

**FY2013**

**April 1, 2013 - December 31, 2013**

**Consolidated Business Results**

**2014.1.31**



# FY2013 3Q Highlights

## Overview for the consolidated business result

- Total Transaction value : 81.1 billion yen (+19.2% increase / yoy), Operating profit : 8.6 billion yen (+58.1% increase / yoy)
- No change in the initial corporate plan for the whole financial year.

## Online shopping mall business

- Transaction value of the mall business: 70.2 billion yen (+16.9% increase / yoy)
- The number of shops : 581 shops (492 shops / March, 2013)
- Annual number of purchasers (January, 2013 ~ December, 2013), 3.00 million ( 2.48 million / FY2013 total)
- Several efforts focused on our original roots (e.g. search function improvement) led the increase of both UU and CVR.
- Aggressive attempts for the next step such as the new online mall “LABOO” development.

## E-commerce consulting business

- Transaction value of e-commerce consulting business : 10.9 billion yen (+36.6% increase / yoy)
- The number of clients' websites entrusted: 25 sites (25 sites / March, 2013)
- Steady performance of existing websites entrusted. The sales volume derived from clients' websites that have been entrusted since the preceding term contributed entirely to the transaction value in this quarter.

## Profitability

- Operating profit ratio(to the total transaction value) : 10.6% (the year-earlier period, 8.0%)
- Negative factors: Free shipping service offering and starting-up of new logistics facilities caused the increase in the degree of fixed cost burden.
- Positive factors: Revision of the promotional strategies and inexecution of ZOZOCOLLE

## Topics

- Started the new service “WEAR” (October, 2013)
- Launched “ZOZOMARKET”, a new online market opened in ZOZOTOWN (January, 2014)

# **Business Performance**



# Overview of the Third quarter FY2013

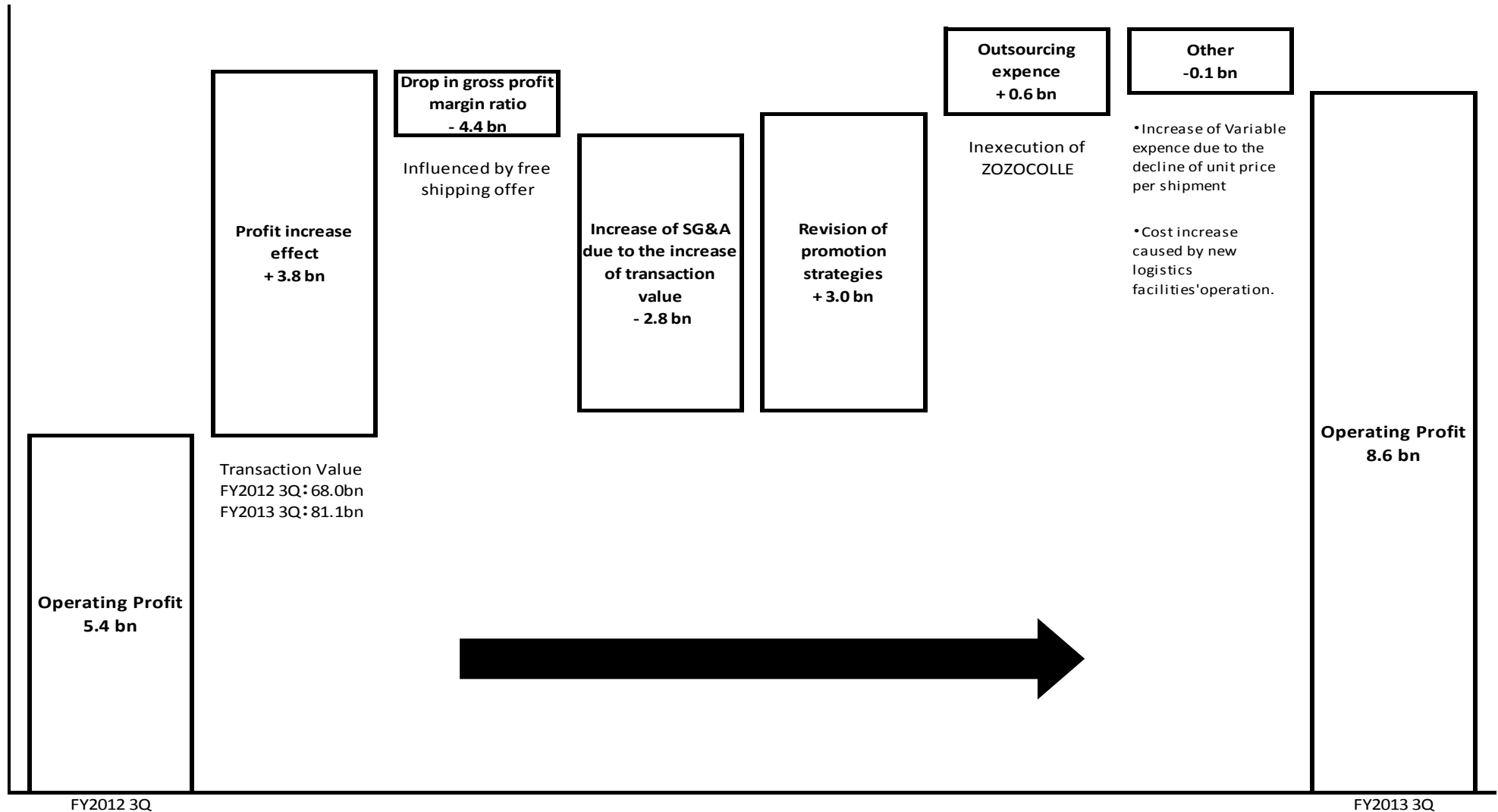
## Consolidated income statement (includes transaction value)

(million)

Item	FY2013 3Q	FY2012 3Q	YoY Change (%)	Target (※)	Progress Rate (%)
Transaction value	81,139	68,055	+19.2%	108,400	74.9%
Net sales	27,776	25,065	+10.8%	36,800	75.5%
Gross profit	23,582	20,155	+17.0%	-	-
(% Transaction Value)	29.1%	29.6%	-0.6%	-	-
SG & A	14,942	14,690	1.7%	-	-
(% Transaction Value)	18.4%	21.6%	-3.2%	-	-
Operating profit	8,640	5,464	+58.1%	10,320	83.7%
(% Transaction Value)	10.6%	8.0%	+2.6%	9.5%	-
Recurring profit	8,672	5,494	+57.8%	10,320	84.0%
Net income	5,468	3,365	+62.5%	6,320	86.5%



# Increase-decrease analysis of operating profit (YoY comparison)





## Consolidated balance sheet

(million)

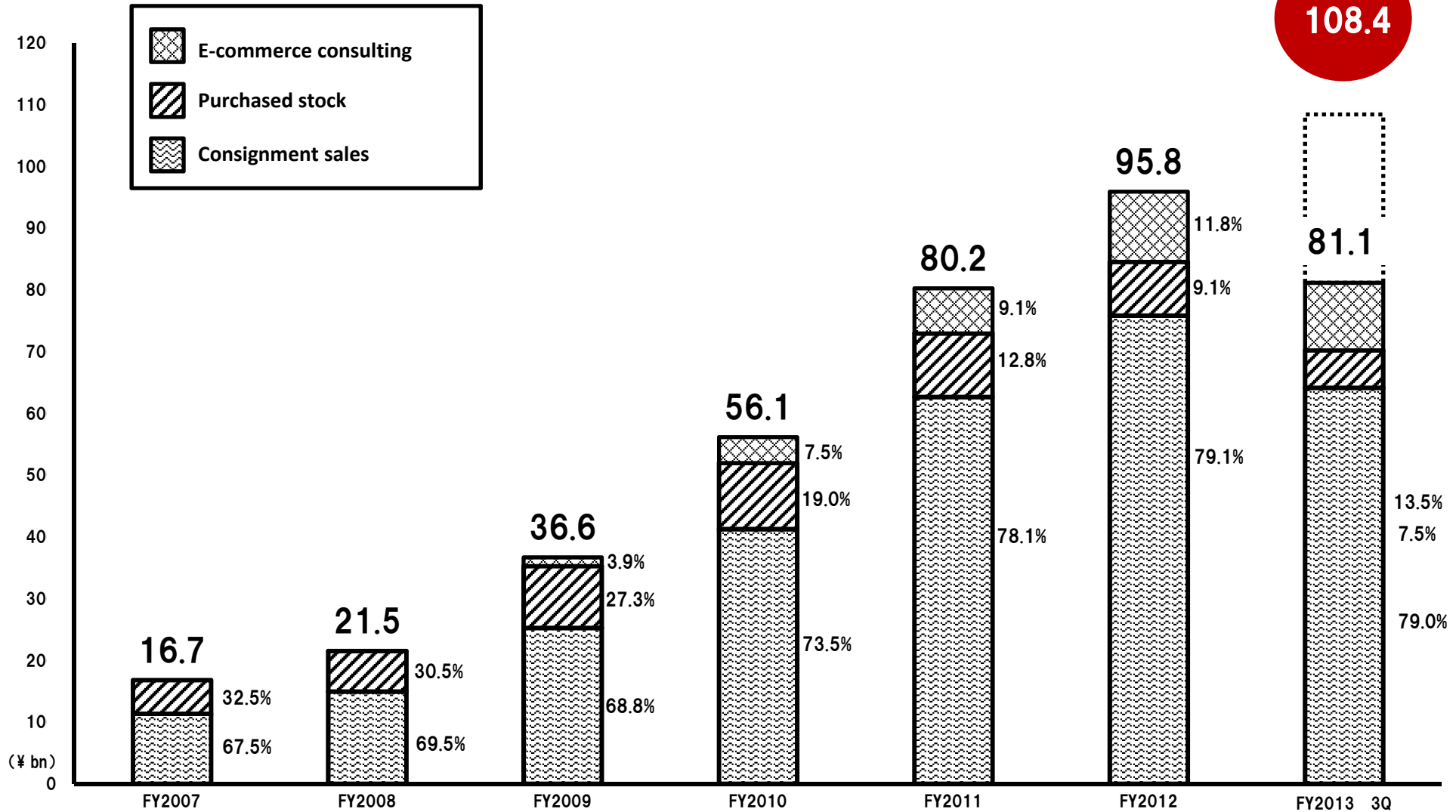
	FY2012	FY2013 (as of Dec 31, 2013)		FY2012	FY2013 (as of Dec 31, 2013)
<b>Current assets</b>	<b>20,655</b>	<b>24,080</b>	<b>Current liabilities</b>	<b>10,426</b>	<b>12,649</b>
cash and deposits	12,037	12,551	Deposit received for consignment sales	5,444	8,590
Merchandise inventory	1,276	831	<b>Noncurrent liabilities</b>	<b>673</b>	<b>985</b>
<b>Noncurrent assets</b>	<b>3,217</b>	<b>6,388</b>	<b>Total liabilities</b>	<b>11,099</b>	<b>13,634</b>
Tangible assets	1,538	3,470	<b>Shareholders' equity</b>	<b>12,385</b>	<b>16,365</b>
Intangible assets	725	1,250	Treasury stock	-3,660	-3,276
Investments and other assets	953	1,667	<b>Total net assets</b>	<b>12,773</b>	<b>16,835</b>
<b>Total assets</b>	<b>23,873</b>	<b>30,469</b>	<b>Total liabilities and net assets</b>	<b>23,873</b>	<b>30,469</b>



