

This document provides an overview of Adastria Co., Ltd. corporate governance.

I. Corporate Governance Philosophy, Capital Structure, Corporate Attributes, Other Basic Information

1. Basic Philosophy Updated

Guided by our corporate philosophy that says, “Be a person needed, Be a company needed,” Adastria Co., Ltd. (hereinafter “the Company”) 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 capable of quick decision-making.

The Company 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.

[Reasons for not implementing the principles in the Corporate Governance Code] Updated

(Supplementary Principle 4-1-3)

The Company recognizes that succession planning for representative directors, etc., is one of the most important management issues. We held repeated discussions regarding succession planning during normal times and emergency situations in the Nomination and Compensation Advisory Committee, an advisory body to the Board of Directors. Discussions also took place in other forums, including free dialogues held after Board of Director meetings. As a result of these discussions, in 2020, the Company put into place a process for the selection and dismissal of representative directors, etc. Succession planning for representative directors and other directors was also discussed, and the Company selected one new representative director in May 2022. We will discuss this matter in the future and provide appropriate supervision for the development of successors.

(Supplementary Principle 4-3-2)

We consider the selection and dismissal of representative directors to be one of the most important strategic decisions made by the Company. Therefore, we follow the process established for the selection and dismissal of representative directors in which the board of directors makes a decision regarding representative director(s) after a review and deliberations in the Nomination and Compensation Advisory Committee. The Company will develop a succession plan to ensure that sufficient time and resources are devoted to the selection of representative directors.

(Supplementary Principle 4-8-2)

The Company has not designated a lead independent outside director. However, independent outside directors exchange views with management as appropriate, and when necessary, the Company provides a forum to exchange opinions between the independent outside directors and management to facilitate cooperation. Each independent outside director possesses a wealth of experience and a wide range of insights, offering freely spoken opinions from a variety of individual perspectives that lead to active discussions and exchanges of opinions in Board of Director meetings without the need for a hierarchy, such as appointing a lead independent outside director.

[Disclosure based on corresponding principles in the Corporate Governance Code] Updated

(Principle 1-4 Cross-Shareholdings)

1. Basic Policy

The Company engages in cross-shareholding when such is deemed beneficial for maintaining and strengthening business relationships over the long term and contributing to improved corporate value. Each year, the Board of Directors confirms the necessity of holding shares by examining the medium- to long-term economic rationality and future prospects of said shares held in accordance with the policy on cross-shareholdings, taking into account returns and risks. As a result of these reviews, the Company sells stock for which the rationality of such holdings is no longer deemed valid. As of the end of the 74th fiscal period (ended February 2024), the Company has only one cross-shareholding, excluding shares held in affiliates.

2. Policy on the Exercise of Voting Rights

The Company confirms the details of resolution agenda items and exercises voting rights reflecting the relationship with the company in which the Company holds shares, etc., as well as the perspectives of enhancing the Company's medium- to long-term shareholder interests and improving the corporate value of the company in question. Our comprehensive considerations include whether resolutions strengthen corporate governance structures, contribute to the enhancement of shareholder value, and whether the resolution presents any risk of conflicts of interest with the Company.

3. Policy in the Event a Cross-Shareholdings Entity Indicates an Intention to Sell Cross-Held Shares

In the event a company that holds Company shares as cross-shareholdings indicates its intention to sell Company's shares, the Company will take appropriate action to the extent such action does not hindering the sale (e.g., suggesting such trade would results in a retaliatory reduction in business transactions, etc.).

(Principle 1.7 Related-Party Transactions)

In the event that the Company engages in competitive transactions or transactions involving conflicts of interest with directors or major shareholders,

etc., the Company shall obtain the approval of the Board of Directors and Audit and Supervisory Committee in accordance with laws and regulations and the Board of Directors Rules and Regulations so as not to harm the common interests of the Company and our shareholders. The Company shall report material facts appropriately to the Board of Directors when such transactions are conducted.

In accordance with the provisions of the Auditing Standards for the Audit and Supervisory Committee, the Audit and Supervisory Committee shall monitor and confirm the presence of any facts that violate the duties of directors involved in such transactions.

(Supplementary Principle 2-4-1)

One of our key values regarding sustainability is empowering people. We place great importance on respecting and recognizing diversity and individuality, regardless of age, gender, nationality, disability, sexual orientation, etc.

We believe in the importance of increasing the diversity of our organization to gain an accurate understanding of the diversifying needs of our customers, to create new value, to improve product development, and to step up service quality. Further, the Company has incorporated organizational diversification into our management strategies, and we pursue initiatives to create an environment and structures that support employee careers and allow employees to fully express their talents, adopting work-style reform and improving internal systems.

We also consider the empowerment of women, who account for 75% of our full-time employees, as a priority issue in our diversity management. To this end, we have formulated specific goals and a roadmap under the commitment of top management. Beginning in the fiscal year ended February 2023, female employees began to participate in the Board of Executives, which had consisted entirely of male employees to that point. In this way, the Company plans to foster female executive candidates, encourage discussion, and change the mindset of management.

Ratio of women in management positions	Target: 45.0% by February 2025	Actual: 33.7% (as of February 2024)
Ratio of women in senior management positions (general managers and above)	Target: 30.0% by February 2025	Actual: 18.7% (as of February 2024)

We appoint persons to management positions according to their abilities and achievements. We do not discriminate based on nationality or seniority. At present, we do not set or disclose targets for appointing mid-career hires or non-Japanese employees to management positions. However, a significant number of mid-career hires serve in important positions, including directors, executive officers, general managers, and department managers. In addition, several non-Japanese nationals serve in management positions, and locally hired employees hold many important posts in overseas subsidiaries, including positions as general managers. The central human resources of the Company, including management, consist of a variety of individuals, including mid-career hires and non-Japanese nationals. This structure fosters active discussions from diverse viewpoints and decision-making based on such discussions. Meetings of the Human Resources Development Committee and other meetings regularly address the development and promotion of female directors and management candidates. In this way, we strive to create a pool of human resources in a strategic manner. At Board meetings and Sustainability Committee meetings attended by directors, deliberations are conducted as appropriate and reports are submitted.

Our achievements in diversity have been included in the Ministry of Health, Labour and Welfare's database of companies promoting career advancement for women. For details of the main Company initiatives in the pursuit of diversity, see *III. Measures for Shareholders and Other Stakeholders - 3. Respecting the Position of Stakeholders* in this report.

See disclosures on the Company's corporate website, in the integrated report, and in the annual securities report for information on other sustainability initiatives.

Ministry of Health, Labour and Welfare The Database on Promotion of Women's Participation and Advancement in the Workplace:
<https://positive-ryouritsu.mhlw.go.jp/positivedb/detail?id=7193> (Japanese Only)

Corporate Website (Sustainability): <https://www.adastria.co.jp/english/sustainability/>

Integrated Report: <https://www.adastria.co.jp/english/sustainability/reports/>

Securities Report: <https://www.adastria.co.jp/english/ir/library/entry-16411/>

(Principle 2-6 Functions as a Corporate Pension Asset Owner)

The Company does not have a corporate pension plan, and therefore we do not manage the invest of reserves for corporate pensions.

(Principle 3.1 Full Disclosure)

(1) Corporate goals (management philosophy, etc.), management strategies, and management plans

The Company strives for full disclosure, and we disclose our corporate philosophy, mission, vision, values, growth strategies, etc., through our corporate website, in materials used for financial results presentations, in annual reports, etc.

Corporate website: <https://www.adastria.co.jp/english/>

Financial Results Presentation Materials: <https://www.adastria.co.jp/english/ir/library/presentation/>

Annual Report: https://www.adastria.co.jp/ir/library/annual_reports/ (Japanese Only)

Integrated Report: <https://www.adastria.co.jp/english/sustainability/reports/>

(2) Basic stance and basic policy on corporate governance based on the principles of the Corporate Governance Code

The Company formulated Corporate Governance Guidelines, which we disclose on our corporate website.

Corporate Governance website:

<https://www.adastria.co.jp/english/ir/governance/>

(3) Board policies and procedures in determining the compensation of senior management and directors

The Company's Board of Directors follows the policies and procedures below when determining director compensation.

■ Policy

- 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

- 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 compensation. • The Committee shall be 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 shall 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 shall be subject to a resolution of the general meeting of shareholders. The amount of individual director compensation shall be 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 shall be subject to a resolution of the general meeting of shareholders. The amount of individual director compensation shall consist 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.

- (4) Board policies and procedures in the appointment and termination of the senior management and the nomination of director candidates:
The Company's Board of Directors follows the policies and procedures below when determining and dismissing candidates for directors.

