

## ZOZO, Inc.

### Corporate Governance Code

#### Section 1:

#### Ensuring the Rights and Equal Treatment of Shareholders

##### **【General Principle 1】**

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

**Given its sensitivities, adequate consideration should be given to the minority and foreign shareholders to ensure the actual right of shareholders, the environment to exercise the right, and equal treatment.**

The Company will comply with relevant acts and the Timely Disclosure Rules established by the Tokyo Stock Exchange (hereinafter referred to as the "Regulations for Timely Disclosure"), and will appropriately practice prompt, precise, and fair information disclosure to the stakeholders including information not covered by the "Regulations for Timely Disclosure", based on its necessity.

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

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

The Company provides an environment that enables proactive information disclosure and facilitates the exercise of voting rights to ensure shareholders' voting rights.

##### **<Supplementary Principle>**

**1-1① When the Board of Directors recognizes that a considerable number of votes have been cast against a proposal by the Company and the proposal was approved, the Board of Directors should analyze the reasons behind the opposing votes and why many shareholders opposed and should consider the necessity of the dialog with shareholders and other measures.**

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

**1-1② When proposing to shareholders that certain powers of the General Meeting of Shareholders be delegated to the Board of Directors, the listed companies should consider whether the Board of Directors is adequately constituted to fulfill its corporate governance roles and responsibilities. If those companies determine that the Board of Directors is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.**

The Company establishes the provision in the Articles of Incorporation that it may determine dividends from a surplus upon a resolution adopted by the Board of Directors as one of the matters subject to a resolution adopted at the General Meeting of Shareholders to be entrusted to the Board of Directors (based on the provision of Article 459, Paragraph 1, of the Companies Act). The current Board of Directors consists of 11 members in total, including 3 Executive Directors and 8 non-executive Directors (6 of whom are Outside Directors). All three Audit and Supervisory Committee members are appointed as Outside Directors, and all Outside Directors are registered as independent officers with the Tokyo Stock Exchange. Outside Directors continue to perform roles and execute duties in corporate governance through the exchange of opinions with the management from external perspectives and the appropriate expression of opinions.

**1-1③ Given the importance of shareholder rights, the listed companies should ensure that the**

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

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

**【Principle 1-2 Exercise of Shareholder Rights at the General Meeting of Shareholders  
The listed companies should recognize that the General Meeting of Shareholders is an opportunity for constructive dialog with shareholders and should take appropriate measures to ensure the exercise of shareholder rights at such meetings.**

The Company acknowledges the General Meeting of Shareholders as an opportunity for constructive dialog with shareholders. Therefore, we held the virtual-only General Meeting of Shareholders in June 2023 so that more shareholders could participate in the General Meeting of Shareholders. We improve the environment more accessible for shareholders to exercise voting rights by adopting the method to exercise voting rights by posting a voting rights exercise form and a web-based electronic platform for the exercise of voting rights. Additionally, the Q&A, brought up during the General Meeting of Shareholders, is disclosed. The Company continuously provides information from shareholders' viewpoints.

**<Supplementary Principle>**

**1-2① The listed companies should provide accurate information to shareholders as necessary in order to facilitate an appropriate decision-making process at the General Meeting of Shareholders.**

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

**1-2② While ensuring the accuracy of content, the listed companies should strive to send the notice of convocation of the General Meeting of Shareholders early enough to provide shareholders with sufficient time to consider the agenda. During the period between the resolution of the convocation of the General Meeting of Shareholders by the Board Meeting and the dispatch of the notice of convocation, information including the notice of convocation should be disclosed by electronic measures such as TD-net or on the Company's website.**

The Company executes the early disclosure of materials for the General Meeting of Shareholders to ensure that shareholders have sufficient time to consider the proposals for the General Meeting. The materials are available on the Company's website and on the website of the Tokyo Stock Exchange, "TSE Listed Company Information Service" after completion of the procedures which include resolutions of the Board of Directors, at least three weeks prior to the General Meeting of Shareholders.

**1-2③ The determination of the date of the General Meeting of Shareholders and any associated dates should consider facilitating sufficient constructive dialog with shareholders and ensuring the accuracy of information necessary for such dialog.**

The Company believes that in view of the General Meeting of Shareholders as an opportunity for dialog with shareholders, it is important to consider a schedule that enables as many shareholders as possible to attend. Therefore, the Company has been making efforts to schedule the General Meeting of Shareholders on dates that do not coincide with the many of other companies' General Meetings.

**1-2④ Given the number of institutional and foreign shareholders, the listed companies should create an infrastructure that enables electronic voting, including the use of the Electronic Voting Platform and the provision of English translations of the notice of convocation of the General**

**Meeting of Shareholders. In particular, the listed companies on the Prime Market of the Tokyo Stock Exchange (TSE) should, at least, make the Electronic Voting Platform available to institutional investors.**

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

**1-2⑤ In order to allow institutional investors that hold shares in the name of trust banks to exercise their voting rights on behalf of the trust banks at the General Meeting of Shareholders, the listed companies should consult with trust banks to consider this matter.**

The Company acknowledges that institutional investors recorded on the Shareholders' List as shareholders on the record date are entitled to exercise their voting rights. If beneficial shareholders wish to attend the General Meeting of Shareholders, the Company will consider whether to permit their attendance.

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

**The listed companies should explain their basic strategy with respect to their capital policy since it may significantly impact shareholder returns.**

The Company believes that if profitability exceeds the actual cost of equity, corporate value increases, which ultimately satisfies both shareholders and stakeholders. We understand the importance of appropriate profit sharing with shareholders in terms of financial basis and investment plans. To realize this, we have introduced Return on Equity (ROE) as a management indicator for efficient management. Specifically, we strive to strengthen our profit structure and efficiently utilize our net assets while considering the 30% ROE level of similar companies on a global scale.

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

**When the listed companies hold listed shares of other companies as cross-shareholdings, they should disclose their policy with respect to cross-shareholding, including the policy and view on reducing cross-shareholdings. Additionally, the Board of Directors should carefully examine individual cross-shareholdings annually with respect to the appropriateness of the purpose for holding shares and the adequacy of benefits and risks against the capital cost and verify the appropriateness of holding shares. Details of this verification should also be disclosed. The listed companies should establish and disclose concrete standards for ensuring appropriate responses to the exercise of voting rights with respect to cross-shareholdings and respond accordingly.**

Currently, the Company does not hold any cross-shareholdings, nor does it have any concrete plans for them. If the necessity for cross-shareholdings arises in the future, the Company will explain how they will contribute to the enhancement of corporate value through maximized synergies. At the same time, we will establish specific standards to ensure appropriate responses to the policy on cross-shareholdings and exercise of voting rights regarding such shares and take action in accordance with the standards.

When the Company makes investments other than pure investments, the basic policy is that these investments should create a synergy effect for existing and new businesses through business partnerships and information sharing with investee companies. The Company has internal regulations for these investments to ensure speedy and proper decision-making according to the basic policy and shall act in compliance with the regulations.

**<Supplementary Principle>**

**1-4① The Listed companies, when their shares are held as cross-shareholding and the cross-shareholder expresses its intention to sell the shares, should not prevent the sale by suggesting a reduction in transactions.**

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

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

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

**【Principle 1-5 Anti-Takeover Measures】**

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

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

**<Supplementary Principle>**

**1-5① In the case of a tender offer, the listed companies should clearly explain their positions of the Board of Directors, including any counteroffers, and should not take any measures that unreasonably interfere with the right of shareholders to accept the tender offer and relinquish their shares.**

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

**【Principle 1-6 Capital Policy that May Harm Shareholders' Interests】**

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

When implementing a capital policy that affects the interests of shareholders, the Company will promptly disclose information on the process of consideration, the purpose of implementation, etc., while considering the opinions of Outside Directors and shall work to provide sufficient explanations to shareholders through measures such as the General Meeting of Shareholders, financial results briefings, etc.

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

**When the listed company engages in transactions with its Directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the companies or the common interests of its shareholders and prevent any concerns with respect to such harm, the Board of Directors should establish and disclose appropriate procedures beforehand in accordance with the importance and characteristics of the transaction. In addition, the Board of Directors should monitor (including approving transactions) based on its procedures.**

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

The Company has established the 'Guideline to ensure the fairness of transactions with the parent company

Group' to regulate transactions with major shareholders, and it operates in accordance with these guidelines. The Company complies with all applicable laws and regulations when conducting transactions with major shareholders, and the terms and conditions of such transactions must not be unfairly advantageous or disadvantageous to the Group when compared to similar transactions with third parties. The Company's policy is to determine the terms and conditions of transactions rationally, taking into account contract terms and market prices, similar to other companies.

## Section 2:

### Appropriate Cooperation with Stakeholders Other Than Shareholders

#### **【General Principle 2】**

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

The Company fully recognizes that its sustainable growth and the creation of mid-to long-term corporate value are brought about by the provision of resources and contributions made by a wide range of stakeholders. “Inspire the world. Deliver joy every day” The Company aims to realize a better future by connecting fashion with respect for individuality worldwide.

#### **【Principle 2-1 Corporate Philosophy as the Foundation of Corporate Value Creation Over the Mid-to Long-Term】**

**Given the social responsibility the listed companies take, the listed companies need to create value for all stakeholders while increasing corporate value over the mid-to long-term. Also, the listed companies should establish the corporate philosophy that will become the basis for such activities.**

The Company strives to increase corporate value over the mid-to long-term periods, keeping in mind the social responsibility that we take upon ourselves. In line with our corporate philosophy “Inspire the World. Deliver joy every day” and management strategy, “MORE FASHION X FASHION TECH, Explore your style. Make you delighted.”, we combine fashion and technology, and will continue to lead the front line with all stakeholders. In addition, we will be the only entity supporting everyone enjoying fashion to create a future making everyone smile.

