Summary of Consolidated Financial Results for the Fiscal Year Ended February 29, 2016

[Japanese GAAP]

April 4, 2016

Company name: Adastria Co., Ltd. Listing: TSE 1st section
Stock code: 2685 URL: http://www.adastria.co.jp
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Scheduled date of Annual General Meeting of Shareholders: May 26, 2016
Scheduled date of payment of dividend: May 11, 2016
Scheduled date of filing of Annual Securities Report: May 27, 2016
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for investors)

Note: The original disclosure in Japanese was released on April 4, 2016 at 15:00 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended February 29, 2016 (March 1, 2015 – February 29, 2016)

(1) Consolidated results of operations (Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 29, 2016	200,038	8.4	16,004	167.6	16,185	150.8	9,122	-
Fiscal year ended Feb. 28, 2015	184,588	20.4	5,981	3.8	6,452	7.0	503	-

Note: Comprehensive income Fiscal year ended Feb. 29, 2016: 10,530 million yen (up 277.8%)
Fiscal year ended Feb. 28, 2015: 2,787 million yen (- %)

	Net income per share	Diluted net income per share	ROE	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 29, 2016	188.31	-	18.3	18.6	8.0
Fiscal year ended Feb. 28, 2015	10.37	10.37	1.1	7.9	3.2

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 29, 2016: - Fiscal year ended Feb. 28, 2015: -
EBITDA Fiscal year ended Feb. 29, 2016: 24,612 million yen (up 56.4%)
Fiscal year ended Feb. 28, 2015: 15,732 million yen (up 13.5%)
EPS before goodwill amortization Fiscal year ended Feb. 29, 2016: 233.99 yen (up 230.2%)
Fiscal year ended Feb. 28, 2015: 70.85 yen (down 9.6%)

(*) For more details regarding definition, computational method and other matters of these indices, please refer to the section "Analysis 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 and diluted net income per share have been calculated as if this stock split had taken place at the beginning of FY2/15.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 29, 2016	90,454	53,282	58.9	1,106.45
As of Feb. 28, 2015	83,742	46,233	55.2	952.02

Reference: Shareholders' equity As of Feb. 29, 2016: 53,282 million yen As of Feb. 28, 2015: 46,233 million yen

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Net assets per share has been calculated as if this stock split had taken place at the beginning of FY2/15.

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 29, 2016	22,054	(4,551)	(5,683)	19,452
Fiscal year ended Feb. 28, 2015	12,112	(10,421)	(2,524)	7,667

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Feb. 28, 2015	-	30.00	-	45.00	75.00	1,821	361.5	4.0
Fiscal year ended Feb. 29, 2016	-	40.00	-	90.00	130.00	3,138	34.5	6.3
Fiscal year ending Feb. 28, 2017 (forecast)	-	35.00	-	40.00	75.00		36.1	

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Year-end dividends per share for the fiscal years ended February 2016 and earlier 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		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	99,700	2.7	8,100	(0.4)	8,200	(1.5)	4,500	8.3	93.45
Full year	208,900	4.4	17,000	6.2	17,300	6.9	10,000	9.6	207.66

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): 253.34 yen (up 8.3%)

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. The consolidated net income per share forecast has been calculated based on the number of shares outstanding (excluding treasury shares) after the stock split.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) 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

(3) Number of outstanding shares (common stock)

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

As of Feb. 29, 2016:	48,800,000 shares	As of Feb. 28, 2015:	48,800,000 shares

2) Number of treasury shares at end of period

As of Feb. 29, 2016:	643,396 shares	As of Feb. 28, 2015:	235,976 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 29, 2016:	48,443,869 shares	Fiscal year ended Feb. 28, 2015:	48,564,157 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 FY2/15.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2016 (March 1, 2015 – February 29, 2016)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 29, 2016	187,917	-	15,367	-	15,461	-	8,341	-
Fiscal year ended Feb. 28, 2015	3,811	(93.4)	923	(82.4)	1,308	(76.1)	(777)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 29, 2016	172.19	-
Fiscal year ended Feb. 28, 2015	(16.01)	-

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of FY2/15.

Note: The Company conducted an absorption-type merger between consolidated subsidiaries on March 1, 2015.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 29, 2016	85,296	50,725	59.5	1,053.34
As of Feb. 28, 2015	46,712	44,314	94.9	912.50

Reference: Shareholders' equity As of Feb. 29, 2016: 50,725 million yen As of Feb. 28, 2015: 44,314 million yen

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. Net assets per share has been calculated as if this stock split had taken place at the beginning of FY2/15.

Note: The Company conducted an absorption-type merger between consolidated subsidiaries on March 1, 2015.

2. 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
First half	94,500	4.2	8,000	1.2	8,000	(2.8)	4,100	(39.2)	85.14
Full year	196,700	4.7	16,400	6.7	16,300	5.4	9,200	10.3	191.04

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. The non-consolidated net income per share forecast has been calculated based on the number of shares outstanding (excluding treasury shares) after the stock split.

Note 1: Indication of audit procedure implementation status

The current financial report is exempted from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedures for the 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. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section "Analysis of Results of Operations" on page 2 regarding preconditions or other related matters for the forecast shown above.

