

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending February 28, 2017**  
**(Six Months Ended August 31, 2016)**

[Japanese GAAP]

September 30, 2016

Company name: Adastria Co., Ltd. Listing: TSE 1st section  
 Stock code: 2685 URL: <http://www.adastria.co.jp>  
 Representative: Michio Fukuda, Representative Director, Chairman & CEO  
 Contact: Mika Takano, General Manager of Corporate Planning Department Tel: +81-3-6895-6000  
 Scheduled date of filing of Quarterly Report: October 14, 2016  
 Scheduled date of payment of dividend: October 21, 2016  
 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, 2016 at 16:30 (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, 2017**  
**(March 1, 2016 – August 31, 2016)**

(1) Consolidated results of operations (cumulative) (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Aug. 31, 2016	97,726	0.7	8,054	(1.0)	8,050	(3.3)	4,848	16.6
Six months ended Aug. 31, 2015	97,032	10.2	8,132	299.0	8,324	282.8	4,156	-

Note: Comprehensive income Six months ended Aug. 31, 2016: 3,441 million yen (down 52.9%)  
 Six months ended Aug. 31, 2015: 7,310 million yen (up 906.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2016	100.70	-
Six months ended Aug. 31, 2015	85.60	-

Reference: EBITDA Six months ended Aug. 31, 2016: 11,903 million yen (down 3.0%)  
 Six months ended Aug. 31, 2015: 12,272 million yen  
 EPS before goodwill amortization Six months ended Aug. 31, 2016: 123.37 yen (up 13.5%)  
 Six months ended Aug. 31, 2015: 108.68 yen

(\*) For more details regarding definition, computational method and other matters of these indices, please refer to the section "Explanation of Results of Operations" on page 2.

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Net income per share has been calculated as if this stock split had taken place at the beginning of FY2/16.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2016	87,003	54,543	62.7
As of Feb. 29, 2016	90,454	53,282	58.9

Reference: Shareholders' equity As of Aug. 31, 2016: 54,543 million yen As of Feb. 29, 2016: 53,282 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, 2016	-	40.00	-	90.00	130.00
Fiscal year ending Feb. 28, 2017	-	35.00	-	-	-
Fiscal year ending Feb. 28, 2017 (forecast)	-	-	-	40.00	75.00

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

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Dividends per share for the fiscal year ended February 29, 2016 are the actual amounts before the stock split.

**3. Consolidated Forecast for the Fiscal Year Ending February 28, 2017 (March 1, 2016 – February 28, 2017)**

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	208,900	4.4	17,000	6.2	17,300	6.9	12,000	31.5	252.09

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

Reference: EBITDA Fiscal year ending Feb. 28, 2017 (forecast): 24,900 million yen (up 1.2%)  
 EPS before goodwill amortization Fiscal year ending Feb. 28, 2017 (forecast): 298.30 yen (up 27.5%)

**\* Notes**

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

Newly added: - Excluded: 1 (ADASTRIA SINGAPORE PTE. LTD.)

Note: Please refer to the section “2. Matters Related to Summary Information (Notes), (1) Changes in Significant Subsidiaries during the Period” on page 4 for further information.

(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: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to the section “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 the end of the period (including treasury shares)

As of Aug. 31, 2016: 48,800,000 shares As of Feb. 29, 2016: 48,800,000 shares

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

As of Aug. 31, 2016: 647,505 shares As of Feb. 29, 2016: 643,396 shares

3) Average number of shares outstanding during the period

Six months ended Aug. 31, 2016: 48,153,477 shares Six months ended Aug. 31, 2015: 48,562,835 shares

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Number of outstanding shares (common stock) has been calculated as if this stock split had taken place at the beginning of FY2/16.

Note: Numbers of treasury shares include the Company’s stock held by the Stock Compensation Employee Stock Ownership Plan (ESOP) Trust and the Board Incentive Plan (BIP) Trust (555,900 shares as of Aug. 31, 2016).

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 Act. 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 “Explanation of Consolidated Forecast and Other Forward-looking Statements” 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, 2017 (March 1, 2016 – February 28, 2017)**

(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	196,700	4.7	16,400	6.7	16,300	5.4	11,200	34.3	235.28

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

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. Matters Related to Summary Information (Notes)	4
(1) Changes in Significant Subsidiaries during the Period	4
(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	4
(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements	4
(4) Additional Information	5
3. Quarterly Consolidated Financial Statements	6
(1) Quarterly Consolidated Balance Sheet	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
(3) Quarterly Consolidated Statement of Cash Flows	10
(4) Notes to Quarterly Consolidated Financial Statements	11
Going Concern Assumption	11
Significant Changes in Shareholders' Equity	11
Subsequent Events	11
4. Supplementary Information	12
(1) Number of Stores	12
(2) Sales for Brands and Regions	13
(3) Sales for Merchandise Categories	13

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of the current fiscal year (March 1-August 31, 2016), the Japanese economy, despite some weakness, including sluggish growth in corporate earnings, continued to recover slowly. The economic outlook remained uncertain because of concerns over possible economic downturn in emerging Asian countries as well as resource-producing countries, and Britain's exit from the European Union. Consumer spending in Japan was generally flat as gloomy consumer sentiment offset continuing improvements in jobs and personal income.

