Summary of Consolidated Financial Results for the Fiscal Year Ended February 28, 2015

[Japanese GAAP]

April 6, 2015

Company name: Adastria Holdings Co., Ltd. Listing: TSE 1st section
Stock code: 2685 URL: http://www.adastria.co.jp
Representative: Yoichi Endo, Representative Director, President
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Scheduled date of Annual General Meeting of Shareholders: May 28, 2015
Scheduled date of payment of dividend: May 13, 2015
Scheduled date of filing of Annual Securities Report: May 29, 2015
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 6, 2015 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 28, 2015 (March 1, 2014 – February 28, 2015)

(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. 28, 2015	184,588	20.4	5,981	3.8	6,452	7.0	503	-
Fiscal year ended Feb. 28, 2014	153,273	26.0	5,762	(40.7)	6,027	(39.4)	(4,731)	-

Note: Comprehensive income Fiscal year ended Feb. 28, 2015: 2,787 million yen (- %)
Fiscal year ended Feb. 28, 2014: (3,455) 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. 28, 2015	20.75	20.75	1.1	7.9	3.2
Fiscal year ended Feb. 28, 2014	(206.42)	-	(11.3)	8.5	3.8

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 28, 2015: - Fiscal year ended Feb. 28, 2014: -
EBITDA Fiscal year ended Feb. 28, 2015: 15,732 million yen (up 13.5%)
Fiscal year ended Feb. 28, 2014: 13,861 million yen (down 4.3%)
EPS before goodwill amortization Fiscal year ended Feb. 28, 2015: 141.71 yen (down 9.6%)
Fiscal year ended Feb. 28, 2014: 156.84 yen (down 35.8%)

(*) 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.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2015	83,742	46,233	55.2	1,904.03
As of Feb. 28, 2014	78,841	44,786	56.8	1,844.17

Reference: Shareholders' equity As of Feb. 28, 2015: 46,233 million yen As of Feb. 28, 2014: 44,780 million yen

(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. 28, 2015	12,112	(10,421)	(2,524)	7,667
Fiscal year ended Feb. 28, 2014	4,606	(6,831)	(9,503)	8,529

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, 2014	-	50.00	-	25.00	75.00	1,697	-	4.1
Fiscal year ended Feb. 28, 2015	-	30.00	-	45.00	75.00	1,821	361.5	4.0
Fiscal year ending Feb. 28, 2016 (forecast)	-	30.00	-	45.00	75.00		75.9	

3. Consolidated Forecast for the Fiscal Year Ending February 29, 2016 (March 1, 2015 – February 29, 2016)

(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	90,700	3.0	2,500	22.6	2,500	15.0	600	448.4	24.71
Full year	189,800	2.8	7,000	17.0	7,000	8.5	2,400	376.4	98.84

Reference: EBITDA Fiscal year ending Feb. 29, 2016 (forecast): 16,300 million yen (up 3.6%)
EPS before goodwill amortization Fiscal year ending Feb. 29, 2016 (forecast): 189.44 yen (up 33.7%)

*** 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. 28, 2015:	24,400,000 shares	As of Feb. 28, 2014:	24,400,000 shares

2) Number of treasury shares at end of period

As of Feb. 28, 2015:	117,988 shares	As of Feb. 28, 2014:	117,588 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2015:	24,282,078 shares	Fiscal year ended Feb. 28, 2014:	22,922,788 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2015 (March 1, 2014 – February 28, 2015)

(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. 28, 2015	3,811	(93.4)	923	(82.4)	1,308	(76.1)	(777)	-
Fiscal year ended Feb. 28, 2014	57,727	(49.8)	5,246	(43.3)	5,473	(43.2)	(3,410)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 28, 2015	(32.02)	-
Fiscal year ended Feb. 28, 2014	(148.77)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2015	46,712	44,314	94.9	1,824.99
As of Feb. 28, 2014	48,596	44,511	91.6	1,832.86

Reference: Shareholders' equity As of Feb. 28, 2015: 44,314 million yen As of Feb. 28, 2014: 44,506 million yen

Note: The Company shifted to a holding company structure through a company split on September 1, 2013.

2. Non-consolidated Forecast for the Fiscal Year Ending February 29, 2016 (March 1, 2015 – February 29, 2016)

(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	85,300	-	2,900	-	3,000	-	3,800	-	156.49
Full year	177,800	-	7,700	-	7,900	-	6,000	-	247.10

Note: The Company conducted an absorption-type merger between consolidated subsidiaries on March 1, 2015.
Please refer to the section "Subsequent Events" on page 24 for further information.
No comparisons with the previous fiscal year are shown because the Company is no longer a holding company following this merger.

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

In the current fiscal year (March 1, 2014 to February 28, 2015), the Japanese economy continued to recover at a moderate pace as corporate earnings and the number of jobs improved backed by the Japanese government's economic measures. However, prolonged negative consumer sentiment caused by the April 2014 consumption tax hike is pushing back a rebound in consumer spending.

Core brands of Adastria Holdings Co., Ltd. (hereafter "the Company") and the Company's Group (hereafter "the Group") are in the casual wear category. In this market sector, consumers in Japan have been seeking lower priced items following the consumption tax hike. In addition, consumers are looking at products much more carefully before making purchases. This shift in consumer behavior has caused sales to decline across the entire casual wear category.

