

# Summary of Consolidated Financial Results for the Fiscal Year Ended February 28, 2019

[Japanese GAAP]

April 4, 2019

Company name: Adastria Co., Ltd.

Listing: TSE 1st section

Stock code: 2685

URL: <http://www.adastria.co.jp>

Representative: Michio Fukuda, Chairman of the Board

Contact: Kazushi Sekimori,

Deputy Executive General Manager, General Headquarters of Management Tel: +81-3-5466-2060

Scheduled date of Annual General Meeting of Shareholders: May 23, 2019

Scheduled date of payment of dividend: May 9, 2019

Scheduled date of filing of Annual Securities Report: May 24, 2019

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for investors)

Note: The original disclosure in Japanese was released on April 4, 2019 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 28, 2019

(March 1, 2018 – February 28, 2019)

(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. 28, 2019	222,664	(0.1)	7,190	43.7	7,345	35.3	3,890	350.3
Fiscal year ended Feb. 28, 2018	222,787	9.4	5,005	(66.4)	5,428	(64.1)	863	(92.5)

Note: Comprehensive income Fiscal year ended Feb. 28, 2019: 3,517 million yen (-%)

Fiscal year ended Feb. 28, 2018: (1,966) 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. 28, 2019	82.67	-	7.5	8.1	3.2
Fiscal year ended Feb. 28, 2018	18.36	-	1.6	6.0	2.2

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 28, 2019: - million yen

Fiscal year ended Feb. 28, 2018: (66) million yen

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

Fiscal year ended Feb. 28, 2018: 15,141 million yen (down 34.2%)

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

Fiscal year ended Feb. 28, 2018: 118.54 yen (down 58.9%)

(\*) 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. 28, 2019	91,285	52,959	58.0	1,125.29
As of Feb. 28, 2018	91,123	51,030	56.0	1,084.84

Reference: Shareholders' equity As of Feb. 28, 2019: 52,959 million yen As of Feb. 28, 2018: 51,030 million yen

(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. 28, 2019	9,904	(8,686)	(1,890)	18,647
Fiscal year ended Feb. 28, 2018	10,685	(7,404)	(4,629)	19,381

## 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Feb. 28, 2018	-	35.00	-	15.00	50.00	2,379	272.3	4.4
Fiscal year ended Feb. 28, 2019	-	20.00	-	30.00	50.00	2,379	60.5	4.5
Fiscal year ending Feb. 29, 2020 (forecast)	-	25.00	-	25.00	50.00		39.2	

## 3. Consolidated Forecast for the Fiscal Year Ending February 29, 2020 (March 1, 2019 – February 29, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	225,000	1.0	10,000	39.1	10,000	36.1	6,000	54.2	127.49

Reference: EBITDA Fiscal year ending Feb. 29, 2020 (forecast): 16,520 million yen (up 7.9%)

EPS before goodwill amortization Fiscal year ending Feb. 29, 2020 (forecast): 130.04 yen (up 17.8%)

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Feb. 28, 2019: 48,800,000 shares As of Feb. 28, 2018: 48,800,000 shares

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

As of Feb. 28, 2019: 1,736,973 shares As of Feb. 28, 2018: 1,759,875 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2019: 47,058,592 shares Fiscal year ended Feb. 28, 2018: 47,041,347 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2019**

**(March 1, 2018 – February 28, 2019)**

(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. 28, 2019	195,427	(2.4)	7,442	15.7	7,280	17.9	2,078	211.1
Fiscal year ended Feb. 28, 2018	200,206	2.9	6,432	(55.2)	6,176	(57.5)	668	(93.8)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended Feb. 28, 2019	44.18		-	
Fiscal year ended Feb. 28, 2018	14.20		-	

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Feb. 28, 2019	80,490		46,968		58.4		998.00	
As of Feb. 28, 2018	80,969		47,660		58.9		1,013.19	

Reference: Shareholders' equity As of Feb. 28, 2019: 46,968 million yen As of Feb. 28, 2018: 47,660 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 the Company 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.

