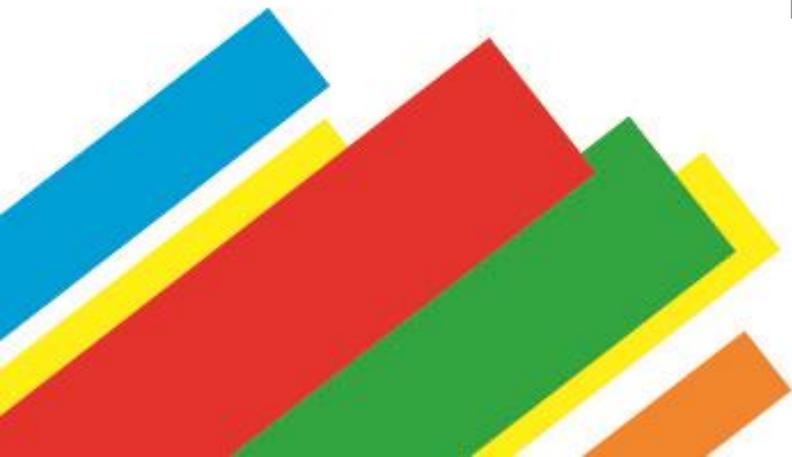




Adastria Corporate Material

February 25, 2022



A D A S T R I A
— *Play fashion!*

1. Our Business & Strategy



Our Mission and Business

Mission

Play fashion!

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

Multi Brands × Multi Categories



Our History

- We started out by buying and selling men's clothing, and after changing our business model several times, we are now involved in everything from manufacturing to retailing.

4 major transformations in the business model

Changing by the time to continue growing

1953

Established Fukudaya Clothes Store Inc. in Mito, Ibaraki Prefecture.
Began retail sales of men's clothing.



2015

Changed company name to Adastria Co., Ltd.

We Arrived In Shibuya-2017.

Change 1 1973

Opened Men's casual clothing store VEGA.

Enter into the blank market of Men's casual wear in Mito city.



Change 2 1982

Opened jeans and casual fashion store POINT.
Transformed POINT into chain stores in '84.

Scrap the old frame work.
Shifted to chain store operations.



Change 3 1997

Started rolling out LOWRYS FARM store brand

Developed own store brand.
Transformed into a OEM/ODM-type casual fashion chain.



Change 4 2010

Transformed into vertically integrated SPA company.

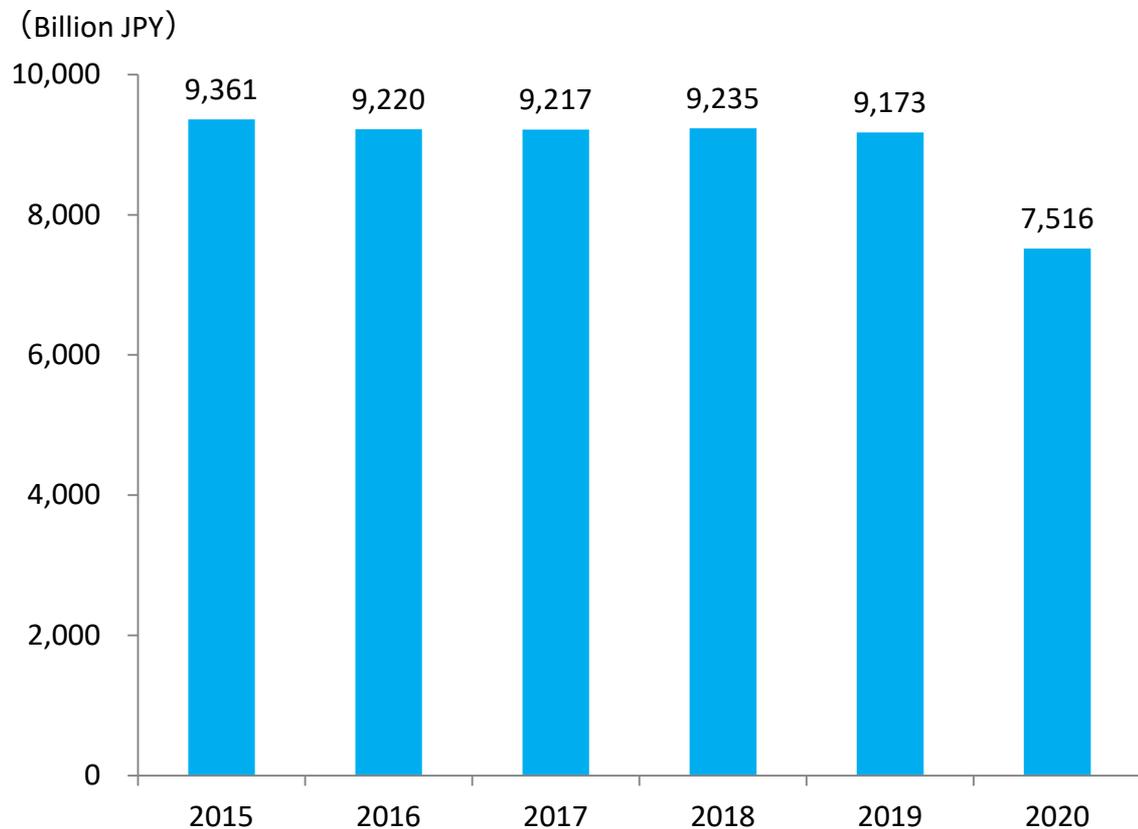
Initiated projects for vertical integration,
including in-house planning and production



ADASTRIA HISTORY

Domestic Apparel Market

- Before the COVID-19 pandemic, the domestic apparel market*1 was slowly declining at a CAGR of -0.5% from 2015 to 2019.
- While the pandemic caused a significant decline, the nine major players increased their market share.



*1 Source: Yano Research Institute Ltd. "Research on the domestic apparel market (2021)"
Announced on October 12, 2021 Note: Based on retail value

(Million JPY)

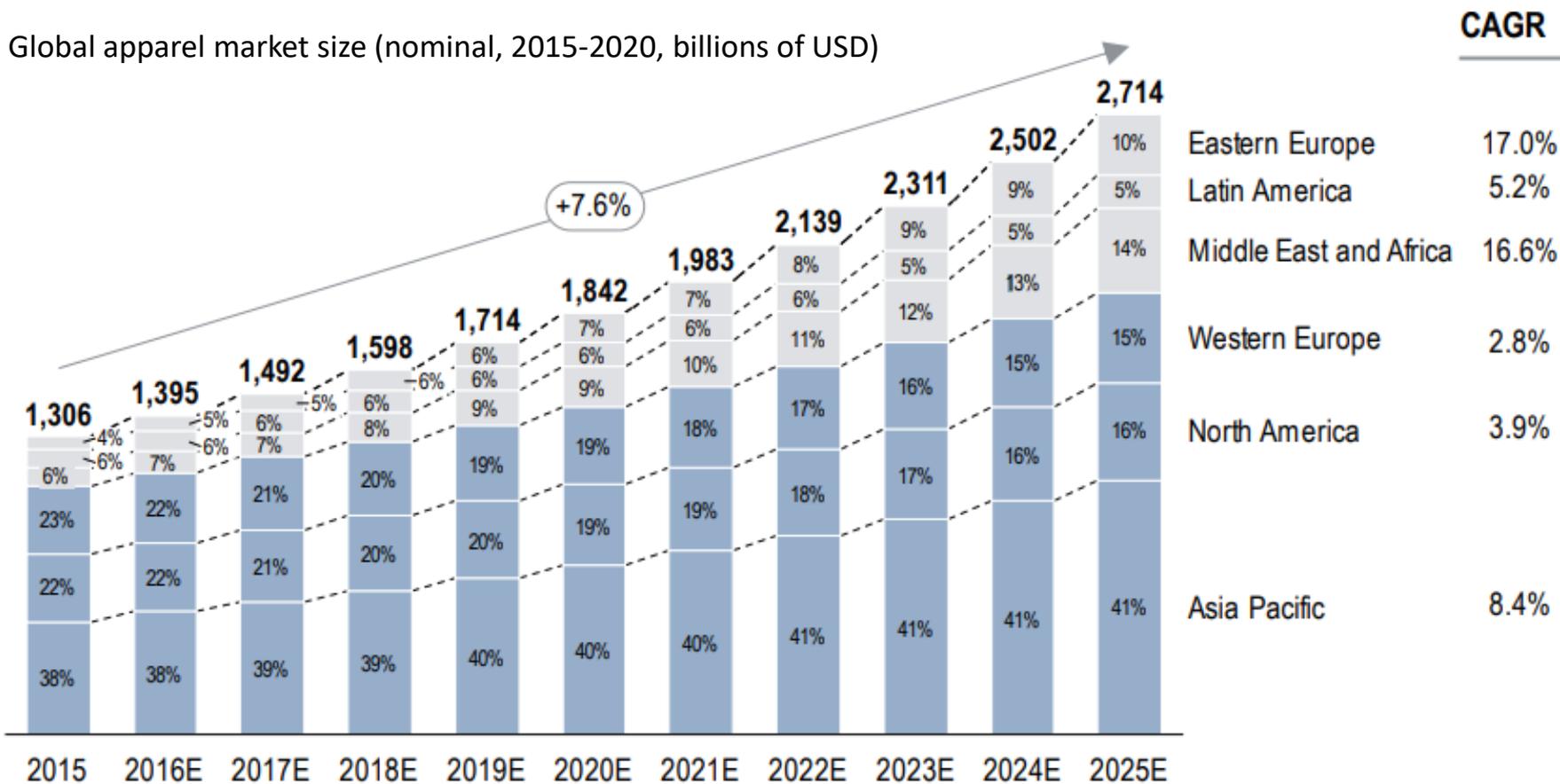
Major 9 companies sales in 2020	
Company F	842,628
Company S	536,621
Adastria	173,161
Company W	161,188
Company U	121,712
Company T	109,907
Company O	105,055
Company R	91,300
Company P	75,540
Market share of 9 major companies	29.5%
Last year share of 9 major companies	26%