Consolidated sales increased sharply by 20.4% year-on-year, benefiting from the consolidation of TRINITY ARTS INC. in September 2013. Sales of the *GLOBAL WORK*, *niko and...* and *STUDIO CLIP* brands all posted strong sales.

Regarding store network, we reorganized our store network by aggressively implementing a scrap-and build strategy during the fiscal year. We opened 224 new stores (including 44 overseas), and closed 81 (including 19 overseas), resulting in a total network of 1,356 stores (including 106 overseas) at the end of the current fiscal year.

Losses on the disposal of inventories resulting from a review of outlet functions and the suspension of some brands negatively affected earnings. But there was a decline in sales of discounted products by controlling selling prices more accurately. The result was a 0.1 percentage point improvement in the gross profit margin to 55.5%. But the SG&A-to-sales ratio increased 0.7 percentage point to 52.3% because of TV commercials and other extensive advertising activities. As a result, the operating margin was down 0.6 percentage point to 3.2%.

There was an extraordinary loss of 988 million yen for impairment losses at store assets, a 543 million yen loss for impairment of goodwill, and a 352 million yen loss for the sales of owned assets.

As a result, consolidated net sales in the current fiscal year increased 20.4% year-on-year to 184,588 million yen, operating income increased 3.8% to 5,981 million yen, ordinary income increased 7.0% to 6,452 million yen, and net income was 503 million yen (net loss of 4,731 million yen in the previous fiscal year).

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 13.5% to 15,732 million yen and earnings per share (EPS), before goodwill amortization, fell 9.6% to 141.71 yen. (*)

(*) Amortization of goodwill that mainly resulted from the consolidation of TRINITY ARTS INC. caused large declines in operating income and all subsequent categories of profits from the previous fiscal year. 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. In consideration of these matters, EBITDA and EPS before goodwill amortization are stated 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)

Brand / region		Number of stores						
		As of Feb. 28, 2014	FY2/15					As of Feb. 28, 2015
			Opened, etc.	Rebranded	Closed	Merged (Note 4)	Increase /decrease	
	GLOBAL WORK	173	9	-	(4)	-	5	178
	LOWRYS FARM	159	7	(1)	(7)	-	(1)	158
	LEPSIM LOWRYS FARM	110	15	-	-	-	15	125
	JEANASIS	82	3	1	(2)	-	2	84
	RAGEBLUE	62	3	-	(1)	-	2	64
	HEATHER	76	7	-	(8)	-	(1)	75
	Others	145	33	-	(13)	-	20	165
Total (POINT INC.)		807	77	-	(35)	-	42	849
	niko and...	100	18	-	(2)	-	16	116
	STUDIO CLIP	129	33	-	-	-	33	162
	Others	54	45	-	(25)	49	69	123
Total (TRINITY ARTS INC.)		283	96	-	(27)	49	118	401
BABYLONE INC.		42	7	-	-	(49)	(42)	-
Total (Japan)		1,132	180	-	(62)	-	118	1,250
	Hong Kong	30	2	-	(8)	-	(6)	24
	China	21	22	-	(9)	-	13	34
	Taiwan	21	7	-	(2)	-	5	26
	Singapore	9	1	-	-	-	1	10
	South Korea	-	12	-	-	-	12	12
Total (Overseas)		81	44	-	(19)	-	25	106
Total (Group)		1,213	224	-	(81)	-	143	1,356

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 the Company.
3. TRINITY ARTS INC. includes figures for its subsidiaries.
4. This table shows the change in the number of stores resulting from the absorption-type merger conducted on April 1, 2014 between TRINITY ARTS INC., which is the surviving company, and BABYLONE INC., which was dissolved.

(Sales for brands and regions)

Brand / region		FY2/15		YoY change (%)
		Sales (million yen)	Composition (%)	
	GLOBAL WORK	30,208	16.4	9.2
	LOWRYS FARM	24,553	13.3	(0.2)
	LEPSIM LOWRYS FARM	14,004	7.6	4.5
	JEANASIS	10,356	5.6	(0.2)
	RAGEBLUE	8,786	4.8	(12.6)
	HEATHER	7,451	4.0	(10.4)
	Others	24,166	13.1	2.3
Total (POINT INC.)		119,528	64.8	1.3
	niko and...	20,506	11.1	114.2
	STUDIO CLIP	19,688	10.7	153.8
	Others	13,296	7.2	322.6
Total (TRINITY ARTS INC.)		53,491	29.0	161.2
BABYLONE INC.		764	0.4	(85.0)
Others		4	0.0	-
Total (Japan)		173,788	94.2	19.8
	Hong Kong	6,698	3.6	33.9
	China	1,359	0.8	35.4
	Taiwan	1,493	0.8	1.9
	Singapore	983	0.5	27.7
	South Korea	264	0.1	-
Total (Overseas)		10,799	5.8	31.0
Total (Group)		184,588	100.0	20.4

Notes: 1. The number of stores is categorized by using brand operating divisions and geographic regions.
2. TRINITY ARTS INC. includes figures for its subsidiaries.
3. TRINITY ARTS INC. became a consolidated subsidiary in the third quarter of the previous fiscal year.
4. An absorption-type merger was conducted on April 1, 2014 between TRINITY ARTS INC., which is the surviving company, and BABYLONE INC., which was dissolved.

