

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 29, 2024
(Six Months Ended August 31, 2023)

[Japanese GAAP]

September 29, 2023

Company name: Adastria Co., Ltd.

Stock code: 2685

Representative: Osamu Kimura, Representative Director and President

Contact: Itsuo Iwakoshi, Senior Executive Officer, General Manager of

Administration Division, Head of Corporate Planning Office

Tel: +81-3-5466-2060

Scheduled date of filing of Quarterly Report: October 13, 2023

Scheduled date of payment of dividend: October 23, 2023

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 September 29, 2023 at 15:00 (GMT +9).

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 29, 2024
(March 1, 2023 – August 31, 2023)

(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	%
Six months ended Aug. 31, 2023	132,896	18.0	10,311	85.1	10,639	72.8	7,094	82.2
Six months ended Aug. 31, 2022	112,578	21.6	5,570	781.6	6,157	296.5	3,893	767.3

Note: Comprehensive income Six months ended Aug. 31, 2023: 8,224 million yen (up 50.3%)

Six months ended Aug. 31, 2022: 5,472 million yen (up 774.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2023	156.15	-
Six months ended Aug. 31, 2022	85.96	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2023	121,523	67,956	54.7
As of Feb. 28, 2023	111,392	60,762	53.3

Reference: Shareholders' equity As of Aug. 31, 2023: 66,486 million yen As of Feb. 28, 2023: 59,407 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, 2023	-	25.00	-	35.00	60.00
Fiscal year ending Feb. 29, 2024	-	35.00	-	-	-
Fiscal year ending Feb. 29, 2024 (forecast)	-	-	-	45.00	80.00

Note: Revision to the most recently announced dividend forecast: Yes

3. Consolidated Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 – February 29, 2024)

(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	270,000	11.3	18,000	56.3	18,200	51.3	12,000	59.1	263.65

Note: Revision to the most recently announced consolidated forecast: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: -

Excluded: -

(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: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 10 for further information.

(4) Number of outstanding shares (common stock)

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

As of Aug. 31, 2023:	48,800,000 shares	As of Feb. 28, 2023:	48,800,000 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2023:	3,284,608 shares	As of Feb. 28, 2023:	3,449,391 shares
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3) Average number of shares outstanding during the period

Six months ended Aug. 31, 2023:	45,432,240 shares	Six months ended Aug. 31, 2022:	45,294,805 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 4 regarding preconditions or other related matters for the forecast shown above.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Consolidated results				(Million yen)	
	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)	YoY change (Amount)	YoY change (%)	
Net sales	112,578	132,896	20,318	18.0	
Operating profit	5,570	10,311	4,741	85.1	
Ordinary profit	6,157	10,639	4,481	72.8	
Net income attributable to owners of the parent	3,893	7,094	3,200	82.2	

During the first half (March 1 - August 31, 2023) of the current fiscal year, economic and social activity in Japan continued to return to normal due to the significant easing of restrictions on activities and foreign visitors following the downgrading of the pandemic's categorization by the Japanese government. In addition, consumer spending is continuing to recover because of the slow improvement in personal income and other reasons. The desire of consumers to buy apparel and other fashion products remains strong. The outlook for the economy is still uncertain because of the prolonged Ukraine conflict, high prices of resources and energy, foreign exchange rate movements, worldwide inflation and other reasons.

The Adastria Group has made steady progress with initiatives based on the following strategies for growth in the medium-term management plan.

Growth Strategy I Multi-Brand, Multi-Category	Grouping of brands according to roles for improved profitability and growth
Growth Strategy II Digital Customer Interactions and Services	Accelerate growth of our EC site and create a fun EC community
Growth Strategy III Glocal	Develop models in Mainland China and cultivate Southeast Asia
Growth Strategy IV New Business	Establish a food and beverage business and create new appeal

First half consolidated net sales increased 18.0% year-on-year to 132,896 million yen, operating profit increased 85.1% to 10,311 million yen, ordinary profit increased 72.8% to 10,639 million yen, and net income attributable to owners of the parent increased 82.2% to 7,094 million yen.

