Summary of Consolidated Financial Results for the Fiscal Year Ended February 28, 2017

[Japanese GAAP]

April 4, 2017

Company name: Adastria Co., Ltd. Listing: TSE 1st section
Stock code: 2685 URL: http://www.adastria.co.jp
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Scheduled date of Annual General Meeting of Shareholders: May 25, 2017
Scheduled date of payment of dividend: May 10, 2017
Scheduled date of filing of Annual Securities Report: May 26, 2017
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for investors)

Note: The original disclosure in Japanese was released on April 4, 2017 at 15:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2017 (March 1, 2016 – February 28, 2017)

(1) Consolidated results of operations (Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2017	203,686	1.8	14,916	(6.8)	15,126	(6.5)	11,575	26.9
Fiscal year ended Feb. 29, 2016	200,038	8.4	16,004	167.6	16,185	150.8	9,122	-

Note: Comprehensive income Fiscal year ended Feb. 28, 2017: 9,206 million yen (down 12.6%)
Fiscal year ended Feb. 29, 2016: 10,530 million yen (up 277.8%)

	Net income per share	Diluted net income per share	ROE	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 28, 2017	242.49	-	21.2	16.7	7.3
Fiscal year ended Feb. 29, 2016	188.31	-	18.3	18.6	8.0

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 28, 2017: (20) million yen
Fiscal year ended Feb. 29, 2016: -
EBITDA Fiscal year ended Feb. 28, 2017: 23,028 million yen (down 6.4%)
Fiscal year ended Feb. 29, 2016: 24,612 million yen (up 56.4%)
EPS before goodwill amortization Fiscal year ended Feb. 28, 2017: 288.24 yen (up 23.2%)
Fiscal year ended Feb. 29, 2016: 233.99 yen (up 230.2%)

(*) For more details regarding definition, computational method and other matters of these indices, please refer to the section "Analysis of Results of Operations" on page 2.

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Net income per share has been calculated as if this stock split had taken place at the beginning of FY2/16.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2017	90,389	56,035	62.0	1,191.16
As of Feb. 29, 2016	90,454	53,282	58.9	1,106.45

Reference: Shareholders' equity As of Feb. 28, 2017: 56,035 million yen As of Feb. 29, 2016: 53,282 million yen

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Net assets per share has been calculated as if this stock split had taken place at the beginning of FY2/16.

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 28, 2017	11,947	(4,323)	(6,309)	20,725
Fiscal year ended Feb. 29, 2016	22,054	(4,551)	(5,683)	19,452

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Feb. 29, 2016	-	40.00	-	90.00	130.00	3,138	34.5	6.3
Fiscal year ended Feb. 28, 2017	-	35.00	-	40.00	75.00	3,608	30.9	6.5
Fiscal year ending Feb. 28, 2018 (forecast)	-	35.00	-	40.00	75.00		29.6	

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Dividends per share for the fiscal year ended February 29, 2016 are the actual amounts before the stock split.

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2018 (March 1, 2017 – February 28, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	110,300	12.9	5,500	(31.7)	5,500	(31.7)	5,900	21.7	125.42
Full year	233,000	14.4	15,000	0.6	14,900	(1.5)	11,900	2.8	252.96

Reference: EBITDA Fiscal year ending Feb. 28, 2018 (forecast): 23,600 million yen (up 2.5%)
EPS before goodwill amortization Fiscal year ending Feb. 28, 2018 (forecast): 303.98 yen (up 5.5%)

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: - Excluded: 1 (ADASTRIA SINGAPORE PTE. LTD.)

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Feb. 28, 2017:	48,800,000 shares	As of Feb. 29, 2016:	48,800,000 shares

2) Number of treasury shares at the end of the period

As of Feb. 28, 2017:	1,757,425 shares	As of Feb. 29, 2016:	643,396 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2017:	47,736,981 shares	Fiscal year ended Feb. 29, 2016:	48,443,869 shares

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Number of outstanding shares (common stock) has been calculated as if this stock split had taken place at the beginning of FY2/16.

Note: Numbers of treasury shares include the Company's stock held by the Stock Compensation Employee Stock Ownership Plan (ESOP) Trust and the Board Incentive Plan (BIP) Trust (555,900 shares as of Feb. 28, 2017).

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2017 (March 1, 2016 – February 28, 2017)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2017	194,611	3.6	14,352	(6.6)	14,537	(6.0)	10,782	29.3
Fiscal year ended Feb. 29, 2016	187,917	-	15,367	-	15,461	-	8,341	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 28, 2017	225.87	-
Fiscal year ended Feb. 29, 2016	172.19	-

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Net income per share has been calculated as if this stock split had taken place at the beginning of FY2/16.

Note: The Company conducted an absorption-type merger between consolidated subsidiaries on March 1, 2015.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2017	84,902	53,042	62.5	1,127.54
As of Feb. 29, 2016	85,296	50,725	59.5	1,053.34

Reference: Shareholders' equity As of Feb. 28, 2017: 53,042 million yen As of Feb. 29, 2016: 50,725 million yen

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Net assets per share has been calculated as if this stock split had taken place at the beginning of FY2/16.

Note: The Company conducted an absorption-type merger between consolidated subsidiaries on March 1, 2015.

2. Non-consolidated Forecast for the Fiscal Year Ending February 28, 2018 (March 1, 2017 – February 28, 2018)

There is no non-consolidated forecast because the Company believes this information is not significant for investors.

Note 1: Indication of audit procedure implementation status

The current financial report is exempted from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedures for the financial statements have not been completed.

Note 2: Cautionary statement with respect to forward-looking statements

Forward-looking statements in this report are based on currently available information and certain assumptions judged to be reasonable. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section "Analysis of Results of Operations" on page 2 regarding preconditions or other related matters for the forecast shown above.

Contents of Attachments

1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

1) Results of operations for the current fiscal year

During the past fiscal year (March 1, 2016 to February 28, 2017), the moderate recovery of the Japanese economy continued with the support of government stimulus measures, although the pace of the recovery was slow in some sectors. Consumer spending remained sluggish due to the lack of an overall improvement in consumer sentiment, despite benefits from improvements in the employment environment and personal income.

