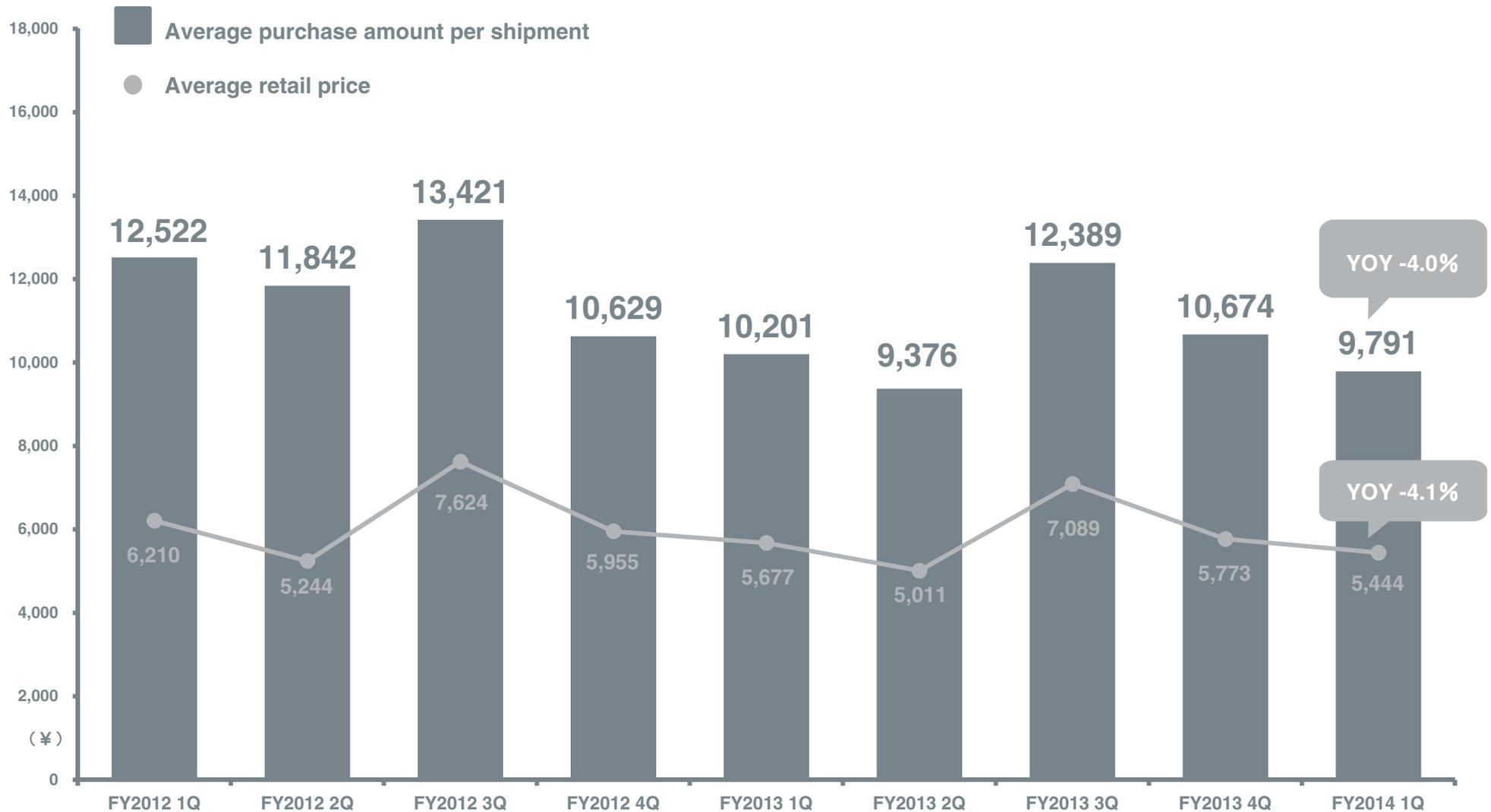


Annual Purchase Amount and pieces per Active Member

