Summary of Consolidated Financial Results for the Fiscal Year Ended February 28, 2018

[Japanese GAAP]

April 4, 2018

Company name: Adastria Co., Ltd. Listing: TSE 1st section
Stock code: 2685 URL: http://www.adastria.co.jp
Representative: Michio Fukuda, Representative Director, Chairman & CEO
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Scheduled date of Annual General Meeting of Shareholders: May 24, 2018
Scheduled date of payment of dividend: May 9, 2018
Scheduled date of filing of Annual Securities Report: May 25, 2018
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, 2018 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, 2018 (March 1, 2017 – February 28, 2018)

(1) Consolidated results of operations (Percentages shown for net sales and incomes 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	%
Fiscal year ended Feb. 28, 2018	222,787	9.4	5,005	(66.4)	5,428	(64.1)	863	(92.5)
Fiscal year ended Feb. 28, 2017	203,686	1.8	14,916	(6.8)	15,126	(6.5)	11,575	26.9

Note: Comprehensive income Fiscal year ended Feb. 28, 2018: (1,966) million yen (-%)
Fiscal year ended Feb. 28, 2017: 9,206 million yen (down 12.6%)

	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, 2018	18.36	-	1.6	6.0	2.2
Fiscal year ended Feb. 28, 2017	242.49	-	21.2	16.7	7.3

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 28, 2018: (66) million yen
Fiscal year ended Feb. 28, 2017: (20) million yen
EBITDA Fiscal year ended Feb. 28, 2018: 15,141 million yen (down 34.2%)
Fiscal year ended Feb. 28, 2017: 23,028 million yen (down 6.4%)
EPS before goodwill amortization Fiscal year ended Feb. 28, 2018: 118.54 yen (down 58.9%)
Fiscal year ended Feb. 28, 2017: 288.24 yen (up 23.2%)

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2018	91,123	51,030	56.0	1,084.84
As of Feb. 28, 2017	90,389	56,035	62.0	1,191.16

Reference: Shareholders' equity As of Feb. 28, 2018: 51,030 million yen As of Feb. 28, 2017: 56,035 million yen

(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, 2018	10,685	(7,404)	(4,629)	19,381
Fiscal year ended Feb. 28, 2017	11,928	(4,323)	(6,309)	20,706

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. 28, 2017	-	35.00	-	40.00	75.00	3,608	30.9	6.5
Fiscal year ended Feb. 28, 2018	-	35.00	-	15.00	50.00	2,379	272.3	4.4
Fiscal year ending Feb. 28, 2019 (forecast)	-	20.00	-	30.00	50.00		53.5	

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2019 (March 1, 2018 – February 28, 2019)

(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
Full year	227,000	1.9	8,400	67.8	8,700	60.3	4,400	409.4	93.54

Reference: EBITDA Fiscal year ending Feb. 28, 2019 (forecast): 16,000 million yen (up 5.7%)
EPS before goodwill amortization Fiscal year ending Feb. 28, 2019 (forecast): 121.17 yen (up 2.2%)

*** 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) 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 "3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies" on page 17 for further information.

(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, 2018:	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 Feb. 28, 2018:	1,759,875 shares	As of Feb. 28, 2017:	1,757,425 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2018:	47,041,347 shares	Fiscal year ended Feb. 28, 2017:	47,736,981 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2018 (March 1, 2017 – February 28, 2018)

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

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2018	200,206	2.9	6,432	(55.2)	6,176	(57.5)	668	(93.8)
Fiscal year ended Feb. 28, 2017	194,611	3.6	14,352	(6.6)	14,537	(6.0)	10,782	29.3

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 28, 2018	14.20	-
Fiscal year ended Feb. 28, 2017	225.87	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2018	80,969	47,660	58.9	1,013.19
As of Feb. 28, 2017	84,902	53,042	62.5	1,127.54

Reference: Shareholders' equity As of Feb. 28, 2018: 47,660 million yen As of Feb. 28, 2017: 53,042 million yen

Note 1: The current financial report is not subject to audit 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. 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 "1. Overview of Results of Operations (4) Outlook" on page 6 regarding preconditions or other related matters for the forecast shown above.

