

Integrated Report Portal

FY2023



ZOZO



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A photograph of three people in a factory or industrial setting. On the left, a woman with short brown hair, wearing a white top with a green patterned bodice, is smiling. In the center, a man with long dark hair and a goatee, wearing a light blue shirt, is smiling broadly. On the right, a man with long dark hair and a beard, wearing a dark blue shirt, is partially visible and also smiling. They are standing in front of industrial equipment, including a large black machine in the foreground. The background is filled with various industrial components and structures, slightly out of focus. The word "Vision" is overlaid in large white text across the center of the image.

Vision

Vision

CEO Message

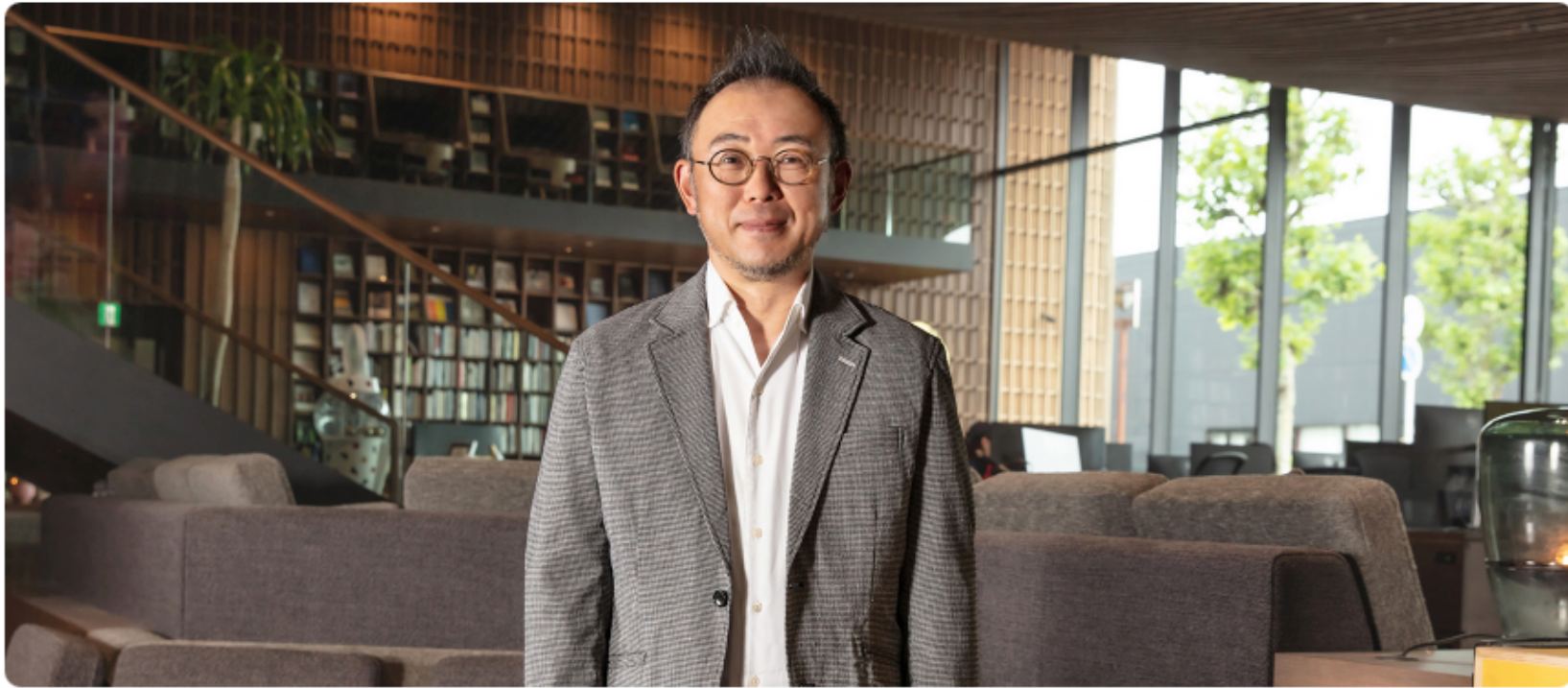
Corporate Philosophy

Value Creation History

Our Strengths

Growth Strategy

Materiality



Explore your style. Make you delighted.

We have continued to take on every challenge through fashion based on our corporate philosophy of "Inspire the world. Deliver joy every day." In fiscal year 2023, we have begun to see the results of the "Explore your style. Make you delighted" initiative newly added to our "More Fashion x Better Fashion Tech" strategy, and we are beginning to feel a positive response to the "clarification of 'one's style'". We will continue to provide ZOZO's unique solutions by connecting fashion, technology, and people.

Review of FY2023

In fiscal year 2023, we set Five Growth Strategies: (1) Attract a wider range of customers, (2) Increase in frequency of purchases per capita, (3) Production support by streamlining made-to-order through DX, (4) Expansion of non-apparel categories, and (5) Technology Monetization, and have actively challenged these strategies.

The first Growth strategy, "Attract a wider range of customers," was implemented targeting younger customers and family customers, etc., and the recall rate of ZOZOTOWN improved. These and other aggressive promotions were effective, and both gross merchandise value and operating profit reached record highs.



In the second strategy "Increase in frequency of purchases per capita," we have not limited to "selling," but also focused on "communicating" to customers before they make a purchase, aiming to continue to be ZOZO as the place "for" fashion.

In addition to providing services such as the Ultimate personalized-styling service "niaulab by ZOZO" and the YouTube channel "niaulab TV by ZOZO" to increase touch points before purchasing, the outfit-sharing app "WEAR" was launched in May of this year. In May of this year, the outfit-sharing app "WEAR" was reborn as "WEAR by ZOZO," an outfit-sharing app that "lets you search for what looks good on you" by introducing new functions and contents that show the "genre trends" of fashion preferences. In order to deliver such a styling experience to more people, we will continue to utilize AI, and by combining ZOZOTOWN data and "niaulab by ZOZO" user data, we aim to create a world where anyone can enjoy fashion.

Regarding the third strategy, "Production support by streamlining made-to-order through DX," we have expanded production facilities through "Made by ZOZO," a production support platform launched in September 2022, and have steadily grown the number of production models by 307% and the number of pieces produced by 136% compared to the previous year. We will continue to focus on achieving more sustainable production with the goal of zero inventory risk for brands.

In the fourth strategy, "Expansion of non-apparel categories," since our full-scale entry into the cosmetics market in March 2021, we have focused on expanding our cosmetics specialty mall, ZOZOCOSME. 23.6% of ZOZOTOWN active members purchase cosmetics, and the number of new purchasers is steadily increasing. In fiscal year 2023, we finally surpassed our goal of 10 billion yen in gross merchandise value and the cosmetics specialty mall grew to 11.3 billion yen. We have already set the direction for our next challenge, and we are committed to achieving results.

In the fifth strategy, "Technology Monetization," we have seen significant progress: technology, one of ZOZO's strengths, has further evolved to the point where measurements can now be taken with the same level of accuracy without the need to wear the ZOZOSUIT, a 3D body measurement suit. As a result, the number of downloads of the "ZOZOFIT" application, a body management service currently offered in the U.S., has more than tripled, and we feel that it has become a useful tool for business as well.



In Japan, "ZOZOMETRY," a service for streamlining measurement operations for corporate clients, was launched for some businesses in April this year. This is a system in which body data is measured using the "ZOZOSUIT" and a scanning application, and the measurement data is shared with the business side.

Strengthening Management from an ESG Perspective

Two years have passed since the first materiality was formulated, and we have reviewed the materialities that are of high importance to both our stakeholders and our company in accordance with changes in the environment and our company's business situation. (*) addition, we have also updated the sustainability four key actions in accordance with the external environment and our progress, although the focus of these initiatives has not changed significantly.

(*)Announced in August 2024

1. Strengthening Supply Chain Due Diligence

We have mapped the importance of "Corporate Governance", "Addressing climate change" and "Respect for human rights," those of which are included in this year's materiality, at a higher level than in the previous year, as we have sensed an increase in demand from investors and other stakeholders compared to two years ago. And as an initiative, in May of this year, we conducted a questionnaire survey of our business partners as part of our supply chain due diligence to ascertain the actual situation. Although we have not yet been able to confirm the status of all our business partners at this point, we will work together with them to make improvements after confirming the current situation to ensure that the environment and human rights are being complied with.



2. Improving employee happiness

With regard to "Improving employee job satisfaction," which is positioned as a highly important materiality for our company, we are striving to create an environment in which all employees can fulfill their potential.

We have a diverse workforce with expertise in fashion and technology, and we create new solutions every day under the slogans "Imagine the unexpected. Chart the unexplored," "Make a difference every day," and "With Love," which represent ZOZO's mindset. In this fiscal year, we are working on "Reviewing current operations" and "Focusing on important operations" in order to achieve higher productivity. In order to bring to fruition the new businesses that we have been sowing over the past few years, we will increase our sense of speed by making selections and choices on a daily basis, and aim for a state of sustained growth. Diversity, equity, and inclusion" are also essential for the future growth of the company. We intend to continue our efforts to promote the advancement of women in the company, employment of people with disabilities, and awareness and understanding of LGBTQ+ issues.

3. Aiming for Sustainable Local Communities

In order to put into practice our "Fostering the Next Generation and Strengthening Cooperation with Local Communities (tentative)," which is deeply connected to our company culture, we are also working on environmental issues and community development.

In addition to the "2030 Carbon Neutral Declaration," which calls for reducing greenhouse gas emissions (Scope 1 and 2) from our own business activities to

virtually zero by 2030, we aim to achieve "Net zero" emissions (Scope 1, 2, and 3) from our entire supply chain to virtually zero by 2050, which includes our introducing renewable energy to our headquarter and logistics centers "ZO-ZOBASE", and more than 90% of our sites are now powered by renewable energy. In addition, there is the "2024 problem in logistics" caused by the limitation of drivers' working hours this year, and we have also been working to reduce the burden on delivery drivers and CO2 emissions by introducing "Slow Delivery" in August 2024. Emissions from product delivery account for one-third of our Scope 3 emissions, and we cannot achieve "Net Zero" without the cooperation of our business partners, in addition to improving the efficiency of our own delivery. In the future, we intend to propose solutions that are optimal for ZOZO, logistics companies, and consumers, while considering the shift to modal shifts and asking users for their understanding in solving current logistics issues.



Since our establishment, we had been committed to contributing to the local community, and since relocating our headquarters to Nishi-Chiba in 2021, we have been even more vigorously engaged in activities to contribute to the community and support the next generation. We have set a goal of "By 2030, Contribute to the "By 2030, Con-

tribute to the revitalisation of local communities, by 'connecting' with one million next-generation people under 20 years old," and we have been giving classes to educational institutions reaching 108 schools, and providing donations and support, mainly in Chiba Prefecture. As a result, we were able to connect with 270,000 young people. We will continue to strive to provide our expertise and support to empower the young people who will lead the future and help to boost local communities.

4. Governance Initiatives

One year has passed since we transitioned from a company with a board of corporate auditors to a company with an audit and supervisory committee in June 2023. In June of this year, the Board of Directors became more diverse, with more directors with a wealth of experience and a wide range of insight in areas such as marketing and sustainability, and discussions at Board meetings have become more active as various viewpoints are brought in. In addition to the Board Meeting, we have also established a "Strategy Review Committee" where directors discuss with each other what we should work on from a long-term perspective. The SDGs Promotion Committee, which I chair, has met 25 times by July 2024. Based on evaluations by an external evaluation organization, we have continued discussions and promoted initiatives to strengthen governance, including policy development, information disclosure, and linking ESG indicators to executive compensation. We will continue to strive for trans-

parency-conscious management with a sense of responsibility as a TSE Prime-listed company.

4. Governance Initiatives

As a platform provider, we will continue to use technology to connect people, and aim to be a trusted presence in the fashion industry and in the community. We will also boldly take on the challenge of solving environmental and social issues related to the fashion industry, which is facing a major turning point, and will work together with our stakeholders to resolve these issues through initiatives that are uniquely ZOZO.

Philosophy

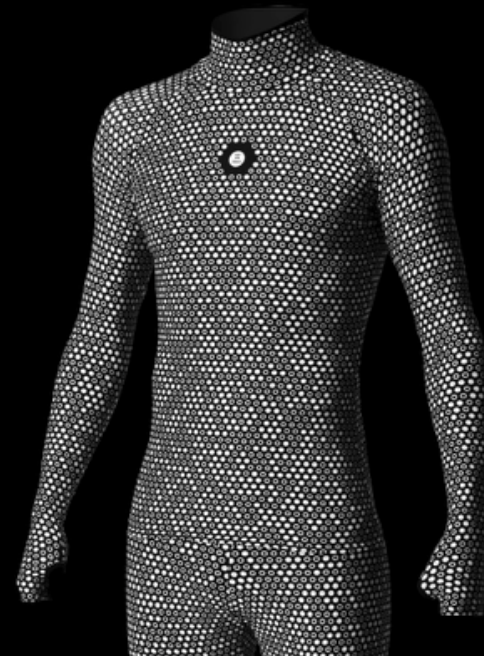
**Inspire the world.
Deliver joy every day.**



Strategy

**MORE FASHION X
FASHION TECH**

- Explore your style. Make you delighted. -



Sustainability Statement

**Fashion Connects and
Leads us to
a Sustainable Future.**

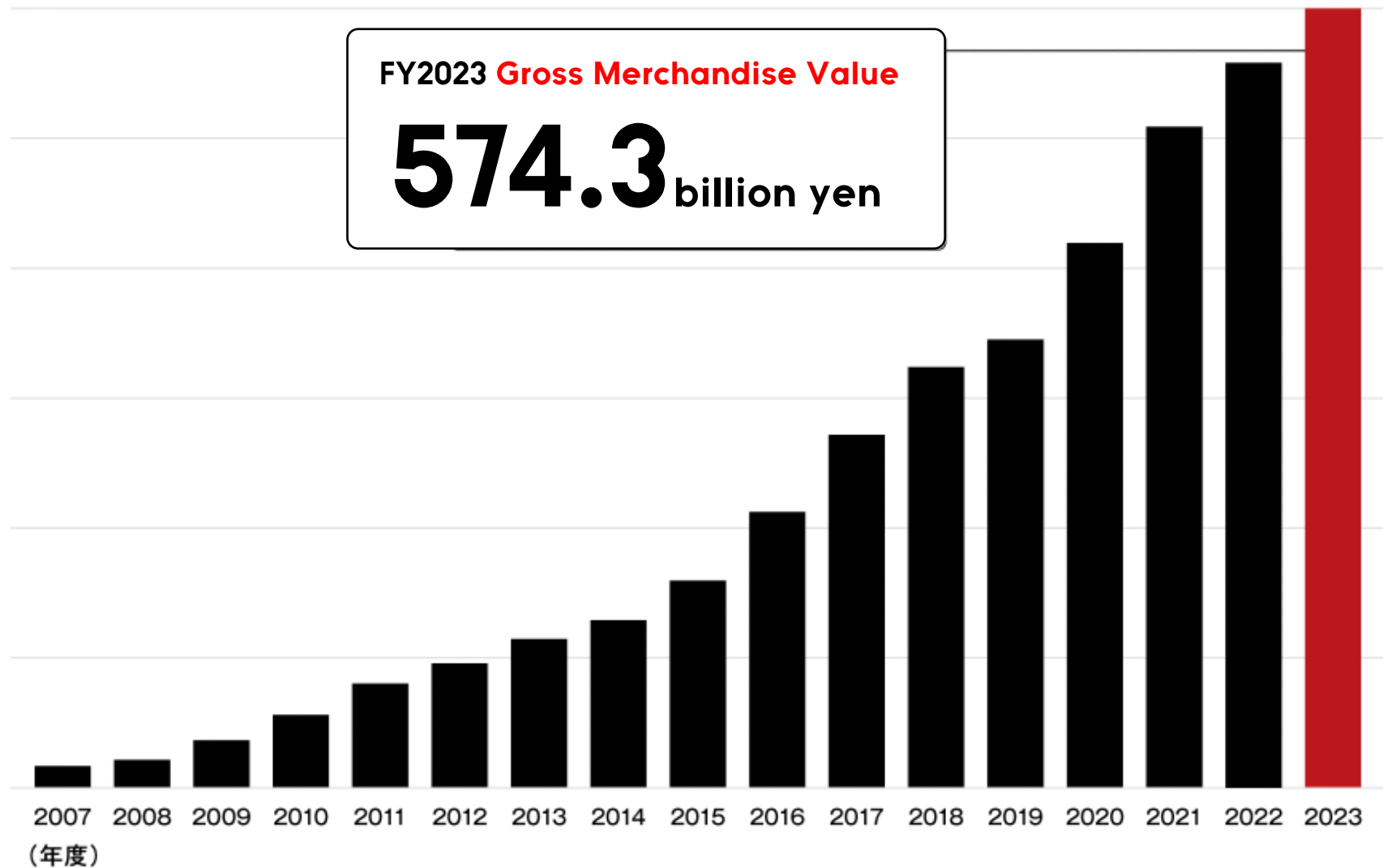


Mindset

**Imagine the unexpected.
Chart the unexplored.
Make a difference
every day.
With Love**



Becoming a Fashion Tech Company with "Imagine the unexpected. Chart the unexplored"



1998	2000	2004	2006
Established "Start Today Ltd."	Launched an online shopping website "STM online"	Launched a fashion e-commerce site "ZOZOTOWN"	Established a logistics center, "ZOZOBASE"
2007	2012	2013	2017
Listed on the Tokyo Stock Exchange Mothers.	Launched an online website (shop) for secondhand/vintage apparel "ZOZOUSED".	Launched a fashion / styling content app "WEAR".	Launched a 3D measurement bodysuit "ZOZOSUIT".
2018	2019		
Renamed Start Today Co.,Ltd to "ZOZO, Inc."	Established a logistics center "ZOZOBASE Tsukuba 1"	Launched a fulfillment support service "Fulfillment by ZOZO".	Launched a Multi-size service.
2019	2020		
The Capital and Business Alliance with LY Corporation.	Launched a 3D foot measuring tool "ZOZOMAT".	Launched a platform dedicated to footwear "ZOZOSHOES".	Established a logistics center "ZOZOBASE Narashino2"

2021

Launched a skin tone capturing device "ZOZOGLASS".

Launched a platform dedicated to the beauty and cosmetic category "ZOZOCOSME".

Launched an OMO-platform (Online-merge-Offline) that connects ZOZOTOWN and brands' physical stores "ZOZOMO".

2022

Launched a Body management service "ZOZOFIT".

2022

Launched a sales support tool for store staff "FAANS".

Launched a production support service "Made by ZOZO".

Launched an ultimate personalized-styling service "niaulab by ZOZO".

2023

Established a logistics center "ZOZOBASE TSUKUBA 3"



START TODAY CO.,LTD.

1998 / Established "Start Today Ltd."

Business started out by selling imported CDs and vinyl records, based on mail orders from a catalog.



2004 / Launched a fashion e-commerce site "ZOZOTOWN"

Launched a fashion e-commerce site "ZOZOTOWN" introducing items from 17 apparel select stores. Currently, the number of shops we handle is more than 1,500, and over 11 million people per year customers use it.



2007 / Listed on the Tokyo Stock Exchange Mothers.

At the ceremony when the company was listed, the five directors at the time wore T-shirts with the words "NO WAR" painted on each one.



2012 / Launched an online website (shop) for secondhand/vintage apparel "ZOZOUSUED".

Launched an online website (shop) for secondhand/vintage apparel "ZOZOUSUED". Currently, the number of brands we handle is more than 6,500, and offer more than 600,000 items at any given time.



2017 / Launched a 3D measurement bodysuit "ZOZOSUIT".

Launched a 3D measurement bodysuit "ZOZOSUIT" as a technology to eliminate "size anxiety" when shopping on the Internet.



2019 / The Capital and Business Alliance with LY Corporation.

Announced a capital and business alliance with LY Corporation (in November 2019, our Company became a consolidated subsidiary). Founder MAEZAWA Yusaku retires and is succeeded by SAWADA Kotaro as Representative Director, President & CEO.



2022 / Launched a Body management service "ZOZOFIT".

Launched a new body management service "ZOZOFIT" in the U.S. that utilizes the 3D measurement bodysuit "ZOZOSUIT" to support workout progress.



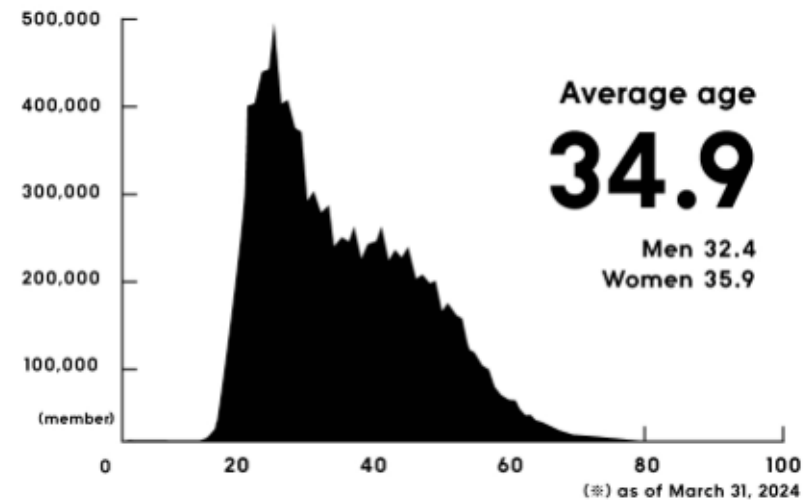
2022 / Launched an ultimate personalized-styling service "niaulab by ZOZO".

Opened ZOZO's first physical store "niaulab by ZOZO" in Omotesando. We provide an opportunity to find "your style" through the ultimate personalized-styling service "niaulab by ZOZO". The application rate for the first month is off to a strong start, at approximately 270 times.

One of the largest user base in Japan and strong appeal to young people

- More than 11 million annual purchases on ZOZOTOWN (*)
- Youth users, the core target of brands in ZOZOTOWN, are more than 50% of the total number of users (*)
- More than 1,500 stores and 9,000 brands handled (*)
- Attracting new customers through group synergy with LINE Yahoo Group

(*) as of March 31, 2024



Fashion services utilizing technologies and R&D functions

- Utilizing customer purchase history, reviews, and logistics information for marketing purposes
- Proactively engage in R&D and contributing to the revitalization of the fashion industry
- Providing body shape measurement devices "ZOZOSUIT", "ZOZOMAT" and "ZOZOGLASS"
- Providing the "Made by ZOZO" production support platform to brand companies
- Increasing in the number of intellectual property rights acquired by strengthening the intellectual property management system



Talent attracted by unique culture

- Service management by employees who love fashion
- "Nanameue Award" to Recognize ZOZO's Unique Actions (*)
- High employee engagement through work with fun

(*) Number of entries in fiscal year 2023: 89



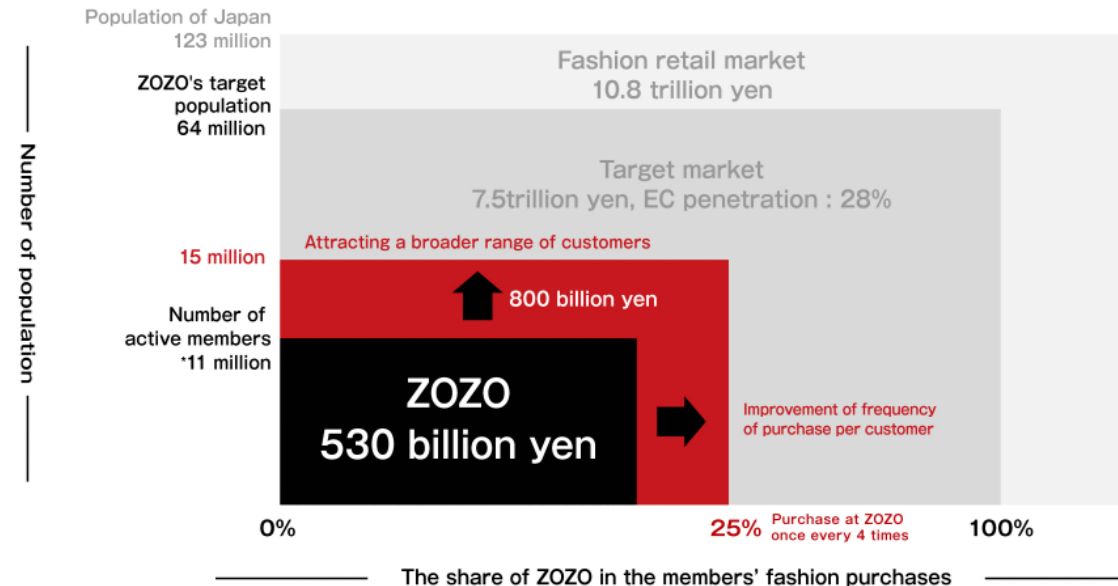
Strong ties with local communities through next-generation development

- Comprehensive partnership agreements with Chiba City and Tsukuba City, and initiatives that leverage the resources and expertise of both cities
- Contribute to the revitalisation of local communities, by 'connection' next-generation people under 20 years old
- Establish a prompt donation and support system in the event of a disaster



Current market share in the fashion retail market

The EC conversion ratio is 28% of the 7.5 trillion yen market size including offline and online for the target population, and we estimate the online market to be 2.1 trillion yen, so we believe there is still much room for expansion considering the current Gross Merchandise Value of 530 billion yen. We will continue to connect with various stakeholders to expand our share of the fashion retail market, promote made-to-order production through the Production support service "Made by ZOZO(MbZ)", and develop various technologies such as measurement to solve environmental and social issues in the fashion industry.



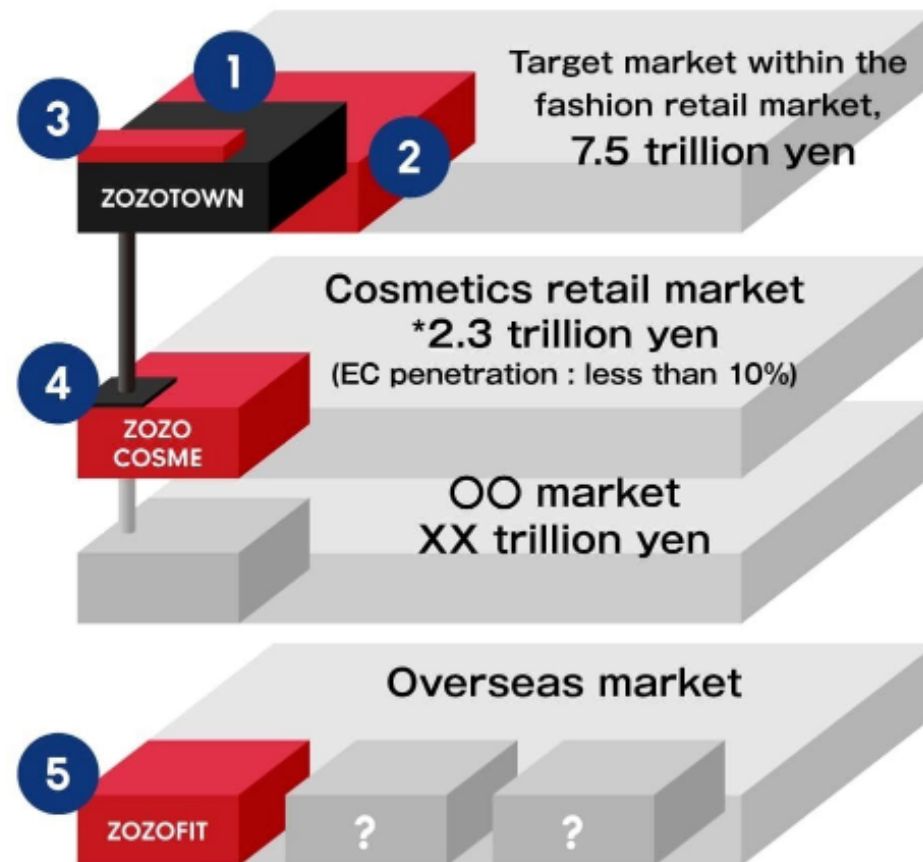
*Estimated based on Ministry of Internal Affairs and Communications household survey data, e-commerce market research report, and ZOZO's original consumer survey.

*The sum of ZOZOTOWN and ZOZOTOWN on Yahoo! JAPAN Shopping (Members registered at both sites are counted as one member)

*As of March 2024

Vision for Mid- to Long-term Growth

Based on the management strategy "More Fashion × Better Fashion Tech - Explore your style. Make you delighted. -", we aim to achieve sustainable growth by promoting five future expansion plans: "1. Attract a wider range of customers," "2. Increase in frequency of purchases per customer," "3. Production support by streamlining made-to-order through DX," "4. Expansion of non-apparel categories," and "5. Technology Monetization."



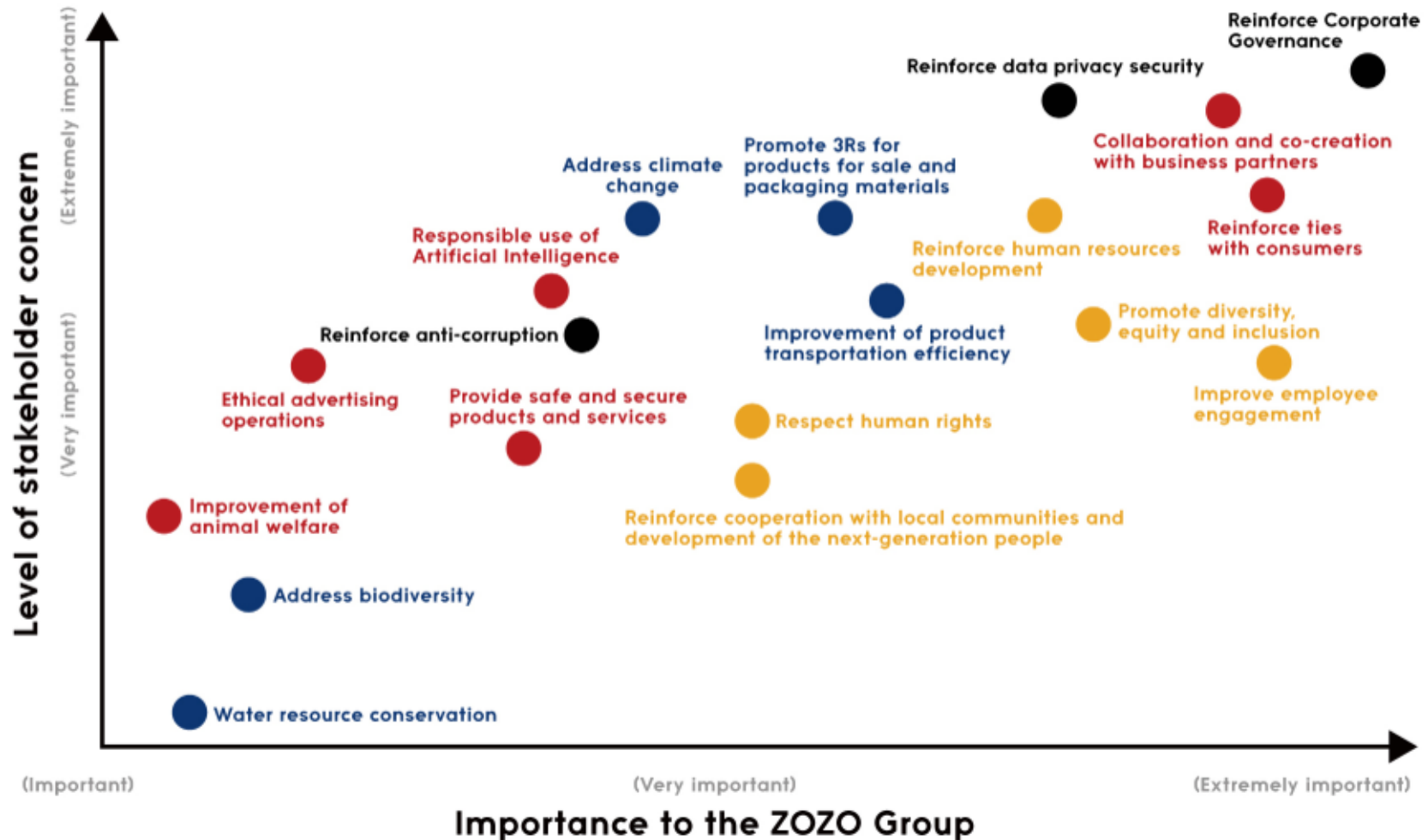
Identification of Materiality

We routinely gather expectations, requests and opinions from our important stakeholders. Expectations from our service users and clients, among other things, are gathered through questionnaires and interviews, and expectations from existing shareholders and other investors are also gathered through shareholder meetings, engagement meetings, and evaluation data to us. We also strive to understand the expectations of industry groups and NGOs through meetings and interviews. With reference to the expectations and demands of each of these stakeholders and the demands of society, such as the major ESG evaluation items, we discussed and examined them from the viewpoint of the characteristics of our group and the contribution to the growth of our group, and identified materiality items that are of high importance to both stakeholders and us.

* Materiality is discussed by SDGs Promotion Committee and approved in the Board of Directors on March 14, 2022.

Materiality Map

Sustainability Four Key Actions 1: ● 2: ● 3: ● 4: ●



Sustainability Four Key Actions

	Sustainability Four Key Actions	Description	Materiality	Targets and Indicators
1	Providing the sustainable and unexplored services created together with our business partners	We aim to solve environmental and social issues by providing safe, secure, sustainable, and exciting services through the use of technology and by collaborating and co-creating with all stakeholders, including business partners.	<ul style="list-style-type: none"> Reinforce ties with consumers Collaboration and co-creation with business partners Responsible use of Artificial Intelligence Provide safe and secure products and services Ethical advertising operations Improvement of animal welfare 	<ul style="list-style-type: none"> Display sustainability information on products for sale Realization of traceability of products for sale Expansion of made-to-order sales utilizing production support service
2	Realization of workplaces and communities where everyone can live their lives with a smile by promoting DE&I	We aim to realize a fair and just world where everyone can live with respect and smiles in their own way by promoting a work environment that values diversity and contributing to the revitalization of local communities and support for the next-generation people collaborating with stakeholders, especially in industry, government, and academia.	<ul style="list-style-type: none"> Improve employee engagement Promote diversity, equity and inclusion Reinforce human resources development Respect human rights Reinforce cooperation with local communities and development of the next-generation people 	<ul style="list-style-type: none"> Ratio of Female Directors to be 30% or more by 2030 Ratio of women in senior management positions (general managers and above) to be 30% or more by 2030 Ratio of women in management positions (section managers and above) to be 40% by 2030 Ratio of male employees taking childcare leave (overall) to be 100% by 2030 Ratio of male employees taking childcare leave (permanent employees) to be 100% by 2030 Ratio of male employees taking childcare leave (non-permanent employees) to be 100% by 2030 Gender pay gap ratio (overall) to be 60% by 2030 Gender pay gap ratio (permanent employees) to be 80% by 2030 Gender pay gap ratio (non-permanent employees) to be 106% by 2030 Maintain 2.5% employment rate of persons with disabilities. Connect with one million people in the next-generation by 2030
3	Contributing to a prosperous planet by reducing environmental impact	We aim to realize a sustainable environment of the earth by working with our stakeholders to solve natural environmental issues and reduce environmental impact.	<ul style="list-style-type: none"> Improvement of product transportation efficiency Promote 3Rs for products for sale and packaging materials Address climate change Address biodiversity Water resource conservation 	<ul style="list-style-type: none"> Reduce Scope 3 emissions in 2030 by 42% from the base year (2020) Achieve "carbon neutral" by 2030 Achieve "net zero" by 2050
4	Maintain and improve correct management and a strong management system by strengthening governance	We will maintain and improve a sound and flexible management system and aim for highly transparent, effective, and prompt management by strengthening corporate governance, risk management, privacy security, etc.	<ul style="list-style-type: none"> Reinforce Corporate Governance Reinforce data privacy security Reinforce anti-corruption 	<ul style="list-style-type: none"> Ratio of Female Directors to be 30% or more by 2030

Deepening discussion in Board of Directors to Enhance Corporate Value over the Medium to Long Term



Representative
Director & CEO
Neural Inc.

**FUMA
Kenji**

(Facilitator)

ZOZO Outside Director, Audit
and
Supervisory Committee member

**UTSUNOMIYA
Junko**

ZOZO Outside
Director

**KANSAI
Takako**

ZOZO has strengthened its governance structure by transitioning to a company with an Audit Committee in FY2023 and by bringing on board members with diverse expertise and experience. FUMA Kenji, Representative Director & CEO Neural Inc., who also serves as our Sustainability Advisor, facilitated the discussion with KANSAI Takako, Outside Director of ZOZO, and UTSUNOMIYA Junko, Outside Director, Audit and Supervisory Committee member, on the current status and challenges of ZOZO's governance and the prospects for increasing corporate value over the medium to long term. and the prospects for medium to long term value enhancement.

Moving away from I conventional Board of Directors to substantive discussions

FUMA : To ensure the company's sustainable growth and earn the trust of stakeholders, the Corporate Governance Code requires that the Board of Directors perform its functions to the



fullest. ZOZO has strengthened its governance structure in recent years. What changes have you seen in the Board of Directors?

UTSUNOMIYA : I am a lawyer by profession and have served as an Outside Audit and Supervisory Board member (part-time) of ZOZO since 2012, and was appointed as an Outside Director, Audit and Supervisory Committee member at the 25th Ordinary General Meeting of Shareholders (held in June 2023).



In the past, board meetings were more of a conventional resolution rather than an in-depth discussion of strategy. However the meetings are more open and open, with both Directors and Outside Directors freely expressing their opinions from their respective standpoints today.

As an outside director, I am in a position where I must also have the perspectives of investors and society. Since I have been involved with ZOZO for a long time, I myself am attached to the company and its staff, but that is why I

must also express my harsh opinions. As a lawyer, it is natural to avoid legal risks, but I recognize that my role is to notice points that might be overlooked in internal discussions alone and make recommendations to the company.

KANSAI : It has been a year since I assumed the position of Outside Director in June 2023, and I have realized the discussions are very active.

Based on my own experience as an engineer and manager, I try to be objective in my comments from the perspective of the quality of the service itself, why the service is being launched, and what impact it will ultimately have on users.

After the regular monthly Board of Directors, there is a "Strategy Review Meeting" where directors discuss corporate operations for about an hour. Outside directors can also propose topics for discussion, which range from governance and marketing to the SDGs.



I had always been a heavy user of "ZOZOTOWN" and had long felt ZOZO's strong commitment and culture that is embedded in the service. Since assuming the position of outside director, that feeling has become even stronger. On the other hand, if we love our existing services and organizations too much, it will be difficult to innovate and we may end up shrinking. Diverse perspectives and lively discussions are essential to bring about change, and I try to be proactive in speaking up.

FUMA : Innovation is also important for the sustainable growth of a company. I am involved with ZOZO as a sustainability advisor, and I also serve as an outside director for several companies. A decade ago, board meetings generally consisted of a casual go through of the agenda, followed by a show of hands at the end of the meeting. I feel the will to make better management decisions through a lively exchange of opinions, rather than a conventional meeting.

Diversity on the Board of Directors Makes the Organization Stronger

FUMA : The Corporate Governance Code also calls for diversity in the fulfillment of the responsibilities of the Board of Directors, and ZOZO had one female director and four female outside directors appointed at the General Meeting of Shareholders in June 2023, bringing the percentage of female directors to 45.5% (5 out of 11).

UTSUNOMIYA : I feel that the diversity of the Board of Directors has allowed for a variety of opinions to be expressed and discussions to deepen.

For example, I was aware that I was one of the few female board members, so I sometimes expressed my opinions about services as a user, even though it was outside my area of expertise, but I was not aware of the specific impact of the lack of women on the board. However, as the number of women on the Board of Directors increased, I realized that there are several people who have similar opinions, and I feel that my opinions are now being reflected not merely from my own perspective, but from women's perspective.

