October 31, 2025

Minutes of Q&A Session

FYE 2026 Q2 Results Briefing

This is a summary of the questions received
at the financial results briefing held on October 31, 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 performance of the second quarter】

Q. Regarding Gross Merchandise Value (hereinafter referred to as "GMV"), is it correct to assume that the shortfall in Consignment Sales was mainly due to the impact of temperatures?
A. (Answer: Hirose) We believe that the primary factor was indeed the impact of temperatures. Particularly in September, persistently high temperatures led to weaker consumer sentiment, which resulted in sluggish performance. Furthermore, in July, the delay in the start of the sale event by some brands caused the timing of price discounts to be later than expected, which also contributed to the shortfall against the plan.

Q. Regarding GMV, how was the monthly trend in Consignment Sales? While we understand the situation in September based on the results of other listed apparel companies, July and August appeared to have had average temperatures. Where did the gap from the plan come from?
A. (Answer: Sawada) During the second quarter, not only the Company but the entire fashion industry faced difficulties responding to the prolonged summer, and it was challenging to capture user demand. On the supply side, many brands had adequately prepared lightweight items such as T-shirts, and inventory levels at ZOZOTOWN were sufficient. However, anticipating a long summer, some brands adopted a policy of maintaining inventory while delaying markdowns. As a result, sales in July, during the summer sale event, lacked momentum. In August, discount rates gradually increased, which partially offset the shortfall from July. In September, although temperatures remained high, many users had already purchased summer items, leading to weak demand despite sufficient inventory. While we had taken steps to prepare for a prolonged summer — such as adjusting the timing of the sale event on ZOZOTOWN from the usual schedule — the results did not reach the levels we had planned.

Q. In the past, when sales at brands' physical stores were sluggish, it seemed that brands tried to secure sales through measures such as coupon campaigns. However, this trend was not observed in September. Was there any change in the behavior of brands?
A. (Answer: Sawada) There was no significant change in the behavior of brands. In fact, since physical-store sales were sluggish in September, many brands collaborated with us on various promotions, even investing their own resources to drive sales through our platform. We recognize that, for many brands, ZOZO serves as a final sales channel when physical-store sales are under pressure. However, in reality, we were unable to fully meet their expectations. That is how weak consumer sentiment was in September.

Q. In the Advertising business, while the first quarter showed solid growth, the second quarter turned negative. What caused such a rapid change in the situation?
A. (Answer: Hirose) The Advertising business tends to be significantly affected by the performance of GMV. During sale periods, brands tend to focus more on price appeal. However, their willingness to place advertisements did not reach our expectations. In addition, weaker consumer sentiment led to a decline in user activity on our platform — such as browsing and product clicks — which resulted in performance falling short of the plan. For the second half, we expect the situation will change depending on GMV trends and user activity, and we will continue working to improve the business environment.

Q. Regarding payroll and staff costs for logistics-related expenses, efficiency continued to improve in the second quarter. What were the factors behind this improvement?
A. (Answer: Hirose) Similar to the first quarter, by continuously controlling the inventory volume in cooperation with brands, we were able to optimize the inventory situation, which led to improved logistics efficiency.

Q. Could you tell us about the current balance between the number of active members and the annual purchase amount per active member?
A. (Answer: Hirose) While the number of active members has been steadily increasing, the annual purchase amount per active member has been declining. This fiscal year, we have been actively investing in web advertising, which has been driving the acquisition of new members and contributing to the growth in the number of active members. On the other hand, the annual purchase amount per active member among first-year members tends to be lower than that of existing active members who have been with us for over a year, which has had a downward impact on the overall average annual purchase amount per active member.

【About the outlook for the second half and beyond】
Q. How has the situation been in October? Has the market shifted to the autumn/winter season after the trend in September?
A. (Answer: Sawada) Although the transition has been slightly delayed compared to typical years, the business environment has been improving as temperatures have declined

Q. Given that the Company fell short of the plan for GMV due to the impact of temperatures, we believe that initiatives to smooth out seasonal fluctuations are important. What measures are you considering to make the business less susceptible to seasonal factors?
A. (Answer: Sawada) Our first priority is to maintain site traffic. As it became evident this summer, even if such traffic does not immediately lead to purchases, we believe it is important to retain users who visit ZOZOTOWN regularly, and we are considering various initiatives to enhance user recall. In addition, regarding the cosmetics category, it was less affected by seasonal factors in the second quarter and maintained a higher growth rate compared to apparel. Although MUSINSA, which is scheduled to launch on our platform, handles apparel items, its onboarding has created a framework that makes it easier for us to collaborate with a wider range of partners. We therefore intend to further accelerate the expansion of categories that are less susceptible to seasonal factors.

