



FY2022/02 Financial Results

April 13, 2022
(~~✕~~Jul-7 Revised)



A D A S T R I A
— *Play fashion!*

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1 . FY2022/02 Overview



Summary of FY2022/02

- Market conditions were more difficult than anticipated but **planned earnings were achieved** by supplying the right products at the right prices at the right times.
- As expected in 2020, **a recovery is beginning** as the pandemic enters its third year.
- Many activities for offsetting **the negative impact of the yen's weakness and high cost of raw materials**.
- **Merchandise planning and production measures** implemented prior to the pandemic are beginning to produce benefits.
- There was progress concerning initiatives for **sustainability**.
- Non-linear growth due to **the M&A strategy**.

Accomplishments in every category	Global	Overseas operations became profitable
	Digital	Continued investments for growth of e-commerce operations
	Sustainability	Zero fashion loss (In the primary distribution of goods) Established the Adastria Health Insurance Association Selected as a Semi-Nadeshiko Brand and Nadeshiko Brand (outstanding TSE-listed companies for the empowerment of women in the workplace)

Activities and Goals

- **Increased merchandise to a sufficient level** in anticipation of a rebound in consumer spending in the spring and summer of 2022.
- **Recent global events** have made the business climate for manufacturing even more challenging.
- Determining **the proper balance between the value and prices of merchandise** while placing priority on maintaining outstanding quality.
- Supply products that **increase customers' overall sense of value** rather than simply raising prices to pass on higher expenses to customers.
- The importance of **global, digital and sustainability** initiatives is becoming even greater.
- **Established a medium-term management plan** after reexamining the growth strategy for 2025 from the standpoint of sustainable growth.
- **Confident that the Adastria Group has a framework capable of consistent growth** even during the current uncertainty of the business climate.

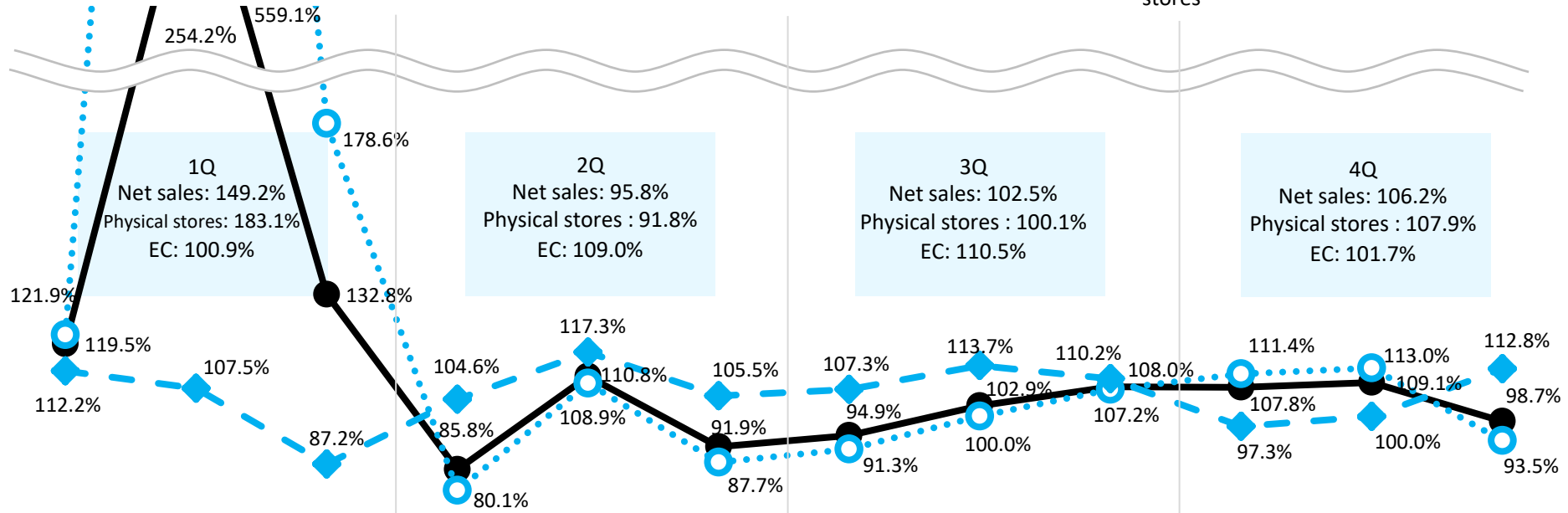
2 . FY2022/02 Financial Results and FY2023/02 Forecast



