



FY2023/02 Financial Results

April 4, 2023



A D A S T R I A
— *Play fashion!*

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1. FY2023/02 Overview



Progress

The three-year plan for dealing with the pandemic was completed as planned.

Businesses have returned to growth and consolidated sales increased to an all-time high.

Issues

Earnings were below the plan, which had been revised upward, because of IT system problems.

The speed of changes in society, such as Japan's falling population, the use of digital technologies, and sustainability measures, is increasing.

Outlook

Medium-term plan is producing benefits as expected; expect to achieve the goals.

Aiming to help the Japanese economy return to normal with operations backed by **strong demand for spring and summer apparel.**



- Using the 70th anniversary to reinforce ties with other companies and customers = Incorporated the “good community” spirit in our anniversary logo
- Further step up investments in people during FY2024/02
- Average wage hike of 6% and planning to recruit highly motivated and skilled people
- No change in the three priority sectors for investments: digital, global, sustainability
- Continue investments that look beyond the current medium-term plan while recognizing and managing risk

Explanation of the 70th anniversary logo

- The combination of an underline and vertical line (plus) under the “A” expresses our dedication to operating businesses that bring together many types of people.
- Using two lines for “70th” expresses the combination of Adastria and our co-creation partners. We will work side-by-side in order to make this a successful year.

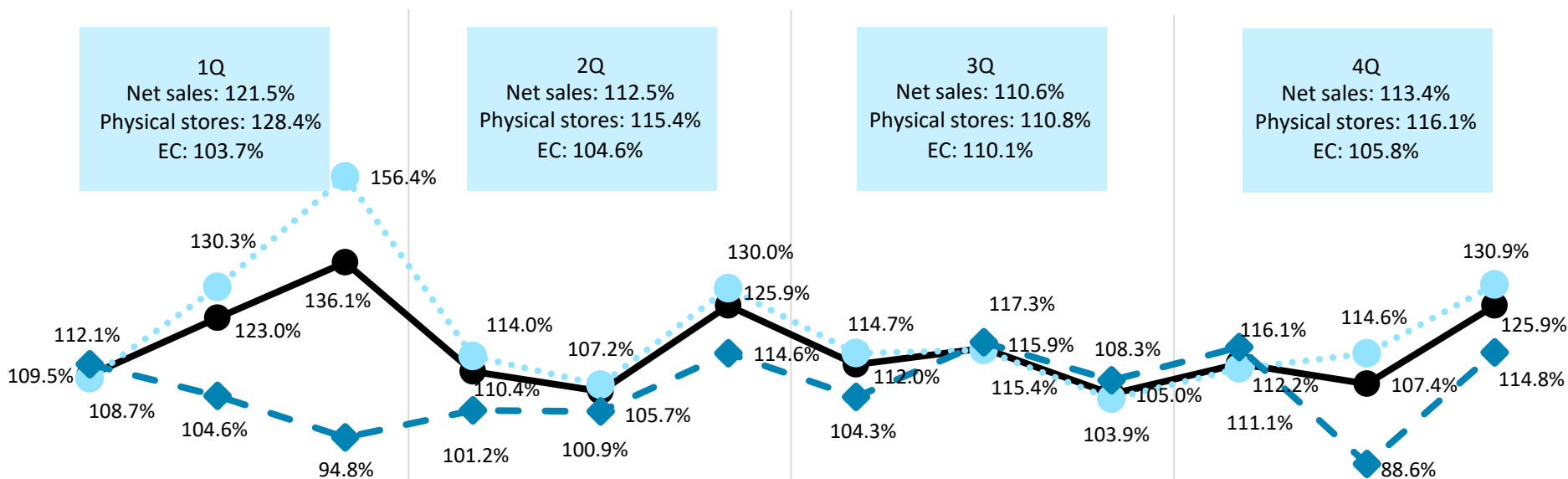
2 . FY2023/02 Financial Results and FY2024/02 Forecast



Summary of FY2023/02

Adastria (Non-consolidated) Monthly net sales

● Net sales ● Physical stores ◆ E-commerce web



1Q
Net sales: 121.5%
Physical stores: 128.4%
EC: 103.7%

2Q
Net sales: 112.5%
Physical stores: 115.4%
EC: 104.6%

3Q
Net sales: 110.6%
Physical stores: 110.8%
EC: 110.1%

4Q
Net sales: 113.4%
Physical stores: 116.1%
EC: 105.8%

- | March | April | May | June | July | August | September | October | November | December | January | February |
|---|-------|-----|--|------|--------|---|---------|----------|---|---------|----------|
| <ul style="list-style-type: none"> The number of customers at stores recovered as many pandemic restrictions ended TV commercials for our e-commerce site "Dot-ST" and GLOBAL WORK Strong sales of summer merchandise as more people are going out due to the Japanese holiday "Golden Week" period in May Sales at physical stores recovered | | | <ul style="list-style-type: none"> Summer merchandise remained strong due to the summer sale Sales per customer improved as inventory controls reduced the need to sell discounted merchandise More customers at stores because many people went on outings during the summer vacation period Brisk initial sales of autumn merchandise due to cooler weather at the end of August | | | <ul style="list-style-type: none"> Negative impact of a typhoon in September, but sales of autumn/winter merchandise were strong because of cool weather in late September and several consecutive days of holidays TV commercials for our e-commerce site "Dot-ST" and GLOBAL WORK Knitted apparel sales drove sales growth even though temperatures were high in mid and late November | | | <ul style="list-style-type: none"> Strong December sales because of a winter sale and a recovery in demand for apparel for outings during the Christmas and year-end period Temporary shutdown of the "Dot-ST" e-commerce website and logistics system in January due to unauthorized access to the company's server In February, brisk sales of spring merchandise as operations returned to normal and demand associated with new life styles was firm | | |

Consolidated Income Statement

The Accounting Standard for The New Revenue Recognition is applied from FY2023/02.

