

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending February 28, 2021**  
**(Six Months Ended August 31, 2020)**

**[Japanese GAAP]**

September 30, 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: October 15, 2020

Scheduled date of payment of dividend: October 21, 2020

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, 2020 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, 2021**  
**(March 1, 2020 – August 31, 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	%
Six months ended Aug. 31, 2020	79,664	(26.9)	(4,410)	-	(2,730)	-	(2,461)	-
Six months ended Aug. 31, 2019	108,981	3.8	7,164	-	6,987	-	4,410	-

Note: Comprehensive income Six months ended Aug. 31, 2020: (2,543) million yen (-%)

Six months ended Aug. 31, 2019: 4,469 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2020	(52.21)	-
Six months ended Aug. 31, 2019	93.66	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2020	88,320	53,434	60.5
As of Feb. 29, 2020	97,924	57,041	58.3

Reference: Shareholders' equity As of Aug. 31, 2020: 53,434 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 Aug. 31, 2020:	48,800,000 shares	As of Feb. 29, 2020:	48,800,000 shares
----------------------	-------------------	----------------------	-------------------

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

As of Aug. 31, 2020:	1,638,755 shares	As of Feb. 29, 2020:	1,679,557 shares
----------------------	------------------	----------------------	------------------

3) Average number of shares outstanding during the period

Six months ended Aug. 31, 2020:	47,144,688 shares	Six months ended Aug. 31, 2019:	47,093,537 shares
---------------------------------	-------------------	---------------------------------	-------------------

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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Quarterly Consolidated Statement of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
3. Supplementary Information	10
(1) Sales for Brands and Regions	10
(2) Sales for Merchandise Categories	10
(3) Number of Stores	11

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

Consolidated results

(Million yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)	YoY change (Amount)	YoY change (%)
Net sales	108,981	79,664	(29,316)	(26.9)
Operating profit	7,164	(4,410)	(11,575)	-
Ordinary profit	6,987	(2,730)	(9,717)	-
Net income attributable to owners of the parent	4,410	(2,461)	(6,871)	-

Consolidated net sales in the first half (March 1 – August 31, 2020) decreased 26.9% year-on-year to 79,664 million yen, operating loss was 4,410 million yen (operating profit of 7,164 million yen in the same period of the previous fiscal year), ordinary loss was 2,730 million yen (ordinary profit of 6,987 million yen in the same period of the previous fiscal year), and net loss attributable to owners of the parent was 2,461 million yen (net income of 4,410 million yen in the same period of the previous fiscal year).

Sales in Japan were 27.1% 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 from April 25 to May 7 (about two weeks). Subsequently, stores reopened in stages in each region of Japan as the number of COVID-19 infections declined and the state of emergency ended. From June 3, all stores had reopened. Although the downturn in demand of going out continued to affect sales, the decline in store sales in Japan in the second quarter was smaller than in the first quarter. E-commerce sales were 25.2% higher than in the first half 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 to attract e-commerce customers 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 47 stores (including 4 overseas) and closed 26 stores (including 8 overseas), resulting in a total of 1,413 stores (including 73 overseas) at the end of the first half of this fiscal year.

In this challenging market environment, promotions to sell inventories of spring apparel and other products led to more discount sales. As a result, the gross profit margin decreased 3.1 percentage points from one year earlier to 53.1%.

Selling, general and administrative expenses were 7,413 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 holding down promotional expenses, reducing credit card fees, limiting business trips and canceling events. However, due to the significant decrease in sales, the ratio of SG&A expenses to sales increased 9.0 percentage points to 58.6%, and there was an operating loss of 4,410 million yen (operating profit of 7,164 million yen in the same period of the previous fiscal year). There was non-operating income of 1,620 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 96 million yen for the impairment of store assets.

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

### **1) Balance sheet position**

Total assets decreased 9,604 million yen from as of February 29, 2020 to 88,320 million yen as of August 31, 2020. There were increases of 1,404 million yen in other under current assets (accounts receivable-other, etc.) and 1,761 million yen in other under investments and other assets (deferred tax assets, etc.) but there was a decrease of 12,024 million yen in cash and deposits.

Liabilities decreased 5,996 million yen to 34,886 million yen. There were decreases of 5,155 million yen in electronically recorded obligations-operating and 903 million yen in provision for point card certificates.

Net assets decreased 3,607 million yen to 53,434 million yen. This was mainly due to a decrease of 3,652 million yen in retained earnings.

### **2) Cash flow position**

Cash and cash equivalents (hereinafter “net cash”) as of August 31, 2020 decreased 14,345 million yen to 12,031 million yen less than as of February 29, 2020.

