

**FY2010**

April 1, 2010 – March 31, 2011

**Consolidated Business Results**

# Business Performance

## FY2010 Highlights

### 1. Achieved “555 Revolution”

- Net sales for FY2010 : ¥23,801 million (+38.7% year on year)
- Transaction value for FY2010 : ¥57,131 million (+54.2% year on year)

### 2. Exceeded 3.13 million in total members and 1.21 million in active members

- Members : 3,133,091 (+1,104,384 year on year)  
(-395,616 members compared with the full-year target)
- Active members : 1,216,698 (+415,212 year on year)

### 3. Japan Earthquake Relief Project

- Donated ¥350 million proceeds from the sales of 176,988 ZOZOTOWN charity t-shirts.
- Various projects are being considered for the continuous support to the earthquake victims.

### 4. 98 new store openings

- Number of stores as of March 31, 2011 :
- Store Operations & Administration Business (Consignment Sales) : 198 stores
  - Store Planning & Development Business (Purchased Stock) : 50 stores

### 5. E-Commerce Support Business for Apparel Manufacturers: Start supporting opening of 8 stores per year

- Number of stores as of March 31, 2011 : 14
- Number of stores opened by quarter  
Q1 : 1 Q2 : 1 Q3 : 4 Q4 : 2
- Stores opened for Q4 :  
R. NEWBOLD ONLINE SHOP by JOI'X CORPORATION  
MEN'S BIGI ONLINE STORE by MEN'S BIGI CO., LTD.

### 6. Implemented a share split and adopted unit share system

- Number of shareholders : 7,638  
(+3,886 from the previous year end)

## Overview of FY2010

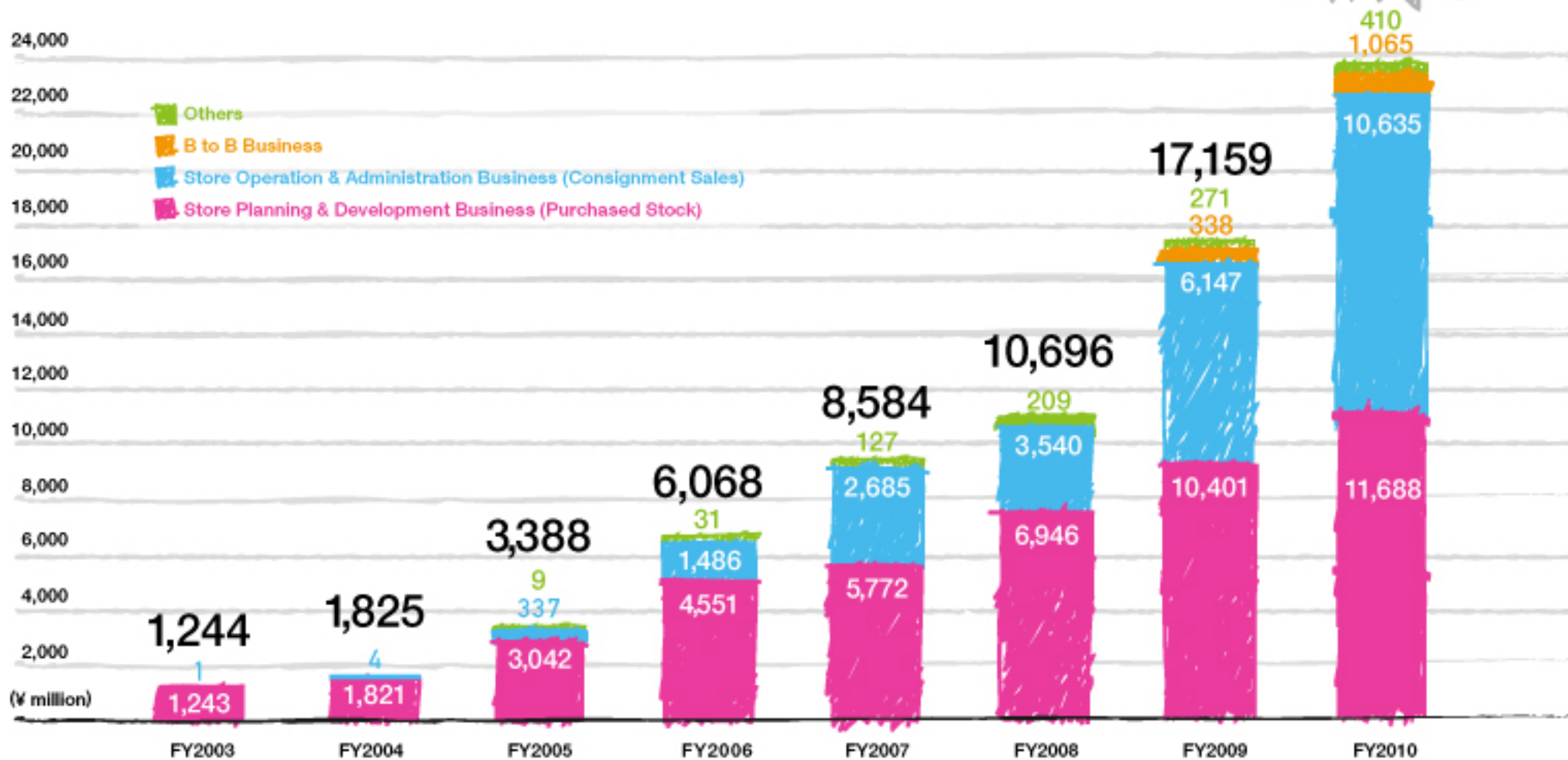
(¥ million)

Item	FY2010	FY2009	YoY Change (%)
Transaction Value	57,131	37,054	+ 54.2%
Net sales	23,801	17,159	+ 38.7%
Operating profit	5,851	3,236	+ 80.8%
Recurring profit	5,865	3,247	+ 80.6%
Net income	3,103	1,859	+ 66.9%

# Net Sales

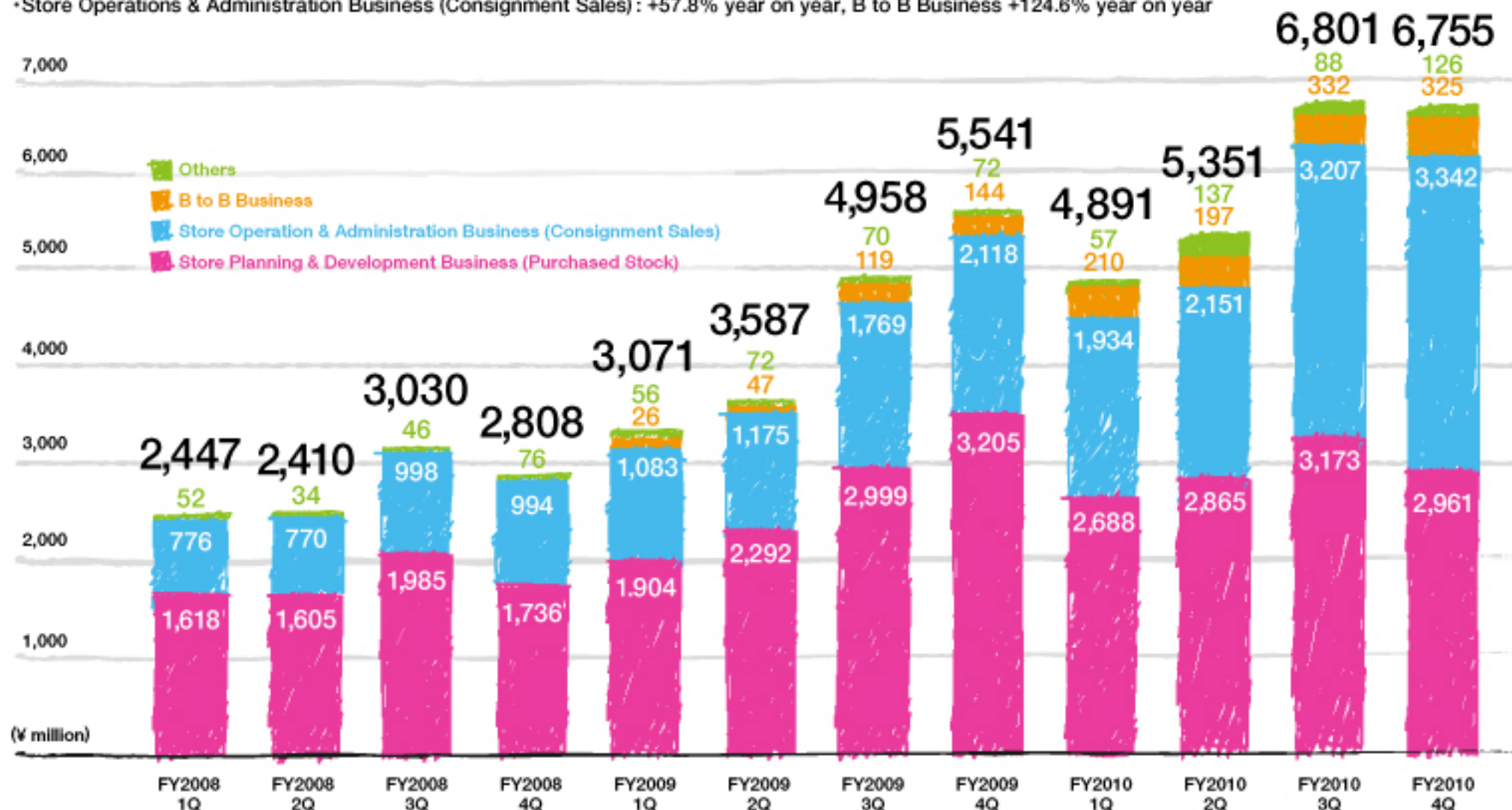
• Significant growth of 38.7% year on year

