

# Summary of Consolidated Financial Results for the Fiscal Year Ended February 29, 2024

[Japanese GAAP]

April 4, 2024

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Stock code: 2685

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Scheduled date of Annual General Meeting of Shareholders: May 23, 2024

Scheduled date of payment of dividend: May 8, 2024

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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 April 4, 2024 at 15:00 (GMT +9).

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

## 1. Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (March 1, 2023 – February 29, 2024)

(1) Consolidated results of operations (Percentages shown for net sales and incomes 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	%
Fiscal year ended Feb. 29, 2024	275,596	13.6	18,015	56.4	18,389	52.9	13,513	79.2
Fiscal year ended Feb. 28, 2023	242,552	20.3	11,515	75.4	12,026	47.3	7,540	53.3

Note: Comprehensive income Fiscal year ended Feb. 29, 2024: 14,186 million yen (up 76.9%)  
Fiscal year ended Feb. 28, 2023: 8,019 million yen (up 51.9%)

	Net income per share	Diluted net income per share	ROE	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 29, 2024	297.75	-	20.9	15.4	6.5
Fiscal year ended Feb. 28, 2023	166.37	-	13.3	11.5	4.7

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 29, 2024: (17) million yen  
Fiscal year ended Feb. 28, 2023: (0) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 29, 2024	127,915	71,581	54.8	1,549.13
As of Feb. 28, 2023	111,392	60,762	53.3	1,309.96

Reference: Shareholders' equity As of Feb. 29, 2024: 70,143 million yen As of Feb. 28, 2023: 59,407 million yen

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 29, 2024	22,223	(9,920)	(5,581)	23,341
Fiscal year ended Feb. 28, 2023	13,460	(9,963)	(4,398)	16,343

## 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Feb. 28, 2023	-	25.00	-	35.00	60.00	2,739	36.1	4.8
Fiscal year ended Feb. 29, 2024	-	35.00	-	50.00	85.00	3,880	28.5	5.9
Fiscal year ending Feb. 28, 2025 (forecast)	-	35.00	-	55.00	90.00		32.1	

## 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

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: -

Excluded: -

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to the section “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies” on page 16 for further information.

(3) Number of outstanding shares (common stock)

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

As of Feb. 29, 2024: 48,800,000 shares As of Feb. 28, 2023: 48,800,000 shares

2) Number of treasury shares at the end of the period

As of Feb. 29, 2024: 3,520,769 shares As of Feb. 28, 2023: 3,449,391 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 29, 2024: 45,385,269 shares Fiscal year ended Feb. 28, 2023: 45,322,871 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2024**

**(March 1, 2023 – February 29, 2024)**

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 29, 2024	220,078	11.9	16,346	57.4	16,320	59.4	8,760	32.2
Fiscal year ended Feb. 28, 2023	196,727	13.0	10,384	87.7	10,238	53.6	6,626	49.1

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 29, 2024	193.03	-
Fiscal year ended Feb. 28, 2023	146.20	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 29, 2024	96,832	56,880	58.7	1,256.23
As of Feb. 28, 2023	86,314	51,251	59.4	1,130.13

Reference: Shareholders' equity As of Feb. 29, 2024: 56,880 million yen As of Feb. 28, 2023: 51,251 million yen

Note 1: The current financial report is not subject to audit 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. These statements are not promises by Adastria regarding future performance. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section “1. Overview of Results of Operations (4) Outlook” on page 7 regarding preconditions or other related matters for the forecast shown above.

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## 1. Overview of Results of Operations

### (1) Results of Operations

Consolidated results

(Million yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)	FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)	YoY change (Amount)	YoY change (%)
Net sales	242,552	275,596	33,043	13.6
Operating profit	11,515	18,015	6,499	56.4
Ordinary profit	12,026	18,389	6,362	52.9
Net income attributable to owners of the parent	7,540	13,513	5,973	79.2

During the fiscal year that ended in February 2024, there was rapid progress with the return to normal economic and social activity in Japan as demand associated with outings and foreign tourists increased following the end of the pandemic. Consumer spending continues to recover due to the slow improvement in employment, personal income and other reasons. Although hot summer and mild winter negatively affected fashion sales, the desire of consumers to purchase apparel and other fashion products remains strong. The outlook for the economy is still unclear because of the Ukraine conflict, prolonged turmoil in the Middle East, high prices of resources and energy, ongoing yen depreciation, rising prices in Japan and other countries, ongoing labor shortages 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	Develop models in Mainland China and cultivate Southeast Asia
Growth Strategy IV New Business	Establish a food and beverage business and create new appeal

Consolidated net sales increased 13.6% year-on-year to 275,596 million yen, operating profit increased 56.4% to 18,015 million yen, ordinary profit increased 52.9% to 18,389 million yen, and net income attributable to owners of the parent increased 79.2% to 13,513 million yen. Investments continued during the pandemic based on strategies for growth. Performance also benefited from measures that accurately targeted the rising demand involving outings and the shift to more casual apparel. Due to the resulting increase in the power of Adastria's brands and products, the growth of e-commerce sales and other positive trends, sales and earnings increased to all-time highs.

