

**FY2012**

**April 1, 2012 - December 31, 2012**

**Consolidated Business Results**



## FY2013 3Q Highlights

• During the consolidated cumulative third quarter (fiscal year ending March 2013), the transaction value of our group reached 68.055 billion yen, represents 20.2% growth (on a year-on-year basis). Such a steady level of growth has been maintained contributed by an expansion of the total number of operating shops in ZOZOTOWN which reached up to 490 (356 shops / December 2011, 389 shops / March 2012) as well as by an increase of the number of total buyers (last 12 months) which surpassed 2.352 million (1.719 million, in the year-ago month).

• With regards to the operating profit for this period, the figure resulted in 5.464 billion yen (0.7% increase on a year-on-year basis). The ratio of operating profit to the total transaction value ended in 8.0% (1.6% decrease on a year-on-year basis), however, the operating profit itself secured the increase compared with the year-earlier period. When it is compared to the initial corporate plan, we are missing the budget target. This result is directly attributed to the underrun of our initial prediction regarding the number of new customer acquisition and the active-rate of existing member.

• Reflecting such a situation, we reviewed the corporate plan for the whole financial year period ending March 2013 (disclosed on 30th January). The revised figures are as follows: the total transaction 93.5 billion yen (+16.5% increase on a year-on-year basis, -16.1% decrease compared to the original plan), the sales volume 33.8 billion yen (+6.3% increase and -18.9% decrease, respectively), the operating profit 7.77 billion yen (+0.9% increase and -25.6% decrease, respectively) . To attain this goal, we are going to put a great effort, not only into “appeal in cost”, but also into “imagination and creation of our additional value” which is our strength as well as a factor we believe is the most important in fashion business.

# **Business Performance**



## FY2012 3Q Overview

### Consolidated income statement (includes transaction value)

(¥ million)

Item	FY2012 3Q	FY2011 3Q	YoYchange (%)	Target (※)	Percent completion
Transaction value	68,055	56,641	+ 20.2%	111,500	61.0%
Net sales	25,065	22,831	+ 9.8%	41,700	60.1%
Operating profit	5,464	5,427	+ 0.7%	10,440	52.3%
Recurring profit	5,494	5,343	+ 2.8%	10,450	52.6%
Net income	3,365	3,161	+ 6.5%	6,370	52.8%

※ We announced “notice regarding the revision of the earnings estimate for the whole financial year on 30th January, 2013. The above initial plan is made up of original figures before the revision.



## Consolidated balance sheet

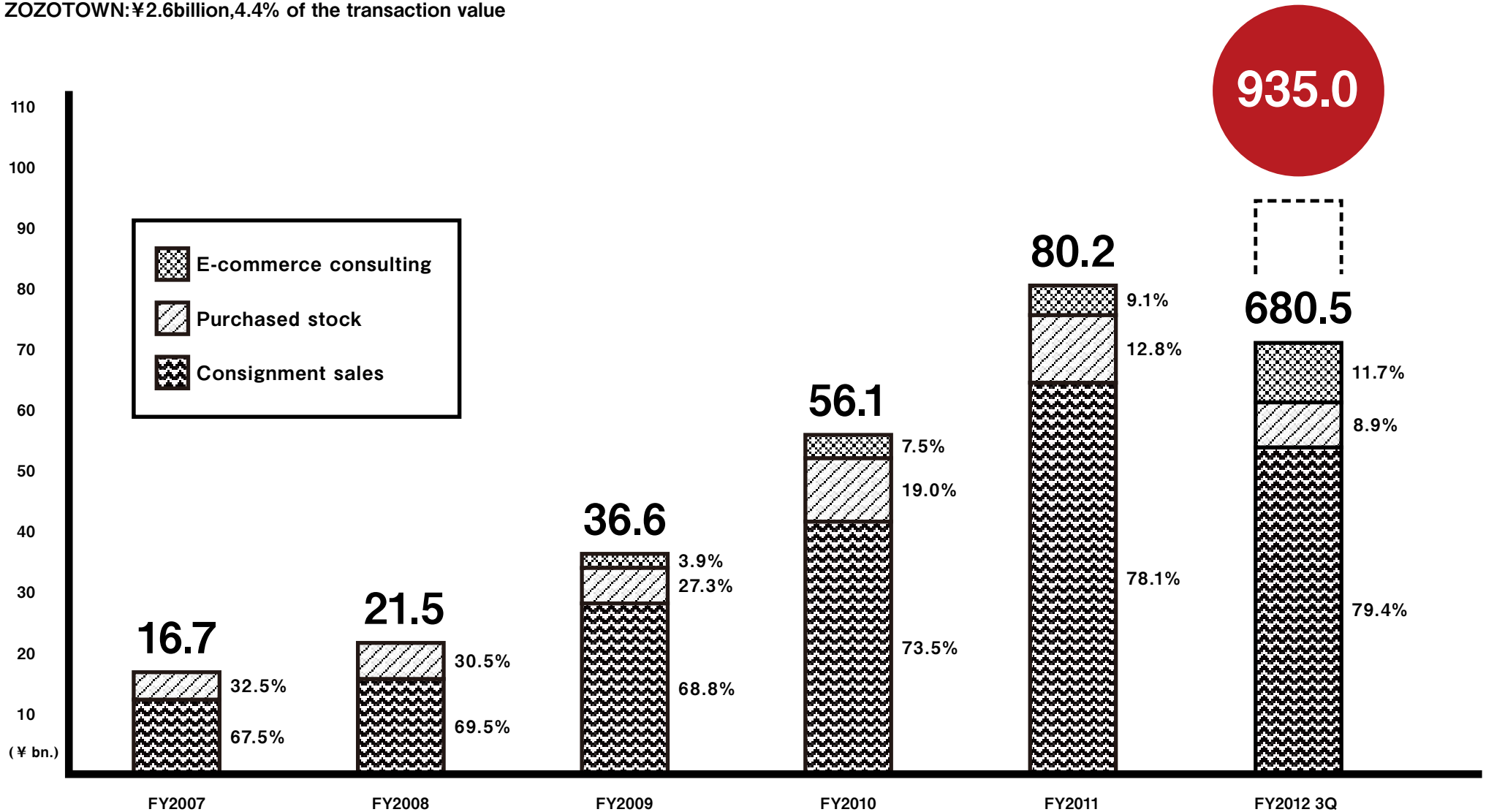
(¥ million)

	FY2011 (as of March 31, 2012)	FY2012 3Q		FY2011 (as of March 31, 2012)	FY2012 3Q
<b>Current assets</b>	<b>20,877</b>	<b>19,116</b>	<b>Current liabilities</b>	<b>8,707</b>	<b>10,699</b>
Cash and deposits	13,888	8,697	Deposit received for consignment sales	4,214	7,111
Merchandise inventory	1,239	1,576	<b>Noncurrent liabilities</b>	<b>590</b>	<b>643</b>
<b>Noncurrent assets</b>	<b>2,330</b>	<b>2,991</b>	<b>Total liabilities</b>	<b>9,298</b>	<b>11,343</b>
Tangible assets	810	1,358	<b>Shareholders' equity</b>	<b>13,401</b>	<b>10,390</b>
Intangible assets	902	778	Treasury stock	—	▲ 3,660
Investments and other assets	618	854	<b>Total net assets</b>	<b>13,910</b>	<b>10,764</b>
<b>Total assets</b>	<b>23,208</b>	<b>22,108</b>	<b>Total liabilities and net assets</b>	<b>23,208</b>	<b>22,108</b>



# Transaction Value

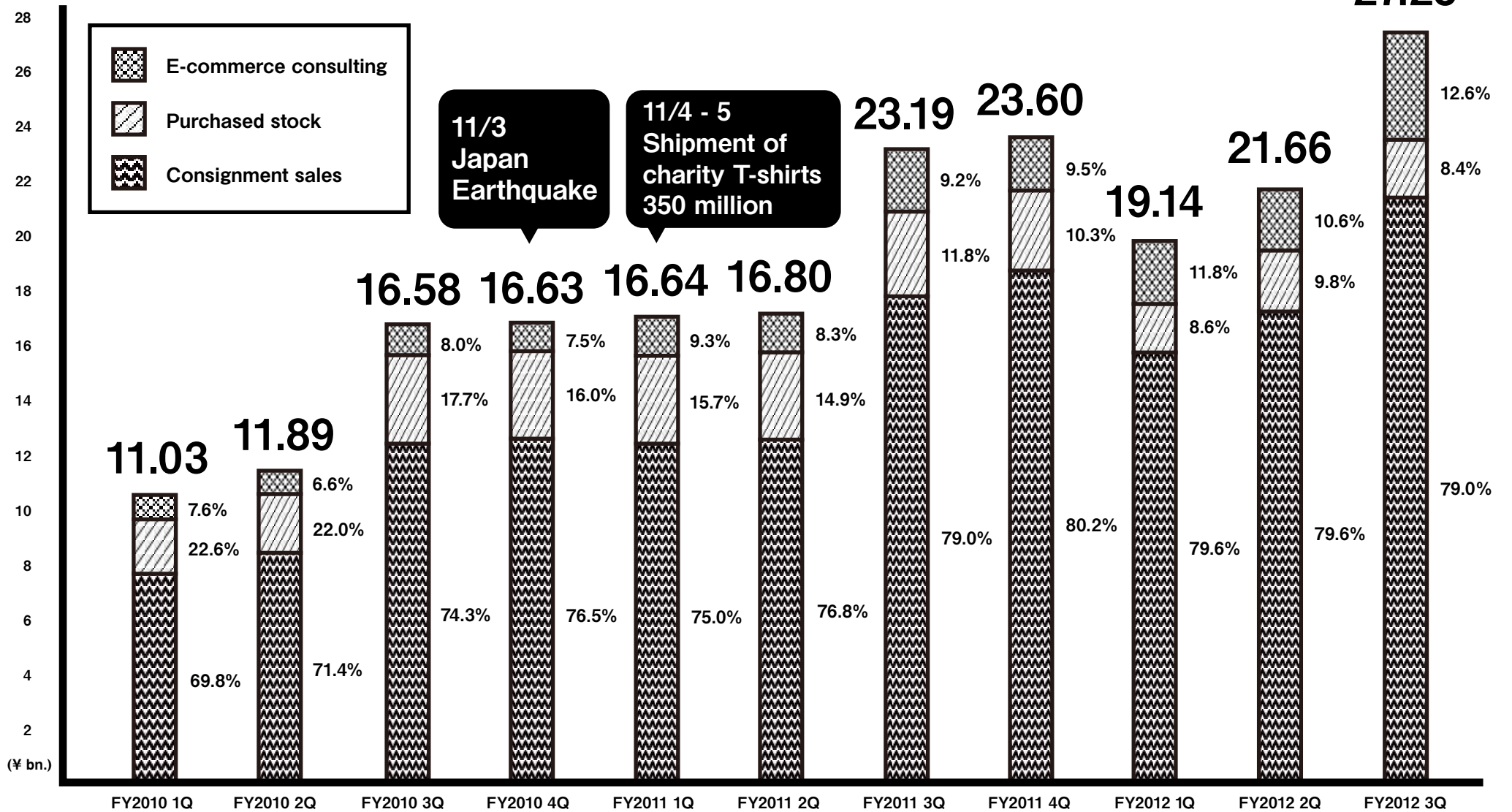
Gross transaction value of new shops for FY2012 3Q  
ZOZOTOWN: ¥2.6 billion, 4.4% of the transaction value





