

Securities Code : 3092

June 7, 2023

(Start date of electronic provision measures: June 2, 2023)

Dear Shareholders,

1-15-16 Midori-cho, Inage-ku, Chiba-shi, Chiba

ZOZO, Inc.

Representative Director,  
President & CEO

Kotaro Sawada

## Notice of Convocation of the 25<sup>th</sup> Ordinary General Meeting of Shareholders

Thank you very much for your continued support.

We are pleased to announce that we will hold the 25<sup>th</sup> Ordinary General Meeting of Shareholders as follows.

For convocation of the General Meeting of Shareholders, electronic provision measures are taken. The matters subject to electronic provision measures are posted as the Notice of Convocation of the 25<sup>th</sup> Ordinary General Meeting of Shareholders on our website.

Our website

<https://corp.zozo.com/en/ir-info/shareholders-info/shareholders-meeting/>

The matters subject to electronic provision measures are posted on the above-mentioned our website and 4. "Websites where matters subject to electronic provision measures are posted." Please access the websites to check out the matters. The websites may be temporarily inaccessible mainly because of periodic maintenance. When inaccessible, please check out the matters on other websites or access the websites again after a moment.

Shareholders will participate in the General Meeting of Shareholders by virtual participation, the internet-based method described below. The meeting will be held with no venue established, and please conduct virtual participation via the internet according to the guide described below.

Shareholders are allowed to exercise voting rights via the internet or in writing when not participating in the General Meeting of Shareholders on the day. Please review reference materials for the Ordinary General Meeting of Shareholders posted in the matters subject to electronic provision measures and exercise voting rights by 5:00 p.m. JST on Tuesday, June 27, 2023, by mail using the voting instruction form or via the internet (In the case of mail, the form must arrive by the same date and time described above) in accordance with the "Guidance on the exercise of voting rights" below.

Yours sincerely,

## Content

1. Date and time 1:00 p.m. JST, Wednesday, June 28, 2023 (accessible time: 0.30 p.m.)  
The General Meeting of Shareholders is postponed on 1:00 p.m. JST, Thursday, June 29, 2023, if it is impossible to hold the meeting on the above-mentioned date and time mainly due to communication failure.
2. Location Virtual-only General Meeting of Shareholders  
The General Meeting of Shareholders will be held with no location designated. For the virtual participation method, please make reference to the "Guide to Virtual-only General Meeting of Shareholders" described below.  
\*Unlike the previous year, there is no venue because the General Meeting of Shareholders will be held completely online.
3. Purpose
  - Reporting matters
    1. 25<sup>th</sup> Term (from April 1, 2022, to March 31, 2023) content of the business report, content of the consolidated financial statements, and report of the audited consolidated financial statements of the Accounting Auditor and the Audit and Supervisory Board
    2. Report of the 25<sup>th</sup> term (from April 1, 2022, to March 31, 2023) financial statements
  - Resolution matters
    - Agenda No.1 Dividends of surplus
    - Agenda No. 2 Partial amendments to the Articles of Incorporation
    - Agenda No. 3 Appointment of 8 Directors who are not Audit and Supervisory Committee members
    - Agenda No. 4 Appointment of 3 Directors who are Audit and Supervisory Committee members
    - Agenda No. 5 Appointment of a substitute Audit and Supervisory Committee member
    - Agenda No. 6 Determination of remuneration, etc, for Directors who are not Audit and Supervisory Committee members
    - Agenda No. 7 Determination of remuneration, etc, for Directors who are Audit and Supervisory Committee members
    - Agenda No. 8 The setting of compensation, etc. (performance-linked restricted stock compensation) for Directors who are not Audit and Supervisory Committee members (excluding non-Executive Directors)

#### 4. Websites where matters subject to electronic provision measures are posted

No. of item	Name of websites and URL	Access method
1	Our website <a href="https://corp.zozo.com/en/ir-info/shareholders-info/shareholders-meeting/">https://corp.zozo.com/en/ir-info/shareholders-info/shareholders-meeting/</a>	Please see the Notice of Convocation of the 25 <sup>th</sup> Ordinary General Meeting of Shareholders
2	Listed Company Search (Tokyo Stock Exchange) <a href="https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show">https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show</a>	Please enter and search issuer's name (company name) or code and select Basic information and Documents for Public Inspection/PR Information.
3	Kabunushi Soukai Portal (Sumitomo Mitsui Trust Bank) <a href="https://www.soukai-portal.net">https://www.soukai-portal.net</a>	Please scan QR code included in the enveloped voting instruction form or enter ID and initial password.

#### 5. Matters subject to electronic provision measures

Our company (hereinafter, referred to as the "Company") posts the following matters among the matters to be stated in the documents for matters subject to measures for electronic provision in the section 4 "Websites where matters subject to electronic provision are posted" according to the provisions of laws and regulations and Article 17 of the Articles of Incorporation of the Company. The following matters are not included in the paper copy to be sent to shareholders who have requested a copy. Therefore, the paper copy to be sent to shareholders who have requested a copy shall consist of a part of documents that the Audit and Supervisory Board members and the accounting auditor audited to prepare the audit report.

①The matters that follows the Business Report

Stock acquisition rights of the Company

Company systems and policies

② The matters that follows financial statements

Balance Sheet

Income statement

Statement of changes in net assets

Notes to the financial statements

Accounting Auditor's Audit Report

Audit and Supervisory Board Audit Report

③The following items of the consolidated financial statements

Consolidated balance sheets

Consolidated statements of income

Consolidated statements of changes in net assets

Notes to the consolidated financial statements

Accounting Auditor's Audit Report

End

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\* When participating in the General Meeting of Shareholders on the day, we apologize for the inconvenience, but please log on to the virtual participation system with the given ID and password according to the guide described below.

\* The exercise of voting rights by proxy is limited to cases where the proxy is delegated to a shareholder holding other voting rights and participating in the General Meeting of Shareholders on the day. For treatment of the proxy letter and other required documents, please see the guide described below.

\* If there are any conditions for revisions to the matters subject to electronic provision measures, the said effect and the matters before and after the revisions are posted on the websites in 4. "Websites where matters subject to electronic provision measures are posted."

# Guide to Virtual-Only General Meeting of Shareholders

## ■ Overview of the virtual-only General Meeting of Shareholders

There is no established venue (location) for the General Meeting of Shareholders, and shareholders will participate in the General Meeting of Shareholders by accessing the “Shareholders-only website” via the internet and conducting identification of shareholders with ID and password for virtual participation. Shareholders may check out the proceedings of the General Meeting of Shareholders on the day via the live stream, using the method shown below. They may also have an opportunity to ask questions and exercise voting rights.

Any changes in the operation of the virtual-only General Meeting of Shareholders, including emergency situations, such as system failure and responses to changes in circumstances, would be announced on our website (<https://corp.zozo.com/en/ir-info/>), and please check out the website as soon as possible.

## ■ Environment required for virtual participation

Shareholders are required to prepare the following environment for participation in the General Meeting of Shareholders.

### PC terminal system requirements

	Windows	Mac
OS *1	Windows 11 Windows 10 Windows 8.1	macOS latest version
Browser *2 *3	Microsoft Edge Mozilla Firefox Google Chrome	Safari

### Mobile terminal system requirements

	Android	iOS
OS	Android 8 or later	iPhone: iOS12 or later iPad: iOS13 or later
Browser *2	Google Chrome	Safari

The above is based on the results of the verification conducted by the distributor V-cube, Inc., and gives no

guarantee of operation in all environments. Security software or the security function of antivirus software may interrupt the proper use of the functions of the service.

\*1 In the case of using Windows 8.1/10, please use the desktop mode because the operation check is conducted in desktop mode.

\*2 Please enable JavaScript and the Cookies functions of browsers. It is assumed that browsers are subject to the latest update.

\*3 In Microsoft Edge, the service is unavailable in Internet Explorer mode.

Please access the URL described below when making a prior test of the audiovisual environment.

<https://seminar.vcube.com/checker/videostream/live>

Shareholders are required to prepare the communication environment for participating in the General Meeting of Shareholders by themselves. Communication fees for the virtual participation are borne by the shareholders. Even if shareholders fail to participate in the General Meeting of Shareholders due to failure of the internet environment and communication environment, such as PC/smart phone used by them, the Company assumes no responsibility. Please understand this in advance.

#### ■ Method for virtual participation

Please access "Shareholders-only website" described below and log on our given virtual participation system, using ID and password included in "Notice of the method for participating in the virtual General Meeting of Shareholders" enclosed in the Notice of Convocation. It is only shareholders included in our shareholder registry (as of March 31, 2023) who can participate in the virtual General Meeting of Shareholders. We ask those other than the relevant shareholders not to participate in the meeting.

For the logon method and concrete usage of virtual participation system, please see the Notice of the method for participating in the virtual General Meeting of Shareholders enclosed in the Notice of Convocation.

<Shareholders-only website>

<https://3092.ksoukai.jp>

It is also possible to access the website, using QR code included in "Notice of the method for participating in the virtual General Meeting of Shareholders" enclosed in the Notice of Convocation.

Starting time: 1:00 p.m. JST, on Wednesday, June 28, 2023 (Accessible time: 0:30 p.m. JST)

#### ■ Guide to participate by proxy

We ask shareholders hoping participation by proxy to make the delegation to a shareholder participating in the

General Meeting of Shareholders on the day according to provisions of the laws and regulations and the Articles of Incorporation. Additionally, participation by proxy requires submission to the Company of the document proving the proxy right before the General Meeting of Shareholders. Please send the following documents to us.

(Required documents)

Letter of proxy

Identification documents of delegator

(Delivery address)

In case of e-mail

corporate-homu-block@zozo.com (Reception window: Corporate legal department)

In case of mail

1-15-16 Midori-cho, Inage-ku, Chiba-shi, Chiba 263-0023

To Corporate legal department, ZOZO, Inc.

(Deadline for submission)

5:00 p.m. JST, Wednesday, June 21, 2023 (The documents must arrive by the date)

(Attention)

Please describe name of delegator and proxy holder as well as address recorded in the shareholder registry in the letter of proxy.

The Company may contact you, and please inform us of phone number or e-mail address possible to contact you during daytime. If there are any errors in the documents, the delegation could be considered ineffective.

#### ■ Method for making questions/dealing with questions

Please use our given virtual participation system on the day of the General Meeting of Shareholders when hoping to make questions.

##### 【Reception method】

- Please enter ID/password included in the notice of the method for participating in the virtual General Meeting of shareholders enclosed in the Notice of Convocation on the shareholders-only website designated by the company and log on our given virtual participation system.
- Please click the “Question” tab on the right side of the delivery screen of the virtual participation system.
- Please select the proposal related to the question from the pull-down menu, and enter the required matters before pushing the “Send” button.

Questions from shareholders are limited to matters related to the agenda for the General Meeting of Shareholders. The number of characters per question shall be up to 400 characters. In case there are many questions from shareholders, the matters considered to be highly related to the agenda for the General Meeting of Shareholders and to be of interest to the shareholders could be prioritized for a response. Please understand this in advance.

The Company may compulsorily cut off the communication with shareholders based on the judgement of the chair or the secretariat under instructions from the chair when it is determined that frequent, continuous transmission of the similar contents, repeated transmission of contents, including inappropriate contents, such as personal attacks and others, pose a problem for smooth proceedings and stable operation of the system. Please understand this in advance.



#### ■ Prior questions

Shareholders, when impossible to participate in the General Meeting of Shareholders on the day, may make questions in advance via the shareholders-only website.

Reception time: 1:00 p.m. Thursday, June 8, 2023, to 1:00 p.m. Friday, June 16, 2023

Contents of questions are limited to those related to agenda for the General Meeting of Shareholders. To matters which shareholders are particularly interested in, the Company will respond on the day of the General Meeting of Shareholders. There is the possibility of not responding to all questions. Additionally, the Company cannot respond to individual questions. Please understand this in advance.

#### 【Reception method】

- Please enter ID/password included in the “Notice of the method for participating in the virtual General Meeting of Shareholders” enclosed in the Notice of Convocation on the shareholders-only website designated by the Company and log on the virtual participation system designated by the Company.
  - Please push the “Make questions in advance” button on shareholders-only website.
  - Please enter required matters and push the “Apply” button.
- \* The number of characters per question shall be up to 400 characters.

#### ■ Method for/treatment of motion

The Company asks shareholders to use our given virtual participation system when hoping to file the motion. Adoption of the motion depends on contents of the motion filed. The filed motion may not be adopted according to its content. The Company may compulsorily cut off the communication with shareholders based on judgement of the chair or the secretariat under the instruction from the chair when it is determined that frequent, continuous transmission that frequent, continuous transmission of the similar motion, repeated transmission of inappropriate contents, such as personal attacks and others, pose a problem for smooth proceedings and stable operation of the system. Please understand this in advance.

#### 【Reception method】

- Please enter ID/password included in the “Notice of the method for participating in the virtual General Meeting of Shareholders” enclosed in the Notice of Convocation on the shareholders-only website designated by the company and log on our given virtual participation system.
- Please push the “Question” tab on the right side of the delivery screen of the virtual participation system.
- Please push “Here in case of filing the motion” at the bottom.
- Please select the proposal related to the motion from the pulldown menu, and enter the required matters before pushing the “Send” button.

#### ■ Method for exercising voting rights

Shareholders may exercise voting rights via the virtual participation system after viewing the contents of the proceedings. Please note that it is not allowed to change, cancel or confirm exercise of voting rights once exercised.

### **【Reception method】**

- Please enter ID/password included in the “Notice of the method for participating in the virtual General Meeting of Shareholders” enclosed in the Notice of Convocation on the shareholders-only website designated by the Company and log on our given virtual participation system.
- Please push the “Exercise voting rights” tab on the virtual participation system.
- Please select approval or disapproval of proposals and then click the “Exercise” button.
- Please reconfirm approval or disapproval in the confirmation dialog and then click the “Exercise” button.

### **■Treatment of prior exercise of voting rights**

In case shareholders exercising voting rights via the internet or in writing in advance conduct virtual participation on the date of the General Meeting of Shareholders, the prior exercise of voting rights shall be deemed to be ineffective at the time when it is confirmed that voting rights were exercised on the day. In case shareholders executing voting rights in advance conduct virtual participation on the day of the General Meeting of Shareholders and it is not confirmed that the relevant voting rights were exercised on the day, the prior exercise of voting rights shall be deemed to be effective. In case voting rights are not exercised in advance and it is not confirmed that voting rights are exercised on the day though shareholders log on to the site, it is deemed that the shareholders abstained from voting.

### **■Policy for countermeasures against communication failure**

The Company will take countermeasures against communication failures within a reasonable range in holding the General Meeting of Shareholders. The resolution will be adopted at the opening of the General Meeting of Shareholders so that the chair can determine the postponement or continuation of the General Meeting of Shareholders when communication failures result in a remarkable problem with the proceedings of the meeting. In case the chair determines the postponement or continuation of the meeting according to the resolution, a postponed or continuing meeting of the General Meeting of Shareholders will be held at 1:00 p.m., Thursday, June 29, 2023. If communication failures made it impossible to adopt the above resolution and consequently it is impossible to close the meeting, the General Meeting of Shareholders would be held at 1:00 p.m., Thursday, June 29, 2023. If there were any matters to be informed shareholders of such as a method for holding postponed or continuing meeting of the General Meeting of Shareholders in the above case and responses to other emergent and changes of circumstances, details of the matters would be posted on our website (<https://corp.zozo.com/en/ir-info/>), and so please confirm them on the site.

### **■Policy for the care for interests of shareholders with the difficulty in using the internet**

The Company asks shareholders with the difficulty in using the internet to exercise voting rights in writing (by mail) in advance.

### **■Other precautions**

- (i) It is prohibited to share the URL or ID and password for virtual participation with third parties and tape, record, and disclose the situation of the General Meeting of Shareholders.
- (ii) The contents of the General Meeting of Shareholders may be partially changed or canceled when the Company

thinks the partial change or cancellation unavoidable. The postponement or continuation may be determined by the chair after approval from the General Meeting of Shareholders.

(iii) Japanese is the only language supported by the General Meeting of Shareholders and the virtual participation system.

■ Contact:

The Company responds to inquiries by phone, and please contact the following with the Notice of the method for participating in the virtual General Meeting of Shareholders on hand if you have any uncertainties about the participation.

<Inquiries about the virtual General Meeting of Shareholders>

Sumitomo Mitsui Trust Bank virtual General Meeting of Shareholders support dial

Phone: 0120-782-041 (Reception time: 9:00-17:00 except for Saturday, Sunday and holidays)

The Company makes no response to the following. Please understand in advance.

(i) ID/password for participation

If you have lost your ID/password for participation, please contact the specified contact for reissuance. Please note that the reissuance process may take some time to complete.

(ii) Inquiries about the method to connect the internet and functions of your PCs/smartphones

(iii) Inquiries about problems, such as inaccessibility, delays, audio trouble, and failure of voting caused by problems of shareholder's environment on the day of the General Meeting of Shareholders

\* For inquiries about the system, please see the following.

<Systemic and technical inquiries about virtual participation on the day of the General Meeting of Shareholders>

\* The Company will establish a dedicated call center on June 28, 2023. Please call the following phone number.

V-cube, Inc. phone: 03-6833-6852 (reception time: 9:00 a.m. to the end of the General Meeting of Shareholders)

## Guidance on the exercise of voting rights



### **When exercising voting rights by attending the virtual-only General Meeting of Shareholders**

Please refer to "Guide to Virtual-Only General Meeting of Shareholders" above, before attending the virtual-only General Meeting of Shareholders.

Date of the General Meeting of Shareholders

Wednesday, June 28, 2023  
1:00 p.m. JST



### **When exercising your voting rights by mail**

Please indicate "in favor" and "opposed" of the agenda on the enclosed voting rights exercise form and submit it without putting a stamp. If there is no indication of your "in favor" or "opposed" to the agenda on the voting rights exercise form, it will be treated as an indication of

Voting Deadline

Tuesday, June 27, 2023  
Until arriving 5:00 p.m. JST




### **When exercising your voting rights by the Internet**

Please visit the website for exercising voting rights (<https://www.web54.net>), use the "Voting Rights Exercise Code" and "Password" written on the enclosed voting rights exercise form to input your pros and cons of the agenda.

Voting Deadline

Tuesday, June 27, 2023  
Until 5:00 p.m. JST

Please refer to the next page for detail 

\* If you have exercised your voting rights more than once, we will treat the exercise that arrived at our company last as valid exercise of voting rights. Also, if the exercise of voting rights via the Internet etc., and it via mail arrive on the same day, we will treat the one via the Internet etc. as valid exercise of voting rights.

## How to exercise your voting rights via the Internet

Internet exercise deadline  
5:00 p.m., Tuesday, June 27, 2023

### How to exercise voting rights via smartphone, etc.

1 Scan the QR code on the voting rights exercise form.



\*The QR code is a registered trademark of  
DENSO WAVE INCORPORATED.

2 Tap the "Exercise Voting Rights"  
button on the top of the page of the  
General Meeting of Shareholders Portal



3 The page of the Smart Voting will  
be displayed. After that, follow the  
instructions on the screen and enter  
your "in favor" or "opposed".



### How to exercise voting rights via PC, etc.

Access the following URL and enter the page with the  
login ID/password written on the voting rights exercise  
form, from the URL below.

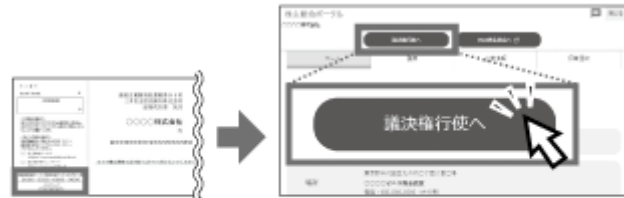
After logging in, follow the instructions on the screen  
to enter your "in favor" or "opposed".

General Meeting of Shareholders Portal

▶<https://www.soukai-portal.net>

You can also use our voting website.

▶<https://www.web54.net>



Click "Exercise your voting rights"!

### Notes

- If you wish to change your voting details after exercising your voting rights, you will be required to enter the "Voting Rights Exercise Code" and "password" printed on the voting rights exercise form.
- If you exercise your voting rights both in writing and via the Internet, etc., the voting rights exercised via the Internet, etc. will be deemed valid. In addition, if you exercise your voting rights multiple times via the Internet, etc., we will treat the last vote as valid.
- Due to maintenance, the service is unavailable from 0:00 to 5:00 on the first Monday of January, April, July, and October.

### Inquiries

Sumitomo Mitsui Trust Bank,  
Limited. Contact of Securities  
Agent Web Support

**0120-652-031**

(9:00 a.m. JST to 9:00 p.m. JST)



Please also do  
check the Q&A

# Reference Materials for the Ordinary General Meeting of Shareholders

Proposed agendas and reference materials

## **Agenda No.1 Dividends of surplus**

Year-end dividends for the 25<sup>th</sup> fiscal term will be as follows, taking into account the business results for the current fiscal year, future business development, and the status of retained earnings.

Year-end dividends

① Allocation of financial assets to shareholders, and total amount thereof:

41 yen per share for the Company's ordinary stock

Total Amount: 12,294,128,021 yen

② Effective date of dividends

June 30, 2023

## **Agenda No.2 Partial Amendments to the Articles of Incorporation**

### 1. Purpose of Amendment

(1) The Company will transition to a company with an Audit and Supervisory Committee in order to strengthen the supervisory function of the Board of Directors and further enhance corporate governance through a stronger supervisory system by making Audit and Supervisory Committee members, who are responsible for auditing the Directors' performance of their duties, members of the Board of Directors. The Company proposes to make the following changes necessary for the transition to a company with an Audit and Supervisory Committee: (1) the establishment of new provisions regarding Directors who are members of the Audit and Supervisory Committee and the Audit and Supervisory Committee, (2) the establishment of new provisions regarding delegation of authority to Directors to make decisions regarding important business operations, and (3) the deletion of provisions regarding the Audit and Supervisory Board and Audit and Supervisory Board members.

(2) In order to implement a flexible capital policy and dividend policy, the Company will establish a new provision, Article 39 (Organ for Determination of Dividends of Surplus, etc.), in accordance with Article 459, Paragraph 1 of the Company Act. This will enable the distribution of surplus through resolutions of the Board of Directors. Additionally, the Company will delete the current provision, Article 8 (Acquisition of Treasury Stock) whose content overlaps with the abovementioned Article 39.

(3) Other necessary changes, including lexical corrections, are made in connection with the above changes.

### 2. Details of Amendments

The details of the amendments are shown in the appendix of this document.

The proposed amendment to the Articles of Incorporation will become effective at the conclusion of this General Meeting of Shareholders.

(Underlines indicate where changes have been made)

Current Articles of Incorporation	Proposed change
<p style="text-align: center;">Chapter 1 General Provisions</p> <p>Article 1 (Omitted)</p> <p>Article 2 (Omitted)</p> <p>Article 3 (Omitted)</p> <p>(Organs)</p> <p>Article 4 The Company shall establish the following organs in addition to the General Meeting of Shareholders and the Directors.</p> <p>(1) Board of Directors            (2) <u>Audit and Supervisory Board members</u>            (3) <u>Audit and Supervisory Board</u>            (4) Accounting Auditors</p> <p>Article 5 (Omitted)</p>	<p style="text-align: center;">Chapter 1 General Provisions</p> <p>Article 1 (Current provisions remain unchanged)</p> <p>Article 2 (Only minor changes to Japanese text; no changes to English text)</p> <p>Article 3 (Current provisions remain unchanged)</p> <p>(Organs)</p> <p>Article 4 The Company shall establish the following organs in addition to the General Meeting of Shareholders and the Directors.</p> <p>(1) Board of Directors            (2) <u>Audit and Supervisory Committee</u>            (Deleted)            (3) Accounting Auditors</p> <p>Article 5 (Current provisions remain unchanged)</p>
<p style="text-align: center;">Chapter 2 Shares</p> <p>Article 6 through Article 7 (Omitted)</p> <p><u>(Acquisition of Treasury Stock)</u></p> <p><u>Article 8 The Company may acquire its own shares in accordance with the provision of Paragraph 2, Article 165 of the Company Act subject to a resolution of the Board of Directors.</u></p> <p>Article <u>9</u> through Article <u>10</u> (Omitted)</p>	<p style="text-align: center;">Chapter 2 Shares</p> <p>Article 6 through Article 7 (Current provisions remain unchanged)</p> <p>(Deleted)</p> <p>Article <u>8</u> through Article <u>9</u> (Current provisions remain unchanged)</p>
<p style="text-align: center;">Chapter 3 General Meeting of Shareholders</p> <p>Article <u>11</u> through Article <u>16</u> (Omitted)</p> <p>(Electronic Provision Measures relating to Reference Materials, etc.</p>	<p style="text-align: center;">Chapter 3 General Meeting of Shareholders</p> <p>Article <u>10</u> through Article <u>15</u> (Current provisions remain unchanged)</p> <p>(Electronic Provision Measures relating to Reference Materials, etc.</p>



for General Meeting of Shareholders)

Article 17 The Company shall take electronic provision measures regarding information provided in reference materials, etc., of the content of the General Meeting of Shareholders upon the convocation of such General Meeting of Shareholders before the record date for the exercise of the voting rights.