Contents of Attachments

1. Overview of Results of Operations

(1) Results of Operations

Consolidated results (Million yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	YoY change (Amount)	YoY change (%)
Net sales	203,686	222,787	19,101	9.4
Operating profit	14,916	5,005	(9,911)	(66.4)
Ordinary profit	15,126	5,428	(9,697)	(64.1)
Net income attributable to owners of the parent	11,575	863	(10,711)	(92.5)
EBITDA	23,028	15,141	(7,886)	(34.2)
EPS before goodwill amortization (Yen)	288.24	118.54	(169.69)	(58.9)

Consolidated net sales increased 9.4% year-on-year to 222,787 million yen, operating profit decreased 66.4% to 5,005 million yen, ordinary profit decreased 64.1% to 5,428 million yen, and net income attributable to owners of the parent decreased 92.5% to 863 million yen.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 34.2% to 15,141 million yen and earnings per share (EPS) before goodwill amortization fell 58.9% to 118.54 yen. (*)

One reason for the 9.4% increase in sales was the steady increase in Adastria sales in Japan, which was 3.0% higher than one year earlier. The transfer in the first quarter of *PAGEBOY* and other apparel brand operations to consolidated subsidiary ALICIA Co., Ltd. and inclusion of the sales of U.S.-based Velvet, LLC from the second quarter (this company was acquired in the first quarter) also contributed to the sales growth. In Japan, the brands *niko and ...*, *STUDIO CLIP* and *BAYFLOW* performed well. (Please refer to the section “Supplementary Information, (1) Sales for Brands and Regions” for further information.)

The number of stores in Japan increased by 113 because of the inclusion of the operations of ALICIA. Overseas, the acquisition of Velvet, LLC added nine stores. In addition, we opened 129 stores (including 24 overseas) and closed 101 stores (including 15 overseas), resulting in a total network of 1,501 stores (including 126 overseas) at the end of February 2018. (Please refer to the section “Supplementary Information, (3) Number of Stores” for further information.)

The gross profit margin decreased 2.1 percentage points from one year earlier to 54.2% mainly because of sales of merchandise at discounted prices and merchandise disposals associated with products that did not accurately meet the needs of customers.

The ratio of selling, general and administrative (SG&A) expenses to sales increased 3.0 percentage points to 52.0%. This was attributable mainly to increased advertising expenditures for major brands, expenses for relocating the Tokyo head office and IT system investments and removal for future growth. As a result, the operating margin decreased 5.1 percentage points to 2.2%.

Extraordinary income includes a gain on sales of investment securities of 4,373 million yen. There were extraordinary losses of 2,799 million yen for asset impairment (including 2,096 million yen for goodwill amortization and other items at U.S.-based Velvet, LLC and ALICIA Co., Ltd. due to declining earnings and 703 million yen for the impairment of store assets), a 1,141 million yen for an addition to the provision for loss on business liquidation for the cost of reorganizing operations in Hong Kong and China, and a valuation loss of 652 million yen on investment securities.

(*) Since the fiscal year that ended in February 2014, the amortization of goodwill, which is not a cash expense, has created a large gap between changes in cash flows and changes in operating profit and all subsequent levels of earnings. 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

Supplementary Information

(1) Sales for Brands and Regions

Brand / region	FY2/18		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	39,302	17.6	0.4
niko and ...	28,413	12.8	15.0
STUDIO CLIP	24,318	10.9	9.3
LOWRYS FARM	23,518	10.6	(8.4)
LEPSIM	15,308	6.9	(2.7)
JEANASIS	12,366	5.5	(3.0)
RAGEBLUE	8,861	4.0	(5.7)
BAYFLOW	7,907	3.5	36.7
Others	38,677	17.4	3.1
Total (Adastria)	198,675	89.2	3.0
ALICIA CO., LTD.	9,526	4.3	-
Total (Japan)	208,201	93.5	7.9
Hong Kong	6,255	2.8	(4.9)
China	1,992	0.9	8.0
Taiwan	1,885	0.8	21.2
South Korea	956	0.4	27.3
USA (Note 3)	3,496	1.6	-
Total (Overseas)	14,586	6.5	36.0
Total (Group)	222,787	100.0	9.4

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. The USA figures include the nine-month sales (from the second quarter) of Velvet, LLC, a consolidated subsidiary acquired at the end of the first quarter.

