



June 28, 2023

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, 2023, 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 18, 2023
(2) Class and number of shares to be disposed	Shares of common stock of the Company 297,500 shares
(3) Disposal amount	2,999 yen per share (Note 1.)
(4) Total disposal amount	892,202,500 yen (Note 2.)
(5) Allottees and number thereof, number of shares to be disposed	3 Executive Directors 192,000 shares 8 Executive Officers and employee 105,500 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 delivered 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 shares of common stock upon contributing all of such monetary compensation claims as asset-in-kind. The price of the disposal amount per share is the closing price of the Company's shares of common stock on the Tokyo Stock Exchange on the business day prior to the resolution of the Board of Directors (June 27, 2023). As for the Allocation for Directors, this is be the fair value of the Company's shares of common stock, and as for the Allocation for Executive Officers, etc. this is the amount to be paid in under the Companies Act.
2. The total disposal amount is the sum of the total fair value of the Company's shares of common stock and the total amount to be paid in under the Companies Act related to the Treasury Shares Disposal.

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 executive directors. The purpose is to incentivize executive directors in medium- to long-term for sustainable improvement of corporate value, and further promote value sharing between our shareholders and executive directors. In addition, at the 25th 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 executive directors without payment of money or contribution of asset-in-kind.

The Company, upon the transition into a company with an Audit and Supervisory Committee, obtained approval to abolish the current remuneration limit for the Compensation Plan and to establish remuneration for directors (excluding directors who are members of the Audit and Supervisory Committee and non-executive directors including outside directors; hereinafter referred to as "Eligible Directors") with respect to the Compensation Plan after the transition into a company with Audit and Supervisory Committee, at the 25th Ordinary General Meeting of Shareholders held on June 28, 2023. The outline of the Compensation Plan is as follows.

[Overview of the Compensation Plan]

Under the Compensation Plan, the Company allots shares of common 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, such method is referred to as the "Delivery without Consideration") 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, such method is referred to as the "Delivery 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 shares of common stock to be issued or disposed to the Eligible Directors under the Compensation Plan will be within the scope of 864 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 shares of common stock to be issued or disposed to the Eligible Directors under the Compensation Plan shall not exceed 576,000 shares per year (provided, however, the Company shall reasonably adjust the upper limit of the total number of shares of common stock to be issued or disposed of as restricted stock, in the event that a stock split of shares of common stock (including the gratis allotment of shares of common 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 shares of common stock to be issued or disposed of as restricted stock). However, as the Company intends to in principle grant the number of the Company's common stock corresponding to the remuneration for the three-fiscal-years evaluation period in a lump sum in the first fiscal year, substantially speaking, the Company's common stock to be granted on an annual basis will be equivalent to be within the range of 192,000 shares and 288 million yen.

The Treasury Shares Disposal is implemented based on the Compensation Plan and the resolution at the Board of Directors held on June 28, 2023. The Company is planning to conclude restricted stock 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) Term of Transfer Restriction

The Eligible Directors, etc. shall not assign, create a security interest in, or otherwise dispose (hereinafter, referred to as the "Transfer Restrictions") shares of common stock allotted under the Allotment Agreements (hereinafter, referred to as the "Allotted Shares") from July 18, 2023 to July 17, 2026 (hereinafter, referred to as the "Transfer Restriction Period")

(2) Release of the Transfer Restriction

As for the Eligible Directors, on the condition that the Eligible Directors continuously hold the director position during the Transfer Restriction Period, the Transfer Restriction will be lifted when the Transfer Restriction Period expires. The Company will decide the ratio of the release of the Transfer Restriction (*) based on business performance targets such as growth rate of the Company's share price, consolidated operating income, evaluation results by certain ESG evaluation organization specified by the Company. Of the Allotted Shares held by the Eligible Director 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 Transfer Restriction Period for any reasons judged 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. As for the Eligible Executive Officers, etc., on the condition that the Executive Officers, etc.

continuously hold the director, executive officer or employee position during the Transfer Restriction Period, the Transfer Restriction will be lifted when the Transfer Restriction Period expires. The Company will decide the ratio of the release of the Transfer Restriction (*) based on business performance targets such as growth rate of the Company's share price, consolidated operating income, evaluation results by certain ESG evaluation organization specified by the Company. Of the Allotted Shares held by the Eligible Executive Officers, etc. 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 Executive Director, etc. resigns from his or her position as a director, executive officer and employee of the Company during the Transfer Restriction Period for any reasons judged 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.