In the Apparel and Sundry Goods-related business, sales in Japan were up 16.0% from one year earlier. Opportunities for going out increased steadily during the first half and the rising popularity of casual apparel also contributed to sales growth. Strong sales were also due to the ability to sell merchandise that reflect seasons and new fashion trends, the successful launch of hit products, and revisions to merchandise for more added value.

There were many initiatives involving our digital strategy. Major activities include promotions linking the Adastria "Dot-ST" e-commerce website with physical stores, the sale of merchandise using popular anime and other characters and collaborations with other companies, and more merchandise of other companies to enlarge the lineup of products. As a result, the number of members of "Dot-ST" is now 16.5 million, 1 million more than at the end of the previous fiscal year. E-commerce sales increased 14.1% in part because subsidiary BUZZWIT Co., Ltd., which operates an e-commerce business, acquired and absorbed OPEN AND NATURAL Inc., a children's clothing e-commerce company that has been a consolidated subsidiary since the second quarter of the previous fiscal year.

In Mainland China, sales increased 126.5% because of the decline in the impact of the pandemic compared with the first half of the previous fiscal year and the reopening of stores. In Taiwan, sales increased 51.2% because of the smaller impact of the pandemic compared with one year earlier and the opening of stores that use the multi-brand strategy. In the United States, sales increased 10.0% despite a small slowdown in sales in the wholesale sector caused by uncertainty about the economic outlook. In Hong Kong, sales increased 27.7% mainly

because the pandemic held down sales one year earlier and performance in the current fiscal year benefited from measures to reduce sales of merchandise at discounts. As a result, total overseas sales were up 37.7%. All overseas sales information is based on conversions to yen of sales in local currencies.

In the Other segment (the food and beverage business), the economic climate is challenging because of the high cost of raw materials and utilities, the labor shortage and other adversities. Despite these challenges, sales increased 29.2% due to a slow recovery in the number of customers.

Profitability improved despite the continuing negative effects of the yen's depreciation and the rising cost of raw materials. Earnings are benefiting from the control of inventories by supplying merchandise at the right times, prices and volumes, measures to limit sales of merchandise at discounts, and revisions of prices to maintain the proper balance with the value of merchandise. In addition, there was an improvement in the gross profit margin of the Apparel and Sundry Goods-related business as a result of the temporary expiration of points due to a revision of our loyalty point program and of higher profitability in the overseas business. In the Other segment (the food and beverage business), the gross profit margin declined mainly because of the high cost of raw materials, but the consolidated gross profit margin improved 0.5 percentage points from one year earlier to 56.3%.

Selling, general and administrative expenses increased mainly because of higher salaries and other benefits for employees and increases in personnel expenses, store leasing expenses, credit card fees and other items along with sales growth. However, due to the increase in sales, the SG&A to sales ratio decreased 2.2 percentage points from one year earlier to 48.6% and operating profit increased 85.1%.

Non-operating income includes foreign exchange gains of 210 million yen and there was an extraordinary loss of 53 million yen for the impairment of store assets.

Business segment performance was as follows.

1) Apparel and Sundry Goods-related Business

As a result of the activities in this business explained earlier, sales were 126,478 million yen and segment profit was 10,581 million yen.

We opened 61 stores (including 16 overseas) and closed 18 stores (including 1 overseas), resulting in a total of 1,478 stores (including 110 overseas) at the end of the first half of the fiscal year.

2) Other (Food and Beverage Business)

Sales were 6,441 million yen and segment profit was 57 million yen.

The number of stores at the end of the first half was 74, a result of opening of 4 stores and closing of 4 stores.

