

Brief summary of Fiscal 2020/02 1st Quarter Financial Results

June 28, 2019

A D A S T R I A
— *Play fashion!*

Table of Contents

I . FY2020/01 1st Quarter Financial Results

· Consolidated Income Statement	3
· Non-consolidated Income Statement	5
· Overseas Business	6
· Consolidated Balance Sheet	7
· Number of Stores	8
· FY2020/02 Consolidated Forecast	9

II . News & Topics

· Japan Operations	11
· Online Business	13

I ■ FY2020/02 1st Quarter Financial Results

Consolidated Income Statement

Millions of yen

	FY2019/02 1Q		FY2020/02 1Q		
	Results		Results		
		Ratio		Ratio	YoY
Net sales	51,392	100.0%	56,290	100.0%	109.5%
Aداستريا(Non-consolidated)	44,760	87.1%	50,303	89.4%	112.4%
Domestic subsidiaries *1	3,670	7.1%	3,668	6.5%	100.0%
Overseas subsidiaries *2	3,808	7.4%	3,123	5.5%	82.0%
Gross profit	29,521	57.4%	32,882	58.4%	111.4%
SG&A expenses	28,243	55.0%	27,660	49.1%	97.9%
Advertising & promotion	2,376	4.6%	2,127	3.8%	89.5%
Personnel	9,526	18.5%	9,754	17.3%	102.4%
Rent & depreciation	10,520	20.5%	10,270	18.2%	97.6%
Amortization of goodwill	570	1.1%	48	0.1%	8.4%
Others	5,249	10.2%	5,459	9.7%	104.0%
Operating profit	1,278	2.5%	5,221	9.3%	408.4%
Aداستريا(non-consolidated)	1,809	-	4,964	-	274.4%
Domestic subsidiaries *1	▲ 189	-	235	-	-
Overseas *2	▲ 641	-	▲ 270	-	-
Aداستريا Logistics	172	-	183	-	106.0%
Ordinary profit	1,358	2.6%	5,119	9.1%	376.9%
Net income	239	0.5%	3,267	5.8%	1366.2%
EBITDA	3,387	6.6%	6,863	12.2%	202.6%
Depreciation and amortization	1,538	3.0%	1,593	2.8%	103.6%
Amortization of goodwill	570	1.1%	48	0.1%	8.4%

*1 : Domestic subsidiaries is the sum of three domestic subsidiaries: BUZZWIT Co.,Ltd. (renamed from ALICIA Co.,Ltd.), ELEMENT RULE Co., Ltd., Aداستريا eat Creations Co.,Ltd.

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

Consolidated Income Statement

■ Net sales : 56.2 billion yen (+9.5% YoY)

- Non-consolidated: Strong performance of core brands , GLOBAL WORK, LOWRYS FARM, studio CLIP, niko and ... drove the growth
- Domestic subsidiaries: Steady growth of ELEMENT RULE , BUZZWIT
- Overseas subsidiaries: Sales declined in Hong Kong and China due to the close of unprofitable stores in last fiscal year. Double digit sales growth rate in USA

■ Gross profit margin: 58.4% (+1.0p YoY)

- Strengthening the operation of "proper timing, pricing and volumes", resulting in lower discount rate

■ SG&A expense ratio: 49.1% (-5.9p YoY)

- Advertising & promotion: 3.8% (-0.8p YoY) Decrease in e-commerce coupon cost
- Personnel: 17.3% (-1.2p YoY) Wages increased while percentage to sales decreased because the sales rose
- Rent & depreciation: 18.2% (-2.3p YoY) Number of stores decreased
- Goodwill amortization: 0.1% (-1.0p YoY) TRINITY ARTS INC. goodwill amortization ended in first half of last fiscal year

■ Operating profit: 5.2 billion yen (+308.4% YoY)

- Operating margin: 9.3% (+6.8p YoY), EBITDA margin:12.2% (+5.6p YoY)
- Non-consolidated, domestic subsidiaries increased, loss of overseas subsidiaries reduced.