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

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

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

#### **<Supplementary Principle>**

**2-2① The Board of Directors should review regularly whether the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the listed company’s’ corporate culture truly embraces the purpose and spirit of the code of conduct, and not solely on the form of implementation and compliance.**

The Company considers business activities in accordance with its corporate philosophy as an important guideline and shares it with all employees appropriately. The Company’s code of conduct in accordance with its corporate philosophy has been widely practiced, and unique corporate culture has been fostered. The Company shares this information with all employees as appropriate. Additionally, the Management presents it directly at the monthly morning assembly and the semiannual meeting of the entire Company to facilitate penetration among all employees.

## **【Principle 2-3 Sustainability Issues, Including Social and Environmental Matters】**

**The listed companies should take appropriate measures to address sustainability issues, including social and environmental matters.**

The Company believes that proactively addressing issues concerning the environment, society, and governance (ESG) will create sustainable coexistence and co-prosperity with the general society as well as stakeholders. We have identified Four Key Actions under our sustainable statement “Fashion Connects and Leads us to a Sustainable Future.” We support initiatives that empower people to fulfill their potential with the power of fashion and technology and aim to solve social and environmental issues through the following policies. The Company aims to achieve the following “Sustainability Statement” and the “Four Key Actions” by 2030.

Additionally, the Company has identified Materiality items that are highly important in terms of characteristics and contribution to the growth of the Company group. Among these materiality items, the Company has also 10 Key Materiality items to promote Four Key actions. The Company has established KPIs and action plans to promote these actions and strives to achieve sustainable growth as a corporation, resolve social issues, and fulfill social responsibility.

### 1. Sustainability Statement

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

### 2. Four Key actions

The Company has established the following Four Key Actions to realize the sustainability statement and sustainable society and environment:

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

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

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

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

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

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

#### ④ Contribute to sustainable community development

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

### 3. Sustainability Management Structure

The Company has established the SDG Promotion Committee chaired by the Representative Director, President & CEO to promote SDG management across the Company. The committee works closely with each business department and reports to the Board of Directors to achieve the Four Key Actions. (<https://corp.zozo.com/en/sustainability/policy/>)

### 4. Environmental Policy

The Company establishes the environmental policy to contribute to the realization of a sustainable environment by actively engaging in maintaining and preserving the environment through our business operations. (<https://corp.zozo.com/en/sustainability/policy/>)

## 5. Human Rights Policy

The company endeavors to maintain a safe working environment and is involved in initiatives that respect the human rights and individuality of each employee.

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

## 6. Code of Conduct

We have established a code of conduct that all officers and employees of the ZOZO Group must observe.

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

## 7. Communication with Stakeholders

The Company aims to enhance its corporate value by promoting the 4 Key Actions through communication with our stakeholders, addresses issues, and reflects them in our business operations.

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

### <Supplementary Principle>

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

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

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

#### •Relationship with customers

The number of users of ZOZOTOWN is about 11 million per year. The Company focuses on proactively incorporating daily opinions from customers into operating services. Its Customer Support Center has a philosophy, "Be friends with customers", and strives to support and make our customers smile as if helping friends in need.

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

The Company fairly evaluates conditions such as the brand image, product lineup, and sales volume before selecting business partners. At the start of transactions, the store opening agreement is signed with the brands, and it includes a representation and warranty that supplied goods are manufactured in compliance with relevant laws and regulations and have no risk of unreasonably impairing the rights of third parties, and the brands have no connection with antisocial forces. In addition, it is prohibited to sell "those potentially violating human rights", those potentially disrupting social order," and "those potentially using the name, pictures and images, trademarks, and copyrighted materials of others without permission."

#### •Actions in logistics

The Company outsources the delivery service for the last mile essential to complete its online shopping sites. Issues with regard to labor shortages and increasing redelivery requests have recently emerged in the transportation industry. To enhance customer convenience and reduce the redelivery of merchandise, the Company has taken the action of collaborating with delivery companies. In August 2017, the Company introduced the reception at a locker service, the first of its kind in the EC industry, enabling customers to receive their merchandise at a locker for home delivery, which is available when they place orders on ZOZOTOWN. In June 2020, the Company introduced a service that enables customers to order merchandise purchased on ZOZOTOWN for non-face-to-face delivery at a designated place and time at their request for each delivery (Package drop Service). When using the Package drop Service, ordered merchandise has been put in the designated place with a slip, including personal information, attached. Therefore, some customers are worried about the potential leakage of personal information. To eliminate customers' worry and to use front porch delivery conveniently and safely, in June 2021, the Company introduced a method for reducing potential leakage of personal information by converting a portion of the slips presenting personal information into two-dimensional code.

•Relationship with the local community and society

The Company has been located in Chiba-city and Chiba-Prefecture for many years and has taken various actions with residents to contribute to the local community's development under the idea of "Develop the city where we work by ourselves." The Company aims to realize a new fashion world that enhances the environment and society, collaborating with everyone involved in the process.

•Consideration of employees' health and working environment for them

The Company promotes diversity management, recognizing that employees are essential for future growth, and employees' diverse skills and personalities contribute to corporate value's growth and development. The Company builds a system that supports various working styles and optimizes the lifestyles of individuals based on a mutual understanding of diversity in sexual orientation, gender identification, nationality, and values. The company encourages everyone to address their work in their preferred manner.

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

**The listed companies should recognize that diverse perspectives and values reflecting a variety of experiences, skills, and characteristics is a strength that supports the company's sustainable growth. Therefore, the listed companies should promote diversity of personnel, including the active participation of women.**

We are fully aware that the existence of a variety of values is a strength in ensuring the sustainable growth of the Company. The Company actively hires people with special needs and concentrates on operational support after hiring. The Company also promotes female employee's active participation and provides an environment in which all employees can continue to work actively according to their diverse lifestyles, such as balancing work and childcare.

**<Supplementary Principle>**

**2-4① The listed companies should express their commitment to promoting diversity by ensuring equal opportunities for women, foreigners, and mid-career workers to assume managerial and core human resource positions. They should also set voluntary and measurable goals to achieve this, and report on their progress in ensuring diversity. Additionally, they should disclose their policies for human resource development and establish an internal environment that fosters diversity, recognizing the importance of a human resource strategy in driving long-term corporate value.**

The Company is committed to creating a future where fashion connects people from all over the world and brings them joy, following its corporate philosophy, "Inspire the world. Deliver joy every day". To achieve this vision, the Company practices diversity management and encourages all employees to pursue their work in ways that suit them best.

Given the nature of the fashion business, many employees are passionate about fashion, and the Company has developed a unique corporate culture where everyone can express their individuality through fashion and respect each other's diversity.

The Company has established "Work with fun" as our working style (ZOZO WORKSTYLE) and

implemented a flat organizational structure that encourages active communication among employees, irrespective of their rank or tenure. This approach promotes diversity in manager and core human resource positions beyond the difference of gender, nationality, and one's career stage. By fostering an environment that supports human resource development, the Company expects to achieve growth in both its business operations and its employees' capabilities.

- Focus on the diversity

The Company places great emphasis on diversity, as evidenced by the statement in its basic human rights policy (<https://corp.zozo.com/sustainability/policy/>) which declares that "all individuals are respected, discrimination and unfair treatment will not be tolerated, and equal opportunities for employment, evaluation, development, deployment, salary increases and promotions, and promotion to positions are given regardless of political views, beliefs, religion, sex, gender identity, sexual orientation, physical attributes, health status, age, nationality, race, or ethnicity. The Company strives to create a workplace where a diverse range of human resources can work actively and productively."

- Actions for promotion of women's participation and advancement

To further promote the participation and advancement of female employees, the Company established and is implementing a general employer action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. The Company's employee gender ratio is 42.2% of female employees and 57.8% of male employees (as of March 2023), and the ratio of female managers equivalent to or higher than managers is 22.5% (as of March 2023), which is high above the national average of 12.3% (as of October 2021). Additionally, the meetup is held mainly by employees serving as a role model, including Executive Officers. We will further promote this action following a general employer action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. \*The national average of the ratio of female managers is based on the "FY 2020 Basic Survey on Equal Employment" by the Ministry of Health, Labor and Welfare.

- Promotion of foreign nationals to core human resources:

The Company has group companies in the United States, New Zealand, Thailand, Vietnam, China, and other countries, and appoints foreign nationals as Directors of each group company. We promote the appropriate use of human resources with respect for diversity. We promote human resources regardless of their nationality when business strategies require individuals with experience in overseas business.

- Promotion of mid-career workers to core human resources:

In FY 2022, the Company hired 112 mid-career workers (66 males and 46 females). All Executive Directors and Executive Officers are mid-career workers, and many mid-career workers are appointed as core human resources to managerial positions. The Company promotes the appropriate use of human resources with respect for diversity, whether they are new graduates or mid-career workers.

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

- ① The policy for human resource development to ensure diversity

In order to enhance the internal environment related to human resource development, the Company provides various training opportunities for all kinds of employees, including non-management employees and managers, to improve the learning environment and promote diversity. Training is provided to acquire the basic knowledge necessary for business operations. Periodic feedback is conducted for managers according to the criteria for assessment of appointments to increase vertical and horizontal cooperation between managers. Additionally, the Company supports employees in work styles that suit their family background or life stages and plans to further improve the human resource strategy and human capital system to increase mid-to long-term corporate value.

- ② Improvement of internal environment toward ensuring the diversity

The Company promotes diversity management and builds the structure for employees to mutually understand diversity in gender, sexual orientation and gender identity, nationality, and values and supports a variety of work styles that suit individual lifestyles. The definition of spouse by the Company's internal regulations includes same-sex partners. This enables our employees to enjoy the benefit of company welfare programs like money or holidays for congratulations and condolences, regardless of the gender of the partner. The initiatives also include foreign nationalities and religions. When the Company needs to take action in terms of nationality and religion, such as preparing the space for prayers at the request of employees, the

Company examines how to respond and considers what to do in each case. The Company focuses on building a comfortable working environment for employees who are taking care of children, including not only the female staff but also the male staff. Acquisition rate of childcare leave stood at 100% for female employees and 34.6% for male employees (as of March 2023). The percentage of returning to work after maternal and childcare leaves is extremely high at 100% (as of March 2023). In spring, when many employees return to work every year, we provide opportunities to share information during the leaves and communicate with those who have just returned to work and, additionally, we hold events where even employees on childcare leave can join voluntarily and take action to support the balance of work and childcare.