# Transaction Value

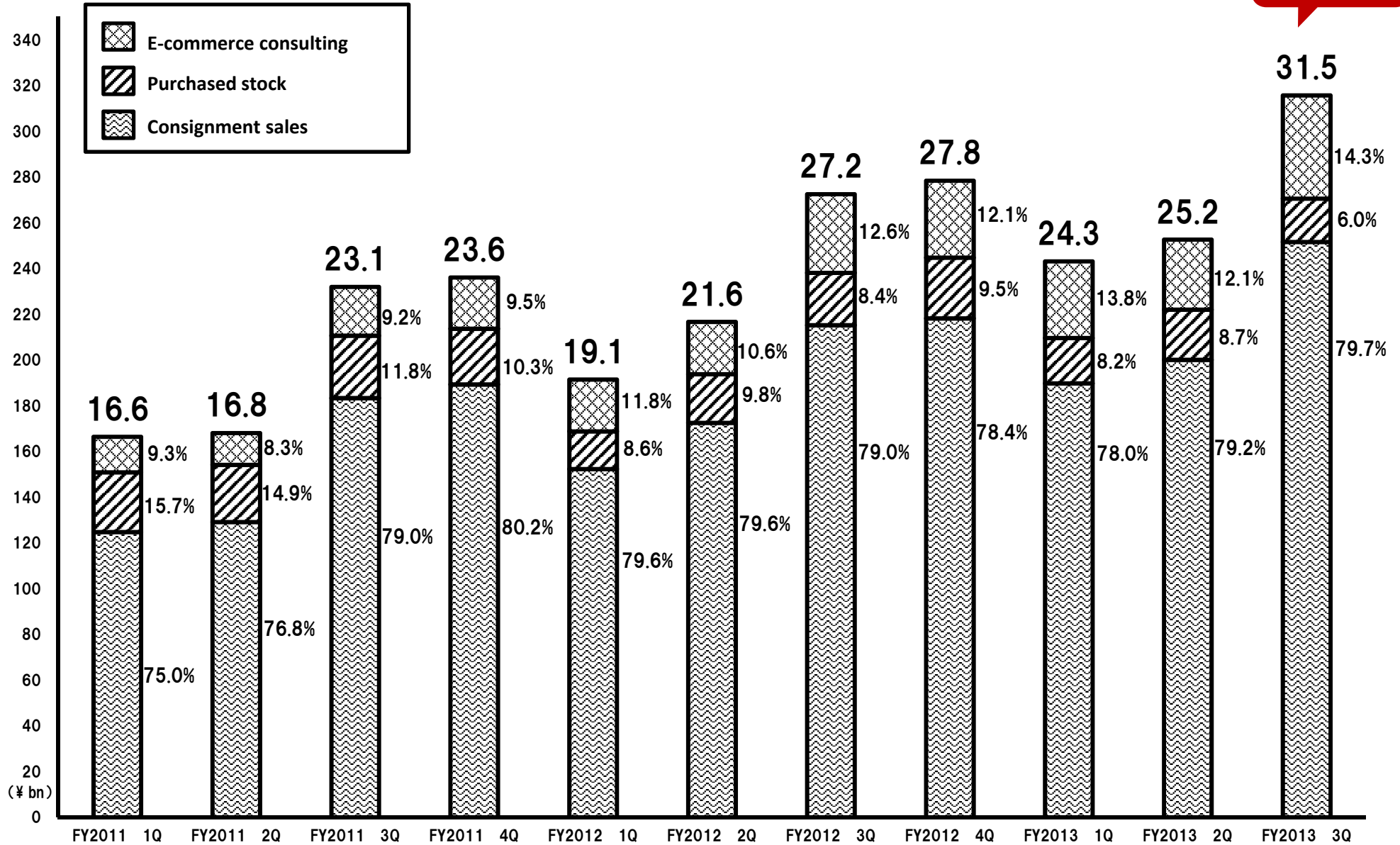
Gross transaction value of new shops opened in Q3 FY2013

Online mall business ( purchased stock & consignment sales ) : ¥ 2.5 billion, (accounts for 3.7% of the total)





