



FY2024/02 1H Financial Results & Medium-Term Management Plan

September 29, 2023



A D A S T R I A
— *Play fashion!*

1 . FY2024/02 1st Half Overview

- Summary of FY2024/02 1H 4
- Investments in People 5

2 . FY2024/02 1st Half Financial Results

- Summary of FY2024/02 1H 7
- Consolidated Income Statement– Summary 9
- Adastria and Major Domestic Subsidiaries Income Statement 11
- Online Business (Domestic) 12
- Overseas Business 13
- Consolidated Balance Sheet 14
- Number of Stores 15
- FY2024/02 Consolidated Forecast 16
- FY2024/02 Parent Company (non-consolidated) Forecast 17
- Response to the external environment 18

3 . Medium-Term Management Plan Progress

- Medium-Term Management Plan Progress 21
- Multi-Brand Platform 22
- Growth Strategy I: Multi-Brand, Multi-Category 23
- Growth Strategy II: Digital Customer Interactions and Services 26
- Growth Strategy III: Glocal 28
- Growth Strategy IV: New Profit-center Business Models 29
- Sustainability Initiatives 30
- Published Integrated Report 2023 31
- Progress with Numerical Goals 32

1. FY2024/02 1st Half Overview



Highlights

- **Record first-half consolidated sales and earnings as economy returns to normal and as a result of our various initiatives**
- **Forecasting record-high sales and earnings in FY2024/02 and confidence about achieving the medium-term plan targets is increasing**

Progress in key areas

- **Digital:** New activities involving SNS, open platforms, the metaverse and other areas
- **Global:** Strong performance in Taiwan, where operations started 20 years ago
- **Sustainability:** Published the second Integrated Report



- **Adastria placed first in a Senken Shimbun (Textile Newspaper) survey about where students specializing in fashion want to work**
- **Average increase of 6%, mainly for initial salaries for people hired after graduation from a school and other young employees**
- **Increased incentives for participation in STAFF BOARD**
* STAFF BOARD: a communication link between shop personnel and customers about fashion and other subjects.
- **Executives participate in town meetings throughout Japan for stronger lines of communication with employees**

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.

