FY 2023/02 3rd Quarter Financial Results

December 29, 2022

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Table of Contents

- Consolidated Income Statement Summary 4
- Adastria non-consolidated Income Statement 6
- Online Business（Domestic） 7
- Own EC site “Dot-ST” Initiatives 8
- Overseas Business 9
- Business Progress in Mainland China 10
- Consolidated Balance Sheet 11
- Number of Stores 12
- New store openings 13
- Licensing Business 14
- Sustainability Initiatives 15
- Business Climate Assessments and Outlook 16
- FY2023/02 Consolidated Forecast 17
- FY2023/02 Adastria non-consolidated Forecast 18

Consolidated Income Statement

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The Accounting Standard for The New Revenue Recognition is applied from FY2023/02.

Millions of yen

	FY2022/02 3Q				FY2023/02 3Q					
	Nine Months Ended		Three Months Ended		Nine Months Ended			Three Months Ended		
		Ratio		Ratio		Ratio	YoY		Ratio	YoY
Net sales	146,731	100.0%	54,120	100.0%	177,026	100.0%	120.6%	64,448	100.0%	119.1%
Adastria(Non-consolidated)	127,435	86.8%	47,631	88.0%	144,913	81.9%	113.7%	52,575	81.6%	110.4%
Domestic subsidiaries *1*2	12,384	8.4%	4,194	7.7%	14,942	8.4%	120.7%	5,529	8.6%	131.8%
Overseas subsidiaries *3	9,242	6.3%	3,156	5.8%	12,528	7.1%	135.5%	4,762	7.4%	150.9%
Zetton (Food & Beverage Subsidiary)	-	-	-	-	7,303	4.1%	-	2,616	4.1%	-
Gross profit	81,673	55.7%	30,895	57.1%	99,787	56.4%	122.2%	37,007	57.4%	119.8%
SG&A expenses	77,189	52.6%	27,043	50.0%	88,622	50.1%	114.8%	31,412	48.7%	116.2%
Advertising & promotion	6,347	4.3%	2,328	4.3%	6,060	3.4%	95.5%	2,333	3.6%	100.2%
Personnel	27,625	18.8%	9,518	17.6%	32,105	18.1%	116.2%	10,993	17.1%	115.5%
Rent & depreciation *4	27,508	18.7%	9,788	18.1%	31,685	17.9%	115.2%	11,258	17.5%	115.0%
Amortization of goodwill	44	0.0%	14	0.0%	191	0.1%	432.2%	69	0.1%	474.6%
Others	15,664	10.7%	5,393	10.0%	18,580	10.5%	118.6%	6,756	10.5%	125.3%
Operating profit	4,483	3.1%	3,851	7.1%	11,165	6.3%	249.0%	5,594	8.7%	145.2%
Adastria(non-consolidated)	4,041	2.8%	3,844	7.1%	9,948	5.6%	246.2%	5,352	8.3%	139.2%
Domestic subsidiaries *1*2	-235	-	-13	-	405	0.2%	-	214	0.3%	-
Overseas subsidiaries *3	66	0.0%	-116	-	218	0.1%	327.9%	58	0.1%	-
Adastria Logistics	407	0.3%	123	0.2%	148	0.1%	36.5%	-16	-	-
Zetton (Food & Beverage Subsidiary) *5	-	-	-	-	485	0.3%	-	2	0.0%	-
Ordinary profit	5,725	3.9%	4,172	7.7%	11,805	6.7%	206.2%	5,648	8.8%	135.4%
Net income attributable to owners of the parent	3,534	2.4%	3,085	5.7%	7,616	4.3%	215.5%	3,722	5.8%	120.6%

EBITDA	9,213	6.3%	5,548	10.3%	17,116	9.7%	185.8%	7,708	12.0%	138.9%
Depreciation and amortization	4,685	3.2%	1,681	3.1%	5,760	3.3%	123.0%	2,043	3.2%	121.5%
Amortization of goodwill	44	0.0%	14	0.0%	191	0.1%	432.2%	69	0.1%	474.6%

*1：Domestic subsidiaries are the sum of four domestic subsidiaries: BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd., ADOORLINK Co., Ltd.(Period Feb. to Oct.)
*2：Sales of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc.
*3：Overseas subsidiaries are the sum of overseas subsidiaries: Hong Kong, Mainland China, Taiwan, USA.(Period Jan. to Sep.)
*4：Rent & depreciation costs are the sum of Rent expenses, Lease expenses and Depreciation.
*5：Operating profit of Zetton, Inc. is shown after consolidation adjustments.

