

# Brief summary of Fiscal 2019/02 3rd Quarter Financial Results

December 28, 2018

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# I. FY2019/02 3rd Quarter Financial Results



# Consolidated Income Statement

Millions of yen

	FY2018/02 Q3				FY2019/02 Q3					
	Nine Months Ended		Three Months Ended		Nine Months Ended			Three Months Ended		
		Ratio		Ratio		Ratio	YoY		Ratio	YoY
Net sales	163,269	100.0%	55,476	100.0%	162,345	100.0%	99.4%	57,339	100.0%	103.4%
Adastria(Non-consolidated)	147,297	90.2%	49,972	90.1%	142,305	87.7%	96.6%	51,179	89.3%	102.4%
Domestic subsidiaries *1	6,961	4.3%	1,903	3.4%	11,135	6.9%	160.0%	2,967	5.2%	155.9%
Overseas subsidiaries *2	10,190	6.2%	3,959	7.1%	11,376	7.0%	111.6%	4,128	7.2%	104.3%
Gross profit	92,176	56.5%	32,076	57.8%	89,749	55.3%	97.4%	33,100	57.7%	103.2%
SG&A expenses	85,436	52.3%	29,127	52.5%	84,048	51.8%	98.4%	27,929	48.7%	95.9%
Advertising & promotion	6,037	3.7%	2,576	4.6%	6,299	3.9%	104.3%	2,317	4.0%	90.0%
Personnel	28,116	17.2%	9,470	17.1%	29,329	18.1%	104.3%	9,748	17.0%	102.9%
Rent & depreciation	33,512	20.5%	11,187	20.2%	32,504	20.0%	97.0%	11,047	19.3%	98.7%
Amortization of goodwill	1,961	1.2%	683	1.2%	1,229	0.8%	62.7%	57	0.1%	8.4%
Others	15,809	9.7%	5,208	9.4%	14,685	9.0%	92.9%	4,758	8.3%	91.3%
Operating income	6,739	4.1%	2,949	5.3%	5,700	3.5%	84.6%	5,171	9.0%	175.3%
Adastria (non-consolidated, before amortization of goodwill)	9,267	-	3,821	-	6,938	-	74.9%	4,629	-	121.1%
Domestic subsidiaries *1 (before amortization of goodwill)	▲ 160	-	▲ 266	-	▲ 275	-	-	89	-	-
Overseas subsidiaries (before amortization of goodwill) *2	▲ 1,325	-	▲ 193	-	▲ 1,260	-	-	▲ 223	-	-
Adastria Logistics	558	-	157	-	575	-	102.9%	187	-	118.7%
Ordinary income	7,087	4.3%	3,187	5.7%	5,832	3.6%	82.3%	5,232	9.1%	164.2%
Net income	6,444	3.9%	1,649	3.0%	3,081	1.9%	47.8%	3,636	6.3%	220.4%
EBITDA	13,587	8.3%	5,249	9.5%	11,787	7.3%	86.8%	6,892	12.0%	131.3%
Depreciation and amortization	4,886	3.0%	1,616	2.9%	4,857	3.0%	99.4%	1,663	2.9%	102.9%
Amortization of goodwill	1,961	1.2%	683	1.2%	1,229	0.8%	62.7%	57	0.1%	8.4%

\*1 : Domestic subsidiaries is the sum of three domestic subsidiaries: ALICIA Co.,Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd.

The company name of ALICIA Co.,Ltd., was changed to BUZZWIT Co., Ltd. from August 2018.

\*2 : Overseas subsidiaries is the sum of overseas subsidiaries: Hong Kong, China, Taiwan, Korea, USA.

\*3 : Purchase price allocation (PPA) was conducted at the end of last fiscal year and the results is reflected on FY2018/02 numbers.

# Consolidated Income Statement (Three months ended November 30, 2018)

## ■ Net sales: 57,339 million yen (+3.4% YoY)

- Non-consolidated: Net sales of existing stores increased 3.1% year on year.  
Large brands , GLOBAL WORK and LOWRYS FARM recovered. niko and ... , JEANASIS were steady.
- Domestic subsidiaries: BARNYARDSTORM and BABYLONE brands of ELEMENT RULE performed well.
- Overseas: Rebuilding operations in Hong Kong/China. Taiwan, Korea, U.S. sales increased.