*2 Based on our research, domestic apparel sales from each company's financial data, some of which are estimates

Global Apparel Market

- According to forecasts made prior to the pandemic, the global apparel market is expected to continue growing

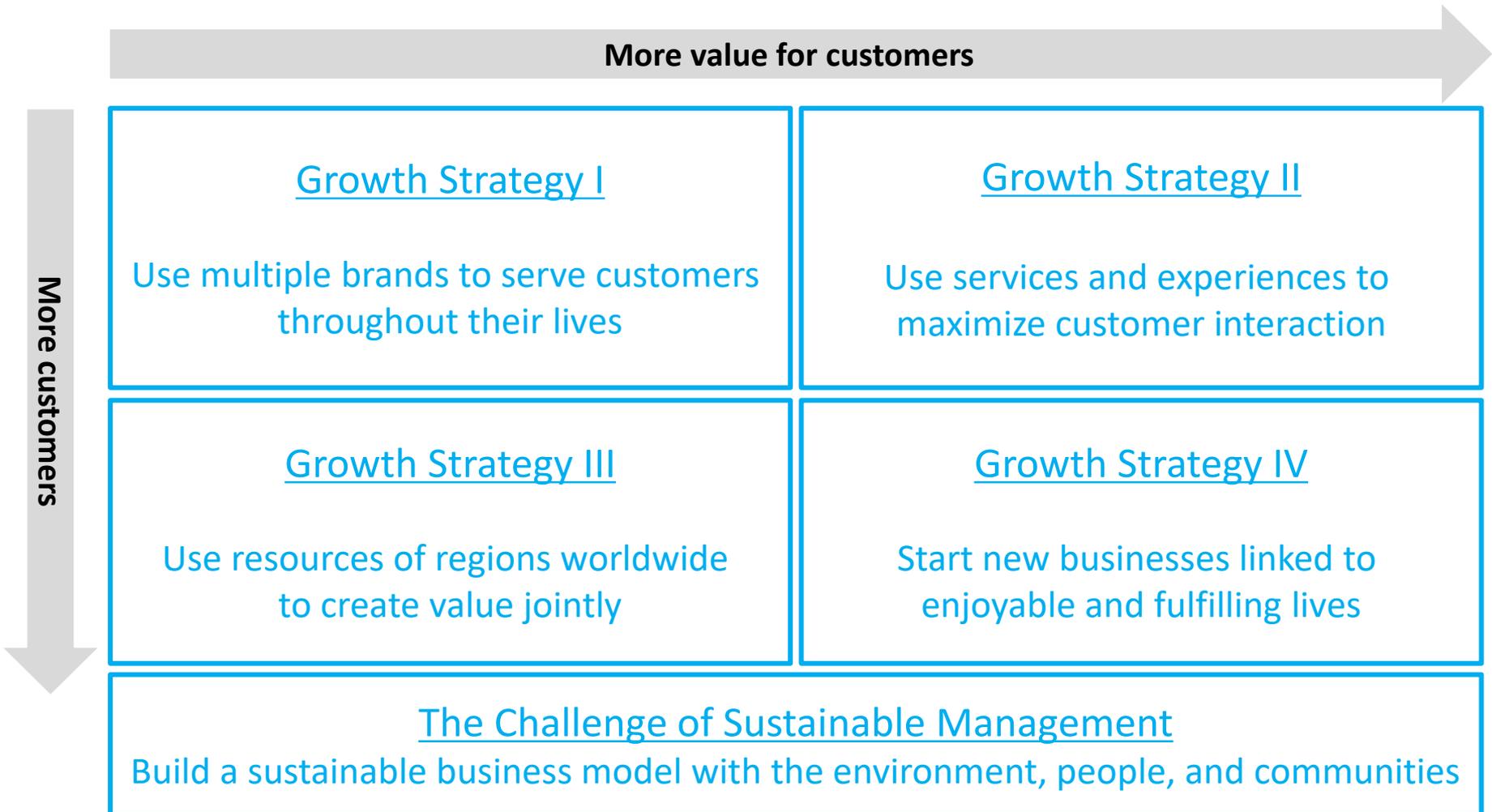
Global apparel market size (nominal, 2015-2020, billions of USD)



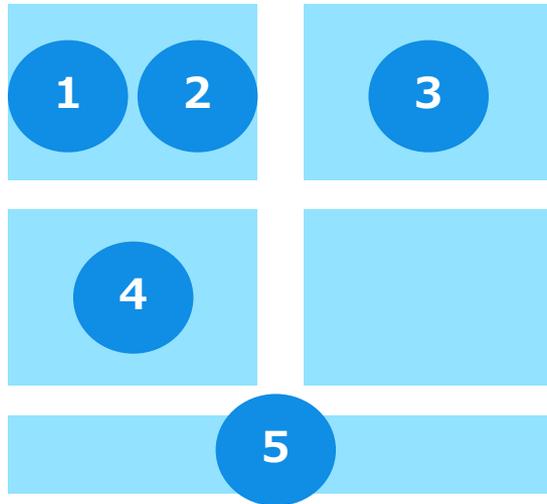
Source: Euromonitor, Roland Berger

Our Growth Strategy

- Our growth strategy is to expand our customer base and to extend the value we provide.



