



March 21, 2024

(Translation)

To Whom It May Concern,

Company name	Adastria Co., Ltd.
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Company name	zetton, Inc.
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**Notice Concerning Share Exchange Agreement (Simplified Share Exchange) Concerning
Making zetton, Inc. a Wholly Owned Subsidiary of Adastria Co., Ltd.**

At meetings held today, the board of directors of Adastria Co., Ltd. and zetton, Inc. (collectively, the “Companies”) resolved to conduct a share exchange (“Share Exchange”) through which Adastria will become the wholly owning parent company and zetton will become the wholly owned subsidiary. Further, the Companies concluded a share exchange agreement (the “Agreement”) today.

The effective date of the Share Exchange is scheduled to be June 1, 2024, subject to the approval of the Agreement by a resolution of the zetton Ordinary General Meeting of Shareholders to be held on April 25, 2024. The Share Exchange will be conducted without obtaining approval of the Agreement at a meeting of the general shareholders of Adastria in accordance with the simplified share exchange procedure pursuant to Article 796-2 of the Companies Act. Shares of zetton will be delisted from the Next Market operated by the Nagoya Stock Exchange Inc. (“Nagoya Stock Exchange”) prior to the effective date of the Share Exchange (scheduled for June 1, 2024, “Effective Date”). Shares are scheduled to be delisted on May 30, 2024 (last trading date to be May 29, 2024).

1. Objective of Share Exchange

Adastria consists of Adastria, 17 consolidated subsidiaries, and 1 equity method affiliate (collectively, the “Adastria Group”). Under the mission of Play fashion!, the Adastria Group endeavors to enrich minds and lifestyles through fashion. Adastria operates numerous brands, including casual fashion brands such as GLOBAL WORK, LOWRYS FARM, LEPSIM, JEANASIS, and RAGEBLUE; lifestyle brands such as *nico and ...*, studio CLIP, and BAYFLOW; e-commerce brands such as apres jour, and brands for sophisticated adults such as Chaos and Curenology.

Meanwhile, zetton consists of zetton and 1 consolidated subsidiary. Under the management philosophy of *stores are the essence of both the individual and the community*, the company operates businesses including domestic commercial town revitalization, overseas commercial town revitalization and park revitalization businesses. As one of its medium- to long-

term management strategies, zetton aims to maximize its brand power to establish new business models. At the same time, zetton aims to achieve sustainable societies and increase its corporate value permanently by focusing on refining existing businesses to develop urban areas, based on sustainable strategies.

The three basic necessities of life include food, clothing, and shelter. Given that food is just as important as clothing in the lives of consumers, Adastria considers its food and beverage business an important factor in providing diverse lifestyles to customers in all aspects of their lives beyond the framework of apparel. To expand its food and beverage business, Adastria explored growth through alliances with other companies and M&A, rather than growth as an extension of the current business using existing management resources. Directors from Adastria and zetton have interacted through management discussions and other events since late October 2017, when Adastria launched its food and beverage business. As Adastria aims to introduce lifestyle brands, the company highly evaluated the zetton brand, products, services, and other content as having high-quality space design that pays special attention to interior detail. Based on this evaluation, Adastria determined zetton possessed the ability to appeal to its target consumers, who are conscious of high fashion and care about daily clothing. Adastria also determined that zetton creates a stylish atmosphere through meticulous interior design that is highly compatible with the Adastria brand. Meanwhile, zetton strives to engage in sustainable strategies to develop parks and redevelop public facilities, based on the Park-PFI system*. To engage in these projects, zetton recognized the need to leverage its expertise cultivated in the food and beverage industry while collaborating with other industries to cross over the bounds of the food and beverage industry.

* The Park-PFI system was established by the 2017 Urban Parks Act revision. The system is designed to select, through public solicitation, a party that will 1) establish park facilities subject to public application that improve the convenience of park users, such as restaurants, stores, etc., and 2) utilize revenue generated from such facilities to maintain and renovate specified park facilities for the use of general park users, such as parkways and plazas in the vicinity of said park facilities.

Zetton also recognizes the need for external alliances, including those with other companies in other industries, to achieve further business growth and increase corporate value, even in post-COVID-19 times. From early January 2021, zetton took initiative and began exploring various options, including capital alliances with other companies. On December 14, 2021, the Companies entered into a capital and business alliance agreement (the “Capital and Business Alliance Agreement”), and through third-party allotment and tender offer conducted between December 2021 and February 2022, Adastria acquired 3,289,400 shares of common stock from zetton (51.00% of the total number of voting rights in 6,449,766 shares issued and outstanding (excluding treasury shares) as of January 31, 2024), making zetton a consolidated subsidiary.

Based on the Capital and Business Alliance Agreement between the Companies, the Companies explored measures including ① mutual product, brand, and business development in overseas regions in which the Companies have strengths, ② mutual product, brand, and business development in the respective existing brand businesses of the Companies, ③ expansion of zetton products on the Adastria Group e-commerce platform, ④ the use of Adastria Group-owned media to promote zetton activities, ⑤ planning and manufacturing of zetton branded goods within the Adastria Group, ⑥ leveraging connections with commercial facilities that the Adastria Group established to date to develop joint stores and overseas areas in which zetton has yet to enter (i.e., China and other Asian countries) and exchange expertise regarding human resources exchange and operational efficiency in the administrative division (measures ① through ⑥ collectively referred to as the “Alliance Measures”).

Zetton saw business opportunities for growth after the end of the global turmoil caused by COVID-19. These opportunities include (i) an increase in the number of properties introduced that were either not vacant before COVID-19 or that are unoccupied stores with completed interior design due to rent and other favorable conditions, (ii) an increase in money spent on a single meal following the customer reassessment of the value of eating out after COVID-19, and (iii) the emergence of M&A projects attracting inquiries not only from Japan but and from countries around the world, as well as collaborative projects within the Park-PFI system.

Zetton belongs to the food service industry, which continues to face rapid price hikes, chronic labor shortages, delayed IT utilization, and other challenges. These challenges present zetton with the urgent need to implement countermeasures. Financial institutions remain cautious in lending to the food service industry, making it difficult for zetton to secure

flexible and sufficient funds to invest in business opportunities.

In light of these circumstances, Adastria concluded that active and urgent engagement in the Alliance Measures and above-mentioned business opportunities that contribute to the growth of zetton will contribute to the long-term enhancement of the corporate value of the Companies. However, these measures may harm the interests of the minority shareholders of zetton in the short term, due to lower business performance and management indicators as a result of increased capital investment and expenses. Zetton also faced difficulties making proactive and quick management decisions as a listed company managed independently from its parent company, Adastria, as transactions with Adastria required careful consideration to avoid conflicts of interest.

