

Summary of Consolidated Financial Results for the Fiscal Year Ended February 29, 2020

[Japanese GAAP]

April 3, 2020

Company name: Adastria Co., Ltd. Listing: TSE 1st section
 Stock code: 2685 URL: <https://www.adastria.co.jp>
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 Scheduled date of Annual General Meeting of Shareholders: May 28, 2020
 Scheduled date of payment of dividend: May 11, 2020
 Scheduled date of filing of Annual Securities Report: May 29, 2020
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: None

Note: The original disclosure in Japanese was released on April 3, 2020 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 29, 2020

(March 1, 2019 – February 29, 2020)

(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. 29, 2020	222,376	(0.1)	12,885	79.2	12,843	74.8	6,363	63.6
Fiscal year ended Feb. 28, 2019	222,664	(0.1)	7,190	43.7	7,345	35.3	3,890	350.3

Note: Comprehensive income Fiscal year ended Feb. 29, 2020: 6,646 million yen (up 89.0%)
 Fiscal year ended Feb. 28, 2019: 3,517 million yen (-%)

	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. 29, 2020	135.08	-	11.6	13.6	5.8
Fiscal year ended Feb. 28, 2019	82.67	-	7.5	8.1	3.2

Reference: EBITDA Fiscal year ended Feb. 29, 2020: 20,357 million yen (up 32.9%)

Fiscal year ended Feb. 28, 2019: 15,317 million yen (up 1.2%)

EPS before goodwill amortization Fiscal year ended Feb. 29, 2020: 138.63 yen (up 25.5%)

Fiscal year ended Feb. 28, 2019: 110.42 yen (down 6.9%)

(*) 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. 29, 2020	97,924	57,041	58.3	1,210.55
As of Feb. 28, 2019	91,263	52,959	58.0	1,125.29

Reference: Shareholders' equity As of Feb. 29, 2020: 57,041 million yen As of Feb. 28, 2019: 52,959 million yen

Note: Starting with the beginning of the current fiscal year, Adastria is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Figures as of Feb. 28, 2019 have been adjusted retroactively in accordance with these amendments.

(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. 29, 2020	20,850	(6,645)	(6,439)	26,377
Fiscal year ended Feb. 28, 2019	9,904	(8,686)	(1,890)	18,647

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, 2019	-	20.00	-	30.00	50.00	2,379	60.5	4.5
Fiscal year ended Feb. 29, 2020	-	25.00	-	25.00	50.00	2,382	37.0	4.3
Fiscal year ending Feb. 28, 2021 (forecast)	-	-	-	-	-		-	

Note: The dividends for the fiscal year ending February 28, 2021 are undecided at this time and will be disclosed promptly when forecasts are announced.

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2021 (March 1, 2020 – February 28, 2021)

The COVID-19 crisis is continuing to have a negative impact on customer traffic and sales at stores because of weakening consumer sentiment as people in Japan stay at home, reduced store operating hours and other reasons. Due to the numerous uncertainties about how this crisis will affect results of operations, Adastria believes that it is not possible to establish a reliable forecast for the fiscal year ending in February 2021 at this time. An announcement will be made as soon as it becomes possible to determine a forecast.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: 1 Adastria (Shanghai) Co., Ltd. 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 15 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. 29, 2020: 48,800,000 shares As of Feb. 28, 2019: 48,800,000 shares

2) Number of treasury shares at the end of the period

As of Feb. 29, 2020: 1,679,557 shares As of Feb. 28, 2019: 1,736,973 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 29, 2020: 47,107,114 shares Fiscal year ended Feb. 28, 2019: 47,058,592 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2020

(March 1, 2019 – February 29, 2020)

(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. 29, 2020	197,451	1.0	12,010	61.4	10,757	47.8	5,956	186.5
Fiscal year ended Feb. 28, 2019	195,427	(2.4)	7,442	15.7	7,280	17.9	2,078	211.1

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 29, 2020	126.45	-
Fiscal year ended Feb. 28, 2019	44.18	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 29, 2020	84,065	50,518	60.1	1,072.11
As of Feb. 28, 2019	80,490	46,968	58.4	998.00

Reference: Shareholders' equity As of Feb. 29, 2020: 50,518 million yen As of Feb. 28, 2019: 46,968 million yen

Note 1: The current financial report is not subject to audit by certified public accountants or auditing firms.

