

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2022
(Three Months Ended May 31, 2021)

[Japanese GAAP]

June 30, 2021

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Scheduled date of filing of Quarterly Report: July 15, 2021

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for investors)

Note: The original disclosure in Japanese was released on June 30, 2021 at 15:00 (GMT +9).

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2022
(March 1, 2021 – May 31, 2021)

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

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2021	46,387	39.4	624	-	961	-	269	-
Three months ended May 31, 2020	33,267	(40.9)	(4,758)	-	(4,822)	-	(3,681)	-

Note: Comprehensive income Three months ended May 31, 2021: 421 million yen (-%)

Three months ended May 31, 2020: (3,653) million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2021	5.98	-
Three months ended May 31, 2020	(78.12)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2021	92,888	50,264	54.1
As of Feb. 28, 2021	95,449	50,701	53.1

Reference: Shareholders' equity As of May 31, 2021: 50,264 million yen As of Feb. 28, 2021: 50,701 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2021	-	15.00	-	25.00	40.00
Fiscal year ending Feb. 28, 2022	-	-	-	-	-
Fiscal year ending Feb. 28, 2022 (forecast)	-	25.00	-	25.00	50.00

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

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

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

*** Notes**

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

Newly added: -

Excluded: 1 (Adastria Korea Co., Ltd.)

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of May 31, 2021:	48,800,000 shares	As of Feb. 28, 2021:	48,800,000 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2021:	3,551,732 shares	As of Feb. 28, 2021:	3,639,505 shares
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3) Average number of shares outstanding during the period

Three months ended May 31, 2021:	45,176,442 shares	Three months ended May 31, 2020:	47,128,104 shares
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Note 1: The current quarterly financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.

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

Forward-looking statements in this report are based on currently available information and certain assumptions judged to be reasonable. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 regarding preconditions or other related matters for the forecast shown above.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
3. Supplementary Information	9
(1) Sales for Brands and Regions	9
(2) Sales for Merchandise Categories	9
(3) Number of Stores	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Consolidated results

(Million yen)

	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)	YoY change (Amount)	YoY change (%)
Net sales	33,267	46,387	13,120	39.4
Operating profit	(4,758)	624	5,382	-
Ordinary profit	(4,822)	961	5,783	-
Net income attributable to owners of the parent	(3,681)	269	3,951	-

Consolidated net sales in the first quarter (March 1 – May 31, 2021) increased 39.4% year-on-year to 46,387 million yen, operating profit was 624 million yen (operating loss of 4,758 million yen in the same period of the previous fiscal year), ordinary profit was 961 million yen (ordinary loss of 4,822 million yen in the same period of the previous fiscal year), and net income attributable to owners of the parent was 269 million yen (net loss of 3,681 million yen in the same period of the previous fiscal year).

Retail facilities temporarily closed or shortened operating hours beginning in April in areas where a state of emergency was declared because of an increase in COVID-19 cases. In 2020, all 1,248 Adastria physical stores in Japan closed for about two weeks beginning on April 25. In 2021, only 345 stores were closed due to the pandemic as of April 25. As a result, sales in Japan were 41.2% higher than in the first quarter of the previous fiscal year.

E-commerce sales were 5.6% higher than in the first quarter of the previous fiscal year. This increase was due to continuous initiatives to strengthen measures for attracting customers on the Adastria e-commerce site. The strong performance of BUZZWIT Co., Ltd., which sells merchandise exclusively online, also contributed to the growth of e-commerce sales.

Overseas sales increased 18.4%, including a 196.9% increase in sales on a yen basis in China resulting mainly from the opening of the second niko and ... store in Shanghai. Sales and earnings also increased in Hong Kong and Taiwan, where the impact of the COVID-19 crisis was not significant. In the United States, store operating hours and the number of customers in stores at the same time were restricted. Although there was only a small recovery in sales because of these restrictions, losses in the United States decreased due to an increase in the EC rate and improvements in sales promotion efficiency.

