

Brief summary of Fiscal 2021/02 3rd Quarter Financial Results

December 29, 2020

A D A S T R I A
— *Play fashion!*

Table of Contents

I . FY2021/02 3rd Quarter Financial Results

· Consolidated Income Statement	3
· Parent Company (non-consolidated) Income Statement	5
· Online Business	6
· Overseas Business	7
· Consolidated Balance Sheet	8
· Number of Stores	9
· FY2021/02 Consolidated Forecast	10

II . News & Topics

· Domestic Business Progress with Growth Brands	12
· Strengthening E-commerce Business in Japan	13
· Sales Growth in China	14
· Our Commitment to Sustainable Management	15

I ■ FY2021/02 3rd Quarter Financial Results



Consolidated Income Statement

Millions of yen

	FY2020/02 3Q				FY2021/02 3Q					
	Nine Months Ended		Three Months Ended		Nine Months Ended			Three Months Ended		
		Ratio		Ratio		Ratio	YoY		Ratio	YoY
Net sales	164,280	100.0%	55,299	100.0%	132,833	100.0%	80.9%	53,168	100.0%	96.1%
Adastria(Non-consolidated)	146,495	-	49,423	-	116,896	-	79.8%	46,900	-	94.9%
Domestic subsidiaries *1	10,780	-	3,535	-	10,636	-	98.7%	4,250	-	120.2%
Overseas subsidiaries *2	9,466	-	3,267	-	7,479	-	79.0%	2,782	-	85.2%
Gross profit	93,805	57.1%	32,544	58.9%	73,949	55.7%	78.8%	31,677	59.6%	97.3%
SG&A expenses	81,834	49.8%	27,738	50.2%	72,841	54.8%	89.0%	26,158	49.2%	94.3%
Advertising & promotion	6,066	3.7%	2,284	4.1%	5,343	4.0%	88.1%	1,983	3.7%	86.8%
Personnel	29,363	17.9%	9,819	17.8%	27,329	20.6%	93.1%	9,096	17.1%	92.6%
Rent & depreciation	30,823	18.8%	10,411	18.8%	26,175	19.7%	84.9%	9,963	18.7%	95.7%
Amortization of goodwill	127	0.1%	39	0.1%	118	0.1%	93.0%	39	0.1%	99.7%
Others	15,453	9.4%	5,183	9.4%	13,873	10.4%	89.8%	5,075	9.5%	97.9%
Operating profit	11,970	7.3%	4,805	8.7%	1,108	0.8%	9.3%	5,519	10.4%	114.8%
Adastria(non-consolidated)	11,293	-	4,708	-	1,756	-	15.6%	5,486	-	116.5%
Domestic subsidiaries *1	415	-	94	-	-572	-	-	-7	-	-
Overseas subsidiaries *2	-508	-	-189	-	-753	-	-	-180	-	-
Adastria Logistics	559	-	149	-	473	-	84.6%	140	-	94.0%
Ordinary profit	11,871	7.2%	4,884	8.8%	3,116	2.3%	26.3%	5,847	11.0%	119.7%
Net income	6,908	4.2%	2,498	4.5%	1,228	0.9%	17.8%	3,690	6.9%	147.7%
EBITDA	17,133	10.4%	6,576	11.9%	6,147	4.6%	35.9%	7,276	13.7%	110.6%
Depreciation and amortization	5,035	3.1%	1,731	3.1%	4,920	3.7%	97.7%	1,718	3.2%	99.2%
Amortization of goodwill	127	0.1%	39	0.1%	118	0.1%	93.0%	39	0.1%	99.7%

*1 : Domestic subsidiaries is the sum of three domestic subsidiaries: ELEMENT RULE Co., Ltd, BUZZWIT 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, 2020)

