



Fiscal Years 2023/02 - 2026/02

Medium-Term Management Plan

Toward the Co-Creation of Good Communities

April 13, 2022

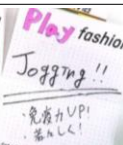
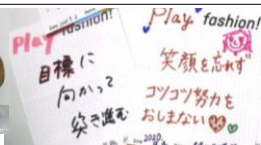
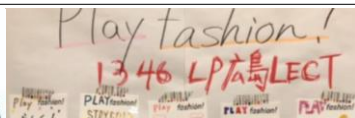


A D A S T R I A
— *Play fashion!*

Our Mission

Expand the Circle of Play fashion!

A D A S T R I A
Play fashion!



Rethinking the Future of the Fashion Business and
Adastria in the Wake of the COVID-19 Pandemic

Philosophy: Be a person **needed**, Be a company **needed**

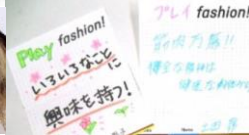
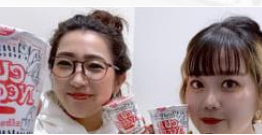
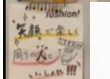
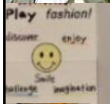
Mission

Play fashion!

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

Vision

Joyful options galore!



The apparel business experienced a very challenging time during the COVID-19 pandemic. During this time, we looked back to our corporate philosophy, mission, and vision, carefully rethinking the future of the fashion business and of Adastria.

Our mission is Play fashion!—to communicate the excitement of fashion and to expand the circle of Play fashion! both inside and outside the Company We believe this is the path for returning to growth and the concept under which we will co-create vibrant communities.

Quantitative Targets **ROE 15%** **Operating Margin 8%** **Sales Growth 5%**

Extend Value Offerings

Growth
Strategy

**Multi-Brand,
Multi-Category**

I

- 1) Matured market
- 2) Large-scale stores, digital stores
- 3) Developed new brands
- 4) Brought overseas brands to Japan



Made steady progress, despite falling short
in traction

Growth
Strategy

**Digital Customer Interactions
and Services**

II

- 1) Built a new e-commerce (EC) site
- 2) Expanded STAFF BOARD
- 3) Launched Chinese EC site
- 4) Developed database for data utilization



Achieved significant EC site growth

Growth
Strategy

Glocal

III

- 1) Expanded “niko and ...” business in mainland China
- 2) Improved profitability in Taiwan and Hong Kong
- 3) Developing the Southeast Asian market
- 4) U.S. operations returned to profitability



Returned to profitability

Growth
Strategy

New Business

IV

- 1) Established food business
- 2) Launched new businesses



Fell short in establishing the business model, but
created a foundation for a food and beverage
business through M&A

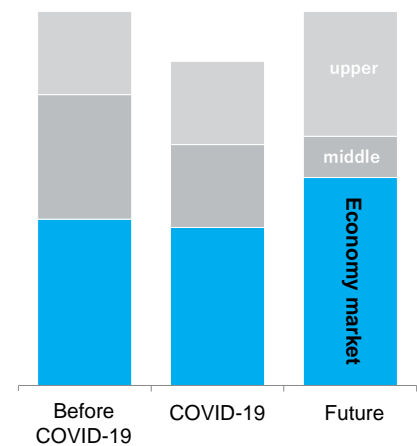
Grow customer Base

In April 2020, we formulated and announced our growth strategies toward 2025. We defined our strategies along the two axes of growing our customer base and extending value offerings, with multi-brand on the upper left, digital on the upper right, overseas on the lower left, and new business on the lower right.

We have made no major changes to this growth strategy policy as of now. Looking back at our progress to this point after two years with COVID-19, we have made significant progress in digital and global. Our own e-commerce site has grown significantly, and overseas, we have returned to profitability while continuing to invest in growth.

On the other hand, the domestic apparel business, which is our top priority, did not grow, due in part to the external environment. We must also admit that the launch of new businesses has been somewhat delayed.

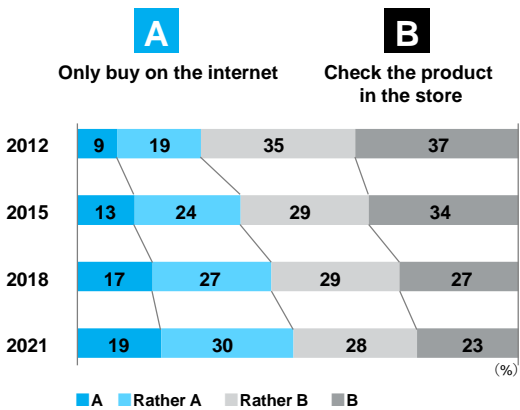
Due to COVID-19 domestic apparel market shrinks faster, but **economy market will expand in the future.**



Source: Yano Research Institute Ltd. "Research on the domestic apparel market (2021)" Estimated by Adastria based on SENKEN surveys and other sources.

EC market accelerates expansion in COVID-19 and **continue to grow.**

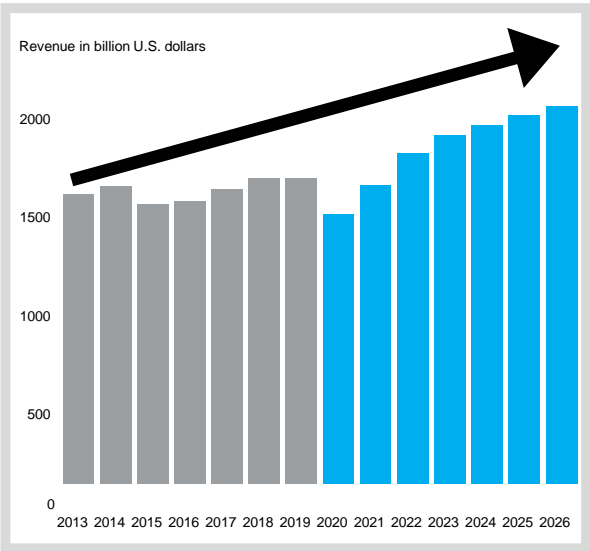
The following is percentage of respondents "When buying on the internet, you'll check the product in the store or only buy on the internet."



Source: NRI "Survey of 10,000 consumers" (2012~2021, Every 3years)

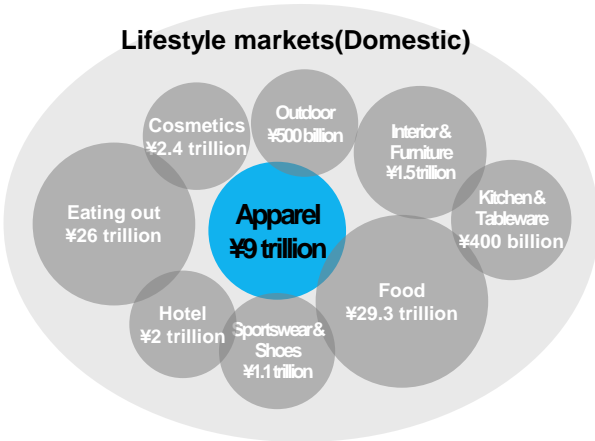
The external environment is also changing. While the domestic apparel market has shrunk due to COVID-19, the market has also polarized into high-end and economy categories. We believe the economy market price range will become increasingly important in the future. Some studies show that half of the apparel market is already in the economy price range. On the other hand, the e-commerce apparel market, previously considered a challenge, has grown significantly due to the COVID-19 pandemic.

Global apparel market recovers to growth trajectory.



Source: Statista, "Revenue of the apparel market world wide from 2013 to 2026"

Gap between apparel and other markets is diminishing and becoming a lifestyle market.



Based on Adastria research from various surveys.

While the global apparel market contracted due to the COVID-19 pandemic, it recovered quickly and is back on a growth trajectory. Changing lifestyles have reduced the gap between apparel and other markets. The lifestyle market is expanding, embracing fashion in contexts other than apparel across aspects of lifestyle.

Issue Recognition (Direction of Update)

Responding With Greater Speed to Megatrends Accelerated by the COVID-19 Pandemic

Megatrends	Shrinking Domestic Market Low Birthrate, Aging Population	Transition to Digital	Globalization	Climate Change - Environment
Opportunities	<ul style="list-style-type: none"> Expanding economy market Increasing affinity with peripheral markets 	<ul style="list-style-type: none"> Expanding EC market Changes in customer interaction points 	<ul style="list-style-type: none"> Apparel market growth overseas Development of unexplored areas 	<ul style="list-style-type: none"> Corporate shakeout New business possibilities
Threats	<ul style="list-style-type: none"> Shrinking domestic apparel market Labor shortages 	<ul style="list-style-type: none"> Decrease in customer traffic at brick-and-mortar stores 	<ul style="list-style-type: none"> Entry of global companies Rise of local brands in each country 	<ul style="list-style-type: none"> Rising costs Decrease in consumption
Our Strengths	<ul style="list-style-type: none"> Multi-brand Unique value chain 	<ul style="list-style-type: none"> In-house EC membership base STAFF BOARD 	<ul style="list-style-type: none"> Brand and quality Market-tailored strategies 	<ul style="list-style-type: none"> Materials developed in-house Relationships with production partners
Weaknesses	<ul style="list-style-type: none"> Scale-up and efficiency New added value 	<ul style="list-style-type: none"> Lack of in-house EC site awareness 	<ul style="list-style-type: none"> Recognition overseas Global human resources 	<ul style="list-style-type: none"> Environmental friendliness of the value chain
Updates	Revenue and Growth in Existing Business	Accelerate Growth of In-House EC Site	Expand Investments Overseas	Combine Sustainability With Growth

The issue of sustainability is becoming rapidly more important as issues related to climate change and resource conservation become more obvious. In this changing external environment, we have carefully examined our opportunities, strengths, risks, and weaknesses in each area, defining an updated direction.

