

Dear Shareholders,

1-15-16 Midori-cho, Inage-ku, Chiba-shi, Chiba

ZOZO, Inc.

Representative Director,
President & CEO

Kotaro Sawada

Notice of Convocation of the 23rd Ordinary General Meeting of Shareholders

Thank you very much for your continued support.

We are pleased to announce that we will hold the 23rd Ordinary General Meeting of Shareholders as follows.

Recently, we are in the situation where the central government and prefectural governors strongly advise voluntary bans on going out to prevent the spread of infection by the COVID-19. As a result of careful examination following the situation, the Company decided to hold this general meeting of shareholders with an appropriate measure implemented to prevent the infection. Given the situation that the voluntary ban on going out is strongly advised, the Company asks shareholders to exercise their voting rights in writing or online as much as possible in advance and avoid visiting the venue for the general meeting of shareholders on the day regardless of their health from the viewpoint of prevention of the infection.

Please review reference materials for the ordinary general meeting of shareholders described below and exercise your voting rights by 5:00 p.m. JST on Thursday, June 24, 2021, by mail or via the Internet (in case of mail, it must arrive by the same date and time described above).

Yours sincerely,

Content

1. Date and time 1:00 p.m. JST, Friday, June 25, 2021
2. Location Tokyo Bay Makuhari Hall 2nd Floor
2-3 Hibino, Mihama-ku, Chiba
APA Hotel & Resort Tokyo Bay Makuhari
3. Purpose

- Reporting matters
1. 23rd Term (from April 1, 2020, to March 31, 2021) contents of business report, content of the consolidated financial statements, and report of the audited consolidated financial statements of the accounting auditor and the Board of Corporate Auditors
 2. Report of the 23rd term (from April 1, 2020, to March 31, 2021) financial statements

Resolution matters

- | | |
|--------------|--|
| Agenda No.1 | Distribution of surplus |
| Agenda No. 2 | Appointment of 8 directors |
| Agenda No. 3 | Amendment of director remuneration etc. (Grant of performance-linked restricted transfer shares) |

End

※If you attend the meeting, please submit the Voting Rights Exercise Form at the reception desk.
※The following documents are posted on our website (<https://corp.zozo.com/ir-info/>) in accordance with laws and regulations and Article 17 of the Company's Articles of Incorporation. It is not listed in the attached document of this notice.

- ① Statement of changes in shareholders' equity
- ② Notes to the financial statements
- ③ Consolidated statements of changes in shareholders' equity
- ④ Notes to the consolidated financial statements

Accordingly, the attached documents of this convocation notice are part of the consolidated financial statements and the financial statements audited by statutory auditor and the accounting auditor in preparing the audit report and the accounting auditor's report.

※Any adjustments to reference materials for the general meeting of shareholders, business reports, financial statements and consolidated financial statements will be posted on our website (<https://corp.zozo.com/ir-info/>).

Countermeasures for the prevention of the COVID-19

- ※In order to achieve minimized operations, we will not give souvenirs for shareholders this year. Thank you for your understanding.
- ※Prior to the reception, we will check the temperature of the shareholders. Shareholders who are judged to be in poor health by the staff may decline to enter the venue.
- ※Shareholders scheduled to attend this meeting are asked to bring their surgical masks. Also, please wear mask at the venue.
- ※Staff members of the general meeting of shareholders will check their physical condition, including temperature check, and wearing masks.
- ※For the purpose of reducing the risk of spread of the disease and maintaining the company's business, our only a few executives may attend at the venue or attend via online, regardless of their health status on the day of the general meeting of shareholders.
- ※Depending on the situation of the spread of the COVID-19, the venue and start time may inevitably change. If that happens, we will post it on our website (<https://corp.zozo.com/ir-info/>). Shareholders are asked to check our website in advance, even if you attend the meeting on the day.
- ※The number of seats is largely reduced from the previous year, due to maintain the sufficient gap between seats for shareholders. Please be aware in advance that we may decline entry if the seats are full.
- ※The ordinary general meeting of shareholders will be broadcast live on the Internet for shareholders to view from their homes or other locations. For more details, please refer to the attached sheet.

Guidance on the exercise of voting rights



When attending a general meeting of shareholders

* If you are attending on the day, please submit the Voting Rights Exercise Form enclosed at the reception desk.

Date of the general meeting of shareholders

Friday, June 25, 2021
1:00 p.m. JST



When exercising your voting rights by mail

Please indicate the pros and cons of the agenda on the enclosed voting form and submit it without putting a stamp.

Voting Deadline

Thursday, June 24, 2021
Until arriving 5:00 p.m. JST



When exercising your voting rights by the Internet

Please visit the website for exercising voting rights (<https://www.web54.net>), use the "Voting Right Exercise Code" and "Password" written on the enclosed Voting Rights Exercise Form to input your pros and cons of the agenda.

Voting Deadline

Thursday, June 24, 2021
Until 5:00 p.m. JST

Please refer to the next page for detail

* If you have exercised your voting rights more than once, we will treat the exercise that arrived at our company last as valid exercise of voting rights. Also, if the exercise of voting rights via the Internet etc., and it via mail arrive on the same day, we will treat the one via the Internet etc. as valid exercise of voting rights.

Matters concerning the exercise of voting rights by proxy

If you cannot attend on the day, you can exercise your voting rights by proxying one other shareholder with voting rights. However, please be aware that it is necessary to submit the power of attorney for this general meeting of shareholders and the form for the exercise of voting rights of each of the shareholders themselves and the representative shareholders.

Notification method of disparate exercise of voting rights

About a shareholder who exercises without voting rights unfairly (limited to the stockholders who own shares for the sake of others), three days before the day of the general meeting of shareholders, please inform us in writing that you will exercise the voting rights you possess without unity and the reason.

Guidance on the exercise of voting rights by the Internet etc.

How to read the QR code "Smart Exercise"

You can log in to the voting website without entering a voting right exercise code and password.

- 1 Please read the QR code on the lower right of the Voting Rights Exercise Form.**



* "QR code" is a registered trademark of DENSO WAVE INCORPORATED.

- 2 Please follow the instructions on the screen and enter your approval or rejection.**



The exercise of voting rights in "Smart Exercise" is valid only once.

If you wish to change your exercise after voting, access the site for PC, enter the "Voting Right Exercise Code" and "Password" described in the voting form and login, and exercise your voting rights again.

* If you read the QR code again, you can transition to the site for PC.

If you do not know how to operate a computer etc. regarding exercise of voting rights on this site, please contact the following:

Sumitomo Mitsui Trust Bank,
Limited. Securities Agent Web
Support Dedicated Dial

0120-652-031

(9:00 a.m. JST to 9:00 p.m. JST)

How to enter voting right exercise code/password

Voting right exercise website: <https://www.web54.net>



- 1 Please access the website for exercising voting rights**



Click
"Continue"

- 2 Please enter the "Voting Right Exercise Code" described in the voting right exercise form.**



Enter "Voting
Right Exercise
Code"

Click "Login"

- 3 Please enter the "Password" described in the voting right exercise form.**



Enter
"Password"

Click
"Continue"

- 4 Please follow the instructions on the screen and enter your approval or rejection.**

To Institutional Investors

In addition to the exercise of voting rights via the Internet etc. mentioned above, only if you apply in advance, you can use the electronic voting platform operated by ICJ, Inc.

Reference Materials for Ordinary General Meeting of Shareholders

Proposed agendas and reference materials

Agenda No.1 Distribution of surplus

Year-end dividends for the 23rd fiscal term will be as follows, taking into account the business results for the current fiscal year, future business development, and the status of retained earnings.

Year-end dividends

- ① Allocation of financial assets to shareholders, and total amount thereof:
26 yen per share for the Company's ordinary stock
Total Amount: 7,939,473,646 yen
- ② Effective date of dividends
June 28, 2021

Agenda No.2 Appointment of 8 directors

As the terms of office of all directors (eight members) of the Board of Directors will expire upon the end of this Ordinary General Meeting of Shareholders, the Company requests the approval of the appointment of eight directors. The candidates for directors have been determined by the Board of Directors after receiving the report from the Nomination and Remuneration Consultatory Committee, which is composed mainly of independent external directors.

Director candidates are as follows:

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
1	Kotaro Sawada (December 15, 1970)	<p>April 1994 Joined NTT Data Corporation</p> <p>April 1998 Joined NTT Data Institute of Management Consulting, Inc.</p> <p>June 2005 Joined Skylight Consulting Co., Ltd.</p> <p>May 2008 Representative Director, Start Today Consulting Co., Ltd.</p> <p>June 2013 Director of the Company</p> <p>April 2017 Responsible for the Company's Marketing Division</p> <p>May 2019 Responsible for the Company's ZOZOTOWN business</p> <p>September 2019 Representative Director, President & CEO (current post)</p> <p>(Important concurrent post)</p> <p>Nothing in particular</p>	19,500 Shares
<p><Reasons for nominating as a director candidate></p> <p>Mr. Sawada has been chosen as a candidate for continuation of his post as a Director because he has been involved in important business execution and management decision-making and supervision as the person responsible for the marketing section, after also serving as a Representative Director of a subsidiary since joining the Company. In addition, He has served as the Company's representative since September 2019 and has worked to ensure prompt and flexible decision-making in business operations. As he is suitable for the future growth of the group and the realization of the Company's philosophy, we continue to nominate him as a candidate for director.</p>			
2	Koji Yanagisawa (May 19, 1971)	<p>April 1995 Joined the Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>May 1999 Joined NTT Data Institute of Management Consulting, Inc.</p> <p>May 2005 Joined Mizuho Securities Co., Ltd.</p> <p>February 2006 Standing Statutory Auditor of the Company</p> <p>June 2008 Director and General Manager of Business Administration Division of the Company</p> <p>April 2009 Director and CFO of the Company</p> <p>April 2017 Director, Vice-President, and CFO (responsible for Administrative Division) of the Company</p> <p>July 2020 Director, Vice-President, CFO and Executive Officer of Business Administrative Division of the Company (current post)</p>	115,800 Shares

		(Important concurrent posts) External Director, COLOPL, Inc. External Director, Digital Holdings, Inc.	
	<p><Reasons for nominating as a director candidate> Mr. Yanagisawa has strengthened the Company's managerial foundation through supervising accounting, finance, IR, legal, and other areas of management, overseeing corporate governance, M&As, and other responsibilities. In addition, he executes business operations as a Director and Vice-President, and we have chosen him as a candidate to continue as a director because we expect him to perform his duties based on a wide range of perspectives in the future as well as a member of the Board of Directors.</p>		
3	Fuminori Hirose (August 17, 1977)	<p>April 2001 Joined The Dai-Ichi Kangyo Bank Ltd. (currently Mizuho Bank, Ltd.)</p> <p>August 2005 Joined Nikko Cordial Securities Inc. (currently SMBC Nikko Securities Inc.)</p> <p>May 2007 Head of Internal Audit Office of the Company</p> <p>August 2010 General Manager of Business Administration Division of the Company</p> <p>April 2012 General Manager of EC Business Division of the Company</p> <p>July 2017 General Manager of Business Administration Division of the Company</p> <p>May 2019 Executive Officer and General Manager of Business Administration Division of the Company</p> <p>July 2020 Executive Officer and General Manager of EC Business Division of the Company (current post) Executive Officer of MSP Product Development Division of the Company</p> <p>February 2021 Executive Officer of Category Promotion Division of the Company (current post)</p> <p>(Important concurrent post) Auditor, KOKOPELLI Inc.</p>	5,000 Shares
	<p><Reasons for nominating as a director candidate> Mr. Hirose has contributed to the Company's growth with his wide range of experience and knowledge as Head of Internal Audit Office, Executive Officer and General Manager of Business Administration Division, and Executive Officer and General Manager of EC Business Division since joining the Company. He is expected to contribute to the enhancement of the corporate value of the Company therefore we have chosen him as a candidate for director of the Company.</p>		
4	Kentaro Kawabe (October 19, 1974)	<p>December 1996 Director, Dennotai Corporation</p> <p>September 1999 CEO, Dennotai Corporation</p> <p>December 1999 Director, PIM Corporation</p> <p>August 2000 Joined Yahoo Japan Corporation (currently Z Holdings Corporation), Yahoo! Mobile Producer</p> <p>January 2007 Yahoo! News Supervisor, Yahoo Japan Corporation (currently Z Holdings Corporation)</p>	- Shares

May 2009	President and Representative Director of GyaO Corporation (currently GYAO Corporation)
April 2012	Corporate Officer, Chief Operating Officer (COO), President of Media Business Group, Yahoo Japan Corporation (currently Z Holdings Corporation)
July 2012	Senior Executive Vice President, Chief Operating Officer (COO), Head of Media Service Company, Yahoo Japan Corporation (currently Z Holdings Corporation)
June 2014	Senior Executive Vice President, Managing Corporate Officer, Director & COO, Yahoo Japan Corporation (currently Z Holdings Corporation)
June 2015	Senior Executive Vice President Corporate Officer, Chief Operating Officer (COO), Yahoo Japan Corporation (currently Z Holdings Corporation)
April 2017	Senior Executive Vice President Corporate Officer, Chief Operating Officer (COO), President of Commerce Group, Yahoo Japan Corporation (currently Z Holdings Corporation)
April 2018	Chief Executive Officer (CEO), Senior Executive Vice President Corporate Officer, Yahoo Japan Corporation (currently Z Holdings Corporation)
June 2018	President and Representative Director, President Corporate Officer, Chief Executive Officer (CEO), Yahoo Japan Corporation (currently Z Holdings Corporation)
September 2018	Director, SoftBank Corp. (current post)
October 2019	President and Representative Director, President Corporate Officer, Chief Executive Officer (CEO), Yahoo Japan Corporation (current post)
January 2020	Director of the Company (current post)
March 2021	President and Representative Director, Co-CEO, Z Holdings Corporation (current post)
June 2021	Director, SoftBank Group Corp. (to be appointed)
	(Important concurrent post)
	President and Representative Director, Co-CEO, Z Holdings Corporation
	President and Representative Director, President Corporate Officer, Chief Executive Officer (CEO), Yahoo Japan Corporation
	Director, SoftBank Corp.
	Director, SoftBank Group Corp. (to be appointed)

<Reasons for nominating as a director candidate>

Mr. Kawabe possesses abundant experiences and extensive knowledge accumulated in the Internet service industry as a management executive; thus, we request Mr. Kawabe's appointment as a Director so that he can apply his experiences and knowledge to management of the Company group.