KANSAI : I myself was not particularly conscious of being a woman, but considering that 70% of "ZOZOTOWN" users are women, I think it is natural to have women in the places where services are developed and management policies are decided.

People who like cosmetics want to "try different products before deciding" and "compare colors" before buying. Understanding such psychology and behavior is also important in service development and marketing.

UTSUNOMIYA : I believe that the organization and governance have been strengthened not only by gender diversity, but also by the fact that we have more directors with diverse skills and expertise in e-commerce, marketing, sustainability, and other areas.

While I speak as a legal expert, I used to sometimes wonder how much I should go into matters outside my area of expertise. Now that we have directors who are experts in their respective fields, we are able to have more specific and constructive discussions.

Improvements based on evaluation of board effectiveness



FUMA : Are there any challenges in strengthening governance. Is access to internal information sufficient for participation in Board of Directors and Management Meetings?

KANSAI : At the beginning of my tenure, there was little onboarding (training for new members to the organization), so there were some things I did not understand, such as

basic knowledge and internal terminology.

Now it has improved, and in addition to onboarding, I have been invited to meetings on the executive side, I have been given a tour of the logistics center "ZO-ZOBASE", and have had many opportunities to learn more about ZOZO.

I can browse internal communication tools, including a channel on the company's SNS where employees send each other messages of gratitude for their daily work, and I feel a culture of mutual praise and a corporate culture that allows free discussion.

If there is an issue, it would be even better if there is an opportunity to share the progress of what was discussed at the Board of Directors and what the final results are.

UTSUNOMIYA : Questionnaires and hearings of Board of Directors effectiveness evaluation show that the board is making good improvements on what I have told them.

For example, I once suggested that there might be some topics that should be fixed points of discussion, such as governance structure and investor perspectives. Subsequently, such an agenda was established at a meeting of directors, allowing for more substantive discussions.

FUMA : ZOZO became a consolidated subsidiary of LY Corporation (formerly Z Holdings Corporation) in 2019, but remains listed. In parent-subsidary listings, there are concerns about conflicts of interest between major shareholders and minority shareholders.

UTSUNOMIYA : With regard to the protection of minority shareholders, ZOZO has established "Rules for Maintaining Fairness in Transactions with the Parent Company's Group" and operates in accordance with these rules.

I believe this acquisition has resulted in a synergistic effect: ZOZO began operating "ZOZOTOWN" in 2004 and has grown the business on its own. It is a so-called "A self-made" organization.

On the other hand, ZOZO became a group company of LY Corporation, and two powerful people, Mr. KAWABE Kentaro (*1), who was the representative of Z Holdings Corporation at that time and has extensive experience in management and the Internet service industry, and Mr. OZAWA Takao (*2), who has extensive experience in launching new businesses and acquiring companies, became ZOZO's directors., both of whom have extensive management and Internet service industry experience, and Mr. Takao Ozawa, who has extensive experience in new business startups and acquisitions.

(*1) June 2023: Retired as director of ZOZO, Inc.

(*2) June 2024: Retired as director of ZOZO, Inc.

Break out of the norm and innovate

FUMA : For ZOZO to grow sustainably, I believe it is becoming increasingly important to manage the company from a medium to long term perspective.

UTSUNOMIYA : We recently had a meeting to discuss the future of ZOZO, and even among the three internal directors, the future vision they envisioned was not exactly the same, although there were overlapping areas. I think it is the role of the



Board of Directors to present a vision for ZOZO's future, while incorporating the diverse knowledge of the outside directors.

KANSAI : Considering the future of ZOZO, as someone who thinks from the user's perspective, I would like to see ZOZO place importance on dialogue with its users.



While there is a facility where users can be heard directly, such as "niau-lab by ZOZO", the ultimate personalized-styling service in Omotesando, Tokyo, ZOZO's users are located not only in urban areas but also in many rural areas. Data also show that products in the affordable price range are selling well.

We feel that we need to gain a deeper understanding of the overall lifestyle of our main users, such as what they need help with in their daily lives, what kind of time schedule they live on, and what criteria they use to choose products.

With regard to the compensation system for Board of Directors, we believe that it is not only performance-linked but also incorporates ESG factors, making it easier to manage the company from a medium to long term perspective.

FUMA : Materiality identification is the process of taking a bird's-eye view of the long-term themes that are important to a company. By taking a long-term perspective, not only on immediate management issues, it becomes possible to boldly invest management resources in innovation.

KANSAI : Repeatedly improving an existing business will not lead to significant growth. Somewhere along the line, we need to step outside the box.

For example, LY Corporation invested heavily to enter the e-money business and launched "PayPay", a cashless payment service. This decision has supported the current growth of LY Corporation.

ZOZO also needs to create disruptive innovations that break with conventional wisdom.

ZOZO has many talented employees. I would like to contribute to the creation of an environment and structure that will enable them to pour their talents and passion into creating new businesses.

FUMA : So far, our discussion has focused on offensive governance, but defensive governance, such as risk management and compliance, is also important. It is important to be willing to take risks and take on challenges, but at the same time, it is necessary to identify critical risks and consider countermeasures.

UTSUNOMIYA : Risk management and compliance have been regularly discussed at the Board of Directors. Even if it is not on the agenda, if we ask a question, we receive an answer, and the status of the response is always shared with us.

The Audit and Supervisory Committee also checks every detail. With the participation of new members, we have been able to point out more issues from new perspectives, and I feel that our system has been further strengthened.

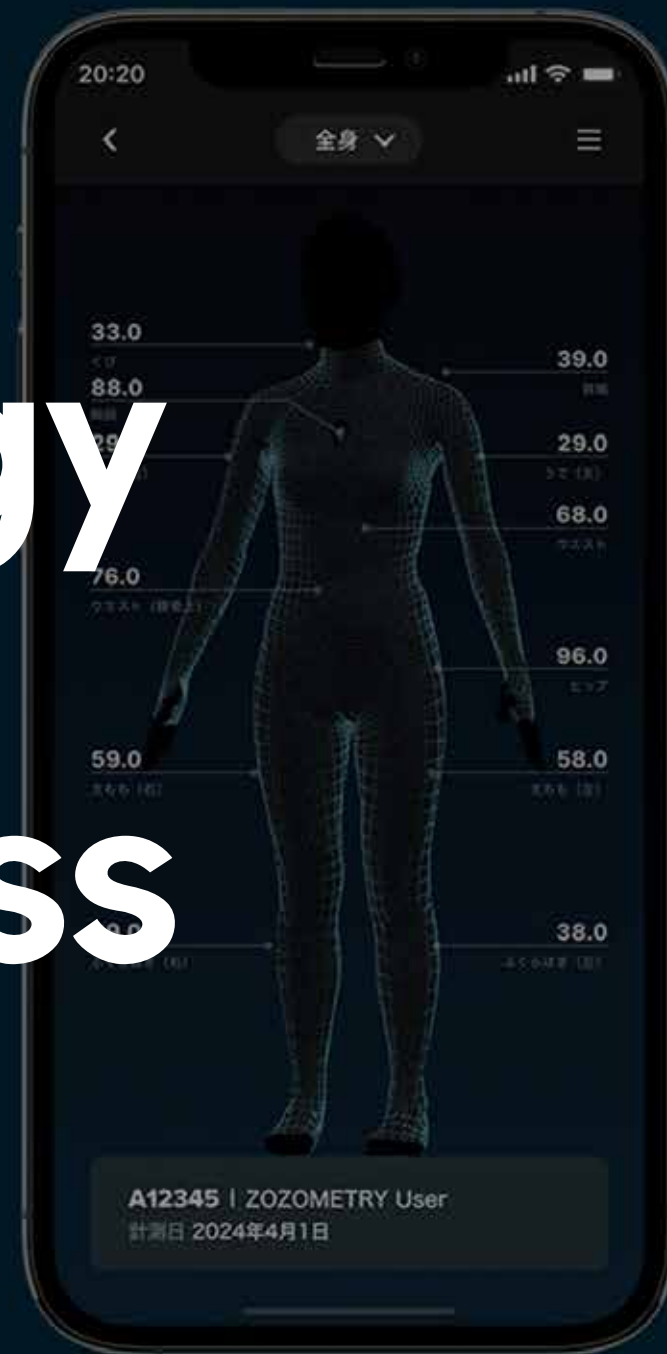
KANSAI : ZOZO has a large number of users, so we must always be aware of the fact that we are an easy target for cyber attacks. At management meetings, we also check KPIs related to system failures, and I feel that we have a high awareness of crisis management.

FUMA : Listening to you two, I got the impression that ZOZO's Board of Directors and Management Meetings are open for discussion. There is also a sense of speed with which opinions and suggestions from outside directors are taken seriously and improvements are made.



In order for ZOZO to grow further in the future, it is important to deepen discussions with a medium to long term perspective, including outside directors. Many stakeholders have high expectations for ZOZO's future. Of course, I want to see growth in existing businesses, but I also want ZOZO to show us what kind of future it intends to envision.

Strategy & Business



Strategy & Business

CFO Message

Financial Highlights

Core Services

Group Structure

Stakeholder Interviews



Review of FY2023

In fiscal 2023, gross profit and shipping income increased due to the expansion of product transaction volume in the "ZOZOTOWN" business and "LINE Yahoo Commerce (*)," sales increased due to growth in the advertising business, aggressive promotion of "LINE Yahoo Commerce," and the logistics center "ZOZOBASE TSUKUBA 3," the largest facility in terms of total floor space, number of inventory items that can be stored, and other facility capacity, went into full-scale operation in November 2023. In addition, the

active promotion of "LINE Yahoo! Commerce" and the full-scale operation of "ZOZOBASE Tsukuba 3" in November 2023, which is the logistics center with the largest floor space and the largest facility capacity in terms of inventory storage capacity, resulted in a record high merchandise transaction volume of 574.3 billion yen and operating income of 60 billion yen.

(*) "LINE Yahoo Commerce" is the sum of "Yahoo! Shopping" and "ZOZOUSSE Yahoo! Auction Store".

In this fiscal year, the average shipment unit price rose 4.3% from the previous year due to an increase in the number of items purchased per order in line with a rise in the average product unit price and the ratio of combined purchases. The Company was able to make more efficient advertising expenses due to a change in the use of real promotion expenses; the ratio of points and other expenses increased from the same period of the previous year.



Future Investment Strategy

1.Strategy: "More Fashion x Better Fashion Tech - Explore your style. Make you delighted.-

We are developing various measures based on the management strategy "More Fashion x Better Fashion Tech - Explore your style. Make you delighted". The outfit-sharing app "WEAR," which celebrated its 10th anniversary last year, was relaunched as "WEAR by ZOZO" in May of this year, and has begun to provide users with "suitability" through functions such as the use of AI to clearly indicate users' preferences, which until now could not be expressed in words. We have begun to provide "suitability" to users. The effect of this "suitability" service on ZOZOTOWN has also become apparent. Since people who experience the Ultimate personalized-styling service "niaulab by ZOZO" tend to visit ZOZOTOWN about 1.5 times more frequently and also increase their purchase amount on ZOZOTOWN by about 2 times (*), we will further clarify what "suitability" is by utilizing various data acquired, we will continue our efforts to provide more encounters with fashion that "fits" online as well.

(*) Calculated based on the behavioral analysis data of approximately 1,000 people who experienced the service between February 2023 and April 2024 during the first 30 days after their experience. Excluding new and dormant members at the time of application.

2. Category Expansion Following Apparel



ZOZOCOSME, a cosmetics specialty mall that we have been focusing on as part of our efforts to strengthen categories other than apparel, has become one of the largest cosmetics EC with a transaction volume of 11.3 billion yen, partly because popular cosmetics brands have opened new stores one after another. We will continue to aim to

expand the transaction volume by fostering the image of "ZOZOTOWN for cosmetics. We have also set the direction for our next challenge, and will be preparing for it this fiscal year.

3. Measures aimed at specific targets

In order to attract a wider range of customers, ZOZOTOWN hosted a pop-up store of a Korean fashion EC and sponsored an event featuring K-POP artists, thereby increasing awareness of ZOZOTOWN among younger customers. In addition, ZOZOTOWN actively promoted its products, including web commercials promoting children's items, to the particularly important target of

mothers among the family segment. Going forward, we intend to continue to attract new users by promoting the wide range of products offered by ZOZOTOWN, considering the younger generation and families to be important targets.

4.Investment in logistics centers

In FY2023, we will invest approximately four times as much as we have invested in new logistics centers to date, and have opened a new logistics center "ZOZOBASE TSUKUBA 3," which is 30% less manpower than existing centers due to automation. With the population expected to steadily decline in the future, we will invest approximately 5 billion yen in our existing logistics centers this fiscal year to promote further automation to increase efficiency and reduce manpower.

Improvement of capital efficiency

We believe that generating profits that exceed the cost of capital leads to an increase in corporate value, and we have set return on equity (ROE) as an important management indicator and strive for highly capital-efficient management, with the goal of maintaining at least 30%, taking into consideration the level of other companies similar to ours around the world. The ROE for FY2023 was 55.0% (60.1% in the same period of the previous year), ranking first among companies in the Nikkei 500 for the second consecutive year and far exceeding our target.



Shareholder Return Policy

The Company's basic policy regarding the return of profits to shareholders is to implement and consider the return of profits to shareholders while comprehensively taking into account such factors as business performance trends, financial conditions, and future business and investment plans, and while maintaining a balance with internal reserves. The Company also emphasizes returns to shareholders, aiming for a total return ratio, including share buybacks, of more than 80% on average over a five-year period of which the dividend payout ratio is 70%. Going forward, we will continue to do our utmost to enhance corporate value by maintaining a sound financial structure, achieving return on capital in excess of cost of capital, and implementing fundamental measures to achieve sustainable growth.

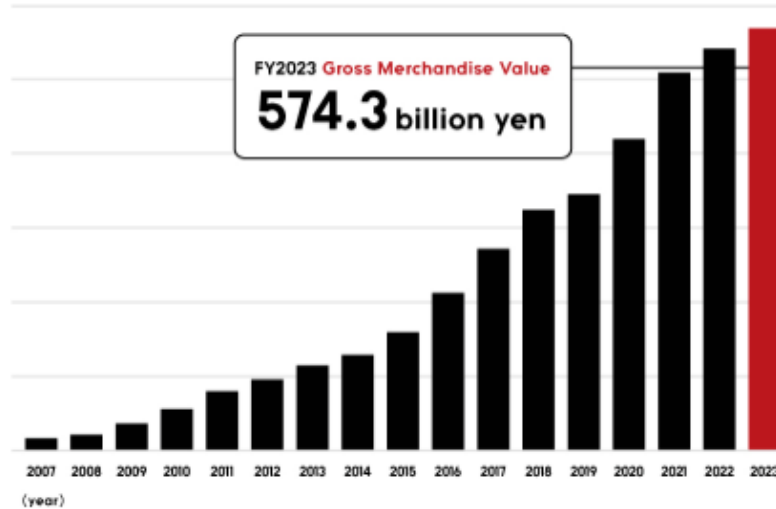
Message to Stakeholders

In recent years, in order to continue our sustainable growth, we have been actively working to strengthen our management from a long-term sustainability perspective, in addition to our current financial challenges, and we have received high recognition both in Japan and overseas. In April 2024, the company was included in the Nikkei Index, and has also been included in various ESG indices and selected as a constituent of all six ESG indices for domestic stocks used by Government Pension Investment Fund (GPIF).

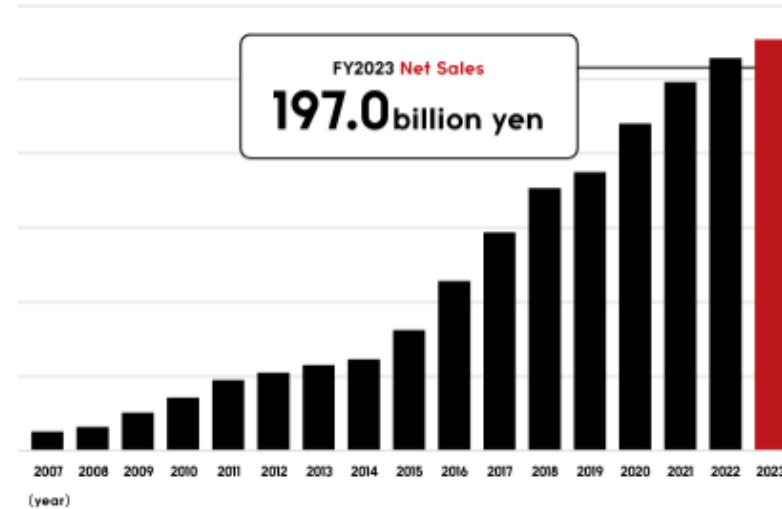
We will continue to pursue sustainable business growth and deliver valuable services to our stakeholders as a platform provider in the fashion industry, while striving to realize our corporate philosophy of "Inspire the world. Deliver joy every day" in both the short- and medium- to long-term we will continue to pursue sustainable business growth and deliver valuable services to our stakeholders as a platform for the fashion industry.

Financial Highlights

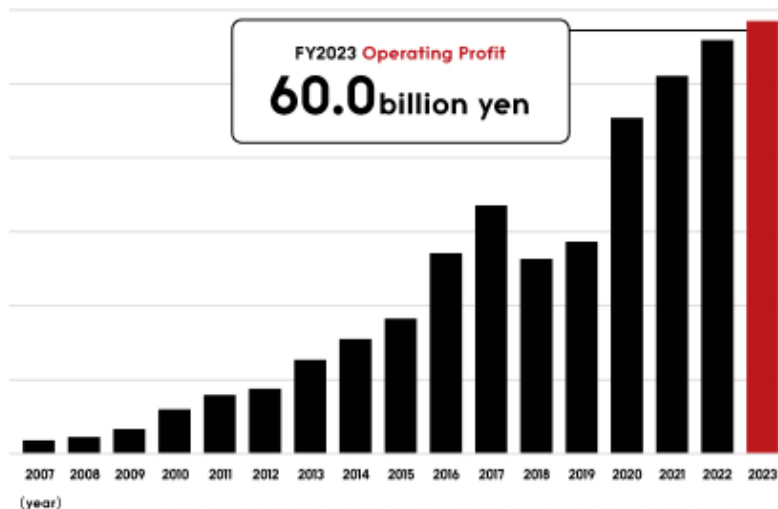
Gross Merchandise Value



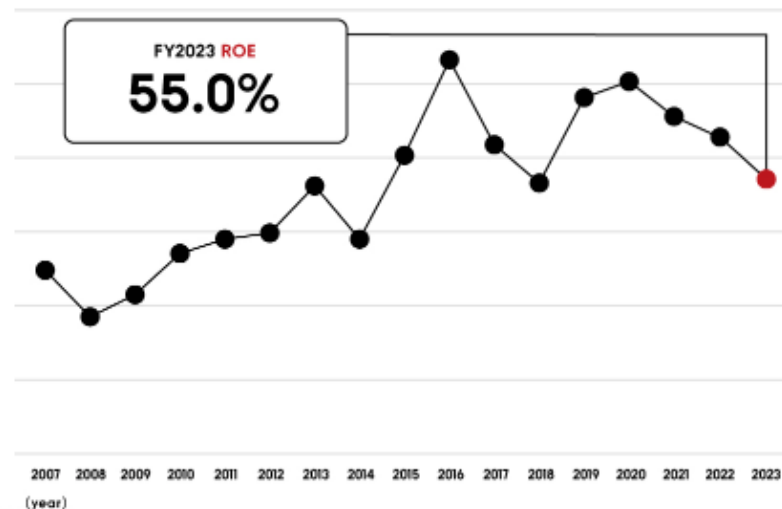
Net sales



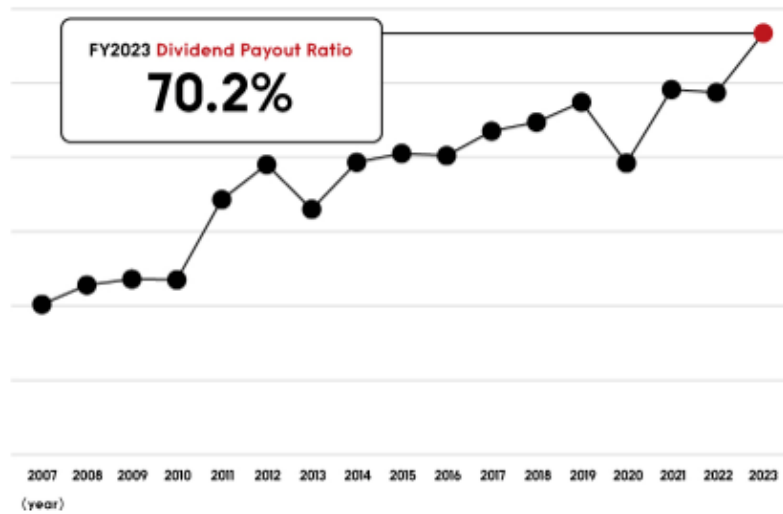
Operating Profit



ROE



Dividend Payout Ratio



ZOZOTOWN

<https://zozo.jp/> 



The largest fashion e-commerce in Japan.
Over 1,600 stores offering more than 9,100 brands.
At any given time, more than 1,020,000 items are available for purchase, in addition of more than 2,600 new items (average) per day.
(As of Dec. 31st, 2024)

Operates ZOZOCOSME, a specialized cosmetics mall, ZOZOSHOES, a shoe-specialized zone, and ZOZOVILLA, a luxury & designer zone.

Same day delivery services are available in limited areas within Japan.

Gift-wrapping services.

Deferred payment option, "Tsukebarai".

Since Dec. 15th, 2004



WEAR

<https://wear.net/> 



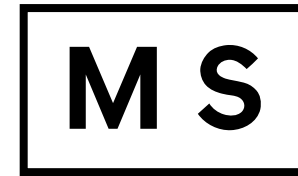
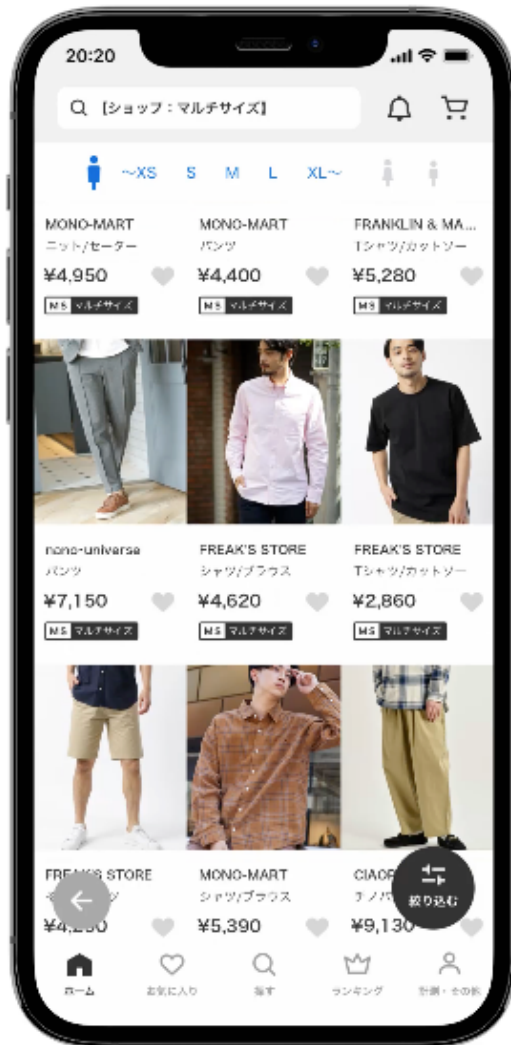
Japan's largest outfit-sharing app with over 18 million downloads.

Users are able to search for outfits that suit you and the latest trends based on AI diagnosis from more than 14 million posts by users in a wide range of genres.

In addition, know-how videos, makeup posts, and a full makeup AR function provide a wealth of fashion information, including makeup. (As of Dec. 31st, 2024)

Since Oct. 31st, 2013





<https://zozo.jp/multisize/> 

Multi-size is a new way of shopping for clothes where users select their height and weight to purchase their ideal size.

Collaborates with brands to sell items that have been expanded into multi-size since Fall/Winter 2019.

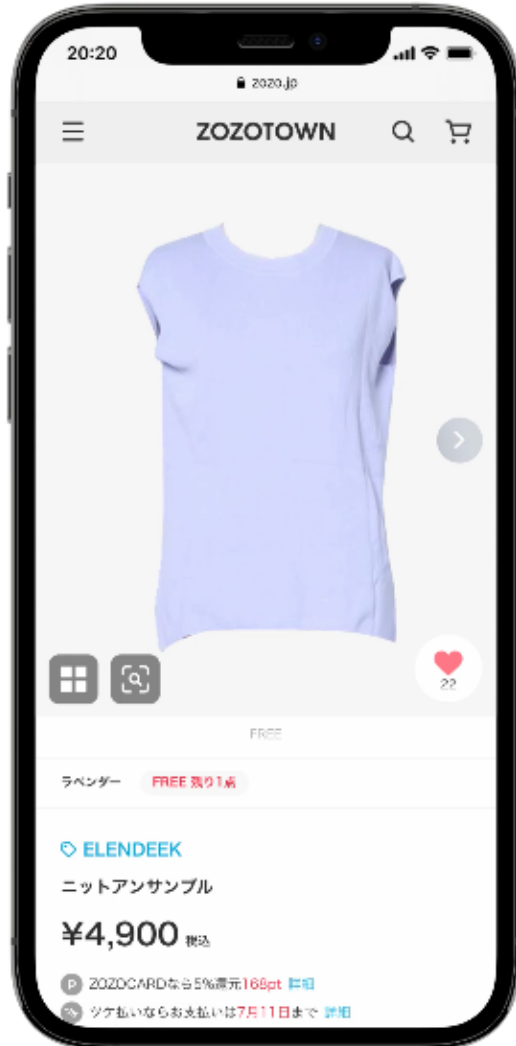
Participating brands

Audrey and John Wad, Aunt Marie's, Auntie Rosa Holiday, FREAK'S STORE, FREE'S MART, LOWRYS FARM, NANO universe, NATURAL BEAUTY BASIC, Ungrid etc.

Since : Aug. 2nd, 2019

ZOZOUSED

<https://zozo.jp/zozoused/> 



Online website (shop) for secondhand/vintage apparel "ZOZOUSED".

Offering approximately 900,000 items at any given time, from 7,500 brands (As of Dec. 31st, 2024).

Offers a wide variety of fashion items, from casual to luxury brands with reasonable prices.

Users who trade-in their secondhand/vintage apparel can receive discounts for new items they purchase on ZOZOTOWN.

"ZOZO Trade-in" function whereby you trade-in items purchased in the past and discount the trade-in amount on the spot when you shop at ZOZOTOWN.

"Any time ZOZO Trade-in" function that allows you to exchange previously purchased items on ZOZOTOWN for ZOZO points at any time.

When you send trade-in items, you can sell them if you pack the items on hand that you purchased outside of ZOZOTOWN.

More than 9,500 fashion brands can be purchased by ZOZOUSED (As of Dec. 31st, 2024).

Shipping charges and handling charges are free.

Since Nov. 12th, 2012



**Fulfillment
by ZOZO**

<https://fbz.zozo.com/> 

A fulfillment support service for e-commerce sites operated by partner companies with stores in ZOZOTOWN.

ZOZOTOWN's logistics center "ZOZOBASE" takes on various fulfillment operations such as photography, measuring, packaging and delivery for the companies' internal e-commerce operation. Partner companies can operate their internal e-commerce sites without bearing capital investment, labor costs, inventory storage fees, etc.

Offers inventory coordination among each channel of sales (internal e-commerce, store, ZOZOTOWN), minimizing the loss of sales opportunities due to product shortages.

Since May 20th, 2019



ZOZOSUIT

<https://corp.zozo.com/measurement-technology/> 

3D measurement bodysuit "ZOZOSUIT" enables 3D modeling of a precise body by taking a 360-degree picture of dot-marks printed on the entire suit with a smartphone camera.

Introduced in Oct.2020

*former ZOZOSUIT--Introduced in 2017,currently the service has ended.



ZOZOMAT

<https://zozo.jp/zozomat/> 

3D foot measuring tool "ZOZOMAT" is a printed mat that allows customers to easily measure 3D of feet while you are at home by taking a 360-degree photograph of the dot markers on the entire mat with a smartphone camera. By taking photographs of feet one by one on a mat with a smartphone, it is possible to measure multiple points, such as leg length, leg breadth, and foot surroundings.



ZOZOGLASS

<https://zozo.jp/zozoglass/> 



ZOZOGLASS is a skin tone capturing device that will solve customers' challenge of cosmetic product color selection when shopping online. When scanning with ZOZOGLASS and the ZOZOTOWN app, one's smartphone camera detects the fiducial markers for locating customers' face and facial features. Color swatches printed on ZOZOGLASS' front frame allow the proprietary algorithm to color correct and accurately detect customers' skin tone in any lighting condition.



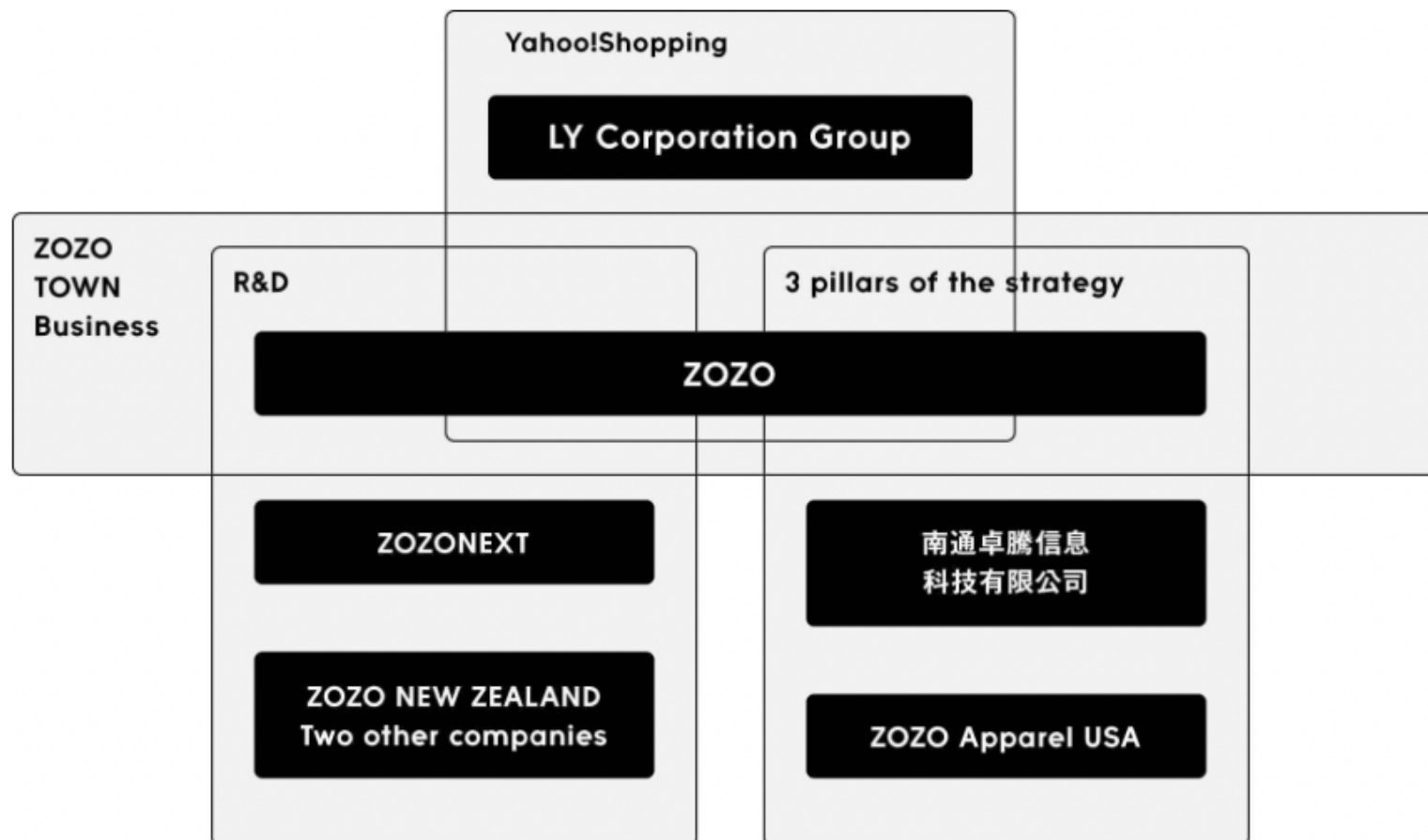
<https://zozofit.com/> 

Body management service “ZOZOFIT” enables easy, highly accurate 3D body scans to be captured at gyms and homes, as well as the tracking and comparing of measurement data over time. This is the first non-apparel offering utilizing the ZOZOSUIT technology, and is available in the U.S.

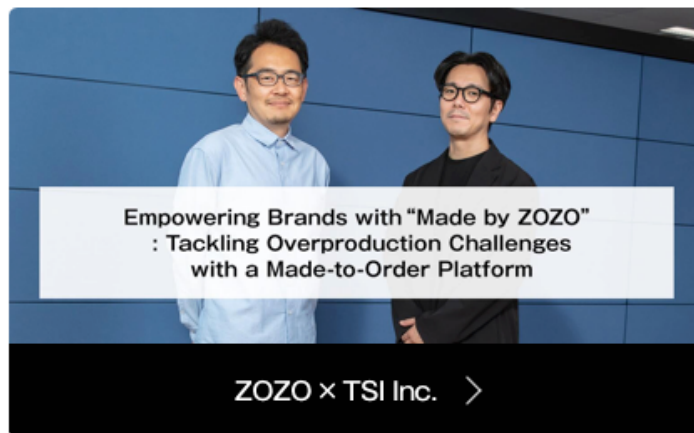
Since Aug 24th, 2022

Group Structure

ZOZO Group is building a management system that can promote existing businesses at ZOZO, create group synergies with the parent company LY Corporation Group (formerly Z Holdings Group), and promptly promote R&D and new businesses with Group companies. We will continue to build an optimal group structure to promote management strategies and realize sustainable company growth.



Stakeholder Interviews

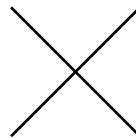


“Love” and “Stories” are needed in management
Dialogue with Mr. Shu Yamaguchi on corporate
sustainability management



Representative Director,
President & CEO
ZOZO

SAWADA Kotaro



Representative
Leibniz Corporation

YAMAGUCHI Shu

With “Fashion Connects and Leads us to a Sustainable Future.” as its sustainability statement, ZOZO aims to create a world where people can continue to enjoy fashion forever.

In addition to the unique culture inherited from the company's founding, ZOZO is working to build a sustainable future using fashion and technology as resources.

However, compared with other leading countries in the world, it cannot be said that companies in Japan are making sufficient contributions to sustainability. In this day and age when the importance of sustainability management is being called for, what stance should companies take on social issues?

Through a dialogue between SAWADA Kotaro, Representative Director, President & CEO, and YAMAGUCHI Shu, independent researcher, author, and Representative of Leibniz Corporation, this report discusses how companies should survive in changing circumstances.

Sustainability is not about “What” but “Why”

— Around the world, the movement toward sustainable society is accelerating. What kind of initiatives are leading companies taking?

Yamaguchi : While not all companies are in this category, there are many companies that are committed to contributing to sustainability, not only from an ethical standpoint, but also for the purpose of securing their own profits.



For example, ING Group, a global financial group headquartered in Amsterdam, the Netherlands, has a mostly glass ceiling in its headquarters. The building is designed to be brightly lit by daylight, as the employees work in the daylight hours, so there is no need to use electricity.

You may wonder why on earth banks are so committed to sustainability. The answer, however, is simple: they own very large tracts of land and are in the

business of using land as collateral.

A quarter of the Netherlands' land area is below 0 m above sea level, and if climate change becomes serious, the land will be submerged. In other words, the most important management issue for them is “not to raise the sea level any further.”

I think that the fact that they are able to successfully connect their own profit generation and contribution to sustainability is something that many Japanese companies should learn from.

ZOZO has a sustainability statement as “Fashion Connects and Leads us to a Sustainable Future.” What specific activities does ZOZO engage in?

Sawada : We have set and are implementing four key actions: “Highlight sustainable fashion choices to improve users’ experience,” “Create a made-to-order platform for zero waste,” “Promote diversity and inclusion among everyone involved in fashion,” and “Contribute to sustainable community development.”

We have defined our actions after much discussion and debate, and in doing so,

we have also taken into consideration the profits of our own company. It is possible to prioritize immediate profits and manage in a sales-oriented manner. However, this would be an abandoned responsibility, and in the long term, it would be strangling us.

We have developed these four key actions as a means of contributing to a sustainable society while providing a return to shareholders and investors and also securing future profits.

In our sustainability statement, “Fashion Connects and Leads us to a Sustainable Future.,” the word we focused on the most was “connect.” This word conveys our desire to connect the profits of our shareholders and investors, the profits of our company, and the realization of a sustainable society, together with our various stakeholders.

Yamaguchi : As the saying goes, “When the tortoise falls, we all fall,” and if the earth is ruined, businesses can no longer survive. Companies must naturally address sustainability in order to survive for 50 or even 100 years. Institutional investors are no longer willing to invest in such companies, and statistics show that companies with a high percentage of diversity have a higher corporate value.



Sawada : Even so, in Japan, there is still a lot of demand for short-term results; even when we talk about 10 years from now, people ask, “So, what are you going to do this fiscal year?” And so on. As a CEO, I realize the importance of talking about the connection between business and sustainability.

Yamaguchi : Overseas investors say, “I can appreciate the efforts of Japanese companies, but all they do is explain the ‘what’ and not the ‘why’.” This means that Japanese companies are engaged in activities that contribute to sustainability, but they are unable to explain why they are focusing on these activities. In this respect, ZOZO's four key actions are highly relevant to its business, and each of them has a story. I feel that this is a very rare type of initiative among Japanese companies.

Management and contribution to sustainability are not separate

— There are 17 targets in the SDGs. It would be difficult to contribute to all of them, but what kind of commitment is required to companies?

Yamaguchi : Between making a half-hearted effort by saying, “We are doing this because it is ethical,” and committing to a specific issue because it will benefit our company, the latter should probably have more of an impact. In that sense, I think there is great significance in making a commitment, even on a specific issue.

By the way, which of the four key actions is ZOZO focusing on the most?

Sawada : We recognize that all of these actions are important, but our top priority in our strategy is “Create a made-to-order platform for zero waste.” The apparel industry has a problem of mass production and mass disposal of products, but with made-to-order products, it is possible to reduce unsold waste to zero.

In addition, ZOZO has the technology to produce products tailored to individual

body shapes, so that customers can obtain products in their optimal size even via EC sites. Although it takes about 10 days to deliver the products because they are made to order, we believe that this is a system that is not detrimental to anyone, and we would like to complete as soon as possible.



Yamaguchi : If they knew that products that fit their body shape could be made using a process that is less harmful to the environment, many consumers would be willing to buy them even if it takes a little longer.

Sawada : We have high expectations for the future, because as the build-to-order initiatives accelerate, we should be able to realize “sustainability management in the true sense of the word,” in which management and contributions to sustainability are integrated.

Organizations that have a meaning to their work become stronger

— In this era in which management is required to take a sustainability perspective, which abilities do you think are required of the people who will drive corporate growth?

Yamaguchi : To begin with, there are two types of abilities: “possessive ability” and “demonstrative ability.” Generally speaking, people with high “possessive ability” tend to be considered excellent, but it is meaningless if they cannot demonstrate their abilities.

I believe that the key to how we can increase our “demonstrative ability” is whether we have a love for our work and whether we feel meaning in our work. This is because the ability to demonstrate increases many times over depending on whether one feels meaning in one's work and is assigned to achieve appropriate growth.