Contents of Attachments

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	4
(3) Cash Flows	5
(4) Outlook	6
(5) Basic Policy on Profit Distribution, and Dividend Plans for the Current and Next Fiscal Years	6
2. Basic Approach for the Selection of Accounting Standards	6
3. Consolidated Financial Statements and Notes	7
(1) Consolidated Balance Sheet	7
(2) Consolidated Statements of Income and Comprehensive Income	9
(3) Consolidated Statement of Changes in Equity	12
(4) Consolidated Statement of Cash Flows	14
(5) Notes to Consolidated Financial Statements	16
Going Concern Assumption	16
Segment Information	16
Per Share Information	16
Subsequent Events	16
4. Other Information	17
(1) Changes in Directors	17

## 1. Overview of Results of Operations

### (1) Results of Operations

Consolidated results

(Million yen)

	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)	YoY change (Amount)	YoY change (%)
Net sales	222,787	222,664	(123)	(0.1)
Operating profit	5,005	7,190	2,184	43.7
Ordinary profit	5,428	7,345	1,916	35.3
Net income attributable to owners of the parent	863	3,890	3,026	350.3

EBITDA	15,141	15,317	175	1.2
EPS before goodwill amortization (Yen)	118.54	110.42	(8.12)	(6.9)

Consolidated net sales decreased 0.1% year-on-year to 222,664 million yen, operating profit increased 43.7% to 7,190 million yen, ordinary profit increased 35.3% to 7,345 million yen, and net income attributable to owners of the parent increased 350.3% to 3,890 million yen.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 1.2% to 15,317 million yen and earnings per share (EPS) before goodwill amortization fell 6.9% to 110.42 yen. (\*)

Sales in Japan were about the same as in the previous fiscal year despite lackluster sales of summer merchandise in April and May. Sales subsequently recovered due to the success of several measures that included conducting summer discount sales and the launch of late-summer merchandise earlier than initially planned and upgrading the environment for decision-making and information sharing in order to strengthen the lineup of merchandise. As a result, a recovery in sales that generally continued through the remainder of the fiscal year started in June. Sales of the *niko and ...* brand were strong throughout the fiscal year and there was a recovery in sales of the *GLOBAL WORK* and *LOWRYS FARM* brands during the fall and winter apparel selling season. These three core brands were major contributors to consolidated sales during the fiscal year.

Overseas sales increased 4.8%. Sales in Asia were lower, due to the negative impact of ongoing business restructuring activities in Hong Kong and China, despite the higher sales in Taiwan and South Korea. Overseas sales increased mainly because of the contribution to sales of Velvet, LLC, a U.S. company that was consolidated in the previous fiscal year. (Please refer to the section “Supplementary Information, (1) Sales for Brands and Regions” for further information.)

We opened 91 stores (including 11 overseas) and closed 167 stores (including 53 overseas), resulting in a total network of 1,427 stores (including 85 overseas) at the end of fiscal year. In Hong Kong and China, unprofitable stores were closed in accordance with the business revitalization policy established in the previous fiscal year. (Please refer to the section “Supplementary Information, (3) Number of Stores” for further information.)

The gross profit margin decreased 0.3 percentage points from one year earlier to 53.9%. The main cause was sales of merchandise at discounted prices in response to slow sales of summer merchandise as was explained earlier.

The ratio of selling, general and administrative (SG&A) expenses to sales decreased 1.3 percentage point to 50.7%, resulting in a 1.0 percentage point increase in the operating margin to 3.2%. SG&A expenses were 2,959 million yen less than one year earlier. One reason was one-time expenses in the previous fiscal year for relocating the head office. The completion at the end of the 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 extraordinary income of 201 million yen for gain on sales of investment securities and extraordinary losses of 985 million yen for the impairment of store assets.