Contents of Attachments

1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

1) Results of operations for the current fiscal year

During the past fiscal year (March 1, 2015 to February 29, 2016), the Japanese economy continued to recover slowly backed by higher corporate earnings and improved employment picture benefiting from the Japanese government's economic stimulus and monetary measures. However, slowing economic growth in China, emerging Asian countries and resource-producing countries made the outlook remained uncertain tarnished by worries about its impact on Japan's economy.

Sales in Japan's casual wear market, which is the business category for the main brands of Adastria Co., Ltd. (hereafter "the Company"), were strong overall due to solid consumer spending, although warm winter and other factors gave somewhat difficulties on the sales of winter apparel.

An absorption-type merger was conducted on March 1, 2015 between the Company (then Adastria Holdings Co., Ltd.) as the surviving company, and its subsidiaries POINT INC. and TRINITY ARTS INC as the absorbed companies. The Company changed its name to Adastria Co., Ltd. on June 1, 2015.

In addition, the Company conducted an absorption-type company split on September 1, 2015. The product planning and production control operations for apparel and other products of consolidated subsidiary N9&PG Co., Ltd. (currently Adastria Logistics Co., Ltd.) were separated and transferred to the Company.

The original plan was for the holding-company structure to achieve integrated strengths as a corporate group while respecting the corporate culture of each group company. However, we reached the conclusion that we need to respond quickly and accurately to the dynamic changes taking place in our business climate. Consequently, we decided to reorganize the Group to aim for more efficient operations and faster decision making. Our goals are more growth in corporate value and fully utilizing the benefits of our new organizational structure.

Consolidated sales were 8.4% higher than one year earlier. The strengthened product development capability through the expansion of internal production and the growth in e-commerce website sales are the major factors. The *GLOBAL WORK, niko and...* and *JEANASIS* brands ,among others recorded strong growth.

Regarding the store network, we opened 93 stores (including 29 overseas), and closed 125 (including 31 overseas), resulting in a total network of 1,324 stores (including 104 overseas) at the end of February 2016.

The gross profit margin improved by 1.1 percentage point from one year earlier to 56.6%. The increase in the cost of sales caused by the weaker yen was more than offset by a decrease in price discount losses due to well managed control of selling prices.

The ratio of selling, general and administrative (SG&A) expenses to sales decreased 3.7 percentage points from one year earlier to 48.6% and the operating margin increased 4.8 percentage points to 8.0%. The SG&A expense control was attained through the focusing efforts on optimizing expenses. For example, expenses for TV commercials were restrained in accordance with the improved brand recognition.

There were extraordinary losses of 644 million yen for impairment losses on store assets and 173 million yen for loss on sales of shares of subsidiaries and associates.

As a result, consolidated net sales increased 8.4% year-on-year to 200,038 million yen, operating income increased 167.6% to 16,004 million yen, ordinary income increased 150.8% to 16,185 million yen, and net income was 9,122 million yen compared with 503 million yen in the previous fiscal year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 56.4% to 24,612 million yen and earnings per share (EPS), before goodwill amortization, rose 230.2% to 233.99 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 + Amortization of goodwill (SG&A expenses, and extraordinary loss)
+ Impairment losses (goodwill)) / Average number of shares outstanding during the period

(Number of stores)

Store format / region		Number of stores					
		As of Feb. 28, 2015 (Note 3)	FY2/16				As of Feb. 29, 2016
			Opened	Rebranded	Closed, etc.	Increase /decrease	
	GLOBAL WORK	178	8	-	(2)	6	184
	LOWRYS FARM	158	6	10	(17)	(1)	157
	niko and...	116	8	-	(1)	7	123
	STUDIO CLIP	162	11	-	(2)	9	171
	LEPSIM LOWRYS FARM	125	8	-	(3)	5	130
	JEANASIS	84	1	5	(7)	(1)	83
	RAGEBLUE	64	3	7	(15)	(5)	59
	HEATHER	75	2	-	(10)	(8)	67
	Others	285	17	(22)	(34)	(39)	246
Total (Adastria)		1,247	64	-	(91)	(27)	1,220
Others (Note 4)		3	-	-	(3)	(3)	-
Total (Japan)		1,250	64	-	(94)	(30)	1,220
	Hong Kong	24	5	1	(3)	3	27
	China	34	17	-	(11)	6	40
	Taiwan	26	2	-	(1)	1	27
	South Korea	12	5	-	(7)	(2)	10
	Singapore	10	-	(1)	(9)	(10)	-
Total (Overseas)		106	29	-	(31)	(2)	104
Total (Group)		1,356	93	-	(125)	(32)	1,324

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. On March 1, 2015, an absorption-type merger was conducted between the Company, which is the surviving company, and its subsidiaries POINT INC. and TRINITY ARTS INC., which were dissolved. Consequently, the number of stores at Adastria as of February 28, 2015 is the number of stores at these two subsidiaries.
4. The decrease in the number of stores closed, etc. for Others is the result of the sale of an affiliated company.

(Sales for brands and regions)

Brand / region	FY2/16		YoY change (%) (Note 2)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	36,145	18.1	19.7
LOWRYS FARM	25,669	12.8	2.3
niko and...	22,824	11.4	11.3
STUDIO CLIP	20,540	10.3	4.3
LEPSIM LOWRYS FARM	15,083	7.5	7.7
JEANASIS	12,547	6.3	15.2
RAGEBLUE	9,436	4.7	1.2
HEATHER	7,406	3.7	(0.6)
Others	37,577	18.8	5.6
Total (Adastria)	187,231	93.6	8.4
Others	438	0.2	(58.4)
Total (Japan)	187,669	93.8	8.0
Hong Kong	7,732	3.9	15.4
China	1,989	1.0	46.3
Taiwan	1,591	0.8	6.5
South Korea	870	0.4	229.7
Singapore	184	0.1	(81.3)
Total (Overseas)	12,368	6.2	14.5
Total (Group)	200,038	100.0	8.4

Notes: 1. The number of stores is categorized by using brand operating divisions and geographic regions.

