Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2018 (Three Months Ended May 31, 2017)

[Japanese GAAP]

June 30, 2017

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Scheduled date of filing of Quarterly Report: July 14, 2017
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on June 30, 2017 at 15:00 (GMT +9).

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2018 (March 1, 2017 – May 31, 2017)

(1) Consolidated results of operations (cumulative) (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2017	54,066	11.4	3,996	(23.5)	4,056	(23.2)	5,383	80.5
Three months ended May 31, 2016	48,552	2.4	5,224	9.8	5,284	7.2	2,983	27.6

Note: Comprehensive income Three months ended May 31, 2017: 2,440 million yen (down 35.5%)
Three months ended May 31, 2016: 3,783 million yen (down 5.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2017	114.45	-
Three months ended May 31, 2016	61.95	-

Reference: EBITDA Three months ended May 31, 2017: 6,167 million yen (down 13.3%)
Three months ended May 31, 2016: 7,113 million yen
EPS before goodwill amortization Three months ended May 31, 2017: 127.02 yen (up 73.3%)
Three months ended May 31, 2016: 73.29 yen

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2017	95,585	57,108	59.7
As of Feb. 28, 2017	90,389	56,035	62.0

Reference: Shareholders' equity As of May 31, 2017: 57,108 million yen As of Feb. 28, 2017: 56,035 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2017	-	35.00	-	40.00	75.00
Fiscal year ending Feb. 28, 2018	-				
Fiscal year ending Feb. 28, 2018 (forecast)		35.00	-	40.00	75.00

Note: Revision to the most recently announced dividend forecast: None

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 profit		Ordinary profit		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

Note: Revision to the most recently announced consolidated forecast: None

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: 1 (Velvet, LLC) Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 8 for further information.

(4) Number of outstanding shares (common stock)

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

As of May 31, 2017:	48,800,000 shares	As of Feb. 28, 2017:	48,800,000 shares

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

As of May 31, 2017:	1,757,985 shares	As of Feb. 28, 2017:	1,757,425 shares

3) Average number of shares outstanding during the period

Three months ended May 31, 2017:	47,042,328 shares	Three months ended May 31, 2016:	48,154,239 shares

Note 1: The current quarterly financial report is not subject to quarterly review procedures.

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. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 regarding preconditions or other related matters for the forecast shown above.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first quarter (March 1-May 31, 2017), the Japanese economy continued to recover slowly as improvements in corporate earnings and jobs offset uncertainty about overseas economies, volatility in financial markets and other reasons for concern. Consumer spending remained sluggish as consumption expenditures declined year on year over the long term.

To advance to the next stage of growth, there were actions during the first quarter for creating and launching new businesses.

One step was the transfer of operations involving *PAGEBOY*, *misty woman* and other young casual fashion brands from the original ALICIA CO., LTD. to the new ALICIA CO., LTD., a consolidated subsidiary established in the previous fiscal year, based on an absorption and divestiture contract.

In the United States, we acquired Velvet, LLC, making this company a wholly owned consolidated subsidiary. In addition, we established ELEMENT RULE Co., Ltd. in Japan to be a source of new fashion ideas for adults who are into chic city fashion styles.

First quarter sales were 11.4% higher than one year earlier. One reason was the transfer of PAGEBOY and other apparel brand operations to consolidated subsidiary ALICIA. Among current brands, *GLOBAL WORK*, *niko and…*, *STUDIO CLIP* and *BAYFLOW* recorded sales growth.

Regarding the store network, the number of stores in Japan increased by 113 because of the inclusion of the operations of ALICIA. In the United States, the acquisition of Velvet added nine stores. In addition, we opened 61 stores (including 1 overseas) and closed 11 stores (including four overseas), resulting in a total network of 1,523 stores (including 114 overseas) at the end of May 2017.

The gross profit margin decreased 1.8 percentage points from one year earlier to 59.4%. The main reason was a higher discount rate on merchandise in order to sell off inventories of spring apparel and other products.

The ratio of selling, general and administrative (SG&A) expenses to sales increased 1.5 percentage points to 52.0%. This was primarily the result of substantial advertising expenditures, including for TV commercials, and expenses for relocating the Tokyo head office. As a result, the operating margin decreased 3.4 percentage points to 7.4%.

There was a gain on sales of investment securities of 4,373 million yen as extraordinary income and an extraordinary loss of 73 million yen for the impairment of store assets.

