



FY2022/02 1H Financial Results & Business Strategy

September 30, 2021
(※Oct-1 Revised)



A D A S T R I A
— *Play fashion!*

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1 . FY2022/02 1st Half Overview



Summary of FY2022/02 1H and Outlook

Summary of FY2022/02 1H

- Performance was below the initial plan because the pandemic is lasting longer than expected.
- Stepping up a defensive stance to set the top priority on the safety of customers and employees.
- Merchandise sales were brisk during the period when customers returned to stores.
- Some activities were slower than planned due to the pandemic, including store openings and diversification of countries used for supplying merchandise.
- Changes in market conditions caused by climate change are becoming faster and more significant.

Outlook

- The end of the pandemic is near and the demand for shopping in stores rather than online will definitely return.
- We will start creating merchandise for the new post-pandemic world once people are able to do things together again.
- No change in the business plan that includes the outlook for a recovery in the fiscal year's second half.
- We will need to further raise the speed of sustainability initiatives.

Progress toward our Goals in 2025

Taking steps toward the future even in a difficult environment.

Globalization

Steady progress in overseas business

Technology

Continue to invest in EC (Systems/Human Resources)

Sustainability

Environmental Initiatives
Employees Work Style improvement



Continuous growth with consistent profitability

Sales growth: **CAGR +5%**

Operating margin: **8% or more**

ROE **15%**

2. FY2022/02 1st Half Financial Results

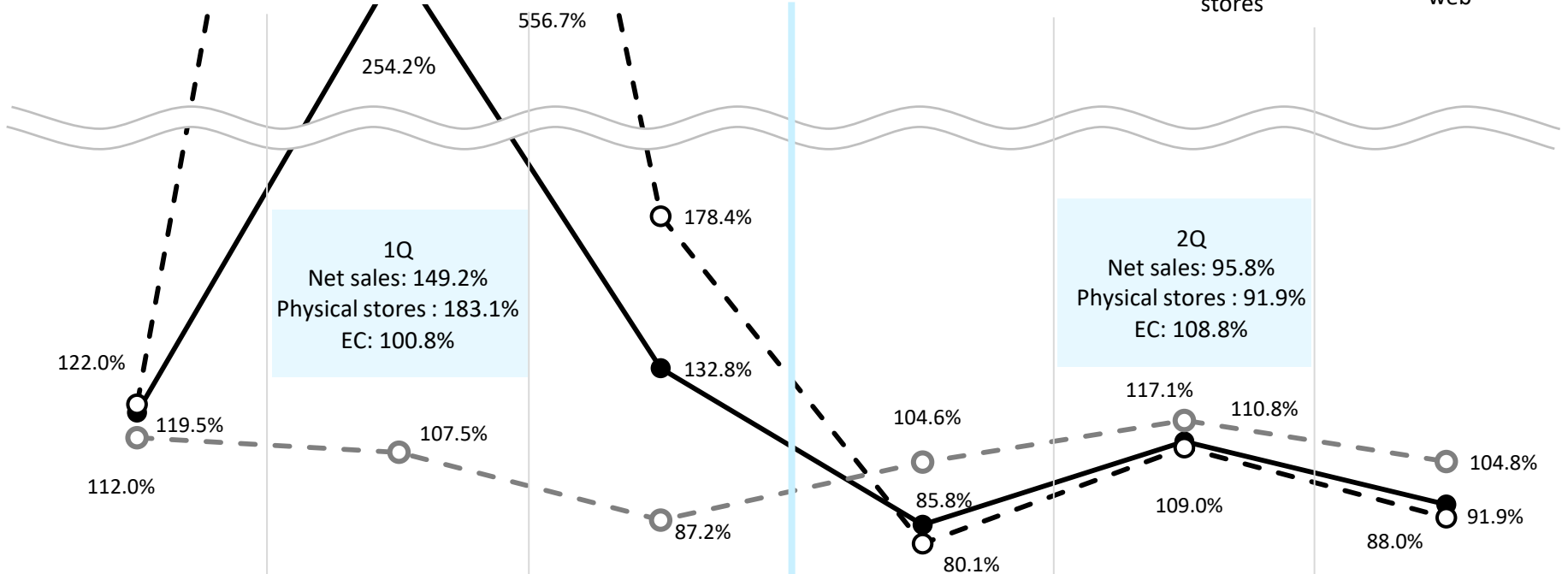


Summary of FY2022/02 1H

Adastria (Non-consolidated)

Monthly net sales

● Net sales ○ Physical stores ○ E-commerce web



March	April	May	June	July	August
<ul style="list-style-type: none"> Customer traffic recovered after the end of the state of emergency Brisk sales of spring merchandise and proper level of inventories TV commercials for the Adastria .st e-commerce site 	<ul style="list-style-type: none"> Brisk sales of spring/summer merchandise due to warm weather early in April New wave of COVID-19 in mid-April and another state of emergency in late April Reduced operating hours and temporary closings of some retail facilities 	<ul style="list-style-type: none"> State of emergency extended and expanded; reduced operating hours and temporary closings continue The priority was inventory control Customer traffic recovered late in May 	<ul style="list-style-type: none"> Sales down due to cool weather and reduced operating hours and weekend closings because of the state of emergency Increased e-commerce sales activities Focused on maintaining sales per customer and gross profit margin by limiting price discounts 	<ul style="list-style-type: none"> Customer traffic recovered after the rainy season ended in the middle of July because of warm weather and a four-day holiday Conducted an e-commerce sale to sell inventories of summer apparel 	<ul style="list-style-type: none"> Low customer traffic because of the Olympics in early August, unfavorable weather in middle of the month and another wave of COVID-19 during the last week of the month The state of emergency was expanded to more areas of Japan