2. On March 1, 2015, an absorption-type merger was conducted between Adastria, which is the surviving company, and its subsidiaries POINT INC. and TRINITY ARTS INC., which were dissolved. Consequently, YoY change on Adastria sales is based on sales of these two subsidiaries in the same period of the previous fiscal year.

3. The above figures are sales to external customers and do not include internal sales between consolidated subsidiaries.

(Sales for merchandise categories)

Category	FY2/16		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	28,622	14.3	10.5
Lady's apparel (bottoms, tops)	130,908	65.4	7.7
Others	40,506	20.3	9.1
Total	200,038	100.0	8.4

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.

2) Outlook for the fiscal year ending on February 28, 2017

Earnings at Japanese companies continue to recover slowly but there are also concerns about the outlook because of economic downturns in emerging countries and the impact of the yen's strength on industries with substantial exports. The operating environment is challenging due to numerous ongoing trends that include Japan's aging population and falling number of children, the increasing diversity of lifestyles, and the rapid advance of globalization. In addition, higher prices of household necessities and the consumption tax hike are holding down real wages in Japan, resulting in sluggish consumer spending. For these reasons, we expect the business climate to remain challenging.

The Company attained most of the numerical targets of the ACE18 (three-year medium-term management plan) in its first year, which ended in February 2016. During the fiscal year ending in February 2017, we will continue our actions toward our strategic objectives in ACE18, with some fine tuning in these objectives reflecting changes of the Company and the business climate. One goal is to make the core brands, *namely GLOBAL WORK* and *niko and...,* even more powerful in order to establish them as brands that can succeed as a global brands. Other brands will also clearly position itself and perform procurement, sales and investment activities that reflect the characteristics of each brand. For our retail SPA (Specialty store retailer of Private label Apparel) operations, we plan to increase efficiency by reexamining the planning, production and sales processes, all of which originate from information derived from our stores. We keep working hard aiming to improved product quality, cost cutting and shorter lead times.

For the fiscal year ending on February 28, 2017, we forecast a 4.4% increase in consolidated net sales to 208.9 billion yen, a 5.8% increase in gross profit to 119.8 billion yen, a 6.2% increase in operating income to 17 billion yen, a 6.9% increase in ordinary income to 17.3 billion yen and a 9.6% increase in net income to 10 billion yen.

This forecast assumes that existing-store sales will increase 3.0%, 66 stores will be opened (including 18 overseas), and 35 stores will be closed (including 6 overseas).

The planned number of stores for major brands and regions of the Adastria Group is as follows.

Brand / region		Number of stores at end of period
		FY2/16
	GLOBAL WORK	184
	LOWRYS FARM	157
	niko and...	123
	STUDIO CLIP	171
	LEPSIM LOWRYS FARM	130
	JEANASIS	83
	RAGEBLUE	59
	HEATHER	67
	Others	246
Total (Adastria)		1,220
Total (Japan)		1,220
	Hong Kong	27
	China	40
	Taiwan	27
	South Korea	10
Total (Overseas)		104
Total (Group)		1,324

Brand / region		Number of stores at end of period
		FY2/17 (Plan)
	GLOBAL WORK	194
	LOWRYS FARM	154
	niko and...	128
	STUDIO CLIP	177
	LEPSIM	133
	JEANASIS	79
	RAGEBLUE	57
	HEATHER	75
	Others	242
Total (Adastria)		1,239
Total (Japan)		1,239
	Hong Kong	28
	China	49
	Taiwan	30
	South Korea	9
Total (Overseas)		116
Total (Group)		1,355

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 fiscal year ending February 28, 2017.

(2) Analysis of Financial Condition

1) Balance sheet position

Assets

Current assets increased 10,976 million yen from as of February 28, 2015 to 45,465 million yen as of February 29, 2016. This was mainly due to increases in cash and deposits of 11,783 million yen and inventories of 587 million yen, while there was a decrease in other (accounts receivable-other, etc.) of 1,345 million yen.

Non-current assets decreased 4,264 million yen to 44,988 million yen. This was mainly due to decreases in store interior equipment, net of 1,487 million yen and goodwill of 2,427 million yen and deferred tax assets of 2,508 million yen, while there was an increase in investment securities of 2,626 million yen.

Liabilities

Current liabilities increased 1,186 million yen to 36,426 million yen. This was mainly due to increases in electronically recorded obligations-operating of 1,045 million yen, accounts payable-other of 643 million yen and income taxes payable of 1,075 million yen, while there was a decrease in short-term loans payable of 1,886 million yen.

Non-current liabilities decreased 1,523 million yen to 745 million yen. This was mainly due to a decrease in deferred tax liabilities of 1,834 million yen.

Net assets

Net assets increased 7,049 million yen to 53,282 million yen. This was mainly due to an increase in treasury shares of 1,417 million yen (decrease in total assets), while there were increases in retained earnings of 7,058 million yen and valuation difference on available-for-sale securities of 1,814 million yen.

