March 18, 2022

To Whom It May Concern,

Company name	Adastria Co., Ltd.
Representative	Michio Fukuda, Chairman of the Board
	(Securities code: 2685, TSE First Section)
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Notice Concerning Revisions to Consolidated Earnings Forecasts for the Fiscal Year Ended February 2022 and Upward Revision of Dividend Forecast

At a meeting held March 18, 2022, the Adastria Co., Ltd. board of directors resolved to revise consolidated earnings and dividend forecasts for the fiscal year ending February 2022, originally published April 5, 2021, as follows.

1. Revision of Full-year Consolidated Earnings Forecast

(March 1, 2021 to February 28, 2022)

	Net sales	Operating profit	Ordinary profit	Net income attributable to owners of the parent	Net income per share
	million yen	million yen	million yen	million yen	yen
Previous forecast (A)	219,000	6,500	6,500	3,800	84.14
Revised forecast (B)	201,500	6,500	8,100	4,900	108.34
Change (B-A)	(17,500)	0	1,600	1,100	24.20
Change (%)	(8.0)	0	24.6	28.9	28.8
(Reference) Previous-year results (FYE February 2021)	183,870	766	2,981	(693)	(14.88)

(Note) The forecasts above are based on information available at the time this report was prepared. Actual results may differ from forecasts due to various factors.

2. Reasons for Earnings Forecast Revisions

When publishing the original forecasts on April 5, 2021, the company assumed that the impact of COVID-19 would remain for the first half of the fiscal year ending February 2022, but would gradually subside thereafter, with the economy normalizing over the second half of the fiscal year. However, the business environment remained uncertain throughout the year and states of emergency or special measures to prevent the spread of infections were declared for almost the entire first half of the fiscal year. Further, customer traffic to stores declined significantly in the second half of the year due to the spread of COVID-19 infections. Given the circumstances described above, the company expects net sales to underperform the previous forecast.

At the same time, however, the company expects operating profit to perform nearly in line with the previous forecast, owing to the role of efficient inventory management, limited discount sales, and control over selling, general, and administrative expenses in securing gross profit margin. The company also expects ordinary profit to exceed the previous forecast due to the receipt of subsidies, recorded as non-operating income. Net income attributable to shareholders of the parent should exceed the previous forecast as a result of the increase in ordinary profit, despite the company's posting of extraordinary losses, including impairment losses related to stores.

3. Estimated difference between Parent Company (non-consolidated) forecasts and previous year's results

(March 1, 2021 to February 28, 2022)

	Net sales	Operating profit	Ordinary profit	Net income attributable to owners of the parent	Net income per share
Previous-year results (A)	million yen 160,940	million yen 1,521	million yen 2,775	million yen (527)	yen (11.32)
Current-year forecast (B)	174,000	5,500	6,600	4,400	97.28
Change (B-A)	13,059	3,978	3,825	4,927	108.60
Change (%)	8.1	261.4	137.8	—	—

4. Reasons for the estimated difference between the Parent Company (non-consolidated) forecast and the previous-year's results

Even though the impact of the COVID-19 infection remained, the Parent Company (non-consolidated) results in FY2022 are expected to differ from the previous year's results due to improved store operating conditions compared to the previous year and steady growth in e-commerce sales.

5. Revisions to Dividend Forecasts

	Annual Dividend		
	End of Q2	Year-End	Total
(Previous forecast) Fiscal year ending February 2022	Yen —	Yen 25.00	Yen 50.00
Revised forecast	—	30.00	55.00
Current-year results	25.00	—	—
(Previous-year results)	15.00	25.00	40.00

6. Reasons for Dividend Forecast Revisions

The basic policy of the company is to pay a dividend payout ratio of 30% before amortization of goodwill as a means of returning profits to shareholders. When publishing the original forecasts on April 5, 2021, the company forecast dividends of 50 yen per share for the fiscal year ending February 2022 (consolidated payout ratio of 59.4%). This decision took into account the stability of dividends and the balance between investment and return.

In conjunction with the upward revision to the consolidated net income forecast for the full year as stated above, the company has decided to pay a 30 yen per share year-end dividend for the current fiscal year. As a result, the annual dividend will be 55 yen per share (consolidated payout ratio 50%).