

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending February 28, 2025**  
**(Six Months Ended August 31, 2024)**

**[Japanese GAAP]**

September 30, 2024

Company name: Adastria Co., Ltd.

Stock code: 2685

Representative: Osamu Kimura, Representative Director and President

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Administration Division

Listing: Tokyo Stock Exchange

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Scheduled date of filing of Semi-annual Report: October 15, 2024

Scheduled date of payment of dividend: October 22, 2024

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for investors)

Note: The original disclosure in Japanese was released on September 30, 2024 at 15:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2025**  
**(March 1, 2024 – August 31, 2024)**

(1) Consolidated results of operations (cumulative)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Aug. 31, 2024	144,203	8.5	9,915	(3.8)	10,316	(3.0)	6,948	(2.0)
Six months ended Aug. 31, 2023	132,896	18.0	10,311	85.1	10,639	72.8	7,094	82.2

Note: Comprehensive income Six months ended Aug. 31, 2024: 7,122 million yen (down 13.4%)

Six months ended Aug. 31, 2023: 8,224 million yen (up 50.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2024	151.90	-
Six months ended Aug. 31, 2023	156.15	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2024	132,473	76,161	57.4
As of Feb. 29, 2024	127,915	71,581	54.8

Reference: Shareholders' equity As of Aug. 31, 2024: 76,053 million yen As of Feb. 29, 2024: 70,143 million yen

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 29, 2024	-	35.00	-	50.00	85.00
Fiscal year ending Feb. 28, 2025	-	35.00	-	-	-
Fiscal year ending Feb. 28, 2025 (forecast)	-	-	-	55.00	90.00

Note: Revision to the most recently announced dividend forecast: None

**3. Consolidated Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 – February 28, 2025)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	290,000	5.2	19,000	5.5	19,000	3.3	12,700	(6.0)	280.48

Note: Revision to the most recently announced consolidated forecast: None

**\* Notes**

(1) Significant changes in scope of consolidation during the period: Yes

Newly added: 2 (TODAY'S SPECIAL Co., Ltd.; ADASTRIA PHILIPPINES INC.)

Excluded: -

(2) Application of special accounting methods for presenting consolidated interim financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Aug. 31, 2024:	48,800,000 shares	As of Feb. 29, 2024:	48,800,000 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2024:	2,506,333 shares	As of Feb. 29, 2024:	3,520,769 shares
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3) Average number of shares outstanding during the period

Six months ended Aug. 31, 2024:	45,743,831 shares	Six months ended Aug. 31, 2023:	45,432,240 shares
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Note 1: The current financial report is not subject to quarterly (semi-annual) review procedures by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements

Forward-looking statements in this report are based on currently available information and certain assumptions judged to be reasonable. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section "1. Qualitative Information on Interim Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 regarding preconditions or other related matters for the forecast shown above.

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## 1. Qualitative Information on Interim Consolidated Financial Performance

### (1) Explanation of Results of Operations

Consolidated results

(Million yen)

	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)	First six months of FY2/25 (Mar. 1, 2024 – Aug. 31, 2024)	YoY change (Amount)	YoY change (%)
Net sales	132,896	144,203	11,306	8.5%
Operating profit	10,311	9,915	(396)	(3.8)%
Ordinary profit	10,639	10,316	(322)	(3.0)%
Net income attributable to owners of the parent	7,094	6,948	(145)	(2.0)%

During the first half (March 1 - August 31, 2024) of the current fiscal year, there was a slow recovery of the Japanese economy supported by improvements in corporate earnings, employment and personal income. In addition, the demand created by foreign tourists and wage increases that have continued since last year raised domestic demand. As a result, consumer spending in the fashion sector was strong. Despite these favorable trends, the outlook for the Japanese economy remains uncertain due to the yen's rapid depreciation, the Japan's aging population, the labor shortage, conflicts in Ukraine and the Middle East, extreme weather conditions such as heat waves and heavy rainfall, and other reasons.

The Adastria Group has made steady progress with initiatives based on the following strategies for growth in the medium-term management plan.

Growth Strategy I Multi-Brand, Multi-Category	Grouping of brands according to roles for improved profitability and growth
Growth Strategy II Digital Customer Interactions and Services	Accelerate growth of our EC site and create a fun EC community
Growth Strategy III Glocal	Use successful brand models in Mainland China and cultivate Southeast Asia
Growth Strategy IV New Business	Establish a food and beverage business and create new appeal

First half consolidated net sales increased 8.5% year-on-year to 144,203 million yen, operating profit decreased 3.8% to 9,915 million yen, ordinary profit decreased 3.0% to 10,316 million yen, and net income attributable to owners of the parent decreased 2.0% to 6,948 million yen.

