

FASHION  
THAT  
INSPIRES  
YOU.

FASHION  
FOR LIVING  
OUR  
BEST LIFE.

Integrated Report 2022  
A D A S T R I A  
—  
*Play fashion!*

FASHION  
THAT  
CREATE  
A  
VIBRA  
COMM

CORPORATE IDENTITY

MISSION

Play fashion!

Fashion that inspires you.
Fashion that creates a vibrant community.
Fashion for living your best life.

VISION

Joyful options galore!

PHILOSOPHY

Be a person needed, Be a company needed.

VALUES

We always act with our customers in mind.
Taking on new challenges enables us to grow and evolve.
We value diversity and progressing as a team.
Contributing to society by helping others.
Making everyday life an adventure.

CULTURE

The answer is to keep looking for answers.

Editorial Policy

In addition to financial information such as business performance and management strategies, this report introduces, non-financial information such as "Environment, Society and Governance (ESG)" as a foundation for supporting the growth in a structured way. By this, we aim to report our business model and value creation story in an easy-to-understand manner.

01 Reporting Period

Fiscal Year ending February 2022 (March 2021-February 2022)

02 Guidelines used as reference

"International Integrated Reporting Framework" by IFRS Foundation
"Guidance on Integrated Disclosure and Dialogues for Value Creation" by Ministry of Economy, Trade and Industry

03 Reporting Organization

Adastria Co., Ltd.
and consolidated subsidiaries

04 Issue date

October 2022

CONTENTS

Introduction

- 01 Corporate Philosophy/Editorial Policy
02 History of Adastria

Adastria, an Embodiment of "Play Fashion!"

- 04 Message from the Chairman
06 ABOUT US
06 Adastria Group in Figures
07 Multi-Brand
08 Multi-Category
09 Value Chain
11 Value Creation Process

Expanding "Play Fashion!" through Sustainable Growth

- 13 Megatrends and Strategic Directions
15 Message from the President
19 Overview of Medium-Term Management Plan
20 Message from the Finance Director
22 Growth Strategy I: Multi-Brand
26 Growth Strategy II: Digital Customer Interactions and Services
30 Growth Strategy III: Global
34 Growth Strategy IV: New Businesses

Foundations Supporting Growth and "Play Fashion!"

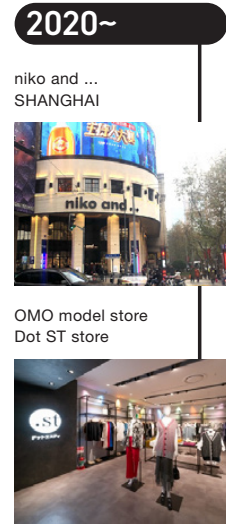
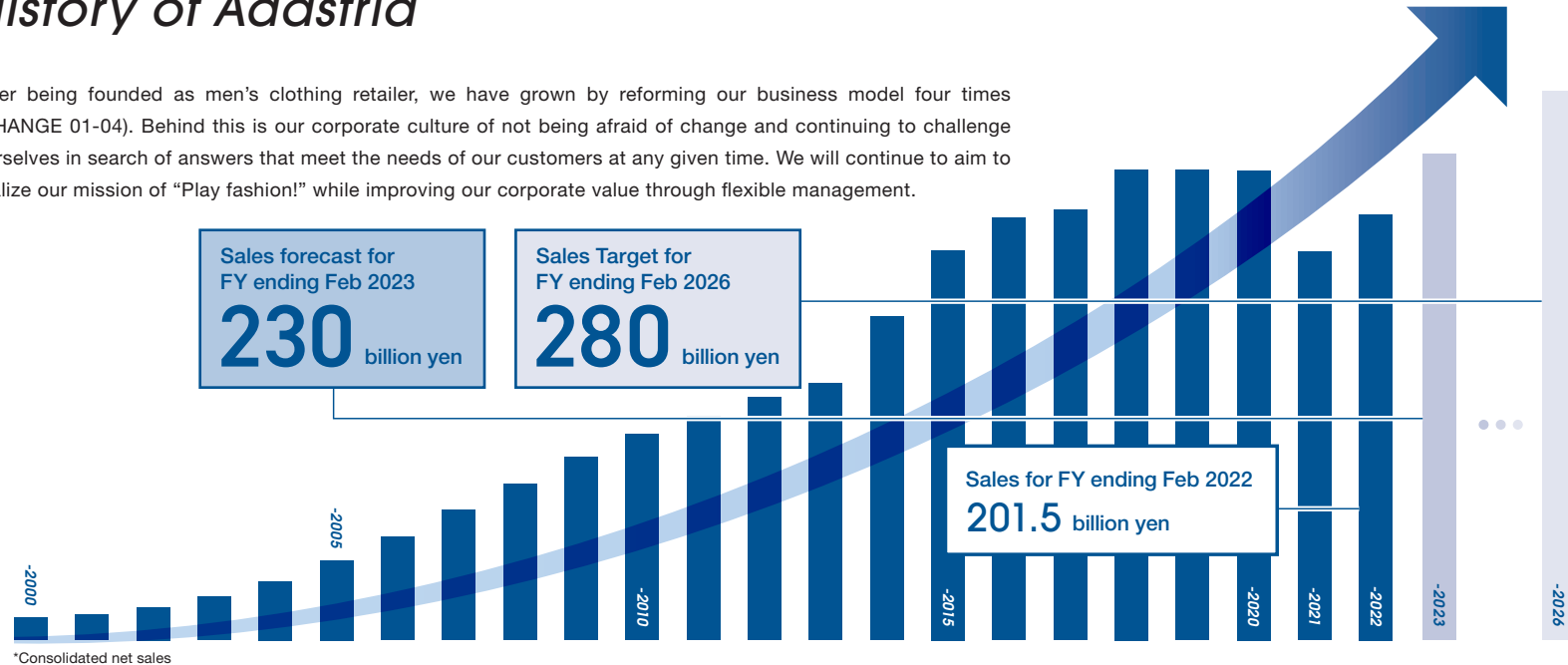
- 41 Message from the ESG Director
43 Approach to sustainability and Materialities (Important Issues)
44 Initiatives for Materialities (Important Issues)
44 Engage in Manufacturing that Leads to the Future
45 Balance Environmental Considerations with Sales Activities
47 Create a World Without Fashion Loss
48 Create A society in Which People Enjoy Fashion in Their Own Way
49 Be an Organization that is Healthy Mentally and Physically, Encouraging Employees in Their Individuality and Ability
51 Revitalize Regions Where Our Stores Are Located
52 Foster Sustainable Development in Production Areas
53 ESG Information Data
56 Corporate Governance
68 A Dialogue Between Our Two Outside Directors

Adastria Data

- 71 Financial and Non-Financial Highlights
72 Group Companies
73 Company Overview/Stock Information

# History of Adastria

After being founded as men's clothing retailer, we have grown by reforming our business model four times (CHANGE 01-04). Behind this is our corporate culture of not being afraid of change and continuing to challenge ourselves in search of answers that meet the needs of our customers at any given time. We will continue to aim to realize our mission of "Play fashion!" while improving our corporate value through flexible management.



1953	1973	1982	1997	2010
<b>CHANGE 01</b> Established Fukudaya Clothes Store Inc.	<b>CHANGE 02</b> Transition from menswear business to men's casual wear	<b>CHANGE 03</b> Introduction of chain store system	<b>CHANGE 04</b> Transition to oem/odm production	<b>CHANGE 04</b> Transformed into vertically integrated SPA (specialty store retailer of private label apparel)

- | 1950-1999  | 2000-2009  | 2010 -   | 2020   |
|--|--|--|--|
| <p><b>1953 10</b> Established Fukudaya Clothes Store Inc. in Mito, Ibaraki Prefecture, began retail sales of men's clothing.</p> <p><b>1973 03</b> Opened men's casual clothing store VEGA.</p> <p><b>1982 09</b> Opened jeans and casual fashion store POINT. Transformed POINT into chain stores in '84.</p> <p><b>1992 03</b> Started developing LOWRYS FARM. Moved into retail sales of ladies' casual wear</p> <p><b>1993 03</b> Changed company name to POINT INC.</p> <p><b>1997</b> Started rolling out LOWRYS FARM store brand.</p> | <p><b>2000 12</b> Registered company's stock in Japan Securities Dealers Association.</p> <p><b>2002 12</b> Listed company's stock on the second section of Tokyo Stock Exchange (TSE).</p> <p><b>2003 03</b> Opened the first store in Taiwan. Began developing overseas business operations.</p> <p><b>2004 02</b> Listed company's stock on the first section of Tokyo Stock Exchange (TSE).</p> <p><b>2007 10</b> Started e-commerce business on own corporate website.</p> <p><b>2008 03</b> Opened the first store in Hong Kong.</p> | <p><b>2010 10</b> Opened the first store in mainland China.</p> <p><b>2012 10</b> Started membership-based point service on our own e-commerce business corporate website.</p> <p><b>2013 09</b> Moved to a holding company structure, changing name to Adastria Holdings Co., Ltd. as the holding company. Merged Trinity Arts Inc., and others.</p> <p><b>2014 11</b> Completely revamped own e-commerce site and started official web store service Dot ST.</p> <p><b>2015 03</b> Merged Adastria Holdings Co., Ltd. and POINT INC., Trinity Arts Inc. Dissolved the holding company structure.</p> | <p><b>2015 06</b> Changed company name to Adastria Co., Ltd.</p> <p><b>2015 09</b> Transferred control of product planning and production functions from subsidiaries.</p> <p><b>2017 02</b> Incorporated ALICIA Co.,Ltd. as a group company.</p> <p><b>2017 03</b> Founded ELEMENT RULE Co., Ltd.</p> <p><b>2017 04</b> Founded Adastria USA, Inc.</p> <p><b>2017 10</b> Founded ADASTRIA eat Creations Co.,Ltd.</p> <p><b>2018 08</b> Changed company name to BUZZWIT Co.,Ltd. from ALICIA Co.,Ltd.</p> <p><b>2019 12</b> Registered customers of official web store Dot ST exceeded 10 million.</p> <p><b>2020 11</b> Founded ADOORLINK Co., Ltd.</p> <p><b>2022 02</b> Zetton, Inc. joined the Corporate Group</p> <p><b>2022 04</b> Moved to the Prime Market following the TSE market classification review</p> <p><b>2022 05</b> Established Gate Win Co., Ltd.</p> |



**Adastria, an Embodiment of**  
*Play fashion!*



*Play fashion!*  
\_ ADASTRIA



## Message from the Chairman

### Corporate Philosophy Based on the Value of “Mutual Trust”

The value of mutual trust lies at the root of our corporate philosophy: “Be a person needed, Be a company needed.” Our founder and predecessor once said that “each and every employee with their individual ideas is necessary; no one is dispensable.” He had also stated that “a company can exist thanks to its clients, and it bothers them a lot if the company goes bankrupt.” In fact, our previous generation has experienced bankruptcy once during the postwar recession. At that time, many creditors said that they expected us to “get back on our feet as soon as possible.” We also regret having made many employees and their families go through these unfortunate times. These experiences have taught us the value of mutual trust, which is reflected in our current company philosophy.

Develop “People Needed”  
and Become  
“A Company Needed”

Representative Director and Chairman **Michio Fukuda**



# Message from the Chairman

## Our Strength Lies in Our Ever-changing Nature

We have gone through four transformations to date. The first transformation happened in the 1970s, when the company transitioned from the menswear business to men's casual wear, which at the time, was an untapped market in Mito, the city where the company was founded. Next came the second transformation in the 1980s, when chain stores were introduced following a tour of the United States. The business transitioned to OEM/ODM production during its third transformation in the 1990s, creating store brands. As the fourth transformation, in 2010, the company transitioned itself into a vertically integrated SPA (specialty store retailer of private label apparel) system that manages its planning and manufacturing by itself.

The secret to transformation is to build a supporting structure rather than only alter the form. For example, when developing a chain of stores, we were ahead of our competitors in computerizing our operations, including POS cash registers and computerized inventory management. This has led to the current DX (Digital Transformation). All of these choices were made for survival in response to a changing environment. Without change, there would have been no growth or evolution to date. I always remind our staff that "no business model lasts 10 years." Through this series of transformations, the idea that change is natural has been instilled in our employees, and that is our strength.

## Investing in People and Digitalization to Increase Productivity

There are several issues with Japan's domestic environment, such as a shrinking population and the demise of regional cities. However, in my opinion, the main issue is the decline in productivity. Digitization is required to boost productivity, and digital investments are essentially the investments in people. Instead of using technology to replace people, we use it to boost the productivity of people. For example, in order to revitalize real stores even as the population declines, it is necessary to organize the number of stores while increasing floor space and changing the business conditions to create an environment where people can work comfortably. Here as well, digitization plays an important role.

Also, increasing profits through overseas expansion, such as in mainland China to revitalize Japan will also lead to higher productivity. For this reason, people are equally important. We think that the growth of our employees is a major factor in the success of our overseas operations.

## Establishing a Balanced Management Structure

Regarding management personnel, we have been preparing the current structure for several years. The inside directors share information, everyone works toward a common goal, and the outside directors are able to clearly perceive this and objectively decide whether to proceed or stop. In this way, a well-balanced system has been established. The current president, Kimura, being elected as a president last year, and him having the right of representation this year were judgments based on the unanimous opinion of outside directors, rather than my decision. From this fiscal year, the number of outside directors has increased by one after the inclusion of newly joined members, and the number of inside and outside directors is now equal. In my opinion, such an arrangement of discussions should continue in the future.

## Creating Corporate Value Through Continuous Change and Growth

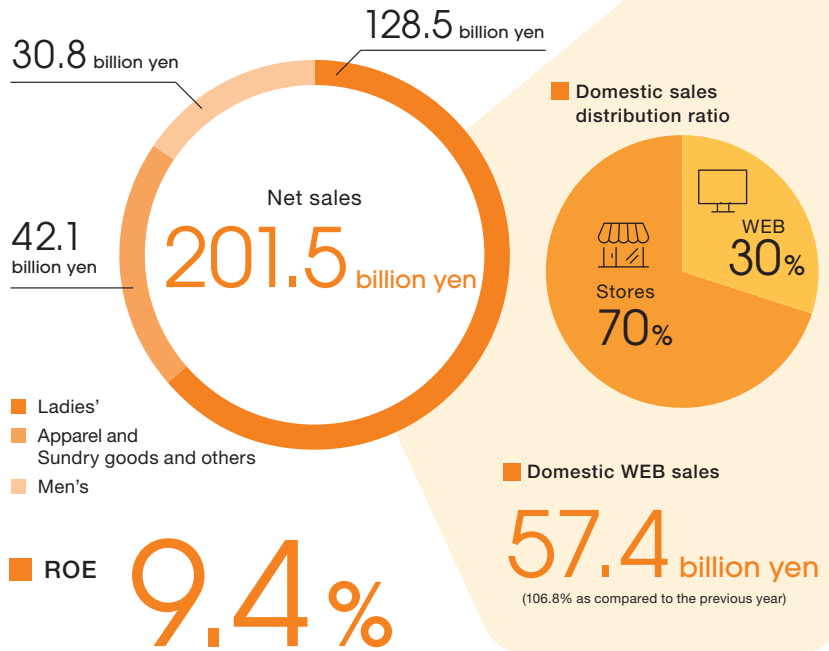
In the process of transforming our business model, we discussed what is abundance for people. Our goal is to provide products of value rather than just economical products to help make our clients richer. To achieve this, we strive to strike a balance between price and quality that will appeal to the clients. It took us ten years to make the transition. However, today we have the value chain to achieve this in place and we are confident that we can live up to the expectations of our shareholders and investors. Additionally, we will produce more revenues and boost business value by accelerating investment in digital technology and human capital. We will continue to change and grow, following our philosophy: "Be a person needed, be a company needed."



# Adastria Group in Figures

The Adastria Group manufactures and sells apparel and miscellaneous goods in the lifestyle and fashion fields. The Group has more than 40 brands and has opened approximately 1,400 stores in Japan and overseas, including real and web stores.

## Product Division-wise Sales



## Number of stores 1,428



## Number of Employees



11,292 persons

Number of regular employees  
5,762 persons

Number of term employees  
5,530 persons (excluding Zetton)

Number of registered customers

Approximately 13.6 million persons

## Number of brands 48

- GLOBAL WORK
- niko and ...
- LOWRYS FARM
- studio CLIP
- LEPSIM
- JEANASIS
- BAYFLOW
- RAGEBLUE
- HARE
- LAKOLE
- Heather
- PAGEBOY
- apart by lowryS
- repipl armario
- mysty woman
- Elura
- BARNYARDSTORM
- BABYLONE
- Chaos
- aprèsjour
- kutir
- velvet
- and more...



# Multi-Brand

Customers' tastes and lifestyles are categorized specifically in the field of fashion, making it difficult to cover all customers with just one brand. We have adopted a multi-brand strategy, with which we are aiming to gain strong support from a wide range of customers through multiple brands that are strongly favored by customers with specific tastes. We share resources for material development, production and logistics, and accumulate know-how as a multi-brand platform.

## Overview of major brands



### GLOBAL WORK

Target	Men and women from 20s to 40s, kids from 2 to 15
Location	Shopping centers
Category	Men's, women's, kids', sports fashions, sundries, food and beverage



### LOWRYS FARM

Target	Women from 20s to 30s
Location	Fashion malls, shopping centers, road-side stores
Category	Women's, kids' and men's fashions



### niko and ...

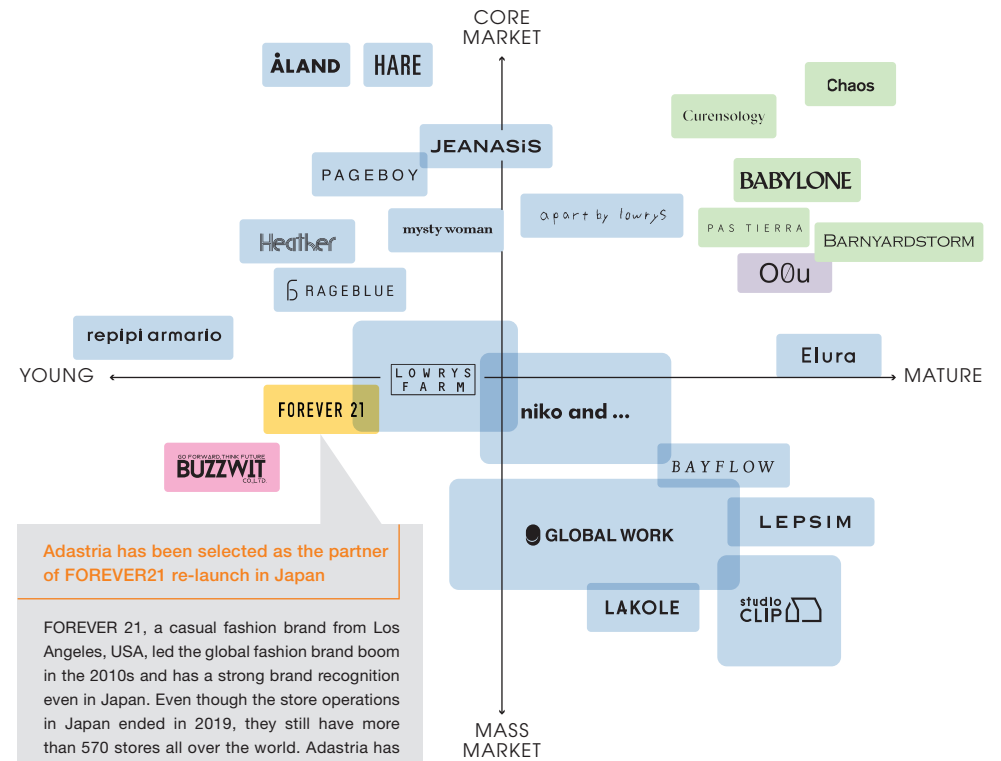
Target	Men and women aged 25 to 35
Location	Shopping centers, fashion malls and road-side stores
Category	Men's and women's fashions, interior items, cosmetics, sundries, outdoors, sports fashion, food and beverage



### studio CLIP

Target	Women from 30 to 40
Location	Shopping centers, fashion malls, department stores
Category	Women's fashion, sundries, interiors, food and beverage

## Classification of major brands by target markets and age



Adastia has been selected as the partner of FOREVER21 re-launch in Japan

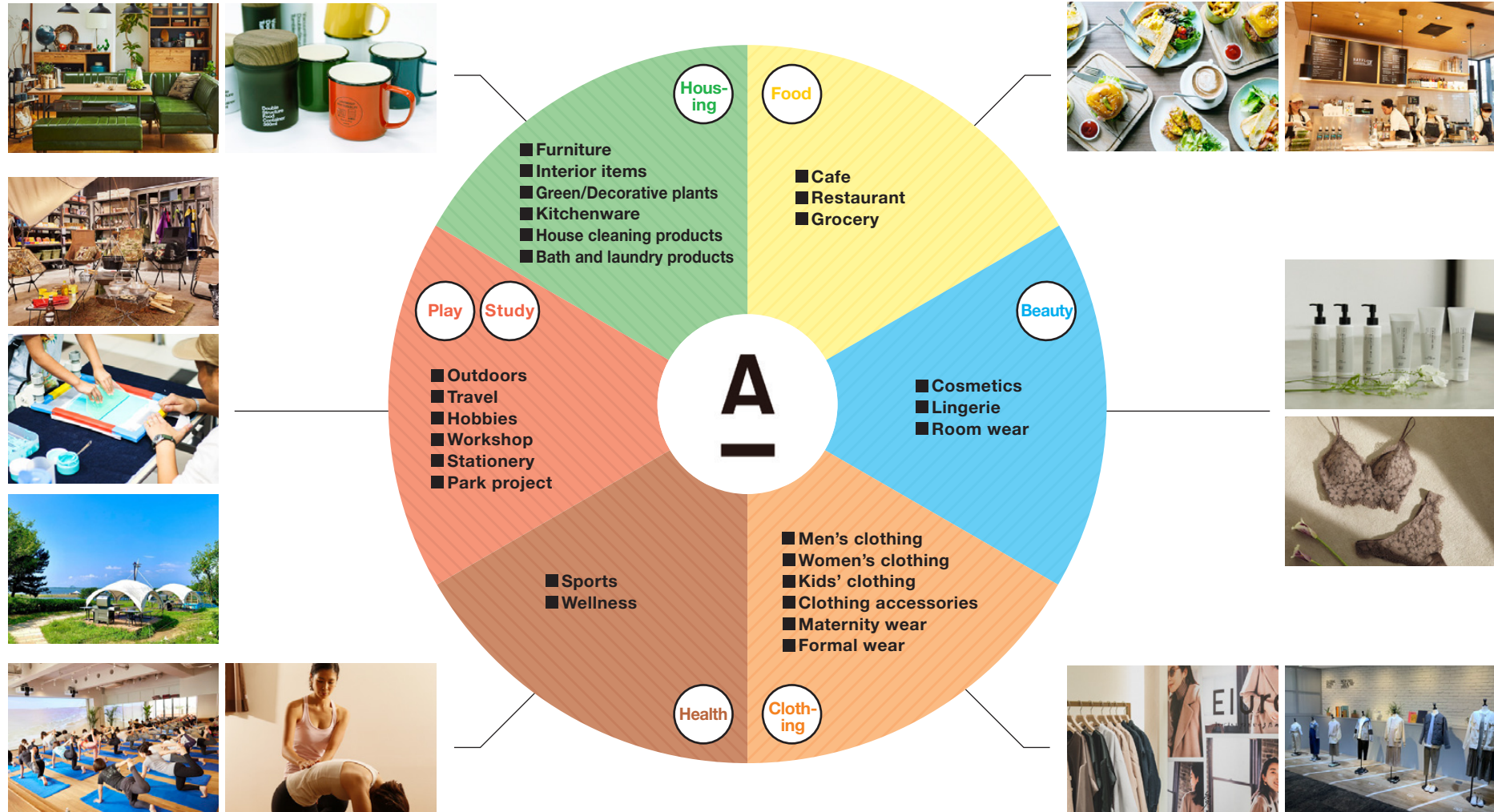
FOREVER 21, a casual fashion brand from Los Angeles, USA, led the global fashion brand boom in the 2010s and has a strong brand recognition even in Japan. Even though the store operations in Japan ended in 2019, they still have more than 570 stores all over the world. Adastia has obtained a license for the relaunch of FOREVER 21 in Japan, and will begin deployment in 2023. We will combine FOREVER 21's highly sensitive fashion and diverse culture with supply chain management and EC, which are among Adastia's strengths, to create new brand appeal that fits the Japanese market.

- Adastia Co., Ltd.
- ELEMENT RULE Co., Ltd.
- BUZZWIT Co., Ltd.
- ADOORLINK Co., Ltd.
- Gate Win Co., Ltd.

\*Positioning by the Company's R&D Division  
 \*ELEMENT RULE Co., Ltd., BUZZWIT Co., Ltd., ADOORLINK Co., Ltd., and Gate Win Co., Ltd. are group companies.

# Multi-Category

In addition to apparel, we offer fashion items and services for the diverse lifestyles of each and every customer in a variety of categories surrounding daily life. We are improving the allure of our stores by expanding store opening channels and increasing store floor space, along with maximizing the lifetime value of our customers through proposals that match with the lifestyles of each individual.



# Value Chain

A strength of our company is our system to carry out everything from brand development and product planning to production, logistics and sales within the group. We quickly incorporate store information and customer feedback in our product development and services by integrating all the processes in a system, while we create differentiated high-quality products.



## VOICE 01

Brand Development/Planning

Marketing/Sales

Hisahito Yamada,  
Head of Sales Headquarters,  
Senior Executive Officer

### Enhancing Operations Through Collaboration of Diverse Human Resources

Our company is involved in the entire process from brand development to product planning, production, logistics, and marketing/sales. While each section has its own specialization and division of labor, we share the “store origin”. On the value chain, brand development and product planning are located away from sales. However, our strength lies in the fact that brand development and product planning are largely handled by our employees with store experience that allows them to visualize the reality of stores, including displays in the stores, staff operations, customer reactions, and so on. Synergy is created by the carefully balanced combination of these internally developed human resources and production specialists, including designers and pattern makers. Brand development naturally involves a marketing-driven approach of developing untapped markets. However, brands that emerge spontaneously



from demands in stores or staff members’ will to “do something” frequently see steady growth. We believe that our company culture, where everyone can openly voice their thoughts and where positive opinions are easily incorporated, also plays a role in this spontaneous brand development.

Another strength of our company is the high accuracy of inventory management, which is because of our know-how of the OTB (Open To Buy) management and systemization. Since we operate a multi-brand business, we have an overwhelming amount of information on successful cases and issues, and by accumulating our know-how, we have lowered our residual inventory ratio to below 2%. In addition, we are developing in-house “business-minded” personnel who are good with numbers. As an apparel company, we work together with “Fashion enthusiasts” in a well-balanced manner, while respecting each other’s opinions. Although the OTB mechanism itself is not complicated, it takes time to fully grasp the concept, permeate it into every aspect of the operation, and put it into practice.

As our product categories grow, our challenge going forward is to extend our OTB management know-how that we have gained so far in the apparel categories, to other categories. In order to accomplish greater growth while retaining efficiency, we will make use of the flexibility of our diverse staff so that they can learn from one another.

