

FY2014 3Q

Consolidated Business Results

April 1, 2014 - December 31, 2014



STARTTODAY CO.,LTD.

Overview of the Third quarter FY2014

Overview

- Total transaction value : 92.1 billion yen (+ 13.5% /Yoy)
- Operating Profit : 10.6 billion yen (+23.3% /Yoy).
- For Operating Profit, we have over achieved our corporate plan (not disclosed).

Total Transaction Value

- Mall business : 79.3 billion yen (+ 13.0% /Yoy).
- Purchased Stock Business (Selected Items) : 493 million yen (- 89.2% /Yoy)
- Purchased Stock Business (Used Clothing) : 2.9 billion yen (+ 95.9% /Yoy)
- Consignment business : 75.9 billion yen (+ 18.4% /Yoy)
- E-commerce Consulting Business : 12.7 billion yen (+ 16.6% /Yoy).

Profitability

- Operating profit margin (to total transaction value) : 11.6% (10.6% for FY2013).
- Plus factors : Control over promotion strategies (+0.7 pts),
as well as an increase in gross profit due to change in the sales mix (+0.9 pts).
- Minus factors : New logistics facilities caused an increase in fixed cost burden (-0.5pts),
as well as increase in shipping cost burden (-0.4pts).

Topics

- Updated shipping cost policies,
charging shipping for orders under ¥3,000 yen, as well as offering same day shipping for free. (October, 2014)
- Site renewal for ZOZOTOWN. (November, 2014)

Topics for WEAR

- Adding the “Blog function”. (November, 2014)
- Available in Main-land China, with the simplified Chinese character in system. (January, 2015)

FY2014 Corporate Plan

- Total transaction value : 132.4 billion yen (+15.5% /Yoy) Operating profit: 13.7 billion yen (+ 10.7% /Yoy)
- To achieve our full year goal for FY2014, the transaction value needs to grow at +20% (Yoy) during the 4th quarter.

FY2014 3Q

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

Business Performance

Overview of the Third quarter FY2014

(¥ / million)

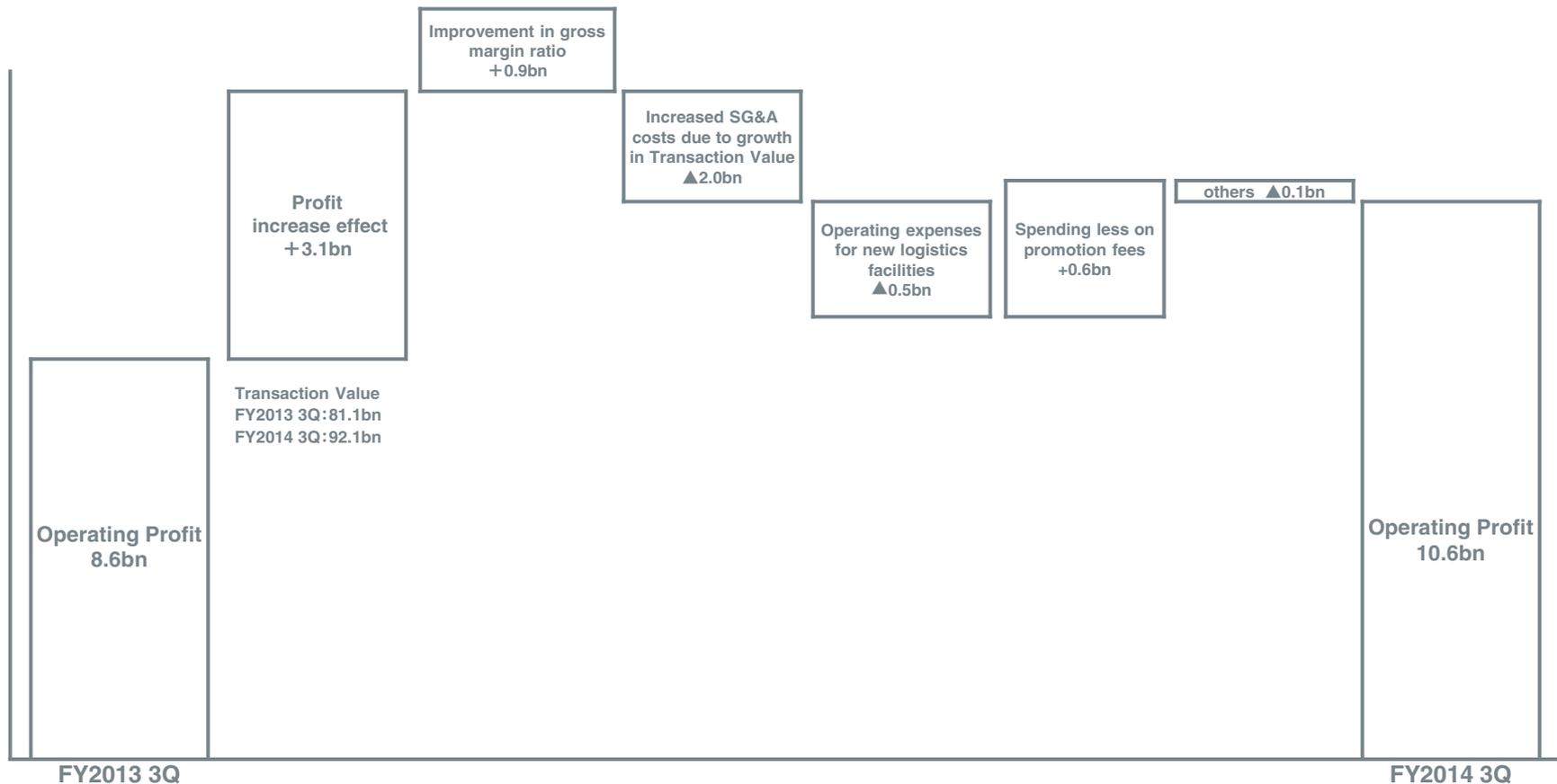
Item	FY2013 3Q	FY2014 3Q	YoY Change(%)	Target	Progress Rate(%)
Transaction value	81,139	92,112	+13.5%	132,400	69.6%
Net sales	27,776	29,253	+5.3%	41,700	70.2%
Gross profit	23,582	27,672	+17.3%	-	-
(% Transaction Value)	29.1%	30.0%	+0.9%	-	-
SG & A	14,942	17,020	+13.9%	-	-
(% Transaction Value)	18.4%	18.5%	+0.1%	-	-
Operating profit	8,640	10,652	+23.3%	13,710	77.7%
(% Transaction Value)	10.6%	11.6%	+1.0%	10.4%	-
Recurring profit	8,672	10,699	+23.4%	13,720	78.0%
Net income	5,468	6,879	+25.8%	8,430	81.6%

Overview of each quarter

(¥ / million)

Item	FY2013				FY2014		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Transaction value	24,309	25,263	31,567	33,534	27,224	28,849	36,039
YoY (%)	27.0%	16.6%	15.8%	20.4%	12.0%	14.2%	14.2%
Net sales	8,536	8,931	10,308	10,804	8,401	9,218	11,633
SG & A	4,183	4,813	5,945	6,122	5,167	5,585	6,267
YoY (%)	1.3%	-8.6%	12.4%	23.9%	23.5%	16.0%	5.4%
(% Transaction Value)	17.2%	19.1%	18.8%	18.3%	19.0%	19.4%	17.4%
Operating profit	2,873	2,568	3,198	3,748	2,883	3,160	4,609
YoY (%)	75.7%	104.7%	24.2%	22.3%	0.3%	23.1%	44.1%
(% Transaction Value)	11.8%	10.2%	10.1%	11.2%	10.6%	11.0%	12.8%

Increase-decrease analysis of operating profit (YoY comparison)



Consolidated balance sheet

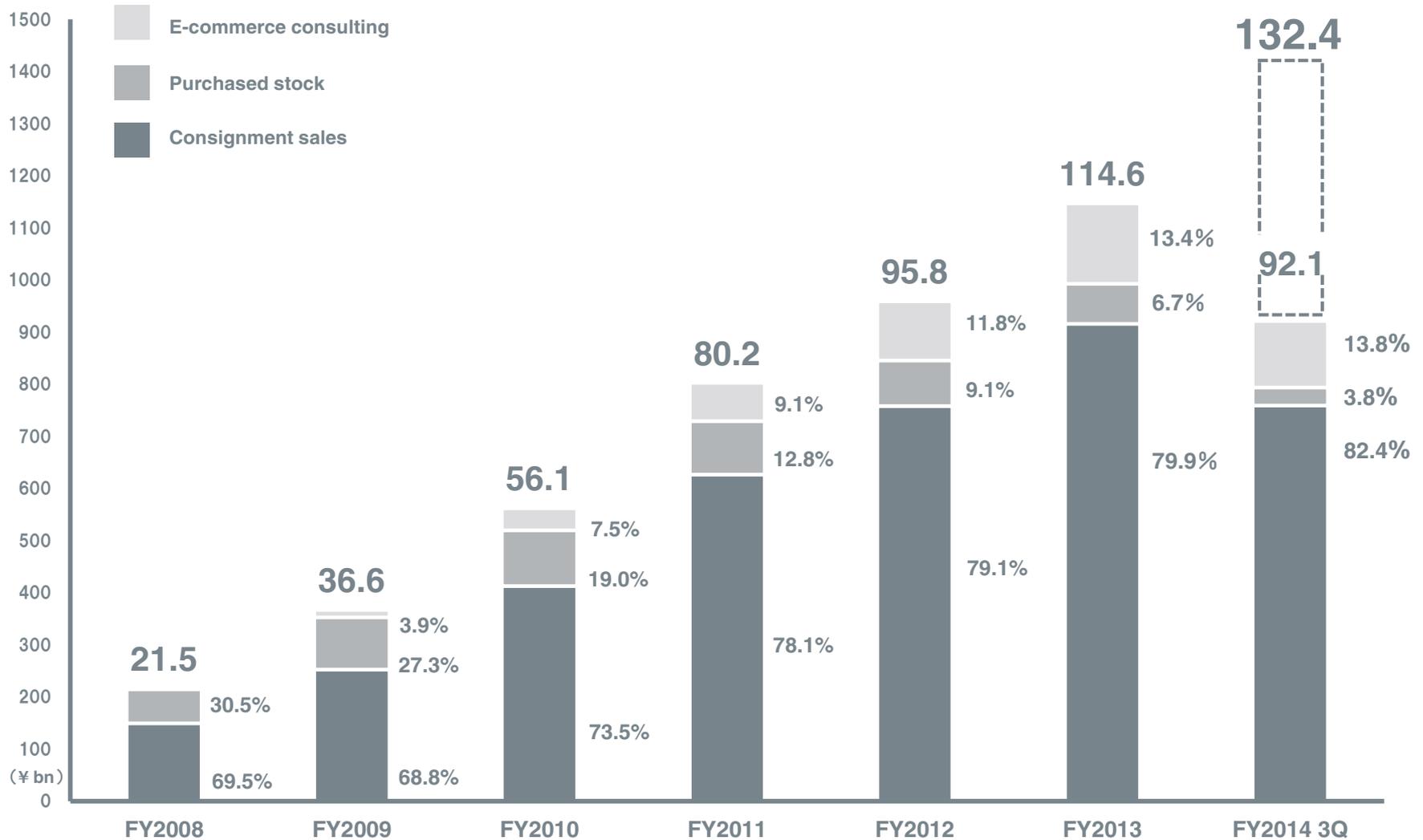
(¥ / million)

