

# Corporate Governance Report

Last Update: June 28, 2023

ZOZO, Inc.

Representative Director, President & CEO:

Kotaro Sawada

Securities Code: 3092 <https://corp.zozo.com/en/>

Corporate governance at ZOZO, Inc. (hereinafter, referred to as “the Company” or “we”) is as follows.

## I . Basic Views on Corporate Governance, Capital Structure, Corporate Profile, and Other Basic Information

### 1. Basic View

The Company Group's basic management policy is to continuously enhance corporate value and build smooth relationships with all stakeholders, including shareholders, with the consciousness of soundness, transparency, efficiency, and management speed. We will enhance corporate governance centered on the Board of Directors and the Audit and Supervisory Committee to achieve this policy.

#### **【Reasons for Non-Compliance with the Principles of the Corporate Governance Code】**

The Company executes all principles of the Corporate Governance Code. (Revised on June 28, 2023)

#### **【Disclosure Based on the Principles of the Corporate Governance Code】 UPDATE**

Principles of the Corporate Governance Code are disclosed in the “Governance” section on the “Sustainability” page of the Company’s website.

<https://corp.zozo.com/en/sustainability/governance/>

As for actions for the realization of management awareness of capital cost and the stock price and promotion and disclosure of dialogs with shareholders, please refer to the following items in the Corporate Governance Code.

- Actions for the realization of management consciousness of capital cost and stock price: Stated in the Principle 5-2
- Promotion and disclosure of dialogue with shareholders: Stated in Principle 5-1, and Supplementary Principles 5-1 ①, 5-1 ②, and 5-1③

### 2. Capital Structure

Foreign Shareholding Ratio

More than 20%, less than 30%

**[Status of Major Shareholders] UPDATE**

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
Z Intermediate Holdings Corporation	152,952,900	51.01
Yusaku Maezawa	24,642,000	8.22
THE MASTER TRUST BANK OF JAPAN, Ltd. (Trust Account)	21,326,500	7.11
Custody Bank of Japan, Ltd. (Trust Account)	7,647,800	2.55
STATE STREET BANK AND TRUST COMPANY 505001	3,409,425	1.14
STATE STREET BANK AND TRUST COMPANY 505223	2,903,561	0.97
JP MORGAN CHASE BANK 385632	2,421,045	0.81
BBH (LUX) FOR AB SICAV I-LOW VOLATILITY EQUITY PORTFOLIO	2,359,800	0.79
STATE STREET BANK AND TRUST COMPANY 505234	2,205,651	0.74
RBC IST 15 PCT NON LENDING ACCOUNT-CLIENT ACCOUNT	2,077,749	0.69

Controlling Shareholders (Excluding Parent Company)	-----
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Parent Company	Z Holdings Corporation (TSE Securities Code:4689)
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Supplementary Explanation <b>UPDATE</b>
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- The Status of Major Shareholders is as of March 31, 2023.
- The parent company is Z Intermediate Holdings Corporation, which holds 152,952,900 shares of the Company.

**3. Corporate Attributes**

Name of Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	End of March
Type of Business	Retail Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than 100 billion yen, less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders**

The Company established the “Guideline to ensure the fairness of transactions with the parent company group” to protect minority shareholders in transactions with the controlling shareholders. And the Company operates business following the rule above.

In that regulation, the Company sets the policy that transactions with the controlling shareholders shall comply with laws and regulations and should not be subject to terms unreasonably advantageous or disadvantageous to the Company Group over similar transactions conducted with a third party. Likewise, the transactions shall be reasonably determined considering the terms of contracts and market prices in

dealings with other companies. And those are executed after careful deliberation on the feasibility or terms of transactions not to violate the right of minority shareholders. Additionally, the Company established the “Intergroup Transaction Review Committee” to deliberate and review important transactions and actions with controlling shareholders. The committee determines whether important transactions with controlling shareholders are disadvantageous to minority shareholders and submits a report to the Board of Directors. The committee members are Outside Directors. The Company believes that we have sufficient independence from the controlling shareholder through the initiatives above.

## 5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

The Company invited 2 Directors from the parent company, Z Holdings Corporation, to obtain advice and proposals on business operations from the wide range of perspectives they acquired in the internet service industry. To ensure independence from the parent company, the following are definitively stipulated: there are no restrictions on business from the parent company, and the Company is in a position to make its own management decisions; the parent company respects the Company’s management judgments on matters related to employees, including employment, appointment, and working conditions of employees; the persons from the parent company with a special interest in a resolution of the Board of Directors may not participate in the resolution of the relevant agenda. Therefore, the Company believes that a certain level of independence from the parent company is ensured.

## II. Business Management and Other Corporate Governance Structures regarding Decision-making, Execution of Business, and Supervision of Management

### 1. Organizational Composition and Operation

Corporate Governance Structure	Company with an Audit and Supervisory Committee
<b>【Directors】</b>	
Maximum Number of Directors Stipulated in Articles of Incorporation <b>UPDATE</b>	19
Term of Office Stipulated in the Articles of Incorporation <b>UPDATE</b>	1 year
Chairperson of the Board	President
Number of Directors <b>UPDATE</b>	11
Election of Outside Directors	Elected
Number of Outside Directors <b>UPDATE</b>	6
Number of Independent Directors	6

Outside Directors' Relationship with the Company (1) **UPDATE**

Name	Attribute	Relationship with the Company										
		a	b	c	d	e	f	g	h	i	j	k
Kazunori Hotta	From another company											
Taro Saito	From another company											
Takako Kansai	From another company											
Hiroko Igarashi	From another company											
Junko Utsunomiya	From another company											
Kumiko Nishiyama	From another company											

\* Categories for "Relationship with the Company"

\* "○" means when the Director presently falls or has recently fallen under the category; "△" means when the Director fell under the category in the past

