

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 28, 2014
(Six Months Ended August 31, 2013)

[Japanese GAAP]

September 30, 2013

Company name: Adastria Holdings Co., Ltd.

Listing: TSE 1st section

Stock code: 2685

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Scheduled date of payment of dividend: October 22, 2013

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for investors)

Note: The original disclosure in Japanese was released on September 30, 2013 at 15:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2014
(March 1, 2013 – August 31, 2013)

(1) Consolidated results of operations (cumulative)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Aug. 31, 2013	63,749	15.6	3,767	0.2	3,980	3.5	2,090	(3.6)
Six months ended Aug. 31, 2012	55,152	5.0	3,761	(19.6)	3,844	(19.1)	2,169	(9.5)

Note: Comprehensive income Six months ended Aug. 31, 2013: 3,005 million yen (up 21.4 %)

Six months ended Aug. 31, 2012: 2,474 million yen (up 3.4 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2013	96.04	96.03
Six months ended Aug. 31, 2012	92.54	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2013	68,181	40,912	60.0
As of Feb. 28, 2013	63,410	38,598	60.9

Reference: Shareholders' equity As of Aug. 31, 2013: 40,905 million yen As of Feb. 28, 2013: 38,598 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2013	-	50.00	-	70.00	120.00
Fiscal year ending Feb. 28, 2014	-	50.00	-	-	-
Fiscal year ending Feb. 28, 2014 (forecast)	-	-	-	70.00	120.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2014 (March 1, 2013 – February 28, 2014)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	157,900	29.8	10,100	3.9	10,300	3.5	4,900	(11.0)	213.75

Note: Revision to the most recently announced consolidated forecast: Yes

*** Notes**

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

Newly added: 1 (NATURAL NINE CO., LTD.)

Excluded: -

Note: Please refer to the section “2. Matters Related to Summary Information (Notes), (1) Changes in Significant Subsidiaries during the Period” on page 3 for further information.

(2) Special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) 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: Yes

4) Restatements: None

Note: Please refer to the section “2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements” on page 4 for further information.

(4) Number of outstanding shares (common stock)

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

As of Aug. 31, 2013: 24,400,000 shares As of Feb. 28, 2013: 24,400,000 shares

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

As of Aug. 31, 2013: 2,589,381 shares As of Feb. 28, 2013: 2,657,885 shares

3) Average number of shares outstanding during the period (cumulative)

Six months ended Aug. 31, 2013: 21,768,938 shares Six months ended Aug. 31, 2012: 23,437,668 shares

Note 1: Indication of quarterly review procedure implementation status

The current quarterly financial statements are exempted from quarterly review procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, the review procedures for these quarterly financial statements have not been completed.

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. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section “Qualitative Information Regarding Consolidated Forecast” on page 3 regarding preconditions or other related matters for the forecast shown above.

Reference: Summary of Non-consolidated Forecast

Non-consolidated Forecast for the Fiscal Year Ending February 28, 2014 (March 1, 2013 – February 28, 2014)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	57,500	(50.0)	4,900	(47.0)	5,100	(47.1)	3,100	(43.0)	135.23

Note: Revision to the most recently announced non-consolidated forecast: Yes

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information Regarding Consolidated Results of Operations

In the first half of the current fiscal year (March 1, 2013 to August 31, 2013), there was a steady recovery of the Japanese economy. Exports rebounded, corporate earnings increased, particularly at manufacturers, and the end of deflation appears to be near.

In the casual wear market, in which our group operates, the operating environment was favorable as consumer sentiment slowly improves and weather was generally good.

In the second quarter of the current fiscal year, NATURAL NINE CO., LTD. became a consolidated subsidiary through a share exchange. This company has outstanding capabilities in textile and product designs. Adding NATURAL NINE CO., LTD., which has operations in many Asian countries, to the Group will help create a group that has its own merchandise planning capability. Management believes this will be important from the standpoint of achieving a big increase in corporate value.

Consolidated sales were generally healthy as existing-store sales were 2.5% higher than the same period of the previous fiscal year. Sales of the *REPIPI ARMARIO* and *APART BY LAWRY'S* brands were higher and the *LOWRY'S FARM* and *GLOBAL WORK* brands all posted solid sales.