Consolidated Income Statement

Millions of yen

	FY2021/02 1H		FY2022/02 1H		
	Results		Results		
		Ratio		Ratio	YoY
Net sales	79,664	100.0%	92,611	100.0%	116.3%
Adastria(Non-consolidated)	69,995	87.9%	79,803	86.2%	114.0%
Domestic subsidiaries *1	6,385	8.0%	8,190	8.8%	128.3%
Overseas subsidiaries *2	4,697	5.9%	6,086	6.6%	129.6%
Gross profit	42,271	53.1%	50,777	54.8%	120.1%
SG&A expenses	46,682	58.6%	50,146	54.1%	107.4%
Advertising & promotion	3,360	4.2%	4,019	4.3%	119.6%
Personnel	18,232	22.9%	18,107	19.6%	99.3%
Rent & depreciation	16,212	20.4%	17,719	19.1%	109.3%
Amortization of goodwill	79	0.1%	29	0.0%	37.2%
Others	8,798	11.0%	10,270	11.1%	116.7%
Operating profit	-4,410	-	631	0.7%	-
Adastria(non-consolidated)	-3,730	-	196	0.2%	-
Domestic subsidiaries *1	-564	-	-222	-	-
Overseas subsidiaries *2	-573	-	183	0.2%	-
Adastria Logistics	332	-	284	0.3%	85.5%
Ordinary profit	-2,730	-	1,552	1.7%	-
Net income	-2,461	-	448	0.5%	-

EBITDA	-1,129	-	3,664	4.0%	-
Depreciation and amortization	3,202	4.0%	3,003	3.2%	93.8%
Amortization of goodwill	79	0.1%	29	0.0%	37.2%

Capital expenditure	4,633		4,527		
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*1 : Domestic subsidiaries is the sum of four domestic subsidiaries: BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd., ADOORLINK Co., Ltd.

*2 : Overseas subsidiaries is the sum of overseas subsidiaries: Hong Kong, China, Taiwan, Korea, USA.

Consolidated Income Statement - Summary

■ Net sales: 92.6 billion yen (+16.3%)

- Parent company: Sales increased as the impact of the pandemic was less than one year earlier. Strong EC and suburban store sales of the core GLOBAL WORK brand were a major source of sales growth. JEANASIS and other brands with a high share of EC sales also performed well.
- Domestic subsidiaries: Sales were strong at BUZZWIT, an EC company, and ELEMENT RULE sales increased as stores reopened.
- Overseas subsidiaries: Sales and earnings increased in Hong Kong, Taiwan and the U.S. Sales growth continued in China.

■ Gross profit margin: 54.8% (+1.7p YoY)

- A higher margin because discounting was limited and there were more activities to sell merchandise at list prices

■ SG&A expense ratio: 54.1% (-4.5p YoY)

- Advertising & promotions: 4.3% (+0.1p YoY) (+0.65 billion yen YoY) Promotion of the “.st”, our own EC site
- Personnel: 19.6% (-3.3p YoY) (-0.12 billion yen YoY) Decreased due to effective store operations
- Rent & depreciation: 19.1% (-1.3p YoY) (+1.5 billion yen YoY) Increase in rent due to reopening of stores
- Other: 11.1% (+0.1p YoY) (+1.4 billion yen YoY) Credit card fees, delivery, etc.

■ Operating profit: 0.63 billion yen (+5.04 billion yen YoY)

- Operating income ratio: 0.7%, EBITDA margin: 4.0%

■ Ordinary profit: 1.5 billion yen (+4.28 billion yen YoY)

- Includes as non-operating income a 450 million yen employment adjustment subsidy and a subsidy of 260 million yen for temporarily closing stores and other measures for safety during the pandemic

■ Net income: 0.44 billion yen (+2.90 billion yen YoY)

- Impairment losses of 0.17 billion yen on stores.

Adastria non-consolidated Income Statement

Millions of yen

	FY2021/02 1H	FY2022/02 1H	
	Results	Results	
			YoY
Net sales	69,995	79,803	114.0%
(Same stores YoY)	71.4%	114.1%	
GLOBAL WORK	14,422	17,109	118.6%
niko and...	11,281	12,487	110.7%
studio CLIP	8,569	9,449	110.3%
LOWRYS FARM	8,608	9,137	106.1%
LEPSIM	4,930	5,679	115.2%
JEANASIS	3,912	4,616	118.0%
BAYFLOW	3,657	4,270	112.9%
RAGEBLUE	2,227	2,504	112.4%
Gross profit	36,923	43,555	118.0%
Gross margin	52.8%	54.6%	+1.8p
SG&A expenses	40,653	43,358	106.7%
SG&A ratio	58.1%	54.3%	-3.8p
Operating profit	-3,730	196	-
Operating margin	-	0.2%	-

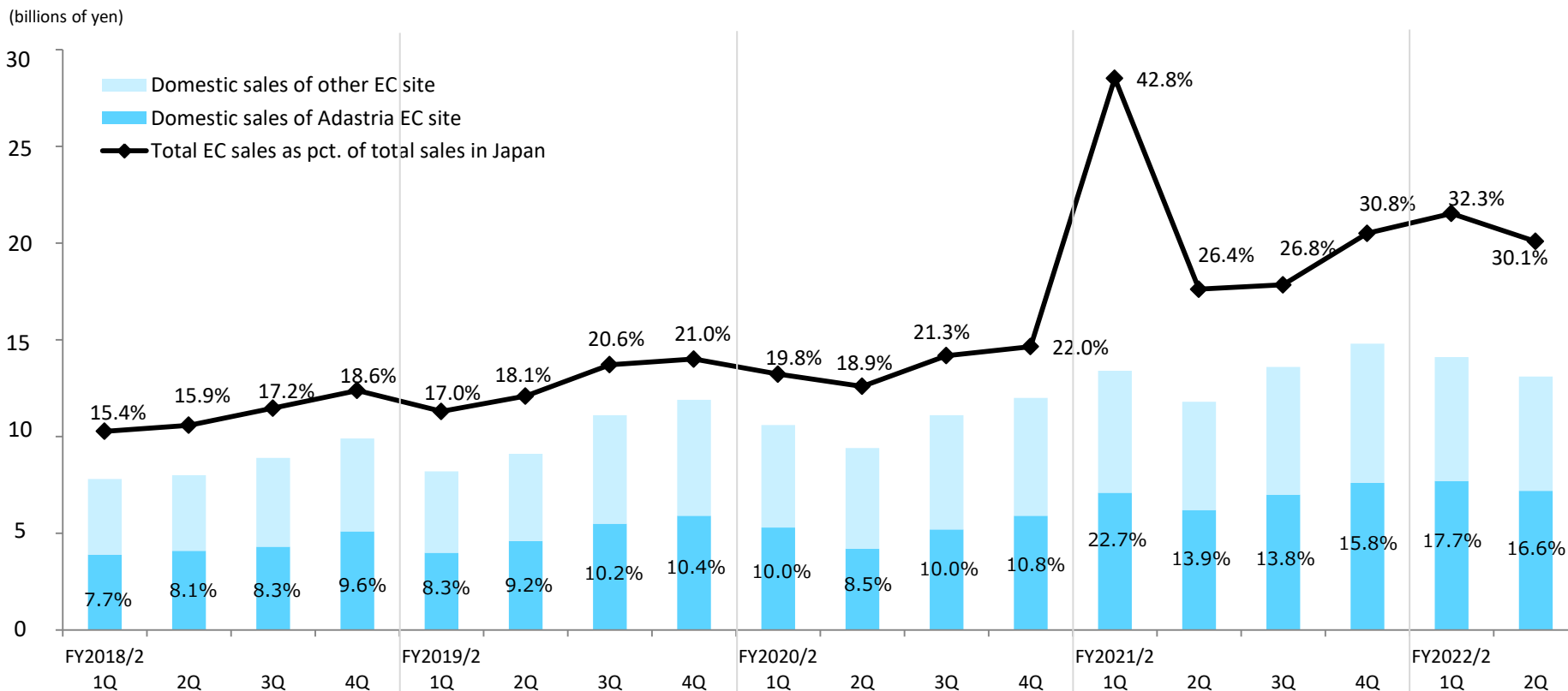
*: Amortization of goodwill for FY2021/02 1H : 57 million yen , FY2022/02 1H : 29 million yen