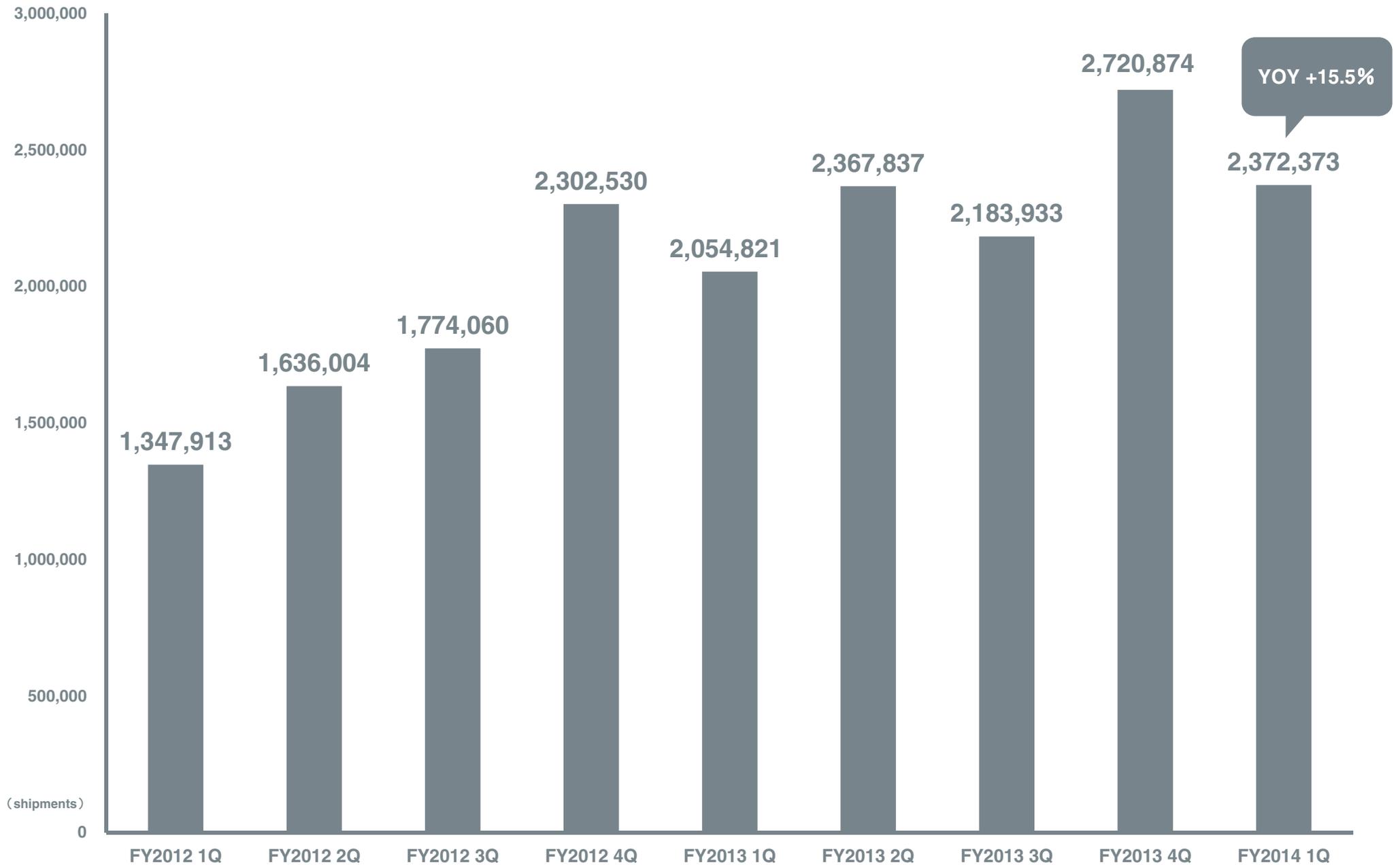


Average Purchase Amount per Shipment and Average Retail Price