Consolidated Income Statement – 3Q Summary (1)

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- **Summary:** Sales and earnings were steady, due to core brands strong sells and growth brands store openings.
- **Net sales: 64.4 billion yen** (+19.1% YoY)

Parent company:	Up 10.4% YoY. Sold apparel to meet the increasing demand associated with outings and conducted numerous promotions. Strong sales of major products of GLOBAL WORK and of LAKOLE, as more stores were opened, contributed to sales growth.
Domestic subsidiaries:	Up 31.8% YoY. Strong sales of high-end brands raised sales and earnings of ELEMENT RULE. Sales and earnings at the EC company BUZZWIT increased due to the consolidation of OPEN AND NATURAL Inc. and the launch of new brand.
Overseas subsidiaries:	Up 50.9% YoY. Mainland China sales increased due to new stores but there was a loss because of the pandemic. Hong Kong sales recovered due to the government's distribution of electric spending coupons and sales at physical stores in Taiwan recovered. U.S. sales and earnings increased because of strength in the wholesale business.
Food and beverage business:	Higher earnings at the newly consolidated Zetton, Inc.

Effect of the new revenue recognition accounting standard	Consolidated sales: -488 million yen (-0.9% YoY)
Increase due to M&A	Consolidated sales: +3,346 million yen (+6.2% YoY)

- **Gross profit margin: 57.4%** (+0.3p YoY)

Negative effects of foreign exchange rates and the high cost of materials, but the gross profit margin in the apparel and sundry goods-related business was almost the same level as last year, excluding transitory factors, due to supplying the products at the right times, prices and volumes and holding down discount sales.

Effect of the new revenue recognition accounting standard	Gross profit margin: -0.3%
Effect of higher food and beverage business sales	Gross profit margin: +0.6%

Consolidated Income Statement – 3Q Summary (2)

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■ **SG&A expense ratio: 48.7%** (-1.3p YoY)

Advertising & promotions:	3.6% (-0.7p YoY) (+5 million yen YoY) Higher expenses for promotions were offset by the application of the new revenue recognition accounting standard
Personnel:	17.1% (-0.5p YoY) (+1.47 billion yen YoY) Higher salaries and bonuses due to higher sales
Rent & depreciation:	17.5% (-0.6p YoY) (+1.47 billion yen YoY) Sales-linked rent increased with sales growth; includes 55 million yen increase in intangible assets because of Zetton PPA*
Other:	10.5% (+0.5p YoY) (+1.36 billion yen YoY) Higher credit card fees, delivery expenses, electricity fees and other expenses

Effect of the new revenue recognition accounting standard	SG&A expenses: -460 million yen (SG&A expenses ratio: -0.3%)
Effect of higher food and beverage business sales	SG&A expenses ratio: +1.1%

■ **Operating profit: 5.5 billion yen** (+1.74 billion yen YoY)

Operating income ratio: 8.7%, EBITDA margin: 12.0%

■ **Ordinary profit: 5.6 billion yen** (+1.47 billion yen YoY)

Non-operating profit and loss: Subsidy income of 29 million yen, etc.