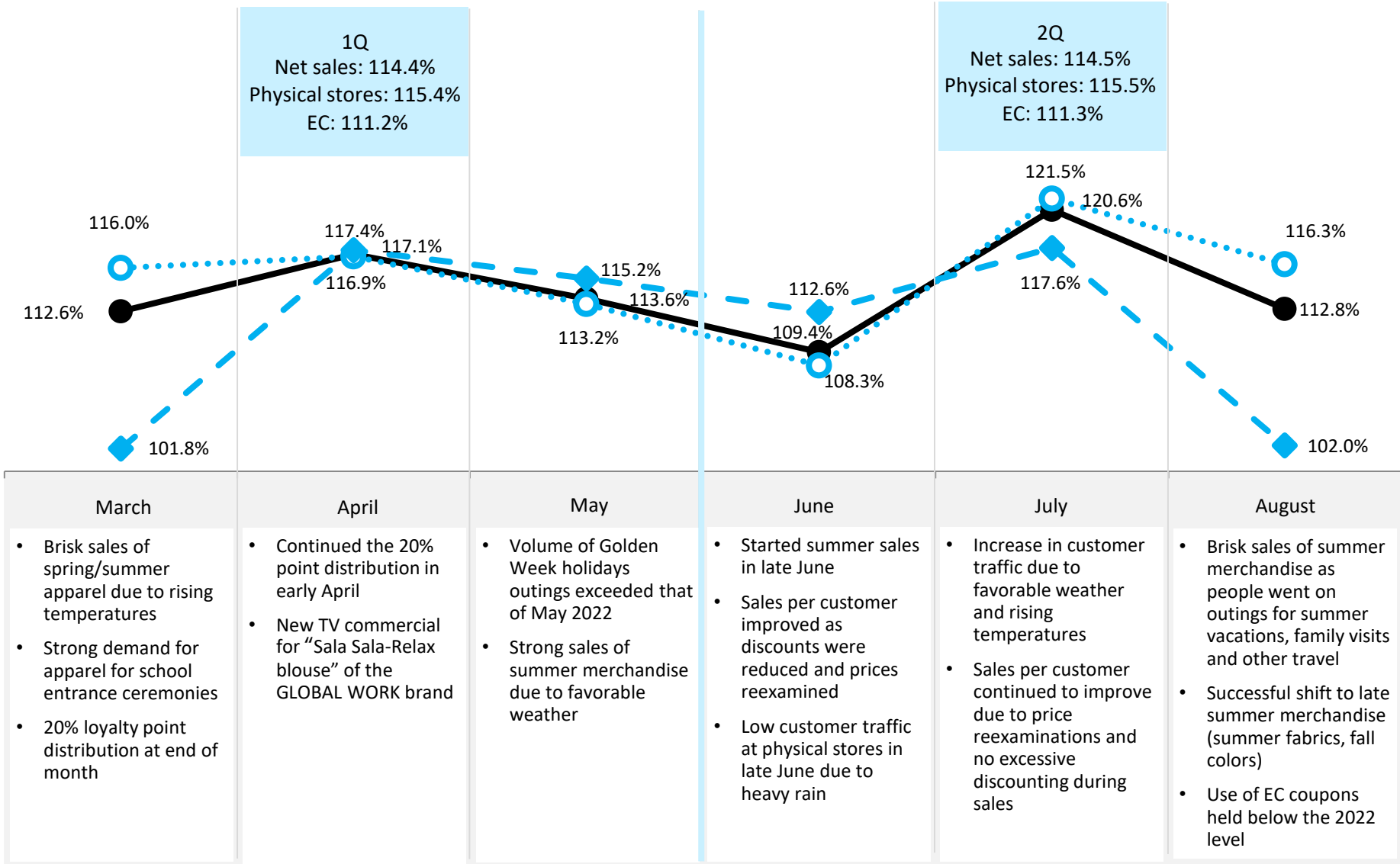
2. FY2024/02 1st Half Financial Results



Summary of FY2024/02 1H

Adastria (Non-consolidated) Monthly net sales

● Net sales ● Physical stores ◆ E-commerce web



Consolidated Income Statement

Millions of yen

	FY2023/02 1H		FY2024/02 1H		
	Results		Results		
		Ratio		Ratio	YoY
Net sales	112,578	100.0%	132,896	100.0%	118.0%
Adastria(Non-consolidated)	92,337	82.0%	106,611	80.2%	115.5%
Domestic subsidiaries *1*2	9,412	8.4%	11,491	8.6%	122.1%
Overseas subsidiaries *3	7,765	6.9%	10,686	8.0%	137.6%
zetton (Food & Beverage Subsidiary) *4	4,687	4.2%	6,210	4.7%	132.5%
Gross profit	62,780	55.8%	74,861	56.3%	119.2%
SG&A expenses	57,210	50.8%	64,549	48.6%	112.8%
Advertising & promotion	3,727	3.3%	3,961	3.0%	106.3%
Personnel	21,111	18.8%	23,917	18.0%	113.3%
Rent & depreciation *5	20,426	18.1%	22,630	17.0%	110.8%
Amortization of goodwill	121	0.1%	112	0.1%	93.0%
Others	11,823	10.5%	13,926	10.5%	117.8%
Operating profit	5,570	4.9%	10,311	7.8%	185.1%
Adastria(non-consolidated)	4,596	4.1%	9,284	7.0%	202.0%
Domestic subsidiaries *1*2	161	0.1%	119	0.1%	73.5%
Overseas subsidiaries *3	159	0.1%	653	0.5%	408.8%
Adastria Logistics	165	0.1%	70	0.1%	42.6%
zetton (Food & Beverage Subsidiary) *4	483	0.4%	206	0.2%	42.6%
Ordinary profit	6,157	5.5%	10,639	8.0%	172.8%
Net income attributable to owners of the parent	3,893	3.5%	7,094	5.3%	182.2%
EBITDA	9,408	8.4%	14,588	11.0%	155.1%
Depreciation and amortization	3,716	3.3%	4,163	3.1%	112.0%
Amortization of goodwill	121	0.1%	112	0.1%	93.0%
Capital expenditure	6,195		7,310		

*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.

*2 : Due to change in financial year, Feb-Jul (FY2023/02 1H) and Mar-Aug (FY2024/02 1H)

*3 : Overseas subsidiaries are the sum of overseas subsidiaries: Hong Kong, Mainland China, Taiwan, Thailand, USA.(Period Jan. to Jun.2023)

*4 : Operating profit of Zetton, Inc. is shown after consolidation adjustments. Due to change in financial year, Mar-Aug(FY2023/02 1H) and Feb-Jul(FY2024/02 1H)

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

Consolidated Income Statement – Summary (1)

- **Summary:** Record-high first half sales and earnings due to a favorable business climate and various Adastria Group initiatives. Performance far surpassed the initial plan and the FY2024/02 forecast has been increased.

- **Net sales: 132.8 billion yen (+18.0% YoY)**

- Parent company: Up 15.5% YoY because of merchandise accurately targeting current trends and price revisions to reflect more added value.
Strong sales of major products of GLOBAL WORK and sales growth of LAKOLE as more stores were opened.
- Domestic subsidiaries: Up 22.1% YoY with almost no effect of the fiscal year change. ELEMENT RULE and BUZZWIT sales increased. New consolidation of OPEN AND NATURAL also contributed to sales growth.
- Overseas subsidiaries: Up 37.6% YoY In Mainland China, despite the slow pace of the economic recovery, new stores increased sales and reduced losses. Hong Kong rebounded from the 2022 pandemic downturn and new and existing stores generated sales and earnings growth in Taiwan. U.S. sales increased and earnings were unchanged.
- Food and beverage business: Zetton sales increased as the number of customers continue to recovery

- **Gross profit margin: 56.3% (+0.5p YoY)**

The negative effect of the yen's weakness was offset by price revisions to reflect the rising value of merchandise and by limiting discounting. One-time factors such as a revision of the loyalty point program raised the margin by 0.5 percentage points (about 600 million yen).

*BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd., ADOORLINK Co., Ltd., Gate Win Co., Ltd. and Zetton, Inc. were changed their fiscal year end in the FY2023/02

*First half comparisons are Feb-Jul (FY2023/02) and Mar-Aug (FY2024/02) for all of these companies except Zetton and Mar-Aug (FY2023/02) and Feb-Jul (FY2024/02) for Zetton.

*OPEN AND NATURAL Inc. was absorbed by BUZZWIT Co., Ltd. on July 1, 2023.

Consolidated Income Statement – Summary (2)

■ SG&A expense ratio: 48.6% (-2.2p YoY)

SG&A expenses increased with sales but decreased as a pct. of sales due to sales growth.

Advertising & promotions: 3.0% (-0.3p YoY) (+230 million yen YoY) Postponed some promotional activities

Personnel: 18.0% (-0.8p YoY) (+2.8 billion yen YoY) Increased employee remuneration, hired many people and operating hours increased

Rent & depreciation: 17.0% (-1.1p YoY) (+2.2 billion yen YoY) Rent increased due to sales growth and depreciation increased due to new stores and distribution facilities

Other: 10.6% (-0.0p YoY) (+2.1 billion yen YoY) Higher credit card fees, electricity fees and other expenses

■ Operating profit: 10.3 billion yen (+4.74 billion yen YoY)

Operating income ratio: 7.8%, EBITDA margin: 11.0%

Operating profit includes one-time items— Change in fiscal year of subsidiaries in Japan* (-300 million yen) , postponement of some promotional activities (+200 million yen) and a revision of the loyalty point program (+600 million yen)

■ Ordinary profit: 10.6 billion yen (+4.48 billion yen YoY)

Non-operating income: Foreign exchange gains of 210 million yen

■ Net income: 7.0 billion yen (+3.2 billion yen YoY)

Extraordinary losses: impairment of store assets of -50 million yen

*BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd., ADOORLINK Co., Ltd., Gate Win Co., Ltd., Zetton, Inc. were changed their fiscal year end in the FY2023/02

*First half comparisons are Feb-Jul (FY2023/02) and Mar-Aug (FY2024/02) for all of these companies except Zetton and Mar-Aug (FY2023/02) and Feb-Jul (FY2024/02) for Zetton.

