

# 20Q FY2015

**CONSOLIDATED  
BUSINESS RESULTS  
APRIL1,2015-SEPTEMBER30,2015**



START TODAY CO.,LTD.

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# FY2015 2Q HIGHLIGHTS

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## Overview

· Total Transaction Value : 67,414 million yen (+20.2%, Yoy) Operating Profit : 7,009 million yen (+16.0%, Yoy) → Steady growth

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## Total Transaction Value

· ZOZOTOWN Business Total Transaction Value 59,785 million yen (+23.6%, Yoy) → Steady growth

Consignment Business 56,691 million yen (+21.7%, Yoy)

Purchased Stock Business 368 million yen (-0.9%, Yoy)

ZOZOUSED Business 2,724 million yen (+92.0%, Yoy)

→ Average retail price is ¥4,522 (-4.6%, Yoy)

Average purchase amount is ¥9,277 (+2.7% Yoy)

· B to B Business : 7,629 million yen (-1.1%, Yoy) → In-line with the corporate plan.

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## Profitability

· Operating profit margin (to total transaction value) : 10.4% (10.8% for FY2014 2Q).

Factors improving profitability : Increase in take rate margins, as well as the declined ratio of fixed costs.

Factors worsening profitability : Improving shipping qualities, increase in the percentage of same day shipping volume, as well as spending more on promotions.

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## Topics

· Purchase kits shaped like tote bags which are called "Reuse Bags" are now in service. (July, 2015)

· Sponsoring the second-round screening for the world cup soccer, Japan VS Afghanistan. (September, 2015)

· Having fashionista contests with 4 fashion schools, in and out of the country. (September, 2015)

· Collaborated with TGC, holding real time events linked to the show. (September, 2015)

· Investing in "WearYouWant.com" in Thailand. (September, 2015)

· Updated the "ZOZOTOWN" App. (October, 2015)

· Sponsoring the "JEF UNITED Ichihara · Chiba Legendary Match". (October, 2015)

**BUSINESS  
PERFORMANCE  
FY2015 2Q  
CONSOLIDATED  
BUSINESS RESULTS  
APRIL1,2015-  
SEPTEMBER30,2015**

# OVERVIEW OF THE FY2015 2Q

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(¥ million)

Item	FY2014 2Q	FY2015 2Q	YoY Change(%)	Target	Progress Rate(%)
Transaction value	56,073	67,414	+20.2%	168,200	40.1%
Net sales	17,620	22,417	+27.2%	53,800	41.7%
Gross profit	16,796	20,907	+24.5%	-	-
(% Transaction Value)	30.0%	31.0%	+1.0%	-	-
SG & A	10,753	13,898	+29.2%	-	-
(% Transaction Value)	19.2%	20.6%	+1.4%	-	-
Operating profit	6,043	7,009	+16.0%	19,140	36.6%
(% Transaction Value)	10.8%	10.4%	-0.4%	11.4%	-
Recurring profit	6,082	7,126	+17.2%	19,160	37.2%
Profit attributable to owners of parent	3,913	4,789	+22.4%	12,520	38.3%

# OVERVIEW OF EACH QUARTER

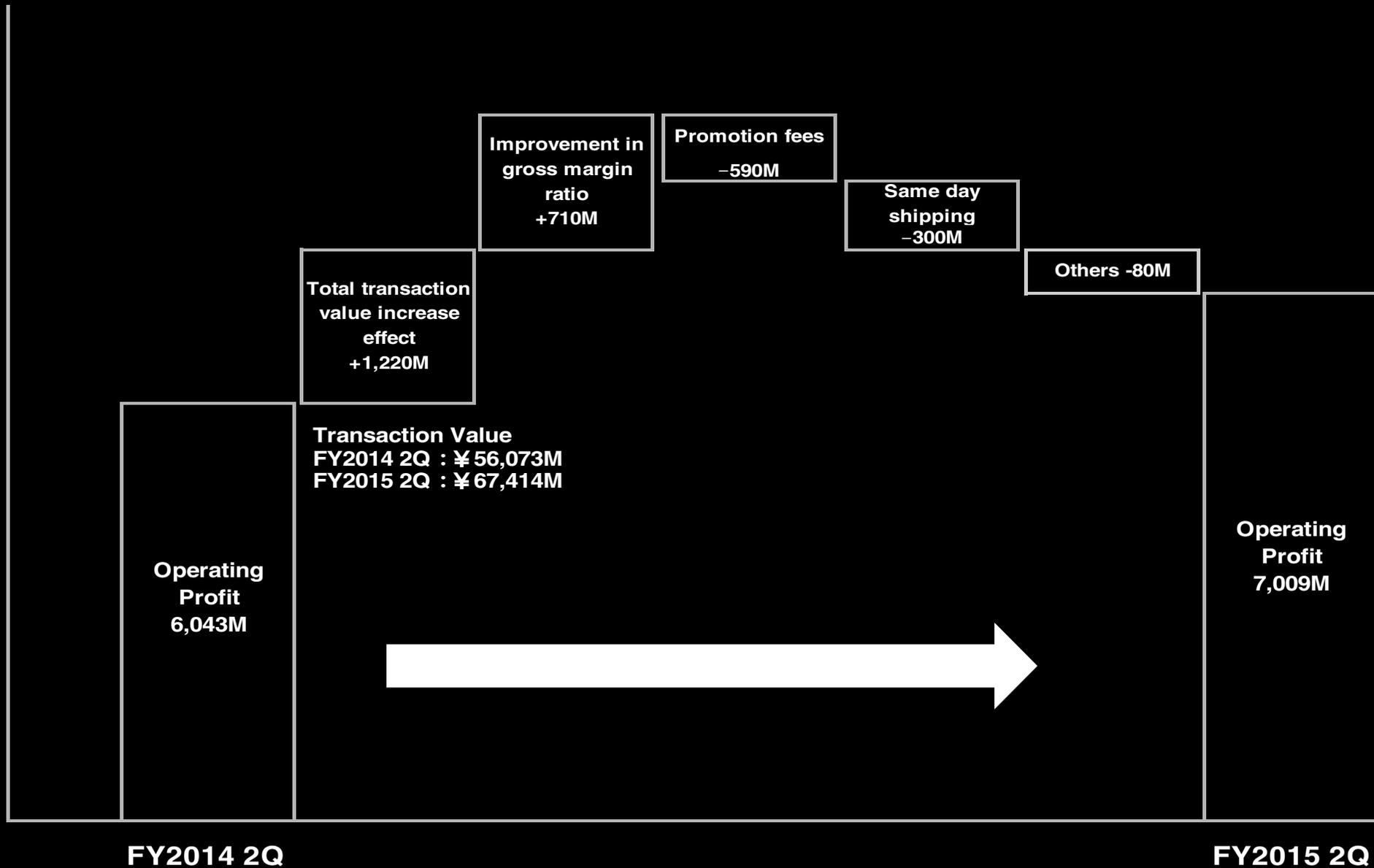
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(¥ million)

	FY2014				FY2015	
Item	1Q	2Q	3Q	4Q	1Q	2Q
Transaction value	27,224	28,849	36,039	36,946	33,271	34,142
YoY (%)	12.0%	14.2%	14.2%	10.2%	22.2%	18.4%
Net sales	8,401	9,218	11,633	11,929	10,856	11,560
SG&A	5,167	5,585	6,267	6,672	6,453	7,444
YoY (%)	23.5%	16.0%	5.4%	9.0%	24.9%	33.3%
(% Transaction Value)	19.0%	19.4%	17.4%	18.1%	19.4%	21.8%
Operating profit	2,883	3,160	4,609	4,431	3,733	3,276
YoY (%)	0.3%	23.1%	44.1%	18.2%	29.5%	3.7%
(% Transaction Value)	10.6%	11.0%	12.8%	12.0%	11.2%	9.6%

# INCREASE-DECREASE ANALYSIS OF OPERATING PROFIT (Y<sub>o</sub>Y COMPARISON)

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# CONSOLIDATED BALANCE SHEET

(¥ million)

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	FY2014 (as of March 31, 2015)	FY2015 2Q (as of September 30, 2015)		FY2014 (as of March 31, 2015)	FY2015 2Q (as of September 30, 2015)
Current assets	<b>35,296</b>	<b>36,481</b>	Current liabilities	<b>13,744</b>	<b>12,121</b>
Cash and deposits	<b>24,713</b>	<b>26,289</b>	Deposit received for consignment sales	<b>6,719</b>	<b>6,230</b>
Merchandise inventory	<b>530</b>	<b>870</b>	Noncurrent liabilities	<b>1,362</b>	<b>1,451</b>
Noncurrent assets	<b>6,055</b>	<b>8,942</b>	Total liabilities	<b>15,106</b>	<b>13,573</b>
Tangible assets	<b>2,819</b>	<b>2,915</b>	Shareholders' equity	<b>25,504</b>	<b>31,277</b>
Intangible assets	<b>1,440</b>	<b>3,544</b>	Treasury stock	<b>-2,817</b>	<b>-1,701</b>
Investments and other assets	<b>1,795</b>	<b>2,481</b>	Total net assets	<b>26,244</b>	<b>31,850</b>
Total assets	<b>41,351</b>	<b>45,423</b>	Total liabilities and net assets	<b>41,351</b>	<b>45,423</b>

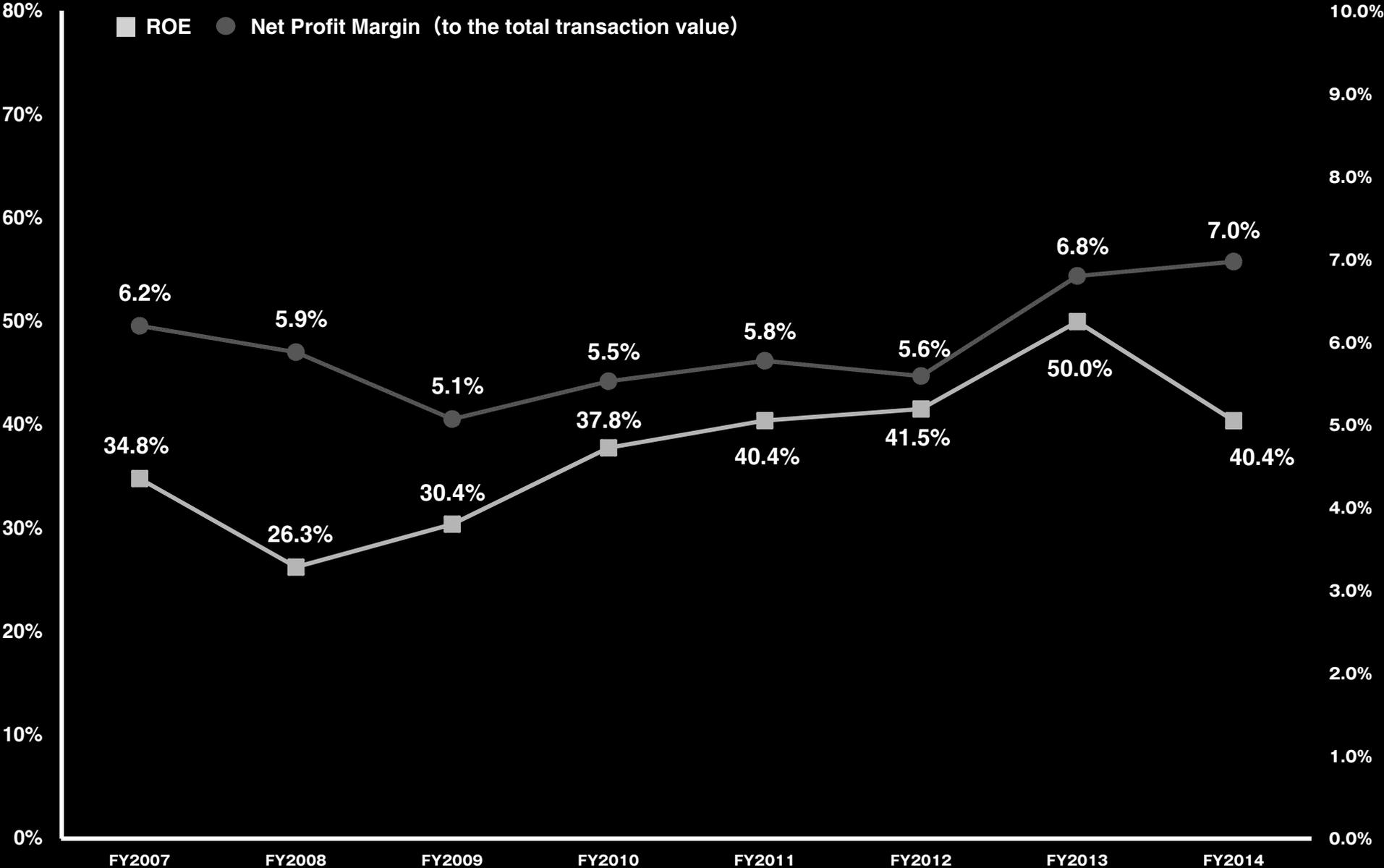
# CASH FLOWS

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(¥ million)