- **Net sales: 53.1 billion yen (-3.9% YoY)**
 - Parent company: While people were still refraining from going out, the number of customers has improved compared to the first half
 - Domestic subsidiaries: Sales of ELEMENT RULE, which mainly have stores in city, was still struggling
Sales of BUZZWIT, which specializes in ecommerce business, grew significantly
 - Overseas subsidiaries: Sales increased in China and Taiwan but decreased in Hong Kong, South Korea and the U.S. due to the continuous impact of COVID-19
- **Gross profit margin: 59.6% (+0.7p YoY) Down 5.2 points in 1Q, down 0.9 points in 2Q**
 - Thorough inventory control suppressed sales events and improved discount rate
- **SG&A expense ratio: 49.2% (-1.0p YoY, -1.5 billion yen YoY)**
 - Advertising & promotions: 3.7% (-0.4p, -0.3 billion yen) Held down sales promotion expenses after revising promotion plans
 - Personnel: 17.1% (-0.7p, -0.7 billion yen) Decrease in bonus as sales declined
 - Rent and depreciation: 18.7% (-0.1p, -0.4 billion yen) Continuous rent reductions caused by COVID-19
 - Other: 9.5% (+0.1p, -0.1 billion yen) Reductions in packaging fees and other costs due to changes in formats of events and decrease in business travel
- **Operating profit: 5.5 billion yen (+14.8% YoY)**
 - Operating margin: 10.4% (+1.7p YoY), EBITDA margin: 13.7% (+1.8p YoY)
- **Ordinary profit: 5.8 billion yen (+19.7% YoY)**
- **Net income: 3.6 billion yen (+47.7% YoY)**
 - Includes an extraordinary loss of 100 million yen in provision for loss on business liquidation due to liquidation of the subsidiary in South Korea

Parent Company (non-consolidated) Income Statement

Millions of yen

	FY2020/02 3Q		FY2021/02 3Q			
	Nine Months Ended	Three Months Ended	Nine Months Ended		Three Months Ended	
				YoY		YoY
Net sales	146,495	49,423	116,896	79.8%	46,900	94.9%
(Existing stores YoY)	102.4%	98.3%	79.1%	-	94.1%	-
GLOBAL WORK	30,599	10,712	24,515	80.1%	10,092	94.2%
niko and ...	23,703	7,972	18,813	79.4%	7,532	94.5%
LOWRYS FARM	17,642	5,723	14,312	81.1%	5,703	99.7%
studio CLIP	16,789	5,314	13,683	81.5%	5,113	96.2%
LEPSIM	10,755	3,628	8,172	76.0%	3,241	89.4%
Gross profit	82,809	28,901	65,040	78.5%	28,117	97.3%
Gross margin	56.5%	58.5%	55.6%	-0.9p	60.0%	+1.5p
SG&A expenses	71,516	24,192	63,284	88.5%	22,631	93.5%
SG&A ratio	48.8%	49.0%	54.1%	+5.3p	48.3%	-0.7p
Operating profit	11,293	4,708	1,756	15.6%	5,486	116.5%
Operating margin	7.7%	9.5%	1.5%	-6.2p	11.7%	+2.2p

Opened	29	10	50	20
Closed	30	14	19	4
Renovated	19	5	35	9
As of the end of 3Q	1,261	1,261	1,257	1,257

- Amortization of goodwill

- FY2020/02 Nine Months Ended: 94 million yen, FY2021/02 Nine Months Ended : 85 million yen.