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Adastria and Major Domestic Subsidiaries Income Statement

【Adastria (Non-consolidated)】

Millions of yen

		FY2023/02 1H	FY2024/02 1H	
		Results	Results	
				YoY
Net sales		92,337	106,611	115.5%
	(Same stores YoY)	115.0%	112.7%	
	GLOBAL WORK	21,587	25,231	116.9%
	niko and...	14,442	16,321	113.0%
	studio CLIP	9,854	11,215	113.8%
	LOWRYS FARM	10,017	11,141	111.2%
	LEPSIM	6,267	6,735	107.5%
	JEANASIS	4,707	5,680	120.7%
	BAYFLOW	4,845	5,277	108.9%
	LAKOLE	3,541	5,263	148.6%
Gross profit		50,317	58,892	117.0%
	Gross margin	54.5%	55.2%	+0.7p
SG&A expenses		45,721	49,607	108.5%
	SG&A ratio	49.5%	46.5%	- 3.0p
Operating profit		4,596	9,284	202.0%
	Operating margin	5.0%	8.7%	+3.7P

【Major Domestic Subsidiaries】

Net sales	BUZZWIT Co., Ltd.	4,085	5,526	135.3%
	ELEMENT RULE Co., Ltd.	4,929	5,311	107.8%

* Adastria (Non-consolidated) : Amortization of goodwill for FY2023/02 1H : 29 million yen, FY2024/02 1H : None

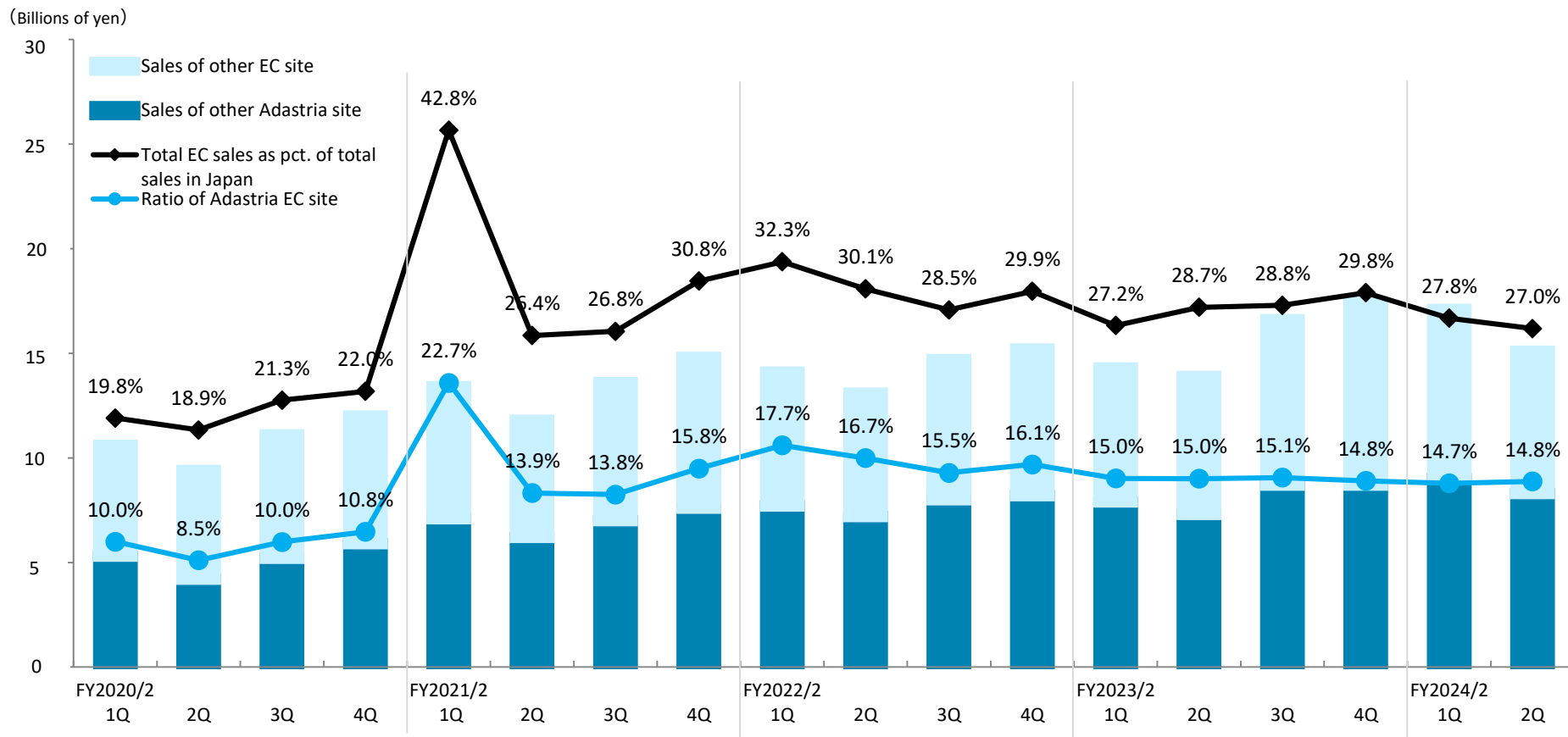
* Adastria (Non-consolidated) : Net sales are shown before elimination of internal transactions.

* Sales of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc. (2 companies merged in July 2023)

Online Business (Domestic)

■ 2024/02 1H domestic e-commerce sales: 32.3 billion yen (+14.1% YoY)

- Domestic online business ratio: 27.4% (of which Own EC site: approx. 14.7%)
- Own EC site "Dot-ST" has about 16.5 million members (1 million from the end of FY2023/02)



*FY2020/02, FY2021/02 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. (2 companies merged in July 2023) and from 4Q, sales of Gate Win Co., Ltd. was included.

Millions of yen

	FY2022/12 1H	FY2023/12 1H		
	Results		Results	
			YoY (JPY)	YoY (Local currency)
Net sales	7,765	10,686	137.6%	128.4%
Hong Kong	1,368	1,745	127.5%	116.4%
Mainland China	1,065	2,241	210.3%	204.8%
Taiwan	1,834	2,769	151.0%	146.2%
Thailand	-	83	-	-
USA *	3,497	3,846	110.0%	100.2%
Operating profit	159	653	408.8%	342.0%
Hong Kong	52	148	280.8%	256.3%
Mainland China	- 498	- 306	-	-
Taiwan	297	557	187.8%	181.9%
Thailand	-	- 50	-	-
USA *	308	305	98.8%	90.0%

* 1: Mainland China is shown after consolidation adjustments.

* 2: The Zetton, Inc. (USA Business) are not include.

