

**Summary of Consolidated Financial Results**  
**for the First Quarter of the Fiscal Year Ending February 28, 2021**  
**(Three Months Ended May 31, 2020)**

**[Japanese GAAP]**

June 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: July 15, 2020  
 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 June 30, 2020 at 15:00 (GMT +9).

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

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2021**  
**(March 1, 2020 – May 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	%
Three months ended May 31, 2020	33,267	(40.9)	(4,758)	-	(4,822)	-	(3,681)	-
Three months ended May 31, 2019	56,290	9.5	5,221	308.4	5,119	276.9	3,267	-

Note: Comprehensive income Three months ended May 31, 2020: (3,653) million yen (-%)  
 Three months ended May 31, 2019: 3,372 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2020	(78.12)	-
Three months ended May 31, 2019	69.41	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2020	93,707	52,324	55.8
As of Feb. 29, 2020	97,924	57,041	58.3

Reference: Shareholders' equity As of May 31, 2020: 52,324 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	-	-	-	-	-
Fiscal year ending Feb. 28, 2021 (forecast)	-	-	-	-	-

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

The dividends for the fiscal year ending February 28, 2021 are undecided at this time and will be disclosed promptly when forecasts are announced.

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

Adastria believes that it is not possible to establish a reliable forecast for the fiscal year ending in February 2021 at this time due to the numerous uncertainties about how the COVID-19 crisis will affect results of operations. An announcement will be made as soon as it becomes possible to determine a forecast.

**\* 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 May 31, 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 May 31, 2020:	1,638,675 shares	As of Feb. 29, 2020:	1,679,557 shares
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3) Average number of shares outstanding during the period

Three months ended May 31, 2020:	47,128,104 shares	Three months ended May 31, 2019:	47,070,278 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 three months of FY2/20 (Mar. 1, 2019 – May 31, 2019)	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)	YoY change (Amount)	YoY change (%)	
Net sales	56,290	33,267	(23,023)	(40.9)	
Operating profit	5,221	(4,758)	(9,979)	-	
Ordinary profit	5,119	(4,822)	(9,942)	-	
Net income attributable to owners of the parent	3,267	(3,681)	(6,948)	-	

Consolidated net sales in the first quarter (March 1 – May 31, 2020) decreased 40.9% year-on-year to 33,267 million yen, operating loss was 4,758 million yen (operating profit of 5,221 million yen in the same period of the previous fiscal year), ordinary loss was 4,822 million yen (ordinary profit of 5,119 million yen in the same period of the previous fiscal year), and net loss attributable to owners of the parent was 3,681 million yen (net income of 3,267 million yen in the same period of the previous fiscal year).

Sales in Japan were 42.2% lower than one year earlier as the number of customers visiting our stores decreased sharply because of the trend towards staying at home due to the spread of the COVID-19 pandemic, and the resulting closure of retail facilities and the shortening of store operating hours. The closures of physical stores in Japan, mainly in metropolitan areas, have increased. Moreover, 1,248 domestic physical stores were closed for about two weeks from April 25 to May 7. Subsequently, as the number of new infections decreased, business operations restarted steadily in all regions and the declaration of emergency was completely rescinded on May 25. As a result, almost all stores are now expected to reopen by the end of May. On the other hand, e-commerce sales increased significantly by 25.7% year on year.

In other countries, sales were affected by the spread of the COVID-19 pandemic, but the scale of the decrease was small compared to Japan.

We opened 26 stores (no new overseas stores) and closed 10 stores (including two overseas), resulting in a total of 1,408 stores (including 75 overseas) at the end of the first quarter of this fiscal year .

In this challenging market environment, promotions to sell off inventories of spring products led to higher discount sales. As a result, the gross profit margin decreased 5.2 percentage points from one year earlier to 53.2%.

Selling, general and administrative (SG&A) expenses were 5,219 million yen lower than in the same period of the previous year as a result of efforts to reduce personnel expenses and store rents through store closures and shortened store operating hours, as well as drives to decrease other expenses by refraining from business trips and cancelling events. However, as a result of a significant decrease in sales, the ratio of SG&A expenses to sales increased 18.4 percentage points to 67.5%, and there was an operating loss of 4,758 million yen (operating profit of 5,221 million yen in the same period of the previous fiscal year).

