



June 28, 2022

Dear All,

Notice concerning the disposal of treasury shares as restricted stock compensation plan

ZOZO, Inc. (hereinafter, referred to as the "Company") made a resolution at the Board of Directors held on June 28, 2022, to dispose 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 15, 2022
(2) Class and number of shares to be disposed	Ordinary stock of the Company 59,800 shares
(3) Disposal amount	2,457 yen per share (Note 1.)
(4) Total disposal amount	146,928,600 yen (Note 2.)
(5) Allottees and number thereof, number of shares to be disposed	3 Business Execution Directors 43,800 shares 4 Executive Officers and employee 16,000 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.

(NOTE) 1. The shares disposed of by the Treasury Shares Disposal are issued to directors, executive officers and employee of the Company. Of these, the portion to be allotted to directors (hereinafter, referred to as the "Allocation for Directors") will be issued as compensation, etc. without consideration. With respect to those allotted to executive officers and employee (hereinafter, referred to as the "Allocation for Executive Officers, etc." and the "Executive Officers, etc.," respectively), the Company shall provide monetary compensation claims to the Executive Officers, etc. and the Executive Officers, etc. shall receive the Company's ordinary stock by contributing all of such monetary compensation claims as asset-in-kind. The price of the disposal amount per share is the closing price of our ordinary stock on the Tokyo Stock Exchange on the business day prior to the resolution of the Board of Directors (June 27, 2022). The amount of the Allocation for Directors will be the fair value of the Company's ordinary stock, and the amount of the Allocation for Executive Officers, etc. will be the amount to be paid in under the Companies Act.

2. The total issue price is the sum of the total fair value of the Company's ordinary stock related to the Treasury Shares Disposal, and the total amount to be paid in under the Companies Act.

2. Purpose and reason for the disposition

At the 22nd Ordinary General Meeting of Shareholders held on June 29, 2020, the Company obtained approval 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"). The purpose is to incentivize the Eligible Directors in medium- to long-term for sustainable improvement of corporate value, and further promote value sharing between our shareholders and the Eligible Directors. In addition, at the 23rd Ordinary General Meeting of Shareholders held on June 25, 2021, the Company obtained approval to partially amend the contents of the Compensation Plan in order to add a method of issuing or disposing of the restricted stock to enable it to grant the restricted stock to the Eligible Directors without payment of money or contribution of asset-in-kind. The outline of the amended Compensation Plan is as follows.

[Overview of the Compensation Plan]

Under the Compensation Plan, the Company assigns ordinary stock to the Eligible Directors, and Executive Officers, etc. (hereinafter, referred to as the "Eligible Executive Officers, etc." and together with the Eligible Directors, referred to as the "Eligible Directors, etc.") and imposes restrictions on the transfer of shares for a certain period of time by the method of issuing or disposing 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, issuing or disposing of the restricted stock after the Company pays monetary compensation claims to the Eligible Directors, etc. as remuneration, and the Eligible Directors, etc. contribute the entire amount as asset-in-kind (hereinafter referred to as the "Issuance by Contribution in Kind").

The restricted stock to be allotted to the Eligible Directors, etc. are performance-linked restricted stock 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 the Company's ordinary stocks to be issued or disposed to the Eligible Directors under the Compensation Plan will be within the scope of 162 million yen per annum (excluding the employee's salary for directors serving concurrently as an employee), which is a separate amount from the amount of cash remuneration as fixed remuneration and cash bonus as performance-based remuneration. The total number of the Company's ordinary stocks to be issued or disposed to the Eligible Directors under the Compensation 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 stock, 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 23rd Ordinary 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 stock).

The Treasury Shares Disposal is implemented based on the Compensation Plan and the resolution at the Board of Directors held on June 28, 2022. The Company is planning to conclude restricted transfer shares allotment agreements (hereinafter, referred to as the "Allotment Agreements") with the Eligible Directors, etc. Detail of the Allotment Agreements is as described below:

[Outline of the Allotment Agreements]

(1) Restriction on transfer period

The Eligible Directors, etc. 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 15, 2022 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 multiplied by 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, etc. subject to the Executive Officers, etc. remain in the director, executive officer or employee 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, etc. have multiplied by 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, etc. retire/resign from director, executive officer or employee 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:

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, etc. retire from director, executive officer or employee 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, etc. 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.

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

Based on the Compensation Plan, the Treasury Shares Disposal is implemented in accordance with the resolution of the Board of Directors held on June 28, 2022, by the method of the Issuance without Compensation for the Allocation for Directors, and by the method of Issuance by Contribution in Kind for the Allocation for Executive Officers, etc. as the remuneration for the fiscal year 2022 (from April 1, 2022 to March 31, 2023 and those who are not in position at April 1, 2022, the term will be from the time of appointment to March 31, 2023). The Allocation for Directors by the Issuance without Compensation requires no payment of money etc. for the ordinary stock to be disposed of by the Company. However, to eliminate arbitrariness, the issue price of the Allocation for Executive Officers, etc. is 2,457 yen, which is the closing price of the Company's stock on the Tokyo Stock Exchange on June 27, 2022 (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 believes it is reasonable and not particularly favorable amount.

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.