Summary of FY2022/02

Adastria (Non-consolidated) Monthly net sales

● Net sales ● Physical stores ◆ E-commerce web



1Q
 Net sales: 149.2%
 Physical stores: 183.1%
 EC: 100.9%

2Q
 Net sales: 95.8%
 Physical stores: 91.8%
 EC: 109.0%

3Q
 Net sales: 102.5%
 Physical stores: 100.1%
 EC: 110.5%

4Q
 Net sales: 106.2%
 Physical stores: 107.9%
 EC: 101.7%

March

- Improvement from 2020 despite reduced store hours/temporary closings due to states of emergency
- TV commercials for the Adastria .st e-commerce site
- The priority was inventory control

June

- Low customer traffic at physical stores due to states of emergency and unfavorable weather
- Focus on increasing e-commerce sales activities
- Maintained sales per customer and gross profit margin by limiting price discounts

September

- Restarted TV commercials for the Adastria .st e-commerce site
- The pandemic and unfavorable weather impacted performance in Sep. and early Oct. but sales of fall/winter apparel were brisk as cool weather returned and demand associated with outings recovered beginning in late Oct.

December

- Strong sales of winter clothes
- Sales per customer improved due to avoiding excessive use of discounts
- Customer traffic decreased due to pandemic safety measures that began in January

*Comparisons with the first half-year results briefing material are on a preliminary basis and therefore differ slightly from the full year.

Consolidated Income Statement

Millions of yen

	FY2021/02		FY2022/02		
	Results		Results		
		Ratio		Ratio	YoY
Net sales	183,870	100.0%	201,582	100.0%	109.6%
Adastria(Non-consolidated)	160,940	87.5%	174,065	86.3%	108.2%
Domestic subsidiaries *1	15,030	8.2%	17,275	8.6%	114.9%
Overseas subsidiaries *2	10,778	5.9%	13,352	6.6%	123.9%
Gross profit	100,125	54.5%	111,012	55.1%	110.9%
SG&A expenses	99,358	54.0%	104,448	51.8%	105.1%
Advertising & promotion	7,163	3.9%	8,153	4.0%	113.8%
Personnel	36,761	20.0%	37,226	18.5%	101.3%
Rent & depreciation	36,544	19.9%	37,830	18.8%	103.5%
Amortization of goodwill	157	0.1%	58	0.0%	37.4%
Others	18,730	10.2%	21,178	10.5%	113.1%
Operating profit	766	0.4%	6,564	3.3%	856.1%
Adastria(non-consolidated)	1,521	0.8%	5,533	2.7%	363.6%
Domestic subsidiaries *1	-799	-	-106	-0.1%	-
Overseas subsidiaries *2	-898	-	385	0.2%	-
Adastria Logistics	634	0.3%	504	0.3%	79.5%
Ordinary profit	2,981	1.6%	8,166	4.1%	273.9%
Net income	-693	-0.4%	4,917	2.4%	-

EBITDA	7,766	4.2%	13,302	6.6%	171.3%
Depreciation and amortization	6,841	3.7%	6,679	3.3%	97.6%
Amortization of goodwill	157	0.1%	58	0.0%	37.4%

Capital expenditure	9,298		9,974		
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*1 : Domestic subsidiaries is the sum of three 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, Mainland China, Taiwan, Korea, USA.

