

## ZOZO, Inc.

### Corporate Governance Code

#### Section 1: Ensuring the Rights and Equal Treatment of Shareholders

##### **【General Principle 1】**

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

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

The Company will comply 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 including information not covered by the "Regulations for Timely Disclosure", based on its necessity.

##### **【Principle 1-1 Ensuring the Rights of Shareholders】**

**Companies should take appropriate measures to fully ensure shareholder rights, including voting rights at the General Meeting of Shareholders.**

The Company creates an environment that enables proactive information disclosure, and facilitates the exercise of voting rights 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, the Board should analyze the reasons behind the opposing votes and why many shareholders opposed and should consider the necessity of the dialogue with shareholders and other measures.**

The Company conducts analysis and consideration of counterplan to the causes for opposition to all proposals following the General Meeting of Shareholders, led by the All Directors and Audit and Supervisory Board members, to get a concrete understanding of the opinions from our shareholders.

###### **1-1②**

**When proposing to shareholders that certain powers of the General Meeting of Shareholders be delegated to the Board, the listed companies should consider whether the Board is adequately constituted to fulfill its corporate governance roles and responsibilities. If those companies determine 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 Outside Directors).

All three Audit and Supervisory Board members were appointed as Outside Audit and Supervisory Board members. All Outside Directors and auditors (hereinafter collectively called "Outside 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, the listed 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 those 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 tends to be prone to issues and concerns.**

The Company protects the minority rights of shareholders recognized under the Company Law, by stipulating procedures for exercising rights and methods to confirm shareholders, based on the Share Handling Regulations.

#### **【Principle 1-2 Exercise of Shareholder Rights at General Meeting of Shareholders**

**The listed companies should recognize that the General Meeting of Shareholders is 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 Meeting of Shareholders as an opportunity to have constructive dialogue with our shareholders. Therefore we are trying to make our meeting date and meeting place easier to be participated by more people. For shareholders unable to participate in the General Meeting of Shareholders, the hybrid virtual General Meeting of Shareholders (participation-type) was introduced to enable those people to join the deliberation at the meeting on the Web. Voting rights are sent by post, and we have also adopted a digital platform for the exercise of voting rights in order to improve and maintain a more accessible voting environment.

The Company also provides information by disclosing the Q&A that was brought up during the General Meeting of Shareholders in order to share information needed from the shareholders' and investors' points of view.

#### **【Supplementary Principle】**

### 1-2①

**The listed companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at the General Meeting of Shareholders.**

The Company believes that we should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at the General Meeting of Shareholders. For proposals at the General Meeting of Shareholders, the Company will disclose it promptly through the Company's website and the TD net's Timely Disclosure and Viewing Service by the Tokyo Stock Exchange.

### 1-2②

**While ensuring the accuracy of contents, the listed companies should strive to send the notice of convocation of General Meeting of Shareholders early enough to give shareholders sufficient time to consider the agenda. During the period between the resolution on the convocation of General Meeting of Shareholders by the Board Meeting and the dispatch of the notice of convocation, information including the notice of convocation should be disclosed by electronic measures such as TD-net or on the Company's website.**

The Company endeavors to send the notice of convocation as early as possible to ensure that shareholders have sufficient time to consider the proposals. For the notice of convocation, the Company's website and the information service by Tokyo Stock Exchange disclose the same information prior to the date and time of the dispatch.

### 1-2③

**The determination of the date of the General Meeting of Shareholders 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.**

From the viewpoint that the General Meeting of Shareholders is an opportunity for dialogue with shareholders,

we believe that consideration should be given to a schedule that allows as many shareholders as possible to attend the General Meeting of Shareholders. The Company has been trying to set the date of the General Meeting of Shareholders to avoid the days when most General Meetings of Shareholders by other companies are held.

#### 1-2④

**Given the number of institutional and foreign shareholders, the listed companies should create an infrastructure that enables electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of notice convocation of General Meeting of Shareholders. In particular, the listed companies on the Prime Market of the Tokyo Stock Exchange (TSE) should, at least, make the Electronic Voting Platform available to institutional investors.**

Considering shareholder composition, the Company is disclosing English translations of the notice of convocation on the Company's website for overseas institutional investors. In order to improve and maintain an easy voting environment for shareholders, the Company has adopted a digital platform for the exercise of voting rights.

#### 1-2⑤

**In order to accommodate cases where institutional investors, etc. holding shares in the name of trust banks, etc. wish to exercise their voting rights, on behalf of the trust banks at the General Meeting of Shareholders, listed companies should consider this matter in consultation with trust banks, etc.**

The Company recognizes institutional investors who hold shares on the record date and are recorded on the Shareholders' List as shareholders who can exercise voting rights. In the event beneficial shareholders hope to attend General Meeting of Shareholders, the Company considers whether to accept their attendance

#### **【Principle 1-3 Basic Strategy for Capital Policy】**

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

The Company believes that in cases where profitability surpasses the actual cost of equity, the corporate value increases, then we can finally satisfy both our shareholders and stakeholders. Regarding profit sharing with shareholders, we understand the importance of acting appropriately in terms of the financial basis as well as the investment plans. In order to realize this, we have introduced the return on equity – "ROE" as a management indicator to realize efficient management. Specifically, We will strive to strengthen our profit structure and efficiently utilize our net assets, taking into consideration the 30% ROE level of similar companies from a global perspective.

#### **【Principle 1-4 Cross-Shareholdings】**

**When the 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 a 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 have cross-shareholdings in the future and has no concrete plans for them.

When the need to have cross-shareholdings arises in the future, the Company will explain that it will contribute to the 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 their shares are held as cross-shareholding and the cross-shareholder expresses its intention to sell the shares, should not prevent the sale by suggesting a reduction in transactions.**

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

**1-4② Listed companies should not make transactions with cross shareholders that would damage their benefits and the common benefits of the shareholders, including continuing transactions without sufficiently verifying the economic rationality of the transaction.**

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 that damages 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 the entrenchment of the management or the Board of Directors. With respect to the adoption or implementation of anti-takeover measures, the Board of Directors and Audit and Supervisory Board should carefully examine the necessity and rationality in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.**

The Company believes the continuation of sustainable growth and the improvement of corporate values is one of its most important policies and there are no plans to introduce anti-takeover measures.

#### **【Supplementary Principle】**

**1-5①**

**In the case of a tender offer, the listed companies should clearly explain their positions of the Board, including any counteroffers, and should not take any measures that unreasonably interfere with the right of shareholders to accept the tender offer and relinquish their shares.**

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 composition 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 Shareholders' Interests】**

**With respect to a Company's capital policy that results in the change of control or significant dilution, including share offerings and management buyouts, the Board of Directors and Audit and Supervisory Board members should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationality 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 Outside Officers and shall work to provide sufficient explanations to shareholders through measures such as the General Meeting of Shareholders, financial results briefings, etc.

**【Principle 1-7 Related Party Transactions】**

**When the listed company engage 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 companies or the common interests of its shareholders and prevent any concerns with respect to such harm, the Board of Directors should establish appropriate procedures beforehand in accordance with the importance and characteristics of the transaction. In addition, the Board of Directors should monitor (including approving transactions) based on its procedures.**

For transactions between related parties, the Board of Directors shall make the final decision process, 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 to have a control system over the transactions between related parties.

## **Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders**

### **【General Principle 2】**

**The listed 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 wide 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 wide range of stakeholders.

