April 30, 2025

Minutes of Q&A Session
FYE 2025 Results Briefing

This is a summary of the questions received
at the financial results briefing held on April 30, 2025. Some details are 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)

【About the business results for the Q4 FY24】

Q. Although the growth rate of Gross Merchandise Value for consignment sales remained low, was this primarily due to the lack of sale inventory in January and February?
A. (Answer: Sawada) The weak performance in the fourth quarter can indeed be attributed mainly to the shortage of sale inventory during January and February. We have confirmed that many brands across the apparel industry experienced similar conditions.

Q. What was the monthly trend in consignment sales during the fourth quarter of FY2024? Promotional efforts appear to have been concentrated in March—how did performance compare to the 5% year-over-year growth target set for FY2025 (excluding other GMV)? Was there a clear return on the concentrated promotional investment?
A. (Answer: Kobayashi) While it is difficult to provide a detailed growth rate, year-over-year performance in January and February, though not negative, was notably weak. In contrast, March showed a meaningful recovery, surpassing the 5% benchmark set for FY2025. We believe this improvement was driven by the impact of our concentrated promotional efforts.

Q. What was the reason for the year-over-year revenue decline in the advertising business?
A. (Answer: Sawada) The primary reason for the decline was the underperformance of ZOZOAD, our main ad product—search listing ads on ZOZOTOWN. Due to the shortage of sale inventory, some brands scaled back their advertising placements, resulting in lower revenue compared to the same quarter in the previous year.

Q. What was the reason behind the significant year-over-year revenue decline in the BtoB business?
A. (Answer: Sawada) The decline was primarily due to the withdrawal of a few brands with relatively large Gross Merchandise Value within the BtoB business. In some cases, brands opted to switch to other service providers to pursue proprietary service models that are difficult for us to accommodate. Even in such cases, our relationship with those brands remains strong, and we continue to maintain business with them through the ZOZOTOWN platform.

Q. ZOZO has been working to attract a younger demographic as part of its strategy to attract a broader range of customers. Has this initiative produced tangible results?
A. (Answer: Sawada) We are tracking various KPIs, and from a numerical standpoint, progress has been steady. That

said, given the overall scale of our Gross Merchandise Value, the uplift from younger users has so far been somewhat limited. We look forward to seeing greater contributions from this segment going forward.

【About expenses for FY24】

Q. What was the reason behind the increase in “outsourcing commission“ in the fourth quarter?

A. (Answer: Kobayashi) In the fourth quarter, “outsourcing commission“ increased by approximately 400 million yen, primarily due to advisory fees and other due diligence-related costs associated with the acquisition of LYST LTD (“LYST”).

【About the plan for FY25】

Q. Is the Gross Merchandise Value target set somewhat conservatively?

A. (Answer: Sawada) We consider it a neutral forecast.

Q. What is the reason for the anticipated slowdown in advertising business growth compared to the previous fiscal year?

A. (Answer: Sawada) In the previous fiscal year, growth was driven largely by an increase in the cost-per-click (CPC) for ZOZOAD. However, in the current fiscal year, further price increases are difficult due to considerations for maintaining healthy relationships with our brand partners. Additionally, we believe the number of ad slots has reached its practical ceiling from a UI/UX standpoint, and we recognize that the business is entering a more mature phase. That said, we aim to strengthen outreach to brand partners and continue exploring effective new advertising formats to drive future growth.

Q. Isn’t it premature to conclude that the number of ad slots has reached its limit due to UI/UX concerns? There still appears to be room for growth beyond search listing ads—what is your view?

A. (Answer: Sawada) We have long placed a strong emphasis on UI/UX, as it is a critical component in solidifying our position as a category killer in fashion, especially when compared to general-purpose online malls. Therefore, we remain committed to a user-first approach and do not intend to increase ad slots indiscriminately. That said, this does not mean we have given up on growth—we will continue fine-tuning our existing ad slots. We are also exploring the potential to internalize parts of our ad infrastructure, and we believe that doing so could unlock further growth potential.