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
5	Takao Ozawa (February 29, 1972)	<p>April 1995 Joined CSK Co., Ltd. (currently SCSK Corporation)</p> <p>August 1999 Established Bizseek Inc., Representative Director</p> <p>March 2003 Joined Rakuten, Inc., Executive Officer in charge of Auction Business</p> <p>January 2005 Director, General Manager of Business Division, Rakuten Baseball, Inc.</p> <p>September 2012 Joined Yahoo Japan Corporation (currently Z Holdings Corporation)</p> <p>October 2012 Director COO, YJ Capital Inc.</p> <p>July 2013 Executive Officer Shopping Company President, Yahoo Japan Corporation (currently Z Holdings Corporation)</p> <p>August 2013 External Director, ASKUL Corporation. (current post)</p> <p>April 2014 Representative Director, YJ Capital Inc.</p> <p>January 2015 Director, YJ Capital Inc.</p> <p>September 2015 Director, User Local, Inc. (current post)</p> <p>March 2016 Director, ValueCommerce Co., Ltd. Director, Ikyu Corporation</p> <p>April 2018 Managing Executive Officer, President of Commerce Company and General Manager of Commerce Company Shopping Division, Yahoo Japan Corporation (currently Z Holdings Corporation)</p> <p>June 2018 Director, PayPay Corporation (current post)</p> <p>October 2018 Chairman, Ikyu Corporation (current post)</p> <p>June 2019 Director, Senior Executive Officer, Yahoo Japan Corporation (currently Z Holdings Corporation) (current post)</p> <p>October 2019 Director, Senior Executive Officer, Chief Operating Officer (COO), Yahoo Japan Corporation (current post)</p> <p>June 2020 Director of the Company (current post)</p>	- Shares
		<p>(Important concurrent post)</p> <p>Director, Senior Executive Officer, Director Z Holdings Corporation.</p> <p>Director, Senior Executive Officer, Chief Operating Officer (COO), Yahoo Japan Corporation</p> <p>External Director, ASKUL Corporation</p> <p>Chairman, Ikyu Corporation</p> <p>Director, PayPay Corporation</p>	

	<Reasons for nominating as a director candidate> Having abundant experience and wide-ranging knowledge cultivated in the Internet services industry as a manager, we appoint him as a candidate for a director in order to utilize them in the management of the Company group.			
6	Koji Ono (March 28, 1957)	September 1979 May 1984 March 1988 June 2011 (Important concurrent post) Director, Diamond Head Co., Ltd.	Joined Neebee Project, Inc. Joined Z Company, Ltd. Director, Diamond Head Co., Ltd. (current post) Director of the Company (current post)	- Shares
	<Reasons for nominating as an external director candidate and an expected role> We request Mr. Ono's appointment as an external director so that he can continue to oversee Company management and contribute to strengthening corporate governance through advising on Company management as a whole, based on his wealth of experience and broad-ranging knowledge accumulated in art direction and corporate and product branding activities, centered on the fashion industry. In addition, we expect him to supervise management and strengthen corporate governance, mainly by providing advice on the formulation of management strategies and decision-making for business execution, leading the nomination and remuneration decision-making process, and supervising conflicts of interest.			
7	Kazunori Hotta (September 24, 1975)	October 1998 August 2000 June 2002 October 2003 June 2014 November 2015 June 2019 (Important concurrent post) President and Representative Director, Good Luck Corporation	Joined TAKE AND GIVE. NEEDS Co., Ltd. Director, TAKE AND GIVE. NEEDS Co., Ltd. Resigned from TAKE AND GIVE. NEEDS Co., Ltd. Established Good Luck Corporation President and Representative Director (current post) Director, TAKE AND GIVE. NEEDS Co., Ltd. Director/General Manager, International Business Division, TAKE AND GIVE. NEEDS Co., Ltd. Director of the Company (current post)	- Shares
	< Reasons for nominating as an external director candidate and an expected role > We request Mr. Hotta's appointment as an external director so that he can oversee Company management and contribute to strengthening corporate governance through advising on Company management as a whole, based on hits wealth of experience and broad-ranging knowledge accumulated in the wedding and hotel industries. In addition, we expect him to supervise management and strengthen corporate governance, mainly by providing advice on the formulation of management strategies and decision-making on business execution, participating in the nomination and remuneration decision-making process, and supervising conflicts of interest.			

Candidate Number	Name (Date of Birth)	Career history, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
8	Taro Saito (November 24, 1972)	<p>April 1995 Joined DENTSU INC.</p> <p>May 2005 Established dof Inc., Director</p> <p>June 2009 Retired from DENTSU INC..</p> <p>June 2009 President and Representative Director, dof Inc. (current post)</p> <p>December 2014 External Director, VOYAGE GROUP Inc. (currently CARTA HOLDINGS, INC.) (current post)</p> <p>January 2017 Established CC INC., Director (current post)</p> <p>June 2019 External Director, for Startups, Inc. (current post)</p> <p>June 2020 Director of the Company (current post)</p> <p>(Important concurrent post)</p> <p>President and Representative Director, dof Inc.</p> <p>External Director, CARTA HOLDINGS, INC.</p> <p>Director, CC INC.</p> <p>External Director, for Startups, Inc.</p>	- Shares
<p>< Reasons for nominating as an external director candidate and an expected role ></p> <p>Based on his extensive experience and broad insight in branding and communication design, we expect him to continue to supervise the management of the Company and to contribute to the strengthening of corporate governance by providing advice on the Company's overall management. In addition, we expect him to supervise management and strengthen corporate governance, mainly by providing advice on the formulation of management strategies and decision-making on business execution, participating in the nomination and remuneration decision-making process, and supervising conflicts of interest.</p>			

- (NOTE) 1. Mr. Fuminori Hirose is a candidate for new director.
2. There are no particular conflicts of interest between any of the candidate directors and the Company.
3. Mr. Kentaro Kawabe is a President and Representative Director, President Corporate Officer, Chief Executive Officer (CEO) of Yahoo Japan Corporation which has a business relationship with the Company related to opening stores in PayPay Mall and advertising, as well as transactions related to user referral, and also competes in the Fashion eCommerce Business.
4. " Career History, Status, Responsibilities, and Important Concurrent Posts" of Mr. Kentaro Kawabe includes positions and responsibilities of the current or the last ten years of business execution at Z Holdings Corporation and its subsidiary, Yahoo Japan Corporation.
5. Mr. Takao Ozawa is a Director, Senior Executive Officer, Chief Operating Officer (COO) of Yahoo Japan Corporation which has a business relationship with the Company related to opening stores in PayPay Mall and advertising, as well as transactions related to user referral, and also competes in the Fashion eCommerce Business.
6. " Career History, Status, Responsibilities, and Important Concurrent Posts" of Mr. Takao Ozawa includes positions and responsibilities of the current or the last ten years of business execution at Z Holdings Corporation and its subsidiary, Yahoo Japan Corporation.

7. Mr. Koji Ono, Mr. Kazunori Hotta and Mr. Taro Saito are candidates for external directors. Each of them meets the requirements for independent directors as defined by the Tokyo Stock Exchange, and if the appointment is approved, the Company will designate them as independent directors and submit it to the Tokyo Stock Exchange.
8. Mr. Koji Ono's term in office as an external director of the Company will be ten years upon the end of this General Meeting.
9. Mr. Kazunori Hotta's term in office as an external director of the Company will be two years upon the end of this General Meeting.
10. Mr. Taro Saito's term in office as an external director of the Company will be one year upon the end of this General Meeting.
11. Neither Mr. Koji Ono, Mr. Kazunori Hotta nor Mr. Taro Saito is an executive or an officer of a business having specified ties to the Company, or has been an executive or an officer of a business having specified ties to the Company within the past ten years.
12. Neither Mr. Koji Ono, Mr. Kazunori Hotta nor Mr. Taro Saito plans to receive, or has received within the past two years, large sums of money or other assets from the Company or a business having specified ties to the Company.
13. Neither Mr. Koji Ono, Mr. Kazunori Hotta nor Mr. Taro Saito is a spouse, relative within three degrees of consanguinity, or party in a similar relationship to an executive or an officer of the Company or a business having specified ties to the Company.
14. Neither Mr. Koji Ono, Mr. Kazunori Hotta nor Mr. Taro Saito was a business executive of a joint-stock company from which the Company has succeeded rights or obligations within the past two years through merger, spin-off and absorption, spin-off as a new organization, or transfer of business, immediately prior to such merger etc.
15. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company plans to conclude with Mr. Kentaro Kawabe, Mr. Takao Ozawa, Mr. Koji Ono, Mr. Kazunori Hotta and Mr. Taro Saito, contracts limiting the liability for damages as stipulated in Article 423, Paragraph 1 of that Act should appointments are approved. Under the said contracts, Mr. Kawabe, Mr. Ozawa, Mr. Ono, Mr. Hotta and Mr. Saito's liability for damages would be limited to the maximum amount prescribed by laws and regulations.
16. The Company will enter into a liability insurance policy for directors and officers, which is stipulated in Article 430-3, Paragraph 1, of the Companies Act, with an insurance company to cover litigation expenses and compensation for damage arising from third-party claims, shareholder derivative actions, and company's actions borne by insured persons. The candidates will be included in the insured persons of the relevant insurance policy.

Agenda No. 3 Amendment of director remuneration etc. (Grant of performance-linked restricted transfer shares)

This agenda is to request an approval that the Company amends the contents of the performance-linked restricted stock remuneration plan (hereinafter, referred to as the "Amended Plan") which was approved at the 22nd Ordinary General Meeting of Shareholders held on June 29, 2020 (hereinafter referred to as the "22nd Ordinary General Meeting of Shareholders") for the directors of the Company (limited to business execution directors; hereinafter referred to as the "Eligible Directors").

At the 19th Ordinary General Meeting of Shareholders held on June 27, 2017, it was approved that the annual amount of remuneration for the directors of the Company shall be 800 million yen or less (of which the annual amount of remuneration for external directors shall be 50 million yen or less, excluding the employee's salary for directors serving concurrently as an employee). In addition, at the 22nd Ordinary General Meeting of Shareholders, it was approved that the payment of cash remuneration for the grant of the restricted stock to the Eligible Directors within the range of 162 million yen per year (excluding the employee's salary for directors serving concurrently as an employee), which is a separate amount from the annual amount of remuneration.

The Company proposes to amend the Plan in order to enable it to grant the restricted stock without payment of money or contribution of asset-in-kind, upon the enactment of Law partially amending the Companies Act (Act No.70 of 2019). Upon the amendment, the Plan will remain essentially the same, while the new method of issuance or disposition of the restricted stock will be introduced.

If Agenda No.2 is approved as proposed, the number of Eligible Directors will remain to be three. The Plan does not cover non-executive directors, including external directors.

1. Method of Issuance or Disposal of the Restricted Stock

Under the Plan, after the amendment, the issuance or disposition of the restricted stock will be conducted by either of the following methods:

- ① The Company issues or disposes of the restricted stock as remuneration to the Eligible Directors without payment of money or contribution of asset-in-kind by the Eligible Directors (hereinafter referred to as the "Issuance without compensation"); or
- ② The Company issues or disposes of the restricted stock after the Company pays monetary compensation claims to the Eligible Directors as remuneration, and the Eligible Directors contribute the entire amount as asset-in-kind (hereinafter referred to as the "Issuance by Contribution in Kind").

2. Maximum Number and Amount of Restricted Stock to be Granted to Eligible Directors

The total number of the Company's common stock to be issued or disposed and allotted to the Eligible Directors under the Plan shall not exceed 120,000 shares per year as before (provided, however, that the upper limit of the total number of the common stock could be reasonably adjusted in the event of stock split, including the allotment of common stock without contribution, or stock consolidation of our common stock is conducted after the date of approval of this agenda for the Amended Plan at the 23rd Ordinary General Meeting of Shareholders (hereinafter, referred to as the "GMS"), and other cases requiring an adjustment of the upper limit of the total number of common stock to be issued or disposed as restricted stock). The total amount of

restricted stock shall not exceed 162 million yen per annum (excluding the employee's salary for directors serving concurrently as an employee). In the case of the Issuance without compensation, common stock issued or disposed by the Company does not require payment of money, etc. but the amount of remuneration for Eligible Directors is calculated under the price per share, which is calculated based on the closing price of common stock of the Company on the Tokyo Stock Exchange on the business day prior to the resolution of the Board of Directors on the day prior to the issuance or disposition of our common stock (the closing price on the most recent trading day prior to the transaction, if no transactions are consummated on the day). In the case of the Issuance by Contribution in Kind, we shall pay monetary compensation claims to the Eligible Directors within the amount stated above, and issue or dispose of our common stock by receiving the Issuance by Contribution in Kind from the Eligible Directors. The amount to be paid per share for such issuance or disposition will be determined by the Board of Directors based on the closing price of our common stock on the Tokyo Stock Exchange on the business day prior to the resolution of the Board of Directors on the day prior to the issuance or disposition of our common stock (the closing price on the most recent trading day prior to such date if the transaction is not consummated on that date), and the amount shall not be particularly favorable to the Eligible Directors who subscribe to our common stock.

The specific timing and allocation to each Eligible Director shall be determined at the Board of Directors based on the deliberation by the Nomination and Remuneration Consultatory Committee.

3. Outline of the Restricted Stock to be Granted to the Eligible Directors

In addition, in issuing or disposing of common stock under the Amended Plan, the Company and the Eligible Directors will enter into a restricted transfer stock allotment agreement (hereinafter, referred to as the "Allotment Agreement"). The contents of the Allotment Agreement are as follows. There is no change from the contents approved at the 22nd Ordinary General Meeting of Shareholders:

(1) Term of Transfer Restriction

The Eligible Directors must not assign, create a security interest in, or otherwise dispose of common stock allotted under the Allotment Agreement for the term which the Board of Directors of the Company determines, however, such term shall be within the range of 1 year to 3 years.

(2) Release of Transfer Restriction

The Company determines the ratio of the release of transfer restriction in accordance with the degree of the growth rate of the Company's share price, consolidated operating income, and other performance targets set in advance by the Board of Directors of the Company, on the condition that the Eligible Director has continuously held the position of director of the Company during the term of transfer restriction. Of the allotted shares held by the Eligible Directors at the time of expiration of the term, the Company shall release the transfer restriction of the number of allotted shares (rounded down to the nearest share) calculated by multiplying the number of allotted shares by the ratio of the release of transfer restriction. However, if an Eligible Director resigns from his or her position as a Director of the Company during the term of transfer restriction for any reasons that those recognized as legitimate by the Board of Directors of the Company, the number of the Allotted Shares for which the transfer restriction is released and the timing of release of the transfer restriction shall be reasonably adjusted as necessary.

(3) Acquisition of the Allotted Shares without Consideration

The Company shall acquire, without consideration, the Allotted Shares for which the transfer restriction will not be released in accordance with (2) above. In addition, if an Eligible Director resigns from his or her position as a Director of the Company prior to the expiration of the term of transfer restriction for reasons other than those recognized as legitimate by the Board of Directors of the Company, or any other certain reasons, the Company shall acquire all or part of the Allotted Shares without consideration.

With respect to the Allocated Shares for which the transfer restriction has been released in accordance with (2) above, if it is found that there was a certain reason, such as an error in the figures that are used as the basis for calculating the rate of release of the transfer restriction, after the release of the transfer restriction, and if the Company deems it appropriate, the Eligible Directors shall refund to the Company all or part of the Allocated Shares or cash equivalent thereto without consideration.