# Transaction Value (Quarterly)

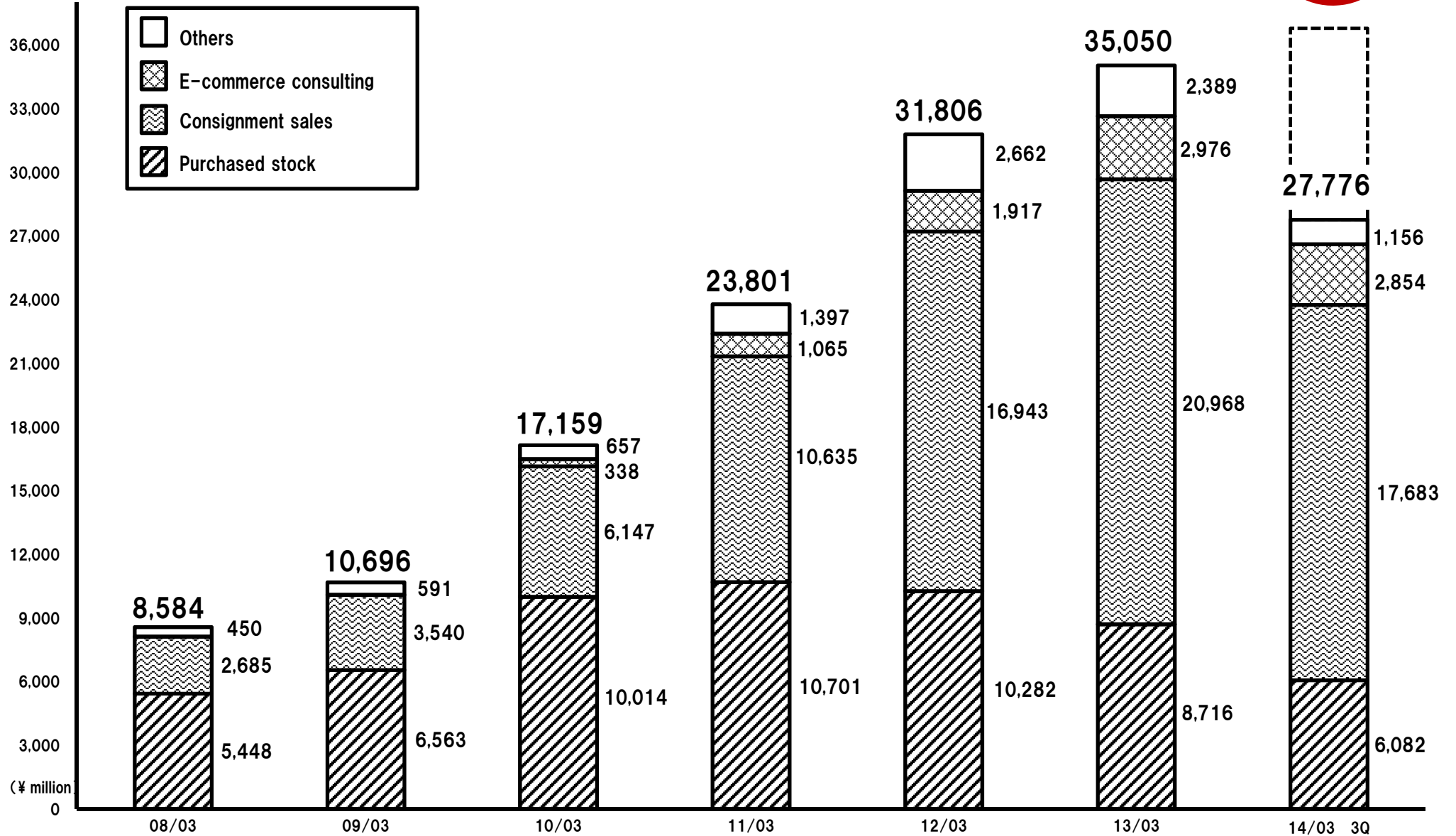






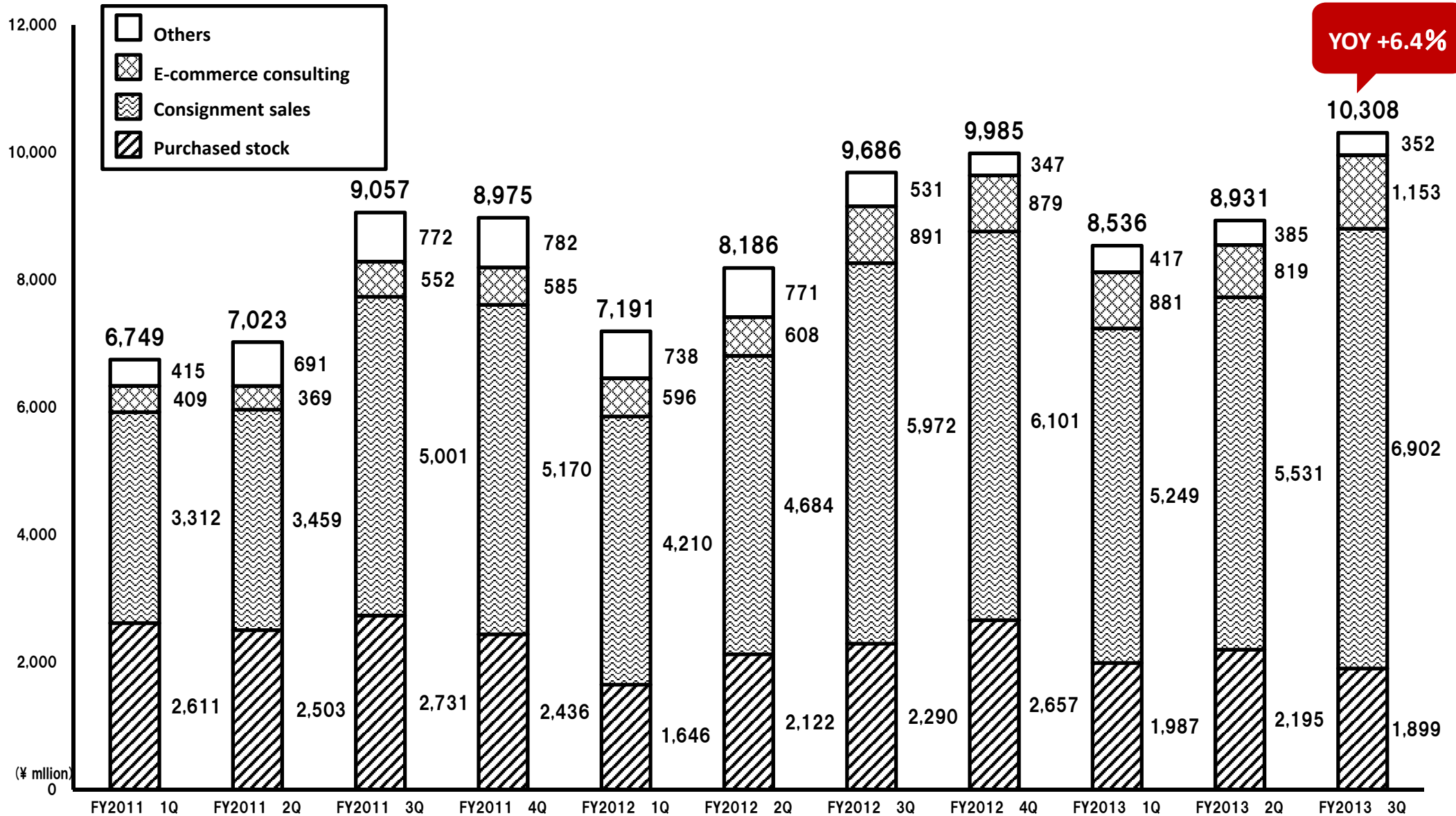
# Net Sales

**36,800**





# Net Sales (Quarterly)



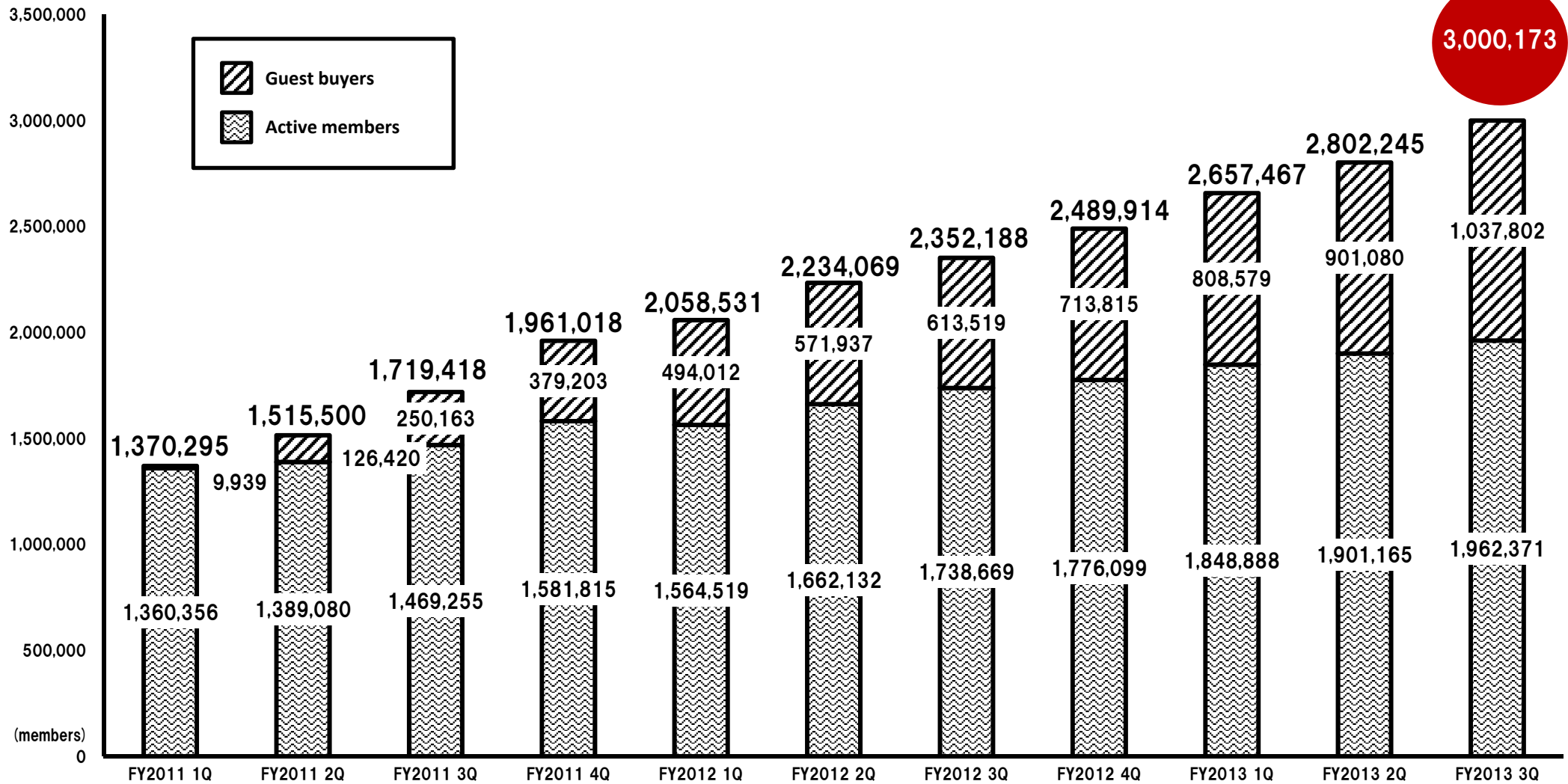


# Number of Total Buyers

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

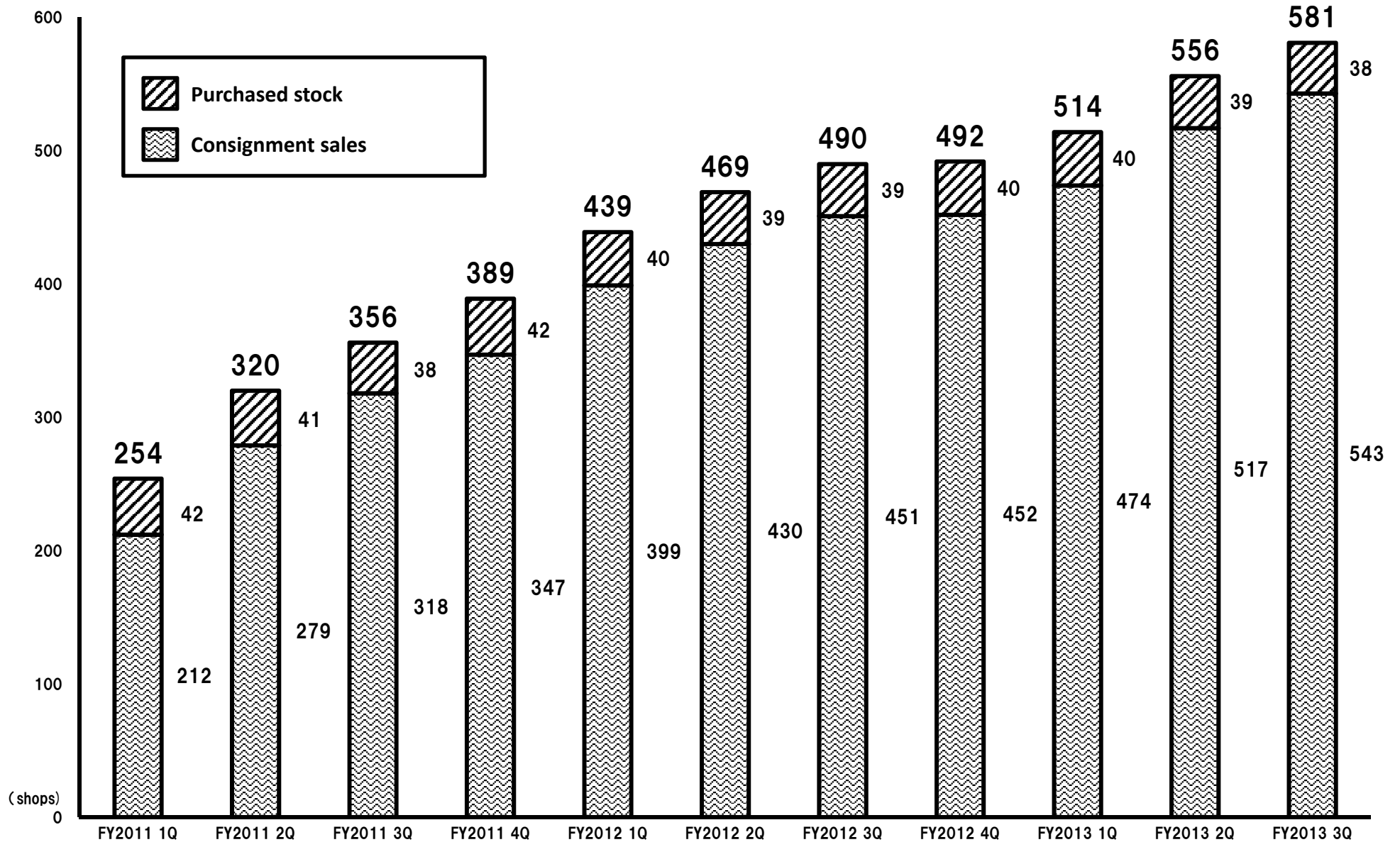
Guest buyers = Unique buyers who made a purchase without registering as a member

