

ZOZO, Inc.

Corporate Governance Code

Section 1:

Securing the Rights and Equal Treatment of Shareholders

【General Principle 1】

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively. In addition, companies should secure effective equal treatment of shareholders.

Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

The Company will be in compliance with relevant acts and the Timely Disclosure Rules, set by the Tokyo Stock Exchange, (hereinafter referred to as the "Regulations for Timely Disclosure"), and will appropriately practice prompt, precise and fair information disclosure to the stakeholders', as well as information not covered by the "Regulations for Timely Disclosure", considering based on its necessity, shall also be provided as information in a fair and accurate way.

【Principle 1-1 Securing the Rights of Shareholders】

Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the General Shareholder Meetings.

The Company works to create an environment that enables proactive information disclosure, as well as facilitates the exercise of voting rights, in order to ensure the voting rights of shareholders.

【Supplementary Principle】

1-1①

When the Board recognizes that a considerable number of votes have been cast against a proposal by the Company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.

The Company conducts analysis and consideration of counterplan to the causes for oppositions to all proposals following the General Shareholder Meetings, conducted by the Board members and all Auditors, in order to get a concrete understanding of the opinions from our shareholders.

1-1②

When proposing to shareholders that certain powers of the General Shareholder Meetings be delegated to the Board, companies should consider whether the Board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a Company determines that the Board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.

The Company establishes the provision in the articles of incorporation, that treasury stock may be acquired upon a resolution adopted by the board of directors; as one of the matters subject to a resolution adopted at the general meeting of shareholders to be entrusted to the board of directors (based on the provision of Article 165, Paragraph 2, of the Companies Act).

The current board of directors consists of eight members in total, including three executive directors and five non-executive directors (three of whom are external directors).

All three auditors were appointed as external auditors. All external directors and auditors (hereinafter collectively called "external officers") were registered as independent officers with the Tokyo Stock Exchange. They continue to serve in important roles and execute duties in corporate governance through the exchange of opinions with management from external perspectives and the expression of their opinions when appropriate.

1-1③

Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.

The Company protects the minority rights of shareholders recognized under the Company Law, by having an agreement of acting freely towards rights, and a shareholder confirmation method, based on the Share Handling Regulations.

【Principle 1-2 Exercise of Shareholder Rights at General Shareholder Meetings】

Companies should recognize that General Shareholder Meetings are an opportunity for constructive dialogue with shareholders and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.

The Company acknowledges the General Shareholder Meetings as a spot to have constructive dialogue with our shareholders and is why we set our meeting date and meeting place, making it possible for more people to participate. For shareholders who are unable to participate in the General Shareholder Meetings, the hybrid virtual general shareholder meeting (participation-type) was introduced to make it possible to confirm and sit in on the meeting on the Web. Voting rights can be sent by post, and we have also adopted a digital platform for the exercise of voting rights, all in order to improve and maintain an easier voting environment.

The Company also provides information, by disclosing the Q&A's which were brought up during the General Shareholder Meetings, in order to share information needed from the shareholders' and investors' point of view.

【Supplementary Principle】

1-2①

Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at General Shareholder Meetings.

The Company believes in providing accurate information to shareholders as necessary in order to facilitate appropriate decision-making at the General Shareholder Meetings. For proposals at the General Shareholder Meetings, the Company will inform the shareholders promptly, disclosing through means such as the Company's website and the website of the Tokyo Stock Exchange, on the TD net's Timely Disclosure and Viewing Service.

1-2②

While ensuring the accuracy of content, companies should strive to send convening notices for General Shareholder Meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the Board approval of convening the General Shareholder Meetings and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TD-net or on the Company's website.

The Company endeavors to send the convocation notice as early as possible to ensure that shareholders have sufficient time for considering the proposals. For the convocation notice, the Company's website and the website of the Tokyo Stock Exchange discloses the same information written before the date and time of sending.

1-2③

The determination of the date of the General Shareholder Meetings and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.

The Company considers the scheduling when setting the date for the General Shareholder Meetings, so that as many shareholders as possible can attend, and so that it can serve as an opportunity for dialogue with shareholders, the Company avoids dates on which many shareholders' meetings are anticipated to be held every year. We also recognize the importance of having such opportunities, therefore hold Company briefings at fixed intervals.

1-2④

Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of General Shareholder Meetings.

Acknowledging our shareholder distribution, the Company has participated in a platform by releasing English translations of the convocation notice on the Company's website. For both domestic and international shareholders, The Company discloses the convocation notice in English, as early as possible on the Company's website, before the sending date and time, in order to ensure that shareholders have sufficient time for considering the proposals.

As part of its efforts to improve and maintain an easier voting environment for shareholders, the Company has adopted a digital platform for the exercise of voting rights.

1-2⑤

In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the General Shareholder Meetings in attending the General Shareholder Meetings or exercising voting rights, companies should work with the trust bank and/or custodial.

The Company recognizes institutional investors who hold shares on the reference date as well as record in the Shareholders' List as our shareholders who are able to exercise their voting rights, and therefore in case of when these shareholders act on the voting rights instead of the trust bank and/or custodial institutions, the Company does not accept such voting.

【Principle 1-3 Basic Strategy for Capital Policy】

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.

The Company believes that in cases when profitability surpasses the actual cost of equity, the corporate value increases, therefore shall satisfy both our shareholders and stakeholders. Moreover, we understand the importance of acting appropriately, in view of the financial foundation as well as the investment plans. In order to realize this, we have introduced the return on equity – "ROE" as a management indicator to have efficient management. In specific terms, we will base our ROE to result as 30%, take in consideration the level of similar companies in the global aspect, by enhancing profitability and proposing efficient use of our net assets.

【Principle 1-4 Cross-Shareholdings】

When listed companies hold listed shares of other companies as cross-shareholdings, they should disclose their policy with respect to cross shareholding, including the policy and view with respect to a reduction in cross-shareholdings. In addition, the board of directors should make concrete and careful examination of individual cross-shareholdings with respect to the appropriateness of the purpose for holding the shares and the adequacy of benefits and the risk of holding shares against the capital cost on an annual basis to verify the appropriateness of holding the shares. As for the verification, its details should also be disclosed. Listed companies should establish and disclose concrete standards for ensuring appropriate responses to the exercise of voting rights with respect to cross-shareholdings and respond according to the standards.

There are no cross-shareholdings the Company now holds. The Company believes it is not necessary to hold them in future and has no concrete plans for holding them.

When the need arises in the future to hold cross-shareholdings, the Company will explain that it will contribute to enhancement of the corporate value through maximized synergies. In addition, at the same time, we will formulate specific standards to ensure appropriate responses to the policy on cross-shareholdings and exercise of voting rights regarding such shares, and take actions in accordance with the standards.

When the Company makes investments other than pure investments, the basic policy is that the investments are expected to create a synergy effect for existing and new businesses through business partnerships and information sharing with investee companies. The Company sets Internal Regulations for investments other than pure investments so that the Company can execute speedy and proper decision-making according to the

basic policy and shall act in compliance with the regulations.

1-4① Listed companies, when a company holding shares of the listed companies as cross-shareholdings (cross-shareholder) expresses its intention to sell the shares, should not prevent the sale by suggesting a reduction in transactions.

The Company, even when a company holds our shares as cross-shareholdings expresses its intention to sell the shares, will not prevent the sale. As of now, there is no shareholder the Company recognizes as a cross-shareholder.