	FY2013	FY2014 3Q (as of December 31, 2014)		FY2013	FY2014 3Q (as of December 31, 2014)
Current assets	26,970	32,323	Current liabilities	12,710	14,095
Cash and deposits	17,711	18,963	Deposit received for consignment sales	7,071	8,938
Merchandise inventory	321	545	Noncurrent liabilities	1,250	1,348
Noncurrent assets	6,217	7,126	Total liabilities	13,961	15,443
Tangible assets	3,232	2,986	Shareholders' equity	18,695	23,384
Intangible assets	1,150	2,060	Treasury stock	-3,276	-2,817
Investments and other assets	1,834	2,080	Total net assets	19,227	24,006
Total assets	33,188	39,450	Total liabilities and net assets	33,188	39,450

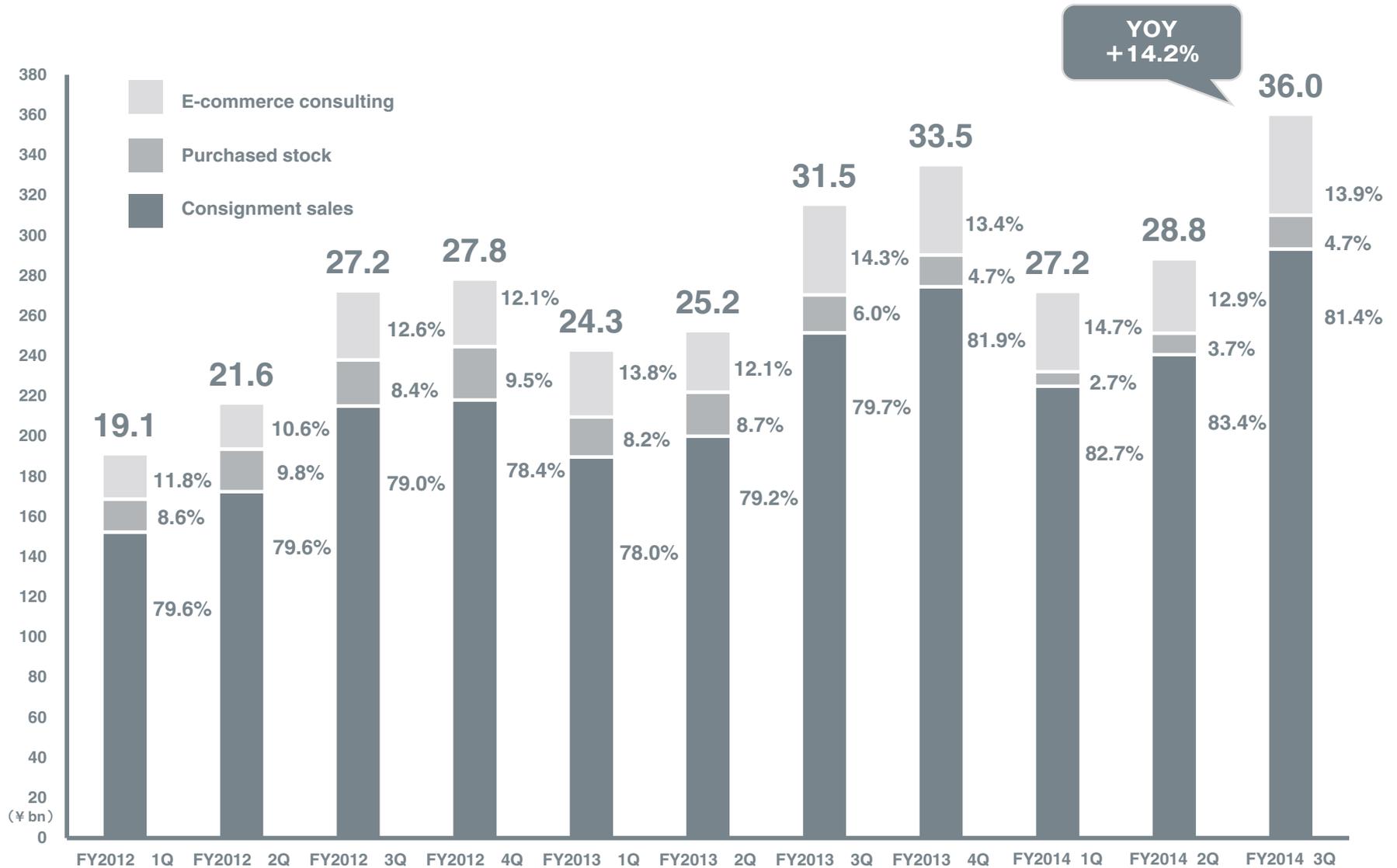
Transaction Value

Gross transaction value of new shops opened in FY2014 3Q

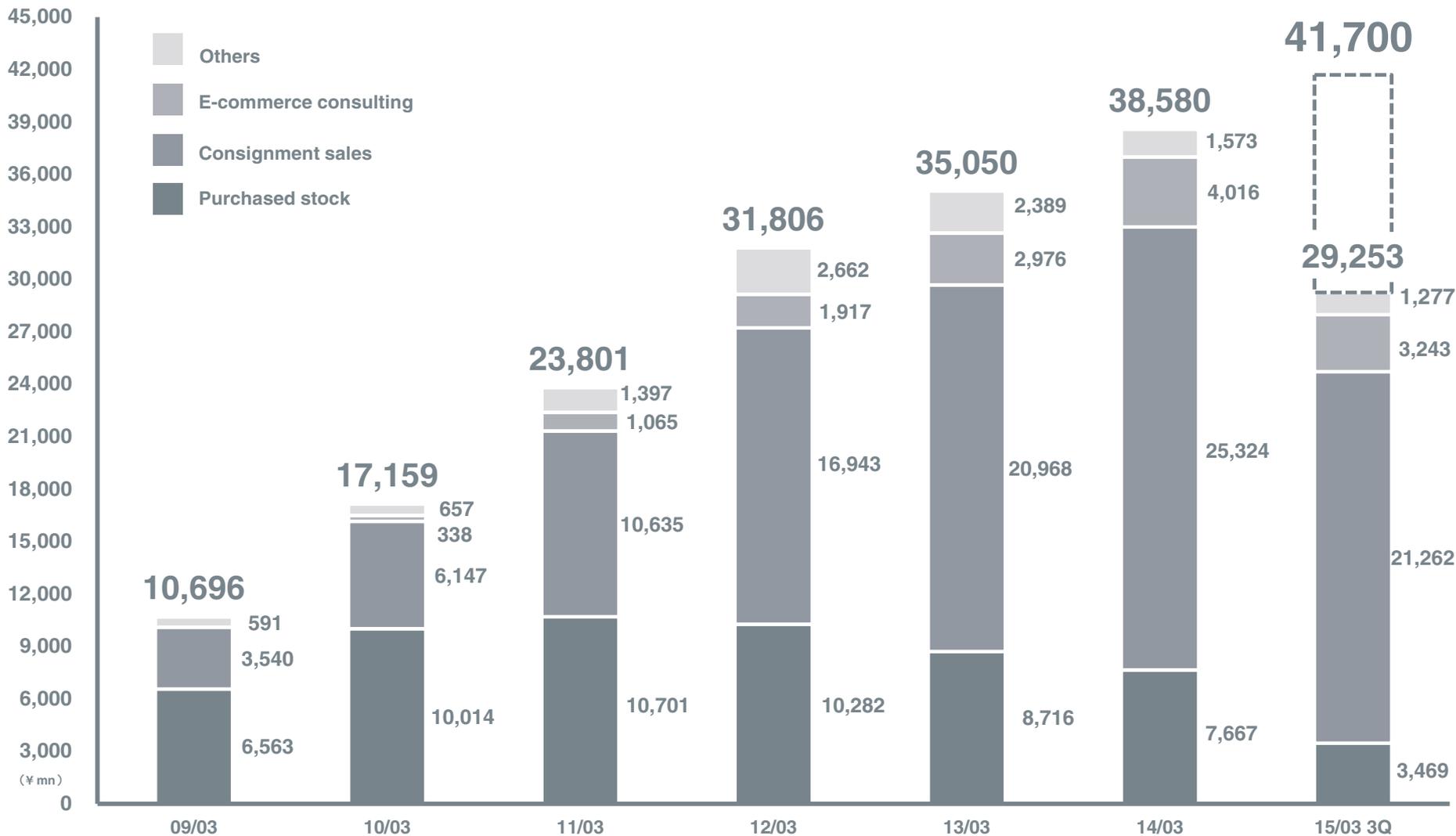
Online mall business (purchased stock & consignment sales) : ¥ 1360million, (accounts for 1.7% of the total)