YoY  
+17.5%

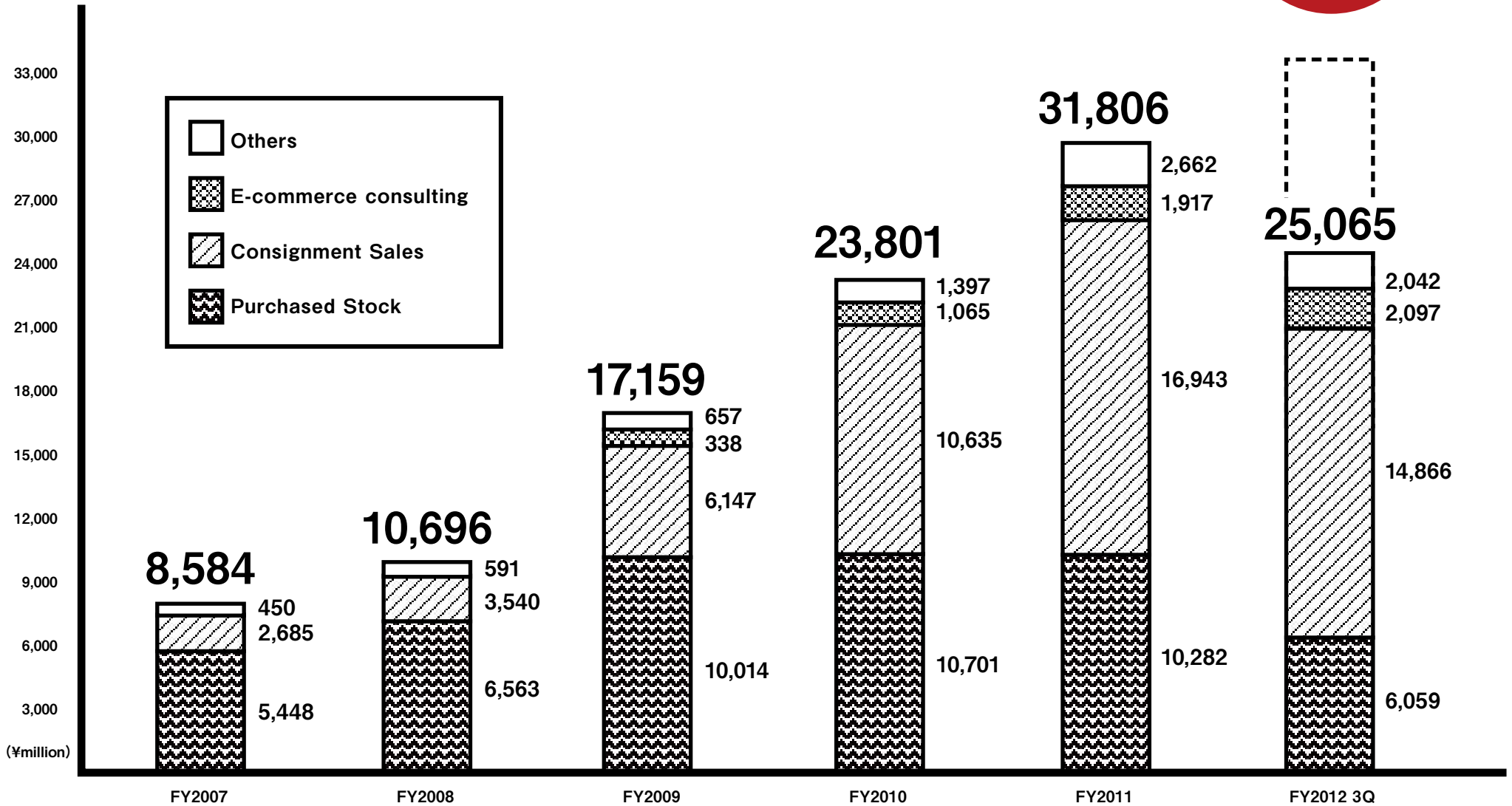
# Transaction Value (Quarterly)





# Net Sales

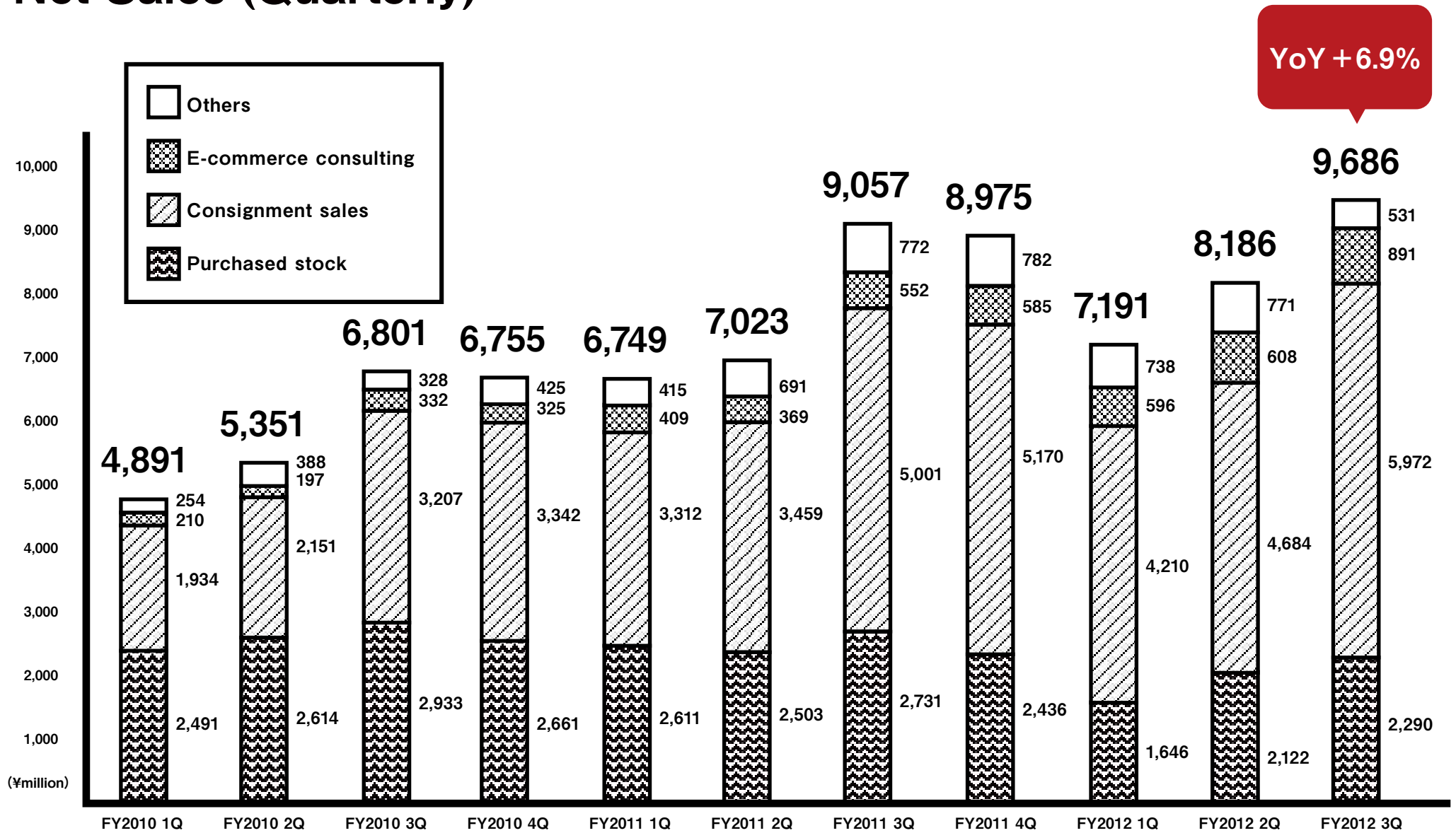
33,800







# Net Sales (Quarterly)





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

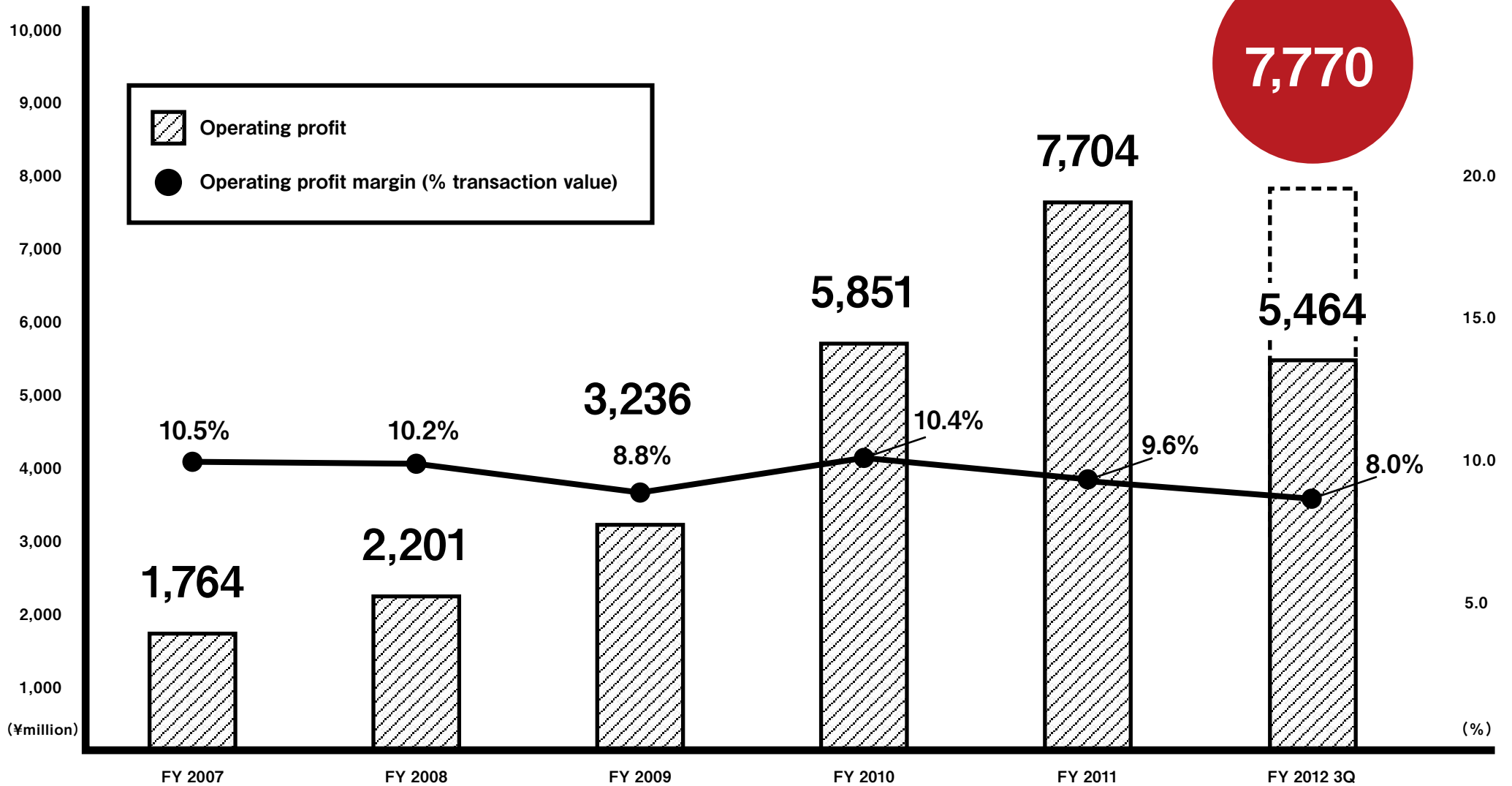
(¥ million)

Item	2012 3Q			2011 3Q			YoY change	
	Amount	% Transaction value	% Total	Amount	% Transaction value	% Total	% Transaction value (PPT)	% Total (PPT)
Payroll	2,552	3.8	17.4	2,189	3.9	18.7	-0.1	-1.3
Shipping	1,918	2.8	13.1	1,548	2.7	13.3	0.1	-0.2
Payment collection	1,524	2.2	10.4	1,246	2.2	10.7	0.0	-0.3
Advertising	2,081	3.1	14.2	1,326	2.3	11.4	0.8	2.8
Point sales promotion	1,816	2.7	12.4	2,072	3.7	17.7	-1.0	-5.3
Outsourcing	2,127	3.1	14.5	943	1.7	8.1	1.4	6.4
Others	2,669	3.9	18.2	2,352	4.2	20.1	-0.3	-1.9
Total SG&A	14,690	21.6	100.0	11,679	20.6	100.0	1.0	—

※Payroll includes subcontracting payroll.



