

July 16, 2021  
Adastria Co., Ltd.

### **Frequently asked questions about FY2022/02 First quarter results**

The following are the major questions received from the media, analysts, and institutional investors after the announcement of our financial results for the first quarter of the fiscal year ending February 28, 2022 on Wednesday, June 30.

#### **■About financial results**

Q. What is the company's view on the first quarter results?

A. Due to the declaration of a state of emergency, some stores were closed and shorten their operating hours, which resulted in a decrease of customer traffic and lower sales compared to the forecast announced at the beginning of the fiscal year. On the other hand, we were able to maintain sales per customer and gross profit margin by controlling inventory to an appropriate level, which allowed us to curb discount sales.

#### **■About SG&A expenses**

Q. What is the status of the SG&A expenses reduction?

A. SG&A expenses for the first quarter were lower than expected, mainly due to reductions in rent and personnel expenses resulting from lower sales and shorter operating hours. In addition to the decrease in sales-linked rent, there was a decrease in fixed rent due to store closures and shortened hours, and a decrease in labor cost with shorter overtime. Also, we were able to reduce credit card fees, packaging costs, and delivery costs.

On the other hand, we implemented measures for future growth, such as promotion of our

own EC site (.st), as planned.

#### ■About web business

Q. What is the company's approach to EC growth?

A. Even though the growth rate of EC sales in current fiscal year has slowed down slightly compared to the previous year, this is a reaction to the fact that all physical stores were closed for a period of time last year due to the COVID-19, and the sales channel was limited to EC. EC growth has been solid, with the company's own EC site sales reaching a record high for the quarter.

Q. How effective has the EC promotion been?

A. For the promotion of our own EC, we conducted TV commercials as well as a campaign connected to our physical stores and SNS at the same time. As a result, the number of new customer registrations, app downloads, and sales increased significantly during the campaign period.

#### ■About overseas

Q. What is the status of business results by overseas country?

A. The period covered by the consolidation of overseas business is from January to March. In China, sales declined slightly in January and February due to the impact of the COVID-19, but sales maintained an increase due to the contribution of the second store sales for the quarter. Since March, the number of customers has been recovering steadily. In Hong Kong and Taiwan, which were less affected by the COVID-19 infections and sales remained strong. In the U.S., the impact of the COVID-19 continued, but the deficit was reduced by expanding EC and reviewing sales promotion.