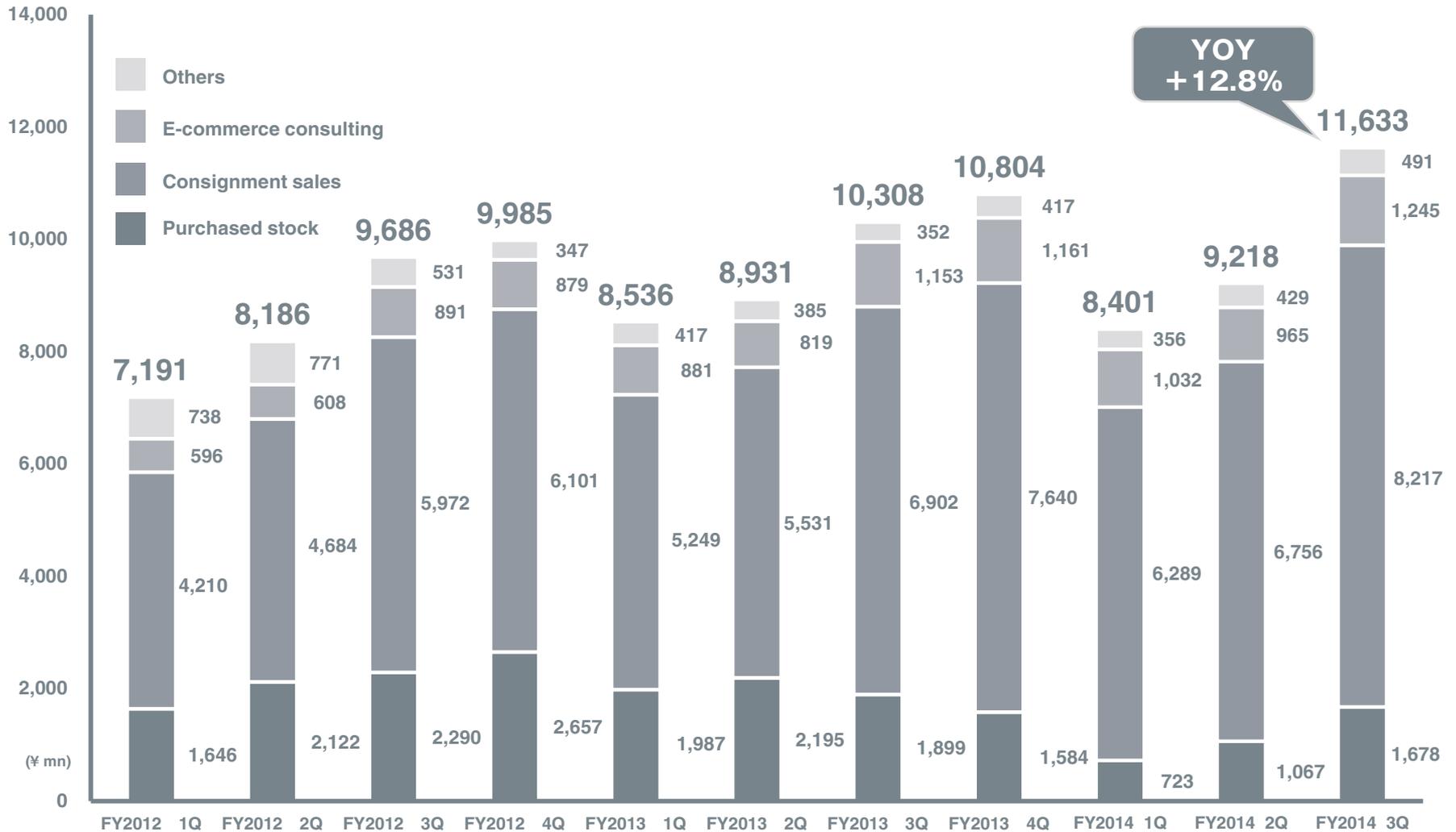
Transaction Value (Quarterly)



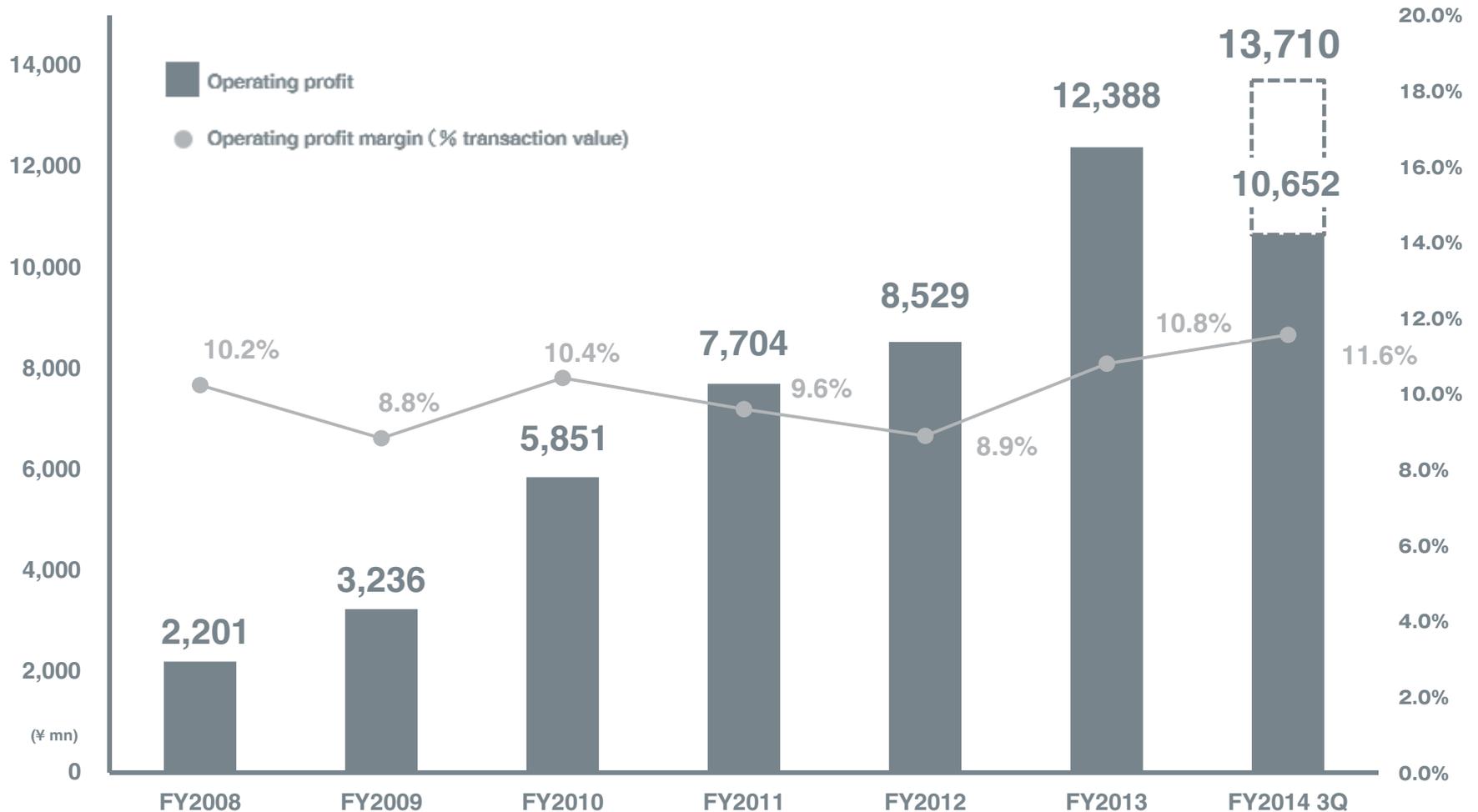
Net Sales



Net Sales(Quarterly)



