



July 31, 2025

Minutes of Q&A Session
FYE 2026 Q1 Results Briefing

This is a summary of the questions received
at the financial results briefing held on July 31, 2025. Some details are revised.

[Company participants]

Koji Yanagisawa (Director, Executive Vice President & CFO)

Fuminori Hirose (Director & COO)

Yusaku Kobayashi (General Manager of Corporate Planning Office)

【About the revised forecast for the fiscal year ending March 31, 2026】

Q. You disclosed a revised forecast, but could you clarify the changes from the previous forecast? Also, is the profit outperformance from the existing businesses in the first quarter reflected in this revised forecast?

A. (Answer: Yanagisawa) In the previous forecast, we had incorporated only the expenses related to the LYST acquisition and the initially estimated amount of goodwill amortization. The standalone business plan for LYST had not been included. Now that LYST's business plan has been finalized and the purchase price allocation has progressed, we have updated the forecast to reflect the consolidation of LYST, including revisions to the budget for goodwill amortization and depreciation. This is the primary difference from the previous forecast. Please note that the first-quarter outperformance relative to the initial forecast is not reflected in the revised forecast.

Q. Regarding the change in EBITDA in the revised forecast (a decrease of 0.2 billion yen), would it be accurate to understand this as representing LYST's EBITDA loss for the current fiscal year?

A. (Answer: Kobayashi) Broadly speaking, yes — the change is primarily attributable to LYST's standalone EBITDA loss. However, to be precise, it also includes the impact of a recalculation of the initially estimated goodwill amortization and related items.

【About the business performance of the first quarter】

Q. You mentioned that Gross Merchandise Value (hereinafter referred to as "GMV") was generally in line with the plan, but could you elaborate on the factors behind operating profit and EBITDA exceeding expectations? I had understood that a year-on-year decline in profit was anticipated for the first quarter — was that correct?

A. (Answer: Kobayashi) With regard to GMV, the ZOZOTOWN business slightly underperformed against the plan. However, in LY Corporation Commerce, the "Serious ZOZO Festival" in June — a special sales event that was not initially planned at the beginning of the fiscal year — was held, which led to significant outperformance. As a result, overall GMV ended up broadly in line with the plan. As for operating profit and EBITDA, your understanding is correct — we had initially anticipated a year-on-year decline in the first quarter. However, the actual results exceeded our expectations mainly due to two factors: ①Part of the promotional expenses originally planned for the first quarter were not used and have been carried over to the second quarter and beyond. ②Operational efficiency at our logistics centers exceeded expectations, allowing us to significantly reduce logistics-related expenses.



Q. Could you share the GMV growth rates by category, specifically for cosmetics and fashion?

A. (Answer: Kobayashi) For ZOZOCOSME, we are projecting full-year GMV growth of around 12%. In the first quarter, however, growth outpaced our expectations. This growth rate exceeds that of the fashion category. Please note that we are refraining from disclosing detailed GMV figures by category at this time.

Q. Sales from the advertising business appear to be tracking ahead of the initial forecast. Could you explain the key factors behind this and share your outlook for the whole year?

A. (Answer: Hirose) In our initial forecast, we assumed that the positive impact on the growth rate from the per-click unit price increase implemented at the beginning of the previous fiscal year had run its course. However, in the first quarter, the click-through rate (CTR) exceeded expectations and performed strongly, leading to sales surpassing our plan. Although the outlook remains uncertain, we will continue striving for further improvements and aim to exceed the forecast.

Q. The number of active members has been steadily increasing. Have there been any changes in your promotional initiatives?

A. (Answer: Hirose) The growth is attributable to the steady acquisition of new members through online advertising and on-site initiatives within ZOZOTOWN, as well as to the solid retention of customers acquired in the previous fiscal year. In particular, we significantly increased our investment in online advertising to boost customer attraction. As a result of effective targeting strategies, we achieved a higher return on investment compared to the previous year.

【About expenses】

Q. What were the factors behind the improvement in the cost of sales ratio to GMV in the first quarter?

A. (Answer: Kobayashi) As you pointed out, the cost of sales ratio to GMV improved in the first quarter. Cost of sales arises mainly in our Outright purchase/production & sales and USED sales businesses. The primary factor behind the improvement was the optimization of the cost of acquiring inventory in USED sales, due to enhancements in the pricing algorithm used in our "Replacement Discount" (trade-in discount) service, which purchases pre-owned items from customers.

Q. Logistics-related expenses seem to have improved significantly in the first quarter. What is your outlook for further efficiency gains from the second quarter onward?

A. (Answer: Yanagisawa) Logistics efficiency improved substantially in the first quarter due to improvements in inventory status and the introduction of labor-saving equipment. However, we do not expect further improvements on a similar scale in or after the second quarter.