## ■ Gross profit margin: 57.7% (-0.1p YoY)

- Lowered price for partial products affected the gross margin, while the discount sales rate decreased.

## ■ SG&A expense ratio: 48.7% (-3.8p YoY)

- Advertising & promotion: 4.0% (-0.6p YoY) Expenses for TV commercials decreased.
- Rent & depreciation: 19.3% (-0.9p YoY) Number of stores decreased.  
Head office relocation raised expenses one year earlier.
- Amortization of goodwill: 0.1% (-1.1p YoY) Amortization of TRINITY ARTS INC. finished at the end of last quarter.
- Others: 8.3% (-1.1p YoY) Mainly due to outsourcing fee decreased.

## ■ Operating income: 5,171 million yen (+75.3% YoY)

- Operating margin: 9.0% (+3.7p YoY), EBITDA margin: 12.0% (+2.5p YoY)

## ■ Net income: 3,636 million yen(+120.4% YoY)

- 200 million yen gain on sales of investment securities was recorded.

# Parent Company (non-consolidated) Income Statement

Millions of yen

	FY2018/02 Q3		FY2019/02 Q3			
	Nine Months Ended	Three Months Ended	Nine Months Ended		Three Months Ended	
				YoY		YoY
Net sales	147,297	49,972	142,305	96.6%	51,179	102.4%
(Existing stores YoY)	99.7%	99.2%	98.3%	-	103.1%	-
Global Work *1	29,644	9,978	29,641	100.0%	10,915	109.4%
niko and...	20,820	7,211	22,914	110.1%	7,790	108.0%
studio CLIP	18,024	5,620	17,628	97.8%	5,745	102.2%
LOWRYS FARM *1	17,921	5,879	16,109	89.9%	5,808	98.8%
LEPSIM	11,413	3,969	11,070	97.0%	3,896	98.2%
Gross profit	82,673	28,913	77,689	94.0%	29,280	101.3%
Gross margin	56.1%	57.9%	54.6%	▲ 1.5p	57.2%	▲ 0.6p
SG&A expenses (before amortization of goodwill )	73,405	25,091	70,750	96.4%	24,651	98.2%
SG&A ratio	49.8%	50.2%	49.7%	▲ 0.1p	48.2%	▲ 2.0p
Operating income (before amortization of goodwill )	9,267	3,821	6,938	74.9%	4,629	121.1%
Operating margin	6.3%	7.6%	4.9%	▲ 1.4p	9.0%	+1.4p

Opened	98	27	62	26
Closed	24	8	47	14
Other change *2	-	-	14	0
Renovated	59	29	28	9
As of the end of 3Q	1,317	1,317	1,303	1,303

\*1 : Due to the operation of 12 outlet stores were transferred into brands from FY2018/3Q, net sales numbers has been adjusted for both FY2018/02 and FY 2019/02.

\*2 : 68 stores were transferred from Adastria Co., Ltd. into ELEMENT RULE Co.,Ltd in March 2019. 82 stores of ALICIA's three brands are added from August 2018.

# Overseas Business

Millions of yen

	FY2018/02 Q3		FY2019/02 Q3					
	Nine Months Ended	Three Months Ended	Nine Months Ended			Three Months Ended		
				YoY (JPY)	YoY (Local currency)		YoY (JPY)	YoY (Local currency)
Net sales	10,190	3,959	11,376	111.6%	112.8%	4,128	104.3%	104.5%
Hong Kong	4,519	1,536	3,967	87.8%	90.2%	1,351	87.9%	87.9%
China	1,410	515	1,133	80.3%	78.5%	339	66.0%	67.2%
Taiwan	1,207	400	1,739	144.1%	144.6%	590	147.3%	148.4%
Korea	714	282	925	129.6%	126.7%	320	113.5%	112.1%
USA *1	2,338	1,224	3,610	154.4%	156.4%	1,526	124.7%	124.8%
Operating income (before amortization of goodwill )	▲ 1,325	▲ 193	▲ 1,260	-	-	▲ 223	-	-
Hong Kong	▲ 517	▲ 174	▲ 605	-	-	▲ 191	-	-
China	▲ 224	▲ 17	▲ 543	-	-	▲ 173	-	-
Taiwan	84	14	89	105.8%	106.2%	1	9.7%	10.6%
Korea	▲ 133	▲ 39	▲ 119	-	-	▲ 24	-	-
USA *1 (before amortization of goodwill)	▲ 534	23	▲ 81	-	-	165	698.1%	720.9%