To accomplish our goal of becoming a “global multi-brand fashion SPA (specialty store retailer of private label apparel) company”, we took actions aimed at growth and improved profitability of the brand business in Japan, expansion of the e-commerce business, and preparations for launching new businesses and growth outside Japan. Other measures for advancing to the next stage of growth included building a stronger framework for multi-brand operations and strengthening corporate branding.

Sales increased 1.8% as existing store sales in Japan were up 2.5% in part because of sales growth in the e-commerce business. Among brands, *GLOBAL WORK*, *niko and…*, *STUDIO CLIP* and *LEPSIM* were the primary contributors to sales growth.

Regarding the store network, we opened 91 stores (including 12 overseas), and closed 64 (including eight overseas), resulting in a total network of 1,351 stores (including 108 overseas) at the end of February 2017.

Although there were measures to lower the cost of sales, the gross profit margin decreased 0.3 percentage point to 56.3% mainly due to the increase in discount sales and the effect of an inventory valuation reserve.

The ratio of selling, general and administrative (SG&A) expenses to sales increased 0.4 percentage point from one year earlier to 49.0% because of aggressive investments to build a base for growth. Activities included preparations for launching new brands and businesses, an upgrade of the main computer system, and the start of activities to build a global e-commerce system. As a result, the operating margin decreased 0.7 percentage point to 7.3%.

There was a gain on sales of investment securities of 3,763 million yen as extraordinary income. Extraordinary losses of 382 million yen for impairment losses on store assets and 87 million yen for damage caused by the April 2016 earthquake in Kumamoto prefecture were also posted.

As a result, consolidated net sales increased 1.8% year-on-year to 203,686 million yen, operating income decreased 6.8% to 14,916 million yen, ordinary income decreased 6.5% to 15,126 million yen, and net income attributable to owners of the parent increased 26.9% to 11,575 million yen.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 6.4% to 23,028 million yen and earnings per share (EPS) before goodwill amortization rose 23.2% to 288.24 yen. (*)

(*) Amortization of goodwill that mainly resulted from the consolidation of TRINITY ARTS INC. (subsequently absorbed by the Company) has caused large declines in operating income and all subsequent categories of profits since the fiscal year that ended on February 28, 2014. Since goodwill amortization is not a cash expense, this amortization created a large gap between changes in cash flows and changes at all levels of profits starting with operating income. Furthermore, comparisons with foreign companies are difficult because of differences in accounting standards of individual countries for recording goodwill amortization. As a result, we are newly announcing EBITDA and EPS before goodwill amortization as reference financial indicators.

EBITDA
Operating income + Depreciation + Amortization of goodwill (SG&A expenses)

EPS before goodwill amortization
(Net income attributable to owners of the parent + Amortization of goodwill (SG&A expenses, and extraordinary losses) + Impairment losses (goodwill)) / Average number of shares outstanding during the period

(Number of stores)

Store format / region	As of Feb. 29, 2016	FY2/17 Opened	FY2/17 Rebranded	FY2/17 Closed	FY2/17 Increase /decrease	As of Feb. 28, 2017
GLOBAL WORK	184	12	-	(4)	8	192
niko and...	123	9	-	(3)	6	129
LOWRYS FARM	157	6	(3)	(8)	(5)	152
STUDIO CLIP	171	12	-	(1)	11	182
LEPSIM (Note 3)	130	6	-	(2)	4	134
JEANASIS	83	3	-	(6)	(3)	80
RAGEBLUE	59	3	-	(4)	(1)	58
HEATHER	67	7	9	(8)	8	75
Others	246	21	(6)	(20)	(5)	241
Total (Adastria)	1,220	79	-	(56)	23	1,243
Hong Kong	27	-	-	(2)	(2)	25
China	40	10	-	(5)	5	45
Taiwan	27	2	-	-	2	29
South Korea	10	-	-	(1)	(1)	9
Total (Overseas)	104	12	-	(8)	4	108
Total (Group)	1,324	91	-	(64)	27	1,351

Notes: 1. The number of stores is categorized by using brand operating divisions and geographic regions.
2. The number of stores includes e-commerce websites of other companies and e-commerce websites of Adastria.
3. The brand name of *LEPSIM LOWRYS FARM* has changed to *LEPSIM* in FY2/17.

(Sales for brands and regions)

Brand / region	FY2/17 Sales (million yen)	FY2/17 Composition (%)	YoY change (%)
GLOBAL WORK	38,286	18.8	5.9
niko and...	24,712	12.1	8.3
LOWRYS FARM	24,698	12.1	(6.4)
STUDIO CLIP	22,240	10.9	8.3
LEPSIM (Note 3)	15,729	7.7	4.3
JEANASIS	12,754	6.3	1.6
RAGEBLUE	9,349	4.6	(0.9)
HEATHER	7,751	3.8	(2.7)
Others	37,434	18.4	3.1
Total (Adastria)	192,958	94.7	3.1
Hong Kong	6,576	3.2	(14.9)
China	1,844	0.9	(7.3)
Taiwan	1,555	0.8	(2.2)
South Korea	751	0.4	(13.6)
Total (Overseas)	10,728	5.3	(13.3)
Total (Group)	203,686	100.0	1.8

Notes: 1. The number of stores is categorized by using brand operating divisions and geographic regions.
2. The above figures are sales to external customers and do not include internal sales between consolidated subsidiaries.
3. The brand name of *LEPSIM LOWRYS FARM* has changed to *LEPSIM* in FY2/17.

(Sales for merchandise categories)

Category	FY2/17		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	30,578	15.0	6.8
Lady's apparel (bottoms, tops)	131,099	64.4	0.1
Others	42,008	20.6	3.7
Total	203,686	100.0	1.8

Notes: 1. The others category includes additions to the provision for point card certificates and other items.

2. The above figures are sales to external customers and do not include internal sales between consolidated subsidiaries.

