

# FY2014 2Q

**Consolidated  
Business Results**

April 1, 2014 - September 30, 2014



**STARTTODAY CO.,LTD.**

# Overview of the Second quarter FY2014

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## Overview

- Total transaction value : 56.0billion yen (+ 13.1% increase /Yoy) Operating Profit 6.0 billion (+11.1% increase /Yoy).
- For Operating Profit, we have over achieved our corporate plan (not disclosed).

## Total Transaction Value

- Mall business Total transaction value : 48.3billion yen ( + 12.0% /Yoy).
  - Purchased Stock Business (Selected Items) : 370 million yen (-88.6% /Yoy)
  - Purchased Stock Business (Used Clothing): 1.4 billion yen( + 55.2% /Yoy)
- Consignment business :46.5 billion (+ 19.5% /Yoy)
- E-commerce Consulting Business Total Transaction Value : 7.7billion yen (+ 20.3% /Yoy).

## Profitability

- Operating profit margin (to total transaction value) : 10.8% (11.0% 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

- Merged Girl's fashion site "LABOO" into ZOZOTOWN.(2014, end of July)
- We have linked "Beauty Navi" to WEAR, introducing more than 800 salon staff as coordinators. (September)
- Launched WEAR in 21 countries including the U.S. , U.K., Singapore, Malaysia. (September)
- Having the first major update for WEAR, ~the Recommend Function~. (October)
- Updating shipping cost policies, as well as offering free same day shipping, starting from October 1<sup>st</sup> . (October)

## FY2014 Corporate Plan

- Total transaction value : 132.4billion yen (+15.5% increase /Yoy) Operating profit: 13.71billion yen + (10.7% increase /Yoy)
- The renewal for ZOZOTOWN, which we plan to have during the second half of the fiscal year will play an important roll.

**FY2014 2Q**

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

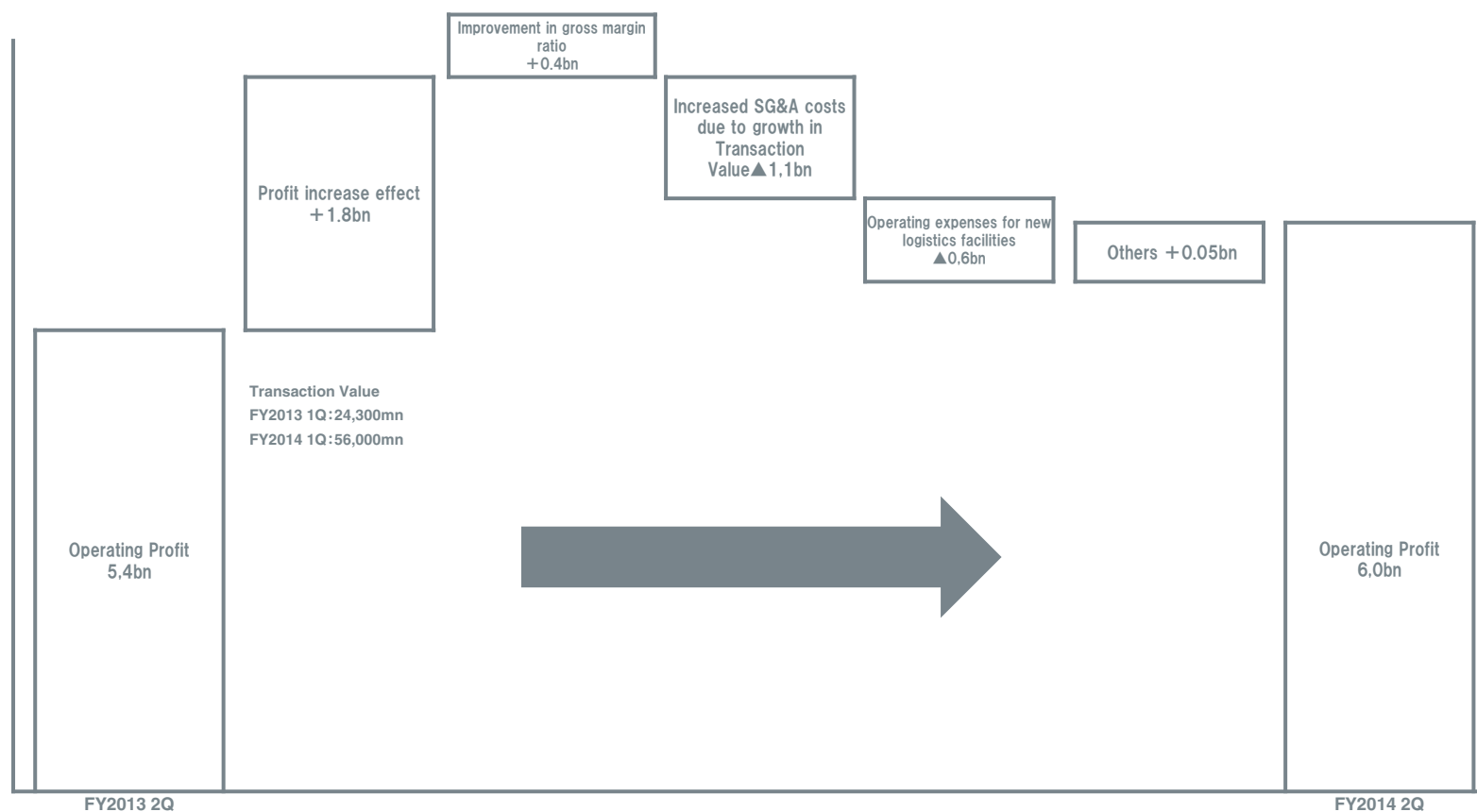
# **Business Performance**

# Overview of the Second quarter FY2014

(million)

Item	FY2014 2Q	FY2013 2Q	YoY Change(%)	Target	Progress Rate(%)
Transaction value	56,073	49,572	+13.1%	132,400	42.4%
Net sales	17,620	17,467	+0.9%	41,700	42.3%
Gross profit	16,796	14,438	+16.3%	-	-
(% Transaction Value)	30.0%	29.1%	+0.9%	-	-
SG & A	10,753	8,996	+19.5%	-	-
(% Transaction Value)	19.2%	18.1%	+1.1%	-	-
Operating profit	6,043	5,441	+11.1%	13,710	44.1%
(% Transaction Value)	10.8%	11.0%	-0.2%	10.4%	-
Recurring profit	6,082	5,454	+11.5%	13,720	44.3%
Net income	3,913	3,467	+12.9%	8,430	46.4%

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



# Consolidated balance sheet

(million)

	FY2013	FY2014 2Q (as of September 30, 2014)		FY2013	FY2014 2Q (as of September 30, 2014)
<b>Current assets</b>	<b>26,970</b>	<b>27,640</b>	<b>Current liabilities</b>	<b>12,710</b>	<b>11,011</b>
cash and deposits	17,711	18,639	Deposit received for consignment sales	7,071	6,274
Merchandise inventory	321	509	<b>Noncurrent liabilities</b>	<b>1,250</b>	<b>1,317</b>
<b>Noncurrent assets</b>	<b>6,217</b>	<b>6,177</b>	<b>Total liabilities</b>	<b>13,961</b>	<b>12,329</b>
Tangible assets	3,232	3,123	<b>Shareholders' equity</b>	<b>18,695</b>	<b>21,000</b>
Intangible assets	1,150	995	Treasury stock	-3,276	-3,276
Investments and other assets	1,834	2,058	<b>Total net assets</b>	<b>19,227</b>	<b>21,488</b>
<b>Total assets</b>	<b>33,188</b>	<b>33,818</b>	<b>Total liabilities and net assets</b>	<b>33,188</b>	<b>33,818</b>

# Cash flows

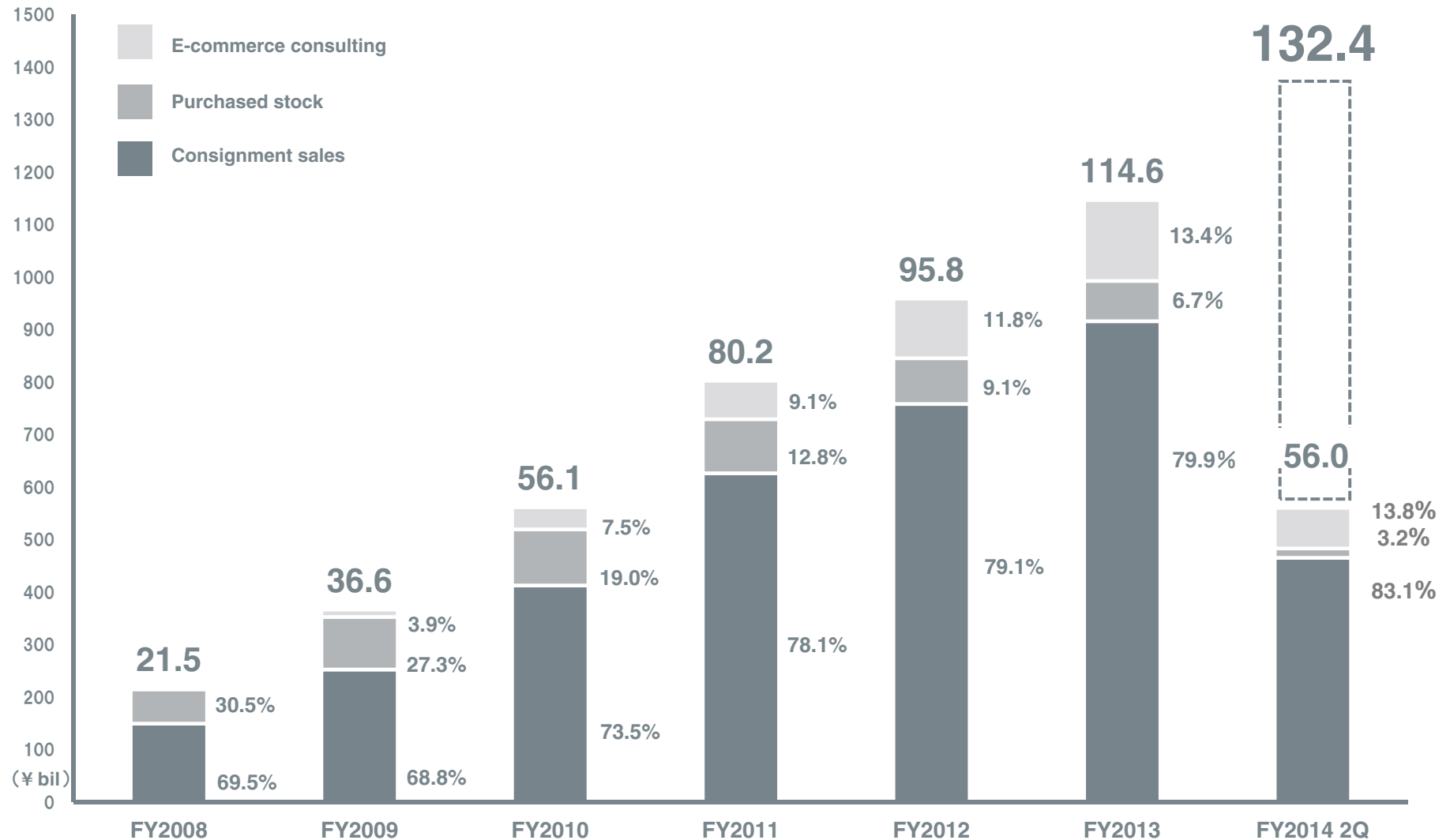
(million)