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





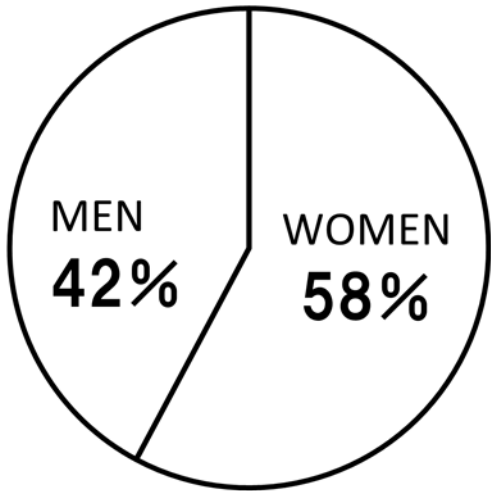
# Number of shops of Mall business



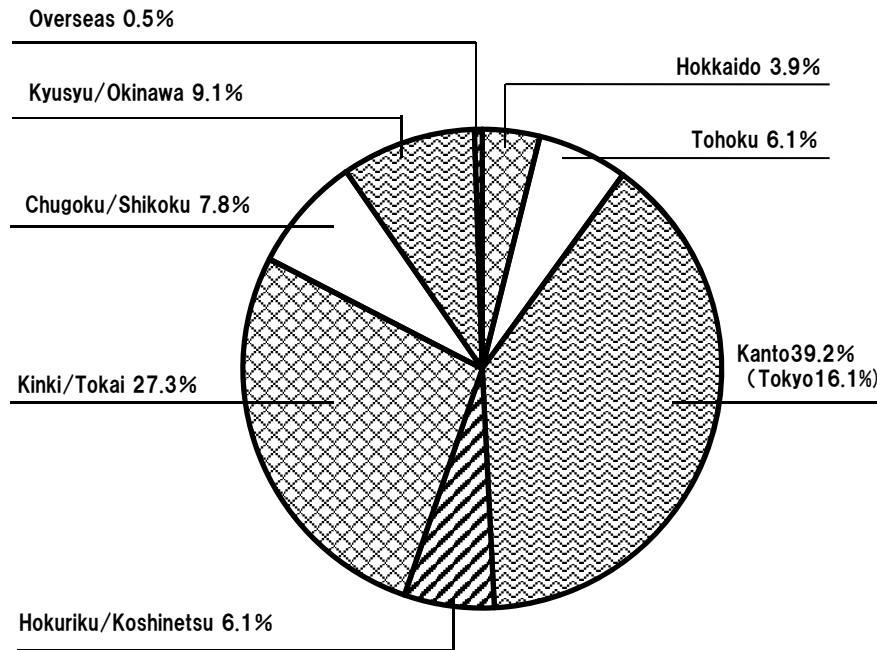


# Member Distribution (As of December 31, 2013)

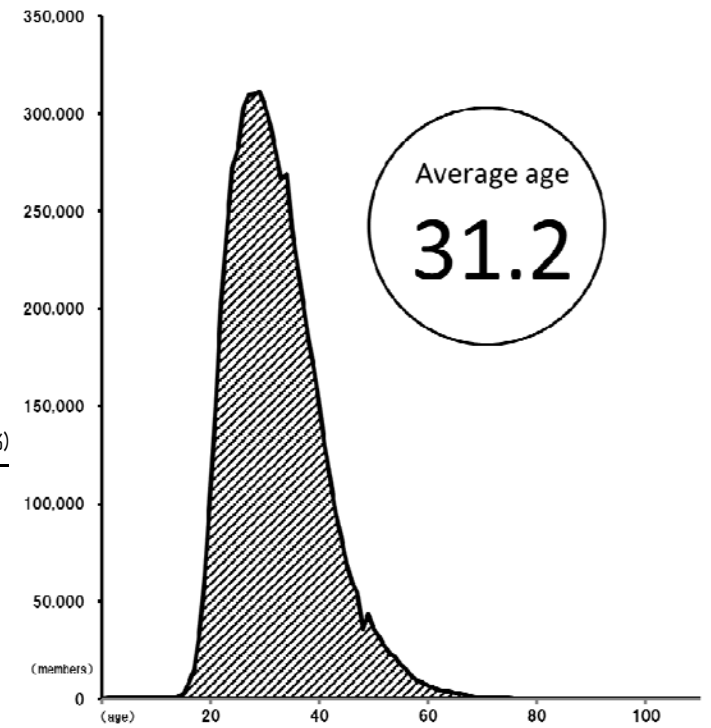
■ Gender ratio



■ Geographical distribution

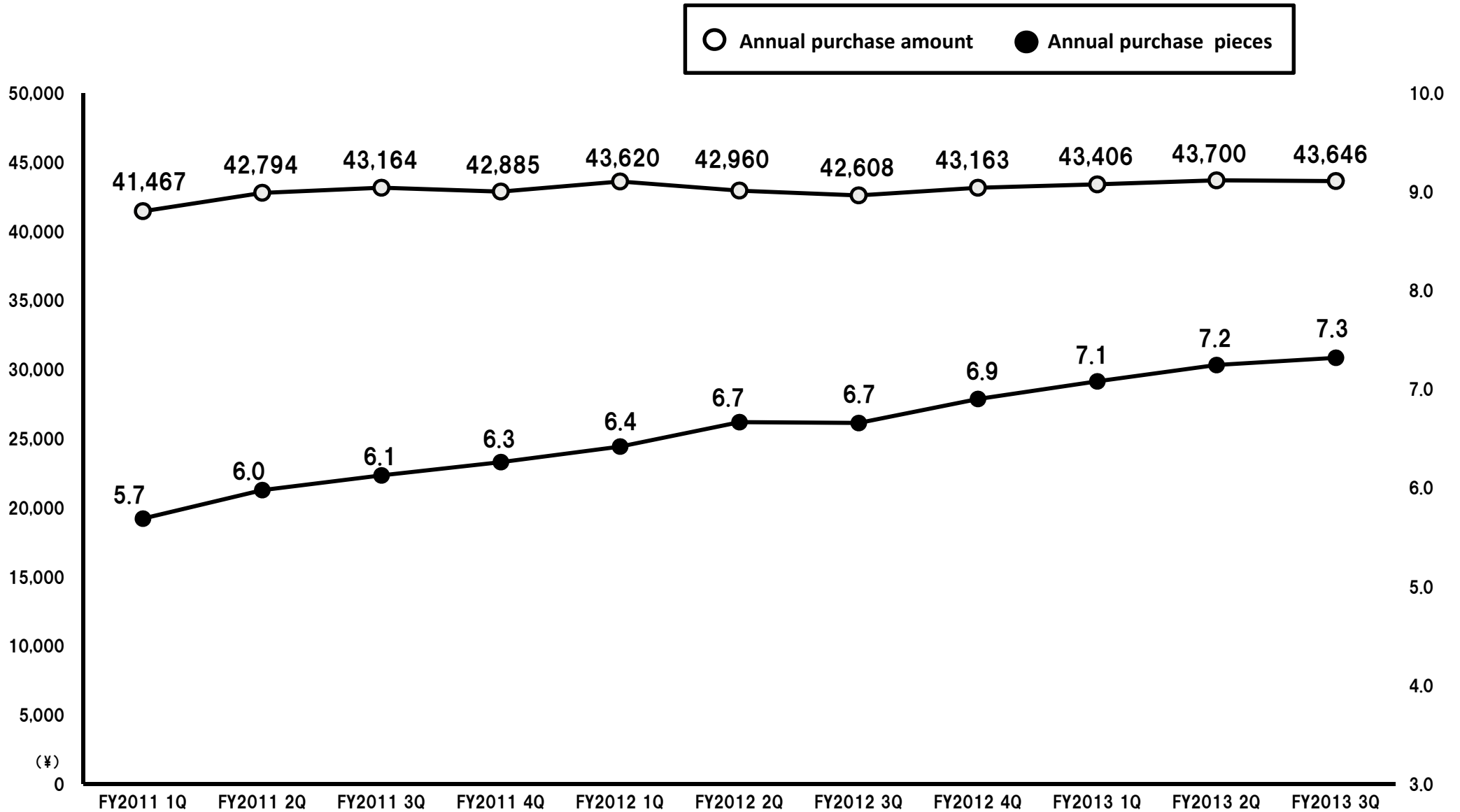


■ Age distribution





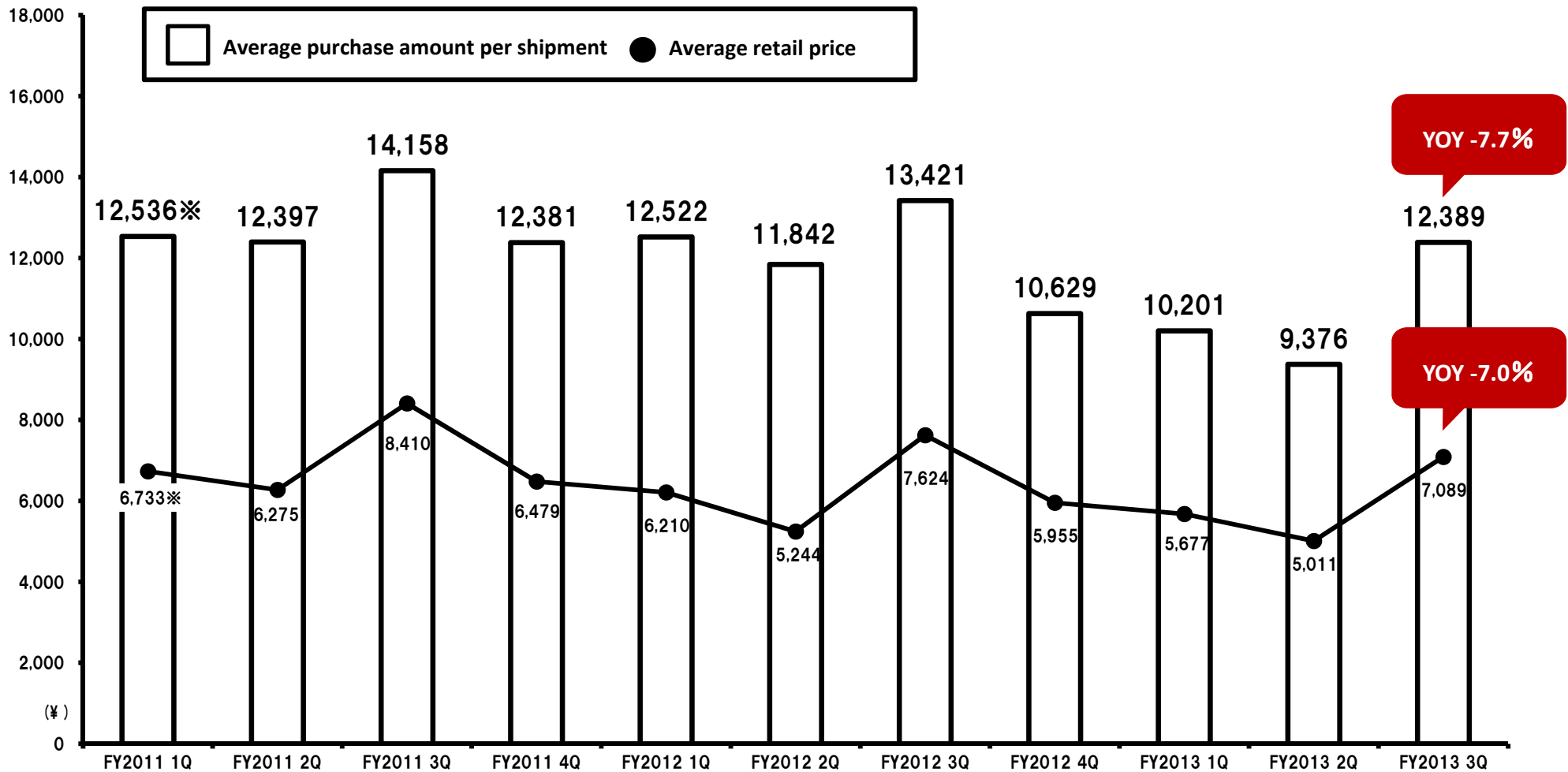