“Inspire the world. Deliver joy every day” 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】**

**Given the positions concerning social responsibility, the listed companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid-to long-term. Also, the listed 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 concept of social responsibility that we take upon ourselves. In line with its corporate philosophy “Inspire the World. Deliver joy every day” and its management strategy of “MORE FASHION X FASHION TECH,- Explore your style. Make you delighted.-” we combine fashion and technology, and will continue to lead the front line with all stakeholders. In addition, we will be the only entity supporting everyone enjoying fashion to create a future making everyone smile.

### **【Principle 2-2 Code of Conduct】**

**The listed companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation, respect to the interests of stakeholders, and sound and ethical business activities. The Board of Directors 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 of Directors should review regularly whether the code of conduct is being widely implemented. The review should focus on the substantive assessment on whether the listed 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 business activities in accordance with our corporate philosophy to be an important guideline and share it with all employees as appropriate. The Company's code of conduct in accordance with its corporate philosophy has been widely practiced, and a unique corporate culture has been fostered. We share this information with all employees as appropriate. In addition, the management directly presents it

at the monthly morning assembly and the semiannual meeting of the whole Company to facilitate the penetration among all employees.

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

The Company believes that proactive responses to issues concerning the environment, society, and governance (ESG) will create sustainable coexistence and co-prosperity with the general society as well as stakeholders. We set four major priority initiatives as the Sustainability Key Actions under our sustainable statement “Fashion Connects and Leads us to a Sustainable Future.” We support so that all the people can fulfill their potential with the power of fashion and technology. We also solve social and environmental issues according to the following policies. The Company aims to achieve the following Sustainability Statement and the four priority initiatives of Sustainability Key Actions in 2030.

Additionally, the Company identified materiality items that are highly important in terms of characteristics and contribution to the growth of the Company group. In four key actions for sustainability determined by the Company among these materiality items, the Company sets ten items as the most significant ones and establishes KPIs and action plans to promote the actions. We also strive to achieve sustainable growth as a corporation, resolve social issues and fulfill social responsibility.

#### 1. Sustainability Statement

Under the sustainability statement “Fashion Connects and Leads us to a Sustainable Future,” the Company is aiming to create a new fashion world that connects fashion and technology, solves global issues in an innovative way with all the related people, and makes the environment and society better.

#### 2. Four priority initiatives of Sustainability Key Actions

The Company establishes the four priority initiatives of Sustainability Key Actions with the aim to realize the sustainability statement and a sustainable society and environment.

##### ① Highlight sustainable fashion choices to improve user experience

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

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

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

##### ③ Promote diversity and inclusion among everyone involved in fashion

The Company will actively disseminate information and take initiatives that contribute to creating a society where all the people involved in “fashion” can fulfill their potential. This includes the Company’s employees, fashion leaders, and next generation of those leaders, minorities, apparel manufacturers, people struggling from pollution, and our customers.

##### ④ Contribute to sustainable community development

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

#### 3. Sustainability Promotion Structure

The Company establishes the SDG Promotion Committee chaired by the Representative Director, President & CEO to promote SDG management across the Company. The committee works closely with each business division and makes a report to the Board of Directors to achieve the four priority initiatives of Sustainability Key Actions.

#### 4. Environmental Policy

The Company establishes the environmental policy to contribute to the realization of a sustainable environment by active engagement in maintaining and preserving the environment through our business

operations.

(<https://corp.zozo.com/en/sustainability/policy/>)

#### 5. Human Rights Policy

The Company strives to maintain a safe working environment and is engaged in initiatives that respect the human rights and individuality of each employee.

(<https://corp.zozo.com/en/sustainability/policy/>)

#### 6. Communication with Stakeholders

The Company aims to increase its corporate value by promoting the Key Actions through the communication with our stakeholders to address issues and reflecting them in our business operations.

(<https://corp.zozo.com/en/sustainability/policy/>)

#### 7. Supply Chain Management

The Company group aims to realize its sustainability statement “Fashion Connects and Leads us to a Sustainable Future” by operating a business with sufficient consideration on the impact to the environment and society through co-creation and collaboration with brands on ZOZOTOWN and suppliers that make up the supply chain.

(<https://corp.zozo.com/en/sustainability/policy/>)

### **【Supplementary Principle】**

**2-3① The Board of Directors should recognize that addressing sustainability-related issues, such as consideration for global environmental problems which include climate change, respect for human rights, consideration for employees’ health and their working environment, fair and appropriate treatment for them, fair and appropriate transactions with business partners, and risk management for natural disasters, is an important management challenge which would create earnings opportunities as well as risk reduction, and the Board of Directors should further consider addressing these matters positively and proactively from the perspective of improving corporate value over the mid-to long-term.**

The Company recognizes that working on sustainability issues is an important management challenge as described in Principle 2-3. ZOZOTOWN business, the online shopping site that mainly operates consignment sales of fashion merchandise, accounts for 70% or more of the total amount of distribution (Gross Merchandise Value) of the Company, so the Company generates a lower environmental burden compared with general manufacturers. However, we will proactively work on ESG issues that need to be solved by the entire fashion industry as a member engaged in the industry.

The Company also aims to increase corporate value by increasing earnings from existing businesses and creating earnings opportunities in new businesses by understanding the issues through communication with stakeholders, including customers, clients (brands), and employees, and reflecting the findings to the business activities. Specifically, the Company introduces “Create a Made-To-Order platform with zero waste” as one of the key actions in the sustainability statement. As the strategy for the action, we introduce the Step into the Production Support of clients (brands) based on our demand analysis and production base. The Company aims for sustainable growth through improving earnings and the good cycle of sustainability by building the link between fashion, technology, and people and creating a new fashion world that improves the environment and society.

#### •Relationship with customers

The number of users of ZOZOTOWN is about 10 million per year. The Company focuses on proactively incorporating daily opinions from customers into operating services. Its Customer Support Center has a philosophy, “becoming a friend with our customers”, and strives to support and make our customers smile as if helping friends in need.

#### •Relationship with business partners (brands)

The Company is mainly engaged in business based on the consignment sales model, and t many transactions with the brands. We select business partners after making a fair evaluation of brand image, product lineup, and sales volume of the brands. In the store opening agreement contracted with the

brands at the beginning of transactions, the brands give the representation and warranty that ensures the supplied goods are appropriately manufactured according to the related laws and regulations, represents no risk of unreasonably impairing the rights of third parties, and the brands have no relationship with antisocial forces.

• Relationship with delivery companies

The Company completely outsources the delivery service for the last one mile essential for operating online shopping sites. Issues have recently emerged in the transportation industry, including a shortage of labor and an increase in requests for redelivery. The Company has been taking action with the delivery companies to improve the customer convenience and reduce redeliveries. Specifically, we started the service called “Reception at a locker”, which enables customers to request to receive their merchandise at a locker when they make orders on ZOZOTOWN in August 2017 for the first time in the industry. From June 2020, we also started the service which enables customers to order with the request to receive merchandise at the designated place and time when they want to receive the goods non-face-to-face.

• Relationship with the local community and society

In Chiba-city and Chiba-Prefecture, where the Company has been located for many years, we have been taking a variety of actions with residents to contribute to the development of the local community under the idea, “Develop the city where we work by ourselves.” The Company is aiming to realize a new fashion world making the environment and society better with all the related people.

