

Minutes of QA sessions
FY2017 2Q Results Briefing.

【About PB (Private Brand)】

- Q. Challenges and reasons for taking time to launch
- A. Needed to research several things to examine service design and to overcome technological hurdles to avoid our brand being a half-hearted attempt.
- Q. How should we expect costs relating to overseas PB business development going forward from 3Q? Would you tell us details of the PB-related costs which have already been incurred in 2Q as branding and pre-marketing expenses for overseas?
- A. We are unable to provide any specific information about the purpose of expenditure right now. Such types of costs will continuously accrue from 3Q as well, but we believe there is no material impact on our initial corporate plan by this. To absorb such the increasing burden, we are going to cut other cost drivers such as marketing expenditure.
- Q. How should we assume impact on revenue and profit in the next fiscal year in the case PB launch in overseas going smoothly as the company expected (whether it delivers positive or negative effect in profit)? It seems like vertical type development, but would you clarify possible impact on revenue for the next few years?
- A. We are unable to provide any specific information, but our business model is not like an inventory-led one which is required to take massive inventory risks.
- Q. How will management exercise business judgement if PB business success (or not success) to a greater extent than anticipated?
- A. Because our PB product would solve common issue in the world by utilizing technology, success means the PB business size will be like world-class apparel brand level. On the one hand, we plan to withdraw from the business within minimum damage in the case it ended in failure.
- Q. Whether the PB business is cost-first model or cost grows at roughly the same pace as revenue growth
- A. We would like to set our priorities and directions with carefully watching the business progress. Whatever the case may be, we try to minimize business risks as much as possible.
- Q. What are advantages for StartToday using its infrastructure and what are un-solved problems in fashion industry?
- A. ZOZOTOWN has approximately 6 million fashion conscious customers now, but we think our



service is still limited to certain group of users considering total population in Japan of more than 100 million people. We have already identified the fundamental problem even people who are not interested in fashion very much have, and believe we are the one who can provide solutions for them by using science and technology and make them love fashion more.

Q. Manufacturing base of PB products

A. We will deal with good factories throughout the world. Our products will be totally new initiative to them, thus partnering factories will be selected with due care.

【About Transaction Value】

Q. Factors worsening growth rate of consignment business in 2Q than the last quarter

A. Contribution from new shop opening is lapped and this can be a primary factor.

【About ZOZOUSUED】

Q. Reason for sluggish business growth of ZOZOUSUED

A. We have been making efforts to improve business processes of ZOZOUSUED warehouse operation. This caused the decrease in purchase volume of trade-in transactions and led to sales decline as a result. We expect the improvement will be shown during this fiscal, hence no change in our initial target.

【About Deferred Payment Services】

Q. The detailed financial effect by free-of-charge offering of deferred payment services

A. We cannot tell detailed composition regarding settlement manners. We could have earned approximately 240 million yen if we had not conduct the free-of-charge offering.

【About Shipping Fees】

Q. Any concerns for the revision of shipping policy that sets uniform shipping fees of 200 yen from 1st November?

A. We experimentally applied new shipping policy to our customer from 1st October that allows them to set their shipping fees at their own discretion, and found out that certain number of customers especially loyal ones tended to pay shipping fees more. Uniform price setting might be negative in the light of competition, but we believe our loyal customers would continuously use our services as usual. Also, 200 yen fees setting is not so high compared to other EC players, and would be positive to new users.

【Others】

Q. Reason why currently recruiting part-time stylists for ZOZOTOWN despite the fact that fashion trend and outfit ideas will easily be generated by utilizing AI / big-data

A. Styling data provided by stylists are going to be analyzed by applying scientific techniques such as AI, and will be used in a variety of applications such as real-time recommendations system.