Item	FY2014 2Q	FY2013 2Q	YOY	Reasons for the Changes
Cash flows from operating activities	3,001	3,517	-516	Increase in corporation tax and others (current term)
Cash flows from investing activities	-412	-2,065	1,652	Investment in the new logistic facilities (preceding term)
Cash flows from financing activities	-1,607	-1,067	-539	Increase in payout dividend (current term)
Cash and cash equivalents at the end of year	18,639	12,613	6,025	

# Transaction Value

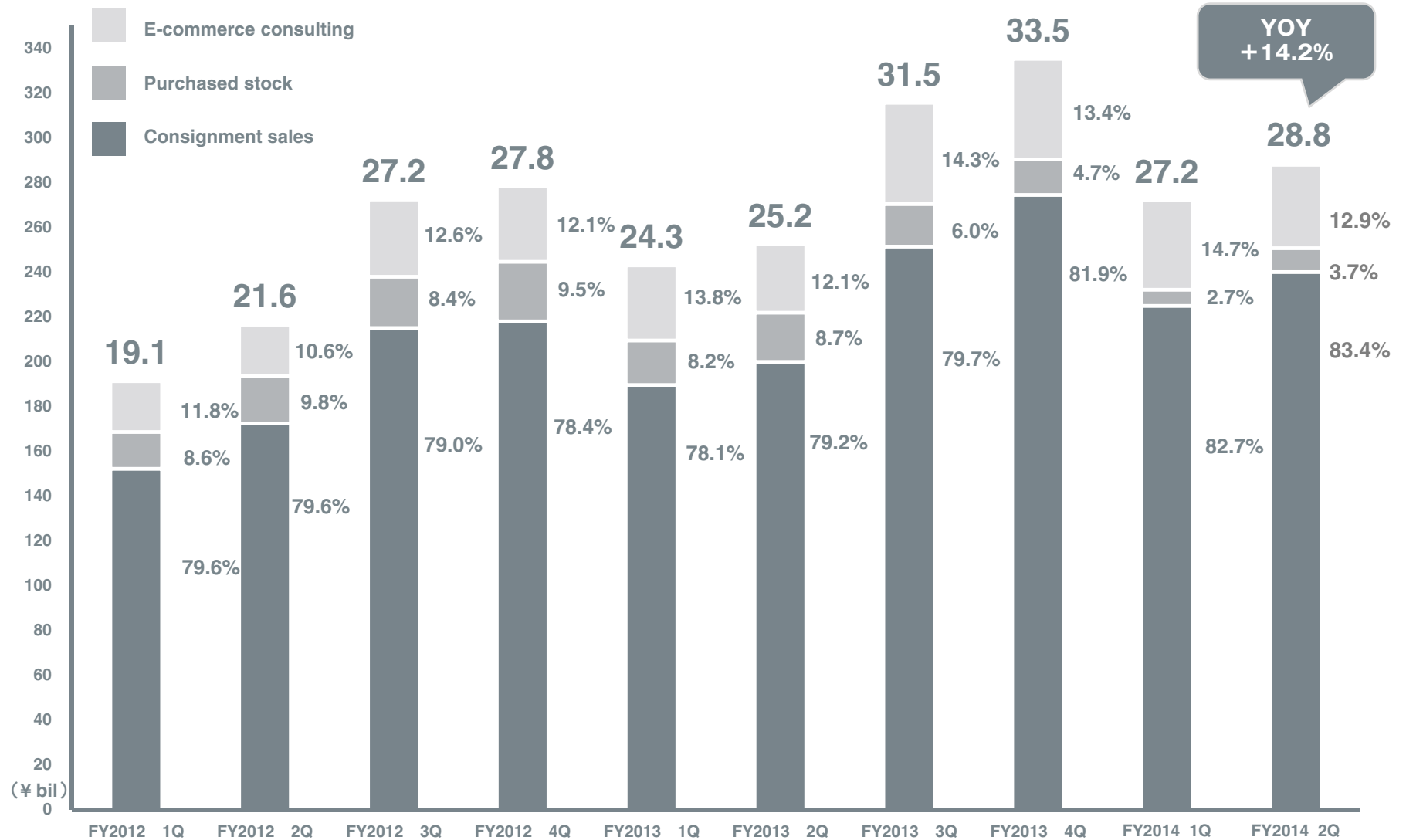
Gross transaction value of new shops opened in FY2014 2Q

Online mall business ( purchased stock & consignment sales ) : ¥ 430 million, (accounts for 0.9% of the total)

