

The background is white with various colorful abstract shapes and patterns scattered throughout. These include curved lines, triangles, circles, and dots in shades of blue, green, yellow, orange, pink, and teal. Some shapes have a dotted or stippled texture. The overall aesthetic is playful and modern.

Play fashion!



MISSION

Play fashion!

Fashion that inspires you.

Fashion that creates a vibrant community.

Fashion for living your best life.

VISION

Joyful options galore!

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.

PHILOSOPHY

Be a person needed,

Be a company needed.

CULTURE

The answer is to keep looking for answers.



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Referenced Guidelines

International Integrated Reporting Framework, IFRS Foundation Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, Ministry of Economy, Trade and Industry

Editing Policy

This report aims to highlight our business model and value creation story in an easy-to-understand manner. We systematically introduce financial information, such as business performance and management strategies, as well as non-financial information such as Environmental, Social, and Governance (ESG), as a foundation to support company growth.

Adastria ESG

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Reporting Period

Fiscal year ended February 2024 (March 2023-February 2024)

Reporting Organization

Adastria Co., Ltd. and its consolidated subsidiaries

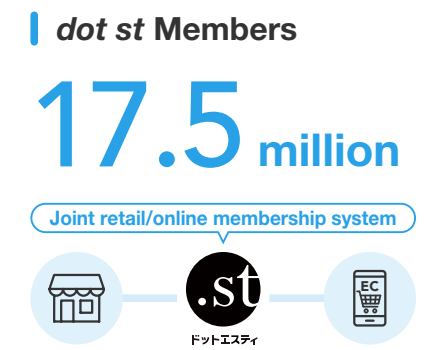
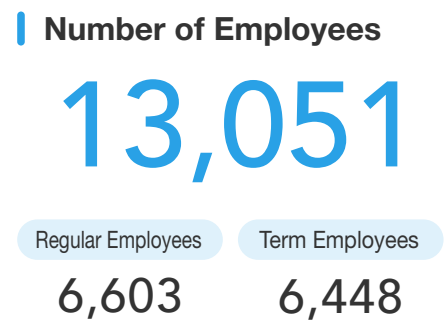
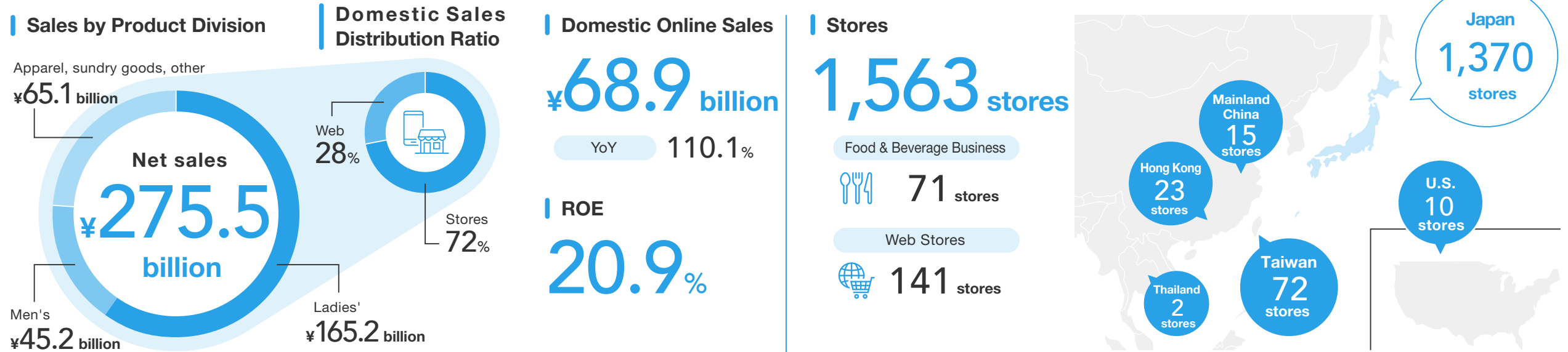
Publication Date

October 2024

At a Glance

The Adastria Group in Figures (as of February 2024)

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 1,500 stores in Japan and overseas, including physical and web stores.

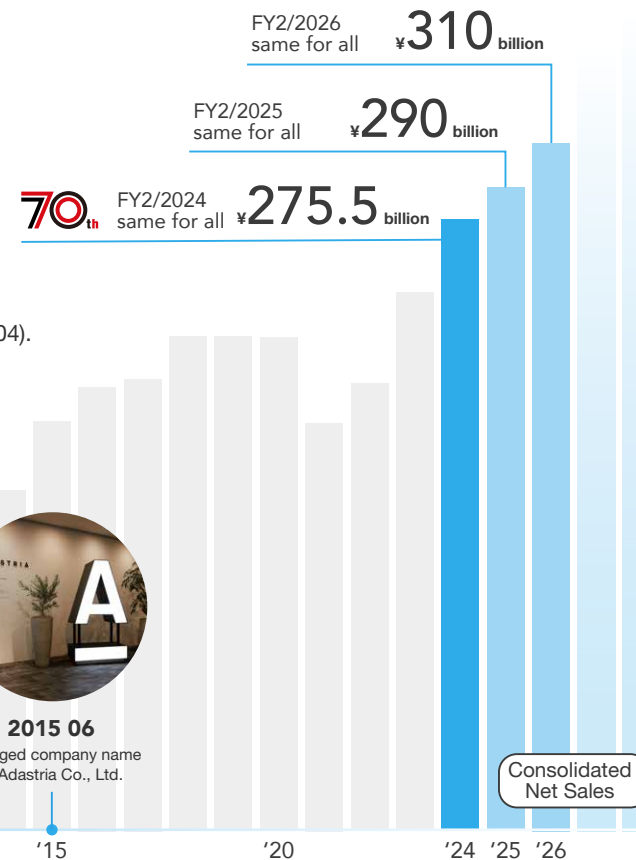


History

History of Adastria

Our Business Model Transformation Journey

Adastria was founded as a men's clothing retailer. Since then, we have grown through four business model revisions (CHANGE 01-04). Behind these revisions was 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 improving our corporate value through flexible management and working toward our mission of *Play fashion!*



Established Fukudaya Clothes Store Inc.

START

1953

1973

1982

1997

2000

'05

2010

'15

'20

'24

'25

Consolidated Net Sales



2002 12 Listed on the second section of Tokyo Stock Exchange (TSE)



2015 06 Changed company name to Adastria Co., Ltd.

CHANGE 01

Transitioned from men's business wear to men's casual wear



CHANGE 02

Introduced chain store system
Opened jeans and casual fashion store POINT



CHANGE 03

Transitioned to OEM/ODM production
Started rolling out LOWRYS FARM store brand



CHANGE 04

Converted to SPA Model
In-house product planning and production
Internalized Company in-house product planning and production functions



2014 11 Launch of official online shop, dot st



ドットエスティ

2021 05 OMO model store dot st store



History

1950-1999

- 1953 10 Established Fukudaya Clothes Store Inc. in Mito, Ibaraki Prefecture; began retail sales of men's clothing
- 1973 03 Opened men's casual clothing store VEGA
- 1982 09 Opened jeans and casual fashion store POINT
Transformed POINT into chain stores in 1984
- 1992 03 Started developing LOWRYS FARM
- 1993 03 Moved into retail sales of ladies' casual wear
- 1997 Changed company name to POINT INC.
Started rolling out LOWRYS FARM store brand

2000-2009

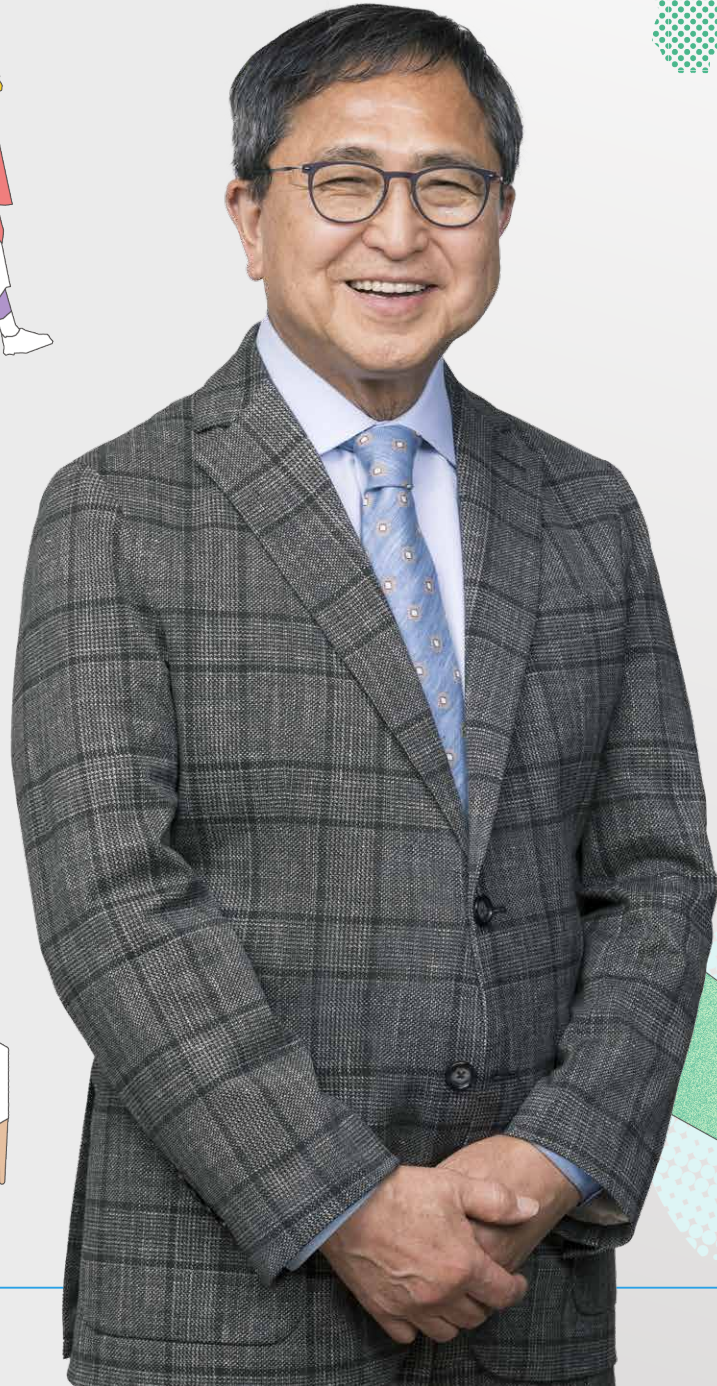
- 2000 12 Registered company's stock in Japan Securities Dealers Association
- 2002 12 Listed company's stock on the second section of Tokyo Stock Exchange (TSE)
- 2003 03 Opened the first store in Taiwan and began developing overseas business operations
- 2004 02 Listed company's stock on the first section of Tokyo Stock Exchange (TSE)
- 2007 10 Started e-commerce business on our own corporate website
- 2008 03 Opened first store in Hong Kong

2010 ~

- 2010 10 Opened first store in mainland China
- 2012 10 Started membership-based point service on our own e-commerce business corporate website
- 2013 09 Moved to a holding company structure, changing name to Adastria Holdings Co., Ltd. as the holding company
Merged Trinity Arts Inc., and others
- 2014 11 Completely revamped e-commerce site and started official web store, dot st
- 2015 03 Merged Adastria Holdings Co., Ltd., POINT INC., and Trinity Arts Inc., dissolved the holding company structure
- 2015 06 Changed company name to Adastria Co., Ltd.
- 2015 09 Transferred control of product planning and production functions from subsidiaries
- 2017 02 Incorporated ALICIA Co., Ltd. as a group company
- 2017 03 Founded ELEMENT RULE Co., Ltd.
- 2017 04 Founded Adastria USA, Inc.
- 2018 08 Changed company name to BUZZWIT Co., Ltd. from ALICIA Co., Ltd.
- 2019 12 Registered customers of official web store dot st exceeded 10 million
- 2020 11 Founded ADOORLINK Co., Ltd.
- 2022 02 zetton Inc. joined the corporate group
- 2022 04 Moved to the Prime Market following the TSE market classification review
- 2023 04 Opened first store in Thailand
- 2023 12 ADOORLINK Inc. received B Corporation certification
- 2024 04 Established ADASTRIA PHILIPPINES INC.
- 2024 07 Made TODAY'S SPECIAL Co., Ltd. a subsidiary

MESSAGE

From the Chairman



Adastria Builds Businesses Based in Human Aspirations

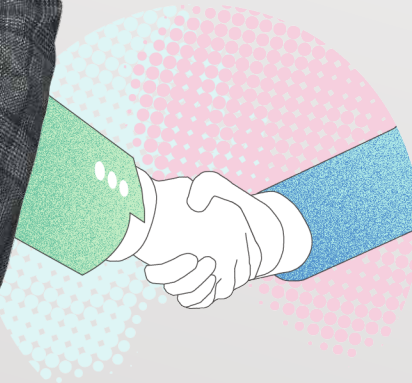
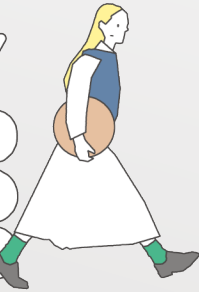
Michio Fukuda
Representative Director and Chairman

Every part of a company depends on people. The people who spearheaded our CHANGE 04 now form the core of our company. I sense that the next generation is well underway, and Adastria is stronger for having overcome the COVID-19 pandemic through a united front. I hope that the company continues to value a culture of open communication, where we seek to understand one another, and every person can put their talents on display.

1953



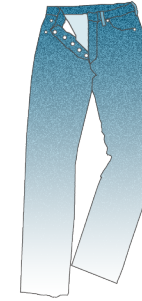
2024





2024 Goals

The Driving Force Behind Our Growth: Anticipating Trends and Making Constant Course Corrections



Overcoming the Rough Seas of the Times has Made Adastria a Stronger Company

We celebrated our 70th anniversary recently. My father, our founder, guided the business for the first 20 years. Before founding this company, he was forced to close another business due to difficult times. He deeply regretted the trouble he caused his business partners and employees at the time. Since that experience, he approached growth conservatively, reflecting his intense desire to never again cause trouble for others. When I took over, I received support from many people thanks to the trust and creditworthiness my father built and enhanced over the previous 20 years.

As the number of stores and staff grew, we changed our business many times. We also changed management styles, systems, and nearly everything else about the company. Looking from that time to the present, I feel that the changes we made were all well in line with the times. Before the 1990s, Japan's wholesale-to-retail ratio was more than double that of Europe and the U.S. In other words, the country operated a structure in which consumers bought goods at higher prices. Throughout the changes in society, we have been a retailer enriching the lives of our customers through the products they demand, offered at more affordable prices.

The Keys to Change: Employee Aspirations and Open Communication

We began our current business with only three members. Each had their own ideas, and each desire grew our business, widening our circle of colleagues. Even having become a large organization, it is the desire and aspirations of individual employees that moves us forward. This is why it is essential that we foster a climate that encourages individuals to communicate their aspirations, creating a structure based on mutual understanding.

As I have said for many years, "Don't force a square peg into a round hole." We want to be a communication-positive company where everyone feels confident in expressing their aspirations. We will see candidates for leaders emerge on the far side of that communications structure. Every part of a company depends on people. We believe that top management is responsible for selecting people with leadership qualities, assessing not only leadership potential, but also the aptitude of the individual when assigning new roles.

An issue we will address for the future is the regrettable delay in promoting women to management positions, despite my own long-standing awareness of the outstanding capabilities of women. Our first-ever backroom manager—the person who laid the groundwork for our



business—happened to be a woman. I hope we continue to create environments where people can demonstrate their individual strengths, regardless of gender or other factors.

Staff Sense of Fulfillment is the Source of All; We Continue to Give Back to Stakeholders Through Business Borne of This Approach

Business performance has been strong since the end of the COVID-19 pandemic, and we are closing in on achieving our medium-term business plan. During the challenges of the pandemic, we all thought about what we could do to continue growth. We executed our plans, which resulted in record-high sales. One significant factor was the united front of the management team in our determination to grow during the pandemic and to make staff and customers happy.



We still have much to do. But we place the highest priority on giving back to our employees among our other stakeholders. Only through our staff can we create products, build relationships with customers and suppliers, and create new businesses. Creating environments in which staff work with a sense of fulfillment is the top priority in everything we do.

Of course, we also place great importance on returns to our shareholders. In recent years, we continued to raise dividends in line with improvements in our profit structure. We keep a close eye on our share price and cost of capital, and we intend to continue raising returns.

But there is still room for improvement in terms of price-to-earnings to ratio (PER), share price, and other market valuations. We will continue to explain our businesses to the market as a matter of course, and we intend to continue taking on the challenge of markets overseas, which has been an issue for us. Our business in Taiwan has grown to 10 billion yen, but there is still more we can do in ASEAN, mainland China, and the United States. And there is room for growth in businesses other than apparel.

Growth Among Core Human Resources Ensures a Well-Prepared Next Generation; The New Generation of Managers Will Grow Our Businesses

In 2010, we declared our fourth business model change in response to the influx of overseas fast fashion and the expansion of OEM production. The entire market was moving toward a decline in quality due to price competition. We felt a sense of urgency that the continuation of this trend would spell the end of the Japanese apparel industry. We decided to change the way we make products by building our own production system. We changed our products, beginning with a careful review of the

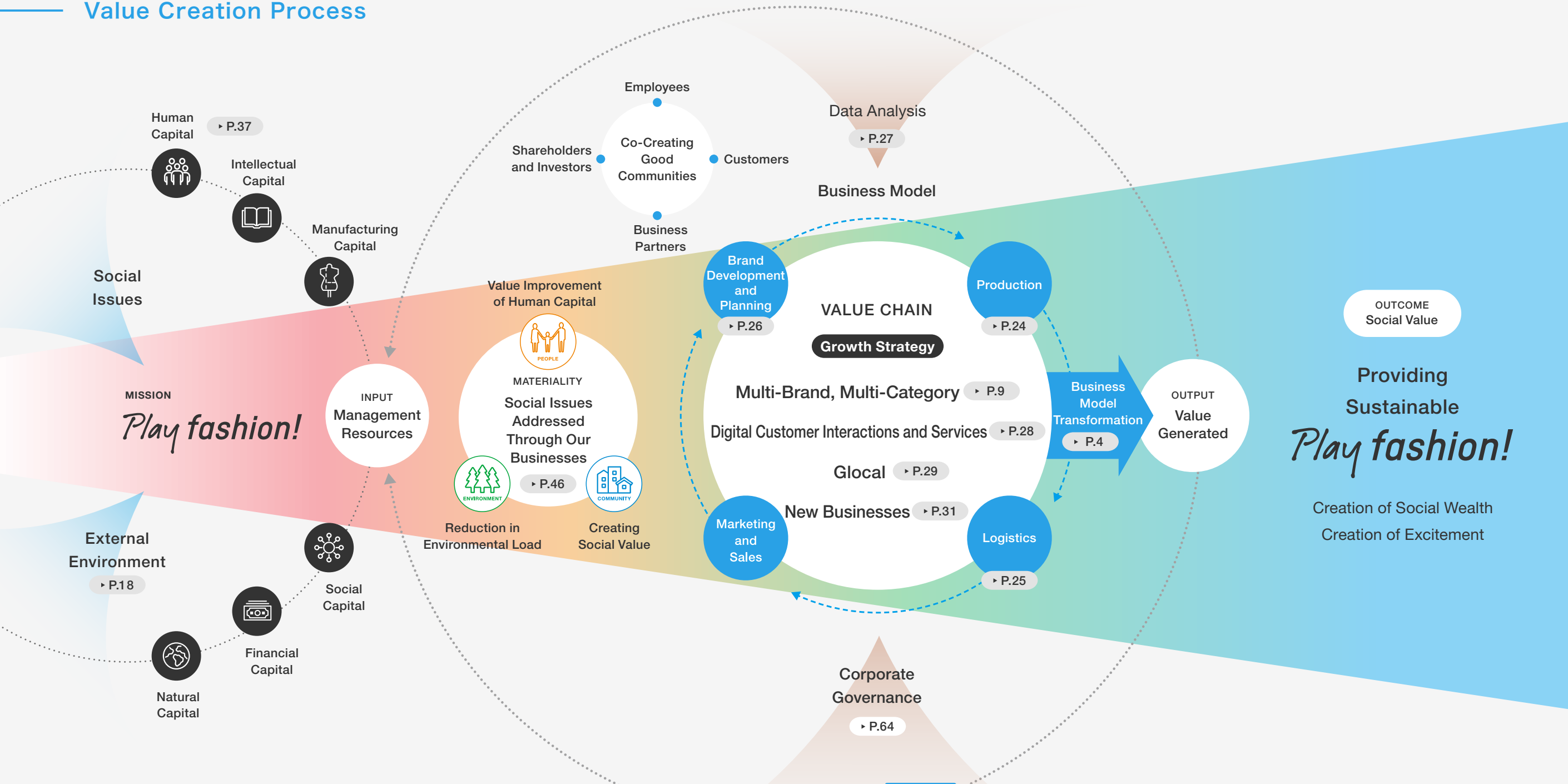
materials used, and we improved the quality. We moved away from business practices that relied on special sales and markdowns. And as a result, we decided to create work styles that foster enthusiasm, forging ahead through change.

It was a tough ten years, but we managed to achieve our vision. The people who spearheaded that transformation are now the core of our company. In this sense, I think the next generation is fully mature. At the same time, our strength lies in people who have gained management experience across our group companies. President Kimura has grown our company to a 50 billion yen enterprise in just five years. I am truly happy that we have people like him who are worthy of the trust of others, which is the most important element of being a manager. This makes me happy and confident in the future of Adastria.

Many owner-operated businesses still exist in the apparel industry. A founder creates a business to give shape to their dream, while those who take over are responsible for expanding the business. Rising sales and expanding profits make for happier employees.

Having passed the baton smoothly, I now focus on promoting the economy of Mito City to give back to the city where the company was founded. When Adastria had just opened a 10th store in Mito, a teacher from the Pegasus Club admonished me that I could not give back to Mito unless I left Mito. This person and their wisdom had a big influence on my management philosophy. True to the words of this teacher, we grew as a company because we took the plunge and left Mito. I hope that Adastria will repeat the pattern, becoming a company that energizes the Japanese economy by growing our businesses both overseas and beyond apparel.

Value Creation Process



Multi-Brand

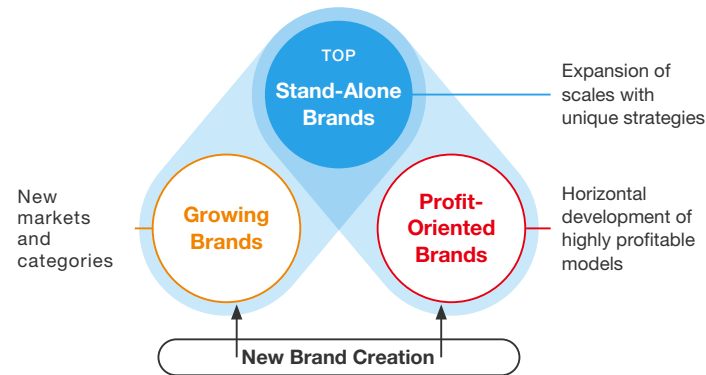
Customer tastes and lifestyles are particular and not uniform in the field of fashion, making it difficult to cover all customers with just one brand.

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 expertise as a multi-brand platform.

Multi-Brand Platform

We categorize our brands into the following three groups in our medium-term management plan according to their roles and stages: Stand-Alone Brands, Growing Brands, Profit-Oriented Brands. We formulate strategies tailored to each group. We are constantly cultivating new brands, creating a multi-brand platform that will develop profit-oriented and growing brands while aiming for further success as stand-alone brands as their scale expands. This reduces the risk of passing fashion trends and becoming an out-of-date brand in the fashion business while nurturing brands across our portfolio.



Overview of Major Brands



GLOBAL WORK

Target Men and women in their 20s to 40s, kids from 6 to 15
Location Shopping centers
Category Women's, men's, kids', food and beverage



LOWRYS FARM

Target Women in their 20s to 30s, kids from 4 to 15
Location Fashion malls, shopping centers, road-side stores
Category Women's, kids' and men's fashions



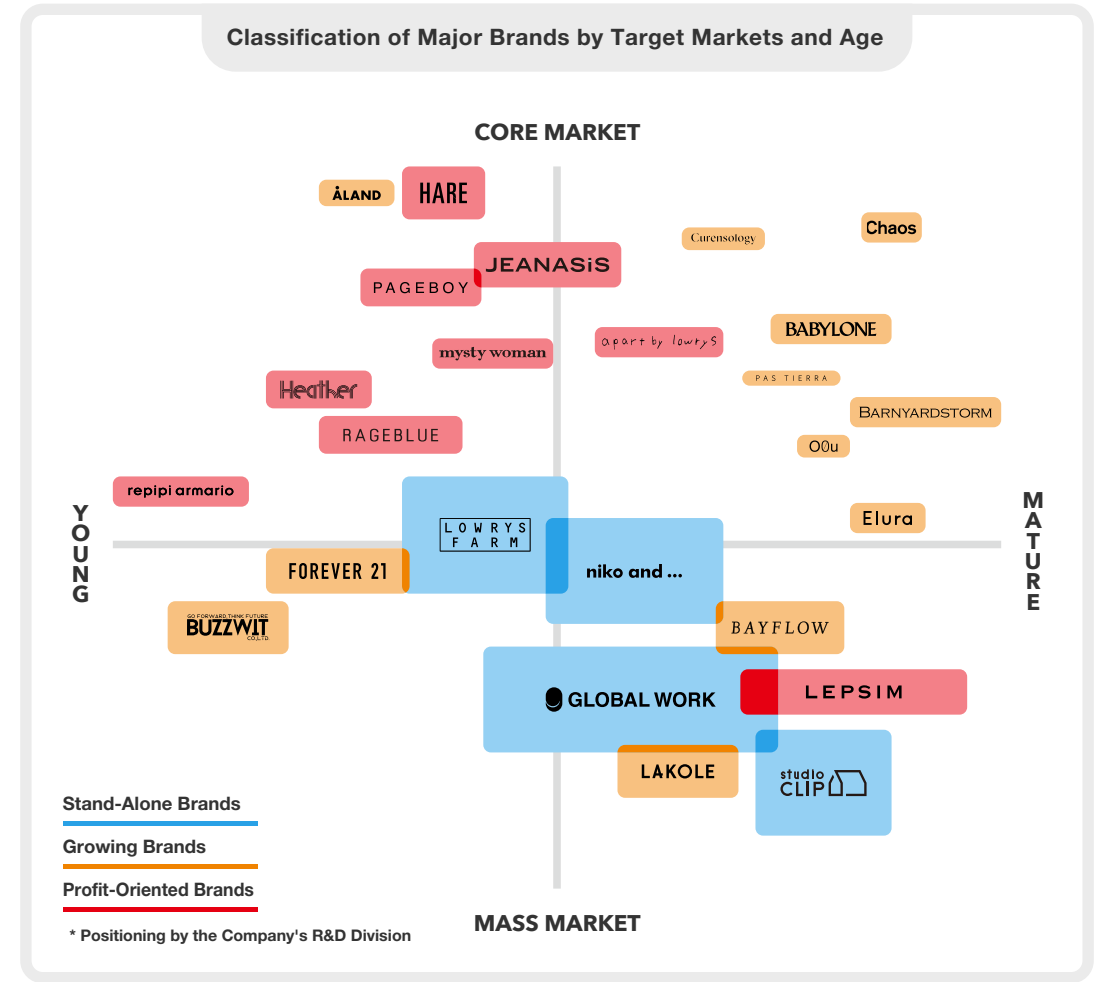
niko and ...

Target Men and women aged 25 to 35
Location Shopping centers, fashion malls and either works, we can use "road-side" here
Category Women's, men's, sundries, interior items, sports fashion, cosmetics, food and beverage



studio CLIP

Target Women in their 30s to 40s
Location Shopping centers, fashion malls
Category Women's fashion, sundries, interiors, food and beverage



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. Expanding production lines to include sundries and furniture will lead to more opportunities to open new stores, and increasing store floor space will help increase the allure of our stores.

In addition, we are maximizing the lifetime value of our customers by expanding the range of moments in their lives where our products can be used.

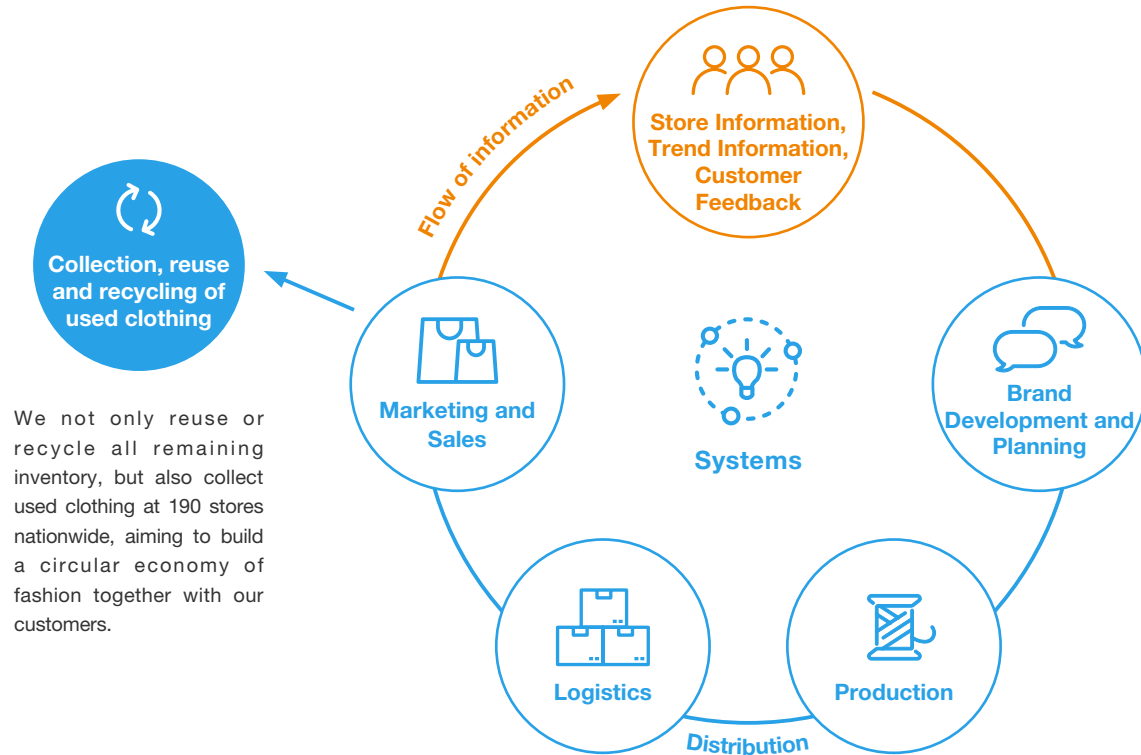


Value Chain

One strength we have is our system to perform everything from brand development to product planning, 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 an IT system, while we create differentiated high-quality products.

Adastia's Value Chain

By integrating the entire value chain from design, factory production, logistics and sales into our IT system, we are able to utilize data and improve operational efficiency. We are also able to provide shopping experiences with high customer satisfaction, since this system also seamlessly connects our e-commerce site with brick and mortar stores.



We not only reuse or recycle all remaining inventory, but also collect used clothing at 190 stores nationwide, aiming to build a circular economy of fashion together with our customers.



Brand Development and Planning

01 Brand development

We develop our own brands based on global fashion trends, customer needs, proposals by in-house staff, and collaboration with influencers. In unexplored areas, we utilize licenses of popular domestic and foreign brands to build and maintain an optimal brand portfolio at all times.

02 R&D

Trend information is collected from around the world and deployed in a way that suits each brand. We also secure and cultivate designer and creator talent and optimize their placement across our brand portfolio.

03 Brand direction

We create a world outlook commensurate with a brand, cultivating individual elements to embody this outlook, and directing the brand overall to ensure consistency. This activity spans organizing concepts, tone and manner, product management, price points, sales channels, promotions, and more.

04 Merchandising

In order to provide products at the right time, at the right price and in the right quantity, we develop hypotheses based on trend information and customer feedback obtained at stores, and formulate and execute seasonal product and sales plans.



Production

05 Design

Based on customer needs and fashion moods, we incorporate a brand's world outlook into product design. In addition to our dedicated in-house designers, we also utilize the knowledge of outside designers according to the direction the brand wants to express.

06 Material procurement

We have established a global network of material manufacturers and source the right materials at the right time, in the right quantity and at the right price for the brand. Cost advantages are achieved by using high-quality, high-performance materials across brands.

07 Material development

To make our products stand out and achieve a high level of balance between price and quality, our Materials Development Department develops original materials in collaboration with outside material manufacturers. We have developed a number of materials that are not only fashionable and functional, but also offer superior sustainability aspects in reducing environmental impact. These materials are also sold to outside parties.



Value Chain



Production



Logistics



Marketing and Sales



Store Information,
Trend Information,
Customer Feedback

08 Patterning

We accurately grasp the intent of product planning and incorporate the design into a pattern. In addition to securing and training highly skilled pattern makers, we are also actively using technologies such as 3D CAD design, working to improve productivity and reduce environmental impact by reducing sample production.

09 Production control

Based on long-standing partnerships, we work closely with external factories to ensure optimal production of a wide variety of multi-brand products. We are also actively cultivating new production partner factories in order to diversify production sites for the management of costs and risks.