Millions of yen

	FY2022/02		FY2023/02		
	Results		Results		
		Ratio		Ratio	YoY
Net sales	201,582	100.0%	242,552	100.0%	120.3%
Adastria(Non-consolidated)	174,065	86.3%	196,727	81.1%	113.0%
Domestic subsidiaries *1*2	17,275	8.6%	22,332	9.2%	129.3%
Overseas subsidiaries *3	13,352	6.6%	18,017	7.4%	134.9%
Zetton (Food & Beverage Subsidiary) *4	-	-	9,040	3.7%	-
Gross profit	111,012	55.1%	132,664	54.7%	119.5%
SG&A expenses	104,448	51.8%	121,149	49.9%	116.0%
Advertising & promotion	8,153	4.0%	8,037	3.3%	98.6%
Personnel	37,226	18.5%	43,076	17.8%	115.7%
Rent & depreciation *5	37,830	18.8%	43,810	18.1%	115.8%
Amortization of goodwill	58	0.0%	263	0.1%	446.6%
Others	21,178	10.5%	25,961	10.7%	122.6%
Operating profit	6,564	3.3%	11,515	4.7%	175.4%
Adastria(non-consolidated)	5,533	2.7%	10,384	4.3%	187.7%
Domestic subsidiaries *1*2	- 106	-	178	0.1%	-
Overseas subsidiaries *3	385	0.2%	524	0.2%	136.1%
Adastria Logistics	504	0.3%	94	0.0%	18.8%
Zetton (Food & Beverage Subsidiary) *4	-	-	285	0.1%	-
Ordinary profit	8,166	4.1%	12,026	5.0%	147.3%
Net income attributable to owners of the parent	4,917	2.4%	7,540	3.1%	153.3%
EBITDA	13,302	6.6%	19,964	8.2%	150.1%
Depreciation and amortization	6,679	3.3%	8,185	3.4%	122.6%
Amortization of goodwill	58	0.0%	263	0.1%	446.6%
Capital expenditure	9,974		12,600		

*1 : Domestic subsidiaries are the sum of four domestic subsidiaries: BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd., ADOORLINK Co., Ltd., Gate Win Co., Ltd.(Period Feb.2022 to Feb.2023)

*2 : Sales of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc.

*3 : Overseas subsidiaries are the sum of overseas subsidiaries: Hong Kong, Mainland China, Taiwan, USA.(Period Jan. 2022 to Dev.2022)

*4 : Operating profit of Zetton, Inc. is shown after consolidation adjustments.(Period Feb. 2022 to Jan.2023)

*5 : Rent & depreciation costs are the sum of Rent expenses, Lease expenses and Depreciation.

Consolidated Income Statement – Summary (1)

■ **Summary:** Sales higher than planned due to higher demand involving outings and brisk sales of major brands

■ **Net sales: 242.5 billion yen (+20.3% YoY)**

Parent company: Up 13.0% YoY. Higher demand for apparel for outings, promotions and merchandise strategies supported sales growth.

Strong sales of major products of GLOBAL WORK and of LAKOLE, as more stores were opened, contributed to sales growth.

Domestic subsidiaries: Up 29.3% YoY. Strong sales of high-end brands made ELEMENT RULE profitable.

BUZZWIT, an e-commerce company, posted sales and earnings growth due to the launch of a new brand and acquisition of a company.

Overseas subsidiaries: Up 34.9% YoY. Information is on another page.

Food and beverage business: Increased because of the addition of Zetton, Inc. as a consolidated subsidiary.

Effect of fiscal year changes*	Consolidated sales: +882 million yen (+0.4% YoY)
Effect of the new revenue recognition accounting standard	Consolidated sales: -2,378 million yen (-1.2% YoY)
Increase due to M&A	Consolidated sales: +11,136 million yen (+5.5% YoY)

■ **Gross profit margin: 54.7% (-0.4p YoY)**

Negative effects of foreign exchange rates, 4Q IT system interruption, distribution of coupons and inventory reduction measures

Effect of the new revenue recognition accounting standard	Gross profit margin: -0.4%
Effect of higher food and beverage business sales	Gross profit margin: +0.8%

*BUZZWIT, ELEMENT RULE, ADASTRIA eat Creations, ADOORLINK and Gate Win changed their fiscal year end to the end of February, resulting in a 13-month period included in FY2023/02.

*Zetton changed its fiscal year end to the end of January, resulting in an 11-month period included in FY2023/01.

Consolidated Income Statement – Summary (2)

■ SG&A expense ratio: 49.9% (-1.9p YoY)

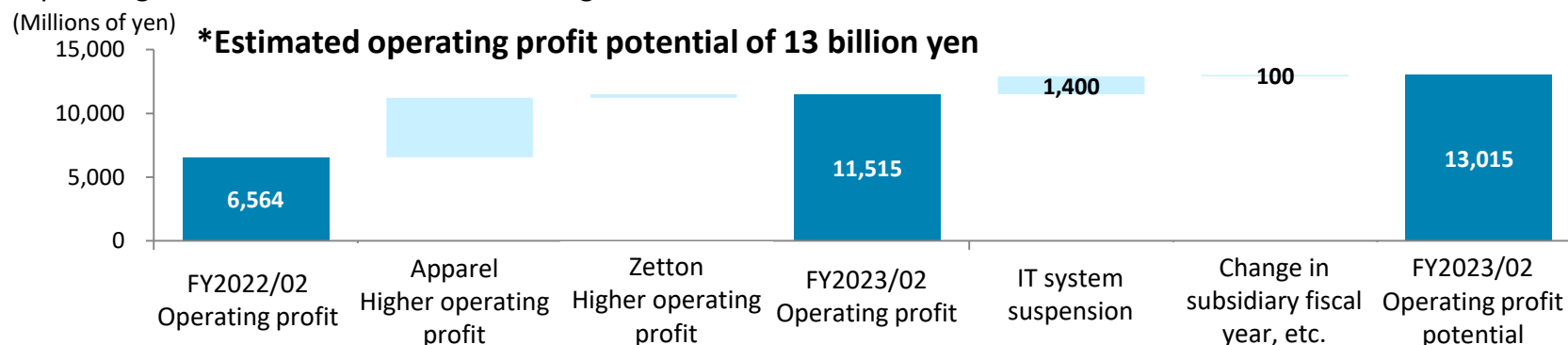
- Advertising & promotions: 3.3% (-0.7p YoY) (-0.11 billion yen YoY)
Decreased due to the application of revenue recognition accounting standard
- Personnel: 17.8% (-0.7p YoY) (+5.85 billion yen YoY)
Higher salaries and bonuses as stores returned to normal operating
- Rent & depreciation: 18.1% (-0.7p YoY) (+5.97 billion yen YoY)
Higher rent due to higher sales; includes 0.2 billion yen increase in intangible assets because of Zetton and OPEN AND NATURAL PPA*
- Other: 10.7% (+0.2p YoY) (+4.78 billion yen YoY)
Higher credit card fees, electricity fees and other expenses

Effect of the new revenue recognition accounting standard	SG&A expenses: -2,244 million yen (SG&A expenses ratio: -0.4%)
Effect of higher food and beverage business sales	SG&A expenses ratio: +0.8%

*PPA (Purchase Price Allocation): Purchase price allocation is the allocation of the cost of acquiring a company based on fair values of all assets and liabilities of the acquired company.