Adastria therefore concluded that making zetton its wholly owned subsidiary would solve these issues and enhance the corporate value of the Companies over the medium to long term. Adastria launched concrete discussions regarding the Share Exchange between Adastria and zetton in late November 2023. In response to the discussions with Adastria, the parent company and controlling shareholder of zetton, zetton explored specific details of an independent review system necessary to review the Share Exchange and ensure the fairness of the Share Exchange, as described below in 5. Measures to ensure fairness (Measures to avoid conflicts of interest). Upon establishing an appropriate review system, zetton launched a concrete review of the Share Exchange. To begin the concrete review, zetton established the Enlarged Special Committee consisting of independent members who have no interest in the controlling shareholder Adastria (the “Enlarged Special Committee,” for more details refer to 5. Measures to ensure fairness (Measures to avoid conflicts of interest), below on December 14, 2023. The Enlarged Special Committee ensures the fairness, transparency, and objectivity of the decision-making process at the zetton board of directors in response to the proposal from Adastria and eliminates arbitrary decision-making. Zetton also established a system to engage outside experts, etc., in the concrete review.

Subsequently, Adastria submitted a letter of intent to zetton proposing to make zetton its wholly owned subsidiary through a share exchange on December 27, 2023.

After careful consideration of the proposal from Adastria under the above system, zetton concluded that becoming a wholly owned subsidiary of Adastria will enable zetton to work more closely with Adastria and provide zetton with opportunities to expand its business while accelerating further the implementation of policies under the Capital and Business Alliance Agreement. Utilizing the product development, marketing expertise, human resources, financial strength, domestic and overseas networks, and other management resources of the Adastria Group, the Share Exchange will enable the Companies Groups to achieve their management strategies from a medium- to long-term perspective in a flexible and timely manner, and enhance the corporate value of zetton. The Companies expect the following policies and synergies based on said policies to surface after entering the Share Exchange.

(i) Strengthened organization, enhanced recruiting capabilities, expanded human resources, and further execution of digital transformation

Zetton must strengthen head office functions to support its sales force and expand business further in its current favorable environment. Currently, zetton faces challenges in strengthening recruitment capabilities, and enhancing human resources and digital transformation in business management, store development, back-office operations. As a wholly owned subsidiary of Adastria, zetton can take advantage of the expertise, network, and brand power of the Adastria Group in recruitment. Human resource expansion and digital transformation at zetton will also benefit from personnel dispatch from the Adastria Group for business management, marketing, finance and accounting, etc., as well as from shared system infrastructure on digital expertise, etc.

Future overseas expansion and M&A outside of Hawaii will require zetton to conduct due diligence and post-merger integrations adapted to the customs, laws, and regulations of each country. Sharing the human resources and expertise of the Adastria Group, which has offices in the U.S. and Asian countries and a wealth of M&A experience, will enable highly-precise overseas expansions.

(ii) Improved flexibility and conditions of financing methods

Financial institutions remain cautious in lending to the food service industry, even in post-COVID-19 times. This

caution prevented zetton from borrowing from financial institutions in a sufficient and timely manner. As a listed company with minority shareholders, zetton was required to make careful considerations to avoid conflicts of interest with respect to group financing from its parent company Adastria.

As a wholly owned subsidiary of Adastria, zetton can take advantage of more flexible and favorable terms in group financing from Adastria compared to in borrowings from financial institutions.

(iii) Improved added-value for new stores and improved bidding power in the Park-PFI system due to the increased flexibility of financing in (ii).

Zetton requires substantial funds to acquire properties and invest in interior design for new stores, as well as to invest in bidding and execute projects under the Park-PFI systems. Procuring funds from conventional financial institutions and external sources presented issues in terms of flexibility and other factors, forcing zetton to use funds from business cash flow. As a wholly owned subsidiary of Adastria, and if flexibility in financing methods improves as described in (ii) above, zetton will gain the ability to acquire properties, increase the value of stores, participate in bid under the Park-PFI system, and expand business on a level previously not possible.

(iv) More proactive and flexible policies and under the Capital and Business Alliance Agreement

As independent listed companies, executing the Alliance Measures under the Capital and Business Alliance Agreement proved difficult for the Companies to make urgent decisions due to conflicts of interest, etc. Currently, zetton holds little flexibility with minority shareholders and the need to make careful judgments. However, as a wholly owned subsidiary of Adastria, zetton expects to see dramatic improvements in the flexibility of idea generation, discussion, and decision-making processes of the Alliance Measures through human resources exchanges and shared information and expertise between the Companies.

To make zetton a wholly owned subsidiary, the Companies will deliver common shares of Adastria (“Adastria Shares”) to the minority shareholders of zetton as consideration for the Share Exchange. By holding Adastria shares, the Companies will provide the minority shareholders of zetton with opportunities to enjoy the synergies expected to arise through the implementation of various policies expected after the Share Exchange, the business development and earnings expansion of the Adastria Group as a result of said synergies, and the resulting price increase of Adastria shares. Adastria shares are highly liquid and can be cashed in at any time by trading them on the market. For these reasons, the Companies concluded that this Share Exchange method is the most desirable.

The Companies conducted a comprehensive review based on the above four points. As a result, Adastria and zetton both concurred that making zetton a wholly owned subsidiary of Adastria through the Share Exchange will contribute to the improved corporate value of both Adastria and zetton. Upon consideration and discussion of the allotment ratio and other terms and conditions of the Share Exchange, the Companies entered the Agreement. At meetings held today, the board of directors of the Companies resolved to conduct the Share Exchange, with the aim of making zetton a wholly owned subsidiary of Adastria.

2. Share Exchange

(1) Schedule of Share Exchange

Record date of the Ordinary General Meeting of Shareholders to approve the Agreement (zetton)	January 31, 2024
Board of directors meeting to approve the Agreement (the Companies)	March 21, 2024
Date of execution of the Agreement (the Companies)	March 21, 2024
Date of resolution of the Ordinary General Meeting of Shareholders (zetton)	April 25, 2024 (scheduled)
Last trading date (zetton)	May 29, 2024 (scheduled)
Delisting date (zetton)	May 30, 2024 (scheduled)
Effective date of Share Exchange	June 1, 2024 (scheduled)

(Note 1) Pursuant to Article 796-2 of the Companies Act, Adastria is scheduled to conduct the Share Exchange through a simplified share exchange, which does not require approval at the general meeting of shareholders.

(Note 2) The effective date of the Share Exchange may be changed by agreement of the Companies. Any changes to

the above schedule will be announced promptly.

(2) Share Exchange Method

The Share Exchange is to be conducted with Adastria as the wholly owning parent company and zetton as the wholly owned subsidiary. The effective date of the Share Exchange is scheduled for June 1, 2024, after obtaining approval at the zetton Ordinary General Meeting of Shareholders to be held on April 25, 2024, and without obtaining approval at the Adastria general meeting of shareholders, pursuant to the simplified share exchange procedure under Article 796-2 of the Companies Act.