Operating Profit and Operating Profit Margin



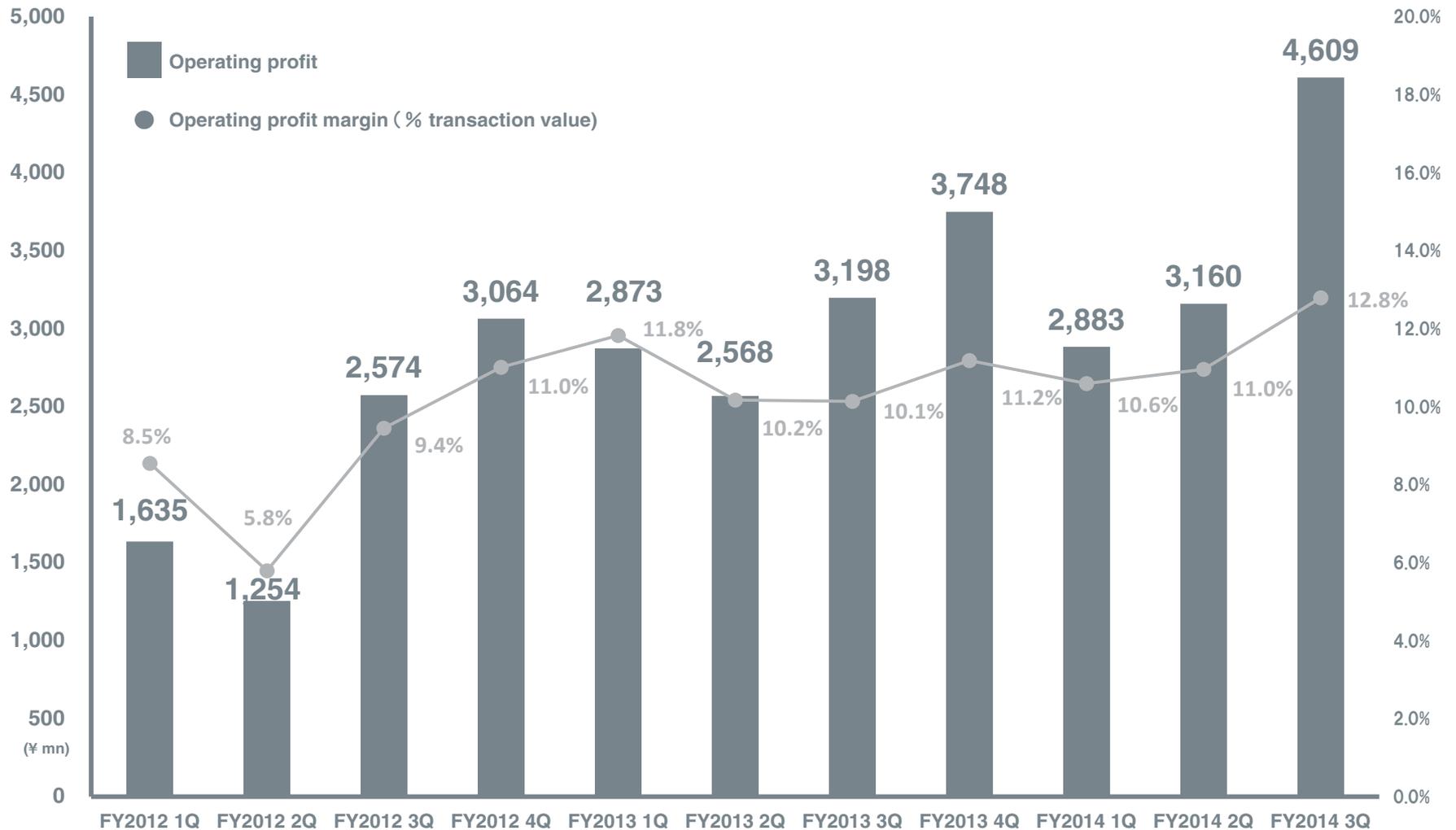
Selling, General and Administrative (SG&A) Expenses

(¥ / million)

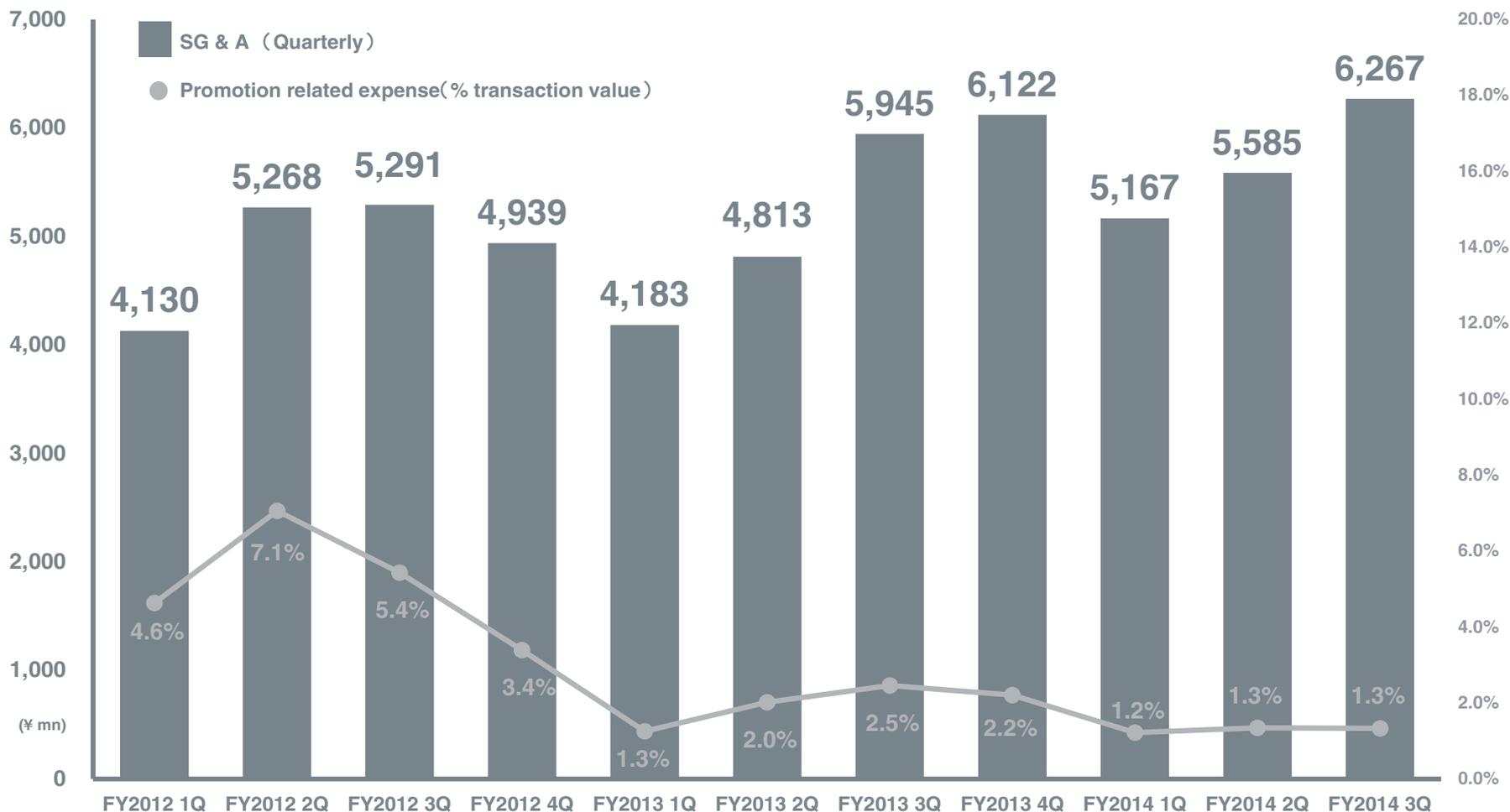
Item	FY2013 3Q		FY2014 3Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll(*)	3,948	4.9%	4,449	4.8%	-0.1%	The number of employees in our group has grown from 588 at December, 2013 to 631 of December, 2014.
Shipping	2,609	3.2%	3,362	3.6%	0.4%	Due to same day shipping services, unit price per shipment has decreased. (-3.2% / yoy)
Commission of Payment collection	1,898	2.3%	2,231	2.4%	0.1%	
Promotion related expenses	1,593	2.0%	1,202	1.3%	-0.7%	Promotion activities during October ~ December : Promotions for WEAR overseas & Our 10th year anniversary movie.
Advertising	1,037	1.3%	480	0.5%	-0.8%	
Reward points related expenses	556	0.7%	721	0.8%	0.1%	No change in point services for our customers.
Outsourcing	1,890	2.3%	1,906	2.1%	-0.2%	
Rent expense	788	1.0%	1,273	1.4%	0.4%	Annual lease expense for new logistics facilities.
Depreciation	376	0.5%	577	0.6%	0.1%	
Others	1,838	2.3%	2,016	2.2%	-0.1%	Amortization of goodwill burden has increased, however variable costs were more efficient.
Total SG&A	14,942	18.4%	17,020	18.5%	0.1%	

*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)



Overview of SG&A by each quarter

(¥ / million)

FY2013								
Item	1Q		2Q		3Q		4Q	
	Amount	%Transaction value						
Payroll(*)	1,204	5.0%	1,247	4.9%	1,495	4.7%	1,704	5.1%
Shipping	807	3.3%	912	3.6%	889	2.8%	1,094	3.3%
Commission of Payment collection	566	2.3%	607	2.4%	724	2.3%	771	2.3%
Promotion related expenses	305	1.3%	510	2.0%	777	2.5%	741	2.2%
Advertising	122	0.5%	376	1.5%	538	1.7%	483	1.4%
Reward points related expenses	183	0.8%	134	0.5%	238	0.8%	258	0.8%
Outsourcing	636	2.6%	637	2.5%	616	2.0%	534	1.6%
Rent expense	124	0.5%	226	0.9%	437	1.4%	424	1.3%
Depreciation	78	0.3%	88	0.4%	208	0.7%	210	0.6%
Others	459	1.9%	582	2.3%	795	2.5%	639	1.9%
Total SG&A	4,183	17.2%	4,813	19.1%	5,945	18.8%	6,122	18.3%