\* "●" means when a close relative of the Director presently falls or has recently fallen under the category; "▲" means when a close relative of the Director fell under the category in the past

a. Person who executes business of the Company or a subsidiary

b. Person who executes business or a non-executive Director of a parent company

c. Person who executes business of a sister company

d. Person/entity for which the Company is a major client or a person who executes business for such person/entity

e. Major client of the Company or a person who executes business for such a client

f. Consultant, accounting expert, or legal expert who receives significant amounts of cash or other assets in addition to the remuneration from the Company

g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)

h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above)  
(applies to self only)

i. Person who executes business for another company holding cross-Directorships/cross-auditorships with the Company  
(applies to self only)

j. Person who executes business for an entity receiving contributions from the Company (applies to self only)

k. Others

Outside Directors' Relationship with the Company (2) **UPDATE**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Kazunori Hotta	○	----	Mr. Hotta contributes to enhancing corporate governance by supervising the Company's management based on his wealth of experience and broad insight cultivated in the wedding

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
			<p>industry and the hotel industry and providing advice to the Company's overall management. The Company assumed that there was no risk of conflict of interest with general shareholders since he did not fall under any of the items a~k above, so he is designated as an Independent Director.</p>
Taro Saito	○	----	<p>Mr. Saito has a wealth of experience and broad insight into branding and communication design. The Company would like to ask for advice from a high-level perspective on the Group's branding strategy. The Company assumed that there was no risk of conflict of interest with general shareholders since he did not fall under any of the items a~k above, so he is designated as an Independent Director.</p>
Takako Kansai	○	----	<p>The Company requests the appointment of Ms. Kansai as an Outside Director to ask her to supervise the Company's management and obtain advice about the entire management based on extensive experiences and a broad perspective in both businesses and the technology of the internet business in order to contribute to strengthening corporate governance. The Company assumed that there was no risk of conflict of interest with general shareholders since she did not fall under any of the items a~k above, so she is designated as an Independent</p>

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
			Director.
Hiroko Igarashi	○	----	<p>Ms. Igarashi is a certified public accountant and has been engaged in duties as the head of the accounting group at other companies. We believe that she has considerable knowledge of finance and accounting and will be able to appropriately perform her duties in the audit of the Company. She has not been directly involved in the management of the Company except for becoming an Outside Officer. However, for the reasons stated above, the Company believes that she will be able to perform her duties as an Audit and Supervisory Committee member appropriately. The Company assumed that there was no risk of conflict of interest with general shareholders since she did not fall under any of the items a~k above, so she is designated as an Independent Director.</p>
Junko Utsunomiya	○	----	<p>Ms. Utsunomiya Has considerable knowledge of corporate legal affairs from a professional standpoint as a lawyer; the Company judged that she would be able to properly perform our duties in the Company's audits. She has not been directly involved in the management of the Company except for becoming an Outside Officer. However, for the reasons stated above, the Company</p>

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
			<p>believes that she will be able to perform her duties as an Audit and Supervisory Committee member appropriately. The Company assumed that there was no risk of conflict of interest with general shareholders since he did not fall under any of the items a~k above, so she is designated as an Independent Director.</p>
Kumiko Nishiyama	○	---	<p>Ms. Nishiyama is a certified public accountant engaged in sustainability-related duties, and we believe that she has a broad range of knowledge and is capable of appropriately performing her duties in the Company's audits. She has not been directly involved in the management of the Company except for becoming an Outside Officer. However, for the reasons stated above, the Company believes that she will be able to perform her duties as an Audit and Supervisory Committee member appropriately. The Company assumed that there was no risk of conflict of interest with general shareholders since she did not fall under any of the items a~k above, so she is designated as an Independent Director.</p>

## **【Audit and Supervisory Committee】**

	Total number of Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	0	3	Outside Director

Establishment of a System for Directors and Employees to Assist the Audit and Supervisory Committee in Its Duties **UPDATE**

Established

Matters Concerning the Independence of Such Directors and Employees from the Executive Directors **UPDATE**

The Business Administration Division assists the Audit and Supervisory Committee in its duties, and during the period designated by the Audit and Supervisory Committee for such assistance, the authority to direct the designated employees shall be transferred to the Audit and Supervisory Committee, and the Directors (excluding Directors who are Audit and Supervisory Committee members) shall be independent of the Audit Committee.

Cooperation among Audit and Supervisory Committee Members, Accounting Auditors, and Internal Audit office **UPDATE**

Audit and Supervisory Committee members audit compliance with the internal regulations and laws and regulations and the appropriateness of business operations following the basic audit plan. The audit is conducted by inspecting various minutes, approved documents, contracts, and records of various transactions, interviewing related parties, and attending audits with the Accounting Auditor. In addition, all Audit and Supervisory Committee members participate in the monthly Board Meeting of the Company and express opinions as needed. The full-time member participates in important conferences to audit the execution of the Directors' duties. They also request business reports from subsidiaries to understand the status of their operations and assets.

Internal audits are conducted by the Internal Audit Office, which directly reports to the President and Representative Director; the Internal Audit Office investigates the execution of operations and the management system of the Company and its subsidiaries and affiliates according to the "Guideline for Internal Audit" established by the Company. It confirms compliance with laws and regulations, articles of incorporation, and internal regulations to enhance appropriate business execution, rationalization, and efficiency of operations. As for cooperation between internal audits, audits by Audit and Supervisory Committee members and accounting audits, and the relationship between audits and the Internal Control Division, the Internal Audit Office, Audit and Supervisory Committee, and Accounting Auditor share the information on their audit plans and the progress of audits and exchange ideas so that they can cooperate to increase the effectiveness and efficiency of audits.



## 【Voluntarily Established Committees】

Voluntarily Established Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee, and the Committee Chair (Chairperson) **UPDATE**

	Committee's Name	Total number of Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Others	Committee Chair (Chairperson)
Nomination Committee	Nomination and Remuneration Consultatory Committee	5	0	2	3	0	0	Outside Director
Remuneration Committee	Nomination and Remuneration Consultatory Committee	5	0	2	3	0	0	Outside Director

## Supplementary Explanation **UPDATE**

The Nomination and Remuneration Consultatory Committee, an advisory body under the Board of Directors and chaired by the Independent Outside Director, is established. The committee's purpose is to strengthen the independence, objectivity, and accountability of the Board of Directors' function to determine the nomination and remuneration of Directors.

