

ZOZO SUSTAINABILITY REPORT 2021



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We Imagine and Are Creating a Sustainable Future.

Representative Director,
President & CEO
ZOZO, Inc.

SAWADA Kotaro

I would like to my compassion for everyone who suffered from COVID-19. I would also like to express my deepest respect and appreciation for everyone who has provided support and assistance, especially the healthcare professionals on the front line.

To those who have lost their precious lives and health, to those who have been forced into financial hardship, and to those who have lost opportunities to connect with their families and communities and to enjoy their lives and the passions, like fashion, that make them happy, we at ZOZO extend our hearts to you.

We are strongly convinced that we must contribute to the reconstruction of our community, and, as a company, hold up our corporate philosophy of "Inspire the world. Delivery joy every day."

We have continued to explore new ways of doing business with our business partners, such as fashion brands and YAMATO TRANSPORT amongst the increase of digital transformation on customer journey. In addition, to ensure that our customers enjoy fashion as before, we worked hard without halting logistics and customer service while implementing measures to prevent the spread of Covid-19, by incorporating opportunities to work from home for any feasible departments.

We are very proud of the fact we have more than 1,300 employees who love fashion and have a wide range of knowledge in technology. I believe nobody would really find a company like us anywhere else.

Lastly, as we have set "More Fashion × Better Fashion Tech" as our strategy, we aim to realize our corporate philosophy by implementing this management strategy as well as ensuring all employees work with fun.

Firm Economic Growth

It may not be so easy for you to go out shopping as we used to. That is why our online services are in demand.

On ZOZOTOWN, our major service, a total of 9,730,000 customers have shopped with us annually, and the number of brands we have has grown up to 8,490(*). In fiscal 2020, we presented ZOZOGLASS - a skin tone capturing device, and opened ZOZOCOSME - a specialized cosmetics mall. In addition, we have opened ZOZOVILLA - a luxury & designer zone, and YOUR BRAND PROJECT D2C business supports individuals to launch their own brands.

In fiscal 2021, we announced 3 pillars of our business strategy. The first pillar is "Increasing traffic other than to 'buy'" for further growth of ZOZOTOWN. The second pillar is "Stepping into 'production support'" to increase revenue points other than e-commerce. And the last pillar is "Exploring an opportunity of technology licensing sales" to expand our business overseas.

To achieve these goals, ZOZO Group was reorganized as of October 1st, 2021. We will accelerate existing businesses and strengthen the creation of innovation.

(* As of the end of June 2021

Full-Scale Start of Initiatives for Sustainability

No burden should be placed on the environment and people by any companies, in return for their business growth. We believe that engaging in sustainability is essential for us to realize our goal of "Inspire the world. Deliver joy every day."

We continue to discuss what we can do as a fashion-platformer, for the environment and people, and formulated a sustainability statement: "Fashion Connects and Leads us to a Sustainable Future."

This statement embodies our desire to connect people through fashion and technology, and to solve social issues in innovative ways.

We have announced four of the key actions: "Highlight sustainable fashion choices to improve users' experience," "Create a made-to-order platform for zero waste," "Promote diversity and inclusion among everyone involved in fashion," and "Contribute to sustainable community development" based on our experiences of what we have valued for long, and visions of what we should tackle through our business going forward. Hereafter, we will actively disclose information about the ESG area .

Value Relationships with Stakeholders

As a platformer, we value our relationship with all of our stakeholders in order to realize "Fashion Connects and Leads us to a Sustainable Future." We will unite and come together with fashion brands, YAMATO TRANSPORT, Chiba City and other local governments, and local residents, to work on social issues.



SUSTAINABILITY STATEMENT

ZOZO Group have been working proactively on social contribution initiatives since we started our business. From April 2021, we are working on sustainability based on mid-long term strategy.



Fashion Connects and Leads us to a Sustainable Future.

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

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

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

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

1

Highlight sustainable fashion choices to improve users' experience

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

Short Term / Labeling of products based on the sustainability criteria of each brand.

Mid-Long Term / Create a common sustainability standard together with brands, and to provide product information including the production background.



2

Create a made-to-order platform for zero waste

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

Short Term / ZOZO will provide its made-to-order platform to select brands in addition to utilizing it for its in-house apparel production and sales.

Mid-Long Term / ZOZO will provide its made-to-order platform to all brands on ZOZOTOWN and to select users who wish to use this service.



3

Promote diversity and inclusion among everyone involved in fashion

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

Short Term / Raise diversity awareness and inclusion among ZOZO employees and stakeholders who are closely involved.

Mid-Long Term / Promote diversity and inclusion by collaborating with partners in the fashion industry and in the value chain to provide and communicate new services.



4

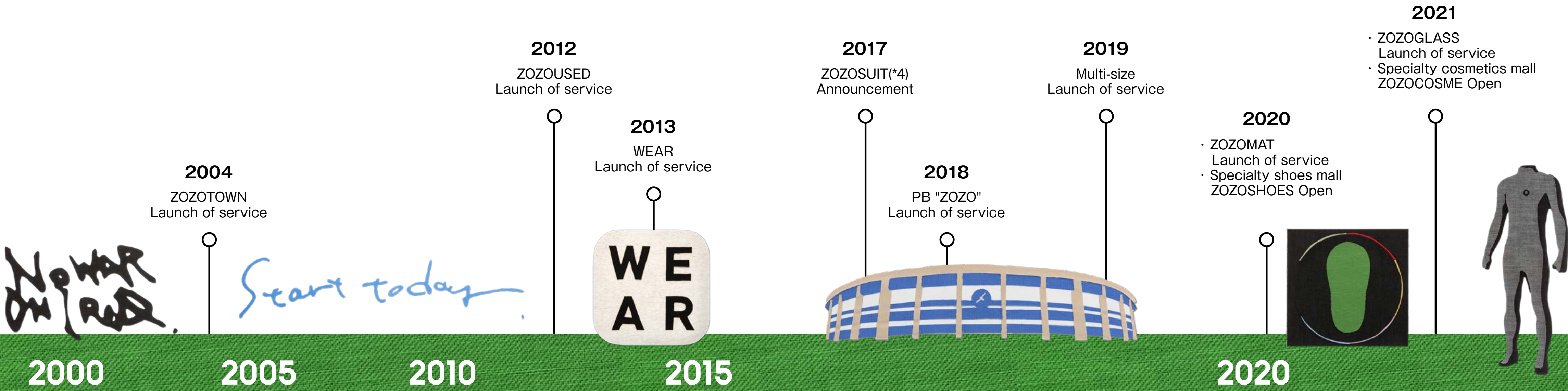
Contribute to sustainable community development

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

Short Term / Contribute to the resolution of local issues and revitalization in the areas where we operate our business.

Mid-Long Term / Help solve local issues and revitalize communities beyond our local community and region.





2003
NO WAR ON IRAQ
Charity T-shirt
sales donation

2006
Introduction of
Makuhari Allowance(*1)

2011
Great East Japan
Earthquake
Charity T-shirt
Sales donations

2007
Donation service
ZOZOARIGATO started(*2)

2012
Introduction of Rokujiro
Six-hour work system(*3)

2015
Donation to the
Nepal earthquake

2016
· Chiba Marine Stadium
Acquisition of naming rights
· Donation to Kumamoto
earthquake rights

2018
· Donation to torrential
rain in western Japan
· Signed a sponsorship
agreement with PGA TOUR

2019
· Chiba City and Chiba
University Comprehensive
Collaboration Agreement
· 2019 Donation to Boso
Peninsula Typhoon

