



# FY2024/02

# Financial Results

April 04, 2024

A D A S T R I A  
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*Play fashion!*

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# 1. FY2024/02 Overview

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Representative Director and Chairman Michio Fukuda



## Results

Generated **record-high consolidated sales and operating profit** in Adastria's 70th anniversary year, and were able to increase salaries and make digital technology investments.

Operations structured to supply merchandise at the right times, prices and volumes gave Adastria **the strengths to overcome challenges** created by a warm winter, the yen's weakness and other events.

The **stock price rose 57.4% during the fiscal year** as sales and earnings increased.

## Background

Growth was supported by the benefits of the **establishment of a SPA** (specialty store retailer of private label apparel) **business model**, which started in 2010 as the "Fourth Change" as well as by faster **growth of the EC business** during the pandemic.

Merchandise with more added value and more powerful brands made it possible to sell items at higher prices.

- Achieved the current medium-term management plan (ending in FY2026/02) **ROE goal** in FY2024/02, **two years early**, and expect to surpass the **sales goal** in FY2025/02, **one year early**.
- Continuing measures to reach the operating profit goal while making investments for more progress in the following years.
- Planning on more progress with **B-to-B operations and M&A** by building even stronger ties with other companies and customers with the goal of creating a “good community.”
- To accomplish these goals, investments in people will continue. The plan is to **raise salaries** again in FY2025/02, aiming for **an average of at least 6% higher**, which will result in a salary increase of more than 12% with the increase of about 6% in FY2024/02.
- The goal is the **long-term growth of sales and earnings and of shareholder value**.



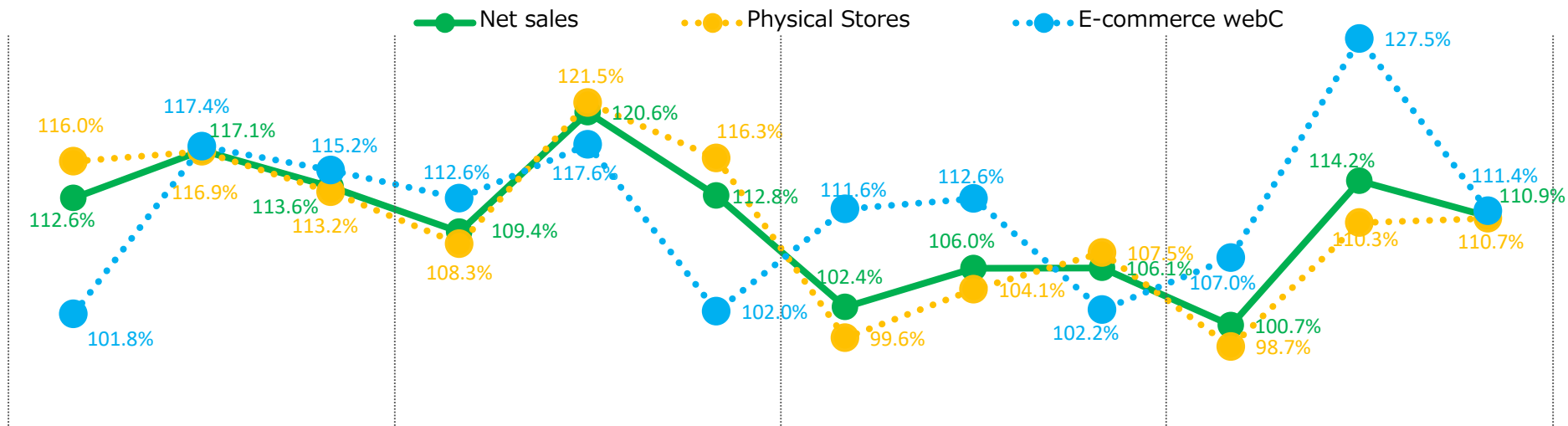
# 2. FY2024/02 Financial Results and FY2025/02 Forecast

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Managing Director Masayuki Kindo



## ● Adatastria(Non-consolidated) Monthly Sales All Stores YoY



March April May

**1Q**

**Net sales: 114.4%**  
**Physical stores: 115.4%**  
**EC: 111.2%**

- Demand involving outings continued to increase after the pandemic ended
- TV commercials for GLOBAL WORK
- Strong sales of summer merchandise due to many outings during the Golden Week period in May and favorable weather
- Sales per customer increased by price revisions and executing merchandise strategies that target customers' needs

June July August

**2Q**

**Net sales: 114.5%**  
**Physical stores: 115.5%**  
**EC: 111.3%**

- Sales of summer merchandise remained strong due to a summer sale, warm weather and many very hot days
- Due to favorable weather, more customers at stores because many people went on outings during the summer vacation period
- Sales per customer increased more as measures to hold down excessive discounting of merchandise continued
- Use of coupons in the EC sector was below the prior-year level.

September October November

**3Q**

**Net sales: 105.1%**  
**Physical stores: 104.1%**  
**EC: 108.2%**

- Record heat in September pushed back the start of demand for autumn merchandise
- Promotions linking EC and physical stores; held a Dot-ST Festival
- Knitted apparel sales drove sales as temperatures were low later in the quarter

December January February

**4Q**

**Net sales: 107.5%**  
**Physical stores: 109.2%**  
**EC: 113.5%**

- Slow sales of winter merchandise because of warm weather until the middle of December
- Brisk sales because of a winter sale and a recovery in demand for apparel for outings during the Christmas and year-end period
- Strong sales of spring merchandise as sales began earlier than usual
- Strong sales of spring merchandise continued in February due to demand associated with new life styles and to warm weather

# Consolidated Income Statement

Millions of yen

	FY2023/02 Results		FY2024/02 Results		
		Ratio		Ratio	YoY
<b>Net sales</b>	242,552	100.0%	275,596	100.0%	113.6%
Aداستريا(Non-consolidated)	196,727	81.1%	220,078	79.9%	111.9%
Domestic subsidiaries *1*2	22,332	9.2%	24,007	8.7%	107.5%
Overseas subsidiaries *3	18,017	7.4%	23,396	8.5%	129.8%
Zetton (Food & Beverage Subsidiary) *4	9,040	3.7%	12,570	4.6%	139.0%
<b>Gross profit</b>	132,664	54.7%	152,354	55.3%	114.8%
<b>SG&amp;A expenses</b>	121,149	49.9%	134,339	48.7%	110.9%
Advertising & promotion	8,037	3.3%	8,712	3.2%	108.4%
Personnel	43,076	17.8%	48,333	17.5%	112.2%
Rent & depreciation *5	43,810	18.1%	47,785	17.3%	109.1%
Amortization of goodwill	263	0.1%	223	0.1%	84.8%
Others	25,961	10.7%	29,284	10.6%	112.8%
<b>Operating profit</b>	11,515	4.7%	18,015	6.5%	156.4%
Aداستريا(Non-consolidated)	10,384	4.3%	16,346	5.9%	157.4%
Domestic subsidiaries *1*2	178	0.1%	236	0.1%	132.8%
Overseas subsidiaries *3	524	0.2%	1,123	0.4%	214.2%
Aداستريا Logistics	94	0.0%	88	0.0%	93.4%
Zetton (Food & Beverage Subsidiary) *4	285	0.1%	179	0.1%	62.7%
<b>Ordinary profit</b>	12,026	5.0%	18,389	6.7%	152.9%
<b>Net income attributable to owners of the parent</b>	7,540	3.1%	13,513	4.9%	179.2%
<b>EBITDA</b>	19,964	8.2%	27,763	10.1%	139.1%
Depreciation and amortization	8,185	3.4%	9,525	3.5%	116.4%
Amortization of goodwill	263	0.1%	223	0.1%	84.8%
<b>Capital expenditure</b>	12,600		11,807		

\*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-Feb (FY2023/02) and Mar-Feb (FY2024/02)

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

\*4 : Operating profit of zetton, inc. is shown after consolidation adjustments. Due to change in financial year, Mar-Jan (FY2023/02) and Feb-Jan(FY2024/02)

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



## Summary

Record-high sales and earnings because of a favorable business climate and measures including products with more added value and price revisions

## Net sales

**275.5 billion yen (+13.6% YoY)**

### Parent company

- Up 11.9% because of actions to reflect climate change, more added value and price revisions.
- Major sources of growth were GLOBAL WORK and niko and..., which are the core brands, and LAKOLE, which is a growth brand.