1-4② Listed companies should not make transactions with cross shareholders damaging to their benefits and the common benefits of their shareholders, including continuing transactions with economic rationality not adequately verified.

The Company, when a transaction occurs with a company holding our shares as cross-shareholding, shall adequately verify the fairness and economic rationality of the transaction and make no transaction damaging our benefits and the common benefits of our shareholders.

【Principle 1-5 Anti-Takeover Measures】

Anti-takeover measures must not have any objective associated with entrenchment of the management or the Board. With respect to the adoption or implementation of anti-takeover measures, the Board and Auditors should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

The Company views the continuation of sustainable growth and the improvement of corporate values as one of its most important policies in order to meet the mandate of shareholders, and at this point, there are no plans to introduce anti-takeover measures.

【Supplementary Principle】

1-5①

In case of a tender offer, companies should clearly explain the position of the Board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.

In the event of a tender offer for the Company's shares, the Company promptly discloses the stance of the Company's Board of Directors because such offers could have an impact on the shareholder distribution and affect the interests of shareholders. In addition, the Company will respect the rights of shareholders and not interfere with shareholders responding to a tender offer.

【Principle 1-6 Capital Policy that May Harm Shareholder Interests】

With respect to a Company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the Board and Auditors should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.

When implementing capital policy that affects the interest of shareholders, the Company will promptly disclose information on the review process, purpose of implementation, etc., while considering the opinions of External Officers and shall work to provide sufficient explanations to shareholders through means such as the General Shareholder Meetings, financial results briefings, etc.

【Principle 1-7 Related Party Transactions】

When a Company engages in transactions with its Directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the Company or the common interests of its shareholders and prevent any concerns with respect to such harm, the Board should establish appropriate procedures beforehand in proportion to the

importance and characteristics of the transaction. In addition to their use by the Board in approving and monitoring such transactions, these procedures should be disclosed.

For transactions between related parties, the final decision process shall be made by the Board of Directors, and the Company shall exclude the applying officer as an absence of a quorum due to special interests. Also, we offer the Directors of the Company and the Directors of our subsidiaries a survey concerning interactions between these related parties, at the end of every fiscal quarter in order to have a control system over the transactions between related parties.

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

【General Principle 2】

Companies should fully recognize that their sustainable growth and the creation of mid- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders. The Board and the Management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected, and sound business ethics are ensured.

The Company fully recognizes that their sustainable growth and the creation of mid- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders. To mark the 20th anniversary of its founding, the Company has adopted a new corporate and management philosophy by adding "Be unique, Be equal" to its existing philosophy, "Make the World a better place, bring smiles to the World." The Company aims to realize a better future by connecting fashion with respect for individuality around the world.

【Principle 2-1 Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term】

Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.

The Company strives to increase corporate value over the mid- to long-term periods, keeping in mind the assumed social responsibility. In line with its corporate philosophy "Inspire the World. Deliver joy every day" and its management strategy of "MORE FASHION X FASHION TECH," it combines fashion and technology, and we will continue to lead the front line with all stakeholders. In addition, we will be the one and only entity supporting everyone enjoying fashion to create the future making everyone smile.

【Principle 2-2 Code of Conduct】

Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The Board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.

The Company believes that it is essential to draft and implement a code of conduct to express the Company's values with respect to appropriately cooperating with and serving the interests of stakeholders and carrying out sound and ethical business activities. We believe that it is necessary to increase the number of people who share the values of this philosophy, and to connect with even more stakeholders—including customers, clients, and shareholders—through our business activities.

【Supplementary Principle】

2-2①

The Board should review regularly (or where appropriate) whether or not the code of conduct is

being widely implemented. The review should focus on the substantive assessment of whether the Company's corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.

The Company considers conducting business activities in accordance with the corporate and management philosophy to constitute an important Company guideline, and it shares this with all employees. It has implemented a code of conduct reflecting its corporate and management philosophy broadly across the organization while fostering its own corporate culture and spirit as a result. In addition, the management directly presents these terms at the monthly morning assembly and the semiannual meeting of the whole Company to facilitate their penetration among all employees.

【Principle 2-3 Sustainability Issues, Including Social and Environmental Matters】
Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

The Company thinks that proactive responses to issues concerning ESG (Environment/Society/Governance) lead to sustainable coexistence and co-prosperity with the general public and stakeholders. It will realize the four main initiatives under its sustainable statement "Fashion Connects and Leads us to a Sustainable Future."

1. Highlight sustainable fashion choices to improve users' experience

By posting detailed information that includes the sustainability criteria and production background shared with brands in the services that we operate, ZOZO will provide its customers with better opportunities to purchase sustainable products that are human rights and environmentally friendly. By sharing information, such as the sustainability criteria and production background of a particular garment, ZOZO will provide its customers with better opportunities to purchase sustainable products that are human rights and environmentally friendly.

2. Build a made-to-order platform for zero waste

ZOZO will build a structure to reduce mass production and mass waste in the apparel field by building a made-to-order production platform utilizing the measurement technologies and various data inputs.

ZOZO will build a made-to-order production platform that dramatically reduces waste by avoiding mass production and mass disposal. This manufacturing system will utilize proprietary measurement technologies and various data inputs.

3. Promote diversity and inclusion among everyone involved in fashion

ZOZO will actively disseminate information and take initiatives that contribute to creating a society where everyone involved in fashion can fulfill their potential, including its own employees, players, in the fashion industry, as well as its next-generation, minorities, apparel manufacturers, people affected by pollution, and of course, customers of its operating website ZOZOTOWN.

ZOZO will actively disseminate information and take initiatives that contribute to creating a society where everyone involved in fashion can fulfill their potential. This includes ZOZO's own employees, those leading the fashion industry as well as its next-generation, minorities, apparel manufacturers, people affected by pollution, and, of course, its customers.

4. Contribute to sustainable community development

By combining fashion and technology, ZOZO will work with its stakeholders to solve environmental and social issues in various regions, and it will contribute to the revitalization and sustainability of various regions.

By combining fashion and technology, ZOZO will work with its stakeholders to solve environmental and social issues in each region and community, and it will contribute to the revitalization and sustainability of various regions.

Based on the corporate philosophy and the management philosophy, the Company believes in contributing to a warm and sensitive community through our services by offering fashion and lifestyle suggestions as well as proactively dispatching information. Under our business model, the business of operating online

consignment e-commerce sites tailored to fashion products accounts for over 90% of the products that we handle. As a result, our environmental burden is lower compared to typical manufacturers.

The Company impacts the environment mainly through the use of electricity in the warehouses and offices and the distribution operations of products; the Company is working to achieve energy conservation to reduce the load. Specific measures include a reduction in electricity consumption by using LED lighting in the warehouses, the use of eco-friendly packaging materials when shipping products to users and promotion of recycling of secondary-market products. We plan to discuss and examine issues related to the business and environment at the meeting of management and the Board of Directors to explore and implement as much sustainability as possible.

【Supplementary Principle】

2-3①

With the recognition that dealing with sustainability issues is an important element of risk management, the Board should take appropriate actions to this end. Given the increasing demand and interest with respect to sustainability issues in recent years, the Board should consider addressing these matters positively and proactively.

We recognize that addressing issues surrounding sustainability is an important part of risk management, and we are actively addressing it as a company-wide issue as described in Principle 2-3.