As a result, consolidated net sales in the first quarter increased 11.4% year-on-year to 54,066 million yen, operating profit decreased 23.5% to 3,996 million yen, ordinary profit decreased 23.2% to 4,056 million yen, and net income attributable to owners of the parent increased 80.5% to 5,383 million yen.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 13.3% to 6,167 million yen and earnings per share (EPS) before goodwill amortization rose 73.3% to 127.02 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 profit 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 profit. Furthermore, comparisons with foreign companies are difficult because of differences in accounting standards of individual countries for recording goodwill amortization. As a result, we disclose EBITDA and EPS before goodwill amortization as reference financial indicators.

EBITDA
Operating profit + 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

(2) Explanation of Financial Position

Total assets increased 5,196 million yen from as of February 28, 2017 to 95,585 million yen as of May 31, 2017. This was mainly due to increases in notes and accounts receivable-trade of 5,936 million yen, inventories of 2,603 million yen, store interior equipment of 1,790 million yen, goodwill of 3,896 million yen and lease and guarantee deposits of 1,900 million yen, while there were decreases in cash and deposits of 8,603 million yen and investment securities of 4,936 million yen.

Liabilities increased 4,123 million yen to 38,477 million yen. This was mainly due to increases of 2,550 million yen in notes and accounts payable-trade and 2,835 million yen in accounts payable-other, while there was a decrease in income taxes payable of 1,147 million yen.

Net assets increased 1,073 million yen to 57,108 million yen. This was mainly due to an increase of 4,018 million yen in retained earnings, while there was a decrease of 2,996 million yen in valuation difference on available-for-sale securities.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There are no revisions to the consolidated forecast for the first half and full fiscal year that was announced on April 4, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY2/17 (As of Feb. 28, 2017)	First quarter of FY2/18 (As of May 31, 2017)
Assets		
Current assets		
Cash and deposits	20,734	12,130
Notes and accounts receivable-trade	7,860	13,797
Inventories	16,351	18,954
Other	3,285	3,343
Allowance for doubtful accounts	(53)	(148)
Total current assets	48,178	48,078
Non-current assets		
Property, plant and equipment		
Store interior equipment, net	6,491	8,282
Other, net	3,952	4,254
Total property, plant and equipment	10,444	12,537
Intangible assets		
Goodwill	3,309	7,205
Other	2,242	2,698
Total intangible assets	5,552	9,904
Investments and other assets		
Investment securities	7,677	2,741
Lease and guarantee deposits	17,237	19,137
Other	1,523	3,526
Allowance for doubtful accounts	(225)	(340)
Total investments and other assets	26,213	25,065
Total non-current assets	42,210	47,507
Total assets	90,389	95,585
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,361	8,912
Electronically recorded obligations-operating	8,919	7,941
Short-term loans payable	2,027	2,544
Accounts payable-other	8,941	11,776
Income taxes payable	4,470	3,322
Provision for bonuses	2,195	1,274
Other provision	453	752
Other	295	746
Total current liabilities	33,665	37,269
Non-current liabilities		
Provision	241	208
Other	447	1,000
Total non-current liabilities	688	1,208
Total liabilities	34,353	38,477

(Million yen)

	FY2/17 (As of Feb. 28, 2017)	First quarter of FY2/18 (As of May 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	2,660	2,660
Capital surplus	7,227	7,227
Retained earnings	47,413	51,431
Treasury shares	(4,645)	(4,647)
Total shareholders' equity	52,654	56,671
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,190	193
Deferred gains or losses on hedges	(19)	(43)
Foreign currency translation adjustment	209	286
Total accumulated other comprehensive income	3,380	437
Total net assets	56,035	57,108
Total liabilities and net assets	90,389	95,585

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Three-month Period)

(Million yen)

	First three months of FY2/17 (Mar. 1, 2016 – May 31, 2016)	First three months of FY2/18 (Mar. 1, 2017 – May 31, 2017)
Net sales	48,552	54,066
Cost of sales	18,824	21,976
Gross profit	29,727	32,089
Selling, general and administrative expenses	24,502	28,092
Operating profit	5,224	3,996
Non-operating income		
Dividend income	58	33
Other	89	122
Total non-operating income	147	156
Non-operating expenses		
Interest expenses	4	5
Share of loss of entities accounted for using equity method	-	21
Loss on valuation of derivatives	49	22
Cost of lease revenue	24	24
Other	9	23
Total non-operating expenses	87	97
Ordinary profit	5,284	4,056
Extraordinary income		
Gain on sales of investment securities	-	4,373
Total extraordinary income	-	4,373
Extraordinary losses		
Impairment loss	18	73
Loss on disaster	61	-
Total extraordinary losses	80	73
Net income before income taxes	5,204	8,355
Income taxes-current	2,184	3,035
Income taxes-deferred	36	(64)
Total income taxes	2,221	2,971
Net income	2,983	5,383
Net income attributable to owners of the parent	2,983	5,383