2. The Company shall not be required to state, in writing, all or part of the matters, among the matters that are provided through the electronic provision measures and subject to the Ordinance of the Ministry of Justice, to the shareholder who has requested the delivery of the matters in writing.

#### CHAPTER IV Directors and Board of Directors

(Number of Directors)

Article 18 The number of Directors of the Company shall be 15 or less.

(Newly Established)

(Method of Election)

Article 19 The Directors shall be elected at the General Meeting of Shareholders.

2. (Omitted)
3. (Omitted)

(Term of Office)

Article 20 The term of office of the Directors shall expire at the conclusion of the General Meeting of Shareholders for the latest business year that is within two years after the election of such Directors.

(Newly Established)

for General Meeting of Shareholders)

Article 16 The Company shall take electronic provision measures regarding information provided in reference materials, etc., of the content of the General Meeting of Shareholders upon the convocation of such General Meeting of Shareholders.

2. The Company shall not be required to state, in writing, all or part of the matters, among the matters that are provided through the electronic provision measures and subject to the Ordinance of the Ministry of Justice, to the shareholder who has requested the delivery of the matters in writing before the record date for the exercise of the voting rights.

#### CHAPTER IV Directors and Board of Directors

(Number of Directors)

Article 17 The number of Directors (excluding Directors who are Audit and Supervisory Committee members) of the Company shall be 15 or less.

2. The number of Directors who are Audit and Supervisory Committee members shall be 4 or less.

(Method of Election)

Article 18 The Directors shall be elected, distinguishing between Directors who are Audit and Supervisory Committee members and other Directors, at the General Meeting of Shareholders.

2. (Current provisions remain unchanged)
3. (Current provisions remain unchanged)

(Term of Office)

Article 19 The term of office of the Directors (excluding Directors who are Audit and Supervisory Committee members) shall expire at the conclusion of the General Meeting of Shareholders for the latest business year that is within one year after the election of such Directors.

2. The term of office of the Directors who are Audit and Supervisory Committee members shall expire at the conclusion of the General Meeting of Shareholders

2. The term of office of a Director who is elected to increase the number of personnel or to fill a vacancy shall expire upon expiration of the term of office of the existing Director.

(Newly Established)

(Newly Established)

(Representative Director and Director with Special Title)

Article 21 The Board of Directors shall elect the Representative Director by way of resolution.

The Board of Directors may, by way of resolution, appoint: (i) one Representative Director President, (ii) several Director and Executive Vice Presidents, Senior Executive Managing Directors, and Senior Managing Directors.

Article 22 (Omitted)

(Notice of Convocation of a Meeting of the Board of Directors)

Article 23 A notice of convocation of a Meeting of the Board of Directors shall be sent to the Directors and each Audit and Supervisory Board member at least three days prior to the date of the meeting. Provided, however, that this period may be shortened in case

for the latest business year that is within one year after the election of such Directors.

3. The term of office of the Directors who are not Audit and Supervisory Committee members and are elected to increase the number of personnel or to fill a vacancy shall expire upon expiration of the term of office of other existing Directors who are not Audit and Supervisory Committee members.

4. The term of office of the Directors who are Audit and Supervisory Committee members, elected to fill a vacancy in respect of a Director who retires before the expiration of their term of office as Audit and Supervisory Committee member, shall expire when the term of office of such retiring Director expires.

5. The effective term of a resolution for the election of a Director as a substitute Audit and Supervisory Committee member elected in accordance with Paragraph 3, Article 329 of the Company Act shall expire at the commencement of the General Meeting of Shareholders relating to the latest business year that is within two years after such Director's election.

(Representative Director and Director with Special Title)

Article 20 The Board of Directors shall elect the Representative Director from among the Directors (excluding Directors who are Audit and Supervisory Committee members) by way of resolution.

2. The Board of Directors may, by way of resolution, appoint among the Directors (excluding Directors who are Audit and Supervisory Committee members): (i) one Representative Director President, (ii) several Director and Executive Vice Presidents, Senior Executive Managing Directors, and Senior Managing Directors.

Article 21 (Current provisions remain unchanged)

(Notice of Convocation of a Meeting of the Board of Directors)

Article 22 A notice of convocation of a Meeting of the Board of Directors shall be sent to the Directors at least three days prior to the date of the meeting. Provided, however, that this period may be shortened in case of an emergency.

<p>of an emergency.</p> <p>2. A Meeting of the Board of Directors may be held without the convocation procedures if the consent of all Directors <u>and Audit and Supervisory Board members</u> is obtained.</p> <p>(Newly Established)</p> <p>Article 24 (Omitted)</p> <p>Minutes of Meeting of the Board of Directors</p> <p>Article 25 A summary of the proceedings at a Meeting of the Board of Directors and the outcome thereof, as well as other matters stipulated by laws and regulations, shall be stated or recorded in the minutes thereof, which shall be signed and sealed or electronically signed by the Directors <u>and Audit and Supervisory Board members</u> present at the said meeting.</p> <p>Article 26 (Omitted)</p> <p>(Remuneration, etc.)</p> <p>Article 27 The financial benefits to be received by the Directors, such as the remuneration and bonuses received by the Directors from the Company in consideration of the performance of their duties shall be determined by a resolution of the General Meeting of Shareholders.</p> <p>Article 28 (Omitted)</p> <p>Article 29 (Omitted)</p> <p>CHAPTER 5 <u>Audit and Supervisory Board members and Audit and</u></p>	<p>2. A Meeting of the Board of Directors may be held without the convocation procedures if the consent of all Directors is obtained.</p> <p><u>(Delegation of Decisions on Execution of Important Business)</u></p> <p><u>Article 23 The Company may, pursuant to Paragraph 6, Article 399-13 of the Company Act, by a resolution of the Board of Directors, delegate all or part of the decisions on the execution of important business affairs (excluding the matters listed in each item of Paragraph 5 of the said Article) to its Directors.</u></p> <p>Article 24 (Current provisions remain unchanged)</p> <p>Minutes of Meeting of the Board of Directors</p> <p>Article 25 A summary of the proceedings at a Meeting of the Board of Directors and the outcome thereof, as well as other matters stipulated by laws and regulations, shall be stated or recorded in the minutes thereof, which shall be signed and sealed or electronically signed by the Directors present at the said meeting.</p> <p>Article 26 (Current provisions remain unchanged)</p> <p>(Remuneration, etc.)</p> <p>Article 27 The financial benefits to be received by the Directors, such as the remuneration and bonuses received by the Directors from the Company in consideration of the performance of their duties shall be determined, <u>distinguishing between Directors who are Audit and Supervisory Committee members and other Directors</u>, by a resolution of the General Meeting of Shareholders.</p> <p>Article 28 (Current provisions remain unchanged)</p> <p>Article 29 (Only minor changes to Japanese text; no changes to English text)</p> <p>(Deleted)</p>
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<p style="text-align: center;"><u>Supervisory Board</u></p> <p><u>(Number of Audit and Supervisory Board members)</u></p> <p>Article 30 The number of Audit and Supervisory Board members of the Company shall be four or less.</p>	(Deleted)
<p><u>(Method of Election)</u></p> <p>Article 31 The Audit and Supervisory Board members shall be elected by the General Meeting of Shareholders.</p> <p>2. The resolution with respect to the election of the Audit and Supervisory Board members shall be made by the shareholders holding one-third or more of the voting rights who are present at the said meeting and exercise a majority of their voting rights.</p> <p>3. The Company may, pursuant to the provisions of Paragraph 3, Article 329 of the Company Act, elect a substitute Audit and Supervisory Board member at the General Meeting of Shareholders in preparation for a shortage in the number of Audit and Supervisory Board members stipulated by law.</p> <p>4. The period during which a resolution for the election of a substitute Audit and Supervisory Board member as set forth in the preceding paragraph shall remain in force until the commencement of the General Meeting of Shareholders for the latest business year that is within four years after the said resolution.</p>	(Deleted)
<p><u>(Term of Office)</u></p> <p>Article 32 The term of office of the Audit and Supervisory Board members shall expire at the conclusion of the General Meeting of Shareholders for the latest business year that is ending within four years after the election of such Audit and Supervisory Board members.</p> <p>2. The term of office of an Audit and Supervisory Board member who is elected to fill a vacancy of the Audit and Supervisory Board member who has resigned prior to the expiration of his/her term of office shall expire upon expiration of the term of office of the resigned Audit and Supervisory Board member.</p>	(Deleted)
<p><u>(Full-time Audit and Supervisory Board members)</u></p> <p>Article 33 The Audit and Supervisory Board shall elect the full-time Audit and Supervisory Board members subject to a resolution thereof.</p>	(Deleted)

<p>(Notice of Convocation of <u>Audit and Supervisory Board</u>)</p> <p>Article <u>34</u> A notice of convocation of the <u>Audit and Supervisory Board</u> shall be sent to each <u>Audit and Supervisory Board member</u> at least three days prior to the date of the meeting. Provided, however, that this period may be shortened in case of an emergency.</p> <p>2. Notwithstanding the provisions of the preceding paragraph, the <u>Audit and Supervisory Board</u> may be held without the convocation procedures if the consent of all <u>Audit and Supervisory Board members</u> is obtained.</p>	<p>(Deleted)</p>
<p>(<u>Audit and Supervisory Board's</u> Resolution Methods)</p> <p>Article <u>35</u> A resolution of the <u>Audit and Supervisory Board</u> shall be made effective by a majority of votes of the <u>Audit and Supervisory Board members, unless otherwise provided by laws and regulation.</u></p>	<p>(Deleted)</p>
<p>(Minutes of <u>Audit and Supervisory Board</u>)</p> <p>Article <u>36</u> A summary of the proceedings at the Audit and Supervisory Board and the outcome thereof, as well as other matters stipulated by the <u>Ministry of Justice Ordinance</u> shall be stated or recorded in the minutes thereof, which shall be signed and sealed or electronically signed by the <u>Audit and Supervisory Board members</u> present at the said meeting.</p>	<p>(Deleted)</p>
<p>(<u>Audit and Supervisory Board Regulations</u>)</p> <p>Article <u>37</u> Matters concerning the <u>Audit and Supervisory</u> shall be governed by the <u>Audit and Supervisory Board Regulations</u> stipulated by <u>such Audit and Supervisory Board</u>, in addition to those matters stipulated by laws and regulations or the Articles of Incorporation.</p>	<p>(Deleted)</p>
<p>(<u>Remuneration, etc.</u>)</p> <p>Article <u>38</u> The financial benefits to be received by the <u>Audit and Supervisory Board members, such as the remuneration and bonuses received by the Audit and</u></p>	<p>(Deleted)</p>

Supervisory Board members from the Company in consideration of the performance of their duties shall be determined by a resolution of the General Meeting of Shareholders.

(Exemption of Audit and Supervisory Board members from Liability)

Article 39 The Company may, by resolution of the Board of Directors, exempt any Audit and Supervisory Board members (including those who were Audit and Supervisory Board members) from liability for compensation under Paragraph 1, Article 423 of the Company Act, within the limit stipulated by laws and regulations, if such Audit and Supervisory Board members was acting in good faith and there was no gross negligence.

(Limited Liability Agreement with Audit and Supervisory Board members)

Article 40 The Company may enter into an agreement with any Audit and Supervisory Board members to limit such Audit and Supervisory Board members' compensation liability in accordance with Paragraph 1, Article 423 of the Company Act to the extent of the limit stipulated by laws and regulations if such Audit and Supervisory Board member was acting in good faith and there was no gross negligence.

(Newly established)

(Newly established)

(Newly established)

(Deleted)

(Deleted)

## CHAPTER 5 Audit and Supervisory Committee

(Full-time Audit and Supervisory Committee members)

Article 30 The Audit and Supervisory Committee shall elect the full-time Audit and Supervisory Committee Members among such Audit and Supervisory Committee members subject to a resolution thereof.

(Notice of Convocation of Audit and Supervisory Committee)

Article 31 A notice of convocation of the Audit and Supervisory Committee shall be sent to each Audit and Supervisory Committee member at least three days prior to the date of the meeting. Provided, however, that this period may be shortened in case of an emergency.

2. Notwithstanding the provisions of the preceding

<p>(Newly established)</p>	<p>paragraph, meetings of the <u>Audit and Supervisory Committee</u> may be held without the convocation procedures if the consent of all <u>Audit and Supervisory Committee members</u> is obtained.</p>
<p>(Newly established)</p>	<p>(<u>Audit and Supervisory committee's</u> Resolution Methods)  Article <u>32</u> A resolution of the <u>Audit and Supervisory Committee</u> shall be made effective by a majority of votes of the <u>Audit and Supervisory Committee members who are entitled to be involved in the resolution and are present at the relevant meeting of the Audit and Supervisory Committee.</u></p>
<p>(Newly established)</p>	<p>(Minutes of <u>Audit and Supervisory Committee</u>)  Article <u>33</u> A summary of the proceedings at a meeting of the <u>Audit and Supervisory Committee</u> and the outcome thereof, as well as other matters stipulated by <u>laws and regulations</u> shall be stated or recorded in the minutes thereof, which shall be signed and sealed or electronically signed by the <u>Audit and Supervisory Committee members</u> present at the said meeting.</p>
<p>(Newly established)</p>	<p>(<u>Audit and Supervisory Committee Regulations</u>)  Article <u>34</u> Matters concerning the <u>Audit and Supervisory Committee</u> shall be governed by the <u>Audit and Supervisory Committee Regulations</u> stipulated by <u>the Audit and Supervisory Committee</u>, in addition to those matters stipulated by laws and regulations or the Articles of Incorporation.</p>
<p>Chapter 6 Accounting Auditors</p>	<p>Chapter 6 Accounting Auditors</p>
<p>Article <u>41</u> through Article <u>43</u>  (Omitted)</p>	<p>Article <u>35</u> through Article <u>37</u>  (Current provisions remain unchanged)</p>
<p>Chapter 7 Calculation</p>	<p>Chapter 7 Calculation</p>
<p>Article <u>44</u> (Omitted)</p>	<p>Article <u>38</u> (Current provisions remain unchanged)</p>
<p>(Newly established)</p>	<p>(<u>Organ for Determination of Dividends of Surplus, etc.</u>)  Article <u>39</u> <u>The Company may decide the matters provided in each item of Paragraph 1, Article 459 of the Company Act, including distribution of surplus, by a</u></p>

(Record Date for Dividends of Surplus)  
Article 45 The record date for the final dividend of the Company shall be March 31 of each year.  
(Newly established)  
  
(Newly established)

(Interim Dividend)  
Article 46 The Company may distribute interim dividends on September 30 which is the record date of each year subject to the resolution of the Board of Directors.

Article 47 (Omitted)  
  
(Newly established)  
  
(Newly established)

resolution of the Board of Directors, unless otherwise provided by laws and regulations.

(Record Date for Dividends of Surplus)  
Article 40 The record date for the final dividend of the Company shall be March 31 of each year.  
2. The record date for the interim dividend of the Company shall be September 30 of each year.  
3. In addition to the provisions of the preceding two paragraphs, the Company may declare dividends from surplus by establishing a record date.

(Deleted)

Article 41 (Current provisions remain unchanged)

Supplementary Provisions

(Transitional Measures Concerning Exemption from Liability of Auditors)

Article 1 The Company may, by a resolution of the Board of Directors, to the extent permitted by law exempt Auditors (including former auditors) from liability for damages, as provided in Paragraph 1, Article 423 of the Company Act, with respect to acts committed prior to the conclusion of the 25<sup>th</sup> General Meeting of Shareholders.



### Agenda No.3 Appointment of 8 Directors who are not Audit and Supervisory Committee members

If Agenda No.2, "Partial amendments to the Articles of Incorporation," is approved as originally proposed, the Company transition to a company with an Audit and Supervisory Committee, and the terms of office of all Directors (8 members) of the Board of Directors will expire upon the effective date of the amendments to the Articles of Incorporation.

Therefore, the Company proposes the election of 8 Directors after the transition to a company with an Audit and Supervisory Committee (excluding Directors who are Audit and Supervisory Committee members; the same applies hereinafter in this proposal). The candidates for Directors have been determined by the Board of Directors after receiving the report from the Nomination and Remuneration Consultatory Committee, which is composed mainly of independent Outside Directors.

This agenda will become effective on the condition that Agenda No.2, "Partial amendments to the Articles of Incorporation," take effect.

Director candidates are as follows:

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
1	Kotaro Sawada (December 15, 1970)	<p>April 1994    Joined NTT Data Corporation</p> <p>April 1998    Joined NTT Data Institute of Management Consulting, Inc.</p> <p>June 2005    Joined SKYLIGHT CONSULTING Inc.</p> <p>May 2008    Representative Director, Start Today Consulting Co., Ltd.</p> <p>June 2013    Director of the Company</p> <p>April 2017    Responsible for the Company's Marketing Division</p> <p>May 2019    Responsible for the Company's ZOZOTOWN business</p> <p>September 2019    Representative Director, President &amp; CEO (current post)</p> <p>August 2022    Representative Director &amp; CEO, ZOZO NEXT, Inc. (current post)</p> <p>(Important concurrent post)</p> <p>Representative Director &amp; CEO, ZOZO NEXT, Inc.</p>	49,900 Shares
<p>&lt;Reasons for nominating as a Director candidate&gt;</p> <p>Mr. Sawada has been chosen as a candidate for continuation of his post as a Director because he has been involved in important business execution and management decision-making and supervision as the person responsible for the marketing section, after also serving as a Representative Director of a subsidiary since joining the Company. In addition, He has served as the Company's representative since September 2019 and has worked to ensure prompt and flexible decision-making in business operations. As he is suitable for the future growth of the group and the</p>			

realization of the Company's philosophy, we continue to nominate him as a candidate for Director.

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
2	Koji Yanagisawa (May 19, 1971)	<p>April 1995    Joined the Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>May 1999     Joined NTT Data Institute of Management Consulting, Inc.</p> <p>May 2005     Joined Mizuho Securities Co., Ltd.</p> <p>February 2006    Full-time Audit and Supervisory Board member of the Company</p> <p>June 2008     Director and General Manager of Business Administration Division of the Company</p> <p>April 2009     Director and CFO of the Company</p> <p>December 2015    Outside Director, COLOPL, Inc. (current post)</p> <p>April 2017     Director, Vice-President, and CFO of the Company (current post)</p> <p>March 2020    Outside Director, Digital Holdings, Inc. (current post)</p> <p>October 2021    Director &amp; CEO, ZOZO NEXT, Inc. (current post)</p> <p>(Important concurrent post)            Outside Director, COLOPL, Inc.            Outside Director, Digital Holdings, Inc.            Director, ZOZO NEXT Inc.</p>	140,100 Shares
<p>&lt;Reasons for nominating as a Director candidate&gt;            Mr. Yanagisawa has strengthened the Company's managerial foundation through supervising accounting, finance, IR, legal, and other areas of management, overseeing corporate governance, M&amp;As, and other responsibilities. In addition, he executes business operations as a Director and Vice-President, and we have chosen him as a candidate to continue as a Director because we expect him to perform his duties based on a wide range of perspectives in the future as well as a member of the Board of Directors.</p>			

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
3	Fuminori Hirose (August 17, 1977)	<p>April 2001    Joined The Dai-Ichi Kangyo Bank Ltd. (currently Mizuho Bank, Ltd.)</p> <p>August 2005    Joined Nikko Cordial Securities Inc. (currently SMBC Nikko Securities Inc.)</p> <p>May 2007    Head of Internal Audit Office of the Company</p> <p>August 2010    General Manager of Business Administration Division of the Company</p> <p>April 2012    General Manager of EC Business Division of the Company</p> <p>July 2017    General Manager of Business Administration Division of the Company</p> <p>May 2019    Executive Officer and General Manager of Business Administration Division of the Company</p> <p>July 2019    Outside Auditor, KOKOPELLI Inc. (current post)</p> <p>July 2020    Executive Officer and General Manager of EC Business Division of the Company</p> <p>July 2020    Executive Officer of MSP Product Development Division of the Company</p> <p>February 2021    Executive Officer of Category Promotion Division of the Company</p> <p>June 2021    Director and COO of the Company (current post)</p> <p>(Important concurrent post) Outside Auditor, KOKOPELLI Inc.</p>	23,200 Shares
<p>&lt;Reasons for nominating as a Director candidate&gt;</p> <p>Since joining the Company, Mr. Hirose has served as Head of Internal Audit Office, Executive Officer and General Manager of Business Administration Division, and Executive Officer and General Manager of EC Business Division and has a wide range of experience and knowledge. In addition, he has contributed to the Company's business growth as a Director and COO of the Company since June 2021. We have chosen him as a candidate to continue as a Director because we expect him to contribute to the enhancement of the corporate value of the Company.</p>			

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
4	Takao Ozawa (February 29, 1972)	<p>April 1995    Joined CSK Co., Ltd. (currently SCSK Corporation)</p> <p>August 1999    Established Bizseek Inc., Representative Director</p> <p>March 2003    Joined Rakuten, Inc., Executive Officer in charge of Auction Business</p> <p>January 2005    Director, General Manager of Business Division, Rakuten Baseball, Inc.</p> <p>September 2012    Joined Yahoo Japan Corporation (currently Z Holdings Corporation)</p> <p>October 2012    Director COO, YJ Capital Inc. (currently Z Venture Capital Corporation)</p> <p>July 2013    Executive Officer Shopping Company President, Yahoo Japan Corporation (currently Z Holdings Corporation)</p> <p>August 2013    Outside Director, ASKUL Corporation (current post)</p> <p>April 2014    Representative Director, YJ Capital Inc. (currently Z Venture Capital Corporation)</p> <p>January 2015    CEO, YJ Capital Inc. (currently Z Venture Capital Corporation)</p> <p>September 2015    Director, User Local, Inc.</p> <p>March 2016    Director, ValueCommerce Co., Ltd. Director, Ikyu Corporation Managing Corporate Officer, President of Commerce Company and General Manager of Commerce Company Shopping Division, Yahoo Japan Corporation (currently Z Holdings Corporation)</p> <p>April 2018    Director, PayPay Corporation (current post)</p> <p>June 2018    Chairman of the Board, Ikyu Corporation (current post)</p> <p>October 2018    Director, Senior Executive Officer, Yahoo Japan Corporation (currently Z Holdings Corporation)</p> <p>June 2019    Director, EVP, Senior Managing Corporate Officer, COO (Chief Operating Officer), Yahoo Japan Corporation</p> <p>October 2019    Director of the Company (current post)</p> <p>June 2020    Outside Director, Demae-can Co., Ltd. (current post)</p> <p>February 2022    Director, Senior Managing Corporate Officer, E-Commerce CPO, Z Holdings Corporation (current post)</p> <p>April 2022    President and Representative Director, President</p>	-Shares

		<p>Corporate Officer, CEO (Chief Executive Officer), Yahoo Japan Corporation (current post)</p> <p>(Important concurrent post)</p> <p>Outside Director, ASKUL Corporation</p> <p>Chairman of the Board, Ikyu Corporation</p> <p>Director, PayPay Corporation</p> <p>Outside Director, Demae-can Co., Ltd.</p> <p>Director, Senior Managing Corporate Officer, E-Commerce CPO, Z Holdings Corporation</p> <p>President and Representative Director, President Corporate Officer, CEO (Chief Executive Officer), Yahoo Japan Corporation</p>	
<p>&lt;Reasons for nominating as a Director candidate&gt;</p> <p>Having extensive experiences and wide-ranging knowledge cultivated in the Internet services industry as a manager, we appoint him as a candidate for a Director in order to utilize them in the management of the Company group.</p>			