(Sales for merchandise categories)

Category	FY2/15		YoY change (%)
	Sales (million yen)	Composition (%)	
Men’s apparel (bottoms, tops)	25,906	14.0	1.2
Lady’s apparel (bottoms, tops)	121,540	65.9	27.0
Others	37,141	20.1	16.2
Total	184,588	100.0	20.4

Note: The others category includes additions to the provision for point card certificates and other items.

2) Outlook for the fiscal year ending on February 29, 2016

Although the slow recovery in corporate earnings in Japan is expected to continue, there are still numerous factors that pose challenges. Examples include Japan’s declining population as the population ages and the number of children falls, the diversification of consumer lifestyles, and the rapid advance of globalization. In addition, the cost of raw materials is rising because of the yen’s depreciation and consumers are reluctant to make purchases after the consumption tax hike in April 2014. As a result, we expect the operating environment to remain difficult.

To deal with these issues, we have conducted a management integration with TRINITY ARTS INC. and NATURAL NINE CO., LTD. (currently N9&PG Co., Ltd.) and shifted to a holding company structure in September 2013. Subsequently, we reached the decision that another reorganization was needed to benefit fully from this integration. For this reorganization, we absorbed POINT INC. and TRINITY ARTS INC. in March 2015. We believe that this merger will improve efficiency and enable us to make decisions faster, which will allow us to achieve more growth in corporate value.

The fiscal year ending on February 29, 2016 is the first year of our new medium-term management plan called ACE18. All group companies are working on the plan’s strategic objectives. Developing our core brands such as *GLOBAL WORK* and *niko and…* into major global brands is one goal. Group companies will also clearly position each brand and implement investment strategies that reflect the characteristics of each brand. Furthermore, we plan to establish a retail SPA (specialty store retailer of private label apparel) framework with an integrated value chain encompassing planning, production and sales that all originate from information derived from stores.

For the fiscal year ending on February 29, 2016, we forecast a 2.8% increase in consolidated net sales to 189.8 billion yen, a 2.5% increase in gross profit to 105.1 billion yen, a 17.0% increase in operating income to 7 billion yen, an 8.5% increase in ordinary income to 7 billion yen and net income of 2.4 billion yen.

This forecast assumes: existing-store sales will decrease 1.2%, 80 stores will be opened, and 69 stores will be closed.

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

Brand / region		Number of stores at end of period
		FY2/15
	GLOBAL WORK	178
	LOWRYS FARM	158
	LEPSIM LOWRYS FARM	125
	JEANASIS	84
	RAGEBLUE	64
	HEATHER	75
	Others	165
Total (POINT INC.)		849
	niko and...	116
	STUDIO CLIP	162
	Others	123
Total (TRINITY ARTS INC.)		401
Total (Japan)		1,250
	Hong Kong	24
	China	34
	Taiwan	26
	Singapore	10
	South Korea	12
Total (Overseas)		106
Total (Group)		1,356

Brand / region		Number of stores at end of period
		FY2/16 (Plan)
	GLOBAL WORK	180
	LOWRYS FARM	158
	niko and...	127
	LEPSIM LOWRYS FARM	131
	STUDIO CLIP	173
	JEANASIS	90
	RAGEBLUE	68
	HEATHER	68
	Others	264
Total (The Company)		1,259
Others		3
Total (Japan)		1,262
	Hong Kong	26
	China	38
	Taiwan	27
	South Korea	14
Total (Overseas)		105
Total (Group)		1,367

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 the Company.
3. TRINITY ARTS INC. includes figures for its subsidiaries.
4. An absorption-type merger was conducted on March 1, 2015 between the Company, which is the surviving company, and POINT INC. and TRINITY ARTS INC., which were dissolved.
5. No figures for Singapore are shown for the FY2/16 (Plan) because the Company has decided to withdraw from business in Singapore.

(2) Analysis of Financial Condition

1) Balance sheet position

Assets

Current assets increased 2,963 million yen from as of February 28, 2014 to 34,488 million yen as of February 28, 2015. This was mainly due to increases in notes and accounts receivable-trade of 1,577 million yen and inventories of 574 million yen.

Non-current assets increased 1,937 million yen to 49,253 million yen. This was mainly due to increases in investment securities of 2,762 million yen and lease and guarantee deposits of 2,191 million yen, while there was a decrease of 2,685 million yen in goodwill.

Liabilities

Current liabilities increased 2,766 million yen to 35,240 million yen. This was mainly due to increases in accounts payable-other of 1,630 million yen and income taxes payable of 834 million yen.

Non-current liabilities increased 687 million yen to 2,268 million yen. This was mainly due to an increase in deferred tax liabilities of 984 million yen.

Net assets

Net assets increased 1,447 million yen to 46,233 million yen, mainly due to an increase in valuation difference on available-for-sale securities of 1,910 million yen.

2) Cash flow position

Cash and cash equivalents (hereinafter “net cash”) as of February 28, 2015 amounted to 7,667 million yen, or 862 million yen less than as of February 28, 2014.