Consolidated Income Statement

■ Net sales: 201.5 billion yen (+9.6% YoY)

- Parent company: Sales increased due to improving store operations, recovery of demand linked to outings and continuous investments in e-commerce operations.
Strong sales of major products of GLOBAL WORK and of LAKOLE, as more stores were opened, contributed to sales growth.
- Domestic subsidiaries: Higher EC sales ratio and strong sales of high-end brands raised sales of ELEMENT RULE.
Launch of new brands supported continuation of sales growth at the e-commerce company BUZZWIT.
- Overseas subsidiaries: Sales and earnings increased in Hong Kong and Taiwan. Sales continued to increase in mainland China as satellite stores were opened. U.S. sales increase with the EC and physical stores and wholesale recovered.

■ Gross profit margin: 55.1% (+0.6p YoY)

- The gross profit margin improved as suitable inventory control reduced the use of discounting

■ SG&A expense ratio: 51.8% (-2.2p YoY)

- Advertising & promotions: 4.0% (+0.1p YoY) (+0.99 billion yen YoY) Promotion of the “.st”, our own EC site
- Personnel: 18.5% (-1.5p YoY) (+0.46 billion yen YoY) Expenses increased as stores returned to normal operating hours but were held down as a pct. of sales
- Rent & depreciation: 18.8% (-1.1p YoY) (+1.2 billion yen YoY) Rent increased along with sales growth but decreased as a pct. of sales
- Other: 10.5% (+0.3p YoY) (+2.4 billion yen YoY) Higher credit card fees, delivery expenses and other expenses as EC sales increased

■ Operating profit: 6.5 billion yen (+5.7 billion yen YoY) Operating income ratio: 3.3%, EBITDA margin: 6.6%

■ Ordinary profit: 8.1 billion yen (+5.1 billion yen YoY)

- Includes a subsidy income of 670 million yen for shortened operating hours and other measures for safety during the pandemic and a 540 million yen employment adjustment subsidy as non-operating income

■ Net income: 4.9 billion yen (+5.6 billion yen YoY)

- Includes an extraordinary gain of 260 million yen from the reversal of the allowance for doubtful accounts and a 600 million yen impairment loss as an extraordinary loss

Parent Company Income Statement

Millions of yen

	FY2021/02	FY2022/02	
	Results	Results	
			YoY
Net sales	160,940	174,065	108.2%
(Same stores YoY)	80.7%	107.0%	
GLOBAL WORK	33,845	37,762	111.6%
niko and...	26,092	27,227	104.3%
LOWRYS FARM	19,436	20,374	104.8%
studio CLIP	18,558	18,970	102.2%
LEPSIM	11,132	11,790	105.9%
JEANASIS	9,932	10,526	106.0%
BAYFLOW	8,446	9,122	104.7%
RAGEBLUE	5,431	5,801	106.8%
Gross profit	87,401	95,437	109.2%
Gross margin	54.3%	54.8%	+0.5p
SG&A expenses	85,879	89,904	104.7%
SG&A ratio	53.4%	51.6%	- 1.7p
Operating profit	1,521	5,533	363.6%
Operating margin	0.9%	3.2%	+2.2p

* Amortization of goodwill for FY2021/02 : 114 million yen, FY2022/02 : 58 million yen

* Net sales are shown before elimination of internal transactions.

