

Brief summary of Fiscal 2020/02 3rd Quarter Financial Results

December 27, 2019

A D A S T R I A
— *Play fashion!*

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I ■ FY2020/02 3rd Quarter Financial Results



Consolidated Income Statement

Millions of yen

	FY2019/02 3Q				FY2020/02 3Q					
	Nine Months Ended		Three Months Ended		Nine Months Ended			Three Months Ended		
		Ratio		Ratio		Ratio	YoY		Ratio	YoY
Net sales	162,345	100.0%	57,339	100.0%	164,280	100.0%	101.2%	55,299	100.0%	96.4%
Adastria(Non-consolidated)	142,305	-	51,179	-	146,495	-	102.9%	49,423	-	96.6%
Domestic subsidiaries *1	11,135	-	2,967	-	10,780	-	96.8%	3,535	-	119.1%
Overseas subsidiaries *2	11,376	-	4,128	-	9,466	-	83.2%	3,267	-	79.1%
Gross profit	89,749	55.3%	33,100	57.7%	93,805	57.1%	104.5%	32,544	58.9%	98.3%
SG&A expenses	84,048	51.8%	27,929	48.7%	81,834	49.8%	97.4%	27,738	50.2%	99.3%
Advertising & promotion	6,299	3.9%	2,317	4.0%	6,066	3.7%	96.3%	2,284	4.1%	98.6%
Personnel	29,329	18.1%	9,748	17.0%	29,363	17.9%	100.1%	9,819	17.8%	100.7%
Rent & depreciation	32,504	20.0%	11,047	19.3%	30,823	18.8%	94.8%	10,411	18.8%	94.2%
Amortization of goodwill	1,229	0.8%	57	0.1%	127	0.1%	10.4%	39	0.1%	68.9%
Others	14,685	9.0%	4,758	8.3%	15,453	9.4%	105.2%	5,183	9.4%	108.9%
Operating profit	5,700	3.5%	5,171	9.0%	11,970	7.3%	210.0%	4,805	8.7%	92.9%
Adastria(non-consolidated)	5,893	-	4,588	-	11,293	-	191.6%	4,708	-	102.6%
Domestic subsidiaries *1	▲ 435	-	73	-	415	-	-	94	-	128.2%
Overseas *2	▲ 1,267	-	▲ 217	-	▲ 508	-	-	▲ 189	-	-
Adastria Logistics	575	-	187	-	559	-	97.2%	149	-	80.0%
Ordinary profit	5,832	3.6%	5,232	9.1%	11,871	7.2%	203.5%	4,884	8.8%	93.3%
Net income	3,081	1.9%	3,636	6.3%	6,908	4.2%	224.2%	2,498	4.5%	68.7%
EBITDA	11,787	7.3%	6,892	12.0%	17,133	10.4%	145.3%	6,576	11.9%	95.4%
Depreciation and amortization	4,857	3.0%	1,663	2.9%	5,035	3.1%	103.7%	1,731	3.1%	104.1%
Amortization of goodwill	1,229	0.8%	57	0.1%	127	0.1%	10.4%	39	0.1%	68.9%

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

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

Consolidated Income Statement (three months ended November 30,2019)

■ Net sales : 55.2 billion yen (-3.6% YoY)

- Non-consolidated: Steady performance of core brands , niko and ..., LOWRYS FARM, BAYFLOW, PAGEBOY even with the irregular weather
- Domestic subsidiaries: Strong growth of BUZZWIT
- Overseas subsidiaries: Sales declined in Hong Kong and China due to the close of unprofitable stores in last fiscal year.

