

This document provides an overview of Adastria Co., Ltd. corporate governance.

I Corporate Governance Philosophy, Capital Structure, Corporate Attributes, Other Basic Information

1. Basic Philosophy

Guided by our corporate philosophy that says, “Be a person needed, Be a company needed,” Adastria Co., Ltd. (hereinafter “the Company”) pursues the mission of *Play fashion!*, endeavoring to enrich lives and create happiness through fashion. To respond flexibly to the needs of our customers and changes in the environment, as well as to contribute to the enrichment of lives and diverse values around the world, we strive for excellence in corporate governance capable of quick decision-making.

Reasons for not implementing the principles in the Corporate Governance Code

Updated

(Supplementary Principle 4-1-3)

The Company recognizes that succession planning for representative directors, etc., is one of the most important management issues. We have held repeated discussions regarding succession planning during normal times and emergency situations in the Nomination and Compensation Advisory Committee, an advisory body to the board of directors. Discussions have also taken place in other forums, including free dialogues held after board of director meetings. As a result of these discussions, in 2020, the Company has put into place a process for the selection and dismissal of representative directors, etc. Succession planning for representative directors and other directors was also discussed, and the Company selected one new representative director in May 2022. We will discuss this matter in the future and provide appropriate supervision for the development of successors.

(Supplementary Principle 4-3-2)

We consider the selection and dismissal of representative directors to be one of the most important strategic decisions made by the Company. Therefore, we follow the process established for the selection and dismissal of representative directors in which the board of directors makes a decision regarding representative director(s) after a review and deliberations in the Nomination and Compensation Advisory Committee. The Company will develop a succession plan to ensure that sufficient time and resources are devoted to the selection of representative directors.

(Supplementary Principle 4-8-1)

Beginning with the 73rd fiscal period, the Company has decided to hold an annual discussion for independent outside directors exclusively. The first such meeting was held in January 2023. We intend to confirm the opinions of our independent outside directors from time to time, holding more meetings in the future in a timely manner.

(Supplementary Principle 4-8-2)

The Company has decided not to appoint a lead independent outside director. Each outside director possesses a wealth of experience and a wide range of insights, offering freely spoken opinions from a variety of individual perspectives that lead to active discussions and exchanges of opinions in board of director meetings. Therefore, the Company has decided there is no need to appoint a lead independent outside director.

Disclosure based on corresponding principles in the Corporate Governance Code

Updated

(Principle 1-4 Cross-Shareholdings)

1. Basic Policy

The Company engages in cross-shareholding when such is deemed beneficial for maintaining and strengthening business relationships over the long term and contributing to improved corporate value. Each year, the board of directors confirms the necessity of holding shares by examining the medium- to long-term economic rationality and future prospects of said shares held in accordance with the policy on cross-shareholdings, taking into account returns and risks. As a result of these reviews, the Company sells stock for which the rationality of such holdings is no longer deemed valid. As of the end of the 73rd fiscal period (ended February 2023), the Company has only one cross-shareholding, excluding shares held in affiliates.

2. Policy on the Exercise of Voting Rights

The Company confirms the details of resolution agenda items and exercises voting rights reflecting the relationship with the company in which the Company holds shares, etc., as well as the perspectives of enhancing the Company's medium- to long-term shareholder interests and improving the corporate value of the company in question. Our comprehensive considerations include whether resolutions strengthen corporate governance structures, contribute to the enhancement of shareholder value, and whether the resolution presents any risk of conflicts of interest with the Company.

3. Policy in the Event a Cross-Shareholdings Entity Indicates an Intention to Sell Cross-Held Shares

In the event a company that holds Company shares as cross-shareholdings indicates its intention to sell Company's shares, the Company will take appropriate action to the extent such action does not hinder the sale (e.g., suggesting such trade would result in a retaliatory reduction in business transactions, etc.).

(Principle 1.7 Related-Party Transactions)

In the event that the Company engages in competitive transactions or transactions involving conflicts of interest with directors or major shareholders, etc., the Company shall obtain the approval of the board of directors in accordance with laws and regulations and the Board of Directors Rules and Regulations so as not to harm the common interests of the Company and our shareholders. The Company shall report material facts appropriately to the board of directors when such transactions are conducted.

In accordance with the provisions of the Auditing Standards for Corporate Auditors, members of the Audit and Supervisory Board shall monitor confirm the presence of any facts that violate the duties of directors involved in such transactions.

(Supplementary Principle 2-4-1)

One of our key values regarding sustainability is empowering people. We place great importance on respecting and recognizing diversity and individuality, regardless of age, gender, nationality, disability, sexual orientation, etc. We believe in the importance of increasing the diversity of our organization to gain an accurate understanding of the diversifying needs of our customers, to create new value, to improve product development, and to step up service quality. Further, the Company has 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, adopting work-style reform and improving internal systems.

We also consider the empowerment of women, who account for 75% of our full-time employees, as a priority issue in our diversity management. To this end, we have formulated specific goals and a roadmap under the commitment of top management.

Ratio of women in management positions	Target: 45.0% by 2025	Actual: 33.8% (as of February 2023)
Ratio of women in senior management positions (general managers and above)	Target: 30.0% by 2025	Actual: 17.7% (as of February 2023)

We appoint persons to management positions according to their abilities and achievements. We do not discriminate based on nationality or seniority. At present, we do not set or disclose targets for appointing mid-career hires or non-Japanese employees to management positions. However, a significant number of mid-career hires serve in important positions, including directors, executive officers, general managers, and department managers. In addition, several non-Japanese nationals serve in management positions, and locally hired employees hold many important posts in overseas subsidiaries, including positions as general managers. The central human resources of the Group, including management, consist of a variety of individuals, including mid-career hires and non-Japanese nationals. This structure fosters active discussions from diverse viewpoints and decision-making based on such discussions.

Our achievements in diversity have been included in the Ministry of Health, Labour and Welfare's database of companies promoting career advancement for women (<https://positive-ryouritsu.mhlw.go.jp/positivedb/detail?id=7193>). For details of the main Company initiatives in the pursuit of diversity, see *III. Measures for Shareholders and Other Stakeholders 3. Respecting the Position of Stakeholders* in this report. See disclosures on the Company's corporate website (<https://www.adastria.co.jp/english/sustainability/>) and the Company's integrated report (<https://www.adastria.co.jp/english/sustainability/>) for more about sustainability initiatives.

(Principle 2-6 Functions as a Corporate Pension Asset Owner)

The Company does not have a corporate pension plan, and therefore we do not manage the invest of reserves for corporate pensions.

(Principle 3.1 Full Disclosure)

(1) Corporate goals (management philosophy, etc.), management strategies, and management plans

The Company strives for full disclosure, and we disclose our corporate philosophy, mission, vision, values, growth strategies, etc., through our corporate website, in materials used for financial results presentations, in annual reports, etc. We also published an integrated report in 2022 (<https://www.adastria.co.jp/english/sustainability/>).

(2) Basic stance and basic policy on corporate governance based on the principles of the Corporate Governance Code

We disclose our Corporate Governance Guidelines on our corporate website.

(3) Board policies and procedures in determining the remuneration of senior management and directors

The Company's board of directors follows the policies and procedures below when determining remuneration.

■ Policy

- Remuneration packages shall be linked to short-, medium-, and long-term business performance and shall be commensurate with the creation of corporate value.
- Remuneration packages shall be designed to secure outstanding management personnel and contribute to sustainable development.
- Remuneration levels shall be appropriate in light of other companies in the same industry, other companies of the same size in other industries, and economic and social conditions.

■ Procedures

- The Company shall establish a voluntary Nomination and Compensation Advisory Committee as an advisory body to the board of directors to ensure fairness, appropriateness, and transparency in determining remuneration.
- Total remuneration for directors as a whole shall be subject to a resolution of the general meeting of shareholders. The amount of individual director remuneration shall be subject to a resolution of the board of directors after deliberations have been conducted by the Nomination and Compensation Advisory Committee. Individual director compensation shall be based on the general framework of basic remuneration, performance-linked remuneration, and performance-linked stock compensation.

(4) Board policies and procedures in the appointment and termination of the senior management and the nomination of director and Audit and Supervisory Board member candidates:

The Company's board of directors follows the policies and procedures below when determining and dismissing candidates for directors.