* Details of the ratio of the release of the Transfer Restriction

"growth rate of the Company's share price" refers to growth rate of the Company's share price. Specifically, it is calculated by the following formula: Growth rate of the Company's share price = $(A+B)/C$

A: average closing price of shares of common stock of the Company on the Tokyo Stock Exchange for each trading day from January 1, 2026, to March 31, 2026 (excluding days with no closing prices).

B: the total amount of dividends per share for shares of common stock of the Company from June 28, 2023, to March 31, 2026

C: average closing price of shares of common 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).

"growth rate of comparable companies' share price" refers to growth rate of comparable companies' share price. Specifically, it is calculated by the following formula:

Growth rate of comparable companies' share price = $(D+E)/F$

D: average closing price of shares of common stock for the comparable companies on the Tokyo Stock Exchange from January 1, 2026, to March 31, 2026 (excluding days with no closing price).

E: the total amount of dividends per share for the comparable companies from June 28, 2023, to March 31, 2026

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

"Transfer restriction lifting ratio" shall be the sum of (1) the ratio of continuous service, (2) the ratio of target achievement of growth rate of the Company's share price, (3) the ratio of target achievement of the consolidated operating profit of the Company, and (4) the ratio of ESG target achievement.

"The ratio of continuous service" is 20%, (i) as for the Eligible Directors, if the Eligible Directors continuously hold the director position during the Transfer Restriction Period, and (ii) as for the Eligible Executive Officers, etc., if the Executive Officers, etc. continuously hold the director, executive officer or employee position during the Transfer Restriction Period.

"The ratio of target achievement of growth rate of the Company's share price" is the following:

- (i) If the growth rate of the Company's share price is less than the median of the growth rates of the comparable companies' share price, it will be 0%.
- (ii) If the growth rate of the Company's share price exceeds the median of growth rates of the comparable companies' share price, it will be 20% (however, except in the case of (iii) and (iv)).
- (iii) If the growth rate of the Company's share price exceeds the median between the top 25% of the growth rates of the comparable companies' share price and the median of growth rates of the comparable companies' share price (however, except in the case of (iv)), it will be 40%.
- (iv) If the growth rate of the Company's share price exceeds the top 25% of the growth rates of the comparable companies' share price, it will be 60%.

"The ratio of target achievement of the consolidated operating profit of the Company" is the following:

- (i) The consolidated operating profit for the fiscal year ending March 2026 exceeds a certain degree of the predetermined target, it will be 5%.
- (ii) The consolidated operating profit for the fiscal year ending March 2026 exceeds the predetermined target, it will be 10%.

“The ratio of ESG target achievement” is (x) 5% if the ESG rating regarding the Company announced by MSCI Inc. (or an entity which succeeds the ESG rating business) as of the end of March 2026 (hereinafter, “MSCI ESG score of the Company”) is AA, (y) 10% if MSCI ESG score of the Company as of the end of March, 2026 is AAA and (z) 0% otherwise.

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

(3) Acquisition of the Allotted Shares without Consideration

The Company shall acquire, without consideration, the Allotted Shares for which the Transfer Restriction is not released in accordance with (2) above. In addition, in the case an Eligible Director resigns from his or her position as a Director of the Company prior to the expiration of the Transfer Restriction Period for reasons other than those judged as legitimate by the Board of Directors of the Company, or any other certain reasons, and position as a director, executive officer and employee of the Company prior to the expiration of the Transfer Restriction Period for reasons other than those judged 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, etc. shall return to the Company all or part of the Allocated Shares or cash equivalent thereto without consideration.

(4) Management of shares

In order to prevent any transfer, pledge, or otherwise dispose of others during the Transfer Restriction 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 Transfer Restriction Period, 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 general meeting of shareholders of the Company (or the Board of Directors if approval at the general meeting of shareholders 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 timing 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.

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, 2023, by the method of the Delivery without

Consideration for the Allocation for Directors, and by the method of Delivery by Contribution in Kind for the Allocation for Executive Officers, etc. as the remuneration for July 1, 2023 to June 30, 2026. The Allocation for Directors by the Delivery without Consideration requires no payment of money etc. for the shares of common stock to be disposed of by the Company. However, to eliminate arbitrariness, the issue price of the Allocation for Executive Officers, etc. is 2,999 yen, which is the closing price of the Company's stock on the Tokyo Stock Exchange on June 27, 2023 (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.