10 Quality control

We provide high quality, safe products through investigations to confirm that materials, production processes and products conform with our quality standards. We monitor not only finished products but the entire procurement and production process as early as the product planning stages, and our CSR audit team also conducts checks regarding ethical standards.



11 Transportation

We have an in-house logistics unit that serves as the hub for transporting all products manufactured across mainland China, thereby reducing costs and environmental impact by improving container loading rates and optimizing logistics throughout Asia.

12 Logistics for domestic stores

Our logistics subsidiary within the group delivers products to stores in Japan daily from our seven in-house distribution centers across the country, adjusting to sales volume of each store. Our meticulous delivery system minimizes losses of opportunity and inventory.

13 E-commerce logistics

We have established an optimized shipping system for a wide variety

of multi-brand products at our in-house distribution centers. With the introduction of state-of-the-art material handling equipment, including self-driving transport vehicles, we have the capacity to ship up to 34,000 items per day, and are supporting common efforts to reduce delivery costs while enhancing customer convenience, such as in-store pickup.

14 Product management

More than 20,000 different products are properly managed and stored annually, and speedy supply of products ensures timely delivery from container arrival to stores. We manage our products in meticulous detail based on particular qualities. One example is the storage and delivery of sundries at dedicated centers as we expand business in that area.

15 Public relations

Messaging is planned and carried out over traditional and social media to convey the brand's world outlook and appeal to as many people as possible. In addition, we devise POPs and content that fully convey the appeal of our products in stores and over e-commerce.

16 Store design

In our store design, we provide customers with new experience value while faithfully expressing the brand's world outlook.

17 Visual merchandising

We express brand and product characteristics and create fresh storefronts while firmly conveying the appeal of the product to customers.

18 Brick-and-mortar stores

We operate approximately 1,500 brick-and-mortar stores in Japan and overseas, mainly as stand-alone brand stores, and maintain an optimal store network at all times by flexibly opening and closing stores depending on market conditions. By owning a large number of brands, we can support a range of commercial facility types, and by opening multiple stores in the same facility, we can operate more efficiently and increase customer contact points. In addition, customers can experience our brands and products firsthand in brick-and-mortar stores, which results in high customer loyalty.

19 Official dot st online store

With over 17.5 million registered customers, dot st is the third-largest apparel e-commerce

site in Japan. Our immensely popular STAFF BOARD, where store staff post outfit coordination, attracts about 1 million site visitors per day. We are expanding the categories we handle by selling not only our own products, but also those of other companies.

20 Sales staff

Our sales staff provide a purchasing experience with a high level of satisfaction by demonstrating premium customer service and proposal skills both online and offline. More than 30% of our e-commerce customers shop by referring to outfit coordination photos posted by our store staff, and our stores account for over half of new registrations for our dot st e-commerce and points system.



21 Customer service

We listen attentively to customer feedback, providing feedback to each brand to help us create better products. In addition, the introduction of chatbots has made it possible to correspond with customers 24 hours a day, 365 days a year, increasing customer satisfaction.

MESSAGE

From the President

P
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CHALLENGE CHANGE

Transforming Further for the Next Challenge Growth Without Fear of Failure is *Cool*

Osamu Kimura

Representative Director and President

Without a doubt, people are the key to change. The Adastria style of *cool* branding is to take on every new challenge, growing, creating profits, and making both customers and staff as happy as can be. When armed with the ability to make quick corrections, a company can change everything conceivable. We will continue to grow through the power of fashion, even in this changing market environment.



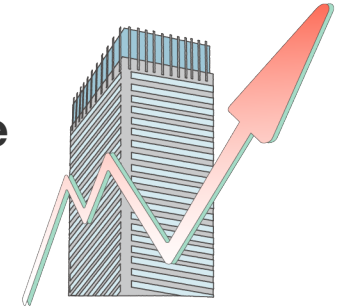
ASEAN





2024's GOALS

We Create Corporate Value Through Dialogue With the Market and by Improving Management Quality



Investments During the Pandemic Pay Off: Mainstay Brand Growth and Product Pricing Commensurate With Increased Product Value

I think we can say our medium-term business plan is progressing well. We achieved ROE and revenue targets under the plan two years and one year ahead of schedule, respectively, and we revised targets upward in the meantime. Despite the COVID-19 pandemic, we continued to invest in growth during the second year of the current plan, looking to the future beyond the current plan. This approach led to positive results. Speedy decision-making by the management team—something unusual for an owner-led operating company—allowed us to continue investments uninterrupted for three years or so. We established logistics and systems capable of handling the expansion of business scale and the growth of our e-commerce business.

Another significant factor was recruiting for open positions even before COVID-19, bringing in outstanding talent from other industries. In addition to the change in business model over the past 10 years, we are now at a stage of seeing the returns from these investments.

About 50 billion yen in sales from our leading brand, GLOBAL WORK, supported this performance in terms of sales. Sales from four stand-alone brands were roughly 130 billion yen, with niko and ... contributing

30 billion yen, while studio CLIP and LOWRYS FARM contributed in excess of 20 billion yen each. The performance of these brands linked to greater stability in our portfolio.

In the face of various cost increases, our head office production department and company at large endeavored to develop products offering higher added value under each brand, rather than simply passing on the price increases. We are gaining greater confidence that even with increased prices, raising the quality of materials and design has been the driving force behind customer support and sales growth. Engaging in business that is faithful to our customers and conducting management with integrity will continue to be the axis around which our company moves forward.

Striving to Improve Profit Margins Based on an Awareness of Issues to Expand Our Areas of Strength

Cost increases due to the weak yen are painful not only for us, but for the retail industry as a whole. In addition, we raised labor costs for a second consecutive year, increasing pay 6% in response to rising prices and other factors. Certain elements were not factored into our current medium-term business plan, and we continue in the investment phase in new businesses development. These factors mean profit margins remain a challenge.

One measure to improve profitability is our shift of production from a focus on mainland China to ASEAN. Besides our Production Division, the head office takes the lead in assessing risks in each country and region, building relationships with partner factories and negotiating costs. However, developing factories and transferring production takes time. I visit production sites in ASEAN countries personally every year to talk with top management to ensure speedy negotiations.

In my opinion, our in-house production, systems, and logistics have become strengths. The Production Division, along with our Logistics Planning and DX departments are staffed by highly specialized professionals hired from outside the company. We hope to expand the areas we take on directly, including store development, which has always been one of our strengths.

Identifying Changes in the Market Environment, Aiming to Expand Categories and Market Share Without Fear of Change

The changes in the market environment most relevant to our growth strategy are Japan's declining population and aging demographics. While the Japanese apparel market itself has limited room for growth, Adastria's strength lies in a multi-brand approach through which we interact with a diverse range of customers. Even if the size of the Japanese fashion market were to drop from 9 trillion yen to 8 trillion yen, our own sales have yet to reach 300 billion yen out of the potential 8 trillion yen. In addition to expanding vertically in market share—for example, by growing GLOBAL WORK into a stand-alone 100 billion yen company—we believe we can still acquire market share in horizontal markets by expanding brands and categories.

Now that 300 billion yen in revenues is within sight, we must gain more market share for our businesses to reach 500 billion yen and 1 trillion yen. To this end, we are expanding not only in fashion, but also to general merchandise, groceries, and restaurants. Growth will come from increasing the number of markets we can reach from our *dot st* platform. One strength is the accumulation of data obtained through our multi-brand strategy, which we use to develop strategies leveraging fashion for non-apparel merchandise.

But there is no stopping major environmental changes. I am willing to change anything that needs to be changed, thinking and moving flexibly. For lack of a better word, Adastria has grown because we change incessantly. A truly *cool* brand is one that properly grows sales, generates reasonable profits, and makes staff and their families happy. This is why we engage in mission-focused management that grows each brand and delivers profits, regardless of the environment.

A Focus on M&A to and Bolster the Adastria Value Chain

We made zetton inc. a subsidiary and acquired the TODAY'S SPECIAL and GEORGE'S businesses from WELCOME Co., Ltd. in the spring. We also collaborate with outside companies, as seen with the launch of the FOUND GOOD brand for Ito-Yokado and sales on ZOZOTOWN.

M&A is only one means of growth, but we have a track record of successful M&A activity. For example, when we acquired studio CLIP, sales were approximately 3 billion yen. The business has grown into a brand with over 20 billion yen in sales. PAGEBOY is one of several other brands that have joined our ranks via M&A. Through this multi-brand strategy, we have gathered a full complement of human resources in brand management, production, store development, and more.



Leveraging the experiences of these professionals has been a significant development for us.

One behind-the-scenes factor in our success with M&A is the importance we place on communications to build relationships with the parties on the other side of the transaction. While perhaps out of character for this day and age, our culture from the chairman down is to take meals together with persons with whom we wish to build long-lasting relationships, engaging in deep dialogue. We create opportunities



for communication both inside and outside the company. In my opinion, this emphasis on human interaction leads to successful M&A.

My experience dates back to when we only had 10 or so stores. And the market continues to change faster every year. In an age when the latest trends come and go so rapidly, the bar to creating a brand from scratch remains high. Nurturing a brand over several years is more labor intensive than one could imagine. We are also concerned about falling behind the times.

Given this background, we believe M&A is a viable option if the company or brand we acquire can grow several times faster by leveraging

the Adastia value chain. This growth would, of course, contribute to Adastia as a whole. We also emphasize the fact that M&A leads to opportunities for employees to play a more active role, encouraging professional growth.

Engaging in Dialogue With the Markets Through a Long-Term Vision and an Awareness of Return on Capital

Over the past few years, the marketplace has increasingly called for management recognition of share price and the cost of capital. In our current situation, we continue to increase dividends yearly in line with profit growth, and our share price has also increased. We achieved ROE in excess of the cost of capital, but issues yet to be resolved include improving investment efficiency, communicating our investment discipline, and improving cash efficiency. As the market increasingly focuses on the allocation of cash, we conduct more investments involving complex outcomes—investments that change our profit structure, rather than simple one-to-one payback, such as with opening a new store. Our generation of leaders must shift in mindset and change the quality of management.

Having engaged in dialogue with investors since becoming president, I come away feeling that we must bring more visibility to investment returns by business segment to communicate our policies more clearly. What sets us apart is our ongoing investments in new businesses. We search constantly for ways to communicate our long-term management vision to investors overseas. We talk about our multi-brand strategy, which is not a familiar concept in foreign countries.

Stock market expectations for the retail sector are somewhat low overall. We believe we still have room for improvement in terms of share

price and PER. As president, I continue to explain our progress to analysts and investors to fulfill my mission to improve share price and corporate value. As a result, our share price rose about 50% over the course of the year, but this increase is due to profit growth rather than an improvement in valuation. Over the last several years, performance volatility has stabilized, and we expect our ability to communicate with and instill an understanding in the market will lead to higher valuations.

True Human Capital Management in a Corporate Culture Encouraging Diverse Human Resources to Demonstrate Their Talents

Since our founding, we have operated our business by valuing people. However, we have only begun to quantify human capital in the past few years. We are working to visualize the effects of wage increases and employee motivation, although our efforts are still insufficient. In our deliberations of human capital management policies, we reconfirmed that Adastia's strengths lie in nurturing our people and systematizing personnel development as part of our corporate culture. We realized that an environment in which employees from different cultures move freely and a culture that supports taking on ambitious challenges—a culture that says, "It's OK to fail"—helps us attract talent from a wide range of industries.

The key to changing Adastia will always be our people. Not every project is a success from the start. But we have strengths in our ability to adapt. Change makes a company grow and leads to the happiness of all involved. This has been our core value, even from the time our current chairman, and it will continue to be so.

OUR STRENGTHS AND CAPABILITIES

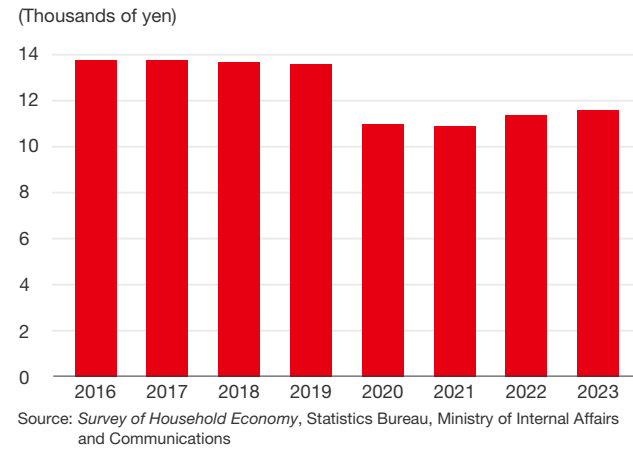


The Adastia Market Environment

01 A Recovering Domestic Apparel Market

Clothing expenditures per household in Japan gradually declined over the long term, mainly due to declining unit prices of single articles of clothing. This decline slowed around 2016, remaining mostly flat until 2020, when the global apparel market declined sharply due to the spread of COVID-19, resulting in declines in the Japanese market as well. Clothing expenditures per household in Japan remained at approximately 85% in 2023 compared to pre-COVID-19 levels, recovering by only 1.6% year on year. Despite these conditions, Adastia achieved record-high sales for the fiscal year ended February 29, 2024, continuing to outpace market growth.

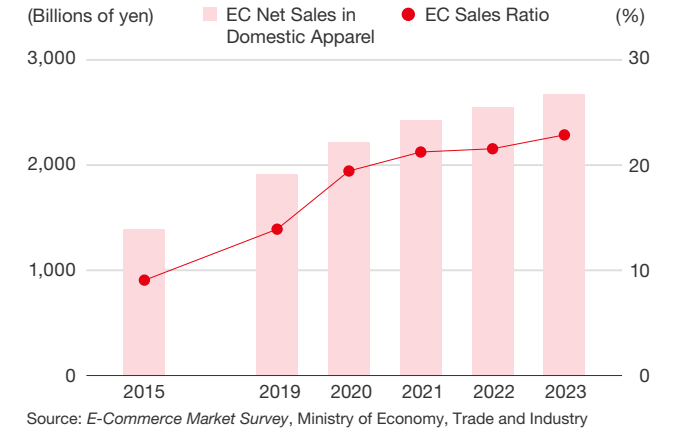
Annual Clothing Expenditures per Household



02 Expanding Apparel EC Market

The apparel EC market in Japan grew significantly during the COVID-19 pandemic. While the growth of the e-commerce sales ratio began slowing in 2022, the market size continues to grow. This growth is due to improvements in the operating environment of physical stores and indicates changes in consumer purchasing behavior.

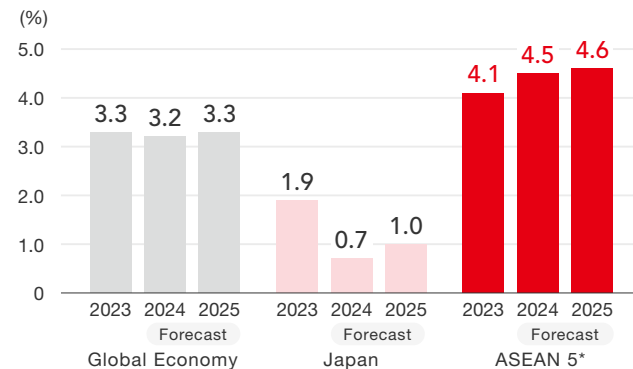
Domestic Apparel EC Net Sales



03 Overseas Markets Will Continue to Grow in the Future

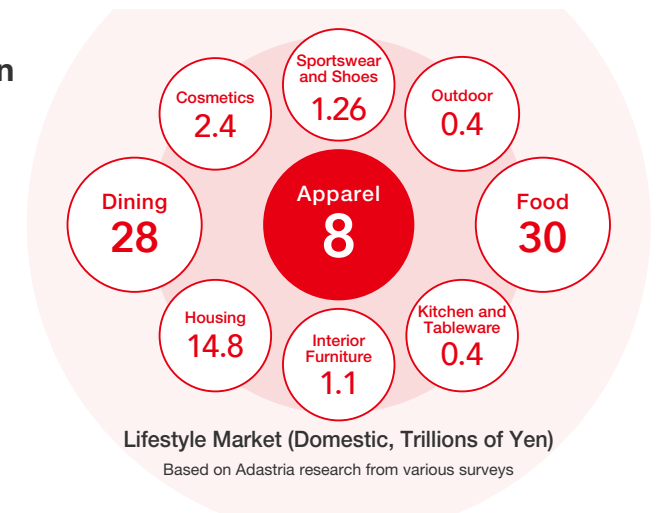
The global apparel market has recovered rapidly and is estimated to have exceeded pre-COVID-19 levels by 2023, even with the market decline after the pandemic. Continued growth is expected in the future, particularly in the key market of Asia, where growth rates are high and the market size has a growing presence.

Real GDP Growth Rate



04 Fading Barriers Surrounding Peripheral Markets Resulting in Transition to Lifestyle Market

Barriers between apparel and peripheral markets are fading as lifestyles change. This change brings new possibilities to domestic markets, expanding the lifestyle market where customers enjoy fashion in every lifestyle area outside of clothing. Demand for fashionable products is high for miscellaneous goods and furniture as well as for food, beverage, and sports.



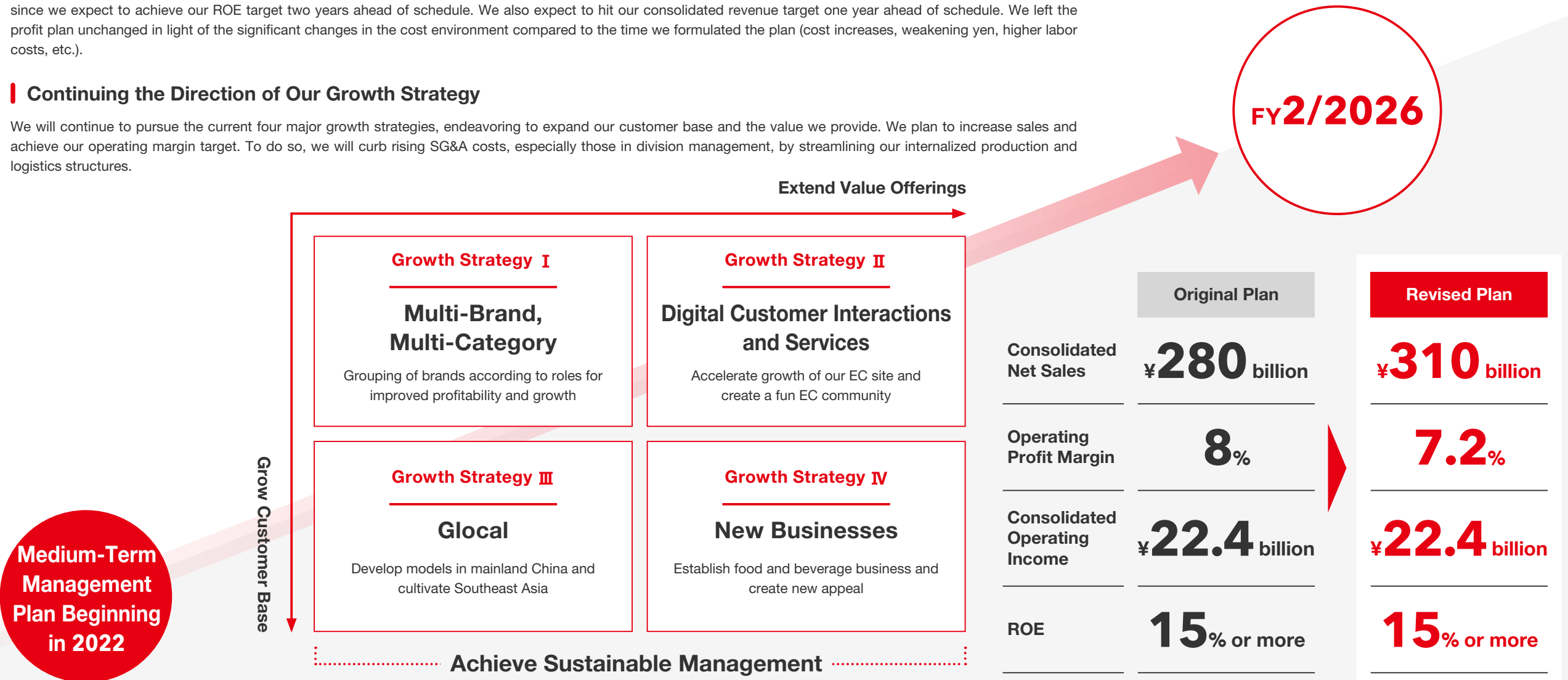
Medium-Term Management Plan

Revised Plan Figures Reflecting Performance Through FY2/2024 and Changes in the External Environment

We formulated the original medium-term management plan in April 2022, covering the period through February 2026. We revised this plan upward at the end of fiscal 2023, since we expect to achieve our ROE target two years ahead of schedule. We also expect to hit our consolidated revenue target one year ahead of schedule. We left the profit plan unchanged in light of the significant changes in the cost environment compared to the time we formulated the plan (cost increases, weakening yen, higher labor costs, etc.).

Continuing the Direction of Our Growth Strategy

We will continue to pursue the current four major growth strategies, endeavoring to expand our customer base and the value we provide. We plan to increase sales and achieve our operating margin target. To do so, we will curb rising SG&A costs, especially those in division management, by streamlining our internalized production and logistics structures.



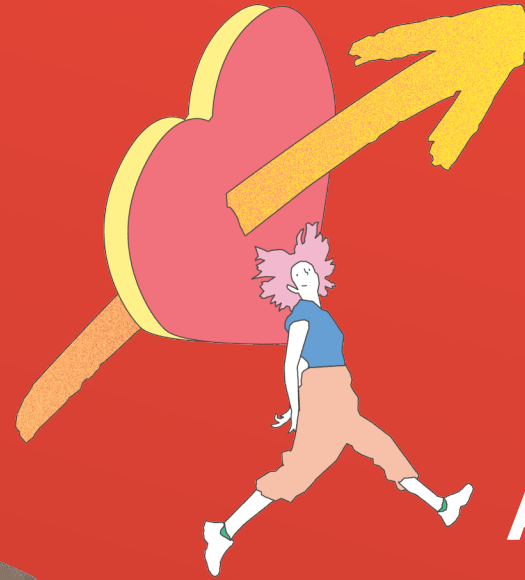
Medium-Term Management Plan Beginning in 2022

FY2/2026

DIRECTOR

MESSAGE

From the Directors

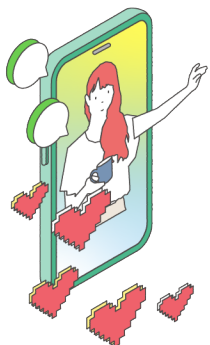


Speed and the Ability to Course Correct are Adastria Strengths. Try it and See What Happens

Yoshiaki Kitamura
Senior Managing Director

One of Adastria's strengths is our ability to take on new challenges, rather than sticking only to areas where we excel. Another is our ability to make course corrections after an error. The speed with which we move—try it and see—is a feature of our company. If an action doesn't work well, we can course correct immediately. The willingness to take on challenges, speed, and the ability to make course corrections all represent the Adastria character and strength.





2024's GOALS

We Create a Culture and Foster People Who Embrace New Values and Different Cultures

This Is the Important Foundation of Aداستريا



Every Stand-Alone Brand, Increasing in Value and Reaching Higher Sales, Profits

Last year, GLOBAL WORK, niko and ..., and other major Aداستريا brands performed very well. GLOBAL WORK utilizes product development capabilities to the fullest, featuring strong products like the Utsuku-shilhouette Pants and MELTY KNIT. While the products themselves are highly regarded by customers, strong promotional capabilities to highlight value also play a major role in driving brand growth. Product-focused development will continue to be key. niko and ... is another brand that does things differently and is particularly good at collaborations. This brand maintains freshness and interest by constantly creating buzz through partnerships with other companies and other industries. The brand's strong performance owes to expertise in creating new customers.

The brand we focus on currently is LAKOLE. As with GLOBAL WORK, we believe there is significant room for growth because the brand offers products to a wide range of customers. In addition, subsidiaries are free to operate under their own strategies. BUZZWIT is a company that continues to create new brands, launching nine last year and bringing the total to 36. ELEMENT RULE is doing well with its high-priced brands, and zetton, a food and beverage business, has been doing well in general in the post-COVID-19 era. These two companies must identify brands and businesses to strengthen further, growing around these brands.

Aداستريا conducts various trials in the form of *brands-within-brands* as part of our own efforts to create new brands. This initiative creates and grows new lines within a brand (e.g., cosmetics and sports), spinning the products out as a single business once they have grown large enough.

To develop multiple brands in this way, each brand must increase in value by focusing obsessively on customers of the brand, rather than appealing generally to all customers. Identifying the market for a store and offering products with persuasive added value is important. Products priced higher than in the previous year must offer added value different from that of the previous year, and a brand that discounts constantly will drive customers away ultimately. Brands that are performing well, such as *HARE*, create products that keep faith with and interest customers who have already embraced high-value-added offerings.

Developing Strategies Based on Local Culture and Characteristics, Aiming for Synergies Between E-Commerce and Brick-and-Mortar

Overseas, we are performing well in Taiwan and Hong Kong. Our multi-brand concept has done well in Taiwan, where we have more than 10 brands in operation currently. We are scheduled to unveil more brands this year. Customer analysis using *dot st* Taiwan, which has approximately 800,000 members, supports company performance, while our own



e-commerce site serves as a local test marketing platform. Customer data obtained when launching a new brand online can improve accuracy when opening brick-and-mortar stores, which is a major advantage of developing an in-house e-commerce business overseas.

In Hong Kong, we continue the scrap and build approach of the past few years, and we have made progress in streamlining the store network. Rent costs are high due to the topography of the land. However, we are now in a position to generate profits, and I believe we will be successful in launching an aggressive multi-brand concept similar to Taiwan.

The market in mainland China is a challenging situation, due in part to the overall softness of the economy. To date, our strategy has been to open area-dominant stores, mainly flagship locations. With COVID-19, e-commerce became more important, so we shifted our strategy in developing OMO model stores. Moving forward, we plan to open stores in first- and second-tier cities with large numbers of e-commerce users. We also intend to utilize a broad range of channels, including platforms other than T-Mall and our own WeChat mini program, to explore the ideal

interaction between brick-and-mortar stores and e-commerce.

We opened our first store in the emerging economy of Thailand last year, completing a full season in April 2024. Operations in the second year are progressing well, as we now incorporate climate considerations in our product mix. We plan to open a second store this fiscal year, and we are receiving a positive response. We will open a niko and ... location in the Philippines this year, making use of the knowledge gained in Thailand. Southeast Asia has a large youth population and significant GDP growth. This is a market that will definitely grow in the future. We will build a firm foundation now for expansion not only in Thailand and the Philippines, but also across the entire ASEAN region.



The Key to *dot st* Growth is Strengthening the Connection Between Online and Brick-and-Mortar Growing Our E-Commerce Platform in Partnership With Other Companies

In our domestic business, our own *dot st* online shopping site sales and memberships are growing steadily. One of the reasons for this strong performance has been the OMO model *dot st Store*, which combines the convenience of e-commerce with the advantages of brick-and-mortar (e.g., trying on clothes and speaking directly with staff). Another contributing factor is our STAFF BOARD. Most e-commerce members begin as brick-and-mortar store customers. Using STAFF BOARD, store staff from across Japan create fans who visit real-world locations to meet their favorite STAFF BOARD personalities. The effect is that the reciprocal customer cycle between the real and digital worlds is working well, with customers being able to buy the products recommended by the staff both in the store and on the e-commerce site in an effective online-offline synergy.

Opening up *dot st* will require us to raise the customer lifetime value (LTV) of our nearly 18 million customers by increasing convenience from the customer's perspective. These considerations include one-stop purchasing for multiple products and the use of cross-platform member points.

We listen to feedback from customers and staff to approach brands and companies we would love to see as part of *dot st*, and buying patterns have been rising.

Opening New Markets Through M&A; Accepting Each Other's Strengths and Growing Together

One reason we pursue new businesses through M&A is to enter markets that Adastria has not captured yet. We pursue M&A actively, targeting brands and companies with room for further value enhancement, leveraging

multi-brand, multi-category, logistics and other infrastructure, production functions, and other Adastria business assets effectively.

One key to enhancing value may be the Adastria culture on top of these business assets. While many long-time employees have been with us since joining as new graduates, we also have a diverse group of mid-career hires and employees gained through mergers and acquisitions. I think we naturally accept new cultures and ways of thinking in our company. This is an Adastria strength and an important foundation for the growth of our business. We want to establish mutual happiness with our M&A partners by absorbing new ideas thirstily while sharing Adastria resources and expertise freely. We want to grow together as friends. We are still working to develop new businesses beyond the retail framework, including the uniform business and a niko and ...-produced housing business, extending our creative reach to different businesses.

One Adastria strength in building new businesses is our willingness to take on new challenges, even outside areas of expertise. Another is our ability to course correct if we make an error.

Markets change rapidly. In so many cases, the time to strike has already passed by the time a company considers and implements a plan. At Adastria, we like to try it and see what happens. Our speed is also unique, allowing us to course correct immediately if an action doesn't succeed. The willingness to take on challenges, speed, and the ability to make course corrections all represent the Adastria character and strength. This combination of speed and corrective action is alive and well in our post-merger integration process, too.

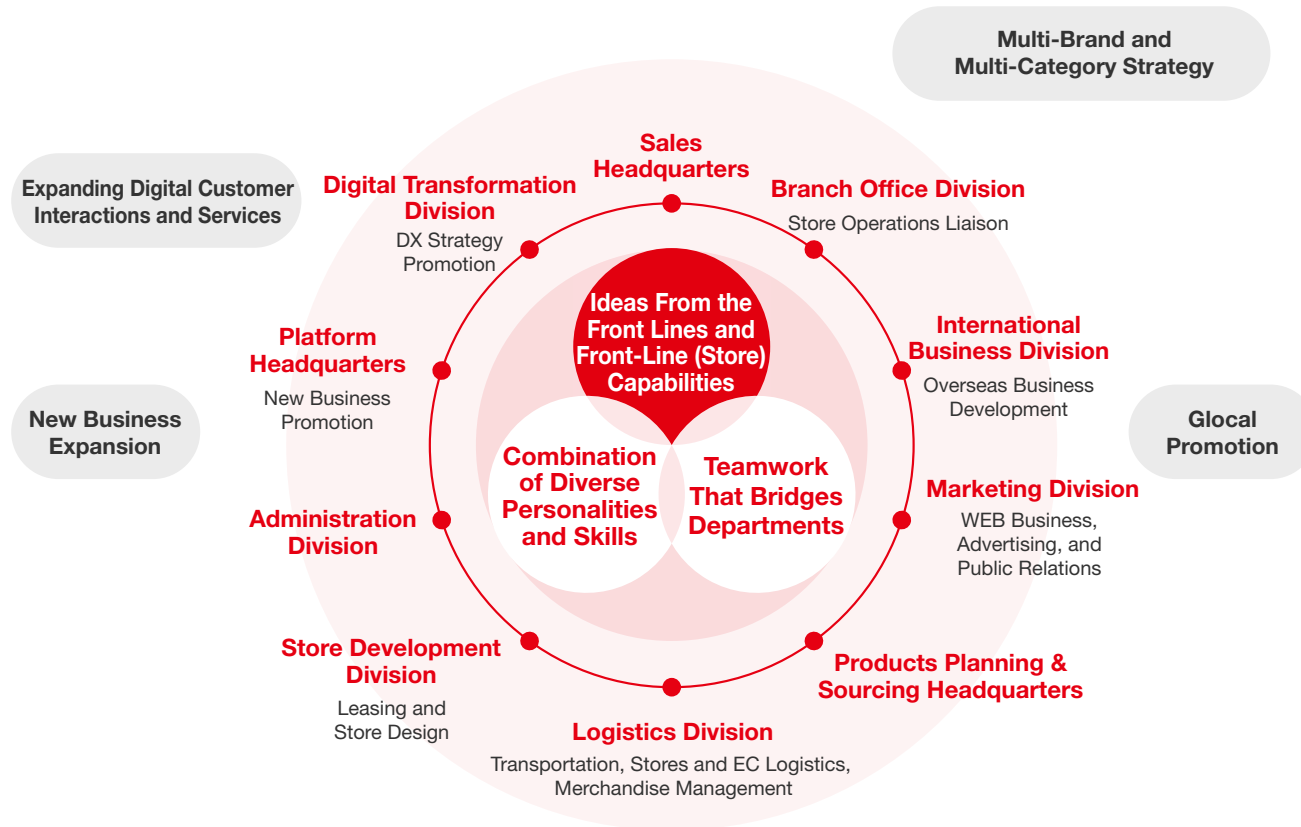
I look forward to the day when Adastria creates a world in which we offer everything our customers want—from goods to services and more—in one stop. We continue to increase customer satisfaction through brand growth, both domestically and internationally, adding new content and categories that will delight future customers.

Our Strengths and Capabilities

Organic Organizational Collaboration to Achieve Growth Strategies and Create New Value Through *Play fashion!*

The Adastria Group places a high priority on ideas from the front lines and on front-line capabilities. We have created a system to adapt our businesses to changes in customer lifestyles and fashion identified by store staff. Our Branch Office Division plays a central role in ensuring that branches within a region work together for operations and crisis management response tailored to the local environment and community characteristics.

We form teams that integrate the experience and knowledge of individuals with diverse values and expertise. These teams create organizations stronger than the sum of their parts, solving problems through the implementation of measures through rapid information collection and flexible cross-departmental projects.