■ Gross profit margin: 58.9% (+1.2p YoY)

- In addition to lower production cost, strengthening the operation of "proper timing, pricing and volumes", resulting in lower discount rate

■ SG&A expense ratio: 50.2% (+1.5p YoY)

- Advertising & promotion: 4.1% (+0.1p YoY) Amount decreased while percentage to sales increased
- Personnel: 17.8% (+0.8p YoY) Wage slightly increased
- Rent & depreciation: 18.8% (-0.5p YoY) Number of stores decreased
- Others: 9.4% (+1.1p YoY) Software license fee...etc. increased

■ Operating profit: 4.8 billion yen (-7.1% YoY)

- Operating margin: 8.7% (-0.3p YoY), EBITDA margin:11.9% (-0.1p YoY)

■ Operating profit :2.4 billion yen(-31.3% YoY)

- Recorded 1.5 billion yen of software impairment loss

Non-consolidated(Parent company) Income Statement

Millions of yen

	FY2019/02 3Q		FY2020/02 3Q			
	Nine Months Ended	Three Months Ended	Nine Months Ended		Three Months Ended	
				YoY		YoY
Net sales	142,305	51,179	146,495	102.9%	49,423	96.6%
(Same stores YoY)	98.3%	103.1%	102.4%	-	98.3%	-
GLOBAL WORK	29,641	10,915	30,599	103.2%	10,712	98.1%
niko and...	22,914	7,790	23,703	103.4%	7,972	102.3%
LOWRYS FARM	16,109	5,808	17,642	109.5%	5,723	98.5%
studio CLIP	17,628	5,745	16,789	95.2%	5,314	92.5%
LEPSIM	11,070	3,896	10,755	97.2%	3,628	93.1%
Gross profit	77,689	29,280	82,809	106.6%	28,901	98.7%
Gross margin	54.6%	57.2%	56.5%	+1.9p	58.5%	+1.3p
SG&A expenses	71,796	24,692	71,516	99.6%	24,192	98.0%
SG&A ratio	50.5%	48.2%	48.8%	▲ 1.6p	49.0%	+0.8p
Operating profit	5,893	4,588	11,293	191.6%	4,708	102.6%
Operating margin	4.1%	9.0%	7.7%	+3.6p	9.5%	+0.6p

Opened	62	26	29	10
Closed	47	14	30	14
Renovated	28	9	19	5
As of the end of quarter	1,303	1,303	1,261	1,261

• Amortization of goodwill

- FY2019/02 Nine Months Ended: 1,045 million yen, FY2020/02 Nine Months Ended : 94 million yen.
- FY2019/02 Three Months Ended:41 million yen, FY2020/02 Three Months Ended:28 million yen.

Overseas Business

Millions of yen

	FY2019/02 3Q		FY2020/02 3Q					
	Nine Months Ended	Three Months Ended	Nine Months Ended			Three Months Ended		
				YoY (JPY)	YoY (Local currency)		YoY (JPY)	YoY (Local currency)
Net Sales	11,376	4,128	9,466	83.2%	84.9%	3,267	79.1%	82.5%
Hong Kong	3,967	1,351	2,582	65.1%	65.3%	894	66.2%	68.4%
China	1,133	339	336	29.7%	31.3%	63	18.5%	20.5%
Taiwan	1,739	590	1,796	103.3%	107.8%	632	107.1%	113.2%
South Korea	925	320	883	95.4%	102.0%	282	88.1%	97.4%
USA	3,610	1,526	3,869	107.2%	107.6%	1,394	91.3%	94.2%
Operating profit	▲ 1,267	▲ 217	▲ 508	-	-	▲ 189	-	-
Hong Kong	▲ 605	▲ 191	▲ 204	-	-	▲ 63	-	-
China	▲ 543	▲ 173	▲ 380	-	-	▲ 192	-	-
Taiwan	89	1	105	118.3%	123.5%	27	1938.0%	1915.5%
South Korea	▲ 119	▲ 24	▲ 89	-	-	▲ 38	-	-
USA	▲ 88	171	59	-	-	77	45.1%	46.3%

• Amortization of goodwill for USA

- FY2019/02 Nine Months Ended: 7 million yen, FY2020/02 Nine Months Ended : 18 million yen.
- FY2019/02 Three Months Ended: -6 million yen, FY2020/02 Three Months Ended: 6 million yen.

