

Summary of Consolidated Financial Results for the Fiscal Year Ended February 28, 2021

[Japanese GAAP]

April 5, 2021

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Scheduled date of Annual General Meeting of Shareholders: May 27, 2021
 Scheduled date of payment of dividend: May 11, 2021
 Scheduled date of filing of Annual Securities Report: May 28, 2021
 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 5, 2021 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, 2021 (March 1, 2020 – February 28, 2021)

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

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2021	183,870	(17.3)	766	(94.0)	2,981	(76.8)	(693)	-
Fiscal year ended Feb. 29, 2020	222,376	(0.1)	12,885	79.2	12,843	74.8	6,363	63.6

Note: Comprehensive income Fiscal year ended Feb. 28, 2021: (888) million yen (-%)
 Fiscal year ended Feb. 29, 2020: 6,646 million yen (up 89.0%)

	Net income per share	Diluted net income per share	ROE	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 28, 2021	(14.88)	-	(1.3)	3.1	0.4
Fiscal year ended Feb. 29, 2020	135.08	-	11.6	13.6	5.8

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2021	95,449	50,701	53.1	1,122.71
As of Feb. 29, 2020	97,924	57,041	58.3	1,210.55

Reference: Shareholders' equity As of Feb. 28, 2021: 50,701 million yen As of Feb. 29, 2020: 57,041 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, 2021	11,933	(7,366)	(6,840)	24,082
Fiscal year ended Feb. 29, 2020	20,850	(6,645)	(6,439)	26,377

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			
Fiscal year ended Feb. 29, 2020	-	25.00	-	25.00	50.00	2,382	37.0	4.3
Fiscal year ended Feb. 28, 2021	-	15.00	-	25.00	40.00	1,856	-	3.4
Fiscal year ending Feb. 28, 2022 (forecast)	-	25.00	-	25.00	50.00		59.4	

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 – February 28, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	219,000	19.1	6,500	747.7	6,500	118.0	3,800	-	84.14

*** Notes**

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

Newly added: -

Excluded: -

(2) 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 the end of the period (including treasury shares)

As of Feb. 28, 2021: 48,800,000 shares As of Feb. 29, 2020: 48,800,000 shares

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

As of Feb. 28, 2021: 3,639,505 shares As of Feb. 29, 2020: 1,679,557 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2021: 46,598,046 shares Fiscal year ended Feb. 29, 2020: 47,107,114 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2021

(March 1, 2020 – February 28, 2021)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2021	160,940	(18.5)	1,521	(87.3)	2,775	(74.2)	(527)	-
Fiscal year ended Feb. 29, 2020	197,451	1.0	12,010	61.4	10,757	47.8	5,956	186.5

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 28, 2021	(11.32)	-
Fiscal year ended Feb. 29, 2020	126.45	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2021	81,340	44,511	54.7	985.63
As of Feb. 29, 2020	84,065	50,518	60.1	1,072.11

Reference: Shareholders' equity As of Feb. 28, 2021: 44,511 million yen As of Feb. 29, 2020: 50,518 million yen

Note 1: The current financial report is not subject to audit by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements

Forward-looking statements in this report are based on currently available information and certain assumptions judged to be reasonable. These statements are not promises by Adastria regarding future performance. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section "1. Overview of Results of Operations (4) Outlook" on page 5 regarding preconditions or other related matters for the forecast shown above.

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1. Overview of Results of Operations

(1) Results of Operations

Consolidated results

(Million yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	YoY change (Amount)	YoY change (%)
Net sales	222,376	183,870	(38,505)	(17.3)
Operating profit	12,885	766	(12,118)	(94.0)
Ordinary profit	12,843	2,981	(9,861)	(76.8)
Net income attributable to owners of the parent	6,363	(693)	(7,056)	-

Consolidated net sales decreased 17.3% year-on-year to 183,870 million yen, operating profit decreased 94.0% to 766 million yen, ordinary profit decreased 76.8% to 2,981 million yen, and net loss attributable to owners of the parent was 693 million yen (net income of 6,363 million yen in the previous fiscal year).