### Domestic subsidiaries

- Up 7.5%, but sales increased 14.4% after excluding the effect of the fiscal year change in the previous fiscal year.
- Sales at EC company BUZZWIT increased because of higher sales of a children's apparel brand acquired in FY2023/02 and sales generated by new brands.

### Overseas subsidiaries

- Up 29.8% due to a recovery following the end of lockdowns in China in the previous fiscal year and sales at new stores.

### Food and beverage business

- Up 39.0% but sales increased 32% after excluding the effect of the fiscal year change in the previous fiscal year.

## Gross profit margin

**55.3% (+0.6p YoY)**

- A revision to the loyalty point program temporarily raised the gross profit margin by 0.1 percentage points (700 million yen) and the end of expenses incurred in FY2023/02 for the unauthorized access incident raised the margin by 0.5 percentage points.
- The negative effect of the yen's depreciation was offset by price increases and a decline in discounting merchandise. There was no change in the actual gross profit margin due to an improvement in ASEAN region production and overseas business.

\*BUZZWIT Co., Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co., Ltd., ADOORLINK Co., Ltd., Gate Win Co., Ltd. and zetton, inc. changed their fiscal year end in FY2023/02.

\*comparisons are Feb-Feb (FY2023/02) and Mar-Feb (FY2024/02) for all of these companies except zetton and Mar-Jun (FY2023/02) and Feb-Jun (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

**48.7%** (-1.2p YoY) Decreased because sales growth reduced all expense categories as a pct. of sales

- Advertising & promotions** • **3.2%** (-0.1p YoY) (+670 million yen)  
More product promotions and actions for higher consumer awareness of the Dot-ST EC website
- Personnel** • **17.5%** (-0.3p YoY) (+5,260 million yen)  
Higher salaries, more recruiting activities due to the labor shortage, more working hours and an increase in bonus payments due to sales growth
- Rent & depreciation** • **17.3%** (-0.8p YoY) (+3,970 million yen)  
The variable portion of rent increased because of sales growth
- Others** • **10.6%** (-0.1p YoY) (+3,320 million yen)  
Increases in credit card fees, outsourcing expenses and delivery expenses, all due to sales growth

## Operating profit

**18.0 billion yen** (+56.4% YoY)

Operating income ratio 6.5%, EBITDA margin 10.1% Change in fiscal year of subsidiaries in Japan +120 million yen,  
Temporary security deposit amortization -500 million yen

## Ordinary profit

**18.3 billion yen** (+6,360 million yen YoY)

Non-operating income: Foreign exchange gains of 200 million yen, insurance fee income of 100 million yen

## Net income attributable to owners of the parent

**13.5 billion yen** (+5,970 million yen YoY)

Extraordinary losses: Impairment loss on stores -1,000 million yen, loss (gain) on valuation of investment securities -200 million yen

Income taxes: Increase in deferred tax asset at U.S. subsidiary +1,300 million yen

\*BUZZWIT Co., Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co., Ltd., ADOORLINK Co., Ltd., Gate Win Co., Ltd. and zetton, inc. changed their fiscal year end in FY2023/02.

\*comparisons are Feb-Feb (FY2023/02) and Mar-Feb (FY2024/02) for all of these companies except zetton and Mar-Jun (FY2023/02) and Feb-Jun (FY2024/02) for zetton.

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

# Adastria and Major Domestic Subsidiaries Income Statement

## ● Adastria(Non-consolidated)

(million of yen)

	FY2023/02 Results	FY2024/02 Results	
			YoY
<b>Net sales</b>	196,727	220,078	111.9%
(Same stores YoY)	112.4%	109.1%	
GLOBAL WORK	45,597	51,673	113.3%
niko and ...	29,825	33,565	112.5%
LOWRYS FARM	21,369	22,401	104.8%
studio CLIP	20,325	22,027	108.4%
LEPSIM	12,414	13,229	106.6%
JEANASIS	11,209	12,294	109.7%
LAKOLE	7,934	10,807	136.2%
BAYFLOW	10,180	10,785	105.9%
<b>Gross profit</b>	105,281	118,989	113.0%
Gross margin	53.5%	54.1%	+0.6p
<b>SG&amp;A expenses</b>	94,896	102,642	108.2%
SG&A ratio	48.2%	46.6%	- 1.6p
<b>Operating profit</b>	10,384	16,346	157.4%
Operating margin	5.3%	7.4%	+2.1p

## ● Major Domestic Subsidiaries

	FY2023/02 Results	FY2024/02 Results	
			YoY
<b>Net sales</b>			
BUZZWIT Co., Ltd.	10,369	11,630	112.2%
ELEMENT RULE Co., Ltd.	11,068	11,210	101.3%

\* Adastria (Non-consolidated) : Amortization of goodwill for FY2023/02:54million of yen,FY2024/02:None

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

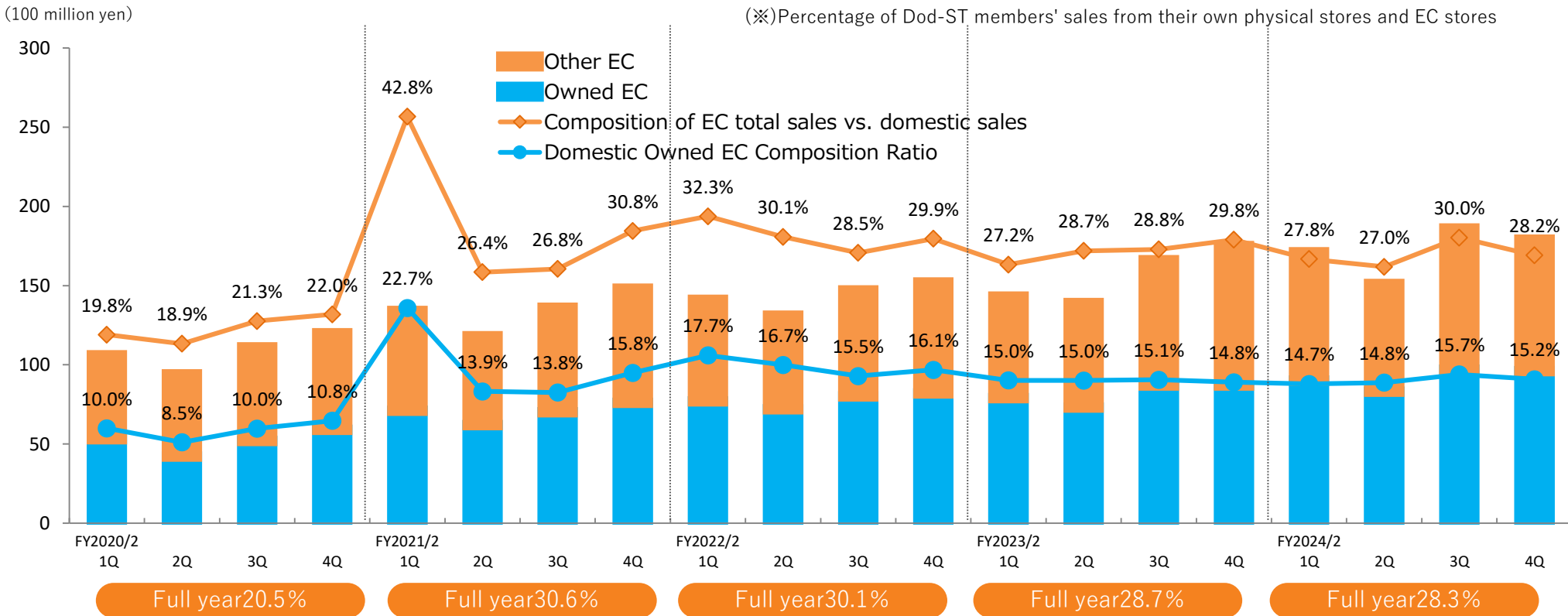
\* Sales of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc. (2 companies merged in July 2023)

Steady increases in the number of members and EC sales, but pct. of EC sales declined because of strong sales at physical stores

Domestic net sales from online (FY2024/02) **68.9 billion yen (+10.1% YoY)**

- Domestic online business ratio: 28.3% (of which Adastria EC site: approx. 15.1%)
- The Adastria Dot-ST EC website has about 17.5 million members, 2 million more than at the end of FY2023/02, and these members accounted for about 70% of total sales at Adastria EC website (※) and physical stores in FY2024/02.