In the Apparel and Sundry Goods-related business, sales in Japan were up 11.5% from one year earlier. Sales increased mainly because of a strong business climate, accurate responses to a hot summer, mild winter and other weather conditions, the sale of merchandise that reflects current trends, the successful launch of hit products, revisions in prices due to more added value, and marketing and promotional activities that included TV commercials and loyalty program points.

There were many initiatives involving our digital strategy. Major activities include "Dot ST Fes" linking the TV commercials for the Adastria "Dot ST" e-commerce website with physical stores, merchandise using collaborations with popular artists and characters to attract customers, and more merchandise of other companies to enlarge the lineup of products. As a result, the number of members of "Dot ST" is now 17.50 million, 2 million more than at the end of the previous fiscal year. E-commerce sales increased 10.1% in part because subsidiary BUZZWIT Co., Ltd., which operates an e-commerce business, acquired and absorbed OPEN AND NATURAL Inc., a children's clothing e-commerce company that has been a consolidated subsidiary since the second quarter of the previous fiscal year.

Sales increased 73.7% in Mainland China, 26.0% in Hong Kong and 46.4% in Taiwan mainly because of the decline in the impact of the pandemic and the opening of new stores. In Taiwan, existing store sales were strong and new stores that were added based on the multi-brand strategy made a contribution to sales growth. In the United States, there was a slowdown of wholesale sales beginning in the second quarter caused by uncertainty about the economic outlook. However, fiscal year sales were 3.5% higher than one year earlier. As a result, total overseas sales, which are based on yen conversions of local currency sales, were up 30.0%. Operations in Thailand started with the opening of the first store in the first quarter of the fiscal year.

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 32.5% as more people are going out following the end of the pandemic, expenditures on food and beverage services increase, new locations were opened, and sales increased outside Japan. Fiscal year sales and earnings in this segment include an 11-month period of zetton, inc., which accounts for most of the segment's sales, due to a change in this company's fiscal year in the previous fiscal year.

Profitability improved despite the continuing negative effects of the yen's depreciation and the rising cost of raw materials. Earnings are benefiting from the control of inventories by supplying merchandise at the right times, prices and volumes, measures to limit sales of merchandise at discounts, additions of more values to merchandise, revisions of prices to maintain the proper balance with the value of merchandise, and the shift to suppliers in the ASEAN region to hold down production expenses. Earnings were also supported by the one-time expiration of loyalty points due to a revision to this program, higher profitability in the overseas business, and the recovery from the impact on earnings of the unauthorized access to Adastria server in January 2023. As a result, the gross profit margin in the Apparel and Sundry Goods-related business increased. In the Other segment (the food and beverage business), the gross profit margin declined mainly because of the high cost of raw materials, but the consolidated gross profit margin improved 0.6 percentage points from one year earlier to 55.3%.

Selling, general and administrative expenses increased mainly because of an increase in advertising and promotion expenses resulting from numerous promotional activities, higher employee remuneration and increases in personnel expenses, store leasing expenses, credit card fees and other items along with sales growth. However, due to the increase in sales, the SG&A to sales ratio decreased 1.2 percentage points from one year earlier to 48.7% and operating profit increased 56.4%.

Non-operating income includes foreign exchange gains of 235 million yen and there was an extraordinary loss of 1,029 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 were 262,846 million yen and segment profit was 18,558 million yen.

During the fiscal year, 113 stores were opened (including 31 overseas) and 56 stores were closed (including 4 overseas), resulting in a total of 1,492 stores (including 122 overseas) at the end of the fiscal year.

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

Sales were 12,800 million yen and there was a segment loss of 139 million yen.

The number of stores at the end of the fiscal year was 71, the result of opening 11 stores and closing 14 stores.

## Supplementary Information

### (1) Sales for Brands and Regions

Brand / region		FY2/24		YoY change (%)
		Sales (million yen)	Composition (%)	
	GLOBAL WORK	51,673	18.8	13.3
	niko and ...	33,565	12.2	12.5
	LOWRYS FARM	22,401	8.1	4.8
	studio CLIP	22,027	8.0	8.4
	LEPSIM	13,229	4.8	6.6
	JEANASiS	12,294	4.5	9.7
	LAKOLE	10,807	3.9	36.2
	BAYFLOW	10,785	3.9	5.9
	Others	39,475	14.3	13.4
Total (Adastria)		216,260	78.5	11.7
BUZZWIT Co., Ltd. (Note 3)		11,630	4.2	12.2
ELEMENT RULE Co., Ltd.		11,210	4.1	1.3
Other consolidated subsidiaries		955	0.3	240.4
Total (Japan)		240,057	87.1	11.5
	Hong Kong	4,248	1.5	26.0
	Mainland China	4,351	1.6	73.7
	Taiwan	6,493	2.4	46.4
	Thailand	216	0.1	-
	USA	7,477	2.7	3.5
Total (Overseas)		22,787	8.3	30.0
Total (Apparel and Sundry Goods-related Business)		262,844	95.4	12.8
	zetton, inc. (Note 4)	12,536	4.5	38.7
	ADASTRIA eat Creations Co., Ltd. (Note 5)	215	0.1	(63.5)
Total (Food and Beverage Business)		12,751	4.6	32.5
Total (Group)		275,596	100.0	13.6