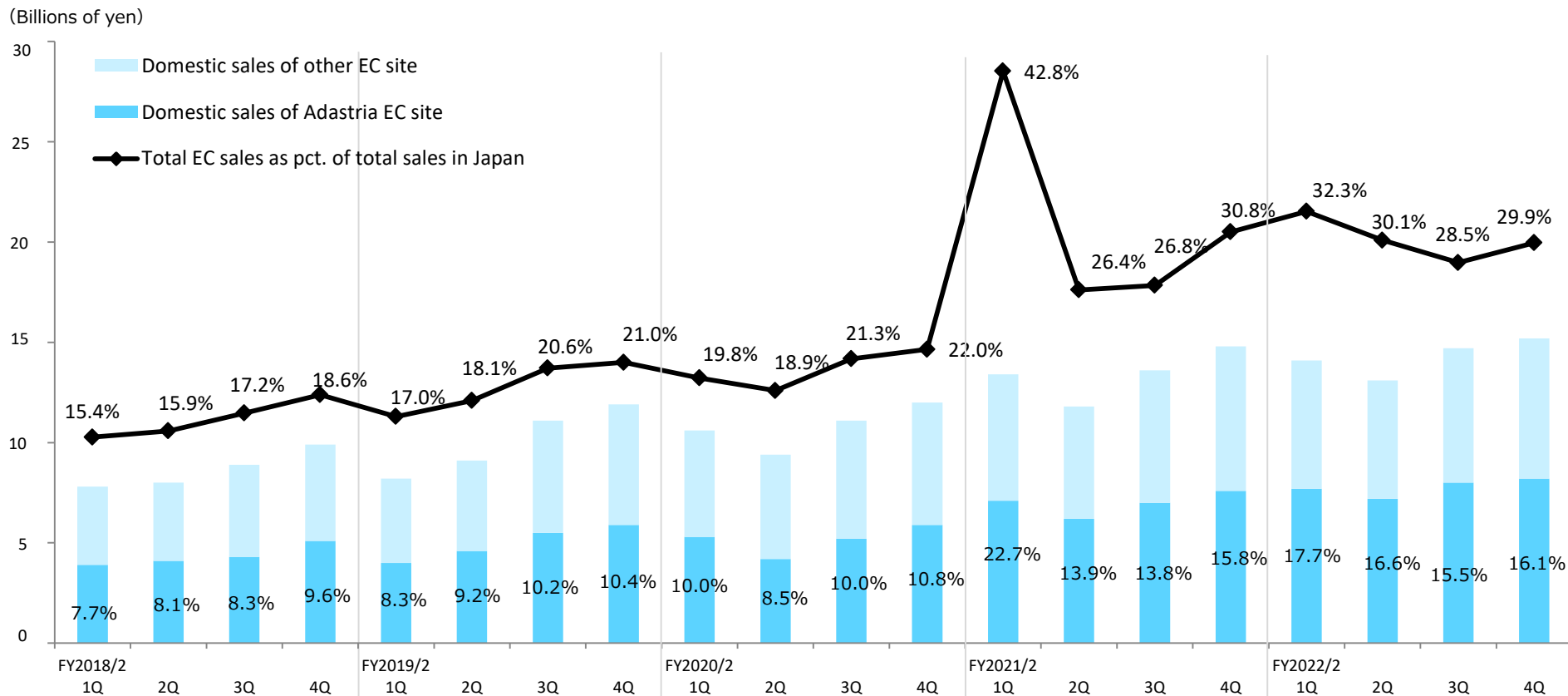
Online Business

Domestic Online business growth continued

■ FY2022/02 domestic e-commerce sales: **57.4** billion yen (+6.8% YoY)

- Domestic online business ratio: 30.1% (Aداستريا EC site: approx. 16.4%)

- Adastria's ".st" EC site has about 13.6 million members (+1.9 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.