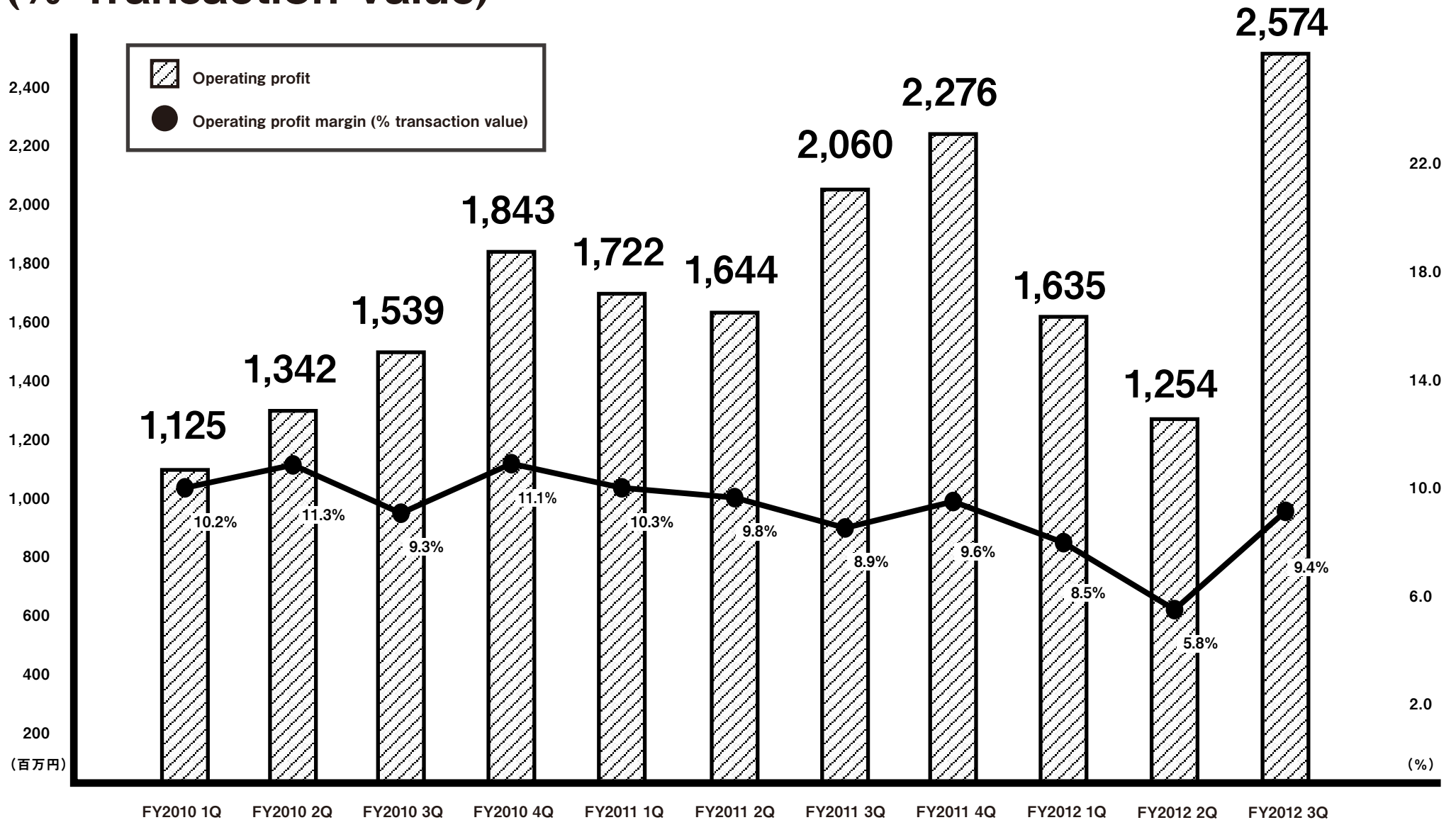
## Operating Profit and Operating Profit Margin (% Transaction Value)