■ Policy

- The Company shall appoint a diverse pool of directors with differing backgrounds of expertise and experience, including persons who are familiar with and have deep knowledge of the Company's businesses, persons who have international experience, such as extensive experience in global companies and overseas operations, and persons who have a wealth of insight as corporate managers.
- The Company shall appoint directors who are members of the Audit and Supervisory Committee who are qualified, independent, and capable of fulfilling the term 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.
- When circumstances require dismissal (as a lack of qualifications for the execution of duties, etc.), said dismissal shall be based on a comprehensive judgment of relevant factors.

■ Procedures

- 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 nominations and compensation.
The Committee shall be 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 shall participate as observers to ensure the effective right of the Audit and Supervisory Committee to express its opinion on the appointment of directors who are not members of the Audit and Supervisory Committee.
- The representative director shall submit a list of candidates for directors who are not members of the Audit and Supervisory Committee. The Nomination and Compensation Advisory Committee shall deliberate the list, after which the Board of Directors shall make decisions on candidates.
- The representative director shall submit a list of candidates for director who are 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 with the agreement of the Audit and Supervisory Committee.
- After deliberations by the Nomination and Compensation Advisory Committee, the Board of Directors make decisions regarding the dismissal of directors which are then submitted to the general meeting of shareholders.

- (5) When the Board of Directors provides explanations or make decisions regarding individual dismissals or appointments for director candidates when making appointments or dismissals of candidates for senior management, and director candidates based on (4), above

The reasons for individual appointments and nominations shall be disclosed in the reference materials of the convocation notice of the general meeting of shareholders.

The dismissal of senior managers has not disclosed as no such dismissals have taken place.

(Supplementary Principle 3-1-3)

We recognize the importance of identifying risks and opportunities that could affect our business activities, such as the occurrence of extreme weather events, believed to be caused by climate change, or supply chain disruptions due to natural disasters, and formulating response measures to said risks and opportunities. This response is an important strategy toward sustainable management as we strive to improve the resilience of our business base. At the same time, we are aware of the impact of climate change and other environmental factors on our businesses, and we will conduct management that balances business growth with environmental considerations, disclosing information to stakeholders appropriately.

■ Reducing CO₂ emissions

In terms of the environment, we aim to achieve carbon neutrality, and we follow GHG protocols to monitor CO₂ emissions in our supply chain. In addition to replacing lights with LEDs and engaging in other concrete measures to reduce CO₂ emissions, we also use solar power generation at distribution centers, optimize transportation routes, and collaborate with delivery companies. Beyond these equipment-related measures, we engage in services-related measures that include developing and using materials with low environmental impact, reducing the use of shopping bags, continuing zero incineration of clothing inventory, and expanding the number of stores where we collect clothing donations. We disclose energy consumption and CO₂ emissions at stores and the Tokyo head office in our sustainability report.

■ Responding to climate change

In September 2022, the Company expressed support for the Task Force on Climate-related Financial Disclosures (TCFD). Based on the TCFD Guidelines, we strive to identify climate change-related risks and understand climate change-related opportunities throughout the supply chain, making appropriate disclosures. Since climate change entails a high degree of uncertainty, we continue to update related information on a regular basis.

■ Governance for sustainable management

Adastria established a Sustainability Committee on March 1, 2023, aiming to further strengthen our pursuit of strategies in non-financial areas

within the Board of Directors. The Sustainability Committee sets sustainability policy and medium- to long-term goals, as well as manages progress on identified materialities. Additionally, the committee regularly reports to and advises the Board of Directors and the Executive Council, strengthening the Adastria Group implementation systems and enhancing corporate value.

■ Promoting sustainability in the fashion industry

We have joined forces with Japanese textile companies, retailers, and recyclers to create the Japan Sustainable Fashion Alliance (JSFA). The aim of the JSFA is to pursue a transition to a sustainable fashion industry. To achieve the JSFA goals of carbon neutrality by 2050 and zero fashion loss, we discuss issues that are difficult for individual companies to resolve on their own. In this way and others, we continue to promote sustainability in the fashion industry in cooperation with industry and government.

For information on the Company's other initiatives related to sustainability and investments in human capital and intellectual property, see *iii. Measures for Shareholders and Other Stakeholders 3. Respecting the Position of Stakeholders* in this report. We also disclose information on our corporate website, integrated report, and annual securities report.

Corporate Website (Sustainability): <https://www.adastria.co.jp/english/sustainability/>

Integrated Report: <https://www.adastria.co.jp/english/sustainability/reports/>

Securities Report: <https://www.adastria.co.jp/english/ir/library/entry-16411/>

(Supplementary Principle 4-1-1)

The Company stipulates those matters to be resolved by the Board of Directors in the Board of Directors Rules and Regulations. The board makes decisions on basic management policies and important matters, in addition to those matters stipulated in the Articles of Incorporation and laws and regulations. At the same time, the Company shall establish a system to ensure prompt business execution by delegating authority to representative directors under certain criteria, subject to a basic framework that certain important executive decisions shall be subject to prior deliberation by the Executive Council as described below.

Further, the Executive Council, which is attended by all internal directors, full-time members of the Audit and Supervisory Committee and outside directors who are members of the Audit and Supervisory Committee, makes decisions on and executes important matters other than those required to be resolved by the Board of Directors under the Board of Directors Rules and Regulations. Matters decided by the Executive Council, matters delegated to representative directors, and the status of the execution of said decisions are reported to the Board of Directors as necessary.

(Principle 4.9 Independence Standards and Qualification for Independent Outside Directors)

The Company has established standards for defining the independence of outside directors within our Corporate Governance Guidelines, which is disclosed on our corporate website.

Corporate Governance: <https://www.adastria.co.jp/english/ir/governance/>

(Supplementary Principle 4-10-1)

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 nominating directors and determining director compensation. The Nomination and Compensation Advisory Committee is chaired by an outside director and consists of four outside directors who are not members of the Audit and Supervisory Committee and a representative director. Outside directors form the main constituency of the committee to ensure independence and objectivity. One director who is a full-time member of the Audit and Supervisory Committee shall participate as an observer to ensure the effective right of the Audit and Supervisory Committee to express its opinion on the appointment of and compensation for directors who are not members of the Audit and Supervisory Committee. The purpose of the committee is to improve the fairness, appropriateness, and transparency in the selection director candidates, as well as the dismissal of directors and selection and dismissal of representative directors, and executive directors. The committee is also responsible for policies and procedures for fostering successors of representative directors and the compensation of directors. The committee deliberates on these matters and reports the results to the Board of Directors.

(Supplementary Principle 4-11-1)

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

The Company believes that we have appointed a diverse pool of directors with differing backgrounds of expertise and experience, including persons who are familiar with and have deep knowledge of the Company's businesses, persons who have international experience, such as extensive experience in global companies and overseas operations, and persons who have a wealth of insight as corporate managers. Further, directors range in age from forty to seventy years.

We have appointed directors who are members of the Audit and Supervisory Committee who have sufficient knowledge of finance, accounting, and legal affairs, including one individual with corporate management experience, one individual with experience working in financial institutions, and one attorney.

Accordingly, we believe that the Board of Directors as a whole is balanced and appropriately diverse. However, we will continue to strive to ensure and improve diversity, including diversity in terms of gender and internationality. The Company has prepared a skills matrix describing the knowledge, experience, and abilities of each director. This skills matrix is disclosed in the reference materials for the 74th Ordinary General Meeting of Shareholders and at the end of this report.

(Supplementary Principle 4-11-2)

On an annual basis, the Company discloses the status of important concurrent positions held by directors in this report, in our annual securities report, and in the convocation notice of the general meeting of shareholders.

Securities Report: <https://www.adastria.co.jp/english/ir/library/entry-16411/>

Convocation Notice of the General Meeting of Shareholders: https://www.adastria.co.jp/english/ir/stock/general_meeting_of_shareholders/

(Supplementary Principle 4-11-3)

In this section, the details of matters for the 74th fiscal period (ended February 28, 2024) are those for a company with a Board of Corporate Auditors prior to the transition to a company with an Audit and Supervisory Committee.

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 the fiscal year ended February 2020, 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.

The Company believes that the Board of Directors consists of an appropriately balanced and diverse membership, and that the board fosters a culture of vigorous discussion among members, including independent outside directors. Accordingly, we believe we have ensured sufficient effectiveness in decision-making and supervision of business execution by the Board of Directors. Of the issues identified in the previous year, we improved our score related to the effective supervision of nominations and compensation. At the same time, we identified issues continuing from the previous year, including (1) issues related to diversity and (2) the optimization of our business portfolio and the appropriate allocation of management resources.

For more on (1) issues related to diversity, see *III. Measures for Shareholders and Other Stakeholders* 3. Respecting the Position of Stakeholders in this report. Our activities to promote the career advancement of women have already pushed us over the government target of 30% or more women in management positions. In light of the ratio of women within the Company, we set our own target of 30% or more women in senior management positions (department managers and above), and we recognize the need for further efforts to achieve this goal.