### • Structure of Nomination and Remuneration Consultatory Committee

The committee comprises 5 members: all independent Outside Directors, one Director dispatched from the parent company, and one Executive Director. The independent Outside Director chairs it.

The Nomination Committee and Remuneration Committee are composed as follows:

Kazunori Hotta, Outside Director (Chairperson)  
Taro Saito, Outside Director  
Takako Kansai, Outside Director  
Kotaro Sawada, Representative Director, President & CEO  
Takao Ozawa, Director (non-executive)

### (1) Activity Status

The Committee held 5 meetings for the fiscal year ended March 2023, and all committee members attended each meeting.

### (2) Major items discussed

• Discussion on topics to be deliberated by the Nomination and Remuneration Consultatory Committee for the fiscal year ended March 31, 2023, and the review of the committee's operations in the previous fiscal year

- Evaluation feedback for all Directors
- Interim feedback interviews with Executive Directors
- Discussion on the establishment of KPIs for short-term incentive remuneration for Executive Directors
- Discussion on the Directors' Skills Matrix
- Discussion on the CEO succession plan

### **【Independent Officers】**

Number of Independent Officers	6
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Other Matters Concerning Independent Officers

All Outside Directors qualified as independent officers are designated as independent officers.

### **【Incentives】**

Incentive Policies for Directors	Performance-linked compensation
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Supplementary Explanation of Applicable Matters

The Nomination and Remuneration Consultatory Committee, an advisory body under the Board of Directors, which mainly consists of Outside Directors, established the remuneration/ compensation system for Executive Directors among the Board of Directors based on the committee's discussions and reports. Remuneration/ compensation is paid for efforts to achieve short, medium- and long-term business results and increases in corporate value. The results are measured based on the Company's management strategy to promote a medium- and long-term sustainable increase in corporate value and function as a sound incentive. The remuneration/ compensation consists of fixed and performance-linked compensation. Fixed remuneration consists of cash only, while performance-linked compensation consists of cash bonuses and stock compensation. The ratio of performance-linked compensation exceeds the percentage of fixed remuneration, and among the performance-linked compensation, the proportion of stock compensation exceeds the proportion of cash bonuses.

Recipients of Stock Options	Directors of subsidiaries
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Supplementary Explanation of Applicable Matters

The Company grants stock options to increase corporate value. By linking business performance and shareholder value of the Company Group with the remuneration for the officers of subsidiaries, the Company not only shares the mindset to earn profit between the officers of subsidiaries and shareholders but also strengthens the organizational cohesiveness among the Group, performance of the officers of the subsidiaries as well as their motivation and morale.

## 【 Remuneration/ Compensation for Directors】

Status of Disclosure of Remuneration/  
Compensation of Respective Directors

No disclosure of remuneration/ compensation of  
respective Directors

### Supplementary Explanation of Applicable Matters **UPDATE**

- Total remuneration/ compensation paid to Directors (amount paid to Outside Directors) for the fiscal year ended March 31, 2023: 318 million yen (21 million yen)
- Total remuneration/ compensation by type
  - Basic remuneration: Fixed remuneration: 165 million yen (21 million yen)
  - Performance-linked compensation: Bonuses: 64 million yen (-)
  - Non-monetary compensation: Restricted stock: 88 million yen (-)
- Number of Directors to be paid: 6 (including 3 Outside Directors)
- As of the end of the fiscal year, the Company has 8 Directors (including 3 Outside Directors). The difference from the above figures is due to two non-remuneration Directors.
- Bonuses represent the amount of provision for bonuses to the Directors in the fiscal year. The performance indicators used to calculate bonuses include the Gross Merchandise Value and consolidated operating profit. The reason for using these performance indicators is that the Gross Merchandise Value and consolidated operating profit imply growth potential and profitability of the Group's business.
- Performance-linked restricted stock is granted to Directors as non-monetary compensation.

Policy on Determining Remuneration/ Compensation  
Amounts and Calculation Methods Thereof **UPDATE**

Established

### Disclosure of Policy on Determining Remuneration/ Compensation Amounts and Calculation Methods

Matters concerning the policy to determine the details of respective remuneration/compensation for Directors who are not Audit and Supervisory Committee members

#### i. Purposes of remuneration/ compensation

Remuneration/ compensation for Directors consists of fixed remuneration (cash remuneration) and performance-linked compensation (cash bonus/stock compensation). They are paid for efforts to achieve short, medium- and long-term business results and increases in corporate value. The results are measured based on the Company's management strategy to promote a medium- and long-term sustainable increase in corporate value and function as a sound incentive.

#### ii. Level of remuneration/ compensation

After establishing a group of companies as a benchmark for remuneration, a certain level and composition of remuneration/ compensation are prepared so that the Company can ensure and retain 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/ compensation

The ratio of performance-linked compensation exceeds the percentage of fixed remuneration, and among the performance-linked compensation, the proportion of stock compensation exceeds the proportion of cash bonuses. The Company's policy is to pay only fixed remuneration to non-executive Directors, which includes Outside Directors, of the Board of Directors (excluding Directors who are the Audit and Supervisory Committee members).

#### a. Cash remuneration

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

#### b. Cash bonus (short-term incentive remuneration)

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

#### c. Stock compensation (medium- and long-term incentive compensation)

Stock compensation represents performance-linked compensation for promoting the management that focuses on medium- and long-term increases in corporate value/shareholder value, and stock with restrictions on transfer is granted to the eligible persons. The ratio to release the restrictions on transfer is determined based on the continuous service on the Company's Board of Directors, the Company's stock price growth rate for three fiscal years (compared with those of a group of about 27 benchmark companies), consolidated operating profit, and the valuation score granted by the ESG rating provider that the Company determines. Fundamentally, the stock is annually granted to eligible persons according to their titles and duties.