Sales in Japan were 17.4% lower than one year earlier as the number of customers visiting our stores decreased sharply because people stayed home due to the COVID-19 pandemic and retail facilities closed or shortened operating hours. All of our physical stores in Japan were closed for about two weeks from late April. Subsequently, stores reopened in stages in every region of Japan after the emergency declaration was lifted. Although the effect of the downturn in demand related to going out continued, sales at physical stores in Japan started to improve gradually. Demand picked up significantly in the third quarter. However, concerns about another wave of infections started to increase in late November and a second state of emergency was declared early in 2021. This caused the number of customers visiting our stores to decrease again. Although there were signs of a small recovery late in February, consumer spending remained uncertain throughout the fiscal year.

E-commerce sales in Japan were 23.4% higher than in the previous fiscal year. The big increase was attributable to initiatives to strengthen measures of attracting customers on “.st” e-commerce site as people stayed home for safety. A strong performance of BUZZWIT Co., Ltd., which sells merchandise exclusively online, also contributed to the growth of e-commerce sales.

In other countries, sales were down in Hong Kong, South Korea and the United States because of COVID-19. Sales in Taiwan, where the impact of COVID-19 was relatively small, were up. Sales also increased in China because of strong sales at the niko and ... Shanghai flagship store.

We opened 89 stores (including 8 overseas) and closed 81 stores (including 17 overseas), resulting in a total of 1,400 stores (including 68 overseas) at the end of the fiscal year.

In this challenging environment, we kept discount sales in check by providing merchandize “in a timely manner, at appropriate prices and in suitable volumes.” However, the gross profit margin decreased 1.0 percentage point from one year earlier to 54.5% due to promotions to sell inventories during a challenging fiscal year that included two declarations of a state of emergency.

Selling, general and administrative expenses were 11,138 million yen lower than one year earlier. One reason was a decrease in personnel expenses and store rents because of store closings and reduced operating hours. This decrease was also attributable to the reduction of other expenses, such as holding down promotional expenses, reducing credit card fees, limiting business trips and canceling events. However, due to the significant decrease in sales, the ratio of SG&A expenses to sales increased 4.3 percentage points to 54.0%, resulting in a 5.4 percentage point decrease in the operating margin to 0.4%. There was non-operating income of 1,767 million yen due to the receipt of employment adjustment subsidies associated with temporary store closings caused by COVID-19.

There were extraordinary losses of 1,322 million yen for the impairment of store and other assets, 874 million yen for an addition to the allowance for doubtful accounts associated with loans receivable in preparation for making equity investments in partner companies for growth in the ASEAN region, and 137 million yen for a loss resulting from the liquidation of Adastria Korea Co., Ltd., our subsidiary in South Korea.

Supplementary Information

(1) Sales for Brands and Regions

Brand / region	FY2/21		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	33,845	18.4	(18.9)
niko and ...	26,092	14.2	(18.5)
LOWRYS FARM	19,436	10.6	(18.0)
STUDIO CLIP	18,558	10.1	(17.3)
LEPSIM	11,132	6.1	(22.3)
JEANASIS	9,932	5.4	(16.7)
BAYFLOW	8,446	4.6	(15.0)
RAGEBLUE	5,431	3.0	(29.6)
Others (Note 3)	25,265	13.7	(17.8)
Total (Adastria)	158,142	86.1	(18.7)
BUZZWIT Co., Ltd.	6,374	3.4	29.9
ELEMENT RULE Co., Ltd. (Note 3)	8,322	4.5	(17.7)
Other consolidated subsidiaries	322	0.2	89.1
Total (Japan)	173,161	94.2	(17.4)
Hong Kong	2,589	1.4	(24.5)
China	1,254	0.7	165.0
Taiwan	2,743	1.5	8.3
South Korea	680	0.3	(41.1)
USA	3,440	1.9	(32.2)
Total (Overseas)	10,709	5.8	(15.5)
Total (Group)	183,870	100.0	(17.3)

- Notes:
1. The number of stores is categorized by using brand operating divisions and geographic regions.
 2. The above figures are sales to external customers and do not include internal sales between consolidated subsidiaries.
 3. On March 1, 2020, Adastria conducted an absorption-type split where the *PAS TIERRA* business unit of Adastria was divested and then transferred to consolidated subsidiary ELEMENT RULE Co., Ltd. As a result, the sales of this brand, which was included in “others” for Adastria in prior years, are included in the sales of ELEMENT RULE beginning with the first quarter of the fiscal year ended in February 2021.