■ Policy

- The Company shall appoint a diverse pool of directors with differing backgrounds of expertise and experience, including persons who are familiar with and have deep knowledge of the Company's businesses, persons who have international experience, such as extensive experience in global companies and overseas operations, and persons who have a wealth of insight as corporate managers.
- By appointing a multiple number of outside directors, the Company strengthens its supervisory function and accomplishes management transparency by incorporating the viewpoints of people outside the Company who are independent of management.
- The Company shall appoint outside directors who have no material interest in the Group and who are capable of maintaining their independence.
- When circumstances require dismissal (as a lack of qualifications for the execution of duties, etc.), said dismissal shall be based on a comprehensive judgment of relevant factors.

■ Procedures

- The representative director shall submit a list of candidates for director. The Nomination and Compensation Advisory Committee shall deliberate on the list, after which the board of directors shall make decisions on candidates.
- After deliberations by the Nomination and Compensation Advisory Committee, the board of directors make decisions regarding the dismissal of directors which are then submitted to the general meeting of shareholders. The Company's board of directors follows the policies and procedures below when determining candidates for members of the Audit and Supervisory Board.

■ Policy

- The Company shall appoint members of the Audit and Supervisory Board who are qualified, independent, and capable of fulfilling their terms of office.

■ Procedures

- The board of directors shall make decisions on candidates for members of the Audit and Supervisory Board after the representative director submits a list of candidates and the Audit and Supervisory Board gives its approval.

(5) When the board of directors provides explanations or make decisions regarding individual dismissals or appointments for directors or candidates for member of the Audit and Supervisory Board when making appointments or dismissals of candidates for senior management, director, and member of the Audit and Supervisory Board based on (4), above, the reasons for individual appointments and nominations shall be disclosed in the reference materials of the convocation notice of the general meeting of shareholders.

The dismissal of senior managers has not disclosed as no such dismissals have taken place.

(Supplementary Principle 3-1-3)

The Adastria Co., Ltd. Sustainability Policy is “Taking the Excitement of Fashion Into the Future.” The key concepts of protecting the environment, empowering people, and growing with local communities take into account the relevance of social issues in our business. In line with these concepts, we have established a vision and defined issues with which to engage.

In terms of the environment, we aim to achieve carbon neutrality, and we follow GHG protocols to monitor CO2 emissions in our supply chain.

In addition to replacing lights with LEDs and engaging in other concrete measures to reduce CO2 emissions, we also use solar power generation at distribution centers, optimize transportation routes, and collaborate with delivery companies. Beyond these equipment-related measures, we engage in services-related measures that include developing and using materials with low environmental impact, reducing the use of shopping bags, continuing zero incineration of clothing inventory, and expanding the number of stores where we collect clothing donations. We disclose energy consumption and CO2 emissions at stores and the Tokyo head office in our sustainability report (<https://www.adastria.co.jp/english/sustainability/>).

In September 2022, the Adastria Group expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD). Based on the TCFD Guidelines, we strive to identify climate change-related risks and understand climate change-related opportunities throughout the supply chain, making appropriate disclosures. Since climate change entails a high degree of uncertainty, we continue to update related information on a regular basis. Further, we established a Sustainability Committee on March 1, 2023, aiming to strengthen further our pursuit of strategies in non-financial areas within the board of directors. The Sustainability Committee sets sustainability policy and medium- to long-term goals and manages progress on identified materialities. Additionally, the committee regularly reports to and advises the board of directors and the Executive Committee, strengthening the group implementation systems and enhancing corporate value.

In addition, we have joined forces with Japanese textile companies, retailers, and recyclers to create the Japan Sustainable Fashion Alliance (JSFA). The aim of the JSFA is to pursue a transition to a sustainable fashion industry. To achieve the JSFA goals of carbon neutrality and zero fashion loss, we discuss issues that are difficult for individual companies to resolve on their own. In this way and others, we continue to promote sustainability in the fashion industry in cooperation with industry and government.

See disclosures on the Company’s corporate website (<https://www.adastria.co.jp/english/sustainability/>), the Company’s Sustainability Report, and the Company’s integrated report (<https://www.adastria.co.jp/english/ir/library/entry-15559/>) for information on other sustainability initiatives.

(Supplementary Principle 4-1-1)

The Company stipulates those matters to be resolved by the board of directors in the Board of Directors Rules and Regulations. The board makes decisions on basic management policies and important matters, in addition to those matters stipulated in the Articles of Incorporation and laws and regulations. Further, the Executive Council, which is attended by all internal directors, full-time members of the Audit and Supervisory Board and outside members of the Audit and Supervisory Board, makes decisions on and executes important matters other than those required to be resolved by the board of directors under the Board of Directors Rules and Regulations. Matters decided by the Executive Council and the status of the execution of said decisions are reported to the board of directors as necessary.

(Principle 4.9 Independence Standards and Qualification for Independent Outside Directors)

The Company has established independence standards for outside directors, disclosing said standards in the Corporate Governance Guidelines.

(Supplementary Principle 4-10-1)

The Company shall establish a voluntary Nomination and Compensation Advisory Committee as an advisory body to the board of directors to ensure fairness, appropriateness, and transparency in nominating directors and determining director remuneration. The Nomination and Compensation Advisory Committee is chaired by an outside director and consists of five outside directors and two internal directors. Outside directors form the main constituency of the committee to ensure independence and objectivity.

The purpose of the committee is to improve the fairness, appropriateness, and transparency in the selection and dismissal of directors, representative directors, and executive directors, as well as in the policies and procedures for fostering successors of representative directors and the remuneration of directors. The committee deliberates on these matters and reports the results to the board of directors.

(Supplementary Principle 4-11-1)

The Company has appointed five internal directors, five outside directors, one internal member of the Audit and Supervisory Board (full-time), and three outside members of the Audit and Supervisory Board. Of the 14 directors and members of the Audit and Supervisory Board, one director and two members of the Audit and Supervisory Board are female.

The Company believes that we have appointed a diverse pool of directors with differing backgrounds of expertise and experience, including persons who are familiar with and have deep knowledge of the Company’s businesses, persons who have international experience, such as extensive experience in global companies and overseas operations, and persons who have a wealth of insight as corporate managers. Further, directors range in age from forty to seventy years.

We have appointed individuals who have sufficient knowledge of finance, accounting, and legal affairs, including two members of the Audit and Supervisory Board with experience in financial institutions, one certified public accountant, and one attorney.

Accordingly, we believe that the board of directors as a whole is balanced and appropriately diverse. However, we will continue to strive to ensure and improve diversity, including diversity in terms of gender and internationality.

The Company has prepared a skills matrix describing the knowledge, experience, and abilities of each director and member of the Audit and Supervisory Board. This skills matrix is disclosed in the reference materials for the 73rd Ordinary General Meeting of Shareholders and on P.17 of this report.

(Supplementary Principle 4-11-2)

On an annual basis, the Company discloses the status of important concurrent positions held by directors and members of the Audit and Supervisory Board in this report, in our annual securities report, and in the convocation notice of the general meeting of shareholders.

(Supplementary Principle 4-11-3)

The Company conducts a self-assessment of the effectiveness of the board of directors to identify current issues and improve the function of the board. This self-assessment is conducted by means of anonymous questionnaires for directors and members of the Audit and Supervisory Board. After receiving responses from all participants, the board of directors analyzes and evaluates the results. Beginning in the fiscal year ended February 2020, the Company has outsourced the review of the questionnaire questions and the tabulation and analysis of results to an external organization. This method ensures objectivity and transparency of evaluation results and allows the Company to utilize information from other companies and knowledge from outside sources.

The Company believes that the board of directors consists of an appropriately balanced and diverse membership, and that the board fosters a culture of vigorous discussion among members, including independent outside directors. Accordingly, we believe we have ensured sufficient effectiveness in decision-making and supervision of business execution by the board of directors. Of the issues identified in the previous year, we improved our score related to a system to encourage dialogue with shareholders and the sharing of opinions. On the other hand, we identified (1) issues related to diversity and (2) officer nomination and remuneration as two of several new issues.

For more on (1) issues related to diversity, see *III. Measures for Shareholders and Other Stakeholders - 3. Respecting the Position of Stakeholders* page 12 of this report. As detailed in that section, our activities to promote the career advancement for women have already pushed us over the government target of 30% or more women in management positions. At the same time, to incorporate more diverse perspectives into management, we set our own target of 30% or more women in senior management positions (department managers and above), and we recognize the need for further efforts to achieve this goal. Under (2) officer nomination and remuneration, we recognize the need for further detail in CEO succession planning and other matters that are under the supervision of the Nomination and Compensation Advisory Committee, the majority of whose members are outside directors.

We will continue to improve the effectiveness of the board of directors throughout the 74th fiscal period (ending February 2024), giving articular consideration to these issues.