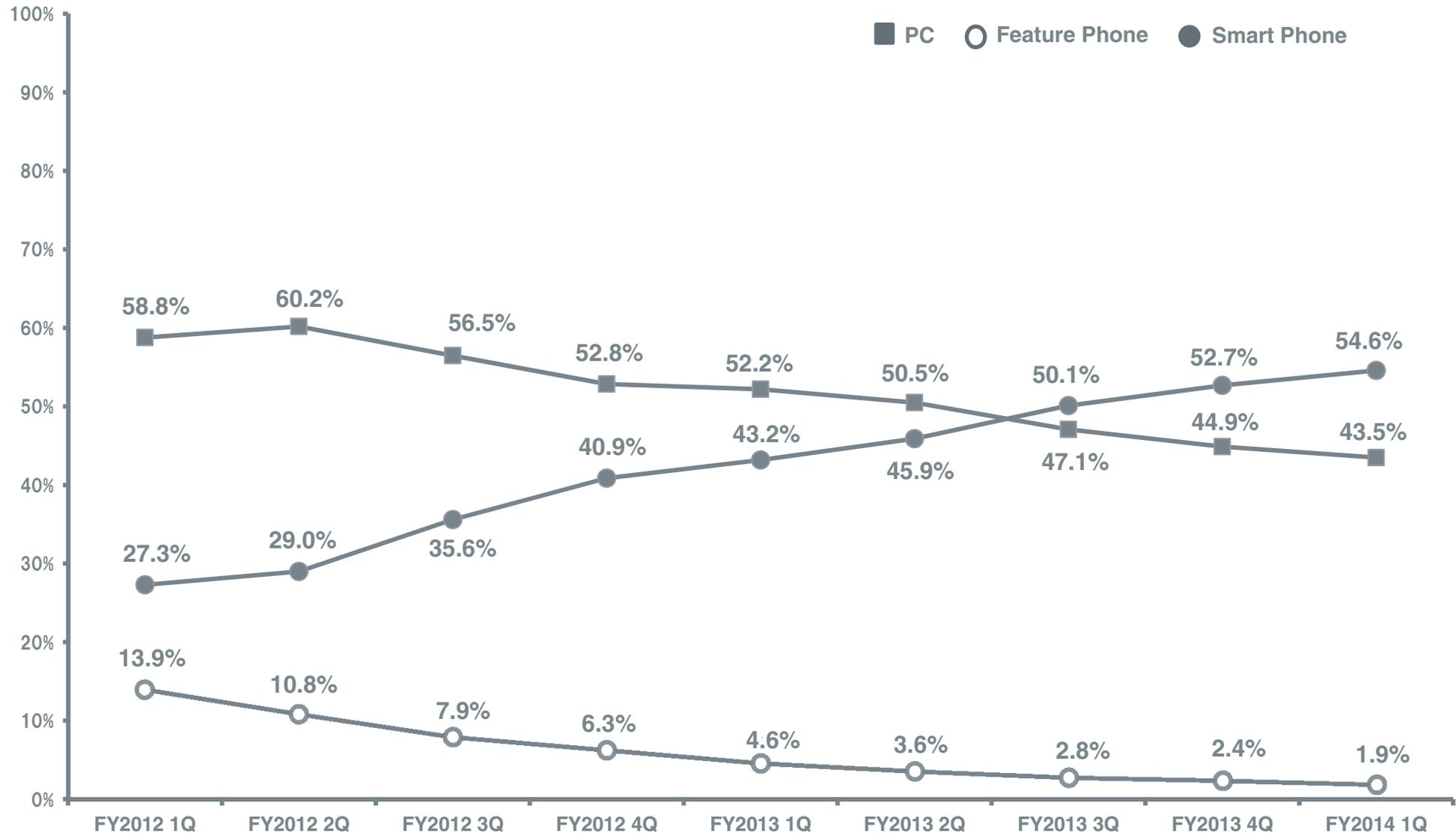
Average purchase amount per shipment = Transaction value / Number of shipments