# Operating Profit and Operating Profit Margin (Quarterly)

## (% Transaction Value)

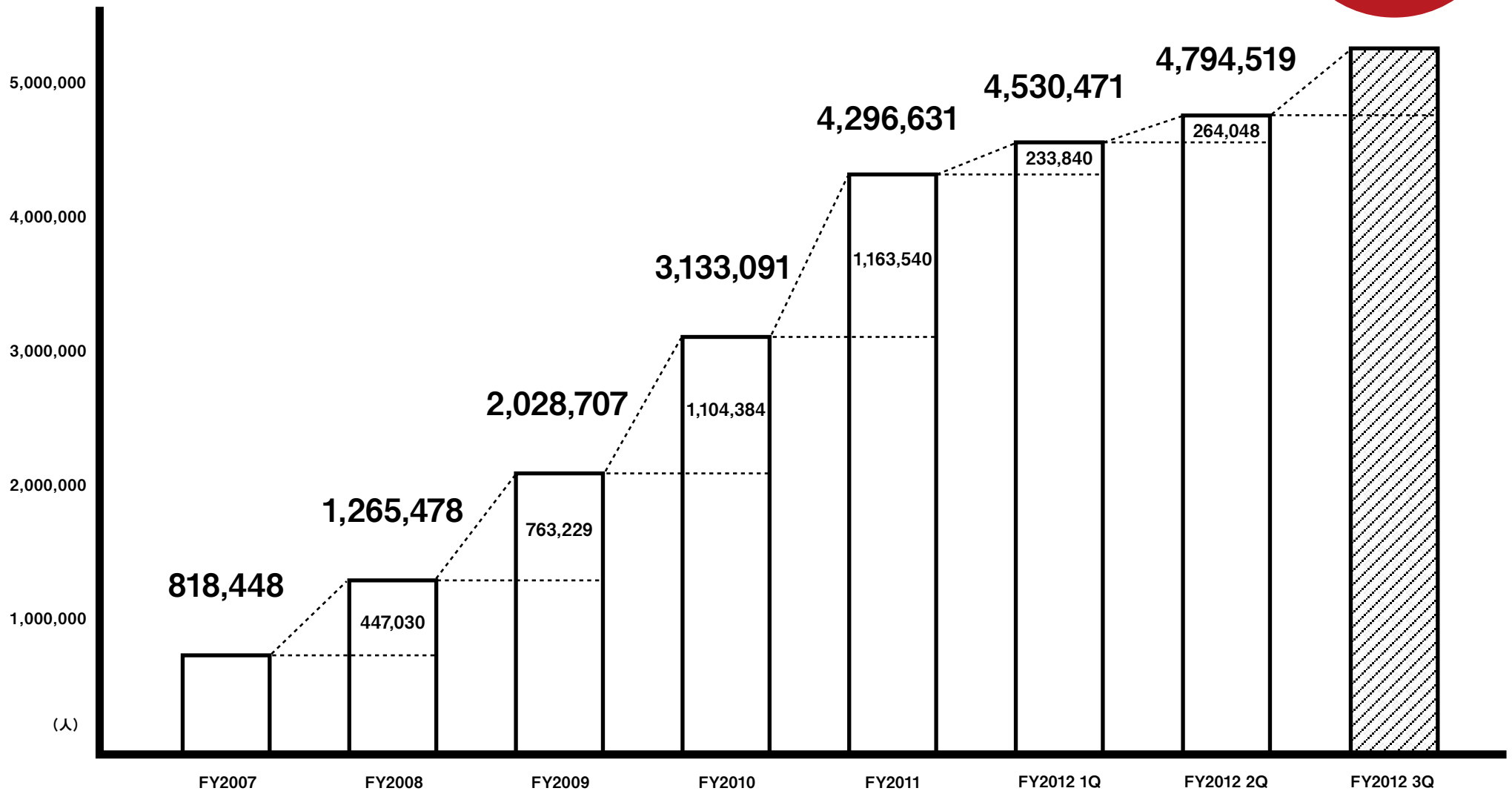


# Fact Data



# Total Members\*

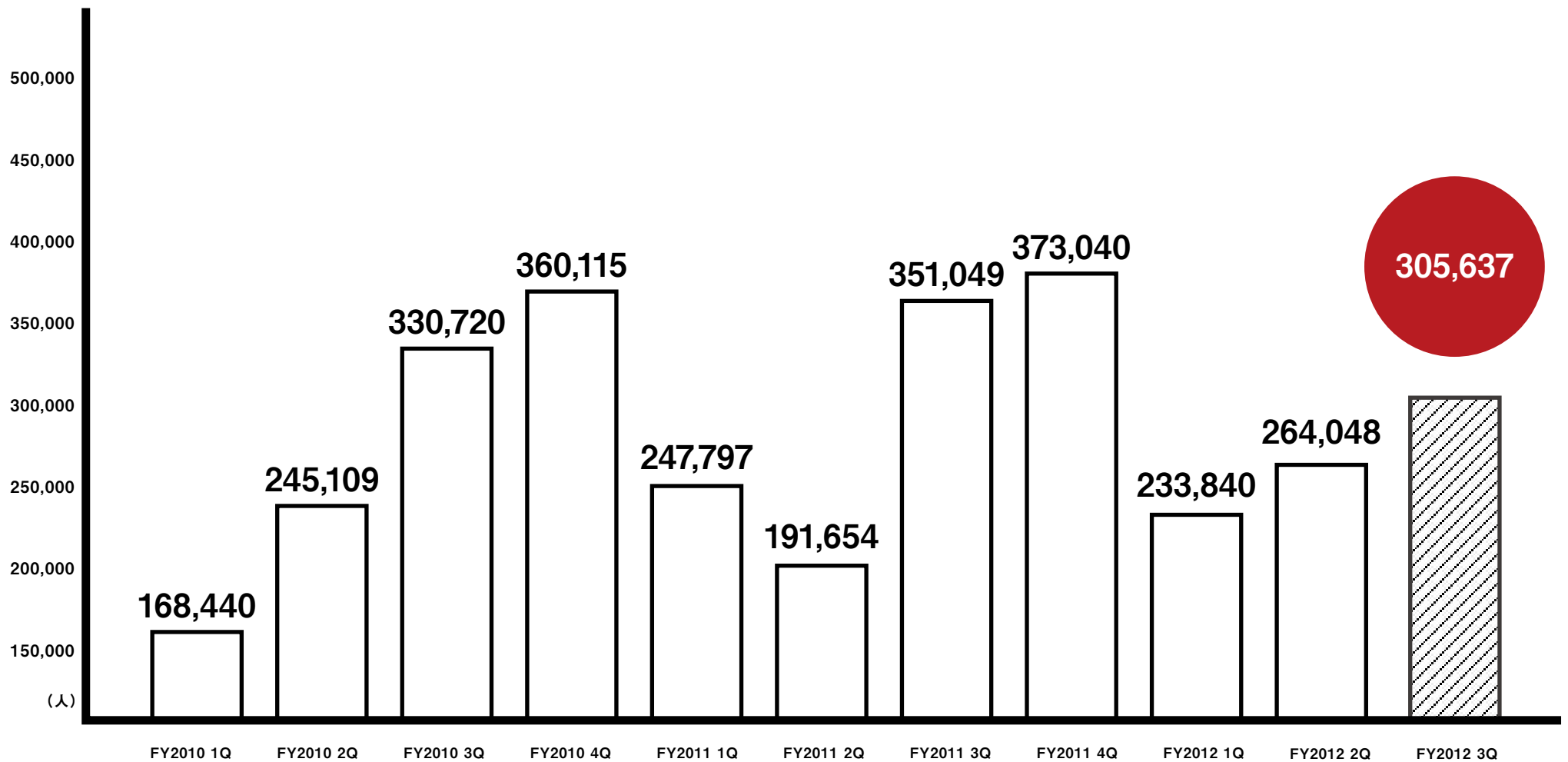
5,100,156



\*Guest buyers have not been included in the above figures.



# New Members (Quarterly)





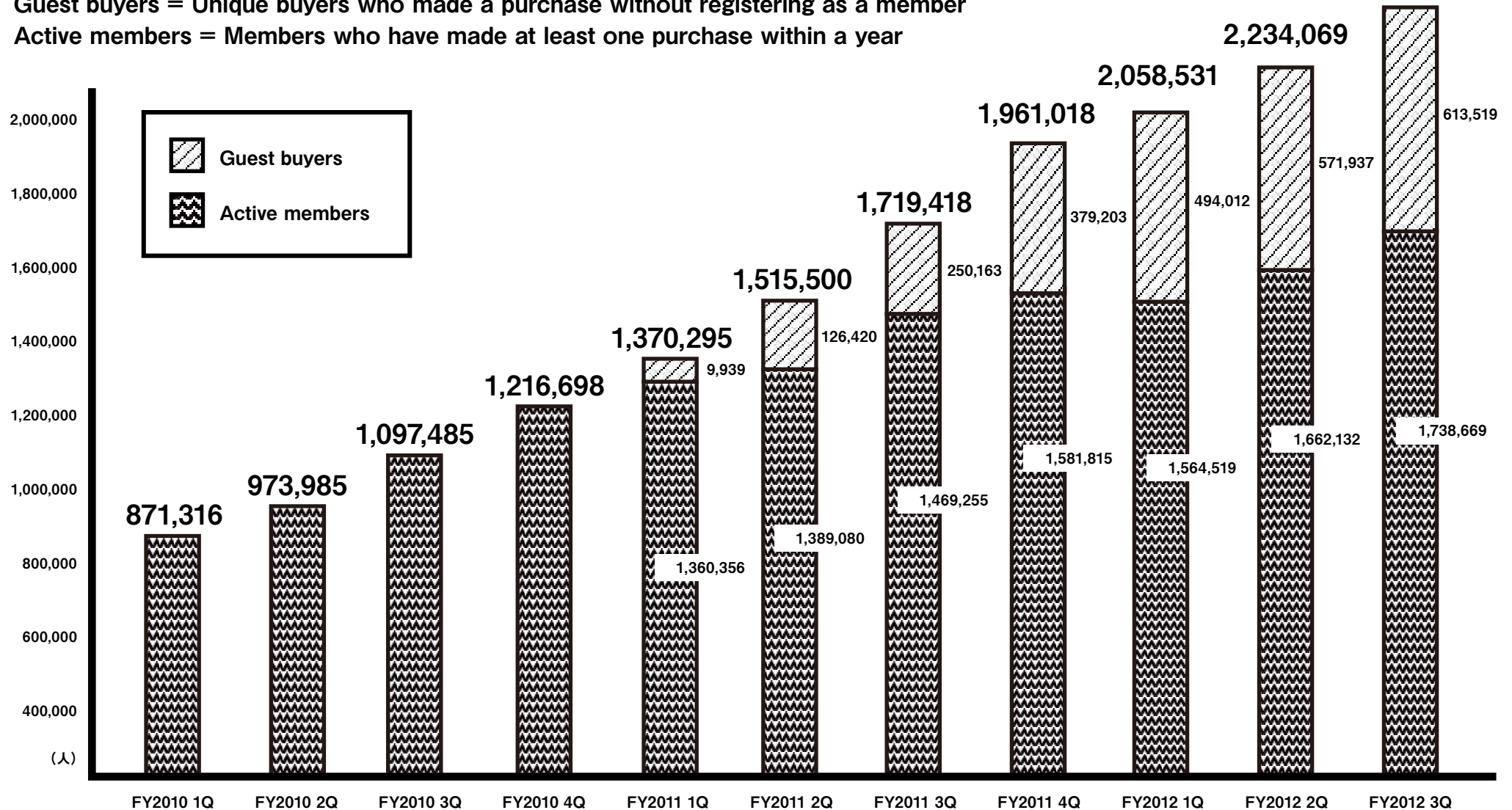
# Number of Total Buyers

2,352,188

Number of total buyers = Active members and guest buyers who made at least 1 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