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 12,112 million yen (an increase of 7,505 million yen, compared with the previous fiscal year). The main factors include income before income taxes and minority interests of 4,514 million yen and depreciation of 7,641 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 10,421 million yen (an increase of 3,590 million yen). This was mainly due to the payments of 7,602 million yen for the purchase of property, plant and equipment involving new store openings and 3,339 million yen for lease and guarantee deposits.

Cash flows from financing activities

Net cash used in financing activities totaled 2,524 million yen (a decrease of 6,979 million yen). This was mainly due to a decrease in short-term loans payable of 1,183 million yen and cash dividends paid of 1,336 million yen.

Reference: Cash flow indicators

	FY2/13	FY2/14	FY2/15
Shareholders' equity ratio (%)	60.9	56.8	55.2
Shareholders' equity ratio based on market prices (%)	117.2	72.4	85.3
Interest-bearing debt to cash flow ratio (%)	0.1	1.2	0.3
Interest coverage ratio (times)	1,663.2	50.1	216.3

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 necessary businesses to develop 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 treasury shares 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.

The year-end dividend for the current fiscal year that ended on February 28, 2015 will be 45 yen per share as initially planned. Combined with the 30 yen interim dividend, the annual dividend for the current fiscal year is 75 yen per share, which results in a consolidated payout ratio before goodwill amortization of 53%.

For the next fiscal year ending on February 29, 2016, we plan to pay 75 yen for an annual dividend, the same as the dividend for the current fiscal year.

2. Corporate Group

The Group (the Company and its subsidiary companies) consists of Adastria Holdings Co., Ltd. and 13 consolidated subsidiaries: POINT INC., TRINITY ARTS INC., N9&PG Co., Ltd., Adastria Asia Co., Ltd. (Hong Kong), POINT (Shanghai) Co., Ltd. (China), POINT TW INC. (Taiwan), ADASTRIA SINGAPORE PTE. LTD. (Singapore), Adastria Korea Co., Ltd. (South Korea) and five other companies. The sale of merchandise is the primary business activity of the Group.

In Japan, the sale of merchandise is conducted by POINT INC. and TRINITY ARTS INC. POINT INC. operates casual clothing brands nationwide mainly with using SPA format. These brands include *GLOBAL WORK*, *LOWRYS FARM*, *LEPSIM LOWRYS FARM*, *JEANASIS*, *RAGEBLUE*, *HEATHER*. TRINITY ARTS INC. sells products nationwide mainly using lifestyle-proposing brands, primarily the *niko and…* and *STUDIO CLIP* brands.

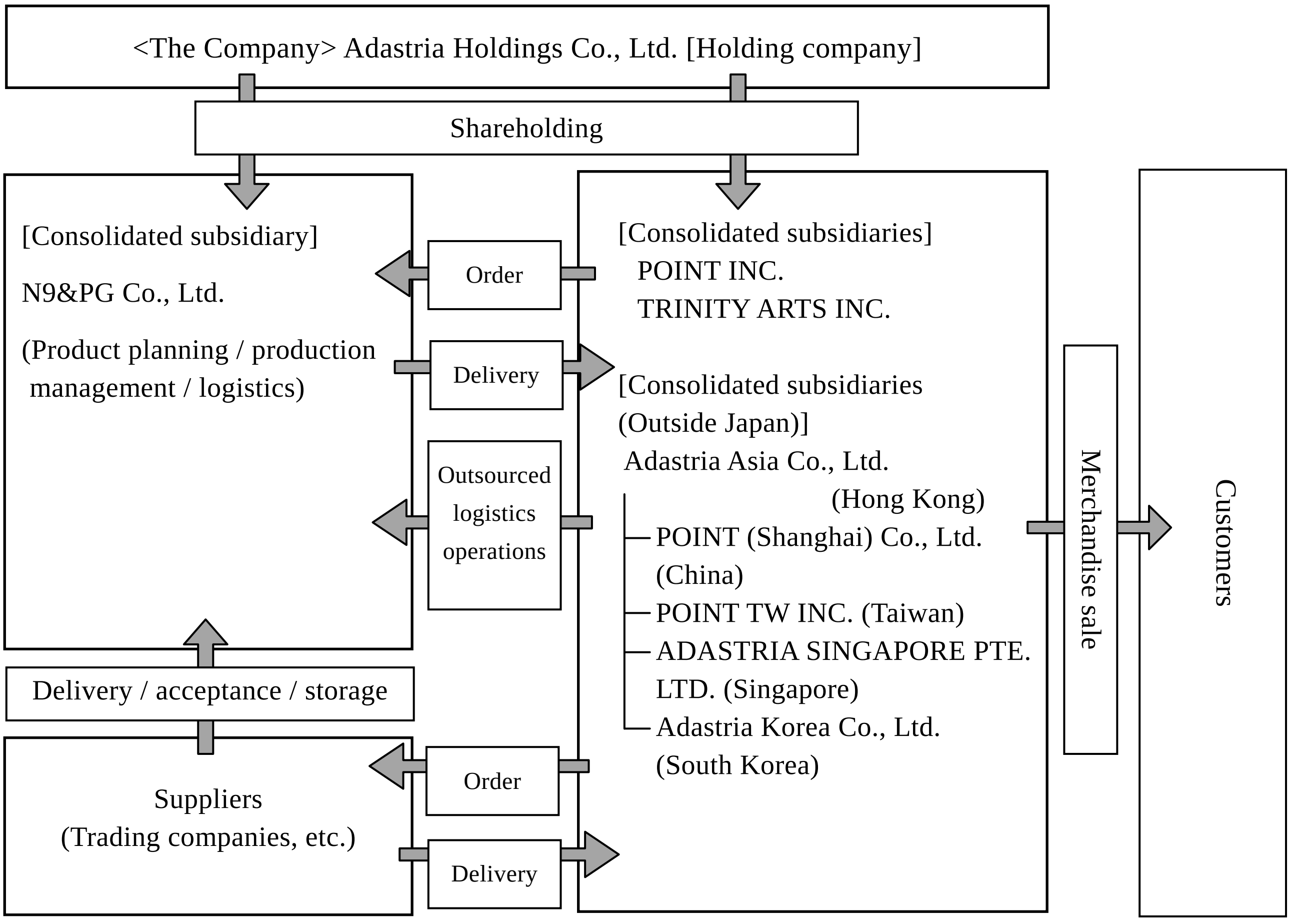
The overseas merchandise sales business is conducted mainly by Adastria Asia Co., Ltd., as well as POINT (Shanghai) Co., Ltd., POINT TW INC., ADASTRIA SINGAPORE PTE. LTD. and Adastria Korea Co., Ltd. These companies use *GLOBAL WORK*, *LOWRYS FARM*, *niko and…*, and other brands.