- 1 Exhibitions of original materials for each brand organized by the Products Planning & Sourcing Headquarters.
- 2 Logistics Division members and brand representatives visit logistics sites.
- 3 Began proof-of-concept tests of transfer automation by autonomous transfer robot (AMR) at the Joso distribution center.
- 4 STAFF BOARD Hall of Fame Staff.

Our Strengths and Capabilities



Products Sourcing Division

Expressing product value and our thoughts by valuing communication

Akiko Harada General Manager Products Sourcing Department



The Products Sourcing Division centralizes the production behind our multi-brand strategy from the Adastia Head Office. Production transforms plans into reality, and I work in our production processes as an upstream products sourcing merchandiser. Products sourcing merchandisers work with brands, designers, and patternmakers to bring to life the decisions of the brand regarding the direction (e.g., theme and course of action) for each season. Products sourcing merchandisers manage the overall production schedule, taking factory production plans and other factors into account. Scheduling also includes booking and coordinating production conditions and spaces based on the needs of the brand promotional plan, which determines seasonal items, quantities, and prices. While brand departments determine product prices,

I strive to maximize the added value of products by focusing on ensuring customers enjoy such products, rather than simply focusing on cost.

Once a product enters mass production, we work with the production control team to manage quality and delivery. The Products Sourcing Division is comprised of around 280 highly specialized members, working across the apparel Products Sourcing Department, Living & Fashion Goods Department, Quality Control Department, Material Development & Procurement Department, and pattern teams.

The production process requires meticulous attention to detail, from sourcing materials to the final product, including the selection of manufacturing countries and production process designs based on

material characteristics. As a member of the Products Sourcing Division, products sourcing merchandisers work regularly with relevant brand members to link both sides and create high-quality products that reflect the world view of the brand.

Adastia also employs a materials team overseas. This team procures materials required for brands at the right time, right prices, right quantities, while also developing high value-added and unique materials. Products sourcing merchandisers also support such coordination between the Material Development & Procurement Department and brands. We use the same materials to convey brand identity for multiple brands by altering the material finish according to brand characteristics (e.g., a sleek finish for GLOBAL WORK or a fluffy finish for LOWRYS FARM). We also produce samples using the newly developed materials and make proposals to brand managers at in-house material exhibitions. The Material Development & Procurement Department and products sourcing merchandisers leverage our respective expertise in discussions, striving to create valuable products that satisfy customers.

We strive to curb discounting while improving hit rates, as fashion products are inevitably hit or miss. To this end, we strive to minimize initial production numbers and monitor market response, only engaging in quick response manufacturing to produce additional stock for the products that sell well. However, quick response manufacturing requires tight schedules. The slightest problem may result in lost opportunities and out-of-season production. Products sourcing merchandisers must secure capacity and make advance preparations on a regular basis to prevent delays in quick response

manufacturing.

While each products sourcing merchandisers oversees different brands, we also focus on horizontal cooperation among brands. We share factory policies and materials to ensure efficient production while maintaining the individuality of each brand. Let's say a brand that does not normally produce jackets decides to produce jackets with elaborate designs in small lots in response to recent trends. This brand would generally be denied by production factories or face expensive production costs. Adastia, on the other hand, has the ability to introduce these brands to factories with proven track records with our other brands or tie lots together. Procuring materials across brands also allows Adastia to use high-quality materials while minimizing costs, even for small-lot products and low-priced brands.

Our Products Sourcing Division does not simply make and deliver products. We take responsibility in uniting with brands to sell products, sharing brand sales and gross profit as our division KPIs. We also strive to align our perspectives with our brand members. We conduct field research on trends, attend exhibitions, and visit stores with brand members, striving to see brand perspectives and hold frequent discussions. These communication efforts ultimately lead to customer satisfaction. Delivering products on time and creating high-quality products at low costs are, of course, a rewarding part of being a product merchandiser. But the greatest joy is when a customer likes and purchases our products, as it signifies that customers resonate with and understand the value, thoughts, and emotions we've infused into our products.

Our Strengths and Capabilities

Adastria Logistics Co., Ltd. (ADL), a Group company, is responsible for all logistics operations at Adastria. The seven domestic distribution centers (DCs) of ADL employ approximately 700 staff members. These employees work each day to deliver products swiftly to the customers of our nationwide stores and official *dot st* online store.

I work in the Logistics Division of Adastria. Our division includes a planning team, which manages numerical data and DC operations, and a trading team, which imports and delivers products manufactured overseas to logistics bases. These teams support ADL in ensuring that receiving, storing, and shipping operations are safe, stable, and productive. Certain team members plan logistics to overseas stores, including mainland China and Taiwan.

Receiving, storing, and shipping products may seem like simple operations, but Adastria faces a number of challenges in our logistics. Not only is it difficult to manage capacity due to seasonal fluctuations in volume, an issue unique to apparel, but we also face complexity in our multi-brand, multi-category, multi-store, and multi-channel operations. Other challenges include M&A, new brand and category creation, and other growth strategies. We must also address the 2024 Problem in logistics, a declining workforce, and other headwinds stemming from the current social environment.

While a number of other companies in the industry outsource on-site operations to specialized logistics companies, Adastria is shifting logistics operations in-

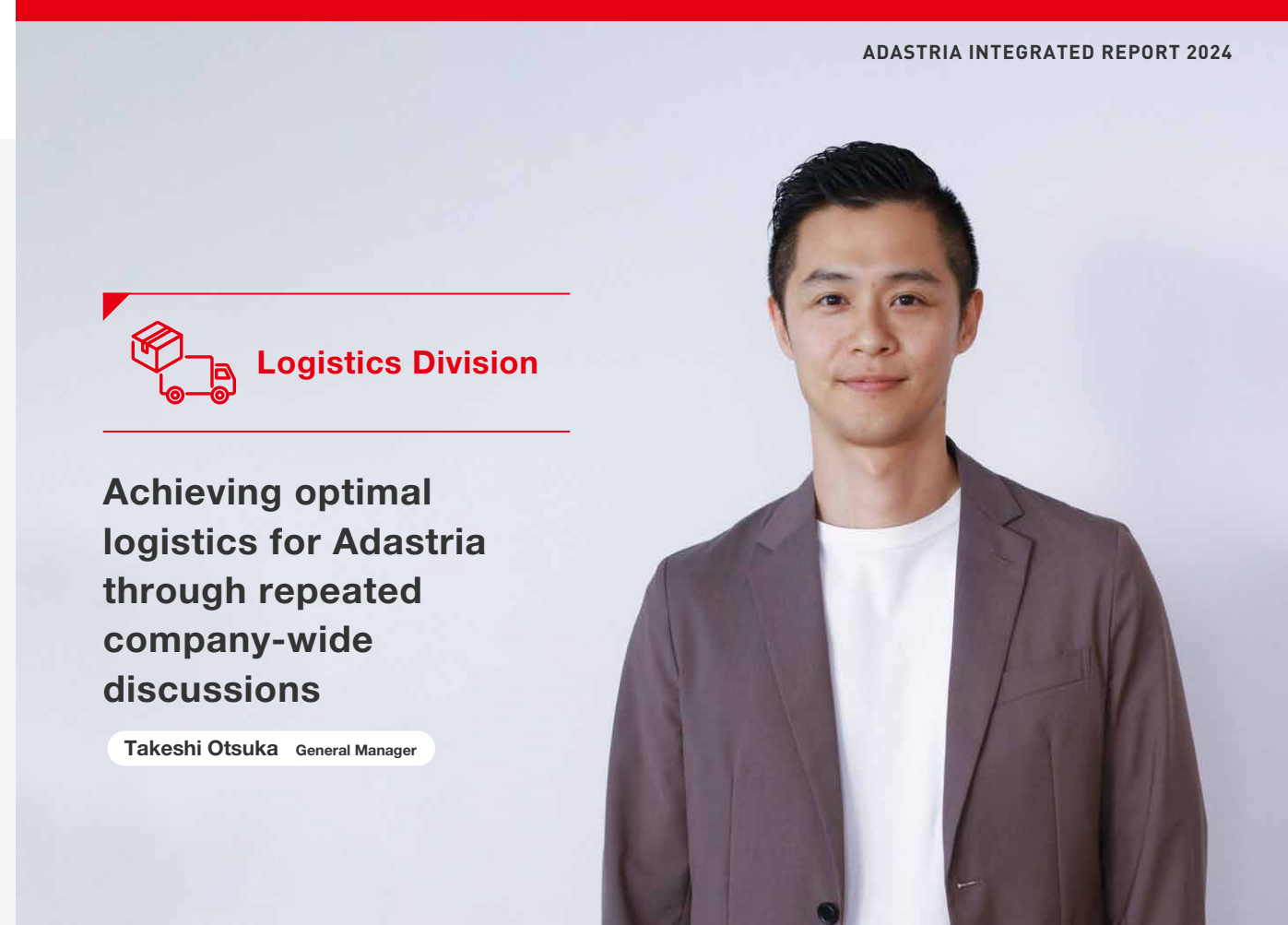
house. I believe the meaning and value behind this shift lies in addressing these social issues.

The Logistics Division adapts to changes with speed and flexibility by designing quality, cost, and delivery (QCD) within the Group. Understanding the overall Group strategy also allows our division to design bases, invest in facilities, and formulate and implement other logistics strategies efficiently from a medium- to long-term perspective. Our division also holds discussions with the members of the DX Division logistics team who are highly skilled in logistics DX. Through these discussions, we focus on the best operations for Adastria's business, rather than introducing existing automation systems to keep up with current trends.

Overseeing logistics within our Group is not only appealing in terms of productivity and cost. I think this appeal also lies in the ability of the Group, as a corporation that values people, to take responsibility for the safety and comfort of our staff working on-site and improve relationships with our business partners.

I previously worked in the supply chain and shipping departments of a foreign e-commerce company. Roles were subdivided due to the large scale of the organization and the corporate environment encouraged us to produce results by concentrating on our own area of expertise, rather than looking at the whole picture.

On the other hand, Adastria facilitates an environment that enables us to be aware of the whole picture when engaging in discussions due to our close



relationships with each brand and products sourcing department throughout the value chain, as well as with the management team. We observe logistic site operations firsthand with brand representatives and discuss areas of improvement to reduce costs while maintaining quality. Members of the Logistics Division also visit stores to hear from store staff about the status of deliveries, taking action based on feedback from the frontlines. The division takes action based on feedback from management regarding our hypotheses

formed from visualizing operational data. I believe it is this active internal communication and openness in Adastria that drives improvements in logistics productivity and quality.

Our Strengths and Capabilities



Store Development Division

Creating a future where brands and commercial facilities grow together through genuine proposals and dialogue

Yuya Murachi Senior Manager

Mikiko Yamashita Senior Manager



The Store Development Division consists of two groups: the development sales group, which acts as the liaison with developers of the commercial facilities where the Group plans to open stores, and the design group, which oversees store design and maintenance. Our job in the development sales group is to locate stores for each brand according to its needs, discuss details with the commercial facilities, and sign store lease agreements. The six group members share the responsibility of managing commercial facilities throughout Japan.

Adastria is a multi-brand group. Each brand works with different products and customer bases, and

requires different commercial facilities and locations to open stores. Developing stores based on an understanding of the features and strategies of each brand is important. To this end, we assign each member of the development sales group a specific brand to oversee, working together with brands on a daily basis to develop store opening and growth strategies. The Brand Department plans how many new stores to open to achieve medium- to long-term sales targets. The Store Development Division then proposes to the brands which specific commercial facilities to open stores in. Based on the results of our proposals, we then negotiate with the relevant

demands head-on. This trust allows our division to receive information faster, leading to the successful opening of new stores. Our division relies on speed, as we often face high competition to acquire good properties. One of our strengths lies in the ability of each development sales group member to act autonomously, allowing for a great deal of discretion and quick decision-making when opening new stores.

We have advantages in opening new stores through our ability to provide developers with numerous options as a multi-brand company. We utilize data from approximately 1,500 stores in Japan, proposing the best

commercial facilities to open new stores. In this way, our division engages with developers as the salespersons on behalf of the brands.

We also take charge of communications with developers to improve the quality and quantity of our communication, striving to comprehend the type of tenants each business partner looks for. Development sales group staff serve as liaisons, earning the trust of developers by facing developer issues and

brands suited for opening stores based on location, plot size, and area. New brands tend to face difficulties in acquiring new store locations due to the lack of a proven track record. But this process is smooth for Adastria due to the credibility of our existing brands. Our proposals consider synergies not only with our brand stores, but also with the entire sales floor, striving to uplift the entire commercial facility.

Communication between the brand and the developer is extremely important, even after opening stores. To this end, we observe customer flow together and hold discussions with both parties to determine the desired direction of sales floors. Take for example LAKOLE, a growing brand making active efforts to open new stores. We had to modify fixtures and displays countless times before reaching the current store format. Development sales members listened to the opinions of the developers and provided feedback to the brand and the rest of Adastria for revisions. The design team of our division also incorporates this external feedback in extensive discussions with brands on what value the brand wants to provide. The team then alters designs accordingly. This earnest communication supports Adastria's strength in our ability to make corrections.

We feel a sense of urgency and excitement each time we open a new store, even with our track record of nearly 1,500 existing stores. Different store frontages and forms provide original looks to each store, even if brands and products are the same. The Store Development Division values each and every store and commits to striving for the joint growth of Adastria brands and the commercial facilities that are home to our store locations.

Our Strengths and Capabilities

I joined Adastria with a background as a financial systems engineer, with experience in major apparel companies, and global e-commerce companies. I am the leader of the new Data Intelligence Department, established in March 2024. The Data Intelligence Department is responsible for business intelligence (BI) and data analysis, with a team dedicated to each role. The BI team maintains data infrastructure, prepares reports and financial records, and ensures their effective use. The team also maintains self-service BI and provides training to enable business division personnel to access, analyze, and report required data on their own. Adastria not only adopts a multi-brand strategy with numerous brands, we also internalize various functions ranging from production to logistics. Self-service BI is the best way to ensure we respond flexibly to meet the diverse data analysis needs of our different brand sizes, stages, and departments. Self-service BI eliminated the need for brand managers to spend 30 minutes each week managing data in Excel, allowing managers to simultaneously save time and improve data in certain cases.

There are numerous factors in maintaining this type of data analysis environment that are only understood by those familiar with the frontlines, making it important to collaborate with the business units involved in such work. We strive to communicate thoroughly with brand managers to understand what data they intend to use, their objectives for such data, the trends they wish to pursue, and their desired actions. In this way, we are committed to working together with brand managers

through trial and error, supporting their efforts to improve data analysis accuracy. Our role spans from conducting analyses to receiving feedback and taking responsibility for the actual results. We resolve to halt any analyses promptly that do not lead to action. Our in-house data analysis has a profound influence on these roles, and I believe that our corporate culture of fostering open communication across departments is a strength of Adastria.

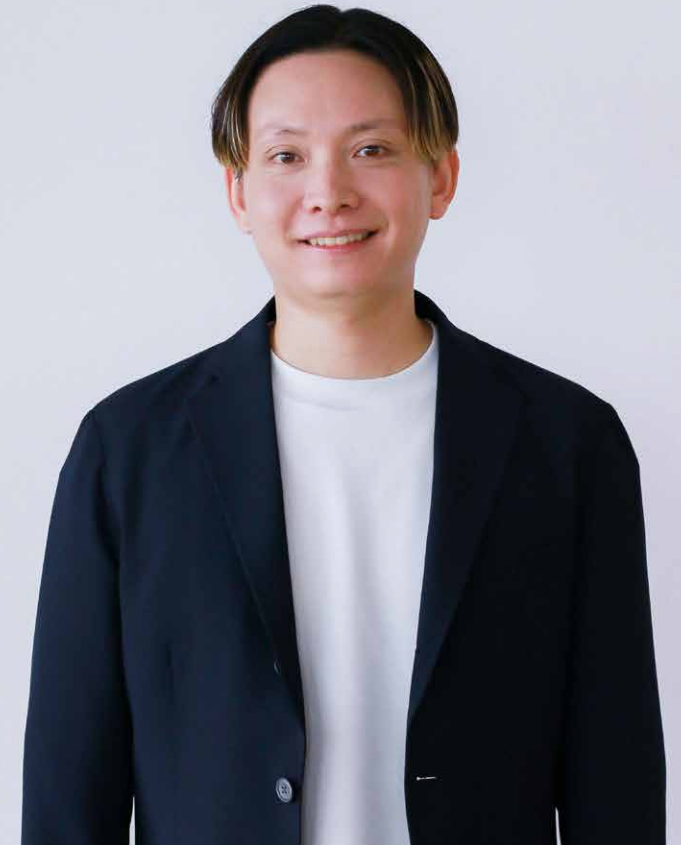
The data analyses team creates predictive models that use AI and machine learning and encourages the use of generative AI in our business. We already implemented generative AI and machine learning to optimize inventory replenishment from distribution centers to each store. While inventories for each store area are automatically ordered, we optimize the recommended value standards using AI demand forecasting. We adopted this approach with multiple brands, changing the model for each brand in line with our multi-brand development and successfully reducing shortage rates and shortening inventory weeks. We are also running a trial system that optimizes logistics staff shift arrangements based on demand forecasts to solve labor shortages at distribution centers. We recently applied generative AI and machine learning to predict member visits to the *dot st* Store, an experimental OMO Model store. We implement various measures at the *dot st* Store due to its high member purchase ratio, ensuring we stock items saved to the favorites lists of members likely to visit the store to reduce opportunity loss.



Digital Solution Division

Supporting business growth acceleration based on our *From-the-Frontlines* digital strategy

Hiroki Kai Chief Manager



Another exemplary measure we are focusing on is the personalization of our *dot st* e-commerce website. Here, we strive to make personal recommendations to customers outside their favorite existing brands as members age and go through different life stages, recommending other brands that may better fit their current preferences.

The digital strategy of Adastria focuses on our *From-the-Frontlines* approach. At the same time, this strategy generates new initiatives through collaboration with

internal specialists with experience at other companies, like myself. Our possibilities for data utilization are expanding greatly as we collaborate not only within the company but with other companies as well. I am committed to creating new value across divisions and companies and supporting the acceleration of digital business growth.

Our Strengths and Capabilities



Encouraging free thinking among our staff to make dot st an enjoyable community

Megumi Kawamura Senior Manager



I joined Adastria in 2012 as a digital promotion planner from a web advertising agency, where I was in charge of managing the social media, LINE, and online advertising for the brand. At the time, PR relied heavily on large advertisements featuring celebrities wearing promotional items, as magazines were still the mainstream medium for apparel industry promotions at that time. Even back then, the Company began taking on various challenges in the digital field from an early stage. In 2014, we decided to launch our own e-commerce site, dot st, in which I became involved in planning the features, services, and promotions.

A major catalyst behind the growth of dot st was the STAFF BOARD, which launched in 2018. I have been involved in site operations, sales management, and

the establishment of staff training and evaluation systems as a marketing leader since the early stages of the STAFF BOARD. Although we previously posted outfit coordination from the staff of each store, we noticed that as Instagram became more popular, more customers began making purchases based on the posts from individual staff members. In response, we decided to release styling content leveraging the communication abilities of individual staff members. We first debated within the company regarding ways to promote products through individual staff members, since Adastria emphasizes teamwork and sets sales indicators for each store rather than for individuals. However, we observed favorable responses from customers as well as an increase in staff motivation.

We started off using external tools to operate STAFF BOARD, but now we use tools developed within Adastria, focusing on offering sufficient functions and speedy development in consideration of future expansion. We also designed internal performance measurements and evaluation indicators, and are considering full-scale future expansions to overseas branches.

The STAFF BOARD evolves constantly to ensure enjoyable customer visits to dot st and to provide value beyond shopping. Ideas such as these are often born from company staff. Last year, we launched a new service to sell the personal clothing of our staff members. We began planning this initiative focusing more on the aspect of reusing clothing, but we received a great deal of positive feedback from customers regarding the ability to purchase used clothing from our trusted staff. Such feedback led us to realize that the staff provided a higher emotional value than the functional value of this service. STAFF BOARD members also provide proactive feedback to our head office management team to voice customer opinions. We strive to give each staff member more freedom rather than set stringent rules. The new ideas generated from staff members' desire to please customers are a valuable source of ideas in marketing. We aim to form a team that enables staff members to converse freely with us as our colleagues working together to create the STAFF BOARD.

We also created the Hall of Fame system in response to the recent influencer trends among individual staff members. The Hall of Fame system

Revised Incentive Program
Revised March 2023

Analysis Tools
December 2022-
Introduced Social Media Analytics
Installed on the personal smartphones of approximately 1,500 people

Support for Staff




Seminars by Hall-of-Fame Staff
One-to-One Online Training
Conducted by a Nine-Person Team: 120 Participants

highlights the top staff members in terms of STAFF BOARD sales and the number of customers attracted via personal social networking sites. Selected Hall of Fame staff members go beyond brand frameworks to engage in numerous PR activities, including in-store events and product creation. We also involve these members in the training and education of the next generation of staff and establish a support system that offers consultations to staff members. Consultations range from photography, social media posting methods, and other technical aspects to smaller issues as well. These measures allow us to foster the next generation of influencer staff candidates. I think Adastria is unique for transcending the boundaries of brands and companies to involve the entire group in this project.

We plan to connect the STAFF BOARD with not only the Adastria Group, but also with companies that have launched stores on dot st and other external parties. I am committed to supporting each individual as we work toward a future where staff members leverage their individuality to build stronger relationships with customers and naturally create enjoyable communities.

Overseas Strategy (1)

We aim to achieve growth overseas through strategies tailored to the characteristics of each region.

Region		Strategy	75th-Period Initiatives
 <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Greater China</p>	Mainland China	To match the characteristics of a large and highly competitive market, we establish brands through investments in large-scale flagship stores. We then seek to monetize brands within a region through a channel mix that encompasses satellite stores and e-commerce. We continue to monitor the consumer environment in the market, aiming to expand the business regions covered.	<ul style="list-style-type: none"> ▶ Priority on reducing loss; cautious approach to opening new stores ▶ Expand e-commerce sales channels
	Hong Kong	We are increasing profitability by effectively managing local staff operations and optimizing the current store network. In addition, we launched our own e-commerce site, <i>dot st</i> , and started e-commerce development. In cooperation with a logistics subsidiary established in mainland China, we are building an inventory-free e-commerce system that delivers goods from mainland China without keeping inventory in Hong Kong.	<ul style="list-style-type: none"> ▶ Continue to open new stores ▶ Expand the number of brands in our e-commerce channel
	Taiwan	Taiwan, like Japan, is a market suited to a multi-brand strategy, and we plan to accelerate store openings by selecting brands that have not yet opened stores in Taiwan and that have yielded favorable responses in market surveys. We have also been upgrading our systems for growth and have begun utilizing STAFF BOARD.	<ul style="list-style-type: none"> ▶ Continue to open new stores (24 stores) ▶ Launch a Taiwanese version of STAFF BOARD
	U.S.	In addition to our wholesale business, we intend to grow our directly managed businesses, focusing on the local brands of Velvet, a company we acquired. The engagement of Velvet has boosted our product appeal, and our contribution of e-commerce expertise and web marketing has increased e-commerce conversion rates.	<ul style="list-style-type: none"> ▶ Expand directly managed businesses and online shopping sites ▶ Test market the LAKOLE business
	Southeast Asia	Meanwhile, we are preparing to open stores first in Thailand and then in the Philippines. Additionally, since there is not yet an oligopoly in the clothing e-commerce market, we are hurrying to establish e-commerce with the intention of establishing a mall presence.	<ul style="list-style-type: none"> ▶ Open a second store in Thailand ▶ Establish a local subsidiary in the Philippines and open a first store



Leveraging Successes in Taiwan to Expand the Adastia Brand Around the World



Lin Hsin-Yu

General Manager International Business Division South Asia Business Department;
Representative Director and President, Adastia Taiwan Co., Ltd.

I joined Adastia Taiwan in 2004, and after working in systems, merchandising at LOWRYS FARM, sales management, and store development, I was appointed as head of the Taiwanese subsidiary seven years ago. Beginning this fiscal year, I became deputy executive general manager of the Overseas Business Headquarters. I am also responsible for mainland China and Hong Kong, in addition to Taiwan.

As the head of our business in Taiwan, I engaged with many challenges to grow the business and increase the Adastia presence. And while the Taiwanese market does not see as many new brands as Japan, new facilities have been opening over the past several years, and commercial developers are looking for new brands. Adastia continued to open new stores and unveil new brands, even during the COVID-19 pandemic. Adastia rolls out two to three

new brands every year. This multi-brand strategy adds new brands on top of already-solid existing brands, serving as an Adastia strength in Taiwan as well. This year, we plan to open a new LAKOLE store. LAKOLE integrates easily into daily life, offering good quality at reasonable prices. We expect Taiwanese customers will be quite satisfied with the products.

We are also upgrading our e-commerce site, *dot st* Taiwan. As of right now, we have approximately 800,000 registered members. STAFF BOARD is up and running, although the current content is posted by Japanese staff. But we are in the process of training here to feature posts from Taiwanese staff. As e-commerce grows, the accuracy of test marketing for new brand launches continues to improve. Other new challenges include the launch of food and beverage businesses and household goods at the niko and ... flagship store. Differences in laws and import restrictions presented some challenges, but we resolved the issues with support from Japan.

Our focus this year is passing on the expertise and experience we gained in Taiwan to other locations.

Of course, regional business practices and customer preferences differ in certain respects among cities in mainland China and Hong Kong. But the importance of customer service skills and other factors remain common across regions, and we believe there is significant room for human resources development to contribute to sales growth.

We also plan to use online tools and share training programs that have been effective in Taiwan with other areas. On top of these efforts, we will take individual measures tailored to the characteristics of each region. For example, Hong Kong has higher rents than Taiwan. Since



Adastia Taiwan Co., LTD receives MVP award at FY2023 Adastia Group store manager meeting

e-commerce growth is more important in Hong Kong than Taiwan, we are sharing our expertise in e-commerce operations based on our experience in Taiwan.

Smooth communications with the head office in Japan is one key behind the success of initiatives in Taiwan. Brands work with our Taiwanese staff to consider product development that fits the Taiwanese market. This communication allows us to localize products while maintaining the brand's worldview and providing the same buying experience in Taiwan as in Japan. DX and marketing departments in Japan provide their full support for e-commerce and STAFF BOARD implementation.

The driving force behind my own initiatives to date has been my love for Adastia as a company. The breakthrough of the Taiwan business owes much to the highly motivated staff, especially those who have been at Adastia Taiwan for a long time. Every industry in Taiwan faces a very serious shortage of labor, making it difficult to hire new workers. We endeavor to raise awareness of Adastia in Taiwan to show how excited and passionate we are about our work, and that newcomers will also find Adastia to be an attractive place of employment. We look forward to leveraging Adastia's strengths and expanding our brands around the world.

New Business: BtoB Business

Adastria strengthens our BtoB business to expand business-to-business foundations, striving to provide value to users and expand our user base by uniting businesses. We create value by connecting the users of each company to form communities.

CONCEPT

The Adastria Group strives to co-create value with customers, valuing communication with our customers as we embody our goal of becoming a Good Community Co-Creation Company.



Lifestyle Creation

- Uniform design and production
- Space design and production
- Product design and production
- Licenses



Adastria makes full use of our production, material development, and product planning capabilities to develop uniforms, collaborating with uniform manufacturers to create uniforms of higher quality. We also make tailored proposals to meet a wide range of customer needs by leveraging our store development capabilities as well as the product capabilities and brand names that are unique to us as a lifestyle brand. Our proposals range from interior supervision and spatial design for residential and office common spaces, to product development, licensing, and promotions. Adastria is committed to responding with cutting-edge technology and sensibility, based on our fashion perspectives and knowledge gained through collaboration.



Retail Production

- Support for all retail processes
- Clothing and sundries production for general merchandise stores (GMS) and convenience stores (CVS)



Adastria communicates with customers through the front lines of the media, with over 40 brands and more than 1,500 sales floors in Japan and overseas. We commit to our client company sales through continuous proposals utilizing our diverse knowledge and front-line correction skills. Adastria aims to enhance mutual value with our clients through our unique capabilities. These capabilities include a wide range of experience and resources, including merchandising proposals, visual merchandising (VMD) and standardizing, retail media, and sales promotion communications.



Opening Our E-Commerce Site *dot st* to Other Companies



Our e-commerce site, *dot st*, is the second largest privately-owned fashion retailer e-commerce business in Japan. We leverage our strong ties with our members to open our customer base to corporations, using *dot st* as a web platform for a variety of companies that market items other than clothing. Adastria is committed to utilizing *dot st* to play a central role in supporting stronger ties between customers and participating companies, striving to create good communities through co-creation with participating companies.

New Business: M&A Strategy

Strengthening *dot st* and Accelerating Overseas Business as Key Areas in M&A

We clarify our investment criteria and establish high investment standards, aiming to improve corporate value and achieve our mission *Play fashion!*.

Investment Criteria

- 01 Contributes to the achievement of each goal of the medium-term management plan
- 02 Operating profit margin before goodwill exceeds 8% in 5-7 years
- 03 Positive current valuation using WACC

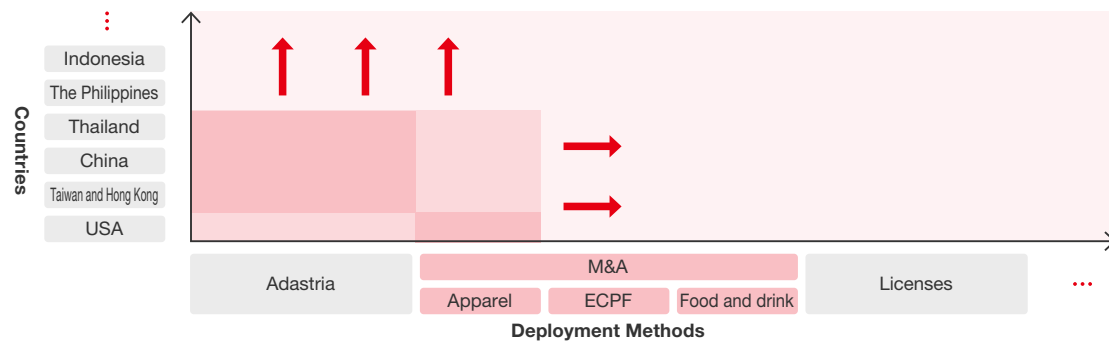
Strengthening *dot st*

▶ Conduct M&A to grow our brand portfolio and expand business domains for a broader customer base



Accelerating Overseas Business

▶ Expand our countries of operation, business, and business models through M&A



Further Growth Through M&A

Adastria acquired all shares of our wholly owned subsidiary TODAY'S SPECIAL Inc. from WELCOME Co., Ltd., which owns both TODAY'S SPECIAL and GEORGE'S.

- Acquired two strong brands in general merchandising and expand product lineups to expand the lifestyle category
- Plan to leverage the two unique perspectives of the brands to launch sales at *dot st*; increase the EC sales ratio

TODAY'S SPECIAL

TODAY'S SPECIAL is a food and lifestyle store that offer discoveries that make today special and the joy of giving seasonal gifts.



GEORGE'S

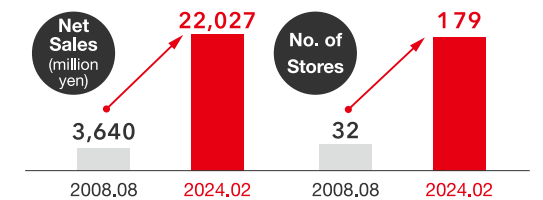
WELCOME TO OUR HOMESTEAD
GEORGE'S is a store that offers a wide range of products from daily necessities to gifts from the heart.