Domestic existing-store sales increased 2.3% from one year earlier and total sales were up 0.7%, despite the negative effects of unfavorable summer weather. The *GLOBAL WORK*, *niko and ...* and *LEPSIM* brands were the primary engines of sales growth.

Regarding the store network, we opened 42 stores (including four overseas), and closed 21 (no overseas store closed), resulting in a total network of 1,345 stores (including 108 overseas) at the end of August 2016.

The gross profit margin increased 0.6 percentage point from one year earlier to 57.9%. Further progress in cost control more than offset increased price discounts during the summer sale season.

The ratio of selling, general and administrative (SG&A expenses) to sales increased 0.7 percentage point from one year earlier to 49.6% mainly due to the substantial expenditures and investments to build a sound base for growth such as preparations for launching new brands and businesses and preliminary studies about upgrading the computer system. As a result the operating margin decreased 0.2 percentage point to 8.2%.

In the first half, there was extraordinary income of 78 million yen and extraordinary losses of 10 million yen, both resulting from the liquidation of overseas subsidiaries. Extraordinary losses of 24 million yen for the impairment of store assets and 82 million yen for damage caused by the April 2016 earthquake in Kumamoto prefecture were also posted.

As a result, consolidated net sales in the first half increased 0.7% year-on-year to 97,726 million yen, operating income decreased 1.0% to 8,054 million yen, ordinary income decreased 3.3% to 8,050 million yen, and net income attributable to owners of the parent increased 16.6% to 4,848 million yen.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 3.0% to 11,903 million yen and earnings per share (EPS) before goodwill amortization rose 13.5% to 123.37 yen. (\*)

(\*) Amortization of goodwill that mainly resulted from the consolidation of TRINITY ARTS INC. (subsequently absorbed by the Company) has caused large declines in operating income and all subsequent categories of profits since the fiscal year that ended on February 28, 2014. Since goodwill amortization is not a cash expense, this amortization created a large gap between changes in cash flows and changes at all levels of profits starting with operating income. Furthermore, comparisons with foreign companies are difficult because of differences in accounting standards of individual countries for recording goodwill amortization. As a result, we are newly announcing EBITDA and EPS before goodwill amortization as reference financial indicators.

EBITDA

Operating income + 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

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

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

Total assets decreased 3,451 million yen from as of February 29, 2016 to 87,003 million yen as of August 31, 2016. This was mainly due to increases in notes and accounts receivable-trade of 1,188 million yen and inventories of 1,630 million yen, while there were decreases in cash and deposits of 3,249 million yen, goodwill of 1,092 million yen, and investment securities of 1,148 million yen.

Liabilities decreased 4,711 million yen to 32,460 million yen. This was mainly due to decreases of 2,544 million yen in electronically recorded obligations-operating and 2,704 million yen in accounts payable-other.

Net assets increased 1,260 million yen to 54,543 million yen. This was mainly due to an increase of 2,681 million yen in retained earnings, while there was a decrease of 1,140 million yen in valuation difference on available-for-sale securities.

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

Cash and cash equivalents (hereinafter “net cash”) as of August 31, 2016 amounted to 16,203 million yen, or 3,248 million yen less than as of February 29, 2016.

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 2,836 million yen (compared with 9,844 million yen provided in the same period of the previous fiscal year). The main factors include net income before income taxes of 8,011 million yen, depreciation of 2,859 million yen, an increase in inventories of 1,830 million yen, and income taxes paid of 4,033 million yen.

#### Cash flows from investing activities

Net cash used in investing activities totaled 3,688 million yen (compared with 1,950 million yen used in the same period of the previous fiscal year). This was mainly due to the payments of 2,743 million yen for the purchase of property, plant and equipment and 671 million yen for the purchase of investment securities.

#### Cash flows from financing activities

Net cash used in financing activities totaled 2,234 million yen (compared with 3,292 million yen used in the same period of the previous fiscal year). This was mainly due to cash dividends paid of 2,167 million yen.