We continued to aggressively open new stores and close unprofitable ones in Japan: we opened 53 new stores, and closed 22, resulting in a domestic network of 854 stores at the end of the second quarter of the current fiscal year (including 21 e-commerce websites).

Overseas, two stores were opened and eight were closed in Taiwan, one store was opened and two were closed in Hong Kong, five stores were opened and one was closed in China, and four stores were opened in Singapore. At the end of the second quarter of the current fiscal year, there were 25 stores in Taiwan, 23 in Hong Kong, 21 in China, and eight in Singapore for a total of 77 overseas stores.

There was an extraordinary gain of 202 million yen in association with the step acquisitions for making NATURAL NINE CO., LTD. a consolidated subsidiary and an extraordinary loss of 113 million yen for impairment losses at stores.

As a result, consolidated net sales in the first half of the current fiscal year increased 15.6% year-on-year to 63,749 million yen, operating income increased 0.2% to 3,767 million yen, ordinary income increased 3.5% to 3,980 million yen, and net income decreased 3.6% to 2,090 million yen.

On September 1, 2013, a share exchange was conducted that made TRINITY ARTS inc. a wholly owned subsidiary, with the Company as a solo parent. At the same time, an absorption-type company split was conducted in which POINT INC. (the "new POINT"), the Company's wholly owned subsidiary, was spun off as a successor company to conduct the operations of the Company. In addition, the new POINT received rights and obligations for all business activities other than management administration. By taking these actions, the Group established a holding company structure. Furthermore, the company name was changed to Adastria Holdings Co., Ltd. on the same day.

(2) Qualitative Information Regarding Consolidated Financial Position

1) Assets, liabilities and net assets

Total assets increased 4,770 million yen from as of February 28, 2013 to 68,181 million yen as of August 31, 2013. This was mainly due to a decrease in short-term investment securities (commercial papers and Treasury Discount Bills) of 6,499 million yen in spite of increases in cash and deposits of 2,417 million yen, and goodwill of 5,712 million yen.

Liabilities increased 2,456 million yen to 27,268 million yen. This was mainly due to increases in notes and accounts payable-trade of 6,013 million yen, and short-term loans payable of 1,355 million yen.

Net assets increased 2,314 million yen to 40,912 million yen. This was mainly due to an increase in capital surplus of 1,509 million yen due to the share exchange.

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) as of August 31, 2013 amounted to 14,256 million yen, or 4,082 million yen less than as of February 28, 2013.

A summary of cash flows from each activity during the first half of the current fiscal year is as follows:

Cash flows from operating activities

Net cash provided by operating activities totaled 2,756 million yen (compared with 2,356 million yen provided in the same period of the previous fiscal year). The main factors include income before income taxes and minority interests of 4,069 million yen and income taxes paid of 2,273 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 2,574 million yen (compared with 2,376 million yen used in the same period of the previous fiscal year). This was mainly due to payments of 2,478 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities totaled 4,985 million yen (compared with 3,358 million yen used in the same period of the previous fiscal year). This was due to cash dividends paid of 1,520 million yen and the treasury stock purchases of 4,000 million yen.

(3) Qualitative Information Regarding Consolidated Forecast

The forecast announced on April 4, 2013 for consolidated results of operations in the current fiscal year did not include the effects of the management integration of TRINITY ARTS inc. and NATURAL NINE CO., LTD. and the shift to a holding company structure. At this time, the forecast has been revised to reflect the effects of these actions.

The forecast was revised primarily because NATURAL NINE CO., LTD. became a consolidated subsidiary in the second quarter and TRINITY ARTS inc. will become a consolidated subsidiary in the third quarter and due to the amortization of goodwill associated with the management integration and shift to a holding company structure.