Investment Highlight



1

Expanding TAM (Total Addressable Market)

2

Creating a framework for brand creation and operation

3

Growing Adastria EC

4

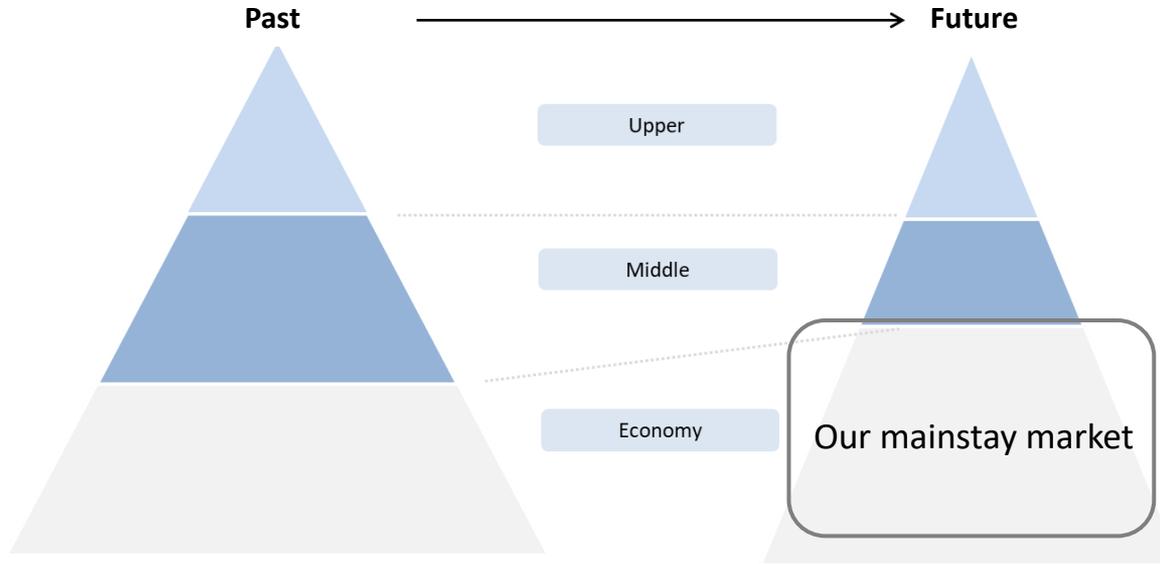
Growing in overseas markets

5

ESG Initiatives

Changes in the domestic market

- The domestic market is contracting, but we have an edge in our mainstay economy market.



Source: Roland Berger

• The middle market contracted the most, while the economy market (less than 5,000 yen per customer) remained stable



• Price per clothing item has fallen, but is higher than our mainstay price range

Expanding demand for fashion

- With the increasing use of social networking sites, demand for fashionable products is expanding beyond apparel



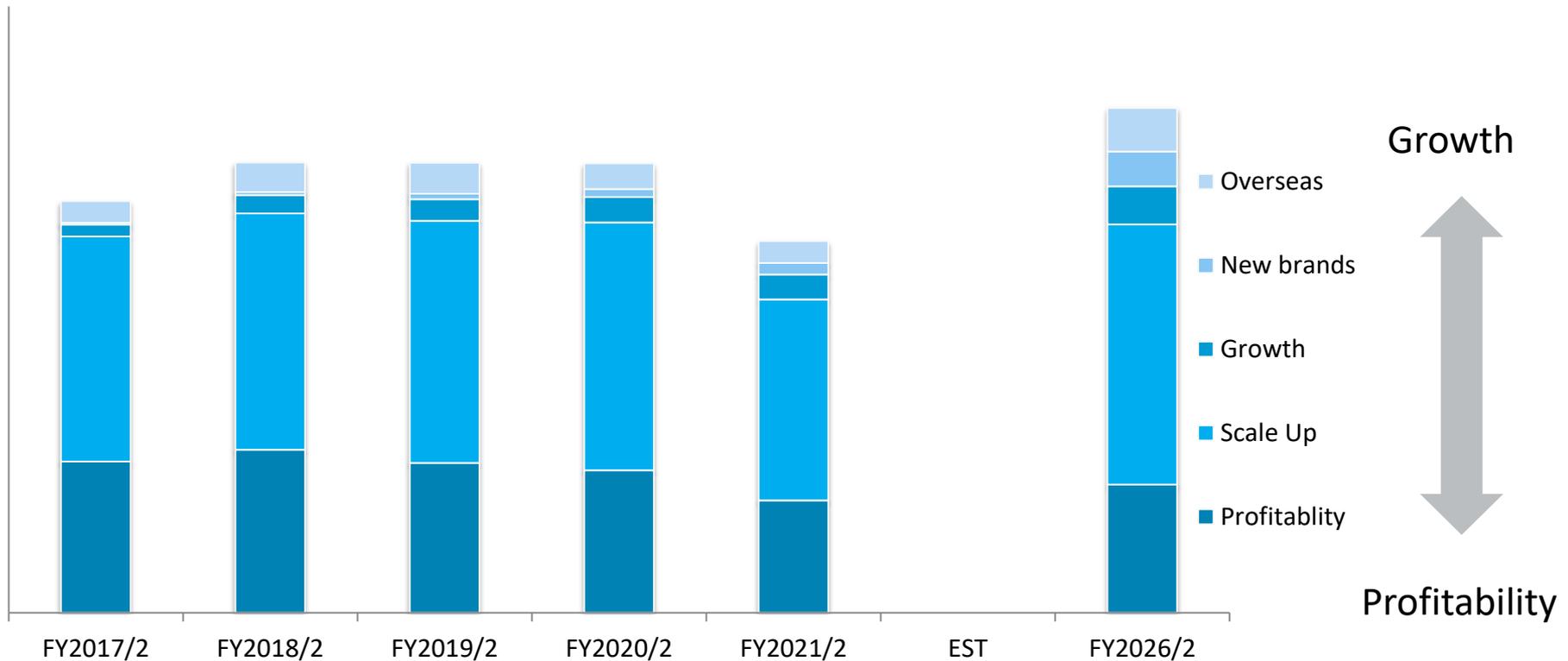
→ We are finding success in expanding TAM* through category expansion

* TAM: Total Addressable Market

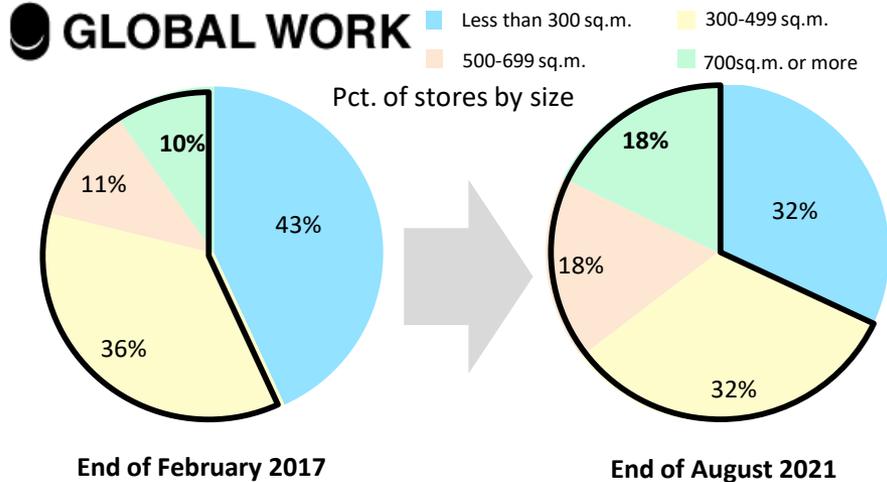
Growing our brand portfolio

- Each brand targets a different market size and strategy. We are positioned to grow our entire portfolio.
- Invest cash generated by profit-making brands into growth brands and new brands.
- We have an extensive pipeline for creating new brands. (There are currently 22 brands in development.)