(2) Sales for Merchandise Categories

Category	FY2/21		YoY change (%)
	Sales (million yen)	Composition (%)	
Men’s apparel (bottoms, tops)	26,575	14.4	(19.9)
Lady’s apparel (bottoms, tops)	116,543	63.4	(20.5)
Others	40,751	22.2	(4.1)
Total	183,870	100.0	(17.3)

- Notes:
1. The others category includes additions to the provision for point card certificates and other items.
 2. The above figures are sales to external customers and do not include internal sales between consolidated subsidiaries.

(3) Number of Stores

Brand / region	Number of stores						
	As of Feb. 29, 2020	FY2/21					As of Feb. 28, 2021
		Absorption-type split (Note 3)	Opened	Changed	Closed	Increase /decrease	
GLOBAL WORK	210	-	3	(1)	(3)	(1)	209
niko and ...	144	-	3	-	(3)	-	144
LOWRYS FARM	136	-	-	-	(2)	(2)	134
STUDIO CLIP	183	-	4	-	(4)	-	183
LEPSIM	128	-	-	-	(6)	(6)	122
JEANASIS	73	-	3	-	(4)	(1)	72
BAYFLOW	54	-	5	-	(3)	2	56
RAGEBLUE	54	-	1	-	(6)	(5)	49
Others	247	(3)	36	1	(22)	12	259
Total (Adastria)	1,229	(3)	55	-	(53)	(1)	1,228
BUZZWIT Co., Ltd.	7	-	7	-	-	7	14
ELEMENT RULE Co., Ltd.	77	3	17	-	(10)	10	87
Other consolidated subsidiaries	2	-	2	-	(1)	1	3
Total (Japan)	1,315	-	81	-	(64)	17	1,332
Hong Kong	16	-	-	-	(2)	(2)	14
China	1	-	2	-	-	2	3
Taiwan	37	-	5	-	(1)	4	41
South Korea	13	-	-	-	(13)	(13)	-
USA	10	-	1	-	(1)	-	10
Total (Overseas)	77	-	8	-	(17)	(9)	68
Total (Group)	1,392	-	89	-	(81)	8	1,400

- Notes: 1. The number of stores is categorized by using brand operating divisions and geographic regions.
2. The number of stores includes e-commerce websites of other companies and e-commerce websites of Adastria.
3. The figures in “Absorption-type split” show the change in the number of stores resulting from the absorption-type split conducted on March 1, 2020, where the *PAS TIERRA* business unit of Adastria was divested and then transferred to consolidated subsidiary ELEMENT RULE Co., Ltd.

(2) Financial Position

Assets

Current assets decreased 1,665 million yen from as of February 29, 2020 to 51,569 million yen as of February 28, 2021. This was mainly due to decreases of 2,282 million yen in cash and deposits and 203 million yen in notes and accounts receivable-trade, while there was an increase of 709 million yen in inventories.

Non-current assets decreased 809 million yen to 43,880 million yen. This was mainly due to decreases of 246 million yen in buildings and structures, net, 1,126 million yen in store interior equipment, net, and 797 million yen in leasehold and guarantee deposits, while there were increases of 699 million yen in other, net under property, plant and equipment, partly because of right-of-use assets, and 1,379 million yen in other (software, etc.) under intangible assets.

Liabilities

Current liabilities increased 3,592 million yen to 41,055 million yen. This was mainly due to increases of 1,648 million yen in notes and accounts payable-trade, 2,540 million yen in accounts payable-other and 1,020 million yen in income taxes payable, while there was a decrease of 1,659 million yen in electronically recorded obligations-operating.

