

Play fashion!

# **SUSTAINABILITY REPORT 2020-2021**

**Taking the Excitement of Fashion Into the Future,**

**A D A S T R I A**  
**—**

## CORPORATE IDENTITY

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### MISSION

*Play fashion!*

Fashion that inspires you.  
Fashion that creates a vibrant community.  
Fashion for living your best life.

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### VISION

Joyful options galore!

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### VALUES

We always act with our customers in mind.  
Taking on new challenges enables us to grow and evolve.  
We value diversity and progressing as a team.  
Contributing to society by helping others.  
Making everyday life an adventure.

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### Corporate Philosophy

Be a person needed, Be a company needed.

## MESSAGE FROM TOP MANAGEMENT

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### **Aiming to *Be a Person Needed, Be a Company Needed,* as We Confront Attitudes About Affluence That Change With the Times**

Social conditions have been changing rapidly in recent years. Torrential rains, once described as a "once-in-a-decade downpour," have become an annual occurrence due to climate change. And the scale of disasters is becoming even more severe.

Digital technologies have spread rapidly and widely, becoming a core part of our communication and daily lives.

The COVID-19 pandemic has been another factor changing lifestyles and values regarding affluence at an unprecedented speed.

Since our founding as a men's clothing retailer in Mito, Ibaraki Prefecture, we have endeavored to enrich minds and lifestyles through fashion.

Every day, we consider what affluence means to our customers as the meaning changes with social conditions. Ours is a history of change and evolution, no more so than in our transition to a casual clothing retailer and shift to a specialty store retailer of private label apparel (SPA).

Our stance is and will ever remain to evolve always.

To be digital, global, and sustainable are important ideas under the current social condition.

In terms of digital, we intend to evolve our own e-commerce channel into a community in which anyone can post and share content, highlighting what they like and connecting with others.

In terms of global development, we are constructing a system to understand deeply the trends and needs in each region, creating new value together with local communities.

In terms of sustainability, the fashion industry has long been said to be

an industry having a high impact on society and the global environment. Reducing the environmental impact from production process and ensuring transparency in the labour environment are issues we all must address. We must look closely at old practices and business models.

These issues cannot be solved by individual companies alone. The industry must come together and create new ideas beyond the boundaries of industries and companies.

In particular, we believe that overstocking and work-style reform for salesperson are urgent and important issues.

We must deliver products that are truly valuable to our customers at the right time, at the right price, and in the right quantity.

We must create environments that eliminate excessiveness and waste in work styles—environments in which employees look forward to working every day.

We also want to solve issues through our core business while keeping an eye on the changing values of new society.

Be a Person Needed, Be a Company Needed as stated in our Corporate Philosophy will be achieved by facing changes in society and customers in this way. By taking on challenges and making changes without fearing failure.

We will continue to listen to the voices of society and move forward in our efforts to ensure that the next generation and the generation after that continue to *Play fashion!*



Chairman of The Board **Michio Fukuda**

President **Osamu Kimura**

## Taking the Excitement of Fashion Into the Future.

Taking the Excitement of Fashion Into the Future.

Fashion has the power to make every day a positive one.

We strive to ensure that fashion will excite us all for years to come.

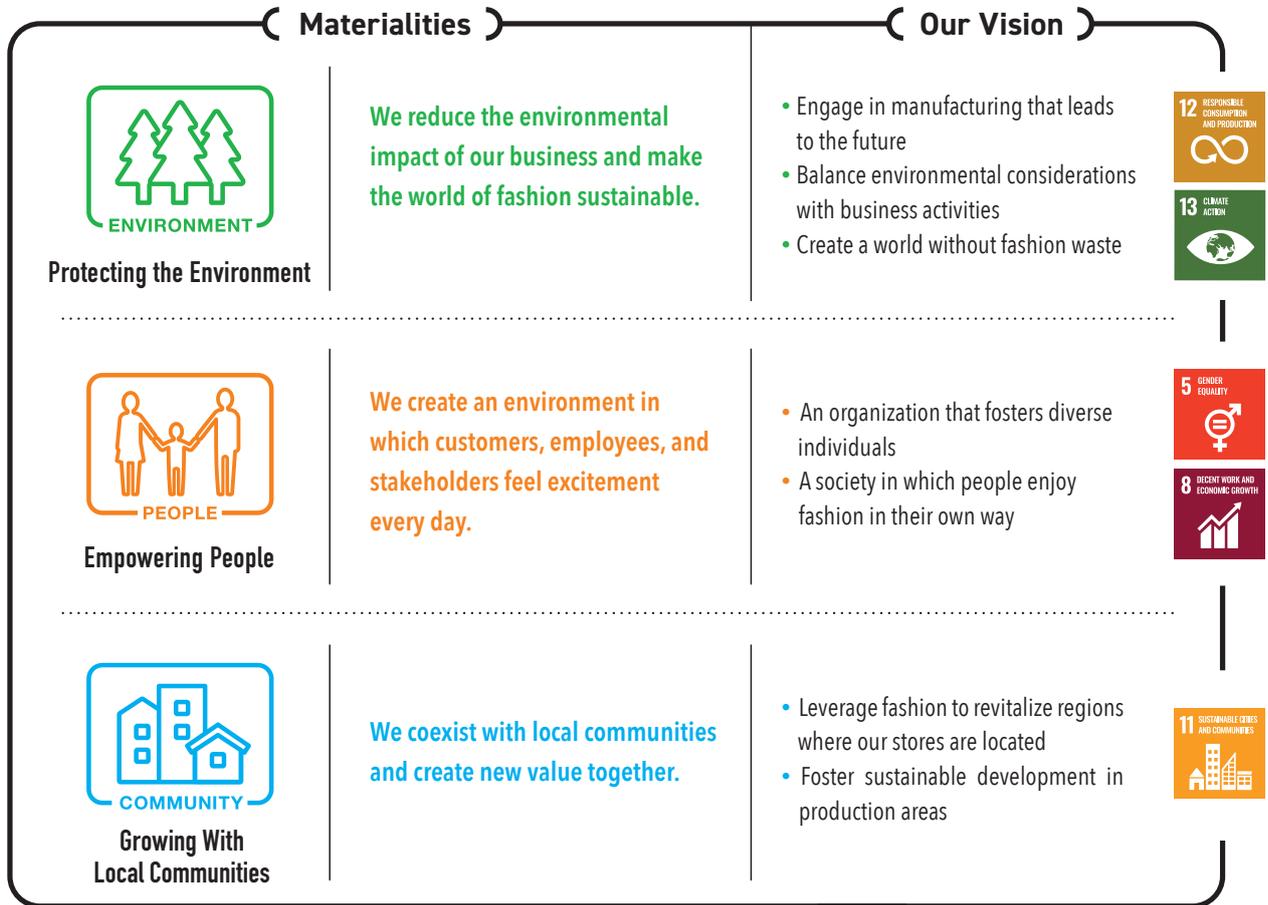
Let's have fun and begin where we can, for the sake of the environment, humankind, and our communities.

Having fun is the best way to keep moving forward.



# MATERIALITY

The society in which we operate presents many issues we must address to continue in business, including global warming, demographic changes, and regional disparities. We have identified three materialities to address as they relate to social issues and our businesses.



## Message From the Director in Charge of Sustainability

Our predecessor, Fukuda Co., Ltd., experienced bankruptcy due to the post-war recession.

Our corporate philosophy, *Be a Person Needed, Be a Company Needed*, was born from the lesson that we must meet the expectations of our customers and society. If we are not a company needed in the world, then we will cease to exist.

Today, many companies talk about sustainability. For us at Adastria, sustainability is synonymous with continuing to *be needed*.

With this in mind, we identified materialities and a vision for activities to engage with under our Sustainability Policy.

We determined these materialities and visions after discussions with Adastria Group's customers and employees, as well as external experts. We also took into account the unique characteristics of Adastria.

We also set specific goals for each materiality, and I believe that we have already proven our determination to move forward.

The fashion industry has been named as an industry with an enormous environmental impact. Impacts include the amount of energy used in manufacturing and the short product life cycle—factors that have become international issues.

In addition, the division of labor results in a long and complex supply chain. Ensuring supply chain transparency in our industry is another issue.

The Adastria business grows from a variety of interactions with society. As we aim to be a *needed* company, we will continue to face social challenges aforementioned, making positive efforts toward solutions. These social issues go beyond the ability of a single company to fully address. We must transcend corporate boundaries and take on these issues as a united industry.

As one of the leading companies in the industry, we are determined to steer our ship toward a future in which we continue always to *Play fashion!*

Director in Charge of Sustainability  
Taiki Fukuda



# COMPANY PROFILE

## Basic Information

<b>Company Name</b>	Adastria Co., Ltd.	<b>Capital</b>	¥2,660 million
<b>Head Office</b>	27th Floor, Shibuya Hikarie, 2-21-1, Shibuya, Shibuya-ku, Tokyo, Japan	<b>Representative</b>	Michio Fukuda, Representative Director and Chairman of the Board
<b>Founded</b>	October 22, 1953		

### Multi-Brand

# 30+ Brands

GLOBAL WORK

niko and ...