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

The Company has revised the full year forecast for the fiscal year ending February 28, 2017 that was announced on April 4, 2016 due to the outlook for extraordinary income resulting from the sale of some investment securities held by the Company.

For more information about this revision, please see the September 30, 2016 press release concerning this revision (Japanese version only).

## **2. Matters Related to Summary Information (Notes)**

### **(1) Changes in Significant Subsidiaries during the Period**

ADASTRIA SINGAPORE PTE. LTD. was excluded from the scope of consolidation in the second quarter of the current fiscal year, because of the completion of its liquidation.

### **(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**

Application of the accounting standards for business combinations

The Company has adopted the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, issued on September 13, 2013), etc. from the first quarter of the current fiscal year. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the first quarter of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the quarterly consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of net income and other items has been revised, and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the first half of the previous fiscal year and the previous fiscal year have been revised.

In the consolidated statement of cash flows for the first half of the current fiscal year, cash flows associated with purchase or sales of shares of subsidiary not resulting in changes in the scope of consolidation are included in cash flows from financing activities. On the other hand, cash flows associated with acquisition costs of shares of subsidiary resulting in changes in the scope of consolidation or expenses associated with purchase or sales of shares of subsidiary not resulting in changes in the scope of consolidation are included in cash flows from operating activities.

The Company has adopted these accounting standards, etc. from the beginning of the first quarter of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no impact on the quarterly consolidated financial statements for the first half.

Change in depreciation method of property, plant and equipment

Following tax law revisions, the Company has adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issue Task Force (PITF) No. 32, issued on June 17, 2016) from the first quarter of the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the quarterly consolidated financial statements for the first half is insignificant.

#### **(4) Additional Information**

Transactions of delivering the Company's own stock to employees, etc. through trusts

The Company has established a Stock Compensation Employee Stock Ownership Plan (ESOP) Trust as an incentive plan for the purpose of reinforcing the commitment of executive officers (excluding executive officers who are directors) and senior management officers to contribute to medium and long-term growth in sales and earnings as well as corporate value.

##### (1) Summary of the plan

The Company established this trust by making a payment to the trust for the acquisition of the Company's stock. The trust beneficiaries are all eligible executive officers and senior management officers. In accordance with rules for the distribution of stock, eligible executive officers and managers are awarded certain number of points based on their positions and individual performance evaluation and the results of operations. These individuals can then receive the Company's stock based on the number of points. The executive officers and senior management officers make no payments because the Company's contributions to the trust cover the entire cost of purchasing the Company's stock through trust account.

##### (2) The Company's stock held by the trust account

The Company's stock held by the trust account is included in net assets as treasury shares at book value (excluding associated expenses). The number of shares of the Company's stock held by the trust account was 412,500 shares with a book value of 1,348 million yen as of August 31, 2016.

Stock compensation plan for directors based on results of operations

The Company has established a Board Incentive Plan (BIP) Trust as the stock compensation plan based on the results of company operations for the purpose of reinforcing the commitment of directors (excluding outside directors and directors who are not residents of Japan) to contribute to medium and long-term growth in sales and earnings as well as corporate value.

##### (1) Summary of the plan

The Company established this trust by making a payment to the trust for the acquisition of the Company's stock. The trust beneficiaries are all eligible directors. In accordance with rules for the distribution of stock, eligible directors are awarded points based on their positions and the achievement of performance goals in the fiscal year to be evaluated. After three years from the beginning of applicable fiscal years, these directors can then receive the Company's stock and cash from the disposal of the Company's stock as compensation, based on the number of points.

##### (2) The Company's stock held by the trust account

The Company's stock held by the trust account is included in net assets as treasury shares at book value (excluding associated expenses). The number of shares of the Company's stock held by the trust account was 143,400 shares with a book value of 468 million yen as of August 31, 2016.

**3. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheet**

(Million yen)

	FY2/16 (As of Feb. 29, 2016)	Second quarter of FY2/17 (As of Aug. 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	19,460	16,211
Notes and accounts receivable-trade	7,668	8,856
Inventories	15,076	16,707
Other	3,313	2,520
Allowance for doubtful accounts	(53)	(68)
Total current assets	45,465	44,227
Non-current assets		
Property, plant and equipment		
Store interior equipment, net	6,933	6,782
Other, net	4,282	4,131
Total property, plant and equipment	11,215	10,913
Intangible assets		
Goodwill	5,493	4,401
Other	1,471	1,640
Total intangible assets	6,965	6,042
Investments and other assets		
Investment securities	10,231	9,082
Lease and guarantee deposits	16,622	16,198
Other	207	787
Allowance for doubtful accounts	(253)	(249)
Total investments and other assets	26,807	25,819
Total non-current assets	44,988	42,775
Total assets	90,454	87,003
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	6,768	8,904
Electronically recorded obligations-operating	9,901	7,356
Short-term loans payable	1,867	1,591
Accounts payable-other	10,331	7,627
Income taxes payable	4,368	3,222
Provision for bonuses	2,212	2,190
Other provision	412	418
Other	563	376
Total current liabilities	36,426	31,686
Non-current liabilities		
Provision	94	121
Other	650	652
Total non-current liabilities	745	774
Total liabilities	37,171	32,460