(\*) 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	FY2/19		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	40,871	18.4	1.8
niko and ...	30,956	13.9	9.0
STUDIO CLIP	23,641	10.6	(2.8)
LOWRYS FARM	22,491	10.1	(7.9)
LEPSIM	14,806	6.7	(3.3)
JEANASIS	12,373	5.6	0.1
BAYFLOW	8,783	3.9	11.1
RAGEBLUE	7,823	3.5	(12.1)
Others (Notes 3 and 4)	30,587	13.7	(17.1)
Total (Adastria)	192,336	86.4	(3.2)
BUZZWIT Co., Ltd. (Note 3)	5,805	2.6	(39.1)
ELEMENT RULE Co., Ltd. (Note 4)	9,239	4.1	-
Other consolidated subsidiaries	3	0.0	-
Total (Japan)	207,385	93.1	(0.4)
Hong Kong	5,300	2.4	(15.3)
China	1,416	0.6	(28.9)
Taiwan	2,413	1.1	28.0
South Korea	1,207	0.6	26.3
USA (Note 5)	4,940	2.2	41.3
Total (Overseas)	15,279	6.9	4.8
Total (Group)	222,664	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. On August 1, 2018, Adastria conducted an absorption-type split where three business units including the *PAGEBOY* business unit of ALICIA CO., LTD. were divested and then transferred to Adastria. On the same day, ALICIA CO., LTD changed its name to BUZZWIT Co., Ltd.
  4. On March 1, 2018, Adastria conducted an absorption-type split where the *BARNYARDSTORM* and *BABYLONE* business units of Adastria were divested and then transferred to consolidated subsidiary ELEMENT RULE Co., Ltd.
  5. As Velvet, LLC (USA) became a consolidated subsidiary at the end of the first quarter of FY2/18, the YoY change for USA sales is the comparison of the last three quarters of FY2/18 and all four quarters of FY2/19.

### (2) Sales for Merchandise Categories

Category	FY2/19		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	31,726	14.2	1.3
Women's apparel (bottoms, tops)	147,313	66.2	0.9
Others	43,624	19.6	(4.1)
Total	222,664	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
	As of the end of FY2/18	FY2/19					Increase /decrease	
		Absorption-type split (Notes 3 and 4)	Opened	Changed	Closed			
GLOBAL WORK	210	-	8	-	(5)	3	213	
niko and ...	132	-	9	-	(2)	7	139	
STUDIO CLIP	195	-	3	-	(8)	(5)	190	
LOWRYS FARM	149	-	3	-	(13)	(10)	139	
LEPSIM	138	-	2	-	(8)	(6)	132	
JEANASIS	76	-	1	-	(4)	(3)	73	
BAYFLOW	39	-	10	-	-	10	49	
RAGEBLUE	57	-	4	-	(3)	1	58	
Others (Notes 3 and 4)	279	14	26	(1)	(49)	(10)	269	
Total (Adastria)	1,275	14	66	(1)	(92)	(13)	1,262	
BUZZWIT Co., Ltd. (Note 3)	100	(82)	4	2	(19)	(95)	5	
ELEMENT RULE Co., Ltd. (Note 4)	-	68	10	-	(3)	75	75	
Total (Japan)	1,375	-	80	1	(114)	(33)	1,342	
Hong Kong	24	-	3	-	(7)	(4)	20	
China	49	-	-	1	(40)	(39)	10	
Taiwan	31	-	7	-	(4)	3	34	
South Korea	11	-	1	-	-	1	12	
USA	11	-	-	-	(2)	(2)	9	
Total (Overseas)	126	-	11	1	(53)	(41)	85	
Total (Group)	1,501	-	91	2	(167)	(74)	1,427	

- 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.
  3. On August 1, 2018, Adastria conducted an absorption-type split where three business units including the *PAGEBOY* business unit of ALICIA CO., LTD. were divested and then transferred to Adastria. On the same day, ALICIA CO., LTD changed its name to BUZZWIT Co., Ltd.
  4. On March 1, 2018, Adastria conducted an absorption-type split where the *BARNYARDSTORM* and *BABYLONE* business units of Adastria were divested and then transferred to consolidated subsidiary ELEMENT RULE Co., Ltd.

