

# 1Q FY2015

**CONSOLIDATED  
BUSINESS RESULTS  
APRIL1,2015-JUNE30,2015**



START TODAY CO.,LTD.

# FY2015 1Q HIGHLIGHTS

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## Overview

- Total Transaction Value : 33,271 million yen (+22.2%, Yoy) Operating Profit : 3,733 million yen (+29.5%, Yoy)  
→Though the total transaction value increased steadily, the second half of the fiscal year will be the real match.

## Total Transaction Value

- ZOZOTOWN Business  
    Consignment Business                      28,887 million (+ 24.4%, Yoy)  
    Purchased Stock Business                 27,409 million yen (+ 21.8%, Yoy)  
    ZOZOUSED Business                        170 million yen (+ 23.9%, Yoy)  
    ZOZOUSED Business                        1,307 million yen (+ 123.4%, Yoy)  
    →With effective promotions, UU & CVR has grown firmly.  
    →Average retail price is showing a downward trend, (-7.4%,Yoy)  
    though the drop in average purchase amount should be limited (-1.9%, Yoy).
- B to B Business : 4,383 million yen (+ 9.7%, Yoy)

## Profitability

- Operating profit margin (to total transaction value) : 11.2% (10.6% for FY2014 1Q).  
Factors improving profitability : Improvement in gross profit margins, as well as the declined ratio of fixed costs  
Factors worsening profitability : Spending more on promotions, as well as an increase in the shipping cost burden.

## Topics

- As an opportunity of WEAR reaching 5 million downloads, we have fully renewed the smart phone site and app. (April, 2015)
- Welcoming the 10th year anniversary, we held ¥0 sales on ZOZOTOWN. (April, 2015)
- Introducing the ZOZOTOWN sponsorship (June, 2015)

**BUSINESS  
PERFORMANCE  
FY2015 1Q  
CONSOLIDATED  
BUSINESS RESULTS  
APRIL 1, 2015-  
JUNE 30, 2015**

# OVERVIEW OF THE FY2015 1Q

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(¥ / million)

Item	FY2014 1Q	FY2015 1Q	YoY Change(%)	Target	Progress Rate(%)
Transaction value	27,224	33,271	+22.2%	168,200	19.8%
Net sales	8,401	10,856	+29.2%	53,800	20.2%
Gross profit	8,050	10,186	+26.5%	-	-
(% Transaction Value)	29.6%	30.6%	+1.0%	-	-
SG&A	5,167	6,453	+24.9%	-	-
(% Transaction Value)	19.0%	19.4%	+0.4%	-	-
Operating profit	2,883	3,733	+29.5%	19,140	19.5%
(% Transaction Value)	10.6%	11.2%	+0.6%	11.4%	-
Recurring profit	2,912	3,797	+30.4%	19,160	19.8%
Profit attributable to owners of parent	1,873	2,501	+33.5%	12,520	20.0%

# OVERVIEW OF EACH QUARTER

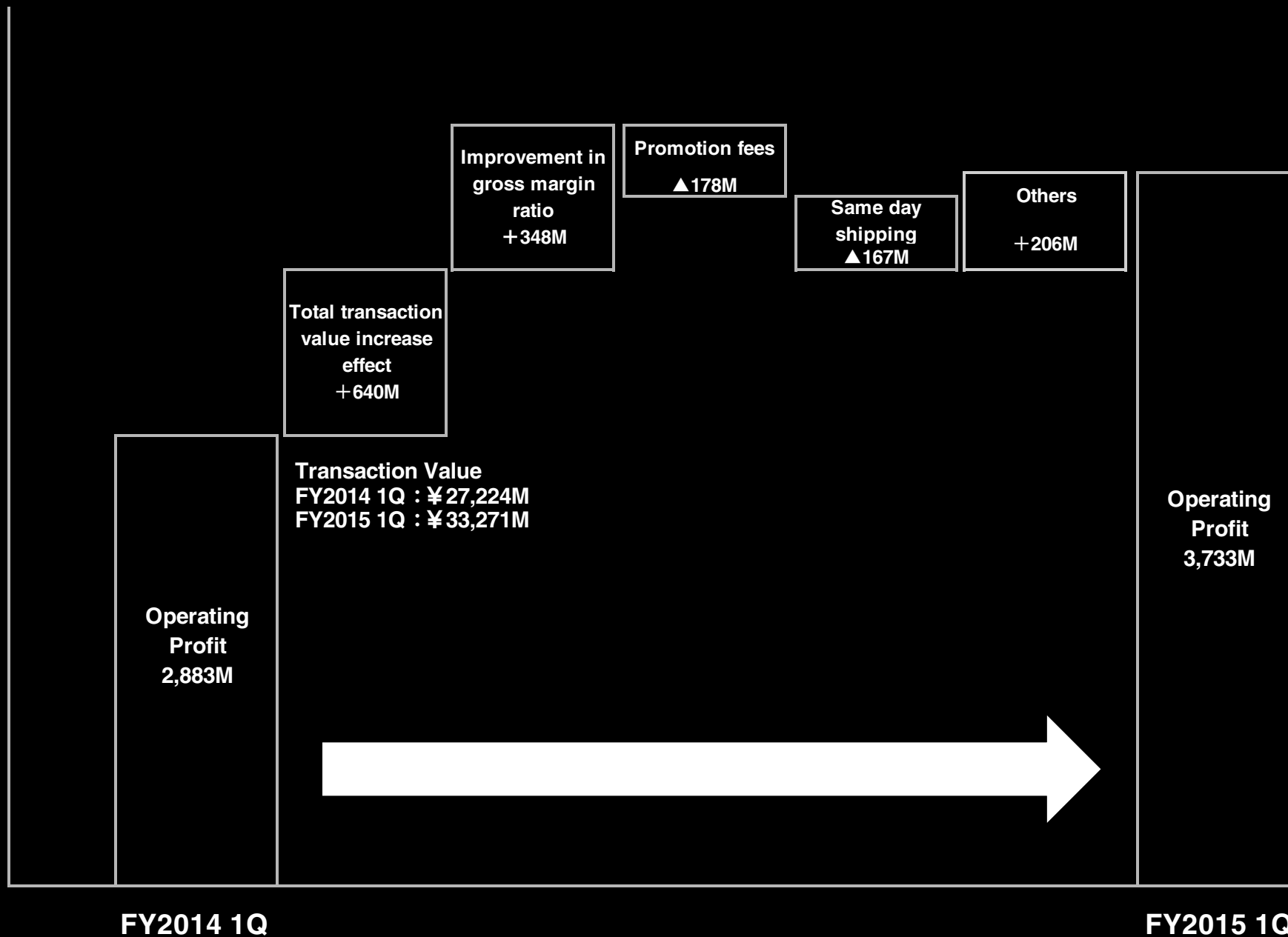
4

(¥ / million)

Item	FY2014				FY2015
	1Q	2Q	3Q	4Q	1Q
Transaction value	27,224	28,849	36,039	36,946	33,271
YoY (%)	12.0%	14.2%	14.2%	10.2%	22.2%
Net sales	8,401	9,218	11,633	11,929	10,856
SG & A	5,167	5,585	6,267	6,672	6,453
YoY (%)	23.5%	16.0%	5.4%	9.0%	24.9%
(% Transaction Value)	19.0%	19.4%	17.4%	18.1%	19.4%
Operating profit	2,883	3,160	4,609	4,431	3,733
YoY (%)	0.3%	23.1%	44.1%	18.2%	29.5%
(% Transaction Value)	10.6%	11.0%	12.8%	12.0%	11.2%

# INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (YoY COMPARISON)

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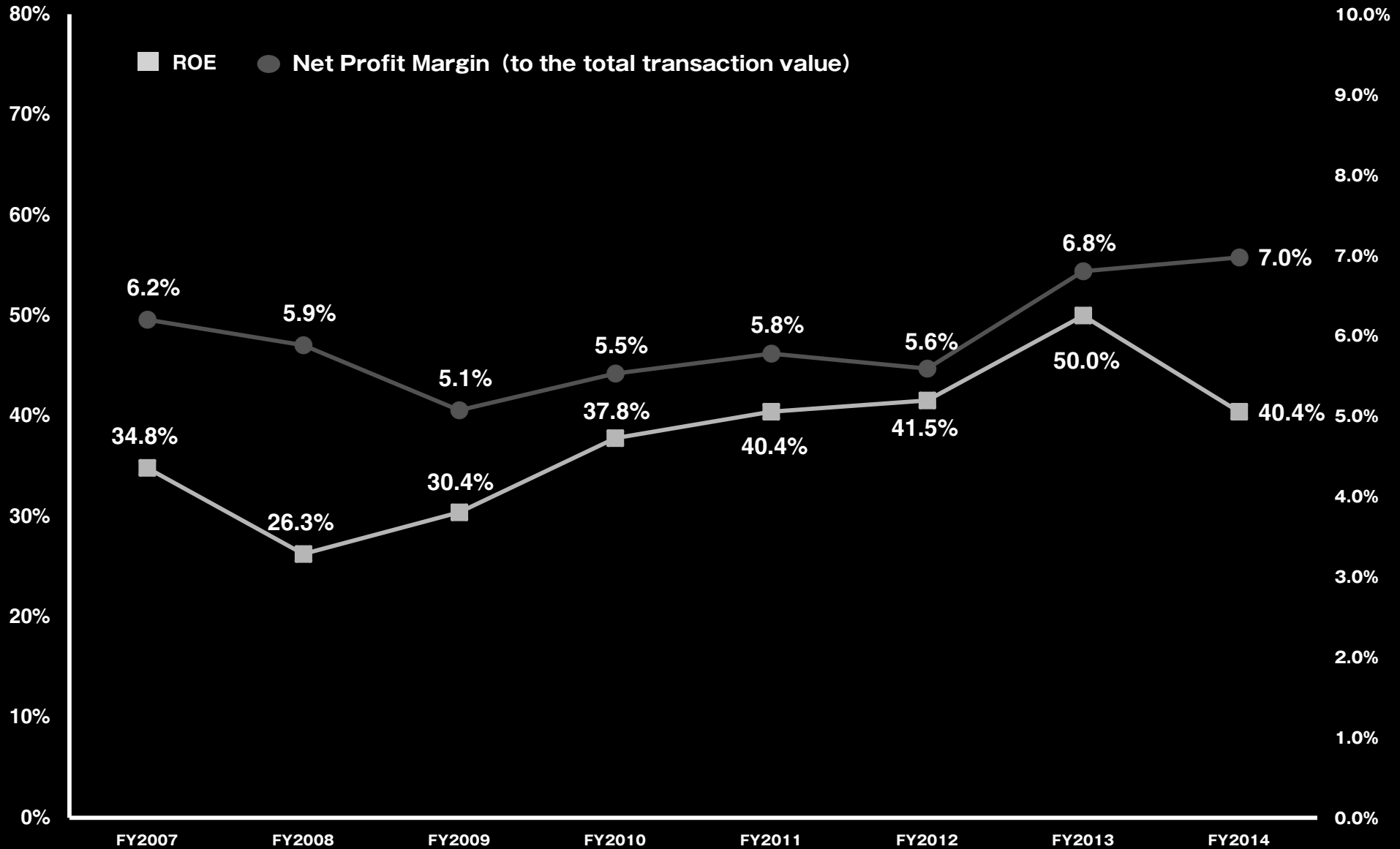
# CONSOLIDATED BALANCE SHEET

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(¥ / million)

	FY2014 (as of March 31, 2015)	FY2015 1Q (as of June 30, 2015)		FY2014 (as of March 31, 2015)	FY2015 1Q (as of June 30, 2015)
<b>Current assets</b>	<b>35,296</b>	<b>34,870</b>	<b>Current liabilities</b>	<b>13,744</b>	<b>13,026</b>
<b>Cash and deposits</b>	<b>24,713</b>	<b>22,356</b>	<b>Deposit received for consignment sales</b>	<b>6,719</b>	<b>7,926</b>
<b>Merchandise inventory</b>	<b>530</b>	<b>641</b>	<b>Noncurrent liabilities</b>	<b>1,362</b>	<b>1,500</b>
<b>Noncurrent assets</b>	<b>6,055</b>	<b>9,387</b>	<b>Total liabilities</b>	<b>15,106</b>	<b>14,527</b>
<b>Tangible assets</b>	<b>2,819</b>	<b>2,977</b>	<b>Shareholders' equity</b>	<b>25,504</b>	<b>28,989</b>
<b>Intangible assets</b>	<b>1,440</b>	<b>4,147</b>	<b>Treasury stock</b>	<b>-2,817</b>	<b>-1,700</b>
<b>Investments and other assets</b>	<b>1,795</b>	<b>2,261</b>	<b>Total net assets</b>	<b>26,244</b>	<b>29,730</b>
<b>Total assets</b>	<b>41,351</b>	<b>44,257</b>	<b>Total liabilities and net assets</b>	<b>41,351</b>	<b>44,257</b>