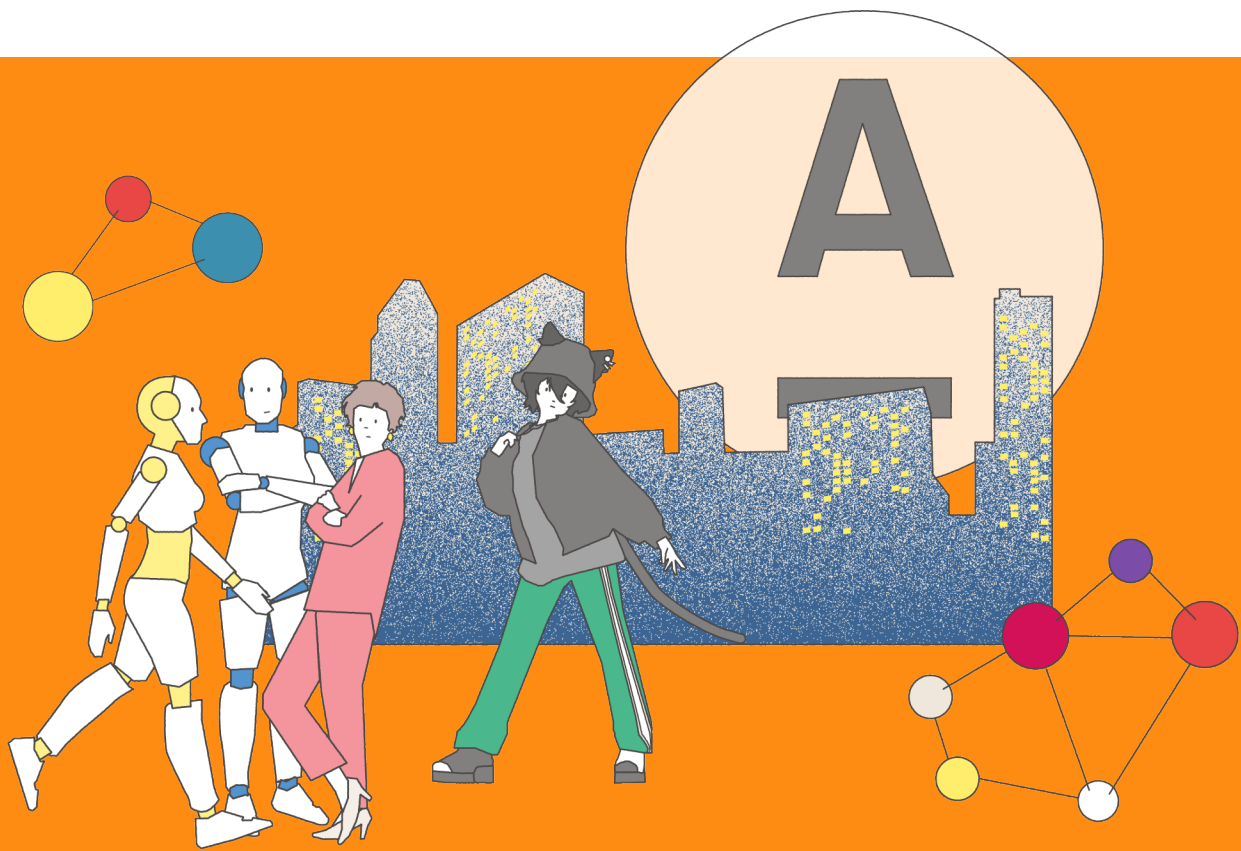


Prior M&A

We acquired studio CLIP, a lifestyle brand of sundries and clothing, in 2008 to expand our natural lifestyle sundries category. After acquiring the company, we leveraged the store development capabilities, logistics, production background, and business expertise of Adastria to accelerate growth. Brand revenues grew from 3.6 billion yen to just under 10 billion yen in five years, and we project sales to reach 22 billion yen in the following 10 years.

Post-M&A Growth of studio CLIP





HUMAN CAPITAL MANAGEMENT



DIRECTOR

MESSAGE

From the Directors

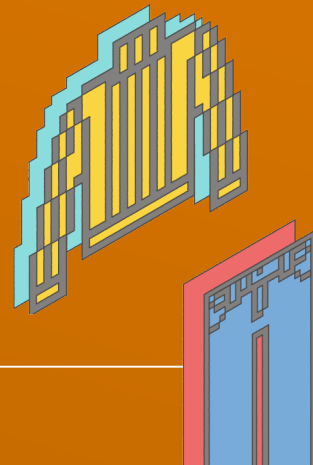


Diverse Human Resources Spreading the Idea of Good Community

Taiki Fukuda

Senior Managing Director

Even before the term *human capital management* was coined, Adastria was a company that grew together with people by believing in their abilities and entrusting them with tasks based on the corporate philosophy, *Be a person needed*. We believe we can achieve *Play fashion!* and *good community* when individuals become a person needed, working hand-in-hand with others.





2024's GOALS

Our Mission is to Raise the Adastria Corporate Value, Communicating the Value of Adastria Correctly to the Market



Record-High Revenues and Operating Income Aiming to Achieve the Goals of the Medium-Term Business Plan

In this milestone year of our 70th anniversary, we posted record revenues and operating income of 275.5 billion yen and 18 billion yen. We owe this result to our employees, who worked together and continued to make new attempts in the face of headwinds, including a historically devalued yen and high costs. These results have given us great confidence.

We are on track to achieve the revenues and ROE promised in the medium-term management plan. However, we still have a ways to go to achieve higher operating income, as we make upfront investments in new businesses and raise employee salaries. We endeavor to raise retail prices while reducing costs through the use of internally developed materials and ASEAN-based production. At the same time, we aim to create a stronger organization for the fiscal 2025, which is the final year of our medium-term management plan.

Pursuing Dialogue With the Market by Riding in the Same Boat With Shareholders, Striving to Enhance Corporate Value and Increase Shareholder Value

The main topic in Board of Director discussions is enhancing corporate

value. We established a structure in which we invite people with diverse backgrounds, including top executives of publicly traded companies, to serve as outside directors, sharing frank opinions and helping make decisions considering share prices and the cost of capital. In addition to deliberating proposals, Board of Directors meetings devote time to open discussions for active opinion exchange on medium- and long-term initiatives from mutual perspective. This format reflects the Adastria value of free and open communication. We have adopted measures from the viewpoint of the shareholder. These measures include linking executive compensation to total shareholder returns (TSR), setting a minimum dividend over the period of the medium-term management plan, and continued dividend increases. While we have yet to be recognized by the market, we feel we have achieved a certain level of success. For example, year-on-year TSR gains have far exceeded that of TOPIX.

Frankly speaking, however, management feels that the current PER does not value Adastria appropriately. For this reason, our chairman and president have made it their personal mission in recent years to raise the corporate value of the company, emphasizing the importance of communicating the Adastria value correctly to the market. We also doubled the number of meetings with investors, including overseas IR activities, increasing opportunities for management to speak directly to shareholders. The Board receives reports and discusses the feedback received at such meetings to incorporate these ideas into management.



Of course, management must interact directly with the market. At the same time, we believe management and our IR team must communicate closely with each other to ensure the effectiveness of our dialogue with the market. We are also seeing more frequent coverage in the media. We aspire to increase Adastria fans through skilled communications, and we aspire to raise the value of our stock by linking public relations and investor relations. In addition to continuing to hit our ROE target, we also aim to



improve PER through dialogue with the stock market for higher price-to-book value ratio (PBR). As a shareholder myself, I am committed to doing my best as a person riding in the same boat with shareholders, sharing their perspective.

Engaging in Human Capital Management, Focusing on Career Advancement for Women

Even before the term *human capital management* became a buzzword, we wanted staff to come work for us because of our people and our products. We created *Play fashion!* by believing in our people and entrusting them to do the work. Behind this is our corporate philosophy, *Be a Person Needed, Be a Company Needed*, inspired by the words of our founder, Tetsuzo Fukuda.

We believe that being the *Good Community* of our company vision will come about when every employee acts as *person needed*, doing what needs to be done and working with freedom. We believe it is important that

staff want to build our future together, create new types of businesses, and work with certain types of other companies.

The STAFF BOARD is one example of our efforts in natural human capital management. The STAFF BOARD content on our e-commerce site demonstrates how investment in people links directly to business results. As of today, more than 4,000 staff members act as in-house social media influencers and post information online. We continue to invest in making the STAFF BOARD an even more active, self-contained community. We also focus on incentive plans and training of the next generation, ensuring staff from diverse backgrounds, including employees raising children or those who joined the group through M&A, want to continue working for Adastria.

As we pursue contributions from diverse human resources, we place particular emphasis on creating opportunities for women to play active roles. Nearly 75% of our employees are women. Our current ratio of women in management positions, at 35%, is still not high enough. Our biggest regret is that we have not promoted more women to play active roles in the company. We are in a progressive phase of promoting more females to positions as department heads. I believe these women will serve as a model for the further promotion of women to senior management positions.

Business is Sustainability and Vice-Versa Concrete Steps Toward Short- and Long-Term Goals

In March 2024, we established the Sustainability Management Office to extend our activities on a company-wide basis, and to communicate internally and externally our determination to pursue sustainability

management. We do not view sustainability efforts as a cost, but rather a necessity for the continuation of our core business—sustainability is business, and business is sustainability. As diverse human resources join hands to expand our *Good Community*, we will continue to advance sustainability initiatives.

We identified and set KPIs for three specific topics: environment, people, and community. The deadline for certain areas, such as the percentage of women in management positions, will soon be due. We intend to be open about what we achieved and where we failed, moving quickly to set and work toward the next goals.

We teamed with NTT Data to install a system for visualizing CO₂ emissions toward our goal of becoming carbon neutrality by 2050. Using this system, we monitor CO₂ emissions in a timely manner and by department, category, and product, making it easier to take steps to reduce emissions. We are also looking at applying for SBT*¹ certification.

Our activities have already received recognition from outside entities. Examples include a B score in CDP*² and an AA score in MSCI*³. However, we hope to advance further as a *company needed*, in line with our corporate philosophy. While seemingly glamorous, the fashion industry encompasses a variety of social issues. As a leading fashion company, we are ready to be an example of sustainability in the industry.

*¹ Corporate greenhouse gas emission reduction targets consistent with levels required by the Paris Agreement

*² An international non-profit organization offering a global system for corporate and municipal environmental information disclosure

*³ Global assessment index related to ESG investment by MSCI of the U.S.

Human Capital Initiatives

Basic Policy on Human Capital Management

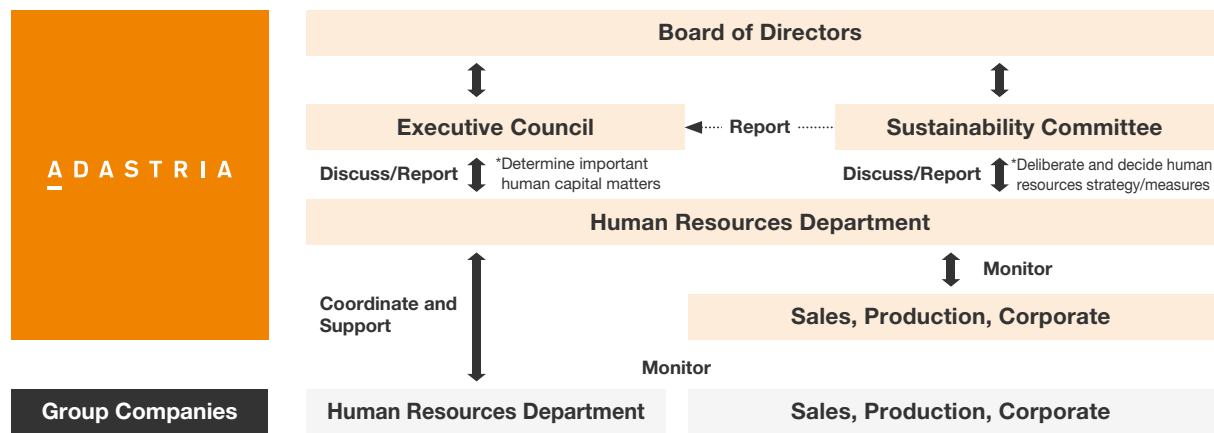
To grow to the next stage in this changing market, we must not only reform our management and business model, but also prepare human resources and an organization to achieve this reform. The strength of the Adastria organization lies in teamwork—colleagues coming together to share and multiply experience, knowledge, and ideas to create new value. Even as the size of our company expands, we strive to improve our organizational capabilities through close departmental coordination.

We strive to raise job satisfaction and performance through environments in which each employee experiences personal growth. We aim to realize our mission, *Play fashion!*, each person taking on challenges without fear of failure, enjoying the process of change, and becoming a *person needed*.

Governance

The Board of Directors, Executive Council, and the Sustainability Committee discuss important human resources strategies and measures as management issues to tie management strategy to human resources strategy. Our human resources department is responsible for groupwide human capital management. This department works with other departments and group companies to amplify human capital through a cycle of monitoring, evaluation, and progress verification.

Human Capital Management Framework



Human Capital Initiatives

Strategy

The Adastria Group emphasizes diversity and creates environments in which employees take on challenges without fear of failure, encouraging every employee to create new value. To support the personal growth of our employees, we continue to invest in human resources and strive to develop everyone as a *person needed*, as stated in our Corporate Philosophy.



Every individual who works at Adastria creates new value based on *Play fashion!*



Supporting the growth of diverse personalities and making each shine as a *person needed*.

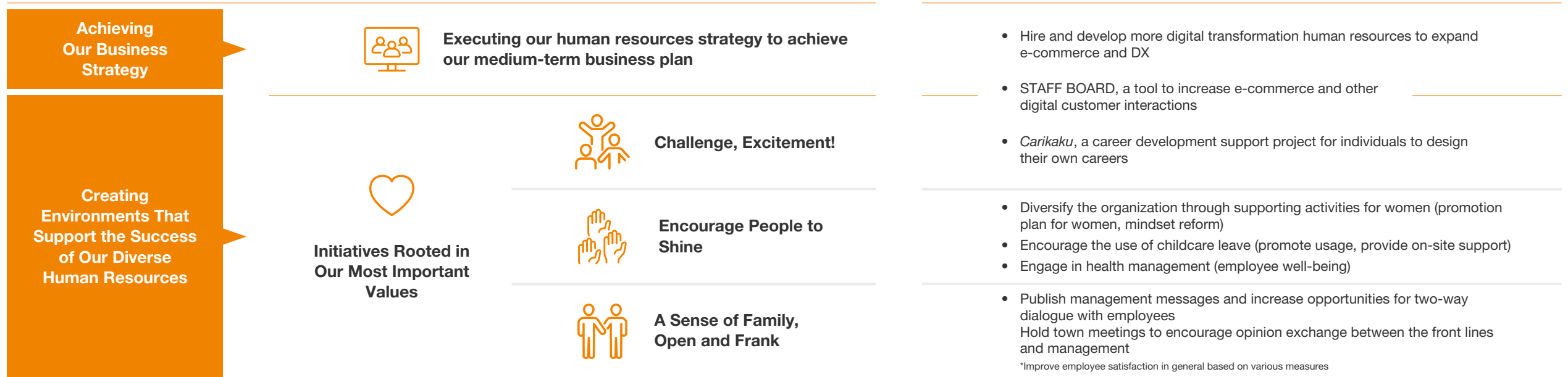
Indicators and Targets

The Adastria Group engages in measures to create environments that support the success of our diverse human resources and to achieve business growth. The indicators and targets of these priority measures are as described below.

[Human Capital Initiatives](#) Refer to pages 20 through 26 of our annual securities report for the fiscal year ended February 29, 2024.

Human Capital Management

Priority Measures

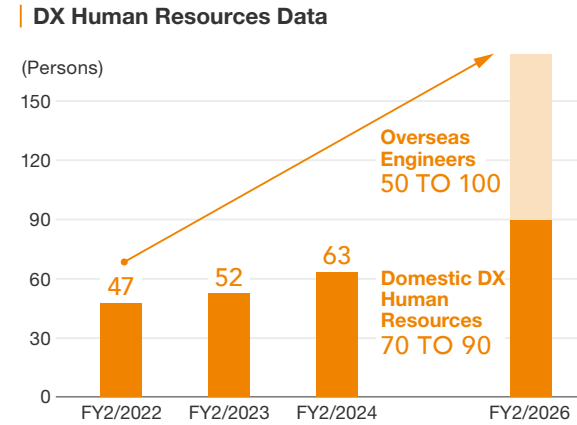


Human Capital Initiatives

Achieving Our Business Strategy Executing Our Human Resources Strategy to Achieve Our Medium-Term Management Plan

Hiring and Developing More DX Human Resources to Expand E-Commerce and DX

Digital transformation (DX) supports Adastria Group growth. To accelerate our transformation, we established the DX department as a specialized department reporting directly to a director. We are recruiting, training, and retaining talented people who are well versed in digital technology and data use. In addition, we are building a DX implementation framework to foster competitive advantage, leveraging alliances with domestic and overseas business partners, strengthening collaboration with startup companies, and actively utilizing the side job system. Adastria aims to recruit between 70 and 90 domestic DX human resources and between 50 and 100 overseas engineers during fiscal 2025.



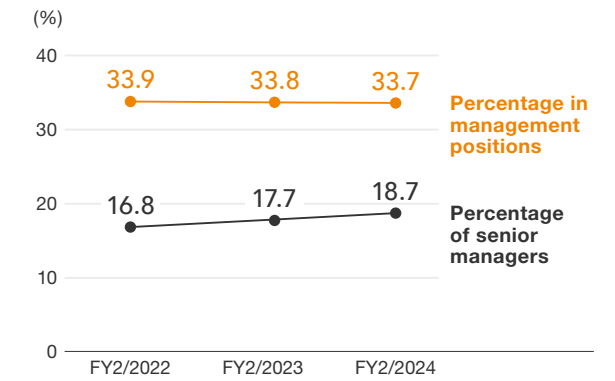
* Overseas engineers include engineers at partner companies.

Creating Environments That Support the Success of Our Diverse Human Resources

Diversifying the Organization Through Supporting Activities for Women

Women account for 83% of store employees and 57% of our headquarters employees. The contributions of these women tie 100% to the success of our business activities. Approximately 80% of our products are for women, and we leverage women's sensibilities to provide products, services, and new value that meet diversifying needs. We implement a number of measures toward achieving a female management ratio of at least 45% and a senior management ratio of at least 30% by the fiscal year ended February 2026. These activities include cultivating female candidates for executive positions and encouraging more active discussions, as well as changing management perceptions.

Promoting Career Advancement for Women Data



* Domestic group companies excluding zetton inc.

Creating Environments That Support the Success of Our Diverse Human Resources Challenge, Excitement!

STAFF BOARD, a Tool to Increase E-Commerce and Other Digital Interactions

In 2018, Adastria launched STAFF BOARD on our e-commerce site, dot st. STAFF BOARD is a section where staff members offer suggestions on apparel coordinates. Annual purchases by customers who follow staff on STAFF BOARD are 2.5 times the level of customers who do not follow staff on STAFF BOARD. We regard every staff member as human capital, and we strive to create environments in which staff members feel confident in taking on the challenge of expanding contacts with customers. We use an incentive system, the social media-specific analysis tools, and improved training systems to this end.

	FY2/2019	FY2/2022	FY2/2023	FY2/2024
Number of STAFF BOARD content creators	449	3,920	3,990	4,098
More than 100,000 followers	0	0	5	11
More than 50,000 followers	0	4	8	13
More than 10,000 followers	11	56	63	74
Total followers	0.48 million	3.4 million	5.73 million	10.35 million

* Number of followers: Total of followers on STAFF BOARD, Instagram, TikTok, YouTube, and other social media.

Creating Environments That Support the Success of Our Diverse Human Resources A Sense of Family, Open and Frank

Publish Management Messages and Increase Opportunities for Two-Way Dialogue With Employees

We value two-way dialogue between management and employees. We hold town meetings where management visits each region to share our corporate philosophy, mission, business plans, etc. At these meetings, employees have the opportunity to talk directly with management, who listens to employee challenges actively, takes requests for improvement, and implements improvement measures promptly. We aim to maintain an overall satisfaction rating of 4.0 or higher (5.0-point scale) in our employee satisfaction survey. To this end, we strive to enhance the sense of family and open, frank environment that is part of our positive culture. These and other efforts are designed to increase employee motivation and revitalize our organization.

Employee Satisfaction Data

	FY2/2023	FY2/2024
Overall satisfaction	4.01	4.02
Empathy with philosophy and management policies	4.24	4.28
Sense of belonging, desire to stay	4.04	4.07

* Domestic group companies excluding zetton inc.

* We have conducted this survey, with certain revised questions, for employees and non-regular workers (80 hours or more per month) since the fiscal year ended February 2023.

Human Capital Initiatives Hall of Fame Staff Interviews



INTER
VIEW

I Want Have Fun While Highlighting the Appeal of My Favorite Brands and Products to Customers

MIKU

JEANASIS LaLaport TOKYO-BAY Store

I am a staff member at the JEANASIS Lalaport TOKYO-BAY store, and I also work as an in-house influencer for Adastria. I have combined total of about 70,000 followers on the company's e-commerce STAFF BOARD and other social media sites, and am also a *Hall of Fame Staff Member* in the Adastria influencer training and evaluation system.

I started producing STAFF BOARD content about six years ago when I was working part-time. My boss

at the time suggested that I start creating content to discover my own strengths. I have always loved clothes, so putting together coordinated looks for STAFF BOARD was fun from the start, and I continued posting without ever feeling overwhelmed. In the beginning, I had about 300 followers, and my posts were more about introducing products and letting people know about me. One day, I happened to rank high in a feature within STAFF BOARD, and from there,

followers began to increase and I began to receive comments and DMs. At first, it was questions about products and inventory, but more people are becoming interested in my lifestyle. Through communication with my followers, I think the range of my posts is expanding gradually and the connections are becoming more meaningful. In the past, a follower traveled some three hours from another prefecture several times to visit the store where I worked. It was an invaluable experience, and now that person works as a staff member in JEANASIS. I was happy to hear that they are thriving in their job.

We also receive generous support for our STAFF BOARD and social media activities from the *dot st* Business Division and the brands. Not only does this support give us a chance to increase our followers through various projects, including giveaways and professional photographs of pre-order items, but the whole experience is very enjoyable. Sometimes, I'm even asked to plan products and travel to domestic and international events for new store openings, which is an enormous motivation.

My work responsibilities now include STAFF BOARD training, and I try to help each staff member learn their own communication style. The first and foremost step in increasing followers is consistency. While STAFF BOARD has a content creator ranking, Adastria doesn't impose

personal sales targets, and there are no mandatory numerical targets, such as the number of social media posts. The freedom leads to an environment in which everyone must do their own best. I support the staff under me by taking photos with them, conducting Instagram lives, and helping them be consistent in posting. It's a rewarding experience when a customer sees a post on social media and comes to the store to meet you. I help staff create that type of cycle. I also believe it is important to present a consistent persona. For example, I like monotone, casual, and simple. By posting these combinations consistently without changing taste, I create a solid relationship with those people who follow me because they like the same looks. I have been happy to share my experiences and see other staff members grow and see the results in numbers. I might be even happier than seeing my own accomplishments.

Other avenues are available to influencers, including freelancing, but my core desire is to share my love of the JEANASIS brand and the appeal of the products. A good thing about being an influencer at Adastria is the connections with customers in-store and on social media, not to mention the freedom to try new things. I hope to continue enjoying sharing the appeal of the brand and Adastria to customers who have become Adastria fans.



ESG

ESG SESSION

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

A Shared Future of Sustainability Through the Fashion Business

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

Christine Edman
Executive Officer Sales Division,
EC Promotion Division
ZOZO, Inc.



Tomoko Fukagawa
General Manager
Sustainability Management
Office, Administration Division
Adastria Co., Ltd.



Sustainability Policy as a Source of Business Activities — Creating a Positive Impact on Society and the Environment —

— What is the role of sustainability in corporate strategy?

Christine In April 2021, ZOZO published our sustainability statement, *Fashion Connects and Leads us to a Sustainable Future*. Even before we formulated the statement, community contribution and other sustainable activities were already deeply ingrained in our DNA. We reiterated and visualized our stance through four key actions. Every ZOZO location is engaged, most significantly in Chiba City, where we have our head office.

Fukagawa I think ZOZO and Adastria are similar in terms of the

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

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

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



Information Disclosure to Determine Direction and Serve as a Guide for Individual Action

– What is your approach to strengthening governance and corporate information disclosure?

Christine ZOZO has always been conscious of soundness and transparency in management. Last June, we transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee to strengthen our governance structure further.

Our Board of Directors consists of people from diverse backgrounds. Six of the 11 directors are outside directors, and five are women. This structure encourages concrete discussions.

Fukagawa We transitioned to a company with an Audit and Supervisory Committee in May 2024. We move forward under this structure to improve corporate governance by accelerating decision-making and strengthening the supervisory function of the Board of Directors.

The Sustainability Committee meets twice monthly to strengthen sustainability governance and bring together sustainability managers from every department. This approach encourages timely and

constructive discussions to resolve issues.

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

Fukagawa We continue to expand ESG information disclosure across various media and business settings. As a result, we receive an



increasing number of communication offers from financial institutions and investors. Objective feedback from outside the company helps clarify the requirements in place, which will lead to advancements in sustainable management and raise the level of our activities.

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

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

processes, and socially conscious development. We disclose information actively regarding corporate efforts that are difficult for customers to see. In this way, we not only encourage sustainable purchasing behavior, but also support other companies in their efforts, spreading the excitement of fashion.

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

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

Fukagawa We believe it is important to balance product development between added value answering customer demands for design and value and Adastria-style sustainability. Our style of sustainability pursues a shift to manufacturing that is considerate of society and the environment, while leveraging our in-house production capabilities and the characteristics of our multi-brand business approach. We aim for sustainable growth in Japan's fashion industry by working with suppliers and business partners, contributing to higher levels of sustainability initiatives across the industry.

Christine ZOZO launched a production support service called *Made by ZOZO* in September 2022. Today, we work in contract production with 31 brands* under a system allowing the manufacturing of even just a single item in our quest to solve the issue of overproduction and mass waste. We have received positive feedback from customers and brands. Since the products are made to order, customers can still buy their favorite



*As of July 2024

products, even if sold out in the storefront. Another appeal of this system is when customers make the happy discovery that they had been making sustainable purchases all along.

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



horizontally, regardless of the size of the brand. In this way, we offer products without passing on development costs in selling prices. First, we want customers to take the product in hand and see themselves happy wearing the clothes. If the item also happens to come from a sustainable background, then the happiness will double.

That's the kind of story we want to develop. Ideally, the purchase of every Adastria product will be an act of sustainable behavior.

Christine If we are going to achieve circular fashion across our industry, we'll need the help of Adastria and your many brands that are popular with young people. It would be wonderful if we could create this cycle together, using sustainable materials and processing for clothing designed from an awareness of product life cycles. Currently, our e-commerce shopping platform is the hub for ZOZO services. I think encouraging reuse and recycling will be an important part of changing customer behavior to embrace sustainability in a natural way. In the reuse business *ZOZOUSUED* is our fashion zone for brand-name used clothing,

offering secondary distribution for items traded in by customers. Through the purchase and sale of used clothing, we expand customer options and encourage circular fashion further by extending the product life of an article of clothing.

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

Christine In terms of changing customer behavior, we want to raise awareness of sustainability. In November 2022, we launched *elove by ZOZO*, content about sustainability information published within ZOZOTOWN. In addition to information on sustainable fashion, the site offers content on culture, mindfulness, and a great deal more.

We also collaborate with other companies and use technology to support behavioral change. ZOZO and Yamato Transport initiated a logistics transformation to reduce CO₂ emissions. In terms of technology, our 2020 introduction of *ZOZOMAT*, which is a mat for foot 3D measurement accurate to the millimeter, contributes to lower CO₂ emissions by avoiding product returns.



Fukagawa Adastria also focuses on DX. We pursue sustainability through DX, including the use of AI to forecast demand more accurately,

AI screening of staff feedback about unpopular products to use in product development, and using this information in Staff Voice to improve our marketing messages.

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

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

Fukagawa Human capital is essential for sustainable business growth, new innovations, and solving social issues through co-creation. Creating a flexible organization and systems in which individuals feel free to take on challenges and change without fear is as important as creating safe, secure, comfortable work environments in which employees can maximize their talents. We engage in a variety of initiatives to meet the needs of our diverse stakeholders. These initiatives include our priority in supporting the activities of women, helping men balance work and family life by encouraging them to take childcare leave, and promoting an understanding of the LGBTQ+ community. Could you share some of ZOZO's initiatives in this area?

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



Christine EDMAN

Fukagawa I agree. Creating situations in which employees, regardless of gender or title, can make the most of their abilities will ultimately lead to an increase in the ratio of women in management positions. Life and career are important elements of life. We hope to foster an organizational culture and build systems that allow people to envision their ideal future, while encouraging managers and the company to help these individuals achieve their aspirations.

Christine ZOZO is also committed to understanding and raising

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

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



Christine It is important to remember that DE&I, including women's empowerment, has broad implications for sustainability, ranging from recruitment to the way we design our products.

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

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

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



Tomoko FUKAGAWA

Sustainability Policy

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.

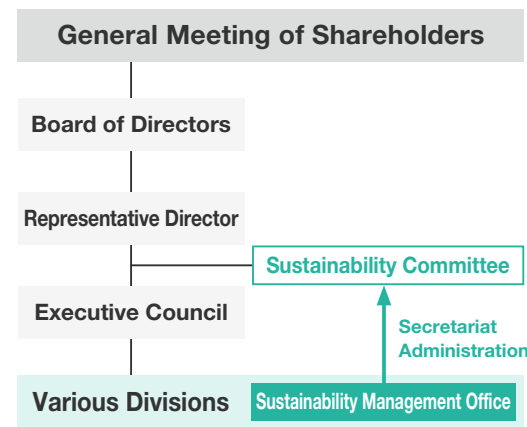
Having fun is the best way to keep moving forward



Expanding the Sustainability Promotion Structure

The Adastria Group Sustainability Policy calls for *Taking the Excitement of Fashion Into the Future*. We position sustainability initiatives as important management issues under this policy. The Group will take on the challenge of solving global issues and contribute to achieving a sustainable society and economic growth through our business activities. As part of our efforts, we established the Sustainability Committee in March 2023, aiming to further strengthen our pursuit of strategies in non-financial areas within the Board of Directors. The committee identifies materialities related to the medium-term management plan and business policy criteria, focuses on appropriate information disclosures, and reports and advises the Board of Directors and the Executive Council. In this way, the committee responds to the trust and expectations of our stakeholders. We established the Sustainability Management Office, a dedicated organization, in March 2024 to further drive such efforts. The Sustainability Management Office is responsible for formulating the Group sustainability policy and medium- and long-term goals, including climate change. The office also develops and implements strategies to resolve identified materialities and manages progress. We will continue to strengthen our Promotion structure further in the Group, increase corporate value, and demonstrate our corporate stance on facing social issues.

Sustainability Governance Structure



Collaboration With External Stakeholders

Adastria joined the [Japan Sustainable Fashion Alliance \(JSFA\)](#), created by Japanese textile companies, retailers, and recyclers. JSFA aims to pursue an industry-wide transition into a sustainable fashion industry. JSFA is an organization that understands the impact of the fashion industry on the natural environment and society and discusses collaborative solutions to common issues in the fashion and textile industries. The main activities of JSFA include sharing knowledge on sustainable fashion, collaborating to solve issues, grasping important trends in Japan and overseas, and proposing policies to address common issues within the industry. JSFA aims to achieve carbon neutrality by the year 2050 as well as zero fashion loss through appropriate production, purchasing, and recycling.

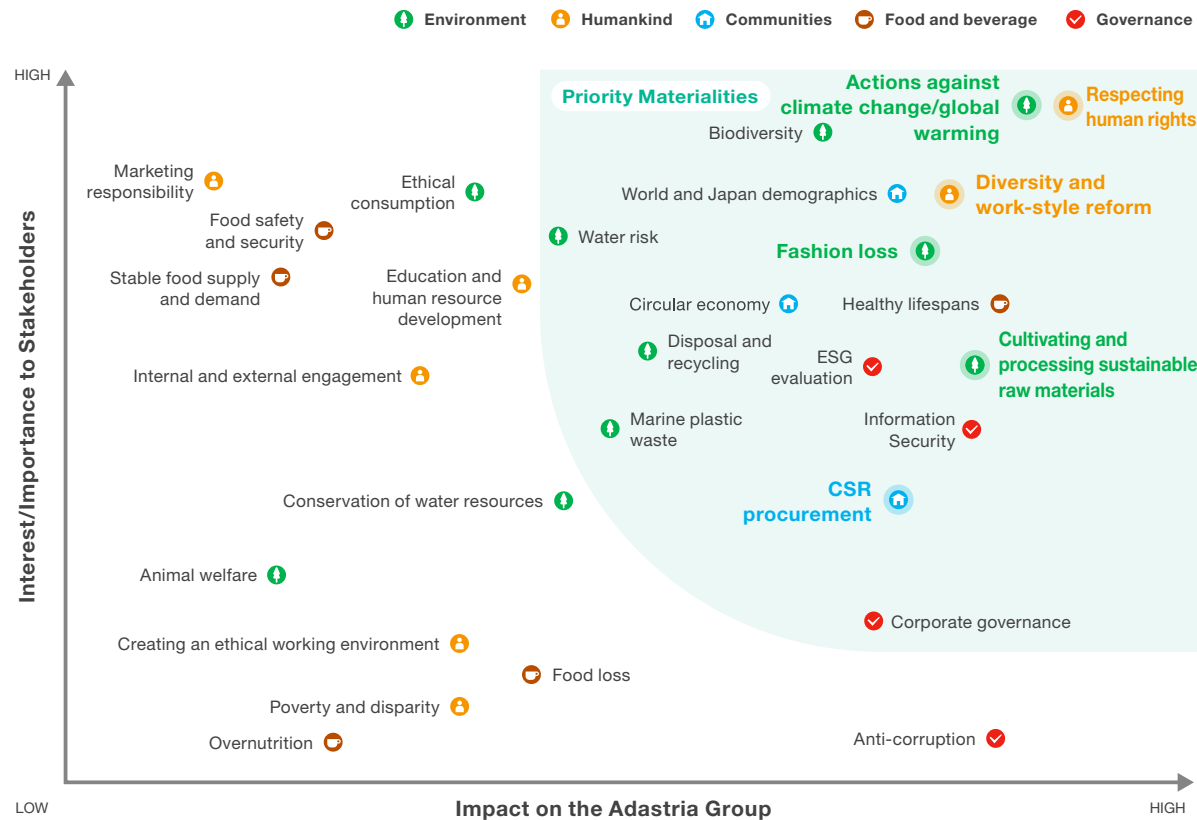


Materiality We Must Address

Materiality

The Adastria Group identifies materiality surrounding our company to contribute to solving future social issues and ensure our sustainable existence and development. Reducing greenhouse gas (GHG) emissions and respecting human rights are arguably the most urgent and top-priority issues. The Adastria Group management also recognizes other issues forecasted to pose higher future risks. Such issues include natural capital, animal welfare, and stable food supply and demand. The Group is committed to working with our stakeholders as we incorporate such issues in our management agendas and formulate response measures.