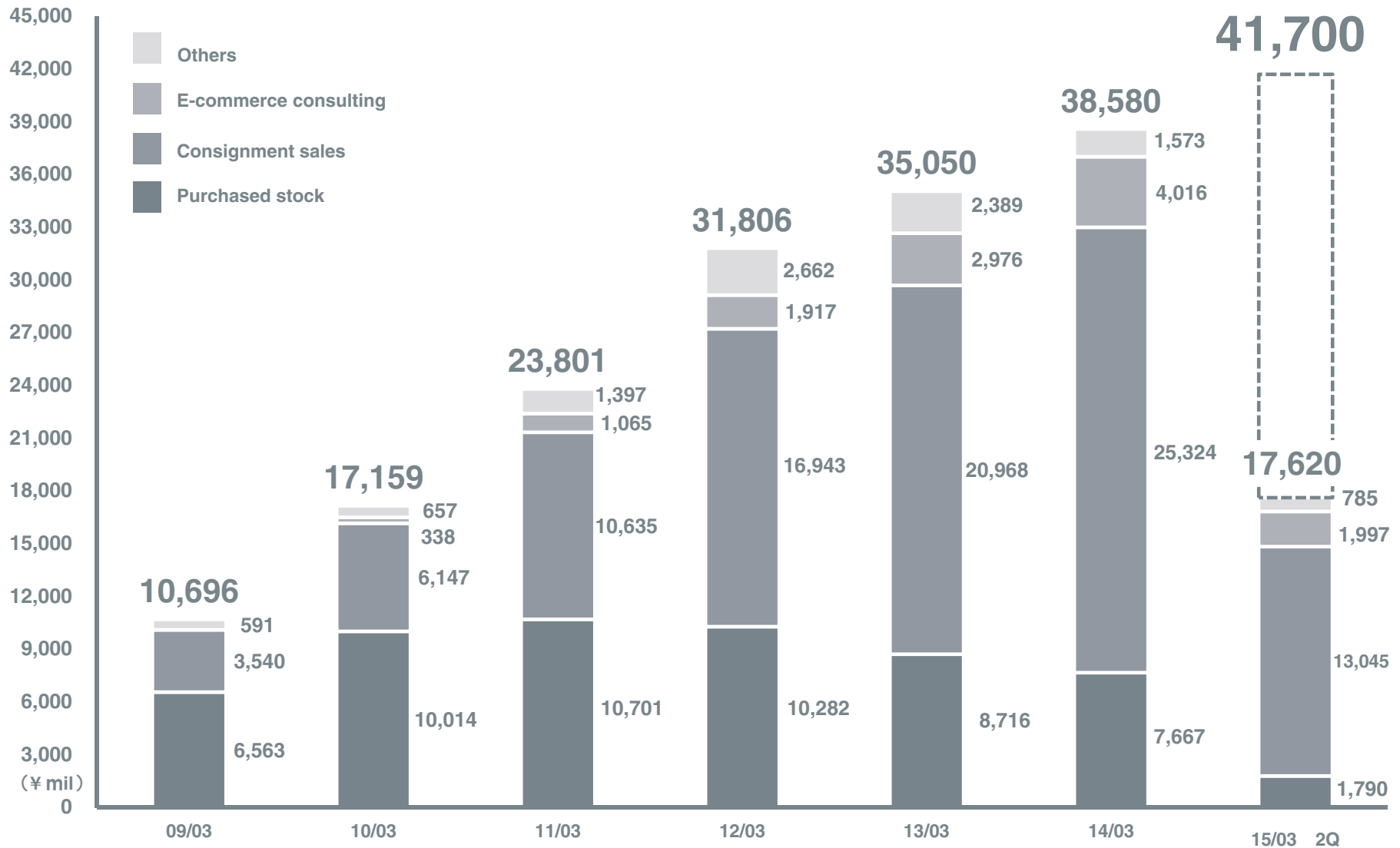




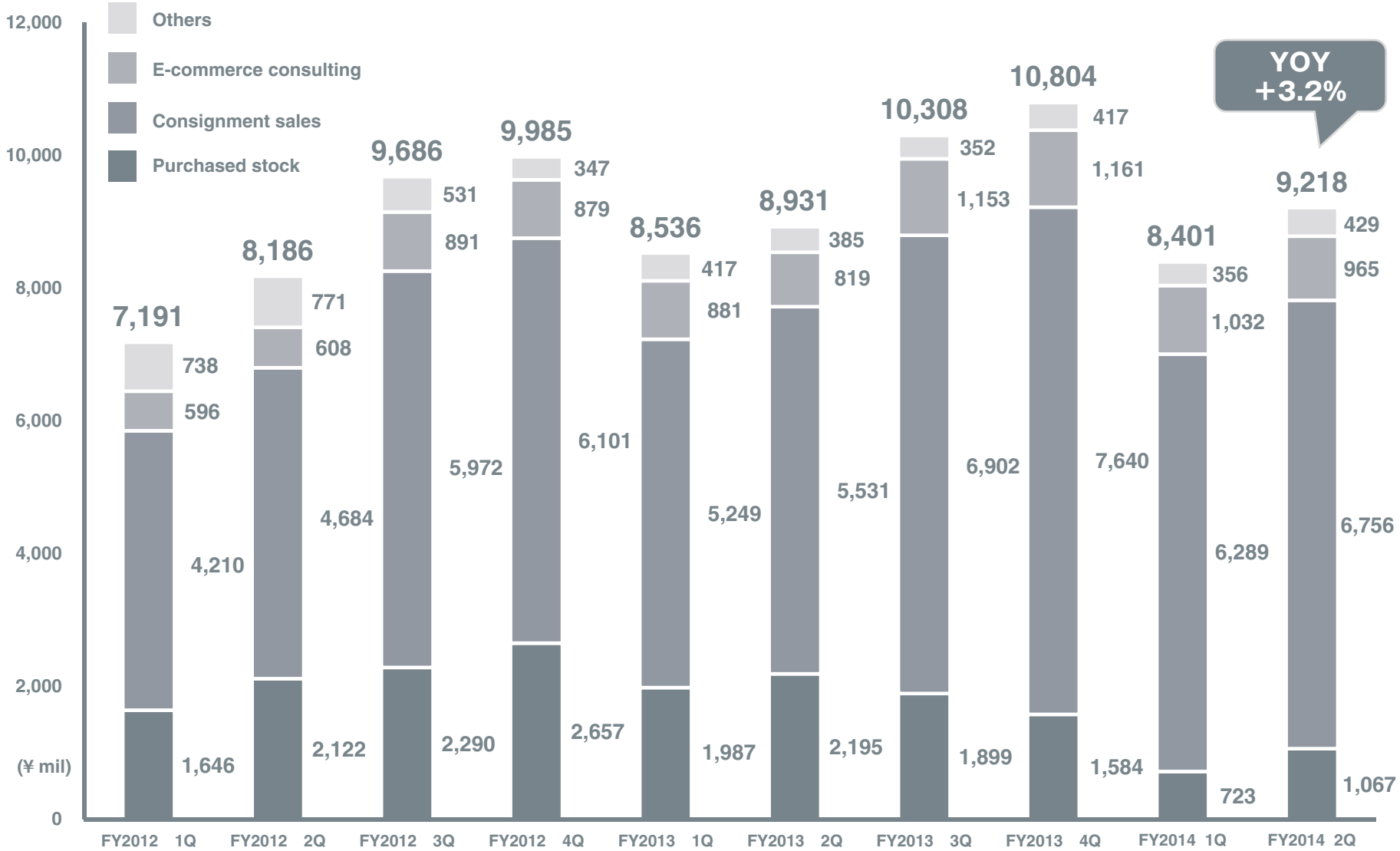
# Transaction Value (Quarterly)