*:Net sales are shown before elimination of internal transactions.

Online Business

Growth in domestic online business

- FY2022/02 1H domestic e-commerce sales: **27.3** billion yen (+8.3%YoY)
- Domestic sales ratio: 31.2% (Aداستريا EC site: approx. 17.2%)
- Adastria's ".st" EC site has about 12.7 million members (+1.0 million from the end of FY2021/02)



*Starting in FY2018/02, non-consolidated sales and sales in ALICIA CO., LTD. was included.

*Starting in FY2019/02, non-consolidated sales and sales in ALICIA CO., LTD. and ELEMENT RULE Co., Ltd. were included. ALICIA CO., LTD. was renamed BUZZWIT Co., Ltd. in August 2018.

*Starting in FY2022/02, non-consolidated sales and sales in ADOORLINK Co., Ltd. was included.

Overseas Business

Millions of yen

	FY2020/12 1H	FY2021/12 1H		
	Results	Results		
			YoY (JPY)	YoY (Local currency)
Net sales	4,697	6,086	129.6%	126.3%
Hong Kong	1,222	1,302	106.5%	107.0%
China	422	1,267	299.7%	276.6%
Taiwan	1,169	1,234	105.6%	98.7%
South Korea	351	-	-	-
USA	1,530	2,282	149.2%	150.0%
Operating profit	-573	183	-	-
Hong Kong	-64	91	-	-
China	-149	-49	-	-
Taiwan	42	106	250.1%	233.9%
South Korea	-71	-7	-	-
USA	-330	42	-	-

- Hong Kong: Sales and earnings up because of a decline in the impact of the pandemic and the closing of unprofitable stores
- China: Growth continued because of the opening of the second niko and... Shanghai store and a successful branding strategy
- Taiwan: Sales and earnings continued to increase despite a temporary negative impact of the pandemic
- USA: Returned to profitability as the economy recovered along with vaccinations and demand increased in the store and wholesale categories
- South Korea: The shutdown of all operations was completed in 2020

Consolidated Balance Sheet

Millions of yen

	End of 2020/8		End of 2021/2		End of 2021/8			
		Ratio		Ratio		Ratio	Compared with the end of 2020/8	Compared with the end of 2021/2
Current assets	42,468	48.1%	51,569	54.0%	40,663	47.9%	-1,805	-10,906
Cash and deposits	14,438	16.3%	24,179	25.3%	12,062	14.2%	-2,376	-12,117
Inventories	14,981	17.0%	15,718	16.5%	17,985	21.2%	+3,004	+2,266
Fixed assets	45,852	51.9%	43,880	46.0%	44,178	52.1%	-1,673	+298
Property, plant and equipment	14,650	16.6%	14,577	15.3%	14,537	17.1%	-113	-40
Goodwill	396	0.4%	113	0.1%	83	0.1%	-313	-29
Investments and other assets	24,463	27.7%	22,010	23.1%	21,795	25.7%	-2,668	-215
Total assets	88,320	100.0%	95,449	100.0%	84,841	100.0%	-3,479	-10,608
Liabilities	34,886	39.5%	44,747	46.9%	34,373	40.5%	-513	-10,374
Interest-bearing debt	0	0.0%	0	0.0%	0	0.0%	0	0
Net assets	53,434	60.5%	50,701	53.1%	50,468	59.5%	-2,965	-233
Treasury stocks	-4,244	-4.8%	-7,917	-8.3%	-7,635	-9.0%	-3,391	+281

- Cash and deposits: Net cash is 2.3 billion yen lower than one year earlier
- Inventories: Higher than one year earlier because of remaining late summer merchandise and the procurement of fall and winter merchandise, but consistent with the level of inventories in prior years
- Liabilities: Decreased due to the payment of income tax and consumption tax that was subject to the special program for deferring tax payments due to the pandemic
- Net assets: Net asset ratio of 59.5%, -1.0p YoY

* In addition, we have already established a credit facility of 30 billion yen with our main banks.