- 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 BUZZWIT Co., Ltd. include sales of its consolidated subsidiary OPEN AND NATURAL, Inc. On July 1, 2023, an absorption-type merger was conducted between BUZZWIT Co., Ltd., which is the surviving company, and OPEN AND NATURAL Inc., which was dissolved.
  4. Sales of zetton, inc. include sales of its consolidated subsidiary ZETTON, INC. (USA Business).
  5. ADASTRIA eat Creations Co., Ltd. was liquidated on February 2, 2024.

### (2) Sales for Merchandise Categories

Category	FY2/24		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	45,293	16.5	19.5
Lady's apparel (bottoms, tops)	165,200	59.9	11.4
Others	65,102	23.6	15.6
Total	275,596	100.0	13.6

- 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 Feb. 28, 2023	FY2/24				As of Feb. 29, 2024
			Opened	Changed	Closed	Increase /decrease	
	GLOBAL WORK	205	13	-	(4)	9	214
	niko and ...	141	2	-	(2)	-	141
	LOWRYS FARM	129	2	-	(5)	(3)	126
	studio CLIP	174	9	-	(4)	5	179
	LEPSIM	114	2	-	(1)	1	115
	JEANASiS	71	-	-	(3)	(3)	68
	LAKOLE	63	15	-	-	15	78
	BAYFLOW	61	3	-	(2)	1	62
	Others	264	14	-	(19)	(5)	259
	Total (Adastia)	1,222	60	-	(40)	20	1,242
	BUZZWIT Co., Ltd. (Note 3)	29	5	-	(3)	2	31
	ELEMENT RULE Co., Ltd.	81	10	-	(8)	2	83
	Other consolidated subsidiaries	8	7	-	(1)	6	14
	Total (Japan)	1,340	82	-	(52)	30	1,370
	Hong Kong	21	4	-	(2)	2	23
	Mainland China	13	2	-	-	2	15
	Taiwan	52	22	-	(2)	20	72
	Thailand	-	2	-	-	2	2
	USA	9	1	-	-	1	10
	Total (Overseas)	95	31	-	(4)	27	122
	Total (Apparel and Sundry Goods-related Business)	1,435	113	-	(56)	57	1,492
	zetton, inc. (Note 4)	71	11	-	(11)	-	71
	ADASTRIA eat Creations Co., Ltd. (Note 5)	3	-	-	(3)	(3)	-
	Total (Food and Beverage Business)	74	11	-	(14)	(3)	71
	Total (Group)	1,509	124	-	(70)	54	1,563

- 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 Adastia.
  3. The number of stores of BUZZWIT Co., Ltd. includes the stores of its consolidated subsidiary OPEN AND NATURAL Inc. On July 1, 2023, an absorption-type merger was conducted between BUZZWIT Co., Ltd., which is the surviving company, and OPEN AND NATURAL Inc., which was dissolved.
  4. The number of stores of zetton, inc. includes the stores of its consolidated subsidiary ZETTON, INC. (USA Business).
  5. ADASTRIA eat Creations Co., Ltd. was liquidated on February 2, 2024.

## (2) Financial Position

## Assets

Current assets increased 12,958 million yen from as of February 28, 2023 to 68,731 million yen as of February 29, 2024. This was mainly due to increases of 6,991 million yen in cash and deposits, 3,644 million yen in notes and accounts receivable-trade and 2,159 million yen in inventories.

Non-current assets increased 3,565 million yen to 59,184 million yen. This was mainly due to increases of 778 million yen in store interior equipment, net, 863 million yen in right-of-use assets, net, 1,229 million yen in software and 1,373 million yen in deferred tax assets.

## Liabilities

Current liabilities increased 4,502 million yen to 48,491 million yen. This was mainly due to increases of 733 million yen in notes and accounts payable-trade, 1,660 million yen in electronically recorded obligations-operating, 2,030 million yen in accounts payable-other and 697 million yen in income taxes payable, while there was a decrease of 625 million yen in contract liabilities.

Non-current liabilities increased 1,203 million yen to 7,842 million yen. This was mainly due to increases of 678 million yen in lease liabilities and 403 million yen in other under non-current liabilities.