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
5	*Yuko Nagata (November 22, 1978)	<p>April 2003 NTT FACILITIES, INC. Business Promotion Division, Corporate Planning Department</p> <p>May 2004 Ynot Inc. (Later, absorbed by Rakuten, Inc.)</p> <p>June 2005 Business Manager of Gift Service Business, Rakuten, Inc.</p> <p>May 2011 e-business manager of Professional Production Division, NIHON L'ORÉAL K.K.</p> <p>April 2018 CEO's Business Promotion Office, Yahoo Japan Corporation</p> <p>April 2022 Corporate Officer, Z Holdings Corporation (current post)</p> <p>April 2023 EVP, Corporate Officer, General Manager of Marketing Division, Yahoo Japan Corporation (current post)</p> <p>(Important concurrent post)</p> <p>Corporate Officer, Z Holdings Corporation</p> <p>EVP, Corporate Officer, General Manager of Marketing Division, Yahoo Japan Corporation</p>	- Shares
<p>&lt;Reasons for nominating as a Director candidate&gt;</p> <p>She has extensive experiences and broad perspective cultivated in the internet service industry and cosmetics industry, and the Company requests the appointment of Ms. Nagata as our Director for our management.</p>			

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
6	Kazunori Hotta (September 24, 1975)	<p>October 1998      Joined TAKE AND GIVE. NEEDS Co., Ltd.</p> <p>August 2000    Director, TAKE AND GIVE. NEEDS Co., Ltd.</p> <p>June 2002      Resigned from TAKE AND GIVE. NEEDS Co., Ltd.</p> <p>October 2003    Established Good Luck Corporation President and Representative Director (current post)</p> <p>June 2014      Director, TAKE AND GIVE. NEEDS Co., Ltd.</p> <p>November 2015   Director/General Manager, International Business Division, TAKE AND GIVE. NEEDS Co., Ltd.</p> <p>June 2019      Director of the Company (current post)</p> <p>(Important concurrent post) President and Representative Director, Good Luck Corporation</p>	- Shares
<p>&lt;Reasons for nominating as an Outside Director candidate and an expected role&gt;</p> <p>We request Mr. Hotta's appointment as an Outside Director so that he can oversee Company management and contribute to strengthening corporate governance through advising on Company management as a whole, based on his wealth of experience and broad-ranging knowledge accumulated in the wedding and hotel industries. In addition, we expect him to supervise management and strengthen corporate governance, mainly by providing advice on the formulation of management strategies and decision-making on business execution, participating in the nomination/ remuneration decision-making process, and supervising conflicts of interest.</p>			

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
7	Taro Saito (November 24, 1972)	<p>April 1995    Joined DENTSU INC.</p> <p>May 2005    Established dof Inc., Director</p> <p>June 2009    Retired from DENTSU INC.</p> <p>June 2009    President and Representative Director, dof Inc. (current post)</p> <p>December 2014    Outside Director, VOYAGE GROUP Inc. (currently CARTA HOLDINGS, INC.) (current post)</p> <p>January 2017    Established CC INC., Director (current post)</p> <p>June 2019    Outside Director, for Startups, Inc. (current post)</p> <p>June 2020    Director of the Company (current post)</p> <p>August 2022    Outside Director, Sansan, Inc. (current post)</p> <p>(Important concurrent post)</p> <p>President and Representative Director, dof Inc.</p> <p>Outside Director, CARTA HOLDINGS, INC.</p> <p>Director, CC INC.</p> <p>Outside Director, for Startups, Inc.</p> <p>Outside Director, Sansan, Inc.</p>	-Shares
<p>&lt;Reasons for nominating as an Outside Director candidate and an expected role&gt;  Based on Mr. Saito's extensive experiences and broad insight in branding and communication design, we expect him to continue to supervise the management of the Company and to contribute to the strengthening of corporate governance by providing advice on the Company's overall management. In addition, we expect him to supervise management and strengthen corporate governance, mainly by providing advice on the formulation of management strategies and decision-making on business execution, participating in the nomination/ remuneration decision-making process, and supervising conflicts of interest.</p>			

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
8	*Takako Kansai (April 1, 1979)	<p>April 2001    Joined Nikkei Business Publications, Inc.</p> <p>September 2004    Joined KBMJ, Inc. (currently Appirits Inc.)</p> <p>August 2008    Joined User Local, Inc.</p> <p>September 2012    Established Zaim Inc., Representative Director (current post)</p> <p>November 2018    Da Vinci Studio Co., Ltd., Director (current post)</p> <p>April 2021    ROLLCAKE Inc., Outside Director (current post)</p> <p>May 2023    Kufu Company Inc., Representative Executive Officer (current post)</p> <p>(Important concurrent post)</p> <p>Da Vinci Studio Co., Ltd., Director</p> <p>ROLLCAKE Inc., Outside Director</p> <p>Zaim Inc., Representative Director</p> <p>Kufu Company Inc., Representative Executive Officer</p>	-shares
<p>&lt;Reasons for nominating as an Outside Director candidate and an expected role&gt;</p> <p>The Company requests the appointment of Ms. Kansai as an Outside Director to ask her to supervise the Company's management and obtain advice about the entire management based on extensive experiences and a broad perspective in both business and the technology of the internet business in order to contribute to strengthening corporate governance.</p> <p>We expect her to give advice about the determination of the management strategy and decision-making with regard to business execution, to lead the determination process for appointment/ remuneration, to oversee conflicts of interests by using the above-mentioned extensive experience and broad perspective, and to supervise management and strengthen corporate governance.</p>			

(Note)

1. Candidates marked with an asterisk (\*) are new appointments to the Board of Directors.
2. There are no particular conflicts of interest between any of the candidate Directors and the Company.
3. Mr. Takao Ozawa is a President and Representative Director, President Corporate Officer, Chief Executive Officer (CEO) of Yahoo Japan Corporation which has a business relationship with the Company related to opening stores at Yahoo! JAPAN Shopping and advertising, as well as transactions related to user referral, and also competes in the Fashion e-commerce Business.
4. "Career History, Status, Responsibilities, and Important Concurrent Posts" of Mr. Takao Ozawa includes positions and responsibilities of the current or the last ten years of business execution at Z Holdings Corporation and its subsidiary, Yahoo Japan Corporation.
5. Ms. Yuko Nagata is EVP, Corporate Officer, General Manager of Marketing Division of Yahoo Japan Corporation



which has a business relationship with the Company related to opening stores at Yahoo! JAPAN Shopping and advertising, as well as transactions related to user referral, and also competes in the Fashion e-commerce Business.

6. "Career History, Status, Responsibilities, and Important Concurrent Posts" of Mr. Yuko Nagata includes positions and responsibilities of the current or the last ten years of business execution at Z Holdings Corporation and its subsidiary, Yahoo Japan Corporation.

7. Mr. Kazunori Hotta, Mr. Taro Saito and Ms. Takako Kansai are candidates for Outside Directors. the Company designated Mr. Kazunori Hotta and Mr. Taro Saito as independent Directors and submitted it to the Tokyo Stock Exchange. If the appointment of those candidates that includes Ms. Takako Kansai is approved, the Company will designate them as independent Directors and submit it to the Tokyo Stock Exchange.

8. Mr. Kazunori Hotta's term in office as an Outside Director of the Company will be 4 years upon the end of this General Meeting.

9. Mr. Taro Saito' term in office as an Outside Director of the Company will be 3 years upon the end of this General Meeting.

10. None of Mr. Kazunori Hotta, Mr. Taro Saito, and Ms. Takako Kansai is an executive or an officer of a business having specified ties to the Company, or has been an executive or an officer of a business having specified ties to the Company within the past ten years.

11. None of Mr. Kazunori Hotta, Mr. Taro Saito, and Ms. Takako Kansai plans to receive, or has received within the past two years, large sums of money or other assets from the Company or a business having specified ties to the Company.

12. None of Mr. Kazunori Hotta, Mr. Taro Saito, and Ms. Takako Kansai is a spouse, relative within three degrees of consanguinity, or party in a similar relationship to an executive or an officer of the Company or a business having specified ties to the Company.

13. None of Mr. Kazunori Hotta, Mr. Taro Saito, and Ms. Takako Kansai was a business executive of a joint-stock company from which the Company has succeeded rights or obligations within the past two years through merger, spin-off and absorption, spin-off as a new organization, or transfer of business, immediately prior to such merger etc.

14. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company concluded contracts with Mr. Takao Ozawa, Mr. Kazunori Hotta, and Mr. Taro Saito, limiting their liability for damages as stipulated in Article 423, Paragraph 1 of that Act, and will continue contracts, should these reappointments be approved. Under the said contracts, Mr. Ozawa, Mr. Hotta, and Mr. Saito's liability for damages would be limited to the maximum amount prescribed by laws and regulations.

15. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company plans to conclude with Mr. Yuko Nagata and Ms. Takako Kansai, contracts limiting the liability for damages as stipulated in Article 423, Paragraph 1 of that Act, should appointments be approved. Under the said contracts, Ms. Nagata and Ms. Kansai's liability for damages would be limited to the maximum amount prescribed by laws and regulations.

16. The Company will enter into a liability insurance policy for directors and officers, which is stipulated in Article 430-3, Paragraph 1, of the Companies Act, with an insurance company to cover litigation expenses and compensation for damage arising from third-party claims, shareholder derivative actions, and company's actions borne by insured persons. The candidates will be included in the insured persons of the relevant insurance policy.

#### Agenda No. 4 Appointment of 3 Directors who are Audit and Supervisory Committee members

If Agenda No.2, "Partial amendments to the Articles of Incorporation," is approved as originally proposed, the Company transition to a company with an Audit and Supervisory Committee. The Company proposes the election of 3 Directors who are Audit and Supervisory Committee members.

The Audit and Supervisory Board has also agreed to this agenda.

This agenda will become effective on the condition that Agenda No.2, "Partial amendments to the Articles of Incorporation," take effect.

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
1	*Hiroko Igarashi (July 7, 1965)	<p>November 1992    Joined Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA LLC)</p> <p>November 1997    Registered as Certified Public Accountant</p> <p>September 1999    Joined Internet Research Institute, Inc.</p> <p>October 2011    Employment transfer to BroadBand Tower, Inc., in charge of Accounting Group</p> <p>June 2019    Full-time Audit and Supervisory Board member of the Company (current post)</p> <p>(Important concurrent post)</p> <p>Nothing in particular</p>	- Shares
<p>&lt;Reasons for nominating as an Outside Director who is an Audit and Supervisory Committee member and an expected role&gt;</p> <p>Ms. Igarashi is a certified public accountant and has been engaged in duties as the head of the accounting group at other companies. We believe that she has considerable knowledge of finance and accounting and will be able to appropriately perform her duties in the audit of the Company. She has not been directly involved in the management of the Company except for becoming an Outside Officer. However, for the reasons stated above, the Company believes that she will be able to perform her duties as an Audit and Supervisory Committee member appropriately.</p>			

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
2	*Junko Utsunomiya (June 21, 1971)	<p>April 2000 Registered as a lawyer, Joined law firm Nagashima, Ohno &amp; Tsunematsu</p> <p>October 2007 Transferred to Tokyo Stock Exchange, Inc.</p> <p>November 2011 Established Utsunomiya General Law Office</p> <p>June 2012 Full-time Audit and Supervisory Board member of the Company (current post)</p> <p>April 2013 Professor, Hosei University Graduate School of Law (in charge of the International Exchange Law)</p> <p>April 2013 Outside Auditor, Solasto Corporation</p> <p>September 2013 Outside Director, Adventure Inc</p> <p>December 2015 Established Utsunomiya Shimizu Law Office</p> <p>February 2018 Established Utsunomiya, Shimizu &amp; Haruki Law Office, Joint Representative Lawyer (current post)</p> <p>October 2018 Outside Auditor, RAKSUL INC.</p> <p>October 2019 Outside Director (Audit and Supervisory Committee Member), RAKSUL INC. (current post)</p> <p>June 2020 Outside Director, HEIWA REAL ESTATE CO., LTD. (current post)</p> <p>March 2021 Outside Director (Audit and Supervisory Committee Member), PeptiDream Inc. (current post)</p> <p>(Important concurrent post)</p> <p>Joint Representative Lawyer, Utsunomiya, Shimizu and Haruki Law Office</p> <p>Outside Director (Audit and Supervisory Committee Member), RAKSUL INC.</p> <p>Outside Director, HEIWA REAL ESTATE CO., LTD.</p> <p>Outside Director (Audit and Supervisory Committee Member), PeptiDream Inc.</p>	3,000 Shares
<Reasons for nominating as an Outside Director who is an Audit and Supervisory Committee member and an expected role>			

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

Candidate Number	Name (Date of Birth)	Career History, Status, Responsibilities, and Important Concurrent Posts	Number of Shares of Company Stock Held
3	*Kumiko Nishiyama (March 10, 1964)	<p>April 1987    Joined Fukuda Law Office</p> <p>October 1992    Joined Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA LLC)</p> <p>April 1998    Registered as a Certified Public Accountant</p> <p>April 1998    Joined Chuo Aoyama Audit Corporation</p> <p>July 2004    Secondment to Chuo Aoyama Sustainability Certification Organization Co. Ltd.</p> <p>July 2006    Director, Chuo Aoyama Sustainability Certification Organization Co. Ltd.</p> <p>July 2007    Joined PricewaterhouseCoopers Arata (currently Pricewaterhouse Coopers Arata LLC), Secondment to Arata Sustainability Certificate Organization</p> <p>October 2012    Joined ShinNihon Audit Firm (currently Ernst &amp; Young ShinNihon LLC)</p> <p>May 2023    Head of Nishiyama Certified Public Accountant Office (current post)</p> <p>(Important concurrent post) Head of Nishiyama Certified Public Accountant Office</p>	-Shares
<p>&lt;Reasons for nominating as an Outside Director who is an Audit and Supervisory Committee member and an expected role&gt;</p> <p>Ms. Nishiyama is a certified public accountant and has been engaged in sustainability-related duties, and we believe that she has a broad range of knowledge and is capable of appropriately performing her duties in the Company's audits. She has not been directly involved in the management of the Company except for becoming an Outside Officer. However, for the reasons stated above, the Company believes that she will be able to perform her duties as an Audit and Supervisory committee member appropriately.</p>			

(Note)

1. Candidates marked with an asterisk (\*) are new appointments to the Board of Directors.
2. There are no particular conflicts of interest between any of the candidate Directors and the Company.
3. Ms. Hiroko Igarashi, Ms. Junko Utsunomiya and Ms. Kumiko Nishiyama are candidates for Outside Directors

who are also Audit and Supervisory committee members. The Company designated Ms. Hiroko Igarashi and Ms. Junko Utsunomiya as independent Directors and submitted it to the Tokyo Stock Exchange.

4. Ms. Kumiko Nishiyama meets the requirements for an independent Director as stipulated by the Tokyo Stock Exchange, and if this appointment is approved, the Company will designate her as an independent Director and submit it to the Tokyo Stock Exchange.

5. Ms. Hiroko Igarashi's term in office as an Outside Audit and Supervisory Board member of the Company will be 4 years upon the end of this General Meeting.

6. Ms. Junko Utsunomiya's term in office as an Outside Audit and Supervisory Board member of the Company will be 11 years upon the end of this General Meeting.

7. None of Ms. Hiroko Igarashi, Ms. Junko Utsunomiya and Ms. Kumiko Nishiyama is an executive or an officer of a business having specified ties to the Company, or has been an executive or an officer of a business having specified ties to the Company within the past ten years.

8. None of Ms. Hiroko Igarashi, Ms. Junko Utsunomiya and Ms. Kumiko Nishiyama plans to receive, or has received within the past two years, large sums of money or other assets from the Company or a business having specified ties to the Company.

9. None of Ms. Hiroko Igarashi, Ms. Junko Utsunomiya and Ms. Kumiko Nishiyama is a spouse, relative within three degrees of consanguinity, or party in a similar relationship to an executive or an officer of the Company or a business having specified ties to the Company.

10. None of Ms. Hiroko Igarashi, Ms. Junko Utsunomiya and Ms. Kumiko Nishiyama was a business executive of a joint-stock company from which the Company has succeeded rights or obligations within the past two years through merger, spin-off and absorption, spin-off as a new organization, or transfer of business, immediately prior to such merger etc.

11. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company concluded contracts with Ms. Hiroko Igarashi and Ms. Junko Utsunomiya, limiting their liability for damages as stipulated in Article 423, Paragraph 1 of that Act, and will continue contracts, should this appointments be approved. Under the said contracts, Ms. Igarashi and Ms. Utsunomiya's liability for damages would be limited to the maximum amount prescribed by laws and regulations.

12. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company plans to conclude with Mr. Kumiko Nishiyama, a contract limiting the liability for damages as stipulated in Article 423, Paragraph 1 of that Act, should this appointment be approved. Under the said contracts, Ms. Nishiyama's liability for damages would be limited to the maximum amount prescribed by laws and regulations.

13. The Company will enter into a liability insurance policy for directors and officers, which is stipulated in Article 430-3, Paragraph 1, of the Companies Act, with an insurance company to cover litigation expenses and compensation for damage arising from third-party claims, shareholder derivative actions, and company's actions borne by insured persons. The candidates will be included in the insured persons of the relevant insurance policy.

14. Ms. Junko Utsunomiya was an Outside director of Adventure Inc, and during her tenure, an embezzlement by an employee of the company's subsidiary was discovered. She was not aware of this fact in advance, she has made recommendations from the perspective of legal compliance and compliance management as needed, and after the fact was discovered, she appropriately fulfilled her responsibilities by requesting the company to undertake thorough investigations and formulate measures to prevent recurrence, and supervised the Company's

efforts.

## Agenda No.5 Appointment of a substitute Audit and Supervisory Committee member

If Agenda No.2, "Partial amendments to the Articles of Incorporation," is approved as originally proposed, the Company transition to a company with an Audit and Supervisory Committee. In preparation for a shortage in the number of Directors who are members of the Audit and Supervisory Committee as provided for in laws and regulations, the Company proposes the election of 1 substitute Audit and Supervisory Committee member.

This appointment shall be effective only prior to the assumption of office and may be revoked by a resolution of the Board of Directors with the consent of the Audit and Supervisory Committee.

The Audit and Supervisory Board has also agreed to this agenda.

This Agenda will become effective on the condition that Agenda No.2, "Partial amendments to the Articles of Incorporation," take effect.

The candidate for a substitute Audit and Supervisory Committee member is described below.

Name (Date of Birth)	Career history, status, responsibilities, and important concurrent posts	Number of shares of Company stock held
Shichiro Hattori (November 14, 1944)	April 1967      Joined Ataka & Co.	1,300 shares
	October 1977    Toyota Tsusho Corp.	
	December 1980   Daiwa Securities Co. Ltd.	
	April 1988      Director and Head of Fixed income Division, County NatWest Securities Ltd.	
	April 1993      Country Manager, Japan of NatWest group, and General Manager, Tokyo Branch of National Westminster Bank Plc	
	November 1996   Country Manager, Japan of NatWest group, and President and Representative Director of NatWest Markets Securities Japan Ltd.	
	February 1999   President and Representative Director of Princeton Economics Investment Trust	
	November 2001   Managing Director of BSL Corporation (currently Oak Capital Corporation)	
	September 2010   Head of Internal Audit Office of the Company	
	June 2011      Audit and Supervisory Board member of the Company	
June 2019      Substitute Audit and Supervisory Committee member of the Company (current post)		
<Reasons for nominating as a Director who is a substitute Audit and Supervisory Committee member and an expected role>		

He has long experience in international business at trading companies, securities firms, commercial banks, and investment banks, as well as in management positions at foreign financial institutions, and has also served as the head of the Internal Audit Office and as an Audit and Supervisory Board member. Therefore, the Company judged that he would be able to properly perform the duties as a Director who is an Audit and Supervisory Committee member and nominated him as a candidate for the position of a substitute Audit and Supervisory Committee member.

(NOTE)

1. There are no particular interests between the candidate for the substitute Audit and Supervisory Committee member and the Company.
2. If Mr. Shichiro Hattori is appointed as a candidate for the position of Director as a member of the Audit and Supervisory Committee, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company plans to conclude with Mr. Shichiro Hattori a contract limiting the liability for damages as stipulated in Article 423, Paragraph 1 of that Act, should this appointment be approved. Under the said contracts, Mr. Shichiro Hattori's liability for damages would be limited to the maximum amount prescribed by laws and regulations.
3. The Company will enter into a liability insurance policy for directors and officers, which is stipulated in Article 430-3, Paragraph 1, of the Companies Act, with an insurance company to cover litigation expenses and compensation for damage arising from third-party claims, shareholder derivative actions, and company's actions borne by insured persons. The candidates will be included in the insured persons of the relevant insurance policy.



(Reference) Skill matrix of Directors

The following shows the knowledge and understanding and experience of the Directors to be expected to respond to present and future management challenges based on the management environment of the company.

		① Important knowledge and experience for decision-making and monitoring of the Board of Directors										② Important knowledge and experience in responding to current and future management issues		
		Corporate Management	Finance, M&A	Accounting	Organization and Human resource	ESG, Sustainability	Corporate Governance	Compliance, risk management	Brand strategy, Creative strategy	Technology (IT, Digital)	Expertise in industry and businesses	Supply chain management	Global management and business	Imagination and creation
Name	Title													
Kotaro Sawada	Representative Director, President & CEO	●			●	●			●	●	●	●	●	●
Koji Yanagisawa	Director, Executive Vice President & CFO	●	●	●		●	●	●			●		●	●
Fuminori Hirose	Director, COO	●	●	●		●	●	●			●	●		●
Takao Ozawa	Director	●	●					●	●	●				●
Yuko Nagata	Director	●				●		●		●				●
Kazunori Hotta	Outside Director	●			●									●
Taro Saito	Outside Director	●			●			●						●
Takako Kansai	Outside Director	●			●			●	●	●				●
Hiroko Igarashi	Audit and Supervisory Committee member		●	●			●	●						●
Junko Utsunomiya	Audit and Supervisory Committee member		●			●	●	●				●		●
Kumiko Nishiyama	Audit and Supervisory Committee member		●	●		●	●	●						●

(Note) The table does not show all knowledge and understanding, and experience held by the Directors.

## **Agenda No.6 Determination of remuneration, etc, for Directors who are not Audit and Supervisory Committee members**

At the 19<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2017, it was approved that the remuneration, etc., for Directors at an annual amount not exceeding 800 million yen (of which the portion for Outside Directors shall not exceed 50 million yen per year, not including the employee's salary for Directors who also serve as employees).

If Agenda No. 2 "Partial amendments to the Articles of Incorporation", is approved and passed as originally proposed, the Company will transition to a company with an Audit and Supervisory Committee, and the current provisions regarding the amount of remuneration for Directors who are not Audit and Supervisory Committee members will be abolished. After the transition to a company with an Audit and Supervisory Committee, the amount of remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Committee members) shall be no more than 800 million yen per year (of which the portion for Outside Directors shall not exceed 50 million yen, not including the employee's salary for Directors who also serve as employees). Also, the Company plans to ask for shareholders' approval that the specific amount, timing, etc. of payment to each Director shall be determined by a resolution of the Board of Directors. This agenda was decided by the Board of Directors based on the report of the Nomination and Remuneration Consultatory Committee, which is composed mainly of independent Outside Directors.

If this agenda is approved, the Company plans to revise its policy for determining remuneration for individual Directors to be consistent with what has been approved, taking into consideration the Company's transition to a company with an Audit and Supervisory Committee, the recent economic situation, and various other circumstances. With regard to the remuneration of Directors after the transition to a company with an Audit Committee, the purpose of remuneration is to encourage the sustainable medium- and long-term improvement of the Company's corporate value and to function as a sound incentive, and the Company will pay remuneration for the achievement of short-term, medium- and long-term performance and the improvement of corporate value based on its management strategy and the results of such efforts. In addition, it is planned that the basic policy will consist of fixed remuneration (cash remuneration) and performance-linked compensation (cash bonuses and stock-based remuneration). The Board of Directors has determined that this agenda is appropriate because it is necessary to establish the details of remuneration, etc. for each individual Director in accordance with such revised policy, and because it is based on the results of deliberations by the Company's Nomination and Remuneration Consultatory Committee. (This remuneration, etc. shall not include the employee's salary for Directors who concurrently serve as employees of the Company.)

The current number of Directors is 8 (including 3 Outside Directors), but if Agenda No. 2 "Partial amendments to the Articles of Incorporation" and Agenda No.3 "Appointment of 8 Directors who are not Audit and Supervisory Committee members " are approved as originally proposed, the number of Directors who are not Audit and Supervisory Committee members will be 8 (including 3 Outside Directors).