Number of Stores and Revised plan

■ Revised store openings and closings plan for this fiscal year to reflect the current situation

	End of FY2021	FY2022/02 1H				FY2022/02 Revised Plan			
	Number of stores	Opened	Changed	Closed	End of 1H	Opened	Changed	Closed	End of FY2022/02
GLOBAL WORK	209	1	0	-2	208	1	0	-2	208
niko and ...	144	2	0	0	146	2	0	0	146
studio CLIP	183	3	0	-1	185	3	0	-1	185
LOWRYS FARM	134	4	0	0	138	4	0	0	138
LEPSIM	122	0	0	0	122	1	0	-2	121
JEANASIS	72	2	0	0	74	2	0	-1	73
BAYFLOW	56	4	0	0	60	4	0	0	60
RAGEBLUE	49	1	0	0	50	1	0	-1	49
Others	259	22	0	-2	279	42	0	-43	258
Adastria non-consolidated total	1,228	39	0	-5	1,262	60	0	-50	1,238
(Online store included)	(66)	(3)	(0)	(- 1)	(68)	(3)	(0)	(- 1)	(68)
Domestic subsidiaries total	104	20	0	-8	116	28	0	-11	121
(Online store included)	(32)	(15)	(0)	(- 5)	(42)	(23)	(0)	(- 6)	(49)
Japan total	1,332	59	0	-13	1,378	88	0	-61	1,359
(Online store included)	(98)	(18)	(0)	(- 6)	(110)	(26)	(0)	(- 7)	(117)
Hong Kong	14	1	0	-2	13	2	0	-2	14
China	3	0	0	0	3	3	0	0	6
Taiwan	41	0	0	-1	40	7	0	-2	46
USA	10	0	0	-1	9	1	0	-1	10
Oversea total	68	1	0	-4	65	13	0	-5	76
(Online store included)	(10)	(1)	(0)	(0)	(11)	(2)	(0)	(0)	(12)
Consolidated total	1,400	60	0	-17	1,443	101	0	-66	1,435
(Online store included)	(108)	(19)	0	(- 6)	(121)	(28)	(0)	(- 7)	(129)

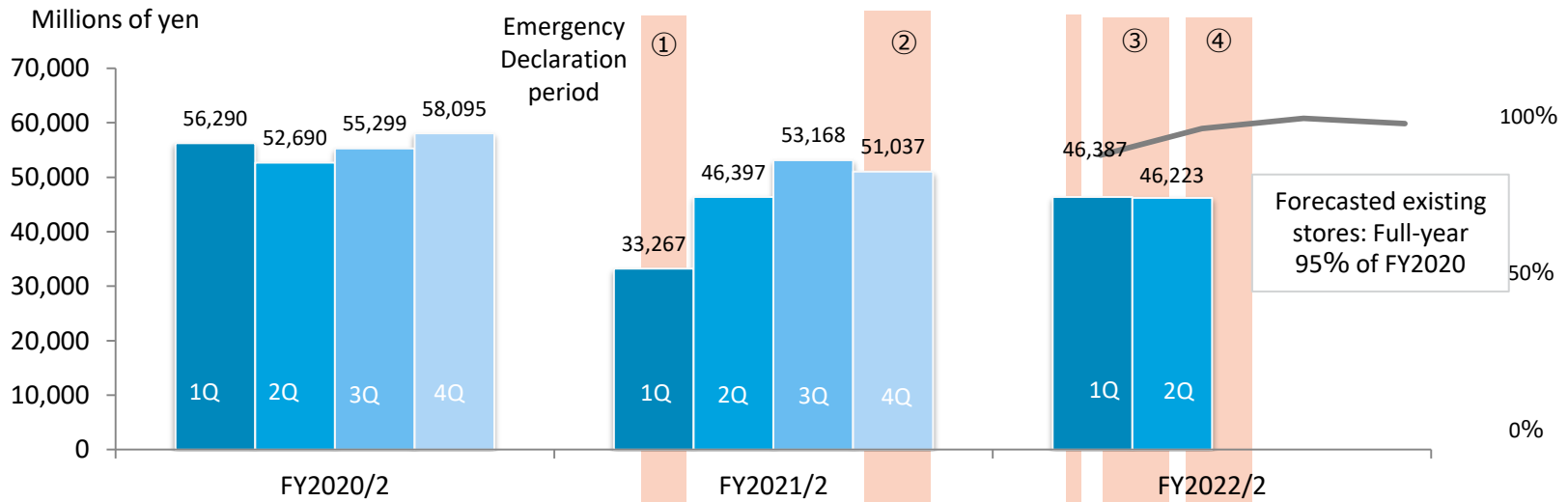
*: Domestic subsidiaries is the sum of four domestic subsidiaries: BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd., ADOORLINK Co., Ltd.

*: FY2022/02 1H 7 remodeled stores in the consolidated group

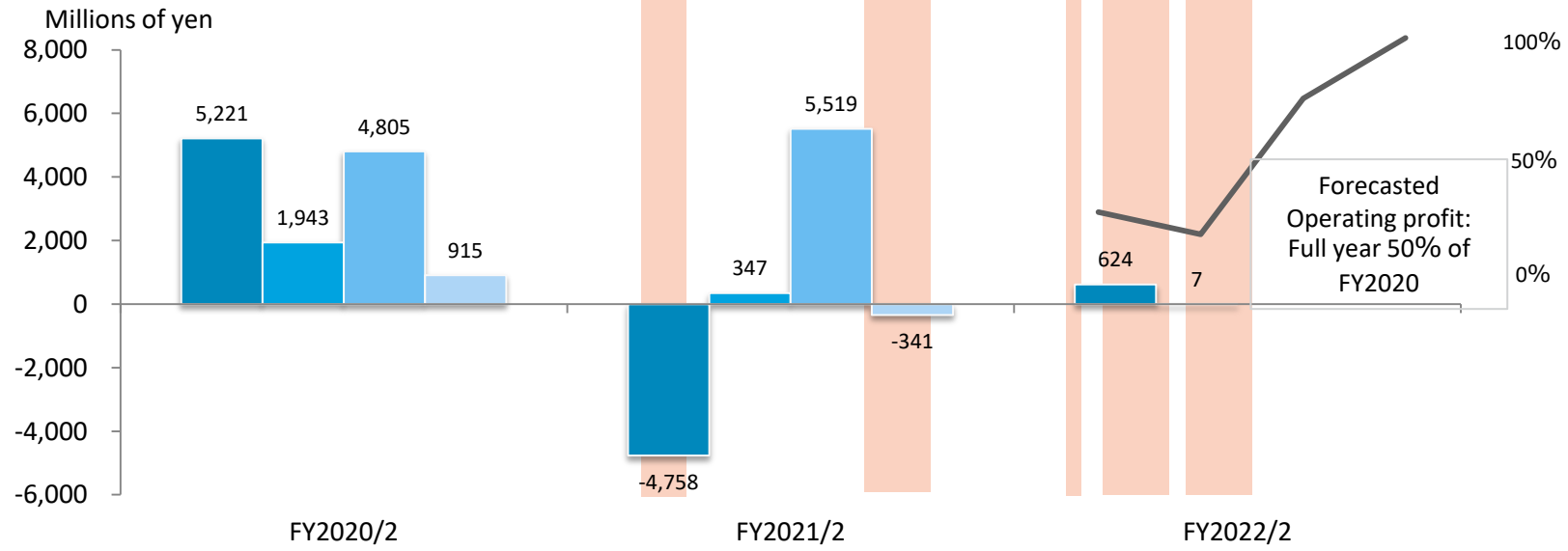
Quarterly trends and assumptions for the fiscal year earnings forecast