Non-current liabilities increased 271 million yen to 3,692 million yen. This was mainly due to an increase of 843

million yen in lease obligations, while there was a decrease of 453 million yen in other under non-current liabilities.

Net assets

Net assets decreased 6,339 million yen to 50,701 million yen. This was mainly due to an increase of 3,544 million yen in treasury shares (decrease in total assets) and a decrease of 2,599 million yen in retained earnings.

(3) Cash flows

Cash and cash equivalents (hereinafter “net cash”) as of February 28, 2021 amounted to 24,082 million yen, or 2,294 million yen less than as of February 29, 2020.

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 11,933 million yen (a decrease of 8,916 million yen, compared with the previous fiscal year). This was mainly due to depreciation of 7,156 million yen, impairment loss of 1,322 million yen and an increase in accrued consumption taxes of 2,977 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 7,366 million yen (an increase of 720 million yen). This was mainly due to the payments of 3,807 million yen for the purchase of property, plant and equipment and 2,695 million yen for the purchase of intangible assets.

Cash flows from financing activities

Net cash used in financing activities totaled 6,840 million yen (an increase of 400 million yen). This was mainly due to dividends paid of 1,907 million yen, purchase of treasury shares of 3,677 million yen and repayments of lease obligations of 1,255 million yen.

Reference: Cash flow indicators

	FY2/19	FY2/20	FY2/21
Shareholders' equity ratio (%)	58.0	58.3	53.1
Shareholders' equity ratio based on market prices (%)	100.2	84.2	94.4
Interest-bearing debt to cash flow ratio	0.3	0.2	0.3
Interest coverage ratio (times)	195.8	200.8	74.6

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.

(4) Outlook

Although COVID-19 is having a severe impact on the global economy, there are hopes for a slow recovery because of progress with vaccinations and monetary easing and other measures to support the economy by countries worldwide. In Japan, operating hours of stores and other businesses are reduced and the number of customers at stores remains low. As a result, an upturn in Japan's sluggish consumer demand is unlikely to happen soon. There may be a recovery to some degree in consumer spending in the second half of 2021 as the number of COVID-19 cases declines and economic activity begins to return to normal. However, even if this recovery happens, lifestyle changes caused by this crisis such as teleworking and different consumer preferences

will not be reversed. We will conduct business operations cautiously based on the assumption that consumer behavior, including spending by foreign tourists in Japan, will not return to the pre-crisis characteristics. At the same time, some shifts in consumer preferences are likely to be beneficial for Adastria, such as increasing demand for our household merchandise as people spend more time at home and the increasing use of casual apparel for business activities. We are moving quickly to target new categories of demand for products that can help improve the quality of our customers' lives.

From a medium to long-term perspective, there are concerns about the structural shrinking of markets in Japan caused by the country's declining and aging population and shifts in the employment and income environment. As a result, we believe that our business climate will remain challenging.

In this difficult environment, we are determined to continue growing while using our business activities to contribute to solving issues in society and the apparel industry in order to help create a sustainable society. To accomplish these goals, we are positioning the fiscal year ending in February 2022 as a period for investments for the next phase of changes.

We are developing brands for older customer segments because of the ongoing changes in Japan's population. We also plan to strengthen brands that are a source of ideas for new lifestyles and that have a high percentage of sales from merchandise other than apparel. As we target new customer segments, we plan to broaden our product lineup to cover more sectors and make our merchandise even more competitive and appealing. Another goal is using digital technologies, such as for omni-channel operations linking physical stores and e-commerce, for increasing customer points of contact and providing services that enhance customer convenience. One activity to accomplish these goals is measures for more growth of our ".st" e-commerce site accompanied by a stronger strategy for promoting the use of this website.