At a fashion EC website “ZOZOTOWN”, the Company sells not only new apparel items but also deploys ZOZOUSED, an EC website where we both purchase and sell second-hand fashion brand products. Users buy new products on ZOZOTOWN and resell used ones after we evaluate them on ZOZOUSED, through which we deliver used items to new users. This recycle system is one of our efforts for sustainability, and we will proactively work on creating an ecosystem through fashion going forward.

【Principle 2-4 Ensuring Diversity, Including Active Participation of Women】

Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.

The Company fully recognizes that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As a player in the fashion industry, the Company actively works on the active hiring of the people with special needs and concentration of their operation supports and promotes female employees, by providing an atmosphere where they are able to maintain diversifying lifestyles, while working and taking care of their households. The percentages of male and female employees as of March 31, 2019 were 60% and 40% respectively, meaning that many female employees are playing active roles in Company business.

【Principle 2-5 Whistleblowing】

Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the Board should be responsible for both establishing this framework and ensuring and monitoring its enforcement.

The Company has developed Internal Regulations, which is an internal hotline within the Compliance Committee. In the event of a whistleblowing incident, the Compliance Promotion Department gives instructions to the related Departments to conduct surveys and to plan and implement countermeasures and also reports on the response and confirms remediation with the whistleblower.

【Supplementary Principle】

2-5①

As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of External

Directors and External Auditors). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.

In addition to an internal whistleblowing contact point, a whistleblowing contact point independent from the Company within an External lawyer's office has also been established. In addition, a system that protects whistleblowers through internal guidelines related to whistleblowing has been developed.

【Principle 2-6. Performing a function as an asset owner of the corporate pension】

Given that investments in the corporate pension reserve have an effect on stable asset formation of employees and our financial status, listed companies should make efforts with respect to personnel affairs and operations, including systematic appointment and deployment of human resources with appropriate capabilities engaged in investments so that the corporate pension can function as an asset owner as expected by strengthening the expertise in investment (including stewardship activities such as monitoring of investment managers). In addition, they should disclose the details of these efforts. In doing so, they should ensure appropriate management of any conflicts of interest between them and the beneficiaries of corporate pensions.

The Company establishes a plan for participating in a defined-benefit corporate pension fund as a defined-benefit plan. The defined-benefit corporate pension fund, which our group's employees participate in, is a multi-employer EPF operated by a conference of representatives organized by representatives from the participating companies. Therefore, the asset owners are the Company and all participating companies. As of now, all assets are managed in a general account where the principal and the minimum rate of return are guaranteed by life insurance companies. Therefore, the Company now has no need to perform a function as an asset owner of a corporate pension.

**Section 3:
Ensuring Appropriate Information Disclosure and Transparency**

【General Principle 3】

Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance. The Board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

The Company views information disclosure as an important management issue and recognizes appropriate information disclosure as essential for enabling shareholders and other stakeholders to gain information. In order to put these views in practice, the Company uses various methods such as the Company's website and the integrated report to actively disclose information that includes not only disclosures based on laws and regulations, but also other information (including non-financial information) deemed important for shareholders and other stakeholders.

The Company also discloses additional information on its website actively, in order to obtain better understanding.

【Principle 3-1 Full Disclosure】

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

- i) Company objectives (e.g., business principles), business strategies and business plans;**
- ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;**
- iii) Board policies and procedures in determining the remuneration of the senior Management and Directors;**
- (iv) Board policies and procedures in the appointment and dismissal of senior management and**

nomination of director and auditor candidates

(v) Explanation of individual appointments and dismissals of senior management and individual nomination of director and auditor candidates conducted by the board of directors in light of the above-mentioned (iv)

(i) Corporate philosophy, management strategies, mid-term business plans, financial results briefing materials, integrated report, etc., are disclosed through the Company's website.

(ii) The basic policy towards corporate governance is disclosed through the Company's website on materials such as the corporate governance report, securities report, etc.

(iii) The maximum remuneration paid to Directors shall be set after a resolution is adopted at the general meeting of shareholders. At the Nomination and Remuneration Consultatory Committee, which is based around External Directors, as a voluntary advisory body, we strengthened the supervisory function by clarifying the process for Directors' nomination and remuneration evaluation and determination, and to further enhance the corporate governance system. Based on the results of deliberations by the Nomination and Remuneration Consultatory Committee and its recommendations, the Company has decided to revise the remuneration plan to that rewards the achievement of short-term and medium-to long-term business performance and improvement of corporate value based on the Company's management strategy, with the aim to promote the sustained and medium- to long-term improvement of corporate value for directors of the Company (limited to business execution directors; hereinafter referred to as the "Eligible Directors"). Remuneration for the Eligible Directors after the amendment consists of fixed and performance-linked remunerations. Fixed remuneration consists of cash only, and performance-linked remuneration consists of two types of remuneration: cash bonus and stock remuneration. Regarding the percentage of each remuneration, the percentage of performance-linked remuneration will exceed the percentage of fixed remuneration, and the percentage of performance-linked remuneration consisting of cash bonuses and stock remuneration will be halved (*). The following table shows the types, purposes, and outlines of each type of remuneration.

Types of Remuneration		Objectives and Overview
Fixed	Cash remuneration	Fixed remuneration for the performance of duties in accordance with the position and its responsibilities, etc. shall be determined and paid during the term of office.
Performance-linked	Cash bonus (Short-term incentive remuneration)	Performance-linked remuneration for the achievement of short-term performance targets for each fiscal year <ul style="list-style-type: none">• The specific amount to be paid is determined in accordance with the degree of achievement of the performance targets set in a fiscal year, the position and its responsibilities, etc. and is paid periodically during the term of office.• The amount of GMV as the growth potential of the business and the consolidated operating profit as the profitability, will be set as the criteria for determining the payment of compensation.
	Stock remuneration (Medium-to long-term incentive remuneration)	Performance-linked remuneration to promote management that emphasizes medium-to long-term improvement in corporate value and shareholder value. <ul style="list-style-type: none">• Transferred restricted shares are determined in accordance with the Company's stock price growth rate and the consolidated operating profit (*) for the three fiscal years. (The stock price growth rate is compared with the that of about 36 benchmark companies.)• In principle, it will be issued annually according to position and responsibilities, etc. of the director.

With regard to the specific procedures for determining the remuneration for executive directors, the determination process is established under the Nomination and Remuneration Consultatory Committee. After deliberation by the Nomination and Remuneration Consultatory Committee, the remuneration for individual executive directors shall be determined by a resolution adopted by the board of directors after considering the business performance, detail of management, and economic conditions based on the report of the Committee. For external directors, only fixed remuneration is paid according to the established policy. There is no retirement allowance system for Directors (excluding payments that were determined prior to the abolition of such program).

With respect to stock-based compensation, the Company will set a clause in a restricted transfer stock allotment agreement, which is concluded between the Eligible Directors and the Company, that the Company shall acquire all or part of the Allotted Shares without providing any consideration, if an Eligible Director resigns from his or her position as a director of the Company prior to the expiration of the term of transfer restriction for

reasons other than those recognized as legitimate by the Board of Directors of the Company, or certain other reasons such as misconduct by the Eligible Director. Also, if it is found that certain events have occurred, such as an error in the figures that are used as the basis for calculating the rate of release of the transfer restriction, and the Company deems it appropriate, the Company will set a clause that allows the Eligible Directors to return all or part of the restricted stock, or cash equivalent thereto, to the Company without consideration.

(iv) For the policy and procedures for designating candidates as directors and auditors, the designation procedure is implemented comprehensively considering the following items (1)-(3).