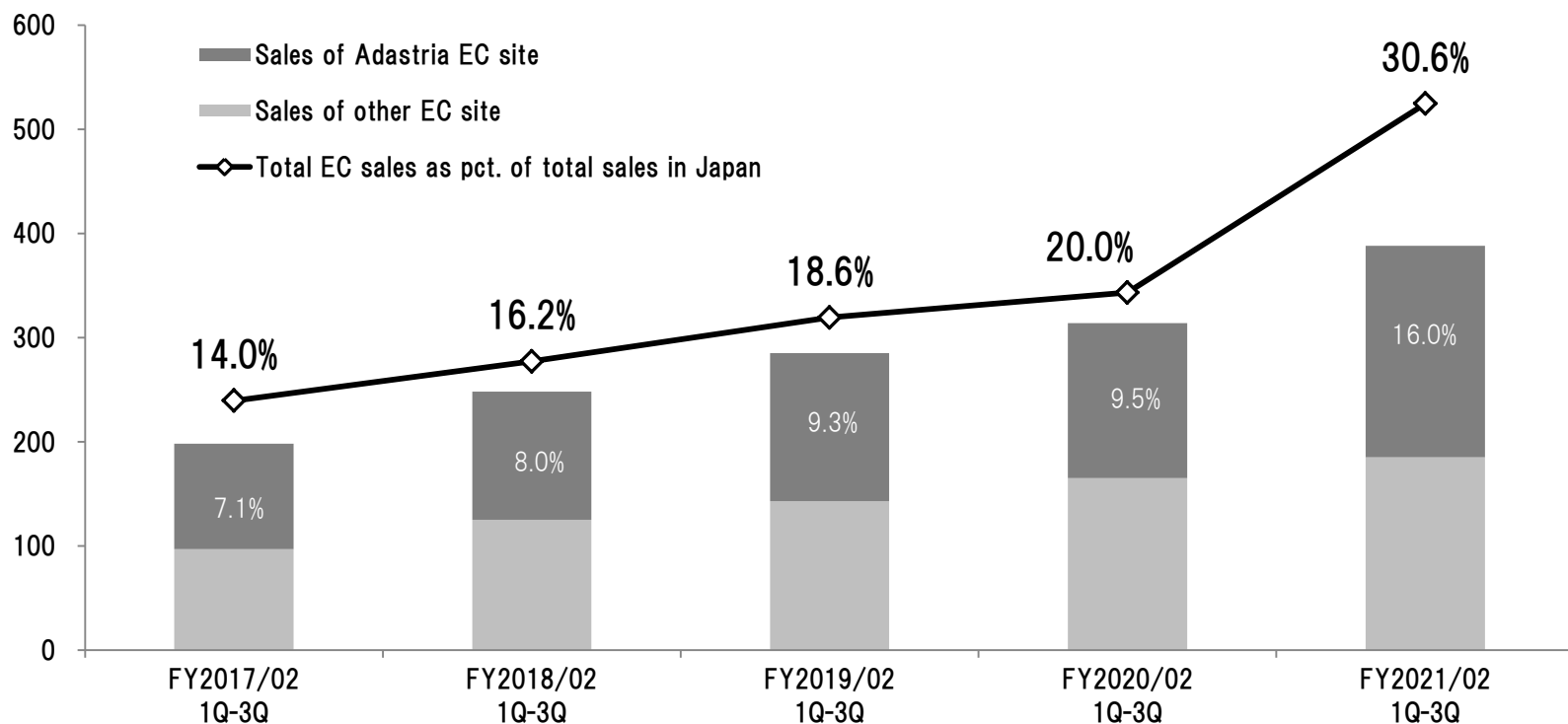
- FY2020/02 Three Months Ended: 28 million yen, FY2021/02 Three Months Ended: 28 million yen.

Online Business

More EC sales growth resulted from continuous strengthening in-house EC site

- FY2021/02 3rd quarter domestic e-commerce sales: **38.9** billion yen (+23.8% YoY)
 - Domestic sales ratio: 30.6% (Adastria EC site: approx. 16%)
- Adastria's ".st" EC site has about 11.3 million members (+1 million from the end of FY2020/02)

Billions of yen



*From FY2018/02, sales of ALICIA CO., LTD. were added to sales of parent company.

*From FY2019/02, sales of ELEMENT RULE Co., Ltd. are added to sales of parent company and BUZZWIT Co., Ltd. (formerly ALICIA CO., LTD.).

Overseas Business

Millions of yen

	FY2019/12 3Q		FY2020/12 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	9,466	3,267	7,479	79.0%	79.6%	2,782	85.2%	85.8%
Hong Kong	2,582	894	1,829	70.9%	71.2%	607	67.8%	68.1%
China	336	63	822	244.9%	254.7%	400	635.0%	660.3%
Taiwan	1,796	632	1,859	103.5%	100.9%	690	109.1%	106.4%
Korea	883	282	504	57.1%	59.9%	152	53.9%	56.6%
USA	3,869	1,394	2,462	63.7%	64.6%	932	66.9%	67.8%
Operating profit	-508	-189	-753	-	-	-180	-	-
Hong Kong	-204	-63	-134	-	-	-69	-	-
China	-380	-192	-167	-	-	-18	-	-
Taiwan	105	27	57	54.3%	53.0%	14	54.5%	52.2%
Korea	-89	-38	-104	-	-	-32	-	-
USA	59	77	-404	-	-	-74	-	-

- Amortization of goodwill for USA
 - FY2019/12 Nine Months Ended: 18 million yen, FY2020/12 Nine Months Ended : 18 million yen.
 - FY2019/12 Three Months Ended: 6 million yen, FY2020/12 Three Months Ended: 6 million yen.