# Annual Purchase Amount and pieces per Active Member





# Average Purchase Amount per Shipment and Average Retail Price

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

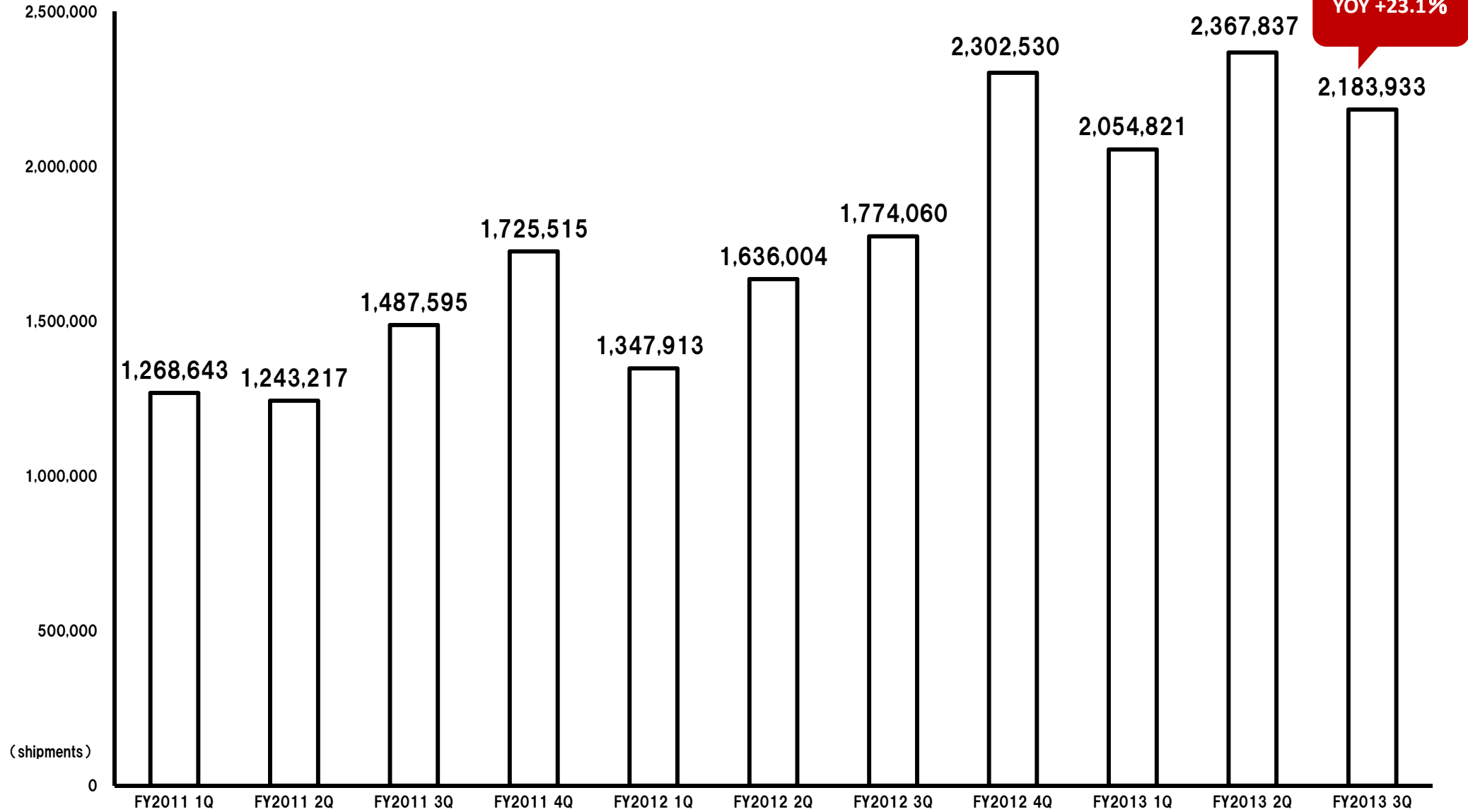


\*The transaction value and number of shipments for ZOZOTOWN charity T-shirts in FY2011 1Q are not included.

With this point in consideration, average purchase per shipment when above is included: ¥11,891; average retail price: ¥6,379