Item	FY2014 2Q	FY2015 2Q	YOY	Reasons for change
Cash flows from operating activities	3,001	3,925	924	(FY2015) Increase in quarterly net profit
Cash flows from investing activities	-412	-435	-23	
Cash flows from financing activities	-1,607	-2,165	-557	(FY2015) Increase in dividend
Cash and cash equivalents at the end of the year	18,639	26,289	7,650	

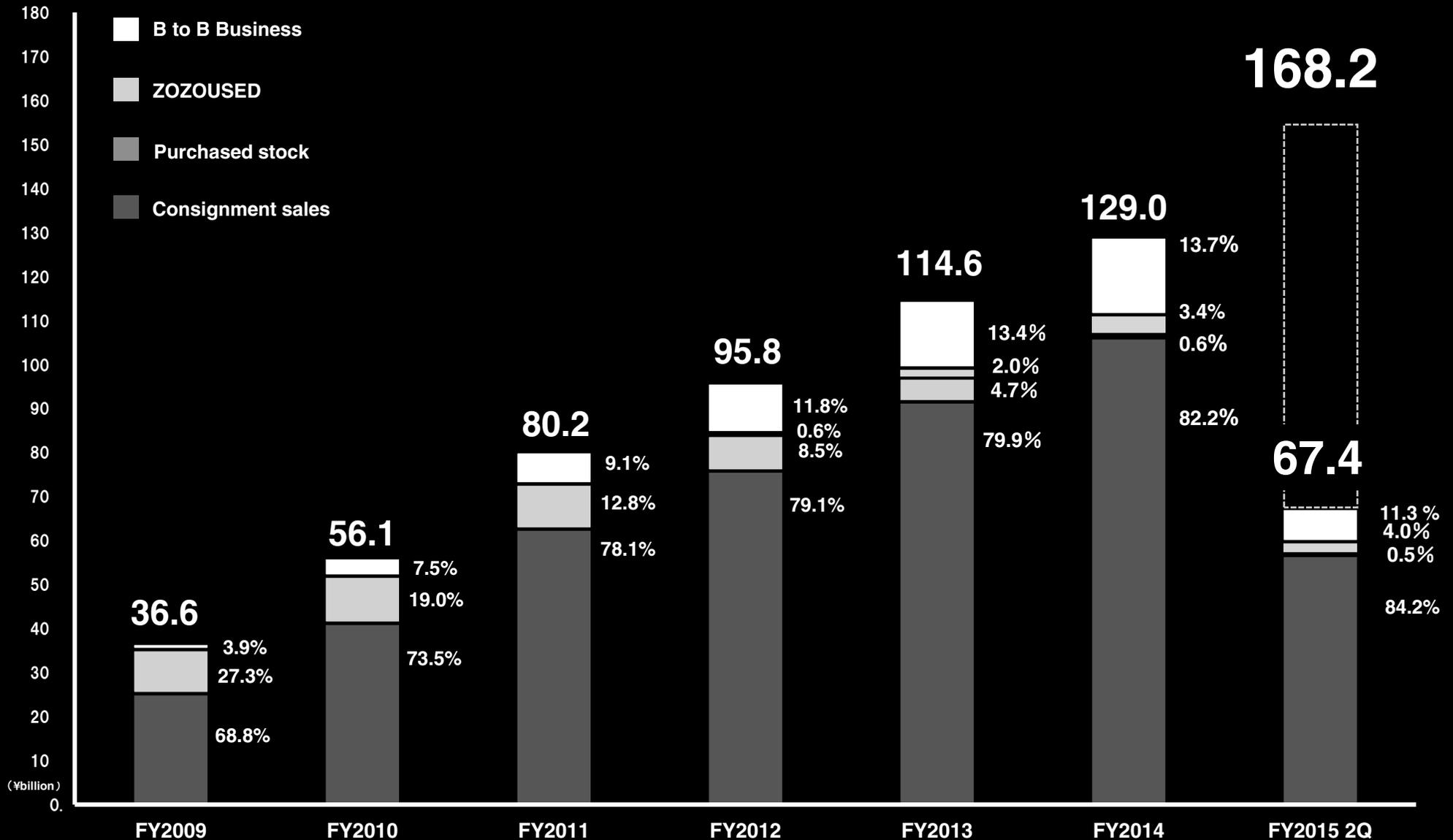
# ROE AND NET PROFIT MARGIN



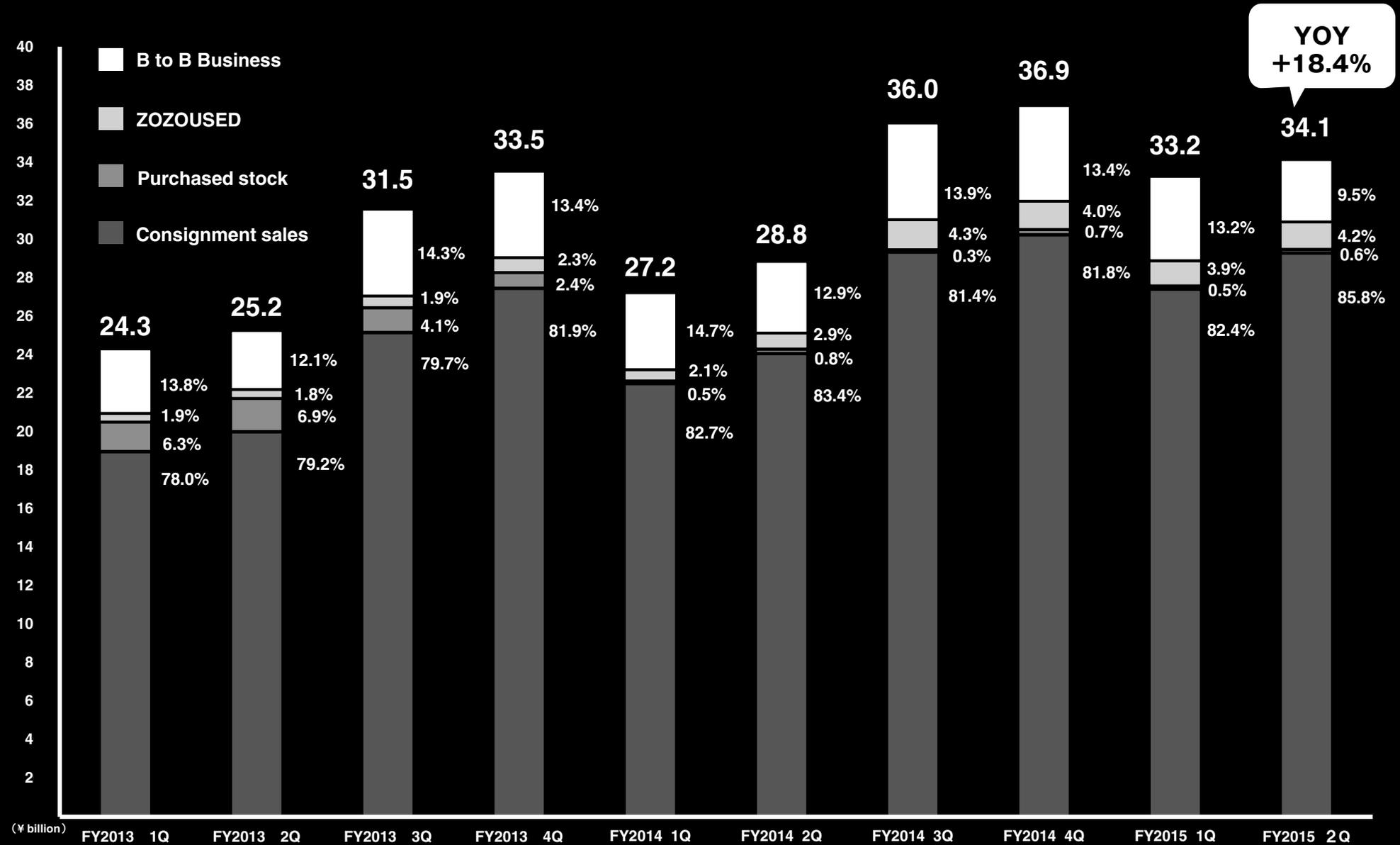
# TRANSACTION VALUE

Gross transaction value of new shops opened in FY2015

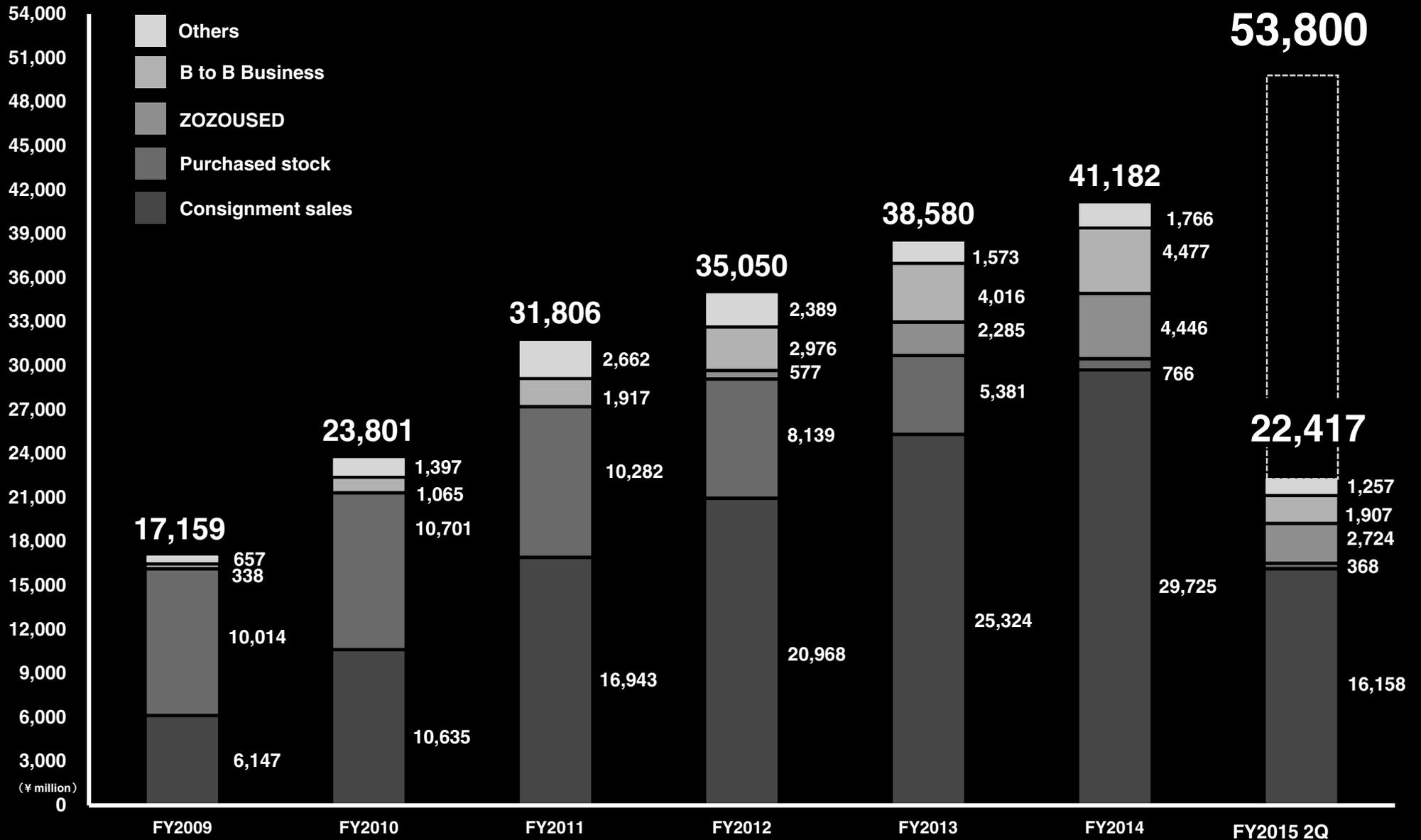
ZOZOTOWN Business ( purchased stock & consignment sales ) : ¥ 875 million ( accounts for 1.5% of the total)