• Consideration of employees’ health and working environment for them

The Company is promoting diversity management based on the view that employees are the essential base for future growth, and the activities of talented people with a diversity of skills and individual personalities contribute to the increase, development, and growth of corporate value. The Company builds a system where diversity in sexual orientation and gender identification, nationality, and values is mutually understood, and diverse working styles optimized to the lifestyles of individuals are supported so that everyone can address their “My Mission” in the way they like.

\* The Company restates “work” into “My Mission.”

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

**The listed companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills, and characteristics is a strength that supports the Company’s sustainable growth. Therefore, the listed 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 our sustainable growth. As a player in the fashion industry, the Company actively works on the active hiring of the people with special needs, concentrates on the operational supports after firing, and we strongly promote the activities of female employees by taking advantage of the characteristics of our fashion-related business, and provide an environment in which all employees can continue to be active in accordance with their diverse lifestyles, such as balancing work and child rearing.

**《Supplementary Principle》**

**2-4① The listed companies should show the view about ensuring diversity in promoting women, foreigners, and mid-career workers to managerial positions and core human resources and the voluntary and measurable goals, as well as disclose the status of ensuring diversity. Concurrently, they should disclose the policies for human resource development and establish an internal environment toward ensuring diversity, taking into account the importance of the human resource strategy to increase mid-to long-term corporate value.**

The Company is aiming to realize the future wherein all valuable individualities around the world are connected by fashion under the corporate philosophy “Inspire the world. Deliver joy every day”. The Company also conducts diversity management and establishes a system where everyone can perform their “My Mission” in the ways they like. There are many employees who love fashion due to the characteristics of the business, and a unique corporate culture wherein each of the employees enjoys unique fashion, mutually understand, and respect their individuality through fashion, and value diversity,

has been developed. The Company sets the philosophy “Work with fun” in its view of work style (ZOZO WORKSTYLE), which creates active communication in a flat organization regardless of position and enrollment period.

This ensures diversity in promoting to managerial positions and core human resources beyond borders of gender, nationality, and mid-career worker. We will grow in terms of both business operations and employees’ capability, utilizing this environment for human resource development

\* The Company restates “work” into “My Mission.”

- Focus on the diversity

The Company focuses on diversity, making the following declaration in the basic human rights policy (human rights policy) (<https://corp.zozo.com/sustainability/policy/>).

“The Company respects all persons as an individual, has no tolerance for discrimination or adverse treatment, and gives a fair chance for employment, evaluation, development, deployment, salary increases and promotions, and promotion to positions regardless of political beliefs, thought, religion, sex, gender identity, sexual orientation, physical features, illnesses, age, nationality, and race or ethnic group, and builds a workplace so that diverse human resources can work proactively.”

- Initiative for promotion of women’s participation and advancement

To further promote the activities of female employees, the Company established and carries out the general employer action plan based on the Act on Promotion of Women’s Participation and Advancement in the Workplace. The company’s female-to-male ratio of employees is 49% to 51% (as of April 2022), and the ratio of female managers equivalent to or higher than section chief is 22% (as of April 2022), which exceeds the national average of 12.4% (as of October 2020). The Company increases the ratio of female managers by proactively promoting measures female employees’ participation and advancement, At the same time, we continue to value diversity and encourage appropriate human resources to execute business strategies.

\* Regarding the national average of the ratio of female managers, please refer to “the Ministry of Health, Labor and Welfare FY 2020 Basic Survey of Gender Equality in Employment Management.

- Promotion of foreign nationals to core human resources

The Company has group companies in the United States, New Zealand, Thailand, Vietnam, etc. and appoints foreign nationals as Directors of each group company. We appropriately promote human resources with respect for diversity. The appropriate promotion of human resources is conducted regardless of nationality when the promotion of business strategies requires persons with experience in the overseas business.

- Promotion of mid-career workers to core human resources

The Company newly employed 147 mid-career workers (89 male and 58 female workers) for FY 2021. All Executive Directors and Executive Officers are mid-career workers. Many mid-career workers are appointed to managerial positions as core human resources. The Company appropriately promotes human resources with respect for diversity regardless of new graduates or mid-career workers.

- The policy for the human resource development and improvement of internal environment to ensure diversity

- ① The policy for human resource development to ensure diversity

For the enhancement of the internal environment related to human resource development, the Company provides a variety of training opportunities for non-management employees, managers, in other words, all kinds of employees, and improves the learning environment for employees, including training to acquire the basic knowledge necessary for the operations of business and training to promote diversity. Also, periodic feedback according to the criteria for the assessment of appointments is conducted for managers to increase vertical and horizontal cooperation between managers. And we will follow up with them to support their work styles which suit their family background or life stages. We will further improve the human resource strategy and human capital system to increase mid-to long-term corporate value.

- ② Improvement of internal environment toward ensure the diversity

The Company promotes diversity management and builds the structure for employees to mutually understand diversity in gender, sexual orientation and gender identity, nationality, and values and supports a variety of work styles that suite individual lifestyles. The definition of spouse by the Company’s internal regulations includes same-sex partners. This enables our employees to enjoy the benefit of company welfare programs

like money or holidays for congratulations and condolences, regardless of the gender of the partner. The initiatives also include foreign nationalities and religions. When the Company needs to take action in terms of nationality and religion, such as preparing the space for prayers at the request of employees, the Company examines how to respond and considers what to do in each case. The Company focuses on building a comfortable working environment for employees who are taking care of children, including not only the female staff but also the male staff. The percentage of returning to work after maternal and childcare leaves is high at 98% (as of March 2022). In spring when many employees return to work every year, we make a gathering opportunity for those who have just returned to work. We provide opportunities for information sharing and communications. The Company also holds the events that employees on the childcare leave can join voluntarily, and will support their balance of work and childcare.

### **【Principle 2-5 Whistleblowing】**

**The listed 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 of Directors should be responsible for both establishing this framework and ensuring and monitoring its enforcement.**

The Company has developed internal regulation, which is an internal whistleblowing system (helpline) within the Compliance Committee. In the event of a whistleblowing incident, the Compliance Committee gives instructions to the related Departments to conduct surveys and plan, implement countermeasures, reports on the response and confirms remediation with the whistleblower.

### **【Supplementary Principle】**

#### **2-5①**

**As a part of establishing a framework for whistleblowing, the listed companies should establish a point of contact that is independent from the management (for example, a panel consisting of Outside Directors and Outside Audit and Supervisory Board members). In addition, rules should be established to ensure 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, which is established within an External lawyer's office, has also been established. Also, a system that protects whistleblowers based on the internal regulations has been established.

### **【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 the stable asset formation of employees and the listed companies' 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, in which our group's employees participate, 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】**

**The 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 laws and regulations. This includes both financial information, such as financial position and business results, and non-financial information, such as business strategies and business issues, risks, and governance. The Board of Directors should recognize that disclosed information will function as the basis for constructive dialogue with shareholders, therefore such information, particularly non-financial information, should be accurate, clear and useful for information users.**

We recognize that information disclosure is one of the most important management issues and that it is essential to disclose appropriate information to gain understanding from our stakeholders. In order to put these views in practice, the Company provides various information sources 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 stakeholders' better understanding.