Number of Shipments



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



FY2014 1Q

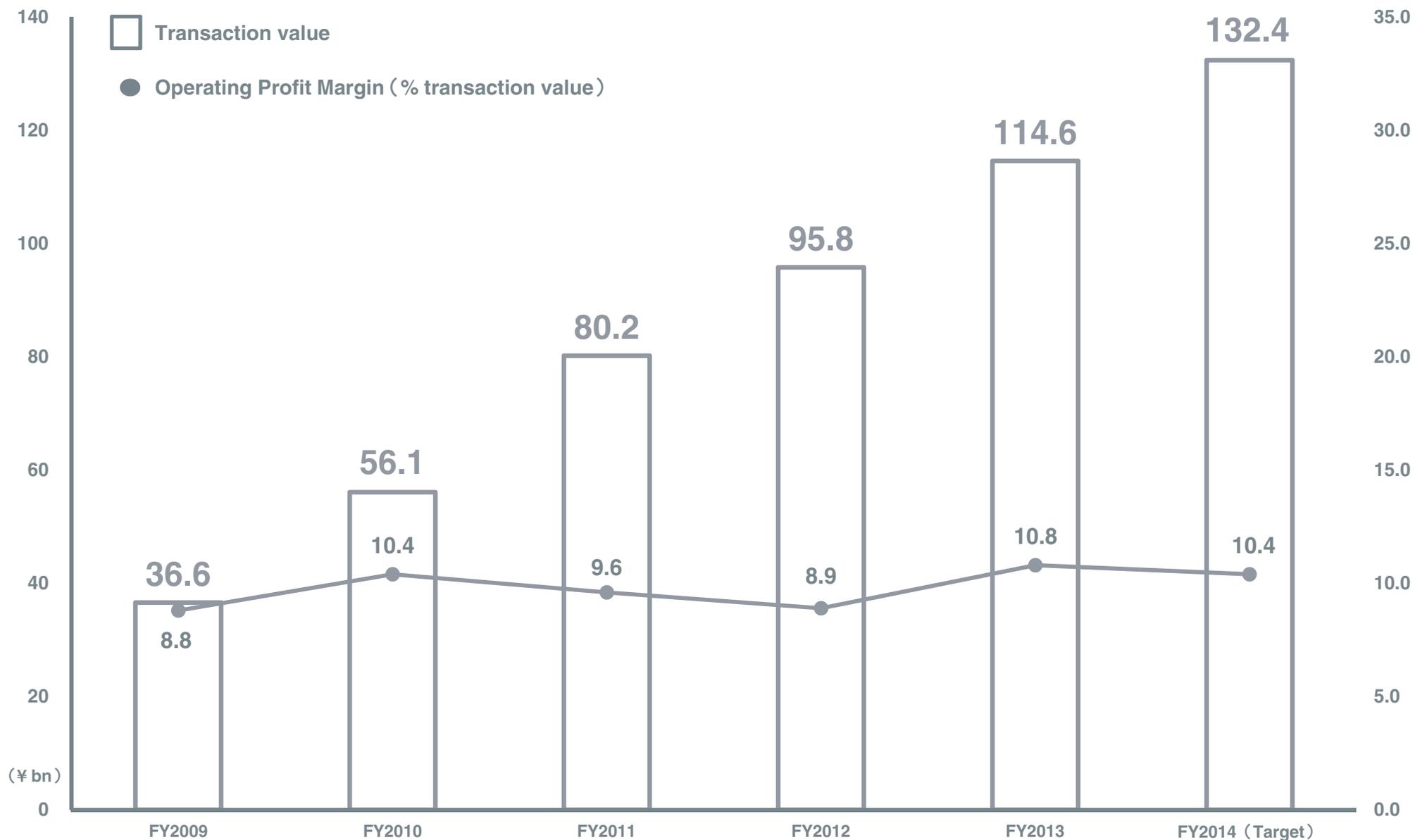
**Consolidated Business Results
STARTTODAY CO.,LTD.**