LOWRYS FARM

studio CLIP

LEPSIM

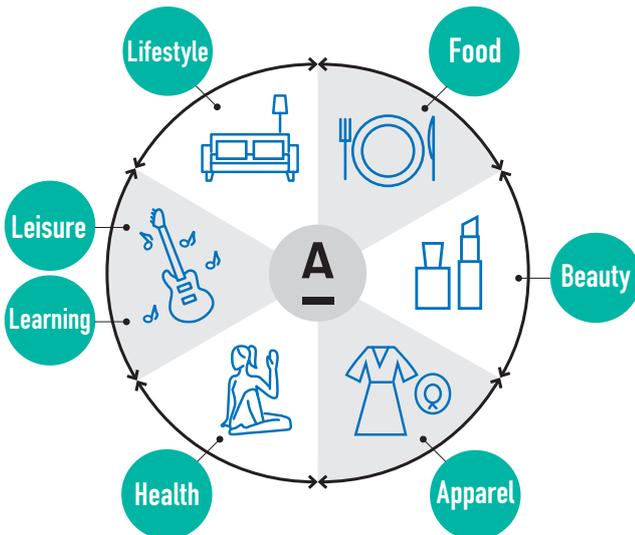
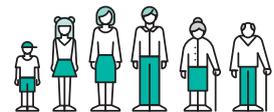
JEANASIS

BAYFLOW

RAGEBLUE

### Target Zone

We deliver exciting products to customers of all ages and preferences, from children's clothing to brands for the seniors, striving to be relevant for our customers' entire lives.



Stores **1,400** \*As of February 2021

Employees



# 10,786

Full-Time Employees **5,701** Fixed-term Employees **5,085**

\*As of February 2021

.st Members

# 12.7 million

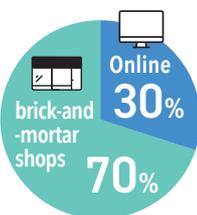
(As of August 2021; +1 million YoY)



Online Sales Composition  
Japan Online Sales

# 53.8 billion yen

(+23.4% YoY)



Online Sales Composition

\*As of February 2021

### STAFF BOARD

Posting Styling Content

Participating Staff

# 687



# 3,100

FYE 2/2020

FYE 2/2021

Participating Stores



# 494



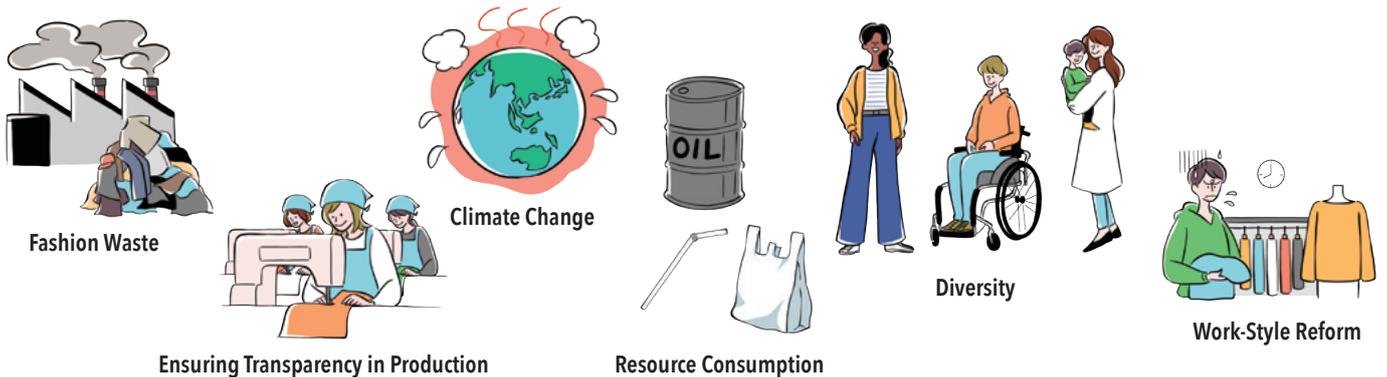
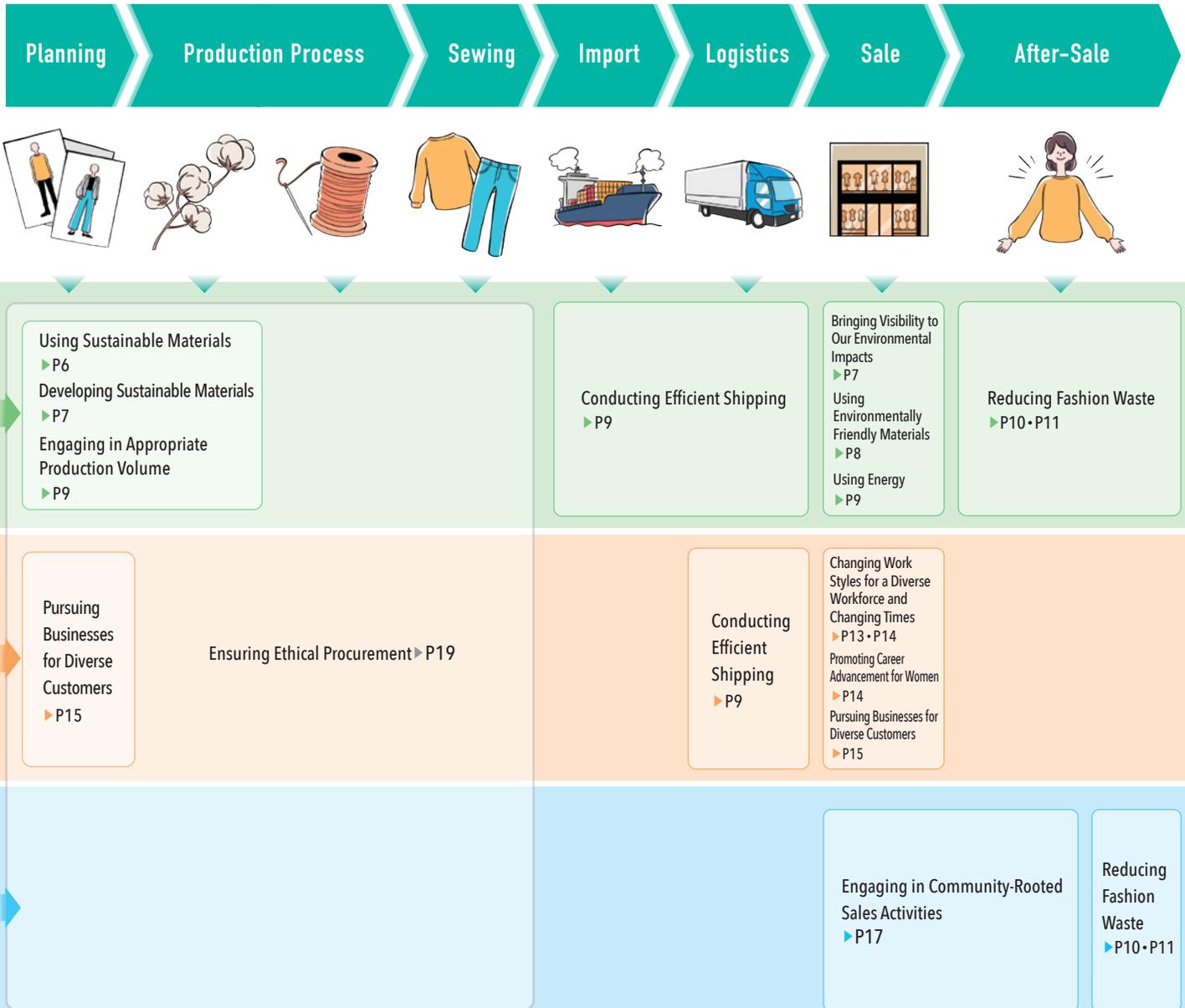
# 1,200

\*As of March 2021

# SUPPLY CHAIN

## Sustainability in the Supply Chain

We strive for sustainable business operations and sustainable societies in every business process, including product planning, raw material procurement, sale, and product use.



### Social Issues Faced by the Fashion Industry



# Protecting the Environment

Before our products and services reach customers, we use a considerable amount of resources, including water and energy.

Further, the fashion industry as a whole faces many issues that must be addressed.

These issues include fashion waste (clothing disposal) due to mass production and mass consumption, as well as biodiversity conservation.

As climate change problems become more serious, companies are expected to take measures to reduce environmental impact. Given this situation, demands are rising for us to review how we conduct our businesses.

In addition to reducing the environmental impact of our business activities, we also strive to encourage the enjoyment of sustainable fashion.

## VISION

### Manufacturing That Leads to the Future

As part of our efforts to reduce the environmental impact of our business, we review the materials and processing methods behind our products to ensure sustainable manufacturing.

Our Group Procurement Guidelines define the group's procurement policy and the matters with which we expect our suppliers to comply. These guidelines also state the necessity of reducing environmental impact and preventing pollution.

With the cooperation of our suppliers, we continue to give due consideration to the environment throughout our supply chain.

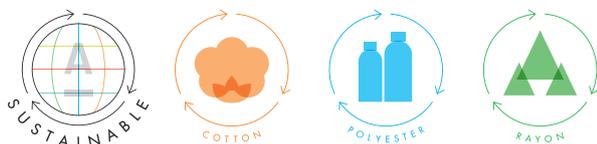
## CASE 01 Sustainable Materials

### Sustainable Mark

We have created our own definition of sustainability with respect to each raw material, particularly for cotton, polyester, and rayon, which we use quite frequently. We sell products that feature our own original sustainable mark on the tag of products that meet our specified content rates.

We use the *A Mark* on products that use sustainable materials but do not meet our defined content ratios. We also use the *A Mark* on products that incorporate environmentally friendly processing and eco-friendly components.