E-Commerce Activities

■ Joint activities with San Marc Holdings

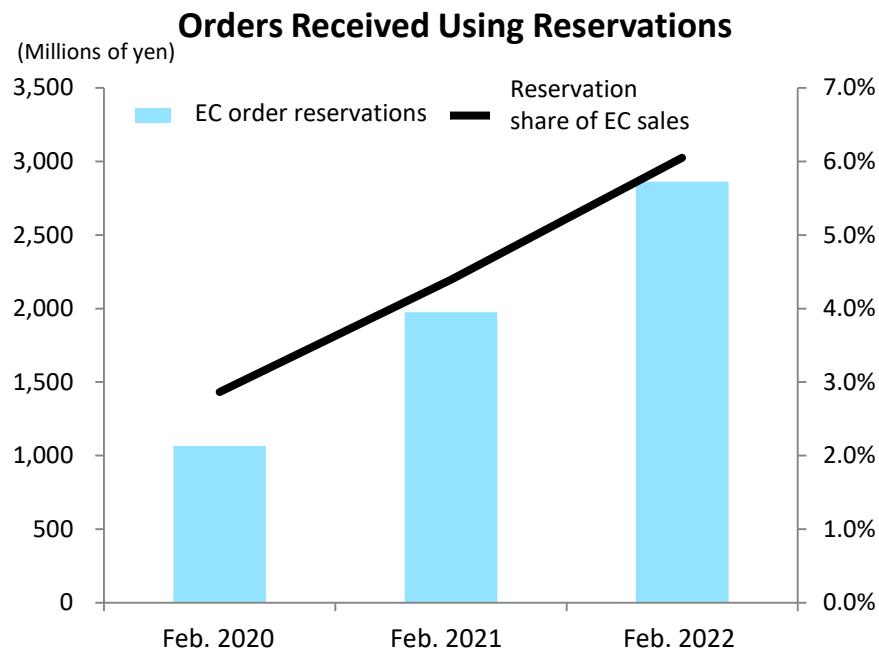
- In January 2022, we began selling “Chococro” and other products of the San Marc Café
- aiming to increase the number of purchases of current Adastria EC members
- Posts by popular store personnel provided information about combinations of food and other products to match specific life styles
- Mall-type businesses where other companies open stores on our e-commerce website



Information posted by a store employee

■ More sales using reservations

- Increased the number of products sold on the Adastria website by making advance reservations. Using reservation sales data for the procurement of merchandise increased the accuracy of inventory control.
- More convenience for customers by handling a larger number of payment methods



* Parent Company Adastria's date

Overseas Business

Millions of yen

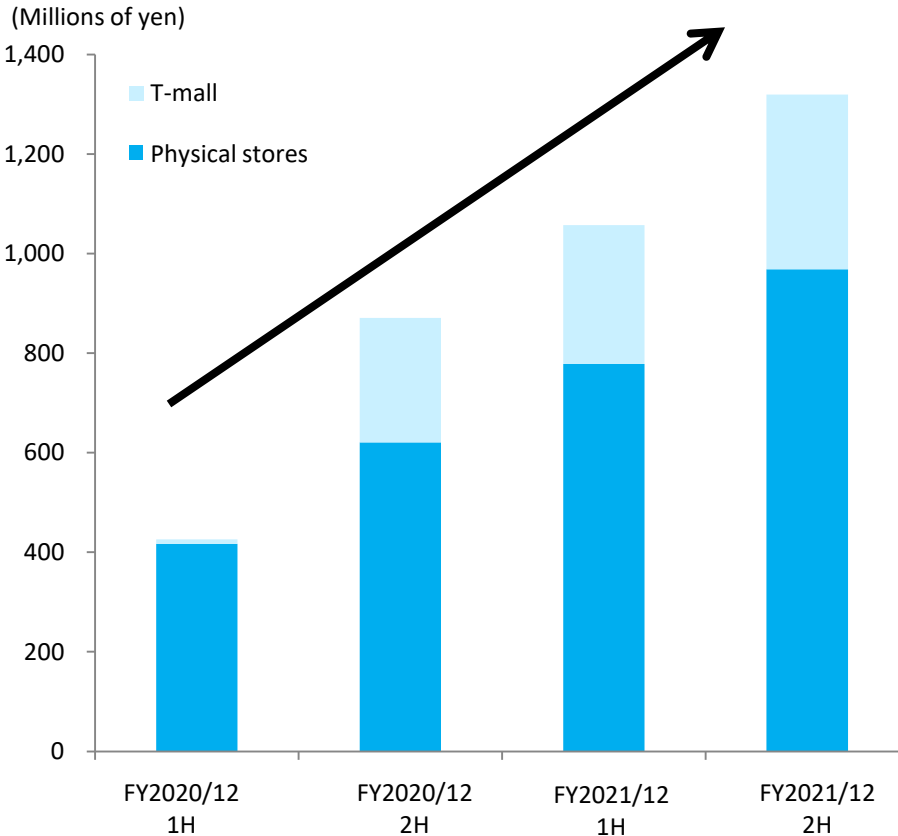
	FY2020/12	FY2021/12		
	Results		Results	
			YoY (JPY)	YoY (Local currency)
Net sales	10,778	13,352	123.9%	117.5%
Hong Kong	2,589	2,820	108.9%	106.1%
Mainland China	1,293	2,774	214.5%	194.7%
Taiwan	2,743	3,053	111.3%	101.7%
Korea	710	-	-	-
USA	3,440	4,703	136.7%	133.0%
Operating profit	-898	385	-	-
Hong Kong	-99	242	-	-
Mainland China	-289	-214	-	-
Taiwan	245	389	158.6%	145.6%
Korea	-127	-7	-	-
USA	-627	-25	-	-