In the domestic market, we must balance scale and profitability by capturing growth in the expanding economy market and opportunities in new peripheral markets.

To keep up with advancing digitalization, we must better leverage our own membership base, while building greater recognition at the same time.

In terms of globalization, we must capture growth markets securely, using strategies are tailored to the characteristics of each market.

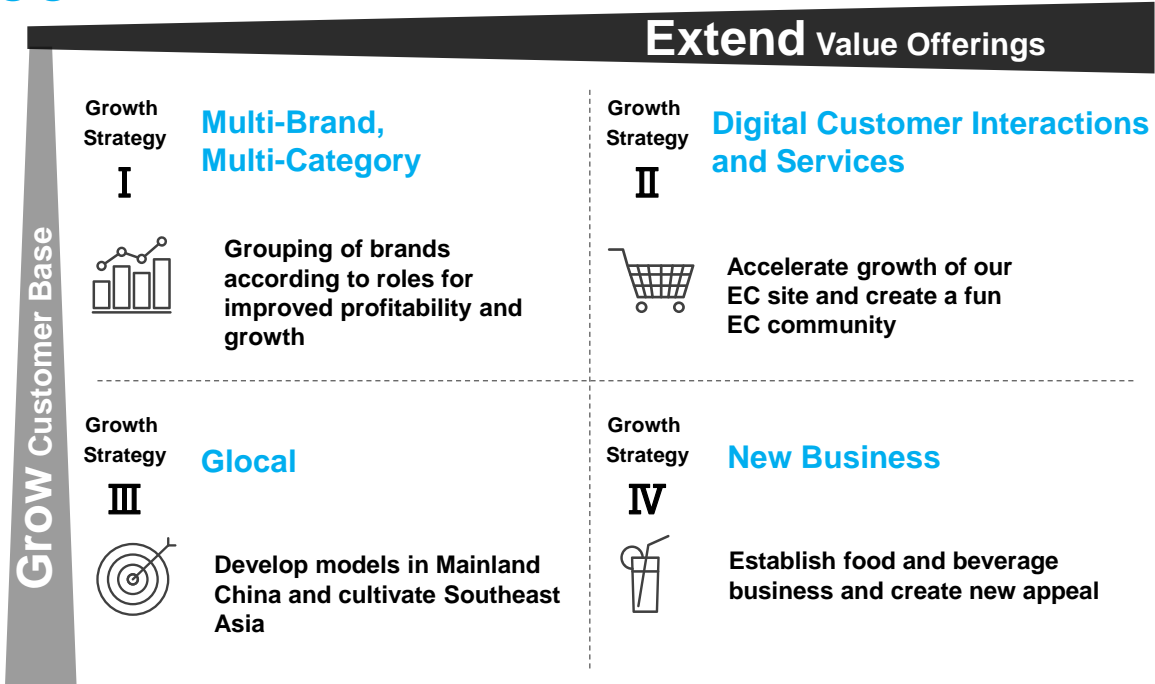
A delayed response to climate change and the environment can pose a significant risk to a business. At the same time, this risk presents new opportunities, including a market restructuring as the industry experiences a shakeout of companies.

Growth Strategy Update (Overview)

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

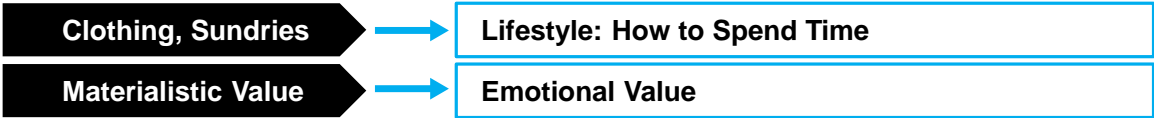
 **Achieve Sustainable Management**

Extend Value Offerings

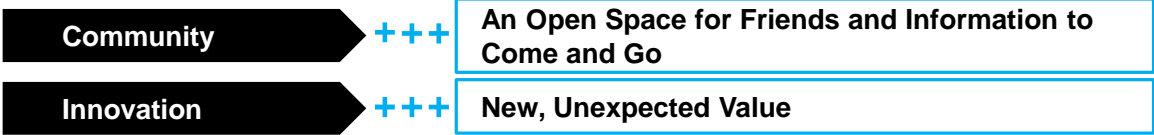


This is an overview of our updated strategy. While our overall direction remains unchanged, we have more clearly defined our tasks in each area, incorporated into a numerical plan. As we engage in sustainable management, we also aim to achieve consolidated group sales of JPY280 billion for the fiscal year ending February 2026.

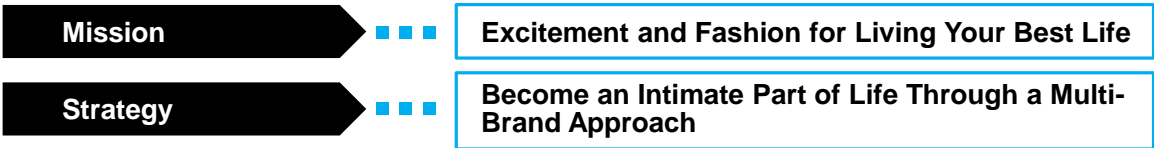
What Will Change?



What Will We Add?



What Will We Continue to Do?



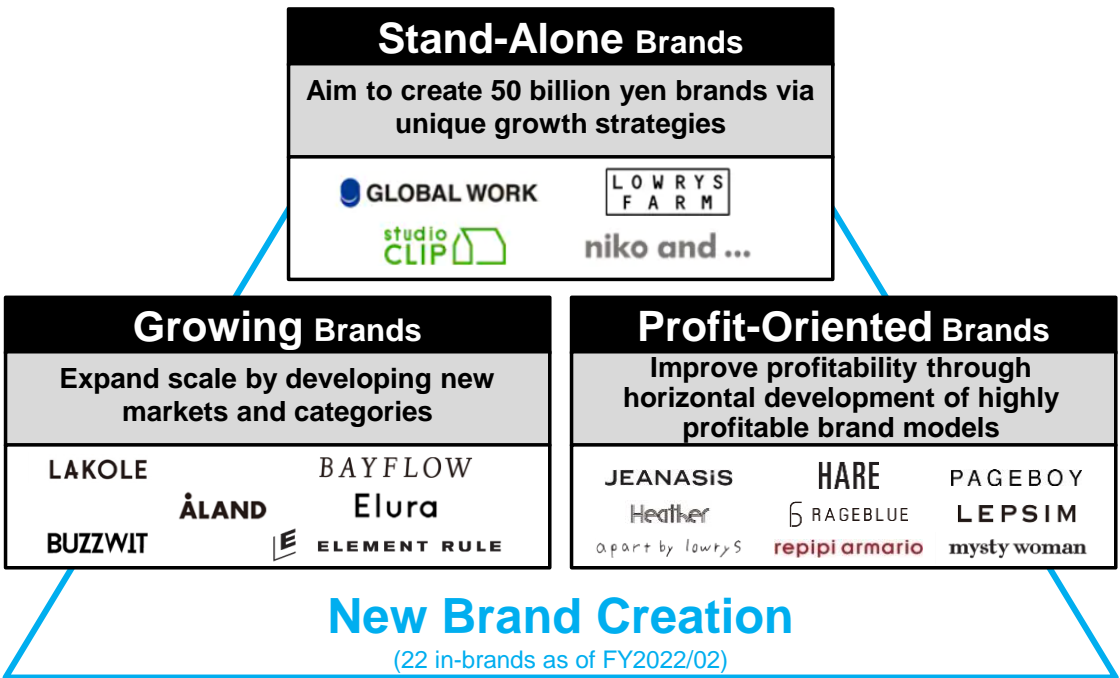
At the same time, our ideal through the year 2025 is to become a good community co-creation company. We cannot achieve long-term growth on our own . We are a fashion company. We must combine quantitative value with emotional value if we are to expand the circle of Play fashion! And our desire is to involve our customers, business partners, and others in achieving our plans .

Growth Strategy I
Multi-Brand, Multi-Category



The Evolution of a Multi-Brand Platform

Group Each Brand According to Role and Stage (Mirrored in Our Organization)
Identify the Priority of Each Brand Clearly and Nurture Brands in the Portfolio



The Growth Strategy 1 , mainly for our domestic multi-brand and multi-category strategy. Our growth strategy to date focused on creating new brands and categories. Our existing brands are our largest in terms of sales and profits. We have classified existing brands in Japan into three categories according to their roles and stages, clarifying that we will nurture these brands across our entire portfolio.