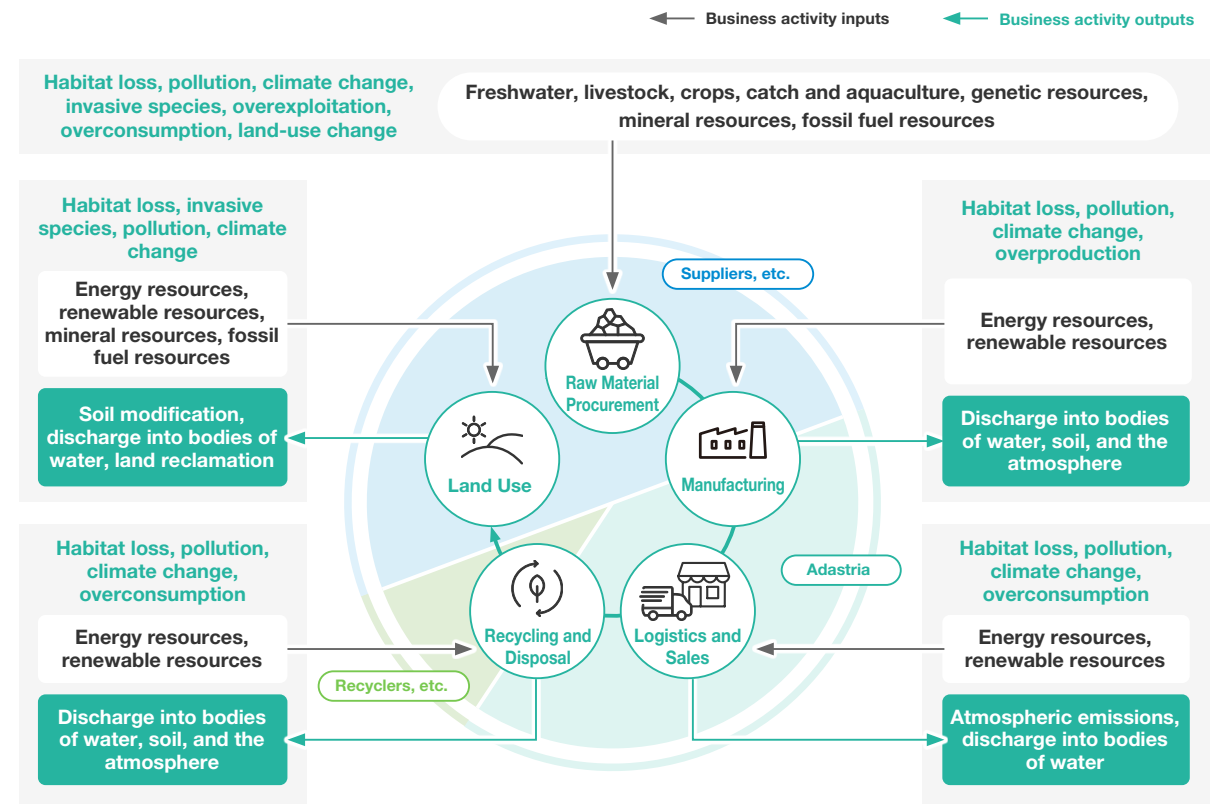
Mapping for Co-Creating Good Communities



Biodiversity and Natural Capital

Our main business, apparel retailing, relies heavily on natural capital. To this end, we are committed to business that considers not only the environment but also biodiversity in all aspects of our business activities. If we had no concern for the global environment or biodiversity, our corporate activities would be unviable and customers would stop choosing our products and services. We will take full advantage of our accumulated knowledge and new solution technologies to organize nature-related dependencies and impacts in each process of our business activities, from raw material procurement to disposal and recycling.

Relationships Between Biodiversity and Our Business Activities



Materialities and Targets

The Adastria Group defines materiality and contributes answers to social issues through business activities in the three areas: *protect the environment*, *encourage people to shine*, and *grow together with communities*. For the environment, we reduce CO₂ emissions and fashion loss by creating systems that increase productivity and efficiency. For people, we offer fashion as an accent to the fun and joy of life, ensuring mutual respect and acceptance of individuality, and creating healthy life value for body and mind. For local communities, we endeavor together with everyone involved in our supply chain to keep communities vibrant and to support our partners in producing raw materials and natural capital. These issues affect each other within the large container of the Earth. We stand ever committed to *Taking the Excitement of Fashion Into the Future* through integrated strategies and actions.

Materialities and Initiative Progress

Materialities	Vision	Group Policy/Targets	FY2023 Progress			
Protect the Environment Reduce the environmental impact of our business and make the world of fashion sustainable.	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	Number of Adastria sustainability marks attached YoY	129.5%	Encouraged the development of proprietary sustainable materials in in-house production departments (as of February 2024)	7 materials
	Balance environmental considerations with business activities	Reduce and absorb CO₂ emissions Achieve carbon neutrality by 2050	Completed calculation of GHG emissions for domestic and overseas consolidated	Up four ranks	D→B	
	Create a world without fashion loss	Zero clothing incineration Eliminate incineration of clothing inventory	Incineration of clothing inventory	0	Incineration of clothing inventory Expanded permanent collection activities to approximately 190 stores (as of August 2024)	Annual collection volume 35t
Encourage People to Shine Create an environment where customers, employees, and others look forward to each new day.	A society in which people enjoy fashion in their own way	Suggest fashion for the enjoyment of each individual	Rainbow flags expressing ALLY-ship displayed at approximately 1,200 stores in Japan	PRIDE Index Gold Rating	5th consecutive year	
	Be an organization that is healthy mentally and physically, encouraging employees in their individuality and ability	Create diverse and rewarding work environments Ensure 30% of senior management positions are filled by women by 2025, and raise the ratio of women in management positions to 45% or more	Percentage of female senior managers	18.7%	Percentage of women in management positions	33.7%
	Foster employee well-being Become a White 500 Certified Health & Productivity Management Outstanding Company	Certified for a 2nd consecutive year as a Health & Productivity Management Outstanding Company (Large Enterprise)	Established a Health Consultation Desk Hired full-time industrial physicians and full-time public health nurses			
Grow Together with Communities Create new value in collaboration with communities.	Revitalize the communities surrounding our stores	Connect with communities through fashion	Overseas growth	5 countries and regions	Overseas stores	122
	Foster sustainable development in production areas	Fair and ethical procurement Expand partnerships with suppliers, working to visualize the process leading up to production	Partnership Certification	49 factories (70% of purchases for in-house production)	Factory monitoring	32 factories/year

Engage in Manufacturing That Leads to the Future

Engaging in manufacturing that leads to the future is a vital concept we pursue when developing products. Our manufacturing is based on adopting environmentally and socially considerate materials, while also providing customers with high-quality, affordable products. Adastria leverages digital transformation and other recent advanced technologies to engage in business that takes advantage of digital solutions to achieve sustainable business growth and address social issues over the medium to long term.

Sustainability is a Key Factor in Materials Development - Balancing functionality with the environment and society by leveraging our strengths -

Air Karu is a clothing series sold by GLOBAL WORK, boasting a cumulative sales record of over 400 thousand items sold. This series pursues functional light-weight products and utilizes yarn containing RENU[®]*1, a fiber-derived recycled polyester. Such yarn contributes to reducing CO₂ emissions and water consumption in the production process. Five of our major brands also utilize Normandy Linen as a high-quality, traceable linen with excellent comfort and durability. Normandy Linen is blended with environmentally friendly rayon certified by a forest conservation organization. We strive to deliver reasonably priced, high-quality products by leveraging our in-house production capabilities and multi-brand development business characteristics.

*1 RENU[®] is a recycled polyester material developed by ITOCHU Corporation

Air Karu Series



Normandy Linen

NORMANDY LINEN

それはフランス北部・ノルマンディーからの贈り物。 家にも良い、服の中でのハズがある。

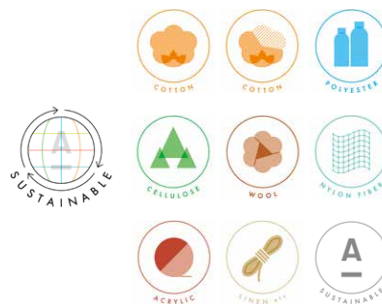
Linen	Rayon
<ul style="list-style-type: none"> High quality Ensures traceability 	<ul style="list-style-type: none"> Procured from leading manufacturers in forest conservation as ranked by forest conservation NGOs

➤ Other Developed Original Sustainable Materials

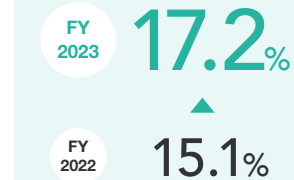
Assigning Sustainable Marks to Showcase Our Positive Contributions to the Environment and Society

Adastria strives to switch to environmentally and socially friendly raw materials and processing in over half of all our products by 2030. To this end, we formulate our own sustainability definitions and standards regarding materials, procurement, and production processes, adding our original marks to the tags of applicable products. We added two new sustainability marks in fiscal 2023, assigning marks to 17.2% of all company products. We are committed to adopting sustainable materials and processing to encourage sustainable consumption behaviors in customers.

Sustainable Marks by Materials



Mark Assignment Ratio



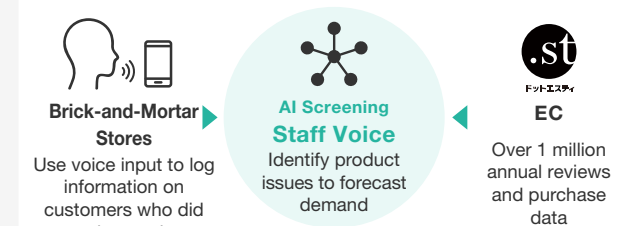
➤ Sustainable Mark Definition

TOPIC

Facilitating Digital Transformation in the Supply Chain to Shift to Increased Business Productivity

We implement digital transformation throughout the supply chain and leverages big data systematically to produce results that lead to improved productivity in a wide range of processes from product planning to production and inventory management. GLOBAL WORK analyzes customer product requests using AI, leveraging this data in product planning and marketing strategies to better meet customer needs. These efforts are expected to reduce fashion loss by improving inventory management and the accuracy of supply and demand, while also reducing GHG emissions by establishing more efficient transportation systems. We will implement digital transformation to improve group-wide profit structures resolve ESG issues throughout the supply chain.

Business Strategies Leveraging AI



Leverage AI and digital transformation to gain business opportunities and resolve ESG issues



Balancing Environmental Considerations With Sales Activities

Extreme weather and natural disasters stemming from climate change occur frequently in recent years in Japan and overseas. In response, Adastria strives to enhance management resilience by formulating countermeasures from a medium- to long-term perspective to cope with recent situations. We are committed to balancing business growth for the Company and external stakeholders with environmental considerations. To this end, we identify potential risks and opportunities in our business areas and disclose appropriate information to our stakeholders.

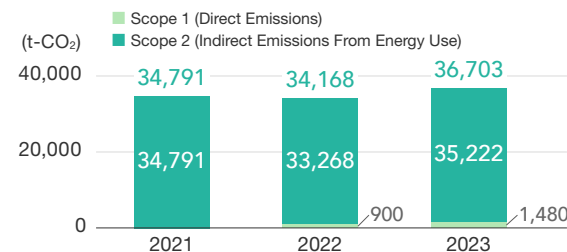
Toward Carbon Neutrality

– Expanding our scope of CO₂ emissions calculation to include overseas offices and stores –

While we previously focused on understanding CO₂ emissions primarily in our domestic business, we expanded the scope of our calculations in response to the growing scale of our overseas business. In fiscal 2023, we identified CO₂ emissions in the activities of overseas offices and stores, expanding our scope of calculation to include our direct and indirect CO₂ emissions, both in Japan and overseas. Going forward, we will cooperate with suppliers and other external parties in Scope 3 (CO₂ emissions outside of our own businesses) to improve the accuracy of emissions data and calculate the carbon footprint (CFP) of each brand and item. In this way, we strive to encourage the development of GHG reduction plans and measures throughout the supply chain.



Group Scope 1+2 CO₂ Emissions Calculated Between 2021-2023

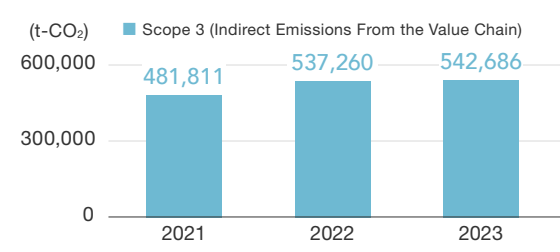


*2021: Based on the scope of the consolidated Adastria Group in Japan (excluding zetton).

*2022: Based on the scope of the main business activities in Japan and overseas for the consolidated Adastria Group in Japan and zetton (zetton became a subsidiary in February 2023).

*2023: Based on the scope the consolidated Adastria Group in Japan and overseas (including the apparel retail, restaurant, and other business activities in Japan and overseas).

Group Scope 3 CO₂ Emissions Calculated Between 2021-2023

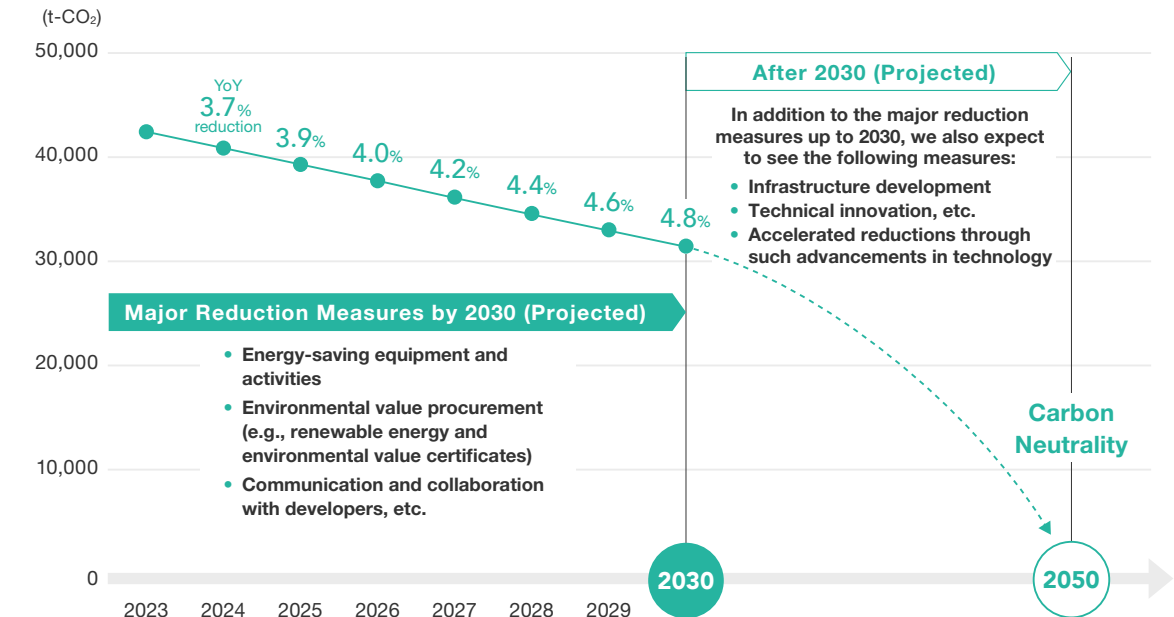


Business Plan to Transition to Decarbonization

– Scenarios and possible adaptations in carbon neutrality –

GHG emissions from economic activities are a contributing factor to global warming, which is an issue faced around the world. Global warming also poses one of the most significant risks to our business in the medium to long term, impacting soaring raw material prices and supply chain fragmentation. To this end, we formulated a roadmap for CO₂ emissions in our business (Scope 1+2). This roadmap serves as a transition plan to achieve the science-based GHG emissions reduction targets and carbon neutrality goals to limit the increase in global average temperature to 1.5°C or less compared to pre-industrial levels. We determined the Scope 1+2 (CO₂ emissions in our own business) emission reduction measures by 2030 to be particularly accurate. Note that certain factors after 2030 are uncertain at this point in time, as our calculations assume future changes in the global environment as well as advancements in infrastructure, technological innovation, and environmental and social conditions. New issues may emerge going forward. Adastria will review the roadmap as necessary and work to minimize risks.

Scope 1+2 CO₂ Emissions Simulation in Japan

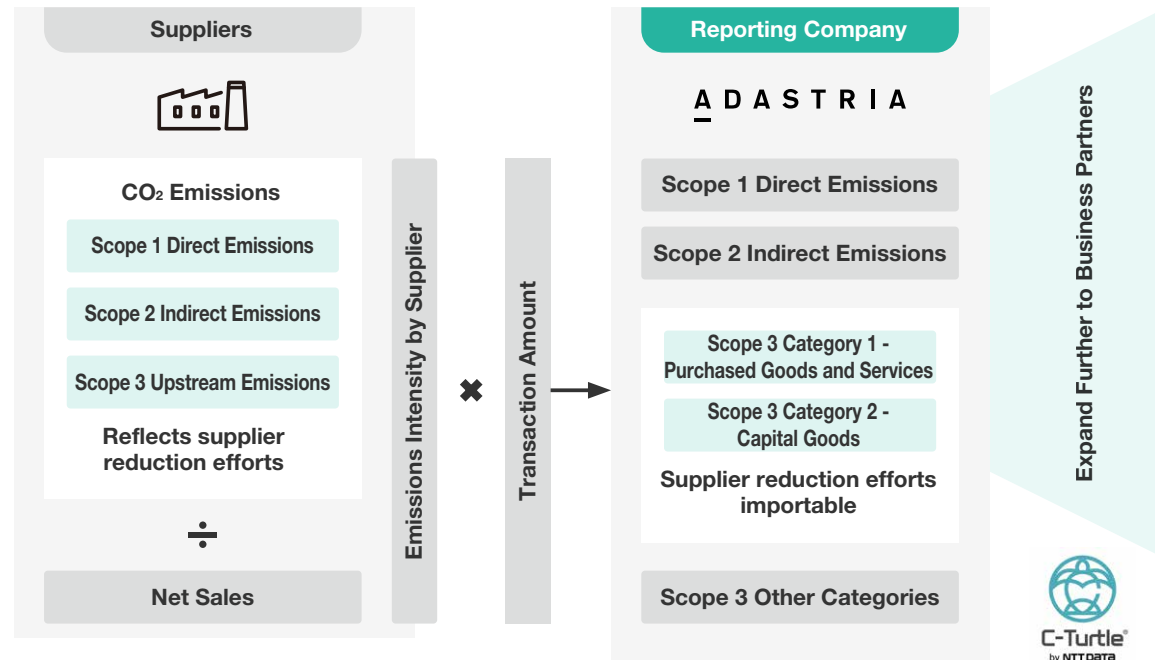


* Adastria reviews simulations as needed to reflect changes in our business activities in Japan and overseas, as well as impacts of social and economic trends.

Initiatives for Materialities

Reducing CO₂ Throughout the Supply Chain With System to Visualize GHG Emissions

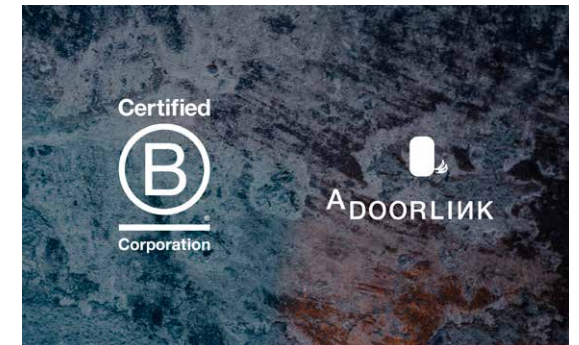
Adastria introduced the C-Turtle GHG emission visualization platform in April 2024 to group companies in Japan and overseas across over 105 brands and business categories. C-Turtle adopts the Company-Wide Emission Allocation Method to calculate Scope 3 emissions by incorporating supplier reduction efforts as in-house emissions using actual supplier data (primary data). C-Turtle not only improves emissions calculation efficiency further, but also enables the reflection of the GHG reduction efforts of each company that encountered difficulties in calculating Scope 3 emissions using conventional methods. In this way, we calculate and reduce Scope 3 emissions throughout the supply chain. Adastria will address CFP calculations by product to visualize the results at the product level of incorporating sustainable materials. Calculating product-specific CFP in this way allows companies to pursue more effective reduction efforts at the product level. These calculations also encourage behavioral changes in consumers by allowing end users to choose products with lower emissions.



ADOORLINK Acquired B Corp Certification

– Pursuing socially and environmentally responsible business

ADOORLINK Co., Ltd. is a member of the Adastria Group that aims to create a sustainable society and a circular economy in the fashion industry. The company acquired B Corp, a global certification for companies that show social and environmental responsibility in the public interest. B Corp is an international certification system organized by B Lab, a non-profit organization in the United States. B Corp certification is awarded to companies that meet the criteria established by B Lab by evaluating corporate performance, including transparency and accountability, in five categories. These categories include governance, employees, communities, environment, and customers.



VOICE

Becoming an Industry Leader of Circular Business Through Acquiring B Corp Certification

One reason why ADOORLINK strived to obtain B Corp certification was to offer the added value of sustainability in all company products and services. Acquiring B Corp certification enables us to establish a common direction of goals, actions, and results for all relevant departments within the company (the foundation of our business strategy). We also consider this certification to be effective in creating a structure that enables the company to leverage our organizational strengths better. The B Corp certification sparked a considerable response from other companies in the industry, providing more opportunities for such companies to take an interest in ADOORLINK. B Corp certification enabled ADOORLINK to take a deeper approach to its sustainability issues and increase disclosure accuracy. Such effects lead the company to implement clear targets and detailed measures over the short, medium, and long term. We believe that sharing these benefits throughout the Group and achieving sustainable growth under sustainable management will lead to the happiness of all of our stakeholders. This is the future we envision through our sustainability.



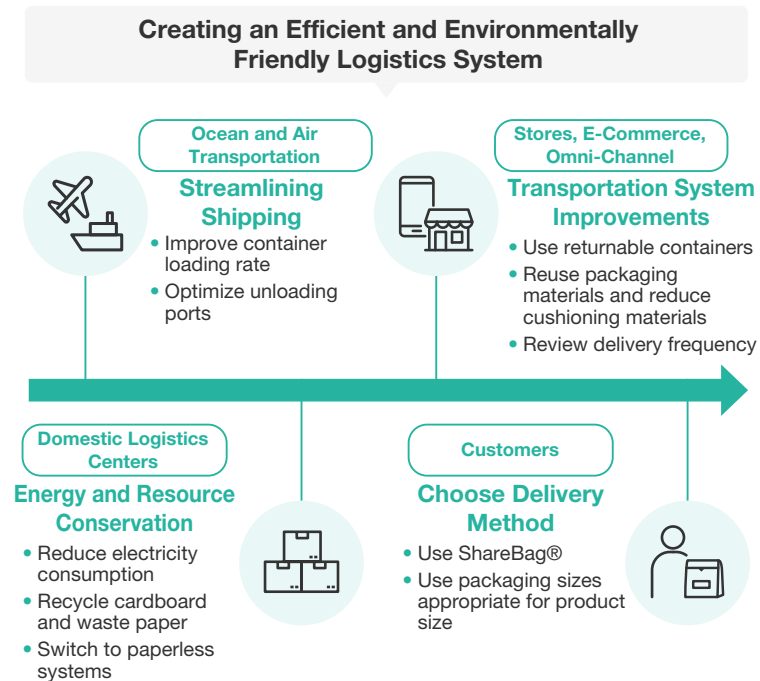
Wong Jenny
Manager, Administration Division,
ADOORLINK Co., Ltd

Initiatives for Materialities

Reducing Adverse Environmental Impacts by Building an Efficient Logistics System

Adastria strives to understand the CO₂ emissions in our logistic activities. To this end, we identify the adverse environmental impacts on our business processes and implement appropriate reduction measures. Our distribution centers conserve resources by eliminating the use of delivery slips and receipts previously included with product shipments and using cardboard boxes that better match product sizes. We also reduce CO₂ emissions by aiming to improve transportation efficiency through implementing comprehensive improvements. These efforts include improving delivery frequency and loading rates, as well as creating a joint delivery system.

Reducing CO₂ Emissions for Each Flow



New Shopping Style Created With Customers

The REBAG PROJECT has reduced 19.8 million cumulative shopping bags by February 2024 over its 10-year history, creating a new shopping style that normalizes the use of reusable shopping bags. This cumulative total is equivalent to the annual amount of CO₂ absorbed by 2,626 cedar trees (approx. 23 tons-CO₂)*¹. O0u is a D2C brand of ADOORLINK, a subsidiary of Adastria. O0u offers services that provide customers with sustainable shipping choices. One such service is the Share Bag®, a returnable delivery bag for use in mailboxes provided by Comvey, Inc. More than 30% of O0u users chose the ShareBag® delivery option within the first month of its adoption. Adastria will continue to work with our customers to create shopping styles that offer the fun of fashion as a sustainable choice.

*¹ Assuming the annual CO₂ absorption per cedar tree is approx. 8.8 kg



TOPIC

Incorporating Sustainable Ideas Into Food

zetton, a Group subsidiary, makes proactive and sustainable efforts through food in their restaurant business operations. Certain restaurants operated by zetton offer menus utilizing unused fish that doesn't meet standards for use in the market. The restaurants in Kasai Rinkai Park have also acquired MSC*¹, ASC*², and CoC*³ certification, offering menus that utilize sustainable seafood (seafood takes marine resources and the environment into consideration). zetton also procures sustainable ingredients to continue delivering long-loved tastes. These efforts include developing a menu using Miracle Meat made from soybeans and using environmentally friendly rice produced in Miyazaki Prefecture. We strive to create positive impacts on the environment and society through our restaurant business, incorporating local production for local consumption while reducing food mileage (a figure that represents the amount of food ingredients and the distance such ingredients are carried).

*¹ MSC: Marine Stewardship Council. An international body certifying that marine products are caught in sustainable fisheries through third-party assessment.
 *² ASC: Aquaculture Stewardship Council. An international body certifying compliance with responsible aquaculture product requirements.
 *³ CoC: Chain of Custody. A certification system that allows handling of sustainable MSC and ASC certified marine products.

Examples of dishes featuring sustainable seafood



Create a World Without Fashion Loss

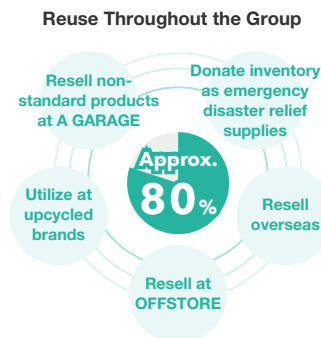
Fashion loss (clothing disposal) is a major issue that the fashion industry needs to solve, as it leads to increased CO₂ emissions. We pursue a variety of initiatives to prevent burning and disposal, aiming to eliminate clothing incineration altogether. Adastria strives to create a circular economy through AI-based optimal production, flea market services, and other new styles of reuse.

VOICE

Establishing Internal Resource Circulation to Shift to Recycling-Oriented Business

To achieve our vision of a world without fashion loss, we must continue our corporate efforts to extend the life cycle of garments and shift to a recycling-oriented model through the establishment of recycling businesses and resource recycling schemes. Our special subsidiary Adastria General Support Co., Ltd. works with Adastria Link, a subsidiary that operates a circular business. We leverage logistics support functions to manage and operate remaining inventories in pursuit of total optimization. The Company implemented an internal scheme and resale through the Group's reuse business in fiscal 2023, enabling the Company to reuse approximately 80% of clothing inventory generated throughout our business, including samples and non-standard products.

Adastria also established a system that allows us to reuse samples and non-standard products as resources within the Company. Such products are inevitable in manufacturing and sales processes. A GARAGE, a website for employees launched in 2021, resells discounted non-standard products that were previously thermally recycled (heat recovery) and difficult to sell in stores. Product selection, photography, and other A GARAGE operations are carried out by staff members of Adastria General Support with disabilities. In this way, the website contributes not only to the reduction of CO₂ emissions and other environmental issues, but also to the mission of the company as a special subsidiary to expand new opportunities for staff members with disabilities. We are committed to generating creating model cases and accelerating our efforts to create an industry-wide circular economy.

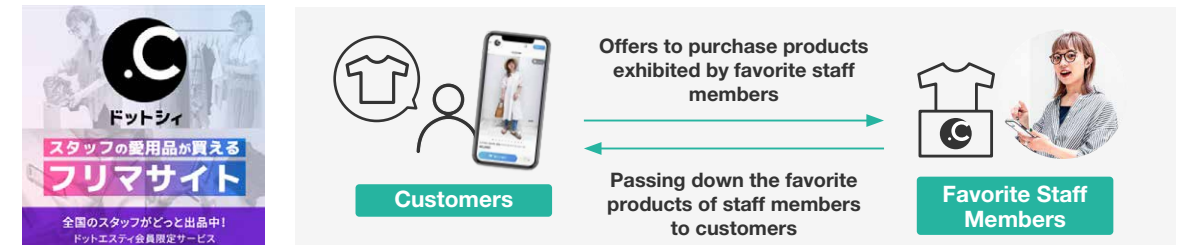


Masato Yajima
Manager (Logistics Support Supervisor),
Adastria General Support Co., Ltd.

Flea Market Service Connecting Customers and Staff

– Buy clothes directly from favorite staff members through new customer experiences in fashion on *Dot C* –

Adastria launched *Dot C* in October 2023 as the first flea market service of a fashion brand company. *Dot C* is a platform that enables Adastria Group staff members to register as sellers from which *dot st* members can purchase their favorite items directly from their favorite staff members. We provide customer experience that allows members to enjoy their choice of fashion in a sustainable way by leveraging the ties between our 17.5 million members to more than 4,000 store and brand staff. The *Dot C* platform enables users to casually participate in reuse while enjoying fashion through a flea market service that integrates the appropriate reuse of staff clothing with the member need, providing a sense of trust through the personal connections that only Adastria can offer.



Making Sustainability More Accessible and Easier

– *Play Cycle!* Clothing Collection Project –

Play Cycle! is a clothing collection project that collects the clothing items from customer closets for reuse and recycling. The project launched in 2016, expanding its efforts through cooperative events to collect used clothing with our local partners and developers. The project also expanded the number of stores collecting used clothing at any given time to approximately 190. We will leverage the relationships between Adastria brick-and-mortar stores and communities to integrate clothing reuse and recycling into our daily lives, striving to work with our customers toward a world without fashion loss and a recycling-oriented society.



Initiatives for Materialities

A Society in Which People Enjoy Fashion in Their Own Way

Multi-Brand, Multi-Category is a key business concept of Adastria. We leverage this strength to provide fashion that customers continue to choose throughout their lives through our extensive lineup of products and services. We aim to encourage an inclusive society through customer service, as well as through fashion that highlights individuality, regardless of age, gender, body shape, tastes, disabilities, and other personal differences. Adastria strives to contribute to all stakeholders in creating unique lifestyles under our mission, *Play fashion!*



TOPIC

Proposing New Fashions and Values to Express Personality Through Unprecedented Fashion Choices Based on Clothing Balance

Anui is a new brand launched in 2023 that offers gender-neutral designs using a next-generation perception of sizing based on garment balance rather than body shape. This sizing standard is unique to Anui and includes three sizes: G (Girls), R (Regular), and M (Mega). Through these products, Anui offers special, easy-to-wear styles. Adastria is committed to developing brands that meet generational needs, providing fashion styles that allow unconstrained, free expression of individuality.

VOICE

Building Bridges to Leverage Diverse Personalities and Organizations - Normalizing inclusive fashion -

Adastria works to normalize inclusive fashion to allow the individuality of all persons to shine through fashion, regardless of factors such as disability, age, and gender. Our special-purpose subsidiary, Adastria General Support Co., Ltd, operates the *Play fashion! for ALL* inclusive fashion project. Through this project, the company participates in and sponsors events throughout Japan to spread awareness on the concept of inclusive design. The project also provides opportunities and educational activities to Group employees, the people that manufacture such products, to understand and think about inclusive design. We participated in the 12th Buddy Walk for all in Tokyo (organized by NPO SUPLIFE). Here, we operated a display



booth for participants to try on easy-to-wear clothes of their choice, regardless of disability or physical differences. We also held a fashion show for visitors and employees alike under the theme of *enjoyable fashion for all*.

Hokuyoukai, a social welfare corporation, commissioned Lifestyle Creation, a BtoB business to manufacture uniforms. The *Play fashion! for ALL* project supervised the



Chikako Otani
Manager,
Quality Control Team,
Adastria Co., Ltd

Yuina Doi
Senior Staff,
Administration
Department, Adastria
General Support Co., Ltd.

manufacturing of these uniforms for nursing care workers at *Mokusei*, a special nursing home and relief facility operated by *Hokuyoukai*. This project marks the first of the company in the medical care field. We reflected the feedback from on-site staff and used proprietary materials to create uniforms that incorporate high functionality and design. In this way, we help to create environments that enable on-site staff to engage in their work more easily. Considering fashion design first-hand in welfare will lead to the vitality of younger generations who will go on to work in the welfare industry. This approach will also help encourage the acquisition of new human resources in the welfare industry.