N9&PG Co., Ltd. performs a comprehensive range of operations starting with the development of original materials and including patterns, product planning, production management, distribution and quality assurance. This company has business partners that have manufacturing operations in many locations in Asia.

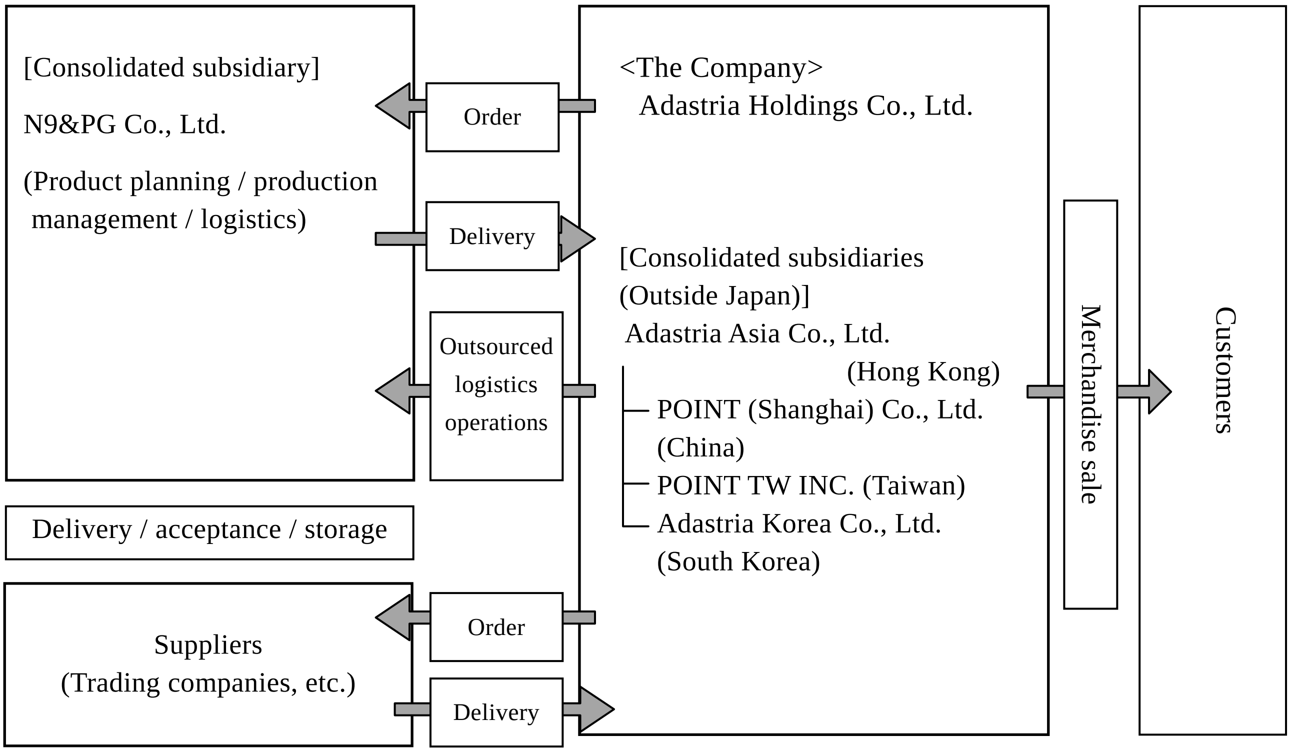
The following table lists the major brands of the Group.

Company	Brand		Concept
POINT INC.		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.
		LEPSIM LOWRYS FARM	Styled on simplicity yet with a sense of freshness, *LEPSIM LOWRYS FARM* proposes a casual and unassuming style that blends naturally into daily life.
		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.
TRINITY ARTS INC.		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."