(3) Allotment of shares related to Share Exchange

	Adastria (Wholly owning parent company in Share Exchange)	zetton (Wholly owned subsidiary in Share Exchange)
Share Exchange Ratio	1	0.36
No. of shares to be delivered in Share Exchange	Adastria common stock: 1,137,731 shares (scheduled)	

(Note 1) Allotment ratio for Share Exchange

Adastria will allot 0.36 shares of Adastria stock for each share of zetton stock.

However, no shares will be allotted through the Share Exchange for the 3,289,400 shares of zetton stock (as of January 31, 2024) held by Adastria.

The above share exchange ratio ("Share Exchange Ratio") is subject to change upon consultation between the Companies in the event of major changes to the terms and conditions on which the ratio was calculated.

(Note 2) Number of Adastria shares to be delivered in Share Exchange

In the Share Exchange, Adastria plans to allot and deliver to the shareholders of zetton (excluding Adastria) the number of Adastria shares calculated by multiplying the total number of zetton shares held by said shareholders with the Share Exchange Ratio, as of the time immediately preceding the acquisition of all of the issued shares of zetton ("Base Time") by Adastria through the Share Exchange (excluding the zetton shares held by Adastria). Adastria plans to deliver Adastria treasury shares and does not plan to issue new shares after allotment in the Share Exchange. In addition, zetton plans to cancel all of its treasury shares (including treasury shares purchased from dissenting shareholders' share purchase requests exercised in connection with the Share Exchange) by the Base Time by resolution at the board of directors meeting to be held by the day prior to the effective date of the Share Exchange. The number of shares to be allotted and delivered through the Share Exchange may be revised at a later date due to cancellation of treasury shares by zetton or other such reasons.

(Note 3) Treatment of odd-lot shares

Shareholders holding odd-lot shares of Adastria stock as a result of the Share Exchange are entitled to use the following systems concerning Adastria shares. Shareholders may not sell odd-lot shares in the financial instruments exchange market.

① System to purchase additional odd-lot shares (purchase up to one unit (100 shares))

This system enables shareholders holding odd-lot shares of Adastria to purchase from Adastria an additional number of common shares that, together with the number of odd-lot shares held, will add up to one unit (100 shares), Pursuant to Article 194-1 of the Companies Act and Article 8 of the Adastria Articles of Incorporation.

② System to buy back odd-lot (sale of shares constituting less than one unit (100 shares))

This system enables shareholders holding odd-lot shares of Adastria to request Adastria to buy back said odd-lot shares, pursuant to Article 192-1 of the Companies Act.

(Note 4) Treatment of fractions of less than one share

Shareholders allotted fractions of less than one share of Adastria stock resulting from the Share Exchange will, in accordance with Article 234 of the Companies Act and other relevant laws and regulations, sell the number of Adastria shares equivalent to the total number of such fractions (fraction of less than one share in the total shall be rounded down). Shareholders will then receive the proceeds in proportion to the fractional shares.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights in the Share Exchange

Not applicable

3. Basis of allotment of shares related to Share Exchange

(1) Basis and reason for allotment

As described in 1. Objective of Share Exchange, Adastria proposed to zetton in December 2023 to make zetton its wholly owned subsidiary through the Share Exchange. As a result of sincere discussions and negotiations between the Companies, Adastria and zetton concluded that the decision to make zetton a wholly owned subsidiary of Adastria is the best decision to enhance the corporate value of the Companies.

The Companies agreed to separately request third-party appraisers independent from both companies to ensure the fairness and appropriateness of the calculation of the Share Exchange Ratio to be used in the Share Exchange, as described in 2. (3) Allotment of shares related to Share Exchange above. Adastria and zetton appointed Plutus Consulting Co., Ltd. and Mita Securities Co., Ltd., respectively, as third-party calculation agents.

As described in 5. Measures to ensure fairness (Measures to avoid conflicts of interest) below, Adastria conducted careful discussions and deliberations based on the Share Exchange Ratio Calculation Report received on March 19, 2024, from its third-party calculation agent, Plutus Consulting, and advice from its legal advisor Sato&Partners. Based on these results, Adastria determined that it is appropriate to conduct the Share Exchange using the Share Exchange Ratio, as the Share Exchange is appropriate and in the best interest of all Adastria shareholders.

As described in 5. Measures to Ensure Fairness (Measures to Avoid Conflicts of Interest) below, zetton carefully negotiated and discussed the terms and conditions of the Share Exchange, including the Share Exchange Ratio, with Adastria on multiple occasions. zetton also took into consideration the Share Exchange Ratio Calculation Report received on March 19, 2024, from its third-party calculation agent, Mita Securities; advice from its legal advisor Iwaida Partners; and instructions, advice, and the written report dated March 21, 2024, from the Enlarged Special Committee, consisting solely of independent members with no vested interest in Adastria. Based on these results, zetton determined that it is appropriate to conduct the Share Exchange using the Share Exchange Ratio, as the Share Exchange is appropriate and in the best interest of all minority shareholders of zetton.

The Companies held negotiations and discussions based on the respective aforementioned considerations. As a result, the Companies determined that it is appropriate to conduct the Share Exchange using the Share Exchange Ratio, resolving to conduct the Share Exchange, as it is determined to be in the best interest of the respective shareholders. Based on the resolutions passed at the boards of directors meetings of both companies held today, the Companies entered into the Agreement.

The Share Exchange Ratio is subject to change upon consultation between the Companies in the event of major changes to the terms and conditions on which the ratio was calculated.

(2) Overview of calculation

① Calculation agents and relationship with the listed company and counterparty

Plutus Consulting, the third-party calculation agent for Adastria, is not a related party of Adastria or zetton and does not have any vested interest in Adastria or zetton.

Mita Securities, the third-party calculation agent for zetton, is not a related party of zetton or Adastria and does not have any vested interest in zetton or Adastria.

② Calculation summary

To ensure fairness in the calculation of the Share Exchange Ratio to be used in the Share Exchange, Adastria and zetton each appointed a third-party calculation agent. Adastria appointed Plutus Consulting and zetton appointed Mita Securities to calculate the Share Exchange Ratio to be used in the Share Exchange. Each company received a Share Exchange Ratio Calculation Report including the following information.

Plutus Consulting used the market price method, as the Companies both have market share prices, in addition to the comparable multiple method, as both Adastria and zetton are comparable to similar listed companies, enabling shares to be calculated with the comparable multiple method. Further, Plutus Consulting also used the discounted cash flow method (“DCF method”) to reflect the future business activities in its calculation.

The following table indicates the Share Exchange Ratio calculated through each method, assuming a value of 1 per share of Adastria stock.

Valuation methods	Calculated ranges of the Share Exchange Ratio
Market price method	0.30-0.37
Comparable multiple method	0.21-0.30
DCF method	0.15-0.39

Plutus Consulting set the base date for the calculation as March 19, 2024, the business day prior to the date of execution of the Agreement. Using the market price method, Plutus Consulting calculated the simple average closing prices of the common stock of Adastria and zetton on the Tokyo Stock Exchange and the Nagoya Stock Exchange on the base date, and during the one-month, three-month, and six-month periods prior to the base date for the calculation.