Inclusive design products example

Adastria strives for each of our brands to create fashion that features various designs and wide selections. To this end, our mission is to work with diverse employees and leverage their experiences, bridging the gaps with appropriate company divisions to create fashion that helps solve social issues.

Initiatives for Materialities

Be an Organization That is Healthy Mentally and Physically, Encouraging Employees in Their Individuality and Ability

One of our key management resources to achieve our growth strategy and vision is our unique and diverse organization and human resources. These human resources allow us to create new business models and customer experience value that are not bound by conventional frameworks. We engage in diversity management to leverage this strength as an important part of management strategy, and we strive to enhance job satisfaction and foster employee well-being through measures linked to human resources strategies and workplace environments. Our employees are the driving force behind Adastria growth. Harnessing the individuality and capabilities of these people, we conduct business activities that contribute to the enrichment and development of local communities and stakeholders.

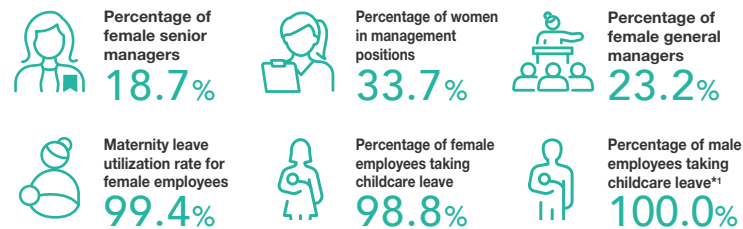
Driving Medium- and Long-Term Corporate Growth Through Diversity Management

- Supporting individuals to become a *person needed* through environments that respect diversity and encourage people to take on challenges without fear of failure -

Diversifying the Organization Through Supporting Activities for Women

In fiscal year ended February 2024, we took a multifaceted approach that included a Diversity Study Session (two sessions) for management and a seminar for managers on health issues specific to women. In addition, we endeavor to create environments encouraging employees to take childcare leave confidently, regardless of gender, to strengthen engagement through support for balancing work and childcare, and to build environments that empower women to contribute over the long term without career interruption.

Supporting Women's Empowerment and Work-Life Balance



* As of February 2024 *Consolidated results for the domestic group excluding zetton Inc.
*1 Calculated using the number of persons whose acquisition date was confirmed as of February 29, 2024

[Details of Initiatives](#)

Creating Systems and Environments That Encourage Employee Growth

We strive to create opportunities for employees to take on unique challenges, develop self-directed careers, and learn to chart careers on their own. We aim to become a flexible and diverse organization that believes in the potential of all. We encourage employees to challenge themselves, regardless of age or place of work, creating systems and environments that boost motivation.

Initiatives for Self-Directed Career Development and Self-Challenge



VOICE

A Culture Encouraging Childcare Leave, Flexible and Diverse Work Styles

Adastria strives to create workplaces, organizations, and a company where all employees play active roles. Through the Maternity and Childcare Leave Portal Site, Childcare Support Desk, and Mom Advisors programs, the Company supports men, such as myself, and women in taking childcare leave with confidence and to support a healthy balance between work and childcare. In addition to information from the website, the Company provided detailed information and a three-party meeting with my supervisor and the human resources department to confirm when I wanted to take childcare leave and to coordinate the handover and division of responsibilities. Store staff and everyone else involved view childcare leave as a positive, an opportunity for personal growth. I think Adastria has fostered a culture of understanding and support. After taking leave, I was happy to see the staff's sense of responsibility and growth in performing their work. I also feel that my own awareness of work-life balance improved, which has led to higher work efficiency. I share my own experience with the brand and company as a role model, seeking to contribute to workplaces and organizational growth in which everyone can choose a flexible work style according to life events, and where everyone can work over an extended career.



Takuya Kondo
(pictured at left)
Store Manager, GLOBAL WORK Unimo Chiharadai Store (childcare leave divided into two periods during FYE 2/2023)

Percentage of Employees Taking Childcare Leave

Indicator	Male			Female		
	2022.02	2023.02	2024.02	2022.02	2023.02	2024.02
No. of employees taking leave	5	8	40 (51)	216	198	179
Acquisition rate	7.6%	14.8%	78.4% (100%)	99.5%	98.5%	98.8%
Average number of days taken	31	36	32	381	421	418

* Figures in parentheses for the number of males and acquisition rate calculated using the number of persons whose acquisition date was confirmed as of February 29, 2024.
* Scope of data: Domestic group companies excluding zetton inc.

Initiatives for Materialities

Fostering Employee Well-Being

- Play fashion! Play wellness! - The Goal of Health Management

To enjoy fashion, one must be healthy and capable of spending a rewarding, personal time with family and loved ones over the long term. We began formal health management in fiscal 2021 under the slogan, - Play fashion! Play wellness! - ~Enjoy Fashion and Life, Be Healthier, and Be More Yourself~. Adastria has been recognized for a second consecutive year by Japan's Ministry of Economy, Trade and Industry as a 2024 Certified Health & Productivity Management Outstanding Organization. The ministry recognized our efforts to build a foundation for health management and to spread awareness of health management among employees, as well as our initiatives to prevent illness among all employees through health checkups and other means. *Enjoy your work and life, and be more yourself!* is a message that the Adastria style of health management seeks to offer.



The Adastria Health Management Declaration

Health Management Policies for FY2/2024



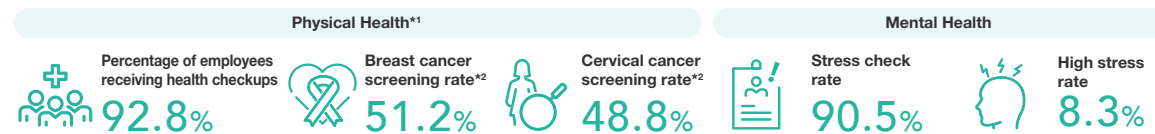
Major Initiatives

- Establish a mental and physical health consultation service
- Encourage follow-up by industrial medical staff for employees whose checkups indicate a high risk
- Collaborate with health insurance associations to improve employee health
- Expand medical checkup facility availability
- Organize health promotion events
- Encourage greater activity of the Adastria Wellness Committee (health promotion committee)
- Encourage follow-up by industrial physicians and public health nurses for employees whose stress checks indicate a high risk



Employees and families participated in the ADASTRIA WELLNESS DAY

Health Management Promotion Data

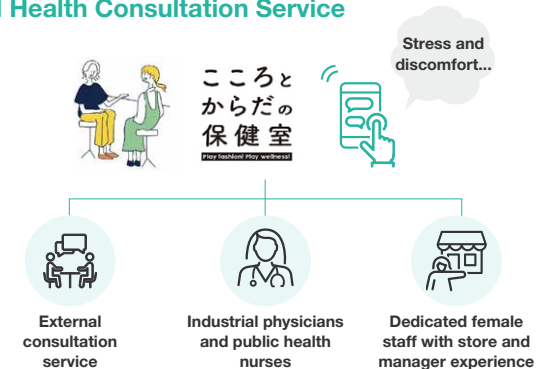


*1 Physical health screening rates include employees who had health checkups scheduled as of February 29, 2024.

*2 Over 20 years old * Domestic group companies excluding zetton inc.

New Health Consultation Service, Mental and Physical Health Consultation Service

In November 2023, the Health Management Promotion Office launched the Mental and Physical Health Consultation Service, a health consultation desk available to all employees. The service encourages employees to discuss concerns about mental and physical health with professional outside counselors and occupational health professionals (industrial physicians and public health nurses). Another feature of the service is the availability of full-time female staff with experience working in stores and as area managers to provide advice. In addition, using the available chat tool allows for easy consultation while ensuring privacy and anonymity.



Seminar for Managers to Enhance Health Literacy

- Understanding women's health issues, mental health, and other health topics -

Adastria employs a high percentage of females (80%), including term employees. Our store staff also includes many young employees, presenting unique employee health issues across our organization. In fiscal 2023, we held a seminar to enhance health literacy for leaders with subordinates. Participants learned about health issues specific to women, including gynecological disorders, menstruation, and infertility treatment. The seminar also covered topics on basic mental health to deepen an understanding of dealing with health issues to ensure comfortable workplaces for all.



Revitalize the Communities Surrounding Our Stores

Adastria considers our mission to build good relationships with communities to be vital as our business expands into different regions around the world. We create new value by solving local issues and revitalizing communities through our fashion business and collaborations. As a company needed, we will take root in the community through our products and services that enrich people's lives, striving to strengthen our engagement while respecting community culture and customs.

Good Community Created With Locals

We hold the *ADASTRIA Playtown!*, a community-based event, aiming to deepening ties with developers, customers, and local businesses in the areas surrounding our stores. Fiscal 2023 marked the 70th anniversary of our founding. In celebration, we collaborated with the 42 commercial facilities home to our stores in 24 prefectures to hold mystery-solving events and workshops for parents and children. These events served to show our appreciation and make shopping more fun for customers. In addition, the OMO Model *dot st Store* at Yume Mall Saijo used the mall's event studio attached to support collaborative events with local businesses and hold university student concerts. In this way, the store created new connections with local customers.

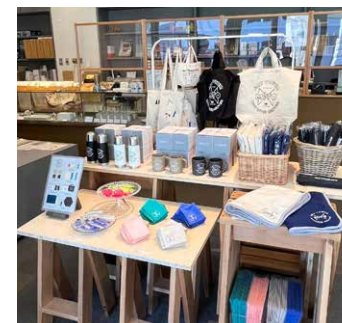


Leveraging Fashion to Support Mito, Our Company Birthplace

Adastria leverages the power of fashion to revitalize sports, arts, culture, and various other fields, aiming to create a new *Good Communities* in the region of our company's origin. Adastria works to broaden our activities to revitalize sports scenes in the area. We sponsor the Ibaraki Robots and Mito HollyHock, two professional sports teams based in Ibaraki Prefecture. We also entered into an official supplier agreement with the Hitachi Astemo Rivale, a women's professional volleyball team, and sell collaborative goods. We collaborated with a local company in Mito in response to the unveiling of the new Ibaraki Robots uniforms in March 2023. More people learned about the charm of Mito, even after watching the match. We will also contribute to regional revitalization by producing goods for Art Tower Mito and providing ongoing support for the Mito Chamber Orchestra.



Hitachi Astemo Rivale



Museum Shop in Art Tower Mito

Produced the First Sustainable Aquarium Occupational Uniforms Using Fish Scales

The Adastria Lifestyle Creation Department, which handles BtoB business, produced uniforms for the staff of Aqua World Ibaraki Prefecture Oarai Aquarium. These uniforms are the first occupational uniforms made from sustainable materials that reuse fish scales. The business used collagen yarn, which is recycled from scales discarded when producing processed fish products. These uniforms also express the aquarium's mission to raise awareness of environmental conservation of oceans and rivers, as well as the environmental problems faced by living creatures. We designed the uniforms to be washable and wrinkle-resistant, while also incorporating design features specific for each job category. One such example is the use of buttons on keeper uniforms that have a low risk of sinking in water tanks. We also incorporated custom-made textiles featuring graphics of the sea creatures of Aqua World Ibaraki Prefecture Oarai Aquarium, bringing smiles to the faces of the workers and visitors. Adastria will continue to leverage our multi-category strengths and contact points with customers of all ages to create new value and collaborate with numerous companies.



Uniforms using collagen yarn



Foster Sustainable Development in Production Areas

Adastria manufactures products in various regions around the world with a complex and extensive supply chain, including raw material procurement, sewing, and transportation processes. We recognize that it is our corporate responsibility to collaborate and strengthen partnerships that focus on the sustainable development of production areas and the stable supply of high-quality products, striving to ensure continuous and good business practices with our business partners. Adastria strives to continue to provide our customers with better products and services. To this end, we not only comply with the laws and regulations of each country and region, but we also monitor and engage in procurement activities that enable fair and ethical transactions.

VOICE

Giving Our All for Community Happiness and a Brighter Tomorrow; Our Motivation Behind CSR Monitoring

The most important objective of CSR monitoring is to develop sound relationships with our suppliers to foster a prosperous society. Companies involved in manufacturing must improve local employee standards of living, provide healthy working environments, reduce environmental impacts, and help develop factories and surrounding areas.

Thoughts and perspectives of external stakeholders have shifted in recent years away from interest in suppliers' ability to manufacture products on time and in line with costs and budgets. Stakeholders now focus more on sustainability in terms of improving the quality of measures throughout the organization, maintaining good relationships with the community, and increasing credibility among stakeholders. Our role and responsibility to enhance sustainability through CSR monitoring is expanding in light of these circumstances. Such roles and responsibilities include communicating with labor unions to provide equal discussion opportunities for employers and employees and discussing ways to devise production methods and efficient work styles to improve quality. Our strength is in our commitment to supporting the mutual exchange of ideas through these efforts, rather than one-way demands or requests, to strengthen our engagement. For numerous contract production plants, we maintained and improved employee quality of life by strengthening internal governance while also reducing turnover rates and increasing employee motivation through improved working environments. Prioritizing discussions with such companies drove these results, facilitating



Toshiya Wada
General Manager,
Quality Control
Department
Products Planning &
Sourcing Headquarters,
Adastria Co., Ltd.

Tomohiro Moriya
Manager,
Vietnam Office
Products Sourcing Division,
Adastria Co., Ltd.

deeper exploration and resolution of latent issues.

Adastria will also begin disclosing our Supplier List, a partial list of our suppliers, on our corporate website in 2024. We believe that the release of this list will improve the transparency of our transactions and lead to enhanced corporate value for our business partners. We strive for customers to understand that we provide our products through safe and secure production processes. To this end, we will aim to disclose upstream supply chain information over the medium- to long-term through the disclosure of suppliers in and below Tier 2*.

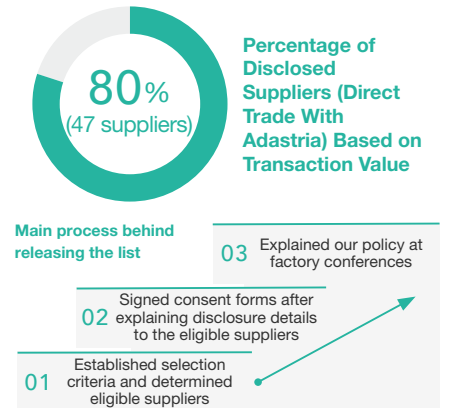
CSR monitoring is a patient and steady process. Using all five senses to see, speak, listen, and think on the front lines forms the foundation for Adastria to deliver high-quality, affordable products to the market through our ideal and proper processes. We strive to inform each person involved in our business that working with Adastria will lead to a brighter tomorrow. We promise to tackle problems as one team, in which each individual plays an irreplaceable role in society and our organization.

*Tier 2: Secondary contractors or indirect business partners

Disclosing Our Supplier List to Establish a Positive Supply Chain for the Environment, People, and Communities

We will release our first Supplier List in September 2024. By releasing a partial list of the names of our suppliers, we aim to improve business transparency and foster stakeholder trust as we work with our suppliers to increase corporate value. The release of this list is the first step in establishing responsible production methods and a positive supply chain for the environment, humankind, and communities.

[Supplier List](#)



[Group Sourcing Guidelines](#)

[Group Sourcing Policy](#)

ESG Information Data

Environment

Environmental Data			FY2/2021	FY2/2022	FY2/2023	FY2/2024
			Adastria Group Consolidated ⁽²⁾			
1	Stores, offices, and distribution centers electricity consumption	(1,000 kWh)	-	78,066	74,492	77,993
2	Scope 1 (direct emissions)	(t-CO ₂)	-	-	900	1,480
3	Scope 2 (indirect emissions from energy use)	(t-CO ₂)	-	34,791	33,268	35,222
4 ⁽¹⁾	Scope 3 (indirect emissions from the value chain)		-	481,811	537,260	542,686
	Category 1 Purchased goods and services		-	406,528	455,227	449,125
	Category 2 Capital goods		-	23,740	29,981	37,365
	Category 3 Fuel- and energy-related activities not included in Scope 1 and 2		-	5,433	5,548	6,018
	Category 4 Upstream transportation and distribution		-	5,991	5,428	5,848
	Category 5 Waste generated in operations		-	665	1,153	1,372
	Category 6 Business travel		-	450	909	1,192
	Category 7 Employee commuting		-	3,704	2,200	2,071
	Category 8 Upstream leased assets	(t-CO ₂)	-	-	-	-
	Category 9 Downstream transportation and distribution		-	645	515	1,042
	Category 10 Processing of sold products		-	-	-	-
	Category 11 Use of sold products		-	-	-	-
	Category 12 End-of-life treatment of sold products		-	34,655	36,299	38,653
	Category 13 Downstream leased assets		-	-	-	-
	Category 14 Franchises		-	-	-	-
	Category 15 Investments		-	-	-	-
5	Scope 1+2+3	(t-CO ₂)	-	516,602	571,428	579,388

(Note) Scope of data
 Prior to FY2/2022: Based on the scope of consolidation of the domestic Adastria Group (excluding zetton inc)
 FY2/2023: Based on the scope of the main domestic and overseas business activities of the consolidated domestic Adastria Group and zetton inc. (zetton inc. became an Adastria subsidiary in February 2023)
 FY2/2024: Based on the scope of the consolidated domestic and overseas Adastria Group (including apparel retail, restaurant, and other activities in Japan and overseas)
 (1) Emission factors under section 4 were taken from the Ministry of the Environment emission intensity database and IDEAv3.
 (2) Scope 3 environmental data does not include a portion of emissions generated outside the Company's domains related to overseas business operations

Social

Employee Data			FY2/2021	FY2/2022	FY2/2023	FY2/2024	
			Adastria Group Domestic Consolidated				
6	Number of employees (domestic group consolidated, including temporary employees)	Female	14,279	13,986	15,078	16,122	
		Male (Employees)	3,150	3,009	3,876	4,227	
		Total	17,429	16,995	18,954	20,349	
7	Number of full-time employees by rank	Number of managers (excluding officers)	Female	183	191	199	210
		Male (Employees)	359	373	389	454	
		Total	542	564	588	664	
		Number of general managers	Female	10	10	13	20
		Male (Employees)	50	59	56	71	
		Total	60	69	69	91	
Number of senior managers	Female	33	36	37	48		
Male (Employees)	175	179	178	210			
Total	208	215	215	258			
Number of department managers and equivalent	Female	151	154	159	162		
Male (Employees)	194	190	203	244			
Total	345	344	362	406			
Number of unit managers and equivalent	Female	281	296	320	333		
Male (Employees)	173	170	174	177			
Total	454	466	494	510			

ESG Information Data

Social FY2/2021 FY2/2022 FY2/2023 FY2/2024 FY2/2021 FY2/2022 FY2/2023 FY2/2024

Employee Data			Adastria Group Domestic Consolidated			
8	Number of new graduate hires	Female	187	100	228	159
		Male (Employees)	15	10	38	35
		Total	202	110	266	194
9	Number of mid-career hires	Female	193	245	159	223
		Male (Employees)	66	83	111	154
		Total	259	328	270	377
10	Number of new management appointments	Female	9	9	5	22
		Male (Employees)	22	13	11	21
		Total	31	22	16	43
11	Average years of employment of full-time employees	Female	6.1	6.6	7.0	7.1
		Male (Years)	8.3	8.8	8.8	8.8
		Total	6.6	7.2	7.5	7.6
12	Number of full-time employees that left the Company	Female	345	383	434	442
		Male (Employees)	93	105	142	177
		Total	438	488	576	619
13	Number of foreign employees*	(Employees)	94	82	79	117
14	Employment rate of persons with disabilities (as of June 2024)	(%)	2.38	2.65	2.55	2.69

(Note) Scope of data: Domestic group consolidated results excluding zetton inc. are used for some results (*) as the unification of the Group data aggregation system is in progress after the consolidation of zetton inc. as a subsidiary in February 2022.

Employee Data			Adastria Group Domestic Consolidated				
15	Hours of overtime worked per month	Full-time employee average	(Hours)	4.3	5.6	8.0	7.7
		Employee average		2.1	2.6	3.5	3.9
16	Percentage of employees taking annual paid leave	Full-time employee average	(%)	69.3	59.7	60.7	68.7
		Employee average		64.2	59.4	57.1	67.0
17	Average number of days of annual paid leave taken	Full-time employee average	(Days)	10.9	10.3	10.6	11.4
		Employee average		9.2	7.6	7.5	6.4
18	Maternity leave taken by full-time employees	Number of employees who took the leave	(Employees)	245	200	207	186
		Acquisition rate	(%)	99.6	99.0	100.0	99.5
19	Full-time employees taking childcare leave and returning to work after taking childcare leave	Number of employees who took the leave	(Employees)	228	216	210	191
		Acquisition rate	(%)	100.0	99.5	98.6	98.9
		Return rate		91.0	94.4	95.1	84.0
		Female					
20	Average number of days of nursing care leave taken	Number of employees who took the leave	(Employees)	2	5	9	41
		Acquisition rate	(%)	3.4	7.8	15.3	70.7
		Return rate		100.0	100.0	100.0	100.0
		Male					
21	Male employees taking spouse maternity leave*	Number of employees who took the leave	(Employees)	17	11	8	7
		Acquisition rate	(%)	28.8	17.2	14.8	13.7

ESG Information Data

Social			FY2/2021	FY2/2022	FY2/2023	FY2/2024
Female Employee Data			Adastria Group Domestic Consolidated			
22	Percentage of female full-time employees	(%)	75.1	75.2	72.6	72.3
23	Percentage ⁽¹⁾ of female officers (Adastria non-consolidated)	Percentage of female officers	23.1	14.3	21.4	18.2
		Percentage of female directors	11.1	10.0	10.0	18.2
24	Percentage of female employees by rank	Percentage of female managers (excluding officers)	33.8	33.9	33.8	31.6
		Percentage of female senior managers	17.8	16.8	17.7	18.7
		Percentage of female general managers and equivalent	26.3	21.2	21.9	22.0
		Percentage of female department managers and equivalent	43.8	44.8	43.9	39.9
25	Percentage of female new graduate hires	Percentage of female unit managers and equivalent	61.9	63.5	64.8	65.3
		(%)	92.6	90.9	85.7	82.0
26	Percentage of female mid-career hires	(%)	74.5	74.7	58.9	59.2

(Note) Scope of data: Domestic group consolidated results excluding zetton inc. are used for some results (*) as the unification of the Group data aggregation system is in progress after the consolidation of zetton inc. as a subsidiary in February 2022.

(1)-(3) Number of directors and executive officers as of the end of the annual general meeting of shareholders each year
 Lines 29 and 30 in Governance Data represent results as of FYE 2/2024

Governance				2021	2022	2023	2024
Governance Data				Adastria Group Domestic Consolidated			
27	Directors ⁽²⁾ (Adastria non-consolidated)	Female		0	0	0	0
		Inside	Male (Employees)	5	5	5	5
			Total	5	5	5	5
		Outside	Female	1	1	1	2
			Male (Employees)	3	4	4	4
		Total	4	5	5	6	
28	Number of executive officers ⁽³⁾ (Adastria non-consolidated)	Female		0	0	0	0
		Male (Employees)		7	10	10	10
		Total		7	10	10	10
29	Number of reports to the internal reporting desk	(Cases)	115	146	111	137	
30	Number of comments and suggestions from supplier questionnaires*	(Cases)	43	44	54	66	

Former Outside Director Interview

A Culture of Overcoming Challenges

While Enjoying the Process

High Expectations for the New

Structure and Next Change

Satoshi Akutsu

Former Outside Director

Professor, International Corporate Strategy, Hitotsubashi University Graduate School of Business Administration
 Vice chairperson of the Japan Marketing Academy.
 Appointed outside director, Adastria Co., Ltd., in September 2013. Retired at the end of his term in May 2024.
 Supported Adastria's marketing and branding efforts as an outside director, external advisor, and training instructor.



Discussion With an Outside Director Who Influenced Adastria Management

– Thank you for your contributions and advice as an outside director for the past nearly 10 years. Prof. Akutsu, you supported Adastria management even prior to becoming an outside director.

My relationship with Adastria began before the CHANGE 04 declaration in 2010, just as fast fashion was beginning to grow. It was the first time I participated in a discussion of the Management Advisory Committee, which was formed at that time and consisted of outside experts.

As I recall, the meetings involved the exchange of a wide variety of opinions.

In particular, committee members Hideki Kurashige and Chuzo Matsui, who later became outside directors, offered useful advice backed by their experience as talented managers, even though their basic perspectives differed in terms of the big picture of management

and practical business.

In the process of finding the common denominator from different perspectives and integrating the discussions, I found that I deepened my own knowledge. I think those discussions had a significant impact on the current Adastria management team.

CHANGE 04: A Rapid Evolution

– As an outside director, what was your impression of our company as you travelled with us from CHANGE 04 to the present?

CHANGE 04 was a time of consolidation, a change in trade name, and even a new president. It was a time of significant reform. Chairman Fukuda's personal magnetism attracted many capable and dependable individuals and organizations that were willing to take the plunge for him. I admired the process of turning the organization to the chairman's way of thinking, as with the shift to a vertical specialty retailer of private

label apparel (SPA).

Chairman Fukuda, along with the management team at the time, were focused almost obsessively on the nature of the source underlying Adastria's competitiveness. After numerous discussions about defining our role as a team, we came up with the mission of *Play fashion!* It was right at the time when fashion itself was changing from something inherited from the fashion houses to something rising from a change on the streets. I think this mission reflects the character of Adastria, which has grown while seizing on this trend. The Adastria management team has always had a strong sense of urgency. The sense that they had to change themselves ahead of the curve. Since that time, management has engaged in business with a sense of speed. All the while, I was impressed by their confidence, pride, and how they overcame obstacles while having fun. The companies cheerfulness and nimbleness are still the same today.

At the same time, the number of women managers and executives is changing gradually. This area has been a personal concern for quite some time as an outside director. The contribution of female employees is increasing in areas such as branding, corporate planning, and human resources. I think this positive development is leading to greater company growth.

A Management Team Striving for Improved Execution and Dialogue With Investors

– What is your honest assessment of the current management team?

I like President Kimura's proactive approach to rejuvenating the company through outside perspectives, while still keeping the traditional Adastria values. In the fourth year of Mr. Kimura's leadership, the company has become even more stable. Every member of the management team brings a high level of expertise and in-depth knowledge, contributing to the company through a proven track record.

– The demands of the capital markets have changed over the past decade. I think outside directors were expected to oversee management in terms of share price and cost of capital. How did Adastria respond to the market?

I have been an outside director at several companies, and I think Adastria has always been conscious of shareholders and share price, responding to the markets appropriately. Along with respect for shareholders who support company growth, the chairman demonstrated a desire to give back to society, including to the city of Mito, where the company was founded. And while Adastria has focused on satisfying the capital markets with respect to dividends and other shareholder returns, I think the company will still need to consider these factors as the market continues to change.

President Kimura communicates actively with investors, and I believe Adastria is fostering a mutual understanding with the capital market. On the other hand, certain shareholders may see challenges in the transition to a new management team, outside directors, and D&I. I hope the company promotes a woman to internal director as soon as possible. Other important management issues include accelerating business overseas from Adastria in Japan. In this sense, it would be wise to have non-Japanese directors who represent important overseas markets in the future.

– From your perspective as an outside director, what progress has Adastria made in improving governance?

In recent years, we clarified the role of outside directors and the substantive authority of the Nomination and Compensation Advisory Committee, looking ahead to generational changes in management. The Nomination and Compensation Advisory Committee is the cornerstone of governance structure, and the committee benefits greatly from having the perspective of someone with corporate management experience. Generational change represents a significant transition for a company.

Adastria management is willing to listen to the opinions of those around them to find the best way forward. The current outside directors express their opinions to the company in this regard as well. This fiscal year, the company transitioned to a Company with an Audit and Supervisory Committee. In the best sense, the demarcation between outside directors and outside members of the Audit and Supervisory Committee has been eliminated, and I think governance will continue to advance smoothly.

Unafraid of Change, Building a Global Platform

– As a specialist in marketing, what do you see as the uniqueness of Adastria as a company? What are the company's challenges?

Rather than systematic theoretical marketing, this is a company that tackles new ideas one after another, building an accumulation of cutting-edge practices in the real world. Sometimes the field work is more advanced than the latest theoretical research. Adastria is particularly active in the rapidly developing e-commerce market and the still little-researched metaverse. I think the company is gaining a lot of attention for their efforts. While not necessarily a problem, from the standpoint of academia, I might like to see the company take more from research and theory, and I have on occasion shared my knowledge and information from academia.

Recent studies using biometric data have shown that people who love their company and enjoy the work they do are not only more productive, but also healthier. My impression is that Adastria is home to many employees who embrace the mission of *Play fashion!*

– What are your expectations for Adastria as it heads toward CHANGE 05?

Even before looking ahead to CHANGE 05, Chairman Fukuda told us that he want to introduce a new culture and way of thinking. He



wanted us to recommend any people or companies who we thought fit that image. The global platform business is what emerged from interactions with diverse people and companies who exchanged ideas openly and freely.

Adastria has pursued a strategy of extending brands across tastes and ages, based on the idea fashion must adapt to multiple generations through multi-branding to grow under Japan's declining demographics. Adastria aims to become a place for people to enjoy genres other than fashion, such as food and cosmetics. The company wants to provide opportunities not only for Japanese consumers, but also enjoyable experiences for non-Japanese consumers. Global expansion and category expansion are the few ways a company has to build this type of platform. I assume that Adastria will be looking to expand into financial and payment sectors, so strengthening the M&A department will be essential. Recruiting the human resources and building experience in this field now will give the company a great advantage in the future.

The growth potential of this global platform is significant. When we look back in a few years, we might be surprised to hear from others about how much Adastria has changed. Adastria's outside directors are encouraged to make specific suggestions drawing on personal knowledge and to engage in lively discussions with the management team. I am very much looking forward to the next change.

Corporate Governance

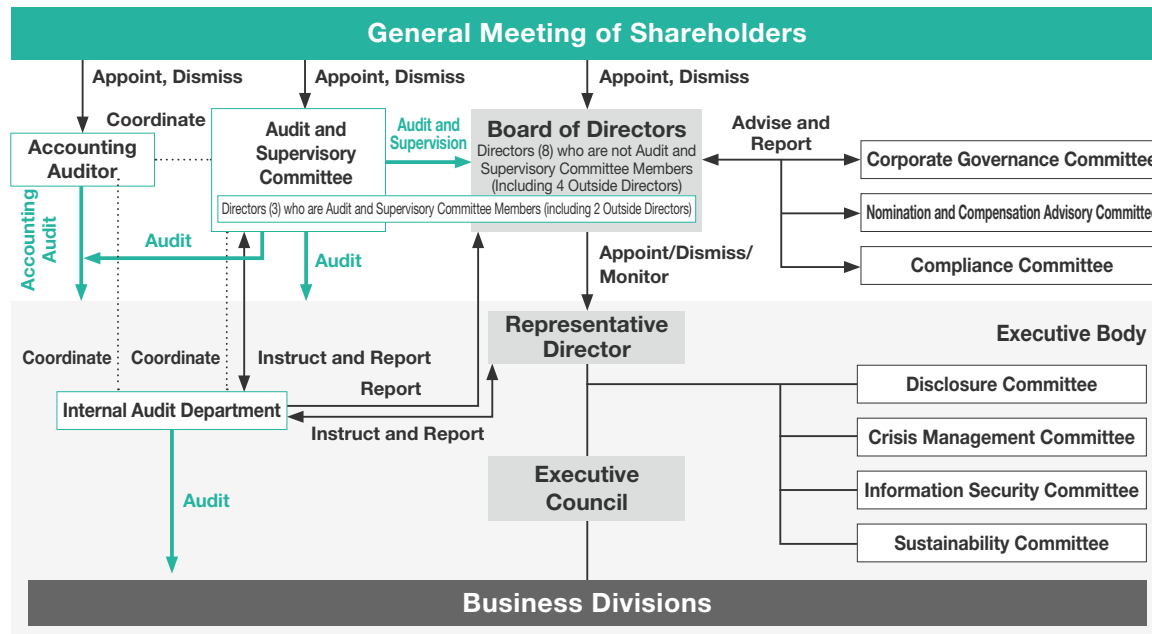
GOVERNANCE

Basic Philosophy

Guided by our corporate philosophy that says, “Be a person needed, Be a company needed,” Adastria pursues 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

Adastria transitioned to a company with an Audit and Supervisory Committee to improve corporate governance further by delegating authority for important business decisions from the Board of Directors to individual directors, speeding the pace of decision-making and strengthening the supervisory function of the Board of Directors. The transition in question was approved at the 74th Ordinary General Meeting of Shareholders held on May 23, 2024.