- **Hong Kong:** Sales and earnings up due to the recovery from the pandemic one year earlier and opening new stores
- **Mainland China:** Sales increased due to new stores in FY2023/02, smaller loss as consumer spending slowly recovers, although still weak
- **Taiwan:** Sales and earnings up as sales growth continues, mainly due to new brands and new stores
- **Thailand:** April 2023 niko and ... opening the First store in BANGKOK
- **USA:** Merchandise upgrades and sales growth due to new stores but a slight slowdown of the wholesale business with the uncertain economic outlook

Consolidated Balance Sheet

Millions of yen

	End of 2022/08		End of 2023/02		End of 2023/08				
		Ratio		Ratio		Ratio	Compared with the end of 2022/08	Compared with the end of 2022/08	Compared with the end of 2023/02
Current assets	53,534	49.4%	55,772	50.1%	63,718	52.4%	+10,183	119.0%	+7,945
Cash and deposits	16,671	15.4%	16,380	14.7%	21,299	17.5%	+4,627	127.8%	+4,919
Inventories	21,550	19.9%	24,679	22.2%	26,248	21.6%	+4,697	121.8%	+1,568
Fixed assets	54,916	50.6%	55,619	49.9%	57,805	47.6%	+2,888	105.3%	+2,185
Property, plant and equipment	21,573	19.9%	22,065	19.8%	24,078	19.8%	+2,505	111.6%	+2,013
Intangible assets	11,844	10.9%	11,908	10.7%	12,224	10.1%	+380	103.2%	+316
Goodwill	1,473	1.4%	1,331	1.2%	1,219	1.0%	-253	82.8%	-111
Investments and other assets	21,499	19.8%	21,645	19.4%	21,501	17.7%	+2	100.0%	-143
Total assets	108,451	100.0%	111,392	100.0%	121,523	100.0%	+13,072	112.1%	+10,131
Liabilities	49,117	45.3%	50,629	45.5%	53,567	44.1%	+4,449	109.1%	+2,938
Loans payable	1,201	1.1%	1,128	1.0%	930	0.8%	-271	77.4%	-198
Net assets	59,333	54.7%	60,762	54.5%	67,956	55.9%	+8,622	114.5%	+7,193
Treasury shares	-7,285	-6.7%	-7,286	-6.5%	-6,795	-5.6%	+490	93.3%	+491

- **Inventories:** Inventories were 21.8% slightly higher than one year earlier at the end of August 2023 because of opening stores and expected sales in fall and winter; composition of inventories is sound as the increase was mainly the result of advance orders for procuring merchandise for the next season.
- **Property, plant and equipment:** An increase in opening physical stores , etc.
- **Intangible assets:** An increase in software due to system investments, etc.
- **Net assets:** Net asset ratio of 55.9%, +1.2p YoY

Number of Stores

	End of FY2023/02	FY2024/02 1H				FY2024/02 Plan
	Number of stores	Opened	Changed	Closed	End of 1H	Initial Plan End of FY2024/02
GLOBAL WORK	205	8	0	- 2	211	213
niko and ...	141	2	0	- 1	142	141
studio CLIP	174	7	0	- 1	180	178
LOWRYS FARM	129	2	0	- 2	129	128
LEPSIM	114	1	0	- 1	114	111
JEANASIS	71	0	0	0	71	71
BAYFLOW	61	1	0	- 1	61	61
LAKOLE	63	8	0	0	71	77
Others	264	6	0	- 4	266	252
Adastria non-consolidated total	1,222	35	0	- 12	1,245	1,232
(Online store included)	(63)	(2)	(0)	(0)	(65)	(63)
Domestic subsidiaries total*1*2	118	10	0	- 5	123	131
(Online store included)	(52)	(4)	(0)	(- 2)	(54)	(55)
Japan total	1,340	45	0	- 17	1,368	1,363
(Online store included)	(115)	(6)	(0)	(- 2)	(119)	(118)
Hong Kong	21	1	0	- 1	21	22
Mainland China	13	1	0	0	14	17
Taiwan	52	12	0	0	64	74
Thailand	-	1	0	0	1	1
USA	9	1	0	0	10	11
Oversea total	95	16	0	- 1	110	125
(Online store included)	(18)	(2)	(0)	(0)	(20)	(19)
zetton (Food & Beverage subsidiary) *3	71	4	0	- 1	74	74
ADASTRIA eat Creations	3	0	0	- 3	0	3
Consolidated total	1,509	65	0	- 22	1,552	1,565
(Online store included)	(133)	(8)	(0)	(- 2)	(139)	(137)

FY2024/02 1H 14 remodeled stores in the consolidated.

*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 Starting in FY2023/02 2Q, sales of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc. (2 companies merged in July 2023)

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

- Increased the sales, operating profit, ordinary profit and net income forecasts
- Raised the dividend forecast from 65 yen to 80 yen based on the policy of maintaining a consolidated payout ratio of 30%
- The dividend is expected to be far above the minimum dividend 65 yen in the medium-term plan

Millions of yen

	FY2023/02	FY2024/02				
	Results	Initial forecast	Revised forecast in 29th September, 2023			
			Ratio	YoY	Compared to initial forecast	
Net sales	242,552	260,000	270,000	100.0%	111.3%	103.8%
Gross profit	132,664	146,000	151,800	56.2%	114.4%	104.0%
SG&A expenses	121,149	132,000	133,800	49.6%	110.4%	101.4%
Amortization of goodwill	263	313	270	0.1%	102.6%	86.3%
Operating profit	11,515	14,000	18,000	6.7%	156.3%	128.6%
Ordinary profit	12,026	14,000	18,200	6.7%	151.3%	130.0%
Net income attributable to owners of the	7,540	9,400	12,000	4.4%	159.1%	127.7%
ROE	13.3%	15.0%	18.6%	-	+5.3p	+3.6p

Dividend per share (Yen)	60	65	80
(Interim dividend)	(25)	(30)	(35)
Dividend payout ratio	36.1%	31.4%	30.3%

*More information is in the press release concerning this posted on the corporate website.

FY2024/02 Parent Company (non-consolidated) Forecast

Millions of yen

	FY2023/02	FY2024/02			
	Results	Initial forecast	Revised forecast in 29th September, 2023		
				YoY	Compared to initial forecast
Net sales	196,727	205,000	214,000	108.8%	104.4%
Gross profit	105,281	111,900	116,900	111.0%	104.5%
Gross profit margin	53.5%	54.6%	54.6%	+1.1p	+0.0p
SG&A expenses	94,896	100,300	101,600	107.1%	101.3%
SG&A expenses ratio	48.2%	48.9%	47.5%	-0.7p	-1.4p
Operating profit	10,384	11,600	15,300	147.3%	131.9%
Operating margin	5.3%	5.7%	7.1%	+1.8p	+1.4p

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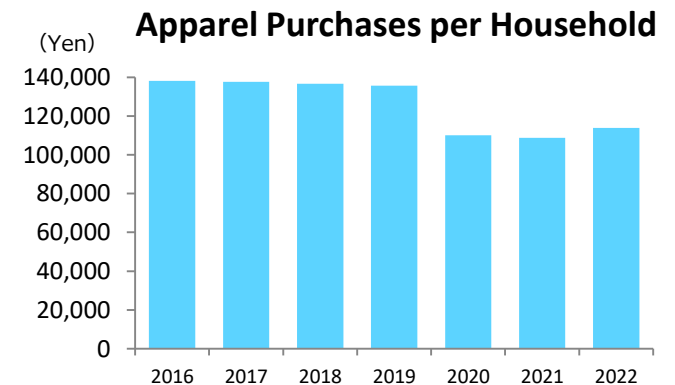
What is the impact of forex and inflation?