In our overseas operations, we plan to create and implement regional growth strategies. The first goal is improving the profitability of operations in Asia and advance to the stage where these operations grow steadily. In China, our goal is to increase the speed of business activities by strengthening the functions of our subsidiary in China. We are building an integrated framework for the management of production, logistics and sales activities in China. In Japan, we are aiming for more progress regarding the supply of merchandise in a timely manner, at appropriate prices and in suitable volumes. An office to oversee preparations to start operations in Southeast Asia has been established.

We will also continue to seek new opportunities in growing market sectors outside the apparel category in order to reflect the diversification of our customers' life styles and changes in consumption patterns. One goal is expanding the lineup of new businesses, including the restaurant business, and making these businesses profitable. We also plan to establish alliances with start-up companies that have innovative technologies. The objective is to provide new types of value linked to experiences that reflect a broad array of components of our customers' lives. All these activities are aimed at building a business model that helps customers lead enjoyable and fulfilling lives.

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

Our policy for the distribution of earnings is to meet the expectations of our customers and shareholders by making investments needed to create highly appealing brands, increase the use of digital technologies, grow in Japan and other countries, and achieve other goals. The overall objective of these investments is more growth of our corporate value (shareholder value). For the distribution of earnings 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.

We plan to pay a year-end dividend of 25 yen per share, as stated in the forecast announced on July 16, 2020, which will result in a dividend per share of 40 yen for the fiscal year that ended in February 2021. This dividend reflects our policy of maintaining a stable dividend even during the severe impact of COVID-19 on our performance as well as other considerations.

For the fiscal year ending in February 2022, we plan to pay an annual dividend of 50 yen.

2. Basic Approach for the Selection of Accounting Standards

Adastria 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.

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

(Million yen)

	FY2/20 (As of Feb. 29, 2020)	FY2/21 (As of Feb. 28, 2021)
Assets		
Current assets		
Cash and deposits	26,462	24,179
Notes and accounts receivable-trade	9,954	9,751
Inventories	15,008	15,718
Other	1,877	1,995
Allowance for doubtful accounts	(68)	(74)
Total current assets	53,234	51,569
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,001	6,010
Accumulated depreciation	(2,063)	(2,318)
Buildings and structures, net	3,937	3,691
Store interior equipment	32,668	32,901
Accumulated depreciation	(27,318)	(28,678)
Store interior equipment, net	5,349	4,222
Land	2,366	2,366
Construction in progress	53	38
Other	5,828	7,042
Accumulated depreciation	(2,271)	(2,785)
Other, net	3,557	4,257
Total property, plant and equipment	15,265	14,577
Intangible assets		
Goodwill	478	113
Other	5,799	7,179
Total intangible assets	6,278	7,292
Investments and other assets		
Investment securities	242	260
Long-term loans receivable	2	1,065
Leasehold and guarantee deposits	15,959	15,162
Deferred tax assets	6,960	6,463
Other	249	243
Allowance for doubtful accounts	(268)	(1,184)
Total investments and other assets	23,146	22,010
Total non-current assets	44,689	43,880
Total assets	97,924	95,449

(Million yen)

	FY2/20 (As of Feb. 29, 2020)	FY2/21 (As of Feb. 28, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,900	9,548
Electronically recorded obligations-operating	9,020	7,360
Lease obligations	1,178	672
Accounts payable-other	11,500	14,040
Income taxes payable	3,130	4,151
Provision for bonuses	2,188	2,170
Provision for point card certificates	1,937	1,285
Other provisions	279	420
Other	327	1,405
Total current liabilities	37,462	41,055
Non-current liabilities		
Lease obligations	2,123	2,966
Deferred tax liabilities	78	-
Provisions	396	356
Other	823	370
Total non-current liabilities	3,421	3,692
Total liabilities	40,883	44,747
Net assets		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	7,213	7,213
Retained earnings	51,079	48,479
Treasury shares	(4,372)	(7,917)
Total shareholders' equity	56,580	50,435
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Deferred gains or losses on hedges	6	34
Foreign currency translation adjustment	454	231
Total accumulated other comprehensive income	461	266
Total net assets	57,041	50,701
Total liabilities and net assets	97,924	95,449