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

**The framework for whistleblowing should be established by the listed companies in order to allow employees to report illegal or inappropriate behaviors, disclosures, or any other serious concerns without fear of retaliation. The framework should include an objective assessment process and an appropriate response to the reported issues, and the Board of Directors should be responsible for both establishing the framework and ensuring its enforcement.**

The company has developed an internal regulation that includes a whistleblowing system (helpline) within the Compliance Committee. In the event of a whistleblowing incident, the Compliance Committee provides instructions to the related departments to conduct surveys and develop plans for implementing countermeasures. The committee also reports on the response and confirms remediation with the whistleblower.

#### **<Supplementary Principle>**

**2-5① To establish a whistleblowing framework, the listed companies should create an independent point of contact for whistleblowers, such as a panel composed of Outside Directors and Outside Audit and Supervisory Board members. Confidentiality rules should also be established to protect whistleblowers from any adverse consequences.**

In addition to an internal whistleblowing contact point, the Company has established an external whistleblowing contact point with an independent lawyer's office. The Audit and Supervisory Committee, an organization independent of management, has also been established as a contact point for whistleblowing. In addition, the Company has established a system to protect whistleblowers in accordance with internal rules on whistleblowing.

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

**As investments in corporate pension reserves can impact the stable asset formation of employees and the financial status of the listed companies, it's important for these companies to make efforts in personnel affairs and operations. This includes systematic appointment and deployment of human resources with appropriate capabilities engaged in investments, so that the corporate pension can function as an asset owner and strengthen its expertise in investment. This includes stewardship activities, such as monitoring of investment managers. Additionally, the listed companies should disclose the details of these efforts and ensure appropriate management of any conflicts of interest between them and the beneficiaries of corporate pensions.**

The Company has established a plan to participate in a defined-benefit corporate pension fund as a defined-benefit plan. The fund, in which our group's employees participate, is a multi-employer EPF operated by a conference of representatives organized by participating companies. Therefore, the asset owners are the Company and all participating companies. Currently, all assets are managed in a general account where the principal and minimum rate of return are guaranteed by life insurance companies. As a result, the Company does not need to function as an asset owner of a corporate pension.

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

#### **【General Principle 3】**

**The listed companies should comply with relevant laws and regulations when making information disclosures, but they should also strive to proactively provide information beyond what is required by laws and regulations. This includes financial information, such as their financial position and business results, and non-financial information, such as business strategies, issues, risks, and governance. The Board of Directors should recognize that the disclosed information will form the basis for constructive dialog with shareholders. Therefore, the information, particularly non-financial information, should be accurate, clear, and useful for information users.**

The Company recognizes that information disclosure is one of the most important management issues and that it's essential to disclose appropriate information to gain understanding from our stakeholders. To put these views into practice, the Company provides various information sources such as the Company's website and the integrated report, actively disclosing not only the required disclosures based on laws and regulations but also other information (including non-financial information) deemed important for shareholders and other stakeholders. Additionally, the Company actively discloses additional information on its website to obtain better understanding from stakeholders.

#### **【Principle 3-1 Improvement In Information Disclosure】**

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

- (i) Company objectives (e.g., business principles), business strategies, and business plans;**
- (ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;**
- (iii) Policy and procedures for the Board of Directors to determine remuneration for the Management and Directors;**
- (iv) Board of Directors' policies and procedures in the appointment and dismissal of the Management, and nomination of Director and auditor candidates;**
- (v) Explanation of individual appointments and dismissals of the Management, and individual nominations of Director and auditor candidates conducted by the Board of Directors, in light of the above-mentioned (iv).**

(i) The Company's corporate philosophy and business strategies are stated on its corporate website. Additionally, business strategies and plans are explained to stakeholders, including shareholders, at financial results briefings and other meetings. The Company published three pillars of its strategy, aimed at diversifying its profit structure- ((i) Increase traffic from other than BUY, (ii) Step into the Production Support, and (iii) Try technology licensing sales). ([https://corp.zozo.com/en/ir-info/files/pdf/past\\_en\\_75.pdf](https://corp.zozo.com/en/ir-info/files/pdf/past_en_75.pdf)) Furthermore, the Sustainability Statement outlines the Four Key Actions, including specific earnings opportunities in the short-term and mid-to long-term. The Company aims to achieve these goals by 2030. Details can be found at the following.  
(<https://corp.zozo.com/en/sustainability/policy/>)

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

(iii) The maximum amount of remuneration for the Company's Directors (excluding Directors who are members of the Audit Committee) is determined by a resolution of the General Meeting of Shareholders. With respect to the specific form of the remuneration/ compensation system, based on the results of deliberations by the Nomination and Remuneration Consultatory Committee, which is mainly composed of Outside Directors, and its report, the Company has established a remuneration/ compensation system for Executive Directors with the aim of promoting and achieving sustainable, medium- to long-term improvement of the Company's corporate value and functioning as a sound incentive for such Directors. Remuneration/ compensation for the eligible Directors consists of fixed and performance-linked remuneration/ compensation. Fixed remuneration consists of cash only, and performance-linked compensation consists of two types of compensation: cash bonus and stock compensation. Regarding the percentage of each remuneration/ compensation, the percentage of

performance-linked compensation will exceed the percentage of fixed remuneration. Among the performance-linked compensation, the percentage of stock compensation exceeds the proportion of cash bonuses. The following table shows the types, purposes, and outlines of each type of remuneration and compensation.

Types of Remuneration/ compensation		Objectives and Overview
Fixed	Cash remuneration	Fixed remuneration for the performance of duties in accordance with the position and its responsibilities, etc. shall be determined and paid during the term of office.
Performance-linked	Cash bonus (Short-term incentive compensation)	Performance-linked compensation for the achievement of short-term performance targets for each fiscal year <ul style="list-style-type: none"> <li>The specific amount to be paid is determined in accordance with the degree of achievement of the performance targets set in a fiscal year, the position and its responsibilities, etc. and is paid periodically during the term of office.</li> <li>The amount of GMV as the growth potential of the business and the consolidated operating profit as the profitability will be set as the criteria for determining the payment of compensation.</li> </ul>
	Stock compensation (Mid-to long-term incentive compensation)	Performance-linked compensation to promote management that emphasizes mid-to long-term improvement in corporate value and shareholder value. <ul style="list-style-type: none"> <li>Compensation is in the form of restricted stock, and the percentage of the release of the restriction is determined in accordance with the continuous service on the Company's Board of Directors, the Company's stock price growth rate for the latest three fiscal years, the consolidated operating profit and the valuation score granted by the ESG rating provider that the Company determines. (The stock price growth rate is compared with that of about 27 benchmark companies.)</li> <li>In principle, it will be issued in one time for the first year according to the position and responsibilities of the Director.</li> </ul>

The process for determining the remuneration/ compensation of Executive Directors is established under the Nomination and Remuneration Consultative Committee. After deliberation by the Committee, the remuneration/ compensation for each Executive Director is determined by a resolution adopted by the Board of Directors, taking into account business performance, management details, and economic conditions based on the Committee's report. Only fixed remuneration is paid to non-executive Directors, which includes Outside Directors according to the established policy. The Company does not have a retirement allowance system for Directors, except for payments that were determined prior to the abolition of such a program.

Regarding stock-based compensation, the Company will include a provision in the restricted stock allotment agreement, which is executed between the eligible Directors and the Company, stating that the Company shall acquire all or part of the Allotted Shares without any consideration if an eligible Director resigns from their position as a Director of the Company before the transfer restriction term expires, for reasons other than those recognized as legitimate by the Company's Board of Directors or certain other reasons such as misconduct. Additionally, the Company will include a clause that permits eligible Directors to return all or part of the restricted stock, or its cash equivalent, to the Company without any consideration if certain events occur, such as errors in the figures used to calculate the rate of release of the transfer restriction, and the Company deems it appropriate.

The maximum remuneration paid to Audit and Supervisory Committee members shall be set after a resolution is adopted at the General Meeting of Shareholders. The remuneration paid to each Audit and Supervisory Committee member shall be based on discussions between the Directors who are Audit and Supervisory Committee members.

(iv) The policy and procedures for designating candidates as Directors are implemented comprehensively and consider the following items (1)-(3). The Nomination and Remuneration Consultative Committee deliberates on the designation of candidates for Directors, and submits a report to the Board of Directors. The Company considers Outside Directors to be independent because they have no special personal relationship, capital ties, or other interests between them and the Company, as required by the Tokyo Stock Exchange. The reasons for appointing candidates as Directors are stated in the notice of convocation of the Ordinary General Meeting of Shareholders and the securities report. The dismissal of Directors is resolved at the General Meeting of Shareholders, following approval by the Board of Directors, as an agenda item of the General

Meeting of Shareholders, when there are material violations of laws and regulations/articles of incorporation in the execution of duties and significant damage to the corporate value of the Company group.

- (1) Selecting a Director who is not an Audit and Supervisory Committee member:  
In accordance with our corporate philosophy and business strategies, we seek a candidate who can contribute to the Company's growth and the whole fashion industry. The ideal candidate should possess the ability to lead their divisions while collaborating with other officers, comply with all applicable laws and regulations, and uphold corporate ethics. We select and appoint Directors based on comprehensive criteria that include the qualifications mentioned above.
- (2) Selecting a Director who is an Audit and Supervisory Committee member  
To ensure the Company's growth and uphold our corporate philosophy and business strategies, we seek a candidate who can execute and supervise the Director's duties, prevent internal violations of laws and regulations, enhance our Company's credibility by managing a sound business, and maintain an objective and neutral standpoint. Additionally, the ideal candidate should have the ability to manage the Company's soundness and improve our corporate value.
- (3) Selecting an Outside Director  
To ensure the independence of our Outside Directors, we adhere to the independence requirements established by the Tokyo Stock Exchange. We also seek a candidate with a wealth of knowledge and experience who can serve as a leader in various fields, such as law, finance, accounting, and the technology industries. The ideal candidate should be capable of assessing the reality of the issues we face and providing advising and supervising abilities and sharing their opinions with the Management. Based on our comprehensive criteria for the nomination, including the qualifications mentioned above, we select and appoint the Independent Directors.