## Net assets

Net assets increased 10,818 million yen to 71,581 million yen. This was mainly due to increases of 10,317 million yen in retained earnings, 354 million yen in deferred gains or losses on hedges and 354 million yen in foreign currency translation adjustment.

## (3) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) as of February 29, 2024 amounted to 23,341 million yen, or 6,998 million yen more than as of February 28, 2023.

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

### Cash flows from operating activities

Net cash provided by operating activities totaled 22,223 million yen (an increase of 8,762 million yen, compared with the previous fiscal year). The main positive factors include net income before income taxes of 17,116 million yen, depreciation of 10,073 million yen and an increase in trade payables of 2,292 million yen. Main negative factors include an increase in trade receivables of 3,547 million yen and income taxes paid of 4,496 million yen.

### Cash flows from investing activities

Net cash used in investing activities totaled 9,920 million yen (a decrease of 42 million yen). The main positive factors include proceeds from refund of leasehold and guarantee deposits of 671 million yen. Main negative factors include the payments of 5,670 million yen for the purchase of property, plant and equipment, 3,318 million yen for the purchase of intangible assets and 1,475 million yen for leasehold and guarantee deposits.

### Cash flows from financing activities

Net cash used in financing activities totaled 5,581 million yen (an increase of 1,182 million yen). This was mainly due to cash dividends paid of 3,194 million yen and repayments of lease liabilities of 1,408 million yen.

### Reference: Cash flow indicators

	FY2/22	FY2/23	FY2/24
Shareholders' equity ratio (%)	55.1	53.3	54.8
Shareholders' equity ratio based on market prices (%)	78.4	88.2	120.7
Interest-bearing debt to cash flow ratio	1.4	0.6	0.4
Interest coverage ratio (times)	23.6	69.4	89.5

Notes: 1. Shareholders' equity ratio: Shareholders' equity / Total assets

2. Shareholders' equity ratio based on market prices: Market capitalization / Total assets

3. Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

4. Interest coverage ratio: Operating cash flows / Interest payments

\* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.

\* Operating cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows. Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest. Interest payments are calculated using the figures for interest expenses paid in the consolidated statement of cash flows.



#### **(4) Outlook**

The Japanese economy is healthy because of the return to normal economic and social activities following the end of the pandemic. There is still uncertainty about the business climate because of the rising cost of raw materials and energy, high inflation and interest rates, rising personnel expenses, the labor shortage, foreign exchange rate movements, and geopolitical risk. In Japan's apparel sector, according to a Japanese government household budget survey, spending on clothing during calendar 2023 was less than 90% of the level before the pandemic. This indicates that there is still potential for the recovery of apparel spending to continue. Furthermore, nominal wages are continuing to increase because of the labor shortage, which is a positive sign concerning the expenditures of young people, who are the main customers of the Adastria Group. Permanent changes are taking place in the life styles and preferences of customers. As a result, our activities must be based on the premise that consumer behavior will not return to the characteristics of prior years. At the same time, the rising demand for household products, ongoing shift to casual apparel at work, growth of the market for lower priced merchandise, expansion of the e-commerce market and other trends are creating opportunities. We are adapting to these trends with flexibility while using many actions for targeting new categories of demand.

From a medium to long-term perspective, the apparel market in Japan is certain to structurally shrink slowly as the population ages and the number of children falls. In other countries, the growth of apparel markets is likely to continue as populations increase and personal income in emerging countries climbs.

To achieve growth and higher earnings in this business climate, we are currently implementing a medium-term management plan that will end with the fiscal year ending in February 2026.

- (1) In the apparel business in Japan, we will divide our multi-brand portfolio, which has a large number of innovative brands, into three categories: independent brands, growth brands, and profit brands. Our objective is growth of the scale of operations and of our earnings by making strategic investments and implementing business strategies that match the current stage of each category of brands.
- (2) For our digital strategy, as the e-commerce market continues to expand, we will make investments to raise the awareness of our e-commerce operations and the capabilities of these operations. In addition, we will add more merchandise categories to our e-commerce operations and strengthen relationships between our store personnel and customers. Our objectives to increase the number of active customers and the number of purchases these customers make.
- (3) Our overseas strategy is centered on a “glocal” approach that reflects the characteristics of each region where we have operations. We plan to continue growing in China while starting operations in Southeast Asia and other areas where we are not yet active. Expanding e-commerce outside Japan is another goal.
- (4) For new businesses, we plan to enlarge our lineup of businesses and sources of earnings, such as by adding a restaurant business, in order to reflect the diversification of our customers' life styles and changes in consumption patterns. Launching and expanding B-to-B businesses is another goal for new businesses. The B-to-B sector will allow us to target new opportunities in the fashion industry and build new business models that span different business formats.