Designation of candidates for directors is deliberated by the Nomination and Remuneration Consultatory Committee, and a report is submitted to the board of directors. The Company thinks that external officers are independent because they have no special personal relationship, capital ties, or other interests between them and the Company as in the requirements for independence established by the Tokyo Stock Exchange. The reasons for appointing candidates as directors and auditors are stated in the notice of convocation of the ordinary general meeting of shareholders and the securities report. The dismissal of directors and auditors are resolved at the general meeting of shareholders after approval by the board of directors as an agenda of the general meeting of shareholders when there are material violations of laws and regulations/articles of incorporation in the execution of duties and significant damage to the corporate value of the Company group.

(1) Selecting a Director:

Based on our corporate philosophy and management philosophy, the person must be, someone who is capable of contributing to further development not only towards the Company but to the whole fashion industry, someone who is able to understand how to take charge of his/her Department while cooperating with other officers in charge, someone who can perform their duties in compliance with all relevant laws and regulations and with respect for corporate ethics. According to the comprehensive judgment based on the Company's criteria for the nomination of Director, including the above items, Directors shall be selected and appointed.

(2) Selecting an Auditor:

Based on our corporate philosophy and management philosophy, the person must be someone who is capable of executing and inspecting the Director's duties, someone who can prevent internal violations of laws and regulations, someone who can enhance the Company and industry credibility by managing a sound business, as well as someone who has an objective and neutral standpoint and is able to manage soundness and improve corporate value.

(3) Selecting an External Director:

For independence of External Directors, we will follow the guidance concerning the independence requirements from the Tokyo Stock Exchange, as well as select someone with wealth of knowledge and experience, who is capable of being a leader in the business field, legal field, finance and accounting field, personnel and labor issues, and the fashion industry, who can take in the reality of the issues we carry, and has the advising and supervising abilities, and shares those opinions with Management. According to the comprehensive judgment based on the Company's criteria for nomination of External Directors, including the above items, External Auditors shall be selected and appointed.

(v) In nominating new candidates for directors and auditors, the reasons for individual appointments and dismissals of directors and auditors shall be described in the reference material of the general shareholders' meeting.

【Supplementary Principle】

3-1①

These disclosures (including disclosures based on laws and regulations) should add value for investors, and the Board should ensure that information is not boiler-plate or lacking in detail.

The Company views information disclosure to be an important management responsibility, therefore works to make simple and specific statements in information disclosure so that accurate information can be communicated to shareholders and other stakeholders.

3-1②

Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.

Considering the ratio of foreign investors to the all investors of the Company, the Company discloses the financial business reports, the notice of the General Shareholder Meetings and relative columns in English. The Company also provides information such as real-time transmission of the Investors' Meeting on the web, and hold conference calls, both in English and in Japanese.

【Principle 3-2 External Auditors】

External Auditors and companies should recognize the responsibility that External Financial Auditor owe toward shareholders and investors and take appropriate steps to secure the proper execution of audits.

The Company coordinates with related Departments such as the Audit & Supervisory Board, the Business Administration Department, and the Internal Audit Office in an effort to secure an audit schedule and audit system in order to ensure proper audits by the External Financial Auditor.

【Supplementary Principle】

3-2①

The Auditor Board should, at minimum, ensure the following:

- i) Establish standards for the appropriate selection of External Auditor candidates and proper evaluation of External Auditors.**
- ii) Verify whether External Auditors possess necessary independence and expertise to fulfill their responsibilities.**

(i) The Board of Corporate Auditors has established "Standard on the Evaluation of Accounting Auditors" and based on this standard, the status of execution of duties is assessed and evaluated through the audit implementation status of external accounting auditors and audit reports etc.

Details of the proposal for appointment and reappointment of an accounting auditor are determined by comprehensively assessing the expertise, independence, quality management system, and the depth of understanding of business activities after discussions with the executive department by reference to the operating guidelines for corporate auditors on establishing the criteria for evaluating and appointing an accounting auditor, which is published by the Japan Audit & Supervisory Board Members Association. The dismissal or non-reappointment of an accounting auditor is set as a subject of the general meeting of shareholders by a resolution adopted by the board of auditors in the case where the Company deems that the dismissal or non-reappointment necessary because of problems in the execution of duties by an audit firm based on Article 126, Paragraph 4, of the Ordinance for Enforcement of the Companies Act.

(ii) Given the operating guidelines for corporate auditors on establishing the criteria for evaluating and appointing an accounting auditor, the board of auditors timely receives reports from the accounting auditor on audit planning, implementation of audits, the system to ensure the appropriateness of the execution of duties, and the criteria for quality management of audits, and the board examines the report for a comprehensive evaluation.

3-2②

The Board and the Auditor Board should, at minimum, ensure the following:

- i) Give adequate time to ensure high quality audits;**
- ii) Ensure that External Auditors have access, such as via interviews, to the senior Management including the CEO and the CFO;**
- iii) Ensure adequate coordination between External Auditors and each of the Auditors (including attendance at the Board of Auditors' meetings), the Internal Audit Division and External Directors; and**
- iv) Ensure that the Company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the External Auditors.**

(i) The audit schedule is developed after preparatory consultations with the External Auditor to secure sufficient time for audits.

(ii) Time is set aside for interviews with senior management to ensure that External Auditors have access to them whether or not there has been a request.

(iii) Coordination between External Auditors and Audit and Supervisory Board members is secured through accounting audits and quarterly reviews. In addition, the Company established a system to allow External Auditors access to the necessary information as needed, where Full-time Auditors cooperate with the Internal

Auditing Office to exchange information as needed while External Auditors are allowed to work directly with the Internal Audit Office.

(iv) When the External Auditors discover misconduct and requests for a proper response, as well as identifies inadequacies or concerns, there is a system for surveys and corrective action led by Directors responsible for each aspect of operations based on instructions from the Representative Director and the reporting of the results of these efforts. Furthermore, the Audit & Supervisory Board led by the full-time Audit & Supervisory Board Member coordinates with the Internal Audit Division and related Departments to conduct surveys and request corrective action if required.

Section 4: Responsibilities of the Board

【General Principle 4】

Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid to long-term and enhance earnings power and capital efficiency, the Board should appropriately fulfill its roles and responsibilities, including:

- (1) Setting the broad direction of corporate strategy;**
- (2) Establishing an environment where appropriate risk-taking by the senior Management is supported; and**
- (3) Carrying out effective oversight of Directors and the Management (including executive officers) from an independent and objective standpoint.**

Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization – i.e., Company with Auditors Board (where a part of these roles and responsibilities are performed by Auditors and the Board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.

The Company's Board of Directors deliberates as necessary for the purpose of achieving the sustainable growth of the Company and medium to long term increases in corporate value. Given the fiduciary responsibility and accountability to shareholders, the management distributes the information on the direction of corporate strategies, the medium to long term vision, and strategies through timely disclosure and information transmission on the corporate site, as well as quarterly briefings on the settlement of accounts and online live distribution (concurrent distribution in Japanese and English).

Various rules, such as the Rules of the Board of Directors, Rules of the Executive Officers, Organizational Rules, Rules on the Division of Responsibilities, and Rules on Organizational Authority, are established to support appropriate risk taking by senior management, and the management and execution, as well as duties and responsibilities, are separated clearly.