- Sales declined in Hong Kong and China due to the close of unprofitable stores in last fiscal year
- niko and ... ,GLOBAL WORK, LOWRYS FARM preformed strong in Taiwan
- Sales reduced for the third quarter but overall steady throughout the year for USA

Consolidated Balance Sheet

Millions of yen

	End of 2018/11		End of 2019/2		End of 2019/11			
		Ratio		Ratio		Ratio	Compared with the end of 2018/11	Compared with the end of 2019/2
Current assets	53,751	54.3%	48,050	52.7%	55,538	55.6%	+1,786	+7,487
Cash and deposits	11,425	11.5%	18,726	20.5%	15,698	15.7%	+4,272	▲ 3,028
Inventories	23,917	24.2%	17,592	19.3%	21,542	21.6%	▲ 2,374	+3,950
Fixed assets	45,179	45.7%	43,213	47.3%	44,375	44.4%	▲ 804	+1,161
Property, plant and equipment	14,938	15.1%	13,440	14.7%	14,844	14.9%	▲ 94	+1,403
Goodwill	730	0.7%	648	0.7%	515	0.5%	▲ 214	▲ 132
Investments and other assets	24,477	24.7%	23,882	26.2%	23,581	23.6%	▲ 896	▲ 301
Total assets	98,931	100.0%	91,263	100.0%	99,913	100.0%	+981	+8,649
Liabilities	46,647	47.2%	38,303	42.0%	42,565	42.6%	▲ 4,081	+4,261
Interest-bearing debt	5,615	5.7%	2,552	2.8%	0	0.0%	▲ 5,615	▲ 2,552
Net assets	52,284	52.8%	52,959	58.0%	57,347	57.4%	+5,063	+4,387
Treasury stocks	▲ 4,574	▲ 4.6%	▲ 4,575	▲ 5.0%	▲ 4,371	▲ 4.4%	+202	+203

*In FY2020/02, Adastria started using Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28). As a result, deferred tax assets that were included in current assets in prior fiscal years are now included in investments and other assets in non-current assets and deferred tax liabilities are included in non-current liabilities. This change has also been applied to the balance sheets for the end of 2018/11 and 2019/2

- Cash and deposits: Net cash increased 9.8 billion yen from one year earlier
- Inventories: Down 9.9% from one year earlier because of measures for proper inventory levels and fewer stores in Hong Kong and China
- Fixed assets: Goodwill and investment securities reduced...etc. resulting 0.8 billion yen decreased from one year earlier
- Liabilities : Paid back 2.5 billion of external debt and replacing the debt into internal group finance
- Net assets: Net asset ratio is 57.4%, up 4.6 pct. point from one year earlier

Number of Stores

	FY2019/02	FY2020/02 3Q nine months ended			
	Fiscal year end	Opened	Changed	Closed	end of 3Q
GLOBAL WORK	213	3	0	▲ 3	213
niko and ...	139	8	0	▲ 2	145
LOWRYS FARM	139	0	0	▲ 2	137
studio CLIP	190	3	0	▲ 3	190
LEPSIM	132	2	0	▲ 2	132
JEANASIS	73	0	0	0	73
BAYFLOW	49	7	0	▲ 2	54
RAGEBLUE	58	0	0	▲ 3	55
Others	269	6	0	▲ 13	262
Adastria non-consolidated total	1,262	29	0	▲ 30	1,261
(Online store included)	(52)	(7)	(0)	(▲7)	(52)
Domestic subsidiaries total *1	80	10	0	▲ 3	87
(Online store included)	(14)	(4)	(0)	(▲1)	(17)
Japan total	1,342	39	0	▲ 33	1,348
(Online store included)	(66)	(11)	(0)	(▲8)	(69)
Hong Kong	20	0	0	▲ 4	16
China	10	0	0	▲ 9	1
Taiwan	34	4	0	▲ 3	35
Korea	12	1	0	0	13
USA	9	0	0	0	9
Oversea total	85	5	0	▲ 16	74
(Online store included)	(13)	(3)	(0)	(▲2)	(14)
Consolidated total	1,427	44	0	▲ 49	1,422
(Online store included)	(79)	(14)	(0)	(▲10)	(83)