■ Operating profit :3.2 billion yen

Non-consolidated(Parent company) Income Statement

Millions of yen

	FY2019/02 1Q		FY2020/02 1Q	
	Results	Results		
				YoY
Net sales	44,760	50,303	112.4%	
(Same stores YoY)	92.8%	109.6%	-	
GLOBAL WORK	9,325	10,634	114.0%	
niko and...	7,393	7,850	106.2%	
LOWRYS FARM	5,324	6,146	115.4%	
studio CLIP	5,372	5,635	104.9%	
LEPSIM	3,461	3,708	107.1%	
Gross profit	25,609	29,222	114.1%	
Gross margin	57.2%	58.1%	+0.9p	
SG&A expenses	23,799	24,257	101.9%	
SG&A ratio	53.2%	48.2%	▲ 4.9p	
Operating profit	1,809	4,964	274.4%	
Operating margin	4.0%	9.9%	+5.9p	

Opened	30	13
Closed	5	3
Renovated	18	13
As of the end of quarter	1,232	1,272

* : Amortization of goodwill FY2019/02 1Q : 497million yen, FY2020/1Q: 36 million yen

- Net sales of same stores increased 9.6% year on year, which the 14.5% increase in online sales was included.
- Three brands was transferred from former ALICIA Co.,Ltd. into parent company in August 2018.

Overseas Business

Millions of yen

	FY2019/02 1Q	FY2020/02 1Q		
	Results		Results	
			YoY (JPY)	YoY (Local currency)
Net Sales	3,808	3,123	82.0%	82.2%
Hong Kong	1,492	884	59.3%	58.4%
China	428	149	35.0%	36.5%
Taiwan	624	623	99.9%	103.1%
South Korea	282	278	98.5%	101.7%
USA	979	1,186	121.1%	119.0%
Operating profit	▲ 641	▲ 270	-	-
Hong Kong	▲ 240	▲ 113	-	-
China	▲ 216	▲ 92	-	-
Taiwan	22	39	173.9%	179.3%
South Korea	▲ 80	▲ 51	-	-
USA	▲ 127	▲ 53	-	-

* : Amortization of goodwill of USA FY2019/02 1Q : 6million yen, FY2020/1Q: 6 million yen

- Operating loss reduced in Hong Kong and China due to the close of unprofitable stores in last fiscal year
- GLOBAL WORK preformed strong in Taiwan, steady growth of company owned EC site “dot st Taiwan”
- Increased the frequency of product introduction to raise the freshness and kept the strong growth

Consolidated Balance Sheet

Millions of yen

	End of 2018/5		End of 2019/2		End of 2019/5			
		Ratio		Ratio		Ratio	Compared with the end of 2018/5	Compared with the end of 2019/2
Current assets	46,118	51.1%	48,050	52.7%	50,466	52.3%	+4,347	+2,416
Cash and deposits	12,409	13.8%	18,726	20.5%	17,321	17.9%	+4,912	▲ 1,404
Inventories	19,908	22.1%	17,592	19.3%	17,901	18.5%	▲ 2,006	+309
Fixed assets	44,064	48.9%	43,213	47.3%	46,088	47.7%	+2,024	+2,875
Property, plant and equipment	13,406	14.9%	13,440	14.7%	15,781	16.3%	+2,375	+2,341
Goodwill	1,373	1.5%	648	0.7%	599	0.6%	▲ 773	▲ 48
Investments and other assets	24,746	27.4%	23,882	26.2%	24,182	25.0%	▲ 563	+300
Total assets	90,182	100.0%	91,263	100.0%	96,555	100.0%	+6,372	+5,291
Liabilities	39,742	44.1%	38,303	42.0%	41,635	43.1%	+1,892	+3,331
Interest-bearing debt	2,775	3.1%	2,552	2.8%	2,333	2.4%	▲ 442	▲ 219
Net assets	50,439	55.9%	52,959	58.0%	54,919	56.9%	+4,479	+1,959
Treasury stocks	▲ 4,575	▲ 5.1%	▲ 4,575	▲ 5.0%	▲ 4,426	▲ 4.6%	+149	+149