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 Adastria 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.

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1. Overview of Results of Operations

(1) Results of Operations

Consolidated results

(Million yen)

	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	YoY change (Amount)	YoY change (%)
Net sales	222,664	222,376	(288)	(0.1)
Operating profit	7,190	12,885	5,695	79.2
Ordinary profit	7,345	12,843	5,498	74.8
Net income attributable to owners of the parent	3,890	6,363	2,473	63.6
EBITDA	15,317	20,357	5,040	32.9
EPS before goodwill amortization (Yen)	110.42	138.63	28.20	25.5

Consolidated net sales decreased 0.1% year-on-year to 222,376 million yen, operating profit increased 79.2% to 12,885 million yen, ordinary profit increased 74.8% to 12,843 million yen, and net income attributable to owners of the parent increased 63.6% to 6,363 million yen.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 32.9% to 20,357 million yen and earnings per share (EPS) before goodwill amortization rose 25.5% to 138.63 yen. (*)

Sales in Japan were 1.1% higher than one year earlier, despite the negative effects of unfavorable weather during the fall and winter seasons. The main reasons were a solid recovery in the sales of core brands such as *GLOBAL WORK*, *LOWRYS FARM* that had difficulties in the previous fiscal year and steady sales of *niko and ...*, *BAYFLOW* and other brands, as well as strong performance of Japanese subsidiaries ELEMENT RULE Co., Ltd. and BUZZWIT Co., Ltd.

Operation of the “.st” e-commerce site was suspended from August 8 to September 12 due to problems with the switch to the new system. There have been no problems since the operation of this website was restarted. The number of members is increasing steadily and has surpassed 10 million.

In other countries, sales were steady in the United States and Taiwan. In Hong Kong and China, sales were down following the closing of unprofitable stores in the previous fiscal year.

We opened 55 stores (including 9 overseas) and closed 90 stores (including 17 overseas), resulting in a total of 1,392 stores (including 77 overseas) at the end of the fiscal year.

The consistent provision of products on a “proper timing, pricing and volumes” basis has resulted in the stable management of operations and tighter control of sales at reduced prices, which greatly improved the discounting ratio. As a result, the gross profit margin increased 1.6 percentage points from one year earlier to 55.5%.

The ratio of selling, general and administrative (SG&A) expenses to sales decreased 1.0 percentage points to 49.7%, resulting in a 2.6 percentage point increase in the operating margin to 5.8%. SG&A expenses were 2,333 million yen less than one year earlier. The main reasons were a decrease in promotion expenses and lower rent following the closure of unprofitable stores. The completion at the end of the previous fiscal year’s first half of amortization of goodwill resulting from the consolidation of TRINITY ARTS (subsequently absorbed by Adastria) also reduced SG&A expenses.

There were impairment losses of 1,303 million yen on store assets and 1,511 million yen on software for which there is little potential for utilization due to changes in the IT system development plan. These losses are recorded as extraordinary losses.

(*) Since the fiscal year that ended on February 28, 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	FY2/20		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	41,710	18.8	2.1
niko and ...	32,017	14.4	3.4
LOWRYS FARM	23,691	10.6	5.3
STUDIO CLIP	22,444	10.1	(5.1)
LEPSIM	14,335	6.4	(3.2)
JEANASIS	11,924	5.4	(3.6)
BAYFLOW	9,852	4.4	12.2
RAGEBLUE	7,712	3.5	(1.4)
Others (Note 3)	30,831	13.9	0.8
Total (Adastria)	194,518	87.5	1.1
BUZZWIT Co., Ltd. (Note 3)	4,908	2.2	(15.5)
ELEMENT RULE Co., Ltd.	10,112	4.5	9.4
Other consolidated subsidiaries	170	0.1	-
Total (Japan)	209,709	94.3	1.1
Hong Kong	3,431	1.6	(35.3)
China	473	0.2	(66.6)
Taiwan	2,532	1.1	4.9
South Korea	1,156	0.5	(4.3)
USA	5,072	2.3	2.7
Total (Overseas)	12,666	5.7	(17.1)
Total (Group)	222,376	100.0	(0.1)

- 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. In August 2018, three business units including the *PAGEBOY* business unit of BUZZWIT Co., Ltd. (formerly ALICIA CO., LTD.) were transferred to Adastria. As a result, the rate of YoY change was calculated based on the sales of the three business units prior to the transfer, which were included in BUZZWIT sales.