Using the DCF method, Plutus Consulting calculated the valuation of Adastria by discounting future cash flows to present value at a certain discount rate, based on financial forecasts prepared by Adastria from the fiscal year ending February 2024 to the fiscal year ending February 2026.

For zetton, Plutus Consulting calculated the valuation by discounting future cash flows to present value at a certain discount rate, based on financial forecasts prepared by zetton from the fiscal year ending January 2025 to the fiscal year ending January 2029.

Zetton financial forecasts, on which Plutus Consulting based calculations using the DCF method, include fiscal years in which zetton expects significant increases in profits. Specifically, in the fiscal years ending January 2026, zetton expects consolidated operating income to be 690 million yen, an increase of approximately 130% from the previous year. This increase is expected due to higher spending per customer, improvements in gross profit margins resulting from higher added value, and lower SG&A expenses from a slower pace in new store openings.

Synergies expected to arise from the Share Exchange are not reflected in the financial forecasts on which DCF method calculations are based, due to difficulties in estimating specific impacts on earnings at this point in time.

Plutus Consulting used materials and information provided by Adastria and zetton in addition to publicly available information to calculate the Share Exchange Ratio. Plutus Consulting assumes, among other things, that all materials and information used in the analysis and review are accurate and complete, and that there are no matters undisclosed to Plutus Consulting that could have a significant impact on the calculation of the Share Exchange Ratio. Plutus Consulting has not conducted independent verification of the accuracy or completeness of such materials, nor determined any obligation to do so. Plutus Consulting has not independently evaluated, appraised, or assessed all assets or liabilities (including, but not limited to, derivatives, off-balance sheet assets and liabilities, and other contingent liabilities) of Adastria and zetton and their affiliates, including analysis and evaluation of individual assets and liabilities. Plutus Consulting has also not requested any third-party evaluation, appraisal, or assessment. Plutus Consulting assumes information on the Adastria and zetton financial forecasts provided was reasonably prepared based on the best currently available forecasts and judgments by the management of Adastria and zetton. With the consent of Adastria, Plutus Consulting has relied on this information without independent verification.

Calculations made by Plutus Consulting reflect information and economic conditions made available to Plutus Consulting through March 19, 2024. The sole purpose of the Plutus Consulting calculations is to serve as a reference for the Adastria board of directors in its consideration of the Share Exchange Ratio.

Meanwhile, Mita Securities used the market price method to calculate the share prices of the Companies, as the Companies both have market share prices. Further, to reflect the future business activities in its calculation, Mita Securities also used the DCF method, a valuation method that calculates stock value by discounting future expected cash flows based on future earnings to present value at a certain discount rate. Mita Securities didn't adopt the comparable multiple method because the restaurant industry, to which zetton belongs, is in a transitional stage of its business environment in post-COVID-19 times, and zetton and its comparable companies are considered to be undergoing structural reforms according to their respective business circumstances, and it is difficult to appropriately calculate the stock value using the comparable multiple method based on the latest earnings forecast figures of each company.

The following table indicates the Share Exchange Ratio calculated through each method, assuming a value of 1 per share of Adastria stock.

Valuation methods	Calculated ranges of the Share Exchange Ratio
Market price method	0.30-0.37
DCF method	0.33-0.39

Mita Securities set the base date for the calculation as March 19, 2024, the business day prior to the date of execution of the Agreement. Using the market price method, Mita Securities calculated the simple average closing prices of the common stock of zetton and Adastria on the Nagoya Stock Exchange and the Tokyo Stock Exchange on the base date, and during the one-month, three-month, and six-month periods prior to the base date for the calculation.

Using the DCF method, Mita Securities calculated the valuation of Adastria by discounting future cash flows to present value at a certain discount rate, based on financial forecasts prepared by Adastria from the fiscal year ending February 2024 to the fiscal year ending February 2026. Mita Securities used a discount rate of 6.1% to 8.1% and applied the perpetual growth rate method to calculate the going concern value. Here, Mita Securities assumed a perpetual growth rate of 0% to calculate the per-share value of the target stock.

For zetton, Mita Securities calculated the valuation by discounting future cash flows to present value at a certain discount rate, based on financial forecasts prepared by zetton from the fiscal year ending January 2025 to the fiscal year ending January 2029. Mita Securities used a discount rate of 4.9% to 6.9% and applied the perpetual growth rate method to calculate the going concern value. Here, Mita Securities assumed a perpetual growth rate of 0% to calculate the per-share value of the target stock.

Zetton financial forecasts, on which Mita Securities based calculations using the DCF method, include fiscal years in which zetton expects significant increases in consolidated operating profits. Specifically, in the fiscal year ending January 2026, zetton expects consolidated operating income to be 310 million yen in the fiscal year ending January 31, 2025, a year-on-year increase of approximately 53%, and a consolidated operating income to be 1,050 million yen in the fiscal year ending January 31, 2026, a year-on-year increase of approximately 239%. This increase is expected due to higher spending per customer, improvements in gross profit margins resulting from higher added value, and lower SG&A expenses from a slower pace in new store openings.

Synergies expected to arise from the Share Exchange are not reflected in the financial forecasts on which DCF method calculations are based, due to difficulties in estimating specific impacts on earnings at this point in time.

Mita Securities used materials and information provided by zetton and Adastria in addition to publicly available

information to calculate the Share Exchange Ratio. Mita Securities assumes, among other things, that all materials and information used in the analysis and review are accurate and complete, and that there are no matters undisclosed to Mita Securities that could have a significant impact on the calculation of the Share Exchange Ratio. Mita Securities has not conducted independent verification of the accuracy or completeness of such materials, nor determined any obligation to do so.

Mita Securities used materials and information provided by Adastria and zetton in addition to publicly available information to calculate the Share Exchange Ratio. Mita Securities assumes, among other things, that all materials and information used in the analysis and review are accurate and complete, and that there are no matters undisclosed to Mita Securities that could have a significant impact on the calculation of the Share Exchange Ratio. Mita Securities has not conducted independent verification of the accuracy or completeness of such materials, nor determined any obligation to do so. Mita Securities has not independently evaluated, appraised, or assessed all assets or liabilities (including, but not limited to, derivatives, off-balance sheet assets and liabilities, and other contingent liabilities) of Adastria and zetton and their affiliates, including analysis and evaluation of individual assets and liabilities. Mita Securities has also not requested any third-party evaluation, appraisal, or assessment. Mita Securities assumes information on the Adastria and zetton financial forecasts provided was reasonably prepared based on the best currently available forecasts and judgments by the management of Adastria and zetton. With the consent of zetton, Mita Securities has relied on this information without independent verification. Calculations made by Mita Securities reflect information and economic conditions made available to Mita Securities through March 19, 2024. The sole purpose of the Mita Securities calculations is to serve as a reference for the zetton board of directors in its consideration of the Share Exchange Ratio.