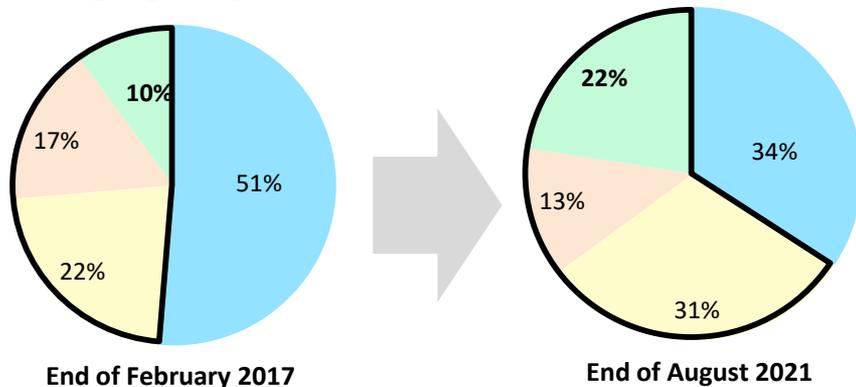
(Million JPY)



Large stores for major brands

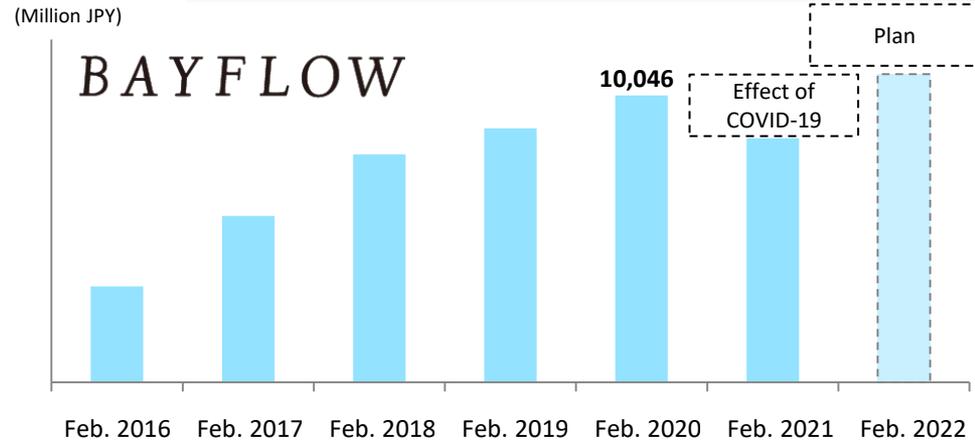


niko and ...



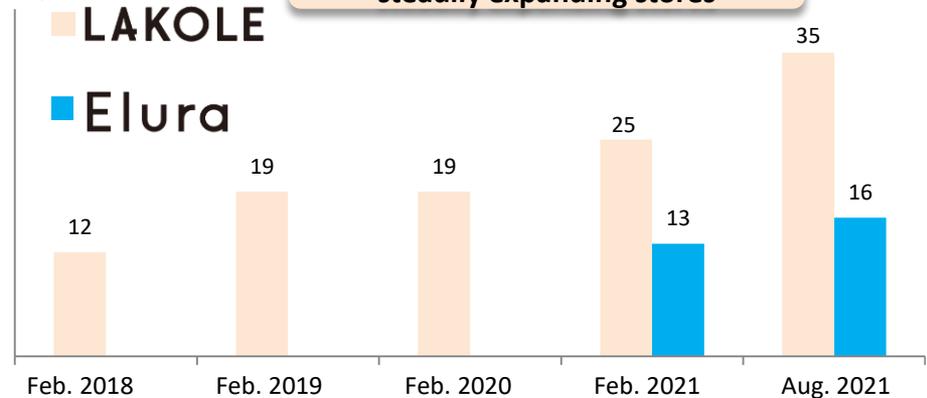
New stores for growth-driving brands

Sales of ¥10 billion only five years after brand was launched



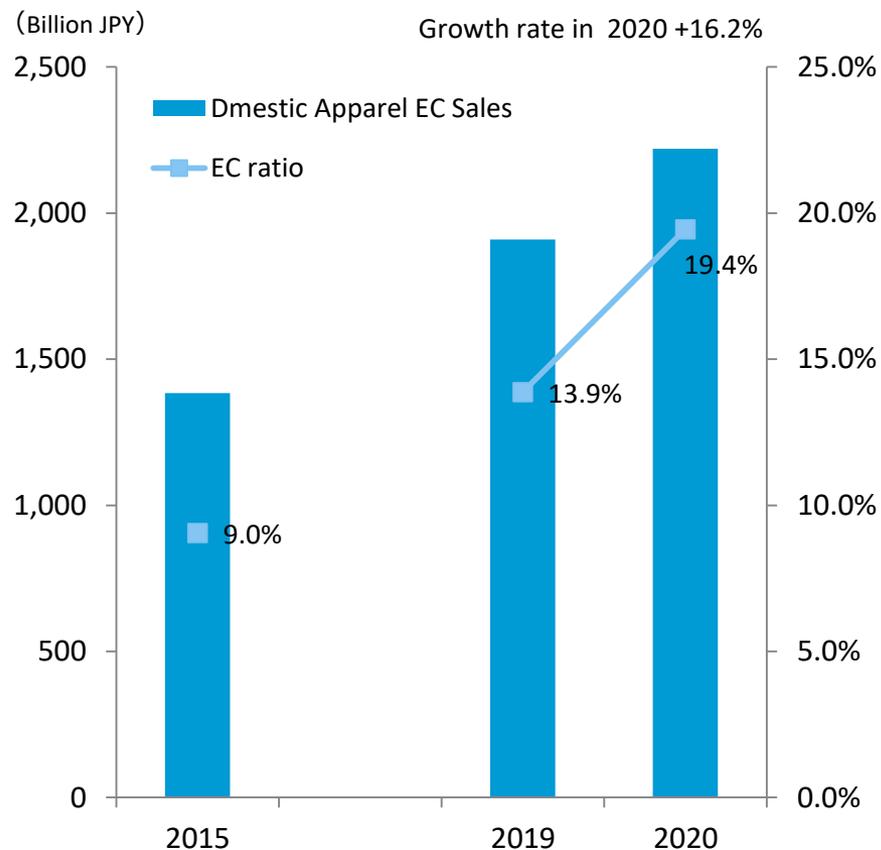
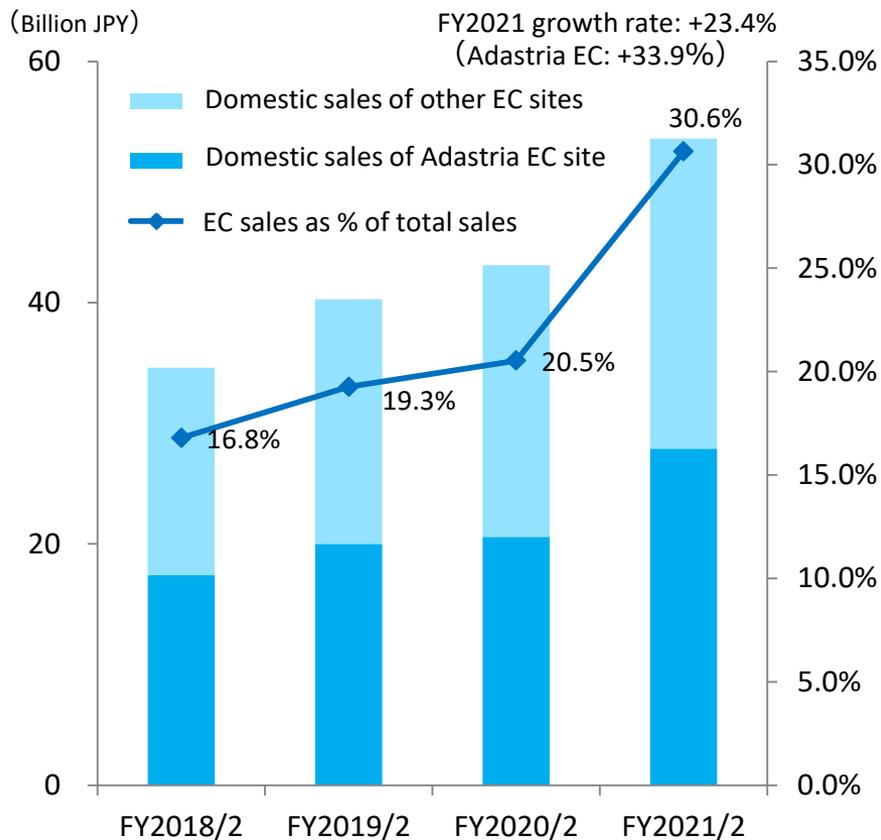
(Number of stores)

Growth brands are also steadily expanding stores



Growth potential of Adastria EC

- Growth rate of Adastria EC sales exceeds that of the overall apparel EC market in Japan.
- We will continue our growth by handling more categories and boosting EC product offerings.