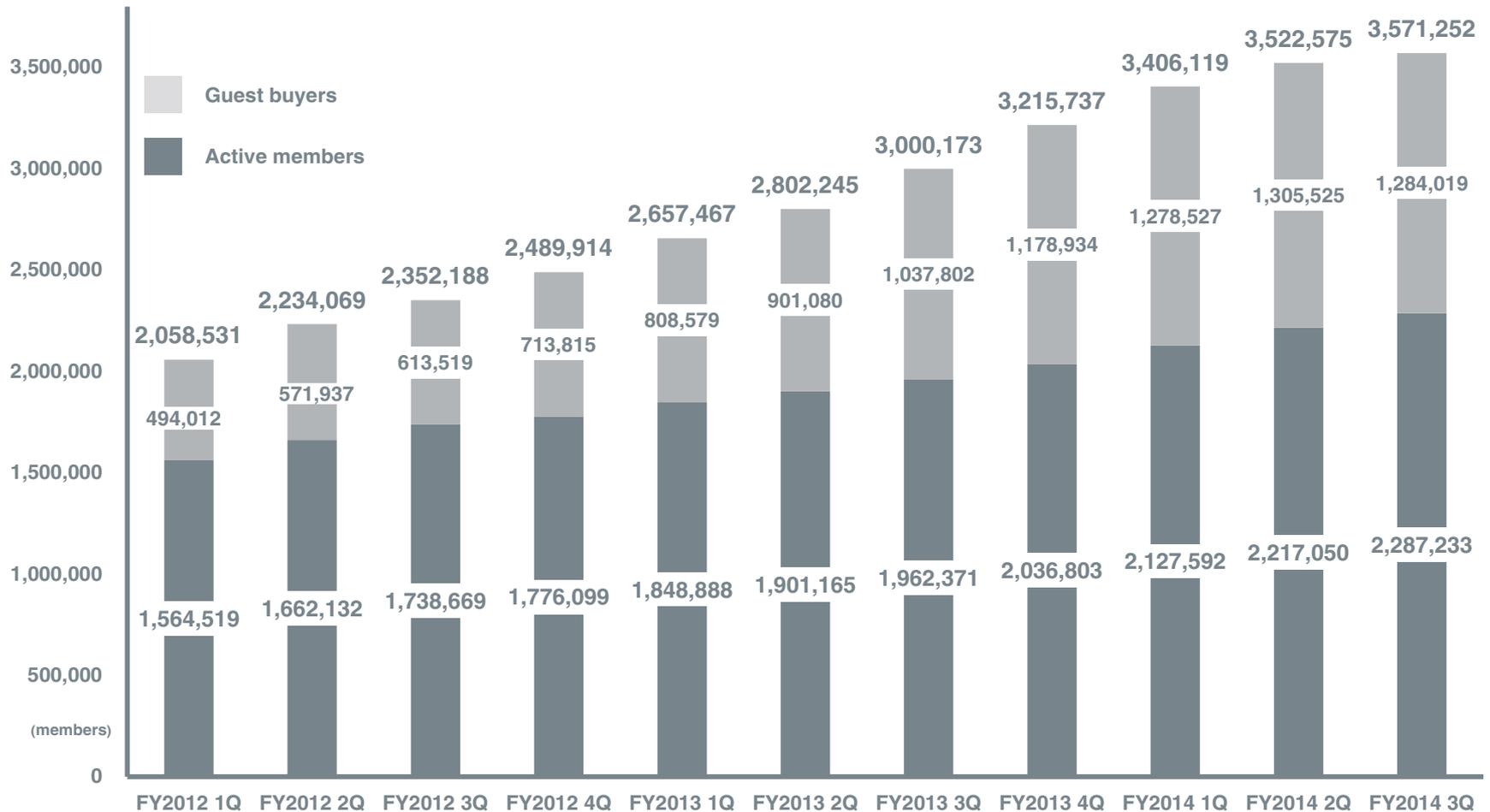
FY2014						
Item	1Q		2Q		3Q	
	Amount	% Transaction value	Amount	% Transaction value	Amount	% Transaction value
Payroll(*)	1,414	5.2%	1,447	5.0%	1,587	4.4%
Shipping	1,003	3.7%	1,166	4.0%	1,192	3.3%
Commission of Payment collection	663	2.4%	719	2.5%	849	2.4%
Promotion related expenses	331	1.2%	389	1.3%	481	1.3%
Advertising	123	0.5%	142	0.5%	213	0.6%
Reward points related expenses	207	0.8%	246	0.9%	267	0.7%
Outsourcing	586	2.2%	607	2.1%	713	2.0%
Rent expense	422	1.6%	424	1.5%	425	1.2%
Depreciation	183	0.7%	192	0.7%	201	0.6%
Others	561	2.1%	640	2.2%	815	2.3%
Total SG&A	5,167	19.0%	5,585	19.4%	6,267	17.4%

Number of Total Buyers

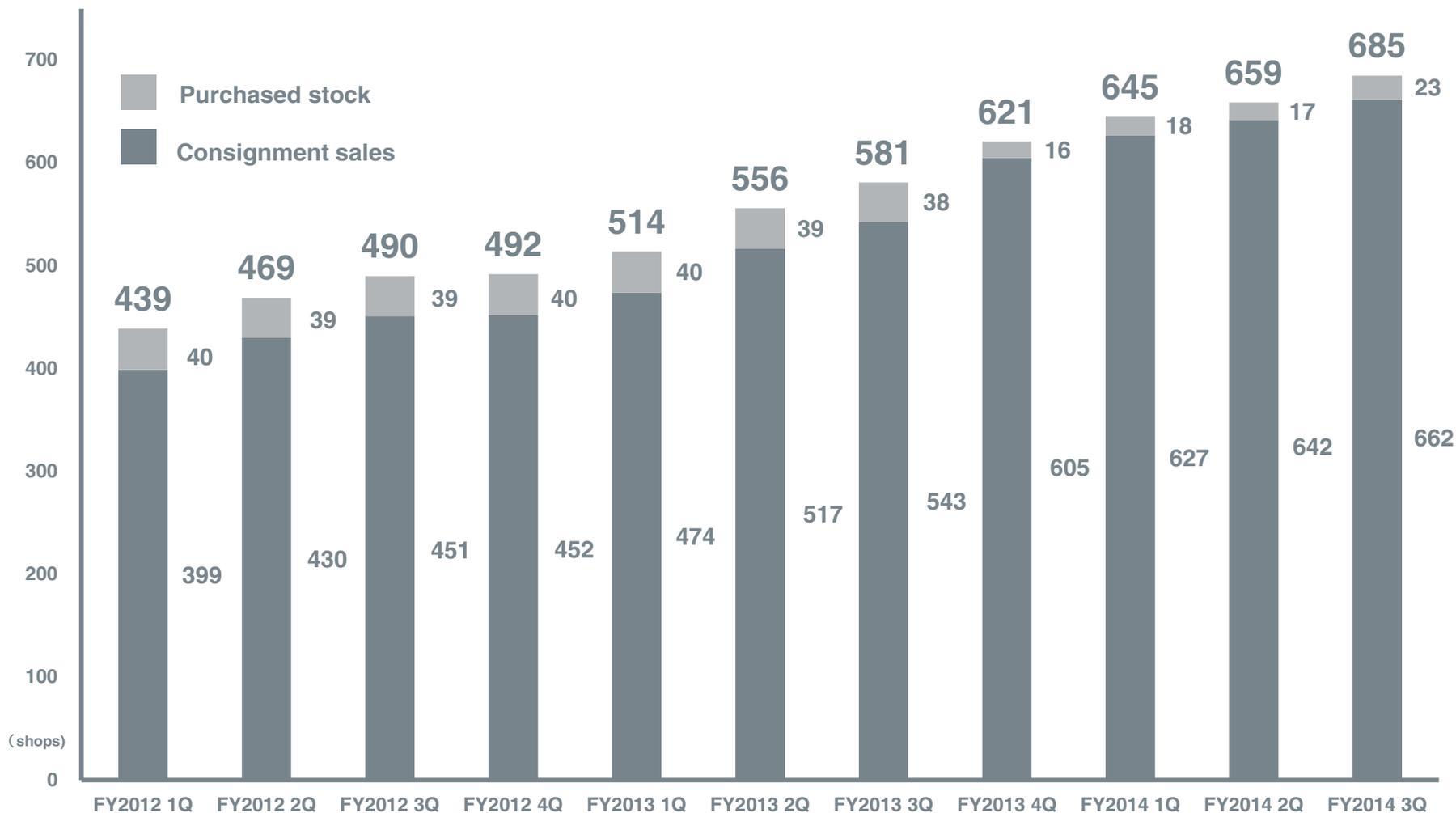
Number of total buyers = Active members and guest buyers who made at least one purchase within a year