An organizational chart of the Group is as follows.



An absorption-type merger was conducted on March 1, 2015 between the Company, which is the surviving company, and POINT INC. and TRINITY ARTS INC., which were dissolved. An organizational chart of the Group after the merger is as follows.



Note: ADASTRIA SINGAPORE PTE. LTD is not shown because the Company has decided to withdraw from business in Singapore.

3. Management Policies

(1) Basic Management Policy

The Group established a new corporate philosophy at the beginning of the fiscal year ending on February 29, 2016.

■ Our Belief

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

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

1) Multi Brands

From all the options available, customers choose those items that best reflect their unique individuality. The Group maintains 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 fashion categories and items – from bags, 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 to customers around the world.

(2) Performance Targets

The 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 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.

To succeed amid these mega-trends, we established a new medium-term management plan called ACE18 that will end in the fiscal year ending on February 28, 2018. We want to become the leader in the growing markets of the future. Accomplishing this will require targeting more market sectors in order to propose lifestyles to an even broader range of customer segments. The Group will aggressively take actions aimed at meeting the expectations of shareholders and achieving long-term growth in corporate value.

■ Our vision

“Change”	Make market sectors with growth potential the primary focus of operations
“Challenge”	Increase originality by building a retail SPA centered on stores
“Collaboration”	Aim for activities that make customers happy by fostering a corporate culture of sharing, working together and empathy

■ Core strategies

1. Develop our core brands

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

2. Aggressively target the middle-age and senior markets

Expand the targeted customer segments of *STUDIO CLIP* and *LEPSIM LOWRYS FARM* to reflect the ongoing change in the composition of Japan’s population.

3. Reinforce the multi-brand strategy

Clearly position brands in each market sector while differentiating internal and external brands to prevent brands from looking alike.

4. Use the Internet to attract more customers

Build a framework in which Internet and store operations work together seamlessly. Use customer relationship management “big data” for brand communication activities and the development of new products.

5. Add more lifestyle categories

Expand operations to cover more categories in order to meet customers’ demands involving different lifestyles.

■ Build a retail SPA framework centered on stores

Our goal is to sell seasonal merchandise with outstanding quality and affordable prices. To accomplish this, we will incorporate trends and sales information derived from stores into our product planning and build a retail SPA framework based on an integrated value chain encompassing planning, production and sales.

■ Numerical targets

Our targets for the fiscal year ending on February 28, 2018 are consolidated net sales of 210 billion yen and operating income of 14.8 billion yen.

	FY2/15 (billion yen)	FY2/18 (Targets) (billion yen)	Growth rate
Net sales	184.5	210.0	13.8%
Operating income	5.9	14.8	150.8%

(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.

To be a winner in this environment, we believe that actions are needed to deal with the following issues.

1) The Company absorbed POINT INC. and TRINITY ARTS INC. in March 2015. Following this merger, we are moving quickly to establish a business foundation for future growth. One of our highest priorities is building an infrastructure capable of targeting an even broader spectrum of markets in Japan and other countries.

2) The workforce and organization of the Group have been growing along with the management integration and the increasing scale of operations at group companies. Moreover, we expect that our network of offices 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.

3) Japan is undergoing an unprecedented social change as its population ages and the number of children falls. We must respond appropriately to the resulting changes in markets and lifestyles. Redefining the positioning of existing brands and creating a growth strategy that reflects brand characteristics will be two important actions. Our success will also require becoming a source of new forms of added value for our customers, such as by developing new brands and utilizing the Internet and social networking services.

4) For operations in Japan and growth overseas, the Group will have to create and manufacture merchandise with substantial added value and then maintain a reliable supply of those products at all business locations. Maximizing the added value that we offer our customers by performing the centralized oversight of every step, from product planning to manufacturing, distribution and sales, and then using this infrastructure to build a unique "value chain" will be vital to achieving sustained growth.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Million yen)

	FY2/14 (As of Feb. 28, 2014)	FY2/15 (As of Feb. 28, 2015)
Assets		
Current assets		
Cash and deposits	8,540	7,677
Notes and accounts receivable-trade	6,016	7,593
Inventories	13,914	14,488
Deferred tax assets	1,392	1,883
Other	1,695	2,893
Allowance for doubtful accounts	(33)	(48)
Total current assets	31,525	34,488
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,438	3,405
Accumulated depreciation	(1,217)	(1,418)
Buildings and structures, net	2,221	1,987
Store interior equipment	21,774	26,055
Accumulated depreciation	(13,082)	(17,634)
Store interior equipment, net	8,692	8,420
Land	2,321	1,732
Construction in progress	168	167
Other	1,594	1,208
Accumulated depreciation	(902)	(608)
Other, net	691	600
Total property, plant and equipment	14,095	12,908
Intangible assets		
Goodwill	10,606	7,921
Other	1,182	1,372
Total intangible assets	11,789	9,293
Investments and other assets		
Investment securities	4,842	7,604
Lease and guarantee deposits	14,732	16,924
Deferred tax assets	1,840	2,578
Other	225	176
Allowance for doubtful accounts	(210)	(232)
Total investments and other assets	21,430	27,051
Total non-current assets	47,315	49,253
Total assets	78,841	83,742

(Million yen)