This agenda will become effective on the condition that Agenda No.2, "Partial amendments to the Articles of Incorporation," take effect.

## **Agenda No.7 Determination of remuneration, etc, for Directors who are Audit and Supervisory Committee members**

If Agenda No. 2 “Partial amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a company with an Audit and Supervisory Committee, and therefore, the Company plans to ask for shareholders' approval to set the annual amount of remuneration, etc. for Directors who are Audit and Supervisory Committee members at no more than 70 million yen after the transition to a company with an Audit and Supervisory Committee.

The amount of such remuneration, etc. is based on comprehensive consideration of the responsibilities of Directors who are Audit and Supervisory Committee members, the current number of officers and future trends, and the amount of remuneration for Audit and Supervisory Board members approved at the Company's 9<sup>th</sup> Ordinary General Meeting of Shareholders held on June 28, 2007. In addition, the Board of Directors has determined that this agenda is appropriate because it is based on the results of deliberations by the Company's Nomination and Remuneration Consultatory Committee.

If Agenda No. 2 “Partial amendments to the Articles of Incorporation” and Agenda No.4 “Appointment of 3 Directors who are Audit and Supervisory Committee members” are approved and passed as originally proposed, the number of Directors who are Audit and Supervisory Committee members will be 3.

This agenda will become effective on the condition that Agenda No.2, “Partial amendments to the Articles of Incorporation,” take effect.

## **Agenda No.8 The setting of compensation, etc. (performance-linked restricted stock compensation) for Directors who are not Audit and Supervisory Committee members (excluding non-Executive Directors)**

The Company has established and implemented a performance-linked restricted stock compensation plan for the Company's Executive Directors (hereinafter referred to as the Plan). As the compensation limit under the Plan, at the 22<sup>nd</sup> Ordinary General Meeting of Shareholders held on June 29, 2020, the payment of cash remuneration for the grant of the restricted stock to the Executive Directors within the range of 162 million yen per year (excluding the employee's salary for Directors serving concurrently as an employee), which is a separate amount from the remuneration amount for cash remuneration and cash bonuses approved at the 19<sup>th</sup> Ordinary General Meeting of Shareholders, was approved. In addition, at the 23<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 25, 2021, the issuance or disposal of restricted stock under the Plan without payment of money or contribution of asset-in-kind was approved.

The Company will transition to a company with an Audit and Supervisory Committee if Agenda No. 2 “Partial amendments to the Articles of Incorporation” are approved as originally proposed. This agenda aims, upon the transition to a company with an Audit and Supervisory Committee, to abolish the current compensation limit for the Plan, and to request shareholders' approval for setting compensation for Directors who are not Audit and Supervisory Committee members (excluding non-Executive Directors; hereinafter referred to as the “Eligible Directors”) with respect to the Plan after the transition to a company with an Audit and Supervisory Committee,

apart from the remuneration limit for Eligible Directors as described in Agenda No.6 “Determination of remuneration, etc, for Directors who are not Audit and Supervisory Committee members”, which is also requested for approval at the Shareholders Meeting.

In addition, taking into consideration of the recent economic situation and other factors, the Company would like to increase the amount of compensation under the Plan from the current compensation limit in order to further strengthen the incentive function of the Plan after the transition to a company with an Audit and Supervisory Committee. Therefore, in this proposal, the upper limit of the amount of restricted stock granted to the Eligible Directors as compensation is set at 864 million yen per annum (excluding the employee’s salary for Directors serving concurrently as an employee), and the upper limit of the total number of the Company’s common stock to be issued or disposed to the Eligible Directors is set at 576,000 shares per annum (excluding the employee’s salary for Directors serving concurrently as an employee). However, it is intended that such compensation will be granted to the Eligible Directors in principle in a lump sum in the first fiscal year of the 3 fiscal years, which is the evaluation period of business performance targets under the Plan, as compensation for the execution of duties over such period. In addition, it is intended that the Eligible Directors who assume their positions in the middle of the 3 fiscal years, which is the evaluation period of business performance targets, will be granted the amount of restricted stock equivalent to the consideration for the execution of duties for the period from the time of appointment to the last day of the last fiscal year of the 3 evaluation period of 3 fiscal years, in a lump sum. There are 3 Eligible Directors under the current Plan, and if Agenda No.2 “Partial amendments to the Articles of Incorporation” and Agenda No.3 “Appointment of 8 Directors who are not Audit and Supervisory Committee members ” are approved as originally proposed, the number of Eligible Directors will remain 3. The Plan does not cover Directors who are Audit and Supervisory Committee members and non-Executive Directors including Outside Directors.

This agenda will become effective on the condition that Agenda No.2, “Partial amendments to the Articles of Incorporation,” take effect.

The details of the plan after the change are as follows.

#### 1. Method of issuance or disposal of restricted stock

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

- ① The Company issues or disposes of the restricted stock as compensation to the Eligible Directors without payment of money or contribution of asset-in-kind by the Eligible Directors (hereinafter, such method is referred to as “Delivery without Consideration”); or
- ② The Company issues or disposes of the restricted stock after the Company pays monetary remuneration claims to the Eligible Directors as compensation, and the Eligible Directors contribute the entire amount as asset-in-kind (hereinafter, such method is referred to as “Delivery by Contribution in Kind”).

#### 2. The maximum number and amount of the restricted stock to be granted to the Eligible Directors

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

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

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

### 3. Outline of restricted stock granted to the Eligible Directors

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

#### (1) Transfer Restriction Period

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

## (2) Release of the Transfer Restriction

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

## (3) Acquisition of the Allotted Stock without consideration

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

## (4) Treatment of Organizational Restructuring, etc.

Notwithstanding the provisions of ① above, if, during the Transfer Restriction Period, a merger agreement in which the Company becomes a defunct company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other matters related to certain organizational restructuring, etc. are approved at the General Meeting of Shareholders of the Company (or the Board of Directors if approval at the General Meeting of Shareholders is not required), the Company shall reasonably adjust the number of the Allotted Stock for which the Transfer Restriction is to be released and the timing of the release of the Transfer Restriction as necessary, and the Company shall acquire the Allotted Stock for which the Transfer Restriction has not been released without consideration

## 4. Other details to be determined by the Board of Directors

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

## 5. Reason why it is appropriate to grant the restricted stock

The Plan is a compensation plan under which the Company grants restricted stock to Eligible Directors for the

purpose of providing medium- to long-term incentives to enhance the corporate value of the Group sustainably and to promote further value sharing between the Company's Eligible Directors and the Company's shareholders. At the Board Meeting held on February 12, 2021, the Board of Directors has established a policy to determine the remuneration for each individual Director, an outline of which is as shown in "Matters regarding Board Members" in the Business Report, and when the approval of the Agenda No. 2 "Partial amendment to the Articles of Incorporation", Agenda No. 6 "Determination of remuneration, etc, for Directors who are not Audit and Supervisory Committee members", Agenda No.7 "Determination of remuneration, etc, for Directors who are Audit and Supervisory Committee members", and Agenda No.8 "The setting of compensation, etc. (performance-linked restricted stock compensation) for Directors who are not Audit and Supervisory Committee members (excluding non-Executive Directors" are approved as originally proposed, the policy will be revised so that they would conform to such approved agendas. This agenda is necessary to determine the remuneration/compensation for each Director in accordance with such policy after the revision. In addition, assuming that the maximum number of the Company's common stock is granted to the Eligible Directors once in 3 fiscal years under the Plan, the ratio of such maximum number of the Company's common stock to the total number of issued shares as of the end of this fiscal year is approximately 0.18%, and the dilution impact would be insignificant. Therefore, the Board of Directors of the Company considers that the grant of restricted stock based on this agenda is reasonable.

(Reference)

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

# Business Report for the 25<sup>th</sup> Fiscal Year

From April 1, 2022 to March 31, 2023

## 1. Matters concerning the current status of the corporate group

### (1) Progress of business operation and its results

[Table 1] YoY comparison

(Unit: Million yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)		Current consolidated fiscal year (April 1, 2022 to March 31, 2023)		YoY basis
Gross merchandise value	508,876	(110.1%)	544,317	(108.6%)	7.0%
Gross merchandise value (excluding other GMV)	462,175	(100.0%)	501,108	(100.0%)	8.4%
Net sales	166,199	(36.0%)	183,423	(36.6%)	10.4%
Gross profit	156,172	(33.8%)	171,341	(34.2%)	9.7%
Operating profit	49,656	(10.7%)	56,421	(11.3%)	13.6%
Ordinary profit	49,655	(10.7%)	56,716	(11.3%)	14.2%
Profit attributable to owners of parent	34,492	(7.5%)	39,526	(7.9%)	14.6%

Figures in parentheses are percentages to gross merchandise value (excluding other

GMV)

Under the corporate philosophy of "Inspire the world. Deliver joy every day.", we mainly operate the following businesses: The largest fashion e-commerce website in Japan, "ZOZOTOWN", and an outfit-sharing app "WEAR".

During the current consolidated fiscal year, the apparel industry, particularly at physical stores, experienced growth due to increased opportunities for going out and increased demand for clothing as the spread of COVID-19 subsided. Under this circumstance, our group has been focusing even stronger on creating ZOZOTOWN more attractive to both users and brands with the goal of increasing the number of unique users and improving the conversion rate (the purchasing rate of unique users). To maximize sales at ZOZOTOWN, we have implemented measures such as the sale event "ZOZOWEEK" (10 days in total from May 14 to 23, 2022, 11 days in total from September 13 to 19, and 22 to 25, 2022, and 18 days in total from November 3 to 13, and 17 to 23, 2022) and broadcasted TV commercials to attract customers during the summer and winter sale. In addition, we continued to proactively welcome new brands in a wide range of genres to meet diversifying needs of users.

As an initiative to strengthen a specific category, we have been concentrating on "ZOZOCOSME". ZOZOCOSME handles more than 700 cosmetics brands, which includes both domestic and overseas brands, as of the end of March 2023. We will proactively continue to open new brand shops to expand the merchandise value of the



cosmetics category in ZOZOTOWN. Furthermore, we implemented a purchase assist function that recommends the best foundation and concealer color closest to the measured skin tone using “ZOZOGLASS”, a device that can measure skin tone with high precision. This enables users to have new purchasing experiences.

Sales of ZOZOTOWN on Yahoo! JAPAN Shopping (which integrated PayPay Mall in October 2022) have been growing steadily due to the high retention rate of new customers acquired in the previous fiscal year through the continued active sales promotion by Yahoo Japan Corporation which operates Yahoo! JAPAN Shopping.

Regarding the BtoB business, brands are actively continuing to enhance their own e-commerce websites, although there was a withdrawal of a brand that accounted for a large portion of the merchandise value during the fourth quarter consolidated accounting period of the previous fiscal year.

Consequently, the gross merchandise value in the current consolidated fiscal year was 544,317 million yen (+7.0% YoY), and the gross merchandise value (excluding other GMV) was 501,108 million yen (+8.4% YoY). Net sales were 183,423 million yen (+10.4% YoY), and gross profit was 171,341 million yen (+9.7% YoY). The ratio of gross profit to the gross merchandise value (excluding other GMV) (gross profit margin) was 34.2%, an increase of 0.4% from the previous fiscal year.

As for net sales, the YoY growth rate exceeded that of the gross merchandise value (excluding other GMV), mainly due to growth in Outright purchase/production & sales, USED sales, and the advertising business, which has high sales ratio to the gross merchandise value, a decrease in the composition ratio of the BtoB business, which has a low sales ratio to the gross merchandise value, and the growth rate of the advertising business exceeded that of the gross merchandise value (excluding other GMV).

As mentioned in the sales part, the main factor of increased gross profit margin was growth in Outright purchase/production & sales, USED sales, and the advertising business. Also, a decrease in the composition ratio of the BtoB business, which has a low gross profit margin, to the gross merchandise value (excluding other GMV) contributed to it.

Selling, general and administrative expenses were 114,920 million yen (+7.9% YoY). Its ratio to the gross merchandise value (excluding other GMV) was 22.9%, a decrease of 0.1% compared with the same quarter of the previous fiscal year. The main reasons for the decline in the SG&A-to-GMV ratio on a YoY basis are as follows. All the percentages to the gross merchandise value are calculated by dividing each SG&A expense by the gross merchandise value (excluding other GMV):

#### Improving factors

1. Logistics-related expenses in personnel expenses to the gross merchandise value declined by 0.3% due to the operational efficiency improvement inside logistics bases.
2. Shipping expenses to the gross merchandise value declined by 0.3% due to a higher average order value on a YoY basis, and the optimization of the cardboard box size and other materials used for delivery.

#### Worsening factors

1. Advertising expenses to the gross merchandise value rose 0.4% due to the increased investment in the TV commercials and web advertising.
2. Other expenses to the gross merchandise value rose by 0.2% points due to higher communication expenses resulting from an increased cloud server usage through service enforcement and system replacement.

Consequently, the operating profit of the current consolidated fiscal year was 56,421 million yen (+13.6% YoY) and the operating profit margin was 11.3% to the gross merchandise value (excluding other GMV), an increase of 0.6% compared with the previous year. Ordinary profit was 56,716 million yen (+14.2% YoY), and net profit attributable to owners of parent was 39,526 million yen (+14.6% YoY).

[Table2] Comparison with the initial forecast

(Unit: Million yen)

	Current consolidated fiscal year (Revised forecast)		Current consolidated fiscal year (Results)		Comparison to the revised forecast
Gross merchandise value	543,800	(109.7%)	544,317	(108.6%)	0.1%
Gross merchandise value (excluding other GMV)	495,800	(100.0%)	501,108	(100.0%)	1.1%
Net sales	181,300	(36.6%)	183,423	(36.6%)	1.2%
Operating profit	55,000	(11.1%)	56,421	(11.3%)	2.6%
Ordinary profit	55,200	(11.1%)	56,716	(11.3%)	2.7%
Profit attributable to owners of parent	38,400	(7.7%)	39,526	(7.9%)	2.9%

Figures in parentheses are percentages to gross merchandise value (excluding other GMV)

Compared to the revised consolidated business forecast disclosed on January 31, 2023, the gross merchandise value, the gross merchandise value (excluding other GMV), net sales, operating profit, ordinary profit, and profit attributable to owners of parent exceeded 0.1%, 1.1%, 1.2%, 2.6%, 2.7% and 2.9% respectively. The main reason for achieving the targets was the good retention rate of existing users and steady acquisition of new users during the fourth quarter consolidated accounting period of the current fiscal year.

Since our group is a single segment of the e-commerce business, information by segment is omitted. However, the performance of each business segment within the single segment is shown below.

[Table 3] YoY comparison by business segment

By business segment	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)			Current consolidated fiscal year (April 1, 2022 to March 31, 2023)			Merchandise Value YoY (%)	Net sales YoY (%)
	Merchandise value (Million yen)	Composi tion (%)	Net sales (Million yen)	Merchandise Value (Million yen)	Composi tion (%)	Net sales (Million yen)		
ZOZOTOWN Business	391,647	77.0	122,976	435,542	80.0	136,075	11.2	10.7
(Outright purchase/ production & sales)	3,233	0.6	3,175	4,726	0.9	4,561	46.2	43.6
(Consignment Sales)	374,966	73.8	106,591	414,769	76.2	115,815	10.6	8.7
(USED Sales)	13,448	2.6	13,209	16,046	2.9	15,699	19.3	18.8
Yahoo! JAPAN Shopping	43,844	8.6	12,769	49,881	9.2	14,652	13.8	14.7
BtoB business	26,682	5.2	4,945	15,684	2.9	2,587	-41.2	-47.7
Advertising business	-	-	6,301	-	-	7,770	-	23.3
Subtotal excluding Others	462,175	90.8	146,993	501,108	92.1	161,086	8.4	9.6
Others	46,701	9.2	19,206	43,209	7.9	22,336	-7.5	16.3
Total	508,876	100.0	166,199	544,317	100.0	183,423	7.0	10.4

① ZOZOTOWN business

The ZOZOTOWN Business consists of three business forms: "Outright purchase/production & sales", "Consignment sales", and "USED sales". "Outright purchase/production & sales" purchases fashion merchandise from each brand and sells them as in-house inventory with inventory risk. This corresponds to the form of purchasing fashion merchandise from each brand and the form of ordering merchandise by our group, such as MS (Multi-Size). "Consignment sales" handles consignment inventory of merchandise from each brand and sells them on a consignment basis. "USED sales" mainly buys and sells used fashion-related merchandise from individual users and is positioned as a value-added service to promote the purchase of new products.

We recognize that increasing the number of buyers and the usage rate of ZOZOTOWN in fashion consumption are the key factors in achieving sustainable growth. To realize this, we are working on creating a website that is attractive to both users and brands.

The transition of major KPIs for the ZOZOTOWN Business is as follows.

(Number of shops, etc.)

[Table 4] Changes in the number of shops and brands

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Shops in ZOZOTOWN (Note) 1	1,488	1,502	1,516	1,510	1,523	1,532	1,554	1,562
Outright purchase/production & sales	20	24	24	24	25	27	28	28
Consignment sales	1,468	1,478	1,492	1,486	1,498	1,505	1,526	1,534
Number of brands (Note) 1,2	8,490	8,451	8,481	8,433	8,512	8,455	8,545	8,455

(NOTE)

1. Figures are as of the end of quarter accounting period.
2. Private brand "ZOZO" and "Multi-size" are not included.

The number of new shops opened during the current consolidated fiscal year was 111 (a net increase of 52 shops). The number of shops opened in the fourth quarter consolidated accounting period was 31. The major new stores are "FOREVER21", a fast fashion brand from the U.S. that has re-launched in Japan, "nissen," operated by the major catalog retailer Nissen Co., Ltd., and "PERFECT ONE," a skincare brand that pursues simplicity and collagen.

(Number of annual buyers)

[Table 5] Changes in the number of annual buyers

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of annual buyers (Note )2	9,730,162	9,890,784	10,103,351	10,418,331	10,619,934	10,859,876	11,211,383	11,411,712
(YoY)	1,067,602	1,085,629	963,555	932,662	889,772	969,092	1,108,032	993,381
(QoQ)	244,493	160,622	212,567	314,980	201,603	239,942	351,507	200,329
Number of active members (Note)3	8,367,073	8,507,997	8,711,879	9,043,194	9,269,080	9,545,087	9,935,769	10,192,333
(YoY)	1,143,320	1,073,468	937,939	905,465	902,007	1,037,090	1,223,890	1,149,139
(QoQ)	229,344	140,924	203,882	331,315	225,886	276,007	390,682	256,564
Number of guest buyers (Note)	1,363,089	1,382,787	1,391,472	1,375,137	1,350,854	1,314,789	1,275,614	1,219,379
(YoY)	-75,718	12,161	25,616	27,197	-12,235	-67,998	-115,858	-155,758
(QoQ)	15,149	19,698	8,685	-16,335	-24,283	-36,065	-39,175	-56,235

(NOTE)

1. The calculating period is the most recent one-year period prior to the end of the accounting periods.
2. Numbers of annual buyers are sum of active members and guest buyers who purchased more than once within the past year from each quarter.
3. Numbers of active members are members who purchased more than once within the past year from each quarter.
4. Buyers of "Yahoo! JAPAN Shopping" are not included.

In the fourth quarter consolidated accounting period of the current fiscal year, the number of annual buyers increased as a result of an increase in the number of active members YoY and QoQ. The steady growth in the number of active members is attributable to strengthening customer attraction through broadcasting TV commercials and web advertising of "ZOZOWEEK" held in May, September, and November, the summer and winter sale, which started in June and January, respectively, and the second anniversary of ZOZOCOSME in March 2023, as well as good retention rate of the members newly acquired during the previous fiscal year..

## (Annual purchase amount and annual purchase pieces)

[Table 6] Changes in annual purchase amount and annual purchase pieces

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annual purchase amount (Total) (Note) 1, 2, 3, 4	42,363	42,343	42,549	42,403	42,559	42,401	42,331	42,224
(YoY)	-6.1%	-4.5%	-2.9%	-1.0%	0.5%	0.1%	-0.5%	-0.4%
(QoQ)	-1.1%	-0.0%	0.5%	-0.3%	0.4%	-0.4%	-0.2%	-0.3%
Annual purchase pieces (Total) (Note) 1, 2, 3	11.4	11.5	11.6	11.6	11.6	11.4	11.1	10.9
(YoY)	-3.6%	-2.0%	-0.7%	0.1%	1.5%	-1.4%	-4.5%	-5.9%
(QoQ)	-1.3%	1.0%	0.9%	-0.4%	0.0%	-1.8%	-2.3%	-1.8%
Annual purchase amount (Existing members) (Note) 1, 2, 3, 4	49,257	49,037	49,064	49,254	49,407	49,331	49,336	48,716
(YoY)	-5.6%	-4.8%	-3.9%	-1.8%	0.3%	0.6%	0.6%	-1.1%
(QoQ)	-1.8%	-0.4%	0.1%	0.4%	0.3%	-0.2%	0.0%	-1.3%
Annual purchase pieces (Existing members) (Note) 1, 2, 3	13.2	13.3	13.4	13.4	13.4	13.2	12.9	12.6
(YoY)	-2.8%	-2.2%	-1.7%	-0.7%	1.3%	-0.9%	-3.4%	-6.4%
(QoQ)	-2.2%	0.3%	0.8%	0.4%	-0.3%	-1.9%	-1.8%	-2.7%

## (NOTE)

1. The calculating period is the most recent one-year before the end of the accounting periods.
2. Indexes for each active member.
3. Buyers of "Yahoo! JAPAN Shopping" are not included.
4. The amounts are in yen.

During the fourth quarter consolidated accounting period of the current fiscal year, the annual purchase amount (Total) decreased YoY and QoQ. This was due to steady growth in the acquisition of new members (whose annual purchase amount is lower than the overall average). The annual purchase pieces (Total) also decreased YoY and QoQ. This was due to steady growth in the acquisition of new members (whose annual purchase pieces are lower than the overall average), and an increase in the average retail price.

The annual purchase pieces (Existing members) decreased, while the annual purchase amount (Existing members) remained the same YoY and QoQ. This was due to a decrease in the ratio of combined purchases resulting from a higher retail price.

(Average retail price etc.)

[Table 7] Changes in the average retail price, average order value, average purchase pieces per order, and number of shipments

	Previous consolidated fiscal year				Current consolidated fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average retail price (Note) 1, 2, 3 (YoY)	3,490 1.4%	3,264 -3.5%	4,167 -3.1%	3,752 0.1%	3,552 1.8%	3,487 6.8%	4,438 6.5%	3,987 6.3%
Average order value (Note) 1, 2, 3 (YoY)	7,501 1.2%	7,346 -0.3%	8,592 0.9%	7,974 -0.2%	7,699 2.6%	7,566 3.0%	8,961 4.3%	8,300 4.1%
Average purchase pieces per order (Note) 1, 3 (YoY)	2.15 -0.1%	2.25 3.2%	2.06 4.1%	2.13 -0.3%	2.17 0.9%	2.17 -3.6%	2.02 -2.1%	2.08 -2.1%
Number of shipments (Note) 1, 3 (YoY)	12,085,053 5.3%	11,816,663 7.3%	13,049,762 9.1%	12,800,550 14.7%	13,123,988 8.6%	12,742,183 7.8%	14,178,195 8.6%	13,379,524 4.5%

(NOTE)

1. Figures for quarter accounting period are used.
2. The amounts are in yen.
3. "Yahoo! JAPAN Shopping" is not included.

The average retail price in the fourth quarter consolidated accounting period of the current fiscal year increased YoY. The main factor was an increase in list prices for certain items and a decrease in the proportion of merchandise on sale. Additionally, the average order value increased YoY. This was due to the impact of the higher average retail price, which outweighed the effect of a decrease in the number of purchase pieces per order.

Results for ZOZOTOWN Business (Outright purchase/production & sales, Consignment sales, and USED sales) are as follows:

i. Outright Purchase/Production & Sales

In the current consolidated fiscal year, the merchandise value was 4,726 million yen (+46.2% YoY), accounting for 0.9% of the gross merchandise value (0.6% in the previous fiscal year). Net sales were 4,561 million yen (+43.6% YoY). As of the end of March 2023, the number of shops opened on ZOZOTOWN for Outright purchase/production & sales was 28 (28 as of the end of December 2022).

ii. Consignment Sales

In the current consolidated fiscal year, the merchandise value was 414,769 million yen (+10.6% YoY), accounting for 76.2% of the gross merchandise value (73.8% in the previous fiscal year). Net sales (consignment sales

commission) were 115,815 million yen (+8.7% YoY). As of the end of March 2023, the number of shops opened on ZOZOTOWN for consignment sales was 1,534 (1,526 as of the end of December 2022).

