October 29, 2026

Minutes of Q&A Session

FYE 2027 Q2 Results Briefing

This is a summary of the questions received at the Q&A session for institutional investors held on October 29, 2026. Some details have been revised.

[Company participants]
Kotaro Sawada (Representative Director, President & CEO)
Koji Yanagisawa (Director, Executive Vice President & CFO)
Fuminori Hirose (Director & COO)
Yusaku Kobayashi (General Manager of Corporate Planning Office)

【Financial results for the second quarter of the fiscal year ending March 31, 2027】
Q. How did the monthly sales environment in the second quarter differ from the same period of the previous fiscal year?
A. (Answer: Hirose) In August, sales growth was sluggish YoY, as temperatures were lower than in the previous year, when hot weather persisted throughout the month. In contrast, sales performed well YoY in September, partly because ZOZOWEEK was held this year but not in the previous year. In addition, temperatures were cooler than in the previous year, when the summer heat lingered. As a result, best-selling items shifted from summer merchandise to higher-priced fall/winter items, such as outerwear and knitwear. Monthly sales growth was highest in September, followed by July and August, in that order.

Q. Is it correct to understand that, looking at the July–September period as a whole, the overall sales environment did not deteriorate significantly compared with the same period of the previous year?
A. (Answer: Hirose) Yes, that is correct. Although there were some fluctuations from month to month, the overall sales environment for the three-month period was largely unchanged from the previous year.

Q. In the first quarter, GMV for the ZOZOTOWN business and LY Corporation Commerce performed similarly. However, in the second quarter, the ZOZOTOWN business fell slightly below plan, while LY Corporation Commerce achieved its target. What caused this difference?
A. (Answer: Hirose) Although the ZOZOTOWN business fell slightly below plan, the shortfall was small and we do not consider it a particular concern. LY Corporation Commerce achieved its target because the number of “Serious ZOZO Festival” events was increased beyond what was initially planned, resulting in additional GMV that had not been factored into the original plan.

Q. The “Serious ZOZO Festival” was held more times than initially planned. How is the number of events determined?
A. (Answer: Hirose) We decide whether to increase the number of events to boost GMV through discussions with LY Corporation, taking into account factors such as the timing of ZOZOWEEK. Although a certain number of events is factored into the initial plan, we work flexibly with LY Corporation to review and adjust the schedule depending on the circumstances.

Q. What drove the significant YoY growth in GMV from Outright purchase / production & sales, despite its relatively small scale?
A. (Answer: Kobayashi) The significant growth was driven by shipments of items from an artist collaboration project during the second quarter. In addition, the collaboration T-shirts featuring popular IP, which are currently selling well, are expected to be recorded under Outright purchase / production & sales and contribute to GMV in the third quarter.

Q. Other expenses within SG&A appear to have increased YoY in the second quarter. What were the main factors behind this increase?
A. (Answer: Kobayashi) There were two main factors. First, prices of packaging materials, particularly cardboard boxes, increased starting in June 2026. Second, fees for cloud server services, such as AWS, have been on an upward trend.

Q. In the second quarter, operating profit growth appears to have fallen slightly short of expectations due to factors such as higher packaging material costs and the impact of consolidating LYST and High Link. Are there any cost items expected to deviate from the initial plan in the second half of the fiscal year?
A. (Answer: Yanagisawa) Operating profit in the second quarter was affected by a combination of factors, including the increase in other expenses explained earlier and the impact of consolidating subsidiaries. Looking ahead to the second half, we currently do not foresee any factors that would lead to a significant increase in costs, and expect costs to remain largely in line with the initial plan. As for the unspent portion of the actual promotion-related expenses budget, we intend to utilize it in the second half.

【About the outlook for the third quarter and beyond and IP collaboration projects】
Q. As brands continue to raise prices, the average retail price turned positive YoY in the second quarter. Given the impact of sale events, how should we view the outlook for the average retail price and average order value for fall/winter items?
A. (Answer: Sawada) We estimate that list prices for fall/winter items have increased by a few percent on average. Across the industry, increases in retail prices have remained moderate, and we have not seen any decline in demand attributable to higher prices at ZOZO so far.

Q. Based on discussions with brand partners and your company's data, how do you view market conditions in the fashion industry for the fall/winter season?
A. (Answer: Hirose) Temperatures in October have been higher than usual, and there are also forecasts of a warmer-than-normal winter due to the El Niño phenomenon. We therefore believe market conditions could be somewhat challenging. On the other hand, brands have spent the past few years reviewing and adjusting their strategies in response to warmer winters and other conditions. As a result, we expect their merchandising plans and inventory levels to be relatively well balanced.

Q. With the collaboration T-shirts featuring popular IP performing well, is business performance in October exceeding expectations or progressing in line with plan?
A. (Answer: Hirose) The IP collaboration T-shirts have been performing extremely well. Shipments are expected to be concentrated in the third quarter, and we anticipate a positive contribution to business results. On the other hand, temperatures in October have remained higher than in the previous year, so we remain cautious about sales of our core fall/winter items. November is an important sales period, with events such as ZOZOWEEK and Black Friday, and we are currently preparing for these events.