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

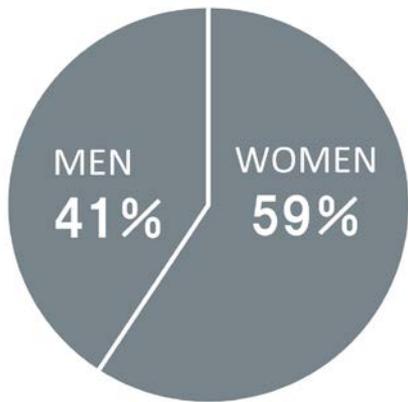


Number of shops of Mall business

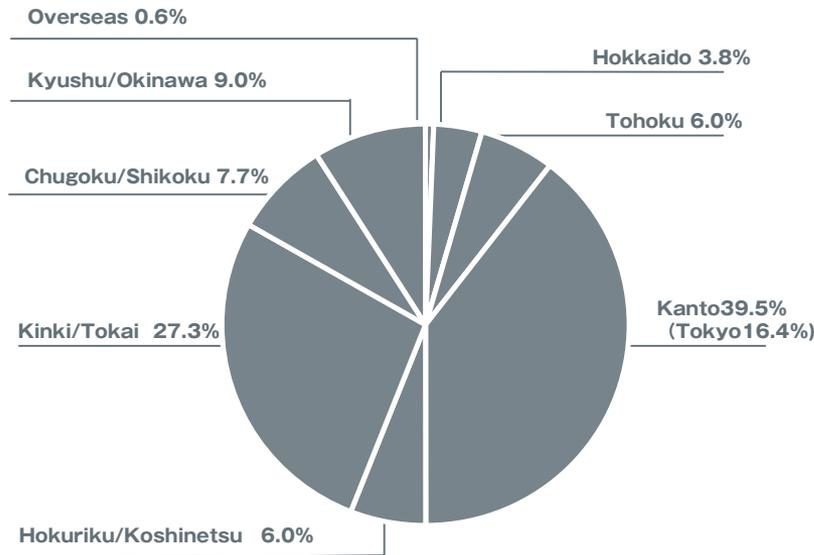


Member Distribution

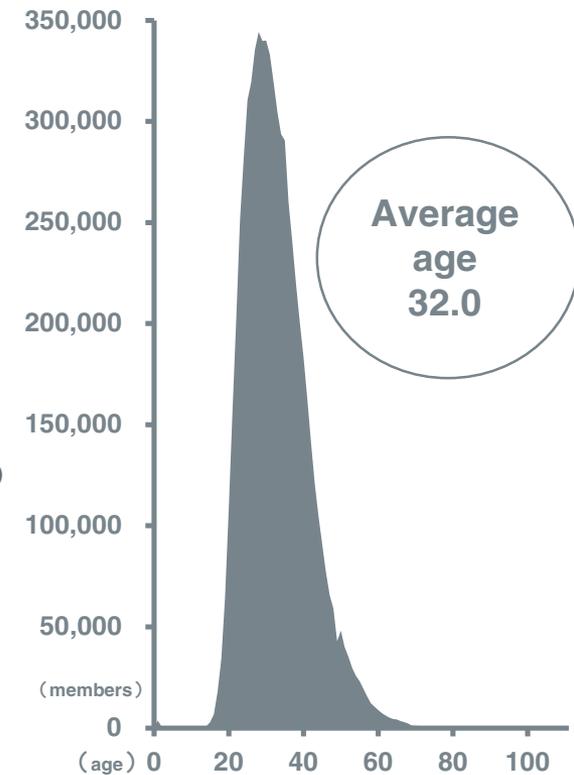
■ Gender ratio



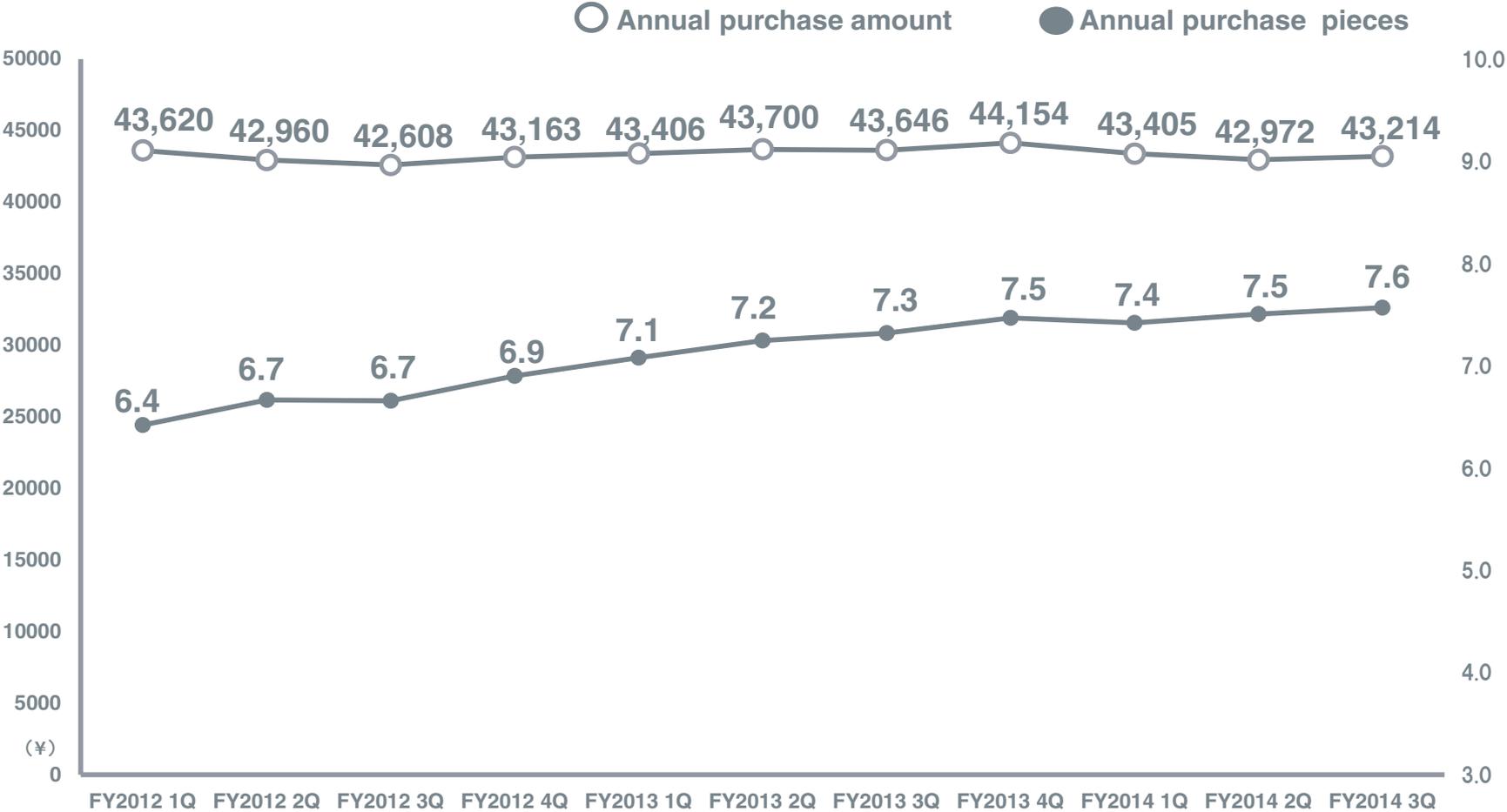
■ Geographical distribution



■ Age distribution



Annual Purchase Amount and pieces per Active Member

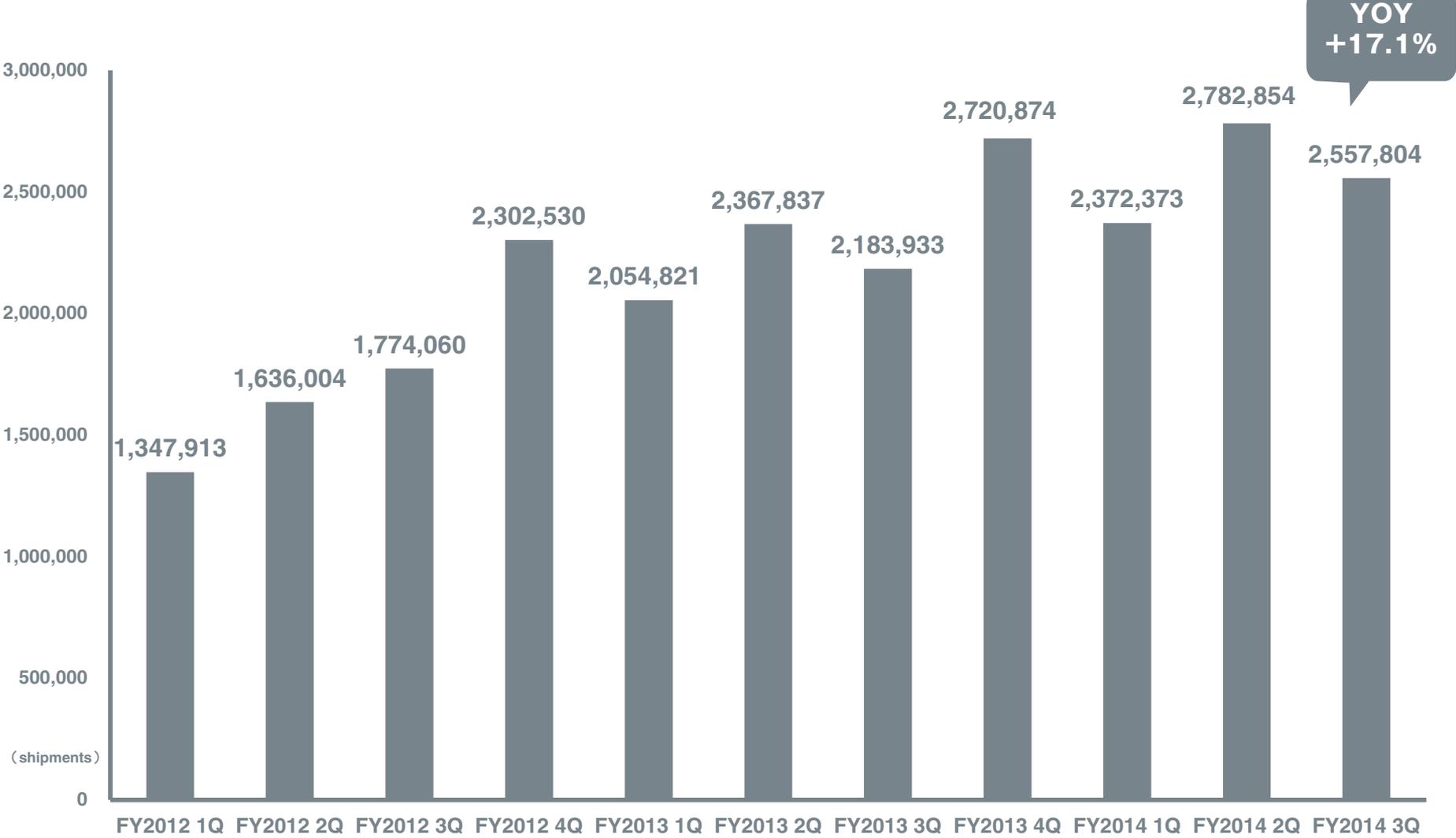


Average Purchase Amount per Shipment and Average Retail Price

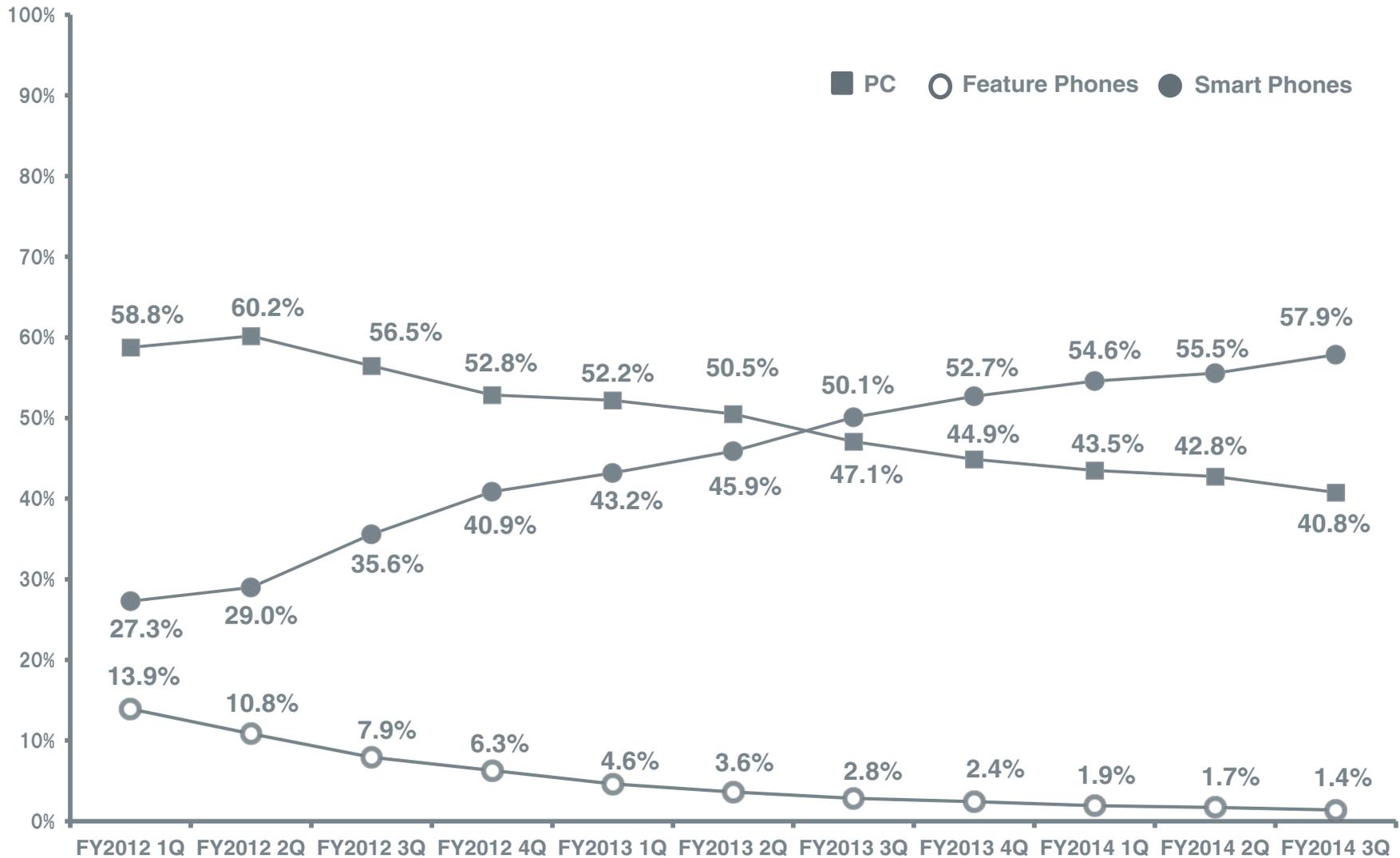
Average purchase amount per shipment = Transaction value / Number of shipments



Number of Shipments



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



10th year Anniversary Promotions for ZOZOTOWN

Welcoming the 10th year anniversary of ZOZOTOWN, (established on December 15th, 2004)

We will have a number of special exhibitions planned out though the year.

What we've done !

[Website Renewal]

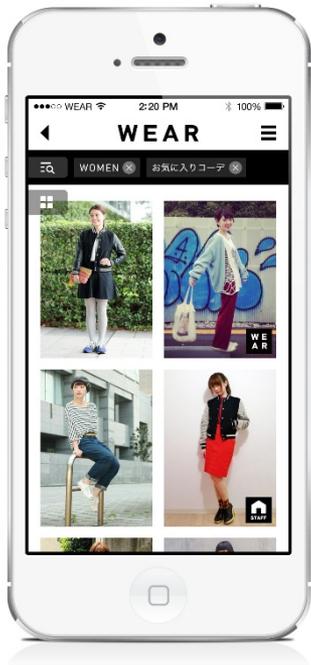
- Selling magazines to our customers on ZOZOTOWN.
- Having a content called the “Magazine News” where customers are able to read magazine articles on ZOZOTOWN.
- ZOZOVILLA(Our High-end fashion shopping website) is now integrated into ZOZOTOWN.