(Three months ended September 30, 2018):

- Hong Kong and China is undergoing business restructuring
- Sales of niko and ... in Taiwan and Korea continued to grow. Performance of GLOBAL WORK recovered in Taiwan.
- Increased sales and profit mainly due to partnership expansion with leading retailer and operation improvement for USA

# Consolidated Balance Sheet

Millions of yen

	End of 2017/11		End of 2018/2		End of 2018/11			
		Ratio		Ratio		Ratio	Compared with the end of 2017/11	Compared with the end of 2018/2
Current assets	53,933	54.4%	49,785	54.6%	55,983	56.6%	+2,050	+6,198
Cash and deposits	11,580	11.7%	19,446	21.3%	11,425	11.5%	▲ 154	▲ 8,020
Inventories	23,371	23.6%	18,073	19.8%	23,917	24.2%	+545	+5,843
Fixed assets	45,265	45.6%	41,338	45.4%	42,976	43.4%	▲ 2,289	+1,638
Property, plant and equipment	12,614	12.7%	12,324	13.5%	14,938	15.1%	+2,324	+2,614
Goodwill	4,721	4.8%	1,959	2.2%	730	0.7%	▲ 3,991	▲ 1,228
Investments and other assets	23,469	23.7%	22,799	25.0%	22,274	22.5%	▲ 1,195	▲ 524
Total assets	99,199	100.0%	91,123	100.0%	98,959	100.0%	▲ 239	+7,836
Liabilities	42,720	43.1%	40,092	44.0%	46,675	47.2%	+3,955	+6,583
Interest-bearing debt	2,862	2.9%	2,657	2.9%	5,615	5.7%	+2,752	+2,957
Net assets	56,478	56.9%	51,030	56.0%	52,284	52.8%	▲ 4,194	+1,253
Treasury stocks	▲ 4,650	▲ 4.7%	▲ 4,652	▲ 5.1%	▲ 4,574	▲ 4.6%	+76	+77

\*Purchase price allocation (PPA) was conducted at the end of last fiscal and the results is reflected on FY2018/02 numbers.



# Number of Stores

	FY2018/02	FY2019/02 3Q				
	Fiscal year end	Transferred	Opened	Changed	Closed	end of 3Q
GLOBAL WORK	210	-	8	0	▲ 3	215
niko and ...	132	-	8	0	▲ 1	139
LOWRYS FARM	195	-	3	0	▲ 4	194
studio CLIP	149	-	3	0	▲ 8	144
LEPSIM	138	-	2	0	▲ 4	136
JEANASIS	76	-	1	0	▲ 3	74
BAYFLOW	39	-	10	0	0	49
RAGEBLUE	57	-	4	0	▲ 2	59
Others	279	14	23	▲ 1	▲ 22	293
Adastria non-consolidated total	1,275	14	62	▲ 1	▲ 47	1,303
(Web store included)	(45)	(1)	(8)	(0)	(▲ 2)	(52)
Domestic subsidiaries total	100	▲ 14	14	2	▲ 20	82
(Web store included)	(7)	(▲ 1)	(8)	(0)	(0)	(14)
Japan total	1,375	-	76	1	▲ 67	1,385
(Web store included)	(52)	-	(16)	(0)	(▲ 2)	(66)
Hong Kong	24	-	2	0	▲ 2	24
China	49	-	0	0	▲ 24	25
Taiwan	31	-	7	0	▲ 3	35
Korea	11	-	0	0	0	11
USA	11	-	0	0	▲ 1	10
Oversea total	126	-	9	0	▲ 30	105
(Web store included)	(8)	-	(5)	(0)	(0)	(13)
Consolidated total	1,501	-	85	1	▲ 97	1,490
(Web store included)	(60)	-	(21)	0	(▲ 2)	(79)