(※)Percentage of Dod-ST members' sales from their own physical stores and EC stores



\*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.

- **Hong Kong:** Sales and earnings up due to the recovery from the pandemic one year earlier and sales at new stores
- **Mainland China:** Sales up due to new stores in FY2022/12 and the loss decreased despite soft consumer spending
- **Taiwan:** Sales and earnings up mainly due to new brands, new stores and the continuation of existing store sales growth
- **USA:** A stronger merchandise lineup and brisk retail sales due to new stores but the wholesale business slowed down because of the uncertain economic outlook

Millions of yen

	FY2022/12 Results	FY2023/12		
		Results		
			YoY (JPY)	YoY (Local currency)
<b>Net sales</b>	18,017	23,396	129.8%	123.4%
Hong Kong	3,373	4,248	125.9%	117.7%
Mainland China	2,983	4,960	166.2%	162.7%
Taiwan	4,438	6,493	146.3%	142.0%
Thailand	—	216	—	—
USA	7,222	7,477	103.5%	96.8%
<b>Operating profit</b>	524	1,123	214.2%	157.1%
Hong Kong	357	461	129.1%	120.7%
Mainland China	— 1,108	— 617	—	—
Taiwan	873	1,328	152.1%	147.6%
Thailand	—	— 110	—	—
USA	402	62	15.4%	14.4%

# Consolidated Balance Sheet

- **Inventories:** Increased 8.7% mainly because of sales growth, more stores and higher production in the ASEAN region
- **Property, plant and equipment:** Increased due to the opening of physical stores and other reasons
- **Intangible assets:** Increased as IT system investments increased software and for other reasons
- **Net assets:** Net asset ratio of 56.0%, +1.5p YoY

Millions of yen

	End of 2023/02		End of 2024/02			
		Ratio		Ratio	Compared with the end of 2023/02	Compared with the end of 2023/02
Current assets	55,772	50.1%	68,731	53.7%	+12,958	123.2%
Cash and deposits	16,380	14.7%	23,371	18.3%	+6,991	142.7%
Inventories	24,679	22.2%	26,839	21.0%	+2,159	108.7%
Fixed assets	55,619	49.9%	59,184	46.3%	+3,565	106.4%
Property, plant and equipment	22,065	19.8%	23,901	18.7%	+1,836	108.3%
Intangible assets	11,908	10.7%	12,376	9.7%	+467	103.9%
Goodwill	1,331	1.2%	1,109	0.9%	-221	83.3%
Investments and other assets	21,645	19.4%	22,906	17.9%	+1,260	105.8%
Total assets	111,392	100.0%	127,915	100.0%	+16,523	114.8%
Liabilities	50,629	45.5%	56,334	44.0%	+5,705	111.3%
Loans payable	1,128	1.0%	905	0.7%	-223	80.2%
Net assets	60,762	54.5%	71,581	56.0%	+10,818	117.8%
Treasury shares	-7,286	-6.5%	-7,516	-5.9%	-230	103.2%

# Number of Stores

	End of FY2022/02	FY2023/02				FY2024/02 Plan			
	Numeber of stores	Opened	Changed	Closed	Eng of FY2023/02	Opened	Changed	Closed	Eng of FY2024/02
GLOBAL WORK	205	13	0	- 4	214	5	0	0	219
niko and ...	141	2	0	- 2	141	6	0	- 1	146
LOWRYS FARM	129	2	0	- 5	126	0	0	0	126
studio CLIP	174	9	0	- 4	179	10	0	- 1	188
LEPSIM	114	2	0	- 1	115	1	0	- 2	114
JEANASIS	71	0	0	- 3	68	1	0	0	69
BAYFLOW	61	3	0	- 2	62	3	0	0	65
LAKOLE	63	15	0	0	78	10	0	- 1	87
Others	264	14	0	- 19	259	24	6	- 45	244
Adastria non-consolidated total	1,222	60	0	- 40	1,242	60	6	- 50	1,258
(Online store included)	(63)	(5)	(0)	(- 7)	(61)	(0)	(2)	0	(63)
Domestic subsidiaries total*1*2	118	22	0	- 12	128	5	- 6	- 1	126
(Online store included)	(52)	(10)	(0)	(- 4)	(58)	(2)	(- 2)	0	(58)
Japan total	1,340	82	0	- 52	1,370	65	0	- 51	1,384
(Online store included)	(115)	(15)	(0)	(- 11)	(119)	(2)	(0)	0	(121)
Hong Kong	21	4	0	- 2	23	4	0	0	27
Mainland China	13	2	0	0	15	6	0	0	21
Taiwan	52	22	0	- 2	72	24	0	- 1	95
Thailand	-	2	0	0	2	1	0	0	3
Philipins	-	0	0	0	0	1	0	0	1
USA	9	1	0	0	10	3	0	- 2	11
Oversea total	95	31	0	- 4	122	39	0	- 3	158
(Online store included)	(18)	(4)	(0)	(0)	(22)	(4)	(0)	0	(26)
Zetton (Food & Beverage subsidiary) *3	71	11	0	- 11	71	0	0	0	0
ADASTRIA eat Creations	3	0	0	- 3	0	10	0	- 3	78
						-	-	-	-
						0	0	0	0
Consolidated total	1,509	124	0	- 70	1,563	114	0	- 57	1,620
(Online store included)	(133)	(19)	(0)	(- 11)	(141)	(6)	(0)	0	(147)

FY2024/02 54 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 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).

## The goal for FY2025/02 is another year of sales and earnings growth

- **Net sales:** Forecast steady fashion sector demand, more store openings, new business formats, and sales growth of subsidiaries in Japan and other countries
- **Gross profit margin:** Forecast an improvement due to continued revisions of product prices, higher ASEAN region production and measures to hold down discounting
- **SG&A expense ratio:** Forecast higher personnel expenses due to more salary increases, higher expenses for store interiors and other equipment, higher advertising expenses, and increases in other SG&A categories

Millions of yen

	FY2024/02 Results	FY2025/02 Forecast	
			YoY
Net sales	275,596	290,000	105.2%
Gross profit	152,354	162,300	106.5%
Gross profit margin	55.3%	56.0%	+0.7p
SG&A expenses	134,339	143,300	106.7%
SG&A expenses ratio	48.7%	49.4%	+0.7p
Operating profit	18,015	19,000	105.5%
Operating margin	6.5%	6.6%	+0.1p
Ordinary profit	18,389	19,000	103.3%
Ordinary income margin	6.7%	6.6%	- 0.1p
Net income attributable to owners of the parent	13,513	12,700	94.0%
Ratio of net income attributable to owners of the parent	4.9%	4.4%	- 0.5p
ROE	20.9%	16.9%	- 4.0p
EBITDA	27,763	28,830	103.8%
Depreciation and amortization	9,525	9,600	100.8%
Amortization of goodwill	223	230	103.1%
Capital expenditure	11,807	13,800	



million of Yen

	2023/2期 Results	2024/2期 Forecast	
			YoY
Net Sales	220,078	229,000	104.1%
Gross Profit	118,989	125,000	105.1%
Gross Profit Margin	54.1%	54.6%	+0.5p
SG&A expenses ratio	102,642	109,200	106.4%
SG&A ratio	46.6%	47.7%	+1.1p
Operating Income	16,346	15,800	96.7%
Operating margin	7.4%	6.9%	- 0.5p