■ Operating profit: 11.5 billion yen (+4.95 billion yen YoY)

Operating income ratio: 4.7%, EBITDA margin: 8.2%



■ Ordinary profit: 12.0 billion yen (+3.86 billion yen YoY)

Non-operating income: Subsidy income of 231 million yen, employment adjustment subsidy of 37 million yen and foreign exchange gains of 291 million yen

■ Net income: 7.5 billion yen (+2.62 billion yen YoY)

■ What happened

- Early in the morning of January 18, unauthorized access was detected at the servers for business operations that are operated by Adastria.
 - To limit damage, the servers were isolated from the network and all internal business operations systems were shut down.
 - The suspension of the logistics system temporarily stopped operations of the “Dot-ST” e-commerce website. (Restarted on January 26)
- Although no loss of information has been identified at this time, there is still a possibility of an external leak of customer information. As a result, announcements concerning this incident were made on January 24 and March 31.
- Eligible customers were contacted individually by email or post.

■ Responses

- Reestablished a safe environment and fully restored systems for internal business operations.
- Installed the latest security software and established defensive measures and countermeasures to use in the event of another attack.
- Worked with an external organization to determine the cause of this incident and perform an examination that confirmed no information was lost.
 - Taking actions based on the cause of this incident to prevent a similar problem from happening again and for further upgrading IT system security.

■ Financial Impact

- Loss of sales of about 2 billion yen and gross profit of about 1 billion yen because of the suspensions of Adastria’s e-commerce and logistics systems (supply of merchandise to physical stores)
- Loss of about 400 million yen due to distribution of coupons after the e-commerce website reopened, expenses for responses and inventory valuation losses, resulting in a loss of operating profit of about 1.4 billion yen

*For more information, see the press release announced on January 24 and March 31, 2023.

Adastria and Major Domestic Subsidiaries Income Statement

【Adastria (Non-consolidated)】

Millions of yen

		FY2022/02	FY2023/02	
		Results	Results	
				YoY
Net sales		174,065	196,727	113.0%
	(Same stores YoY)	107.0%	112.4%	
	GLOBAL WORK	37,762	45,597	120.7%
	niko and ...	27,227	29,825	109.5%
	LOWRYS FARM	20,374	21,369	104.9%
	studio CLIP	18,970	20,325	107.1%
	LEPSIM	11,790	12,414	105.3%
	JEANASiS	10,526	11,209	106.5%
	BAYFLOW	9,122	10,180	111.6%
	LAKOLE	4,843	7,934	163.8%
Gross profit		95,437	105,281	110.3%
	Gross margin	54.8%	53.5%	- 1.3p
SG&A expenses		89,904	94,896	105.6%
	SG&A ratio	51.6%	48.2%	- 3.4p
Operating profit		5,533	10,384	187.7%
	Operating margin	3.2%	5.3%	+2.1p

【Major Domestic Subsidiaries】

Net sales	BUZZWIT Co., Ltd.	6,884	10,369	150.6%
	ELEMENT RULE Co., Ltd.	9,828	11,068	112.6%

* Adastria (Non-consolidated) : Amortization of goodwill for FY2022/02 : 58 million yen, FY2023/02 : 54 million yen

* Adastria (Non-consolidated) : Net sales are shown before elimination of internal transactions.

* Sales of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc.

Online Business (Domestic)

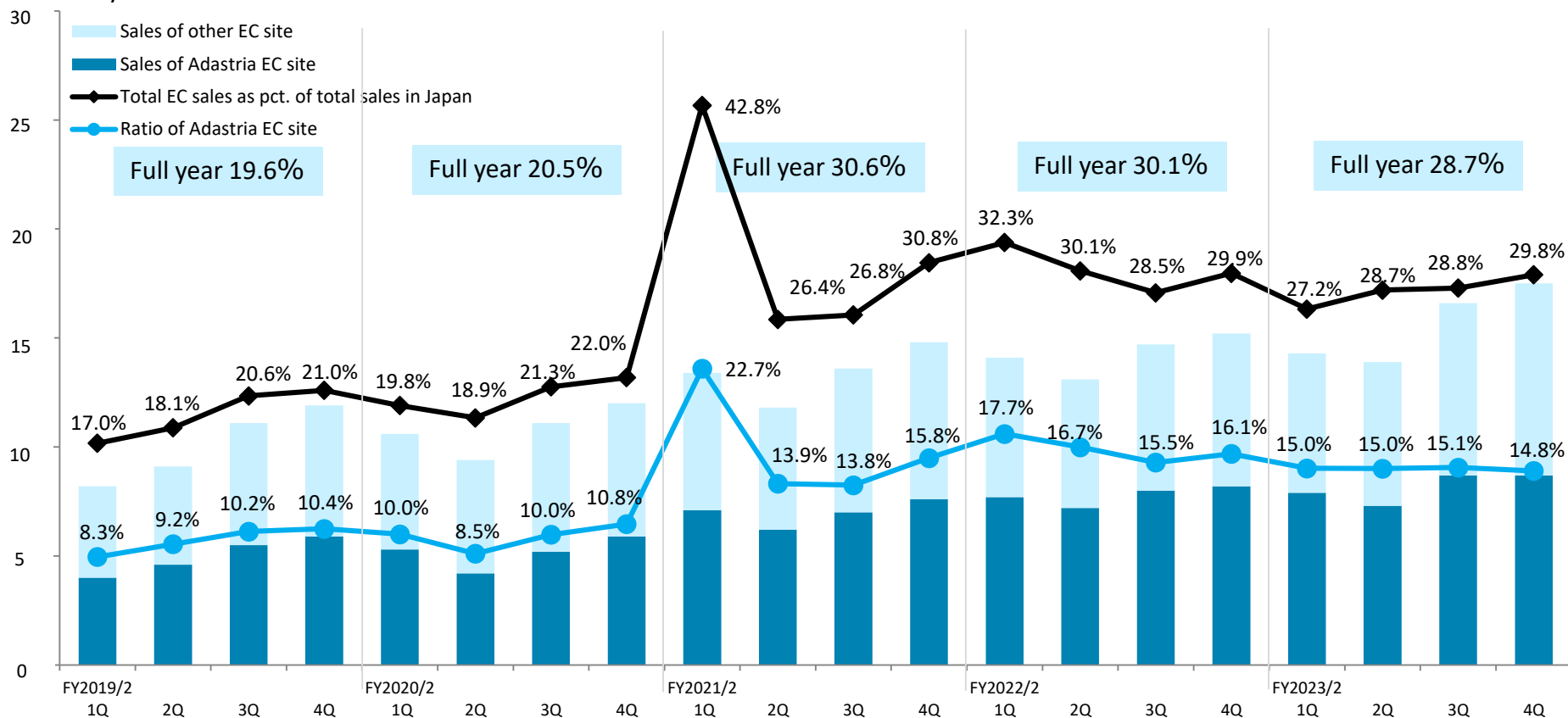
Continued growth of domestic online business through acquisition of “Dot-ST” e-commerce members, expansion of other companies' products, and mergers and acquisitions.