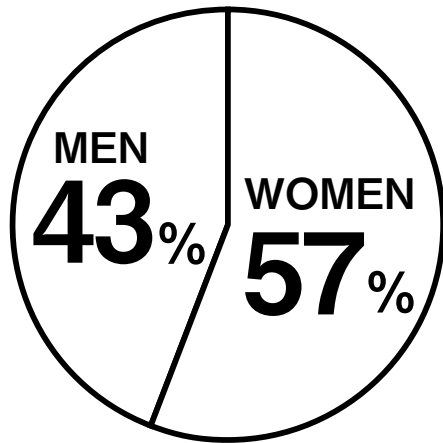




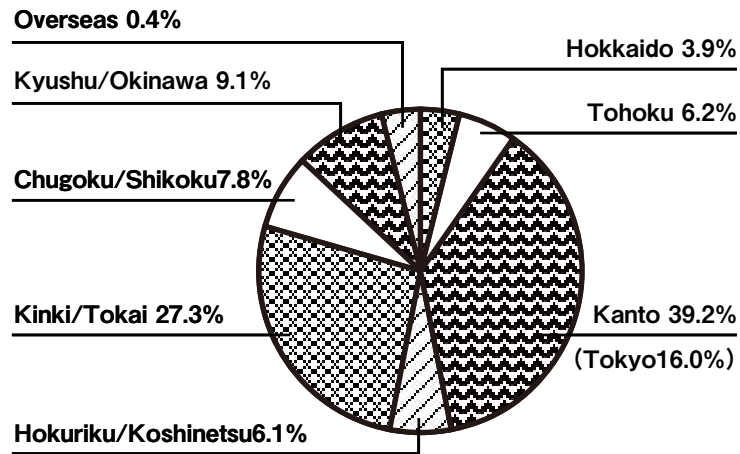


# Member Distribution (As of December 31, 2012)

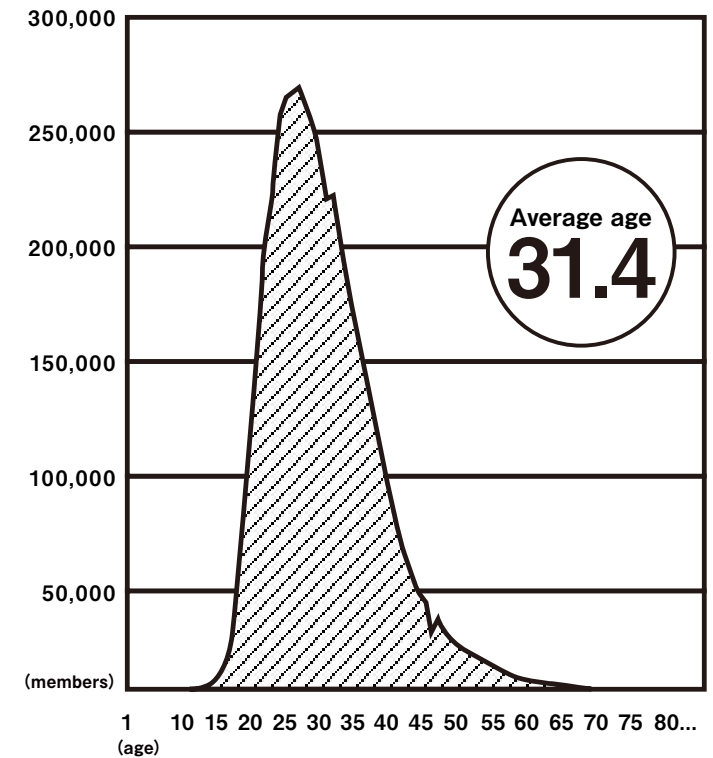
Gender ratio



Geographical distribution



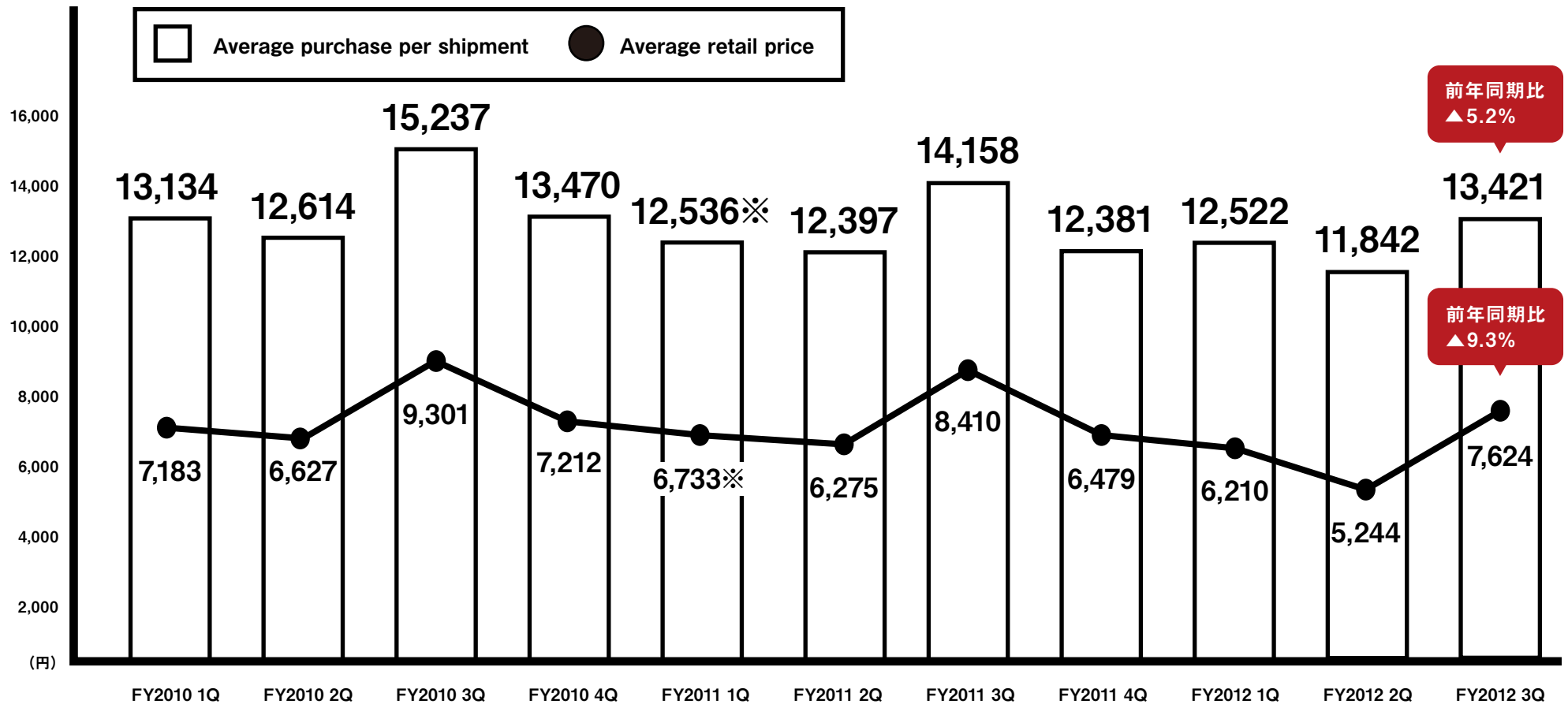
Age distribution





# Average Purchase per Shipment and Average Retail Price

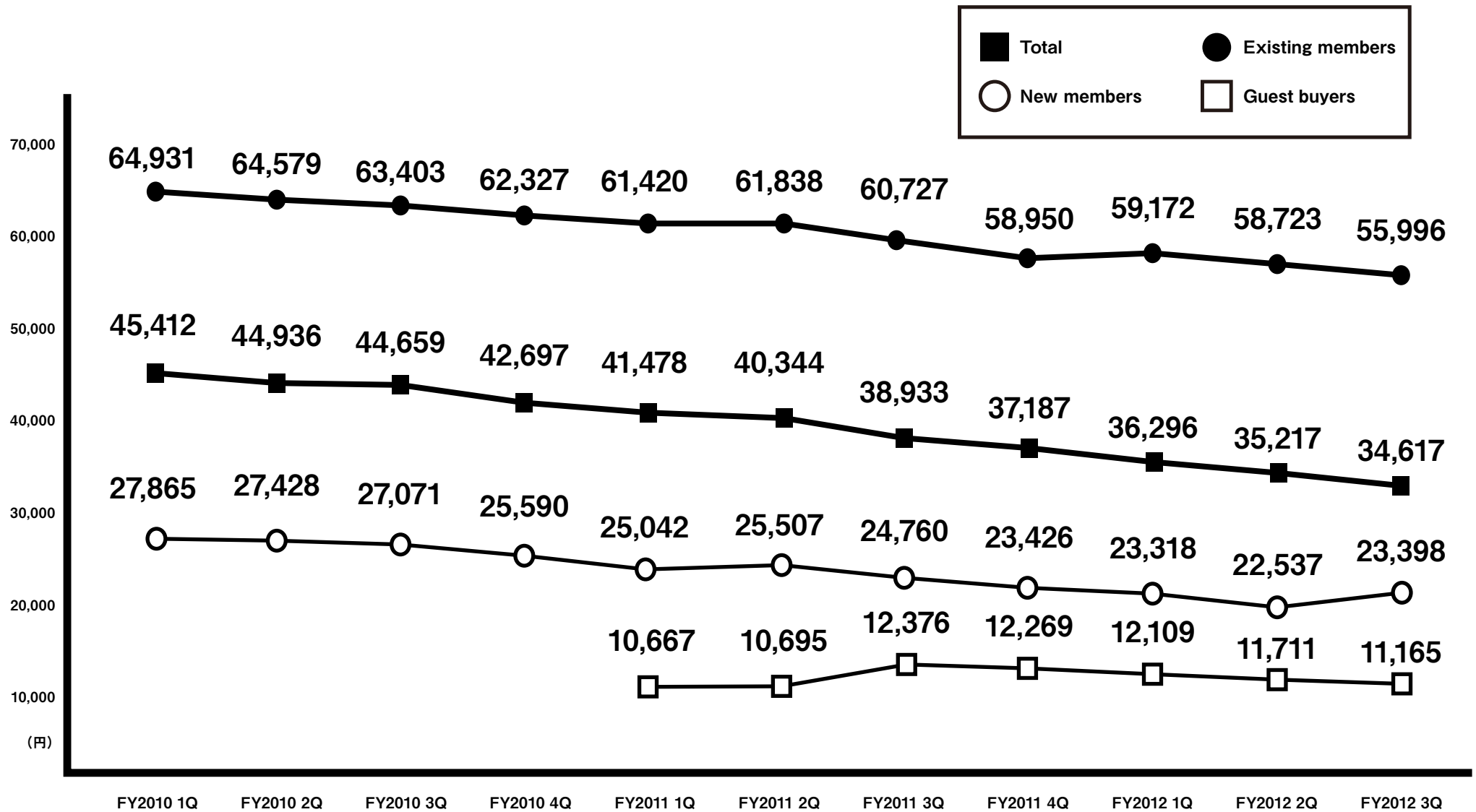
Average purchase amount per shipment = Transaction value / Number of shipments



\*The transaction value and number of shipments for ZOZOTOWN charity T-shirts in FY2011 1Q have not been included.  
(Average purchase per shipment when above is included: ¥11,891; Average retail price: ¥6,379)