■ **Net income: 3.7 billion yen** (+630 million yen YoY)

Extraordinary profit and loss: Impairment losses of 39 million on stores

*PPA (Purchase Price Allocation): Purchase price allocation is the allocation of the cost of acquiring a company based on fair values of all assets and liabilities of the acquired company

Adastria non-consolidated Income Statement

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Millions of yen

	FY2022/02 3Q		FY2023/02 3Q			
	Nine Months Ended	Three Months Ended	Nine Months Ended	YoY	Three Months Ended	YoY
Net sales	127,435	47,631	144,913	113.7%	52,575	110.4%
(Same stores YoY)	108.3%	99.8%	112.7%		109.0%	
GLOBAL WORK	27,606	10,496	33,455	121.2%	11,868	113.1%
niko and...	19,802	7,315	21,930	110.7%	7,488	102.4%
LOWRYS FARM	14,872	5,734	15,927	107.1%	5,910	103.1%
studio CLIP	14,361	4,911	15,074	105.0%	5,220	106.3%
LEPSIM	8,837	3,157	9,453	107.0%	3,186	100.9%
JEANASiS	7,543	2,926	8,037	106.6%	3,330	113.8%
BAYFLOW	6,654	2,384	7,554	113.5%	2,708	113.6%
LAKOLE	3,437	1,463	5,682	165.3%	2,141	146.3%
Gross profit	70,836	27,281	80,214	113.2%	29,897	109.6%
Gross margin	55.6%	57.3%	55.4%	- 0.2p	56.9%	- 0.4p
SG&A expenses	66,795	23,436	70,266	105.2%	24,544	104.7%
SG&A ratio	52.4%	49.2%	48.5%	- 3.9p	46.7%	- 2.5p
Operating profit	4,041	3,844	9,948	246.2%	5,352	139.2%
Operating margin	3.2%	8.1%	6.9%	+3.7p	10.2%	+2.1p

* : Amortization of goodwill
- FY2022/02 Nine Months Ended: 44million yen, FY2023/02 Nine Months Ended : 44 million yen.
- FY2022/02 Three Months Ended: 14 million yen, FY2023/02 Three Months Ended: 14 million yen.

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

Online Business (Domestic)

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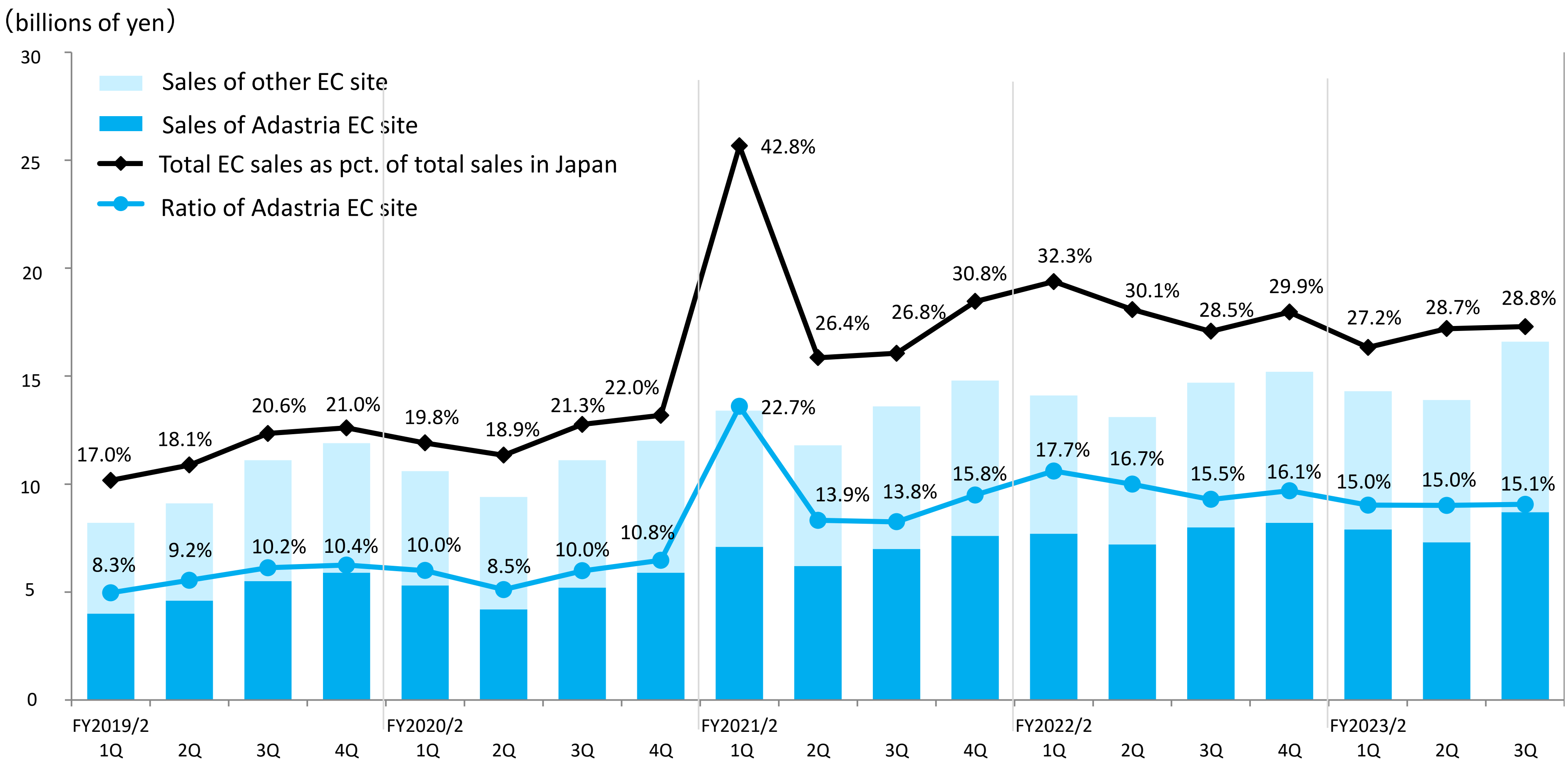
■ **Domestic net sales from online (Nine months): 45billion yen (+6.9% YoY)**