Q. In the past, some major collaboration projects were followed by a decline in sales in the subsequent year. With the current collaboration featuring popular IP raising the bar for future performance, how do you plan to develop and manage collaboration projects to sustain sales growth?
A. (Answer: Hirose) For IP collaboration projects, we have formed a cross-functional team comprising three departments responsible for sales, management, and production, and are actively approaching a wide range of IP holders. While sales vary depending on the content, we are continuously working to develop a broad pipeline of potential projects. IP collaborations are an area the Company intends to further strengthen, and we aim to continue growing sales going forward.

【About USED sales (ZOZOUSED)】
Q. With favorable market conditions continuing in the secondhand market, USED sales have grown to a certain scale. How do you currently position this business within the Company?
A. (Answer: Sawada) We have planned for USED sales to grow faster than the overall ZOZOTOWN business in the current fiscal year, and performance has been progressing steadily so far. We have strategically strengthened this business over the past few years, and believe we have established a distinctive approach to secondhand sales that leverages our position as a retailer of new items. In conventional secondhand purchasing and resale businesses, controlling costs is important. However, since we purchase items that were originally sold as new on ZOZOTOWN, one of our strengths is that we can largely automate the process of organizing item data and determining purchase prices. Going forward, we intend to expand the secondhand market to include relatively low-priced items as well. This remains an area of focus for the Company.

【About the initiatives with MUSINSA and cross-border e-commerce】
Q. What was the purpose of the pop-up store held in South Korea in collaboration with MUSINSA?
A. (Answer: Hirose) It was positioned as a proof of concept (PoC) to test potential approaches to developing our cross-border e-commerce business going forward. The initiative was conducted as a test rather than with the expectation of generating significant sales.

Q. What is your assessment of the potential for cross-border e-commerce? Also, if you decide to pursue a full-scale rollout, what is the expected timeline?
A. (Answer: Hirose) In addition to holding the pop-up store, we sold some items from Japanese brands on MUSINSA's platform. However, the feedback we received suggests that awareness of these brands in South Korea is still limited. On the other hand, MUSINSA has a very strong presence in the Korean market. We therefore intend to move forward with our initiatives by leveraging its influence and consider a full-scale rollout depending on the results. No specific timeline has been determined at this point.

【About AI agents and "finding your style" services】
Q. Regarding AI agents, the Company has so far focused mainly on a defensive argument that platforms will continue to provide value. Could AI agents also create opportunities to expand sales and other business results?
A. (Answer: Sawada) From December 2022 to July 2025, we operated "niaulab by ZOZO," a physical service where stylists recommended items that suited each customer. Members who experienced the service approximately doubled their purchase amounts on ZOZOTOWN. We have also seen many viewers of our YouTube channel, "niaulab TV," increase their purchases after watching its videos. While both examples involved recommendations made by

people, they demonstrate that purchases can increase when customers receive personalized recommendations that accurately match their needs. We are now working to achieve this through AI, and believe that if AI can reach a level comparable to human stylists, it could lead to growth in GMV.

Q. In the U.S., payment processing has become both a barrier and an opportunity in the adoption of AI agents. Given the differences in regulations between Japan and the U.S., how do you view the impact of payment processing on AI agents?
A. (Answer: Sawada) Whether payments are handled by e-commerce operators or AI agents is a critical turning point. There are two key implications: which party receives the payment processing fees and which gains access to valuable purchase data. We rarely use traditional demographic-based marketing. Instead, we place greater emphasis on real-time data, such as insights into what customers are likely to buy next based on what they purchased yesterday. The most valuable example of this is recent purchase data. For this reason, our top strategic priority is, at a minimum, to encourage customers to complete their payments on our own platform and not to give up that part of the purchasing process.

Q. When choosing clothes, people may be motivated by aspirations such as wanting to achieve a certain look or resemble someone they admire, regardless of whether the clothes suit them. Is there significant demand that can be addressed through the concept of "finding your style"?
A. (Answer: Sawada) The term "finding your style" may bring to mind recommendations from a stylist, but our algorithms also take into account factors such as the aspirations you mentioned. We have found that there are two aspects to what people consider to suit them: how others perceive what looks good on them, and how comfortable and natural they feel in a particular style. The relative importance of these two aspects varies from person to person. We therefore use "finding your style" as a broad concept that encompasses providing personalized recommendations based on each customer's needs, including why they buy clothes and how they want to wear them. We believe this approach can address a wide range of customer needs.

Q. Does this mean that recommendations are tailored by adjusting the balance between how others perceive what looks good on someone and what feels right to the individual, depending on their level of interest in fashion?
A. (Answer: Sawada) Yes. For example, some customers, particularly men, are more concerned about wearing clothes that are socially acceptable and will not draw negative reactions from others than about whether the clothes actually suit them. They want recommendations that help them avoid feeling embarrassed about what they wear. Our approach covers a broad range of needs, including these.

【About security measures】
Q. With security incidents occurring frequently, including attacks involving the malicious use of AI, how is the Company currently strengthening its security measures?
A. (Answer: Sawada) As security risks continue to rise globally, we are making every effort to strengthen our security measures. While we have had measures in place for some time, following an incident involving a group company in 2025, we have been further strengthening our security defenses by drawing on knowledge and insights shared within the LY Corporation Group. We are now taking additional steps to enhance these measures. Although no security measures can provide complete protection, we will continue to make every effort to address these risks. At this point, we do not anticipate any significant increase in costs that would materially impact our P&L in the second half of the fiscal year.

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