■ FY2023/02 Domestic e-commerce sales : **62.6** billion yen (+8.9% YoY)

- Domestic online business ratio : 28.7% (Adastria EC site: approx.15.0%)

- Own EC site “Dot-ST” has about 15.5 million members (+1.9 million from the end of FY2022/02)

(billions of yen)



*Starting in FY2019/02, non-consolidated sales and sales in BUZZWIT Co., Ltd. and ELEMENT RULE Co., Ltd. were included.

*Starting in FY2022/02, sales of ADOORLINK Co., Ltd. was included.

*Starting in FY2023/02 2Q, sales of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc.

*Starting in FY2023/02 4Q, sales of Gate Win Co., Ltd. was included.

Millions of yen

	FY2021/12	FY2022/12		
	Results	Results		
		YoY (JPY)	YoY (Local currency)	
Net sales	13,352	18,017	134.9%	115.8%
Hong Kong	2,820	3,373	119.6%	100.7%
Mainland China	2,774	2,983	107.5%	94.0%
Taiwan	3,053	4,438	145.3%	130.3%
USA	4,703	7,222	153.5%	128.3%
Operating profit	385	524	136.1%	119.2%
Hong Kong	242	357	147.0%	123.8%
Mainland China	- 214	- 1,108	-	-
Taiwan	389	873	224.2%	201.0%
USA	- 25	402	-	-

- Hong Kong: Sales and earnings up due to measures for the stability of store operations and the government's distribution of consumption vouchers
- Mainland China: Loss increased because of the prolonged lockdown and other effects of the pandemic; performance is currently recovering
- Taiwan: Sales and earnings up due to new brands and new stores
- USA: Sales and earnings up because of strong consumer spending, measures to supply highly appealing merchandise and large volume of orders in the wholesale business

Consolidated Balance Sheet

Millions of yen

	End of 2022/02		End of 2023/02			
		Ratio		Ratio	Compared with the end of 2022/02	Compared with the end of 2022/02
Current assets	48,169	49.2%	55,772	50.1%	+7,602	115.8%
Cash and deposits	16,976	17.3%	16,380	14.7%	-596	96.5%
Inventories	19,259	19.7%	24,679	22.2%	+5,420	128.1%
Fixed assets	49,787	50.8%	55,619	49.9%	+5,831	111.7%
Property, plant and equipment	16,005	16.3%	22,065	19.8%	+6,060	137.9%
Intangible assets	10,836	11.1%	11,908	10.7%	+1,071	109.9%
Goodwill	922	0.9%	1,331	1.2%	+408	144.3%
Investments and other assets	22,945	23.4%	21,645	19.4%	-1,299	94.3%
Total assets	97,957	100.0%	111,392	100.0%	+13,434	113.7%
Liabilities	42,994	43.9%	50,629	45.5%	+7,634	117.8%
Loans payable	1,447	1.5%	1,128	1.0%	-318	78.0%
Net assets	54,963	56.1%	60,762	54.5%	+5,799	110.6%
Treasury shares	-7,636	-7.8%	-7,286	-6.5%	+349	95.4%

- Inventories: Increased 28.1% YoY; change in subsidiary fiscal year, start of new business format and growth of ASEAN region production
- Property, plant and equipment: Recognized 2.5 billion yen of right of use assets due to the application of ASC No. 842* in the US business
- Intangible assets: Posted intangible assets of 1.4 billion yen based on the PPA** for the acquisition of Zetton and OPEN AND NATURAL
- Goodwill: 0.7 billion yen for Zetton, 0.6 billion yen for OPEN AND NATURAL
- Net assets: Net asset ratio of 54.5%, -1.6p YoY

*ASC No. 842 is a new accounting standard for leases that requires recognition on the balance sheet of right of use assets and lease liabilities for operating leases.

**PPA (Purchase Price Allocation): Purchase price allocation is the allocation of the cost of acquiring a company based on fair values of all assets and liabilities of the acquired company.

Number of Store

	End of FY2022/02	FY2023/02					Eng of FY2023/02
	Numeber of stores	Increased	Opened	Changed	Closed		
GLOBAL WORK	206	-	4	0	- 5	205	
niko and ...	144	-	4	0	- 7	141	
LOWRYS FARM	136	-	2	0	- 9	129	
studio CLIP	184	-	2	0	- 12	174	
LEPSIM	120	-	1	0	- 7	114	
JEANASIS	73	-	3	0	- 5	71	
BAYFLOW	60	-	2	0	- 1	61	
LAKOLE	47	-	18	0	- 2	63	
Others	275	-	16	0	- 27	264	
Adastria non-consolidated total	1,245	-	52	0	- 75	1,222	
(Online store included)	(66)	-	(2)	(0)	(- 5)	(63)	
Domestic subsidiaries total*1*2	105	7	19	0	- 13	118	
(Online store included)	(42)	(7)	(10)	(0)	(- 7)	(52)	
Japan total	1,350	7	71	0	- 88	1,340	
(Online store included)	(108)	(7)	(12)	(0)	(- 12)	(115)	

FY2024/02 Plan				
Opened	Changed	Closed	End of FY2024/02	
	10	0	- 2	213
	2	0	- 2	141
	2	0	- 3	128
	7	0	- 3	178
	2	0	- 5	111
	0	0	0	71
	1	0	- 1	61
	15	0	- 1	77
	21	0	- 33	252
	60	0	- 50	1,232
	(0)	(0)	(0)	(63)
	13	0	0	131
	(3)	(0)	(0)	(55)
	73	0	- 50	1,363
	(3)	(0)	(0)	(118)

Hong Kong	14	-	7	0	0	21
Mainland China	6	-	7	0	0	13
Taiwan	43	-	11	0	- 2	52
USA	10	-	0	0	- 1	9
Thailand	-	-	-	-	-	-
Oversea total	73	-	25	0	- 3	95
(Online store included)	(12)	-	(8)	(0)	(- 2)	(18)

	4	0	- 3	22
	4	0	0	17
	22	0	0	74
	2	0	0	11
	1	0	0	1
	33	0	- 3	125
	(1)	(0)	(0)	(19)

Zetton (Food & Beverage subsidiary) *3	-	73	4	0	- 5	72
ADASTRIA eat Creations	5	-	0	0	- 2	3

	4	0	- 1	75
	0	0	0	3

Consolidated total	1,428	80	100	0	- 98	1,510
(Online store included)	(120)	(7)	(20)	(0)	(- 14)	(133)

	110	0	- 54	1,566
	(4)	(0)	(0)	(137)

FY2023/02 34 remodeled stores in the consolidated group.

