



October 31st, 2018

Minutes of QA Sessions
FY2018 Q2 Results Briefing

【About ZOZOTOWN Business】

Q. Will the synergy effect between PB (Private Brand) and ZOZOTOWN be visible from the second half of this fiscal year? The growth rate of ZOZOTOWN' s gross merchandise value was 17% for the first half which seems slowing down.

A. The original plan was the second half-oriented and we are aiming to achieve the consolidated business forecast of this fiscal year without making any revision. To achieve the goal, we are slating to implement various sales initiatives only for ZOZOTOWN.

【About Advertisement Business】

Q. What is the background of the advertisement business commencement delay?

A. We took sufficient time for testing and development, but it has already been started in full-scale. In addition, we have made a strategic partnership with Digital Advertising Consortium (a media representative company) and therefore we have not revised the original net sales forecast of 3 billion yen.

【About ZOZOSUIT and PB】

Q. Please provide the distributed number of ZOZOSUIT as at the end of the first half.

A. We cannot provide the actual number since it is undisclosed.

Q. Deciding to hold down distribution of ZOZOSUIT is because you do not need to accumulate body measurement data anymore?

A. It does not mean that we do not collect body data. With certain amount of supervised data collected, we found out that extremely precise body data prediction is possible with basic information entered by users; therefore, going forward, we will be starting the full-fledge introduction of this technology.

Q. Are there sufficient amount of data accumulated which required for machine learning?

A. For ordinary body size yes, but for certain body sizes we believe we must continue to collect data.

Q. Through no-ZOZOSUIT required measurement, item lineups for the future will be casual-oriented?

A. The plan is to establish the manufacturing structure without ZOZOSUIT for the formal line as well. Both casual and formal lines will be offered side by side.

Q. Please tell the reason why deliveries of business suits are delayed.

A. Mainly due to 1. Defects in the automatic sewing pattern generating system based on measurement data for certain body size group and 2. data linkage between our automatic pattern generating system and the partnering factories were not smoothly implemented.



Q. What do you think about costs of business suits adjustments and cancels derived from defects?

A. We must acknowledge that accuracy still has a plenty of room for improvement. However, by utilizing the smart factory, we will aim to improve that in the future. As for the adjustment costs, we do not see noteworthy and significant effect yet. However, we believe those sincere feedbacks from users are important communication opportunities.

Q. By comparing the number of business suits from Q1 results briefing to that of Q2, it seems that speed is slowing down.

A. Due to the defects of business suits manufacturing process, the delivery date of an order was set in longer period thus ordering speed got slower. However, although it is the initial attempt, we recognized that we have made convincing result for the accumulated number of orders.

Q. What is the reason for maintaining the net sales plan of PB, where the delivery plan of ZOZOSUIT has changed from its original expectation?

A. We believe that the original net sales plan of 20 billion yen is not unachievable. We will carefully examine the impact to marketing activities from restraining ZOZOSUIT delivery, and leverage 3-billion-yen cost cut effectively.

Q. Innerwear and dress were announced at the last results briefing, but they are not explained in this session. Is there any update on these?

A. We are in preparation. In the light of the fact that there were delivery delays in the items which we have launched, we will refrain from making an official announcement unless they are perfectly ready.

Q. Please explain how challenging to be a manufacturing company.

A. Even though this is a huge challenge for us, we believe that handling all processes of measurement, pattern creation and manufacturing from head to heel, will become a big confidence.

Q. Is there any reputation risk/damage from manufacturing delays of business suits etc.?

A. We deeply apologize for the inconvenience this has caused. With thorough customer support, we will have sincere conversations with users with the best of intentions.