# ROE AND NET PROFIT MARGIN

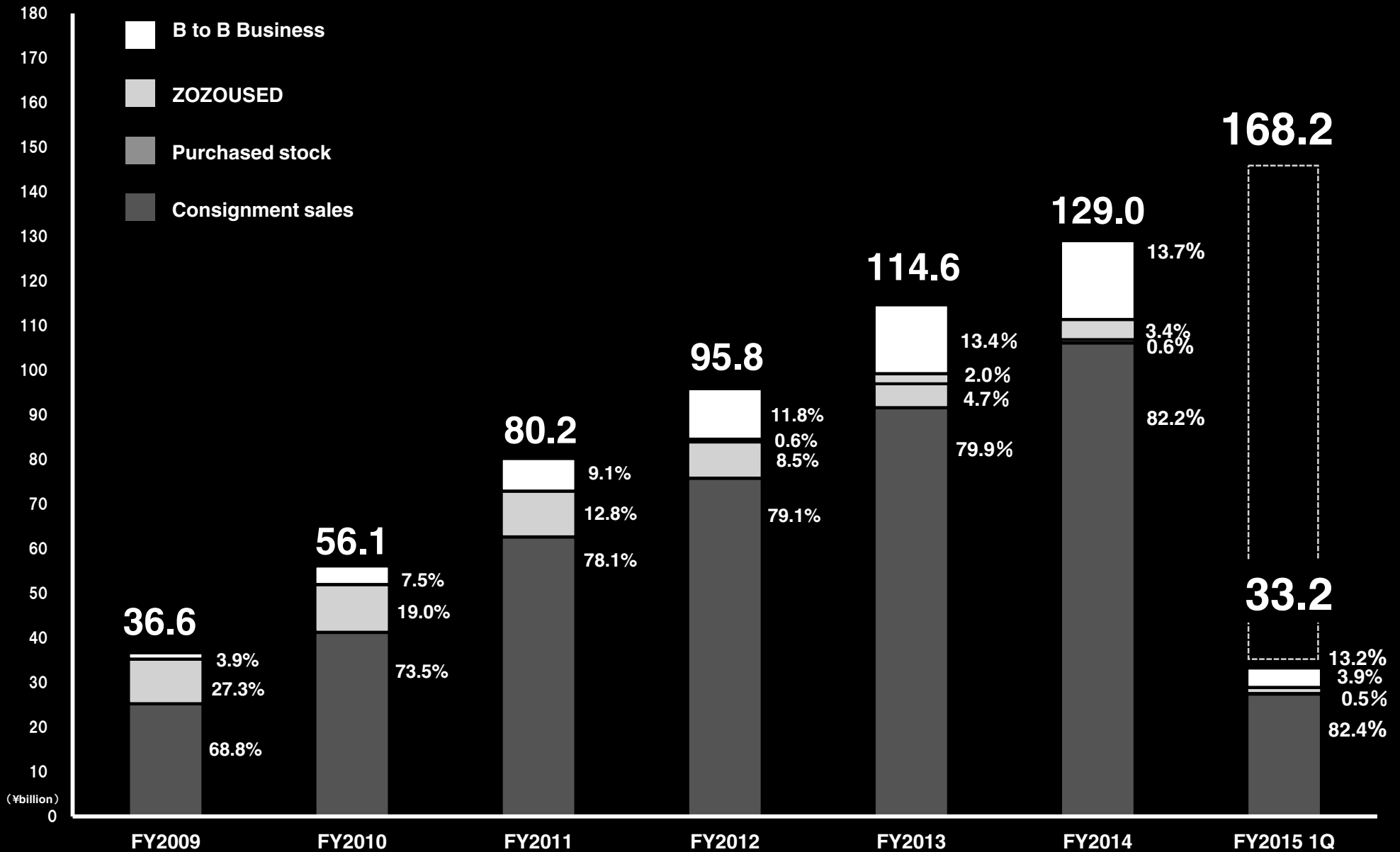




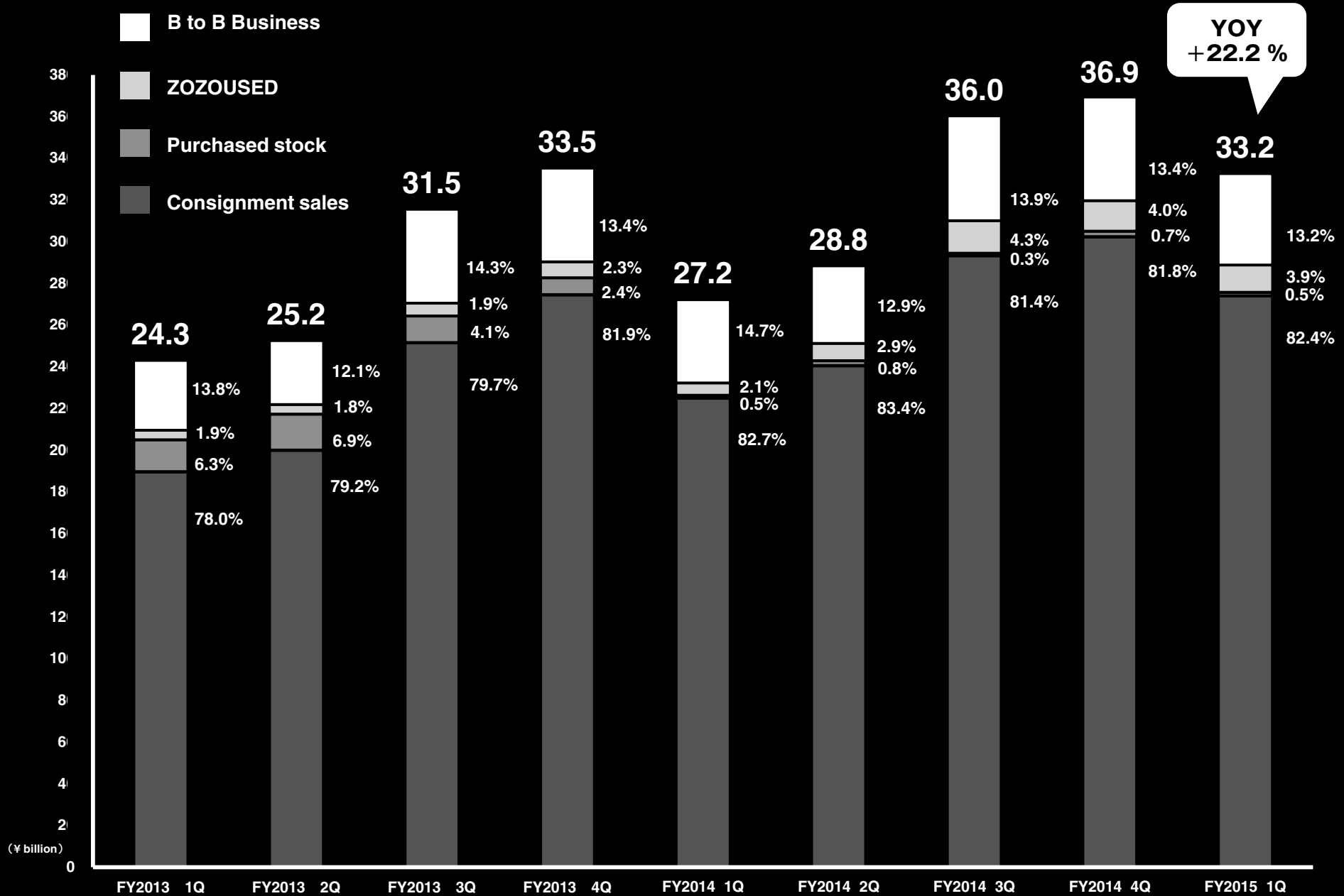
# TRANSACTION VALUE

Gross transaction value of new shops opened in FY2015

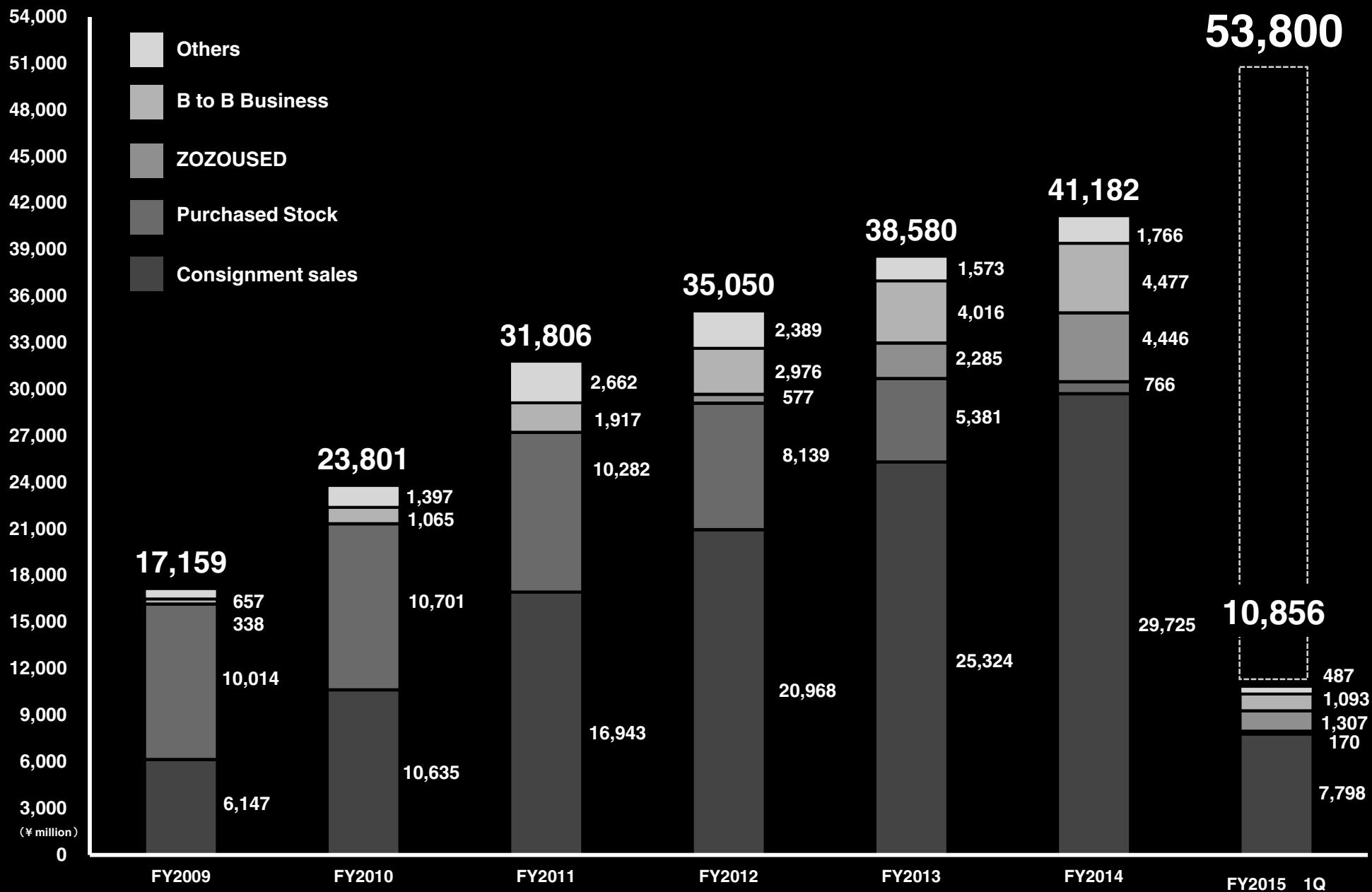
ZOZOTOWN Business ( purchased stock & consignment sales ) : ¥ 183 million (accounts for 0.6% of the total)