(4) Treatment of Organizational Restructuring, etc.

Notwithstanding the provisions of (1) above, if, during the term of transfer restriction, a merger agreement in which the Company becomes a defunct company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other matters related to certain organizational restructuring, etc. are approved at the GMS (or the Board of Directors if approval at the GMS is not required), the Company shall reasonably adjust the number of the Allotted Shares for which the transfer restriction is to be released and the time of release of the transfer restriction as necessary, and the Company shall acquire the Allotted Shares for which the transfer restriction has not been released without consideration.

4. Other Details to be Determined by the Board of Directors

Other details shall be determined by the Board of Directors of the Company, and such matters shall become the contents of this Allotment Agreement.

5. Reasons Why It is Appropriate to Grant the Restricted Stock

The granting of the restricted stock under this agenda is intended to provide medium to long-term incentives for the sustainable enhancement of the corporate value of the Group and to promote further value sharing between the Eligible Directors and the shareholders of the Company. At the Board of Directors held on February 12, 2021, the Company established a policy for determining individual remuneration, etc. for Directors, an outline of which is shown on page 36, and the granting of restricted stock under this agenda is in line with this policy. Also, since the ratio of the annual maximum number of shares with transfer restriction to be granted under this agenda to the total number of issued shares is approximately 0.04% which the dilution impact is insignificant, and the maximum number and total amount of restricted stock to be granted under this agenda are the same as before. Therefore, the Company has determined that the grant of restricted stock under this agenda is appropriate.

(Reference)

If the proposal for the Amended Plan is approved at the GMS, the Company plans to allocate the same restricted stock to executive officers after the conclusion of the GMS. With respect to the method of such allotment, the Company intends to issue or dispose of common stock of the Company after the payment of monetary

compensation claims to such executive officers as remuneration, and their contribution of the entire amount as asset-in-kind.

(Attached document)

Business Report for the 23rd Fiscal Year

From April 1, 2020 to March 31, 2021

1. Matters concerning the current status of the corporate group

(1) Progress of business operation and its results

[Table 1] YoY comparison

(Unit: Million yen)

	Previous consolidated fiscal year (April 1, 2019 to March 31, 2020)		Current consolidated fiscal year (April 1, 2020 to March 31, 2021)		YoY basis
Gross merchandise value	345,085	(100.0%)	419,438	(102.9%)	21.5%
Gross merchandise value (excluding other GMV)	345,085	(100.0%)	407,774	(100.0%)	18.2%
Net sales	125,517	(36.4%)	147,402	(36.1%)	17.4%
Gross profit	113,721	(33.0%)	140,033	(34.3%)	23.1%
Operating profit	27,888	(8.1%)	44,144	(10.8%)	58.3%
Ordinary profit	27,644	(8.0%)	44,386	(10.9%)	60.6%
Profit attributable to owners of parent	18,804	(5.4%)	30,932	(7.6%)	64.5%

Figures in parentheses are percentages to gross merchandise value (excluding other GMV)

Under the corporate philosophy of “Inspire the world. Deliver joy every day.”, we mainly operate the following businesses: Japan’s largest fashion eCommerce website ZOZOTOWN and a fashion media WEAR.

The current consolidated fiscal year remained extremely challenging for the apparel industry in Japan. The whole industry faced impacts from the continuous expansion of COVID-19, while a new living standard is gradually establishing. Under this circumstance, our group has been focusing even stronger on creating ZOZOTOWN more attractive to both users and brands, with the aim of increasing the number of unique users and improving the conversion rate (the purchasing rate of unique users). To maximize sales at ZOZOTOWN, we have implemented measures such as sales events ZOWEER (10 days from May 15 to 24, 2020, 10 days in total from September 9 to 13 and 18 to 22, 2020, and 17 days in total from November 6 to 15 and 19 to 25) and broadcasted TV commercial at the same time of sales events in November and January 2021. In addition, we proactively welcomed new brands in a wide range of genres to meet diversifying needs of users.

In terms of product expansion, we aggressively strengthened the D2C business and product categories. In the current consolidated fiscal year, sales of 18 new brands from “YOUR BRAND PROJECT Powered by ZOZO” started from October 22, 2020. This project is the D2C business that we create fashion brands together with individuals who have brilliant talents and senses. New popular influencers participated in March 2021 and

spring/summer products are now available. Merchandise value of the D2C business is mostly recorded in purchase stock shops. As the first step of categories enhancement, we expanded merchandise value of the shoe category in ZOZOTOWN by using the “ZOZOMAT”. The “ZOZOMAT” distribution started from February 27, 2020, which allows users to measure multiple parts of their feet in 3D and provides necessary data for selecting shoes. It has already been used by many users. Of the shoes sold in ZOZOTOWN at present, the number of shoes covered by the ZOZOMAT exceeds 2,500 styles, and sales in the shoe category are growing steadily. In addition, on March 18, 2021, we renewed ZOZOTOWN; launched ZOZOCOSME to strengthen the cosmetics category, and ZOZOVILLA, which offers a lineup of domestic and overseas luxury brands. ZOZOCOSME handles more than 500 cosmetics brands both from domestic and overseas at the time of the launch, with a female active member ratio of over 70%, and it aims to expand merchandise value of the cosmetics category in ZOZOTOWN. Furthermore, we have implemented a purchase assist function that recommend the color of the foundation that is closest to the measured skin color using “ZOZOGLOSS”, a device that can measure skin color with high precision. This enables users to have new purchasing experiences. ZOZOVILLA is a luxury and designer brands zone in ZOZOTOWN, with more than 90 luxury brands domestically and overseas. As we have grown together with fashion ever since our foundation, we have again started the zone with strong mind to provide opportunities for “fashion-lovers”. We are expecting improvement of ZOZOTOWN branding through the operation of ZOZOVILLA.

On August 20, 2020 we introduced PayPay, a cashless payment service operated by PayPay Corporation, as a new way of payment in ZOZOTOWN. PayPay is a payment method used by more than 35 million users mainly at offline, and we expected the introduction will improve convenience for existing users and drive acquisition of new users. We participated the online campaigns sponsored by PayPay Corporation to actively promote awareness of our services.

On December 17, 2019, we opened ZOZOTOWN in PayPay Mall, an online shopping mall operated by Yahoo Japan Corporation. Approximately 90% of the shops in ZOZOTOWN also sell in PayPay Mall and their sales are expanding gradually. From the opening date, we have been successfully expanding our customer base. We achieved this by increasing contact points with users who are different from conventional ZOZOTOWN users, through leveraging the mall’s strength in price competitiveness from dynamic reward points. In the current consolidated fiscal year, Yahoo Japan Corporation proactively deployed promotional expenses to PayPay Mall: large-scale sales and bonus returns event “Super PayPay Festival” (from October 17 to November 15, 2020 and March 1 to 28, 2021). We will continue to work closely with parent companies to maximize synergies by all means necessary.

In other businesses, we continued to sell the MSP (Multi-Size Platforms) business, which we launched in the fall of 2019, by leveraging the know-how we have cultivated in the PB business, by expanding the number of participating brands and items. Regarding the BtoB business, we have been focusing on “Fulfillment by ZOZO” which started in October 2019. The service is specialized in fulfillment support for brands in ZOZOTOWN. The main objective of this service is to minimize sales opportunity loss by centralizing inventory of ZOZOTOWN and brands’ own eCommerce websites. In the current consolidated fiscal year, we saw tailwind to business environment, where brands were actively enhancing their own eCommerce websites through the digital transformation following the COVID-19 expansion.

With all the measures and the initiatives, the gross merchandise value for the current consolidated fiscal year

was 419,438 million yen (+21.5% YoY), and the gross merchandise value (excluding other GMV) was 407,774 million yen (+18.2% YoY). Net sales were 147,402 million yen (+17.4% YoY), and gross profit was 140,033 million yen (+23.1% YoY).

As for the gross merchandise value, the result exceeded both the initial forecast and the revised forecast, as positive impact of the digital shift from the beginning of the fiscal year triggered by the COVID-19 epidemic. In the fourth quarter consolidated accounting period of the current fiscal year, in addition to the negative impact of the warm winter in the previous fiscal year, a significant impact from digital shift counterbalanced the negative impact from the slowdown in consumer spending deriving from the epidemic. Also, strong performance of PayPay Mall contributed significantly to the whole gross merchandise value growth.

As for net sales, YoY growth was lower than that of the gross merchandise value. The growth rate of consignment shop exceeded that of gross merchandise value, due to absence of discount measures that we took the costs, such as ZOZOARIGATO (the paid-membership service until the end of May 2019), active implementation of personalized discount services for registered members, etc. In contrast, downsizing of ZOZOUSUED and PB business impacted negatively. The amount of the gross merchandise value was represented in the amount before deductions of the discount services. On the other hand, net sales are represented was the amount after the discounts.

The gross profit margin to the gross merchandise value (excluding other GMV) was 34.3%, 1.3% points improvement from the previous consolidated fiscal year. The improvement of the margin was mainly due to 1) a decrease in discount measures that we took costs in the current consolidated fiscal year compared with the previous consolidated fiscal year, 2) an improvement in the consignment sales commission rate to the gross merchandise value, and 3) an increase in advertisement business and other sales.

Selling, general and administrative expenses was 95,889 million yen (+11.7% YoY) and the SG&A ratio to the gross merchandise value (excluding other GMV) was 23.5%, down 1.4% points from the previous consolidated fiscal year. The main reasons for the decline in the SG&A ratio were as follows. All the percentages to the gross merchandise value are calculated by dividing SG&A expenses the gross merchandise value (excluding other GMV):

Improving factors

1. Reward-point related expenses to the gross merchandise value declined by 0.8% points, from the cessation of 1% worth of ZOZO points reward for items users purchased in ZOZOTOWN from April 1, 2020,
2. Logistics related expenses in personnel expenses to the gross merchandise value declined by 0.3% points, from operation efficiency improvement inside logistics bases,
3. Rent to the gross merchandise value declined by 0.2% points, from the expiration of some logistics bases with objectives of the gross merchandise value growth and logistics bases consolidation, and
4. Other expenses to the gross merchandise value declined by 0.5% points, from a decrease in on-the-spot expenses in the previous consolidated fiscal year.

Worsening factors

1. Packaging and freight to the gross merchandise value rose by 0.4% points, from a decline in the average

order value.

Consequently, operating profit for the current consolidated fiscal year was 44,144 million yen (+58.3% YoY), and operating profit margin to the gross merchandise value (excluding other GMV) was 10.8%, increased 2.7% points YoY. Ordinary profit was 44,386 million yen (+60.6% YoY), and profit attributable to owners of parent was 30,932 million yen (+64.5% YoY).

[Table2] Comparison with the revised consolidated business forecast disclosed on January 29, 2021

(Unit: Million yen)

	Current consolidated fiscal year (Revised forecast)		Current consolidated fiscal year (Actual)		Comparison to forecast
Gross merchandise value	409,000	(101.7%)	419,438	(102.9%)	2.6%
Gross merchandise value (excluding other GMV)	402,000	(100.0%)	407,774	(100.0%)	1.4%
Net sales	145,000	(36.1%)	147,402	(36.1%)	1.7%
Operating profit	41,500	(10.3%)	44,144	(10.8%)	6.4%
Ordinary profit	41,600	(10.3%)	44,386	(10.9%)	6.7%
Profit attributable to owners of parent	28,500	(7.1%)	30,932	(7.6%)	8.5%

Figures in parentheses are percentages to gross merchandise value (excluding other GMV)

Compared to the revised consolidated business forecast disclosed on January 29, 2021, the gross merchandise value, the gross merchandise value (excluding other GMV), net sales, operating profit, ordinary profit, and profit attributable to owners of parent exceeded 2.6%, 1.4%, 1.7%, 6.4%, 6.7% and 8.5% respectively. The main reason for achieving the targets was generating high GMV and operating profit, because of the digital shift of users and brands triggered by the COVID-19 expansion continued in the fourth quarter consolidated accounting period of the current fiscal year.

Since our group is a single segment of the eCommerce business, information by segment is omitted; however, performance of each business segment within the single segment is shown below:

[Table 3] YoY comparison by business segment

By business segment	Previous consolidated fiscal year (April 1, 2019 to March 31, 2020)			Current consolidated fiscal year (April 1, 2020 to March 31, 2021)			Merchandise Value YoY (%)	Net sales YoY (%)
	Merchandise value (Million yen)	Compositi on (%)	Net sales (Million yen)	Merchandise Value (Million yen)	Compositi on (%)	Net sales (Million yen)		
ZOZOTOWN Business								

(Consignment shop)	308,888	89.4	87,312	343,828	82.0	100,970	11.3	15.6
(Purchased stock shop)	204	0.1	200	308	0.1	308	51.4	54.4
(ZOZOUSED)	15,753	4.6	15,004	11,625	2.8	11,564	-26.2	-22.9
Subtotal	324,846	94.1	102,517	355,761	84.9	112,843	9.5	10.1
PayPay Mail	6,199	1.8	1,774	28,199	6.7	8,218	354.8	363.2
PB business	1,255	0.4	1,245	188	0.0	188	-85.0	-84.8
MSP business	752	0.2	749	1,260	0.3	1,260	67.6	68.0
BtoB business	12,032	3.5	2,365	22,362	5.3	4,264	85.9	80.3
Advertisement business	-	-	2,716	-	-	4,121	-	51.7
Subtotal excluding Others	345,085	100.0	111,368	407,774	97.2	130,896	18.2	17.5
Others	-	-	14,148	11,664	2.8	16,506	-	16.7
Total	345,085	100.0	125,517	419,438	100.0	147,402	21.5	17.4

Figures in parentheses are percentages to gross merchandise value (excluding other GMV)

① ZOZOTOWN Business

ZOZOTOWN Business consists of three business forms: consignment shop, purchased stock shop, and ZOZOUSED. "Consignment shop" handles consignment inventory of merchandise from each brand and sells them on consignment basis. "Purchased stock shop" purchases fashion merchandise from each brand and sells them as in-house inventory. "ZOZOUSED" mainly buys and sells used fashion-related merchandise from individual users.

We recognize that increasing the number of buyers and the rate of ZOZOTOWN use in fashion consumption are the key factors in achieving sustainable growth. To this end, we are working to create websites that are attractive to both users and brands.

Transition of major KPIs for the ZOZOTOWN Business are as follows.

(The number of shops, etc.)

[Table 4] Changes in number of shops and brands

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Shops in ZOZOTOWN (Note) 1	1,297	1,312	1,345	1,337	1,348	1,404	1,433	1,468
Purchased Stock Shop (Note) 2	5	5	5	5	5	5	6	18
Consignment Shop	1,292	1,307	1,340	1,332	1,343	1,399	1,427	1,450
Number of brands (Note) 1,2	7,349	7,305	7,462	7,643	7,989	7,953	8,109	8,227

(NOTE)

1. Figures are as of the end of quarter accounting period.
2. Private brand "ZOZO" and "Multi-size" are not included.

The number of shops opened in the current consolidated fiscal year was 225 (a net increase of 131). Within above, the number of shops opened in the fourth quarter consolidated accounting period was 79 (a net increase of 35). Major new shops opened were cosmetics brands such as POLA, Estee Lauder, JO MALONE LONDON, luxury brands such as Chloe, MAISON MARGIELA, JILSANDER, and jumille, the brand directed by twin influencers.