### iii. USED Sales

In the current consolidated fiscal year, the merchandise value was 16,046 million yen (+19.3% YoY), accounting for 2.9% of the gross merchandise value (2.6% in the previous fiscal year). Net sales were 15,699 million yen (+18.8% YoY).

#### ② Yahoo! JAPAN Shopping

ZOZOTOWN opened a shop on "Yahoo! JAPAN Shopping", an online shopping mall operated by Yahoo Japan Corporation. In the current consolidated fiscal year, the merchandise value was 49,881 million yen, (+13.8% YoY), accounting for 9.2% of the gross merchandise value (8.6% in the previous fiscal year). Net sales (consignment sales commission) were 14,652 million yen (+14.7% YoY).

#### ③ BtoB business

The BtoB business is a business model in which we are commissioned to build and operate brands' own e-commerce websites. In the current consolidated fiscal year, the merchandise value was 15,684 million yen (-41.2% YoY), accounting for 2.9% of the gross merchandise value (5.2% in the previous fiscal year). Net sales (consignment sales commission) were 2,587 million yen (-47.7% YoY). As of the end of March 2023, the number of consigned websites was 36 (37 as of the end of December 2022).

#### ④ Advertising business

The advertising business is a business model that generates advertising revenue by providing advertising space to client brands by utilizing the user reach base of ZOZOTOWN and WEAR. In the current consolidated fiscal year, net sales were 7,700 million yen (+23.3% YoY). As for WEAR, we continue to focus on expanding the number of users and content.

#### ⑤ Others

The segment for others within the gross merchandise value includes 1) the merchandise value of the stores that contracted "ZOZO Option" in the fashion category stores excluding ZOZOTOWN on Yahoo! JAPAN Shopping (service that enables those stores to get benefits from sales support such as participation in the special events by the Company), 2) the merchandise value of a consolidated subsidiary's own e-commerce website, 3) the merchandise value from ZOZOMO, the system to support for sending customers to the physical stores from ZOZOTOWN, which was recorded from the fourth quarter consolidated accounting period of the previous fiscal year, and 4) the merchandise value of "ZOZOSUIT" which is sold for a fee in the U.S. The merchandise value during the current consolidated fiscal year was 43,209 million yen (-7.5% YoY), accounting for 7.9% of the gross merchandise value (9.2% in the previous fiscal year). Within the segment for others, net sales generated from businesses related to ZOZOTOWN (shipping income and settlement commission income, etc.) and other revenues mentioned above are included. In the current consolidated fiscal year, net sales were 22,336 million yen (+16.3% YoY).



## (2) Status of capital investment

In the current consolidated fiscal year, in order to cope with the increase in the gross merchandise value and traffic, we added logistics-related equipment and reinforced servers. Total amount was 9,271 million yen.

## (3) Status of financing activities

The main funding for the current consolidated fiscal year is short-term borrowings from financial institutions. The balance of short-term borrowings at the fiscal year-end was 20,400 million yen.

Additionally, in March 2023, we entered into a syndicated commitment line agreement with 3 trading banks in an effort to improve funds flexibly and stably.

## (4) Issues to be addressed

The immediate issues the group is facing are: ① Generate synergies by deepening cooperation with the parent company Z Holdings Corporation, ② Rebranding of ZOZOTOWN, ③ Diversification of the profit structure, ④ Efforts to enhance fulfillment and e-commerce system functions, and ⑤ System engineer resource enhancement.

### ① Promote initiatives to generate synergies by deepening cooperation with the parent company Z Holdings Corporation

Our group became a consolidated subsidiary of Z Holdings Corporation as a result of a tender offer by Z Holdings Corporation, and since then we have strengthened the cooperation. We will expand the scope of the business cooperating with other group companies as well as LINE Corporation and promote maximum efforts to maximize synergy effects.

#### a. Increase the gross merchandise value at ZOZOTOWN Yahoo! JAPAN Shopping

We opened ZOZOTOWN at Yahoo! JAPAN Shopping operated by Yahoo Japan Corporation on December 17, 2019. ZOZOTOWN Yahoo! JAPAN Shopping started well, but we think that there is still room for growth. We will increase the gross merchandise value by adding the functions that ZOZOTOWN has to ZOZOTOWN Yahoo! JAPAN Shopping and make it more useful for a wide range of users.

#### b. Share development resources

The Company will accelerate the pace and improve the quality of development by sharing the technical capabilities of engineers between Z Holdings Corporation and the Company.

### ② Rebranding of ZOZOTOWN

The Company will rebrand the core business ZOZOTOWN to become the service further seeking the fashion and selling merchandise, as well as giving value to users and brands with technology creating new selling methods and customer experiences, upholding the theme: "MORE FASHION" x "FASHION TECH".

### ③ Diversification of the profit structure

In April 2021, the Group announced its three pillars of the strategy, which aims to diversify its profit structure: (1) Increase traffic other than "BUY," (2) Step into "production support," and (3) Try "technology licensing sales. The Company aims to expand profit opportunities by maximizing the use of its unique customer base, information, know-how, technology, and other assets.

④ Efforts to enhance fulfillment and e-commerce system functions

In view of the expected increase in the gross merchandise value in the future, we will consider further expansion of logistics capacity and improve operational efficiency. By increasing the number of logistics warehouses in August 2023, we will expand our logistics capacity. Also, regarding the hardware and functional aspects of the e-commerce system, we will strive to improve the number of users and accesses that accompany them, as well as to improve usability.

⑤ System engineer resource enhancement

In order to expand business in the future, it will be important to strengthen system engineer resources. Currently, about 450 engineers are enrolled; in view of future business development, we will increase the number of engineers in order to improve development speed and incorporate new technologies. As stated in ①-b, sharing of resources such as engineers will be actively implemented with the parent company Z Holdings Corporation.

(5) Financial Performance Highlights

Segment	FY2019 22 <sup>nd</sup> term	FY2020 23 <sup>rd</sup> term	FY2021 24 <sup>th</sup> term	FY2022 25 <sup>th</sup> term (Current consolidated fiscal year)
Net sales (million yen)	125,517	147,402	166,199	183,423
Ordinary profit (million yen)	27,644	44,386	49,655	56,716
Profit attributable to owners of parent (million yen)	18,804	30,932	34,492	39,526
Net profit per share (yen)	61.60	101.30	115.02	131.83
Total assets (million yen)	94,186	125,656	127,276	155,742
Net assets (million yen)	34,534	55,507	55,099	76,693

(NOTE)

1. Net profit per share is calculated based on weighted average number of shares.

(6) Major business (As of March 31, 2023)

Business	Operations and Services Description
ZOZOTOWN Business	<p>ZOZOTOWN business consists of Outright Purchase/Production &amp; Sales, Consignment sales, and USED sales.</p> <p>(Outright Purchase/Production &amp; Sales)</p> <p>The Group purchases and sells fashion items while bearing the inventory risk. This category includes the business that purchases fashion items from various brands, and the business that sells while holding their own inventory, such as MSP (multi-size platform).</p> <p>(Consignment shop)</p> <p>Each brand opens, operates, and manages its store in ZOZOTOWN as a tenant. Our group stores/sells their products as consignment inventories at/from our logistics bases. Some clear differences from Outright Purchase shops include: 1. tenants need to do the basic merchandizing by themselves, 2. consignment sales style allows us to avoid inventory risk. Net sales of this business are posted as "Consignment sales commissions", meaning handling fee for sold products.</p> <p>(USED sales)</p>

	This is secondary distribution business style that we purchase and sell secondhand/vintage fashion items from/to individual users, etc. while holding as own inventories.
Yahoo! JAPAN Shopping	The Company opened ZOZOTOWN at Yahoo! JAPAN Shopping operated by Yahoo Japan Corporation and sell merchandise.
BtoB Business	The Company provides various on-demand fulfillment services such as developing system of e-commerce website for apparel brands, design and production, distribution support and marketing assistance. Net sales of this business are also recorded like "Consignment sales commissions" which is handling fee for sold products.
Advertising Business	Utilizing our extensive user reach platforms of ZOZOTOWN and WEAR, the Company provides advertising spaces for partner brands and advertising agencies to gain advertising revenue.
Others	This is the services associated with ZOZOTOWN business (shipping income and settlement commission, etc.) Also, in the fashion category stores excluding ZOZOTOWN stores in the Yahoo! JAPAN Shopping, there are ZOZO Option (a service that enables customers to benefit from sales support such as participation in special feature plans implemented in the Yahoo! JAPAN Shopping based on our proposal) and the business form that you can sell products on our consolidated subsidiary's e-commerce website.

(7) Situation of significant parent company and subsidiaries

① Relationship with parent company

Company Name	Amount of Capital (million yen)	Voting Rights to the Company	Major Business
SoftBank Group Corp.	238,772	51.0% (51.0%)	Holding company
SoftBank Group Japan Corporation	188,798	51.0% (51.0%)	Holding company
SoftBank Corp.	204,309	51.0% (51.0%)	Telecommunications
A Holdings Corporation	100	51.0% (51.0%)	Holding company
Z Holdings Corporation	247,094	51.0% (51.0%)	Business management of group companies and related operations
Z Intermediate Holdings Corporation	1	51.0% (-)	Holding company

(NOTE)

1. "Voting rights to the Company" is the total ratio of voting rights owned by each company directly and indirectly.  
The figures in parentheses indicate the ratio of voting rights owned indirectly.
2. The direct parent company of the Company is Z Intermediate Holdings Corporation, holding 152,952,900 shares (51.0% of the voting rights) of the Company.

The following shows the provisions of the contracts related to the significant financial and business policies that the Company entered with the parent company.

In order to realize the goal of increasing the corporate value of both companies while taking into consideration the minority shareholders of the Company, the two companies have formed a capital alliance with the aim of building a stable capital alliance relationship with the Company while building a strong alliance relationship through a business alliance based on the capital alliance. Shopping" operated by Z Holdings, and to expand and evolve the fashion EC business of the two companies.

The Company establishes the "Guideline to ensure the fairness of transactions with the parent company group" and makes decisions independently from the parent company according to the guidelines in order to prevent any harm to the interests of the Company.

The Company also establishes the "Guideline on Intergroup Transaction Review Committee" and the "Intergroup Transaction Review Committee", which discusses and reviews significant conflict-of-interest transactions with the parent company's group and expresses opinions to the Board of Directors, ensuring fairness with consideration for minority interests and making decisions through multifaceted discussions. Therefore, the Company believes that such transactions will not harm the interests of the Company.

②Situation of significant subsidiaries

Company Name	Amount of Capital (million yen)	Our Share of Voting Rights	Major Business
ZOZO NEXT, Inc.	280	100.0%	Research and development

(NOTE)

1. There are no subsidiaries that qualify as specified wholly-owned subsidiaries.

(8) Main places of business, etc. (As of March 31, 2023)

①ZOZO, Inc.

Headquarter	Inage-ku, Chiba-city, Chiba
Logistics center (ZOZOBASE)	Narashino-city, Chiba, Tsukuba-city, Ibaraki

②Subsidiary

ZOZO NEXT, Inc.	Inage-ku, Chiba-city, Chiba
-----------------	-----------------------------

(9) Status of employees, etc. (As of March 31, 2023)

①Number of employees in the corporate group

Number of employees	1,555
Increase/decrease from end of previous consolidated fiscal year	Increase of 101

(NOTE)

1. The figure includes full-time employees and associate employees.

2. Number of temporary workers (5,527 part-time workers, contingent workers, etc.) is not included in the figure.

②Number of employees of the Company

Number of Employees	Increase/decrease from End of Previous Consolidated Fiscal Year	Average Age	Average Length of Service
1,418	Increase of 80	33.6 years old	6.2years

(NOTE)

1. The figure reflects the number of people employed by the Company (including those transferred from other companies to the Company but excluding those transferred from the Company to other companies). 5,502 temporary workers (including part-time workers, contingent workers, etc.) are not included.

③ The proportion of female workers in managerial posts, the percentage of male workers taking parental leave, and the wage variance between male workers and female workers

Proportion of female workers in managerial posts (%) (Note 1)	Percentage of male workers taking parental leave (%) (Note 2)	Wage variance between male workers and female workers (%) (Note 1)		
		All workers	Of all workers, regular workers	Of all employees, part-time and fixed-time workers
22.5	34.6	58.4	72.4	106.1

(Note)

1 It is based on the provision of the Act on the Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015)

2 It indicates the percentage of taking parental leave stipulated in Article 71-4, Paragraph 1, of the Ordinance for Enforcement of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members including Child Care and Family Care Leave (Ordinance of the Ministry of Labor No. 25 of 1991) based on the provision of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members including Child Care and Family Care Leave (Ordinance of the Ministry of Labor No. 76 of 1991).

(10) Major Name of bank (as of March 31, 2023)

Name of Bank	Outstanding Debt
Sumitomo Mitsui Banking Corporation	17,700 million yen
Keiyo Bank, Ltd.	2,000 million yen
Kansai Mirai Bank, Limited	500 million yen
Mizuho Bank, Ltd.	200 million yen

2. Matters regarding company stocks

(1) Total number of shares issuable 1,287,360,000

(2) Total number of issued shares 311,644,285

(3) Number of Shareholders 14,825

(4) Composition of major shareholders

Name of Shareholder	Ownership in ZOZO	
	Number of Shares Held (share)	Percentage of Shares Held (%)
Z Intermediate Holdings Corporation	152,952,900	51.0%
Yusaku Maezawa	24,642,000	8.2%
THE MASTER TRUST BANK OF JAPAN, Ltd. (Trust Account)	21,326,500	7.1 %
Custody Bank of Japan, Ltd. (Trust Account)	7,647,800	2.6%
STATE STREET BANK AND TRUST COMPANY 505001	3,409,425	1.1%
STATE STREET BANK AND TRUST COMPANY 505223	2,903,561	1.0%
JP MORGAN CHASE BANK 385632	2,421,045	0.8%
BBH (LUX) FOR AB SICAV 1-LOW VOLATILITY EQUITYPORTFOLIO	2,359,800	0.8%
STATE STREET BANK AND TRUST COMPANY 505234	2,205,651	0.7 %
RBC IST 15 PCT NON LENDING ACCOUNT-CLIENT ACCOUNT	2,077,749	0.7 %

(NOTE)

1. The company holds 11,787,504 of treasury stocks but excluded from the above major shareholders.
2. The percentage of shares held is calculated without treasury stocks.



(5) Stock granted to officers of the Company in exchange for their execution of duties during the current fiscal year

① Details of stock rewards granted during the current fiscal year

The stock-based compensation plan allocates the Company's common stock to the Eligible Directors as compensation without the transfer of money or the provision of properties contributed in kind and attaches the restriction of transfer for a certain period to the allocated stocks. The restricted stocks allocated to the Eligible Directors are performance-linked restricted stocks, and the number of stocks to be released from the restriction is determined according to the degree of achievement of the indicators for mid-and long-term increases in enterprise value of the Company group.

① Total number of shares granted to Directors and other officers by position

Position	Number of Shares Held (share)	Number of Eligible Directors or Other Officers
Director (excluding Outside Director)	43,800	3
Outside Director	-	-
Audit and Supervisory Board members	-	-

3. Stock acquisition rights of the Company

(1) Stock acquisition rights held by officers of the Company and issued in consideration of the execution of duties  
Not applicable

(2) Stock acquisition rights issued to employees in consideration of the execution of duties during the current consolidated fiscal year  
Not applicable

(3) Other important matters concerning stock acquisition rights, etc.  
Not applicable

#### 4. Matters regarding Board Members

##### (1) List of Directors and Audit and Supervisory Board Members (As of March 2023)

Name	Position and Responsibilities	Other Concurrent Job Titles
Kotaro Sawada	Representative Director, President & CEO	Representative Director, President & CEO of ZOZO NEXT Inc.
Koji Yanagisawa	Director, Executive Vice President & CFO	Outside Director of COLOPL, Inc. Outside Director of DIGITAL HOLDINGS, Inc. Director of ZOZO NEXT Inc.
Fuminori Hirose	Director & COO	Outside Audit and Supervisory Board member of KOKOPELLI, Inc.
Kentaro Kawabe	Director	Representative Director and Co-CEO of Z Holdings Corporation Director of Yahoo Japan Corporation Director of SoftBank Corp. Director of SoftBank Group Corp.
Takao Ozawa	Director	Director, Senior Managing Executive Officer and E-Commerce CPO of Z Holdings Corporation President and CEO of Yahoo Japan Corporation Outside Director of Demae-can Co., Ltd. Outside Director of ASKUL Corporation Chairman of Ikyu Corporation Director of PayPay Corporation
Koji Ono	Director	Director of DIAMOND HEADS INC.
Kazunori Hotta	Director	Representative Director of Good Luck Corp.
Taro Saito	Director	Representative Director of dof Inc. Outside Director of CARTA HOLDINGS, INC. Director of CC INC. Outside Director of for Startups, Inc. Outside Director of Sansan, Inc.
Hiroko Igarashi	Full-time Audit and Supervisory Board member	—
Junichi Motai	Audit and Supervisory Board member	Representative Director of Accounting Assist Co., Ltd. Audit and Supervisory Board member of CARTA HOLDINGS, INC. Audit and Supervisory Board member of Vision, Inc. Outside Director of gooddays holdings, Inc. Audit and Supervisory Board member of Geolocation

		Technology, Inc.
Junko Utsunomiya	Audit and Supervisory Board member	Utsunomiya, Shimizu & Haruki Law Office (Attorney) Outside Director (Audit and Supervisory Committee Member) of RAKSUL INC. Outside Director of HEIWA REAL ESTATE CO., LTD. Outside Director (Audit and Supervisory Committee Member) of PeptiDream Inc.

Note

1 Three Directors; Mr. Koji Ono, Mr. Kazunori Hotta and Mr. Taro Saito are Outside Directors. The Company designated all three of them as independent officer under the provisions of Tokyo Stock Exchange, Inc. and have reported the designation to the Exchange.

2 Three Audit and Supervisory Board members; Ms. Hiroko Igarashi, Mr. Junichi Motai, and Junko Utsunomiya, are Outside Audit and Supervisory Board members. The Company designated all three of them as independent officer under the provisions of Tokyo Stock Exchange, Inc. and reported the designation to the Exchange.

3 Ms. Hiroko Igarashi, an Audit and Supervisory Board member, is a certified public accountant. She has the decent knowledge and understandings on the finance and accounting.

4 Mr. Junichi Motai, an Audit and Supervisory Board member, is a certified public accountant and licensed tax accountant. He has the decent knowledge and understandings on the finance and accounting.

5 The executive officers who does not hold Director positions as of March 31,2023 are listed as below.

Name	Position and Responsibilities
Toshiaki Shimizu	Executive Officer of Hospitality Division and HR Division
Takao Yamasaki	Executive Officer of Marketing Division, Group Business Strategy Division and AI/Analytics Division
Christine Edman	Executive Officer of Sales Division, EC promotion Division and ZOZOVILLA Division
Masahiro Tashiro	Executive Officer of Fulfillment Division

(2) Summary of contents of the contract for limitation of liability

The Company entered into the contract with Non-executive Directors, Outside Directors, and Audit and Supervisory Board members to limit the liability for damage stipulated in Article 423, Paragraph 1, of the Companies Act to the limit set forth in laws and regulations in the event they have acted in good faith and have committed no gross negligence according to the provisions of Article 427, Paragraph 1, of the Companies Act.

(3) Summary of contents of the directors and officers liability insurance policy

The Company entered into the liability insurance policy for Directors and officers, which is stipulated in Article 430-3, Paragraph 1, of the Companies Act. The insurance policy covers Directors, Audit and Supervisory Board members, Executive Officers, and managerial employees of the Company and its subsidiaries, and insurance premiums of all insured persons are borne by the Company. The insurance policy will cover litigation expenses and compensation for damage brought against the insured person during the insurance period. However, in order to ensure that the performance of insured persons' duties is not impaired, certain exclusions apply, such as the insured being excluded from coverage for damages caused by an act committed by the insured person with knowledge that the act was in violation of the law.

(4) Amounts of remuneration/ compensation for Directors and Audit and Supervisory Board members payable for the current fiscal year

① Matters concerning the policy for determining the remuneration/ compensation for individual Directors and Audit and Supervisory Board members

i. Purposes of remuneration/ compensation

Remuneration/ compensation for Directors consists of fixed remuneration (cash remuneration) and performance-linked compensation (cash bonus remuneration/ stock compensation). They are paid for efforts to achieve short, medium- and long-term business results and increases in corporate value. The results are measured based on the Company's management strategy to promote a medium- and long-term sustainable increase in corporate value, and function as a sound incentive.

ii. Level of remuneration/ compensation

After establishing a group of companies as a benchmark for remuneration/ compensation , a certain level and composition of remuneration/ compensation are prepared so that the Company can ensure and retain excellent human resources over competitors in terms of business and recruiting under the assumption that the remuneration /compensation is attractive for current and prospective officers and their candidates.

iii. Composition of remuneration/ compensation

The ratio of performance-linked compensation exceeds the percentage of fixed remuneration, and among the performance-linked compensation, the proportion of a cash bonus and stock compensation shall be at 50:50.

a. Cash remuneration

Fixed remuneration is determined according to the title and duty of the eligible persons and paid during their term of office.

b. Cash bonus (short-term incentive remuneration)

Cash bonus represents the performance-linked compensation based on the achievement of the short-term performance goal for each fiscal year, and gross merchandise value, an indicator for potential business growth, and consolidated operating profit, an indicator for profitability, are designated as criteria for the payment of remuneration. A specific payment amount is determined based on the achievement of a performance goal set out in the single-year plan and title and duty of the eligible persons and periodically paid during the term of office.

c. Stock compensation (medium- and long-term incentive compensation)

Stock compensation on represents performance-linked compensation for promoting the management that focuses on medium- and long-term increases in corporate value/shareholder value and stock with restrictions on transfer is granted to the eligible persons. The ratio to release the restrictions on transfer is determined based on the Company's stock price growth rate for three fiscal years (compared with those of a group of about 36 benchmark companies) and consolidated operating profit. Fundamentally, the stock is annually granted to the eligible persons according to their title and duties.

iv. Matters concerning the determination of the details of remuneration/ compensation for respective Directors  
The Nomination and Remuneration Consultatory Committee examines the draft and its consistency with the policy for the determination from various perspectives. The Board of Directors also believes that the draft complies with the policy for determination and fundamentally respects a report from the committee.

v. Other significant matters concerning the determination of the remuneration/ compensation of respective Directors

For stock compensation, the provision is established that the Company acquires all or a part of the stocks allocated to the eligible Directors without charge in the event the relevant Directors resigns before the expiration of the period of transfer restriction for reasons other than reasons the Board of Directors thinks due and other cases that the relevant Directors commit events, such as specific illegal activities. In addition, the provision is established for making the applicable Directors return all or a part of stocks with restrictions on transfer or cash equivalent to them to the Company without charge when certain events are identified, including errors in the figures providing a basis for calculating the ratio of releasing the restrictions on transfer, and the Company considers the above return due.

Remuneration for Audit and Supervisory Board members consist of only fixed remuneration from the viewpoint of

focusing on independence from management and the objectivity, and the amount of remuneration for individual Audit and Supervisory Board members is based on the discussion among Audit and Supervisory Board.

② Matters concerning resolutions on remuneration/ compensation of Directors and Audit and Supervisory Board members adopted by the General Meeting of Shareholders

The resolution was adopted at the 19<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2017, to set the remuneration for Executive Directors at 800 million yen or less per year (among this, a portion for Outside Directors amounts to 50 million yen or less per year) within the limit on the remuneration for Directors based on the resolution of the General Meeting of Shareholders (The annual remuneration excludes a portion of employee salary of Director-employees). At the end of the related Ordinary General Meeting of Shareholders, the number of Directors totaled 8 (among this, the number of Outside Directors totaled 3). Separately from the relevant cash remunerations, stock compensation and the limit on the number of shares to be issued were determined at 162 million yen or less per year and 120,000 shares or less per year (Outside Directors are not applicable to stock compensation) at the 22<sup>nd</sup> Ordinary General Meeting of Shareholders held on June 29, 2020. At the end of the related Ordinary General Meeting of Shareholders, the number of Directors (excluding Outside Directors) totaled 3.