#### iv. Matters concerning the determination of the details of remuneration/ compensation for respective Directors

The Nomination and Remuneration Consultatory Committee examines the draft and its consistency with the policy for determination from various perspectives. The Board of Directors also believes that the draft complies with the policy for determination and fundamentally respects a report from the committee.

#### v. Other significant matters concerning the determination of the remuneration/ compensation of respective Directors

For stock compensation, the provision is established that the Company acquires all or a part of the stocks allocated to the eligible Directors without charge in the event the relevant Directors resigns before the expiration of the period of transfer restriction for reasons other than reasons the Board of Directors thinks 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 stocks with restrictions on transfer or cash equivalent to them to the Company without charge when 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.

In addition, the remuneration of Directors who are Audit and Supervisory Committee members is determined by consultation among the members of the Audit and Supervisory Committee members within the limit of the total amount of remuneration for Directors who are Audit and Supervisory Committee members as resolved at the General Meeting of Shareholders.

## **【Supporting System for Outside Directors】 UPDATE**

The Business Administration Division supports Outside Directors. In addition, the full-time Audit and Supervisory Committee member timely exchanges information with other Audit and Supervisory Committee members.

## **2. Matters concerning Functions for Business Execution, Auditing, Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance Structure) UPDATE**

### (a) Structure of the Board of Directors

The Board of Directors of the Company makes decisions on important management issues related to the business execution, supervises the execution of Directors' duties, and strives to ensure the transparency, efficiency, and fairness of the decision-making process. The total number of Directors is 11 (including 6 Outside Directors).

The Board of Directors holds a regular monthly meeting and an extraordinary meeting as needed. The meetings were held 22 times in the fiscal year ended March 31, 2022, and 18 times in the fiscal year ended March 31, 2023. Based on the provisions of Paragraph 1 of Article 427 of the Companies Act, the Company agreed with 8 non-executive Directors to limit their liabilities for compensation under Paragraph 1 of Article 423 of the Companies Act to the extent provided by laws and regulations if they act in good faith and are not grossly negligent.

To enhance business execution and supervisory structure, the Company established the Nomination and Remuneration Consultatory Committee, an advisory body under the Board of Directors chaired by an Independent Outside Director. The committee's purpose is to strengthen the independence, objectivity, and accountability of the Board of Directors' function to determine the nomination and remuneration of Directors.

### (b) Audit and Supervisory Committee

The Company transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee upon approval at the 25<sup>th</sup> Ordinary General Meeting of Shareholders held on June 28, 2023. The Audit and Supervisory Committee audits daily activities that include monitoring the operation of the Board of Directors and the execution of duties by the Directors, consisting of 3 members. All Audit and Supervisory Committee members are treated as Outside Directors. The Company's Audit and Supervisory Committee members, a lawyer and certified public accountants, monitor management using their own experience and records. The Audit and Supervisory Committee meeting is held monthly as a rule.

The Audit and Supervisory Committee members participate in the Ordinary General Meeting of Shareholders and Board Meetings and perform the statutory exercise of rights, including receipt of reporting from Directors, Executive Officers, employees, and the Accounting Auditor. Also, a full-time committee member conducts effective monitoring, including participation in important conference bodies, such as Management Meetings, Compliance Committee, audits based on interviews with sections and visits to subsidiaries for auditing, and provides opinions contributing to an increase in the health of the management of the Company during daily audit work. Additionally, the members actively exchange opinions with the Accounting Auditor, Internal Audit Office, and the Directors of subsidiaries and exchange information with Audit and Supervisory Board members

of our parent company, SoftBank Group, Corp., to perform effective and efficient audit work.

(c) Management Meeting

The Management Meeting consists of Directors who are not Audit and Supervisory Committee members and Executive Officers, and as observers, Outside Directors, General Managers, a full-time Audit and Supervisory Committee member, and the Representative Director of subsidiaries, as needed, persons in charge of matters to be discussed. In principle, the Management Meeting is held twice a month to make resolutions, deliberations, and reports based on the authority approval standards. In addition, the Management Meeting members discuss business reports based on the management policy, information gathering/analysis, information sharing between departments, business plans and directions related to the entire business, and issues each business unit addresses. They also make decisions on matters above, which require cross-organizational discussion. Management Meeting is held to help the decision-making process by the Representative Director and other decision-makers based on the authority approval standards.

(d) Nomination and Remuneration Consultatory Committee

The Company established the Nomination and Remuneration Consultatory Committee to express opinions to the Board of Directors on the nomination and remuneration of Directors. The Nomination and Remuneration Consultatory Committee consists of 5 members, all Independent Outside Directors, one Director dispatched from the parent company, and one Executive Director, and it is chaired by an Outside Director. By the Nomination and Remuneration Consultatory Committee regulations established by the Board of Directors, the Nomination and Remuneration Consultatory Committee proposes its opinions to the Board Meeting as agenda related to the appointment and dismissal of Directors at the General Meeting of shareholders, the appointment and dismissal of the Representative Director, President & CEO, succession plans for the Representative Director, President & CEO, and remuneration and bonuses of Directors (excluding non-executive Directors and Outside Directors) after deliberations based on the business performance of each fiscal year and the contribution to the business performance, and all matters related to the information mentioned above.

(e) Internal Audit Office

In cooperation with Audit and Supervisory Committee members and the Accounting Auditor, the Internal Audit Office strives to improve the effectiveness and efficiency of internal controls and compliance by conducting interviews and on-site surveys of each business division based on the annual internal audit plan.

(f) Auditing Firms

a. Name of the auditing firm

Deloitte Touche Tohmatsu Limited.

b. Certified Public Accountants who conducted the audit

Atsushi Numata

Yusuke Kumei

c. Composition of assistants relevant to audit activities

Audit assistants engaged in accounting audits consist of 6 certified public accountants and 16 others.