In terms of optimizing our business portfolio and the appropriate allocation of management resources, the Board of Directors pursues discussions of our business portfolio leveraging the capabilities of the Adastria Group based on the growth strategies outlined in our current medium-term business plan. We will continue to improve the effectiveness of the Board of Directors throughout the 75th fiscal period (ending February 2025), giving articular consideration to these issues.

The Company transitioned to a company with an Audit and Supervisory Committee upon approval at the 74th Ordinary General Meeting of Shareholders held on May 23, 2024. The Company 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.

(Supplementary Principle 4-14-2)

The Company provides the training and information necessary for directors to fulfill their roles and responsibilities properly and in accordance with the following policies.

■ Training Policy

- Directors (including outside directors) shall endeavor to collect information and acquire knowledge, as appropriate, regarding the environment surrounding the Company's businesses, the details of laws and regulations related to the Company's businesses, the Company's state of affairs, issues, etc., for the purpose of making appropriate decisions on various issues. The Company shall bear the costs of such training and education, including participation in external seminars, after following the prescribed procedures.
- The Company shall provide opportunities for newly appointed Directors (including outside directors) to acquire knowledge of the Company's management strategies, financial position, and other important matters.

(Principle 5.1 Policy for Constructive Dialogue with Shareholders)

The Company strives to obtain an understanding of management strategies, etc., via dialogue with shareholders. The Company also strives to consider the interests, opinions, and concerns of shareholders obtained through dialogue in the management of the Company. The Corporate Planning Office plays a central role in the dialogue with shareholders. The office endeavors to engage in meaningful dialogue by providing opportunities to communicate information on a daily basis with departments that assist in dialogue, including accounting, general affairs, legal, and other administrative departments, and the sales department.

In addition to telephone interviews, small meetings, and other IR interviews with shareholders and investors, the Company holds financial results presentations four times yearly for analysts and institutional investors. The Company also holds a management presentation on a non-weekday after we announce our second quarter financial results. The representative director and other directors explain the details of financial results, business forecasts, management strategies, etc., at financial results presentations and business report presentations. We also issue an integrated report for the purpose of disclosing information, including non-financial information, to ensure shareholders have a better understanding of Adastria corporate value.

Opinions and concerns raised by major shareholders and investors at these meetings are reported to the Board of Directors and the Executive Council to ensure information is shared with directors and executive officers.

The Company strives to disclose information in a fair and timely manner. When engaging in dialogues with shareholders, we endeavor to manage information in accordance with Insider Information Management Rules to prevent the leakage of undisclosed important internal information to outside parties.

The Company has established a Basic Policy on Constructive Dialogue with Shareholders within our Corporate Governance Guidelines, which is disclosed on our corporate website.

Integrated Report: <https://www.adastria.co.jp/english/sustainability/reports/>

Corporate Governance: <https://www.adastria.co.jp/english/ir/governance/>

(Actions for to Engage in Management Conscious of Cost of Capital and Share Price) [English-Language Disclosure Available]

To enhance corporate value, the Company formulated and disclosed a capital market-conscious management plan, including ROE targets, in our medium-term management plan ending in the 76th fiscal period (ending February 2026). Earnings growth in line with plan has boosted our stock price, resulting in an ROE exceeding the cost of capital, and a PBR well above 1 time.

Management and business managers engage actively in dialogue with the market, and we continue to expand disclosures and investor relations activities through integrated reports, enhanced English-language disclosure, and response to various ratings agencies.

As of the 74th fiscal period (ended February 2024), we have added a comparison of the Company's total shareholder return (TSR) and the growth rate of the Tokyo Stock Exchange Price Index (TOPIX) as a share price evaluation indicator when calculating the performance-linked stock compensation plan for director compensation.

See pages 34 to 35 in our full-year financial results presentation for the 74th term (ended February 2024) regarding actions to engage in management conscious of cost of capital and share price.

Financial Results Presentation Materials: <https://www.adastria.co.jp/english/ir/library/presentation/>

2. Capital Structure

Percentage of Shares Held by Foreign Nationals

Between 10% and 20%

[Major Shareholders] Updated

Name of Individual or Company	No. of Shares Held (Shares)	No. of Shares Held (%)
Fukuzo Co., Ltd.	17,132,486	37.53
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,308,400	7.25
TOYOSHIMA & Co., Ltd.	2,000,000	4.38
Custody Bank of Japan, Ltd. (Trust Account)	1,564,800	3.43
Michio Fukuda	922,040	2.02
Adastra Employee Shareholding Association	638,872	1.40
VICTORY TRIVALENT INTERNATIONAL SMALL-CAP FUND	468,100	1.03
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	454,842	1.00
SMBC Nikko Securities Inc.	448,000	0.98
Hitomi Fukuda	400,000	0.88

Majority Shareholders (Excluding Parent Company)

Parent Company

None

Supplementary Explanation

3. Corporate Overview

Stock Exchange Listing and Section	Tokyo Stock Exchange, Prime Market
Fiscal Year End	February
Industry Sector	Retail
Number of Employees at End of Previous Fiscal Year (Consolidated)	More than 1,000
Net Sales in the Previous Fiscal Year (Consolidated)	Between ¥100 billion and ¥999 billion
Number of Consolidated Subsidiaries at the End of Previous Fiscal Year	Between 10 and 49

4. Guidelines on Measures to Protect Minority Shareholders During Dealings with Majority Shareholders

5. Other Special Conditions That May Have a Major Influence on Corporate Governance

Updated

(Approach and Policy on Group Management)

The Company shares the group mission, vision, values, and management plans with subsidiaries, respecting the climate and culture of each subsidiary to encourage rapid decision-making. In addition, we respect the management independence of publicly traded (listed) subsidiaries to avoid concerns regarding potential conflicts of interest with minority shareholders.

zetton inc., listed on the Nagoya Stock Exchange Next Market, became a consolidated subsidiary of the Company. As of January 31, 2024, the Company owned 51.0% of zetton inc.'s outstanding shares. Publicly traded zetton, inc. has taken the initiative in establishing and operating a governance structure through the appointment of independent outside directors, among and other measures. One Company director and one executive officer serve concurrently as a director of zetton for the purpose of sharing management information and expertise. In addition, the Company ensures the effectiveness of the zetton governance structure by stipulating matters that require prior approval or reports to the Company. At the same time, zetton reports its status and highlights issues at quarterly Adastra Group company meetings to receive advice on ways to improve corporate value.

As announced in a timely disclosure published March 21, 2024 (Notice Concerning Share Exchange Agreement (Simplified Share Exchange) Concerning Making zetton, Inc. a Wholly Owned Subsidiary of Adastra Co., Ltd.), the Company made zetton, Inc. a wholly owned subsidiary

effective June 1, 2024, the same day as the transaction in question. zetton, Inc. shares are scheduled to be delisted from the Nagoya Stock Exchange Next Market on May 30, 2024 (the last trading day to be May 29, 2024).

II Administrative Organizational Structure Covering Decision-Making, Execution, and Supervision in Management Activities, and Other Corporate Governance Systems

1. Matters Related to Institutional Structure and Organizational Operations

Organizational Form	Company With an Audit and Supervisory Committee
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[Director Relationships]

Number of Directors Under Articles of Incorporation Updated	17
Director Term of Service Under Articles of Incorporation	1 year
Chairperson of the Board of Directors Updated	President
Number of Directors Updated	11
Appointment of Outside Directors	Appointed
Number of Outside Directors Updated	6
Number of Outside Directors Designated as Independent Directors Updated	6

Relationships to the Company (1) Updated

Name	Category	Relationship to the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Hiromi Horie	Member of another company												
Koichi Mizutome	Member of another company												
Tatsuhiro Matsuoka	Member of another company												
Kazuo Nishiyama	Member of another company												
Kazuhiko Ebihara	Member of another company												
Kyoko Mogi	Attorney												

* **Categories of Relationships to the Company**

* A ○ icon indicates a category applicable to said person currently or recently. A △ icon indicates a category applicable to said person in the past.

* A ● icon indicates a category applicable to a close family member currently or recently. A ▲ icon indicates a category applicable to a close family member in the past.