## VOICE 02

Production

Mamoru Oya,  
Head of Products Planning & Sourcing Headquarters,  
Senior Executive Officer

### Devising a Production Planning System that can Handle a Huge Volume of Items

In 2010, we made a “declaration of change” of our business model, and since then we have been working on shifting our business from conventional purchase and sales to a “vertically integrated SPA (specialty store retailer of private label apparel)” that handles product development and production within the company. Currently, we are developing a continuous streamlined value chain, incorporating the customers’ feedback in everything from brand development to product planning, production, logistics and marketing/sales. A multi-brand strategy that operates more than 40 brands that all have different targets and concepts requires a flexible production system that can handle such a huge number of items. Because of our in-house production, we have many human resources who have expertise in each process in our company, and we have achieved this because we can have a close communication. The Products Planning & Sourcing Headquarters has various functions ranging from R&D to analyze trends, material development, general items, trading, and quality control. We have covered the disadvantages of small-lot orders by sharing materials across brands to increase cost advantage even if the brands express uniqueness in design and color, consolidating production plants of brands with similar production processes, making transportation more efficient to consolidate the loading of containers, etc., to build a production system that makes the most of our multi-brands. We do not own hardware such as production plants and ships; however, we outsource to external companies for these. We are a high-priority trading partner that can expect stable operation and business continuity, leading to the fostering of partnerships and improved performance, even for our allied factories.



Under the current circumstances we are speedily responding to the issues such as reviewing materials in response to soaring raw material prices and diversifying production countries in consideration of country risks. In the future, we will work on the high-priority issue “digitalization of production,” which will also include the alliance factories. We already started digitization at the planning stages a few years ago using 3D samples, and recently more and more number of business partners are proceeding with digitization even as far as the production stage, including smart factories and factory automation. While actively collaborating with factories that are making such advanced efforts, we will continue to strive for the digitization and productivity improvement in the entire value chain, even in the apparel industry is known for having high hurdles to automation. We will continue to create further value through manufacturing that accurately meets the needs of our customers and the times by maximizing our strengths in our in-house production background and human resources.



# Value Creation Process

## MISSION

*Play fashion!*



### INPUT

- Human capital**
  - Number of Group Employees (11,292 persons)
  - About 4,000 STAFF BOARD participants
  - Specialist human resources in the fields of DX and production
- Intellectual capital**
  - 48 brands
  - Brand development and product planning knowledge
  - In-house EC development and operation know-how
- Manufacturing capital**
  - Distribution centers (6 places in Japan)
  - Shipping capacity of our distribution network (34,000 items/day)
  - Products made with materials developed in-house (3million items in total)
  - In-house planning to production ratio 50%
- Social capital**
  - Number of stores (in Japan and overseas are 1,428, out of which 120 are Web stores)
  - Number of in-house EC registered customers exceed 13.6 million
  - Number of SNS followers (1.9 million STAFF BOARD followers)
  - Factories (255 located in mainland China and 35 in ASEAN)

\*As of August, 2022
- Financial capital**
  - Capital: 2,660 million yen
  - Net Assets: 54,963 million yen
  - Capital adequacy ratio: 55.1%
- Natural capital**
  - Electricity consumption (78.066 million kwh)
  - CO<sub>2</sub> Emissions (516,600t-CO<sub>2</sub>e)

\*Scope 1+2+3  
\*Pertain to domestic group companies (except ADASTRIA eat Creations and Zetton)

### BUSINESS MODEL

- Multi-brand** P07
- Multi-category** P08
- Main Business (Value Chain)**
  - Brand development and planning
  - Production
  - Logistics
  - Marketing and sales
- Business model transformation** P02

### OUTPUT

**Realization of economic value**

- Net Sales **201.5** billion yen
- ROE **9.4** %
- Operating income ratio **3.3** %
- Domestic WEB sales **57.4** billion yen
- Number of customers\* **36** million in total
- Growth rate of average spend per customer\* **104.9** %

\*Pertain to: Adastria only

---

**Value improvement of human capital**

**Value improvement of human capital**

- Percentage of full-time employees returning to work after childcare leave 94.4%
  - Employment rate of people with disabilities 2.65%
  - Number of foreign national employees 82 persons
  - Ratio of female managers 33.9%

\*Pertain to domestic group companies (excluding Zetton)
- Certified factories of partners: 30 companies
  - Business partners who have agreed to the sourcing policy: 750 companies
  - Donation to support disaster-stricken areas 13 million yen

\*Total from the fiscal year ending February 2019
- Percentage of sustainable products 15.3%
  - Reduction of shopping bags (approx. 9 million bags in total)
  - Store LED conversion ratio 91.7%
  - Zero fashion loss

\*No clothing stock was disposed by incineration

EXTERNAL ENVIRONMENT P13





**Expanding *Play fashion!*  
through Sustainable Growth**

*Play fashion!*  
ADASTRIA

# Megatrends and Strategic Directions

## ■ The Market Environment

Compared to other countries, the Japanese mid-price range apparel market has always been larger. Having said that, recently with Japan's aging demographics, more complex lifestyles, and global competition, the market has gradually shrunk; this has led to market bipolarization with the high and low end market growing. A recent Senken Newspaper survey shows that the economy market is already half of the total market (Figure 1).

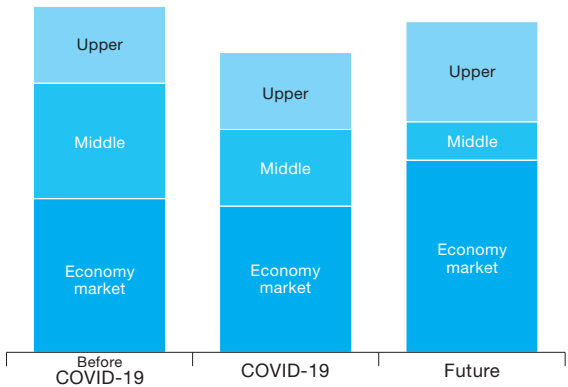
The EC apparel market became 19% of total market in Japan with the COVID-19 pandemic. Having said that, as its share is 48% in Europe\*, we can grow further (Figure 2).

Even though the global apparel market briefly shrunk with the COVID-19 pandemic, it has quickly recovered with continued growth expected (Figure 3). As the Asia-Pacific market is growing rapidly at high volume, it has become important.

In Japan, people have become not only fashionable in apparel but in all aspects of their life, so market are merging into a lifestyle market to reflect this. (Figure 4) In addition, with more of a focus on climate change and resource conservation, the importance of sustainability is rapidly growing.

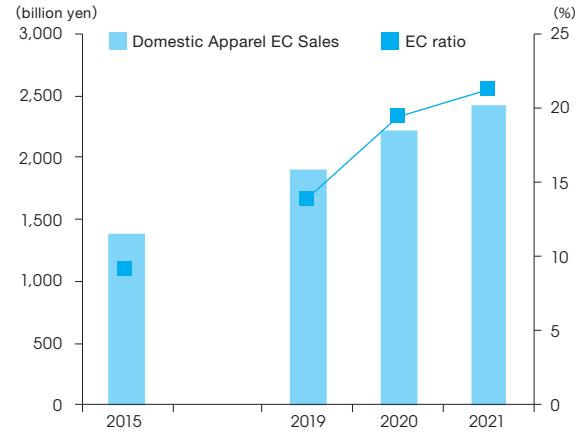
\*Source: <https://www.eversheds-sutherland.com/documents/sectors/consumer/evolution-of-retail-stores.pdf>

### 1 Accelerated shrinkage of the domestic market and expansion of the economy market due to the COVID-19 pandemic



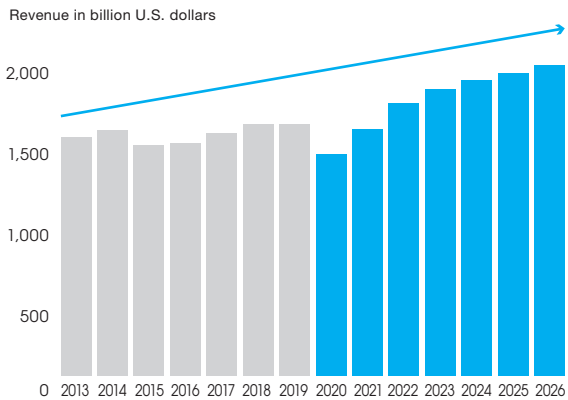
Source: The company's estimates are based on Yano Research Institute Ltd.'s "(2021) survey of domestic apparel markets." Senken Newspaper etc.

### 2 Accelerated growth of EC market due to COVID-19 pandemic



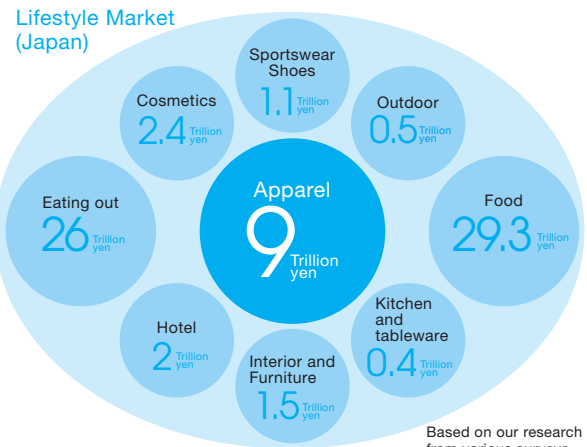
Source: E-Commerce Market Survey conducted by the Ministry of Economy, Trade and Industry

### 3 Expansion of global apparel markets



Source: Statista, "Revenue of the apparel market worldwide from 2013 to 2026"

### 4 Gap between apparel and other markets is diminishing and becoming a lifestyle market







Based on our research from various surveys

# Megatrends and Strategic Directions

We recognize four of the changes in the market environment and sustainability as megatrends that affect our medium to long-term corporate value.

Using these trends as a starting point, we analyze opportunities and threats, strengths and shortcomings in our business, and define the direction we will take in the medium to long term.

Megatrends	Opportunities	Threats	Our Strengths	Weaknesses	Strategic Directions
 Shrinking Domestic Market Low Birthrate, Aging Population	<ul style="list-style-type: none"> <li>Expanding economy market</li> <li>Increasing affinity with the peripheral markets</li> </ul>	<ul style="list-style-type: none"> <li>Shrinking domestic apparel market</li> <li>Labor shortage</li> </ul>	<ul style="list-style-type: none"> <li>Multi-brand</li> <li>Unique value chain</li> </ul>	<ul style="list-style-type: none"> <li>Scale-up and efficiency</li> <li>New added value</li> </ul>	Revenue and Growth in Existing Businesses
 Digitization	<ul style="list-style-type: none"> <li>Expanding EC market</li> <li>Changes in Customer interaction points</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in customers traffic at brick-and-mortar stores</li> </ul>	<ul style="list-style-type: none"> <li>In-house EC membership base</li> <li>STAFF BOARD</li> </ul>	<ul style="list-style-type: none"> <li>Lack of in-house EC site awareness</li> </ul>	Accelerate Growth of In-House EC Site
 Globalization	<ul style="list-style-type: none"> <li>Growth in overseas apparel market</li> <li>Development of unexplored areas</li> </ul>	<ul style="list-style-type: none"> <li>Entry of global companies</li> <li>Rise of local brands in each country</li> </ul>	<ul style="list-style-type: none"> <li>Brands and quality</li> <li>Market-tailored strategies</li> </ul>	<ul style="list-style-type: none"> <li>Overseas recognition</li> <li>Global human resources</li> </ul>	Expand Investments overseas
 Climate Change and Environment	<ul style="list-style-type: none"> <li>Corporate shakeout</li> <li>New business Possibilities</li> </ul>	<ul style="list-style-type: none"> <li>Racing cost</li> <li>Decrease in consumption</li> </ul>	<ul style="list-style-type: none"> <li>Materials developed in-house</li> <li>Relationships with production partners</li> </ul>	<ul style="list-style-type: none"> <li>Value Chain</li> <li>Overall environmental response</li> </ul>	Combine Sustainability with Growth

ADASTRIA

The answer is to keep looking for answers.

...open into a new self  
...we are still not self  
...we are actively looking for the next answers.  
...creative and new brands  
...innovative new values  
...the potential of creating what we have never seen  
...bring new products, gathering more people, and going overseas.  
...But we must not be satisfied with our present situation.  
...Instead of taking the safe choice  
...we will choose not to fear failure.



Continuing to Take-on Aggressive Challenges to Maximize Corporate Value

Representative Director and President **Osamu Kimura**

# Message from the President

## Continuous Aggressive Approach Even During the COVID-19 Pandemic

With the general meeting of shareholders on May 26, 2022, I completed one year as president. Looking back over the past year, the impact of the COVID-19 pandemic was significant. However, we have grown very confident as we could build our capacity to deal with COVID-19 at our stores, and as a result, we have also been successful in securing revenue.

Moreover, while many other companies went on the defensive during the COVID-19 pandemic, we took on various challenges that came with it. Without disregarding defensive measures such as inventory control and store organization, the company has continued to

take an aggressive stance, creating new in-brands to plant seeds for the next three to five years and pursuing M&A or the like. It was especially important for us to be able to continue planting seeds, because stopping even for a year would affect the future.

However, there are still areas where I myself have fallen short, and I would like to increase the speed with which I take management decisions in the future. I would like to bring the team together so that we can further demonstrate the teamwork by our management team, which is one of our strengths.

## Growth Stories That can be Shared by All the Group Employees

I announced a new medium-term management plan in conjunction with the full-year financial results of my first year in office. Based on our mission, “Play fashion!,” we have outlined our growth trend toward the year 2025. MVV (Mission, Vision, and Values), including “Play fashion!,” were discussed and decided by everyone in 2020. With the addition of various companies to the group, and the number of new members increasing continuously, it has become popular within the company as a slogan that is easy for all employees to remember and brings everyone together.

In the current medium-term management plan, we have also set forth “Good Community Co-Creation Company” as our vision for the year 2025. Friends assemble, conversations take place, information is shared, and new values are created under the banner of “Play fashion!.” In our desire to broaden this circle to include not only our employees but also our customers, business partners, and the residents of the regions in which we operate, we have incorporated the concept of “Good Community.”

This is a growth story that I think all Group employees can share as we go toward 2025 because both were developed by everyone, with the current management team playing a key role in expressing their ideas.





# Message from the President

## Toward Creating a Lean Structure Capable of Generating Operating Income

In terms of numbers, our present medium-term management plan has a clear target of an operating margin of 8% for the fiscal year ending in February 2026. Behind this is the management team's belief that "we will grow the company" and "we will keep raising employee salaries," which Chairman Fukuda has been saying for many years. I believe that it is necessary to generate operating income in accordance with the plan to achieve this belief.

For this to happen, it is necessary to firmly delegate authority to subordinates. Once everyone has established goals, our company's DNA enables each department to move forward with a determination about numbers. We have built a system where each executive

officer and department head is in charge of controlling how to raise profits and control expenses, and we have been developing this ability in our human resources. Moreover, we were able to confirm once again during the COVID-19 pandemic that our long-term efforts to structure the production system and make digital investments are beginning to take the form of a competitive value chain. If these strengths are properly engaged, we should be able to achieve the target of the medium-term management plan. Our first priority is to build a lean structure capable of generating sufficient operating income, while steadily planting seeds for the future.

## "Well-being Management" and Sustainability

Our mid-term management strategy also emphasizes "sustainable management." We are still studying how we can link the growth of our company with sustainability. While many companies have been weakened by the COVID-19 pandemic and are unable to focus on sustainability, we are gradually defining what is sustainability that only Adastria can achieve as a leading company in the fashion industry.

"Well-being management" is another crucial aspect of our sustainability. The first step is figuring out how to make our customers, business partners, our staff and their families happy. Additionally, we wish to spread the word about our initiatives and engage the entire industry. Sustainability and the SDGs are not something that can be done by one company alone. Managers who are aware of the issues will need to work together to ensure sustainability in the future. We believe that there is a growing opportunity to think about what we can do together while sharing our strengths and expertise as the industry undergoes a generational shift.



# Message from the President

## Corporate Culture Enjoying the Changes According to the Market Environment

Following the COVID-19 pandemic, the market environment surrounding fashion has undergone a significant transition. As the number of affluent consumers increases, the number of people who prefer economical products is also increasing. As the market polarizes, we see opportunities for expansion in the economy market, which is our forte, while our subsidiaries are nurturing their brands to capture the upper market.

We anticipate that we will need to keep changing in a market where we can use our strength as a multi-brand company in all market segments.

The Japanese domestic market is shrinking, but its shares are still increasing. This happens still more if you include lifestyle areas other than fashion. Once the COVID-19 pandemic subsides, we will once again shift to an aggressive stance in the Chinese market, and there is still room for growth in our business in the United States, It is also important how to expand the fields of logistics and information systems. Till now, we have built it by ourselves, but we must also consider partnering with other companies in the future as an important growth field.

We have experienced four major transformations in the past, and we will likely be required to make the fifth and sixth transformations in the future. One of the strengths of the owner company is that it can change boldly, and there is also a corporate culture that is not afraid of the changes that have been nurtured within it. The current management team is rather enjoying the changes.



## Aiming to Increase Long-term Corporate Value with a Well-balanced Management Team

Adastria's greatest strength lies in its ability to respond flexibly, and in a good way, it is a company that can keep up with the times without rigid principles. Chairman Fukuda has nurtured that kind of culture, and the current management team has inherited it. Therefore, in the future, we will not become a company that takes a defensive approach and does nothing. I myself am more of a marketer, and I am the type of manager who observes various markets and thinks about where to invest and where to hold back, and then do new things, but the current management team has a very good balance between aggressive approach and defensive approach. Each has their own specialties. Therefore, we have a lot of discussion anyway. Moreover, we are developing well-balanced human resources in the executive officer class.

Until now, the industry has tended to focus on raising the top line, but from now on, it will be important to increase corporate value. We also believe that there is still potential for the stock price to rise as corporate value increases, and we have reaffirmed the need for the management team to be fully aware of the capital market. For how to increase corporate value, our first goal is to achieve the medium-term management plan in 2025, but management team is constantly discussing what to do in 2030. While inheriting the thoughts that the chairman has said since the days of Fukudaya Clothes Store, about how to make employees and their families, business partners, and customers happy, we will continue to take on new challenges with the aim of managing our stakeholders so that they can safely say, "We'll leave it to you."

# Overview of Medium-Term Management Plan

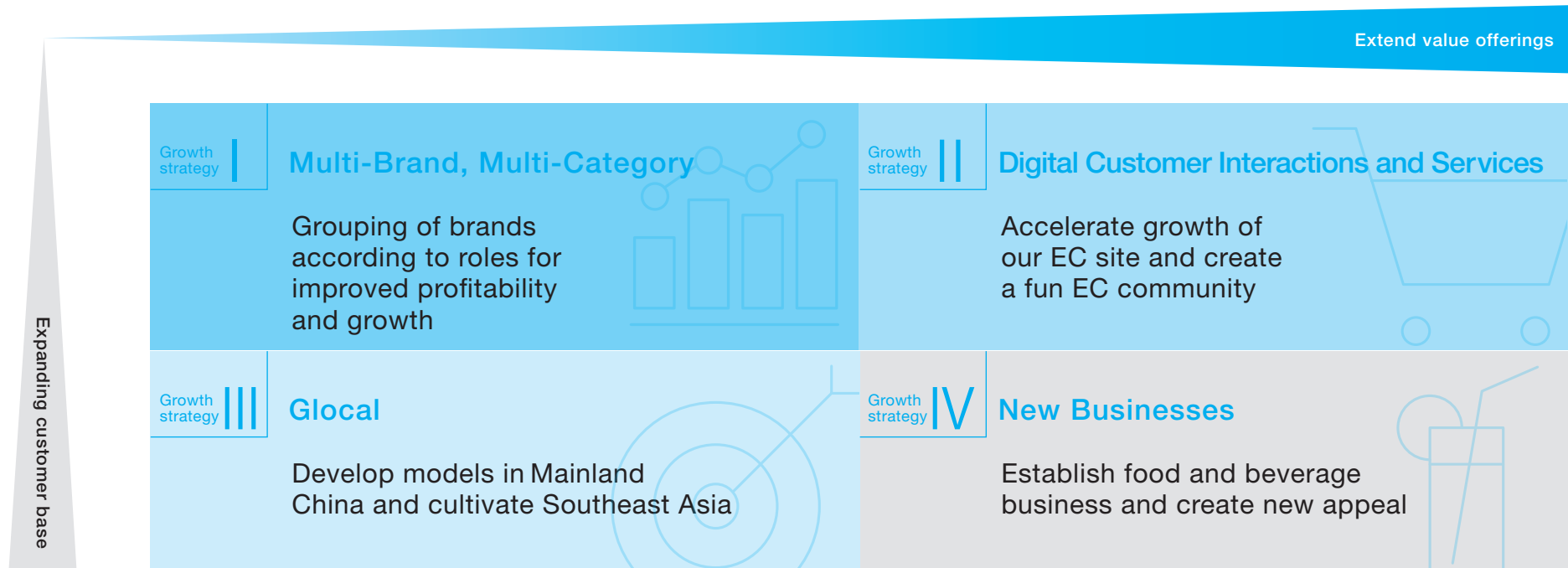
In April 2022, we formulated a medium-term management plan based on four growth strategies with two axes; broadening value offerings and expanding customer base. We aim to achieve consolidated sales of 280 billion yen by February, 2026 by integrating sustainability and business growth.

## Quantitative Targets (by February, 2026)

<b>Sales Growth</b>	Average annual growth rate of 8.5%	<b>SG&amp;A expense control</b>	Improvement by 3.4%
<b>Improvement in gross profit margin</b>	Improvement by 1.3%	<b>Improvement in capital efficiency</b>	ROE of 15% or more

Consolidated net sales **280** billion yen. Including, **80** billion yen is EC sales  
 Operating income ratio **8** %

 Achieve sustainable management







## Achieving Medium-term Management Plan and Improving Corporate Value from a Long-term Perspective

Managing Director  
(Finance, Risk Management In-charge) **Masayuki Kindo**

### Supporting Financial Foundation and Recovering from COVID-19 Situation Moving Forward

Under the unprecedented situation that around 1,200 real stores in Japan were all closed at the beginning of the COVID-19 crisis, we held many remote management meetings to discuss, and decided to secure cash in the first year, secure profits in the second year, and increase sales and profits in the third year. We were able to secure cash early due to the strong relationship of trust with our main banks, so we managed to secure profits ahead of schedule in the first year without slowing down the speed of investment in new businesses. In the fiscal year ending February 2022, the second year, the business environment was more severe than the initial forecast, but the profit plan was achieved. We think this is the result of the entire company being able to move in the same direction while properly sharing the plan with the management team. We once again realized the strength of production, operations, and sales sites.

### Providing Value Leads to Profits

We believe that the operating profit ratio of 8% set forth in this medium-term management plan is the minimum level we should aim for in order to show the significance of our existence to society, and we have been preparing with this as the target even before COVID-19. It is premised on the normalization of the economic environment, but we believe that we can reach with our current strength. We are currently facing headwinds such as soaring costs and weakening of the yen, so of course we are working to keep costs down, but lowering the quality will lower the value. Above all, it is important to create products that customers can appreciate, and we believe that providing value is the way to make profits.

As for SG&A expenses, we will use strategic costs for growth, but we do not plan to largely return the expenses that have been narrowed down due to the COVID-19 crisis. By finely controlling them, we will reduce the SG&A expense ratio through the effect of increased revenue.

## Messages from Directors

### Emphasis on Medium to Long-term Value Creation While Considering Return on Investment

In terms of capital efficiency, we have long aimed for an ROE of 15% or higher, and our basic policy is to invest at a level that will allow us to achieve this. We will identify growth areas and thoroughly confirm the return on investment, especially in store investments. Additional investment in digital and logistics is also required, but we believe that these can be recovered by improving efficiency of our business.

We live in an era where the future is uncertain, so rather than making detailed plans for new brands,

we focus on agile movements such as just getting started in order to ascertain growth potential in the market. On the other hand, for large upfront investments such as M&A, we will carefully consider whether we can expect a return that exceeds the cost of capital. However, it takes time for the acquired company to truly contribute to the value of the group. In that sense, we place great importance on creating corporate value from a medium to long-term perspective, without being overly constrained by the effects of sales profits one to two years after investment.

### Stable Growth of Dividends Is Basis of Shareholder Returns

As a general rule, shareholder returns are based on net income before amortization of goodwill, with a dividend payout ratio of 30%. Over the past few years, profits have fluctuated significantly due to factors such as the COVID-19 pandemic. But we are also considering the stability of dividends, so as a result, there were some years that the dividend payout ratio exceeding 30%. Currently, we still need to invest in growth, so we would like to increase our dividends in a stable manner by improving our business performance.

### Aiming to Co-create a Good Community

In this medium-term management plan, we set clear figures for net sales and operating margin. It is not a low target, but it can be achieved with our current capabilities. In the future, we would like to increase the trust of the market by continuously reporting on our progress.

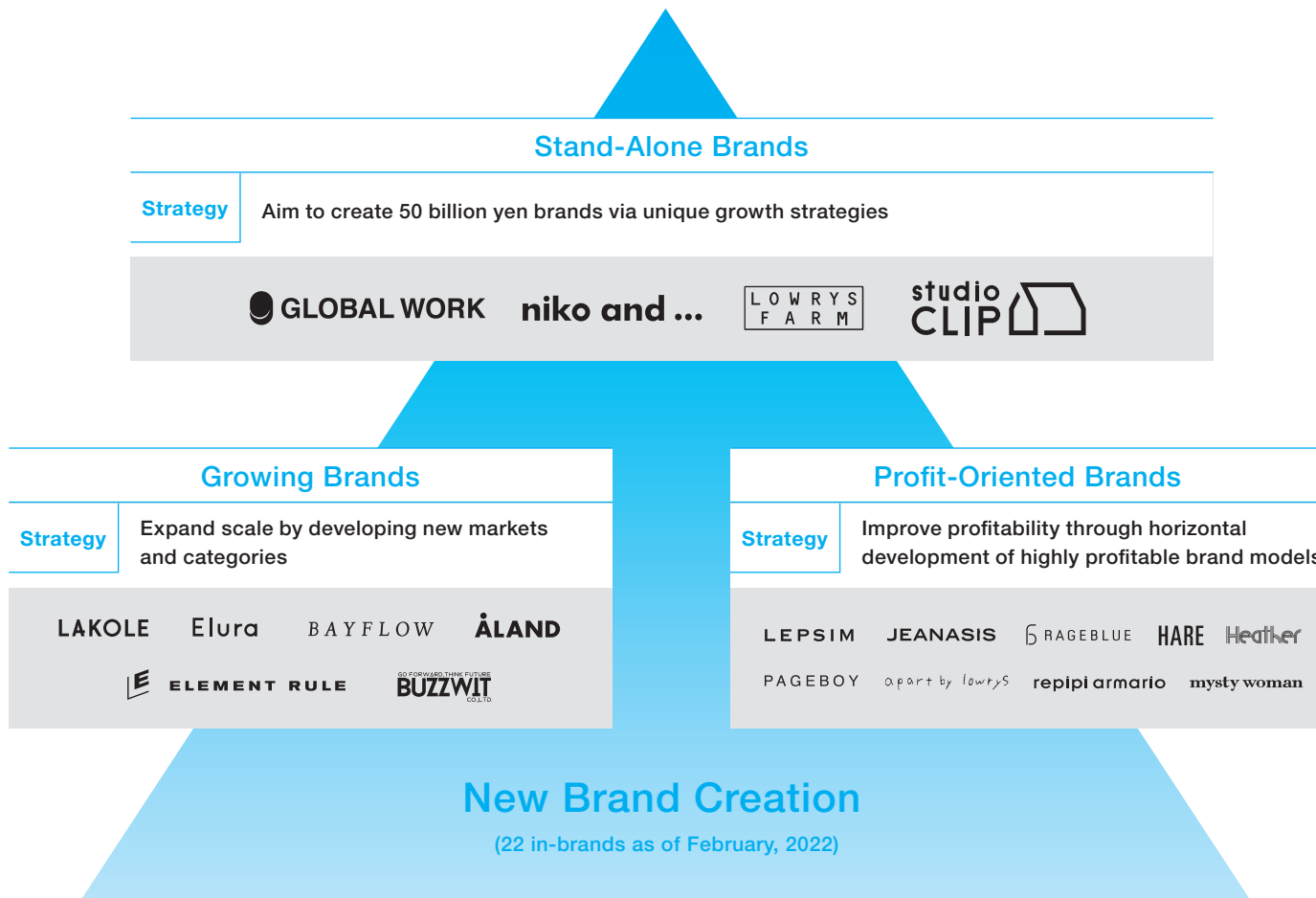
In addition, the slogan “Good Community Co-Creation Company”, which was the theme of the medium-term management plan, expresses our desire to be a company that creates new value together with various stakeholders, rather than just selling products. We will strive to build strong relationships of trust with our shareholders and investors and improve our corporate value from a long-term perspective.