- Domestic online business ratio: 28.2% (of which Own EC site: approx. 15.1%)
- Own EC site “Dot-ST“ has about 15.1 million members (+1.5 million from the end of FY2022/02)



*Starting in FY2019/02, non-consolidated sales and sales in BUZZWIT Co., Ltd. and ELEMENT RULE Co., Ltd. were included.
*Starting in FY2022/02, non-consolidated sales and sales in ADOORLINK Co., Ltd. was included.
*Starting in FY2023/02 2Q, sales of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc.

Own EC site “Dot-ST” Initiatives

■ Continued advertising to raise awareness

- Continuing from last year TV commercials was aired and in a cross channel campaign between our own EC and physical stores with the commercial period.

Promotion Details	TV commercial: 26 Oct.-27 Nov. 20% point reduction compaign: 26 Oct.-7 Nov.

Effectiveness during the period (26 Oct.-27 Nov.)

New Member Registration	290,000 people / +6% YoY **Total number of members exceeded 15 million**
Amount of EC orders	+5% YoY

.st ドットエスティ

■ Expansion of third party companies’ products

- On 24 Nov., "KUTSUSHITAYA" a sock specialty store operated by Tabio Corporation opened on our EC site " Dot-ST” as the participating company of the 6th.
- 90% sold together with own products, with a good start.

Launched products in collaboration with popular staff

Opened the "STAFF BOARD" to other companies.
(Posted by all “KUTSUSHITAYA“ staff)

Overseas Business

Millions of yen

	FY2021/12 3Q		FY2022/12 3Q					
	Nine Months Ended	Three Months Ended	Nine Months Ended			Three Months Ended		
				YoY (JPY)	YoY (Local currency)		YoY (JPY)	YoY (Local currency)
Net sales	9,242	3,156	12,528	135.5%	116.8%	4,762	150.9%	129.9%
Hong Kong	1,997	695	2,309	115.6%	98.8%	941	135.3%	115.6%
Mainland China	1,862	595	1,888	101.4%	88.1%	822	138.2%	120.1%
Taiwan	1,852	617	2,921	157.7%	140.2%	1,087	176.0%	156.5%
USA *	3,529	1,247	5,408	153.2%	129.8%	1,911	153.3%	129.9%
Operating profit	66	-116	218	327.9%	250.0%	58	-	-
Hong Kong	119	28	166	139.2%	119.0%	114	399.9%	341.9%
Mainland China	-159	-110	-809	-	-	-310	-	-
Taiwan	64	-41	467	722.9%	642.6%	170	-	-
USA *	49	6	393	796.3%	674.7%	84	1278.3%	1083.1%

* Results of Zetton, Inc. are not included.