Since we began this initiative in December 2020, it has grown to the point where about 20% of all apparel products carry one of these marks.



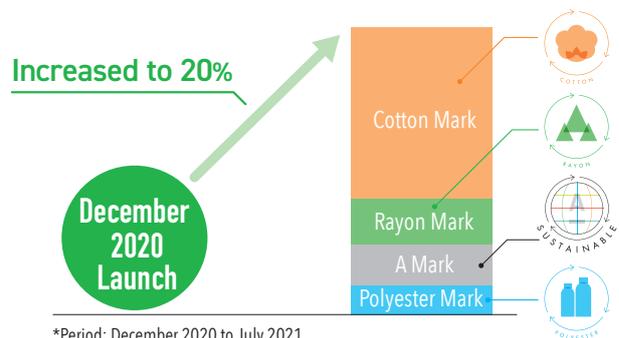
### Sustainable Cotton

We use a considerable amount of cotton in our products.

As part of our commitment to procure sustainable cotton, an essential raw material for our products, we aim to incorporate sustainable cotton in all cotton-based products by the year 2025.

We participate in Cotton2040, a global initiative to support the transition to a sustainable global cotton industry, striving to achieve the goals of this movement.

Sustainable Mark Product Ratios



\*Period: December 2020 to July 2021  
\*Results for apparel products only

## TOPICS

### BAYFLOW Sustainability

BAYFLOW's brand philosophy is *Respect Nature, Respect Fashion*. Under this philosophy, the brand has long been involved in activities that value nature, including beach cleanup events and the sales of denim made from environmentally friendly production methods. In spring 2021, the brand began pursuing a goal to shift all womenswear and menswear items (with certain exceptions) to sustainable products. The brand also sells a large number of products made from environmentally friendly materials and processing.

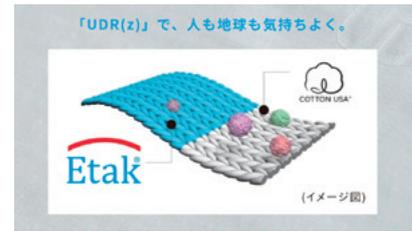




## Protecting the Environment

### CASE 02 Developing Sustainable Raw Materials

We develop our own environmentally friendly raw materials. These materials include UDR(z), which is a material we developed in collaboration with Kurabo Industries Ltd., UDR(z) utilizes the CLEANSE antiviral functional fiber processing technology of Kurabo Industries in combination with environmentally friendly materials such as organic cotton and recycled polyester. Other products we developed that feature functionality and sustainability include *miulisse*, a blend of sustainable cotton and ultra-fine, delicate micro-polyester in a unique ratio that offers comfort and privileged touch.



UDR(z)

#### Comments From the Manager in Charge of *miulisse* Development

The name *miulisse* is a combination of "miu," another name for micro, and "lisse," smoothness in French. This material is characterized by its comfort and luxurious feel.

While made of high quality raw materials, we determined the ratio and design of the material to ensure affordability.

In developing this material, we specified sustainably grown cotton in consideration of the environment.

We intend to continue producing materials that satisfy as many customers as possible.

Kazuhiro Togame, Materials Development Department, Production Division



miulisse

### CASE 03 Bringing Visibility to Environmental Impact

ADOORLINK CO., LTD's lifestyle brand *00u* debuted in March 2021. ADOORLINK is a subsidiary we established to achieve sustainable societies and circular apparel economies.

Focusing on environmentally friendly materials and manufacturing technologies, the brand discloses CO<sub>2</sub> emissions and water consumption for each product based on information related to raw materials. The brand discloses the degree of impact on environmental issues using marks that indicate one of three levels.

The brand reduces the number of samples produced by using 3DCG technology for designs and patterns. Highly accurate demand forecasting via AI ensures optimal production.

#### Environmental Impact Ratios Compared to Common Materials



CO<sub>2</sub> Emissions 3.1kg

Reduction equivalent to two cedar trees



Water Consumption 15.8 L

Reduction equivalent to three plastic bottles

<b>Global Warming</b> We minimize greenhouse gas emissions in the manufacture of our products 😊	<b>Water Shortage</b> We use a minimum amount of water in the manufacture of our products. 😊
<b>Resource Depletion</b> We must do better at using resources effectively. 😞	<b>Water Pollution</b> We minimize water pollution in the manufacture of our products. 😊

#### Comments From the Manager in Charge of *00u* Development

The brand name *00u* is a combination of letters and numbers that represent the cycle of O and O, as well as u (you) who interacts with the brand. As the brand name suggests, customers participate in creating sustainable and recycling-oriented societies by wearing *00u* items. This is our aim.

We hope everyone interacts with sustainability and helps to improve the future one step at a time, without the need for excessive efforts. It is our ideal that we co-create this brand with consumers.



### CASE 04 Building Organizational Awareness

We believe that the knowledge and understanding of employees involved in the planning and production of products is important for sustainable manufacturing, and we hold seminars every year for these individuals. We also provide opportunities for employees, mainly salesperson, to experience organic Japanese cotton cultivation at the NPO Watarase Eco Village.

#### Internal Seminars on Sustainability

<b>FYE February 2020</b>	<b>Sustainability Seminars</b> • Background • Nomenclature guidelines for environment- and human rights-friendly products • What is Sustainable Raw Materials Procurement?	<b>Participants</b> <b>323</b>
<b>FYE February 2021</b>	<b>Presentation on the proactive use of sustainable materials</b> • Our Policy and the Necessity of Sustainable Raw Materials • Operational Guidelines for Sustainable Raw Materials	<b>3,731 views</b> *Total number of views via online streaming



Internal Seminar (2019)



## Protecting the Environment

### VISION

## Balancing Environmental Considerations and Sales Activities

To make our businesses sustainable, we must consider the environment in the process of delivering products and services to our customers. Our goal is to achieve well-balanced operations that give equal consideration to business and the environment. First, we review efforts in the product procurement process and store operations. Working together with employees and customers, we begin with the things that are closest at hand, moving forward one step at a time.

### CASE 01 Encouraging Sustainable Shopping Style

As one means to conserve resources, we conduct the REBAG PROJECT to promote the use of My Bags (reusable shopping bags). We give members points when they opt not to use disposable shopping bags. In addition, 830,000 people participated in the REBAG Shukan program we sponsored during fiscal 2020. During this program, we doubled the number of points given for a limited period of time. Our efforts have resulted in a cumulative reduction of 4.49 million shopping bags over the six years leading up to fiscal 2020. Through these efforts, we hope to work together with our customers to create sustainable shopping styles that avoid the use of disposable resources.



We sell a wide variety of functional and well-designed eco-bags at each of our group stores. Eco-bags offer a new approach to use, featuring different themes (daily carry, wash and reuse, etc.) for customers to show off their style coordinated with their look of the day.



Eco-Bag Made From Scrap Wood (GLOBAL WORK)

We actively communicate via social media to encourage consumers enjoy adopting sustainable fashion in their daily lives.

Each of our employees thinks about and designs ways to co-create new shopping styles. These ideas include sharing videos on how to store packable eco-bags properly and unique styling recommendations incorporating My Bag (personal shopping bag) with the brand (=REBAG STYLE).



Proposing REBAG STYLE



Social Media Communications

### CASE 02 Using Environmentally Friendly Materials

In addition to using environmentally friendly materials in the products themselves, we are switching gradually to environmentally friendly components used in product delivery, including tags, shoe boxes, wrapping paper, and shopping bags.



Shopping Bag Made of FSC-Certified Paper and Biodegradable Corn Rope (LOWRYS FARM)



Shoe Boxes Made of 100% Recycled Paper



Packaging Materials Made From Biomass Materials and Recycled Paper Cardboard (00u)



Cups Made From Sugar Cane Straw and Recycled PET Resin (BAYFLOW Cafe)



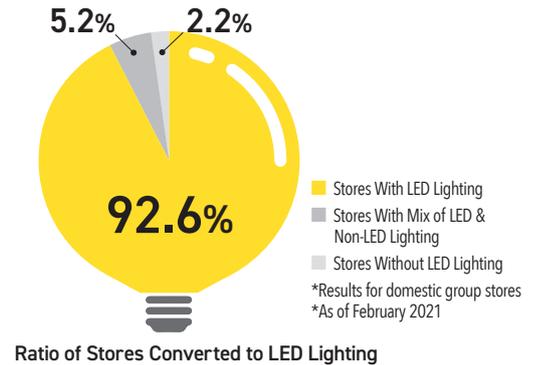
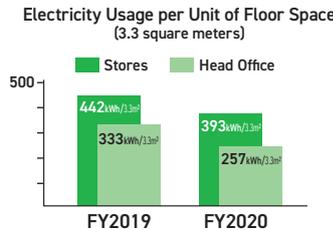
## Protecting the Environment

### CASE 03 More Efficient Energy Use and Transportation

We have implemented various measures to use energy efficiently and to reduce CO<sub>2</sub> emissions. In our stores, we are switching gradually to LED lighting and working with the Tokyo Head Office to reduce the amount of electricity used per unit of floor space, as we monitor annual electricity consumption.

In addition to installing solar panels in some distribution centers, we aim to use energy more efficiently by optimizing transportation plans and collaborating with delivery companies.