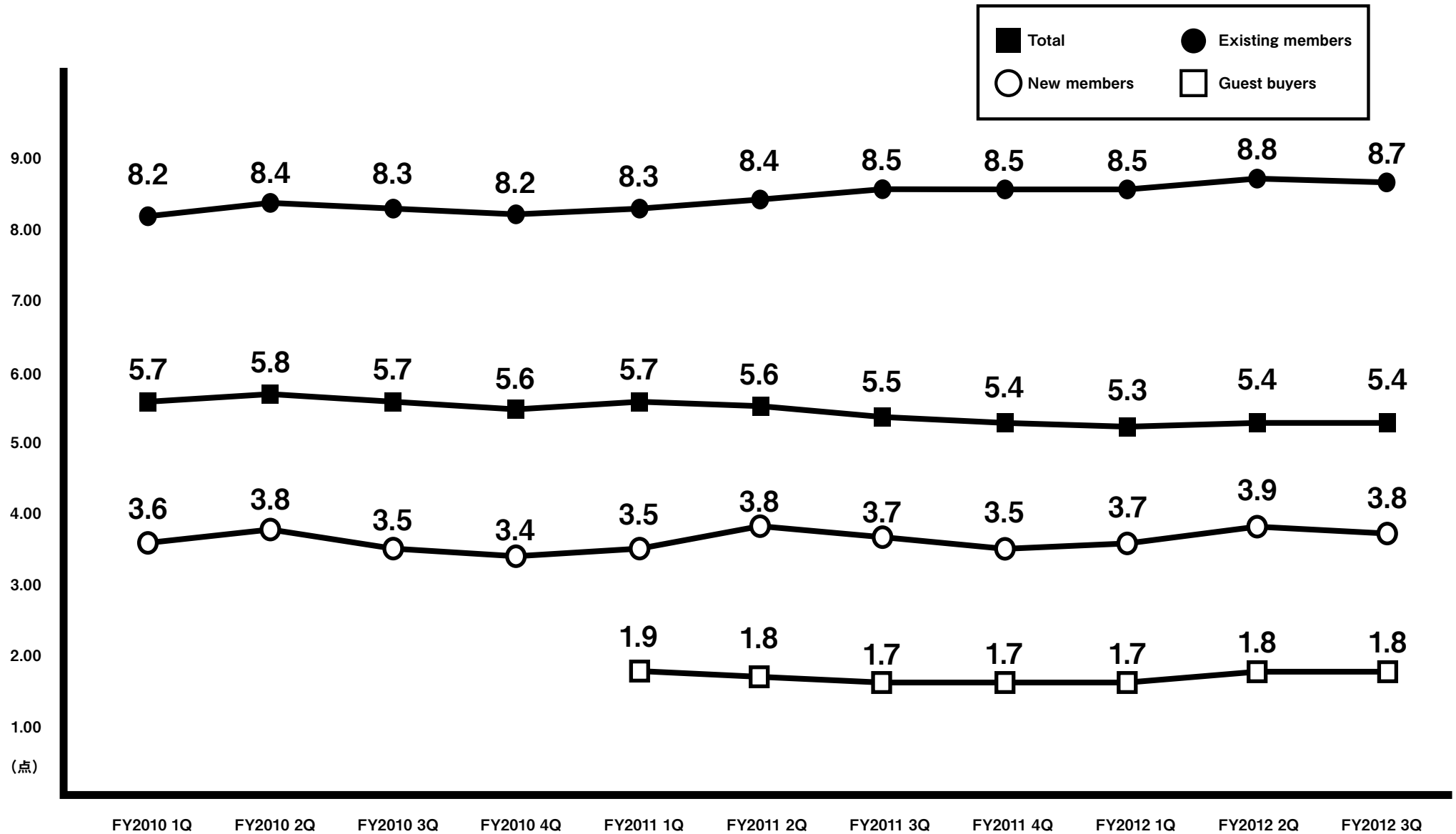


# Annual Purchase per Active Member and Guest Buyer



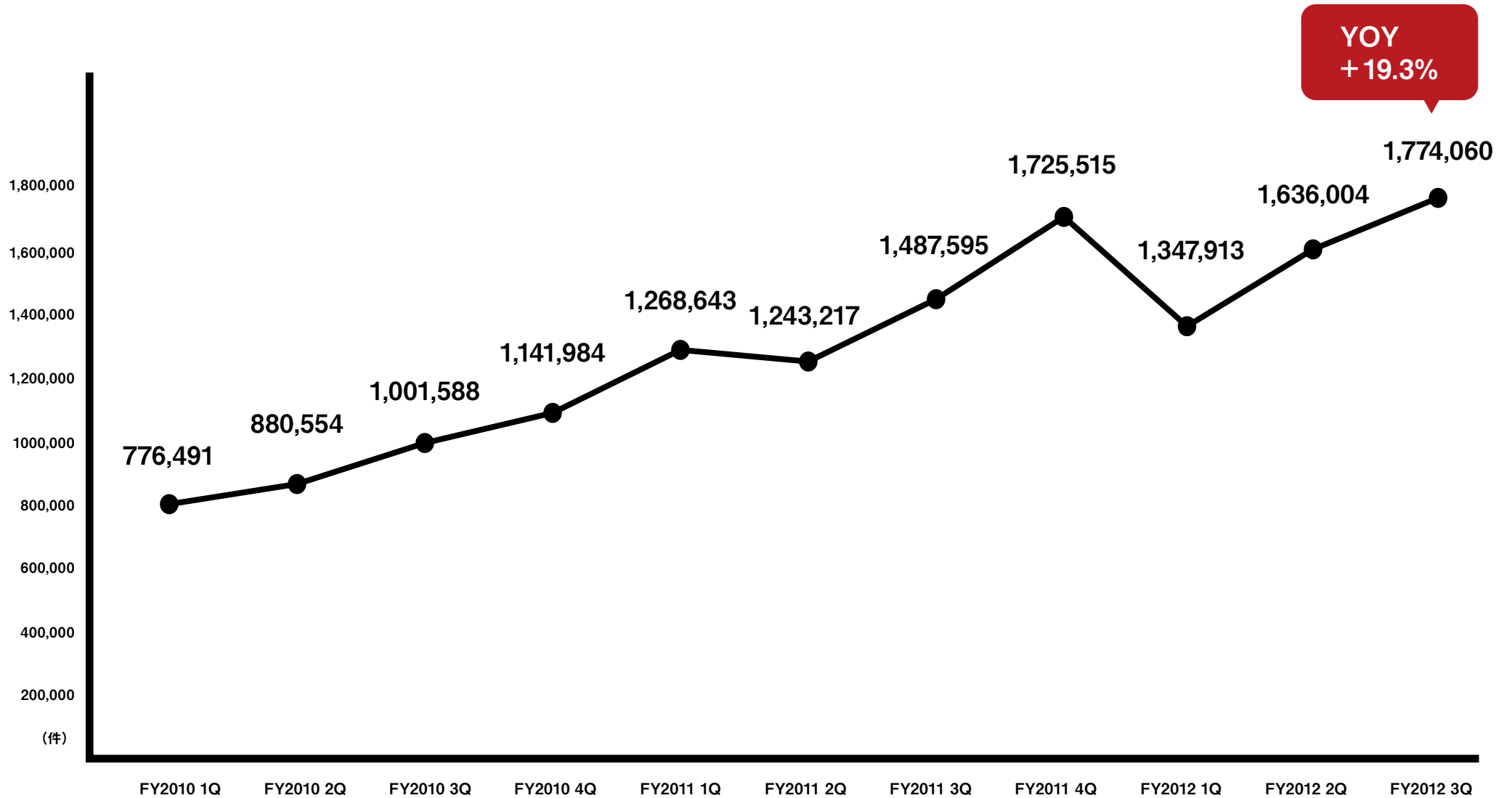


# Annual Items Purchased per Active Member and Guest Buyer





# Number of Shipments





## Transaction Value Target by Member Type

	FY 2012 3Q			FY2011 3Q		
	New members	Existing members	Guest buyers	New members	Existing members	Guest buyers
Total members	832,928	4,296,631	484,479	825,539	3,133,360	250,163
Total buyers	486,046	950,981	484,479	471,027	782,802	250,163
Purchase ratio (%)	58.4%	22.1%	100.0%	57.1%	25.0%	100.0%
Annual purchase per member (¥)	21,449	46,661	10,860	21,890	48,702	12,490
Total purchase (¥ million)	10,425	44,374	5,261	10,310	38,124	3,124

\*Number of total buyers = members who made a purchase during the current fiscal year (this also includes members who unsubscribed from our service).

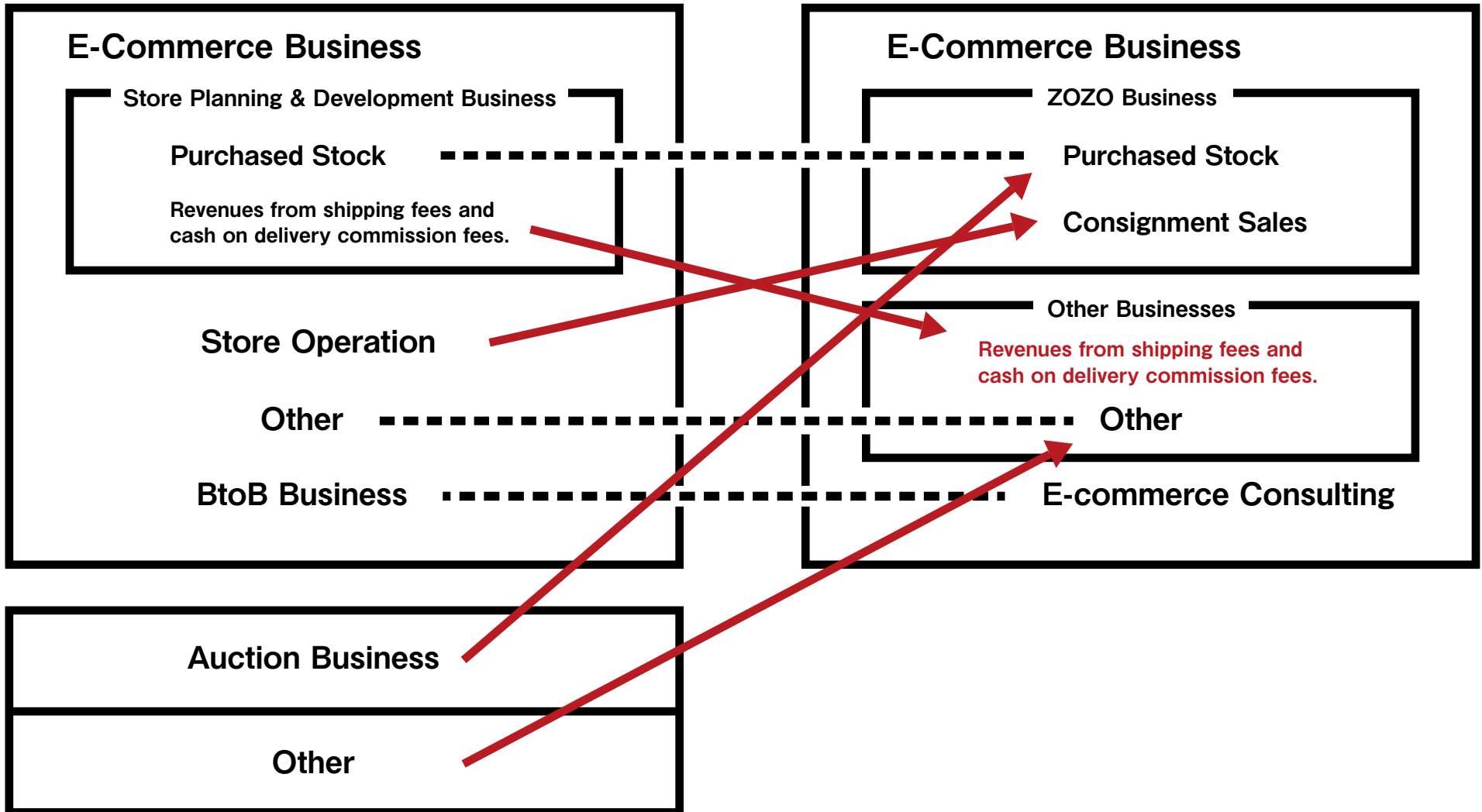
# **Business Plan For FY2012**



# Change in Business Segments

FY2011

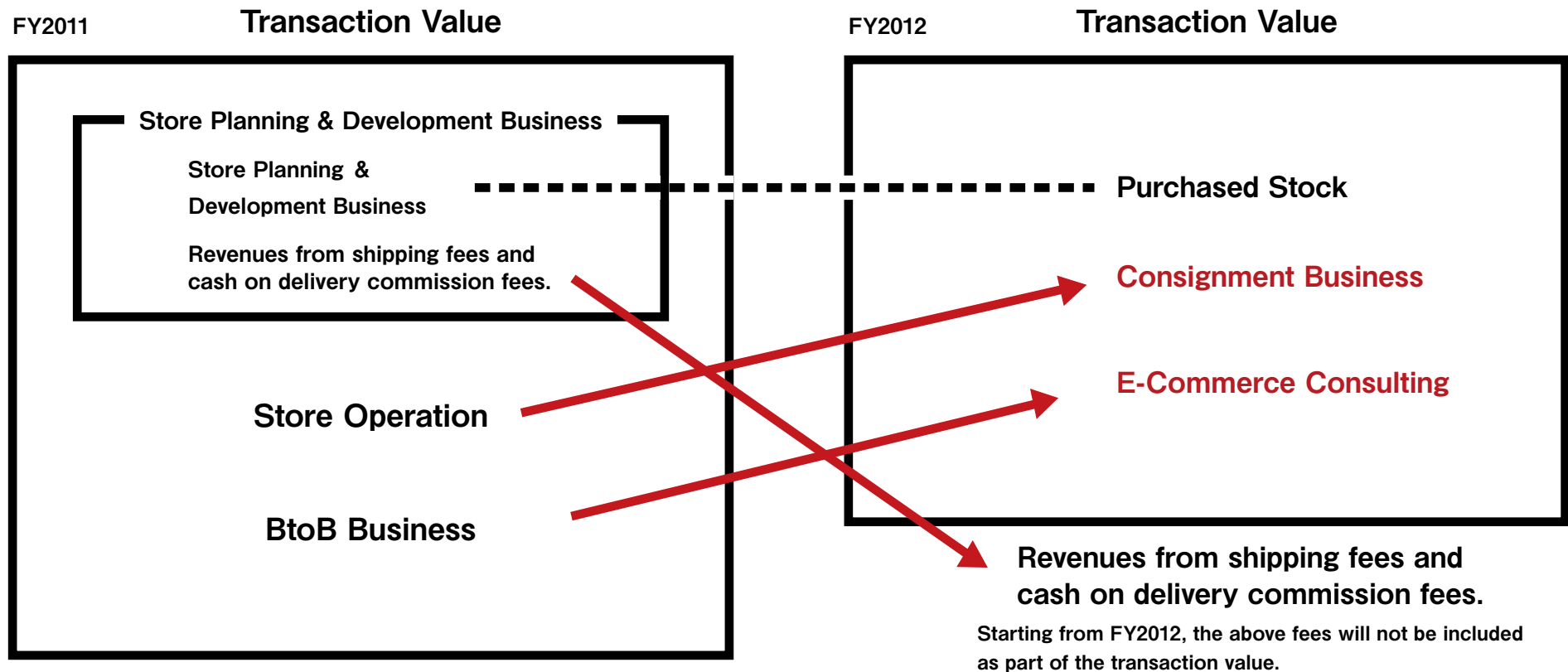
Since 3Q FY2012







# Change in the Scope of the Transaction Value





## Consolidated Business Forecast and Dividend Forecast for FY2012

	Business Plan for FY2012	YoY change(%)
Transaction value	¥ 935 billion	16.5
Net sales	¥ 338 billion	6.3
Operating profit	¥ 77.7 billion	0.9
Recurring profit	¥ 78.0 billion	2.4
Net income	¥ 47.4 billion	2.3
Earnings per share	¥ 43.8	
Estimated dividends per share	¥ 20.0	



## Consignment Sales

**Transaction Value Target : ¥73,900 million (+18.0% year on year)**

- Continued to open new stores and expanded our coverage of the fashion industry.
- Reorganized our E-commerce Business Division and improved the level of satisfaction among brands offered on ZOZOTOWN.