23,801



# Net Sales (Quarterly)

- Store Planning & Development Business (Purchased Stock) : -7.6% year on year
- Store Operations & Administration Business (Consignment Sales) : +57.8% year on year, B to B Business +124.6% year on year



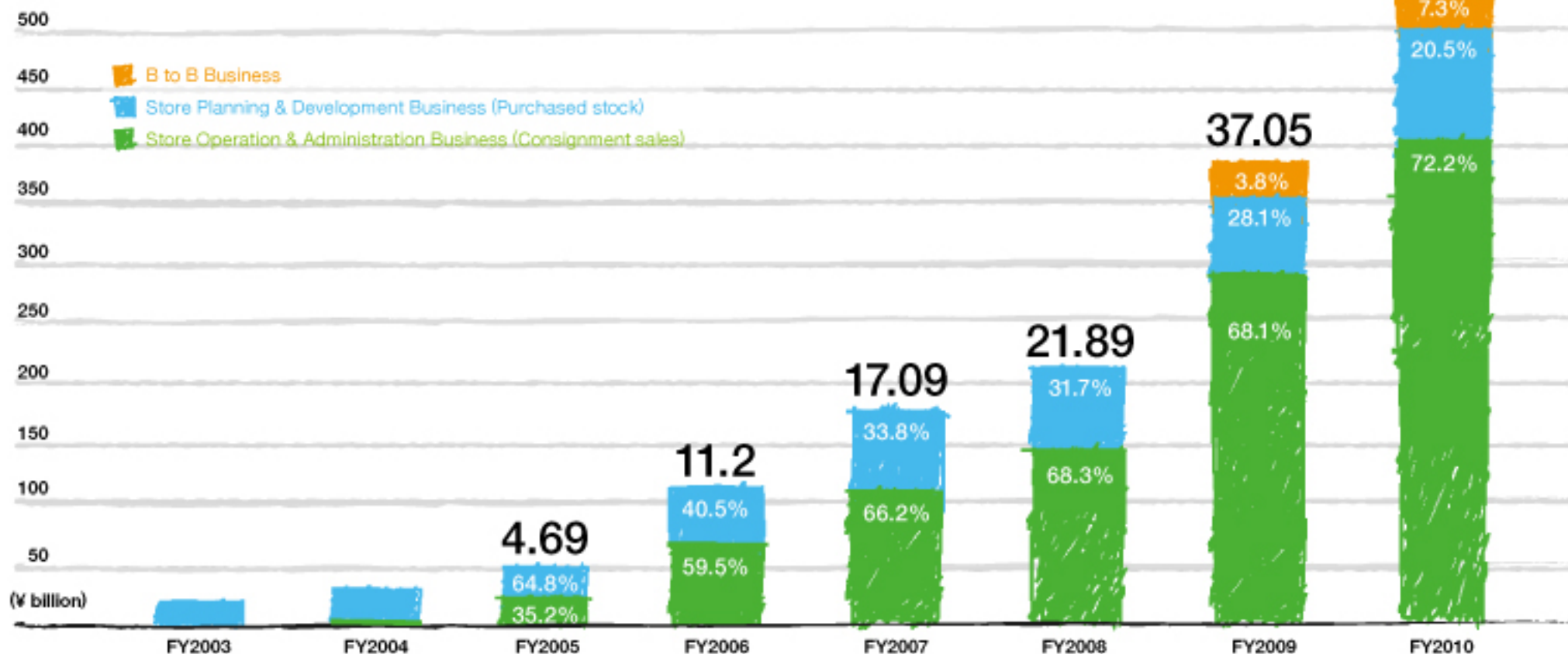
# Transaction Value

Transaction value for FY2010 : ¥57.13 billion  
 Consignment transaction value for FY2010 : ¥41.24 billion  
 B to B transaction value for FY2010 : ¥4.19 billion



**Target for transaction value for FY2010 was achieved as well.**

- Gross transaction value of new stores for FY2010
- ZOZOTOWN : 4.45 billion, 8.4% of the transaction value
  - B to B : 0.46 billion, 11.0% of the B to B transaction value

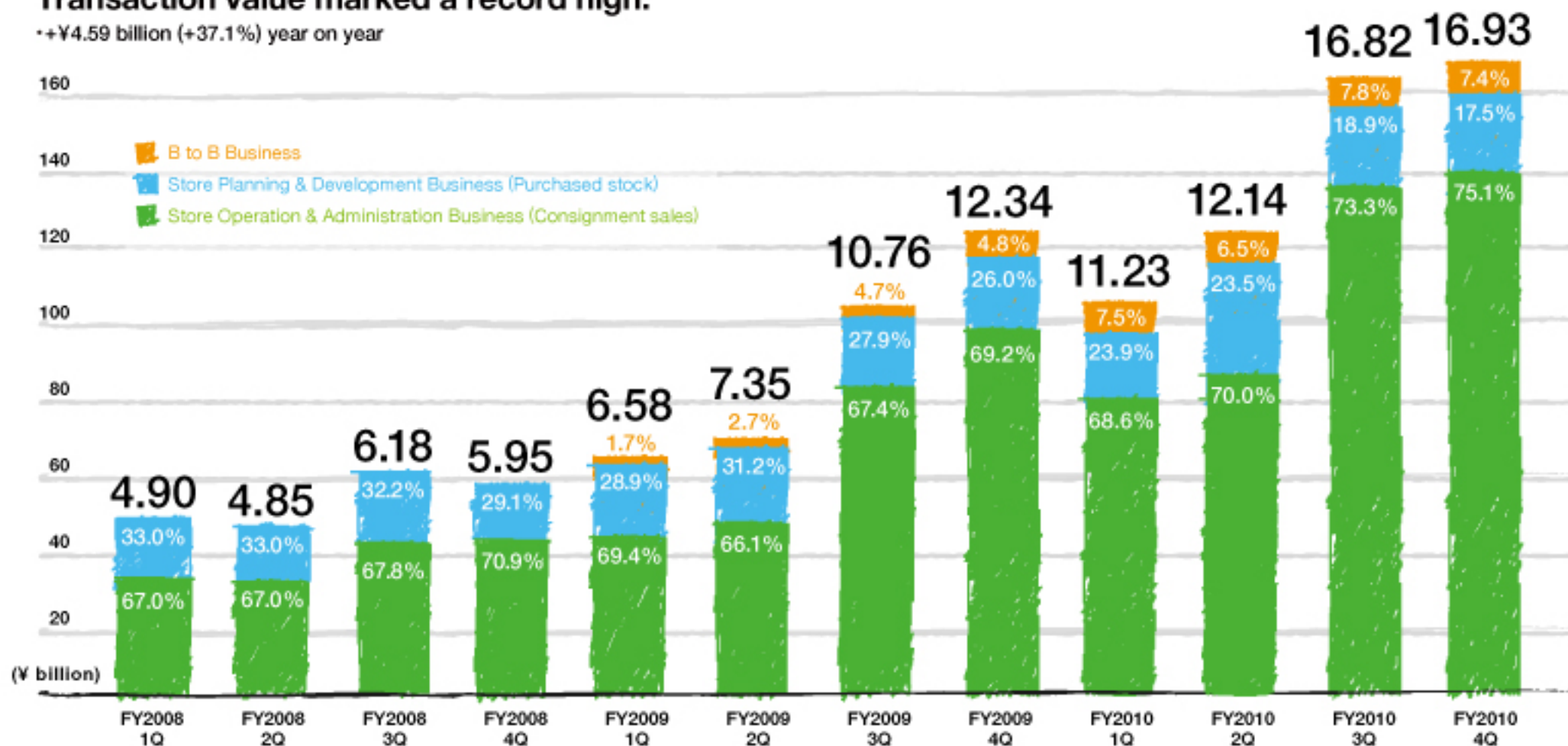


## Transaction Value (Quarterly)

- Transaction value for Q4 FY2010: ¥16.93 billion
- Consignment transaction value for Q4 FY2010: ¥12.72 billion
- B to B transaction value for Q4 FY2010: ¥1.25 billion

### Transaction value marked a record high.

+¥4.59 billion (+37.1%) year on year





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

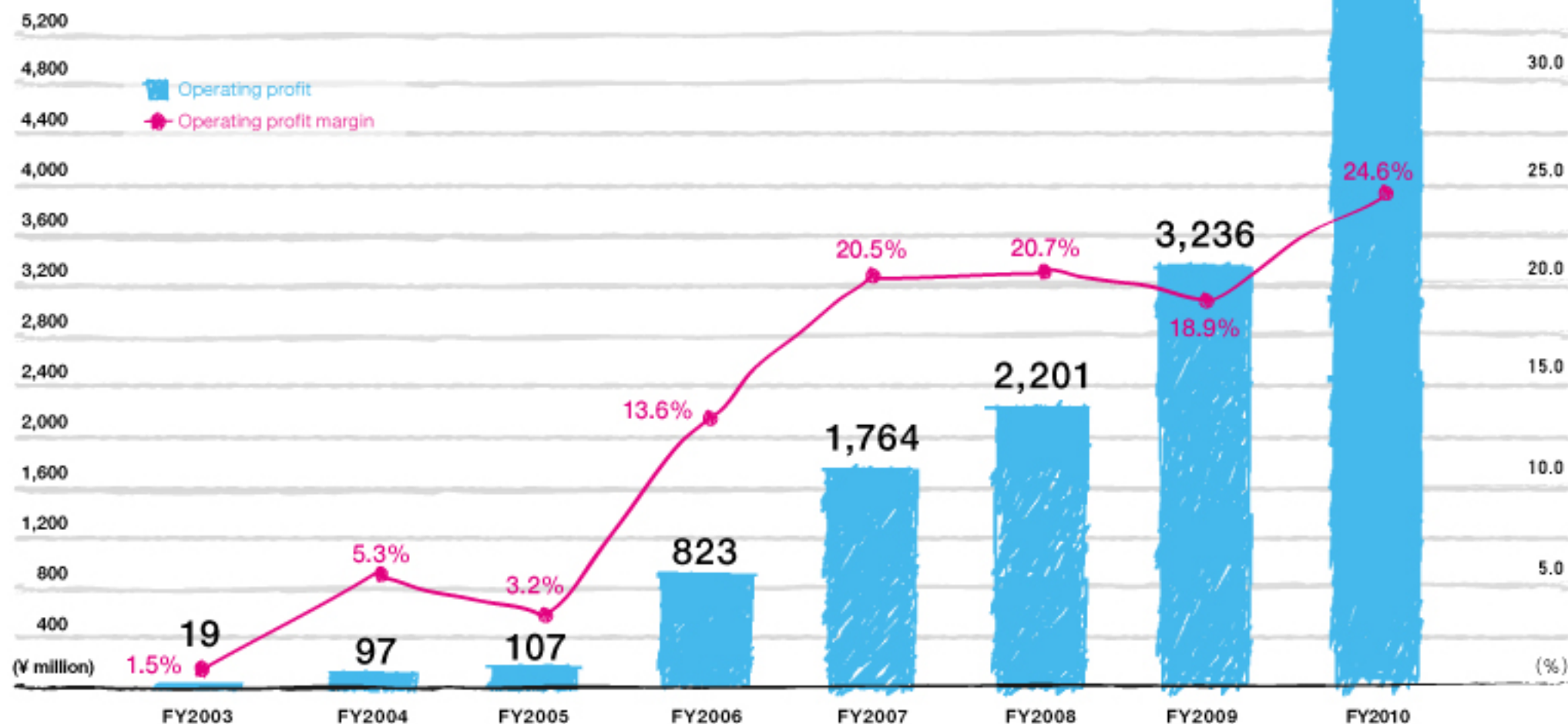
(¥ million)

