



May 17, 2023

Dear All,

Notice Concerning Setting of Compensation, etc. (Performance-Linked Restricted Stock Compensation) for Directors Who Are Not Members of the Audit and Supervisory Committee (Excluding Non-executive Directors)

At the Board Meeting held today, ZOZO, Inc. (hereinafter, referred to as the "Company") resolved to transition to a company with an Audit and Supervisory Committee, subject to approval at the 25th Ordinary General Meeting of Shareholders to be held on June 28, 2023 (hereinafter, referred to as the "Shareholders Meeting"), and submit a proposal for the partial amendment to the Articles of Incorporation to the Shareholders Meeting (hereinafter, referred to as the "Proposed Amendments"). (Please refer to the Company's "Notice Concerning the Transition to a Company with an Audit and Supervisory Committee and Partial Amendment to the Articles of Incorporation" dated today.) Accordingly, the Company hereby announces that it has resolved to abolish the current performance-linked restricted stock compensation plan for the Company's Executive Directors (hereinafter, referred to as the "Plan") and submit a proposal to set compensation for Directors who are not Audit and Supervisory Committee members (excluding non-Executive Directors, including Outside Directors; hereinafter, referred to as the "Eligible Directors") (hereinafter, referred to as the "Proposal") to the Shareholders Meeting after the transition to a company with an Audit and Supervisory Committee.

1. Purpose of the Plan

The Plan is a compensation plan under which the Company grants restricted stock to Eligible Directors for the purpose of providing medium- to long-term incentives to enhance the corporate value of the Group sustainably and to promote further value sharing between the Company's Eligible Directors and the Company's shareholders.

2. Summary of the Plan

As the compensation limit under the Plan, at the 22nd Ordinary General Meeting of Shareholders held on June 29, 2021, the payment of cash remuneration for the grant of the restricted stock to the Executive Directors within the range of 162 million yen per year (excluding the employee's salary for Directors serving concurrently as an employee), which is a separate amount from the remuneration amount for cash remuneration and cash bonuses approved at the 19th Ordinary General Meeting of Shareholders, was approved. In addition, at the 23rd Ordinary General Meeting of Shareholders held on June 25, 2021, the issuance or disposal of restricted stock under the Plan without payment of money or contribution of asset-in-kind was approved.

The Company will transition to a company with an Audit and Supervisory Committee if the Proposed

Amendments are approved as originally proposed. This agenda aims, upon the transition to a company with an Audit and Supervisory Committee, to abolish the current compensation limit for the Plan, and to request shareholders' approval for setting compensation for Eligible Directors with respect to the Plan after the transition to a company with an Audit and Supervisory Committee, apart from the remuneration limit for Eligible Directors as described in the Company's "Notice Concerning Determination of the Amounts of Remuneration, etc., for Directors Who Are and Are Not Audit and Supervisory Committee Members" dated today, which will be requested for approval at the Shareholders Meeting.

In addition, taking into consideration of the recent economic situation and other factors, the Company would like to increase the amount of compensation under the Plan from the current compensation limit in order to further strengthen the incentive function of the Plan after the transition to a company with an Audit and Supervisory Committee. Therefore, in this Proposal, the upper limit of the amount of restricted stock granted to the Eligible Directors as compensation is set at 864 million yen per annum (excluding the employee's salary for Directors serving concurrently as an employee), and the upper limit of the total number of the Company's common stock to be issued or disposed to the Eligible Directors is set at 576,000 shares per annum (excluding the employee's salary for Directors serving concurrently as an employee). However, it is intended that such compensation will be granted to the Eligible Directors in principle in a lump sum in the first fiscal year of the 3 fiscal years, which is the evaluation period of business performance targets under the Plan, as compensation for the execution of duties over such period. In addition, it is intended that the Eligible Directors who assume their positions in the middle of the 3 fiscal years, which is the evaluation period of business performance targets, will be granted the amount of restricted stock equivalent to the consideration for the execution of duties for the period from the time of appointment to the last day of the last fiscal year of the 3 evaluation period of 3 fiscal years, in a lump sum.

There are 3 Eligible Directors under the current Plan, and if the Proposed Amendments and the Company's "Notice Concerning Appointment of Board Members After the Transition to a Company with an Audit and Supervisory Committee" dated today are approved as originally proposed, the number of Eligible Directors will remain 3. The Plan does not cover Directors who are Audit and Supervisory Committee members and non-Executive Directors including Outside Directors.

3. Details of the Plan after changes

(1) Method of issuance or disposal of restricted stock

Under the Plan, the issuance or disposal of the restricted stock to the Eligible Directors will be conducted based on the resolution of the Board of Directors, and in principle, the restricted stock will be granted in a lump sum in the first fiscal year of 3 fiscal years, which is the evaluation period, in the amount equivalent to the amount of compensation for the execution of duties over the period, by either of the following methods:

- ① The Company issues or disposes of the restricted stock as compensation to the Eligible Directors without payment of money or contribution of asset-in-kind by the Eligible Directors (hereinafter, such method is referred to as "Delivery without Consideration"); or
- ② The Company issues or disposes of the restricted stock after the Company pays monetary remuneration

claims to the Eligible Directors as compensation, and the Eligible Directors contribute the entire amount as asset-in-kind (hereinafter, such method is referred to as "Delivery by Contribution in Kind").