Category		Unit	FY2019	FY2020
Stores	Electricity Usage	1,000kWh	36,259	23,542
	CO <sub>2</sub> Emissions	t-CO <sub>2</sub> e	16,246	10,298
Head Office	Electricity Usage	1,000kWh	1,342	1,035
	CO <sub>2</sub> Emissions	t-CO <sub>2</sub> e	582	449



Solar Power Generation Panels (Ibaraki Nishi Distribution Center)

\*Adastria non-consolidated  
\*Period: April 2019 to March 2020; April 2020 to March 2021  
\*We calculate CO<sub>2</sub> emissions using the emission factors provided under the Ministerial Ordinance Concerning Calculation of Greenhouse Gas Emissions Associated with Business Activities of Specified Emitters (calculated using the basic emission factors for each fiscal year of general power transmission and distribution companies that supply electricity in the areas where the offices and plants subject to the calculation are located).  
\*The amount of electricity used in stores includes the amount of energy used for air conditioning.  
\*For certain stores where the amount of electricity used is unknown, we calculate and estimate the emissions intensity per floor area unit of the store.

## TOPICS

### Jamba, a smoothie and juice specialty store from California, U.S.A.

Jamba, a smoothie and juice specialty store from California, USA, is operated by ADASTRIA eat Creations. The store sells smoothies made from frozen fruits, vegetables and 100% juice concentrate, focusing on natural products with no artificial colors, artificial flavors, artificial sweeteners, or dextrose sugar. Only natural ingredients are used. The newly opened Jamba Kitchen Labo GRANSTA MARUNOUCHI offers a variety of choices to suit diverse dietary habits, including plant-based, gluten-free and vegan, soy meat, and plant-based milk.



## VISION

### Create a world without fashion waste

Fashion waste (clothing disposal) is an important issue to address, as it leads to CO<sub>2</sub> emissions from excessive resource consumption and incineration.

We have made it our policy to eliminate clothing incineration, and we pursue a variety of initiatives to prevent burning and disposal. In addition to our goal of making products in the correct amount to avoid overproduction, we also strive to find new ways to use and recycle products that are no longer sold.

These efforts will lead to the proper use of resources and the reduction of CO<sub>2</sub> emissions.

### CASE 01 Engaging in Appropriate Production Volume

Based on our policy of right time, right price, right quantity, we manage purchasing plans and inventory to ensure we deliver exciting products to customers at the right time, at the right price, and in the right quantity. In addition to consistent open to buy (OTB) management (i.e., purchase plans are based on the remaining inventory according to sales) management and the management of products on a single item basis, we make appropriate decisions regarding add-on orders and purchase restraints. In this way, we control inventory volume and prices by curbing excessive discounts and sales.

We improve order accuracy by utilizing pre-order data received through our official online store .st.



.st Website Pre-Orders.



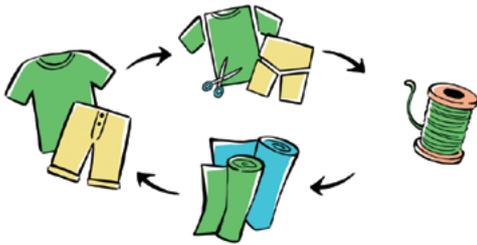
## Protecting the Environment

### CASE 02 Clothing Reuse

With the cooperation of our partners, we recycle and reuse items that have reached the end of their sales life, endeavoring to eliminate the incineration and disposal of clothing inventory.

Certain items are used in new business projects, including our KIDSROBE business, a children's clothing sharing service, and in FROMSTOCK, an upcycling brand.

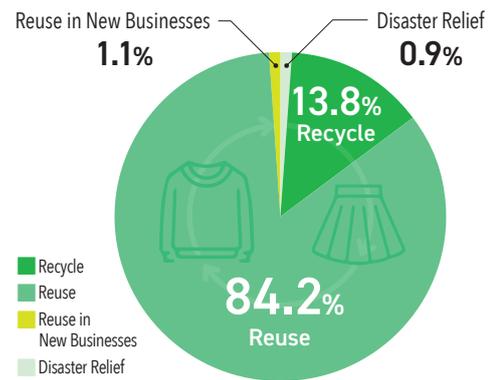
We have also set up a system to use end-of-sales life clothing as relief supplies in the event of a large-scale natural disaster.



We are developing the FROMSTOCK upcycling brand, which utilizes certain products that have reached the end of their sales lives. FROMSTOCK puts these clothes through a low-loss black-dyeing process to give these products new life.

Different types of dyes are used according to the material and characteristics of the clothes. Even if the clothes happen to have been damaged by snags or stains, the new products offer unique textures.

#### Recycling and Reuse of End-of-Life Inventory



\*Adastia non-consolidated results  
\*March 2020 to February 2021

#### FROMSTOCK Dyeing Process



Before Dyeing

After Dyeing

### CASE 03 Apparel Collection and Recycling: Play Cycle!

Play Cycle! is an Adastia environmental initiative to collect unwanted clothing from customers and recycle or reuse the clothing as a new resource.

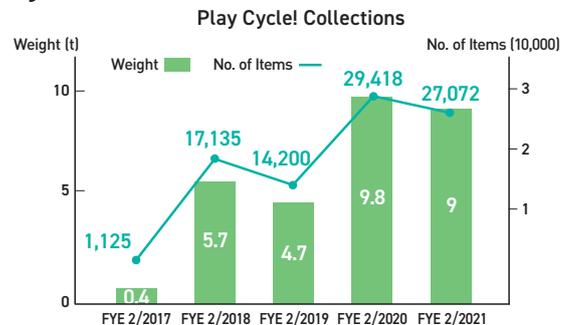
The clothing collected is recycled into raw material for polyester or down by partners, after which the materials are reused by the KIDSROBE children's clothing sharing service.

We aim to create an environment in which consumers can recycle clothing easily at any time and any place. At present, we collect clothing at 102 stores in Japan, including GLOBAL WORK locations.

The Play Cycle! program collaborates with a variety of companies and local schools.

In January 2021, the program collaborated with B.LEAGUE Hope, a social responsibility activity of the B.LEAGUE professional basketball league, to collect clothing at the B.LEAGUE ALL-STAR GAME 2021 in Mito.

In summer 2021, the program collaborated with high schools in Mito City, Ibaraki Prefecture, and elementary schools in Yokohama City, Kanagawa Prefecture, to collect unwanted clothing. Our activities through Play Cycle! continue to expand beyond the boundaries of fashion.



Collecting Clothing at an Elementary School

#### TOPICS //

#### Co-founding the JAPAN SUSTAINABLE FASHION ALLIANCE

The Japan Sustainable Fashion Alliance was established by leading Japanese textile manufacturers, trading companies, retailers, and recyclers to understand the impact of the fashion industry on the natural environment and society, fostering collaborative solutions to common issues in the industry.

The alliance aims to achieve zero fashion loss and carbon neutrality by the year 2050 through appropriate production, purchasing, and recycling, while also proposing policies to achieve these goals.



## STAKEHOLDER DISCUSSION

### How to Deal With Fashion Loss Effectively?

In February 2021, we held a stakeholder discussion at the Adastria head office. The topic of the discussion was *Thinking About Fashion Waste*.

Participants discussed new ways in which Adastria can improve to create a world without fashion waste.

Here, we highlight some of the remarkable comments we received about the industry and social approaches from people familiar with the environment and the fashion industry.



#### Participant Profiles

▶ **Mr. Shuichi Takizawa**

Part of the comedian duo *Machine Guns*  
Mr. Takizawa has also worked in the past as a janitor for a garbage collection company.

▶ **Ms. Io Takemura**

Co-Chairperson of unisteps, Fashion Revolution Japan Branch

▶ **Mr. Takahiro Okano**

Director, Office for the Promotion of Hot Springs Land Protection and Utilization, Nature Conservation Department, Nature Conservation Bureau, Ministry of the Environment \*As of the time of this dialogue

▶ **Mr. Tsuyoshi Fukuya**

President and Representative Director, WEFABRIK Co.  
Mr. Fukuya participated in the dialogue remotely.

#### Shuichi Takizawa

- Even if consumers recycle or reuse clothing, rather than throwing it out, the paths leading to the next step are narrow and few in number. I think this is the first issue that must be addressed. Systems will be required in the future to communicate this process after recycling and reuse in a manner easy to understand. These communications might include how clothes are actually used and their final use.
- I also think it would be better to offer a more convenient clothing collection system in which everyone can participate easily. For example, one could attempt to build an infrastructure based on mechanisms from the collection to the final utilization of clothing. It would be difficult for a company to achieve this on its own. One way forward would be for multiple companies to work together in building a system. Through this discussion, I came to feel that consumers are also looking for an environment that eliminates waste. This could be achieved if the entire industry came together.

#### Takahiro Okano

- An approach focused on the order stage to control the number and produce a correct amount of products is very promising. I think examples should be disclosed more widely...simulations of sales forecasts, production volume adjustments based on pre-orders, etc. If consumers see Adastria's stance in identifying needs and dealing with the issue of fashion waste in partnership, then I think these consumers who buy Adastria products will take better care of their clothes.
- Mass production, mass consumption, and mass disposal in the fashion industry are issues that cannot be overlooked from a social perspective. Some data shows that even though production numbers have increased, the size of the market is shrinking. To solve this issue, we must make a fundamental change to existing business practices, including lowering product prices. This is an issue that must be addressed on a united front by the fashion industry, and I encourage the government to become involved as well.