## FY2024/02

## FY2025/02

Investment Category	plan	actual	review	Plan	Main Uses
Domestic Store Development	<b>6.2</b> billion yen	<b>5.8</b> billion yen	Progress generally in line with plans	<b>6.5</b> billion yen	Includes 5 billion yen at Adastia; new stores for a growth brand and for Dot-ST
System	<b>4.2</b> billion yen	<b>3.6</b> billion yen	Even though progress was generally in line with plans, controlled by efficiency improvement	<b>3.8</b> billion yen	Strengthen Adastia EC website, investments related to data analysis, infrastructure and security
Overseas Store Development	<b>2.8</b> billion yen	<b>1.3</b> billion yen	Unspent due to postponement of store opening in China, while other investments were in line with plans	<b>1.7</b> billion yen	New stores in Taiwan and other locations
Other	<b>0.8</b> billion yen	<b>1.1</b> billion yen	Progress generally in line with plans	<b>1.8</b> billion yen	Distribution center, offices, etc.
<b>Total</b>	<b>14</b> billion yen	<b>11.8</b> billion yen		<b>13.8</b> billion yen	

Raise dividend for FY2024/02 and increase for FY2025/02 due to business growth

**FY 2024/02** — **Dividend of 85 yen**, an increase of 5 yen from the revised dividend forecast

**FY 2025/02** — **Dividend forecast of 90 yen**

	FY2022/02	FY2023/02	FY2024/02		FY2025/02	2FY Total
			initial forecast → Revised forecast	Results	(Forecast)	
Dividend per share (Yen)	55	60	65 → 80	85	90	175
Interim dividend	(25)	(25)	(35)	(35)	(35)	-
Total dividend (MM yen)	2,510	2,739	3,652	3,880	4,211	8,091
Net profit (consolidated)	4,917	7,540	12,000	13,513	12,700	26,213
Dividend payout ratio*	50.6%	36.1%	30.3%	28.5%	32.9%	30.6%

\*Taking into account the increase in the number of shares applicable for dividends due to the share exchange related to making zetton, inc. a wholly owned subsidiary

## Dividend policy

Basic policy is a consolidated payout ratio of 30% and maintaining balance among dividend stability, investments for growth, and shareholder distributions

**Possibility of business climate downturn as the post-pandemic reopening recovery cycle ends**



- Market conditions were briefly soft in March because of cool weather but are expected to improve as temperatures increase. **No indications of a decline in overall demand** for spring and summer merchandise.
- The current environment of **rising salaries** is good for sales of apparel and other merchandise.

**Rising personnel expenses and recruiting difficulties**



- No problem at this time with **hiring a sufficient number of people**. As in FY2023/02, continued to raise salaries by 6%, compared to a standard rate of about 2%.
- Planning on personnel expenses to increase as a pct. of sales in FY2025/02 but the goal is to lower this ratio over the next several years by **using EC and B-to-B business growth to raise productivity**.

**Strategy for prices**



- For spring and summer merchandise too, **average prices were increased** to reflect the substantial added value of apparel and other products.
- In the apparel industry, increases in all expense categories are producing a clear division between successful companies, which have competitive fashions, and other companies. This is an **excellent opportunity** for Adastria to **increase its market share**.

**Raised ownership from 51% to 100% for faster growth and synergies**



## Creation of even more enjoyable “places”

### ■ Time Line

December 14, 2021	Announcement of capital and business alliance
February 17, 2022	Public tender to acquire 51% of stock; made zetton a consolidated subsidiary
<b>March 21, 2024</b>	<b>Announced exchange of stock to make zetton a wholly owned subsidiary</b>
June 1, 2024	Effective date (tentative)
Share exchange ratio	Adastria 1 : zetton 0.36
Adastria will use about 1.13 million treasury shares for this exchange.	

### ■ Objectives

- Ending the listing of a consolidated subsidiary and raising ownership to 100% is expected to facilitate taking the following actions quickly.
- Strengthened organization, enhanced recruiting capabilities, expanded human resources, and further execution of digital transformation
  - Improved flexibility and conditions of financing methods
  - Improved added-value for new stores and improved bidding power in the Park-PFI system
  - More proactive and flexible policies and under the Capital and Business Alliance Agreement

# 3. Medium-Term Management Plan Progress

Representative Director and President Osamu Kimura



- Increased the FY2026/02 sales goal due the outlook for surpassing the original goal in FY2025/02
  - Sales are increasing faster than planned because of price revisions, increasing sales of major brands and the growth of the B-to-B business.
  - No change in the operating profit goal because of the rising cost of sales, the yen's depreciation, higher personnel expenses and other challenges.

## FY2026/02 Original Plan

## Revised Plan

Consolidated sales **280** billion yen

**310** billion yen

Operating profit ratio **8%**

**7.2%**

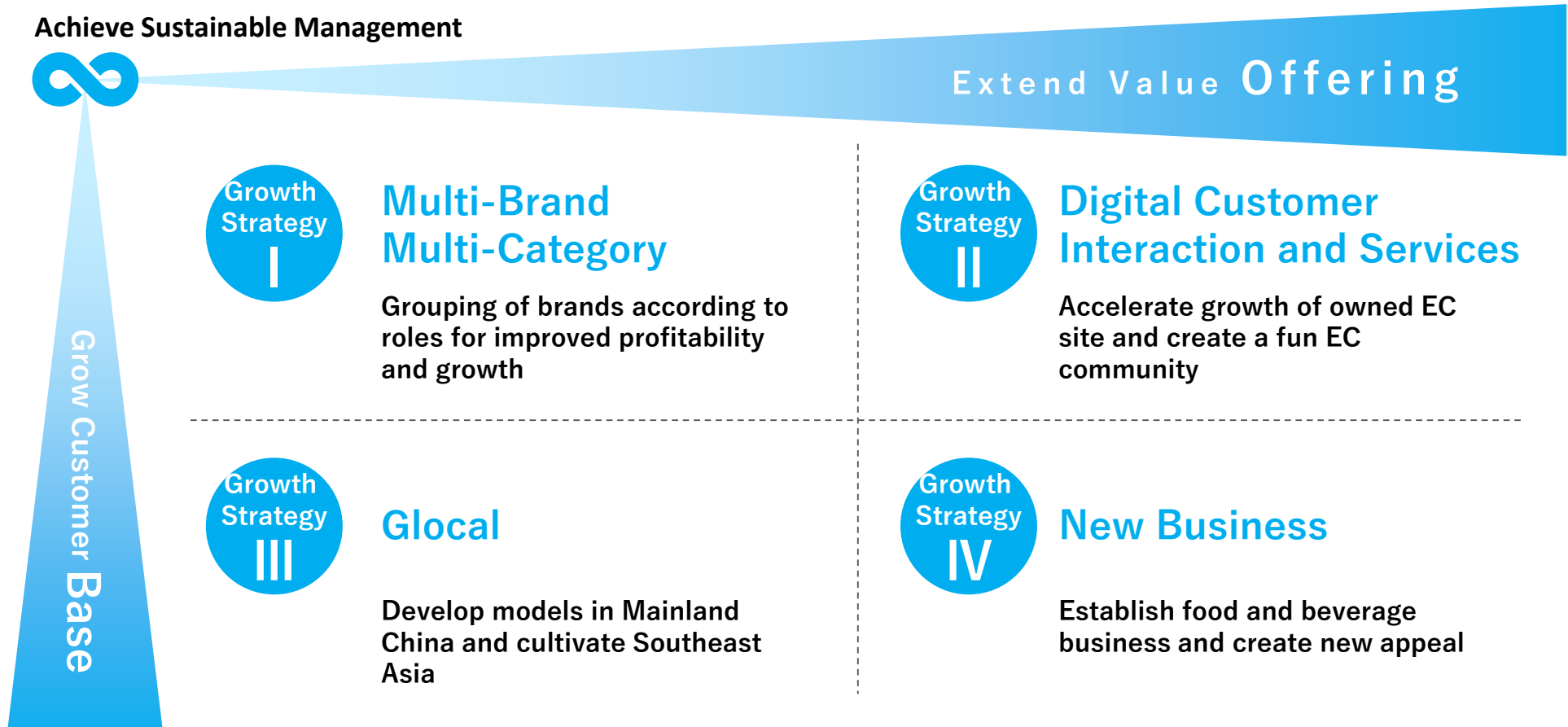
Consolidated operating income **22.4** billion yen