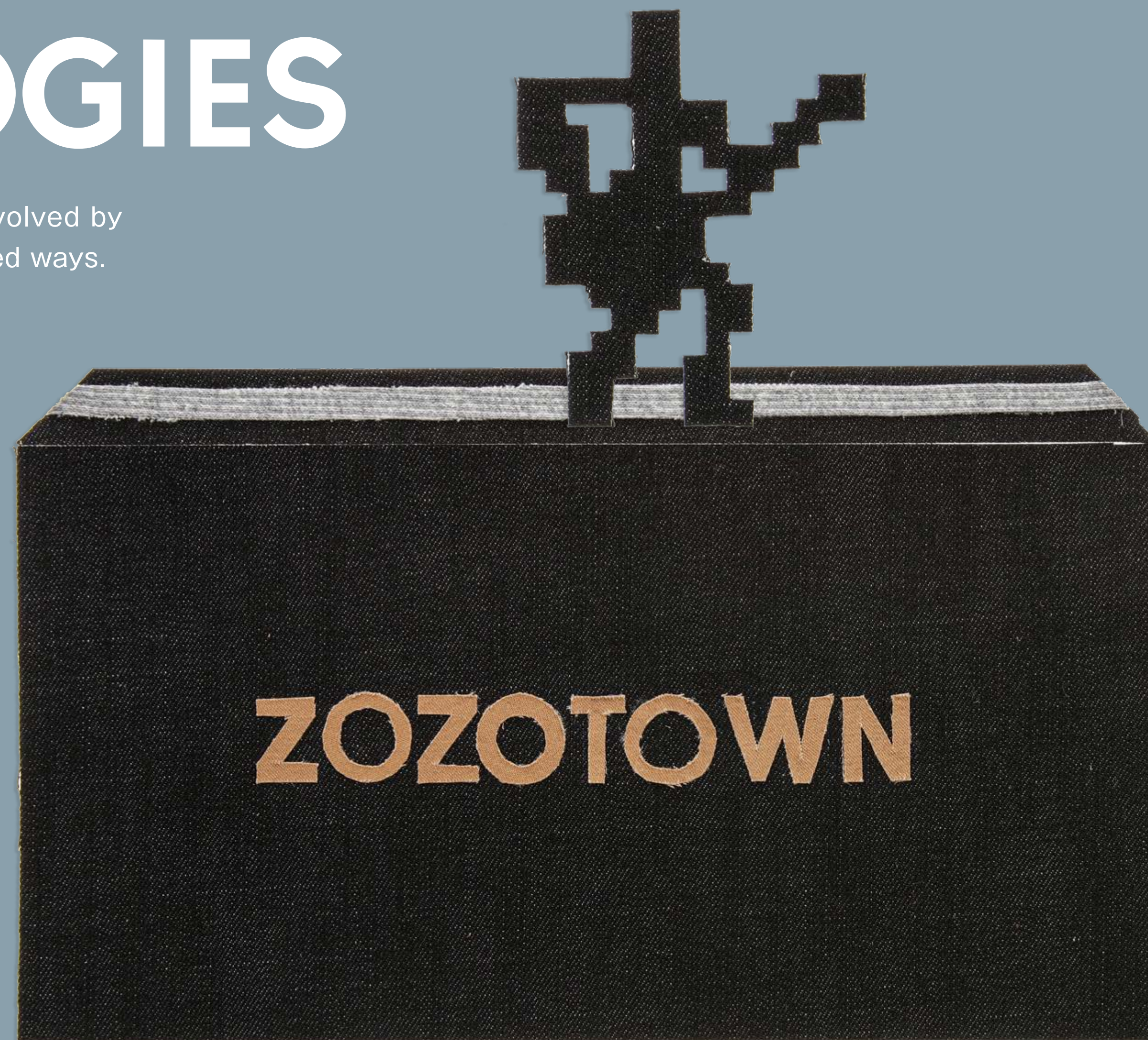
2020
Covid-19
Charity T-shirt Sales

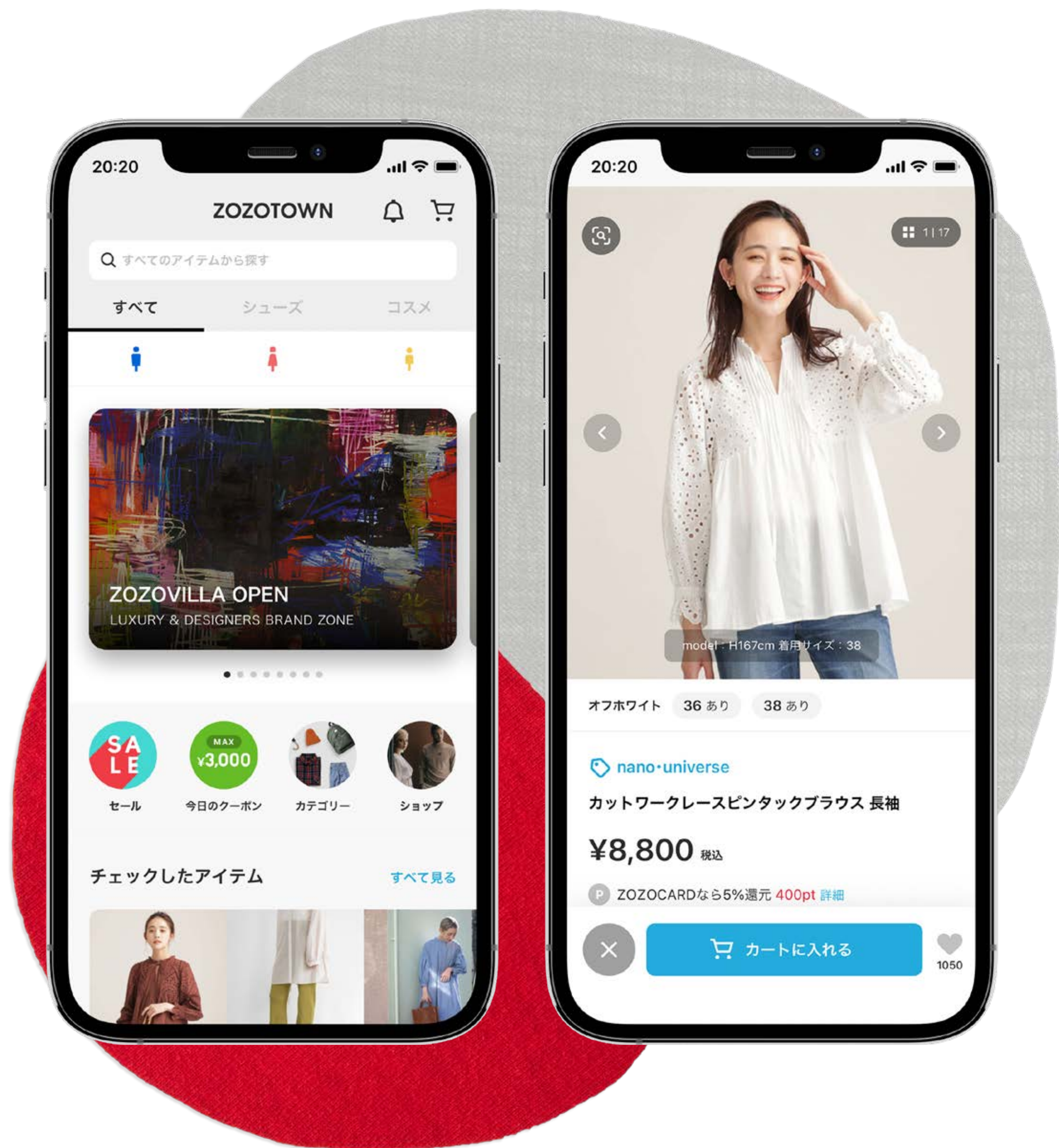
2021
Started joint initiatives using
ZOSOSUIT 2 at three
companies, ALTIRI CHIBA,
Chiba University and ZOZO

(*1) Currently, the allowance is applied for Chiba, Tsukuba and Miyazaki area (*2) Ended in March 2015 (*3) Ended with introduction of flex system in October 2019 (*4) Currently, distribution is ended.

SERVICES & TECHNOLOGIES

We keep being at the forefront of the times with all the people involved by the power of fashion and technologies in unexpected and unexplored ways.





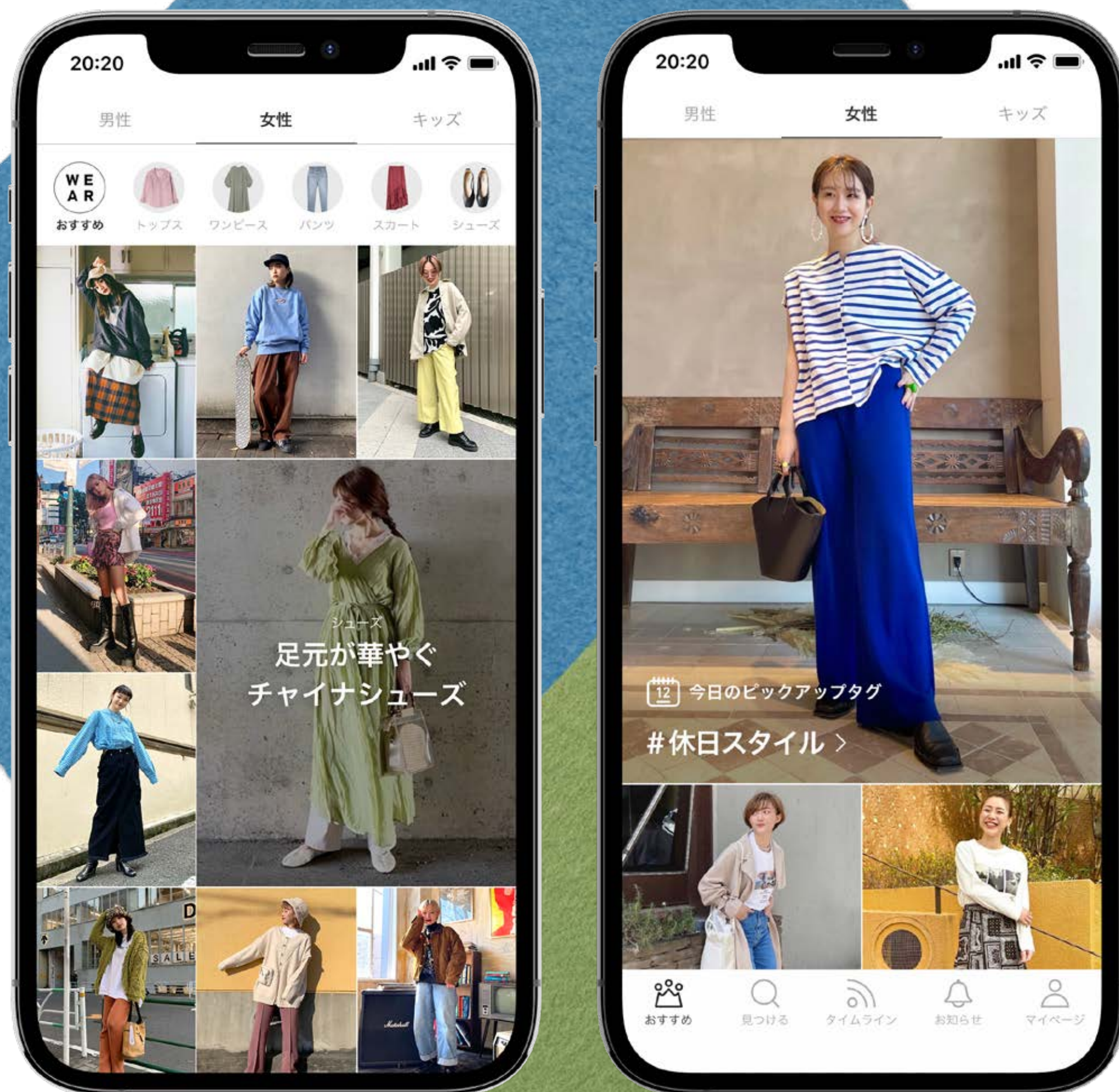
ZOZOTOWN

Fashion e-commerce

Over 1,400 stores offering more than 8,400 brands. At any given time, more than 830,000 items are available for purchase, in addition, more than 2,900 new items (average) per day. (*)

Operates ZOZOCOSME, a specialized cosmetics mall, ZOZOSHOES, a shoe-specialized mall, and ZOZOVILLA, a luxury & designer zone. Same day delivery service are available in limited areas within Japan. Gift-wrapping service. Deferred payment option, "Tsukebarai" that allowed our customers to complete their payment in two months.