(2) Sales for Merchandise Categories

Category	FY2/18		YoY change (%)
	Sales (million yen)	Composition (%)	
Men’s apparel (bottoms, tops)	31,326	14.1	2.4
Lady’s apparel (bottoms, tops)	145,956	65.5	11.3
Others	45,504	20.4	8.3
Total	222,787	100.0	9.4

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.

(3) Number of Stores

Brand / region	Number of stores						
	As of Feb. 28, 2017	FY2/18					As of Feb. 28, 2018
		Increase (Note 3)	Opened	Changed	Closed	Increase /decrease	
GLOBAL WORK	192	-	11	12	(5)	18	210
niko and ...	129	-	9	-	(6)	3	132
STUDIO CLIP	182	-	15	-	(2)	13	195
LOWRYS FARM	152	-	7	-	(10)	(3)	149
LEPSIM	134	-	11	-	(7)	4	138
JEANASIS	80	-	4	-	(8)	(4)	76
RAGEBLUE	58	-	3	1	(5)	(1)	57
BAYFLOW	32	-	8	-	(1)	7	39
Others	284	-	31	(13)	(23)	(5)	279
Total (Adastria)	1,243	-	99	-	(67)	32	1,275
ALICIA CO., LTD.	-	113	6	-	(19)	100	100
Total (Japan)	1,243	113	105	-	(86)	132	1,375
Hong Kong	25	-	2	(2)	(1)	(1)	24
China	45	-	15	-	(11)	4	49
Taiwan	29	-	2	-	-	2	31
South Korea	9	-	3	(1)	-	2	11
USA	-	9	2	-	-	11	11
Total (Overseas)	108	9	24	(3)	(12)	18	126
Total (Group)	1,351	122	129	(3)	(98)	150	1,501

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, LLC in the United States.

(2) Financial Position

Assets

Current assets increased 1,606 million yen from as of February 28, 2017 to 49,785 million yen as of February 28, 2018. This was mainly due to increases in notes and accounts receivable-trade of 950 million yen, inventories of 1,722 million yen and other (accounts receivable-other, etc.) of 348 million yen, while there was a decrease in cash and deposits of 1,288 million yen.

Non-current assets decreased 872 million yen to 41,338 million yen. This was mainly due to decreases in goodwill of 1,350 million yen and investment securities of 6,576 million yen, while there were increases in store interior equipment, net of 809 million yen, other (software in progress, etc.) under intangible assets of 2,012 million yen, lease and guarantee deposits of 1,026 million yen and deferred tax assets of 2,189 million yen.

Liabilities

Current liabilities increased 4,781 million yen to 38,446 million yen. This was mainly due to increases in notes and accounts payable-trade of 3,865 million yen, provision for loss on business liquidation of 1,141 million yen.

Non-current liabilities increased 956 million yen to 1,645 million yen. This was mainly due to an increase in other (long-term accounts payable-other, etc.) of 841 million yen.

Net assets

Net assets decreased 5,004 million yen to 51,030 million yen. This was mainly due to decreases in retained earnings of 2,167 million yen and valuation difference on available-for-sale securities of 2,954 million yen.

(3) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) as of February 28, 2018 amounted to 19,381 million yen, or 1,325 million yen less than as of February 28, 2017.

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 10,685 million yen (a decrease of 1,242 million yen, compared with the previous fiscal year). The main positive factors include net income before income taxes of 5,104 million yen, depreciation of 7,744 million yen, impairment loss of 2,799 million yen, amortization of goodwill of 2,648 million yen and increase in notes and accounts payable-trade of 2,760 million yen. Main negative factors include gain on sales of investment securities of 4,373 million yen and income taxes paid of 7,895 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 7,404 million yen (an increase of 3,081 million yen). This was mainly due to the payments of 7,797 million yen for the purchase of property, plant and equipment, 2,965 million yen for the purchase of intangible assets and 3,713 million yen for the purchase of shares of subsidiaries resulting in change in scope of consolidation, while there was proceeds of 5,082 million yen from sales of investment securities.

Cash flows from financing activities

Net cash used in financing activities totaled 4,629 million yen (a decrease of 1,680 million yen). This was mainly due to repayments of long-term loans payable of 725 million yen and cash dividends paid of 3,568 million yen.