(2) Sales for Merchandise Categories

Category	FY2/20		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	33,192	14.9	4.6
Women's apparel (bottoms, tops)	146,681	66.0	(0.4)
Others	42,501	19.1	(2.6)
Total	222,376	100.0	(0.1)

- 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 the end of FY2/19	FY2/20				As of the end of FY2/20
		Opened	Changed	Closed	Increase /decrease	
GLOBAL WORK	213	4	-	(7)	(3)	210
niko and ...	139	8	-	(3)	5	144
LOWRYS FARM	139	1	-	(4)	(3)	136
STUDIO CLIP	190	3	-	(10)	(7)	183
LEPSIM	132	2	-	(6)	(4)	128
JEANASIS	73	-	-	-	-	73
BAYFLOW	49	7	-	(2)	5	54
RAGEBLUE	58	-	-	(4)	(4)	54
Others	269	8	-	(30)	(22)	247
Total (Adastria)	1,262	33	-	(66)	(33)	1,229
BUZZWIT Co., Ltd.	5	3	-	(1)	2	7
ELEMENT RULE Co., Ltd.	75	8	-	(6)	2	77
Other consolidated subsidiaries	-	2	-	-	2	2
Total (Japan)	1,342	46	-	(73)	(27)	1,315
Hong Kong	20	-	-	(4)	(4)	16
China	10	1	-	(10)	(9)	1
Taiwan	34	6	-	(3)	3	37
South Korea	12	1	-	-	1	13
USA	9	1	-	-	1	10
Total (Overseas)	85	9	-	(17)	(8)	77
Total (Group)	1,427	55	-	(90)	(35)	1,392

- 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.

(2) Financial Position

Assets

Current assets increased 5,184 million yen from as of February 28, 2019 to 53,234 million yen as of February 29, 2020. This was mainly due to increases of 7,736 million yen in cash and deposits and 174 million yen in notes and accounts receivable-trade, while there was a decrease of 2,583 million yen in inventories.

Non-current assets increased 1,476 million yen to 44,689 million yen. This was mainly due to increases of 2,928 million yen in other, net under property, plant and equipment, partly because of right-of-use assets resulting from the application of IFRS 16, and 695 million yen in deferred tax assets, while there were decreases of 876 million yen in store interior equipment, net, 586 million yen in investment securities, and 987 million yen in leasehold and guarantee deposits.

Liabilities

Current liabilities increased 633 million yen to 37,462 million yen. This was mainly due to increases of 1,119 million yen in lease obligations, 1,796 million yen in accounts payable-other and 1,754 million yen in income taxes payable, while there were decreases of 1,367 million yen in notes and accounts payable-trade and 2,552 million yen in short-term loans payable.

Non-current liabilities increased 1,946 million yen to 3,421 million yen. This was mainly due to an increase of 2,093 million yen in lease obligations.

Net assets

Net assets increased 4,081 million yen to 57,041 million yen. This was mainly due to an increase of 3,609 million yen in retained earnings.

(3) Cash flows

Cash and cash equivalents (hereinafter “net cash”) as of February 29, 2020 amounted to 26,377 million yen, or 7,729 million yen more than as of February 28, 2019.

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 20,850 million yen (an increase of 10,945 million yen, compared with the previous fiscal year). The main positive factors include net income before income taxes of 9,923 million yen, depreciation of 7,599 million yen, impairment loss of 2,815 million yen and a decrease in inventories of 2,546 million yen. Main negative factors include a decrease in notes and accounts payable-trade of 1,973 million yen and income taxes paid of 2,880 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 6,645 million yen (a decrease of 2,040 million yen). This was mainly due to the payments of 4,070 million yen for the purchase of property, plant and equipment and 3,284 million yen for the purchase of intangible assets, while there were proceeds of 1,178 million yen from collection of leasehold and guarantee deposits.

Cash flows from financing activities

Net cash used in financing activities totaled 6,439 million yen (an increase of 4,548 million yen). This was mainly due to a decrease in short-term loans payable of 2,505 million yen, cash dividends paid of 2,620 million yen and repayments of lease obligations of 1,309 million yen.