#### Io Takemura

- I found the upcycling brand FROMSTOCK very interesting. The brand dyes unused clothes black and gives them a new life, ready for resale. However, using a system that offers consumers the chance to enjoy the differences between each article of clothing could be better in the end. Rather than offering a standard value of buying black-dyed clothing, the brand could communicate the unique value of clothing dyed in various colors and the attraction of owning distinctive, one-of-a-kind articles.
- Maintaining transparency is a basic principle in manufacturing. The reality, however, is that very few companies ensure transparency, not only with respect to the products themselves, but also with respect to the raw materials, manufacturing workers and environment, and sales process. This is why I would like to see Adastria and other companies be more proactive in communicating about their manufacturing processes and their works as a company. Consumers should be made aware of good initiatives for the industry and society, no matter how trivial or incomplete. A platform to communicate easily with consumers would help change social awareness.

#### Tsuyoshi Fukuya

- I have come to understand that solving fashion loss requires an increased number of "exit options" beyond recycling and reuse. This is just one example, but what about taking on the challenge of off-price stores, taking advantage of Adastria's strength of operating various brands nationwide? Since there is no precedent, I think it could have a positive impact on society and help solve the fashion waste problem.
- In 2020, we implemented a sustainable style project with SMASELL, Mode Gakuen, and Adastria. The project was designed to provide sample products from Adastria as teaching materials at Mode Gakuen to help students learn about the issue of waste loss. I feel that it is important to continue to increase the number of such cases of industry-academia collaboration. As corporations become more actively involved in the field of education, these activities will lead to the education of the next generation. I hope to see more such opportunities in the future.



# Encourage People to Shine

Our business is supported by many people, including our customers and employees.

With the declining birthrate and aging population in Japan, diversifying customer needs, and ever-changing times and values, the role that we as a company need to play and the products and services that we provide continue to change.

At Adastria, we believe that it is our responsibility to support all people through our business, enabling them to enjoy their lives and careers through fashion.

## VISION

### An Organization That Develops and Grows Diverse Personalities

One of our corporate identity values is the value of diversity. We respect and recognize diversity regardless of age, gender, nationality, disability, sexual orientation, etc.

We have incorporated organizational diversification into our management strategies, and we pursue initiatives to create an environment and structures that support employee careers and allow employees to fully express their talents.

We believe that each and every employee will be able to leverage their unique strengths, and this will lead to active discussion and innovation with new perspectives, and to the mid- to long-term growth of the company.

We implement work-style reforms, improve internal systems, provide human resources development, and employ persons with disabilities to ensure customers, employees, and others find greater levels of job satisfaction and health both physically and mentally.



### CASE 01 A System That Allows Employees to be Healthy and Active in Their Own Way

We believe that allowing our employees to have control of their own work styles as their careers and life stages undergo transitions, and allowing them to continue working with satisfaction for a long time, will lead to increased productivity, more role models for employees to learn from, and corporate growth.

We endeavor to provide a proper work-life balance for our employees by

allowing them to take paid leave in half-day increments and promoting the use of annual paid leave. Through maternity and childcare leave programs, nursing care leave, and job returns (re-employment after retirement), we also work to create a system that allows employees to be active regardless of their age or life plans.

Percentage of employees taking paid holidays



**64.6%**

Percentage of employees taking maternity leave



**99.6%**

\*Adastria (non-consolidated)

Average monthly overtime hours per employee



**6.2 hours**

Percentage of employees taking childcare leave



**98.1%**

(Percentage of male employees taking childcare leave: 2.67%)

Percentage of employees returning to work after childcare leave



**98.3%**

Average number of days of nursing care leave taken



**119 days**

\*FYE 2/2021

Target: Domestic group company results



## Empowering People

### CASE 02 A Diverse Workforce

The Adastria Group employs a diverse mix of people with different cultures, backgrounds, values, and lifestyles, including those with disabilities, foreign nationals, and those taking on shorter hours while raising children, all working together with great vigor.

For employees to embrace the individualities and differences of their peers and grow together, we hold lectures for management that teach the effects of diversity within organizations. We do our utmost to create a system and environment that enables employees to fully utilize their individual characteristics.

#### Being Excited for Change, Hoping to Contribute to the Growth of People and Communities

By developing and retaining the human resources that support the company, we hope to create a flexible and strong organization that can respond to major changes in the global society, as well as satisfy the needs and improve the lifestyles of local customers. Aiming to provide employees longtime employment with trust and security in their work, we have also introduced a training system in Taiwan, and have started reviewing our evaluation system.

We hope to contribute to the further evolution of the Group by developing human resources who can work globally for a long time.



President and Representative Director, Adastria Taiwan Yvonne Lin

#### Number of Foreign Employees

Total 94 people



\*As of February 2021  
Target: Domestic group companies

#### Employee Training

We held a leadership lecture by a female director for male managers on the topic of changing the managerial mindset.

150 male managers, including those participating online, deepened essential knowledge and understanding of leadership and diversity in an organization.



#### Breakdown of employment of persons with disabilities by job category

The Adastria Group employment rate for people with disabilities is 2.38%, and 194 staff members with disabilities are employed. They make full use of their individual traits and abilities with the meticulous support of our special-purpose subsidiary, Adastria General Support Co., Ltd. In addition to business support which includes administration and clerical work, we are expanding the scope of our activities with back-room support for stores, participation in new business projects, etc.

Total 194 people



\*As of May 2021  
Target: Domestic group companies

#### Employee Roundtable Discussion

Only when your individuality shines through can you Play fashion!



Elura Machiko Kawasaki



R&D office Hirokazu Kanehara



ADOORLINK Jenny Wong

**Wong:** I'm from Hong Kong and have about eight years of experience in product planning and e-commerce at a group company in Shanghai.

Since moving to Japan, I have been involved in the web business department and the launch of *OOu*, a lifestyle brand that incorporates a sustainable perspective.

Employees of Adastria, no matter where they are from or what they do, share the same common mission: "Play fashion!"

I think sharing the same sense of values is what allows us to take on new challenges while overcoming differences in languages and ideas.

**Kawasaki:** Ever since I was a fresh graduate, stores have been my area of focus. I took maternity and childcare leave and returned to work last year.

After returning to work, I took on the SSC challenge, an in-house roleplay competition held in fiscal 2020. Using my strengths in customer service, I was able to win the competition.

Currently, I take on a variety of tasks in addition to store operations, including planning, operational support, and customer service guidance.

Now that I work shorter hours, I can switch my mind on and off work more clearly than before. I always think about how to maximize my performance in the limited time I have.

**Kanehara:** The textile design team that I lead is made up of a diverse group of people.

This diversity has a positive effect on the team as a whole.

Ms. Kawasaki is an example we can learn from. Like her, those who work shorter hours work efficiently to avoid unnecessary and time-wasting work.

There is so much to discover and learn from the differences of each individual. I think that being a diverse organization creates new insights and values that lead to the growth of the team.

**Kawasaki:** Age is one of the many traits that makes us unique.

With brands like Elura and Utao that target those in their 50s and 60s, not only do we keep customers for a long time, but our employees remain active as they age

and continue utilizing their unique strengths in customer service.

**Wong:** I've also noticed that in the last two years, workplaces have become more diverse.

Remote work and new digital technologies have given employees flexibility in choosing where and how they work, allowing them to suit their work to their preferred environment and lifestyle.

**Kanehara:** I believe that by creating a synergy between workers and fully embracing the advantages of the web and the real world, we widen opportunities for all our employees.

There are those that show great ingenuity in human resource development and customer service that is only made possible through real human interaction. There are further yet those that communicate their unique styles on the staff board, illuminating us on new customer touchpoints.

I also believe that various new opportunities for people to utilize their unique traits are helping them express their individuality.

**Kawasaki:** Even employees with time restrictions on their work can play an active role online. Expressing their individuality allows them to make a difference in the way they work.

**Wong:** This is not only about accepting differences, but it is also about creating a space in which people can freely utilize their personal traits and demonstrate their unique abilities.

I believe this will enable the individualities of our diverse group to shine through.

**Kanehara:** The first step is to recognize, respect, and accept the differences between all people.

By sharing and combining the experiences, knowledge, and ideas of diverse employees that vary in areas such as gender, nationality, sexuality, and disabilities, we can create synergy and demonstrate our real strength.

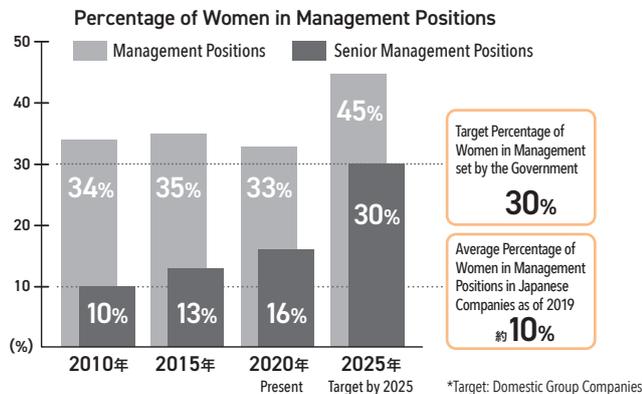
The key to fulfilling our original mission to "Play fashion!" is for each and every one of us to fully utilize our individuality, and shine as we bring indispensable value to the team.



## Empowering People

### CASE 03 Supporting Activities for Women

The Adastria Group considers the promotion of activities for women, who account for more than half of its employees, to be one of the key issues in its diversity management. Under the commitment of management, the Group has formulated a specific target and roadmap to raise the percentage of women in senior management positions to 30% or more by 2025.