2) Outlook for the fiscal year ending on February 28, 2018

The outlook for the business climate seems to be generally positive. Earnings at Japanese companies are expected to remain firm and economics in the United States, emerging countries and other countries are improving. However, there are concerns about the U.S. shift toward trade protectionism. An increasingly defensive stance among consumers in Japan will probably continue to weigh on consumer spending. The impact of the higher cost of national health insurance on disposable income is offsetting the positive effect on consumer sentiment of the improvement in Japan's employment environment. As a result, we expect that the operating environment will remain challenging.

We will continue to take actions based on the basic strategies of our three-year plan. There will be more measures to reinforce current brands, chiefly the core *GLOBAL WORK* and *niko and…* brands. For production operations, the primary goals are improving quality, cutting costs and filling orders faster. Adastria is also focusing on developing new businesses as a part of its strategy to move to the next stage of development. This includes the opening of the first store for the new lifestyle brand, *LAKOLE*, in March and the start of participation in the management of ALICIA CO., LTD., a new member of the Adastria Group, and Velvet, LLC, a U.S. based subsidiary.

For the fiscal year ending on February 28, 2018, we forecast a 14.4% increase in consolidated net sales to 233 billion yen, a 16.0% increase in gross profit to 133 billion yen, a 0.6% increase in operating income to 15 billion yen, a 1.5% decrease in ordinary income to 14.9 billion yen and a 2.8% increase in net income attributable to owners of the parent to 11.9 billion yen.

This forecast assumes that existing store sales will increase 3.3% and there will be a net increase of 64 stores (including 14 overseas), the result of 121 new stores (including 21 overseas) and 57 store closings (including 7 overseas). In addition, the outlook includes 115 more stores resulting from taking over the operations of ALICIA CO., LTD. and nine stores at newly acquired U.S. subsidiary Velvet, LLC. Furthermore, the earnings forecasts include expected gains of 3.7 billion yen on sales of investment securities.

The planned number of stores for major brands and regions of the Adastria Group is as follows.

Brand / region		Number of stores at end of period	
		FY2/17	FY2/18 (Plan)
	GLOBAL WORK	192	206
	niko and...	129	132
	LOWRYS FARM	152	157
	STUDIO CLIP	182	192
	LEPSIM (Note 3)	134	139
	JEANASIS	80	75
	RAGEBLUE	58	60
	HEATHER	75	74
	Others	241	268
Total (Adastria)		1,243	1,303
ALICIA CO., LTD.		-	105
Total (Japan)		1,243	1,408
	Hong Kong	25	26
	China	45	52
	Taiwan	29	30
	South Korea	9	12
	USA	-	11
Total (Overseas)		108	131
Total (Group)		1,351	1,539

Notes: 1. The number of stores is categorized by using brand operating divisions and geographic regions.
2. The number of stores includes e-commerce websites of other companies and e-commerce websites of Adastria.
3. The brand name of *LEPSIM LOWRYS FARM* has changed to *LEPSIM* in FY2/17.

(2) Analysis of Financial Condition

1) Balance sheet position

Assets

Current assets increased 2,713 million yen from as of February 29, 2016 to 48,178 million yen as of February 28, 2017. This was mainly due to increases in cash and deposits of 1,273 million yen and inventories of 1,275 million yen.

Non-current assets decreased 2,778 million yen to 42,210 million yen. This was mainly due to decreases in goodwill of 2,184 million yen and investment securities of 2,553 million yen, while there were increases in lease and guarantee deposits of 614 million yen and deferred tax assets of 1,314 million yen.

Liabilities

Current liabilities decreased 2,761 million yen to 33,665 million yen. This was mainly due to decreases in notes and accounts payable-trade of 407 million yen, electronically recorded obligations-operating of 981 million yen, and accounts payable-other of 1,390 million yen.

Non-current liabilities decreased 56 million yen to 688 million yen. This was mainly due to a decrease in other (long-term accounts payable-other, etc.) of 229 million yen, while there was an increase in other provision of 146 million yen.

Net assets

Net assets increased 2,752 million yen to 56,035 million yen. This was mainly due to an increase of 7,703 million yen in retained earnings, while there was an increase of 2,821 million yen in treasury shares (decrease in total assets) and a decrease of 2,255 million yen in valuation difference on available-for-sale securities.

2) Cash flow position

Cash and cash equivalents (hereinafter “net cash”) as of February 28, 2017 amounted to 20,725 million yen, or 1,272 million yen more than as of February 29, 2016.

A summary of cash flows from each activity during the current fiscal year is as follows:

Cash flows from operating activities

Net cash provided by operating activities totaled 11,947 million yen (a decrease of 10,106 million yen, compared with the previous fiscal year). The main positive factors include net income before income taxes of 18,487 million yen, and depreciation of 6,109 million yen. Main negative factors include an increase in inventories of 1,337 million yen, a decrease in notes and accounts payable-trade of 1,363 million yen, and income taxes paid of 7,054 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 4,323 million yen (a decrease of 228 million yen). This was mainly due to the payments of 5,133 million yen for the purchase of property, plant and equipment, 1,018 million yen for the purchase of intangible assets, and 1,831 million yen for lease and guarantee deposits, while there was proceeds of 4,473 million yen from sales of investment securities.

Cash flows from financing activities

Net cash used in financing activities totaled 6,309 million yen (an increase of 625 million yen). This was mainly due to cash dividends paid of 3,871 million yen and purchase of treasury shares of 2,581 million yen.

Reference: Cash flow indicators

	FY2/15	FY2/16	FY2/17
Shareholders' equity ratio (%)	55.2	58.9	62.0
Shareholders' equity ratio based on market prices (%)	85.3	155.9	151.4
Interest-bearing debt to cash flow ratio	0.3	0.1	0.2
Interest coverage ratio (times)	216.3	553.4	1,034.7

Notes: 1. Shareholders' equity ratio: Shareholders' equity / Total assets
2. Shareholders' equity ratio based on market prices: Market capitalization / Total assets
3. Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows
4. Interest coverage ratio: Operating cash flows / Interest payments
* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.
* Operating cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows. Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest. Interest payments are calculated using the figures for interest expenses paid in the consolidated statement of cash flows.