Remuneration for Audit and Supervisory Board is determined at 70 million yen or less per year, which was resolved at the 9<sup>th</sup> Ordinary General Meeting of Shareholders held on June 28, 2007. At the end of the related Ordinary General Meeting of Shareholders, the number of Audit and Supervisory Board members totaled 3.

③ Matters concerning delegation of determination of contents of remuneration/compensation for individual Directors

In the Company, remuneration/ compensation of individual Directors is discussed by the Nomination and Remuneration Consultatory Committee, which mainly consists of Outside Directors, and then they are determined upon the resolution by the Board of Directors, taking into account a report from the committee.

④ Total Amount of Remuneration/ Compensation, etc. paid to Directors and Audit and Supervisory Board Members

Position	Total Amount of Remuneration/ Compensation, etc. paid (million yen)	Amount of Remuneration/ Compensation, etc. paid per type (million yen)			The Number of Directors/ Audit and Supervisory Board Members
		Fixed remuneration	Performance-linked compensation		
			Monetary remuneration		
		Base Remuneration	Cash Bonus	Restricted stock	
Directors	318	165	64	88	6

in which Outside Directors	(21)	(21)	—	—	(3)
Audit and Supervisory Board Members	32	32			3
in which Outside Audit and Supervisory Board members	(32)	(32)	—	—	(3)

(NOTE)

(1)As of the end of the fiscal year, the Company has 8 Directors (including 3 Outside Directors) and 3 Audit and Supervisory Board members (including 3 Outside Audit and Supervisory Board members). The difference from the above figures is due to the inclusion of 2 non-remuneration Directors.

(2)Bonuses state the provision for bonuses for Directors payable for the current fiscal year.

Content of the performance indicators selected as a basis for calculating bonuses includes gross merchandise value and consolidated operating profit. These performance indicators were selected because the Company focuses on gross merchandise value and consolidated operating profit as an indicator showing the growth and profitability of the businesses of the Company group.

Actual results for gross merchandise value and consolidated operating profit including the current fiscal year are as described in the section 1. (1) Progress of business operation and its results , [Table 1] YoY basis.

(3)Compensation in the performance-linked shares with restriction on transfer are granted to Directors as non-monetary rewards.

Content and grant of these stock rewards are as described in the section 2 “Matters regarding company stocks ”.

(5) Matters regarding the Outside Board Members

① Relationship between the Company and other major entities where some members hold positions concurrently. Mr. Koji Ono, a Director, is also the director of DIAMOND HEADS INC. However, there is no capital ties nor business relationship between the Company and DIAMOND HEADS INC.

Mr. Kazunori Hotta, a Director, is also the Representative Director of Good Luck Corporation. However, there is no capital ties nor business relationship between the Company and Good Luck Corporation.

Mr. Taro Saito, a Director is the President and Representative Director of dof Inc., Outside Director of CARTA HOLDINGS, INC., Director of CC INC, and Outside Director of for Startups, Inc. and Sansan Inc.

There is a business relationship between Sansan Inc. and the Company in terms of the provision of services such as system usage fees, but the amount of such transactions is negligible.

There are no capital or business relationships between dof Inc., CARTA HOLDINGS Inc., CC Inc., or for Startups Inc. and the Company.

Mr. Junichi Motai, an Audit and Supervisory Board member, is the Representative Director of Accounting Assist Co., Ltd. He is also an auditor of CARTA HOLDINGS Inc., Vision Inc., Geolocation Technology, Inc., and an Outside Director of gooddays Holdings Inc.

There is no capital or business relationship between Accounting Assist Co., Ltd., CARTA HOLDINGS Inc., Vision Inc., gooddays Holdings Inc., or Geolocation Technology Inc. and the Company.

Ms. Junko Utsunomiya, an Audit and Supervisory Board member, is also the attorney of Utsunomiya, Shimizu & Haruki Law Office, the Director (Audit and supervisory committee member) of RAKSUL INC., the Outside Director of HEIWA REAL ESTATE CO., LTD., and the Outside Director (Audit and supervisory committee member) of PeptiDream Inc.

However, there is no capital ties nor business relationship between the Company and Utsunomiya, Shimizu & Haruki Law Office, RAKSUL INC., HEIWA REAL ESTATE CO., LTD., nor PeptiDream Inc.



② Performance Reviews for the Current Fiscal year

Name (position)	Performance Reviews
Koji Ono (Director)	Attended 18 out of 18 Board Meetings held during the current fiscal year. He makes appropriate comments from his rich knowledge and perspectives, as well as his extensive experiences cultivated through his art direction activities primarily in the fashion industry, and the branding activities of companies and products.
Kazunori Hotta (Director)	Attended 18 out of 18 Board Meetings held during the current fiscal year. He makes appropriate comments based on his extensive experiences and broad perspective accumulated in the wedding and hotel industries.
Taro Saito (Director)	Attended 18 out of 18 Board Meetings held during the current fiscal year. He makes appropriate comments as appropriate based on his extensive experiences and broad insight gained through his branding and communication design activities.
Hiroko Igarashi (Audit and Supervisory Board member)	Attended 18 out of 18 Board Meetings held during the current fiscal year. Her opinions are made mainly from a high level of perspective and extensive experiences in finance and accounting as a certified public accountant. Also, of 18 meetings of Audit and Supervisory Board held during the current fiscal year, she attended 18 out of 18 meetings held after her appointment as an Audit and Supervisory Board member, to exchange opinions on audit results and discusses important audit-related matters.
Junichi Motai (Audit and Supervisory Board member)	Attended 17 out of 18 Board Meetings held during the current fiscal year. He makes statements mainly based on his extensive knowledge and experiences in finance and accounting as a certified public accountant. In addition, he attended 17 out of 18 meetings of the Audit & Supervisory Board held during the current fiscal year, where he exchanged opinions on audit results and discussed important matters related to audits.
Junko Utsunomiya (Audit and Supervisory Board member)	Attended 18 out of 18 Board Meetings held during the current fiscal year. She makes statements based on her significant experiences and rich knowledge in the laws and compliance matters as an attorney. Also she attended 18 out of 18 meetings of Audit and Supervisory Board held during the current fiscal year, where she exchanges opinions on audit results and discusses important audit-related matters

③ Summary of performance by Outside Directors in relation to the roles they are expected

Mr. Koji Ono has rich knowledge and perspectives, as well as his extensive experience cultivated through his art direction activities primarily in the fashion industry, and the branding activities of companies and products. As an Outside Director of the Company, he has played an appropriate role in supervising and advising the Company's

business execution by making proactive statements from such perspective at Board Meetings.

Mr. Kazunori Hotta has extensive experience and broad perspective accumulated in the wedding and hotel industries, he has played an appropriate role in supervising and advising the Company's business execution by making proactive statements from such perspective at Board Meetings

Mr. Taro Saito has wealthy experience and broad insight gained through his branding and communication design activities, he has played an appropriate role in supervising and advising the Company's business execution by making proactive statements from such perspective at Board Meetings.

## 5. Accounting Auditor

### (1) Names of Accounting Auditors

Deloitte Touche Tohmatsu LLC

### (2) Amount of remuneration paid to Accounting Auditor for this fiscal year

- |   |               |
|---|---------------|
| ① Amount of remuneration paid to Accounting Auditor for this fiscal year  | 33million yen |
| ② Total amount of funds and other financial interests payable by the Company and its subsidiaries to the Accounting Auditor | 57million yen |

### (NOTE)

#### 1 Reason for consent by the Audit and Supervisory Board to remuneration of the Accounting Auditor

After obtaining necessary materials and receiving reports from Directors, related internal sections, and the Accounting Auditor, as well as confirming matters such as the state of execution of audit plans and auditing in the previous period and the appropriateness of estimations of remuneration for this period, the Audit and Supervisory Board has judged the level of remuneration of the Accounting Auditor to be appropriate and has consented thereto pursuant to Article 399, Paragraph 1 of the Companies Act.

2 Since the audit agreement concluded between the Company and the Accounting Auditor does not differentiate clearly between amounts of remuneration for auditing pursuant to the Companies Act and auditing pursuant to the Financial Instruments and Exchange Act, and it would not be possible to differentiate these practically as well, the total amount of these is indicated as the amount of remuneration for this fiscal year.

#### (3) Details of operations not audited

The Company does not engage Deloitte Touche Tohmatsu LLC for any services other than the audit certification services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law.

#### (4) Summary of agreements limiting liability

Article 43 of the Articles of Incorporation provides that the Company and the Accounting Auditor may enter into an agreement to limit liability for damages as provided in Article 423, Paragraph 1 of the Companies Act pursuant to Article 427, Paragraph 1 of the said Act, but the Company has not entered into a liability limitation agreement.

#### (5) Policy on decisions on dismissal or non-reappointment of the Accounting Auditor

When the Audit and Supervisory Board has determined that the Accounting Auditor's performance of its duties would be impeded or it is necessary for other reason, the Company shall, through a resolution of the Audit and Supervisory Board, determine the detail of the agenda of the General Meeting of Shareholders to resolve the dismissal or non-reappointment of the Accounting Auditor.

Specifically, if the Accounting Auditor meets any of the descriptions below and that there is no prospect of appropriate improvement, through a resolution of the Audit and Supervisory Board, submit to the General

Meeting of Shareholders a resolution on the dismissal or non-reappointment of the Accounting Auditor.

- ① When it has been subjected to disciplinary action or disposition by regulators for violation of laws or regulations, including the Companies Act and the Certified Public Accountants Act
- ② When it has been judged to meet any of the descriptions enumerated under Article 340, Paragraph 1 of the Companies Act
- ③ When it has been judged that it would be inadequate or inappropriate for it so carry out auditing of the Company in consideration of matters such as the quality of auditing by the Accounting Auditor, its quality control, its independence, or other overall capabilities
- ④ When it is determined the necessity for other reason

## 6. Company systems and policies

(1) As a system for ensuring the propriety of business operations pursuant to the provisions of the Companies Act and the enforcement regulations thereto, the Company has established a Basic Policy on Internal Control Systems, through a resolution of Directors. This policy is outlined below.

1. Systems to ensure that the performance of duties of the Company's Board of Directors and employees is in compliance with laws, regulations, and the Articles of Incorporation

① To ensure that the performance of duties of the Company's Board of Directors and employees is in compliance with laws and regulations as well as conforming to corporate ethics and fulfilling their social responsibilities, the Company establishes and maintains a Compliance Committee, chaired by the President and Representative Director, to deliberate on important compliance-related matters, the Company strives to develop and maintain its compliance systems, to prevent acts in violation of laws, regulations, etc., acts that could constitute violations, and inappropriate transactions, and to enhance the system for legal and regulatory compliance of Company Directors and employees.

② An internal whistleblowing system (helpline) is established to enable Company Directors and employees to report matters such as acts that they suspect may be in violation of laws, regulations, internal rules, etc., in order to discover and rectify any inappropriate acts quickly. Matters reported to the helpline are investigated by the Compliance Committee, and when it is clear that rectification is necessary the Compliance Committee swiftly decides on corrective and preventive measures and implements them.

③ The Company takes necessary measures to prevent person to be treated disadvantageously on the grounds by making the whistle blow set forth in the preceding paragraph.

④ The Internal Audit Office examines the compliance system, investigates for any issues with respect to laws, regulations, or the Articles of Incorporation, and reports its findings to the Board of Directors and the Audit and Supervisory Board.

⑤ The Board of Directors reviews the compliance system periodically to identify any issues and make relevant improvements.

⑥ The Audit and Supervisory Board audits this internal controls system in light of its efficacy and functions and strives swiftly to identify and rectify any issues.

2. Systems related to retention and management of information on the performance of duties of Company Directors

① Regarding the storage and management of information related to the execution of duties by the Company's

Directors, in accordance with pertinent laws and regulations and various internal regulations, the information will be recorded in documents or on electromagnetic media, and managed and stored appropriately.

② The Company's Audit and Supervisory Board members are able to view such information at any time.

### 3. Guidelines and other systems related to management of risks of losses by the Company

① The person responsible for supervision of risk management in the Company is the Executive Vice President. Accordingly, Directors, Executive Officers, General Managers and VPs of related sections identify and assess various risks based on the Risk Management Guideline and take measures as necessary in advance to avoid, mitigate, or transfer risks.

② The Internal Audit Office audits the state of risk management in each organization and reports on its findings to the Board of Directors and the Audit and Supervisory Board.

③ The Board of Directors reviews the risk management system periodically to identify any issues and make improvements as appropriate.

### 4. System for ensuring that Company Directors' duties are executed efficiently

① The roles and responsibilities of Directors and individual sections are defined clearly through establishment of documents such as the Board of Directors Guideline, Organizational Guideline, Guideline on Division of Responsibilities, and Job Authority Guideline. In addition, the Board of Directors Guideline specify matters that should be submitted to the Board of Directors and the scope of decisions that each Director may make, as a system to ensure that the duties of Directors are performed efficiently.

② The President and Representative Director drafts annual management plans based on the Budget Management Guideline and obtains their approval by the Board of Directors. Directors in charge of individual sections make decisions on practical measures and efficient business execution systems for their sections, based on the plans thus decided on.

③ The President and Representative Director reports periodically to the Board of Directors on the progress of the annual management plan. The Board of Directors analyses any impediments to measures implemented and efficient business execution systems and seeks to make necessary improvements.

### 5. Systems for ensuring the propriety of the business operations of the group of companies consisting of the Company and its subsidiaries ("Group" hereinafter)

① One or more of the Directors or Audit and Supervisory Board members of a subsidiary shall be dispatched from the Company, to monitor and supervise, or audit, the performance of duties of subsidiary Directors. The Business

Administration Division oversees maintenance of subsidiary business management, compliance systems, and risk management systems, and other matters of subsidiary business administration, pursuant to the Subsidiary Management Guideline. While respecting the autonomy of subsidiary management, the Company receives periodic reports on the state of subsidiary business, and approval is obtained from the Company as appropriate regarding important matters.

② The Internal Audit Office implements internal auditing of the state of management of Company subsidiaries and of subsidiary business activities.

6. Systems regarding employees assigned to assist the Audit and Supervisory Board members in the performance of their duties, as requested by the Audit and Supervisory Board members, and matters related to ensuring the efficacy of the performance of duties of such employees and their independence from Directors.

① When an Audit and Supervisory Board member has requested the assignment of one or more employees to assist in his or her duties, the Board of Directors may, through consultation with the Audit and Supervisory Board member, appoint such employees to assist the Audit and Supervisory Board member. Authority to direct such employees shall be delegated to the Audit and Supervisory Board members during the period of such assistance as specified by the Audit and Supervisory Board members and said employees shall not be subject to instruction or orders from Directors during said period.

② The prior consent of the Audit and Supervisory Board members shall be required before any personnel transfer, HR evaluation, or disciplinary action regarding an employee assisting a Audit and Supervisory Board member.

7. Systems for reporting by Group Directors and employees to the Audit and Supervisory Board members, and other systems related to reporting to the Audit and Supervisory Board member

① Group Directors and employees shall report to the Audit and Supervisory Board members, pursuant to laws, regulations, and internal rules, on matters that could cause serious harm to the Company; matters recognized to be improper acts or serious violations of laws, regulations or the Articles of Incorporation; important matters submitted to the Board of Directors and decisions of the Board; important accounting policies or accounting standards and changes therein; the state of implementation of internal auditing; important monthly reports and other important matters.

② Take necessary measures to prevent Group Directors and employees to be treated disadvantageously on the grounds by making the report set forth in the preceding paragraph.

8. Other systems to ensure the efficacy of auditing by the Audit and Supervisory Board members

① To ascertain the state of important decision-making processes and execution of duties, the Audit and Supervisory Board members may attend the Board Meetings, Management Meetings, and other important

meetings, view important documents related to business execution, such as applications for approval, and demand explanation of matters from Directors and employees.

② Audit and Supervisory Board members shall ensure the efficacy of audits through autonomy and authority pursuant to the Audit and Supervisory Board Guideline and the Audit and Supervisory Board Auditing Standards, as well as managing systems for effective auditing in close cooperation with the Internal Audit Office and the Accounting Auditor.

③ The President and Representative Director shall have a meeting periodically with the Audit and Supervisory Board to exchange opinions and maintain close communication regarding topics that the Company should address, the state of maintenance of the environment for auditing by the Audit and Supervisory Board members, important topics related to auditing, and other matters.

④ Payment shall be made promptly in response to procedures for advance payment or reimbursement of costs arising in the performance of the duties of the Audit and Supervisory Board members and other demands for payment of costs or obligations arising in the performance of their duties.

#### 9. Systems for exclusion of antisocial forces

The Company shall eliminate any relations to antisocial forces or groups that pose threats to social order or sound business activities and resolutely resist, systemically, any improper demands or similar matters, in cooperation with outside experts including the police and advising attorneys.

#### 10. Systems for ensuring the reliability of financial reporting

To ensure the reliability of financial reporting, systems shall be developed, maintained, and operated to ensure the effective functioning of internal controls related to financial reporting.

#### (2) Overview of state of operation of systems to ensure the appropriateness of business operations

##### ① State of operation of compliance systems

The Company has established a set of Compliance Committee Guidelines, and the Compliance Committee holds meeting quarterly, in accordance with the provisions of these guidelines. A system has been developed and is operated in order to ensure compliance with the Company's social responsibility, corporate philosophy, basic human rights policy, internal guidelines, laws and regulations, and various other provisions. Furthermore, the Committee also held meetings at other times as necessary. In addition, Helpline Guidelines have been established that prohibit the disadvantageous treatment of whistleblowers and efforts are made to ensure statutory compliance, to prevent improper acts, and to discover any such cases swiftly. A contact point (Helpline) that includes the involvement of the Compliance Committee, the Audit and Supervisory Board, and outside attorneys has been established and is in operation, and all employees are notified of it through the Company intranet. In addition, contact points including the involvement of the Company's Compliance Committee have been established for subsidiaries, as part of efforts to enhance compliance throughout the entire Group.



② State of operation of guidelines on management of risks of losses and other systems

Risk Management Guideline and Information System Management Guideline have been established, and a risk-management system has been established and is operated pursuant to these rules. As a part of these efforts, information security training has been provided one time for officers and employees, intended to help prevent inappropriate management of information and leakage of confidential information.

③ State of operation of systems intended to ensure the efficient performance of duties of Directors

Pursuant to the Board of Directors Guideline, regular Board Meetings are held on a monthly basis and irregular Board Meetings are held as necessary, for the purposes of decision-making on important matters related to management, such as matters specified in laws, regulations, etc., management policies, and budgeting, and to enable mutual oversight of performance of duties through close communication among Directors.

④ State of operation of systems intended to ensure the appropriate operation of the group of companies consisting of the Company and its subsidiaries

One or more Directors or Audit and Supervisory Board members are dispatched from the Company to each subsidiary, to enable appropriate management of subsidiary business operations. In addition, subsidiaries submit to the Company reports and requests for approval on matters that require prior approval under the Group's authority approval standards.

⑤ State of operation of the Internal Audit Office

Based on audit plans formulated by the Internal Audit Office, internal audit is conducted at each of the Company's sections and subsidiaries regarding the state of risk management and business execution. Results are reported to the President and Representative Director, Board Meeting, and Audit and Supervisory Board Meeting appropriately. In addition, information is exchanged with the full-time Audit and Supervisory Board member.

⑥ State of performance of duties of Audit and Supervisory Board members

The Audit and Supervisory Board members attend Board Meetings and Management Meetings which consist of Directors and other officers, and engage in periodic discussions with the President and Representative Director. In addition, the efficacy of audit is secured through the results of auditing by the Internal Audit Office, etc., and audit is implemented following the standard by Audit and Supervisory Board and Audit Plans.

(3) Basic Policy on company control

The Company has not established any particular basic policies concerning the controller who decides on the Company's financial and business policies.

(4) Policy on Determination of Cash dividends, etc.

The Company group believes that generating profits in excess of capital costs will satisfy all stakeholders, including shareholders, by increasing corporate value. Its basic policy on distribution of earnings to shareholders

calls for consideration and implementation of such distribution based on comprehensive consideration of matters such as trends in business performance, financial conditions, and future business and investment plans, while maintaining balance with internal reserves. Specifically, the Company aims to retain internal reserves to enable continual growth and development of its businesses with consideration for maintaining a return on equity (ROE) at the 30% level, while distributing any profits in excess of this level to shareholders proactively with consideration for improving liquidity.

The Company's basic policy on dividends of surplus is either once per fiscal year, at the end of the year, or twice per fiscal year, including interim dividends. Decisions on these dividends are made by the Board of Directors for interim dividends and by the General Meeting of Shareholders for year-end dividends.

For the current consolidated fiscal year, a year-end dividend will be 41.00 yen per share, based on a consolidated dividend payout ratio target of 50%. We plan to pay an annual dividend of 71 yen per share for the next fiscal year, based on a payout ratio of 50%.

# Balance Sheet

(As of March 31, 2023)

(Unit: Million yen)

Account	Amount	Account	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
Current assets	120,471	Current liabilities	71,407
Cash and deposits	67,165	Accounts payable - trade	386
Accounts receivable – trade	42,895	Deposits received for consignment sales	25,616
Marketable securities	5,000	Accounts payable – others	8,861
Merchandise and finished products	2,534	Accrued expenses	1,142
Raw materials and supplies	40	Short-term borrowings	20,000
Advance payments	143	Income taxes payable	9,736
Prepaid expenses	2,156	Consumption taxes payable	2,227
Short-term loans	49	Advances received	283
Others	486	Deposits received	153
		Provision for bonuses	2,309
		Provision for bonuses for Directors	64
		Others	624
Non-current assets	33,239	Non-current liabilities	6,028
Property, plant and equipment	18,673	Liability for retirement benefits	3,784
Buildings	7,639	Asset retirement obligations	2,234
Vehicles	4	Others	9
Tools, furniture and fixtures	3,952		
Construction in progress	7,076	<b>Total liabilities</b>	<b>77,436</b>
Intangible assets	650	<b>(Net assets)</b>	
Trademark rights	8	Shareholders' equity	76,177
Software	387	Capital stock	1,359
Others	254	Capital surplus	1,349
Investments and other assets	13,916	Legal capital surplus	1,328
Investment securities	566	Other capital surplus	21
Stocks of subsidiaries and affiliates	2,872	Retained earnings	118,026
Investments in capital of subsidiaries and affiliates	439	Other Retained earnings	118,026
Deposit	3,858	Retained earnings carried forward	118,026
Deferred tax assets	6,094	Treasury stocks	-44,558
Others	85	Valuation and translation adjustments	79
		Valuation difference on available-for-sale securities	39
		Deferred gains or losses on hedges	40
		Stock acquisition rights	18
		<b>Total net assets</b>	<b>76,275</b>
<b>Total assets</b>	<b>153,711</b>	<b>Total liabilities and net assets</b>	<b>153,711</b>

# Income statement

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

Account	Amount	
Net sales		181,391
Cost of sales		11,062
Gross profit		170,329
Selling, general and administrative expenses		113,082
Operating profit		57,246
Non-operating income		
Interest income	7	
Income from recycling	34	
Subsidy income	22	
Gain on unused points	106	
Operations support fee	24	
Received rent	2	
Reversal of allowance for doubtful accounts	171	
Others	27	396
Non-operating expenses		
Interest expenses	70	
Foreign exchange loss	17	
Provision for allowance for doubtful accounts	3	
Rent expenses	2	
Commission expenses	12	
Loss on investments in partnerships	69	176
Ordinary profit		57,466
Extraordinary income		
Gain on sales of non-current assets	1	
Gain on business liquidation	187	188
Extraordinary losses		
Loss on sales and retirement of non-current assets	65	
Loss on valuation of investment securities	23	89
Profit before income taxes		57,565
Income taxes – current	16,050	
Income taxes – deferred	1,165	17,215
Net Profit		40,349

## Statement of changes in net assets

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Shareholders' equity				
	Capital Stock	Capital surplus			Retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Other Retained earnings
					Retained earnings carried forward
Balance as of March 31, 2022	1,359	1,328	129	1,457	95,665
Changes of items during the current fiscal year					
Cash dividends					-17,989
Profit attributable to owners of parent					40,349
Purchase of treasury stock					
Disposal of treasury stock			-108	-108	
Net changes of items other than Shareholders' equity					
Total changes of items during the current fiscal year	—	—	-108	-108	22,360
Balance as of March 31, 2023	1,359	1,328	21	1,349	118,026

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stocks	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		
Balance as of March 31, 2022	-44,784	53,698	23	—	22	53,744
Changes of items during the current fiscal year						
Cash dividends		-17,989				-17,989
Profit attributable to owners of parent		40,349				40,349
Purchase of treasury stock	-0	-0				-0

Disposal of treasury stock	226	117				117
Net changes of items other than Shareholders' equity			16	40	-3	52
Total changes of items during the current fiscal year	225	22,478	16	40	-3	22,531
Balance as of March 31, 2023	-44,558	76,177	39	40	18	76,275

# Notes to the Financial Statement

Notes on the going concern assumption

Not applicable.