# FY2019/02 Forecast (Consolidated)

Same as announced  
at April 4, 2018

Millions of yen

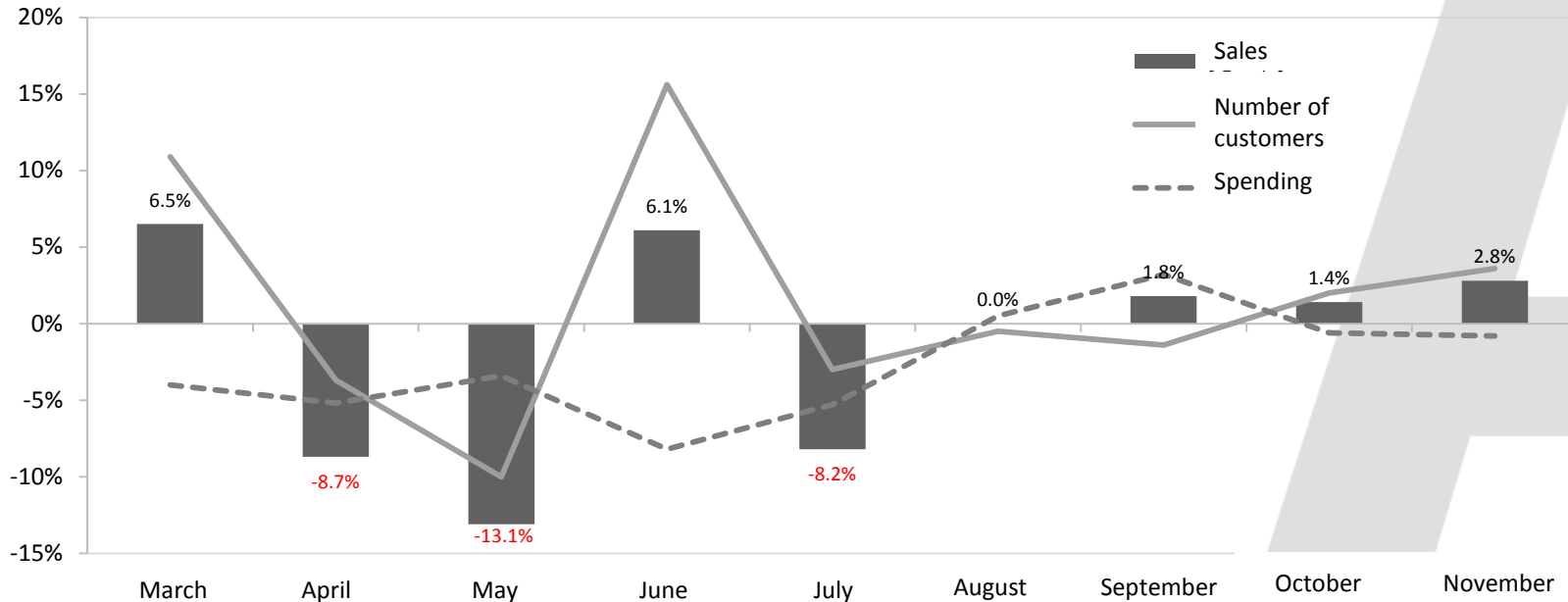
	FY2018/02	FY2019/02		
	Results	Forecast		
			Ratio	YoY
Net sales	222,787	227,000	100.0%	101.9%
Operating income	5,005	8,400	3.7%	167.8%
Ordinary income	5,428	8,700	3.8%	160.3%
Net income	863	4,400	1.9%	509.4%
ROE	1.6%	8.5%	-	+6.9p
EBITDA	15,141	16,000	7.0%	105.7%
Depreciation & Amortization	7,488	6,300	2.8%	84.1%
Amortization of goodwill	2,648	1,300	0.6%	49.1%
Capital expenditure	13,247	11,000		

## II. News & Topics



# 3rd Quarter Japan Operations Overview

FY2019/02 monthly all stores sales year on year figures of parent company



■ **The countermeasures from the 1st quarter improved product planning and operations, resulting in recovery from second half.**

1. Strength organization structure and working environment to speed up product planning and revision capabilities
2. Set price with clear high and low depends on product types to decrease discount sales
3. Large brands showed good performance. GLOBAL WORK and LOWRYS FARM recovered. niko and ... continued to grow.