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Million yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Net sales	222,376	183,870
Cost of sales	98,993	83,744
Gross profit	123,383	100,125
Selling, general and administrative expenses		
Advertising expenses	8,104	7,163
Provision of allowance for doubtful accounts	(22)	47
Remuneration for directors (and other officers)	394	457
Salaries and bonuses	31,388	29,195
Provision for bonuses	2,151	2,152
Welfare expenses	5,197	4,956
Rent expenses on land and buildings	34,334	29,220
Lease payments	451	482
Depreciation	7,304	6,841
Amortization of goodwill	167	157
Other	21,025	18,683
Total selling, general and administrative expenses	110,497	99,358
Operating profit	12,885	766
Non-operating income		
Interest income	66	69
Dividend income	23	2
Foreign exchange gains	-	75
Gain on valuation of derivatives	59	-
Income from contribution to facilities	50	60
Revenue from electric power sales	37	36
Subsidies for employment adjustment	-	1,767
Other	324	551
Total non-operating income	561	2,562
Non-operating expenses		
Interest expenses	140	160
Foreign exchange losses	376	-
Loss on valuation of derivatives	-	89
Other	86	97
Total non-operating expenses	602	346
Ordinary profit	12,843	2,981
Extraordinary losses		
Impairment loss	2,815	1,322
Provision of allowance for doubtful accounts	-	874
Loss on liquidation of business	-	137
Loss on disaster	28	-
Loss on sales of investment securities	75	-
Total extraordinary losses	2,920	2,335
Net income before income taxes	9,923	646
Income taxes-current	4,250	962
Income taxes-deferred	(690)	377
Total income taxes	3,560	1,340
Net income (loss)	6,363	(693)
Net income (loss) attributable to owners of the parent	6,363	(693)

Consolidated Statement of Comprehensive Income

(Million yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Net income (loss)	6,363	(693)
Other comprehensive income		
Valuation difference on available-for-sale securities	7	0
Deferred gains or losses on hedges	15	27
Foreign currency translation adjustment	261	(222)
Total other comprehensive income	283	(195)
Comprehensive income	6,646	(888)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,646	(888)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)

(Million yen)

	Shareholders' equity				Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of period	2,660	7,227	47,469	(4,575)	52,781
Cumulative effects of changes in accounting policies			(134)		(134)
Restated balance	2,660	7,227	47,335	(4,575)	52,647
Changes during period					
Dividends of surplus			(2,619)		(2,619)
Net income attributable to owners of the parent			6,363		6,363
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares				0	0
Purchase of treasury shares by stock ownership plan trust				(131)	(131)
Disposal of treasury shares by stock ownership plan trust				192	192
Transfer of treasury shares to stock ownership plan trust		(14)		145	131
Net changes in items other than shareholders' equity					-
Total changes during period	-	(14)	3,743	202	3,932
Balance at end of period	2,660	7,213	51,079	(4,372)	56,580

(Million yen)

	Accumulated other comprehensive income				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 period	(7)	(8)	193	177	52,959
Cumulative effects of changes in accounting policies				-	(134)
Restated balance	(7)	(8)	193	177	52,825
Changes during period					
Dividends of surplus				-	(2,619)
Net income attributable to owners of the parent				-	6,363
Purchase of treasury shares				-	(3)
Disposal of treasury shares				-	0
Purchase of treasury shares by stock ownership plan trust				-	(131)
Disposal of treasury shares by stock ownership plan trust				-	192
Transfer of treasury shares to stock ownership plan trust				-	131
Net changes in items other than shareholders' equity	7	15	261	283	283
Total changes during period	7	15	261	283	4,216
Balance at end of period	(0)	6	454	461	57,041

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,660	7,213	51,079	(4,372)	56,580
Changes during period					
Dividends of surplus			(1,906)		(1,906)
Net loss attributable to owners of the parent			(693)		(693)
Purchase of treasury shares				(3,673)	(3,673)
Disposal of treasury shares				0	0
Disposal of treasury shares by stock ownership plan trust				128	128
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	(2,599)	(3,544)	(6,144)
Balance at end of period	2,660	7,213	48,479	(7,917)	50,435