Item	FY2010 Full-year			FY2009 Full-year			YoY change		FY2010 4Q		
	Amount	% Transaction value	% Sales	Amount	% Transaction value	% Sales	% Transaction value	% Sales	Amount	% transaction value	% Sales
<b>Total SG&amp;A</b>	<b>10,475</b>	<b>18.3%</b>	<b>44.0%</b>	<b>7,135</b>	<b>19.3%</b>	<b>41.6%</b>	<b>-1.0%</b>	<b>2.4%</b>	<b>3,119</b>	<b>18.4%</b>	<b>46.2%</b>
Payroll and staff	1,410	2.5%	5.9%	1,248	3.4%	7.3%	-0.9%	-1.4%	421	2.5%	6.2%
Shipping	1,367	2.4%	5.7%	990	2.7%	5.8%	-0.3%	-0.1%	406	2.4%	6.0%
Payment collection	1,191	2.1%	5.0%	799	2.2%	4.7%	-0.1%	0.3%	353	2.1%	5.2%
Advertising	2,459	4.3%	10.3%	1,021	2.8%	6.0%	1.5%	4.3%	792	4.7%	11.7%
Outsourcing	420	0.7%	1.8%	327	0.9%	1.9%	-0.2%	-0.1%	121	0.7%	1.8%
Others	3,626	6.3%	15.2%	2,746	7.4%	16.0%	-1.1%	-0.8%	1,024	6.0%	15.2%

# Operating Profit and Operating Profit Margin

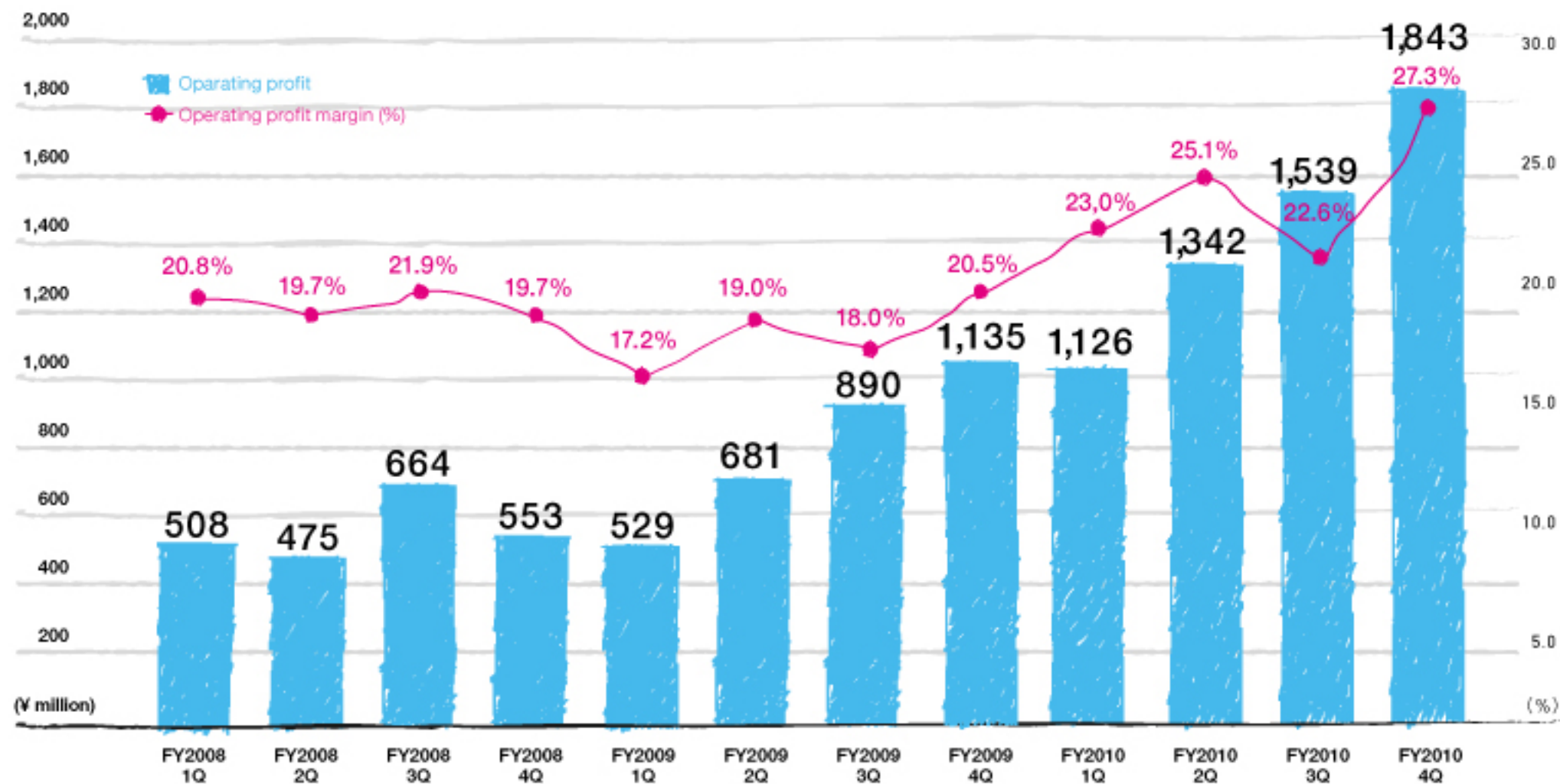
## Operating profit margin marked a record high

• Operating profit : +80.8% year on year



## Operating Profit and Operating Profit Margin (Quarterly)

Operating profit and operating profit margin marked a record high



## Cash Flows

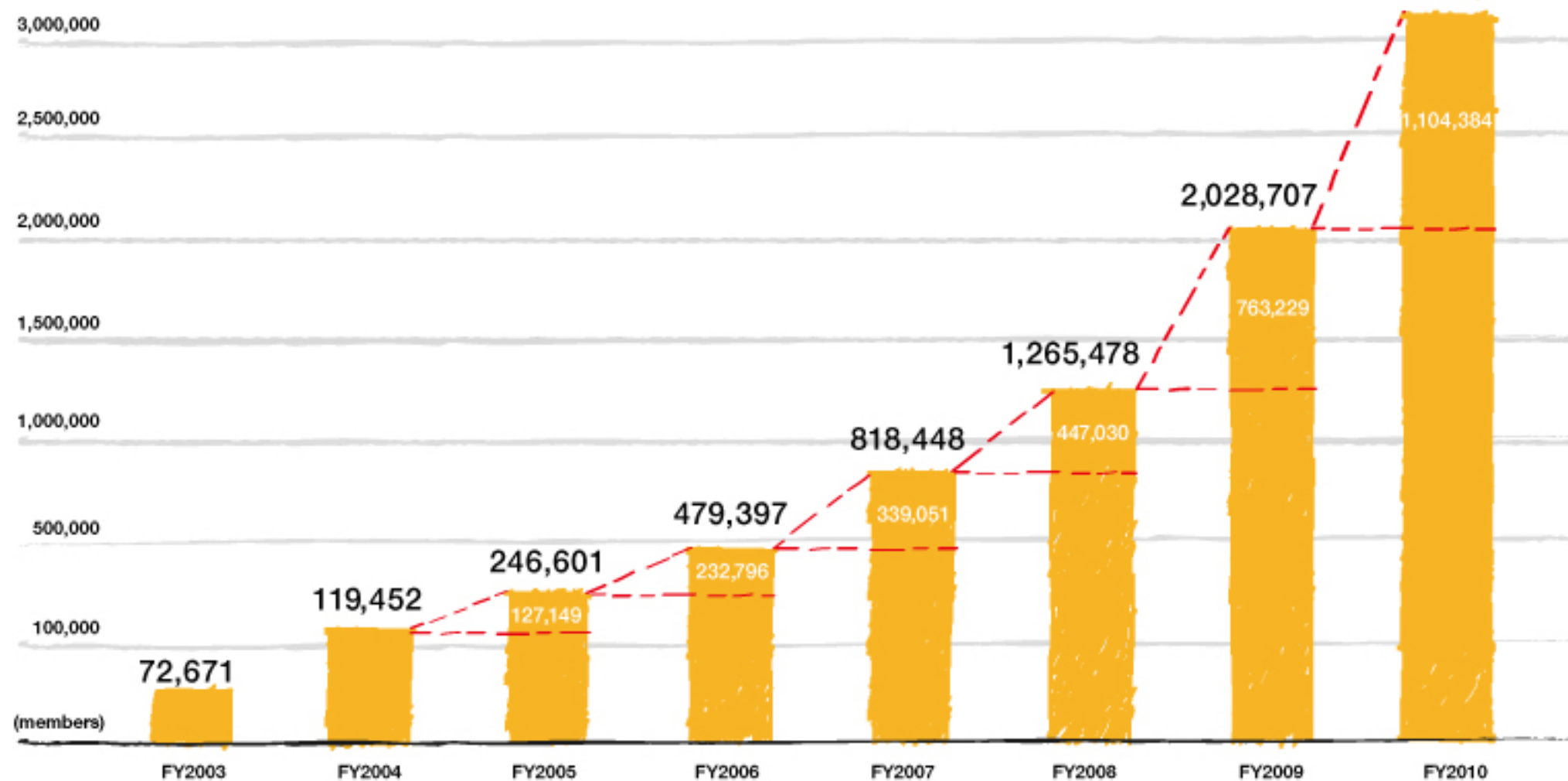
(¥ million)