Even though the 1H results were lower than planned, we maintained the scenario of recovery in the 2H

Net sales



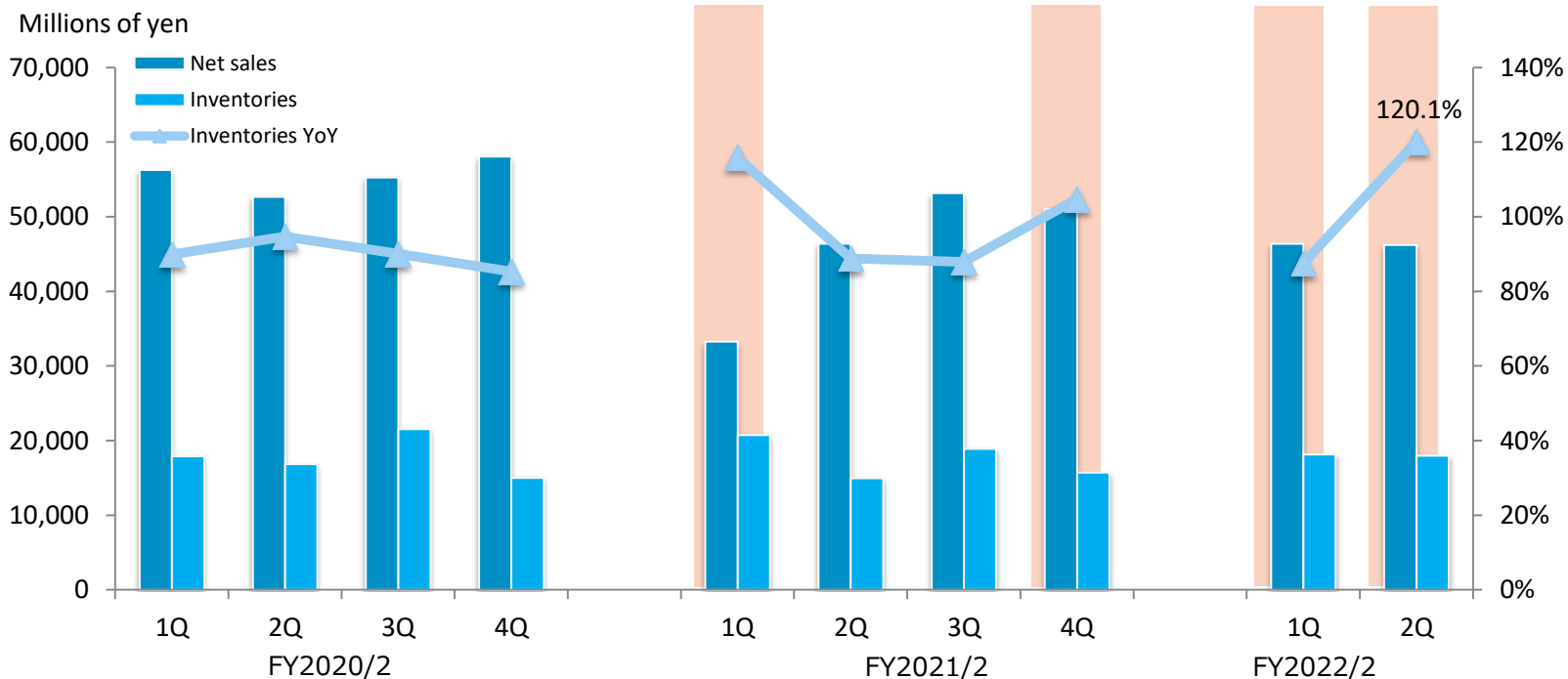
Operating profit



Impact of COVID-19

Inventory

■ Was kept at proper level despite late summer and A/W inventories were more than previous year.



Others

- Supply chain is normal
- Strategic expenses were not reduced to recover performance in the second half
- Continued to reduce fixed costs by shortened sales hours, etc.
- IT investment is on schedule, but some store openings have been postponed
- Work from home in the headquarter will continue to be encouraged, and its costs will be reduced in the medium term

FY2022/02 Consolidated Forecast (Re-posting)

■ No change from the initial forecast announced at April 5, 2021

Millions of yen

	FY2021/02		FY2022/02	
	Results		Forecast	
			% to sales	YoY
Net sales	183,870	219,000	100.0%	119.1%
Gross profit	100,125	121,950	55.7%	121.8%
SG&A expenses	99,358	115,450	52.7%	116.2%
Operating profit	766	6,500	3.0%	847.7%
Ordinary profit	2,981	6,500	3.0%	218.0%
Net income	-693	3,800	1.7%	-
ROE	-	7.4%	-	-
EBITDA	7,766	13,150	6.0%	169.3%
Depreciation and amortization	6,841	6,600	3.0%	96.5%
Amortization of goodwill	157	50	0.0%	31.8%
Capital expenditure	9,298	12,976		
Dividend per share (Yen)	40	50		
Interim dividend	(15)	(25)		



3 . Growth Strategy Progress

The 2025 Growth Strategy (Re-posting)

Our goal: More customers x More value for customers

Play fashion!

Joyful options galore!