Q. The BtoB business is expected to see a significant year-over-year revenue decline—what is the background behind this forecast?

A. (Answer: Sawada) The forecast reflects the anticipated withdrawal of a few brands with relatively large Gross Merchandise Value. That said, the BtoB business is not expected to be a key driver of future growth. As we are strategically focusing our resources on the ZOZOTOWN business, we view this outcome as a natural result of that prioritization.

Q. What is the Gross Merchandise Value target for ZOZOCOSME, and what strategies are in place to drive its growth?

A. (Answer: Hirose) We aim to achieve 16.5 billion yen in Gross Merchandise Value, up 12% year over year, including sales from Yahoo! JAPAN Shopping. In the current fiscal year, our promotional efforts will focus on increasing the number of users who visit ZOZOTOWN specifically to purchase cosmetics. On the product side, we plan to expand our lineup of drugstore cosmetics.

Q. What is the budget for actual promotion-related expenses?
A. (Answer: Kobayashi) In the fiscal year ended March 2025, actual promotion-related expenses accounted for 4.4% of Gross Merchandise Value (excluding other GMV). For the current fiscal year, we are planning a budget in line with the previous year's ratio.

Q. Does the disclosed plan announced today include the costs associated with the acquisition of LYST?
A. (Answer: Kobayashi) Yes, all foreseeable costs have been incorporated. Amortization of goodwill, which will begin in May, is projected to total 2.1 billion yen for the full year, of which 1.85 billion yen is related to LYST. In addition, other costs related to the acquisition, such as due diligence advisory fees, are included in the plan: approximately 800 million yen under "others" and "outsourcing commission," and about 300 million yen in depreciation.

【About the acquisition of LYST】
Q. You mentioned that the impact on the consolidated business forecast for the fiscal year ending March 2026 is still under review. Should we expect a positive contribution to operating profit, or is it likely to result in a loss?
A. (Answer: Yanagisawa) As the review is ongoing, we are unable to provide a definitive answer at this time. However, we do not expect the impact on operating profit to be significant in either a positive or negative direction.

Q. Based on LYST's historical performance, its sales growth appears limited. How do you plan to drive growth going forward? Will you increase spending on promotions, or invest more in system or service development?
A. (Answer: Yanagisawa) We have not disclosed LYST's results for the fiscal year ended March 2025, but we have shared its performance for the three years leading up to the fiscal year ended March 2024. Historically, its growth model has relied heavily on how aggressively it invested in promotions for user acquisition. Going forward, we plan to go beyond being a simple affiliate service by leveraging our expertise to enhance UI/UX, thereby deepening user engagement and driving sales growth.

Q. Are there any tangible synergies you expect from this acquisition that can be quantified?
A. (Answer: Yanagisawa) While we are still assessing LYST's standalone performance, we are in a position to expect Gross Merchandise Value contributions on the scale of tens of billions of yen.
A. (Answer: Sawada) From a mid- to long-term perspective, we believe that domains such as "search" and "media," which connect users and e-commerce platforms, are undergoing significant transformation with the rise of AI agents. LYST operates right within this evolving domain, and we view this positioning as highly valuable. Both companies' management teams share a unified vision to pursue global success, including in the Japanese market, as we move through this period of change together.

Q. Compared to ZOZOTOWN, LYST's performance seems somewhat underwhelming. What do you consider to be the key management challenges at LYST, and how do you plan to address them?
A. (Answer: Yanagisawa) In Europe, several major e-commerce platforms have emerged, and LYST has been used as a traffic source by many of them. Historically, it has primarily functioned as a pure affiliate service. However, it is now in the process of shifting toward a more personalized experience through technical development and the use of AI, which has led to gradual user growth. As Sawada mentioned, we believe the way people shop for fashion is poised to change significantly, and LYST is well positioned in this evolving landscape. As we work to enhance its UI/UX, we expect to leverage our strengths in measurement technologies and recommendation systems, ultimately contributing

to improved user acquisition for LYST.