4. Prospect and reasons for delisting

Zetton will become a wholly owned subsidiary of Adastria through the Share Exchange as of June 1, 2024 (scheduled), the effective date of the Share Exchange. Shares of zetton, which will become a wholly owned subsidiary of Adastria, will be delisted on May 30, 2024 (last trading date to be May 29, 2024) after completion of the designated procedures pursuant to the Nagoya Stock Exchange delisting regulations. After the delisting, zetton shares will no longer be available for trade on the Nagoya Stock Exchange. However, since the Adastria shares to be allocated to zetton shareholders on the Effective Date of the Share Exchange are listed on the Tokyo Stock Exchange Prime Market, certain shareholders may only receive odd-lot shares. Despite this allocation, shares of more than one unit will still be available for trade on the financial instruments exchange market, ensuring the liquidity of the shares.

On the other hand, shareholders holding odd-lot shares of Adastria as a result of the Share Exchange will be unable to sell said odd-lot shares on the financial instruments exchange market. Instead, shareholders in question may request Adastria buy back the odd-lot shares held, as described in 2. (3) (Note 3) Treatment of odd-lot shares, above. For details on the treatment of fractions of less than one share resulting from the Share Exchange, please refer to 2.(3) (Note 4) Treatment of fractions of less than one share, above.

Zetton shareholders may trade zetton shares per usual on the Nagoya Stock Exchange Next Market until the final trading date of May 29, 2024 (scheduled). Shareholders may also exercise their legal rights as stipulated in the Companies Act and other related laws and regulations until the Base Time.

5. Measures to ensure fairness (Measures to avoid conflicts of interest)

The Companies determined that it is necessary to ensure the fairness of the Share Exchange, as Adastria holds 3,289,400 shares of common stock of zetton (51.00% of the total number of voting rights in 6,449,766 shares issued and outstanding (excluding treasury shares) as of January 31, 2024) and zetton is to become a consolidated subsidiary of Adastria. As such, the Companies conducted the following measures to ensure fairness.

(Measures to ensure fairness)

① Obtaining a Share Exchange Ratio Calculation Report from an independent third-party calculation agent

To ensure the fairness of the Share Exchange Ratio in the Share Exchange, Adastria appointed Plutus Consulting, a third-party calculation agent independent from the Companies, to calculate the Share Exchange Ratio, as described above in 3. Basis of allotment of shares related to Share Exchange (1) Basis and reason for allotment. Adastria

engaged in serious negotiations and discussions based on these calculation results, and at a board of directors meeting held on March 21, 2024, decided to conduct the Share Exchange using the Share Exchange Ratio.

Adastria has not obtained a fairness opinion on the Share Exchange Ratio from Plutus Consulting.

To ensure the fairness of the Share Exchange Ratio in the Share Exchange, zetton appointed Mita Securities, a third-party calculation agent independent from the Companies, to calculate the Share Exchange Ratio, as described above in 3. Basis of allotment of shares related to Share Exchange (1) Basis and reason for allotment. Zetton engaged in serious negotiations and discussions based on these calculation results, and at a board of directors meeting held on March 21, 2024, decided to conduct the Share Exchange using the Share Exchange Ratio.

Zetton has not obtained a fairness opinion on the Share Exchange Ratio from Mita Securities.

② Advice from independent law firms

Adastria appointed Sato&Partners as its legal advisor for the Share Exchange, obtaining legal advice on the various procedures of the Share Exchange as well as on the decision-making methods and processes at the board of directors. Sato&Partners is independent of the Companies and has no vested interest in either of the Companies.

Meanwhile, zetton appointed Iwaida Partners as its legal advisor for the Share Exchange, obtaining legal advice on the various procedures of the Share Exchange as well as on the decision-making methods and processes at the board of directors. Iwaida Partners is independent of the Companies and has no vested interest in either of the Companies.

③ Obtaining a written report from the Enlarged Special Committee, which does not have any vested interest

Zetton regards its decision-making process with due care in regards to the Share Exchange. For this reason, zetton established the Enlarged Special Committee on December 14, 2023 to eliminate any arbitrariness and conflict of interest in the decision-making process of the zetton board of directors, ensure the fairness thereof, and confirm the board of director decision of the Share Exchange is not disadvantageous to the minority shareholders of zetton. The Enlarged Special Committee consists of four members, all of whom have no vested interest in Adastria. These four members include Masaji Hashimoto (attorney at law at Hashimoto&Partners); Shunsuke Watanabe and Masaki Hase, outside directors on the zetton Audit Committee who are registered as independent directors with the Nagoya Stock Exchange; and Masaaki Moritake, a member of the permanent Special Committee (*) established at zetton. Regarding the remuneration of each committee member, two members who are outside directors of zetton are eligible for remuneration as outside directors, while the other two members shall be paid remuneration based on hourly or fixed amount and excess portion paid on an hourly basis for their duties, regardless of the content of the reports.

(*) zetton formerly established a committee referred to as the Special Committee to protect the interests of minority shareholders and appropriately monitor and supervise the risk of conflicts of interest with related parties. The Special Committee deliberates the necessity, reasonableness, and appropriateness of related party transactions from a standpoint independent of zetton management and related parties, reporting its findings to the board of directors. Members on the Special Committee include Shunsuke Watanabe, Masaki Hase, and Masaaki Moritake.

In considering the Share Exchange, zetton consulted the Enlarged Special Committee on (i) if the purpose of the Share Exchange is reasonable (including whether the Share Exchange will enhance the corporate value of zetton), (ii) if fairness of the terms of the Share Exchange is ensured (including the Share Exchange Ratio in the Share Exchange), (iii) if sufficient consideration is given to the interest of zetton shareholders through fair procedures, and (iv) if the Share Exchange is disadvantageous to the minority shareholders of zetton, based on (i) through (iii) ((i) through (iv) collectively referred to as the “Advisory Matters”). The Enlarged Special Committee reviewed the Advisory Matters carefully by holding total of 13 meetings from January 11, 2024 to March 20, 2024, gathering information, and holding occasional discussions, as necessary. Specifically, the Enlarged Special Committee first confirmed the independence and expertise of the third-party calculation agent Mita Securities and the legal advisor Iwaida Partners, appointed by zetton, and approved the appointment of both in question. The Enlarged Special Committee then received explanation from zetton about its business, business environment, major management issues, advantages and disadvantages of the Share Exchange for business at zetton, and formulation procedures for the zetton business plan, which is a premise for the Share Exchange Ratio. From Adastria, the Enlarged Special Committee received