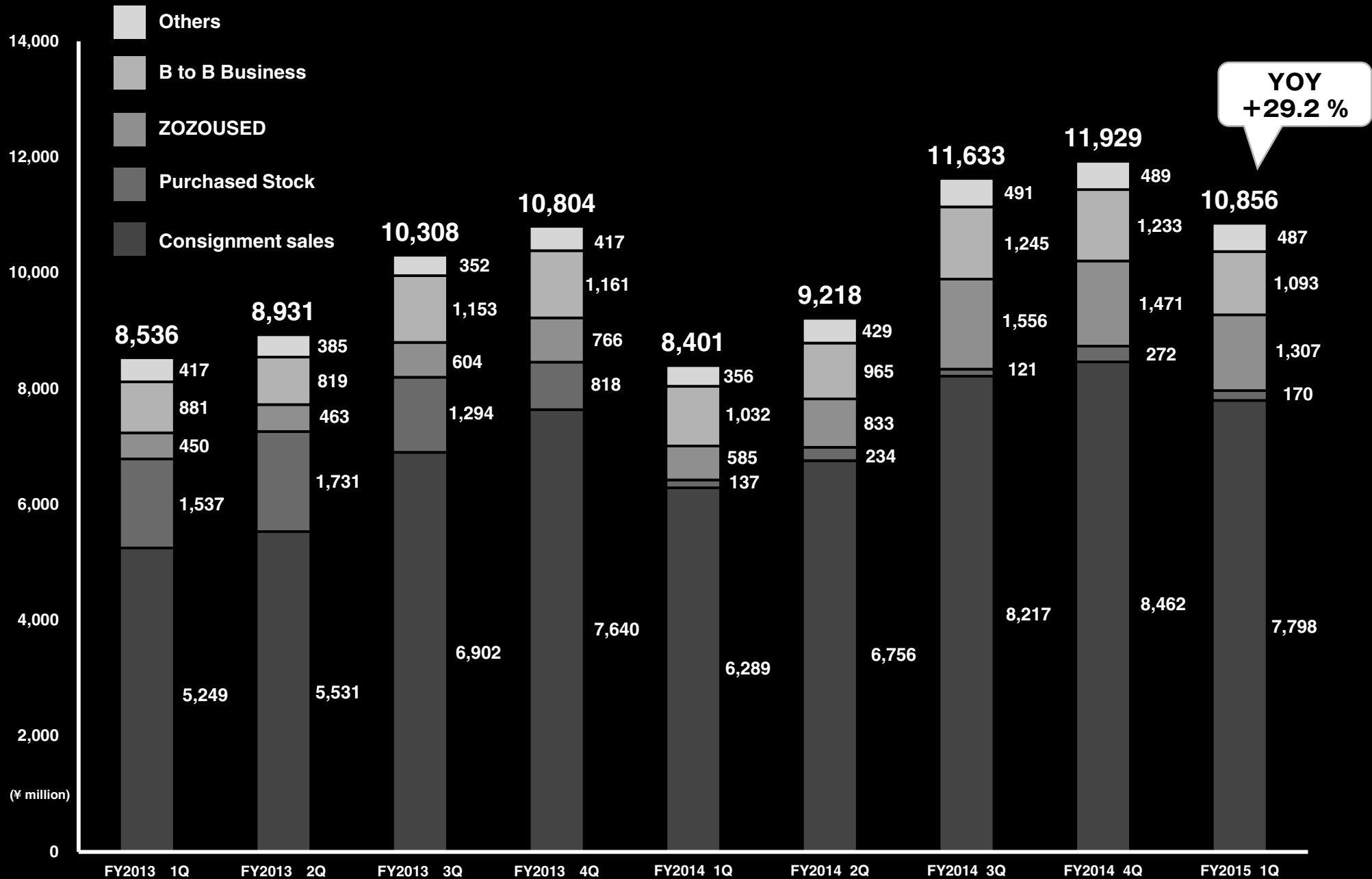
# TRANSACTION VALUE (QUARTERLY)



# NET SALES

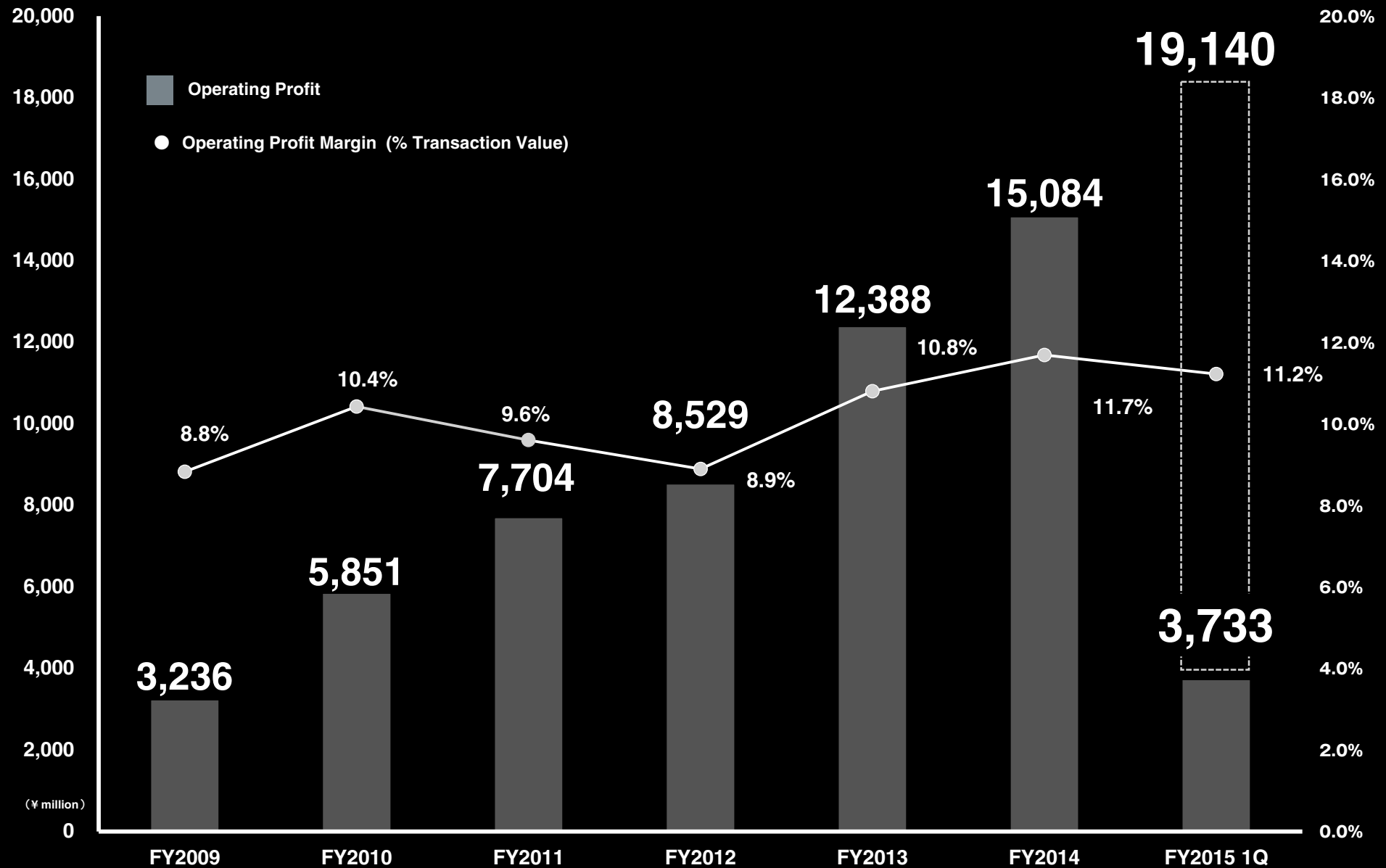


# NET SALES (QUARTERLY)



# OPERATING PROFIT AND OPERATING PROFIT MARGIN

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# SELLING, GENERAL AND ADMINISTRATIVE (SG & A) EXPENSES

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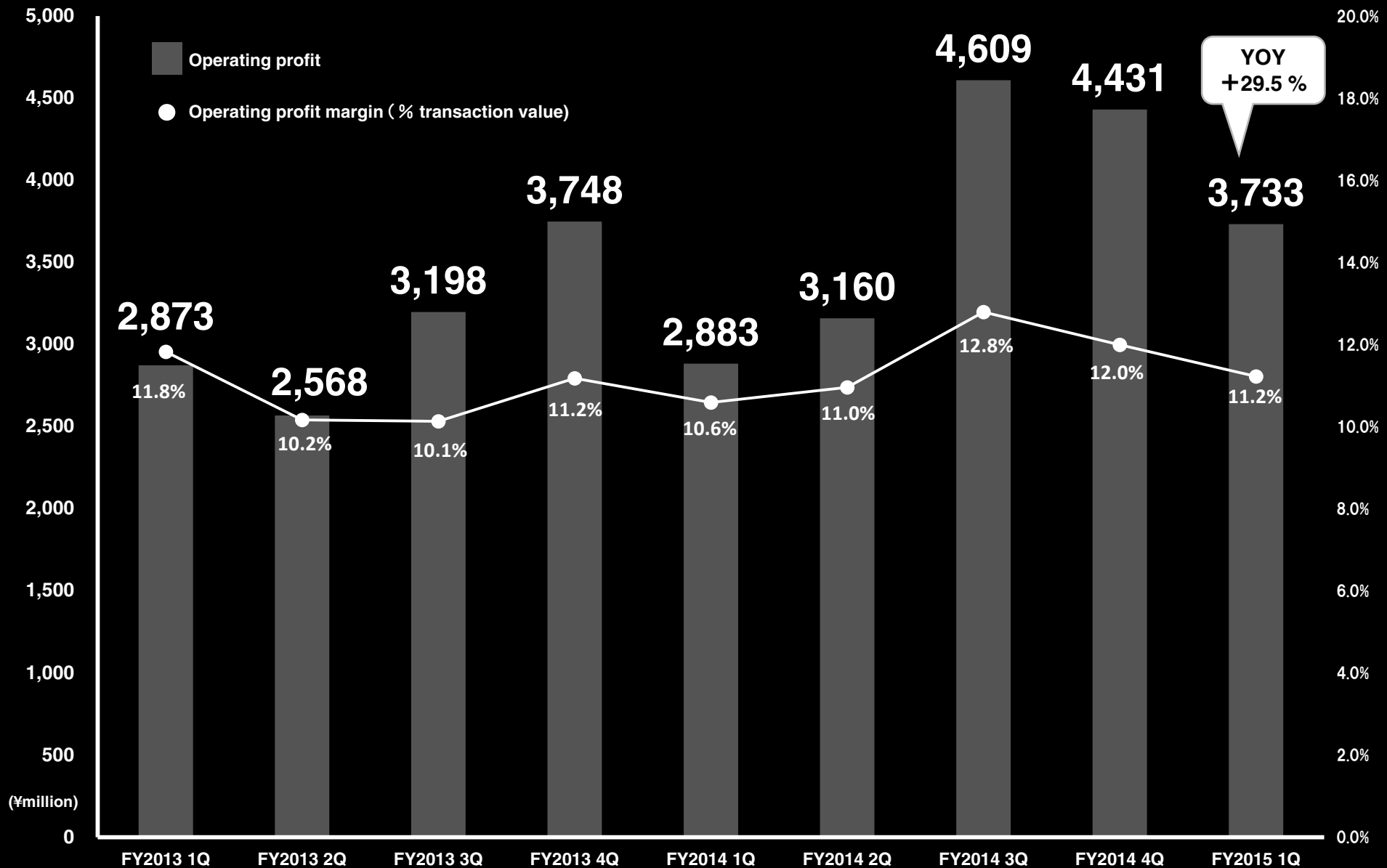
( ¥ / million)

Item	FY2014 1Q		FY2015 1Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll(*)	1,414	5.2%	1,643	4.9%	-0.3%	The number of employees in our group has grown from 633 as of June, 2014 to 677 as of June, 2015 (excluding aratana Inc.), due to the grouping of YAPPA Corporation, as well as expanding human resources in the fulfillment & customer support departments.
Shipping	1,003	3.7%	1,393	4.2%	0.5%	Increase of cost burden from same day shipping services. Decreased unit price per shipment.
Commission of Payment collection	663	2.4%	810	2.4%	0.0%	
Promotion related expenses	331	1.2%	583	1.8%	0.6%	Main promotion activities : Holding ¥0 sales on ZOZOTOWN LINE campaign
Advertising	123	0.5%	183	0.6%	0.1%	
Reward points related expenses	207	0.8%	399	1.2%	0.4%	
Outsourcing	586	2.2%	646	1.9%	-0.3%	Improvement in business efficiency.
Rent expense	422	1.6%	415	1.2%	-0.4%	
Depreciation	183	0.7%	165	0.5%	-0.2%	
Amortization of goodwill	72	0.3%	98	0.3%	0.0%	Goodwill amortization of aratana Inc. will start from the second quarter.
Others	488	1.8%	696	2.1%	0.3%	Cost burden from the black box packaging and donations.
<b>Total SG&amp;A</b>	<b>5,167</b>	<b>19.0%</b>	<b>6,453</b>	<b>19.4%</b>	<b>0.4%</b>	