*1 Domestic subsidiaries are the sum of four domestic subsidiaries: BUZZWIT Co., Ltd., ELEMENT RULE Co., Ltd., ADOORLINK Co., Ltd. Gate Win Co., Ltd.

*2 Stores of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc.

*3 The number of stores of Zetton, Inc. includes its consolidated subsidiary ZETTON, INC (USA Business).

The goal for FY2024/02 is another year of sales and earnings growth

Millions of yen

	FY2023/02	FY2024/02	
	Results	Forecast	
Net Sales	242,552	260,000	107.2%
Gross profit	132,664	146,000	110.1%
Gross profit margin	54.7%	56.2%	+1.5p
SG&A expenses	121,149	132,000	109.0%
SG&A expenses ratio	49.9%	50.8%	+0.8p
Operating profit	11,515	14,000	121.6%
Operating margin	4.7%	5.4%	+0.6p
Ordinary profit	12,026	14,000	116.4%
Ordinary income margin	5.0%	5.4%	+0.4p
Net income attributable to owners of the parent	7,540	9,400	124.7%
Ratio of net income attributable to owners of the parent	3.1%	3.6%	+0.5p
ROE	13.3%	15.8%	+2.5p
EBITDA	19,964	21,901	109.7%
Depreciation and amortization	8,185	7,588	92.7%
Amortization of goodwill	263	313	119.0%
Capital expenditure	12,600	14,000	

- **Net sales:** Forecast higher sales because of the continuing recovery of demand in the fashion sector, launch of new business formats and brands, opening of more stores, and the recovery of the overseas business
- **Gross profit margin:** Forecast an improvement due to revisions of product prices, higher ASEAN region production and measures to hold down discounting
- **SG&A expense ratio:** Forecast a small increase due to higher personnel expenses resulting from an increase in salaries and hiring more people, and a rise in advertising expenses

FY2024/02 Parent Company (non-consolidated) Forecast

Millions of yen

	FY2023/02	FY2024/02	
	Results	Forecast	
			YoY
Net Sales	196,727	205,000	104.2%
Gross profit	105,281	111,900	106.3%
Gross profit margin	53.5%	54.6%	+1.1p
SG&A expenses	94,896	100,300	105.7%
SG&A expenses ratio	48.2%	48.9%	+0.7p
Operating profit	10,384	11,600	111.7%
Operating margin	5.3%	5.7%	+0.4p

FY2023/02

FY2024/02

Major categories	FY2023/02			FY2024/02	
	Plan	Results	Comment	Plan	Main use
Store development (Domestic)	4.9 billion yen	4.3 billion yen	Even though progress was generally in line with plans, controlled by cost-cutting measures	6.2 billion yen	Includes 5 billion yen at Adastia; new stores for GLOBAL WORK, a growth brand, and for “Dot-ST Store”
IT System	4.0 billion yen	3.4 billion yen	Even though progress was generally in line with plans, controlled by efficiency improvement	4.2 billion yen	Development, sales, value chain, infrastructure and security measures for the “Dot-ST” e-commerce website
Overseas	2.4 billion yen	1.8 billion yen	Due to the COVID-19 infections, unspent	2.8 billion yen	Developing new markets in Mainland China, Taiwan and South-East Asia, etc.
Other	1.9 billion yen	3.0 billion yen	Automation of the distribution center is progressing as planned (1.9 billion yen), acquisition of OPEN AND NATURAL (1.1 billion yen)	0.8 billion yen	Distribution center and subsidiary office, etc.
Total	13.2 billion yen	12.6 billion yen		14.0 billion yen	

- Dividend policy: Basic policy is a consolidated payout ratio of 30% and maintaining balance among dividend stability, investments for growth, and shareholder distributions
- FY2023/02 dividend of 60 yen (25 yen interim, 35 yen year end) as in the revised forecast
- FY2024/02 dividend forecast of 65 yen (30 yen interim, 35 yen year end)

Millions of yen

	FY2019/02	FY2020/02	FY2021/02	FY2022/02	FY2023/02	FY2024/02 (Forecast)
Dividend per share (Yen)	50	50	40	55	60	65
(Interim dividend)	(20)	(25)	(15)	(25)	(25)	(30)
Total dividend	2,379	2,382	1,856	2,510	2,739	2,967
Net income (consolidated)	3,890	6,363	- 693	4,917	7,540	9,400
Amortization of goodwill*	1,306	167	361	58	263	313
Dividend payout ratio	60.5%	37.0%	-	50.6%	36.1%	31.4%
(Amortization of goodwill excluded)	(45.3%)	(36.1%)	-	(50.0%)	(34.8%)	(30.3%)
Share repurchase	0	0	3,671	0	0	0

*Goodwill amortization includes an temporary amortisation recorded as an extraordinary loss

We set a minimum annual dividend of JPY 65 for the period of our medium-term management plan, which ends in FY2026/2, aiming to pay a dividend of more than this.

*Beginning in FY2024/02, the consolidated payout ratio guideline is 30% because goodwill amortization is no longer significant.

Business Climate	Our Responses
Impact of forex and inflation on the gross profit margin	<ul style="list-style-type: none">• Weaker yen continues to affect spring/summer merchandise but steady progress with price revisions and a possibility of reducing discounting• Ambitious target for gross profit margin improvement but aiming for this target by supplying merchandise with more added value
Recruiting and retention	<ul style="list-style-type: none">• For higher salaries, about 1 billion yen was budgeted in addition to the usual salary increase in order to raise salaries by an average of 6%• Salaries will remain at a competitive level in order to raise productivity
Increases in all cost categories	<ul style="list-style-type: none">• Cost of facilities is increasing due to higher utility rates and other reasons, but sales growth is expected to hold down the increase in expenses as a pct. of sales• Although logistics expenses are moving up, there is no change as a pct. of sales because of the benefits of investments in FY2022/02 and other reasons

3. Medium-Term Management Plan Progress



Combine Sustainability With Profitability to achieve **280 billion yen** in sales by FY2026/02

Operating income ration **8%** (including **80 billion yen** in EC sales)



Achieve Sustainable Management

Extend value Offerings

GROW Customer Base

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

Develop models in Mainland China and cultivate Southeast Asia

Growth Strategy

IV

New Business

Establish food and beverage business and create new appeal

- Categorizing existing domestic brands into three categories and cultivating brands across the portfolio



Stand-Alone Brands

Expanding Scale with unique growth strategies



GLOBAL WORK



LOWRYS FARM



niko and ...