(*) As of June 30th, 2021
Since December 15th, 2004
<https://zozo.jp/>



WEAR

Japan's one of the largest fashion apps that offers unlimited fashion / styling content.

Users are able to post their outfits and search, view and save some of our most popular, charismatic daily users are certified as "WEARISTA" (*1).

Over 15 million downloads, and more than 10 million styling posts in total.

Providing latest trends from pickup tags, and offering coordinated wearing items from ZOZOTOWN and brand-name official shopping websites. Many prominents and influencers participate as well (*2).

(*1) WEARISTAs are officially certified users who are "fashionistas".

(*2) As of June 30th, 2021

Since October 13th, 2013

<https://wear.net/>



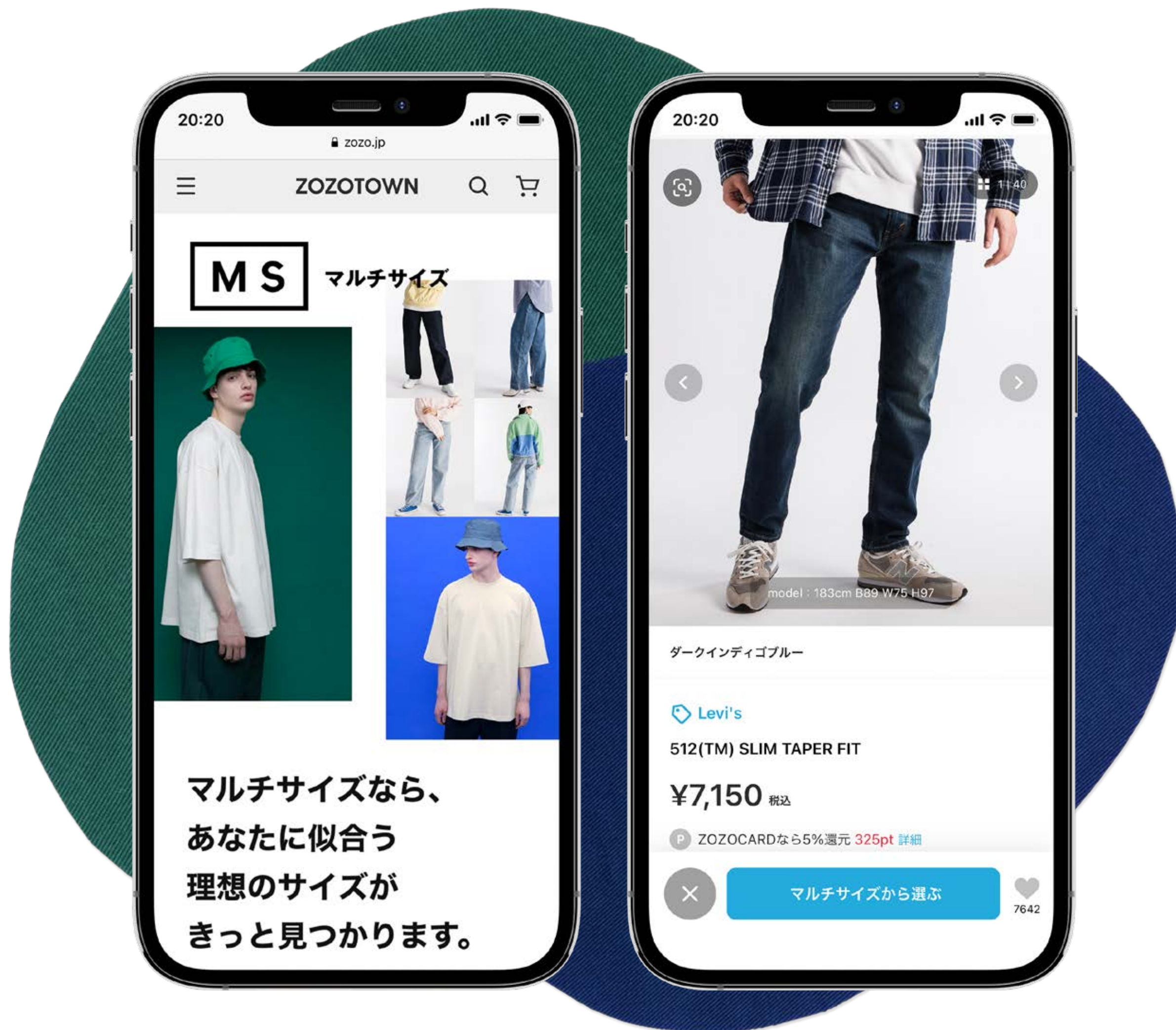
ZOZOUSED

Online service for secondhand/vintage apparel "ZOZOUSED".
Offering more than 600,000 items at any given time, from 7,000 brands. (*)
Offers a wide variety of fashion items, from casual to luxury brands with reasonable prices.

"Replacement Discount" function whereby you trade-in items purchased in the past and discount the trade-in amount on the spot when you shop at ZOZOTOWN, and "Anytime Replacement Discount" function that allows you to exchange previously purchased items on ZOZOTOWN for ZOZO points at any time.

When you send trade-in items, you can sell them if you pack the items on hand that you purchased outside of ZOZOTOWN. Shipping charges and handling charges are free.

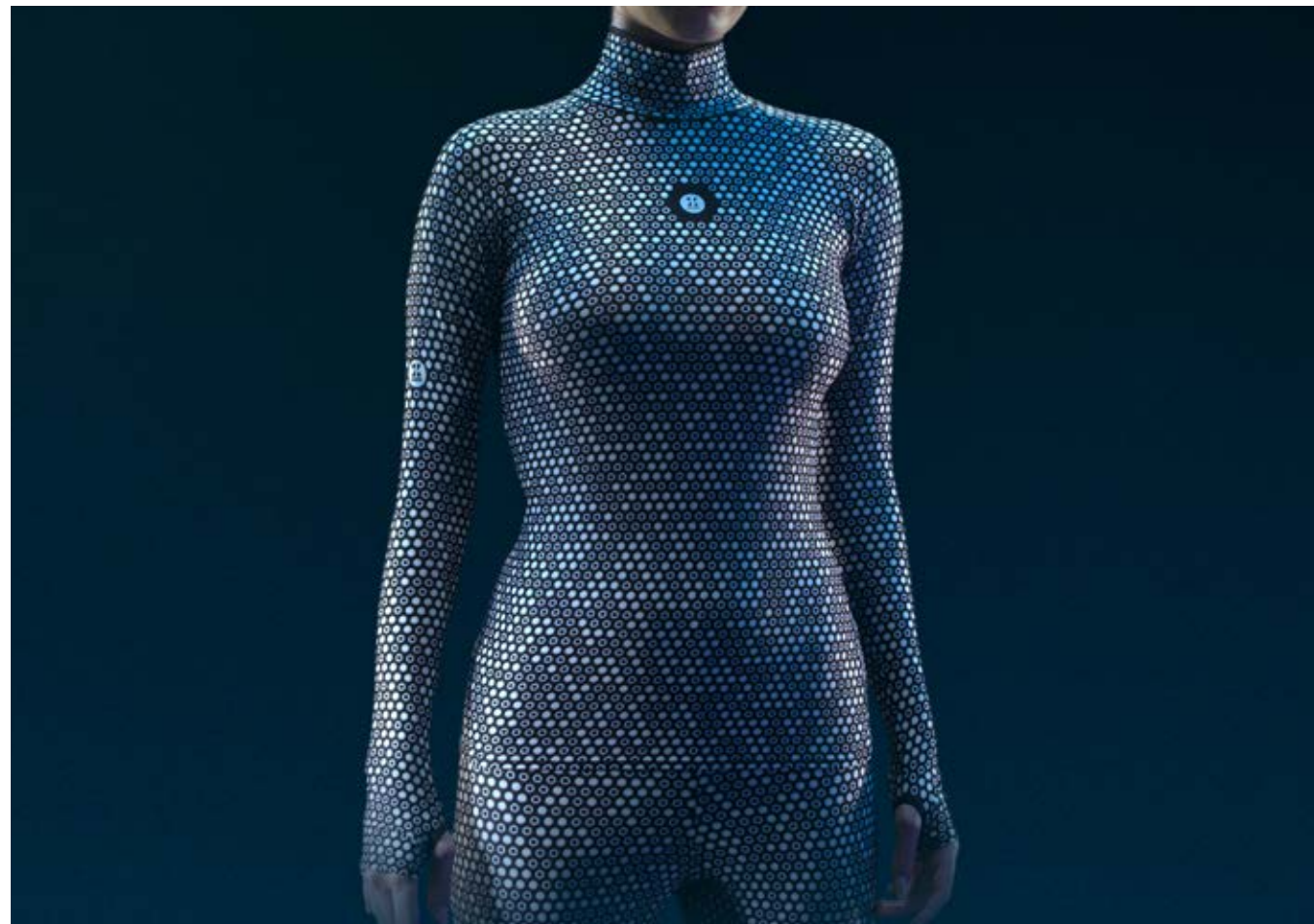
(*) As of June 30th, 2021
Since November 12th, 2012
<https://zozo.jp/zozoused/>



MS Multi-size

A new way of shopping for clothes where users select their height and weight to purchase their ideal size. Collaborates with brands to sell items that have been expanded into multi-size since Fall/Winter 2019. Offering over 400 items from 30 brands(*).