[Reference] Qualitative Information Regarding Non-consolidated Forecast

Regarding the non-consolidated forecast, in association with the management integration and shift to a holding company structure, the Company became a holding company on September 1, 2013 that performs primarily management guidance and administrative functions for group companies. As a result, the non-consolidated forecast is the combination of the non-consolidated performance of POINT INC. in the first half and the forecast for the non-consolidated performance of Adastria Holdings Co., Ltd. in the second half.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

On June 4, 2013, the Company acquired 100% of the voting rights of NATURAL NINE HOLDINGS CO., LTD. to make it a wholly owned subsidiary through a share exchange, with the Company as the solo parent. This company and its four subsidiaries (NATURAL NINE CO., LTD., CROSS BORDER CO., LTD. and two other companies) were included in the scope of consolidation in the second quarter of the current fiscal year. On August 31, 2013, NATURAL NINE CO., LTD., which is the surviving company, absorbed NATURAL NINE HOLDINGS CO., LTD. and CROSS BORDER CO., LTD., which were dissolved.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates

Following tax law revisions, from the first quarter of the current fiscal year, the Company and its certain domestic consolidated subsidiaries have changed the method of depreciation of property, plant and equipment (excluding store interior equipment) acquired on or after March 1, 2013 in line with methods prescribed in the revised Corporation Tax Act.

The effect of this change on operating income, ordinary income, and income before income taxes and minority interests in the first half of the current fiscal year is insignificant.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	FY2/13 (As of Feb. 28, 2013)	Second quarter of FY2/14 (As of Aug. 31, 2013)
Assets		
Current assets		
Cash and deposits	11,849	14,267
Notes and accounts receivable-trade	4,829	6,296
Short-term investment securities	6,499	-
Inventories	7,749	8,387
Other	2,296	1,919
Allowance for doubtful accounts	(34)	(48)
Total current assets	33,190	30,822
Noncurrent assets		
Property, plant and equipment		
Store interior equipment, net	5,933	6,397
Other, net	5,061	5,059
Total property, plant and equipment	10,994	11,457
Intangible assets		
Goodwill	1,797	7,510
Other	812	977
Total intangible assets	2,609	8,488
Investments and other assets		
Lease and guarantee deposits	11,306	11,907
Other	5,513	5,693
Allowance for doubtful accounts	(204)	(188)
Total investments and other assets	16,616	17,413
Total noncurrent assets	30,220	37,359
Total assets	63,410	68,181
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,909	14,522
Short-term loans payable	508	1,864
Current portion of long-term loans payable	235	240
Accounts payable-other	5,581	5,434
Income taxes payable	2,378	2,317
Provision for bonuses	1,212	1,403
Provision for directors' bonuses	51	38
Other provision	163	262
Other	191	416
Total current liabilities	24,231	26,501

(Million yen)

	FY2/13 (As of Feb. 28, 2013)	Second quarter of FY2/14 (As of Aug. 31, 2013)
Noncurrent liabilities		
Bonds payable	31	34
Long-term loans payable	261	311
Provision	101	101
Other	187	321
Total noncurrent liabilities	581	767
Total liabilities	24,812	27,268
Net assets		
Shareholders' equity		
Capital stock	2,660	2,660
Capital surplus	2,517	4,027
Retained earnings	40,826	41,414
Treasury stock	(8,188)	(8,892)
Total shareholders' equity	37,816	39,209
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	792	1,515
Deferred gains or losses on hedges	7	19
Foreign currency translation adjustment	(17)	161
Total accumulated other comprehensive income	781	1,696
Subscription rights to shares	-	6
Total net assets	38,598	40,912
Total liabilities and net assets	63,410	68,181

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(For the Six-month Period)

(Million yen)

	First six months of FY2/13 (Mar. 1, 2012 – Aug. 31, 2012)	First six months of FY2/14 (Mar. 1, 2013 – Aug. 31, 2013)
Net sales	55,152	63,749
Cost of sales	22,683	27,070
Gross profit	32,469	36,678
Selling, general and administrative expenses	28,707	32,911
Operating income	3,761	3,767
Non-operating income		
Dividends income	28	29
Insurance premiums refunded cancellation	-	73
Other	65	175
Total non-operating income	94	278
Non-operating expenses		
Interest expenses	0	18
Commitment fee	6	6
Commission for purchase of treasury stock	2	20
Loss on insurance cancellation	-	6
Other	3	15
Total non-operating expenses	11	65
Ordinary income	3,844	3,980
Extraordinary income		
Gain on sales of noncurrent assets	18	-
Gain on step acquisitions	-	202
Total extraordinary income	18	202
Extraordinary loss		
Impairment loss	78	113
Loss on valuation of investment securities	14	-
Total extraordinary losses	92	113
Income before income taxes and minority interests	3,769	4,069
Income taxes-current	2,011	2,216
Income taxes-deferred	(396)	(237)
Total income taxes	1,615	1,978
Income before minority interests	2,154	2,090
Minority interests in loss	(14)	-
Net income	2,169	2,090

