



**Analysts briefing session regarding “Announcement of Opinion Regarding Planned Commencement of the Tender Offer for the Company’s shares by Yahoo Japan Corporation and Execution of the Capital and Business Alliance Agreement with Yahoo Japan Corporation”
Q&A Summary**

[Company Participants]

Koji Yanagisawa, Director, Executive Vice President & CFO

Fuminori Hirose, Executive Officer, General Manager of Business Administration Division

Q1. The price of 2,620 per share for the tender offer seems to be lower than the target price level of the analysts suggesting buy rating. What do you think about it?

A. (Respondent: Yanagisawa)

We are relying on our shareholders to make decisions regarding share price, so we decline to comment.

Q2. How long has ZOZO discussed with Yahoo Japan until this announcement? Also, what is the greatest synergy expected from this alliance?

A. (Respondent: Yanagisawa)

While the specific period for examining is about two months, we have been collaborating with Yahoo Japan from the past, and we are aware of what effects would be achieved from what we do. This time, we have been discussing what we can do on the premise of a capital alliance.

The greatest attraction is traffic from contents of Yahoo Japan, where user attributes are different from ZOZOTOWN and are complementary. In addition, we expect to attract customers not only from Yahoo Japan but also from the SoftBank Group. In terms of settlement, Yahoo Japan has a large client base in PayPay as well, and we believe that we can expect synergies from this. We believe these synergies will emerge at a relatively early stage.

Q3. Will ZOZO negotiate with brands to open stores in PayPay mall? We have heard that the commission rate for opening stores in PayPay mall is 3%, but the commission rate for consignment sales in ZOZOTOWN is nearly 30%. How does this affect brands opening stores in PayPay mall via ZOZOTOWN?

A. (Respondent: Yanagisawa)

Both ZOZO and Yahoo Japan will talk to brands. Though we will open a store as ZOZOTOWN in PayPay mall’s Fashion Category, it is the brands that decide whether or not to open their stores.

We cannot comment on the profit structures of PayPay mall. Furthermore, as for specific business models, since we are still under discussion, we will refrain from commenting on them as well.

Q4. ZOZO outsources payment collection to GMO Payment Gateway, but does it switch to an operator related to Yahoo Japan?

A. (Respondent: Yanagisawa)

The company share will continue to be listed, so we will economically and rationally select the best choice for our company and our users from an independent management perspective in terms of cost, service level, convenience, and function.

Q5. At the press conference, Yahoo Japan's goal is to hold 50.1% of ZOZO shares where 0% for Mr. Maezawa. How do you think about this? Yahoo Japan said that the decision-making rights for payment



collection agency is on ZOZO, but can ZOZO maintain its decision-making rights under 50.1% shares owned by Yahoo Japan? If the bid falls to around 33.4%, will the detail of partnership change?

A. (Respondent: Yanagisawa)

This TOB is to be implemented with the aim of making ZOZO a consolidated subsidiary by acquiring shares of ZOZO up to a maximum of 50.1%. We believe that compared to the past initiatives, this will further deepen our efforts with Yahoo Japan. Based on this, Mr. Maezawa believes that benefits from the aforementioned synergies will be significantly different depending on whether or not ZOZO becomes a consolidated subsidiary and thus made this decision. Management also believes it is good for the company, and there is no particular comment on the ownership ratio.

With regard to decision-making rights after consolidation, as we continue to be a listed company, even if the largest shareholder becomes Yahoo Japan, the goal of maximizing the corporate value in mid to long term remains unchanged. We do not believe that the Yahoo Japan will disagree ZOZO's judgments based on economic rationality, and they are actively considering our independence through discussions.

In case the consolidation is not achieved, nevertheless, the content of the alliance itself will not change in terms of business side. Both companies will endeavor to discuss continuously to make ZOZO a consolidated subsidiary.

Q6. Will Yahoo Japan merchants able to use ZOZOBASE (distribution base)?

A. (Respondent: Yanagisawa)

As ZOZOBASEs are distribution centers specializing in apparel, we believe that it can be used for apparel-related merchandise. Over mid to long term, the alliance may expand the range of merchandise handled in ZOZOBASEs.

Q7. Attracting users by "If you settle using PayPay for purchases at PayPay mall, you can get discounts and reward points," could affect branding, as it was the case with ZOZOTOWN at the time of ZOZOARIGATO. What do you think about the branding for opening a store at PayPay mall?

A. (Respondent: Yanagisawa)

We are not in a position to comment on the branding of PayPay mall. However, we heard that PayPay mall is considering a higher-end position than Yahoo! Shopping, so we would like to contribute by sharing ZOZOTOWN's branding know-how.

Q8. How much will Yahoo Japan's traffic contribute to gross merchandise value growth in FY03/20? In addition, previously, the mid to long-term target was "gross merchandise value of 500 billion yen by 20XX," but is there any change in the target through this alliance?

A. (Respondent: Yanagisawa)

As the start of user traffic initiatives is uncertain, we do not expect any particular contribution arising from such the traffic generation to this fiscal year's plan. Accordingly, we would like to achieve the disclosed target for the current fiscal year, on the assumption that there will be no such effects. For the next fiscal year and later, although there is a possibility that the speed of achieving the target will change somewhat, we will continue to target gross merchandise value of 500 billion yen.