- Staff's fashion coordination posts became popular
 - About 3,500 store staff members post 3,000 photos and videos of their outfits every day.
 - About half of Adastria EC sales are generated through the staff board, with top staff contributing over ¥100 million in annual sales.
 - We carried out proactive sales promotions using TV commercials this fiscal year, and became the No. 1 app in the shopping category.

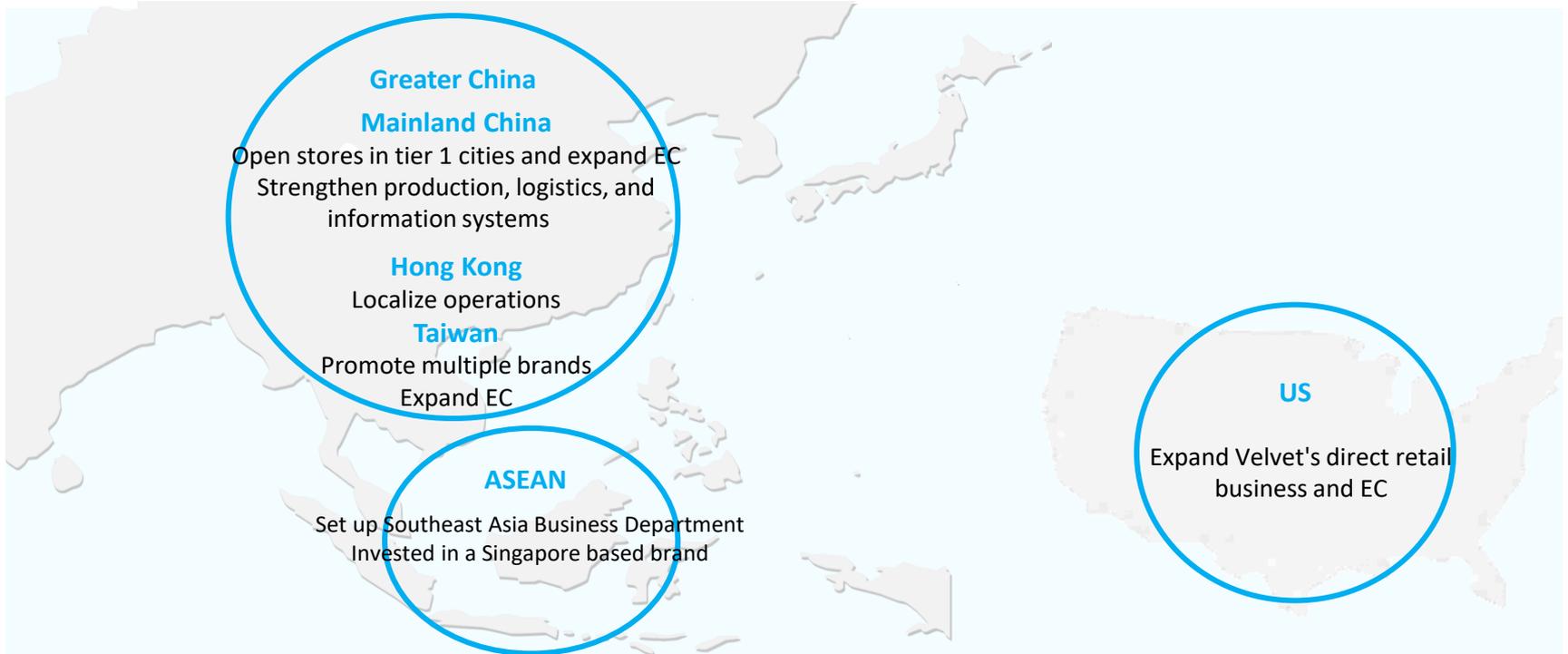
STAFF BOARD



Participating staff: **687** → **3,522**

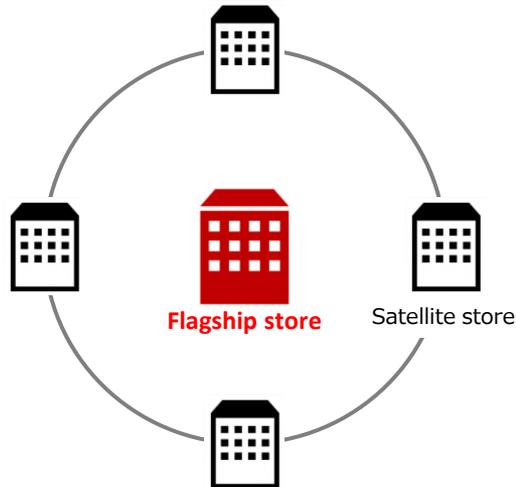
Growth potential in overseas markets

- Asia is an especially important high-growth market. We learned from past experiences and have already revised our strategy.

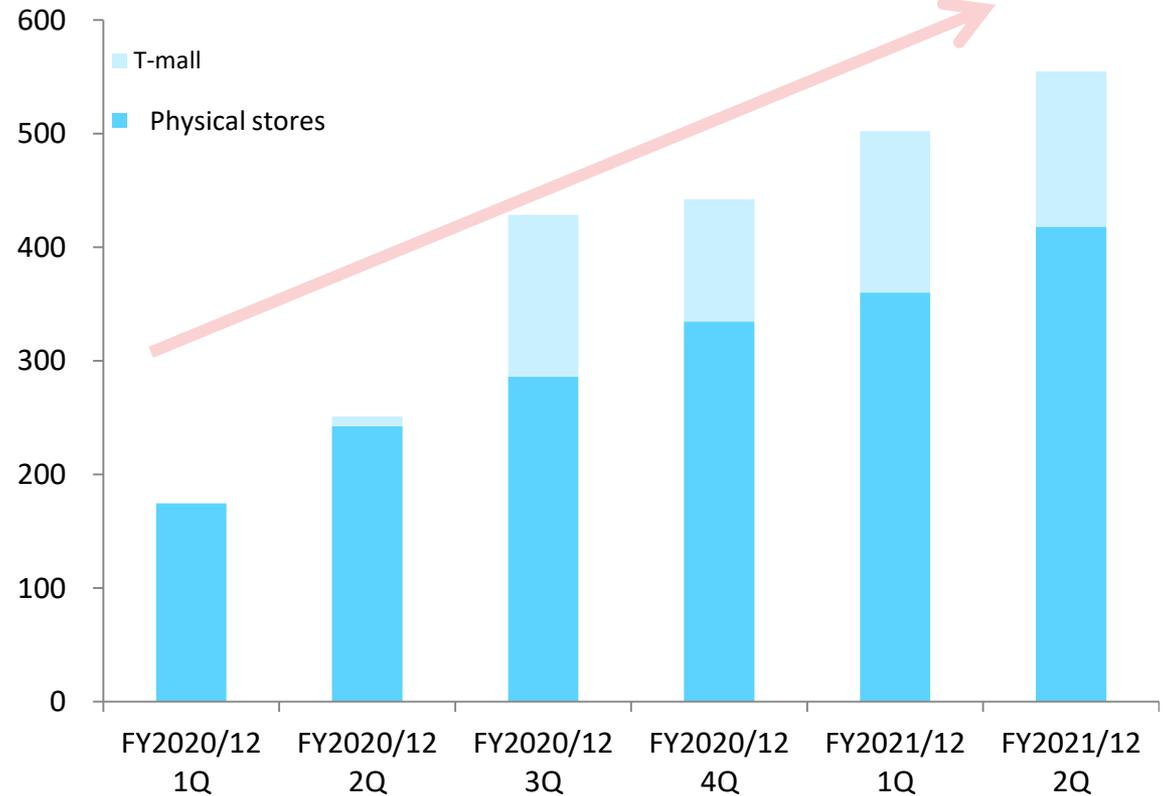


↓	Past realizations	Entered into various regions	Rolled out Japanese merchandise laterally	Implemented Japanese methods	Managed from Japan
	Current strategy	Asia-first resource allocation	Localized merchandise	Localized store strategy	Managed by local teams

- In mainland China, we have implemented a dominant strategy of first gaining brand recognition through our flagship store in Shanghai, and then boosting profitability through satellite stores in the surrounding areas.
- After establishing this model in Shanghai, we will expand into other cities in mainland China.