## Purchased stock

**Transaction Value Target : ¥8,100 million (▲21.2% year on year)**

- Continued to discover, cultivate, and introduce promising brands.

## E-Commerce Consulting

**Transaction Value Target : ¥11,500 million (+57.0% year on year)**

- Continued to open new shops. Several new contracts have already been confirmed.
- Implemented measures to improve collaboration between brands' brick and mortar stores and e-commerce sites.



# Overseas Operations

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## China

Until now, products were exported from Japan and then sold in China, but from now on, we will only offer products of brands that already have a presence (therefore inventory) in China on a consignment basis.

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## Korea

We will establish a branch office in Korea this fiscal year. We will aggressively develop our business in Korea to raise awareness for Japanese fashion brands.

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## Global Website

Sales in Asia are going smoothly. We will continue with our marketing efforts for the various different countries. Together with the Japan Tourism Agency, we launched a fashion event, which encouraged tourists to come and visit Japan.

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# **Future Strategies**

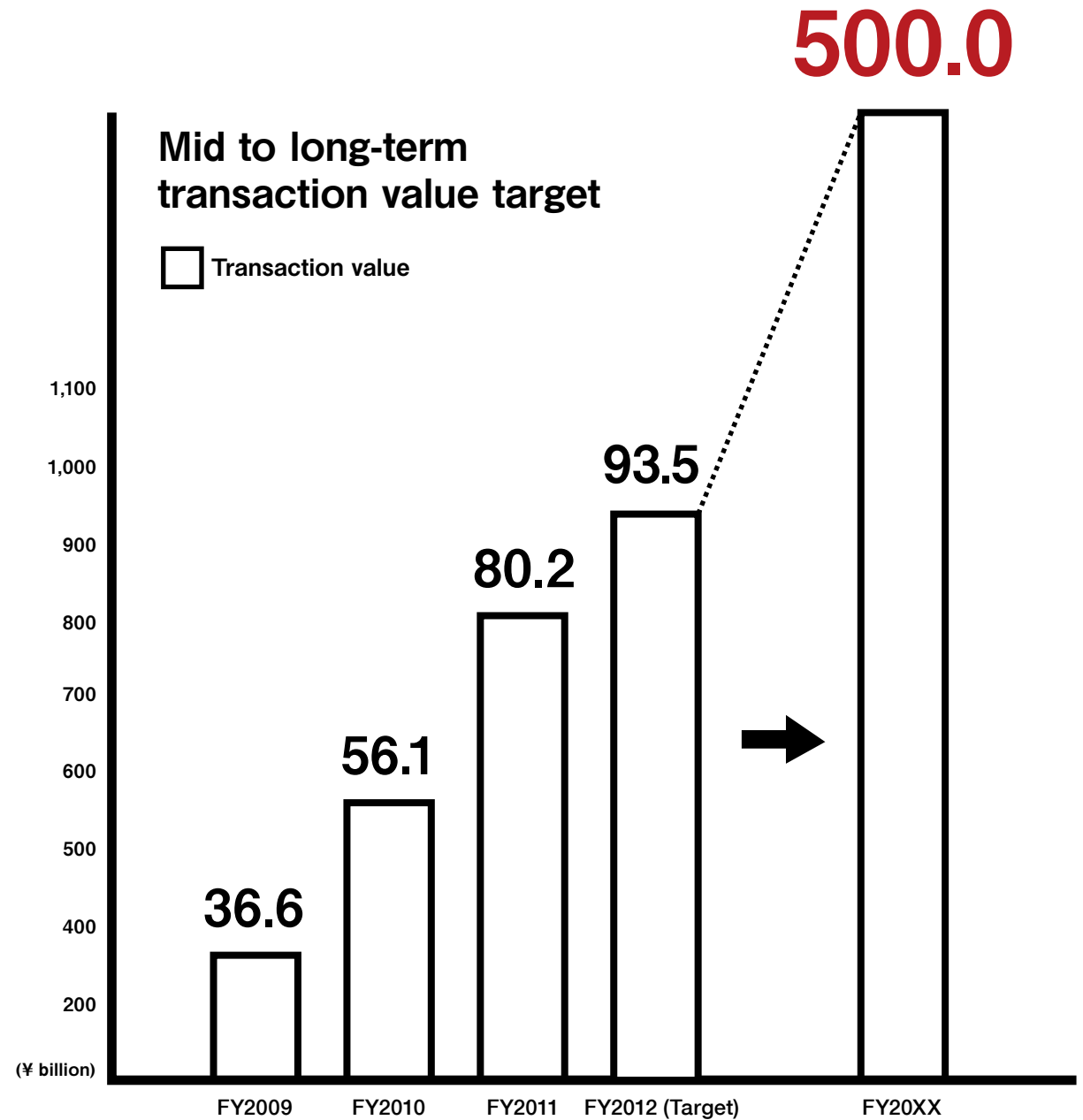


# Mid to Long-term Vision

Start Today' s mid to long-term target

FY20XX term




Transaction value	<b>500</b> billion
Recurring profit	<b>50</b> billion

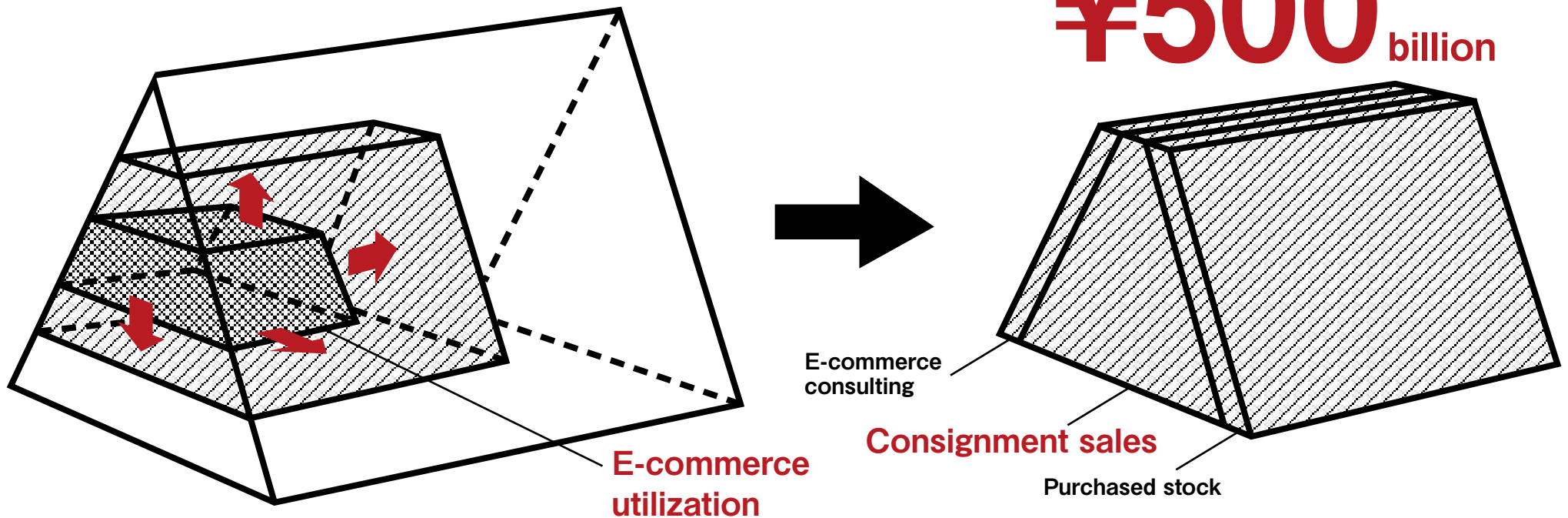




# Market Expansion Strategy

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)
-  ZOZO's current market



# 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  
490 stores offering 2,058 brands. At any given time, more than 130,000 items are available with 3,000 plus new items added 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.





## Global Website <http://zozotown.com/>



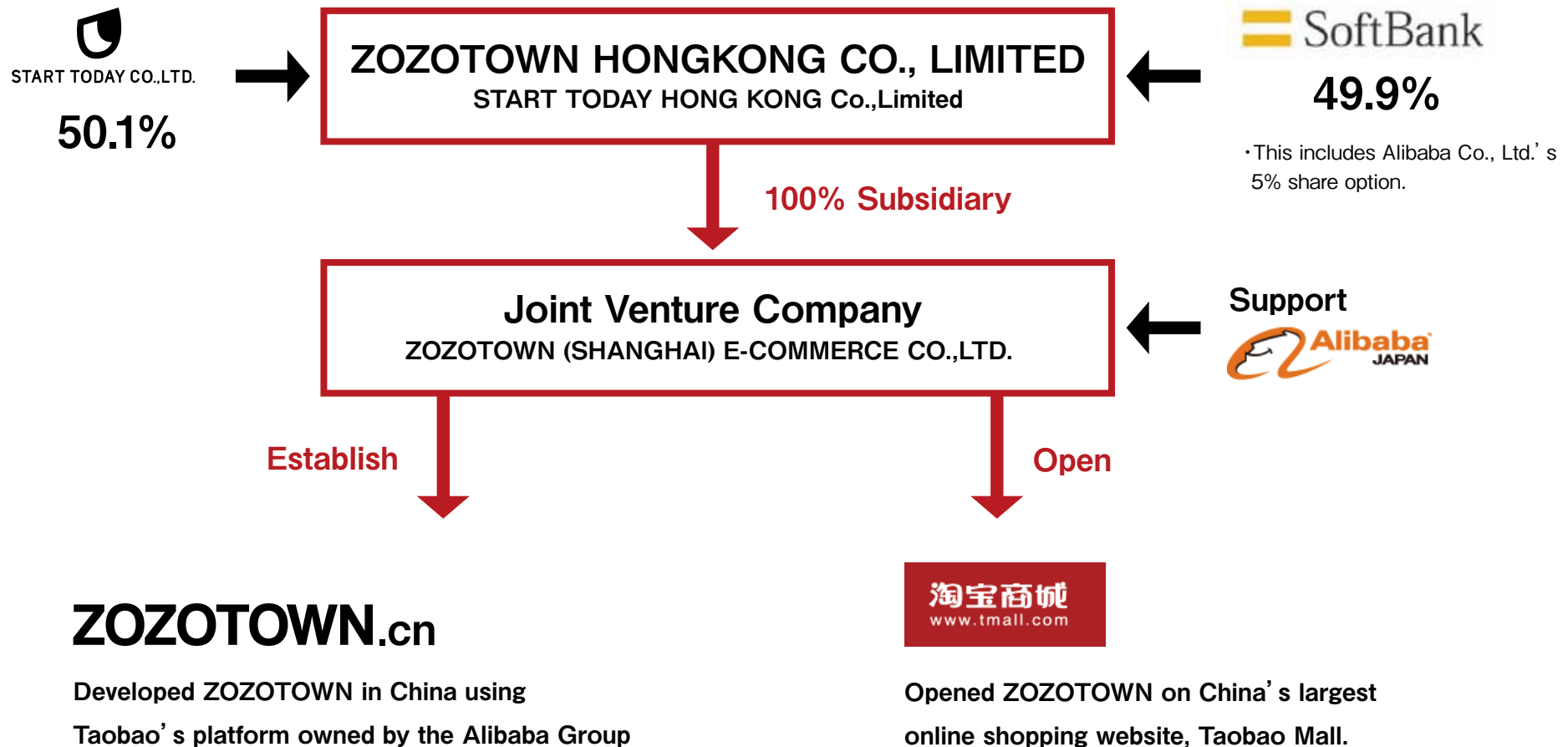
(Global Website IMAGE)

- Launched in May 2011 as a test marketing website to explore possibilities of introducing ZOZOTOWN to different countries.
- Available in 3 different languages.  
( Japanese / Chinese (Traditional) / English )
- Number of brands: over 600
- Delivers to 82 countries worldwide.
- Payment method: PayPal
- Together with the Japan Tourism Agency, we launched a fashion event, which encouraged tourists to come and visit Japan.