### **3. Reasons for Adopting Current Corporate Governance Structure UPDATE**

The Company Group's basic management policy is to continuously enhance corporate value and build smooth relationships with all stakeholders, including shareholders, through the consciousness of soundness, transparency, efficiency, and management speed. The Group adopted the corporate governance structure

centered on the Board of Directors and Audit and Supervisory Committee to achieve the policy. The total number of Directors is 11, and non-executive Directors is 8 (including 6 Outside Directors). They appropriately express opinions to the management members from an external viewpoint while objectively supervising the management members and Directors. To enhance the functions of the Board of Directors, the Nomination and Remuneration Consultatory Committee, an advisory body under the Board of Directors chaired by the Independent Outside Director, is established. The committee's purpose is to strengthen the independence, objectivity, and accountability of the Board of Directors' function to determine the nomination and remuneration of Directors.

3 Audit and Supervisory Committee members are appointed, and all are Outside Directors. The Company designated all Outside Directors, including Audit and Supervisory Committee members, as Independent Officers to the Tokyo Stock Exchange. They exchange opinions with the management members and express their opinions appropriately from an external perspective, fulfilling their corporate governance roles and responsibilities. Based on the above, we believe that the objectivity and neutrality of the management oversight function are sufficiently ensured.

### III Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of Shareholders and to Ensure the Smooth Exercise of Voting Rights **UPDATE**

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	The Notice of Convocation of the 25th Ordinary General Meeting of Shareholders was dispatched on June 7, 2023. It was subject to electronic provision measures and opened to public inspection at Tokyo Stock Exchange on June 2, 2023, before the dispatch date.
Scheduling of the General Meeting of Shareholders on Off-Peak Days	To allow a greater number of the shareholders to attend, the Company schedules the General Meeting of Shareholders on off-peak days when general meetings of many other companies are not concentrated.
Electronic Exercise of Voting Right	Electronic exercise of voting rights is allowed so that more shareholders can exercise their voting rights.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance the Environment for Institutional Investors to Exercise Voting Rights	The Company participates in the electronic voting platform for institutional investors to improve their convenience.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	Convocation notices are translated into English to provide the information on the Company's website.

Others	The Company accelerates account settlement work for early disclosure before the dispatch of the convocation notice. In addition, we have introduced the virtual-only General Meeting of Shareholders to enable shareholders from distant locations to "attend virtually" the meeting.
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## 2. Status of IR Activities **UPDATE**

	Supplementary Explanations	Explanation by the Representative
Provision and Publication of Disclosure Policy	The disclosure policy is available on the Company's website.	
Regular Financial Results Briefing for Analysts and Institutional Investors	The financial results briefing is held quarterly.	Exist
Regular Financial Results Briefing for Overseas Investors	Considering the ratio of overseas investors, the following information is available in English: financial results briefing materials, convocation notices on the General Meeting of Shareholders, quarterly financial results overview, and other information. Also, we are offering live streaming of the financial results briefing and global conference calls in English through simultaneous interpretation.	Exist
Online Disclosure of IR Information	The following information is available on the Company's website: Financial statements, quarterly financial statements, financial results briefing materials for analysts, securities reports, quarterly reports, and other materials for timely disclosure.	
Department and Manager in Charge of IR	Business Administration Division, Strategic Planning and Development Department oversees IR.	

## 3. Status of Measures to Ensure the Respect for Stakeholders **UPDATE**

	Supplementary Explanations
Implementation of Environmental Preservation Activities, CSR Activities, etc.	Proactively addressing ESG (Environment/Society/Governance) issues will lead to sustainable coexistence and co-prosperity with our stakeholders and society. We have established four key actions in line with our Sustainability Statement, "Fashion Connects and Leads us to a Sustainable Future". Through these actions, we aim to encourage people to realize their potential with the power of fashion and technology to create a sustainable future. We aim to



achieve the following Sustainability Statement and four key actions by 2030.

Additionally, the Company identified materiality items that are highly important in terms of characteristics and contribution to the growth of the Company group. Among that, the Company identified 10 key materiality items to promote four key actions for sustainability determined by the Company, and we see them as the most significant ones. It establishes KPIs and action plans to promote the actions. We also strive to achieve sustainable corporate growth, resolve social issues, and fulfill social responsibility.

(i) Highlight sustainable fashion choices to improve users' experience

By sharing information, such as the sustainability criteria and production background of a particular garment, the Company will provide its customers with better opportunities to purchase sustainable products that are human-rights and environmentally friendly.

(ii) Create a made-to-order platform for zero waste

The Company will create a made-to-order production platform that reduces waste dramatically by avoiding mass production and disposal. This manufacturing system will utilize original measurement technologies and a wide range of data.

(iii) Promote diversity and inclusion for all the people involved in fashion

The Company will actively dispatch information and take initiatives to create a society where all the people involved in "fashion" can fulfill their potential. This includes the Company's employees, fashion leaders, the next generation of those leaders, minorities, apparel manufacturers, people struggling from pollution, and our customers.

(iv) Contribute to sustainable community development

With the power of fashion and technology, the Company will work on environmental and social issues in each region and community with its stakeholders, and we aim to contribute to the revitalization and sustainability of the local community.

\*For more information on sustainability, please see the following website: <https://corp.zozo.com/en/sustainability/>

Implementation of Policies on Information Provision to Stakeholders

The Company provides the information to all stakeholders focusing on promptness, accuracy, fairness, and continuity, following related laws and regulations, such as Financial Instruments and Exchange

Laws and regulations stipulated by the Tokyo Stock Exchange,

The Company believes that our staff is the indispensable foundation for future growth and fulfilling their potential, which includes diverse abilities and personalities, will contribute to the increase, development, and growth of corporate value. Therefore, the Company is promoting actions to enhance diversity and inclusion.