We opened 46 stores (including one overseas) and closed six stores (including two overseas), resulting in a total of 1,440 stores (including 67 overseas) at the end of the first quarter of the fiscal year.

In this challenging environment, we kept inventories and discount sales in check by providing merchandise “in a timely manner, at appropriate prices and in suitable volumes.” As a result, the gross profit margin significantly recovered from one year earlier to 56.9%, an increase of 3.7 percentage point.

Selling, general and administrative expenses increased because of higher personnel and store rents compared with one year earlier when stores closed and operating hours were reduced. Advertising and marketing expenses increased for strengthening e-commerce operations. However, selling, general and administrative expenses declined 12.0 percentage points from one year earlier to 55.5% of sales because of sales growth and there was an operating margin of 1.3% compared with the loss one year earlier. There was non-operating income of 118 million yen due to the receipt of employment adjustment subsidies associated with temporary store closings caused by COVID-19.

A gain of 81 million yen from the liquidation of the Korean subsidiary was recorded as extraordinary income, and an impairment loss of 127 million yen on stores was recorded as extraordinary loss.

(2) Explanation of Financial Position

Total assets decreased 2,561 million yen from as of February 28, 2021 to 92,888 million yen as of May 31, 2021. There were increases of 1,531 million yen in notes and accounts receivable-trade, 2,438 million yen in inventories and 462 million yen in store interior equipment, net but there was a decrease of 6,966 million yen in cash and deposits.

Liabilities decreased 2,123 million yen to 42,624 million yen. There was an increase of 651 million yen in provision for point card certificates but there were decreases of 1,117 million yen in accounts payable-other, 616 million yen in income taxes payable and 858 million yen in provision for bonuses.

Net assets decreased 437 million yen to 50,264 million yen. This was mainly due to a decrease of 282 million yen in treasury shares (increase in net assets) and a decrease of 871 million yen in retained earnings.

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

There are no revisions to the consolidated forecast for the current fiscal year that was announced on April 5, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY2/21 (As of Feb. 28, 2021)	First quarter of FY2/22 (As of May 31, 2021)
Assets		
Current assets		
Cash and deposits	24,179	17,212
Notes and accounts receivable-trade	9,751	11,282
Inventories	15,718	18,157
Other	1,995	1,577
Allowance for doubtful accounts	(74)	(101)
Total current assets	51,569	48,128
Non-current assets		
Property, plant and equipment		
Store interior equipment, net	4,222	4,685
Other, net	10,354	10,169
Total property, plant and equipment	14,577	14,854
Intangible assets		
Goodwill	113	98
Other	7,179	7,555
Total intangible assets	7,292	7,653
Investments and other assets		
Investment securities	260	464
Leasehold and guarantee deposits	15,162	15,117
Other	7,772	7,846
Allowance for doubtful accounts	(1,184)	(1,176)
Total investments and other assets	22,010	22,251
Total non-current assets	43,880	44,760
Total assets	95,449	92,888
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,548	9,683
Electronically recorded obligations-operating	7,360	6,844
Accounts payable-other	14,040	12,923
Income taxes payable	4,151	3,534
Provision for bonuses	2,170	1,312
Provision for point card certificates	1,285	1,937
Other provisions	420	472
Other	2,077	2,515
Total current liabilities	41,055	39,222
Non-current liabilities		
Provisions	356	155
Other	3,336	3,246
Total non-current liabilities	3,692	3,402
Total liabilities	44,747	42,624

(Million yen)

	FY2/21 (As of Feb. 28, 2021)	First quarter of FY2/22 (As of May 31, 2021)
Net assets		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	7,213	7,213
Retained earnings	48,479	47,608
Treasury shares	(7,917)	(7,634)
Total shareholders' equity	50,435	49,846
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	2
Deferred gains or losses on hedges	34	25
Foreign currency translation adjustment	231	390
Total accumulated other comprehensive income	266	417
Total net assets	50,701	50,264
Total liabilities and net assets	95,449	92,888

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

(Million yen)