(Million yen)

	FY2/16 (As of Feb. 29, 2016)	Second quarter of FY2/17 (As of Aug. 31, 2016)
Net assets		
Shareholders' equity		
Capital stock	2,660	2,660
Capital surplus	6,987	7,227
Retained earnings	39,709	42,391
Treasury shares	(1,824)	(2,077)
Total shareholders' equity	47,533	50,201
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,445	4,305
Deferred gains or losses on hedges	(263)	(103)
Foreign currency translation adjustment	567	140
Total accumulated other comprehensive income	5,749	4,341
Total net assets	53,282	54,543
Total liabilities and net assets	90,454	87,003

**(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 FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)	First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)
Net sales	97,032	97,726
Cost of sales	41,480	41,180
Gross profit	55,552	56,545
Selling, general and administrative expenses	47,419	48,491
Operating income	8,132	8,054
Non-operating income		
Dividend income	53	69
House rent income	63	57
Gain on valuation of derivatives	42	-
Other	232	103
Total non-operating income	391	230
Non-operating expenses		
Interest expenses	24	10
Foreign exchange losses	108	117
Loss on valuation of derivatives	-	42
Cost of lease revenue	50	47
Other	16	16
Total non-operating expenses	200	233
Ordinary income	8,324	8,050
Extraordinary income		
Gain on liquidation of subsidiaries and associates	-	78
Total extraordinary income	-	78
Extraordinary losses		
Impairment loss	168	24
Loss on disaster	-	82
Loss on sales of shares of subsidiaries and associates	173	-
Loss on liquidation of subsidiaries and associates	-	10
Total extraordinary losses	342	117
Net income before income taxes	7,981	8,011
Income taxes-current	3,246	2,918
Income taxes-deferred	578	244
Total income taxes	3,824	3,162
Net income	4,156	4,848
Net income attributable to owners of the parent	4,156	4,848

**Quarterly Consolidated Statement of Comprehensive Income**

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

(Million yen)

	First six months of FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)	First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)
Net income	4,156	4,848
Other comprehensive income		
Valuation difference on available-for-sale securities	3,320	(1,140)
Deferred gains or losses on hedges	(330)	159
Foreign currency translation adjustment	163	(426)
Total other comprehensive income	3,153	(1,407)
Comprehensive income	7,310	3,441
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,310	3,441
Comprehensive income attributable to non-controlling interests	-	-

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

(Million yen)

	First six months of FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)	First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)
Cash flows from operating activities		
Net income before income taxes	7,981	8,011
Depreciation	3,096	2,859
Impairment loss	168	24
Amortization of goodwill	1,121	1,092
Increase (decrease) in allowance for doubtful accounts	56	10
Increase (decrease) in provision for bonuses	261	(14)
Loss (gain) on sales of shares of subsidiaries and associates	173	-
Loss (gain) on liquidation of subsidiaries and associates	-	(67)
Loss on disaster	-	82
Decrease (increase) in notes and accounts receivable-trade	(1,905)	(1,257)
Decrease (increase) in inventories	585	(1,830)
Increase (decrease) in notes and accounts payable-trade	1,931	(357)
Increase (decrease) in accounts payable-other	(469)	(570)
Increase (decrease) in accrued consumption taxes	(915)	(1,495)
Other, net	438	322
Subtotal	12,524	6,810
Interest and dividend income received	53	70
Interest expenses paid	(26)	(10)
Income taxes paid	(2,707)	(4,033)
Net cash provided by (used in) operating activities	9,844	2,836
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,526)	(2,743)
Purchase of investment securities	-	(671)
Purchase of intangible assets	(352)	(451)
Payments for lease and guarantee deposits	(541)	(428)
Proceeds from collection of lease and guarantee deposits	441	620
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	29	-
Other, net	(0)	(13)
Net cash provided by (used in) investing activities	(1,950)	(3,688)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(2,181)	-
Cash dividends paid	(1,102)	(2,167)
Purchase of treasury shares	(9)	(13)
Other, net	-	(52)
Net cash provided by (used in) financing activities	(3,292)	(2,234)
Effect of exchange rate change on cash and cash equivalents	124	(163)
Net increase (decrease) in cash and cash equivalents	4,725	(3,248)
Cash and cash equivalents at beginning of period	7,667	19,452
Cash and cash equivalents at end of period	12,392	16,203

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

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

Not applicable.