(3) Basic Policy on Profit Distribution, and Dividend Plans for the Current and Next Fiscal Years

With regard to the distribution of profits, we will make investments in the businesses that are needed to create highly appealing brands and supply merchandise that can further increase corporate value (shareholder value), which will lead to the satisfaction of both customers and shareholders. For profit distributions to shareholders, we use a consolidated payout ratio before goodwill amortization of 30% as the basic policy. In addition, we position the repurchase of stock as one way to return earnings to shareholders. Repurchases will be determined in an appropriate and timely manner while taking into account changes in our stock price, our financial position and other factors.

Although earnings in the fiscal year that ended in February 2017 were somewhat lower than the forecast as discount sales increased, we plan to pay a year-end dividend of 40 yen as forecast. This will result in a fiscal year dividend of 75 yen. Based on consolidated net income after eliminating gains on sales of investment securities and goodwill amortization, the dividend payout ratio will be consistent with our basic guideline of 30%.

For the next fiscal year ending on February 28, 2018, we plan to pay 75 yen for an annual dividend, the same as the dividend for the current fiscal year.

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016.

2. Corporate Group

The Group (the Company and its subsidiary companies) consists of Adastria Co., Ltd. and 9 consolidated subsidiaries:, Adastria Logistics Co., Ltd., Adastria Asia Co., Ltd. (Hong Kong), POINT (Shanghai) Co., Ltd. (China), POINT TW INC. (Taiwan), Adastria Korea Co., Ltd. (South Korea) and four other companies. There is also one equity-method affiliate. The sale of merchandise is the primary business activity of the Adastria Group.

In Japan, the sale of merchandise is conducted by Adastria Co., Ltd. Merchandise uses casual clothing brands such as *GLOBAL WORK*, *LOWRYS FARM*, *LEPSIM*, *JEANASIS*, *RAGEBLUE* and *HEATHER* as well as the lifestyle-proposing brands *niko and…* and *STUDIO CLIP*.

The overseas merchandise sales business is conducted mainly by Adastria Asia Co., Ltd., as well as POINT (Shanghai) Co., Ltd., POINT TW INC., and Adastria Korea Co., Ltd. These companies handle *GLOBAL WORK*, *LOWRYS FARM*, *niko and…*, and other brands.

Adastria Logistics Co., Ltd. performs logistics operations for the products of group companies (receipt, checking, storage, and shipment of products).

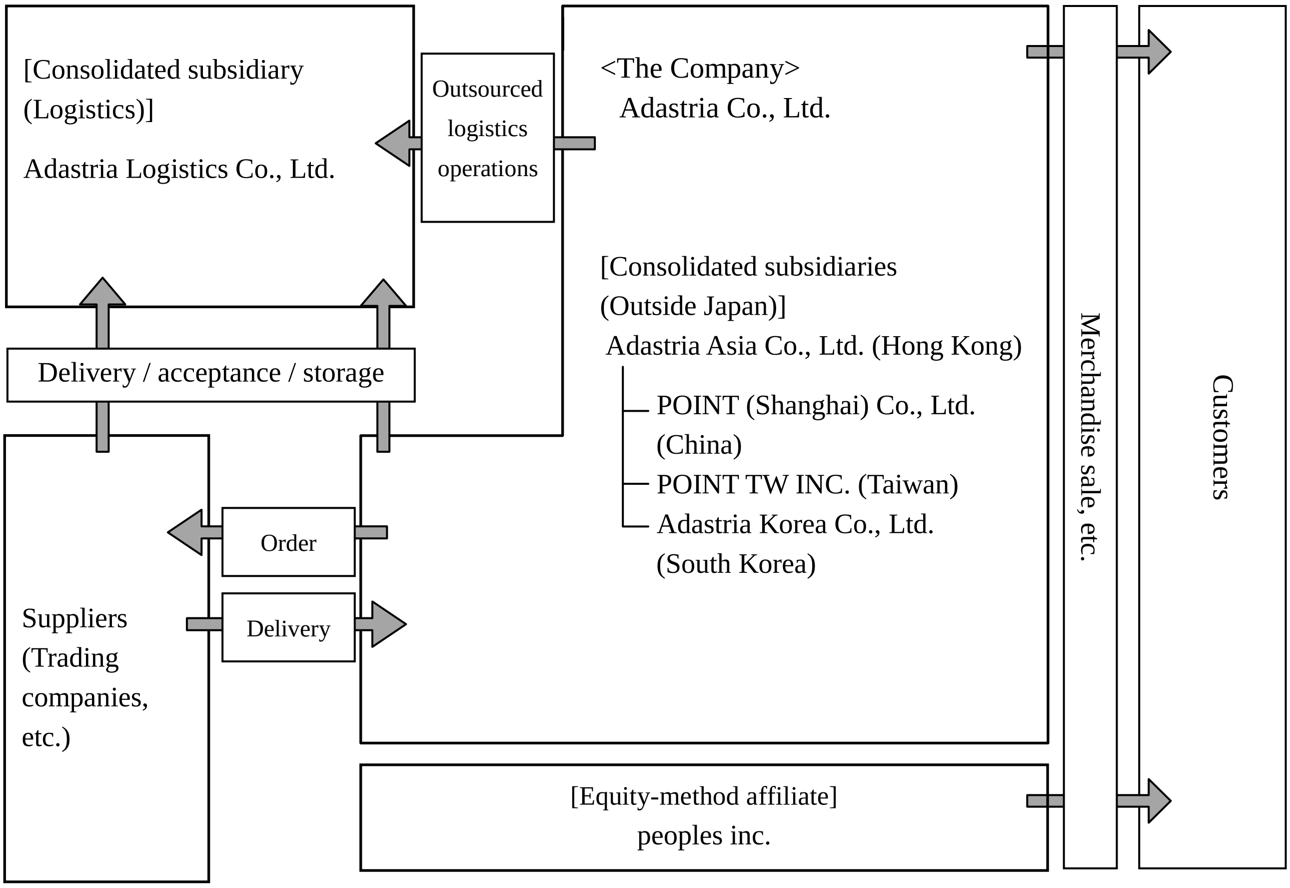
ALICIA CO., LTD. was established on November 21, 2016 and Adastria USA, Inc. was established on February 1, 2017. Both companies are consolidated subsidiaries. In addition, Adastria and Cafe Company Inc. jointly established peoples inc., an equity-method affiliate, on November 1, 2016.