(Number of annual buyers)

[Table 5] Changes in number of annual buyers

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of annual buyers (Note) 1,2,4	8,121,663	8,226,388	8,156,256	8,273,603	8,662,560	8,805,155	9,139,796	9,485,669
(YoY)	729,537	456,842	82,584	147,079	540,897	578,767	983,540	1,212,066
(QoQ)	-4,861	104,725	-70,132	117,347	388,957	142,595	334,641	345,873
Number of active members (Note) 1,3,4	6,557,144	6,749,012	6,800,435	6,839,666	7,223,753	7,434,529	7,773,940	8,137,729
(YoY)	1,098,501	966,785	643,598	388,980	666,609	685,517	973,505	1,298,063
(QoQ)	106,458	191,868	51,423	39,231	384,087	210,776	339,411	363,789
Number of guest buyers (Note) 1,4	1,564,519	1,477,376	1,355,821	1,433,937	1,438,807	1,370,626	1,365,856	1,347,940
(YoY)	-368,964	-509,943	-561,014	-241,901	-125,712	-106,750	10,035	-85,997
(QoQ)	-111,319	-87,143	-121,555	78,116	4,870	-68,181	-4,770	-17,916

(NOTE)

1. The calculating period is the most recent one-year period prior to the end of the accounting periods.
2. Numbers of annual buyers are sum of active members and guest buyers who purchased more than once within the past year from each quarter.
3. Numbers of active members are members who purchased more than once within the past year from each quarter.
4. Buyers of "PayPay Mall" are not included.

In the fourth quarter consolidated accounting period of the current fiscal year, the number of annual buyers increased as a result of increases in the numbers of active members in both YoY and QoQ. Steady growth in the number of active members was attributable to acquisition of new active members from the digital shift following the expansion of COVID-19. Furthermore, the acquisition was boosted by strengthening of customer attraction through broadcasting TV commercial in January 2021's new-year sale, as well as all kinds of promotions including TV commercial in March 2021 pertain to ZOZOCOSME, ZOZOVILLA opening and the ZOZOTOWN renewal. The number of guest buyers were decreasing in both YoY and QoQ. This was mainly because of enhancement of

membership services over the last several years; we expect this downward trend to continue in the future.

(Annual purchase amount and annual purchase pieces)

[Table 6] Changes in annual purchase amount and annual purchase pieces

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annual purchase amount (Total) (Note) 1, 2, 3, 4	46,934	47,506	47,593	46,519	45,128	44,341	43,809	42,845
(YoY)	0.1%	3.0%	3.4%	0.4%	-3.8%	-6.7%	-8.0%	-7.9%
(QoQ)	1.3%	1.2%	0.2%	-2.3%	-3.0%	-1.7%	-1.2%	-2.2%
Annual purchase pieces (Total) (Note) 1, 2, 3	11.3	11.6	11.7	11.8	11.8	11.8	11.7	11.6
(YoY)	-0.4%	3.5%	5.1%	6.5%	4.9%	1.4%	0.1%	-1.8%
(QoQ)	2.0%	2.9%	0.8%	0.7%	0.4%	-0.6%	-0.5%	-1.2%
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	55,048	54,750	54,092	53,027	52,175	51,523	51,066	50,139
(YoY)	-7.6%	-4.9%	-3.9%	-5.0%	-5.2%	-5.9%	-5.6%	-5.4%
(QoQ)	-1.3%	-0.5%	-1.2%	-2.0%	-1.6%	-1.2%	-0.9%	-1.8%
Annual purchase pieces (Existing members) (Note) 1, 2, 3	13.3	13.4	13.4	13.4	13.6	13.6	13.6	13.5
(YoY)	-6.2%	-2.7%	-1.6%	-0.1%	2.4%	1.5%	2.1%	1.0%
(QoQ)	-0.8%	0.6%	-0.3%	0.4%	1.6%	-0.3%	0.3%	-0.7%

(NOTE)

1. The calculating period is the most recent one-year before the end of the accounting periods.
2. Indexes for each active member.
3. Buyers of "PayPay Mall" are not included.
4. The amounts are in yen.

During the fourth quarter consolidated accounting period of the current fiscal year, the annual purchase amount (Total) decreased in both YoY and QoQ. This was due to an increase in the composition of new members to the total, as a result of the steady acquisition of new members from the digital shift in line with the expansion of COVID-19. YoY and QoQ decreases in the annual purchase amounts of existing members were reflecting an increase in the percentage of existing active members with short membership history (annual purchase amounts tends to increase according to length of membership). Annual purchase pieces (total) decreased in both YoY and QoQ due to the same reason of decreases in annual purchase amount as stated in above. Contrarily, annual

purchase pieces of existing members increased from the decrease of the average retail price.

(Average retail price etc.)

[Table 7] Changes in average retail price, average order value and number of shipments

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average retail price (Note) 1, 2, 3 (YoY)	3,903 -1.4%	3,516 -3.9%	4,501 -5.6%	3,909 -10.7%	3,443 -11.8%	3,381 -3.8%	4,301 -4.5%	3,748 -4.1%
Average order value (Note) 1, 2, 3 (YoY)	8,390 3.2%	7,529 -3.3%	8,973 -6.3%	8,304 -12.5%	7,409 -11.7%	7,370 -2.1%	8,516 -5.1%	7,991 -3.8%
Average purchase pieces per order (Note) 1, 3 (YoY)	2.15 4.6%	2.14 0.6%	1.99 -0.8%	2.12 -1.9%	2.15 0.1%	2.18 1.8%	1.98 -0.7%	2.13 0.4%
Number of shipments (Note) 1, 3 (YoY)	9,209,344 9.3%	10,347,938 16.7%	10,101,875 6.2%	9,757,344 7.6%	11,472,548 24.6%	11,011,990 6.4%	11,960,223 18.4%	11,162,186 14.4%

(NOTE)

1. Figures for quarter accounting period are used.
2. The amounts are in yen.
3. "PayPay Mall" is not included.

The average retail price of the fourth quarter consolidated accounting period decreased YoY, primarily due to strong sales of merchandises in relatively low price point. The average purchase pieces per order increased YoY whereas the average order value decreased YoY due to the decline in the average retail price.

Results for ZOZOTOWN business (consignment shop, purchased stock shop and ZOZOUSED) are as follows:

a. Consignment shop

In the current consolidated fiscal year, the merchandise value was 343,828 million yen (+11.3% YoY), accounting for 82.0% of the gross merchandise value (89.4% in the previous consolidated fiscal year). Net sales were 100,970 million yen (+15.6% YoY). As of the end of March 2021, the number of consignment shops was 1,450 (1,427 as of the end of December 2020).

b. Purchased stock shop

In the current consolidated fiscal year, the merchandise value was 308 million yen (+51.4% YoY), accounting for 0.1% of the gross merchandise value (0.1% in the previous consolidated fiscal year). Net sales were 308 million yen (+54.4% YoY). As of the end of March 2021, the number of purchased stock

shops was 18 (6 as of the end of December 2020).

c. ZOZOUSED

In the current consolidated fiscal year, the merchandise value was 11,625 million yen (-26.2% YoY), accounting for 2.8% of the gross merchandise value (4.6% in the previous consolidated fiscal year). Net sales were 11,564 million yen (-22.9% YoY).

d. PayPay Mall

ZOZOTOWN opened a shop on PayPay Mall an online shopping mall operated by Yahoo Japan Corporation. In the current consolidated fiscal year, the merchandise value was 28,199 million yen (+354.8% YoY), accounting for 6.7% of the gross merchandise value (1.8% in the previous consolidated fiscal year). Net sales were 8,218 million yen (+363.2% YoY).

e. PB business

In the PB business, we sell in-house designed apparel products tailored to individual bodies of users. In the current consolidated fiscal year, the merchandise value was 188 million yen (-85.0% YoY), accounting for 0.0% of the gross merchandise value (0.4% in the previous consolidated fiscal year). Net sales were 188 million yen (-84.8% YoY).

f. MSP business

The MSP business manufactures a portion of item line-up from shops with strong user demands and sell them on ZOZOTOWN, by combining the know-how of manufacturing clothes in a variety of sizes; accumulated from the PB business, sales capability and planning ability of shops on ZOZOTOWN. We offer products in recommending sizes by users providing their height and weight data. In the current consolidated fiscal year, merchandise value was 1,260 million yen (+67.6% YoY), accounting for 0.3% of the gross merchandise value (0.2% in the previous consolidated fiscal year). Net sales were 1,260 million yen (+68.0% YoY).

g. BtoB business

The B2B business is a business model which we are commissioned to build and operate brands' own eCommerce sites. In the current consolidated fiscal year, merchandise value was 22,362 million yen (+85.9% YoY), accounting for 5.3% of the gross merchandise value (3.5% in the previous consolidated fiscal year). Net sales (consignment sales commission) were 4,264 million yen (+80.3% YoY). As of the end of March 2021, the number of consigned websites was 53 (55 as of the end of December 2020).

h. Advertisement business

The advertisement business is a business model that generates advertising revenue by providing advertising space to client brands and group companies in SoftBank Group, by utilizing the user reach base of ZOZOTOWN. In the current consolidated fiscal year, net sales were 4,121 million yen (+51.7% YoY).

As for WEAR, we continue to focus on expanding the number of users and contents. As of the end of March 2021, the number of app downloads exceeded 15 million, and the number of monthly active users is growing steadily.

i. Others

The other segment of the gross merchandise value includes 1) the merchandise value of shops concluded “ZOZO Option” contracts in the fashion category stores excluding ZOZOTOWN in PayPay Mall (service that enables those shops enjoy merits through sales support such as to participate special events by ZOZO) which was recorded from the third quarter consolidated accounting period of the current fiscal year, and 2) the merchandise value of a consolidated subsidiary’s own eCommerce website which was recorded from the second quarter consolidated accounting period of the current fiscal year. In the current consolidated fiscal year, the merchandise value was 11,664 million yen, accounting for 2.8% of the gross merchandise value.

Within the others segment of net sales, net sales generated from businesses related to ZOZOTOWN (shipping income, settlement commission, paid-membership program etc.), and other sales related to the aforementioned other GMV are included. Net sales were 16,506 million yen (+16.7% YoY).

(2) Status of capital investment

In the current consolidated fiscal year, in order to cope with the increase in the gross merchandise value and the number of accesses, we added logistics-related equipment, reinforced servers and the construction of a new office and the total amount was 3,352 million yen.

(3) Status of financing activities

The main funding for the current consolidated fiscal year is, as the required funds for our group, we are procuring short-term borrowings from financial institutions, and the balance of short-term borrowings at the fiscal year-end was 20,000 million yen.

In addition, in March 2021, we entered into a syndicated commitment line agreement with 3 trading banks in an effort to improve funds flexibly and stably.

(4) Issues to be addressed

The immediate issues the group is facing are: ① generate synergies as early as possible by deepening cooperation with the parent company Z Holdings Corporation, ② Rebranding of ZOZOTOWN, ③ Efforts to enhance fulfillment and eCommerce system functions, and ④ System engineer resource enhancement.

① Promote initiatives to generate synergies as early as possible by deepening cooperation with the parent company Z Holdings Corporation

Our group became a consolidated subsidiary of Z Holdings Corporation as a result of a tender offer by Z Holdings Corporation, and since then we have strengthened the cooperation. In addition, With the completion of the merger between LINE Corporation and Z Holdings Corporation on March 1, 2021, we will expand the

scope of the business including LINE Corporation and promote maximum efforts to maximize synergy effects.

a. Increase the GMV at ZOZOTOWN PayPay Mall Shop

We opened a ZOZOTOWN shop at PayPay Mall operated by Yahoo Japan Corporation on December 17, 2019. ZOZOTOWN PayPay Mall Shop started well, but we think that there is still room for growth. We will increase the GMV by adding the functions that ZOZOTOWN has to ZOZOTOWN PayPay Mall Shop and make it more useful for a wide range of users.

b. Expand the payment service PayPay at ZOZOTOWN

On August 20, 2020, we introduced the payment service PayPay operated by Yahoo Japan Corporation to ZOZOTOWN, expecting to have new users from the user base of PayPay. In addition, we will further improve the usability of the site by making the PayPay Bonus which is rewarded when using PayPay, usable at the ZOZOTOWN as well.

c. Send users to ZOZOTOWN from services offered by Z Holdings Corporation and Softbank Group

Users who differ in user attribute from existing users of ZOZOTOWN are sent to ZOZOTOWN from the services of Z Holdings Corporation and the SoftBank Group, including Yahoo!JAPAN. This allows ZOZOTOWN to acquire new users with different attribute from existing ZOZOTOWN users.

d. Share development resources

The Company will accelerate the pace and improve the quality of development by sharing the technical capabilities of engineers between Z Holdings Corporation and the Company.

② Rebranding of ZOZOTOWN

The Company will rebrand the core business ZOZOTOWN to become the service further seeking the fashion and selling merchandise, as well as giving value to users and brands with technology creating new selling methods and customer experiences, upholding the theme: "MORE FASHION" x "FASHION TECH".

a. Expand product lineups, brands, and categories

The Company will further expand product lineups, brands, and categories so that many users can purchase merchandise suitable to their taste with the aim that clothes lovers and others love fashion in order to further fix the dominant position as a fashion eCommerce operator. We will start with increase sale of shoes with the ZOZOMAT described below and expand the lineup of cosmetics.

b. Expand our unique value-added services

The company will expand value-added services to create new ways of selling and customer experiences. One example is the distribution of ZOZOGLASS, a device that can measure users' skin color, started on March 18, 2021. With this product, users can select cosmetics comfortably and conveniently, and have a new purchasing experience. In addition to this product, the Company is conducting research to provide new added values by

utilizing various technologies such as ZOZOSUIT2, which can generate precise 3D body models and measure the body shape, and ZOZOMAT, which allows users to easily measure a foot in 3D.

③ Efforts to enhance fulfillment and eCommerce system functions

In view of the expected increase in the GMV in the future, we will consider further expansion of logistics capacity and improve operational efficiency. By increasing the number of logistics warehouses in winter of 2023, we will expand our logistics capacity. Also, regarding the hardware and functional aspects of the eCommerce system, we will strive to improve the number of users and accesses that accompany them, as well as to improve usability.

④ System engineer resource enhancement

In order to expand business in the future, it will be important to strengthen system engineer resources.

Currently, about 300 engineers are enrolled; in view of future business development, we will increase the

number of engineers in order to improve development speed and incorporate new technologies. As stated in

①-d, sharing of resources such as engineers will be actively implemented with the parent company Z Holdings Corporation.