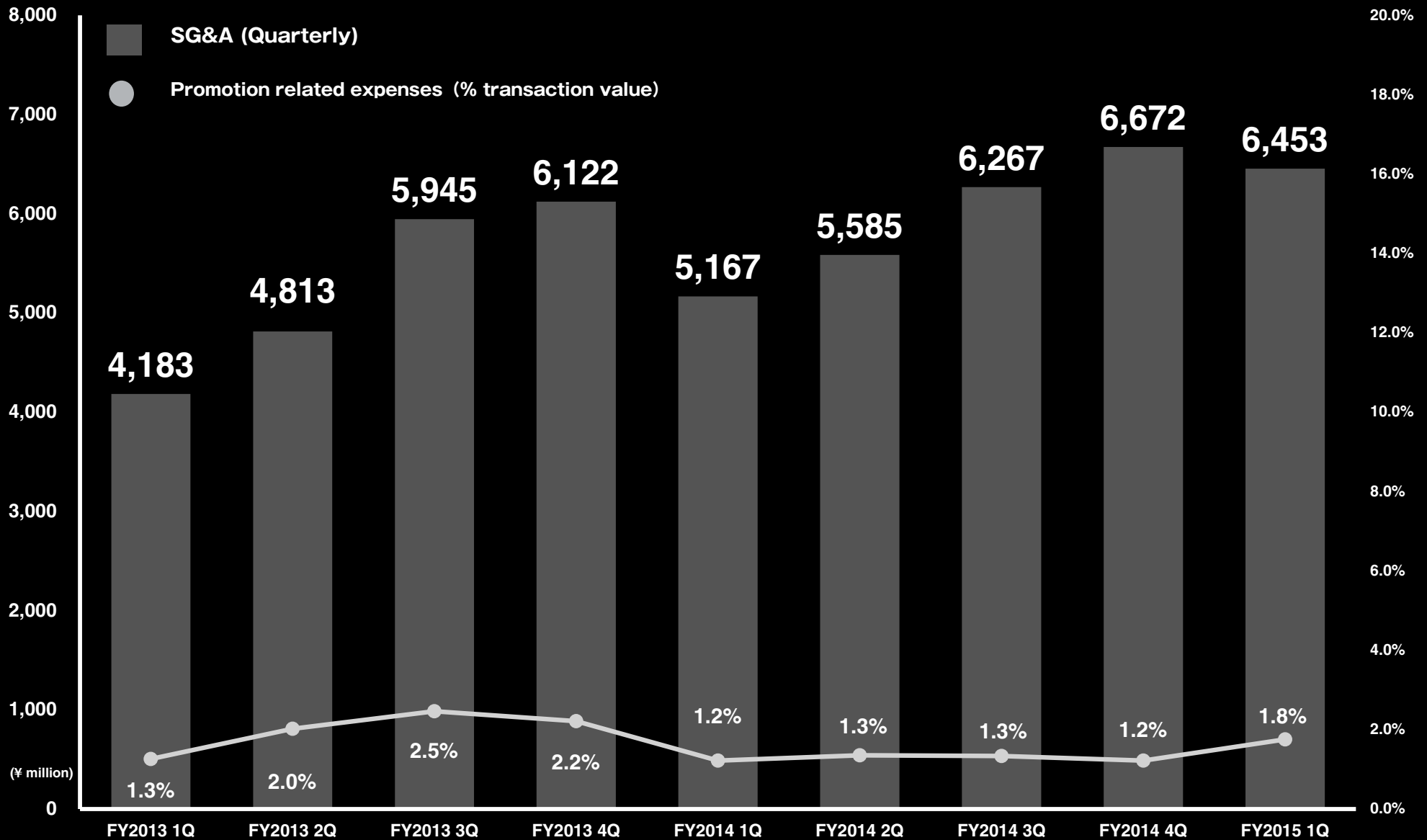
※Payroll includes salaries, bonuses, legal welfare expenses, welfare expenses, provision for retirement benefits, provision for bonuses, provision for directors' retirement benefits and subcontracting payroll

# OPERATING PROFIT AND OPERATING PROFIT MARGIN (QUARTERLY)

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# SELLING, GENERAL AND ADMINISTRATIVE (SG & A) EXPENSES





# OVERVIEW OF SG & A BY EACH QUARTER

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(¥ / million)

Item	FY2014								FY2015	
	1Q		2Q		3Q		4Q		1Q	
	Amount	% Transaction value	Amount	% Transaction value	Amount	% Transaction value	Amount	% Transaction value	Amount	% Transaction value
Payroll(*)	1,414	5.2%	1,447	5.0%	1,587	4.4%	1,901	5.1%	1,643	4.9%
Shipping	1,003	3.7%	1,166	4.0%	1,192	3.3%	1,367	3.7%	1,393	4.2%
Commission of Payment collection	663	2.4%	719	2.5%	849	2.4%	887	2.4%	810	2.4%
Promotion related expenses	331	1.2%	389	1.3%	481	1.3%	449	1.2%	583	1.8%
Advertising	123	0.5%	142	0.5%	213	0.6%	160	0.4%	183	0.6%
Reward points related expenses	207	0.8%	246	0.9%	267	0.7%	288	0.8%	399	1.2%
Outsourcing	586	2.2%	607	2.1%	713	2.0%	651	1.8%	646	1.9%
Rent expense	422	1.6%	424	1.5%	425	1.2%	418	1.1%	415	1.2%
Depreciation	183	0.7%	192	0.7%	201	0.6%	208	0.6%	165	0.5%
Amortirization of goodwill	72	0.3%	72	0.3%	132	0.4%	132	0.4%	98	0.3%
Others	488	1.8%	567	2.0%	682	1.9%	655	1.8%	696	2.1%
<b>Total SG&amp;A</b>	<b>5,167</b>	<b>19.0%</b>	<b>5,585</b>	<b>19.4%</b>	<b>6,267</b>	<b>17.4%</b>	<b>6,672</b>	<b>18.1%</b>	<b>6,453</b>	<b>19.4%</b>

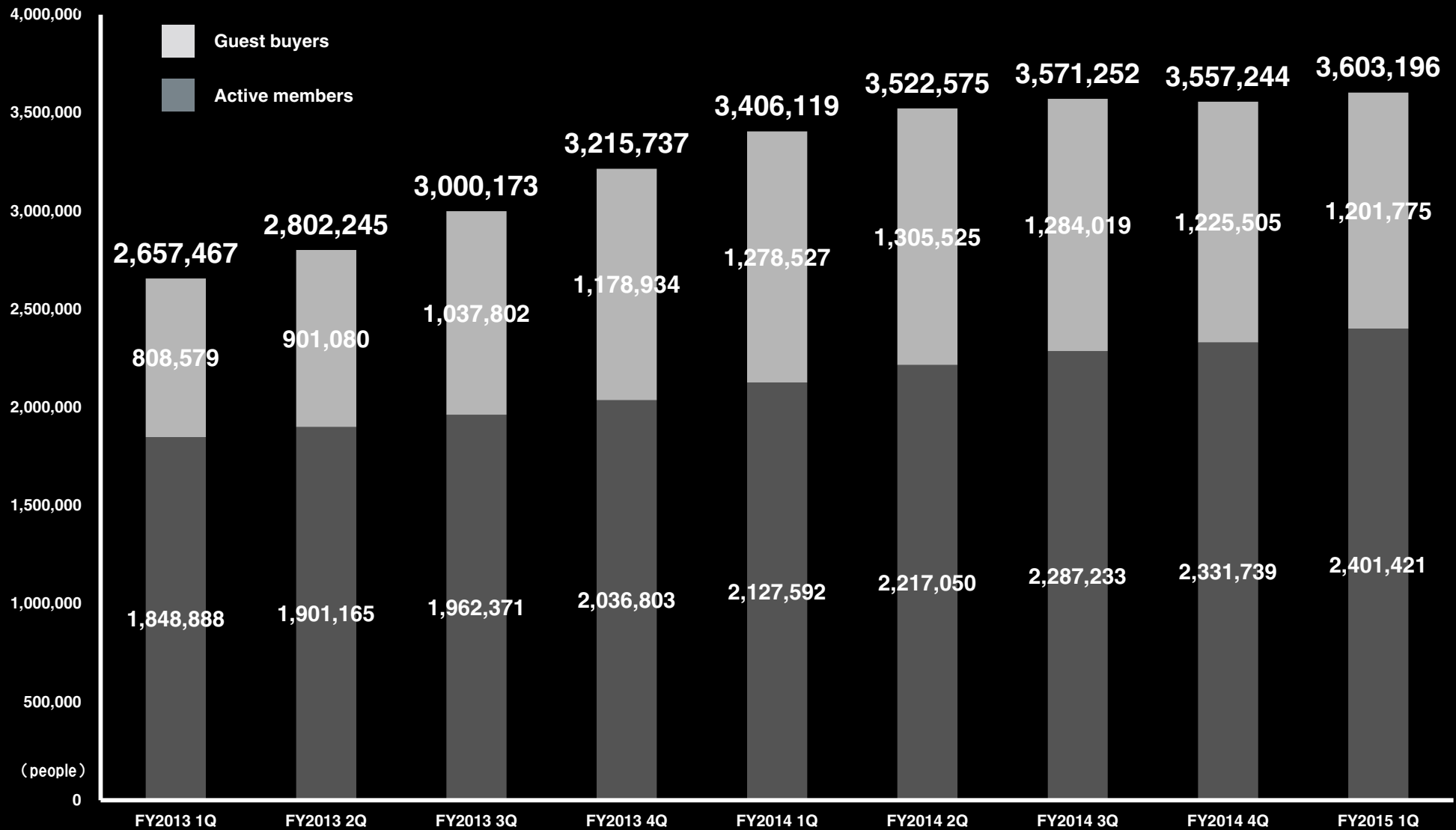
※Payroll includes salaries, bonuses, legal welfare expenses, welfare expenses, provision for retirement benefits, provision for bonuses, provision for directors' retirement benefits and subcontracting payroll

# NUMBER OF TOTAL BUYERS

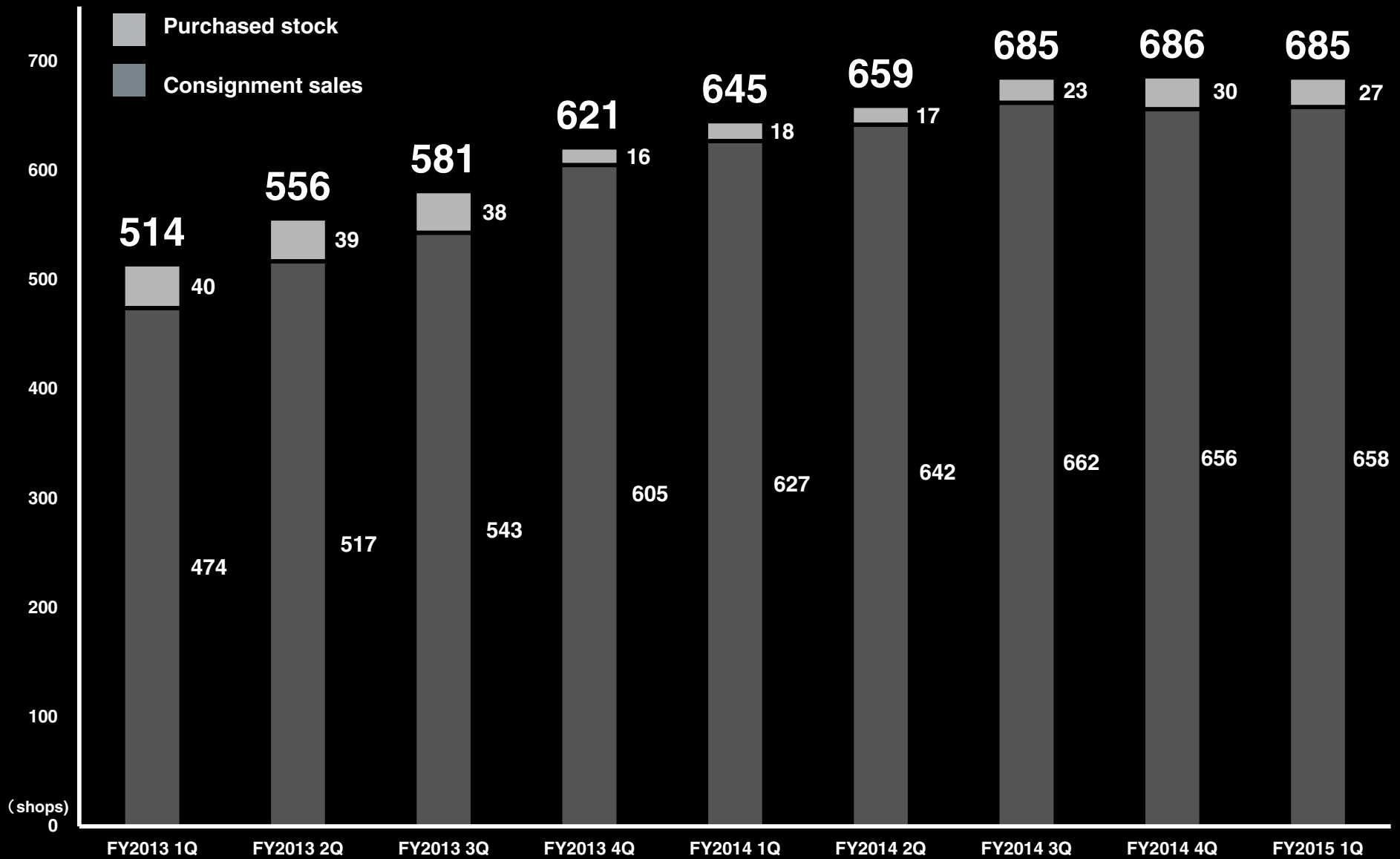
Number of total buyers = Active members and guest buyers who made at least one purchase within a year