The following table lists the major brands of the Adastria Group.

Brand		Concept
GLOBAL WORK	GLOBAL WORK	A mixture of basic tastes with new ideas and seasonal trends, GLOBAL WORK offers a line of fashionable apparel with quality and prices that can please everyone.
niko and ...	niko and…	By nature, something is missing. The *niko and…* brand brightens people’s lives by creating originality through an infusion of its own style.
LOWRYS FARM	LOWRYS FARM	Centered on the themes of quality and relaxation, *LOWRYS FARM* features refreshing styling consisting of timeless basic items and seasonal trendy items for women with standard values about their life styles.
studio CLIP	STUDIO CLIP	Let’s make this day unforgettable. I don’t want to overlook even small things in my life even though it’s not a special day. *STUDIO CLIP* is a source of new ideas for life styles that match each individuals and are based on the concept of “my house.”
LEPSIM	LEPSIM	Styled on simplicity yet with a sense of freshness, *LEPSIM* proposes a casual and unassuming style that blends naturally into the daily activities of women.
JEANASiS	JEANASIS	*JEANASIS* is a fashion brand that makes culture more fun. The sharp black and refined white create an image that is for you and not bound by whims. A strong-willed femininity emerges in masculine and cool fashion.
RAGEBLUE	RAGEBLUE	Blending American casual taste and European traditional taste, *RAGEBLUE* focuses on materials and details, and proposes a daily standard style incorporating elements of popular trends.
Heather	HEATHER	Designed for positive girls who have an everlasting playful mind, *HEATHER* proposes perfect styling with elements that are girlish and edgy as well as trendy.

An organizational chart of the Group is as follows.

Consolidated subsidiaries ALICIA CO., LTD. and Adastria USA, Inc. are not included in the following diagram because they had no business activities as of February 28, 2017.



3. Management Policies

(1) Basic Management Policy

■ Our Belief

Become a person that is essential to others and a company that is essential to others

■ Mission

We are dedicated to being a source of the joy of fashion for people worldwide. We will accomplish this mission by using the multi-brand strategy on a global scale for the constant creation of new answers for the needs of all customers.

■ Code of Conduct

Our role is to search constantly for answers from the perspective of customers.

We always take on new challenges with speed and no fear of change.

We respect the individuality of others and aim for results and progress in an atmosphere where people stimulate each other to do even better.

We are aware of our responsibilities as a member of society and do our jobs with discipline and propriety.

We enjoy the world of fashion, our jobs and our lives.

(2) Performance Targets

The Adastria Group uses EBITDA as the main indicator of the ability to generate operating income and cash flows and ROE as the main indicator of the efficient use of equity. To improve these indicators, group companies are aiming for earnings growth by strengthening internal planning and production operations to differentiate products and by executing a variety of strategies that match the characteristics of each brand.

(3) Medium- to Long-term Business Strategy

In Japan, the apparel market is shrinking and changing as the population declines and the number of seniors increases. Furthermore, progress with information technology is making activities of all types borderless. Big changes are taking place in the behavior and values of consumers as a result. No longer is it possible to earn the support of customers by using conventional business formats and sales methods.

To succeed in this environment, we have made some revisions to the basic strategies that were announced in April 2016 in order to reflect changes that have occurred at Adastria and in the business climate since then. The basic direction of these strategies remains the same. To accomplish these goals, we will continue to focus our energy on initiatives aimed at long-term growth in corporate value and meeting the expectations of shareholders. In addition, we have established numerical goals to aim for over the next three years.

■ Our vision

Become a global multi-brand fashion SPA company

■ Core strategies

1. Make existing brands more powerful

Increase the efficiency of operations to aim for even higher profitability of the existing brand business in Japan.

Move forward with the large-store strategy for the *GLOBAL WORK* and *niko and…* and start full-scale growth of overseas operations for these brands.

2. Develop new businesses based on changes in customers' needs and on omni-channel operations

Create and launch new businesses and convert existing businesses to the omni-channel format in order to reflect changes in customers' life styles and buying habits.

3. Implement advanced technologies to build a stronger and more efficient business infrastructure

Reinforce the IT system infrastructure for existing businesses and use advanced technologies wherever possible to take on the challenge of creating a new and highly efficient retail business model.

4. Improve the efficiency of value chain

Aim for efficient multi-brand operations by establishing patterns and systems for the entire value chain process, from planning and production to distribution and sales, and by making the entire chain more transparent.

5. Strengthen the corporate brand

Make the public and everyone at the Adastria Group aware of the value that the Adastria brand stands for.

Identify and organize the value of the individual brands that make up the corporate brand with the goal of maximizing the aggregate value.

■ Numerical targets

The Adastria Group has established the following targets for the fiscal year ending in February 2020:

Sales:	260 billion yen
	Average annual sales growth of existing businesses in Japan: 5%
	Sales of overseas operations and new businesses: 40 billion yen
Operating income:	10% for existing businesses in Japan
ROE: About	15%

(4) Challenges

1) Aiming for the same level of sales growth for all brands is difficult because of the effect on the apparel market of Japan’s aging population and increasingly diversity of preferences. This is why we need clearly defined strategies that match the characteristics of each brand. Some brands have growth potential in Japan and overseas while other brands have the potential to increase profitability in order to generate more cash.

2) There are signs that consumers in Japan are reluctant to spend money on apparel. Since the apparel business in Japan alone cannot drive growth of the Adastria Group, we must seek new growth drivers involving products other than apparel and services that offer new life-style ideas for customers.