(2) Financial Position

Assets

Total assets increased 331 million yen from as of February 28, 2018 to 50,116 million yen as of February 28, 2019. This was mainly due to increases in notes and accounts receivable-trade of 969 million yen and other (accounts receivable-other, etc.) of 401 million yen, while there were decreases in cash and deposits of 719 million yen and inventories of 481 million yen.

Non-current assets decreased 168 million yen to 41,169 million yen. This was mainly due to decreases in goodwill of 1,310 million yen and lease and guarantee deposits of 1,316 million yen, while there was an increase of 2,233 million yen in buildings and structures, net, which was mostly attributable to the completion of the expansion of the Ibaraki Nishi Distribution Center.

Liabilities

Liabilities decreased 1,617 million yen to 36,829 million yen. This was mainly due to decreases in notes and accounts payable-trade of 959 million yen, and provision for loss on business liquidation of 1,141 million yen.

Non-current liabilities decreased 148 million yen to 1,496 million yen. This was mainly due to a decrease in other (lease obligations, etc.) of 187 million yen.

Net assets

Net assets increased 1,928 million yen to 52,959 million yen. This was mainly due to an increase in retained earnings of 2,224 million yen.

### (3) Cash flows

Cash and cash equivalents (hereinafter “net cash”) as of February 28, 2019 amounted to 18,647 million yen, or 733 million yen less than as of February 28, 2018.

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 9,904 million yen (a decrease of 781 million yen, compared with the previous fiscal year). The main positive factors include net income before income taxes of 6,562 million yen, depreciation of 7,020 million yen and amortization of goodwill of 1,306 million yen. Main negative factors include an increase in notes and accounts receivable-trade of 1,018 million yen, a decrease in notes and accounts payable-trade of 1,200 million yen and income taxes paid of 3,147 million yen.

#### Cash flows from investing activities

Net cash used in investing activities totaled 8,686 million yen (an increase of 1,281 million yen). This was mainly due to the payments of 7,407 million yen for the purchase of property, plant and equipment and 2,150 million yen for the purchase of intangible assets, while there was proceeds of 1,372 million yen from collection of lease and guarantee deposits.

#### Cash flows from financing activities

Net cash used in financing activities totaled 1,890 million yen (a decrease of 2,738 million yen). This was mainly due to cash dividends paid of 1,665 million yen.

#### Reference: Cash flow indicators

	FY2/17	FY2/18	FY2/19
Shareholders' equity ratio (%)	62.0	56.0	58.0
Shareholders' equity ratio based on market prices (%)	151.4	120.1	100.2
Interest-bearing debt to cash flow ratio	0.2	0.2	0.3
Interest coverage ratio (times)	1,034.7	421.6	195.8

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**

Earnings at companies in Japan are relatively firm because of the strength of demand associated with investments and consumer spending. However, a structural decline in demand and a severe labor shortage are having a negative effect on the Japanese economy. Furthermore, slowing global economic growth, U.S.-China trade friction, problems involving Brexit and other sources of concern are creating uncertainty about the economic outlook.

Some business sectors in Japan are likely to benefit from the consistently high level of spending by wealthy people and the outlook for firm demand linked to the purchases of foreign tourists in Japan. However, the number of retail tenants, chiefly in the apparel category, is facing strong competition from e-commerce malls. We also foresee an increase in operating expenses for a number of reasons, including higher salaries for employees. As a result, we believe that our business environment will remain challenging.

We are dedicated to playing a role in enabling people to make fashion part of their enjoyment of life and making it possible to meet a broad spectrum of individual needs and preferences. We want to use our business activities to help solve issues in society and the apparel industry as we also make contributions to creating a sustainable society.