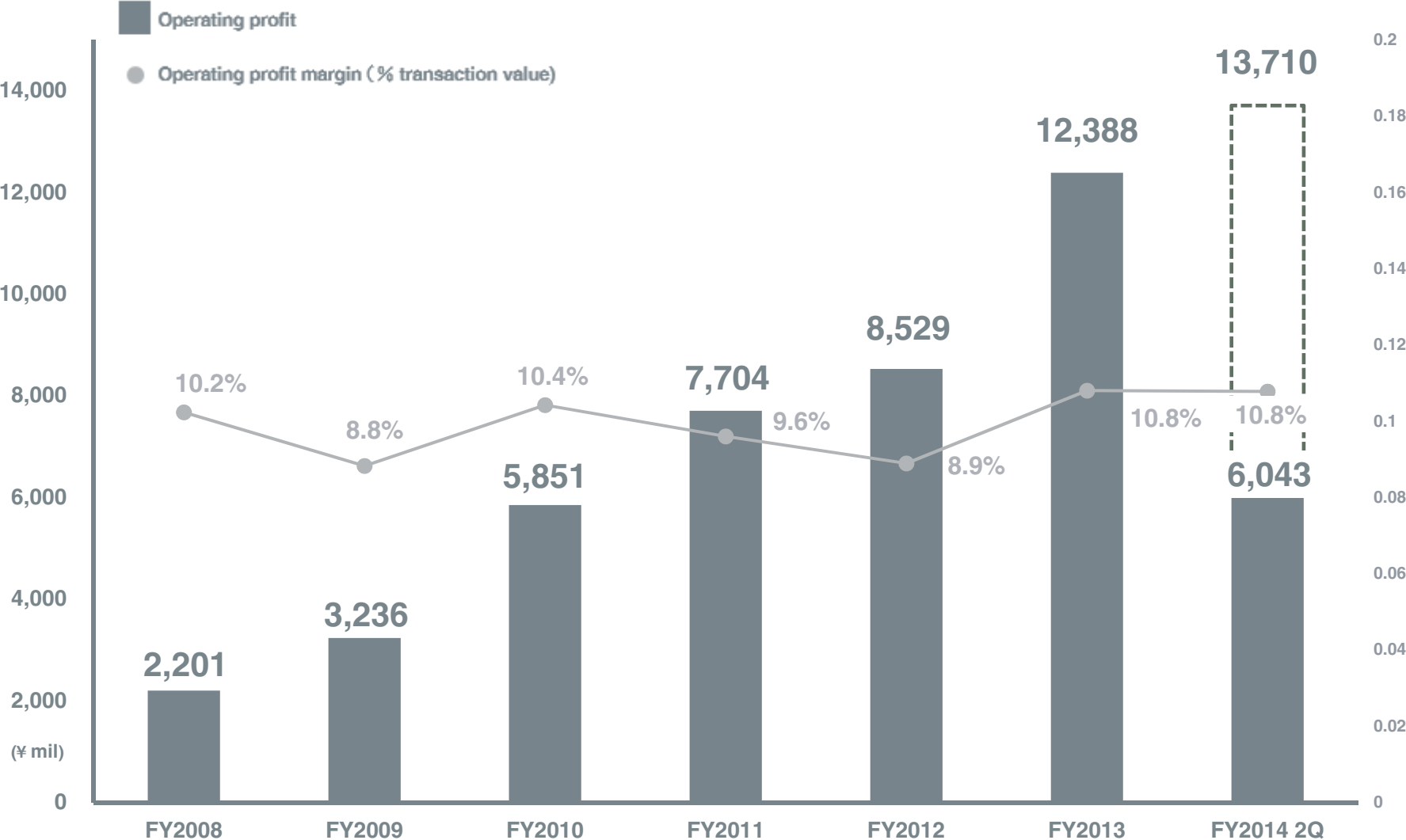
# Net Sales



# Net Sales (Quarterly)



# Operating Profit and Operating Profit Margin

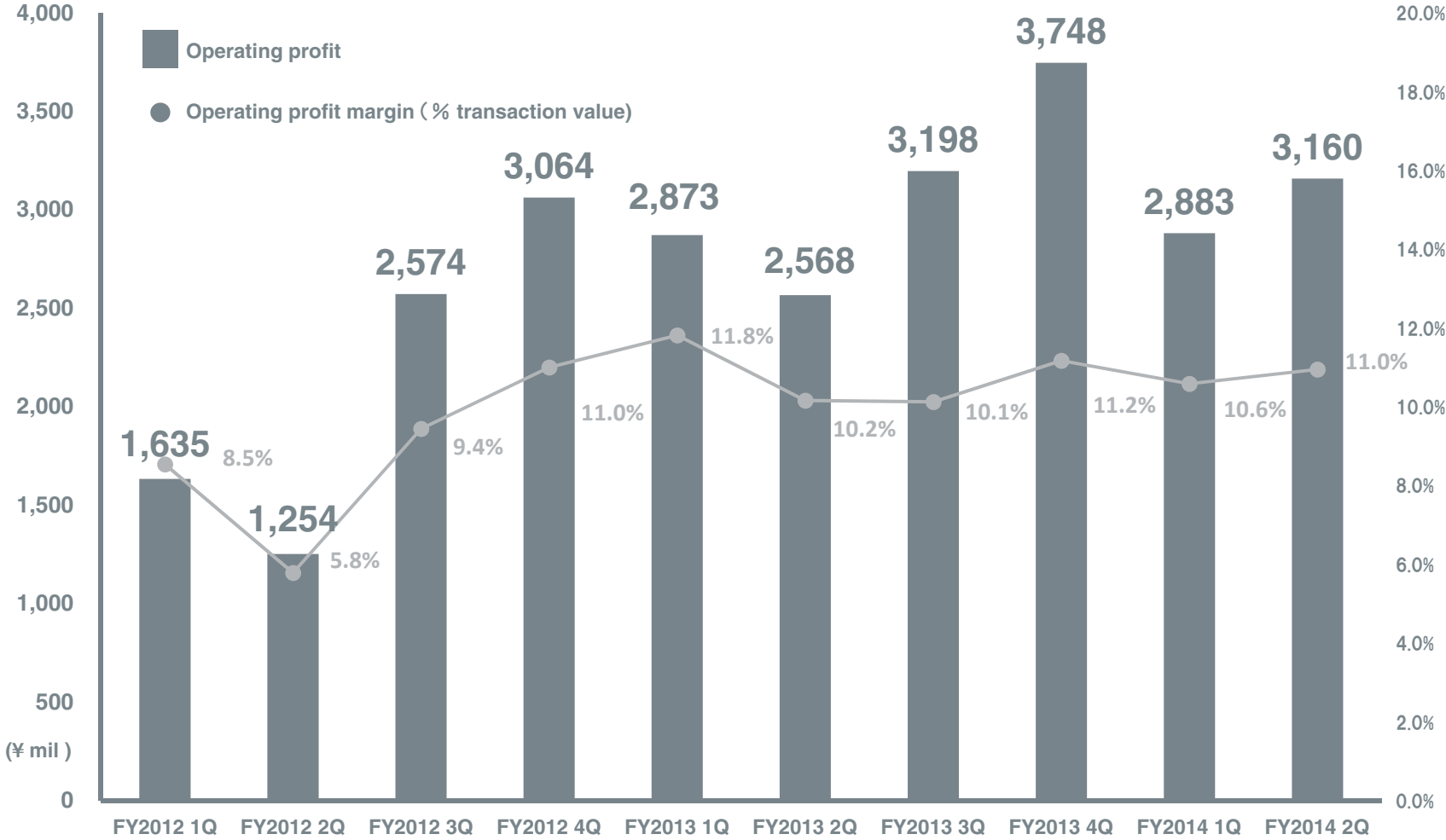


# Selling, General and Administrative (SG&A) Expenses

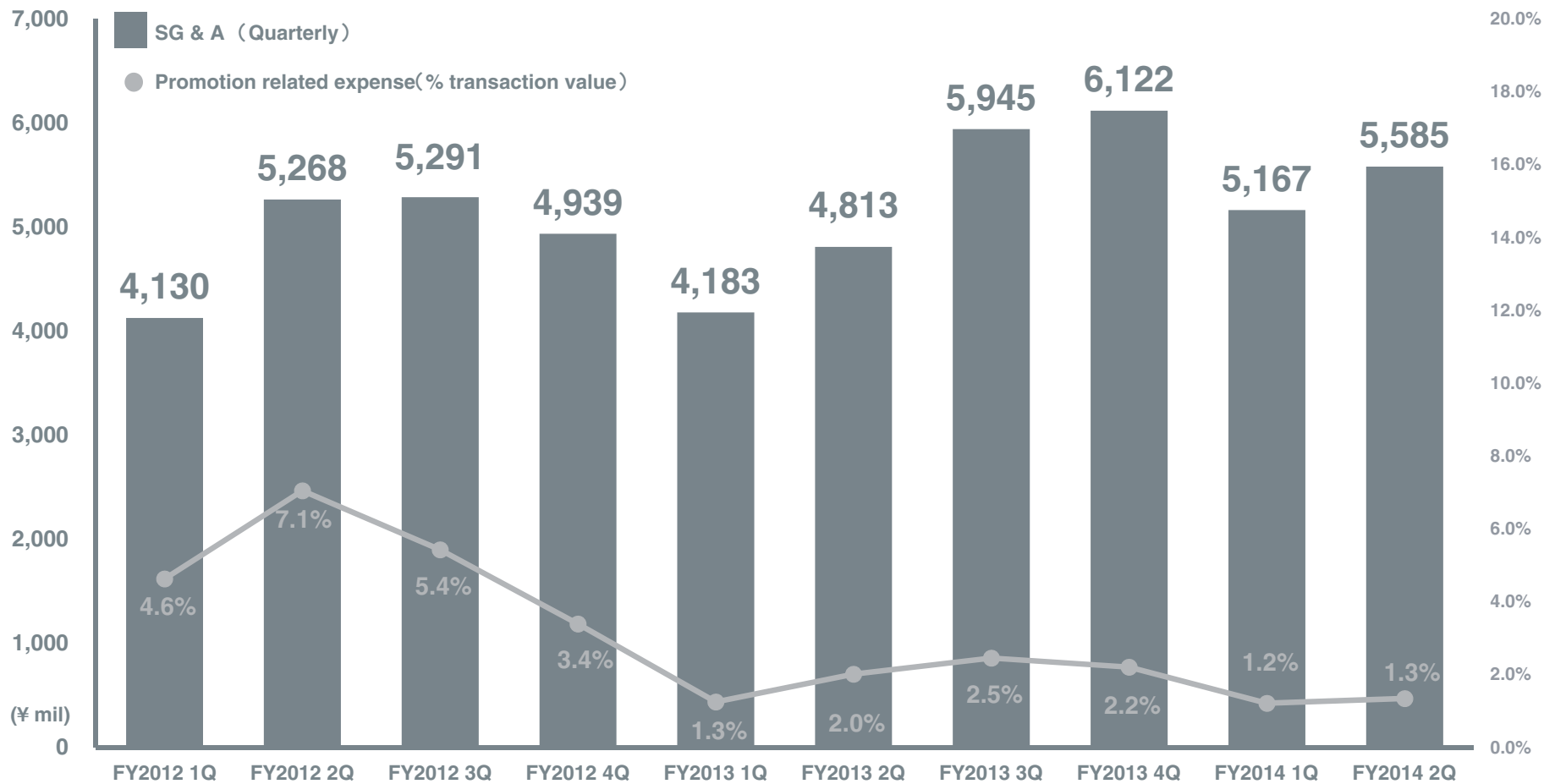
Item	FY2014 2Q		FY2013 2Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll(*)	2,861	5.1%	2,452	4.9%	0.2%	The number of employees in our group has grown from 580 to 618 ( September, 2014.)
Shipping	2,169	3.9%	1,719	3.5%	0.4%	Decreased unit price per shipment ( -3.7% / Yoy) . Same day shipping.
Payment collection	1,382	2.5%	1,173	2.4%	0.1%	
Promotion related expenses	720	1.3%	816	1.6%	-0.3%	
Advertising	266	0.5%	498	1.0%	-0.5%	Promoting our buying services, using TV commercials. (June, 2014)
Reward points related expenses	454	0.8%	317	0.6%	0.2%	
Outsourcing	1,193	2.1%	1,273	2.6%	-0.5%	Change in outsourcing scope caused budget transfer to personnel fees, also ending sublease had impact.
Rent expense	847	1.5%	351	0.7%	0.8%	Annual lease expense for new logistics facilities, 1.25 billion yen (Accrues from Sep 2013)
Depreciation	375	0.7%	167	0.3%	0.4%	Increase of depreciation burden due to the new logistics facilities' operation
Others	1,201	2.1%	1,042	2.1%	0.0%	
Total SG&A	10,753	19.2%	8,996	18.1%	1.1%	

※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)