- a Executive of a listed company or its subsidiary
- b Executive or non-executive director of the parent company of a listed company
- c Executive of a fellow subsidiary of a listed company
- d Person of a listed company considered major client, or an executive of said company
- e Major client of a listed company or an executive of said company
- f Consultant, accounting expert, or legal expert receiving a large monetary sum or other property other than corporate officer compensation
- g Major shareholder of a listed company (if the major shareholder is a corporation, an executive of said corporation)
- h Executive (said person only) of a client (not covered by items d or e) of a listed company
- i Previously said executive (said person only) with connection to the mutual appointment of an outside corporate officer
- j Previously said executive (said person only) of a listed company making donations
- k Other

Name	Members of the Audit and Supervisory Committee	Independent Directors	Supplementary Explanations for Applicable Items	Reason for Election
Hiromi Horie		○	Representative Director, Haruka Holdings Co., Ltd. and Outside Director, Kanro, Inc.	In our opinion, Ms. Horie is suitable for the position noted above due to her record of achievements as the head of public relations and marketing departments of major companies (in the retail and restaurant industries), as well as her ability to apply her experience to the management of the Company. We have also determined that Ms. Horie meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that she has no potential conflict of interest with general shareholders.
Koichi Mizutome		○	Representative, FOOD & LIFE COMPANIES Ltd. President and CEO	In our opinion, Mr. Mizutome is suitable for the position noted above due to his experience in corporate reform at global consulting firms, as well as his wealth of experience and insight cultivated as a manager at major companies (retail businesses), which we believe will be beneficial in the management of the Company. We have also determined that Mr. Mizutome meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that he has no potential conflict of interest with general shareholders.
Tatsuhiko Matsuoka		○	Managing Executive Director, Chief Innovation Officer (CIO) and Chief Information Security Officer (CISO), Rise Consulting Group, Inc.	In our opinion, Mr. Matsuoka is suitable for the position noted above due to his record of achievements as general manager of services and information security divisions at major companies (IT consulting), in the IT and digital fields, which we believe will be beneficial in the management of the Company. We have also determined that Mr. Matsuoka meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that he has no potential conflict of interest with general shareholders.
Kazuo Nishiyama		○	President and CEO (Representative Director), SRE Holdings Corporation	In our opinion, Mr. Nishiyama is suitable for the position noted above due to his experience and insight cultivated as a manager at major companies (IT, real estate), which we believe will be beneficial in the management of the Company. We have also determined that Mr. Nishiyama meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that she has no potential conflict of interest with general shareholders.
Kazuhiko Ebihara	○	○	-----	In our opinion, Mr. Ebihara is suitable for the position noted above due to his ability to apply his abundant experience and professional knowledge in investment banking company operations to audits of the Company. We have also determined that Mr. Ebihara meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that he has no potential conflict of interest with general shareholders.
Kyoko Mogi	○	○	Southgate (registered association), Attorney	In our opinion, Ms. Mogi is suitable for the position noted above due to her ability to apply her abundant experience and professional knowledge in corporate law as an attorney to audits of the Company. We have also determined that Ms. Mogi meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that he has no potential conflict of interest with general shareholders.

[Audit and Supervisory Committee]

Member Composition and Chairperson Attributes Updated

	Total Number of Members	Number of Full-time Members	Number of internal directors	Number of Outside Director	Chairperson
Audit and Supervisory Committee	3	1	1	2	Internal Director

Presence of directors and employees to assist the Audit and Supervisory Committee in its duties Updated	Yes
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The Company assigns staff to the Audit and Supervisory Committee. Our basic policy regarding internal controls provides that staff members assigned to the Audit and Supervisory Committee shall assist the Audit and Supervisory Committee in its duties, answerable only to the instructions and requests of the Audit and Supervisory Committee. Any appointment, transfer, evaluation, etc., of such staff shall be approved in advance by the Audit and Supervisory Committee.

■ Coordination Between Members of the Audit and Supervisory Committee and Financial Statement Auditors

- The Audit and Supervisory Committee and the financial statement auditor hold regular meetings.
- At the beginning of each fiscal year, the audit plan for the fiscal year is discussed and confirmed. The results of the review or audit are reported at the end of each quarter and at the end of the fiscal year.
- At the end of the fiscal year, the Company receives the audit report from the financial statement auditor and conducts a question-and-answer session regarding year-end financial results. The audit report is also presented to the Audit and Supervisory Committee.
- In addition to the meetings above, the Company exchanges opinions with the financial statement auditor as necessary.

■ Coordination between the Audit and Supervisory Committee and the Internal Audit Department

- At the beginning of each fiscal year, members of the Audit and Supervisory Committee meet with the Internal Audit Department to discuss audit policies and the audit plan for the current fiscal year.
- The Internal Audit Department conducts internal audits based on audit policies and audit plans as instructed by 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 its consolidated subsidiaries.
- The internal audits conducted by the Internal Audit Department are attended by directors who are also members of the Audit and Supervisory Committee as necessary, to inspect audit materials and answer questions.
- The Internal Audit Department conducts audits of each store, while members of the Audit and Supervisory Committee read the audit reports and express opinions as necessary.
- The Audit and Supervisory Committee receives reports from time to time on the results of audits by the Internal Audit Department on the appropriateness of business execution and an evaluation of the effectiveness of the internal control system. The Committee makes recommendations for improvement measures as necessary.
- Directors who are members of the Audit and Supervisory Committee attend Internal Audit Department debriefing sessions, receive reports on the progress of internal controls, and make recommendations for improvements as necessary.
- The Audit and Supervisory Committee and Internal Audit Department staff have maintained an environment in which they understand that status of each other's activities and exchange information and opinions when necessary.

[Optional Committees]

Establishment of an optional committee corresponding to a Nominating Committee or Compensation Committee

Yes

	Committee Name	Total Number of Members	Number of Full-time Members	Number of internal directors	Number of Outside Director	Number of Outside Experts	Other	Chairperson
Optional Committee Corresponding to the Nominating Committee	Nomination and Compensation Advisory Committee	5	0	1	4	0	0	Outside Director
Optional Committee Corresponding to the Compensation Committee	Nomination and Compensation Advisory Committee	5	0	1	4	0	0	Outside Director

The Company established the Nomination and Compensation Advisory Committee for the purpose of improving the fairness, appropriateness, and transparency of the selection, dismissal and compensation of directors. The committee is chaired by an outside director and consists of five members: four outside directors, one representative director, and one director who is a full-time member of the Audit and Supervisory Committee and who participates as an observer. As an advisory body to the Board of Directors, the committee deliberates and reports on the selection of director candidates, the design of the director compensation plan, and the amount of director compensation.

The activities of the Nomination and Compensation Advisory Committee for the 74th term (ended February 2024) were as follows:

- Number of meetings: 7
- Attendance (average attendance rate): 100%
- Major matters considered: In addition to deliberations regarding the selection of director candidates and individual director compensation, meetings focused on the transition to a company with an Audit and Supervisory Committee, etc.

[Independent Director Relationships]

Number of Independent Directors Updated 6

Other Items Related to Independent Directors

The Company has established the Criteria for Appointing Independent Directors as a standard for determining the independence of outside directors. This criteria is included in the Company's Corporate Governance Guidelines. All outside directors, consisting of Hiromi Horie, Koichi Mizutome, Ryudai Matsuoka, Kazuyoshi Nishiyama, Kazuhiko Ebihara, and Kyoko Mogi, satisfy the requirements for independent directors as stipulated in the Criteria for Appointing Independent Directors as established by the Company and the Tokyo Stock Exchange. There is no potential conflict of interest between these outside directors and the Company's general shareholders.

The Company has designated all outside directors as independent directors as provided by the Tokyo Stock Exchange, and has notified the Tokyo Stock Exchange to that effect.

Corporate Governance
<https://www.adastria.co.jp/english/ir/governance/>

[Incentives]

Remunerative Incentives for Directors Performance-Linked Compensation, Other

Supplementary Explanation Updated

The Company pays performance-linked compensation to directors (excluding outside directors; same below) who are not members of the Audit and Supervisory Committee in an amount based on the degree of achievement of the business plan in question.

Further, the Company delivers to directors who are not members of the Audit and Supervisory Committee Company shares as performance-linked stock compensation in an amount equivalent to the standard amount for the individual director and an amount representing the degree of achievement of earnings targets for the fiscal year under review. For details, please refer to 4 Corporate Governance (4) Officer Compensation in the 74th Annual Securities Report for the 74th term (Japanese only).

Persons Eligible for Stock Options

Supplementary Explanation

[Matters Related to Director Compensation]

Disclosure of Individual Director Compensation Only compensation for certain individuals are disclosed

Supplementary Explanation

The total amount of compensation, etc., for directors and the total amount of compensation, etc., for outside directors are as stated in the Company's business report. Individuals whose total amount of consolidated compensation, etc., exceeds 100 million yen are disclosed individually in the annual securities report.

Policy for Determining Compensation Amount and Method of Calculation Updated Yes

Information Disclosure for Regarding Policy for Determining Compensation Amount and Method of Calculation

The Company adopted a resolution on the policy for determining the details of compensation, etc., of individual directors who are not members of the Audit and Supervisory Committee. The Board of Directors consults with the Nomination and Compensation Advisory Committee on the details of resolutions to be adopted in advance and receives reports from the committee. The details of the policy for determining the compensation, etc., of individual directors who are not members of the Audit and Supervisory Committee are as follows.