Reference: Cash flow indicators

	FY2/16	FY2/17	FY2/18
Shareholders' equity ratio (%)	58.9	62.0	56.0
Shareholders' equity ratio based on market prices (%)	155.9	151.4	120.1
Interest-bearing debt to cash flow ratio	0.1	0.2	0.2
Interest coverage ratio (times)	553.4	1,034.7	421.6

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.

(4) Outlook

Earnings at companies in Japan are expected to remain firm as the job market and personal income recover and demand in Japan and overseas continues to be strong. Demand associated with consumer spending is expected to increase slowly. However, a structural decline in demand and a severe labor shortage are having a severe impact on some industries in Japan. As a result, there is still a risk of a downturn in earnings and we expect that the operating environment will remain challenging.

We will continue to take actions aimed at differentiating brands and making our merchandise even more appealing, chiefly for the core *GLOBAL WORK* and *niko and* ... brands. Another goal is reinforcing all aspects of production and sales operations by controlling costs, managing procurement more rigorously and using data analysis to forecast demand. We are also rebuilding overseas operations with initiatives that include a major downsizing of the COLLECT POINT multi-brand shop business in Hong Kong and China. To advance to the next stage of our growth, we will continue to examine opportunities for launching new businesses while taking steps to make recently started businesses profitable as quickly as possible.

For the fiscal year ending on February 28, 2019, we forecast a 1.9% increase in consolidated net sales to 227 billion yen, a 3.7% increase in gross profit to 125.3 billion yen, a 67.8% increase in operating profit to 8.4 billion yen, a 60.3% increase in ordinary profit to 8.7 billion yen and a 409.4% increase in net income attributable to owners of the parent to 4.4 billion yen.

This forecast assumes that domestic existing store sales will increase 1.1% and there will be 64 new stores (including 6 overseas) and 140 store closings (including 52 overseas).

(5) 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 businesses 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.

In the fiscal year that ended in February 2018, net income attributable to owners of the parent was well below the forecast because of an additional extraordinary loss of approximately 3.8 billion yen for goodwill amortization, asset impairment and other items. Consequently, we plan to pay a year-end dividend of 15 yen (annual dividend of 50 yen), which is less than the year-end dividend of 40 yen (annual dividend of 75 yen) that was announced in the previous forecast.

For the next fiscal year ending on February 28, 2019, we plan to pay 50 yen for an annual dividend, the same as the dividend for the current fiscal year.

2. 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.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Million yen)

	FY2/17 (As of Feb. 28, 2017)	FY2/18 (As of Feb. 28, 2018)
Assets		
Current assets		
Cash and deposits	20,734	19,446
Notes and accounts receivable-trade	7,860	8,810
Inventories	16,351	18,073
Deferred tax assets	2,018	1,955
Other	1,266	1,615
Allowance for doubtful accounts	(53)	(116)
Total current assets	48,178	49,785
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,615	3,491
Accumulated depreciation	(1,892)	(1,673)
Buildings and structures, net	1,723	1,818
Store interior equipment	29,083	32,293
Accumulated depreciation	(22,591)	(24,991)
Store interior equipment, net	6,491	7,301
Land	1,732	2,358
Construction in progress	55	187
Other	1,235	1,483
Accumulated depreciation	(794)	(825)
Other, net	440	658
Total property, plant and equipment	10,444	12,324
Intangible assets		
Goodwill	3,309	1,959
Other	2,242	4,255
Total intangible assets	5,552	6,214
Investments and other assets		
Investment securities	7,677	1,101
Lease and guarantee deposits	17,237	18,263
Deferred tax assets	1,384	3,573
Other	139	138
Allowance for doubtful accounts	(225)	(278)
Total investments and other assets	26,213	22,799
Total non-current assets	42,210	41,338
Total assets	90,389	91,123

(Million yen)