# Growth Strategy I: Multi-Brand

## Evolution of Multi-Brand Platforms

We categorize our brands into three types based on role and stage: stand-alone, growing, and profit-oriented. We then develop strategies tailored to each role and characteristic. In addition, we are constantly creating in-brands, which are the starts of new brands. We are creating a multi-brand platform that will nurture those in-brands as profit-oriented or growing brands. After the brand scale expanded, we aim to take it to the next level as a stand-alone business. This lowers the danger of passing fashion trends and becoming an out-of-date brand in the apparel industry and cultivates brands across the portfolio.

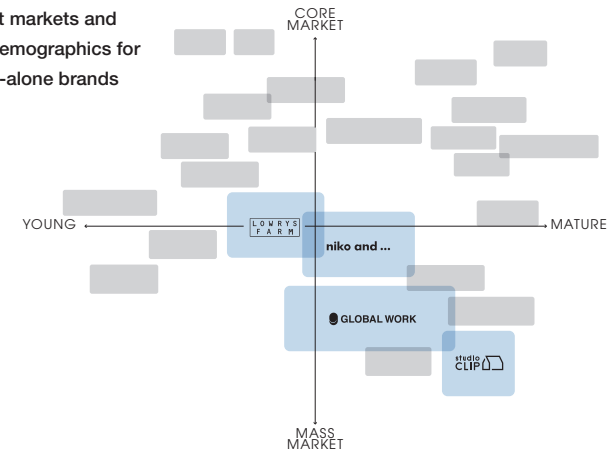


# Growth Strategy I: Multi-Brand

## Strategies for Stand-Alone Brands

The stand-alone brands, each with sales exceeding 20 billion yen, have established strong brand awareness within their target consumer base but still have room for future growth and expansion. Each of them develops strategies tailored to the characteristics of their brands and runs their business independently.

Target markets and age demographics for stand-alone brands



## GLOBAL WORK

**Strategy**

**Cultivating the Mass- and Low-Price Market**

**Measures**

**Strengthen the 3Fs (Fashion x Function = Feeling)**

We are using data analysis and our background in in-house production to create mainstay products that serve as the face of our brands



**Develop New Low-Priced Lines**

Expanding into the increasingly important low-priced market by leveraging our strengths in product development

## niko and ...

**Strategy**

**Establish Category Brands and Create Large Category Stores**

**Measures**

**Growing In-Brands**

We are collaborating with companies in various fields, leveraging in-brands, including cafes, furniture, outdoor, and sports



**Large-Scale Stores as a Mechanism for Exciting Experiences**

Make stores a space for experiences; turn the niko and ... stores into semi-shopping malls housing many smaller stores



**Strategy**

**Create Mechanisms for User Extension and Growth**

**Measures**

**Expand Stylish Kids' and Men's Products**

Trendy kids' and men's lines are performing well, and we are expanding unisex items from the woman's perspective



**Creating Structures to Support Fashion**

Integrate emotional manufacturing while leveraging data marketing to strengthen production planning



**Strategy**

**Essential Consumption Offering a World View**

**Measures**

**Transition Brands From Fashion to Lifestyle**

Since the COVID-19 pandemic, customer interests have shifted from fashion to an enjoyment of daily life



**New Business Model Connecting Daily Living and Daily Sundries**

Focusing on daily living to develop new business categories for popular-priced daily necessities and sundries that offer natural tastes

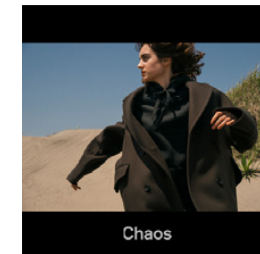
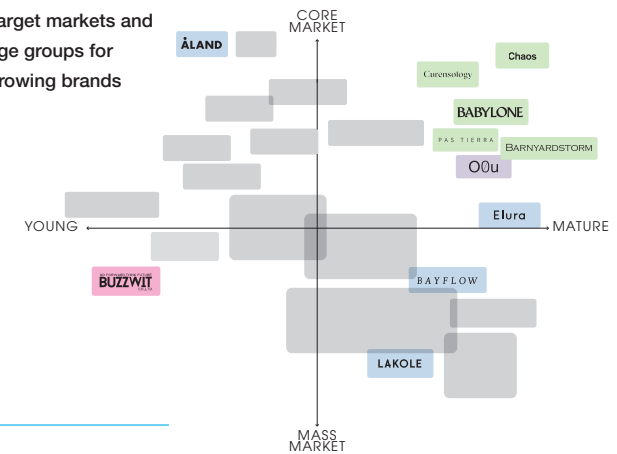
# Growth Strategy I: Multi-Brand

## Strategies for Growing Brands

Growing brands are a set of brands that adapt to shifting consumer tastes and fashion trends in an effort to expand into new markets. Each brand has a clear target market and theme and continues to grow at a rapid pace while incorporating new segments and categories.

Market	Theme	Brand
<b>Matured Women and Upper Market</b>	<ul style="list-style-type: none"> <li>•Rising personal income among women</li> <li>•Active seniors</li> <li>•Luxury consumption</li> </ul>	<ul style="list-style-type: none"> <li>•Elura</li> <li>•Curenology</li> <li>•Utao</li> <li>•Chaos</li> </ul>
<b>Generation Z Market</b>	<ul style="list-style-type: none"> <li>•Korean fashion</li> <li>•Digitalization</li> <li>•Lower prices</li> </ul>	<ul style="list-style-type: none"> <li>•apres jour</li> <li>•kutir</li> <li>•ALAND</li> </ul>
<b>Lifestyle Market</b>	<ul style="list-style-type: none"> <li>•Time at home</li> <li>•Wellness</li> <li>•Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>•LAKOLE (sundries)</li> <li>•BAYFLOW (wellness)</li> <li>•e/rm (loungewear)</li> <li>•00u (sustainability)</li> </ul>

Target markets and age groups for growing brands



### VOICE 01

#### Maintaining internal structure and environment to get a grasp of demand from younger generations

Yasunori Kuroda,  
Representative Director and President,  
BUZZWIT Co., Ltd.

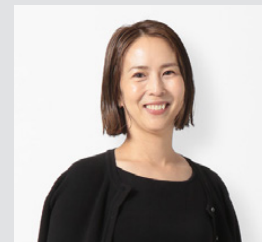


BUZZWIT is an e-commerce company targeting the younger generation. It specializes in promptly delivering exciting seasonal fashion at affordable prices. We anticipate that more and more people, particularly youngsters, will continue to buy apparels online. Every young worker at our organization gets the chance to get involved in brand development. The realistic perceptions of young employees who are close to the clients and the support from seasoned employees are combined to create synergy and spur growth. For instance, when it comes to promoting brands, we have quickly adapted novel approaches, such as TikTok, based on suggestions from our younger staff. We have created a system and environment that allows them to make their ideas a reality. While we are constantly taking on new challenges, one of our strengths is that we are able to utilize the Group's common structure for back-office functions such as logistics and IT systems. In March, 2022, we also undertook mergers and acquisitions and embarked on further discontinuous growth. Five years have passed since our establishment, and we are in need of investment and structure for the next stage of growth. We intend to continue capturing market demand while leveraging the strength of the group, without slowing down.

### VOICE 02

#### Creating brands worth buying at fixed price

Mina Sato,  
General Manager of Chaos Department,  
ELEMENT RULE Co., Ltd.



ELEMENT RULE operates the higher-priced brands in the group, targeting the middle and upper market. Chaos is a brand that offers "high-quality daily mature wear" to free-spirited and independent-minded women. Since its launch in 2018, it has become a fan favorite among fashion-conscious customers. In the fiscal year ending January 2022, we were able to significantly expand the support from our clients with 192% year-on-year sales. In general, it tends to be select stores that sell the apparel at higher price range. The main merchandise sold by the select stores is bought from other sources; however, at Chaos, more than 70% of the merchandise is entirely original. A talented director who is also a skilled designer ensures the creation of works of art that are unique to Chaos. This capability is further supported by ELEMENT RULE's dedication to manufacturing and its in-house production capabilities. In terms of sales methods, the discount rate is kept below 10% throughout the year, and standard products are sold across seasons in an effort to disrupt the apparel industry's practice of selling products at a significant discount during sales and discarding them if there are any leftovers. As the employees at the stores and the headquarters are also big Chaos fans, they are able to be genuine in communicating the attractiveness of the brand, which has helped with branding and fan following. Our EC ratio is as up to 40% as many customers purchase products after reading our staff's online posts. We aim to continue to be a brand that is worth buying at a fixed price as consumption trends shift to a style of owning a few high-quality products rather than purchasing many things at low cost. Chaos is not a brand that will appeal to the mass market, but the brand has the potential to gain popularity amongst international customers and fashion lovers of an older age group. We want to keep taking on new challenges and benefiting from the Aداستريا Group's expertise in the ability to leverage a common infrastructure.

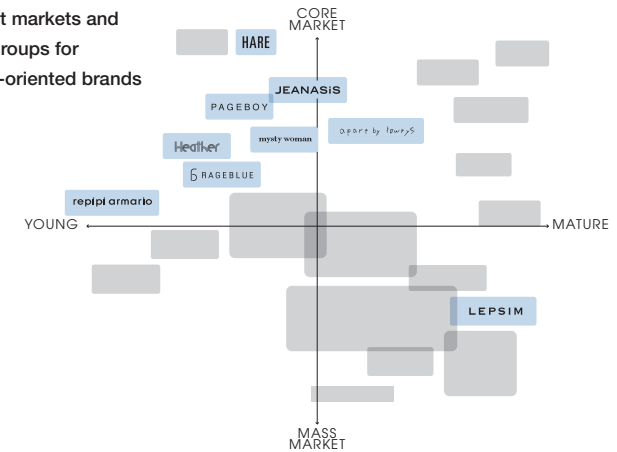


# Growth Strategy I: Multi-Brand

## Strategies for Profit-Oriented Brands

Profit-oriented brands are a set of brands that have a strong following and a distinct fashion identity. These brands increase profitability by establishing close relationships with customers who have diverse tastes and by offering value-added products.

Target markets and age groups for profit-oriented brands



### Strategy 01

#### Highly Profitable Models: JEANASIS and HARE

Horizontal development of business models from successful, highly profitable brands to other brands

- Highlight brand characteristics and deepen relationships with customers
- Supplying the right times and right products to reduce discounting and missed sales
- High EC sales ratio

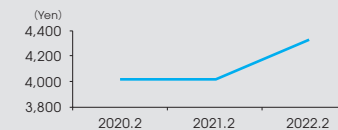


### Strategy 02

#### Expand Offerings of High Value-Added Products

Develop high unit-price products that leverage brand value within the scope of economy prices

- Average product unit price of profitable brands increased 8% compared with 202



## Store Strategy

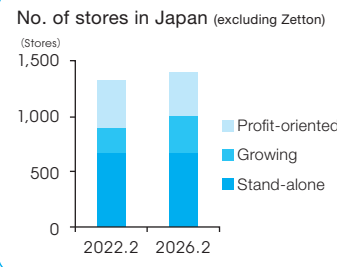
Regarding investments in stores, the company aims to increase the number of stores through examining store profitability and aggressive store openings in untapped markets, and improvement in the ratio of facility cost to sales through store upsizing and consolidation.

### 01 Scrap & Build

- Improve accuracy and consistent operations of standard store models by brand
- Close stores and make format changes based on store profitability and marketability

### 02 Open Stores Actively in Untapped Markets

- Growing brands, new daily-use business models, in-brands, etc.



### 03 Expand Size and Consolidate Stores

- Create a new role for brick-and-mortar stores beyond selling clothes
- Integrate brick-and-mortar with EC (Dot ST store)

### 04 Streamline Store Investments Further

- Control fixed rents
- Standardize store interiors, review materials and construction methods to reduce investment costs

Improve equipment cost to sales ratio (including depreciation)

## Growth Strategy II: Digital Customer Interactions and Services



### Digitally Enhance Adastria's Identity and Achieve DX

Executive Officer,  
Head of Digital Transformation Strategy Department. **Yuya Sakurai**

#### Digital Transformation Changing the Customer Experience, and Expanding the Range of Services

Due to past integrations and other factors, until a few years ago we had multiple business systems that were built with partial optimization and unable to keep pace with the evolution of our business in terms of flexibility, expandability, and development speed. Since 2016, we made a major company-wide shift and have begun building an IT platform that will support future business evolution. We have finally reached the prospect of developing an IT platform in the production and sales domains that we have been promoting for several years, and we

feel that we are finally ready to go on the transformation of offensive with the use of digital technology. Digitalization is also an important pillar of the strategy in the medium-term management plan, which lays out a path for growth aimed at 2025.

We believe that Digital Transformation (DX) is a means to an end, and it is important to know what the end is. Our DX objectives are to “realize the transformation of the customer experience to deliver a lot of excitement for customers” and “realize the transformation of the way we work to create an environment where staff can work with even more excitement.”

First, in “transforming the customer experience,” we are working to further evolve our own EC site, Dot ST.

We have been strengthening functions to make it easier for customers to shop conveniently and implementing new content such as STAFF BOARD. In the future, in addition to pursuing convenience, we would like to expand the categories and the goods, as well as expand experience value by expanding services. I think it would be interesting if we could make it a place where we can realize a good community, such as proposing how to enjoy using products after purchasing them at Dot ST, or using the Dot ST space to connect with people who have the same interests and tastes.

We are also working on the evolution of real stores. At Dot ST stores, which are OMO stores, we are working on new ways to serve customers using digital signage. In addition, we have begun analyzing customer movements in the store and using the data to verify customer reactions to changes in VMD (virtual merchandising). We could make the sales floor more appealing by using the data to enhance displays and in-store appeals. While respecting the worldview of each brand, we would like to further increase the usage of digital technology in our stores.

In addition, OMO (online and offline integration), which we started several years ago, is gradually becoming more widespread among our customers. This is especially true for the Dot ST store, with many customers ordering via EC and coming to pick up their orders at the store. In the future, we will further strengthen services that integrate EC and stores, for example, introducing a system that would allow customers to immediately try on and pick up items in stores after ordering on EC.

Transforming the customer experience through the use of digital technology is important not only in Japan but also in our overseas operations. Until now, we have focused on IT infrastructure development, but we are gradually shifting our focus to business growth overseas as well. In overseas EC, in addition to Dot ST Taiwan, which is already in operation, we launched Dot ST Hong Kong this fiscal year. We will continue to establish our own EC overseas as well.

# Growth Strategy II: Digital Customer Interactions and Services

## DX to Transform the Way We Work, Enabling Data-Driven Decision Making and Expanding the Range of Services

To achieve the other DX objective, “transformation of the way we work,” we have been working for several years to rebuild our IT platform. In addition to revamping the systems for production, logistics, and sales operation, we have built an infrastructure that enables the centralized sharing of data generated by each operation. It is now possible to effortlessly integrate data into every business process, minimizing the need for further input and confirmation and optimizing internal procedures. To optimize the complete value chain, we will eventually integrate this platform with factories, inspection stations, trading companies, wholesalers, developers, and other external stakeholders. As the initial stage of external collaboration, this year, we intend to introduce a system that connects our business with each factory.

We are also working to create an environment where employees can focus on their core business by utilizing digital technology. We are proactively introducing RPA for substitutable tasks, such as handling returns at call centers and checking operations in the Human Resources department, to achieve operational efficiency. We intend to continue actively utilizing digital tools to improve productivity. In addition, by encouraging the expansion of self-checkout systems, which we have already begun, the improvement of store applications,

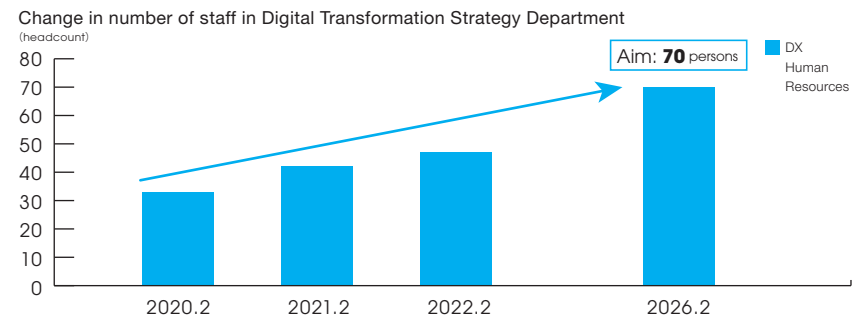
and the simplification of the closing process through data collaboration with developers, we will hasten the creation of an environment where staff can work with a smile and excitement. In parallel with the development of business systems, efforts to utilize data are in full swing. About two years ago, we constructed a “data lake” that consolidated scattered data into a single location. Since then, we have been striving to lay the groundwork for company-wide data use. At the time of construction, we focused on accumulating data in an analyzable form, but now we have begun to deploy BI tools such as Tableau, and are in the phase of actively utilizing data and making our operations more sophisticated.

For example, in the past, inventory allocation relied on the experience and intuition of experienced staff, but we have built and put into practical use a system that can simulate optimal allocation by utilizing data. This has led to a reduction in excess product replenishment and ordering in stores, and brands that have introduced the system have seen a 30% reduction in the number of weeks of inventory. In addition, the workload for controlling the movement of products between stores has also been reduced by 70%. In the future, we aim to enable all employees to make data-driven decisions in their respective jobs while improving the data literacy.

## Working toward “Aggressive DX” with Professional Human Resources in Both Fashion and Digital Fields

Securing digital human resources is also important in promoting DX. Currently, our Digital Transformation Strategy Department has about 50 employees, 40% of whom originally worked in the apparel industry and 60% of whom are IT engineers and project managers hired from outside the company. Recently, outside professional personnel are also involved in as their side jobs. By putting people with digital skills in close collaboration with fashion industry experts and business professionals, we seek to promote reforms that do not rely on digital technology, but always have a front-line perspective. We have made it a major company policy to promote DX and have been actively promoting the necessary investments, creating an environment in which it is easy to take on challenges. When we want to move forward with a new initiative, our corporate culture allows us to have immediate conversations with the heads of sales and other departments, so decision-making is also very fast. In order to further accelerate DX in the future, we would like to increase the number of engineers that share our vision and are interested in our initiatives.

All for the excitement of our customers and employees, we will accelerate Adastria’s growth through “aggressive DX.”



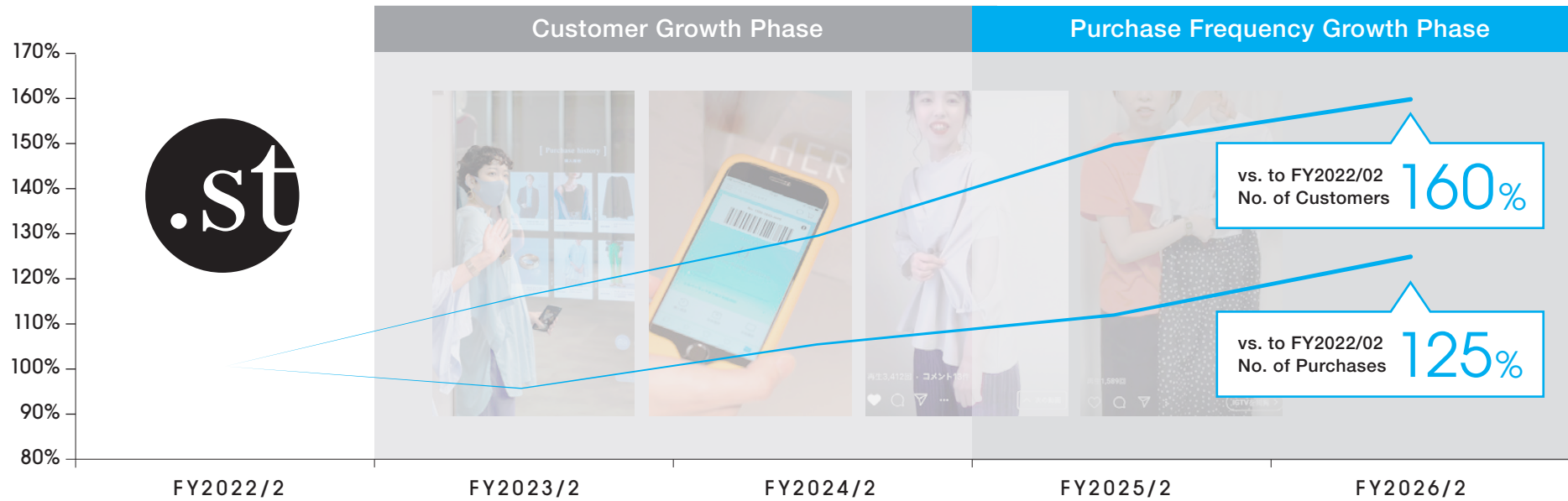


# Growth Strategy II: Digital Customer Interactions and Services

## Taking EC Growth to the Next Stage

Capturing the expansion of the EC market, Aداستريا's own EC "Dot ST" has more than 13.6 million registered customers, making it the second largest EC in Japan owned by a fashion retailer. In addition to the strong ties with the customers, the company is pursuing further growth through initiatives such as differentiation through "STAFF BOARD," which is popular content where store staff post their coordinates, continuous functional improvements to the app, and seamless integration between e-commerce and brick and mortar stores through the opening of OMO model stores. During the first two years of this medium-term management plan, we aim to increase the number of customers and then in the following two years, improve the number of purchases. We plan to increase the number of buying customers and the number of purchases by 60% and 25%, respectively, compared to those of February 2022. We are also strengthening our overseas EC development.

**Goal** 80 billion yen in EC sales (FY2026/02)



# Growth Strategy II: Digital Customer Interactions and Services

## Efforts to Increase the Number of Customers and Purchases

Specific initiatives to increase the number of customers and purchases are as follows; (1) Raising awareness through aggressive promotion, (2) Expansion of product categories, (3) Attracting customers outside our company through collaboration and M&A, (4) Increasing the number of companies participating in EC through engaging in open platforms, and (5) strengthening connections with customers by turning in-house staff into influencers.

In terms of category expansion, we are strengthening non-apparel categories such as household goods, and furniture, and product development aimed at new customer segments such as men and seniors, which we haven't attracted enough so far. Open platforms refers to a mall-type business model where, rather than stocking and selling products, other companies open stores on our e-commerce site, and it is expanding into various fields such as consumer electronics and cosmetics. In addition, we have many popular staff that can be called influencers on Instagram (some of them have 70,000 followers). They have achieved a strong connection with customers, and we are working on human resource development to increase the number of such staff members.

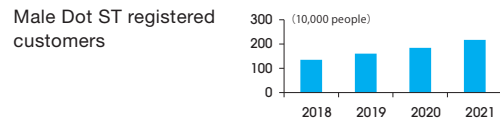
Increase Customer No.'s					Increase Purchase No.'s				
1	2	3	4	5	1	2	3	4	5
Increase Awareness	Expand Categories	Conduct Collaboration, M&A	Engage in Open Platforms	Evolve Relationships	Increase Awareness	Expand Categories	Conduct Collaboration, M&A	Engage in Open Platforms	Evolve Relationships

### 1 Ongoing Exposure via TV commercials

Scheduled Again for Second-Half This Fiscal Year



### 2 Expand Men's Wear, Etc.



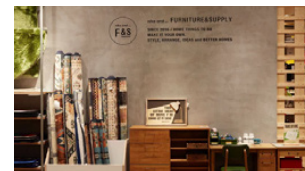
### 3 Acquire Customers From Other Companies

M&A and collaboration



### 2 Strengthen Multi-Brand x Multi-Category

Lifestyle sundries performance average annual growth of 13%



### 4 Engage in Open Platforms

Expand categories and propose lifestyles by dealing in products from other companies



### 5 Evolve Relationships

In-house staff becoming influencers  
⇒ Deeper connection with customers



## VOICE Continuing to be a bridge between customers and fashion

Misayo Nakahara, niko and ... Aeon Mall Miyazaki store

My life has changed significantly since becoming a mother, and occasionally I have had trouble deciding on outfits to wear. Based on these experiences, we have been posting STAFF BOARD on a daily basis and the theme is a twist to make it look fashionable. We believe that, establishing a sense of self that can be communicated even through a screen, while valuing the words we receive from customers through direct messages on Instagram, etc., means that we are building a trustworthy connection

We hope to continue to be a bridge between customers and fashion and want each and every one of our customers to enjoy fashion. I would like to keep enjoying fashion both for myself and my customers and continue valuing my connections with them.

<Misayo Nakamura's Profile >

On the popular "STAFF BOARD," where store staff post outfits they put together, she has been inducted into the hall of fame for high through sales. In the "Staff of the Year 2021" awards, which commemorate employees with strong influence on consumers, her posting and other activities were recognized and she was awarded 5th place.



# Messages from Directors (Growth Strategy III: Glocal)



**Target of Overseas Business is over 100 Billion Yen in Sales and Becoming the Backbone that Supports the Group**

Managing Director (Sales and Overseas Business in-charge) **Yoshiaki Kitamura**

## Key Overseas Markets After COVID-19

Looking at the current apparel market, apparel consumption is slowing down as birthrate is declining and the population is aging in Japan. The COVID-19 situation has changed the lifestyles and consumption behaviors of the customers. Even if the coronavirus is in control, the changes in taste may not completely return, and as going out has decreased, the money that was spent on clothes can be used for activities we do in our houses and hobbies. However, if we look overseas, there are many countries and regions where both GDP and population are growing, so from now on, the overseas market will be the key to the post-COVID era. In markets where the economy is growing, consumers have high interest to spend on apparel. However, the market environment and customer preferences are completely different depending on the country and region, so we believe that a glocal strategy that changes the way we take depending on target countries will become important.

## Area-wise Market Environment

	Region	Market scale	Competition	Features
Greater China	Mainland China	Large	Strong	<ul style="list-style-type: none"> <li>High purchasing power and large cities with fashion-conscious customers</li> <li>Easily accepting of brands with strong individuality E-commerce is dominated by malls, leaving little room for in-house development</li> </ul>
	Taiwan	Small	Medium	<ul style="list-style-type: none"> <li>Accepting of multi-brand approaches</li> <li>Limited number of stores per brand</li> </ul>
	Hong Kong	Small	Medium	
	U.S.	Large	Strong	<ul style="list-style-type: none"> <li>Market is mature; however, purchasing power is high</li> <li>E-commerce consists of online malls and self-developed e-commerce sites</li> </ul>
	Southeast Asia	Medium	Medium	<ul style="list-style-type: none"> <li>Buying habits differ among countries</li> <li>Apparel EC rates are low, but likely to grow in the future</li> </ul>

## Messages from Directors (Growth Strategy III: Glocal)

### Moving from Profitable Overseas Business to Further Growth

We were able to achieve profitability in our overseas business last year and it was a very big step. We have been working on overseas business for more than 10 years, and we are definitely seeing the results of promoting our glocal strategy since 2019. Compared to the Japanese market, there is still room for growth overseas, and the market is also large, so overseas business should become the backbone that supports Adastria in the future.