- Inventories: Declined 10.1% compared with the end of May 2018, due to the initiative of inventory volume optimization , and the decrease in stores numbers in Hong Kong and China
- Fix assets: Increased 2.3 billion yen compared with the end of May 2018 mainly because subsidiaries in Asia applied IFRS 16

Number of Stores

	End of FY2019	End of FY2019 1Q			
	Number of stores	Opened	Changed	Closed	End of the quarter
GLOBAL WORK	213	1	0	0	214
niko and ...	139	2	0	0	141
LOWRYS FARM	139	0	0	0	139
studio CLIP	190	2	0	▲ 1	191
LEPSIM	132	1	0	0	133
JEANASIS	73	0	0	0	73
BAYFLOW	49	5	0	0	54
RAGEBLUE	58	0	0	0	58
Others	269	2	0	▲ 2	269
Adastria non-consolidated total	1,262	13	0	▲ 3	1,272
(Online store included)	(52)	(5)	(0)	(0)	(57)
Domestic subsidiaries total *1	80	6	0	▲ 1	85
(Online store included)	(14)	(2)	(0)	(▲ 1)	(15)
Japan total	1,342	19	0	▲ 4	1,357
(Online store included)	(66)	(7)	(0)	(▲ 1)	(72)
Hong Kong	20	0	0	▲ 2	18
China	10	0	0	0	10
Taiwan	34	1	0	▲ 1	34
Korea	12	0	0	0	12
USA	9	0	0	0	9
Oversea total	85	1	0	▲ 3	83
(Online store included)	(13)	(0)	(0)	(0)	(13)
Consolidated total	1,427	20	0	▲ 7	1,440
(Online store included)	(79)	(7)	(0)	(▲ 1)	(85)

*1: Domestic subsidiaries is the sum of three domestic subsidiaries: BUZZWIT Co.,Ltd. (renamed from ALICIA Co.,Ltd.), ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd.

FY2020/02 Consolidated Forecast

Same as announced
at April 4, 2019

Millions of yen

	FY2019/02		FY2020/02	
	Results	Forecast		
			Ratio	YoY
Net sales	222,664	225,000	100.0%	101.0%
Operating profit	7,190	10,000	4.4%	139.1%
Ordinary profit	7,345	10,000	4.4%	136.1%
Net income	3,890	6,000	2.7%	154.2%
ROE	7.5%	11.0%	-	+3.5p
EBITDA	15,317	16,520	7.3%	107.9%
Depreciation & Amortization	6,820	6,400	2.8%	93.8%
Amortization of goodwill	1,306	120	0.1%	9.2%
Capital expenditure	12,201	10,300		

II . News & Topics



Japan Operations: status of core brands

GLOBAL WORK

- Woman category performed strong due to strengthening of Hybrid production flow
 - Adjusted the percentage between quiet period and during season & quick response production to achieve proper time and volume
 - Trend items such as dresses & skirts grew approximately two times year on year



LOWRYS FARM

- Conducted rebranding in spring 2019
 - More merchandising targeting women in their 30s
 - Optimized pricing and reduced discount
 - Same store sales is over 20% increase year on year



Japan Operations: status of core brands

niko and ...

- Start China operations in 2019
 - Plan to open global flagship store in Shanghai in the end of 2019.
 - Held press conference in Shanghai
- Continue to develop lifestyle product category
 - Opened first restaurant “niko and ... KITCHEN”
 - Led interior design with properties company



< Press conference in Shanghai >



< niko and ... KITCHEN >



- Product design with customers
 - Conducted survey with about 1000 dot st(company owned EC site) members and focus groups to decide product design, color and material, and successfully created hit products

みんなでつくる
HELLO!IDEA
HELLO!
New basic



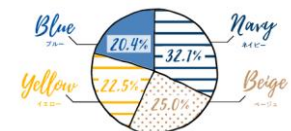
< Focus-group with customers >



Q1. [どんな]ポータートップスがほしい??