Regarding the framework for overseeing the management and directors, the Company newly appointed three non-executive directors at its extraordinary general meeting of shareholders held in January 2020 and its 22nd ordinary general meeting of shareholders held in June 2020. Among these non-executive directors, one was appointed as an external director. Consequently, the Company has eight directors in total with five non-executive directors (of them, three are external directors). The external officers provide opinions as appropriate to management from external perspectives and oversee the management and directors from objective points of view. All three auditors were appointed as external auditors, and all external officers were registered as independent officers with Tokyo Stock Exchange. External officers continue exchanging opinions with the management and appropriately expressing opinions from external perspectives to fulfill their roles and duties in corporate governance.

【Principle 4-1 Roles and Responsibilities of the Board (1)】

The Board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans and ensure that major operational decisions are based on the Company's strategic direction.

The Company Board of Directors deliberates as appropriate on specific management strategies and plans to realize the corporate and management philosophy of "Make the World a better place, bring smiles to the World, be unique, be equal." The Company aims to realize a better future by connecting fashion with respect for individuality around the world.

【Supplementary Principle】

4-1①

The Board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management and disclose a brief summary thereof.

The Company has the basic view concerning the authority allocation between the Board of Directors and the management that the matters to be judged and determined by the Board of Directors are exclusively subject to those interpretations as well as laws and regulations, while other matters are to be delegated to the management's decision-making authority under the assumption that the decisions are reported to the Board. Based on the Approval & Decision-making Standards chart the Company clearly determines authority of resolution, deliberation, and approval towards the Board of Directors, Management meetings, CEO, Director of each governing body, Executive Officers, the decision-making body, such as the General Manager, as well as the decision makers.

4-1②

Recognizing that a mid-term business plan is a commitment to shareholders, the Board and the senior management should do their best to achieve the plan. Should the Company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the Company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.

The Company has not yet disclosed the medium term management plan at present. The plan is discussed as needed as a matter to examine in future at the Board of Directors and management conference, which senior management attends for the purpose of achieving the sustainable growth of the Company and medium to long term increases in corporate value. The direction of the corporate strategy and the medium to long term vision, combined with current conditions, are announced at quarterly briefings on the settlement of accounts and through online live distribution by the management itself. If determined, the new plan would be explained to stakeholders through briefings on the settlement of accounts and timely disclosure materials.

4-1 ③ Based on the objectives (management philosophy etc.) and specific business strategies of the company, the board of directors should be proactively engaged in setting up and operating the successor planning for the CEO and others and execute appropriate oversight to ensure that candidates for successors are systematically trained using sufficient time and resources.

The Company recognizes the importance of training successors for management positions in order to achieve sustained growth into the future. It renewed the management system following conclusion of the capital and business alliance agreement with Z Holdings Corporation in September 2019, and it transitioned to the organizational structure using the strength of existence of many employees liking the fashion from the conventional top-down organization under the slogan "Employees play the principal role." The new system just started, and so the Company recognizes a succession plan as a task to deal with in the future. To cultivate persons with the values, abilities, and behavioral characteristics required as a successor, the Company group appropriately designs and implements the ideal and cultivation methods of human resources for next-generation leadership and the process for selecting a successor on a group-wide basis, taking into account discussions by the Nomination and Remuneration Consultatory Committee.

【Principle 4.2 Roles and Responsibilities of the Board (2)】

The Board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities.

It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability and support timely and decisive decision-making by the senior management when approved plans are implemented. Also, the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

As the board of directors, the Company considers the development of an environment to support appropriate risk taking by senior management one of its important duties. It has created business with new ideas not

seen in the conventional fashion EC industry, including the introduction of ZOTOSUIT, an advanced technology device for body measurement, ZOTOMAT, the 3D foot measurement tool, and ZOTOGLASS, the face color measurement tool .

The Company board of directors welcomes such challenges and business execution based on a sound entrepreneurial spirit. It conducts sufficient deliberation and study from an objective point of view for such proposals before carrying out swift decision-making. In this way, it will build its structure by supporting senior management in showing a sound entrepreneurial spirit.

Regarding management's remuneration, for the purpose of promoting a sustained increase in corporate value in the medium to long term and operating as a health incentive, the policy has been resolved to change the remuneration system to that of paying remuneration for the achievement of business results for the short term/medium and long term based on its business strategy and efforts for and the results of an increase in corporate value (fixed remuneration and performance-linked remuneration)(for more details, see Principle 3-1. "Improvement in Information Disclosure (iii) Policy and procedures for the board of directors to determine remunerations for senior management and directors").

【Supplementary Principle】

4-2①

To ensure that the remuneration of management operates as a healthy incentive for sustainable growth, the board of directors should design a remuneration plan according to objective and transparent procedures to determine specific remuneration. In doing so, the board of directors should appropriately set the proportion of remuneration linked to mid- to long- term business results and the ratio of remuneration in cash and company stock.

With regard to remuneration for Company management, the remuneration for directors is individually determined within the limits of the total remuneration for directors resolved at the general meeting of shareholders at the meeting of the board of directors after the ordinary general meeting of shareholders every year, after discussions by the Nomination and Remuneration Consultatory Committee and comprehensive examination of business results, details of management, and economic conditions.

Regarding the remuneration system for directors of the Company, for the purpose of promoting a sustained increase in corporate value in the medium to long term and operating as a health incentive, the policy has been resolved to change the remuneration system to that of paying remuneration for the achievement of business results for the short term/medium and long term based on its business strategy and efforts and the results of an increase in corporate value (fixed remuneration and performance-linked remuneration)(for more details, see Principle 3-1. "Improvement in Information Disclosure (iii) Policy and procedures for the board of directors to determine remunerations for senior management and directors").

【Principle 4-3 Roles and Responsibilities of the Board (3)】

The Board should view the effective oversight of the Management and Directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. In addition, the Board should engage in oversight activities in order to ensure timely and accurate information disclosure and should establish appropriate internal control and risk management systems. Also, the Board should appropriately deal with any conflict of interests that may arise between the Company and its related parties, including the Management and controlling shareholders.

The Company recognizes that the important roles and responsibilities of the board of directors include supervising management and directors from an independent, objective point of view. To identify issues related to the Board and enhance the functioning of the Board as a whole, the Company evaluates each director each year in terms of efficacy. In addition, an executive officer system is adopted to enable a structure to facilitate more dynamic decision-making by delegating some business execution authority to executive officers to enable the board of directors to devote themselves to oversight. The Company has appointed a person in charge of disclosure to enable timely and appropriate disclosure of information, and it has established an appropriate disclosure structure. With regard to transactions among related parties, it surveys all directors of the Company and its subsidiaries quarterly to check for transactions among related parties as part of its system of appropriate control over such transactions.

Additionally, the Company appropriately deals with potential conflicts-of-interest transactions with related parties, such as the management and controlling shareholders, in accordance with the regulations for maintaining the

fairness of transactions with the parent company group.

【Supplementary Principle】

4-3①

The Board should ensure that the appointment and dismissal of the senior Management are based on highly transparent and fair procedures and reflect the results of Company performance.

The Company's appointment and dismissal of management are conducted through the methods for appointment and dismissal of directors and auditors as stipulated in Principle 3-1 (iv). When appointing an external officer, the fundamental policy requires that the person not have a direct interest with the Company's CEO or directors and requires a degree of independence to ensure no potential conflicts of interest with the Company's general shareholders. The Company has a structure for appointment and dismissal of management through highly fair and transparent procedures, including asking the Nomination and Remuneration Committee for advice in accordance with its criteria for nominations.