- Hong Kong: Sales and earnings up because of the liquidation of unprofitable stores and upgrades of the membership program
- Mainland China: Big sales increase due to flagship store branding strategy and more satellite stores
- Taiwan: Sales and earnings increased as the pandemic impact declined and new brands were launched
- USA: Higher sales in the wholesale, physical store and EC channels as the economy recovered
- South Korea: The shutdown of all operations was completed in 2020

Mainland China Sales Growth

■ Strong sales backed by the success of the niko and... flagship store branding strategy

- Sales increased as three stores were opened at shopping centers in Shanghai.
- The second Shanghai store held a joint event with the TV anime JoJo's Bizarre Adventure for about one month, which attracted customers from areas far from Shanghai and made a big contribution to sales growth during this event.



Special Event Highlights

- Held from Dec. 30, 2021 to Feb. 6, 2022
- Decorations of the store and café
- Publicized using local SNS; stamp rally and AR
- Special merchandise and café items during the event



Consolidated Balance Sheet

Millions of yen

	End of 2021/02		End of 2022/02		
		Ratio		Ratio	Compared with the end of 2021/02
Current assets	51,569	54.0%	48,169	49.2%	-3,400
Cash and deposits	24,179	25.3%	16,976	17.3%	-7,202
Inventories	15,718	16.5%	19,259	19.7%	+3,540
Fixed assets	43,880	46.0%	49,787	50.8%	+5,907
Property, plant and equipment	14,577	15.3%	16,005	16.3%	+1,428
Goodwill	113	0.1%	1,897	1.9%	+1,784
Investments and other assets	22,010	23.1%	23,375	23.9%	+1,364
Total assets	95,449	100.0%	97,957	100.0%	+2,507
Liabilities	44,747	46.9%	42,994	43.9%	-1,753
Loans payable	0	0.0%	1,447	1.5%	+1,447
Net assets	50,701	53.1%	54,963	56.1%	+4,261
Treasury stocks	-7,917	-8.3%	-7,636	-7.8%	+281

- Cash and deposits: Net cash is 8.1 billion yen lower than one year earlier. Made tax payments pushed back by the pandemic.
- Inventories: Higher than one year earlier as inventories returned to the normal level, including spring and summer merchandise
- Liabilities: Loans due to the acquisition and consolidation of Zetton; no short-term borrowings at the end of Feb. 2022.
- Net assets: Net asset ratio of 56.1%, +3.0p YoY

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

* The loans payable were revised at the end of Feb. 2022, on July 7, 2022. (Before:991M; After:1,447M)

Number of Stores

	End of FY2021	FY2022/02			
	Number of stores	Opened	Changed	Closed	End of FY2022/02
GLOBAL WORK	209	1	0	-4	206
niko and ...	144	2	0	-2	144
LOWRYS FARM	134	4	0	-2	136
studio CLIP	183	3	0	-2	184
LEPSIM	122	1	0	-3	120
JEANASIS	72	3	0	-2	73
BAYFLOW	56	4	0	0	60
RAGEBLUE	49	1	0	-2	48
Others	259	40	0	-25	274
Adastria non-consolidated total	1,228	59	0	-42	1,245
(Online store included)	(66)	(3)	(0)	(-3)	(66)
Domestic subsidiaries total*	104	28	0	-22	110
(Online store included)	(32)	(23)	(0)	(-13)	(42)
Japan total	1,332	87	0	-64	1,355
(Online store included)	(98)	(26)	(0)	(-16)	(108)