Improving inventory turnover, lowering the discounting ratio and reducing the amount of inventory items that are discarded are priorities of ours. We plan to accomplish these goals by further differentiating our brands, chiefly the core brands, and making our merchandise even more competitive and appealing. We also plan to build a framework for supplying merchandise that customers want at the right times, prices and volumes. Another goal is using digital technologies for omni-services and other activities that increase customer points of contact and convenience for our stores and e-commerce operations. In our overseas operations, our goal in Asia is to use restructuring measures to become more profitable and advance to a new stage of growth. We will also continue to seek opportunities outside the apparel category to start business activities in growing market sectors.

For the fiscal year ending on February 29, 2020, we forecast a 1.0% increase in consolidated net sales to 225 billion yen, a 3.3% increase in gross profit to 124 billion yen, a 39.1% increase in operating profit to 10 billion yen, a 36.1% increase in ordinary profit to 10 billion yen and a 54.2% increase in net income attributable to owners of the parent to 6 billion yen.

This forecast assumes that non-consolidated existing store sales will increase 1.3%. There will be 69 new stores (including 13 overseas) and 46 store closings (including 4 overseas) on a consolidated basis.

**(5) Basic Policy on Profit Distribution, and Dividend Plans**

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.

Although earnings in the fiscal year that ended on February 28, 2019 were below our initial forecast, in the light of dividend stability, there is no change in our plan to pay a year-end dividend of 30 yen per share, which will result in an annual dividend of 50 yen.

For the fiscal year ending on February 29, 2020, in accordance with our basic policy, we plan to pay an annual dividend of 50 yen, which is the same as the dividend for the previous fiscal year.

**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)

	FY2/18 (As of Feb. 28, 2018)	FY2/19 (As of Feb. 28, 2019)
Assets		
Current assets		
Cash and deposits	19,446	18,726
Notes and accounts receivable-trade	8,810	9,780
Inventories	18,073	17,592
Deferred tax assets	1,955	2,066
Other	1,615	2,016
Allowance for doubtful accounts	(116)	(65)
Total current assets	49,785	50,116
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,491	5,869
Accumulated depreciation	(1,673)	(1,816)
Buildings and structures, net	1,818	4,052
Store interior equipment	32,293	31,931
Accumulated depreciation	(24,991)	(25,705)
Store interior equipment, net	7,301	6,226
Land	2,358	2,366
Construction in progress	187	166
Other	1,483	1,488
Accumulated depreciation	(825)	(859)
Other, net	658	629
Total property, plant and equipment	12,324	13,440
Intangible assets		
Goodwill	1,959	648
Other	4,255	5,241
Total intangible assets	6,214	5,889
Investments and other assets		
Investment securities	1,101	828
Lease and guarantee deposits	18,263	16,947
Deferred tax assets	3,573	4,220
Other	138	136
Allowance for doubtful accounts	(278)	(294)
Total investments and other assets	22,799	21,838
Total non-current assets	41,338	41,169
Total assets	91,123	91,285

(Million yen)

	FY2/18 (As of Feb. 28, 2018)	FY2/19 (As of Feb. 28, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	10,227	9,267
Electronically recorded obligations-operating	9,898	9,635
Short-term loans payable	2,657	2,552
Accounts payable-other	9,418	9,703
Income taxes payable	1,322	1,376
Provision for bonuses	2,413	2,506
Provision for point card certificates	698	1,084
Provision for loss on business liquidation	1,141	-
Other provision	140	361
Other	527	340
<b>Total current liabilities</b>	<b>38,446</b>	<b>36,829</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	112	88
Provision	251	314
Other	1,281	1,094
<b>Total non-current liabilities</b>	<b>1,645</b>	<b>1,496</b>
<b>Total liabilities</b>	<b>40,092</b>	<b>38,326</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,660	2,660
Capital surplus	7,227	7,227
Retained earnings	45,245	47,469
Treasury shares	(4,652)	(4,575)
<b>Total shareholders' equity</b>	<b>50,480</b>	<b>52,781</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	235	(7)
Deferred gains or losses on hedges	(76)	(8)
Foreign currency translation adjustment	391	193
<b>Total accumulated other comprehensive income</b>	<b>550</b>	<b>177</b>
<b>Total net assets</b>	<b>51,030</b>	<b>52,959</b>
<b>Total liabilities and net assets</b>	<b>91,123</b>	<b>91,285</b>