(Supplementary Principle 4-14-2)

The Company provides the training and information necessary for directors and members of the Audit and Supervisory Board to fulfill their roles and responsibilities properly and in accordance with the following policies.

■ Training Policy

- Directors and members of the Audit and Supervisory Board (including outside directors and members) shall endeavor to collect information and acquire knowledge, as appropriate, regarding the environment surrounding the Company's businesses, the details of laws and regulations related to the Company's businesses, the Company's state of affairs, issues, etc., for the purpose of making appropriate decisions on various issues. The Company shall bear the costs of such training and education, including participation in external seminars, after following the prescribed procedures.
- The Company shall provide opportunities for newly appointed Directors and members of the Audit and Supervisory board (including outside directors and members) to acquire knowledge of the Company's management strategies, financial position, and other important matters.

(Principle 5.1 Policy for Constructive Dialogue with Shareholders)

The Company strives to obtain an understanding of management strategies, etc., via dialogue with shareholders. The Company also strives to consider the interests, opinions, and concerns of shareholders obtained through dialogue in the management of the Company. The Corporate Planning Office plays a central role in the dialogue with shareholders. The office endeavors to engage in meaningful dialogue by providing opportunities to communicate information on a daily basis with departments that assist in dialogue, including accounting, general affairs, legal, and other administrative departments, and the sales department.

In addition to telephone interviews, small meetings, and other IR interviews with shareholders and investors, the Company holds financial results presentations four times yearly for analysts and institutional investors. The Company also holds a management presentation on a non-weekday after we announce our second quarter financial results. The representative director and other directors explain the details of financial results, business forecasts, management strategies, etc., at financial results presentations and business report presentations. Further, the Company publishes reports on corporate value. Integrated Reports to Provide a Deeper Understanding of Company Financial and Non-Financial Information (<https://www.adastria.co.jp/sustainability/reports/>).

Opinions and concerns raised by major shareholders and investors at these meetings are reported to the board of directors and the Executive Council to ensure information is shared with directors, members of the Audit and Supervisory Board, and management.

The Company strives to disclose information in a fair and timely manner. When engaging in dialogues with shareholders, we endeavor to manage information in accordance with Insider Information Management Rules to prevent the leakage of undisclosed important internal information to outside parties.

The Company has established a Basic Policy on Constructive Dialogue with Shareholders within our Corporate Governance Guidelines, which is disclosed on our corporate website.

(Actions for to Engage in Management Conscious of Cost of Capital and Share Price)

To enhance corporate value, the Company set targets of 280 billion yen in consolidated net sales and 8% operating income ratio in our board-approved medium-term management plan ending in February 2026. We also set an ROE target of 15% or more to improve capital efficiency. In addition, we established a dividend policy calling for a consolidated payout ratio of 30%, as well as a lower limit of 65 yen per share as our annual dividend for the fiscal year ending February 29, 2024. By achieving sales and profit growth in line with our medium-term management plan, we aim to provide dividends in excess of these growth rates. For more on the progress of our medium-term management plan, refer to the presentation material for the fiscal year ended February 28, 2023(<https://www.adastria.co.jp/english/ir/library/>) on page 36.

2. Capital Structure

Percentage of Shares Held by Foreign Nationals

Between 10% and 19% Updated

Major Shareholders

Updated

Name of Individual or Company	No. of Shares Held (Shares)	No. of Shares Held (%)
Fukuzo Co., Ltd.	17,132,486	37.53
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,998,300	8.76
TOYOSHIMA & Co., Ltd.	2,000,000	4.38
Custody Bank of Japan, Ltd. (Trust Account)	1,467,900	3.22
Michio Fukuda	1,059,040	2.32
JP MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENT ASSETS-SETT ACCT	688,800	1.51
Adastria Employee Shareholding Association	657,613	1.44
SMBC Nikko Securities Inc.	506,200	1.11
Mitsubishi UFJ Securities Holdings Co.,Ltd.	443,688	0.97
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	440,551	0.97

Majority Shareholders (Excluding Parent Company)

Parent Company

None

3. Corporate Overview

Stock Exchange Listing and Section	Tokyo Stock Exchange, Prime Market
Fiscal Year End	February
Industry Sector	Retail
Number of Employees at End of Previous Fiscal Year (Consolidated)	More than 1,000
Net Sales in the Previous Fiscal Year (Consolidated)	Between ¥100 billion and ¥999 billion
Number of Consolidated Subsidiaries at the End of Previous Fiscal Year	Between 10 and 49

4. Guidelines on Measures to Protect Minority Shareholders During Dealings with Majority Shareholders

5. Other Special Conditions That May Have a Major Influence on Corporate Governance Updated

(1) Approach and Policy on Group Management

The Company shares the group mission, vision, values, and management plans with subsidiaries, respecting the climate and culture of each subsidiary to encourage rapid decision-making. In addition, we respect the management independence of publicly traded (listed) subsidiaries to avoid concerns regarding potential conflicts of interest with minority shareholders.

(2) Significance of Having Publicly Listed Subsidiaries

On December 14, 2021, the Company entered into a capital and business alliance agreement with Zetton, Inc., which is publicly traded on the Next Market of the Nagoya Stock Exchange. As a result of this transaction, Zetton became a consolidated subsidiary on February 16, 2022 through the receipt of a third-party allocation of new shares and a tender offer. As of February 28, 2023, the Company owns 51.0% of the outstanding shares of Zetton.

The Company believes that having Zetton as a subsidiary is significant due to the fact that Zetton manages restaurants as its main business, and we expect Zetton to contribute to overall group earnings growth and business value as a company driving the group's restaurant business.

The Company believes that maintaining the Zetton management autonomy and independence, while allowing the company to remain publicly traded, is desirable policy from the perspective of improving the corporate value of both Zetton company and the Adastria Group, as such ensures the autonomous and flexible decision-making of Zetton, improves employee motivation, increases business the potential for partners, and facilitates the recruitment of outstanding human resources in reflection of the social credit and recognition of Zetton.

(3) Measures to Ensure the Effectiveness of the Governance Structures of Publicly Traded Subsidiaries

Zetton, Inc. has taken the initiative in establishing and operating a governance structure through the appointment of independent outside directors, among and other measures.

Two of the Company's directors serve concurrently as a director of Zetton for the purpose of sharing management information and expertise. In addition, the Company ensures the effectiveness of Zetton's governance structure by stipulating matters that require prior approval or reports to the Company. Further, Zetton shares its status and highlights issues at quarterly Adastria Group company meetings to receive advice on ways to improve corporate value.

II Administrative Organizational Structure Covering Decision-Making, Execution, and Supervision in Management Activities, and Other Corporate Governance Systems

1. Matters Related to Institutional Structure and Organizational Operations

Organizational Form	Company with Audit and Supervisory Board
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Director Relationships

Number of Directors Under Articles of Incorporation	12
Director Term of Service Under Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairman (Except When Chairman is Also President)
Number of Directors	10
Appointment of Outside Directors	Appointed

Number of Outside Directors	5
Number of Outside Directors Designated as Independent Directors	5

Relationships to the Company (1)

Name	Category	Relationship to the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Satoshi Akutsu	Scholar											
Hiromi Horie	Member of another company											
Koichi Mizutome	Member of another company											
Tatsuhiko Matsuoka	Member of another company											
Kazuo Nishiyama	Member of another company											

* Categories of Relationships to the Company

* A ○ icon indicates a category applicable to said person currently or recently. A △ icon indicates a category applicable to said person in the past.