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

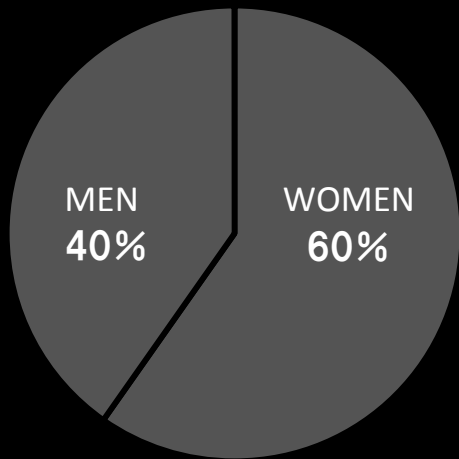


# NUMBER OF SHOPS OF MALL BUSINESS

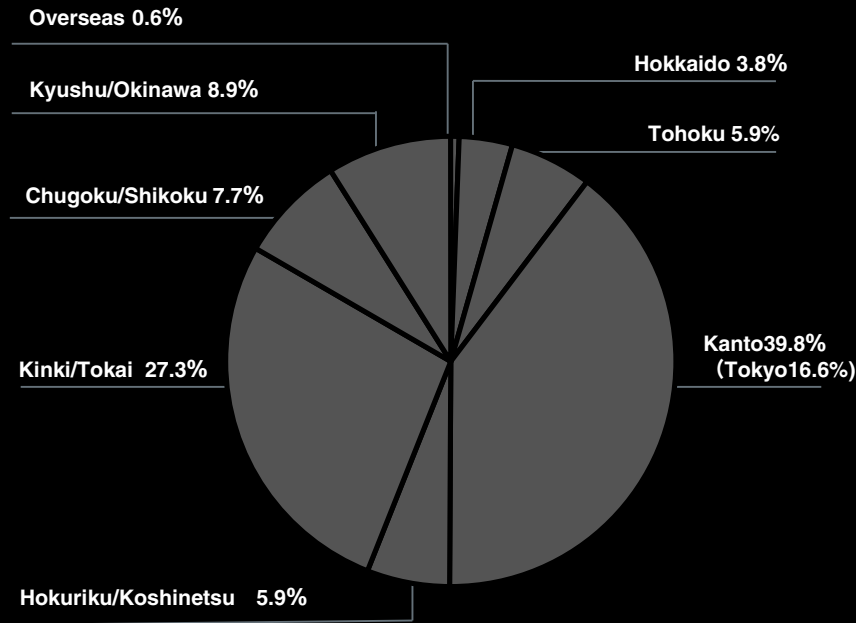


# MEMBER DISTRIBUTION

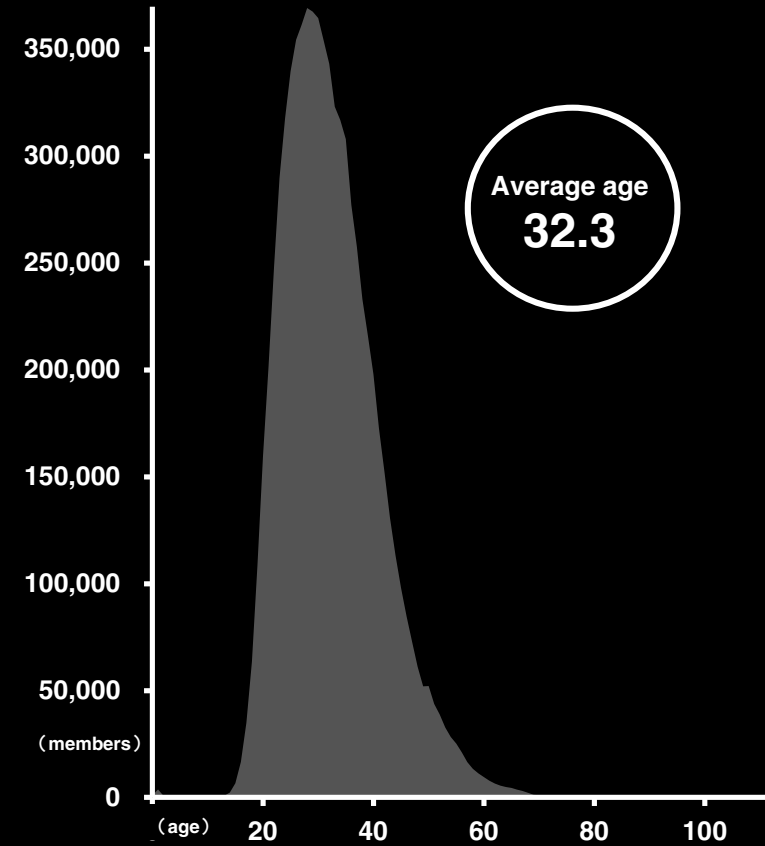
### Gender ratio



### Geographical distribution

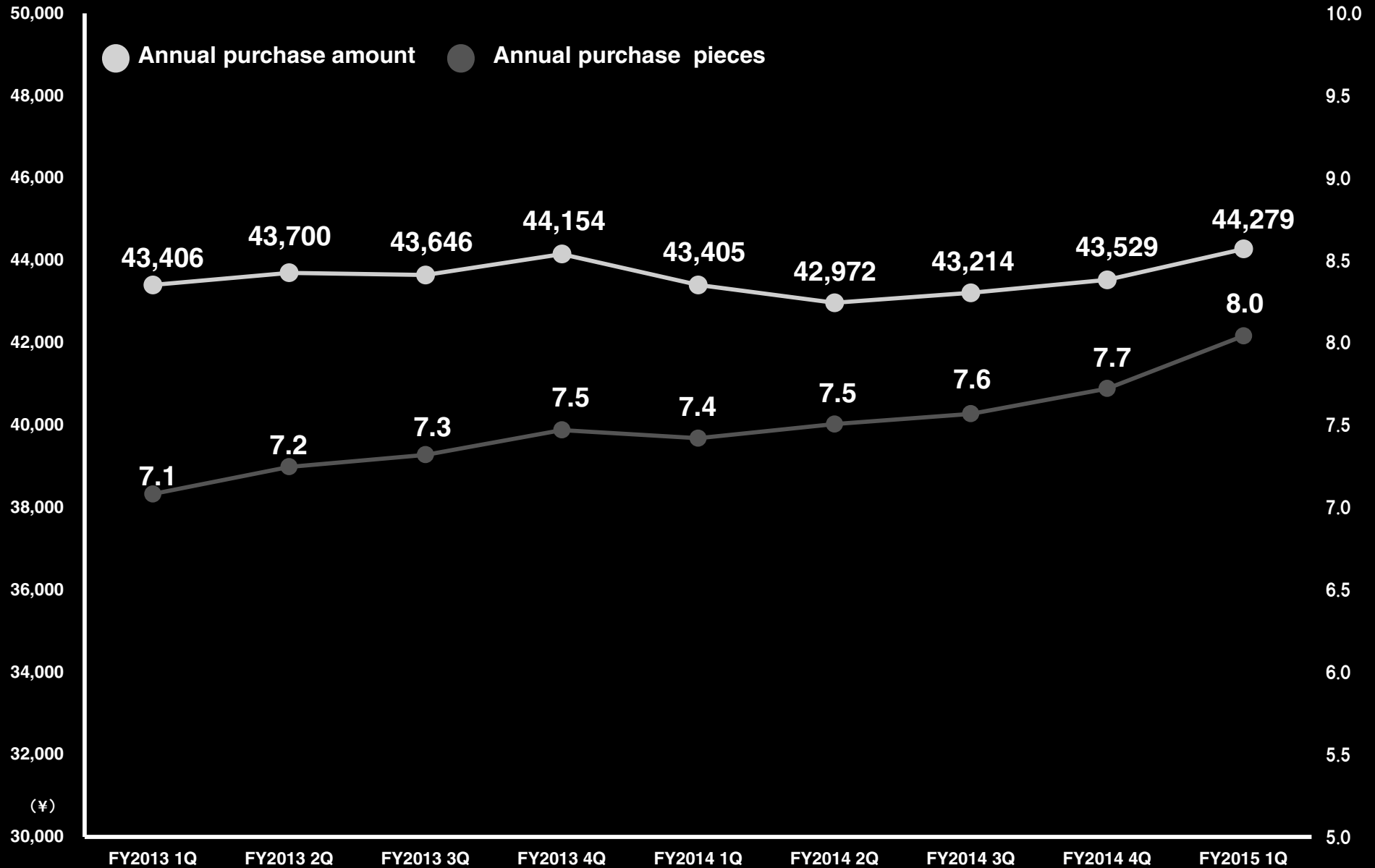


### Age distribution



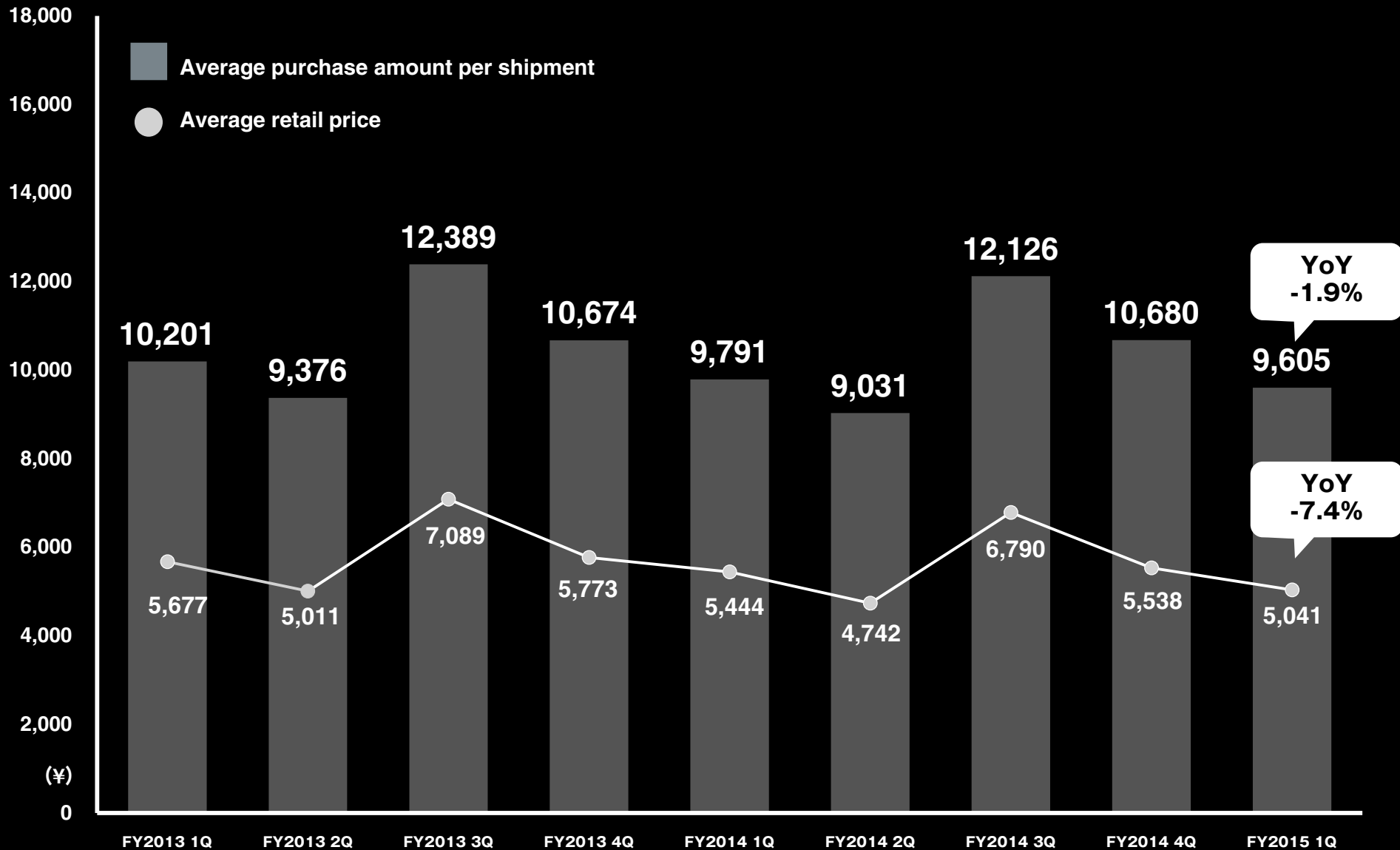
# ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER

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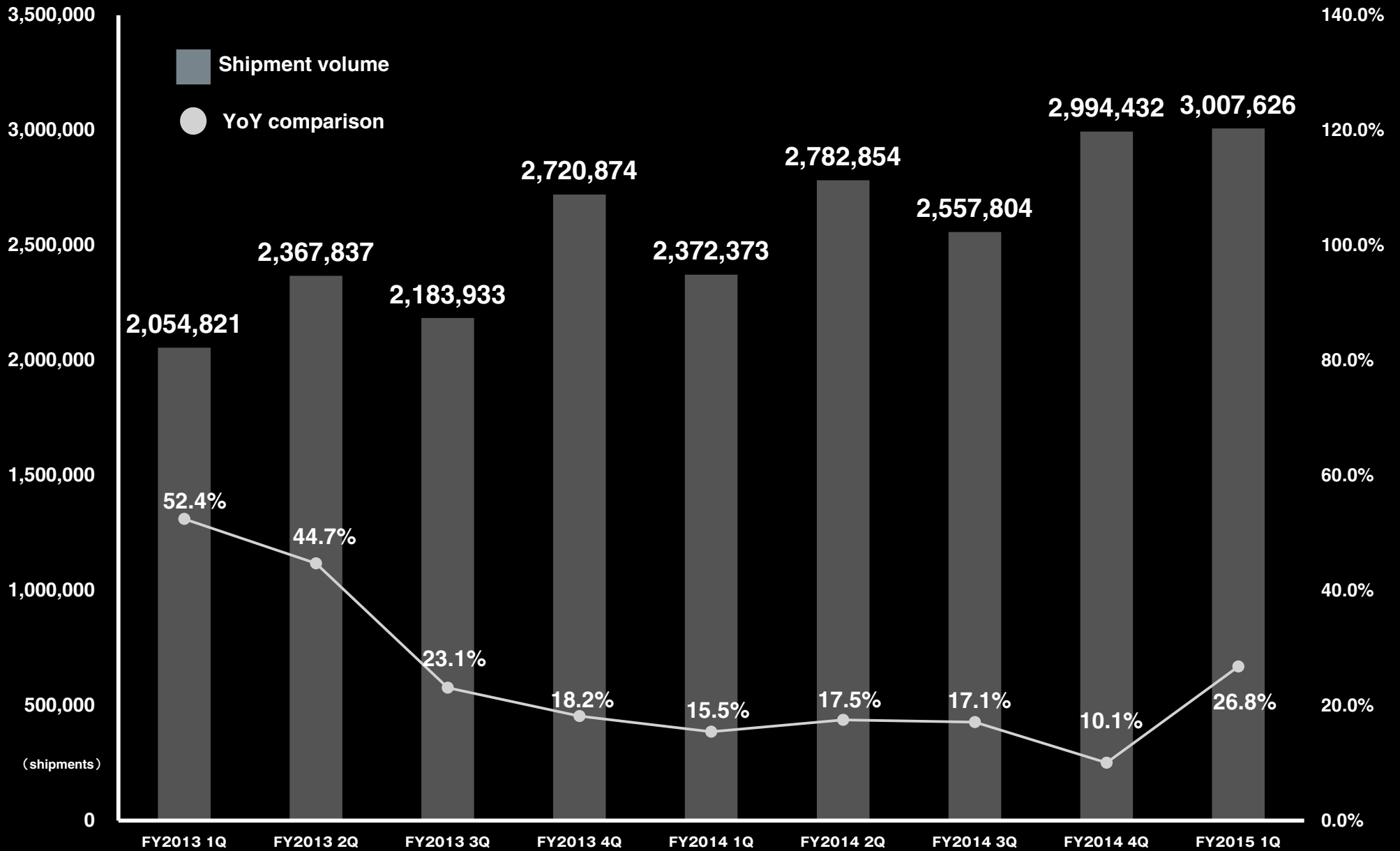


# AVERAGE PURCHASE AMOUNT PER SHIPMENT AND AVERAGE RETAIL PRICE

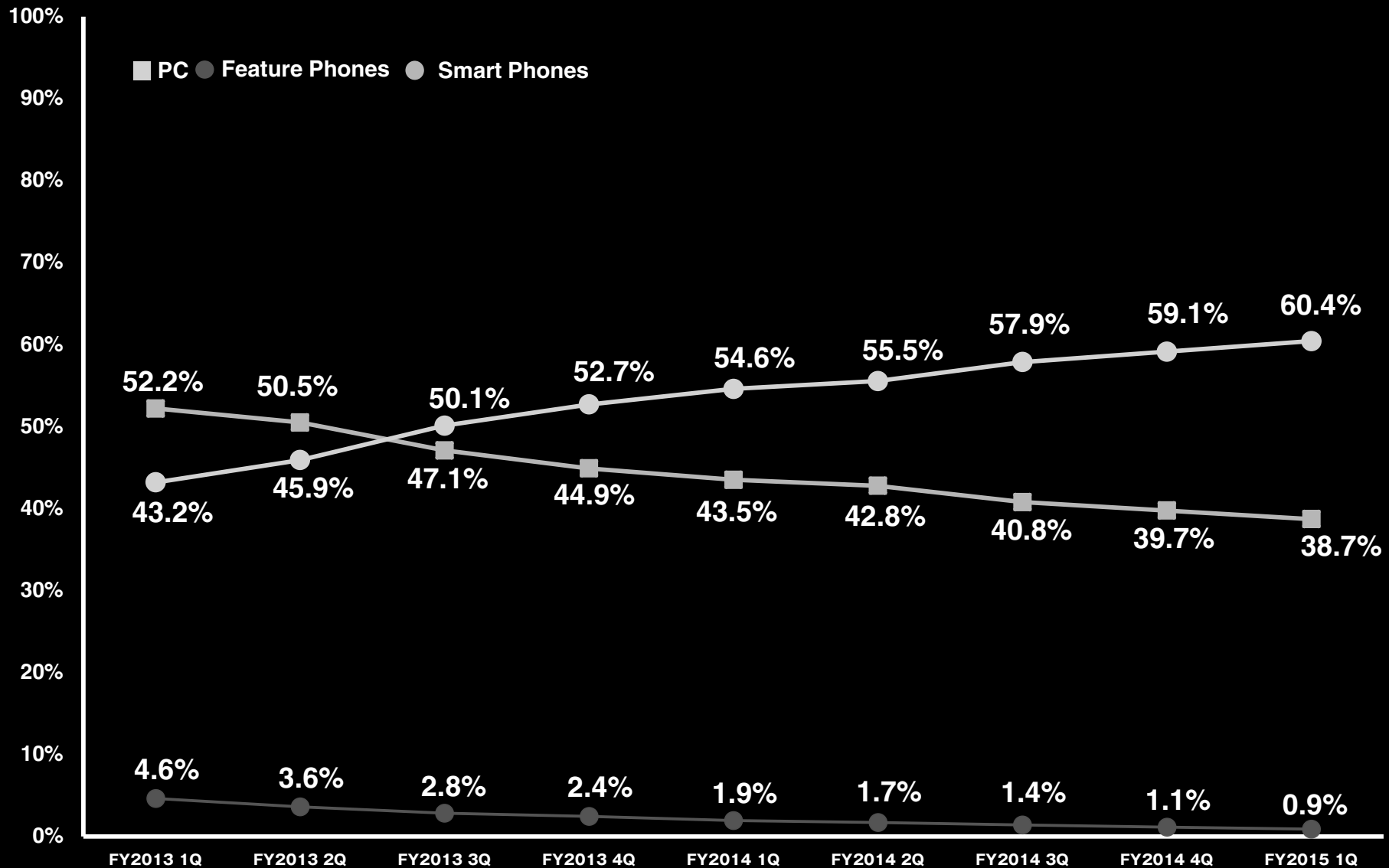
Average purchase amount per shipment = Transaction value / Number of shipments (ZOZOTOWN Business)



# NUMBER OF SHIPMENTS



# THE RATIO OF SHIPMENT VOLUME TO THE TOTAL PURCHASE VOLUME (by access terminal)





# 10th YEAR ANNIVERSARY PROMOTION FOR ZOZOTOWN

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## Main Projects

### Website Renewal

- Selling magazines to our customers on ZOZOTOWN, as well as offering magazine news.
- 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 10<sup>th</sup> year anniversary movie.

New delivery packages (for a limited period)

Holding ¥0 sales on ZOZOTOWN  
(20,000 items, worth ¥200 million)



"Hakoneko Max"  
Designed by START TODAY  
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# PROGRESS IN “WEAR”

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- Full renewal of the App and smart phone site. (April, 2015)
- ZOZOTOWN sponsorship with 200 of our general public fashionistas (June, 2015)
- Our WEARISTA Kids released coordinate style books (June, 2015)
- Reaching 5.5 million downloads. (July, 2015)
- More than 2.5 million coordinate pics, posted. (July, 2015)
- Now available in all geographic areas.

**BUSINESS PLAN  
FOR FY2015**

# CONSOLIDATED BUSINESS FORECAST AND DIVIDEND FORECAST FOR FY2015

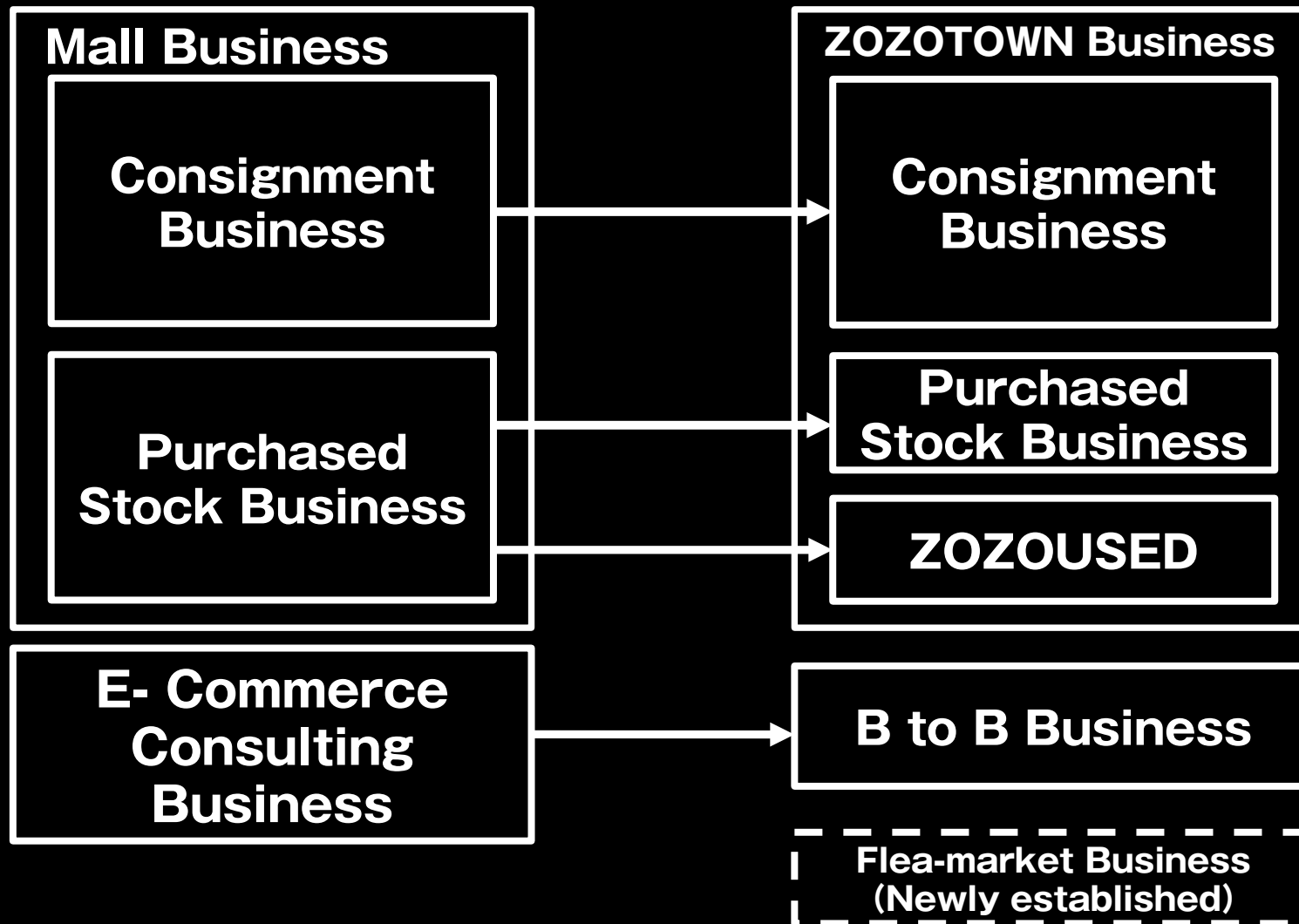
27

( ¥ / million )