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

2. Matters related to the composition of compensation and the determination of the compensation, etc., for directors who are not members of the Audit and Supervisory Committee and individual director compensation, etc.

The basic framework of compensation for directors who are not members of the Audit and Supervisory Committee (“Directors,” below) consists of basic compensation, performance-linked compensation, and performance-linked stock compensation.

Outside directors receive only fixed compensation regarded as basic compensation, given the viewpoint of their roles and independence.

To ensure Director compensation provides incentives for Directors to increase corporate value in consideration of the business environment surrounding the Company, the Company conducts periodic surveys and analyses of compensation levels at industry peer companies and companies of similar size as benchmarks, determining compensation levels and remuneration composition ratios based in line with basic policies regarding Director remuneration (excluding Outside Directors). The ratio of fixed compensation (basic compensation) to performance-linked compensation (performance-linked compensation and performance-linked stock-based compensation) shall be determined for each position. In principle, the higher the position, the higher the ratio of performance-linked compensation.

Details of compensation, etc., for Directors and individual amounts shall be within the scope approved at general meetings of shareholders. After deliberation by the Nomination and Compensation Advisory Committee (optional committee), said details and amounts shall be determined by the Board of Directors.

3. Policy Regarding the Determination of Basic Compensation (Monetary Compensation) Amounts Paid to Individuals (Including Policy Regarding Determination of the Timing or Conditions for Granting Remuneration, Etc.)

The amount of basic compensation is determined according to the position and responsibilities, paid at a fixed amount monthly.

4. Policy Regarding for Determining the Details and Method to Calculate Amount and Number of Performance-Linked Remuneration and Non-Monetary Remuneration, Etc. (Including Policy Regarding Determination of the Timing or Conditions of Granting Remuneration, Etc.)
 - (1) Performance-linked compensation

Directors (excluding outside directors) shall receive payment within the range of 0% to 200% of a base amount determined in line with the position and degree of achievement of the Director (excluding Outside Directors) in question.

The basic policy related to the metric by which performance is evaluated will consist mainly of short-term performance and the direct creation of corporate value. Based on this policy, the Company will use the degree of achievement related to year-on-year growth for revenues and operating profit of the fiscal year evaluated, paying a lump sum in a certain month of the same year in question.
 - (2) Performance-linked stock compensation (non-monetary compensation, etc.)

Directors (excluding outside directors) shall receive a number of points determined within a range of 0% to 200% of the base number of shares to be delivered to Directors in line with the position and degree of achievement of the Director in question.

The basic policy related to the metric by which performance is evaluated will consist of short-term and medium-term business results and the direct creation of corporate value. Based on this policy, the Company will use the degree of achievement related to revenues and operating profit of the fiscal year evaluated and a comparison of total shareholder return to the growth rate of the Tokyo Stock Price Index (TOPIX), used as a benchmark.

Points shall be calculated as of the end of February of the fiscal year under evaluation and awarded at a certain time in the same year.

Upon retirement, a retiring Director who meets the prescribed requirements for a beneficiary shall be granted shares equivalent to a certain percentage of points. The shares equivalent to any remaining points shall be converted into cash within the trust in accordance with the provisions of the trust agreement and paid in an amount equivalent to the conversion price.

5. Important Matters Concerning the Determination of Details for Individual Director Compensation, Etc.

In the event that a Director violates compliance items or obligations provided by laws, regulations, and Director rules and regulations, the Company may demand the return of money equivalent to shares, etc., delivered and said Director will forfeit the beneficial interest in such shares delivered under the performance-linked stock compensation plan.

[Support System for Outside Directors]

Updated

The General and Legal Affairs Department, the Corporate Planning Office, other administrative departments, and the Internal Audit Department assist outside directors. The General and Legal Affairs Department provides information on agenda items for the Board of Director meetings and requests for approval, etc. The Corporate Planning Office provides information on free-form discussions after board meetings, management strategies, etc. The Finance Department provides information on financial performance and cash flow, while the Human Resources Department provides information related to the Nomination and Compensation Advisory Committee. The Internal Audit Department provides information on audit operations. In addition, full-time staff assigned to the Audit and Supervisory Committee provide support to outside directors who are members of the Audit and Supervisory Committee.

2. Matters on Functions Related to Business Execution, Auditing and Supervision, Appointments, and Compensation (Overview of Current Corporate Governance System)

Updated

1. Overview of the Current Structure

The Company has adopted a Company with Audit and Supervisory Committee structure, and has established a Board of Directors and an Audit and Supervisory Committee.

The Board of Directors is chaired by the president and representative director 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). The Board of Directors is the highest management decision-making body for the Adastria Group. The Board deliberates and resolves important matters and monitors and supervises the execution of business operations, holding regular monthly meetings and extraordinary meetings as necessary.

The Audit and Supervisory Committee consists of three Directors as members, one of whom is a full-time member and two of whom are Outside Director members. Directors who are members of the Audit and Supervisory Committee attend Board of Director meetings, Corporate Governance Committee meetings, Executive Council meetings, and other important meetings and view important approval documents to gain an understanding of the state of management in a timely manner and to conduct audits of the legality of the execution of business by Directors who are not members of the Audit and Supervisory Committee.

The activities of the Board of Directors (since transitioning to a company with an Audit and Supervisory Committee) for the 74th term (ended February 2024)

were as follows:

- Board of Directors
 - Number of meetings: 15
 - Attendance (average attendance rate): Directors – 99.3%, Members of the Audit and Supervisory Board - 100.0%
 - Main topics of discussion: The Board of Directors conducted deliberations of important matters based on the Board of Directors Rules and Regulations. Topics included financial results and dividends, personnel matters for Directors and executive officers, executive remuneration, the establishment of consolidated subsidiaries, mergers and acquisitions, making subsidiaries wholly owned subsidiaries, etc. The Board also discussed the progress of the medium-term management plan, the transition to a company with an Audit and Supervisory Committee, an evaluation of the effectiveness of the Board of Directors, the development of internal controls, sustainability, human capital management, and other issues.

In addition, 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.

- Corporate Governance Committee
 - Matters related to the establishment of the Group's corporate governance and internal control systems
- Nomination and Compensation Advisory Committee
 - Policies and procedures for the election and dismissal of directors, representative directors, and executive directors; training of candidates to succeed representative directors; director compensation
- Compliance Committee
 - Important policies to ensure comprehensive compliance

The Company created an Executive Council attended by 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, and executive officers. The Council makes decisions on important matters other than those resolved by the Board of Directors, conducts advanced deliberations on matters that the Board of Directors has delegated to the Representative Directors under the Company's Articles of Incorporation, and shares information on business execution in a timely manner.

The Company has adopted an executive officer system for the purpose of separating management supervision from business execution. Executive officers are appointed by resolution of the Board of Directors and serve for a term of one year. As of the date of submission of this report, the Company has appointed ten executive officers.

Through these efforts, the Company is building a corporate governance structure that promises transparency, soundness, and efficiency in management to shareholders and other stakeholders.

The Internal Audit Department conducts internal audits based on audit policies and audit plans as instructed by 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 its consolidated subsidiaries. Audit results regarding the state 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 discussed as necessary in Board of Director meetings, Corporate Governance Committee meetings, Compliance Committee meetings, and Executive Council meetings. In addition, the Internal Audit Department visits consolidated subsidiaries periodically to inspect various documents and conduct audits.

2. Overview of Limited Liability Agreements

Pursuant to the provisions of Article 427-1 of the Companies Act and the Company's Articles of Incorporation, the Company enters into agreements with individual Outside Directors to limit their liability for damages under Article 423-1 of the Companies Act to the minimum liability as provided in Article 425-1 of the same act.

3. Reasons for Selecting Current Corporate Governance System Updated

The Company considers enhancing corporate governance to be an important management issue. To this end, we develop organizations, systems, and resolution bodies to strengthen our corporate structure and establish a system of management.

The Company transitioned to a company with an Audit and Supervisory Committee to improve corporate governance further by delegating authority for certain 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. This transition was approved at the 74th Ordinary General Meeting of Shareholders held on May 23, 2024. We appointed six Outside Directors to strengthen the supervisory function of the Board of Directors and the audit function over Director performance. We believe this structure ensures the transparency, soundness, and efficiency of management for shareholders and other stakeholders.

III Measures for Shareholders and Other Stakeholders

1. Efforts to Boost Participation in General Shareholder Meetings and to Facilitate Exercise of Voting Rights

	Supplementary Explanation
Scheduling Meetings to Avoid Peak Meeting Day	The Company schedules ordinary general meetings of shareholders on a Wednesday or Thursday in late May every year. We do not schedule meetings in consideration of peak meeting days.
Electronic Exercise of Voting Rights	The Company adopted the exercise of voting rights via electronic means beginning with the 57th Ordinary General Meeting of Shareholders (2007).
Improve Voting Environment for Institutional Investors (Participation in the Electronic Voting Platform, Etc.)	Beginning with the 57th Ordinary General Meeting of Shareholders (2007), the Company has participated in the ICJ, Inc. electronic voting platform.
Invitations (Overview) Sent in English	The Company has provided an English version of convocation notices (Summary) since the 66th Ordinary General Meeting of Shareholders (2016).
Other	Prior to the sending of convocation notices for general meetings of shareholders, we post the content of said convocation notice on the Company's corporate website.

