

**Summary of Consolidated Financial Results**  
**for the Third Quarter of the Fiscal Year Ending February 28, 2021**  
**(Nine Months Ended November 30, 2020)**

**[Japanese GAAP]**

December 29, 2020

Company name: Adastria Co., Ltd.

Listing: TSE 1st section

Stock code: 2685

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

Representative: Michio Fukuda, Chairman of the Board

Contact: Ryo Araya, Vice President,

Deputy Executive General Manager, General Headquarters of Management Tel: +81-3-5466-2050

Scheduled date of filing of Quarterly Report: January 14, 2021

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on December 29, 2020 at 15:00 (GMT +9).

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

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 28, 2021**  
**(March 1, 2020 – November 30, 2020)**

(1) Consolidated results of operations (cumulative)

(Percentages 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	%
Nine months ended Nov. 30, 2020	132,833	(19.1)	1,108	(90.7)	3,116	(73.7)	1,228	(82.2)
Nine months ended Nov. 30, 2019	164,280	1.2	11,970	110.0	11,871	103.5	6,908	124.2

Note: Comprehensive income Nine months ended Nov. 30, 2020: 939 million yen (down 86.5%)

Nine months ended Nov. 30, 2019: 6,951 million yen (up 144.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Nov. 30, 2020	26.13	-
Nine months ended Nov. 30, 2019	146.67	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Nov. 30, 2020	102,204	54,105	52.9
As of Feb. 29, 2020	97,924	57,041	58.3

Reference: Shareholders' equity As of Nov. 30, 2020: 54,105 million yen As of Feb. 29, 2020: 57,041 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. 29, 2020	-	25.00	-	25.00	50.00
Fiscal year ending Feb. 28, 2021	-	15.00	-	-	-
Fiscal year ending Feb. 28, 2021 (forecast)	-	-	-	25.00	40.00

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

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

(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	189,000	(15.0)	(1,000)	-	(1,100)	-	(2,200)	-	(46.69)

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

**\* 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) Application of special accounting methods for presenting 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: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of Nov. 30, 2020:	48,800,000 shares	As of Feb. 29, 2020:	48,800,000 shares
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2) Number of treasury shares at the end of the period

As of Nov. 30, 2020:	2,801,825 shares	As of Feb. 29, 2020:	1,679,557 shares
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3) Average number of shares outstanding during the period

Nine months ended Nov. 30, 2020:	47,030,649 shares	Nine months ended Nov. 30, 2019:	47,102,625 shares
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Note 1: The current quarterly financial report is not subject to quarterly review procedures 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. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 regarding preconditions or other related matters for the forecast shown above.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

Consolidated results				(Million yen)	
	First nine months of FY2/20 (Mar. 1, 2019 – Nov. 30, 2019)	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)	YoY change (Amount)	YoY change (%)	
Net sales	164,280	132,833	(31,447)	(19.1)	
Operating profit	11,970	1,108	(10,862)	(90.7)	
Ordinary profit	11,871	3,116	(8,754)	(73.7)	
Net income attributable to owners of the parent	6,908	1,228	(5,679)	(82.2)	

Consolidated net sales in the first nine months (March 1 – November 30, 2020) decreased 19.1% year-on-year to 132,833 million yen, operating profit decreased 90.7% to 1,108 million yen, ordinary profit decreased 73.7% to 3,116 million yen, and net income attributable to owners of the parent decreased 82.2% to 1,228 million yen.

Sales in Japan were 19.0% lower than one year earlier as the number of customers visiting our stores decreased sharply because people stayed home due to the COVID-19 pandemic and retail facilities closed or shortened operating hours. All of our physical stores in Japan were closed for about two weeks from late April. Subsequently, stores reopened in stages in each region of Japan as the emergency declaration was lifted. Although the effect of the downturn in demand related to going out continued, sales at physical stores in Japan improved with each passing month. Demand picked up significantly in the third quarter as temperatures dropped and demand related to going out recovered. However, the outlook for personal consumption remained uncertain, because the number of customers visiting our stores decreased again in late November due to increasing number of cases in COVID-19 infections.

E-commerce sales were 23.8% higher than in the first nine months of the previous fiscal year. One reason was the temporary suspension of operations of the “.st” e-commerce site that started on August 8, 2019. The big increase was also attributable to initiatives to strengthen measures of attracting customers on “.st” as people stayed home for safety. A strong performance of BUZZWIT Co., Ltd., which sells merchandise exclusively online, also contributed to the growth of e-commerce sales.

In other countries, sales were down in Hong Kong, South Korea and the United States because of COVID-19. Sales in Taiwan, where the impact of COVID-19 was relatively small, were about the same as one year earlier. Sales increased in China because of strong sales at the niko and ... Shanghai flagship store.

We opened 82 stores (including 6 overseas) and closed 32 stores (including 8 overseas), resulting in a total of 1,442 stores (including 75 overseas) at the end of the first nine months of this fiscal year.