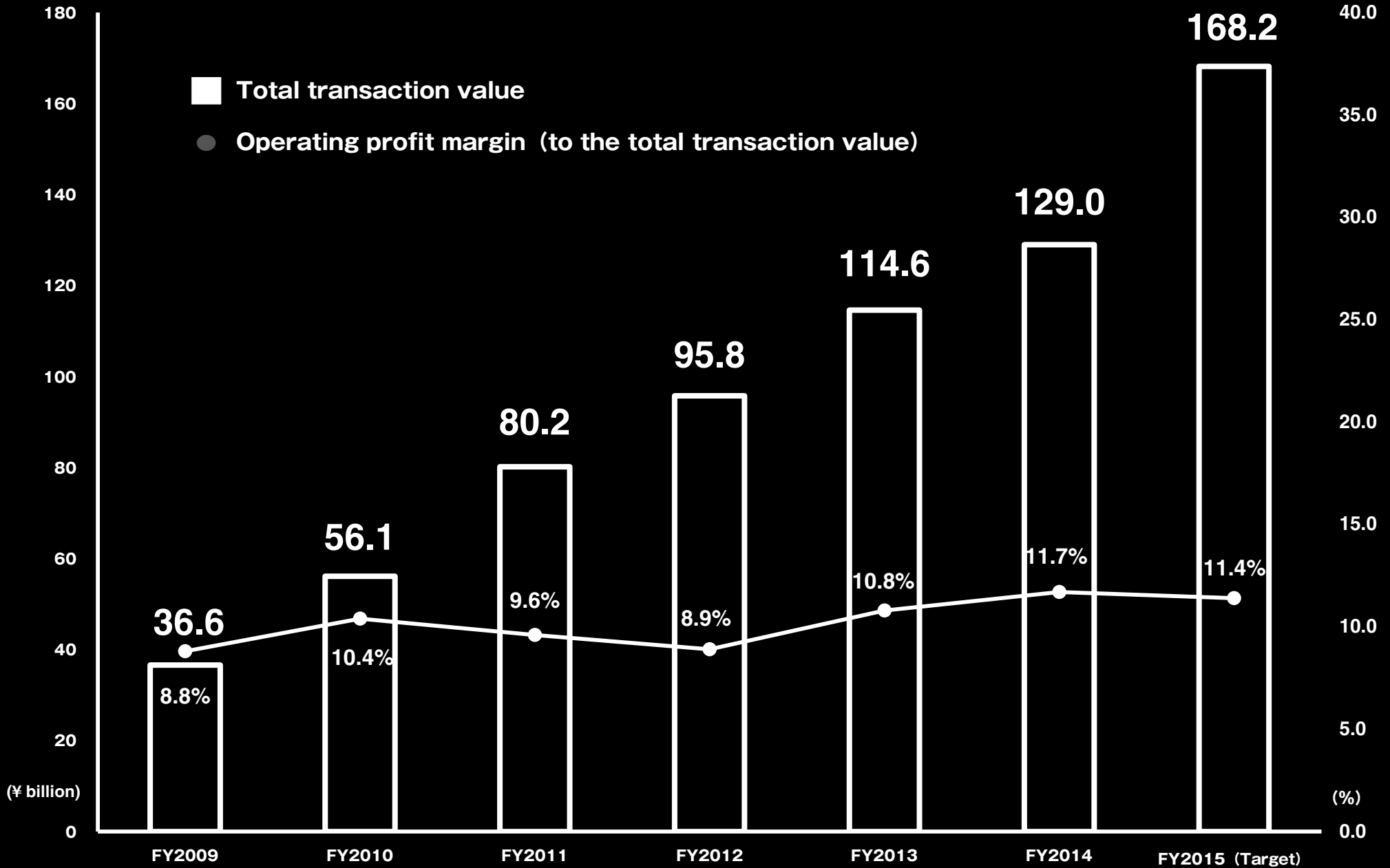
	<b>FY2015 PLAN</b>	<b>Growth Rate (%)</b>
<b>Transaction value</b>	<b>168,200 ( ¥ million )</b>	<b>30.3%</b>
<b>Net sales</b>	<b>53,800( ¥ million)</b>	<b>30.6%</b>
<b>Operating profit</b>	<b>19,140( ¥ million )</b>	<b>26.9%</b>
<b>Recurring profit</b>	<b>19,160( ¥ million )</b>	<b>26.6%</b>
<b>Profit attributable to owners of parent</b>	<b>12,520( ¥ million)</b>	<b>39.1%</b>
<b>Earnings per share</b>	<b>116.4 ( ¥ )</b>	<b>-</b>
<b>Estimated dividends per share</b>	<b>47 ( ¥ )</b>	<b>-</b>

# CHANGE OF BUSINESS SEGMENT

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# TRANSACTION VALUE



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# BREAKDOWN OF THE TOTAL TRANSACTION VALUE AND EACH POLICY

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## Start Today Group

Target for Total Transaction Value : 168.2 billion yen  
(+30.3%, Yoy)

## ZOZOTOWN Business

Target for Total Transaction Value : 153.7 billion yen  
(+38.0%, Yoy)

- Consignment Business 145.9 billion yen (+37.5%, Yoy)
- Purchased Stock Business 0.8 billion yen (+2.4%, Yoy)
- ZOZOUSED Business 7 billion yen (+57.4%, Yoy)

## B to B Business

Target for Total Transaction Value : 11.0 billion yen ( -37.9%, Yoy)

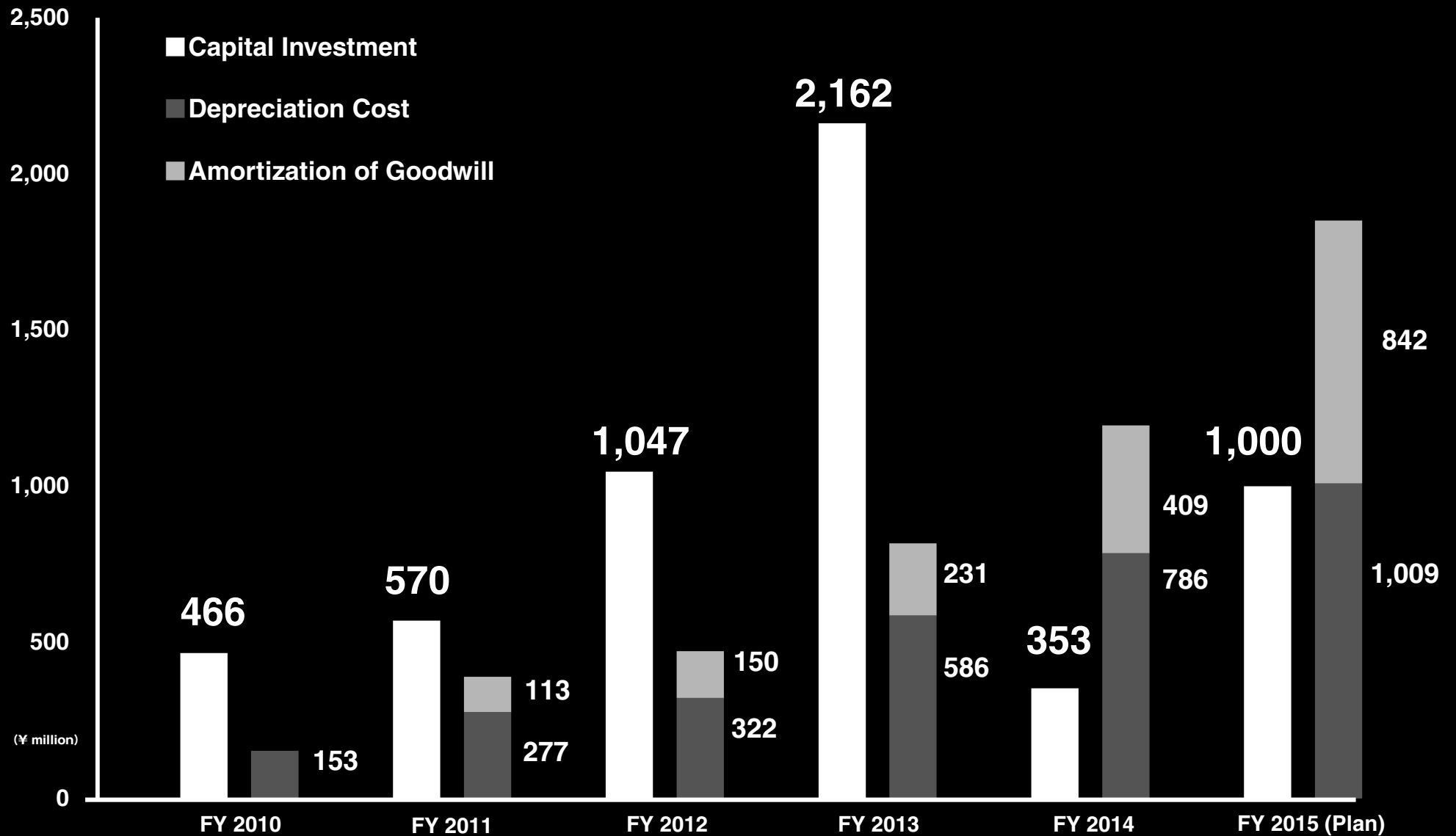
## Flea Market Business (Newly established)

Target for Total Transaction Value : 3.5 billion yen

## Operating Profit Margin(to the total transaction value)

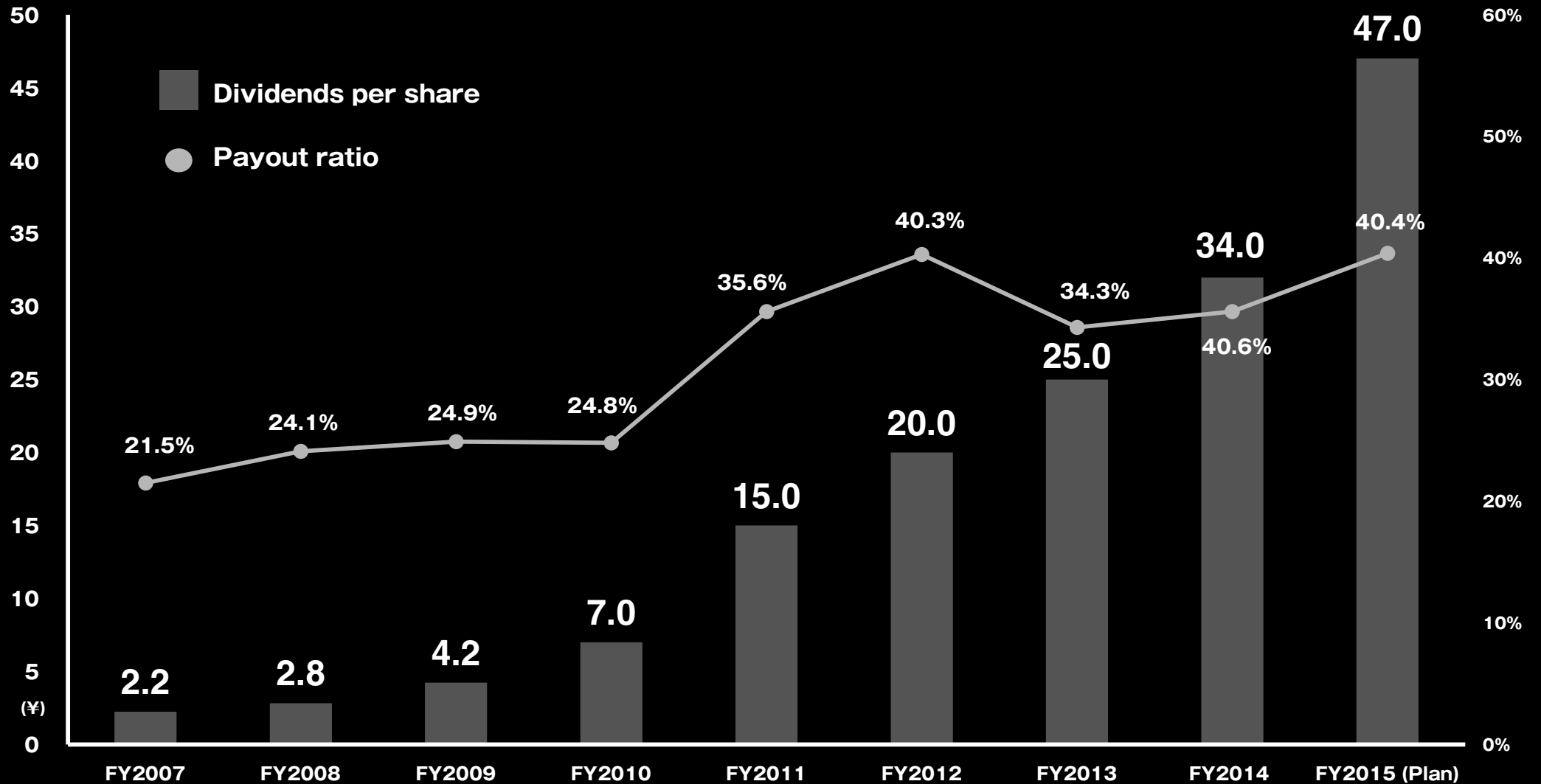
The target ratio of consolidated operating profit : 11.4%  
(11.7% for FY2014)