2. Investor Relations Activities

Updated

	Supplementary Explanation	Explanation from Representative
Creation and Announcement of Disclosure Policy	In addition to the basic policy on disclosures, the Company has established disclosure methods, notes on earnings forecasts, etc., and an IR quiet period, the schedule for which is posted on the Company's corporate website. Corporate Website (IR Policy) https://www.adastria.co.jp/ir/policy/ (Japanese Only)	
Regular Briefings for Individual Investors	The Company holds business briefings for individual shareholders and others on a holiday in November, six months after the ordinary general meeting of shareholders.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings and individual meetings after the announcement of quarterly financial results.	Yes
Regular Briefings for Overseas Investors	In principle, Directors and others visit institutional investors in Europe, the U.S., Asia, and other regions at least once per year to explain the Company's financial status, future strategies, and other matters. In addition, we participate in conferences for institutional investors organized by securities firms and provide explanations to overseas investors. We also hold individual meetings with overseas institutional investors in person or online, etc., as needed, and conduct meetings in English as required.	Yes
Posting of IR Materials on Website	In addition to the materials disclosed to the Tokyo Stock Exchange and in our Annual Securities Report, the Company also posts briefings on financial results and other materials related to corporate information on our corporate website. Corporate Website (IR): https://www.adastria.co.jp/english/ir/	
Establishment of Investor Relations Department	[Department in charge of IR] Corporate Planning Office	

3. Respecting the Position of Stakeholders

Updated

Supplementary Explanation

Respecting the Position of Stakeholders Under Internal Rules and Regulations

Our Group Code of Ethics, Group Procurement Policy, and Group Procurement Guidelines provide and disclose matters related to respect for shareholders.

The Company creates systems that encourage employees to use their personalities regardless of their attributes (clear evaluation standards, evaluations conducted by multiple persons) and provides training for evaluators. In this way, we foster understanding and raise awareness among managers, leading to the development of workplace environments that respect diversity and foster improved management. The Company has also established an anonymous whistle-blowing system (*Whistle Line*), anti-harassment training for all domestic group employees, an annual circulation of written pledges to the Group's Code of Ethics for all employees, and a program related to health issues specific to women. In this way, we strive to create workplace environments in which employees can express their individuality.

We established a Group Procurement Policy, which aims to ensure fair and ethical transactions in our business partnerships. We also established the Group Procurement Guidelines, which specify the standards we expect our business partners to observe. In this way, we demonstrate our commitment to conducting business together with our business partners in a manner that respects the position of all stakeholders.

Group Code of Ethics <https://www.adastria.co.jp/english/ir/governance/compliance/>

Adastria Group Procurement Policy and Group Procurement Guidelines:
<https://www.adastria.co.jp/english/sustainability/theme/community/supply-chain/>

Implementation of Environmental Protection Activities and CSR Activities

The Adastria Co., Ltd. Sustainability Policy is "Taking the Excitement of Fashion Into the Future." The key concepts of protecting the environment, empowering people, and growing with local communities take into account the relevance of social issues in our business. In line with these concepts, we have established a vision and defined issues with which to engage. In addition, we set specific targets for materialities in line with each key concept, pursuing sustainable corporate activities worthy of support from our employees.

We consider sustainability initiatives to be an important management issue, and we are committed to solving global-scale issues through our business activities. We conduct sustainability-oriented management to achieve sustainable societies and economic growth. As one means to this end, we established a Sustainability Committee on March 1, 2023, aiming to further strengthen our pursuit of strategies in non-financial areas within the Board of Directors. We respond to the trust and expectations of our stakeholders faithfully by identifying materialities related to the cornerstones of our medium-term management plan and business policies, as well as through appropriate information disclosures. The Committee sets sustainability policy and medium- to long-term goals and manages progress on identified materialities. Additionally, the committee reports to and advises the Board of Directors and the Executive Council, strengthening Group implementation systems and enhancing corporate value.

Information on our sustainability activity policies, the progress of specific sustainability activities, and progress toward goals can be found in our corporate materials, integrated report, and on our corporate website and in other publications.

Corporate Website (Sustainability): <https://www.adastria.co.jp/english/sustainability/>

Integrated Report: <https://www.adastria.co.jp/english/sustainability/reports/>

Establishment of Policies, Etc., Related to Providing Information to Stakeholders

Referencing human capital disclosure guidelines of value enhancement, risk management, uniqueness," and comparability, internal Directors, Executive Officers, and general managers engage in discussions regarding information disclosure metrics and disclosure policies in Board of Executives meetings, Sustainability Committee meetings, and other meetings. Subsequent to these discussions, we engage in a wide range of information disclosures beyond quantitative results tied to enhanced corporate value, including information related to human resources and society that may be an issue in the future.

Considering the relationship between social issues and our businesses, we identified three key areas of protecting the environment, empowering people, and growing with local communities. Specific initiatives under each key area are as follows

[Protecting the Environment]

To reduce the environmental impact of our businesses and make the world of fashion more sustainable, we established three visions for our activities: (1) Engage in manufacturing that leads to the future; (2) Balance environmental considerations and sales activities; and (3) Create a world without fashion loss.

With respect to engaging in manufacturing that leads to the future, we established a goal to transition more than half of all products to sustainable raw materials and processing by 2030. The percentage of products bearing our original *Sustainable Mark* has increased to 17.2% as of February 2024. In addition, our Production Division is developing proprietary sustainable materials to achieve our goals.

In terms of balancing environmental considerations and sales activities, we completed an identification and disclosure of CO₂ emissions (Scope 1, 2, and 3) on a domestic consolidated Group basis. Our goal is to achieve carbon neutrality by the year 2050. Further, we disclose matters recommended under the TCFD Framework and matters related to financial impact assessments.

With respect to creating a world without fashion loss, we set a goal for zero incineration of leftover clothing inventory, continuing to achieve this goal since fiscal 2020. Further, we collect unwanted clothing from customers through 170 stores in Japan as we develop a resource recycling mechanism to create and popularize circular economies in society.

[Encourage People to Shine]

We established two visions to create exciting everyday environments for customers, employees, and others: (1) A society in which people enjoy fashion in their own way and (2) An organization that is healthy mentally and physically, encouraging employees in their individuality and ability.

Fostering a society in which people enjoy fashion in their own way, we are an LGBTQ+ - friendly company that offers programs to promote an understanding of sexual minorities, educate society, pursue inclusive fashion projects across the company, and conduct open company tours to support and nurture future generations.

We also endeavor to be an organization that is healthy mentally and physically, encouraging employees in their individuality and ability. In this context, we strive to diversify our organization through the empowerment of women, which is one of our priority issues. We also offer store employee career development through a career expansion project and encourage the employment of people with disabilities. In these and other ways, we create environments in which employees exercise their individualities and talents, foster greater job satisfaction, and offer career support.

Given the high ratio of younger employees and women in comparison with other companies, not to mention the number of employees nationwide raising children and working in diverse employment situations, we established the Adastria Health Insurance Association. Our goal here is to provide health and welfare services tailored to the characteristics of our Adastria Group employees. We intend to strengthen insurance functions by adding more gynecological examination options and expanding the number of eligible medical institutions for regular health checkups. We also conduct health management, striving for employee well-being by fostering a health-conscious culture and creating safe and secure work environments for employees to feel a sense of personal growth and fulfillment through their work.

【Grow Together With Communities】

We established two visions to coexist with local communities and create new value together: (1) Revitalize the communities surrounding our stores and (2) Foster sustainable development in production areas.

To revitalize the communities surrounding our stores, we endeavor to strengthen engagement with local consumers through fashion as we expand in Japan and overseas. We respect cultures and customs, not to mention local laws and regulations. Through fashion, we expand businesses that revitalize and give back to communities. Our activities include collaborations with local companies and artists, sponsorships of sports and cultural activities in Mito (our founding location), industry-academia collaborations through the Shibuya Social Action Partner Agreement (S-SAP) in Shibuya (Tokyo head office), and sales of products featuring inclusive art.

One way we fostered sustainable development in production areas was our goal to advance partnership certifications for production plants by 2023. Although we did not achieve our initial goal for years 2021 to 2023 due to challenges during the COVID-19 pandemic, as of February 2023, we reached a total of 145 plants monitored cumulatively since 2017. We plan to reset targets and continue sustainable procurement activities into the future.