- The new notification function is designed to give individual pop up suggestions to each of our customers.
- The ZOZOTOWN Lottery.
- Reformed our smart phone website.
- **Our 10th year anniversary movie.**
- **New delivery packages**
In 2 colors, black & white. (for a limited time)
- **The price of Dreams**
With the Magazine, “BRUTUS” (published by Magazine House, Ltd.)
we are holding sales for rare products, naming the project “The price of Dreams” .



The new design box

The 10th year anniversary design box (limited edition)

Progress in 「WEAR」



- More than 4 million downloads. (October, 2014)
- The services we used to offer at ZOZOTOWN, “ZOZOPEOPLE”(an information transmission service) & “ZOZONAVI”(a locator for real shops) are now both integrated into “WEAR”. (November,2014)
- The “Blog function” (November,2014)
- Started offering services in main-land China, with the simplified Chinese character system applied. (January, 2015)
⇒ Currently available in 26 regions and countries

FY2014 3Q

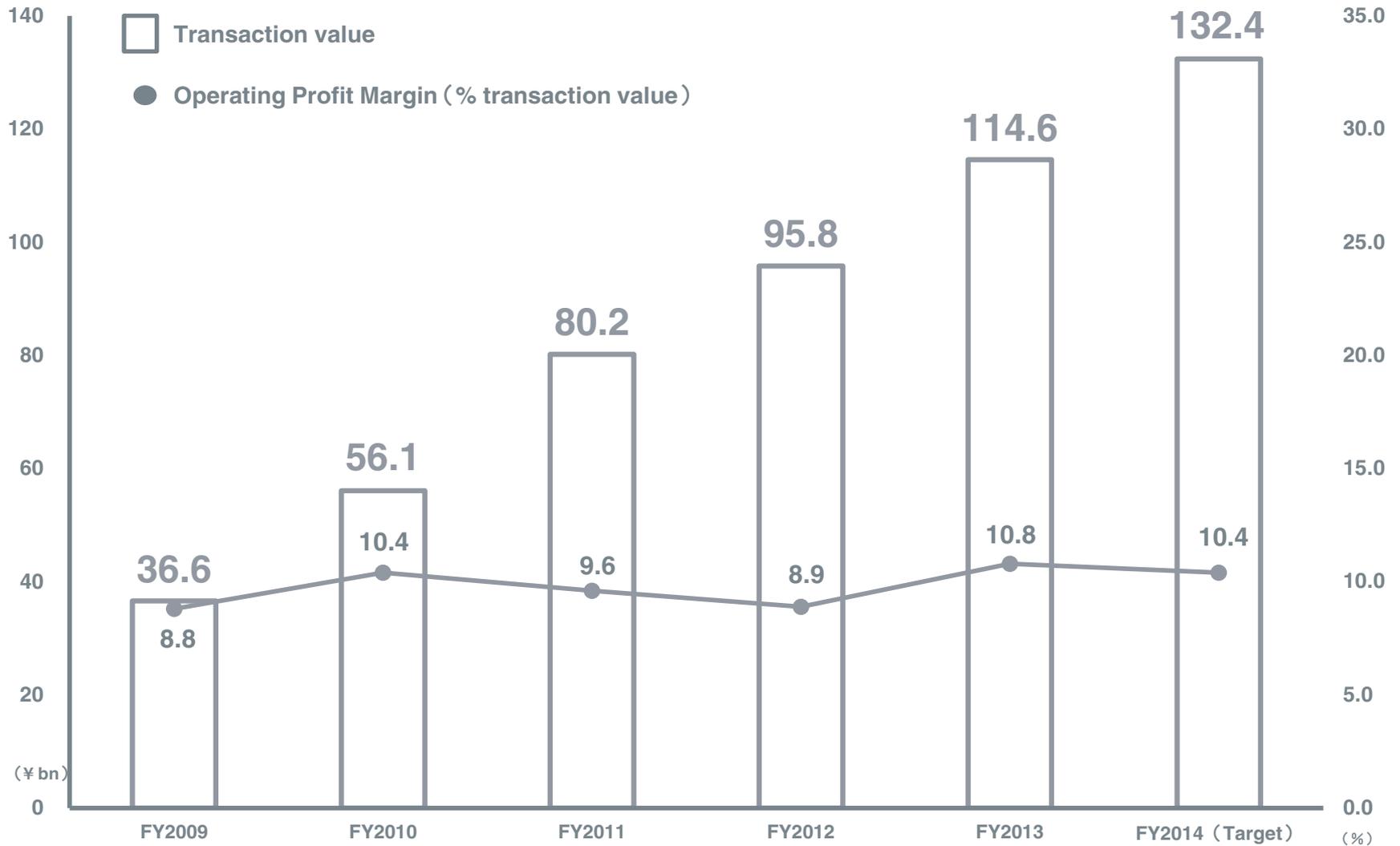
**Consolidated Business Results
STARTTODAY CO.,LTD.**

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 ZOZOUSED 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
- The EC consulting business will not include sales from Stores.jp PRO Business during this year.