* A ● icon indicates a category applicable to a close family member currently or recently. A ▲ icon indicates a category applicable to a close family member in the past.

a Executive of a listed company or its subsidiary

b Executive or non-executive director of the parent company of a listed company

c Executive of a fellow subsidiary of a listed company

d Person of a listed company considered major client, or an executive of said company

e Major client of a listed company or an executive of said company

f Consultant, accounting expert, or legal expert receiving a large monetary sum or other property other than corporate officer remuneration

g Major shareholder of a listed company (if the major shareholder is a corporation, an executive of said corporation)

h Executive (said person only) of a client (not covered by items d or e) of a listed company

i Previously said executive (said person only) with connection to the mutual appointment of an outside corporate officer

j Previously said executive (said person only) of a listed company making donations

k Other

Relationships to the Company (2)

Updated

Name	Independent Directors	Supplementary Explanations for Applicable Items	Reason for Election
Satoshi Akutsu	○	Professor, Graduate School of Business Administration, Department of International Corporate Strategy, Hitotsubashi University Outside Director, Yakult Honsha Co., Ltd.	In our opinion, Mr. Akutsu is suitable for the position noted above due to his record of achievements as a marketing expert, as well as his ability to provide useful advice, etc., regarding our overall marketing business and applications to the management of the Company from the perspective of business development strategies. We have also determined that Mr. Akutsu meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that he has no potential conflict of interest with general shareholders.
Hiromi Horie	○	Representative Director, Haruka Holdings Co., Ltd. and Outside Director, Kanro, Inc.	In our opinion, Ms. Horie is suitable for the position noted above due to her record of achievements as the head of public relations and marketing departments of major companies (in the retail and restaurant industries), as well as her ability to apply her experience to the management of the Company. We have also determined that Ms. Horie meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that she has no potential conflict of interest with general shareholders.
Koichi Mizutome	○	Representative, FOOD & LIFE COMPANIES Ltd. President and CEO	In our opinion, Mr. Mizutome is suitable for the position noted above due to his experience in corporate reform at global consulting firms, as well as his wealth of experience and insight cultivated as a manager at major companies (retail businesses), which we believe will be beneficial in the management of the Company. We have also determined that Mr. Mizutome meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that he has no potential conflict of interest with general shareholders.

Tatsuhiko Matsuoka	○	Managing Executive Director, Rise Consulting Group, Inc.	In our opinion, Mr. Matsuoka is suitable for the position noted above due to his record of achievements as general manager of services and information security divisions at major companies (IT consulting), in the IT and digital fields, which we believe will be beneficial in the management of the Company. We have also determined that Mr. Matsuoka meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that he has no potential conflict of interest with general shareholders.
Kazuo Nishiyama	○	President and CEO (Representative Director), SRE Holdings Corporation	In our opinion, Mr. Nishiyama is suitable for the position noted above due to his experience and insight cultivated as a manager at major companies (IT, real estate), which we believe will be beneficial in the management of the Company. We have also determined that Mr. Nishiyama meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that she has no potential conflict of interest with general shareholders.

Establishment of an Optional Committee Corresponding to a Nominating Committee or Compensation Committee

Yes

Establishment of an optional committee, members of the committee, and attributes of the chairperson of the committee

	Committee Name	Total Number of Members	Number of Full-time Members	Number of Internal Directors	Number of Outside Directors	Number of Outside Experts	Other	Chairperson
Optional Committee Corresponding to the Nominating Committee	Nomination and Compensation Advisory Committee	7	0	2	5	0	0	Outside Director
Optional Committee Corresponding to the Compensation Committee	Nomination and Compensation Advisory Committee	7	0	2	5	0	0	Outside Director

Supplementary Explanation

Updated

The Company established the Nomination and Compensation Advisory Committee for the purpose of improving the fairness, appropriateness, and transparency of the selection, dismissal and compensation of directors. The committee, chaired by an outside director and composed mainly of outside directors, serves as an advisory body to the board of directors. The committee deliberates and reports on the selection of candidates for directors, the design of director compensation structure, compensation amounts, and other matters.

The activities of the Nomination and Compensation Advisory Committee for the 73rd fiscal period (ended February 2023) were as follows:

- Number of meetings: 6
- Attendance (average attendance rate): 100%
- Major matters considered: In addition to deliberations regarding the election of director candidates and meetings focused on revisions to performance-linked stock compensation.

Audit and Supervisory Board Member Relationships

Audit and Supervisory Board	Yes
Number of Audit and Supervisory Board Members Under Articles of Incorporation	5
Number of Audit and Supervisory Board Members	4

Coordination Among Members of the Audit and Supervisory Board, Financial Statement Auditors, and Internal Audit Department

- Coordination Between Members of the Audit and Supervisory Board and Financial Statement Auditors

The Audit and Supervisory Board and the financial statement auditor hold regular meetings each fiscal year as described below. At the beginning of each fiscal year: Discussion and confirmation of the financial statement audit plan for the

current fiscal year

During the fiscal year: Receive review reports for the first, second, and third quarters

Fiscal year-end: Receive the audit report from the financial statement auditor and conduct a question-and-answer session regarding year-end financial results. Present the audit report to the Audit and Supervisory Board. Exchange opinions as necessary.

• Coordination Among Members of the Audit and Supervisory Board and the Internal Audit Department

At the beginning of each fiscal year, members of the Audit and Supervisory Board meet with the Internal Audit Department to discuss audit policies and the audit plan for the current fiscal year.

Members of the Audit and Supervisory Board are present when the Internal Audit Department conducts audit interviews with each division of the Head Office, and participate in question-and-answer sessions.

The Internal Audit Department conducts audits of each store, while members of the Audit and Supervisory Board read the audit reports and express opinions as necessary.

Members of the Audit and Supervisory Board attend Internal Audit Department debriefing sessions, receive reports on the progress of internal controls, and make recommendations for improvements as necessary. Members of the Audit and Supervisory Board and Internal Audit Department staff have maintained an environment in which they understand that status of each other's activities and exchange information and opinions when necessary.

Appointment of Outside Members of the Audit and Supervisory Board	Appointed
Number of Outside Members of the Audit and Supervisory Board	3
Number of Outside Members of the Audit and Supervisory Board Designated as Independent Directors	3

Relationships to the Company (1)

Updated

Name	Category	Relationship to the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kazuhiko Ebihara	Member of another company													
Yoshiko Hayama	Certified Public Accountant													
Kyoko Mogi	Attorney													

* Categories of Relationships to the Company

* A ○ icon indicates a category applicable to said person currently or recently. A △ icon indicates a category applicable to said person in the past.

* A ● icon indicates a category applicable to a close family member currently or recently. A ▲ icon indicates a category applicable to a close family member in the past.

a Executive of a listed company or its subsidiary

b Non-executive director or accounting advisor of a listed company or its subsidiary

c Executive or non-executive director of the parent company of a listed company

d Audit and Supervisory Board member of the parent company of a listed company

e Executive of a fellow subsidiary of a listed company

f Person of a listed company considered major client, or an executive of said company

g Major client of a listed company or an executive of said company

h Consultant, accounting expert, or legal expert receiving a large monetary sum or other property other than corporate officer remuneration

i Major shareholder of a listed company (if the major shareholder is a corporation, an executive of said corporation)

j Executive (said person only) of a client (not covered by items f or g) of a listed company

k Previously said executive (said person only) with connection to the mutual appointment of an outside corporate officer

l Previously said executive (said person only) of a listed company making donations

m Other

Relationships to the Company (2)

Updated

Name	Independent Directors	Supplementary Explanations for Applicable Items	Reason for Election
Kazuhiko Ebihara	○		In our opinion, Mr. Ebihara is suitable for the position noted above due to his ability to apply his abundant experience and professional knowledge in investment banking company operations to audits of the Company. We have also determined that Mr. Ebihara meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that he has no potential conflict of interest with general shareholders.

Yoshiko Hayama	○	Partner, Hayama Yoshiko Certified Public Accountants Office Outside Director, Sugi Holdings Co., Ltd Outside Director, ZENSHO Holdings Co., Ltd.	While Ms. Hayama does not have experience in corporate management other than that as an outside director, we expect her to apply her professional expertise as a certified public accountant and her abundant experience and insight in auditing at an audit firm to audits of the Company. We have also determined that Ms. Hayama meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that she has no potential conflict of interest with general shareholders.
Kyoko Mogi	○	southgate (registered association)	While Ms. Mogi does not have experience in corporate management, we expect her to apply her professional expertise as an attorney and her abundant experience and insight in corporate law to audits of the Company. We have also determined that Ms. Mogi meets the requirements for impartiality stipulated by the Tokyo Stock Exchange and that he has no potential conflict of interest with general shareholders.

Independent Director Relationships

Number of Independent Directors	8
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Other Items Related to Independent Directors
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The Company designates as independent directors those outside directors who satisfy the qualifications for independent directors.

Incentives

Remunerative Incentives for Directors	Performance-Linked Compensation, Other
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Supplementary Explanation	Updated
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The Company pays directors (excluding outside directors; same below) performance-linked compensation based on the degree of achievement of the business plan for the relevant fiscal year. Further, the Company delivers to directors Company shares as performance-linked stock compensation in an amount equivalent to the standard amount for the individual director and an amount representing the degree of achievement of earnings targets for the fiscal year under review. More details are provided on page 54 of the 73rd Annual Securities Report (Japanese only).