(v) In the nomination of new candidates for Directors and the dismissal of these positions, we will provide a detailed explanation of the reasons in the reference material of the General Meeting of the Shareholders.

#### <Supplementary Principle>

**3-1① These disclosures (including disclosures based on laws and regulations) should be valuable for investors, and the Board of Directors should ensure that information is not boilerplate or lacking in detail.**

The Company considers information disclosure to be an essential management responsibility. Therefore, we strive to communicate accurate information to our shareholders and other stakeholders by providing simple and specific statements in our disclosures.

**3-1② In consideration of the increasing number of overseas shareholders, companies should provide disclosure information in English to the extent possible. In particular, the listed companies on the Prime Market of the TSE, should disclose and provide all required information in English among our disclosure documents.**

Considering the proportion of foreign investors among all investors of the Company, we provide financial results briefing materials, notice of convocation of the General Meeting of Shareholders, and related materials in English. Additionally, we offer live streaming of the financial results briefing on our website and conduct conference calls in both English and Japanese to provide information to our international stakeholders.

**3-1③ The listed companies should disclose their initiatives for sustainability when disclosing their management strategy. They should also provide clear and specific information on human capital and intellectual property, taking into account the alignment of these with their management strategy and management issues. In particular, companies listed on the Prime Market of the TSE should collect and analyze data related to the impact of climate change on their business activities, earnings opportunities and losses, enhance the quality and quantity of disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) or equivalent systems.**

The Company's sustainability statement is "Fashion Connects and Leads Us to a Sustainable Future," and specific initiatives are outlined in Principle 2-3. The growth strategy aims to establish a profit structure that

does not rely solely on the total amount of Gross Merchandise Value but rather on multiplying profit drivers for sustainable growth. The Company aims to create a new fashion world integrating fashion, technology, and people and improving the environment and society.

The Company also addresses the ESG issue in the fashion industry, such as mass production, and the mass disposal of apparel by utilizing technology to support production in the industry and realizes sustainable growth through a favorable cycle of initiatives for earnings increases and sustainability (nonfinancial information).

#### •Investment in human capital

The Company believes that its basis for growth is the active participation of human resources with a diverse range of skills, abilities, and individualities and an increase in the sense of well-being and tighter connections among employees resulting from investment in human capital to contribute to corporate value, development, and growth.

The Company engages in the development of human resources and education and training on a company-wide basis by offering training programs concerning compliance and the promotion of diversity. Additionally, training for professional technical staff, such as engineers and designers, is offered to upgrade skills. The Company makes educational investments ranging from beginners to high-skilled human resources.

In addition, the Company actively invests in supporting qualification acquisition and the voluntary learning of employees by expanding the scope of recipients of the "Daily progress allowance", which had been paid monthly to office employees, to all employees.

The Company also considers benefit programs as part of the important investment in human capital, and its acquisition rate of paid leaves stood at 79.9%.

To further support the active participation of individual employees with the lifestyle being diverse, the housing allowance, whose recipients and amount depend on departments and residential areas, has been changed to the "Housing remote allowance," which expanded the beneficiaries to all employees and equalized the paid amount without exception. The Company also establishes welfare programs, such as a shortened working hour system for families and sick leave, and enhances employees' satisfaction towards a workplace and opportunities to show their skills, building an environment that promotes diverse and flexible work styles.

#### •Investment in intangible assets

The Company considers investment in intangible assets, including intellectual properties, as a key business strategy for enhancing corporate value. To achieve this strategy, we have established 3 significant pillars and introduced an "investment and utilization strategy" for major intangible assets. We will continue to proactively invest in these assets to realize our business objectives.

#### ① Increase traffic from other than "BUY"

The Company intends to utilize its measurement technology to diagnose the user's bone structure and color type, which will then be linked to an outfit model. The data generated from this process will be used to personalize items, colors, and sizes that are tailored to the user's preferences. Furthermore, the Company plans to offer personalized product information and user interfaces, optimized for each user, by leveraging a vast array of information assets, including browsing data and purchase history. In order to promote personalization with intellectual property rights, the Company is investing in intellectual properties that protect its measurement technology, inventions, and designs created from R&D.

#### ② Step into the "Production Support"

The Company has taken on a variety of unprecedented businesses, including operating the private brand "ZOZO", MSP business that offers items in multiple sizes designed by brands on ZOZOTOWN using body shape data measured by ZOZOSUIT, and D2C business that produces fashion brands with individual influencers. Leveraging the expertise gained through these ventures in demand analysis and production base, the Company will now offer production support, planning, and proposals for brands. This creates a system where the Company and brands cooperate in planning, production, inventory management, and sales. The Company plans to proactively invest in the intellectual properties related to the production support area.

#### ③ Try "technology licensing sales"

The Company aims to license its measurement technology and related intellectual property rights, know-how, and measurement data to industries beyond fashion. To achieve this, the Company is actively acquiring intellectual property rights in potential countries and investing in intellectual properties, including the purchase of ideas related to body shape measurement technology. To support this strategy, the Company established ZOZO NEXT Inc., a professional organization dedicated to innovation and R&D, with a focus on enhancing collaboration with overseas subsidiaries to achieve global innovation. The Company consolidates the

intellectual properties resulting from R&D at each base and manages them through a specialized unit. The Company also actively contributes its own vast data and technology to the academic and industrial sectors and promotes R&D to develop a more convenient platform and enhance services.

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

In February 2022, our group agreed with the TCFD (Task Force on Climate-related Financial Disclosures) to collect and analyze data on the impact of climate-related risks and earnings opportunities on its business activities and earnings. As a result, the group discloses its governance, strategies, risk management, and indicators and goals on climate-related risks and opportunities based on TCFD proposals.

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

Additionally, the Company engages in the realization of the 2030 Carbon Neutrality Declaration (\*1), which is designed to reduce greenhouse gas emissions from the Company's business activities (scope 1 and 2) to net zero by 2030, and Net Zero (\*2), which is designed to reduce greenhouse gas emissions from the entire supply chain including those from counterparties (scope 3) to net-zero by 2050.

Scope 1: Direct greenhouse gas emissions from an operator (fuel burning and industry process)

Scope 2: Indirect greenhouse gas emissions resulting from the use of electricity, and heat and steam supplied by other companies

Scope 3: Indirect greenhouse gas emissions other than scope 1 and scope 2 (greenhouse gas emissions from other companies related to activities of the operator)

\*1 2030 Carbon Neutrality Declaration was announced in February 2022.

\*2 Net Zero was announced in January 2023.

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

**External Accounting Auditors and the listed companies should recognize the responsibility that External Accounting Auditors owe to shareholders and investors and take appropriate steps to ensure the proper execution of audits.**

The Company coordinates with related Divisions such as the Audit and Supervisory Committee, the Business Administration Division, and the Internal Audit Office to ensure an audit schedule and audit system in order to ensure proper audits by the External Accounting Auditor.

#### **<Supplementary Principle>**

**3-2① The Audit and Supervisory Board should ensure, at a minimum, the following:**

**(i) Establish standards for the appropriate selection of Outside Auditors and the proper evaluation of Outside Auditors**

**(ii) Verify whether the Outside Auditors possess the required independence and expertise to fulfill their responsibilities.**

(i) The Audit and Supervisory Committee have established the "Standard on the Evaluation of Accounting Auditors," which is used to assess and evaluate the execution of duties by the Accounting Auditor through the progress of the audit and audit report. When determining the details of the proposal for the appointment and reappointment of an Accounting Auditor, the Audit and Supervisory Committee comprehensively assesses the expertise, independence, quality management system, and depth of understanding of business activities. This is done through discussions with the executive department and by referencing the operating guidelines for corporate auditors on establishing the criteria for evaluating and appointing an Accounting Auditor published by the Japan Audit and Supervisory Board Members Association. If the Company deems it necessary to dismiss or not reappoint an Accounting Auditor due to problems in the execution of duties by an audit firm, this is set as a subject of the General Meeting of Shareholders by a resolution adopted by the Audit and Supervisory Committee, in accordance with Article 399-2, Paragraph 3, Item 2 of the of the Companies Act.

(ii) Based on the operating guidelines for corporate auditors on establishing the criteria for evaluating and appointing an Accounting Auditor, the Audit and Supervisory Committee members receive timely reports from the Accounting Auditor on audit planning, the progress of audits, the system to ensure the appropriateness of the execution of duties, and the criteria for quality management of audits. The Audit and Supervisory Board then examines these reports for a comprehensive evaluation.

**3-2② The Board of Directors and the Audit and Supervisory Board should, at minimum, ensure the following:**

**(i) Provide adequate time for high-quality audits;**

**(ii) Ensure that External Accounting Auditors have access, such as interviews, to the Management including the CEO and the CFO;**

**(iii) Ensure adequate coordination between External Accounting Auditors and Audit and Supervisory Board members (including attendance at the Audit and supervisory Board Meeting), the Internal Audit Office, and Outside Directors;**

**(iv) Ensure the structure of the company in the event that an External Accounting Auditor discovers fraud and requires an appropriate response or points out deficiencies or problems.**

(i) The Company ensures that sufficient time is allocated for audits by consulting with the External Accounting Auditor prior to the audit.

(ii) The Company provides opportunities for the External Accounting Auditors to interview the Management, including the CEO and CFO, whether or not such requests are made.