In other words, an excellent organization is, simply put, a highly engaged organization. I believe that there is fundamental joy in fashion, and if there are many staff members who believe in this, then ZOZO will continue to grow.

Sawada : ZOZO has many staff members who love fashion, but the truth is



that some of them are not that interested in what they wear. However, their engagement in their work doesn't change that much depending on whether or not they are highly interested in fashion.

This is because ZOZO staff members share and agree with our company's goals and “the ZOZO Way.” This is why they are able to take on new challenges one after another with

enthusiasm and without fear. In the words of Mr. Yamaguchi, there are many staff members who have a high “demonstrative ability.”

Yamaguchi : So they feel their work is meaningful, as well as the organization is diverse.

Organizational diversity is an extremely important element in sustainable management, but there is a common misconception. Simply gathering people with diverse backgrounds only makes a disjointed organization.

In the case of ZOZO, I think the “the ZOZO Way” you mentioned probably plays a role in the “strong centripetal force” function. Please tell me more about it.



Sawada : We define “the ZOZO Way” in three words: “Imagine the unexpected. Chart the unexplored.” “Make a difference everyday” and “With Love.” We define a 'ZOZO person' as someone who has surprising ideas, who moves forward every day even if clumsily, and who has love for all

stakeholders, including colleagues, as well as for the services they provide and the products they sell.

Yamaguchi : I feel that the word “love” captures the key to management. This is because in this day and age when it is difficult to differentiate products and services, I feel that love is much more important than market research.

This is just an analogy, but when approaching the person you are interested in,

if you prepare only what the person likes, it will not be interesting, and you may not be able to get along well with the person.

Of course, it is fine to have such an opportunity, but it is smarter to ask the other person, “I know a nice restaurant, would you like to go there with me?” That would be smarter and, in my opinion, enrich the person's world.

Conducting market research and offering only what the customer “wants” is like giving a questionnaire to the person you are interested in and then deciding on a date plan. They say “customer thinking,” but they are not thinking at all. Looking around the world, I see that companies without love are still weak.

Sawada : Sustainability efforts are also something we can get serious about because of love. It is also for the survival of the company, but if you think about leaving a sustainable society to your children and grandchildren, we will not choose not to take action.

Sustainability is “doing what you can.”


— In the fashion industry, which is facing many issues, what are your expectations for ZOZO?

Yamaguchi : When it comes to the fashion industry, I am sure that many Japanese people are unaware of how much clothing is being discarded. So they try to get the products they want as cheaply and as quickly as possible. But in the end, if this situation continues, both the market and the global environment would be ruined.



To change this current situation, companies must sometimes lead consumers. Depending on what companies say, the global environment will move in either a positive or negative direction. I hope that companies like ZOZO, which has a lot of power in the industry, will continue to give appropriate messages to the market.

Sawada : Thank you very much. Last year, we launched a page on

ZOZOTOWN called “[elove by ZOZO](#)”  to introduce sustainable initiatives and products of brands and sustainability trends in the world. It is a steady activity, but we would be happy if it helps to push our customers' backs.

Yamaguchi : I think “starting from the steady things” is fine. The basic principle of sustainability is to “start with what you can do” If we set an unreasonable goal and cannot continue, it would be a total failure.

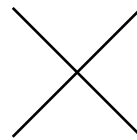
Nevertheless, the impact of the message from “ZOZOTOWN” which has more than 11 million users, is immeasurable. I sincerely hope and support that ZOZO will lead the way in sustainability management in Japan.

Empowering Brands with “Made by ZOZO”: Tackling Overproduction Challenges with a Made-to-Order Platform



General Manager
Production Platform Development Division
ZOZO

SUZUKI Daisuke



General Manager
Nano Universe Department
TSI Inc.

OTSUKA Yuki

With “Fashion Connects and Leads us to a Sustainable Future.”as its sustainability statement, ZOZO aims to create a world where people can continue to enjoy fashion forever. One of our key actions is “Create a made-to-order platform for zero waste.”

The fashion industry faces numerous sustainability challenges, recognized as the “world's second-largest environmental polluting industry” by the United Nations Conference on Trade and Development. Excessive production and waste are particularly concerning, as achieving a sustainable society would be impossible without addressing these issues.

Against this backdrop, ZOZO launched the production support service “Made by ZOZO” in 2022, aiming for zero inventory risk for fashion brands. Through made-to-order production, we hope to reduce inventory risks and address environmental issues.

In the midst of the expansion of on-demand production methods, how much can it contribute to addressing the challenges faced by the fashion industry?

Through a discussion with SUZUKI Daisuke, General Manager of the Production Platform Development Division of ZOZO, and OTSUKA Yuki, General Manager, Nano Universe Department, at TSI Inc., we will delve into the challenges faced by the fashion industry and potential solutions.

The Fashion Industry: “World’s second-largest environmental polluting industry”

According to the United Nations Conference on Trade and Development, the fashion industry has been identified as the “world’s second-largest environmental polluting industry.

” What are the issues related to this situation?

Otsuka : I believe the root issue is the “overproduction” of clothing.

In Japan, about 3.7 billion pieces of clothing(*1)are supplied domestically every year. However, 1.1 billion pieces, equivalent to approximately 30%(*2), remain unsold. We are producing more clothes than necessary. The main reason for producing such vast quantities is the order quantity.

To offer products at prices attractive to customers, it's challenging to place orders in small lots from a cost perspective, necessitating ordering more than required.

That said, it's a brand's problem. As someone running a brand, it feels extremely distressing.


Suzuki : If we could only produce the necessary amount of clothing, the current environmental impact would not be so severe. However, optimizing inventory isn't something brands can achieve solely through their efforts. A significant reform is needed.



Otsuka : Until early this year, I had been away from the fashion industry for two years. Viewing the industry from the outside made me realize that the challenges are far more severe than most insiders believe.

Many people are aware of the overproduction issue, but not many truly understand its depth. I believe the first step to solving this is for everyone in the fashion industry to recognize just how serious it is.

(*1) [“Overview of the Japanese Apparel Market and Imported Goods 2023” - Japan Textile Importers Association](#) 

(*2)  [Calculated from Reference 2: Fashion and Environment, Survey Report for Fiscal Year 2022, with a focus on Clothing Collection and Reuse \(Ministry of the Environment\), Page 4.](#)

Addressing the Fashion Industry's Challenges with "Made by ZOZO"

— In September 2022, ZOZO launched the Production support service "Made by ZOZO," aiming for zero inventory risk for fashion brands. Was one of the driving factors behind this initiative to curb overproduction?

Suzuki : The approach of producing one piece at a time after receiving an order was initially developed for running our private brand. While the private brand has since ended, we utilized the multi-size production expertise we had gained to support fashion brands in addressing industry challenges with "Made by ZOZO."



Otsuka : When I first heard about "Made by ZOZO," I was genuinely amazed. Typically, due to the need to hold inventory, there's a need to limit color and size options. However, with "Made by ZOZO," since there's no need to keep stock, it's possible to offer a broad

range of colors and sizes without any inventory risk.

Additionally, by using “Made by ZOZO,” brands can plan new products without worrying about inventory risk and discover customer needs they might not have been aware of before. This can lead to new sales opportunities, prevent lost sales due to stockouts, and address environmental issues simultaneously. I haven't seen such a groundbreaking service before.

Suzuki : Thank you very much. There are still many things we can do and want to do, so we look forward to further growing “Made by ZOZO” together with our partner brands.

Otsuka : I believe it's the brands' role to bring about breakthroughs. The issues of mass production and waste have been known for a long time to those working in the fashion industry. But due to the structure of the value chain and technological aspects, many turned a blind eye.

I was deeply inspired by what ZOZO is taking on as a platformer. In response, we brands must recognize the profound significance of producing products on-demand for the future of the industry. By voicing our desires and questions like “Can we do this?” and “We'd love to do that,” and building upon successful examples, we believe it's imperative to enhance and elevate the service.

Transitioning to an Era Defined by Purpose, Not Superficial Value

— In promoting the resolution of challenges in the fashion industry through “Made by ZOZO,” what do you believe is required?

Suzuki : I believe that if there are visible benefits and success stories from brands, many more brands would be inclined to participate. If there's talk like “There seem to be impressive results from made-to-order production,” more brands would likely show interest. This focus on made-to-order systems should certainly drive momentum in addressing the fashion industry's challenges.



Otsuka : The products released by “NANO universe” through “Made by ZOZO” have been selling well, and we feel very positive about it. Without the risk of inventory, the obstacles to taking on challenges are reduced. This not only

enables us to create “unique products” that embody our brand's essence and not follow the trends.

Suzuki : Exactly. If brands can create products that truly represent their identity through “Made by ZOZO,” the number of brands engaging with us would naturally increase. This trend not only addresses the challenges in the fashion industry but also provides an opportunity to further elevate the industry.



Otsuka : Moving forward, I believe that the “purpose” of a brand will be increasingly important in defining its value in this new era.

Previously, a brand's world could be conveyed through its physical stores and staff. However, due to the impact of COVID-19, there's been a significant increase in online shopping, making it harder for

brands to differentiate themselves from others.

In such a future, brands that cannot answer the question “Why does your brand exist?” or articulate their “purpose” —the very reason for their existence—will inevitably be phased out.

Considering this, “Made by ZOZO”, which reduces inventory risks and enables more nimble initiatives, isn't just about solving the fashion industry's challenges. It's also a service that helps brands express their unique worldview, ensuring they remain relevant and distinct.

Suzuki : “Made by ZOZO” aims to be a service creating clothes tailored for 100 million individual people, not just a mechanism producing 100 million pieces of clothing. Just like “NANO universe,” we're committed to collaborating with brands that embody a clear purpose, refining our services to consistently cater to our customers' needs.

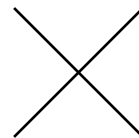
Otsuka : For “NANO universe”, everyone at ZOZO, including Mr. Suzuki, are teammates. It's an industry filled with challenges, but the beauty of fashion is its power to bring joy to people. Let's continue to work together and redefine the standards.

**Institutions, culture, supervisors, and myself.
Pulling in the realization of women's active
participation through DE&I initiatives of the company**



**Representative Director
and President POLA Inc.**

OIKAWA Miki



**Executive Officer
HR Division, Corporate Identity
Division
ZOZO**


SHIMIZU Toshiaki

With “Fashion Connects and Leads us to a Sustainable Future.” as its sustainability statement, ZOZO aims to create a world where people can continue to enjoy fashion forever. One of our key actions is: “Promote diversity and inclusion among everyone involved in fashion.”

Given Japan's low ranking in the Gender Gap Index among advanced countries(*1), it is evident that supporting women's active participation is crucial when advancing DE&I.

What is the responsibility of companies to change the current situation where there is structural discrimination based on gender?

Through a dialogue between SHIMIZU Toshiaki, Executive Officer of ZOZO, and OIKAWA Miki, Representative Director and President of POLA Inc., who vigorously promotes women's empowerment both internally and externally, we will delve into the creation of a society where everyone can unleash their full potential.

 (*1) World Economic Forum in 2023 [Global Gender Gap Report 2023] p.11.TABLE1.1, The Global Gender Gap Index 2023 rankings

country in women's empowerment"?

— In Japan, there has been a growing movement to promote “women's empowerment,” but how do you perceive the current situation?

Oikawa : The situation has improved compared to the past, but I still think there's a long way to go. In fact, according to the “Gender Gap Index” released by the World Economic Forum in 2023, Japan ranked 125th out of 146 countries overall.

Shimizu : When I was in high school, I had a homestay experience in Canada. At that time in Japan, it wasn't common for men to actively participate in household chores and childcare. However, in the host family, it was a normal practice for both spouses to share household duties.

In advanced countries, the idea of dividing roles based on gender had already become outdated.



It's been quite a long time since then, but structural discrimination based on gender still exists in Japan. While it's desirable to see efforts being made to eliminate discrimination, I can't say that the pace is sufficient.

— Compared to advanced countries, why is Japan's Gender Gap Index higher? What are the reasons behind it?

Oikawa : There are various factors at play, but ultimately, I believe the main challenge lies in the lack of a societal foundation where women can recognize their own abilities and fully utilize them in the workforce.

In Japan, there has been a long-standing notion that “men work and women take care of the home.” While the situation is gradually changing, the support for women's active participation in society is still insufficient. As a result, we find ourselves unable to break free from ingrained values and beliefs

.

Even within our company, we encountered situations where “unconscious biases” almost deprived women of opportunities to excel. When deciding on the members for an overseas business trip, we had not approached certain employees, assuming it would be difficult for them as they had just returned from maternity leave.

Upon realizing this, I conveyed that it should be up to the individuals to decide

if they wanted to participate and reached out to them. To our surprise, they immediately responded with a resounding “Yes, I want to participate.” While unintentional and perhaps well-intentioned, such instances still deprive women of opportunities.



Shimizu : If such situations persist, I believe it can lead women to relinquish opportunities to shine on their own. In fact, even within our company, there are cases where women hesitate to express themselves openly, thinking, “I shouldn't step forward more than men,” and end up unnecessarily self-restraining. However, by doing so, we are limiting our own potential, aren't we?

Promoting Women's Active Participation: Not Just an Effort, but a Responsibility

— In Japan, there has been a growing movement to promote “women's empowerment,” but how do you perceive the current situation?

Oikawa : It goes without saying that we need to keep demanding the promotion of women's participation from the government, but I also believe that companies should proactively initiate change on their own.

Creating systems for maternity and childcare leave, establishing flexible and remote work environments, fostering a culture where individuality can be expressed regardless of gender—these are steps that can be taken immediately if we decide to do so.

Shimizu : You're absolutely right. Promoting women's active participation is indeed the responsibility of companies. At ZOZO, we have already started taking significant actions with the goal of achieving a 30% ratio of women in senior management positions by 2030. We are organizing training sessions, particularly for managers, to consider what hurdles hinder women's progress and what systems and environments are needed.

Oikawa : Conducting such training is crucial to eliminate the “unconscious” biases and considerations from our minds. Providing opportunities for skill development is also essential.

However, Japanese women are burdened with busy schedules. The unpaid labor time of women in Japan is 5.5 times that of men(*2). Women who are working and raising children can't even find the time to invest in themselves.

If corporate leaders understand this reality, they can create opportunities for skill development within working hours. While providing such opportunities, we should also share the actions we implement as case studies with society, so that more companies can sincerely engage in this effort by changing the environment.



(*2) Gender Equality Bureau Cabinet Office Fiscal Year 2020, column 1 “Balancing paid work, unpaid work and leisure(2020)”

Empowering Society to Unleash the Potential of Everyone

— **“POLA” has been proactively promoting women’s participation from an early stage. Looking back, were there any effective initiatives or systems?**

Oikawa : Although not a system, “POLA” has 14 voluntary working groups (as of 2023). For instance, there is a project called “Support for Maternity and Childcare,” where employees with parenting experience provide guidance to colleagues who are considering or on parental leave. They discuss how to apply for allowances and use the system during childcare leave, and how to balance life and work after returning from leave, irrespective of gender.

When promoting women's participation, top-down decision-making is essential. However, it's not enough; it only works when combined with bottom-up reforms.

We should listen to proposals, approve them, and then work together to realize them throughout the company. By establishing such a cycle, not only women but everyone can work in an organization that respects their uniqueness and is easy to work in.

— **It seems that not only improving systems but also fostering a culture is necessary to achieve DE&I.**



Oikawa : Indeed, the atmosphere is crucial. For example, when an employee returns from parental leave, there might be a temporary dip in job performance due to the break. However, if we create an atmosphere that doesn't view this as a negative but instead encourages new challenges in the changed circumstances, they will surely demonstrate their full potential.

Shimizu : Everyone has their own unique qualities, and this can change depending on their life stage. Respecting and encouraging these qualities is the very strength of a company.

To achieve that, we need to repeatedly convey the message, “It's okay to rely on others.” One day, we will also find ourselves in a position to offer help, so when the time comes and support is needed, we should boldly seek it. By

doing so, the members we rely on will also be given opportunities to grow. In reality, there are not many instances where someone is at a disadvantage.

Rather than overthinking the difficult parts, creating a sense of normalcy where “it's natural to rely on others when in need” might be the first step.

Oikawa : At this point, we must turn the minority into the majority. It should be commonplace for people to rely on others when they need help, for women to hold managerial positions, and for men to take parental leave. By creating examples and disseminating them, we can fulfill the responsibility of companies.

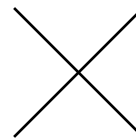
Shimizu : Listening to your insights, I realize that there is still much to be done. By correctly understanding the hurdles to women's active participation, creating systems and culture, and sharing our concerns and knowledge, let's continue building a society where everyone can unleash their potential.

Challenging Carbon Neutrality in EC Business with Precise Calculations and Bold Ideas



Executive Officer
Fulfillment Div., EC Management Div.,
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ZOZO

TASHIRO Masahiro



Executive Officer
National EC Account Management
Department
Yamato Transport Co., Ltd.

OTOMO Takeharu

With “Fashion Connects and Leads us to a Sustainable Future.” as its sustainability statement, ZOZO aims to create a world where people can continue to enjoy fashion forever. One of our key actions is: “Contribute to sustainable community development.”

Achieving a sustainable society requires global action towards carbon neutrality. The Japanese government has declared its commitment to achieve this goal by 2050, and many companies are now taking initiatives towards this end.

Amid the global call for cooperation in achieving carbon neutrality, what actions should we take?

Through a dialogue between TASHIRO Masahiro, Executive Officer of ZOZO, and OTOMO Takeharu, Executive Officer, National EC Account Management Department of Yamato Transport Co., Ltd. (at the time of the interview,) we will explore the future of carbon neutrality centered around logistics.

An Idealistic Partnership Since Founding

— According to a survey by the Ministry of Economy, Trade and Industry^(*), the domestic EC market is growing, due to the impact of the COVID-19 pandemic. This growth has raised concerns about increasing CO2 emissions from transportation. How do you view this?

Otomo : To achieve carbon neutrality, our company has been implementing various initiatives. While the reduction of CO2 emissions through minimizing re-deliveries has been a widely discussed topic, we launched the “EAZY” service in June 2020, which offers non-face-to-face receiving and unattended deliveries at customer-designated locations. With this service, customers can receive their parcels in one go, contributing to a reduction in CO2 emissions as a result.



We have been working on various initiatives to reduce CO2 emissions and move towards carbon neutrality. The introduction of “EAZY” and the promotion of convenient receiving ways, such as the open-type delivery service lockers called PUDO Station, have helped to mitigate the increase in CO2 emissions from redelivery attempts. However, achieving carbon neutrality is still a challenging goal. While we have implemented measures like introducing electric vehicles (EVs) and solar power generation facilities, striking a balance between enhancing customer convenience and environmental considerations is not straightforward. We believe it is crucial to collaborate with our business partners to address climate change going forward.

Our partnership with ZOZO has been instrumental in undertaking numerous challenges together. ZOZO was the first to adopt “EAZY,” and more recently, we have utilized the Yamato Transport's Relation Center in Chitose City to individually pack and send products for the Hokkaido region.




Tashiro : In areas with a Relation Center, we can transport products directly from our Logistics Center “ZOZOBASE,” without packaging them. This improves the loading efficiency for main transport routes. As a result, for instance, where

multiple trucks were once needed, now only one is sufficient. Consequently, we can significantly reduce CO2 emissions.

Such initiatives may not always be economically rational. However, ignoring the responsibility we, as a corporation, ought to shoulder would go against our company philosophy of “Inspire the world. Deliver joy every day.” We believe that with the right combination of innovative solutions, we can overcome even the most challenging obstacles.

Otomo : The “Logistics 2024 Issue” that limits truck drivers' overtime working hours to 960 hours per year may result in approximately 14.2%(*2) of packages being unable to be delivered nationwide if no countermeasures are taken. Utilizing the Relation Center can be a solution to address these sustainable logistics challenges, and we encourage active utilization.

(*1)Source: [Ministry of Economy, Trade and Industry website - Summary of market research on e-commerce](#) 

(*2)Source:  [Ministry of Economy, Trade and Industry website - 3rd Examination Meeting for Realizing Sustainable Logistics, Document 1 “Impact of the 2024 logistics problem” \(by NX Research Institute, Inc.\)](#)

Aiming for Carbon Neutrality Through Innovative Solutions

— **With various intertwined challenges, it's crucial to keep innovating, isn't it?**

Tashiro : Absolutely. While our initiatives utilizing the Relation Center play a pivotal role, it's vital to combine multiple solutions. For instance, in our company, to improve loading efficiency during deliveries and minimize wastage of packing materials, we've introduced a system that measures the three dimensions of the items we handle. This system displays the optimal packaging material during the dispatch process, allowing us to reduce the size of our ZOZO boxes (cardboard) used for packaging to the smallest possible. We plan to enhance this system's accuracy further. Furthermore, most of the cardboard boxes we use for dispatch have received FSC certification.



Otomo : Not only in our efforts to achieve carbon neutrality but in every challenge we've faced, ZOZO has been a partner in solving these issues together. We have worked with ZOZO at the timing of every new challenge, and we believe that by continuing to work together, we can maximize the impact of our efforts toward achieving the goal of carbon neutrality.

Tashiro : Ever since our founding, we at ZOZO have been deeply grateful to Yamato for their services. We place absolute trust in them when it comes to delivering our products safely and securely to our customers. We see them as a partner who has supported our ambitious initiatives. We would also like to take on challenges that would make us a role model within the industry.

Aiming for Carbon Neutrality Through Innovative Solutions

— **With various intertwined challenges,
it's crucial to keep innovating, isn't it?**

Tashiro : Setting aside feasibility for now, we are having numerous discussions starting from zero. For instance, direct deliveries from brands.

Typically, ZOZOTOWN receives products from the brands, and delivers them to customers from our Logistics Center “ZOZOBASE.” However, for certain cases

such as back-order products, exchange of defective products, and repair services after order placement, we sometimes retrieve the products from the brand's stores or warehouses and then deliver them to customers from our facilities. If we could directly ship these products from the brand's warehouse, without involving our facilities, we could further reduce CO2 emissions.

Currently, there are challenges related to the appropriate handling of personal information. However, if we could establish a system where personal information remains entirely confidential on the shipping documents, it would be a step forward in achieving direct shipping.

Undoubtedly, such initiatives may increase the burden on the brands, and they are not easy to implement. Nevertheless, if we are serious about achieving carbon neutrality, it will require even greater collaboration among companies. Overcoming technological obstacles and promoting initiatives that involve stakeholders are what we aim to do.



Otomo : We believe that not only companies but also the cooperation of consumers is essential. For example, just by eliminating product redeliveries, we can reduce CO2

emissions. Even the mere imagination of how our actions may impact the environment can contribute to creating a sustainable ecosystem together.

Tashiro : The absence of a one-size-fits-all answer like “Do this and it'll be alright” underscores the importance of our continued partnership, pooling together our collective knowledge and expertise. I truly value and anticipate our continued collaboration.

Becoming a Role Model for “Sustainable Community Building” through Industry-Academia-Government Collaboration: The Challenge of ZOZO and Chiba City



Director
Friendship Management Dept.
ZOZO

UMEZAWA
Takayuki

Mayor of Chiba City

KAMIYA
Shunichi

Ph.D. student at the
Department of Humanities
and Studies on Public
Affairs in the Graduate
School of Humanities
and Studies on Public
Affairs at Chiba University

GUNJI
Hinano

With “Fashion Connects and Leads us to a Sustainable Future.” as its sustainability statement, ZOZO aims to create a world where people can continue to enjoy fashion forever. One of our key actions is: “Contribute to sustainable community development.”

In creating a sustainable community, nurturing the younger generation, especially in cultivating “entrepreneurship” - the spirit of creating new businesses and embracing challenges without fear of risk - becomes essential.

Under these circumstances, Chiba City, where ZOZO is headquartered, has launched the “Chiba Entrepreneurship Education Consortium Seedlings of Chiba” (hereafter referred to as “Seedlings of Chiba”). This consortium primarily focuses on entrepreneurship education for elementary and junior high school students.

ZOZO participates in Seedlings of Chiba and has held classes on the road and collaborated with industry, academia, and government sectors to promote entrepreneurship education for the next generation.

By forming a tripartite alliance among industry, academia, and government, how will the future of the community be forged?

Through a roundtable discussion with UMEZAWA Takayuki, Director of ZOZO Friendship Management Department; KAMIYA Shunichi, Mayor of Chiba City and Chairman of Seedlings of Chiba; and GUNJI Hinano, a launch member of Seedlings of Chiba, and a Ph.D. student at the Department of Humanities and Studies on Public Affairs in the Graduate School of Humanities and Studies on Public Affairs at Chiba University, we explored the initiatives for building a sustainable community.

Empowering the Young to Change the World

— In Chiba City, collaborative educational initiatives among industry, academia, and government are being actively pursued. One such initiative is “Seedlings of Chiba,” in which ZOZO participates. What led to the establishment of this program?

Kamiya : The present era is often referred to as the “age of no definitive answers.” To thrive in such times, we believe it is essential to foster the abilities to take on challenges, expand one's own thoughts to the surrounding environment, and find value through collaborative learning. Recognizing that these skills cannot be fully acquired through school education alone, we initiated “Seedlings of Chiba.”



With Chiba City's population projected to peak in the early 2020s and then decline, we need to boost our local economy and create job opportunities to prevent this decline from accelerating. To address these “local challenges” and

ensure sustainable growth, we need individuals who can think for themselves and derive solutions. With “Seedlings of Chiba,” we aim to nurture such young talents to shoulder the city's future.

We sought cooperation from ZOZO because we perceive it as a company brimming with “entrepreneurship” to change the world with its own hands. ZOZO has continuously generated innovative services, drastically transforming the conventional image of “work.”

We believe that if the youth, who are yet to enter society, can get a touch of ZOZO's identity, they might unleash their inherent potential to its fullest. With this in mind, we reached out to them.



Umezawa : At ZOZO, we have set a goal to connect with one million young people under the age of 20 by 2030 and contribute to the revitalization of local communities. We believe that as a company, it is our responsibility not only to provide excellent value to our customers and colleagues but also to establish connections with the younger

generation and positively impact the local community.

Being approached by “Seedlings of Chiba” is a source of great joy and fulfillment for us as well.

“Creating a Better Society through ‘Imagine the unexpected. Chart the unexplored.’”

— **What specific initiatives does “Seedlings of Chiba” undertake?**

Gunji : We have adopted the slogan, “Make Future Blooms (Adults) Cool,” and with the organizational philosophy of 'Realizing Chiba as a town where children cultivate the ability to earn,' we have implemented various initiatives.

To foster entrepreneurship among children, our staff visits schools to conduct classes, plan and run programs that allow students to learn about the workings of companies and the economy through simulated experiences, and hold symposiums to expand the consortium's philosophy.



In collaboration with ZOZO, we have organized On-Demand-Delivery Classes and conducted workshops for middle school students to rethink their school uniforms, the identity of their school, and the things they want to protect. This opportunity to challenge and transform existing norms has been an invaluable experience for them.

Kamiya : “Standard” is, in other words, “common sense.” Therefore, changing the standard can be seen as an “unconventional” act at that point. However, such an act holds the potential to evolve into a significant move for society, effectively turning the “unconventional” into “common sense.”

Changing the established way of thinking is a necessary action for society. I believe there was significant meaning in the students taking the initiative to implement this themselves. It would have given them a sense of, “We can design society based on our thoughts and beliefs.”



Umezawa : Thank you. We have a motto called “Souzou no Nanameue (Imagine the unexpected. Chart the unexplored.),” which represents the unique essence of ZOZO. It emphasizes the importance of

venturing into areas no one else has dared to explore. This spirit has been pivotal in enabling us to introduce unprecedented services and foster a distinct culture unlike any other company.

When we conduct off-site classes on career education and discuss the “ZOZO WORKSTYLE” we often witness the eyes of children light up, and educators express their admiration. Although our initiatives have just begun, we are committed to leveraging ZOZO's strengths in fashion, technology, and more, to provide maximum support to the next generation of young people.

Making Chiba City a Role Model for Local Governments

— **Looking back on your past efforts, can you tell us what you expect from ZOZO going forward?**

Gunji : Moving forward, I hope ZOZO continues to exemplify what it means to be a “cool adult.”

Many ZOZO employees stand out with their unique fashion and hairstyles, different from the typical working



adult. I've also noticed their active involvement in community clean-up activities, truly embodying their role as active community members. Their tolerance, cooperative and positive attitude in every endeavor truly epitomizes the “cool adult” image.

Children grow up looking up to the adults around them. Having such individuals close by means that children are more likely to become cool adults themselves, capable of thinking and acting independently in the future.

If this cycle continues, Chiba City will become a town filled with “cool adults.” Imagining 10 or 20 years from now, I believe Chiba City will evolve into an even more vibrant community.

Kamiya : If ZOZO continues to pioneer world-changing initiatives right here in Chiba City, nothing could make me happier.

ZOZO has launched several globally competitive services, from the development of the “ZOSUIT” to the recent launch of



their Production support service “Made by ZOZO.” Additionally, organizing international events like the PGA TOUR tournament “ZOZO CHAMPIONSHIP” proves their global outreach isn't limited to just business.

Even though ZOZO operates globally, they value their local roots and collaborate with us. Such companies, I believe, are rare on the global stage.



Umezawa : ZOZO has been based in and grown in Chiba. We've received immense support from the local community over the years. We remain committed to Chiba and hope to give back, even if gradually, for the generosity we've been shown.

Kamiya : Chiba City has always been vibrant in its civic activities. Looking at its history, the city has consistently taken on challenges relevant to its times, whether it's the reclamation of the sea to create the Keiyo Industrial Zone or pioneering large-scale conventions by constructing Makuhari Messe. Chiba has always been a region full of energy.

In such a region, there are many individuals with entrepreneurial spirit. When people with entrepreneurial mindset come together across public and private sectors, and young talents join in, Chiba can truly become a role model for local governments.

I hope that we can continue to join hands and together, elevate Chiba City as a “sustainable community.”



Sustainability

Basic Policy

Sustainability Statement

Materiality

**Sustainability Four
Key Actions**

**Sustainability Management
Structure**

Basic Environmental Policy

Basic Human Rights Policy

Code of Conduct

**Communication with
Stakeholders**

Editorial Policy

Fashion Connects and Leads us to a Sustainable Future.

We at ZOZO envision a new era of fashion that will improve our environment and society.

Harnessing the power of imagination, creativity and innovative technologies, we will prioritize impact above individual gain.

We are committed to solving the challenges our planet faces by connecting people, technology and fashion in new ways.

We believe in creating a world where fashion enriches our lives, now and forever.

*Sustainability Statement is approved by the Board of Directors in April 19, 2021.

*We are committed to achieving the goals outlined in our Sustainability Statement by 2030.

Identification of Materiality

In 2022, the ZOZO Group identified materiality together with internal and external stakeholders, and in 2024, materiality and Sustainability Four Key Actions were reviewed.

*Materiality is discussed by SDGs Promotion Committee and approved by the Board of Directors in August 16, 2024.

Identification Process

Step 1: Issue extraction

In alignment with our group's unique characteristics and contributions to growth, we meticulously extracted issues based on assessments from principal ESG evaluation entities (investors), along with demands from society, insights from various stakeholders such as shareholders, customers, suppliers, employees, municipalities, and NGOs.

Step 2: Analysis and evaluation of materiality

Materialities were preliminarily evaluated along two dimensions: their significance to the ZOZO Group and to our stakeholders, factoring in our group values and financial implications. This led to the provisional formulation of four strategic focuses for addressing these materialities.

Step 3: Validating materiality

The SDGs Promotion Committee, alongside our management team, reviewed the validity and strategic alignment of the provisionally assessed materiality and the "Sustainability Four Key Actions." This process ensures our efforts are in harmony with our growth strategy and commitments to sustainable development.

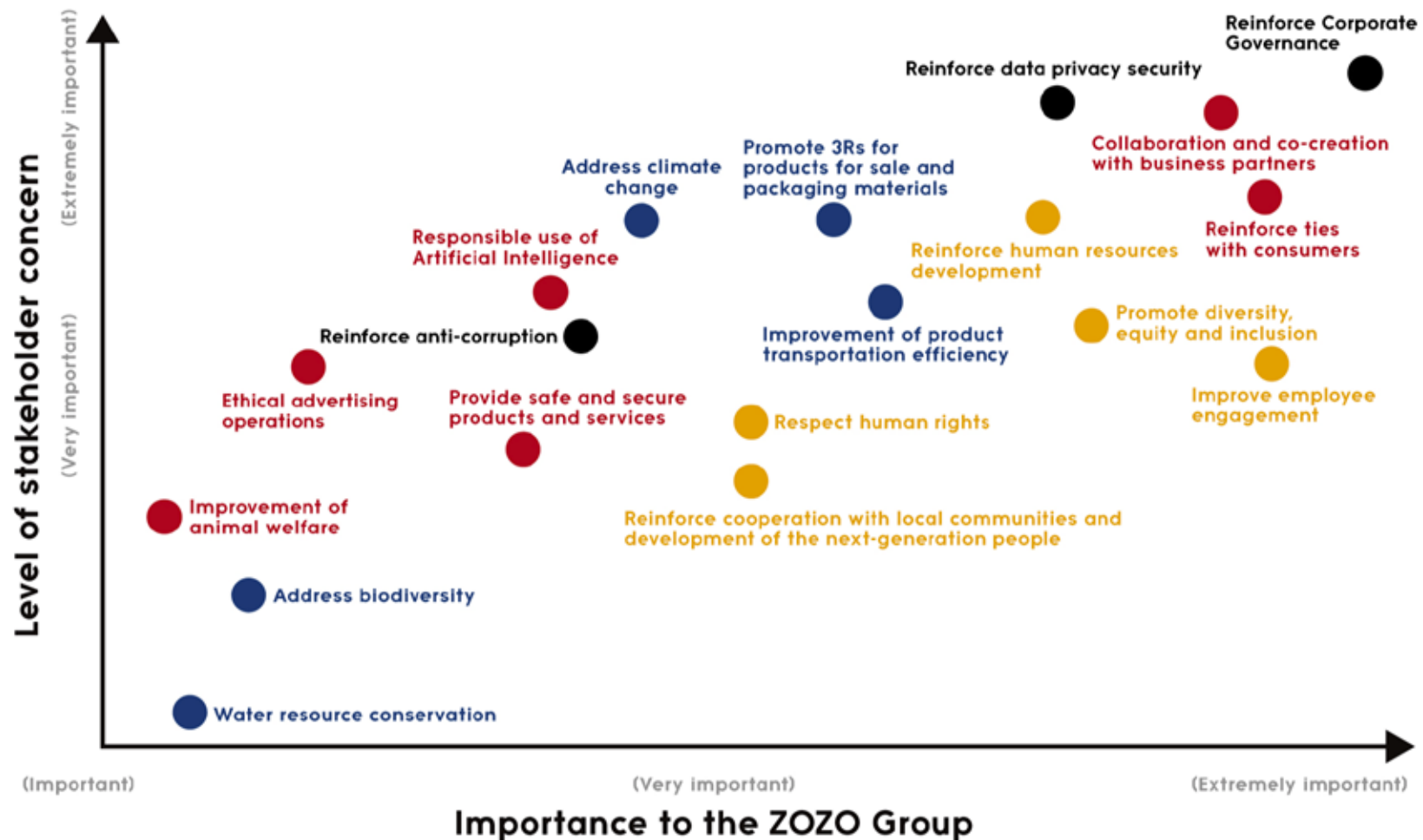
Step4: Approval

Following board approval, the ZOZO Group's materiality is identified and announced.

*The materiality will be reviewed as needed in response to changes in the social and business environment.

Materiality Map

Sustainability Four Key Actions 1: ● 2: ● 3: ● 4: ●



Sustainability Four Key Actions

We have formulated four key actions to realize our Sustainability Statement, "Fashion Connects and Leads us to a Sustainable Future.," and to solve 19 materiality items.

1. Providing the sustainable and unexplored services created together with our business partners

We aim to solve environmental and social issues by providing safe, secure, sustainable, and exciting services through the use of technology and by collaborating and co-creating with all stakeholders, including business partners.

Materiality
<ul style="list-style-type: none">• Reinforce ties with consumers• Collaboration and co-creation with business partners• Responsible use of Artificial Intelligence• Provide safe and secure products and services• Ethical advertising operations• Improvement of animal welfare

KPI	Target year	FY2023
Display sustainability information on products for sale	2030	-
Realization of traceability of products for sale	2030	-
Expansion of made-to-order sales utilizing production support service	2030	Provide to 46 brands ※Number of production types: 1,567

Strategies and Initiatives to Achieve KPI

- By showcasing sustainable fashion information and brand initiatives, we aim to encourage customer interest and significantly increase the assortment of sustainable fashion available on ZOZOTOWN.

[Permanent Content "elove by ZOZO"](#)

- We promote circular fashion by raising awareness that trading, buying, and selling used clothing is easy and accessible.

[Pop-Up Store "LIVE STOCK MARKET with ZOZOUSED" Opened at Shibuya PARCO for a Limited Time](#)

[The Journey of ZOZOUSED and Its Commitment to Circular Fashion](#)

- To alleviate sizing concerns and reduce returns due to sizing discrepancies in e-commerce purchases, we offer innovative measurement tools.

[Reduce Environmental Impact by Lowering the Return Rate of Shoes Compatible with ZOZOMAT](#)

- To address the fashion industry's critical issues of overproduction and waste, we are broadening our network of brands utilizing the "Production support service 'Made by ZOZO'". This initiative fosters a shift towards on-demand manufacturing, allowing products to be made only after receiving a customer's order, thus promoting a more sustainable production approach.
- We promote circular fashion by using fibers from recycled plastic bottles and eco-friendly fabrics. This approach supports our sustainability goals by encouraging recycling and reducing environmental impact.

2. Realization of workplaces and communities where everyone can live their lives with a smile by promoting DE&I

We aim to realize a fair and just world where everyone can live with respect and smiles in their own way by promoting a work environment that values diversity and contributing to the revitalization of local communities and support for the next-generation people collaborating with stakeholders, especially in industry, government, and academia.

Materiality
<ul style="list-style-type: none">• Improve employee engagement• Promote diversity, equity and inclusion• Reinforce human resources development• Respect human rights• Reinforce cooperation with local communities and development of the next-generation people

KPI	Target year	FY2023
Ratio of Female Directors to be 30% or more	2030	45.5%
Ratio of women in senior management positions (general managers and above) to be 30% or more	2030	12.8%
Ratio of women in management positions (section managers and above) to be 40%	2030	24.2%
Ratio of male employees taking childcare leave (overall) to be 100%	2030	69.1%
Ratio of male employees taking childcare leave (permanent employees) to be 100%	2030	67.4%
Ratio of male employees taking childcare leave (non-permanent employees) to be 100%	2030	77.8%
Gender pay gap ratio (overall) to be 60%	2030	56.4%
Gender pay gap ratio (permanent employees) to be 80%	2030	73.0%
Gender pay gap ratio (non-permanent employees) to be 106%	2030	103.9%
Compliance with the legally mandated rate for employees with disabilities	2025	2.80%
Connect with one million people in the next-generation	2030	272,490

Strategies and Initiatives to Achieve KPI

- Raise awareness among employees and stakeholders to promote diversity, equity and inclusion
- Conduct activities to promote LGBTQA+ understanding among employees.

2023 Pride Month Initiatives

Consecutive Three-Year Achievement of the Highest "Gold" Rating in PRIDE Index 2023

Two Consecutive Years of Recognition as "Best Workplace" in D&I AWARD 2023

- Aiming for a society where everyone can play an active role, create and maintain a comfortable work environment and make donations to organizations.

ZOZO Part-Time Staff Has Received the "Director-General's Award for Effort" at the "Reiwa 5th Year Excellent Employer of Persons with Disabilities Recognition (Within Chiba Prefecture)"

- Support young people, who are the future leaders of our society, and work to revitalize the local community.