explanation of the purpose of the Share Exchange, the background and circumstances leading up to the Share Exchange, reasons for selecting the Share Exchange, and its treatment of the management policy and employees after the Share Exchange. Upon receiving these explanations, the Special Committee held a question-and-answer session. In addition, the Special Committee received advice from the legal advisor of zetton, Iwaida Partners, regarding the decision-making methods and processes at the zetton board of directors regarding the Share Exchange, the operation of the Enlarged Special Committee, and other measures to ensure the fairness of the procedural aspects of the Share Exchange and to avoid conflicts of interest. The Enlarged Special Committee also received a report on the legal due diligence results of Adastria and held a question-and-answer session. Further, zetton commissioned AGS Consulting Co., Ltd. to conduct financial and tax due diligence on Adastria. The Enlarged Special Committee received a report from AGS Consulting Co., Ltd. regarding the results of the financial and tax due diligence and held a question-and-answer session. The Enlarged Special Committee also received an explanation of the method and results of the valuations of the Share Exchange Ratio in the Share Exchange from Mita Securities, the third-party calculation agent for zetton, and held a question-and-answer session. The Enlarged Special Committee received timely reports on the history and details of the discussions and negotiations regarding the Share Exchange between Adastria and zetton. Upon receiving these reports, the Enlarged Special Committee held several discussions on the negotiation policy, etc., offering its opinions, etc., to zetton until the Enlarged Special Committee received the final proposal for the Share Exchange Ratio from Adastria

The Enlarged Special Committee discussed and examined the Advisory Matters carefully through relevant procedures and submitted a written report to the zetton board of directors on March 21, 2024, concluding that (i) the Share Exchange will contribute to the improvement of the corporate value of zetton and the purpose of the Share Exchange is justified and reasonable, (ii) the terms of the Share Exchange are fair, (iii) the procedures of the negotiation process for the Share Exchange are fair, and (iv) based on (i) through (iii), the conclusion of the Share Exchange is not disadvantageous to the minority shareholders of zetton. For a summary of the opinions from the Enlarged Special Committee, please refer to 11. (3) Summary of opinions from persons with no interest in the controlling shareholder on whether the transaction, etc., is disadvantageous to minority shareholders, below.

(Measures to avoid conflicts of interest)

At the meeting held today, eight of the ten directors (including directors who serve as members of the Audit Committee), deliberated and unanimously resolved to conduct the Share Exchange. Osamu Kimura and Ryo Araya were excluded from discussions to avoid conflicts of interest, as the individuals in question serve concurrently as the representative director and president and executive officer of Adastria, respectively. For the same reason, the individuals in question refrained from participating in the discussions and negotiations regarding the Share Exchange.

6. Overview of the companies in question

	Wholly owning parent company in share exchange	Wholly owned subsidiary in share exchange
① Name	Adastria Co., Ltd.	zetton, Inc.
② Address	3-1-27 Izumicho, Mito, Ibaraki, Japan	1001 Tokugawacho, Higashi-ku, Nagoya, Aichi, Japan
③ Representative name and title	Osamu Kimura, Representative Director and President	Shinsuke Suzuki, Representative Director and President
④ Business lines	Retail sales of casual wear, household goods, accessories, etc.	Restaurant management, development, and consulting
⑤ Paid-in capital	2,660 million yen (as of November 30, 2023)	90 million yen (as of January 31, 2024)
⑥ Date established	October 1953	October 1995
⑦ Number of shares outstanding	48,800,000 shares (as of November 30, 2023)	6,451,000 shares (as of January 31, 2024)
⑧ Fiscal year end	February	January

⑨	Number of employees (consolidated)	6,356 (as of February 28, 2023)	451 (as of January 31, 2023)				
⑩	Major customers	General customers	General customers				
⑪	Major banks	MUFG Bank Joyo Bank Mizuho Bank Sumitomo Mitsui Banking Corporation	MUFG Bank Shiga Bank Tokushima Taisho Bank				
⑫	Major shareholders and ownership ratios	Fukuzo Co., Ltd. 37.53% The Master Trust Bank of Japan, Ltd. (Trust Account) 10.26% TOYOSHIMA & Co., Ltd. 4.38% Custody Bank of Japan, Ltd. (Trust Account) 2.59% Michio Fukuda 2.35% Adastria Employee Shareholding Association 1.41% SMBC Nikko Securities Inc. 1.30% VICTORY TRIVALET INTERNATIONAL SMALL-CAP FUND (Standing proxy: Citibank, N.A. Tokyo Branch) 1.02% Mitsubishi UFJ Securities Holdings Co.,Ltd. 0.99% MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities) 0.97% (As of August 31, 2023)	Adastria Co., Ltd. 51.00% DD Group Co., Ltd. 12.60% Kenichi Inamoto 2.63% Shinsuke Suzuki 2.04% Tomotsugu Kajita 1.36% SKY Group Investment Co., Ltd. 1.00% zetton Employee Shareholding Association 0.67% Key Coffee, Inc. 0.66% NO's Co., Ltd. 0.41% Maruto Mizutani Corporation 0.38% (As of July 31, 2023)				
⑬	Relationship between the companies in question	Equity relationship	Adastria holds 3,289,400 shares common stock (51.00% of the total number of voting rights in 6,449,766 shares issued and outstanding (excluding treasury shares) as of January 31, 2024) and is the consolidated parent company of zetton.				
		Personal relationships	Zetton appoints two officers and employees of Adastria as directors. Further, Adastria offers secondment to zetton.				
		Business relationships	Zetton outsources system development work to Adastria while Adastria outsources in-office cafeteria operations to zetton. zetton also may acquire trademarks, inventory, and other items necessary for store operations from Adastria.				
		Related party status	Zetton is a consolidated subsidiary of Adastria Co., Ltd. and falls under the category of a related party.				
⑭ Latest three-year operating results and financial position							
		Adastria Co., Ltd. (Consolidated) (Million yen)			zetton, Inc. (Consolidated) (Million yen)		
Fiscal year end		FYE 02/2021	FYE 02/2022	FYE 02/2023	FYE 02/2022	FYE 01/2023	FYE 01/2024
Net assets		50,701	54,963	60,762	2,041	2,766	2,918
Total assets		95,449	97,957	111,392	5,220	6,737	7,685
Net assets per share (yen)		1,122.71	1,192.62	1,309.96	316.48	428.90	452.44
Net sales		183,870	201,582	242,552	4,619	9,053	12,570
Operating profit		766	6,564	11,515	(1,179)	372	203
Ordinary profit		2,981	8,166	12,026	263	452	202
Net income attributable to owners of the parent		(693)	4,917	7,540	582	486	50
Net income per share (yen)		(14.88)	108.72	166.37	111.89	75.43	7.84
Dividend per share (yen)		40.00	55.00	60.00	-	-	-

(Note 1) The Companies prepare their consolidated financial statements in accordance with Japanese GAAP.

(Note 2) The shareholding ratio refers to the ratio of the number of shares held to the total number of shares issued, excluding treasury stock.