	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)
Net sales	33,267	46,387
Cost of sales	15,584	20,005
Gross profit	17,683	26,382
Selling, general and administrative expenses	22,441	25,757
Operating profit (loss)	(4,758)	624
Non-operating income		
Foreign exchange gains	-	156
Gain on valuation of derivatives	14	-
Subsidy income	62	65
Subsidies for employment adjustment	-	118
Other	87	122
Total non-operating income	164	462
Non-operating expenses		
Interest expenses	35	35
Foreign exchange losses	179	-
Loss on valuation of derivatives	-	70
Other	13	20
Total non-operating expenses	228	126
Ordinary profit (loss)	(4,822)	961
Extraordinary income		
Gain on liquidation of subsidiaries and associates	-	81
Total extraordinary income	-	81
Extraordinary losses		
Impairment loss	88	127
Total extraordinary losses	88	127
Net income (loss) before income taxes	(4,910)	915
Income taxes-current	206	661
Income taxes-deferred	(1,435)	(15)
Total income taxes	(1,228)	645
Net income (loss)	(3,681)	269
Net income (loss) attributable to owners of the parent	(3,681)	269

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

(Million yen)

	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)
Net income (loss)	(3,681)	269
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	2
Deferred gains or losses on hedges	(8)	(8)
Foreign currency translation adjustment	37	158
Total other comprehensive income	28	151
Comprehensive income	(3,653)	421
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(3,653)	421
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

3. Supplementary Information

(1) Sales for Brands and Regions

Brand / region	First three months of FY2/22		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	9,001	19.4	58.6
niko and ...	5,963	12.9	39.5
LOWRYS FARM	4,594	9.9	34.3
STUDIO CLIP	4,427	9.5	30.8
LEPSIM	3,041	6.6	44.4
JEANASIS	2,271	4.9	43.1
BAYFLOW	2,141	4.6	44.5
RAGEBLUE	1,270	2.7	30.9
Others	6,525	14.1	37.0
Total (Adastria)	39,239	84.6	41.8
BUZZWIT Co., Ltd.	1,707	3.7	23.7
ELEMENT RULE Co., Ltd.	2,344	5.0	44.1
Other consolidated subsidiaries	89	0.2	69.5
Total (Japan)	43,380	93.5	41.2
Hong Kong	679	1.5	12.2
China	515	1.1	196.9
Taiwan	830	1.8	34.7
USA	981	2.1	0.3
Total (Overseas)	3,007	6.5	18.4
Total (Group)	46,387	100.0	39.4

- 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.

(2) Sales for Merchandise Categories

Category	First three months of FY2/22		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	6,710	14.5	57.3
Lady's apparel (bottoms, tops)	30,663	66.1	40.7
Others	9,012	19.4	25.1
Total	46,387	100.0	39.4

- 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.

(3) Number of Stores

Brand / region	Number of stores					
	As of Feb. 28, 2021	First three months of FY2/22				As of May 31, 2021
		Opened	Changed	Closed	Increase /decrease	
GLOBAL WORK	209	-	-	-	-	209
niko and ...	144	1	-	-	1	145
LOWRYS FARM	134	3	-	-	3	137
STUDIO CLIP	183	2	-	(1)	1	184
LEPSIM	122	-	-	-	-	122
JEANASIS	72	2	-	-	2	74
BAYFLOW	56	2	-	-	2	58
RAGEBLUE	49	1	-	-	1	50
Others	259	17	-	(1)	16	275
Total (Adastria)	1,228	28	-	(2)	26	1,254
BUZZWIT Co., Ltd.	14	-	-	-	-	14
ELEMENT RULE Co., Ltd.	87	13	-	(2)	11	98
Other consolidated subsidiaries	3	4	-	-	4	7
Total (Japan)	1,332	45	-	(4)	41	1,373
Hong Kong	14	1	-	-	1	15
China	3	-	-	-	-	3
Taiwan	41	-	-	(1)	(1)	40
USA	10	-	-	(1)	(1)	9
Total (Overseas)	68	1	-	(2)	(1)	67
Total (Group)	1,400	46	-	(6)	40	1,440

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.

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.