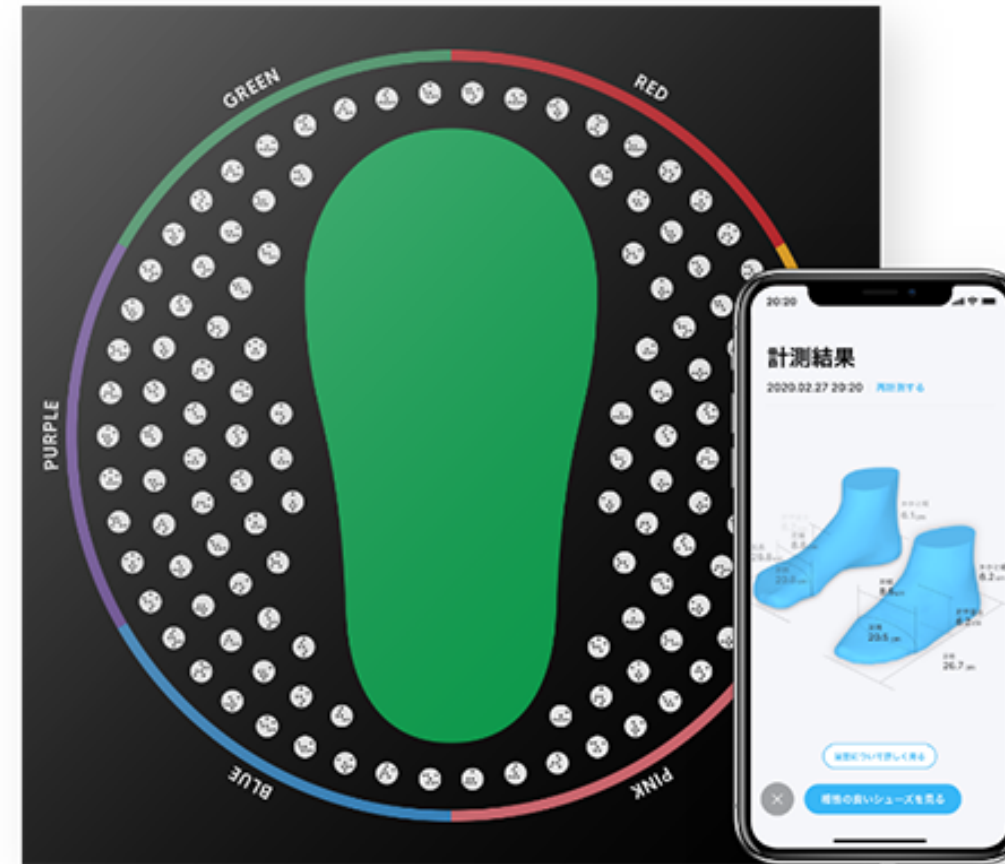
(*) As of June. 30th, 2021
Since : Aug. 2nd, 2019
<https://zozo.jp/multisize/>



ZOZOSUIT 2

The body measurement bodysuit "ZOZOSUIT"(*) can be measured with a high degree of precision by taking a 360-degree camera with a dot mark on the entire suit. 3D measurement bodysuit "ZOZOSUIT 2" significantly improves the design of "ZOZOSUIT" and the algorithms of 3D modeling generation using the measurement results. The basic measurement method and ease of measurement can be used to create a more precise 3D modeling of the body.

(*) Currently, distribution is ended.



ZOZOMAT

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



ZOZOGLASS

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

ENVIRONMENT

"Inspire the world. Deliver joy every day." — The "World" mentioned in our corporate philosophy, includes not only our customers, but also people around the world and the global environment. It is our mission to understand products that are friendly to the environment, community, and human rights, and introduce them to our customers.

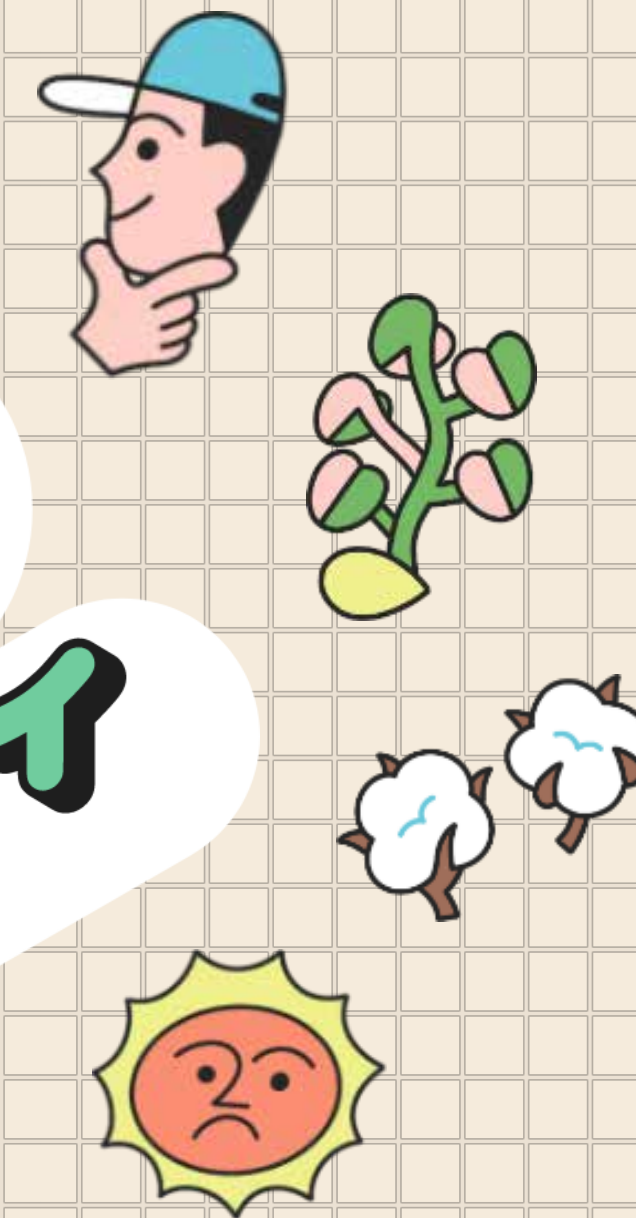


ZOZOBASE



ZOZOTOWNと学ぶ

ファッション と サステナビリティ




ZOZOTOWN

In October 2021, we launched a special online page titled "Let's Learn Fashion and Sustainability with ZOZOTOWN" on the website. The pages introduce our approach to sustainability, products that take the environment and human rights into account, and the activities of our brands. In April 2021, we announced a variety of initiatives, to realize one of our key actions in the area of sustainability: Highlight sustainable fashion choices to improve users' experience.

<http://zozo.jp/sustainability/>



欲しい服が¥0で買えるかも
 **買い替え割**



ZOZOUSED

The service named "ZOZOUSED", recycles apparel and other products by buying back and reselling products that customers purchased under ZOZOTOWN previously. In fiscal 2020, we purchased more than 7 million items from customers.

When collecting products, we recommend the use of our original "reuse bag" that can easily pack and ship clothing and other items that are no longer needed. "Reuse bag" is environment-friendly and convenient because non-woven textile does not require cardboard packing tape or other packaging materials for dispatching. This "reuse bag" can be cleaned, and currently about 94% is reused.

In addition, we strive to maximize resale by cleaning and maintenance when products we purchased are in difficult condition to resell due to dirt or other reasons. Even products that cannot be sold are also purchased by clothing buyers who perform appropriate treatment, and the number of products purchased by them reached approximately 1,490,000 in fiscal 2020. Converted to CO₂ emissions when incinerated or disposed of, this results in an annual reduction of approximately 3,221 tons.

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





ZOZOMARKET



fukuu



Environment / Services

STOCK

YOUR BRAND PROJECT

We are expanding the fashion industry while focusing on sustainability, not only having a function to "sell" products online, but also positioning us to "create" products.

The D2C project named "YOUR BRAND PROJECT" provides full support for the product planning, production, sales, logistics, customer support, and other processes and funding required for the launch of individual brands. We are working to create brands together with individuals who are rich in talent and sense. Products developed in this project are made of materials that are friendly to the environment and human rights, including organic materials and recycled fibers. In addition, some products adopt multi-sized made-to-order production, and we have established a system to reduce mass production and mass disposal.

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



Measurement Technology

The world where someone does not enjoy fashion because of their body shape or where they live is not what we are looking at. We will make the most of technology with the aim of making a world where everyone enjoys fashion equally and accepts diversity.

Since the release of "ZOZOSUIT" (*1) in 2017, we have developed smartphone-based measurement technology, including easy and precise foot measurement tool "ZOZOMAT", the skin tone capturing tool "ZOZOGLASS", and the bodysuit ZOZO SUIT 2 for 3D body measurement. Because "ZOZOMAT" measures not foot size but 3D size of the foot easily and precisely, you can find an appropriate size of shoes without trying them on.

ZOZOMAT compatible shoes have a 36.9% lower return rate than non-compatible shoes (*2), which reduces the environmental impact of shipping and returning products that do not match the size of the shoes.

(*1) Currently, distribution ended.

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

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





Distribution

Since July 2021, we have computerized the delivery slips and receipts that were attached at the time of delivery. According to the calculation based on the number of shipments in fiscal 2020, we have reduced the amount of paper for our delivery slips and receipts by approximately 45 million per year. Converting the amount of CO₂ discharged results in a reduction of approximately 192 tons.

In June 2020, YAMATO TRANSPORT Co., Ltd. introduced "EAZY (*)", a new delivery service for e-commerce businesses, which allows customers to receive products through package drop service. This service will lead to reduced CO₂ emissions by reducing redelivery. Since June 2021, delivery slips have been converted into two-dimensional codes to reduce the risk of personal information leaks during package drop service.

(*) "EAZY" is a service that allows customers to select a variety of ways to receive products ordered at on-line shops, etc. in collaboration with Yamato Transport, including placement and delivery, such as front doors, gas meter boxes, and garages on their own premises, in addition to face-to-face.

<https://corp.zozo.com/news/20200616-10620/>

Efforts at Each Sites

We are implementing environmentally conscious initiatives at several locations nationwide, including ZOZO Head Office and "ZOZOBASE".



ZOZO Head Office

In February 2021, the head office was relocated from Kaihin-Makuhari to Nishi-Chiba. The new ZOZO head office is based on the concept of "Nishi-Chiba, a city where imagination and creation go back and forth." Working spaces stand out by large, open windows and are designed with the same height of the streets in front of the head office. This design embodies our desire to create a connection between the town and us by showing how our employees work. In addition, we have introduced 100% tracked renewable energy for our head office.