**22.4** billion yen

ROE **15%over**

**15%over**

## ■ Strategy direction continues





## ■ Annual sales of GLOBAL WORK reach 50 billion yen

- Growth is backed by a **powerful lineup of core apparel** and rising awareness of the **GLOBAL WORK brand** because of effective promotional activities for products.
- Merchandise planning uses customer feedback and sales data for the utilization of manufacturers in the ASEAN region to supply products with the optimum balance between their prices and quality.
- Demand for GLOBAL WORK men's apparel is increasing as office workers and others use more casual apparel at work.



肌にふれるとわかる、  
やわらかさ。

メルティニットシリーズ

- ☑ チクチクしないから、ノンストレス。
- ☑ ほどよい厚みで、シーズンレスに楽しめる。

**URBAN SLACKS**  
アーバンズラックス

シリーズ累計**60万本**突破!!  
多くの人がはいて「納得」。快適! 高性能/パンツ。

アーバンズラックスが支持される、4つのポイント。

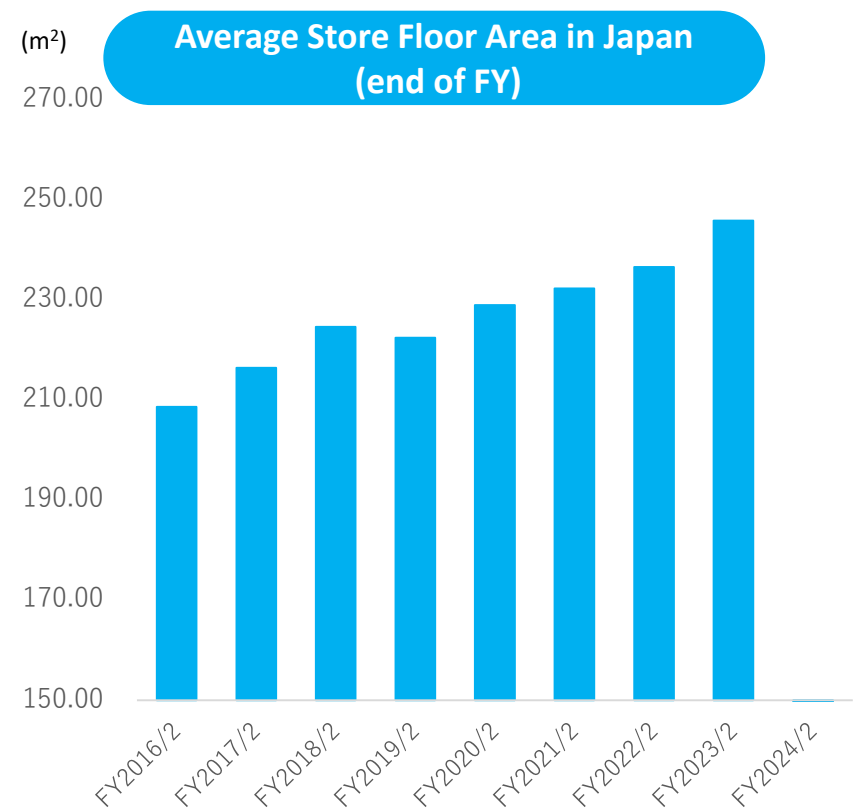
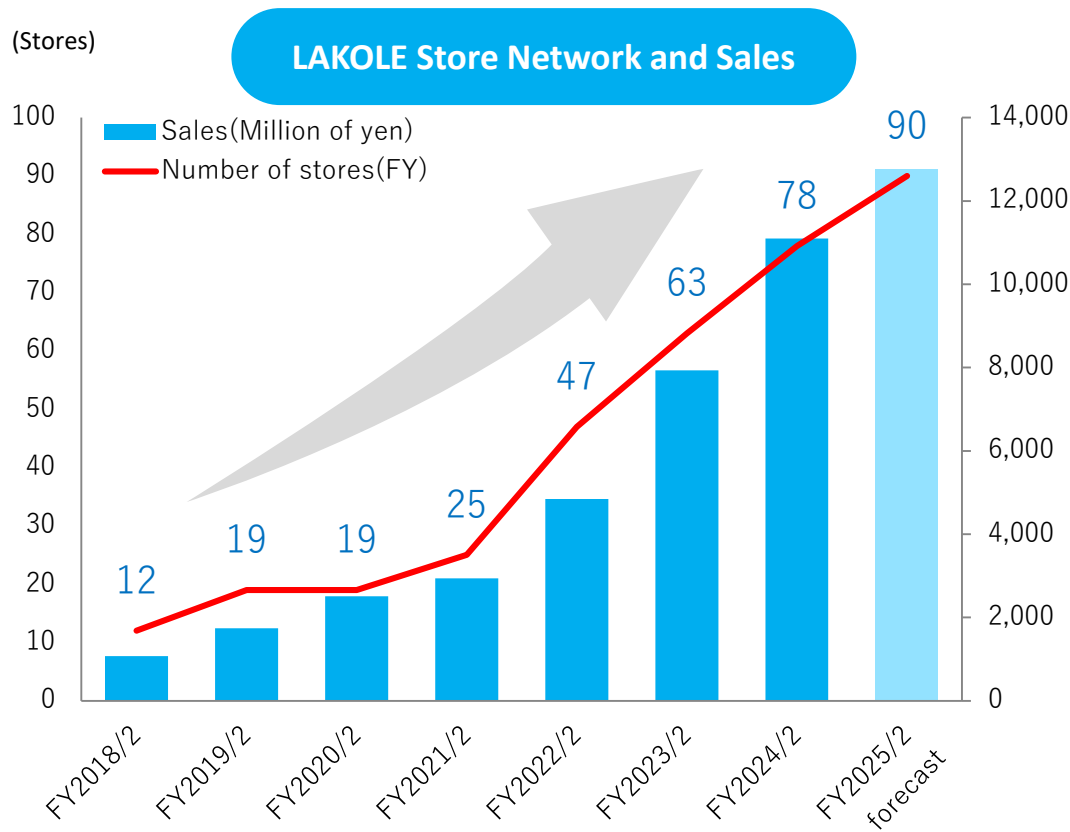
- Easy Care: シワになりにくいからアイロンがけ不要。
- Easy Wash: 伸縮素材がもたらす快適なはきこころ。
- Easy Fit: シーンを問わずにON/OFF着まわせる。
- Easy Style: 自宅で洗濯できるからお手入れも簡単。

