

# Brief summary of Consolidated Fiscal 2017/02 Third Quarter Financial Results

December 29, 2016

# Consolidated Income Statement

Millions of yen

Consolidated	FY2016/02 Q3				FY2017/02 Q3					
	Nine Months Ended		Three Months Ended		Nine Months Ended			Three Months Ended		
		Ratio		Ratio		Ratio	YoY		Ratio	YoY
Net sales	146,814	100.0%	49,782	100.0%	148,925	100.0%	101.4%	51,198	100.0%	102.8%
Gross profit	86,063	58.6%	30,511	61.3%	87,456	58.7%	101.6%	30,910	60.4%	101.3%
SG&A expenses	71,715	48.8%	24,296	48.8%	73,823	49.6%	102.9%	25,332	49.5%	104.3%
Advertising & promotion	4,586	3.1%	1,883	3.8%	4,889	3.3%	106.6%	1,918	3.7%	101.9%
Personnel	24,702	16.8%	8,201	16.5%	25,149	16.9%	101.8%	8,368	16.3%	102.0%
Rent & depreciation	29,336	20.0%	9,890	19.9%	29,410	19.7%	100.3%	10,086	19.7%	102.0%
Amortization of goodwill	1,667	1.1%	546	1.1%	1,638	1.1%	98.3%	546	1.1%	100.0%
Others	11,424	7.8%	3,775	7.6%	12,736	8.6%	111.5%	4,412	8.6%	116.9%
Operating income	14,347	9.8%	6,214	12.5%	13,632	9.2%	95.0%	5,578	10.9%	89.8%
Adastria(Non-consolidated, Amortization of goodwill excluded) <sup>1 3</sup>	15,455	-	6,459	-	14,911	-	96.5%	5,990	-	92.7%
Overseas business <sup>2</sup>	-326	-	-107	-	-394	-	-	-59	-	-
N9&PG <sup>3</sup>	-190	-	-	-	-	-	-	-	-	-
Adastria Logistics	100	-	100	-	497	-	-	135	-	135.0%
Ordinary income	14,665	10.0%	6,341	12.7%	13,800	9.3%	94.1%	5,749	11.2%	90.7%
Net income	7,964	5.4%	3,807	7.6%	11,172	7.5%	140.3%	6,324	12.4%	166.1%
EBITDA	20,551	14.0%	8,278	16.6%	19,511	13.1%	94.9%	7,607	14.9%	91.9%
Depreciation and amortization	4,536	3.1%	1,517	3.0%	4,240	2.8%	93.5%	1,483	2.9%	97.8%
Amortization of goodwill	1,667	1.1%	546	1.1%	1,638	1.1%	98.3%	546	1.1%	100.0%

Note:

1. The results of production division is not included in the results for first half of the fiscal year 2016/02.
2. Overseas business is the sum of five overseas subsidiaries: Hong Kong, Taiwan, China, Singapore, Korea.
3. N9&PG's production division was merged into Adastria Co., Ltd ; its logistics division become Adastria Logistics Co., Ltd. from second half of the fiscal year 2016/02.

# Consolidated Income Statement Highlights

(Three months ended November 30, 2016)

Net sales increased and operating income declined mainly due to the slow start of autumn season. Company continues the investment for the next stage growth.

- Net sales : 51.1 billion yen (102.8% YoY)  
Nets sales of existing stores in Japan achieved 103.0% year on year.  
Brands such as Global Work, niko and..., studio CLIP, *BAYFLOW* contributed on the solid performance.
- Gross profit ratio: 60.4% (-0.9p YoY)  
Although cost of sales decreased, the price discount rate increased in order to reduce autumn inventory.
- SG&A expense ratio: 49.5% (+0.7p YoY)
  - Personnel: 16.3% (-0.2p YoY) Personnel cost decreased because of the online sales expansion.
  - Rent & depreciation: 19.7% (-0.2p YoY) Depreciation cost decreased.
  - Others: 8.6% (+1.0p YoY)  
Credit card fee and delivery cost increased due to the sales growth from the online business.
- Operating income : 5.5 Billion yen (89.8% YoY)  
Operating margin: 10.9% (-1.6p YoY) ; EBITDA margin: 14.9% (-1.7p YoY)
- Net income : 6.3 billion yen (166.1% YoY)  
3.7 billion yen gain on sale of investment securities is recorded as extraordinary income.  
Net income is about the same level compared to the same period last year excluding gain on sale of investment securities.

# Overseas Business

Millions of yen

	FY 2016/02 Q3		FY 2017/02 Q3					
	Nine Months Ended	Three Months Ended	Nine Months Ended			Three Months Ended		
			YoY (JPY)	YoY (Local currency)	YoY (JPY)	YoY (Local currency)		
Net sales	8,947	3,010	7,871	88.0%	101.7%	2,614	86.8%	103.7%
Hong Kong	5,489	1,934	4,842	88.2%	98.2%	1,592	82.3%	98.4%
China	1,467	502	1,344	91.6%	108.1%	454	90.5%	114.1%
Korea	665	222	581	87.5%	100.9%	218	98.1%	112.1%
Taiwan	1,143	362	1,102	96.5%	110.7%	349	96.3%	112.1%
Singapore	181	-	-	-	-	-	-	-
Operating income	-326	-107	-394	-	-	-59	-	-
Hong Kong	79	6	-194	-	-	-41	-	-
China	-142	-33	-147	-	-	-6	-	-
Korea	-254	-110	-177	-	-	-34	-	-
Taiwan	75	27	120	159.7%	183.3%	23	85.4%	103.0%
Singapore	-84	2	4	-	-	-	-	-

Store opened	26	10	5	1
Store closed	25	10	7	7
Store renovated	5	3	5	5
Number of stores	107	107	102	102

- Hong Kong : Retailing environment slows as the decline in Chinese tourist .
- Korea: Achieved profitability on store basis by revising merchandising to create a brand image with more originality.