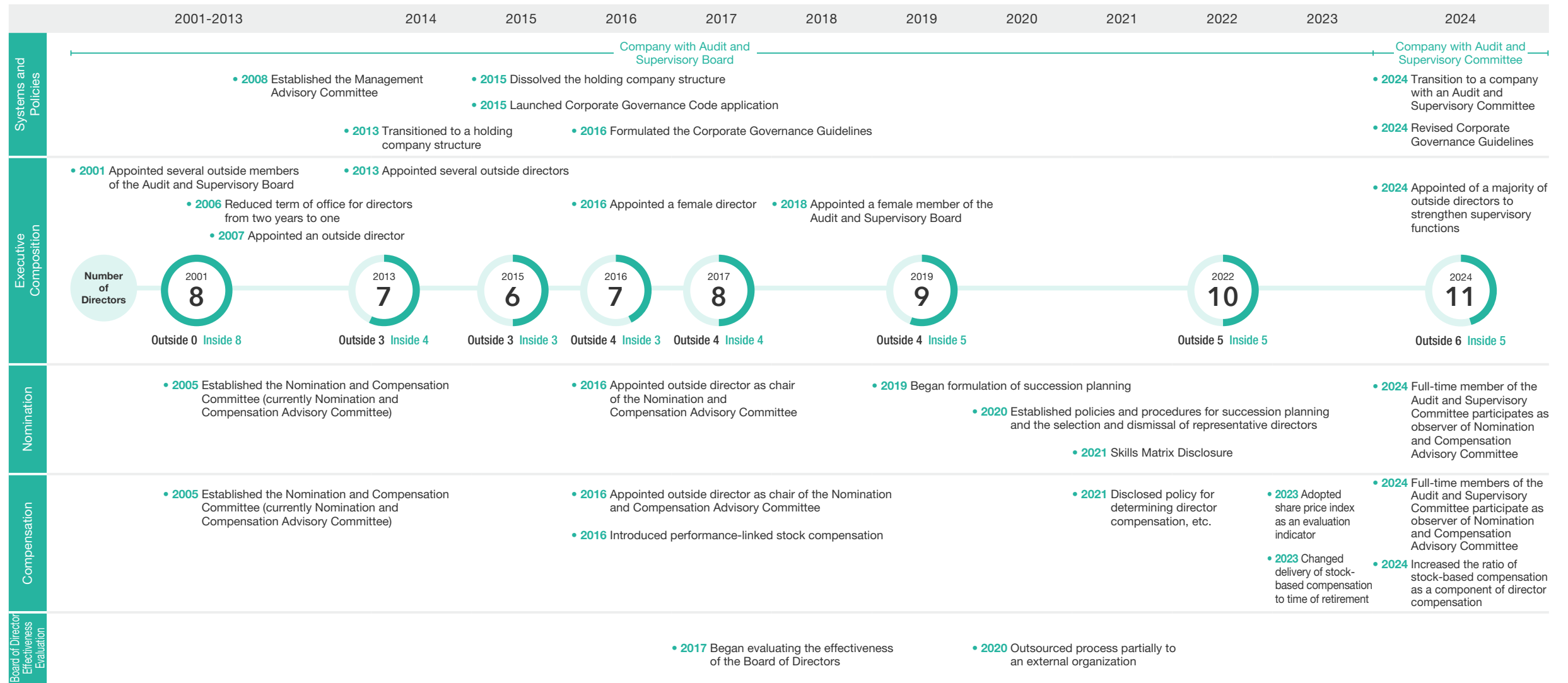


Major Organizations and Their Roles

Board of Directors	The Board of Directors is chaired by the president and CEO and consists of eight directors who are not members of the Audit and Supervisory Committee (including four outside directors) and three directors who are members of the Audit and Supervisory Committee (including two outside directors). As the highest decision-making body of the Adastria Group, the Board of Directors deliberates and resolves important matters, monitoring and supervising the execution of business operations. The Board meets monthly and on an as-needed basis.
Audit and Supervisory Committee	The Audit and supervisory Committee consists of three members, one of whom is a director and full-time member of the Audit and Supervisory Committee and two of whom are outside directors. Directors who are members of the Audit and Supervisory Board attend Board of Directors meetings, Nomination and Compensation Advisory Committee meetings, Corporate Governance Committee meetings, Executive Council meetings, and other important meetings, as well as inspect important approval documents. In doing so, they gain an understanding of the state of management in a timely manner and conduct audits of the execution of business by directors who are not members of the Audit and Supervisory Committee.
Corporate Governance Committee Nomination and Compensation Advisory Committee Compliance Committee	The Company has established the Corporate Governance Committee, the Nomination and Compensation Advisory Committee, and the Compliance Committee as voluntary committees that serve as advisory bodies to the Board of Directors. The details of the deliberations of each committee are as follows. <ul style="list-style-type: none"> • Corporate Governance Committee Matters related to the establishment of the group's corporate governance and internal control systems • Nomination and Compensation Advisory Committee Election and dismissal of directors, representative directors, and executive directors; policies and procedures for the training of candidates to succeed representative directors, director compensation • Compliance Committee Important policies to ensure comprehensive compliance
Executive Council	The Executive Council consists of internal directors, directors who are full-time members of the Audit and Supervisory Committee, outside directors who are members of the Audit and Supervisory Committee, executive officers, and others. The Executive Council makes decisions on important matters other than those to be resolved by the Board of Directors and engages in preliminary deliberations on matters delegated to the representative director by the Board of Directors in accordance with the Articles of Incorporation. The council also shares information on business execution in a prompt manner.
Internal Audit Department	The Internal Audit Department conducts internal audits based on audit policies and audit plans under the guidance of the Audit and Supervisory Committee. The purpose of these audits is to quickly detect or prevent the recurrence of inappropriate business practices within the Company and consolidated subsidiaries. Audit results regarding the status of business practices and the effectiveness of the internal control system are reported to the representative director and members of the Audit and Supervisory Committee. The results are reported as necessary to the Board of Directors, the Corporate Governance Committee, the Compliance Committee, and the Executive Council. In addition, the Internal Audit Department visits consolidated subsidiaries to inspect and view various documents and conduct audits.

Corporate Governance

Changes in Corporate Governance



* The number of directors is the number after the annual general meeting of shareholders held in May each year. For 2013, the number of directors is as of September 1, 2013, after the transition to a holding company structure.

Corporate Governance

Board of Director Diversity

The Company appointed four internal directors and four outside directors who are not members of the Audit and Supervisory Committee. The Company also appointed one internal director (full-time member) and two outside directors as members of the Audit and Supervisory Committee. Of the 11 directors, two are female.

The Company believes that we have appointed a diverse pool of directors with differing backgrounds of expertise and experience. Members include persons who are familiar with and have a deep understanding of our 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. Directors range in age from 40s to 70s.

Directors who are members of the Audit and Supervisory Committee are individuals who have sufficient knowledge of finance, accounting, and legal affairs, including one member with experience in corporate management, one member with experience in financial institutions, and one member who is an attorney.

Accordingly, we believe that the Board of Directors as a whole is balanced and appropriately diverse. We will continue to strive to ensure and improve diversity, including diversity in terms of gender and internationality.

Composition of Directors (as of May 23, 2024)

Ratio of Internal and Outside Directors



Gender Ratio



Director Skills Matrix and Attendance at Board Meetings

		Knowledge, Experience, Skills							Attendance at Board Meetings and Audit and Supervisory Committee Meetings FY2/2024			
		Corporate Management	Sales	Product SCM	Global Business	IT and Digital Transformation	Legal and Risk Management	Finance, Accounting, Banking	ESG	Board of Directors	Audit and Supervisory Board	
Directors not on the Audit and Supervisory Committee	Inside	Michio Fukuda	●		●				●	●	15/15	—
		Osamu Kimura	●	●	●						15/15	—
		Yoshiaki Kitamura	●	●	●	●					15/15	—
		Taiki Fukuda	●			●				●	15/15	—
		Hiromi Horie		●	●	●				●	15/15	—
	Outside	Koichi Mizutome	●	●	●	●					14/15	—
		Tatsuhiko Matsuoka		●	●		●				15/15	—
Directors who are Members of the Audit and Supervisory Committee	Outside	Kazuo Nishiyama	●		●		●		●	●	15/15	—
	Inside	Yoichi Endo	●		●						—	—
	Outside	Kazuhiko Ebihara				●		●			15/15	16/16
		Kyoko Mogi				●			●		11/11	10/10

* The list above indicates the areas in which we expect company directors to offer particular expertise. This list is not exhaustive of all expertise possessed by company directors and members of the Audit and Supervisory Board.

* Matters related to personnel and human resources are included in corporate management. * SCM refers to supply chain management.

* Yoichi Endo was elected as a director and member of the Audit and Supervisory Committee at the 74th Ordinary General Meeting of Shareholders on May 23, 2024, and therefore did not attend any Board of Directors meetings or Audit and Supervisory Committee for fiscal 2023.

* Kyoko Mogi was elected as a director and member of the Audit and Supervisory Committee at the 73rd Ordinary General Meeting of Shareholders on May 25, 2023, and therefore did not attend any Board of Directors meetings or Audit and Supervisory Committee for fiscal 2022.

Corporate Governance

Management Conscious of Cost of Capital and Share Price

Our Recognition

- Our medium-term management plan reflected our awareness of the capital markets, including ROE improvement and profit growth targets. Share prices have risen as our growth mirrored this plan.
- ROE exceeds the cost of capital, and PBR is well above 1.
- We estimate that our cost of capital is between 6% and 7%. However, we recognize that the market demands a higher return on capital, given the current state of our share price.
- Although the share price rose with earnings growth, PER remained flat.

Share Price and Main Indicators

	FY2/2014	FY2/2015	FY2/2016	FY2/2017	FY2/2018	FY2/2019	FY2/2020	FY2/2021	FY2/2022	FY2/2023	FY2/2024
Share price (yen)	1,176	1,472	2,928	2,909	2,326	1,944	1,750	1,996	1,698	2,167	3,410
ROE (%)	-11.3	1.1	18.3	21.2	1.6	7.5	11.6	-1.3	9.4	13.3	20.9
PBR (times)	0.6	1.5	2.6	2.4	2.1	1.7	1.4	1.8	1.4	1.7	2.2
PER (times)	-5.7	141.9	15.5	12.0	126.7	23.5	13.0	-134.1	15.6	13.0	11.5

Our Initiatives

- We recognize that there is room for improvement in PER; Adastria management is actively engaged in a dialogue with the market.
- We adopted a stock compensation plan for directors in fiscal 2016. We added a total shareholder return (TSR) evaluation in fiscal 2023.
- We continue to expand the scope of disclosure, including the publication of an integrated report and disclosure in English. Our small meetings with business managers have also been well received.
- In response to concerns voiced about past performance fluctuations, we introduced a minimum dividend for the period covered by our medium-term management plan. Adastria plans to continue growing profits and raising dividends, aiming to enhance corporate value.
- We intend to continue improving the quality and quantity of our dialogue with the market.

IR Activities

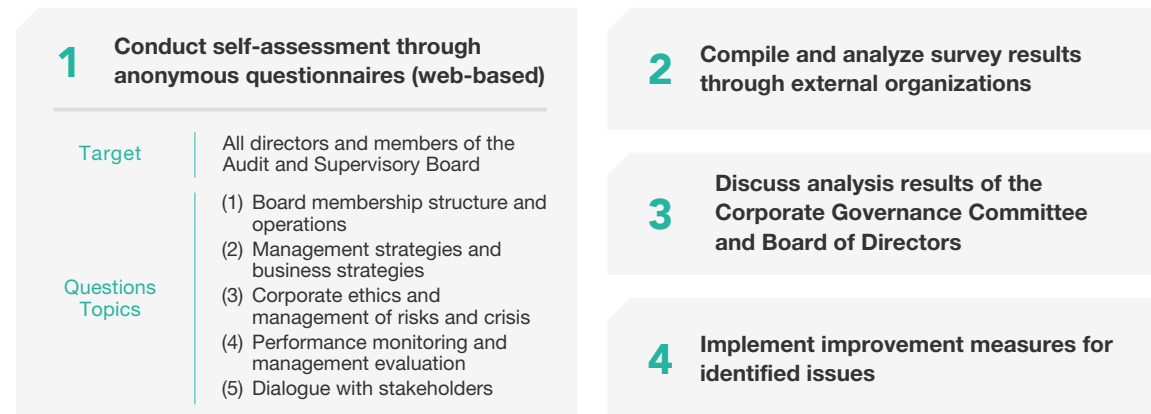
	FY2/2021	FY2/2022	FY2/2023	FY2/2024
One-on-One (times)	139	142	159	218
Small meetings (times)	9	13	13	17
Total no. of institutional investors	183	208	231	260
Total no. of people	222	322	339	460
Including management attendance (no. of people including small mtgs.)	52	99	107	138

Corporate Governance

Board of Director Effectiveness Evaluation

The Company conducts a self-assessment of the effectiveness of the Board of Directors to identify current issues and improve the function of the board. This self-assessment is conducted by means of anonymous questionnaires for directors and members of the Audit and Supervisory Board, and the Board of Directors analyzes and evaluates the results. Beginning in fiscal 2019, the Company has outsourced the review of the questionnaire questions and the tabulation and analysis of results to an external organization. This method ensures objectivity and transparency of evaluation results and allows the Company to utilize information from other companies and knowledge from outside sources.

Effectiveness Assessment Process



Fiscal 2023 Evaluation Results

Our Board of Directors consists of an appropriately balanced and diverse membership and fosters a culture of vigorous discussion among members, including independent outside directors. As such, we were evaluated to have ensured sufficient effectiveness in decision-making and supervision of business execution by the Board of Directors. Among the issues raised in the previous fiscal year, our score improved related to the effective supervision of officer nomination and compensation.

Issues and Responses

As in the previous year, we identified issues in two areas: **01** Diversity-related issues and **02** Business portfolio optimization and the appropriate allocation of management resources.

01 Diversity-Related Issues See page 55, *Be an organization that is healthy mentally and physically, encouraging employees in their individuality and ability* of this report on our efforts in this area. We also disclose related information on our corporate website. Our efforts in promoting career advancement for women resulted in already achieving the government target of 30% or more women in management positions. However, we recognize the need to make further efforts to achieve the 30% target for women in senior management (general managers and above) in light of the ratio of female employees in the company.

02 Business Portfolio Optimization and the Appropriate Allocation of Management Resources The Board of Directors engages in active discussions regarding our business portfolio and the Group's capabilities based on the growth strategy outlined in the current medium-term management plan.

In response, we will continue to improve the effectiveness of the board in fiscal 2024, with particular consideration given to these issues.

The Company has transitioned to a Company with an Audit and Supervisory Committee after approval at the 74th Ordinary General Meeting of Shareholders held on May 23, 2024. The transition to a company with an Audit and Supervisory Committee will improve corporate governance further by delegating authority for important business decisions from the Board of Directors to individual directors, speeding the pace of decision-making and strengthening the supervisory function of the Board of Directors.

Appointment of Directors

Appointment Policy for Director Candidates

- 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 Company 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.
- Directors who are to be members of the Audit and Supervisory Committee shall be appointed based on qualifications, independence, and capability of fulfilling their terms of office.
- 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.

Nomination Procedure for Director Candidates

- The Company shall establish a voluntary Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors to ensure fairness, appropriateness, and transparency in determining director nomination and compensation. The committee is chaired by an outside director, and the committee's independence and objectivity is ensured by having outside directors as the majority of members.
- To ensure the effectiveness of the Audit and Supervisory Committee's right to express its opinion on the appointment of directors who are not members of the Audit and Supervisory Committee, director who are Audit and Supervisory Committee members shall participate in an observation capacity.
- A representative director shall submit a list of candidates for director who are not members of the Audit and Supervisory Committee. The Nomination and Compensation Advisory Committee shall deliberate on the list, after which the Board of Directors shall make decisions on candidates.
- The representative director shall submit a list of candidates for directors who are members of the Audit and Supervisory Committee. The Nomination and Compensation Advisory Committee shall deliberate on the list, the Audit and Supervisory Committee shall approve the list, and the board of directors shall make decisions on candidates.

Corporate Governance

Officer Compensation

Basic Policy for Determining Compensation

- Compensation packages shall be linked to short-, medium-, and long-term business performance and shall be commensurate with the creation of corporate value. Given their roles and standpoint of independence, outside directors and directors who are members of the Audit and Supervisory Committee receive only basic compensation (fixed compensation).
- 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 Determining Compensation

- The Company shall establish a voluntary Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors to ensure fairness, appropriateness, and transparency in determining director nomination and compensation. The Committee is chaired by an outside director and consist mainly of outside directors to ensure independence and objectivity. Directors who are members of the Audit and Supervisory Committee participate as observers to ensure the effective right of the Audit and Supervisory Committee to express its opinion on the compensation of directors who are not members of the Audit and Supervisory Committee.
- Total compensation for directors who are not members of the Audit and Supervisory Committee is subject to a resolution of the general meeting of shareholders. The amount of individual director compensation is subject to a resolution of the Board of Directors after deliberations have been conducted by the Nomination and Compensation Advisory Committee. Individual director compensation shall be based on the general framework of basic compensation, performance-linked compensation, and performance-linked stock compensation.
- Total compensation for directors who are members of the Audit and Supervisory Committee is subject to a resolution of the general meeting of shareholders. The amount of individual director compensation consists solely of basic compensation, determined by discussions in the Audit and Supervisory Committee based on details of deliberations by the Nomination and Compensation Advisory Committee.

Officer Compensation System Overview

Compensation Type	Details	Subject of Payment		Payment Method	Evaluation Indicators
		Directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee)	Outside Directors and Directors who are Members of the Audit and Supervisory Committee		
Basic Compensation	Fixed compensation based on role and responsibilities	●	●	<ul style="list-style-type: none"> • Fixed amount paid monthly 	—
Bonus (Performance-Linked Compensation)	Performance-linked compensation that is primarily linked to short-term performance and serves as an incentive for corporate value creation	●	—	<ul style="list-style-type: none"> • Payment amounts are determined within 0% to 200% of the base amount, depending on position and performance level • Lump-sum payment in certain months each year 	<ul style="list-style-type: none"> • Net sales (% of target, year-on-year) • Operating profit (% of target)
Performance-Linked Stock Compensation	Performance-linked compensation that is linked to short-, medium-, and long-term business performance and serves as an incentive for corporate value creation	●	—	<ul style="list-style-type: none"> • The number of stock points to be delivered is determined within 0 to 200% of the base number of stocks depending on position and performance level • Points are calculated on the last day of February of the fiscal year subject to evaluation and awarded at a certain time in the same year • In principle, shares equivalent to a certain percentage of accumulated points are delivered when a director retires. Shares equivalent to any remaining points are converted into cash within the trust and the conversion price is paid. 	<ul style="list-style-type: none"> • Net sales (year on year) • Operating profit ratio (% of target) • TSR (vs. Tokyo Stock Exchange Stock Price Index (TOPIX) growth rate)

Officer Compensation (Fiscal Year Ended February 2024)

Officer Classification	Number of Eligible Officers	Total Amount of Compensation	Total Amount of Compensation by Type		
			Fixed Compensation	Performance-Linked Compensation	
			Basic Compensation	Bonus (Performance-Linked Compensation)	Performance-Linked Stock Compensation
Directors (Excluding Outside Directors)	5	¥494 million	¥224 million	¥100 million	¥168 million
Members of the Audit and Supervisory Committee (Excluding Outside Members)	1	¥21 million	¥21 million	—	—
Outside Officers	9	¥89 million	¥89 million	—	—

* Bonuses include a provision for director bonuses and a reversal of provision for director bonuses recorded in the current fiscal year.
 * Stock compensation includes a provision for director stock benefits and a reversal provision for director stock benefits recorded in the fiscal year under review for the Directors' BIP Trust, a performance-linked stock compensation plan.

Corporate Governance Directors (as of May 23, 2024)

Adastria enriches lives through fashion.



Michio Fukuda
Representative Director and Chairman

Our unchanging mission is to contribute solutions to social issues and sustainability through fashion. We adapt to the changing times and customers and help people lead enriched lives with joy, security, and satisfaction. Adastria will continue to provide valuable products and brands as we expand our business domains into all aspects of daily life. We aspire to become a company that knows its customers best in each market, and we aim to establish a strong presence in the global market. With the creativity and enthusiasm of our employees, we continue to make changes and take on challenges. Eventually, we will become known for much more than having once been an apparel company.

\ Just one book to read on a desert island /

- #"History of Japanese Art" by Tadashi Tsuji or
- #"Semishigure" by Shuhei Fujisawa

- May 1971 Joined Fukudaya Clothing Store Co. (currently, Adastria Co., Ltd.) 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, Adastria Co., Ltd.)
- Dec. 2002 Representative Director and Chairman, POINT TW INC. (currently, Adastria Taiwan Co., Ltd.)
- May 2004 Representative Director and Chairman, POINT INC. (currently, Adastria Co., Ltd.)
- May 2010 Representative Director, Chairman and President, POINT INC.
- Sep. 2013 Representative Director and Chairman, Adastria Holdings Co., Ltd. (currently, Adastria Co., Ltd.)
- May 2015 Representative Director and Chairman, Chief Executive Officer (CEO), Adastria Holdings Co., Ltd.
- May 2018 Representative Director, Chairman and President, Adastria Co., Ltd.
- Apr. 2021 Director and Chairman, BUZZWIT Co., Ltd. Director and Chairman, ELEMENT RULE Co., Ltd.
- May 2021 Representative Director and Chairman, Adastria Co. Ltd. (to present)

Adastria continues to evolve management in pace with the changing times.



Osamu Kimura
Representative Director and President

Under the corporate mission of *Play fashion!*, Adastria aspires to become a company that inspires excitement around the world. To this end, we aim to achieve the message of our medium-term management plan, *Good Community Co-Creation Company*. Connecting with the outside world will be more important than ever. And as the management team of Adastria, we will continue to update our approach to take on challenges in response to the trends of the times.

\ Just one book to read on a desert island /

- #Clouds over the Hill by Ryotaro Shiba

- Sep. 2011 Representative Director and President, TRINITY ARTS INC. (currently, Adastria Co., Ltd.)
- Apr. 2013 Director, FRIENDS Inc.
- Sep. 2013 Director, Adastria Holdings Co., Ltd. (currently, Adastria Co., Ltd.) Director, Adastria Asia Co., Ltd.
- Feb. 2014 Director, N9&PG Co., Ltd. (currently, Adastria Logistics Co., Ltd.)
- May 2015 Director and Senior Executive Officer, Adastria Holdings Co., Ltd. (currently, Adastria Co., Ltd.)
- Jun. 2016 Managing Director, Adastria Co., Ltd.
- Nov. 2016 Director and Vice President, Peoples Inc.
- Mar. 2017 Director and Vice President, ALICIA Co., Ltd. (currently, BUZZWIT Co., Ltd.)
- Oct. 2017 Director and Vice President, ELEMENT RULE Co., Ltd. (to present)
- Oct. 2017 Representative Director and President, ADASTRIA eat Creations Co., Ltd.
- Mar. 2018 Director and Vice President, Adastria Co., Ltd.
- May 2019 Director, NATURAL NINE TRADING (SHANGHAI) LTD. (to present)
- Feb. 2020 Director, BUZZWIT Inc.
- May 2021 Director and President, Adastria Co., Ltd. (to present)
- May 2022 Director, zetton inc. (to present)
- Representative Director and President, Adastria Co., Ltd. (to present)

Adastria shares the joy of fashion to people worldwide, responding to diverse needs.



Yoshiaki Kitamura
Senior Managing Director

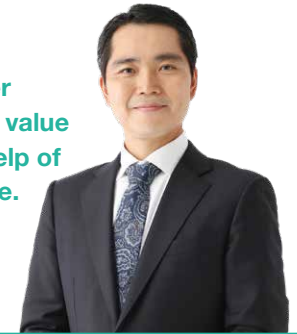
As a multi-brand company, Adastria creates brands that fit the needs of a wide variety of customers. As a company with global aspects, we deliver the joy of fashion to people all over the world under *Play fashion!*, the Adastria mission. We also want to be a company that evolves and changes with agility in response to an ever-changing market.

\ Just one book to read on a desert island /

- #Don't take books to a desert island. Leave the reading behind and spend quality time in the great outdoors.

- Apr. 1999 Joined FIVE FOXes Co., Ltd.
- Feb. 2007 Joined DROP INC. (currently, Adastria Co., Ltd.)
- Sep. 2010 General Manager of studio CLIP Department, TRINITY ARTS INC. (currently, Adastria Co., Ltd.)
- 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, Adastria Co., Ltd.)
- Apr. 2016 Representative Director, Adastria Korea Co., Ltd.
- Mar. 2018 Senior Executive Officer, Chief of Sales Headquarters, Adastria Co., Ltd. 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, Adastria Co., Ltd.
- Aug. 2019 Director, Adastria (Shanghai) Co., Ltd. (to present)
- May 2021 Managing Director, Adastria Co., Ltd.
- Feb. 2022 Director, SES GLOBAL LOGISTICS (SHANGHAI) Co., LTD. (to present) Chairman of Management Board, Velvet, LLC (to present)
- Jan. 2023 Director, Adastria (Thailand) Co., Ltd. (to present)
- Apr. 2024 Director, ADASTRIA PHILIPPINES INC. (to present)
- May 2024 Senior Managing Director, Adastria Co., Ltd. (to present)

We reach for higher levels of corporate value through with the help of a diverse workforce.



Taiki Fukuda
Senior Managing Director

We transform our business model every ten years or so, achieving leaps ahead in sustainable corporate value growth. Having become a stronger organization after the COVID-19 pandemic, we ready for the next challenge. Our diverse workforce is growing our good community internally and externally, and we are looking forward to CHANGE 05. We will continue to take on exciting challenges, the aspirations and results of which will surprise our stakeholders.

\ Just one book to read on a desert island /

- #Konosuke Matsushita, The Way Forward

- Mar. 2004 Joined IMS Co., Ltd.
- Apr. 2005 Joined POINT INC. (currently, Adastria Co., Ltd.)
- Mar. 2014 Executive General Manager of International business Division, Adastria Holdings Co., Ltd. (currently, Adastria Co., Ltd.)
- May 2014 Director, Adastria Asia Co., Ltd.
- Mar. 2016 Executive General manager of Communication Design Division, Adastria Co., Ltd.
- Mar. 2017 Executive General Manager of Corporate Planning Division, Adastria Co., Ltd.
- May 2017 Director, Executive General Manager of Corporate Planning Division, Adastria Co., Ltd. of the Company
- Mar. 2018 Director, Adastria Co., Ltd. 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)
- May 2024 Senior Managing Director, Adastria Co., Ltd. (to present)

Corporate Governance Directors (as of May 23, 2024)

Contributing to sound management and vision from the perspective of the consumer.



Hiromi Horie
Outside Director

Adastria aims to transition from a clothing retailer to a co-creation company that grows together with like-minded business partners. New frameworks require the innovation development and growth, leveraging internal and external resources. This growth requires the development of the organization and human resources, as well as stable sales and profits for continued investment. I am committed to participating in discussions from the consumer perspective, which is the basic starting point of a business. In this way, I plan to help Adastria achieve its vision while maintaining sound, down-to-earth management.

\ Just one book to read on a desert island /

#"Housework or Hell?" by Emiko Inagaki

Apr. 1981 Joined Nara Machinery Co., Ltd.
 May 1988 Joined Levi Strauss Japan KK
 Dec. 1999 Marketing Senior Manager, Levi Strauss Japan KK
 Mar. 2005 Executive General Manager of Public Affairs Division, Starbucks Coffee Japan, Ltd.
 Dec. 2006 Executive General Manager of Marketing Division, Starbucks Coffee Japan, Ltd.
 Aug. 2010 Marketing Officer, Starbucks Coffee Japan, Ltd.
 May 2016 Outside Director, Adastria Co., Ltd. (to present)
 Mar. 2017 Representative Director, Haruka Co., Ltd. (to present)
 Mar. 2021 Outside Director, Kanro Inc. (to present)

Helping strengthen governance and enhance corporate value in support of proactive management.



Koichi Mizutome
Outside Director

I endeavor to help strengthen governance from the perspective of capital efficiency, supporting the free and proactive management of Adastria. This is one way the company will accomplish its mission of *Play fashion!* over the medium to long term. As an outside director of a company who has large shareholders, I strive to ensure correct business execution from a third-party perspective, to help increase corporate value, and to avoid damaging the interests of minority shareholders—all while supporting the many good aspects of the company.

\ Just one book to read on a desert island /

#"Three Kingdoms"

Apr. 1991 Joined Dentsu Inc. (currently, Dentsu Group Inc.)
 Feb. 1996 Joined Andersen Consulting (currently, Accenture PLC)
 Apr. 2000 Joined Roland Berger Strategy Consultants (Japan Office)
 Jan. 2005 Representative Director, Joined Roland Berger Strategy Consultants (Japan Office)
 Oct. 2009 Managing Director, Enterprise Turnaround Initiative Corporation of Japan (currently, Regional Economy Vitalization Corporation of Japan)
 Dec. 2010 Director and Executive Vice President, Japan Airlines Co., Ltd.
 Jun. 2013 Senior Managing Executive Officer, World Co., Ltd.
 Feb. 2015 Representative Director and President, Akindo Sushiro Co., Ltd.
 Mar. 2015 Representative Director, President and CEO, Sushiro Global Holdings Co., Ltd. (Currently, FOOD & LIFE COMPANIES LTD.) (to present)
 Oct. 2015 Representative Director, Sushiro Creative Dining Ltd. (currently, FOOD & LIFE INNOVATIONS LTD.) (to present)
 Oct. 2019 Director and Chairman, Akindo Sushiro Co., Ltd. (to present)
 Apr. 2021 Chairman of the Board, Kyotaru Co., Ltd.
 May 2016 Outside Director, Adastria Co., Ltd. (to present)
 Oct. 2023 Director and Executive Officer, Akindo Sushiro Co., Ltd. (to present)
 Director, Kyotaru Co., Ltd. (to present)
 Director, FOOD & LIFE INNOVATIONS Corporation (to present)

Supporting the company in taking on future challenges and enhancing corporate value through the digital business.



Tatsuhiro Matsuoka
Outside Director

I think one of my key missions is to help increase corporate value through the growth of the digital business. Adastria is getting ready for the next change, leveraging efficient IT investments and human resources development. As a member of the Board, I support the company in taking on future challenges with a view to pursuing technological innovation, balancing risk management, and developing and educating digital and IT human resources.

\ Just one book to read on a desert island /

How to build a "first-class body" by Kazuyuki Miyata
 The Power of Muscle Training to Build a "Battle-Ready Body" for Work and Personal Life

Apr. 1998 Joined Nippon Advanced Technology Co., Ltd. (currently, Mitsubishi Electric Software Corporation)
 Apr. 2001 Joined Arthur Andersen, LLP. (currently, PwC Consulting LLC)
 Aug. 2002 Transferred to KPMG Consulting Co., Ltd. (currently, PwC Consulting LLC)
 Oct. 2008 Joined SIGMAXYZ Inc. (currently, SIGMAXYZ Holdings Inc.)
 Nov. 2014 Managing Director, Communications and Media Industry, SIGMAXYZ Inc.
 Apr. 2015 Managing Director, Digital Force, SIGMAXYZ Inc.
 Apr. 2017 Research Adviser, Artificial Intelligence Research Center, National Institute of Advanced Industrial Science and Technology (AIST) (to present)
 Apr. 2019 Senior Executive Officer, Head of Digital Sherpa, and Chief Information Security Officer (CISO), SIGMAXYZ Inc.
 Apr. 2020 Senior Executive Officer, Head of Industry Sherpa, and Chief Information Security Officer (CISO), SIGMAXYZ Inc.
 Oct. 2021 Senior Executive Officer, SIGMAXYZ Inc.
 May 2016 Outside Director, Adastria Co., Ltd. (to present)
 Oct. 2022 Managing Executive Officer, Rise Consulting Group, Inc.
 Apr. 2023 Managing Executive Officer, Chief Innovation Office (CIO), Chief Information Security Officer (CISO), Risk Consulting Group, Inc. (to present)

Supporting the evolution of the company in its goal to expand the definition of fashion while always embracing the spirit of challenge.



Kazuo Nishiyama
Outside Director

I think Adastria is an essential company, a *company needed*, stemming from a 70-year history of meeting expectations and establishing a firm presence in the industry. Adastria embraces the spirit of challenge combined with a desire to provide every person with choices for richness and enjoyment in their daily lives. I expect that the definition of fashion will continue to evolve, bringing greater affluence and excitement to more people, and expanding in meaning far behind beyond apparel.

\ Just one book to read on a desert island /

#"Whole Earth Catalog"

Jul. 2003 Joined Sony Corporation (currently, Sony Group Corporation)
 Apr. 2007 General Manager, Business Strategy Office, Chemical and Energy Department, Sony Corporation
 Apr. 2012 General Manager, Corporate Planning and Promotion Department, Sony Corporation
 Feb. 2014 Head of SRE Business Preparation Office, Sony Corporation
 Apr. 2014 President and Chief Executive Officer (Representative Director), Sony Real Estate Corporation (currently, SRE Holdings Corporation) (to present)
 Oct. 2018 President and Chief Executive Officer (Representative Director), SRE AI Partners Corporation (to present)
 May 2022 Outside Director, Adastria Co., Ltd. (to present)

Corporate Governance Directors (as of May 23, 2024)

Enhancing corporate value from the aspects of process and risk management, as well as by identifying emerging social trends.



Yoichi Endo
Director (Standing Audit and Supervisory Committee Member)

Rather than staying in one industry, Adastria intends to pay close attention to the trends of other industries and society, solidifying its corporate foundation to maintain diverse perspectives as a company. I will endeavor to help strengthen governance, providing support from aspects of process and risk management to ensure that change and growth at Adastria are appropriate and in line with the purpose demanded by society. In other words, whether the increase in corporate value over time is appropriate.