By taking actions based on these strategies, we forecast a 5.2% increase in consolidated net sales to 290 billion yen, a 6.5% increase in gross profit to 162.3 billion yen, a 5.5% increase in operating profit to 19 billion yen, a 3.3% increase in ordinary profit to 19 billion yen and a 6.0% decrease in net income attributable to owners of the parent to 12.7 billion yen in the fiscal year ending on February 28, 2025.

We are determined to reach the following targets for the fiscal year ending in February 2026: sales of 310 billion yen, operating profit of 22.4 billion yen and an ROE of at least 15%.

#### **(5) Basic Policy on Profit Distribution, and Dividend Plans for the Current and Next Fiscal Years**

Our goal is to maximize the overall satisfaction of our customers, shareholders, business partners and employees as we achieve the long-term growth of corporate value (shareholder value) and strengthen the foundation for our businesses by making investments needed to create highly appealing brands, increase the use of digital technologies and achieve business growth on a global scale. For the distribution of earnings to shareholders, we

use a consolidated payout ratio of 30% as the basic policy.

In addition, we plan to return to shareholders in a timely manner surplus funds accumulated over many years after making investments for growth and these profit distributions. Repurchases will be determined in an appropriate and timely manner while taking into account changes in our stock price, our financial position and other factors.

Based on considerations concerning dividend stability and the balance between investments and shareholder distributions, we originally planned to pay a dividend per share of 65 yen for the fiscal year that ended in February 2024. On September 29, 2023, we increased our net income forecast for the fiscal year and raised the forecast for the first half dividend from 30 yen to 35 yen and the year-end dividend forecast from 35 yen to 45 yen. As a result, the revised plan was to pay a fiscal year dividend of 80 yen per share. We have now made another revision by increasing the year-end dividend forecast by 5 yen to 50 yen. This raises the fiscal year dividend to 85 yen, which is 25 yen more than the dividend for the previous fiscal year.

For the fiscal year ending in February 2025, we plan to pay a fiscal year dividend of 90 yen per share. A dividend of 65 yen is designated as the minimum dividend in the medium-term plan that will end with the fiscal year ending in February 2026. Our goal is to pay an even higher dividend by using the medium-term plan's initiatives for the growth of sales and earnings.

## **2. Basic Approach for the Selection of Accounting Standards**

Adastria prepares its consolidated financial statements based on the generally accepted accounting principles in Japan to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

**3. Consolidated Financial Statements and Notes****(1) Consolidated Balance Sheet**

(Million yen)

	FY2/23 (As of Feb. 28, 2023)	FY2/24 (As of Feb. 29, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	16,380	23,371
Notes and accounts receivable-trade	12,171	15,815
Inventories	24,679	26,839
Other	2,622	2,788
Allowance for doubtful accounts	(81)	(83)
Total current assets	55,772	68,731
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,986	9,571
Accumulated depreciation	(4,185)	(4,590)
Buildings and structures, net	4,801	4,980
Store interior equipment	37,705	40,316
Accumulated depreciation	(31,705)	(33,537)
Store interior equipment, net	6,000	6,778
Land	2,366	2,366
Right-of-use assets	10,949	14,059
Accumulated depreciation	(4,584)	(6,831)
Right-of-use assets, net	6,364	7,227
Construction in progress	292	299
Other	5,109	5,618
Accumulated depreciation	(2,870)	(3,370)
Other, net	2,239	2,248
Total property, plant and equipment	22,065	23,901
Intangible assets		
Software	6,870	8,100
Goodwill	1,331	1,109
Other	3,706	3,166
Total intangible assets	11,908	12,376
Investments and other assets		
Investment securities	1,108	768
Leasehold and guarantee deposits	13,545	13,719
Deferred tax assets	7,124	8,497
Other	165	235
Allowance for doubtful accounts	(298)	(314)
Total investments and other assets	21,645	22,906
Total non-current assets	55,619	59,184
Total assets	111,392	127,915

(Million yen)

	FY2/23 (As of Feb. 28, 2023)	FY2/24 (As of Feb. 29, 2024)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	13,280	14,013
Electronically recorded obligations-operating	6,990	8,651
Short-term borrowings	197	-
Current portion of long-term borrowings	375	401
Lease liabilities	1,695	2,007
Accounts payable-other	12,114	14,144
Income taxes payable	2,970	3,667
Contract liabilities	2,535	1,910
Provision for bonuses	2,112	2,460
Provision for point card certificates	160	175
Other provisions	779	477
Other	777	582
Total current liabilities	43,989	48,491
Non-current liabilities		
Long-term borrowings	554	504
Lease liabilities	5,359	6,037
Provisions	-	172
Other	725	1,128
Total non-current liabilities	6,639	7,842
Total liabilities	50,629	56,334
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	7,213	7,213
Retained earnings	55,968	66,286
Treasury shares	(7,286)	(7,516)
Total shareholders' equity	58,555	68,642
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95	34
Deferred gains or losses on hedges	(120)	234
Foreign currency translation adjustment	877	1,231
Total accumulated other comprehensive income	852	1,500
Non-controlling interests	1,355	1,437
Total net assets	60,762	71,581
Total liabilities and net assets	111,392	127,915