In the Apparel and Sundry Goods-related business, sales in Japan were briefly held down by cool weather in March and typhoons in summer but benefited from favorable weather overall. There were strong sales of apparel for outings and of casual apparel. Merchandise that accurately targeted fashion trends, products that became very popular, TV commercials and the loyalty point program further contributed to sales. As a result, first half sales were 8.0% higher than one year earlier. TODAY'S SPECIAL Co., Ltd., which was added to the consolidated financial statements in July, also contributed to an increase in sales.

Progress continued with our digital strategy. There are promotions that link the Adastria "Dot ST" e-commerce website and physical stores, merchandise using collaborations with companies and popular characters, and other activities to attract customers. Due to these measures, the number of members of our loyalty point program increased by about 1,100,000 during the first half to 18.6 million.

In Mainland China, sales increased 9.1% because of higher e-commerce sales even as the real estate sector downturn continued and consumer spending was lackluster. Sales increased 26.9% in Hong Kong and 30.3% in Taiwan as the multi-brand strategy generated strong sales and new stores were opened. In the United States, sales decreased 0.2% because of slow sales in the wholesale sector. In Thailand, where business operations started in the second quarter of the previous fiscal year, first half sales including a net increase in the first quarter increased 70.2%. Overall, sales outside Japan, converted into yen, were 14.8% higher than one year earlier.

In the Other segment, which is the food and beverage business, the business climate remains challenging because of the high cost of raw materials and utilities, the labor shortage and other difficulties. Despite these challenges, sales increased 7.6% as demands involving restaurants increase, new locations were opened, and sales increased outside Japan.

We worked to improve the gross profit margin by controlling inventories and reducing discounts by supplying merchandise at the right times, prices and volumes, adding more value to merchandise and continuing to revise prices, but there was a downward pressure on profitability, such as the yen's depreciation and the rising share of sales from wholesale and other B-to-B operations. As a result, the gross profit margin of the Apparel and Sundry Goods-related business decreased from one year earlier. In the Other segment (the food and beverage business), the gross profit margin improved slightly mainly because of price revisions prices and cost controls. However, the consolidated gross profit margin decreased 0.6 percentage points from one year earlier to 55.7%.

Selling, general and administrative expenses increased mainly because of higher salaries and increases in personnel expenses, store leasing expenses, cargo transport expenses and other items along with sales growth. The SG&A to sales ratio increased 0.2 percentage points from one year earlier to 48.8%.

As a result, the operating margin fell 0.9 percentage points to 6.9% and operating profit decreased 3.8%.

Non-operating income includes foreign exchange gains of 303 million yen and there was an extraordinary loss of 44 million yen for the impairment of store assets.

Business segment performance was as follows.

#### 1) Apparel and Sundry Goods-related Business

As a result of the activities in this business explained earlier, sales increased 8.6% year-on-year to 137,294 million yen and segment profit increased 0.6% to 10,645 million yen.

The consolidation of TODAY'S SPECIAL added 30 stores in Japan and we opened 58 stores (including 9 overseas), and closed 24 stores (including 4 overseas), resulting in a total of 1,556 stores (including 127 overseas) at the end of the first half of the fiscal year.

#### 2) Other (Food and Beverage Business)

Sales increased 7.8% to 6,942 million yen and there was a segment loss of 328 million yen (compared with a profit of 57 million yen in the same period of the previous fiscal year).

The number of stores at the end of the first half was 74, a result of opening of 5 stores and closing of 2 stores.

## (2) Explanation of Financial Position

### 1) Balance sheet position

Total assets increased 4,557 million yen from as of February 29, 2024 to 132,473 million yen as of August 31, 2024. This was mainly due to increases of 2,470 million yen in other, net under property, plant and equipment, 2,691 million yen in goodwill and 1,232 million yen in other under investments and other assets, while there was a decrease of 2,739 million yen in cash and deposits.

Liabilities decreased 22 million yen to 56,311 million yen. There were decreases of 1,464 million yen in electronically recorded obligations-operating and 2,047 million yen in accounts payable-other, while there were increases of 871 million yen in notes and accounts payable-trade and 1,858 million yen in other under non-current liabilities.