- Foreign exchange contracts have already been booked except for the additional amount.
- The yen's current weakness will affect next year's spring and summer merchandise, but we expect the yen's decline to be smaller than in the current FY.
- We plan to generate earnings by selling merchandise at prices that properly reflect the added value we provide.
- Increases in expenses other than forex (logistics, raw materials) are no longer rising rapidly.

A

What is your outlook for the apparel market?

- Warm weather is pushing back sales of autumn apparel, but seen as temporary.
- Spending on apparel has not yet recovered to the pre-pandemic level. No big downturn after demand has run its course.



Source: Household Survey, Statistics Bureau of Japan

3. Medium-Term Management Plan Progress



Medium-term Management Plan (Re-posting)

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

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



Achieve Sustainable Management

Extend value Offerings

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

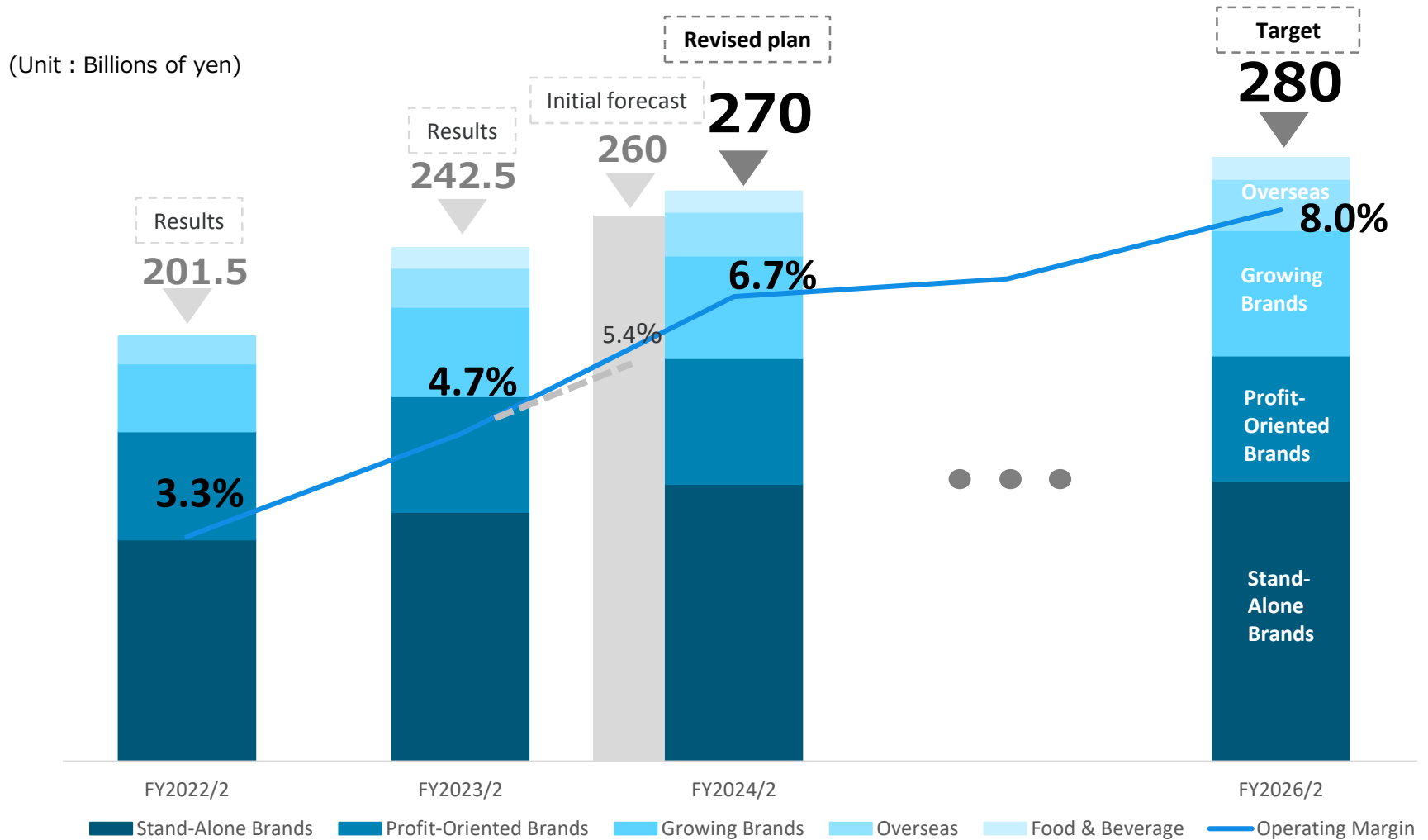
New Business

Establish food and beverage business and create new appeal

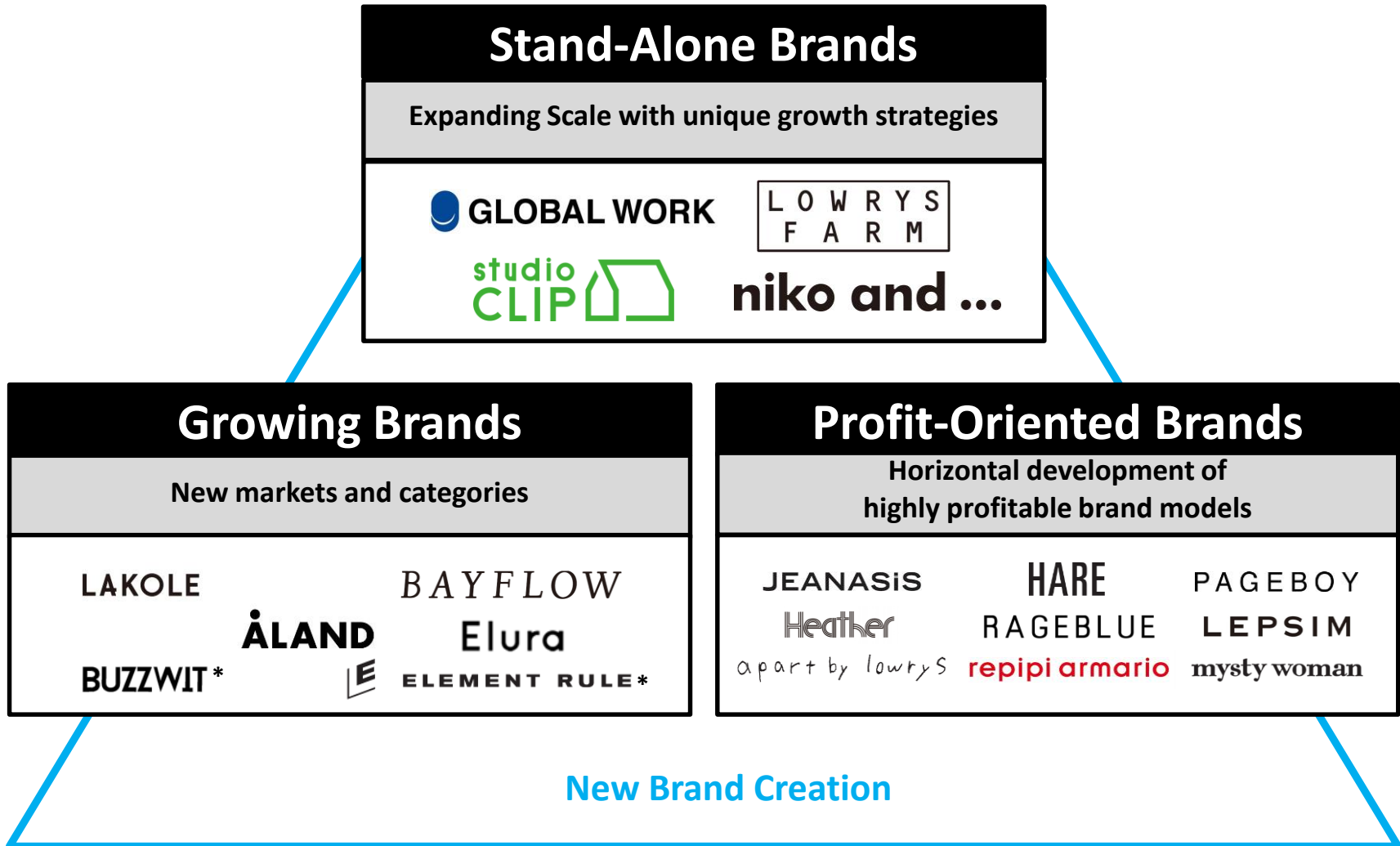
GROW Customer Base

Medium-Term Management Plan Progress