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

**Consolidated Statement of Income**

(Million yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)	FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)
Net sales	242,552	275,596
Cost of sales	109,887	123,242
Gross profit	132,664	152,354
Selling, general and administrative expenses		
Advertising expenses	8,037	8,712
Provision of allowance for doubtful accounts	(42)	18
Remuneration for directors (and other officers)	682	654
Salaries and bonuses	34,609	38,826
Provision for bonuses	2,113	2,395
Welfare expenses	5,671	6,456
Rents	34,967	37,534
Lease payments	656	725
Depreciation	8,185	9,525
Amortization of goodwill	263	223
Other	26,003	29,266
Total selling, general and administrative expenses	121,149	134,339
Operating profit	11,515	18,015
Non-operating income		
Interest income	16	25
Dividend income	2	2
Foreign exchange gains	291	235
Income from contribution to facilities	43	19
Insurance claim income	0	102
Subsidy income	231	52
Revenue from electric power sales	29	21
Subsidies for employment adjustment	37	-
Other	230	279
Total non-operating income	883	739
Non-operating expenses		
Interest expenses	193	248
Loss on valuation of derivatives	106	-
Commitment fee	44	18
Other	27	97
Total non-operating expenses	372	364
Ordinary profit	12,026	18,389
Extraordinary losses		
Impairment loss	492	1,029
Loss on valuation of investment securities	100	243
Total extraordinary losses	592	1,273
Net income before income taxes	11,433	17,116
Income taxes-current	4,028	5,146
Income taxes-deferred	(373)	(1,568)
Total income taxes	3,654	3,577
Net income	7,778	13,538
Net income attributable to non-controlling interests	238	24
Net income attributable to owners of the parent	7,540	13,513

**Consolidated Statement of Comprehensive Income**

(Million yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)	FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)
Net income	7,778	13,538
Other comprehensive income		
Valuation difference on available-for-sale securities	87	(60)
Deferred gains or losses on hedges	(165)	354
Foreign currency translation adjustment	319	354
Total other comprehensive income	240	648
Comprehensive income	8,019	14,186
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,663	14,112
Comprehensive income attributable to non-controlling interests	355	74

**(3) Consolidated Statement of Changes in Equity**

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,660	7,213	51,114	(7,636)	53,351
Cumulative effects of changes in accounting policies			(175)		(175)
Restated balance	2,660	7,213	50,939	(7,636)	53,176
Changes during period					
Dividends of surplus			(2,510)		(2,510)
Net income attributable to owners of the parent			7,540		7,540
Purchase of treasury shares				(1)	(1)
Purchase of treasury shares by stock ownership plan trust				(92)	(92)
Disposal of treasury shares by stock ownership plan trust				443	443
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	5,029	349	5,379
Balance at end of period	2,660	7,213	55,968	(7,286)	58,555

(Million yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	8	45	558	611	1,000	54,963
Cumulative effects of changes in accounting policies				-		(175)
Restated balance	8	45	558	611	1,000	54,787
Changes during period						
Dividends of surplus				-		(2,510)
Net income attributable to owners of the parent				-		7,540
Purchase of treasury shares				-		(1)
Purchase of treasury shares by stock ownership plan trust				-		(92)
Disposal of treasury shares by stock ownership plan trust				-		443
Net changes in items other than shareholders' equity	87	(165)	319	240	355	595
Total changes during period	87	(165)	319	240	355	5,974
Balance at end of period	95	(120)	877	852	1,355	60,762

FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,660	7,213	55,968	(7,286)	58,555
Changes during period					
Dividends of surplus			(3,195)		(3,195)
Net income attributable to owners of the parent			13,513		13,513
Purchase of treasury shares				(1)	(1)
Purchase of treasury shares by stock ownership plan trust				(755)	(755)
Disposal of treasury shares by stock ownership plan trust				527	527
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	10,317	(230)	10,087
Balance at end of period	2,660	7,213	66,286	(7,516)	68,642

(Million yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	95	(120)	877	852	1,355	60,762
Changes during period						
Dividends of surplus				-		(3,195)
Net income attributable to owners of the parent				-		13,513
Purchase of treasury shares				-		(1)
Purchase of treasury shares by stock ownership plan trust				-		(755)
Disposal of treasury shares by stock ownership plan trust				-		527
Net changes in items other than shareholders' equity	(60)	354	354	648	82	730
Total changes during period	(60)	354	354	648	82	10,818
Balance at end of period	34	234	1,231	1,500	1,437	71,581