SIZE	ウエスト	股上	股下
XS	70-75cm	22.0cm	70cm
S	75-80cm	23.0cm	70cm
M	80-85cm	24.0cm	70cm
L	85-90cm	25.0cm	70cm
XL	90-95cm	26.0cm	70cm
XXL	95-100cm	27.0cm	70cm



## ■ Growth brands, more OMO stores and use of renovations to raise existing store sales

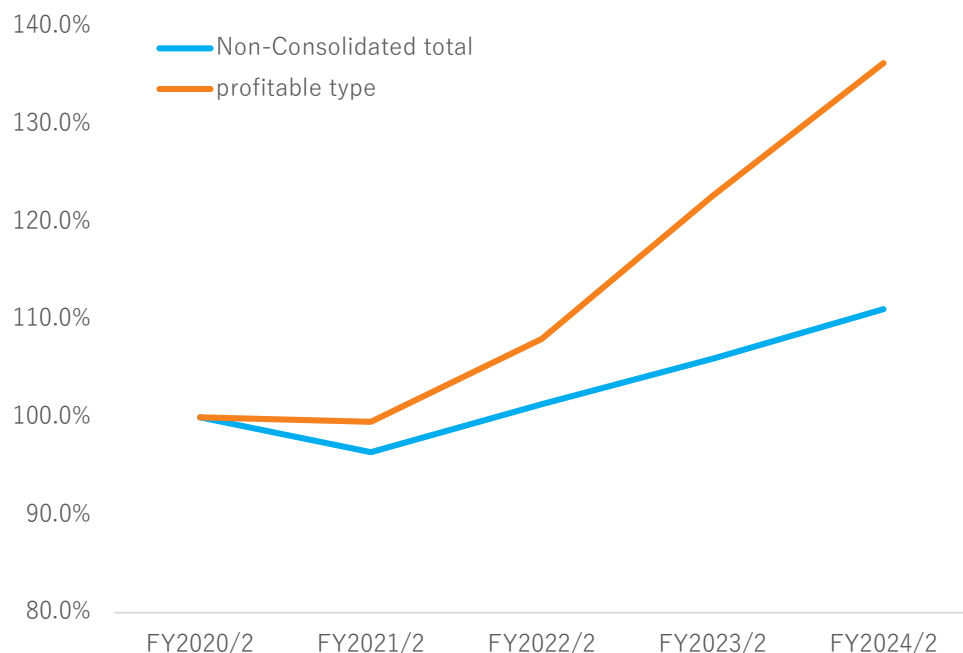
- Opportunities continue to increase for opening stores for the growth brand LAKOLE; category expansion is raising existing store sales too
- During FY2025/02, plan to open 10 LAKOLE stores and 8 Dot-ST OMO (online-merge-offline) stores
- Continuing to increase average store floor area by renovating stores and rebuilding/replacing stores



## Higher product prices by raising the value of products and brands

- Becoming more profitable while reinforcing customer loyalty by increasing prices to reflect more added value rather than simply to pass on higher expenses
- Steady progress with increasing the number of products with substantial added value that use profit-oriented brands.
- Products using collaborations with artists and popular characters are helping to raise prices of products.

### Increase in Product Prices (FY2020/02=100)



### Dot-ST Collaboration with Popular Sanrio Characters



## ■ Growth of the employee influencer program

- The number of SNS followers of employees doubled during the past fiscal year to **10 million**.
- STAFF BOARD and SNS account for **about 30%** of Adastria's e-commerce sales.

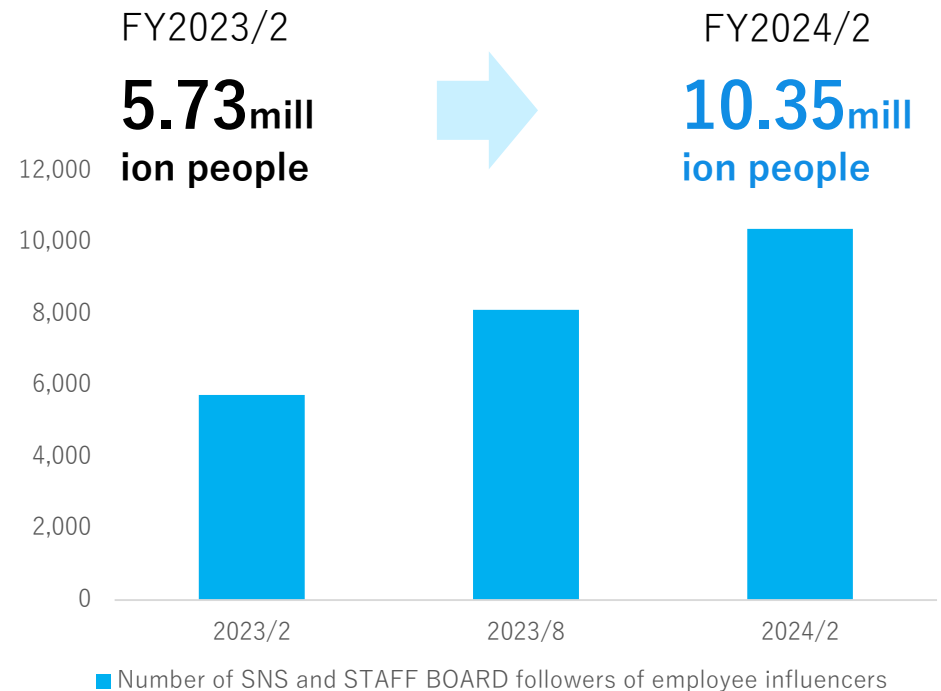
### Support for the employee influencers