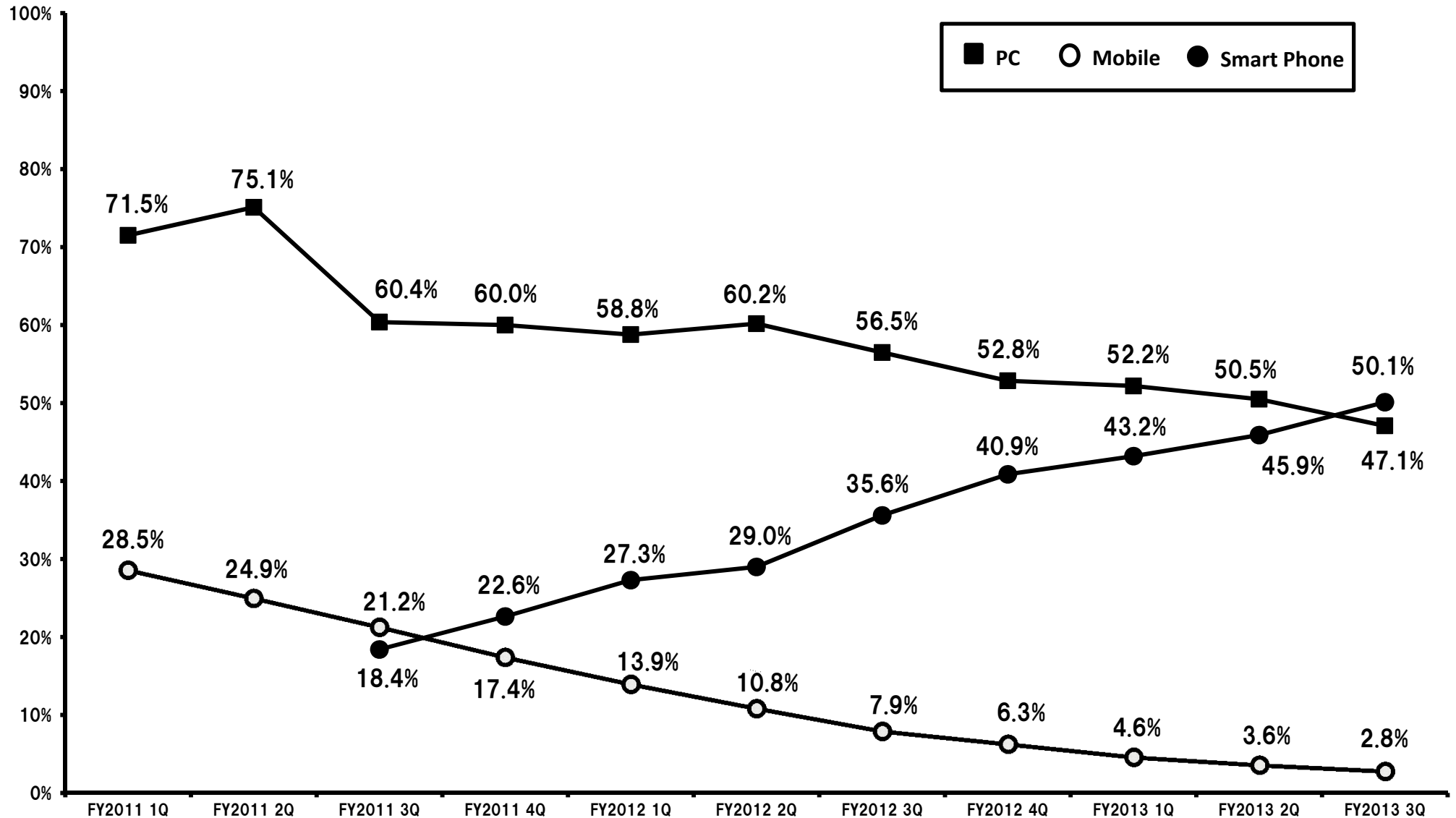
# Number of Shipments





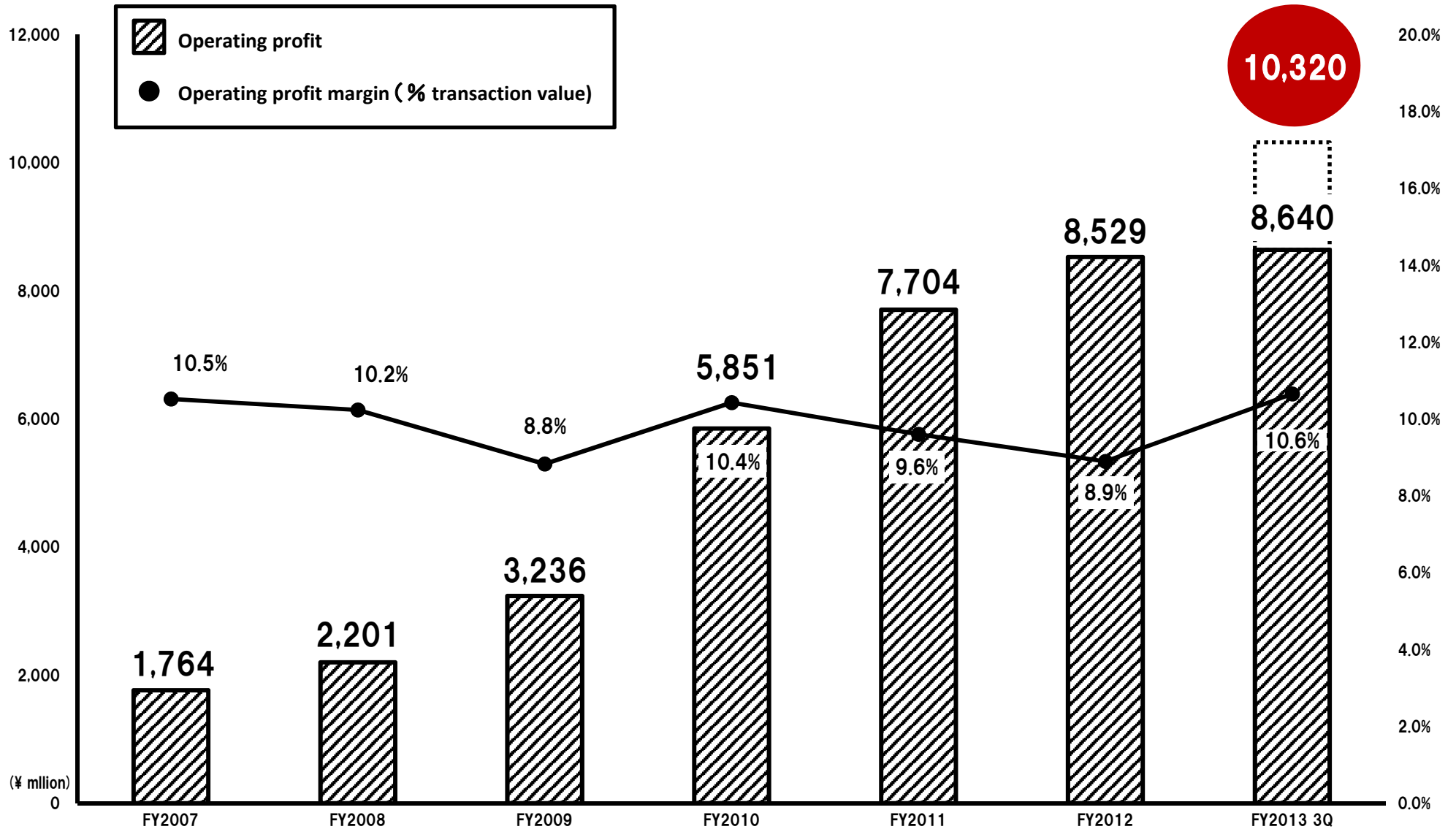


# The Ratio of Shipping Volume to the Total Purchase Volume (by access terminals)





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





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

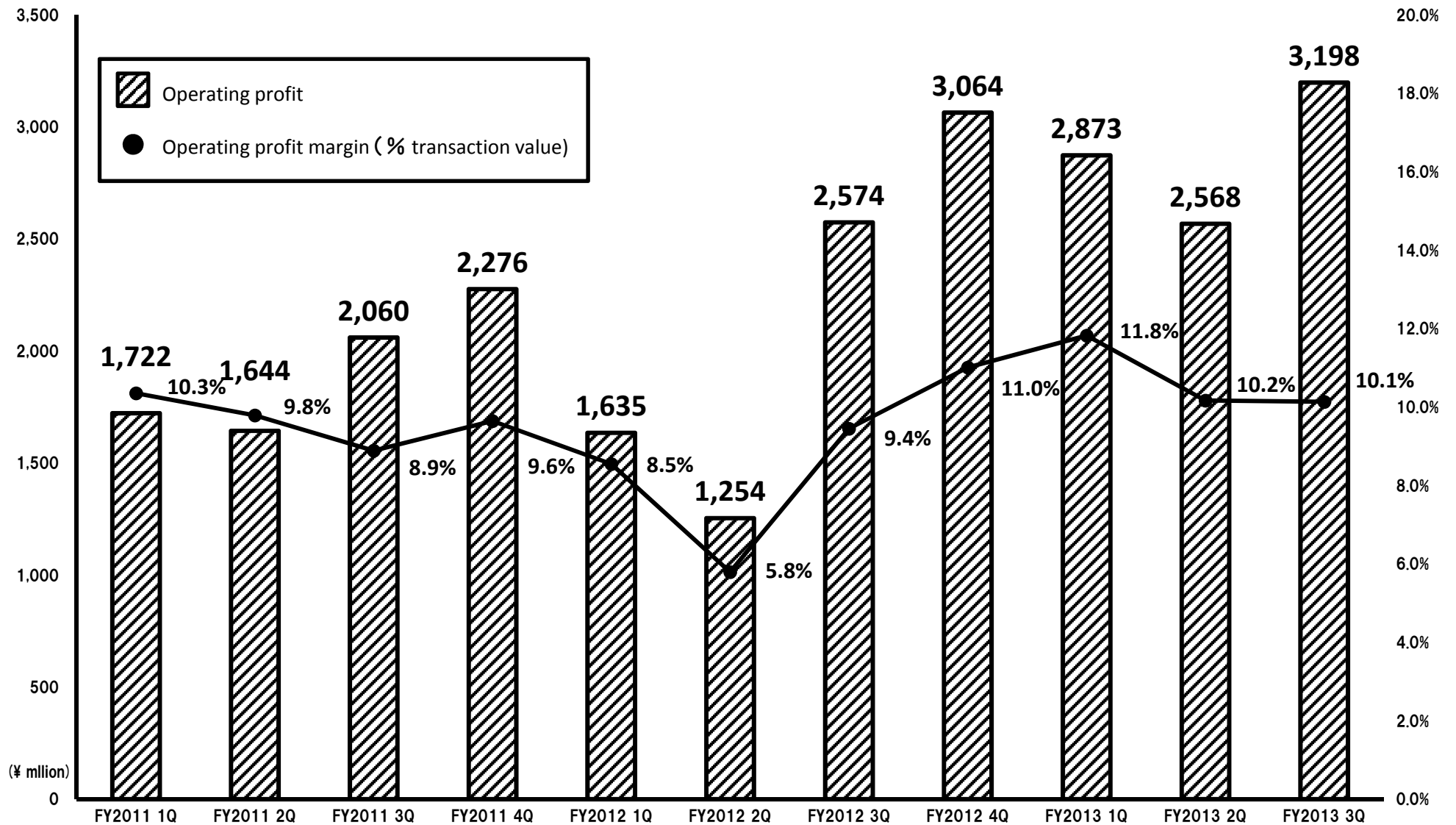
(million)

Item	2013 3Q		2012 3Q		YoY change	Increase decrease factors
	Amount	%Transaction value	Amount	%Transaction value	%Transaction value	
Payroll(*)	3,948	4.9%	3,155	4.6%	0.3%	The number of employee in our group: 473 as of Dec 2012 ⇒588 as of Dec 2013
Shipping	2,609	3.2%	1,918	2.8%	0.4%	Due to the decreased unit price per shipment (-7.7%, yoy) arising from free shipment service offering, burden ratio of shipping cost has risen.
Payment collection	1,898	2.3%	1,524	2.2%	0.1%	
Promotion related expenses	1,593	2.0%	3,897	5.7%	-3.7%	Moving in line with the initial budget for the whole financial year (2% to the total transaction value)
Advertising	1,037	1.3%	2,081	3.1%	-1.8%	Promotional activities for WEAR and LABOO.
Reward points related expenses	556	0.7%	1,816	2.7%	-2.0%	Point reward campaign has shrunk.
Outsourcing	1,890	2.3%	2,127	3.1%	-0.8%	ZOZOCOLLE was held in 2012 only.
Rent expense	788	1.0%	385	0.6%	0.4%	Annual lease expense for the new logistic facilities is 1.25 billion yen (Accrues from Sep 2013)
Depreciation	376	0.5%	231	0.3%	0.2%	Increase of depreciation burden due to the new logistics facilities' operation.
Others	1,838	2.3%	1,450	2.1%	0.2%	
<b>Total SG&amp;A</b>	<b>14,942</b>	<b>18.4%</b>	<b>14,690</b>	<b>21.6%</b>	<b>-3.2%</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