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 used in operating activities totaled 6,089 million yen (compared with 8,246 million yen provided in the same period of the previous fiscal year). This was mainly due to net loss before income taxes of 2,826 million yen and a decrease in notes and accounts payable-trade of 4,900 million yen.

#### Cash flows from investing activities

Net cash used in investing activities totaled 4,013 million yen (compared with 3,042 million yen used in the same period of the previous fiscal year). This was mainly due to the payments of 2,071 million yen for the purchase of property, plant and equipment and 1,202 million yen for the purchase of intangible assets.

#### Cash flows from financing activities

Net cash used in financing activities totaled 1,889 million yen (compared with 2,225 million yen used in the same period of the previous fiscal year). This was mainly due to cash dividends paid of 1,192 million yen and repayments of lease obligations of 696 million yen.

## **(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)	Second quarter of FY2/21 (As of Aug. 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	26,462	14,438
Notes and accounts receivable-trade	9,954	9,839
Inventories	15,008	14,981
Other	1,877	3,281
Allowance for doubtful accounts	(68)	(72)
Total current assets	53,234	42,468
Non-current assets		
Property, plant and equipment		
Store interior equipment, net	5,349	5,237
Other, net	9,915	9,413
Total property, plant and equipment	15,265	14,650
Intangible assets		
Goodwill	478	396
Other	5,799	6,341
Total intangible assets	6,278	6,737
Investments and other assets		
Investment securities	242	238
Leasehold and guarantee deposits	15,959	15,560
Other	7,212	8,974
Allowance for doubtful accounts	(268)	(310)
Total investments and other assets	23,146	24,463
Total non-current assets	44,689	45,852
Total assets	97,924	88,320
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	7,900	8,147
Electronically recorded obligations-operating	9,020	3,864
Accounts payable-other	11,500	11,278
Income taxes payable	3,130	3,428
Provision for bonuses	2,188	2,152
Provision for point card certificates	1,937	1,034
Other provisions	279	424
Other	1,505	1,813
Total current liabilities	37,462	32,144
Non-current liabilities		
Provisions	396	287
Other	3,024	2,454
Total non-current liabilities	3,421	2,742
Total liabilities	40,883	34,886

(Million yen)

	FY2/20 (As of Feb. 29, 2020)	Second quarter of FY2/21 (As of Aug. 31, 2020)
Net assets		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	7,213	7,213
Retained earnings	51,079	47,426
Treasury shares	(4,372)	(4,244)
Total shareholders' equity	56,580	53,055
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(4)
Deferred gains or losses on hedges	6	(38)
Foreign currency translation adjustment	454	421
Total accumulated other comprehensive income	461	378
Total net assets	57,041	53,434
Total liabilities and net assets	97,924	88,320

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

(Million yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Net sales	108,981	79,664
Cost of sales	47,720	37,393
Gross profit	61,261	42,271
Selling, general and administrative expenses	54,096	46,682
Operating profit (loss)	7,164	(4,410)
Non-operating income		
Dividend income	13	1
Gain on valuation of derivatives	91	-
Subsidies for employment adjustment	-	1,620
Other	175	314
Total non-operating income	279	1,936
Non-operating expenses		
Interest expenses	67	71
Foreign exchange losses	377	137
Loss on valuation of derivatives	-	22
Other	11	24
Total non-operating expenses	456	255
Ordinary profit (loss)	6,987	(2,730)
Extraordinary losses		
Impairment loss	49	96
Loss on sales of investment securities	4	-
Total extraordinary losses	53	96
Net income (loss) before income taxes	6,933	(2,826)
Income taxes-current	2,734	419
Income taxes-deferred	(211)	(785)
Total income taxes	2,522	(365)
Net income (loss)	4,410	(2,461)
Net income (loss) attributable to owners of the parent	4,410	(2,461)



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

(Million yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Net income (loss)	4,410	(2,461)
Other comprehensive income		
Valuation difference on available-for-sale securities	(114)	(3)
Deferred gains or losses on hedges	(48)	(44)
Foreign currency translation adjustment	221	(33)
Total other comprehensive income	58	(82)
Comprehensive income	4,469	(2,543)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,469	(2,543)
Comprehensive income attributable to non-controlling interests	-	-

