

The Key to Solving Social Issues is the Power of Co-Creation With Stakeholders

A Shared Future of Sustainability Through the Fashion Business

Sustainability has become increasingly important in corporate management. Christine Edman, executive officer at ZOZO, Inc., shares our company’s high aspirations for solving sustainability issues through business activities. We recently invited Ms. Edman to talk about the path toward sustainability for the fashion business, her thoughts on the corporate approach to social and environmental issues, and the future outlook for fashion and sustainability.

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Sustainability Policy as a Source of Business Activities

— Creating a Positive Impact on Society and the Environment —

— What is the role of sustainability in corporate strategy?

Christine In April 2021, ZOZO published our sustainability statement, *Fashion Connects and Leads us to a Sustainable Future*. Even before we formulated the statement, community contribution and other sustainable activities were already deeply ingrained in our DNA. We reiterated and visualized our stance through four key actions. Every ZOZO location is engaged, most significantly in Chiba City, where we have our head office. For example, in 2019, we signed a comprehensive partnership agreement with Chiba City and Chiba University. Our activities have become more detailed in recent years, including educational projects with the Chiba University Environmental ISO Student Committee related to the SDGs

under the topic of fashion and sustainability.

Fukagawa I think ZOZO and Adastria are similar in terms of the corporate culture and the climate we foster, including sustainability policies. We also have a long history of growing together with our customers, building good relationships not only with Mito City, where we were founded, but also with the communities in which we operate and with our stakeholders. I joined the company about 20 years ago as a new graduate, and I think the idea of sustainability was shared understanding among co-workers even before we knew the word. Sustainability has always been an important part of the development of our business. Due in part to this background, when departments and employees take action

on sustainability through their work, we want them to look to the ideas and thoughts we verbalized together with our employees. In 2020, employees contributed to verbalizing the original ideas and thoughts behind our Sustainability Policy: *Taking the Excitement of Fashion Into the Future*. For Adastria, making a positive impact on society and the environment through our businesses is as an important medium- to long-term management issue. We established the Sustainability Committee in 2023 and the Sustainability Management Office in March 2024 as a more specialized entity. These organizations drive our sustainability initiatives and demonstrate our stance on social issues as a company.

Christine Corporate management must articulate and commit to a serious stance on sustainability, reaffirming that sustainability actions are important management issues.



Christine Meeting twice monthly is a lot of work, but it raises awareness in every department! ZOZO holds bimonthly SDGs Promotion Committee meetings, where I serve as vice-chair. We discuss sustainability challenges and solutions at ZOZO with the participation of all executive officers. In fiscal 2022, we launched an integrated reporting portal on our corporate website to disclose financial information and non-financial information proactively, covering topics such as sustainability and highlighting stakeholder interviews. With our advancements in information disclosure, we find more opportunities to be evaluated by external organizations. These evaluations also raise awareness internally of our aim to engage in initiatives that meet global standards.

Fukagawa We continue to expand ESG information disclosure across various media and business settings. As a result, we receive an increasing number of communication offers from financial institutions and investors. Objective feedback from outside the company helps clarify the requirements in place, which will lead to advancements in sustainable management and raise the level of our activities. It's a boost for us as a company in our positive approach to sustainability.



Christine Japan has no commonly accepted definition for sustainable apparel products. Little by little, customers are beginning to choose products that are as environmentally and socially conscious as possible. Product information disclosure is an important part of offering sustainable products as an option. I think Adastria's definition of sustainability and public announcements have motivated the entire industry.

Fukagawa Adastria places our unique sustainability mark on the price tags of products made using sustainable materials, sustainable

processes, and socially conscious development. Our suppliers, as well as our products sourcing department and brand merchandisers, agree with our sustainable manufacturing policy and philosophy. We are working to visualize the many efforts to create sustainable products for society, and communicate these efforts as added value to our customers. As of February 2024, we had sustainability marks on 17.1% of products, disclosing information actively regarding corporate efforts that may not be obvious to customers. In this way, we not only encourage sustainable purchasing behavior, but also support other companies in their efforts, spreading the excitement of fashion.

Fashion Sustainability for Fostering a Circle of Recycling Between Companies and Customers

— What are you doing to encourage customers to behave more sustainably?

Fukagawa We believe it is important to balance product development between added value answering customer demands for design and value and Adastria-style sustainability. To encourage customers to adopt sustainable behaviors, Adastria-style sustainability pursues a shift to manufacturing that is considerate of society and the environment, while leveraging our in-house production capabilities and the characteristics of our multi-brand business approach. In cooperation with our suppliers and business partners, we want to raise the level of sustainability efforts in the industry as a whole by strategically implementing what we can do immediately to help the Japanese fashion industry achieve sustainable growth.

Christine ZOZO launched a production support service called *Made by ZOZO* in September 2022. Today, we work in contract production with 31 brands* under a system



*As of July 2024

allowing the manufacturing of even just a single item in our quest to solve the issue of overproduction and mass waste. We have received positive feedback from customers and brands. Since the products are made to order, customers can still buy their favorite products, even if sold out in the storefront. Another appeal of this system is when customers make the happy discovery that they had been making sustainable purchases all along.

Fukagawa I empathize deeply with the idea of a happy discovery. Our material development team always includes sustainable elements when developing original material. Taking advantage of the multi-brand approach, we can expand



these materials horizontally, regardless of the size of the brand. In this way, we offer products without passing on development costs on selling prices. First, we want customers to take the product in hand and see themselves happy wearing the clothes. If the item also happens to come from a sustainable background, then the happiness will double. That's the kind of story we want to develop. Adastria set a goal to switch to sustainable materials and processes for the majority of products by 2030. To achieve this goal, we began using digital technology to visualize issues along the supply chain, from product planning to production processes. This visualization improves the speed and quality of our efforts. Ideally, the purchase of every Adastria product will be an act of sustainable behavior.