Item	FY2010	FY2009	YoY	Reasons for the change
Cash flows from operating activities	3,935	2,461	1,474	Increase of net income Decrease by income tax payment
Cash flows from investing activities	-586	-101	-485	Acquisition of shares of an affiliate (Crown Jewel, Inc.)
Cash flows from financing activities	-462	-306	-156	Dividend payment (Dividend per share ¥1,270)
Cash and cash equivalents at end of period	10,039	7,160	2,879	—

# Fact Data Analysis

## Total Members

- Total new members achieved in the financial year : 1,104,384 members
- +54.4% year on year

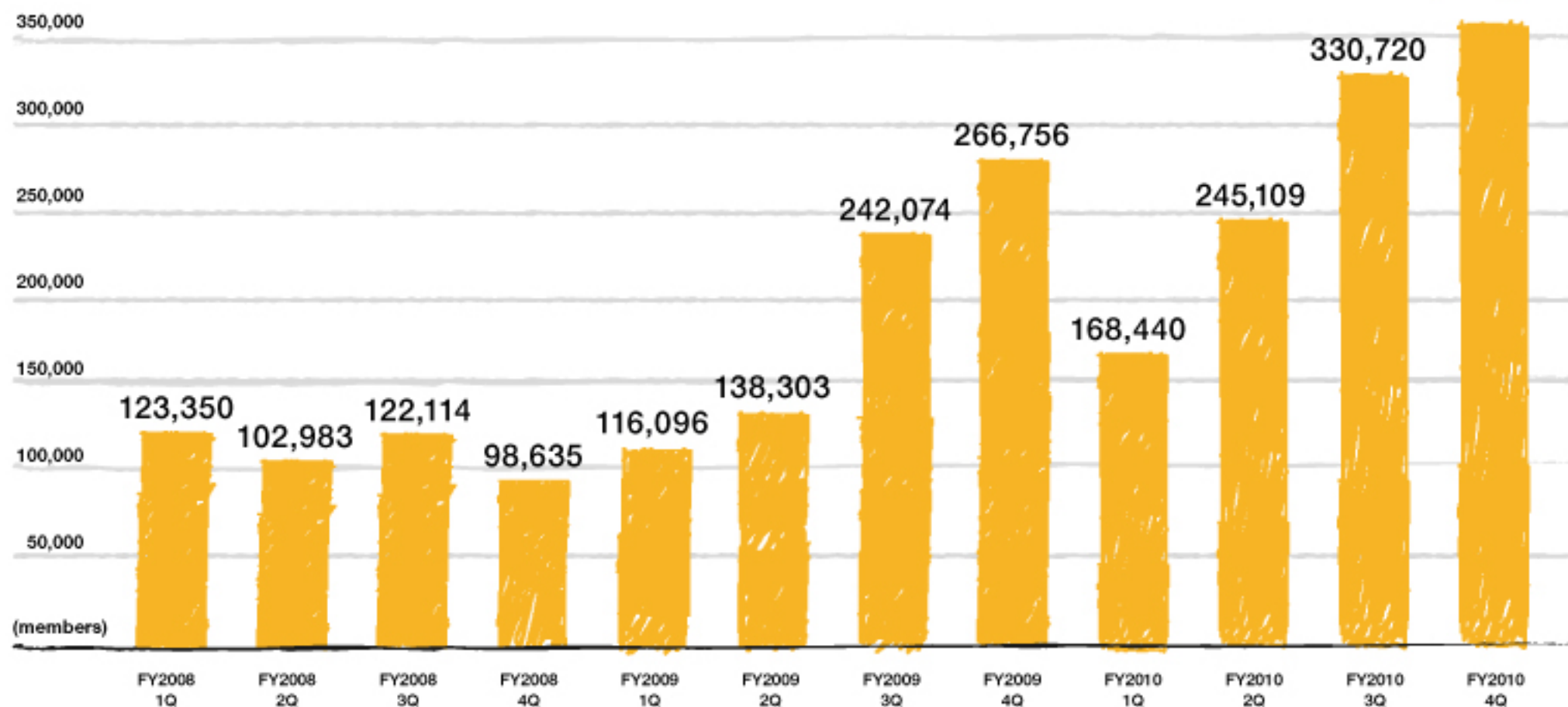


## New Members (Quarterly)

New members marked a record high

+35.0% year on year

360,115

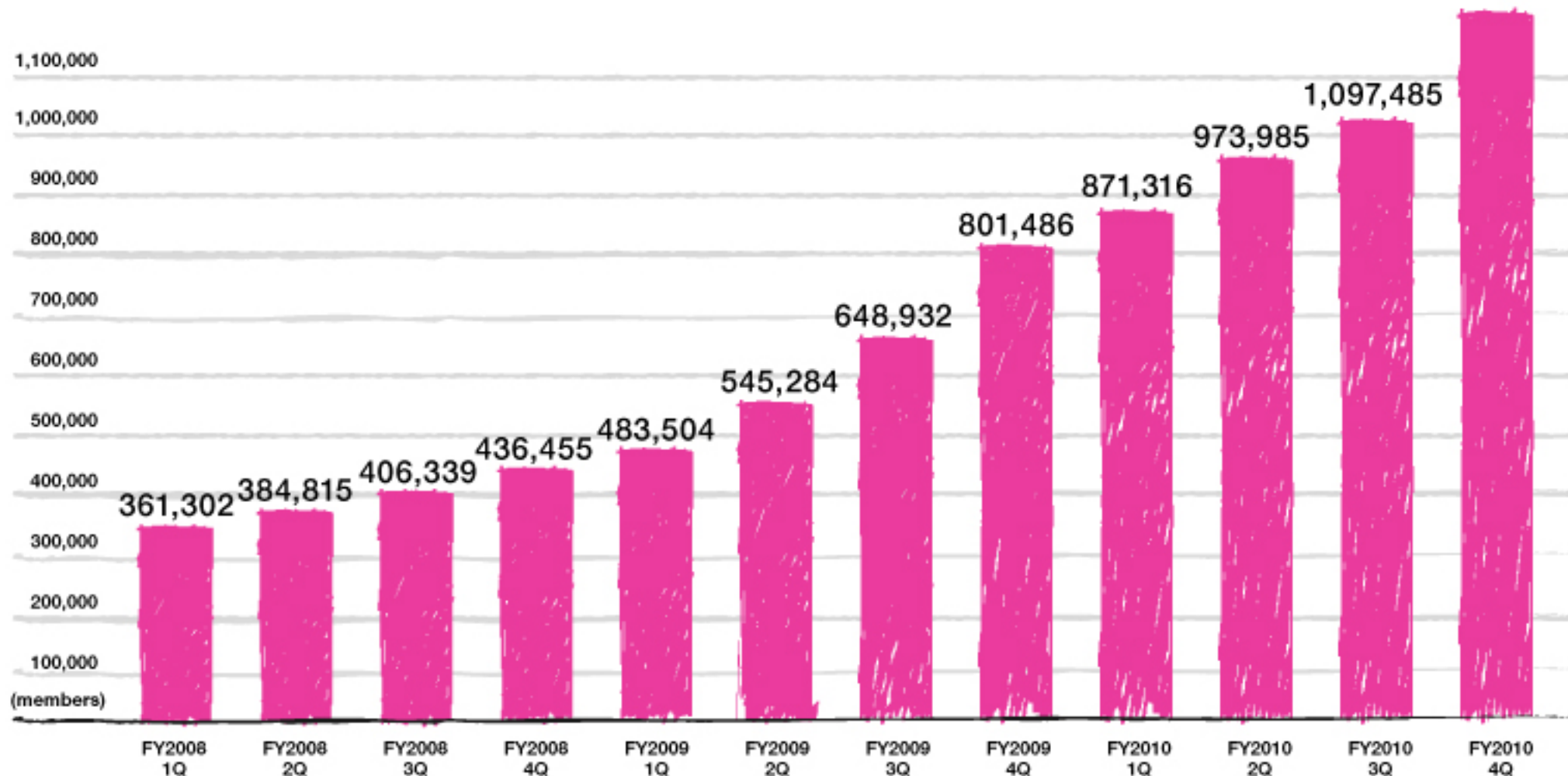


## Active Members (Quarterly)

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

+ 415,212 members year on year (+119,213 members quarter on quarter)