#### **【Principle 3-1 Full Disclosure】**

**In addition to making information disclosure in compliance with relevant laws and regulations, the listed companies should disclose and proactively provide the information 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 of Directors' policies and procedures in determining the remuneration of the senior Management and Directors;**
- (iv) Board of Directors' 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)

The corporate philosophy and business strategies are stated on the Company's corporate site. Additionally, business strategies and business plans are explained to stakeholders, including shareholders at financial results briefings and other meetings. At the financial results briefing and others, three pillars of the strategy with the purpose of strategically diversifying the profit structure—(i) Increase traffic from other than BUY, (ii) Step into the Production Support, and (iii) Try technology licensing sales)—was published.

([https://d31ex0fa3i203z.cloudfront.net/assets/ja/ir/pdf/webup\\_fy20204q\\_j.pdf](https://d31ex0fa3i203z.cloudfront.net/assets/ja/ir/pdf/webup_fy20204q_j.pdf)) Furthermore, the Four Key Actions are stated in the Sustainability Statement. In the Key Actions, goals that would create earnings opportunities are specifically stated both in short-term and mid-to long-term, and we declare that we aim to achieve these goals by 2030. (<https://corp.zozo.com/en/about/philosophy/>)

(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 mainly consists of Outside 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 the one that rewards the achievement of short-term and mid-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 mid-to long-term improvement of corporate value for Directors of the Company (limited to Executive 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"> <li>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.</li> <li>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.</li> </ul>
	Stock remuneration (Mid-to long-term incentive remuneration)	Performance-linked remuneration to promote management that emphasizes Mid-to long-term improvement in corporate value and shareholder value. <ul style="list-style-type: none"> <li>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 that of about 36 benchmark companies.)</li> <li>In principle, it will be issued annually according to the position and responsibilities, etc. of the Director.</li> </ul>

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 Outside 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 Audit and Supervisory Board members, 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 Outside 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 Audit and Supervisory Board members are stated in the notice of convocation of the ordinary General Meeting of Shareholders and the securities report. The

dismissal of Directors and Audit and Supervisory Board members 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 business strategies, 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 business strategies, 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 Outside Director:

For the independence of Outside 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 Outside Directors, including the above items, Outside Audit and Supervisory Board members shall be selected and appointed.

(v) In nominating new candidates for Directors and Audit and Supervisory Board members, the reasons for individual appointments and dismissals of Directors and Audit and Supervisory Board members 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 of Directors should ensure that information is not boilerplate or lacking in detail.**

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

#### **3-1②**

**Given the number of overseas shareholders, companies should, to the extent reasonable, provide disclosure information in English. In particular, companies listed on the Prime Market of the TSE should disclose and provide required information among all the disclosure documents in English.**

Considering the ratio of foreign investors to all investors of the Company, the Company discloses the financial business reports, the notice of the convocation of the General Meeting of Shareholders and relative columns in English. The Company also provides information such as live streaming of the Investors' Meeting on the web, and hold conference calls, both in English and in Japanese.

**3-1③ The listed companies should appropriately disclose their initiatives for sustainability at the time of disclosure of the management strategy. They should also clearly and specifically disclose the information about human capital and intellectual properties, considering the consistency of human capital and intellectual properties with their management strategy and managerial issues. In particular, the companies listed on the Prime Market of the TSE should collect and analyze the data required on the impact of risk and earnings opportunities related to climate change on their business activities and earnings and enhance the quality and quantity of disclosure based on the TCFD, a globally established disclosure system, and the system equivalent to TCFD.**

The Company sets “Fashion Connects and leads us to a Sustainable Future” as the sustainability statement. Specific initiatives are stated in Principle 2-3. The growth strategy is to build the profit structure not depending only on the total amount of distribution by multiplying profit drivers for sustainable growth. The Company creates a new fashion world establishing the connection among fashion, technology, and people, and making the environment and society better. The Company also steps in the support for production in the fashion industry to resolve the industry-wide ESG issues of mass production and disposal of apparel with technology and realizes a sustainable growth through a favorable cycle of initiatives for earnings increase and sustainability (non-financial information).

•Investment in human capital

In the opinion of the Company, the basis for the Company growth is activating human resources with a diversity of skills, abilities, and individualities. Increasing the happiness of individuals and the unity among employees through investment in human capital contributes to an increase in corporate value, development, and its growth. With regard to human resource development and educational training, the Company has many training courses under the purpose of upgrading skills for professional technical staff, such as engineers and designers, and makes educational investments covering the range from beginners to high-skilled human resources. For clerical staff, basic training courses on compliance are provided, while the investment is proactively made to support acquisition of qualification and voluntary learning of employees. The Company also thinks of the benefit program as one of the important investments in human capital. The acquisition rate of paid leaves and payment rate of the Chiba, Tsukuba, and Miyazaki allowance, which is designed to revitalize the local community where the company is located, stand at 74% and 69% respectively (both are numbers for March2022). The Company establishes its own benefit programs that include a reduced working hour system for families and self-learning allowance. It enhances employees' satisfaction and encourages employees to show their skills, and we build an environment for diverse and flexible work styles.

•Investment in intangible assets

The Company believes that investment in intangible assets, including intellectual properties, for an increase in corporate value is one of important business strategies. We set three significant pillars of the strategy to realize business strategies. Specifically, we introduce the following “investment and utilization strategy” of major intangible assets and will continue to make investments proactively:

① Increase traffic from other than “BUY”

The Company will use our measurement technology to diagnose the user's bone structure and color type, link them to a outfit model, and create data to personalize items, colors, and sizes that suit the user.. We will also provide contents that include product information and user interfaces optimized for each user by using a huge volume of information assets, including information about products and actions, such as purchases and browsing data. The Company makes investments in intellectual properties to protect measurement technology, as well as inventions and designs created from R&D to promote personalization with intellectual property rights.

②Step into the “Production Support”

The Company has been challenging a wide range of unprecedented businesses, such as the operation of the private brand business “ZOZO”, MSP business that offers items with multiple sizes designed by brands that are on ZOZOTOWN with the body shape data measured by ZOZOSUIT, and the D2C business that produces fashion brands with individual influencers. The Company starts a production support as well as planning and proposals for brands by utilizing the know-how of demand analysis and production base, which have been developed through the above businesses. This builds the system where the Company and brands mutually cooperate in all of the planning, production, inventory management, and sales. The Company will also proactively invest in the intellectual properties of the production support area.

② “Try” technology licensing sales”

The Company will challenge to sell the technology under license by utilizing our measurement technology and

related intellectual property rights, know-how, and measurement data, etc., in fields other than fashion.. For this, we proactively acquire intellectual property rights in potential countries which will be the target of technology licensing and make investments in intellectual properties that include the purchase of ideas related to the body shape measurement technology. To realize this management strategy, with a deep understanding of the technology required by ZOZO Group, we also launched ZOZO NEXT Inc., a professional organization to create innovation and promote R&D at a higher pace and seek the creation of global innovation with enhanced cooperation with overseas subsidiaries.

Intellectual properties as a result of R&D at each base are concentrated and converted into rights and managed and used by the Company's specialized unit for intellectual properties.

The Company proactively uses its own huge data and technology and makes proactive technology contribution to academic and industrial sectors. Additionally, we promote R&D with the aim of building more convenient platform and increasing services.

• Impact of risk and earnings opportunities related to climate change on business activities and earnings of the Company

February 2022, the Company group agreed with the TCFD (Task Force on Climate-related Financial Disclosures) regarding the collection and analysis of data on the impact of Climate-related risks and earnings opportunities on its business activities and earnings. And the Company is now disclosing Governance, Strategies, Risk Management, and Indicators and Goals on Climate-related risks and opportunities based on the proposals from the TCFD.