Looking at the profitability of the last year, there is an atmosphere within the company that says, "From now on, we are going overseas." We will go overseas as a global company instead of having overseas business branches, and for that purpose, we would like to achieve sales of over 100 billion yen within the next 10 years. In the future, we aim to have overseas sales exceed domestic sales.

### Promoting "Flagship Store Dominant Strategy" in Mainland China

Mainland China is the most important target for overseas business. I myself spend half of the year there, and have firsthand knowledge of the movements of the booming market. Currently, the influence of coronavirus is large, but due to the large population and strong consumer sentiment, demand will recover again after COVID-19. In mainland China, we are promoting a "flagship store dominant strategy," in which we first establish our brand at large-scale flagship stores, then open stores in surrounding shopping centers to monetize within the area. This is showing results in Shanghai, so we will expand it to other first-class cities in the future. This year, we plan to open a flagship store in Chengdu. If you include secondary and tertiary cities, the area is huge, so it can be said that the expansion into mainland China has just begun.

In mainland China, a system has been established to handle product development and marketing locally, and our local staff are extremely talented. We are striving for management in which core members think for themselves and create businesses together.

### Expanding "Glocal" to Asian Countries

Outside of mainland China, we are promoting glocalization suitable to the characteristics of the region. For example, in Taiwan, where it is difficult to open many stores of one brand due to its small area, we are adopting a multi-brand strategy. It is a strategy that makes full use of Adastria's strength, which has many brands, to increase the number of fans of each brand by opening many stores.

On the other hand, in Hong Kong, we will launch our own EC site and work on "Zero inventory EC" to deliver products directly from mainland China to Hong Kong in cooperation with a logistics subsidiary recently established in mainland China.

Moreover, from this term, the ASEAN region will start to move little by little. We are trying to identify the best business strategy for Philippines, which has a young average age and economic growth momentum, and Thailand, which is mature in Southeast Asia.

### Competing in the World with Strengths Cultivated in Japan

Looking at the world, the apparel industry is still a growing market, but it is not easy to survive and you cannot succeed unless you seriously face overseas markets. Now that the seeds of the business that we have been working so hard on are starting to emerge, I think the future of our overseas business is very bright. Adastria, which has grown through repeated changes both in Japan and overseas, has many strengths and know-how to compete in the global market. We will make the best use of such weapons and grow Adastria as a company that can compete globally.





# Growth Strategy III: Glocal

## Strategies for Mainland China

In our overseas operations, we are focused mostly on business in mainland China, where we first invested in large-scale flagship stores to establish our brand in line with the large-scale and highly competitive nature of the market. After that, we are aiming to establish a Flagship Dominant Strategy model through the opening of new stores in surrounding SCs to generate revenue within the area. The company aims to expand EC sales as well as the operational area in the future. For the time being, we will position this as an investment phase and place priority on growth rather than earnings. However, we will achieve profitability within the regions where we have made some progress in opening satellite stores. Currently, we are strategically focusing on brands with clear characteristic and good local response. However, we are also gradually expanding into new brands.

**Accelerate Store Openings; Proceed With Establishing Flagship Dominant Model Strategy** **Goal: Target sales of 20 billion yen in the medium term**



■ Flagship Store Focuses on Brand Creation



■ Satellite Stores Focus on Profitability

Opening stores in leading shopping malls in Shanghai and Nanjing

**7 Brick and Mortar Stores**

\*As of August, 2022

■ **After September 2022: New scheduled store openings**

- Chengdu Flagship Store
- Chengdu Damofang Store
- Shanghai Metro City Store
- Chongqing Longhu Times Paradise Walk Store



■ Shanghai Metro City shopping Mall

<b>Overall strategy</b>	<ul style="list-style-type: none"> <li>Focus on brands with strong individuality and local appeal</li> <li>Develop a dominant flagship store strategy in each city</li> <li>E-commerce sales will grow as brand recognition at flagship stores expands</li> </ul>
<b>Existing stores (Shanghai)</b>	<ul style="list-style-type: none"> <li>Establish a foundation for profitability by improving recognition through flagship stores and by opening shopping mall stores</li> <li>Improve efficiency of local store operations through staff training</li> <li>Aim to generate net profits in the Shanghai area by 2022</li> </ul>
<b>New stores</b>	<ul style="list-style-type: none"> <li>Open 7 stores in 2022, including the new Chengdu store; expand into new cities every year thereafter</li> <li>Test new brands in EC and “niko and ...” stores; open brick-and-mortar stores for brands that respond well</li> </ul>
<b>EC</b>	<ul style="list-style-type: none"> <li>Pursue a multi-brand strategy</li> <li>Expand global STAFF BOARD</li> <li>Expand business by opening up “Dot ST”</li> </ul>

# Growth Strategy III: Glocal

## Strategies for Other Regions

There are many of our brands have yet to establish stores in Taiwan. We hope to hasten the process by choosing the brands that do well in our market research. By doing this, we can open multi-brand stores faster. We have also been upgrading our systems for growth and have begun utilizing STAFF BOARD.

In Hong Kong, we are increasing profitability by effectively managing local staff operations and optimizing the current store network. In addition, we newly released our own e-commerce site, Dot ST, and started e-commerce development. In cooperation with a logistics subsidiary established in mainland China, we are building an inventory-free EC system that delivers goods from mainland China without keeping inventory in Hong Kong.

The American company “Velvet” that we have acquired is doing well. The EC rate is also improving by sharing Adastria’s EC know-how and bolstering web marketing.,

In Southeast Asia, We are getting ready to start by taking our business to Thailand and the Philippines. Additionally, since there is not yet an oligopoly in the clothing EC market, we are hurrying to establish EC with the intention of turning it into a mall.

Taiwan	Stores	Accelerate new brand store openings (studio CLIP, HARE, PAGEBOY, etc.)	EC	Revise systems and shift to in-house production Utilize STAFF BOARD
Hong Kong	Stores	Scrap-and-build, local staff management for high profitability		Dot ST launch Establish a mechanism for inventory-free EC operations
The United States of America	Brick-and-mortar	Operate with a focus on acquired local brands Expand overseas business through wholesale		Build larger base of loyal customers Strengthen digital marketing
Southeast Asia	Stores	Preparing to open niko and ... in the Philippines and Thailand.		Plans to launch with a view to converting into a mall

### VOICE Continuing to be a bridge between customers and fashion

Pinyu Lin, General Manager, Adastria Taiwan Co., Ltd.

Adastria Taiwan has shown steady growth since opening its first store in 2003. The brand headquarters in Japan and our local subsidiaries communicate closely with each other. Our strength lies in our operational structure that allows us to localize product development in a fine-tuned fashion according to seasonal characteristics and customer needs. We are not simply a local subsidiary for the purpose of developing Japanese brands in Taiwan. We reflect real market information that can only be obtained locally on our sales floors. Adastria has a culture in which we can frankly express our opinions to each other and even though we are far away from Japan, we can still exchange positive opinions. For example, we are ordering more late summer products and changing the timing of their arrival to match the extremely short spring and fall seasons. Moreover, Adastria’s strength in inventory control is also utilized in Taiwan. As per the business practice of the Taiwanese apparel industry, heavy discounts are given on many items during sale periods. However, for the past two years, Adastria Taiwan, like in Japan, has been controlling the discount rate in detail according to the sales of individual items, thus ensuring a high gross profit margin. The significant increase in the ratio of EC sales from 8% to 14.7% following the COVID-19 pandemic has also contributed to the improvement in the operating margin. We are developing our own e-commerce site “Dot ST Taiwan.” In addition to penetrating the online shopping market due to the COVID-19 pandemic, there have always been very few fashion sites in the Taiwanese e-commerce market that allowed customers to purchase various brands at once. Thus, convenience and satisfaction have led to increased sales. The STAFF BOARD operation was also started by local employees, providing these employees with more opportunities to play an active role. Because 80% of our employees in Taiwan are women, we would like to encourage our subordinates by having a woman as the head of the local subsidiary.

Even though the Taiwanese market is not big, it is easy to develop multi-brand products, and there is room for growth. Adastria has some attractive brands that are not yet available in Taiwan. We look forward to introducing new brands like this in the future. We would like to expand the Adastria brand in Taiwan by utilizing our Japanese operations and know-how, while keeping in mind the real needs of the local market.



# Growth Strategy IV: New Businesses

## ■ Cooperation with Zetton

Among the basic elements of food, clothing, and shelter that are essential to our lifestyle, our group was lacking in the food industry. To tackle this, we brought Zetton Corporation, a restaurant business, into our group in February 2022. Zetton produces stores that become urban community spaces and the company has taken on the challenge of a new business model in the form of park revitalization projects and the like, making it a suitable business partner in terms of business and corporate culture based on community development. This supports our corporate goals in the business of making spaces and in good community creation. Adastria wants to generate synergy in collaboration, as we improve the draw of our brick-and-mortar stores and expand business overseas, while Zetton builds its customer base and takes on the challenge of entering new markets. Zetton's contribution to the medium-term management plan incorporates the same level of sales and profits as before the pandemic in the final year of the plan, which is the fiscal year ending February 2026. The time of recovery to pre-COVID-19 levels and plans for subsequent growth beyond that will be announced in the Zetton medium-term management plan at a later date.

In February 2022, we converted restaurant company Zetton into a consolidated subsidiary

Aiming to create a “more enjoyable place” transcending the boundaries between apparel, food and beverage

### A D A S T R I A

- Improve the appeal of brick-and-mortar stores (increase frequency of visits and length of stay)
- Hawaiian business in Mainland China
- Expand products sold through our website
- Expand fashion needs by creating opportunities
- Improve operational efficiency of our food and beverage businesses.

### zetton inc.

- Promote to “Dot ST” registered customer base
- Take on the challenge to enter new countries
- Improving profitability by expanding park revitalization projects
- Strengthen financial base
- Improve efficiency of back-office operations





## Growth Strategy IV: New Businesses

Osamu Kimura, President of Adastria, and Shinsuke Suzuki, President of Zetton, will share their thoughts on how they came to join forces as partners, the changing lifestyles of their customers and the future of the fashion and food industry in a dialogue format.

We Want to Create Good Communities. For This Reason, the Growth of “Food” is Important.

Kimura: Adastria has now welcomed Zetton to the Group in order to further expand the area of ‘food’.

Suzuki: After opening the first “ZETTON” store in Nagoya, Zetton has created a variety of stores, including French restaurants, Hawaiian cafes, standing bars, and soba izakayas. In addition to our existing bridal business and outdoor business, we have recently taken up the challenge of park revitalization projects based on a sustainability strategy. Since our founding, we have created a community space in the city and relationships between people through our store development, based on the philosophy that “Building stores is building people. Building stores is building towns.”

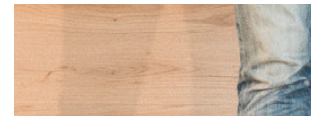
Kimura: I feel that Zetton’s philosophy is very similar to Adastria’s corporate philosophy. Under the mission “Play fashion!”, Adastria is developing business not only in apparel but also in all aspects of lifestyle. In order to create ‘good communities’ where people gather and share enriching moments for further growth, we have considered it important to expand in the field of ‘food’.

Suzuki: Just as everyone at Adastria says that they want to be told that Adastria used to be an apparel company, we also want to be told that Zetton started as a food and beverage company. I believe that each of us is essential to help each other grow to the next stage of our development.



Representative Director and President of Adastria Co., Ltd.

**Osamu Kimura**



Representative Director and President of Zetton, Inc.

**Shinsuke Suzuki**

Adastria x Zetton Talks about the Changing Times and Business



## Growth Strategy IV: New Businesses

**Our Lives Have Changed Significantly.  
Two Companies See the Needs of the Future.**

Kimura: Consumer lifestyles and values have changed dramatically in the wake of the COVID crisis.

Suzuki: In the food and beverage industry, use is increasing in private scenes such as family and friends rather than business scenes such as entertaining and banquets. Our stores were originally used by women for birthday celebrations and anniversaries with loved ones, so we were able to recover relatively quickly after repeated business suspensions and shortened opening hours.

Kimura: So we were able to recover quickly because we were already developing a business that was close to people's lifestyles. I predict that society will never fully return to normal after the end of COVID crisis. But previous needs will also never be reduced to zero. Even with convenient delivery services, the desire to gather at a restaurant for a good meal will not disappear.

Suzuki: I agree with you. While sales in the food and beverage industry will undoubtedly recover in the future, we expect that the way we spend our money - with whom, where and what we eat - will change dramatically.

**Adastria and Zetton. How to Make the Most of Each Type of Content.**

Suzuki: In recent years, Zetton has been involved in park revitalization projects. One example is Kasai Rinkai Park in Tokyo. An old cafe was converted into a new cafe with a kids' space and new barbecue facilities were built, transforming it into a park that is crowded with people on weekdays and holidays. Park revitalization projects not only contribute to urban development through the use of local cultural resources, but also offer benefits in terms of profitability and expandability. We believe we can utilize Adastria's strengths in these businesses. For example, if Adastria's outdoor goods could be rented or purchased at parks and barbecue areas, it would be a very good customer contact point.

Kimura: Zetton stores have a strong brand, but at the moment openings are limited to the Kanto and Chukyo areas.



Adastria has customers all over the country, so I think we can support Zetton in expanding its business across the country by using our registered customer base. It may be a good idea to sell Zetton food and drink menus on the Adastria Group's web store "Dot ST". We would very much like to combine our respective strengths.

**We Aim for Growth While Making the Best Use of  
Our Know-How From Overseas Successes.**

Kimura: I think we can create great synergy in overseas development. Zetton has a variety of businesses including the flagship Hawaiian restaurant "Aloha Table" in Honolulu, Hawaii, so combining the brands of the two companies would expand the potential for overseas expansion. We would also like to consider expanding in China, where we are focusing our efforts.

Suzuki: Aloha Table in Hawaii was established in 2009, and we started opening stores in Japan at the same time as it became popular locally. Bringing a brand created by our company in the United States to Japan is a rare success in the Japanese restaurant industry. Now that we are part of the same group as Adastria, we would like to make use of this expertise while promoting new international developments.

Kimura: Adastria is a company that has changed without fear of new challenges and failure. I have high hopes about this change of becoming group with Zetton.

Suzuki: In the 27 years since its foundation, Zetton has also continued to change, with a clear understanding of what people want from the times. I am also very excited to think about how we can change in the future together with Adastria.

# Growth Strategy IV: New Businesses

## Other New Businesses

In the new business field, in order to respond to the diversification of customer lifestyles and changes in consumer behavior, in addition to expanding and monetizing the line-up of new businesses such as the food and beverage business, the Group will expand new possibilities in fashion by developing BtoB businesses and work to commercialize new business models that transcend business categories. A new sales organization dedicated to BtoB business has been established, with the aim of establishing a new business model that provides external companies with the value chain functions (our strength), such as product planning, production and store development. As part of this, at the end of the February 2023 term, we will rebrand the GMS clothing store in collaboration with Izumi Co., Ltd. and start a licensing business for FOREVER21's relaunch in Japan. We are also engaged in initiatives to find the seeds of new businesses before they bloom. In the previous fiscal year, we made equity investments in two startups in the fields of AR and micro-mobility. We also held a contest for employee business ideas.

### Aggressive "B-to-B business" growth

Established Corporate Sales Department directly under a director to create new businesses in collaboration with each department. Will also be used as a new career path for employees

Services	<ul style="list-style-type: none"> <li>■ Insource business from other companies</li> <li>■ Licensing business</li> <li>■ Space production (produce condominiums, detached houses, stores etc.)</li> </ul>
Sales of Goods	<ul style="list-style-type: none"> <li>■ External sales of apparel and sundries</li> <li>■ Uniform business</li> <li>■ Commodity goods (HAKUTORIKO), other wholesale, etc.</li> </ul>
Open up EC platform	<ul style="list-style-type: none"> <li>■ Expand listings of products and services from other companies on "Dot ST"</li> </ul>
Commercial Facilities (Direct sales/FC)	<ul style="list-style-type: none"> <li>■ Sell products to GMS, conduct store management on consignment</li> <li>■ Expand franchises for commercial facilities (including utilization of existing brands)</li> </ul>
Overseas	<ul style="list-style-type: none"> <li>■ External sales of materials developed in-house on Mainland China</li> <li>■ Handle logistics operations for other companies through a new logistics company in Shanghai</li> </ul>



Designed high-rise apartments for students

Designed uniforms for Kanto Railways

Launched Shiroca home electricity handling services

First expansion of Love, Bonito into Japan

### New business exploration initiatives

#### Case 01 Startup investment/collaboration



Pretia Technologies, Inc.



Luup

#### Case 02 Project A (in-house business contest)



Final selection meeting (Q&A session)



Decisions to commercialize idea



Examples of new business development

# Growth Strategy IV: New Businesses

## Strengthening the Foundation to Support Growth Strategy

To achieve our growth strategy, we aim for further evolution in every area that supports brands. In terms of production, we are responding to the head winds of soaring costs by expanding materials developed in-house, arranging for raw materials early, and diversifying production to areas in ASEAN. Regarding logistics, we have been mechanizing domestic distribution centers and streamlining overseas logistics in preparation for our expansion of e-commerce. For human resources, we have established our own health insurance association, and we are adopting a job-based HR system in stages. We are also expanding career paths for staff. Risk management is increasingly important, and we are improving the level of our operations in this respect. The digital sector is also strengthening its infrastructure and data analysis while promoting in-house production. Also, the use of data is proving effective not only in EC, but also in the early ordering of orders to cover rising costs.

		Results to date	Further advancements FY2023/02 ~ FY2026/02		
Production		<ul style="list-style-type: none"> <li>Established in-house production system</li> <li>Multi-category system</li> </ul>	Expand materials developed in-house	Arrange for raw materials in advance, consolidate sewing factories	Increase ASEAN production ratio
Logistics		<ul style="list-style-type: none"> <li>Established our own logistics system</li> </ul>	Mechanize domestic distribution centers	Consolidate Shanghai area, overseas assortment delivery	Sell products from other companies
Human resources		<ul style="list-style-type: none"> <li>Established our own health insurance</li> <li>Selected as Nadeshiko brand</li> </ul>	Adopt new personnel system (shift to a job-based system)	Reform work styles; expand career path options	Improve operational efficiency
Risk management		<ul style="list-style-type: none"> <li>BCP operations</li> <li>Crisis management committee</li> </ul>	Improve the level of crisis management committee operations	Continue to improve BCP	Conduct periodic drills
Digital	Offensive-oriented IT	<ul style="list-style-type: none"> <li>Developed infrastructure for data utilization</li> <li>EC cloud computing</li> </ul>	Expand the scope of data analysis usage	Expand Dot ST globally	In-house production of systems and applications
	Defense-oriented IT		Administrative department DX	Streamline store operations	Obtain external security certifications

### VOICE In-house production of domestic logistics reduces costs and optimizes inventories

Masatake Hayashi,  
Senior Executive Officer, Head of Logistics Division

In order to build a logistics system optimized for the market and business environment, the Group's entire domestic logistics operations are now being carried out in-house by the wholly-owned subsidiary Adastria Logistics Co., Ltd. As a company with a large number of fashion brands in the economy price range, our in-house control of logistics functions gives us a cost advantage and enables us to respond flexibly and quickly to the characteristics and circumstances of each brand, supporting the implementation of our medium-term management plans and brand-specific growth strategies. In the delivery of products to stores, a system is in place whereby products are dispatched daily as they are sold, achieving total optimization by eliminating unnecessary stock in stores and maintaining a low level of residual stock ratio for the industry. The current focus is on digitally-enabled logistics efficiency and value chain visualization. AGVs (unmanned guided vehicles) have been introduced for EC logistics, and IT tools for analyzing workload and time in each process in the warehouse are being used to refine work plans in the warehouse. We are also working with the trade team to improve control of cargo before it enters the distribution center, for example by combining cargo into a single container when it leaves mainland China and shipping it directly to ports in the Kansai region. These initiatives also lead to improved working conditions for staff and partner companies, helping to achieve our goal of sustainable logistics. Going forward, we will keep pace with the Group's growth strategy and improve logistics, such as expanding product categories, opening EC, and expanding overseas countries, thereby contributing to the further development of our business.



# Growth Strategy IV: New Businesses

## M&A Strategy

Adastria will proactively make use of M&A for long-term growth. In particular, in Growth Strategies 1 and 2, we are working to improve our systems through the review process to reduce risks and hiring of dedicated personnel or the like in order to address elements for growth, such as category expansion and EC customer acquisition, through M&A. Beyond financing or cash flows, we believe our strength in M&A lies in the capability to identify the brand power of the target companies and diversified corporate culture that allows group companies to demonstrate their capabilities. In the past, the company has made several M&As that have contributed to the business over the medium to long term, and in future M&As, the company aims to increase long-term corporate value beyond short-term profitability.

### Make active use of M&A for long-term growth



Growth strategy	Multi-Brand, Multi-Category	Digital Customer Interactions and Services
<p><b>Priority</b> High</p> <p><b>Target</b> Domestic apparel, furniture and cosmetics manufacturer</p> <p><b>Risk</b> Low</p> <p><b>Objective</b> Redirect our inventory management and production expertise</p> <p><b>Policy</b> Assume "revitalization" and "blank area capture models" in anticipation of industry restructuring</p>	<p><b>Case Study</b></p> <ul style="list-style-type: none"> <li>• ALICIA (2016)</li> <li>• BABYLONE (2012)</li> <li>• studio CLIP (2009)</li> </ul> <p>↓</p> <p><b>Growth as a popular brand</b></p> <ul style="list-style-type: none"> <li>• NATURAL NINE (2013)</li> </ul> <p>↓</p> <p><b>Establish foundation for in-house production system</b></p>	<p><b>Priority</b> High</p> <p><b>Target</b> E-commerce site management companies, system development companies</p> <p><b>Risk</b> EC site -&gt; low, Systems -&gt; medium</p> <p><b>Objective</b> Acquire functions and customers to expand our own e-commerce</p> <p><b>Policy</b> EC management companies that complement our businesses and systems companies with a proven track record in the retail domain</p>
Growth strategy	Glocal	New Businesses
<p><b>Priority</b> Medium</p> <p><b>Risk</b> High</p> <p><b>Objective</b> Speed growth of overseas businesses</p> <p><b>Policy</b> Consider joint ventures with local partners on a case-by-case basis</p>	<p><b>Priority</b> Medium</p> <p><b>Target</b> Food and beverage, food retail, start-ups</p> <p><b>Risk</b> High</p> <p><b>Objective</b> Acquire expertise in non-apparel areas</p>	<p><b>Policy</b> Companies that have originality and expertise in non-apparel businesses as well as affinity with our businesses</p> <p><b>Case Study</b> Zetton (2022)</p>





**Foundations Supporting  
Growth and *Play fashion!***



## Seriously tackling social issues Connecting the Excitement of Fashion to the Future

Director (Sustainability, Governance in-charge) **Taiki Fukuda**

### Tackling Social Issues as a “Company Needed”

“Be a person needed, Be a company needed.” is the corporate philosophy of our company. In order to continue “being a company needed” for all our stakeholders including our customers, employees, and society, “sustainable management” that aims to resolve social issues through business activities is essential. The apparel industry is said to have the second highest environmental impact after the petroleum industry, and as a leading company in this industry, our biggest challenge is responding to climate change. The effects of climate change are becoming more serious each year, with store closures, distribution suspended due to torrential rains, soaring raw material prices, etc. Further, human rights violation in the supply chain is also a risk in business. We are trying to implement our corporate philosophy by tackling these issues seriously.

### The Desire of “Taking the Excitement of Fashion Into the Future.”

Our company also has a sustainability policy of “Taking the Excitement of Fashion Into the Future.” We put it in simple words because we wanted young employees to perceive it as their own, and our customers to sympathize with it and work together on this idea. Based on this sustainability policy, we have established three materialities “Protect the Environment,” “Encourage People to Shine” and “Grow Together With Communities,” and have incorporated various initiatives into our business activities. Specifically, we are carrying out wide range of activities from the familiar activities such as switching to LED lighting in stores and reducing the usage of shopping bags, till the implementation of zero incineration of clothing inventory and the Group Sourcing Policy and the Group Sourcing Guidelines exchanges with business partners on the standards such as respecting human rights and considering the environment.

# Messages from Directors

## Review of Sustainability Goals

In formulating this Medium-Term Management Plan, we reviewed our sustainability goals in line with the rapidly changing social conditions. As a part of our activities to “Protect the Environment,” we have established two new KPI, “Switch to sustainable raw materials and processing for at least half of all products by 2030” and “Achieve carbon neutrality by 2050,” and strengthened quantitative verification, such as calculation of greenhouse gas emissions up to Scope 3, including the supply chain. As for the initiative to “Encourage People to Shine,” we have added the policy to “Foster Employee Well-Being” and we aim to become a White 500 Certified Health & Productivity Management Outstanding Company with the Ministry of Economy, Trade, and Industry. Along with other goals, we will show our progress in our integrated report and on our website



## Initiatives for Corporate Governance

One of our company’s strengths in corporate governance is that we have established a system that enables quick decision making under the leadership of founder. Our quick decision making in response to social conditions, customer values and needs is the reason why we have been able to evolve and survive.

In addition, from this term, along with the number of inside and outside directors being the same, three new members with different careers and knowledge have joined from outside. We expect that the presence of diverse directors will enhance checks and balances, making it easier to step on the accelerator to achieve the goals of the Medium-Term Management Plan. In the future, we will consider increasing the ratio of women on the Board of Directors and incorporating the perspectives of foreign nationals as our business accelerates overseas.

## Balancing Corporate Growth and Consumer Prosperity

At present, the definition of the values and prosperity of workers and consumers is certain to change. We are now required to respond to such changes while pursuing growth as a company. The form of our Sustainable Management according to the mission of “Play fashion!” is having employees feel excited about their work, which is linked to the prosperity of consumers and in turn - leads to our gains. We will continue to contribute to the realization of “being a company needed” while being on the same level as our shareholders and investors, and the improvement of long-term corporate value.

# Approach to sustainability and Materialities (Important Issues)

## Sustainability Policy

### Taking the Excitement of Fashion Into the Future

Taking the Excitement of Fashion Into the Future.

Fashion has the power to make every day a positive one.

We strive to ensure that fashion will excite us all for years to come.


Let's have fun and begin where we can, for the sake of the environment, humankind, and our communities.

Having fun is the best way to keep moving forward.

## Materialities and Targets

Society faces many challenges, such as climate change and demographic change, that we must face in order to continue our business. We have analyzed these issues in terms of both their importance to society and their relevance to our business, and established materialities (important issues). Based on these materialities, we have revised the Group policies and targets for key themes as follows.

