



The 27th Ordinary General Meeting of Shareholders for Questions and Answers

Date and time: 1:00 p.m., Thursday, June 26, 2025

Location: Held with no location designated.

* Questions from shareholders are included without change.

1.

Q (shareholder)	Please describe the M&A policy of ZOZO.
A (chairperson)	The case will gradually increase that M&As are used as a means of increasing enterprise value. In the fashion and technology domains where the company has an advantage, the company will engage in M&As. We may also execute overseas acquisitions according to the same policy as in the acquisition of LYST LTD.

2.

Q (shareholder)	I favor your company's stance of returns to shareholders. Please tell me whether your company has examined the payment of memorial dividends for the milestone 20th anniversary of ZOZOTOWN in light of its financial position of having a huge amount of cash.
A (Yanagisawa)	The company declines to clearly state the payment of memorial dividends at present. For the current fiscal year, we announced the repurchase of treasury stocks on April 30, 2025, in addition to year-end and interim dividends. We will proactively examine returns to shareholders with consideration of the allocation to business investments and the optimum cash allocation.

3.

Q (shareholder)	Please describe the contribution of offline events to business and other results. Your company is free to answer numerical or as a really felt contribution. I have paid attention to these events, which have been periodically held since 2012.
A (Hirose)	It is difficult to numerically express the contribution of these events, but the company continuously conducts good initiatives. As an example, we sponsor the music event ASIA STAR ENTERTAINER AWARDS for the purpose of gaining younger and female users. The offline event ZOZO Yokocho will be held in Sapporo from June 27, 2025, to July 6, 2025. Offline events aim to gain users that we cannot link with online.

4.

Q (shareholder)	Does your company have the policy for the term of office of directors?
A (chairperson)	The term of office of directors is a year, but the company has no internal specific provision concerning the tenure of office. The independence of directors is based on the standards established by the Tokyo Stock Exchange. We keep our eyes open and examine the adoption of talented persons and those we hope to join us as candidates for director.

5.

Q (shareholder)	I would like to ask your company a question about inventories. Is it scarcely required to be aware of inventories because ZOZO has logistic warehouses? Please tell me any issues in regard to this point.
A (Hirose)	(The company answers the question, understanding that you ask the awareness of inventories.) The inventories stored at our warehouses are deposited by brands with stores located in ZOZOTOWN. Therefore, the key is whether these brands would like to sell goods in ZOZOTOWN. For that, ZOZOTOWN needs to keep the ability to pull in more customers and maintain its attractiveness as a selling space. On the other hand, the production volume and goods and services for sale depend on brands. For example, in the last warm winter, the production of outerwear was reduced. This resulted in a shortage of inventories of winter clothing. In addition, the capacity of warehouses is limited, and in that case, excessive inventories deposited by brands would make our operation inefficient. Therefore, we endeavor to optimize inventories in cooperation with brands.

6.

Q (shareholder)	Please tell me how your company handles and uses AI for business.
A (chairperson)	The company aggressively handles AI for business. With regard to the efficiency of operational costs, we have a department giving advice about AI-based business style. Over a year has passed since the launch of this organization, and we have good results. As an IT company, in addition to a fashion company, it will also be important to offer AI-based services to customers. The recommendation engine in ZOZOTOWN adopts machine learning, a subfield of AI, and is improved. The interactive type of AI agent will be adopted following the appearance of an AI program called the large language model (LLM). We have world-class extensive fashion data and are the closest to the adoption of the said AI agent. We seek future output with confidence in this.

7.

Q (shareholder)	Please tell me about the ideas and responses to sustainability.
A (chairperson)	Recognizing that sustainability is very important, a specialized unit was established about four years ago that now plays the main role in initiatives. In particular, warehouses consume huge amounts of electricity, so the company seeks to reduce CO ₂ emissions by using recyclable energy. Additionally, we are aware of the mass disposal in the apparel industry and have progressed made-to-order production for a few years. The volume made by this production system is a small part of the total volume of ZOZOTOWN, but we think that the initiative is important from the viewpoint of the prevention of mass disposal.

8.

Q (shareholder)	Please tell me about the business expansion to be noted and future improvements.
A (chairperson)	The ZOZOTOWN business accounts for a large percentage of our business and records continuing growth. In the next five or ten years from now, a single operation of the ZOZOTOWN business would be risky. Therefore, it needs to gain revenue from businesses other than ZOZOTOWN in future. The acquisition of LYST LTD. is a large step in this direction. We would like to create synergy with LYST LTD and grow together.

9.

Q (shareholder)	Does your company have a plan to provide shareholder benefits?
A (Yanagisawa)	The company does not examine the provision of shareholder benefits as of now, but we would like to proactively examine returns to shareholders, including shareholder benefits.

10.

Q (shareholder)	Why did your company acquire LYST LTD.?
A (Yanagisawa)	The acquisition is designed to accelerate growth in the global markets. The company will enhance the user experience and business base of LYST LTD. by aggressively providing our strengths of expertise of EC operations, measurement technology, and AI assets to LYST LTD. Comprehensively, we will evolve LYST LTD into a platform operator offering fashion navigation services to achieve organic growth in Western markets.

11.