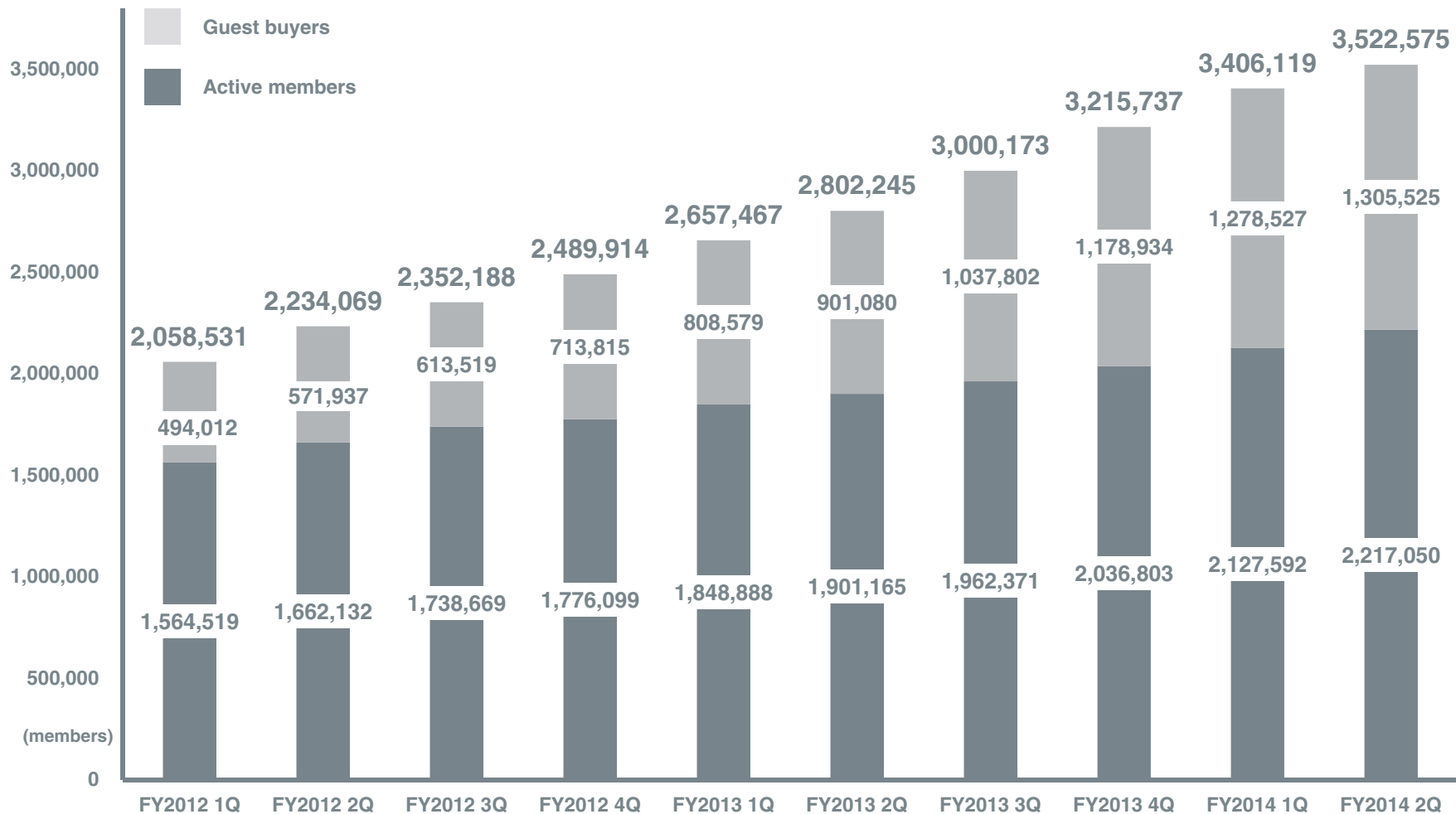


# Selling, General and Administrative Expenses (Quarterly)



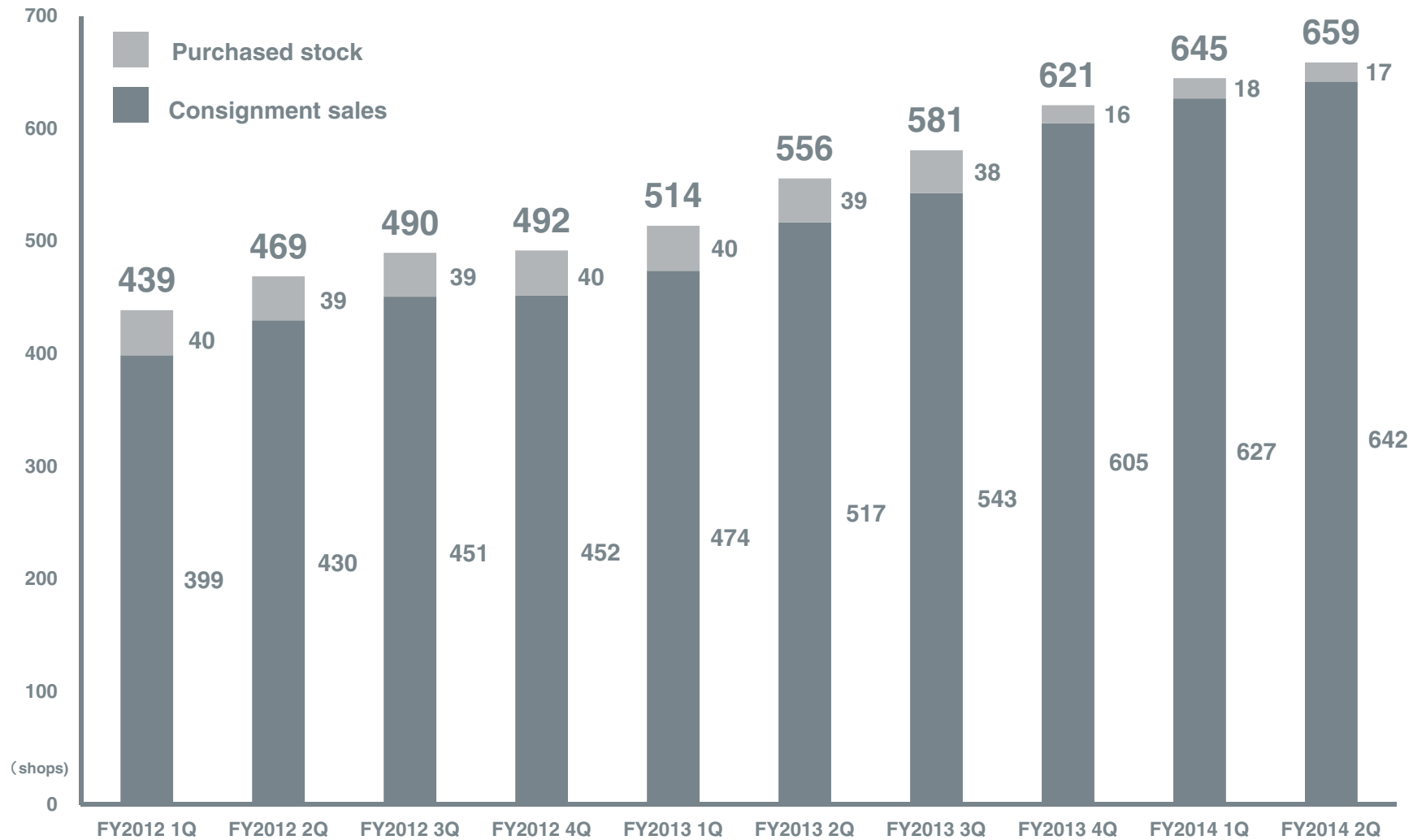
# Number of Total Buyers

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



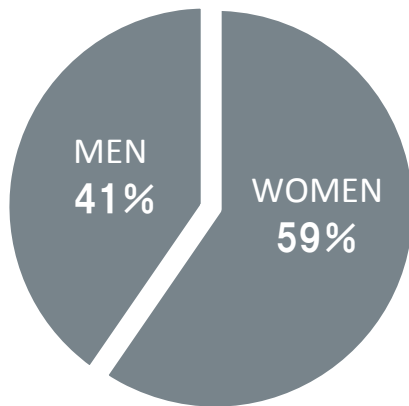


# Number of shops of Mall business

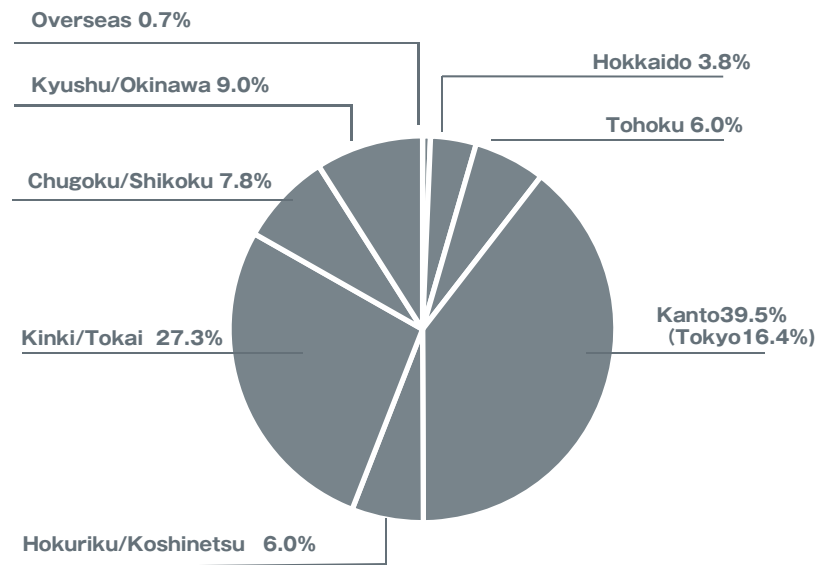