- Sales declined in Hong Kong, Korea and the U.S.A due to the continuous impact of COVID-19
- In Taiwan, sales increased steadily due to new store openings and in-house EC development
- In China, sales increased due to the strong performance of niko and ... Shanghai flagship store

Consolidated Balance Sheet

Millions of yen

	End of 2019/11		End of 2020/2		End of 2020/11			
		Ratio		Ratio		Ratio	Compared with the end of 2019/11	Compared with the end of 2020/2
Current assets	55,538	55.6%	53,234	54.4%	55,554	54.4%	+16	+2,319
Cash and deposits	15,698	15.7%	26,462	27.0%	19,222	18.8%	+3,523	-7,240
Inventories	21,542	21.6%	15,008	15.3%	18,931	18.5%	-2,611	+3,922
Non-current assets	44,375	44.4%	44,689	45.6%	46,650	45.6%	+2,275	+1,960
Property, plant and equipment	14,844	14.9%	15,265	15.6%	15,950	15.6%	+1,106	+685
Goodwill	515	0.5%	478	0.5%	355	0.3%	-160	-123
Investments and other assets	23,581	23.6%	23,146	23.6%	23,449	22.9%	-132	+303
Total assets	99,913	100.0%	97,924	100.0%	102,204	100.0%	+2,291	+4,279
Liabilities	42,565	42.6%	40,883	41.7%	48,099	47.1%	+5,533	+7,215
Interest-bearing debt	0	0.0%	0	0.0%	0	0.0%	0	0
Net assets	57,347	57.4%	57,041	58.3%	54,105	52.9%	-3,242	-2,936
Treasury shares	-4,371	-4.4%	-4,372	-4.5%	-6,342	-6.2%	-1,970	-1,969

- Inventories: Decreased 12.1% year-on-year due to rigorous inventory control
- Liabilities: Increased from the same period of the prior year due to the application of the special rule for deferring payment of corporate tax and consumption tax
- Net assets: Net asset ratio of 52.9%, -4.5% year-on-year
Resolved to acquire treasury stock at director's meeting in October 2020.
As of the end of November 2020, the total number of stock acquired is 1,162 thousand shares and the total acquisition amount is 2 billion yen.
✂️Acquisition completed on December 25, 2020. The total number of stock acquired is 2,000 thousand shares and the total acquisition amount is 3.7 billion yen.

Number of Stores

	End of FY2020	FY2021/02 3Q				
	Number of stores	Transferred *2	Opened	Changed	Closed	End of 3Q
GLOBAL WORK	210	-	3	-1	-2	210
niko and ...	144	-	3	0	-2	145
LOWRYS FARM	136	-	0	0	0	136
studio CLIP	183	-	4	0	-1	186
LEPSIM	128	-	0	0	-2	126
JEANASIS	73	-	2	0	-1	74
BAYFLOW	54	-	5	0	-1	58
RAGEBLUE	54	-	1	0	-3	52
Others	247	-3	32	1	-7	270
Adastria non-consolidated total	1,229	-3	50	0	-19	1,257
(Online store included)	(54)	(-2)	(15)	(0)	(-1)	(66)
Domestic subsidiaries total *1	86	3	26	0	-5	110
(Online store included)	(16)	(2)	(14)	(0)	(0)	(32)
Japan total	1,315	-	76	0	-24	1,367
(Online store included)	(70)	-	(29)	(0)	(-1)	(98)
Hong Kong	16	-	0	0	-2	14
China	1	-	1	0	0	2
Taiwan	37	-	4	0	0	41
Korea	13	-	0	0	-6	7
USA	10	-	1	0	0	11
Oversea total	77	-	6	0	-8	75
(Online store included)	(13)	-	(1)	(0)	(-3)	(11)
Consolidated total	1,392	-	82	0	-32	1,442
(Online store included)	(83)	-	(30)	(0)	(-4)	(109)

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

*2 : From March 2010, 3 stores of PAS TIERRA brand were transferred from parent company to ELEMENT RULE Co., Ltd.