(Million JPY)

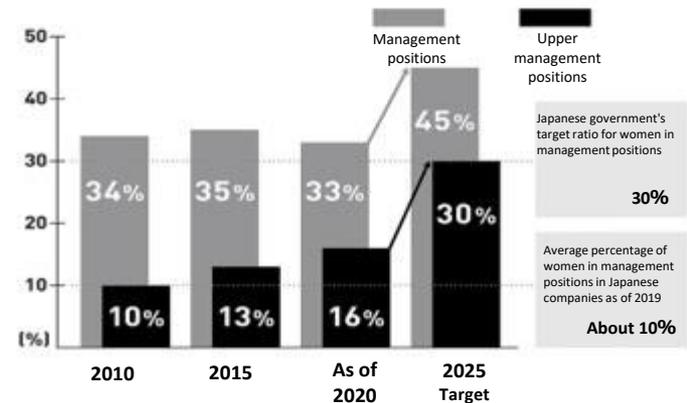
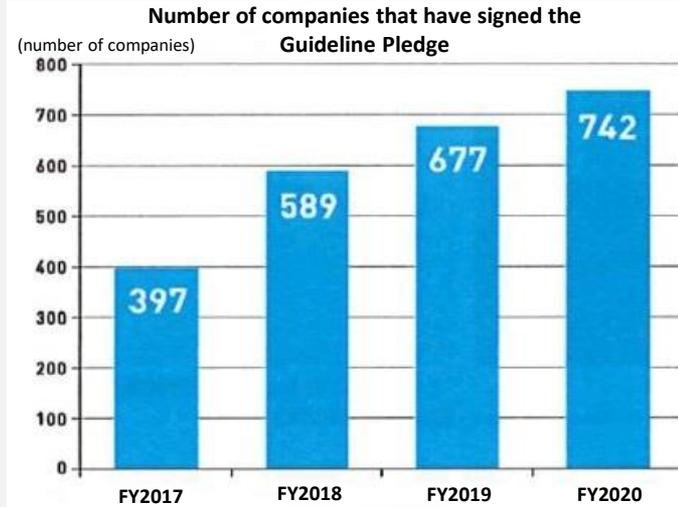


- Going forward, consumers will be more selective based on environmental measures, and regulations will be tightened.
- We will take preemptive action and use this as an opportunity to expand our market share.
- We have joined the Japan Sustainable Fashion Alliance, which aims for zero incineration and a carbon neutral 2050.

E

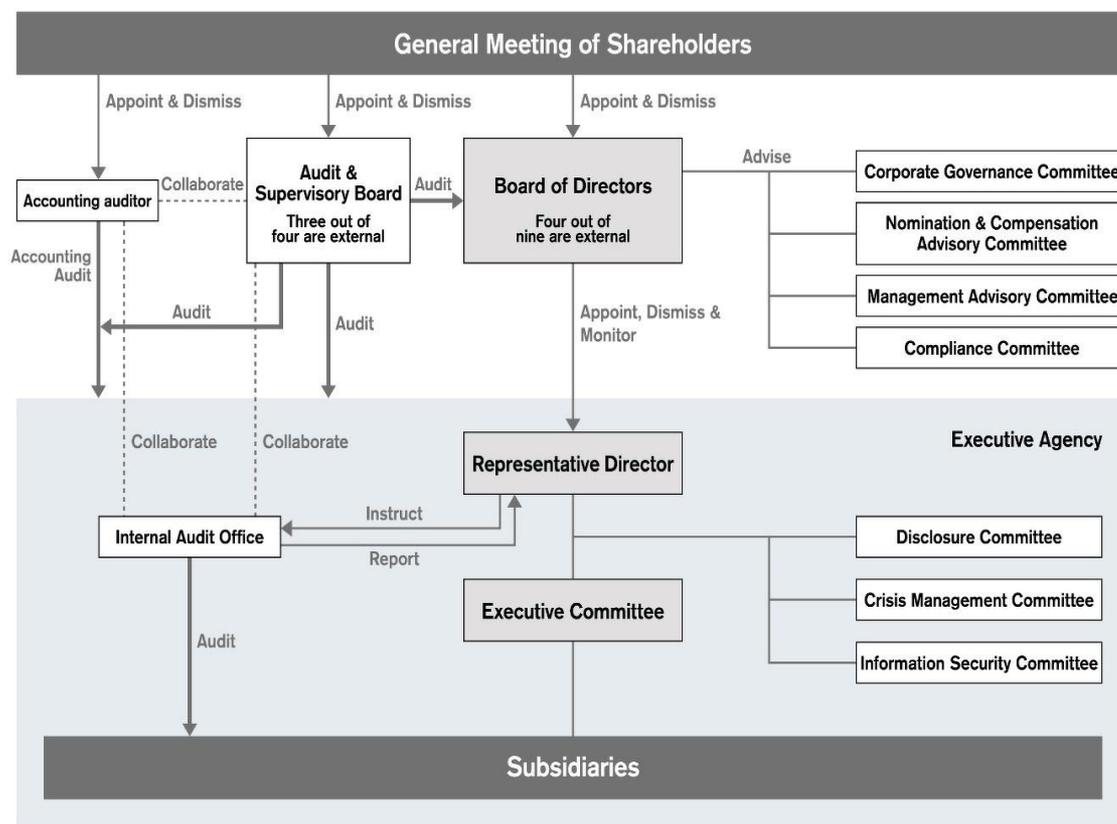


S



- Functioning checks and balances with five internal directors
- Performance-linked compensation and stock-based compensation already introduced
- Changed president in May 2021 in preparation for management succession

Corporate Governance Structure



Title	Name	Back ground
Chairman	Michio Fukuda	Owner & Founder
President	Osamu Kimura	Long experience in apparel business, entrepreneurship
Managing Director	Masayuki Kindo	Experience in a financial institution
Managing Director	Yoshiaki Kitamura	Long experience in apparel business, Overseas
Director	Taiki Fukuda	Business and sustainability knowledge

