



June 29, 2020

Dear All,

Notice Concerning the Disposal of Treasury Shares as Restricted Stock Compensation Plan

On May 21, 2020, ZOZO, Inc. (hereinafter, referred to as the "Company") announced the "Notice Concerning Amendment of Director Remuneration Plan and Introduction of Restricted Stock Remuneration Plan". The proposal was submitted to the 22nd Ordinary General Meeting Shareholders held on June 29, 2020 and approved and resolved. Following the approval and resolution of the proposal, at the Board of Directors held on the same day, the Company resolved the disposal of treasury shares as the performance-linked restricted stock compensation (hereinafter, referred to as the "Treasury Shares Disposal" or simply as the "Disposal"), as follows:

1. Outline of the Disposal

(1) Date of disposal	July 20, 2020
(2) Class and number of shares to be disposed	Ordinary stock of the Company 69,300 shares
(3) Disposal amount	2,408 yen per share
(4) Total disposal amount	166,874,400 yen
(5) Allottees and number thereof, number of shares to be disposed	3 Business Execution Directors 44,700 shares 6 Executive Officers 24,600 shares
(6) Others	The disposal of treasury stock is conditioned upon the securities registration statement, filed under the Financial Instruments and Exchange Act, taking effect.

2. Purpose and reason for the disposition

At the Board of Directors held on May 21, 2020, the Company resolved to introduce the compensation plan granting restricted transfer shares (hereinafter, referred to as the "Compensation Plan") to directors (limited to business execution directors; hereinafter referred to as the "Eligible Directors") and executive officers (Referred to as the "Eligible Executive Officers" and together with the Eligible Directors, referred to as the "Eligible Directors and Officers"). The purpose is to incentivize the Eligible Directors and Officers in medium- to long-term for sustainable improvement of corporate value, and further promote value sharing between our shareholders and the Eligible Directors and Officers. The outline of the Compensation Plan is as follows.

[Overview of the Compensation Plan]

Under this plan, the Company pay monetary compensation claims to the Eligible Directors and Officers for the grant of restricted transfer shares, and the Eligible Directors and Officers contributes the entire amount as asset-in-kind, assigns ordinary stock to the Eligible Directors and Officers and imposes

restrictions on the transfer of shares for a certain period of time. The restricted shares to be allotted to the Eligible Directors and Officers are performance-based restricted shares whose number of shares to be released is determined according to the degree of achievement of the index for improving the Company group's medium-to long-term corporate value, etc. The total amount of monetary compensation claims to be paid to the Eligible Directors under the plan will be within the scope of 162 million yen per annum (excluding the employee's salary for directors serving concurrently as an employee).

The total number of the Company's ordinary stocks to be issued or disposed under this plan shall not exceed 120,000 shares per year (provided, however, the Company shall reasonably adjust the upper limit of the total number of ordinary stocks to be issued or disposed of as restricted shares, in the event that a stock split of ordinary stocks (including the gratis allotment of ordinary stock) or a stock consolidation is conducted after the date of approval of the introduction of the Compensation Plan at the 22nd General Meeting of Shareholders, and other cases requiring an adjustment of the upper limit of the total number of ordinary stocks to be issued or disposed of as restricted shares).

The Treasury Shares Disposal is implemented based on the Compensation Plan and the resolution at the Board of Directors held on June 29, 2020. The Company is planning to conclude restricted transfer shares allotment agreements (hereinafter, referred to as the "Allotment Agreements") with the Eligible Directors and Officers. Detail of the Allotment Agreements is as described below:

3. Outline of the Allotment Agreements

(1) Restriction on transfer period

The Eligible Directors and Officers may not transfer, pledge, or otherwise dispose of others (hereinafter, referred to as the "Transfer Restrictions") for ordinary shares allotted under the Allotment Agreements (hereinafter, referred to as the "Allotted Shares") from July 20, 2020 to July 19, 2023 (hereinafter, referred to as the "Restricted Transfer Period")

(2) Cancellation of the Transfer Restrictions

As for the Eligible Directors, subject to the Eligible Directors remain in the director position during the Restricted Transfer Period, the Transfer Restriction will be lifted when the Restricted Transfer Period expires and the number of the Allotted Shares' restriction will be removed by the following formula (rounded down to the nearest 1 share): Total number of Allotted Shares the Eligible Directors have x transfer restriction lifting ratio based on "Stock price growth rate", "Stock price growth rate of comparable companies" and consolidated operating profit of the Company. Provided, however, in the event the Eligible Directors retire/resign from director position during the Restricted Transfer Period for such reasons that the Board of Directors deems reasonable, the number of Allotted Shares and the time of removing the Transfer Restriction will be reasonably adjusted as required.

As for the Eligible Executive Officers, subject to the executive officers remain in the director or executive officer position during the Restricted Transfer Period, the Transfer Restriction will be lifted when the Restricted Transfer Period expires and the number of the Allotted Shares' restriction will be removed by the following formula (rounded down to the nearest 1 share): Total number of Allotted Shares the Eligible Executive Officers have x transfer restriction lifting ratio based on "Stock price growth rate", "Stock price growth rate of comparable companies" and consolidated operating profit of the Company. Provided,

however, in the event the Eligible Executive Officers retire/resign from director or executive officer position during the Restricted Transfer Period for such reasons that the Board of Directors deems reasonable, the number of Allotted Shares and the time of removing the Transfer Restriction will be reasonably adjusted as required.