Notes to significant accounting policies

Valuation standards and methods for securities

(1) Stocks of subsidiaries and affiliates

Stated at cost determined by the moving-average method.

(2) Available-for-sale securities

Other than stocks without market quotations

Stated at market value (unrealized gains or losses are reported as a separate component of net assets, and the cost of securities sold is determined by the moving-average method).

Stocks without market quotations

Stated at cost determined by the moving-average method.

2. Valuation standards and methods for net receivables (and liabilities) arising from derivative transactions

Stated at market value.

3. Valuation standards and methods for inventories

(1) Merchandise and finished products

Stated at cost determined by the first-in, first-out method (method of reducing book value when the contribution of inventories to profitability declines).

In addition, write-downs are made in accordance with the Company's prescribed standards.

(2) Raw materials and supplies

Stated at cost determined by the weighted average method (method of book value devaluation based on decreased profitability).

The Company writes down the book value in accordance with the Company's prescribed standards.

#### 4. Depreciation and amortization methods for fixed assets

##### (1) Property, plant and equipment (excluding lease assets)

The declining-balance method is used. However, buildings (excluding building fixtures) and building fixtures and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

The useful lives of major assets are as follows:

Buildings: 3-38 years

Vehicles 4-6 years

Tools, furniture and fixtures: 2-15 years

##### (2) Intangible assets (excluding lease assets)

The straight-line method is used.

Trademark rights are amortized over 10 years, patent rights are amortized over 7 to 8 years, and software (for internal use) is amortized over the period of internal use (5 years).

##### (3) Lease assets

Lease assets related to finance lease transactions that do not transfer ownership

Leased assets are depreciated over the lease period with a residual value of zero.

#### 5. Accounting standards for allowances

##### (1) Allowance for doubtful accounts

To provide for losses due to bad debt, an allowance for doubtful accounts is provided in the amount deemed necessary based on the historical percentage of bad debt loss for general receivables, and in the amount deemed uncollectible based on an individual assessment of collectibility for specific receivables for which there is concern about default.

##### (2) Provision for bonuses

To provide for the payment of bonuses to employees, an amount accrued for the current fiscal year among the estimated amount of payment is recorded.

##### (3) Provision for bonuses for Directors

To provide for the payment of bonuses to Directors, etc., an amount accrued for the current fiscal year among the estimated bonuses to be paid is recorded.

##### (4) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, provision for retirement benefits is recorded based on the estimated amount of retirement benefit obligations as of the end of the current fiscal year.



The following is the method used to account for the provision for retirement benefits and retirement benefit expenses.

(i) Period attribution method of estimated retirement benefits

The estimated amount of retirement benefits is attributed to the period until the end of the current fiscal year based on the benefit calculation method.

(ii) Years over which actuarial gains and losses and prior service cost are amortized

Prior service cost is amortized by the straight-line method over a fixed number of years (9 years) within the average remaining service period of employees at the time the cost is incurred.

Actuarial gains and losses are amortized by the straight-line method over a fixed number of years (9 years) within the average remaining service period of employees at the time of occurrence of each fiscal year, starting from the following fiscal year of occurrence.

6. Accounting standards for revenue and expense recognition

The Company applies the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021). The Company recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

The major performance obligations in the Company's principal businesses and the timing at which revenue is recognized are as follows

(1) Revenue from sales of consignment goods

The Company receives consignment sales commissions from customers (brands) and keeps their products in the Company's logistics centers as consignment inventory, and sells them upon receiving orders from users on our e-commerce website "ZOZOTOWN". Under the outsourcing contracts between the Company and its customers, the Company has various performance obligations to its customers, such as taking custody and storing the received customers' products, operating "ZOZOTOWN," selling products to users, providing logistics services related to sales activities, and providing customer service during the sales activities.

In addition, in the BtoB business, which undertakes the development and operation of customers' proprietary e-commerce websites, logistics services, and other services, the Company also has various performance obligations to customers related to the sale of contracted products.

These performance obligations are a series of services that occur in the course of sales activities of consignment goods and are highly interrelated. Therefore, these various performance obligations are combined and treated as a single performance obligation to sell products to users as an agent of the consignor.

The performance obligation is satisfied as of the settlement date under the consignment contract with the customer, and therefore revenue is recognized on the settlement date.

(2) Revenue from sales of purchased merchandise

The Company receives orders from customers (users) on our e-commerce website "ZOZOTOWN" and sells the

purchased merchandise and is obligated to deliver the merchandise to the customers. The Company recognizes revenue at the time of shipment because there is no significant difference between the time of shipment and the time of delivery.

### (3) Revenue from the advertising business

The advertising business is a form of business in which the Company provides advertising space to customers and earns advertising revenue by utilizing the user reach base of "ZOZOTOWN", etc. Under the contracts with customers, the Company recognizes revenue when its performance obligation is fulfilled by the placement of advertisements.

For transactions in which ZOZO points are awarded to users when they purchase products, the Company identifies this as a separate performance obligation as an option to acquire additional goods or services, and allocates the transaction price to each performance obligation based on the arm's length sales price. For coupon points by the Company, such as sales promotion points for the purpose of acquiring new customers, the Company deducts from the transaction price the amount equivalent to the points allocated to the purchase of merchandise in accordance with the provisions for consideration paid to customers in the accounting standards for revenue recognition, etc. For goods expected to be returned, the Company does not recognize revenue, but recognizes revenue at the amount of consideration to which the Company expects to be entitled from the sale of the goods. The consideration for the transaction does not include a significant financial component because it is received within one year of satisfaction of the performance obligation. In addition, delivery activities performed after the user has obtained control over the goods are not identified as performance obligations, in accordance with the alternative treatment of materiality and other matters prescribed in the accounting standard for revenue recognition, etc.

## 7. Other important matters that serve as the basis for the preparation of financial statements

### (1) Accounting treatment for unrecognized actuarial differences in retirement benefits

Accounting treatment for unrecognized actuarial differences related to retirement benefits differs from the method used in the consolidated financial statements.

### (2) Hedge accounting method

#### ① Hedge accounting method

In principle, deferred hedge accounting is used.

For forward exchange contracts, if the forward exchange contracts meet the requirements of the allocation method, the allocation method is applied.

### (2) Hedging instruments and hedged items

Hedging instruments are forward exchange contracts and hedged items are mainly monetary debts denominated in foreign currencies.

### (iii) Hedging policy

The Company enters into forward exchange contracts to hedge foreign currency transactions against fluctuations in foreign currency exchange rates.

(iv) Method of evaluating the effectiveness of hedging

The effectiveness of forward exchange contracts is not evaluated as of the balance sheet date because the correlation between the foreign exchange rate fluctuations and the effectiveness of the contracts is fully ensured since the same amount and the same maturity are allocated in accordance with the risk management policy at the time the contracts are entered into.

Notes to changes in accounting policies

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Implementation Guidance on Accounting Standards for Fair Value Measurement") from the beginning of the first quarter consolidated accounting period of the current fiscal year, and will apply the new accounting policies stipulated by the Implementation Guidance on Accounting Standards for Fair Value Measurement in accordance with the transitional treatment stipulated in paragraph 27-2 of the Implementation Guidance on Accounting Standards for Fair Value measurement in the future. There is no impact on the quarterly consolidated financial statements.

Notes to balance sheet

Accumulated depreciation directly deducted from assets

Buildings 2,753 million yen

Vehicles 21 million yen

Tools, furniture and fixtures 7,094 million yen

2. Receivables arising from contracts with customers and outstanding contract liabilities

Receivables arising from contracts with customers (Note 1) 42,895 million yen

Contract liabilities (Note 2) 325 million yen

(Note)

1 Receivables arising from contracts with customers are included in "Accounts receivable" in the balance sheet.

2 Contract liabilities are included in "Others" under current liabilities in the balance sheet.

3. Monetary receivables from or monetary payables to subsidiaries and affiliates

Short-term receivables 305 million yen

Short-term payables 391 million yen

4. Monetary claims against Directors and Audit and Supervisory Board members

Monetary claims against Directors and Audit and Supervisory Board members 0 million yen

5. The Company has current account overdraft and commitment line agreements with three correspondent banks in order to raise working capital efficiently. The following are unused lines of credit based on these agreements as of the end of the current fiscal year.

Total amount of current account overdraft limit and loan commitment 32,500 million yen

Total amount of loans outstanding 20,000 million yen

Difference 12,500 million yen

Notes to income statement

Total amount of operating and non-operating transactions with subsidiaries and affiliates

Operating transactions (income) 524 million yen

Operating transactions (expenses) 1,932 million yen

Non-operating transactions (income) 23 million yen

Note to statement of changes in net assets  
 Number of treasury stock at the end of the current fiscal year  
 Common stock 11,787,504 shares

Notes to deferred taxes

Significant components of deferred tax assets and liabilities

(million yen)

(Deferred tax assets)

Accrued business tax	467
Provision for bonuses	682
Inventories	117
Advance received	59
Advance payment	14
Allowance for doubtful accounts	15
Excess depreciation	1,761
Deferred assets	14
Provision for retirement benefits	1,132
Provision for Directors' retirement benefits	2
Asset retirement obligations	682
Stock acquisition rights	0
Investments in subsidiaries and affiliates	706
Marketable securities	170
Others	764
Total deferred tax assets	<u>6,592</u>

(Deferred tax liabilities)

Unrealized gains (losses) on available-for-sale securities	16
Removal costs corresponding to asset retirement obligations	457
Deferred gains or losses on hedges	17
Others	6
Total deferred tax liabilities	<u>497</u>

Net deferred tax assets	<u>6,094</u>
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Notes to fixed assets used under leases

Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

Due within one year 4,590 million yen

Due after one year 17,704 million yen

Total 22,294 million yen

Notes on transactions with related parties

1. Sister companies, etc.

Type	Name of the company, etc.	Percentage of voting rights held	Relationship with related parties	Details of transactions	Transaction amount (million yen)	Account title	Balance at end of the term (million yen)
Subsidiary of parent company	Yahoo Japan Corporation	—	Acceptance of services	Use of settlement agency services (Note)	—	Accounts receivable	3,014
Subsidiary of parent company	SB Payment Service Corp.	—	Acceptance of services	Use of settlement agency services (Note)	—	Accounts receivable	26,374

Transaction terms and policy for determining transaction terms

(Note) Transactions related to accounts receivable are sales transactions to end-users, not to the company, and therefore transaction amounts are not shown.

Notes to per share information

Net assets per share: 254.31 yen

Net income per share 134.57 yen

Notes to significant subsequent events

Not applicable.

Notes to consolidated companies subject to the consolidated dividend regulations

The Company is a company subject to consolidated dividend regulations.

Notes to revenue recognition

Revenue recognition is the same as in the Notes to Consolidated Financial Statements, and is therefore omitted.

# Consolidated Balance Sheets

(As of March 31, 2023)

(Unit: million yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Current assets	123,493	Current liabilities	72,204
Cash and deposits	69,126	Accounts payable - trade	532
Accounts receivable - trade	42,994	Deposits received for consignment sales	25,590
Marketable securities	5,000	Accounts payable - others	8,841
Merchandise and finished products	3,155	Short-term borrowings	20,400
Raw materials and supplies	49	Income taxes payable	9,796
Others	3,166	Provision for bonuses	2,401
		Provision for bonuses for Directors	78
Non-current assets	32,248	Others	4,563
Property, plant and equipment	18,796	Non-current liabilities	6,844
Buildings	7,690	Retirement benefit liability	4,389
Vehicles	4	Asset retirement obligations	2,248
Tools, furniture and fixtures	4,007	Others	205
Construction in progress	7,094	Total liabilities	79,048
Intangible assets	2,381	(Net assets)	
Goodwill	1,700	Shareholders' equity	76,771
Software	416	Capital Stock	1,359
Others	263	Capital surplus	1,349
Investments and other assets	11,070	Retained earnings	118,620
Investment securities	1,051	Treasury stocks	-44,558
Deferred tax assets	6,035	Accumulated other comprehensive income	-214
Others	3,983	Valuation difference on available-for-sale securities	39
		Deferred gains or losses on hedges	40
		Foreign currency translation adjustment	92
		Remeasurements of defined benefit plans	-386
		Share acquisition rights	18
		Non-controlling interests	117
		Total net assets	76,693
Total assets	155,742	Total liabilities and net assets	155,724

# Consolidated Statements of Income

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

Account	Amount	
Net sales		183,423
Cost of sales		12,081
Gross profit		171,341
Selling, general and administrative expenses		114,920
Operating profit		56,421
Non-operating income		
Interest income	9	
Received rent	2	
Foreign exchange gain	62	
Operations support fee	10	
Income from recycling	34	
Subsidy income	28	
Gain on unused points	106	
Reversal of allowance for doubtful accounts	171	
Others	36	461
Non-operating expenses		
Interest expenses	78	
Provision for allowance for doubtful accounts	3	
Rent expenses	2	
Commission expenses	12	
Loss on investments in partnerships	69	166
Ordinary profit		56,716
Extraordinary income		
Gain on reversal of foreign currency translation adjustment	40	
Gain on sales of non-current assets	1	42
Extraordinary losses		
Loss on sales and retirement of non-current assets	65	
Loss on valuation of investment securities	23	
Impairment loss	27	116
Profit before income taxes		56,641
Income taxes - current	16,074	
Income taxes - deferred	1,067	17,141
Net Profit		39,500
Profit attributable to non-controlling interests		-26
Profit attributable to owners of parent		39,526



# Consolidated statements of changes in net assets

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balance as of March 31, 2022	1,359	1,457	97,067	-44,784	55,100	23	—
Changes of items during the current fiscal year							
Cash dividends			-17,989		-17,989		
Profit attributable to owners of parent			39,526		39,526		
Purchase of treasury stock				-0	-0		
Disposal of treasury stock		-108		226	117		
Changes in retained earnings due to new consolidation			15	—	15		
Net changes of items other than Shareholders' equity						16	40
Total changes of items during the current fiscal year	—	-108	21,552	225	21,670	16	40
Balance as of March 31, 2023	1,359	1,349	118,620	-44,558	76,771	39	40

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2022	79	-270	-168	22	144	55,099
Changes of items during the current fiscal year						
Cash dividends						-17,989

Profit attributable to owners of parent						39,526
Purchase of treasury stock						-0
Disposal of treasury stock						117
Changes in retained earnings due to new consolidation						15
Net changes of items other than Shareholders' equity	13	-115	-46	-3	-26	-75
Total changes of items during the current fiscal year	13	-115	-46	-3	-26	21,594
Balance as of March 31, 2023	92	-386	-214	18	117	76,693

# Notes to the Consolidated Financial Statements

Notes on the going concern assumption

Not applicable.

Notes to basis of presenting consolidated financial statements

## 1. Scope of Consolidation

(1) Number of consolidated subsidiaries and names of consolidated subsidiaries

Number of consolidated subsidiaries: 5

Name of consolidated subsidiaries

ZOZO NEXT, Inc.

yutori inc.

ZOZO Apparel USA, Inc.

ZOZO NEW ZEALAND LIMITED

NANTONG ZHUOTENG INFORMATION TECHNOLOGY CO.,LTD

NANTONG ZHUOTENG INFORMATION TECHNOLOGY CO.,LTD was included in the scope of consolidation due to its increased importance. Shanghai ZOZO Co., Ltd., which had been a consolidated subsidiary, was excluded from the scope of consolidation due to the completion of liquidation proceedings.

(2) Names of non-consolidated subsidiaries

Number of non-consolidated subsidiaries: 4

Name of non-consolidated subsidiaries

STV FUND, LP

Bespokify Pte., Ltd.

Bespokify (Thailand) Ltd.

BESPOKIFY (VIETNAM) LTD.

(Reason for exclusion from scope of consolidation)

The non-consolidated subsidiary is small in size, and its total assets, net sales, net income or loss (the Company's interest share), and retained earnings (the Company's interest share) do not have a material impact on the consolidated financial statements.

## 2. Application of equity method

Names of unconsolidated subsidiaries and affiliates not accounted for by the equity method

Names of major companies

Non-consolidated subsidiary

STV FUND, LP

Bespokify Pte., Ltd.

Bespokify (Thailand) Ltd.  
BESPOKIFY (VIETNAM) LTD.

Non-consolidated subsidiaries and affiliates are small in size, and their net income or loss (as calculated by the equity method) and retained earnings (as calculated by the equity method) have a minimal effect on the consolidated financial statements and are not significant in the aggregate.

StretchSense Limited, an affiliate not accounted for by the equity method, was liquidated during the current fiscal year, and thus was excluded from the scope of application of the equity method.

### 3. Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, ZOZO Apparel USA, Inc. and NANTONG ZHUOTENG INFORMATION TECHNOLOGY CO.,LTD. have a fiscal year ending December 31. In preparing the consolidated financial statements, provisional financial statements prepared for consolidation as of the consolidated balance sheet date are used. The fiscal year end of other consolidated subsidiaries is the same as the consolidated fiscal year.

### 4. Matters on accounting policies

#### (1) Valuation standards and methods for significant assets

##### ① Valuation standards and methods for marketable securities

Available-for-sale securities

Other than stocks without market quotations

Stated at market value (unrealized gains or losses are reported as a separate component of net assets, and the cost of securities sold is determined by the moving-average method).

Stocks and other securities without market quotations

Stated at cost determined by the moving-average method.

##### ② Valuation standards and methods for net receivables (and liabilities) arising from derivative transactions

Stated at market value.

##### ③ Valuation standards and methods for inventories

#### (a) Merchandise and finished products

Stated at cost determined by the first-in, first-out method (method of reducing book value when the contribution of inventories to profitability declines).

In addition, write-downs are made in accordance with the Company's prescribed standards.

#### (b) Raw materials and supplies

Stated at cost determined by the weighted average method (method of book value devaluation based on decreased profitability).

The Company writes down the book value in accordance with the Company's prescribed standards.

## (2) Depreciation and amortization methods for fixed assets

### ① Property, plant and equipment (excluding lease assets)

The declining-balance method is used. However, buildings (excluding building fixtures) and building fixtures and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

The useful lives of major assets are as follows:

Buildings: 3-38 years

Vehicles 1-6 years

Tools, furniture and fixtures: 1-25 years

### ② Intangible assets (excluding lease assets)

The straight-line method is used.

Trademark rights are amortized over 10 years, patent rights are amortized over 7 to 8 years, and software (for internal use) is amortized over the period of internal use (5 years).

### ③ Lease assets

Lease assets related to finance lease transactions that do not transfer ownership

Leased assets are depreciated over the lease period with a residual value of zero.

## (3) Accounting standards for allowances

### ① Allowance for doubtful accounts

To provide for losses due to bad debt, an allowance for doubtful accounts is provided in the amount deemed necessary based on the historical percentage of bad debt loss for general receivables, and in the amount deemed uncollectible based on an individual assessment of collectibility for specific receivables for which there is concern about default.

### ② Provision for bonuses

To provide for the payment of bonuses to employees, an amount accrued for the current fiscal year among the estimated amount of payment is recorded.

### ③ Provision for bonuses for Directors

To provide for the payment of bonuses to Directors, etc., an amount accrued for the current fiscal year among the estimated bonuses to be paid is recorded.

## (4) Hedge accounting method

### ① Hedge accounting method

In principle, deferred hedge accounting is used.

For forward exchange contracts, if the forward exchange contracts meet the requirements of the allocation method, the allocation method is applied.

(2) Hedging instruments and hedged items

Hedging instruments are forward exchange contracts and hedged items are mainly monetary debts denominated in foreign currencies.

(iii) Hedging policy

The Company enters into forward exchange contracts to hedge foreign currency transactions against fluctuations in foreign currency exchange rates.

(iv) Method of evaluating the effectiveness of hedging

The effectiveness of forward exchange contracts is not evaluated as of the balance sheet date because the correlation between the foreign exchange rate fluctuations and the effectiveness of the contracts is fully ensured since the same amount and the same maturity are allocated in accordance with the risk management policy at the time the contracts are entered into.

(5) Accounting standards for revenue and expense recognition

The Company applies the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021). The Company recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

The major performance obligations in the Company's principal businesses and the timing at which revenue is recognized are as follows.

(1) Revenue from sales of consignment goods

The Company receives consignment sales commissions from customers (brands) and keeps their products in the Company's logistics centers as consignment inventory and sells them upon receiving orders from users on our e-commerce website "ZOZOTOWN". Under the outsourcing contracts between the Company and its customers, the Company has various performance obligations to its customers, such as taking custody and storing the received customers' products, operating "ZOZOTOWN," selling products to users, providing logistics services related to sales activities, and providing customer service during the sales activities.

In addition, in the BtoB business, which undertakes the development and operation of customers' proprietary e-commerce websites, logistics services, and other services, the Company also has various performance obligations to customers related to the sale of contracted products.

These performance obligations are a series of services that occur in the course of sales activities of consignment goods and are highly interrelated. Therefore, these various performance obligations are combined and treated as a single performance obligation to sell products to users as an agent of the consignor.

The performance obligation is satisfied as of the settlement date under the consignment contract with the customer, and therefore revenue is recognized on the settlement date.

(2) Revenue from sales of purchased merchandise

The Company receives orders from customers (users) on our e-commerce website "ZOZOTOWN" and sells the

purchased merchandise and is obligated to deliver the merchandise to the customers. The Company recognizes revenue at the time of shipment because there is no significant difference between the time of shipment and the time of delivery.

### (3) Revenue from the advertising business

The advertising business is a form of business in which the Company provides advertising space to customers and earns advertising revenue by utilizing the user reach base of "ZOZOTOWN", etc. Under the contracts with customers, the Company recognizes revenue when its performance obligation is fulfilled by the placement of advertisements.

For transactions in which ZOZO points are awarded to users when they purchase products, the Company identifies this as a separate performance obligation as an option to acquire additional goods or services, and allocates the transaction price to each performance obligation based on the arm's length sales price. For coupon points by the Company, such as sales promotion points for the purpose of acquiring new customers, the Company deducts from the transaction price the amount equivalent to the points allocated to the purchase of merchandise in accordance with the provisions for consideration paid to customers in the accounting standards for revenue recognition, etc. For goods expected to be returned, the Company does not recognize revenue, but recognizes revenue at the amount of consideration to which the Company expects to be entitled from the sale of the goods. The consideration for the transaction does not include a significant financial component because it is received within one year of satisfaction of the performance obligation. In addition, delivery activities performed after the user has obtained control over the goods are not identified as performance obligations, in accordance with the alternative treatment of materiality and other matters prescribed in the accounting standard for revenue recognition, etc.

### (6) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, provision for retirement benefits is recorded based on the estimated amount of retirement benefit obligations as of the end of the current fiscal year. The following is the method used to account for the provision for retirement benefits and retirement benefit expenses.

#### ① Period attribution method of estimated retirement benefits

The estimated amount of retirement benefits is attributed to the period until the end of the current fiscal year based on the benefit calculation method.

#### ② Years over which actuarial gains and losses and prior service cost are amortized

Prior service cost is amortized by the straight-line method over a fixed number of years (9 years) within the average remaining service period of employees at the time the cost is incurred.

Actuarial gains and losses are amortized by the straight-line method over a fixed number of years (9 years) within the average remaining service period of employees at the time of occurrence of each fiscal year, starting from the following fiscal year of occurrence.

③ Adoption of the simplified method for small companies, etc.

Certain consolidated subsidiaries apply the simplified method for the calculation of liabilities for retirement benefits and retirement benefit expenses, using the amount payable at the end of the fiscal year as the liability for retirement benefits.

(7) Standards for translation of assets and liabilities denominated in foreign currencies into Japanese currency  
Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing on the balance sheet date, with translation differences recognized as gains or losses.

(8) Amortization method and period of goodwill

Goodwill is amortized evenly over a reasonable period of not more than 20 years, based on the period over which the investment effect will be realized for each individual project.