Logistics Centers "ZOZOBASE"

We have installed LED lighting at all the sights."ZOZOBASE Narashino 1"reduced the consumption of 110,000 kWh of electricity per year by switching from fluorescent lighting to LED lighting. Converted to CO₂ emissions, this will lead to an annual reduction of 692 tons. In addition, we plan to introduce 100% of tracked renewable power at a part of "ZOZOBASE" locations during fiscal 2021.With this, 60% of our total power consumption at site will be 100% renewable energy in prospect. We also eliminated the cushioning of plastic materials used to fill gaps when packaging. In October 2020, we switched it to a cushioning of recycled paper.(*)

(* In some cases, instance fragile purchased items are packed with cushioning material made of plastic.



Data Centers

Data centers, the foundation that supports IT infrastructure, consume a large amount of electricity and water resources. For this reason, our data centers are introducing renewable energy. Among multiple data centers, the data center that consumes the largest amount of electricity uses 100% of renewable energy, while other sites also use a portion of renewable energy. We will continue to strive for environmental considerations such as electricity and water resources.

SOCIAL

We are working on contribution to the local community, disaster support, and social contribution through sports events from Nishi-Chiba, where our head office is located.





On-Demand-Delivery Class by ZOZO Employees

We are rooted in our corporate philosophy of "Inspire the world. Deliver joy every day." and the idea of "work with fun." In order to communicate these concepts and the content of our own affairs (*), we regularly hold classes for local school students in Chiba City as instructors for "On-Demand-Delivery Classes" sponsored by the Chiba City Board of Education.

(* The word "work" is ordinarily spelled as 仕事 (*shi-goto*), using a character 仕 (*shi*) represents "serving" by its literal meaning. Instead, we use a character 自 (*shi*) which is pronounced in a same way but represents "self (natural)" by its literal meaning. This implies we are not serving to someone or forced to work, but are working naturally and spontaneously.



Designing Uniforms with Junior High School

We are also promoting co-creation with the younger generations of the local community. We designed the uniforms by receiving a direct letter from a student in the Boys Volleyball Team of Midori-cho Junior Highschool in Chiba City, near ZOZO head office. The letter says "I would like ZOZO to design a uniform for our Boys Volleyball Team." In order to meet the expectations of them, we have held numerous meetings and made a unique original uniform designed only for them.



Opened a Square in ZOZO

To revitalize local communities, we have established "ZOZO Square" right in front of ZOZO head office. This square will also be rented out as an event space that can be used by us to hold our corporate events, and even by local residents, whether they are individuals or organizations. In addition, it is usually open to local residents as free space and is used for their interaction.



Entered into a Comprehensive Collaboration Agreement

We work with local governments, schools, facilities, and local communities to create value of Nishi-Chiba, the area where our head office is located. In February 2019, we signed a comprehensive collaboration agreement with Chiba City and Chiba University, a national university corporation. The agreement with Chiba City aims to promote collaboration that effectively utilizes the resources and expertise of both parties, enhance the individuality and attractiveness of the city from both the corporate and administrative perspectives, create a community that connects to the future, and further revitalize the region. The agreement with Chiba University also aims to contribute to local communities by promoting academia and culture and revitalizing local economies through the exchange of human and intellectual resources.

<https://corp.zozo.com/news/20190213-7006/>



Disaster Support and Donation Activities

We use the goods and services we own but also for disaster relief and other purposes. We joined SEMA (*), Social Emergency Management Alliance, which Yahoo Japan Cooperation is in charge of management and serves as the secretariat, in order to smoothly transport aid supplies to the disaster-stricken areas. In the event of a large-scale natural disaster, SEMA provides goods and services owned by companies as one-stop service, through collaboration between private companies and civil society groups in Japan to the victims. And we provide clothing. In addition, as our own support activities, we also sold charity products on ZOZOTOWN and donated sales profit. Moreover, we provided relief goods such as clothing, volunteer activities in the local area, and other support for the affected areas. In May 2020, we produced and sold charity T-shirts named "SAVE FASHION, SAVE THE TOWN TEE." Through this earnings, we provided a total of 11,756 disintegrating hand gels to the 445 partner brands as social support activity.

(* "SEMA" is a mechanism for cooperating with private companies and civil society organizations (CSOs) to provide disaster relief in Japan.

<https://sema.yahoo.co.jp/>

<https://corp.zozo.com/news/20201130-12283/>

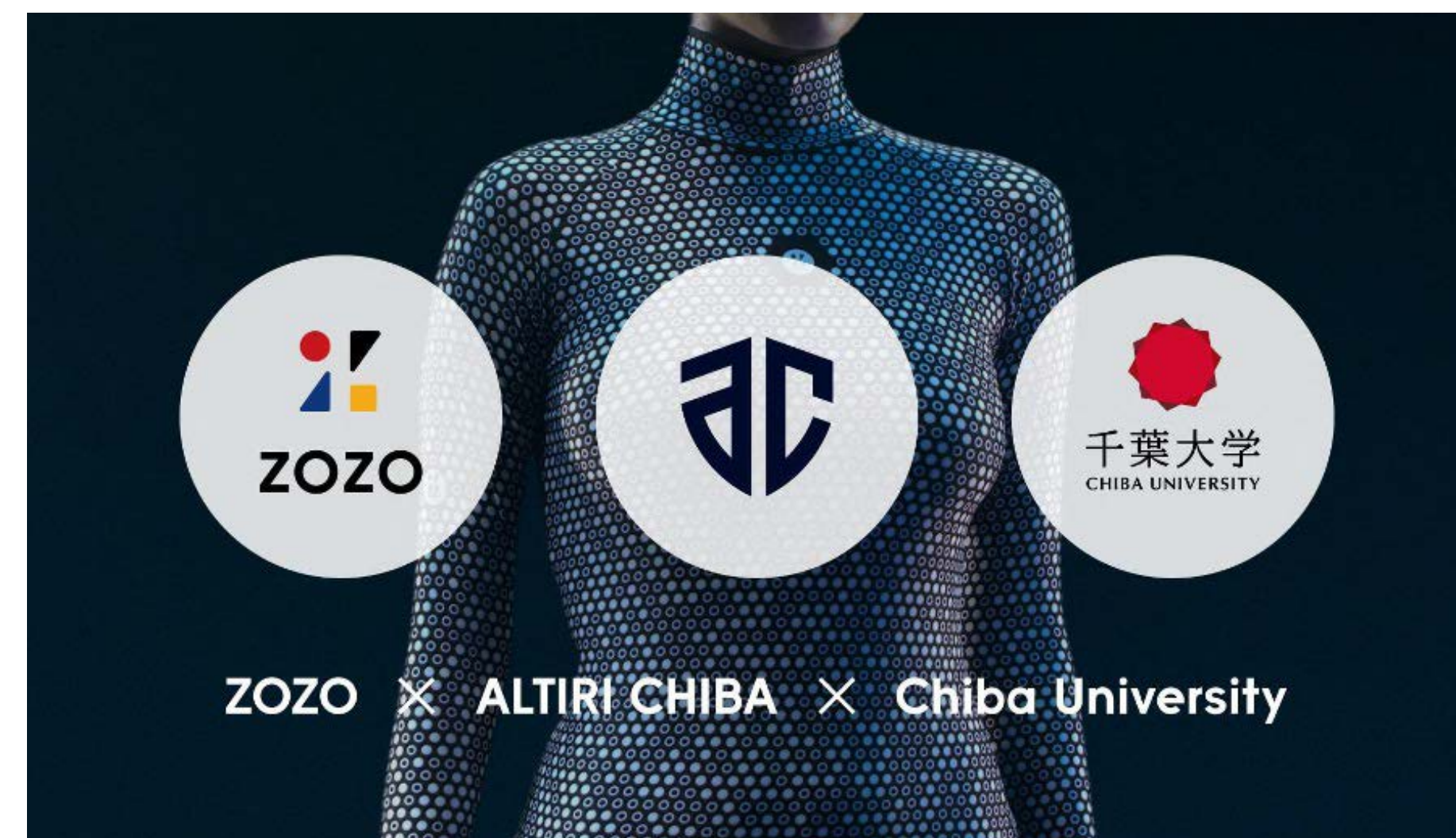


ZOZOMARINE Stadium

In December 2016, we acquired the naming rights (name rights) of Chiba Marine Stadium and named the stadium "ZOZOMARINE Stadium." The name of the "ZOZOTOWN" online fashion shopping website operated by us is combined with "Marine," which sounds familiar to local residents.

We also cooperate with Chiba City and Chiba Lotte Marines, a professional baseball team, in the production of uniforms for "ZOZOMARINE Stadium" staff, and planning events as needed, to deliver joy to Chiba Lotte Marines fans and local residents.

<https://corp.zozo.com/news/20161118-449/>



ALTIRI CHIBA

In April 2021, ALTIRI CHIBA, a professional basketball club, based in Chiba was established. We have collaborated with ALTIRI CHIBA and Chiba University, a national university corporation, to commence joint initiatives utilizing "ZOZOSUIT 2," a body suit for 3D measurement that we have originally developed.

In this collaboration, we measure the body type of players of ALTIRI CHIBA by "ZOZOSUIT 2," and explore the possibility of improving the performance of sports players and preventing injury based on the knowledge of the Orthopedic Science of the Chiba Graduate School of Medicine and the Frontier Medical Engineering Center of Chiba University. As we continue exploring the possibility of how we could utilize "ZOZOSUIT 2" in the sporting field, we also aim to contribute to local communities in Chiba, where all the three companies are based in.

<https://corp.zozo.com/news/20210719-14795/>



ZOZO CHAMPIONSHIP

We have been a title-sponsor of the PGA TOUR tournament "ZOZO CHAMPIONSHIP" since 2019. As the first sponsor in Japan of long-established and prestigious PGA TOUR titles, we will support golfing, a sport loved beyond generations, genders and nationalities, by hosting one of a kind tournament.