(Million yen)

	Accumulated other comprehensive income				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 period	(0)	6	454	461	57,041
Changes during period					
Dividends of surplus				-	(1,906)
Net loss attributable to owners of the parent				-	(693)
Purchase of treasury shares				-	(3,673)
Disposal of treasury shares				-	0
Disposal of treasury shares by stock ownership plan trust				-	128
Net changes in items other than shareholders' equity	0	27	(222)	(195)	(195)
Total changes during period	0	27	(222)	(195)	(6,339)
Balance at end of period	0	34	231	266	50,701

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Cash flows from operating activities		
Net income before income taxes	9,923	646
Depreciation	7,599	7,156
Impairment loss	2,815	1,322
Loss on liquidation of business	-	137
Loss on disaster	28	-
Amortization of goodwill	167	157
Interest and dividend income	(89)	(71)
Interest expenses	140	160
Increase (decrease) in allowance for doubtful accounts	(22)	921
Increase (decrease) in provision for bonuses	(317)	(17)
Increase (decrease) in provision for point card certificates	852	(651)
Loss (gain) on sales of investment securities	75	-
Decrease (increase) in trade receivables	(164)	190
Decrease (increase) in inventories	2,546	(771)
Increase (decrease) in trade payables	(1,973)	3
Increase (decrease) in accounts payable-other	302	(175)
Increase (decrease) in accrued consumption taxes	1,374	2,977
Other, net	545	644
Subtotal	23,804	12,630
Interest and dividends received	31	13
Interest paid	(103)	(160)
Income taxes paid	(2,880)	(550)
Net cash provided by (used in) operating activities	20,850	11,933
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,070)	(3,807)
Purchase of intangible assets	(3,284)	(2,695)
Purchase of investment securities	(1)	(21)
Proceeds from sales of investment securities	498	-
Long-term loan advances	-	(1,091)
Payments of leasehold and guarantee deposits	(801)	(663)
Proceeds from refund of leasehold and guarantee deposits	1,178	920
Other, net	(164)	(7)
Net cash provided by (used in) investing activities	(6,645)	(7,366)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(2,505)	-
Dividends paid	(2,620)	(1,907)
Purchase of treasury shares	(7)	(3,677)
Repayments of lease obligations	(1,309)	(1,255)
Other, net	3	0
Net cash provided by (used in) financing activities	(6,439)	(6,840)
Effect of exchange rate change on cash and cash equivalents	(35)	(22)
Net increase (decrease) in cash and cash equivalents	7,729	(2,294)
Cash and cash equivalents at beginning of period	18,647	26,377
Cash and cash equivalents at end of period	26,377	24,082

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Segment Information

The Adastria Group has only a single business segment, which is the planning and sales of clothing and related merchandise. There is no others segment because the levels of sales and earnings of other activities are insignificant.

Per Share Information

	(Yen)	
	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Net assets per share	1,210.55	1,122.71
Net income (loss) per share	135.08	(14.88)

Notes: 1. Diluted net income per share is not presented since Adastria has no outstanding dilutive securities.

2. The Adastria stock held by the trust account recorded as treasury shares under shareholders' equity is included in treasury shares deducted from the number of shares that is used to calculate the average number of shares outstanding during the period for the determination of net income (loss) per share, and is included in treasury shares that is deducted from the number of shares outstanding at the end of the period for the determination of net assets per share.

For the determination of net income (loss) per share, the average numbers of treasury shares outstanding that were deducted were 520,000 for FY2/20 and 501,000 for FY2/21. For the determination of net assets per share, the numbers of treasury shares deducted were 534,000 for FY2/20 and 493,000 for FY2/21.

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

	(Million yen)	
	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Net income (loss) attributable to owners of the parent	6,363	(693)
Amount not available to common stockholders	-	-
Net income (loss) attributable to owners of the parent applicable to common shares	6,363	(693)
Average number of common shares outstanding during the period (Thousand shares)	47,107	46,598

Subsequent Events

Not applicable.

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.