# TRANSACTION VALUE (QUARTERLY)

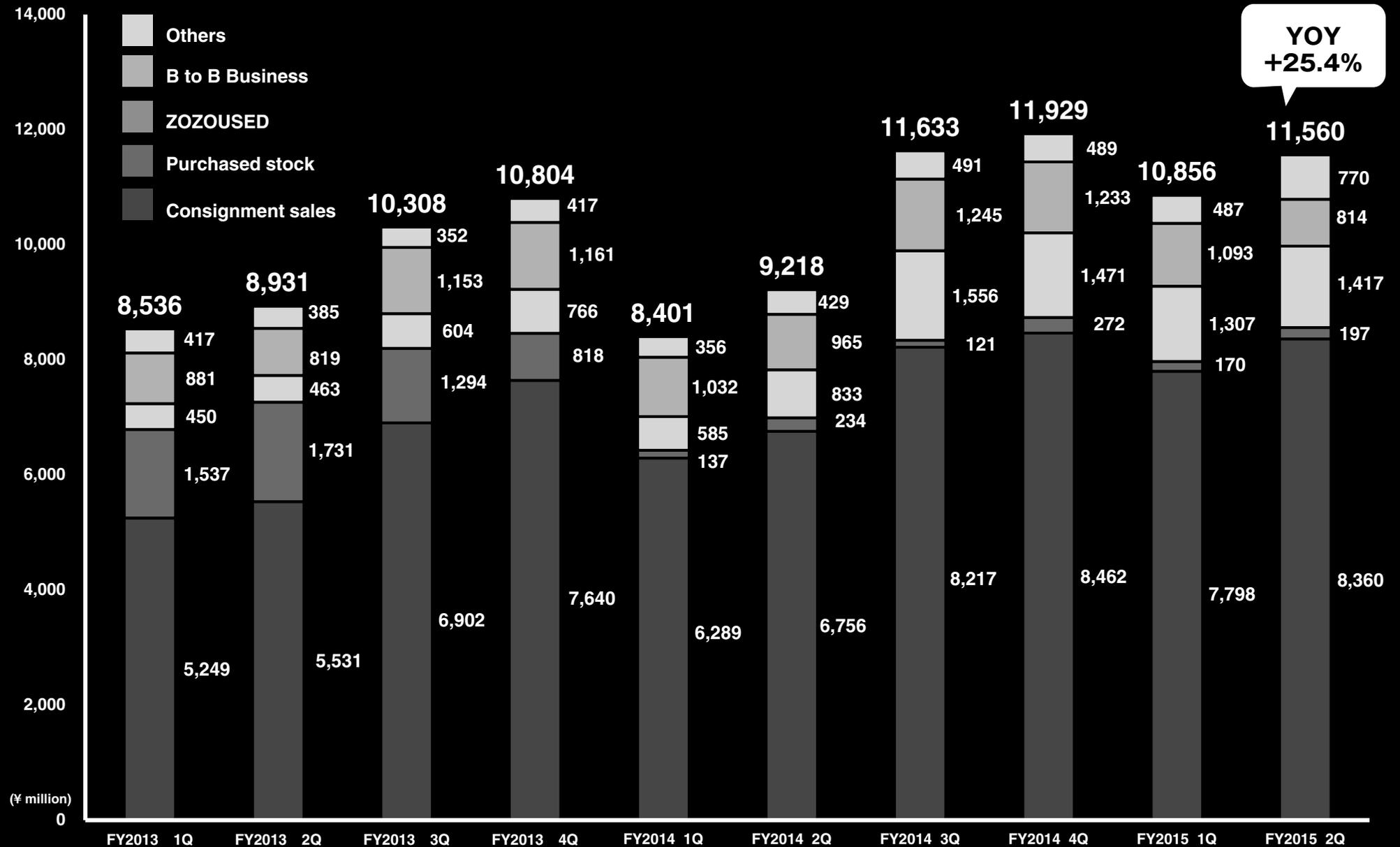


# NET SALES

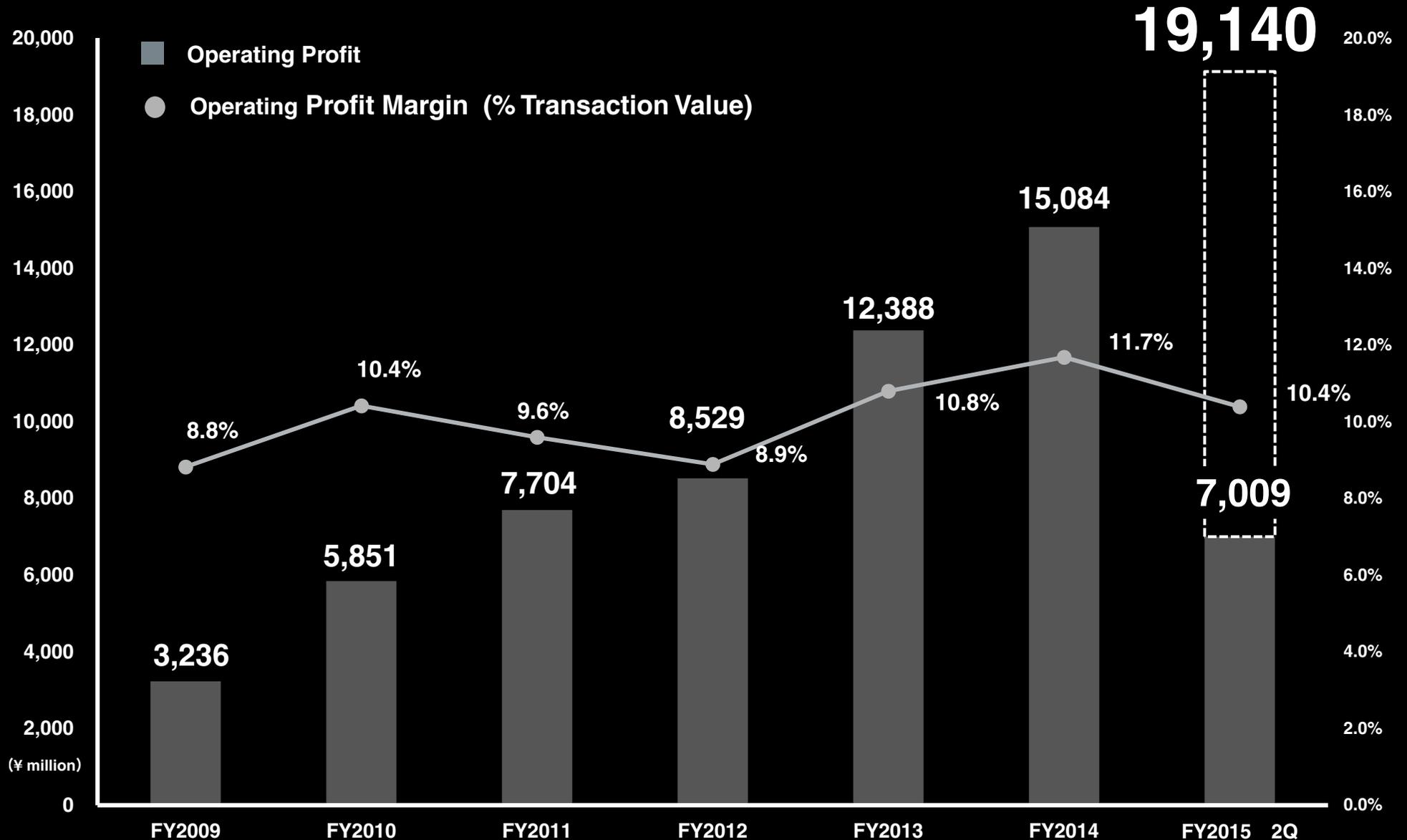


# NET SALES (QUARTERLY)

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# OPERATING PROFIT AND OPERATING PROFIT MARGIN



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

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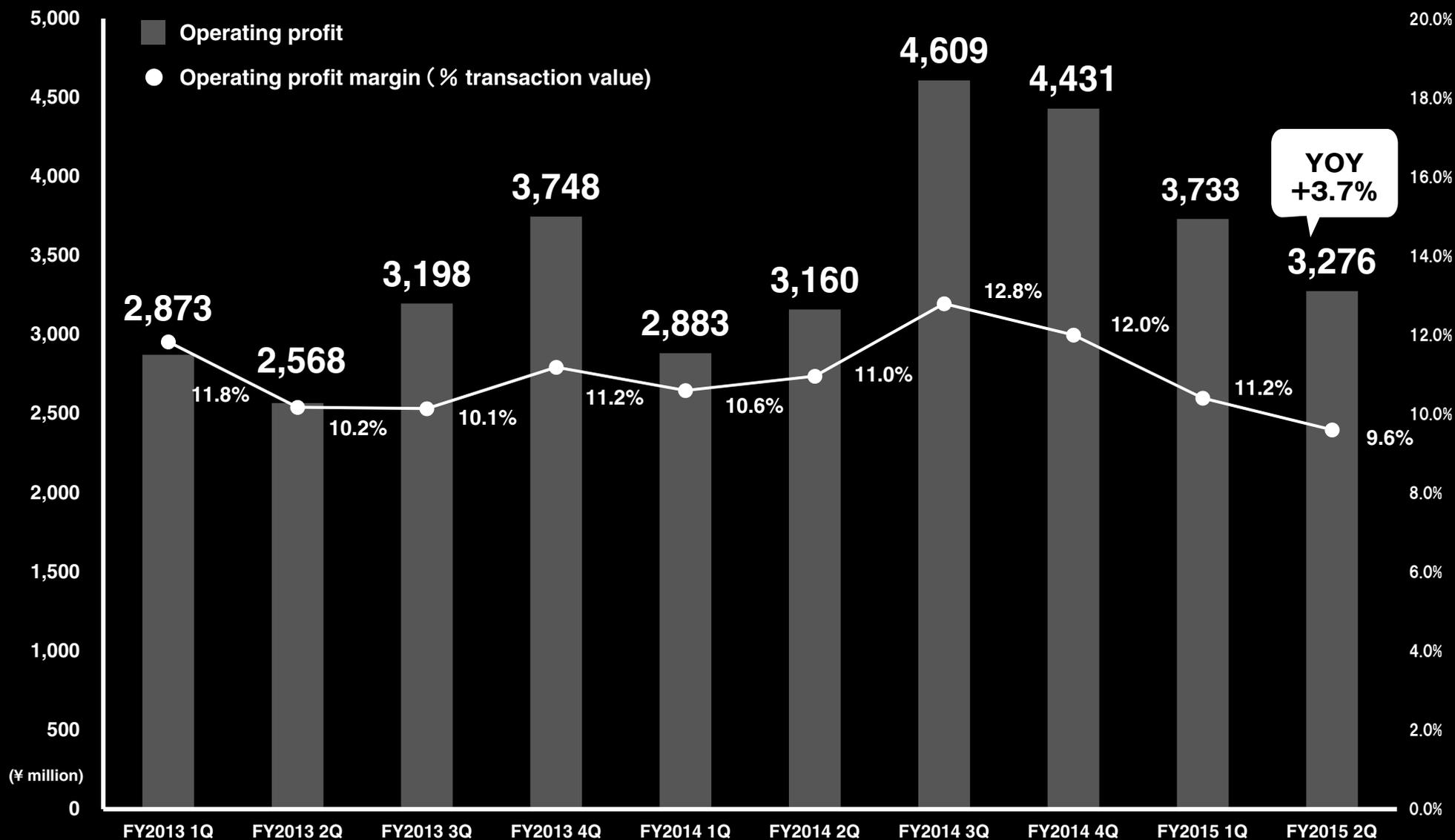
(¥ million)

Item	FY2014 2Q		FY2015 2Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll(*)	2,861	5.1%	3,479	5.2%	0.1%	The number of employees in our group has grown from 618 as of September, 2014 to 773 as of September, 2015 , due to the grouping of YAPPA Corporation and aratana Inc.
Shipping	2,169	3.9%	2,915	4.3%	0.4%	Increase of cost burden from same day shipping services. Increase in the amount of purchase assessments for the ZOZOUSED business.
Commission of Payment collection	1,382	2.5%	1,657	2.5%	0.0%	
Promotion related expenses	720	1.3%	1,462	2.2%	0.9%	
Advertising	266	0.5%	332	0.5%	0.0%	Holding ¥0 sales on ZOZOTOWN, Linking with various SNSs, as well as collaborating with events.
Reward points related expenses	454	0.8%	1,130	1.7%	0.9%	Holding efficient point typed promotions.
Outsourcing	1,193	2.1%	1,301	1.9%	-0.2%	
Rent expense	847	1.5%	848	1.3%	-0.2%	
Depreciation	375	0.7%	342	0.5%	-0.2%	
Amortization of goodwill	144	0.3%	315	0.5%	0.2%	Crown Jewel, Inc, YAPPA Corporatin (October,2014~) aratana Inc.(July, 2015~)
Others	1,056	1.9%	1,576	2.3%	0.4%	Cost burden from the black box packaging. Increase in the amount of purchase assessments for the ZOZOUSED business.
<b>Total SG&amp;A</b>	<b>10,753</b>	<b>19.2%</b>	<b>13,898</b>	<b>20.6%</b>	<b>1.4%</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