Persons Eligible for Stock Options

Supplementary Explanation

Matters Related to Director Compensation

Disclosure of Individual Director Compensation	Only compensation for certain individuals are disclosed
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Supplementary Explanation

The total amount of compensation, etc., for directors and the total amount of compensation, etc., for outside directors are as stated in the Company's business report. Individuals whose total amount of consolidated remuneration, etc., exceeds 100 million yen are disclosed individually in the annual securities report.

Policy for Determining Compensation Amount and Method of Calculation	Yes
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Compensation for directors and members of the Audit and Supervisory Board is within the limits approved by the general meeting of shareholders. Compensation, etc., for individual directors is determined by the board of directors after review and deliberation by the Nomination and Compensation Advisory Committee based on factors that include specific duties, responsibilities, and business performance.

Support System for Outside Directors (and Outside Members of the Audit and Supervisory Board)

The General and Legal Affairs Department, the Corporate Planning Office, other administrative departments, and the Internal Audit Department assist outside directors and outside members of the Audit and Supervisory Board. The General and Legal Affairs Department provides information on agenda items for the board of director meetings and requests for approval, etc. The Corporate Planning Office provides information on free-form discussions after board meetings, management strategies, etc. The Finance Department provides information on financial performance and cash flow, while the Human Resources Department provides information related to the Nomination and Compensation Advisory Committee. The Internal Audit Department provides information on audit operations. In addition, full-time staff assigned to the Audit and Supervisory Board provide support to outside member of the Audit and Supervisory Board.

Status of Individual(s) Resigning as Representative Director and President, etc.

Name(s) of counselors, advisors formerly serving as representative director and president, etc.

Name	Title	Duties	Employment Terms (Full-time, part-time, compensation, etc.)	Date Retired as President, etc.	Term
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Total number of counselors and advisors who formerly served as representative director and president, etc.

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Other matters

Not applicable, although a system is in place for this eventuality.

2. Matters on Functions Related to Business Execution, Auditing and Supervision, Appointments, and Remuneration (Overview of Current Corporate Governance System) Updated

1. Overview of the Current Structure

The Company has adopted a Company with Audit and Supervisory Board structure, and has established a board of directors and an Audit and Supervisory Board.

The board of directors consists of ten directors, including five outside directors. The board, chaired by the representative director and chairperson, deliberates and resolves important matters as the highest management decision-making body of the corporate group. The four members of the Audit and Supervisory Board, including three outside members, attend board of director meetings from an independent standpoint, having established a system to audit the status of director performance in the duties of care and loyalty related to the execution of their duties.

The activities of the board of directors for the 73rd fiscal period (ended February 2023) were as follows:

- Number of meetings: 15
- Attendance (average attendance rate): Directors - 98.7%, Members of the Audit and Supervisory Board - 95%
- Major matters considered: In addition to matters stipulated in the Companies Act, the Articles of Incorporation, the Board of Directors Rules and Regulations, and matters related to the execution of important business operations, board members also discussed matters including M&A, the launch of new businesses, business progress in Thailand, and growth strategy updates.

In addition, the Company has established the Corporate Governance Committee, the Nomination and Compensation Advisory Committee, and the Compliance Committee as voluntary committees that serve as advisory bodies to the board of directors. The details of the deliberations of each committee are as follows.

- Corporate Governance Committee: Matters related to the establishment of the Group's corporate governance and internal control systems
- Nomination and Compensation Advisory Committee: Policies and procedures for the election and dismissal of directors, representative directors, and executive directors; training of candidates to succeed representative directors; director compensation
- Compliance Committee: Important policies to ensure comprehensive compliance

In addition, the Company has established the Executive Council, which is attended by internal directors, members of the Audit and Supervisory Board, executive officers, and others, for decision-making on important matters other than those to be resolved by the board of directors, as well as for the prompt sharing of information related to business execution.

Through these efforts, the Company is building a corporate governance structure that promises transparency, soundness, and efficiency in management to shareholders and other stakeholders.

The Company has adopted an executive officer system for the purpose of separating management supervision from business execution. Executive officers are appointed by resolution of the board of directors and serve for a term of one year. As of the date of submission of this report, the Company has appointed ten executive officers.

The Audit and Supervisory Board consists of four members, one of whom is a full-time member and three of whom are outside members. The members of the Audit and Supervisory Board attend board of director meetings, Corporate Governance Committee meetings, Executive Council meetings, and other important meetings to gain an understanding of the state of management in a timely manner and to conduct audits of the legality of the execution of business by directors. In addition, members of the Audit and Supervisory Board offer proposals as necessary from an independent standpoint and based on their wealth of experience and insight.

The Internal Audit Department conducts internal audits based on audit policies and audit plans in cooperation with the members of the Audit and Supervisory Board. The purpose of these audits is to quickly detect or prevent the recurrence of inappropriate business practices within the Company and its consolidated subsidiaries. Audit results regarding the appropriateness of business practices and the effectiveness of the internal control system are reported to the representative director and members of the Audit and Supervisory Board. The results are discussed as necessary in board of director meetings, Corporate Governance Committee meetings, Compliance Committee meetings, and Executive Council meetings.

In addition, the Internal Audit Department visits consolidated subsidiaries periodically to inspect various documents and conduct audits regarding appropriate business practices.

2. Overview of Limited Liability Agreements

Pursuant to the provisions of Article 427-1 of the Companies Act and the Company's Articles of Incorporation, the Company enters into agreements with individual outside directors and individual outside members of the Audit and Supervisory Board to limit their liability for damages under Article 423-1 of the Companies Act to the minimum liability as provided in Article 425-1 of the same act.

3. Reasons for Selecting Current Corporate Governance System

The Company considers enhancing corporate governance to be an important management issue. To this end, we develop organizations, systems, and resolution bodies to strengthen our corporate structure and establish a system of management.

We appointed five outside directors and three outside members of the Audit and Supervisory Board to strengthen the supervisory function of the board of directors and the audit function of director performance. We have chosen our current structure in the belief that this structure ensures the transparency, soundness, and efficiency of management for shareholders and other stakeholders.

III Measures for Shareholders and Other Stakeholders

1. Efforts to Boost Participation in General Shareholder Meetings and to Facilitate Exercise of Voting Rights

	Supplementary Explanation
Scheduling Meetings to Avoid Peak Meeting Day	The Company schedules ordinary general meetings of shareholders on a Wednesday or Thursday in late May every year. We do not schedule meetings in consideration of peak meeting days.
Electronic Exercise of Voting Rights	The Company adopted the exercise of voting rights via electronic means beginning with the 57th Ordinary General Meeting of Shareholders (2007).
Improve Voting Environment for Institutional Investors (Participation in the Electronic Voting Platform, Etc.)	Beginning with the 57th Ordinary General Meeting of Shareholders (2007), the Company has participated in the ICJ, Inc. electronic voting platform.
Invitations (Overview) Sent in English	The Company has provided an English version of convocation notices (Summary) since the 66th Ordinary General Meeting of Shareholders (2016).
Other	Prior to the sending of convocation notices for general meetings of shareholders, we post the content of said convocation notice on the Company's corporate website.

2. Investor Relations Activities

	Supplementary Explanation	Explanation from Representative
Creation and Announcement of Disclosure Policy	In addition to the basic policy on disclosures, the Company has established disclosure methods, notes on earnings forecasts, etc., and an IR quiet period, the schedule for which is posted on the Company's corporate website. <URL> https://www.adastria.co.jp/ir/policy/	
Regular Briefings for Individual Investors	The Company holds business briefings for individual shareholders and others on a holiday in November, six months after the ordinary general meeting of shareholders.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings and individual meetings after the announcement of quarterly financial results.	Yes
Posting of IR Materials on Website	In addition to the materials disclosed to the Tokyo Stock Exchange and in our Annual Securities Report, the Company also posts briefings on financial results and other materials related to corporate information on our corporate website. <URL> https://www.adastria.co.jp/english/ir/library/	

3. Respecting the Position of Stakeholders

Updated

Supplementary Explanation

Implementation of Environmental Protection Activities and CSR Activities

The Adastria Co., Ltd. Sustainability Policy is “Taking the Excitement of Fashion Into the Future.” The key concepts of protecting the environment, empowering people, and growing with local communities take into account the relevance of social issues in our business. In line with these concepts, we have established a vision and defined issues with which to engage. In addition, we set specific targets for materialities in line with each key concept, pursuing sustainable corporate activities worthy of support from our employees.

Information on our sustainability activity policies, the progress of specific sustainability activities, and progress toward goals can be found on our corporate website and in other publications (<https://www.adastria.co.jp/english/sustainability/>).