### **【Principle 3-2 External Auditors】**

**External Accounting Auditors and the listed companies should recognize the responsibility that External Accounting Auditors owe to shareholders and investors and take appropriate steps to ensure 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 to ensure an audit schedule and audit system in order to ensure proper audits by the External Accounting Auditor.

### **【Supplementary Principle】**

#### **3-2①**

**The Audit and Supervisory Board should, at minimum, ensure the following:**

**(i) Establish standards for the appropriate selection of Outside Audit and Supervisory candidates and proper evaluation of Outside Audit and Supervisory Board members.**

**(ii) Verify whether Outside Audit and Supervisory Board members possess required independence and expertise to fulfill their responsibilities.**

(i) The Audit and Supervisory Board has established "Standard on the Evaluation of Accounting Auditors" and based on this standard, the status of execution of duties by the Accounting Auditor is assessed and evaluated through the progress of audit and audit report..

Details of the proposal for the 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 and 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 Audit and Supervisory Board 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 Audit and Supervisory Board members timely receive the reports from the Accounting Auditor on audit planning, the progress of audits, the system to ensure the appropriateness of the execution of duties, and the criteria for quality management of audits, and the Audit and Supervisory Board examines the report for a comprehensive evaluation.

#### **3-2②**

**The Board of Directors and the Audit and supervisory Board should, at minimum, ensure the following:**

- (i) Provide adequate time to high-quality audits;**
- (ii) Ensure that External Accounting Auditors have an access, such as interviews, to the senior Management including the CEO and the CFO;**
- (iii) Ensure adequate coordination between External Accounting Auditors and Audit and Supervisory Board members (including attendance at the Audit and supervisory Board Meeting), the Internal Audit Office and Outside Directors;**
- (iv) Ensure the structure for the company in the event that an External Accounting Auditor discovers fraud and requires an appropriate response or points out deficiencies or problems..**

(i) The Company ensures sufficient time is available for audits through prior consultation with the External Accounting Auditor. (ii) The Company provides the time for interviews with senior management and External Accounting Auditors, whether there was a request for it or not.

(iii) The Company promotes the cooperation between External Accounting Auditors and Audit and Supervisory Board members through accounting audits and quarterly reviews. In addition, Full-time Audit and Supervisory Board member cooperate with the Internal Auditing Office to exchange information as needed. The external Accounting Auditors are able to work directly with the Internal Audit Office, which enables the external Accounting Auditors to access any information they require at any time.

(iv) In the event that the External Accounting Auditors discover any frauds and request appropriate action, or point out deficiencies or problems, the system is designed so that each Director in charge, under the direction of the Representative Director, takes the lead in investigating and correcting the situation and reports the results of the investigation. In addition, the Audit and Supervisory Board, led by a full-time Audit and Supervisory Board member, collaborates with the Internal Audit Office and other related departments to investigate, and correct the situation.

## **Section 4: Responsibilities of the Board of Directors**

### **【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 profitability and capital efficiency, the Board of Directors should appropriately fulfill its roles and responsibilities, including:**

- (1) Showing the big picture of the corporate strategy**
- (2) Establishing an environment where appropriate risk-taking by the senior Management is supported**
- (3) Carrying out effective oversight of Directors and the management members (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 Audit and supervisory Board (where a part of these roles and responsibilities are performed by Audit and Supervisory Board members), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Audit and Supervisory Committee.**

The Company's Board of Directors deliberates as necessary for the purpose of achieving the sustainable growth of the Company and mid-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 mid-to long-term vision, and strategies through timely disclosure and information dissemination via the Company's corporate site, as well as quarterly financial results briefings which is broadcasted by live streaming (in Japanese and English).

Various rules, such as Board of Directors Guideline, Executive Officers Guideline Organizational Guideline, Guideline on Division of Responsibilities, and Job Authority Guideline, 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 members 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 Outside Director. Consequently, the Company has eight Directors in total with five Non-Executive Directors (of them, three are Outside Directors). The Outside Officers provide opinions as appropriate to management from external perspectives and oversee the management and Directors from objective points of view. All three Audit and Supervisory Board members were appointed as Outside Audit and Supervisory Board members, and all Outside Officers were registered as Independent Officers with Tokyo Stock Exchange. Outside 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 of Directors (1)】**

**The Board of Directors should establish the corporate goals (business principles, etc.) and show the strategic direction as a major aspect of its roles and responsibilities. It should also engage in constructive discussions 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's Board of Directors deliberates as appropriate on specific management strategies and plans to realize the corporate and management philosophy of "Inspire the world. Deliver joy every day." The Company aims to realize a better future by connecting fashion with respect for individuality around the world.

### **【Supplementary Principle】**

#### **4-1①**

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

The Company has a 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 of Directors. Based on the authority approval standards chart the Company clearly determines the 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 of Directors and the senior management members 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 findings should be reflected in a plan for the ensuing years.**

The Company has no mid-term business plan to commit certain numerical goals, but we established the three pillars of the strategy as a mid-term growth vision to clarify the business fields to focus on and make our best efforts to realize the vision. We also periodically analyze the causes for divergence between single-year forecasts and actual results, and disclose and explain the analysis to stakeholders, including shareholders, at the financial results briefing and other meetings.

**4-1③ 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.**

We recognize that the development of successors to manage the Company is an important factor in ensuring the company's continued growth in the future. In order to nurture individuals who possess the values, abilities, and behavioral characteristics necessary for successors, the Group as a whole will appropriately formulate and implement plans and procedures for the next generation of leadership personnel and the process for selecting successors, based on discussions at the Nomination and Remuneration Consultatory Committee.

#### **【Principle 4-2 Roles and Responsibilities of the Board of Directors (2)】**

**The Board of Directors should establish 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 the healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of ensuring 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 providing an environment to support appropriate risk taking by senior management one of its important duties. We have been creating business with new ideas not seen in the conventional fashion EC industry, including the introduction of ZOZOSUIT, an advanced technology device for body measurement, ZOZOMAT, the 3D foot measurement tool, and ZOZOGLASS, the face color measurement tool.

The 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, we will build the structure to support senior management so that they can show a sound entrepreneurial spirit.

Regarding management's remuneration, for the purpose of promoting a sustainable increase in corporate value in the mid-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/mid-to 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 functions 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, based on the 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 sustainable increase in corporate value in the med-to long-term and operating as a health incentive, the policy has been resolved to change the remuneration system to the one which pays remuneration for the achievement of business results in the short term/mid-to 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").

**4-2② The Board of Directors should establish the basic policy for initiatives related to its company's sustainability from a viewpoint of an increase in mid-to long- term corporate value. Considering the importance of investment in human capital and intellectual properties, it should also effectively supervise allocation of management resources including human capital and intellectual properties, and execution of the strategy for business portfolio so that they can contribute to sustainable growth of the company.**

As described in Principle 2-3, the Company establishes the sustainability statement as a basic policy for initiatives related to sustainability. We work on solving our own and the fashion industry's issues by combining fashion with technology. The allocation of management resources and the execution of the strategy for the business portfolio are periodically reported at the Board Meeting, and we immediately revise the strategic action plan and make decisions. The operational structure is established to realize effective supervision by the Board of Directors.