	FY2/17 (As of Feb. 28, 2017)	FY2/18 (As of Feb. 28, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,361	10,227
Electronically recorded obligations-operating	8,919	9,898
Short-term loans payable	2,027	2,657
Accounts payable-other	8,941	9,418
Income taxes payable	4,470	1,322
Provision for bonuses	2,195	2,413
Provision for loss on business liquidation	-	1,141
Other provision	453	838
Other	295	527
Total current liabilities	33,665	38,446
Non-current liabilities		
Deferred tax liabilities	102	112
Provision for directors' retirement benefits	94	94
Other provision	146	251
Other	345	1,186
Total non-current liabilities	688	1,645
Total liabilities	34,353	40,092
Net assets		
Shareholders' equity		
Capital stock	2,660	2,660
Capital surplus	7,227	7,227
Retained earnings	47,413	45,245
Treasury shares	(4,645)	(4,652)
Total shareholders' equity	52,654	50,480
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,190	235
Deferred gains or losses on hedges	(19)	(76)
Foreign currency translation adjustment	209	391
Total accumulated other comprehensive income	3,380	550
Total net assets	56,035	51,030
Total liabilities and net assets	90,389	91,123

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Million yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Net sales	203,686	222,787
Cost of sales	89,020	101,992
Gross profit	114,666	120,795
Selling, general and administrative expenses		
Advertising expenses	6,308	7,728
Provision of allowance for doubtful accounts	(28)	21
Directors' compensations	239	494
Salaries and bonuses	27,017	30,198
Provision for bonuses	2,151	2,412
Welfare expenses	4,397	5,240
Rents	33,798	38,290
Lease payments	407	438
Depreciation	5,928	7,488
Amortization of goodwill	2,184	2,648
Other	17,344	20,828
Total selling, general and administrative expenses	99,750	115,790
Operating profit	14,916	5,005
Non-operating income		
Interest income	3	4
Dividend income	135	56
Foreign exchange gains	40	72
House rent income	111	108
Revenue from electric power sales	41	39
Other	181	390
Total non-operating income	513	671
Non-operating expenses		
Interest expenses	11	25
Share of loss of entities accounted for using equity method	20	66
Loss on valuation of derivatives	136	32
Cost of lease revenue	93	93
Other	41	29
Total non-operating expenses	303	247
Ordinary profit	15,126	5,428
Extraordinary income		
Gain on sales of non-current assets	-	25
Gain on sales of investment securities	3,763	4,373
Gain on liquidation of subsidiaries and associates	77	-
Subsidy income	-	169
Total extraordinary income	3,841	4,567
Extraordinary losses		
Impairment loss	382	2,799
Loss on disaster	87	-
Loss on valuation of investment securities	-	652
Loss on sales of shares of subsidiaries and associates	-	129
Loss on liquidation of subsidiaries and associates	10	-
Provision for loss on business liquidation	-	1,141
Loss on reduction of non-current assets	-	169
Total extraordinary losses	480	4,892

(Million yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Net income before income taxes	18,487	5,104
Income taxes-current	7,262	4,527
Income taxes-deferred	(350)	(287)
Total income taxes	6,911	4,240
Net income	11,575	863
Net income attributable to owners of the parent	11,575	863

Consolidated Statement of Comprehensive Income

(Million yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Net income	11,575	863
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,255)	(2,954)
Deferred gains or losses on hedges	244	(56)
Foreign currency translation adjustment	(357)	181
Total other comprehensive income	(2,369)	(2,830)
Comprehensive income	9,206	(1,966)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,206	(1,966)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

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
Cumulative effects of changes in accounting policies					
Restated balance	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 the 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
Cumulative effects of changes in accounting policies					
Restated balance	5,445	(263)	567	5,749	53,282
Changes of items during period					
Dividends of surplus				-	(3,871)
Net income attributable to owners of the 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

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,660	7,227	47,413	(4,645)	52,654
Cumulative effects of changes in accounting policies			538		538
Restated balance	2,660	7,227	47,951	(4,645)	53,193
Changes of items during period					
Dividends of surplus			(3,569)		(3,569)
Net income attributable to owners of the parent			863		863
Purchase of treasury shares				(6)	(6)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	(2,706)	(6)	(2,712)
Balance at end of current period	2,660	7,227	45,245	(4,652)	50,480

(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	3,190	(19)	209	3,380	56,035
Cumulative effects of changes in accounting policies					538
Restated balance	3,190	(19)	209	3,380	56,573
Changes of items during period					
Dividends of surplus				-	(3,569)
Net income attributable to owners of the parent				-	863
Purchase of treasury shares				-	(6)
Net changes of items other than shareholders' equity	(2,954)	(56)	181	(2,830)	(2,830)
Total changes of items during period	(2,954)	(56)	181	(2,830)	(5,542)
Balance at end of current period	235	(76)	391	550	51,030