\ Just one book to read on a desert island /

#"Ryoma ga yuku" by Ryotaro Shiba

Nov. 1985 Joined Fukudaya Clothing Store Co. (currently Adastria Co., Ltd.)
 May 2001 Director, POINT INC. (currently, Adastria Co., Ltd.)
 Oct. 2010 Representative Director, POINT INC.
 Sep. 2013 Representative Director and President, Adastria Holdings Co., Ltd. (currently, Adastria Co., Ltd.)
 Aug. 2015 Representative Director, Office Endo Co., Ltd. (to present)
 Jun. 2016 Outside Director, Look Co., Ltd. (currently Look Holdings Inc.)
 Apr. 2018 Senior Managing Director, Coen Co., Ltd.
 Apr. 2019 Executive Officer, United Arrows Ltd. Director, Cohen Co., Ltd.
 Apr. 2020 Senior Executive Officer, United Arrows Ltd.
 May 2024 Director (Standing Audit and Supervisory Committee Member), Adastria Co., Ltd. (to present)

We back up audits and advice through global business experience, particularly in the areas of M&A and overseas fields.



Kazuhiko Ebihara
Outside Director (Audit and Supervisory Committee Member)

Adastria aggressively pursues M&A and overseas business expansion to break through the constraints of the shrinking domestic apparel market and further increase corporate value. In these and other areas, I aim to bring my experience, advising investment banks on domestic and international M&A and capital procurement related to operating companies, to audit and advise Adastria. In this way, I hope to help the company continue to enhance corporate value while taking appropriate risks in accordance with laws, regulations, and norms.

\ Just one book to read on a desert island /

#Foreign Language Dictionaries

Jul. 1983 Joined The Boston Consulting Group Co., Ltd. (currently, The Boston Consulting Group K.K.)
 Jun. 1986 Joined Goldman, Sachs & Co. (currently, The Goldman Sachs Group, Inc.)
 Oct. 1988 Joined Goldman Sachs (Japan) Corp. (currently, Goldman Sachs Japan Co. Ltd.)
 Sep. 2002 Joined J.P. Morgan Securities Asia Pte. Ltd.
 Dec. 2006 Director, Synergy Inc.
 May 2016 Outside Director, Adastria Co., Ltd.
 May 2024 Outside Director (Audit and Supervisory Committee Member), Adastria Co., Ltd. (to present)

Offering a diverse perspective based domestic and international legal experience, helping Adastria continue to take on new challenges.



Kyoko Mogi
Outside Director (Audit and Supervisory Committee Member)

The mission *Play fashion!* can only be achieved from the perspective of each stakeholder, including shareholders, customers, suppliers, and employees. I am committed to providing a diverse perspective based on my experience in providing legal advice to domestic and foreign companies across a wide range of business fields. In addition, I hope to offer new perspectives on governance to ensure that Adastria, which has taken on many new challenges throughout its long history, will be able to continue taking on new challenges.

\ Just one book to read on a desert island /

#"365 Days of the World's Most Beautiful Views in the Most Beautiful Season"

Jan. 2011 Registered as a lawyer (Dai-ichi Tokyo Bar Association)
 Jan. 2011 Joined Tokyo Sanno Law Office
 Sep. 2015 Joined Hayabusa Asuka Law Offices
 May 2018 Joined southgate (to present)
 Feb. 2021 Seconded to Gleiss Lutz (Germany)
 Dec. 2022 Admitted to the State Bar of California
 May 2023 Outside Auditor, Adastria Co., Ltd.
 May 2024 Outside Director (Audit and Supervisory Committee Member), Adastria Co., Ltd. (to present)

Corporate Governance

Compliance

Basic Philosophy

Under our corporate philosophy of *Be a person needed, Be a company needed*, the Adastria Group is committed to fulfilling our social responsibilities by conducting fair, equitable, and transparent business. All employees will conduct themselves with self-discipline and high ethical standards at all times as members of society.

Key Internal Initiatives

01 Group Code of Ethics

Adastria established the Group Code of Ethics to address anti-corruption, respect for human rights, and fair and transparent business dealings. This code ensures that our employees, as members of society, behave with self-discipline and high ethical standards at all times.

Every year, we reconfirm this code, requiring employees to read and sign to signal their understanding. The response rate for the fiscal year ended February 2024 was 98.0% in Japan and 100% overseas.

We also conduct compliance training for Group employees in Japan to prevent incidents or improprieties.

02 Harassment Prevention Training

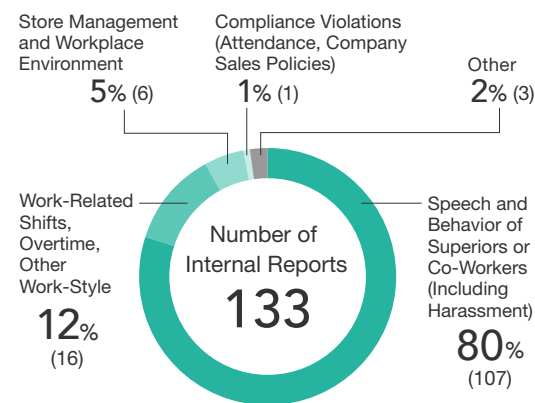
We provide harassment prevention training on an annual basis and clearly state the prohibition of harassment in our work rules and regulations as part of our efforts to prevent harassment. We establish curriculum and train management and non-management personnel to ensure appropriate responses to any incidents of harassment. In the fiscal year ended February 2024, Adastria conducted a self-check to prevent non-compliance and harassment.

03 Anonymous Whistle-Blowing System (Whistle Line)

In the event of acts or indications of acts violating compliance or other violations of propriety, laws, or rules, employees have access to an internal whistle-blowing system to report said acts. Employees may also contact a designated external lawyer, if preferred. This program may be used anonymously by any employee—both in Japan and overseas. The details of reports are kept confidential and we give full consideration to ensure persons making reports are not treated unfairly.

The whistle-blowing system received 133 consultations in fiscal 2023. Among these, no cases were deemed to be serious misconduct and each case was handled appropriately.

Number of Internal Reports and Details FY2/2024



Key External Initiatives

01 Compliance With Group Procurement Policy and Group Procurement Guidelines

We established the Group Procurement Policy and the Group Procurement Guidelines to grow together with our suppliers and continue to produce products in good partnership. We pursue CSR procurement with these policies that aim to conduct fair and ethical transactions while fulfilling our social responsibilities.

For more details, see *Fostering Sustainable Development in Production Areas* on P58.

→ Foster sustainable development in production areas

02 Business Partner Questionnaire

We conduct an annual questionnaire of our business partners in Japan and overseas with whom we have purchasing relationships as one means to maintain positive business relationships with business partners. These questionnaires confirm whether we are engaging in fair business practices by ascertaining compliance with various laws and regulations, including the Subcontract Act, and whether any inappropriate actions have been taken by our employees. When we receive questionnaire feedback, we promptly investigate, confirm the details, formulate measures to prevent recurrence, and conduct internal training to strengthen compliance.

In May 2024, the survey was distributed to 2,162 companies (2,656 persons) and received 1,359 valid responses. We also received 66 comments and suggestions, and we are responding to each case, formulating measures to prevent recurrence, and conducting internal training.

Business Partner Questionnaire Results (May 2024)

Classification	No. of Participants	No. of Companies Subjected to the Subcontract Act	Response Rate	Comments and Suggestions
Merchandise purchasing	1,052 companies (1,400 persons)	645	68.9% (56.5%)	30
In-House production supervision	Japan	115 companies (126 persons)	66 (61.7%) (58.7%)	7
	Overseas	161 companies (161 persons)	— (34.8%) (34.8%)	0
Sales promotion	197 companies (245 persons)	—	38.1% (32.2%)	6
Systems	123 companies (127 persons)	—	77.2% (77.2%)	2
Employee recruitment, temporary staffing	62 companies (65 persons)	—	61.3% (58.5%)	11
Repair and maintenance work	61 companies (63 persons)	—	75.4% (73.0%)	0
Other	391 companies (469 persons)	53	64.7% (58.0%)	10
Total	2,162 companies (2,656 persons)	764	62.9% (54.7%)	66

03 Supplier Hotline

We established a Supplier Hotline to ensure fair, equitable, and transparent transactions in our purchasing relationships. Through this mechanism, suppliers may make anonymous inquiries, if necessary, to address cases of abuse (power structure), or violations of laws, contract terms, or ethics by members of the Group. In the event we receive an inquiry from a business partner, we communicate the information with the director in charge. This system assures an appropriate and prompt response.

Corporate Governance

Risk Management

Adastria established departments and committees with jurisdiction over quality, product safety, information security, health and safety, and other risks. We also develop rules and standards to promote awareness of these risks. The Company will report to a selected director in charge of crisis management and take action in the event that a risk has, or is expected to have, a significant impact on the survival and credibility of Group companies.

Risks Management

We take the following initiatives to respond to large-scale natural disasters and other risks in the course of our daily business operations.

Business Continuity Plan (BCP) and Large-Scale Disaster Preparedness

We established the Crisis Management Committee to ensure effective crisis management by preparing preventive and response measures in advance at each of our Group companies against large-scale natural disasters that have, or are expected to have, a serious impact on the survival of said companies. Such disasters include earthquakes, fires, volcanic eruptions, typhoons, windstorms, floods, infectious diseases, and other disasters.

The Crisis Management Committee is tasked with accurately assessing the impact of potential large-scale disasters and the status of Group facilities and business activities, as well as deliberating on necessary countermeasures.

In 2024, Adastria is conducting emergency drills and reviewing our BCP to address the risk of Mt. Fuji erupting.

Adastria Group Crisis Management System



Key Discussion Items

- Collection and analysis of information on large-scale natural disasters and evaluation of the preparedness of prevention and response measures in the event of an outbreak
- Formulation and periodic review of BCP
- Matters related to BCP and disaster response division training
- Other important matters related to crisis management in anticipation of large-scale disasters

Responding to Business Execution Risks

Adastria promotes activities to prevent and reduce the occurrence of risks in our daily business operations.

We formulate, update, and regularly disseminate the Crisis Management Manual, which outlines appropriate business operations, accident prevention, and emergency responses.

Matters such as fraud, violation of laws and rules, product quality defects, incidents, accidents, and disasters that occur in the course of business operations are reported to the Legal and General Affairs Department. This department is in charge of crisis management reports and follows up on these reports in cooperation with the relevant departments until each case is dealt with. We also go beyond appropriately responding to incidents that occur to take measures to prevent recurrence, as well as disseminate information and conduct educational activities within the Company.

Summaries of individual cases and responses are reported to the Executive Council on a weekly basis, and important cases are reported to the Board of Directors.

Philosophy and Systems for Dealing With Anti-Social Forces

Each Group company rejects any relationships with anti-social forces that may threaten social order and safety. The Group rejects any and all business relationships with such forces or groups, and we take a firm stance against and reject any unreasonable demands.

In the event of an unreasonable demand by an anti-social force, the Legal and General Affairs Department, as the department in charge of responding to such demands, shall coordinate with the police, the National Center for Removal of Criminal Organizations, legal counsel, and other outside specialized organizations to provide an appropriate response.

Information Security

We commit to being a trustworthy organization to our customers and other stakeholders by appropriately protecting the information assets we hold in the course of our business.

As such, we established and disclosed our Information Security Policy with the aim of integrating compliance with information security into our code of conduct.







We will comply with this policy and the Privacy Policy as we maintain an advanced information security management system. At the same time, we will cooperate with external third-party organizations to further strengthen our security and monitoring systems and provide ongoing peace of mind to our customers and other stakeholders.

We have also established an Information Security Committee to ensure information security and protect information assets. This committee is chaired by a director and deliberates on matters of information security management measures, the assessment of information security status, the development of related rules and systems, and other important matters related to information security. The committee will then submit proposals or reports to the Board of Directors as necessary.

[Information Security Policy](#)

[Privacy Policy](#)

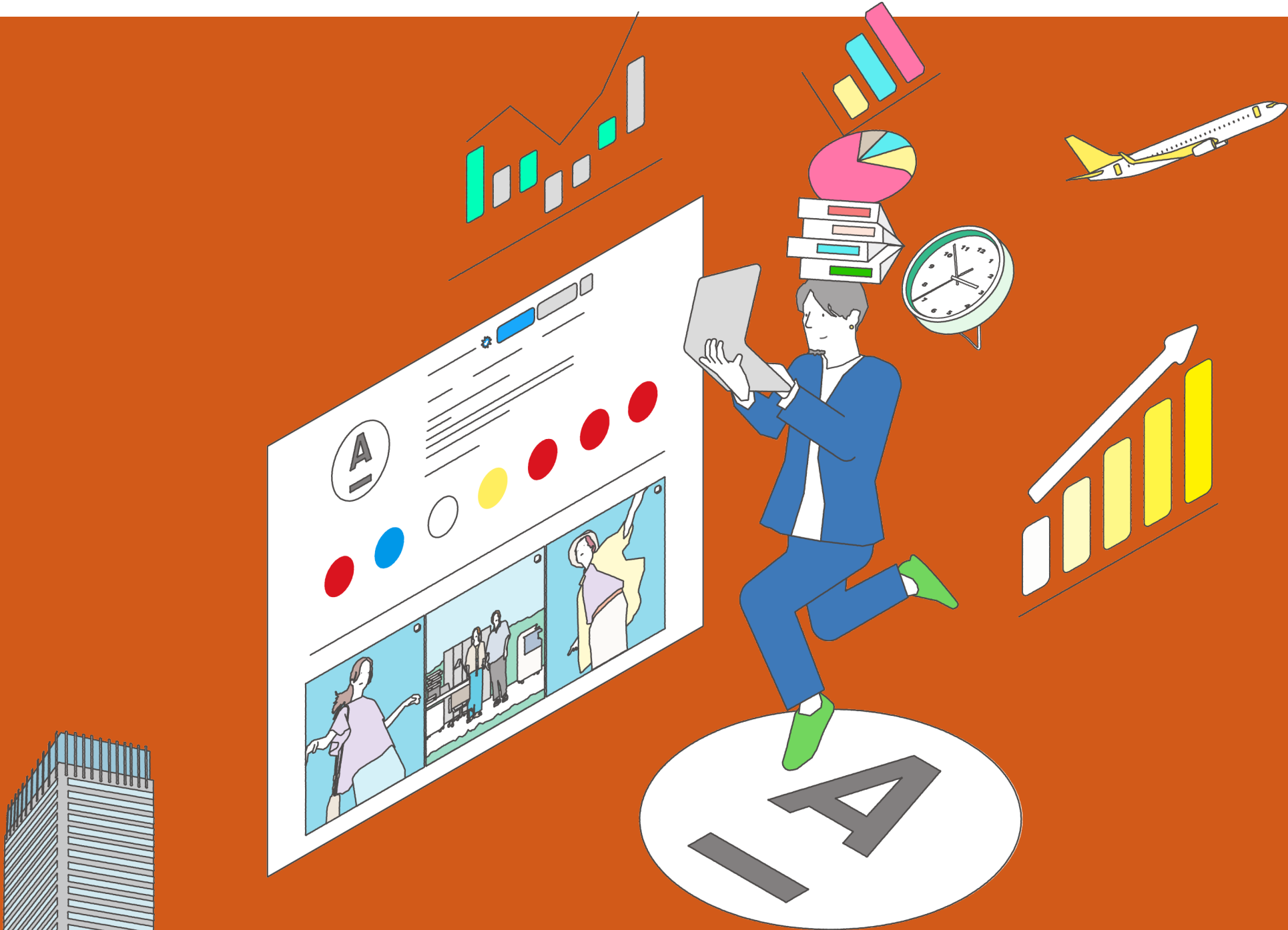
Business Risks, Other Risks, and Response Measures

		Risks	Response Measures
Risks Related to Business Environment	 CASE 01 A Contracting Domestic Market	<ul style="list-style-type: none"> A contraction in the domestic apparel market due to declining birthrates, aging population, and future population declines 	<ul style="list-style-type: none"> Diversify countries of operation by developing overseas markets (East Asia and North America); diversify businesses in Japan by developing new lifestyle brands, brands for mature generations, and developing new businesses such as BtoB; expand customer base and increase lifetime value for customers
	 CASE 02 Geographic and Political Risks	<ul style="list-style-type: none"> Failure to develop and monetize businesses overseas due to inability to offer products that meet local customer needs, inability to acquire personnel skilled in business operations, etc. Weakening business performance due to unforeseen changes in laws and regulations, disruptive political or economic factors, or social turmoil caused by terrorism, conflict, natural disasters, etc., in the countries where we do business Interruptions in product procurement and sales due to political situations, the economic environment, natural disasters, etc., in the countries (mainland China and other Asian countries) where the products we handle are manufactured 	<ul style="list-style-type: none"> Diversify production sites and develop markets in Southeast Asia offering high growth potential Accumulate business operation expertise and recruit employees by strengthening the functions of local subsidiaries and localizing human resources
	 CASE 03 Exchange Rate Fluctuations and Cost Increases	<ul style="list-style-type: none"> Fluctuations in foreign exchange rates (mainly weakening of the yen), price hikes in cotton and other raw materials used in apparel Soaring commodity import costs due to rising global energy prices Rising cost of goods due to higher labor costs in commodity-producing countries 	<ul style="list-style-type: none"> Make appropriate use of forward exchange contracts Order goods and raw materials in advance based on data analysis Decentralize production to ASEAN countries Secure volume discounts through standardized materials across multiple brands and for bulk orders Reduce brokerage margins by dealing directly with factories
	 CASE 04 Environmental Issues	<ul style="list-style-type: none"> Insufficient response to the tightening of regulations on climate change, natural capital, etc., and the impact on changes in consumer behavior Decreased need for clothing due to global warming Rising raw materials prices due to climate change Increased expenses if carbon tax is enforced on fossil fuel procurements 	<ul style="list-style-type: none"> Operate stores and logistics centers to create environmental value, including the procurement of power derived from renewable energy sources Establish sustainability targets Improve sustainability throughout the value chain, including the procurement of environmentally friendly raw materials, reduction of environmental impact in production processes, and reduction of waste inventory via inventory optimization Increase the number of partner-certified factories that meet sustainability goals Change behaviors and raise environmental awareness in the market as a whole through collaborations with other companies in the industry to develop brands that support sustainable fashion
	 CASE 05 Natural Disasters and Accidents	<ul style="list-style-type: none"> Natural disasters such as earthquakes, tsunamis, typhoons, volcanic eruptions, and other unexpected natural disasters that result in large-scale power outages, flooding, or other damage to stores; prolonged stagnation of production, distribution, and sales activities due to said disasters 	<ul style="list-style-type: none"> Formalize and continue to revise business continuity plans (BCP) to recover quickly from major earthquakes, other disasters, outbreaks of infectious diseases, or other events Analyze the impact on store operations in areas that experienced heavy rain damage in the past and estimate the financial impact of store closures due to flooding
	 CASE 06 Pandemic	<ul style="list-style-type: none"> The spread of COVID-19 or a pandemic caused by a new infectious disease could force the closures of commercial facilities where we operate stores under brands owned by Adastria. Customer traffic could decline, production logistics could stagnate, and business performance could experience a resulting downturn Changes in customer lifestyles and preferences, including the popularization of remote work due to the spread of infectious diseases 	<ul style="list-style-type: none"> Establish systems to promptly provide products to the market that meet consumer preferences Deliver an enjoyable shopping experience to customers through enhanced in-house e-commerce functions and store-web integration

Business Risks, Other Risks, and Response Measures

	Risks	Response Measures
Risks Related to Business Operations	<p>CASE 01 Risks Related to Store Operations</p> <ul style="list-style-type: none"> Failure to recover security deposits and guarantee money deposited for retail properties due to bankruptcy of developers, etc. Impairment losses due to deterioration in profitability of fixed assets (stores, etc.) or decline in market value of assets held Changes in the commercial environment surrounding fashion buildings where stores are located 	<ul style="list-style-type: none"> Operate a localized store system to optimize our store network, conducting detailed surveys in each region and engaging in ongoing store relocations Achieve an advantageous store location mix by leveraging the Group's economies of scale and brand strength
	<p>CASE 02 Apparel Business Risks</p> <ul style="list-style-type: none"> Failure in product planning, etc., or obsolescence of brand value due to the characteristics of the casual apparel retail market, where competition (foreign and domestic) is fierce, and trends and tastes tend to change quickly and dramatically 	<ul style="list-style-type: none"> Provide products that meet customer needs by collecting information on customer preferences through stores, the Company's e-commerce site, and social media; incorporate this information promptly into product development Improve the accuracy of demand forecasting by encouraging pre-order sales on the e-commerce site Improve new brand development speed and accuracy Expand product categories by encouraging other companies to open stores on the Company's e-commerce site.
	<p>CASE 03 Supply Chain Risks</p> <ul style="list-style-type: none"> Stagnation of product supply due to production delays among companies to which the Company consigns product manufacturing, supplier bankruptcy, or interruption of product transportation routes, etc. Damage to our reputation due to employee human rights violations or environmental pollution at outsourced companies Rising logistics costs due to energy price fluctuations, labor shortages, and insufficient capacity 	<ul style="list-style-type: none"> Diversify production sites to ASEAN countries and other regions in addition to mainland China Obtain appropriate insurance coverage in case of supply route interruptions, exercise information management across the transportation process, secure multiple means of transportation, and select alternative routes Encourage socially and environmentally responsible procurement activities in accordance with the Group's procurement policy Reduce the risk of rising costs through in-store pickup for e-commerce sales, streamlined delivery routes, and investments in logistics facility mechanization. Alliances with outside delivery companies and efforts in line with the <i>white logistics</i> movement, which aims to improve transportation productivity and logistics efficiency
	<p>CASE 04 Information Systems and Personal Information Risks</p> <ul style="list-style-type: none"> Loss of sales and customer confidence due to serious failures in Group systems caused by information system malfunctions, cyberattacks, or other causes, or a leakage of personal information due to unauthorized access or other causes 	<ul style="list-style-type: none"> Conduct third-party security risk assessments; formulate and implement necessary response plans Install the latest security software and maintain information management rules
	<p>CASE 05 Human Resources Risks</p> <ul style="list-style-type: none"> Deterioration in business, financial condition, and results of operations due to the sudden departure of senior management Restrictions on store operations and higher labor-related costs due to a shrinking workforce in Japan and rising wages worldwide Decreased employee performance, increased leave and turnover 	<ul style="list-style-type: none"> Establish a board of directors that represents a diverse range of directors with different backgrounds, expertise, and experience to ensure an appropriate balance while adopting an executive officer system to separate business management and execution Adopt a performance-linked stock compensation plan for directors and a stock ownership plan for executive officers to recruit and retain capable management personnel Develop management personnel through training for senior management, etc. Raise starting wages and improve employee wages Develop a personnel system that allows employees to choose diverse careers and work styles that suit their lifestyles; engage in health management Engage in initiatives to achieve employee well-being through the Adastria Wellness Committee, a health promotion committee consisting mainly of employees
Management Strategy Risks	<p>CASE 01 Success or Failure of Major Investments and Acquisitions</p> <ul style="list-style-type: none"> Extended payback period or failure to recover investment due to investments in or acquisition of outside companies for overseas business expansion, the development of new brands, the acquisition of related technologies, etc., toward long-term growth that do not generate expected revenues or synergies, or capital and system investments necessary for growth not functioning as expected 	<ul style="list-style-type: none"> Conduct investments within the scope of financial soundness; formulate a review process for investment decisions; hold discussions at board of director meetings (including outside directors) Establish a third-party PMO for large system investments
	<p>CASE 02 New Business Uncertainties</p> <ul style="list-style-type: none"> Failure to develop business or generate business revenue due to lower-than-expected customer demand, higher-than-expected costs to enter or operate, or increased competition. Expenses or losses resulting from the withdrawal or downsizing of new businesses Inability to secure sufficient IT staff with expertise in digital technologies could impact our ability to expand digital customer interactions, which is a key area of growth strategy 	<ul style="list-style-type: none"> Use M&A and licensing, collaborations to accumulate expertise in new; leverage lifestyle proposal capabilities cultivated in the apparel industry in new businesses Establish a Digital Transformation Division directly under the director in charge of digital strategy, recruit and retain specialized personnel from outside the company, secure sufficient IT staff through stronger alliances with business partners in Japan and overseas
	<p>CASE 03 ESG Compliance Success or Failure</p> <ul style="list-style-type: none"> Risk of losing corporate value in the capital markets and impairment of sustainability due to reputational risk if ESG-related social issues are not identified, specified, and adequately managed within the risk management framework 	<ul style="list-style-type: none"> Achieve Group ESG strategy and policies by establishing a Sustainability Committee to formulate a sustainability policy and set medium- to long-term sustainability targets; manage the progress of materialities; and report to/advise the Board of Directors and Executive Committee

DATA



Financial and Non-Financial Highlights

10-Year Financial and Non-Financial Highlights

Consolidated Financial Data

		FY2/2015	FY2/2016	FY2/2017	FY2/2018	FY2/2019	FY2/2020	FY2/2021	FY2/2022	FY2/2023	FY2/2024
Net sales	(millions of yen)	184,588	200,038	203,686	222,787	222,664	222,376	183,870	201,582	242,552	275,596
Operating profit	(millions of yen)	5,981	16,004	14,916	5,005	7,190	12,885	766	6,564	11,515	18,015
Ordinary profit	(millions of yen)	6,452	16,185	15,126	5,428	7,345	12,843	2,981	8,166	12,026	18,389
Net income attributable to owners of the parent	(millions of yen)	503	9,122	11,575	863	3,890	6,363	-693	4,917	7,540	13,513
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	(millions of yen)	15,732	24,612	23,028	15,141	15,317	20,357	7,766	13,302	19,964	27,763
Net asset value	(millions of yen)	46,233	53,282	56,035	51,030	52,959	57,041	50,701	54,963	60,762	71,581
Total assets	(millions of yen)	83,742	90,454	90,389	91,123	91,263	97,924	95,449	97,957	111,392	127,915
Cash flows from operating activities	(millions of yen)	12,112	22,054	11,928	10,685	9,904	20,850	11,933	3,504	13,460	22,223
Cash flows from investing activities	(millions of yen)	-10,421	-4,551	-4,323	-7,404	-8,686	-6,645	-7,366	-7,780	-9,963	-9,920
Cash flows from financing activities	(millions of yen)	-2,524	-5,683	-6,309	-4,629	-1,890	-6,439	-6,840	-3,251	-4,398	-5,581
Net assets per share	(Yen)	952.02	1,106.45	1,191.16	1,084.84	1,125.29	1,210.55	1,122.71	1,192.62	1,309.96	1,549.13
Earnings per share (EPS)	(Yen)	10.37	188.31	242.49	18.36	82.67	135.08	-14.88	108.72	166.37	297.75
Equity ratio	(%)	55.2	58.9	62.0	56.0	58.0	58.3	53.1	55.1	53.3	54.8
Return on equity (ROE)	(%)	1.1	18.3	21.2	1.6	7.5	11.6	-1.3	9.4	13.3	20.9
Return on assets (ROA)	(%)	0.6	10.5	12.8	1.0	4.3	6.7	-0.7	5.1	7.2	11.3
Price earnings ratio (PER)	(Times)	141.9	15.5	12.0	126.7	23.5	13.0	—	17.1	13.0	11.5
Dividend payout ratio	(%)	361.5	34.5	30.9	272.3	60.5	37.0	—	50.6	36.1	28.5
Total shareholder return (5-year TSR)	(%)	—	—	—	—	—	92.6	107.3	94.8	122.0	190.3
Total shareholder return (1-year TSR)	(%)	128.3	203.4	101.9	81.7	85.7	92.6	116.3	87.8	131.2	161.3

Consolidated Non-Financial Data

		FY2/2015	FY2/2016	FY2/2017	FY2/2018	FY2/2019	FY2/2020	FY2/2021	FY2/2022	FY2/2023	FY2/2024
Number of stores at end of term	(Stores)	1,356	1,324	1,351	1,501	1,427	1,392	1,400	1,428	1,509	1,563
Stores sales floor area (monthly average)	(m ²)	251,062	268,704	272,182	302,131	304,529	287,616	296,210	299,676	330,150	347,361
Number of full-time employees	(People)	4,852	4,760	4,914	5,677	5,665	5,715	5,701	5,762	6,356	6,603
Average number of temporary employees	(People)	5,839	5,997	6,163	6,564	6,363	6,167	5,085	5,530	6,061	6,448

* The Company has applied standards such as the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) since the beginning of fiscal 2019. Key management indicators for fiscal 2018 are indicators after retroactive application of such accounting standards.

* The Company has applied standards such as the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) since the beginning of fiscal 2022. Key management indicators for fiscal 2022 are indicators after the application of these accounting standards.

Group Companies



Name	ELEMENT RULE Co., Ltd.
Head Office Address	19F Shin-Aoyama Bldg. West, 1-1-1 Minami-Aoyama, Minato-ku, Tokyo
Establishment	March 1, 2017
Businesses	Planning, manufacturing , and sales of apparel, sundries, etc.



Name	BUZZWIT Co., Ltd.
Head Office Address	7F Daiba Frontier Bldg., 2-3-2 Daiba, Minato-ku, Tokyo
Establishment	November 21, 2016
Businesses	Planning, manufacturing , and sales of apparel, sundries, etc.



Name	ADOORLINK Co., Ltd.
Head Office Address	5F Miyamasuzaka Place Shibuya, 2-16-5 Shibuya, Shibuya-ku, Tokyo
Establishment	November 2, 2020
Businesses	Planning, manufacturing and sales of apparel, sundries, etc.



Name	zetton inc.
Head Office Address	MIYAMASU TOWER 9F, 1-10-9 Shibuya, Shibuya-ku, Tokyo
Establishment	October 26, 1995
Businesses	Management, development and consulting of restaurants, etc.

TODAY'S SPECIAL

Name	TODAY'S SPECIAL Co., Ltd.
Head Office Address	Shibuya Hikarie 29F, 2-21-1 Shibuya-ku, Tokyo
Establishment	March 26, 2024
Businesses	Lifestyle business through retail channels



Name	Adastria Logistics Co., Ltd.
Head Office Address	1-15 (Gate A) Chuo Kogyo Danchi, Ibaraki-machi, Higashiibaraki-gun, Ibaraki
Establishment	June 1988
Businesses	Logistics operations for group companies



Name	Adastria General Support Co., Ltd.
Head Office Address	Shibuya Hikarie, 2-21-1 Shibuya, Shibuya-ku, Tokyo
Establishment	December 19, 2013
Businesses	Comprehensive services for group companies

Other Group Companies

- Adastria (Shanghai) Co., Ltd.
- niko and ... (Shanghai) Co., Ltd.
- Adastria Asia Co., Ltd.
- Adastria Taiwan Co., Ltd
- Adastria (Thailand) Co.,Ltd.
- ADASTRIA PHILIPPINES INC.
- Adastria USA, Inc.
- Velvet, LLC
- ZETTON, INC.
- NATURAL NINE TRADING (SHANGHAI) LTD.
- SES GLOBAL LOGISTICS (SHANGHAI) Co., LTD.

Corporate Overview and Stock Information

Corporate Overview

Name	Adastria Co., Ltd.
Head Office Address	27F, Shibuya Hikarie, 2-21-1 Shibuya, Shibuya-ku, Tokyo, Japan
Contact Number	03-5466-2010 (Representative)
Establishment	October 22, 1953
Capital	2,660 million yen
Businesses	Planning, manufacturing, and sales of apparel, sundries, etc.
Primary Banking Partners	MUFG Bank JOYO Bank Mizuho Bank Sumitomo Mitsui Banking Corporation
Number of Employees	6,603 full-time group employees
Number of Stores	Domestic: 1,370 Overseas: 122 Restaurants: 71

External Evaluations, Inclusion in Indexes



MSCI ESG RATINGS
AA
(As of April 2023)



FTSE Blossom Japan Sector Relative Index
(Since April 2022)



JPX NIKKEI 400
(added in 2024)



DX 認定
(Certified in January 2022)



CDP DISCLOSURE 2023
B Rating
(as of February 2024)



Certified B Corporation Certification
(December 2023)



健康経営優良法人 2024
Health and productivity
2024 Health & Productivity Management Outstanding Organization
(Large Corporate Sector)



NADESHIKO BRAND 2021



PRIDE Index Gold Award 2023



D&I AWARD BEST WORKPLACE for diversity & inclusion 2023



Monisu Certification

Status of Shares (as of February 29, 2024)

Total Number of Shares Authorized to Be Issued	150,000,000 shares
Total Number of Issued Shares (including 3,148,470 treasury shares)	48,800,000 shares
No. of Shareholders	55,893

Distribution of Shares by Shareholder

Shareholder	No. of Shareholders	No. of Shares Owned (Thousands of Shares)	Equity Shares (%)
Foreign nationals	274	6,585	13.5
Individuals and others	55,206	15,068	30.9
Financial institutions	30	5,860	12.0
Business firms and other corporations	353	19,629	40.2
Financial services providers	30	1,657	3.4
Total amount	55,893	48,800	100.0

*Treasury stock is included in the calculation of individuals and others

Major Shareholders (Top 10)

Shareholder	No. of Shareholders (Thousands of Shares)	Equity Shares (%)
Fukuzo Co., Ltd.	17,132	37.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,308	7.2
Toyoshima Co., Ltd.	2,000	4.4
Custody Bank of Japan, Ltd. (Trust Account)	1,564	3.4
Michio Fukuda	922	2.0
Adastria Employee Shareholding Association	638	1.4
VICTORY TRIVALENT INTERNATIONAL SMALL-CAP FUND	468	1.0
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	454	1.0
SMBC Nikko Securities Inc.	448	1.0
Hitomi Fukuda	400	0.9

*Ratios were calculated excluding 3,148,470 shares of treasury stock

Share Price and Yield (Monthly)