1,216,698

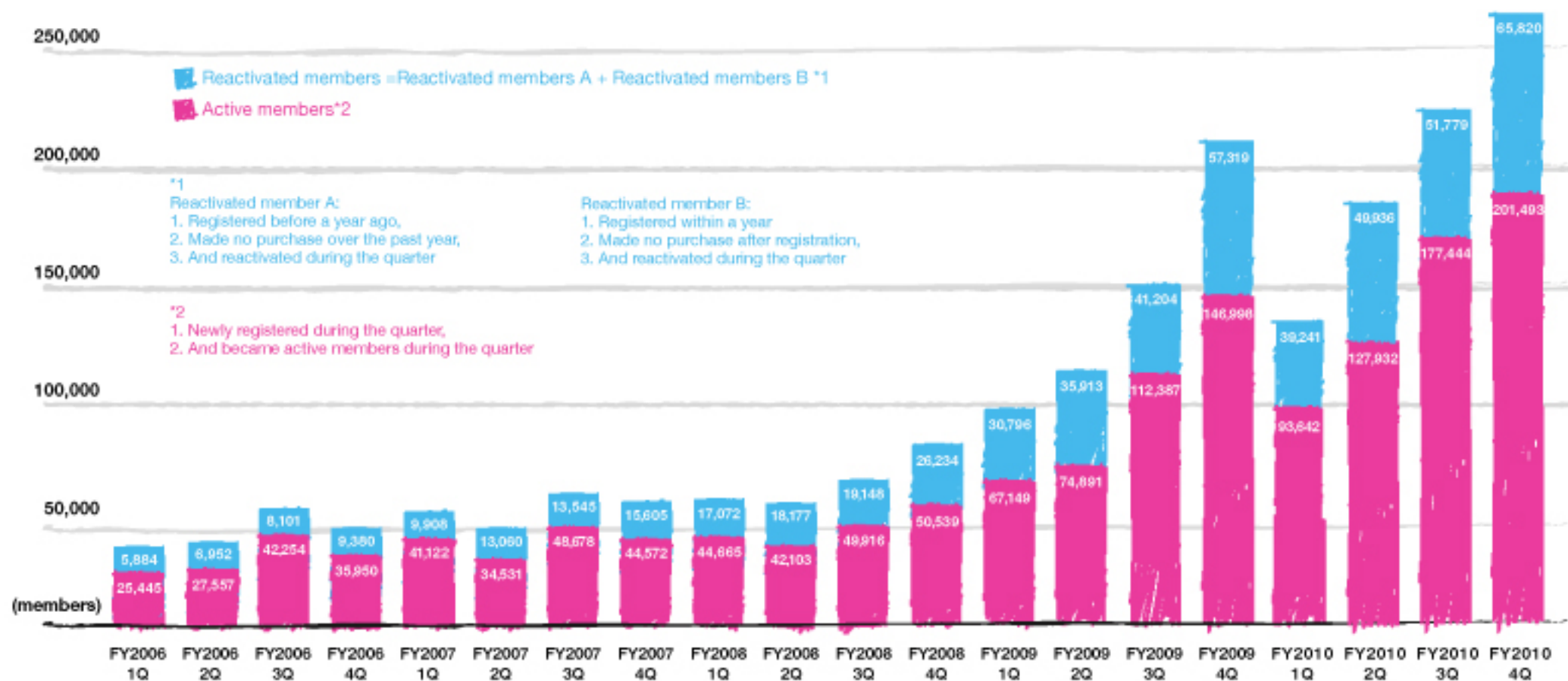




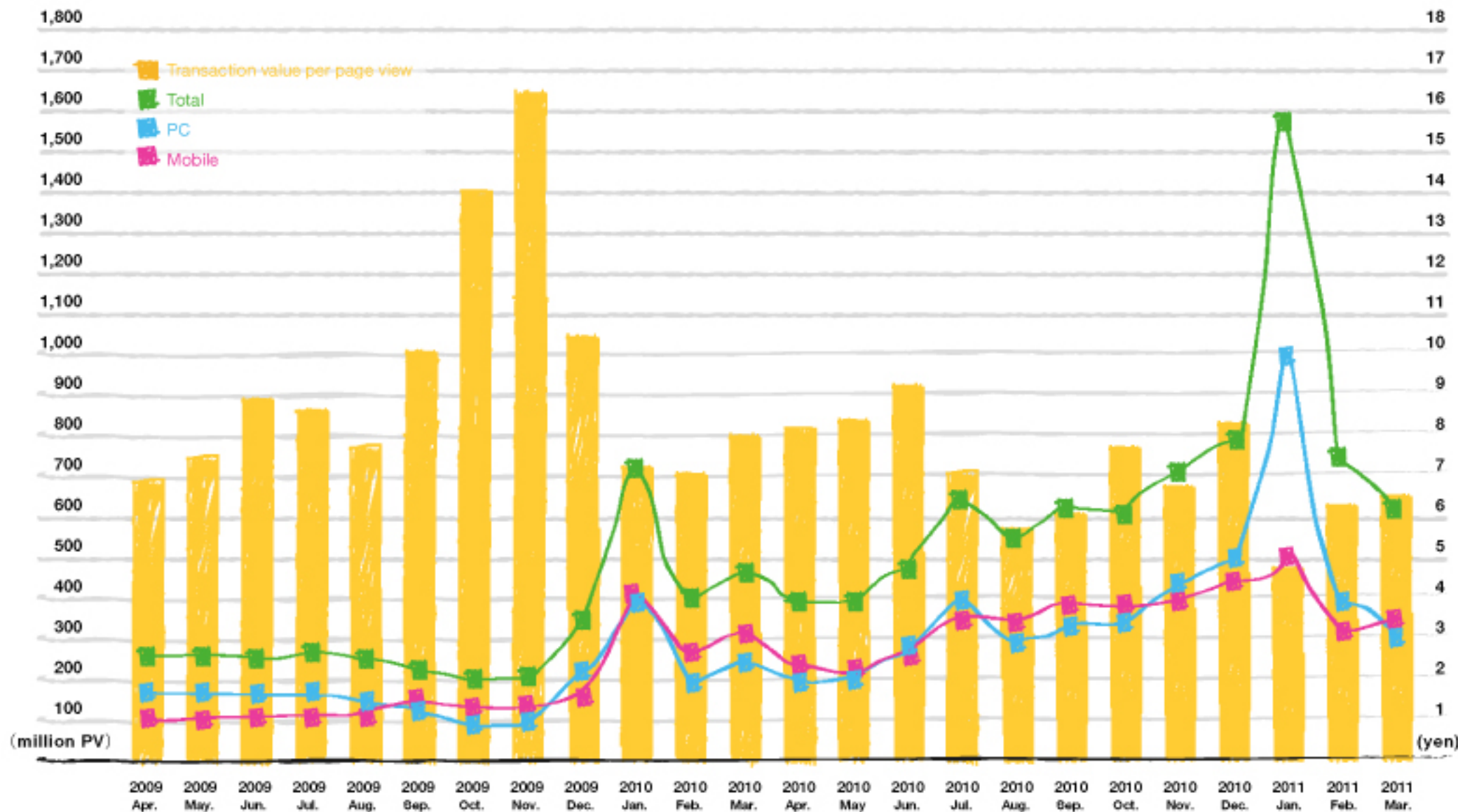
# Active Members (New and Reactivated, Quarterly)

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

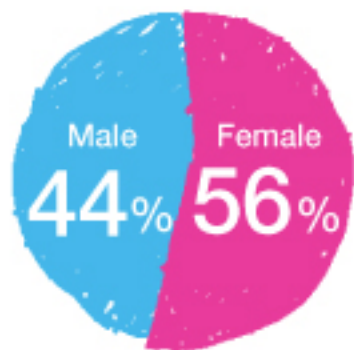
- 56.0% of new members in Q4 became active members
- Marked record for new active members



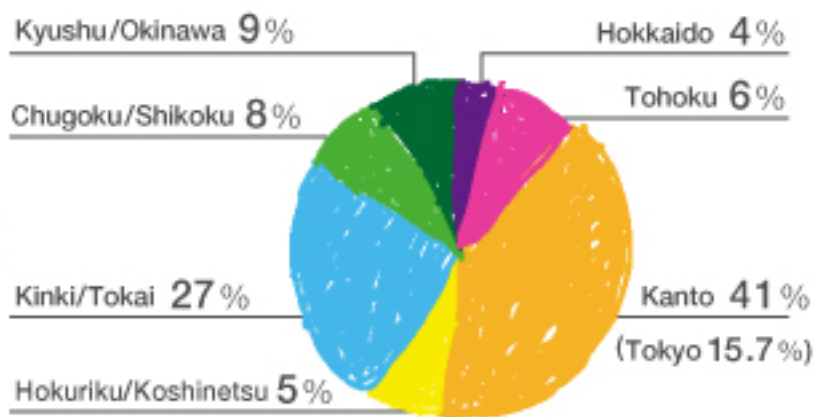
# Total Page Views per Month



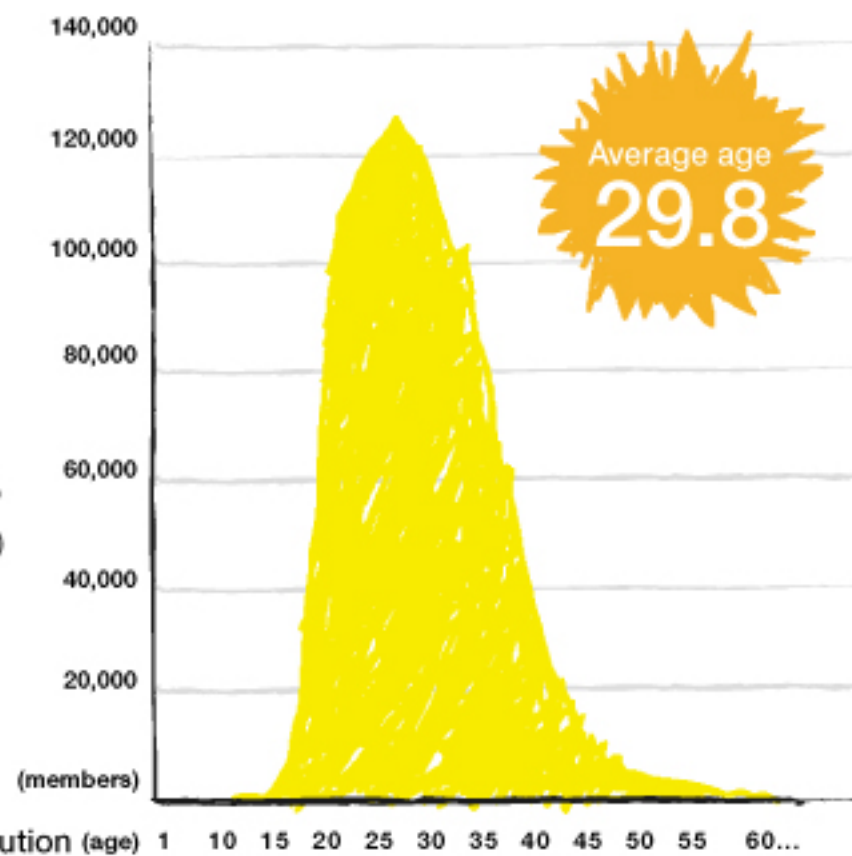
## Member Distribution (As of March 31, 2011)