# CAPITAL INVESTMENT





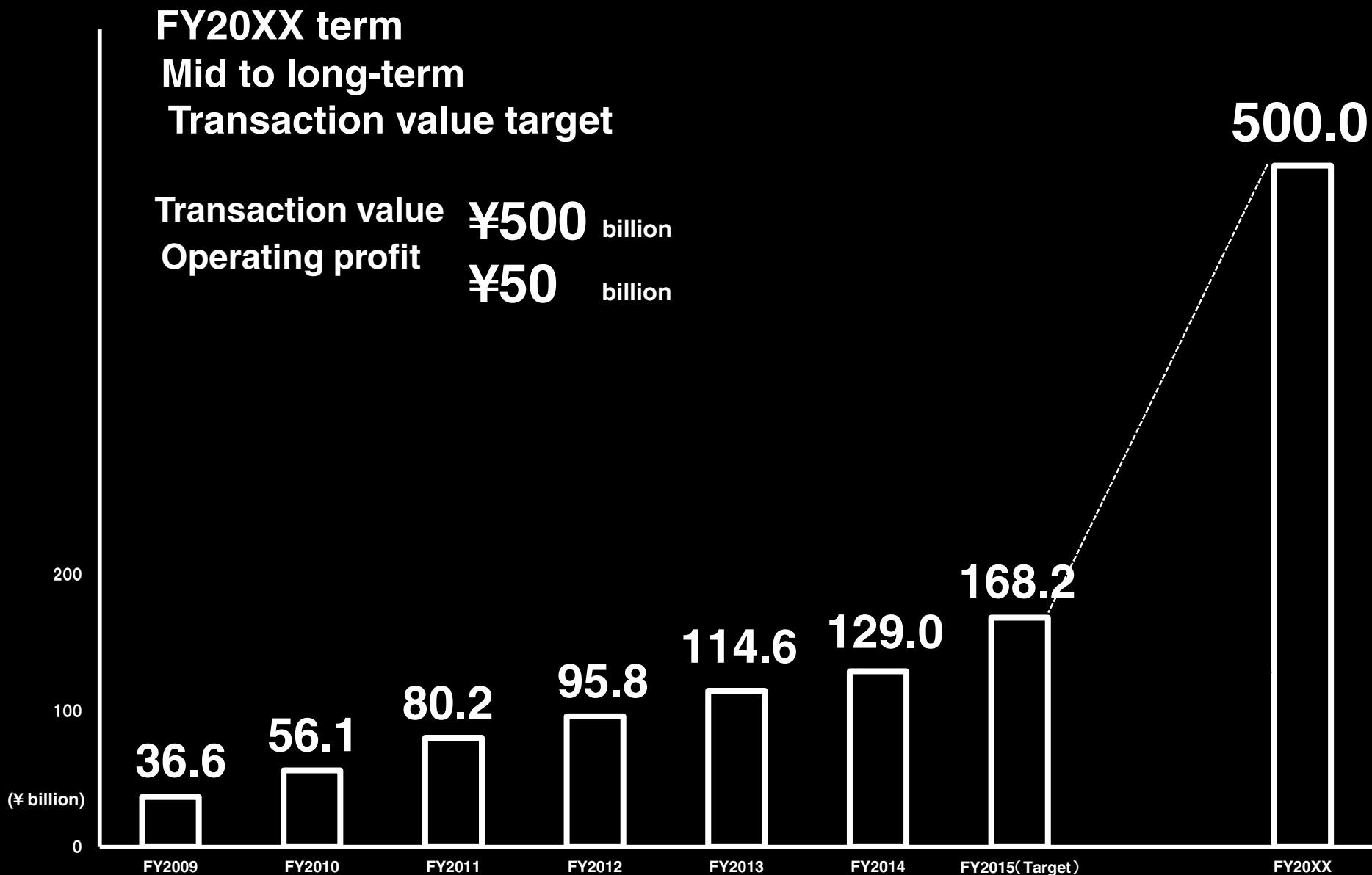
# DIVIDENDS PER SHARE AND PAYOUT RATIO



※ Number of shares after adjustment

# **FUTURE STRATEGIES**

# MID TO LONG-TERM VISION



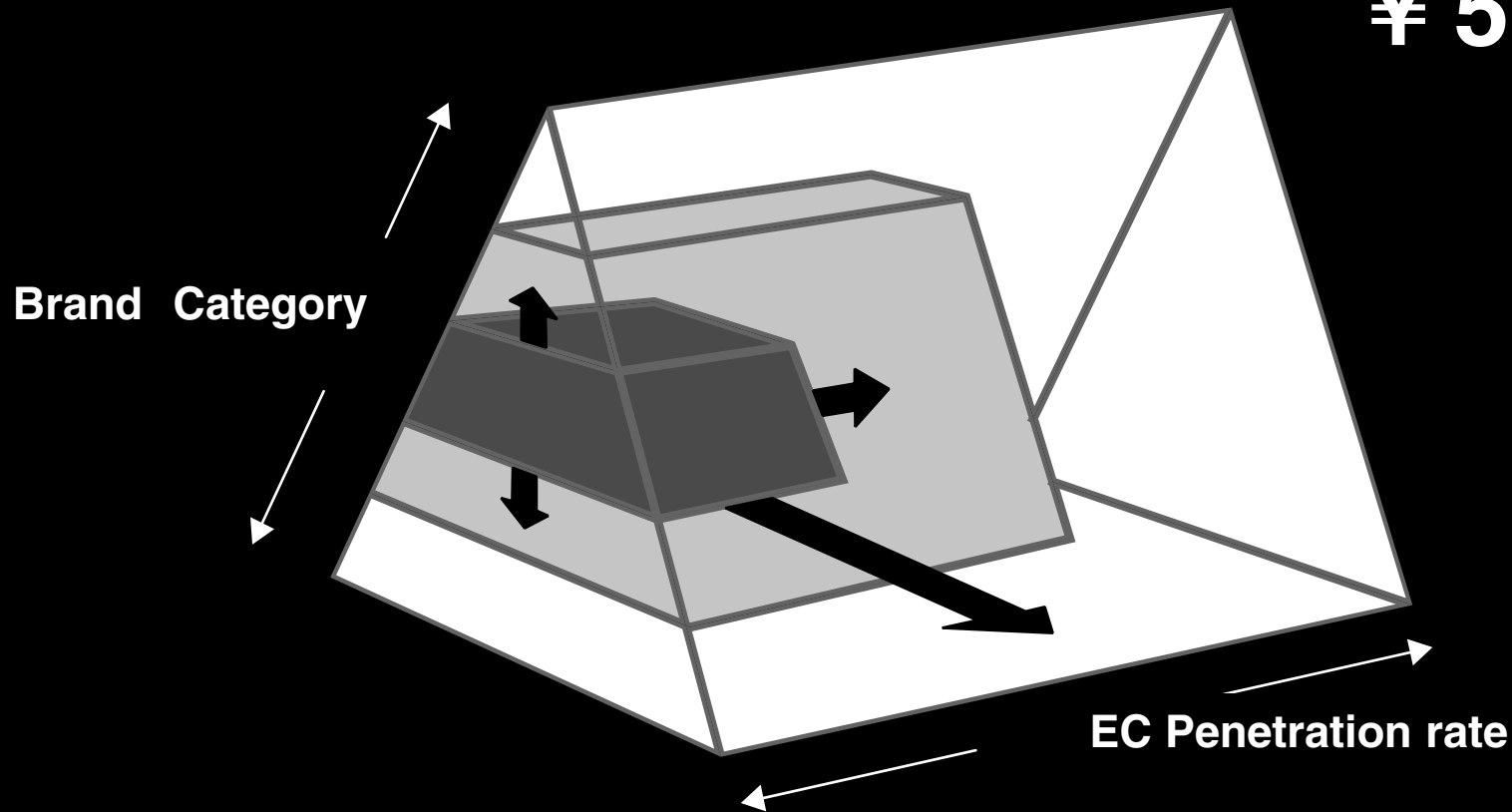
# MARKET EXPANSION STRATEGY

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

Transaction Value  
mid to long term

¥ 500 billion



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# PLANS TO ACHIEVE OUR LONG-TERM VISION

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- We are not satisfied with a natural growth rate of 10%.  
Therefore, plan to work towards solving bottle neck problems of the existing business, as well as create new businesses in the fashion area, wanting to achieve our mid to long term target in a shorter period.
- We plan to act accordingly to the Japanese Stewardship Code and the Corporate Governance Code, believing it is a system which will improve corporate value and sustainable growth.
- Rates which shall create new values towards shareholders'

**Consolidated ROE : 30%**

**Our policy will value active investments for future growth, as well as premium redemption to our shareholders.**

**REFERENCE DATA**

**2,810** Brands

**762** Employees  
(average age 29.4 years old)

世界中をカッコよく、世界中に笑顔を。

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

**4,068**  
Share Holders

**3.6** million  
Total Buyers  
(1 year basis)

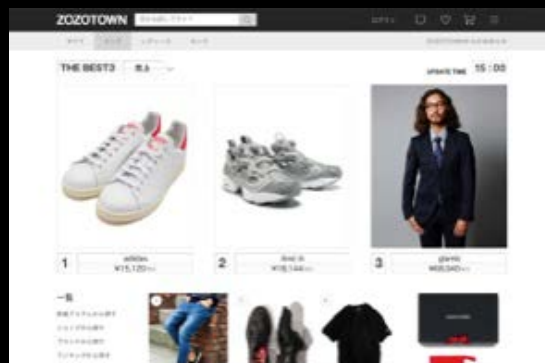
# MAJOR SERVICES

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## ZOZOTOWN

Japan's Largest Online Retailer of Apparel and Accessories

- 685 stores offering 2,810 brands.
- At any given time, more than 300,000 items are available with an average of 1,600 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 5 .5million downloads, as well as 2.5million coordinate pics uploaded.
- Now available in all geographic areas.



Available on the  
App Store

ANDROID APP ON  
Google play



# SUBSIDIARY

## Crown Jewel, Inc.

A business operated by reselling second hand apparel items purchased from our users.

## Bracket, Inc.

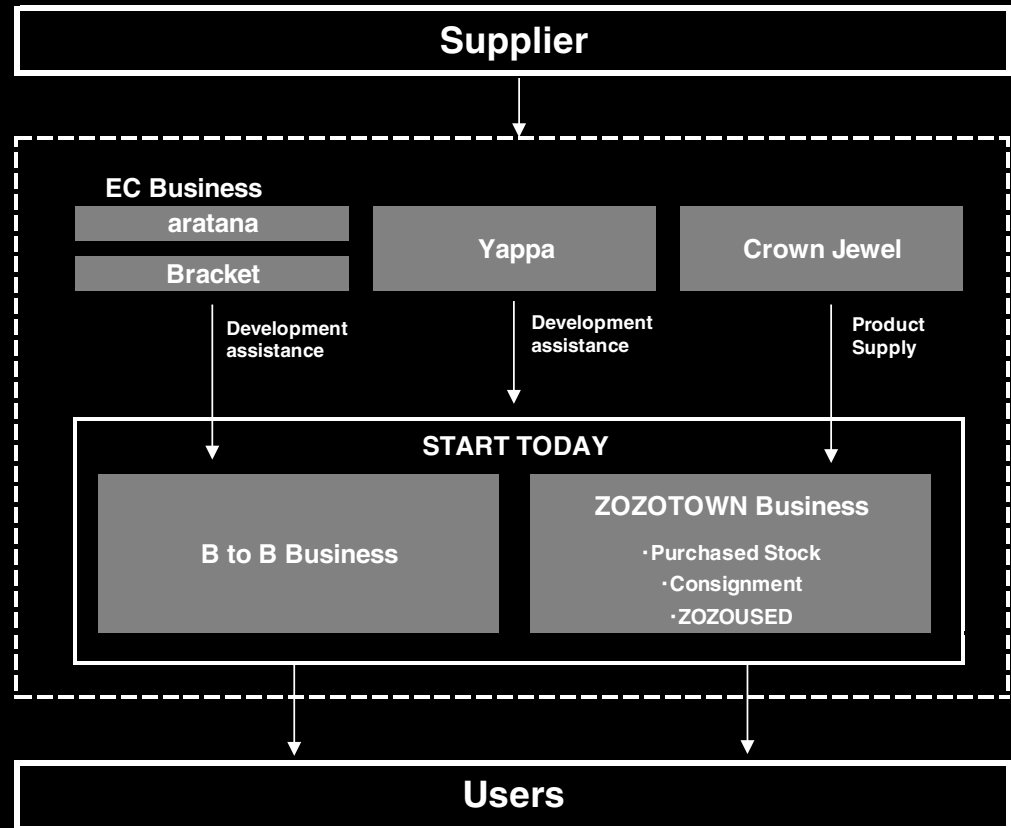
Operation, development, and planning of internet businesses.

## YAPPA Corporation

Specializes in the development of apps and systems for smartphones and tablets.

## aratana Inc.

Specializes in building EC sites, web marketing, web security systems, and EC related applications



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# BUSINESS MODEL

## ZOZOTOWN Business

### Consignment Sales

We operate 658 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**

### Purchased Stock

We operate 27 original stores within ZOZOTOWN, which offer products we purchase from brands.

**Sales include = Transaction value generated by each store**

## ZOZOUSED Business

We purchase used fashion products from our users, and resell them as a second hand business.

**Sales include**

**= Transaction value generated by each store**

※Total transaction value and Net sales from ZOZOUSED are included in the purchased stock business.

## B to B Business

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

We currently provide back-end service to 33 stores.

**Sales include**

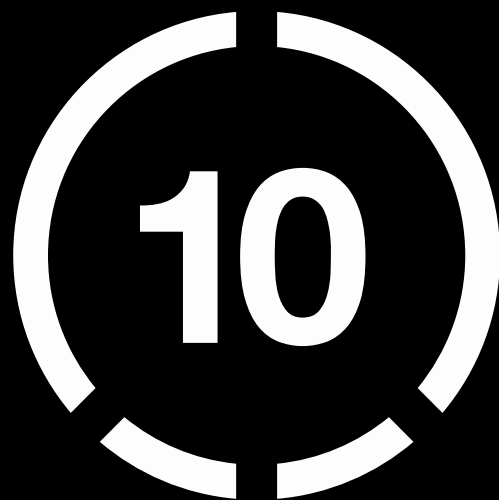
**= Transaction value of these online shops x commission rate**

\*Our total sales volume consists including fee revenues from others, (such as shipping and costs for opening).

**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