Diverse management team

Directors 9

Auditors 4

Ratio of outside directors (Number of outside directors: 4) 44.4%

Ratio of female directors and corporate auditors (3 women) 23.1%

2. FY2022/02 3rd Quarter Financial Results



Consolidated Income Statement

Millions of yen

	FY2021/02 3Q				FY2022/02 3Q					
	Nine Months Ended		Three Months Ended		Nine Months Ended			Three Months Ended		
		Ratio		Ratio		Ratio	YoY		Ratio	YoY
Net sales	132,833	100.0%	53,168	100.0%	146,731	100.0%	110.5%	54,120	100.0%	101.8%
Adastria(Non-consolidated)	116,896	88.0%	46,900	88.2%	127,435	86.8%	109.0%	47,631	88.0%	101.6%
Domestic subsidiaries *1	10,636	8.0%	4,250	8.0%	12,384	8.4%	116.4%	4,194	7.7%	98.7%
Overseas subsidiaries *2	7,479	5.6%	2,782	5.2%	9,242	6.3%	123.6%	3,156	5.8%	113.4%
Gross profit	73,949	55.7%	31,677	59.6%	81,673	55.7%	110.4%	30,895	57.1%	97.5%
SG&A expenses	72,841	54.8%	26,158	49.2%	77,189	52.6%	106.0%	27,043	50.0%	103.4%
Advertising & promotion	5,343	4.0%	1,983	3.7%	6,347	4.3%	118.8%	2,328	4.3%	117.4%
Personnel	27,329	20.6%	9,096	17.1%	27,625	18.8%	101.1%	9,518	17.6%	104.6%
Rent & depreciation	26,175	19.7%	9,963	18.7%	27,508	18.7%	105.1%	9,788	18.1%	98.2%
Amortization of goodwill	118	0.1%	39	0.1%	44	0.0%	37.3%	14	0.0%	37.4%
Others	13,873	10.4%	5,075	9.5%	15,664	10.7%	112.9%	5,393	10.0%	106.3%
Operating profit	1,108	0.8%	5,519	10.4%	4,483	3.1%	404.6%	3,851	7.1%	69.8%
Adastria(non-consolidated)	1,756	1.3%	5,486	10.3%	4,041	2.8%	230.1%	3,844	7.1%	70.1%
Domestic subsidiaries *1	-572	-	-7	-	-235	-	-	-13	-	-
Overseas subsidiaries *2	-753	-	-180	-	66	0.0%	-	-116	-	-
Adastria Logistics	473	0.4%	140	0.3%	407	0.3%	86.1%	123	0.2%	87.5%
Ordinary profit	3,116	2.3%	5,847	11.0%	5,725	3.9%	183.7%	4,172	7.7%	71.4%
Net income	1,228	0.9%	3,690	6.9%	3,534	2.4%	287.6%	3,085	5.7%	83.6%
EBITDA	6,147	4.6%	7,276	13.7%	9,213	6.3%	149.9%	5,548	10.3%	76.3%
Depreciation and amortization	4,920	3.7%	1,718	3.2%	4,685	3.2%	95.2%	1,681	3.1%	97.9%
Amortization of goodwill	118	0.1%	39	0.1%	44	0.0%	37.3%	14	0.0%	37.4%

*1 : Domestic subsidiaries is the sum of four domestic subsidiaries: BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd., ADOORLINK Co., Ltd.

*2 : Overseas subsidiaries is the sum of overseas subsidiaries: Hong Kong, Mainland China, Taiwan, Korea, USA.

Consolidated Income Statement (three months ended November 30,2021)

■ Net sales : 54.1 billion yen (+1.8% YoY)

- Parent company: Sales Increased due to lower temperatures, recovery of demand for outings and carried out our own EC promotion. GLOBAL WORK, with strong sales of its main products, LAKOLE, with successful store openings, led the way overall.
- Domestic subsidiaries: ELEMENT RULE revenue up with strong growth in EC and higher-priced brands. Decline in sales at BUZZWIT, which specializes in EC business, due to the struggles of its core brands.
- Overseas subsidiaries: Hong Kong and the USA maintain revenue and profit growth. Mainland China growth continued through new store openings. Even though sales and profits declined in Taiwan due to COVID-19, now recovering.

■ Gross profit margin : 57.1% (-2.5% YoY)

- Even though GP margin was down YoY due to the summer inventory clearance in September and the impact of FX rates, it was at reasonable level as A/W products were sold at full price .

■ SG&A expense ratio : 50.0% (+0.8% YoY)

- Advertising & promotions: 4.3% (+0.6% YoY)(+0.34 billion yen YoY) Promotion of the “.st”, our own EC site
- Personnel: 17.6% (+0.5% YoY) (+0.42 billion yen YoY) Increased costs due to normalized store opening hours
- Rent & depreciation: 18.1% (-0.6% YoY) (-0.17 billion yen YoY) Decrease due to improved rent conditions
- Other: 10.0% (+0.5% YoY) (+0.31 billion yen YoY) Increase in delivery, packaging, credit card fees, etc.

■ Operating profit: 3.8 billion yen (-1.66 billion yen YoY) · Operating income ratio 7.1%, EBITDA margin 10.3%

■ Ordinary profit : 4.1 billion yen (-1.67 billion yen YoY)

- Includes 160 million yen for short-time cooperation and 100 million yen for foreign exchange gains.

■ Net income: 3.0 billion yen (-0.6 billion yen YoY)

- Extraordinary gains of 260 million yen on reversal of allowance for doubtful accounts and losses of 140 million yen on impairment loss.

Parent Company (non-consolidated) Income Statement

Millions of yen

	FY2021/02 3Q		FY2022/02 3Q			
	Nine Months Ended	Three Months Ended	Nine Months Ended		Three Months Ended	
				YoY		YoY
Net sales	116,896	46,900	127,435	109.0%	47,631	101.6%
(Same stores YoY)	79.1%	94.1%	108.3%		99.8%	
GLOBAL WORK	24,515	10,092	27,606	112.6%	10,496	104.0%
niko and ...	18,813	7,532	19,802	105.3%	7,315	97.1%
LOWRYS FARM	14,312	5,703	14,872	103.9%	5,734	100.5%
studio CLIP	13,683	5,113	14,361	105.0%	4,911	96.0%
LEPSIM	8,172	3,241	8,837	108.1%	3,157	97.4%
JEANASIS	6,956	3,044	7,543	108.4%	2,926	96.1%
BAYFLOW	6,096	2,439	6,654	105.8%	2,384	97.7%
RAGEBLUE	3,824	1,596	4,106	107.4%	1,601	100.3%
Gross profit	65,040	28,117	70,836	108.9%	27,281	97.0%
Gross margin	55.6%	60.0%	55.6%	-0.1p	57.3%	-2.7p
SG&A expenses	63,284	22,631	66,795	105.5%	23,436	103.6%
SG&A ratio	54.1%	48.3%	52.4%	-1.7p	49.2%	+1.0p
Operating profit	1,756	5,486	4,041	230.1%	3,844	70.1%
Operating margin	1.5%	11.7%	3.2%	+1.7p	8.1%	-3.6p

* : Amortization of goodwill

• FY2021/02 Nine Months Ended: 85 million yen, FY2022/02 Nine Months Ended : 44 million yen.

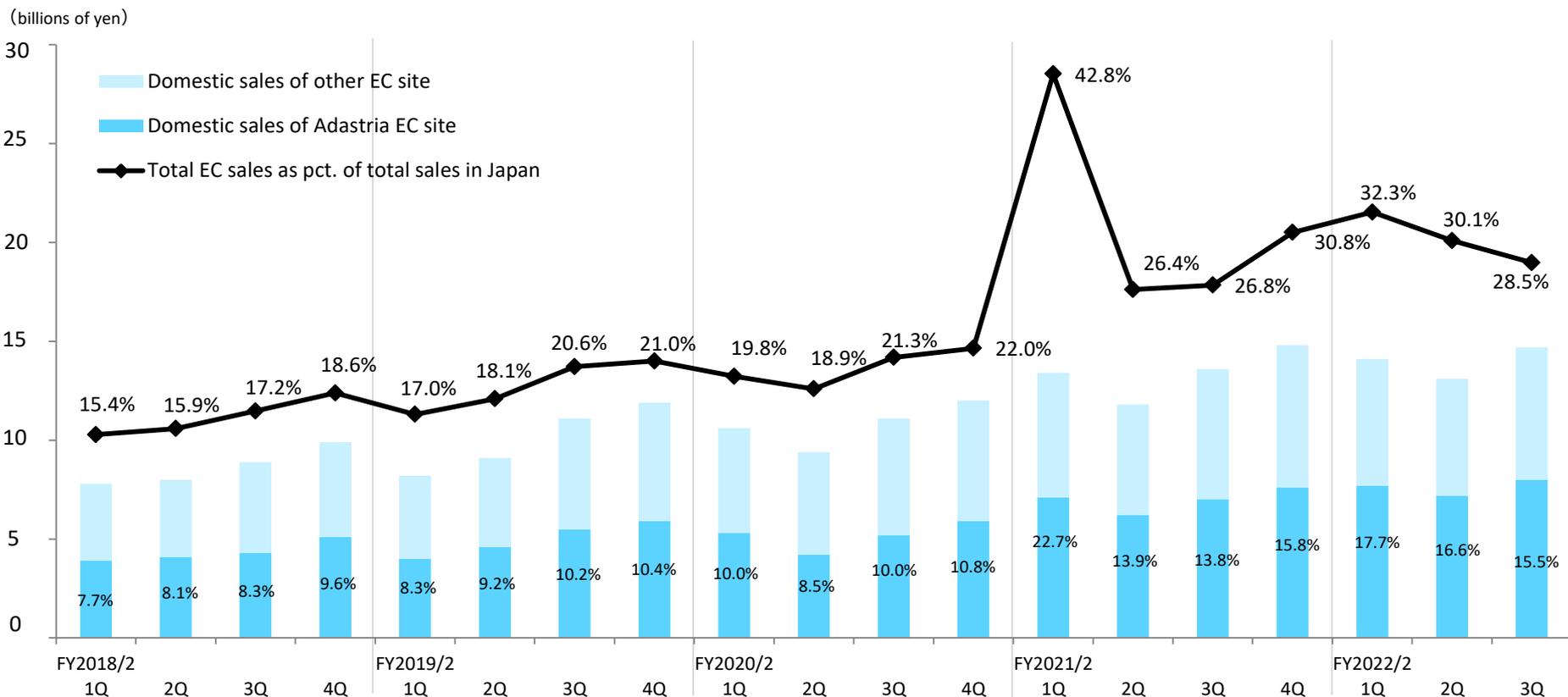
• FY2021/02 Three Months Ended: 28 million yen, FY2022/02 Three Months Ended: 14 million yen.