Growing Brands

New markets and categories

LAKOLE

BUZZWIT*

ÅLAND



BAYFLOW

Elura

ELEMENT RULE*

Profit-Oriented Brands

Horizontal development of highly profitable brand models

JEANASIS

Heather

apart by lowrYS

HARE

RAGEBLUE

repipi armario

PAGEBOY

LEPSIM

mystY woman

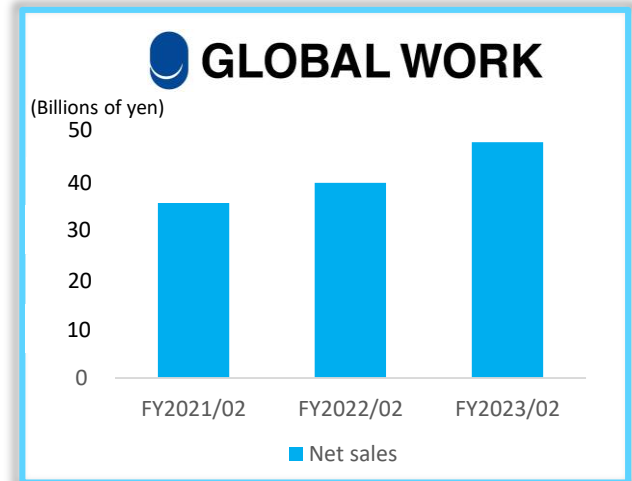
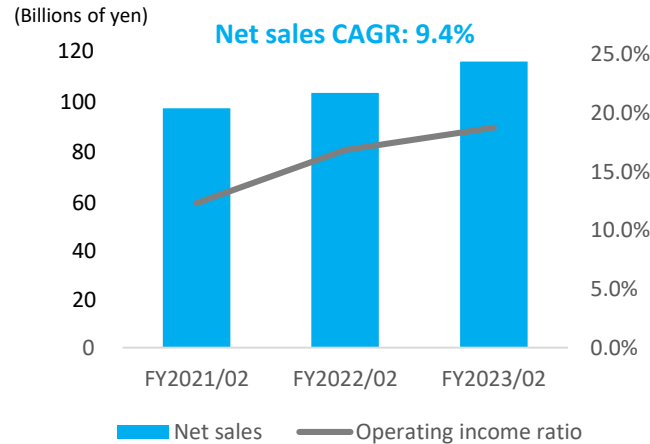
New Brand Creation

* BUZZWIT Co.,Ltd. and ELEMENT RULE Co., Ltd. are our domestic subsidiaries.

■ Progress with strengthening each brand based on its role

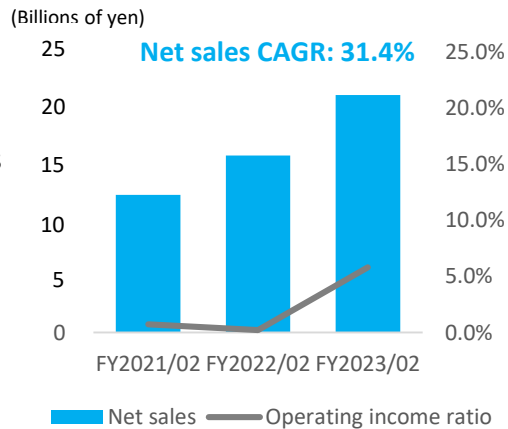
Stand-Alone Brands

- Reinforce distinctive characteristics of brands
- Performance of GLOBAL WORK is very strong; plan for growth to a 50 billion yen brand



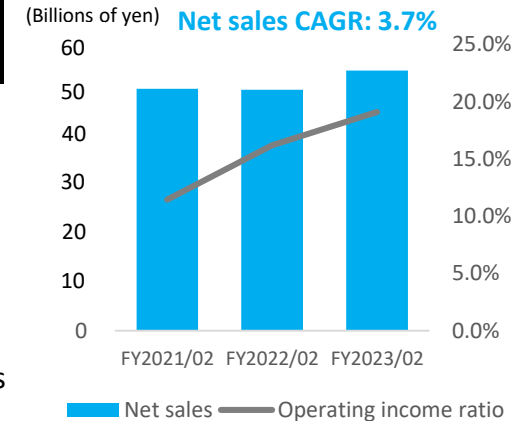
Growing brands

- More product categories and stores, primarily for LAKOLE
- Revise merchandise strategy with flexibility in order to firmly establish brands



Profit-Oriented Brands

- Develop products with substantial added value and achieve a high e-commerce sales ratio
- Build on distinctive characteristics of brands to capture large shares of targeted markets



*Figures in graphs are for only Adastria and are before the allocation of corporate expenses.

■ A new basic, affordable line by GLOBAL WORK

- Launched the “Smile Seed Store” lineup featuring even lower prices. Strengthen the lineup of daily apparel, innerwear and other items.
- Goal is 150 new stores over the next five years to sell merchandise in channels more closely tied to local markets such as general merchandise stores.
- GLOBAL WORK received the 25th Developer Award and Tenant Award given by Senken Shimibun (Textile Newspaper), which is expected to even better enable this brand to add more stores.

GLOBAL WORK Smile Seed[®] Store



■ Developing new channels and customer contacts by studio CLIP

- Launch “daily CLIP,” a brand for household items that are natural and have outstanding quality. Started opening stores in new channels such as railway stations.
- Held “okeiko CLIP” workshops at existing stores to strengthen ties with customers. 1,443 workshop participants during the past year.
- Sales were up 13.6% from one year earlier at stores that held workshops and more stores will hold workshops this year.

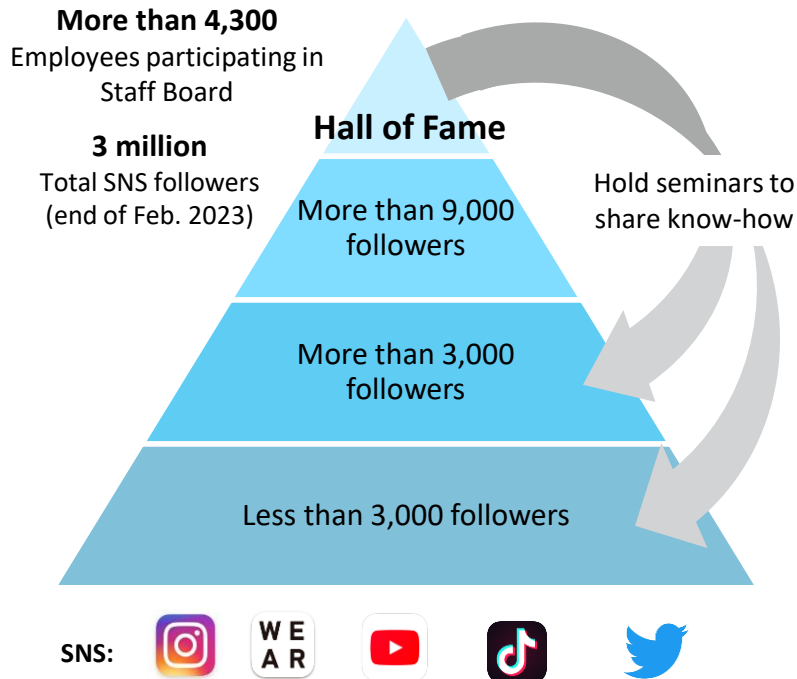
dailyCLIP



■ More Staff Board SNS activity

- Increased motivation of internal influencers with many SNS followers by raising their incentive payments.
- Further upgraded training programs to increase customer engagement. Goal is to attract more followers, raising total followers of all Adastria Group employees to 6 million.