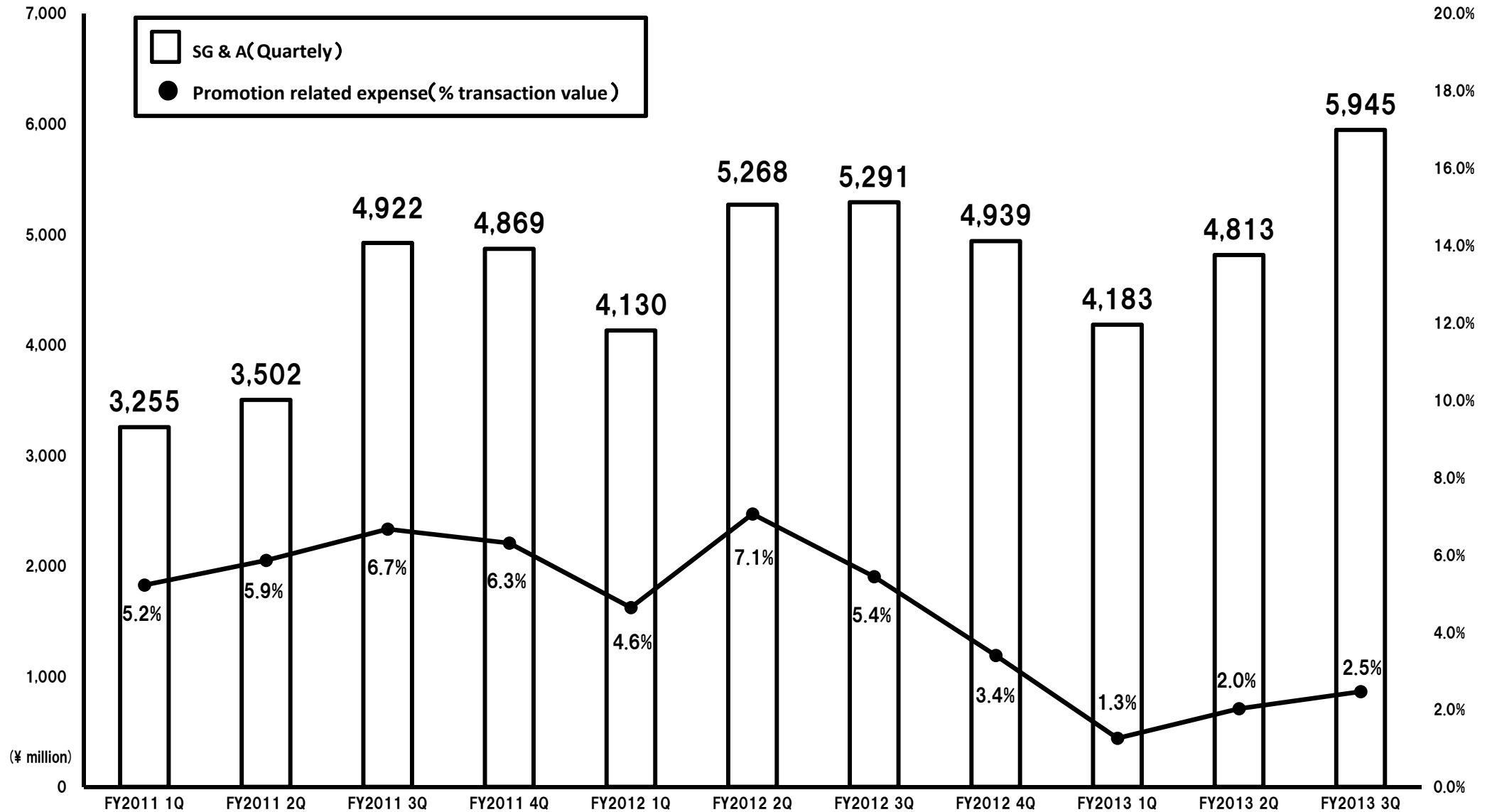


# Operating Profit and Operating Profit Margin (Quarterly) (% Transaction Value)





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



# **Business Plan For FY2013**

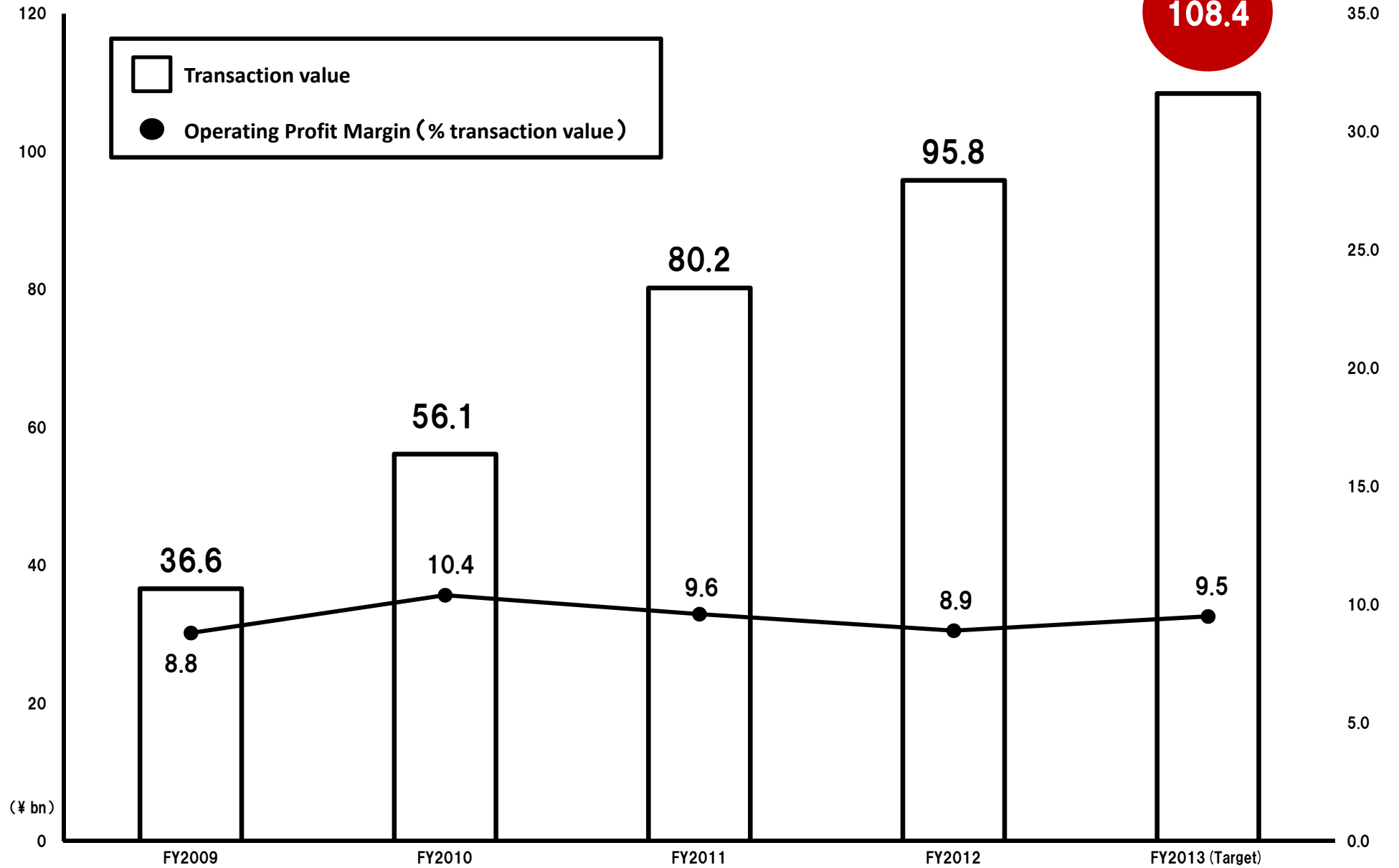


# Consolidated Business Forecast and Dividend Forecast for FY2013

	Business Plan for FY2013	YoY change(%)
<b>Transaction value</b> (¥million)	108,400	13.0
<b>Net sales</b> (¥million)	36,800	5.0
<b>Operating profit</b> (¥million)	10,320	21.0
<b>Recurring profit</b> (¥million)	10,320	20.4
<b>Net income</b> (¥million)	6,320	17.9
<b>Earnings per share</b> (¥)	59.1	-
<b>Estimated dividends per share</b> (¥)	20.0	-



# Transaction Value







# Breakdown of the Total Transaction Value and Each Policy

## Start Today

**Group Total Transaction Value Target : ¥ 108,400 million (+13.0% year on year)**

- Conservative plan based on our 15% natural growth rate
- Planned under assumption of not holding any promotion activities

## Mall Business

**Transaction Value Target : ¥ 93,200 million (+10.2% year on year)**

- Consignment Sales Business: ¥ 84,400 million (+11.3%, yoy), Purchased Stock Business ¥8,800million (+1.0% yoy)
- Expand and deepen the product category, countermeasure against the sales opportunity loss, the expansion of ZOZOUSUED

## E-Commerce Consulting Business

**Transaction Value Target : ¥ 15,200 million (+33.8% year on year)**

- Improving satisfaction level of the existing brand partners
- Close coordination between physical retail stores and online stores

## Operating Profit Margin

**The ratio of consolidated operating profit : 9.5 % (to the total transaction value, FY2013 8.9%)**

- New logistics facilities start its operation from November. Amount of capital investment 3 billion yen (planned)
- Increase in personnel (75 new graduates)
- In an effort to improve profit ratio by reducing promotional cost ratio