Net assets increased 4,580 million yen to 76,161 million yen. This was mainly due to decreases of 1,888 million yen in treasury shares (increase in net assets) and 1,330 million yen in non-controlling interests, and an increase of 4,666 million yen in retained earnings.

## **2) Cash flow position**

Cash and cash equivalents (hereinafter “net cash”) as of August 31, 2024 amounted to 20,584 million yen, or 2,756 million yen less than as of February 29, 2024.

A summary of cash flows from each activity during the first half of the current fiscal year is as follows:

### Cash flows from operating activities

Net cash provided by operating activities totaled 11,653 million yen (compared with 11,795 million yen provided in the same period of the previous fiscal year). The main positive factors include net income before income taxes of 10,272 million yen and depreciation of 5,369 million yen. Main negative factors include income taxes paid of 3,202 million yen.

### Cash flows from investing activities

Net cash used in investing activities totaled 11,499 million yen (compared with 4,769 million yen used in the same period of the previous fiscal year). Main negative factors include the payments of 4,303 million yen for the purchase of property, plant and equipment, 2,274 million yen for the purchase of intangible assets and 4,493 million yen for the purchase of shares of subsidiaries resulting in change in scope of consolidation.

### Cash flows from financing activities

Net cash used in financing activities totaled 3,527 million yen (compared with 2,454 million yen used in the same period of the previous fiscal year). This was mainly due to cash dividends paid of 2,280 million yen, purchase of treasury shares of 699 million yen and repayments of lease liabilities of 845 million yen.

## **(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

There are no revisions to the consolidated forecast for the current fiscal year that was announced on April 4, 2024.

## 2. Interim Consolidated Financial Statements and Notes

### (1) Interim Consolidated Balance Sheet

(Million yen)

	FY2/24 (As of Feb. 29, 2024)	Second quarter of FY2/25 (As of Aug. 31, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	23,371	20,631
Notes and accounts receivable-trade	15,815	15,897
Inventories	26,839	26,869
Other	2,788	2,152
Allowance for doubtful accounts	(83)	(107)
Total current assets	68,731	65,444
Non-current assets		
Property, plant and equipment		
Store interior equipment, net	6,778	7,497
Other, net	17,122	19,593
Total property, plant and equipment	23,901	27,090
Intangible assets		
Goodwill	1,109	3,800
Other	11,266	11,652
Total intangible assets	12,376	15,453
Investments and other assets		
Investment securities	768	748
Leasehold and guarantee deposits	13,719	14,028
Other	8,733	9,966
Allowance for doubtful accounts	(314)	(258)
Total investments and other assets	22,906	24,485
Total non-current assets	59,184	67,029
Total assets	127,915	132,473
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	14,013	14,885
Electronically recorded obligations-operating	8,651	7,187
Short-term borrowings	-	200
Current portion of long-term borrowings	401	364
Accounts payable-other	14,144	12,096
Income taxes payable	3,667	3,640
Provision for bonuses	2,460	2,798
Provision for point card certificates	175	27
Other provisions	477	315
Other	4,500	4,896
Total current liabilities	48,491	46,412
Non-current liabilities		
Long-term borrowings	504	536
Provisions	172	336
Other	7,166	9,025
Total non-current liabilities	7,842	9,898
Total liabilities	56,334	56,311

(Million yen)

	FY2/24 (As of Feb. 29, 2024)	Second quarter of FY2/25 (As of Aug. 31, 2024)
Net assets		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	7,213	6,262
Retained earnings	66,286	70,952
Treasury shares	(7,516)	(5,627)
Total shareholders' equity	68,642	74,247
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34	31
Deferred gains or losses on hedges	234	(426)
Foreign currency translation adjustment	1,231	2,201
Total accumulated other comprehensive income	1,500	1,806
Non-controlling interests	1,437	107
Total net assets	71,581	76,161
Total liabilities and net assets	127,915	132,473



**(2) Interim Consolidated Statements of Income and Comprehensive Income****Interim Consolidated Statement of Income**

(Million yen)