Our corporate philosophy is *Be a person needed, Be a company needed*. Under this philosophy, we aim to become a corporate group that contributes to more abundant lives across the world, offering more enjoyable choices in daily living through fashion. One of our corporate identity values is the value of diversity. We endeavor to create an organization in which all employees, regardless of age, gender, nationality, disability, sexual orientation, etc., accept personal differences and leverage diversity as a strength by which to achieve growth. To achieve our growth strategy for 2025, our corporate vision, and our existence as a *company needed* by society, we must be a unique and diverse organization capable of collaborating with stakeholders beyond the framework of industries and companies. We must create business models unbound by conventional definitions for new customer experiential value. Further, we believe that the growth of our organization over the medium to long term is tied to the health and well-being of all people—including our employees and customers—both physically and mentally. In addition to health management measures for employee well-being, we strive to ensure all employees find greater levels of job satisfaction, implementing work-style reforms, improving internal systems, providing human resources development, and employing persons with disabilities.

◆ Main Diversity Initiatives

Promoting Career Advancement for Women

We also consider the empowerment of women, who account for 75% of our full-time employees, as a priority issue in our diversity management. To this end, we have formulated specific goals and a roadmap under the commitment of top management. In 2019, we set specific goals and launched initiatives under a cross-department project team that included a director in charge of this overall topic. Our goals are to increase the ratio of female managers to 45% or more and the ratio of women in senior management positions (general manager and above) to 30% by 2025.

Approximately 80% of our products are designed for women, and we believe that providing better products and services reflecting female perspectives and opinions relates directly to our high financial performance and customer satisfaction levels. Given this background, we hope to incorporate flexible and diverse perspectives into the decision-making process by making the most of the large number of female employees in our organization. We believe this will help us understand diversified needs, engage in more effective product development, and improve service quality. The nature of our organization also facilitates new innovations, as well as medium- to long-term corporate growth.

Specifically, we take actions to address issues identified through analysis of disincentives for the promotion of women and conduct interviews with female employees when setting goals. We began holding study sessions, sponsoring lectures, and operating a mentoring system in 2019. In the fiscal year ended February 2023, we began holding roundtable discussions between female employees and management and involving female employees in Executive Committee meetings formerly composed entirely of men. We believe these measures will lead to the development of female executive candidates, foster more active discussions, and spark a change in management awareness. Meetings of the Human Resources Development Committee and other meetings regularly address the development and promotion of female directors and management candidates. In this way, we strive to create a pool of human resources in a strategic manner. The board of directors receives reports, and directors attend sustainability meetings as appropriate.

As of the date publication, the domestic group has one female director two female members of the Audit and Supervisory Board. As of the end of February 2023, the percentage of female managers at the Company was 33.8%, of whom 17.7% were women in senior management positions (general manager or higher). The percentage of women in general manager positions is 16.3%. (Domestic group companies)

In terms of work style, we began supporting a balance between work and childcare in 2007. We also established our own leave system, a consultation service, and a system that allows employees to choose their work style according to their childcare situation. In these ways, we create systems that offer women raising children opportunities to work with peace of mind over an extended career.

Promoting Diverse Work Styles

Other

In addition to pursuing flextime, telework, and other flexible work styles not restricted by time or location, we have also established personnel systems that allow employees to change between career-track positions and limited-area positions, limited work locations, job return (reemployment after retirement), and side/second jobs. In this way, we support the selection of various careers and work styles for various lifestyles. We also pursue initiatives to allow employees to take paid leave in half-day increments and encourage the use of annual paid leave to achieve better work-life balance. In addition, we are optimizing working hours through a review of work allocation and improved work efficiency, as well as by identifying and visualizing overtime hours.

We launched the Mutual Support for Working Hours Project to foster sustainable work styles for sales staff working at commercial facilities and began reforming work styles for employees working at stores. We are active in encouraging not only individual companies, but also the entire industry, to offer diverse work styles.

Further, we create and encourage opportunity for employee personal growth to support career development. These opportunities take the form of training and other programs to raise awareness, a program to convert non-regular employees to full-time employees, our *Project A* in-house program to solicit ideas for new businesses, a volunteer leave system, and subsidies for language tests.

Promotion of Health Management

To achieve our mission of "Play fashion!" and to continue to provide a future of excitement for customers, we believe that being healthy and happy ourselves, both physically and mentally, is of the utmost importance. We believe that working environments offering peace of mind, both mentally and physically, are the best way to maximize abilities and create a sense of fulfillment. This, in turn, leads to the growth of the company.

Given the high ratio of younger employees and women in comparison with other companies, not to mention the number of employees nationwide raising children and working in diverse employment situations, we established the Adastria Health Insurance Association on November 1, 2021. Our goal here is to provide health and welfare services tailored to the characteristics of our Adastria Group employees. We intend to strengthen insurance functions by adding more gynecological examination options and expanding the number of eligible medical institutions for regular health checkups. We will also strive for employee wellbeing by fostering a health-conscious culture and creating safe and secure work environments for employees to feel a sense of personal growth and fulfillment through their work.

We established the Adastria Wellness Committee, which consists mainly of employees selected through internal recruitment, for the purpose of improving employee health, and we are creating systems for employees to improve health on their own. In March 2023, Adastria was recognized for the first time as a White 500 Certified Health & Productivity Management Outstanding Company 2023 (Large Enterprise Category). This program is a joint project between the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, recognizing corporations, including large corporations and SMEs, for outstanding practices and strategies related to employee health.

Programs and Initiatives to Embrace a Wide Variety of Personalities

The Company creates systems that encourage employees to use their personalities regardless of their attributes (clear evaluation standards, evaluations conducted by multiple persons) and provides training for evaluators. In this way, we foster understanding and raise awareness among managers, leading to the development of workplace environments that respect diversity and foster improved management. The Company has also established an anonymous whistleblowing system (*Whistle Line*), anti-harassment training for all domestic group employees, an annual circulation of written pledges to the Group's Code of Ethics for all employees, and a program related to health issues specific to women. In this way, we strive to create workplace environments in which employees can express their individuality.

With the support of our special-purpose subsidiary, Adastria General Support Co., Ltd., we are offering more opportunities for employees to utilize their abilities and individuality. This company provides operational support, including administration and clerical work, as well as store support and involvement in new business projects.

◆ Recognitions of Diversity Promotion Efforts From Third Parties

Selected as a Nadeshiko Brand in 2021

In 2021, we were selected as a Nadeshiko Brand in recognition of our management strategies to promote the career advancement of women, active efforts in raising awareness among managers, fostering a positive corporate culture, and other ongoing diversity- and work-style-related reforms.

PRIDE Index Gold Award for Four Consecutive Years

The Company has received the highest rating of Gold in the PRIDE Index for four consecutive years since 2019. The PRIDE Index evaluates LGBT initiatives in corporations. Through the expansion of internal systems, implementation of our own LGBTQ+ training, and participation in related events, we strive to deepen employee understanding and awareness of diversity. We also conduct awareness campaigns for LGBTQ+ issues.

In June 2022, we posted rainbow flags and held Adastria Pride Month events at all of our stores in Japan. In these events, store staff learned and gained an understanding of issues faced by LGBTQ+ and other sexual minorities through unique training videos. At the same time, customers enjoyed fashion in a safe environment. As an LGBTQ+ friendly company, we work for diverse societies through the power of fashion.

Adastria was awarded the Best Workplace rating in the D&I Award 2022, which recognizes and honors corporate workplaces committed to diversity and inclusion (D&I). In addition to fostering a corporate culture of D&I, each employee is involved actively in their own responsibility for D&I, spreading the word outside the company through services and our businesses. These individual efforts, too, represented a reason why we are recognized as a company that is committed to D&I promotion at a high level worldwide.

IV Matters Related to Internal Control Systems

1. Basic Philosophy and Creation of Internal Control Systems Updated

In accordance with the provisions of Article 362-4 (6) of the Companies Act, and Article 100-1 and 100-3 of the Enforcement Regulations of the same act, the Company adopted the resolution as follows regarding the basic policy for a system of internal controls to ensure the appropriateness of Company business operations (internal control system). In accordance with this policy, the Company will develop an internal control system for the corporate group consisting of the Company and subsidiaries ("Group"), striving to build a sound and steady Group management system.

1. Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws, Regulations, and Articles of Incorporation
 - (1) To ensure that the execution of duties by directors and employees of each company in the Group complies with laws and regulations and the Articles of Incorporation, and to comply with corporate ethics and fulfill our social responsibilities, the Company shall establish corporate ethics standards for the Group and ensure that such standards understood clearly.
 - (2) The Company shall establish a Compliance Committee to deliberate, formulate, and implement important policies regarding compliance with laws, regulations, the Articles of Incorporation, various internal rules, and Group corporate ethics.
 - (3) Directors and employees who become aware of violations or potential violations of laws, regulations, rules, or improper acts at Group companies shall report such violations or potential violations to an individual in a position of responsibility.
 - (4) At the end of each fiscal year, the directors of each Group company shall submit to the Audit and Supervisory Board a signed or sealed affirmation of duties performed, indicating that the execution of their duties did not violate any laws or regulations, and that said directors fulfilled their duties of care and loyalty. Said affirmation shall serve as a guideline for the execution of duties in the following fiscal year.
2. Systems for the Storage and Management of Information Related to the Execution of Duties by Directors
 - (1) The Company shall prepare minutes and other information regarding resolutions and reports submitted at board meetings. This information shall be stored and managed appropriately in accordance with laws and regulations.
 - (2) Important information related to the execution of duties shall be stored and managed appropriately in accordance with the document management regulations established by the Company.
3. Rules and Systems to Manage the Risk of Loss, Etc.

The Company shall establish crisis management rules and promptly respond to any risk of loss that has occurred or is likely to occur at any Group companies. The Company shall respond appropriately in the event of a cross-organizational emergency such as a disaster or system failure.
4. Systems to Ensure That Directors Execute Duties Efficiently
 - (1) Group companies shall establish various management plans and budgets and clarify the goals to be achieved by the Group, implementing and managing Group business operations to be carried out in an efficient manner.
 - (2) Each Group company shall make decisions on important matters at any time via their respective board of directors, etc. Group companies must also adopt various regulations and manuals as necessary to ensure prompt and appropriate decision-making.
5. Systems to Ensure Appropriate Financial Reporting

The Company shall establish and operate a system (internal controls related to financial reporting) to ensure that the financial reporting of Group companies is conducted appropriately and in accordance with laws and regulations.
6. Systems to Ensure Appropriate Business Management for the Group
 - (1) To maximize the corporate value of the Group, the Company shall establish a system to ensure appropriate operations from the perspective of the Group as a whole.
 - (2) To ensure appropriate operations of Group subsidiaries, Group subsidiaries shall establish regulations for the management of affiliated companies. The Company shall also provide guidance, training, and management over each company.
 - (3) To gain a firm understanding of the management situation at subsidiaries within the Group, the Company shall request reports from the directors of Company subsidiaries related to operating results, financial condition, and other important information.
 - (4) The Company shall establish a system to manage Group risks in a comprehensive and integrated manner.
 - (5) Each Group company shall establish a system to ensure the efficient execution of duties by the directors and other officers of their respective companies, taking into consideration the size of the company, the nature of its business, the design of its institutions, and other unique characteristics and traits of the company.
 - (6) To evaluate and ensure the Group compliance system, the Internal Audit Department shall check the status of each Group company as appropriate. The Internal Audit Department shall report their findings to the board of directors or directors and Audit and Supervisory Board or members of the Audit and Supervisory Board of each company.
 - (7) To detect and correct violations of laws and regulations and other compliance issues as early as possible, the Company shall establish an internal reporting system for the Group. In addition to an internal reporting system, the Company shall establish an external reporting system entrusted to an attorney.
7. Matters Related to Employees Requested by Members of the Audit and Supervisory Board to Assist in Duties

The Company shall promptly respond to requests by the Audit and Supervisory Board or members of the Audit and Supervisory Board to appoint organizations or employees to assist in duties.
8. Matters Related to Independence from Directors for Employees Who Assist in the Duties of Audit and Supervisory Board Members

The appointment, transfer, evaluation, etc., of employees assisting in the duties of the members of the Audit and Supervisory Board shall be approved in advance by the Audit and Supervisory Board or members of the Audit and Supervisory Board.
9. Matters Related to Ensuring the Practicability of Instructions Given to Employees Assisting Members of the Audit and Supervisory Board in Their Duties

Employees assisting members of the Audit and Supervisory Board in the performance of their duties shall follow only those instructions and orders given by members of the Audit and Supervisory Board in the performance of said duties.
10. Structure for Reporting to the Audit and Supervisory Board Members
 - (1) Directors and employees of each Group company and members of the Audit and Supervisory Board of Company subsidiaries shall report the status of the execution of their respective duties to the Audit and Supervisory Board and members of the Audit and Supervisory Board as necessary, or in response to a request from the Audit and Supervisory Board or from members of the Audit and Supervisory Board.
 - (2) Directors, employees of each Group company and members of the Audit and Supervisory Board of Company subsidiaries shall report any of the following matters at any Group company to the Audit and Supervisory Board or to members of the Audit and Supervisory Board as soon as possible.
 - The discovery of a fact that may cause significant damage to the Group.
 - An employee report via the internal reporting system of a fact that may impact the survival of the Group or a serious violation of laws or internal rules
 - A situation with the potential to lead to litigation arises in the course of external or internal negotiations at Group companies.
11. System to Ensure Individuals Reporting to Members of the Audit and Supervisory Board are not Subjected to Disadvantageous Treatment

The Group shall develop a system to ensure Group officers or employees who have submitted a report to members of the Audit and Supervisory Board are not subject to disadvantageous treatment or reprisal for submitting said report.

12. Policy on Matters Regarding Expense Prepayments, Redemptions, Other Expenses, or Disposition of Debt Resulting from the Execution of Duties by Members of the Company's Audit and Supervisory Board
The Company shall bear all expenses and debts incurred by members of the Audit and Supervisory Board in the performance of their duties, except in cases where such expenses or debts are deemed unnecessary for the performance of said member's duties.
13. Other Systems to Ensure That Internal Audits by Members of the Audit and Supervisory Board are Performed Effectively
 - (1) The Company shall appoint attorneys, certified public accountants, consultants, and other external advisors to assist members of the Audit and Supervisory Board in their audits, when such assistance is required.
 - (2) The Company shall endeavor to deepen the understanding of directors and employees regarding audits conducted by members of the Audit and Supervisory Board and to improve the environment for audits conducted by members of the Audit and Supervisory Board.

2. Philosophy and Systems for Dealing with Anti-Social Forces

1. Each Group company rejects any relationships with anti-social forces that may threaten social order and safety. The Group rejects any and all business relationship with such forces or groups, and we take a firm stance against and reject any unreasonable demands.
2. In the event of an unreasonable demand by an anti-social force, the General and Legal Affairs Department, as the department in charge of responding to such demands, shall coordinate with the police, the National Center for Removal of Criminal Organizations, legal counsel, and other outside specialized organizations to provide an appropriate response.

V Other Matters

1. Anti-Takeover Measures

Anti-Takeover Measures	None
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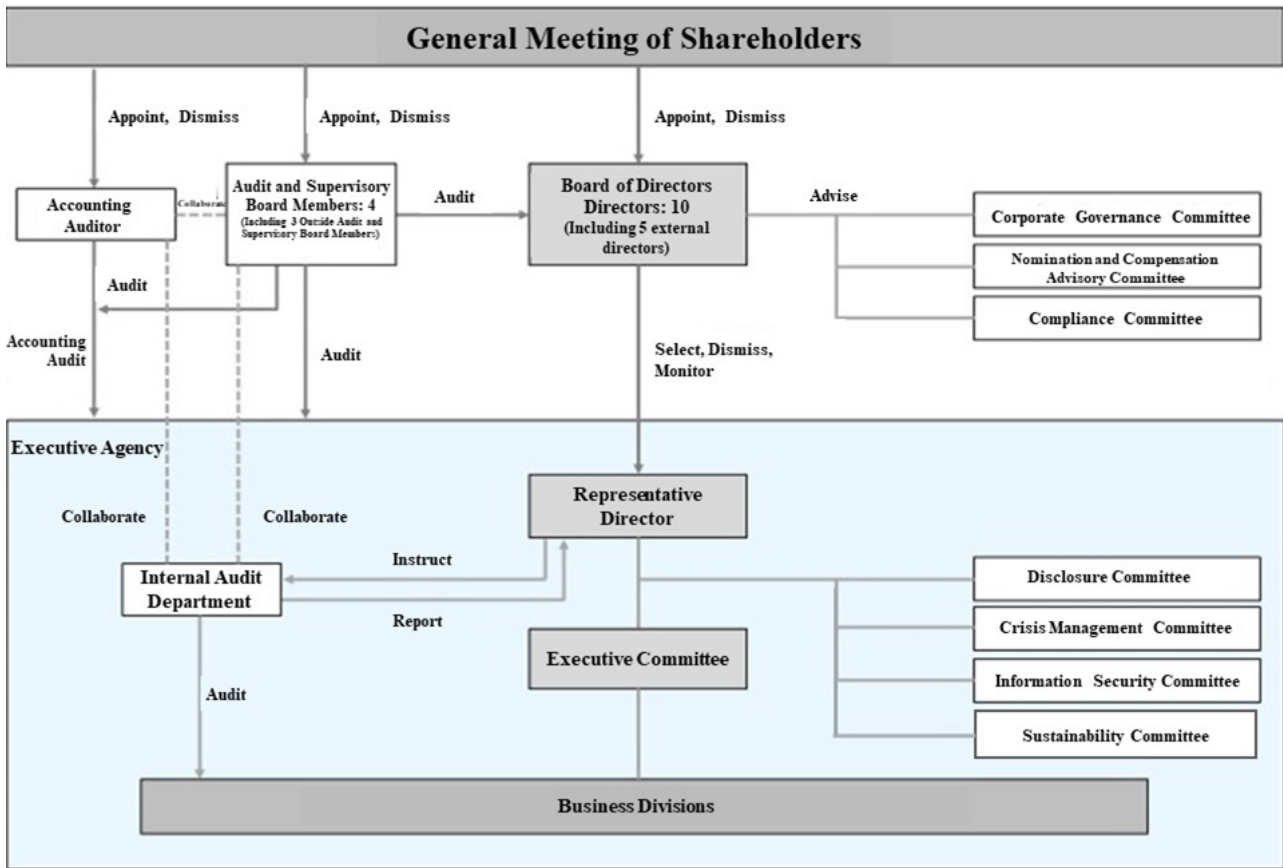
Supplementary Explanation