- ■ Hong Kong: Sales and earnings up because of the stability of store operations and the government's distribution of electric spending coupons
- ■ Mainland China: Sales up because stores were opened in new areas but lockdowns caused the loss to increase
- ■ Taiwan: Sales and earnings up due to the recovery from the pandemic downturn in 3Q 2021 and to new stores and new brands
- ■ USA: Large volume of orders in the wholesale business because of strong consumer spending and measures to supply highly appealing merchandise

Business Progress in Mainland China

■ In addition to Shanghai, the company has expanded its store opening area to Chengdu

- Expand brand recognition at flagship stores and increase profitability at satellite stores to continue the flagship dominant strategy.
- Even though the current situation remains unstable due to the pandemic, we are preparing for the normalization of the economy.

On the first day of the opening of the Chengdu Flagship Store, that customers lined up even before the store opened.

Chengdu area stores

- 29 Oct. Chengdu Flagship Store
- 4 Nov. Chengdu Damofang Store

Flagship Dominant Strategy

Consolidated Balance Sheet

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Millions of yen

	End of 2021/11		End of 2022/02		End of 2022/11			
		Ratio		Ratio		Ratio	Compared with the end of 2021/11	Compared with the end of 2022/02
Current assets	55,760	55.0%	48,169	49.2%	66,211	53.5%	+10,450	+18,041
Cash and deposits	15,916	15.7%	16,976	17.3%	16,441	13.3%	+525	-535
Inventories	21,643	21.4%	19,259	19.7%	29,119	23.5%	+7,475	+9,859
Fixed assets	45,559	45.0%	49,787	50.8%	57,641	46.5%	+12,082	+7,853
Property, plant and equipment	14,538	14.3%	16,005	16.3%	22,996	18.6%	+8,457	+6,991
Intangible assets	8,230	8.1%	10,836	11.1%	12,078	9.8%	+3,847	+1,241
Goodwill	68	0.1%	922	0.9%	1,404	1.1%	+1,335	+482
Investments and other assets	22,790	22.5%	22,945	23.4%	22,566	18.2%	-223	-378
Total assets	101,320	100.0%	97,957	100.0%	123,853	100.0%	+22,533	+25,895
Liabilities	48,885	48.2%	42,994	43.9%	62,683	50.6%	+13,798	+19,689
Loans payable	6,000	5.9%	1,447	1.5%	6,568	5.3%	+568	+5,121
Net assets	52,434	51.8%	54,963	56.1%	61,169	49.4%	+8,734	+6,206
Treasury shares	-7,636	-7.5%	-7,636	-7.8%	-7,285	-5.9%	+350	+350

- Inventories: Somewhat high at 34.5% above one year earlier as of the end of November because of preparations for sales of winter merchandise. Inventories began returning to a normal level in December due to cold weather. (123% YoY as of 25 Dec.)
- Property, plant and equipment: Recognized 2.7 billion yen of right of use assets due to the application of ASC No. 842* in the US business
- Intangible assets: 1.5 billion yen intangible assets from Zetton and OPEN AND NATURAL PPA**
- Goodwill: 760 million yen for Zetton, 630 million yen for OPEN AND NATURAL
- Net assets: Net asset ratio of 49.4%, -2.4p YoY

*ASC No. 842 is a new accounting standard for leases that requires recognition on the balance sheet of right of use assets and lease liabilities for operating leases.

**PPA (Purchase Price Allocation): Purchase price allocation is the allocation of the cost of acquiring a company based on fair values of all assets and liabilities of the acquired company.