# Member Distribution

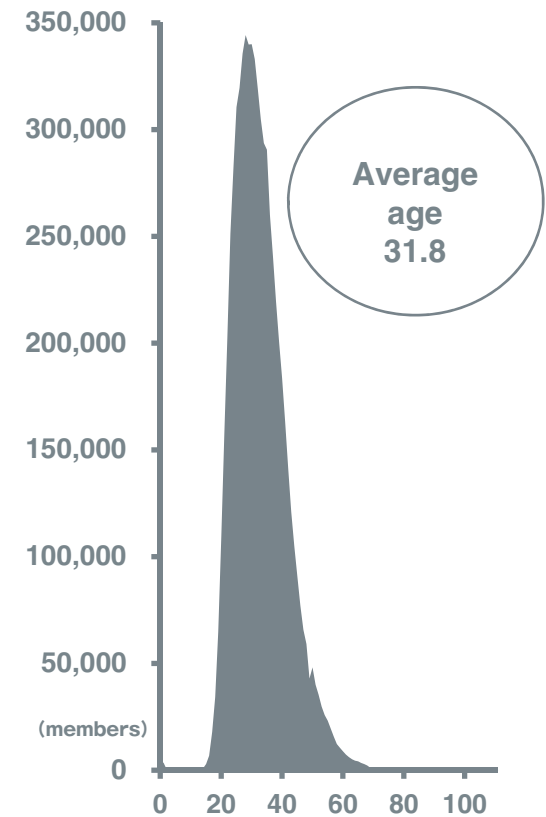
■ Gender ratio



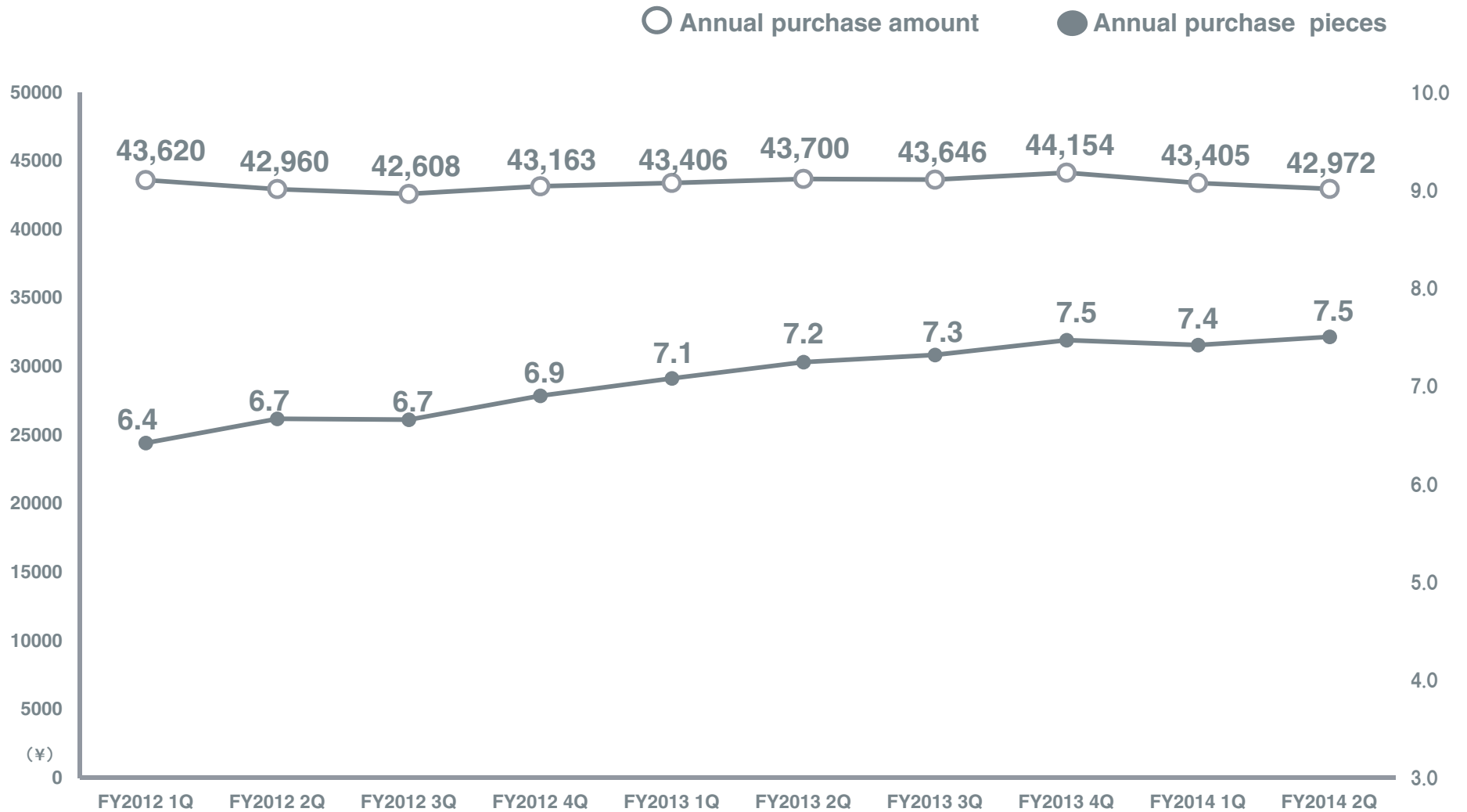
■ Geographical distribution



■ Age distribution

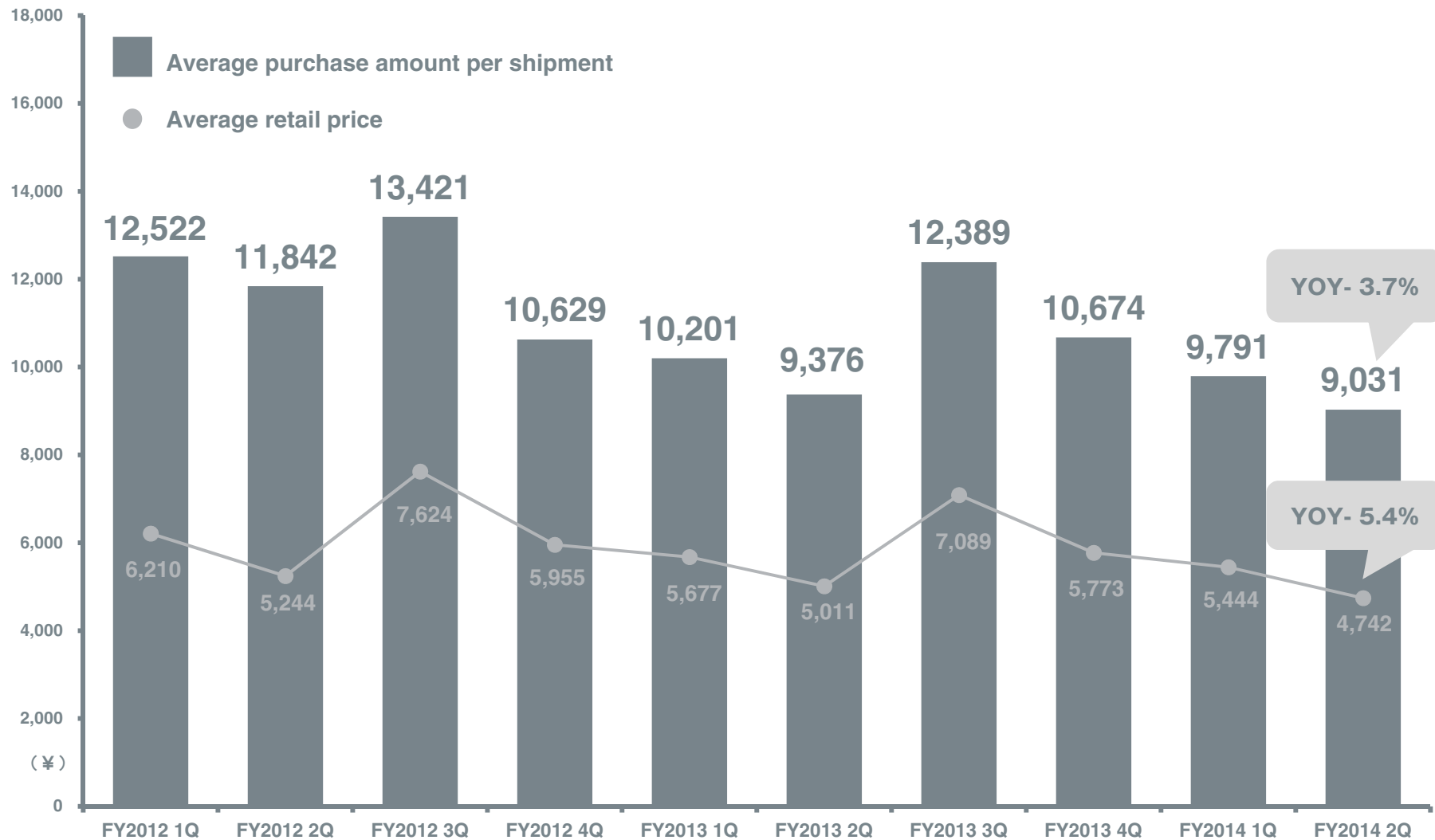


# Annual Purchase Amount and pieces per Active Member



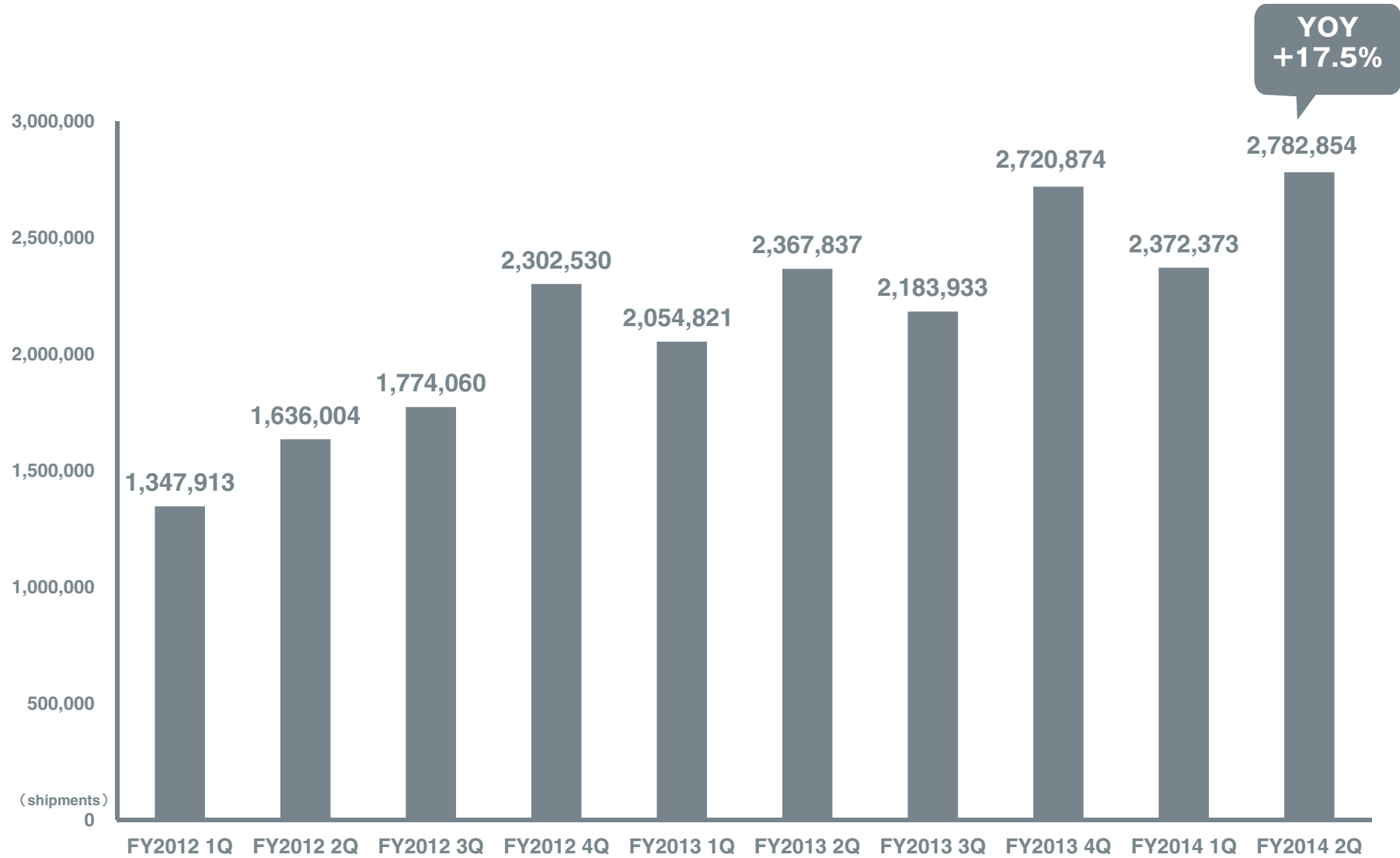
# Average Purchase Amount per Shipment and Average Retail Price