2. Other Matters Related to Corporate Governance System

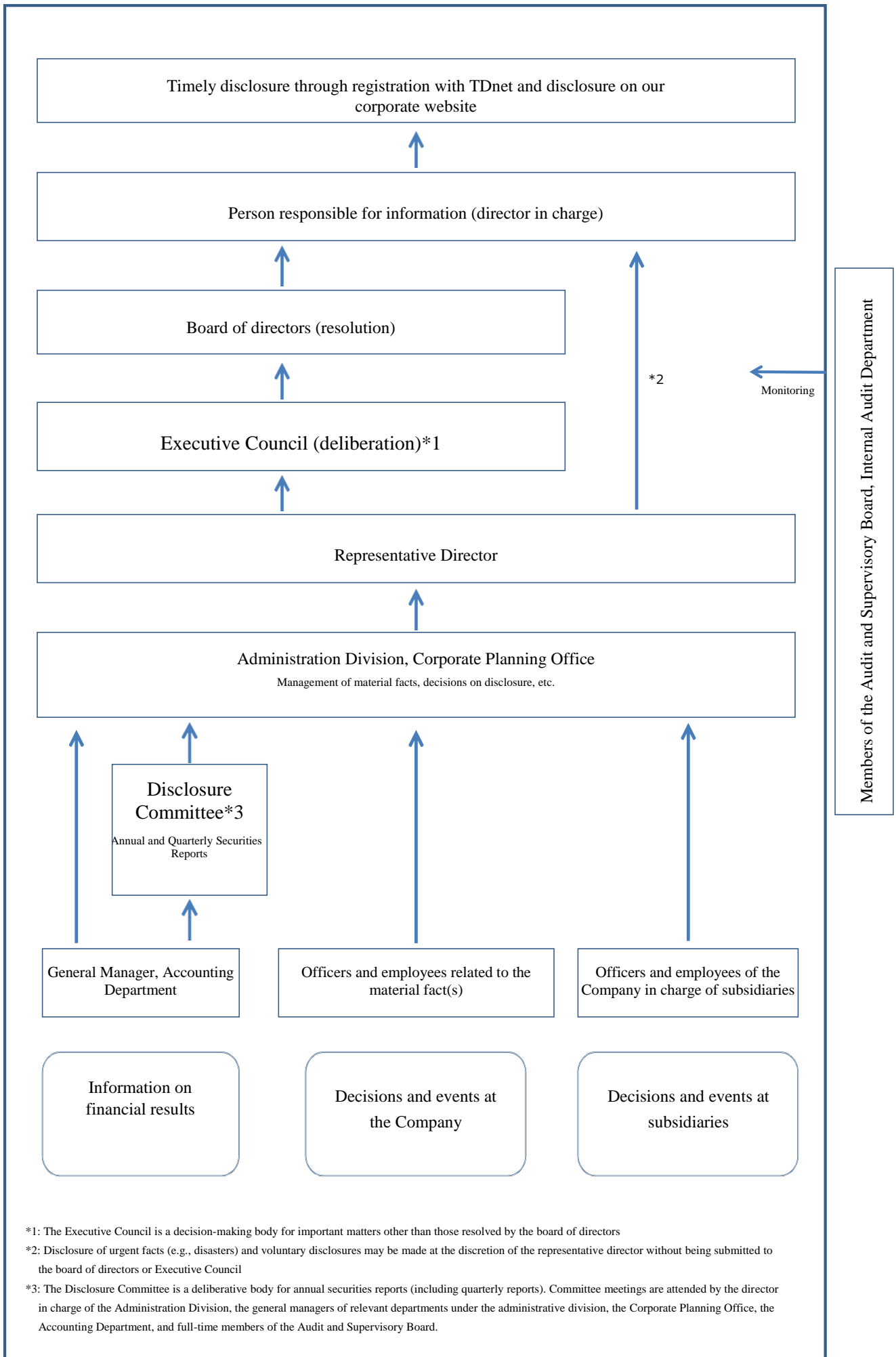
The following text provides an overview of the Company's timely disclosure system.

1. Basic Policy on Timely Disclosure
To continue to be a company trusted widely and supported by society, we disclose information in a timely and appropriate manner based on the principles of transparency, fairness, and consistency. We also disclose information that may not fall under the category of timely disclosure, but which may be useful in providing a proper understanding of our company.
2. Internal Systems Related to Timely Disclosure
All important Group corporate information, including decisions, events, and financial results, is collected from directors and employees in charge at the Administration Division and the Corporate Planning Office, which is the office in charge of corporate IR. The Corporate Planning Office, in cooperation with related departments, makes decisions on the necessity for timely disclosure based on the Securities Listing Regulations of the Tokyo Stock Exchange and related laws and regulations.
The Company discloses information subject to Timely Disclosure Rules promptly on the Timely Information Disclosure System (TDnet) of the Tokyo Stock Exchange after providing prior explanation to the Tokyo Stock Exchange in accordance with the rules of the exchange. We also post the information concurrently on our corporate website, endeavoring to disclose information accurately and fairly to our shareholders, investors, and other stakeholders.
Further, we submit securities reports and quarterly reports based on the Financial Instruments and Exchange Act after prior deliberation by the Disclosure Committee.
3. Timely Disclosure System Monitoring
Members of the Audit and Supervisory Board and the Internal Audit Department monitor the effectiveness of internal controls over timely disclosure.

Overview of Corporate Governance System



Timely Disclosure System Overview



Skills Matrix for Directors and Members of the Audit and Supervisory Board

			Knowledge, experience, skills, etc., possessed by directors and members of the Audit and Supervisory Board							
			Corporate management	Sales marketing	Product SCM	Global business	IT DX	Legal risk management	Corporate finance, Accounting, Banking and finance	ESG
Directors	Internal	Michio Fukuda	●		●				●	●
		Osamu Kimura	●	●	●					
		Masayuki Kindo	●					●	●	
		Yoshiaki Kitamura	●	●	●	●				
		Taiki Fukuda	●			●				●
	Outside	Satoshi Akutsu		●	●	●				●
		Hiromi Horie		●	●	●				●
		Koichi Mizutome	●	●	●	●				
		Tatsuhiko Matsuoka		●	●		●			
		Kazuo Nishiyama	●		●		●		●	●
Members of the Audit and Supervisory Board	Internal	Tsuyoshi Matsuda				●		●	●	
	Outside	Kazuhiko Ebihara				●			●	
		Yoshiko Hayama						●	●	●
		Kyoko Mogi				●		●		

(Note 1) The list above indicates the areas in which we expect the Company's directors and members of the Audit and Supervisory Board to offer particular expertise. This list is not meant to represent all expertise possessed by the Company's directors and members of the Audit and Supervisory Board.

(Note 2) Matters related to personnel and human resources is included under *corporate management*.

(Note 3) "SCM" refers to supply chain management.