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

**The Board of Directors should conduct 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 of Directors 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 of Directors 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 of Directors and enhance the function of the Board of Directors as a whole, the Company evaluates each Director every year in terms of efficacy.

The Board Meeting also receives a report from Executive Directors on the execution of their operations and progress of managerial issues every time to supervise management and determines the remuneration of Directors based on the advice from the Nomination and Remuneration Consultatory Committee, which deliberates in light of comprehensive review of business results, operations, and economic conditions.

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 focus on the oversight. The Company has appointed a person in charge of information disclosure to enable timely and appropriate disclosure of information, and we established an appropriate disclosure structure. With regard to transactions among related parties, the Company surveys all Directors of the Company and its subsidiaries on a quarterly basis to check transactions among related parties as a part of its system of for the 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 Guideline to ensure the fairness of transactions with the parent company group .

### **【Supplementary Principle】**

#### **4-3①**

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

The Company's appointment and dismissal of management members are conducted through the methods for appointment and dismissal of Directors and Audit and Supervisory Board members as stipulated in Principle 3-1 (iv). When appointing an Outside 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 the appointment and dismissal of management members through highly fair and transparent procedures, including asking the Nomination and Remuneration Consultatory Committee for advice in accordance with its criteria for nominations.

**4-3② The Board of Directors should provide sufficient time and resources to appoint a CEO with high capability following 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 of the CEO based on the assumption that the CEO shall be a person with the ability to show leadership toward the realization of our corporate philosophy, business strategies, and the Company's sustainable growth. The appointment shall also be discussed by the 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.**

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 Board of Directors and the Nominating and Remuneration Consultatory Committee shall make resolutions after thorough deliberations.

**4-3④ Internal controls and proactively building a company-wide risk management structure will support ensuring appropriate compliance and taking risks. The Board of Directors should appropriately build this structure covering the entire group and supervise operation of the structure using the Internal Audit Division.**

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

The ZOZO Group Risk Management Committee is an organization to execute risk management across the group. It is further divided into subcommittees, and they conduct operations in their fields across the group. (For the structure and operations, see <https://corp.zozo.com/en/sustainability/governance/>)

The Internal Audit Office interviews and conducts site surveys of operational divisions according to the annual internal audit plan in cooperation with the Audit and Supervisory Board members and Accounting Auditors. They also periodically report the results of internal control evaluations to the Board of Directors. It increases the effectiveness and efficiency of internal control, compliance, and other components.

**【Principle 4-4 Roles and Responsibilities of the Audit and Supervisory Board and Audit and Supervisory Board members】**

**The Audit and Supervisory Board and Audit and Supervisory Board members should keep 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 Audit and Supervisory Board members and External Accounting 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 Audit and Supervisory Board and Audit and Supervisory Board members, in order to fully perform their duties, it would not be appropriate for Audit and Supervisory Board and Audit and Supervisory Board members 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 Audit and Supervisory Board members (three persons) as Outside Audit and Supervisory Board members. They have a wealth of experience and the expert knowledge as lawyer, certified public accountant, licensed tax accountant, and express their views at the Board Meetings, and to Management.

**【Supplementary Principle】**

**4-4①**

**Given that not less than half of the Audit and Supervisory Board must consists of Outside Audit and Supervisory Board members and that at least one full-time Audit and Supervisory Board member must be appointed in accordance with the Companies Act, the Audit and Supervisory 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, Audit and Supervisory Board members or the Audit and Supervisory Board should ensure the cooperation with Outside Directors so that such Directors can strengthen their ability to collect information without having their independence jeopardized.**

The Company has appointed all three Audit and Supervisory Board members as Outside Audit and Supervisory Board members and one as a full-time Audit and Supervisory Board member. Full-time Audit and Supervisory Board member participates in important meetings including Management Meetings, actively express their opinions as an Audit and Supervisory Board member and share information with other Audit and Supervisory Board members. When necessary, they exchange opinions with Outside Directors to promote cooperation.

**【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 ensure 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 Outside 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 of Directors, the listed 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 Outside 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 Outside 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 Outside Directors.

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

**The listed 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 of Directors including the appointment and dismissal of the senior management**
- iii) Monitoring of conflicts of interest between the Company and the management or controlling shareholders**
- iv) Appropriately representing the voices of minority shareholders and other stakeholders in the Board Meeting from a standpoint independent from the management and controlling shareholders.**

Independent Outside 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 from management and controlling shareholders, they monitor conflicts of interest between the Company and management or controlling shareholders and represent the voice of each stakeholder to the Board Meeting.

#### **【Principle 4-8 Effective Use of Independent Directors】**

**Independent Directors should fulfill their roles and responsibilities with the aim of contributing to the sustainable growth of companies and increasing corporate value over the mid-to long-term. Companies listed on the Prime Market of the TSE should therefore appoint at least one-third of Independent Outside Directors (two Independent Outside Directors in companies listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market of the TSE believes it needs to appoint a majority of Directors as Independent Outside auditors (company listed on other markets believes it needs to appoint at least one-third Director as Independent Outside Directors) based on a broad consideration of factors such as the industry, company size, business characteristics, and organizational structures, as well as circumstances surrounding the company, it should appoint a sufficient number of Independent Outside Directors.**

The Company considers the appointment of multiple Independent Outside Directors to be essential in contributing to sustainable corporate growth and to increasing corporate value over the mid-to long-term. The Company's Board of Directors consists of three Executive Directors and five Non-Executive Directors (including three Outside Directors), for a total of eight Outside Directors account for one-third of the Board of Directors.

The Outside Directors, together with the Outside Audit and Supervisory Board members, are registered as Independent Officers with the Tokyo Stock Exchange, and we believe that they are sufficiently independent.

#### **【Supplementary Principle】**

##### **4-8①**

**In order to actively contribute to discussions at the Board Meeting, Independent Outside 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 Outside officers would be one way of achieving this.**

As necessary, Independent Outside Directors are having a meeting with Outside Officers at any time, to enable exchange of opinions based on independent, objective points of view.

#### 4-8②

**Independent Outside Directors should endeavor to establish a framework for communicating with the Management and for cooperating with Audit and supervisory Board members or the Audit and supervisory Board by, for example, appointing the lead Independent Outside Director from among themselves.**

The Company appoints no lead Independent Outside Director, but we request Independent Outside Directors to attend Management Meetings. This helps Independent Outside Directors to contact and coordinate with the Management. The skull session is semiannually held between Outside Directors and Audit and Supervisory Board members for their communication and cooperation.

#### 《Supplementary Principle》

**4-8③ Listed companies that have controlling shareholders should appoint at least one-third of Directors who are independent from the controlling shareholders in the Board of Directors (a majority of Directors for companies in the case of the company listed on the Prime Market of TSE) or, they need to establish a special committee consisting of independent persons including Independent Outside Directors to examine important transactions and actions with the conflict of interests between the controlling shareholders and minority shareholders.**

The Company has controlling shareholders and establishes the “Guideline to ensure the fairness of transactions with the parent company group” as a guideline concerning measures to protect minority shareholders in the transactions with the controlling shareholders. The regulations are applied according to their rules. The Company has the policy that transactions with the controlling shareholders shall comply with laws and regulations and should not be subject to conditions unreasonably advantageous or disadvantageous to its group over the same kind of or similar transactions conducted with a third party. The transactions shall be reasonably determined in light of the conditions of contracts and market prices as in transactions with other companies, and they are executed after sufficiently examining whether their execution and conditions do not unreasonably impair rights of minority shareholders. The Board of Directors consists of eight members in total, including three Executive Directors and five Non-Executive Directors (three of them are Outside Directors). Outside Directors account for one-third of all Board members. Additionally, the Intergroup Transaction Review Committee is established to examine and review important transactions and actions with controlling shareholders. The committee consists of Independent Officers, and the Company believes that the committee has sufficient independence from controlling shareholders.