# **Future Strategies**

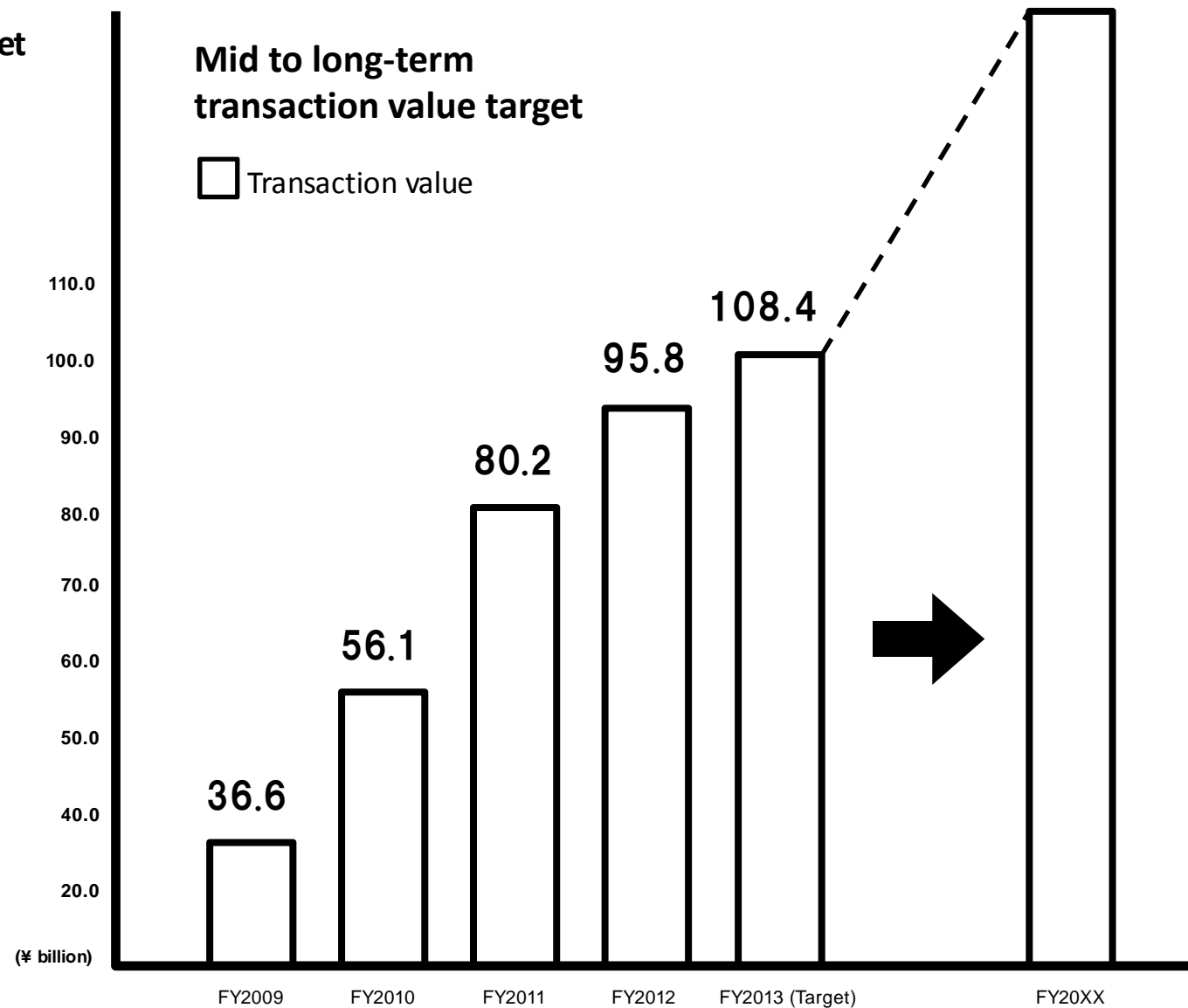


# Mid to Long-term Vision

Start Today's mid to long-term target

FY20XX term




Transaction value **500** billion  
Operating profit **50** billion

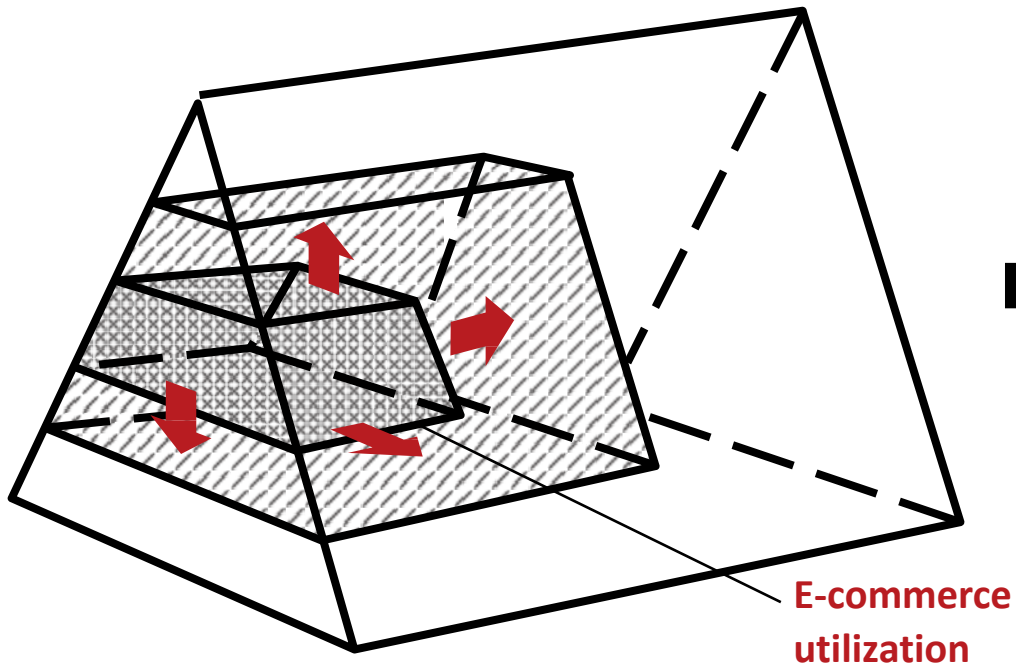




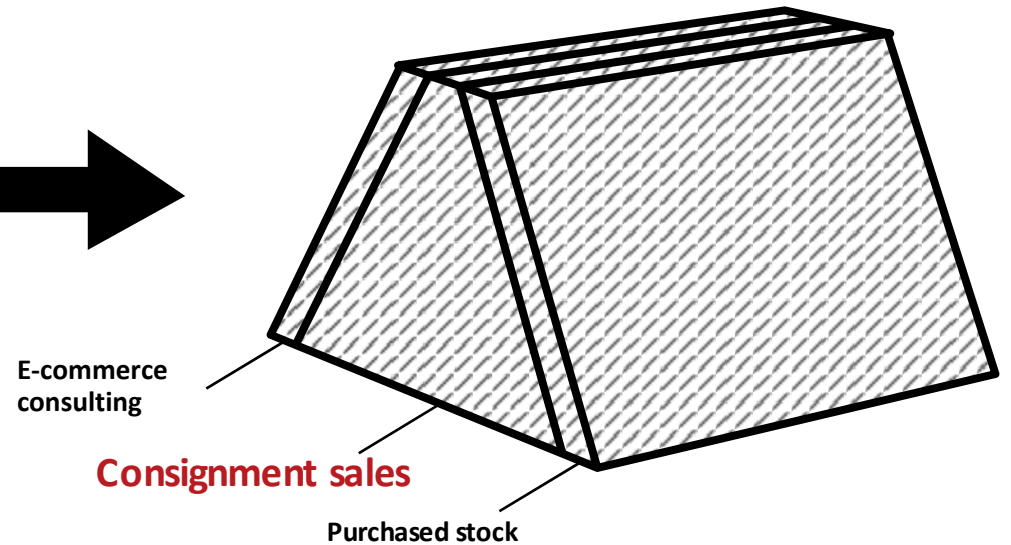
# Market Expansion Strategy

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





## About our new service 「WEAR」



### **WEAR FOR CONNECTION**

- Fashion-specific mobile app services with the concept “WEAR FOR CONNECTION”, enables people enjoying communication about fashion and referring to posted styling images.
- Opened on Thursday 31<sup>th</sup> of October, 2013.

# Reference Data



**588**  
employees  
(average age 28.5)

**2,211**  
high fashion brands

**6,443**  
shareholders

Corporate philosophy

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

**6,072** shops  
across Japan

**3.00** million  
fashion savvy consumers



## Major Online Mall

# 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
  - 581 stores offering 2,211 brands. At any given time, more than 210,000 items are available with 1,300 plus new items added a day on average.
- Store finder function for several boutiques in Japan is also available
- 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.
- ZOZOTOWN.COM Delivers to 82 countries worldwide.
  - Available in 3 different languages. (Japanese / Chinese (Traditional) / English)

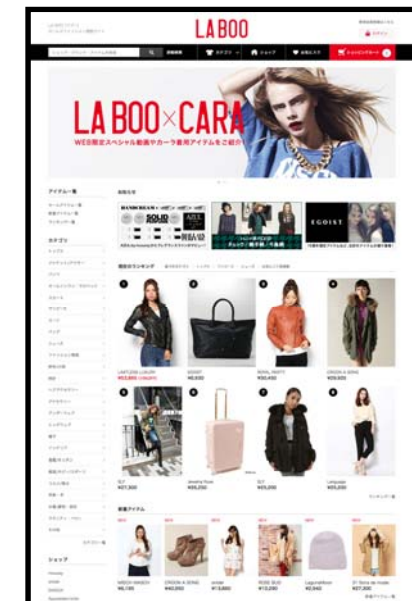
## The new online shopping mall “LA BOO” targeting the teens-to-20s girls fashion market

LA BOO <http://la-boo.jp/>

LA BOO is a mall-styled online shopping website where more than 100 online stores of apparel brands that are popular among women in teens and twenties such as “moussy”, “snidel”, “EMODA”, “CECIL McBEE” and “TOPSHOP” gather. Opened on Wednesday 25<sup>th</sup> of September, 2013



ZOZOTOWN トップページ



LA BOO トップページ





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

We operate 38 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 543 online stores such as “United Arrows” and “BEAMS” on ZOZOTOWN , “MARC JACOBS” on ZOZOVILLA and LA BOO on a consignment basis. This does not involve any inventory risks.

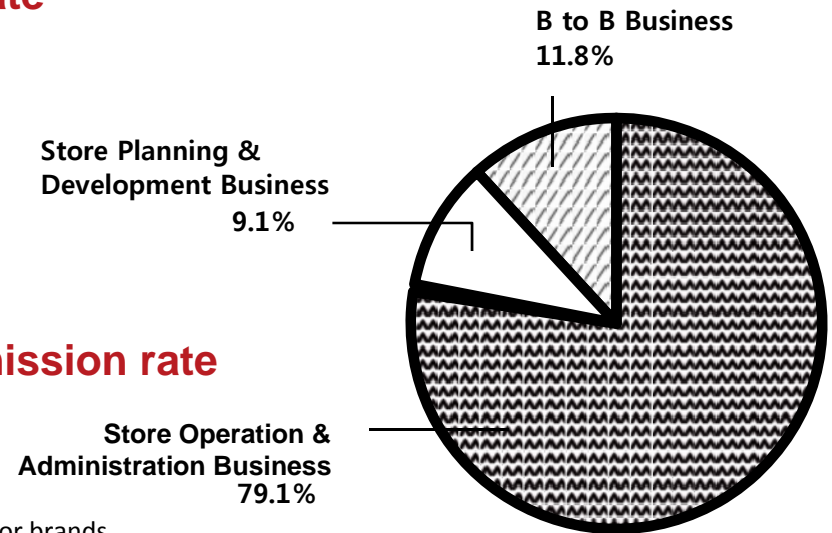
**Sales = Transaction value of each store x commission rate**

### 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**



(Transaction value for FY2012)

\*Our total sales volume consist of above sales and that of other businesses including the initial cost for brands consignment shop opening, “ZOZOPREMIUM” (premium membership fee based services), and “ZOZOCARD” (partner credit card fee revenues).



**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.**