More value for customers

Growth Strategy I

Use multiple brands to serve customers throughout their lives

Growth Strategy II

Use services and experiences to maximize customer interaction

Growth Strategy III

Use resources of regions worldwide to create value jointly

Growth Strategy IV

Start new businesses linked to enjoyable and fulfilling lives

The Challenge of Sustainable Management

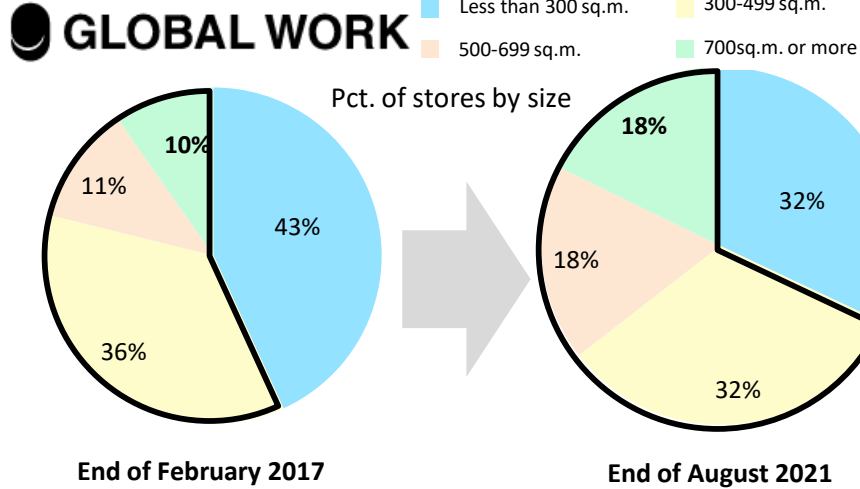
Build a sustainable business model with the environment, people, and communities

More customers

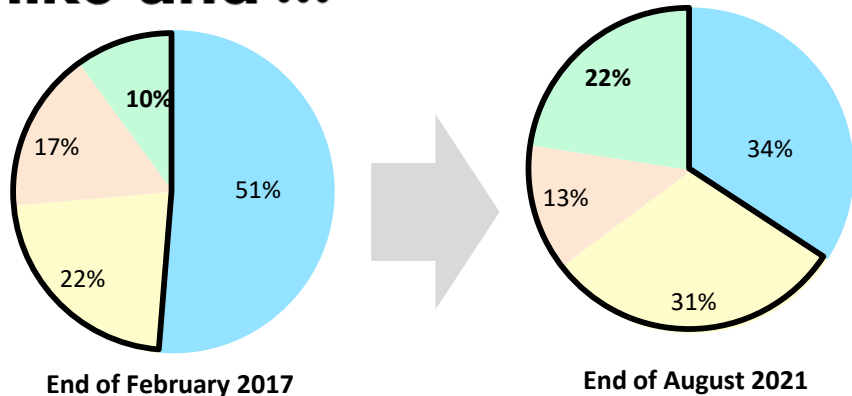
Growth Strategy I. Use Multiple Brands to Serve Customers throughout Their Lives

Large stores for major brands

- Larger stores for lifestyle brands
- Aiming to improve the productivity of GLOBAL WORK, niko and... and other major brands



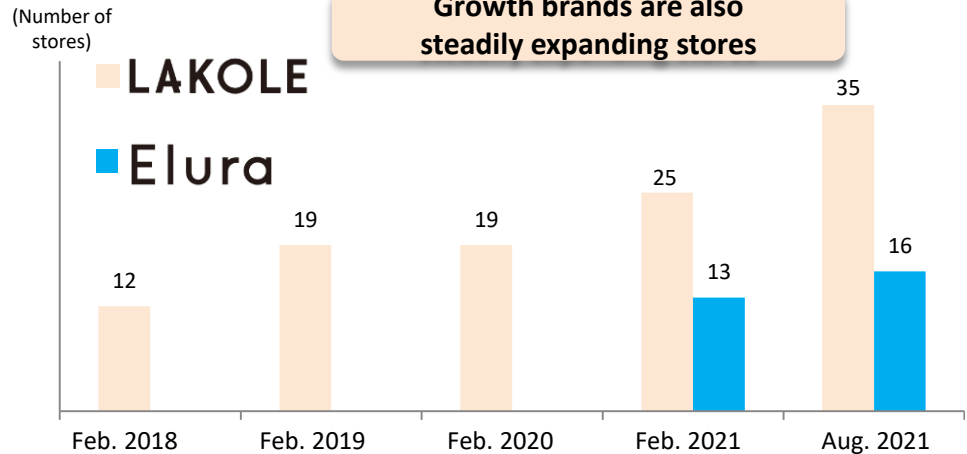
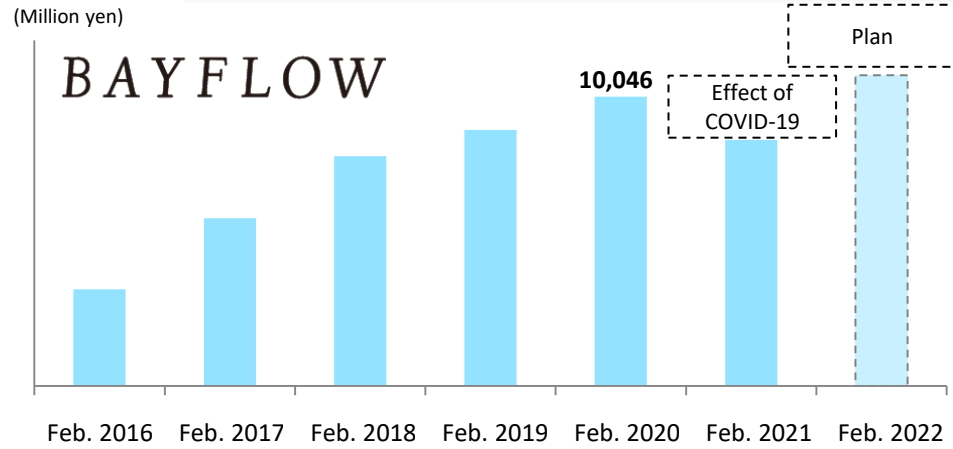
niko and ...