Business Plan For FY2014

Consolidated Business Forecast and Dividend Forecast for FY2014

	Business Plan for FY2014	YoY change(%)
Transaction value (¥million)	132,400	15.5
Net sales (¥million)	41,700	8.1
Operating profit (¥million)	13,710	10.7
Recurring profit (¥million)	13,720	10.4
Net income (¥million)	8,430	8.1
Earnings per share (¥)	78.6	-
Estimated dividends per share (¥)	28	-

Transaction Value



Breakdown of the Total Transaction Value and Each Policy

Start Today

Group Total Transaction Value Target : ¥132,400 million (+ 15.5% year on year)

Mall Business

Transaction Value Target : ¥114,900 million (+ 15.8% year on year)

- Consignment Sales Business: ¥110,000 million (+20.1%, yoy),
Purchased Stock Business ¥4,900million (-36.1% yoy)
improving availability of inventories
- Expanding our ZOZOUSUED Business (Sales target: 4,000 million yen)

E-Commerce Consulting Business

Transaction Value Target : ¥17,500 million (+ 13.5% year on year)

- Improving the satisfaction level of existing partners
- EC will not include the impact of Stores.jp PRO Business

Operating Profit Margin

**The ratio of consolidated operating profit : 10.4 %
(to the total transaction value, FY2013 10.8%)**

- Increase of fixed cost burden arising from new logistics facilities operation
- Increase in personnel (37 new graduates)
- Investment relating to promotional activities is planned to be 2.0% of the total transaction value
- Investing in fulfillment and system to enrich website functions