2) Cash flow position

Cash and cash equivalents (hereinafter "net cash") as of February 29, 2016 amounted to 19,452 million yen, or 11,785 million yen more than as of February 28, 2015.

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

Cash flows from operating activities

Net cash provided by operating activities totaled 22,054 million yen (an increase of 9,942 million yen, compared with the previous fiscal year). The main factors include income before income taxes and minority interests of 15,367 million yen and depreciation of 6,578 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 4,551 million yen (a decrease of 5,870 million yen). This was mainly due to the payments of 3,819 million yen for the purchase of property, plant and equipment involving new store openings.

Cash flows from financing activities

Net cash used in financing activities totaled 5,683 million yen (an increase of 3,158 million yen). This was mainly due to a decrease in short-term loans payable of 1,886 million yen, cash dividends paid of 2,065 million yen and purchase of treasury shares of 1,422 million yen.

Reference: Cash flow indicators

	FY2/14	FY2/15	FY2/16
Shareholders' equity ratio (%)	56.8	55.2	58.9
Shareholders' equity ratio based on market prices (%)	72.4	85.3	155.9
Interest-bearing debt to cash flow ratio	1.2	0.3	0.1
Interest coverage ratio (times)	50.1	216.3	553.4

Notes: 1. Shareholders' equity ratio: Shareholders' equity / Total assets
2. Shareholders' equity ratio based on market prices: Market capitalization / Total assets
3. Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows
4. Interest coverage ratio: Operating cash flows / Interest payments
* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.
* Operating cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows. Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest. Interest payments are calculated using the figures for interest expenses paid in the consolidated statement of cash flows.

(3) Basic Policy on Profit Distribution, and Dividend Plans for the Current and Next Fiscal Years

With regard to the distribution of profits, we will make investments in the businesses that are needed to create highly appealing brands and supply merchandise that can further increase corporate value (shareholder value), which will lead to the satisfaction of both customers and shareholders. For profit distributions to shareholders, we use a consolidated payout ratio before goodwill amortization of 30% as the basic policy. In addition, we position the repurchase of stock as one way to return earnings to shareholders. Repurchases will be determined in an appropriate and timely manner while taking into account changes in our stock price, our financial position and other factors.

In the fiscal year that ended in February 2016, sales were strong and net income was up 34.1% in part because of tax deductions that use Japan's system of tax credits for increasing personal income. As a result, we plan to pay a year-end dividend of 90 yen per share, which is 20 yen higher than the forecast of 70 yen. The dividend for the entire fiscal year will be 130 yen, also 20 yen higher than the forecast, which is a dividend payout ratio based on earnings before goodwill amortization of 27.8%. Although this is below the basic policy of 30%, the total payout ratio including the purchase of 1,395 million yen of treasury shares in November 2015 is 40.0%. For more information, please refer to the April 4, 2016 news release about the dividend increase.

For the fiscal year ending on February 28, 2017, we plan to pay a dividend of 75 yen per share (an increase of 10 yen), which is equivalent to a dividend of 150 yen (an increase of 20 yen) before adjusting for the 2-for-1 common stock split on March 1, 2016.

Note: The Company conducted a 2-for-1 common stock split on March 1, 2016.

2. Corporate Group

The Group (the Company and its subsidiary companies) consists of Adastria Co., Ltd. and 9 consolidated subsidiaries:, Adastria Logistics Co., Ltd., Adastria Asia Co., Ltd. (Hong Kong), POINT (Shanghai) Co., Ltd. (China), POINT TW INC. (Taiwan), Adastria Korea Co., Ltd. (South Korea) and four other companies. The sale of merchandise is the primary business activity of the Group.

In Japan, the sale of merchandise is conducted by Adastria Co., Ltd. We operate casual clothing brands nationwide such as *GLOBAL WORK*, *LOWRYS FARM*, *LEPSIM*, *JEANASIS*, *RAGEBLUE*, *HEATHER*, as well as lifestyle-proposing brands *niko and…* and *STUDIO CLIP*.