- This year's strong performance further raises our confidence about achieving the goals of the medium-term plan targets



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

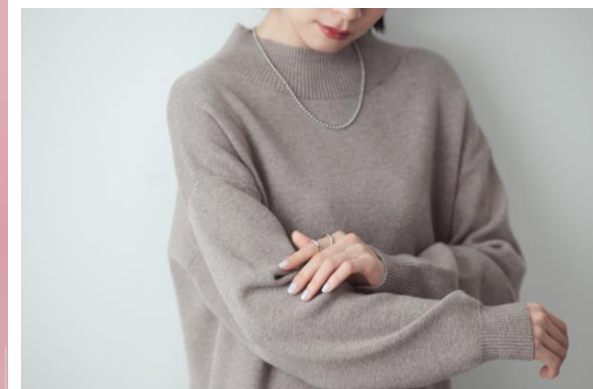
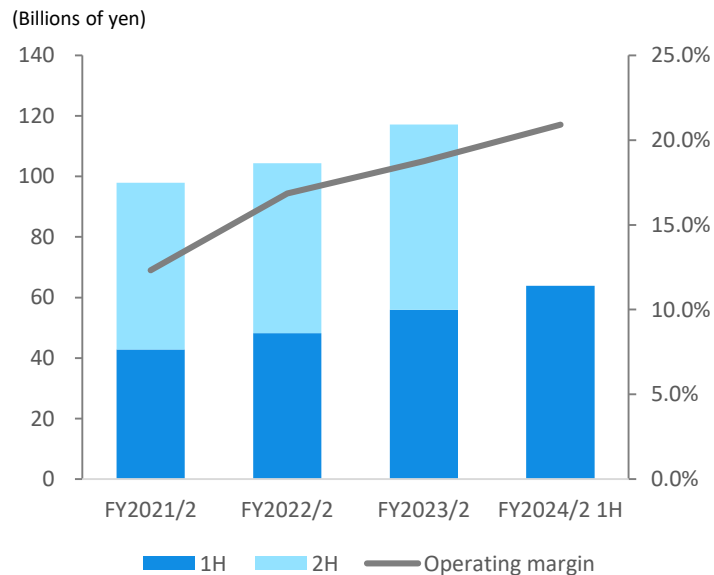


* BUZZWIT Co.,Ltd. and ELEMENT RULE Co., Ltd. are our domestic subsidiaries.

■ Progress in core product creation for the GLOBAL WORK, a stand-alone brand

- The 'Utsuku-Silhouette' Trousers TV commercials are continuing, this time for autumn fabrics.
- Following the summer 'Sala Sala-Relax' apparel, there is progress with establishing these as major autumn/winter products too in order to reduce fluctuations in sales.

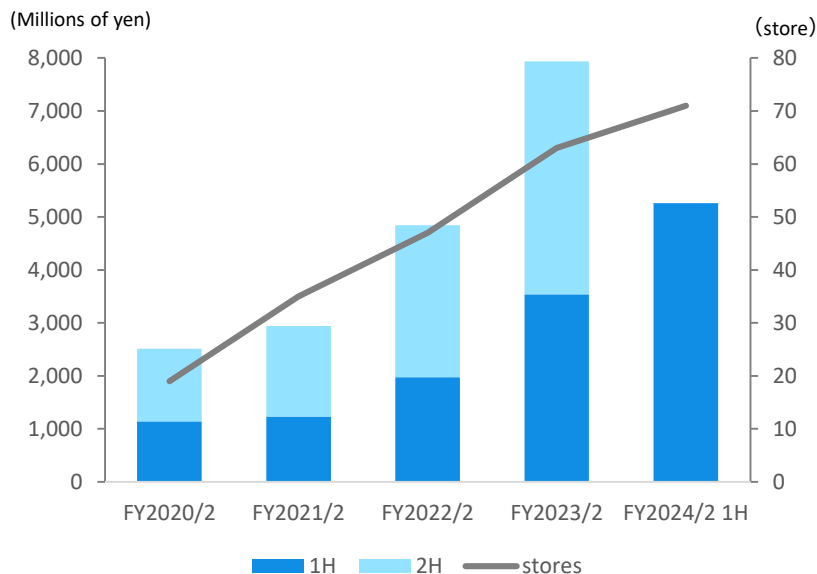
Sales and operating margins of the four standalone brands



■ LAKOLE, a growth brand, continues to open stores and expand to more categories

- Plan to open 15 stores in FY2024/02; there were 71 stores as of August 2023 including e-commerce.
- Stores have sundry goods, women's apparel and men's apparel in differing proportions to match the local market of each store and cover a variety of formats.
- One goal is positioning stores as a source of non-apparel merchandise with attractive designs and reasonable prices.