We launched the webpage, Japan Hot Brand File, on ZOZOTOWN.COM dedicated to introducing Japanese fashion brands and trendy areas of town. The information offered combines the allure of the various fashion brands and areas around Tokyo.



# Fashion E-commerce Website in China





# ZOZOTOWN in China

Opened the ZOZOTOWN shop in China's largest shopping website, "Taobao Mall" and ZOZOTOWN's e-commerce website using Taobao's platform.

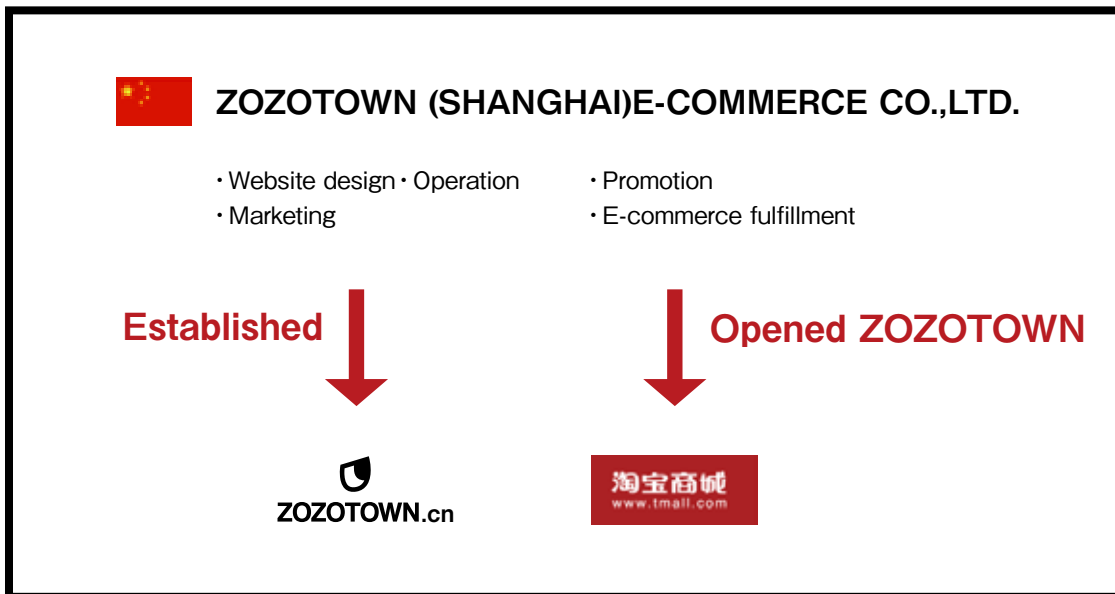
- Opened: October 31, 2011.
- Number of brands: Approx. 20 brands
- Payment method: Alipay
- Logistics and customer support services have been consigned to a partner company.



(ZOZOTOWN.cn)



(ZOZOTOWN.cn opening ceremony commemorative t-shirts)



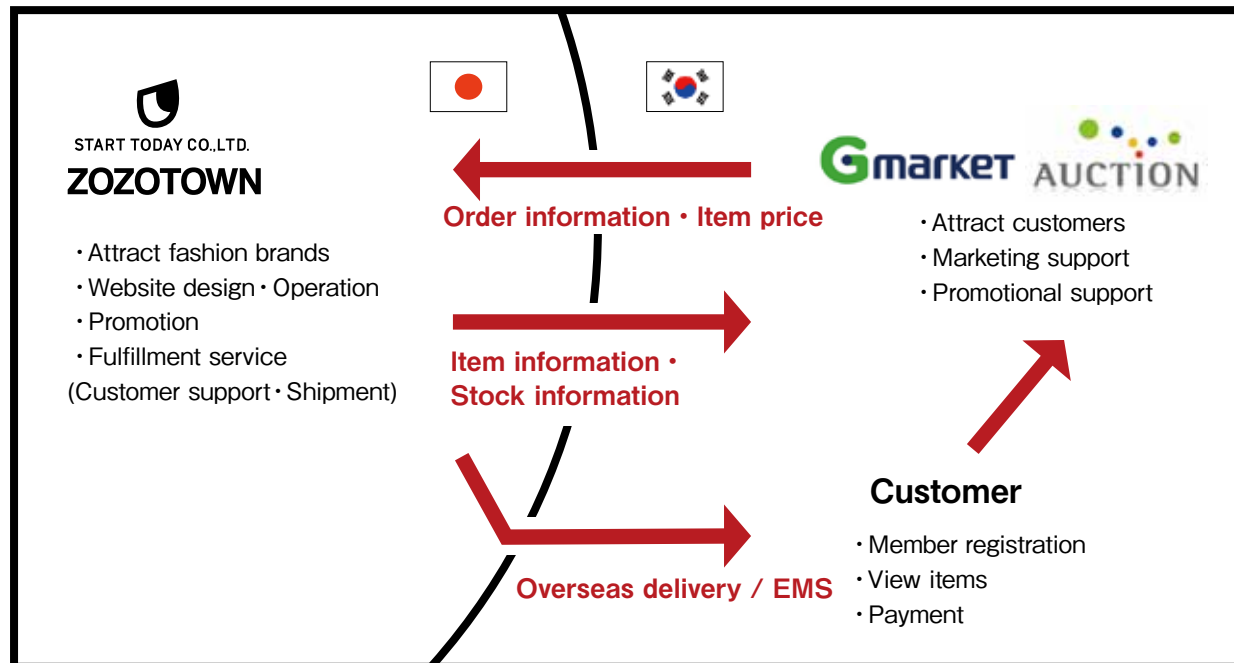


# Launched Fashion E-Commerce Website in Korea

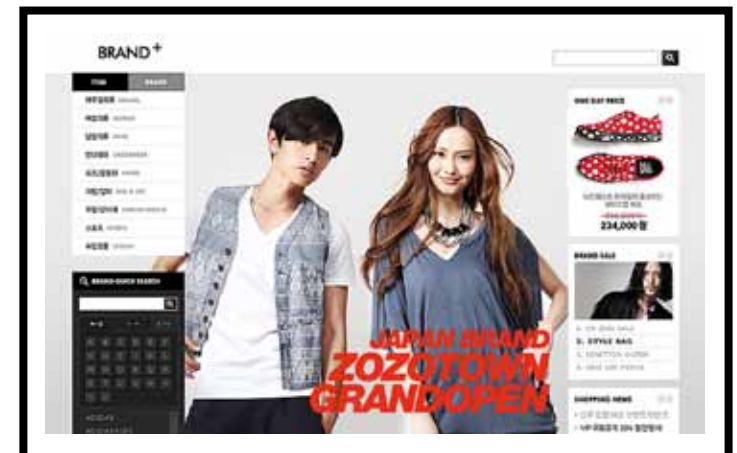
Opened “ZOZOTOWN” under a new category named “JAPAN BRAND” carrying Japanese fashion brands on Korea’s largest shopping websites, “eBay Gmarket” and “eBay Auction.”

Website opened in November 2011 with approximately 120 fashion brands.

A branch office was established in Korea in April 2012.



(Gmarket)



(AUCTION)



## Opened “ZOZUSED” for second-hand clothing

Opened “ZOZUSED” in ZOZOTOWN, which handles second-hand clothing. This activity will be a first of its kind for ZOZOTOWN.

Working closely with CROWN JEWEL (START TODAY’s wholly owned subsidiary) we will aim to enhance CROWN JEWEL’s revenue stream as well as to expand the product line-up we offer as well as our user base.



ZOZUSED Website IMAGE



## Summary of Other Services

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

- Users can search for their desired shops from among over 5,000 stores across Japan.

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

- Users can download wallpapers of popular brands for their computers and mobile phones.

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

- Social networking service dedicated to providing information about people, activities (journals), and products.

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

- A bulletin board, which enables fashion savvy people to exchange information.

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

- “Thank you” message posting service, which encourages people to express their gratitude.
- For every “thank you” message posted, START TODAY donates ¥10 to the specified non-profit organization, World Vision Japan.



**473 employees**  
(average age 27.9)

**2,058**  
high fashion brands

**16,237**  
shareholders

Corporate philosophy

**“Make the world a better place  
and make people smile  
all over the place.”**

**6,095 stores**  
across Japan

**5.10 million**  
fashion savvy consumers





## Store Planning & Development Business (Purchased Stock)

We operate 39 original stores such as “ZOZOEPROZE” and “ZOZOPHAGGE” on ZOZOTOWN, which offer products we purchase from various brands.

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

## Store Operation & Administration Business (Consignment Sales)

We operate 451 online stores such as “United Arrows” and “BEAMS” on ZOZOTOWN and “MARC JACOBS” on ZOZOVILLA on a consignment basis. This does not involve any inventory risks.

**Sales = Transaction value of each store x commission rate**

## B to B Business

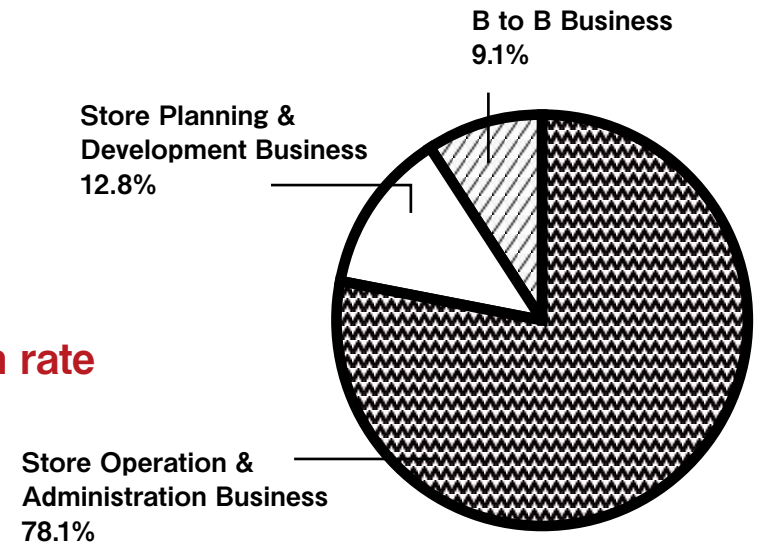
We help develop and operate online shops on behalf of various brands such as “United Arrows” and “Onward.”

We currently provide back-end service for 25 stores.

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

## Others

Initial store opening fees, paid membership service “ZOZOPREMIUM,” and handling charges of the affiliated credit card, “ZOZOCARD.”



(Transaction value for FY2011)



**This material has been created for the sole purpose of introducing the company's business activities, and not for soliciting investment.**

**The business forecasts and the future outlook herein described are based on information currently available.**

**They are subject to uncertainties and therefore change, thus actual results may differ.**