ZOZO

July 31, 2026

Minutes of Q&A Session

FYE 2027 Q1 Results Briefing

This is a summary of the questions received at the Q&A session for institutional investors held on July 31, 2026. Some details have been revised.

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

【Financial results for the first quarter of the fiscal year ending March 31, 2027】
Q. Is it correct to understand that Gross Merchandise Value for the first quarter was largely in line with the plan on a consolidated basis?
A. (Answer: Hirose) Yes. Although performance was somewhat weaker in June, Gross Merchandise Value for the first quarter as a whole was largely in line with the plan.

Q. Gross Merchandise Value for the ZOZOTOWN business and LY Corporation Commerce came in below expectations in June due to weather conditions. What initiatives are planned to achieve the full-year target, and what is your outlook going forward?
A. (Answer: Hirose) Although performance in June came in below expectations due to weather conditions, July has been progressing largely in line with the plan. In addition, the number of annual buyers continues to grow steadily. During the current fiscal year, we will continue to invest primarily in web advertising to steadily increase our user base and achieve our full-year Gross Merchandise Value target for the ZOZOTOWN business. For LY Corporation Commerce, we will also aim to achieve our full-year target by making effective use of the "serious ZOZO festival" promotional campaign.

Q. How is ZOZOCOSME progressing relative to the plan?
A. (Answer: Hirose) ZOZOCOSME has been progressing steadily and is largely in line with the plan. We continue to see a steady increase in new brands joining the platform, and many brands have also been actively participating in our promotional campaigns. We are also working to increase awareness of ZOZOCOSME by participating in pop-up stores and other promotional activities.

Q. How is the advertising business progressing, and what initiatives are planned going forward?
A. (Answer: Hirose) The Advertising business includes ZOZOAD, the search listing advertising service on ZOZOTOWN, as well as package insert advertising and banner advertising. As there is a limit to the number of advertising slots for ZOZOAD, we do not expect significant growth, and performance in the first quarter was largely in line with the plan. On the other hand, revenue from package insert advertising fluctuates with the volume of advertising placements, and first-quarter performance was strong due to an increase in such placements. As a result, the growth rate appears higher than that assumed in the full-year plan. Looking ahead, we believe it will be difficult to sustain growth through ZOZOAD alone. We are therefore considering adding new advertising menu items,

although at this stage we do not yet see any new initiatives that are expected to contribute to growth.

【About costs】

Q. Logistics-related expense and shipping expense declined year on year in the first quarter. What were the main factors behind this, and how do you expect these costs to trend from the second quarter onward?
A. (Answer: Kobayashi) The decline in logistics-related expense was primarily attributable to a series of operational efficiency improvements at our logistics centers. In particular, enhanced training in the receiving section had a significant positive impact. As long as we are able to maintain appropriate inventory levels across our logistics centers, we expect the cost ratio to remain below the level of the same quarter of the previous fiscal year. As for shipping expense, in addition to the improvement in economic terms implemented from October 2025, the higher size limit for Nekopos introduced in November 2025 contributed to a higher-than-expected increase in the proportion of shipments handled via Nekopos, which can be delivered at a lower cost than standard shipping. However, as the year-on-year impact of these factors will diminish from the third quarter onward, we expect the cost ratio to be broadly in line with the corresponding quarter of the previous fiscal year.

Q. Is it correct to understand that the higher size limit for Nekopos was not introduced in the first quarter, and that there were no changes to the agreement with the delivery outsourcing partner?
A. (Answer: Kobayashi) Yes, that is correct. In the first quarter, the proportion of shipments handled via Nekopos increased compared with the previous quarter, mainly because the spring/summer merchandise consisted of relatively lighter and thinner items. There were also no changes to the agreement with our delivery outsourcing partner.

Q. Following the improvement in economic terms with the delivery outsourcing partner, how much further room is there to improve delivery efficiency going forward?
A. (Answer: Yanagisawa) With regard to shipping expense, we do not expect any further changes in economic terms during the current fiscal year. As for operational efficiency, we believe there is still room for further improvement. Over the medium term, we plan to further improve delivery efficiency by advancing automation at ZOZOBASE NARASHINO 3, our new logistics center scheduled to open in 2027.

Q. Depreciation expense will increase as a result of investments in material handling equipment. Is it fair to say that, overall, the improvements in warehouse operational efficiency will outweigh the additional investment?
A. (Answer: Yanagisawa) Yes. Although these investments do not generate immediate benefits in the short term after construction is completed, we believe they will contribute to cost reductions over the long term.