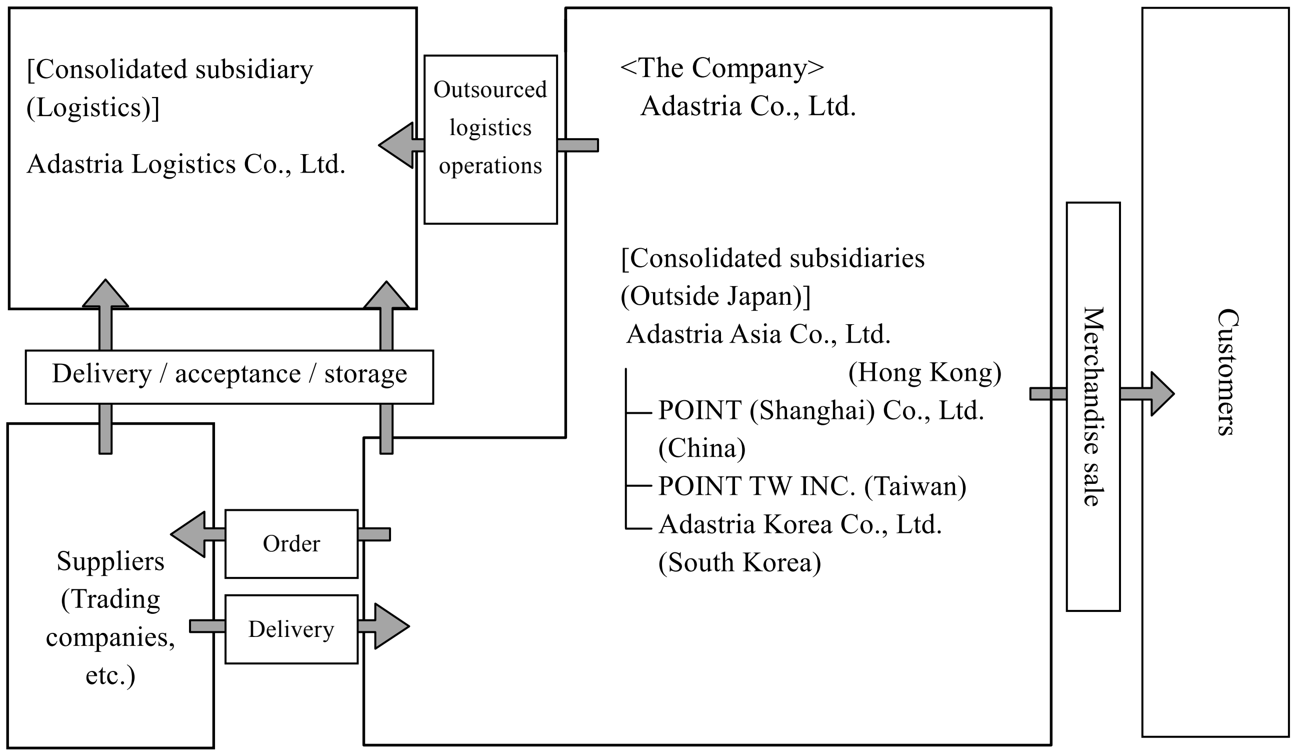
The overseas merchandise sales business is conducted mainly by Adastria Asia Co., Ltd., as well as POINT (Shanghai) Co., Ltd., POINT TW INC., and Adastria Korea Co., Ltd. These companies use *GLOBAL WORK*, *LOWRYS FARM*, *niko and…*, and other brands.

Adastria Logistics Co., Ltd. performs logistics operations for the products of group companies (receipt, acceptance, storage, and shipment of products).

The following table lists the major brands of the Group.

Brand		Concept
	GLOBAL WORK	Mixing new basic tastes and seasonal trends, *GLOBAL WORK* offers fresh and comfortable fashion at reasonable prices to people all over the world.
	LOWRYS FARM	Themeing on quality and relaxation, *LOWRYS FARM* proposes refreshing styling consisting of timeless basic items and seasonal trendy items for women in ordinary lifestyle.
	niko and…	By nature, something is missing. The *niko and…* brand brightens people's lives by creating originality through an infusion of its own style.
	STUDIO CLIP	Let's make this day unforgettable. Even though it's not a special day. I'd like to catch important things properly. I'd like to be able to come face with even small things. *STUDIO CLIP* proposes life styles that match individuals and is based on the concept of "my house."
	LEPSIM	Styled on simplicity yet with a sense of freshness, *LEPSIM* proposes a casual and unassuming style that blends naturally into women's daily lives.
	JEANASIS	*JEANASIS* is a fashion brand that makes culture more fun. The sharp black and refined white create an image that is for you not bound to whims about it. A strong-willed femininity emerges in masculine and cool fashion.
	RAGEBLUE	Blending American casual taste and European traditional taste, *RAGEBLUE* focuses on materials and details, and proposes a daily standard style incorporating elements of popular trends.
	HEATHER	Designed for positive girls who have an everlasting playful mind, *HEATHER* proposes perfect styling with girlish and edgy items in trend.

An organizational chart of the Group is as follows.



3. Management Policies

(1) Basic Management Policy

⑤ Our Belief

The Adastria Group has a strong commitment to being a responsible member of society. We have established the following corporate philosophy as a spirit and a value system that guides the decisions and actions of everyone who works at the Group.

Become a person that is essential to others and a company that is essential to others

⑤ Business Model

The business activities of the Group are distinguished by the following characteristics.

1) Multi Brands

From all the options available, customers choose items that best reflect their unique individuality. We maintain a portfolio of diverse brands to suit each customer's preferences and lifestyle.

2) Multi Categories

In addition to apparel, we offer a broad range of fashionable merchandise – from handbags, shoes and kitchen goods to furniture and much more.

3) Value Chain

We quickly make use of trends and store information in our product development. Our streamlined value chain covers everything from planning to manufacturing, distribution, and sales, enabling us to provide new fashion ideas to customers around the world.

(2) Performance Targets

The Adastria Group places priority on performance indicators associated with earnings and efficiency. The goal is to increase operating income, EBITDA, which is an indicator of the ability to generate cash, and other indicators. To accomplish this, the Adastria Group will differentiate its products by strengthening internal planning and production operations and conduct various strategies in a manner that reflects the characteristics of each brand. For ROE, the goal is to increase this return by increasing earnings.

(3) Medium- to Long-term Business Strategy

In Japan, the apparel market is shrinking and changing as the population declines and the number of seniors increases. Furthermore, progress with information technology is making activities of all types borderless. Big changes are taking place in the behavior and values of consumers as a result. No longer is it possible to earn the support of customers by using conventional business formats and sales methods.