# Japan Operations: News and Topics

## GLOBAL WORK

- Upgrade marketing process
  - Specify "Power item"
  - Connect production, merchandizing, channels to convey consistent message
- Strengthen quick response order process
  - Timely information sharing from the sales floor



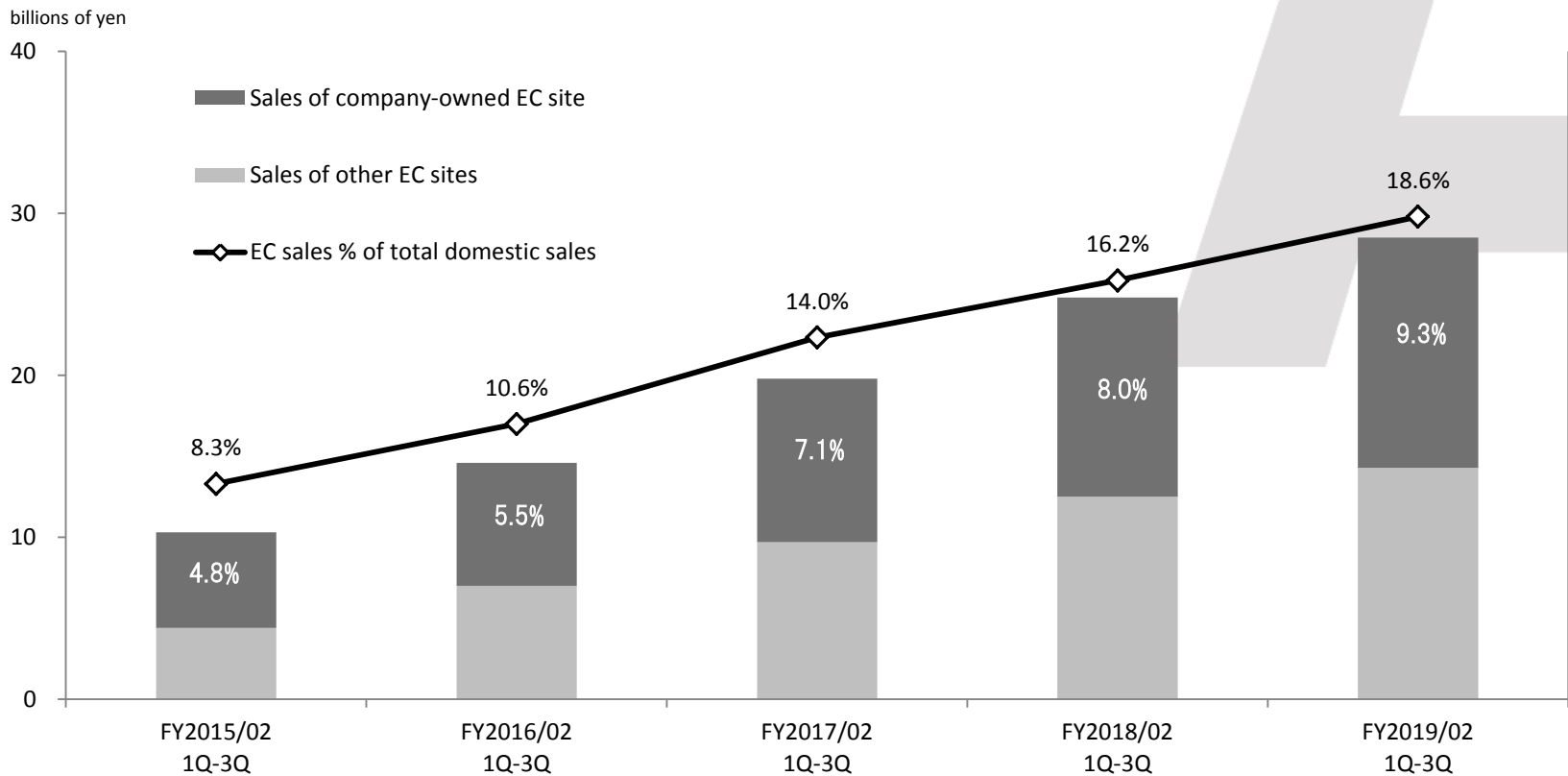
- Undergoing product design change
  - Shift the design for women in 30's because age change of the fan base
- Improve OTB planning process
  - Optimize price and inventory results in increase of customer spending



# Online Business

## Steady growth of online business

- Domestic net sales from online (Nine months ended): 28.5 billion yen (+14.6% YoY)
- Domestic online business ratio :18.6% (company-owned EC site: approx. 9.3%)
- Member of company-owned EC site [.st]: approx. 8.3 million (+1.3 million vs. the end of FY2018/02)



\* : From FY2018/02, sales of domestic subsidiaries was added.

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