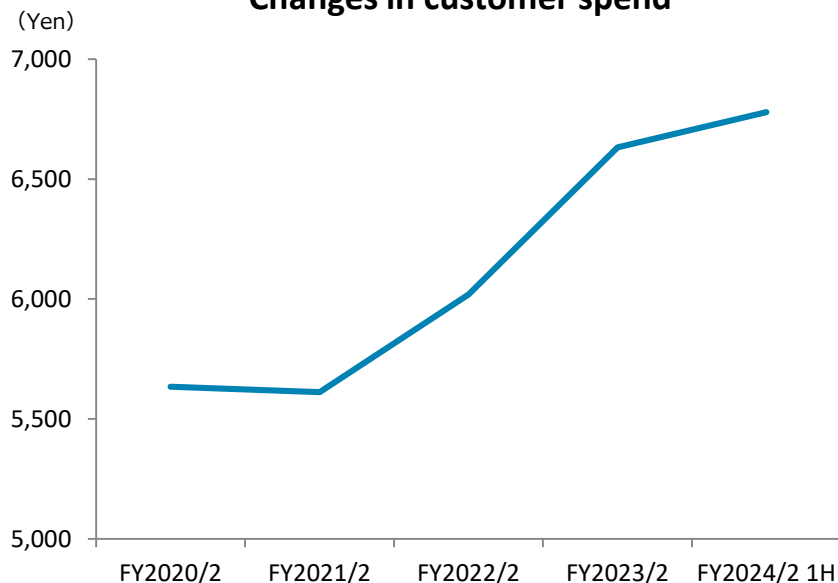
LAKOLE brand sales and number of stores



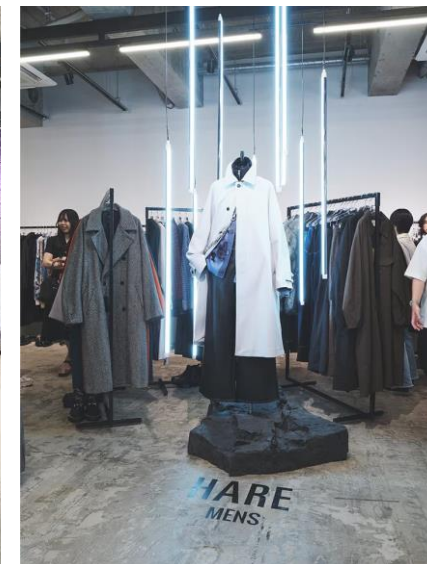
■ Build a stronger business model for profit-oriented brands, chiefly HARE and JEANASIS

- Continue to add value to merchandise with distinctive designs and brands while reflecting current trends.
- Pct. of EC sales is relatively high because of strong customer loyalty. (1H EC ratio of Profit-oriented brands was 33%)
- Successful exhibitions for autumn/winter merchandise of the HARE brand, now celebrating its 20th anniversary

Profit-oriented brands
Changes in customer spend



The 20th anniversary logo makes the “0” a window with dark blue indicating that the sun is about to rise, expressing that the brand is about to advance to its next stage.



Exhibitions took place on August 4 and 5 in the Daikanyama district of Tokyo.

■ “Dot ST” continues to add more merchandise of other companies

- In June, Dot ST started selling women’s shoes using the Oriental Traffic and NICAL brands of WA Inc.
- On August 31, Adastria subsidiary BUZZWIT started selling PAIR MANON children’s apparel on Dot ST.
- In September, Dot ST started working with the PEACH JOHN brand of innerwear.
- As of September, Dot ST was working with seven companies as progress continues for adding product categories to establish an EC mall.



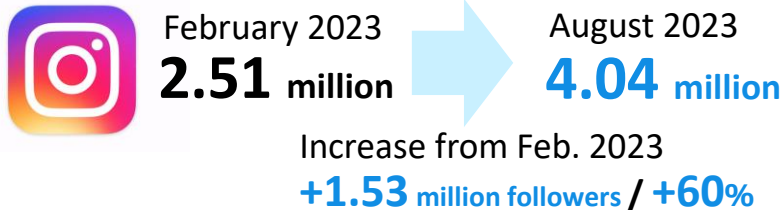
.st
6.7(水) NEW OPEN!
Oriental Traffic、NICALが
ドットエステティに新登場!



■ More store staff SNS activities

- Improved incentives for employees to use SNS and expanded seminars and other SNS use training programs.
- As a result, the number of followers of individual employees increased significantly

Store personnel Instagram followers



Bayako (150,000 Followers)
GLOBAL WORK Aeon Mall Niigata-minami store



Hinechi (129,000 Follower)
PAGEBOY Department



Rina (117,000 Follower)
LOWRYS FARM Aeon Mall Matsumoto store

■ Use of AI demand forecasts optimizes inventories

- Use of AI for inventory allocations reduces the volume of work and raises precision. Lost sales opportunities reduced by 3%.
- Maintaining optimal store inventories reduces the frequency of transporting items between stores.
- First test primarily involved the core merchandise of GLOBAL WORK. Plan to expand AI to more brands.