By taking advantage of the large number of women employees, we hope to incorporate flexible and diverse perspectives into the decision-making process, develop products and improve the quality of services by taking advantage of the diversifying needs and unique perspectives of women, and generate medium- to long-term growth and new innovations for the company.

\*The percentage of women employees in the consolidated domestic group is 75.1% (as of February 2021).



Leadership Lecture by Women Directors



Panel Discussion by the Female General Managers



Selected as a Quasi-Nadeshiko Brand for the first time in 2020.



As the General Manager of the Public Relations Department, my role is to make the company activities and ideas known both internally and externally through media relations and internal dissemination of messages from management, and to conduct communications that contribute to the business.

I try to see everything as a personal matter, treat others with respect and interest,

and respond flexibly.

In a team of diverse people, there are many different values and ways of thinking. This includes how people balance work life with family, their life stages, and their approaches to build their careers.

I prioritize daily dialogues among the group so that each member can effectively use their individuality and come to understand what their personal approach ought to be. I aim to create an environment in which each member brings indispensable value to the team, and where they can receive support from those around them when needed.

Increasing the diversity of lifestyles and ways of thinking among the senior management positions, including the women, will lead to new perspectives, engaging discussions, and a strong ability to make decisions. I believe this will also lead to more fun product proposals and services that push the boundaries of fashion.

I will continue to communicate our exciting challenges to as many people as possible. In doing so, more people both inside and outside the company will view their involvement with Adastria as something fun and positive.

### CASE 04 Adapting our Work Styles to the Times

Through our flextime and telework systems, we promote work styles that offer employees flexibility in choosing the time and place of their work. We have also established personnel systems for changing career track positions and regional positions, allowing employees to take paid leave in half-day increments, and allowing employees to take on a side job. This gives them a variety of careers and work styles to choose from that suit their life.

Additionally, to achieve a sustainable work style for store staff working in commercial facilities, we cooperated with Shin-Shizuoka Cenova in launching the Mutual Support for Working Hours Project. This incorporates a business hours

flextime system and a leave system that offers employees time off to replenish their energy when needed.

About 110 tenant companies and industry organizations participated, some online, at our progress report meeting. They proposed sustainable work styles for the entire industry.

As the way products are sold and purchased continues to change, we strengthen customer communication through digital technologies like SNS and live streaming to expand opportunities for new sales and activities not bound by location or time.

#### Mutual Support for Working Hours Project



#### Number of Applications for Side Jobs



\*As of February 2021

#### Breakdown of People in Elective Job Positions



\*Target: Domestic Group Companies (excluding executive officers)



## Empowering People

### VISION

## A society in which people enjoy fashion in their own way

As customer needs become increasingly diverse, we develop products and services in multiple categories and under multiple brands to satisfy as many tastes as possible.

We use customer service as a means to offer products that match customer needs. In addition, we offer designs and looks that are not restricted by gender, providing fashion that allows people to enjoy differences in age, appearance, and personality. In this way, we strive to empower people.

### CASE 01 Pursuing Businesses for Diverse Customers

Inclusive fashion is our ideal as we aim to create societies in which all enjoy comfortable fashion and the chance to be themselves. Play fashion! for ALL is an inclusive fashion service that offers *fashion for all* from a variety of perspectives. We launched this idea in response to a proposal by an employee submitted to our *Project A* internal business idea program.



#### 'Play fashion! for ALL'

Project Manager Interview

Marketing Division  
Serina Banno

#### Creating Societies for All to Enjoy Fashion More

*Play fashion! for ALL* is a concept aiming to standardize fashion, while also supporting the idea that fashion is obviously unique to each individual. My father was in and out of the hospital repeatedly during a 20-year battle with illness. In the last six months of his life, he required extensive nursing care. When I look back on the six months he spent bedridden, I regret that we didn't do more to help him enjoy fashion and be himself, even during his

unfortunate situation.

We should be able to look forward to daily wear and what look we want to try next. The same goes for people who are undergoing nursing care or who have disabilities.

If we can create societies like this, every person will have more fun fashion options every day.

I worked with three employees of the special subsidiary Adastria General Support in this project. We discussed their respective issues and developed clothes that met their needs, which led to a crowdfunding project and sales on the .st online store.

We moved forward with this project because we are a company with many positive and enthusiastic employees who are willing to take on challenges and think together.

Ten years from now, I would like to see a fashion industry that treats inclusive fashion as the norm.

### Style Preference and Comfort at the Same Time

Thinking solely about comfort without considering style preferences results in apparel the consumer won't wear.

I faced this dilemma personally because I am a fashion enthusiast.

I am happy that we created apparel through this project that represents exactly what the customer wants.

With just a little ingenuity, such as changing the length or sewing method, we produced fashionable apparel that offers favorite looks with more comfort.

I hope this will be the start of a wider range of fashion options for wheelchair users.

Project Member, Yamagata Support Center, Adastria General Support Daisuke Suzuki



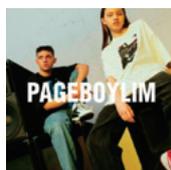
Casual Wear for Wheelchair Users  
Corduroy Shirt With Sleeve Patches

### TOPICS

#### FOR I SERIES is apparel for slender adult women who love their own individuality



The *Heather mini*, developed for petite women based on feedback from staff



PAGEBOYLIM, a genderless brand transcending age and gender that offers the joy of freedom



FOR I SERIES is apparel for slender adult women who love their own individuality

#### CO-FUKU Mask 2020

We participate in CO-FUKU Mask 2020, a workshop supported by Shibuya Ward. The goal of this workshop is to understand the problems faced by people with disabilities in connection with masks, giving new shape to masks through redesign.

Employees with disabilities and professionals such as product planners and pattern makers are participating in the project. The project produces collaboratively developed and commercialized masks and mask cases that are easy to put on and take off from the perspective of caregivers. Masks are available for purchase through the .st online store, and the issue itself is gaining wider attention.





## Empowering People

### CASE 02 Encouraging an Understanding of Diversity

We engage in activities to educate society and provide services to ensure everyone enjoys and is excited about fashion, empowering people to let their individuality shine through.

In addition to our support for the OUT IN JAPAN coming out project, we set up booths at Tokyo Rainbow Pride and Kyushu Rainbow Pride events.

Beyond encouraging an understanding of the LGBTQ community, our efforts provide opportunities to expand awareness of our participating brands and to improve customer service skills by offering products more personalized to each customer.

#### TOKYO RAINBOW PRIDE



TOKYO RAINBOW PRIDE (2018)

#### OUT IN JAPAN



OUT IN JAPAN Photo Exhibition at the 21st Century Museum of Contemporary Art, Kanazawa



OUT IN JAPAN Crowdfunded Sponsor T-Shirt

### CASE 03 Fostering the Next generation of Human Resources Through Fashion

We support young people who aspire to enter the fashion industry to foster human resources of the future through our core businesses.

Since 2009, we have accepted junior and senior high school students for work experience at our stores nationwide. Since 2020, we offer open company tours at our Tokyo head office to let students experience the product planning process, providing with opportunities to learn about store and head office operations.

Creating opportunities to interact with young people allows our employees to gain new ideas and perspectives, which they can apply to their work.

In fiscal 2020, we limited the number of students accepted due to the impact of COVID-19. More recently, we began accepting students upon request.

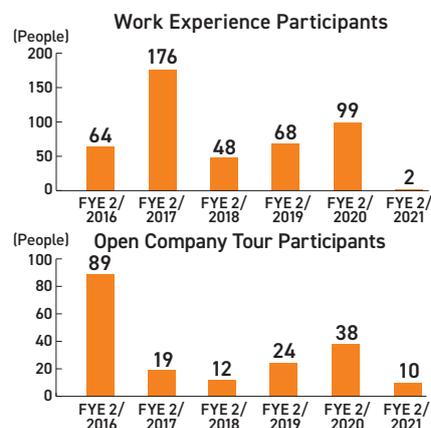
We hope to continue contributing to the revitalization of the fashion industry by supporting the dreams of young people.



Open Company Tours for High School Students



In-Store Work Experience for Elementary School Students



## TOPICS

### Support for Medical Personnel

As part of our support in fighting the spread of COVID-19, we provided relief supplies to the passengers and crew of the Diamond Princess in response to a request from SEMA, the Emergency Disaster Response Alliance. Our JEANASIS brand sold charity products and donated a portion of the proceeds to Peace Winds Japan, an organization that supports medical personnel working to respond to viral infections.



### Industry-Academia Collaboration

In collaboration with the Sustainable Style Project conducted by Osaka Mode Gakuen and SMASELL, a company run by WEFABRIK Inc., we provided sample products generated in the process of product planning for use as styling education materials. Our participation in this industry-academia collaborative project supports students who will be responsible for the future of the fashion industry, providing opportunities to understand the issues involved in clothing waste through practical experience.





# Growing With Local Communities

We expand our business globally through store openings, product manufacturing, and distribution centers. To continue offering the excitement of, we must take a glocal approach to understanding the needs and characteristics of local communities, whether in Japan or overseas. We must use the power of fashion to build new value together with the communities we serve.

We engage in corporate activities aiming to *Be a person needed, Be a company needed*, striving to revitalize regions and develop societies through our business activities.