In this challenging environment, we suppressed discount sales by providing merchandize “in a timely manner, at appropriate prices and in suitable volumes.” However, the gross profit margin decreased 1.4 percentage points from one year earlier to 55.7% due to promotions to sell inventories of spring apparel.

Selling, general and administrative expenses were 8,993 million yen lower than one year earlier. One reason was a decrease in personnel expenses and store rents because of store closings and reduced operating hours. This decrease was also attributable to the reduction of other expenses, such as by reducing credit card fees, holding down promotional expenses, limiting business trips and canceling events. However, due to the significant decrease in sales, the ratio of SG&A expenses to sales increased 5.0 percentage points to 54.8%, resulting in a 6.5 percentage point decrease in the operating margin to 0.8%. There was non-operating income of 1,658 million yen due to the receipt of subsidies for employment adjustment associated with temporary store closings caused by COVID-19.

There were extraordinary losses of 226 million yen for the impairment of store assets and 133 million yen for provision for loss on business liquidation of our subsidiary in South Korea (Adastria Korea Co., Ltd.).

## **(2) Explanation of Financial Position**

Total assets increased 4,279 million yen from as of February 29, 2020 to 102,204 million yen as of November 30, 2020. Cash and deposits decreased 7,240 million yen but there were increases of 5,815 million yen in notes and accounts receivable-trade, 3,922 million yen in inventories and 1,094 million yen in other (software, etc.) under intangible assets.

Liabilities increased 7,215 million yen to 48,099 million yen. There was a decrease of 1,823 million yen in electronically recorded obligations-operating but there were increases of 4,029 million yen in notes and accounts payable-trade, 4,006 million yen in accounts payable-other and 1,272 million yen in income taxes payable.

Net assets decreased 2,936 million yen to 54,105 million yen. This was mainly due to an increase of 1,969 million yen in treasury shares (decrease in total assets) and a decrease of 677 million yen in retained earnings.

## **(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

There are no revisions to the consolidated forecast for the current fiscal year that was announced on July 16, 2020.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY2/20 (As of Feb. 29, 2020)	Third quarter of FY2/21 (As of Nov. 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	26,462	19,222
Notes and accounts receivable-trade	9,954	15,770
Inventories	15,008	18,931
Other	1,877	1,743
Allowance for doubtful accounts	(68)	(113)
Total current assets	53,234	55,554
Non-current assets		
Property, plant and equipment		
Store interior equipment, net	5,349	5,285
Other, net	9,915	10,665
Total property, plant and equipment	15,265	15,950
Intangible assets		
Goodwill	478	355
Other	5,799	6,894
Total intangible assets	6,278	7,250
Investments and other assets		
Investment securities	242	257
Leasehold and guarantee deposits	15,959	15,498
Other	7,212	8,003
Allowance for doubtful accounts	(268)	(310)
Total investments and other assets	23,146	23,449
Total non-current assets	44,689	46,650
Total assets	97,924	102,204
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	7,900	11,929
Electronically recorded obligations-operating	9,020	7,197
Accounts payable-other	11,500	15,506
Income taxes payable	3,130	4,403
Provision for bonuses	2,188	1,159
Provision for point card certificates	1,937	1,419
Provision for loss on business liquidation	-	132
Other provisions	279	428
Other	1,505	2,069
Total current liabilities	37,462	44,246
Non-current liabilities		
Provisions	396	304
Other	3,024	3,548
Total non-current liabilities	3,421	3,852
Total liabilities	40,883	48,099

(Million yen)

	FY2/20 (As of Feb. 29, 2020)	Third quarter of FY2/21 (As of Nov. 30, 2020)
Net assets		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	7,213	7,213
Retained earnings	51,079	50,402
Treasury shares	(4,372)	(6,342)
Total shareholders' equity	56,580	53,932
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(2)
Deferred gains or losses on hedges	6	(28)
Foreign currency translation adjustment	454	202
Total accumulated other comprehensive income	461	172
Total net assets	57,041	54,105
Total liabilities and net assets	97,924	102,204

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

**Quarterly Consolidated Statement of Income**

**(For the Nine-month Period)**

(Million yen)

	First nine months of FY2/20 (Mar. 1, 2019 – Nov. 30, 2019)	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)
Net sales	164,280	132,833
Cost of sales	70,475	58,883
Gross profit	93,805	73,949
Selling, general and administrative expenses	81,834	72,841
Operating profit	11,970	1,108
Non-operating income		
Dividend income	13	2
Gain on valuation of derivatives	29	-
Subsidies for employment adjustment	-	1,658
Other	293	587
Total non-operating income	336	2,247
Non-operating expenses		
Interest expenses	89	104
Foreign exchange losses	308	-
Loss on valuation of derivatives	-	81
Other	38	52
Total non-operating expenses	435	238
Ordinary profit	11,871	3,116
Extraordinary losses		
Impairment loss	1,584	226
Loss on disaster	23	-
Loss on sales of investment securities	75	-
Provision for loss on business liquidation	-	133
Total extraordinary losses	1,684	360
Net income before income taxes	10,187	2,756
Income taxes-current	3,933	1,363
Income taxes-deferred	(655)	163
Total income taxes	3,278	1,527
Net income	6,908	1,228
Net income attributable to owners of the parent	6,908	1,228