The first of the three groups are the stand-alone brands for which we pursue growth through unique growth strategies. The second are growing brands aiming for high growth through new market and category development. The third group is profit-oriented brands for which we seek to improve profitability by digging deeper into existing markets. We also have 22 in-brands that represent seeds for new brands.

We intend to create a multi-brand platform that gives rise to new buds which we will nurture as growing and profit-oriented. When a brand has grown large enough, we will treat them as independent businesses, aiming for even higher levels of growth .



Cultivating the Mass- and Low-Price Market

Strengthen the 3Fs (Fashion x Function = Feeling)

We are using data analysis and our background in in-house production to create mainstay products that serve as the face of our brands

Develop New Low-Priced Lines

Expanding into the increasingly important low-priced market by leveraging our strengths in product development

1.8 million units sold in high-repurchase pants series



niko and ...

Establish Category Brands and Create Large Category Stores

Growing In-Brands

We are collaborating with companies in various fields, leveraging in-brands, including cafes, furniture, outdoor, and sports

Large-Scale Stores as a Mechanism for Exciting Experiences

Make stores a space for experiences; turn the niko and ... stores into semi-shopping malls housing many smaller stores



Each of the four stand-alone brands has its own strategy.

GLOBAL WORK, our most basic and broadest customer base, pursues the affordably priced mass market. Here, we use data analysis and our own background in manufacturing to create strong products.

The strength of the niko and ... brand is its playful stores and in-brands across categories that include cafes, furniture, outdoor, and sports. We intend to develop these categories further under large-format niko and ... stores that will become shopping malls, aiming to create exciting stores.

Stand-Alone Brand Strategy 2



Essential Consumption Offering a World View

Transition Brands From Fashion to Lifestyle

Since the COVID-19 pandemic, customer interests have shifted from fashion to an enjoyment of daily life

New Business Model Connecting Daily Living and Daily Sundries

Focusing on daily living to develop new business categories for popular-priced daily necessities and sundries that offer natural tastes



Create Mechanisms for User Extension and Growth

Expand Stylish Kids' and Men's Products

Trendy kids' and men's lines are performing well, and we are expanding unisex items from the woman's perspective

Creating Structures to Support Fashion



Integrate emotional manufacturing while leveraging data marketing to strengthen production planning



studio CLIP is popular among female customers who prefer natural, clean lifestyles. With the COVID-19 pandemic, customer interests are shifting from fashion to lifestyle itself. We are expanding our offerings of everyday products that leverage the worldview of this brand to capture essential consumption .

The newly launched LOWRYS FARM kids' and men's lines have been very popular. We aim to incorporate trendiness in design, while integrating data and emotional manufacturing with data marketing and in-house production.

Developing Markets in New Segments and Categories

Market	Category	Brand
Matured Women and Upper Market	<ul style="list-style-type: none"> ■ Rising personal income among women ■ Active seniors ■ Luxury consumption 	<ul style="list-style-type: none"> • Elura • Curenology ★ • Utao • Chaos ★ <p>★ELEMENT RULE</p> 
Generation Z Market	<ul style="list-style-type: none"> ■ Korean fashion ■ Digitalization ■ Lower prices 	<ul style="list-style-type: none"> • apres jour ★ • kutir ★ • ALAND <p>★BUZZWIT</p> 
Lifestyle Market	<ul style="list-style-type: none"> ■ Time at home ■ Wellness ■ Sustainability 	<ul style="list-style-type: none"> • LAKOLE (sundries) • BAYFLOW (wellness) • e/rm (loungewear) • O0u ★ (sustainability) <p>★ADOORLINK</p>

Growth-oriented brands will focus on new segments and categories. These categories include the Upper Market for mature women who have rising personal incomes and for active seniors. The Generation Z market is most represented by Korean fashion, while the Lifestyle Market focuses on concepts such as wellness and time at home .

In the Upper Market, ELEMENT RULE has developed the successful high-end Chaos and Curenology brands. The brands grew 92% and 41%, respectively, in fiscal 2021 .

For the Generation Z youth market, brands such as apres jour and kutir, developed by our e-commerce subsidiary BUZZWIT, have become popular.

In the Lifestyle Market, LAKOLE has grown steadily. The brand offers a full line of affordable, yet tasteful, everyday sundries.

Strategy for Profitable Brands

Horizontal Development of Highly Profitable Brand Models

Highly Profitable Models: JEANASIS and HARE

Horizontal development of business models from successful, highly profitable brands to other brands

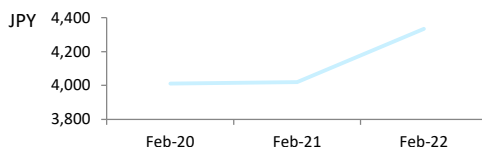
- ▶ Highlight brand characteristics and deepen relationships with customers
- ▶ Supplying the right times and right products to reduce discounting and missed sales
- ▶ High EC sales rate



Expand Offerings of High Value-Added Products

Develop high unit-price products that leverage brand value within the scope of economy prices

→ Average product unit price of profitable brands increased 8% compared with 2020



This is the strategy of our Profit-Oriented brands.

This group has been most successful with JEANASIS and HARE, while PAGEBOY is also beginning to see success. By highlighting the unique features of each brand and creating deeper relationships with customers who have a strong affinity for the brands, we sell products without the need for discounts, generating high profitability through higher e-commerce conversion rates.

By expanding success brand models horizontally, we are improving the profitability of profit-oriented brands overall. Further, we are developing products with higher unit prices than the standard price range of each brand, taking advantage of brand value. Here, we have raised the average product unit price, while reducing discounts at the same time.

Store Strategy (Approach to Investment)

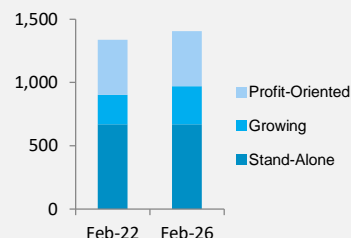
1. Scrap & Build

- Improve accuracy and consistent operations of standard store models by brand
- Close stores and make format changes based on store profitability and marketability

2. Open stores actively in untapped markets

- Growth brands, new daily-use business models, in-brands, etc.

No. of stores in Japan
(excluding Zetton)



3. Expand Size and Consolidate Stores

- Create a new role for brick-and-mortar stores beyond selling clothes
- Integrate brick-and-mortar with EC (.st store)

4. Streamline store investments further

- Control fixed rents
- Standardize store interiors, review materials and construction methods to reduce investment costs

**Improve equipment
cost to sales ratio
(including depreciation)**

This is our approach to store strategy .

For profit-oriented brands, we intend to improve the accuracy of our scrap-and-build approach to date .

We will continue to open new stores actively in new businesses under Growth and Stand-Alone brands.

Our overall policy is to increase the size of the stores, while maintaining or increasing sales floor space.

In addition, we intend to improve store investment efficiencies and lease terms, by means of which we will create a better ratio of equipment investment to net sales, including depreciation and amortization.

Growth Strategy II

Digital Customer Interactions and Services



We Have Laid the Foundation for the Next Stage of Growth

Building a Strong Customer Base

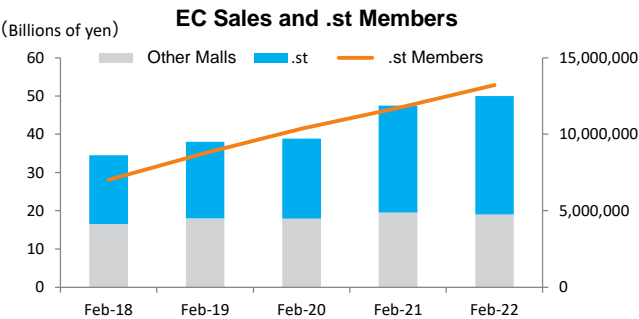
- “.st” membership growth
- Rising in-house EC site sales ratio

Differentiating Based on Strengths

- STAFF BOARD content becoming more popular
- Established “.st store” model

Building Infrastructure to Support Growth

- Strengthening IT governance, including third-party PMO
- Migration to new EC system on track
- Improved “.st” app functionality

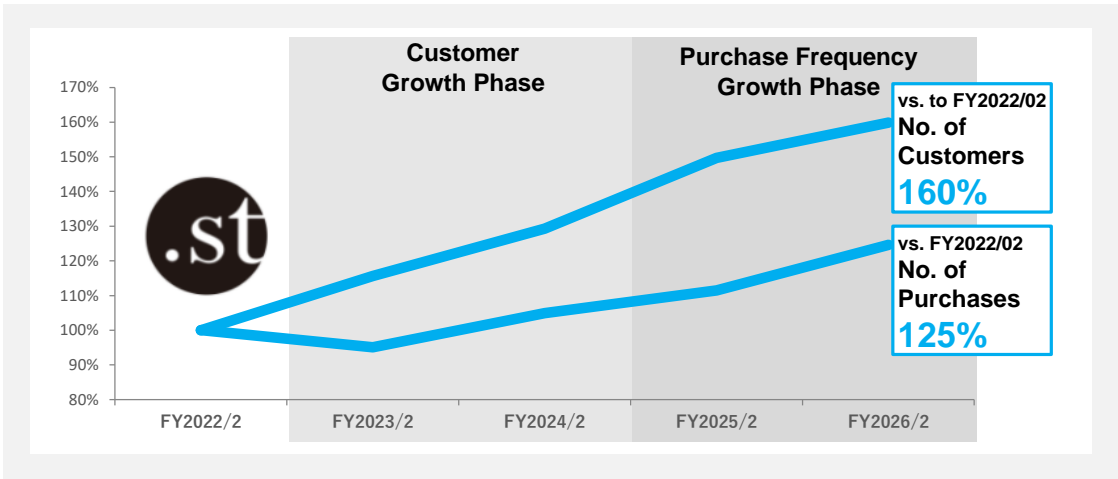


Fashion Retail and Brand EC Sales Over the Last 6 Months
Source: Senken Shimbun, February 17, 2022