FY2023/02 Plan			
Opened	Changed	Closed	End of FY2023/02
2	0	-2	206
3	0	-2	145
3	0	-2	137
3	0	-4	183
2	0	-5	117
1	0	-4	70
4	0	0	64
0	0	-3	45
42	0	-28	288
60	0	-50	1,255
(0)	(0)	(0)	(66)
10	0	-7	113
(2)	(0)	(-4)	(40)
70	0	-57	1,368
(2)	(0)	(-4)	(106)

Hong Kong	14	2	0	-2	14
Mainland China	3	3	0	0	6
Taiwan	41	4	0	-2	43
USA	10	1	0	-1	10
Oversea total	68	10	0	-5	73
(Online store included)	(10)	(2)	(0)	(0)	(12)

7	0	-1	20
10	0	0	16
6	0	0	49
2	0	-1	11
25	0	-2	96
(3)	(0)	(-1)	(14)

Consolidated total	1,400	97	0	-69	1,428
(Online store included)	(108)	(28)	(0)	(-16)	(120)

95	0	-59	1,464
(5)	(0)	(-5)	(120)

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

*: Does not include Zetton,Ltd. Number of stores to be combined from FY2023/02.

*: FY2022/02 14 remodeled stores in the consolidated.

Use M&A for More Growth

■ Completion of Zetton tender offer

- The purchase of stock using the tender offer was completed on February 17, 2022.
 - Adastria's ownership became 51%, making Zetton a consolidated subsidiary.
-
- Third-party allotment of stock in December 2021
Investment of 1,292 million yen
 - Completion of tender offer on February 17, 2022
Acquisition price: 1,584 million yen
 - Number of shares held after the change: 3,289,400 shares
(Voting rights ownership ratio: 51.00%)
 - B/S was consolidated from the end of FY2022/02
 - P/L will be consolidated from FY2023/02



■ Acquired an EC brand for children's clothing

- Subsidiary BUZZWIT, which specializes in e-commerce, acquired OPEN AND NATURAL Inc., which has a children's clothing brand used for the e-commerce channel. (Adastria sub-subsidiarisation)



Overview

OPEN AND NATURAL Inc.

- Established in 2017
- Net sales of about 2 billion yen in FY2022/01
- Consolidation is expected to start in May 2022. Sells children's clothing using the "PARIMANON" EC brand, featuring styles that reflect current fashion trends along with low prices and high quality

Responses to the Current Business Climate

Supply chain

Supply chain disruptions caused by electricity shortages in China have ended, but there may be more disruptions involving the pandemic and Ukraine crisis.

Rising cost of materials/ logistics

Big increase in the price of cotton; increase use of synthetic textiles with recycled materials and other actions

Yen's rapid depreciation

Forex forward contracts for orders already placed and placing other orders early

Creating merchandise with **value customers recognize** even as expenses rise rapidly

1

▶ **Emphasis on merchandise value-price balance**
Supply products that increase customers' overall sense of value rather than simply raising prices to pass on higher expenses

2

▶ **More diversity for production, mainly by using the ASEAN region**
Tariff reduction of about 10%, lower cost of manufacturing and utilisation of RCEP*

3

▶ **Faster decisions by using sales reservations and data analysis**
Place orders in advance for fabric; use unutilized factory capacity

* RCEP (Regional Comprehensive Economic Partnership) Economic partnership providing for tariff reductions and exemptions on industrial products, including textiles, and agricultural, forestry and fisheries products, etc., which entered into force in January 2022.