(Note 3) The fiscal year ended January 2023 for zetton is the 11-month period from March 1, 2022, to January 31, 2023 due a change in the fiscal year end.

7. Status following the Share Exchange

	Wholly owning parent company in share exchange
① Name	Adastria Co., Ltd.
② Address	3-1-27 Izumicho, Mito, Ibaraki Prefecture, Japan
③ Representative name and title	Osamu Kimura, Representative Director and President
④ Business lines	Retail sales of casual wear, household goods, accessories, etc.
⑤ Paid-in capital	2,660 million yen
⑥ Fiscal year end	February
⑦ Net assets	Not confirmed at this time.
⑧ Total assets	Not confirmed at this time.

8. Handling of shareholder benefits

Zetton offers shareholder benefits for shareholders of record as of January 31.

Zetton shares will be delisted from the market following the Share Exchange. Given this delisting, zetton resolved to discontinue its shareholder benefit system from the fiscal year ending January, 2025.

Shareholder benefits with a record date of January 31, 2024 may be used until the effective period of said shareholder benefits.

9. Outline of accounting procedures

Adastria expects the Share Exchange to meet the requirements of a common control transaction, etc., under the accounting standards for business combinations.

10. Future outlook

As the wholly owning parent company, Adastria will announce financial forecasts following the Share Exchange when such forecasts become clear.

11. Matters related to transactions, etc., with the controlling shareholder

(1) Appropriateness of transactions, etc., with the controlling shareholder and compliance with guidelines on minority shareholder protection measures

Through the Share Exchange, Adastria, which holds 3,289,400 shares of common stock of zetton (51.00% of the total number of voting rights in 6,449,766 shares issued and outstanding (excluding treasury shares) as of January 31, 2024). will make zetton a wholly owned subsidiary, making the Share Exchange fall under transactions, etc., with the controlling shareholder. In the Guidelines on Measures to Protect Minority Shareholders During Transactions, etc., With the Controlling Shareholder presented in the zetton Corporate Governance Report disclosed on April 25, 2023, zetton stated that “zetton established the Enlarged Special Committee as a voluntary advisory board to the board of directors. The Enlarged Special Committee aims to protect the interests of minority shareholders in related-party transactions, monitor and supervise appropriately risks of conflicts of interest with related parties, and further enhance corporate governance. The Enlarged Special Committee, in consultation with the board of directors, deliberates on the necessity, reasonableness, and appropriateness of related party transactions independently from management and related parties, reporting its findings to the board of directors. The board of directors shall make its decisions with the utmost respect for the contents of the Committee report.” As described above in 5. Measures to ensure fairness (Measures to avoid conflicts of interest), zetton takes various measures to ensure fairness and avoid conflicts of interest in the Share Exchange. These measures comply with the intent of the above policies.

(2) Matters concerning measures to ensure fairness and avoid conflicts of interest

As described in (1) Appropriateness of transactions, etc., with the controlling shareholder and compliance with guidelines on minority shareholder protection measures above, the Share Exchange constitutes a transaction with the controlling shareholder for zetton. zetton concluded that measures to ensure fairness and avoid conflicts of interest are necessary, zetton conducts careful discussions and deliberations on the terms and conditions of the Share Exchange at its board of directors, and makes decisions upon ensuring fairness and avoiding conflicts of interest by taking the measures described above in 5. Measures to ensure fairness (Measures to avoid conflicts of interest).

(3) Summary of opinions from persons with no interest in the controlling shareholder on whether the transaction, etc., is disadvantageous to minority shareholders

As described in 5. Measures to ensure fairness (Measures to avoid conflicts of interest), zetton regards its decision-making process with due care. Further, zetton established the Enlarged Special Committee to eliminate any arbitrariness and conflict of interest in the decision-making process of the zetton board of directors, ensure the fairness thereof, and confirm the board of director decision to conduct the Share Exchange is not disadvantageous to the minority shareholders of zetton. zetton also consulted the Enlarged Special Committee of the Advisory Matters. Zetton received a written report from the Enlarged Special Committee on March 21, 2024, as summarized below.

(i) Justification and reasonableness of the purpose of the Share Exchange (including whether the Share Exchange will enhance the corporate value of zetton)

The following is a summary of the interviews, etc. conducted by the Enlarged Special Committee with zetton and Adastoria regarding the background leading up to the Share Exchange, the merits and demerits of the Share Exchange, and other matters.

As for the current status of zetton's business, despite the fact that many companies in the restaurant industry in general are downsizing or closing their businesses, zetton has been able to obtain opportunities for business expansion, and specifically, (1) zetton has obtained properties under favorable conditions, (2) public solicitation under the Park-PFI system are expected to increase in the future, and acquiring these projects will lead to business expansion in the park revitalization business, and (3) zetton can build a business frame that goes beyond the conventional framework of restaurant company management by visualizing restaurant profitability and customer conditions in real time and designing systems that will lead to leveling and standardization of operations.

On the other hand, zetton faces several challenges to take advantage of the above business expansion opportunities and expand its business. Specifically, zetton recognizes that the following are issues to be addressed: (1) insufficient organizational reinforcement, enhancement of recruiting capabilities, expansion of human resources, and execution of digital transformation, (2) insufficient flexibility of financing methods, and (3) that insufficient execution with a sense of speed as both companies are independent listed companies, and transactions between them must avoid conflicts of interest, although zetton and Adastria are proceeding with each alliance measure based on the Capital and Business Alliance Agreement concluded between the two companies.

Based on the above recognition of the issues at zetton, the benefits of zetton becoming a wholly owned subsidiary of Adastria through the Share Exchange include the following. (1) strengthening of the organization, enhancement of recruiting capability, expansion of human resources, and execution of digital transformation, (2) improvement of flexibility of financing methods, (3) enhancement of added value of new stores and bidding power in the Park-PFI system, and (4) prompt implementation of the Alliance Measures based on the Capital and Business Alliance Agreement. All of the above are considered to contribute to the resolution of the above issues faced by zetton, and will contribute to the enhancement of zetton's corporate value.

In addition, the cost of maintaining the listing will be reduced, and such cost can be utilized for investments in growth and human resources.

Furthermore, there are no alternative measures to improve zetton's corporate value that are superior to the Share

Exchange, and in light of zetton's current situation, no particular disadvantages are expected from the Share Exchange.

None of the above is particularly unreasonable, and the results of the rational review are recognized as reasonable. Therefore, the Share Exchange will contribute to the improvement of zetton's corporate value, and the purpose of the Share Exchange is justifiable and reasonable.