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

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

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

### **【General Principle 4】**

**In order to promote sustainable corporate growth and increase corporate value over the mid-to long-term, enhance profitability, and improve capital efficiency while fulfilling its fiduciary responsibility and accountability to shareholders, the Board of Directors should appropriately fulfill its roles and responsibilities. These include:**

- (1) Showing the big picture of the corporate strategy**
- (2) Establishing an environment that supports appropriate risk-taking by the Management**
- (3) Carrying out effective oversight of Directors and the Management members, including Executive Officers, from an independent and objective standpoint. These roles and responsibilities should be fulfilled equally and appropriately regardless of the form of corporate organization, whether it's a company with an Audit and Supervisory Board (where some of these duties are performed by Audit and Supervisory Board members), a company with Nomination and Remuneration Consultatory Committee or a company with Audit and Supervisory Committee, or any other form of corporate organization.**

The Company's Board of Directors deliberates as necessary for the purpose of achieving the sustainable growth of the Company and mid-to long-term increases in corporate value. Given the fiduciary responsibility and accountability to shareholders, the Management shares information on the direction of corporate strategies, the mid-to long-term vision, strategies through timely disclosure and information on the Company's corporate website, and quarterly financial results briefings which is broadcasted by live streaming (in Japanese and English).

Rules including Board of Directors Guideline, Executive Officers Guideline Organizational Guideline, Guideline on Division of Responsibilities, and Job Authority Guideline, are established to support appropriate risk-taking by the Management. Also, the management and execution, and duties and responsibilities, are separated clearly.

Regarding the framework for overseeing the Management members and Directors, the Company has 11 Directors in total with 8 non-executive Directors (of them, 6 are Outside Directors). They provide opinions as appropriate to the Management from external perspectives and oversee the Management and Directors from objective points of view.

All three Audit and Supervisory Committee members are appointed as Outside Directors, and all Outside Directors are registered as Independent Officers with Tokyo Stock Exchange. Outside Directors continue exchanging opinions with the Management and appropriately expressing opinions from external perspectives to fulfill their roles and duties in corporate governance.

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

**The Board of Directors should establish the corporate goals (business principles, etc.) and show the strategic direction as a major aspect of its roles and responsibilities. It should also engage in constructive discussions with respect to specific business strategies and business plans and ensure that major operational decisions are based on the Company's strategic direction.**

The Company's Board of Directors deliberates as appropriate on specific management strategies and plans to realize the corporate and management philosophy, "Inspire the world. Deliver joy every day". The Company aims to realize a better future by connecting fashion with respect for individuality around the world.

### **<Supplementary Principle>**

**4-1① The Board of Directors should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management and disclose a summary thereof.**

The Company has the fundamental principle regarding the allocation of authority between the Board of Directors and management. It states that matters to be judged and determined by the Board of Directors shall be matters exclusively determined by the Board based on the laws and regulations and their interpretation. Other matters shall be delegated to management's decision-making process with the assumption of reporting to the Board of Directors. Also, according to provisions of the Article 399-13, Paragraph 6, of the Companies

act, all or a part of the important execution of duties may be delegated to the Directors after a resolution adopted by the Board of Directors. Concretely, it determines the authority provided by the resolution, deliberation, and approval for decision-making bodies and decision makers, such as the Board of Directors, Management Meetings, Representative Director, President, Executive Officers, and General Managers, based on the authority approval standards.

**4-1② The Board of Directors and the Management members should strive to achieve the mid-term business plan, recognizing it as a commitment to shareholders. If the Company fails to achieve the plan, it is important to thoroughly analyze the reasons for the failure and the actions taken by the Company. Shareholders should be provided with a clear and appropriate explanation, and the findings should be reflected in a plan for the following years.**

The Company does not have a mid-term business plan committed to specific numerical goals. However, we have established a mid-term growth vision consisting of three pillars to the strategy that clarifies the business fields we focus on and make our best efforts to realize the vision. Furthermore, we periodically analyze the reasons for divergence between single-year forecasts and actual results. We disclose and explain this analysis to stakeholders, including shareholders, at the financial results briefing and other meetings.

**4-1③ The Board of Directors should proactively engage in setting up and operating a succession planning process for the CEO and other key executives, based on the company's objectives, management philosophy, and specific business strategies. They should also provide appropriate oversight to ensure that potential candidates for successors are systematically trained with sufficient time and resources.**

The development of potential successors to manage the Company is crucial for ensuring its sustained growth in the future. To cultivate individuals with the necessary values, abilities, and behavioral characteristics, the Group will formulate and implement plans and procedures for the next generation of leadership personnel and the selection process for successors. These plans and procedures will be based on discussions held at the Nomination and Remuneration Consultatory Committee.

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

**The Board of Directors has a responsibility to create culture that encourages the Management to take appropriate risks. To fulfill this responsibility, the Board should actively solicit proposals from the Management that promote healthy entrepreneurship. The Board should carefully evaluate these proposals in an independent and objective manner to ensure accountability and facilitate timely decision-making by the Management once the plans are approved. Additionally, the Board should ensure that the remuneration of the Management includes incentives that reflect mid-to long-term business results and potential risks, as well as encourage healthy entrepreneurship.**

As the Board of Directors, we consider it important to provide an environment that supports appropriate risk-taking by the Management. We have encouraged the creation of new business ideas that are not typically seen in the fashion e-commerce industry, such as the introduction of innovative technology devices like ZOZOSUIT, ZOZOMAT, and ZOZOGLASS, which allow for advanced body, foot, and face measurements. The Board of Directors welcomes such challenges and supports the Management's business execution based on a sound entrepreneurial spirit. We conduct thorough and objective deliberation and analysis of such proposals before making swift decisions. This approach helps us build a supportive structure for the Management to encourage and promote healthy entrepreneurship.

The Company has resolved to revise the remuneration/compensation system for the Management to promote sustainable growth and serve as a healthy incentive. This system will pay remuneration/compensation based on the achievement of short-term and mid-to long-term business results and efforts and results in increasing corporate value. This system also includes fixed and performance-linked compensation. (For more details, see Principle 3-1, "Improvement in Information Disclosure (iii) Policy and procedures for the Board of Directors to determine remunerations for the Management and Directors.")

#### **<Supplementary Principle>**

**4-2① In order to ensure that the Management's remuneration serves as a healthy incentive for sustainable growth, the Board of Directors should establish a remuneration plan based on**

**objective and transparent procedures for determining specific remuneration. This plan should take into account the proportion of remuneration linked to mid-to long-term business results and the ratio of remuneration in cash and company stock.**

When it comes to remuneration/ compensation for the Management of the Company, the Board of Directors determines the remuneration/ compensation for Directors individually within the limits of the total remuneration/ compensation for Directors that are agreed upon at the General Meeting of Shareholders. The decision is made after the Nomination and Remuneration Consultatory Committee holds discussions and conducts a comprehensive examination of business results, management details, and economic conditions. Additionally, in order to promote sustainable growth and serve as a healthy incentive, the Company has resolved to revise the remuneration/ compensation system for Directors. This system will pay remuneration/ compensation for achieving business results in the short to mid-to long-term based on the Company's business strategy, efforts, and the increase in corporate value, including both fixed and performance-linked compensation. (For more details, see Principle 3-1, "Improvement in Information Disclosure (iii) Policy and procedures for the Board of Directors to determine remunerations for the Management and Directors.")

**4-2② To ensure the company's long-term sustainability and increase its corporate value, the Board of Directors should establish a fundamental policy for sustainability initiatives. This policy should take into account investments in human capital and intellectual property so that the companies effectively oversee the allocation of management resources, including human capital and intellectual property. Additionally, the Board of Directors should supervise the execution of the company's business portfolio strategy to ensure that it contributes to the company's sustainable growth.**

As outlined in Principle 2-3, the Company has established a sustainability statement as its fundamental policy for sustainability initiatives. We are committed to addressing our own and the fashion industry's challenges by integrating fashion with technology. The allocation of management resources and execution of business portfolio strategies are regularly reported at Board Meetings, allowing for prompt adjustments to the strategic action plan. An operational structure has been put in place to ensure effective supervision by the Board of Directors.

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

**As an essential aspect of its duties and responsibilities, the Board of Directors must exercise effective oversight of the Management and Directors in an independent and objective manner. Additionally, the Board of Directors should conduct assessments of the company's performance and reflect it in the appointment of the Management. Furthermore, the Board of Directors must engage in oversight of activities to ensure the timely and accurate disclosure of information, establish appropriate internal control and risk management systems, and handle any potential conflicts of interest that may arise between the Company and its related parties, including the Management and controlling shareholders.**

The Company recognizes that one of the key responsibilities of the Board of Directors is to oversee the Management and Directors in an independent and objective manner. To enhance the Board of Directors' effectiveness and identify any issues, the Company evaluates the performance of each Director annually. During Board Meetings, Executive Directors provide reports on their operations and progress, enabling the Board to supervise the Management. Remuneration/ compensation for Directors is determined based on advice from the Nomination and Remuneration Consultatory Committee, which considers business results, operations, and economic conditions. The Company has adopted an Executive Officer system, which delegates some business execution authority to Executive Officers so that they can facilitate more dynamic decision-making and allow the Board to focus on oversight.

A person in charge of information disclosure has been appointed to ensure timely and appropriate disclosure of information, and an appropriate disclosure structure has been established.

To maintain appropriate control over transactions among related parties, the Company surveys all Directors of the Company and its subsidiaries quarterly to check for any such transactions.

Additionally, the Company appropriately handles potential conflicts-of-interest transactions with related parties, including the Management and controlling shareholders, in accordance with the Guideline to ensure the fairness of transactions with the parent company group.

**<Supplementary Principle>**

**4-3① The Board of Directors must ensure that the appointment and dismissal of the Management adhere to highly transparent and fair procedures, as well as accurately reflect the evaluation of Company's performance results**

The Company follows the procedures outlined in Principle 3-1 (iv) for appointing and dismissing the Management members, which are the same as those for appointing and dismissing Directors. When appointing Outside Directors, the Company adheres to a fundamental policy that requires the person to have no direct interests with the Company's CEO or Directors and to maintain a degree of independence that ensures no potential conflicts of interests with the Company's general shareholders. The Company has established a structure for the appointment and dismissal of the Management members, which involves highly fair and transparent procedures, including seeking advice from the Nomination and Remuneration Consultatory Committee in accordance with its criteria for nominations.