In this challenging environment, we succeeded in reaching the numerical targets of the ACE18 medium-term management plan, which formulated in April 2015, in the plan's first year. We made some revisions to the strategic objectives of this plan to reflect changes taking place at Adastria and in the business climate, but the objectives are basically the same. To accomplish these goals, we will continue to focus our energy on initiatives aimed at long-term growth in corporate value and meeting the expectations of shareholders. In addition, we have established numerical goals to aim for over the next three years.

■ Our vision

Become a global multi-brand fashion SPA company

■ Core strategies

1. Reinforce the multi-brand strategy

Reexamine the brand portfolio to establish a clear direction for every brand.

2. Develop our core brands

Make *GLOBAL WORK* and *niko and…* brands that are successful around the world.

3. Create categories, brands and business sectors linked to ideas for new lifestyles

Expand operations to cover more merchandise categories, brands and business sectors in order to reflect the lifestyles (food, clothing, housing) that customers want.

4. Expand the Internet business

Create an omni-channel and global Internet business and start new retail formats that match changes in market conditions and incorporate advances in technology.

5. Use advanced technologies to build a stronger and more efficient business infrastructure
Reexamine the entire value chain in order to create patterns and systems.
Use advanced technologies wherever possible while taking advantage of the creativity that can come only from people.

■ Numerical targets

During the three-year period ending in February 2019, our goals are an average annual sales growth rate of at least 5% in existing businesses, an existing business operating margin of at least 10% and an ROE of approximately 15%.

(4) Challenges

Significant changes are taking place in Japan's apparel retailing industry. Major sources of change are the country's aging population and falling number of children, the increasing diversity of lifestyles, and competition from foreign retailers that are entering Japan. Furthermore, strengthening value chains in order to support growth in Japan as well as in overseas markets has become an important management issue because of globalization.

1) The Company currently has 17 brands. We must have a business framework capable of maintaining a brand portfolio that can leverage existing brands to maximize earnings while targeting growing market sectors associated with changes in the operating environment.
2) Identifying new drivers of growth is difficult by looking only at the current apparel business. We must seek opportunities in apparel and other market sectors centered on lifestyles in order to create new sources of growth.
3) The multi-brand strategy is a distinguishing characteristic of the Adastria business model. The ability to target even niche market categories in order to meet the diversifying preferences of consumers is a key strength of this strategy. However, the inability to benefit from economies of scale due to the small sales volume of each brand is a disadvantage. We must establish a business framework capable of fully utilizing the strengths of the multi-brand strategy while reducing the strategy's weaknesses as much as possible.
4) Constant technological progress is making existing businesses more efficient and may fundamentally alter the retail business in the future. We must be vigilant concerning the appearance of new technologies and look for ways to incorporate these technologies in our business operations.
5) The workforce and organization of the Adastria Group have been growing and we expect that our network of stores and subsidiaries will increase along with the expansion of our overseas operations. As we grow, we will need to ensure that the entire group aims for the same goals and adheres to the same code of conduct. At the same time, we must accumulate and share information, know-how and knowledge. All of these actions will be needed to conduct business activities that can satisfy our customers. In addition, aiming for growth as a company is equivalent to aiming for the growth of the employees who perform the company's activities. This is why we must work on ways to continue providing employees an environment that enables them to upgrade their skills continuously.

4. Basic Approach for the Selection of Accounting Standards

The Company prepares its consolidated financial statements based on the generally accepted accounting principles in Japan to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Million yen)

	FY2/15 (As of Feb. 28, 2015)	FY2/16 (As of Feb. 29, 2016)
Assets		
Current assets		
Cash and deposits	7,677	19,460
Notes and accounts receivable-trade	7,593	7,668
Inventories	14,488	15,076
Deferred tax assets	1,883	1,765
Other	2,893	1,548
Allowance for doubtful accounts	(48)	(53)
Total current assets	34,488	45,465
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,405	3,524
Accumulated depreciation	(1,418)	(1,567)
Buildings and structures, net	1,987	1,957
Store interior equipment	26,055	26,794
Accumulated depreciation	(17,634)	(19,860)
Store interior equipment, net	8,420	6,933
Land	1,732	1,732
Construction in progress	167	80
Other	1,208	1,198
Accumulated depreciation	(608)	(685)
Other, net	600	512
Total property, plant and equipment	12,908	11,215
Intangible assets		
Goodwill	7,921	5,493
Other	1,372	1,471
Total intangible assets	9,293	6,965
Investments and other assets		
Investment securities	7,604	10,231
Lease and guarantee deposits	16,924	16,622
Deferred tax assets	2,578	69
Other	176	137
Allowance for doubtful accounts	(232)	(253)
Total investments and other assets	27,051	26,807
Total non-current assets	49,253	44,988
Total assets	83,742	90,454

(Million yen)