Company name	Period	EC Sales	EC Sales Ratio
UNIQLO	Mar-Aug 2021	53,068	15.0%
Adastria	Mar-Aug 2021	27,300	30.1%
BAYCREW'S	Jul-Dec 2021	27,020	43.0%
ONWARD HOLDINGS	Mar-Aug 2021	20,800	31.4%
TSI HOLDINGS	Mar-Aug 2021	18,780	35.6%
World Co., Ltd.	Apr-Sep 2021	16,004	20.8%
PAL	Mar-Aug 2021	15,137	38.0%
UNITED ARROWS	Apr-Sep 2021	13,583	29.8%

The Growth Strategy 2 encompasses our digital strategy. We have made significant progress in our digital strategy, aided by changes in purchasing behavior under the COVID-19 pandemic. .st membership now exceeds more than 13 million members, and 60% of .st e-commerce sales come through our in-house EC site. STAFF BOARD, where store staff posts apparel coordinates, has become popular content, and we are opening OMO-model .st stores as a new profit model. We are strengthening IT governance, migrating to cloud computing and other new systems to develop infrastructure for future growth. According to the most recent survey, Adastria ranked second in e-commerce sales among fashion retailers in Japan .

Expand the Scale of Our EC Business, Aiming for **80** Billion Yen in sales


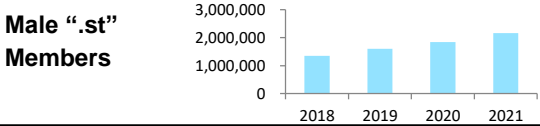



This is the future direction of e-commerce for Adastria.
We aim to reach e-commerce sales of JPY80 billion by the fiscal year ending February 2026. This figure includes our own .st e-commerce site and the sites of other companies. The first two years under this medium-term plan will be a phase of customer growth.. The next two years will be a phase of increasing the number of purchases, and our plan calls for increasing the customers by 60% and purchases by 25% compared to the fiscal year ended February 2022. During this time, we will also strengthen our e-commerce presence overseas.

Specific Measures to Increase Customer No.'s

Increase Customer No.'s

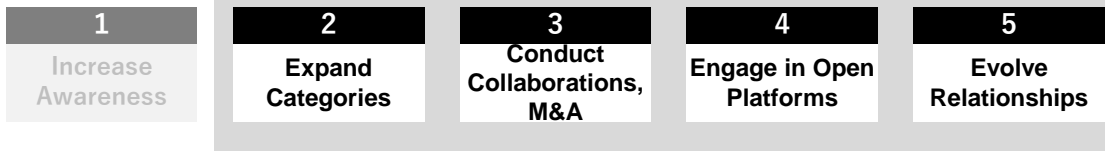
1	2	3	4	5
Increase Awareness	Expand Categories	Conduct Collaborations, M&A	Engage in Open Platforms	Evolve Relationships

1 Ongoing Exposure via TV Commercials	2 Expand Men's Wear, Etc.										
	 <table border="1"><caption>Male ".st" Members</caption><thead><tr><th>Year</th><th>Members</th></tr></thead><tbody><tr><td>2018</td><td>~1,200,000</td></tr><tr><td>2019</td><td>~1,500,000</td></tr><tr><td>2020</td><td>~1,800,000</td></tr><tr><td>2021</td><td>~2,100,000</td></tr></tbody></table>	Year	Members	2018	~1,200,000	2019	~1,500,000	2020	~1,800,000	2021	~2,100,000
Year	Members										
2018	~1,200,000										
2019	~1,500,000										
2020	~1,800,000										
2021	~2,100,000										
	3 Acquire Customers From Other Companies										
											

We are engaged currently in increasing our customer base. Specific measures include raising awareness through active promotions, expanding categories for customer segments we have yet to capture, including men's and seniors, and increasing the number of cooperating companies through M&A and collaboration to acquire customers from sources outside our company.

Specific Measures to Increase Purchase No.'s

Increase Purchase No.'s



2 Strengthen Multi-Brand x Multi-Category

Lifestyle Sundries
Performance Average
Annual Growth of 13%

Period	Performance Average
2020.2	~800
2021.2	~900
2022.2	~1000

4 Engage in Open Platforms

Expand categories and propose lifestyles by dealing in products from other companies

5 Evolve Relationships

In-house staff becoming influencers => Deeper connection with customers

This slide shows specific measures by which we plan to increase the number of purchases. We are expanding into non-apparel categories, including lifestyle sundries and furniture. Lifestyle sundries sales have grown at an average rate in excess of 10%, even amid the COVID-19 pandemic.

We offer an open platform, handling products from other companies. This is a mall-type business model in which partners open stores on our e-commerce site rather than our sourcing and selling of products. The first product we sold under this model was Chococro from ST. MARC, a limited-time collaboration product that was very well received. We will continue to expand into other fields, such as home appliances and cosmetics. Popular STAFF BOARD contributors have become influencers, some reaching 70,000 followers Instagram. As these women serve customers on our e-commerce site, we are creating strong connections with our customers, and we intend to strengthen human resource development further in this area.

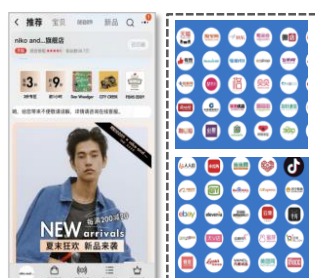
Expand With a Sense of Speed, While Ensuring Uniqueness

Mainland China

In-House Site



EC Malls



Expand
Brands

Expand to
Other Malls

**Expand Brands and Engage With
Other Malls, Centered On T-mall**

Taiwan, Hong Kong, Southeast Asia

Southeast Asian Countries



(1) Self-developed →
(2) Packaged

(3) Speedy roll-
out of
packages

**Build In-House EC and Engage
in Horizontal Development**
(common packaging and speedy deployment)

We will also step up efforts in overseas e-commerce.

Decisions about in-house site development or participation in existing e-commerce malls will depend on the characteristics of each market, as will our methods for promotion.

Managing Director Kitamura will provide more details during the explanation of overseas strategies in the next section of our presentation.

Growth Strategy III
Glocal



Regional Market Environments

Recorded Net Profits for All Businesses Overseas in FY2022/02

Moving forward, we will optimize strategies for the characteristics of each market
= Accelerate Glocal

	Region	Market Scale	Competition	Characteristics
Greater China	Mainland China	Large	Strong	High purchasing power and large cities with fashion-conscious customers Easily accepting of brands with strong individuality E-commerce is dominated by malls, leaving little room for in-house development
	Taiwan	Small	Medium	Accepting of multi-brand approaches Limited number of stores per brand
	Hong Kong	Small	Medium	Accepting of multi-brand approaches Limited number of stores per brand
	U.S.	Large	Strong	Market is mature; however, purchasing power is high E-commerce consists of online malls and self-developed e-commerce sites
	Southeast Asia	Medium	Medium	Buying habits differ among countries Apparel EC rates are low, but likely to grow in the future

The Growth Strategy 3, our Glocal Strategy.

We made a major step forward in our overseas business by returning to profitability in fiscal 2021. We aim to accelerate growth further in the future.

First, I will discuss our view of the market environment in each of the areas in which we operate.

The mainland China market is very large and active. Large cities in particular are attractive markets due to large numbers of fashion-conscious consumers.

However, the competition is fierce, and small, unobtrusive brands can be buried alive. In addition, the e-commerce market, as large as it is, consists of enormous malls with major market share. Therefore, we do not see much room to introduce our own in-house e-commerce site.

The markets in Taiwan and Hong Kong are not very large, but are very welcoming to Japanese products. We can expect profitability in these markets.

In the past, we opened numerous stores in Hong Kong, which resulted in some unprofitable stores. Over the past few years, we have been reorganizing these unprofitable stores, and now that are seeing good prospects for improved profitability, we are aiming for a return to growth in the market.

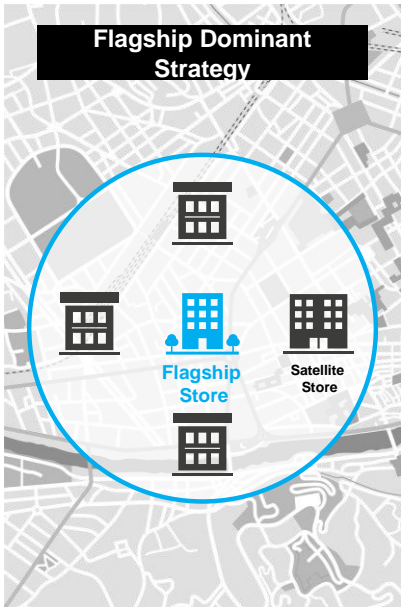
The US market is a mature market, but consumer confidence is very high.