Q. Could you tell us about the policy for promotional initiatives in the second half?
A. (Answer: Hirose) In the third quarter, we recognize ZOZOWEEK, which started on October 31, and Black Friday as key sales periods, and we plan to invest aggressively in promotions during these events. In addition, the expenses related to the ZOZOFES event are also expected to be recorded as advertising expenses. Although there will be major

events such as the winter sale in the fourth quarter as well, we expect that the actual promotion-related expenses in the third quarter will be larger than those in the fourth quarter.

Q. Regarding LY Corporation Commerce, we assume that LY Corporation (hereinafter referred to as “LY”) is in a situation where cost reductions are required in the second half. While GMV in the first half exceeded the plan, how should we view the outlook for the full year?
A. (Answer: Kobayashi) We are closely monitoring the level of promotional investments from LY. We understand that LY also recognizes our full-year plan as a minimum target that must be achieved, and therefore, we do not have any significant concerns at this point. If promotional initiatives on the ZOZOTOWN store within Yahoo! JAPAN Shopping are implemented in conjunction with those on the original ZOZOTOWN, we expect that a relatively high growth rate can be maintained.

【About LYST】
Q. Regarding LYST, we understand that the third quarter marks the peak in GMV. Is our understanding of the seasonality correct? Can we also expect it to temporarily turn profitable?
A. (Answer: Yanagisawa) Your understanding of the seasonality is correct. However, as advertising expenses increase in line with GMV, the third quarter is also expected to record a loss.

Q. With regard to LYST, you mentioned that this fiscal year the Company would focus on improving the platform. How is the progress so far?
A. (Answer: Yanagisawa) Our current focus is on introducing a checkout function. The second quarter was a preparation phase, and implementation is scheduled to begin gradually from the third quarter onward. From the second half through the next fiscal year, we aim to steadily increase the number of partners that introduce the checkout function.

【About the launch of MUSINSA and future category expansion】
Q. I have high expectations for MUSINSA’s launch. Could you share your thoughts on your level of expectation, Mr. Sawada?
A. (Answer: Sawada) I visited MUSINSA’s pop-up store in Japan and personally witnessed its strong popularity, particularly among younger female users. We believe that the launch of MUSINSA will be a highly effective means of reaching this user segment. In addition, by simultaneously introducing a large number of brands carried by MUSINSA on ZOZOTOWN, we have high expectations that it will also drive an increase in traffic.

Q. We understand that approximately 140 brands will participate in the launch of MUSINSA. How should we think about its contribution to GMV?
A. (Answer: Hirose) The number of brands participating at the time of launch is as you mentioned. It will take the form of many brands listing their items within the MUSINSA shop on ZOZOTOWN. While we have certain expectations, we do not assume at this point that it will have an immediate and significant impact, such as accounting for a few percent of ZOZOTOWN’s total GMV right after the launch.

Q. Regarding category expansion, how should we view the pace and timeline of future expansion?
A. (Answer: Sawada) At this point, we do not have any information to disclose on initiatives following MUSINSA. Since new business operations require a certain amount of time, we do not expect the launch of a new category of a

similar scale to ZOZOCOSME within this fiscal year. That said, the framework has already been established, and we believe that new shop openings can be realized promptly once the next partner has been determined.

【About utilization of AI and AI agents】

Q. After the introduction of AI agents, what kind of positive impact do you expect on KPIs?
A. (Answer: Sawada) Our primary expectation is an increase in traffic. In particular, we are closely monitoring unique users (UU) and monthly active users (MAU), focusing on how we can create more opportunities for users to think of and visit ZOZOTOWN on a daily basis. If we can realize a world where users naturally ask the AI agent, "What should I wear today?" every morning, we are confident that this will ultimately lead to an expansion of GMV. To achieve this, improving the quality of our AI agents is essential, and we are dedicating our efforts to developing them into trusted tools for users.

Q. In the Advertising business, do you see any potential negative impact from the rise of AI?
A. (Answer: Sawada) We believe that the impact will be limited. Our Advertising business consists of advertisements displayed within our platform, which we recognize as being highly effective in driving purchases compared with listing ads on search sites. In addition, our strength lies in being able to display the items for each user based on their individual needs, and we believe that this advantage will continue to be maintained going forward.

Q. Is there a possibility that ZOZO will introduce ChatGPT's checkout function?
A. (Answer: Sawada) We have not made a decision to introduce it at this point, but we are examining the possibility of future implementation.

Q. If ZOZO were to introduce ChatGPT's checkout function, what level of commission rate do you expect ZOZO would pay?
A. (Answer: Sawada) We are not yet in a stage where specific commission rates are being discussed.

【Others】

Q. We understand that LY is planning to launch a new commerce function within LINE soon. Will ZOZO participate in it?
A. (Answer: Sawada) We have been approached by LY regarding this matter. However, we do not have any information that we can disclose from our side at this time, so please check with LY for further details.