Materiality (Key Issues) formulation process

Materialities	Our vision	Group policy	KPIs
 <p>ENVIRONMENT Protect the Environment</p>	Engage in manufacturing that leads to the future	Switch to sustainable raw materials and processing	Switch to sustainable raw materials and processing for at least half of all products by 2030
	Balance environmental considerations with sales activities	Engage in reduction and absorption of CO <sub>2</sub> emissions	Achieve carbon neutrality by 2050
	Create a world without fashion loss	Eliminate incineration of clothing inventory	Achieve zero incineration of clothing inventory
 <p>PEOPLE Encourage People to Shine</p>	Create a society in which people enjoy fashion in their own way	Suggest fashion for the enjoyment of each individual	—
	Be an organization that is healthy mentally and physically, encouraging employees in their individuality and ability	Create diverse and rewarding work environments	Raise the number of women in senior management positions to 30% and the ratio of women in management positions to 45% or more by 2025
		Foster employee well-being	Become a White 500 Certified Health & Productivity Management Outstanding Company
 <p>COMMUNITY Grow Together with Communities</p>	Revitalize regions where our stores are located	Connect with communities through fashion	—
	Foster sustainable development in production areas	Realize fair and ethical procurement	Advance partnership certifications for production plants by 2023





# Initiatives for Materialities (Important Issues)




## Engage in manufacturing that leads to the future

As part of our efforts to reduce the environmental impact of our business, we review the materials and processing methods behind our products to ensure sustainable manufacturing. Our Group Sourcing Guidelines define the Group Sourcing Policy and the matters with which we expect our suppliers to comply. These guidelines also state the necessity of reducing environmental impact and preventing pollution. With the cooperation of our suppliers, we continue to give due consideration to the environment throughout our supply chain.

### Actively use materials with low environmental impact


We have established our own sustainability definition and criteria for frequently used materials, and products that meet these criteria are sold with an original mark on the product tag. Currently, only about 15% of our products bear this mark, but we are actively introducing materials and processes with less environmental impact with the aim of switching to environmentally and socially conscious raw materials and processing for more than half of all products by 2030.

#### Material-wise sustainability mark and definition (partial)



**Cotton**

- Cotton with reduced use of water, pesticides, and chemical fertilizers
- Cotton with consideration for soil conservation and ecosystem
- Cotton produced under good working conditions for the producers 100% use the cotton mentioned above








**Polyester**

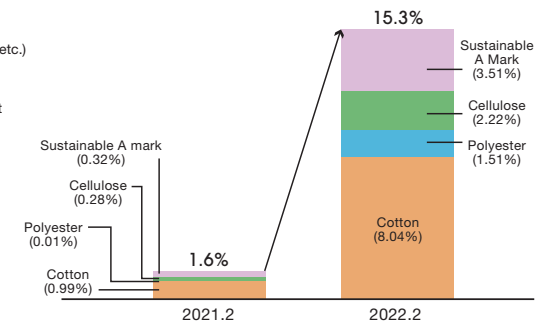
- Recycled materials from resources (reprocessed from PET bottles, fibers, etc.)
- Materials that reduce carbon dioxide emissions in manufacturing processes

Materials mentioned above are used at least 30%

Other marks

#### Sustainable Mark Product Ratios



\*Target: All products of domestic group companies

### Developing sustainable raw material

We are also developing original materials using environmentally friendly raw materials and processing methods. We have developed our own materials such as "miulisse," which focuses on comfort and luxury, and "UDR(z)," a jointly developed material using CLEANSE® an antibacterial and antiviral textile technology of Kurabo Industries Ltd., as well as environmentally friendly materials such as organic cotton and recycled polyester. In addition, we are also developing innovative materials such as "Refalco," that uses recycled short staple fiber fall out during the cotton combing process. By using these materials across brands, we are able to offer our products at affordable prices.









### TOPICS Product-specific visualization of environmental impact cost

"00u" developed by ADOORLINK is a lifestyle brand that incorporates sustainable materials and processing methods into all of its products. In addition to disclosing the amount of CO<sub>2</sub> emissions and water consumption for each product based on material information, the brand also indicates the degree of impact on environmental issues with a 3-level mark. By adopting this easy-to-understand labeling method, we aim to enable everyone to experience sustainability without any strain and to create a better future together with our customers, one step at a time.



#### Display of environmental impact cost

 <p><b>CO<sub>2</sub> emissions</b> 3.8kg</p> <p>Reduction effect equivalent to 16 cedar trees</p>	<p><b>Global warming</b></p>  <p>Production with reduced greenhouse gas emissions</p>	<p><b>Water shortage</b></p>  <p>Efforts are needed to reduce water consumption</p>
 <p><b>Water consumption</b> 9.9ℓ</p> <p>Reduction effect equivalent to two PET bottles</p>	<p><b>Resource depletion</b></p>  <p>We carry out production that makes the most effective use of resources</p>	<p><b>Water pollution</b></p>  <p>We are producing without much water pollution</p>

# Initiatives for Materialities (Important Issues)



## Balance environmental considerations with sales activities

To make our businesses sustainable, we must consider the environment in the process of delivering products and services to our customers. Our goal is to achieve well-balanced operations that give equal consideration to business and the environment, and we are working on what we can do one by one while understanding the impact of our business activities on the environment.

### Achieve carbon neutrality by 2050

As a key sustainability issue, we support the goals of the Paris Agreement and aim to achieve carbon neutrality by 2050. Climate change is not only an urgent issue common to all countries, but also one of the most important risks to our business, such as soaring raw material prices and supply chain disruptions caused by large-scale natural disasters. We are starting with what we can do, such as switching to LED lighting, which emits less CO<sub>2</sub>, for store lighting, and installing solar power generation systems at some of our logistics centers.

### Establish governance structure for climate change

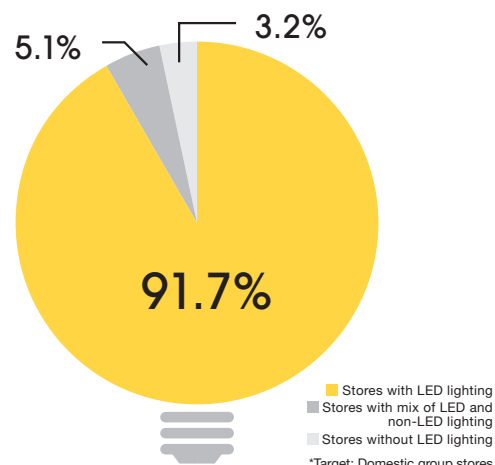
We have positioned our response to climate change as one of our important issues in terms of sustainability, and our director in charge of sustainability regularly reports to the Board of Directors on the status of our efforts. The Board of Directors consists of 10 directors, including 5 outside directors, and is chaired by the Representative Director and Chairman, and deliberates and resolves important matters as the highest management decision-making body for the entire group. In the fiscal year ending February 2022, the Board reported on the Company's new sustainability policy and decided to aim to achieve carbon neutrality by 2050.

### Manage risk in climate change

In order to understand and assess the impact of climate change on our business, we regularly analyze scenarios and identify climate change risks and opportunities through an internal task force led by the department in charge of sustainability. The identified significant risks and opportunities are reported to the director in charge of crisis management, and specific risk countermeasures are implemented in cooperation between the task force and the relevant departments. In addition, to address physical risks arising from natural disasters, the Crisis Management Committee, chaired by the director in charge of crisis management, has established a system to implement business continuity management, including BCP.

[Adastria Group TCFD Report](#)

Ratio of Stores Converted to LED Lighting



Solar Power Generation Panels (Ibaraki Nishi Distribution Center)

Scope-wise CO<sub>2</sub> emissions

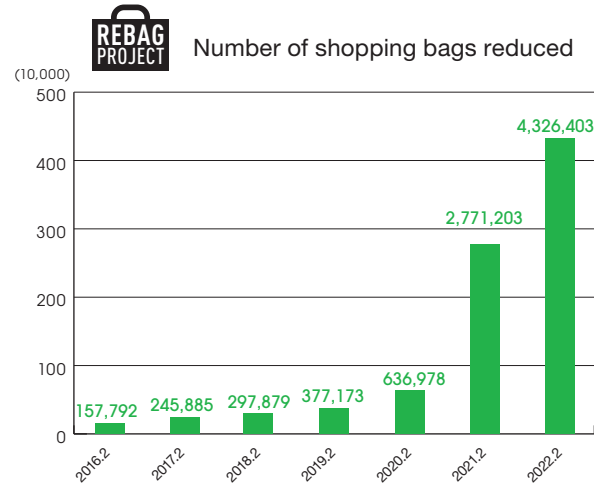
Scope	Amount of emission [t-CO <sub>2</sub> ]	Ratio	Remarks
	Fiscal year ending February 2022		
Scope 1 (direct emissions)	-	-	Not applicable
Scope 2 (indirect emissions associated with energy use)	34,791	6.7%	
Scope 3 (indirect emissions from the value chain)	481,808	93.3%	
Scope 1+2+3	516,600	100.0%	

\*Scope of coverage: Domestic group companies (excluding ADASTRIA eat Creations and Zetton)

# Initiatives for Materialities (Important Issues)

## Reduce shopping bags

As one of our resource-saving actions, we are working on the REBAG PROJECT to promote the use of My Bag. This activity, which awards membership points for declining shopping bags, began in the fiscal year ended February, 2016, and has so far reduced the number of shopping bags by approximately 9 million. In particular, since July 2020, when plastic bags were made chargeable, many customers have participated, and the activity has expanded to the point where approximately 17% of customers now use their own bags. Through this initiative, we hope to co-create a “sustainable shopping style with our customers.”



## VOICE

Chiemi Tagami,  
LEPSIM Hills Walk Tokushige Store

### About 60% of customers use their own shopping bags



One of our store goals is to “Reduce the use of disposable shopping bags”, and we are working to promote customers to use their own shopping bags. We share with our staff the purpose and benefits of the REBAG PROJECT from the 3 perspectives of customers, stores, and the environment, and encourage each individual to think for themselves and take action on an ongoing basis.

Currently, nearly 60% of our customers use their own bags at our stores. We are incredibly happy to see that many of our customers sympathize with our activities and enjoy the style of carrying their own bags as fashion. We would like to continue our efforts to contribute to the sustainability of local communities and society.

## Switch to environmentally friendly materials

In addition to the products themselves, we are gradually switching to environmentally friendly materials for many of the materials used when delivering products, such as hanging tags, shoe boxes, wrapping paper, and shopping bags. In particular, OPP bags (used at the time of delivery to maintain product quality) made of “Green Nano,” a material that emits less CO<sub>2</sub> when incinerated, are used widely across our brands. Currently, they are mainly used for some general miscellaneous products, but we hope to expand our efforts in the future.

### Examples of environmentally friendly secondary materials



Straws made from sugar cane And recycled PET resin cup (BAYFLOW cafe)



OPP bags using green nano



Shopping bags made from FSC-certified paper (GLOBAL WORK)

## TOPICS Elimination of bundling of purchase invoices at the official web store

In order to conserve resources and prevent leakage of information such as customers' order details, we have discontinued including the statement (delivery note) sent with purchases made through the official WEB store, starting from July 13, 2022. Customers who need it can check the contents of the statement of delivery on the My Page of the WEB store. By utilizing DX, we are reviewing resource consumption wherever possible.

2022/07/13

### Notice of discontinuation of packaging purchase statement

平素は格別のご高配を賜り、厚く御礼申し上げます。

※WEBストアでは、地球環境保護の一環としてペーパーレス化を進め、お客様の注文履歴などの履歴漏洩防止の観点より、お買い上げ明細書(納品書)の同梱を廃止することになりました。

今後は、お客様のマイページにて納品書のご確認が可能となります。

【適用開始日】  
2022年7月13日(水) 弊社出荷分より順次

<納品書・領収書の発行をご希望の場合>  
「注文履歴詳細」よりご自身で印刷いただけますようお願い申し上げます。  
詳しくはこちら

お客様にはご不便をおかけいたしますが、何卒ご理解のほど宜しくお願い申し上げます。

# Initiatives for Materialities (Important Issues)



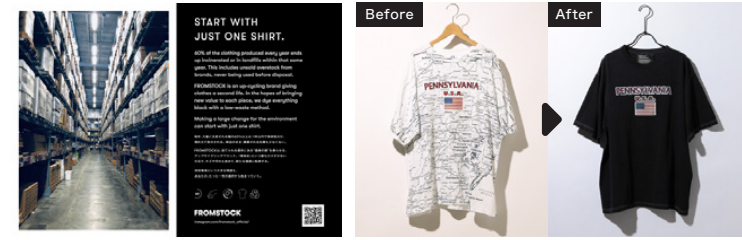
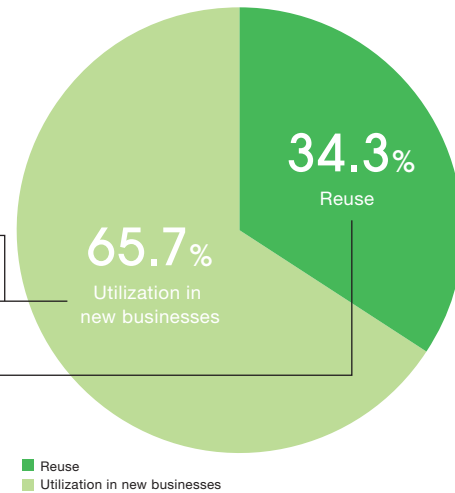
## Create a world without fashion loss

Fashion loss (clothing disposal) is an important issue to address, as it leads to CO<sub>2</sub> emissions from excessive resource consumption and incineration. We have made it our policy to eliminate clothing incineration, and we pursue a variety of initiatives to prevent burning and disposal. In addition to our goal of making products in the correct amount to avoid overproduction, we also strive to find new ways to use and recycle products that are no longer sold. These efforts will lead to the proper use of resources and the reduction of CO<sub>2</sub> emissions.

### Efforts to eliminate fashion loss

①	Thoroughly implement procurement planning and inventory management under the policy of “right time, right price, right quantity”
②	Improve ordering accuracy by utilizing order data from pre-orders on the official web store Dot ST
③	Re-sell end-of-sale products at affordable prices at “OFF STORE” developed by ADOORLINK
④	Develop “FROMSTOCK,” an upcycle brand that revives inventory by dyeing it black
⑤	Re-sell products outside of Japan in collaboration with partners
⑥	Utilize inventory as relief supplies in the event of a disaster

Usage of products whose sales period has ended



An example of re-dyeing inventory by FROMSTOCK

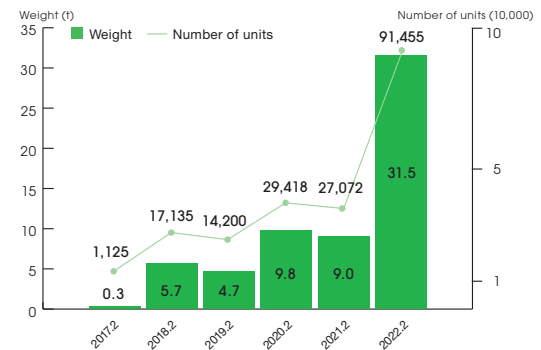


OFF STORE Aeon Town Mito Minami Store

### Apparel Collection and Recycling: Play Cycle!

The 3R (reuse/recycle/repair) rate for clothing in Japan is estimated to be less than 30%, and most of the clothing is disposed of as combustible waste without being recycled after use. In order to improve this situation together with our customers, we are implementing the “Play Cycle!” program, in which customers’ unwanted clothing is collected for recycling and reuse. The collected clothing is recycled into raw materials for clothing such as ‘recycled polyester’ and ‘recycled down’ through our business partners, and is also reused and sold at ‘OFF STORE’, which is operated by ADOORLINK Co., Ltd. Aiming to create an environment in which customers can easily take their clothing for recycling anytime, anywhere, the company plans to expand the number of stores that regularly collect clothing from the current 112 stores to about 200 stores by the fiscal year ending February 2023.

Collection Result in “Play Cycle!”



GLOBAL WORK LaLaport TOKYO-BAY store



# Initiatives for Materialities (Important Issues)



## Create a society in which people enjoy fashion in their own way

As customer needs become increasingly diverse, we develop products and services in multiple categories and under multiple brands to satisfy as many tastes as possible. We use customer service as a means to offer products that match customer needs. In addition, we offer designs and looks that are not restricted by gender, providing fashion that allows people to enjoy differences in age, appearance, and personality. In this way, we strive to empower people.

### Engage in initiatives to promote understanding of diversity

We are engaged in social awareness activities and provision of services so that everyone can enjoy fashion while letting their individuality shine through.

In addition to supporting the activities of the coming out photo project i.e. “OUT IN JAPAN”, we are taking efforts for expanding awareness about the brands, that develop genderless fashion, through exhibits at “TOKYO RAINBOW PRIDE” and “KYUSYU RAINBOW PRIDE”, one of the largest LGBTQ festivals in Japan, promoting understanding of LBGQTQ, and conducting social awareness activities. We are also focusing on in-brand development that takes advantage of each customer’s individuality, such as differences in gender, age, and body shape, so that customers can shine in their own way through fashion.



TOKYO RAINBOW PARADE (2018)



OUT IN JAPAN, photo exhibition in 21st Century Museum of Contemporary Art, Kanazawa

### Engage in inclusive fashion project “Play fashion! for ALL”

Through the inclusive fashion project “Play fashion! for ALL” which aims to include all people regardless of disability, age, or gender without isolating them, we are working to create a society where all people can enjoy fashion more. In the first phase of the project, 3 employees of Adastria General Support, a special subsidiary, participated in planning, creating, merchandising, and selling clothes that meet the needs of each customer using inclusive design methods. Taking full advantage of our company’s multi-brand and business scale, we are introducing our products through SNS and other means to customers under the theme of “fashion that is easy to wear and enjoyable for all”. Currently, we are expanding the scope of our activities by collaborating across industries with companies that share a common vision, while creating products and conducting seminars. If we can create a society where people can freely choose the clothes they want to wear, each individual will have more choices to make their everyday life “more enjoyable” and will have a more positive outlook. We would like to create a new standard by incorporating the common sense into fashion that “not everyone is the same”.



Example of commercialization: Special casual “corduroy shirt with sleeve patches” for wheelchair users

### TOPICS Promoting understanding within the company through unique training videos

We are expanding and improving our internal systems so that same-sex partners can receive fair benefits such as marriage leave and childcare/nursing care leave. In addition to explaining basic knowledge and internal systems in in-house training sessions, from 2021, we have created our own training videos to promote understanding of LGBTQ and other sexual minorities, which are viewed by all employees to help promote understanding of diversity among customers and employees. In customer service as well, this has led to the development of skills to make proposals that are tailored to each of our diverse customers.

Training videos to deepen understanding of diversity



# Initiatives for Materialities (Important Issues)



## Be an organization that is healthy mentally and physically, encouraging employees in their individuality and ability

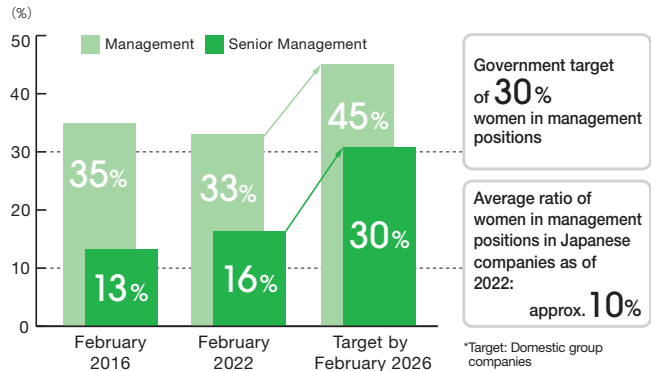
One of our corporate identity values is respect for diversity. We respect and recognize diversity regardless of age, gender, nationality, disability, sexual orientation, etc. We have incorporated organizational diversification into our management strategies, and we pursue initiatives to create an environment and structures that support employee careers and allow employees to fully express their talents. We believe that each and every employee will be able to leverage their unique strengths, and this will lead to active discussion and innovation with new perspectives, and to the mid- to long-term growth of the company. We implement work-style reforms, improve internal systems, provide human resources development, and employ persons with disabilities to ensure customers, employees, and others find greater levels of job satisfaction and health both physically and mentally.

### Promote women's active participation

We consider the promotion of active participation of female employees, who account for approximately 80% of our workforce, as a priority issue in diversity management, and have established specific targets and roadmaps based on the commitment of top management to promote the initiatives. By taking advantage of the characteristics of our large number of female employees, we hope to incorporate flexible and diverse perspectives into our decision-making process, which will lead to development of diversified needs and products, and improvement of service quality, thereby promoting the company's medium- to long-term growth and new innovations. Currently, the ratio of women in management positions still exceeds the target of 30% set by the Cabinet Office, but from 2019, under the promotion system of a cross-departmental project team including the director in charge, we are working to support the career advancement of women with the specific goal that "raise the ratio of women in management positions to 45% or more and the ratio of women in senior management positions to 30% or more by 2025".

\* Senior management = equivalent to department manager or above

Change in percentage of female managers



Leadership lecture by a female executive

### Initiatives and systems for promoting the active participation of women

- Hold "A DIVERSITY MEETING" with the aim of creating a corporate culture and workplace environment where diverse human resource can play an active role
- Establish a mentoring system for newly appointed female managers to support their career development and follow up on their experience and skills
- Continuously participate in Women's Empowerment in Fashion (WEF)
- Develop and expand personnel systems to accommodate diverse life stages
- Launch the Adastria Health Insurance Society, and expand and provide insurance services and welfare services tailored to the characteristics of a large number of female employees

### Employ people with disabilities

The Adastria Group has 222 employees with disabilities, who are active in a wide range of business activities. Adastria General Support, a special subsidiary, understands the characteristics of each employee with disabilities and provides detailed support so that each can fully demonstrate their abilities, through close cooperation with support organizations and the assignment of a support staff member to help them settle into their jobs. By introducing flexible work system and providing support for physical condition management and mental health care, we are promoting initiatives to enable employees to work vigorously while feeling a sense of fulfillment and satisfaction.

These efforts to promote and stabilize the employment of people with disabilities have been highly evaluated, and in 2021, we were awarded the "Monisu Certification" as an excellent small and medium-sized employer employing people with disabilities.



Employment rate of people with disabilities in the domestic group (as of June 2022)

**2.65%**

Photo: Work Area, Takashi Kanno

# Initiatives for Materialities (Important Issues)

## Promote health management

Since our founding, we have upheld the corporate philosophy of “Be a person needed, Be a company needed”. By promoting health management, we aim to further improve the environment in which employees can work comfortably and safely, and contribute to the wellbeing of not only our employees but also their families, customers, shareholders, business partners, and society as a whole through our business. Given the fact that we have a higher percentage of younger generation and female employees than other companies, and that we have employees working in diverse forms of employment throughout Japan, we launched the Adastria Health Insurance Society in November 2021 to provide insurance business and benefit services tailored to employee characteristics, and announced our Health Management Declaration. In order to become a “White 500 Certified Health & Productivity Management Outstanding Company,” we will continue to provide our mission “Play fashion!” by fostering a health-oriented corporate culture, creating a safe and secure work environment, and by being physically and mentally healthy, energetic, and happy in our own workplaces.



## Set a health promotion committee “Adastria Wellness Committee”

The Adastria Wellness Committee, a health promotion committee formed by employees selected through internal recruitment, has been launched to promote wellbeing. We will pick up the real voices of employees and their ever-changing needs, and make proposals to reflect them in health promotion and insurance projects that are in line with the actual situation. We also plan and execute wellness events, etc., while fostering a climate and environment in which employees themselves can improve their health literacy and engage in activities to maintain and promote their health.

### Health Management Promotion System

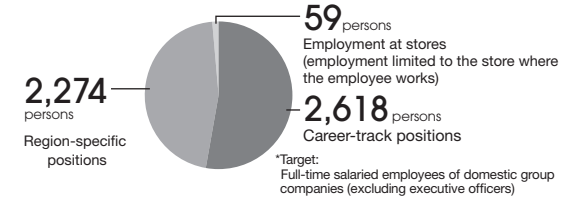
PLAY FASHION! PLAY WELLNESS!



## Promote various workstyles

In addition to promoting flexible work styles that are not restricted by time or place, the company has also developed a personnel system to help employees to choose diverse careers and work styles that suit their lifestyles. Besides promoting the use of annual paid leave in order to achieve a work-life balance through enabling employees to take annual paid leave on a half-day basis, we are also working to improve the appropriateness of working hours by reviewing the allocation of work and improving work efficiency, and by identifying and visualizing overtime hours.

Breakdown of the number of employees in selective positions



### Personnel system that supports flexible work styles

Selective job classification system (selection of career-track positions and region-specific positions, and Employment at stores)
Return-to-work (re-employment after employee's resignation)
Possible to take half-day paid leave
System that allows employees to have side jobs
Flextime system * Applicable to certain employees
Telework system * Applicable to certain employees

## Reform work styles of employees working in stores

In collaboration with Shin-Shizuoka Cenova, we have launched the “Mutual Support for Working Hours Project” to review the business hours of commercial facilities from the perspective of both tenants and developers, with the aim of realizing sustainable working styles for store staff working in commercial facilities. Through the project, we are proposing sustainable work styles to the industry as a whole and promoting our own work style reforms to improve the attractiveness of our sales staff and to help solve labor shortages.

- POINT 01**  
Flexible business hours system
- POINT 02**  
Introduction of store-specific holidays
- POINT 03**  
Shortening of business hours according to customer traffic



Mutual Support for Working Hours Project



# Initiatives for Materialities (Important Issues)



## Revitalize Regions Where Our Stores Are Located

As we open stores in various regions in Japan and overseas, our relationship with the local community is very important to us. We want to continue to be a company that is rooted in each region and that connects with customers and local residents through fashion. Though each region faces different challenges, we hope to contribute to the creation of employment in each region, solve local problems together with the power of fashion, and create new value for the future.

### Engage in sales activities rooted in local communities

In accordance with our branch system our stores in Japan are divided into 6 regions, and store operations and sales activities are conducted tailored to each region, taking into account its needs and characteristics. We are also working to build communities through fashion by holding various community-based events under the themes of community revitalization, sustainability, and next-generation development. We also take advantage of our nationwide presence to deliver new value to the regions, where our stores are located, by selling products in collaboration with local companies and developing localized products.

Track record of local events

**25** Facilities  
**17** Prefectures

● Event location  
\*Results for the fiscal year ending February, 2021

### Contribute to Mito, where the company was founded

We are contributing through fashion in various fields such as art, sports, and culture so that we can continue to grow together with the area where our company was founded. We are involved in contribution activities through fashion such as providing support to the Mito Chamber Orchestra, serving as an official sponsor of the Ibaraki Robots, a professional basketball team belonging to "B.LEAGUE", providing travel clothes to top team of the professional soccer club "Mito HollyHock", designing T-shirts for the "Mitokomon Manyu Marathon" as a participation prize, and so on.



Ibaraki Robots

To express our gratitude to Mito, the place where our company was founded, which has supported and encouraged our growth, we held the "ADASTRIA BAZAAR! 2022" for the first time at the Adastria Mito Arena, the home arena of the professional basketball team "Ibaraki Robots". In addition to a family garage sale and a talk show by Ibaraki Robots players, 1,850 local customers enjoyed a variety of contents over the 2 days, including the collecting and recycling clothing program "Play Cycle!" and a cafe store.



ADASTRIA BAZAAR! 2022

## TOPICS Nationwide caravan of clothing collection events co-hosted with developers in the areas where the stores are located

In conjunction with an awareness event on the "SDGs" held at AEON Mall, each branch conducted a caravan of our clothing collection activity "Play Cycle!", at 18 Aeon Mall locations throughout Japan. We offered local customers the option of not throwing away their unwanted clothing, and collected, recycled, and reused approximately 9 tons of clothing through the event. The company also held upcycling workshops and exhibited its own products made from sustainable materials, providing an opportunity for people to experience sustainable fashion while having fun.