Due to distance and differences in the commercial environment, we are operating through acquisitions of local brands, rather than through our own businesses.

We consider Southeast Asia to be an important market for the future, given the region's prospects for significant growth. The e-commerce share in Southeast Asia is only about 5% at the moment, lower than other areas in which we operate. However, we project dramatic growth in the future.

Accelerate Store Openings; Proceed With **Establishing Flagship Dominant Model Strategy**

- Use flagships to raise brand awareness, and increase profitability through satellite stores nearby
 - Establish model in Shanghai, and then make entry into other leading cities
- Planning to open flagship in FY2023/02



Flagship Focuses on Brand Creation



Satellite Stores Focus on Profitability

Opening stores in leading shopping malls in Shanghai; operating 5 stores presently

■ Second-Half of 2021

New Store Openings

- | | |
|--------|---------------------|
| Sep 30 | "Taikoo Li Qiantan" |
| Nov 27 | "Daning Jiuguang" |
| Dec 22 | "Lala Station" |

*All performing well

Taikoo Li Shopping Mall



Now, I will discuss our business model in mainland China, which represents the main focus of our efforts.

The market is large in scale and highly competitive. Therefore, we will pursue a flagship store-dominant strategic model in which we first invest in flagship stores and establish brands, after which we open SCs in the vicinity to secure profits within the target area. Our first target is Shanghai, where we have opened two flagship stores. We followed with three stores placed in surrounding shopping malls for a total of five locations under management.

We have been holding a number of major events at flagship stores for brand recognition, aiming to establish greater recognition as an interesting brand.

We have received many offers from shopping centers to open satellite stores, and we have already agreed to open two more in Shanghai this fiscal year.

This fiscal year, we plan to open a flagship store in our second target area, Chengdu. We are also rolling out e-commerce; however, even online purchases appear to be concentrated in the Shanghai region where brand recognition is higher. Therefore, we believe our own e-commerce sales will increase by expanding our operating area.

Ongoing investments aiming for **sales of 20 billion yen** in the medium term

Prioritize Growth for the Time Being; Transition to Monetization City-by-City

Overall Strategy	Focus on a small number of brands with strong individuality and local appeal Develop a dominant flagship store strategy in each city E-commerce sales will grow as brand recognition at flagship stores expands
Existing Stores (Shanghai)	Establish a foundation for profitability by improving recognition through flagship stores and by opening shopping mall stores Improve efficiency of local store operations through staff training Aim to generate net profits in the Shanghai area by 2022
New Stores	Open 10 stores in 2022, including the new Chengdu store; expand into new cities every year thereafter Test new brands in EC and “niko and ...” stores; open brick-and-mortar stores for brands that respond well
EC	Pursue a multi-brand strategy Expand global STAFF BOARD Expand business by opening up “.st”

Then, to summarize our growth strategy in mainland China, we aim to grow sales to JPY20 billion in the medium term.

For the time being, our priority is growth rather than profits. As we continue to open satellite stores, we expect to see a shift toward profits in our target regions

At present, we are focused on brands with strong characteristics that have had a positive response locally. We hope to add new brands gradually in the future.

As I explained earlier, we are pursuing a flagship dominant strategy, while training local staff to increase the efficiency of operations. We plan to open 10 or so stores this year, including new stores in Chengdu.

When launching a new brand, we use existing stores to test sales as we consider whether to open a brick-and-mortar location.

E-commerce makes it easier to launch new brands more flexibly than brick-and-mortar stores, so we intend to engage in a multi-brand approach before opening brick-and-mortar stores.

After seeing success in Japan, we plan to introduce STAFF BOARD in mainland China, also.

Maintain a Growth Trajectory While Ensuring Profitability in Each Region

Taiwan	Stores	Accelerate new brand store openings (studio CLIP, HARE, PAGEBOY, etc.)	EC	Revise systems and shift to in-house production Utilize STAFF BOARD
Hong Kong	Stores	Scrap-and-build, local staff management for high profitability	EC	“.st” launch Establish a mechanism for inventory-free EC operations
U.S.	Brick-and-mortar	Operate with a focus on acquired local brands Expand overseas business through wholesale	EC	Build larger base of loyal customers Strengthen digital marketing
Southeast Asia	Stores	Preparing to open “niko and ...” in the Philippines	EC	Plans to launch with a view to converting into a mall

This slide addresses our strategy in regions other than mainland China.

Many of our brands have yet to open stores in Taiwan. We plan to accelerate store openings for new brands, selecting brands that respond well in market research and accelerating the opening of multi-brand stores. E-commerce is growing very rapidly in Taiwan, and we aim to leverage the STAFF BOARD here as well.

In Hong Kong, we are operating with local staff while moving forward with a scrap and build approach to existing stores. Since operational efficiency has improved considerably, we are looking to grow profits. We are preparing to unveil our own .st site this year for Hong Kong e-commerce. We are also planning to conduct a trial of stockless e-commerce in collaboration with our newly established logistics subsidiary in mainland China to create a system to ship from mainland China, rather than carrying inventory in Hong Kong.

In the U.S., we are looking to expand the wholesale business of our Velvet acquisition. By sharing Adastria expertise, and strengthening online marketing, we are improving efficiencies in e-commerce, an area in which Velvet had yet to fully engage.

Finally, in Southeast Asia, we plan to expand first to Thailand and then the Philippines, and we are moving forward with our preparations.

Since apparel e-commerce has not yet become an oligopoly in region, we are mAt present, the Chinese mainland continues to face a very difficult COVID-19 situation, leaving many uncertainties in the short term

From a medium- to long-term perspective, we believe the importance of overseas markets will not change, and we intend to achieve further growth while ensuring profitability.

Growth Strategy IV

New Businesses



In February 2022, We Converted Restaurant Company Zetton Into a Consolidated Subsidiary

Aiming to create a “more enjoyable space” transcending the boundaries between apparel and food/beverage



The Growth Strategy 4, New Businesses.

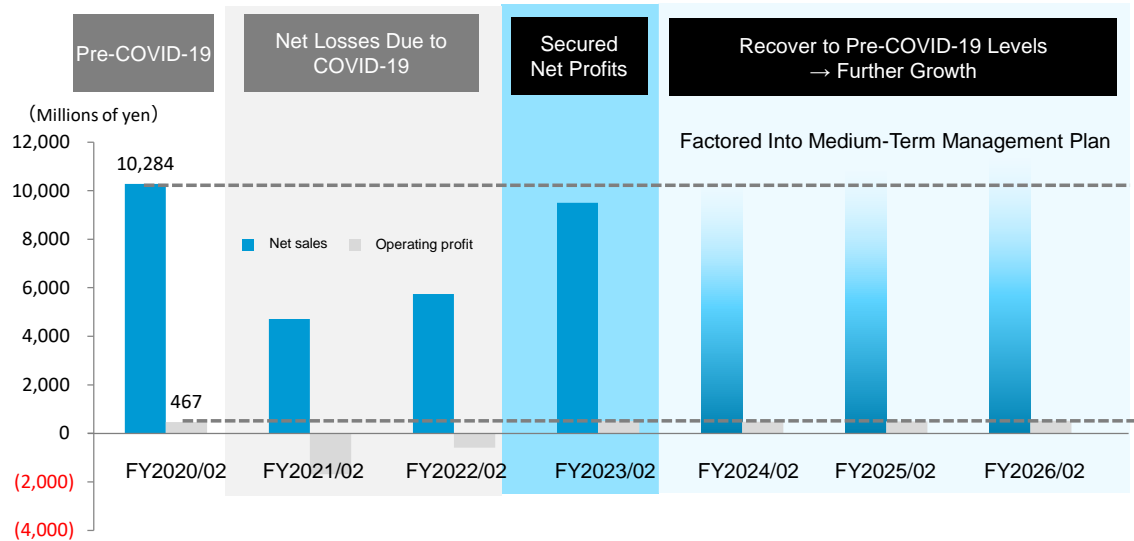
We believe that food, clothing, and shelter are indispensable elements of lifestyle. Last year, we added restaurant business Zetton to our group to establish a food business—something we have lacked in particular.

Our vision is to create good communities where people gather and share fulfilling experiences. Zetton produces stores that become urban community spaces where people gather and interact. Most recently, the company has taken on the challenge of a new business model in the form of a park revitalization business, based on a sustainability strategy.

Zetton is a suitable business partner in terms of business and corporate culture based on community development, supporting our goals in the business of making spaces and in good community creation. More specifically, we want to generate synergies in collaboration, as we improve the draw of our brick-and-mortar stores and expand business overseas, while Zetton builds its customer base and takes on the challenge of entering new markets.

Zetton Numerical Targets

Return to profitability in FY2023/02, partly due to transitory factors.
Our goal is to return to pre-COVID-19 levels as soon as possible.
We will incorporate the final year into the medium-term plan at the same levels as pre-COVID-19.
We plan to announce a subsequent growth plan as soon as the Zetton medium-term plan as is formulated.