FY2023/02 Consolidated Forecast

Millions of yen

	FY2022/02	FY2023/02		
	Results	Forecast		
			Ratio	YoY
Net sales	201,582	230,000	100.0%	114.1%
Gross profit	111,012	129,500	56.3%	116.7%
SG&A expenses	104,448	119,500	52.0%	114.4%
Operating profit	6,564	10,000	4.3%	152.3%
Ordinary profit	8,166	10,000	4.3%	122.5%
Net income	4,917	6,300	2.7%	128.1%
ROE	9.4%	11.3%	-	+1.9p
EBITDA	13,302	17,400	7.6%	130.8%
Depreciation and amortization	6,679	6,900	3.0%	103.3%
Amortization of goodwill	58	500	0.2%	862.1%
Capital expenditure	9,974	13,200		

*Capital expenditure does not include Zetton,Ltd.

- Assuming a normalisation of the economy, consolidated sales for the full year are forecast at 230 billion yen (+14.1%).
- Capital investment of 13.2 billion yen, including new store openings, system investment, overseas investment and logistics automation.

FY2023/02 Parent Company (non-consolidated) Forecast

Millions of yen

	FY2022/02	FY2023/02	
	Results	Forecast	
Net sales	174,065	190,000	109.2%
Gross profit	95,437	104,500	109.5%
Gross profit margin	54.8%	55.0%	+0.2p
SG&A expenses	89,904	95,800	106.6%
SG&A expense ratio	51.6%	50.4%	- 1.2p
Operating profit	5,533	8,700	157.2%
Operating margin	3.2%	4.6%	+1.4p

Opened	59	60
Closed	-42	-50
Renovated	9	24
As of the end of fiscal year	1,245	1,255

- **Net sales: 190 billion yen** (+9.2% YoY)
- **Gross profit margin : 55.0%** (+0.2p YoY)
 - Reduction of discount rates through the right products at the right prices and at the right time, diversification of production areas, etc.
- **SG&A expense ratio : 50.4%** (-1.2p YoY)
 - Despite the increase in value, the rate improved due to the effect of increased revenues..
- **Opening/Closing stores**
 - Mainly openings of “Growth brand” and OMO stores (.st store)

Investment Plan

FY2022/02

FY2023/02

Major categories	FY2022/02			FY2023/02	
	Plan	Results	comment	Plan	Main use
Store development (Domestic)	6.4 billion yen	3.2 billion yen	Due to the COVID-19 infections, unspent.	4.9 billion yen	New stores openings of “growth brand” and “.st store”
IT System	4 billion yen	3.6 billion yen	Even though progress was generally in line with plans, controlled by efficiency improvement	4 billion yen	Development of own e-commerce website (.st)
Overseas	0.9 billion yen	0.5 billion yen	Due to the COVID-19 infections, unspent.	2.4 billion yen	Developing new markets in Mainland China and South-East Asia
Other	1.5 billion yen	0.9 billion yen	Improved logistics and office efficiency	1.9 billion yen	Automation of distribution centre, etc.

Return to Shareholders

Millions of yen

	FY2018/02	FY2019/02	FY2020/02	FY2021/02	FY2022/02	FY2023/02
Dividend per share (Yen)	50	50	50	40	55	55
(Interim dividend)	(35)	(20)	(25)	(15)	(25)	(25)
Total dividend	2,379	2,379	2,382	1,856	2,510	2,510
Net income (consolidated)	863	3,890	6,363	-693	4,917	6,300
Amortization of goodwill*	4,712	1,306	167	361	58	500
Dividend payout ratio	272.3%	60.5%	37.0%	-	51.0%	39.8%
(Amortization of goodwill excluded)	(42.2%)	(45.3%)	(36.1%)	-	(50.5%)	(37.0%)
Share repurchase	0	0	0	3,671	0	-

*Goodwill amortization includes an temporary amortisation recorded as an extraordinary loss

- Dividend policy: The basic policy is a 30% consolidated payout ratio before goodwill amortization while maintaining the proper balance among dividend stability, investments for growth and distributions to shareholders.
- The annual dividend for FY2022/02 was 55 yen (25 yen interim and 30 yen year-end), exceeding the initial plan.
- Forecast a 55 yen annual dividend per share (25 yen interim and 30 yen year-end) for FY2023/02.



A D A S T R I A
— *Play fashion!*