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

(Million yen)

	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)
Net sales	222,787	222,664
Cost of sales	101,992	102,643
Gross profit	120,795	120,021
Selling, general and administrative expenses		
Advertising expenses	7,728	8,176
Provision of allowance for doubtful accounts	21	14
Directors' compensations	494	430
Salaries and bonuses	30,198	31,246
Provision for bonuses	2,412	2,505
Welfare expenses	5,240	5,018
Rents	38,290	37,126
Lease payments	438	449
Depreciation	7,488	6,820
Amortization of goodwill	2,648	1,306
Other	20,828	19,737
Total selling, general and administrative expenses	115,790	112,831
Operating profit	5,005	7,190
Non-operating income		
Interest income	4	7
Dividend income	56	22
Foreign exchange gains	72	-
House rent income	108	80
Income from contribution to facilities	50	56
Received incentive	36	48
Subsidy income	39	58
Revenue from electric power sales	39	40
Other	263	158
Total non-operating income	671	473
Non-operating expenses		
Interest expenses	25	50
Share of loss of entities accounted for using equity method	66	-
Foreign exchange losses	-	121
Loss on valuation of derivatives	32	44
Cost of lease revenue	93	72
Other	29	27
Total non-operating expenses	247	317
Ordinary profit	5,428	7,345
Extraordinary income		
Gain on sales of non-current assets	25	-
Gain on sales of investment securities	4,373	201
Subsidy income	169	-
Total extraordinary income	4,567	201
Extraordinary losses		
Impairment loss	2,799	985
Loss on valuation of investment securities	652	-
Loss on sales of shares of subsidiaries and associates	129	-
Provision for loss on business liquidation	1,141	-
Loss on reduction of non-current assets	169	-
Total extraordinary losses	4,892	985

(Million yen)

	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)
Net income before income taxes	5,104	6,562
Income taxes-current	4,527	3,482
Income taxes-deferred	(287)	(810)
Total income taxes	4,240	2,672
Net income	863	3,890
Net income attributable to owners of the parent	863	3,890

**Consolidated Statement of Comprehensive Income**

(Million yen)

	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)
Net income	863	3,890
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,954)	(242)
Deferred gains or losses on hedges	(56)	67
Foreign currency translation adjustment	181	(197)
Total other comprehensive income	(2,830)	(372)
Comprehensive income	(1,966)	3,517
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(1,966)	3,517
Comprehensive income attributable to non-controlling interests	-	-

**(3) Consolidated Statement of Changes in Equity**

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

(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	47,413	(4,645)	52,654
Cumulative effects of changes in accounting policies			538		538
Restated balance	2,660	7,227	47,951	(4,645)	53,193
Changes of items during period					
Dividends of surplus			(3,569)		(3,569)
Net income attributable to owners of the parent			863		863
Purchase of treasury shares				(6)	(6)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	(2,706)	(6)	(2,712)
Balance at end of current period	2,660	7,227	45,245	(4,652)	50,480

(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	3,190	(19)	209	3,380	56,035
Cumulative effects of changes in accounting policies					538
Restated balance	3,190	(19)	209	3,380	56,573
Changes of items during period					
Dividends of surplus				-	(3,569)
Net income attributable to owners of the parent				-	863
Purchase of treasury shares				-	(6)
Net changes of items other than shareholders' equity	(2,954)	(56)	181	(2,830)	(2,830)
Total changes of items during period	(2,954)	(56)	181	(2,830)	(5,542)
Balance at end of current period	235	(76)	391	550	51,030

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

(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	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

**(4) Consolidated Statement of Cash Flows**

(Million yen)