Our common goal for Zetton's performance outlook is to return to pre-COVID-19 levels as quickly as possible over the short term.

Our current medium-term plan factors in a Zetton contribution of approximately JPY10 billion in sales and JPY450 million in operating profit in the fiscal year ending February 2026, the final year of the plan. This represents the same level as pre-COVID-19. Of course, we and Zetton agree that the direction is to not only returning to pre-COVID-19 levels, but also achieve growth beyond those levels

However, since Zetton has only been a member of the Group for a short period, it will take some time to refine our long-term outlook. At some point this fiscal year, we plan to announce a medium-term plan for Zetton that describes growth beyond pre-COVID-19 levels.

Leveraging the Strengths of Our Value Chain, Including Planning, Production, and Store Development for **Aggressive BtoB Business Growth**

Established Corporate Sales Department directly under a director to create new businesses in collaboration with each department

Will also be used as a new career path for employees

Services	<ul style="list-style-type: none"> • Insource business from other companies ・ Licensing business • Space production (produce condominiums, detached houses, stores, etc.)
Sales of Goods	<ul style="list-style-type: none"> • External sales of apparel and sundries ・ Uniform business • Commodity goods (HAKUTORIKO), other wholesale, etc.
Open up EC platform	<ul style="list-style-type: none"> • Expand listings of products and services from other companies on “.st”
Commercial Facilities (Direct Sales/FC)	<ul style="list-style-type: none"> • Sell products to GMS, conduct store management on consignment • Expand franchises for commercial facilities (including utilization of existing brands)
Overseas	<ul style="list-style-type: none"> • External sales of materials developed in-house for Mainland China • Handle logistics operations for other companies through a new logistics company in Shanghai

Case Studies



Next, let's look at business other than food and beverage.

Adastria is working to expand our B2B business and we established a new dedicated sales organization this fiscal year. Our goal is to create new business models in which we offer our strong value chain functions in product planning, production, and store development, etc., to other companies.

As you can see here, we have already received very positive feedback from our clients regarding space production, uniforms, and sales promotion support.

Although we are still in the start-up phase here and the quantitative contribution during the current medium-term plan will not be significant, we believe this is an area we want to expand in the future with an eye toward the next phase.

New Business Exploration Initiatives

Co-Create With Employees and Partners to Make Enjoyable Lifestyles

Into New Businesses Continue to Develop Mechanisms to Generate New Business

Case 1 Startup Investment/ Collaboration



Pretia Technologies, Inc.



Luup

Case 2 Project A (In-House Business Contest)



Final Selection Meeting (Q&A Session)



Decision to Commercialize Idea



Examples of New Business Development

We are also engaged in initiatives to find the seeds of new businesses before they bloom. In the previous fiscal year, we made equity investments in two startups in the fields of AR and micro-mobility. We also held a contest for employee business ideas. This contest led to projects such as “Play fashion! for ALL,” which seeks the opinions of persons with disabilities. We do not expect these new business initiatives to produce significant results in the short term. But we do expect them to have a positive impact on Adastria in the long run—say in 10 to 20 years.

Sustainability






Re-Address Sustainability Goals

Going Back to Our Corporate Philosophy, “Be a Person Needed, Be a Company Needed,”
We Reaffirmed the Importance of Sustainable Management and Have Set Higher Goals



The long-held Adastria sustainability policy is to take the excitement of fashion into the future. We have set goals in line with three materialities: Protecting the environment, encourage people to shine, and grow together with communities. Sustainability is increasingly important to the world and to our business. In formulating our medium-term plan, we re-addressed our internal sustainability goals to better clarify our current status, future direction, and target destination. Looking back to the Adastria philosophy of “Be a person needed, Be a company needed,” we can say that achieving sustainability is the basic building block of our business. I believe that our challenge for the current medium-term plan is to set higher goals for each materiality, integrating these materialities into business growth in ways unique to Adastria.

The Adastria **Group Policies and KPIs for Materialities** are as Follows:

	Vision	Group Policy	KPIs
 Protect the Environment	Engage in manufacturing that leads to the future	■ Switch to sustainable raw materials and processing	● Switch to sustainable raw materials and processing for at least half of all products by 2030
	Balance Environmental Considerations and Sales Activities	■ Reduce and absorb CO ₂ emissions	● Achieve carbon neutrality by 2050
	Create a world without fashion loss	■ Zero clothing incineration	● Eliminate incineration of clothing inventory
 Encourage People to Shine	A society in which people enjoy fashion in their own way	■ Suggest fashion for the enjoyment of each individual	—
	Be an organization that is healthy mentally and physically, encouraging employees in their individuality and ability	■ Create diverse and rewarding work environments ■ Foster employee well-being	● Ensure 30% of senior management positions are filled by women by 2025, ● and raise the ratio of women in management positions to 45% or more ● Become a White 500 Certified Health & Productivity Management Outstanding Company
 Grow Together With Communities	Revitalize the communities surrounding our stores	■ Connect with communities through fashion	—
	Foster sustainable development in production areas	■ Fair and ethical procurement	● Advance partnership certifications for production plants by 2023

Newly added or updated content

These are our updated sustainability targets.

The items in blue are what we added or updated most recently.

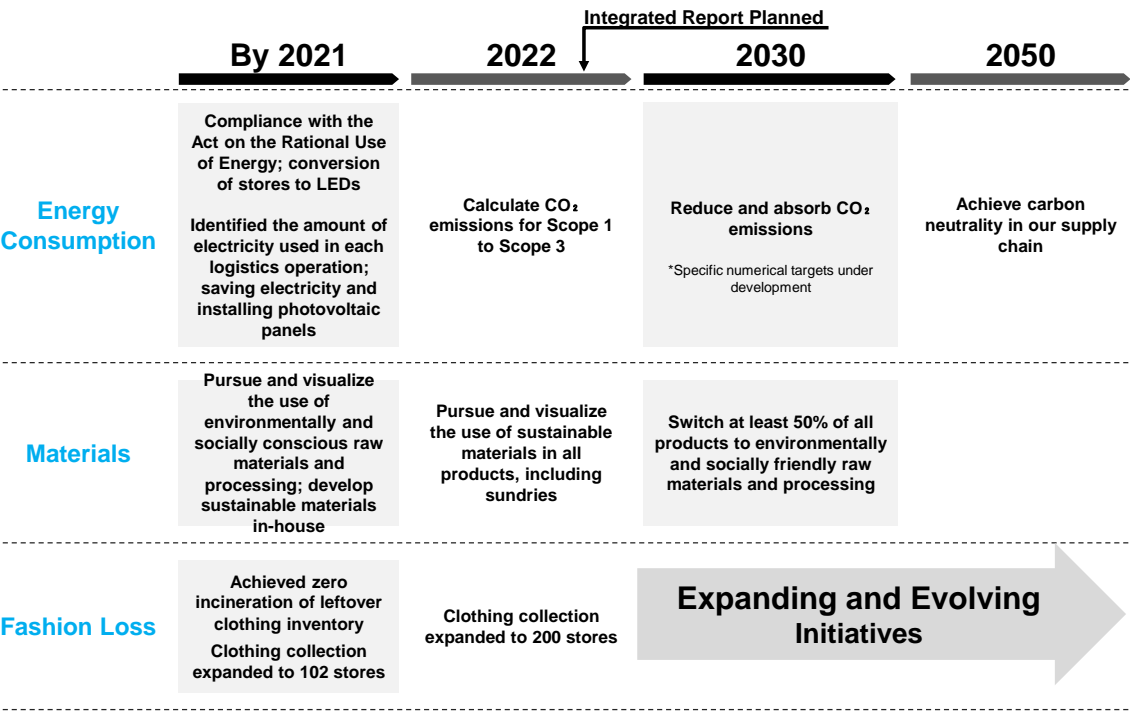
In manufacturing, we intend to switch to sustainable materials and processes for at least half of all products by the year 2030, regardless of materials or categories.

We support the global goals for carbon neutrality by the year 2050 and have adopted these same goals for our new CO₂ emissions reduction and absorption targets, making the decision to identify and reduce our CO₂ emissions.

We also believe that employee well-being is extremely important from the perspective of management sustainability. We issued a health management declaration and set a new goal of obtaining White 500 certification. As Chairman Fukuda mentioned during the presentation of our financial results, we believe that establishing our own health insurance association last year was one step in this direction. We intend to push forward with even greater speed in the future.

Environmental Sustainability Roadmap

Making Steady Progress Toward Carbon Neutrality by 2050



We believe that sustainability consists of efforts over the long term, and we do not necessarily aim to achieve every result within the same period of this medium-term management plan. Therefore, we created a roadmap toward environmental sustainability targets of particular social concern to achieve by the year 2050.

We intend to calculate emissions through Scope 3 for energy use and CO₂ this year for disclosure and visualization of our current status. Following that, we plan to formulate and disclose targets with the year 2030 as a milestone toward achieving carbon neutrality by 2050.

We are pursuing the use of sustainable materials developed in-house, moving forward with the shift to materials that are environmentally and socially friendly.