Gender ratio



Geographical distribution

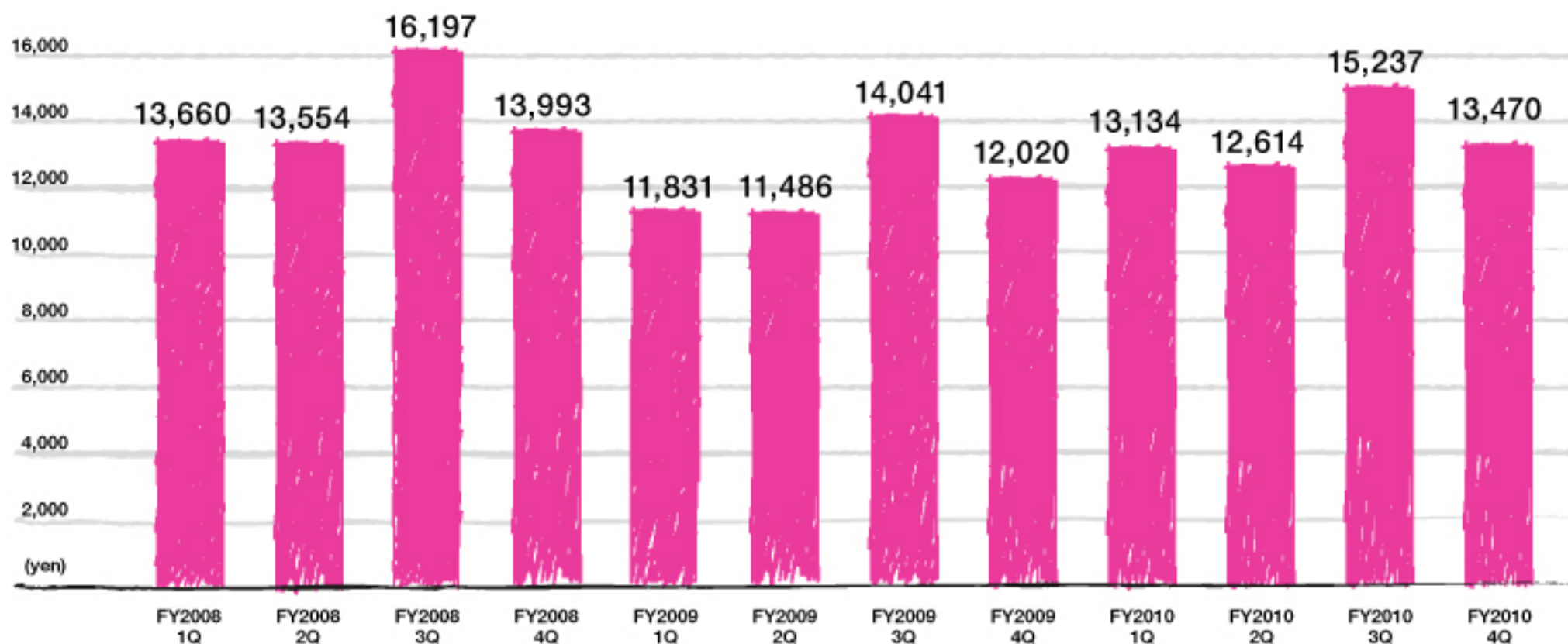


Age distribution (age) 1 10 15 20 25 30 35 40 45 50 55 60...

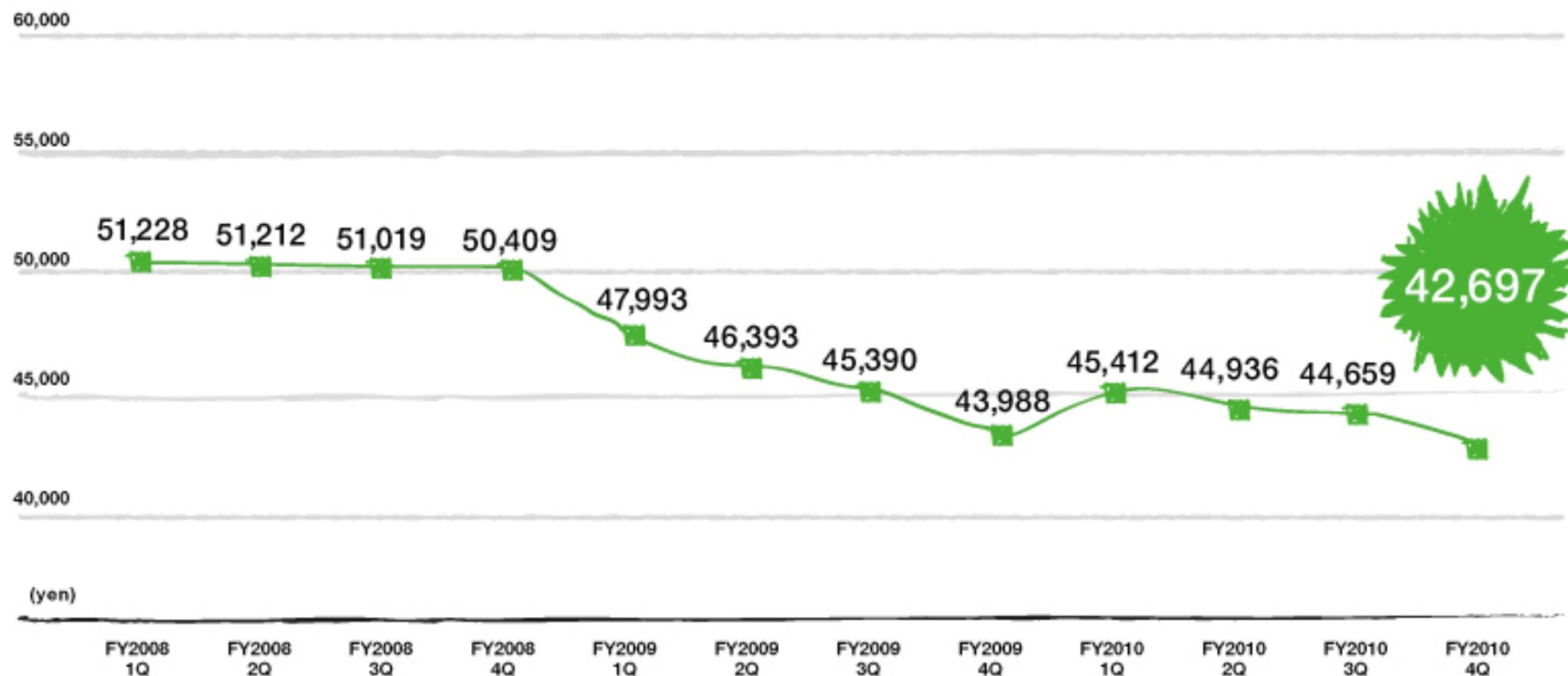
## Average Purchase Amount per Shipment

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

- Average purchase amount per shipment Q4 FY2010: ¥13,470 (+12.1% year on year)
- Ratio of purchases of less than ¥10,000 or less Q4 FY2010: 40.8% (Q4 FY2009: 53.3%)
- Average price per product Q4 FY2010: ¥7,212 (Q4 FY2009: ¥7,454)