【About the ZOZOTOWN business KPIs】

Q. While the number of active members continues to increase, Gross Merchandise Value growth appears modest. How do you plan to translate this growth in active members into Gross Merchandise Value going forward?
A. (Answer: Hirose) First and foremost, the contribution from newly acquired members during their first year is limited. What is important is whether these members continue making purchases in their second and third years. At the same time, we believe it is important to expand our item categories and brand lineup, while continuing to provide users with the items they are looking for through initiatives such as our "Niau" services, which help users find styles that suit them, as well as through the use of AI.

Q. Average retail price and average order value have shown limited growth. Are you considering any initiatives to reverse this trend?
A. (Answer: Hirose) Average retail price is largely influenced by brands' pricing and discount strategies, leaving us with limited room to control it. As for average order value, we have already fully implemented initiatives such as offering free shipping on orders of 12,000 yen or more. At this point, we do not see further room to expand these initiatives and therefore do not currently have any additional specific initiatives planned.

Q. Do you believe competitors' performance (for example, Mercari's strong performance) is affecting your users' purchase frequency or average spending?
A. (Answer: Hirose) We are not closely monitoring the performance of any particular competitor. On the other hand, we do monitor the monthly sales performance of the brands on our platform. In June, our impression was that business conditions were challenging across the board, and our performance reflected a similar trend.

【About LYST】
Q. How has LYST's organic top-line growth performed, excluding the impact of foreign exchange movements and the difference in the consolidation period compared with the same quarter of the previous fiscal year?
A. (Answer: Yanagisawa) While we prefer not to disclose specific figures, foreign exchange movements have had some impact. On an organic basis, however, growth has been slightly positive year on year.

Q. As the expansion of LYST's checkout functionality is progressing as planned, do you expect this to improve trends in the second half of the fiscal year?
A. (Answer: Yanagisawa) The expansion of the checkout functionality has already been incorporated into our plan for the current fiscal year. Therefore, if implementation proceeds as planned, we believe it will support the achievement of our full-year plan. On the other hand, we believe that additional initiatives will be necessary to deliver performance above our plan.

【About High Link】
Q. Under which category are High Link's sales recorded, and to what extent is High Link contributing to profits?
A. (Answer: Yanagisawa) High Link's sales are recorded under net sales (Others). Under the full-year plan, High Link is expected to generate net sales of approximately 2 billion yen to 3 billion yen on a standalone basis. As High Link has been consolidated only since May 2026, its contribution to the first quarter was limited. The same applies to its profit contribution.

Q. Has High Link grown year on year?
A. (Answer: Kobayashi) While we do not disclose detailed figures, High Link's performance was roughly in line with the same quarter of the previous fiscal year. Going forward, we believe we can accelerate growth by strengthening collaboration with ZOZOTOWN users.

Q. Are initiatives to drive traffic to High Link, such as package insert advertising, producing results?
A. (Answer: Kobayashi) The first quarter was largely a testing phase to identify which customer segments would respond most effectively from a cost-effectiveness perspective. We expect these initiatives to begin delivering results from the second quarter onward.

【About Medium-Term Business Plan】

Q. Progress under the Medium-Term Business Plan is still difficult to assess at this stage. Although it may be too early, when do you expect to begin disclosing performance by domain?

A. (Answer: Yanagisawa) We are not yet at the stage where we can disclose quantitative progress under the Medium-Term Business Plan. Accordingly, for this earnings announcement, we are providing only a qualitative update on our progress. The timing of performance disclosure by each domain has not yet been determined and remains under consideration.

【Others】

Q. What was the rationale for conducting the share repurchase at this time?

A. (Answer: Yanagisawa) There were several reasons. First, from a cash flow perspective, we saw no particular issues. Even after taking potential M&A opportunities into consideration, we believe we have sufficient cash on hand, and therefore decided to utilize our cash more efficiently. In addition, we considered the share price to be at a relatively reasonable level, and we also wanted to stabilize and improve ROE at an early stage. We believe the share repurchase is meaningful even under our policy of targeting a total return ratio of more than 80% on a five-year average basis.

Q. Are you seeing any impact on demand, such as consumers becoming more cautious about spending?

A. (Answer: Hirose) While we do not have data that allows us to draw a definitive conclusion, we believe that, in the current inflationary environment, consumers are becoming more conscious of where and how much they spend. If consumers' purchasing power and brands' price increases are well aligned, we believe there is potential for purchase frequency and spending per customer to increase.