

Dear All,

**Notice Concerning Amendment of Director Remuneration Plan and  
Introduction of Restricted Stock Remuneration Plan**

ZOZO, Inc. (hereinafter, referred to as the “Company”) made a resolution at the Board of Directors held on May 21, 2020, to amend the director remuneration plan and submit a proposal of introduction of a restricted stock remuneration plan to the 22<sup>nd</sup> Ordinary General Meeting of Shareholders (hereinafter, referred to as the “GMS”) scheduled on June 29, 2020.

1. Amendment of director remuneration plan

As stated in “Notice Concerning Establishment of Nomination and Remuneration Consultatory Committee”, which was disclosed on January 28, 2020, the Company established the Nomination and Remuneration Consultatory Committee (hereinafter, referred to as the “Committee”), an advisory body to the Board of Directors and is chaired by an independent outside director, on the same day. The Committee plays a central role in reviewing the remuneration plan for directors.

Based on the results of deliberations by the Committee and its recommendations, the Company has decided to revise the remuneration plan to that rewards the achievement of short-term and medium-to long-term business performance and improvement of corporate value based on the Company’s management strategy, with the aim to promote the sustained and medium- to long-term improvement of corporate value for directors of the Company (limited to business execution directors; hereinafter referred to as the “Eligible Directors”).

Remuneration for the Eligible Directors after the amendment consists of fixed and performance-linked remunerations. Fixed remuneration consists of cash only, and performance-linked remuneration consists of two types of remuneration: cash bonus and stock remuneration (see “2. Grant of performance-linked restricted transfer stock under the plan” below for detail). Regarding the percentage of each remuneration, the percentage of performance-linked remuneration will exceed the percentage of fixed remuneration, and the percentage of performance-linked remuneration consisting of cash bonuses and stock remuneration will be halved (\*). The following table shows the types, purposes, and outlines of each type of remuneration.

Types of remuneration		Objectives and Overview
Fixed	Cash remuneration	Fixed remuneration for the performance in accordance with responsibilities
Performance-linked	Cash bonus (Short-term incentive remuneration)	Performance-linked remuneration for the achievement of short-term performance targets for each fiscal year <ul style="list-style-type: none"> <li>· The specific amount to be paid is determined according to the degree of achievement of the performance targets set out in a fiscal year.</li> </ul>

Types of remuneration		Objectives and Overview
		<ul style="list-style-type: none"> <li>Gross merchandise value as the business's growth and consolidated operating profit (*) as the profitability are set as the criteria for determining the payment of remuneration.</li> </ul>
	Stock remuneration (Medium-to long-term incentive remuneration)	<p>Performance-linked remuneration to promote management that emphasizes medium-to long-term improvement in corporate value and shareholder value</p> <ul style="list-style-type: none"> <li>Transferred restricted shares are determined in accordance with the Company's stock price growth rate and the consolidated operating profit (*) for the three fiscal years. (The stock price growth rate is compared with the that of about 36 benchmark companies.)</li> <li>In principle, this will be issued annually.</li> </ul>

(\*) The percentage of remuneration and the criteria for payment of remuneration are subject to change by resolution of the Board of Director in the future.

## 2. Grant of performance-linked restricted transfer stock under the plan

### (1) Purpose of introduction of this system

Based on the above 1. "Amendment of director remuneration plan", this remuneration plan provides medium-to long-term incentives to continuously improve the corporate value of the Company group. It also provides remuneration to the Eligible Directors for granting restricted shares to promote further value sharing between the Eligible Directors and our shareholders.

### (2) Conditions for introduction of the plan

Remuneration for directors was approved at the 19<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2017 for an annual amount not exceeding 800 million yen (of which, the amount for external directors is within 50 million yen per year and does not include the salaries of employees of directors who concurrently serve as employees). Under this plan, the Company will grant monetary compensation claims to the Eligible Directors to grant restricted transfer shares to the Eligible Directors. Accordingly, the introduction of this plan is subject to the approval of the GMS of the Company, for the payment of such remuneration separate from the amount of the current remuneration.

### (3) Outline of the plan

Under this plan, the Company pay monetary compensation claims to the Eligible Directors for the grant of restricted transfer shares, and the Eligible Directors contributes the entire amount as asset-in-kind, assigns ordinary stock to the Eligible Director and imposes restrictions on the transfer of shares for a certain period of time. The restricted shares to be assigned to the Eligible Director are performance-based restricted shares whose number of shares to be released is determined according to the degree of achievement of the index for improving the Company group's medium-to long-term corporate value, etc. The total amount of monetary remuneration claims to be paid to the Eligible Directors under the plan will be within the scope of 162 million yen per annum (excluding the employee's salary for directors serving concurrently as an employee), the amount deemed reasonable considering the above objectives; the

specific timing and distribution to the Eligible Directors will be decided by the Board of Directors. The total number of the Company's ordinary stocks to be issued or disposed under this plan shall not exceed 120,000 shares per year (provided, however, that the upper limit of the total number of ordinary stocks to be issued or disposed of as restricted shares in the event that a stock split of ordinary stocks (including the gratis allotment of ordinary stock) or a stock consolidation is conducted after the date of approval of the proposal for the introduction of the plan at the GMS, and other cases requiring an adjustment of the upper limit of the total number of ordinary stocks to be issued or disposed of as restricted shares). The amount to be paid in per share will be determined by the Board of Directors to the extent that the amount not particularly favorable to the Eligible Directors underwriting ordinary stocks, such as the closing price of ordinary stock on the Tokyo Stock Exchange on the business day prior to the resolution date of the Board of Directors relating to the issuance or disposal of ordinary stocks (the closing price on the last trading day prior to the same day, if the transaction has not been executed on the same day).

In addition, in issuing or disposing of ordinary stocks under the plan, the Company and the Eligible Directors will enter into a restricted transfer stock allotment agreement (hereinafter, referred to as the "Allotment Agreement"). The content of the Allotment Agreement is as follows: ① The Eligible Directors must not assign, create a security interest, or otherwise dispose of ordinary stock allotted under this Allotment Agreement for a certain period; ② In the event that a certain event occurs, the Company will acquire such allotted shares for free; and ③ The content of the cancellation conditions relating to the restriction of transfer set in advance by the Board of Directors.

(Reference)

If the proposal for the introduction of the plan is approved at the GMS, the Eligible Directors will cancel share-based compensation-type stock options (1<sup>st</sup> to 3<sup>rd</sup> share acquisition right) after the allocation of ordinary shares under the plan.

In addition, if the proposal for the introduction of the plan is approved at the GMS, the Company plans to allocate the same restricted stocks to executive officers after the conclusion of the GMS, as described above.