(5) Financial Performance Highlights

Segment	FY2017 20 th term	FY2018 21 st term	FY2019 22 nd term	FY2020 23 rd term (Current consolidated fiscal year)
Net sales (million yen)	98,432	118,405	125,517	147,402
Ordinary profit (million yen)	32,740	25,717	27,644	44,386
Profit attributable to owners of parent (million yen)	20,156	15,985	18,804	30,932
Net income per share (yen)	64.68	52.20	61.60	101.30
Total assets (million yen)	70,712	78,961	94,186	125,656
Net assets (million yen)	40,810	22,656	34,534	55,507

(NOTE)

1. Net profit per share is calculated based on weighted average number of shares.
2. “Ministerial ordinance to revise part of the Ordinance for Enforcement of the Companies Act and Ordinance on Accounting of Companies” (Ordinance of the Ministry of Justice No. 5 of 2018, on March 26, 2018) accompanying “Partial revision on tax-effect accounting standards” (Business Accounting Principles No. 28, on February 16, 2018) is applied to current consolidated fiscal year. Accordingly, deferred tax asset is now included in the Investments and Other Assets classification while deferred tax liability is in Fixed Liabilities classification. This accounting standard is also applied retroactively to FY2017.

(6) Major business (As of March 31, 2021)

Business	Operations and Services Description
ZOZOTOWN Business	<p>ZOZOTOWN business consists of consignment shop, purchased stock shop and ZOZOUSED.</p> <p>(Consignment shop)</p> <p>Each brand opens, operates and manages its store in ZOZOTOWN as a tenant. Our group stores/sells their products as consignment inventories at/from our logistics bases. Some clear differences from purchased stock shop include: 1. tenants need to do the basic merchandizing by themselves, 2. consignment sales style allows us to avoid inventory risk.</p>

	<p>Net sales of this business are posted as "Consignment sales commissions", meaning handling fee for sold products.</p> <p>(Purchased stock shop)</p> <p>Purchase fashion products from brands and conduct sales activities using own inventories.</p> <p>(ZOZOUSÉD)</p> <p>This is secondary distribution business style that we purchase and sell secondhand/vintage fashion items from/to individual users, etc. while holding as own inventories.</p>
PayPay Mall	Opened ZOZOTOWN shop at PayPay Mall operated by Yahoo Japan Corporation and selling merchandise.
PB Business	Selling in-house developed apparel products customized to body shape of individual users.
MSP Business	Manufacture a portion of item line-up from shops with strong user demands and sell them on ZOZOTOWN, by combining the know-how of manufacturing clothes in a variety of sizes, sales capability and planning ability of shops on ZOZOTOWN.
BtoB Business	Providing various on-demand fulfillment services such as developing system of eCommerce website for apparel brands, design and production, distribution support and marketing assistance. Net sales of this business are also recorded as "Consignment sales commissions" which is handling fee for sold products.
Advertisement Business	Utilizing our extensive user reach platforms of ZOZOTOWN and WEAR, we provide advertising spaces for partner brands and advertising agencies to gain advertising revenue.
Others	<p>Services associated with ZOZOTOWN business (paid membership revenue, shipping income and settlement commission, etc.)</p> <p>Also, in the fashion category stores excluding ZOZOTOWN stores in the PayPay Mall, there are ZOZO Option (a service that enables customers to benefit from sales support such as participation in special feature plans implemented in the PayPay Mall based on our proposal) and the business form that you can sell products on our consolidated subsidiary's eCommerce site.</p>

(7) Situation of significant parent company and subsidiaries

① Relationship with parent company

Company Name	Amount of Capital (million yen)	Voting Rights to our Company	Major Business
SoftBank Group Corp.	238,772	50.1% (50.1%)	Holding company
SoftBank Group Japan Corporation	25	50.1% (50.1%)	Holding company
SoftBank Corp.	204,309	50.1% (50.1%)	Telecommunications
A Holdings Corporation	101,641	50.1% (50.1%)	Holding company
Z Holdings Corporation	237,718	50.1% (50.1%)	Business management of group companies and related operations
Z Intermediate Holdings Corporation	1	50.1% (-)	Holding company

(NOTE)

- "Voting rights to our company" is the total ratio of voting rights owned by each company directly and indirectly. The figures in parentheses indicate the ratio of voting rights owned indirectly.
- The direct parent company of the Company is Z Intermediate Holdings Corporation, holding 152,952,900 shares (50.1% of the voting rights) of our company. Z Intermediate Holdings Corporation became our parent company through a transfer of our shares by Z Holdings Corporation to Z Intermediate Holdings Corporation on March 16, 2021.
- On February 26, 2021, LINE Corporation (currently A Holdings Corporation) became our parent company, as it became a parent company of Z Holdings Corporation, our parent company. Due to this, Shiodome Z Holdings is no longer qualified as a parent company of ZOZO on the same day. LINE Corporation changed its corporate name to A Holdings Corporation on February 28, 2021.
- On March 16, 2021, Z Holdings Corporation, our parent company, transferred all of ZOZO's shares held by Z Holdings Corporation through contribution in kind, to its wholly-owned subsidiary Z Intermediate Holdings G.K. (currently Z Intermediate Holdings Corporation); As such, the company became our parent company and the largest shareholder, who is a major shareholder. Z Intermediate Holdings G.K. reorganized to business corporation on March 23, 2021.

The following shows the provisions of the contracts related to the significant financial and business policies that the Company entered into with the parent company.

To achieve an increase in enterprise value of both companies with the consideration of minority shareholders of the Company, the parent company build a stable capital tie-up with the Company while the companies have a capital tie-up for the purpose of building a strong tie-up relationship from an operational tie-up relationship based on the said capital tie-up. In addition, the operational tie-up was formed between the companies toward expansion and evolution of their fashion EC business, including guiding users of media of Z Holdings

Corporation to the Company and opening of a store in the PayPay Mall, an online shopping mall operated by Z Holdings Corporation, by the Company.

②Situation of significant subsidiaries

Company Name	Amount of Capital (million yen)	Our Share of Voting Rights	Major Business
ZOZO Technologies, Inc.	280	100.0%	Development of application and system for smartphones and tablets

(NOTE)

1. There are no subsidiaries that qualify as specified wholly-owned subsidiaries.
2. We conducted an absorption-type merger in which our company was the surviving company on April 1, 2020, aratana Inc. was excluded from the scope of consolidation.

(8) Main places of business, etc. (As of March 31, 2021)

①ZOZO, Inc.

Headquarter	Inage-ku, Chiba-city, Chiba
Logistics center (ZOZOBASE)	Narashino-city, Chiba, Inzai-city, Chiba and Tsukuba-city, Ibaraki

(NOTE)

We relocated the location of the headquarter from “Mihama-ku, Chiba-city, Chiba” to “Inage-ku, Chiba-city, Chiba”.

②Subsidiary

ZOZO Technologies, Inc.	Inage-ku, Chiba-city, Chiba
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(NOTE)

1. ZOZO Technologies, Inc. relocated the location of the headquarter from “Shibuya-ku, Tokyo” to “Inage-ku, Chiba-city, Chiba”.
2. We conducted an absorption-type merger in which our company was the surviving company on April 1, 2020, aratana Inc. was excluded from the scope of consolidation.

(9) Status of employees, etc. (As of March 31, 2021)

①Number of employees in the corporate group

Number of employees	1,297
Increase/decrease from end of previous consolidated fiscal year	Increase of 139

(NOTE)

1. The figure includes full-time employees and associate employees.

2. Number of temporary workers (3,339 part-time workers, contingent workers, etc.) is not included in the figure.

②Number of employees of our company

Number of Employees	Increase/decrease from End of Previous Consolidated Fiscal Year	Average Age	Average Length of Service
838	Increase of 149	33.0Years old	5.5years

(NOTE)

1. The figure reflects the number of people employed by our company (including those transferred from other companies to our company but excluding those transferred from our company to other companies). 3,311 temporary workers (including part-time workers, contingent workers, etc.) are not included.

2. Increase of 149 from the end of the previous consolidated fiscal year is mainly due to the absorption-type merger of aratana inc., a consolidated subsidiary of ZOZO, on April 1, 2020.

(10) Major Name of bank (as of March 31, 2021)

Name of Bank	Outstanding Debt
Sumitomo Mitsui Banking Corporation	17,500 million yen
Keiyo Bank, Ltd.	2,000 million yen
Kansai Mirai Bank, Limited	500 million yen

(11) Other Important matters related to the current status of the Company group

We relocated the location of the headquarter to Midori-cho 1-15-16, Inage-ku, Chiba-city, Chiba on February 15, 2021.

2. Matters regarding company stocks

(1) Total number of shares issuable 1,287,360,000

(2) Total number of issued shares 311,644,285

(3) Number of Shareholders 18,221

(4) Composition of major shareholders

Name of Shareholder	Ownership in ZOZO	
	Number of Shares Held (share)	Percentage of Shares Held (%)
Z Intermediate Holdings Corporation	152,952,900	50.1%
Yusaku Maezawa	41,554,900	13.6%
THE MASTER TRUST BANK OF JAPAN, Ltd. (Trust Account)	9,439,000	3.1%
Custody Bank of Japan, Ltd. (Trust Account)	5,417,600	1.8%
JP MORGAN CHASE BANK 385632	2,813,588	0.9%
STATE STREET BANK AND TRUST COMPANY 505001	2,543,560	0.8%
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	2,256,703	0.7%
BNYM AS AGT/CLTS 10 PERCENT	2,251,248	0.7%
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	2,137,000	0.7%
JP MORGAN BANK LUXEMBOURG S.A. 384513	1,995,980	0.7%

(NOTE)

1. The company holds 6,279,914 of treasury stocks but excluded from the above major shareholders.

2. The percentage of shares held is calculated without treasury stocks.

(5) Shares granted to officers of the Company in exchange for their execution of duties during the current fiscal year

① Contents of stock rewards granted during the current fiscal year

In this compensation system, the Company gives to the applicable directors the receivable monetary remuneration to grant shares with restrictions on transfer, and then the applicable directors contribute all receivable monetary remuneration to capital as contributed assets. Following this, common shares of the Company are allocated to the applicable directors, and the allocated shares are subject to the restrictions on

transfer for a specific period. The shares with restrictions on transfer allocated to the applicable directors represent performance-linked shares with restrictions on transfer that the number of shares released from the restrictions on transfer is determined according to the achievement of the indicators toward mid- and long-term increase in enterprise value of the Company group.

② Total number of shares issued to directors and other officers by position

Position	Number of Shares Held (share)	Number of Eligible Directors or Other Officers
Director (excluding external director)	44,700	3
External Director	-	-
Auditor	-	-

3. Matters regarding Board Members

(1) List of Directors and Auditors (As of March 2021)

Name	Position and Responsibilities	Other Concurrent Job Titles
Kotaro Sawada	Representative Director, President & CEO	—
Koji Yanagisawa	Director, Executive Vice President & CFO Executive Officer of Business Administration Division	Director of COLOPL, Inc. External Director of DIGITAL HOLDINGS, INC.
Masahiro Ito	Director & COO	Director of ZOZO Technologies, Inc. ZOZO Apparel USA, Inc. Managing Director
Kentaro Kawabe	Director	Representative Director and Co-CEO of Z Holdings Corporation Representative Director and President Corporate Officer of Yahoo Japan Corporation Director of SoftBank Corp.
Takao Ozawa	Director	Director, Senior Executive Officer of Z Holdings, Inc. Director, Senior Executive Officer, Chief Operating Officer (COO) of Yahoo Japan Corporation External Director, ASKUL Corporation Chairman of Ikyu Corporation Director, PayPay Corporation
Koji Ono	Director	Director of DIAMOND HEADS INC.
Kazunori Hotta	Director	Representative Director of Good Luck Corp.
Taro Saito	Director	Representative Director of dof Inc. Director of CARTA HOLDINGS, INC. Director of CC INC. External Director of for Startups, Inc.
Hiroko Igarashi	Full-time Auditor	—
Junichi Motai	Auditor	Representative Director of Accounting Assist Co., Ltd. Auditor of CARTA HOLDINGS, INC. Auditor of Vision, Inc. External Director of Fichs Inc.

Junko Utsunomiya	Auditor	Law Firm of Utsunomiya, Shimizu & Haruki (Attorney) Director (Audit and Supervisory Committee Member) of RAKSUL INC. External Director (Audit and Supervisory Committee Member) of HEIWA REAL ESTATE CO., LTD. External Director (Audit and Supervisory Committee Member) of PeptiDream Inc.
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(NOTE)

1. Mr. Takao Ozawa and Mr. Taro Saito were newly appointed as of director at the Ordinary General Meeting of shareholders held on June 29, 2020.
2. Three directors; Mr. Koji Ono, Mr. Kazunori Hotta and Mr. Taro Saito are external director. Our company designated all three of them as independent officer under the provisions of Tokyo Stock Exchange, Inc. and have reported the designation to the Exchange.
3. Three auditors; Ms. Hiroko Igarashi, Mr. Junichi Motai, and Junko Utsunomiya, are external auditor. Our company designated all three of them as independent officer under the provisions of Tokyo Stock Exchange, Inc. and reported the designation to the Exchange.
4. Ms. Hiroko Igarashi, an auditor, is a certified public accountant. She has the decent knowledge and understandings on the finance and accounting.
5. Mr. Junichi Motai, an auditor, is a certified public accountant and licensed tax accountant. He has the decent knowledge and understandings on the finance and accounting.
6. The executive officers who does not hold Director positions are listed as below.

Name	Position and Responsibilities
Takanobu Muto	Executive Officer of EC Business Division and MSP Business Division
Toshiaki Shimizu	Executive Officer of Hospitality Division and Personnel Division
Fuminori Hirose	Executive Officer of MSP Business Division, EC Business Division, and Category Promotion Division
Takao Yamasaki	Executive Officer of Marketing Division, Yahoo! Project Promotion Office, and Analytical Division
Takahiro Miyazawa	Executive Officer of Fulfillment Division
Tatsuya Kubota	Executive Officer of Media Strategy Division

7. The following transfers were made on April 1, 2021.

Name	Positions, Responsibilities and Other Concurrent Job Titles	
	From	To
Takanobu Muto	Executive Officer of MSP Business Division and EC Business Division	Executive Officer of EC Business Division
Fuminori Hirose	Executive Officer of MSP Business Division, EC Business Division, and Category Promotion Division	Executive Officer of EC Business Division, and Category Promotion Division
Tatsuya Kubota	Executive Officer of Media Strategy Division	Executive Officer of Production Platform Division

(2) Summary of contents of the contract for limitation of liability

The Company entered into the contract with Non-executive Directors, External Directors, and Statutory Auditors to limit the liability for damage stipulated in Article 423, Paragraph 1, of the Companies Act to the limit set forth in laws and regulations in the event they have acted in good faith and have committed no gross negligence according to the provisions of Article 427, Paragraph 1, of the Companies Act.