Quarterly Consolidated Statements of Comprehensive Income**(For the Six-month Period)**

(Million yen)

	First six months of FY2/13 (Mar. 1, 2012 – Aug. 31, 2012)	First six months of FY2/14 (Mar. 1, 2013 – Aug. 31, 2013)
Income before minority interests	2,154	2,090
Other comprehensive income		
Valuation difference on available-for-sale securities	273	723
Deferred gains or losses on hedges	(4)	12
Foreign currency translation adjustment	50	179
Total other comprehensive income	320	914
Comprehensive income	2,474	3,005
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,481	3,005
Comprehensive income attributable to minority interests	(6)	-

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	First six months of FY2/13 (Mar. 1, 2012 – Aug. 31, 2012)	First six months of FY2/14 (Mar. 1, 2013 – Aug. 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	3,769	4,069
Depreciation and amortization	2,169	2,392
Impairment loss	78	113
Amortization of goodwill	-	404
Increase (decrease) in allowance for doubtful accounts	(97)	(4)
Increase (decrease) in provision for bonuses	292	187
Loss (gain) on step acquisitions	-	(202)
Decrease (increase) in notes and accounts receivable-trade	(503)	(31)
Decrease (increase) in inventories	310	(236)
Increase (decrease) in notes and accounts payable-trade	(2,185)	(1,732)
Increase (decrease) in accounts payable-other	135	(172)
Increase (decrease) in accrued consumption taxes	(112)	(32)
Other, net	87	261
Subtotal	3,944	5,016
Interest and dividends income received	35	32
Interest expenses paid	(0)	(18)
Income taxes paid	(1,623)	(2,273)
Net cash provided by (used in) operating activities	2,356	2,756
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,077)	(2,478)
Purchase of intangible assets	(141)	(344)
Payments for lease and guarantee deposits	(551)	(655)
Proceeds from collection of lease and guarantee deposits	388	865
Other, net	5	38
Net cash provided by (used in) investing activities	(2,376)	(2,574)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	102	690
Proceeds from long-term loans payable	-	257
Repayment of long-term loans payable	-	(318)
Cash dividends paid	(1,664)	(1,520)
Purchase of treasury stock	(1,796)	(4,000)
Other, net	-	(93)
Net cash provided by (used in) financing activities	(3,358)	(4,985)
Effect of exchange rate change on cash and cash equivalents	17	83
Net increase (decrease) in cash and cash equivalents	(3,360)	(4,719)
Cash and cash equivalents at beginning of period	25,308	18,338
Increasing of cash and cash equivalents for stock exchange	-	637
Cash and cash equivalents at end of period	21,947	14,256

(4) Going Concern Assumption

Not applicable.

(5) Significant Changes in Shareholders' Equity

Pursuant to the resolution approved at the Board of Directors meeting held on April 4, 2013, the Company conducted a share exchange on June 4, 2013 to make NATURAL NINE HOLDINGS CO., LTD. a wholly owned subsidiary, with the Company as the solo parent. As a result, capital surplus increased by 1,501 million yen and treasury stock decreased by 3,260 million yen in the second quarter of the current fiscal year.

In addition, treasury stock increased by 4,000 million yen in the second quarter of the current fiscal year as the Company repurchased its own shares following the resolution approved at the Board of Directors meeting held on May 28, 2013.

Moreover, treasury stock decreased by 35 million yen in the second quarter of the current fiscal year as the part of the stock acquisition rights, which was issued following the resolution approved at the Board of Directors meeting held on May 15, 2013, was exercised.

As a result, capital surplus totaled 4,027 million yen and treasury stock 8,892 million yen at the end of the second quarter of the current fiscal year.