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Cash flows from operating activities		
Net income before income taxes	18,487	5,104
Depreciation	6,109	7,744
Impairment loss	382	2,799
Amortization of goodwill	2,184	2,648
Interest and dividend income	(138)	(60)
Interest expenses	11	25
Increase (decrease) in allowance for doubtful accounts	(28)	11
Increase (decrease) in provision for bonuses	(13)	127
Increase (decrease) in provision for loss on business liquidation	-	1,141
Loss (gain) on sales of non-current assets	-	(25)
Loss (gain) on sales of shares of subsidiaries and associates	-	129
Loss (gain) on sales of investment securities	(3,763)	(4,373)
Loss (gain) on valuation of investment securities	-	652
Loss (gain) on liquidation of subsidiaries and associates	(67)	-
Share of (profit) loss of entities accounted for using equity method	20	66
Subsidy income	-	(169)
Loss on reduction of non-current assets	-	169
Loss on disaster	87	-
Decrease (increase) in notes and accounts receivable-trade	(209)	180
Decrease (increase) in inventories	(1,337)	(113)
Increase (decrease) in notes and accounts payable-trade	(1,363)	2,760
Increase (decrease) in accounts payable-other	280	280
Increase (decrease) in accrued consumption taxes	(1,475)	(421)
Other, net	(310)	(132)
Subtotal	18,856	18,546
Interest and dividend income received	138	60
Interest expenses paid	(11)	(25)
Income taxes paid	(7,054)	(7,895)
Net cash provided by (used in) operating activities	11,928	10,685
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,133)	(7,797)
Proceeds from sales of property, plant and equipment	-	105
Purchase of intangible assets	(1,018)	(2,965)
Purchase of investment securities	(672)	(58)
Proceeds from sales of investment securities	4,473	5,082
Payments for lease and guarantee deposits	(1,831)	(2,041)
Proceeds from collection of lease and guarantee deposits	953	1,963
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(3,713)
Purchase of shares of subsidiaries and associates	(1,070)	-
Proceeds from sales of shares of subsidiaries and associates	-	854
Proceeds from acquisition of business	-	1,023
Proceeds from subsidy income	-	169
Other, net	(25)	(26)
Net cash provided by (used in) investing activities	(4,323)	(7,404)

(Million yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	210	(139)
Repayments of long-term loans payable	-	(725)
Cash dividends paid	(3,871)	(3,568)
Purchase of treasury shares	(2,581)	(6)
Other, net	(65)	(189)
Net cash provided by (used in) financing activities	(6,309)	(4,629)
Effect of exchange rate change on cash and cash equivalent	(42)	22
Net increase (decrease) in cash and cash equivalents	1,253	(1,325)
Cash and cash equivalents at beginning of period	19,452	20,706
Cash and cash equivalents at end of period	20,706	19,381

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

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 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 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 current fiscal year.

The effect of this matter on the consolidated financial statements at the beginning of the current fiscal year is insignificant.

Segment Information

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.

Per Share Information

(Yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Net assets per share	1,191.16	1,084.84
Net income per share	242.49	18.36

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

2. 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 555,000 for FY2/18. For the determination of net assets per share, the number of treasury shares that was deducted were 555,000 for FY2/18.

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

(Million yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Net income attributable to owners of the parent	11,575	863
Amount not available to common stockholders	-	-
Net income attributable to owners of the parent applicable to common shares	11,575	863
Average number of common shares outstanding during the period (Thousand shares)	47,736	47,041

Subsequent Events

Not applicable.

4. Other Information

(1) Changes in Directors

1. Change in representative director

Not applicable.

2. Change of other board members (Date of change: May 24, 2018)

(1) Candidate for director appointment

Director and Senior Vice President, General Headquarters of Management

Kindo Masayuki
(Current Senior Vice President, General Headquarters of Management)

(2) Retiring director

Director: Masa Matsushita

(3) Candidate for corporate auditor

Corporate Auditor: Yoshiko Hayama

(Note) Ms. Yoshiko Hayama is a candidate for an outside corporate auditor.

(4) Retiring corporate auditor

Corporate Auditor: Tetsuro Yokoyama

(Note) Mr. Tetsuro Yokoyama is an outside corporate auditor.

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.