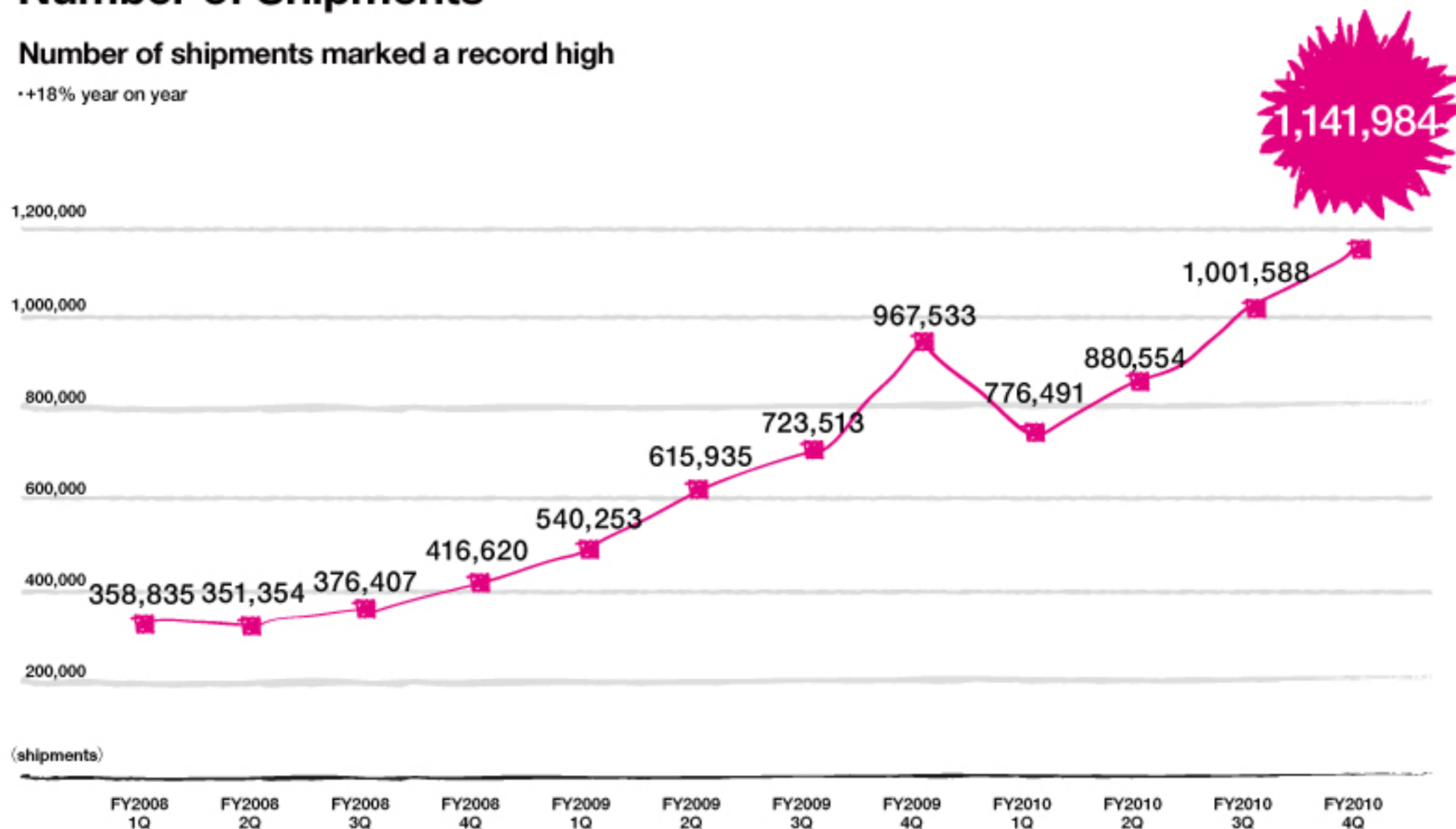
## Annual Purchase Amount per Active Member



## Number of Shipments

Number of shipments marked a record high

+18% year on year



## Transaction Value Target by Member Type

### Transaction Value Target for New Members : ¥18.4 billion

New members	FY2010		Difference
	Target	Result	
New members (person)	1,500,000	1,104,375	- 395,625
Active members (person)*	660,000	662,570	2,570
Ratio of active members to new members (%)	44%	60.0%	16.0%
Annual purchase amount per member (¥)	28,000	26,715	- 2,285
Total purchase amount (¥million)	18,480	17,038	- 1,442

#### New member acquisition

·Number of new members in FY2010 fell short of target.

#### Ratio of active members to new members (%)

·Higher than estimation.

#### Purchase amount

·Purchase amount of new members in FY2010 fell short of target.

### Transaction Value Target for Existing Members : ¥33.5 billion

Existing members	FY2010		Difference
	Target	Result	
Total members as of March 31, 2010 (resigned members included)	2,081,975	2,081,975	-
Active members (person)*	576,813	562,684	- 14,129
Ratio of active members to existing members (%)	27.7%	27.0%	- 0.7%
Annual purchase amount per member (¥)	58,075	62,536	4,461
Total purchase amount (¥million)	33,498	35,188	1,690

#### Ratio of active members to existing members (%)

·Stayed on track as planned.

#### Purchase amount

·Purchase amount of existing members in FY2010 was significantly higher than target.

\*The active members is the number of members who made a purchase during FY2010 (including withdrawn members as at Q4 end)

# Forecasts for FY2011



## Consolidated Business Forecast and Dividend Forecast for FY2011

		YoY change (%)
Transaction value	¥84.0 billion	47.0
Net sales	¥32.2 billion	35.3
Operating profit	¥8.56 billion	46.3
Recurring profit	¥8.57 billion	46.1
Net income	¥4.80 billion	54.7
Earning per share	¥43.7	-
Dividend per share (estimate)	¥10.5	-

### Breakdown of net sales

	Business segment	Transaction value	YoY change (%)	Net sales	YoY change (%)
business	Store Operation & Administration Business (Consignment Sales)	¥67.0 billion	62.4	¥18.3 billion	72.2
	Store Planning & Development Business (Purchase stock)	⊗ ¥9.5 billion	- 18.7	¥11.4 billion	- 1.7
	B toB Business	¥7.5 billion	78.8	¥2.0 billion	88.0
Others		-	-	¥0.4 billion	- 3.5
<b>Total</b>		<b>¥84.0 billion</b>	<b>47.0</b>	<b>¥32.2 billion</b>	<b>35.3</b>

⊗ does not include translation Value of ZOZOTOWN JAPAN Earthquake Charity T-shirts

# **Business Plan for FY2011**

## Business Plan for FY2011

We have now started running towards...

# 840

## STARTTODAY

### CFM

(Customer Friendship Management)  
Manage close relationships with customers.

- Accepting returns.
- 3% point reward.
- Former CRM department is re-named as "CFM department".

### EFM

(Employment Friendship Management)  
Stimulate close relationships among co-workers.

- Increase House Rent Allowance for employees living near the Makuhari area.
- Encourage and financially support employee wellness activities.(Planned)
- Provide personal Smartphones.(Planned)
- Planning to constitute a new department specializing in EFM

## Store Operation & Administration Business (consignment sales)

**Transaction Value Target : ¥67,000 million (+62.4% year on year)**

- Continue to open new stores and expand fashion territory.
- Start the inventory-linked system with SHIPS Co.,Ltd.

## Store Planning & Development Business (purchased stock)

**Transaction Value Target : ¥9,500 million (-18.7% year on year)\***

- Continue discovering, cultivating and delivering promising brands, expanding scale of each business.
- Re-categorize our original Men's select shops by style, combining 13 shops into 4 shops.

## E-Commerce Support Business for Apparel Manufacturers

**Transaction Value Target : ¥7,500 million (+78.8% year on year)**

- FY2010 results [ Consignor : 8 Acquired member : 376,128 Active members : 177,683 ]
- Upcoming launch sites include :
  - NANO-UNIVERSE Co., LTD (in April, 2011 )
  - Little Anderson Co., LTD (in April, 2011 )
  - American Rag Cie Co., LTD (scheduled in May, 2011) and more to follow
- Intensify service of consulting by reconstructing the existing personnel structure, officially setting up STARTTODAY CONSULTING up as a holding company.

## Transaction Value Target by Member Category

### ZOZO members

Number of estimated active members : 904,800 ×

Estimated annual purchase amount per member: ¥66,313=approx. ¥60.0 billion



Number of estimated new members : 660,000 ×

Annual purchase amount per member : ¥25,000 = ¥16.5 billion



### B to B business

¥ 7.5 billion



**84.0 billion**

## Overseas Operations

ZOZOTOWN'S overseas sales transaction value of FY2010

**¥ 100 million** (approximately)



**FY2011**

- Grand opening of Global Website
- Fashion e-commerce website development in China

## Grand Opening of Global Website



Scheduled to be open at the end of May, 2011.

Available in five different languages

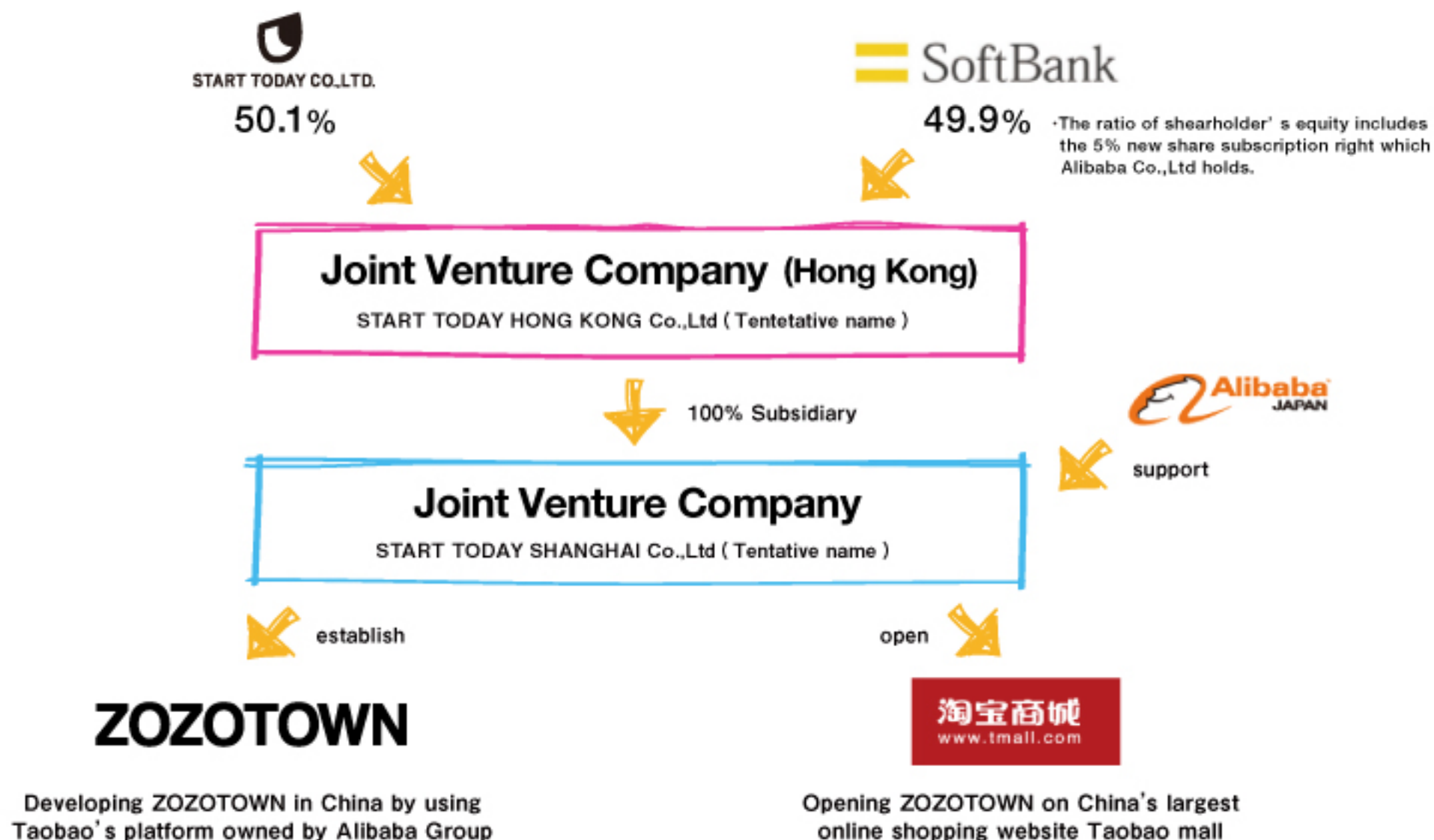
- Japanese
- Chinese (Traditional)
- Chinese (Simplified)
- Korean
- English