- (1) More incentives
- (2) Training programs
- (3) Use of analytic tools

**STAFF BOARD**

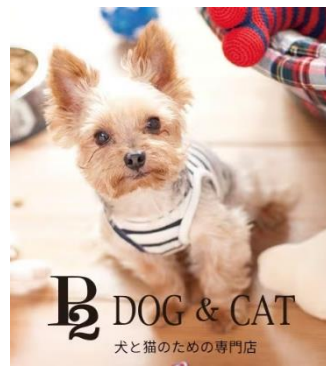


### Number of SNS and STAFF BOARD followers of employee influencers

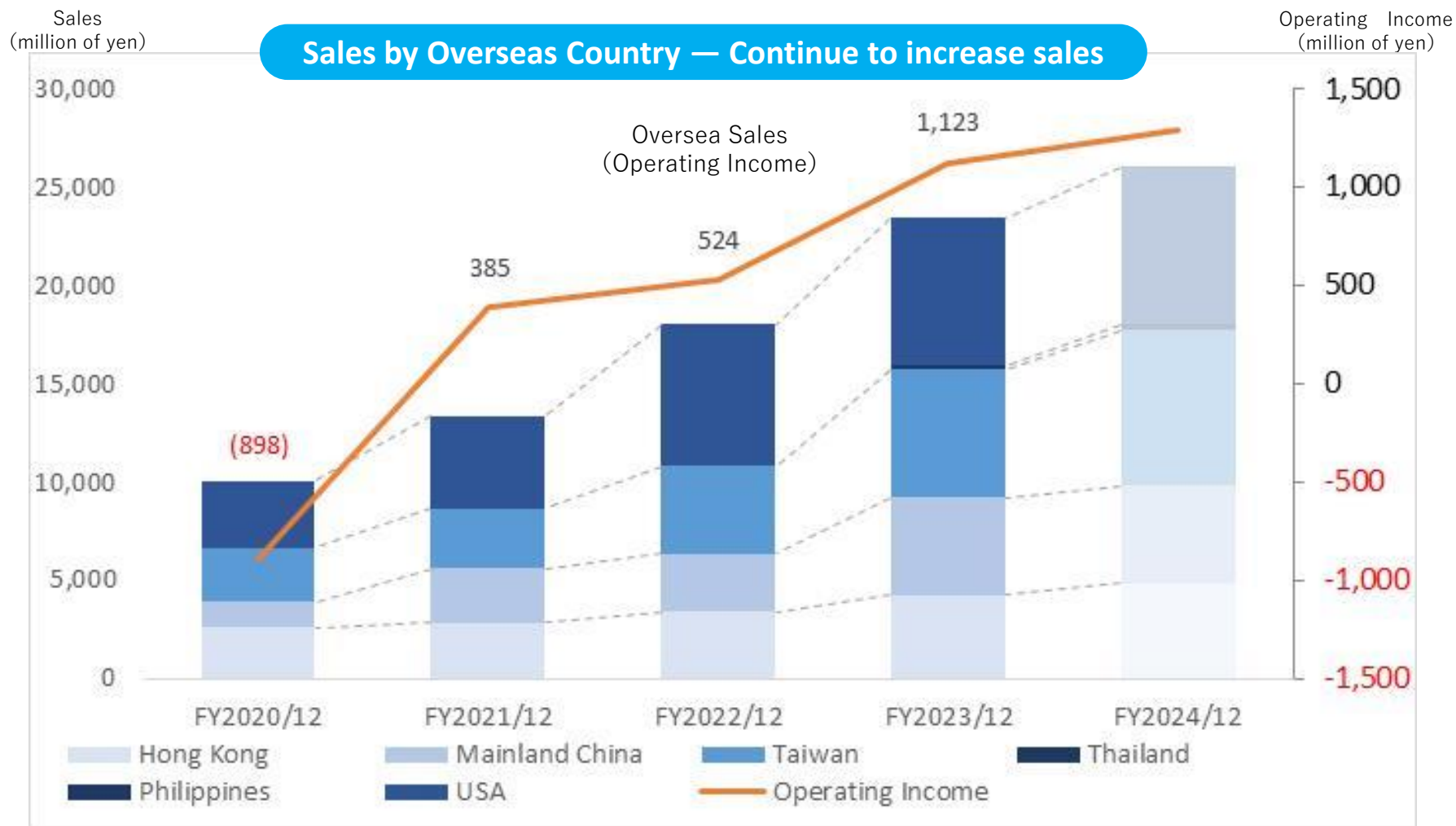


## ■ Opening Adastria EC to other companies to create an EC mall

- Adastria EC **product categories are increasing**; there were EC stores of 8 external companies with 9 brands as of the end of FY2024/02, including stores selling shoes, innerwear, pet products and other types of merchandise.
- External retailers using the Adastria EC platform appreciate product information and recommendations provided by Adastria employees. **An advertising business has also started** as part of Dot-ST.



## ■ Continue to increase sales and earnings in overall overseas operations



■ Overseas operations contribute to sales and earnings with progress involving issues and plans in all areas

Areas		Progress in FY2023/12	2024 Plan
Greater China	Mainland China	<ul style="list-style-type: none"> <li>Pushed back store opening plan due to slowing consumer spending</li> <li>Smaller loss and examinations of the performance of existing stores</li> </ul>	Priority is a smaller loss; cautious stance for new stores
	Taiwan	<ul style="list-style-type: none"> <li>22 new stores based on the multi-brand strategy</li> <li>750,000 Dot-ST members</li> </ul>	Continue to open stores, planning on sales and earnings growth
	Hong Kong	<ul style="list-style-type: none"> <li>Started Dot-ST Hong Kong</li> <li>Rebuilding/replacing stores to optimize the store network</li> </ul>	Expect sales growth and no change in earnings
	USA	<ul style="list-style-type: none"> <li>Opened stores for new brands</li> <li>Trial sales of LAKOLE non-apparel merchandise</li> </ul>	Expect no change in sales and earnings
	Southeast Asia	<ul style="list-style-type: none"> <li>Opened the first store in Thailand</li> <li>Established a subsidiary in the Philippines</li> </ul>	Plan to open the second store in Thailand and first store in the Philippines

## ■ Start of a new B-to-B business

- Following the new IZUMI business, started a brand production business for Ito-Yokado.
- A fully integrated line of activities: brand development, store designs and operations, merchandise wholesaling, marketing and personnel
- Adding more business models by utilizing B-to-B businesses that take full advantage of Adastria's capabilities; supplying uniforms to Zoff and creating appealing spaces in AEON malls are two examples.

Producing brands for general merchandise stores



New uniforms made of a sustainable fabric

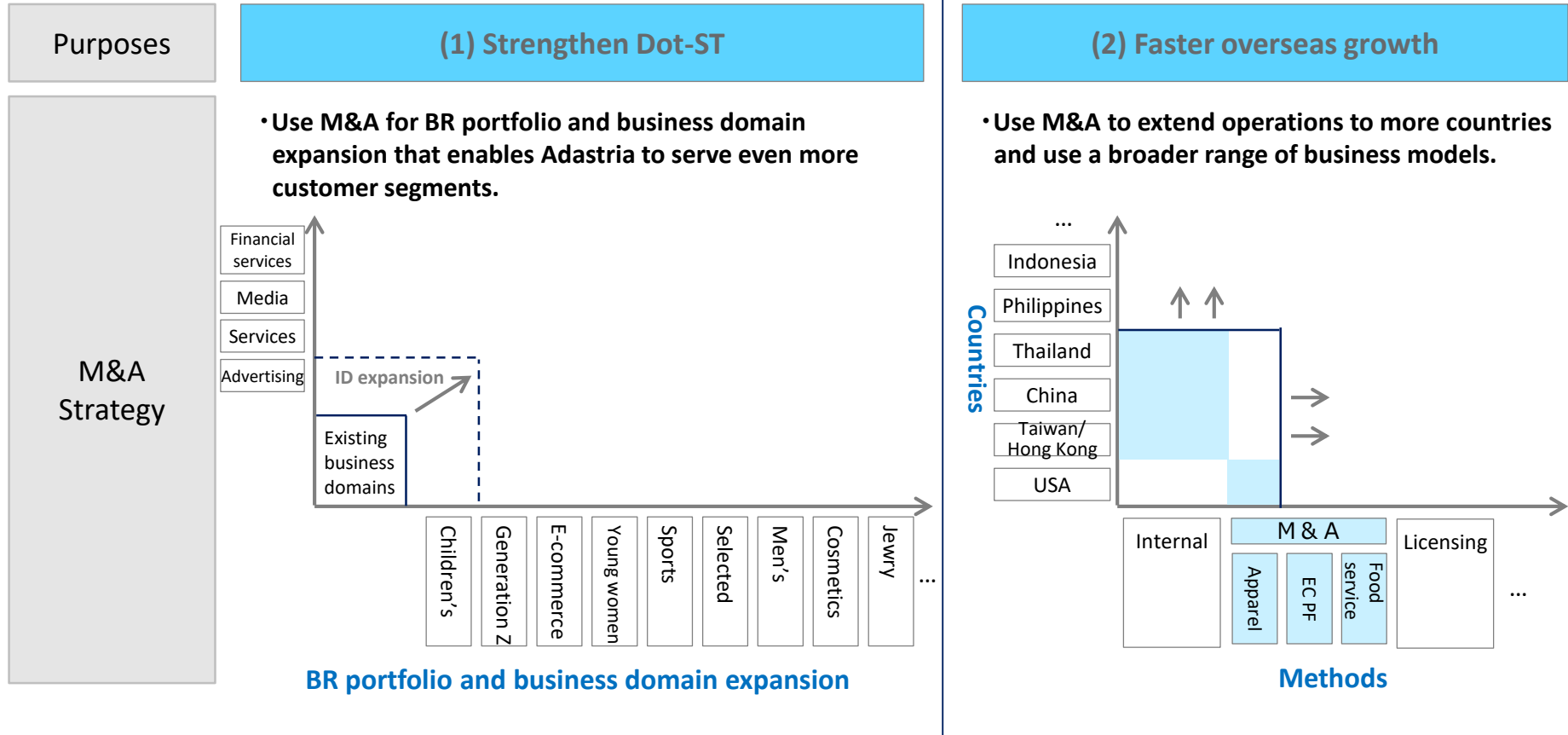


Creating space for customers to rest





## Strengthening Dot-ST and faster overseas growth are M&A priorities



### Standards for investments

- (1) Deserve to achieve each medium-term management plan target
- (2) Operating margin before goodwill amortization exceeds 8% within five to seven years
- (3) Positive current valuation using the WACC

# Management conscious of cost of capital and stock price




- Established and announced a business plan that reflects capital market considerations by including targets for increasing the ROE and earnings and other items.
- The stock price moved up as sales and earnings increased as planned; the stock price has surpassed the pre-pandemic level and is now at the highest point since 2016.
- The ROE is higher than the cost of capital and the PBR is well over one.
- The estimated cost of capital is 6 to 7%. Based on the current stock price, investors want Adastria to achieve an even higher return on invested capital.
- Although the stock price has moved up with sales and earnings growth, the PER has remained unchanged.