	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)	First six months of FY2/25 (Mar. 1, 2024 – Aug. 31, 2024)
Net sales	132,896	144,203
Cost of sales	58,034	63,882
Gross profit	74,861	80,320
Selling, general and administrative expenses	64,549	70,405
Operating profit	10,311	9,915
Non-operating income		
Foreign exchange gains	210	303
Insurance claim income	101	0
Other	178	250
Total non-operating income	489	554
Non-operating expenses		
Interest expenses	123	119
Other	38	33
Total non-operating expenses	161	153
Ordinary profit	10,639	10,316
Extraordinary losses		
Impairment loss	53	44
Total extraordinary losses	53	44
Net income before income taxes	10,585	10,272
Income taxes-current	3,398	3,158
Income taxes-deferred	53	297
Total income taxes	3,452	3,456
Net income	7,133	6,815
Net income (loss) attributable to non-controlling interests	39	(132)
Net income attributable to owners of the parent	7,094	6,948

**Interim Consolidated Statement of Comprehensive Income**

(Million yen)

	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)	First six months of FY2/25 (Mar. 1, 2024 – Aug. 31, 2024)
Net income	7,133	6,815
Other comprehensive income		
Valuation difference on available-for-sale securities	38	(3)
Deferred gains or losses on hedges	570	(660)
Foreign currency translation adjustment	481	970
Total other comprehensive income	1,090	306
Comprehensive income	8,224	7,122
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	8,117	7,253
Comprehensive income attributable to non-controlling interests	106	(131)

**(3) Interim Consolidated Statement of Cash Flows**

(Million yen)

	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)	First six months of FY2/25 (Mar. 1, 2024 – Aug. 31, 2024)
<b>Cash flows from operating activities</b>		
Net income before income taxes	10,585	10,272
Depreciation	4,504	5,369
Impairment loss	53	44
Amortization of goodwill	112	162
Interest and dividend income	(13)	(30)
Interest expenses	123	119
Increase (decrease) in allowance for doubtful accounts	10	(51)
Increase (decrease) in provision for bonuses	615	322
Increase (decrease) in provision for point card certificates	(51)	(148)
Decrease (increase) in trade receivables	(1,521)	102
Decrease (increase) in inventories	(1,331)	848
Increase (decrease) in trade payables	2,092	(722)
Increase (decrease) in accounts payable-other	(999)	(407)
Increase (decrease) in accrued consumption taxes	227	(666)
Other, net	103	(259)
Subtotal	14,511	14,954
Interest and dividends received	19	21
Interest paid	(123)	(119)
Income taxes paid	(2,612)	(3,202)
Net cash provided by (used in) operating activities	11,795	11,653
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,251)	(4,303)
Purchase of intangible assets	(1,472)	(2,274)
Purchase of investment securities	(9)	(0)
Payments of leasehold and guarantee deposits	(522)	(510)
Proceeds from refund of leasehold and guarantee deposits	572	289
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(4,493)
Other, net	(84)	(205)
Net cash provided by (used in) investing activities	(4,769)	(11,499)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	(200)	200
Proceeds from long-term borrowings	200	220
Repayments of long-term borrowings	(200)	(223)
Dividends paid	(1,597)	(2,280)
Purchase of treasury shares	(35)	(699)
Repayments of lease liabilities	(628)	(845)
Other, net	8	101
Net cash provided by (used in) financing activities	(2,454)	(3,527)
Effect of exchange rate change on cash and cash equivalents	355	616
Net increase (decrease) in cash and cash equivalents	4,927	(2,756)
Cash and cash equivalents at beginning of period	16,343	23,341
Cash and cash equivalents at end of period	21,270	20,584

#### **(4) Notes to Interim Consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

Not applicable.

##### **Changes in the Scope of Consolidation or Application of the Equity Method**

Important changes in the scope of consolidation

TODAY'S SPECIAL Co., Ltd. became a consolidated subsidiary in the first half of the current fiscal year following the acquisition of its shares on July 1, 2024.

In the first half of the current fiscal year, the newly established ADASTRIA PHILIPPINES INC.. was included in the scope of consolidation.

##### **Interim Consolidated Balance Sheet**

Contingent liabilities

ZETTON, INC., a consolidated subsidiary of Adastria located in the United States, received US\$8.2 million in May 2021 due to the establishment of the Restaurant Revitalization Fund in accordance with the American Rescue Plan Act of 2021 that became effective in March 2021. Subsequently, the U.S. Small Business Administration began an investigation to determine if ZETTON was qualified to receive this payment.

The Adastria Group will continue to explain to the Small Business Administration the reasons for the belief that ZETTON is properly qualified to receive this payment. This investigation may have an effect on the results of operations of the Adastria Group depending on upcoming events. At this time, it is difficult to determine an estimate of the potential effect on results of operations.