	FY2/15 (As of Feb. 28, 2015)	FY2/16 (As of Feb. 29, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,246	6,768
Electronically recorded obligations-operating	8,855	9,901
Short-term loans payable	3,753	1,867
Accounts payable-other	9,687	10,331
Income taxes payable	3,293	4,368
Deferred tax liabilities	210	-
Provision for bonuses	2,036	2,212
Other provision	358	412
Other	797	563
Total current liabilities	35,240	36,426
Non-current liabilities		
Deferred tax liabilities	1,909	75
Provision for directors’ retirement benefits	95	94
Other	263	575
Total non-current liabilities	2,268	745
Total liabilities	37,508	37,171
Net assets		
Shareholders’ equity		
Capital stock	2,660	2,660
Capital surplus	6,987	6,987
Retained earnings	32,651	39,709
Treasury shares	(406)	(1,824)
Total shareholders’ equity	41,892	47,533
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,631	5,445
Deferred gains or losses on hedges	357	(263)
Foreign currency translation adjustment	352	567
Total accumulated other comprehensive income	4,341	5,749
Total net assets	46,233	53,282
Total liabilities and net assets	83,742	90,454

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Million yen)

	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)	FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)
Net sales	184,588	200,038
Cost of sales	82,064	86,772
Gross profit	102,524	113,266
Selling, general and administrative expenses		
Advertising expenses	6,424	5,805
Provision of allowance for doubtful accounts	37	26
Directors' compensations	391	207
Salaries and bonuses	25,740	26,643
Provision for bonuses	1,882	2,096
Welfare expenses	4,161	4,239
Rents	31,710	33,198
Lease payments	485	437
Depreciation	7,356	6,394
Amortization of goodwill	2,394	2,213
Other	15,958	15,999
Total selling, general and administrative expenses	96,542	97,261
Operating income	5,981	16,004
Non-operating income		
Interest income	6	6
Dividend income	82	107
House rent income	67	132
Revenue from electric power sales	44	42
Foreign exchange gains	262	-
Gain on valuation of derivatives	-	169
Other	233	326
Total non-operating income	697	786
Non-operating expenses		
Interest expenses	56	39
Cost of lease revenue	-	99
Foreign exchange losses	-	427
Loss on valuation of derivatives	154	-
Other	16	38
Total non-operating expenses	226	605
Ordinary income	6,452	16,185
Extraordinary income		
Gain on sales of investment securities	9	-
Total extraordinary income	9	-
Extraordinary losses		
Loss on sales of non-current assets	352	-
Loss on sales of shares of subsidiaries and associates	-	173
Impairment loss	1,531	644
Loss on valuation of investment securities	63	-
Total extraordinary losses	1,947	818
Income before income taxes and minority interests	4,514	15,367
Income taxes-current	5,037	6,138
Income taxes-deferred	(1,026)	105
Total income taxes	4,010	6,244
Income before minority interests	503	9,122
Net income	503	9,122

Consolidated Statement of Comprehensive Income

(Million yen)

	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)	FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)
Income before minority interests	503	9,122
Other comprehensive income		
Valuation difference on available-for-sale securities	1,910	1,814
Deferred gains or losses on hedges	328	(620)
Foreign currency translation adjustment	43	214
Total other comprehensive income	2,283	1,408
Comprehensive income	2,787	10,530
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,787	10,530
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statement of Changes in Equity

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,660	6,986	33,482	(407)	42,722
Changes of items during period					
Dividends of surplus			(1,335)		(1,335)
Net income			503		503
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares				0	0
Issuance of new shares-exercise of subscription rights to shares		0		4	5
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	0	(831)	0	(830)
Balance at end of current period	2,660	6,987	32,651	(406)	41,892

(Million yen)

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,720	28	308	2,058	5	44,786
Changes of items during period						
Dividends of surplus				-		(1,335)
Net income				-		503
Purchase of treasury shares				-		(4)
Disposal of treasury shares				-		0
Issuance of new shares-exercise of subscription rights to shares				-		5
Net changes of items other than shareholders' equity	1,910	328	43	2,283	(5)	2,278
Total changes of items during period	1,910	328	43	2,283	(5)	1,447
Balance at end of current period	3,631	357	352	4,341	-	46,233

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,660	6,987	32,651	(406)	41,892
Changes of items during period					
Dividends of surplus			(2,063)		(2,063)
Net income			9,122		9,122
Purchase of treasury shares				(1,417)	(1,417)
Disposal of treasury shares					-
Issuance of new shares-exercise of subscription rights to shares					-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	7,058	(1,417)	5,640
Balance at end of current period	2,660	6,987	39,709	(1,824)	47,533

(Million yen)

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	3,631	357	352	4,341	-	46,233
Changes of items during period						
Dividends of surplus				-		(2,063)
Net income				-		9,122
Purchase of treasury shares				-		(1,417)
Disposal of treasury shares				-		-
Issuance of new shares-exercise of subscription rights to shares				-		-
Net changes of items other than shareholders' equity	1,814	(620)	214	1,408	-	1,408
Total changes of items during period	1,814	(620)	214	1,408	-	7,049
Balance at end of current period	5,445	(263)	567	5,749	-	53,282