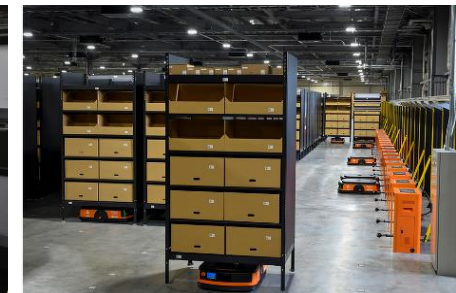
Training for the next generation



■ Automation of the Ibaraki West EC Distribution Center

Benefits and outlook

- Sufficient shipping capacity (max of 34,000 shipments/day) to accomplish the goal of EC sales of 80 billion yen.
- Cut shipping expenses about 170 million yen/year by optimizing the configuration of shipments.
- Use floor area more efficiently in order to raise floor area for EC operations from about 15,000m² to about 20,000m².
- Prepare for the upcoming labor shortage by using robots.



■ Opening the “Dot-ST” EC website to other companies

- Start handling merchandise of other companies to create a mall-style business.
- Use the participation of prominent companies in every category to attract new customers and direct customers from one category to others.
- Use popular employees for the development of collaborative merchandise and start allowing people at other companies to submit content to Staff Board.

サマルカワ



siroca



YAMAN



STAFF BOARD
コーディネートに靴下は欠かせない♡

Content submitted by Adastia employees

Melita GRAND BEAUTY REPAIRING BEAUTY

NEW ARRIVAL

FRUIT GATHERING
For Your Fruitful Life

KOBAKO

PICK UP ITEM

AYURA

「肌」からだ・心を潤やす、新ボディケアアイテム

取り扱いアイテムをチェック

oral care

ドットエステにて取り扱いスタート

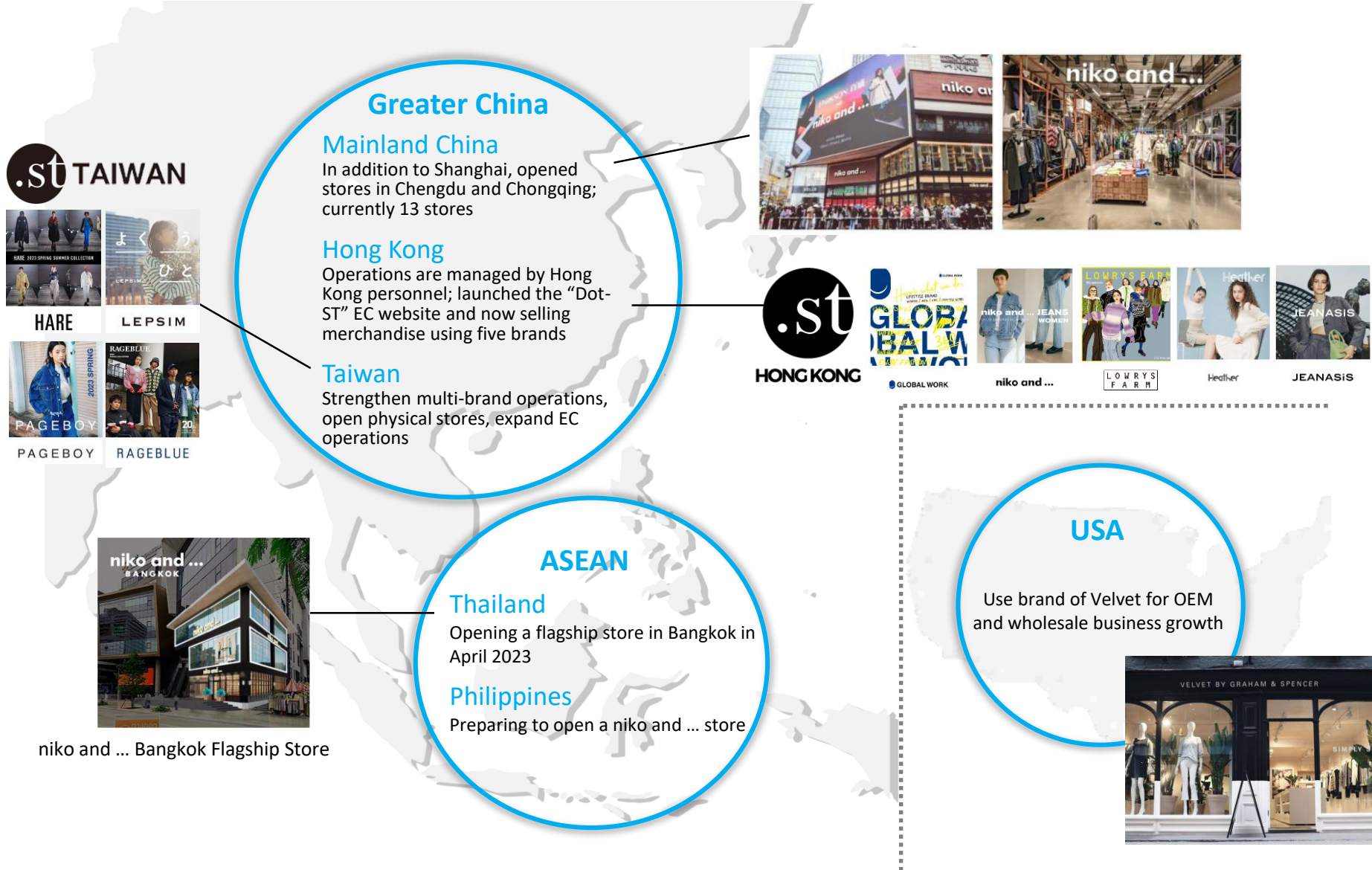
NEW bi-color warmer

腕にも、脚にも、使い方は自由自在。その日のスタイルに合わせてアレンジできる4way warmerにニューカラーが登場。

arm warmer	leg warmer
bi-color	layered

靴下屋
produced by Tabio

Overall overseas operations have achieved an increase in revenue and profit



■ Open stores to cover more areas of Mainland China



- Continued opening stores even during the pandemic; now have 13 stores.
- Expanded store network from Shanghai to include Chengdu and Chongqing.
- Established a flagship-dominance business model by using a flagship store in Shanghai to build a strong brand and satellite stores to generate earnings; expect to expand to the other First class cities.