With respect to fashion loss and clothing waste, we have already achieved zero incineration within the scope of primary distribution. We believe that reducing fashion loss is a joint effort with consumers, and we will continue to collect clothing at our stores for not only our own products, but also products from other companies. We are continuing to expand the number of participating stores. We intend to evolve these efforts and contribute to the zero fashion loss in society.

Adastria is preparing to issue our first-ever integrated report this fiscal year. Among other things, we plan to provide specific figures with respect to these goals. We intend to tell our complete value creation story to stakeholders, explaining the integration of business growth and sustainability based on our medium-term management plan .

Initiatives to Support Growth



		Results to Date	Further Advancements FY2023/02-FY2026/02		
	Production	<ul style="list-style-type: none"> Established in-house production system Multi-category system 	Expand materials developed in-house	Arrange for raw materials in advance, consolidate sewing factories	Increase ASEAN production ratio
	Logistics	<ul style="list-style-type: none"> Established our own logistics system 	Mechanize domestic distribution centers	Consolidate Shanghai area, overseas assortment delivery	Sell products from other companies
	Human Resources	<ul style="list-style-type: none"> Established our own health insurance Selected as a Nadeshiko brand 	Adopt new personnel system (shift to a job-based system)	Reform work styles; expand career path options	Improve operational efficiency
	Risk Management	<ul style="list-style-type: none"> BCP Operations Crisis Management Committee 	Improve the level Crisis Management Committee operations	Continue to improve BCP	Conduct periodic drills
Digital	Offense-Oriented IT	<ul style="list-style-type: none"> Developed infrastructure for data utilization EC cloud computing 	Expand the scope of data analysis usage	Expand “.st” globally	In-house production of systems and applications
	Defense-Oriented IT	<ul style="list-style-type: none"> Developed infrastructure for data utilization EC cloud computing 	Administrative department DX	Streamline store operations	Obtain external security certifications

Adastria's strength lies in the structure under which we perform our own manufacturing and logistics, etc., to support our brands. To achieve our growth strategy, we aim for further evolution in every area that supports this structure.

In terms of production, we are responding to the head winds of soaring costs by expanding materials developed in-house, arranging for raw materials in advance, and diversifying production to areas in ASEAN.

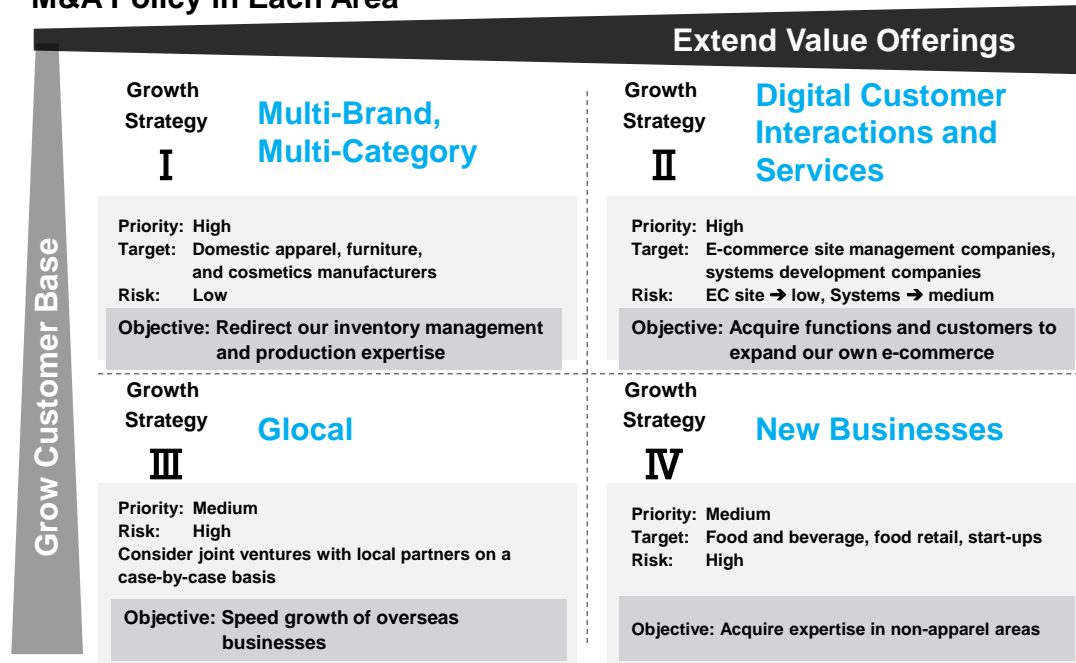
Under logistics, we have been mechanizing domestic distribution centers and streamlining overseas logistics in preparation for our expansion of e-commerce.

For human resources, we have established our own health insurance association, and we are adopting a job-based HR system in stages. We are also expanding career paths for staff. Risk management is increasingly important, and we are improving the level of our operations in this respect.

We have focused on moving digital work in-house, employing more than 40 technology-fluent employees to strengthen infrastructure development and data analysis. We expect the use of data will continue to be effective not only for e-commerce, but also in placing orders early enough to cover future cost increases.

Make Active Use of M&A for Long-Term Growth

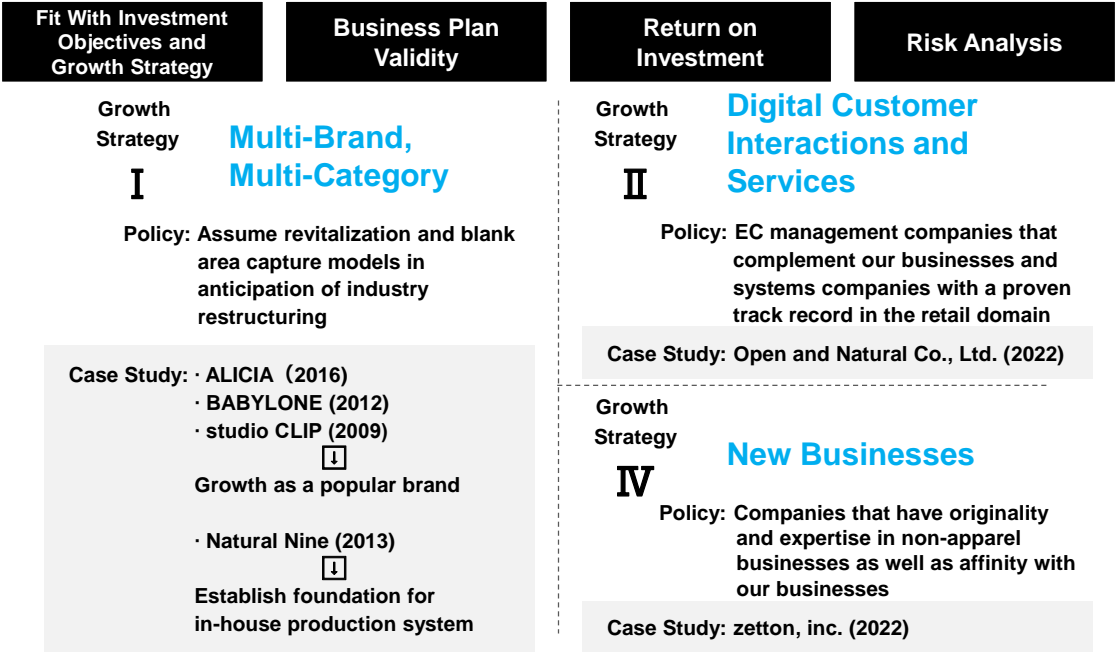
M&A Policy in Each Area



Adastria will make active use of M&A for long-term growth. In particular, M&A is a high priority during Growth Strategies 1 and 2. Through M&A, the company will address elements for growth that include category expansion and acquisition of e-commerce customers. We will evaluate M&A overseas and for new businesses carefully, as they naturally involve higher risk.

Our Strengths in M&A Include Financial Acumen, **Brand Expertise, and a Diverse Corporate Culture**

We Have Rectified Insufficient Review Processes and Put a Dedicated Team in Place



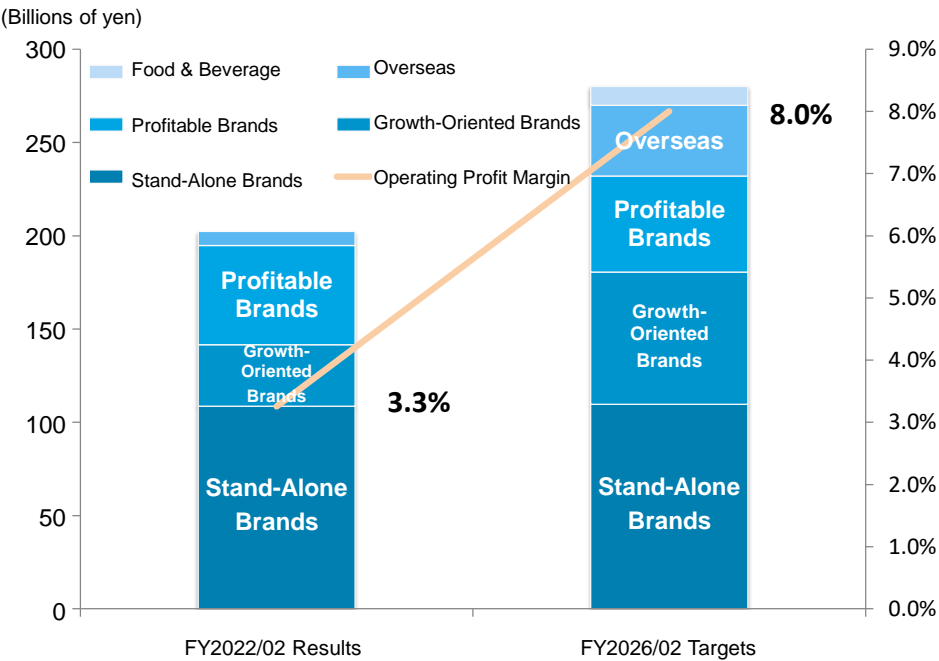
More than even financing or cash flows, I believe our strength in M&A lies in our brand expertise and diversified corporate culture that allows group companies to demonstrate their capabilities. We have conducted a number of mergers and acquisitions in the past. We recorded a certain amount of impairments over the short term, but over the long term, these acquisitions have become firmly rooted in our business, making positive contributions. Our M&A activities, will continue to focus on long-term corporate value rather than short-term profitability. At the same time, we will ensure that review processes and expert staff are in place to reduce risk.