New stores for growth-driving brands

- Expanding merchandise categories and targeting the adult market segment
- Continue to open BAYFLOW, LAKOLE and Elura stores

Sales of ¥10 billion only five years after brand was launched



Growth Strategy II. Use Services and Experiences to Maximize Customer Interaction

■ .st Live

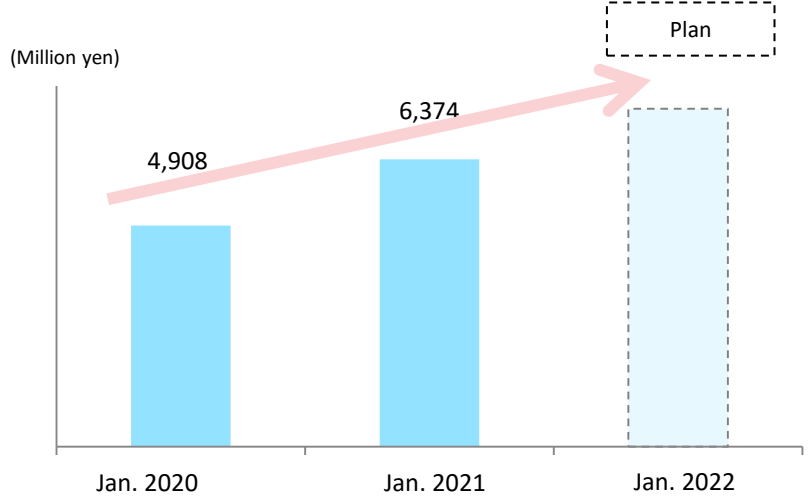
- Live events on the .st website scheduled weekly
- Events include influencers and special guests for specific themes in order to attract new customers

MB, author of fashion books and a prominent fashion adviser in many areas, introduced new summer fashions that he recommends on the .st website.



■ Steady growth at the BUZZWIT EC company

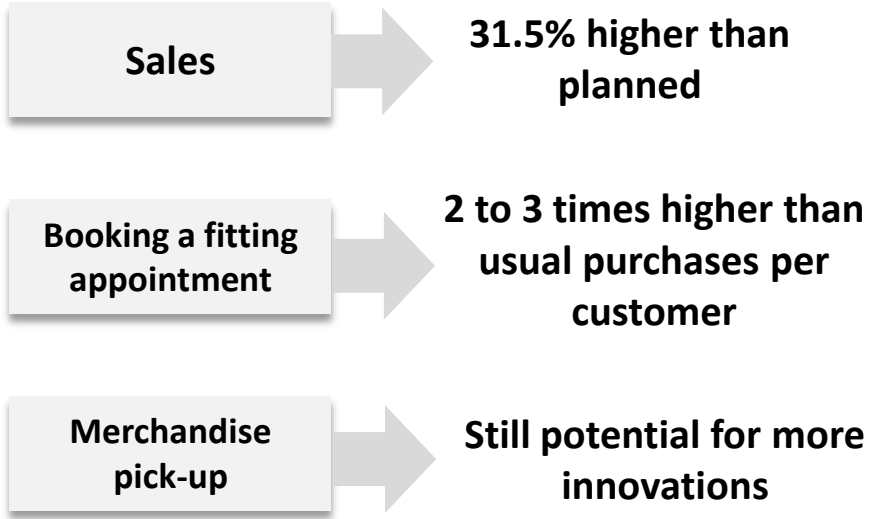
- Launched three brands in September



■ OMO-type store “.st store“

- .st opened a new type of store in May 2021 that combines a web store with an actual store
- Plan to open one more OMO (online merge offline) store in the Kansai area in the fiscal year’s second half

Performance since May opening to the end of August



Growth Strategy II. Use Services and Experiences to Maximize Customer Interaction

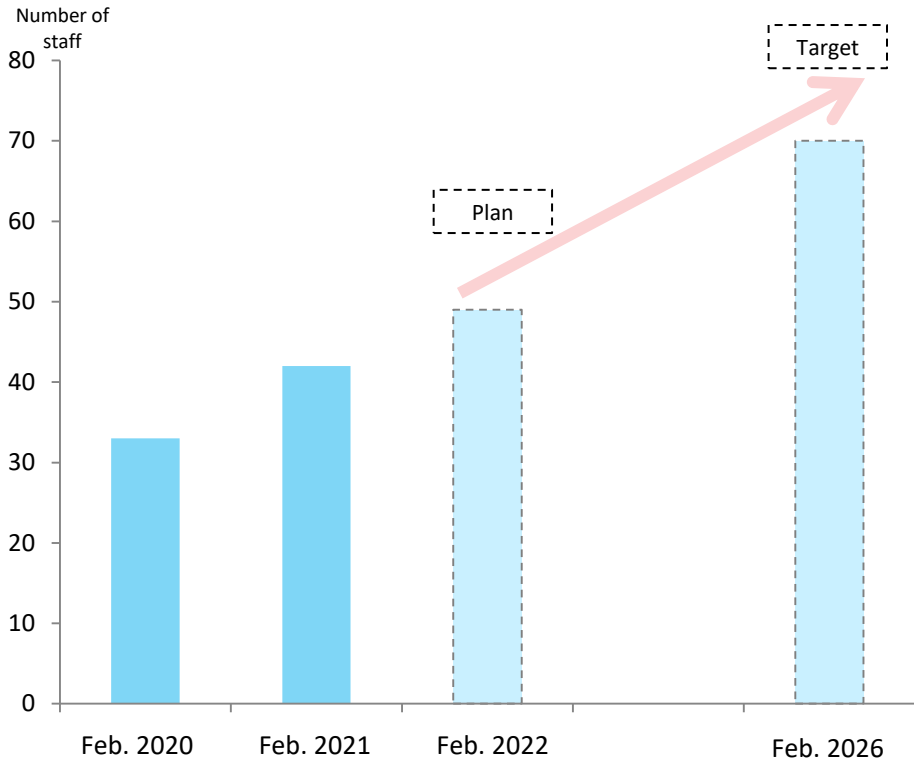
■ Hire the people needed for the DX

- Establish a DX roadmap and build an innovative and creative EC infrastructure and core IT system
- Continue recruiting people with big data analysis and IT system construction skills