Notes to changes in accounting policies

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Implementation Guidance on Accounting Standards for Fair Value Measurement") from the beginning of the first quarter consolidated accounting period of the current fiscal year, and will apply the new accounting policies stipulated by the Implementation Guidance on Accounting Standards for Fair Value Measurement in accordance with the transitional treatment stipulated in paragraph 27-2 of the Implementation Guidance on Accounting Standards for Fair Value measurement in the future. There is no impact on the quarterly consolidated financial statements.



Notes to Consolidated Balance Sheets

Accumulated depreciation directly deducted from assets

Buildings	2,756 million yen
Vehicles	21 million yen
Tools, furniture and fixtures	7,228 million yen

2. Balance of receivables and liabilities arising from contracts with customers

Receivables arising from contracts with customers (Note 1) 42,994 million yen

Contract liabilities (Note 2) 325 million yen

(Notes)

1. Receivables arising from contracts with customers are included in "Accounts receivable" in the consolidated balance sheets.

2 Contract liabilities are included in "Others" under current liabilities in the consolidated balance sheets.

Notes to consolidated statement of changes in net assets

1. Type and number of shares issued and outstanding at the end of the current consolidated fiscal year

Type of stock	As of the beginning of the current consolidated fiscal year	Increase	Decrease	As of the end of the current consolidated fiscal year
Common stock	311,644,285	—	—	311,644,285

2. Matters related to treasury stock

Type of stock	As of the beginning of the current consolidated fiscal year	Increase	Decrease	As of the end of the current consolidated fiscal year
Common stock	11,840,467	6,837	59,800	11,787,504

(Summary of reasons for fluctuation)

(Reason for increase)

Increase due to free acquisition of restricted stock compensation 6,800 shares

Increase due to purchase of odd-lot shares: 37 shares

(Reason for decrease)

Disposal of treasury stock based on a resolution of the Board of Directors 59,800 shares

3. Matters related to dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 28, 2022 Ordinary General Meeting of Shareholders	Common stock	10,792	36	March 31, 2022	June 29, 2022
October 28, 2022 Board Meeting	Common stock	7,196	24	September 30, 2022	November 28, 2022

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
June 28, 2023 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	12,294	41	March 31, 2023	June 30, 2023

4. Type and number of shares to be issued or transferred upon exercise of stock acquisition rights (excluding those for which the first day of the exercise period has not yet arrived) as of the end of the current fiscal year  
Common stock 4,154,000 shares

## Notes on financial instruments

### Matters concerning the status of financial instruments

#### (1) Policy on financial instruments

The Group uses its own funds to finance its needs in light of its capital investment plans for conducting its main business, the e-commerce business.

Temporary surplus funds are invested in highly secure financial assets to prepare for future business development, to ensure mobility and liquidity, and based on a policy of not investing funds in a manner that would result in loss of principal.

In order to contribute to the flexible execution of future business operations, the Company seeks to stabilize fund procurement by entering into overdraft agreements in light of the business environment.

#### (2) Description of financial instruments and their risks

Accounts receivable, which are operating receivables, are exposed to the credit risk of business partners to whom the Company entrusts the collection of sales proceeds.

Operating payables, such as accounts payable, deposits received for consignment sales, and accounts payable-others, are all due within one year.

Short-term borrowings are mainly for the purpose of procuring funds related to working capital.

#### (3) Risk management system for financial instruments

##### (1) Management of credit risk (risk related to nonperformance of contract by counterparties, etc.)

In accordance with the credit management rules, the Business Administration Division periodically monitors the status of trade receivables and manages due dates and outstanding balances by counterparty in order to early identify and mitigate the risk of collection due to deterioration of financial conditions or other reasons.

##### (ii) Market risk management

The Company periodically monitors the market value and financial conditions of issuers (client companies) of investment securities, and continuously reviews its holdings in consideration of future business development and other factors.

##### (iii) Management of liquidity risk (risk of being unable to make payments on due dates) related to fund procurement

The Group manages liquidity risk by maintaining liquidity on hand at an amount equivalent to one month's operating payables based on a funding plan prepared at the beginning of each fiscal year by the Business Administration Division based on interviews from each department.

#### (4) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments includes values based on market prices and reasonably calculated values when there is no market price. Since variable factors are incorporated in the calculation of such values, such values may vary due to the adoption of different assumptions and other factors.

(5) Concentration of credit risk

The majority of operating receivables as of the end of the current consolidated fiscal year are due to the top two companies to which the Company has entrusted the collection of sales proceeds.

2. Fair value of financial instruments

Carrying amount on the consolidated balance sheet, fair value, and the difference between the two are as follows.

(million yen)

	Carrying amount on the consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	69,126	69,126	—
(2) Accounts receivable	42,994	42,994	—
(3) Marketable securities	5,000	5,000	—
Total assets	117,121	117,121	—
(1) Accounts receivable	532	532	—
(2) Deposits received for consignment sales	25,590	25,590	—
(3) Accounts receivable-others	8,841	8,841	—
(4) Income taxes payable	9,796	9,796	—
(5) Short-term borrowings	20,400	20,400	—
Total liabilities	65,160	65,160	—
Derivative transactions			
Derivatives to which hedge accounting is applied	-1	-1	—
Total derivative transactions	-1	-1	—

(Note) Receivables and payables arising from derivative transactions are shown as net amounts, and items that are net liabilities in total are shown in with “-”

(Note 1) Matters related to derivative transactions

Derivative transactions

(1) Derivative transactions for which hedge accounting is not applied

Not applicable

(2) Derivative transactions for which hedge accounting is applied

The contract amount or the amount equivalent to the principal amount stipulated in the contract, etc. as of the

consolidated settlement of accounts for derivative transactions for which hedge accounting is applied, by hedge accounting method, are as follows.

(million yen)

Hedge accounting method	Type of derivative transactions	Major hedged items	Contract amount, etc.	Contract amount, etc., exceeding 1 year	Fair value
Allocation method of forward exchange contracts	Forward exchange contracts Purchase contract USD	Foreign currency receivables and payables	1,935	—	1,933

(Note 2) Stocks and other securities without market quotations are not included in the above table. The carrying amount on the consolidated balance sheets of such financial instruments are as follows

(million yen)

Category	Carrying amount on the consolidated balance sheets
Unlisted Stocks	566
Shares of unconsolidated subsidiaries	484
Total	1,051

(Note 3) Scheduled redemption amount of monetary claims after the consolidated balance sheet date

(million yen)

	Within 1 year	Over 1 year, within 5 years	Over 5 years, within 10 years	Over 10 years
Cash and deposits	69,126	—	—	—
Accounts receivable	42,994	—	—	—
Marketable securities	5,000	—	—	—
合計	117,121	—	—	—

(Note 4) Scheduled repayment amount of other interest-bearing liabilities after the consolidated balance sheet date

(million yen)

	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years	Over 5 years
Short-term borrowings	20,400	—	—	—	—	—

### 3. Breakdown of the level of fair value concerning financial instruments

The fair value of financial instruments has been omitted because all are settled within a short period of time and their fair value approximates their book value.

Notes to per share information

Net assets per share 255.31 yen

Net income per share 131.83 yen

Notes to significant subsequent events

Not applicable.

Notes to revenue recognition

1. The following is a breakdown of revenue from contracts with customers.

(million yen)

	Revenue from consignment goods	Revenue from sales of purchased merchandise	Revenue from the advertising business and others	total
ZOZOTOWN business	115,815	20,260	—	136,075
(Outright purchase/production & sales)	—	4,561	—	4,561
(Consignment Sales)	115,815	—	—	115,815
(USED Sales)	—	15,699	—	15,699
Yahoo! JAPAN Shopping	14,335	317	—	14,652
BtoB business	2,587	—	—	2,587
Advertising business	—	—	7,770	7,770
others	—	—	22,336	22,336
Revenue from contracts with customers	132,737	20,578	30,107	183,423
Sales to external customers	132,737	20,578	30,107	183,423

2. Basic information for understanding revenue from contracts with customers

As described in "4. Matters on accounting policies (5) Accounting standards for revenue and expense recognition.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year or later

(1) Receivables and contract liabilities arising from contracts with customers

The balances of receivables and contract liabilities arising from contracts with customers at the beginning and end of the period are as follows

(million yen)

	Current consolidated fiscal year	
	Balance as of the beginning of the fiscal year	Balance as of the end of the fiscal year
Receivables arising from contracts with customers	30,609	42,994
Contract liabilities	196	325

On the consolidated balance sheets, contract liabilities are included in current liabilities-others. Contractual liabilities represent the balance of points granted by the Company for which performance obligations have not been satisfied as of the end of the period. Contract liabilities are reversed upon recognition of revenue.

All contractual liability balances at the beginning of the period are included in the amount of revenue recognized in the current period.

(2) Transaction prices allocated to remaining performance obligations

The Company and its consolidated subsidiaries apply the practical expedient method and omit the disclosure of transaction prices allocated to remaining performance obligations, since there are no material contracts with an initial expected term exceeding one year. In addition, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.



## Accounting Auditor's Audit Report (certified copy)

### Independent auditor's audit report

May 11, 2023

ZOZO, Inc.

To: The Board of Directors

Deloitte Touche Tohmatsu LLC  
Tokyo Office

Designated  
Limited  
Liability  
Partner,  
Engagement  
Partner

Certified  
Public  
Accountant

Atsushi Numata

Designated  
Limited  
Liability  
Partner,  
Engagement  
Partner

Certified  
Public  
Accountant

Yusuke Kumei

#### Audit Opinion

The audit corporation audited the financial statements, which consist of the balance sheet, income statement, statement of changes in shareholders' equity, and notes to the financial statements and their supplementary schedules (hereinafter called the "financial statements etc."), for the 25<sup>th</sup> fiscal year ended from April 1, 2022 to March 31, 2023 of ZOZO, Inc. according to provisions of the Article 436, Paragraph 2, Item 1 of the Companies Act.

The audit corporation thinks that the above financial statements etc. appropriately present financial positions and profit or loss for the relevant period in all significant respects according to the corporate accounting standards generally accepted in Japan.

#### Basis for the audit opinion

The audit of the audit corporation is based on the audit standards generally accepted in Japan. The audit corporation's responsibility in the audit standards is stated in the section titled "Auditor's responsibility for audits of financial statements etc." The audit corporation is independent of the Company and performs other ethical responsibilities as an auditor according to the code of professional ethics in Japan. The audit corporation thinks that it obtained sufficient and appropriate audit evidence serving as a basis for expressing the opinion.

#### Other information

Other information includes the business report and detailed statements. Management's responsibility is to prepare and disclose other information. The responsibility of the Audit and Supervisory Board and its members

is to supervise the execution of duties by the Directors in the establishment and operation of the reporting process for other information.

Other information is outside the range of the audit opinion on the financial statements of the audit corporation, and the audit corporation expresses no opinion on other information.

The audit corporation's responsibility for the auditing of the financial statements is to read the other information and, in the process of reading, examine any material differences between the other information and the financial statements or knowledge that the audit corporation obtained in the process of auditing, as well as to pay attention to any signs of material errors in the other information other than the said material differences.

The audit corporation is required to report material errors when it determines that there are material errors in the other information based on the executed tasks.

There are no matters that the audit corporation should report on the other information.

Responsibility of Management, Audit and Supervisory Board members, and Audit and Supervisory Board for financial statements etc.

The Management's responsibility is to prepare and appropriately present financial statements etc. according to the corporate accounting standards generally accepted in Japan. This includes establishment and operation of internal controls the Management thinks necessary to prepare and appropriately present the financial statements etc. without material misstatements arising from fraud or errors.

In preparing the financial statements etc., the Management determines whether it is appropriate to prepare financial statements etc. on the going concern assumption and is responsible for disclosing matters related to the going concern according to the corporate accounting standards generally accepted in Japan if necessary.

The responsibility of the Audit and Supervisory Board members and Audit and Supervisory Board is to monitor execution of duties by the Directors in establishing and operating the financial reporting process.

Auditor's responsibility for audits of financial statements etc.

The auditor's responsibility is to obtain reasonable guarantee on whether the financial statements etc. generally include no material misstatements arising from fraud or errors and then independently express the opinion about the financial statements etc. in the auditor's report based on the auditor's audit. Misstatements may arise from fraud or errors, and they are considered material when they are reasonably expected to individually or collectively have effect on decision-making of users of the financial statements etc.

According to the audit standards generally accepted in Japan, the auditor makes the judgment as a professional expert through the audit process and performs the following by implementing due diligence as a professional expert:

- The auditor identifies and evaluates the risk of material misstatements arising from fraud or errors. The auditor makes and performs a plan for the audit procedure responding to the risk of material misstatements. The audit procedure is selected and applied, based on the auditor's judgment. The auditor also obtains sufficient and appropriate audit evidence serving as the basis for expressing the opinion.
- The audit of financial statements etc. is designed not to express an opinion about the effectiveness of internal controls, but the auditor examines internal controls related to the audit to make a plan for the appropriate audit procedure according to conditions when evaluating risk.
- The auditor evaluates the appropriateness of accounting policies adopted by the Management and the application methods, the rationality of accounting estimates made by the Management, and the reasonability of the related notes.
- The auditor concludes whether it is appropriate that the Management prepares financial statements etc. on the going concern assumption and whether there is significant uncertainty in events or situations casting a significant doubt on the going concern assumption based on the obtained audit evidence. If there is significant uncertainty about the going concern assumption, the auditor is required to call attention to the notes to the financial statements etc. in the auditor's report. If the notes to financial statements etc. related to significant uncertainty are inappropriate, the auditor is required to express the modified opinion about the financial statements etc. The auditor's conclusion is based on the audit evidence obtained by the date of auditor's report and future events and situations may prevent the Company from surviving as a going concern.

- The auditor determines whether presentations of and notes to the financial statements etc. comply with the corporate accounting standards generally accepted in Japan and whether presentations, structures, and details of financial statements etc., including related notes and financial statements etc., appropriately present underlying transactions and accounting events.

The auditor reports to the Audit and Supervisory Board members and the Audit and Supervisory Board the scope and timing of the planned audit, important findings in the audit, including significant defects of internal controls identified in the audit process, and other items required by the audit standards.

The auditor reports to the Audit and Supervisory Board members and the Audit and Supervisory Board compliance with the code of professional ethics in Japan on the independence, matters rationally considered to have an effect on the independence of the auditor, and details of the safeguards taken to eliminate or reduce inhibition factors if any.

#### Interest

There is no interest between the Company and the audit corporation or its managing partners that must be stated according to provisions of the Certified Public Accountants Act.

End

Accounting Auditor's Audit Report (certified copy)(consolidated)

Independent auditor's audit report

May 11, 2023

ZOZO, Inc.

To: The Board of Directors

Deloitte Touche Tohmatsu LLC  
Tokyo Office

Designated Limited Liability Partner, Engagement Partner	Certified Public Accountant	Atsushi Numata
Designated Limited Liability Partner, Engagement Partner	Certified Public Accountant	Yusuke Kumei

Audit Opinion

The audit corporation audited the consolidated financial statements, which consist of the consolidated balance sheet, consolidated statements of income, consolidated statements of changes in shareholders' equity, and notes to the consolidated financial statements for the consolidated fiscal year ended from April 1, 2022 to March 31, 2023 of ZOZO, Inc. according to provisions of the Article 444, Paragraph 4 of the Companies Act. The audit corporation thinks that the above consolidated financial statements appropriately present financial positions and profit or loss for the relevant consolidated period of the corporate group consisting of ZOZO, Inc. and its consolidated subsidiaries in all significant respects according to the corporate accounting standards generally accepted in Japan.

Basis for the audit opinion

The audit of the audit corporation is based on the audit standards generally accepted in Japan. The audit corporation's responsibility in the audit standards is stated in the section titled "Auditor's responsibility for audits of consolidated financial statements." The audit corporation is independent of the Company and consolidated subsidiaries and performs other ethical responsibilities as an auditor according to the code of professional ethics in Japan. The audit corporation thinks that it obtained sufficient and appropriate audit evidence serving as a basis for expressing the opinion.

Other information

Other information includes the business report and detailed statements. The Management's responsibility is to prepare and disclose other information. The responsibility of Audit and Supervisory Board and its members is to supervise the execution of duties by the Directors in the establishment and operation of the reporting process for other information.

Other information is outside the range of the audit opinion on the consolidated financial statements of the audit corporation, and the audit corporation expresses no opinion on other information.

The audit corporation's responsibility for the auditing of the consolidated financial statements is to read the other information and, in the process of reading, examine any material differences between the other information and the consolidated financial statements or knowledge that the audit corporation obtained in the process of auditing, as well as to pay attention to any signs of material errors in the other information other than the said material differences.

The audit corporation is required to report material errors when it determines that there are material errors in the other information based on the executed tasks.

There are no matters that the audit corporation should report on the other information.

Responsibility of Management, Audit and Supervisory Board members, and Audit and Supervisory Board for consolidated financial statements

The Management's responsibility is to prepare and appropriately present consolidated financial statements according to the corporate accounting standards generally accepted in Japan. This includes establishment and operation of internal controls the Management thinks necessary to prepare and appropriately present the consolidated financial statements without material misstatements arising from fraud or errors.

In preparing the consolidated financial statements, the Management determines whether it is appropriate to prepare the consolidated financial statements on the going concern assumption and is responsible for disclosing matters related to the going concern according to the corporate accounting standards generally accepted in Japan if necessary.

The responsibility of the Audit and Supervisory Board members and Audit and Supervisory Board is to monitor execution of duties by the Directors in establishing and operating the financial reporting process.

Auditor's responsibility for audits of consolidated financial statements

The auditor's responsibility is to obtain reasonable guarantee on whether the consolidated financial statements generally include no material misstatements arising from fraud or errors and then independently express the opinion about the consolidated financial statements in the auditor's report based on the auditor's audit. Misstatements may arise from fraud or errors, and they are considered material when they are reasonably expected to individually or collectively have effect on decision-making of users of the consolidated financial statements.

According to the audit standards generally accepted in Japan, the auditor makes the judgment as a professional expert through the audit process and performs the following by implementing due diligence as a professional expert:

- The auditor identifies and evaluates the risk of material misstatements arising from fraud or errors. The auditor makes and performs a plan for the audit procedure responding to the risk of material misstatements. The audit procedure is selected and applied, based on the auditor's judgment. The auditor also obtains sufficient and appropriate audit evidence serving as the basis for expressing the opinion.
- The audit of the consolidated financial statements is designed not to express an opinion about the effectiveness of internal controls, but the auditor examines internal controls related to the audit to make a plan for the appropriate audit procedure according to conditions when evaluating risk.
- The auditor evaluates the appropriateness of accounting policies adopted by the Management and the application methods, the rationality of accounting estimates made by the Management, and the reasonability of the related notes.
- The auditor concludes whether it is appropriate that the Management prepares the consolidated financial statements on the going concern assumption and whether there is significant uncertainty in events or situations casting a significant doubt on the going concern assumption based on the obtained audit evidence. If there is significant uncertainty about the going concern assumption, the auditor is required to call attention to the notes to the consolidated financial statements in the auditor's report. If the notes to the consolidated financial statements related to significant uncertainty are inappropriate, the auditor is required to express the modified

opinion about the consolidated financial statements. The auditor's conclusion is based on the audit evidence obtained by the date of auditor's report and future events and situations may prevent the Company from surviving as a going concern.

- The auditor determines whether presentations of and notes to the consolidated financial statements comply with the corporate accounting standards generally accepted in Japan and whether presentations, structures, and details of the consolidated financial statements, including related notes and the consolidated financial statements, appropriately present underlying transactions and accounting events.

- The auditor obtains sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is solely responsible for the audit opinion.

The auditor reports to the Audit and Supervisory Board members and the Audit and Supervisory Board the scope and timing of the planned audit, important findings in the audit, including significant defects of internal controls identified in the audit process, and other items required by the audit standards.

The auditor reports to the Audit and Supervisory Board members and the Audit and Supervisory Board compliance with the code of professional ethics in Japan on the independence, matters rationally considered to have an effect on the independence of the auditor, and details of the safeguards taken to eliminate or reduce inhibition factors if any.

#### Interest

There is no interest between the Company, its consolidated subsidiaries and the audit corporation or its managing partners that must be stated according to provisions of the Certified Public Accountants Act.

End



## Audit and Supervisory Board Audit Report (certified copy)

### Audit Report

The Audit and Supervisory Board has prepared the following audit report based on consideration of the audit reports prepared by each Audit and Supervisory Board member regarding the performance of duties of Directors during the 25<sup>th</sup> fiscal year from April 1, 2022 to March 31, 2023.

#### 1. Method and details of auditing conducted by the Audit and Supervisory Board and Audit and Supervisory Board members

(1) In addition to establishing audit policy, division of responsibilities, and other matters and receiving reports concerning the status and results of audits conducted by each Audit and Supervisory Board member, the Audit and Supervisory Board also has received reports from Directors and the Accounting Auditor regarding the performance of their duties and has sought explanations when deemed necessary.

(2) Each Audit and Supervisory Board member, in accordance with the audit standards for Audit and Supervisory Board members established by the Audit and Supervisory Board and while utilizing means via telephone lines or the Internet, etc., has sought to facilitate mutual understanding with Directors, the Internal Audit Office, and other employees in accordance with the audit policies, division of responsibilities, and other related matters, strived to maintain an environment conducive to the collection of information and auditing, and carried out auditing through the following methods:

(i) Attended Board Meetings and other important meetings to receive reports from Directors, employees, the Internal Audit Office, and others concerning the performance of their duties, seeking explanations as necessary, viewed documents concerning important decisions and other matters, and investigated the status of operations and finances at the head office and important business sites. Also, sought to facilitate mutual understanding and exchange of information with Directors, Audit and Supervisory Board members, and others at subsidiaries and received business reports from subsidiaries as necessary.

(ii) The Audit and Supervisory Board also periodically received reports from Directors, employees, and other relevant personnel, sought explanations as necessary, and expressed opinions regarding the content of resolutions by the Board of Directors concerning the development of systems as stipulated in Article 100, Paragraphs 1 and 3 of the Enforcement Regulations to the Companies Act, which are necessary to ensure that Directors' performance of their duties as reported in the business report is in conformity with laws and regulations and the Articles of Incorporation and to ensure the appropriateness of operations of the group consisting of the Company and its subsidiaries, as well as the status of the development and operation of the system developed pursuant to such resolutions (internal control system).

(iii) The Audit and Supervisory Board monitored and reviewed the Accounting Auditor to verify that it maintained independence and performed auditing appropriately, received reports from the Accounting Auditor concerning the performance of its duties, and sought explanations as necessary. In addition, the Audit and Supervisory Board received notification from the Accounting Auditor that the system intended to ensure the appropriateness of duties performed by the Accounting Auditor (as stipulated in Article 131 of

the Ordinance on Accounting of Companies) is in accordance with standards concerning quality control for auditing (established November 16, 2021 by the Business Accounting Council) and other standards, and sought explanations when necessary. In addition, we discussed major audit considerations with Deloitte Touche Tohmatsu LLC, received reports on the implementation status of their audits, and requested explanations as necessary.

Based on the above methods, the Audit and Supervisory Board examined the business report and accompanying detailed statements, financial statements (balance sheet, statement of income, statement of changes in shareholders' equity, and individual notes) for this fiscal year as well as the attached detailed statements and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity, and consolidated individual notes).

## 2. Results of Audit

### (1) Results of audit of business report etc.

- ① The contents of the business report and its attached detailed statements presents the position of the Company fairly pursuant to laws and regulations and the Articles of Incorporation.
- ② With regard to the performance of duties of Directors, no improper conduct or material breach of laws, regulations or the Articles of Incorporation has been identified.
- ③ The details of resolutions approved by the Board of Directors concerning the internal controls system are appropriate. In addition, no matters that require comment have been identified regarding the details in the business report or the performance of duties of Directors with regard to the internal controls system.

### 2) Results of audit of financial statements and attached detailed statements

The method of audit employed by the certified public accountant Deloitte Touche Tohmatsu LLC and the results of its audit are considered appropriate.

### (3) Results of audit of consolidated financial statements

The method of audit employed by the certified public accountant Deloitte Touche Tohmatsu LLC and the results of its audit are considered appropriate.

May 17, 2023

ZOZO, Inc. Audit and Supervisory Board  
Full-time Audit and Supervisory Board member  
(Outside Audit and Supervisory Board member) Hiroko Igarashi

Outside Audit and Supervisory Board member Junichi Motai

Outside Audit and Supervisory Board member Junko Utsunomiya

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