**(4) Consolidated Statement of Cash Flows**

(Million yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)	FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)
Cash flows from operating activities		
Net income before income taxes	11,433	17,116
Depreciation	8,796	10,073
Impairment loss	492	1,029
Amortization of goodwill	263	223
Interest and dividend income	(19)	(27)
Interest expenses	193	248
Increase (decrease) in allowance for doubtful accounts	(42)	18
Increase (decrease) in provision for bonuses	(72)	338
Increase (decrease) in provision for point card certificates	(98)	15
Loss (gain) on valuation of investment securities	100	243
Decrease (increase) in trade receivables	(2,019)	(3,547)
Decrease (increase) in inventories	(4,939)	(1,980)
Increase (decrease) in trade payables	2,130	2,292
Increase (decrease) in accounts payable-other	1,728	123
Increase (decrease) in accrued consumption taxes	232	745
Other, net	(182)	14
Subtotal	17,995	26,926
Interest and dividends received	26	42
Interest paid	(193)	(248)
Income taxes paid	(4,367)	(4,496)
Net cash provided by (used in) operating activities	13,460	22,223
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,988)	(5,670)
Purchase of intangible assets	(3,520)	(3,318)
Purchase of investment securities	(88)	(10)
Payments of leasehold and guarantee deposits	(1,000)	(1,475)
Proceeds from refund of leasehold and guarantee deposits	2,555	671
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(839)	-
Other, net	(82)	(117)
Net cash provided by (used in) investing activities	(9,963)	(9,920)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(64)	(203)
Proceeds from long-term borrowings	200	380
Repayments of long-term borrowings	(692)	(405)
Dividends paid	(2,510)	(3,194)
Purchase of treasury shares	(93)	(757)
Repayments of lease liabilities	(1,188)	(1,408)
Other, net	(49)	8
Net cash provided by (used in) financing activities	(4,398)	(5,581)
Effect of exchange rate change on cash and cash equivalents	381	276
Net increase (decrease) in cash and cash equivalents	(519)	6,998
Cash and cash equivalents at beginning of period	16,863	16,343
Cash and cash equivalents at end of period	16,343	23,341

## **(5) Notes to Consolidated Financial Statements**

### **Going Concern Assumption**

Not applicable.

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

Important changes in the scope of consolidation

In the fiscal year that ended in February 2024, OPEN AND NATURAL Inc., which was a consolidated subsidiary of Adastria, was excluded from the scope of consolidation since this company was absorbed by BUZZWIT Co., Ltd., which became the surviving company, after which OPEN AND NATURAL was dissolved as of July 1, 2023. ADASTRIA eat Creations Co., Ltd. was excluded from the scope of consolidation due to the completion of its liquidation on February 2, 2024.

### **Changes in Accounting Policies**

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021) from the beginning of the current fiscal year, and has applied the new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no effect of the application of this guidance on the consolidated financial statements.

### **Additional Information**

Accounting treatment and disclosure method when the group tax sharing system is used

Beginning with the current fiscal year, Adastria and some of its consolidated subsidiaries in Japan have changed from the single-entity tax system to the group tax sharing system. Due to this change, the accounting treatment and disclosure of corporate income taxes, local corporate income taxes and tax effect accounting are as prescribed in Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Issues Task Force (PITF) No. 42, August 12, 2021).

### **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

### 1. Overview of reportable segment

The Adastria Group defines reportable segments as businesses for which financial details can be compiled; the Board of Directors will review this information on a periodic basis in order to assist with decisions about allocating resources and evaluating the performance.

The Adastria Group is engaged primarily in the planning and sales of clothing and related merchandise. The reportable segment is the Apparel and Sundry Goods-related Business.

### 2. Calculation methods for sales, profits/losses, assets and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as accounting principles and procedures used for the preparation of the consolidated financial statements.

Profits for reportable segments are generally ordinary profit figures. Profits on and transfer amounts of inter-segment transactions within the Group are based on current market prices.

### 3. Information related to sales, profits/losses, assets and other items for each reportable segment

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

(Million yen)

	Reportable segment	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Apparel and Sundry Goods-related Business				
Net sales					
External sales	232,925	9,626	242,552	-	242,552
Inter-segment sales and transfers	1	39	40	(40)	-
Total	232,927	9,665	242,593	(40)	242,552
Segment profit (loss)	12,289	(263)	12,026	-	12,026
Segment assets	104,522	8,520	113,043	(1,651)	111,392
Other items					
Depreciation	8,124	671	8,796	-	8,796
Amortization of goodwill	116	147	263	-	263
Increase in property, plant and equipment and intangible assets	15,256	2,218	17,474	-	17,474

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

2. The above adjustments include the following items.

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

(2) The amount of adjustment to segment assets is elimination for inter-segment transactions.

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

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

5. Depreciation and increase in property, plant and equipment and intangible assets include amortization of long-term prepaid expenses.

FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)

(Million yen)

	Reportable segment	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Apparel and Sundry Goods-related Business				
Net sales					
External sales	262,844	12,751	275,596	-	275,596
Inter-segment sales and transfers	1	48	50	(50)	-
Total	262,846	12,800	275,646	(50)	275,596
Segment profit (loss)	18,558	(139)	18,418	(29)	18,389
Segment assets	120,559	8,969	129,528	(1,612)	127,915
Other items					
Depreciation	9,358	714	10,073	-	10,073
Amortization of goodwill	74	148	223	-	223
Increase in property, plant and equipment and intangible assets	11,134	1,542	12,676	-	12,676

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

2. The above adjustments include the following items.

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

(2) The amount of adjustment to segment assets is elimination for inter-segment transactions.

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

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

5. Depreciation and increase in property, plant and equipment and intangible assets include amortization of long-term prepaid expenses.

## Per Share Information

(Yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)	FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)
Net assets per share	1,309.96	1,549.13
Net income per share	166.37	297.75

Notes: 1. Diluted net income per share is not presented since Adastria has no outstanding dilutive securities.

2. The Adastria stock held by the trust account recorded as treasury shares under shareholders’ equity is included in treasury shares deducted from the number of shares that is used to calculate the average number of shares outstanding during the period for the determination of net income per share, and is included in treasury shares that is deducted from the number of shares outstanding at the end of the period for the determination of net assets per share.

For the determination of net income per share, the average numbers of treasury shares outstanding that were deducted were 329,000 for FY2/23 and 266,000 for FY2/24. For the determination of net assets per share, the numbers of treasury shares deducted were 301,000 for FY2/23 and 372,000 for FY2/24.

3. The basis of calculating the net income per share is as follows.

(Million yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)	FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)
Net income attributable to owners of the parent	7,540	13,513
Amount not available to common stockholders	-	-
Net income attributable to owners of the parent applicable to common shares	7,540	13,513
Average number of common shares outstanding during the period (Thousand shares)	45,322	45,385

## Subsequent Events

Share exchange to make zetton a wholly owned subsidiary

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 will become the wholly owning parent company of zetton as of the effective date of the Share Exchange (scheduled for June 1, 2024). Shares of zetton will be delisted from the Next Market operated by the Nagoya Stock Exchange, Inc. on May 30, 2024 (last trading date to be May 29, 2024).

### 1. Outline of the Share Exchange

#### (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 Share Exchange

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 Share Exchange

June 1, 2024 (tentative)

#### (4) Method of Share Exchange

The Share Exchange is to be conducted with Adastria as the wholly owning parent company and zetton as the wholly owned subsidiary. The effective date of the Share Exchange is scheduled for June 1, 2024, after obtaining approval at the zetton Ordinary General Meeting of Shareholders to be 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.

### 2. Outline of accounting procedures

Adastria expects the Share Exchange to meet the requirements of a common control transaction, etc., under the “Accounting Standard for Business Combinations” and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

### 3. Share exchange ratio, calculation method and number of shares to be delivered

#### (1) Share exchange ratio

Adastria will allot 0.36 shares of Adastria stock for each share of zetton stock.

#### (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 to be delivered

1,137,731 shares

#### 4. Other Information

##### (1) Transition to a Company with an Audit & Supervisory Committee System

Adastria will change to a company with an Audit & Supervisory Committee system, subject to the approval of shareholders at the 74th Ordinary General Meeting of Shareholders scheduled for May 23, 2024. For more information, see the press release “Notice Concerning Transition to a Company with an Audit and Supervisory Committee” announced on February 16, 2024.

##### (2) Changes in Directors

1. Change in representative director

Not applicable.

2. Change of other board members (Date of change: May 23, 2024)

(1) Candidates for directors who are members of the Audit & Supervisory Committee

Director (standing member of the Audit & Supervisory Committee): Endo Yoichi

Outside Director (member of the Audit & Supervisory Committee):

Kazuhiko Ebihara (currently Outside Corporate Auditor)

Outside Director (member of the Audit & Supervisory Committee):

Kyoko Mogi (currently Outside Corporate Auditor)

(2) Candidate for an alternate member of the Audit & Supervisory Committee

Director (member of the Audit & Supervisory Committee): Takashi Ino

Note: Shareholders are asked to elect an alternate director who is a member of the Audit & Supervisory Committee in advance in order to have a substitute who can take the place of any one of the current directors and members of the Audit & Supervisory Committee in the event that the number of members of this committee falls below the legally required minimum.

(3) Retiring directors

Managing Director: Masayuki Kindo

Outside Director: Satoshi Akutsu

Note: Mr. Masayuki Kindo was appointed representative director and president of consolidated subsidiary ELEMENT RULE Co., Ltd. on March 1, 2024.

(4) Retiring corporate auditors

Standing Corporate Auditor: Tsuyoshi Matsuda

Outside Corporate Auditor: Ryoko Hayama

*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.*