There were extraordinary losses of 88 million yen for the impairment of store assets.

### (2) Explanation of Financial Position

Total assets decreased 4,216 million yen from as of February 29, 2020 to 93,707 million yen as of May 31, 2020. There were increases of 5,737 million yen in inventories and 2,502 million yen in other under investments and other assets (deferred tax assets, etc.) but there was a decrease of 12,158 million yen in cash and deposits.

Liabilities increased 499 million yen to 41,383 million yen. There were decreases of 2,564 million yen in electronically recorded obligations-operating, 956 million yen in provision for bonuses and 761 million yen in provision for point card certificates but there was an increase of 5,000 million yen in short-term borrowings.

Net assets decreased 4,716 million yen to 52,324 million yen. This was mainly due to a decrease of 4,873 million yen in retained earnings.

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

Given that concerns about the COVID-19 pandemic have not abated, it has become extremely difficult to forecast the trends in economic activity and consumer sentiment because of concerns about the reclosure of retail facilities, the trend towards consumers staying at home and other changes in lifestyle preferences. Due to the numerous uncertainties about how the COVID-19 crisis will affect results of operations, there is no forecast because we believe that it is not possible to establish a reliable forecast for the fiscal year ending in February 2021 at this time. An announcement will be made as soon as it becomes possible to determine a forecast.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

(Million yen)

	FY2/20 (As of Feb. 29, 2020)	First quarter of FY2/21 (As of May 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	26,462	14,303
Notes and accounts receivable-trade	9,954	10,047
Inventories	15,008	20,746
Other	1,877	1,728
Allowance for doubtful accounts	(68)	(54)
Total current assets	53,234	46,771
Non-current assets		
Property, plant and equipment		
Store interior equipment, net	5,349	5,407
Other, net	9,915	9,713
Total property, plant and equipment	15,265	15,121
Intangible assets		
Goodwill	478	437
Other	5,799	5,990
Total intangible assets	6,278	6,427
Investments and other assets		
Investment securities	242	241
Leasehold and guarantee deposits	15,959	15,693
Other	7,212	9,715
Allowance for doubtful accounts	(268)	(263)
Total investments and other assets	23,146	25,387
Total non-current assets	44,689	46,936
Total assets	97,924	93,707
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	7,900	8,150
Electronically recorded obligations-operating	9,020	6,455
Short-term borrowings	-	5,000
Accounts payable-other	11,500	11,134
Income taxes payable	3,130	3,227
Provision for bonuses	2,188	1,231
Provision for point card certificates	1,937	1,176
Other provisions	279	471
Other	1,505	1,598
Total current liabilities	37,462	38,447
Non-current liabilities		
Provisions	396	194
Other	3,024	2,741
Total non-current liabilities	3,421	2,935
Total liabilities	40,883	41,383

(Million yen)

	FY2/20 (As of Feb. 29, 2020)	First quarter of FY2/21 (As of May 31, 2020)
Net assets		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	7,213	7,213
Retained earnings	51,079	46,206
Treasury shares	(4,372)	(4,244)
Total shareholders' equity	56,580	51,835
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(1)
Deferred gains or losses on hedges	6	(1)
Foreign currency translation adjustment	454	492
Total accumulated other comprehensive income	461	489
Total net assets	57,041	52,324
Total liabilities and net assets	97,924	93,707

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

(Million yen)