FY2021/02 Consolidated Forecast

No revisions to the July 16 forecast

Millions of yen

	FY2020/02	FY2021/02			
	Results	Forecast			
			% to sales	Change in % to sales	YoY
Net sales	222,376	189,000	100.0%	-	85.0%
Gross profit	123,383	103,800	54.9%	-0.6p	84.1%
SG&A expenses	110,497	104,800	55.4%	+5.7p	94.8%
Operating profit	12,885	-1,000	-	-	-
Ordinary profit	12,843	-1,100	-	-	-
Net income	6,363	-2,200	-	-	-
ROE	11.6%	-4.0%	-	-	-
EBITDA	20,357	5,660	3.0%	-6.2p	27.8%
Depreciation and amortization	7,304	6,500	3.4%	+0.2p	89.0%
Amortization of goodwill	167	160	0.1%	+0.0p	95.8%
Capital expenditure	11,170	8,000			

* The consolidated forecast does not incorporate the possibility of a major decline in economic activity caused by another increase in COVID-19 infections. Consequently, actual performance may differ significantly from this forecast.

II . News & Topics



Domestic Business Progress with Growth Brands

LAKOLE

Launched in March 2017

Merchandise for demand of customers' new lifestyles

- Sales are strong due to merchandise mainly focused on household goods, targeting remote work, hygiene and other current needs of consumer.

LAKOLE makes time at home more enjoyable

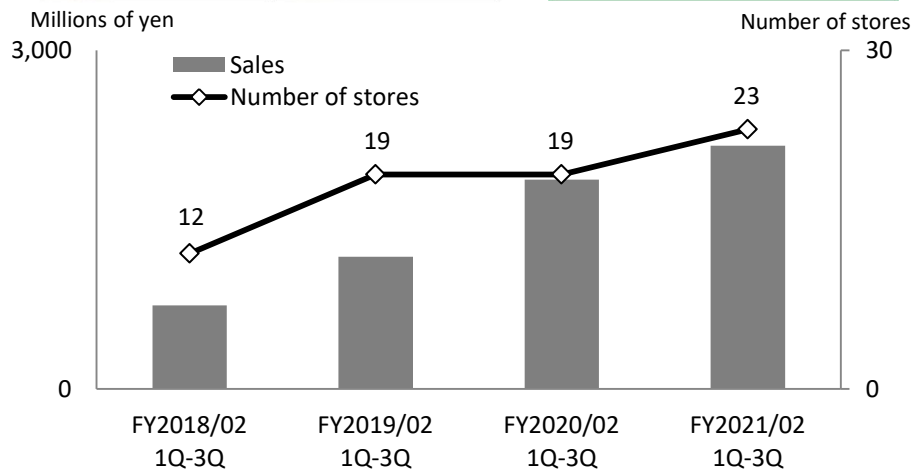


ラコレの生活雑貨で、

おうち時間を楽しく、快適に。



#STAYHOME

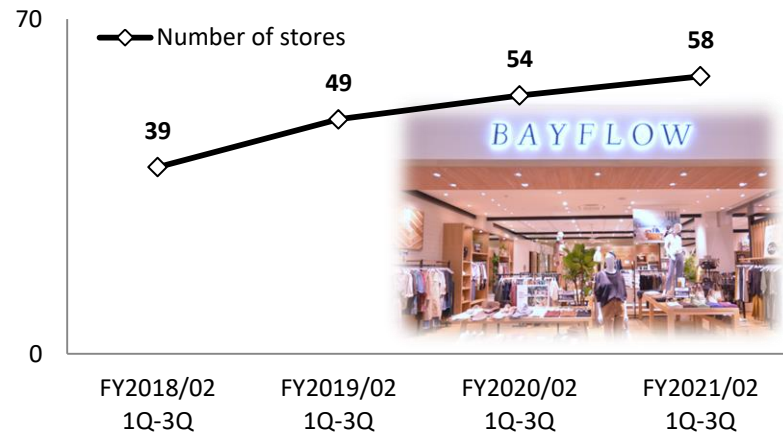
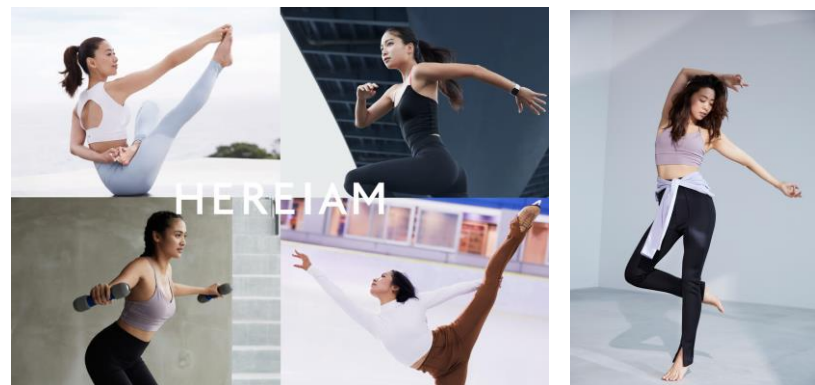