*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

Millions of yen

	FY2019/02	FY2020/02			
	Results	Initial forecast	Revised forecast in December 27, 2019		
				Ratio	YoY
Net sales	222,664	225,000	223,000	100.0%	100.2%
Operating profit	7,190	10,000	12,000	5.4%	166.9%
Ordinary profit	7,345	10,000	12,000	5.4%	163.4%
Net income	3,890	6,000	6,500	2.9%	167.1%
ROE	7.5%	11.0%	11.8%	-	+4.3p
EBITDA	15,317	16,520	18,870	8.5%	123.2%
Depreciation and amortization	6,820	6,400	6,700	3.0%	98.2%
Amortization of goodwill	1,306	120	170	0.1%	13.0%
Capital expenditure	12,201	10,300	8,000		

- Net sales is slightly downward revised from the initial forecast
- Because of the gross margin improvement and cost control, operating profit, ordinary profit, and net income are upward revised from the initial forecast

Non-consolidated Forecast

Millions of yen

	FY2019/02	FY2020/02		
	Results	Initial forecast	Revised forecast in December 27, 2019	
				YoY
Net Sales	195,427	197,000	197,600	101.1%
(Same stores YoY)	99.6%	101.3%	101.4%	
Gross profit	103,865	107,800	108,200	104.2%
Gross margin	53.1%	54.7%	54.8%	+1.7p
SG&A expenses	96,423	98,300	96,900	100.5%
SG&A ratio	49.3%	49.9%	49.0%	▲ 0.3p
Operating profit	7,442	9,500	11,300	151.8%
Operating margin	3.8%	4.8%	5.7%	+1.9p

Opened	66	45	35
Closed	▲ 92	▲ 40	▲ 64
Renovated	28	20	28
As of the end of quarter	1,262	1,267	1,233

- Net Sales: 197.6 billion yen (+1.1p YoY)
 - Same stores YoY:101.4%
- Gross profit: 54.8%(+1.7p YoY)
 - Optimize the inventory level to reduce discounted sales
 - Control production cost
- SG&A expenses : 49.0%(-0.3p YoY)
 - Rent, amortization of goodwill reduce while the personnel cost increase