Christine If we are going to achieve circular fashion across our industry, we'll need the help of Adastria and your many brands that are popular with young people. It would be wonderful if we could create this

cycle together, using sustainable materials and processing for clothing designed from an awareness of product life cycles. Currently, our e-commerce shopping platform is the hub for ZOZO services. I think encouraging reuse and recycling will be an important part of changing customer behavior to embrace sustainability in a natural way. In the reuse business *ZOZOUSUED* is our fashion zone for brand-name used clothing, offering secondary distribution for items traded in by customers. Moving forward, we want to make it more widely known that ZOZOTOWN deals not only in new clothes but also in second-hand clothes. We want to offer customers a wider range of choices, and by encouraging the purchase and sale of used clothing, we want to expand customer options and encourage circular fashion further by extending the product life of an article of clothing.

Fukagawa Sometimes, customers want to enjoy a different style of fashion. The ZOZO initiative is great in that it involves customers in circular fashion naturally, providing more options when they let go of their old clothes.

Christine In terms of changing customer behavior, we want to raise awareness of sustainability. In November 2022, we launched *e/love by ZOZO*, content about sustainability information published within ZOZOTOWN. In addition to information on sustainable fashion, the site

offers content on culture, mindfulness, and a great deal more. We also collaborate with other companies and use technology to support behavioral change. ZOZO, together with Yamato Transport, has begun to revolutionize logistics to reduce CO2 emissions. We are developing new delivery methods, such as *Slow Delivery* and *Anshin Okihai Delivery*. In terms of technology, our 2020 introduction of *ZOZOMAT* which is a 3D measuring mat for feet accurate to the millimeter. ZOZOMAT-compatible shoes have a 36.9% lower return rate than non-compatible shoes, contributing significantly to avoiding CO2 emissions that arise from return shipping.

Fukagawa Adastria also focuses on DX. We pursue sustainability through DX, including the use of AI to forecast demand more accurately, AI screening of staff feedback about unpopular products to use in product development, and using this information in Staff Voice to improve our marketing messages and develop business models that meet customers needs. We hope to use DX in these and other ways to encourage sustainability further.

Becoming an Organization Supporting Individual Expression Through Diversity to Maximize Talents Using the Power of Fashion to Create a More Diverse Society

— How do you address issues related to human capital and human capital strategy?

Fukagawa Human capital is essential for sustainable business growth, new innovations, and solving social issues through co-creation. Creating a flexible organization and systems in which individuals feel free to take on challenges and change without fear is as important as creating safe, secure, comfortable work environments in which employees can maximize their talents. Diversity is an essential part of a strong and





Christine EDMAN

flexible organization. We engage in a variety of initiatives to meet the needs of our diverse stakeholders. These initiatives include our priority in supporting the activities of women, helping men balance work and family life by encouraging them to take childcare leave, and promoting an understanding of the LGBTQ+ community. Could you share some of ZOZO's initiatives in this area.

Christine ZOZO set a KPI to increase ratio of women on the Board of Directors and in senior management (general managers and above) to 30% or more by 2030. While change is necessary in many aspects for us to achieve this goal, what we most want to change is the mindset of the women themselves. Today, we focus on building a network that will help women chart their own career paths. Women's empowerment is a state in which women feel they can express their full potential.

Fukagawa I agree. Creating situations in which employees, regardless of gender or title, can make the most of their abilities will ultimately lead to an increase in the ratio of women in management positions. Life and

career are important elements of life. We hope to foster an organizational culture and build systems that allow people to envision their ideal future, while encouraging managers and the company to help these individuals achieve their aspirations. Diversity management is an important issue, and by allowing each employee to be themselves, an organization can turn every difference into a strength. We are confident that diversity will be a great boost for further change and growth.

Christine ZOZO is also committed to understanding and raising awareness of sexual minorities. We include same-sex partners in the definition of spouse in the company's internal rules and regulations, offering internal systems regardless of the gender of the partner. We also offer e-learning programs to encourage a correct awareness and understanding of LGBTQ+ issues, as well as educational programs we co-sponsor with business partners.

Fukagawa Adastria declared ourselves an ally in 2022 as part of our DE&I efforts. Every June, we hold *Adastria Pride Month*, displaying rainbow flags as an ally at our nearly 1,200 stores in Japan. We ask employees to watch an [in-house customer service training video on LGBTQ+ issues](#) to help employees rethink norms, gain new perspectives, and enhance awareness. To make this type of content available to as many people as possible, we publish training videos on our official YouTube account, available to the public. Through these and other efforts, we strive to create diverse societies based in fashion.



Christine It is important to remember that DE&I, including women's empowerment, has broad implications for sustainability, ranging from

recruitment to the way we design our products.

— **Do you have a message you want to share for the future of the fashion industry?**

Christine If I had to sum it up in one phrase, it would be *Together Forever*. As a platformer, the key for ZOZO is to involve stakeholders in partnerships. We would love to collaborate with Adastria and other partners to achieve circular fashion.

Fukagawa Together Forever. I like that! Many sustainability issues cannot be solved by a single company on its own. As a Good Community Co-Creation Company, we aim to transform ourselves into a sustainable fashion business. At the same time, we endeavor to connect with people, local communities, and other companies, even outside the traditional fashion industry. For fashion to continue to enrich our daily lives and lifestyles in the future, we must work together with stakeholders to achieve concrete progress in sustainable fashion.



Tomoko FUKAGAWA