	First three months of FY2/20 (Mar. 1, 2019 – May 31, 2019)	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)
Net sales	56,290	33,267
Cost of sales	23,408	15,584
Gross profit	32,882	17,683
Selling, general and administrative expenses	27,660	22,441
Operating profit (loss)	5,221	(4,758)
Non-operating income		
Dividend income	3	1
Gain on valuation of derivatives	51	14
Subsidy income	17	62
Other	68	85
Total non-operating income	141	164
Non-operating expenses		
Interest expenses	32	35
Foreign exchange losses	203	179
Other	6	13
Total non-operating expenses	243	228
Ordinary profit (loss)	5,119	(4,822)
Extraordinary losses		
Impairment loss	32	88
Loss on sales of investment securities	4	-
Total extraordinary losses	36	88
Net income (loss) before income taxes	5,083	(4,910)
Income taxes-current	2,253	206
Income taxes-deferred	(437)	(1,435)
Total income taxes	1,816	(1,228)
Net income (loss)	3,267	(3,681)
Net income (loss) attributable to owners of the parent	3,267	(3,681)



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

(Million yen)

	First three months of FY2/20 (Mar. 1, 2019 – May 31, 2019)	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)
Net income (loss)	3,267	(3,681)
Other comprehensive income		
Valuation difference on available-for-sale securities	(49)	(1)
Deferred gains or losses on hedges	(42)	(8)
Foreign currency translation adjustment	197	37
Total other comprehensive income	105	28
Comprehensive income	3,372	(3,653)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,372	(3,653)
Comprehensive income attributable to non-controlling interests	-	-

**(3) 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 three months of FY2/21		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	5,673	17.1	(46.6)
niko and ...	4,275	12.8	(45.5)
LOWRYS FARM	3,420	10.3	(44.4)
STUDIO CLIP	3,384	10.2	(39.9)
LEPSIM	2,107	6.3	(43.2)
JEANASIS	1,587	4.8	(46.4)
BAYFLOW	1,426	4.3	(40.9)
RAGEBLUE	970	2.9	(47.9)
Others (Note 3)	4,820	14.5	(41.9)
Total (Adastria)	27,666	83.2	(44.1)
BUZZWIT Co., Ltd.	1,380	4.1	16.3
ELEMENT RULE Co., Ltd. (Note 3)	1,626	4.9	(34.2)
Other consolidated subsidiaries	52	0.2	-
Total (Japan)	30,726	92.4	(42.2)
Hong Kong	605	1.8	(31.5)
China	173	0.5	15.8
Taiwan	616	1.9	(1.1)
South Korea	166	0.5	(39.5)
USA	978	2.9	(17.6)
Total (Overseas)	2,540	7.6	(18.6)
Total (Group)	33,267	100.0	(40.9)

- 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 three months of FY2/21		YoY change (%)
	Sales (million yen)	Composition (%)	
Men’s apparel (bottoms, tops)	4,265	12.8	(46.1)
Lady’s apparel (bottoms, tops)	21,795	65.5	(42.7)
Others	7,206	21.7	(30.5)
Total	33,267	100.0	(40.9)

- 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 three months of FY2/21					As of May 31, 2020
		Absorption- type split (Note 3)	Opened	Changed	Closed	Increase /decrease	
GLOBAL WORK	210	-	1	(1)	-	-	210
niko and ...	144	-	1	-	-	1	145
LOWRYS FARM	136	-	-	-	-	-	136
STUDIO CLIP	183	-	2	-	-	2	185
LEPSIM	128	-	-	-	-	-	128
JEANASIS	73	-	-	-	-	-	73
BAYFLOW	54	-	2	-	-	2	56
RAGEBLUE	54	-	1	-	(2)	(1)	53
Others	247	(3)	13	1	(3)	8	255
Total (Adastria)	1,229	(3)	20	-	(5)	12	1,241
BUZZWIT Co., Ltd.	7	-	1	-	-	1	8
ELEMENT RULE Co., Ltd.	77	3	5	-	(2)	6	83
Other consolidated subsidiaries	2	-	-	-	(1)	(1)	1
Total (Japan)	1,315	-	26	-	(8)	18	1,333
Hong Kong	16	-	-	-	-	-	16
China	1	-	-	-	-	-	1
Taiwan	37	-	-	-	-	-	37
South Korea	13	-	-	-	(2)	(2)	11
USA	10	-	-	-	-	-	10
Total (Overseas)	77	-	-	-	(2)	(2)	75
Total (Group)	1,392	-	26	-	(10)	16	1,408

- 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.*