Number of Stores

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	End of FY2022	FY2023/02 3Q Nine Months Ended				
	Number of stores	Increased	Opened	Changed	Closed	Eng of 3Q
GLOBAL WORK	206	-	3	0	-2	207
niko and ...	144	-	4	0	-1	147
LOWRYS FARM	136	-	2	0	-4	134
studio CLIP	184	-	2	0	-6	180
LEPSIM	120	-	1	0	-4	117
JEANASiS	73	-	3	0	-2	74
BAYFLOW	60	-	2	0	0	62
LAKOLE	47	-	18	0	0	65
Others	275	-	16	0	-10	281
Adastria non-consolidated total	1,245	-	51	0	-29	1,267
(Online store included)	(66)	-	(2)	(0)	(-1)	(67)
Domestic subsidiaries total*1*2	105	7	14	0	-11	115
(Online store included)	(42)	(7)	(8)	(0)	(-7)	(50)
Japan total	1,350	7	65	0	-40	1,382
(Online store included)	(108)	(7)	(10)	(0)	(-8)	(117)
Hong Kong	14	-	6	0	0	20
Mainland China	6	-	3	0	0	9
Taiwan	43	-	8	0	-2	49
USA	10	-	0	0	-1	9
Oversea total	73	-	17	0	-3	87
(Online store included)	(12)	-	(8)	(0)	(-2)	(18)
Zetton (Food & Beverage subsidiary) *3	-	73	4	0	-5	72
ADASTRIA eat Creations	5	-	0	0	-2	3
Consolidated total	1,428	80	86	0	-50	1,544
(Online store included)	(120)	(7)	(18)	(0)	(-10)	(135)

FY2023/02 3Q(nine months ended), 24 remodeled stores in the consolidated group.
*1 Domestic subsidiaries are the sum of four domestic subsidiaries: BUZZWIT Co., Ltd., ELEMENT RULE Co., Ltd., ADOORLINK Co., Ltd.
*2 Stores of BUZZWIT Co., Ltd. include its consolidated subsidiary OPEN AND NATURAL, Inc.
*3 The number of stores of Zetton, Inc. includes its consolidated subsidiary ZETTON, INC (USA Business).

New store openings

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■ Progress in opening stores for growing brand and OMO model store

LAKOLE 【Growing brand】

- Opened 18 stores this fiscal year, with 65 stores in operation as of the end of November.
- 200 Grocery products for sale from October.

.st ドットエスティ 【OMO model store】

- Opened 6 stores this fiscal year, with 9 stores in operation as of the end of November.
- Integrate web and brick-and-mortar stores and develop brands tailored to local needs.

「AEONMALL FUKUTSU store」

「Youme Mall Saijo store」

Licensing Business

■ FOREVER21 prereleases its products for spring/summer 2023.

- Based on the US MD, we modify 80% of the products to fit in the Japanese market.
- We categorized the designs into six tastes, allowing them to be edited according to customer segment and channel.

Basic

Mode

Vintage

Feminine

Pop

Street

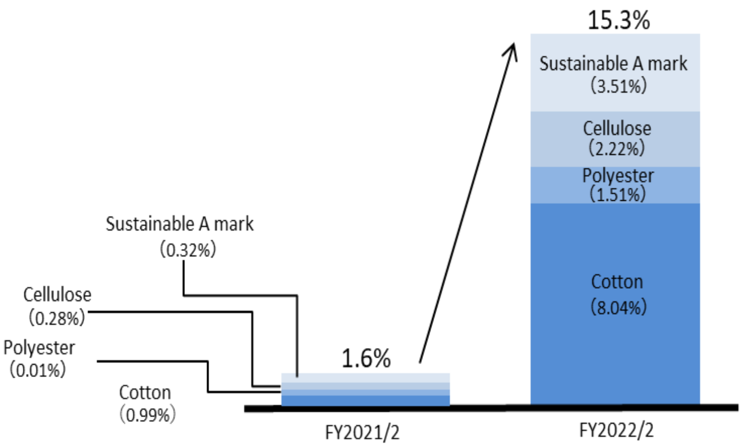
Sustainability Initiatives

■ Receives Gold Recognition in Pride 2022

Received the highest rating of 'Gold' for the fourth year in a row for its LGBTQ+ and other diversity initiatives.