- Initiatives for the promotion of women's participation and advancement

To further promote the participation and advancement of female employees, the Company has established and is implementing a general employer action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. The Company's employee gender ratio is 42.2% of female employees and 57.8% of male employees (as of March 2023). The ratio of female managers equivalent to or higher than managers is 22.6% (as of March 2023), which is higher than the national average of 12.3% (as of October 2021). Additionally, the meetup is held mainly by employees serving as role models, including Executive Officers. For further participation and advancement of female employees, the Company will continue to work on further implementation of a general employer action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

\*For the national average of the ratio of female managers, the Company referred to the Ministry of Health, Labor, and Welfare FY 2020 Basic Survey of Gender Equality in Employment Management.

- Initiatives for employment of the person with disabilities

122 staff with disabilities (as of March 31, 2023) currently work at the Company. They belong to various departments, including our management division, customer support division, and merchandise control division.

We aim to be a company where every employee (with or without handicaps) can show their capability and individuality by providing appropriate care.

- Initiatives for LGBTQ

The definition of spouse by the Company's internal regulations includes same-sex partners. This enables our employees to enjoy the benefit of company programs like money gifts, leaves, and condolences, regardless of the gender of the partner. The Company

Others

has taken a wide variety of measures for employees of the ZOZO Group, such as holding in-house seminars to promote correct recognition and understanding of LGBTQIA+ and a change in the service logo of ZOTOTOWN to a rainbow-colored one for showing tie with LGBTQIA+. As a result of the appreciation of these actions for LGBTQIA+ at the workplace, the Company won the Gold award, the highest appreciation, in the PRIDE indicator 2021.

- Initiatives to support staff in raising children

We will support employees through these activities to balance work and child-raising, including male employees.

Many female employees continue to work, taking advantage of maternity and childcare leave. The rate of use of childcare leave for female employees is 100%, and for male employees is 34.7% (as of March 2023). Also, the rate of return to work after maternity and childcare leave (\*) is 100% (as of March 2023), which is extremely high. In addition, when many employees return to work every year in spring, we make a gathering opportunity for those who have just returned to work. We provide opportunities for information sharing and communication.

To support employees' work-life balance, employees can shorten the working time by 30 minutes to 2 hours for "family care," including childcare, elderly care, pet care, or care for anybody the employee considers "family."

\* : The rate of return to work after maternity and childcare leaves (female) = number of employees who return to work/number of employees who completed childcare leave during the relevant period

We will create a system where everyone mutually understands diversity, such as gender (including sexual orientation and gender identity), nationality, values, and working style suited to individual lifestyle, so that every employee can participate and advance themselves in the Company.

## IV Matters Related to the Internal Control Systems

### 1. Basic Views on Internal Control System and the Progress of System Development **UPDATE**

The Company established the "Basic Policy on Internal Control Systems" as a system for ensuring the appropriate business operations following the provisions of the Companies Act and the enforcement regulations to it and resolved it at the Board Meeting. This policy is outlined below.

1. Systems to ensure that the execution of duties by Directors and employees complies with laws, regulations, and the Articles of Incorporation

① To ensure that the execution of duties by Directors and employees complies with laws and regulations, conforms to corporate ethics, and fulfills their social responsibilities, the Company established the Compliance Committee, chaired by President and Representative Director, to deliberate on important compliance-related matters. The Company strives to develop and operate compliance systems to prevent acts that violate laws, regulations, etc., that could constitute violations and inappropriate transactions and to enhance the system for legal and regulatory compliance of Directors and employees.

② An internal whistleblowing system (helpline) is established to enable the Company Directors and employees to report acts they suspect may violate laws, regulations, internal rules, etc., to quickly discover and rectify inappropriate actions. Matters reported to the helpline are investigated by the Compliance Committee. When it is revealed that rectification is necessary, the Compliance Committee swiftly decides on corrective and preventive measures and implements them.

③ The Company takes necessary measures to prevent a person from being treated disadvantageously because the person made the whistle blow outlined in the preceding paragraph.

④ The Internal Audit Office examines the compliance structure, investigates any issues concerning laws, regulations, or the Articles of Incorporation, and reports the results to the Board of Directors and the Audit and Supervisory Committee members.

⑤ The Board of Directors reviews the compliance structure periodically to identify issues and make relevant improvements.

⑥ Audit and Supervisory Committee audits this internal control system in light of its efficacy and functions and strives swiftly to identify and rectify any issues.

2. Systems related to the storage and management of information on the execution of Directors' duties

① Information on the execution of Directors' duties is managed and saved appropriately by recording it in written documents or electromagnetic media, following laws, regulations, the Information System Management Guideline, and the Document Management Guideline.

② The Full-time Audit and Supervisory Committee member can view such information anytime.

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

① The person responsible for supervising risk management in the Company is the Representative Director, President. Accordingly, Directors, Executive Officers, General Managers, and VPs of related departments identify and assess various risks based on the Risk Management Guideline and take necessary measures to avoid, mitigate, or transfer risks.

② The Internal Audit Office audits the status of risk management in each organization and reports results to the Board of Directors and Audit and Supervisory Committee.

③ The Board of Directors periodically reviews the risk management structure to identify issues and make improvements as appropriate.

4. Systems for ensuring that Directors' duties are executed efficiently

① The roles and responsibilities of Directors and individual sections are defined clearly by preparing 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 specifies matters that should be submitted to the Board of Directors and the scope of decisions that each Director may make to ensure that the

duties of Directors are executed efficiently.

② The President and Representative Director drafts annual management plans based on the Budget Management Guideline and obtains approval from 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 approved.

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 structure and seeks to make necessary improvements.

5. Systems for ensuring the appropriate business operations of the Company Group, which consists of the Company and its subsidiaries (hereinafter, referred to as the "Group" )

① One or more of the Directors or Auditors are dispatched from the Company to a subsidiary to monitor, supervise, or audit the execution of duties of subsidiary Directors. The Business Administration Division oversees the subsidiary's business management, compliance structure, risk management structure, and other matters of subsidiary business administration, following the Subsidiary Management Guideline. While respecting the autonomy of subsidiary management, the Company receives periodic reports on the status of the subsidiary business and approves important matters from the subsidiary as appropriate.