# Initiatives for Materialities (Important Issues)



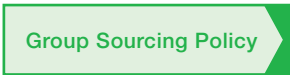
## Foster Sustainable Development in Production Areas

We manufacture products in various regions around the world, supplied through an extensive supply chain, from procurement of raw materials to sewing and trading. Good partnerships with suppliers and the sustainable development of the production regions allows us to supply high-quality products to our customers in a stable manner. To provide even better products and services in the future, we established rules for fair and ethical transactions. We conduct our procurement activities in accordance with these rules.

### Set Group Sourcing Policy and Guidelines

We have established a Group Sourcing Policy that aims to ensure fair and ethical transactions in order to produce products based on good partnerships with our suppliers, while developing together with them. In consideration of human rights, and social and environmental risks, we have also established Group Sourcing Guidelines that clearly state our respect for human rights, specifications for the improvement of working environment, environmental considerations, and anti-corruption policies, and we work together with our suppliers on procurement activities in accordance with these guidelines.

We translate our sourcing policy and guidelines into English and Chinese, which are commonly used in production areas, and disseminate them to the public. We also ask our suppliers to understand our thinking and policies and sign our guidelines through explanatory meetings.



### Monitor factories and promote partnership certification

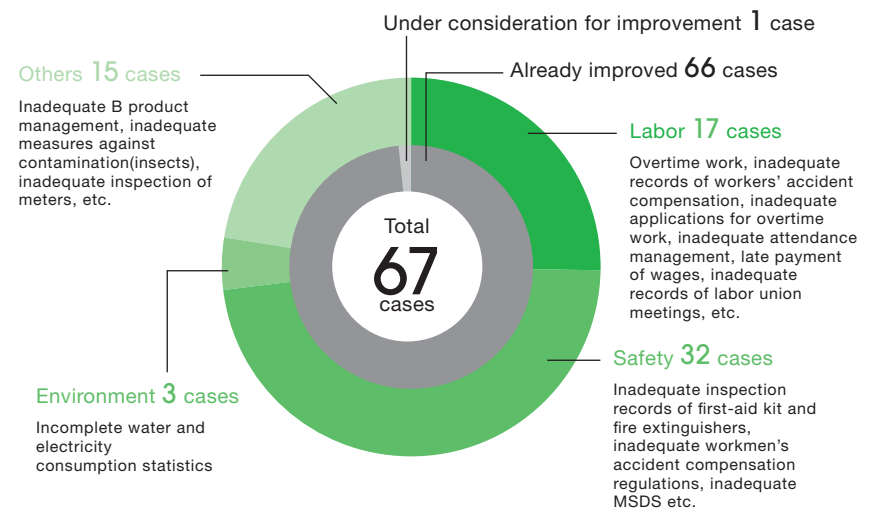
We ask our suppliers to complete a questionnaire based on our sourcing guidelines. Based on the results of the questionnaire, our CSR procurement staff visits the factories directly to check the production environment. In the unlikely event that there is an issue that needs to be improved, we ask our business partners to work on improvement through direct and continuous communication with us. New suppliers are also asked to complete a questionnaire to ensure that there are no risks in terms of human rights, society, or the environment before starting the business with them. As a result of factory monitoring, we certify suppliers as partnership factories who meet our Products Sourcing Department guidelines and with whom we have a better relationship in terms of product quality, frequency of defective products, and social and environmental conditions. Currently, we have 30 certified partnership factories, and we are promoting this initiative so that we can increase the number of certified partnership factories by 2023.

Number of factories monitored\*

	Number of factories monitored
Fiscal year ending February 2017	9
Fiscal year ending February 2018	20
Fiscal year ending February 2019	26
Fiscal year ending February 2020	40
Fiscal year ending February 2021	13
Fiscal year ending February 2022	10
Total	118

\* Downward trend in fiscal year ending February 2021, and February 2022 due to the impact of the COVID-19  
 \* This includes follow-up monitoring (re-audits)

Items pointed out in factory monitoring and status of response (FY2022/02)



# ESG Information Data

	Item		Actuals				
			Fiscal year ending February 2020	Fiscal year ending February 2021	Fiscal year ending February 2022		
Environment	<b>Data on the environment</b>						
	1	Electricity consumption in stores, offices, and logistics centers	'000 kWh	-	-	78,066	
	2	Scope 1 (direct emissions)		-	-	-	
	3	Scope 2 (indirect emissions associated with energy use)		-	-	34,791	
	4	Scope 3 (indirect emissions from the value chain)		-	-	481,808	
		Category 1 Purchased goods and services	t-CO <sub>2</sub>	-	-	406,528	
		Category 2 Capital goods		-	-	23,737	
		Category 3 Fuel and energy related activities not included in Scope 1 and 2		-	-	5,433	
		Category 4 Transportation and distribution (upstream)		-	-	5,991	
		Category 5 Waste generated from operations		-	-	665	
		Category 6 Business trip		-	-	450	
		Category 7 Employee commuting		-	-	3,704	
		Category 8 Leased assets (upstream)		-	-	-	
		Category 9 Transportation and distribution (downstream)		-	-	645	
		Category 10 Processing of sold products		-	-	-	
		Category 11 Use of sold products		-	-	-	
		Category 12 Disposal of sold products		-	-	34,655	
		Category 13 Leased assets (downstream)		-	-	-	
		Category 14 Franchises		-	-	-	
	Category 15 Investments	-		-	-		
5	Scope 1+2+3		-	-	516,600		
Society	<b>Data related to employees</b>						
	6	Number of employees (Domestic group companies including term employees, excluding Zetton)	Women	14,923	14,279	13,986	
			Men	3,380	3,150	3,009	
			Total	18,303	17,429	16,995	
	7	Number of regular employees by hierarchy	Number of managers (* excluding executives)	Women	180	183	191
				Men	364	359	373
				Total	544	542	564
			Number of senior managers	Women	33	38	37
				Men	178	175	183
				Total	211	213	220
			Number of department managers or its equivalent	Women	21	26	22
				Men	76	73	82
				Total	97	99	104
			Number of section managers or its equivalent	Women	147	151	154
				Men	186	194	190
				Total	333	345	344
			Number of unit managers or its equivalent	Women	268	281	296
				Men	187	173	170
				Total	455	454	466

Note:  
 Aggregation scope: Data on the environment are based on domestic group companies (excluding ADASTRIA eat Creations and Zetton). Society and governance data based on domestic group companies (excluding Zetton) with calculation standards are listed.  
 Emission factor in 4: Quoted from the Ministry of the Environment's Emissions Intensity Database and IDEA v2

# ESG Information Data

Item		Actuals					
		Fiscal year ending February 2020	Fiscal year ending February 2021	Fiscal year ending February 2022			
Society	<b>Data on employees</b>						
	8	Number of new graduate hires	Women	Headcount	257	187	100
			Men		30	15	10
			Total		287	202	110
	9	Number of mid-career hires	Women	Headcount	219	193	245
			Men		76	66	83
			Total		295	259	328
	10	Number of newly appointed managers	Women	Headcount	13	9	9
			Men		10	22	13
			Total		23	31	22
	11	Average years of service of regular employees	Women	Years	5.6	6.1	6.6
			Men		7.8	8.3	8.8
			Total		6.1	6.6	7.2
	12	Number of regular employee turnover	Women	Headcount	465	345	383
			Men		124	93	105
			Total		589	438	488
	13	Number of foreign employees			108	94	82
	14	Rate of employment of people with disabilities		%	2.53	2.38	2.65
	15	Overtime working hours per month	Average of regular employees	Hours	7.1	4.3	5.6
			Average of employees		3.6	2.1	2.6
	16	Percentage of annual paid leave taken*	Average of regular employees	%	71.5	69.3	59.7
	Average of employees		64.6		64.2	59.4	
17	Average number of days of annual paid leave taken*	Average of regular employees	Days	10.8	10.9	10.3	
		Average of employees		10.0	9.2	7.6	
18	Status of maternity leave taken by regular employees	Average of regular employees	Headcount	193	245	200	
		Average of employees	%	99.5	99.6	99.0	
19	Status of childcare leave taken by regular employees/ Status of regular employees who return to work after childcare leave	Women	Number of employees who availed the leave	Headcount	197	228	216
			Acquisition rate	%	99.0	100.0	99.5
		Men	Return rate	%	94.3	91.0	94.4
			Number of employees who availed the leave	Headcount	1	2	5
	Acquisition rate	%	1.64	3.39	7.81		
	Return rate	%	100.0	100.0	100.0		
20	Average number of days of nursing care leave taken		Days	0	53.5	93.0	
21	Status of spouse maternity leave taken by male employees	Number of employees who availed the leave	Headcount	19	17	11	
		Acquisition rate	%	31.1	28.8	17.2	

Note:  
 Aggregation scope: Data on the environment are based on domestic group companies (excluding ADASTRIA eat Creations and Zetton). Society and governance data based on domestic group companies (excluding Zetton) with calculation standards are listed.  
 In the fiscal years ending February 2021 and 2022, the rate and average number of days of annual paid leave taken decreased due to the temporary closures and the granting of special leave to employees to prevent infectious diseases

# ESG Information Data

	Item			Actuals				
				Fiscal year ending February 2020	Fiscal year ending February 2021	Fiscal year ending February 2022		
Society	<b>Data on women</b>							
	22	Percentage of women among regular employee			74.8	75.1	75.2	
	23	Percentage of women executives (separately)	Percentage of women executives		23.1	23.1	23.1	
			Percentage of female directors		11.1	11.1	11.1	
	24	Percentage of women by rank	Percentage of women managers (*excluding executives)	%	33.1	33.8	33.9	
			Percentage of women in Senior managers		15.6	17.8	16.8	
			Percentage of women as department head or its equivalent		21.6	26.3	21.2	
			Percentage of women as section manager or its equivalent		44.1	43.8	44.8	
			Percentage of women as unit manager or its equivalent		58.9	61.9	63.5	
	25	Percentage of women among new graduate hires			89.5	92.6	90.9	
26	Percentage of women among mid-career hires			74.2	74.5	74.7		
Governance	<b>Data on governance</b>							
	27	Number of directors (separately)	Inside	Women	Headcount	0	0	0
				Men		5	5	5
				Total		5	5	5
		Outside	Women	1		1	1	
			Men	3		3	3	
			Total	4		4	4	
	28	Number of auditors (separately)	Inside	Women	0	0	0	
				Men	1	1	1	
				Total	1	1	1	
		Outside	Women	2	2	2		
			Men	1	1	1		
			Total	3	3	3		
	29	Number of executive officers (separately)	Women	0	0	0		
			Men	7	7	9		
Total			7	7	9			
30	Number of reports to the internal reporting desk		Cases	144	115	146		
31	Number of opinions and suggestions in business partner surveys		Cases	-	43	44		

Note:  
 Aggregation scope: Data on the environment are based on domestic group companies (excluding ADASTRIA eat Creations and Zetton). Society and governance data based on domestic group companies (excluding Zetton) with calculation standards are listed.



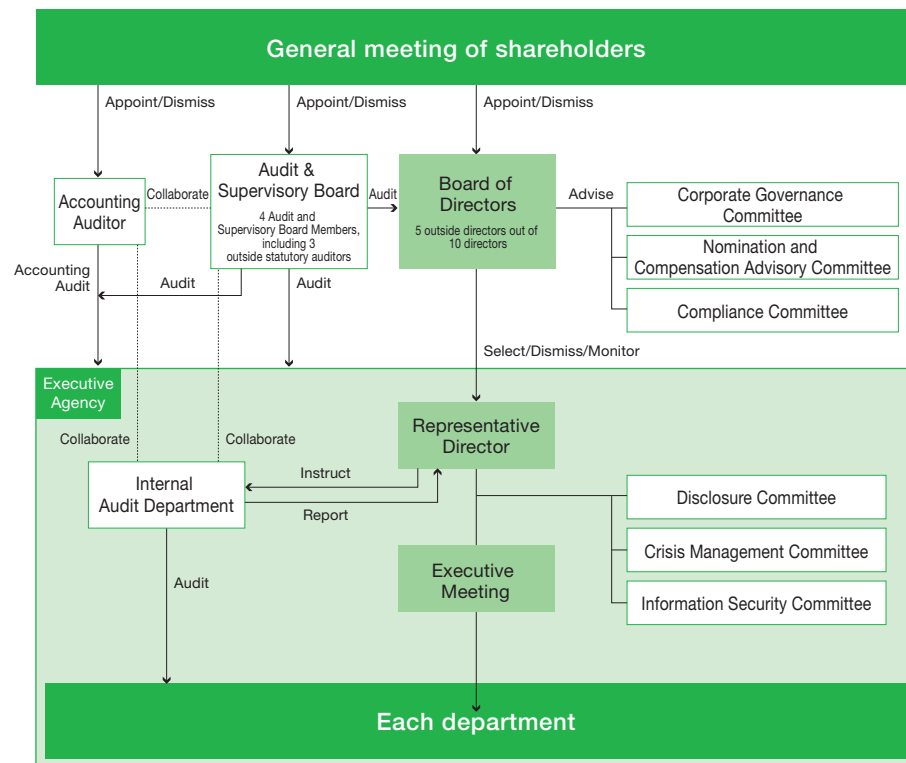
# Corporate Governance

## Basic Philosophy

Guided by our corporate philosophy that says, “Be a person needed, Be a company needed.” we pursue the mission of Play fashion!, endeavoring to enrich lives and create happiness through fashion. To respond flexibly to the needs of our customers and changes in the environment, as well as to contribute to the enrichment of lives and diverse values around the world, we strive for excellence in corporate governance that fosters quick decision-making.

## Overview of Corporate Governance System

We have adopted a Company with Audit and Supervisory Board structure, and has established a board of directors and an Audit and Supervisory Board.



## Main Corporate Governance Bodies and Their Roles

### Board of Directors

The board of directors consists of ten directors, including five outside directors. The board, chaired by the Representative Director and Chairman, deliberates and resolves important matters as the highest management decision-making body of the corporate group. The four members of the Audit and Supervisory Board, including three outside members, attend board of director meetings from an independent standpoint, having established a system to audit the status of director performance in the duties of care and loyalty related to the execution of their duties.

### Audit & Supervisory Board

The Audit and Supervisory Board consists of four members, one of whom is a standing statutory auditor and three of whom are outside statutory auditors. The members of the Audit and Supervisory Board attend board of director meetings, Corporate Governance Committee meetings, executive meetings, and other important meetings to gain an understanding of the state of management in a timely manner and to conduct audits of the legality of the execution of business by directors. In addition, members of the Audit and Supervisory Board offer proposals as necessary from an independent standpoint and based on their wealth of experience and insight.

### Corporate governance Committee

As an advisory body to the Board of Directors, with the aim of realizing appropriate and transparent corporate governance, it deliberates on various matters related to the corporate governance and the construction of internal control systems of the Group, and the results are submitted for discussion or reported to the Board of Directors.

### Nomination and Compensation Advisory Committee

As an advisory body to the Board of Directors, the committee deliberates on the following matters and reports the results to the Board of Directors: Appointment and dismissal of directors, representative directors and executive directors of the Company, policies and procedures for training of successors for representative directors, improving the fairness, appropriateness and transparency of compensation for directors.

### Compliance Committee

As an advisory body to the Board of Directors, in order to deliberate, draft and promote important policies to ensure thorough compliance, which is the basic policy of the Group, the committee discusses on various themes related to compliance, and the results are submitted for discussion or reported to the Board of Directors.

### Executive Meeting

It deliberates and decides on important matters of management and business execution delegated by the Board of Directors, so that important issues other than those that are to be resolved by the Board of Directors are decided upon, as well as prompt sharing of information related to such business execution takes place.

## Changes in Corporate Governance

	2001~2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Structure and Policies		●2008 Established Management Advisory Committee	●2013 Shifted to a holding company structure	●2015 Dissolved holding company structure ●2015 Commenced application of the Corporate Governance Code	●2016 Established corporate governance guidelines						
Directors		●2006 Shortened the tenure of directors from 2 years to 1 year ●2007 Appointed 1 outside director	●2013 Increased the number of outside directors to 3		●2016 Increased the number of outside directors to 4 ●2016 A female director was appointed						●2022 Increased the number of outside directors to 5
Auditors	●2001 Appointed 3 outside statutory auditors	●2003 Appointed 4 outside statutory auditors ●2004 Appointed 3 outside statutory auditors						●2018 Appointed a female auditor			
Nomination		●2005 Established Nomination and Compensation Committee (currently the Nomination and Compensation Advisory Committee)						●2019 Started Development of a succession planning	●2020 Managed Policies and procedures for the appointment and dismissal of representative directors and succession planning		
Remuneration		●2005 Established Nomination and Compensation Committee (currently the Nomination and Compensation Advisory Committee)			●2016 Introduced performance-linked stock compensation						
Assessment of the effectiveness of the Board of Directors						●2017 Started Analysis and evaluation			●2020 Outsourced business operations to external organizations		

## Diversity of the Board of Directors

### Views on Diversity in the Board of Directors

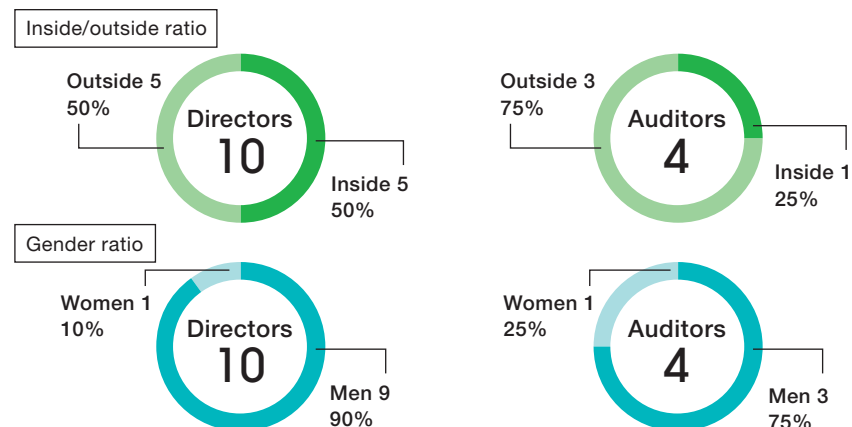
We have appointed 5 inside directors, 5 outside directors, 1 inside standing auditor, and 3 outside statutory auditors. In addition, of the 14 directors and auditors, we have appointed one female director and one female auditor.

The Board of Directors shall be composed of diverse directors with different backgrounds, in terms of specialized knowledge and experience. For instance, there are persons who have thorough knowledge and expertise in each of the company's businesses, persons who have international experience such as extensive experience in global companies and overseas business, and persons who have abundant discernment as corporate managers. The directors are from different generations, ranging from those in their 40s to the 70s.

We have appointed two auditors from financial institutions, one certified public accountant, and one lawyer, who have ample knowledge of finance, accounting, and legal affairs.

This way, we believe that the Board of Directors as a whole maintains an appropriate balance and diversity, and we will work to improve diversity, including gender and internationality.

### Composition of Directors and Auditors (As of May 26, 2022)



### Directors and Auditors Skill Matrix

			Knowledge, experience, skills, etc., possessed by directors and auditors							
			Corporate management	Sales marketing	Product SCM	Global	IT/DX	Legal Risk management	Corporate finance Accounting banking finance	ESG
Directors	Inside	Michio Fukuda	●		●				●	●
		Osamu Kimura	●	●	●					
		Masayuki Kindo	●					●	●	
		Yoshiaki Kitamura	●	●	●	●				
		Taiki Fukuda	●			●				●
	Outside	Satoshi Akutsu		●	●	●				●
		Hiromi Horie		●	●	●				●
		Koichi Mizutome	●	●	●	●				
		Tatsuhiro Matsuoka		●	●		●			
		Kazuo Nishiyama	●		●		●		●	●
Auditors	Inside	Tsuyoshi Matsuda			●		●	●		
		Kazuhiko Ebihara			●			●		
	Outside	Yoshiko Hayama					●	●	●	
		Wataru Maekawa					●			

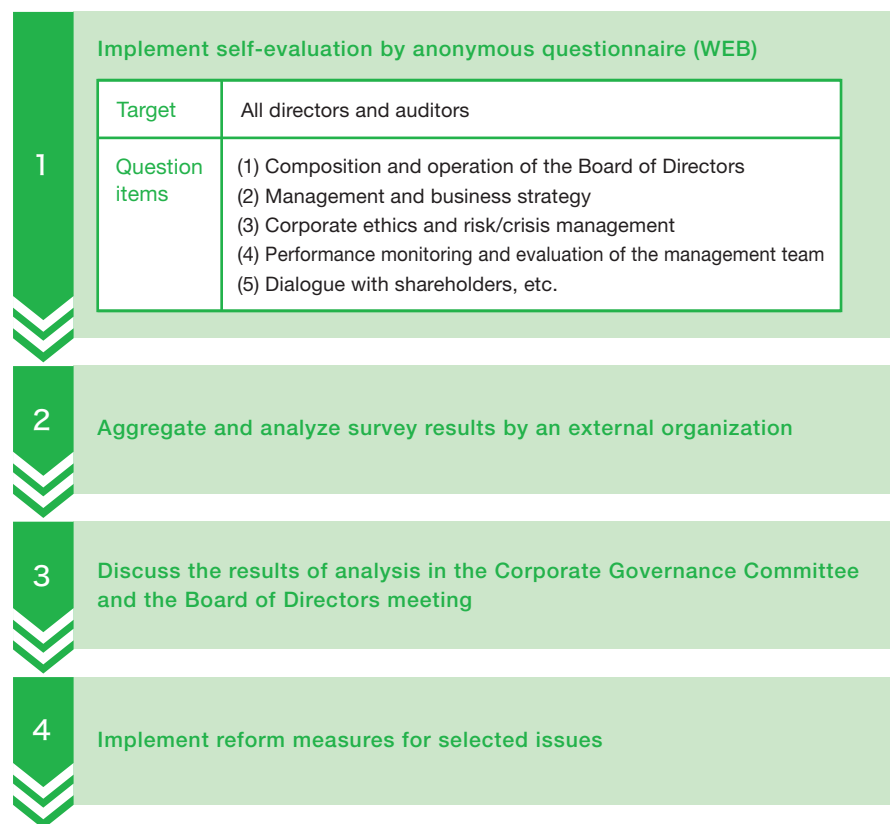
(Note1) The list above indicates the areas in which we expect the Company's directors and auditors to offer particular expertise. This list is not meant to represent all expertise possessed by the Company's directors and auditors.  
 (Note2) Matters related to "personnel and human resources" is included in "corporate management".  
 (Note3) "SCM" stands for "Supply Chain Management".

## Assessment of the Effectiveness of the Board of Directors

We conduct a self-assessment of the effectiveness of the board of directors to identify current issues and attempt for improving the function of the board. This self-assessment is conducted by means of anonymous questionnaires for directors and auditors. After receiving responses from all participants, the board of directors analyzes and evaluates the results.

Beginning in the fiscal year ended February 2020, we have outsourced the review of the questionnaire questions and the aggregation and analysis of results to an external organization. This method ensures objectivity and transparency of evaluation results and allows us to utilize information from other companies and knowledge from outside sources.

### Process of Assessment of the Effectiveness



### Evaluation Results for the Fiscal Year Ending February 2022

The composition of the Board of Directors is appropriately balanced and diverse, and we have cultivated a corporate culture that enables frank discussions by the members, including independent outside directors. For this situation in mind, we evaluated that the effectiveness of decision-making and supervision of business execution by the board of directors had been sufficiently secured continuously. The “confirmation and analysis of the progress of the Medium-Term Management Plan,” an issue in the previous fiscal year, saw an improvement in the score due to deeper internal discussions on growth strategies.

### Selected Issues and the Response

In the fiscal year ending February 2022, we identified the following three issues as challenges. We will consider and address these issues during the fiscal year ending February 2023 including means for conducting effective online discussions in the wake of the COVID-19 pandemic.

- Deliberations based on the cost of capital and management indicators
- Content and volume of board meeting materials, in addition to prior distribution and explanations
- System to encourage dialogue with shareholders and the sharing of opinions

## Selection of Directors and Auditors

### Selection Policy of Directors and Auditors

- The Company shall appoint a diverse pool of directors with differing backgrounds of expertise and experience, including persons who are familiar with and have deep knowledge of the Company's businesses, persons who have international experience, such as extensive experience in global companies and overseas operations, and persons who have a wealth of insight as corporate managers.
- By appointing a multiple number of outside directors, the Company strengthens its supervisory function and accomplishes management transparency by incorporating the viewpoints of people outside the Company who are independent of management.
- The Company shall appoint outside directors who have no material interest in the Group and who are capable of maintaining their independence.
- The Company shall appoint members of the Audit and Supervisory Board who are qualified, independent, and capable of fulfilling their terms of office.

### Procedure for Nominating Candidates as Directors and Auditors

- The representative director shall submit a list of candidates for directors. The Nomination and Compensation Advisory Committee shall deliberate on the list, after which the board of directors shall make decisions on candidates.
- The Board of Directors shall make decisions on candidates for members of the Audit and Supervisory Board after the representative director submits a list of candidates and the Audit and Supervisory Board gives its approval.



## Assessment of the Effectiveness of the Board of Directors

### Basic Policy

The Company's board of directors follows the policies and procedures below when determining remuneration. The Company's board of directors follows the policies and procedures below when determining remuneration.

- Compensation packages shall be linked to short-, medium-, and long-term business performance and shall be commensurate with the creation of corporate value.
- Compensation packages shall be designed to secure outstanding management personnel and contribute to sustainable development.
- Compensation levels shall be appropriate in light of other companies in the same industry, other companies of the same size in other industries, and economic and social conditions.

### Procedures for Determination of the Compensation

- Directors' compensation shall be determined by the Board of Directors after deliberation have been conducted by the Nomination and Compensation Advisory Committee, which is a voluntary committee, and within the amount that is determined by a resolution of the General Meeting of Shareholders.
- Compensation for auditors shall be determined through discussions among Audit & Supervisory Board Members according to the division of duties, etc., and within the amount that is determined by a resolution of the General Meeting of Shareholders.