The tournament was held at the Accordia Golf Narashino Country Club in 2019, and through charity activities, a total of approximately 30 million yen was donated to two organizations, the Japanese Red Cross Society and The First Tee of Japan. At ZOZO CHAMPIONSHIP@Sherwood in 2020, we conducted charity activities through the tournament and donated a total of approximately 5.5 million yen to support measures to combat the Covid-19 and to support educational programs that encourage a rich sense of value for children through golf. As a sponsor of the event titles, we will continue to deliver impressions and hopes to all over the world through the world's highest level of PGA TOUR tournaments.

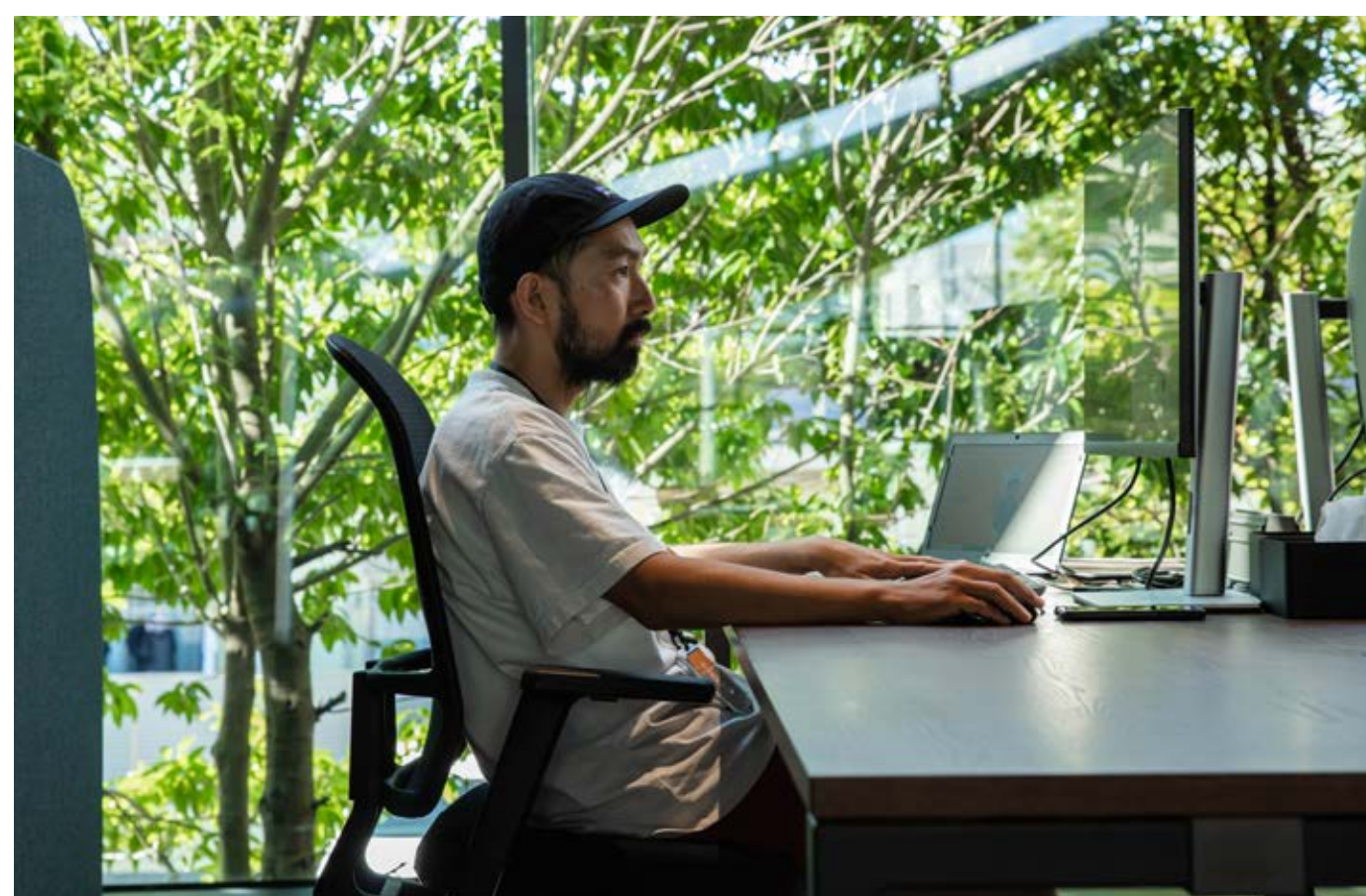
<https://zozochampionship.com/en/>

WORK STYLE & WELFARE

In order to realize our corporate philosophy of "Inspire the world. Deliver joy every day." it is important for us to work stylishly but with a smile on our faces on top of that.

We have introduced various systems in order to create the environment that enables each employee to demonstrate his or her potential by making the most of his or her individual characteristics and to improve technological capabilities.





Supporting a Diverse Working Style

We strive to create an environment that respects diversity, and to "work with fun."

As part of these efforts, we have introduced a flextime system that allows employees to work in a manner suited to their lifestyles. Some departments are also able to select full-time remote working or a three-day weekly holiday system, which reduces the number of days to come to office and increases their holidays. In the Covid-19 situation, we are recommending work from home. And after the end of the Covid-19, we plan to shift to a new way of working, namely, two days at office, and three days working from home a week.



"Family Short-Time Work" System

We have introduced a "Family Short-Time Work" system that can be used when it is difficult to work during conventional working hours because of childcare and nursing care. If you need support for your family, you can opt for a time shortening up to two hours from 30 minutes per day. This is a system that can be used by employees, such as pets and people living together or someone he or she recognizes as "families."



Allowance for Regional Revitalization

To revitalize the regions where our bases are located, we provide employees living in designated areas with allowances ranging from 30,000 to 50,000 yen.

Many employees use this benefit program, to return profits to local economies and to interact with local residents. Some users say that living near the company has made it easier to commute and that it has made it easier for employees to interact with other employees also living nearby. Approximately 70% of our current employees make most of it (*).

(*) As of October 2021



Internal Exchange Event "FRIENDSHIP DAY"

As the number of employees increases, we find many things that we do not know about each other, even if we work together in the same company. We hold an internal exchange event called "FRIENDSHIP DAY" in order to create opportunities for new connections that transcend divisions and locations of offices. By facilitating in-house communication, we are working to realize "work with fun" and create an environment in which we can also help at work.



Family Catalog Gift for Celebrations

We wish to celebrate lifetime events such as wedding and birth events for our employees as ZOZO would, we give the original "ZOZO Family Catalog Gift" to our employees to celebrate their marriage and birth. This catalog gift is compiled as a gift plan utilizing the skills of various departments within the company, including hand-made clothing gifts, and anniversary photoshoot utilizing photography techniques.

Diversity & Inclusion

We describe the word "work" not by "serving" but "self (natural)."

This implies our hope to that everyone values "self" in their own lives and works as who they are. We are working on a system that understands each other's diversity, including gender (including sexual orientation and self-recognition), nationality, and values, and supports a variety of working styles tailored to individual lifestyles.

Promotion of Women's Participation and Advancement in the Workplace

The ratio of men and women in our employees is 49% for women and 51% for men (*1). The percentage of women in managerial positions equivalent to or above section chief is 28% (*2), which is higher than the national average of 11.9% (*3). We have formulated and are working on a general business owner action plan based on the provisions of the Act on Guidelines for Women's Participation and Advancement in the Workplace to further promote the success of female employees.

(*1) As of April 2021

(*2) As of April 2021

(*3) The national average is based on the Ministry of Health, Labour and Welfare's Fiscal 2019 Basic Survey on Equal Employment.

LGBTQ

The definition of spouse in our internal regulations includes the same-sex partners and is applicable to the company system regardless of gender (including gender orientation and self-recognition).

In addition, to learn about diversity and inclusion, we invited experts on the topic of "unconscious bias" (*1), and held seminars on SOGI (*2) and diversity.

(*1) This refers to "bias" and "discrimination" that are unconsciously cultivated due to everyday lifestyles, customs, and the environment that has been nurtured.

(*2) The acronym for "Sexual Orientation" and "Gender Identity," and is an abbreviation for "human attribution."

Persons with Disabilities

By giving consideration to the disability of each individual, we aim to be a company where anyone can stay who they are, and play an active role in their own lives, not limited to the presence or absence of disabilities. We have 65 employees with disabilities (*), who are active in administrative departments, customer support departments, and product management departments.

(*) As of April 2021

Initiatives to Support Employees' Childcare

We have a large number of employees who continue to work while taking advantage of the maternity leave and childcare leave system before and after maternity. The return rate (*1) after maternity leave and childcare leave marks 97%. In the last two years, a total of 52 women and men have used this system(*2). We also plan some events where employees on childcare leave can participate voluntarily. In addition, we provide opportunities to share information and interact for returnees at the beginning of each fiscal year, when the number of employees returning to work, to help employees balance childcare and their own work.

(*1) Reinstatement rate (female) = Number of employees who returned to work after childcare leave of the denominator ÷ Number of employees who completed childcare leave during the applicable period

(*2) As of May, 2021

(*3) The word "work" is ordinarily spelled as 仕事 (*shi-goto*), using a character 仕 (*shi*) represents "serving" by its literal meaning. Instead, we use a character 自 (*shi*) which is pronounced in a same way but represents "self (natural)" by its literal meaning. This implies we are not serving to someone or forced to work, but are working naturally and spontaneously.

STAKEHOLDERS' VOICE

To realize "Fashion Connects and Leads us to a Sustainable Future," we promote initiatives taking good care of the connection between all the stakeholders.



We Interviewed our Employees about Key Actions



EC Business Division

AKIYAMA Moe

Better Opportunities for the Customers to Select Sustainable Products

Many of the clothes we wear contain microfiber that leads to environmental pollution, but I think many people would not be so aware of this fact. In addition, consumers only have limited choice as there are relatively few clothes made with environment-friendly materials. To help resolve these issues, we aim to create a sales platform that provides our customers an opportunity to opt for sustainable products on ZOZOTOWN. First, we began introducing ethical products, and released pages with content where you are able to learn about issues in the fashion industry. ZOZOTOWN offers a new customer experience through which you can freely select fashions as if you make a choice for organic foods at supermarkets.