Q (shareholder)	Thank you for your explanation about business results and budgets. What does your company think of market capitalization management? What valuation indicators (such as PER, ROE, and others) do your company focus on? Please explain. I congratulate your company on the successful holding of the regular general meeting of shareholders in a novel way and suited to the times.
A (Yanagisawa)	The company thinks that market capitalization management consists of four points. The first point is that increasing business results and enterprise value is the most important. Increasing sales and operating income becomes an important indicator. The second is to optimize the capital policy including return to shareholders. ROE is set as an important indicator. Recently, we disclosed the policy for returns to shareholders, which we regard as a measure for maintaining and increasing ROE. The third is the viewpoint on sustainability. We set the materiality and four focus items as important indicators. Finally, communication with investors is also important. We aggressively promote IR activities and information disclosure.

12.

Q (shareholder)	How is the fashion coordinate app WEAR linked with sales? I think the app is an excellent system, but it is insufficiently used in services by ZOZO. Please describe the issues and future progress of the app.
A (chairperson)	WEAR conventionally had an insufficient portion in the link with ZOZOTOWN. After renewal of the app last year, however, the company enhanced the connection and the link with ZOZOID. This works very well. The app will need to evolve into one that is possible to capture more diverse customers, and we will develop AI so that we can propose optimum coordination.

13.

Q (shareholder)	Does the uniqueness of the branding and of the customer experience of ZOZO become weak as the link is enhanced with Yahoo! JAPAN Shopping and PayPay Mall? ZOZOTOWN seems to have become just a part of the Yahoo economic block. How will the company maintain its independence and the differentiation of the ZOZO brand?
A (Hide)	Five years have passed since the link of ZOZOTOWN with Yahoo! Japan Shopping. The sales volume of ZOZOTOWN in Yahoo! JAPAN Shopping grew more than 20% in the last fiscal year. Purchasers from ZOZOTOWN in Yahoo! JAPAN Shopping are characterized by age and sex that is different from those of conventional purchasers of ZOZOTOWN. There is no weakening of the original brand of ZOZOTOWN. We will build a new customer base with LY Corporation through cooperation as we further strengthen the original brand and customer base of ZOZOTOWN.

14.

Q (shareholder)	Makoto Hide and Yuko Nagata concurrently serve as officers of LY Corporation, and the materials suggest that ZOZOTOWN is competitive in the EC business with LY Corporation. Please explain specifically how both persons perform their duties for avoidance of conflicts of interest and maximization of enterprise value of ZOZO under such a situation.
A (chairperson)	The company carefully establishes rules from the viewpoint of conflicts of interest, and both persons do not participate in resolutions concerning the relevant deals where ZOZO makes independent judgments. On the other hand, we closely and positively exchange opinions and cooperate with them in the differentiation strategy, including marketing and selling methods for management-wide promotion.

15.

Q (shareholder)	Please describe the responses to cyberattacks from the outside.
A (chairperson)	The company implement a technical defense and countermeasures in the business process. We regularly perform a vulnerability diagnosis using an external company. We also perform simulation and training to minimize damage in emergency situations.

16.

Q (shareholder)	Recently, we saw a case of a deteriorated reputation from negative comments on social media from users discussing complaints and problems with the services offered by other companies. Does your company take initiatives that include countermeasures for users' negative comments on social media?
A (chairperson)	The company constantly monitors words related to ZOZO, setting social media as one of the managerial risks. In the event a post picks up steam, we internally share this information. We also establish a manual for the flow of responses to emergency situations, provide training, and simulate press conferences for emergency situations.

17.

Q (shareholder)	U.S. President Trump has a policy against DEI (D&I) as it is globally required to progress it. What does your company think of its DEI policy.
A (chairperson)	The company makes no changes to the policy due to recent changes in the external environment. We will continuously execute conventional initiatives.

18.

Q (shareholder)	I think that many competitors have emerged though ZOZO still has an advantage in antecedence and uniqueness. Please describe the strengths of ZOZO to be continuously emphasized.
A (chairperson)	One of the biggest strengths of ZOZO is the many employees with love and passion for clothes whose stance is reflected in ZOZOTOWN and the app WEAR. Another is fashion data. In our view, no company internally has as much data as our company. We will advance the business by successfully combining fashion data, engineers with the skills to handle the data, and employees who understand fashion as a resource.

19.

Q (shareholder)	Scandals occur in relation to the harassment of employees in other companies, and they have impact on their enterprise value. Please report on employee education and training within your company.
A (chairperson)	The company focuses on the prevention of harassment and gives training and tests to executive and nonexecutive employees. We also opened a consultation desk as part of an awareness campaign and share cases reported to the compliance committee within management to immediately decide on a policy for responding to these cases.

20.

Q (shareholder)	In Japan, luxury brands, including department stores, have recorded weak sales. Please describe their share of sales and the sales forecast in ZOZO. Additionally, please describe any new initiatives that include the provision of services specializing in luxury brands if any.
A (Hirose)	At present, luxury brands do not have a large share of sales. ZOZOTOWN has the high-price zone ZOZOVILLA covering from luxury brands to Japanese brands. Luxury brands may find it difficult to open a store in ZOZOTOWN due to the branding perspective, but we would like to examine the development of ZOZOVILLA by attracting luxury brands who are opening a store there.

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