4-3② The board of directors should spend enough time and resources to appoint a CEO with its quality according to objective, timely, and transparent procedures, given that the appointment and dismissal of the CEO are the most important strategic decisions of the company.

The board of directors discusses and appropriately determines the appointment and dismissal of the CEO based on the assumption that the CEO shall be a person with the ability to show leadership toward realization of our corporate philosophy and management philosophy and the sustainable growth of the Company. The appointment and dismissal shall be also discussed by the newly established Nomination and Remuneration Consultatory Committee to enhance the governance system further.

4-3③ The board of directors should establish objective, timely, and transparent procedures for dismissing a CEO in the case where the CEO is considered to insufficiently execute its functions in light of an appropriate evaluation of the business results of the company.

The board of directors resolves specific procedures for dismissing the CEO after sufficient discussions when it is objectively considered reasonable to dismiss the CEO due to the occurrence of material violations of laws and regulations and the Articles of Incorporation in the execution of duties and remarkable impairment of the corporate value of the Company group. The Company is also considering establishing a nomination and remuneration committee in the future to enhance governance further through activities that include a review of the CEO appointment.

4-3④ Although internal control related to compliance and financial report and strengthen a risk management structure foreseeing future risks could become supportive for appropriate risk taking; however, the Board of Directors should put an emphasis on appropriate configuration of this structure and supervising effective operation of that structure, and should not be preoccupied with compliance review of individual operation execution.

The Company establishes the Rules on Risk Management to appropriately manage risks. In addition, the ZOZO Group Risk Management Committee is established as an organization controlling the offices and committees related to security and compliance within the Company group. The Company will understand the status of internal risk management to submit the necessary reports to the conference body and to accurately recognize and identify assumed risks and then appropriately deal with the risks.

【Principle 4-4 Roles and Responsibilities of Auditors and the Board of Auditors】

Auditor and the Auditor Board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of Directors' duties, appointment and dismissal of External Auditors and the determination of auditor remuneration. Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of Auditor and the Auditor Board, in order to fully perform their duties, it would not be appropriate for Auditor and the Auditor Board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their

views at Board meetings and to the Management.

The Company nominated all auditors (three persons) as external auditors. Out of the 4 nominated Company Auditors, 3 are External Auditors. The Auditors have a wealth of experience and the expert knowledge as lawyer, certified public accountant, licensed tax accountant, and certified social insurance labor consultant and are able to express their views at the Board of Directors' meetings, and to Management.

【Supplementary Principle】

4-4①

Given that not less than half of the Auditor Board must be composed of External Auditor and that at least one full-time Auditor must be appointed in accordance with the Companies Act, the Auditor Board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, Auditor or the Auditor Board should secure cooperation with External Directors so that such Directors can strengthen their capacity to collect information without having their independence jeopardized.

Out of the 4 nominated Company Auditors, 3 are External Auditors, and 1 is a Full-time Auditor. The Full-time Auditor states opinions at important meetings concerning business execution such as the Management meetings as part of efforts to establish a highly-effective Audit & Supervisory Board. Furthermore, each Audit & Supervisory Board Member exchanges opinions and communicates with External Directors as necessary in addition to the Board of Directors in an effort to work together with External Directors.

【Principle 4.5 Fiduciary Responsibilities of Directors and Auditors】

With due attention to their fiduciary responsibilities to shareholders, the Directors, Auditors and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the Company and the common interests of its shareholders.

The Company provides the information required by all stakeholders accurately in a timely manner. In addition, disclosure of highly important information is discussed at the Board of Directors' meetings and is executed based on the opinions of External Auditors as well.

【Principle 4-6 Business Execution and Oversight of the Management】

In order to ensure effective, independent and objective oversight of the management by the Board, companies should consider utilizing Directors who are neither involved in business execution nor have close ties with the management.

The Company believes that it should ensure the effectiveness of independent and objective supervision of management by the Board of Directors and appoint a certain number of external directors and use their advice from a wide range and a high level of perspectives in light of changes in the environment surrounding the Company and the possibility of operating business in new fields. At present, the Company appoints five non-executive directors (of them, three are external directors) who will fulfill their roles and responsibilities with respect to corporate governance through the exchange of opinions with management and stating their opinions as appropriate as external directors.

【Principle 4-7 Roles and Responsibilities of Independent Directors】

Companies should make effective use of independent Directors, taking into consideration the expectations listed below with respect to their roles and responsibilities:

- i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;**
- ii) Monitoring of the management through important decision-making at the Board including the appointment and dismissal of the senior Management;**
- iii) Monitoring of conflicts of interest between the Company and the management or controlling shareholders; and**
- iv) Appropriately representing the views of minority shareholders and other stakeholders in the**

Boardroom from a standpoint independent of the management and controlling shareholders.

Independent External Directors of the Company are well versed in the fashion field and provide advice to promote sustainable corporate growth based on their knowledge and experience. In addition, from a standpoint independent of management and controlling shareholders, they monitor conflicts of interest between the Company and management or controlling shareholders and represent the views of each stakeholder on the Board.

【Principle 4.8 Effective Use of Independent Directors】

Independent Directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies should therefore appoint at least two Independent Directors that sufficiently have such qualities. Irrespective of the above, if a Company in its own judgement believes it needs to appoint at least one-third of Directors as Independent Directors based on a broad consideration of factors such as the industry, Company size, business characteristics, and organizational structure as well as circumstances surrounding the Company, it should disclose a roadmap for doing so.

The Company considers the appointment of multiple independent external directors to be essential in contributing to sustainable corporate growth and to increasing corporate value over the medium to long term. As a result of adding one external director at the 22nd ordinary general meeting of shareholders held in June 2020, the Board of Directors is composed of eight members in total: three executive directors and five non-executive directors (of them, three are external directors), and external directors account for one-third of the Board's membership. The external officers, combined with external auditors, are registered as independent officers with the Tokyo Stock Exchange, and we believe that they maintain adequate degrees of independence.

【Supplementary Principle】

4-8①

In order to actively contribute to discussions at the Board, Independent Directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent Directors (executive sessions) would be one way of achieving this.

As necessary, an independent external director may convene a meeting with outside officers at any time, to enable exchange of opinions based on independent, objective points of view. We believe that the addition of one additional independent external director in the 21st general shareholder meeting has made possible the exchange of information and shared understandings based on greater independence and objectivity.

4-8②

Independent Directors should endeavor to establish a framework for communicating with the Management and for cooperating with Auditors or the Auditor Board by, for example, appointing the lead Independent Director from among themselves.

At present, external directors of the Company totaled three. The Company plans to consider the appointment of a chief independent external director as needed as it builds a system for communication and adjustments with management and collaboration with the auditors and the board of auditors.

【Principle 4-9 Independence Standards and Qualification for Independent Directors】

Boards should establish and disclose independence standards aimed at securing effective independence of independent Directors, taking into consideration the independence criteria set by securities exchanges. The Board should endeavor to select independent Director Candidates who are expected to contribute to frank, active and constructive discussions at Board meetings.

The Company elects Independent External Directors based on Article 2, Item 15, of the Companies Act and independence criteria set by the Tokyo Stock Exchange. The Board of Directors selects Independent External Director Candidates who are independent of the Company and can promote constructive discussions at meetings of the Board of Directors based on their knowledge and experience.

【Principle 4-10 Use of Optional Approach】

In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a Company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.