Implementation of Outreach Programs in Local Elementary, Middle, and High Schools: Supporting Career Education

3. Contributing to a prosperous planet by reducing environmental impact

We aim to realize a sustainable environment of the earth by working with our stakeholders to solve natural environmental issues and reduce environmental impact.

Materiality		
<ul style="list-style-type: none"> • Improvement of product transportation efficiency • Promote 3Rs for products for sale and packaging materials • Address climate change • Address biodiversity • Water resource conservation 		
KPI	Target year	FY2023
Reduce Scope 3 emissions by 42% from the base year(2020)	2030	54.5%
Achieve "carbon neutral"	2030	271 t-CO ₂ <small>*Scope 1 & 2 emissions</small>
Achieve "net zero"	2050	224,864 t-CO ₂ <small>*Scope 1 & 2 emissions</small>

Strategies and Initiatives to Achieve KPI

- Streamline delivery to address the 2024 logistics problem.
Introduced EAZY, Supported by YAMATO TRANSPORT into our services, and launched a new delivery method to reduce the risk of personal information leaks through our package drop service.
Utilize YAMATO TRANSPORT's Relation Center to Streamline ZOZOTOWN Product Delivery in the Hokkaido·Kyushu Region
- Promote initiatives to reduce greenhouse gas emissions to achieve Net Zero.
Introduction of the Air Conditioning Optimization Control System "EMS-AI" at Logistics Center "ZOZOBASE NARASHINO 1"
- Adopt environmentally friendly packing materials to reduce environmental impact.
Changed Packaging for Delivery to Environmentally Conscious Materials

*1 ZOZO group coverage:94.3%

*2 Ratio of women's average annual wages to men's average annual wages

4. Maintain and improve correct management and a strong management system by strengthening governance

We will maintain and improve a sound and flexible management system and aim for highly transparent, effective, and prompt management by strengthening corporate governance, risk management, privacy security, etc.

Materiality		
<ul style="list-style-type: none"> • Reinforce Corporate Governance • Reinforce data Privacy Security • Reinforce Anti-Corruption 		
KPI	Target year	FY2023
Ratio of Female Directors to be 30% or more	2030	45.5%
Strategies and Initiatives to Achieve KPI		
<ul style="list-style-type: none"> • Corporate Governance initiatives to improve corporate value continuously • Corporate Governance • Risk Management initiatives to prevent and reduce risks Risk Management Information Security initiatives to provide safe services Information Security Anti-Corruption and Corporate Ethics initiatives to ensure ethical business activities Anti-Corruption and Corporate Ethics 		

Sustainability Four Key Actions and Materiality

	Sustainability Four Key Actions	Description	Materiality	Targets and Indicators
1	Providing the sustainable and unexplored services created together with our business partners	We aim to solve environmental and social issues by providing safe, secure, sustainable, and exciting services through the use of technology and by collaborating and co-creating with all stakeholders, including business partners.	<ul style="list-style-type: none"> ● Reinforce ties with consumers ● Collaboration and co-creation with business partners ● Responsible use of Artificial Intelligence ● Provide safe and secure products and services ● Ethical advertising operations ● Improvement of animal welfare 	<ul style="list-style-type: none"> • Display sustainability information on products for sale • Realization of traceability of products for sale • Expansion of made-to-order sales utilizing production support service
2	Realization of workplaces and communities where everyone can live their lives with a smile by promoting DEI	We aim to realize a fair and just world where everyone can live with respect and smiles in their own way by promoting a work environment that values diversity and contributing to the revitalization of local communities and support for the next-generation people collaborating with stakeholders, especially in industry, government, and academia.	<ul style="list-style-type: none"> ● Improve employee engagement ● Promote diversity, equity and inclusion ● Reinforce human resources development ● Respect human rights ● Reinforce cooperation with local communities and development of the next-generation people 	<ul style="list-style-type: none"> • Ratio of Female Directors to be 30% or more by 2030 • Ratio of women in senior management positions (general managers and above) to be 30% or more by 2030 • Ratio of women in management positions (section managers and above) to be 40% by 2030 • Ratio of male employees taking childcare leave (overall) to be 100% by 2030 • Ratio of male employees taking childcare leave (permanent employees) to be 100% by 2030 • Ratio of male employees taking childcare leave (non-permanent employees) to be 100% by 2030 • Gender pay gap ratio (overall) to be 60% by 2030 • Gender pay gap ratio (permanent employees) to be 80% by 2030 • Gender pay gap ratio (non-permanent employees) to be 106% by 2030 • Maintain 2.5% employment rate of persons with disabilities. • Connect with one million people in the next-generation by 2030
3	Contributing to a prosperous planet by reducing environmental impact	We aim to realize a sustainable environment of the earth by working with our stakeholders to solve natural environmental issues and reduce environmental impact.	<ul style="list-style-type: none"> ● Improvement of product transportation efficiency ● Promote 3Rs for products for sale and packaging materials ● Address climate change ● Address biodiversity ● Water resource conservation 	<ul style="list-style-type: none"> • Reduce Scope 3 emissions in 2030 by 42% from the base year (2020) • Achieve "carbon neutral" by 2030 • Achieve "net zero" by 2050
4	Maintain and improve correct management and a strong management system by strengthening governance	We will maintain and improve a sound and flexible management system and aim for highly transparent, effective, and prompt management by strengthening corporate governance, risk management, privacy security, etc.	<ul style="list-style-type: none"> ● Reinforce Corporate Governance ● Reinforce data privacy security ● Reinforce anti-corruption 	<ul style="list-style-type: none"> • Ratio of Female Directors to be 30% or more by 2030

Sustainability Management Structure

ZOZO Group has held twenty-three committee meetings since its establishment of SDGs Promotion Committee in November 2020 (as of April 1, 2024) chaired by the President and CEO, to promote SDGs management across the Group. In addition, the Communication Design Division, which serves as the secretariat, will work closely with each business division to implement measures, with the aim of achieving four key actions.



ZOZO Group endorses the Paris Agreement and aims to mitigate the impact of climate change by proactively disclosing relevant information and achieving its greenhouse gas emissions reduction targets. Additionally, we are committed to contributing to the realization of a sustainable environment by active engagement in maintaining and preserving the environment through our business operations.

1.Realize a Decarbonized Society

We will make continuous efforts to reduce CO2 by conserving energy, conserving resources, reducing waste, reusing, and recycling.

2.Conservation of Natural Capital

We will encourage employee participation in environmental conservation activities, promote green procurement, and take environmental measures.

3.Compliance with Laws and Ordinances

We will comply with all laws, ordinances, international rules and practices related to the environment in Japan and overseas.

4.Cooperate with our Stakeholders

We aim to realize a sustainable environment by working with a diverse range of stakeholders to resolve environmental issues.

5.Enhance Education and Training

We will disseminate this policy and environmental issues to all employees and provide education and training.

6.Disclosure of Environmental Information

We will disclose environmental policies and information and promote transparency.

*Basic Environmental Policy approved by the Board of Directors on October 18, 2021

*Products and services and Distribution and logistics are covered

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

1.Commitment to Human Rights

We, all officers and employees of ZOZO, Inc. and its group companies (hereinafter “We”), contribute to sustainable social development by respecting human rights in every aspect of our business activities. We have established our approach as the “Basic Human Rights Policy (Human Rights Policy)” and promise to comply with the policy.

2.Reference and Scope

In accordance with the international principles of human rights*, we appreciate and respect cultures and customs of all countries and regions where we conduct our business activities, and strive to avoid involvement in discrimination and the violation of human rights in all business activities. We also require our suppliers and business partners to respect and refrain from infringing human rights in conformity with the aforementioned policies.

3.Respect for Diversity and Prohibition of Harassment

We respect all people as individuals and do not tolerate discrimination or any disadvantageous treatment on the basis of political beliefs, ideologies, religion, gender, gender identity, sexual orientation, physical features, illnesses, age, nationality, race, ethnicity, etc. We provide equal opportunity in recruitment, evaluation, development, placement, remuneration, promotion, executive appointment, etc., and foster a work environment in which our diverse workforce can play an active role.

In addition, we do not tolerate discrimination or harassment of any kind, and take continued preventive measures, such as through regular employee education.

4.Prohibition of Forced Labor and Child Labor

To protect basic human rights, we forbid the use of any and all forced labor or child labor, and engage in business activities adhering to all compliance requirements.

5.Management of Working Hours and Wages

We stipulate appropriate working hours, break time, overtime hours, late-night work, day offs, and vacation in our rules of employment in accordance with the Labor Standards Act and labor-management agreements. In compliance with legal requirements, we also stipulate minimum wage, legal benefits and deduc-

tions, overtime work, etc., in our pay regulations, and make payments directly to our employees.

6. Respect for the Freedom of Association and the Exercise of the Right to Collective Bargaining

We respect the rights of employees to form trade unions based on the employees' own wills and the right to choose whether or not to participate. We authorize the exercise of collective bargaining right in an effective manner, and shall negotiate in good faith through constructive dialog with labor representatives.

7. Maintenance of Employees' Safety and Health

We exercise due care to maintain our employees' physical and mental health and strive to secure safe and healthy workplace environments. We comply with the laws, regulations, and rules related to safety and health, and work to maintain this by adopting appropriate measures to address health risks.

8. Freedom of Expression and Privacy Protection

We recognize freedom of expression and privacy protection in telecommunications and the Internet, and in communications on social media. We take the utmost care not to infringe on such rights. In addition, we serve all our users in

a fair and equitable manner and provide safe and convenient services.

9. Initiatives and Structure to Respect Human Rights

We construct mechanisms for effective countermeasures by establishing human rights reporting desks to prevent human rights violations. We conduct human rights due diligence to assess the impact of business activities on human rights, continuously monitor the impact, and report to the stakeholders. In the unlikely event that business activities should have a negative impact on human rights, we shall respond appropriately using fair and equitable remedial actions to mitigate and resolve such effects.

10. Communication

Under the SDGs Promotion Committee which includes the CEO, is responsible for the promotion of human rights initiatives. The committee promotes the ZOZO Group Basic Human Rights Policy to all officers, employees and external stakeholders and actively conducts human rights awareness activities.

*"Universal Declaration of Human Rights," "UN Guiding Principles on Business and Human Rights," "Children's Rights and Business Principles," and the "Eight Fundamental Conventions of the ILO"

*Basic Human Rights Policy approved by the Board of Directors on October 18, 2021

ZOZO Group Code of Conduct

1. Introduction

ZOZO Group Code of Conduct is a code to be observed by all executives and employees of ZOZO Group.

2. Commitment to compliance and ethical conduct

We abide by all laws and regulations, and practice ethical conduct that lives up to the trust provided by society.

3. Respect for basic human rights

- We respect the rights of individuals and do not tolerate discrimination or disadvantageous treatment on the basis of political beliefs, ideology, religion, gender, gender identity, sexual orientation, physical characteristics, disease, age, nationality, race, ethnicity, etc.
- We understand and respect the culture and customs of the countries and regions in which we operate, and act accordingly.
- We prohibit all forms of forced labor and child labor in accordance with laws and regulations.

4. Ensuring a safe, healthy and harassment-free work environment

- We do not tolerate sexual harassment, abuse of authority, or any other form of workplace harassment.
- We comply with laws and regulations concerning occupational safety and health, give consideration to the physical and mental health of our employees, and strive to ensure a safe and healthy work environment.

5. Responsibility to customers

- We comply with the applicable laws and regulations related to handling personal information in each market, and collect personal information from our customers in an appropriate manner in accordance with our Privacy Policy.
- We use the personal information we obtain within the scope of the purposes specified in our Privacy Policy, and appropriately protect, manage, and dispose of such information. In principle, we do not provide such information to any third party, except when we have obtained the consent of the customer or when permitted by applicable laws.
- We maintain fairness and honesty toward our customers and do not make misleading representations or engage in misleading conduct, so that our customers can use our services safely and comfortably.

6. Fair business practices

- We comply with the business competition laws of each country where we operate, conducting our business activities with a spirit of fair play and on the principles of free and fair competition, and do not impose unfair trading conditions on our business partners or service users.
- We do not obtain, or allow others to bring in, information about our competitors in an unfair manner.
- We comply with laws and regulations regarding imports and exports and other international trading rules.
- We do not engage in prohibited transactions with specified countries, regions, organizations, or individuals that are subject to economic sanctions.

7. Avoidance of conflict of interest

We act with respect for the interests of the company and do not use our position or status in the company to benefit ourselves or a third party.

8. Appropriate use and management of company assets

- We recognize that intellectual property rights are an important asset for the business of the ZOZO Group and appropriately protect those rights, while also

respecting the intellectual property rights of third parties.

- We use, manage, and dispose of company assets and trade secrets appropriately, and do not use them for any purposes other than business.

9. Thorough implementation of information security

We strictly protect and manage our information assets, including customer information and I classified information, and do our utmost to protect them from unauthorized access, leakage, falsification, destruction, etc.

10. Accurate, fair, timely, and appropriate information disclosure

- We create accurate and complete accounting records.
- We disclose accurate information to society and the stock market in a fair, timely, and appropriate manner.
- We strictly manage insider information and do not engage in insider trading.

11. Maintenance of appropriate relationships with political entities and administration

- We create accurate and complete accounting records.
- We disclose accurate information to society and the stock market in a fair,

timely, and appropriate manner.

- We strictly manage insider information and do not engage in insider trading.

12. Prohibition on bribery and corruption

- We do not engage in any form of bribery, corruption, or corrupt practices, whether with public servants or private citizens.
- In order to ensure free and fair trade, we provide and accept business entertainment and gifts only to the extent deemed appropriate.

13. Rejection of relationships with crime

We reject any involvement with anti-social forces, organized crime syndicates, and other organized criminals, as well as criminal activities such as money laundering and terrorist financing.

14. Giving back to society and protecting the environment

We actively contribute to society and protect the environment through our business activities, taking into consideration the social and environmental impact of our business activities. We encourage our officers and employees to

take an interest in these activities, and to actively participate in and support them.

15. Consultation and whistleblowing on compliance issues, and prohibition of retaliation

- If we discover any improper acts or suspected compliance violations, we consult or report them to our superiors, the Compliance Consultation Desk, or the Internal Reporting Desk.
- We prohibit any retaliation or disadvantageous treatment towards whistleblowers regarding compliance.

16. Revisions and eliminations

Revisions and eliminations of this policy will be made by our Board of Directors.

Communication with Stakeholders

We aim to increase our corporate value through promoting four key actions, by closely communicating with our stakeholders to address issues and reflect them in our business operation.

Stakeholders	Our Relations	Means of communication
Customers	Our Customer Support Center has a central philosophy of "becoming a friend with our customers." We strive daily to support and make our customers smile as if we help out friends.	<ul style="list-style-type: none">• Social Networking Service• Pages• Contact Points for Inquiries• Website
Shareholders and Investors	Aiming to be a company trusted by the shareholders and investors, we strive to practice corporate management that meets their expectations and to disclose corporate information in a timely and appropriate manner.	<ul style="list-style-type: none">• General Meeting of Shareholders• Financial results briefing• Individual interviews in IR activities• Website• Integrated Report• Sustainability Report

Stakeholders	Our Relations	Means of communication
Business partners	Encouraging mutual development by building good and healthy relationships with our business partners through fair and equitable transactions.	<ul style="list-style-type: none"> • Website • Communication through Transactions • Receipt and shipment of product • Sustainability Report
Employees	Creating and offering a workplace where motivates each employee to demonstrate his or her individuality, and demonstrate his or her power of creativity and imagination.	<ul style="list-style-type: none"> • Training programs • Seminar • Pulse Survey • Internal and external consultation desks • Company intranet, the company newsletter
Local communities	Contributing to the vitalization of local communities and the realization of sustainable communities by working to resolve environmental and social issues, mainly in regions where we have bases.	<ul style="list-style-type: none"> • Dialogue and cooperation with local governments • Educational collaboration with school organizations and educational boards • Cooperation with local facilities • Website • Sponsored to sporting organizations

Multi Stakeholder Policy

We will strive to appropriately work with multi-stakeholders, in the context in collaborative value creation not only with our shareholders, but also with our employees, business partners, customers, creditors, local communities and other various stakeholders have become important in our business management. On that basis, we will proceed with the following efforts considering the importance of return to our employees, and respect and consideration for our business partners, from the perspective that appropriate distribution of the revenue and the outcome resulting from the collaborative value creation and productivity improvement to multi stakeholders will lead to the maintenance of the momentum for wage increases and the sustainable development of the economy.

1.Return to our Employees

We will focus on maximizing the added value while achieving sustainable growth and productivity improvement through priority allocation of management resources to growth sectors, and enhancement of our employees' potentials and improvement of their skills. Furthermore, based on the profits and achievements generated, we will raise wages in accordance with the "Major Principles for Determining Wages" and through appropriate methods that take into account the company's situation. We will aim to provide sustainable returns to employees through proactive investment in human resources, which will con-

tribute to enhancing employee engagement and further improving productivity, even in other comprehensive improvements in compensation. Specifically, in determining the amount of bonuses to be paid for the settlement of accounts, the Company considers social conditions and the business environment, such as inflationary conditions. We have reformed our personnel system and decided to abolish the limitation on the scope of payment of housing allowances, which had previously been limited to a certain range of the neighborhood of the workplace, and pay all employees. We are also working to raise wages by expanding the range of allowances, such as the introduction of the "Make a difference every day (additional monthly allowance)." Furthermore, we will strive to appropriately distribute and return profits by raising wages through personnel evaluations conducted under the new personnel system. With regard to human resource investment, we are actively working to develop human resources that can respond to changes in the internal and external environment, such as providing opportunities for employees to learn on their own, and providing training and education according to the stage of the employee. Specifically, we have introduced a subsidy system for cloud training expenses, a doctoral program for working people, etc. We will respect the diversity of each employee and aim to improve employee engagement by building a rewarding and pleasant work environment where everyone working at us can demonstrate their abilities to the fullest and play an active role.

2.Consideration for Our Business Partners

We will continue to comply with the Declaration of Partnership Building. In the event that Declaration of Partnership Building is discontinued, we will voluntarily withdraw the disclosure of our Multi Stakeholder Policy.

Declaration of Partnership Building

 https://corp.zozo.com/en/sustainability/declarationofpartnership_en.pdf

In addition, with regard to business relationships with tax-exempt businesses, we will refer to the government's published approach to the invoice system for tax-exempt businesses and their business partners, and work to build appropriate relationships. With regard to these items, we will proceed steadily while checking the status of initiatives.

March 31, 2024

SAWADA Kotaro

Representative Director, President and CEO

ZOZO, Inc.

Editorial Policy

This sustainability page reports ZOZO Group's sustainability-related information. In order to build better relationships with our stakeholders, we ensure to disclose information, focusing on ESG information.

Issuer	ZOZO, Inc.
Date of publication	April 1, 2024
Target period	Target period April 2023 to March 2024 * Including the programs held before the target period
Contact Information	Please contact us for inquiries.

Social

Labor Practices

Diversity, Equity & Inclusion

Social Contribution Activities

Improving Service Quality

To keep our employees motivated over the long term, we have set recruitment selection based on an empathy with our corporate philosophy and atmosphere, and we look into not only skills but also values and humanity, such as their aspirations for fashion and our services, how they would contribute to the community, and what kind of people they want to become. In addition, we are improving the environment by examining personnel systems and training based on a fixed-point survey of employees so that they can work in a manner suited to their diverse lifestyles. On the other hand, in order to realize our corporate philosophy, we believe that it is essential for employees to work with fun. To this end, based on the concept of EFM (Employee Friendship Management), we plan and implement measures to build cross-sectional links between employees. We also centrally manage information on employees in the personnel database, and strive to allocate personnel in the right place so that each and every employee can maximize their capabilities.

Acquired ISO 14001 Certification, ISO 45001 Certification, and QMS Certification (ISO 9001 Certification)

We have developed a production support service Made by ZOZO that produces an appropriate amount of products in accordance with demand that only pro-

duces goods after receiving customer orders and provides it to our business partner brands. In addition, our Chinese affiliate factory conducts "Made by ZOZO" production, has acquired ISO 14001 Certification, ISO 45001 Certification, and QMS Certification (ISO 9001 Certification).

Group Company Information	Location	Year and month of certification
NANTONG ZHUOTENG INFORMATION TECHNOLOGY CO.,LTD	China Jiangsu Province	March 2023

 [ISO Certification](#)

Creating a Comfortable Working Environment / Occupational Safety and Health



We are also working on creating an environment that makes it easier for employees to work. For example, the lounge of "ZOZOBASE" logistics centers have colored and greener interior furniture, creating a space that differs from a typical ordinary warehouse. This reflects the desire of employees working in the warehouse to relax in the breaktime and to cultivate their sensibilities as employees of a fashion company. In the main office, we are implementing a variety of measures to facilitate communication among employees, such as removing partitions between desks and securing enough meeting spaces. In addition, the Safety and Health Committee holds monthly meetings, which are attended by representatives of workers, observers (industrial physicians) and company representatives. The Committee discusses a comfortable working environment led by employees. The subjects cover these by discussing the status of occupational accidents and the working environment at each site, and by checking overtime hours and the amount of work for employees to discuss the appropriateness.

Creating a Comfortable Working Environment / Occupational Safety and Health

Compliance with Laws and Regulations

We strive to manage occupational safety and health by complying with all applicable laws, regulations, and internal standards related to occupational safety and health in each country or region where we conduct business.

Occupational Safety and Health Management System

We establish and maintain a system that clearly defines roles and responsibilities at all locations.

Risk Reduction and Continuous Improvement of Workplace Environment

We continuously improve the workplace environment by identifying, eliminating, and reducing potential risks in the workplace.

Realization of safety through the latest technology and manpower saving

We proactively promote the introduction of the latest technology and labor saving to realize a safe workplace.

Safety and health education, training, and awareness activities

We continuously provide education and awareness-raising activities related to occupational safety and health and health promotion to raise awareness.

Communication

We engage in smooth communication and promote occupational safety and health activities and health promotion with the participation of all employees.

Support for Health Maintenance

We continuously support mental health measures and health maintenance for all ZOZO Group executives and employees.

*Employees and the entire business are covered

Establishment of Employee Representatives

In accordance with the labor-related laws of Japan, we have selected representatives from employees of each business location in a legally mandated manner. These representatives deliberate on changes to employment regulations and the conclusion of labor-management agreements with the corporation.

*While we respect the Freedom of Association and the Exercise of the Right to Collective Bargaining in our [Basic Human Rights Policy](#), there is no labor union at our company.

Fair Wages and Commitment to Equal Pay for Equal Work

We ensure fair wages for our employees by complying with relevant laws, including the Labor Standards Act, Minimum Wage Act, Equal Employment Opportunity Act, and the Part-Time and Fixed-Term Worker Act. Our wages exceed the minimum wage standards set by local regulations in each country. In Japan, we adhere to the Equal Pay for Equal Work Act and promote balanced and equal treatment, ensuring there are no unreasonable disparities based on gender or employment type.

Initiatives to Reduce Working Hours

We strive to create a healthy working environment that gives consideration to work-life balance and discourages working hours, so that employees are able to fully demonstrate their abilities and physical health and fully demonstrate their abilities.

- Calculate a forecast of monthly overtime hours in the middle of each month, and request business coordination from managers if there is a possibility of overtime hours exceeding 45 hours.
- The attendance system will send an alert to managers if overtime hours exceed 30 hours, 45 hours and 60 hours.
- When overtime exceeds 80 hours, interviews will be conducted with an industrial physician and HR division to discuss future measures.
- Introduced RPA to streamline operations.(some divisions)

*Our company has established work rules based on labor laws and labor-management agreements. These rules cover appropriate working and break times, overtime, late-night work, holidays, and leaves. ([Basic Human Rights Policy](#))

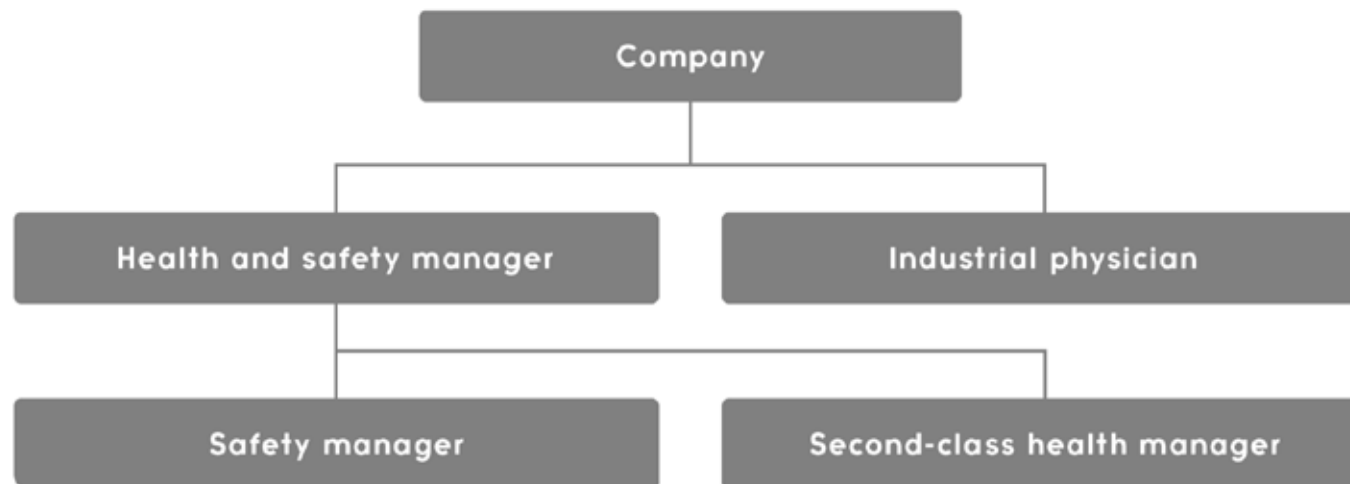
"ZOZOBASE" Logistics Centers

Since safety assurance is a key issue for "ZOZOBASE", we are working to prevent occupational accidents, ensure the safety and health of employees, and create and promote a comfortable working environment.

Establishment of Safety and Health Committee

We have established Safety and Health Committees at each site to report and confirm occupational accidents, overtime, the number and reasons for absenteeism, the status of necessary qualifications and member lists, hazard indications and corrective actions through patrols, and risk assessment updates. The Safety and Health Committee is held monthly as required by law.

Safety and Health Committee Structure



Occupational Safety and Health / Preventing Industrial Accidents

In-house inspection score

Score the safety standards and regularly inspect them to check whether they are met.

Truck berth fall prevention fence

From the viewpoint of safety measures, a prevention fence is installed to prevent falling from the truck berth.

*Truck berth: Space to contact trucks for loading and unloading

Safety awareness poster

Post safety awareness posters with ZOZOBASE concept of Smile Delivery (delivering joy to customers).

Environmental improvement questionnaire

Conduct a questionnaire on the working environment for workers, and make improvements based on the results.

Near-miss questionnaire

Conduct a questionnaire on the experiences of near misses among workers and take measures based on the results.

Provision of free vending machines

Free vending machines are installed for water, tea, and sports drinks.

Provision of salt candy

Distribution of salt candies that can replenish salt.

Spot cooler installation

In addition to cooling equipment, spot coolers are installed.

List of Training Programs Implemented in Fiscal 2023

Training Name	Subject Person	Participation rate	Training details
Post-employment training for new graduates in business division	Business division new graduates	100%	<ul style="list-style-type: none"> • Promotion for understanding of our history, culture, and the operation services • Deepening the understanding of the company, its services and increasing the commitment to • Acquiring the knowledges/manners/business skills that is a foundation of businessperson

Training Name	Subject Person	Participation rate	Training details
Post-employment training for new graduates in development & designer division	Development division new graduates Designer division new graduates	100%	<ul style="list-style-type: none"> • Promotion for understanding of our history, culture, and the operation services • Deepening the understanding of the company, its services and increasing the commitment to • Acquiring the knowledges/manners/business skills that is a foundation of businessperson
Training for new graduates in business division	Business division new graduates	100%	<ul style="list-style-type: none"> • Pre-training for long-term job rotation Review of the short-term training • and the practices to think about future careers

Training Name	Subject Person	Participation rate	Training details
Training for the prospective employees in business division	Prospective employees in the business division	81%	<ul style="list-style-type: none"> • Training to prepare the feeling and mind before joining the company • To learn how to work as an employee • To deepen the image of working and personalize the idea of becoming a member of society
Training for the prospective employee and new graduates in development & designer divisions	Development division new graduates Designer division new graduates	100%	<ul style="list-style-type: none"> • Training to prepare the feeling and mind before joining the company • To learn how to work as an employee <p>Practical training to confirm development skills</p>

Training Name	Subject Person	Participation rate	Training details
Study sessions for new section chief	New section chief	100%	<ul style="list-style-type: none"> • Monthly study sessions for new block managers • Lectures by HR, General Affairs, and Administration on the initial mental attitude and TODOs as a manager
Management workshop for new section chief	New section chief	79% (Average)	<ul style="list-style-type: none"> • Opportunities to learn about management skills (development, evaluation, management) and the mental attitudes • Knowledge sharing and consultation on management issues • Held in semi-annual terms in the first and second half of each fiscal year

Training Name	Subject Person	Participation rate	Training details
Communication work by general manager	All general managers	100%	<ul style="list-style-type: none"> • Practices to deepen relationships on the theme of communication building
ISMS Security training	Full-time employees	100%	<ul style="list-style-type: none"> • Training for security operations in accordance with ISMS operations
Sustainability / SDGs e-learning	Full-time employees	86%	<ul style="list-style-type: none"> • Training to understand and promote sustainability by establishing various themes such as environment (climate change, waste, biology, natural capital), society (human rights and discrimination, DE&I, women's activities, social contributions), etc

Training Name	Subject Person	Participation rate	Training details
Compliance and DE& I training	Full-time employees	100%	<ul style="list-style-type: none"> • Various themes related to compliance, such as compliance with laws and regulations, prevention of corruption, elimination of harassment, etc., are set up to promote understanding and promotion of compliance with case examples
Compliance and Information security training	Part time Temporary staff	100%	<ul style="list-style-type: none"> • Compliance: Various themes related to compliance, such as compliance with laws and regulations, anti-corruption, elimination of harassment, etc. Those are provided and its examples will be used to promote the understandings • Information security: promote understanding with a focus on data security, data privacy (personal information), and information management

Training Name	Subject Person	Participation rate	Training details
Targeted attack email training	Full-time employees	100%	<ul style="list-style-type: none"> • Training on how to respond to targeted email attacks for security purposes • Basic knowledge and how to deal with targeted emails using real-life examples
Training for DE&I Management	Managers	92%	<ul style="list-style-type: none"> • Workshop-style training to think about dialogue with and support for members who are different each other, and learn the managements that leverages diversity to create value

Training Name	Subject Person	Participation rate	Training details
Evaluation workshop for managers	Managers	94%	<ul style="list-style-type: none"> • Training to learn the key points and to keep in mind when conducting evaluation and feedback • Discussions on evaluation methods by the position, and sharpen your skills as an evaluator.
E-learning for checking understanding of evaluation guidelines	Managers	95%	<ul style="list-style-type: none"> • To check the level of understanding of the evaluation system, including its purpose, rules, and evaluation errors • To promote growth and create an environment where employees can reach their full potentials

Training Name	Subject Person	Participation rate	Training details
E-learning for checking understanding of evaluation guidelines	General employees	89%	<ul style="list-style-type: none"> • To check the level of understanding of the evaluation system, including its purpose, rules, and evaluation errors • To promote growth and create an environment where employees can reach their full potentials
Study sessions of diversity	Directors & Executive Officers	100%	<ul style="list-style-type: none"> • Study sessions to ensure a solid understanding of DE&I in the organization and that all directors and executive officers are aware of the concept and importance of DE&I • Learn more about the basic concepts of DE&I, how to put them into practice, and how they can take root in your organization's culture

Training Name	Subject Person	Participation rate	Training details
Compliance training	General Manager & the highers	100%	<ul style="list-style-type: none"> • Compliance-specific training for senior managers • Increase knowledge and skills to address specific issues
1on1 training	Full-time employees (Optional)	-	<ul style="list-style-type: none"> • Lectures, talk sessions, and group work by female leaders in the group companies and outside the company for the purpose of developing the next generation of female leaders • To learn about the mindset, skill set, and team building required as leaders

Training Name	Subject Person	Participation rate	Training details
LY academia female leader class	LY Corporation group employees	-	<ul style="list-style-type: none"> • Lectures, talk sessions, and group work by female leaders in the group companies and outside the company for the purpose of developing the next generation of female leaders • To learn about the mindset, skill set, and team building required as leaders
Mental health care training	Full-time employees (Optional)	-	<ul style="list-style-type: none"> • Training on understanding staff who need mental health care and how to communicate and follow up with them in such cases • To promote understanding of mental health care for each staff member

Training Name	Subject Person	Participation rate	Training details
E-learning for employees in security division	Directors	75%	<ul style="list-style-type: none"> • Training to deepen understanding of the purpose, roles, and rules for establishing a security officer
Group security month	Full-time employees (Optional)	-	<ul style="list-style-type: none"> • Training to learn security risks, incident mechanisms, risk management, etc., with various themes such as countermeasures based on actual examples of risks and incidents that surround daily life • CISO messages, company-wide e-learning, special lectures by experts, and security quizzes were held with the aim of raising security awareness

Training Name	Subject Person	Participation rate	Training details
Ideathon (Women's Activity Promotion)	Full-time employees (Optional)	-	<ul style="list-style-type: none"> • Training on promotion of women's activities conducted in conjunction with International Women's Day • Workshops held for staff to talk frankly with each other about women's activities and to come up with ideas for promoting women's activities
Career Interviews (Women's Activity Promotion)	Full-time employees (Optional)	-	<ul style="list-style-type: none"> • Training on promotion of women's activities conducted in conjunction with International Women's Day • Through interviews, participants will hear about the career ideas and working styles by senior female staff members, and consider their own career possibilities.

Training Name	Subject Person	Participation rate	Training details
Career Interviews (Women's Activity Promotion)	Full-time employees (Optional)	-	<ul style="list-style-type: none"> • Training on promotion of women's activities conducted in conjunction with International Women's Day • Opportunity to review yourself and think about who you want to be and what you want to achieve in the future
Career Design Training	Full-time employees (Optional)	-	<ul style="list-style-type: none"> • Training to understand diversity and to create an organization that can deliver results (communication, management)
Diversity Training	Full-time employees (Optional)	-	<ul style="list-style-type: none"> • Workshop-style training to reflect on your own career and think about who you want to be and what you want to achieve in the future

Career Survey and Engagement Survey

We regularly conduct Career Surveys to enhance employees' employability for the future, setting goals and actions to measure performance and address skill gaps. Additionally, we believe that increased employee engagement and motivation contribute to organizational vitality and strengthen competitiveness. Therefore, we aim to create a fulfilling workplace environment and conduct Engagement Surveys every three months, with questions related to job satisfaction, job purpose, happiness, stress, and more.

management by objectives

Once a half year, each employee sets goals based on the mission and vision of the organization. After the half year, each employee reviews his/her performance such as results and actions against the grade definitions, value actions, and goals.

self-declaration system

Once a year, we implement a system in which employees could request a transfer and tell their future career plans.

Benefits and Welfare

We provide an office environment that makes the most of individual characteristics and allows our employees to demonstrate their maximum performance, as well as various systems to improve our technological capabilities.

[Benefits and Welfare](#)

We are aiming to realize the future in which all valuable individualities around the world are connected by fashion under the corporate philosophy "Inspire the world. Deliver joy every day." We also conduct diversity management and establish systems that everyone can perform their "work" in the ways they like. There are many employees who love fashion due to the characteristics of the business, and a unique corporate culture where each of the employees enjoys unique fashion, mutually understand, and respect their individuality through fashion, and value diversity, has been developed. In addition, active communication is born within a flat organization, regardless of position or seniority. This ensures diversity in promotion to managerial positions and core human resources beyond borders of gender, nationality, and mid-career workers. We will grow in terms of both business operations and employees' capability, utilizing this environment for human resource development.

KPI and Results

Sustainability Four Key Actions	KPI	Target	Target year	FY2023
Realization of workplaces and communities where everyone can live their lives with a smile by promoting DE&I	Ratio of Female Directors	30% or more	2030	45.5%
	Ratio of women in senior management positions (general managers and above)	30% or more	2030	12.8%
	Ratio of women in management positions※1	40%	2030	24.2%
	Gender pay gap ratio (overall)※1※2	60%	2030	56.4%
	Gender pay gap ratio (permanent employees)※1※2	80%	2030	73.0%
	Gender pay gap ratio (non-permanent employees)※1※2	106%	2030	103.9%
	Ratio of male employees taking childcare leave(overall)※1	100%	2030	69.1%
	Ratio of male employees taking childcare leave (permanent employees)※1	100%	2030	67.4%
	Ratio of male employees taking childcare leave (non-permanent employees)※1	100%	2030	77.8%

※1 ZOZO group coverage:94.3% ※2 Ratio of women's average annual wages to men's average annual wages

Human Resource Development Policy for Securing Diversity

With regard to the internal environment for human resource development, we provide a variety of training programs for general employees, managers, and all employees, including training to learn the basic knowledge necessary for business promotion and diversity promotion training. For managers, we regularly provide feedback in line with selection evaluation standards, deepen vertical and horizontal cooperation within managers, and provide support for working styles according to the home environment and life stage. In addition, we provide detailed follow-up. We will further enhance our human resources strategy and human capital system to improve corporate value over the medium to long term.

Internal Environmental Improvement Policy to Ensure Diversity

We conduct diversity management, and are working to create a system that understands each other's diversity, such as gender (including gender orientation and independence), nationality, and values, and supports a variety of work styles tailored to individual lifestyles. Our internal guidelines recognize same-sex partners and our employees are eligible for internal systems such as vacation and congratulatory or condolence, regardless of the partner's gender.

Also, based on advice received from the certified non-profit organization ReBit, which provides guidance on LGBTQ+ awareness, we have integrated relevant practices into our business activities. In order to promote correct awareness and understanding of LGBTQ+ among our employees, we have held internal seminars and also changed the ZOZOTOWN service logo to Rainbow Color in order to show our solidarity with LGBTQ+. In recognition of these LGBTQ+ initiatives in our workplaces, we have received the highest "Gold" rating in "PRIDE Index 2024." We also implement initiatives related to foreign nationality and religion, and when it is necessary to respond to nationality or religion, we prepare and improve such areas, such as by providing space for prayers upon request. We are also focusing on creating a comfortable working environment for employees who work while raising children regardless of gender. Our take-up rate for childcare leave is at 100% for women and 67.4% permanent employees for men (as of March 2024), and the rate of return to work after maternity leave and childcare leave is extremely high at 100% (as of March 2024). In spring, when there are many people returning to work every year, we provide opportunities to share information and exchange information. In addition, we plan events that allow employees to participate voluntarily during the childcare leave, and we are working to support employees in balancing childcare. Furthermore, we have conducted training for our employees to deepen their understanding of unconscious bias, ensuring they are aware of any inadvertent prejudices, assumptions, and stereotypical thinking that might influence their behavior.

Emphasizing Diversity

In the [Basic Human Rights Policy](#), we have declared the following regarding the importance of diversity.

"We respect all people as individuals and do not tolerate discrimination or any disadvantageous treatment on the basis of political beliefs, ideologies, religion, gender, gender identity, sexual orientation, physical features, illnesses, age, nationality, race, ethnicity, etc. We provide equal opportunity in recruitment, evaluation, development, placement, remuneration, promotion, executive appointment, etc., and foster a work environment in which our diverse workforce can play an active role."

[2024 Pride Month Initiatives](#)

[2023 Pride Month Initiatives](#)

Unconscious Bias

Our company firmly believes it is crucial to eliminate unconscious bias, to enhance employee diversity, increase the ratio of women in managerial positions, and correct the gender pay gap. We address unconscious bias through initiatives such as DE&I Management Training for managerial staff, and our DE&I

Seminar in Advertising Deliverables for all employees. Feedback from post-training surveys has been enlightening, with responses indicating that participants learned to recognize and strategize against their own biases and gained a renewed understanding that unconscious bias affects everyone. We are committed to continuing our efforts to raise awareness of unconscious bias and to creating an environment where everyone can flourish while being true to themselves.