■ The new Joso Distribution Center

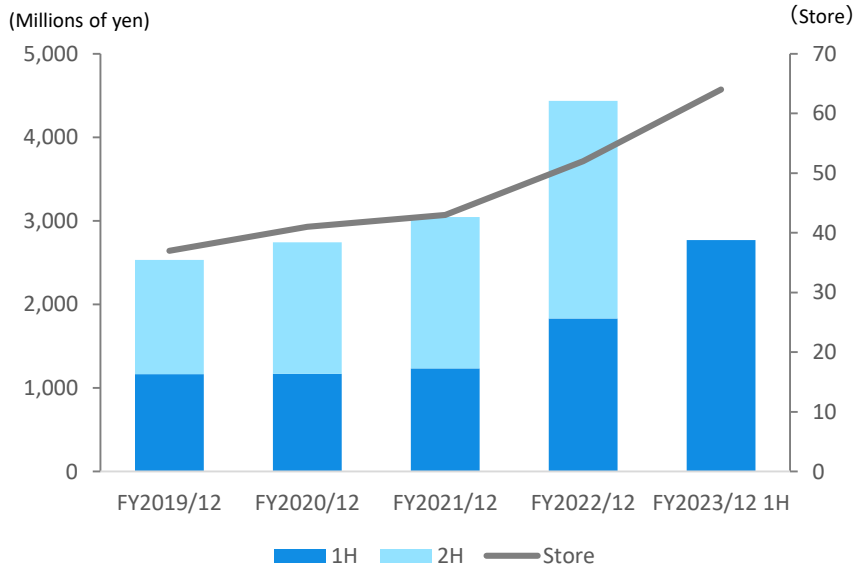
- Opened the Goodman Joso Distribution Center in August in the city of Joso in Ibaraki prefecture. The center has a floor area of about 25,400 square meters.
- The center strengthens the Adastria Group's logistics infrastructure and helps provide sufficient capacity in order to achieve the medium-term plan's targets and the growth of the B-to-B business.



■ Taiwan subsidiary celebrates its 20th anniversary

- Since the start of operations in Taiwan in 2003, there are now 11 brands and 64 stores (including EC) based on the multi-brand strategy.
- Backed by a sound organization and operations, the Taiwan subsidiary is expected to remain in a growth phase with much potential for opening more stores.
- Promotion activities for the 20th anniversary

Sales and Stores in Taiwan



■ New stores in Hong Kong

- Stores of three brands opened in July, the same month of the opening of The Wai, a shopping mall beside a railway station.
- Continue to rebuild or relocate stores in Hong Kong in order to increase profitability and become an even more integral part of this market



■ Park revitalization business of Zetton

- The Wharf HOUSE Yamashita Park opened in April, using the Park-PFI (private finance initiative) scheme.
- The park creates a place for people to gather by strengthening ties between partner companies and the community.



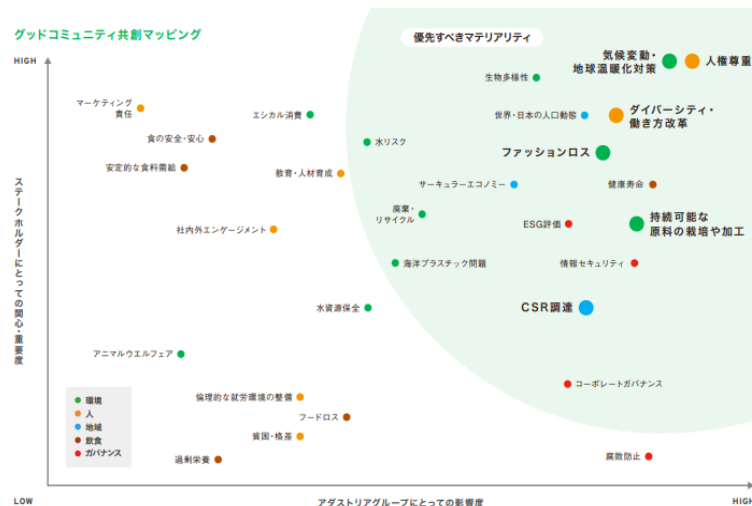
■ A new initiative for B-to-B business

- niko and... partnered with Live-Service Corporation to start an IP licensing business for newly constructed single-family houses.
- The business is performing well by using a brand well-known among families to provide new ideas concerning life styles.



■ Good community co-creation mapping

- Priority materiality concerning ESG were identified by using two perspectives: interest and importance involving stakeholders and how the materiality affects business operations.
- The order of priorities for mapping was used to establish a program of actions and there are measures to increase the provision of information.



■ Partnership agreement with Yamato Transport

- The partnership is for joint delivery and logistics operations for the entire fashion industry as Japan's logistics sector looks ahead to new restrictions on truck driver working hours starting in 2024.
- The partnership also covers measures for building sustainable supply chains, such as the visualization and reduction of GHG emissions, the joint use of systems, more efficient delivery operations, and a reduction in the number of shipping containers used.

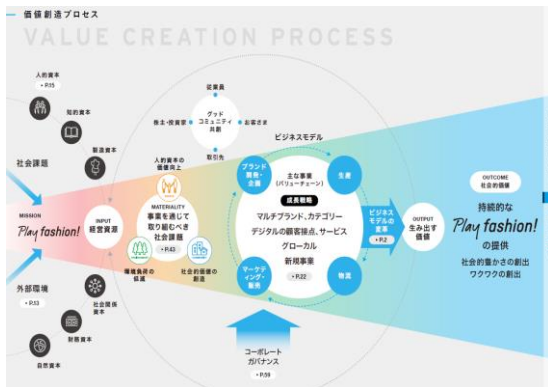


■ Adastia's second Integrated Report explains measures for increasing corporate value

- The 2023 Integrated Report explains strategies for accomplishing Adastia's "Play fashion!" mission and increasing corporate value. The report also explains Adastia's strengths.
- The report includes strategic issues involving human resources, interviews with executives and other information to give readers an understanding of Adastia's business operations.

A source of sustainable *Play fashion!*

The value creation process



Re-organising the value chain



Interviews with business unit executives

「お客さまのため」を考え抜く、強い組織と人材が成長の源









執行役員 グローバルワークス営業部長 太田 剛

URL for viewing the Integrated Report:
<https://www.adastria.co.jp/ir/library/entry-15481/>

■ progress above plan, aiming for further improvement in terms of profit margins

Themes of the medium-term management plan

FY2024/02 First half progress

 <p>Sales growth</p> <p>Average 8.5% sales growth YoY</p>	<p>Expand the brand portfolio</p>	 <p>Brand growth and category expansion both progressing.</p>
 <p>Improve gross profit margin</p> <p>*Compare to FY2022/02 Improved by 1.3%</p>	<p>Reduce discounting, add value, optimize cost of production</p>	 <p>Deterioration in the cost ratio due to the weak yen was offset by reduced discounting and improved prices.</p>
 <p>Hold down SG&A expenses</p> <p>*Compare to FY2022/02 Improved by 3.4%</p>	<p>Use equipment more efficiently Control indirect expenses</p>	 <p>SG&A expense ratio is decreasing partly due to sales growth Sales/capital expenditure ratio: Down 1.1% Sales/head office expense ratio: Down 1.3%</p>
 <p>Improve capital efficiency</p> <p>ROE of at least 15%</p>	<p>Higher efficiency of investments</p>	 <p>Profit growth while controlling investment The ROE forecast for 18.6%</p>



A D A S T R I A
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