In addition to design of statutory bodies, the Company establishes the Nomination and Remuneration Consultatory Committee as an optional advisory body to the Board of Directors, which is chaired by an independent external director. The ZOZO Group Risk Management Committee has been established in the Company group as an organization controlling the offices and committees related to security and compliance to accurately recognize and identify the risks related to operating activities and to deal with the risks. The Company will establish optional agencies as needed to further improve the governance function.

【Supplementary Principle】

4-10①

If a listed company is either a company with an auditor board or a company with a supervisory committee and independent external directors do not account for the majority of the board of directors, the listed company should obtain appropriate involvement and advice from independent external directors in the examination of specifically important matters, including nominations and remuneration by establishing an independent advisory committee under the board of directors, including an optional nomination committee and remuneration committee consisting mainly of independent external directors in order to strengthen the independence, objectivity, and accountability of the functions of the board on nominations and remuneration of senior management and directors.

Among eight directors in total of the Company, three are external directors. They are below the majority of the members of the Board of Directors. However, the Company thinks that external directors sufficiently fulfill their duties as independent external directors because they frequently exchange opinions with individual directors, auditors, the management, and others and give advice from their own external perspectives. Two non-executive directors, excluding external directors, also appropriately give advice like external directors, and so the board of directors is independent and objective.

Additionally, the Nomination and Remuneration Consultatory Committee as an optional advisory body to the Board of Directors, which is led and chaired by an independent external director, is established. This clarifies and objectifies the evaluation and determination process for the nomination and remuneration of directors, which leads to further enhancement of the supervisory function.

We plan to enhance the independence, objectivity, and accountability of Board functions through further objectivity and transparency in processes such as a review of executive compensation and appointments.

【Principle 4.11 Preconditions for Board and Board of Auditors Effectiveness】

The board of directors should be well balanced in knowledge, experience, and skills to effectively fulfill its roles and responsibility as a whole, and it should be organized in a manner to achieve both diversity with respect to gender and internationality and appropriate board size. Persons with appropriate experience and skills and the necessary knowledge of finance, accounting, and legal affairs should be appointed as auditors. At least one person with sufficient insights particularly in finance and accounting should be appointed as an auditor. The board of directors should endeavor to strengthen its function by analyzing and evaluating the effectiveness of the board as a whole.

The Company fully recognizes that the presence of diverse values is a strength in terms of ensuring the Company's sustainable growth. Among the eleven members of the current Board of Directors (including auditors), two are women. Additionally, auditors of the Company include lawyers, certified public accountants, and licensed tax accountants that have appropriate knowledge and experience in the fields of finance, accounting, and law.

Based on the recognition that diverse perspectives from sex, race, and nationality, in addition to knowledge, experience, and ability, will contribute to the promotion of business, the Company strives so that divergence can be balanced with appropriate size in terms of the structure of the Board of Directors. We also intend to proactively cultivate and promote motivated women in order to increase female candidates for officers and managerial positions.

The Company conducts a periodic questionnaire survey to all directors on the effectiveness of the board to analyze and evaluate the overall effectiveness of the board as described in Supplemental Regulation 4-11 ③.

According to the results of checking the items of composition, operations, and agendas of the board and the scheme to support the board, the Company confirmed that operation and details of discussion of the board of directors were appreciated overall because directors and auditors actively exchanged opinions, and time was adequately ensured to discuss managerial issues followed by immediate decision-making.

【Supplementary Principle】

4-11①

The Board should have a view on the appropriate balance between knowledge, experience and skills of the Board as a whole, and also on diversity and appropriate Board size. Consistent with its view, the Board should establish policies and procedures for nominating Directors and disclose them along with its view.

The Company's view on the appropriate balance between knowledge, experience and skills as a whole Board, matches with the view of appointing the Board of Directors, which is indicated in the principal 3-1(iv). Going forward, considering the adopting Internal Regulations, also considering building a system which focuses on the balance of the knowledge/experience/ability, as well as the diversity and volume of the whole Board of Directors.

4-11②

External Directors, External Auditors, and other Directors and Auditors should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where Directors and Auditors also serve as Directors, or the Management at other companies, such positions should be limited to a reasonable number and disclosed each year.

The Company's standards on decision-making require that a director or auditor needs permission from the Board of Directors to become an officer at another listed company. In addition, we check periodically every quarter for transactions among interested parties and whether any officers serve in concurrent positions, as part of our structure to control transactions among interested parties. Results are disclosed in the annual report materials of general shareholder meetings.

4-11③

Each year the Board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each Director. A summary of the results should be disclosed.

The External Directors (1 external director and 3 external auditors) analyzes the effectiveness of the Board of Directors meetings by its structure, operation of the Board of Directors, Agendas for the Board of Directors and items of checking and analyzing the supporting structure of the Board of Directors and conducts each Director when necessary based on the results.

The following shows results of analysis and evaluation of the effectiveness of the Board of Directors in executing its duties for the fiscal year ending March 2021.

1. Method for evaluating the effectiveness

We distributed the questionnaire concerning the effectiveness of the Board of Directors to all Directors, aggregated all responses received from Directors, and discussed the aggregated results among External Directors, and then discussed the policy and method for further enhancement of the effectiveness of the Board of Directors at the Board meeting.

2. Overview of results of analysis and evaluation

As a result of confirming the structure, operation, agendas, and items of the supporting structure of the Board of Directors, the operation of the Board of Directors was comprehensively appreciated based on the active exchange of opinions among Directors and Audit & Supervisory Board members, sufficient time for discussing managerial issues, and immediate determination of managerial issues. Additionally, we evaluate that there is improvement in the appropriate allocation of matters to be discussed among the Board of Directors

and the management conference, also the selection of agendas (scope and number of proposals) that were mainly dealt with .

3. For the future

For the future, proposals were made, including periodic discussions at the Board of Directors' meetings on significant managerial matters required to be continuously discussed, such as the diversity of members of the Board and the risk management system. Given these proposals, the Company will increase the effectiveness of the Board for the further enhancement of corporate governance.

【Principle 4-12 Active Board Deliberations】

The Board of Directors should strive to foster a spirit of free and constructive discussion for exchanging ideas, including the submission of matters by external directors.

All resolutions and reporting matters brought up at the Board of Directors' meetings are questioned by the External Director, and opinions are exchanged. In addition, all of the Directors attending the meetings, actively share opinions.

【Supplementary Principle】

4-12①

The Board should ensure the following in relation to the operation of Board meetings and should attempt to make deliberations active:

- i) Materials for Board meetings are distributed sufficiently in advance of the meeting date;**
- ii) In addition to Board materials and as necessary, sufficient information is provided to Directors by the Company (where appropriate, the information should be organized and/or analyzed to promote easy understanding);**
- iii) The schedule of Board meetings for the current year and anticipated agenda items are determined in advance;**
- iv) The number of agenda items and the frequency of Board meetings are set appropriately; and**
- v) Sufficient time for deliberations.**

The Company sets the yearly schedule for the Board of Directors' meetings, based on dates where all Directors and Auditors are able to attend. Within the schedule, there is time secured when the deliberation matter is decided in advance. For highly important matters, the information as well as opinions are fully shared, and depending on the priority of the agenda, the discussion may be executed several times. To make sure the discussion is active, the material is distributed at least 3 days in advance from the actual meeting date.

【Principle 4.13 Information Gathering and Support Structure】

In order to fulfill their roles and responsibilities, Directors and Auditors should proactively collect information, and as necessary, request the Company to provide them with additional information. Also, companies should establish a support structure for Directors and Auditors, including providing sufficient staff. The Board and the Auditors Board should verify whether information requested by Directors and Auditors is provided smoothly.