**Segment Information**

I. First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)

1. Information related to net sales and profit or loss for each reportable segment

(Million yen)

	Reportable segment	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on interim consolidated statement of income (Note 3)
	Apparel and Sundry Goods-related Business				
Net sales					
External sales	126,477	6,418	132,896	-	132,896
Inter-segment sales and transfers	1	22	23	(23)	-
Total	126,478	6,441	132,920	(23)	132,896
Segment profit	10,581	57	10,639	-	10,639

Notes: 1. “Other” represents the businesses which are not included in the reportable segment and mainly consists of Food and Beverage Business.

2. The amount of adjustment to segment profit is an adjustment to unrealized profit related to inter-segment transactions.

3. The segment profit is consistent with the ordinary profit of the Interim Consolidated Statement of Income.

4. The segment profit includes corporate expenses that are allocated to each reportable segment.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First six months of FY2/25 (Mar. 1, 2024 – Aug. 31, 2024)

1. Information related to net sales and profit or loss for each reportable segment

(Million yen)

	Reportable segment	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on interim consolidated statement of income (Note 3)
	Apparel and Sundry Goods-related Business				
Net sales					
External sales	137,293	6,909	144,203	-	144,203
Inter-segment sales and transfers	0	33	33	(33)	-
Total	137,294	6,942	144,236	(33)	144,203
Segment profit (loss)	10,645	(328)	10,316	-	10,316

Notes: 1. “Other” represents the businesses which are not included in the reportable segment and mainly consists of Food and Beverage Business.

2. The amount of adjustment to segment profit (loss) is an adjustment to unrealized profit related to inter-segment transactions.

3. The segment profit (loss) is consistent with the ordinary profit of the Interim Consolidated Statement of Income.

4. The segment profit (loss) includes corporate expenses that are allocated to each reportable segment.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

TODAY'S SPECIAL Co., Ltd became a consolidated subsidiary in the first half of the current fiscal year following the acquisition of its shares. As a result, the Apparel and Sundry Goods-related Business recorded goodwill of 2,853 million yen. Goodwill is calculated provisionally because the allocation of the acquisition cost was incomplete at the end of the first half of the current fiscal year.

Significant gain on bargain purchase

Not applicable.

**Business Combinations**

Common control transaction, etc.

The Board of Directors of Adastria and zetton, inc. (collectively, the “Companies”) approved a resolution on March 21, 2024 to conduct a share exchange (“Share Exchange”) to make Adastria the wholly owning parent company and zetton a wholly owned subsidiary of Adastria. The Companies concluded a share exchange agreement on the same day.

As a result of the Share Exchange, Adastria became the wholly owning parent company of zetton as of the effective date of the Share Exchange (June 1, 2024). Shares of zetton were delisted from the Next Market operated by the Nagoya Stock Exchange, Inc. on May 30, 2024 (last trading date to be May 29, 2024).

The Share Exchange took place on June 1, 2024, and zetton became a wholly owned subsidiary of Adastria.

1. Overview

(1) Name and business of wholly owned subsidiary involved in the share exchange

Name: zetton, inc.

Business activities: Restaurant management, development, and consulting

(2) Purpose of the business combination

zetton concluded that becoming a wholly owned subsidiary of Adastria will enable zetton to work more closely with Adastria and provide zetton with opportunities to expand its business while accelerating further the implementation of policies under the capital and business alliance agreement. Utilizing the product development, marketing expertise, human resources, financial strength, domestic and overseas networks, and other management resources of the Adastria Group, the Share Exchange will enable the Companies to achieve their management strategies from a medium- to long-term perspective in a flexible and timely manner, and enhance the corporate value of zetton.

(3) Effective date of business combination

May 1, 2024 (assumed acquisition date)

June 1, 2024 (stock acquisition date)

(4) Legal form of acquisition

The Share Exchange was conducted with Adastria as the wholly owning parent company and zetton as the wholly owned subsidiary. The effective date of the Share Exchange was June 1, 2024, after obtaining approval at the zetton Ordinary General Meeting of Shareholders held on April 25, 2024, and without obtaining approval at the Adastria general meeting of shareholders, pursuant to the simplified share exchange procedure under Article 796-2 of the Companies Act.

(5) Company name after acquisition

zetton’s name will not change.