Q. Regarding logistics cost efficiency, could you share which specific initiatives have been most effective?

A. (Answer: Hirose) There are two main initiatives. First, we improved operational efficiency by optimizing inventory status in our logistics centers. Specifically, we promoted the clearance of stagnant inventory through the sale events and returned certain items to brand partners to optimize inventory status, thereby improving storage and picking efficiency. Second, labor-saving capital investments at ZOZOBASE TSUKUBA 3 have delivered the expected benefits. These improvements began to take effect midway through the second quarter of the previous fiscal year and are considered to have largely run their course going forward.



Q. What was the approximate amount of one-time M&A-related expenses included in SG&A for the first quarter?

A. (Answer: Kobayashi) In the first quarter, we recorded approximately 800 million yen in expenses related to the LYST M&A. These costs were mainly associated with due diligence procedures and success fees paid to financial advisors. Of this amount, just under 200 million yen was recorded as “outsourcing commission”, and a little over 600 million yen was recorded under “others”.

Q. It was mentioned that actual promotion-related expenses in the first quarter were below budget. Could you clarify what specific activities were deferred?

A. (Answer: Kobayashi) There were several factors behind the unspent actual promotion-related expenses, but two key reasons stand out. First, the promotional campaign for our new service “ZOZOMATCH,” which launched on June 30. We held off on teaser ads and other pre-launch activities, with plans to allocate those expenses starting in the second quarter. Second, category-specific promotions such as those for ZOZOCOSME. Since sales were strong even without these campaigns, we decided to postpone some of the planned initiatives.

【About LYST】

Q. Regarding the LYST’s business plan, could you comment on its assumptions, such as whether it is aggressive or conservative, and any potential upside or downside risks?

A. (Answer: Yanagisawa) The plan we have formulated should be understood as a neutral forecast, neither particularly aggressive nor conservative. With regard to operating profit, we do not currently foresee any major risk of fluctuation. On the other hand, GMV may be subject to changes depending on market conditions. If such changes occur, we intend to control advertising expenses flexibly in order to maintain operating profit at the planned level.

Q. The current fiscal year projects an operating loss for LYST. Do you expect any improvement from next fiscal year onward, or is there a risk of the loss widening?

A. (Answer: Yanagisawa) We expect LYST to remain in an operating loss next fiscal year as well. While the size of the loss may stay roughly the same as this year or increase slightly, we do not anticipate any significant deterioration.

Q. Advertising expenses for LYST appear to be high as a percentage of GMV. Is the Company limiting spending during the current fiscal year, as platform improvements are still underway? Also, how should we view the outlook for advertising expenses in and after the next fiscal year?

A. (Answer: Yanagisawa) Due to the nature of LYST’s business model, advertising expenses tend to be higher as a percentage of GMV compared to the ZOZOTOWN business. However, for this fiscal year, we have planned a slight reduction in the advertising expense ratio to GMV compared to the previous year. From the next fiscal year onward, we expect that platform improvements will still take time, and we anticipate advertising expenses to remain at roughly the same level as in the current fiscal year.

Q. Regarding LYST’s operating loss, should we view this as an upfront investment for future growth or as an indication that its business model has yet to reach profitability?

A. (Answer: Yanagisawa) LYST is currently in an investment phase where top-line growth is prioritized and is therefore operating at a loss at this stage. Given its affiliate-based business model, a large portion of SG&A expenses is allocated to advertising. While it would be possible to turn a short-term profit by reducing advertising spend, upfront investment is essential to scaling the business. Going forward, we aim to improve mid-term profitability by driving top-line growth while enhancing the efficiency of our advertising investments.



Q. What is the growth rate of LYST's GMV forecast compared to the previous fiscal year?

A. (Answer: Kobayashi) As we have not disclosed the actual results for the previous fiscal year, we must refrain from disclosing a specific growth rate. That said, the current plan is broadly in line with last year's performance.

Q. Could you share your GMV outlook for LYST on a local currency (GBP) basis, and the exchange rate assumptions used when formulating the plan?

A. (Answer: Kobayashi) The business plan for LYST has been prepared in US dollars rather than in British pounds. The exchange rate assumption used in the plan is just under 143 yen to the dollar.

【Others】

Q. Could you explain the business model and monetization strategy for ZOZOMATCH, as well as when it is expected to contribute to earnings?

A. (Answer: Yanagisawa) As with typical online dating services, we plan to monetize primarily through monthly subscription fees charged to male users. That said, it will likely take some time before the service makes a meaningful contribution to earnings.

Q. Are there any plans to introduce an AI-powered shopping assistant?

A. (Answer: Yanagisawa) We are currently developing an AI agent function for customers and aim to launch a LINE-based service within this fiscal year. Specifically, we plan to offer styling suggestions tailored to each customer online, using AI trained on outfit coordination data accumulated through our ultimate personalized-styling service, "niaulab."

Q. What is your view on TikTok Shop, which recently launched in Japan? Do you see it as a potential competitor?

A. (Answer: Yanagisawa) We are closely monitoring the situation surrounding TikTok Shop. However, it is still too early to determine whether it will become a direct competitor, and we believe it is important to continue observing how things evolve.

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