3) Constant technological progress is making existing businesses more efficient and may fundamentally alter the retail business in the future. We must be vigilant concerning the appearance of new technologies and look for ways to incorporate these technologies in our business operations.

4) Our multi-brand strategy makes it possible to meet the expectations of customers with a broad spectrum of preferences and needs. However, we have many patterns for work processes extending from planning and production to distribution and sales because of the large number of brands. Our operations are complex as a result. This is why we must build a framework for efficient multi-brand operations.

5) Extensive marketing activities for each brand in the Adastria portfolio have established strong ties with customers for all 21 of these brands. On the other hand, more work will be required to achieve a sufficient level of recognition for the corporate brand. There is an urgent need to firmly establish the corporate brand in order to recruit outstanding people and establish alliances with other companies with greater ease.

4. Basic Approach for the Selection of Accounting Standards

The Company prepares its consolidated financial statements based on the generally accepted accounting principles in Japan to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Million yen)

	FY2/16 (As of Feb. 29, 2016)	FY2/17 (As of Feb. 28, 2017)
Assets		
Current assets		
Cash and deposits	19,460	20,734
Notes and accounts receivable-trade	7,668	7,860
Inventories	15,076	16,351
Deferred tax assets	1,765	2,018
Other	1,548	1,266
Allowance for doubtful accounts	(53)	(53)
Total current assets	45,465	48,178
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,524	3,615
Accumulated depreciation	(1,567)	(1,892)
Buildings and structures, net	1,957	1,723
Store interior equipment	26,794	29,083
Accumulated depreciation	(19,860)	(22,591)
Store interior equipment, net	6,933	6,491
Land	1,732	1,732
Construction in progress	80	55
Other	1,198	1,235
Accumulated depreciation	(685)	(794)
Other, net	512	440
Total property, plant and equipment	11,215	10,444
Intangible assets		
Goodwill	5,493	3,309
Other	1,471	2,242
Total intangible assets	6,965	5,552
Investments and other assets		
Investment securities	10,231	7,677
Lease and guarantee deposits	16,622	17,237
Deferred tax assets	69	1,384
Other	137	139
Allowance for doubtful accounts	(253)	(225)
Total investments and other assets	26,807	26,213
Total non-current assets	44,988	42,210
Total assets	90,454	90,389

(Million yen)

	FY2/16 (As of Feb. 29, 2016)	FY2/17 (As of Feb. 28, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,768	6,361
Electronically recorded obligations-operating	9,901	8,919
Short-term loans payable	1,867	2,027
Accounts payable-other	10,331	8,941
Income taxes payable	4,368	4,470
Provision for bonuses	2,212	2,195
Other provision	412	453
Other	563	295
Total current liabilities	36,426	33,665
Non-current liabilities		
Deferred tax liabilities	75	102
Provision for directors’ retirement benefits	94	94
Other provision	-	146
Other	575	345
Total non-current liabilities	745	688
Total liabilities	37,171	34,353
Net assets		
Shareholders’ equity		
Capital stock	2,660	2,660
Capital surplus	6,987	7,227
Retained earnings	39,709	47,413
Treasury shares	(1,824)	(4,645)
Total shareholders’ equity	47,533	52,654
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,445	3,190
Deferred gains or losses on hedges	(263)	(19)
Foreign currency translation adjustment	567	209
Total accumulated other comprehensive income	5,749	3,380
Total net assets	53,282	56,035
Total liabilities and net assets	90,454	90,389

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Million yen)

	FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)
Net sales	200,038	203,686
Cost of sales	86,772	89,020
Gross profit	113,266	114,666
Selling, general and administrative expenses		
Advertising expenses	5,805	6,308
Provision of allowance for doubtful accounts	26	(28)
Directors' compensations	207	239
Salaries and bonuses	26,643	27,017
Provision for bonuses	2,096	2,151
Welfare expenses	4,239	4,397
Rents	33,198	33,798
Lease payments	437	407
Depreciation	6,394	5,928
Amortization of goodwill	2,213	2,184
Other	15,999	17,344
Total selling, general and administrative expenses	97,261	99,750
Operating income	16,004	14,916
Non-operating income		
Interest income	6	3
Dividend income	107	135
Foreign exchange gains	-	40
Gain on valuation of derivatives	169	-
House rent income	132	111
Revenue from electric power sales	42	41
Other	326	181
Total non-operating income	786	513
Non-operating expenses		
Interest expenses	39	11
Share of loss of entities accounted for using equity method	-	20
Foreign exchange losses	427	-
Loss on valuation of derivatives	-	136
Cost of lease revenue	99	93
Other	38	41
Total non-operating expenses	605	303
Ordinary income	16,185	15,126
Extraordinary income		
Gain on sales of investment securities	-	3,763
Gain on liquidation of subsidiaries and associates	-	77
Total extraordinary income	-	3,841
Extraordinary losses		
Impairment loss	644	382
Loss on disaster	-	87
Loss on sales of shares of subsidiaries and associates	173	-
Loss on liquidation of subsidiaries and associates	-	10
Total extraordinary losses	818	480
Net income before income taxes	15,367	18,487
Income taxes-current	6,138	7,262
Income taxes-deferred	105	(350)
Total income taxes	6,244	6,911
Net income	9,122	11,575
Net income attributable to owners of the parent	9,122	11,575

Consolidated Statement of Comprehensive Income

(Million yen)

	FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)
Net income	9,122	11,575
Other comprehensive income		
Valuation difference on available-for-sale securities	1,814	(2,255)
Deferred gains or losses on hedges	(620)	244
Foreign currency translation adjustment	214	(357)
Total other comprehensive income	1,408	(2,369)
Comprehensive income	10,530	9,206
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,530	9,206
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,660	6,987	32,651	(406)	41,892
Changes of items during period					
Dividends of surplus			(2,063)		(2,063)
Net income attributable to owners of parent			9,122		9,122
Purchase of treasury shares				(1,417)	(1,417)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	7,058	(1,417)	5,640
Balance at end of current period	2,660	6,987	39,709	(1,824)	47,533