## Overview of Executive Compensation System

	Classification	Description	Payment made to		Payment method	Evaluation metrics
			Directors (excluding outside directors)	Outside directors and auditors		
Basic remuneration	Monetary compensation	Fixed compensation according to role and responsibility	●	●	• Fixed amount is paid each month	-
Bonus (Performance-linked compensation)		Compensation that is mainly linked to short-term performance and motivate to achieve corporate value creation	●	-	• The payment amount is determined within the range of 0% to 200% of the base amount according to the position and performance achievement rate • Lump-sum payment in a certain month every year	• Sales • Sales compared with the previous year • Operating profit
Performance-linked stock compensation	Stock compensation	Compensation that is linked to short-, medium-, and long-term performance and motivate to achieve corporate value creation	●	-	• The number of points of stocks to be granted is determined within the range of 0% to 200% of the standard number of shares, according to the position and performance achievement rate • Points are calculated as of the end of February of the fiscal year as per the performance assessment of that concerned year, and are granted at a certain time in the same year. • After one year from the start of evaluation each fiscal year, shares equivalent to a certain percentage of the number of points are issued, and stocks worth the remaining points are converted into money within the trust, and the money so converted is paid. We have set a sales restriction period for 2 years from the time such shares are issued.	• Sales compared with the previous year • Operating profit • Operating income ratio

## Executive Compensation (Fiscal Year Ending February 2022)

Executive category	Number of executives covered	Total amount of compensation, etc.	Total amount of compensation by type, etc.		
			Basic remuneration	Bonus	Performance-linked stock compensation
Directors (excluding outside directors)	5	388 million yen	209 million yen	66 million yen	112 million yen
Auditors (excluding outside statutory auditors)	1	21 million yen	21 million yen	-	-
Outside directors and auditors	7	74 million yen	74 million yen	-	-

## Directors (as of May 26 2022)

				
<p><b>Michio Fukuda</b> Representative Director and Chairman</p>	<p><b>Osamu Kimura</b> Representative Director and President</p>	<p><b>Masayuki Kindo</b> Managing Director</p>	<p><b>Yoshiaki Kitamura</b> Managing Director</p>	<p><b>Taiki Fukuda</b> Director</p>
<p><b>■ Biography</b>                      May 1971 Joined Fukudaya Clothes Store Inc. (currently, the Company) Director, Fukudaya Clothes Store Inc.                      Jun. 1982 Senior Managing Director, Fukudaya Clothes Store Inc.                      Apr. 1991 Representative Director and President, Bears Factory Limited (currently, Adastria Logistics Co., Ltd.)                      Mar. 1993 Representative Director and President, POINT INC. (currently, the Company)                      Dec. 2002 Representative Director and Chairman, Adastria TW INC. (currently, Adastria Taiwan Co., Ltd.)                      May 2004 Representative Director and Chairman, POINT INC. (currently, the Company)                      May 2010 Representative Director, Chairman and President, POINT INC.                      Sep. 2013 Representative Director and Chairman, Adastria Holdings Co., Ltd. (currently, the Company)                      May 2015 Representative Director and Chairman, Chief Executive Officer (CEO), Adastria Holdings Co., Ltd.                      May 2018 Representative Director, Chairman and President of the Company                      Apr. 2021 Director and Chairman, BUZZWIT Co., Ltd. (to present)                      Director and Chairman, ELEMENT RULE Co., Ltd. (to present)                      May 2021 Representative Director and Chairman of the Company (to present)</p>	<p><b>■ Biography</b>                      Sep. 2011 Representative Director and President, TRINITY ARTS INC. (currently, the Company)                      Apr. 2013 Director, FRIENDS Co., Ltd.                      Sep. 2013 Director, Adastria Holdings Co., Ltd. (currently, the Company)                      Director, Adastria Asia Co., Ltd.                      Feb. 2014 Director, N9&amp;PG Co., Ltd. (currently, Adastria Logistics Co., Ltd.)                      May 2015 Director and Senior Executive Officer, Adastria Holdings Co., Ltd. (currently, the Company)                      Jun. 2016 Managing Director of the Company                      Nov. 2016 Director and Vice President, Peoples Inc.                      Director and Vice President, ALICIA Co., Ltd. (currently, BUZZWIT Co., Ltd.)                      Mar. 2017 Director and Vice President, ELEMENT RULE Co., Ltd. (to present)                      Oct. 2017 Representative Director and President, ADASTRIA eat Creations Co., Ltd. (to present)                      Mar 2018 Director and Vice President of the Company                      May 2019 Director, NATURAL NINE TRADING (SHANGHAI) LTD. (to present)                      Feb. 2020 Director, BUZZWIT Co., Ltd.                      May 2021 Director and President of the Company                      May 2022 Director, Zetton, Inc. (to present)                      Representative Director and President of the Company (to present)</p>	<p><b>■ Biography</b>                      Apr. 1991 Joined The Sanwa Bank, Limited (currently, MUFG Bank, Ltd.)                      Jul. 2006 Joined POINT INC. (currently, the Company) General Manager of President's Office                      Mar. 2008 Executive Officer, General Manager of President's Office, POINT INC.                      Jun. 2010 Executive Officer, Executive General Manager of New Business Division, POINT INC.                      Mar. 2012 Executive Officer, General Manager of Strategy Promotion Department, POINT INC.                      Nov. 2012 Managing Executive Officer, General Manager of Strategy Promotion Department and Miscellaneous Goods Business Department, POINT INC.                      Sep. 2013 General Manager of Finance Department, Adastria Holdings Co., Ltd. (currently, the Company)                      Mar. 2015 Senior Executive Officer, Executive General Manager of Business Promotion Division, Adastria Holdings Co., Ltd.                      Mar. 2016 Senior Executive Officer, Chief of Sales Headquarters of the Company                      Mar. 2018 Senior Executive Officer, Chief of Sales Headquarters and Executive General Manager Overseas Assistance Division of the Company                      Director, Adastria Asia Co, Ltd. (to present)                      Director, POINT(Shanghai) Co., Ltd. (currently, niko and ... (Shanghai) Co., Ltd.) (to present)                      Representative Director and President, POINT TW INC. (currently, Adastria Taiwan Co., Ltd. (to present))                      Director of Adastria Korea Co.,Ltd.                      May 2018 Director of the Company                      Aug. 2019 Director, Adastria (Shanghai) Co., Ltd. (to present)                      May 2021 Managing Director of the Company (to present)</p>	<p><b>■ Biography</b>                      Apr. 1999 Joined FIVE FOXes Co., LTD.                      Feb. 2007 Joined DROP INC. (currently, the Company)                      Sep. 2010 General Manager of studio CLIP Department, TRINITY ARTS INC. (currently, the Company)                      Mar. 2012 General Manager of niko and ... Department, TRINITY ARTS INC.                      Mar. 2013 Executive Officer, Executive General Manager of Sales Division, TRINITY ARTS INC.                      May 2014 Director, General Manager of Sales Division, TRINITY ARTS INC.                      Mar. 2015 Executive Officer, Executive General Manager of Sales Division #2, Adastria Holdings Co., Ltd. (currently, the Company)                      Apr. 2016 Representative Director, Adastria Korea Co., Ltd.                      Mar. 2018 Senior Executive Officer, Chief of Sales Headquarters of the Company                      Director, Adastria Asia Co., Ltd. (to present)                      Director, POINT (Shanghai) Co., Ltd. (currently, niko and ... (Shanghai) Co., Ltd.) (to present)                      Director, POINT TW INC. (currently, Adastria Taiwan Co., Ltd.) (to present)                      May 2019 Director of the Company                      Aug. 2019 Director, Adastria (Shanghai) Co., Ltd. (to present)                      May 2021 Managing Director of the Company (to present)                      Feb. 2022 Director, SES GLOBAL LOGISTICS (SHANGHAI) Co., LTD. (to present)                      Chairman of Management Board, Velvet, LLC (to present)</p>	<p><b>■ Biography</b>                      Mar. 2004 Joined IMS Co., Ltd.                      Apr. 2005 Joined POINT INC. (currently, the Company)                      Mar. 2014 Executive General Manager of International business Division, Adastria Holdings Co., Ltd. (currently, the Company)                      May 2014 Representative Director and President, Adastria Asia Co., Ltd.                      Mar. 2016 Executive General manager of Communication Design Division of the Company                      Mar. 2017 Executive General Manager of Corporate Planning Division of the Company                      May 2017 Director, Executive General Manager of Corporate Planning Division of the Company                      Mar. 2018 Director of the Company (to present)                      Chairman of Management Board of Velvet, LLC                      May 2018 Director, Adastria General Support Co., Ltd. (to present)                      May 2019 Director, Adastria Logistics Co., Ltd.                      Nov. 2021 Representative Director, ADOORLINK Co., Ltd. (to present)                      Feb. 2022 Member of Management Board, Velvet, LLC (to present)</p>
<p><b>■ Reason for appointment</b>                      Since he assumed the position of Representative Director of the Company in 1993, Michio Fukuda has demonstrated leadership in promoting the growth and expansion of the Company's business. We shall utilize his rich experience accumulated thus far, and thereby receive his contribution to improving the corporate value of the Company.</p>	<p><b>■ Reason for appointment</b>                      In addition to having gained extensive experience and many achievements in the field of sales and store development, Osamu Kimura has worked as the Representative Director of group companies in the past. We shall utilize his abundant experience and varied achievements accumulated thus far, and thereby receive his contribution to improving the corporate value of the Company.</p>	<p><b>■ Reason for appointment</b>                      In addition to having gained knowledge in finance and accounting based on his experience in a financial institution, Masayuki Kindo has extensive experience and many achievements in the Company's corporate strategy, finance and sales. We shall utilize his abundant experience and varied achievements accumulated thus far and thereby receive his contribution to improving the corporate value of the Company.</p>	<p><b>■ Reason for appointment</b>                      Yoshiaki Kitamura has gained extensive experience and many achievements in the field of sales, including driving the growth of our core brands. We shall utilize his abundant experience and varied achievements accumulated thus far and thereby receive his contribution to improving the corporate value of the Company.</p>	<p><b>■ Reason for appointment</b>                      In addition to having extensive experience and many achievements in Japan and overseas, Taiki Fukuda has served as the Representative Director and President of an overseas subsidiary of the Company in the past. We shall utilize his abundant experience and varied achievements accumulated thus far and thereby receive his contribution to improving the corporate value of the Company.</p>
<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b> 16/17</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b> 17/17</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b> 17/17</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b> 17/17</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b> 17/17</p>

				
<p><b>Satoshi Akutsu</b> Director</p>	<p><b>Hiromi Horie</b> Director</p>	<p><b>Koichi Mizutome</b> Director</p>	<p><b>Tatsuhiro Matsuoka</b> Director</p>	<p><b>Kazuo Nishiyama</b> Director</p>
<p><b>■ Biography</b></p> <p>May 1998 Ph.D. in Business Administration, University of California, Berkeley</p> <p>Dec. 1998 Assistant Professor, Faculty of Commerce and Management of Hitotsubashi University</p> <p>Apr. 1999 Assistant Professor, Graduate School of International Corporate Strategy of Hitotsubashi University</p> <p>Jun. 2002 Associate Professor, Graduate School of International Corporate Strategy of Hitotsubashi University (The Japanese title for Associate Professor was changed from Jokyojo to Junkyojo in 2007)</p> <p>Mar. 2010 Outside Director, OTSUKA KAGU, LTD. (currently, YAMADA DENKI CO., LTD.)</p> <p>Apr. 2010 Visiting Professor, Collaborative Research Sector of National Institute of Informatics, Research Organization of Information and Systems</p> <p>Professor, Graduate School of International Corporate Strategy (currently, Business Administration) of Hitotsubashi University (to present)</p> <p>Sep. 2013 Outside Director, Adastria Holdings Co., Ltd. (currently, the Company) (to present)</p> <p>Jun. 2017 Outside Director, Nojima Corporation</p>	<p><b>■ Biography</b></p> <p>Apr. 1981 Joined Nara Machinery Co., Ltd.</p> <p>May 1988 Joined Levi Strauss Japan KK</p> <p>Dec. 1999 Marketing Senior Manager, Levi Strauss Japan KK</p> <p>Mar. 2005 Executive General Manager of Public Affairs Division, Starbucks Coffee Japan, Ltd.</p> <p>Dec. 2006 Executive General Manager of Marketing Division, Starbucks Coffee Japan, Ltd.</p> <p>Aug. 2010 Marketing Officer, Starbucks Coffee Japan, Ltd.</p> <p>May 2016 Outside Director of the Company (to present)</p> <p>Mar. 2017 Representative Director, Haruka Co., Ltd. (to present)</p> <p>Mar. 2021 Outside Director, Kanro Inc. (to present)</p>	<p><b>■ Biography</b></p> <p>Apr. 1991 Joined Dentsu Inc. (currently, Dentsu Group Inc.)</p> <p>Feb. 1996 Joined Andersen Consulting (currently, Accenture PLC)</p> <p>Apr. 2000 Joined Roland Berger Strategy Consultants (Japan Office)</p> <p>Jan. 2005 Representative Director, Roland Berger Strategy Consultants (Japan Office)</p> <p>Oct. 2009 Managing Director, Enterprise Turnaround Initiative Corporation of Japan (currently, Regional Economy Vitalization Corporation of Japan)</p> <p>Dec. 2010 Director and Executive Vice President, Japan Airlines Co., Ltd.</p> <p>Jun. 2013 Senior Managing Executive Officer, World, Co., Ltd.</p> <p>Feb. 2015 Representative Director and President, Akindo Sushiro Co., Ltd.</p> <p>Mar. 2015 Representative Director, President and CEO, Sushiro Global Holdings Co., Ltd. (currently, FOOD &amp; LIFE COMPANIES LTD.) (to present)</p> <p>Oct. 2015 Representative Director, Sushiro Creative Dining Ltd. (currently, FOOD &amp; LIFE INNOVATIONS LTD.) (to present)</p> <p>Oct. 2019 Director and Chairman, Akindo Sushiro Co., Ltd. (to present)</p> <p>Apr. 2021 Director and Chairman, Kyotaru Co., Ltd. (to present)</p> <p>May 2022 Outside Director of the Company (to present)</p>	<p><b>■ Biography</b></p> <p>Apr. 1998 Joined Nippon Advanced Technology Co., Ltd. (currently, Mitsubishi Electric Software Corporation)</p> <p>Apr. 2001 Joined Arthur Andersen, LLP. (currently, PwC Consulting LLC)</p> <p>Aug. 2002 Transferred to KPMG Consulting Co., Ltd. (currently, PwC Consulting LLC)</p> <p>Oct. 2008 Joined SIGMAXYZ Inc. (currently, SIGMAXYZ Holdings Inc.)</p> <p>Nov. 2014 Information, Communications and media industry Managing Director, SIGMAXYZ Inc.</p> <p>Apr. 2015 Digital Force Managing Director, SIGMAXYZ Inc.</p> <p>Apr. 2017 Research Adviser, Artificial Intelligence Research Center, National Institute of Advanced Industrial Science and Technology (AIST) (to present)</p> <p>Apr. 2019 Senior Executive Officer, Head of Digital Sherpa and Chief Information Security Officer (CISO), SIGMAXYZ Inc.</p> <p>Apr. 2020 Senior Executive Officer, Head of Industry Sherpa and Chief Information Security Officer (CISO), SIGMAXYZ Inc.</p> <p>Oct. 2021 Senior Executive Officer, SIGMAXYZ Inc.</p> <p>May 2022 Outside Director of the Company (to present)</p>	<p><b>■ Biography</b></p> <p>Jul. 2003 Joined Sony Corporation (currently, Sony Group Corporation)</p> <p>Apr. 2007 General Manager, Business Strategy Office, Chemical and Energy Department, Sony Corporation</p> <p>Apr. 2012 General Manager, Corporate Planning and Promotion Department, Sony Corporation</p> <p>Feb. 2014 Head of SRE Business Preparation Office, Sony Corporation</p> <p>Apr. 2014 President and Chief Executive Officer (Representative Director), Sony Real Estate Corporation (currently, SRE Holdings Corporation) (to present)</p> <p>Mar. 2018 Director, Management Sherpa Solution Co., Ltd.</p> <p>Oct. 2018 President and Chief Executive Officer (Representative Director), SRE AI Partners Corporation (to present)</p> <p>Dec. 2021 Director, SRE Asset Management Ltd. (to present)</p> <p>May 2022 Outside Director of the Company (to present)</p>
<p><b>■ Reason for appointment</b></p> <p>In our opinion, Satoshi Akutsu is suitable for the position noted above due to his record of achievements as a marketing expert, as well as his ability to provide useful advice, etc., regarding our overall marketing business and applications to the management of the Company from the perspective of business development strategies.</p>	<p><b>■ Reason for appointment</b></p> <p>In our opinion, Hiromi Horie is suitable for the position noted above due to her record of achievements as the head of public relations and marketing departments of major companies (in the retail and restaurant industries), as well as her ability to apply her experience to the management of the Company.</p>	<p><b>■ Reason for appointment</b></p> <p>In our opinion, Koichi Mizutome is suitable for the position noted above due to his experience in corporate reform at global consulting firms, as well as his wealth of experience and insight cultivated as a manager at major companies (retail businesses), which we believe will be beneficial in the management of the Company.</p>	<p><b>■ Reason for appointment</b></p> <p>In our opinion, Tatsuhiro Matsuoka is suitable for the position noted above due to his record of achievements as general manager of services and information security divisions at major companies (IT consulting), in the IT and digital fields, which we believe will be beneficial in the management of the Company.</p>	<p><b>■ Reason for appointment</b></p> <p>In our opinion, Kazuo Nishiyama is suitable for the position noted above due to his experience and insight cultivated as a manager at major companies (IT, real estate), which we believe will be beneficial in the management of the Company.</p>
<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b></p> <p>17/17</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b></p> <p>17/17</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b></p> <p>—</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b></p> <p>—</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b></p> <p>—</p>

\* Among the directors, Satoshi Akutsu, Hiromi Horie, Koichi Mizutome, Tatsuhiro Matsuoka, and Kazuo Nishiyama are outside directors as stipulated in Article 2, item 15 of the Companies Act.

## Auditors (as of May 26 2022)

			
<p><b>Tsuyoshi Matsuda</b> Standing Statutory Auditor</p>	<p><b>Kazuhiko Ebihara</b> Auditor</p>	<p><b>Yoshiko Hayama</b> Auditor</p>	<p><b>Wataru Maekawa</b> Auditor</p>
<p><b>■ Biography</b> Apr. 1976 Joined The Mitsubishi Bank, Limited (currently, MUFG Bank, Ltd.) Jan. 2006 Joined POINT INC. (currently, the Company) Adviser, POINT INC. Mar. 2006 Executive Officer, Executive General Manager of Administration Division and General Manager Accounting Department, POINT INC. May 2008 Director, Executive Officer, Executive General Manager of Administration Division, POINT INC. May 2010 Director, Managing Executive Officer, Executive General Manager of Administration Division, POINT INC. Jun. 2013 Corporate Auditor, NATURAL NINE HOLDINGS CO., LTD. (currently, Adastria Logistics Co., Ltd.) Mar. 2015 Adviser to the Chairman's Office, Adastria Holdings Co., Ltd. (currently, the Company) May 2016 Standing Statutory Auditor of the Company (to present)</p>	<p><b>■ Biography</b> Jul. 1983 Joined The Boston Consulting Group Co., Ltd. (currently, The Boston Consulting Group K.K.) Jun. 1986 Joined Goldman Sachs &amp; Co. (currently, The Goldman Sachs Group, Inc.) Oct. 1988 Joined Goldman Sachs (Japan) Corp. (currently, Goldman Sachs Japan Co. Ltd.) Sept. 2002 Joined J.P. Morgan Securities Asia Pte. Ltd. Dec. 2006 Director, Synergy Inc. Jun. 2007 Part-Time Lecturer, Graduate School of Finance, Accounting and Law, Waseda University Dec. 2013 Instructor/Curriculum Coordinator, Japan Vietnam EPA Program (Sponsored by Ministry of Foreign Affairs), ARC Academy (Vietnam) May 2016 Outside Auditor of the Company (to present)</p>	<p><b>■ Biography</b> Apr. 1983 Joined The Fuji Bank, Limited (currently, Mizuho Bank, Ltd.) Oct. 1990 Joined Tohmatsu &amp; Co. (currently, Deloitte Touche Tohmatsu LLC) Mar. 1994 Registered as a Certified Public Accountant Jan. 2007 Joined Ernst &amp; Young ShinNihon (currently, Ernst &amp; Young ShinNihon LLC) Jan. 2015 Representative, Yoshiko Hayama Certified Public Accountant Office (to present) Jun. 2015 Outside Audit &amp; Supervisory Board Member of COCO'S JAPAN CO., LTD. May 2016 Outside Director, SUGI HOLDINGS CO., LTD. (to present) Aug. 2016 Research Specialist, The Japanese Institute of Certified Public Accountants (to present) Jun. 2017 Outside Director, COCO'S JAPAN CO., LTD. May 2018 Outside Auditor of the Company (to present) Mar. 2020 Outside Director (Audit and Supervisory Committee Member), DYNAC HOLDINGS CORPORATION Jun. 2020 Independent Director, Zensho Holdings Co., Ltd. (to present)</p>	<p><b>■ Biography</b> May 1980 Registered as a Lawyer (Dai-Ichi Tokyo Bar Association) Sep. 1990 Jointly Established Tokyo Urban Law Office Jan. 1998 Established Maekawa Law Firm, Director May 2003 External Statutory Auditor, POINT INC. (currently, the Company) Apr. 2004 Vice Chairman, Dai-Ichi Tokyo Bar Association Mar. 2015 Outside Director, Keiyo Gas Co., Ltd. (to present) Apr. 2020 Established Maekawa &amp; Ito Law Firm, Director (to present) May 2022 Outside Auditor of the Company (to present)</p>
<p><b>■ Reason for appointment</b> In our opinion, Tsuyoshi Matsuda is suitable for the position noted above due to that he possesses a wealth of experience and specialized knowledge having worked as General Manager of Accounting Department of the Company, as well as Director and Managing Executive Officer in charge of Accounting and Finance Departments.</p>	<p><b>■ Reason for appointment</b> In our opinion, Kazuhiko Ebihara is suitable for the position noted above due to that he has abundant experience and professional knowledge in companies that conduct investment banking business.</p>	<p><b>■ Reason for appointment</b> In our opinion, Yoshiko Hayama is suitable for the position noted above due to that her professional expertise as a certified public accountant and abundant experience and insight in auditing at audit firms will be beneficial to the management of the Company.</p>	<p><b>■ Reason for appointment</b> In our opinion, Wataru Maekawa is suitable for the position noted above due to that his professional expertise and abundant experience and insight in corporate law as an attorney at law will be beneficial to the management of the Company.</p>
<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b> 17/17</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b> 17/17</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b> 17/17</p>	<p><b>■ Attendance at Board of Directors meetings (Fiscal year ending February 2022)</b> -</p>
<p><b>■ Attendance at Audit &amp; Supervisory Board meetings (Fiscal Year Ending February 2022)</b> 14/14</p>	<p><b>■ Attendance at Audit &amp; Supervisory Board meetings (Fiscal Year Ending February 2022)</b> 14/14</p>	<p><b>■ Attendance at Audit &amp; Supervisory Board meetings (Fiscal Year Ending February 2022)</b> 14/14</p>	<p><b>■ Attendance at Audit &amp; Supervisory Board meetings (Fiscal Year Ending February 2022)</b> -</p>

\*Kazuhiko Ebihara, Yoshiko Hayama, and Wataru Maekawa are outside statutory auditors as stipulated in Article 2, Item 16 of the Companies Act.



## Compliance

### Basic Philosophy

Guided by our corporate philosophy that says, “Be a person needed, Be a company needed.”, we will develop fair, impartial and transparent business, for the fulfillment of our social responsibilities. In addition, as a member of society, all employees will always exercise self-restraint and act with high ethical standards.

### Main Initiatives Aimed Inside the Company

#### ① Group’s Code of Ethic

All employees of our company, as members of society, shall always exercise self-restraint and act with high ethical standards. Towards achieving this, we have established the Group Code of Ethics, which includes anti-corruption, respect for human rights, and fair and transparent transactions. Every year, we circulate this within the company, and it is confirmed and signed by all employees. In the fiscal year ending February 2022, the response rate was 97.8% in Japan and 100% overseas. We conduct compliance training for all domestic group employees too, and strive to prevent accidents and frauds.

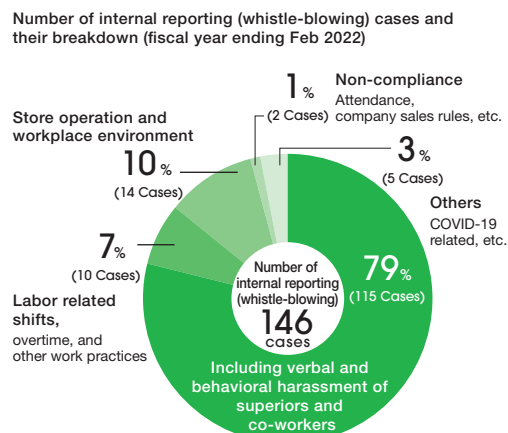
#### ② Harassment prevention training

As an initiative to prevent harassment, in addition to prohibition of harassment being clearly stated in the employment regulations, we conduct harassment prevention training for all employees every year. We have set a curriculum for each manager/non-manager to handle harassment cases, and training is given for providing an appropriate response.

#### ③ Anonymous whistle-blowing system (Whistle Line)

For any acts that violate compliance, such as dishonesty and violations of laws and rules, or if there are any indications of the same, we have established a whistleblowing program that allows employees to report such acts, by consulting with an internal contact point or external lawyers. This program can be used anonymously by all employees, both in Japan and overseas, its contents are kept confidential and we take great care to ensure that whistleblowers do not suffer disadvantageous treatment as a result of reporting.

There were 146 such consultations in the fiscal year ending February 2022, there were no cases of serious misconduct, etc. and appropriate response and actions are being taken for each of these cases.



### Our Main Initiatives Outside the Company

#### ① Compliance with Group Sourcing Policy/Group Sourcing Guidelines

In order to continue with the product production based on good partnership and continue to grow together with our business partners, we strive for fair and ethical transactions while fulfilling our social responsibilities. Towards achieving this, we have established the “Group Sourcing Policy” and “Group Sourcing Guidelines”, thereby promoting CSR procurement.

For details, please refer to “Foster sustainable development in production areas” on page 52.

#### ② Questionnaire for business partners

For the purpose of maintaining good business relationships with business partners in a purchasing relationship, a questionnaire is conducted once a year, with our domestic and overseas business partners. We ascertain the status of compliance with the Subcontract Act and various other laws and regulations, and whether or not there are any inappropriate acts by our employees, and maintenance of fair business relationships is ensured.

On receiving an opinion, prompt investigation is conducted to ascertain the facts, and by formulating recurrence prevention measures and conducting in-house training, we work to strengthen compliance.

In the fiscal year ending February 2022 we distributed questionnaires to 1,023 companies (1,314 persons) and received 667 valid responses. We received 44 opinions and suggestions, and in addition to responding to each case, we also formulated measures to prevent recurrence, and conduct in-house training.

#### ③ Hotline for business partners

In order to conduct fair, impartial and transparent transactions in a purchasing relationship, we have established a “Business Partner Hotline”. In the event of a breach of contract or ethics, abuse of superior bargaining position by the Group, or violation of laws and regulations, we have a system in place that allows business partners to make inquiries anonymously, if necessary. If by any chance, we receive an inquiry from a business partner, we have a system in place to ensure that the information is shared with the officer in charge and that we can respond suitably and swiftly.

Business Partner Questionnaire Results (Fiscal Year Ending February 2022)

Details	Number of companies (Number of representatives)	Number of responses	Opinions/ suggestions
Product suppliers/ Production factories (domestic)	623 companies (904 persons)	387 cases	36 cases
Product suppliers/ Production factories (overseas)	164 companies (164 persons)	82 cases	7 cases
Sales promotion (advertising, media publications)	64 companies (74 persons)	48 cases	—
System-related	64 companies (64 persons)	44 cases	1 cases
Repair work	34 companies (34 persons)	34 cases	—
Placement/ Temporary staffing	29 companies (29 persons)	27 cases	—
Others (delivery, supplies)	45 companies (45 persons)	45 cases	—
<b>Total</b>	<b>1,023 companies (1,314 persons)</b>	<b>667 cases</b>	<b>44 cases</b>

## Risk Management

With regard to risks related to quality, product safety, information security, health and safety, etc., the department or committee that has jurisdiction is fixed. We have established regulations and standards, and an awareness campaign is being undertaken. In the event of a risk that may have a significant impact on the continuity and faith on each company in the Group, the Company shall report to the director in charge of crisis management, who is selected from among the directors, and he shall take appropriate action.