* Details of transfer restriction lifting ratio

"Stock price growth rate" refers to stock price growth rate of the Company stock. Specifically, this will be calculate using the following formula:

$$\text{Stock price growth rate} = (A+B)/C$$

A: average closing price of ordinary stock of the Company on the Tokyo Stock Exchange for each trading day from January 1, 2023 to March 31, 2023 (excluding days with no closing prices).

B: the total amount of dividends per share for ordinary stock of the Company from June 29, 2020 to March 31, 2023

C: average closing price of ordinary stock of the Company on the Tokyo Stock Exchange for each trading day from January 1, 2020 to March 31, 2020 (excluding days with no closing prices).

"Stock price growth rate of comparable companies" refers to the stock price growth rate of each target company in the comparable group of companies. Specifically, it will be calculated by the following formula:

$$\text{Stock price growth rate of comparable companies} = (D+E)/F$$

D: average closing price of ordinary stock for the comparable companies on the Tokyo Stock Exchange from January 1, 2023 to March 31, 2023 (excluding days with no closing price).

E: the total amount of dividends per share for the comparable companies from June 29, 2020 to March 31, 2023

F: average closing price of ordinary stock for the comparable companies on the Tokyo Stock Exchange from January 1, 2020 to March 31, 2020 (excluding days with no closing price).

"transfer restriction lifting ratio"

- (i) If the stock price growth rate of the Company is less than the median of the stock price growth rates of the comparable companies, it will be 0.
- (ii) If the stock price growth rate of the Company exceeds the median stock price growth rate of the comparable companies, it will be 20%.
- (iii) If the stock price growth rate of the Company exceeds the top 25% of the stock price growth rate of the comparable companies and the consolidated operating profit for the fiscal year ending March 2023 exceeds a certain degree of the predetermined target, it will be 50%.
- (iv) If the stock price growth rate of the Company exceeds the top 25% of the stock price growth rate of the comparable companies and the consolidated operating profit for the fiscal year ending March 2023 exceeds the predetermined target, it will be 100%.

In calculating the indexes used to determine the transfer restriction lifting ratio, the Board of Directors may make reasonable adjustments as needed.

(3) Free acquisition of the Allotted Shares

The Company will acquire, without charge, the Allotted Shares for which the Transfer Restrictions will not be removed in accordance with (2) above. In addition, if the Eligible Directors retire from director position prior to the expiration of the Restricted Transfer Period, for any reason other than those the Board of Directors deems to be justifiable, or if certain grounds arise, the Company will of course acquire all or part of the Allotted Shares without charge. If the Eligible Executive Officers retire from director or executive officer position prior to the expiration of the Restricted Transfer Period, for any reason other than those the Board of Directors deems to be justifiable, or if certain grounds arise, the Company will of course acquire all or part of the Allotted Shares without charge.

With respect to the Allotted Shares for which the Transfer Restriction has been removed in accordance with (2) above, if it is found that certain grounds have occurred, such as in the event of an error in the numerical value that serves as the basis of the calculation of the transfer restriction lifting ratio, and the Company finds it appropriate, the Eligible Directors and Officers must return the whole or part of the Allotted Shares or the equivalent money etc. to the Company without compensation.

(4) Management of shares

In order to prevent any transfer, pledge, or otherwise dispose of others during the Restricted Transfer Period of the Allotted Shares, the Company shall take such measures as deemed appropriate, such as managing in the exclusive account opened with a securities company.

(5) Treatment of organizational restructuring

Notwithstanding the provisions of (1) above, if, during the Restricted Transfer Period, a merger agreement in which the Company becomes an extinguished company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or any others matters concerning certain organizational restructuring, etc. are approved at the shareholders' meeting (or at the Board of Directors where approval of the shareholders is not required), the Company will reasonably adjust the number and time of the Allotted Shares to remove the Transfer Restrictions as necessary, and the Company will acquire the Allotted Shares without any restriction on transfer for free of charge.

4. Basis for calculation of amount to be paid and specific details thereof

Based on this plan, this Treasury Shares Disposal is carried out in accordance with the resolution of the Board of Directors held on June 29, 2020; the Treasury Share Disposal to the Eligible Directors and Officers shall be funded by monetary compensation claims which the Company provide as the Restricted Stock Compensation for the fiscal year 2020 (from April 1, 2020 to March 31, 2021, and those who are not in position at April 1, 2020, the term will be from the time of appointment to March 31, 2021) and the Eligible Directors and Officers use as contributed asset-in-kind. To eliminate arbitrariness, the disposal price is 2,408 yen, which is the closing price of the Company's stock on the Tokyo Stock Exchange on June 26, 2020 (the business day before the resolution date of the Board of Directors). This is the market price immediately before the resolution date of the Board of Directors regarding the Treasury Shares Disposal which the Company believe it is reasonable and not particularly favorable amount.

(Reference)

The Eligible Directors will waive share-based compensation-type stock options (1st to 3rd share acquisition right) after the Treasury Shares Disposal.

DISCLAIMER: This document is summary translation of Japanese version. All readers are recommended to refer the original Japanese version for complete information. In the event of any discrepancy, errors and/or omissions, the Japanese version shall prevail.