Women Empowerment



We have formulated and are working on a General Employer Action Plan based on the Act on the Promotion of Women's Active Engagement in Professional Life. Our employee composition ratio is 42.7% female and 57.3% male (March, 2024). At positions above the manager level, the ratio is 24.2% female (March, 2024), which is higher than domestic average of 12.7%*. In addition, employees who serve as role models, such as executive officers, take the lead in implementing meat-ups. We will continue to recognize the unconscious bias and, while valuing diversity and promoting initiatives to encourage more active participation by female employees and strive to improve the ratio of female managers, based on the principle of promoting appropriate human resources to promote management strategies.

*Average of women's manager ratio is based on "Basic Survey of Gender Equality in Employment Management,2022"
(Ministry of Health, Labor and Welfare)

International Women's Day Collaborative Event with LY Corporation on Careers

Employment of the Handicapped

As of June 2024, our company employs a workforce consisting of 3.35% individuals with disabilities, exceeding the statutory employment rate. They are an essential part of various departments, including our management division, customer support division and merchandize control division. We aim to make our company a place where every employee (with or without handicap) can work easily and in an environment that supports them fully.

Main Initiatives

- Regular interviews (mandatory for all employees during the first three months after joining, optional thereafter upon request).
- Establishment of a dedicated consultation service for employees with disabilities (a dedicated 2D barcode is provided at the time of joining).
- Interviews in case of attendance issues (only for the first occurrence).
- Long-term leave system.
- Annual training on disability employment for employees and part-time staff at logistics centers.
- Group tours and workplace training for special support schools
- Hiring of graduates from special support schools
- Provision of sign language interpretation at the General Meeting of Shareholders

Key Reasonable Accommodations

- Use of written communication (notes, online chat), sign language (finger spelling), and speech-to-text applications (Communication Support).
- Adjustments to workbench height and placement, floor fixation, installation of elevators and ramps, consideration for parking space (Universal design of the environment and facilities).
- Adjustments to work rotations, shift adjustments, and attendance considerations (Ensuring a comfortable working environment).
- Permission to wear earplugs, earmuffs, or sunglasses (considerations for auditory and visual sensitivities).

Sales of the Breads Manufactured by Students of Special-Needs Schools at ZO-ZOBASE Logistics Center

Establishment of the "ZOZOdeaf Community" for Employees with Hearing Disabilities and the Hosting of Sign Language Workshops for Staff

In the "2024 Excellent Company Award for Employment for Persons with Disabilities," our company received the "JEED Chairman's Award" and one of our part-time staff received Two Prestigious Awards

*These examples of initiatives and reasonable accommodations are primarily implemented at our logistics centers.

Number of new graduates hired from Special Support Schools

	FY2023	FY2024	FY2025
Number of employees hired	2	3	5

*Employment type: Contract employee or part-time staff

Employment Appointment of Foreigners as core human resources of the Handicapped

We have group companies in the United States, New Zealand, Thailand, Vietnam, etc., and have appointed foreigners as directors of each group company. We will continue to value diversity in our workforce, and recruit appropriate personnel. In the event that overseas business experience is needed to promote management strategies, we will recruit appropriate personnel regardless of their nationality.

Promoting Experienced Hires to Key Roles

In fiscal 2023, we hired 171 new mid-career employees (100 men and 71 women). We have appointed many mid-career recruits as managers and core human re-

sources, including all executive directors and executive officers who are hired mid-career. Regardless of whether new graduates or mid-career hires, we will continue to value diversity and promote appropriate human resources.

Promoting Part-Time Employees to Full-Time Employees

We have a system in place for promoting part-time employees to full-time employees. We carry out the same document screening and interviews as for mid-career recruitment, and follow-up meetings are also conducted after the selection process. Seven employees were promoted to full-time employees in fiscal year 2023 through the use of this system.

Support for Employees Raising Children

We are committed to creating a comfortable work environment for employees who work while raising children. As of March 2024, we have a very high rate of employees taking childcare leave, with 100% of women and 67.4% of men (full-time workers) , and a 100% return-to-work rate after maternity or childcare leave . To support employees balancing work and childcare, we provide opportunities for information sharing and networking for returning employees at the beginning of each fiscal year, when many return to work. Additionally, we offer events that employees can voluntarily participate in during their childcare leave, and have introduced housekeeping services that can be accessed with subsidies.

Social Contribution Activities

ZOZO Group is working together with its stakeholders to resolve environmental and social issues by utilizing fashion and technology with the aim of realizing its corporate philosophy of "Inspire the world. Deliver joy every day."

KPI and Results

Sustainability Four Key Actions	KPI	Target	Target year	FY2023
Contribute to sustainable community development	By 2030, Contribute to the revitalisation of local communities, by 'connecting' with one million next-generation people under 20 years old.	1 million	2030	272,490

Community Relations

Aiming to "Contribute to sustainable community development," which is one of four Key actions, we are implementing a variety of initiatives in collaboration with everyone, particularly in the regions where we operate.

Comprehensive Collaboration Agreement with Chiba City and Chiba University



In February 2019, we made comprehensive collaboration agreements with Chiba City and Chiba University. The agreement with Chiba City is aimed at promoting collaboration that effectively utilizes the resources and expertise of both parties, enhancing the individuality and attractiveness of the city from both the corporate and administrative perspectives, developing towns that will

lead to the future, and further vitalizing the region. The agreement with Chiba University also aims to contribute to local communities by promoting academia and culture and vitalizing local economies through the exchange of human and intellectual resources.

[Comprehensive Collaboration Agreement with Chiba City and Chiba University](#)

Participated in the Chiba Entrepreneurship Educational Consortium Seedlings of Chiba, a partnership between industry, academia, and government



We participated in the Chiba Entrepreneurship Educational Consortium Seedlings of Chiba, a partnership between industry, academia, and government. We are working to create opportunities to foster entrepreneurship among children who will lead the next-generation industry

Comprehensive Collaboration Agreement with Tsukuba City.



We concluded an agreement with Tsukuba City, Ibaraki Prefecture, on a comprehensive collaboration agreement related to regional revitalization, support for the next generation, and promotion of SDGs. We will promote the revitalization of local communities and support for the next generation, and aim to contribute to the creation of sustainable communities by implementing initiatives that make use of the resources, know-how, and individuality of both parties in close cooperation.

Job Creation in Local Communities

To contribute to the local economy and strengthen community ties, we actively promote the employment of local talent at our logistics centers. At our logistics centers "ZOZOBASE Narashino" and "ZOZOBASE Tsukuba," we employ a large number of workers who reside in the surrounding areas (Chiba and Ibaraki Prefectures). At ZOZOBASE Narashino 1 and 2, 1,495 out of 1,588 part-time employees (94.1%) are residents of Chiba Prefecture. Similarly, at ZOZOBASE Tsukuba 1, 2, 3, and DPL, 2,853 out of 2,937 part-time employees (97.1%) are residents of Ibaraki Prefecture. Through these initiatives, we are creating job opportunities that directly benefit local communities.

Educational support

Aiming to "Contribute to sustainable community development," which is one of four key actions, we are providing a variety of educational support for the next generation in collaboration with school organizations centered on the regions where we operate.

On-Demand-Delivery Classes



We conduct on-demand-delivery classes at schools in the regions where we operate. We offer a variety of classes on design, data science, and other topics that take advantage of our culture and business characteristics. In FY2024, we delivered On-Demand-Delivery Classes at approximately

150 schools, reaching a total of over 300 schools across the nation.

[In FY 2023, We Conducted Outreach Classes at 108 Schools Nationwide for Elementary, Junior High, High School, and University Students](#)

Career-Education Supplementary Textbook



We distribute Career-education supplementary textbooks that feature information about our company's work and values to approximately 80,000 students. These include second-year junior high students from all public middle schools in Chiba Prefecture, as well as sixth-grade students in Chiba City, Funabashi City, Kashiwa City, Yachiyo City, Narita City, and Inzai City.

[Posted on ZOZO's Work in a Career-Education Supplementary Textbook in Chiba](#)

Training for Teachers



We cooperate in the 10th year of Chiba City's training program for teachers, and provide training for them. In addition to our service and operation experience, we also provide support to teachers who guide the next generation by holding workshops on the themes of their caring thoughts and mindsets.

ZOZO Connection, a special benefit program for community-based employees



ZOZO provides employees with ZOZO Connections, a system of preferential treatment tailored to local communities as an initiative aimed at creating a sustainable community by cooperating with restaurants in the regions where we operate. Employees receive benefits to revitalize their communities by actively using and returning benefits to stores in their bases.

[Launched "ZOZO Connection," a Special Benefit Program for Community-based Employees](#)

Square in ZOZO



We have set up a "Square in ZOZO" in the space in our head office, which is free of charge as a place for relaxation to neighbors. It is used by a variety of people, including small children and students, and also is used by providing a place for events held in the local community.

Other Initiatives with Regions

Launched original coffee that appeal of Nishi-Chiba, where ZOZO is headquartered

Boxed Lunches produced in Ibaraki Prefecture at ZOZOBASE Tsukuba Logistics Center

Nishi-Chiba-Made Honey for 2022 New Year's Greetings

Comprehensive Collaboration Agreement with Chiba City and Chiba University

Uniforms Designed by ZOZO for the Boys Volleyball Team in Chiba City

Acquired Pedestrian Bridge Naming Rights in Nishi-Chiba, where ZOZO Head Office is located

In 2021, the New Head Office was Designed to Produce a New Year's Celebration

Production of "Temporary Box Art" by Hand Written by Employees at the Construction Site of the Head Office in Nishi-Chiba

Original Masks Produced by ZOZO are Presented to Elementary Schools in the Vicinity of the Head Office.

Sponsorship Activities

Through various activities related to sports, we aim to Contribute to sustainable community development, which is one of four Key actions.

ZOZO CHAMPIONSHIP



Following the conclusion of our sponsorship agreements with the world's leading golf tour management organization, we have been hosting the "ZOZO CHAMPIONSHIP" since autumn 2019, in Chiba, our base region. Through the Games, we aim to realize our corporate philosophy and revitalize local communities by delivering excitement and aspirations around the world with the positive power that sports bring, such as golf that is loved across generations, genders, and borders. We also hold charities and volunteer activities for the next

generation through the tournament.

Through the PGA TOUR Tournament "ZOZO CHAMPIONSHIP 2024," Approximately 38 Million Yen Donated

ZOZOMARINE STADIUM



In December 2016, we acquired the naming rights of Chiba Marine Stadium, which is located in the regions where we operate. The name of the Stadium was changed to the "ZOZOMARINE STADIUM." In collaboration with relevant parties, such as Chiba City and Chiba Lotte Marines, we are planning various plans for regional revitalization.

Earning the naming rights of the Chiba Marine Stadium, and renaming it to "ZOZO Marine Stadium".

Produced "Crew Uniforms" for ZOZOMARINE STADIUM Staff

Donation of Former Crew Uniforms from ZOZO Marine Stadium to "FURUGI de WAKU-CHAN"

ZOZOPARK HONDA FOOTBALL AREA



As a main sponsor of a sports facility which is operated by “HONDA ESTILO Co., Ltd.” (the office which a professional soccer player Keisuke HONDA belongs), the Company acquired the naming rights of the facility. The facility was named "ZOZOPARK HONDA FOOTBALL AREA" to express the hope that it will serve as a starting point for the development of new talents, bringing together a large number of people in a variety of generations, mainly from the local community. We are cooperating with HONDA ESTILO Co., Ltd. in a variety of ways to ensure that visitors to our facilities can enjoy and use our services.

JEF UNITED ICHIHARA CHIBA



Since 2015, we have sponsored JEF UNITED ICHIHARA CHIBA, a professional soccer club based in Chiba, where we operate. With the cooperation of JEF UNITED ICHIHARA CHIBA, we are engaged in the design of uniforms and goods, and are working to revitalize local communities.

ALTILI CHIBA



We are collaborating as a brand partner with professional basketball club, ALTILI CHIBA, which is based in Chiba, where we operate. In addition to selling original ALTILI CHIBA goods in ZOZOTOWN, we announced the commencement of joint initiatives utilizing our proprietary measurement technology, "ZOSUIT," together with the managing company Altiri, Inc., and Chiba University. Through this initiative, we will explore the possibilities of utilizing ZOSUIT in the sporting field and aim to contribute to Chiba, where the three parties are based together.

Tegevajaro Miyazaki



We have concluded a Club Vision Promotion Partnership with Tegevajaro Miyazaki, a professional soccer team based in Miyazaki City, where we have our office. We are striving to revitalize local communities mainly through staff at our Miyazaki office, including support for the Academy, which is mainly composed of middle and high school students, and various regional and various measures.

[Club Vision Promotion Partnership Agreement with Tegevajaro Miyazaki](#)

Donation / Support / Volunteer

Aiming to "Contribute to sustainable community development," which is one of four Key actions, we provide support activities such as donations and volunteers for various events such as disasters.

Disaster Support



We provide various types of reconstruction assistance, including donations, material support, and sponsorship, to help restore the environment to which many people suffer as soon as possible due to disasters and man-made disasters.

Full donation of sales proceeds from Ukrainian humanitarian charity T-shirts

Sponsored and first participated in "TOUR de TOHOKU"

Joined SEMA, an Emergency-Disaster Response Alliance

Sales of SAVE FASHION, SAVE THE TOWN TEE, a new charity T-shirt to support the prevention of the Covid-19

Sales of SAVE FASHION, SAVE THE TOWN TEE, a new charity T-shirt to support the prevention of the Covid-19

Support for disaster-stricken areas with the 19th typhoon in the first year of the Reiwa Era and production of the "Reconstruction Support Can Badge presented by ZOZO CHAMPIONSHIP."

Received Medal with Dark Blue Ribbon for Reconstruction Assistance after Typhoon Damage

July 2018, 2018 : Donations to Okayama, Hiroshima and Ehime Prefectures

Donated 1% of 10-day ZOZOTOWN sales to support the reconstruction after the 2016 Kumamoto Earthquake

Donated 5% of 4-day ZOZOTOWN sales to support reconstruction from the 2015 Nepalese Earthquake

2003 Iraq War Charity T-Shirt Sales Total Donation

Support for child-care facilities



We cooperate with child care facilities located in Chiba City as part of our support for the next generation of children. We engage in exchanges, such as participating in events held within facilities, with the aim of engaging in activities that can support children living in various facilities.

[Support Initiative for Children in Foster Care Starting a New Chapter](#)

Cooperation with special support schools



We cooperate with special support schools as an initiative to employ people with disabilities. Logistics centers ZOZOBASE have many employees with disabilities, and many are hired through collaboration with local support agencies and special support schools. In addition to employment, we plan and implement a variety of initiatives in collaboration.

Volunteer



We conduct a variety of volunteer activities through our business with the aim of "Contribute to sustainable community development," which is one of four Key actions.

Cleanup Activities around ZOZOBASE Tsukuba Logistics Centers
"ZOZO Beach Clean Action" Implemented

Made-to-Order Inclusive Clothing "KIYASUKU with ZOZO"



We are committed to creating a world where everyone, including individuals with disabilities, can enjoy fashion. Through our production support service "Made by ZOZO," we offer "KIYASUKU with ZOZO," a service that enables fashion brands to produce and sell inclusive clothing on ZOZOTOWN through a made-to-order model. Individuals with disabilities often face unique challenges in fashion depending on the type and severity of their disabilities. When choosing everyday clothing, they are

frequently forced to prioritize "ease of wear," which limits their choice of fashion. To address these challenges, "Made by ZOZO" collaborated with "KIYASUKU," an online clothing alteration service for individuals with disabilities or medical conditions. As the first initiative of the collaboration, we have developed and launched trousers designed to meet the needs of wheelchair users, which have been available since August 2024.

Made-to-Order supports inclusive apparel production for brands "KIYASUKU with ZOZO" to launch on August 10

Community Investment

We consider the issues of “Reinforce cooperation with local communities and development of the next-generation people” and “Promote diversity, equity and inclusion” identified in our materiality to be important issues, and we are working to resolve these issues by promoting regional revitalization and making investments from both a business and social contribution perspective.

Name of organization and candidate	Details	FY2023 Amount of investment
<p>Chiba Prefecture Disabled Sports Association (General Incorporated Association)</p> <p>Child Welfare Facility Boso Futaba Academy</p> <p>Child Welfare Facility Onchou-en</p> <p>Child Welfare Facility Houyu Kids Home - Social Welfare Corporation Houyu-kai</p> <p>Social Welfare Corporation Fuku-shi Orchestra</p> <p>Special Olympics Japan - Chiba</p> <p>Special Support Schools in Chiba</p>	<p>Donation through PGA TOUR tournament "ZOZO CHAMPIONSHIP" to support junior golfers and youth education</p>	<p>38,035,354 yen</p>

Name of organization and candidate	Details	FY2023 Amount of investment
<p>Prefecture (6 schools) Chiba City Education Future Dream Fund Chiba City Out-of-School Education Voucher Project Chiba Prefecture Child Welfare Facility Council Chiba University Faculty of Education, Attached Special Support School Child Welfare Facility Chiba Mirai Hibiki no Mori Academy - Social Welfare Corporation Tensuke-kai Japan High School & Junior High School Golf Federation Certified NPO Katariba Certified NPO Kids Door Specified Nonprofit Corporation HUG for ALL Certified NPO Bridge for Smile Certified NPO ReBit First Tee Japan</p>	<p>Donation through PGA TOUR tournament "ZOZO CHAMPIONSHIP" to support junior golfers and youth education</p>	<p>38,035,354 yen</p>

Name of organization and candidate	Details	FY2023 Amount of investment
Ishikawa Prefecture	Donation through 2024 Noto Peninsula Earthquake	5,000,000 yen
Certified NPO ReBit	Donations for LGBTQ+ on-Demand-Delivery Classes and LGBTQ+ awareness-raising activities	250,000 yen
Public interest incorporated association Marriage For All Japan	Donations for the promotion of marriage equality (legalization of same-sex marriage)	250,000 yen
Other	—	578,272 yen

Through the PGA TOUR Tournament "ZOZO CHAMPIONSHIP 2023," Approximately 38 Million Yen Donated 2024 Pride Month Initiatives

Improving Service Quality

We cooperate with special support schools as an initiative to employ people with disabilities. Logistics centers ZOZOBASE have many employees with disabilities, and many are hired through collaboration with local support agencies and special support schools. In addition to employment, we plan and implement a variety of initiatives in collaboration.

[Sales of the Breads Manufactured by Students of Special-Needs Schools at ZOZOBASE Logistics Center](#)

We aim to further improve customer satisfaction by providing high-quality, safe, and reliable products and services.



Product Management and Packaging

In order to keep our brands' valuable products in custody and meet the expectations of customers who purchase them, we constantly check staff management, work procedures, and flow as needed, maintain our quality as stipulated, and further improve quality.

Utilizing Customer Feedback

Based on the philosophy of "becoming friends with customers," ZOZOTOWN Customer Support Center listens carefully to the voice of customers with a hope to realize the philosophy. In recognition of this customer support operation, in March 2022 we became the first in the apparel industry to obtain the highest rating, the Five-Star Certification, for the HDI Five-Star Certification Program for HDI-Japan, which evaluates center operations, for the third consecutive time (*). The opinions we receive from customers and the results of customer satisfaction surveys are visualized and analyzed by an analytical team within ZOZOTOWN Customer Support Center. The analysis results lead to improvements in response quality and FAQ, and self-resolution through AI Chat BOT, and we strive to improve response quality and convenience. In addition, important information is reported to the divisions in charge and senior management, and improvement activities are promoted primarily based on customer opinions.

*The certification is valid for two years, we undergo audits every two years, and we have obtained "5 Star Certification" three times in a row since 2017.

Acquired ISO 14001 Certification, ISO 45001 Certification, and QMS Certification (ISO 9001 Certification)

We have developed a production support service Made by ZOZO that produces an appropriate amount of products in accordance with demand that only produces goods after receiving customer orders and provides it to our business partner brands. In addition, our Chinese affiliate factory conducts "Made by ZOZO" production, has acquired ISO 14001 Certification, ISO 45001 Certification, and QMS Certification (ISO 9001 Certification).

Group Company Information	Location	Year and month of certification
NANTONG ZHUOTENG INFORMATION TECHNOLOGY CO.,LTD	China Jiangsu Province	March 2023

 [ISO Certification](#)

Marketing Activities

We are committed to responsible marketing activities that respect the rights, creditworthiness, and reputation of others. Through adherence to relevant laws, internal regulations, and in-house training, we ensure that our content and expressions do not infringe on these aspects and do not lead to misunderstandings or discomfort.

Responsible Advertising and Promotional Activities

In order to convey an appropriate image to our stakeholders through our advertising and promotional activities, we have a high level of ethics (we take into consideration human rights, the environment, confidential information, intellectual property rights, personal information, etc.) and strictly follow the standards set by each medium, giving due consideration to defamation, discriminatory expressions, exaggeration, religious and political beliefs, etc.

We exclude content related to these from our advertising distribution and carry out our advertising activities responsibly.

In addition, we provide accurate information about products and services, and in cooperation with our legal department, we ensure compliance with various laws and regulations, such as the Copyright Act and the Act against Unjustifiable Premiums and Misleading Representations, as well as industry guidelines, past user feedback, and the perspectives of various stakeholders, and we

strive to provide accurate and moderate advertising and publicity that does not cause misunderstanding or offense.

Advertising Screening System

In order to provide users with more useful advertisements and a better advertising experience, we are working not only to improve the value of our advertising media, but also to enhance the reliability of our advertising methods and advertisements themselves.

ZOZOTOWN has an advertising plan that has established advertising and operational standards for the content, display, and expression of advertisements. Advertisements will not be posted if the advertiser's industry and the advertised products or services are deemed to be in violation of the standards of the terms and conditions established by the Company. In addition, we will screen advertisements to ensure that they do not violate laws and regulations or offend public order and morals before deciding whether or not to publish them, or to change the content of the advertisements.

 [Posting and operational criteria](#)

Environment

Environmental Management

Climate Change

Waste Reduction

Natural Capital

ZOZO Group has achieved ISO 14001 certification at all of our production sites and has built an Environmental Management System based on ISO 14001 standards. In addition to this, we have established Key Performance Indicators (KPIs) for environmental issues that we consider to be particularly important. We also conduct employee training programs to improve their level of environmental awareness.

Acquired ISO 14001 Certification, ISO 45001 Certification, and QMS Certification (ISO 9001 Certification)

We have developed a production support service Made by ZOZO that produces an appropriate amount of products in accordance with demand that only produces goods after receiving customer orders and provides it to our business partner brands. In addition, our Chinese affiliate factory conducts "Made by ZOZO" production, has acquired ISO 14001 Certification, ISO 45001 Certification, and QMS Certification (ISO 9001 Certification).

Group Company Information	Location	Year and month of certification
NANTONG ZHUOTENG INFORMATION TECHNOLOGY CO.,LTD	China Jiangsu Province	March 2023

Basic Environmental Policy

ZOZO Group endorses the Paris Agreement and aims to mitigate the impact of climate change by proactively disclosing relevant information and achieving its greenhouse gas emissions reduction targets. Additionally, we are committed to contributing to the realization of a sustainable environment by active engagement in maintaining and preserving the environment through our business operations.

1.Realize a Decarbonized Society

We will make continuous efforts to reduce CO2 by conserving energy, conserving resources, reducing waste, reusing, and recycling.

2.Conservation of Natural Capital

We will encourage employee participation in environmental conservation activities, promote green procurement, and take environmental measures.

3.Compliance with Laws and Ordinances

We will comply with all laws, ordinances, international rules and practices related to the environment in Japan and overseas.

4.Cooperate with our Stakeholders

We aim to realize a sustainable environment by working with a diverse range of stakeholders to resolve environmental issues.

5.Enhance Education and Training

We will disseminate this policy and environmental issues to all employees and provide education and training.

6.Disclosure of Environmental Information

We will disclose environmental policies and information and promote transparency.

*Basic Environmental Policy approved by the Board of Directors on October 18, 2021

*Products and services and Distribution and logistics are covered

Net Zero

In addition to the "2030 Carbon Neutral Declaration"(*1), which aims to reduce greenhouse gas emissions (Scope 1&2) from our business activities to virtually zero by FY2030, we are committed to realizing a "Net Zero" (*2), which aims to reduce supply chain emissions, including those emitted by business partners (Scope 3), to virtually zero by 2050.

Scope 1: Direct emissions of greenhouse gas by businesses themselves (fuel combustion, industrial processes)

Scope 2: Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies

Scope 3: Indirect emissions other than Scope 1 and Scope 2 (emissions of other companies associated with the activities of the business operator)

*1 Announced the "2030 Carbon Neutral Declaration" in February 2022

*2 Announced "Net Zero" in January 2023 [ZOZO, Inc. Announces "2030 Carbon Neutrality Declaration," Reducing GHG Emissions to Net-Zero by FY2030](#)



Endorsement of TCFD

ZOZO Group announced the agreement to "Task Force on Climate-related Financial Disclosures (TCFD)"※ in February 2022. We will continue to disclose climate-related risks and opportunities - "Governance", "Strategy", "Risk Management" and "Indices & Targets" based on TCFD's recommendations.


*"Task Force on Climate-related Financial Disclosures (TCFD)" is a task force established by The Financial Stability Board, an international body consisting of several central banks, ministries of finance and more. TCFD declared to support companies disclosing climate-related risks and opportunities in June 2017.

Governance

We consider that the drafting and implementation of strategies is effective by dealing with climate change issues at our Board of Directors. Accordingly, the Board of Directors deliberate and resolves on important environmental matters, including climate change. SDGs Promotion Committee, established as an executive management organization, is chaired by the president and CEO, and acts as a chief executive officer of environmental management responsible to oversee discussions regarding climate-related risk and opportunities, policies and goals, progress of initiatives, and to report to the Board of Directors important matters discussed at the SDGs Promotion Committee.

[Our Corporate Governance Structure](#)

Strategy

Scenarios for future climate change were analyzed using  [FASHION INDUSTRY CHARTER FOR CLIMATE ACTION](#) and [A Roadmap to Net-zero Emissions for the Apparel Sector](#) those are based on the Intergovernmental Panel on Climate Change (IPCC) to identify risks and opportunities related to climate change.

Categorization of risks and opportunities based on TCFD recommendations			Content	Time Horizon			Mitigation Plan	Financial Impact		
				Short-term	Mid-term	Long-term		Small	Medium	Large
Risks	Transition risks	Policies and Laws	Burden of taxes on the new environment, such as carbon tax		●	●	Introduction of Renewable Energy Implementing LED lighting in all logistics Centers Introducing the "EMS-AI" Optimal Air Conditioning Control System Advancing Initiatives Toward Net-Zero Emissions	●		
			Tightening of regulations on materials (packaging materials and products)		●	●	Increasing the Usage Rate of Environmentally Friendly Materials Development and Support for New Materials Raising Awareness Among Business Partners		●	
			Tightening of regulations on delivery (inbound and outbound shipments)	●	●		Minimizing Inter-site Transportation through Optimal Inventory Placement Research Improving Load Efficiency in Mainline Transportation Promoting "Package drop Service" Implementing the "Bulk Order" Feature Collaboration with Yamato Transport Co., Ltd.	●	●	
			Tightening of sales regulations for greenwash		●	●	Ensuring Compliance with Regulations Against Greenwashing Raising Awareness Among Business Partners Conducting Environmental Audits for Business Partners		●	
		Technology	Cost increase due to change to environmentally-friendly operations	●	●	●	Streamlining Logistics Operations Implementing LED lighting in all logistics Centers Introducing the "EMS-AI" Optimal Air Conditioning Control System	●		
			Cost increases due to change in environmentally-friendly production methods and materials	●	●	●	Promoting Development and Innovation in Eco-friendly Production Methods and Materials		●	
		Market	Declining demand for products that are not environmentally-friendly due to changes in environmental awareness and consumer behavior		●		Developing Products in Line with Customer Consciousness Expanding the Rollout of Eco-Friendly Products		●	
			Soaring product prices due to the shift to environmentally-friendly products	●	●		Development and Support for New Materials		●	
			Soaring prices for energy such as electricity and crude oil	●	●		Introduction of Renewable Energy Implementation of Energy-Saving Equipment Advancing Initiatives Toward Net-Zero Emissions	●		
		Reputation	Declining reputation risk and corporate value due to inadequate response to environmental issues	●	●		Complying with International Standards to Address Environmental Issues		●	
			Suspension of trading by suppliers due to inadequate response to environmental issues		●	●	Complying with International Standards to Address Environmental Issues		●	
			Declining investor evaluation due to inadequate response to environmental issues	●	●		Complying with International Standards to Address Environmental Issues		●	
	Physical risks	Acute	Increasing product manufacturing and procurement costs and unit prices due to natural disasters and climate change		●	●	Strengthening the Promotion of the online website (shop) for secondhand/vintage apparel "ZOZOUSED" Strengthening the Promotion of the Production support service "Made by ZOZO"			●
			Damage to business establishments, logistics centers, data centers, and products for sale due to natural disasters		●	●	Decentralization of Bases Enhancing BCP (Business Continuity Planning) Measures Investigating the Business Continuity Systems of Business Partners			●

Categorization of risks and opportunities based on TCFD recommendations			Content	Time Horizon			Mitigation Plan	Financial Impact		
				Short-term	Mid-term	Long-term		Small	Medium	Large
	Physical risks	Acute	Changes in consumer demand due to infectious diseases risk (Covid-19, etc.)	●	●	●	OMO solutions "ZOZOMO" Physical Store "niulab by ZOZO" Measurement Technologies (ZOZOSUIT, ZOZOMAT, ZOZOGLASS) Expanding Beyond Apparel Categories (ZOZOSHoes, ZOZOCOSME)	●		
			Increasing costs due to capital investment in response to extreme weather	●	●	●	Automating Operations Implementing LED lighting in all logistics Centers Introducing the "EMS-AI" Optimal Air Conditioning Control System	●		
		Chronic	Declining demand for heavy winter clothing due to global warming		●	●	Expanding Beyond Apparel Categories (ZOZOSHoes, ZOZOCOSME) Monetizing Technology	●		
			Exhaustion of raw materials due to rising temperatures and sea levels		●	●	Strengthening the Promotion of the online website (shop) for secondhand/vintage apparel "ZOZOUSED" Strengthening the Promotion of the Production support service "Made by ZOZO"	●		
Opportunities	Resource efficiency		Efficiency of resources, such as paperless operations	●			Digitizing Delivery and Receipts for ZOZOTOWN Implementing an Electronic Contracting Service for Web-Only Agreements	●		
			Improvement, optimization, and reuse of packaging materials	●			Replacing Plastic Cushioning Material with 100% Recycled Paper Providing Multiple Sizes of Shipping Materials to Prevent Excessive Packaging Introducing a System for Easy Selection of Appropriate Packaging Size Introducing Reusable Bags Adopting FSC Certified Cardboards and Biomass Material Bags	●		
			Efficiency of transportation and delivery	●	●		Minimizing Inter-site Transportation through Optimal Inventory Placement Research Improving Load Efficiency in Mainline Transportation Promoting "Package drop Service" Implementing the "Bulk Order" Feature Collaboration with Yamato Transport Co., Ltd.		●	
	Energy source		Reducing energy consumption by building environmentally-friendly operations (e.g., energy-saving)		●	●	Streamlining Logistics Operations Implementing LED lighting in all logistics Centers Introducing the "EMS-AI" Optimal Air Conditioning Control System		●	
	Products / Services		Acquiring competitive advantage by developing and providing environmentally-friendly services (reuse, custom-order production, etc.)		●	●	Strengthening the Promotion of the online website (shop) for secondhand/vintage apparel "ZOZOUSED" Strengthening the Promotion of the Production support service "Made by ZOZO"			●
			Acquire competitive advantage by building environmentally-friendly logistics operations		●	●	Strengthening the Promotion of the online website (shop) for secondhand/vintage apparel "ZOZOUSED" Strengthening the Promotion of the Production support service "Made by ZOZO" Strengthening Initiatives on Logistics Collaboration with Prologis Inc.			●
			Improving the operational efficiency of logistics by optimizing the number of products (inventory numbers) through environmentally-friendly movements		●		Strengthening the Promotion of the Production support service "Made by ZOZO"			●
	Market		Acquiring new customers and expand the use of existing customers by offering products and services that meet environmental demand		●	●	Strengthening the Promotion of the online website (shop) for secondhand/vintage apparel "ZOZOUSED" Strengthening the Promotion of the Production support service "Made by ZOZO"			●
			Creating new markets by collaborating with stakeholders and developing technologies	●	●	●	Strengthening the Promotion of Body Management Service "ZOZOFIT" Strengthening the Promotion of Sustainable Information Content "love by ZOZO"		●	
			Expansion of growth opportunities associated with changes in consumer behavior due to an increasing the risk of infectious diseases	●	●	●	OMO solutions "ZOZOMO" Physical Store "niulab by ZOZO" Measurement Technologies (ZOZOSUIT, ZOZOMAT, ZOZOGLASS) Expanding Beyond Apparel Categories (ZOZOSHoes, ZOZOCOSME)	●		

*Short-term: 2024-2027, Medium-term: 2027-2030, Long-term: 2030-2050

Risk Management

With regard to climate-related risks, the Sustainability Promotion Section in Communication Design Division, which is in charge of sustainability exclusively, identifies climate-related risks and opportunities that affect business, and then discusses them at SDGs Promotion Committee, which is chaired by the Representative Director, President & CEO, and reports to the Board of Directors. In addition, the Risk Management Committee identifies important risks across the entire ZOZO group and implements risk management.

Metrics and Targets

In addition to the "2030 Carbon Neutral Declaration"(*1), which aims to reduce greenhouse gas emissions (Scope 1&2) from our business activities to virtually zero by FY2030, we are working to realize a "Net Zero" (*2), which aims to reduce supply chain emissions, including those emitted by business partners (Scope 3), to virtually zero by 2050.

*Scope 1: Direct emissions of greenhouse gas by businesses themselves (fuel combustion, industrial processes)

*Scope 2: Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies

*Scope 3: Indirect emissions other than Scope 1 and Scope 2 (emissions of other companies associated with the activities of the business operator)

*1 Announced the "2030 Carbon Neutral Declaration" in February 2022

*2 Announced "Net Zero" in January 2023 [ZOZO, Inc. Announces "2030 Carbon Neutrality Declaration," Reducing GHG Emissions to Net-Zero by FY2030](#)

Emissions of Greenhouse Gas (CO2) Reduction Targets and Performance

Scope	Base year emissions	Actual emissions	Actual emissions	Target annual emissions		
	Fiscal 2020	Fiscal 2022	Fiscal 2023	Fiscal 2025	Fiscal 2030	Fiscal 2050
Scope 1	5	30 (△500%)	34 (△580%)	1 (▲80%)	0 (▲100%)	0 (▲100%)
Scope 2 (Market-based)	8,032	589 (▲93%)	237 (▲97%)	1,607 (▲80%)	0 (▲100%)	0 (▲100%)
Scope 2 (Location-based)	8,209	9,439 (△15%)	12,252 (△50%)	1,642 (▲80%)	0 (▲100%)	0 (▲100%)
Scope 3	411,919	403,048 (▲2%)	224,593 (▲46%)	—	238,913 (▲42%)	0 (▲100%)

SBTi

In March 2023, we submitted a commitment letter to "SBT Initiative (SBTi)," an organization that certifies "Science Based Targets(SBT)" that are scientifically consistent greenhouse gas emissions reduction targets set by the Paris Agreement. In addition, we have set a target to achieve the Paris Agreement's "1.5°C target" and have applied for SBT certification.

*SBT: Greenhouse gas emission reduction targets set by companies to be 5 to 15 years ahead, consistent with the level required by the Paris Agreement

*SBTi: Initiatives jointly managed by four organizations: the World Wide Fund for Nature (WWF), CDP, World Resources Institute (WRI), and the United Nations Global Compact

Third-Party Verification

In order to ensure high reliability of its reported environmental data, along with its group company SoftBank Corp. and LY Corporation underwent third-party verifications by the Japan Quality Assurance Organization, for objective evaluation of their environmental data.

The Japan Quality Assurance Organization conducted verification in accordance with "ISO 14064-3" for GHG emissions and with "ISAE3000" for Energy consumption, Renewable energy consumption and Renewable energy usage rate, Water consumption and Water Intensity, and Amount of industrial waste

disposal. The verification was conducted to a limited level of assurance and quantitative materiality was set at 5 percent each of the total emissions, consumption and amount of disposal in the Reports. For more information, please refer to the following link.

Based on the procedures described above, nothing has come to our attention that caused us to believe that the statement of the information regarding the LY Corporation Group's FY2023 GHG emissions from Scope 1, 2 and 3, Energy consumption, Renewable energy consumption and Renewable energy usage rate, Water consumption and Water Intensity, and Amount of industrial waste disposal in the Reports, is not materially correct, or has not been prepared in accordance with the Rules.

 [Third-Party Verification Report](#)

Initiatives with Industry Associations

We actively promote initiatives alongside industry associations to address environmental and social issues, engaging with our supply chain and all stakeholders in the process. Furthermore, we consistently reassess the alignment between our management strategy, business activities, and the philosophies of these industry associations. Should a significant misalignment be identified, we explore opportunities for improvement, consider withdrawing, and seek membership in associations more in line with our policies.

JSFA



On April 1, 2022, we became a regular member of the JAPAN SUSTAINABLE FASHION ALLIANCE (JSFA), which aims to promote the transition to a sustainable fashion industry. JSFA is an alliance established in August 2021 to collectively address challenges that are difficult for individual companies to solve independently. As of April 2024, a total of 65 fashion and textile companies were members, with the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Consumer Affairs Agency as public partners.

Commitment

- In endorsement of the Paris Agreement,we promote the transition to a carbon-free business. (Endeavor to overcome contrary businesses)
- We endeavor to participate in the Net Zero Declaration and RE100, EP100, EV100 by 2050.
- We work to reach suppliers and customers and make the value chain more transparent.
- We promote the proper volume production, appropriate volume purchase, and recycling.
- As a member of the alliance, we endorse and cooperate with policy involvement and collaboration in sustainable fashion.

2050 year target

- "2050 Carbon Neutral"
- "Zero Fashion Loss through Proper Volume Production, Appropriate Volume Purchase, and Recycling"

Approach to Human Rights

The Japan Sustainable Fashion Alliance (JSFA) and its member companies endorse the UN Guiding Principles on Business and Human Rights, actively advancing initiatives that respect human rights in accordance with these principles.

Initiatives at JSFA

At JSFA, our company, as a member, has assisted in creating the “JSFA Scope 3 Greenhouse Gas Emissions Case Studies.” Supported by the Ministry of the Environment and in partnership with the Japan Apparel-Fashion Industry Council (JAFIC), we have also helped develop the “Sector-specific Guide to Calculating Greenhouse Gas Emissions through Supply Chains for the Fashion Industry.” Going forward, we will continue to engage actively in discussions to address shared industry challenges and to promote initiatives towards zero fashion waste, supporting the fashion industry's goal of achieving carbon neutrality by 2050.

[JAPAN SUSTAINABLE FASHION ALLIANCE \(JSFA\)](#)

Initiatives at JSFA

JAPAN CLIMATE INITIATIVE

A thick black diagonal line runs from the top right of the word 'JAPAN' down to the bottom right of the word 'INITIATIVE', acting as a graphic separator.

Since March 2024, we have been a participant in the Japan Climate Initiative, endorsing its declaration to "Join the forefront of the global movement towards decarbonization from Japan." The initiative serves as a network to enhance the sharing of information and dialogue among businesses, municipalities, NGOs, and other entities actively engaged in combating climate change.