	FY2/14 (As of Feb. 28, 2014)	FY2/15 (As of Feb. 28, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,626	6,246
Electronically recorded obligations - operating	-	8,855
Short-term loans payable	4,734	3,753
Accounts payable-other	8,056	9,687
Income taxes payable	2,458	3,293
Deferred tax liabilities	28	210
Provision for bonuses	1,594	2,036
Other provision	290	358
Other	685	797
Total current liabilities	32,474	35,240
Non-current liabilities		
Deferred tax liabilities	925	1,909
Provision for directors’ retirement benefits	101	95
Other	554	263
Total non-current liabilities	1,580	2,268
Total liabilities	34,054	37,508
Net assets		
Shareholders’ equity		
Capital stock	2,660	2,660
Capital surplus	6,986	6,987
Retained earnings	33,482	32,651
Treasury shares	(407)	(406)
Total shareholders’ equity	42,722	41,892
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,720	3,631
Deferred gains or losses on hedges	28	357
Foreign currency translation adjustment	308	352
Total accumulated other comprehensive income	2,058	4,341
Subscription rights to shares	5	-
Total net assets	44,786	46,233
Total liabilities and net assets	78,841	83,742

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Million yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Net sales	153,273	184,588
Cost of sales	68,404	82,064
Gross profit	84,869	102,524
Selling, general and administrative expenses		
Advertising expenses	4,770	6,424
Provision of allowance for doubtful accounts	(15)	37
Directors' compensations	553	391
Salaries and bonuses	20,456	25,740
Provision for bonuses	1,521	1,882
Welfare expenses	3,525	4,161
Rents	26,341	31,710
Lease payments	656	485
Depreciation	5,968	7,356
Amortization of goodwill	2,130	2,394
Other	13,198	15,958
Total selling, general and administrative expenses	79,106	96,542
Operating income	5,762	5,981
Non-operating income		
Interest income	6	6
Dividend income	69	82
House rent income	85	67
Insurance premiums refunded cancellation	73	-
Revenue from electric power sales	37	44
System lease income	24	-
Foreign exchange gains	-	262
Other	201	233
Total non-operating income	499	697
Non-operating expenses		
Interest expenses	91	56
Commitment fee	8	-
Foreign exchange losses	16	-
Commission for purchase of treasury shares	20	-
Payments for employment of disabilities	51	-
Loss on valuation of derivatives	-	154
Other	46	16
Total non-operating expenses	234	226
Ordinary income	6,027	6,452

(Million yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Extraordinary income		
Gain on step acquisitions	202	-
Gain on sales of investment securities	-	9
Total extraordinary income	202	9
Extraordinary losses		
Loss on sales of non-current assets	1	352
Impairment loss	452	1,531
Amortization of goodwill	6,196	-
Loss on valuation of investment securities	-	63
Total extraordinary losses	6,650	1,947
Income (loss) before income taxes and minority interests	(420)	4,514
Income taxes-current	4,523	5,037
Income taxes-deferred	(212)	(1,026)
Total income taxes	4,311	4,010
Income (loss) before minority interests	(4,731)	503
Net income (loss)	(4,731)	503

Consolidated Statement of Comprehensive Income

(Million yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Income (loss) before minority interests	(4,731)	503
Other comprehensive income		
Valuation difference on available-for-sale securities	928	1,910
Deferred gains or losses on hedges	21	328
Foreign currency translation adjustment	326	43
Total other comprehensive income	1,276	2,283
Comprehensive income	(3,455)	2,787
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,455)	2,787
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statement of Changes in Equity

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,660	2,517	40,826	(8,188)	37,816
Changes of items during period					
Dividends of surplus			(2,612)		(2,612)
Net income (loss)			(4,731)		(4,731)
Purchase of treasury shares				(4,014)	(4,014)
Disposal of treasury shares				0	0
Increase by share exchanges		4,460		11,759	16,219
Issuance of new shares-exercise of subscription rights to shares		8		36	45
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	4,468	(7,344)	7,781	4,906
Balance at end of current period	2,660	6,986	33,482	(407)	42,722

(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	792	7	(17)	781	-	38,598
Changes of items during period						
Dividends of surplus				-		(2,612)
Net income (loss)				-		(4,731)
Purchase of treasury shares				-		(4,014)
Disposal of treasury shares				-		0
Increase by share exchanges				-		16,219
Issuance of new shares-exercise of subscription rights to shares				-		45
Net changes of items other than shareholders' equity	928	21	326	1,276	5	1,281
Total changes of items during period	928	21	326	1,276	5	6,187
Balance at end of current period	1,720	28	308	2,058	5	44,786

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
Increase by share exchanges					-
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
Increase by share exchanges				-		-
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