(Million yen)

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	3,631	357	352	4,341	46,233
Changes of items during period					
Dividends of surplus				-	(2,063)
Net income attributable to owners of parent				-	9,122
Purchase of treasury shares				-	(1,417)
Net changes of items other than shareholders' equity	1,814	(620)	214	1,408	1,408
Total changes of items during period	1,814	(620)	214	1,408	7,049
Balance at end of current period	5,445	(263)	567	5,749	53,282

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,660	6,987	39,709	(1,824)	47,533
Changes of items during period					
Dividends of surplus			(3,871)		(3,871)
Net income attributable to owners of parent			11,575		11,575
Purchase of treasury shares				(2,582)	(2,582)
Disposal of treasury shares				0	0
Treasury stock possession of stock ownership plan trust				(1,817)	(1,817)
Transfer of treasury stock to stock ownership plan trust		239		1,578	1,817
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	239	7,703	(2,821)	5,121
Balance at end of current period	2,660	7,227	47,413	(4,645)	52,654

(Million yen)

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	5,445	(263)	567	5,749	53,282
Changes of items during period					
Dividends of surplus				-	(3,871)
Net income attributable to owners of parent				-	11,575
Purchase of treasury shares				-	(2,582)
Disposal of treasury shares				-	0
Treasury stock possession of stock ownership plan trust				-	(1,817)
Transfer of treasury stock to stock ownership plan trust				-	1,817
Net changes of items other than shareholders' equity	(2,255)	244	(357)	(2,369)	(2,369)
Total changes of items during period	(2,255)	244	(357)	(2,369)	2,752
Balance at end of current period	3,190	(19)	209	3,380	56,035

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)
Cash flows from operating activities		
Net income before income taxes	15,367	18,487
Depreciation	6,578	6,109
Impairment loss	644	382
Amortization of goodwill	2,213	2,184
Interest and dividend income	(114)	(138)
Interest expenses	39	11
Increase (decrease) in allowance for doubtful accounts	26	(28)
Increase (decrease) in provision for bonuses	178	(13)
Loss (gain) on sales of shares of subsidiaries and associates	173	-
Loss (gain) on sales of investment securities	-	(3,763)
Loss (gain) on liquidation of subsidiaries and associates	-	(67)
Share of (profit) loss of entities accounted for using equity method	-	20
Loss on disaster	-	87
Decrease (increase) in notes and accounts receivable-trade	(206)	(209)
Decrease (increase) in inventories	(694)	(1,337)
Increase (decrease) in notes and accounts payable-trade	1,777	(1,363)
Increase (decrease) in accounts payable-other	224	280
Increase (decrease) in accrued consumption taxes	(142)	(1,475)
Other, net	(153)	(291)
Subtotal	25,911	18,875
Interest and dividend income received	114	138
Interest expenses paid	(39)	(11)
Income taxes paid	(3,931)	(7,054)
Net cash provided by (used in) operating activities	22,054	11,947
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,819)	(5,133)
Purchase of intangible assets	(731)	(1,018)
Purchase of investment securities	(1)	(672)
Proceeds from sales of investment securities	-	4,473
Payments for lease and guarantee deposits	(1,153)	(1,831)
Proceeds from collection of lease and guarantee deposits	1,117	953
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	29	-
Purchase of shares of subsidiaries and associates	-	(1,070)
Other, net	7	(25)
Net cash provided by (used in) investing activities	(4,551)	(4,323)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(1,886)	210
Cash dividends paid	(2,065)	(3,871)
Purchase of treasury shares	(1,422)	(2,581)
Other, net	(308)	(65)
Net cash provided by (used in) financing activities	(5,683)	(6,309)
Effect of exchange rate change on cash and cash equivalents	(34)	(42)
Net increase (decrease) in cash and cash equivalents	11,785	1,272
Cash and cash equivalents at beginning of period	7,667	19,452
Cash and cash equivalents at end of period	19,452	20,725

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Application of the accounting standards for business combinations

The Company has adopted the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013), etc. from the current fiscal year. Accordingly, difference arising from changes in the Company's ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the consolidated financial statements to which the date of the business combination belongs. In addition, the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

The Company has adopted these accounting standards, etc. from the beginning of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

In the consolidated statement of cash flows for the current fiscal year, cash flows associated with costs arising from purchase or sales of shares of subsidiary not resulting in changes in the scope of consolidation are included in cash flows from financing activities. On the other hand, cash flows associated with acquisition-related costs for purchase of shares of subsidiary resulting in changes in the scope of consolidation or costs arising from purchase or sales of shares of subsidiary not resulting in changes in the scope of consolidation are included in cash flows from operating activities.

The effect of this change on the consolidated financial statements for the current fiscal year is insignificant.

Change in depreciation method of property, plant and equipment

Following tax law revisions, the Company has adopted the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issue Task Force (PITF) No. 32, issued on June 17, 2016) from the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the consolidated financial statements for the current fiscal year is insignificant.

Additional Information

Transactions of delivering the Company’s own stock to employees, etc. through trusts

The Company has established a Stock Compensation Employee Stock Ownership Plan (ESOP) Trust as an incentive plan for the purpose of reinforcing the commitment of executive officers (excluding executive officers who are directors) and senior management officers to contribute to medium and long-term growth in sales and earnings as well as corporate value.

(1) Summary of the plan

The Company established this trust by making a payment to the trust for the acquisition of the Company’s stock. The trust beneficiaries are all eligible executive officers and senior management officers. In accordance with rules for the distribution of stock, eligible executive officers and senior management officers are awarded certain number of points based on their positions and individual performance evaluation and the results of operations. These individuals can then receive the Company’s stock based on the number of points. The executive officers and senior management officers make no payments because the Company’s contributions to the trust cover the entire cost of purchasing the Company’s stock through trust account.

(2) The Company’s stock held by the trust account

The Company’s stock held by the trust account is included in net assets as treasury shares at book value (excluding associated expenses). The number of shares of the Company’s stock held by the trust account was 412,500 shares with a book value of 1,348 million yen as of February 28, 2017.