2. Outline of accounting procedures

The transaction was treated as a transaction with a non-controlling shareholder among transactions under common control in accordance with the “Accounting Standard for Business Combinations” and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

3. Additional purchase of shares of consolidated subsidiary

Payment for the acquisition:	Common shares of Adastria	4,118 million yen
Acquisition cost:		4,118 million yen

4. Details of major acquisition-related costs

Advisory fees, etc.: 19 million yen

5. Share exchange ratio, calculation method and number of shares delivered

(1) Share exchange ratio

For each share of zetton stock, 0.36 shares of Adastria stock were allotted.

(2) Calculation of the share exchange ratio

The Companies requested third-party appraisers independent of both companies to calculate the share exchange ratio to be used in the Share Exchange. After careful discussions and deliberations based on the results of calculation, the Companies determined that it is appropriate to conduct the Share Exchange using the share exchange ratio, as the Share Exchange is appropriate and in the best interest of all shareholders of the Companies.

(3) Number of shares delivered

1,137,723 shares

Business combination through acquisition

On April 17, 2024, the Adastria Board of Directors approved a resolution for the absorption of TODAY'S SPECIAL Co., Ltd., which is a wholly owned subsidiary of WELCOME Co., Ltd., for purpose of acquiring the TODAY'S SPECIAL and GEORGE'S businesses of WELCOME.

Following the divestiture of these businesses by WELCOME, Adastria purchased all of the stock of TODAY'S SPECIAL, which is the company that will continue to operate these two businesses, to make it a consolidated subsidiary. The acquisition has been completed on July 1, 2024.

1. Summary of business combination

(1) Acquired company and business activities

Acquired company: TODAY'S SPECIAL Co., Ltd.

Business activities: Lifestyle business centered on retail business

(2) Reasons for acquisition

Guided by the mission of Play fashion!, Adastria is dedicated to using fashion to enrich lives and make people happy. To accomplish this goal, the company is constantly enlarging operations to cover more merchandise categories. One aspect of process is the growth of sales of lifestyle brands, primarily niko and... and studio CLIP. During the past several years, lifestyle brands have increased to account for about one-fourth of total sales. The addition of these two brands will further enlarge the lineup of merchandise in the miscellaneous product sector, which is expected to contribute to more growth.

Since its founding, WELCOME has operated a high-quality lifestyle business and created many distinctive brands. TODAY'S SPECIAL and GEORGE'S have been core brands of the company since its establishment and still have considerable growth potential. The agreement for Adastria to acquire these two brands is based on the belief that the use of Adastria's infrastructure and merchandise development expertise will further increase the potential for growth.

Adastria and WELCOME both have a commitment to help create even better communities through lifestyle businesses such as fashion, designs, food and other items. Under the new management structure, TODAY'S SPECIAL and GEORGE'S will join the more than 30 other brands of the Adastria Group to advance to the next phase of their progress and aim for even more sales growth.

(3) Acquisition date

July 1, 2024

(4) Legal form of acquisition

Acquisition of shares with cash

(5) Company name after acquisition

TODAY'S SPECIAL's name will not change.

(6) Percentage of voting rights acquired

100.0%

(7) Basis for choosing the company to acquire

Adastria acquired the shares in exchange for consideration in cash.

2. Period of the acquired companies' performance included in the interim consolidated financial statements

From July 1, 2024 through August 31, 2024

3. Acquisition cost of acquired companies and breakdown by type of consideration

Payment for the acquisition:	Cash payment	4,500 million yen
Acquisition cost:		4,500 million yen

4. Details of major acquisition-related costs

Advisory fees, etc.: 23 million yen

5. Goodwill resulting from the acquisition

(1) Amount

2,853 million yen

Goodwill is calculated provisionally because the allocation of the acquisition cost was incomplete at the end of first half of the current fiscal year.

(2) Source

The source of goodwill is primarily the expectation of excess earnings power emerging from business development in the future.

(3) Amortization method and period

Goodwill will be amortized over nine years by the straight-line method.