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

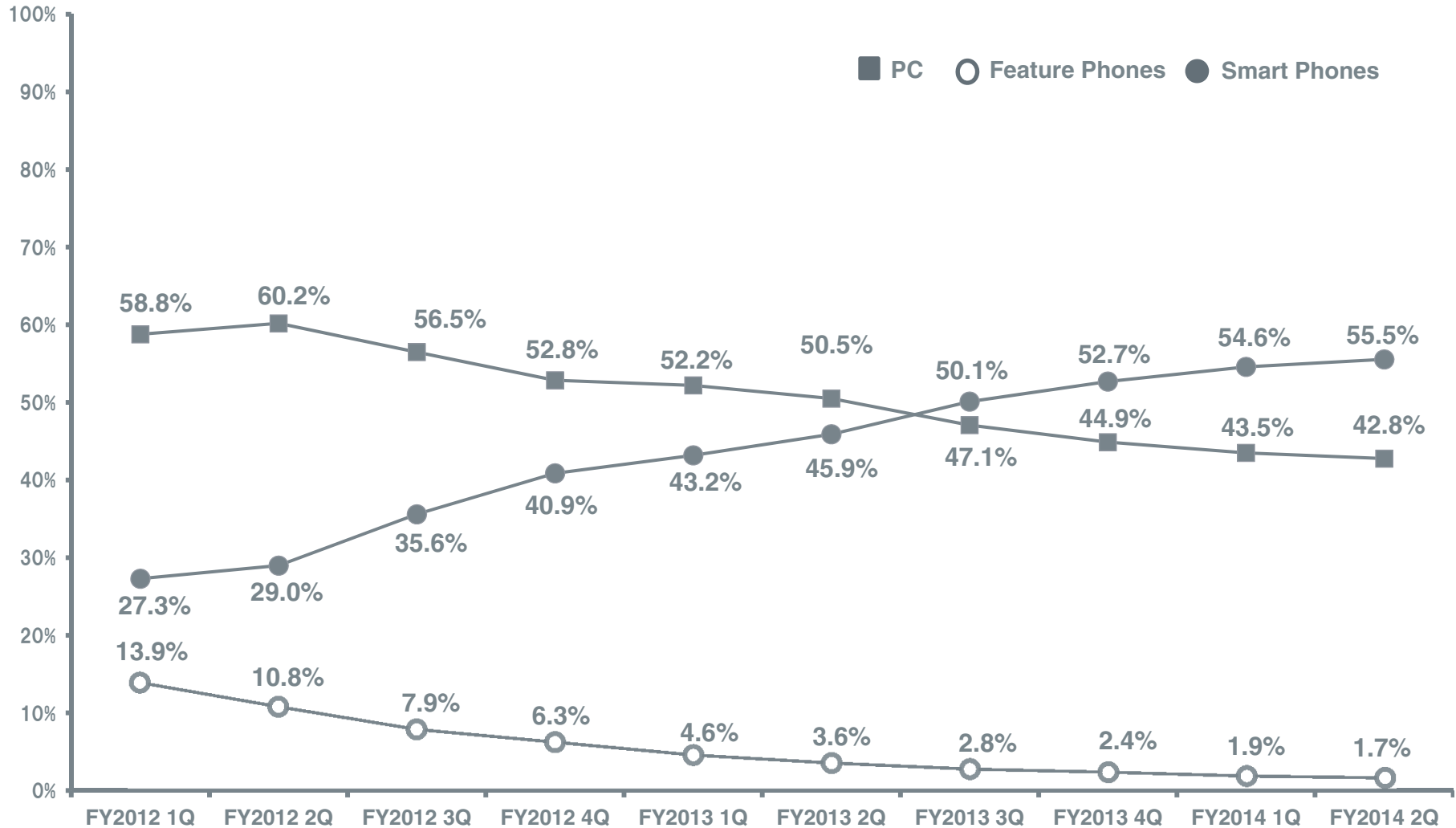


# Number of Shipments

20



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



**FY2014 2Q**

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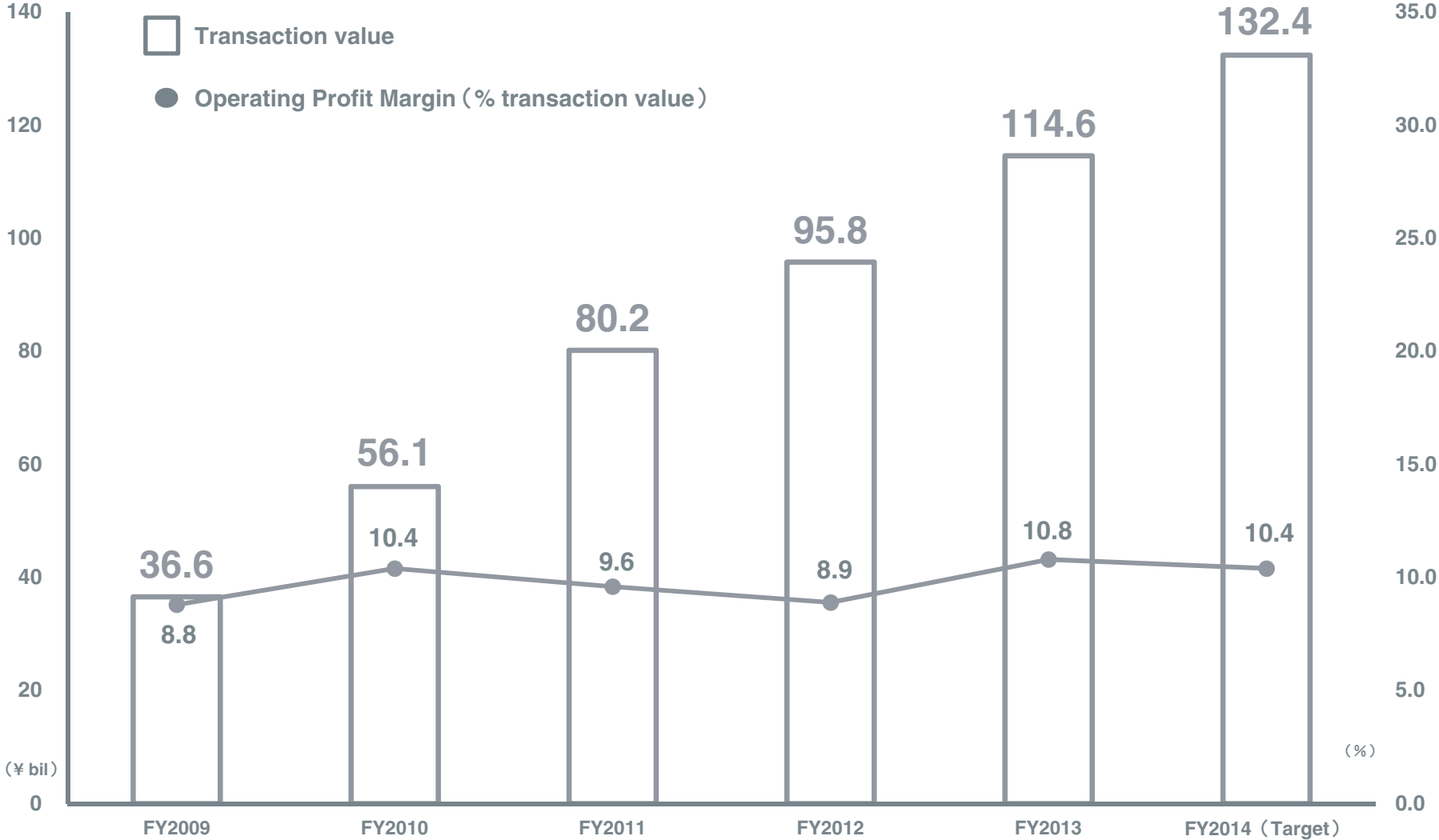
**Business Plan  
For FY2014**