Stock compensation plan for directors based on results of operations

The Company has established a Board Incentive Plan (BIP) Trust as the stock compensation plan based on the results of company operations for the purpose of reinforcing the commitment of directors (excluding outside directors and directors who are not residents of Japan) to contribute to medium and long-term growth in sales and earnings as well as corporate value.

(1) Summary of the plan

The Company established this trust by making a payment to the trust for the acquisition of the Company’s stock. The trust beneficiaries are all eligible directors. In accordance with rules for the distribution of stock, eligible directors are awarded points based on their positions and the achievement of performance goals in the fiscal year to be evaluated. After three years from the beginning of applicable fiscal years, these directors can then receive the Company’s stock and cash from the disposal of the Company’s stock as compensation, based on the number of points.

(2) The Company’s stock held by the trust account

The Company’s stock held by the trust account is included in net assets as treasury shares at book value (excluding associated expenses). The number of shares of the Company’s stock held by the trust account was 143,400 shares with a book value of 468 million yen as of February 28, 2017.

Segment and Other Information

Segment information

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)

Omitted since the Adastria Group has only a single business segment, which is the planning and sales of clothing and related merchandise.

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

The Adastria Group has only a single business segment, which is the planning and sales of clothing and related merchandise. There is no others segment because the levels of sales and earnings of other activities are insignificant.

Related information

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)

1. Information by product or service

Omitted since sales to external customers in the category of a single product or service exceeded 90% of net sales on the consolidated statement of income.

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan exceeded 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

Omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

Omitted since there is no sales to external customers whom accounted for 10% or more of net sales on the consolidated statement of income.

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

1. Information by product or service

Omitted since sales to external customers in the category of a single product or service exceeded 90% of net sales on the consolidated statement of income.

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan exceeded 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

Omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

Omitted since there is no sales to external customers whom accounted for 10% or more of net sales on the consolidated statement of income.

Information related to impairment losses on non-current assets for each reportable segment

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)

Omitted since the Adastria Group has only a single business segment, which is the planning and sales of clothing and related merchandise.

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

Omitted since the Adastria Group has only a single business segment, which is the planning and sales of clothing and related merchandise. There is no others segment because the levels of sales and earnings of other activities are insignificant.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)

Omitted since the Adastria Group has only a single business segment, which is the planning and sales of clothing and related merchandise.

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

Omitted since the Adastria Group has only a single business segment, which is the planning and sales of clothing and related merchandise. There is no others segment because the levels of sales and earnings of other activities are insignificant.

Information related to gain on bargain purchase for each reportable segment

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)

Not applicable.

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

Not applicable.

Per Share Information

(Yen)

	FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)
Net assets per share	1,106.45	1,191.16
Net income per share	188.31	242.49

Notes: 1. The Company conducted a 2-for-1 common stock split on March 1, 2016. Net assets per share, net income per share have been calculated as if this stock split had taken place at the beginning of FY2/16.

2. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

3. The Company’s stock held by the trust account recorded as treasury shares under shareholders’ equity is included in treasury shares deducted from the number of shares that is used to calculate the average number of shares outstanding during the period for the determination of net income per share, and is included in treasury shares that is deducted from the number of shares outstanding at the end of the period for the determination of net assets per share.
For the determination of net income per share, the average number of treasury shares outstanding that was deducted were 301,000 for FY2/17. For the determination of net assets per share, the number of treasury shares that was deducted were 555,000 for FY2/17.

4. The basis of calculating the net income per share is as follows.

(Million yen)

	FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)
Net income attributable to owners of the parent	9,122	11,575
Amount not available to common stockholders	-	-
Net income attributable to owners of the parent applicable to common shares	9,122	11,575
Average number of common shares outstanding during the period (Thousand shares)	48,443	47,736

Subsequent Events

Acquisition by a consolidated subsidiary

The Adastria Board of Directors approved a resolution on March 22, 2017 to acquire Velvet, LLC, a U.S. company based on Culver City, California. Velvet will be acquired by Adastria USA, Inc., which is a wholly owned Adastria subsidiary that was established on February 1, 2017. The purchase agreement was signed on April 1, 2017.

1. Purpose of this Acquisition

Velvet is a contemporary apparel company that had sales of US$39.6 million in 2016. The goal is to use Adastria's capital and expertise to achieve more growth at Velvet. In addition, Velvet will give Adastria access to Velvet's expertise involving the brand business in the United States. In April 2016, Adastria made a minority investment on another U.S. company, Marine Layer, Inc. Adastria believes the acquisition of Velvet will also help strengthen the company's global brand portfolio.

2. Name of sellers

Velvet Holdings, LLC
JTH, Inc.
Others

3. Name, business activities and size of the company to acquire

(1) Name: Velvet, LLC
(2) Business activities: Apparel business
(3) Size: Net assets US$21 million; total assets US$27 million (in 2016)

4. Date of acquisition

April 18, 2017 (tentative)

5. Acquisition cost and equity interest after acquisition

(1) Acquisition cost: US$37 million
Expenses associated with this acquisition are expected in addition to the acquisition cost.
(2) Equity interest after acquisition: 100%

6. Method for procuring funds for payment

Own funds

Sales of Investment Securities

The Adastria Board of Directors approved a resolution on April 4, 2017 to sell part of the investment securities held by Adastria.

1. Sales of investment securities

(1) Stock to be sold: One issue of listed securities held by Adastria
(2) Scheduled period for sales: April 5, 2017 to August 31, 2017
(3) Expected gain on sales: Approx. 3,700 million yen

6. Other Information

(1) Changes in Directors

1. Change in representative director (Date of change: March 1, 2017)

Representative Director and Chief Operating Officer (COO)

Masa Matsushita (Former Member of the Board of Directors and Chief Operating Officer (COO))

2. Change of other board members (Date of change: May 25, 2017)

Candidate for director appointment

Director and General Manager of Corporate Planning Department

Taiki Fukuda (Current General Manager of Corporate Planning Department)

This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.