December 2019

First store in **Shanghai**



Shanghai Flagship Store

2020

Second flagship store in Shanghai



West Nanjing Road Store

2022

(6 new stores)

Expanded store openings to **Chengdu and Chongqing**



Nanjing Aqua City Store



Shanghai Metro City Store

2021

(3 new stores)

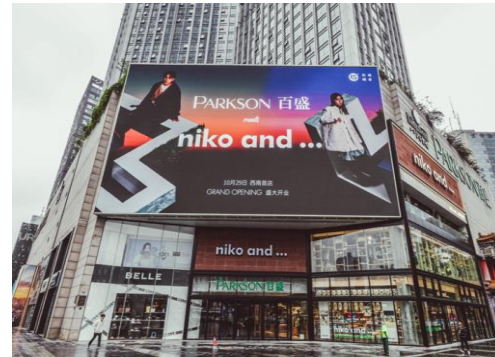
Stores in major Shanghai area shopping malls



Shanghai Taikoo Li Store



Shanghai Lala Station Store



Chengdu Era Parkson Flagship Store



Chongqing Longhu Times Paradise Walk Store

■ Key area growth in all overseas regions in FY2024/02 and outlook

	Areas	Actions	Outlook
Greater China	Mainland China	<ul style="list-style-type: none"> Continue opening stores in the First class cities Expand e-commerce sales channels 	While continuing the investment phase, make the Shanghai area profitable and lower the overall loss
	Taiwan	<ul style="list-style-type: none"> Plan to open 22 more stores 	Although sales continue to grow, expect no change in earnings because of expenses for new stores and the impact of forex
	Hong Kong	<ul style="list-style-type: none"> Continue scrap and build program Increase the number of brands on “Dot-ST” 	Although sales continue to grow, forecast a small decline in earnings because of higher personnel and logistics expenses and the impact of forex
	USA	<ul style="list-style-type: none"> Steady wholesale business growth; add high-volume customers Also aiming for growth of directly operated businesses 	Planning on growth of sales and earnings
	Southeast Asia	<ul style="list-style-type: none"> Opening the first niko and ... store in Bangkok in April 2023 Preparing to open stores in the Philippines 	A loss because this is the first year for stores in this region

■ Starting the return of FOREVER 21 to Japan

New stores

- Started sales of FOREVER 21 merchandise on “Dot-ST” on February 21
- Six-day pop-up store in Shibuya
- Opened store at ZOZOTOWN on March 17
- Second pop-up store at LaLaport Yokohama from March 17 to May 17
- On April 17, opening the first permanent FOREVER 21 store at LaLaport Kadoma (Osaka)

Performance




- Pop-up stores generated substantial interest
- Coverage by 58 media companies including major TV networks
- Coverage was equivalent to advertising expenditures of about 900 million yen



■ Zetton’s medium-term plan has the goal of expansion to non-apparel sectors

	Business plan summary	2026 targets	Synergy with Adastria
Total	<ul style="list-style-type: none"> • Use technology for data analysis/operations improvements • Expand to major cities/regions where Zetton has no presence (Hokkaido, Shizuoka, Hiroshima, Fukuoka, Okinawa), use M&A too for growth 	Net sales: 15 billion yen Operating profit: 1.05 billion yen Operating income ratio: 7% ROE: 10% Equity ratio: 45%	<ul style="list-style-type: none"> • Information sharing and cooperation for opening stores • Cooperation for park revitalization projects • Assistance for starting operations in the U.S. and Asia • Linkage with the “Dot-ST” economic zone • Linkage between the IT sector and management
Japan	<ul style="list-style-type: none"> • Enlargement of current business dominance • Establish a store development team • Growth of e-commerce 	Net sales: 8.0 billion yen	
Overseas	<ul style="list-style-type: none"> • Growth of business in Hawaii (Oahu) • Start operations in Mainland U.S. • EC sales of Hawaii brands • Start research for launching operations in Mainland China and ASEAN region 	Net sales: 4.5 billion yen	
Park revitalization business	<ul style="list-style-type: none"> • Upgrade planning skills • Strengthen content capabilities in areas other than food and beverages • Build stronger relationships with park partners 	Net sales: 2.5 billion yen	
Other	<ul style="list-style-type: none"> • Vertical integration by using M&A and business alliances 		

■ Progress with activities involving the KPI of the Adastria Group

	Activity vision	KPI	Progress
 Protect the Environment	Engage in manufacturing that leads to the future	Switch to sustainable materials and processing for more than half of all products by 2030	<ul style="list-style-type: none"> Using Adastria's own sustainability mark; up 11% from previous year
	Balance Environmental Considerations and Sales Activities	Achieve carbon neutrality by 2050	<ul style="list-style-type: none"> Calculation of Scope 1-3 emissions and info disclosures based on TCFD
	Create a world without fashion loss	Eliminate incineration of clothing inventory	<ul style="list-style-type: none"> Continue policy of sending no apparel to incinerators 167 stores have recycle boxes/32 tons of used apparel collected
 Encourage People to Shine	Be an organization that is healthy mentally and physically, encouraging employees in their individuality and ability	Ensure 30% of senior management positions are filled by women by 2025, and raise the ratio of women in management positions to 45% or more Become a White 500 Certified Health & Productivity Management Outstanding Company	<ul style="list-style-type: none"> Upper-level management:17.7% Management positions: 33.8% Health and Productivity Management Declaration Certified as an outstanding health and productivity management company
	 Grow Together With Communities	Foster sustainable development in production areas	Advance partnership certifications for production plants by 2023

■ External recognition of Adastria's ESG activities



Performance is generally as planned and aiming for more improvements mainly concerning profitability

Themes of the medium-term management plan

FY2023/02 progress



Sales growth

Average 8.5% sales growth YoY



Improve gross profit margin

*Compare to FY2022/02 **Improved by 1.3%**



Hold down SG&A expenses

*Compare to FY2022/02 **Improved by 3.4%**



Improve capital efficiency

ROE of at least 15%

Expand the brand portfolio

Reduce discounting, add value, optimize cost of production

**Use equipment more efficiently
Control indirect expenses**

Higher efficiency of investments



Able to start new initiatives in all strategic categories



Big downturn in the fourth quarter
Discounting ratio: 1.4% down (improved)
Markup percentage: 1.1% down (worse)
ASEAN region production share increased to 23% as planned



SG&A expense ratio is decreasing partly due to sales growth
Sales/capital expenditure ratio: Down 0.7%
Sales/head office expense ratio: Down 0.3%
Sales/logistics expense ratio: Down 0.3%



Earnings growth as the efficiency of investments increased
The ROE improved to 13.3%

+Set a minimum dividend for the period of the medium-term plan



A D A S T R I A
— *Play fashion!*