# 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 2Q**

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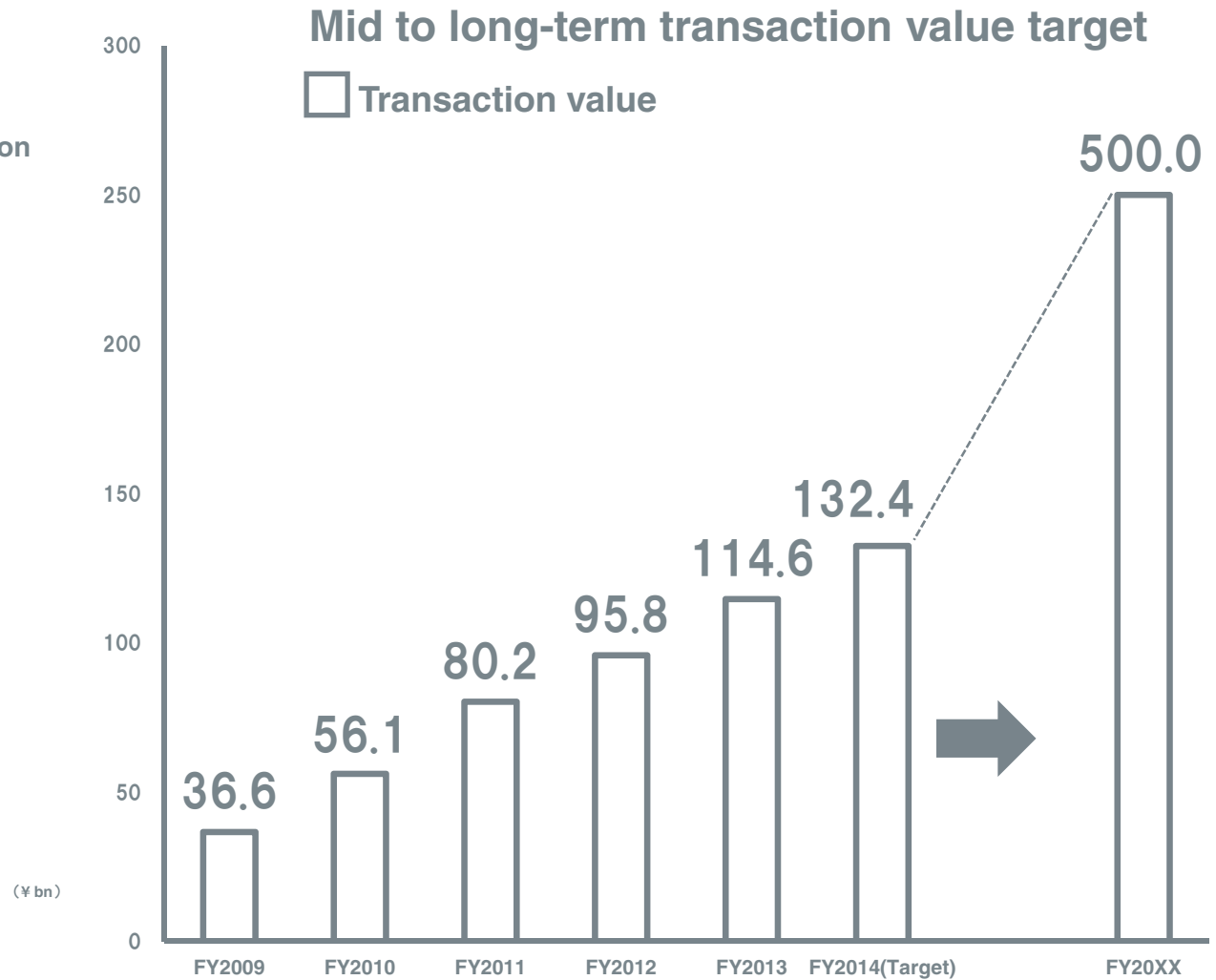
# **Future Strategies**

# Mid to Long-term Vision

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

Transaction value **500** billion

Operating profit **50** billion



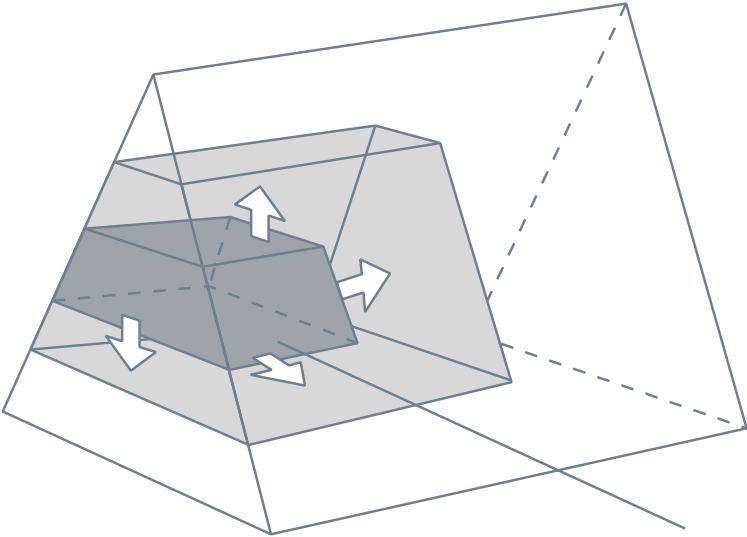
# Market Expansion Strategy

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.

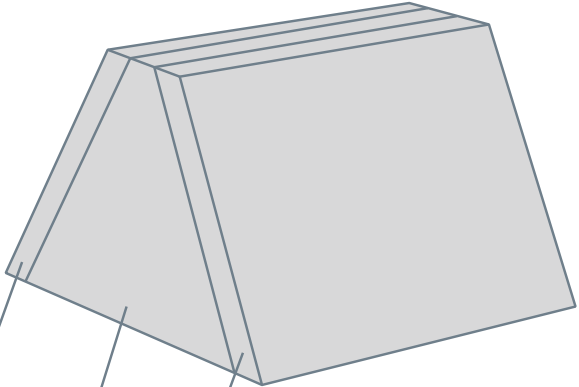
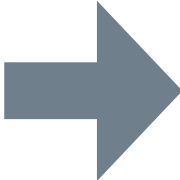
- Entire apparel market
- START TODAY's market (mid to long-term target)
- START TODAY's current market

Mid to long-term transaction value target

**¥500** billion



E-commerce utilization

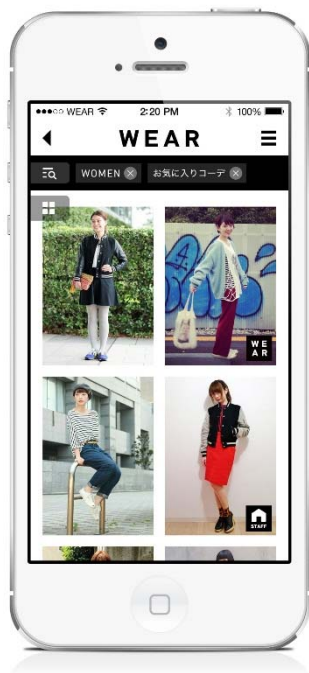


E-commerce consulting

Consignment sales

Purchased stock

# Progress in 「WEAR」



- ・ We have linked “Beauty Navi” to WEAR. (September, 2014)
- ・ Having the first major update for WEAR, ~the Recommend Function~. (October, 2014)
- ・ 4 million downloads. (October, 2014)

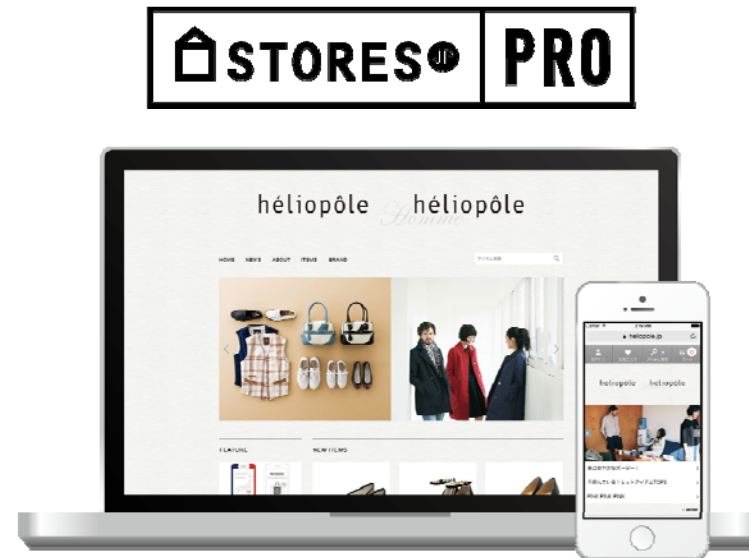
# Acquired 100% ownership of YAPPA Corporation



We have acquired 100% ownership of YAPPA Corporation, welcoming it as a wholly owned company. (2014, October)

# About our new service “STORES.jp PRO”

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- 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” (Enabling the brands to have central control over their own site’s inventory, along with ZOZOTOWN inventory)
- We are currently operating 10 sites.



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# Reference Data

# Corporate Principles

**2,355**  
high fashion brands

**618**  
employees  
( average age 28.7 )

**5,748**  
shareholders

## Corporate Principles

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

**6,026**  
across Japan

**3.52** million  
total buyers

# Major Online Mall

## 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.
- 659 stores offering 2,355 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

## Purchased Stock

We operate 17 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 "ZOZOUSED", which offers products we purchase from customers.

Sales include = Transaction value generated by each store

## Consignment Sales

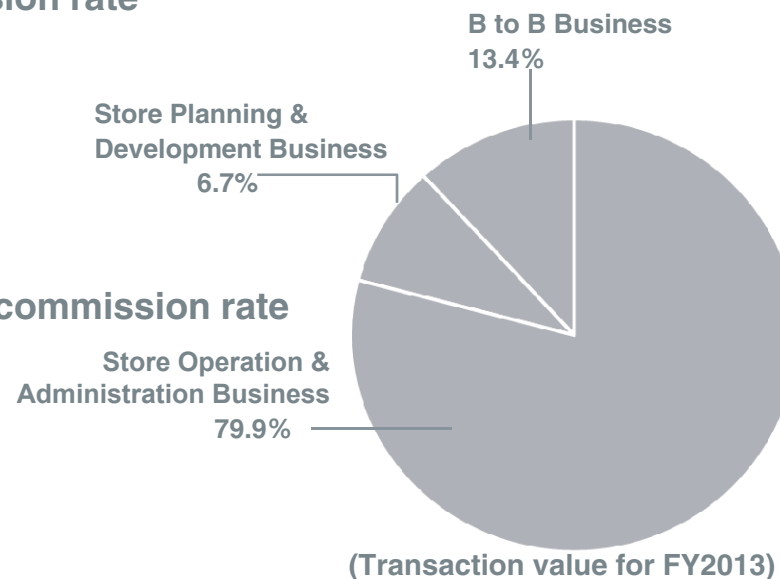
We operate 642 shops as consignment sales businesses. This business model allows us to carry a certain amount of products from the brands, while giving us low inventory risk.

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 29 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)

**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