Quarterly Consolidated Statement of Comprehensive Income

(For the Three-month Period)

(Million yen)

	First three months of FY2/17 (Mar. 1, 2016 – May 31, 2016)	First three months of FY2/18 (Mar. 1, 2017 – May 31, 2017)
Net income	2,983	5,383
Other comprehensive income		
Valuation difference on available-for-sale securities	889	(2,996)
Deferred gains or losses on hedges	77	(23)
Foreign currency translation adjustment	(165)	77
Total other comprehensive income	800	(2,943)
Comprehensive income	3,783	2,440
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,783	2,440
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

The Company has adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, March 28, 2016) from the first quarter of the current fiscal year and partially revised its accounting method for determining the recoverability of deferred tax assets.

The Company has applied this implementation guidance in accordance with the transitional accounting treatments set forth in Paragraph 49 (4) of this implementation guidance. Accordingly, the differences between deferred tax assets and deferred tax liabilities determined by applying the applicable provisions of Paragraph 49 (3), Items 1 through 3 of the implementation guidance at the beginning of the first quarter of the current fiscal year and deferred tax assets and deferred tax liabilities at the end of the previous fiscal year are added to retained earnings at the beginning of the first quarter of the current fiscal year.

The effect of this matter on the quarterly consolidated financial statements at the beginning of the first quarter is insignificant.

3. Supplementary Information

(1) Number of Stores

Brand / region	Number of stores					
	As of Feb. 28, 2017	First three months of FY2/18				As of May 31, 2017
		Increase (Note 3)	Opened	Closed	Increase /decrease	
GLOBAL WORK	192	-	9	(1)	8	200
niko and ...	129	-	6	(1)	5	134
LOWRYS FARM	152	-	4	-	4	156
STUDIO CLIP	182	-	8	-	8	190
LEPSIM	134	-	7	-	7	141
JEANASIS	80	-	2	-	2	82
RAGEBLUE	58	-	-	-	-	58
BAYFLOW	32	-	4	-	4	36
Others	284	-	19	(3)	16	300
Total (Adastria)	1,243	-	59	(5)	54	1,297
ALICIA CO., LTD.	-	113	1	(2)	112	112
Total (Japan)	1,243	113	60	(7)	166	1,409
Hong Kong	25	-	-	(1)	(1)	24
China	45	-	1	(3)	(2)	43
Taiwan	29	-	-	-	-	29
South Korea	9	-	-	-	-	9
USA	-	9	-	-	9	9
Total (Overseas)	108	9	1	(4)	6	114
Total (Group)	1,351	122	61	(11)	172	1,523

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. "Increase" represents the increase in the number of stores resulting from the transfer of the operations of ALICIA and the consolidation of Velvet in the United States.

(2) Sales for Brands and Regions

Brand / region	First three months of FY2/18		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	9,871	18.3	9.8
niko and ...	6,584	12.2	17.8
LOWRYS FARM	6,055	11.2	(1.3)
STUDIO CLIP	5,444	10.1	12.2
LEPSIM	3,759	6.9	(2.2)
JEANASIS	3,030	5.6	(0.1)
RAGEBLUE	2,123	3.9	(3.0)
BAYFLOW	1,965	3.6	63.3
Others	10,090	18.7	0.9
Total (Adastria)	48,925	90.5	6.7
ALICIA CO., LTD.	2,517	4.7	-
Total (Japan)	51,443	95.2	12.2
Hong Kong	1,578	2.9	(5.9)
China	437	0.8	(3.2)
Taiwan	420	0.8	6.4
South Korea	186	0.3	2.8
Total (Overseas)	2,623	4.8	(3.1)
Total (Group)	54,066	100.0	11.4

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. Velvet, a U.S. company acquired in the first quarter, is included only in the consolidated balance sheet in the first quarter and is not included in the consolidated income statement.

(3) Sales for Merchandise Categories

Category	First three months of FY2/18		YoY change (%)
	Sales (million yen)	Composition (%)	
Men’s apparel (bottoms, tops)	7,676	14.2	8.3
Lady’s apparel (bottoms, tops)	35,924	66.4	11.1
Others	10,465	19.4	14.5
Total	54,066	100.0	11.4

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.

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.