##### **Subsequent Events**

###### Acquisition of treasury shares

The Company's Board of Directors approved a resolution on September 30, 2016 to repurchase its own shares with the following specific conditions pursuant to Article 156 of the Companies Act which is applicable in lieu of Article 165, Paragraph 3 of this act.

###### 1. Reason for the share repurchase

To improve capital efficiency and enable the Company to adopt a timely and flexible capital policy in response to changes in the operating environment.

###### 2. Details of the share repurchase

- |   |   |
|---|---|
| (1) Class of shares to be repurchased:        | Common stock of the Company   |
| (2) Total number of shares to be repurchased: | Up to 1,200,000 shares  |
| (3) Total value of shares to be repurchased:  | Up to 28 million yen  |
| (4) Date of repurchase:                       | October 3, 2016   |
| (5) Method of repurchase:                     | Transaction through Off-Auction Own Share Repurchase Trading System of the Tokyo Stock Exchange (ToSTNeT-3) |

###### Sales of investment securities

The Company's Board of Directors approved a resolution on September 30, 2016 to sell part of the investment securities held by the Company.

###### 1. Details of the gain on sales of investment securities

- |                                 |  |
|---------------------------------|--|
| (1) Stock to be sold:           | One issue of listed securities held by the Company |
| (2) Scheduled period for sales: | Early October 2016                                 |
| (3) Expected gain on sales:     | Approx. 3,000 million yen                          |

#### 4. Supplementary Information

##### (1) Number of Stores

Store format / region	Number of stores					
	As of Feb. 29, 2016	First six months of FY2/17				As of Aug. 31, 2016
		Opened	Rebranded	Closed, etc.	Increase /decrease	
GLOBAL WORK	184	5	-	(2)	3	187
LOWRYS FARM	157	3	(3)	(3)	(3)	154
niko and ...	123	4	-	(2)	2	125
STUDIO CLIP	171	7	-	-	7	178
LEPSIM (Note 3)	130	5	-	-	5	135
JEANASIS	83	2	-	(4)	(2)	81
RAGEBLUE	59	2	-	(1)	1	60
HEATHER	67	3	9	(2)	10	77
Others	246	7	(6)	(7)	(6)	240
<b>Total (Adastria)</b>	<b>1,220</b>	<b>38</b>	<b>-</b>	<b>(21)</b>	<b>17</b>	<b>1,237</b>
Hong Kong	27	-	-	-	-	27
China	40	3	-	-	3	43
Taiwan	27	1	-	-	1	28
South Korea	10	-	-	-	-	10
<b>Total (Overseas)</b>	<b>104</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>108</b>
<b>Total (Group)</b>	<b>1,324</b>	<b>42</b>	<b>-</b>	<b>(21)</b>	<b>21</b>	<b>1,345</b>

- 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 brand name of *LEPSIM LOWRYS FARM* has changed to *LEPSIM* in the first quarter of FY2/17.

**(2) Sales for Brands and Regions**

Brand / region	First six months of FY2/17		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	18,364	18.8	7.3
LOWRYS FARM	11,981	12.2	(6.6)
niko and ...	11,629	11.9	5.9
STUDIO CLIP	11,010	11.3	3.7
LEPSIM (Note 3)	7,741	7.9	5.8
JEANASIS	6,036	6.2	3.3
RAGEBLUE	4,320	4.4	(2.3)
HEATHER	3,787	3.9	(5.1)
Others	17,603	18.0	0.3
Total (Adastria)	92,476	94.6	2.0
Hong Kong	3,249	3.3	(8.5)
China	887	0.9	(7.7)
Taiwan	753	0.8	(3.4)
South Korea	359	0.4	(17.5)
Total (Overseas)	5,250	5.4	(11.4)
Total (Group)	97,726	100.0	0.7

- 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. The brand name of *LEPSIM LOWRYS FARM* has changed to *LEPSIM* in the first quarter of FY2/17.

**(3) Sales for Merchandise Categories**

Category	First six months of FY2/17		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	14,002	14.3	8.8
Lady's apparel (bottoms, tops)	64,655	66.2	(1.4)
Others	19,069	19.5	2.6
Total	97,726	100.0	0.7

- 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.

*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.*