



January 31, 2019

Minutes of QA Sessions
FY2018 Q3 Results Briefing

【About ZOZOARIGATO Membership】

Q. Please tell background and the purpose of starting this service.

A. We believe this service would lower the hurdle for the first purchase to incentivize new customers to use ZOZOTOWN, and expecting improvement effects on both purchase frequency and purchase amount. We already see these effects taking place therefore, we are thinking about further acceleration and enrichment of the service.

Q. Even if the impact from GMV of those shops refraining sales of all of their products to the whole is small, is relationship between ZOZO and brands fine? Please tell about how ZOZO will communicate with brands going forward.

A. Each brand has its own policy of business operation and from brands whose policy is to strengthen their own e-commerce business, it may be compelling to have disagreements for ZOZO, a platformer starting such service. Our recognition of this service is that it is an initiative in the e-commerce industry, which is similar to those department stores and shopping malls have been offering permanent discounts for their loyal customers from the past. Since we are bearing cost of ARIGATO service, about 90% of brands are supportive.

On the other hand, regarding the way of price display, we reflect that it was lacking solicitude for the brands putting emphasis on proper price sales. In consideration of opinions from partnering brands, we are planning to implement a function where ARIGATO price display will be selectable in this February.

Q. If you include shops refraining sales of their products partially in addition to those refraining sales of all of their products, what would be the maximum impact of the draw away? Also, are discussions with brands going toward the normal state?

A. The reason why 42 shops refraining sales of all of their products, is not that they made sequential decisions on sales pause based on media report; simply, they have not changed their policies of sales pause from the beginning of this service commencement. At present, we are discussing with brands in good faith and respecting their opinions. Due to our decision of changing price display, discussions are moving toward the normal state. Therefore, we believe impact will lessen in the future.

Q. Do you have any information you could disclose on ZOZOARIGATO? (e.g. number of registered members, breakdown of monthly and yearly members) Also it was explained that the initial stage would have stronger impact from deduction burden, but how do you see that impact to the business performance going forward?

A. No, we currently do not have any information for disclosure. In regard to impact to the business performance, since we offer 30% give back in the first month to those first-time registered members, we understand cost burden will become heavier as the number of new members increase.

Depending on the degree of impact, it might be possible to start considering measures to restrict



registration.

Q. Even if the way ARIGATO prices are displayed, permanent 10% give back will continue. Would that make a concern that brands hesitating to show proper price items on ZOZOTOWN?

A. There are a great number of brands viewing the service positively where it would increase more proper price sales thus, we are also taking it positively.

Q. The expected gross merchandise value growth rate for Q4 including the push up effect from ZOZOARIGATO is 25.9%. Is this target number satisfactory?

A. No, we are not fully satisfied with this figure. By replete ARIGATO service's member benefits more, we would like to improve purchase frequency and purchase amount of paid members.

【About Private Brand (PB)】

Q. It was explained that PB's full-year forecast for this year is expected to be deficit of 12.5 billion yen and you would like to make it become breakeven in the next fiscal year. How do you achieve that?

A. We will aim to achieve that by 1) limitation of costs pertain to ZOZOSUIT distribution, which will be about a half of this fiscal year's deficit, and reduction of PR cost such as hosting events because it was the first year of launch.

Q. Q4 is expected to become 2.5 billion yen deficit but if keep down of the ZOZOSUIT distribution units is taken into consideration, why is the amount of deficit reduction smaller than that of the third quarter? Are you including temporary costs such as impairment loss?

A. Some of the fixed costs require time for compression and considering the time until this effect to be realized, we estimate bigger costs just in case.

Q. It is understandable that items from the formal line have precise sizing needs for custom made, but are items from the casual line also have similar needs as well?

A. The casual line items are very well-received and by strengthening with the formal line side by side, we are confident that it would differentiate our PB from other brands.

【About full-year business forecast revision】

Q. In the Q4 accounting period, you are expecting more than 25% growth of gross merchandise value from ZOZOTOWN (excluding ZOZOUSUED) whereas net sales excluding the advertisement business is virtually decreasing YoY. Please explain reasons for this.

A. Gross merchandise value is based on the amount before discount attributable to ZOZOARIGATO Membership, but net sales is based on the amount after discount. Since ZOZOARIGATO offers 30% give back in the first month to only for first-time registered members, impact immediately after the service start would become stronger.

Q. Please explain significant KPI for revising the Medium-term Management Plan.

A. With regard to the revision of the Medium-term Management Plan, we would like to explain in other occasions. ZOZOARIGATO service is one of the initiatives to expand our market share. By bringing in users who have no experience of purchasing apparel items through e-commerce to ZOZOTOWN, we would like to speed up gross merchandise value growth.



【About dividend forecast revision】

Q. In the dividend forecast revision press release, there is a phrase “As a result of comprehensive consideration of business performance of the ongoing fiscal year, and plans of business and investment” in addition to the dividend payout ratio of 40% for shareholders return, as background of the revision. Are there any noteworthy changes taking place in the future?

A. No, we do not have plan on changes. The amounts in the release were simply revised based on the dividend payout ratio around 40%.

【Other】

Q. Is remuneration for management paid in performance-based? With the company making a downward revision to the business forecast, please explain the evaluation guideline for management remuneration. Also, how do you assess employees on their bonuses? Set up challenging performance targets and then revised down would affect morale of employees.

A. As for employees’ bonuses, we did not make any adjustments because of this downward revision. Regarding remuneration of management, we would like to contemplate again at the end of this fiscal year. This includes discussions of setting up a compensation committee and we would like to explain later in the year on how management make commitments to business performance.