**4-3② The Board of Directors should allocate adequate time and resources to the appointment of a highly capable CEO through objective, timely, and transparent procedures, recognizing that the appointment and dismissal of the CEO are critical and strategic decisions for the company.**

the Board of Directors engages in discussions and makes appropriate decisions regarding the appointment of the CEO, with the understanding that the CEO should possess the leadership skills necessary to achieve our corporate philosophy, business strategies, and sustainable growth goals. Additionally, the Nomination and Remuneration Consultatory Committee reviews the appointment to further strengthen our governance system.

**4-3③ The Board of Directors should establish objective, timely, and transparent procedures for dismissing a CEO in case of inadequate execution of functions, considering a fair evaluation of the company's business results.**

In such cases where it is objectively determined that the CEO has failed to properly execute their duties resulting in significant violations of laws and regulations or a remarkable impairment of the corporate value of the Company group, the Board of Directors and the Nomination and Remuneration Consultatory Committee shall thoroughly deliberate and make resolutions regarding the dismissal of the CEO...

**4-3④ To ensure appropriate compliance and effective risk management, it is important for the Board of Directors to establish internal control systems and proactively build a company-wide risk management structure. This structure should cover the entire group and be supervised by the Internal Audit Office.**

The Company has established the Risk Management Guideline, and the ZOZO Group Risk Management Committee in order to appropriately manage risks. We regularly monitor the status of our internal risk management and submit necessary reports to the meetings to accurately recognize and identify assumed risks and then appropriately deal with them.

The Internal Audit Office works in collaboration with the Audit and Supervisory Committee members and Accounting Auditors to conduct site surveys and interviews with operational divisions in accordance with the annual internal audit plan. The Internal Audit Office also periodically reports the results of internal control evaluations to the Board of Directors, which helps to enhance the effectiveness and efficiency of internal control, compliance, and other related components.

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

**The Audit and Supervisory Board and its members have a fiduciary responsibility to act in the best interests of the shareholders and should carry out their roles and responsibilities independently and objectively. This includes auditing the performance of the Directors' duties, appointing, and dismissing the External Auditors and Audit and Supervisory Board members, and determining the remuneration of the Auditors. While the Audit and Supervisory Board's functions include "defensive functions," such as business and accounting audits, the Audit and Supervisory Board and its members should not interpret their role too narrowly. They should proactively exercise their rights and express their views at Board Meetings and to the Management in order to fully perform their duties.**

The Company has nominated all three of Audit and Supervisory Committee members as Outside Directors, selected for their wealth of experience and expert knowledge as a lawyer, certified public accountant, and licensed tax accountant. These members actively participate in Board Meetings and express their views to the Management, fulfilling their fiduciary responsibilities to shareholders from an independent and objective standpoint.

#### **<Supplementary Principle>**

**4-4① The Audit and Supervisory Board is composed of more than 50% Outside Audit and Supervisory Board members, as required by the Companies Act. At least one full-time Audit and Supervisory Board member is also appointed. The Board combines the independence of its Outside Audit and Supervisory Board members with the information gathering power by the full-time members to increase its effectiveness in fully executing its roles and responsibilities. Additionally, the Audit and Supervisory Board members or the Audit and Supervisory Board should ensure cooperation with Outside Directors to strengthen their ability to collect information without compromising their independence.**

The Company has appointed all three Audit and Supervisory Committee members as Outside Directors, and one as a full-time Audit and Supervisory Committee member. The full-time Audit and Supervisory Committee member participates in important meetings, including Management Meetings, and actively expresses their opinions as an Audit and Supervisory Committee member, sharing information with other Audit and Supervisory Committee members. When necessary, they exchange opinions with Outside Directors (excluding Directors who are Audit and Supervisory Committee members) to promote cooperation.

#### **【Principle 4-5 Fiduciary Responsibilities of Directors and the Audit and Supervisory Board members】**

**While fulfilling their fiduciary responsibilities to shareholders, the Directors, the Audit and Supervisory Board members, and the Management of the company should ensure appropriate cooperation with stakeholders and act in the best interests of the company and the common interests of its shareholders**

The Company ensures that it provides accurate and timely information required by all stakeholders. Moreover, any disclosure of highly important information is discussed at Board Meetings, and such disclosure is executed based on the opinions of Outside Directors as well.

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

**The listed companies should consider appointing independent Directors who are not involved in business execution or closely tied to the Management, in order to ensure effective, objective oversight of the Management by the Board of Directors.**

The Company recognizes the importance of effective and objective oversight of the Management by the Board of Directors and acknowledges the need to appoint a sufficient number of Outside Directors to obtain advice from various perspectives, especially in the face of evolving business environments and potential expansion into new fields. Currently, the Company has appointed 8 non-executive Directors, 6 of whom are Outside Directors, to fulfill their corporate governance roles and responsibilities through dialog with the Management and expressing their views as necessary in their capacity as Outside Directors.

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

**The listed companies are expected to utilize independent Directors effectively, taking into consideration the following expectations regarding their roles and responsibilities:**

- i) Providing advice on business policies and improvements based on their knowledge and experience, with the aim of promoting sustainable corporate growth and increasing corporate value over the mid-to long term.**
- ii) Monitoring the Management through important decision-making procedures at the Board Meeting, including the appointment and dismissal of the Management.**
- iii) Monitoring conflicts of interests between the Company and the Management or controlling shareholders.**

**iv) Appropriately representing the voices of minority shareholders and other stakeholders in the Board Meeting, from a standpoint independent from the Management and controlling shareholders.**

The independent Outside Directors of the Company have extensive knowledge and experience in the management, law, accounting and finance, and technologies, and provide valuable advice to promote sustainable corporate growth. They monitor conflicts of interest between the Company and the Management or controlling shareholders from an independent standpoint and represent the voices of stakeholders in Board Meetings.

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

**The aim of independent Outside Directors is to contribute to the sustainable growth of companies and increase corporate value over the mid-to long-term. Therefore, companies listed on the Prime Market of the TSE should appoint at least one-third of independent Outside Directors (or two independent Outside Directors in companies listed on other markets) with the appropriate qualities. However, if a company listed on the Prime Market of the TSE believes that it needs to appoint a majority of Directors as independent Outside Directors (or a company listed on other markets believes it needs to appoint at least one-third Director as independent Outside Directors) based on various factors such as industry, company size, business characteristics, organizational structures, and circumstances surrounding the company, it should appoint a sufficient number of independent Outside Directors.**

The Company believes that appointing multiple independent Outside Directors is essential for contributing to sustainable corporate growth and increasing corporate value over the mid-to long-term. The Board of Directors comprises 11 members which include 3 Executive Directors and 8 non-executive Directors, 6 of whom are Outside Directors, and Outside Directors constitute a majority of the Board of Directors. The Outside Directors are registered as Independent Officers with the Tokyo Stock Exchange, and the Company believes that they are sufficiently independent.

**<Supplementary Principle>**

**4-8① To actively contribute to discussions at the Board Meeting, independent Outside Directors should exchange information and develop a shared awareness among themselves from an independent and objective standpoint. One way to achieve this is by holding regular meetings consisting solely of independent Outside officers.**

As necessary, independent Outside Directors can have a meeting comprising only independent Outside Directors at any time, to enable the exchange of opinions based on independent, objective points of view.

**4-8② The independent Outside Directors should aim to establish a communication framework with the Management and the Audit and Supervisory Board members or the Audit and Supervisory Board by appointing a lead independent Outside Director from among themselves.**

The Company does not appoint a lead independent Outside Director, but instead requests that independent Outside Directors attend Management Meetings to facilitate contact and coordination with the Management. Additionally, a semi-annual skull session is held between independent Outside Directors (excluding Directors who are Audit and Supervisory Committee members) and Audit and Supervisory Committee members for the purpose of communication and cooperation with independent Outside Directors.

**4-8③ Listed companies with controlling shareholders are required to appoint at least one-third of directors who are independent from the controlling shareholders on the board (or a majority for companies listed on the Prime Market of TSE), or establish a special committee comprising independent individuals, including independent Outside Directors, to examine significant transactions and actions that may present a conflict of interest between the controlling shareholders and minority shareholders.**

The Company, which has controlling shareholders, has established guidelines called the "Guideline to Ensure the Fairness of Transactions with the Parent Company Group" to protect minority shareholders in

transactions with controlling shareholders. The guidelines are applied according to their rules. The Company has a policy of ensuring that transactions with controlling shareholders comply with laws and regulations and are not subject to conditions that are unreasonably advantageous or disadvantageous to its group compared to the same or similar transactions conducted with a third party. These transactions are reasonably determined in light of contract conditions and market prices, as in transactions with other companies, and are executed after a thorough examination of whether their execution and conditions do not unreasonably impair the rights of minority shareholders.

The Company's Board of Directors consists of 11 members, including 3 Executive Directors and 8 non-executive Directors, 6 of whom are Outside Directors, accounting for a majority of all Board members. Additionally, the Company has established the Intergroup Transaction Review Committee, which consists of Independent Officers, to examine and review important transactions and actions with controlling shareholders. The Company believes that the committee has sufficient independence from controlling shareholders.

#### **【Principle 4-9 Standards and Qualifications for independent Outside Directors' Independence】**

**The Board of Directors should establish and disclose independence standards to ensure effective independence of independent Directors, taking into consideration the independence criteria set by the Tokyo Stock Exchange. The Board of Directors should endeavor to select independent Outside Director candidates who are expected to contribute to frank, active, and constructive discussions at the Board Meetings.**

The Company selects independent Outside Directors based on the Article 2, Item 15, of the Companies Act and the independence criteria set by the Tokyo Stock Exchange. The Board of Directors selects independent Outside Director candidates who, the Board thinks, are independent of the Company and have administrative experience in the industry with an affinity for our business and their own knowledge to participate in constructive discussions at Board meetings.