② The Internal Audit Office conducts an internal audit on the status of the management of subsidiaries and their business activities.

6. Structures regarding employees assigned to assist the Audit and Supervisory Committee members in the execution of their duties and matters related to ensuring the efficacy of the execution of duties of such employees and their independence from Directors who are not Audit and Supervisory Committee members

① When an Audit and Supervisory Committee member has requested the assignment of one or more employees to assist in their duties, the Board of Directors may, through consultation with the Audit and Supervisory Committee member, appoint such employees to assist the member. Authority to direct such employees shall be delegated to the Audit and Supervisory Committee members during the period of such assistance as specified by them, and said employees should not be subject to instruction or orders from Directors (excluding Directors who are Audit and Supervisory Committee members) during the period.

② The prior consent of the Audit and Supervisory Committee shall be required before any personnel transfer, HR evaluation, or disciplinary action regarding an employee assisting an Audit and Supervisory Committee member.

7. Structure for reporting by Group Directors (excluding Directors who are Audit and Supervisory Committee members of the Company) and employees to Audit and Supervisory Committee members and other systems related to reporting to them.

① Group Directors (excluding Directors who are Audit and Supervisory Committee members of the Company) and employees shall report to Audit and Supervisory Committee members, following laws, regulations, and internal rules, on matters that could cause serious harm to the Company; matters recognized to be improper acts or severe violations of laws, regulations, or the Articles of Incorporation; important matters submitted to the Board of Directors and decisions at the Board Meeting; important accounting policies or accounting standards and changes therein; the state of implementation of internal auditing; important monthly reports and other important matters.

② The Company takes necessary measures to prevent people who made a report from being treated disadvantageously because that person made a report, which is outlined in the preceding paragraph.

8. Other structures to ensure the efficacy of audits by Audit and Supervisory Committee members

① To ascertain the status of important decision-making processes and execution of duties, Audit and Supervisory Committee members may attend the Board Meeting, the Management Meeting, and 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 Audit and Supervisory Committee members ensure the efficacy of audits through autonomy and authority following the Audit and Supervisory Committee Guideline and the Audit and Supervisory Committee Auditing Standards and manage systems for effective audit in close cooperation with the Internal Audit Office and the Accounting Auditor.

③ The President and Representative Director have meetings periodically with the Audit and Supervisory Committee members to exchange opinions and maintain close communication regarding topics that the Company should address, the status of maintenance of the environment for auditing by the Audit and Supervisory Committee members, important topics related to auditing, and other matters.

④ Payment is made promptly in response to procedures for advance payment or reimbursement of costs arising from the execution of the duties of the Audit and Supervisory Committee members and other demands for payment of costs or obligations arising in the execution of their duties.

9. Structure for exclusion of antisocial forces

The Company eliminates any relations with antisocial forces or groups that pose threats to social order or sound business activities and resists any improper demands or similar matters resolutely and systematically, cooperating with outside experts, including the police and company attorneys.

10. Structure for ensuring the reliability of financial reporting

To ensure the reliability of financial reporting, the internal control system related to financial reporting is developed, maintained, and operated to ensure it functions effectively.

## **2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development**

The Company Group's basic policy is to eliminate any transactions with antisocial forces and organizations that threaten the social order and the sound activities of companies and to cooperate with external specialists or organizations, such as the police and company attorneys, while taking a firm stance toward responding to unfair demands in an organized manner. To prevent any relationship with antisocial forces, the Legal Department of the Group conducts surveys before commencing transactions with new suppliers, new subcontractors, etc. We also implemented procedures to conduct another survey by external investigative organizations following the criteria we made. After implementing these procedures, we have accomplished a system to commence transactions. In addition, we conduct surveys of existing business partners at least once a year to ensure that we can collect information on an ongoing basis.

## V Others

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation of Applicable Matters

None.

### 2. Other Matters Concerning Corporate Governance Structure **UPDATE**

Corporate governance structure

- The diagram of the corporate governance structure is attached at the end of the report.

Timely disclosure system

(1) Provision and operation of a timely disclosure system:

a. Initiatives for the provision of the timely disclosure system

(Basic Policy)

The Company will comply with the Financial Instruments and Exchange Law, other relevant laws and regulations, and the rules on timely disclosure (hereinafter referred to as the "Rules on Timely Disclosure") stipulated by the Tokyo Stock Exchange while ensuring prompt, accurate, fair and continuous disclosure to all stakeholders. In addition, the Company discloses other information promptly, accurately, and fairly, with an appropriate method, even if the item does not apply to the Rules on Timely Disclosure.

(Structure for collection of material information)

Regarding the collection of the potential information to be disclosed (such as decisions, facts that occurred, and financial information), the Company Group shares items applicable to important facts to officers and employees based on the Guideline for Insider Trading Management to ensure the comprehensiveness of information gathering. Specifically, if there are any doubts on whether the information that employees obtained during business falls under the category of inside information or not, it needs to be reported immediately to the VP of the department to which the employee belongs or the Representative Director, President of subsidiaries. VPs of each department or the Representative Director, President of subsidiaries who received the notice of important information make a report to the Information Management Supervisor without delay. The Information Management Supervisor obtains information from various reports from the Directors of each division at the Management Meeting, which is held twice a month to understand important insider information, including financial information.

(Operation of timely disclosure)

The Information Management Supervisor identifies whether the obtained information falls under the important inside information stipulated in the laws, regulations, and various guidelines. When it falls under the important inside information, the Information Management Supervisor proposes the deliberation and determination on the disclosure to the Board of Directors. The division in charge of information management prepares disclosure materials. The department is supposed to ensure the accuracy, transparency, and legality of the disclosure

materials, which need to contain sufficient information to support investment decisions. Although timely disclosure is conducted based on the approval of the Board of Directors, when the Company must disclose the information with high materiality or urgency, the Representative Director, President, has the authority to do it immediately.