**【Principle 4-9 Independence Standards and Qualification for Independent Outside Directors】  
Board of Directors should establish and disclose independence standards to ensure effective independence of Independent Directors, taking into consideration the independence criteria set by the Tokyo Stock Exchange. The Board of Directors should endeavor to select Independent Outside Director Candidates who are expected to contribute to frank, active and constructive discussions at the Board Meetings.**

The Company elects Independent Outside Directors based on Article 2, Item 15, of the Companies Act and the independence criteria set by the Tokyo Stock Exchange. The Board of Directors selects Independent Outside Director Candidates who are independent from the Company and can promote constructive discussions at meetings of the Board Meetings 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, the listed 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 Outside 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 the listed companies are either a company with an Audit and Supervisory Board or a company with the Audit and Supervisory committee and Independent Outside Directors do not account for the majority of the Board of Directors, the listed company should establish independent Nomination and Remuneration Consultatory committee consisting mainly of Independent Outside Directors under the Board of Directors in order to strengthen the independence, objectivity, and accountability of the functions of the Board of the Directors on nominations (including succession plan) and remuneration of management members and Directors, and obtain appropriate involvement and advices including viewpoints of the diversity, such as gender, and skills from Independent Outside Directors of these committees in the examination of specifically important matters, including nominations and remuneration. In particular, companies listed on the Prime Market of the TSE should fundamentally ensure that Independent Outside Directors account for the majority of the members of the committee and disclose the view on independence of the composition of the committee, authorities, functions, and other information.**

The Company establishes the Nomination and Remuneration Consultatory committee as an optional advisory body to the Board of Directors, which has a role to enhance the independence and objectivity of functions that the Board of Directors performs concerning the nomination and remuneration of Directors and the accountability of the Board of Directors. The committee is consists of a majority of Independent Outside Directors and chaired by an Independent Outside Director to maintain the independence of its composition. It is also authorized to discuss policies and standards concerning the appointment and dismissal of Directors, the succession plan for representative Director, and remuneration of Directors, as well as draft proposals submitted to the Board of Directors and offer advices and recommendations to the Board of Directors. In determining the nomination and remuneration of Directors, including discussions and preparation of the draft for the skill matrix of Directors, the committee discusses and gives full consideration to the viewpoints regarding diversity, including gender and skill. We further enhance the corporate governance system by improving the independence, objectivity, and accountability of the functions of the Board Meeting in terms of the nomination and remuneration of Directors.

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### **【Principle 4-11 Prerequisites for Ensuring the Effectiveness of the Board of Directors and Audit and Supervisory Board**

**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, career and age, and appropriate Board size. Persons with appropriate experience and skills and the knowledge necessary for finance, accounting, and legal affairs should be appointed as Audit and Supervisory Board members. At least one person with sufficient insights particularly in finance and accounting should be appointed as an Audit and Supervisory Board member. 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, the member of Audit and Supervisory Board includes 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 to ensure that the Board of Directors is composed in a manner that balances diversity and appropriate size. We also intend to proactively cultivate and promote motivated women in order to increase female candidates for the officers and managerial positions.

The Company conducts a periodic questionnaire survey to all Directors on the effectiveness of the Board of Directors to analyze and evaluate the overall effectiveness of the Board of Directors as described in

**【Supplementary Principle】**

**4-11①**

**The Board of Directors should have a view on the appropriate balance between knowledge, experience, and skills of the Board of Directors as a whole, and on diversity and appropriate Board size after identifying the skills and other abilities to be held in light of business strategies. The company should disclose the set of skills and other abilities of Directors in an appropriate manner according to the business environment and characteristics, including the so-called skill matrix, which lists the knowledge, experience, and skills of each Director, along with the policies and procedures for nominating Directors. In the nomination, Independent Outside Directors' candidates should have such management experiences in other companies.**

The Company's view on the appropriate balance between knowledge, experience, and skills as a whole Board of Directors and on diversity matches the view of appointing the Board of Directors, which is indicated in Principle 3- 1(iv). Taking into account this basic view, the Company created and discloses the skill matrix listing knowledge, experience, and skills. (<https://corp.zozo.com/en/sustainability/governance/>) Going forward, we will considering the adoption of the internal regulations, and enhance the system within the Board of Directors so that it focus more on the balance of the knowledge, experience, and abilities, as well as the diversity and size of the whole Board of Directors. The Company considers corporate management and business strategy to be important items on the skills matrix, and considers the presence or absence of management experience at other companies when appointing Independent Outside Directors.

**4-11②**

**Outside Directors, Outside Audit and Supervisory Board members, other Directors and Audit and Supervisory Board members should spend sufficient time and make efforts to appropriately fulfill their respective roles and responsibilities. From this perspective, for example, if a Director Audit and Supervisory Board member concurrently serves as a Director or Audit and Supervisory Board member of another listed company, the number of such positions should be limited to a reasonable range. And listed companies should disclose the status of such concurrent positions annually**

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

**4-11③**

**Each year the Board of Directors 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.**

Each year the Board of Directors of the Company analyzes and evaluates their effectiveness of the purposes, agendas, composition, discussions, and operations and items related to the structure to support them, examines issues and their measures, and implements appropriate measures by taking into account the analysis and evaluation results.

The following shows the results of the analysis and evaluation of the effectiveness of the Board of Directors in executing its duties for the fiscal year ended March 2022.

1. Method to evaluate the effectiveness

We interviewed all Directors and Audit & Supervisory Board members concerning the effectiveness of the Board of Directors, aggregated the results, and discussed the detailed measures as well as the policy and related issues, 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 interviews with all Directors and Audit and Supervisory Board members concerning the purposes, agendas, composition, discussion, operation, and items related to the structure to support Board of Directors, the discussion and operation of the Board of Directors and items related to the structure to support the Board of Directors were comprehensively appreciated based on excellent contents and volume of materials, careful discussions about conflict-of-interest transactions, and the atmosphere that enables open discussions. The Board of Directors had sufficient time to discuss significant managerial matters at the Board Meeting through the transfer of the authority for the execution of operations resulting from amendments to the standards for the authority for approval; appropriate allocation of time for matters to be resolved, reported, and strategically discussed; and preparation for the annual schedule of significant matters. Therefore, it was appreciated that issues identified at the evaluation of effectiveness of the Board of Directors for the fiscal years ended March 31, 2020, and March 31, 2021, were gradually resolved. With regard to the purposes and agendas of the Board Meetings, there are some opinions that appreciate the existing purposes and agendas. On the other hand, a variety of constructive opinions were stated concerning the necessity to discuss managerial/ operational growth strategies and organizational/ human resource strategies for mid-to long-term perspectives, ideal behaviors of Executive Directors and Independent Outside Directors

### 3. For the future

At the regular Board Meeting in May 2022, the Board of Directors had active discussions on an increase in its effectiveness, taking into account of the above-mentioned analysis and evaluation results. Consequently, the Board of Directors confirmed the policies to discuss the management strategy and issues with a focus on mid-to long- term viewpoints, and for such discussion, cover information gaps among Directors, increase the quality and quantity of communication between Directors, and use councils other than Board of Directors. While implementing operations and improvements based on this policy, we will strive to improve the effectiveness of the Board of Directors and enhance corporate value.