#### **【Principle 4-10 Use of Optional Approach】**

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

In addition to the statutory bodies, the Company has the Nomination and Remuneration Consultatory Committee as an advisory body to the Board of Directors, chaired by an independent Outside Director. The ZOZO Group Risk Management Committee is also established within the Company group to accurately recognize and identify and manage risks associated with business activities. The Company will establish other optional bodies as needed to further enhance its governance function.

#### **<Supplementary Principle>**

**4-10① If the listed companies are either a company with an Audit and Supervisory Board or a company with the Audit and Supervisory Committee and independent Outside Directors do not account for the majority of the Board of Directors, the listed company should establish independent Nomination and Remuneration Consultatory committee consisting mainly of independent Outside Directors under the Board of Directors in order to strengthen the independence, objectivity, and accountability of the functions of the Board of the Directors on nominations (including succession plan) and remuneration of the Management members and Directors, and obtain appropriate involvement and advice including viewpoints of the diversity, such as gender, and skills from independent Outside Directors of these committees in the examination of specifically important matters, including nominations and remuneration. In particular, companies listed on the Prime Market of the TSE should fundamentally ensure that independent Outside Directors account for the majority of the members of the committee and disclose the view on the independence of the composition of the committee, authorities, functions, and other information.**

Our Board members total 11, 3 Executive Directors and 8 non-executive Directors (of the latter, 6 members are independent Outside Directors). The majority of Board members are occupied as independent Outside Directors. In addition, the Nomination and Remuneration Consultatory Committee is established as an advisory body to the Board of Directors, which has a role to enhance the independence

and objectivity of functions that the Board of Directors performs concerning the nomination and remuneration of Directors and the accountability of the Board of Directors. The committee consists of the majority of independent Outside Directors and is chaired by an independent Outside Director to maintain the independence of its composition. It is also authorized to discuss policies and standards concerning the appointment and dismissal of Directors, the succession plan for the Representative Director, and remuneration of Directors, as well as draft proposals submitted to the Board of Directors and to offer advice and recommendations to the Board of Directors. In determining the nomination and remuneration of Directors, including discussions and preparation of the draft for the skill matrix of Directors, the committee discusses and gives full consideration to the viewpoints regarding diversity, including gender and skill. We continuously improve the corporate governance system by further enhancing the independence, objectivity, and accountability of the functions of the Board of Directors in terms of the nomination and remuneration of Directors.

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

**The Board of Directors should strive to achieve a well-balanced composition in terms of knowledge, experience, and skills, in order to effectively fulfill its roles and responsibilities. The composition should also promote diversity in terms of gender, internationality, career and age, while maintaining an appropriate board size. When appointing members for the Audit and Supervisory Board, the company should consider individuals with appropriate experience and skills in finance, accounting, and legal affairs. Furthermore, at least one member of the Audit and Supervisory Board should possess sufficient expertise in finance and accounting. The Board of Directors should also aim to strengthen its function by regularly analyzing and evaluating the effectiveness of the Board as a whole.**

The Company sufficiently acknowledges that diverse values give the advantage to ensure its sustainable growth. At the current Board of Directors, which consists of 11 members, 5 female Directors are appointed. At the Audit and Supervisory Committee, an attorney, certified public accountant, and licensed tax accountant with appropriate experience and skills in finance, accounting, and law are appointed as members. Recognizing that the diverse viewpoints coming from sex, race, and nationality, as well as knowledge, experience, and ability, contribute to progress of business, the Company will aim to build the Board of Directors that is balanced between diversity and appropriate size. As of June 2023, we achieved the target included in the Four Key Actions toward realization of the sustainability statement “Increase a percentage of female Directors to all members to 30% by 2030.”

The Company conducts periodic questionnaires of all Directors to analyze and evaluate the effectiveness of the entire Board of Directors as stated in the Supplemental Principle 4-11③.

#### **<Supplementary Principle>**

**4-11① The Board of Directors should consider the appropriate balance between the knowledge, experience, and skills of the Board of Directors as a whole, diversity and appropriate Board size, based on the skills and other abilities required to achieve business strategies. The company should disclose the skills and other abilities of Directors in a suitable manner, taking into account the business environment and characteristics, such as the skill matrix that outlines the knowledge, experience, and skills of each Director, along with the policies and procedures for nominating Directors. In the nomination process, independent Outside Director candidates should have relevant management experience in other companies.**

The Company's view on the appropriate balance between knowledge, experience, and skills of the Board of Directors as a whole, and on diversity and appropriate Board size is in line with Principle 3-1 (iv). To support this view, the Company has created a skill matrix that shows the knowledge, experience, and skills of each Director, and this is disclosed on the Company's website (<https://corp.zozo.com/en/sustainability/governance/>).

In the future, the Company plans to consider adopting internal regulations and enhancing the Board of Directors' system to further focus on the balance of knowledge, experience, abilities, the diversity and size of the Board of Directors as a whole. When appointing independent Outside Directors, the Company considers corporate management and business strategy as important items on the skill matrix and takes into account the presence or absence of management experience in other companies.

**4-11② Outside Directors, Outside Audit and Supervisory Board members, other Directors and**

**Audit and Supervisory Board members, should devote sufficient time and effort to properly fulfill their respective roles and responsibilities. Therefore, for instance, if a Director or Audit and Supervisory Board member holds concurrent positions as a Director or Audit and Supervisory Board member of another listed company, the number of such positions should be limited to a reasonable range. Additionally, the listed companies should annually disclose the status of such concurrent positions.**

The Company has established Authority Approval standards that require Directors to seek permission from the Board of Directors before assuming an officer position at another listed company. Furthermore, we conduct quarterly checks on transactions involving related parties and the status of any concurrent positions held by our officers, as part of our system to monitor transactions among related parties. The outcomes of these checks are included in the annual report materials presented at the General Meeting of Shareholders.

**4-11③ Each year the Board of Directors should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each Director. A summary of the results should be disclosed.**

Each year, the Company's Board of Directors analyzes and evaluates their effectiveness in fulfilling their duties, including the purposes, agendas, composition, discussions, operations, and the structure supporting them. They examine issues and identify measures to address them, implementing appropriate actions based on the analysis and evaluation results.

The following presents the results of the Board of Directors' analysis and evaluation of their effectiveness in executing their duties for the fiscal year that ended in March 2023.

#### 1.Method to evaluate effectiveness

We conducted a questionnaire about the effectiveness of the Board of Directors with all Directors and Audit & Supervisory Board members, aggregated and organized the results, and discussed issues and measures for further enhancement of the effectiveness of the Board of Directors at the Board Meeting.

#### 2.Overview of results of analysis and evaluation

We conducted a questionnaire with all Directors and Audit and Supervisory Board members to gather their feedback on the purposes, agendas, composition, discussions, and operations of the Board of Directors. Based on their responses, we confirmed that they generally provided comprehensive and highly positive evaluations of these aspects. It was also evaluated that there was an improvement in the discussion between Directors concerning the management strategy and issues from the mid- and long-term viewpoints, which the Board of Directors had confirmed as a policy after the results of the evaluation of the Board of Directors' effectiveness for the fiscal year ended March 2022, almost according to the policy as a result of countermeasures that included the allocation of time for discussions after the regular Board meeting. Additionally, there was a constructive opinion about the method to make better discussions about the management strategy and issues from mid- and long- term viewpoints.

#### 3.For the future

At the regular Board meeting held in May 2023, the Board of Directors engaged in active discussions to enhance its effectiveness, taking into account the analysis and evaluation results mentioned above. As a result, the Board of Directors confirmed its policies to update the set of themes for and the frequency and method of discussion about the management strategy and issues from mid-to long-term viewpoints and to make efforts to ensure the further revitalization of discussions and the implementation of discussion results. Through the operation and improvement based on these policies, the Board enhances its effectiveness and increases corporate value.

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

**The Board of Directors should promote an atmosphere for the open and constructive dialog to facilitate the exchange of ideas and should welcome the submission of proposals and matters by Outside Directors.**

The company actively engages in question-and-answer sessions and encourages the exchange of opinions among Outside Directors regarding all matters to be resolved and reported at Board Meetings. Additionally, all attendees of the Board Meetings actively participate in exchanging opinions on the proposals presented at the

meetings.

**<Supplementary Principle>**

**4-12① The Board of Directors should ensure the following to enhance the operation of Board Meetings and facilitate active deliberations:**

- (i) Sufficient distribution of materials for Board Meetings ahead of the scheduled date;**
- (ii) Provision of information to Directors by the Company in addition to the Board Meeting materials(if necessary, it needs to be organized and analyzed in an easily understandable manner;**
- (iii) Determination of the schedule for Board Meetings for the current year and identification of the assumed agenda items in advance;**
- (iv) Appropriate setting of the number of agenda items and the frequency of Board Meetings; and**
- (v) Allocation of sufficient time for deliberations.**

To encourage active discussions on the day of the meeting, the Company distributes meeting materials at least three business days prior to the meeting. We make an annual schedule of Board Meetings based on dates when all Directors are available to attend. When the agenda items are decided in advance, the said effect and time required for the deliberation are reflected in the schedule. Agenda items deliberated at the Board Meeting are fundamentally those of the Management Meeting, and Directors participate in the Management Meeting ((by non-executive Directors voluntarily), and Directors have an opportunity to know the details of the proposals and process of discussions in advance.

**【Principle 4-13 Information Gathering and Support Structure】**

**In order to fulfill their roles and responsibilities, Directors and Audit and Supervisory Board members should proactively collect information, and as necessary, request the company to provide them with additional information. Also, the listed companies should establish a supporting structure for Directors and Audit and Supervisory Board members, including providing sufficient staff. The Board of Directors and the Audit and supervisory Board members should verify whether the information requested by them is provided smoothly.**

The Company confirms the contents of any materials in advance, and if there is insufficient content, the Directors will request additional information as needed. Furthermore, the Company has established a support system for Directors, particularly for newly appointed Outside Directors, to enhance their understanding of the Company's corporate culture and ensure full information sharing within the organization through the Board of Directors Administration Office and the officers in charge of the Board of Directors. Additionally, we have fostered corporate culture where Directors regularly exchange information and opinions with one another on a daily basis.