### 3. Supplementary Information

#### (1) Sales for Brands and Regions

Brand / region		First six months of FY2/25		YoY change (%)
		Sales (million yen)	Composition (%)	
	GLOBAL WORK	26,608	18.5	5.5
	niko and ...	17,558	12.2	7.6
	studio CLIP	11,653	8.1	3.9
	LOWRYS FARM	11,614	8.1	4.3
	LEPSIM	7,483	5.2	11.1
	LAKOLE	6,452	4.5	22.6
	BAYFLOW	5,629	3.9	6.7
	JEANASiS	5,609	3.9	(1.2)
	Others	20,386	14.0	13.7
	Total (Adastria)	112,996	78.4	7.8
	BUZZWIT Co., Ltd.	5,482	3.8	(0.8)
	ELEMENT RULE Co., Ltd.	6,104	4.2	14.9
	Other consolidated subsidiaries	757	0.5	77.0
	Total (Japan)	125,340	86.9	8.0
	Mainland China	2,148	1.5	9.1
	Hong Kong	2,214	1.5	26.9
	Taiwan	3,610	2.5	30.3
	Thailand	141	0.1	70.2
	USA	3,839	2.7	(0.2)
	Total (Overseas)	11,953	8.3	14.8
	Total (Apparel and Sundry Goods-related Business)	137,293	95.2	8.6
	zetton, inc. (Note 3)	6,909	4.8	11.4
	Total (Food and Beverage Business) (Note 4)	6,909	4.8	7.6
	Total (Group)	144,203	100.0	8.5

- Notes: 1. The number of stores is categorized by using brand operating divisions and geographic regions.  
2. The above figures are sales to external customers and do not include internal sales between consolidated subsidiaries.  
3. Sales of zetton, inc. include sales of its consolidated subsidiary ZETTON, INC. (USA Business).  
4. The YoY change for sales of Other (Food and Beverage Business) includes sales in the previous fiscal year of ADASTRIA eat Creations Co., Ltd., which was liquidated on February 2, 2024.

#### (2) Sales for Merchandise Categories

Category	First six months of FY2/25		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	22,295	15.5	13.7
Lady's apparel (bottoms, tops)	85,994	59.6	6.7
Others	35,912	24.9	9.9
Total	144,203	100.0	8.5

- Notes: 1. The others category includes contract liabilities and additions to the provision for point card certificates and other items.  
2. The above figures are sales to external customers and do not include internal sales between consolidated subsidiaries.

**(3) Number of Stores**

Brand / region	Number of stores							As of Aug. 31, 2024
	As of Feb. 29, 2024	First six months of FY2/25					Increase /decrease	
		Merged, etc. (Note 3)	Opened	Changed	Closed			
GLOBAL WORK	214	-	2	-	-	2	216	
niko and ...	141	-	4	-	(2)	2	143	
studio CLIP	179	-	9	-	(2)	7	186	
LOWRYS FARM	126	-	-	-	(1)	(1)	125	
LEPSIM	115	-	1	-	(1)	-	115	
LAKOLE	78	-	8	-	(1)	7	85	
BAYFLOW	62	-	2	-	-	2	64	
JEANASiS	68	-	1	-	-	1	69	
Others	259	6	18	-	(4)	20	279	
Total (Adastria)	1,242	6	45	-	(11)	40	1,282	
BUZZWIT Co., Ltd.	31	-	1	-	(2)	(1)	30	
ELEMENT RULE Co., Ltd.	83	-	3	-	(5)	(2)	81	
Other consolidated subsidiaries	14	24	-	-	(2)	22	36	
Total (Japan)	1,370	30	49	-	(20)	59	1,429	
Mainland China	15	-	1	-	(2)	(1)	14	
Hong Kong	23	-	5	-	-	5	28	
Taiwan	72	-	2	-	(1)	1	73	
Thailand	2	-	-	-	-	-	2	
USA	10	-	1	-	(1)	-	10	
Total (Overseas)	122	-	9	-	(4)	5	127	
Total (Apparel and Sundry Goods-related Business)	1,492	30	58	-	(24)	64	1,556	
zetton, inc. (Note 4)	71	-	5	-	(2)	3	74	
Total (Food and Beverage Business)	71	-	5	-	(2)	3	74	
Total (Group)	1,563	30	63	-	(26)	67	1,630	

- Notes: 1. The number of stores is categorized by using brand operating divisions and geographic regions.  
2. The number of stores includes e-commerce websites of other companies and e-commerce websites of Adastria.  
3. On March 1, 2024, an absorption-type merger was conducted between Adastria, which is the surviving company, and Gate Win Co., Ltd., which was dissolved. Changes due to this merger are shown in this table.  
“Increase” represents the increase in the number of stores resulting from the consolidation of TODAY’S SPECIAL.  
4. The number of stores of zetton, inc. includes the stores of its consolidated subsidiary ZETTON, INC. (USA Business).

*This financial report is solely a translation of the Company’s Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*