	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)
Cash flows from operating activities		
Net income before income taxes	5,104	6,562
Depreciation	7,744	7,020
Impairment loss	2,799	985
Amortization of goodwill	2,648	1,306
Interest and dividend income	(60)	(30)
Interest expenses	25	50
Increase (decrease) in allowance for doubtful accounts	11	(35)
Increase (decrease) in provision for bonuses	127	94
Increase (decrease) in provision for point card certificates	311	385
Increase (decrease) in provision for loss on business liquidation	1,141	(1,141)
Loss (gain) on sales of non-current assets	(25)	-
Loss (gain) on sales of shares of subsidiaries and associates	129	-
Loss (gain) on sales of investment securities	(4,373)	(201)
Loss (gain) on valuation of investment securities	652	-
Share of loss (profit) of entities accounted for using equity method	66	-
Subsidy income	(169)	-
Loss on reduction of non-current assets	169	-
Decrease (increase) in notes and accounts receivable-trade	180	(1,018)
Decrease (increase) in inventories	(113)	417
Increase (decrease) in notes and accounts payable-trade	2,760	(1,200)
Increase (decrease) in accounts payable-other	280	112
Increase (decrease) in accrued consumption taxes	(421)	429
Other, net	(444)	(663)
Subtotal	18,546	13,073
Interest and dividend income received	60	30
Interest expenses paid	(25)	(50)
Income taxes paid	(7,895)	(3,147)
Net cash provided by (used in) operating activities	10,685	9,904
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,797)	(7,407)
Proceeds from sales of property, plant and equipment	105	-
Purchase of intangible assets	(2,965)	(2,150)
Purchase of investment securities	(58)	(1)
Proceeds from sales of investment securities	5,082	230
Payments for lease and guarantee deposits	(2,041)	(706)
Proceeds from collection of lease and guarantee deposits	1,963	1,372
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,713)	-
Proceeds from sales of shares of subsidiaries and associates	854	-
Proceeds from acquisition of business	1,023	-
Proceeds from subsidy income	169	-
Other, net	(26)	(24)
Net cash provided by (used in) investing activities	(7,404)	(8,686)

(Million yen)

	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(139)	(52)
Repayments of long-term loans payable	(725)	-
Cash dividends paid	(3,568)	(1,665)
Purchase of treasury shares	(6)	(2)
Other, net	(189)	(170)
Net cash provided by (used in) financing activities	(4,629)	(1,890)
Effect of exchange rate change on cash and cash equivalent	22	(61)
Net increase (decrease) in cash and cash equivalents	(1,325)	(733)
Cash and cash equivalents at beginning of period	20,706	19,381
Cash and cash equivalents at end of period	19,381	18,647

## (5) Notes to Consolidated Financial Statements

### Going Concern Assumption

Not applicable.

### 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)	
	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)
Net assets per share	1,084.84	1,125.29
Net income per share	18.36	82.67

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 555,000 for FY2/18 and 536,000 for FY2/19. For the determination of net assets per share, the numbers of treasury shares deducted were 555,000 for FY2/18 and 531,000 for FY2/19.

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

	(Million yen)	
	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)
Net income attributable to owners of the parent	863	3,890
Amount not available to common stockholders	-	-
Net income attributable to owners of the parent applicable to common shares	863	3,890
Average number of common shares outstanding during the period (Thousand shares)	47,041	47,058

### Subsequent Events

Not applicable.

#### **4. Other Information**

##### **(1) Changes in Directors**

1. Change in representative director

Not applicable.

2. Change of other board members (Date of change: May 23, 2019)

(1) Candidate for director appointment

Member of the Board of Directors and Senior Vice President, General Headquarters of Sales  
Yoshiaki Kitamura (Current Senior Vice President, General Headquarters of Sales)

(2) Candidate for corporate auditor

Corporate Auditor: Mariko Matsumura

(Note) Ms. Mariko Matsumura is a candidate for an outside corporate auditor.

(3) Retiring corporate auditor

Corporate Auditor: Wataru Maekawa

(Note) Mr. Wataru Maekawa is an outside corporate auditor.

*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.*