**<Supplementary Principle>**

**4-13① Directors, including Outside Directors, should request the company to provide them with any additional information deemed necessary to contribute to transparent, fair, timely, and decisive decision-making. Furthermore, Audit and Supervisory Board members, including Outside Audit and Supervisory Board members, should appropriately collect information, including utilizing their statutory investigative powers.**

The Company's Board of Directors Administration Office confirms the materials for Board Meetings in advance, and Directors can request additional information as necessary if any content is missing.

**4-13② Directors and members of the Audit and Supervisory Board should consider seeking the advice of external specialists at the company's expense when deemed necessary.**

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

**4-13③ The listed companies should ensure that the Internal Audit Office, Directors, and Audit and Supervisory Board members cooperate effectively by establishing a reporting structure where the Internal Audit Office reports directly to the Board of Directors and Audit and**

**Supervisory Board to fulfill their functions. Furthermore, these companies should take measures to provide adequate information to Outside Directors and Outside Audit and Supervisory Board members. For instance, they could appoint a responsible individual within the company who would handle such requests for information and ensure that they are appropriately processed.**

The Internal Audit Office conducts fair and objective audits of the Company and its subsidiaries periodically and as needed. The results of these audits, including any identified issues, are reported directly to the Representative Director, Board of Directors, and Audit and Supervisory Committee. Instructions for improvement are given to each department to ensure that appropriate measures are taken. Furthermore, although the Company has not assigned an individual to serve as a liaison and coordinate between Outside Directors, it has established a system that enables the provision of information regarding matters such as business problems to Outside Directors as needed. This is facilitated through a full-time Audit and Supervisory Committee member.

**【Principle 4-14 Training for Directors and Audit and Supervisory Board members】  
New and incumbent Directors and Audit and Supervisory Board members are crucial governance bodies in the listed companies, and they should strive to understand their roles and responsibilities deeply. They should also make efforts to acquire and update the necessary knowledge and skills. In this regard, the listed companies should provide suitable training opportunities to each Director and Audit and Supervisory Board member, along with financial support to cover associated expenses. The Board of Directors should ensure that these opportunities and support are provided appropriately.**

The Company provides a comprehensive range of training opportunities to support all employees, including Directors, in acquiring and maintaining the knowledge required to perform their duties effectively. To facilitate their supervision of the Management and fulfill their respective roles, the Company conducts study sessions to provide Directors and the Management with the necessary information and knowledge. Additionally, the Company reviews the execution of duties by the Directors with the assistance of Audit and Supervisory Committee members. Any expenses incurred during these sessions can be charged to the Company.

**<Supplementary Principle>**

**4-14① Upon assuming their positions, Directors and Audit and Supervisory Board members, including Outside Directors and Outside Audit and Supervisory Board members, should be provided with the opportunity to acquire the necessary knowledge about the Company's business, finances, organization, and other relevant matters, and to fully comprehend their expected roles and responsibilities, including legal liabilities. Additionally, incumbent Directors should have a continuing opportunity to renew and update their knowledge as needed.**

Regarding group seminars and study meetings held by the organizations that our Directors belong to, diligent studies, such as acquiring new knowledge and appropriately updating that knowledge, will be conducted at the discretion of each individual, and any associated expenses will be covered by the Company.

**4-14② The listed companies should disclose their training policy for Directors and Audit and Supervisory Board members.**

Regarding the training policy for Directors in accordance with Principle 4-14, training is provided as needed to enable them to fulfill their duties effectively. The policy ensures that they acquire the knowledge required to operate the business and keep abreast of changing information over time, with the aim of contributing to the growth of the Company and the fashion industry.

## Section 5: Dialog with Shareholders

### **【General Principle 5】**

**The listed companies should engage in constructive dialog with shareholders, even outside of the General Meeting of Shareholders, to contribute to sustainable growth and increase corporate value over the mid-to long-term. During such dialog, the Management and Directors, including Outside Directors, should listen to the voices of shareholders and pay attention to their interests and concerns. They should also explain business policies clearly and understandably to gain shareholders' support and work towards developing a balanced understanding of the positions of shareholders and other stakeholders, and act accordingly.**

The Company acknowledges the significance of active dialog with shareholders to achieve sustainable growth and improve corporate value over a mid-to long-term period. To facilitate a better understanding of our management strategy, the Company has established an IR structure under the Director in charge of the IR Section. We conduct financial results briefings four times a year, with simultaneous distribution on the web in English. During these briefings, our Management directly shares information on current situations and strategies for the future. Additionally, we participate in securities companies' conferences and individual interview requests. Considering our shareholder distribution, we also engage in active dialog with our overseas investors through the Board member and the Department in charge of IR activities.

### **【Principle 5-1 Policy for Constructive Dialog with Shareholders】**

**To promote sustainable growth and increase corporate value over the mid-to long-term, the listed companies should respond positively and reasonably to requests from shareholders to engage in dialog (IR Meetings). The Board of Directors should establish, approve, and disclose policies aimed at promoting constructive dialog with shareholders, including measures and organizational structures.**

The Company assigns a Director, Executive Vice President as a Director in charge of IR, and Strategic Planning and Development Department, Business Administration Division, as the section in charge of IR. We conduct financial results briefings every fiscal quarter, offering real-time, simultaneous streaming on the Web in both Japanese and English to ensure fair disclosure for the various investor classes. In addition, we actively engage in constructive communication with shareholders through one-on-one dialogs (meetings) with domestic and overseas investors, holding of small meetings, and participation in conferences hosted by securities companies, as well as direct visits to North America, Europe, and Asia to connect with investors. The attributes of investors, the number of meetings, the conditions of substantial shareholders, and the opinions and questions raised in the dialog are periodically reported at the Board meetings. Furthermore, it is timely examined whether to add questions frequently raised in the dialog and the details to the data disclosed or explanatory matters at the next financial results report in order to flexibly reflect the details of the dialogs with shareholders and investors in the disclosed data and explanatory matters. We actively engage in constructive dialogs with shareholders to achieve sustainable growth and increase corporate value for the mid-to long-term periods.

### **<Supplementary Principle>**

**5-1① Management members, Directors (including Outside Directors), and Audit and Supervisory Board members (including Outside Audit and Supervisory Board members) should engage in dialog with shareholders, taking into consideration shareholders' requests and interests to the extent that is reasonable.**

The Strategic Planning and Development Department, under the Business Administration Division, is responsible for engaging in actual dialog (meetings) with shareholders, and the IR Section manages it. The Company responds to shareholders and investors when they wish to speak with the CEO or the Director responsible for IR activities, as much as possible. Management members, Directors (including Outside Directors) are allowed to attend meetings as needed.

**5-1② Policies for promoting constructive dialog with shareholders should include, at minimum, the following measures:**

**(i) Appointment of a member of the Management or a Director responsible for overseeing and**

ensuring that constructive dialog with shareholders, including the matters stated in items (ii) to (v) below;

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

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

(iv) Measures to appropriately and effectively share shareholder's views and concerns learned through dialog with the Management members and the Board of Directors; and

(v) Measures to control insider information when engaging in dialog

(i)(ii) The Company designates the Director, Executive Vice President as a Director in charge of IR. The IR Section collaborates with other departments to ensure smooth communication and information sharing.

(iii) The Company holds individual meetings with shareholders, investors, analysts. In addition, we hold quarterly financial results briefings where the CEO and Director in charge of IR explain the Company's strategies. As the Company recognizes the importance of engaging with shareholders, we also make efforts to visit our main shareholders and investors from time to time.

(iv) The content and feedback of IR activities, and changes in shareholders, are reported at monthly Board Meetings. The information is shared with the Directors.

(v) To manage insider information, the Company focuses on discussing the themes of sustainable growth and improving corporate value over the mid-to long-term during dialog with investors. We take care to prevent the improper disclosure of confidential information.

**5-1③ The listed companies should make efforts to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.**

To ensure transparency and effective communication with shareholders, the Company confirms the Shareholders' List and shareholder ownership structure every quarter, in March, June, September, and December. We also conduct investigations on shareholders who substantially hold shares to better understand their current situation and interests. This information is then used for our IR activities on a daily basis.

#### **【Principle 5-2 Establishing and Disclosing Business Strategy and Business Plan】**

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

The Company specifies and forecasts management indicators with the goal of realizing sustained growth and the progress of businesses in consideration of maintaining a return on equity (ROE) of 30% or higher and, thus, discloses specific figures and goals in the management plan for each year. The Board of Directors and the Management Meeting monitor the amount of Gross Merchandise Value (GMV) and operating profit by business, as well as market evaluation, including the stock price, so that management resources can be allocated appropriately and in a timely manner. At the financial results briefing, the amount of GMV and changes in capital investment and ROE by business (ZOZOTOWN Business, Yahoo! JAPAN Shopping, BtoB Business, and Others) are disclosed to explain the appropriate allocation of management resources in an easy-to-understand way for shareholders. Through our daily IR activities, we will continuously explain qualitative and quantitative efforts to achieve the management plan and realize the sharing of the same vision with shareholders and investors.

#### **<Supplementary Principle>**

**5-2 ①When establishing and publishing business strategies and other information, the listed companies should clearly review their business portfolio and disclose the basic policy**

**determined by the Board of Directors.**

The Company aims for sustainable growth by diversifying its profit drivers beyond its Gross Merchandise Value. To achieve this, we have established three pillars of the strategy, with a clear focus on specific business fields. We disclose these pillars of the strategy and our focus areas at financial results briefings and other meetings to ensure transparency and alignment with our shareholders and investors.

**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.