(3) Summary of contents of the directors and officers liability insurance policy

The Company entered into the liability insurance policy for directors and officers, which is stipulated in Article 430-3, Paragraph 1, of the Companies Act, with the insurance company to cover litigation expenses and compensation for damage borne by insured persons with the insurance policy.

The insured persons of the relevant directors and officers liability insurance policy include Directors and Statutory Auditors of the Company and officers of subsidiaries of the Company, and insurance premiums of all insured persons are borne by the Company.

(4) Amounts of remuneration for Directors and Statutory Auditors payable for the current fiscal year

① Matters concerning the policy for determining the remuneration for individual Directors and Statutory Auditors

i. Purposes of remuneration

Remuneration for directors consists of fixed remuneration (cash remuneration) and performance-linked remuneration (cash bonus/stock remuneration). They are paid for efforts to achieve short-/medium- and long- term business results and increase in enterprise value, and their results are based on the Company's management strategy for the purpose of promoting a mid- and long- term sustainable increase in enterprise value and functioning as a health incentive.

ii. Level of remunerations

After establishing a group of companies as a benchmark for remuneration, a level and composition of remuneration are prepared so that the Company can ensure and keep excellent human resources over competitors in terms of business and recruiting under the assumption that the remuneration is attractive for

current and prospective officers and their candidates.

iii. Composition of remuneration

There is the guide for a ratio of remuneration by type that a ratio of performance-linked remuneration over the total amount shall be above that of fixed remuneration and among the performance-linked remuneration, the ratio of cash bonus and stock remuneration shall be at 50:50.

a. Cash remunerations

Fixed remuneration is determined according to title and duty of the applicable persons and paid during their term of office.

b. Cash bonus (short-term incentive remuneration)

Cash bonus represents the performance-linked remuneration based on the achievement of short-term performance goal for each fiscal year, and gross merchandise value, an indicator for potential growth in business, and consolidated operating profit, an indicator for profitability, are designated as criteria for paying remuneration. A specific payment amount is based on the achievement of a performance goal set out in the single year plan and title and duty of the applicable persons and periodically paid during the term of office.

c. Stock remuneration (mid- and long- term incentive remuneration)

Stock remuneration represents performance-linked remuneration for promoting the management with focus on a mid- and long- term increase in enterprise value/shareholder value, and shares with restrictions on transfer are granted to the applicable persons. The ratio of releasing the restrictions on transfer is based on the growth rate of the stock price of the Company for three fiscal years (compared with those of a group of about 36 benchmark companies) and consolidated operating profit.

Fundamentally, shares are annually granted to the applicable persons according to their title and duty.

iv. Matters concerning determination of contents of remunerations of individual directors

The Nomination and Remuneration Advisory Committee examines the draft that includes its consistency with the policy for determination from various perspectives, and so the Board of Directors thinks that the draft is in compliance with the policy for determination, fundamentally respects a report from the committee.

v. Other significant matters concerning determination of the remuneration of individual Directors

For stock remuneration, the provision is established that the Company shall naturally acquire all or a part of the shares allocated to the applicable Directors without charge in the event the relevant Directors retire as Director of the Company before the expiration of the period of transfer restriction for reasons other than reasons the Board of Directors think due and other cases that the relevant Directors commit events, such as specific illegal activities. In addition, the provision is established for making the applicable Directors return all or a part of shares with restrictions on transfer or cash equivalent to them to the Company without charge in the event certain events are identified, including errors in the figures providing a basis for calculating the ratio of releasing the restrictions on transfer, and the Company considers the above return due.

Remuneration for Statutory Auditors consist of only fixed remuneration from the viewpoint of focusing on independence from management and the objectivity, and the amount of remuneration for individual Statutory Auditors is based on the discussion among Statutory Auditors.

② Matters concerning resolutions on remuneration of Directors and Statutory Auditors adopted by the General Meeting of Shareholders

The resolution was adopted at the 19th Ordinary General Meeting of Shareholders held on June 27, 2017, to set the remuneration for Executive Directors at 800 million yen or less per year (among this, a portion for External Directors amounts to 50 million yen or less per year) within the limit on the remuneration for Directors based on the resolution of the General Meeting of Shareholders (The annual remuneration excludes a portion of employee salary of Director-employees). At the end of the relevant Ordinary General Meeting of Shareholders, the number of Directors totaled eight (among this, the number of External Directors totaled three). Separately from the relevant cash remunerations, stock remuneration and the limit on the number of shares to be issued were determined at 162 million yen or less per year and 120,000 shares or less per year (External Directors are not applicable to stock remuneration) at the 22nd Ordinary General Meeting of Shareholders held on June 29, 2020. At the end of the relevant Ordinary General Meeting of Shareholders, the number of Directors (excluding External Directors) totaled three.

Remuneration for Statutory Auditors is determined within the range of amount limit resolved at the General Meeting of Shareholders, based on the discussion among the Statutory Auditors. At the end of the Ordinary General Meeting of Shareholders, the number of Statutory Auditors totaled three.

③ Matters concerning delegation of determination of contents of remuneration for individual Directors

In the Company, remuneration of individual Directors is discussed by the Nomination and Remuneration Advisory Committee, which mainly consists of External Directors, and then they are determined upon the resolution by the Board of Directors, taking into account a report from the committee.

④ Total Amount of Compensation, etc. paid to Directors and Auditors

Position	Total Amount of Compensation, etc. paid		Amount of Compensation, etc. paid per type				The Number of Directors/Auditors
			Fixed-remuneration	Performance-linked remuneration			
				Monetary Compensation		Non-Monetary Compensation	
			Base Remuneration	Cash Bonus	Stock Option	restricted stock	
Director in which external directors	279	Million yen	171	81	-0	28	6
	18	Million yen	18	—	—	—	3
Auditor in which external auditors	32	Million yen	32	—	—	—	3
	32	Million yen	32	—	—	—	3

(NOTE)

1. As of the end of the fiscal year, our company has eight (8) directors (including three (3) external directors) and

three (3) external auditors (including three (3) external auditors). The difference from the above figures is due to the inclusion of two non-remuneration directors.2. Stock options state those which the applicable persons waived the right of.

3. Bonuses state the provision for bonuses for directors payable for the current fiscal year.

Contents of the performance indicators selected as a basis for calculating bonuses include gross merchandise value and consolidated operating profit. These performance indicators were selected because the Company focuses on gross merchandise value and consolidated operating profit as an indicator showing the growth and profitability of the businesses of the Company group.

Actual results for gross merchandise value and consolidated net income including the current fiscal year are as described in the section 1.(1) Business progress and results, [Table 1] YoY basis.

4. Remunerations in the performance-linked shares with restriction on transfer are granted to Directors as non-monetary rewards.

Contents and grant of these stock rewards are as described in the section 2 "Matters concerning stocks of the Company."

(5) Matters regarding the External Board Members

① Relationship between our company and other major entities where some members hold positions concurrently.

- Mr. Koji Ono, a director, is also the Director of DIAMOND HEADS INC. However, there is no capital ties nor business relationship between our company and DIAMOND HEADS INC.
- Mr. Kazunori Hotta, a director, is also the Representative Director of Good Luck Corporation. However, there is no capital ties nor business relationship between our company and Good Luck Corporation.
- Mr. Taro Saito, a director, is also the representative director of dof Inc., the director of CARTA HOLDINGS, INC., director of CC INC. and the external director of for Startups, Inc. However, there is no capital ties nor business relationship between our company and dof Inc., CARTA HOLDINGS, INC., CC INC. nor for Startups, Inc.
- Mr. Junichi Motai, an auditor, is also the representative director of Accounting Assist Co., Ltd., the auditor of CARTA HOLDINGS, INC., the auditor of Vision, Inc., and the external director of Ficha Inc. However, there is no capital ties nor business relationship between our company and Accounting Assist Co., Ltd., CARTA HOLDINGS, INC., Vision, Inc., nor Ficha Inc.
- Ms. Junko Utsunomiya, an auditor, is also the attorney of Law Firm of Utsunomiya, Shimizu & Haruki, the director (audit and supervisory committee member) of RAKSUL INC., the external director (audit and supervisory committee member) of HEIWA REAL ESTATE CO., LTD., and the external director (audit and supervisory committee member) of PeptiDream Inc. However, there is no capital ties nor business relationship between our company and Law Firm of Utsunomiya, Shimizu & Haruki, RAKSUL INC., HEIWA REAL ESTATE CO., LTD., nor PeptiDream Inc.

② Performance Reviews for the Current Fiscal year

Name (position)	Performance Reviews
Koji Ono (Director)	25 out of the 26 attendance in the board of directors held during the current fiscal year. He makes appropriate comments from his rich knowledge and perspectives, as well as his extensive experience cultivated through his art direction activities primarily in the fashion industry, and the branding activities of companies and products.
Kazunori Hotta (Director)	24 out of the 26 attendance in the board of directors held during the current fiscal year. He makes appropriate comments based on his extensive experience and broad perspective accumulated in the wedding and hotel industries.
Taro Saito (Director)	Attendance in all 18 board of directors held during the current fiscal year, after his appointment as a director. His comments are based on his wealthy experience and broad insight gained through his branding and communication design activities.
Hiroko Igarashi (Auditor)	Attendance in all 26 board of directors held during the current fiscal year. Her opinions are made mainly from a high level of perspective and extensive experience in finance and accounting as a certified public accountant. Also, she attended all of the 18 meetings of board of auditor to exchanges opinions on audit results and discusses important audit-related matters.
Junichi Motai (Auditor)	Attendance in all 26 board of directors held during the current fiscal year. His opinions are made mainly from a high level of perspective and extensive experience in finance and accounting as a certified public accountant. Also, attendance in all meeting of the 18 board of auditors held during the current fiscal year, where he exchanges opinions on audit results and discusses important audit-related matters.
Junko Utsunomiya (Auditor)	Attendance in all 26 board of directors held during the current fiscal year. She makes statements based on her significant experience and rich knowledge in the laws and compliance matters as an attorney. Also, attendance in all meeting of the 18 board of auditors held during the current fiscal year, where he exchanges opinions on audit results and discusses important audit-related matters.

③ Summary of performance by external directors in relation to the roles they are expected

- Mr. Koji Ono has rich knowledge and perspectives, as well as his extensive experience cultivated through his art direction activities primarily in the fashion industry, and the branding activities of companies and products. As an external director of the Company, he has played an appropriate role in supervising and advising the Company's business execution by making proactive statements from such perspective at meetings of the Board of Directors.
- Mr. Kazunori Hotta has extensive experience and broad perspective accumulated in the wedding and hotel industries, he has played an appropriate role in supervising and advising the Company's business execution by making proactive statements from such perspective at meetings of the Board of Directors.
- Mr. Taro Saito has wealthy experience and broad insight gained through his branding and communication design

activities, he has played an appropriate role in supervising and advising the Company's business execution by making proactive statements from such perspective at meetings of the Board of Directors.

4. Status of Accounting Auditor

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

As Deloitte Touche Tohmatsu LLC was newly appointed as of accounting auditor at the ordinary general meeting of shareholders held on June 29, 2020, KPMG AZSA LLC has resigned as accounting auditor of the Company.

(2) Amount of remuneration paid to account auditor for this fiscal year

- | | |
|--|----------------|
| ① Amount of remuneration as account auditor for this fiscal year | 22 Million Yen |
| ② Total amount of funds and other financial interests payable by the Company and its subsidiaries to the account auditor | 50 Million Yen |

(NOTE)

1. Grounds for consent by the Board of Auditors to remuneration of the account auditor

After obtaining necessary materials and receiving reports from Directors, related internal sections, and the account auditor, as well as confirming matters such as the state of execution of audit plans and auditing in the previous period and the appropriateness of estimations of remuneration for this period, the Board of Auditors has judged the level of remuneration of the account auditor to be appropriate and has consented thereto pursuant to Article 399, Paragraph 1 of the Companies Act.

2. Since the audit agreement concluded between the Company and the account auditor does not differentiate clearly between amounts of remuneration for auditing pursuant to the Companies Act and auditing pursuant to the Financial Instruments and Exchange Act, and it would not be possible to differentiate these practically as well, the total amount of these is indicated as the amount of remuneration for this fiscal year.

(3) Details of operations not audited

The Company does not entrust the service to Deloitte Touche Tohmatsu LLC other than the Audit and Attestation Services described under Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) Outline of the Agreement of Limitation of Liability

The Company may conclude an agreement with an accounting auditor limiting the latter's liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph (1) of the Act, according to the Article 43 of the Articles of Incorporation, however, the company does not conclude an agreement of limiting liability.

(5) Policy on decisions on dismissal or non-reappointment of the account auditor

When the Board of Auditors has determined that the account auditor's performance of its duties would be impeded or it is necessary for other reason, the Company shall, through a resolution of the Board of Auditors, determine the detail of the agenda of the General Meeting of Shareholders to resolve the dismissal or non-

reappointment of the account auditor.

Specifically, if the account auditor meets any of the descriptions below and that there is no prospect of appropriate improvement, through a resolution of the Board of Auditors, submit to the General Meeting of Shareholders a resolution on the dismissal or non-reappointment of the account auditor.

- ① When it has been subjected to disciplinary action or disposition by regulators for violation of laws or regulations, including the Companies Act and the Certified Public Accountants Act
- ② When it has been judged to meet any of the descriptions enumerated under Article 340, Paragraph 1 of the Companies Act
- ③ When it has been judged that it would be inadequate or inappropriate for it so carry out auditing of the Company in consideration of matters such as the quality of auditing by the account auditor, its quality control, its independence, or other overall capabilities
- ④ When it is determined the necessity for other reason

5. Company systems and policies

(1) As a system for ensuring the propriety of business operations pursuant to the provisions of the Companies Act and the enforcement regulations thereto, the Company has established a Basic Policy on Internal Control Systems, through a resolution of Board of Directors. This policy is outlined below.

1. Systems to ensure that the performance of duties of the Company's Board of Directors and employees is in compliance with laws, regulations, and the Articles of Incorporation

- ① To ensure that the performance of duties of the Company's Board of Directors and employees is in compliance with laws and regulations as well as conforming to corporate ethics and fulfilling their social responsibilities, the Company establish and maintain a Compliance Committee, chaired by the President and Representative Director, to deliberate on important compliance-related matters, the Company strives to develop and maintain its compliance systems, to prevent acts in violation of laws, regulations, etc., acts that could constitute violations, and inappropriate transactions, and to enhance the system for legal and regulatory compliance of Company Directors and employees.
- ② An internal whistleblowing system (helpline) is established to enable Company Directors and employees to report matters such as acts that they suspect may be in violation of laws, regulations, internal rules, etc., in order to discover and rectify any inappropriate acts quickly. Matters reported to the helpline are investigated by the Compliance Committee, and when it is clear that rectification is necessary the Compliance Committee swiftly decides on corrective and preventive measures and implements them.
- ③ Take necessary measures to prevent person to be treated disadvantageously on the grounds by making the

whistle blow set forth in the preceding paragraph.