See our corporate website, integrated report, and annual securities report for an overview of our sustainability-related activities and details of our initiatives.

Corporate Website (Sustainability): <https://www.adastria.co.jp/english/sustainability/>

Integrated Report: <https://www.adastria.co.jp/english/sustainability/reports/>

Annual Securities Report: <https://www.adastria.co.jp/ir/library/security/>

Other

IV Matters Related to Internal Control Systems

1. Basic Philosophy and Creation of Internal Control Systems Updated

The Company adopted a resolution as follows regarding the basic policy for a system of internal controls to ensure the appropriateness of Company business operations (internal control system). In accordance with this policy, the Company will develop an internal control system for the corporate group consisting of the Company and subsidiaries ("Group"), striving to build a sound and steady Group management system.

1. Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws, Regulations, and Articles of Incorporation
 - (1) To ensure that the execution of duties by directors and employees of each Adastria Group company complies with laws and regulations and the Articles of Incorporation, and to comply with corporate ethics and fulfill our social responsibilities, the Company shall establish corporate ethics standards for the Group and ensure that such standards understood clearly.
 - (2) The Company shall establish a Compliance Committee to deliberate, formulate, and implement important policies regarding compliance with laws, regulations, the Articles of Incorporation, various internal rules, and Group corporate ethics.
 - (3) Directors and employees who become aware of violations or potential violations of laws, regulations, rules, or improper acts at Group companies shall report such violations or potential violations to an individual in a position of responsibility.
 - (4) At the end of each fiscal year, the directors of each Group company shall submit a signed or sealed written confirmation that the execution of their duties at each location did not violate any laws or regulations, and that said directors fulfilled their duties of care and loyalty. These statements are submitted to the Audit and Supervisory Committee
2. Systems for the Storage and Management of Information Related to the Execution of Duties by Directors
 - (1) The Company shall prepare minutes and other information regarding resolutions and reports submitted at board meetings. This information shall be stored and managed appropriately in accordance with laws and regulations.
 - (2) Important information related to the execution of duties shall be stored and managed appropriately in accordance with the document management regulations established by the Company.
3. Rules and Systems to Manage the Risk of Loss, Etc.

The Company shall establish crisis management rules and promptly respond to any risk of loss that has occurred or is likely to occur at any Group companies. The Company shall conduct a cross-organizational response appropriately in the event of an emergency such as a disaster or system failure.
4. Systems to Ensure That Directors Execute Duties Efficiently
 - (1) Group companies shall establish various management plans and budgets and clarify the goals to be achieved by the Group, implementing and managing Group business operations to be carried out in an efficient manner.
 - (2) Each Group company shall make decisions on important matters at any time via their respective Board of Directors, etc. Group companies must also adopt various regulations and manuals as necessary to ensure prompt and appropriate decision-making.
5. Systems to Ensure Appropriate Financial Reporting

The Company shall establish and operate a system (internal controls related to financial reporting) to ensure that the financial reporting of Group companies is conducted appropriately and in accordance with laws and regulations.
6. Systems to Ensure Appropriate Business Management for the Group
 - (1) To maximize the corporate value of the Group, the Company shall establish a system to ensure appropriate operations from the perspective of the Group as a whole.
 - (2) To ensure appropriate operations of Group subsidiaries, Group subsidiaries shall establish regulations for the management of affiliated companies. The Group shall also provide guidance, training, and management over each company.
 - (3) To gain a firm understanding of the management situation at subsidiaries within the Group, the Company shall request reports from the directors of Company subsidiaries related to operating results, financial condition, and other important information.
 - (4) The Company shall establish a system to manage Group risks in a comprehensive and integrated manner.
 - (5) Each Group company shall establish a system to ensure the efficient execution of duties by the directors and other officers of their respective companies based on the size of the company, the nature of its business, the design of its institutions, and other unique characteristics of the company.
 - (6) To evaluate and ensure the Group compliance system, the Internal Audit Department shall check the status of each Group company as appropriate. The Internal Audit Department shall report their findings to the Board of Directors of each company or the Company's Directors and Audit and Supervisory Committee.
 - (7) To detect and correct violations of laws and regulations and other compliance issues as early as possible, the Company shall establish an internal reporting system for the Group. In addition to an internal reporting system, the Company shall establish an external reporting system entrusted to an attorney.
7. Matters Related to Employees Who Assist in the Duties of the Audit and Supervisory Committee

The Company shall respond promptly to requests by the Audit and Supervisory Committee to appoint organizations or employees to assist in duties.
8. Matters Related to the Independence of Employees Who Assist in the Duties of Audit and Supervisory Committee From Directors Who are Not Members of the Audit and Supervisory Committee

The appointment, transfer, evaluation, etc., of employees assisting in the duties of the Audit and Supervisory Committee shall be approved in advance by the Audit and Supervisory Committee.
9. Matters Related to Ensuring the Practicability of Instructions Given to Employees Assisting the Audit and Supervisory Committee in its Duties

Employees the Audit and Supervisory Committee in the performance of its duties shall follow only those instructions and orders given by the Audit and Supervisory Committee in the performance of said duties.
10. Structure for Reporting to the Audit and Supervisory Committee
 - (1) Directors (excluding Directors who are members of the Audit and Supervisory Committee) and employees of each Group company and members of the Audit and Supervisory Board of Company subsidiaries shall report the status of the execution of their respective duties to the Audit and Supervisory Committee as necessary, or in response to a request from the Audit and Supervisory Committee.
 - (2) In the event of any of the following events occurring within the Adastria Group, directors (excluding Directors who are members of the Audit and Supervisory Committee), employees, and auditors of the Company's subsidiaries shall report said event to the Audit and Supervisory Committee without delay.
 - 1) The discovery of a fact that may cause significant damage to the Group.
 - 2) An employee report via the internal reporting system of a fact that may impact the survival of the Group or a serious violation of laws or internal rules
 - 3) A situation with the potential to lead to litigation arises in the course of external or internal negotiations at Group companies.

11. System to Ensure Individuals Reporting to Members of the Audit and Supervisory Committee Are Not Subjected to Disadvantageous Treatment
The Group shall develop a system to ensure Group Directors (excluding Directors who are not members of the Audit and Supervisory Committee) or employees who have submitted a report to the Audit and Supervisory Committee are not subject to disadvantageous treatment or reprisal for submitting said report.
12. Policy on Matters Regarding Expense Prepayments, Redemptions, Other Expenses, or Disposition of Debt Resulting from the Execution of Duties by Directors Who Are Members of the Company's Audit and Supervisory Committee
The Company shall bear all expenses and debts incurred by Directors who are members of the Audit and Supervisory Committee in the performance of their duties, except in cases where such expenses or debts are deemed unnecessary for the performance of said member's duties.
13. Other Systems to Ensure That Internal Audits Performed by the Audit and Supervisory Committee are Performed Effectively
 - (1) The Company shall appoint attorneys, certified public accountants, consultants, and other external advisors to assist members of the Audit and Supervisory Committee in their audits, when such assistance is required.
 - (2) The Company shall endeavor to deepen the understanding of Directors (excluding Directors who are not members of the Audit and Supervisory Committee) and employees regarding audits conducted by the Audit and Supervisory Committee and to improve the environment for audits conducted by the Audit and Supervisory Committee.

2. Philosophy and Systems for Dealing with Anti-Social Forces

1. Each Group company rejects any relationships with anti-social forces that may threaten social order and safety. The Group rejects any and all business relationship with such forces or groups, and we take a firm stance against and reject any unreasonable demands.
2. In the event of an unreasonable demand by an anti-social force, the General and Legal 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.