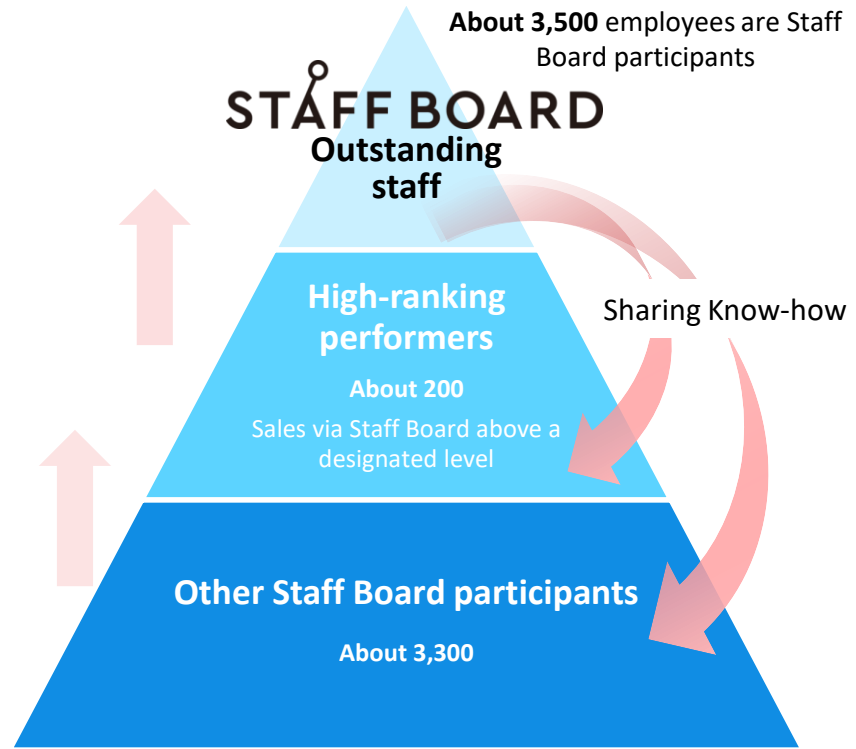
■ Upgrade training for EC sales skills

- New program for training Staff Board participants
- Share expertise of Staff Board employees generating substantial sales with others to raise the overall level of these skills

Planned growth of the DX staff toward FY2026/02



Select outstanding staff and expand training programs



Growth Strategy III. Use Resources of Regions Worldwide to Create Value Jointly

■ Establish brand awareness in Shanghai

- Continue holding events and selling limited-time-only merchandise by collaborating with well-known brands in China.
- Activities to raise brand perception and awareness.



Joint event with eight popular Shanghai cafés

■ A new EC-only brand in the U.S.

- Using web sales know-how in Japan to aim for a U.S. recovery fueled by EC sales growth.
- Launched STUDIO SUNDAY, a U.S. brand exclusively for the EC market, in August 2021.



The main target is women in the late 20s and 30s living on the east and west coasts and in large urban areas in the U.S.

■ Opened the first studio CLIP store in Taiwan

- Opened the first studio CLIP store in Taipei with the goal of enlarging the multi-brand strategy in Taiwan.
- Plan to launch new brands by leveraging knowledge used in Japan.



■ Determination of activities for growth in Southeast Asia

- Actions to start operating in SE Asia will soon begin; the SE Asia Preparations Office has been upgraded and renamed the SE Asia Business Department.
- Currently formulating business plans while holding discussions with prospective partner companies in targeted regions of SE Asia.

Growth Strategy IV. Start New Businesses Linked to Enjoyable and Fulfilling Lives

■ Life Style Creation

- Used a broad range of knowledge and manufacturing resources to fully start Adastria Life Style Creation, a B-to-B production business
- A new type of business that does not sell merchandise

Chatting and discussion skills

(Source of new ideas)

Team cohesiveness for planning

(Consolidation of knowledge)

Speedy trial merchandise and production

(Fast prototyping)

Efficient production operations

(Use of manufacturing expertise)

Public relations and sales activities

Structure / Strengths

Accomplishments



- Space production for student apartments (NIPPON STEEL KOWA REAL ESTATE CO.,LTD.)
- Renewal stadium of staff uniforms (Saitama Seibu Lions)
- Suntory Oolong Tea's Brand Reboost for Young People (Suntory Beverage & Food.)

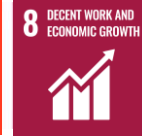
■ Developed a new business format for Jamba

- Jamba opened its first Jamba Kitchen Labo GRANSTA MARUNOUCHI at Tokyo Station in June 2021.
- This is the world's first Jamba-branded deli-café and is based on the themes of natural, healthy and "pop."



Our Commitment to Sustainable Management

Keep fashion exciting for many more years



■ Joint establishment of the Japan Sustainable Fashion Alliance

- Ten major apparel companies established this alliance to solve environmental issues common in the fashion industry.
- Members will work on ideas needed for the goals of eliminating fashion inventory losses by producing and procuring goods in proper quantities and reusing and recycling merchandise and achieving carbon neutrality by 2050.

■ Started the Mutual Support Working Time Project

- Collaborating with the Shin-Shizuoka Cenova shopping center to create working style reforms for people who work at shops at the shopping center.

Three programs

- (1) Flex-time system for store operating hours
- (2) “Power charge” vacation time
- (3) Reduced operating hours (in some zones)



Feedback from store personnel

- More time with at least two people on duty gives us more time for training and improves teamwork.
- More private time increases my motivation to do a good job.

Using Collaborative Items to Accomplish the “Play fashion!” Mission

■ studio CLIP x Miffy

- The popular annual Miffy collaboration took place again in 2021.
- This year’s campaign featured special merchandise as well as original studio CLIP CAFE menu items.



■ RAGEBLUE x Jujutsu Kaisen

- Merchandise using a limited-time-only collaboration with Jujutsu Kaisen, a TV anime program that is popular in many age segments.
- The first line of products launched in March was very successful and the second line of merchandise was launched in July.



Projects that have led to news releases through collaboration

Number of cases in FY2021/02 65, FY2022/02 1H 53



A D A S T R I A
— *Play fashion!*