### Risk Management

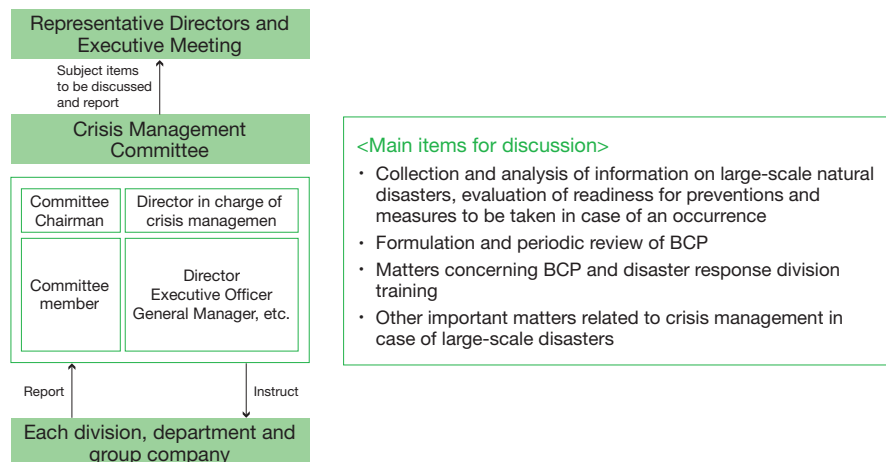
As our response to large-scale natural disasters, etc., and the risks associated with daily business execution, the following measures are taken.

#### Business Continuity Plan (BCP) and preparation for large-scale disasters

For earthquakes, fires, volcanic eruptions, wind and flood damage from typhoons, infectious diseases, etc., or any other large-scale natural disasters that are expected to affect the survival of each company in the Group, we are putting in place preventive measures at our group companies, by establishing a Crisis Management Committee for the purpose of conducting effective crisis management.

The Crisis Management Committee shall accurately grasp the impact of anticipated large-scale disasters and the status of the Group's facilities and business activities, and is responsible for recommending necessary measures.

#### Adastria Group's crisis management system



#### Measures taken to mitigate the risks in execution of operations

We are promoting activities that prevent and minimize the occurrence of risks in execution of daily business operations.

In addition to creating and updating the "Crisis Management Manual" that sums up the need for proper execution of duties, measures to prevent accidents and emergency response. We also make regular announcements regarding the above measures.

Adversities to business execution such as fraud, violations of laws and regulations, product quality defects, incidents, accidents, disasters, etc. are collected as a "crisis management report" by the Legal and General Affairs Department, which are the supervisory departments for such incidents. They coordinate with the concerned departments, and follow the case up till it's concluded. We take appropriate measures not only towards the incidents that arise, but also take toward preventing recurrence. We transmit information and conduct awareness-creation activities.

For an overview and response to individual projects, report is submitted to the Executive Meeting on a weekly basis, while important matters are reported to the Board of Directors.

### Basic Approach for Eliminating Anti-Social Forces and the State of Management There of

Our group companies will sever all ties with antisocial forces that threaten the order and safety of citizens' lives. Not to mention that we do not have business relationships with these powers and organizations, even their unreasonable demands will be met with a resolute attitude and rejected.

In addition, in the event of an unreasonable demand by anti-social forces, etc., the Legal and General Affairs Department will respond appropriately as a response control department by cooperating with external specialized organizations such as the police, the Center for the Elimination of Violence, and corporate lawyers.

### Information Security

We would like to be an organization that is always trusted by various stakeholders including customers, by appropriately protecting information assets held in the course of business.

Therefore, with the aim of ensuring compliance with information security as part of our code of conduct, we have established "Information Security Policy", and have disclosed the same.

By maintaining an advanced information security management system, and complying with this policy and privacy policy, we continuously provide peace of mind to everyone including our customers.

An Information Security Committee has been established, to ensure information security, and to protect information assets, The committee, chaired by a director, decides on information security controls, assesses the information security situation, establishes related regulations and systems, deliberates on other important matters related to information security, and as per the requirements submits either proposals or reports to the Board of Directors.

Information Security Policy

Privacy Policy

## Business Risks and Countermeasures

Among the risk factors related to the business of our company group, the main risks that may have a significant impact on the decisions of investors and their countermeasures are as follows.

		Risks	Countermeasures
Risks Related to Business Environment	CASE 01	<p>Spread of Infectious Diseases</p> <ul style="list-style-type: none"> <li>■ Temporary closure of the commercial stores where our brand set stores or a decrease in the number of customers due to the spread of COVID-19 and the emergence of new infectious diseases, resulting in sluggish business performance</li> <li>■ Changes in customer lifestyles and preferences, such as advancement of remote work due to the spread of infectious diseases</li> </ul>	<ul style="list-style-type: none"> <li>■ Establishment of a system to promptly provide the market with products that meet consumer preferences</li> <li>■ Improvement of in-house EC functions and customer experience through services that integrate WEB and stores</li> </ul>
	CASE 02	<p>Declining Domestic Market</p> <ul style="list-style-type: none"> <li>■ Shrinking domestic apparel market due to declining birthrate, aging population and declining future population</li> </ul>	<ul style="list-style-type: none"> <li>■ Diversification of the regions where we operate by developing overseas markets (East Asia, North America), and developing a new mature brand, creating new businesses in the lifestyle field, expansion of customer base and enhancement of customer lifetime value within Japan.</li> </ul>
	CASE 03	<p>Geographical and Political Risks in Regions of Operations</p> <ul style="list-style-type: none"> <li>■ Failure in business development and monetization due to inability to propose products that conform to the needs of the local customers and inability to acquire human resources proficient in business management in overseas businesses</li> <li>■ Deterioration of business results due to unexpected changes in laws and regulations, disorder due to political and economic factors, social turmoil due to factors like terrorism, disputes, natural disasters, etc. in the regions of operation</li> <li>■ Obstacles to product purchases and sales due to political situations, economic environment and natural disasters, etc. in countries where the products are produced (mainland China and other Asian countries)</li> </ul>	<ul style="list-style-type: none"> <li>■ Decentralization of production areas, and development of markets in the high growth regions of East Asia</li> <li>■ Accumulation of business management know-how by strengthening functions of local corporations and localizing human resources</li> </ul>
	CASE 04	<p>Fluctuating Exchange Rates and Rising Costs</p> <ul style="list-style-type: none"> <li>■ Fluctuation in the exchange rate (mainly depreciation of the yen), soaring prices of cotton and other raw materials for apparels</li> <li>■ Soaring product import costs due to rising global energy prices</li> <li>■ Rising product costs due to increasing labor costs in countries of production</li> </ul>	<ul style="list-style-type: none"> <li>■ Appropriate use of exchange contracts</li> <li>■ Prompt ordering of products and raw materials based on data analysis</li> <li>■ Decentralization of production to ASEAN countries</li> </ul>
	CASE 05	<p>Environmental Issues</p> <ul style="list-style-type: none"> <li>■ Insufficient response to intense regulations on environmental impact and changes in consumer preferences</li> <li>■ Decreased need for clothing due to the effects of global warming</li> <li>■ Soaring raw material prices due to climate change</li> </ul>	<ul style="list-style-type: none"> <li>■ Formulation of Sustainability Goals</li> <li>■ Improving the sustainability of the entire value chain including procuring environment-friendly raw materials, reducing the environmental impact of the production processes, compression of waste inventory by optimization of the inventory</li> <li>■ Modifying the behavior of the entire market and raising environmental awareness through collaboration with other companies in the industry and developing brands that propose sustainable fashion, etc.</li> </ul>
	CASE 06	<p>Natural Disasters and Accidents</p> <ul style="list-style-type: none"> <li>■ Damage to stores due to unexpected natural disasters such as large-scale earthquakes, tsunamis, typhoons, volcanic eruptions, etc., and large-scale black outs and power shortages or the long-term stagnation of sales activities due to such disasters.</li> </ul>	<ul style="list-style-type: none"> <li>■ Formulation of BCP (Business Continuity Planning) for the continuation of business and quick recovery in anticipation of such disasters as large-scale earthquakes, outbreak of infectious diseases, etc.</li> </ul>

# Corporate Governance

		Risks	Countermeasures
Risks Related to Business Operations	CASE 01 Risks Related to Store Management	<ul style="list-style-type: none"> <li>■ Failure to collect security deposits and deposits at the time of leasing store properties due to bankruptcy of developers, etc.</li> <li>■ Losses due to deterioration in profitability of fixed assets (stores, etc.) and decline in market prices of owned assets</li> <li>■ Others include changes in the commercial environment surrounding shopping centers for clothing in which we set up stores</li> </ul>	<ul style="list-style-type: none"> <li>■ Optimizing store network with careful investigation of the situation in each region through a branch system closely tied to each area along with the continuous opening and closing of stores</li> <li>■ Choosing advantageous store locations that capitalize on the company's economy of scale and brand power</li> </ul>
	CASE 02 Risks Related to Apparel Business	<ul style="list-style-type: none"> <li>■ Due to the characteristics of casual clothing retail market, where trends and preferences tend to change significantly in a short period and there is fierce competition between domestic and foreign competitors, product planning fails and brand value becomes obsolete</li> </ul>	<ul style="list-style-type: none"> <li>■ Providing products that meet the needs of the customers by collecting information related to customer preferences through the store or the company EC site, and promptly reflecting it in product development</li> <li>■ Improving accuracy of demand forecasting by promoting advance order sales on EC sites</li> <li>■ Improving the speed and accuracy of new brand development</li> </ul>
	CASE 03 Risks Related to Supply Chain	<ul style="list-style-type: none"> <li>■ Stagnation in product supply due to production delay by the outsourced company, bankruptcy of suppliers, disruption of product transportation routes, etc.</li> <li>■ Damage to the reputation of our company due to violation of the human rights of the employees and environmental pollution by outsourced companies</li> </ul>	<ul style="list-style-type: none"> <li>■ Distribution of production locations to other ASEAN countries in addition to mainland China</li> <li>■ Contracting appropriate insurance in preparation of disruption of product supply routes, information management in transportation processes, securing multiple means of transportation and selection of alternate routes</li> <li>■ Promotion of responsible procurement activities that put society and environment into consideration in accordance with the Group Sourcing Policy</li> </ul>
	CASE 04 Risks Related to Information System and Personal Information	<ul style="list-style-type: none"> <li>■ Loss of sales and trust of customers due to serious failures in the group's system caused by information system malfunctions, cyberattacks, etc., and leakage of personal information due to unauthorized access, etc.</li> </ul>	<ul style="list-style-type: none"> <li>■ Implementing security risk diagnosis by a third-party organization and formulating and executing the necessary counter plans</li> </ul>
Risks Related to Management Strategy	CASE 01 Risks Related to Human Resources	<ul style="list-style-type: none"> <li>■ Deterioration of business, financial conditions and management results due to sudden withdrawal of management ranks</li> <li>■ Restrictions on store operations and rising labor related costs due to decline in the domestic working population and rise in the global wages</li> </ul>	<ul style="list-style-type: none"> <li>■ Ensuring an appropriate balance of the Board of Directors with realization of a composition with expertise and experiences of diverse backgrounds and separation of management and execution by introducing an executive officer system</li> <li>■ Introduction of performance-linked and stock-based compensation for directors, as well as stock delivery incentive plan for executive officers to secure capable management personnel</li> <li>■ Development of management personnel through programs such as senior management training</li> <li>■ Development of a personnel system that enables employees to select from various careers and working styles that suit their lifestyles, and promotes health management</li> </ul>
	CASE 02 Success or Failure of Large Investments and Corporate Acquisition	<ul style="list-style-type: none"> <li>■ Inability to generate expected earnings or synergies through investments in external companies for the purpose of developing overseas business, acquiring new brands and customers, acquiring related technologies, etc. in order to achieve long-term growth, prolonged investment recovery period and failure to recover investment due to failure of capital investment and system investment necessary for business growth to perform the expected functions</li> </ul>	<ul style="list-style-type: none"> <li>■ Investing within the scope of maintaining financial soundness, formulation of review process for investment decisions, and holding discussions at board meetings including outside directors</li> <li>■ Setting up third-party PMO for large scale system investments</li> </ul>
	CASE 03 Uncertainty of New Business	<ul style="list-style-type: none"> <li>■ Failure to develop business or acquire profits due to lower-than-expected customer needs toward new businesses, higher than expected costs required to enter or operate new businesses and intensification of competition in that business. In addition to this, incurring expenses or losses due to withdrawal or downsizing of businesses</li> </ul>	<ul style="list-style-type: none"> <li>■ Accumulation of know-how in new areas by collaboration with other companies and utilization of lifestyle proposal capabilities fostered in the apparel area in new businesses</li> </ul>



# A Dialogue Between Our Two Outside Directors



Outside Director **Satoshi Akutsu**

Outside Director **Hiromi Horie**

Adastria considers improvements in corporate governance to be one of the key management issues, so we are working to strengthen our governance system by appointing multiple outside directors and outside statutory auditors and establishing the Nomination and Compensation Advisory Committee, a consultative body to the Board of Directors. In this connection, we are presenting here the contents of the discussions between our 2 outside directors on matters such as our Company’s governance system and management issues.

## How Would You evaluate the Governance and Management of Our Company?

Akutsu: Our Company has always had an open corporate culture, and with the recent increase in diversity in the Board of Directors, we feel that our discussions have become more positive and invigorated. In some cases, not just the directors, but even the executive officers are involved in discussions, and their attitude of openly accepting opinions from outside is highly appreciated.

Horie: We have seen that it is a two-way dialogue rather than a one-sided presentation. For example, new proposals are on the table for deliberation from an early stage when there is still room for consideration which enables us to have fruitful discussions, rather than when it is in an advanced state to effect any changes. Even though at times there were tough feedback, by taking on challenges and open to constant revision, we could find the best solution, and in the process improve our managerial capabilities.

## What are Your Thoughts on Human Resource Development and Diversity at Our Company?

Horie: It is not limited to Adastria, but when it comes to nurturing women in Japan, we often see that importance is given to setting up programs that provide study opportunities for women to become managers. I have long believed that human resource development is to find talented people and develop them into leaders, rather than just preparing persons into management positions. It’s the same with women too. I once had an opportunity to have a discussion on this topic with the chairman and president Kimura. I was impressed by the speed in which my suggestion was implemented, as the next time we met, I was told, “by having women participate in the management meetings, we were able to have animated discussions.” One of the great things about our company is that, once convinced about the validity of a proposal, it is put into action.

Akutsu: Years ago, there was a tendency to expect women managers to be like that of their traditional male counterparts, but now we can see a fundamental change to this approach, in the way the management team has come to accept the women managers’ style for displaying their leaderships. From the beginning, our company has had high psychological safety, with a culture that allows the people who join the company mid-career to be effective as leaders right away. Essential groundwork has been done to pave the way to be a leader in one’s own style without being caught up in the image of a conventional manager. In the future, I would like the Company to focus on increasing the pool of global talent.

# A Dialogue Between Our Two Outside Directors

## This Being Your First Year Under the New Management Structure, How Would You evaluate It?

Akutsu: Over the years, the Nomination and Compensation Advisory Committee has systematically discussed and prepared the management structure. Mr. Kimura, our new president, has been involved in the management as the right-hand man of Chairman Fukuda. It is a long-awaited appointment as president, and rest assured, the company is in good hands. The system of in-house directors that supports this is being well nurtured.

Horie: In the future, it will be important for managers to team up with their colleagues and get things done, rather than figuring out the solution alone. In this age of high uncertainty, there is a limit to how much one can do, even if one possesses excellent individual skills. The person who will take over the role of president from Chairman Fukuda, should be able to tap

into great potential and bring out the best in others. In that respect, President Kimura is not only highly knowledgeable and vastly experienced, but is also able to bring out the real strength of his employees while working in close cooperation, and we feel that the team is functionally sound.



## Based on the Assessment of the Board of Directors' Effectiveness, What are Your Thoughts on Future Management Issues?

Akutsu: The effectiveness assessment result shows that discussion grounded on the capital costs and management indicators, etc., are listed as the next challenges. While there is room for improvement, overall, I feel that the quality of management has improved significantly over the past few years.

In our Company, as many of our outside directors are experienced management executives, requirements are highly relevant and severe. This has given us a well-organized medium-term management plan, making the source of corporate value of the Company very clear. In order to keep growing, the next challenge is to become a global company from Japan. While expanding into countries and regions with different cultures,

diversity and globalization in management too become increasingly important. Also, in dialogue with shareholders, I would like the management to play a central role in properly conveying the Company's growth strategies to our overseas investors with an easy-to-understand communication.

Horie: When talking about globalization, I feel that the fact that Managing Director Kitamura has been posted overseas, and is driving the business forward while experiencing the overseas market firsthand, is not only an asset for the individual but also for the company. Cultural difference is not a theory to be learned with books, but by diving in and experiencing. Excellent young core human resources experience customs and values different from their own at an early stage, so they have an attitude to accept positively the things that are ultimately different. I am convinced that having a broad perspective is the first step toward true globalization. In the past few years, the attitude of the Board of Directors in seeing the data from a management perspective, and their awareness regarding profit creation in order to generate returns to stakeholders have become very strong. Seeing these, I feel that the quality of management has been consistently improving. Our strength is to keep moving forward through trial & error. We will continue to contribute to the sustainable growth of our company.



# | Adastia Data

*Play fashion!*  
\_ ADASTRIA

# Financial and Non-Financial Highlights

## 10-Year Financial and Non-Financial Highlights

Consolidated financial data											
	(unit)	February, 2013	February, 2014	February, 2015	February, 2016	February, 2017	February, 2018	February, 2019	February, 2020	February, 2021	February, 2022
Sales	(million yen)	121,670	153,273	184,588	200,038	203,686	222,787	222,664	222,376	183,870	201,582
Operating profit	(million yen)	9,717	5,762	5,981	16,004	14,916	5,005	7,190	12,885	766	6,564
Ordinary profit	(million yen)	9,951	6,027	6,452	16,185	15,126	5,428	7,345	12,843	2,981	8,166
Net income attributable to owners of the parent company	(million yen)	5,508	-4,731	503	9,122	11,575	863	3,890	6,363	-693	4,917
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	(million yen)	14,477	13,861	15,732	24,612	23,028	15,141	15,317	20,357	7,766	13,302
Net asset value	(million yen)	38,598	44,786	46,233	53,282	56,035	51,030	52,959	57,041	50,701	54,963
Total assets	(million yen)	63,410	78,841	83,742	90,454	90,389	91,123	91,263	97,924	95,449	97,957
Cash flow from operating activities	(million yen)	11,565	4,606	12,112	22,054	11,947	10,685	9,904	20,850	11,933	3,504
Cash flow from investing activities	(million yen)	-10,184	-6,831	-10,421	-4,551	-4,323	-7,404	-8,686	-6,645	-7,366	-7,780
Cash flow from financing activities	(million yen)	-8,430	-9,503	-2,524	-5,683	-6,309	-4,629	-1,890	-6,439	-6,840	-3,251
Net asset per share	(Yen)	1,775.28	1,844.17	952.02	1,106.45	1,191.16	1,084.84	1,125.29	1,210.55	1,122.71	1,192.62
Earning per share (EPS)	(Yen)	241.15	-206.42	10.37	188.31	242.49	18.36	82.67	135.08	-14.88	108.72
Equity ratio	(%)	60.9	56.8	55.2	58.9	62.0	56.0	58.0	58.3	53.1	55.1
Return on equity (ROE)	(%)	13.8	-11.3	1.1	18.3	21.2	1.6	7.5	11.6	-1.3	9.4
Return on assets (ROA)	(%)	8.7	-6.7	0.6	10.5	12.8	1.0	4.3	6.7	-0.7	5.1
Price earnings ratio (PER)	(times)	14.2	—	141.9	15.5	12.0	126.7	23.5	13.0	—	17.1
Dividend payout ratio	(%)	49.7	—	361.5	34.5	30.9	272.3	60.5	37.0	—	51.0
Total shareholder return (TSR)	(%)	—	—	—	—	—	81.7	70.3	65.3	75.1	66.8

Consolidated non-financial data											
	(unit)	February, 2013	February, 2014	February, 2015	February, 2016	February, 2017	February, 2018	February, 2019	February, 2020	February, 2021	February, 2022
Number of stores at the end of term	(stores)	899	1,213	1,356	1,324	1,351	1,501	1,427	1,392	1,400	1,428
Stores sales floor space (monthly average)	(m <sup>2</sup> )	163,674	221,620	251,062	268,704	272,182	302,131	304,529	287,616	296,210	299,676
Number of full-time salaried employees	(headcount)	3,045	4,546	4,852	4,760	4,914	5,677	5,665	5,715	5,701	5,762
Average number of temporary employees	(headcount)	3,908	5,334	5,839	5,997	6,163	6,564	6,363	6,167	5,085	5,530

(excluding Zetton)  
 \* "Partial Amendments to Accounting Standards for Tax Effect Accounting" (Accounting Standards Board of Japan No. 28, February 16, 2018) have been applied since the beginning of the fiscal year ending February, 2020. Management indicators, etc. for the fiscal year ending February, 2019 are those after applying the relevant accounting standards, etc., retroactively.





<b>Name</b>	ELEMENT RULE Co., Ltd.
<b>Head office address</b>	19F Shin-Aoyama Bldg. West, 1-1-1 Minami-Aoyama, Minato-ku, Tokyo
<b>Establishment</b>	March 1, 2017
<b>Businesses</b>	Planning, manufacture and sales of apparel, sundries, etc.



<b>Name</b>	BUZZWIT Co., Ltd.
<b>Head office address</b>	7F Daiba Frontier Bldg., 2-3-2, Daiba, Minato-ku, Tokyo
<b>Establishment</b>	November 21, 2016
<b>Businesses</b>	Planning, manufacture and sales of apparel, sundries, etc.



<b>Name</b>	ADOORLINK Co., Ltd.
<b>Head office address</b>	5F Miyamasuzaka Place Shibuya, 2-16-5 Shibuya, Shibuya-ku, Tokyo
<b>Establishment</b>	November 2, 2020
<b>Businesses</b>	Planning, manufacture and sales of apparel, sundries, etc. Resale business of discarded stock, sample merchandise,



<b>Name</b>	Gate Win Co., Ltd.
<b>Head office address</b>	Shibuya Hikarie 2-21-1, Shibuya-ku, Tokyo
<b>Establishment</b>	May 2022
<b>Businesses</b>	licensed business for domestic casual wear market



<b>Name</b>	ADASTRIA eat Creations Co., Ltd.
<b>Head office address</b>	19F Shin-Aoyama Bldg. West, 1-1-1 Minami-Aoyama, Minato-ku, Tokyo
<b>Establishment</b>	October 31, 2017
<b>Businesses</b>	Management and development of food service operations



<b>Name</b>	Zetton. Inc.
<b>Head office address</b>	9F VORT-Shibuya-briller Bldg, Jinantyo1-20-5, Shibuya-ku, Tokyo
<b>Establishment</b>	October 26, 1995
<b>Businesses</b>	Management ,development and consulting of restaurants, etc.



<b>Name</b>	Adastria Logistics Co., Ltd.
<b>Head office address</b>	1-15 (Gate A) Chuo Kogyo Danchi, Ibaraki-machi, Higashiibaraki-gun, Ibaraki
<b>Establishment</b>	June 1988
<b>Businesses</b>	Logistics operations for group companies



<b>Name</b>	Adastria General Support Co., Ltd.
<b>Head office address</b>	5F Shibuya Minami Tokyu Bldg., 3-12-18 Shibuya, Shibuya-ku, Tokyo
<b>Establishment</b>	December 19, 2013
<b>Businesses</b>	Comprehensive services for group companies

## Other Group companies

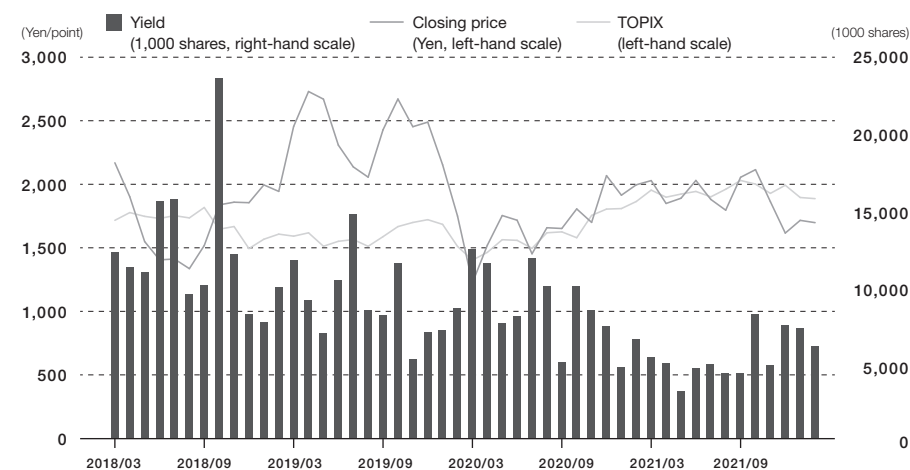
- OPEN AND NATURAL Inc.
- Adastria Asia Co., Ltd.
- Adastria (Shanghai) Co., Ltd.
- niko and ... (Shanghai) Co.,Ltd.
- Adastria Taiwan Co., Ltd.
- NATURAL NINE TRADING(SHANGHAI) LTD.
- SES GLOBAL LOGISTICS (SHANGHAI) Co., LTD.
- Adastria USA, Inc.
- Velvet, LLC

# Company Overview/Stock Information

## Company Overview

Name	Adastria Co., Ltd.
Head office address	27F Shibuya Hikarie, 2-21-Head office address 1 Shibuya, Shibuya-ku, Tokyo
Contact Number	03-5466-2010 (Representative)
Establishment	October 22, 1953
Capital	2,660 Million Yen
Businesses	Planning, manufacture and sales of apparel, sundries, etc.
Primary banking partner	MUFG Bank, JOYO Bank Mizuho Bank, Sumitomo Mitsui Banking Corporation
Employees	5,762 full-time Group employees (excluding Zetton)
Number of stores	Domestic: 1,355 stores/Overseas: 73 stores

## Stock prices and yield (month)



## Shares Status (as of February 28, 2022)

Total number of authorized shares 150,000,000 shares  
 Total number of issued shares 48,800,000 shares (including 3,146,881 treasury shares)  
 Number of shareholders 51,386 persons

### Major shareholders (top 10)

Shareholders	Number of shares owned (thousand shares)	Equity shares (%)
Fukuzo Co., Ltd.	17,132	37.5
The Master Trust Bank of Japan, Ltd. (trust account)	3,280	7.2
Yusaku Maezawa	3,117	6.8
Toyoshima Co., Ltd.	2,000	4.4
Custody Bank of Japan, Ltd. (trust account)	1,681	3.7
Michio Fukuda	1,050	2.3
Adastria Employee Stock Holdings	635	1.4
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	412	0.9
Hitomi Fukuda	400	0.9
STATE STREET BANK WEST CLIENT - TREATY 505234	312	0.7

\* Shareholding ratios are calculated excluding treasury shares (3,146,881 shares).

### Separate owners' shares allocation status

Owner	Number of shareholders (persons)	Number of shares owned (thousand shares)	Equity shares (%)
Foreigner	231	3,742	7.7
Individual/Others	50,809	18,458	37.8
Financial institutions	18	5,934	12.1
Business firm/Other businesses	301	19,677	40.3
Financial services provider	27	986	2.0
Total amount	51,386	48,800	100.0

\* Individuals and others include treasury shares.

## External Evaluation

MSCI  
ESG RATINGS  
(in March 2022)

FTSE  
Blossom  
Japan Sector  
Relative Index  
(Brand selection in April 2022)

DX 認定  
(certified in January 2022)

NADESHIKO  
BRAND 2021

work with Pride  
Prime Index  
Gold 2021

D&I AWARD  
ADVANCED  
2021

Monisu  
Certification  
2021年度