FY2014 1Q

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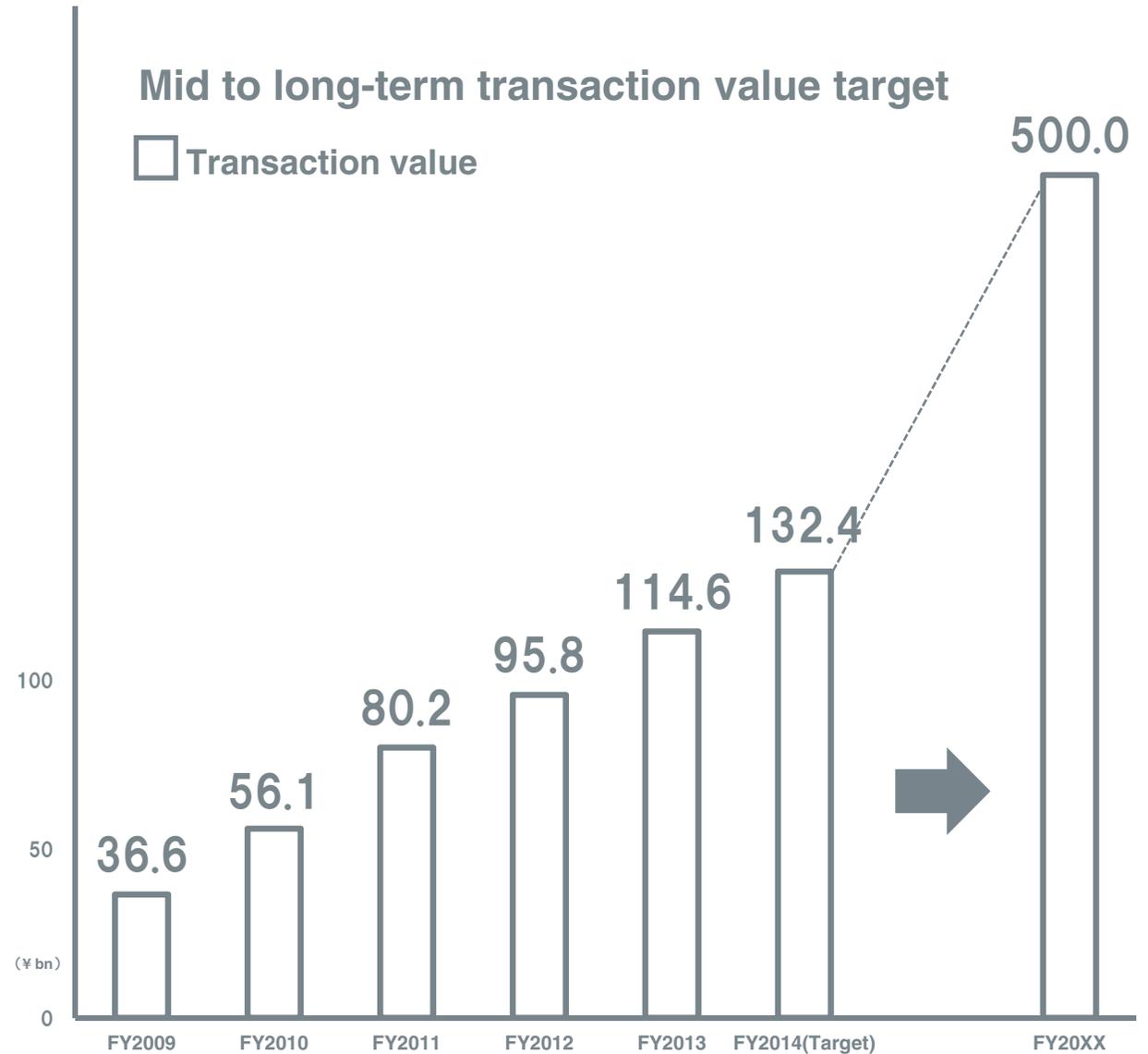
Future Strategies