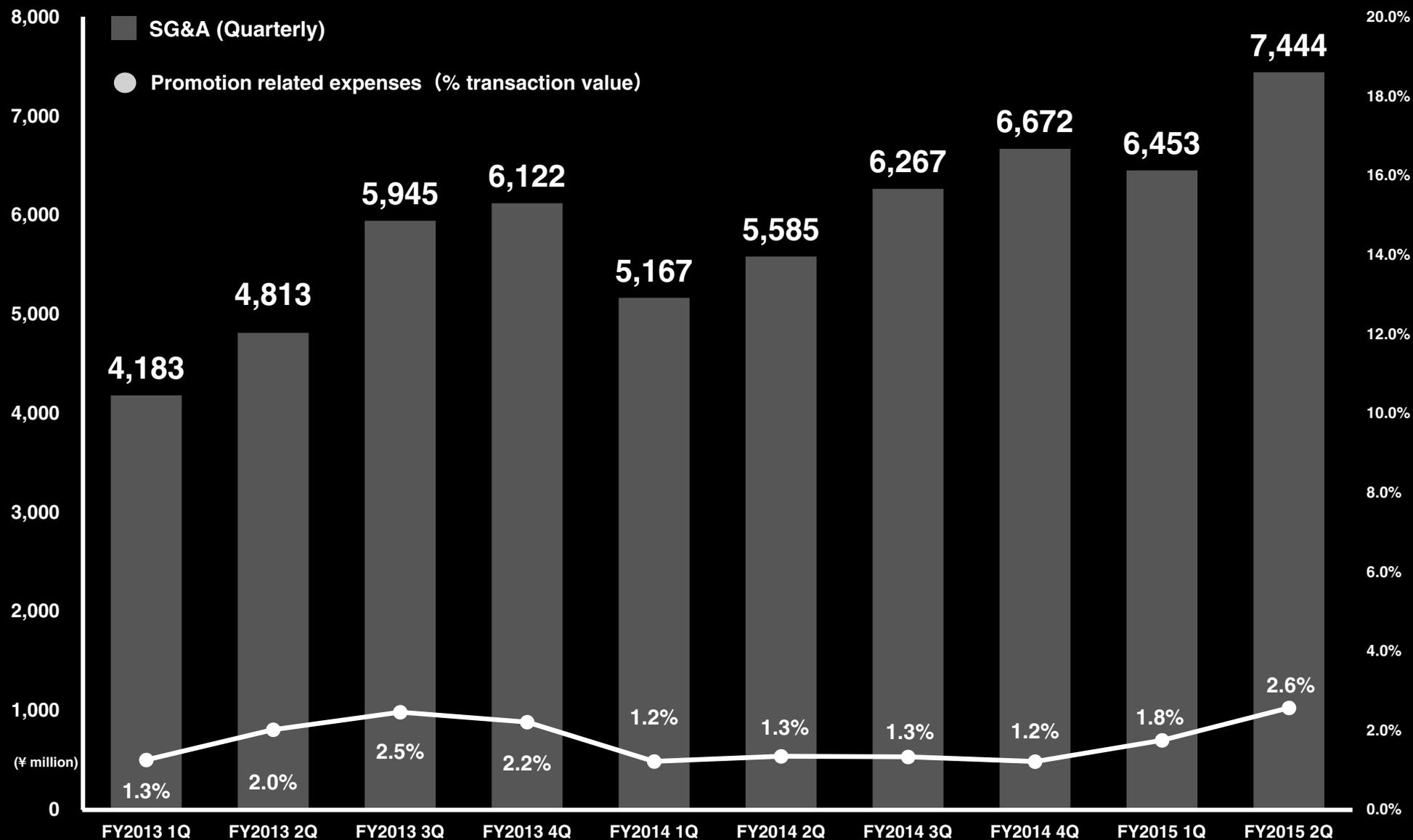
# OPERATING PROFIT AND OPERATING PROFIT MARGIN (QUARTERLY)

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

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# OVERVIEW OF SG & A BY EACH QUARTER

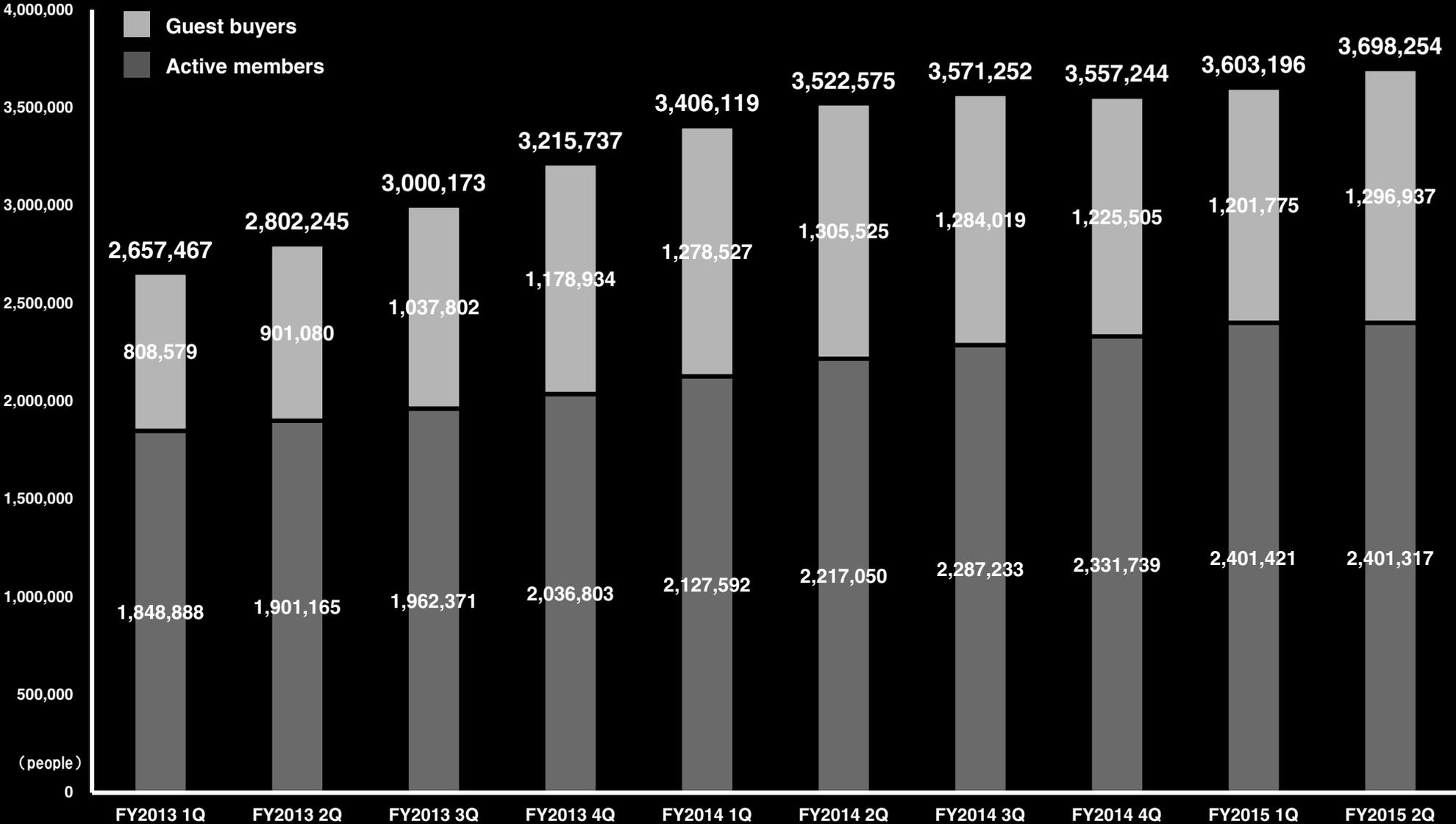
17

(¥ million)

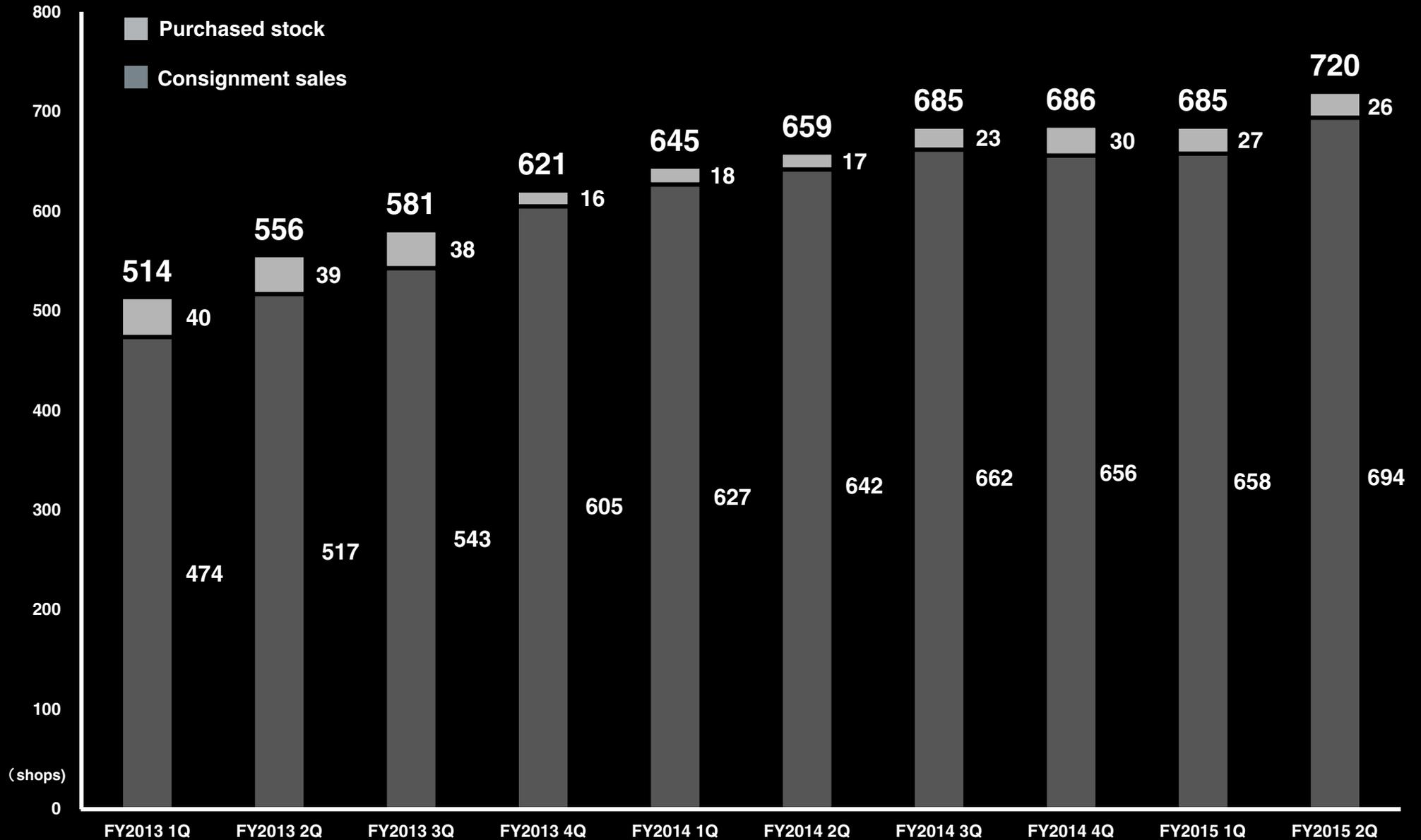
Item	FY2014								FY2015			
	1Q		2Q		3Q		4Q		1Q		2Q	
	Amount	% Transaction value										
Payroll(*)	1,414	5.2%	1,447	5.0%	1,587	4.4%	1,901	5.1%	1,643	4.9%	1,835	5.4%
Shipping	1,003	3.7%	1,166	4.0%	1,192	3.3%	1,367	3.7%	1,393	4.2%	1,521	4.5%
Commission of Payment collection	663	2.4%	719	2.5%	849	2.4%	887	2.4%	810	2.4%	846	2.5%
Promotion related expenses	331	1.2%	389	1.3%	481	1.3%	449	1.2%	583	1.8%	878	2.6%
Advertising	123	0.5%	142	0.5%	213	0.6%	160	0.4%	183	0.6%	148	0.4%
Reward points related expenses	207	0.8%	246	0.9%	267	0.7%	288	0.8%	399	1.2%	730	2.1%
Outsourcing	586	2.2%	607	2.1%	713	2.0%	651	1.8%	646	1.9%	655	1.9%
Rent expense	422	1.6%	424	1.5%	425	1.2%	418	1.1%	415	1.2%	433	1.3%
Depreciation	183	0.7%	192	0.7%	201	0.6%	208	0.6%	165	0.5%	176	0.5%
Amortization of goodwill	72	0.3%	72	0.3%	132	0.4%	132	0.4%	98	0.3%	217	0.6%
Others	488	1.8%	567	2.0%	682	1.9%	655	1.8%	696	2.1%	880	2.6%
<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>	<b>7,444</b>	<b>21.8%</b>