Q9. Are there any cost increasing factors to ZOZO other than the introduction of PayPay through this alliance?

A. (Respondent: Hirose)

Since personnel expenses can absorb the costs relating to system coordination and development, we do not



think there will be a significant increase in costs.

Q10. Are you thinking about reducing shipping costs through efforts with ASKUL from the Yahoo Japan group?

A. (Respondent: Yanagisawa)

Firstly, We would like to focus on initiatives with Yahoo Japan.

Q11. Please tell us about the number of accesses to ZOZOTOWN by devices. If you have a lot of accesses from the app, would that weaken the effect of traffic from Yahoo Japan?

A. (Respondent: Hirose)

The number of accesses is not disclosed. Break down of accesses by devices based on shipment value: PCs account for about 15% of the total, while smartphones account for the remainder. Of the latter, about a half from the app and the remainder from browsers.

Q12. Please tell us what changes will be made by the new president and the new management, from Mr. Maezawa's what is called an authoritative management?

A. (Respondent: Yanagisawa)

Rather than calling an authoritative management, we are shifting from the management of the leader with ultimate ideas, to one in which everyone shares their knowledge and know-how. Currently, the roles of the 3 Directors have been clarified by CEO/CFO/COO and their respective roles. We will drive forward the business while 3 Directors discuss areas in which they have expertise without having specific area of control. Also, we strive to realize the integrated management by firm control of each division/department by executive officers.

Q13. Given the slowdown in gross merchandise value's growth rate, is "stable growth" truly a good goal? Please tell us about the idea of the new management team.

A. (Respondent: Yanagisawa)

Currently, there are issues with ZOZOTOWN in terms of attracting customers, and we do not believe that it is the time to accelerate. We feel that this alliance will provide the company with the ability to press on the accelerator, so we will take a firm stance when we feel convinced.

Q14. ZOZOCARD promotions have been pending, but are you considering merging with Yahoo Card?

A. (Respondent: Yanagisawa)

We are not planning to make a quick switch, but in the future, we would like to decide based on economic rationality, in consultation with Yahoo Japan.

Q15. Will you cooperate with the Softbank Group in expanding business in China?

A. (Respondent: Yanagisawa)

In China, we will begin by developing our business independently at first. In the future, however, we will consider various possibilities, as the SoftBank Group has global and attractive resources.

Q16. Are you planning to expand into fields other than fashion through this alliance?

A. (Respondent: Yanagisawa)

At present, we have no intention of foray into fields other than fashion. In the future, there is a possibility that lifestyle products available at PayPay mall being handled in ZOZOTOWN.



Q17. Mr. Maezawa's enthusiasm for the MSP business and PB business seems to have been strong, but will the decision to resign change the company's policy? Will products of PB and MSP be sold in PayPay mall?

A. (Respondent: Yanagisawa)

As we operate the ZOZOTOWN platform, we recognized that it is a challenge for us that the consignment sales model depends on brands and it is very meaningful to develop our own content. Therefore, we will continue our PB business and MSP business.

Although PB can be determined at our own discretion, since MSP products are collaborative with brands, we cannot make a judgment on our own. However, we believe that both are highly compatible with PayPay mall, so we will actively consider how to handle them.

Q18. Are you considering new initiatives from this alliance?

A. (Respondent: Yanagisawa)

Yahoo Japan commented that they would like us to actively engage in new initiatives in the future. We will continue to take on the challenges of distributing ZOZOMAT from this fall and winter, expanding into the Chinese market, and R&D in ZOZOSUIT.

Q19. How to discuss and resolve branding policy of websites in the event of a discrepancy between Yahoo Japan and ZOZO's branding policy (e.g. policy of placing advertisements)

A. (Respondent: Yanagisawa)

In ZOZOTOWN·WEAR, branding is extremely important, and the importance of branding is recognized by Yahoo Japan. We believe that this stance will continue to be respected from the standpoint of independence, from the standpoint of increasing the business value of Fashion eCommerce, and as one of the shareholders of ZOZO. On the other hand, as PayPay mall differs from ZOZOTOWN in its characteristic, we would like to combine the expertise of both companies to create a unique fashion mall.

Q20. We have heard that ZOZOTOWN's mid to long-term profitability is around 10% of operating profit ratio (towards gross merchandise value), but are there any changes in this target from this alliance?

A. (Respondent: Yanagisawa)

There is no particular change. If the synergies between the two companies can be realized, there is a possibility that profitability can be improved somewhat.

Q21. Are there any changes in BtoB business, Advertisement business's policy from the alliance?

A. (Respondent: Yanagisawa)

There is no change in the policy of both businesses.

Q22. Are there any obstacles of generating synergies?

A. (Respondent: Yanagisawa)

Because system development is involved, it is possible that the timing of the effects to take place could postpone, depending on the development resources and schedule. Therefore, at present, we cannot discuss what effects will be realized. With regard to the existence of any obstacles, we do not believe there are any special problems.