Number of brands at the time of the grand opening : over 600

Payment Method: Paypal only

Will be making deliveries to 82 countries worldwide.

## Fashion Website Development in China





# Future Strategies

## Mid-to and Long-term Vision

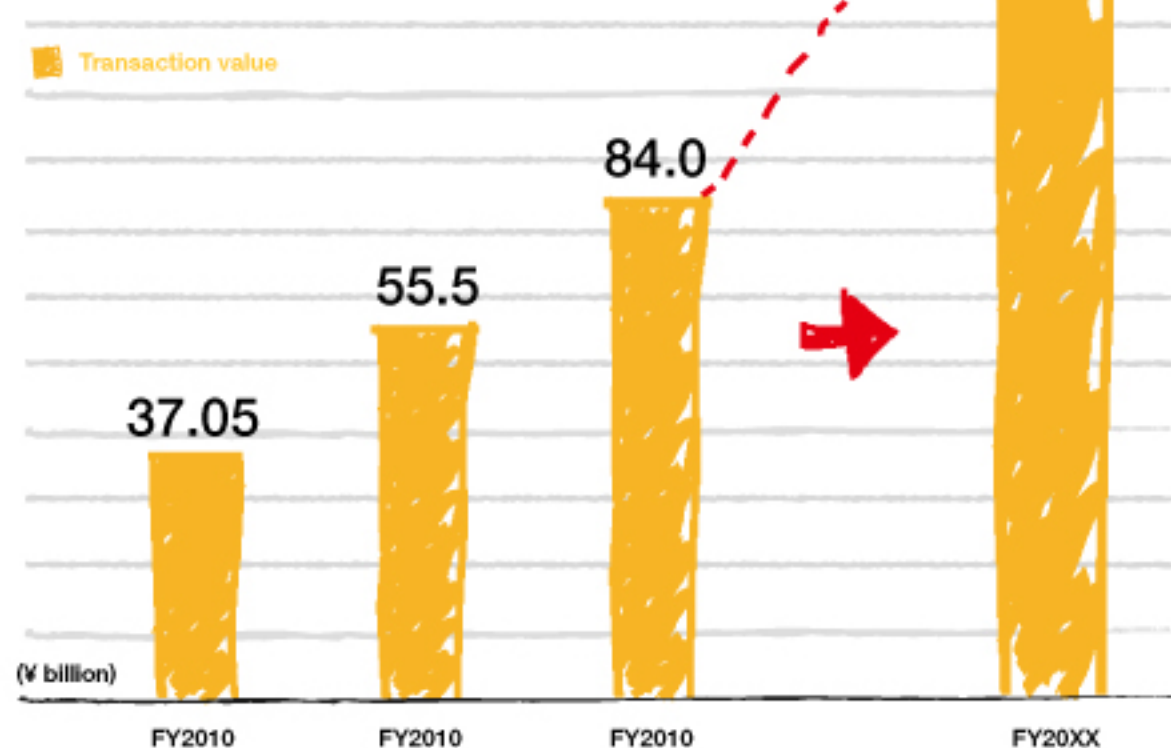
Mid-to and Long-term target of START TODAY

FY20XX term

Transaction value **500** billion

Recurring profit **50** billion

### Mid-to and Long-term Target for Transaction Value



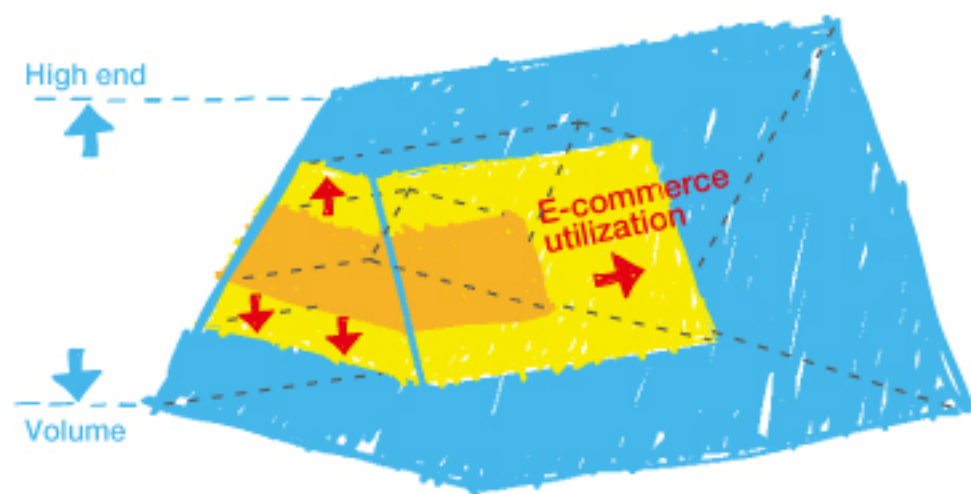
## Strategy of Market Expansion

While ZOZOTOWN expansion is promoted focusing on the fashion e-commerce market, we accelerate the development of our business into various fashion areas through e-commerce support.

Entire apparel market

START TODAY dealing market (Mid-to-Long target)

ZOZO dealing market (Current)



Mid-to-Long-term  
Target for  
Transaction Value  
**¥500**  
billion



B to B Business  
Support

Store operation

Store planning



# Reference Data

# Japan's Largest Online Retailer of Apparel and Accessories – ZOZOTOWN

## ZOZOTOWN <http://zozo.jp/>

- One of Japan's largest online shopping sites for fashion items  
248 stores handling 1,555 brands. Always offering more than 130,000 items with more than 3,000 new items a day on average.
- Users can comment on merchandise and share information via social networking sites such as Twitter, Mixi, GREE and Facebook.
- Systems, design, logistics and other e-commerce functions retained in house.

## ZOZOVILLA <http://zozo.jp/zozovilla/>

- Online shopping site handling Japanese and international designer brands and luxury brands.
- Based on the visual theme of islands, the uniqueness of each brand is communicated by operating a different store on each island.

## ZOZOOUTLET <http://zozo.jp/outlet/>

- Offers items from United Arrows, BEAMS, TSUMORI CHISATO and other popular multi-label stores and brands.

(ZOZOTOWNトップページ)



## A Summary and a Characteristic of Other Services

### **ZOZOPRESS** <http://zozo.jp/zozopress/>

- Fashion news site offering the latest information focusing on three genres, including “casual” and “mode,” for men and women, respectively, in the form of 1-page magazine articles devoted to each genre.

### **ZOZONAVI** <http://navi.zozo.jp/>

- Search site covering over 5,000 apparel stores throughout Japan.

### **ZOZOGALLERY** <http://gallery.zozo.jp/>

- Download services of computer wallpaper and mobile phone standby screen image of popular brands.

### **ZOZOPEOPLE** <http://people.zozo.jp/>

- Social networking service specializing in the distribution of information about people, journals and items.

### **ZOZOQ&A** <http://qa.zozo.jp/>

- A bulletin board where fashion-sensitive people can exchange information through Q&A-style posting.

### **ZOZOARIGATO** <http://arigato.zozo.jp/>

- “Thank you” message posting service to encourage people to express gratitude for the good things in life.
- Every time a “thank you” message is posted, START TODAY donates ¥10 to World Vision Japan, an NGO.



### Store Planning & Development Business (Purchased Stock)

Operate 50 stores such as "EPROZE" and "QUNIEE" in ZOZOTOWN.

Purchase from brand manufacturers and sell.

**Sales = Transaction value on each store**

### Store Operation & Administration Business (Consignment Sales)

Operating 198 online stores, such as "United Arrows", "BEAMS" in ZOZOTOWN and "MARCJACOBS" in ZOZOVILLA on commission basis without any inventory risk.

**Sales = Transaction value of stores × consignment commission rate**

### B to B Business

E-Commerce Support Business for Apparel Manufacturers: Established a subsidiary Start Today Consulting, Co., Ltd. in May 2008  
Consigning companies: 14 companies (as of March 31, 2011)

**Sales = Transaction value of manufacturers × consignment commission rate**

### Credit Card Business

Issue "ZOZOCARD" (tied-up with POCKETCARD CO., LTD.)

**Sales = Cashing balance × Commission rate + Shopping amount × Commission rate**

### Others

Initial store opening charge, paid membership service "ZOZOPREMIUM", etc.



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**The future outlook of the business results, etc. described in this material was judged by the company based on the information currently available, and include various uncertainties. Actual results may differ from the future outlook.**