

April 19, 2023

To Whom It May Concern,

Company name	Adastria Co., Ltd.
Representative	Osamu Kimura, Representative Director and President (Securities code: 2685 TSE Prime Market)
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Notice Regarding Continuation and Partial Revision of Performance-Linked Stock Compensation Plan for Directors

At a meeting held today, the Adastria Co., Ltd. (“Company”) board of directors resolved to submit a proposal (“Proposal”) to continue and partially revise the Company’s performance-linked stock compensation plan (“Plan”) for directors (excluding outside directors and non-residents of Japan). The Plan was adopted in 2016 and the Proposal, as described below, will be submitted to the 73rd General Meeting of Shareholders, scheduled for May 25, 2023.

1. Continuation of the Plan

- (1) At a meeting held today, the Company’s board of directors decided to continue the Plan with partial revisions as described in 2., below. The aim of continuing the Plan is to raise awareness of the need to contribute to improved Company performance and increase corporate value over the medium to long term.
- (2) The continuation and partial revision of the Plan are subject to approval of the Proposal at the upcoming general meeting of shareholders.
- (3) The BIP Trust (“Trust”) period is set to expire at the end of February 2023. The Company intends to continue the Plan by modifying the Trust agreement to extend the Trust period for an additional three years. The period covered under the continuation of the Plan will be three fiscal years from the fiscal year ending on the last day of February 2024 to the fiscal year ending on the last day of February 2026.

2. Partial Revision of the Plan

To continue the Plan, the Company intends to revise the previous plan in part, subject to approval at the upcoming general meeting of shareholders.

The revisions include a change in the calculation method for the number of Company Shares, etc., to be acquired by directors and the timing of delivery and payment (“Delivery”) of Company shares and money equivalent to the value of Company shares (“Company Shares”) to directors.

3. Plan Revision Details

(1) Plan Overview

The Plan is a stock compensation plan under which Company shares are acquired through a trust funded by director compensation contributed by the Company to said directors.

Company Shares are delivered to the Directors through the Trust in accordance with individual director roles and the degree of performance achievement during three consecutive fiscal years (each fiscal year defined as “Year Subject to Evaluation”).

(2) Calculation Method for the Number of Shares, Company Shares to be Acquired by Directors

The number of Company Shares subject to Delivery to directors is determined at a certain time each year based on points awarded in accordance with director roles in the Company and the Company's performance for the fiscal year in question (achievement of sales, operating income, and operating income ratio against the target values for the Year Subject to Evaluation).

To improve medium- to long-term corporate and shareholder value further, the Company intends to revise the calculation for the Delivery of Company Shares based on points awarded according to the achievement of year-on-year sales growth and operating income ratio (quantitative goals in the Company’s medium-term management plan), as well as total shareholder return (“TSR”), a share value indicator and comparison with the Tokyo Stock Price Index (TOPIX) growth rates. One point shall be the equivalent of one share. If Company Shares belonging to the Trust increase or decrease due to a stock split, gratis allotment of shares, reverse stock split, etc., the Company will adjust the number of the Company Shares subject to Delivery per point according to the ratio of said increase or decrease.

• Revision Details (underlines indicate changes)

Item	Before Revision	After Revision
Calculation Method for the Number of Company Shares to be Acquired by Directors	<ul style="list-style-type: none"> The number of Company Shares will vary according to <u>achievement of year-on-year sales growth, operating income, and operating income ratio targets</u> The number of Company Shares will be determined within a range of 0% to 200% 	<ul style="list-style-type: none"> The number of Company Shares will vary according to <u>year-on-year sales and operating income ratio compared with goals, as well as a comparison of Company TSR with the Tokyo Stock Exchange Stock Price Index (TOPIX) growth rate</u> The number of shares will be determined within a range of 0% to 200%

(3) Calculation Method for the Number of Company Shares to be Acquired by Directors

Under the current Plan, directors receive Delivery of Company Shares after one year calculated from the beginning of the Year Subject to Evaluation. however, the Company intends to revise the timing of Delivery of Company Shares to after the retirement of the director in question. The purpose of this revision is to raise awareness among directors of the value of their shared interests with shareholders over the long term.

• **Revision Details (underlines indicate changes)**

Item	Before Revision	After Revision
Timing of Delivery of Company Shares to Directors	<ul style="list-style-type: none"> • <u>After one year has elapsed, calculated from the beginning of each Year Subject to Evaluation. However, the Company Shares acquired through the Plan shall be held until two years have elapsed after Delivery.</u> 	<ul style="list-style-type: none"> • <u>In principle, upon retirement of the director in question.</u>
	(Other Matters)	<p><u>The fiscal year ended February 2023 is the last Year Subject to Evaluation prior to this revision. The term for points related to this year shall be one year after the start of the Year Subject to Evaluation. However, the points shall be held until two years have elapsed after Delivery.</u></p>

There are no other changes to the details of this program. Refer to Notice Regarding Continuation and Partial Revision of Performance-Linked Stock Compensation Plan for Directors, published April 20, 2022, for details regarding the previous plan.

• **Major details of the Plan approved by shareholders at the 66th, 70th, and 72nd Ordinary General Meetings of Shareholders**

Item	Details
Persons Eligible for Delivery of Company Shares Under the Plan	Company directors (excluding outside directors and non-residents of Japan)
Maximum Amount of Money to be Contributed by the Company and Method of Company Share Acquisition	<ul style="list-style-type: none"> • 732 million yen over three fiscal years • Company Shares shall be acquired on the stock market or from the Company (treasury stock disposition).
Maximum Number of Company Shares to be acquired by the Company	<ul style="list-style-type: none"> • A maximum of 333,000 shares in total over three years (111,000 shares per year) • Ratio to total shares issued and outstanding (after deducting shares issues as of the end of February 2020): 0.7% (ratio for number of shares per year: approximately 0.2%)
Voting Rights for Shares Held in the Trust	To ensure neutrality toward management, voting rights may not be exercised during the Trust period