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 3Q

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

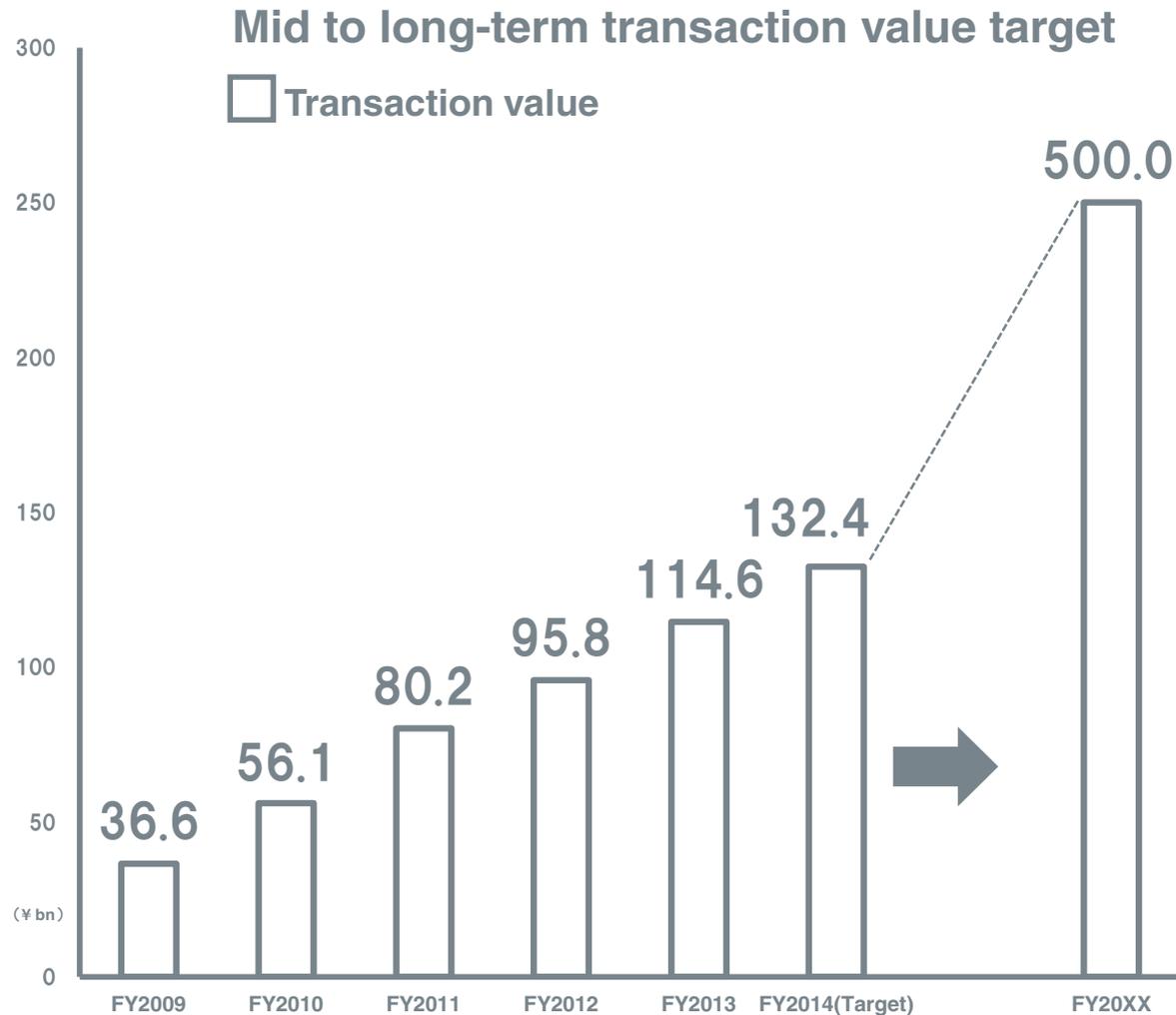
Future Strategies

Mid to Long-term Vision

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

Transaction value **500** billion

Operating profit **50** billion



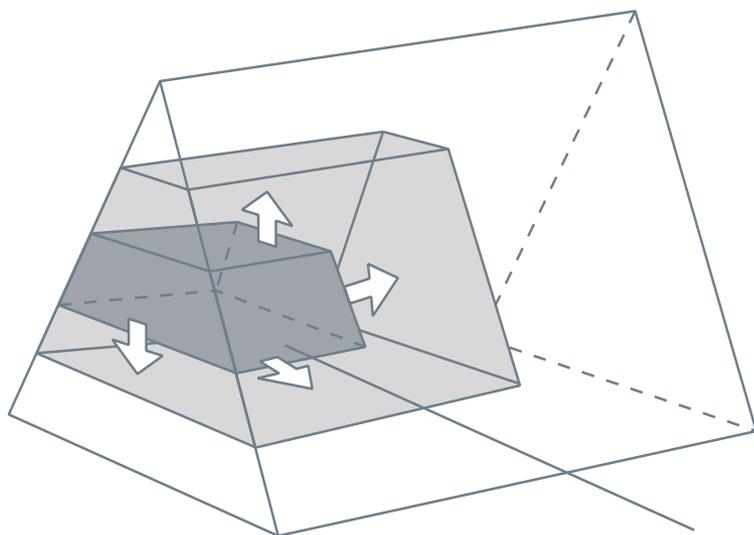
Market Expansion Strategy

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.

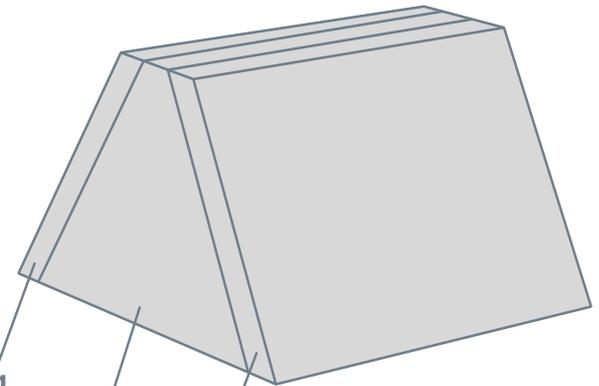
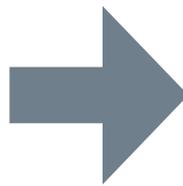
- Entire apparel market
- START TODAY's market (mid to long-term target)
- START TODAY's current market

Mid to long-term transaction value target

¥500 billion



E-commerce utilization



E-commerce consulting

Consignment sales

Purchased stock

FY2014 3Q

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

Reference Data

Corporate Principles

2,624
high fashion brands

631
employees
(average age 29.1)

4,926
shareholders

Corporate Principles

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

6,013
shops across Japan

3.57 million
total buyers

Major Online Services

ZOZOTOWN

Japan's Largest Online Retailer of Apparel and Accessories

- 685 stores offering 2,624 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, all functions are built in house.



ZOZOTOWN <http://zozo.jp/>

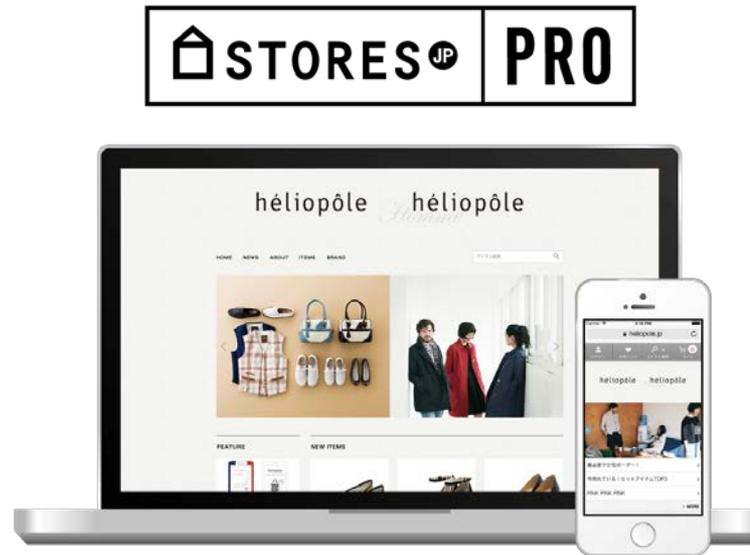
WEAR

Japan's largest fashion coordination app

- When uploading coordinate pics, tag each item worn in the look, using information on our data base. The system allows anyone to search for coordinates and items by various queries.
- Official users who we call WEARISTAs, include popular models, singers, actors and actresses.
- Over 4 million downloads, as well as 2million coordinate pics uploaded.
- Available in 26 regions and countries, including Japan, China, Taiwan, and Korea.



About our service “STORES.jp PRO”



- 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 16 sites. (December,2014)

Purchased Stock

We operate 23 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 662 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.

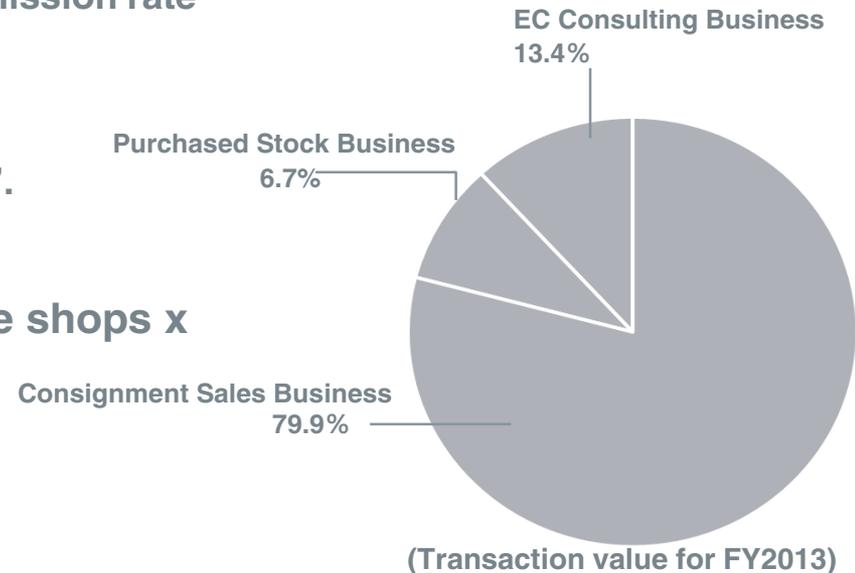
Sales include = Transaction value of each store x commission rate

EC consulting 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 33 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 others such as shipping.



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