The Management Office confirms the content of the material in advance, and if there is insufficient content, the body will ask for additional information needed from the Board of Directors and Auditors.

In addition, a system for internal information to be shared fully is being built, through the Management Office of the Board of Directors' meetings/Management Officers, as well as the Company culture is promoted towards the newly appointed leaders and External Officers in order to gain an overall understanding. Also, the Company Culture promotes information sharing and opinion exchanging types of interactions between Officers, on a daily basis.

【Supplementary Principle】

4-13①

Directors, including External Directors, should request the Company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, Auditors, including External Auditors, should collect information appropriately, including the use of their statutory investigation power.

The Management Office confirms the content of the material in advance, and if there is insufficient content, the body will ask for additional information needed from the Board of Directors and Auditors.

4-13②

Directors and Auditors should consider consulting with External specialists at Company expense, where they deem it necessary.

If necessary, the Board of Directors and Auditors shall seek advice from external experts such as lawyers and consultants when discussing issues. The system enables these expenses to be charged to the Company.

4-13③

Companies should ensure coordination between the Internal Audit Division, Directors and Auditors. In addition, companies should take measures to adequately provide necessary information to External Directors and External Auditors. One example would be the appointment of an individual who is responsible for communicating and handling requests within the Company such that the requests for information about the Company by External Directors and External Auditors are appropriately processed.

The internal audit office audits the Company and its subsidiaries from a fair and objective standpoint periodically and as needed.

The situations as well as issues realized based on these hearings are reported to the CEO, then to the Board of Directors and Audits. Afterwards, the Management Officers will deliver improvement instructions to each Department, where appropriate improvement takes place.

In addition, though the Company does not select a person in charge of contacts and adjustments between the External Director and the External Auditors in particular, the Company sets the structure to provide information to the External Director and the External Auditors through the full time Directors and Auditors in timely manner.

【Principle 4.14 Director and Auditor Training】

New and incumbent Directors and Auditors should deepen their understanding of their roles and responsibilities as a critical governance body at a Company and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each Director and Auditors along with financial support for associated expenses. The Board should verify whether such opportunities and support are appropriately provided.

Upon assuming their positions and on a continuing basis thereafter, the Company will provide Directors and corporate Auditors with information and knowledge related to business activities necessary in overseeing management. The Company will also provide opportunities necessary for the Directors and corporate Auditors to fulfill their expected roles such as provision of information and knowledge and occurred expenses shall be covered by the Company.

【Supplementary Principle】

4-14①

Directors and Auditors, including External Directors and External Auditors, should be given the opportunity when assuming their position to acquire necessary knowledge on the Company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent Directors should also be given a continuing opportunity to renew and update such knowledge as necessary.

For group seminars and study meetings held by the organizations our Directors and Auditors belong to, diligent studies such as learning new knowledge and appropriately updating that knowledge, is done based on each person's judgment, and the occurred expenses shall be covered by the Company.

4-14②

Companies should disclose their training policy for Directors and Auditors.

Regarding the training policy for Directors and Auditors, as stated in Principle 4-14, training is provided to

Directors and Auditors as needed in order for them to fully execute their duties. According to the policy, training is provided for them to acquire the knowledge necessary to operate the business and to stay current with changing knowledge and information over time, aiming for their contribution to Company growth as well as to the whole fashion industry.

Section 5:

Dialogue with Shareholders

【General Principle 5】

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, companies should engage in constructive dialogue with shareholders even External the General Shareholder Meeting.

During such dialogue, senior management and Directors, including External Directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

The Company recognizes the importance of holding active dialogues with shareholders at all times in order to achieve sustainable growth and improve corporate value over a mid to long term period.

Therefore, the Company maintains an IR structure around the Director in charge of the IR Section, in order to create more opportunities to help deepen the understanding of our management strategy. To be specific, the Company holds financial results briefing 4 times a year, (same time distribution on the web, in English language as well), where the Management directly speaks about current situations as well as strategies going forward, and also participates in securities companies' conferences and individual interview requests.

Also, taking our shareholder distribution into account, we engage in active dialogue with our investors overseas through the Board member and Department in charge of IR activities.

【Principle 5-1 Policy for Constructive Dialogue with Shareholders】

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The Board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

The Company appoints Director, Executive Vice President, and the Strategic Planning and Development Department, under the Business Administration Division, to be in charge of the IR activities, We hold financial briefings every fiscal quarter. For various investors, the simultaneous streaming on the Web in both Japanese and English is offered in order to ensure fair disclosure. We also proactively make constructive communication with shareholders to achieve sustainable growth and increase corporate value for the mid- and long-term periods, including one-on-one interviews with investors, provision of small meetings, and contact with investors through participation in conferences hosted by securities companies and direct visits to North America, Europe, and Asia.

【Supplementary Principle】

5-1①

Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior Management and Directors, including External Directors, should have a basic position to engage in dialogue (management meetings) with shareholders.

For actual dialogs (meetings) with our shareholders, the Strategic Planning and Development Division under the Business Administration Department acts as the counter, and the IR Section corresponds. The Company also responds to shareholders and investors when they are requested to speak with the CEO or the Director responsible of the IR activities as much as possible.

5-1②

At minimum, policies for promoting constructive dialogue with shareholders should include the following:

i) Appointing a member of the management or a Director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;

ii) Measures to ensure positive cooperation between internal Departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;

iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);

iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the Board; and

v) Measures to control insider information when engaging in dialogue.

(i)(ii)

The Company appoints the director, executive vice president as a director in charge of IR. Also, the IR Section tries to strengthen relations by having density between other Departments, sharing information.

(iii)

The Strategic Planning and Development Division under the Business Administration Department is active in holding individual meetings, as well as earnings briefings for every fiscal quarter, with shareholders/ Investors /analysts, where our CEO and Director in charge of IR explains in person. Considering the fact that our headquarters is distant from our main shareholders & investors, we visit from time to time and engage in individual meetings as well.

(iv)

Contents of the IR activities and the feed-back we earn as well as the movements of shareholders are reported at the Board of Director meetings held every month, where information is shared with the Directors and Auditors.

(v)

Furthermore, care is taken regarding the management of insider information by focusing on the themes of the Company's sustainable growth and improving corporate value over the medium to long term when holding dialogues with investors.

5-1③

Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.

In March, June, September, and in December every year, the Shareholders' List as well as the shareholder distribution is confirmed, and the shareholders who substantially hold shares are investigated in order to understand the current situations. The information we earn is used for IR activities on a daily basis.

【Principle 5.2 Establishing and Disclosing Business Strategy and Business Plan】

When establishing and publishing business strategies and business plans, companies should show their basic guidelines on their earnings plan and capital policy and present targets for profitability and capital efficiency after accurately understanding their own capital cost. Also, companies should provide clear and logical explanations easily understandable for shareholders with respect to reviews of the business portfolio and specific measures on the allocation of management resources, including capital investment, R&D investment, and human resource investment to achieve the targets.

The Company ascertains and forecasts management indicators with the goal of realizing sustained growth and progress while aiming to maintain a return on equity (ROE) of 30% or higher. Its management plan for each year discloses specific figures and goals. During our daily IR activities, we strive to provide qualitative and quantitative explanations of efforts intended to achieve these targets, and we strive to achieve a shared understanding with shareholders and investors.