Mid to Long-term Vision

Start Today's mid to long-term target
FY20XX term

Transaction value **500** billion

Operating profit **50** billion



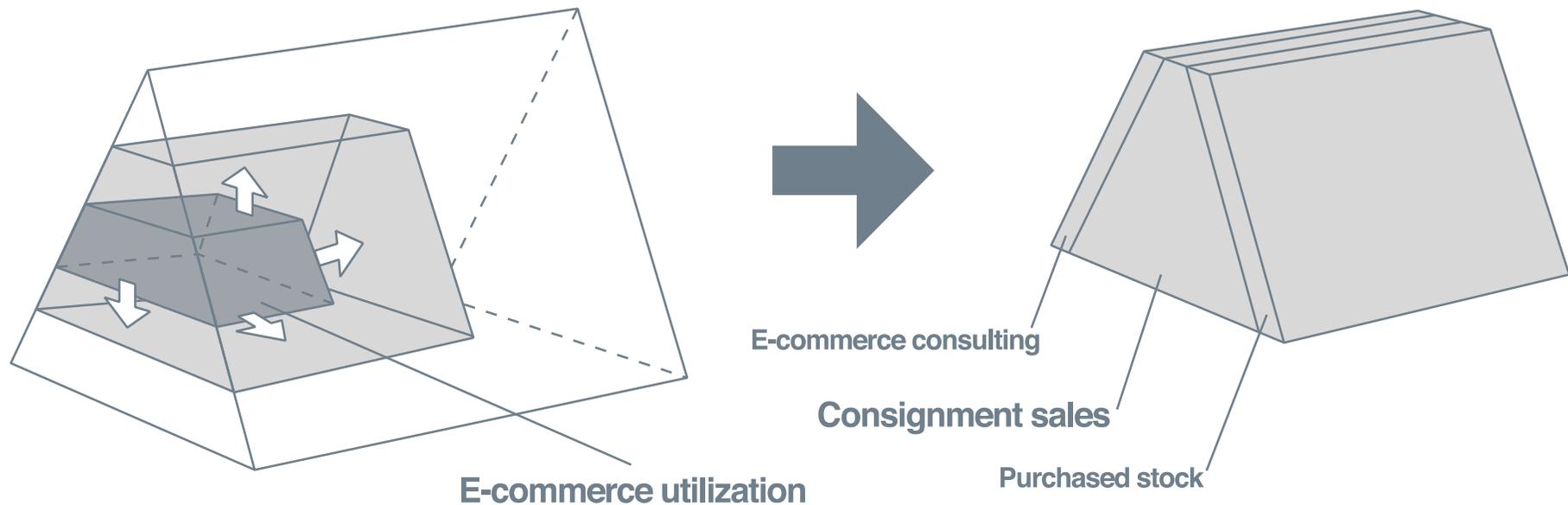
Market Expansion Strategy

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.

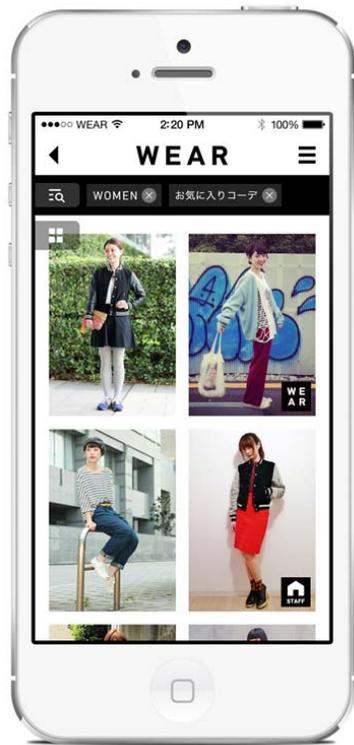
- Entire apparel market
- ▒ START TODAY's market (mid to long-term target)
- START TODAY's current market

Mid to long-term transaction value target

¥500 billion



Progress in 「WEAR」



- At this point we have 3 million Downloads and also 1 million coordinate pictures posted (2014, July)
- Launched WEAR in Taiwan (2014, May~) , in Korea (2014, July~) and in Hong Kong (2014, August~). Planning to expand in East Asia as well as Europe, and the U.S
- Basic Functions
 1. Coordinate recipe function
 2. My closet function
 3. Fashion SNS function

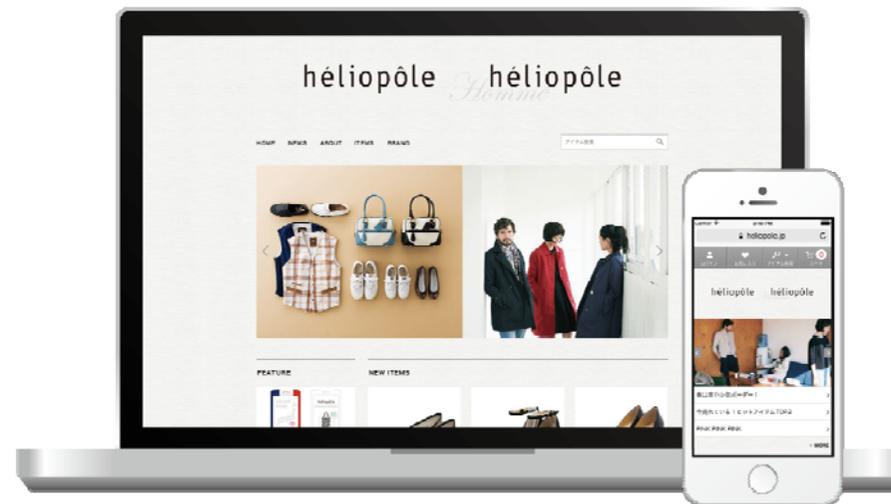
Acquired 100% ownership of YAPPA Corporation



