



October 31, 2019

Minutes of QA Sessions
FY2019 Q2 Results Briefing

【Company Participants】

Kotaro Sawada (Representative Director, President & CEO)

Koji Yanagisawa (Director, Executive Vice President & CFO)

Masahiro Ito (Director & COO)

Fuminori Hirose (Executive Officer, General Manager of Corporate Administration Division)

【About Gross Merchandise Value】

Q. In the second quarter of the current fiscal year, the company deployed more promotion expenses compared to the second quarter of the previous fiscal year and held sales events before the consumption tax hike. As a result, YoY growth of the gross merchandise value was +11.1%. Please tell about your satisfaction.

A. (Respondent: Sawada)

With the promotion expenses deployed, we were able to take an effective approach to the existing users. However, inversely for new users, there was a part where we were unable to reach effectively. We will continue to consider the latter as our challenge and to strive to tackle on it.

【About PayPay Mall】

Q. PayPay Mall has started its operation and Softbank mobile users can receive 10% reward points. What is the response from brands? Also, please explain the profitability of merchandises when they are selling through PayPay Mall.

A. (Respondent: Sawada)

PayPay Mall is a highly price-competitive website and they are also conducting price advantageous promotions, which we believe that it will enable them to capture price-conscious users. From the view point of new user acquisition, as we believe it is necessary for us to expand into the mass market in the future, we expect that reaching to those price-conscious user segment through PayPay Mall would be beneficial to ZOZOTOWN. Also, we are currently talking to brands that we will not incur any additional costs for opening at PayPay Mall, therefore the commission from the brands will not change regardless of whether merchandises are sold through ZOZOTOWN or PayPay Mall. In conjunction with the decision on opening a store is on brands side, responses are fairly good.

Q. What happens in the case where brands who are currently not on ZOZOTOWN but would like to open only at the ZOZOTOWN shop in PayPay Mall?

A. (Respondent: Sawada)

We are under discussion with Z Holdings about acceptance of the said opening pattern, but it has not been decided yet at this point. We will continue to discuss and then decide how to handle.

【Alliance with Z Holdings】

Q. What would happened to ZOZOTOWN's growth if you had not allied with Z Holdings? Previously, you were aiming for 500 billion-yen target of the gross merchandise value, but how will the potential for achievement change from this alliance?



A. (Respondent: Sawada)

We will continue to target the gross merchandise value target of 500 billion yen. However, as we expand into the mass market domain, the required promotion costs will increase and efficiency on the other hand, will decline. Back in a few years ago, we formed a business alliance with Z Holdings, but at that time we proceeded the alliance by carefully observing the revenue on both sides. In addition to the capital and business alliance, if the consolidation of ZOZO under Z Holdings is achieved, it would deepen the alliance even further and we believe it should bring forward to the achievement of 500 billion yen.

【About Promotion】

Are you thinking about ZOZOTOWN' s original campaigns and marketing initiatives toward the second half of the fiscal year?

A. (Respondent: Sawada)

At present, there are no specific measures which can be shared, but we would like to implement something fun. There are concerns that the resignation of the former president, Mr. Maezawa would make the company not exciting, however, there are many employees with brilliant ideas, so we will consider promotional measures by harnessing the ideas from employees. On the other hand, there solid measures such as web promotions which can be evaluated with specific numbers, we will implement these with paying close attention to efficiency.

【About ZOZO CHAMPIONSHIP】

Q. How much was the costs of the ZOZO CHAMPIONSHIP which took place on the other day? Will the name of tournament change in response to the alliance with Z Holdings?

A. (Respondent: Sawada)

Specific amounts are undisclosed. Since there were factors adversely affected the ticket revenues, such as the cancellation on the second day and the no-audience game on the third day due to bad weather, we are under scrutinizing income and expenditure, but those were not deteriorated significantly. The ZOZO CHAMPIONSHIP is a multi-year contract, but since the first tournament went excellently, we would like to continue going forward.

A. (Respondent: Yanagisawa)

Costs of the ZOZO CHAMPIONSHIP will be recorded in the third quarter of the current fiscal year, but there are no significant deviations from the cost forecasts originally planned at the beginning of the fiscal year. Although, we anticipated that ticket revenue would become larger than the initial expectation, as there were the cancellation and the no-audience game, consequently the amount is basically in line with our initial expectation.

【About Fashion Technology】

Q. Please tell about ZOZO' s insight on fashion technology, as ZOZOMAT, MSP etc. may have changed that from the previous year.

A. (Respondent: Ito)

The basic idea is to make purchasing fashion-related merchandise on the Internet easier by utilizing technologies, as consumers occasionally find it difficult. Regarding concerns about fashion coordination, people can make decisions using WEAR instead of asking sales staff at brick-and-mortar stores. As for not able to try-on, we will solve that by leveraging statistical data compiled from ZOZOSUIT into a database and to the operation of the MSP business. Furthermore, for shoe sizing



choices, ZOZOMAT enables people to purchase without having to try by help them perceive their feet sizes in 3D model. With this idea as the axis, we will continue to develop advanced technologies.