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#### **【Principle 4-12 Active Deliberations by the Board of Directors】**

**The Board of Directors should strive to foster a spirit of open and constructive discussion for exchanging ideas, including the submission of matters by Outside Directors.**

The Company holds active question-and-answer sessions and exchanges of opinions from Outside Directors and Audit and Supervisory Board members on all matters to be resolved and reported at the Board Meetings. All attendees at the Board Meetings actively exchange opinions on the proposals presented at the meetings.

#### **【Supplementary Principle】**

##### **4-12①**

**The Board of Directors should ensure the following in relation to the operation of Board Meetings and attempt to make active deliberations**

**(i) Materials for Board Meetings are distributed sufficiently in advance of the meeting date;**

**(ii) In addition to the materials of Board Meetings, as necessary, sufficient information is provided to Directors by the Company (the information should be organized and/or analyzed to be understood easily);**

**(iii) The schedule of Board Meetings for the current year and assumed 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 annual schedule for the Board Meetings, based on dates where all Directors and Audit and Supervisory Board members are able to attend. Within the schedule, when the deliberation matter is decided in advance, and the time for the deliberation is saved. 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 Audit and Supervisory Board members should proactively collect information, and as necessary, request the company to provide them with additional information. Also, the listed companies should establish a supporting structure for Directors and Audit and Supervisory Board members, including**

**providing sufficient staff. The Board of Directors and the Audit and supervisory Board members should verify whether information requested by them is provided smoothly.**

The Company confirms the contents of the material in advance, and if there is insufficient content, the Directors will ask for additional information needed.

In addition, the Company has established a support system for Directors and Audit and Supervisory Board members, especially for newly appointed Directors and Outside directors, to promote their understanding of the Company's corporate culture and to fully share information within the Company through the Board of Directors Secretariat and the officers in charge of the Board of Directors.

We have also established a corporate culture in which Directors share information and exchange opinions with each other on a daily basis.

#### **【Supplementary Principle】**

##### **4-13①**

**Directors, including Outside Directors, should request the Company to provide them with additional information, that is deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, Auditors, including Outside Audit and Supervisory Board members, should collect information appropriately, including the use of their statutory investigation power.**

The Company's Board of Directors' Administration Office confirms the Board Meeting materials in advance, and Directors request them to provide information as necessary on materials that are missing contents.

##### **4-13②**

**Directors and Audit and Supervisory Board members should consider consulting with External specialists at the Company expense, where they deem it necessary.**

If necessary, the Board of Directors and Audit and Supervisory Board members 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**

**Listed companies should ensure the cooperation between the Internal Audit Office, Directors, and Audit and Supervisory Board members mainly by building the structure where the Internal Audit Office appropriately makes a direct report to the Board of Directors and Audit and Supervisory Board to fulfill their functions. In addition, the listed companies should implement measures to adequately provide the necessary information to Outside Directors and Outside Audit and Supervisory Board members . One example would be the appointment of an individual who is responsible for communicating and handling requests within the company so that the requests for information about the company by Outside Directors and Outside Audit and Supervisory Board members are appropriately processed**

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

The status of business execution, including problems identified in these audits, is reported directly to the Representative Director, the Board of Directors, and the Audit and Supervisory Board, and instructions for improvement are sent to each department to ensure that appropriate improvements are made.

The Company has a system in place to ensure that appropriate improvements are made.

In addition, although the Company has not appointed a person to liaise and coordinate between Outside Directors and Outside Audit and Supervisory Board members and the Company, the Company has a system that allows information on matters including problems in each business to be provided to Outside Directors and Outside Audit and Supervisory Board members as needed through full-time Directors and full-time Audit and Supervisory Board members.

#### **【Principle 4-14 Directors and Audit and Supervisory Board members Training】**

**New and incumbent Directors and Audit and Supervisory Board members should deepen their understanding of their roles and responsibilities as a critical governance body at the listed company and should endeavor to acquire and update required knowledge and skills.**

**Accordingly, the listed companies should provide and arrange training opportunities suitable to each Directors and Audit and Supervisory Board members along with financial support for associated expenses. The Board of Directors 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 Audit and Supervisory Board members with information and knowledge related to business activities necessary in overseeing management. The Company will also provide opportunities necessary for the Directors and Audit and Supervisory Board members 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 Audit and Supervisory Board members, including Outside Directors and Outside Audit and Supervisory Board members, 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 Audit and Supervisory Board members 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 Audit and Supervisory Board members**

Regarding the training policy for Directors and Audit and Supervisory Board members, as stated in Principle 4-14, training is provided with Directors and Audit and Supervisory Board members as needed 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, the listed companies should engage in constructive dialogue with shareholders even outside of the General Meeting of Shareholders.**

**During such dialogue, senior management and Directors, including Outside Directors, should listen to the voices of shareholders and pay 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 the 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 establishes 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】**

**The listed companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (IR Meetings) to support sustainable growth and increase corporate value over the mid- to long-term. The Board of Directors 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 results 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-to 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 management members, Directors including Outside Directors, or Audit and Supervisory Board members (including Outside Audit and Supervisory Board members) should engage in dialogue with shareholders**

For actual dialogs (meetings) with shareholders, the Strategic Planning and Development department under the Business Administration Division acts as the counter, and the IR Section is in charge of it. The Company also responds to shareholders and investors when they want to speak with the CEO or the Director responsible of the IR activities as much as possible. The company allows management members, Directors including Outside Directors, and Audit and Supervisory Board members to attend meetings as needed.

##### **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 of Directors; 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 Department under the Business Administration Division is active in holding individual meetings, as well as financial results 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 acquire as well as the movements of shareholders are reported at the Board Meetings every month, where information is shared with the Directors and Audit and Supervisory Board members.

(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 mid-to long-term when holding dialogues with investors.

### **5-1③**

**The listed 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, the listed companies should show the basic guidelines on their earnings plan and capital policy and present targets for profitability and capital efficiency after accurately understanding their own capital costs. Also, the listed companies should provide clear and logical explanations that are 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 capital investment to achieve the targets.**

The Company specifies 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. The Board of Directors and the Management monitor the amount of GMV and operating profit by business so that management resources can be allocated timely and appropriately. At the financial results briefing, the amount of GMV, changes in capital investment or ROE by business (ZOZOTOWN business, PayPay Mall, BtoB business and others) are disclosed to explain the appropriate allocation of management resources in an easy-to-understand way for shareholders. Through our daily IR activities, we strive to provide qualitative and quantitative explanations of our efforts to achieve these targets, and we would like to share the same vision with shareholders and investors.

**《Supplementary Principle》**

**5-2 (i)The listed companies should show the basic policy for the business portfolio determined by the Board of Directors and review the business portfolio clearly when establishing and publishing business strategies and other information.**

The Company aims to multiply profit drivers for sustainable growth and realizes the profit structure not depending only on the total amount of distribution. We established the three pillars of the strategy as a specific growth vision, clarified the business fields to focus on, and disclose them at financial results briefings and other meetings.