- ④ The Internal Audit Office examines the compliance system, investigates for any issues with respect to laws, regulations, or the Articles of Incorporation, and reports its findings to the Board of Directors and the Board of Auditors.
- ⑤ The Board of Directors reviews the compliance system periodically to identify any issues and make relevant improvements.
- ⑥ The Board of Auditors audits this internal controls system in light of its efficacy and functions and strives swiftly to identify and rectify any issues.

2. Systems related to retention and management of information on the performance of duties of Company Directors

- ① Information on the performance of duties of Company Directors is managed and retained appropriately by recording it in written documents or electromagnetic media, pursuant to laws, regulations, the Information System Management Guideline, and the Document Management Guideline.
- ② The Company's Statutory Auditors are able to view such information at any time.

3. Guidelines and other systems related to management of risks of losses by the Company

- ① The person responsible for supervision of risk management in the Company is the Executive Vice President. Accordingly, Directors, Executive Officers, General Managers and VPs of related sections identify and assess various risks based on the Risk Management Guideline and take measures as necessary in advance to avoid, mitigate, or transfer risks.
- ② The Internal Audit Office audits the state of risk management in each organization and reports on its findings to the Board of Directors and the Board of Auditors.
- ③ The Board of Directors reviews the risk management system periodically to identify any issues and make improvements as appropriate.

4. System for ensuring that Company Directors' duties are executed efficiently

- ① The roles and responsibilities of Directors and individual sections are defined clearly through establishment of documents such as the Board of Directors Guideline, Organizational Guideline, Guideline on Division of Responsibilities, and Job Authority Guideline. In addition, the Board of Directors Guideline specify matters that should be submitted to the Board of Directors and the scope of decisions that each Director may make,

as a system to ensure that the duties of Directors are performed efficiently.

- ② The President and Representative Director drafts annual management plans based on the Budget Management Guideline and obtains their approval by the Board of Directors. Directors in charge of individual sections make decisions on practical measures and efficient business execution systems for their sections, based on the plans thus decided on.
- ③ The President and Representative Director reports periodically to the Board of Directors on the progress of the annual management plan. The Board of Directors analyses any impediments to measures implemented and efficient business execution systems and seeks to make necessary improvements.

5. Systems for ensuring the propriety of the business operations of the group of companies consisting of the Company and its subsidiaries ("Group" hereinafter)

① One or more of the Directors or Statutory Auditors of a subsidiary shall be dispatched from the Company, to monitor and supervise, or audit, the performance of duties of subsidiary Directors. The Business Administration Division oversees maintenance of subsidiary business management, compliance systems, and risk management systems, and other matters of subsidiary business administration, pursuant to the Subsidiary Management Guideline. While respecting the autonomy of subsidiary management, the Company receives periodic reports on the state of subsidiary business, and approval is obtained from the Company as appropriate regarding important matters.

② The Internal Audit Office implements internal auditing of the state of management of Company subsidiaries and of subsidiary business activities.

6. Systems regarding employees assigned to assist the Statutory Auditors in the performance of their duties, as requested by the Statutory Auditors, and matters related to ensuring the efficacy of the performance of duties of such employees and their independence from Directors.

① When a Statutory Auditor has requested the assignment of one or more employees to assist in his or her duties, the Board of Directors may, through consultation with the Statutory Auditor, appoint such employees to assist the Statutory Auditor. Authority to direct such employees shall be delegated to the Statutory Auditors during the period of such assistance as specified by the Statutory Auditors and said employees shall not be subject to instruction or orders from Directors during said period.

② The prior consent of the Board of Auditors shall be required before any personnel transfer, HR evaluation, or disciplinary action regarding an employee assisting a Statutory Auditor.

7. Systems for reporting by Group Directors and employees to the Statutory Auditors, and other systems related to reporting to the Statutory Auditors

① Group Directors and employees shall report to the Statutory Auditors, pursuant to laws, regulations, and internal rules, on matters that could cause serious harm to the Company; matters recognized to be improper acts or serious violations of laws, regulations or the Articles of Incorporation; important matters submitted to the Board of Directors and decisions of the Board; important accounting policies or accounting standards and changes therein; the state of implementation of internal auditing; important monthly reports and other important matters.

② Take necessary measures to prevent Group Directors and employees to be treated disadvantageously on the grounds by making the report set forth in the preceding paragraph.

8. Other systems to ensure the efficacy of auditing by the Statutory Auditors

- ① To ascertain the state of important decision-making processes and execution of duties, the Statutory Auditors may attend meetings of the Board of Directors and the executive committee, attend other important meetings, view important documents related to business execution, such as applications for approval, and demand explanation of matters from Directors and employees.
- ② Statutory Auditors shall ensure the efficacy of auditing through autonomy and authority pursuant to the Board of Auditors Guideline and the Statutory Auditor Auditing Standards, as well as managing systems for effective auditing in close cooperation with the Internal Audit Office and the account auditor.
- ③ The President and Representative Director shall meet periodically with the Board of Auditors to exchange opinions and maintain close communication regarding topics that the Company should address, the state of maintenance of the environment for auditing by the Statutory Auditors, important topics related to auditing, and other matters.
- ④ Payment shall be made promptly in response to procedures for advance payment or reimbursement of costs arising in the performance of the duties of the Statutory Auditors and other demands for payment of costs or obligations arising in the performance of their duties.

9. Systems for exclusion of antisocial forces

The Company shall eliminate any relations to antisocial forces or groups that pose threats to social order or sound business activities and resolutely resist, systemically, any improper demands or similar matters, in cooperation with outside experts including the police and advising attorneys.

10. Systems for ensuring the reliability of financial reporting

To ensure the reliability of financial reporting, systems shall be developed, maintained, and operated to ensure the effective functioning of internal controls related to financial reporting.

(2) Overview of state of operation of systems to ensure the appropriateness of business operations

① State of operation of compliance systems

The Company maintains Compliance Committee Guideline and the Compliance Committee meets quarterly based on the provisions of these guidelines. A system has been developed and is implemented to ensure compliance with the Company's social responsibility, corporate philosophy, internal guidelines, laws and regulations, and various other provisions. Furthermore, the Committee also meets at other times as necessary. In addition, Helpline Guidelines have been established that prohibit treating whistleblowers at a disadvantage, and efforts are made to prevent cases such as compliance violations or improper acts, and to discover any such cases swiftly. A contact point (Helpline) including the involvement of the Compliance Committee, the Board of Auditors, and outside attorneys has been established and is in use, and employees are made aware of it through the Company intranet. In addition, a contact point including the involvement of the Company's Compliance Committee has been established for subsidiaries, as part of efforts to enhance compliance throughout the entire Group

② State of operation of guidelines on management of risks of losses and other systems

Risk Management Guidelines and Information System Management Guidelines have been established, and a risk-management system has been established and is operated pursuant to these rules. As part of these efforts, information security training has been provided one time for executives and employees, intended to help prevent inappropriate management of information and leakage of confidential information.

③ State of operation of systems intended to ensure the efficient performance of duties of Directors

Pursuant to the Board of Directors Guidelines, regular meetings of the Board of Directors are held once monthly and irregular meetings of the Board of Directors are held as necessary, for the purposes of decision-making on important matters related to management, such as matters specified in laws, regulations, etc., management policies, and budgeting, and to enable mutual oversight of performance of duties through close communication among Directors.

④ State of operation of systems intended to ensure the appropriate operation of the group of companies consisting of the Company and its subsidiaries

One or more Directors or Statutory Auditors are dispatched from the Company to each subsidiary, to enable appropriate management of subsidiary business operations. In addition, subsidiaries submit to the Company reports and requests for approval on matters that require prior approval under Group decision-making standards.

⑤ State of operation of the Internal Audit Office

Based on audit plans formulated by the Internal Audit Office, internal auditing is conducted of each of the Company's sections and subsidiaries regarding the state of risk management and business execution. Results are reported to the President and Representative Director as appropriate. In addition, information is exchanged with the Standing Statutory Auditor as appropriate, and information is exchanged with the Board of Auditors

timely.

⑥ State of performance of duties of Statutory Auditors

Statutory Auditors attend meetings of the Board of Directors and of the executive committee, whose membership consists of Directors and division General Managers, and engage in periodic discussions with the President and Representative Director. In addition, the efficacy of auditing is secured through means such as results of auditing by the Internal Audit Office, and auditing is implemented pursuant to the Statutory Auditors' Audit Standards and Audit Plans.

(3) Institution of takeover defense policy

The Company has not established any particular basic policies concerning those controlling decisions on Company financial and business policies.

(4) Policy on Determination of Cash dividends, etc.

The Company group believes that generating profits in excess of capital costs will satisfy all stakeholders, including shareholders, by increasing corporate value. Its basic policy on distribution of earnings to shareholders calls for consideration and implementation of such distribution based on comprehensive consideration of matters such as trends in business performance, financial conditions, and future business and investment plans, while maintaining balance with internal reserves. Specifically, the Company aims to retain internal reserves to enable continual growth and development of its businesses with consideration for maintaining a return on equity (ROE) at the 30% level, while distributing any profits in excess of this level to shareholders proactively with consideration for improving liquidity.

The Company's basic policy on dividends of surplus is either once per fiscal year, at the end of the year, or twice per fiscal year, including interim dividends. Decisions on these dividends are made by the Board of Directors for interim dividends and by the General Meeting of Shareholders for year-end dividends.

For the current consolidated fiscal year, a year-end dividend will be 26.00 yen per share, based on a consolidated dividend payout ratio target of 40%. Also, as of April 27, 2021, the Company changed its dividend policy and decided to raise the consolidated dividend payout ratio target from 40% to 50%. Therefore, we plan to pay an annual dividend of 55 yen per share for the next fiscal year, based on a payout ratio of 50%.

Balance Sheet

(As of March 31, 2021)

(Unit: Million yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	93,794	Current liabilities	64,370
Cash and deposits	55,990	Accounts payable - trade	131
Accounts receivable - trade	32,751	Deposits received for consignment sales	21,535
Merchandise and finished products	1,739	Accounts payable - other	7,764
Raw materials and supplies	77	Accrued expenses	984
Advance payments	240	Short-term borrowings	20,000
Prepaid expenses	2,414	Income taxes payable	9,288
Short-term loans	0	Consumption tax payable	2,674
Others	580	Advances received	143
		Deposits received	139
		Provision for bonuses	1,098
		Provision for bonuses for directors	81
		Provision for point certificates	361
		Provision for sales returns	139
		Others	27
Non-current assets	25,615	Non-current liabilities	3,975
Property, plant and equipment	11,107	Liability for retirement benefits	1,736
Buildings	8,395	Asset retirement obligations	2,229
Vehicles	12	Others	9
Tools, furniture and fixtures	2,600		
Construction in progress	98	Total liabilities	68,345
Intangible assets	528	(Net assets)	
Trademark rights	63	Shareholders' equity	51,055
Software	198	Capital stock	1,359
Others	265	Capital surplus	1,328
Investments and other assets	13,980	Legal capital surplus	1,328
Investment securities	181	Retained earnings	72,513
Stocks of subsidiaries and affiliates	4,856	Others Retained earnings	72,513
		Retained earnings carried forward	72,513
Investments in capital of subsidiaries and affiliates	425	Treasury shares	-24,146
Deposit	2,941	Valuation and translation adjustments	4
Long-term loans receivable	235	Valuation difference on available-for-sale securities	4
Deferred tax assets	5,575	Share acquisition rights	3
Allowance for doubtful accounts	-235	Total net assets	51,063
Total assets	119,409	Total liabilities and net assets	119,409

Income statement

(From April 1, 2020 to March 31, 2021)

(Unit: million yen)

Account	Amount	
Net sales		146,958
Cost of sales		7,158
Gross profit		139,799
Reversal of provision for sales returns		107
Provision for sales returns		139
Gross profit - net		139,768
Selling, general and administrative expenses		96,955
Operating profit		42,813
Non-operating income		
Interest income	1	
Received rent	509	
Foreign exchange gain	26	
Income from recycling	36	
Subsidy income	203	
Gain on unused points	52	
Affiliate operations support fee	57	
Others	11	899
Non-operating expenses		
Interest expenses	71	
Provision for allowance for doubtful accounts	33	
Rent expenses	425	
Commission expenses	10	
Loss on investments in partnerships	22	564
Ordinary profit		43,148
Extraordinary income		
Gain on extinguishment of tie-in shares	694	
Gain on sales of non-current assets	0	
Gain on sales of Investment securities	10	
Gain on liquidation of subsidiaries	226	932
Extraordinary losses		
Loss on sales and retirement of non-current assets	539	
Office transfer expenses	197	737
Profit before income taxes		43,343
Income taxes - current	11,985	
Income taxes - deferred	358	12,344
Net Profit		30,998

Consolidated Balance Sheets

(As of March 31, 2021)

(Unit: million yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	99,796	Current liabilities	65,180
Cash and deposits	61,648	Accounts payable - trade	147
Accounts receivable - trade	32,781	Deposits received for consignment sales	21,535
Merchandise and finished products	1,792	Accounts payable - other	6,958
Raw materials and supplies	79	Short-term borrowings	20,000
Others	3,494	Income taxes payable	9,980
		Provision for bonuses	1,622
		Provision for bonuses for directors	81
		Provision for point certificates	361
		Provision for sales returns	139
		Others	4,354
Non-current assets	25,860	Non-current liabilities	4,968
Property, plant and equipment	12,019	Deferred tax Liabilities	12
Buildings	8,408	Retirement benefit liability	2,686
Vehicles	12	Asset retirement obligations	2,237
Tools, furniture and fixtures	3,449	Others	31
Construction in progress	148	Total liabilities	70,149
Intangible assets	2,915	(Net assets)	
Goodwill	2,190	Shareholders' equity	55,651
Software	345	Capital Stock	1,359
Others	378	Capital surplus	1,328
Investments and other assets	10,925	Retained earnings	77,109
Investment securities	685	Treasury shares	-24,146
Deferred tax assets	7,273	Accumulated other comprehensive income	-217
Others	3,201	Valuation difference on available-for-sale securities	4
Allowance for doubtful accounts	-235	Foreign currency translation adjustment	-9
		Remeasurements of defined benefit plans	-213
		Share acquisition rights	3
		Non-controlling interests	70
		Total net assets	55,507
Total assets	125,656	Total liabilities and net assets	125,656

Consolidated Statements of Income

(From April 1, 2020 to March 31, 2021)

(Unit: million yen)

Account	Amount	
Net sales		147,402
Cost of sales		7,338
Gross profit		140,064
Reversal of provision for sales returns		107
Provision for sales returns		139
Gross profit - net		140,033
Selling, general and administrative expenses		95,889
Operating profit		44,144
Non-operating income		
Interest income	6	
Received rent	263	
Foreign exchange gain	23	
Operations support fee	9	
Income from recycling	36	
Subsidy income	215	
Gain on unused points	52	
Others	25	632
Non-operating expenses		
Interest expenses	71	
Provision for allowance for doubtful accounts	33	
Rent expenses	251	
Commission expenses	10	
Loss on investments in partnerships	22	390
Ordinary profit		44,386
Extraordinary income		
Reversal of Provision for foreign currency translation adjustment	22	
Gain on sales of non-current assets	0	
Gain on sales of Investment securities	10	33
Extraordinary losses		
Loss on sales and retirement of non-current assets	554	
Office transfer expenses	198	753
Profit before income taxes		43,665
Income taxes - current	12,963	
Income taxes - deferred	-239	12,724
Net Profit		30,941
Profit attributable to non-controlling interests		9
Profit attributable to owners of parent		30,932

Account auditor's audit report (certified copy)

Independent auditor's audit report

May 12, 2021

ZOZO, Inc.