Key Action 1 "Highlight Sustainable Fashion Choices to Improve Users' Experience"

A New Production Platform Aiming "Zero Waste" Future

We state in our corporate philosophy that "Inspire the world. Deliver joy every day." For a long time in the fashion industry, the issue of mass production and mass disposal has been problematic, but it is also our "inspiration" to make every effort to resolve this issue. Currently, we are developing a new made-to-order production platform in anticipation of the world of "zero waste." We aim to create a fashion industry that makes customers, brands, and the planet smile by spreading globally the "MAKE FOR YOU", which is a production method using our vast amount of data and original measurement technologies to produce products that meet customers' orders. We are committed to digitize fashion production, to realize a sustainable world.

Key Action 2 "Create a Made-To-Order Platform for Zero Waste"



Production Platform Division

KUWAYAMA Akinori



HR Division

ICHIKAWA Misato

Pursuing "Work with Fun" to Respect Individuality

We have been committed to creating a workplace where all employees can demonstrate their potential. "Work with fun" has been rooted in us as our culture, and everyone pursues "how I think of the joy." What is required of us in the future is the realization of a world in which all people involved in fashion can demonstrate their potential. First, we are promoting awareness-raising and institutional designs for employees so that they can respect and cooperate with a diverse range of lifestyles. The mission of our department (*) is to create a community in which individuality is respected, while at the same time supporting diverse work styles.

(*) Our company spelled human resource division as not 人事 (hito-goto) but 人自 (jin-ji), because we want to be a company that thinks about people as if they were our own, not as if they were personnel matters.

Key Action 3 "Promote Diversity and Inclusion among Everyone Involved in Fashion"

Building Relationships as "Friends" with Stakeholders

We have a department called "Friendship Management," which was established for the purpose of "building a relationship of trust like a friend." In particular, building an intimate relationship with local communities is one of the initiatives we are focusing on. As a part of this concept, the first floor of our head office has been glass-walled and this has been derived from our desire to create a connection between the local community and us by showing how our employees work. In addition, we are implementing a variety of initiatives, such as On-Demand-Delivery Class (*) at local schools. Collaboration between local communities and companies should create original colors and lead to the realization of a sustainable region. Through these initiatives, we hope to contribute to the realization of a sustainable community.

(*) On-Demand-Delivery Class: Support for the development of the next generation sponsored by the Chiba City Education Board. Our employees serve as instructors and hold classes at local schools in Chiba City.

Key Action 4 "Contribute to Sustainable Community Development"



Friendship Management Division

UMEZAWA Takayuki



Logistics Promotion Department,
Fulfillment Division

IWAI Yusaku

A Work Place Everyone Working and Staying True to Who They Are

At our logistics center "ZOZOBASE", thousands of people work a day. This is the workplace in which the largest number of employees belong, and we believe that having an awareness of sustainability among all employees working here will have a tremendous impact. Having this background behind us, we have implemented initiatives that focus on sustainability in a broad sense, such as improving the working environment and reviewing environmental issues associated with logistics. Going forward, while expanding employment, we will further strive to create an environment in which everyone can work staying true to who they are. The slogan at "ZOZOBASE" is "Smile Delivery." In order to expand the circle of "smiles" throughout the planet, we will promote the realization of sustainability from ZOZOBASE here.

Key Action 3 "Promote Diversity and Inclusion among Everyone Involved in Fashion"

Key Action 4 "Contribute to Sustainable Community Development"

We Interviewed the Persons Who Support Us



URBAN RESEARCH Co.,Ltd.

General Manager, Digital Business Division

SAITO Satoru

We have had a long relationship with ZOZO, and since "ZOZOTOWN" was still a virtual town filled and aligned with virtual stores. We have been "buddies" from the early days in business for more than a decade, but I am particularly impressed with "Urban Galaxy", a collaborative project between Urban Research and "ZOZOTOWN", which we hijacked "ZOZOTOWN" throughout the website to promote our items. I think ZOZO's strengths lie in not only its innovative creativity, but imagination closely aligns with the feelings of customers and clients.

I believe that ZOZO, who has been making surprising efforts in the past, will continue to make bold approaches to make a breath of fresh air for industries. We, Urban Research is currently working to realize a sustainable world under the slogan "3C" (*1). In order to revitalize local communities, we are working on SDGs in fashion point of view, such as producing "fisherman wear" with a group of young fishermen in Ishinomaki City, Miyagi Prefecture, (*2) and a project "commpost" (*3), which upcycles clothing waste in cooperation with different industries. In these categories - sustainability, we expect ZOZO would make a hit, and are more than happy to make a challenging effort together, as we did for "Urban Galaxy." Many people would start moving with the goal set by ZOZO as a beacon. Let us actively promote SDGs as a world citizen.

(*1) "3C": Urban Research's Basic SDGs Policy

(*2) JAPAN MADE PROJECT "TOHOKU": A local community project aimed for "regional revitalization," reexploring the beauty of the land is rethought and disseminated together with local communities created by companies and creators in various regions of Japan and us.

(*3) "commpost": A sustainable material product brand born from the enthusiasm of showing people a new mindset towards the global environment and how people work and live in the future.

<https://www.urban-research.co.jp/company/english.html>

YAMATO TRANSPORT Co., Ltd.

General Manager, EC Business Division

NAKANISHI Suguru

We have challenged ourselves to take on innovative initiatives with ZOZO not only once, but several times. For example, we worked together from the development stage for "pick up outside home" service, which has become ordinary now. We have managed to offer even more functional and convenient user-experience as such you are now able to receive parcels at convenience stores, by reflecting the requests, issues and its solutions we found out through the whole process. Currently, we deliver not only conveniently, but also safely by improving security measures, such as employing two-dimensional coding of personal information printed on the delivery slips.

Throwing back to the past, we have always overcome obstacles for new challenges with ZOZO but what remains particularly impressive is the launch of the "EAZY(*)" package drop service. Although there was a rapid increase in demand for non-face-to-face shipping as a result of the Covid-19, we also had some concerns about launching this service as we leave or drop the parcels outside but ZOZO did not hesitate, to challenge and give it a try. We would very much like to keep working closely with ZOZO even moving forward, for more new challenges including SDGs-related projects. We are committed to taking into account the global environment, while enhancing the convenience and functions of e-commerce. For instance, we will look at new delivery methods with a solution to cardboard wastes after deliveries. With ZOZO, we would be able to make an impact and influence not only on the transportation industry, but also on the EC industry as a whole. We are proud, and excited to take on challenges together.

(*) "EAZY" is a service that enables customers to select from multiple ways of shipping options at their convenience, for orders from shops including online that are supported by Yamato Transport. Parcels can be delivered as handing over, or placed in front doors inside gas meter boxes, at car garages, or other locations on their own premises, and will be delivered in a non-face-to-face manner.

<https://www.kuronekoyamato.co.jp/ytc/en/corp/>



Mayor of Chiba City

KAMIYA Shunichi

I was assigned to Chiba City in 2013, eight years ago. Since that time, ZOZO has been headquartered in the city and in the forefront of fashion companies across the country. I was impressed by their corporate culture, an attitude to always challenge unconventionally without being constrained by stereotypes. ZOZO has always been behind the changes of the city, and placing great importance on the region, while expanding their business ZOZO introduced the Chiba Allowance, which provides allowances to employees living in Chiba City, which helps revitalize the local community and create a community where people live close to their office. ZOZO also sponsored the Makuhari Beach Fireworks Festa organized by Chiba City, and acquired the naming rights of Chiba Marine Stadium. These are only a few of their prominent achievements but we appreciate them helping to create a city where citizens are proud to live in.

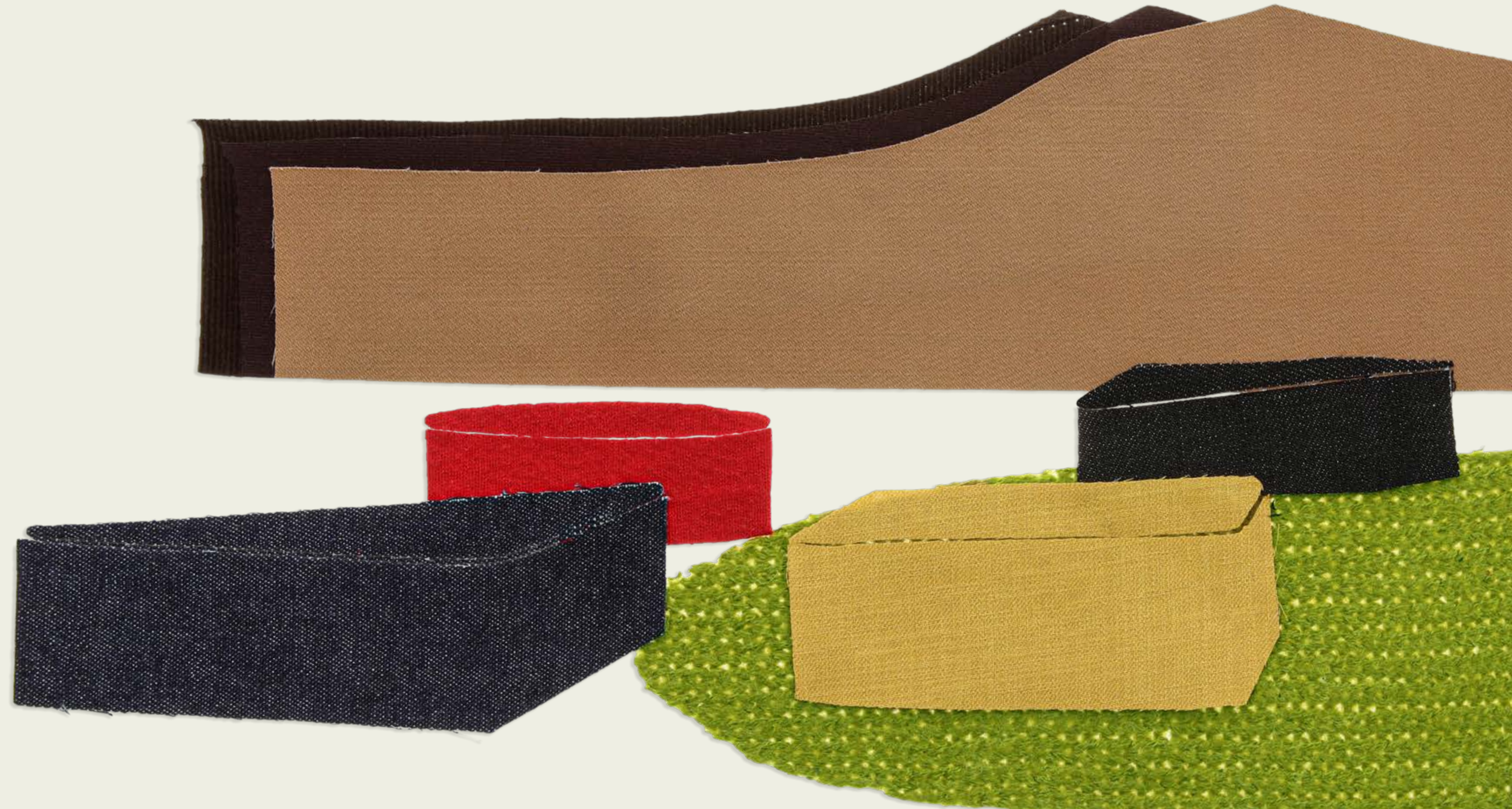
ZOZO is one of the first companies stepped in making contributions to community, and we have taken various measures to follow them. Moreover, ZOZO conducts ingenuous efforts to achieve SDGs through their business and stands out in their commitment to building new standards of sustainable business. I expect that ZOZO will be a leading company to create a sustainable community, as a company that loves, and loved by the local communities of Chiba.