Q. Should we expect LYST to grow its Gross Merchandise Value and user base through the active integration of ZOZO's expertise?
A. (Answer: Yanagisawa) Yes, we share that expectation. LYST and ZOZO have very similar corporate cultures. As fashion tech companies that emphasize both technological development and strong brand relationships, we believe this mutual understanding will facilitate the effective transfer of know-how between the two organizations.

Q. LYST's take rate is understood to be around 12% of Gross Merchandise Value. Do you plan to apply a similar model when expanding in Japan?
A. (Answer: Yanagisawa) We have no plans to directly replicate LYST's business model in the Japanese market. That said, there is potential for LYST to open a shop on ZOZOTOWN, or for Japanese brands to be featured on the LYST platform.

【About new initiatives】

Q. Regarding the new initiative with MUSINSA, what were the most challenging aspects of building a model that allows for lightweight collaboration?
A. (Answer: Sawada) We took time to carefully prepare the system side of things to ensure that integration could be done as simply and efficiently as possible.

Q. Once this lightweight collaboration model is in place, what kind of business expansion are you planning? How do you plan to generate revenue?
A. (Answer: Sawada) We believe there is potential to expand into a wide range of categories, including food and large furniture. Unlike ZOZOCOSME, which focuses on a specific category, we aim to grow multiple categories simultaneously and at speed. That said, we do not intend to become a general-purpose online mall. Rather, we plan to curate products that align with the interests of fashion-conscious customers. Since payment transactions are processed through ZOZOTOWN, the business model remains similar to our consignment model, where we collect a commission on sales.

Q. Regarding AI agents, you mentioned considering implementing a conversational agent into LINE. What benefits can ZOZO expect from this initiative?
A. (Answer: Sawada) Before developing AI agents, we gained valuable insights through two years of operating niaulab. We learned that when customers feel confident and satisfied with their purchases—especially when the items suit them—they tend to increase their purchase frequency. We continue to study optimal recommendation approaches, and if we can successfully incorporate those insights into an AI agent, we are confident it will directly contribute to higher sales on ZOZOTOWN. While our long-term goal is to implement this feature on ZOZOTOWN, we are starting with LINE due to its lower technical barrier.

Q. Do you have a specific image of the budget allocated for future M&A activity?
A. (Answer: Yanagisawa) We do not have a specific budget for M&A. As M&A is simply a means to an end, we will consider opportunities as they arise, based on the strategic relevance of each potential target.

【Others】

Q. Given the recent changes in U.S. tariff policy, is there a risk that cross-border Chinese e-commerce platforms such as SHEIN and Temu will shift more focus to Japan? Could this have an impact on ZOZO?

A. (Answer: Sawada) We do not view this as a significant risk and believe there will be minimal impact on our business. While platforms like SHEIN and Temu initially gained market share rapidly in Japan, particularly among younger consumers, we recognize that their momentum has since slowed.

Q. Are there any examples of leveraging the collective technological strengths of the SoftBank Group or LY Corporation?

A. (Answer: Sawada) While there has been a certain degree of information sharing on the technical front, we have not yet reached the stage of forming dedicated task forces or having engineers from across group companies work together in close collaboration.

Q. Has ZOZO begun utilizing Crystal AI?

A. (Answer: Sawada) At this point, we are not in a position to provide details on how Crystal AI may be applied within our operations or the scale of the associated costs.

Q. TikTok Shop is reportedly planning to launch in Japan. Do you see it becoming a competitor?

A. (Answer: Sawada) There is a possibility that it could become a competitor, but we also see potential for us to utilize the platform, depending on how it evolves. That said, live commerce has yet to gain strong traction in Japan, so we will continue to assess the necessity and potential use of the platform.