To: The Board of Directors

Deloitte Touche Tohmatsu LLC

Tokyo Office

Designated
Limited
Liability
Partner,
Engagement
Partner

Certified
Public
Accountant

Tsutomu Hirose (Seal)

Designated
Limited
Liability
Partner,
Engagement
Partner

Certified
Public
Accountant

Kunikazu Awashima (Seal)

Audit Opinion

The audit corporation audited the financial statements, which consist of the balance sheet, statements of income, statements of changes in shareholders' equity, and notes to unconsolidated financial statements and their supplementary schedules (hereinafter called the "financial statements etc."), for the 23rd fiscal year ended from April 1, 2020 to March 31, 2021 of ZOZO, Inc. according to provisions of the Article 436, Paragraph 2, Item 1 of the Companies Act.

The audit corporation thinks that the above financial statements etc. appropriately present financial positions and profit or loss for the relevant period in all significant respects according to the corporate accounting standards generally accepted in Japan.

Basis for the audit opinion

The audit of the audit corporation is based on the audit standards generally accepted in Japan. The audit corporation's responsibility in the audit standards is stated in the section titled "Auditor's responsibility for audits of financial statements etc." The audit corporation is independent of the Company and performs other ethical responsibilities as an auditor according to the code of professional ethics in Japan. The audit corporation thinks that it obtained sufficient and appropriate audit evidence serving as a basis for expressing the opinion.

Responsibility of manager, Corporate Auditors, and Board of Corporate Auditors for financial statements etc.

The manager's responsibility is to prepare and appropriately present financial statements etc. according to the corporate accounting standards generally accepted in Japan. This includes establishment and operation of internal controls the manager thinks necessary to prepare and appropriately present the financial statements etc. without material misstatements arising from fraud or errors.

In preparing the financial statements etc., the manager determines whether it is appropriate to prepare financial statements etc. on the going concern assumption and is responsible for disclosing matters related to the going concern according to the corporate accounting standards generally accepted in Japan if necessary.

The responsibility of the Corporate Auditors and Board of Corporate Auditors is to monitor execution of duties by the Directors in establishing and operating the financial reporting process.

Auditor's responsibility for audits of financial statements etc.

The auditor's responsibility is to obtain reasonable guarantee on whether the financial statements etc. generally include no material misstatements arising from fraud or errors and then independently express the opinion about the financial statements etc. in the auditor's report based on the auditor's audit. Misstatements may arise from fraud or errors, and they are considered material when they are reasonably expected to individually or collectively have effect on decision-making of users of the financial statements etc.

According to the audit standards generally accepted in Japan, the auditor makes the judgment as a professional expert through the audit process and performs the following by implementing due diligence as a professional expert:

- The auditor identifies and evaluates the risk of material misstatements arising from fraud or errors. The auditor makes and performs a plan for the audit procedure responding to the risk of material misstatements. The audit procedure is selected and applied, based on the auditor's judgment. The auditor also obtains sufficient and appropriate audit evidence serving as the basis for expressing the opinion.
- The audit of financial statements etc. is designed not to express an opinion about the effectiveness of internal controls, but the auditor examines internal controls related to the audit to make a plan for the appropriate audit procedure according to conditions when evaluating risk.
- The auditor evaluates the appropriateness of accounting policies adopted by the manager and the application methods, the rationality of accounting estimates made by the manager, and the reasonability of the related notes.
- The auditor concludes whether it is appropriate that the manager prepares financial statements etc. on the going concern assumption and whether there is significant uncertainty in events or situations casting a significant doubt on the going concern assumption based on the obtained audit evidence. If there is significant uncertainty about the going concern assumption, the auditor is required to call attention to the notes to the financial statements etc. in the auditor's report. If the notes to financial statements etc. related to significant uncertainty are inappropriate, the auditor is required to express the modified opinion about the financial statements etc. The auditor's conclusion is based on the audit evidence obtained by the date of auditor's report and future events and situations may prevent the Company from surviving as a going concern.
- The auditor determines whether presentations of and notes to the financial statements etc. comply with the corporate accounting standards generally accepted in Japan and whether presentations, structures, and details of financial statements etc., including related notes and financial statements etc., appropriately present underlying transactions and accounting events.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors the scope and timing of the planned audit, important findings in the audit, including significant defects of internal controls identified in the audit process, and other items required by the audit standards.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors compliance with the code of professional ethics in Japan on the independence, matters rationally considered to have an effect on the independence of the auditor, and details of the safeguards taken to eliminate or reduce inhibition factors if any.

Interest

There is no interest between the Company and the audit corporation or its managing partners that must be stated according to provisions of the Certified Public Accountants Act.

End

Account auditor's audit report (certified copy)(consolidated)

Independent auditor's audit report

May 12, 2020

ZOZO, Inc.

To: The Board of Directors

Deloitte Touche Tohmatsu LLC

Tokyo Office

Designated
Limited
Liability
Partner,
Engagement
Partner

Certified
Public
Accountant

Tsutomu Hirose (Seal)

Designated
Limited
Liability
Partner,
Engagement
Partner

Certified
Public
Accountant

Kunikazu Awashima (Seal)

Audit Opinion

The audit corporation audited the consolidated financial statements, which consist of the consolidated balance sheet, consolidated statements of income, consolidated statements of changes in shareholders' equity, and consolidated notes to unconsolidated financial statements for the consolidated fiscal year ended from April 1, 2020 to March 31, 2021 of ZOZO, Inc. according to provisions of the Article 444, Paragraph 4 of the Companies Act.

The audit corporation thinks that the above consolidated financial statements appropriately present financial positions and profit or loss for the relevant consolidated period of the corporate group consisting of ZOZO, Inc. and its consolidated subsidiaries in all significant respects according to the corporate accounting standards generally accepted in Japan.

Basis for the audit opinion

The audit of the audit corporation is based on the audit standards generally accepted in Japan. The audit corporation's responsibility in the audit standards is stated in the section titled "Auditor's responsibility for audits of consolidated financial statements." The audit corporation is independent of the Company and

consolidated subsidiaries and performs other ethical responsibilities as an auditor according to the code of professional ethics in Japan. The audit corporation thinks that it obtained sufficient and appropriate audit evidence serving as a basis for expressing the opinion.

Responsibility of manager, Corporate Auditors, and Board of Corporate Auditors for consolidated financial statements

The manager's responsibility is to prepare and appropriately present consolidated financial statements according to the corporate accounting standards generally accepted in Japan. This includes establishment and operation of internal controls the manager thinks necessary to prepare and appropriately present the consolidated financial statements without material misstatements arising from fraud or errors.

In preparing the consolidated financial statements, the manager determines whether it is appropriate to prepare the consolidated financial statements on the going concern assumption and is responsible for disclosing matters related to the going concern according to the corporate accounting standards generally accepted in Japan if necessary.

The responsibility of the Corporate Auditors and Board of Corporate Auditors is to monitor execution of duties by the Directors in establishing and operating the financial reporting process.

Auditor's responsibility for audits of consolidated financial statements

The auditor's responsibility is to obtain reasonable guarantee on whether the consolidated financial statements generally include no material misstatements arising from fraud or errors and then independently express the opinion about the consolidated financial statements in the auditor's report based on the auditor's audit. Misstatements may arise from fraud or errors, and they are considered material when they are reasonably expected to individually or collectively have effect on decision-making of users of the consolidated financial statements.

According to the audit standards generally accepted in Japan, the auditor makes the judgment as a professional expert through the audit process and performs the following by implementing due diligence as a professional expert:

- The auditor identifies and evaluates the risk of material misstatements arising from fraud or errors. The auditor makes and performs a plan for the audit procedure responding to the risk of material misstatements. The audit procedure is selected and applied, based on the auditor's judgment. The auditor also obtains sufficient and appropriate audit evidence serving as the basis for expressing the opinion.
- The audit of the consolidated financial statements is designed not to express an opinion about the effectiveness of internal controls, but the auditor examines internal controls related to the audit to make a plan for the appropriate audit procedure according to conditions when evaluating risk.
- The auditor evaluates the appropriateness of accounting policies adopted by the manager and the application methods, the rationality of accounting estimates made by the manager, and the reasonability of the related notes.
- The auditor concludes whether it is appropriate that the manager prepares the consolidated financial statements on the going concern assumption and whether there is significant uncertainty in events or situations casting a significant doubt on the going concern assumption based on the obtained audit evidence. If there is significant uncertainty about the going concern assumption, the auditor is required to call attention to the notes to the consolidated financial statements in the auditor's report. If the notes to the consolidated financial statements related to significant uncertainty are inappropriate, the auditor is required to express the modified opinion about the consolidated financial statements. The auditor's conclusion is based on the audit evidence obtained by the date of auditor's report and future events and situations may prevent the Company from surviving as a going concern.
- The auditor determines whether presentations of and notes to the consolidated financial statements comply with the corporate accounting standards generally accepted in Japan and whether presentations, structures, and details of the consolidated financial statements, including related notes and the consolidated financial statements, appropriately present underlying transactions and accounting events.
- The auditor obtains sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is solely responsible for the audit opinion.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors the scope and timing of the planned audit, important findings in the audit, including significant defects of internal controls identified in

the audit process, and other items required by the audit standards.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors compliance with the code of professional ethics in Japan on the independence, matters rationally considered to have an effect on the independence of the auditor, and details of the safeguards taken to eliminate or reduce inhibition factors if any.

Interest

There is no interest between the Company, its consolidated subsidiaries and the audit corporation or its managing partners that must be stated according to provisions of the Certified Public Accountants Act.

End

Board of Auditors Audit Report (certified copy)

Audit Report

The Board of Auditors has prepared the following audit report based on consideration of the audit reports prepared by each Statutory Auditor regarding the performance of duties of directors during the 23rd fiscal year from April 1, 2020 to March 31, 2021.

1. Method and details of auditing conducted by the Board of Auditors and Statutory Auditors

(1) In addition to establishing audit policy, division of responsibilities, and other matters and receiving reports concerning the status and results of audits conducted by each Statutory Auditor, the Board of Auditors also has received reports from directors and the account auditor regarding the performance of their duties and has sought explanations when deemed necessary.

(2) Each Statutory Auditor, in accordance with the audit standards for Statutory Auditors established by the Board of Auditors and while utilizing means via telephone lines or the Internet, etc., has sought to facilitate mutual understanding with directors, the Internal Audit Office, and other employees in accordance with the audit policies, division of responsibilities, and other related matters, strived to maintain an environment conducive to the collection of information and auditing, and carried out auditing through the following methods:

(i) Attended meetings of the board of directors and other important meetings to receive reports from directors, employees, the Internal Audit Office, and others concerning the performance of their duties, seeking explanations as necessary, viewed documents concerning important decisions and other matters, and investigated the status of operations and finances at the head office and important business sites. Also, sought to facilitate mutual understanding and exchange of information with directors, Statutory Auditors, and others at subsidiaries and received business reports from subsidiaries as necessary.

(ii) The Board of Auditors also periodically received reports from directors, employees, and other relevant personnel, sought explanations as necessary, and expressed opinions regarding the content of resolutions by the board of directors concerning the development of systems as stipulated in Article 100, Paragraphs 1 and 3 of the Enforcement Regulations to the Companies Act, which are necessary to ensure that directors' performance of their duties as reported in the business report is in conformity with laws and regulations and the Articles of Incorporation and to ensure the appropriateness of operations of the group consisting of the Company and its subsidiaries, as well as the status of the development and operation of the system developed pursuant to such resolutions (internal control system).

(iii) The Board of Auditors monitored and reviewed the account auditor to verify that it maintained independence and performed auditing appropriately, received reports from the account auditor concerning the performance of its duties, and sought explanations as necessary. In addition, the Board of Auditors received notification from the account auditor that the system intended to ensure the appropriateness of duties performed by the account auditor (as stipulated in Article 131 of the Ordinance on Accounting of Companies) is in accordance with standards concerning quality control for auditing (established October 28,

2005 by the Business Accounting Council) and other standards, and sought explanations when necessary. In addition, we discussed major audit considerations with Deloitte Touche Tohmatsu LLC, received reports on the implementation status of their audits, and requested explanations as necessary.

Based on the above methods, the Board of Auditors examined the business report and accompanying detailed statements, financial statements (balance sheet, statement of income, statement of changes in shareholders' equity, and individual notes) for this fiscal year as well as the attached detailed statements and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity, and consolidated individual notes).

2. Results of Audit

(1) Results of audit of business report etc.

- ① The contents of the business report and its attached detailed statements presents the position of the Company fairly pursuant to laws and regulations and the Articles of Incorporation.
- ② With regard to the performance of duties of directors, no improper conduct or material breach of laws, regulations or the Articles of Incorporation has been identified.
- ③ The details of resolutions approved by the Board of Directors concerning the internal controls system are appropriate. In addition, no matters that require comment have been identified regarding the details in the business report or the performance of duties of directors with regard to the internal controls system.

(2) Results of audit of financial statements and attached detailed statements

The method of audit employed by the certified public accountant Deloitte Touche Tohmatsu LLC and the results of its audit are considered appropriate.

(3) Results of audit of consolidated financial statements

The method of audit employed by the certified public accountant Deloitte Touche Tohmatsu LLC and the results of its audit are considered appropriate.

May 18, 2021

ZOZO, Inc. Board of Auditors

Full-time Statutory Auditor Hiroko Igarashi (Seal)
(External Statutory Auditor)

External Statutory Auditor Junichi Motai (Seal)

External Statutory Auditor Junko Utsunomiya (Seal)

Guide to venue



By car

From Tokyo

Approx. 10 minutes from Wangan Narashino Interchange (Higashi-Kanto Expressway)

Approx. 8 minutes from Wangan Chiba Interchange (Higashi-Kanto Expressway)

Approx. 12 minutes from Makuhari Interchange (Keiyo Expressway)

By public transportation

[Nearest station] 7 minutes by walk from JR Keiyo Line "Kaihin Makuhari Station"

Time required to "Kaihin Makuhari Station"

-Approx. 30 minutes by rapid service on the JR Keiyo Line from Tokyo Station to Kaihin-Makuhari Station

-Approx. 15 minutes by Keisei Bus from Makuhari-Hongo Station on the JR Sobu Line

-Approx. 15 minutes by Keisei Bus from Keisei Makuhari-Hongo Station



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