[Japan Climate Initiative](#)

Climate Change Initiatives

We are implementing measures to address climate change through the introduction of renewable energy at our head office and several logistics centers and through services utilizing technologies such as ZOZOMAT, a mat for foot 3D measurement.

Introduction of Renewable Energy to Our Sites



We are committed to achieving 100% renewable energy use for our facilities by 2030, as part of our “2030 Carbon Neutral Declaration”. As of March 2024, more than 90% of the electricity consumed at our facilities is sourced from renewable energy. All renewable electricity procured comes from non-fossil certificates. We have adopted ENEC RE100 Plan from minnadenryoku Co., Ltd., which provides 100% renewable energy for electricity consumption. In January 2022, ZOZOBASE Narashino 1 and ZOZOBASE Tsukuba 1, our logistics centers, and ZOZOBASE Tsukuba 2 from June 2022 and ZOZOBASE Narashino 2 from September 2022, respectively, introduced 100% of biomass and solar-derived renewable energy with tracking and FIT-non-fossil certificates. CO2 emissions reductions in FY2023 due to the introduction of renewable energy will amount to 12,686 tons.

[Introduction of 100% Renewable Power to ZOZO Head Office in Nishi-Chiba](#)

Using Renewable Energy in All Data Centers



Our data centers that store our servers, etc. use 100% renewable energy power. We are also promoting energy-saving initiatives using cloud data centers.

Sustainable Content "elove by ZOZO"



In September 2022, we launched "elove by ZOZO," a permanent content that presents sustainable information on the Fashion EC "ZOZOTOWN" used by more than 11 million people per year. Aiming to "Highlight sustainable fashion choices to improve users' experience," we present their efforts to sustainability of fashion brands and sustainable products. We also present TIPS related to fashion, environmental and social issues, and other information that is useful when sustainable shopping.

[Permanent Content "elove by ZOZO"](#)

Measurement Technology



In order to resolve concerns about the size of EC purchases, we provide measurement tools such as ZOZOSUIT, 3D measurement bodysuit, ZOZOMAT, 3D foot measuring tool, and ZOZOGLASS, a skin tone capturing device. As a result, we have been able to reduce the amount of CO₂ generated by returning and delivering products, thereby reducing the environmental impact. We also confirmed that ZOZOMAT users have a 36.9 percentage (※) lower return rate than non-users. In addition, we have begun offering ZOZOFIT, a body management service that supports workout progress in the United States using ZOZOSUIT, which enables the generation of 3D models for the body. Measuring technologies not only in fashion but also in healthcare and other fields.

*Compare return rates of ZOZOMAT compatible shoes and non-compatible shoes (Period: February 27, 2020 to October 12, 2020)

Reduce Environmental Impact by Lowering the Return Rate of Shoes Compatible with ZOZOMAT

Production Support Service Made by ZOZO For Sales on Order



As an initiative to solve the issues of the fashion industry-mass-production and mass-disposal we have developed production support service Made by ZOZO and provide it to our business partner brands. Since Made by ZOZO manufactures products after receiving orders from customers, it is possible to produce an appropriate amount of products in accordance with demand. As a result, there is no

impact on production materials due to over-production of products or waste due to unsold products. In addition, since Made by ZOZO can be delivered from one point to production and from order to delivery within 10 days at the earliest, we are able to deliver products to customers without stress compared to ordinary custom-made production.

In our D2C business, YOUR BRAND PROJECT Powered by ZOZO, we fully back up the processes and funding required by individuals to launch the brand. These include product planning, manufacturing, sales, logistics, and customer support. Many of the products sold include sustainable materials that are environmentally and human rights friendly.

[Sustainable Materials Used in YOUR BRAND PROJECT](#)

In our D2C business, YOUR BRAND PROJECT Powered by ZOZO, we fully back up the processes and funding required by individuals to launch the brand. These include product planning, manufacturing, sales, logistics, and customer support. Many of the products sold include sustainable materials that are environmentally and human rights friendly.

[Sustainable Materials Used in YOUR BRAND PROJECT](#)

Logistics



Logistics Centers

- Installed LED Lightings at All the Logistic Centers

In logistics centers ZOZOBASE, 100% of the electricity used at all bases is renewable energy, and LED lighting is used for all lighting equipment to conserve energy and reduce CO2 emissions.

[Installed LED Lightings at All the Logistic Centers, "ZOZOBASE"](#)

- Introduced "EMS-AI" air conditioning optimum control system

In logistics centers ZOZOBASE, we are working to save energy and reduce CO2 emissions by introducing EMS-AI, which automatically optimizes temperature control in the warehouse.

[Introduction of the Air Conditioning Optimization Control System "EMS-AI" at Logistics Center "ZOZOBASE NARASHINO 1"](#)

- Minimize transportation between logistics centers

In logistics centers ZOZOBASE, ZOZO RESEARCH, our R&D organization, are conducting inventory allocation research to minimize inter-site transportation with the aim of achieving sustainable logistics, and reduce CO2 emissions with inter-site transportation.

[ZOZO Research Institute receives the Operations Research Society's 42nd "Case Study Award" for its research on inventory placement that minimizes transportation between locations.](#)

· In the logistics centers ZOZOBASE we use pallets made of 100% recycled materials when transporting cargo. In addition, as an initiative to reduce the use of plastic hangers associated with the storage of outerwear and other products, we recommend flat storage to the extent that quality is not compromised, and request our

business partners to deliver products that do not use plastic hangers as much as possible, and we are working to reduce the amount of waste.

[Introduced Pallets with 100% Recycled Materials](#)

- Adoption of sandwich panels with high thermal insulation properties for the exterior walls of logistics centers

Transportation and delivery

- Improvement of loading efficiency in trunk line transportation

When transporting products from logistics centers ZOZOBASE to distant locations (such as the Hokkaido·Kyushu region), we reduce the amount of CO2 used in transporting products by improving the load-carrying efficiency of trunk transportation by packing them in different regions after trunk transportation, instead of packing them at our each transportation sites.

[Utilize YAMATO TRANSPORT's Relation Center to Streamline ZOZOTOWN Product Delivery in the Hokkaido·Kyushu Region](#)

- Introduced EAZY, Supported by YAMATO TRANSPORT into our services

We have introduced EAZY, a service offered by YAMATO TRANSPORT Co., Ltd. that allows customers to choose the way they receive it, such as in front of the entrance, for the first time in Japan, and we recommend it on the order completion screen of our service. As a result, the rate of customer absenteeism at the time of delivery has decreased, and we are working to reduce CO2 emissions with redelivery.

Introduced EAZY, Supported by YAMATO TRANSPORT into our services, and launched a new delivery method to reduce the risk of personal information leaks through our package drop service.

- Introduction of "Order Consolidation" function

We have introduced an "Order Combination" feature that combines multiple orders into a single order for delivery. When multiple orders have not yet been shipped, orders that can be combined will be automatically combined and shipped to the specified destination. This reduces the amount of packaging materials used for product delivery and the number of deliveries, thereby reducing CO2 emissions associated with delivery.

Efficiency Improvement in Product Delivery through the Expansion of Order Consolidation

- Introduction of "Slow Delivery"

"Slow Delivery" is a new delivery option that delivers orders between 7 and 10 days after customers place their orders, and the lead time from order to delivery is up to 6 days longer than normal delivery. As an address the "2024 Problem" in logistics caused by the implementation of the Work Style Reform Laws, we conducted a trial introduction of it in April 2024, and as we confirmed the effect of reducing the number of deliveries by promoting "Order Consolidation", we introduced it on a full scale in August 2024, expecting further effects such as a reduction in CO₂ emissions.

Packing materials

- Use of environmentally friendly materials

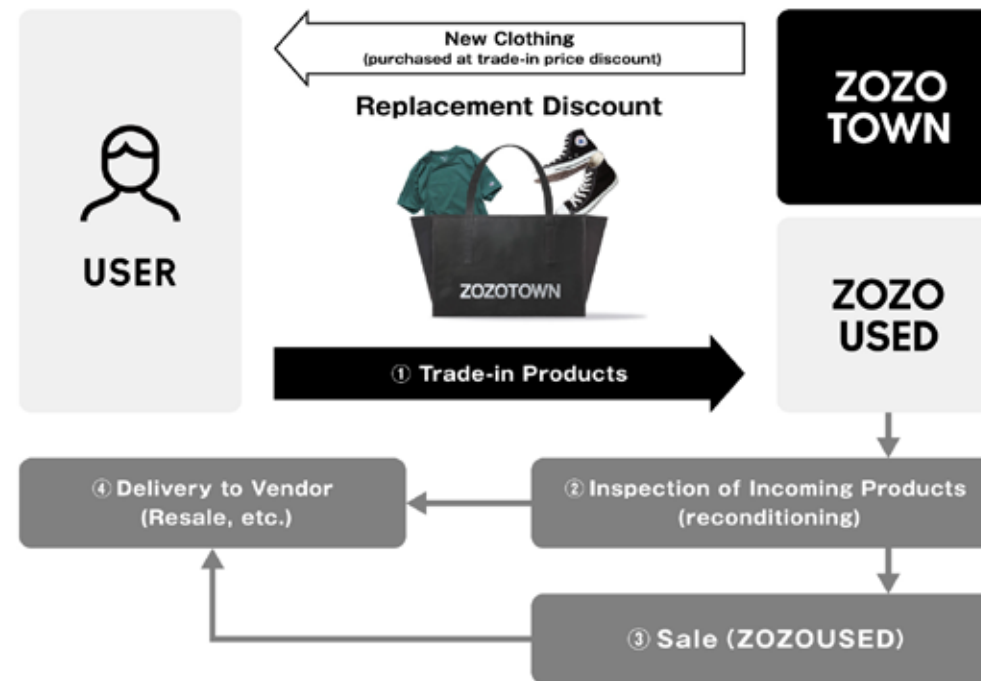
In the logistics centers ZOZOBASE, we use FSC certified cardboards and bags made from biomass materials for packaging materials used in the delivery of products to customers. We also use recycled paper to protect our products, and we strive to be environmentally friendly.

[Changed Packaging for Delivery to Environmentally Conscious Materials](#)

Waste Reduction

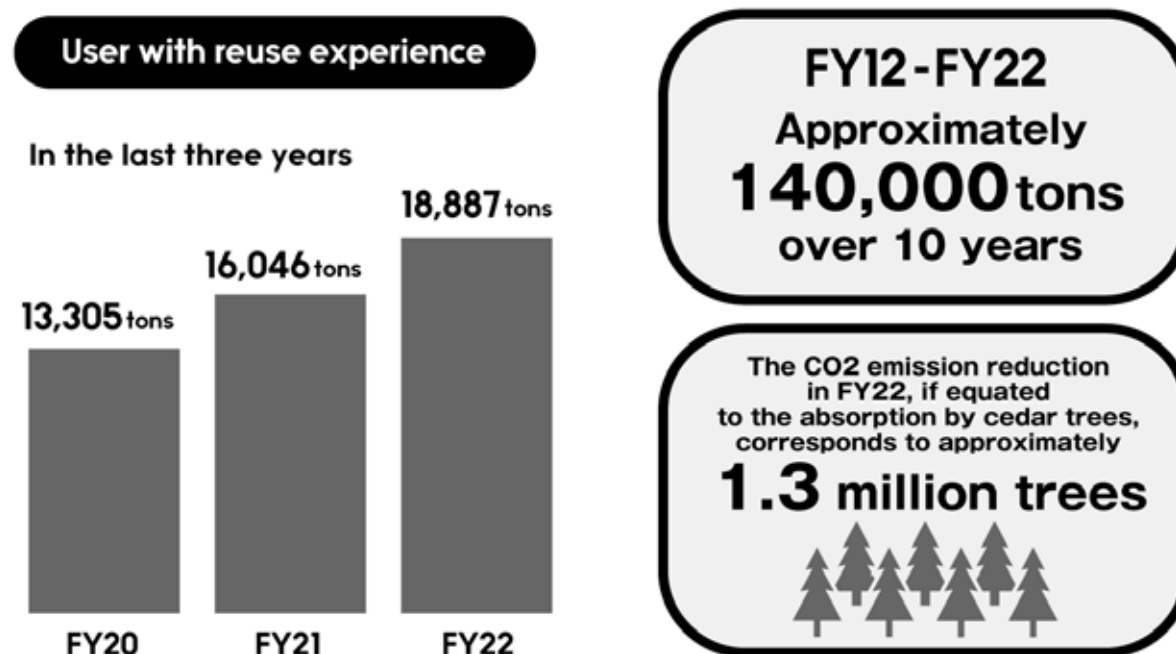
In order to realize a sustainable society, we are working to reduce waste by recycling clothing through secondary distribution and reducing paper consumption.

ZOZOUSED



In the reuse business “ZOZOUSED”, which we operate on ZOZOTOWN, we are committed to reduce waste by purchasing and selling fashion-related products that are no longer in use. Furthermore, we have implemented reusable bags for collecting these items, which can be repeatedly used after being cleaned.

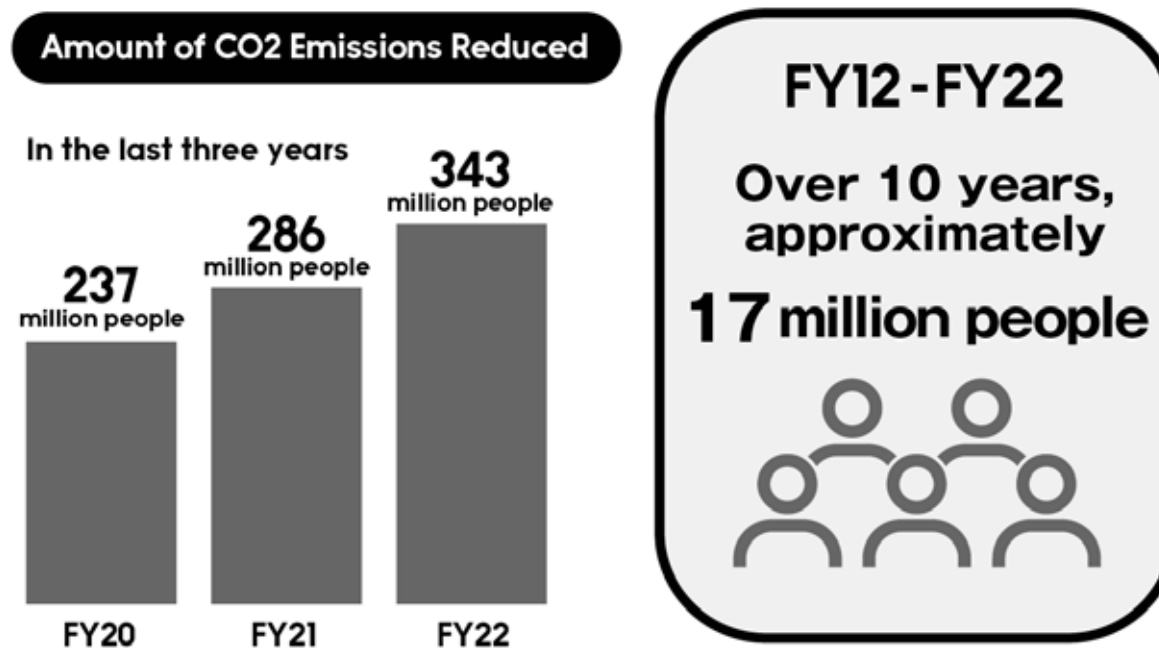
[The Journey of ZOZOUSED and Its Commitment to Circular Fashion](#)



At “ZOZOUSER”, by redistributing items collected from customers, we have been able to prevent CO2 emissions that would occur from the production to disposal and incineration of newly manufactured items. Assuming this, since the start of the service, we have cumulatively reduced CO2 emissions by about 140,000 tons (※1). Furthermore, the amount of CO2 emissions reduced in the fiscal year 2022, when converted to the amount absorbed by Japanese cedar trees, is equivalent to approximately 1.3 million trees (※2).

*From November 2012 to March 2022. This assumes the prevention of CO2 emissions that would occur from the production process to the disposal and incineration of newly produced items. The number of collected items was converted to weight (source: [Ministry of the Environment, “Sustainable Fashion – Fashion for the Future”](#)), and the CO2 emissions per kilogram of item were multiplied to calculate this (source: [Ministry of the Environment, “Method of Calculation for 3R Unit Value”](#)).

*Assuming that one Japanese cedar tree absorbs about 14 kg of CO2 emissions (source: [Kanto Regional Forest Office, Carbon Dioxide Absorption Capacity of Forests](#)).



Moreover, the number of ZOZOUSERS (people with reuse experience) has reached approximately 17 million in total (※) since the service started. We continue to aim to establish a circular fashion by increasing the number of users with reuse experience, thereby expanding the cycle of circulation.

*From November 2012 to March 2022. The definition of a user with reuse experience includes purchasers of ZOZOUSERS service products, users of the Replacement-discount service, and users of the regular purchasing service."

Packaging Materials



- Select the right size material for your products

Materials for packaging products ordered by customers are provided in multiple sizes and are packaged according to the size of the product. We are also working to reduce the amount of materials discarded for delivery, such as by introducing a system that allows the selection of appropriate-size materials for the size of products.

[Changed Packaging for Delivery to Environmentally Conscious Materials](#)

Paperless operations



・ZOZOTOWN Electronic Invoices and Receipts

All of the invoices and receipts delivered to the customers are digitized when ordered by ZOZOTOWN. When converted into the number of shipments in fiscal 2023, we reduced the number of invoices and receipts (paper) by approximately 59 million per year. As a result, the amount of carbon dioxide emissions from

incineration is expected to be reduced by approximately 341 tons.

ZOZOTOWN Electronic Invoices and Receipts

- Improve Operational Efficiency and Reduce Paper Consumption by Introducing Electronic Contracts

In addition, we have introduced an electronic contract service called CloudSign, and are working to reduce waste of paper as a Web completion type, such as contracts.

Improve Operational Efficiency and Reduce Paper Consumption by Introducing Electronic Contracts

Initiatives to Conserve Water Resources

Recognizing that water resources are an important item for the conservation of natural capital, which also relates to climate change issues and biodiversity conservation, the Group will strive to reduce water consumption in its business activities, conserve water resources, and manage and address water risks.

The main uses of water at We can be broadly divided into two categories: cooling water at the data center and other water for daily use at the business offices. Of these, for our business offices, we consume only the amount necessary for our workplace life.

*We believe that as a business model, the impact on financial performance is minimal

Analyzing and Responding to Water Risks and Identifying Priority Locations

We have identified water risks in 15 areas of consolidated group company locations that disclose financial and non-financial reporting.

*As of September 2024

Overall water risk

Country	No. of Locations	Percentage Out of All Locations
Japan	12	80.0%
United States	1	6.7%
China	1	6.7%
New Zealand	1	6.7%
Total	15	100%

The World Resources Institute's (WRI) Water Risk Atlas tool was used to periodically check the Group's overall water risk, water stress risk and future risk, among others.

Related Links

[World Resources Institute's \(WRI\) Water Risk Atlas tool \(external website\)](#)

Out of the 15 sites surveyed, 12 sites, which is approximately 80%, are located in Japan, and domestic sales account for more than 99% of the total sales. We recognize that most of the domestic sites are scored with Medium to High

(20-40%) and the impact on business is not significant; however, several domestic sites are located in low-lying areas, such as coastal areas, and we recognize that there is a risk of torrential rains, flooding, storm surges, etc. due to climate change. One site in one overseas country was identified as a site with a water stress risk of High (40% risk ratio) or higher. These areas have population concentration and drought/drought risk and are identified as areas of concern. The risk scale is as follows.

Degree of Impact on Business at Sites with Water Risk of High (40-80%) or Higher	Percentage of the Group's FY2023 Sales
1 country/region, 1 site	0.1% or lower

Future risks in 2050 were also identified at the same time, and areas with a risk ratio of High (40% risk ratio) or higher were identified. In these areas, there are concerns about submergence/flood risk, drought/drought risk, and water quality risk in the medium to long term, and we will work to conserve water and ensure the continuity of our business.

Data Center Initiatives

The data center used by ZOZO utilizes the World Resources Institute's (WRI) Aqueduct 4.0 tool to better understand water stress concerns. In recent years, the data center has enhanced its ability to accurately measure water use baselines and monitor annual progress on a facility-by-facility basis. Water Use Efficiency (WUE) has been monitored, and the goals of water use reduction have been set to improve overall facility.

Third-Party Verification

Third-Party Verification of Water and Industrial Waste Disposal

In order to ensure high reliability of its reported environmental data, ZOZO, along with its parent company SoftBank Corp., underwent third-party verifications by the Japan Quality Assurance Organization, for objective evaluation of their environmental data.

 [Third-Party Verification Report](#)

Biodiversity

In January 2023, ZOZO Group announced the “Net Zero,” which aims to achieve virtually zero CO2 emissions by 2050. Reducing CO2 emissions not only mitigates climate change, but also leads to ecosystem conservation and maintains biodiversity. In addition, we consider biodiversity as one of our materiality and reflect into our corporate activities by curbing deforestation and maintaining, strengthening and conserving biodiversity and ecosystems. For example, we have adopted FSC certified (*1) corrugated containers and environmentally-friendly packaging materials, reduction of paper consumption by digitizing delivery slips and receipts, and changing the cushioning material used for delivering products from plastic materials to 100% recycled paper. We will continue to comply with relevant treaties and laws and regulations, and aim to realize a society that coexists with nature.

* FSC certification is an internationally recognized system for "appropriate forest management," which was created with the aim of sustainable forest use and conservation.

Basic Environmental Policy

Changed Packaging for Delivery to Environmentally Conscious Materials

Sponsorship and Participation in Environmental Conservation Events



We have sponsored and participated in the environmental conservation event "Shibuya and Plogging" organized by the "Ocean Taro Association" every year since 2022. In the event, we participate in "plogging," an activity that combines jogging with trash collection, together with brands closely associated with Shibuya district, a central hub of fashion. At the event held on Saturday, November 23, 2024 (National Holiday), 60 participants, including our employees and fashion industry professionals, took part and collected a total of 52 kilograms of trash.

Plastic bottles collected through these activities are recycled into new fashion materials using a material recycling system. Since 2023, we have been manufacturing and selling products made from recycled fibers through our production support service "Made by ZOZO."

["ZOZO Beach Clean Action" Implemented](#)

Governance

Corporate Governance

**Internal Control System and
Risk Management System**

Risk Management

Information Security

Privacy Policy

Compliance

Whistleblowing Hotline

**Anti-Corruption and
Corporate Ethics**

Tax policy

Supply Chain Management

Basic Concept

ZOZO Group have the basic policy of management for continuous improvement of corporate value and establish better relationships with all stakeholders including shareholders by constantly focus on integrity, transparency, efficiency and promptness of corporate management. In order to realize this, we are enhancing the corporate governance centered on the Board of Directors and Audit and Supervisory Committee.

Please refer to the following materials for our initiatives in the Corporate Governance Code (Updated on December 13, 2024)

 [Corporate Governance Code](#)

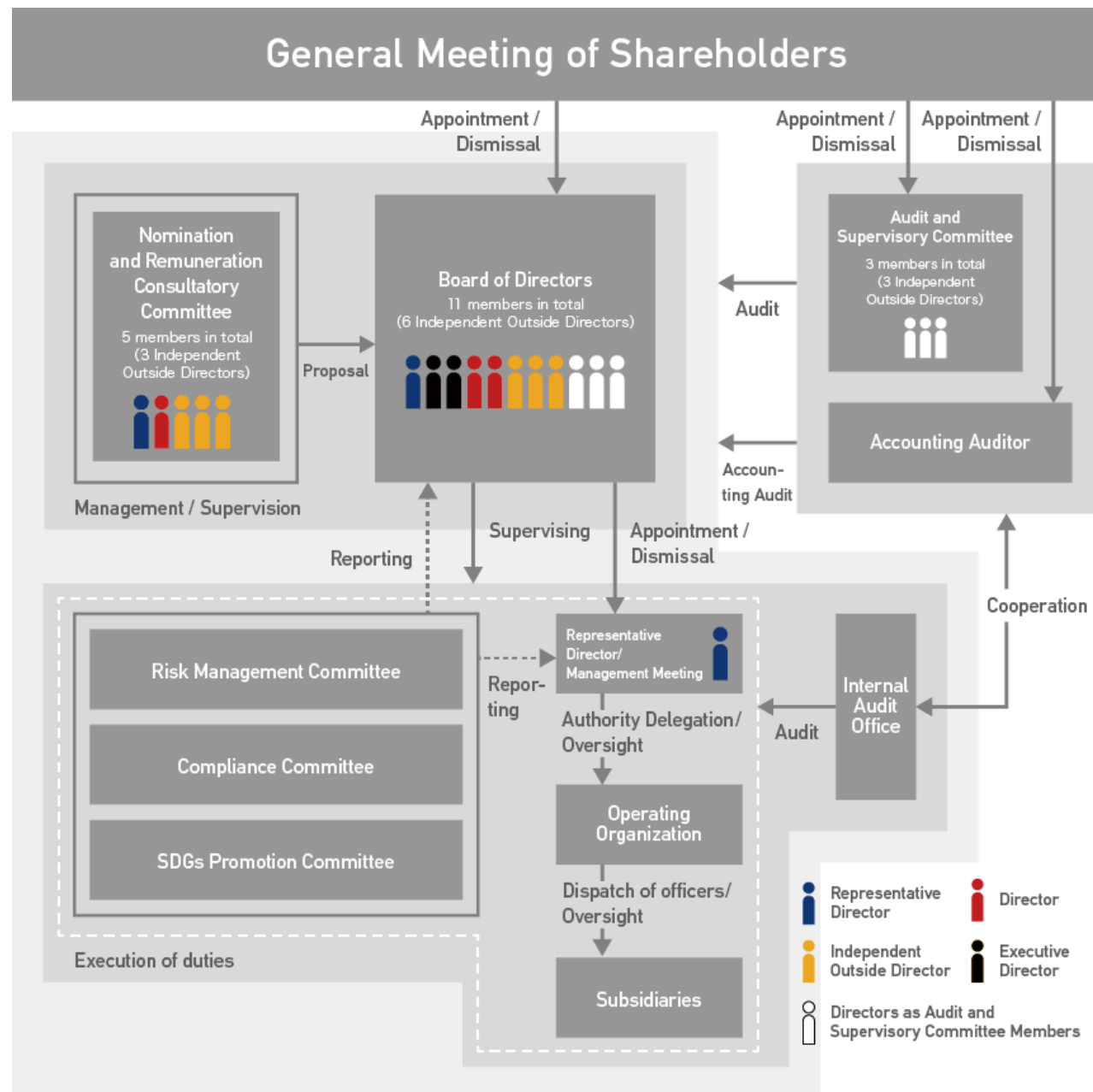
As for the Corporate Governance Report, please refer to the following link (Updated on December 13, 2024)

 [Corporate Governance Report](#)

As for more information on the Corporate Governance Code and its implementation status, please refer to the following link.

 [Corporate Governance Code Content Index](#)

Corporate Governance Structure



Matters Concerning the Executive, Audit and Oversight, Nomination, Remuneration and Other Functions

Board of Directors

Our Board of Directors not only makes decisions on important matters related to business execution but also supervises the duties of the directors, striving to ensure transparency, efficiency, and fairness in decision-making. The total number of directors is 11, of which 6 are external directors (54.5%) and 5 are female directors (45.5%). For more information on the composition of our Board of Directors, please [click here](#). Furthermore, we have currently achieved our KPI goal set to promote the active participation of women: "To increase the ratio of female directors to 30% or more by 2030." The board's implementation status was 18 times in the fiscal year ended March 2023 and 19 times in the fiscal year ended March 2024. Based on the provisions of Paragraph 1 of Article 427 of the Companies Act, the Company has entered into an agreement with the 6 outside directors to limit their liabilities for Remuneration for damages under Paragraph 1 of Article 423 of the Companies Act to the extent provided by laws and regulations in the event they are in good faith and are not grossly negligent. To enhance business execution and supervisory systems, the Company has established the Nomination and Remuneration Advisory Committee, which is an advisory body to the Board of Directors and is chaired by an independent outside director. The purpose is to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors relating to the nomination of directors, Remuneration, etc.

Number of attendances/attendance rate for the year ended March 31, 2024

Title	Name	Number of Times Attended (Times)	Attendance Rate (%)
Representative Director, President and CEO of ZOZO Corporation	SAWADA Kotaro	19	100
Director, Executive Vice President & CFO	YANAGISAWA Koji	18	94
Director, COO	HIROSE Fuminori	19	100
Director	NAGATA Yuko	14	100
Outside Director	SAITO Taro*	19	100
Outside Director	KANSAI Takako*	14	100
Outside Audit and Supervisory Board member	IGARASHI Hiroko*	19	100
Outside Audit and Supervisory Board member	UTSUNOMIYA Junko*	19	100
Outside Audit and Supervisory Board member	NISHIYAMA Kumiko*	14	100

*Independent Directors and Audit & Supervisory Board Members in accordance with the provisions of the Tokyo Stock Exchange

*NAGATA Yuko, KANSAI Takako, and NISHIYAMA Kumiko were appointed at the General Meeting of Shareholders held on June 28, 2023; therefore, their attendance at the Board of Directors meetings (14 meetings) held after their appointment is shown.

*HIDE Makoto and OIKAWA Takuya were newly appointed at the General Meeting of Shareholders on June 26, 2024; therefore, the number and rate of attendance at the Board of Directors meetings for the fiscal year ended March 31, 2024 are not shown.

Major Sustainability-Related Resolutions and Reports for FY2023

Governing Body	Key Resolutions and Reports
Board of Directors	<p>Resolutions:</p> <ul style="list-style-type: none"> • ZOZO Sustainability Procurement Policy • ZOZO Group Code of Conduct <p>Reports:</p> <ul style="list-style-type: none"> • Effectiveness Evaluation of the Board of Directors • Human Capital Management • Intellectual Property Strategy • CEO Succession Plan • Compliance and Internal Whistleblowing

Audit and Supervisory Committee, Audit and Supervisory Committee Members

We are a company with an Audit and Supervisory Committee in accordance with the Companies Act. The Board of Directors monitors the operation of the Board of Directors and conducts audits of day-to-day activities, including the execution of duties by directors. The number of Audit and Supervisory Committee Members are three. All directors as Audit and Supervisory Committee Members are Outside directors. Directors as Audit and Supervisory Committee Members are attorneys and certified public accountants, who use their respective experience and achievements to monitor management. In addition to attending the General Meeting of Shareholders and the Board of Directors and exercising legal rights, such as receiving reports from directors, executive officers, employees, and accounting auditors, the full-time Audit and Supervisory Committee Members attend the Management Meeting and the Compliance Committee, etc., which are important committees, conduct audits by interviews with each department, and conduct on-site inspections of subsidiaries. The Audit & Supervisory Board members provide opinions that contribute to improving the soundness of our management in the course of daily audit operations. In addition, the Company actively exchanges opinions with accounting auditors, the Internal Audit Office and directors of subsidiaries, and information with SoftBank Group Auditors, our parent company, and others, to

conduct effective and efficient auditing operations. In accordance with the provisions of Paragraph 1 of Article 427 of the Corporate Law, each Audit and Supervisory Committee Members has entered into an agreement to limit liability for Remuneration for damages under Paragraph 1 of Article 423 of the Corporate Law to the amount stipulated by law in the event that such Audit and Supervisory Board member is in good faith and is not grossly negligent.

Title	Name	Number of Times Attended (Times)	Attendance Rate (%)
Outside Audit and Supervisory Board member (Full-time)	IGARASHI Hiroko [※]	19	100
Outside Audit and Supervisory Board member	UTSUNOMIYA Junko [※]	19	100
Outside Audit and Supervisory Board member	NISHIYAMA Kumiko [※]	14	100

*Independent Directors and Audit & Supervisory Board Members in accordance with the provisions of the Tokyo Stock Exchange

*NISHIYAMA Kumiko was appointed at the General Meeting of Shareholders held on June 28, 2023; therefore, her attendance at the Audit and Supervisory Board meetings (14 meetings) held after their appointment is shown.

Management Meeting

As executive directors and executive officers, as well as observers, the the Management Meeting is composed of outside directors, general managers of divisions, full-time Audit and Supervisory Committee Members, representative directors of subsidiaries, and persons in charge of matters to be discussed as necessary. In principle, the the Management Meeting meets twice a month. The the Management Meeting makes resolutions, deliberations, and reports based on the decision-making authority standards. The the Management Meeting also collects and analyzes business reports in accordance with the Company's management policies and important information on these matters, shares information among departments, and conducts business plans, as well as matters to be discussed across the organization in terms of policies related to the overall business and issues faced by each business division. These meetings are implemented to contribute to decision-making by the representative directors and decision-makers based on the decision-making authority standards.

Nomination and Remuneration Advisory Committee

We have established the Nomination and Remuneration Advisory Committee as a voluntary committee for the purpose of expressing opinions to the Board of Directors on the nomination and remuneration of directors. The Nomination and Remuneration Advisory Committee consists of five members: all indepen-

dent outside directors, one dispatched director from the parent company, and one executive director. The committee is chaired by an outside director.

"Three Independent Directors (60.0%) in accordance with the provisions of the Tokyo Stock Exchange."

In accordance with the Nomination and Remuneration Advisory Committee Regulations established by the Board of Directors, the Nomination and Remuneration Advisory Committee presents its opinions to the Board of Directors on all other matters related to the appointment and dismissal of directors, the election and dismissal of the president, CEO and representative director, succession plans for the president and CEO, and deliberations based on the performance of each fiscal year and the contribution to this performance, etc. Furthermore, the Nomination and Remuneration Advisory Committee evaluates the suitability of each director based on their knowledge, experience, and other qualifications, and provides its opinions to the Board of Directors.

The Nomination and Remuneration Advisory Committee consists of the following:

SAITO Taro	Outside Director (Chairperson)
KANSAI Takako	Outside Director
OIKAWA Takuya	Outside Director
SAWADA Kotaro	Representative Director, President & CEO
HIDE Makoto	Director (Non-Executive)

[Nomination and Remuneration Advisory Committee]

(1) Status of Activities

In the year ended March 31, 2024, five meetings were held.

(2) Major Deliberations

- Review and finalization of evaluation feedback content for all directors, etc.
- CEO succession planning considerations
- Consideration of candidates for Board of Directors
- Basic remuneration design and remuneration criteria

Title	Name	Number of Times Attended (Times)	Attendance Rate (%)
President and CEO	SAWADA Kotaro	5	100
Outside Director	SAITO Taro [※]	5	100
Outside Director	KANSAI Takako [※]	5	100

*Independent Directors and Audit & Supervisory Board Members in accordance with the provisions of the Tokyo Stock Exchange

*HIDE Makoto and OIKAWA Takuya were newly appointed as members of the Nomination and Remuneration Advisory Committee after June 26, 2024; therefore, the number and percentage of committee meetings attended for the fiscal year ended March 31, 2024 are not shown.

Internal Audit Office

The Internal Audit Office, in collaboration with the Audit and Supervisory Committee Members and accounting auditor, strives to improve the effectiveness and efficiency of internal controls, compliance, etc. by conducting hearings and on-site surveys of each business division in accordance with the annual internal audit plan.

Auditing Firms, etc.

1. Name of the auditing corporation
Deloitte Touche Tohmatsu Limited.
2. Certified Public Accountants leading the independent financial audit
NUMATA Atsushi
OKUDA Hisashi
3. Assistant Organization in Audit Activities
Audit assistants engaged in accounting audits are five certified public accountants and 15 others.

Directors' Remuneration

Introduction of a Performance-Linked Remuneration System

The Nomination and Remuneration Advisory Committee, which is an advisory body to the Board of Directors and is composed mainly of outside directors, has been considering reviewing the remuneration system for directors. Based on the results of the deliberations and their reports, we have introduced the remuneration system for the executive directors of the Company to pay for their efforts to achieve short-term and medium-to long-term performance and increase corporate value based on our management strategy, and for their achievements, with the aim of encouraging the sustainable, medium-to long-term improvement of corporate value and functioning as a sound incentive. Specifically, it consists of fixed remuneration and performance-linked remuneration. Fixed remuneration consists of only cash and performance-linked remuneration consists of two types of remuneration: cash bonuses and stock-based remuneration. With regard to the percentage of each remuneration, the percentage of performance-linked remuneration exceeds the percentage of fixed remuneration, and the percentage of stock-based remuneration exceeds the percentage of cash bonuses among performance-linked remuneration.

In addition, "ESG evaluation indicators" will be introduced in FY2023 to determine stock remuneration, which will be based on "stock price growth rate," "operating income," and "enrollment requirements" to measure business growth and "ESG evaluation indicators" to measure the degree of promotion of ESG management.

Outline of Executive Remuneration System

Remuneration Items	Remuneration Ratio	Evaluation Standards
Basic Remuneration	30%	—
Cash Remuneration	30%	Gross Merchandise Value
		Operating Profit
Stock Remuneration	40%	Stock Price Growth Rate Operating Profit Enrollment Requirement
		ESG evaluation indicators

Remuneration

- Total remuneration paid to directors (of which, outside directors) 394 million yen (21 million yen)
- Total amount by type of remuneration, etc.

Basic remuneration	Fixed remuneration	161 million yen (21 million yen)
	Bonus	72 million yen (-)
Non-monetary remuneration	Restricted stock	160 million yen (-)

- Number of eligible directors: 6 (including 3 outside directors)
- As of the end of the fiscal year under review, there were eight directors (of whom three were outside directors). The reason for the difference in the number of directors is that there are two non-compensated directors.
- Bonuses are the amount of provision for accrued bonuses to directors and Audit and Supervisory Board members for the current fiscal year. Details of performance indicators selected as the basis for calculating bonus amounts are merchandise transaction value and consolidated operating income. The reason we selected these performance indicators was that we emphasize merchandise transaction volumes and consolidated operating income as indicators of the growth and profitability of our Group's businesses.
- Performance-linked restricted stock are granted to directors as non-monetary remuneration.
- Under the performance-linked restricted stock plan, we have introduced a malus and clawback clause. In certain circumstances, such as when the targeted director has committed serious misconduct or when there is an error in the financial figures that form the basis for calculating the amount of remuneration, we may forfeit such remuneration or receive its return without compensation.

Policy for Determining Remuneration Amounts and Calculation Method

Nomination and Remuneration Consolatory Committee regulations stipulate processes regarding decisions regarding specific procedures in determining remuneration for executive directors. After deliberation by the Nomination and Remuneration Advisory Committee, individual remuneration amounts are determined by resolution of the Board of Directors after comprehensive consideration of business performance, management content, economic conditions, and other factors based on the Committee's report. The Company's policy is to pay only fixed remuneration to outside directors. In addition, directors have no retirement benefit plans. (excluding those for which payment was decided prior to the abolition of the system) With respect to the share remuneration, in the case where the director subject to the restriction on transfer resigns his or her position as a director prior to the expiration of the restriction on transfer in the share allotment agreement concluded with the director subject to the payment, if it is found appropriate for us to find certain grounds, such as a provision to the effect that in the event that the director subject to the payment resigns his or her position as a director for a reason other than the reason deemed justifiable by the board of directors, or in the event that a certain cause of misconduct, etc. arises, we will necessarily acquire the allotted shares in whole or in part without consideration, or in the case that there is a

mistake in the figures that serve as the basis for calculating the cancellation ratio of the restriction on transfer, the director subject to the payment shall establish a clause to require us to return all or a part of the shares subject to the restriction on transfer or money, etc. equivalent thereto without consideration.

Reasons for Election of Directors and Audit and Supervisory Committee members

SAWADA Kotaro

SAWADA Kotaro has been chosen as a Director because he has been involved in important business execution and management decision-making and supervision as the person responsible for the marketing section, after also serving as a Representative Director of a subsidiary since joining the Company. In addition, He has served as the Company's representative since September 2019 and has worked to ensure prompt and flexible decision-making in business operations. As he is suitable for the future growth of the group and the realization of the Company's philosophy, he has served as a Director.