# 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

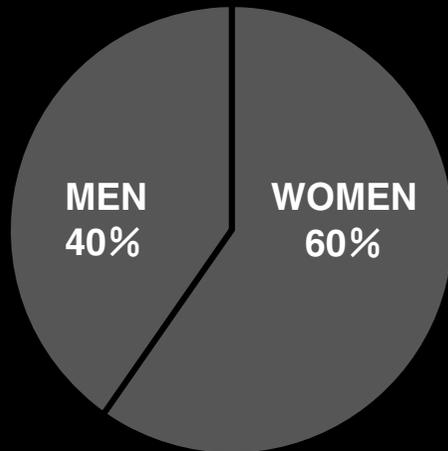


# NUMBER OF SHOPS OF MALL BUSINESS

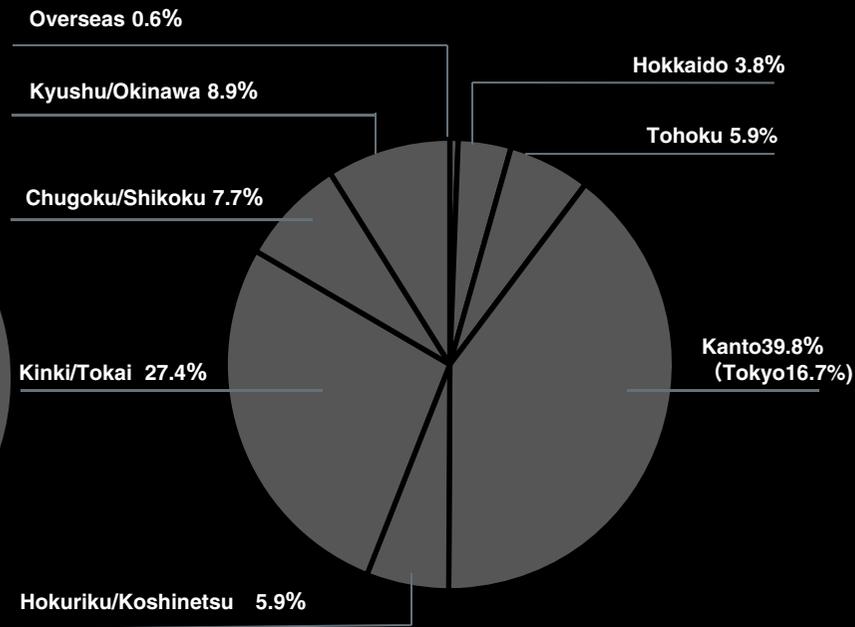


# MEMBER DISTRIBUTION

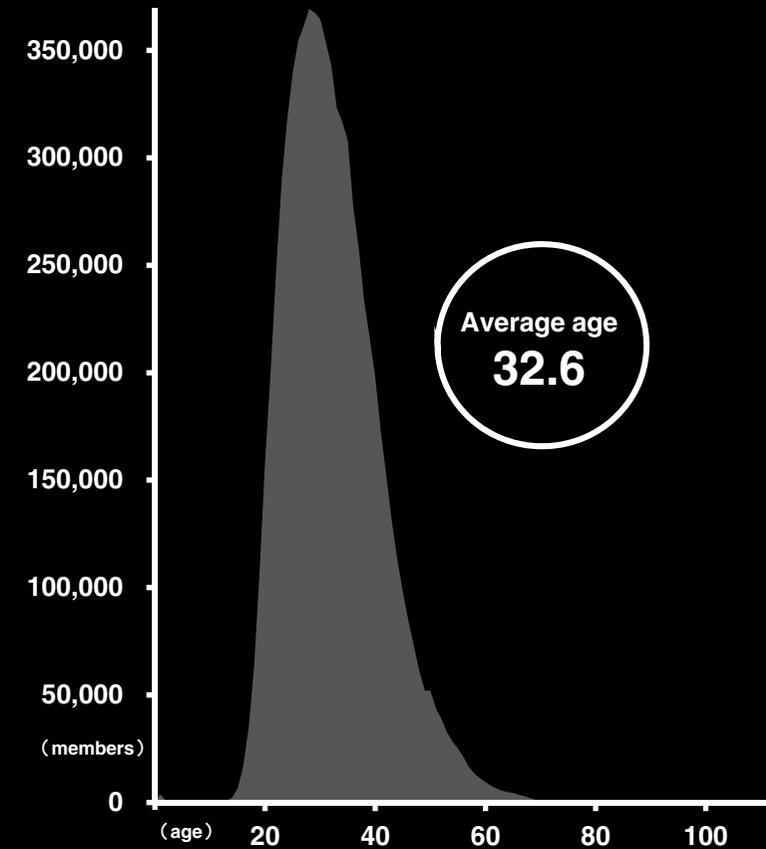
## ■ Gender ratio



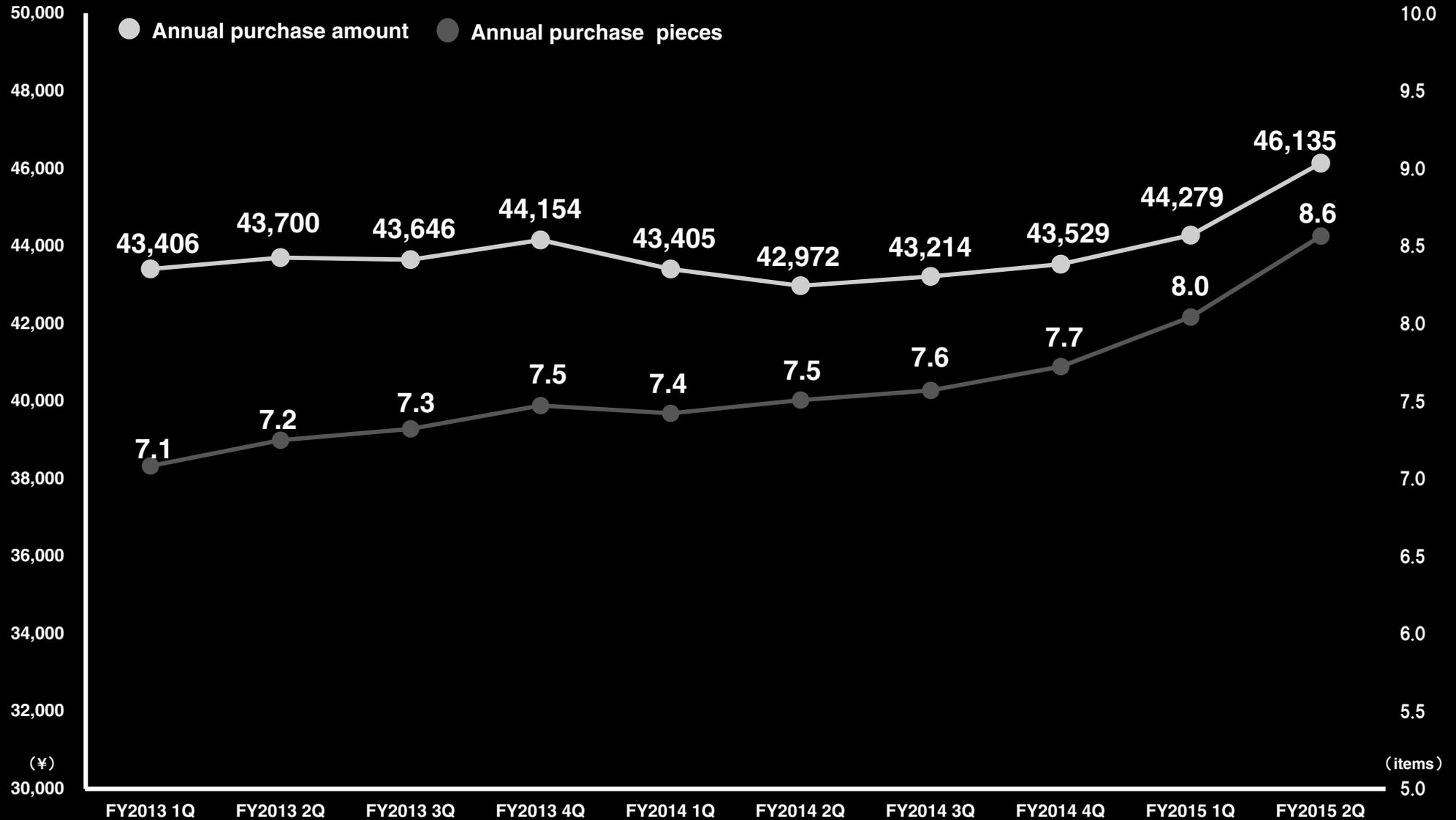
## ■ Geographical distribution



## ■ Age distribution



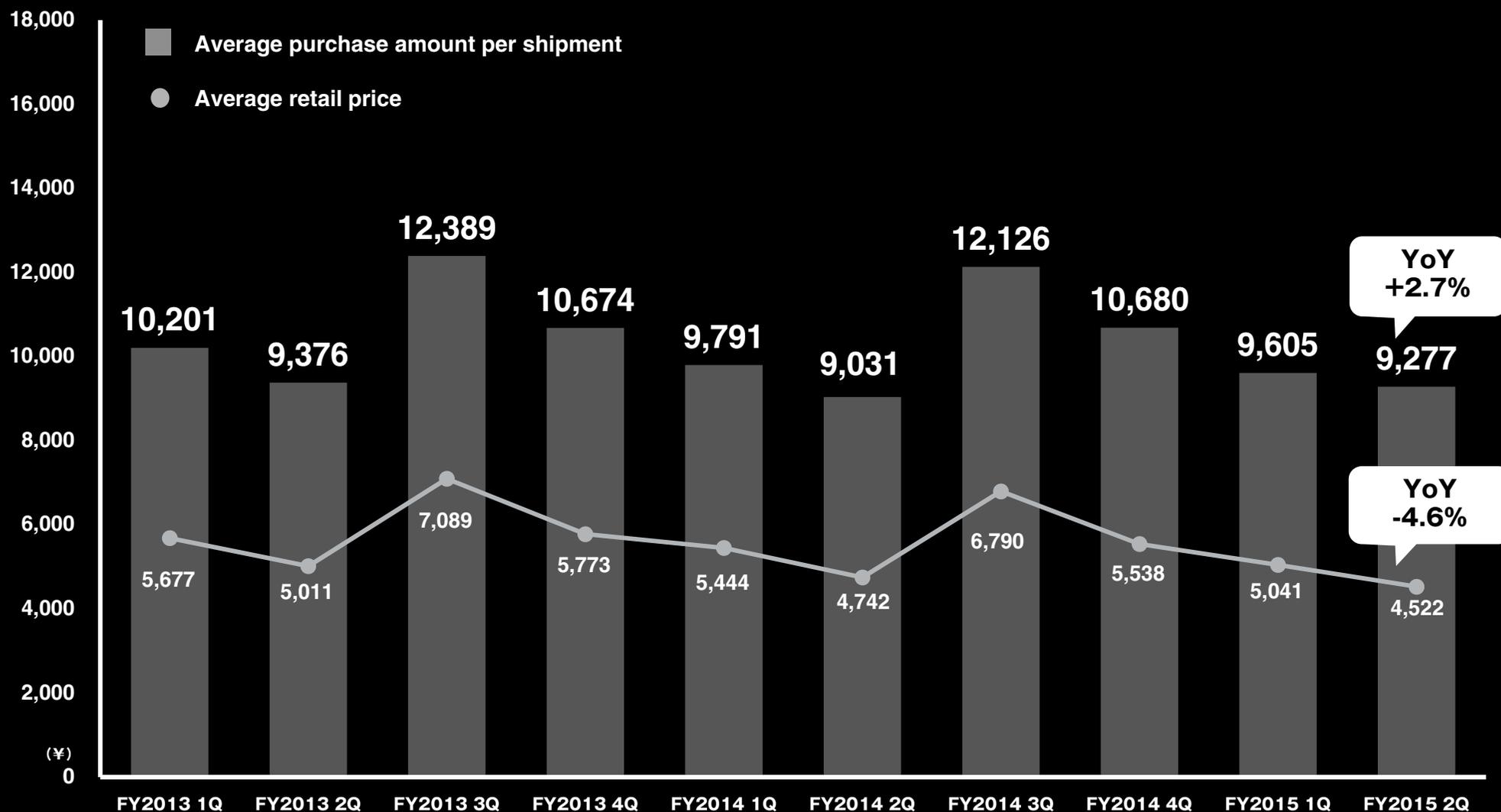
# ANNUAL PURCHASE AMOUNT AND PIECES PER ACTIVE MEMBER



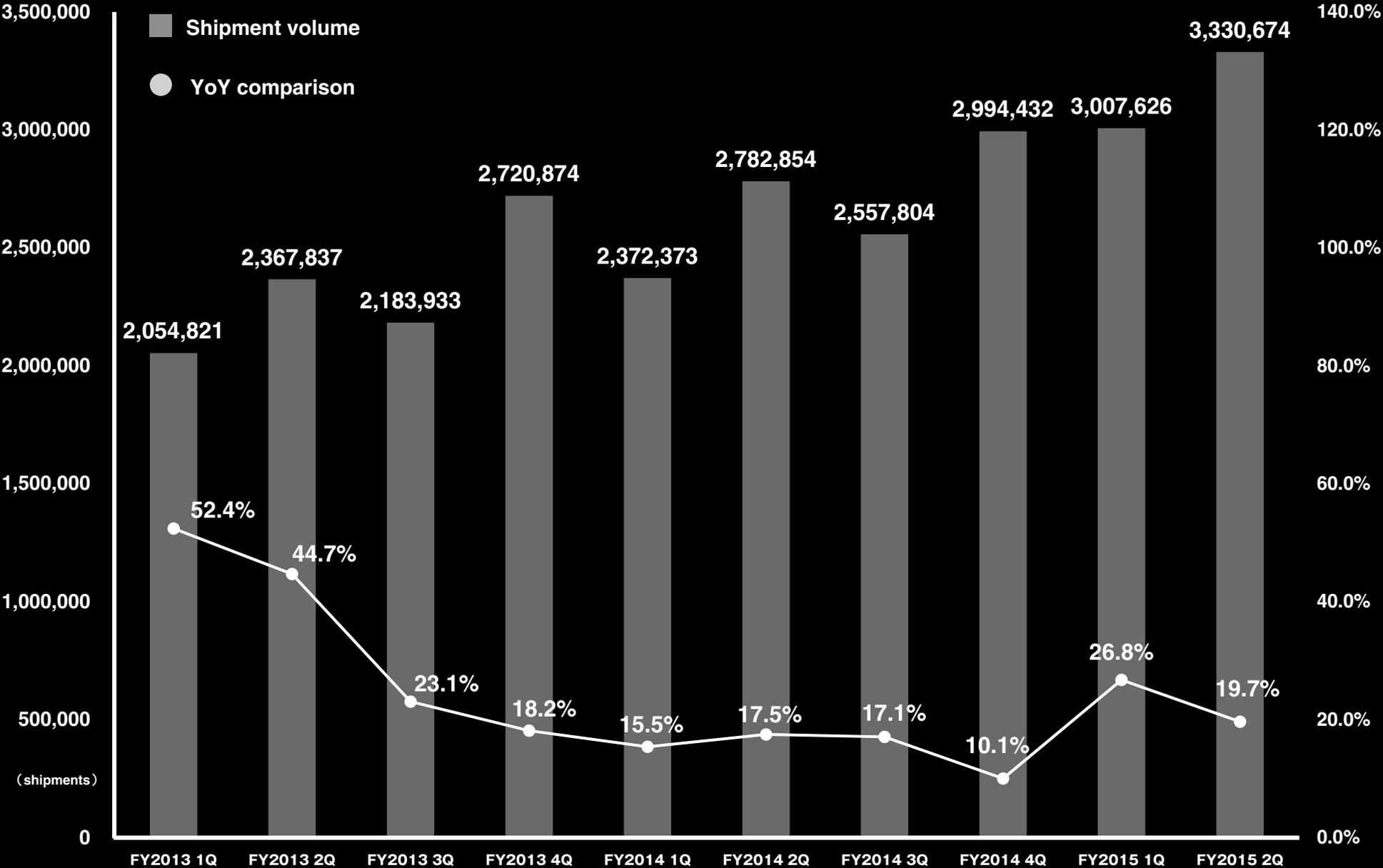
# AVERAGE PURCHASE AMOUNT PER SHIPMENT AND AVERAGE RETAIL PRICE

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

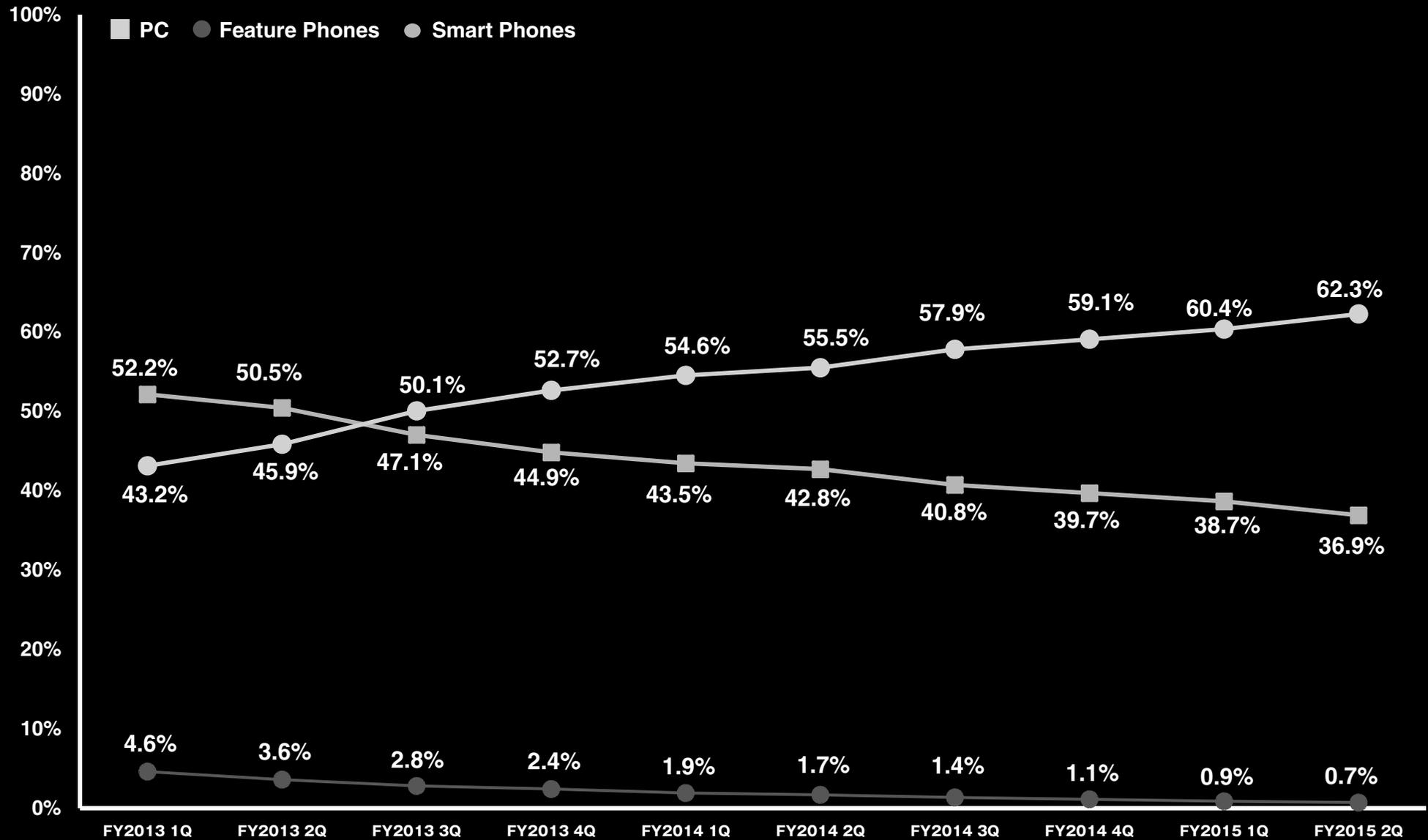


# NUMBER OF SHIPMENTS



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

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# EFFORTS TOWARDS ACCELARATING THE TOTAL TRANSACTION VALUE

	Contents	Current Efforts	Going Forward
<b>Demand Side</b>	Enriching the coordinate reviews	Starting from March, the ZOZOTOWN staff have been taking coordinate pics, offering detailed comments, and did AB tests along with user interviews in order to measure effects.	Rapidly increase the amount of coordinate pics as well as comments based on the AB tests and user interview results.
	Improving CVR	Changing the purchase flow, improving the usability for guest buyers, shopping cart, strengthening product recommends, and reviewed the UI for main pages.	Continue the minor improvements in order to raise usability.
	Upgraded our strategy to CFM2.0	We have replaced the current system to a newer one that is based on the diversified life styles as well as usage scenes. by creating an on communication optimized system.	Aiming to provide a communication platform based on each user's "customer journey".
	Major update of the ZOZOTOWN App	Taking the evolutions of devices into account, UU's from smartphones are now over 70%, we did a major update on the ZOZO App. (October,2015)	-