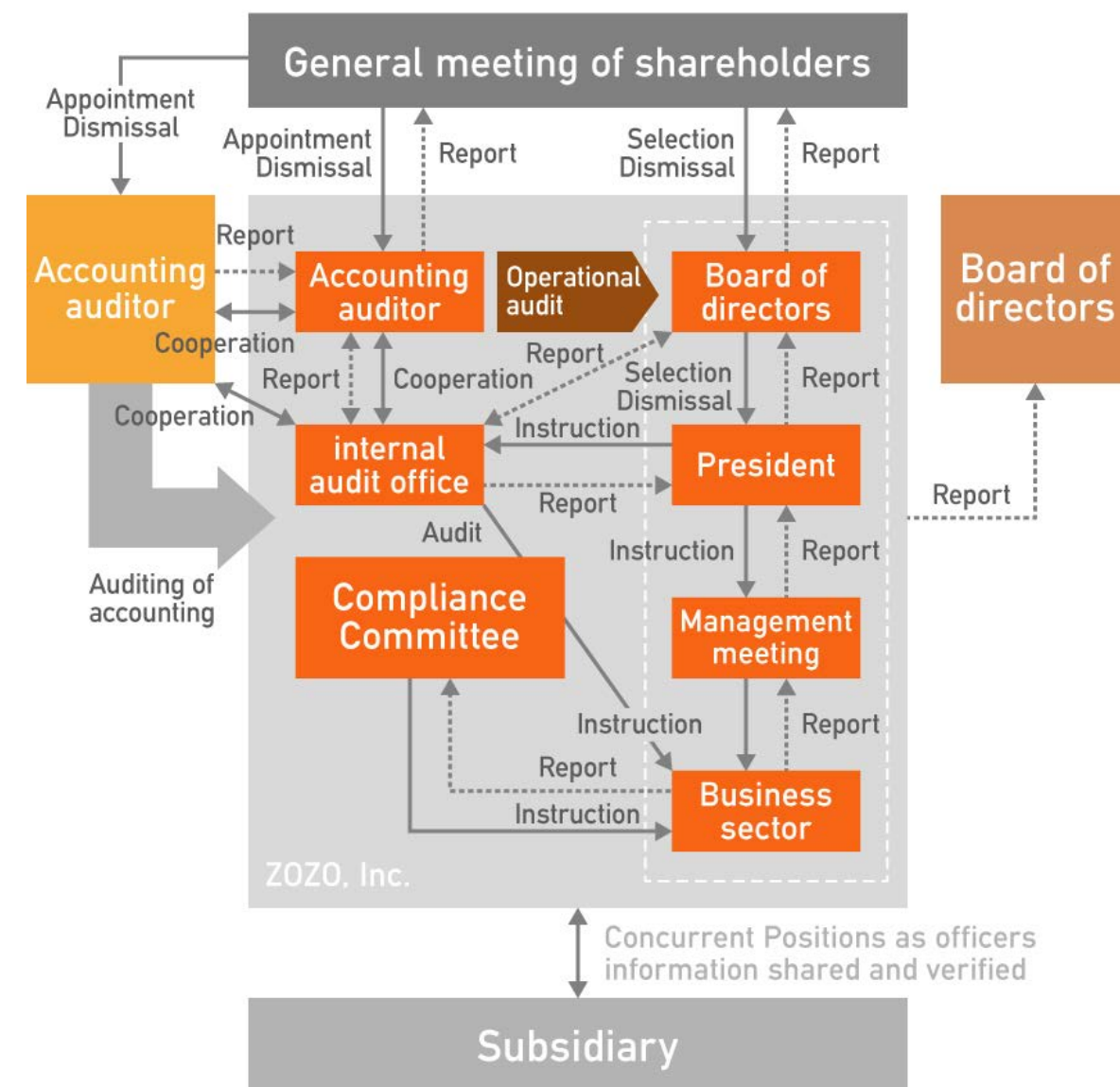
<https://www.city.chiba.jp/somu/shichokoshitsu/kokusai/portal-en.html>



GOVERNANCE

In order to establish better relationships with all stakeholders, we constantly focus on integrity, transparency, efficiency and promptness of corporate management. We are enhancing the corporate governance centered on the Board of Directors and audit committees.





IS 749678 / ISO 27001

Internal Control System and Risk Management System

We have developed and maintained the internal whistleblower system, in order to minimize the damage that may occur to the company by discovering acts that could violate the law, the internal regulations, social credibility at the early stage, prevent scandals and take appropriate countermeasures. We made efforts to make the system to function properly by setting up the contact points both inside and outside of the company. The external lawyer will help through the external contact point and establish the reporting structure directly to the audit committee which is independent from the top management, allowing employees to make anonymous whistleblowing. Also, we treat the whistleblower and those who supported the investigations anonymously to preclude any repercussions. After the receipt of the report under the management of the compliance committee, whistle-blowing information will be strictly managed and conduct investigations and improvement measures. In an effort to enhance an organization-wide risk management structure to function by identifying risks that may occur, the company establishes the "Risk Management Regulations" to take appropriate approaches for various risks prevention and times of unexpected accidents.

Information Security

As we are a company operating an e-commerce website as the core business, we recognize that it is an extremely significant responsibility for us to work on information security to realize an appropriate risk management to protect information assets the company possesses from any threats including information received from our customers. In order to maintain a security level that is appropriate for the company to be trusted by the stakeholders, we have established the "Basic Policy of Information Security" and thoroughly inform the related regulations inside the Company.

In addition, on July 15, 2021, we acquired international standard "ISO/ IEC 27001: 2013" and domestic standard "JIS Q 27001: 2014", which are third-party certification standards for ISMS (Information Security Management System).

By implementing the Basic Policy on Information Security, we will continue to operate and improve our information security management system so that we can respond to the trust of all stakeholders, including customers and business partners, and use our services with greater peace of mind.

<https://corp.zozo.com/news/20210811-14926/>

Company Profile

Company Name / ZOZO, Inc.

Established / May 21st, 1998

Representative Director, President & CEO / SAWADA Kotaro

Capital stock / 1,359,903,000yen

Number of Employees / 1,331

Average age of employees / 32.9 years old*

(As of June. 30th, 2021) *Whole corporate group

Head Office

- Midori-Cho 1-15-16, Inage district, Chiba city, Chiba prefecture, 263-0023, JAPAN
- Kioicho Tokyo Office / Tokyo Garden Terrace Kioicho - Kioi Tower, Kioicho 1-3, Chiyoda-ku, Tokyo, 102-0094, JAPAN
- Fukuoka Office / Tenjin 121 building 7th floor, Tenjin 1-3-38, Chuo-ku, Fukuoka city, Fukuoka prefecture, 810-0001, JAPAN
- Miyazaki Office / Carino Miyazaki 7th floor, Tachibanadorihigashi 4-8-1, Miyazaki city, Miyazaki prefecture, 880-0805, JAPAN

Logistics

- ZOZOBASE Narashino 1 (Logistics Center) / Prologis Park Narashino 4, Akanehama 3-7-10, Narashino city, Chiba prefecture, 275-0024, JAPAN
- ZOZOBASE Narashino 2 (Logistics Center) / Landport Narashino 4 from the 1st to the 3rd floors, Akanehama 3-7-2, Narashino city, Chiba prefecture, 275-0024, JAPAN
- ZOZOBASE Tsukuba 1 (Logistics Center) / Prologis Park Tsukuba 1, Tokodai 5-6-2, Tsukuba city, Ibaraki prefecture, 300-2692, JAPAN
- ZOZOBASE Tsukuba 2 (Logistics Center) / Prologis Park Tsukuba 2, Sakuranomori 25-3, Tsukuba city, Ibaraki prefecture, 305-0019, JAPAN



Corporate website

<https://corp.zozo.com/en/>

ESG Data

<https://corp.zozo.com/en/sustainability/data/>

Inquiries

<https://corp.zozo.com/en/privacy/?type=press>

From the Editors

Reportable organization: ZOZO, Inc.

Target period: April 2020 ~ October 2021

Issuance time: October 2021



Design

The illustrations in this report are all handmade of the textiles scraps from some projects or our business including "ZOZOUSED."

This process of collaging these illustrations made us strongly aware of that we can make anything into something fun or heart-warming with our own creativity.

We believe the sustainable actions would be so as well.

We truly hope, fashion enriches and brightens the world we live in, now and forever.

Designer & Patternner





ZOZO