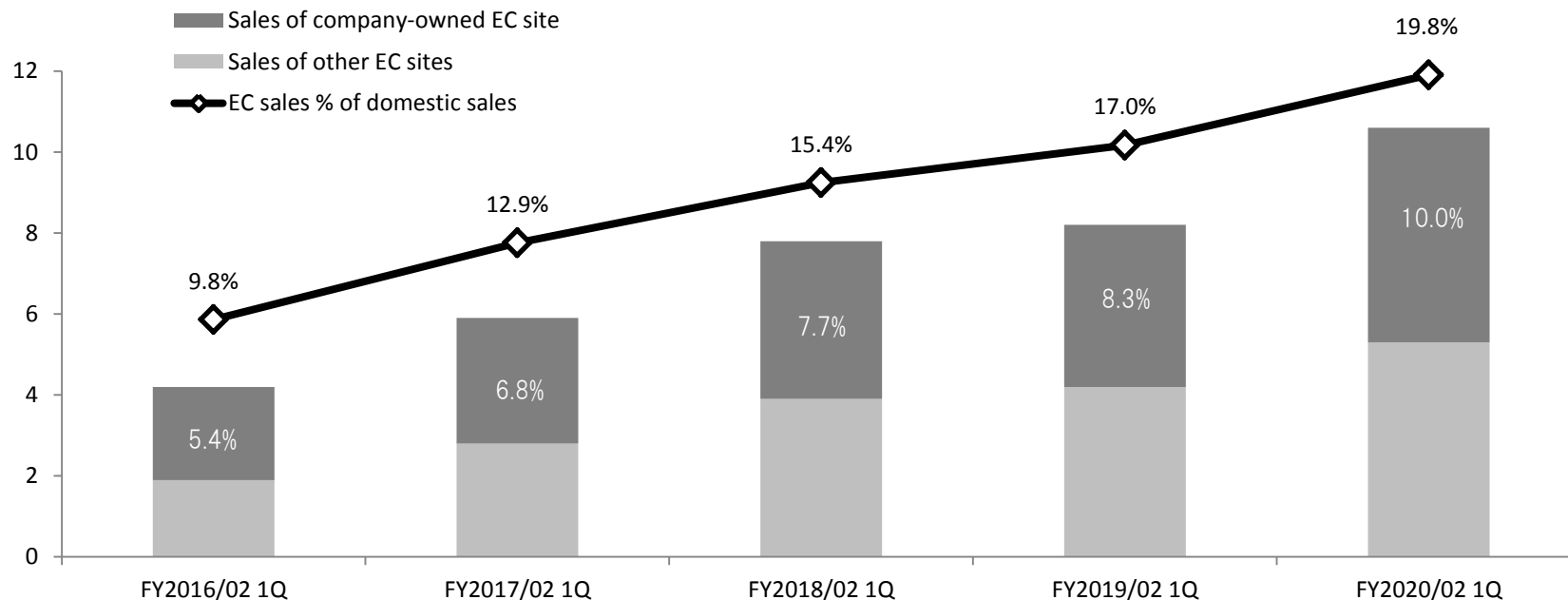
Q2. [何色の]ポータートップスがほしい??



Online business

Steady growth of online business in both parent company and domestic subsidiaries

- Domestic net sales from online: **10.7** billion yen (+30.4% YoY)
- Domestic online business ratio: **19.8%** (company-owned EC site: approx. 10.0%)
- Member of company-owned EC site dot st : approx. 9.2 million (+0.5 million vs. FY2019/02)



* : From FY2018/02, sales of ALICIA Co.,Ltd. was added.

* : From FY2019/02, sales of BUZZWIT and ELEMENT RULE were added.

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