YANAGISAWA Koji

As Director and General Manager of the Business Administration Division, YANAGISAWA Koji has strengthened the Company's managerial foundation through supervising accounting, finance, IR, legal, and other areas of management, overseeing risk management, corporate governance, M&As, and other responsibilities. In addition, he executes business operations as a Director and Vice-President, and we have chosen him as a Director because we expect him to perform his duties based on a wide range of perspectives in the future as well as a member of the Board of Directors.

HIROSE Fuminori

Since joining the Company, HIROSE Fuminori has served as Head of Internal Audit Office, Executive Officer and General Manager of Business Administration Division, and Executive Officer and General Manager of EC Business Division and has a wide range of experience and knowledge of the Company's business, overall business administration, and risk management. In addition, he has contributed to the Company's business growth as a Director and COO of the Company since June 2021. We have chosen him as a Director because we expect him to contribute to the enhancement of the corporate value of the Company.

HIDE Makoto

HIDE Makoto has abundant experience and broad insight gained through business strategies in the Internet service industry and corporate management at the parent company's group companies, and was elected as a Director of the Company in order to utilize his experience and insight in the management of our group.

NAGATA Yuko

NAGATA Yuko has extensive experiences and broad perspective cultivated in the internet service industry and cosmetics industry, and the we have chosen her as our Director for our management.

SAITO Taro

Based on SAITO Taro's extensive experiences and broad insight in branding and communication design, we expect him to continue to supervise the management of the Company and to contribute to the strengthening of corporate governance by providing advice on the Company's overall management. In addition, we expect him to supervise management and strengthen corporate governance, mainly by providing advice on the formulation of management strategies and decision-making on business execution, participating in the nomination/ remuneration decision making process, and supervising conflicts of interest.

KANSAI Takako

We have chosen KANSAI Takako as an Outside Director to ask her to supervise the Company's management and obtain advice about the entire management based on extensive experiences and a broad perspective in both business and the technology of the internet business in order to contribute to strengthening corporate governance. We expect her to give advice about the determination of the management strategy and decision-making with regard to business execution, to lead the determination process for appointment/ remuneration, to oversee conflicts of interests by using the above-mentioned extensive experience and broad perspective, and to supervise management and strengthen corporate governance.

OIKAWA Takuya

We have chosen OIKAWA Takuya as an Outside Director to ask him to supervise the management of the Company based on his abundant experience and broad insight in the management of products and engineering in IT and Internet-related systems, and to contribute to the strengthening of corporate governance by providing us with advice on the Company's overall management. We have elected him as a director of the Company. We expect that he will mainly provide advice on the formulation of management strategies and deci-

sion-making on business execution, participate in the process of determining nominees' remuneration, and supervise conflicts of interest, thereby supervising management and strengthening corporate governance by utilizing his abundant experience and broad insight as mentioned above.

IGARASHI Hiroko

IGARASHI Hiroko is a certified public accountant and has been engaged in duties as the head of the accounting group at other companies. We believe that she has considerable knowledge of finance, accounting, and risk management and will be able to appropriately perform her duties in the audit of the Company. She has not been directly involved in the management of the Company except for becoming an Outside Officer. However, for the reasons stated above, the Company believes that she will be able to perform her duties as an Audit and Supervisory Committee member appropriately.

UTSUNOMIYA Junko

UTSUNOMIYA Junko has considerable knowledge on corporate legal affairs and risk management from a professional standpoint as a lawyer, the Company judged that she would be able to properly perform our duties in the Company's audits. She has not been directly involved in the management of the Company except for becoming an Outside Officer. However, for the reasons stated above, the Company believes that she will be able to perform her duties as an Audit and Supervisory committee member appropriately.

NISHIYAMA Kumiko

NISHIYAMA Kumiko is a certified public accountant and has been engaged in sustainability and risk management and we believe that she has a broad range of knowledge and is capable of appropriately performing her duties in the Company's audits. She has not been directly involved in the management of the Company except for becoming an Outside Officer. However, for the reasons stated above, the Company believes that she will be able to perform her duties as an Audit and Supervisory committee member appropriately.

[Directors and Officers](#)

Directors' skills matrix

The expertise, knowledge, and experience that directors are expected in responding to current or future management issues against the business environment at the company are as follows.

Name	Title	Important expertise, knowledge, and experience for Dec			
		Corporate Management · Management Strategy	Finance · M&A	Treasury · Accounting	Org Res
SAWADA Kotaro	Representative Director, President & CEO	●			
YANAGISAWA Koji	Director, Executive Vice President & CFO	●	●	●	
HIROSE Fuminori	Director, COO	●	●	●	
HIDE Makoto	Director	●			
NAGATA Yuko	Director	●			
SAITO Taro	Outside Director	●			
KANSAI Takako	Outside Director	●			
OIKAWA Takuya	Outside Director	●			
IGARASHI Hiroko	Audit and Supervisory Committee Members		●	●	
UTSUNOMIYA Junko	Audit and Supervisory Committee Members		●		
NISHIYAMA Kumiko	Audit and Supervisory Committee Members		●	●	

*"Imagination and Creation" is translation of our original Japanese word "SOZO." It stands for the ability to create new value, cultural values, and all types of excitement and surprise. In addition, this table does not represent all the knowledge and experience possessed by each director.

Matters Concerning Takeover Defense

We recognize that the most important issue for our company is to sustain continuous growth and improve our corporate value. At this stage, we have no plans to implement takeover defense measures.

Status of Stock Ownership by Officers

Title	Name	Number of Company Shares Owned
Representative Director, President and CEO of ZOZO Corporation	SAWADA Kotaro	80,900
Director, Executive Vice President & CFO	YANAGISAWA Koji	164,900
Director, COO	HIROSE Fuminori	60,050
Director	NAGATA Yuko	—
Outside Director	SAITO Taro	—
Outside Director	KANSAI Takako	—
Outside Audit and Supervisory Board member	IGARASHI Hiroko	—
Outside Audit and Supervisory Board member	UTSUNOMIYA Junko	3,000
Outside Audit and Supervisory Board member	NISHIYAMA Kumiko	—

We have developed and maintained the internal whistleblower system, in order to minimize the damage that may occur to the Company by discovering acts that could violate the law, the internal regulations, social credibility at the early stage, prevent scandals and take appropriate countermeasures. We made efforts to make the system to function properly by setting up the contact points both inside and outside of the Company. The external lawyer will help through the external contact point and establish the reporting structure directly to the Audit and Supervisory Committee which is independent from the top management, allowing employees to make anonymous whistleblowing. Also, we treat the whistleblower and those who supported the investigations anonymously to preclude any repercussions. After the receipt of the report under the management of the compliance committee, whistle-blowing information will be strictly managed and conduct investigations and improvement measures.

In an effort to enhance an organization-wide risk management structure to function by identifying risks that may occur, the Company establishes the “Risk Management Regulations” to take appropriate approaches for various risks prevention and times of unexpected accidents.

We consider that the drafting and implementation of strategies is effective by dealing with climate change issues at our Board of Directors. Accordingly, the Board of Directors deliberate and resolute on important environmental mat-

ters, including climate change. SDGs Promotion Committee, established as an executive management organization, is chaired by the president and CEO, and acts as a chief executive officer of environmental management responsible to oversee discussions regarding climate-related risk and opportunities, policies and goals, progress of initiatives, and to report to the Board of Directors important matters discussed at the SDGs Promotion Committee.

Basic Policy and Structures Regarding Internal Control Systems

We have established the Basic Policy on Internal Control Systems with regard to systems to ensure the appropriateness of operations as stipulated in the Companies Act and the Company Act Enforcement Regulations, and the Board of Directors has adopted a resolution. The overview of the meeting is as follows.

1. System to ensure that the execution of duties by our directors and employees complies with laws and the Articles of Incorporation
 - (1) In order for the execution of duties by our directors and employees to comply with laws, regulations, and the Articles of Incorporation, and to fulfill our corporate ethics and social responsibilities, we will establish and maintain a compliance committee chaired by the President and Representative Director to build and maintain a compliance system, prevent acts that violate laws and regulations, acts that may violate

laws and regulations, or inappropriate transactions, and strengthen the legal compliance system for our directors and employees.

- (2) Internal reporting system for directors and employees to report suspected violations of laws, regulations, and company regulations

A Help Line shall be established to detect and rectify improprieties at an early stage.

The Compliance Committee shall investigate matters reported to the Help Line, and if any action requiring corrective action becomes clear, the Compliance Committee shall promptly decide and implement corrective measures and preventive measures.

- (3) Necessary measures shall be taken so that a person who has made a notification as prescribed in the preceding item shall not be subjected to adverse treatment by reason of said notification.

- (4) The Internal Audit Office shall investigate the compliance system, investigate whether there are any legal or articles of incorporation problems, and report them to the Board of Directors and the Audit and Supervisory Committee.

- (5) The Board of Directors shall regularly review the compliance system and strive to identify and improve problems.

- (6) The Audit and Supervisory Committee shall audit the effectiveness and functions of this internal control system in an effort to identify and rectify issues at an early stage.

2. System for the storage and management of information related to the execution of duties by our directors

- (1) The storage and management of information pertaining to the execution of the duties of our directors shall be appropriately managed and stored in writing or by electromagnetic media in accordance with laws and regulations, Information System Management Guideline and Document Management Guideline.

- (2) The Audit and Supervisory Committee members can constantly inspect this information.

3. Rules and Other Systems for Managing the Risk of Loss

- (1) Our Chief Risk Management Officer shall be a Director and Executive Vice President, and as appropriate, Directors, Executive Officers, General Managers of Related Divisions and Directors shall identify and evaluate various risks in accordance with the Risk Management Guideline, and take necessary measures in advance to avoid, mitigate or transfer risks.
- (2) The Internal Audit Office shall audit the risk management status of each organization and report the results to the Board of Directors and the Audit and Supervisory Committee members.
- (3) The Board of Directors shall regularly review the risk management system and endeavor to identify and improve problems.

4. System to ensure that the execution of duties by our directors is efficient

- (1) Clarify the duties and responsibilities of directors and each department by stipulating the Board of Directors Guideline, Organizational Guideline, Guideline on Division of Responsibilities, and Job Authority Guideline, etc. In addition, the Board of Directors Guideline stipulates matters to be submitted to the Board of Directors, as well as the range within which each director can make decisions, and establish a system to ensure that directors perform their duties efficiently.
- (2) The President and Representative Director drafts the annual management plan based on the Budget Management Guideline, and receives approval from the Board of Directors. The director in charge of each division determines the specific measures to be implemented by each division and the efficient business execution system based on the plans determined.
- (3) The President and Representative Director reports regularly to the Board of Directors on the progress of the annual management plan, and the Board of Directors analyzes

and improves the relevant measures and factors that hinder the efficient business execution system.

5. System to ensure the appropriateness of operations in the corporate group consisting of us and its subsidiaries (hereinafter referred to as "our group")
 - (1) One or more directors or Audit and Supervisory Committee members of subsidiaries are dispatched from us to monitor, supervise or audit the execution of duties by directors of subsidiaries. The Business Management Division shall be in charge of the business operations of subsidiaries, the development of compliance systems and risk management systems, and other business management of subsidiaries in accordance with the Subsidiary Management Guideline. Regular reports on the status of business to us and appropriate approvals for important matters shall be obtained, while respecting the autonomy of the management of subsidiaries.
 - (2) The Internal Audit Office shall conduct internal audits of the status of management of our subsidiaries and the business activities of our subsidiaries.
6. In cases where a Audit and Supervisory Committee Members requests the appointment of an employee who is to assist in the duties of the Audit and Supervisory Committee Members, matters concerning the system concerning such employee, matters concerning the assurance of effectiveness for such employee, and matters concerning independence from the director
 - (1) In the event that an Audit and Supervisory Committee Members requests the appointment of an employee to assist the Audit and Supervisory Committee Members, the board of directors may, in consultation with the Audit and Supervisory Committee Members, appoint such employee as an employee to assist the Audit and Supervisory Committee Members. During such period of assistance as may be designated by the

Audit and Supervisory Committee Members, the authority to direct the appointed employees shall be transferred to the Audit and Supervisory Committee Members and shall not be subject to the direction of the directors.

- (2) The prior consent of the Audit and Supervisory Committee Members shall be obtained with respect to personnel changes, personnel evaluation, and disciplinary actions of employees who are to assist the Audit and Supervisory Committee Members.

7. System for Directors and Employees of the Group to Report to Audit and Supervisory Committee Members and Other Systems for Reporting to Audit and Supervisory Committee Members

- (1) The directors and employees of our group shall, in addition to recognizing matters that may cause significant damage to us, fraud, important laws and regulations, and violations of the Articles of Incorporation, report important matters and decisions to be submitted to the Board of Directors, important accounting policies, accounting standards and changes thereof, the status of implementation of internal audits, important monthly reports, and other important matters to the Audit and Supervisory Committee member in accordance with laws, regulations, and internal regulations.
- (2) Necessary measures shall be taken so that a person who has made a report set forth in the preceding item shall not be subjected to adverse treatment on the grounds that he/she has made said report.

8. Other Systems to Ensure Effective Audits by Audit and Supervisory Committee Members

- (1) Audit and Supervisory Committee Members shall attend meetings of the Board of Directors and the The Management Meeting in order to ascertain the important decision-making process and the status of business execution, attend other important meetings, inspect important documents related to business execution, such as application documents, and request explanations to directors and employees.

- (2) The Audit and Supervisory Committee Members shall ensure the effectiveness of audits through their independence and authority based on the Rules of the Audit and Supervisory Committee and the Audit and Supervisory Committee Standards, and ensure that audits are conducted effectively while maintaining close cooperation with the Internal Audit Office and the Accounting Auditor.
- (3) The President and Representative Director meets regularly with the Audit and Supervisory Committee to exchange opinions on issues to be addressed by the Company, the status of improvement of the environment for Audit and Supervisory Committee Members' audits, and important auditing issues, and to promote mutual communication.
- (4) In cases where a request for payment is made with respect to the procedures for advance payment or reimbursement of expenses arising from the execution of the duties of Audit and Supervisory Committee Members or any other expenses or obligations arising from the execution of such duties, the payment shall be made promptly.

9. Structure to Eliminate Antisocial Forces

We will eliminate any relationships with antisocial forces or organizations that threaten social order or the sound activities of corporations, cooperate with external specialist organizations such as the police and counsel, and take a firm stance toward responding to unfair demands in an organized manner.

10. System to Ensure the Reliability of Financial Reporting

In order to ensure the reliability of financial reporting, establish, maintain, and operate a system that enables internal control over financial reporting to function effectively.

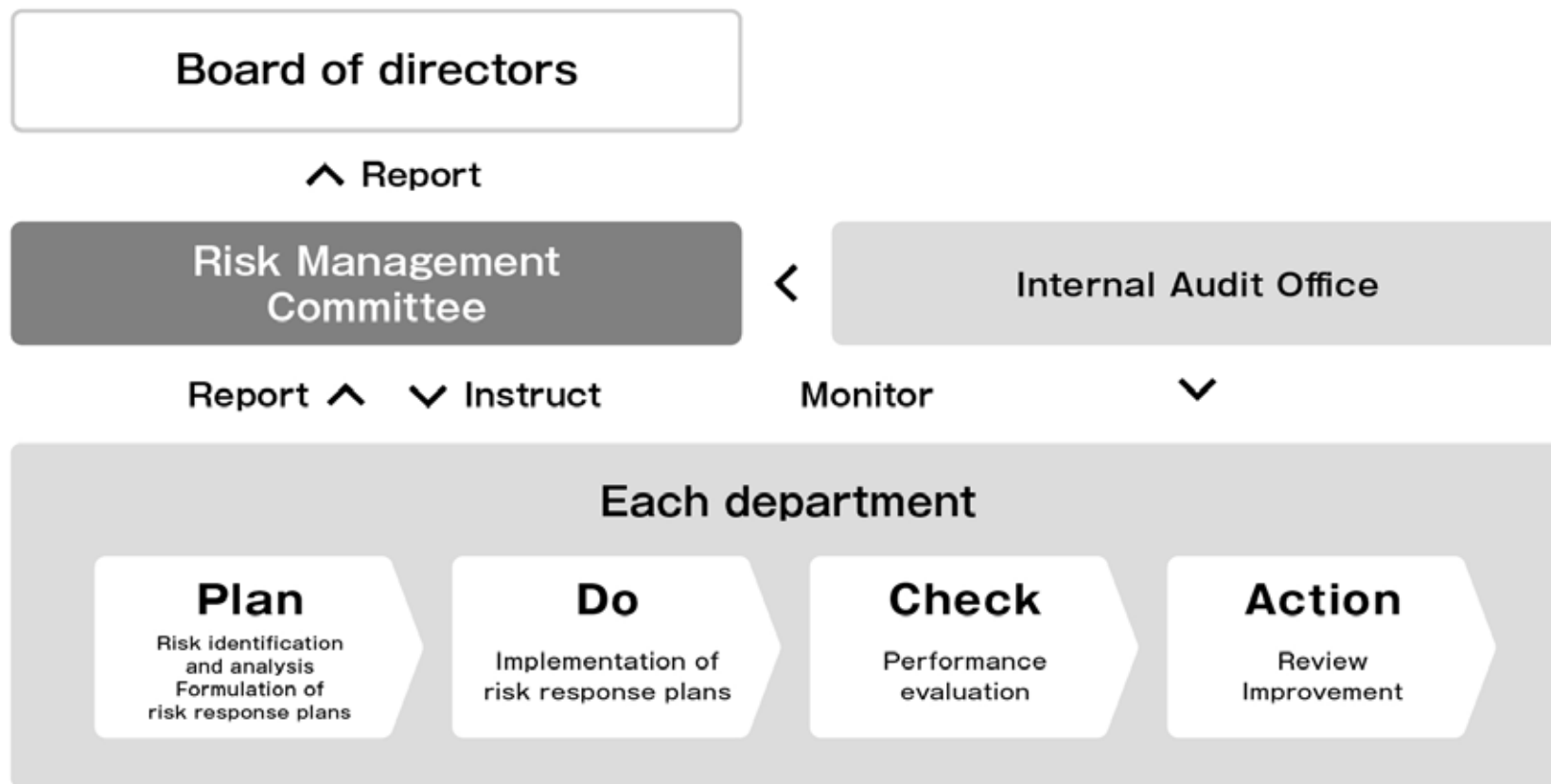
Basic Approach and Systems to Exclude Anti-Social Forces

ZOZO Group's basic policy is to eliminate any transactions with antisocial forces and organizations that threaten social order and the sound activities of companies, and to cooperate with external specialist organizations such as the police and counsel, while taking a firm stance toward responding to unfair demands in an organized manner. To prevent any relationship with antisocial forces, the Legal Department of the Group conducts surveys before commencing transactions with new suppliers, new subcontractors, etc. In accordance with the standards subsequently established, we have established procedures to conduct surveys by external investigative organizations. After implementing these procedures, we have established a system to commence transactions. In addition, we conduct surveys of existing business partners at least once a year to ensure that we are able to collect information on an ongoing basis.

The Representative Director, President & CEO is responsible for risk management and the Board of Directors, executive officers, general managers, and directors of related divisions identify and assess various risks and take necessary measures to avoid, mitigate, or transfer risks in advance in accordance with the “Risk Management Regulations.”

Risk Management Committee

The Risk Management Committee was established as a voluntary committee to identify risks that may occur in the ZOZO Group, and develop a management system to prevent the occurrence of such risks, and establish basic matters concerning the handling of risks if they arise, in order to ensure appropriate and smooth business operations and continuity. The Risk Management Committee consists of the Representative Director, President and CEO, who chairs the committee, and the executive directors who serve as committee members, with the participation of full-time Audit Committee members, the Internal Audit Office, and other officers and employees as observers as deemed necessary by the committee chairman. The Risk Management Committee analyzes and evaluates the Company's risks, continuously monitors the status of risk management initiatives, provides necessary support, and submits proposals and reports to the Board of Directors. The Board of Directors also regularly reviews the risk management system to identify problems and make improvements.



Role of the Risk Management Committee

- The Company shall analyze and evaluate the individual risks and response plans reported by the divisions in charge of individual risks, and select the top risks for the Group.
- The Company shall continuously monitor the status of risk management activities of the divisions in charge of individual risks and provide necessary support.
- Report the status of activities to the Board of Directors.

Incident Response

Response Principles

If an incident occurs or is likely to occur, the employee shall, in accordance with the incident response flow, ascertain the facts, investigate possible damage, take prompt and appropriate initial action, prevent the situation from spreading and bring it under control as soon as possible, and report the incident according to the reporting route.

Determination of the level of incident response

- The person who receives a report of an incident shall discuss the response plans, including the level of response to the incident.
- Our company has the criteria for decision-making related to response classifications, ensuring that we can respond appropriately to incidents.
- The person receiving the incident report shall make the final decision on the level of response to the incident. If the incident corresponds to Level 3 and a company-wide response is deemed necessary, the incident shall be reported to the Emergency Task Force.

Emergency Task Force

The Emergency Task Force consists of members of the ZOZO group management committee (including observers and the secretariat) and shall serve as an emergency communication network in the event of an incident.

Restoration activities

Restoration activities shall be carried out in cooperation with affiliated companies, etc., to establish restoration priorities and effectively deploy personnel, materials, and equipment for early restoration.

Relapse prevention

The department in charge of each risk shall summarize the problems in the emergency response, analyze the causes of the situation, measure to prevent recurrence, etc., promptly after the situation is resolved and report them to the Executive Committee and the Board of Directors.

Improvement of risk management system

The Risk Management Committee shall analyze reports, progress records, etc., and address instructions for improvement of the risk management system.

Major Risks and Mitigation Measures

Risk classification	Major Risks	Mitigation measures
Suspension of business	Logistical shutdown	<ul style="list-style-type: none"> • Establishment of backup policies for logistics centers • Development of response manuals for emergency situations • Enhancement of disaster and crime prevention measures • Strengthening of infectious disease control measures
	Denial of service system	<ul style="list-style-type: none"> • System upgrades to ensure stable website operations • Strengthening network and cybersecurity measures • Redundancy planning for servers, data centers, and communication systems • Preparation of comprehensive backup plans • Implementation of appropriate access control management
Loss of credibility	Information leak	<ul style="list-style-type: none"> • Development of a management system compliant with the Personal Information Protection Management System • Provision of training programs on personal data protection • Acquisition of ISMS (Information Security Management System) certifications: <ul style="list-style-type: none"> – International standard ISO/IEC 27001:2013 – Japanese domestic standard JIS Q 27001:2014 (acquired in July 2021) • Strengthening countermeasures against unauthorized external access

Risk classification	Major Risks	Mitigation measures
Loss of credibility	Compliance reputation	<ul style="list-style-type: none"> • Ongoing training and workshops for executives and employees • Establishment of a consultation framework with external experts • Formulation and regular dissemination of guidelines for external communication • Conducting media training for executives in preparation for crisis situations • Development of emergency response manuals and criteria for reputation risk incidents • Ensuring internal control effectiveness through internal control evaluations • Implementation of an internal whistleblower system • Strengthening countermeasures against accounting fraud • Ongoing initiatives to enhance understanding of legal and regulatory compliance • Strengthening collaboration between legal and business divisions

ZOZO Group recognizes that it is an important responsibility to properly protect the information assets held by the Group, including information entrusted by customers using its services, from various threats to information security. Based on this philosophy, the Group has formulated a basic policy for information security, and by implementing this policy, we declare that we will actively work to establish, operate and maintain an information security management system.

1. ZOZO Group will comply with laws, regulations and other codes of conduct concerning information security.
2. Through ISMS's activities, we will take organizational, human, physical and technical safety control measures, engage in information security measures, and firmly establish them.
3. ZOZO Group will continuously review and improve its management system for information security in light of changes in social and environmental conditions.

May 28, 2021

ZOZO, Inc.

Representative Director, President & CEO

SAWADA Kotaro

Information Security Training

To raise awareness of information security among all ZOZO employees, we conduct training on information security through e-learning to raise awareness. (Held four times in fiscal 2023)

Initiatives to Provide Secure Services

In order to provide safe and secure services, the ZOZO Group conducts vulnerability assessments and cyber-attack simulations by a dedicated in-house organization and a third-party organization. In addition, we have defined a process for employees in the case of an incident, and conduct annual reviews of our business continuity and crisis management plans and incident process procedures.

Achieving ISMS Certification

Based on the above basic information security policy, ZOZO Group has been audited by a third-party organization and has acquired ISO/IEC 27001:2022, an international standard for information security management systems (ISMS), and JIS Q 27001:2023, a Japanese domestic standard.

Certified Standards

ISO/IEC 27001:2022 / JIS Q 27001:2023

Registration No.

IS 749678



IS 749678 / ISO 27001

Scope of Registered Certification

Operations described below for web-based services for BtoB and BtoC

- Planning, development and operation
- Customer Support
- Operation of logistics centers
- Technological development, R&D
- Production and production support for apparel products

Date of Certification

July 15, 2021

Expiration Date

July 14, 2027

Examination and Certification Institution

BSI Group Japan K.K.


Threat Intelligence Collection and Security Event Monitoring

We centrally manage logs of PCs used for business and SaaS using SIEM (Security Information and Event Management) and continuously monitor for suspicious communications. We have also established an information sharing system with external parties to continuously collect information on cyber attacks occurring at other companies (cyber threat intelligence) and utilize the traces of such attacks (IOC information) in our own log analysis to proactively catch threats. Through these initiatives, we are striving to further improve the safety of our company.

Continuously monitoring of phishing sites

In order to ensure that ZOZOTOWN customers can use our services more safely, we continuously monitor phishing sites that are trying to trick ZOZOTOWN customers and take down the sites (disable the phishing sites by shutting them down, etc.). We also continuously monitor phishing e-mails, collecting information from them and responding to the latest threats.

ZOZO CSIRT

ZOZO CSIRT is an organizational CSIRT(Computer Security Incident Response Team of ZOZO Group. It is a member of the [Nippon CSIRT Association](#) .

Background and Background of Establishment

ZOZO Group has been striving to establish and thoroughly implement information management for many years. ZOZO CSIRT was established in April 2019 and joined the Japan Seasat Council in July of the same year, with the aim of enhancing information security initiatives as well as operating teams to respond to diversifying incidents, in addition to increasing the number of employees in addition to expanding the service offered.

Activities

ZOZO Group has established a basic information security policy to achieve the objectives of ISMS (Information Security Management System).

Establishment of DPO (Data Protection Officer)

We have established DPO (Data Protection Officer) to ensure the appropriate use of customer data, including privacy. The DPO monitors and advises on the protection of customer data, including privacy, from the planning and development stages of the service, from an objective standpoint independent of the business units.

ZOZO Corporation and its subsidiaries and affiliates that adopt this policy and use personal information jointly (the "Group") provide a variety of services businesses (hereinafter referred to as "Services"), including Internet shopping websites.

Our group recognizes the importance of personal information for customers using our services as well as all those who provide personal information to our group.

I hereby declare that I will comply with the laws and other regulations concerning the protection of personal information, establish voluntary rules and systems, and establish, implement and maintain a privacy policy that includes the following matters.

1. Our Group will comply with the Act on the Protection of Personal Information (hereinafter referred to as the "Act") and other related laws and regulations, guidelines and other norms stipulated by the national government with regard to the handling of personal information and personal information of employees, etc. handled by all businesses. In addition, we will formulate an information management system in accordance with the Japanese Industrial Standards "ISMS conformity assessment scheme" (ISO 27001) to protect personal information.
2. When acquiring and using personal information, our group will identify the purpose of its use, and will not handle personal information beyond the scope necessary for achieving the specified purpose of use (non-purpose use). In addition, we will take appropriate management measures to avoid non-purpose use.
3. Our group shall not provide any personal information obtained to a third party with the consent of the person in question, except in accordance with laws and regulations, etc.

4. When we receive complaints and inquiries about the handling of personal information, we will promptly investigate the facts and respond in good faith within a reasonable period of time.
5. In order to properly manage personal information acquired, our group will take organizational, human, physical and technical safety measures to prevent the leakage, destruction or damage of personal information and to rectify it. In addition, we will promptly dispose of the personal information of our customers when the storage period specified by law has passed and when we no longer need to handle the personal information of our customers.
6. In light of changes in social and environmental conditions, the Group will continuously review its personal information protection management system for personal information protection and improve its efforts to protect personal information.

Established September 1, 2006

Revised July 3, 2009

Revised January 31, 2018

Revised on November 29, 2018

Revised on December 1, 2019

Revised on June 28, 2021

Revised on November 5, 2021

Revised on March 30, 2022

SAWADA Kotaro

Representative Director, President
and CEO

ZOZO, Inc.

ZOZO Group Privacy Policy

ZOZOTOWN Usage Rules include
"handling of personal information,"
"managing IDs and passwords," etc.

Compliance Committee

The Compliance Committee is established and convened for the purpose of formulating ethical behavior standards, preparing and implementing legal compliance manuals and compliance programs, as well as conducting operations such as checks. Additionally, In the event of a significant violation, we report it to the Board of Directors.

Compliance Training

To strengthen company-wide compliance awareness, ZOZO Group provides comprehensive compliance training for all employees, including part-time and temporary staff. These training sessions cover a wide range of topics, such as legal and regulatory compliance, anti-corruption, and the elimination of harassment, incorporating real-life case studies to deepen understanding and promote adherence to ethical standards. Additionally, for directors, and managerial positions including officers and division heads, we conduct group discussions based on case studies and specialized harassment prevention training. These sessions focus on preventive measures and appropriate responses to harassment, aiming to foster a workplace environment free from misconduct.

Internal and External Whistleblowing Hotline

ZOZO Group has established various channels, including external whistleblowing desks at law firms, for reporting compliance-related violations (*). These external desks are available 24/7, 365 days a year, and also accept reports in local languages from our group employees worldwide. We strictly adhere to the privacy of consultants and whistleblowers, allowing for anonymous reporting and ensuring no disadvantageous treatment is received due to whistleblowing. When a report is received, we promptly confirm the facts. If a violation is discovered, we take corrective action and implement preventive measures. To proactively inform our employees, we have also implemented ongoing training programs. The status of these whistleblowing operations is regularly reported to our Board of Directors.

*The facts that are subject to reporting are clearly defined in our company's Helpline Policy as follows:

The facts subject to reporting include any and all acts of legal violation or suspected legal violation, as well as other inappropriate behaviors. This encompasses activities that violate employment regulations, other internal rules, actions against our basic policy on human rights, questionable accounting practices, and actions that may harm the social credibility of the company, and corruption among others.

No. of reported cases of whistleblowing

	FY2021	FY2022	FY2023
No. of reported cases of whistleblowing	14	11	11

Whistleblowing Hotline for Business Partners

LY Corporation Group Whistleblowing Hotline

Business partners of LY Corporation Group companies (including anyone who has resigned in the past year) can make anonymous reports via this hotline. The whistleblowers can choose to make reports to either an external law firm or LY Corporation's Compliance Division. Depending on the nature of the case, the PIC of whistleblowing at Group companies will investigate and take appropriate actions.

[LY Corporation Group Whistleblowing Hotline](#) 

In accordance with the "ZOZO Basic Policy on Anti-Corruption," we are committing to ethical and honest business practices while establishing a framework to prevent corruption. To reinforce these efforts, we conduct anti-corruption training for all employees, including part-time and temporary staff.

ZOZO Basic Policy on Anti-Corruption

Article 1 (Purpose)

The purpose of this Basic Policy is to promote anti-corruption efforts throughout ZOZO in the spirit of fair play. By clarifying the policies that all officers and employees of ZOZO (hereinafter referred to as the "Officers and Employees") should adhere to, in accordance with the ZOZO Group Code of Conduct, we aim to secure the trust of stakeholders and society in general.

Article 2 (Scope of application)

This Basic Policy applies to all Officers and Employees of ZOZO, regardless of the country or region in which they operate.

Article 3 (Compliance with laws and regulations related to anti-corruption)

Officers and Employees shall comply with all anti-corruption laws and regulations applicable in each country or region, this Basic Policy and internal rules including internal regulations (hereinafter collectively referred to as the "Related Rules, Etc.").

Article 4 (Prohibition of giving bribery)

1.Except as permitted by Related Rules, Etc., Officers and Employees shall not directly or indirectly provide money or other benefits, or make offers or promises thereof, to public servants, etc., and private sector customers, business partners, and other business operators (hereinafter referred to as the "Business Partners, Etc.") with corrupt intents.

2.Officers and Employees shall not direct bribery through third parties such as agents, consultants, distributors, subcontractors, etc., nor tolerate or condone such third parties giving bribery.

Article 5 (Prohibition of accepting bribery)

Officers and Employees shall not directly or indirectly receive, demand or promise to receive corrupt or unjustified benefits, with respect to their duties.

Article 6 (Thorough record-keeping and storage)

Officers and Employees shall comply with procedures concerning financial reporting, accurately record all transactions in accounting books, and properly store relevant materials.

Article 7 (Lawful entertainment, gifts, etc.)

1.ZOZO shall properly manage entertainment, gifts, donations, support and sponsorship with public servants, etc., and Business Partners, Etc. that are lawfully provided for legitimate business purposes, in accordance with the Related Rules, Etc.

2.ZOZO shall pay special attention to the entertainment or gifts to public officials.

Article 8 (Audit)

ZOZO shall appropriately operate a system for conducting self-inspections and internal audits according to the degree of risk, regarding the status of compliance with this Basic Policy and the internal rules established based on this Basic Policy.

Article 9 (Structure and response)

1.In order to ensure a structure for complying with this Basic Policy, ZOZO shall establish internal reporting desks to which the Officers and Employees can report general compliance issues, including anti-corruption.


2.In the event that any violation or potential violation of the Related Rules, Etc. is discovered, ZOZO shall conduct a rigorous internal investigation and fully cooperate with any investigation by the relevant authorities, etc.

3.Officers and Employees who violate the Related Rules, Etc., may be subject to personal liability and will be subject to strict disciplinary actions in accordance with the internal regulations of the company or their employment/delegation contract.

Article 10 (Enforcement)

This Basic Policy shall be enforced from October 1, 2023.

For Fair Trade

In order to comply with the Antimonopoly Act and the Subcontract Act, we conduct compliance training to raise awareness and raise awareness of the issue so as not to use unreasonable restraint of trade or unfair trade practices that are subject to regulation. In addition, we confirm whether we comply with the Subcontracting Act in the procedures for internal contract review and conclusion. We announced in the "  [Declaration of Partnership Building](#)," declared by representatives of companies to build new partnerships by promoting collaboration and co-existence and co-prosperity among business partners in the supply chain and businesses that seek to create value.

Prohibition on Conflicts of Interest

The Company has established "Guideline to ensure the fairness of transactions with the parent company group" for transactions with major shareholders, etc. and operates in accordance with these rules. With respect to transactions with major shareholders, etc., the Company shall comply with laws and regulations, and shall not conduct such transactions on terms unjustly favorable or disadvantageous to the Group as compared to the same, the same kind of or similar transactions conducted with third parties, and shall reasonably determine such transactions by taking into account the terms of the contract and market price as in the case of transactions with other companies.

Anti-Corruption Initiatives

Internal audits, including those to prevent corruption, are conducted based on an annual plan, and efforts are being made to ensure the effectiveness of preventive measures. If we discover an act that may involve or be involved in a corrupt transaction, the Compliance Committee will conduct an internal investigation and punish the employee strictly by the Disciplinary Committee in accordance with the Work Rules.

Basic Policy

Based on our corporate philosophy of "Inspire the world. Deliver joy every day.," all directors, officers and employees of the Group, both domestic and overseas, comply with laws, social norms and internal regulations, and act with a high sense of ethics, both public and private. In addition, we have established internal regulations and are working to maintain and improve compliance through awareness-raising for employees.

Tax policy

Our Group believes that it is necessary to appropriately return profits earned through business activities to various stakeholders. Among these, we recognize that tax payment is a fundamental and important social responsibility. We aim to ensure the transparency of tax affairs, to comply with tax laws and regulations in all countries where it does business, to pay taxes with an emphasis on fairness, to ensure responses to international tax compliance such as BEPS project, and to contribute to the economic and social development of all countries and regions in which it does business.

Governance Structure

Our group recognizes that the maintenance and improvement of governance, including taxation, contributes to the enhancement of corporate value, and strives to improve it. We have established a basic policy on the establishment of an internal control system, which has been resolved by the Board of Directors. The Director, Executive Vice President & CFO, who is the director in charge of the Business Administration Division, is responsible for the status of the management of overall tax practices and the policy for responding to them. By securing and developing appropriate human resources, the Group has established a system that can improve the Group's tax payment compliance and appropriately fulfill tax risk reduction. The Board of Directors and the Audit and Supervisory Committee are also responsible for overseeing the formulation, revision, and compliance of the above policies. We regularly ask for advice from external advisors on examining tax risks. In particular, for overseas-related transactions, we established the following systems concerning transfer pricing taxation and tax haven countermeasures.

Transfer pricing taxation

For transactions with foreign affiliates, the Company complies with the laws and OECD Transfer Pricing Guidelines of each country and sets prices for transactions between group companies in accordance with the arm's length principle. In addition, we will develop documentation of pricing methods appropriately when it is obligatory to document the laws and regulations of each country and region, or when it is necessary due to transaction size, tax risks, etc.

Tax Haven Countermeasures

We do not engage in tax planning intended to avoid tax, such as the use of tax havens by enterprises without business objectives or entities. In cases where an investment is made in a tax-exempt country or a reduction in tax rates is implemented due to a revision of laws and regulations in the country or region in which we operate and assess whether or not tax haven countermeasures are applied in accordance with laws and regulations of each country. As a result, we properly file tax returns and pay taxes when it is subject to the tax haven countermeasure system.

Relationship with Tax Authorities

Our group will respond sincerely to tax authorities and build and maintain honest and good relationships with them. We endeavor to file proper tax returns by checking with tax authorities in advance if necessary, and are working to reduce tax risks. Issues pointed out in tax investigation shall be properly addressed and endeavored to be remedied, and information required under applicable laws and regulations shall be appropriately disclosed to the authorities to demonstrate transparency.

*Tax policy approved by the Board of Directors on November 18, 2022

ZOZO Group aims to conduct its business with full consideration for the impact on the environment and society through co-creation and collaboration with brands that have stores on ZOZOTOWN and suppliers that form the supply chain. To achieve this, procurement policies are established for suppliers, and regular surveys and dialogues are conducted with them. Through these efforts, we strive to realize our sustainability statement, "Fashion Connects and Leads us to a Sustainable Future."

[Basic Environmental Policy](#)

[Basic Human Rights Policy](#)

ZOZO Sustainability Procurement Policy

ZOZO Group has formulated ZOZO Sustainability Procurement Policy for all of its business partners in order to realize its Sustainability Statement, "Fashion Connects and Leads us to a Sustainable Future." This policy is based on the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact (UNGC), and UN Guiding Principles on Business and Human Rights, while also considering our materialities and formulating it based on the Japanese laws and regulations where our head office is located.

Compliance with Laws and Ordinances

We comply with all laws and ordinances applicable to the jurisdictions in which the company operates. We also ensure conduct in accordance with international and industry norms.

Human Rights

We respect internationally recognized human rights throughout the supply chain. In particular, based on the ILO Declaration on Fundamental Principles and Rights at Work, we respect the freedom of association, prohibit child labor and forced labor, and aim to eliminate all discrimination and harassment in employment and the workplace. In addition, when we identify that it has caused or contributed to an adverse impact on human rights, we will remedy the adversely affected person through appropriate and proper procedures.

Labor practices

We protect the rights of workers by paying appropriate wages and benefits, providing welfare benefits, and entering into labor contracts in accordance with international norms and the laws and regulations of the jurisdictions in which we conduct business. In accordance with international norms and laws and regulations in the jurisdictions in which we conduct business, we give

consideration to the work environment, health, and safety of all employees involved in our business, including the elimination of excessive labor. We respect diverse individuality and values, and realize a fair and inclusive work environment and business partner relationships.