V. Other Matters

1. Anti-Takeover Measures

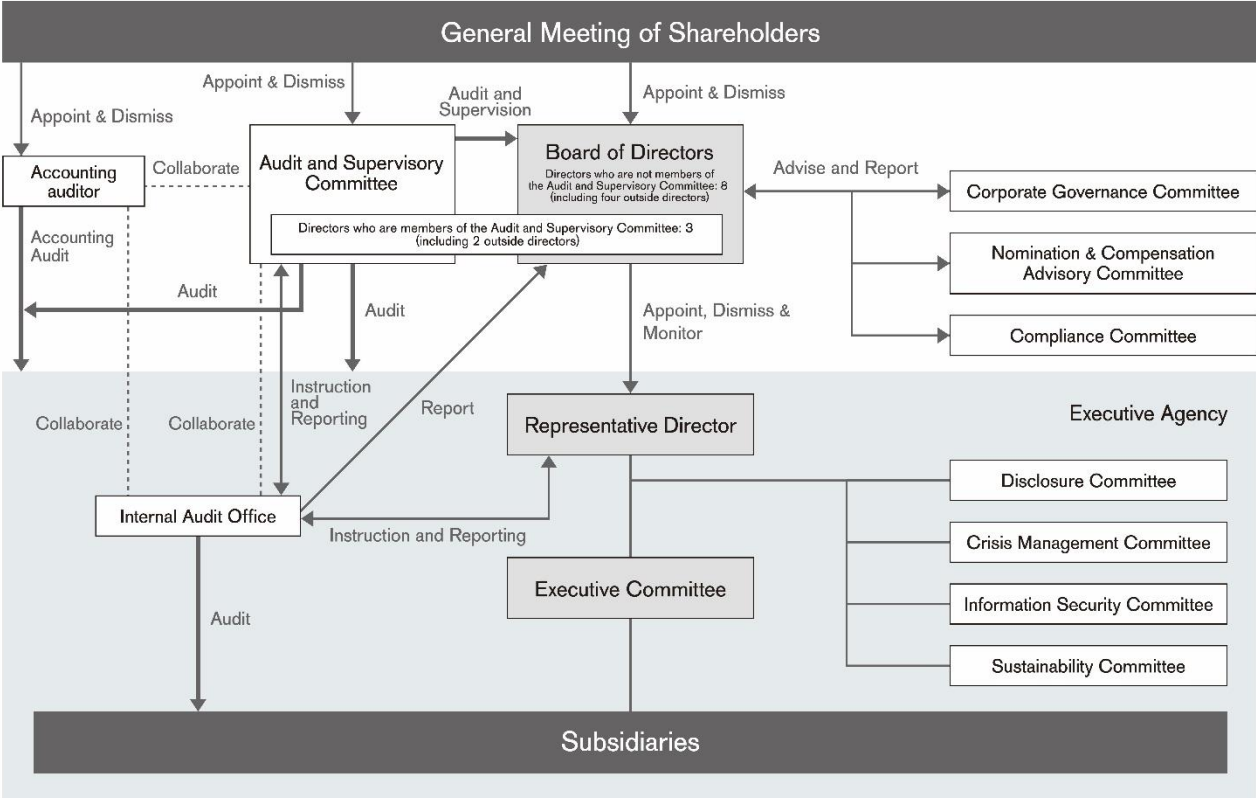
Anti-Takeover Measures	None
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Supplementary Explanation

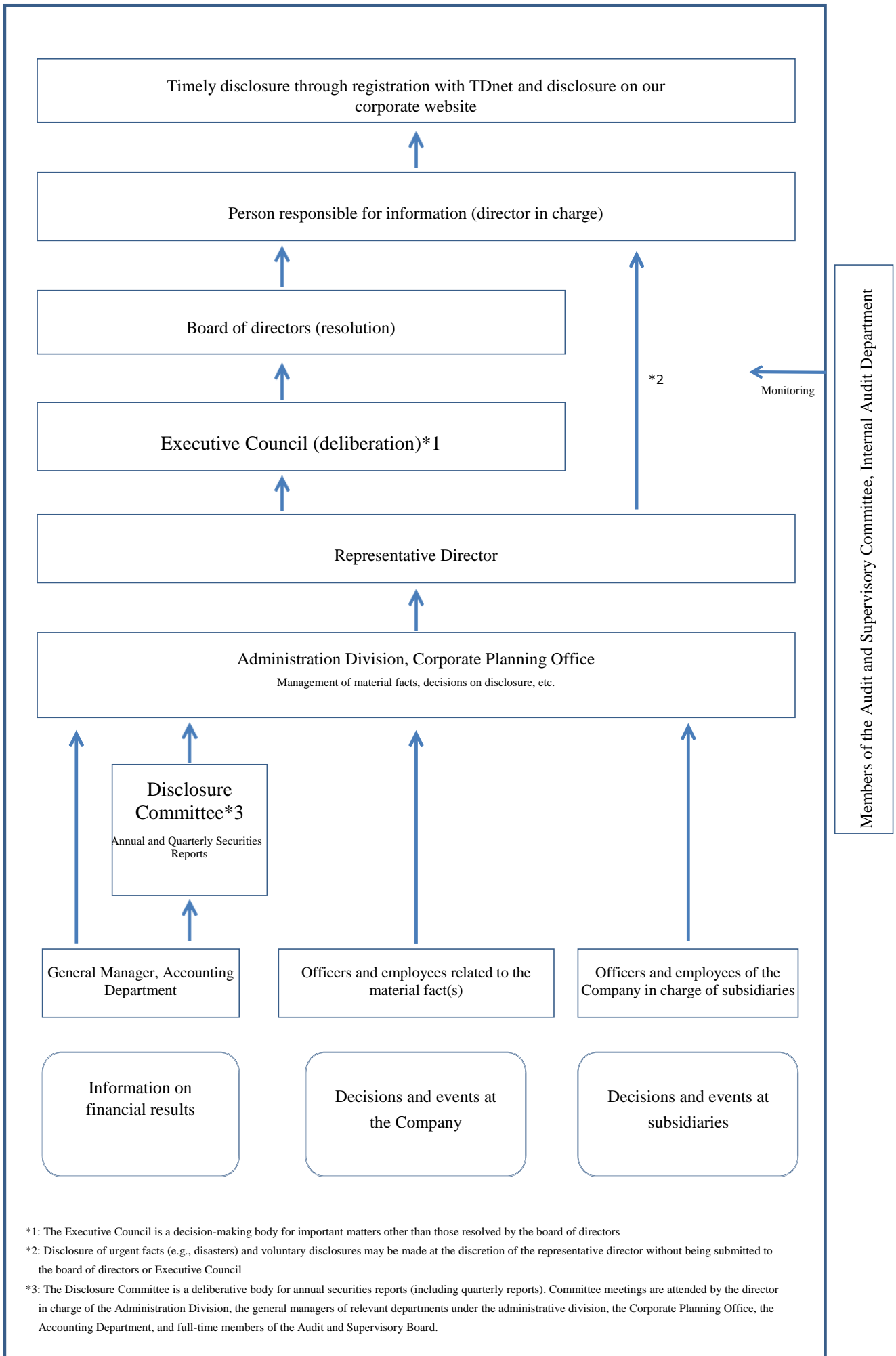
2. Other Matters Related to Corporate Governance System Updated

The following text provides an overview of the Company's timely disclosure system.

1. Basic Policy on Timely Disclosure
To continue to be a company trusted widely and supported by society, we disclose information in a timely and appropriate manner based on the principles of transparency, fairness, and consistency. We also disclose information that may not fall under the category of timely disclosure, but which may be useful in providing a proper understanding of our company.
2. Internal Systems Related to Timely Disclosure
All important Group corporate information, including decisions, events, and financial results, is collected from directors and employees in charge at the Administration Division and the Corporate Planning Office, which is the office in charge of corporate IR. The Corporate Planning Office, in cooperation with related departments, makes decisions on the necessity for timely disclosure based on the Securities Listing Regulations of the Tokyo Stock Exchange and related laws and regulations.
The Company discloses information subject to Timely Disclosure Rules promptly on the Timely Information Disclosure System (TDnet) of the Tokyo Stock Exchange after providing prior explanation to the Tokyo Stock Exchange in accordance with the rules of the exchange. We also post the information concurrently on our corporate website, endeavoring to disclose information accurately and fairly to our shareholders, investors, and other stakeholders.
Further, we submit securities reports and quarterly reports based on the Financial Instruments and Exchange Act after prior deliberation by the Disclosure Committee.
3. Timely Disclosure System Monitoring
The Audit and Supervisory Committee and the Internal Audit Department monitor the effectiveness of internal controls over timely disclosures.



Timely Disclosure System Overview



Skills Matrix for Directors

			Knowledge, experience, skills, etc., possessed by directors and members of the Audit and Supervisory Board							
			Corporate management	Sales marketing	Product SCM	Global business	IT DX	Legal risk management	Corporate finance, Accounting, Banking and finance	ESG
Directors who are not members of the Audit and Supervisory Committee	Internal	Michio Fukuda	●		●				●	●
		Osamu Kimura	●	●	●					
		Yoshiaki Kitamura	●	●	●	●				
		Taiki Fukuda	●			●				●
	Outside	Hiromi Horie		●	●	●				●
		Koichi Mizutome	●	●	●	●				
		Tatsuhiko Matsuoka		●	●		●			
		Kazuo Nishiyama	●		●		●		●	●
Directors who are members of the Audit and Supervisory Committee	Internal	Yoichi Endo	●		●					
	Outside	Kazuhiko Ebihara				●			●	
		Kyoko Mogi				●		●		

(Note 1) The list above indicates the areas in which we expect the Company's directors and members of the Audit and Supervisory Board to offer particular expertise. This list is not meant to represent all expertise possessed by the Company's directors and members of the Audit and Supervisory Board.

(Note 2) Matters related to personnel and human resources is included under *corporate management*.

(Note 3) "SCM" refers to supply chain management.