## VISION

### Leveraging Fashion to Revitalize Regions Where Our Stores are Located

The relationships we build with local communities are very important to us as we open stores in Japan and overseas. We aspire to be company with deep roots in each region, connecting with customers and local communities through fashion. Each region faces different challenges, but we will continue in our efforts to contribute to job creation, to solve local issues through the power of fashion, and to create new value.

#### CASE 01 Engaging in Community-Rooted Sales Activities

Under the branch system, we divide stores in Japan into six regions. We engage in store management according to the characteristics of each region.

We also strive to build communities through fashion, sponsoring and participating in events related closely to each region. Our events are designed to accomplish regional revitalization and foster future generations.

Customers have shown favorable responses to brands incorporating local area collaborations, as well as initiatives that make the most of a nationwide network of stores. These initiatives also have the benefit of motivating store staff.



#### Studio CLIP



#### Community Events

FYE 2/2020	FYE 2/2021
<b>9 locations</b>	<b>2 locations</b>
AEON MALL Kurashiki FKD Interpark Motoyawata Colton Plaza AEON MALL Takaoka AEON MALL Okazaki Tenjin Solaria Plaza AEON MALL Tsukuba AEON MALL Hanyu Shin-Shizuoka Cenova	AEON Lake Town AEON MALL Okazaki  *Fiscal 2020 events limited due to COVID-19

#### Localized Products



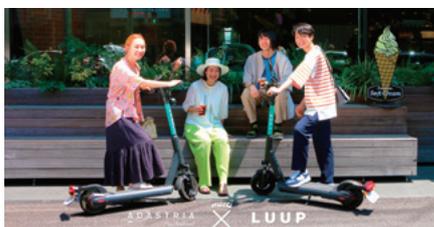
Our Asian business pursues the concept of *glocal* as a main policy, establishing strategies tailored to each region. Our niko and ... SHANGHAI brand offers items popular in Japan in color variations meeting the needs of customers in Shanghai. The brand also offers limited-edition designs.

## TOPICS

#### Creating New Customer Experiences by Focusing on Urban Mobility

Focusing on mobility surrounding store visits, we partnered with Luup, Inc. to install LUUP charging ports in front of our stores. LUUP is an electric kickboard sharing service for electric micromobility.

We provide new customer experiences from the aspect of urban mobility, making considered responses to changes in society and our customers.



#### Local Cleanup Activities

The BAYFLOW Kichijoji Store is leading the way in regular trash pickup activities in and around store prior to opening.

By inviting participants from neighboring stores, the circle of concern expands naturally, leading to the revitalization of the entire city.





## Growing With Local Communities

### CASE 02 Contributing to the Region where We Were Founded

Since our founding in 1953 in Mito City, Ibaraki Prefecture, we have continued to grow with the support of the local community. To ensure that we continue to grow together with the city in which we were founded, we support the Mito Chamber Orchestra, act as an official sponsor of the Ibaraki Robots (B.LEAGUE professional basketball team), sponsor collaborative marine environment conservation events with the Orairi Aquarium in Ibaraki Prefecture, and provide athletic wear to the top team of the Mito Hollyhock professional soccer club.

In addition to these activities, we contribute to the community through fashion.

For the first time, we designed the T-shirts distributed at the 6th Mitokomon Manyu Marathon.

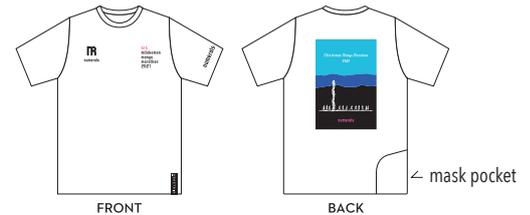
The t-shirt is made from a fabric featuring excellent water absorbency and quick-drying properties, and designed with a pocket on the back of the right sleeve for store masks and other items.



Ibaraki Robots



Mito Chamber Orchestra



T-Shirt for Participation in the 6th Mitokomon Manyu Marathon

### CASE 03 Contributing to Disaster-suffered Area Recovery Through Fashion

Adastria is a participating member in SEMA, a disaster emergency response alliance. We established an internal system to ensure our products are delivered in a timely manner as disaster relief supplies.

In fiscal 2020, we provided 9,942 of clothing to evacuation centers through SEMA.

In addition, GLOBAL WORK donates a portion of sales of eligible products to the Sakura Namiki Project of NPO Sakura Namiki Network, supporting reconstruction efforts in affected areas through fashion.



Unloading Products at an Evacuation Center  
Photo: Civic Force/A-PAD Japan/Peace Winds Japan  
GLOBAL WORK



Products Eligible for Sakura Namiki Project Donations (GLOBAL WORK)

#### FYE 2/2020 Donations to Disaster-suffered Area Support

Disaster	Support Provided	Donation
Typhoon No.19 (2019)	Relief supplies to evacuation centers (1,185 articles of clothing in total)	3,401,560 yen
COVID-19 relief support	Donations to passengers on board the Diamond Princess (100 items of basic cosmetics/CLEIDO ET BICE)	72,900 yen

#### FYE 2/2021 Donations to Disaster-suffered Area Support

Disaster	Support Provided	Donation
Heavy Rainfall (July 2020)	Relief supplies to evacuation centers (total of 9,942 articles of clothing)	9,209,994 yen
Great East Japan Earthquake recovery support	Donation from sales of eligible products to the Sakura Namiki Project (GLOBAL WORK)	200,000 yen

## TOPICS

### Omiyage Project Shibuya Ward's Official

In 2018, we concluded a Shibuya Social Action Partner Agreement with Shibuya Ward in Tokyo. Here, our aims were to contribute to the creation of an attractive town, to solve community issues, and to achieve sustainable development through our businesses.

In 2020, we participated in the official Shibuya Ward souvenir project, producing T-shirts and tote bags as official souvenirs (*omiyage*) of Shibuya Ward.



### Creating a Socially Distanced and Fashionable Space in the Region of Our Founding

Hotel Terrace the Garden Mito is a hotel in Mito City, Ibaraki Prefecture. Here, we installed mannequins inside the hotel wearing our branded clothes to create a space in which people can enjoy social distancing during this time of COVID-19 pandemic.

We called this space, Play! Social Distance. The scenes are reminiscent of the 1970s and 1980s, when our stores were places where students in Mito City could interact with each other. These settings reflect our desire to remain a part of the daily lives of local residents.





## Fostering Sustainable Development in Production Areas

We manufacture products in various regions around the world, supplied through an extensive supply chain, from procurement of raw materials to sewing and trading.

Good partnerships with suppliers and the sustainable development of the production regions allows us to supply high-quality products to our customers in a stable manner.

To provide even better products and services in the future, we established rules for fair and ethical transactions. We conduct our procurement activities in accordance with these rules.

### CASE 01 Aداستريا Group Sourcing Policy and Sourcing Guidelines

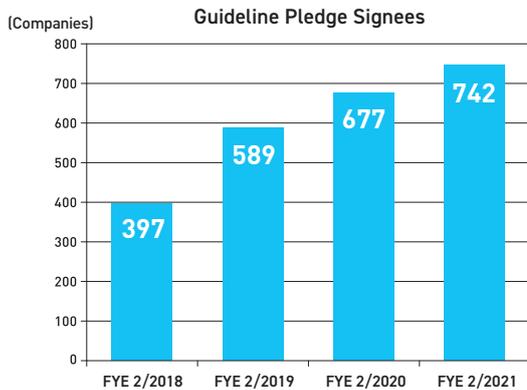
To procure and deliver products based on positive partnerships and a commitment to mutual development with suppliers, we established the Aداستريا Group Sourcing Policy. Under this policy, we strive for fair and ethical business transactions.

We also formulated our Group Sourcing Guidelines, which incorporate human rights, social risks, and environmental risks. These guidelines state that we respect human rights, maintain a positive working environment, act with

consideration for the environment, and oppose corruption.

We translate this Sourcing Policy and guidelines into English and Chinese, languages that are used often in the factories of our suppliers, to ensure a wider understanding.

In addition to communicating the policy and guidelines internally, we ask our suppliers to understand our approach and policies through presentations in Japan and annual factory conferences with our suppliers in China.



Presentation for Business Partners

Group Sourcing Policy



Group Sourcing Guidelines



### CASE 02 Factory Monitoring

Once suppliers agree with our Sourcing Guidelines, we ask them to cooperate by filling out questionnaires based on the guidelines.

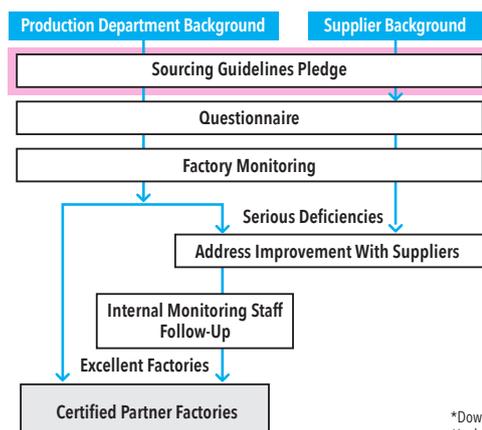
Based on the results of these questionnaires, our CSR procurement staff visit factories directly to check on and monitor conditions.

If any issues are identified for improvement, we ask the supplier in question to make changes based on direct and ongoing interactions.

We also prepare CSR procurement questionnaires for new suppliers to confirm that there are no problems before we begin doing business with them.

During fiscal 2020, the COVID-19 pandemic made it difficult to visit overseas factories from Japan. Therefore, we conducted our first-ever online monitoring, coordinated with personnel at overseas affiliates.