4. Supplementary Information

(1) Number of Stores for Formats and Regions

Store format / region	Number of stores					
	As of Feb. 28, 2013	First six months of FY2/14				As of Aug. 31, 2013
		Opened, etc.	Rebranded	Closed	Increase /decrease	
RAGEBLUE	62	3	-	(2)	1	63
LOWRYS FARM	149	14	-	(5)	9	158
GLOBAL WORK	172	6	-	(6)	-	172
JEANASIS	81	2	-	(3)	(1)	80
HEATHER	75	2	-	(2)	-	75
HARE	35	-	-	(1)	(1)	34
NINE BLOCKS (Note 3)	29	5	-	-	5	34
APART BY LAWRY'S (Note 4)	29	5	-	(2)	3	32
LEPSIM LOWRYS FARM	111	3	-	(1)	2	113
REPIPI ARMARIO	23	5	-	-	5	28
JEWELIUM	4	-	-	-	-	4
TURNO JEANA	5	1	-	-	1	6
ME PERCENT	3	2	-	-	2	5
BLISS POINT	6	2	-	-	2	8
COLLECT POINT (Multiple brand shop)	1	-	-	-	-	1
Total (POINT INC.)	785	50	-	(22)	28	813
BABYLONE INC. (Note 5)	38	3	-	-	3	41
Total (Consolidated subsidiary in Japan)	38	3	-	-	3	41
Total (Japan)	823	53	-	(22)	31	854
Taiwan	31	2	-	(8)	(6)	25
Hong Kong	24	1	-	(2)	(1)	23
China	17	5	-	(1)	4	21
Singapore	4	4	-	-	4	8
Total (Overseas)	76	12	-	(11)	1	77
Total (Group)	899	65	-	(33)	32	931

Notes: 1. The number of stores includes e-commerce websites of other companies and e-commerce websites of the Company.

2. Stores that sell merchandise of two or more brands are categorized as the brand that operates each store.

3. *NINE BLOCKS* stores include brand outlets.

4. *APART BY LAWRY'S* includes *MALLIKA FLICKA*.

5. *BABYLONE INC.* includes its subsidiary *universite CO., LTD.*

(2) Sales for Brands and Regions

Brand / region	First six months of FY2/14		YoY change (%)
	Sales (million yen)	Composition (%)	
RAGEBLUE	4,570	7.2	10.2
LOWRYS FARM	12,102	19.0	7.4
GLOBAL WORK	13,553	21.3	5.1
JEANASIS	5,174	8.1	(0.1)
HEATHER	4,083	6.4	(0.0)
HARE	2,497	3.9	13.2
NINE BLOCKS (Note 1)	4,034	6.3	3.6
APART BY LAWRY'S (Note 2)	1,706	2.7	19.5
LEPSIM LOWRYS FARM	6,137	9.6	2.9
REPIPI ARMARIO	1,343	2.1	52.4
JEWELIUM	199	0.3	(32.1)
TURNO JEANA	188	0.3	34.1
ME PERCENT	120	0.2	-
BLISS POINT	836	1.3	13.1
Others	6	0.0	-
Total (POINT INC.)	56,553	88.7	6.3
BABYLONE INC. (Notes 3, 4)	2,355	3.7	-
Other consolidated subsidiaries (Note 5)	1,498	2.3	-
Total (Consolidated subsidiary in Japan)	3,853	6.0	-
Total (Japan)	60,407	94.7	13.6
Taiwan	685	1.1	12.9
Hong Kong	1,950	3.1	82.7
China	411	0.6	64.6
Singapore	294	0.5	592.6
Total (Overseas)	3,342	5.3	69.9
Total (Group)	63,749	100.0	15.6

Notes: 1. NINE BLOCKS stores include brand outlets.

2. APART BY LAWRY'S includes MALLIKA FLICKA.

3. BABYLONE INC. includes its subsidiary universite CO., LTD.

4. No year-on-year change is shown for BABYLONE INC. because this company became a consolidated subsidiary on November 1, 2012.

5. Other consolidated subsidiaries include NATURAL NINE CO., LTD. and Posic Co., Ltd.

(3) Sales for Merchandise Categories

Category	First six months of FY2/14		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	11,754	18.4	11.3
Lady's apparel (bottoms, tops)	39,276	61.6	10.2
Others	12,718	20.0	42.3
Total	63,749	100.0	15.6

Note: The others category includes sales of NATURAL NINE CO., LTD., additions to the provision for point card certificates and other items.

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.