(2) The maximum number and amount of the restricted stock to be granted to the Eligible Directors
The total number of the Company's common stock to be issued or disposed and allotted to the Eligible Directors under the Proposal shall not exceed 576,000 shares per year (provided, however, that the upper limit of the total number of the common stock to be issued or disposed of as restricted stock could be reasonably adjusted in the event that a stock split (including the allotment of common stock without contribution) or stock consolidation of common stock is conducted after the date of approval of this agenda, and other cases requiring an adjustment of the upper limit of the total number of common stock to be issued or disposed of as of restricted shares). The total amount of restricted stock to be issued or disposed and allotted to the Eligible Directors under the Plan shall not exceed 864 million yen per annum (excluding the employee's salary for Directors serving concurrently as an employee) (However, as the Company intends to in principle grant the number of the Company's common stock corresponding to the compensation for the three-fiscal-years evaluation period in a lump sum in the first fiscal year, substantially speaking, the Company's common stock to be granted on an annual basis will be equivalent to be within the range of 192,000 shares and 288 million yen).

In the case of the Delivery without Consideration, no payment or contribution is required. In such case, the amount of compensation granted to the Eligible Directors shall be calculated based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately prior to the resolution date of the Board of Directors pertaining to the issuance or disposal of the Company's common stock (in the event no transaction is conducted on such business day, the closing price on the immediately preceding trading day). In the case of the Delivery by Contribution in Kind, the Company shall grant the monetary remuneration claim to the Eligible Directors within the range of the above amount and issuance or disposal of the Company's common stock upon receiving the contribution of asset-in-kind from such Eligible Directors, and the amount of payment per share of such issuance or disposal shall be decided by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately prior to the resolution date of the Board of Directors pertaining to the issuance or disposal of the Company's common stock (in the event no transaction is conducted on such business day, the closing price on the immediately preceding trading day), and the amount shall not be particularly favorable to the Eligible Directors who will subscribe for the Company's common stock.

In addition, the specific timing and allocation of payments to each Eligible Director shall be decided by the Board of Directors based on deliberations by the Nomination and Remuneration Consultatory Committee

(3) Outline of restricted stock granted to the Eligible Directors

In issuing or disposing of the Company's common stock under the Plan, the Company and each of the Eligible Directors will enter into a restricted stock allotment agreement (hereinafter, referred to as the "Allotment Agreement"). The content of the Allotment Agreement is as follows:

① Transfer Restriction Period

The Eligible Director shall not assign, create a security interest in, or otherwise dispose of the Allotted Stock (as defined below) for a period as determined by the Board of Directors in advance (hereinafter, the "Transfer Restriction Period"), and such period shall be up to 3 years from the allotment date of the shares to be allotted under the Plan (hereinafter referred to as the "Allotted Stock," and the transfer restriction under this item is referred as the "Transfer Restriction").

② Release of the Transfer Restriction

On the condition that the Eligible Director has continuously held the position of Director of the Company during the Transfer Restriction Period, the Transfer Restriction period will be lifted when the Transfer Restriction Period expires. The Company will decide the ratio of the release of the Transfer Restriction based on business performance targets such as the growth rate of the Company's share price, consolidated operating income, evaluation results by certain ESG evaluation organizations specified by the Company, and any other targets determined by the Board of Directors in advance. Of the Allotted Stock held by the Eligible Director at the time of expiration of the term, the Company shall release the Transfer Restriction of the number of Allotted Stock (rounded down to the nearest share) calculated by multiplying the number of Allotted Stock by the ratio of the release of Transfer Restriction. However, if an Eligible Director resigns from his or her position as a Director of the Company during the Transfer Restriction Period for any reasons judged as legitimate by the Board of Directors of the Company, the number of the Allotted Stock for which the Transfer Restriction is released and the timing of the release of the Transfer Restriction shall be reasonably adjusted as necessary.

③ Acquisition of the Allotted Stock without consideration

The Company shall acquire, without consideration, the Allotted Stock for which the Transfer Restriction is not released in accordance with ② above. In addition, if an Eligible Director resigns from his or her position as a Director of the Company prior to the expiration of the Transfer Restriction Period for reasons other than those judged as legitimate by the Board of Directors of the Company, or any other certain reasons, the Company shall acquire all or part of the Allotted Stock without consideration. With respect to the Allocated Shares for which the Transfer Restriction has been released in accordance with ② above, if it is found that there was a certain reason, such as an error in the figures that are used as the basis for calculating the rate of release of the Transfer Restriction, after the release of the Transfer Restriction, and if the Company deems it appropriate, the Eligible Director shall return to the Company all or part of the Allocated Shares or cash equivalent thereto without consideration.

④ Treatment of Organizational Restructuring, etc.

Notwithstanding the provisions of ① above, if, during the Transfer Restriction Period, a merger agreement in which the Company becomes a defunct company, a share exchange agreement or share transfer plan in

which the Company becomes a wholly owned subsidiary, or other matters related to certain organizational restructuring, etc. are approved at the General Meeting of Shareholders of the Company (or the Board of Directors if approval at the General Meeting of Shareholders is not required), the Company shall reasonably adjust the number of the Allotted Stock for which the Transfer Restriction is to be released and the timing of the release of the Transfer Restriction as necessary, and the Company shall acquire the Allotted Stock for which the Transfer Restriction has not been released without consideration

⑤ Other details to be determined by the Board of Directors

Other matters shall be determined by the Board of Directors of the Company, and such matters shall be included in the Allotment Agreement.

(Reference)

If this agenda is approved at the Shareholders Meeting, the Company plans to allocate the same restricted stock to Executive Officers after the conclusion of the Shareholders Meeting. With respect to the method of such allotment, the Company intends to issue or dispose of the Company's common stock after the payment of monetary remuneration claims to such Executive Officers as compensation, and their contribution of the entire amount as asset-in-kind.

DISCLAIMER: This document is summary translation of Japanese version. All readers are recommended to refer the original Japanese version for complete information. In the event of any discrepancy, errors and/or omissions, the Japanese version shall prevail.