	Active promotions	Giving out additional points during a limited period of time (June, 2015~), Joint point campaigns with the brands (May, 2015~), TV commercials to announce the renewal of the ZOZO App (October, 2015)	Considering to continue the efficient point campaigns. Basing on the effectiveness, we will review our TV commercial strategy going forward.
	Accelerating the number of shop openings	170 new shops opening up to October, 2015.	Continuously opening shops that meet the diversifying needs of our users.
	Offering fee-based membership services		From November, 2015, we will start "ZOZO Premium/ZOZO Platinum" which are fee-based membership services. Same day shipping services will start in the Chukyo area, adding to the Tokyo and Osaka areas. (Covering 65% of our geographics)
	Strengthening alliance		Begin API linkage with curation media services.
<b>Supply Side</b>	Having efficient lead time for fulfillment operations		By improving operations for receiving inventory as well as photo shootings, we aim to increase the process volume.
	Optimizing inventory	Engaging in building logics to optimize the amount of inventory as well as reduce the amount of opportunity loss based on the demand forecast engine.	By creating a method based on the logic, we plan to search for advantages on the brand side as well.

# MAIN PROMOTION FOR FY2015

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## Main Projects

The “REUSE BAGS” purchase kits for used clothing, are now in service.

### Supporting sports events

- Match sponsor for the second-round screening of the World Cup soccer
- Sponsoring the “JEF UNITED Ichihara • Chiba Legendary Match”

Having point promotions aggressively.

Updated the “ZOZOTOWN” App.

TV commercials for ZOZOTOWN.

Starting the fee-based membership services “ZOZO Premium” & “ZOZO Platinum”.



The “Reuse bag”



TV commercial image

# PROGRESS IN “WEAR”

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**Reaching 6 million downloads.**

(October, 2015)

**More than 3 million coordinate pics, posted.**

(October, 2015)

**【Main topics】**

**Collaborated with TGC,**

**having real time events linked to the show.**

(September, 2015)

**Holding fashionista contests with 4 fashion schools in and out of the country.**

(September, 2015)