**(3) Quarterly Consolidated Statement of Cash Flows**

(Million yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Cash flows from operating activities		
Net income (loss) before income taxes	6,933	(2,826)
Depreciation	3,444	3,352
Impairment loss	49	96
Amortization of goodwill	87	79
Interest and dividend income	(16)	(34)
Interest expenses	67	71
Increase (decrease) in allowance for doubtful accounts	28	44
Increase (decrease) in provision for bonuses	43	(35)
Increase (decrease) in provision for point card certificates	(24)	(903)
Decrease (increase) in notes and accounts receivable-trade	(630)	107
Decrease (increase) in inventories	670	(2)
Increase (decrease) in notes and accounts payable-trade	(798)	(4,900)
Increase (decrease) in accounts payable-other	(1,438)	(903)
Increase (decrease) in accrued consumption taxes	456	962
Other, net	606	(709)
Subtotal	9,481	(5,601)
Interest and dividend income received	16	4
Interest expenses paid	(67)	(71)
Income taxes paid	(1,183)	(421)
Net cash provided by (used in) operating activities	8,246	(6,089)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,077)	(2,071)
Purchase of intangible assets	(1,215)	(1,202)
Proceeds from sales of investment securities	27	-
Payments for lease and guarantee deposits	(385)	(302)
Proceeds from collection of lease and guarantee deposits	658	656
Other, net	(50)	(1,092)
Net cash provided by (used in) investing activities	(3,042)	(4,013)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(140)	-
Cash dividends paid	(1,427)	(1,192)
Purchase of treasury shares	(2)	(0)
Repayments of lease obligations	(654)	(696)
Other, net	0	-
Net cash provided by (used in) financing activities	(2,225)	(1,889)
Effect of exchange rate change on cash and cash equivalents	(50)	(38)
Net increase (decrease) in cash and cash equivalents	2,927	(12,031)
Cash and cash equivalents at beginning of period	18,647	26,377
Cash and cash equivalents at end of period	21,575	14,345

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

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

### 3. Supplementary Information

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

Brand / region	First six months of FY2/21		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	14,422	18.1	(27.5)
niko and ...	11,281	14.2	(28.3)
LOWRYS FARM	8,608	10.8	(27.8)
STUDIO CLIP	8,569	10.7	(25.3)
LEPSIM	4,930	6.2	(30.8)
JEANASIS	3,912	4.9	(32.7)
BAYFLOW	3,657	4.6	(22.6)
RAGEBLUE	2,227	2.8	(36.9)
Others (Note 3)	10,995	13.8	(28.4)
Total (Adastria)	68,605	86.1	(28.2)
BUZZWIT Co., Ltd.	2,755	3.5	19.0
ELEMENT RULE Co., Ltd. (Note 3)	3,522	4.4	(28.0)
Other consolidated subsidiaries	99	0.1	474.3
Total (Japan)	74,982	94.1	(27.1)
Hong Kong	1,222	1.6	(27.5)
China	415	0.5	52.1
Taiwan	1,169	1.5	0.5
South Korea	344	0.4	(41.9)
USA	1,530	1.9	(38.2)
Total (Overseas)	4,682	5.9	(24.4)
Total (Group)	79,664	100.0	(26.9)

- 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 six months of FY2/21		YoY change (%)
	Sales (million yen)	Composition (%)	
Men’s apparel (bottoms, tops)	10,749	13.5	(28.8)
Lady’s apparel (bottoms, tops)	49,945	62.7	(30.9)
Others	18,969	23.8	(12.3)
Total	79,664	100.0	(26.9)

- 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 six months of FY2/21					As of Aug. 31, 2020
		Absorption- type split (Note 3)	Opened	Changed	Closed	Increase /decrease	
GLOBAL WORK	210	-	1	(1)	(1)	(1)	209
niko and ...	144	-	2	-	(1)	1	145
LOWRYS FARM	136	-	-	-	-	-	136
STUDIO CLIP	183	-	4	-	-	4	187
LEPSIM	128	-	-	-	(2)	(2)	126
JEANASIS	73	-	-	-	(1)	(1)	72
BAYFLOW	54	-	2	-	(1)	1	55
RAGEBLUE	54	-	1	-	(2)	(1)	53
Others	247	(3)	20	1	(7)	11	258
Total (Adastria)	1,229	(3)	30	-	(15)	12	1,241
BUZZWIT Co., Ltd.	7	-	1	-	-	1	8
ELEMENT RULE Co., Ltd.	77	3	11	-	(2)	12	89
Other consolidated subsidiaries	2	-	1	-	(1)	-	2
Total (Japan)	1,315	-	43	-	(18)	25	1,340
Hong Kong	16	-	-	-	(2)	(2)	14
China	1	-	1	-	-	1	2
Taiwan	37	-	3	-	-	3	40
South Korea	13	-	-	-	(6)	(6)	7
USA	10	-	-	-	-	-	10
Total (Overseas)	77	-	4	-	(8)	(4)	73
Total (Group)	1,392	-	47	-	(26)	21	1,413

- 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.*