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)	FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	4,514	15,367
Depreciation	7,641	6,578
Impairment loss	1,531	644
Amortization of goodwill	2,394	2,213
Interest and dividend income	(89)	(114)
Interest expenses	56	39
Increase (decrease) in allowance for doubtful accounts	37	26
Increase (decrease) in provision for bonuses	435	178
Loss (gain) on sales of shares of subsidiaries and associates	-	173
Decrease (increase) in notes and accounts receivable-trade	(1,489)	(206)
Decrease (increase) in inventories	(388)	(694)
Increase (decrease) in notes and accounts payable-trade	323	1,777
Increase (decrease) in accounts payable-other	264	224
Increase (decrease) in accrued consumption taxes	1,306	(142)
Other, net	296	(153)
Subtotal	16,834	25,911
Interest and dividend income received	89	114
Interest expenses paid	(56)	(39)
Income taxes paid	(4,754)	(3,931)
Net cash provided by (used in) operating activities	12,112	22,054
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,602)	(3,819)
Proceeds from sales of property, plant and equipment	375	-
Purchase of intangible assets	(759)	(731)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	24	-
Payments for lease and guarantee deposits	(3,339)	(1,153)
Proceeds from collection of lease and guarantee deposits	875	1,117
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	29
Other, net	6	7
Net cash provided by (used in) investing activities	(10,421)	(4,551)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(1,183)	(1,886)
Cash dividends paid	(1,336)	(2,065)
Purchase of treasury shares	(4)	(1,422)
Other, net	0	(308)
Net cash provided by (used in) financing activities	(2,524)	(5,683)
Effect of exchange rate change on cash and cash equivalents	(28)	(34)
Net increase (decrease) in cash and cash equivalents	(862)	11,785
Cash and cash equivalents at beginning of period	8,529	7,667
Cash and cash equivalents at end of period	7,667	19,452

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Segment and Other Information

Segment information

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

Omitted since the Group has only a single business segment, which is the planning and sales of clothing and related merchandise.

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)

Omitted since the Group has only a single business segment, which is the planning and sales of clothing and related merchandise.

Related information

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

1. Information by product or service

Omitted since sales to external customers in the category of a single product or service exceeded 90% of net sales on the consolidated statement of income.

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan exceeded 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

Omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

Omitted since there is no sales to external customers whom accounted for 10% or more of net sales on the consolidated statement of income.

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)

1. Information by product or service

Omitted since sales to external customers in the category of a single product or service exceeded 90% of net sales on the consolidated statement of income.

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan exceeded 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

Omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

Omitted since there is no sales to external customers whom accounted for 10% or more of net sales on the consolidated statement of income.

Information related to impairment losses on non-current assets for each reportable segment

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

Omitted since the Group has only a single business segment, which is the planning and sales of clothing and related merchandise.

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)
Omitted since the Group has only a single business segment, which is the planning and sales of clothing and related merchandise.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

Omitted since the Group has only a single business segment, which is the planning and sales of clothing and related merchandise.

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)
Omitted since the Group has only a single business segment, which is the planning and sales of clothing and related merchandise.

Information related to gain on bargain purchase for each reportable segment

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

Not applicable.

FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)
Not applicable.

Per Share Information

(Yen)

	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)	FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)
Net assets per share	952.02	1,106.45
Net income per share	10.37	188.31
Diluted net income per share	10.37	-

Notes: 1.The Company conducted a 2-for-1 common stock split on March 1, 2016. Net assets per share, net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of FY2/15.

2. Diluted net income per share in FY2/16 is not presented since the Company has no outstanding dilutive securities.
3. The basis of calculating the net income per share and diluted net income per share is as follows.

(Million yen)

	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)	FY2/16 (Mar. 1, 2015 – Feb. 29, 2016)
Net income per share		
Net income	503	9,122
Amount not available to common stockholders	-	-
Net income applicable to common stock	503	9,122
Average number of shares of common stock outstanding during the period (Thousand shares)	48,564	48,443
Diluted net income per share		
Adjusted net income	-	-
Increase in the number of common stock (Thousand shares)	1	-
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Subsequent Events

Stock split

The Company conducted a common stock split as of March 1, 2016 following the resolution by its Board of Directors on January 20, 2016.

1. Purpose of the stock split

The stock split will reduce the amount of investment required per share, and enhance the liquidity of the Company's shares thus making it easier to invest in its shares and expand the shareholder base.

2. Summary of the stock split

(1) Method of the stock split

Shareholders listed in the final shareholder register on the record date of February 29, 2016 (Monday) have received two shares of common stock for each share held on the same day.

(2) Increase in the number of shares due to the stock split

(a) Number of shares outstanding before the stock split:	24,400,000 shares
(b) Increase in the number of shares due to the stock split:	24,400,000 shares
(c) Number of shares outstanding after the stock split:	48,800,000 shares
(d) Total number of authorized shares after the stock split:	150,000,000 shares

(3) Schedule

(a) Announcement of record date:	February 12, 2016 (Friday)
(b) Record date:	February 29, 2016 (Monday)
(c) Effective date:	March 1, 2016 (Tuesday)

(4) Other

The effect of these changes on per share information is shown in “5. (5) Per Share Information.”

6. Other Information

(1) Changes in Directors

1. Change in representative director

Not applicable.

2. Change of other board members (Date of change: May 26, 2016)

(1) Candidate for director appointment

Director	Hiromi Horie

Note: Ms. Hiromi Horie is a candidate for an outside director.

(2) Candidate for corporate auditor appointment

Corporate Auditor (Full-time)	Tsuyoshi Matsuda (Currently Corporate Auditor of Adastria Logistics Co., Ltd.)
Corporate Auditor	Kazuhiko Ebihara

Note: Mr. Kazuhiko Ebihara is a candidate for an outside director.

(3) Retiring corporate auditor

Corporate Auditor (Full-time)	Shigeru Hirota
Corporate Auditor	Naoki Iwasaki

Note: Mr. Shigeru Hirota is an outside corporate auditor.

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.