Reference: Cash flow indicators

	FY2/18	FY2/19	FY2/20
Shareholders' equity ratio (%)	56.0	58.0	58.3
Shareholders' equity ratio based on market prices (%)	120.1	100.2	84.2
Interest-bearing debt to cash flow ratio	0.2	0.3	0.2
Interest coverage ratio (times)	421.6	195.8	200.8

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

Until recently, earnings at companies in Japan were relatively firm because of demand associated with consumer spending and investments. However, consumer spending has become weak because of the dramatic downturn in global economic activity caused by the COVID-19 crisis and demand linked to this spending is unlikely to recover quickly. Most significantly, the customer traffic and the sales of the stores, are remaining low primarily because of weak demand associated with foreign tourists in Japan, negative consumer sentiment as people stay home for safety, and shorter store operating hours at retail facilities. Due to the numerous uncertainties about how this crisis will affect results of operations, there is no forecast because we believe that it is not possible to establish a reliable forecast for the fiscal year ending in February 2021 at this time. An announcement will be made as soon as it becomes possible to determine a forecast.

From a medium to long-term perspective, there are expectations for a slow recovery in consumer spending backed by monetary easing and economic stimulus measures of various countries as economic activity returns to normal. However, there are concerns in Japan about the structural decline in demand and the worsening environment for jobs and personal income. As a result, we believe that our business climate will remain challenging.

In this difficult environment, we are determined to continue growing while using our business activities to contribute to solving issues in society and the apparel industry in order to help create a sustainable society.

We are developing brands for older customer segments because of the ongoing change in Japan's population. Our objective is establishing ties with new categories of customers as we broaden our product lineup to cover more sectors and make our merchandise even more competitive and appealing. Another goal is using digital technologies, such as for omni-channel operations linking physical stores and e-commerce, for increasing customer points of contact and providing services that enhance customer convenience.

In our overseas operations, we plan to create and implement regional growth strategies. The first goal is improving the profitability of operations in Asia and advancing to a new stage of growth in this region.

We will also continue to seek new opportunities in growing market sectors outside the apparel category in order to reflect the diversification of our customers' life styles and changes in consumption patterns.

(5) Basic Policy on Profit Distribution, and Dividend Plans for the Current and Next Fiscal Years

Our policy for the distribution of profits is to 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 accordance with our basic policy, the year-end dividend for the current fiscal year that ended on February 29, 2020 is 25 yen per share as initially planned. The annual dividend for the current fiscal year is 50 yen per share, which results in a consolidated payout ratio before goodwill amortization of 36.1%.

The dividend forecast for the next fiscal year ending on February 28, 2021 is undecided at this time and will be disclosed promptly when earnings forecast is announced.

2. Basic Approach for the Selection of Accounting Standards

Adastria 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)

	FY2/19 (As of Feb. 28, 2019)	FY2/20 (As of Feb. 29, 2020)
Assets		
Current assets		
Cash and deposits	18,726	26,462
Notes and accounts receivable-trade	9,780	9,954
Inventories	17,592	15,008
Other	2,016	1,877
Allowance for doubtful accounts	(65)	(68)
Total current assets	48,050	53,234
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,869	6,001
Accumulated depreciation	(1,816)	(2,063)
Buildings and structures, net	4,052	3,937
Store interior equipment	31,931	32,668
Accumulated depreciation	(25,705)	(27,318)
Store interior equipment, net	6,226	5,349
Land	2,366	2,366
Construction in progress	166	53
Other	1,488	5,828
Accumulated depreciation	(859)	(2,271)
Other, net	629	3,557
Total property, plant and equipment	13,440	15,265
Intangible assets		
Goodwill	648	478
Other	5,241	5,799
Total intangible assets	5,889	6,278
Investments and other assets		
Investment securities	828	242
Lease and guarantee deposits	16,947	15,959
Deferred tax assets	6,264	6,960
Other	136	252
Allowance for doubtful accounts	(294)	(268)
Total investments and other assets	23,882	23,146
Total non-current assets	43,213	44,689
Total assets	91,263	97,924

(Million yen)