Human Capital and Human Resource Development

We actively support the formation and improvement of human capital in order to enhance the employability of our employees into the future.

Environment

We give consideration to climate change, ecosystems and natural capital, and environmental sustainability, including hazardous chemical substances, throughout our business, based on international norms and laws and regulations in the jurisdictions in which we conduct business.

Anti-Corruption

We do not offer, promise, give or demand bribes or other unjust benefits, directly or indirectly, for the purpose of acquiring or maintaining commercial transactions or other unjust benefits.

Information Security

We strictly manage and protect personal information of our company, customers and third parties. We establish a system for strictly managing and protecting information acquired in business, and do not leak it to third parties without permission. We develop and implement measures to prevent computer viruses, other network risks, threats and to prevent their impact from expanding.

Safety and Security

We take all reasonable actions to ensure the quality and reliability of the products and services we provide. We will act in accordance with fair business, sales and advertising practices in our relationships with consumers.

Business Continuity Plan

We build a system that prevents major social impacts by continuing our business operations even in the event of natural disasters or other emergencies or major changes in the social environment.

Fair trade

We comply with fair trade laws, such as the competition law and the subcontracting law, in accordance with international norms and the laws of the jurisdictions in which we conduct business. We do not engage in any transaction that infringes the intellectual property rights or other rights of any third party. We have no relationship with antisocial forces, and we reject any unreasonable demands.

*ZOZO Sustainability Procurement Policy is approved by the Board of Directors on April 21, 2023

*Revisions and eliminations of this policy will be made by our Board of Directors

*The following are covered

Environment: greenhouse gas emissions, energy consumption, water resource conservation, biodiversity conservation, land conservation, prevention of deforestation, prevention of pollution, waste reduction, resource recycling

Anti-Corruption: conflict of interest

Supply Chain Due Diligence

Aligned with the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, our group has established a comprehensive supply chain due diligence process. We have conducted risk assessment across our supply chain to identify, prevent, and reduce ESG risks.

Process

Step 1: Establishment of Policy

- Establishment of a Basic Human Rights Policy
- Establishment of a Basic Environmental Policy
- Establishment of a ZOZO Basic Policy on Anti-Corruption
- Establishment of a ZOZO Sustainability Procurement Policy

Step 2: Assessment

- Develop assessment items with advice from ESG experts.
- Conduct assessments to identify potential and actual ESG risks in the supply chain
- Perform ESG impact assessments to analyze and evaluate the impact of identified ESG risks.
- Mapping of ESG risks

Step 3: Action

- Implementation of corrective actions
- Implementation of measures to prevent and mitigate ESG risks
- Monitoring of implementation status and effectiveness of measures to prevent and mitigate ESG risks

Step 4: Communication

- Disclosure in reports and on the corporate website
- Implementation of ESG-related education and training

ESG Risk Identification and Assessment

Key themes in assessment

Major Themes	Middle Themes	Sub-Themes
Social	Human Rights	Basic Stance on Human Rights and Major Initiatives
		Forced Labor / Trafficking in Persons / Child Labor
		Harassment / Discrimination
		Working Hours
		Adequate Wages and Benefits
		Freedom of Association and Right to Collective Bargaining
		Occupational Health and Safety
Environment	Environment	Basic Stance on Environment and Major Initiatives

Major Themes	Middle Themes	Sub-Themes
Environment	Climate Change	Greenhouse Gas Emissions
		TCFD
		SBTi
		Renewable Energy
		Corporate Carbon Price
	Water	Water Consumption
	Resources	Waste Consumption
	Third-Party Verification	Third-Party Verification
	Products, Services and Packages	Sustainable Products, Services, and Packages
Governance	Legal Violations	Legal Violations
	Corporate Ethics	Corruption
		Whistleblower Hotline
	Supply Chain Management	Supplier Audits
	Information Security	Basic Stance on Information Security
Other	External Certifications	Status of External Certifications
	Education	Status of in-house education

No. of reported cases of whistleblowing

Category	Number of Companies Covered / Coverage		Number of companies surveyed / Coverage	
Apparel brand companies with ZOZOTOWN stores *Companies whose main sales are apparel	20		14	
Non-apparel brand companies with ZOZOTOWN stores *Companies whose main sales are shoes, cosmetics, small leather goods, etc.	10	33.0% (*1)	5	18.11% (*1)
Non-brand companies *Shipping companies, real estate agents, settlement agents, etc.	10	60.0% (*2)	10	60.0% (*2)

*1 Percentage of Gross Merchandise Value on ZOZOTOWN

*2 Percentage of transactions by companies other than those handling ZOZOTOWN brands

Main assessment results

As part of our supply chain due diligence, we conduct risk assessments to identify ESG risks associated with our business partners. As a result, no incidents of human rights violations or compliance violations were identified. Additionally, we identified high risk suppliers and are actively engaging in risk prevention and improvement efforts.

Themes addressed by our business partners

Major Themes	Middle Themes	Initiatives
Social	Human Rights	Recognizing the "UN Guiding Principles on Business and Human Rights," the management team, including top executives, assumes responsibility for human rights.
		Understanding of their own factories and factories in their own supply network in developing countries (Vietnam, Cambodia, etc.), the Xinjiang Uyghur Autonomous Region of China, and Myanmar.
		Providing education and reminders to employees related to harassment and discrimination, and taking strict action when incidents occur.

Major Themes	Middle Themes	Initiatives
Social	Human Rights	Implementing education and reminders to employees related to working hours and occupational safety and health.
		Ensuring the employee salaries meet or exceed the minimum wage, and the company regulations clearly state the details of wages and allowances in accordance with the law.
		Safeguarding the right to freedom of association and collective bargaining for all employees.
Environment	Environment	Recognizing environmental laws and regulations and social norms, the management team, including top executives, is responsible for the environment.
Governance	Corporate Ethics	The management team, including top executives, assumes responsibility for the company's initiatives to prevent corruption and bribery.
		Establishing a system to prevent compliance violations (e.g. setting up internal and external whistleblower desks).
	Information Security	Clarifying measures, persons in charge, and departments in charge of information security.
		Implementing education and reminders to employees related to information security.

Themes for future consideration

Major Themes	Middle Themes	Initiatives
Social	Human Rights	Formulating policies based on international principles of human rights and promoting initiatives related to human rights.
		Promoting initiatives related to human rights and disclosing on the company website.
		Monitoring the adoption of the Technical Intern Training Program and the Specified Skilled Worker System at the suppliers and subcontractors of the company.
Environment	Environment	Establishing a system to assess, identify and correct environmental risks that may arise from the company business activities.
	Corporate Ethics	Monitoring greenhouse gas emissions and formulating reduction targets.
		Disclosing management strategies in response to climate change (TCFD) and setting decarbonization targets (SBT).
	Water	Monitoring the amount of water consumed throughout the product lifecycle.

Major Themes	Middle Themes	Initiatives
Environment	Resources	Monitoring the total amount of waste produced by the company and the amount of waste recycled.
	Third-Party Verification	Undergoing an environmental audit by a third-party.
	Products, Services and Packages	Formulating programs for collecting used products and packaging.
		Conducting life cycle assessments for products and services.
Governance	Supply Chain Management	Formulating policies and guidelines for procurement for suppliers.
		Implementing supplier audits related to environmental or social issues.
	Information Security	Undergoing an information security audit by a third-party.

Implementation of Measures to Prevent and Mitigate ESG Risks


Since May 2021, we have been holding human rights study sessions by inviting experts to provide education to employees and business partners. Through these efforts, we aim to deepen understanding of human rights issues together with our business partners and promote corporate activities that respect human rights.

Fiscal Year	Number of Sessions	Themes
2021	10	<ul style="list-style-type: none"> • Basic knowledge of human rights issues, human rights issues in the international community, and human rights due diligence
2022	10	<ul style="list-style-type: none"> • Factory audits, supply chain audits • Realities of the apparel retail industry and other industries
2023	9	<ul style="list-style-type: none"> • Japanese government initiatives and efforts in the apparel retail industry • Raw material procurement for textiles and perfumes
2024	8	<ul style="list-style-type: none"> • Foreign technical intern training program • CSDDD (Corporate Sustainability Due Diligence Directive) etc.

Utilizing EcoVadis to strengthen collaboration with business partners

We utilize EcoVadis, which evaluates the sustainability of companies in more than 180 countries using its own evaluation criteria, and share the results of our evaluation with our business partners as appropriate. Through these initiatives, we intend to contribute to increasing the transparency and responsibility of the entire supply chain.

Declaration of Partnership Building

We formulated and announced the  [Declaration of Partnership Building](#) that was established by the Cabinet Office and others. This is declared by representatives of companies to build new partnerships by promoting collaboration and co-existence and co-prosperity among business partners in the supply chain and businesses that seek to create value.

[Announced "Declaration of Partnership Building "](#)

Relationship with the brands

We evaluate the various conditions such as brand image, product lineup, revenue size etc. fairly to select business partners. At the time of starting business transaction, we require brands to make the representations and warranty for products to be supplied are appropriately manufactured in accordance with the relevant laws, no risk of unfairly harming the rights of the third party, and brands have no relation with any antisocial forces.

In addition, we prohibit any products that may violate human rights, disrupt social order, or use other people's nominations, photographs, portraits, trademarks, works, etc., without permission.

Production

Made by ZOZO

Made by ZOZO proposes product planning to brands based on the data and know-how we own. In addition, by digitizing work at the factory, which had previously been done by hand, and developing our own system that enables the production of products with multiple different designs at the same time, we produce from at least one unit and ship the product in at least 10 days after the order is received.

*Offered to 8 brands, covering a total of 461 production types. This service is available to approximately 0.1% of the brands we handle.

Multi-size (MS)

Our exclusive service "Multi-size" offers a variety of sizes of clothings based on measurement data supported by brands, and helps customers to find an ideal size for you. We incorporate an eco-friendly business model to suppress an excess inventory, and many products are produced by made-to-order production.

YOUR BRAND PROJECT Powered by ZOZO

In our D2C business, YOUR BRAND PROJECT Powered by ZOZO, we collaborate with talented individuals and unite as one. We back up all of the processes and funds required for them to launch their brands from product planning to manufacturing, sales, logistics, and customer support. This project incorporates a number of sustainable and ethical materials, including organic materials and recycled fibers. Moreover, some products are produced by multi-size' made-to-order production, and helps promote a system of reducing mass production and mass disposal. In the time anyone has access to a variety of platforms and opportunities to express themselves in various fields through the public and social media, we will continue to uplift the fashion industry while focusing on sustainability as an online fashion retail website that not only to "sell" but also "create" products.

Logistics

YAMATO TRANSPORT Co., Ltd. [🔗](#)

We completely outsource the last mile delivery operations, which are essential to our e-commerce business. In recent years, the transportation industry has faced issues such as labor shortages and an increase in a number of requests for re-delivery of parcels. We have been working with delivery companies to improve customer service and reduce a number of re-delivery. In August 2017, we launched the first service in the e-commerce industry to select an option of "locker pick-up," which allows customers to pick up their order from ZOZOTOWN from express delivery lockers. In June 2020, we launched "package drop service" that allows customers to select preferred locations and dates for each delivery, for carriers to drop a package which enables customers to receive products on a non-face-to-face basis. However this non-face-to-face "package drop service" used to be concerned by some customers from a security point of view since packages with an attached slip of personal information written to be left outside. In June 2021, we introduced a method to reduce the risk of personal information leaks by issuing two-dimensional coding of the slip so that it makes it more convenient and safe for customers to use "package drop service."

- Introduced EAZY, which allows customers to choose a non-face-to-face merchandise receiving method, with the aim of reducing redelivery (frequency)
- Utilizing Yamato transport's relation center to improve delivery efficiency (reduce the number of transportations)

Prologis, Inc. [🔗](#)

We lease the majority of our logistics centers "ZOZOBASE" (total floor space of approximately 320,000 square meters) with a logistics facility from Prologis. We currently have several centers located in Narashino City, Chiba Prefecture, and Tsukuba City, Ibaraki Prefecture. Sites contracted after 2017 are equipped with LED lighting and human sensors, which are also environmentally conscious. In addition, the air conditioners are fully equipped in each floor to make a comfortable working environment for the employees. We will continue to maintain even better relationships and ensure to keep the logistics centers secure and safe.

- Introduced 100% renewable energy-derived electricity to each logistics centers
- Introduced LED lights at all logistics centers
- Introduced human sensors that detect people and automatically turn lights on and off at some centers

Packaging

ZOZO Group uses a variety of packaging materials for a wide variety of products. Therefore, we view "Packaging Waste & Recycling" as one of the materialities. In order to create a recycling-oriented society, we will continue to promote environmentally-friendly initiatives, such as changing the plastic materials, adopting sustainable resources such as the use of corrugated cardboard that has obtained FSC certification (※1), and introducing a system that enables easy selection of appropriate-sized materials to prevent excessive packaging.

- Changed cushioning material used for product packaging from plastic materials to 100% recycled paper materials
- Use of corrugated containers with FSC certification(*1)
- Changed packaging materials from plastic to materials containing 25% biomass plastic
- Introduction of a system that enables easy selection of appropriate-size materials to prevent excessive packaging
- Use of 10 types of materials are always available and appropriate sizes are used to prevent excessive packaging.
- Use of reusable ZOZOTOWN original-made non-woven textile bags(*2)
- Digitizing delivery paper slips and receipts that was included in the product
- Announcement to brands to refrain as much as possible from plastic hangers that are not needed when products are transite

*1 FSC certification is an internationally recognized system for "appropriate forest management," which was created with the aim of sustainable forest use and conservation.

*2 When collecting trade-in products from customers through the "replacement discount" service, we recommend the use of ZOZOTOWN original non-woven fabric reused bags that can be used repeatedly. Currently, about 94% of reused bags used once have been cleaned, and the bags have been reused on average five to six times since then.

Changed Packaging for Delivery to Environmentally Conscious Materials

Usage of Packaging Materials

	Fiscal 2021	Fiscal 2022	Fiscal 2023
Corrugated Containers (kg)	13,308,402	10,840,114	9,190,662
Shipping Bag (kg)	431,111	774,084	1,121,927

ESG Data

ESG Data

Comparison Tables
with Guidelines

This page provides data related to ESG (Environmental, Social, and Governance) in our business activities, organized by categories and consolidated.

Coverage of companies covered in this report

ZOZO Corporation, ZOZO NEXT Corporation

Coverage ratio

Environmental and governance items are calculated based on the sales revenue ratio of each group company that makes up the ZOZO Group.

Social items are calculated based on the ratio of the number of employees comprising the ZOZO Group.

ESG Data

[Environment](#)

[Social](#)

[Governance](#)

Environment

Items	FY2022	FY2023	Coverage
Total CO2 emissions (Scope 1 & 2)(t-CO2)	619	271	100%
Total CO2 emissions (Scope 1 & 2 & 3)(t-CO2)*	403,672	224,864	100%
CO2 emissions (Scope 1 & 2) per unit of net sales (t-CO2/Millions of JPY)	0.003	0.001	100%
CO2 emissions (Scope 1 & 2 & 3) per unit of net sales (t-CO2/Millions of JPY) *	2.20	1.14	100%
Scope 1 (t-CO2)	30	34	100%
Gas (m³)	0	0	100%
Diesel fuel (kl)	0	6	100%
Heavy oil (kl)	0	0	100%
Kerosene (kl)	0	0	100%
Gasoline (kl)	13	8	100%
Scope 2 Market Based (t-CO2)	589	237	100%
Scope 2 Location Based (t-CO2)	9,439	12,252	100%
Hot water/cold water (GJ)	179	205	100%
Electricity (kWh)	21,725,227	27,946,914	100%


Items	FY2022	FY2023	Coverage
Scope 3 (t-CO ₂)**	403,048	224,593	100%
Gross CO ₂ emissions (Scope 3) per unit of net sales (t-CO ₂ /Millions of JPY) *	2.14	1.14	100%
Category 1 : Purchased goods and services	44,906	46,673	100%
Category 2 : Purchased capital goods※1	32,444	77,223	100%
Category 3 : Purchased fuel/energy not included in Scope 1 or 2	1,488	1,913	100%
Category 4 : Upstream transportation and distribution**	72,328	71,625	100%
Category 5 : Waste generated in operations**	222	275	100%
Category 6 : Business travel	913	1,378	100%
Category 7 : Employee commuting**	886	1,505	100%
Category 8 : Upstream leased assets	1,453	1,109	100%
Category 9 : Downstream transportation and distribution	0	0	100%
Category 10 : Processing of sold products	0	0	100%
Category 11 : Use of sold products※2	227,821	0	100%
Category 12 : End-of-life treatment of sold products**	20,588	22,892	100%

Items		FY2022	FY2023	Coverage
Category 13 : Downstream leased assets		0	0	100%
Category 14 : Franchises		0	0	100%
Category 15 : Investments		0	0	100%
Total energy consumption (GJ)		212,723	273,536	100%
CO2 emission per energy consumption (t-CO2/GJ)		0.047	0.047	100%
Total energy consumption intensity (GJ per million yen)		-	1.39	100%
Renewable energy consumption (GJ)		194,895	267,557	100%
Ratio of renewable energy (%)		91.9%	98.1%	100%
Renewable energy consumption intensity		-	1.36	100%
Water consumption (m³)	Overall water consumption (m³)	27,618	34,924	100%
	Of which, consumption of city water (m³)**	26,074	31,905	100%
	Of which, sewage consumption (m³)**	1,544	2,816	100%
Water consumption per unit of net sales (m³/Millions of JPY) *		0.15	0.18	100%

Items	FY2022	FY2023	Coverage
Average PUE of data centers	1.5	1.6	100%
Total waste (t)**	6,647	6,921	100%
Amount of waste recycled (t)**	6,647	6,921	100%
Final disposal of waste (t)**	0.23	0.08	100%
Total emissions of waste per unit of net sales (t/Millions of JPY) **	0.036	0.035	100%
Final disposal of waste per unit of net sales (t/Millions of JPY) **	0.00	0.00	100%
Recycling rate of waste**	99.9%	99.9%	100%
Green purchasing ratio※4	26.7%	21.0%	100%
Total paper used (t)	24.5	30.7	100%
Environmental Investment (JPY)※5	6,581.5 million JPY	8,483.2 million JPY	100%
Number of environmental fines and penalties	0	0	100%
Amount of environmental fines and penalties (JPY)	0	0	100%

*Expanded disclosure information.

**Revised calculation logic for FY2022.

 ZOZO Corporation has undergone a three-party verification covering "greenhouse gases, energy, water, and industrial waste" by the Japan Quality Assurance Organization (JQA), with the aim of enhancing the reliability of objective evaluation and calculation of environmental data.

※ Certified as part of the SoftBank Group Corp., including ZOZO

*1 Category 2: Temporarily increased due to the introduction of automation equipment at logistics center "ZOZOBASE."

*2 Category 11: Excluded from calculation starting fiscal year 2023.

*3 Green purchasing ratio covers OA, PC, household goods, and stationery/office supplies.

*4 Includes the amount of goods purchased from customers through the ZOZUSED service, the cost of introducing renewable energy electricity, and the cost of introducing environmentally friendly materials.

Social

Items		FY2022	FY2023	Coverage
Number of employees: Ratio of male to total, ratio of female to total	Total	1,503	1,644	100%
	Male (%)	879 (58.5%)	954 (58.0%)	100%
	Female (%)	624 (41.5%)	690 (42.0%)	100%
Number of employees in Japan	Total	1,503	1,644	100%
Number of employees overseas	Total	0	0	100%
Number of employees in managerial positions; gender compositions	Total	320	327	94.3%
	Male (%)	251 (78.4%)	248 (75.8%)	94.3%
	Female (%)	69 (21.6%)	79 (24.2%)	94.3%
	Non-Japanese (%)*	2 (0.6%)	3 (0.9%)	94.3%
Gender composition by job title	Executive officer Male (%)	4 (80.0%)	7 (87.5%)	94.3%

Items		FY2022	FY2023	Coverage
Gender composition by job title	Executive officer Female (%)	1 (20.0%)	1 (12.5%)	94.3%
	Senior manager or higher Male (%)	89 (88.1%)	95 (87.2%)	94.3%
	Senior manager or higher Female (%)	12 (11.9%)	14 (12.8%)	94.3%
	Manager (section chief) Male (%)	146 (72.3%)	166 (75.8%)	94.3%
	Manager (section chief) Female (%)	56 (27.7%)	53 (24.2%)	94.3%
Number of employees and gender composition by job category (revenue generating divisions) ※1	Total Male (%)	184 (43.5%)	192 (42.5%)	100%
	Total Female (%)	239 (56.5%)	260 (57.5%)	100%
	Senior manager or higher Male (%)	29 (82.9%)	24 (80.0%)	100%

Items		FY2022	FY2023	Coverage
Number of employees and gender composition by job category (revenue generating divisions) ※1	Senior manager or higher Female (%)	6 (17.1%)	6 (20.0%)	100%
	Manager (section chief) Male (%)	38 (66.7%)	39 (65.0%)	100%
	Manager (section chief) Female (%)	19 (33.3%)	21 (35.0%)	100%
Number of employees and gender composition by job category (STEM divisions) ※1	Total Male (%)	373 (78.5%)	392 (83.4%)	100%
	Total Female (%)	102 (21.5%)	78 (16.6%)	100%
	Senior manager or higher Male (%)	36 (97.3%)	30 (100%)	100%
	Senior manager or higher Female (%)	1 (2.7%)	0 (0%)	100%
	Manager (section chief) Male (%)	65 (87.8%)	64 (88.9%)	100%
	Manager (section chief) Female (%)	9 (12.2%)	8 (11.1%)	100%

Items		FY2022	FY2023	Coverage
Number of employees and gender composition by job category (Other divisions) *	Total Male (%)	322 (53.2%)	370 (51.2%)	100%
	Total Female (%)	283 (46.8%)	352 (48.8%)	100%
	Senior manager or higher Male (%)	34 (85.0%)	44 (84.6%)	100%
	Senior manager or higher Female (%)	6 (15.0%)	8 (15.4%)	100%
	Manager (section chief) Male (%)	50 (65.0%)	59 (60.8%)	100%
	Manager (section chief) Female (%)	28 (35.0%)	38 (39.2%)	100%
Number of highly specialized personnel*	Total	78	103	100%
	Research staff (basic research/ technical research)	13	11	100%
	Number of AI Specialist	14	43	100%
	Number of Data scientist	51	49	100%

Items		FY2022	FY2023	Coverage
Number of managerial appointments: Ratio of males to total, Ratio of females to total	Total	47	46	100%
	Male (%)*	39 (83.0%)	25 (54.3%)	100%
	Female (%)*	8 (17.0%)	21 (45.7%)	100%
Number of non-Japanese employees in Japan (% to total employees): gender composition (%)	Total	39 (2.6%)	48 (2.9%)	100%
	Male (%)	22 (1.5%)	26 (1.6%)	100%
	Female (%)	17 (1.1%)	22 (1.3%)	100%
Number of new employees recruited in Japan	Total	178	223	100%
	Male (%)	105 (59.0%)	130 (58.3%)	100%
	Female (%)	73 (41.0%)	93 (41.7%)	100%
Number of newly graduated employees recruited in Japan	Total	51 (28.7%)	45 (20.2%)	100%
	Male (%)	27 (52.9%)	24 (53.3%)	100%
	Female (%)	24 (47.1%)	21 (46.7%)	100%

Items		FY2022	FY2023	Coverage
Number of mid-career employees recruited in Japan	Total (%)	127 (71.3%)	178 (79.8%)	100%
	Male (%)*	78 (61.4%)	106 (59.6%)	100%
	Female (%)*	49 (38.6%)	72 (40.4%)	100%
Number of foreign nationals among new graduates and mid-career hires	Total (%)	73	10	100%
	Number of new graduated hires (%)	2 (3.92%)	7 (70.0%)	100%
	Number of mid-career hires (%)	5 (3.94%)	3 (30.0%)	100%
Number of employees with disabilities	Total	131	137.5	100%
	Male	65 (49.2%)	69 (50.2%)	100%
	Female	66 (50.8%)	68.5 (49.8%)	100%
Percentage of employees with disabilities in overall workforce*	All employees (%)	2.32%	2.80%	100%
Number of post-retirement employees rehired	Total	0	0	100%

Items		FY2022	FY2023	Coverage
number of temporary employees	Total	4,481	4,502	100%
	Male	1,136 (25.3%)	1,108 (24.6%)	100%
	Female	3,345 (74.7%)	3,394 (75.4%)	100%
	Contract employees	6 (0.1%)	2 (0.04%)	100%
number of non-permanent employees	Total	1,324	1,598	100%
	Temporary staff	1,052 (79.4%)	1,405 (87.9%)	100%
	Subcontract employee	272 (20.6%)	193 (12.1%)	100%
Percentage of employees who are contract or temporary staff*	Total (%)	-	78.2%	100%
Number of employees switched from non-permanent to permanent employment	Total	27	7	100%
	Male	11 (40.7%)	2 (28.6%)	100%
	Female	16 (59.3%)	5 (71.4%)	100%

Items		FY2022	FY2023	Coverage
Number of departing employees	Total	79	50	100%
	Male	23	35	100%
	Female	56	15	100%
	Under 30 Total	24	17	100%
	30 - 39 Total	43	22	100%
	40 - 49 Total	8	10	100%
	50 - 59 Total	3	1	100%
	60 and above Total	1	0	100%
	Personal circumstances	77 (97.4%)	50 (100%)	100%
	Corporate circumstances	0	0	100%
	Number of Transfer to another group company	1 (1.3%)	0	100%
	Other	1 (1.3%)	0	100%
Retirement rate	Total	5.3%	3.3%	100%
	Male	1.6%	2.3%	100%
	Female	3.7%	1.0%	100%

Items		FY2022	FY2023	Coverage
Retirement rate	Under 30 Total	1.6%	1.1%	100%
	30 - 39 Total	2.9%	1.5%	100%
	40 - 49 Total	0.6%	0.7%	100%
	50 - 59 Total	0.2%	0.1%	100%
	60 and above Total	0.1%	0.0%	100%
	Personal circumstances	5.1%	3.3%	100%
	Corporate circumstances	0%	0%	100%
	Transfer to another group company	0.1%	0%	100%
	Other	0.1%	0%	100%
Average employment years	All employees	6.0	6.1	100%
	Male	6.1	6.2	100%
	Female	5.8	6.0	100%
Average age	All employees	33.3	33.9	100%
	Male	34.1	34.8	100%
	Female	32.3	32.8	100%

Items		FY2022	FY2023	Coverage
Employees by age: Ratio of males and females to total	Under 30 Total	488	482	100%
	Under 30 Male (%)	246 (50.4%)	230 (47.7%)	100%
	Under 30 Female (%)	242 (49.6%)	252 (52.3%)	100%
	30 - 39 Total	750	825	100%
	30 - 39 Male (%)	444 (59.2%)	489 (59.3%)	100%
	30 - 39 Female (%)	306 (40.8%)	336 (40.7%)	100%
	40 - 49 Total	248	308	100%
	40 - 49 Male (%)	178 (71.8%)	218 (70.8%)	100%
	40 - 49 Female (%)	70 (28.2%)	90 (29.2%)	100%
	50 - 59 Total	13	18	100%
	50 - 59 Male (%)	8 (61.5%)	9 (50.0%)	100%
	50 - 59 Female (%)	5 (38.5%)	9 (50.0%)	100%
	60 and above Total	3	2	100%
	60 and above Male (%)	2 (66.7%)	1 (50.0%)	100%
	60 and above Female (%)	1 (33.3%)	1 (50.0%)	100%

Items		FY2022	FY2023	Coverage
Recruitment cost	Millions of JPY	109	213	100%
	Average recruiting cost per person (JPY thousand)	534	956	100%
Percentage of recruitment from internal sources	Internal transfer, etc. (%)	3.8%	6.3%	100%
Average annual salary of directors (basic salary only)	Total(JPY thousand)	31,881	36,816	100%
	Male (JPY thousand)	31,881	36,816	100%
	Female (JPY thousand)	-	-	100%
Average annual salary of directors (basic salary + bonus)	Total(JPY thousand)	41,366	50,176	100%
	Male (JPY thousand)	41,366	50,176	100%
	Female (JPY thousand)	-	-	100%
Average annual salary of employees in managerial positions (basic salary only)**※2	Total(JPY thousand)	8,249	9,599	100%
	Male (JPY thousand)	8,712	10,122	100%
	Female (JPY thousand)	6,600	7,919	100%
Average annual salary of employees in managerial positions (basic salary +bonus)**※2	Total(JPY thousand)	9,821	10,976	100%
	Male (JPY thousand)	10,308	11,544	100%
	Female (JPY thousand)	8,152	9,152	100%

Items		FY2022	FY2023	Coverage
Average annual salary of employees in non-managerial positions (basic salary only) **	Total(JPY thousand)*	4,109	4,582	100%
	Male (JPY thousand)	4,542	5,129	100%
	Female (JPY thousand)	3,620	3,963	100%
Average annual salary of employees in non-managerial positions (basic salary + bonus) **	Total(JPY thousand)*	5,475	5,673	100%
	Male (JPY thousand)	5,963	6,263	100%
	Female (JPY thousand)	4,923	5,007	100%
Average annual salary (base salary only) for non-management to executive officers	Total(JPY thousand)	5,229	5,752	100%
	Male (JPY thousand)	5,984	6,652	100%
	Female (JPY thousand)	4,136	4,507	100%
Average annual salary (base salary + bonus) for non-management to executive officers*	Total(JPY thousand)	6,651	6,914	100%
	Male (JPY thousand)	7,471	7,878	100%
	Female (JPY thousand)	5,465	5,580	100%
Average median annual salary of non-management to executive officers**	Male (JPY thousand)	6,545	7,715	100%
	Female (JPY thousand)	5,345	5,495	100%

Items		FY2022	FY2023	Coverage
Ratio of CEO's remuneration to average annual salary of employees	Ratio by average <CEO: Employee>	13:1	13:1	100%
Wage differential between men and women※3	All employees (%)	59.4%	56.4%	94.3%
	Permanent employees (%)	73.2%	73.0%	94.3%
	Permanent employees (%)	103.8%	103.9%	94.3%
Global gender pay gap*	Permanent employees (%)	-	73.0%	100%
Median global gender pay gap*	Permanent employees (%)	-	81.0%	100%
Number of employees using childcare systems**	Total	114	132	100%
	Male (JPY thousand)	20 (17.5%)	31 (23.5%)	100%
	Female (JPY thousand)	94 (82.5%)	101 (76.5%)	100%
Percentage of full-time employees taking childcare leave	Male (%)	37.0%	63.3%	100%
	Female (%)**	126.1%	106.7%	100%
	Percentage of returning to work**	46.9%	47.3%	100%

Items		FY2022	FY2023	Coverage
Percentage of non-regular employees taking childcare leave	Male (%)	100%	77.8%	94.3%
Number of employees using reduced working hours system for childcare	Total	21	21	100%
	Male	0	0	100%
	Female	21	21	100%
Number of employees using sick/elderly family members care leave	Total	0	1	100%
	Male	0	1	100%
	Female	0	0	100%
Number of employees using reduced working hours system for sick/elderly family members	Total	0	0	100%
	Male	0	0	100%
	Female	0	0	100%
Utilization of paid leave	All employees (%)	79.9%	85.0%	100%
Annual total working hours (average per employee)**	Hours	1,853	1,857	100%
Annual hours of overtime worked (average per employee)**	Hours	212	164	100%

Items		FY2022	FY2023	Coverage
Number of employees using work-from-home system	Total	1,423	1,528	94.3%
	Overall utilization rate	94.7%	92.9%	100%
Number of employees on leave due to non-work-related illness or injury	Total	34	41	100%
	Male	15 (44.1%)	20 (48.8%)	100%
	Female	19 (55.9%)	21 (51.2%)	100%
Ratio of Incidence of industrial accidents resulting in leave**	All employees (%)	0.2%	0.3%	100%
Number of lost-time injuries per million hours worked*	Total	-	2.94	100%
Number of lost-time injuries for contract employees per 200,000 hours worked*	Total	-	0	100%
Employee injury frequency rate per 200,000 hours*	Total	-	2.72	100%
Ratio of incidence of industrial accidents**	All employees (%)	1.1%	1.5%	100%

Items		FY2022	FY2023	Coverage
Number of work-related fatalities for employees	Total	-	0	100%
Number of work-related fatalities for contractors	Total	-	0	100%
Percentage of employees taking stress check	All employees (%)	64.5%	78.8%	100%
Percentage of employees taking harassment check	All employees (%)	100%	100%	100%
Percentage of employees taking regular medical checkups	All employees (%)	87.7%	96.5%	100%
Percentage of employees with remarks in their medical checkups	All employees (%)	24.7%	23.3%	100%
Total hours spent on capacity building training for employees**	Total (hours)	24,636	19,843	100%

Items		FY2022	FY2023	Coverage
Average training hours per employee (result)	hours	49	12	100%
Total cost of training/ human resource development*	JPY	6,872,908	12,056,668	100%
Average training cost per employee (result)**	JPY	4,751	7,334	100%
Average training hours per manager	hours	-	9.64	100%
Average training hours per non-manager	hours	-	12.93	100%
Average training cost per manager	JPY	-	13,540	100%
Average training cost per non-manager	JPY	-	5,974	100%
Average participation rate in engagement survey*	Average Attendance Rate (%)	91%	92%	100%
Percentage of highly engaged employees*	Ratio (%)	53%	68%	100%

*Expanded disclosure information.

**Revised calculation logic for FY2022.

*1 revenue generating divisions refer to divisions in charge of sales + planning/business development, and STEP divisions refer to engineers and designers.

*2 Management positions range from section chiefs to executive officers.

*3 Percentage of average annual salary for women divided by average annual salary for men.

Governance

Items		FY2022	FY2023	Coverage
Number of whistle-blowing reports		11	11	100%
Number of legal actions related to corruption, bribery, etc.		0	0	100%
Political contributions		0	0	100%
Income tax expense recorded in Consolidated Statement of Profit or Loss (JPY) ※1		17,214 million JPY	16,010 million JPY	100%
Number of violations against codes of business conduct and ethical standards	Number of fraudulent business	0	0	100%
	Number of security violation	0	0	100%
	Number of neglect of duty	0	0	100%
	Number of Conflicts of Interest Cases*	-	0	100%
	Number of Money Laundering Cases*	-	0	100%
	Number of Insider Trading Cases*	-	0	100%
	Number of disciplinary action	0	0	100%
	Other	0	0	100%

Items		FY2022	FY2023	Coverage
Number of violations related to human rights abuse and harassment	Number of harassment	0	0	100%
	Number of disciplinary action	0	0	100%
Number of Employees Dismissed for Corruption Prevention Issues*		-	0	100%
Number of information leaks		-	0	100%
Percentage of employees taking compliance e-learning		100%	100%	100%

**Expanded disclosure information.

*1 We fulfill our tax obligation appropriately for the development of our nation and the regions in which our offices are located.

[Please refer here for details on the composition of officers and their remunerations.](#)

 [ESG Data\(past year\)](#)

SASB

We organize and disclose information based on SASB standards provided by the U.S. Sustainability Accounting Standards Board (SASB).

Topic	Accounting Metric	Code	Disclosed Materials
Environmental Footprint of Hardware Infrastructure	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	CG-EC-130a.1	ESG data (Environment)
	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	CG-EC-130a.2	ESG data (Environment) Initiatives to Conserve Water Resources
	Discussion of the integration of environmental considerations into strategic planning for data center needs	CG-EC-130a.3	Not disclosed

Topic	Accounting Metric	Code	Disclosed Materials
Data Privacy & Advertising Standards	Number of users whose information is used for secondary purposes	CG-EC-220a.1	Not disclosed
	Description of policies and practices relating to behavioral advertising and user privacy	CG-EC-220a.2	ZOZO Group Privacy Policy
Data Security	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	CG-EC-230a.1	Information Security
	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected	CG-EC-230a.2	ESG data (Governance)

Topic	Accounting Metric	Code	Disclosed Materials
Employee Recruitment, Inclusion & Performance	Employee engagement as a percentage	CG-EC-330a.1	ESG data (Social) Diversity, Equity & Inclusion List of Training Programs Implemented in Fiscal 2023
	(1) Voluntary and (2) Involuntary all employee turnover	CG-EC-330a.2	ESG data (Social)
	Percentage of (1) gender and (2) diversity group representation (a) Executive management (b) Non-executive management executives (c) Technical employees; and (d) All other employees	CG-EC-330a.3	ESG data (Social) Diversity, Equity & Inclusion
	H-1B visa acquisition rate for technical staff	CG-EC-330a.4	Labor Practices
Packaging and Delivery of Merchandise	Greenhouse Gas (GHG) Footprint for Merchandise Shipments	CG-EC-410a.1	ESG data (Environment)
	Discussion of strategies for reducing environmental impact through product delivery	CG-EC-410a.2	Sustainability Management Structure Logistics

Topic	Accounting Metric	Code	Disclosed Materials
Company-defined indicators of user activity		CG-EC-000.A	Result Summary
(1)Data capabilities (2)Ratio of outsourcing		CG-EC-000.B	Not disclosed
Number of shipments		CG-EC-000.C	Result Summary

GRI

GRI(Global Reporting Initiative) The pages listed under the Sustainability Reporting Standards section are shown below.

GRI Standards Content Index		Website
201	Economic Performance	Basic Policy Financial Highlights Benefits and Welfare Community Investment
202	Market Presence	-
203	Indirect Economic Impacts	Social Contribution Activities Community Investment
204	Procurement Practices	ZOZO Sustainability Procurement Policy
205	Anti-corruption	Anti-Corruption and Corporate Ethics List of Training Programs Implemented in Fiscal 2023 Code of Conduct ESG data(Governance)
206	Anti-competitive Behavior	Anti-Corruption and Corporate Ethics Code of Conduct ESG data(Governance)

GRI Standards Content Index		Website
207	Tax	Tax policy
301	Materials	Packing materials Packaging
302	Energy	Climate Change ESG data(Environment)
303	Water	Natural Capital ESG data(Environment)
304	Biodiversity	Biodiversity ESG data(Environment)
305	Emissions	Climate Change ESG data(Environment)
306	Effluents and Waste	Waste Reduction ESG data(Environment)
307	Environmental Compliance	ESG data(Environment)
308	Supplier Environmental Assessment	
401	Employment	Labor Practices ESG Data(Social)

GRI Standards Content Index		Website
402	Labor / Management Relations	Establishment of Employee Representatives
403	Occupational Health and Safety	Labor Practices ESG Data(Social)
404	Training and Education	List of Training Programs Implemented in Fiscal 2023 ESG Data(Social)
405	Diversity and Equal Opportunity	ESG Data(Social) Diversity, Equity & Inclusion
406	Non-discrimination	Diversity, Equity & Inclusion Compliance Basic Human Rights Policy
407	Freedom of Association and Collective Bargaining	Basic Human Rights Policy Establishment of Employee Representatives
408	Child Labor	Basic Human Rights Policy ZOZO Sustainability Procurement Policy
409	Forced or Compulsory Labor	Basic Human Rights Policy ZOZO Sustainability Procurement Policy
410	Security Practices	-

GRI Standards Content Index		Website
411	Rights of Indigenous Peoples	-
412	Human Rights Assessment	Basic Human Rights Policy ESG data(Governance)
413	Local Communities	Social Contribution Activities FUTURE FOR YOU Community Investment
414	Supplier Social Assessment	Communication with Stakeholders Supply Chain Due Diligence Supply Chain Management
415	Public Policy	ESG data(Governance)
416	Customer Health and Safety	Information Security ESG data(Governance) Improving service quality
417	Marketing and Labeling	ZOZO Group PrivacyPolicy Improving Service Quality
418	Customer Privacy	Information Security ZOZO Group PrivacyPolicy
419	Socioeconomic Compliance	ESG data(Governance)