(The means of timely disclosure)

When the Company makes timely disclosure, decisions to be disclosed are registered and submitted to TDnet (Timely Disclosure network), which the Tokyo Stock Exchange provides, by the department in charge of information management. After being disclosed at TDnet, such matters are uploaded on the Company's website so that the information can be fairly provided to all stakeholders.

(Monitoring of timely disclosure system)

To monitor whether the timely disclosure system appropriately functions within the Company Group, the Internal Audit Office conducts a periodic audit to monitor compliance with The Guideline for Insider Trading by employees and the appropriate operation of timely disclosure by the department in charge of information management. Audit and Supervisory Committee members who are Outside Directors attend the Board Meeting to monitor the execution of Directors' duties, and the full-time Audit and Supervisory Committee member attends Management Meeting as an observer so that they can comprehensively monitor the series of processes from the collection of the information on timely disclosure to decision-making at the Board Meeting.

(In-house training system for timely disclosure)

To make timely disclosure appropriately, the Company Group is required to maintain a system that aggregates all the important inside information subject to disclosure to the Information Management Supervisor. All officers and employees need to be aware of the importance of timely disclosure and inside information management. The Company Group timely provides officers and employees of the Company Group with training opportunities for the management of important inside information following the Guideline for Insider Trading Management.

b. Organization in charge of timely disclosure (division and department in charge, and number of staff)

The Information Management Supervisor who oversees the management of the important inside information within the Company Group, the communication with the stock exchanges, and the management of timely disclosure of inside information, is the Director and Executive Vice President. The Business Administration Division is responsible for information management under the control of the Information Management Supervisor for the timely disclosure of corporate information.

The division in charge: 12 members in the Business Administration Division, Strategic Planning and Development Department

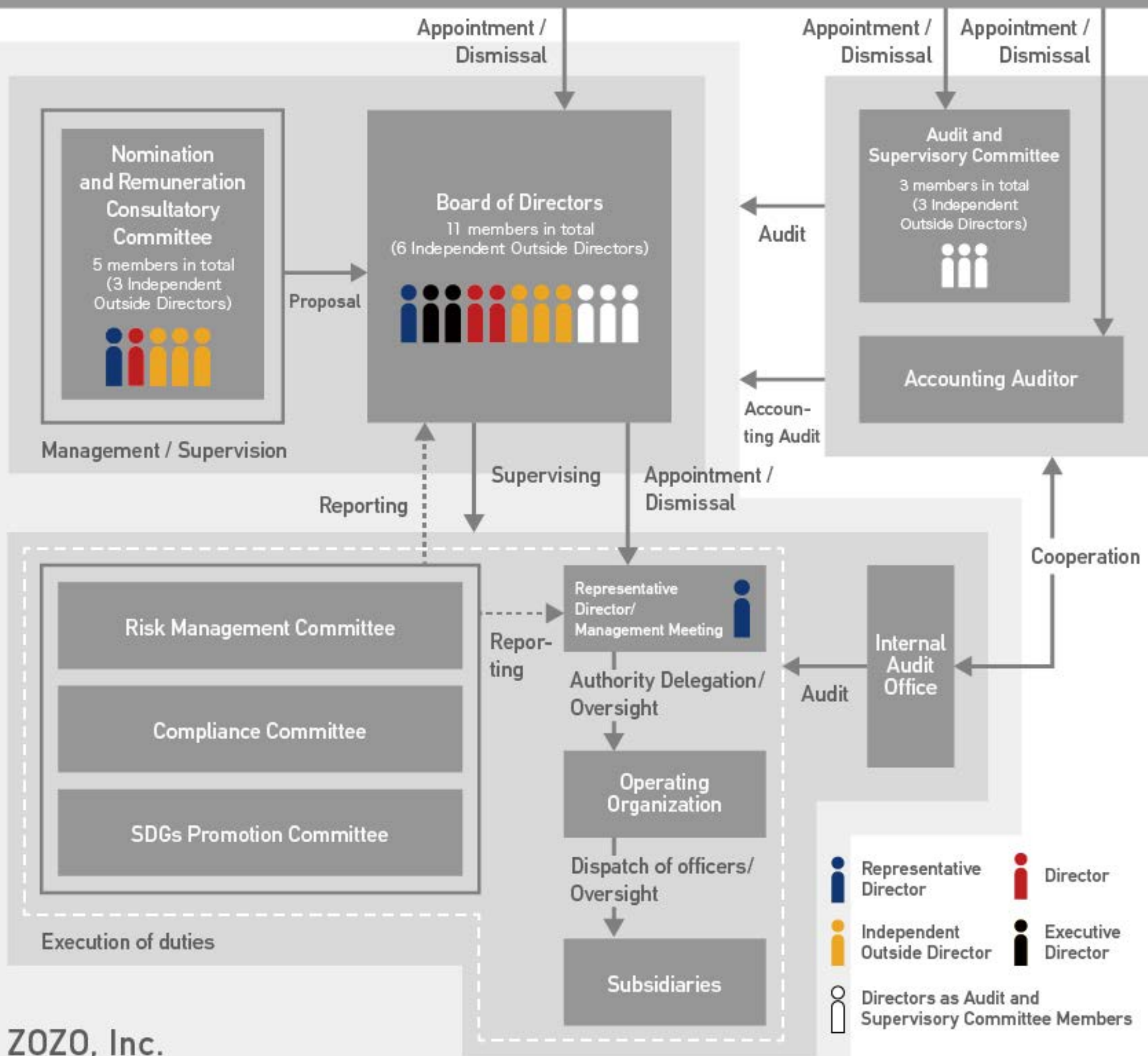
Title and name of the Information Management Supervisor: Koji Yanagisawa, Director, Executive Vice President, and CFO

c. Procedure for timely disclosure

The procedure for timely disclosure mentioned above is visualized and attached.



# General Meeting of Shareholders



• Chart of company structure related to timely disclosure