Numerical Targets



2025 Sales and Profit Targets (FY2026/02)

Consolidated net sales **280 billion yen** Operating income ratio **8%**
(including **80 billion yen** in EC sales)



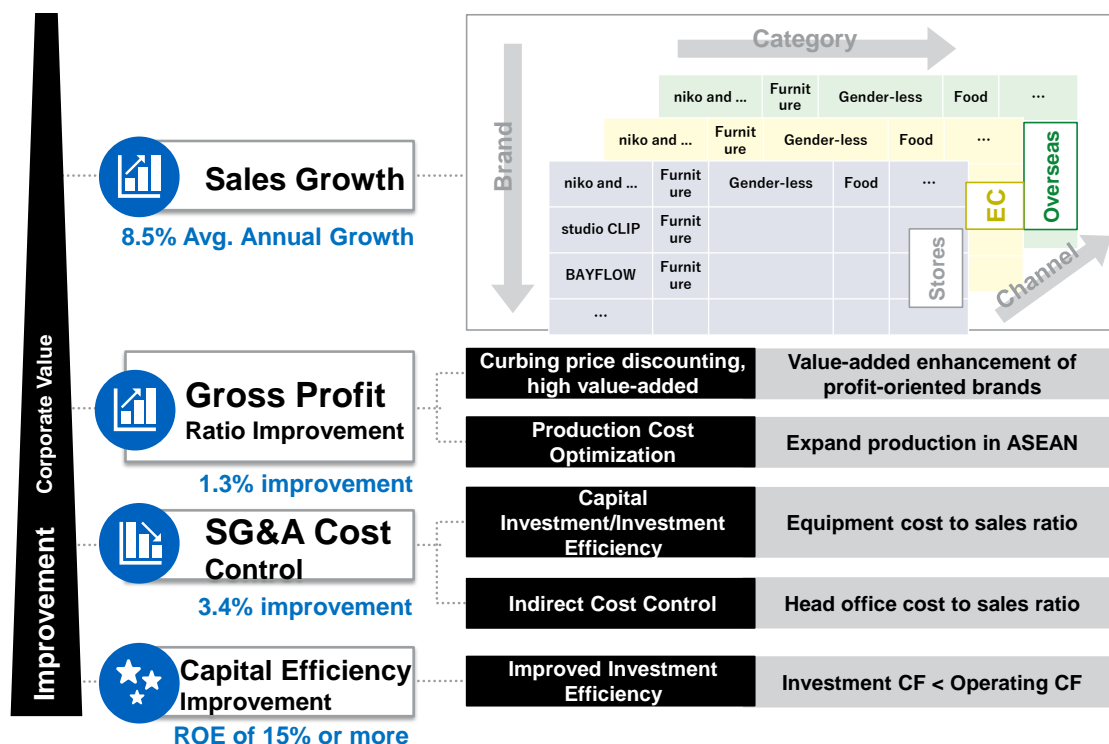
By implementing the strategies we discussed steadily and consistently, we aim to achieve consolidated group net sales of JPY280 billion and operating income margin of 8% for the fiscal year ending February 2026.

Broadly speaking, as shown in this graph, we expect growth-oriented brands and overseas to make significant contributions to sales growth, while stand-alone brands and profitable brands will make larger contributions to operating income ratio improvements.

E-commerce sales are included in all brands and overseas businesses, and we aim for total of JPY80 billion in e-commerce sales.

Path to Corporate Value Enhancement

We Aim to Achieve **Growth and Improved Profitability** Through the Functioning Structure Currently in Place



This slide indicates our view of the path to corporate value enhancement .

Sales growth consists of a three-axis strategy in which each brand expands across categories and channels. And since each element interrelates, we expect to achieve an overall average annual growth rate of 8.5%.

We expect to achieve a 1.3% improvement in gross profit ratio and a 3.4% improvement in controlling SG&A expenses, aiming for a 4.7% increase in operating income ratio from 3.3% in the fiscal year ended February 2022 to 8%. To improve our gross profit ratio, we intend to optimize costs by curbing price discounting, expanding high-value-added products, and diversifying production sites.

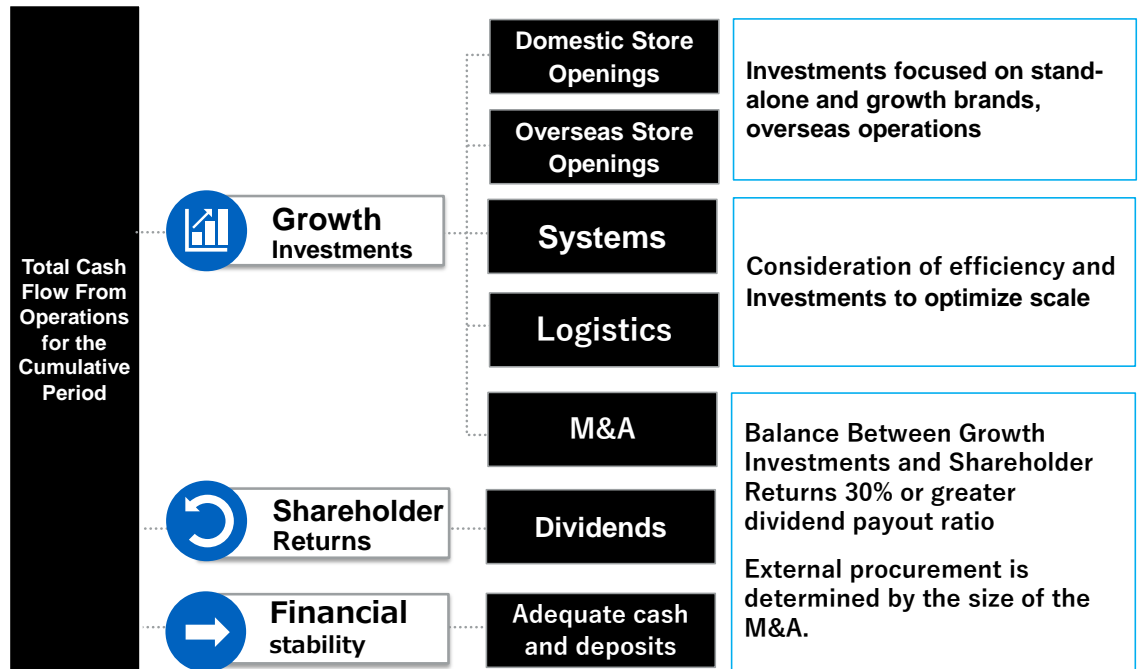
To improve SG&A expenses as a percentage, we will conduct more efficient capital investments and hold head office costs down, even as sales grow..

In terms of capital efficiency, we intend to increase operating cash flows through growth, while holding investment cash flows to a certain level by reviewing investment efficiencies.

By achieving this plan, we expect to reach our initial target of 15% ROE during the fiscal year.

Capital Policy and Shareholder Returns

We Pursue a Capital Policy for **Co-Creation of a Good Community** With Shareholders and Investors



*With respect to net income before amortization of goodwill

This slide summarizes our capital policy.

Operating cash flow during the current medium-term management plan will be allocated first to investments in growth, including opening new stores in Japan and overseas, systems development, and logistics, etc.. We plan is to increase the margin of operating cash flow over investment cash flow over time by improving investment efficiency.

Regarding shareholder returns, we will continue for the time being to observe the current dividend payout ratio of 30% before amortization of goodwill. In the future we will consider the balance between investment in growth and shareholder returns. Depending on the size of the M&A target in question, we may consider procuring capital from outside sources. Other than that, we do not see a need for major outside funding.

The title of this medium-term plan is “Toward the Co-Creation of Good Communities.” Good communities involves our commitment to building good relationships with customers, suppliers, employees, shareholders, investors, and other stakeholders. We will achieve this plan and build even stronger relationships with the capital markets.

Forward-looking statements in this report are based on currently available information and certain assumptions judged to be reasonable. These statements are not promises by Adastria regarding future performance. Actual results may differ significantly from these forecasts for a number of factors.



A D A S T R I A

—

Play fashion!