We have planned to acquire 100% ownership of YAPPA Corporation, welcoming it as a wholly owned company.
(Releasing news on July 31st, 2014)

About our new service “STORES.jp PRO”

30



- Launched in March, 2014
- STORES.jp PRO enables anyone to develop an online shopping website easily at a low cost.
- All fulfillment functions are operated at our warehouse “ZOZOBASE”
- We are currently operating 3 sites, “heliopole”, “ONE DAY KMC”, “SPECIAL PRODUCT DESIGN”

FY2014 1Q

Consolidated Business Results
STARTTODAY CO.,LTD.

Reference Data

2,239
high fashion brands

633
employees
(average age 28.4)

5,520
shareholders

Corporate Principles

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

6,047
across Japan

3.40 million
fashion savvy consumers

Major Online Mall

33

Japan's Largest Online Retailer of Apparel and Accessories - ZOZOTOWN

ZOZOTOWN <http://zozo.jp/>

- One of Japan's largest online shopping site that offers fashion items.
- 645 stores offering 2,239 brands. At any given time, more than 210,000 items are available with an average of 1,300 new items added each day.
- System, Design, to fulfillment, we have all functions built in house.



ZOZOTOWN トップページ

Store Planning & Development Business (Purchased Stock)

We operate 18 original stores within ZOZOTOWN, which offer products we purchase from brands. Purchased stock business also includes our consolidated subsidiary CROWN JEWEL's vintage clothing store "ZOZUSED", which offers products we purchase from customers.

Sales include = Transaction value generated by each store

Store Operation & Administration Business (Consignment Sales)

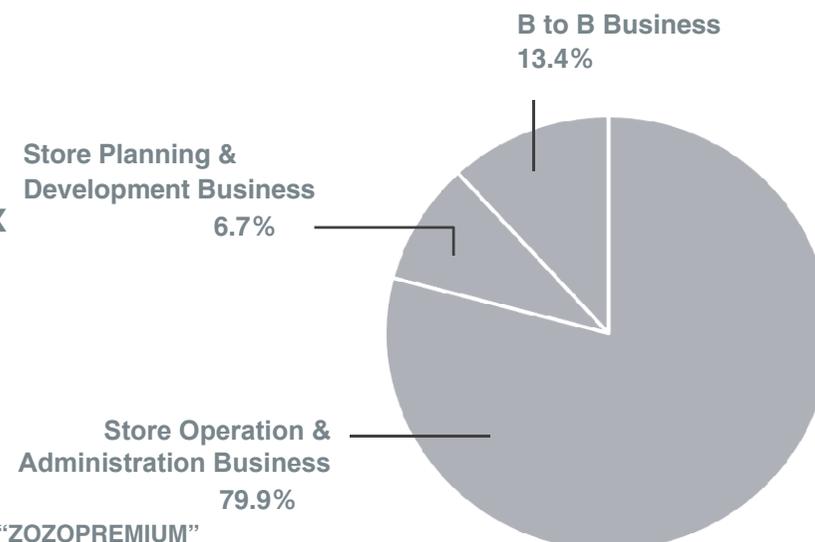
We operate 627 shops as consignment sales businesses. This business model allows us to carry a certain amount of products from the brands, while giving us low inventory risk.

Sales include = 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 "Onward" and "United Arrows". We currently provide back-end service to 25 stores.

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



*Our total sales volume consists from the 3 types of businesses above, along with fee revenues from "ZOZOPREMIUM" (premium membership based services), and "ZOZOCARD" (partner credit card fee revenues)

(Transaction value for FY2013)

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

The business forecasts and the future outlook described in the material is based on information currently available.

The forecast includes uncertainties such as sudden changes, therefore actual results may differ.



ZOZOTOWN

Thank you 10years