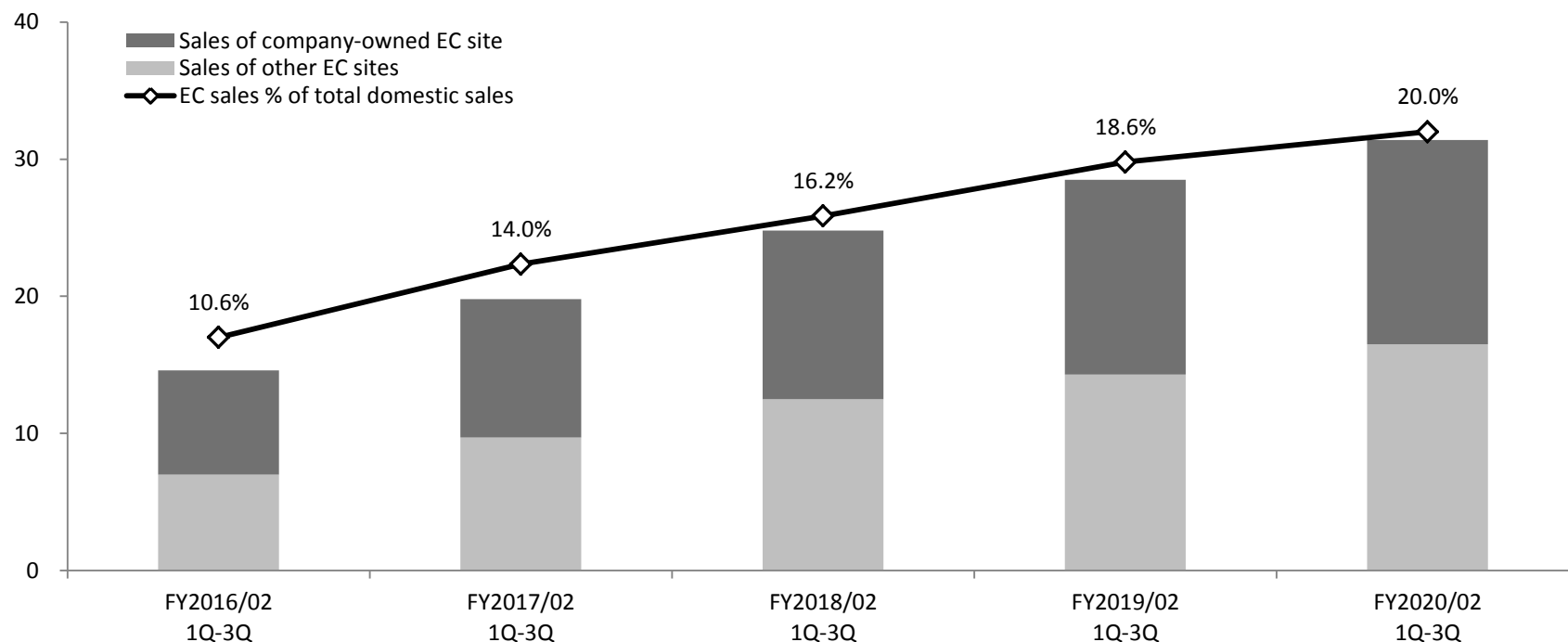
II . News & Topics



Online Business

Steady growth of online business in both parent company and BUZZWIT

- Domestic net sales from online(Nine Months Ended): **31.4** billion yen (+10.2% YoY)
- Domestic online business ratio: 20.0% (company-owned EC site: approx. 9.5%)
- Member of company-owned EC site dot st : approx. **10** million (+1.3 million vs. FY2019/02)



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

* : Starting in FY2019/02, non-consolidated sales and sales in ALICIA CO., LTD. and ELEMENT RULE Co., Ltd. are included.
ALICIA CO., LTD. was renamed BUZZWIT Co., Ltd. in August 2018.

Japan Operations: Increased Large Stores

GLOBAL WORK

■ LINKS UMEDA

- Expanded and re-opened in November, 2019
- 697 square meters, largest in Kansai area



niko and ...

■ mozo WONDER CITY

- 2,013 square meters, largest in Japan



Overseas business **niko and ...** Shanghai Flagship Store

- flagship store opened in Shanghai in December 2019, the largest in the world



Sustainable Management: Environmental Initiatives

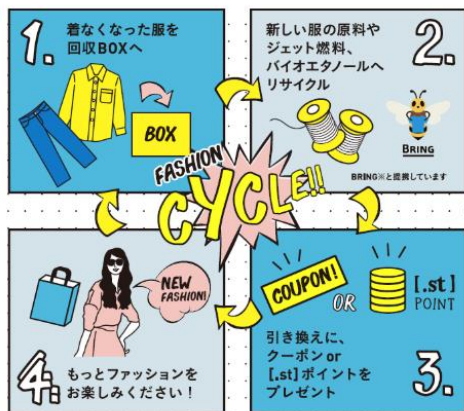
■ Cloth recycle project “Play Cycle !”

- Ran event in 14 cities inn 2019

Recycled clothes

4.2 ton in 2017, 4.6 ton in 2018

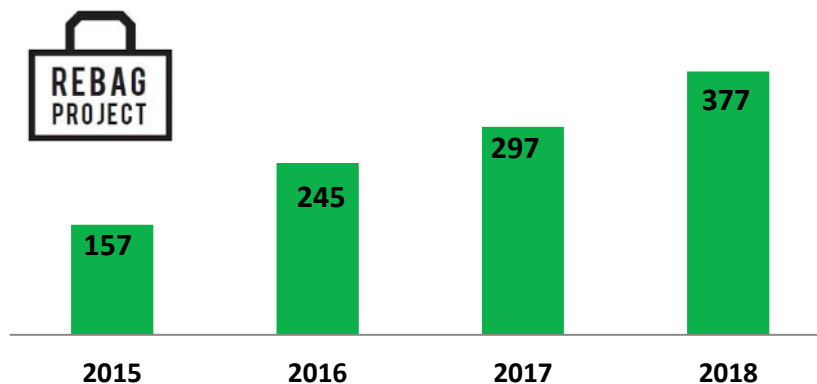
2019 Target
7.0 ton



■ Increase the usage of my-bag ”REBAG PROJECT”

- Customer get free point for our EC site when bringing their own shopping bag

Number of bag reduced (thousands)



Switching into paper shopping bags made from recycled material



A D A S T R I A
— *Play fashion!*