We also send a separate questionnaire regarding environmental aspects specifically. The questionnaire covered topics that included energy and water consumption. We also began working with suppliers to reduce our environmental impact in the supply chain.

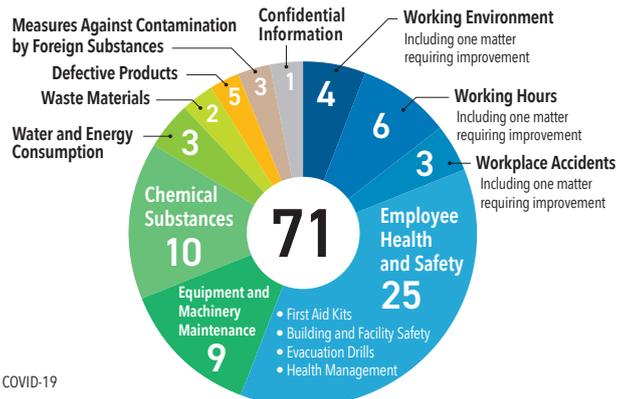


Number of Factories Monitored

Fiscal Year	Factories Monitored
FYE 2/2017	9
FYE 2/2018	20
FYE 2/2019	26
FYE 2/2020	40
FYE 2/2021	13
<b>Total</b>	<b>108</b>

\*Downward trend during FYE 2/2021 due to the impact of COVID-19  
 \*Includes follow-up monitoring (re-audits)

Matters Identified in Factory Monitoring and Response (FYE 2/2021)



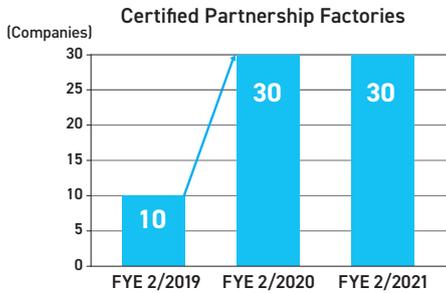


## Growing With Local Communities

### CASE 03 Partnership Certification

We certify factories that meet certain conditions as partner factories. These factories have received and understood our sourcing policies and guidelines, respond to questionnaires, and participate in factory monitoring as measures to maintain positive partnerships with our production departments.

Partner certification is also based on the quality of products, the frequency of defective products, and the status of social and environmental performance. We award certifications at our annual factory conference. To deliver quality products manufactured in improved environments, we will continue partnership certifications working toward the year 2023.



Production Factory



Factory Conference



Partnership Factory Certification

### Interview With Factory Monitoring Supervisors in Shanghai, China

To build good partnerships and ensure smooth communication with factories, we assigned factory monitoring personnel to our local subsidiary in Shanghai, China.



(From left) Ms. Wang (Huilei), Ms. Wang (Tao), Ms. Zhang

**Zhang:** I have been working as the local CSR procurement manager since 2017, when Adastria began its factory monitoring system.

**Wang (Huilei):** Like Ms. Zhang, I work as a local CSR procurement manager. I am in charge of the process that begins with scheduling factories prior to monitoring, visiting and checking factories, and providing feedback afterwards.

COVID-19 has made it difficult for the Japanese staff to come to factories in person, so we invite them to participate in the meetings with factory staff online from Japan.

**Wang (Tao):** My main job is to manage product manufacturing and quality control of products, so I visit factories frequently.

When the CSR procurement team goes to a factory under my purview, I follow up on schedules and accompany them for on-site monitoring of the factory environment.

**Zhang:** Everyone seems to enjoy working at the factory.

In the past, factory workers were generally younger people, but recently I see many more experienced workers.

Many of Adastria Group clients are large factories. The factory owners emphasize labor laws and provide better benefits to their workers, which provides a better work environment and encourages longer tenures.

**Wang (Huilei):** When I visit factories, I might find certain issues that must be addressed, such as broken flooring.

At the end of the visit, we meet with the factory owner, and inform them directly of the areas we identified for improvement. We ask the factory to come up with a schedule and plan for improvement.

After our visit, we put the areas for improvement in writing and send to the factory within the month for their records.

In most cases, improvements are made within three months.

It's not often that we find critical areas for improvement. It's easier for the factory to do its job if the improvements are made, so corrective actions are taken relatively quickly.

When a major capital investment is involved, it may take six months or a year to make improvements. We hand that work over to production managers like Ms. Wang (Tao), with whom we work closely via site inspections and e-mail reports, etc., to ensure improvements are made over the long term.

**Wang (Tao):** When I visit factories as a production manager in the course of my regular duties, I pay attention to whether items in the guidelines are being followed.

Before we began CSR procurement, we looked at factories from the perspective of quality and delivery. Now that we are engaged in CSR procurement, we look closer at the working environment.

For example, are the air conditioners at the right temperature? Are workers working long overtime hours?

We understand that production efficiency and quality improve when workers operate in a comfortable environment.

Through ongoing communication, I build trust with the workers and other people at the factory, which has made my day-to-day work smoother.

Factories do more than just make products; they are our partners, and I think this kind of communication is very important.

**Zhang:** When we monitor factories, we explain to them why it is necessary.

We also share best practices from other factories to encourage owners to create better environments on their own.

We let them know that we are not just performing audits, but that we are also communicating with them to learn and grow together.

The important thing is not to impose, but to understand the situation at each factory, and then to consider solutions collaboratively.

Getting buy-in is an important part of the improvement process.





# COMPLIANCE

To Be a Person Needed, Be a Company Needed

## Internal Initiatives

Adastria established the Group Code of Ethics, which addresses anti-corruption, respect for human rights, and fair and transparent business dealings. This code ensures that our employees, as members of society, behave always with self-discipline and high ethical standards.

Every year, we reconfirm this code, requiring employees to read and sign to signal their understanding. We also conduct compliance training for Group employees in Japan to prevent incidents or improprieties.

We provide separate harassment training on an annual basis for employees. As part of our efforts to prevent harassment, we clarify in our work rules and regulations acts defined as harassment.

Management and non-management personnel receive separate training to ensure we respond appropriately to any incidents of harassment.

In the event of acts or indications of acts violating compliance or other violations of propriety, laws, or rules, employees have access to an internal whistle-blowing system to report said acts. Employees may also contact a designated external lawyer, if preferred.

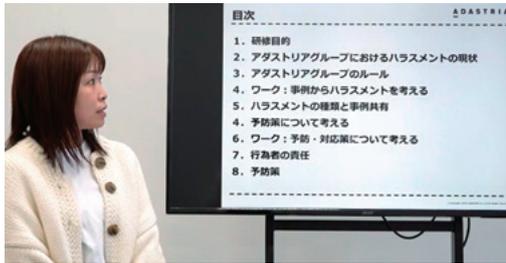
This system may be used anonymously by any employee--both in Japan and overseas. The details of reports are managed in a way to preserve confidentiality. Further, we give full consideration to ensuring persons making reports are not treated unfairly.

### Persons Receiving Harassment Prevention Training (FYE 2/2021)



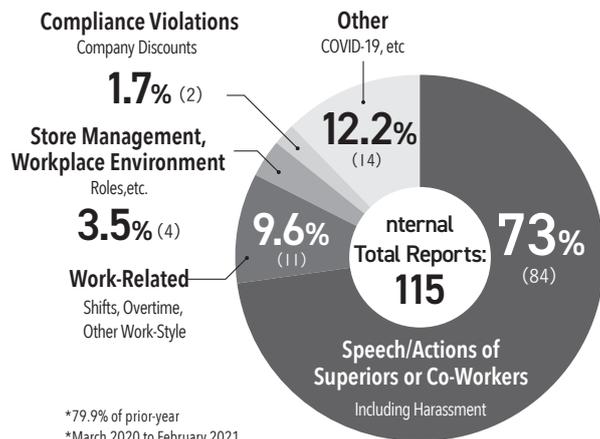
4,569名

\*Implemented for all employees, excluding employees on leave (childcare leave, etc.)



Anti-Harassment Training

### Number of Internal Reports and Details



\*79.9% of prior-year  
\*March 2020 to February 2021



## External Initiatives

We established a Supplier Hotline to ensure fair, equitable, and transparent transactions in our purchasing relationships.

Through this mechanism, suppliers may make anonymous inquiries, if necessary, to address cases of abuse (power structure), or violations of laws, contract terms, or ethics by members of the Adastria Group.

In the event we receive an inquiry from a business partner, the communication is shared with the director assigned responsibility. Our system assures an appropriate and prompt response.

We conduct an annual questionnaire of our business partners in Japan and overseas as one means to maintain positive business relationships. Through these questionnaires, we confirm whether we are engaging in fair business practices, identifying any inappropriate acts, violations of the Subcontract Act, etc.

### Business Partner Questionnaire Results

Details	Questionnaires Sent	Responses	Number of Comments and Suggestions
Product suppliers and production plants (domestic)	1,120	570	40
Product suppliers and production plants (overseas)	114	66	0
Sales promotions (advertising, media coverage)	100	43	1
Systems-related	65	34	1
Repair and maintenance work	39	23	0
Employee recruitment, temporary staffing	28	23	0
Other (deliveries, supplies, etc.)	71	43	1
<b>Total</b>	<b>1,537</b>	<b>802</b>	<b>43</b>

\*Includes 39 responses with positive feedback  
\*March 2020 to February 2021

*Play fashion!*