* : Net sales are shown before elimination of internal transactions.

Online Business

Growth in domestic online business

- Domestic net sales from online (Nine months): **42.1** billion yen (+8.1% YoY)
 - Domestic online business ratio: 30.2% (of which Own EC site: approx. 16.5%)
 - Own EC site “.st” has about 13.2 million members (+1.5 million from the end of FY2021/02)



*Starting in FY2018/02, non-consolidated sales and sales in ALICIA CO., LTD. was included.

*Starting in FY2019/02, non-consolidated sales and sales in ALICIA CO., LTD. and ELEMENT RULE Co., Ltd. were included. ALICIA CO., LTD. was renamed BUZZWIT Co., Ltd. in August 2018.

*Starting in FY2022/02, non-consolidated sales and sales in ADOORLINK Co., Ltd. was included.

Overseas Business

Millions of yen

	FY2020/12 3Q		FY2021/12 3Q					
	Nine Months Ended	Three Months Ended	Nine Months Ended			Three Months Ended		
				YoY (JPY)	YoY (Local currency)		YoY (JPY)	YoY (Local currency)
Net sales	7,479	2,782	9,242	123.6%	118.9%	3,156	113.4%	108.9%
Hong Kong	1,829	607	1,997	109.2%	108.4%	695	114.6%	113.8%
Mainland China	822	400	1,862	226.3%	207.2%	595	148.8%	136.2%
Taiwan	1,859	690	1,852	99.6%	92.1%	617	89.5%	82.8%
Korea	504	152	-	-	-	-	-	-
USA	2,462	932	3,529	143.3%	142.1%	1,247	133.7%	132.6%
Operating profit	-753	-180	66	-	-	-116	-	-
Hong Kong	-134	-69	119	-	-	28	-	-
Mainland China	-167	-18	-159	-	-	-110	-	-
Taiwan	57	14	64	113.1%	104.6%	-41	-	-
Korea	-104	-32	-7	-	-	-	-	-
USA	-404	-74	49	-	-	6	-	-

- Hong Kong : Sales and earnings was up because of minimal impact of the pandemic and the closure of unprofitable stores.
- Mainland China : Growth continued because of the opening of the second niko and ... Shanghai store and a successful branding strategy. However, costs increased by preparing for new stores opening.
- Taiwan : Even though sales and profits had been declined until August due to COVID-19, recovered from September.
- USA : Economic recovery boosts sales in wholesale, bricks-and-mortar and EC channels, keeping the business profitable.
- South Korea : The withdrawal was completed in 2020.

Consolidated Balance Sheet

Millions of yen

	End of 2020/11		End of 2021/2		End of 2021/11			
		Ratio		Ratio		Ratio	Compared with the end of 2020/11	Compared with the end of 2021/2
Current assets	55,554	54.4%	51,569	54.0%	55,760	55.0%	+206	+4,190
Cash and deposits	19,222	18.8%	24,179	25.3%	15,916	15.7%	-3,305	-8,263
Inventories	18,931	18.5%	15,718	16.5%	21,643	21.4%	+2,712	+5,924
Non-current assets	46,650	45.6%	43,880	46.0%	45,559	45.0%	-1,090	+1,679
Property, plant and equipment	15,950	15.6%	14,577	15.3%	14,538	14.3%	-1,412	-38
Goodwill	355	0.3%	113	0.1%	68	0.1%	-286	-44
Investments and other assets	23,449	22.9%	22,010	23.1%	22,790	22.5%	-658	+779
Total assets	102,204	100.0%	95,449	100.0%	101,320	100.0%	-884	+5,870
Liabilities	48,099	47.1%	44,747	46.9%	48,885	48.2%	+786	+4,137
Interest-bearing debt	0	0.0%	0	0.0%	6,000	5.9%	6,000	6,000
Net assets	54,105	52.9%	50,701	53.1%	52,434	51.8%	-1,670	+1,732
Treasury shares	-6,342	-6.2%	-7,917	-8.3%	-7,636	-7.5%	-1,293	+281

- Cash and deposits : Net cash decreased by 9.3 billion yen compared to the same period last year, due to the payment of deferred income taxes.
- Inventories : Even though YoY amount increased due to A/W inventories, we maintained usual level.
- Liabilities : Booked 6 billion in short-term debt. It will be repaid in full by the end of the fiscal year.
- Net assets : Net asset ratio of 51.8%, 1.1p down compared to the period last year

* In addition, we have already established a credit facility of 30 billion yen with our main banks.

Number of Stores

	End of FY2021	FY2022/02 3Q nine months ended			
	Number of stores	Opened	Changed	Closed	End of 3Q
GLOBAL WORK	209	1	0	-2	208
niko and ...	144	2	0	0	146
LOWRYS FARM	134	4	0	0	138
studio CLIP	183	3	0	-1	185
LEPSIM	122	1	0	0	123
JEANASIS	72	2	0	0	74
BAYFLOW	56	4	0	0	60
RAGEBLUE	49	1	0	0	50
Others	259	33	0	-4	288
Adastria non-consolidated total	1,228	51	0	-7	1,272
(Online store included)	(66)	(3)	(0)	(-3)	(66)
Domestic subsidiaries total	104	27	0	-11	120
(Online store included)	(32)	(22)	(0)	(-6)	(48)
Japan total	1,332	78	0	-18	1,392
(Online store included)	(98)	(25)	(0)	(-9)	(114)
Hong Kong	14	2	0	-2	14
China	3	1	0	0	4
Taiwan	41	3	0	-2	42
USA	10	1	0	-1	10
Oversea total	68	7	0	-5	70
(Online store included)	(10)	(2)	(0)	(0)	(12)
Consolidated total	1,400	85	0	-23	1,462
(Online store included)	(108)	(27)	(0)	(-9)	(126)

*: Domestic subsidiaries is the sum of four domestic subsidiaries: BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd., ADOORLINK Co., Ltd.

*: FY2022/02 3Q(nine months ended), 12 remodeled stores in the consolidated group.

FY2022/02 Consolidated Forecast (No Change)

■ No change from the initial forecast announced at April 5, 2021

Million JPY

	FY2021/02		FY2022/02	
	Results		Forecast	
			% to sales	YoY
Net sales	183,870	219,000	100.0%	119.1%
Gross profit	100,125	121,950	55.7%	121.8%
SG&A expenses	99,358	115,450	52.7%	116.2%
Operating profit	766	6,500	3.0%	847.7%
Ordinary profit	2,981	6,500	3.0%	218.0%
Net income	-693	3,800	1.7%	-
ROE	-	7.4%	-	-
EBITDA	7,766	13,150	6.0%	169.3%
Depreciation and amortization	6,841	6,600	3.0%	96.5%
Amortization of goodwill	157	50	0.0%	31.8%
Capital expenditure	9,298	12,976		
Dividend per share (Yen)	40	50		
Interim dividend	(15)	(25)		



A D A S T R I A
— *Play fashion!*