(ii) Fairness of the terms of the Share Exchange (including the Share Exchange Ratio in the Share Exchange)

(a) Fairness of the Procedures of the Negotiation Process

In this case, the Enlarged Special Committee, which was composed of independent members, stated its acceptance or rejection of Adastoria's proposal for the Share Exchange Ratio, and zetton responded to Adastria while receiving advice from zetton's third-party calculation agent and opinions and instructions from the Enlarged Special Committee. The Enlarged Special Committee was proactively involved based on the authority it was given, and conducted multiple rounds of negotiations with the aim of ensuring that the Share Exchange would be conducted on the most favorable transaction terms possible for the minority shareholders. As a result, the Exchange Ratio in the Share Exchange was increased compared to the initial proposal from Adastoria. In light of this process, it is considered that the fairness of the procedures in the negotiation process for the share exchange ratio in the Share Exchange was ensured.

(b) Relationship between the Share Value Calculation and the Share Exchange Ratio

According to the valuation report dated March 19, 2024 received from zetton's third-party calculation agent, Mita Securities, the Share Exchange Ratio is within the range of the valuation results of the market price method with a base date of March 19, 2024 and the DCF method, and in the market price method, it exceeds the median of the range. In addition, when looking at the volume weighted average of the closing price of zetton's shares for the past 1 month prior to the announcement date, which is referenced in Adastria's proposal, the premium attached to zetton's shares for the Share Exchange Ratio does not reach the average and median of the volume weighted average of the closing prices of similar cases for the past 1 month. However, it is considered to be a level of premium that can be found in other comparable cases. Furthermore, with respect to the \$8.2 million received by ZETTON, INC. (USA), zetton's consolidated subsidiary, in connection with the establishment of the Restaurant Revitalization Fund under the American Rescue Plan Act, the possibility that contingent liabilities may materialize cannot be denied due to an investigation by the US Small Business Administration regarding the validity of the eligibility, as zetton announced on December 14, 2023. Considering this special circumstances, the Share Exchange Ratio in this case is not considered to be disadvantageous to minority shareholders.

(c) Appropriateness of the Scheme for the Share Exchange

In addition to the share exchange, another possible method for Adastria to make zetton its wholly owned subsidiary would be for Adastria to make a tender offer for zetton's shares.

Compared to the tender offer, the share exchange would result in the delivery of Adastria's shares to zetton's minority shareholders through the share exchange, and the minority shareholders of zetton would hold Adastria's shares. It has the advantage of providing zetton's minority shareholders with the opportunity to enjoy the increase in the share price and dividends of Adastria's shares, caused by the synergy effects expected through the implementation of various measures envisaged after the Share Exchange and the business development and earnings expansion of Adastria through the realization of synergy effects, .

In general, the share exchange will result in the delivery of shares of Adastria to zetton's minority shareholders, which means that zetton's minority shareholders will be exposed to risks inherent in Adastria's business other than zetton business, and therefore, there is a concern that the minority shareholders of zetton will not necessarily be able to enjoy the benefits of the synergies between zetton and Adastria, such as an increase in Adastria's share price and dividends. However, if minority shareholders are concerned about such risks, this is not a significant concern, since they can sell their shares in Adastria on the market after the share exchange and convert them into cash.

(d)summary

Therefore, it cannot be said that it is unreasonable for zetton's minority shareholders to consider the share exchange instead of the tender offer as a method for Adastoria to make zetton its wholly owned subsidiary.

(iii) Fairness of the procedures of the Share Exchange (including the negotiation and decision-making processes)
Given that the Share Exchange is conducted as a so-called "acquisition of controlled companies by controlling shareholders" and that there is a structural conflict of interest issue, from the perspective of ensuring the fairness of the procedures for the Share Exchange, eliminating arbitrariness in the decision-making process leading to the decision to implement the Share Exchange, and avoiding conflicts of interest, the measures taken by zetton are summarized below.

(a) Establishment of the Enlarged Special Committee with No Conflicts of Interest

On December 14, 2023, zetton received a proposal from Adastoria regarding the Share Exchange, and decided to establish the Enlarged Special Committee to ensure the fairness of the decision-making process of zetton's Board of Directors eliminating the possibility of arbitrariness and conflicts of interest in the decision-making process, and to ensure that the decision of zetton's Board of Directors to conduct the Share Exchange is not detrimental to zetton's minority shareholders. It can be evaluated that the Enlarged Special Committee was established before the terms and conditions of the Share Exchange were decided. In this regard, each member of the Enlarged Special Committee consists of two (2) outside directors and two (2) outside experts, and their remuneration is either hourly remuneration to be paid regardless of the success or failure of the Transaction, or fixed remuneration and the excess portion only on an hourly basis, and does not include a contingent fee upon the completion of the Share Exchange, etc. Since none of the above is included, independence from Adastoria and the consummation of the Share Exchange is recognized in both cases. Furthermore, the Enlarged Special Committee was able to substantially influence the negotiation process regarding the terms of the Share Exchange by confirming the policy in advance, receiving reports on the status of the negotiations in a timely manner, expressing its opinions, giving instructions and making requests at important stages, and so on. In light of these points, the Enlarged Enlarged Special Committee functioned effectively as a measure to ensure fairness.

(b) Obtaining Professional Advice from Outside Experts

In order to ensure the fairness and appropriateness of its decision-making, the zetton Board of Directors obtained legal due diligence reports and other legal advice and opinions, etc. on zetton from its independent legal advisor, Iwaida & Partners, obtained financial and tax due diligence reports, etc. on Adastoria from its independent financial advisor, AGS Consulting Co., Ltd., and received a valuation report dated March 19, 2024 from Mita Securities, an independent third-party appraiser, as reference material regarding the share value of zetton shares and Adastoria shares and the Share Exchange Ratio. Although the compensation to Mita Securities, the independent third-party calculation agent, includes an additional contingency fee contingent upon the completion of the Share Exchange, this is a common practice in similar transactions, and the level of compensation paid is within the general range compared to other transactions of the same type. Therefore, the independence of the company can be evaluated.

(c) Decision-Making Process to Avoid Conflicts of Interest

Considering that Osamu Kimura and Ryo Araya are concurrently serving as the Representative Director and President of Adastoria and the Executive Officer of Adastoria, respectively, out of the 10 directors of zetton, it is assumed that, in order to avoid any conflict of interest, the other 8 directors (including those who are Audit Committee members), excluding Osamu Kimura and Ryo Araya, will deliberate and pass a unanimous resolution to conduct the Share Exchange.

Although Ryo Araya, who was in charge of zetton's finances and whose involvement in the preparation process was essential, participated in the preparation of the business plan that formed the basis for the valuation of zetton's shares, he had no further involvement in this share exchange and, in particular, was not involved in zetton's decision making regarding the Share Exchange.

Considering the above in total, it is considered that sufficient consideration has been given to the interests of zetton's minority shareholders through fair procedures in the Share Exchange.

(iv) Whether the Share Exchange is disadvantageous to the minority shareholders of zetton, based on (i) through (iii) above.

Considering (i) through (iii) above comprehensively, it is considered that the decision on the Share Exchange is not

disadvantageous to zetton's minority shareholders.

End