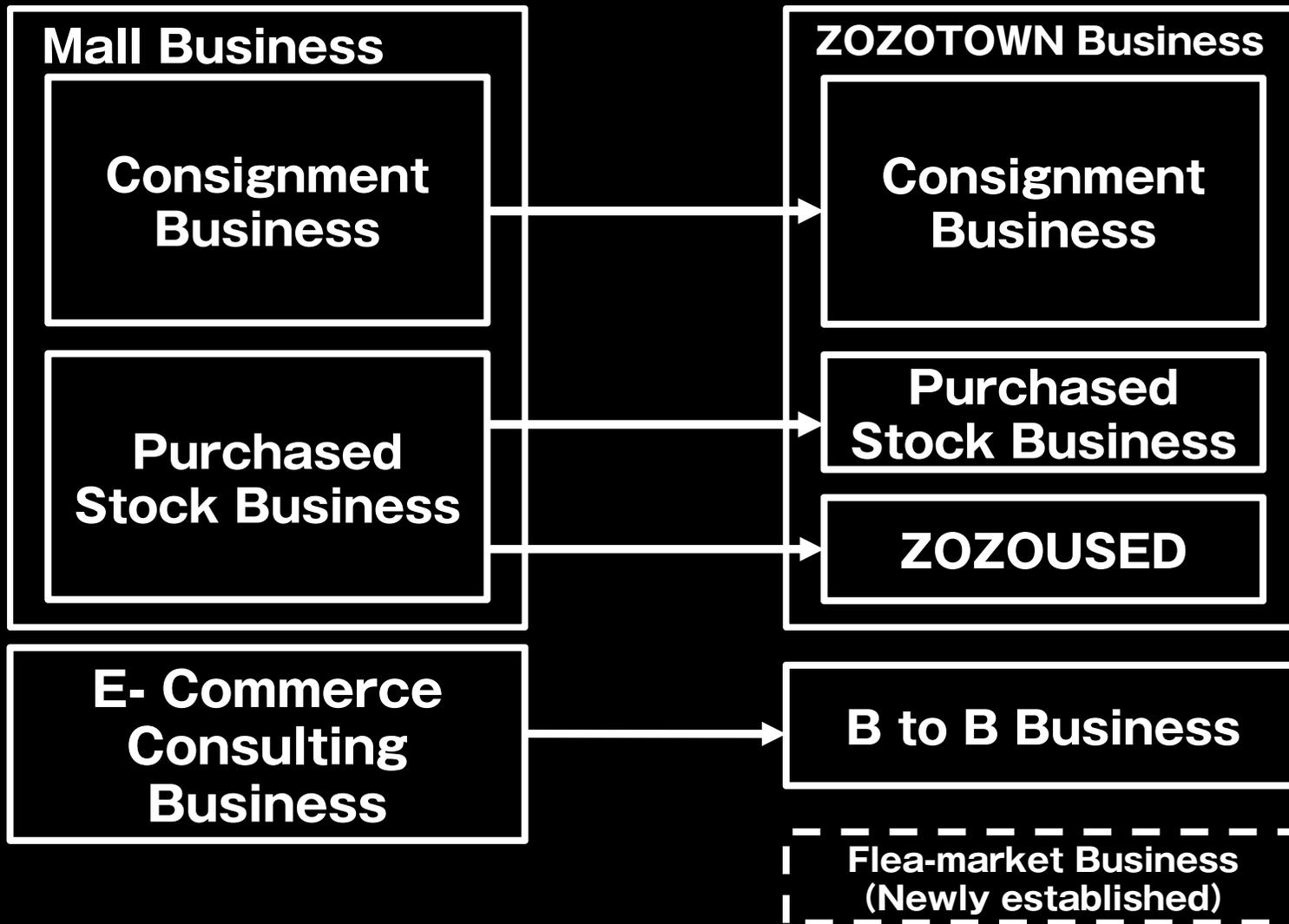
# **BUSINESS PLAN FOR FY2015**

# CONSOLIDATED BUSINESS FORECAST AND DIVIDEND FORECAST FOR FY2015

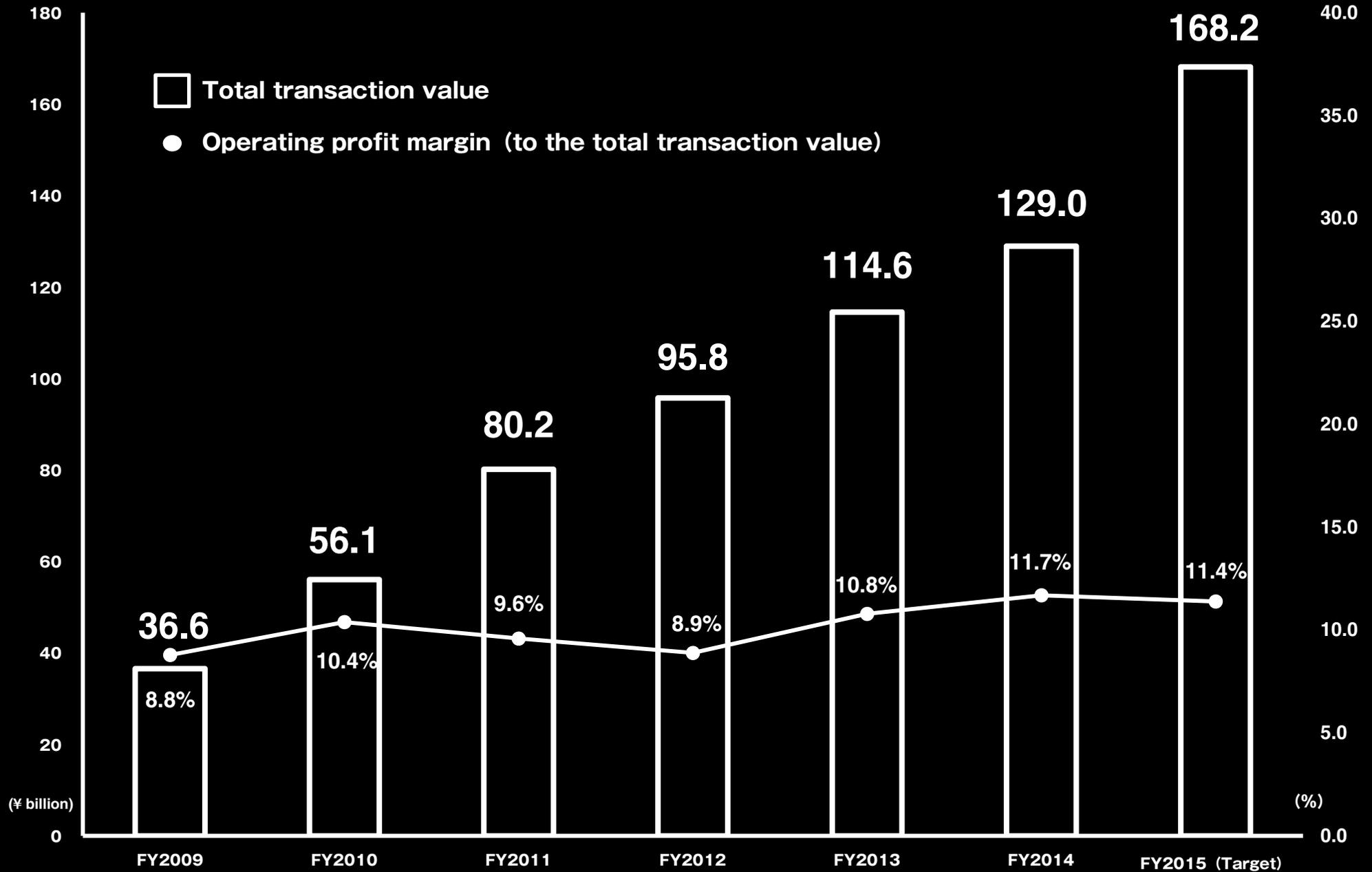
29

	<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



# TRANSACTION VALUE



# 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)

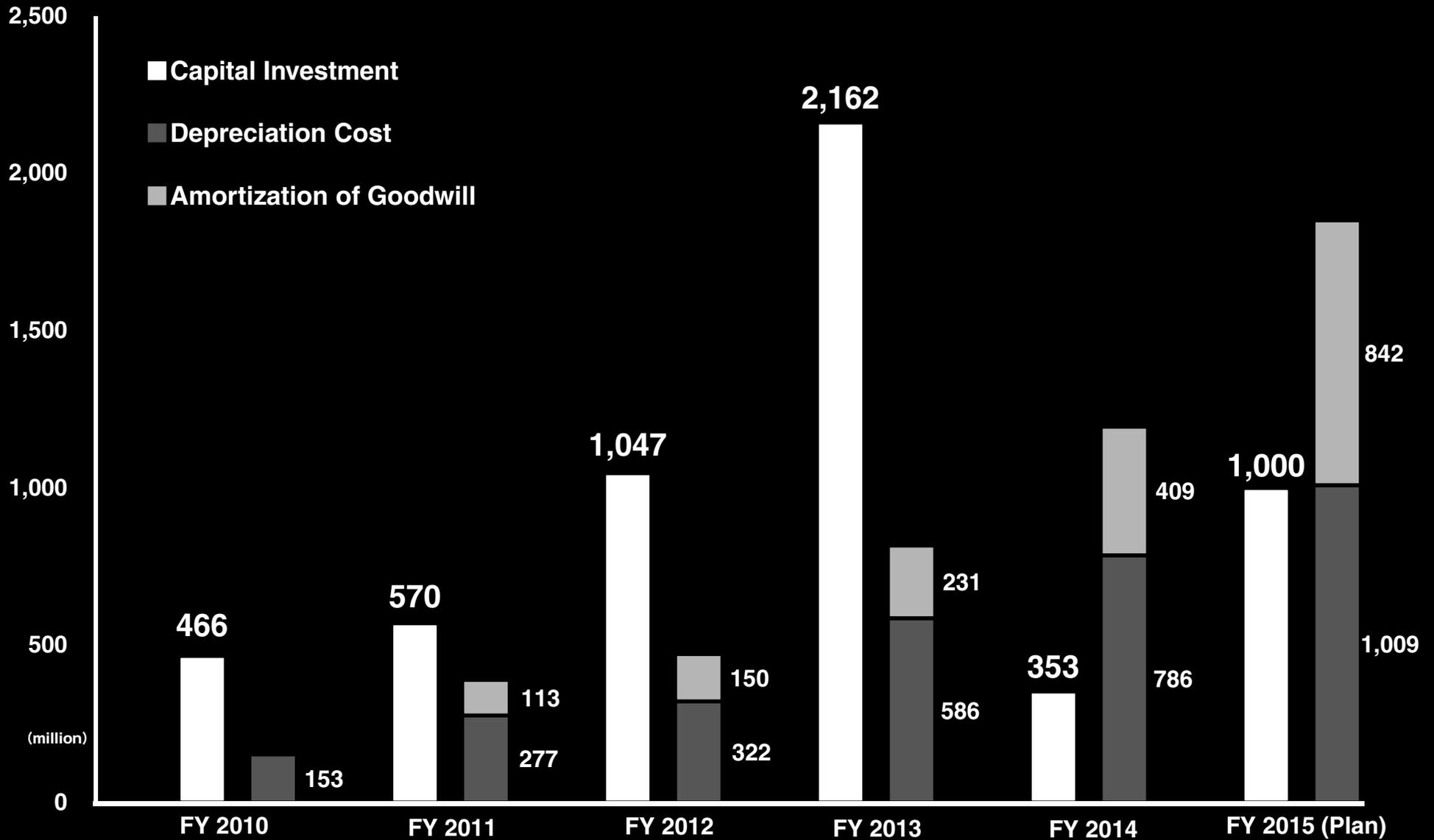
## Flea Market Business (Newly established)

Target for Total Transaction Value : 3.5 billion yen

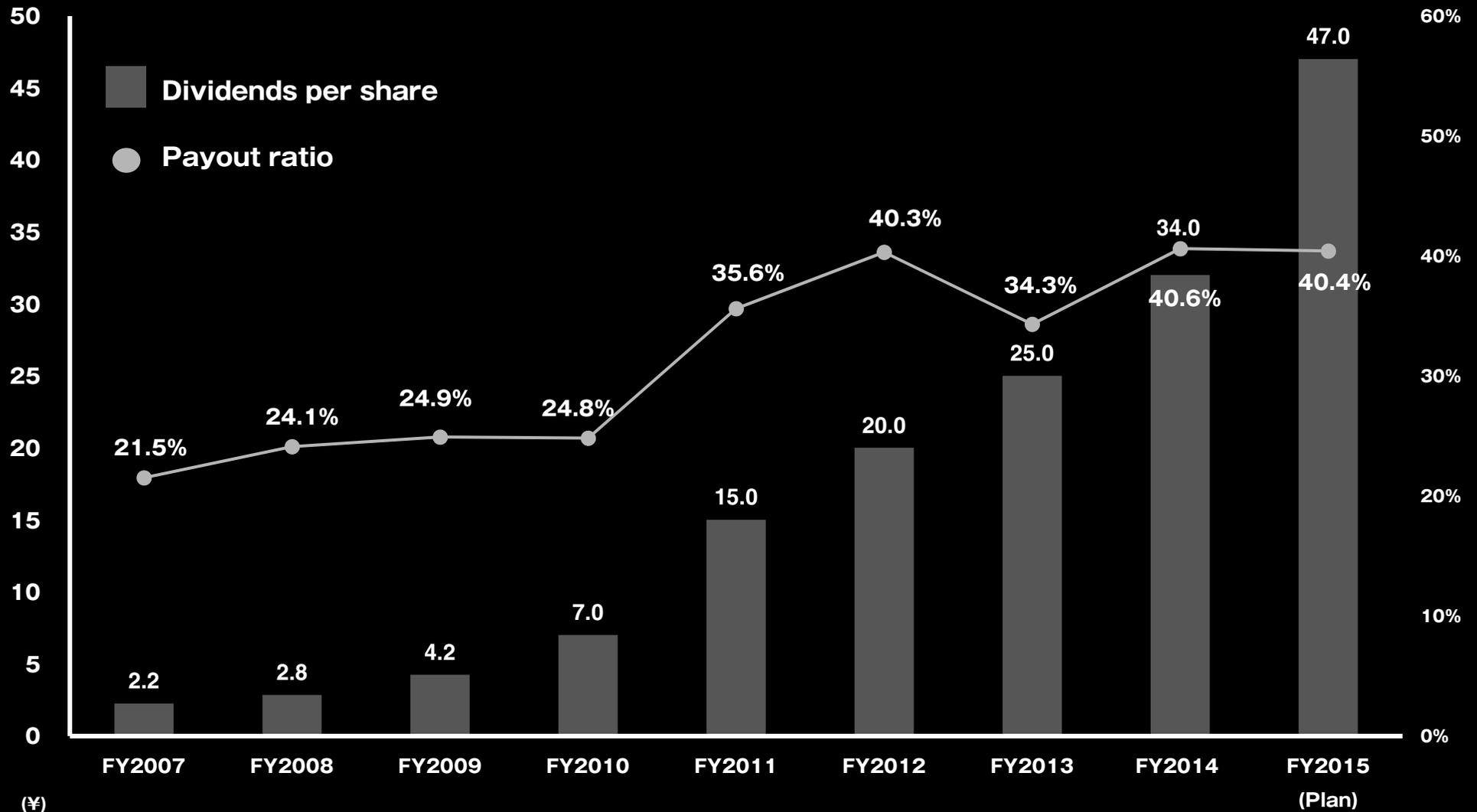
## Operating Profit Margin(to the total transaction value)