■ Progress in the use of environmentally sustainable materials.

Sustainable Mark Product Ratios



*Target: All products of domestic group companies

■ Open company visits for high school students.

Public company visit **「Let's Play Fashion! 2022」**	**1st 22 Oct.** **2st 3 Dec.**

Store visit
(niko and ...TOKYO store)

Sample modification experience by the production department

Business Climate Assessments and Outlook

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	Concerns	Overview
1	Will sales decrease after the rebound in demand after stores reopened comes to an end?	• **The apparel market in Japan is still in a recovery phase.** Jan-Oct 2022 expenditures for clothing were 18% below the same period of 2019*1. • Clothing purchases in 2021 were down 20% from 2019. **No reactionary decline is expected** because there was no one-time surge in demand as was the case in the U. S. and Europe.
2	Will disposable income and consumer sentiment decline due to inflation?	• Inflation in Japan is lower than in the U.S. and Europe and **consumer spending on apparel is continuing to recover** even as prices rise due to inflation. • We believe that **rising prices of consumer staples are having only a small effect on younger people** because about 45% of people in Japan between the ages of 20 and 34 are not married and live with their parents*2.
3	Are consumers reluctant to buy apparel because of rising prices?	• Our prices of fall and winter apparel are an average of about 3% higher. We have **seen no negative effect of higher prices on sales of our merchandise**. • **The short-term upward pressure on prices** due to the yen's weakness **has decreased**. We will continue to focus on developing more value-added products.

*1 Source: Household survey of spending on clothes and footwear (households of at least two people); Statistics Bureau, Ministry of Internal Affairs and Communications
*2 Source: Current Status of Unmarried People Living with Parents (2016), Statistical Research and Training Institute, Ministry of Internal Affairs and Communications

FY2023/02 Consolidated Forecast

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- **Raised full-year consolidated forecasts for net sales, operating profit, ordinary profit and net income.**
- **Revised full-year dividend forecast upward to JPY 60 in line with the basic policy of a consolidated dividend payout ratio of 30% of earnings before amortization of goodwill.**

Millions of yen

	FY2022/02	FY2023/02			
	Results	Initial forecast	Revised forecast in December 29, 2022	Ratio	YoY
Net sales	201,582	230,000	240,000	100.0%	119.1%
Gross profit	111,012	129,500	133,200	55.5%	120.0%
SG&A expenses	104,448	119,500	120,700	50.3%	115.6%
Amortization of goodwill	58	500	260	0.1%	448.3%
Operating profit	6,564	10,000	12,500	5.2%	190.4%
Ordinary profit	8,166	10,000	13,000	5.4%	159.2%
Net income attributable to owners of the parent	4,917	6,300	8,200	3.4%	166.8%
ROE	9.4%	11.3%	14.3%	-	+4.9p

Dividend per share (Yen)	55	55	60
(Interim dividend)	(25)	(25)	(25)
Dividend payout ratio	51.0%	39.8%	33.2%
(Amortization of goodwill excluded)	(50.5%)	(37.0%)	(32.2%)

*The revised forecast above incorporates changes in the financial year end of consolidated subsidiaries.
For more information, please refer to "Notice Concerning Revisions to Consolidated and Non-Consolidated Earnings Forecasts for the Fiscal Year Ended February 2023 and Upward Revision of Dividend Forecast ".

FY2023/02 Adastria non-consolidated Forecast

Millions of yen

	FY2022/02	FY2023/02		
	Results	Initial forecast	Revised forecast in December 29, 2022	YoY
Net sales	174,065	190,000	196,000	112.6%
Gross profit	95,437	104,500	106,200	111.3%
Gross profit margin	54.8%	55.0%	54.2%	- 0.6p
SG&A expenses	89,904	95,800	95,400	106.1%
SG&A expenses ratio	51.6%	50.4%	48.7%	- 3.0p
Operating profit	5,533	8,700	10,800	195.2%
Operating margin	3.2%	4.6%	5.5%	+2.3p

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