Date	2014/2	2015/2	2016/2	2017/2	2018/2	2019/2	2020/2	2021/2	2022/2	2023/2	2024/2
stock price	1,176	1,472	2,928	2,909	2,326	1,944	1,750	1,996	1,698	2,167	3,410
ROE	-11.3	1.1	18.3	21.2	1.6	7.5	11.6	-1.3	9.4	13.3	20.9
PBR	0.6	1.5	2.6	2.4	2.1	1.7	1.4	1.8	1.4	1.7	2.2
PER	-5.7	141.9	15.5	12.0	126.7	23.5	13.0	-134.1	15.6	13.0	11.5

- There is still upside potential for the stock’s PER. Adastria executives are holding many discussions with market participants.
- Adastria has a stock compensation plan for directors and added a total shareholder return evaluation in FY2024/02.
- Continuing to increase the disclosure of information (integrated report, English-language materials, business unit manager small meetings with investors/analysts, Carbon Disclosure Project (CDP) score improvement)
- Established a minimum level for the dividend in the medium-term management plan to reduce concerns involving volatility of sales and earnings in prior years.
- The goal is to continue increasing the dividend as earnings grow while maintaining the proper balance with the need to fund investments for growth.

<b>Number of IR Activities</b>	<b>FY 2021/02</b>	<b>FY 2022/02</b>	<b>FY 2023/02</b>	<b>FY 2024/02</b>
1on1 (Number of meetings held)	139	142	159	218
Small meeting (Number of meetings held)	9	13	13	17
Number of institutional investor meetings held	183	208	231	260
Total number of institutional investor meetings	222	322	339	460
Number of meetings handled by management (including Small meetings)	52	99	107	138

## ■ 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"> <li>Pct. of products with Adastria's own sustainability mark increased to 17.2%</li> </ul>
	Balance Environmental Considerations and Sales Activities	Achieve carbon neutrality by 2050	<ul style="list-style-type: none"> <li>Completed calculation of GHG emissions on a consolidated basis in Japan</li> </ul>
	Create a world without fashion loss	Eliminate incineration of clothing inventory	<ul style="list-style-type: none"> <li>Continuation of no apparel inventory sent to incinerators</li> <li>Recycle boxes in 170 stores/34 tons of used apparel collected</li> </ul>
 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	<ul style="list-style-type: none"> <li>Percentage of women Upper-level management: 19.1% All management positions: 35.1%</li> </ul>
		Become a White 500 Certified Health & Productivity Management Outstanding Company	<ul style="list-style-type: none"> <li>Certified as 2024 outstanding health and productivity management organization 2024 for the second consecutive year</li> </ul>
 Grow Together With Communities	Foster sustainable development in production areas	Advance partnership certifications for production plants by 2023	<ul style="list-style-type: none"> <li>49 factories have been certified (about 70% of purchases involving internal production)</li> <li>32 factories monitored/year</li> </ul>

## ■ External recognition of Adastria's ESG activities



## ■ Established a Sustainability Management Office

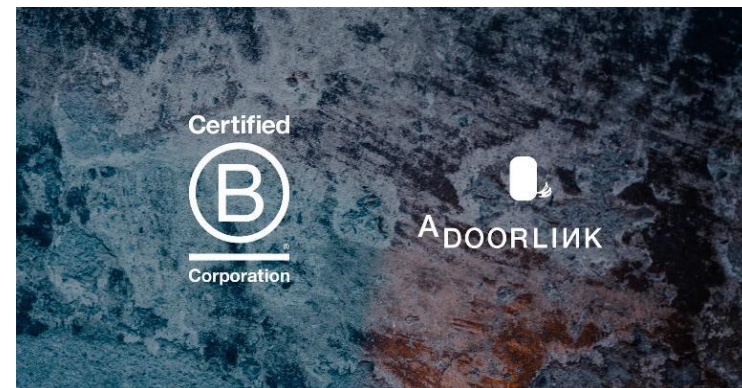
- The Sustainability Management Office was established on March 1, 2024, to further strengthen the foundation for sustainable management at the Adastia Group. This office is responsible for various activities that help achieve sustainability for the environment and society.

## ■ Adastia Received Score of “B” in the CDP Climate Change 2023 Questionnaire

- Adastia’s international initiatives concerning climate change have received high marks regarding goals, strategies, activities and adaptation measures.
- This score demonstrates the high levels of Adastia’s disclosure of information about climate change and measures to strengthen governance in relation to global standards.

## ■ ADOORLINK Certified as a “B Corporation” for Environmental and Social Responsibility

- In December 2023, Adastia Group member ADOORLINK Co., Ltd. received certification as a “B Corporation” from B Lab, a nonprofit organization based in the United States. ADOORLINK was recognized for its environmentally and socially responsible business model that provides fashions while helping achieve a circular economy and holding down the environmental impact of business activities.
- One of ADOORLINK’s operations is OFFSTORE, a concept store that offers reuse and upcycling experiences.



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

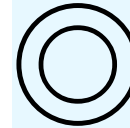
## Themes of the medium-term management plan

## FY 2024/02 progress



**Sales growth**

Expand the brand portfolio



**Achieved medium-term management plan target ahead of schedule**

Sales growth in existing and new business domains

Initial target: Sales of 280 billion yen in FY2026/02



**Improve gross profit margin**

Reduce discounting, add value, optimize cost of production



**Actions made progress, but improvement was moderate due to foreign exchange rate fluctuations**

Discounting ratio: Down 0.4% (improved)

Markup percentage: no change

ASEAN region production share increased 3% to 27%

\*Compare to FY2022/02 **Target: Gross profit margin of 56.4% in FY2026/02**



**Hold down SG&A expense**

Use equipment more efficiently  
Control indirect expenses



**Progress was made in reducing the SG&A expense ratio due to sales growth**

Sales/capital expenditure ratio: Down 0.8%

Sales/head office expense ratio: Down 0.2 %

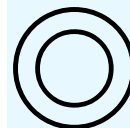
Sales/logistics expense ratio: Down 0.1%

\*Compare to FY2022/02 **Target: SG&A expenses ratio of 48.4% in FY2026/02**



**Improve Capital efficiency**

Higher efficiency of investments



**Achieved ROE well above cost of capital**

Higher efficiency of investments and earnings growth

ROE improved to 20%

Dividend higher than in the original plan

**Target: ROE15%以上**

## Explanation on the appropriate use of performance forecasts

The forward-looking statements in this document, including performance forecasts, are based on information currently available to the Company and certain assumptions that the Company considers reasonable.

## Other Notes

Figures in the materials are rounded down to the nearest million yen, and percentages are calculated from the original data.



**A D A S T R I A**  
— *Play fashion!*