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

# CAPITAL INVESTMENT



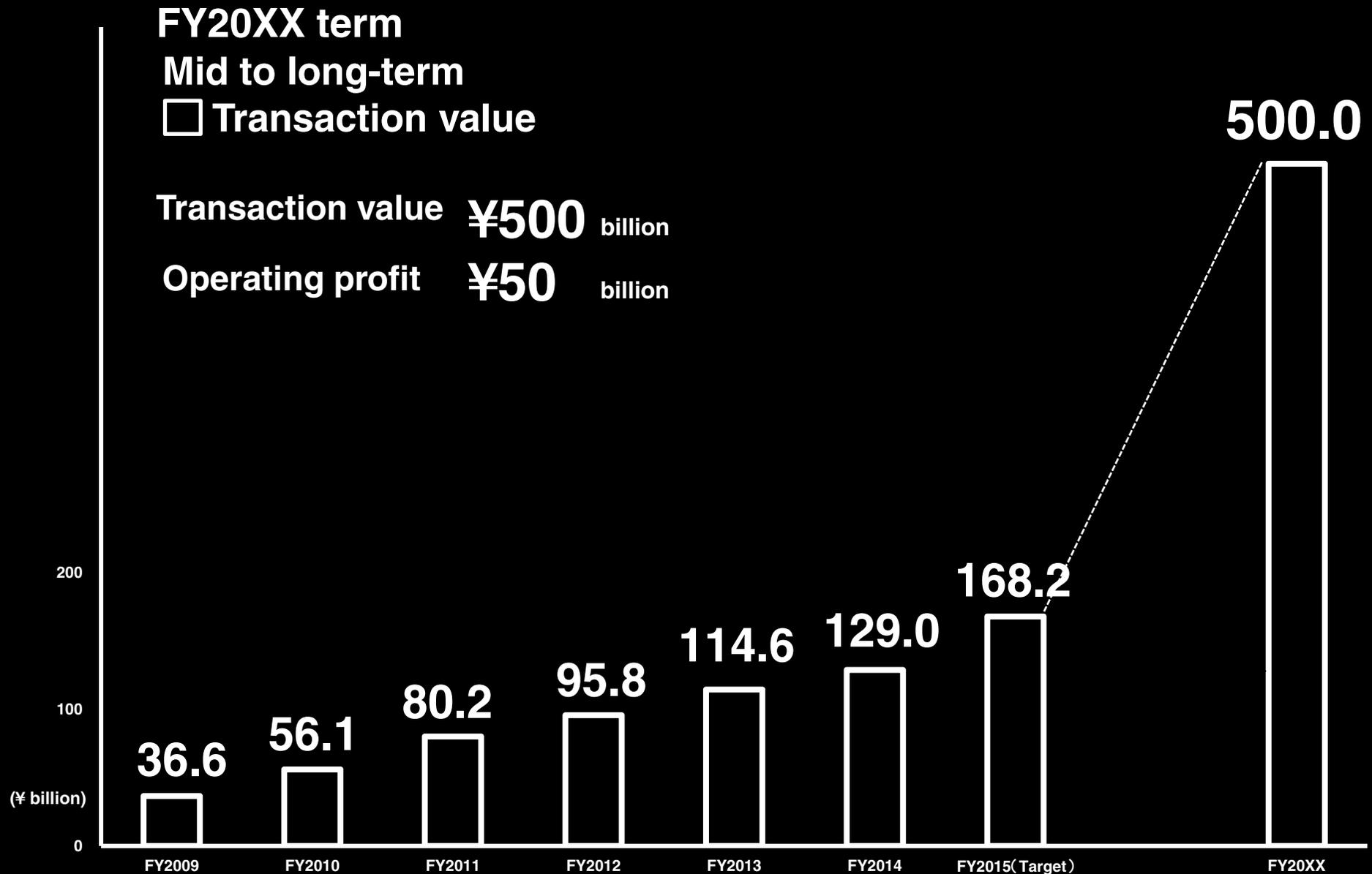
# DIVIDENDS PER SHARE AND PAYOUT RATIO



※ Number of shares after adjustment

# **FUTURE STRATEGIES**

# MID TO LONG-TERM VISION



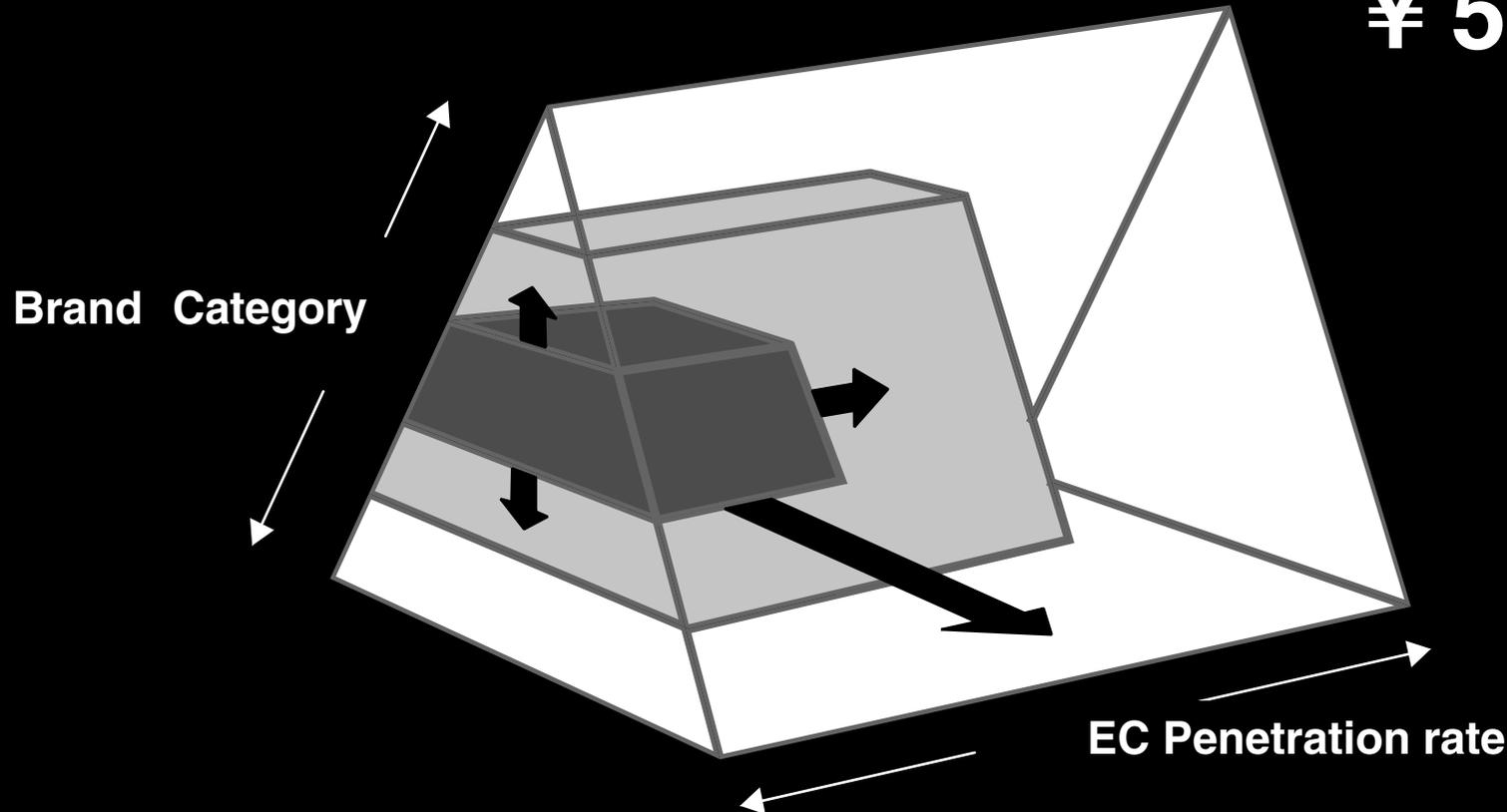
# MARKET EXPANSION STRATEGY

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

**2,949** Popular  
Brands

**773** Employees  
(average age 29.7 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.

**4,273**  
Share Holders

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

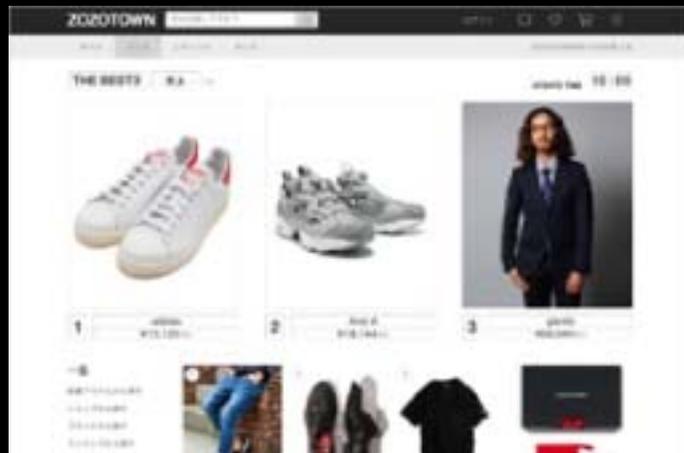
# MAJOR SERVICES

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## ZOZOTOWN

Japan's Largest Online Retailer of Apparel and Accessories

- 720 stores offering 2,949 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.



## 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 6 million DL & 3 million pics.
- Now available in all geographic areas.



# SUBSIDIARY

## Crown Jewel, Inc.

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

## Bracket, Inc.

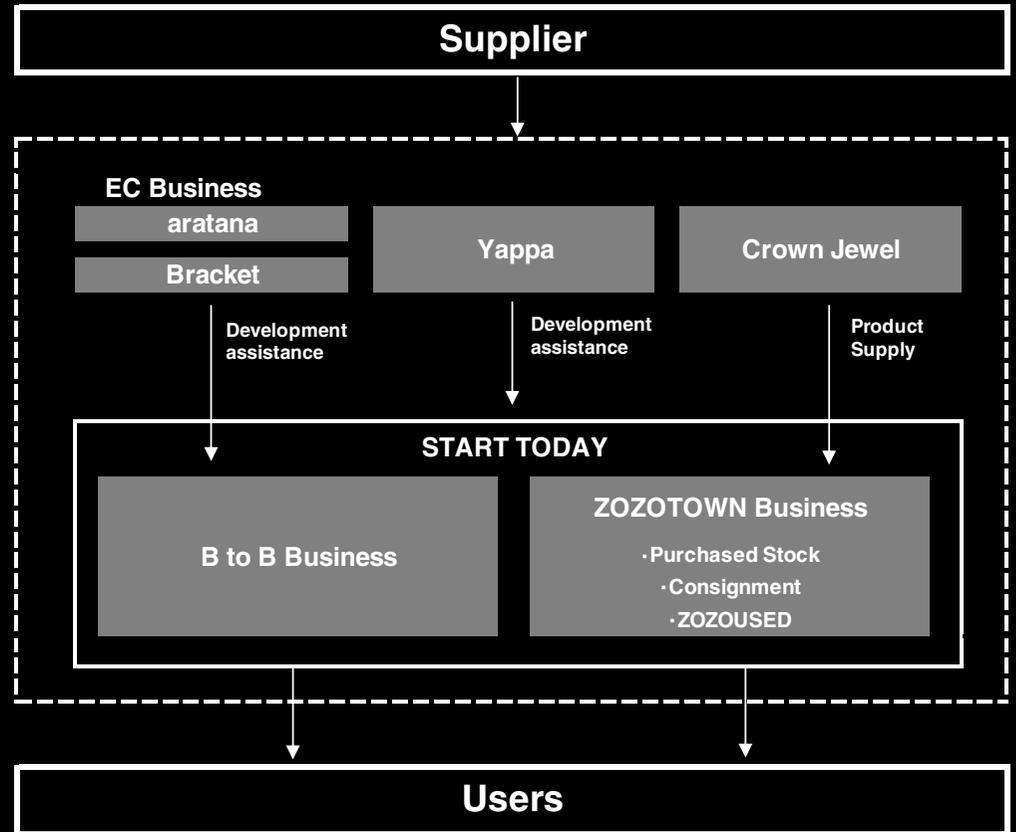
Operation, development, and planning of internet businesses.

## 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 694 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 26 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 = Transaction value**

※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 32 stores.

**Sales include**

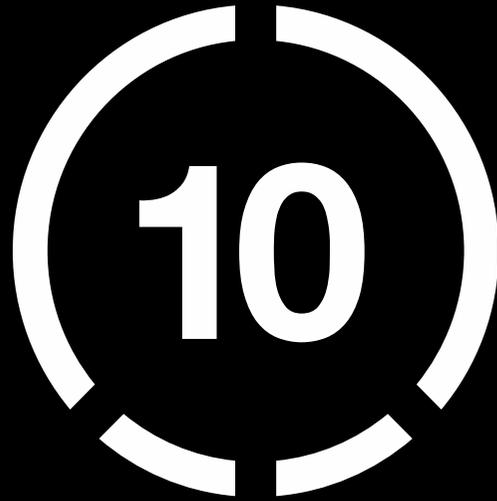
**= Transaction value of these online shops x commission rate**

\*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