

Minutes of QA Sessions
FY 2017 Results Briefing

【About ZOZOSUIT and PB(Private Brand)】

Q. What are the challenges of old “ZOZOSUIT” with sensors?

A. Both Start Today and StretchSense have no knowledge of manufacturing products with complicated electronical parts in large quantity; thus, it was difficult to establish mass production structure. Researches for more easy and low-cost alternatives for body measurement in parallel to realize the mass production of old “ZOZOSUIT” , and we decided to change and apply the new alternative.

Q. Mr. Maezawa seems to have strong confidence in PB business success compared to the last results briefing. Is there any specific reasons or background to that?

A. The reason why we were not confident was because mass production of old “ZOZOSUIT” was not satisfactory. However, about 4,000 new “ZOZOSUIT” have been dispatched already today, and we managed to see the prospect of delivering 1 million new “ZOZOSUIT” by mid-July. Also, as for PB items, we have not seen a single return or exchange claim from the customers which means customer satisfaction is very high. Due to these facts, we could make today’s announcements.

Q. We understand that try-and-errors will be needed for PB in the future, but should we think that there will be no criteria for withdrawing PB business?

A. We do not set specific criteria for withdrawal since we are extremely confident about the business being lucrative. Otherwise we do not disclose the medium-term management plan at this moment.

Q. About technology of new “ZOZOSUIT” . It was explained that the new one can be manufactured easier with lower cost but does that mean competitors can imitate? Please tell more about the intellectual property and the entry barrier.

A. Even though specs of new “ZOZOSUIT” are simple, there are many creatives integrated in the suit which makes competitors not easy to copy and we already filed the patent of the technologies. Not only measuring but we also have manufacturing PB items after as a differentiator. Possessing established production lines of PB and capacity of manufacturing over 10 million “ZOZOSUIT” are our strength.

Q. Is there any possibility of shifting to a method of body measurement without “ZOZOSUIT” in the near future?

A. We have already been conducting researches for possibilities of no-suit measurements and will continue. Depending on the outcome, we may shift to a new method soon.

Q. About profitability of PB business. At the last results briefing, it was explained that the company is expecting higher profit margin for PB than ZOZOTOWN; has it changed since?

A. No. PB is a business model which tries not to have inventory as much as possible and should contribute to profitability of the company more than ZOZOTOWN business.

【About ZOZOTOWN Business】



START TODAY CO.,LTD.

Q. About the growth rate of transaction value of 4Q. What do you think about 14.9% growth YoY where 10% growth is coming from organic growth?

A. As we have explained in the past, we recognize the organic growth range should be around 10~15% and there are little volatilities in each quarter. We do not see the growth rate of 4Q was drastically low.

Q. How do you achieve the FY2018 transaction value target of consignment shop which is +25.2% YoY? Is there any plan to deploy advertisement measures?

A. We expect the driving force of growth in FY2018 will largely be ascribing to “ZOZOSUIT” . We are planning to distribute 6~10 million “ZOZOSUIT” ; new users will increase; many positive impacts from “My Size Research” using extracted measurement data from “ZOZOSUIT” are anticipated; therefore, purchasing users should also increase. We do not plan to put advertisement at this moment.

Q. About the ripple effect of “ZOZOSUIT” to ZOZOTOWN. It was explained that growth momentum is largely dependent on “ZOZOSUIT” but would that create cannibalization between PB and existing brands on ZOZOTOWN? Please tell more about new customer groups expected to be acquired?

A. It is expected that users with “ZOZOSUIT” will use “ZOZOTOWN” more actively, including possibility of using “My Size Search” and enjoying the service of “Personal Styling Subscription Service” .

【Other】

Q. What is the expected size of the organization and required personnel in the future?

A. We need to evolve from merely a fashion e-commerce company into a technology company under the environment where various technologies are necessary from upstream to downstream in the industry. We have established a new company “Start Today Technologies” and a project “Start Today Research” ; Within a few years, we are planning to realize hiring of 500~1,000 engineers and to engage in all kinds of system development.