	FY2/19 (As of Feb. 28, 2019)	FY2/20 (As of Feb. 29, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,267	7,900
Electronically recorded obligations-operating	9,635	9,020
Short-term loans payable	2,552	-
Lease obligations	58	1,178
Accounts payable-other	9,703	11,500
Income taxes payable	1,376	3,130
Provision for bonuses	2,506	2,188
Provision for point card certificates	1,084	1,937
Other provision	361	279
Other	282	327
Total current liabilities	36,829	37,462
Non-current liabilities		
Lease obligations	29	2,123
Deferred tax liabilities	66	78
Provision	314	396
Other	1,064	823
Total non-current liabilities	1,474	3,421
Total liabilities	38,303	40,883
Net assets		
Shareholders' equity		
Capital stock	2,660	2,660
Capital surplus	7,227	7,213
Retained earnings	47,469	51,079
Treasury shares	(4,575)	(4,372)
Total shareholders' equity	52,781	56,580
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	(0)
Deferred gains or losses on hedges	(8)	6
Foreign currency translation adjustment	193	454
Total accumulated other comprehensive income	177	461
Total net assets	52,959	57,041
Total liabilities and net assets	91,263	97,924

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Million yen)

	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)
Net sales	222,664	222,376
Cost of sales	102,643	98,993
Gross profit	120,021	123,383
Selling, general and administrative expenses		
Advertising expenses	8,176	8,104
Provision of allowance for doubtful accounts	14	(22)
Remuneration for directors (and other officers)	430	394
Salaries and bonuses	31,246	31,388
Provision for bonuses	2,505	2,151
Welfare expenses	5,018	5,197
Rents	37,126	34,334
Lease payments	449	451
Depreciation	6,820	7,304
Amortization of goodwill	1,306	167
Other	19,737	21,025
Total selling, general and administrative expenses	112,831	110,497
Operating profit	7,190	12,885
Non-operating income		
Interest income	7	66
Dividend income	22	23
Gain on valuation of derivatives	-	59
House rent income	80	-
Income from contribution to facilities	56	50
Subsidy income	58	70
Revenue from electric power sales	40	37
Proceeds from sample sales	46	68
Other	160	184
Total non-operating income	473	561
Non-operating expenses		
Interest expenses	50	140
Foreign exchange losses	121	376
Loss on valuation of derivatives	44	-
Cost of lease revenue	72	-
Other	27	86
Total non-operating expenses	317	602
Ordinary profit	7,345	12,843
Extraordinary income		
Gain on sales of investment securities	201	-
Total extraordinary income	201	-
Extraordinary losses		
Impairment loss	985	2,815
Loss on disaster	-	28
Loss on sales of investment securities	-	75
Total extraordinary losses	985	2,920

	(Million yen)	
	FY2/19	FY2/20
	(Mar. 1, 2018 – Feb. 28, 2019)	(Mar. 1, 2019 – Feb. 29, 2020)
Net income before income taxes	6,562	9,923
Income taxes-current	3,482	4,250
Income taxes-deferred	(810)	(690)
Total income taxes	2,672	3,560
Net income	3,890	6,363
Net income attributable to owners of the parent	3,890	6,363

Consolidated Statement of Comprehensive Income

(Million yen)

	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)
Net income	3,890	6,363
Other comprehensive income		
Valuation difference on available-for-sale securities	(242)	7
Deferred gains or losses on hedges	67	15
Foreign currency translation adjustment	(197)	261
Total other comprehensive income	(372)	283
Comprehensive income	3,517	6,646
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,517	6,646
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

(Million yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	2,660	7,227	45,245	(4,652)	50,480
Changes of items during period					
Dividends of surplus			(1,665)		(1,665)
Net income attributable to owners of the parent			3,890		3,890
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares by stock ownership plan trust				79	79
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	2,224	76	2,301
Balance at end of current period	2,660	7,227	47,469	(4,575)	52,781

(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	235	(76)	391	550	51,030
Changes of items during period					
Dividends of surplus				-	(1,665)
Net income attributable to owners of the parent				-	3,890
Purchase of treasury shares				-	(2)
Disposal of treasury shares by stock ownership plan trust				-	79
Net changes of items other than shareholders' equity	(242)	67	(197)	(372)	(372)
Total changes of items during period	(242)	67	(197)	(372)	1,928
Balance at end of current period	(7)	(8)	193	177	52,959

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)

(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	47,469	(4,575)	52,781
Cumulative effects of changes in accounting policies			(134)		(134)
Restated balance	2,660	7,227	47,335	(4,575)	52,647
Changes of items during period					
Dividends of surplus			(2,619)		(2,619)
Net income attributable to owners of the parent			6,363		6,363
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares				0	0
Purchase of treasury shares by stock ownership plan trust				(131)	(131)
Disposal of treasury shares by stock ownership plan trust				192	192
Transfer of treasury shares to stock ownership plan trust		(14)		145	131
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(14)	3,743	202	3,932
Balance at end of current period	2,660	7,213	51,079	(4,372)	56,580