# Consolidated Balance Sheet

Millions of yen

Consolidated	End of 2015/11		End of 2016/02		End of 2016/11			
		Ratio		Ratio		Ratio	YoY	Compared with the end of 2016/02
Current assets	44,793	48.5%	45,465	50.3%	48,666	53.3%	3,872	3,200
Cash and deposits	8,992	9.7%	19,460	21.5%	10,660	11.7%	1,668	-8,799
Inventories	19,668	21.3%	15,076	16.7%	20,743	22.7%	1,075	5,667
Fixed assets	47,547	51.5%	44,988	49.7%	42,611	46.7%	-4,935	-2,377
Property, plant and equipment	11,688	12.7%	11,215	12.4%	11,482	12.6%	-206	266
Goodwill	6,039	6.5%	5,493	6.1%	3,855	4.2%	-2,184	-1,638
Investments and other assets	28,265	30.6%	26,807	29.6%	25,454	27.9%	-2,810	-1,353
Total assets	92,340	100.0%	90,454	100.0%	91,277	100.0%	-1,062	823
Liabilities	38,935	42.2%	37,171	41.1%	35,843	39.3%	-3,092	-1,328
Interest-bearing debt	1,935	2.1%	1,867	2.1%	1,564	1.7%	-370	-302
Net assets	53,405	57.8%	53,282	58.9%	55,434	60.7%	2,029	2,151
Treasury stocks	-1,818	-2.0%	-1,824	-2.0%	-4,643	-5.1%	-2,824	-2,818

- Cash and deposits : About 2 billion yen net cash increased.
- Inventories: The 105.5% year on year increased rate narrowed compared to 120.6% last quarter, because of the inventory reduction effort.
- Fixed assets: In addition to the decline of goodwill, other assets also decreased as sales of investment securities.
- Net assets : Conducted share repurchase of 2,564 million yen. Net assets ratio remains stable at 60.7%.

# FY2017/02 Forecast (Consolidated)

Same as announced at  
September 30, 2016

Millions of yen

Consolidated	FY2016/02	FY2017/02			
	Results	Initial forecast	Revised forecast on Sep. 30, 2016		
			Ratio	YoY	
Net sales	200,038	208,900	208,900	100.0%	104.4%
Operating income	16,004	17,000	17,000	8.1%	106.2%
Ordinary income	16,185	17,300	17,300	8.3%	106.9%
Net income	9,122	10,000	12,000	5.7%	131.5%
ROE	18.3%	17.7%	21.3%	-	+3.0p
EBITDA	24,612	24,900	24,900	11.9%	101.2%
Depreciation &Amortization	6,394	5,700	5,700	2.7%	89.1%
Amortization of goodwill	2,213	2,200	2,200	1.1%	99.4%
Capital expenditure	6,364	8,600	8,600		

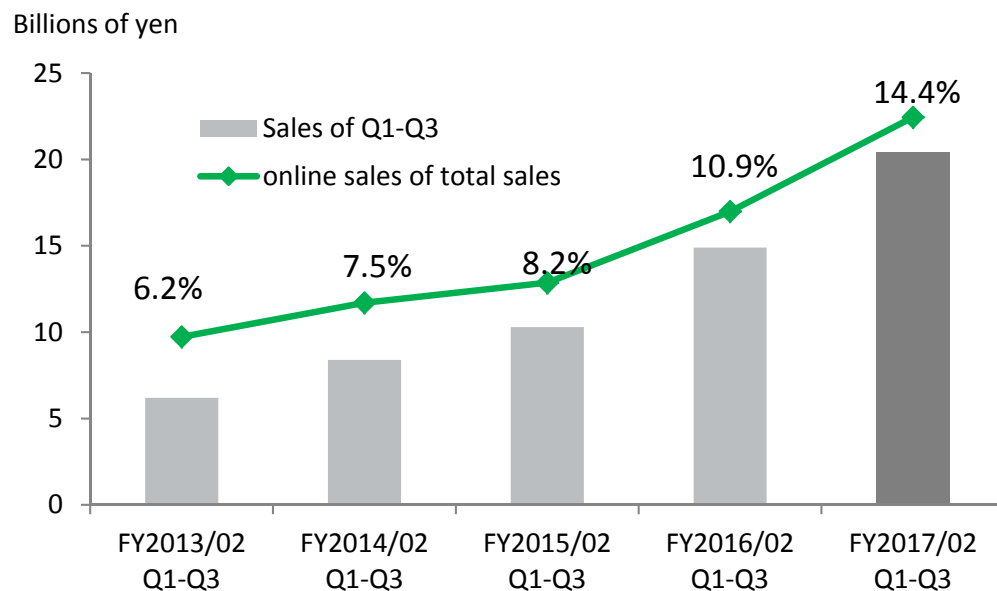
# Online Business

Net sales: 20.4 billion yen (136.4% YoY)

Online sales ratio : 14.4%

Members of company owned e-commerce website [.st] : approx. 5.3 million

(Nine months ended November 30, 2016)



Note: FY2013/02 and FY2014/02 figures include TRINITY ARTS INC.



[.st] celebrated two year anniversary.  
Anniversary campaign drove sales and new member increased.

# A D A S T R I A

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- This document includes some forecasts, which are based on currently available information. Actual performance may differ due to various factors.
- In this document, figures are rounded down to the nearest million yen; percentage are calculated using the full figures.