**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Nine-month Period)**

(Million yen)

	First nine months of FY2/20 (Mar. 1, 2019 – Nov. 30, 2019)	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)
Net income	6,908	1,228
Other comprehensive income		
Valuation difference on available-for-sale securities	9	(2)
Deferred gains or losses on hedges	27	(34)
Foreign currency translation adjustment	6	(252)
Total other comprehensive income	43	(289)
Comprehensive income	6,951	939
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,951	939
Comprehensive income attributable to non-controlling interests	-	-

**(3) Notes to Quarterly Consolidated Financial Statements**

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Adastria has purchased 1,162,000 shares of its own shares following the resolution approved at the Board of Directors meeting held on October 15, 2020. Mainly for this reason, treasury shares increased by 1,969 million yen during the first nine months of the fiscal year to 6,342 million yen at the end of the third quarter.

### 3. Supplementary Information

#### (1) Sales for Brands and Regions

Brand / region	First nine months of FY2/21		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	24,515	18.5	(19.9)
niko and ...	18,813	14.2	(20.6)
LOWRYS FARM	14,312	10.8	(18.9)
STUDIO CLIP	13,683	10.3	(18.5)
LEPSIM	8,172	6.2	(24.0)
JEANASIS	6,956	5.2	(20.8)
BAYFLOW	6,096	4.6	(16.2)
RAGEBLUE	3,824	2.9	(30.4)
Others (Note 3)	18,372	13.7	(20.2)
Total (Adastria)	114,747	86.4	(20.4)
BUZZWIT Co., Ltd.	4,696	3.5	28.5
ELEMENT RULE Co., Ltd. (Note 3)	5,705	4.3	(19.3)
Other consolidated subsidiaries	224	0.2	606.9
Total (Japan)	125,374	94.4	(19.0)
Hong Kong	1,829	1.4	(29.1)
China	815	0.6	142.6
Taiwan	1,859	1.4	3.5
South Korea	491	0.4	(43.7)
USA	2,462	1.8	(36.3)
Total (Overseas)	7,458	5.6	(21.1)
Total (Group)	132,833	100.0	(19.1)

- 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 March 1, 2020, Adastria conducted an absorption-type split where the *PAS TIERRA* business unit of Adastria was divested and then transferred to consolidated subsidiary ELEMENT RULE Co., Ltd. As a result, the sales of this brand, which was included in “others” for Adastria in prior years, are included in the sales of ELEMENT RULE beginning with the first quarter of the fiscal year ending in February 2021.

#### (2) Sales for Merchandise Categories

Category	First nine months of FY2/21		YoY change (%)
	Sales (million yen)	Composition (%)	
Men’s apparel (bottoms, tops)	18,610	14.0	(20.5)
Lady’s apparel (bottoms, tops)	84,270	63.4	(22.9)
Others	29,951	22.6	(4.9)
Total	132,833	100.0	(19.1)

- 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 Feb. 29, 2020	First nine months of FY2/21					As of Nov. 30, 2020
		Absorption- type split (Note 3)	Opened	Changed	Closed	Increase /decrease	
GLOBAL WORK	210	-	3	(1)	(2)	-	210
niko and ...	144	-	3	-	(2)	1	145
LOWRYS FARM	136	-	-	-	-	-	136
STUDIO CLIP	183	-	4	-	(1)	3	186
LEPSIM	128	-	-	-	(2)	(2)	126
JEANASIS	73	-	2	-	(1)	1	74
BAYFLOW	54	-	5	-	(1)	4	58
RAGEBLUE	54	-	1	-	(3)	(2)	52
Others	247	(3)	32	1	(7)	23	270
Total (Adastria)	1,229	(3)	50	-	(19)	28	1,257
BUZZWIT Co., Ltd.	7	-	7	-	-	7	14
ELEMENT RULE Co., Ltd.	77	3	17	-	(4)	16	93
Other consolidated subsidiaries	2	-	2	-	(1)	1	3
Total (Japan)	1,315	-	76	-	(24)	52	1,367
Hong Kong	16	-	-	-	(2)	(2)	14
China	1	-	1	-	-	1	2
Taiwan	37	-	4	-	-	4	41
South Korea	13	-	-	-	(6)	(6)	7
USA	10	-	1	-	-	1	11
Total (Overseas)	77	-	6	-	(8)	(2)	75
Total (Group)	1,392	-	82	-	(32)	50	1,442

- 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. The figures in “Absorption-type split” show the change in the number of stores resulting from the absorption-type split conducted on March 1, 2020, where the *PAS TIERRA* business unit of Adastria was divested and then transferred to consolidated subsidiary ELEMENT RULE Co., Ltd.

*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.*