(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	(7)	(8)	193	177	52,959
Cumulative effects of changes in accounting policies				-	(134)
Restated balance	(7)	(8)	193	177	52,825
Changes of items during period					
Dividends of surplus				-	(2,619)
Net income attributable to owners of the parent				-	6,363
Purchase of treasury shares				-	(3)
Disposal of treasury shares				-	0
Purchase of treasury shares by stock ownership plan trust				-	(131)
Disposal of treasury shares by stock ownership plan trust				-	192
Transfer of treasury shares to stock ownership plan trust				-	131
Net changes of items other than shareholders' equity	7	15	261	283	283
Total changes of items during period	7	15	261	283	4,216
Balance at end of current period	(0)	6	454	461	57,041

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)
Cash flows from operating activities		
Net income before income taxes	6,562	9,923
Depreciation	7,020	7,599
Impairment loss	985	2,815
Loss on disaster	-	28
Amortization of goodwill	1,306	167
Interest and dividend income	(30)	(89)
Interest expenses	50	140
Increase (decrease) in allowance for doubtful accounts	(35)	(22)
Increase (decrease) in provision for bonuses	94	(317)
Increase (decrease) in provision for point card certificates	385	852
Increase (decrease) in provision for loss on business liquidation	(1,141)	-
Loss (gain) on sales of investment securities	(201)	75
Decrease (increase) in notes and accounts receivable-trade	(1,018)	(164)
Decrease (increase) in inventories	417	2,546
Increase (decrease) in notes and accounts payable-trade	(1,200)	(1,973)
Increase (decrease) in accounts payable-other	112	302
Increase (decrease) in accrued consumption taxes	429	1,374
Other, net	(663)	545
Subtotal	13,073	23,804
Interest and dividend income received	30	31
Interest expenses paid	(50)	(103)
Income taxes paid	(3,147)	(2,880)
Net cash provided by (used in) operating activities	9,904	20,850
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,407)	(4,070)
Purchase of intangible assets	(2,150)	(3,284)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	230	498
Payments for leasehold and guarantee deposits	(706)	(801)
Proceeds from collection of leasehold and guarantee deposits	1,372	1,178
Other, net	(24)	(164)
Net cash provided by (used in) investing activities	(8,686)	(6,645)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(52)	(2,505)
Cash dividends paid	(1,665)	(2,620)
Purchase of treasury shares	(2)	(7)
Repayments of lease obligations	(170)	(1,309)
Other, net	-	3
Net cash provided by (used in) financing activities	(1,890)	(6,439)
Effect of exchange rate change on cash and cash equivalents	(61)	(35)
Net increase (decrease) in cash and cash equivalents	(733)	7,729
Cash and cash equivalents at beginning of period	19,381	18,647
Cash and cash equivalents at end of period	18,647	26,377

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Application of IFRS 16 “Leases”

Starting with the current fiscal year, some consolidated subsidiaries are using IFRS 16. To begin applying this standard, Adastria is using the approved transitional treatment of recognizing the cumulative effect of applying this standard on the first day that this standard was applied. Consequently, there were adjustments to retained earnings, right-of-use assets and lease liabilities at the beginning of the current fiscal year. The effect of this change on profit or loss in the current fiscal year is insignificant.

Reclassifications

Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc.

Starting with the beginning of the current fiscal year, Adastria is applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ No. 28, February 16, 2018) and other related pronouncements. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

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)

	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)
Net assets per share	1,125.29	1,210.55
Net income per share	82.67	135.08

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

2. The Adastria 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 numbers of treasury shares outstanding that were deducted were 536,000 for FY2/19 and 520,000 for FY2/20. For the determination of net assets per share, the numbers of treasury shares deducted were 531,000 for FY2/19 and 534,000 for FY2/20.

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

(Million yen)

	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)
Net income attributable to owners of the parent	3,890	6,363
Amount not available to common stockholders	-	-
Net income attributable to owners of the parent applicable to common shares	3,890	6,363
Average number of common shares outstanding during the period (Thousand shares)	47,058	47,107

Subsequent Events

Not applicable.

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.