BAYFLOW

Launched in March 2014

Enlarging the wellness domain and opening more stores

- BAYFLOW added HEREIAM, a brand for wellness products for women, in September.
- Stores are using new ideas, like a yoga school at the flagship store, for a stronger presence in the wellness domain.

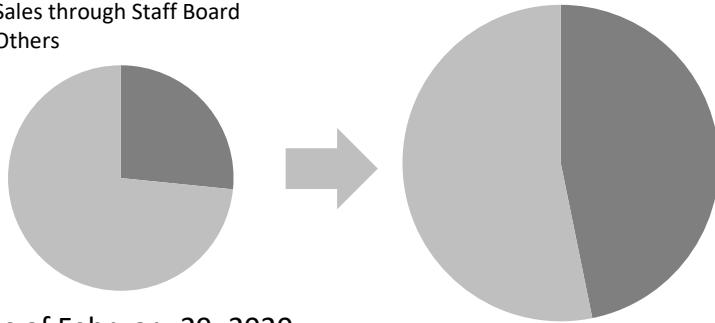


Strengthening E-commerce Business in Japan

STAFF BOARD

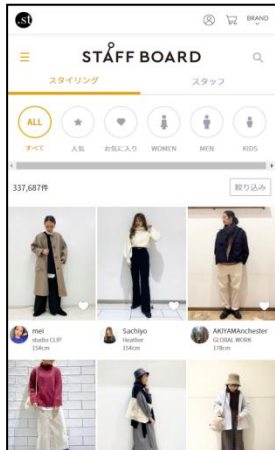
- More staff participation, large increase in sales
 - Sales through Staff Board has grown to account for half of Adastria's e-commerce sales.

■ Sales through Staff Board
■ Others



As of February 29, 2020

As of November 30, 2020



Participating stores

494 → 1,187

Participating staff

687 → 2,912

Staff Board is a function of Adastria's ".st" EC site sharing the personal outfits and lifestyles from the staffs at stores.

<https://sb.dot-st.com/staff-board/style/>

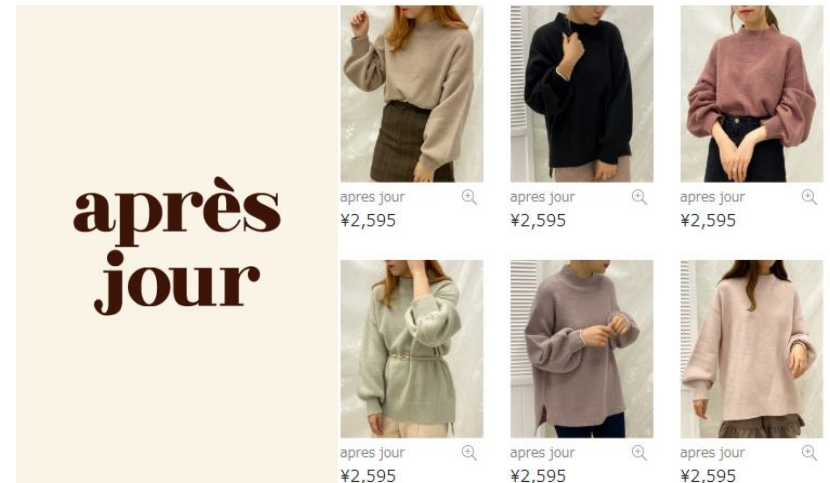
BUZZWIT

- Sales of brands solely for e-commerce continue to increase
 - EC-channel brands for inexpensive items mainly for the teens-to-29 age segment
 - Besides of original brands, BUZZWIT has added 7 brands in FY2021/02, including brands collaborated with popular Korean brands and brands created by influencers and now reached to 12 in total