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(420)	4,514
Depreciation	6,212	7,641
Impairment loss	452	1,531
Amortization of goodwill	8,326	2,394
Interest and dividend income	(75)	(89)
Interest expenses	91	56
Loss (gain) on step acquisitions	(202)	-
Increase (decrease) in provision for bonuses	(138)	435
Increase (decrease) in allowance for doubtful accounts	(17)	37
Decrease (increase) in notes and accounts receivable - trade	2,648	(1,489)
Decrease (increase) in inventories	(2,595)	(388)
Increase (decrease) in notes and accounts payable - trade	(4,658)	323
Increase (decrease) in accounts payable - other	212	264
Increase (decrease) in accrued consumption taxes	424	1,306
Other, net	(662)	296
Subtotal	9,597	16,834
Interest and dividend income received	75	89
Interest expenses paid	(91)	(56)
Income taxes paid	(4,974)	(4,754)
Net cash provided by (used in) operating activities	4,606	12,112
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,360)	(7,602)
Proceeds from sales of property, plant and equipment	-	375
Purchase of intangible assets	(636)	(759)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	-	24
Payments for lease and guarantee deposits	(1,950)	(3,339)
Proceeds from collection of lease and guarantee deposits	1,018	875
Other, net	98	6
Net cash provided by (used in) investing activities	(6,831)	(10,421)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(2,091)	(1,183)
Proceeds from long-term loans payable	257	-
Repayments of long-term loans payable	(886)	-
Cash dividends paid	(2,612)	(1,336)
Purchase of treasury shares	(4,014)	(4)
Other, net	(155)	0
Net cash provided by (used in) financing activities	(9,503)	(2,524)
Effect of exchange rate change on cash and cash equivalents	161	(28)
Net increase (decrease) in cash and cash equivalents	(11,567)	(862)
Cash and cash equivalents at beginning of period	18,338	8,529
Increasing of cash and cash equivalents for stock exchange	1,758	-
Cash and cash equivalents at end of period	8,529	7,667

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Segment and Other Information

Segment information

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)

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

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.

Related information

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)

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.

FY2/15 (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.

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

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)
Omitted since the Group has only a single business segment, which is the planning and sales of clothing and related merchandise.

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.

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

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)

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

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.

Information related to gain on bargain purchase for each reportable segment

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)

Not applicable.

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

Not applicable.

Per Share Information

(Yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Net assets per share	1,844.17	1,904.03
Net income (loss) per share	(206.42)	20.75
Diluted net income per share	-	20.75

Notes: 1. Diluted net income per share in FY2/14 is not presented since the Company has outstanding dilutive securities, though posted a net loss.

2. The basis of calculating the net income (loss) per share and diluted net income per share is as follows.

(Million yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Net income (loss) per share		
Net income (loss)	(4,731)	503
Amount not available to common stockholders	-	-
Net income (loss) applicable to common stock	(4,731)	503
Average number of shares of common stock outstanding during the period (Thousand shares)	22,922	24,282
Diluted net income per share		
Adjusted net income (Million yen)	-	-
Increase in the number of common stock (Thousand shares)	-	0
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Subsequent Events

Transaction under Common Control

On March 1, 2015, the Company's consolidated subsidiary TRINITY ARTS INC. was absorbed by another consolidated subsidiary POINT INC. and then, the Company absorbed the post-merger POINT INC. on the same day.

(1) Summary of merger

1) Name and business activities of companies involving merger

Name of companies involving merger:	Surviving company	Adastria Holdings Co., Ltd.
	Dissolving companies	POINT INC. and TRINITY ARTS INC.
Business activities:	Manufacture and retail sales of casual apparel, accessories and other consumer products	

2) Date of merger

March 1, 2015

3) Method of merger

An absorption-type merger between Adastria Holdings Co., Ltd., which will be the surviving company, and POINT INC. and TRINITY ARTS INC., which will be dissolved.

4) Name of the company after merger

Adastria Holdings Co., Ltd.
(At the General Meeting of Shareholders to be held in May 2015, name of the company will be changed to Adastria Inc.)

5) Item concerning summary of other transactions

In September 2013, the Group conducted a management integration along with a shift to a holding company structure for the purpose of maximizing corporate value while preserving the corporate culture of each group company. The management integration succeeded at attracting a broader range of customer segments to stores, mainly by enabling all group companies to offer larger selection of merchandise. However, the integration did not yield sufficient benefits in terms of earnings due to the time needed to build an optimized value chain, product planning that required greater accuracy and growth in operating expenses. Since the integration, there has been progress involving the integration of operating systems and the mutual understanding of group company corporate cultures. We need to improve merchandise planning, speed up decision making, conduct effective advertising campaigns, optimize store locations, cut back-office expenses, and further streamline procurement and distribution operations. Consequently, we reached the decision that a further reorganization is needed to take full advantage of the benefits of the management integration. To accomplish this, the Company will merge with the two primary business units of the Group, POINT INC. and TRINITY ARTS INC.

We believe that this merger will create an operating framework that will increase corporate value by improving efficiency and speeding up decision making.

(2) Summary of accounting methods applied

Accounting methods used for this merger as a transaction under common control are based on "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008).

5. Other Information

(1) Changes in Directors

1. Change in representative director (Date of change: May 28, 2015)

(1) Retiring representative director

Representative Director, President	Yoichi Endo

2. Change of other board members (Date of change: May 28, 2015)

(1) Candidate for director appointment

Director	Masa Matsushita	(Currently Advisor of the Company)

(2) Retiring director

Director	Hidenori Miyamoto

(3) Candidate for corporate auditor appointment

Corporate Auditor	Naoki Iwasaki	(Currently Advisor of the Company)

(4) Retiring corporate auditor

Corporate Auditor	Makoto Takahashi

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.