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PairPair *après jour mignon* SHEER flow **Perushu**

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APPAREL COMPANY



Sales Growth in China

Reasons for the success of the “niko and ... SHANGHAI” flagship store

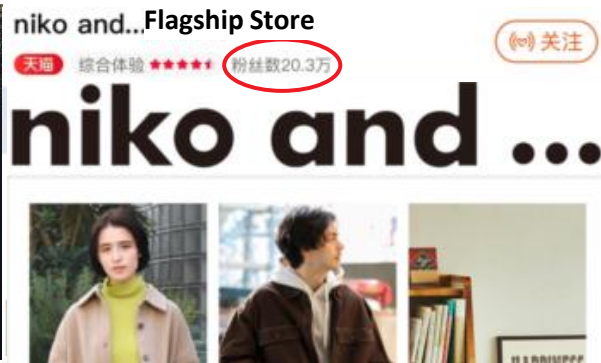
- The store is well-known among people in Shanghai due to collaboration with popular Chinese brands, local food and beverage companies, influencers, and other activities.
- The store has started trial operations in T-mall since June and participated in China’s biggest sales events: Singles Day (11/11) and Double 12 (12/12).



Event of NUMERALS x DarkRunners and workshop for silk screen



Selected as one of the Best 50 in 2020 by the Shanghai WOW website



niko and ... page on T-mall

The second “niko and ... SHANGHAI” store opened on December 19th, 2020

- The store is located in the center of the West Nanjing Road district, one of Shanghai’s prime shopping districts.
- About 11,000 people visited the store on the first day.
- The store has a café and large selections of wellness apparel and women’s apparel to match the interests of couples and office workers, which covers a large portion of the store’s customers.



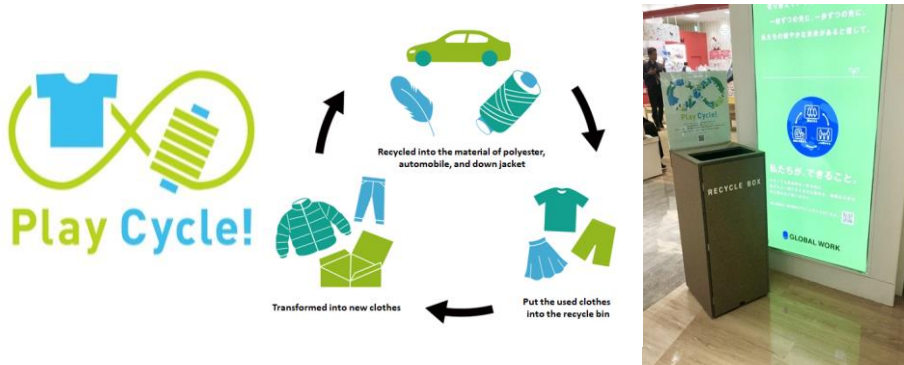
1F concept
PLAY × CLOTHES × HEALTH

2F concept
CLOTHES × LIVE

Our Commitment to Sustainable Management

■ The “Play Cycle!” apparel recycling project

- Conducting environmental activities to collect unneeded clothes from customers and transform them into new materials.
- Some GLOBAL WORK stores are equipped with recycle bins.
- Atsunobu Hirao, a member of the Ibaraki Robots professional basketball team, was nominated as the official ambassador for “Play Cycle!”.



The nomination ceremony of ambassador for “Play Cycle!”



■ Gold recipient from Work with Pride recognition as an LGBT friendly company for the second consecutive year

- Commitment to diversity by implementing the LGBT-friendly system into organization and participating in LGBT events.
- The gender-free fashion brand PAGEBOYLIM was launched.
- Participated the event held by the Shibuya Gender Equality and Diversity Center.



Adastria was a participant in the Iris seminar held by the Shibuya Gender Equality and Diversity Center to discuss “gender-less fashions” from the standpoint of the LGBT community.

A D A S T R I A
— *Play fashion!*