(2) Explanation of Financial Position

1) Balance sheet position

Total assets increased 10,131 million yen from as of February 28, 2023 to 121,523 million yen as of August 31, 2023. There were increases of 4,919 million yen in cash and deposits, 1,630 million yen in notes and accounts receivable-trade, and 1,568 million yen in store inventories.

Liabilities increased 2,938 million yen to 53,567 million yen. There were increases of 2,770 million yen in notes and accounts payable-trade and 808 million yen in income taxes payable.

Net assets increased 7,193 million yen to 67,956 million yen. This was mainly due to a decrease of 491 million yen in treasury shares (increase in net assets), and increases of 5,496 million yen in retained earnings and 570 million yen in deferred gain or losses on hedges.

2) Cash flow position

Cash and cash equivalents (hereinafter "net cash") as of August 31, 2023 amounted to 21,270 million yen, or 4,927 million yen more than as of February 28, 2023.

A summary of cash flows from each activity during the first half of the current fiscal year is as follows:

Cash flows from operating activities

Net cash provided by operating activities totaled 11,795 million yen (compared with 5,393 million yen provided in the same period of the previous fiscal year). This was mainly due to income before income taxes of 10,585 million yen and depreciation of 4,504 million yen, while income taxes paid of 2,612 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 4,769 million yen (compared with 3,734 million yen used in the same period of the previous fiscal year). This was mainly due to the payments of 3,251 million yen for the purchase of property, plant and equipment and 1,472 million yen for the purchase of intangible assets.

Cash flows from financing activities

Net cash used in financing activities totaled 2,454 million yen (compared with 2,491 million yen used in the same period of the previous fiscal year). This was mainly due to repayments of long-term borrowings of 200 million yen, cash dividends paid of 1,597 million yen and repayments of lease obligations of 628 million yen.

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

As is explained in this earnings report, sales and earnings during the first half were strong. Due to the outlook for fiscal year sales and earnings to be higher than in the forecast announced on April 4, 2023, the forecast for the fiscal year ending in February 2024 has been revised. More information is in the September 29, 2023 press release concerning this revision posted on the corporate website.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	FY2/23 (As of Feb. 28, 2023)	Second quarter of FY2/24 (As of Aug. 31, 2023)
Assets		
Current assets		
Cash and deposits	16,380	21,299
Notes and accounts receivable-trade	12,171	13,801
Inventories	24,679	26,248
Other	2,622	2,460
Allowance for doubtful accounts	(81)	(92)
Total current assets	55,772	63,718
Non-current assets		
Property, plant and equipment		
Store interior equipment, net	6,000	6,736
Other, net	16,064	17,342
Total property, plant and equipment	22,065	24,078
Intangible assets		
Goodwill	1,331	1,219
Other	10,577	11,005
Total intangible assets	11,908	12,224
Investments and other assets		
Investment securities	1,108	1,166
Leasehold and guarantee deposits	13,545	13,690
Other	7,289	6,942
Allowance for doubtful accounts	(298)	(298)
Total investments and other assets	21,645	21,501
Total non-current assets	55,619	57,805
Total assets	111,392	121,523
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,280	16,050
Electronically recorded obligations-operating	6,990	6,441
Short-term borrowings	197	-
Current portion of long-term borrowings	375	423
Accounts payable-other	12,114	11,702
Income taxes payable	2,970	3,779
Provision for bonuses	2,112	2,736
Provision for point card certificates	160	108
Other provisions	779	299
Other	5,008	4,744
Total current liabilities	43,989	46,285
Non-current liabilities		
Long-term borrowings	554	507
Provisions	-	62
Other	6,084	6,712
Total non-current liabilities	6,639	7,281
Total liabilities	50,629	53,567

(Million yen)

	FY2/23 (As of Feb. 28, 2023)	Second quarter of FY2/24 (As of Aug. 31, 2023)
Net assets		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	7,213	7,213
Retained earnings	55,968	61,464
Treasury shares	(7,286)	(6,795)
Total shareholders' equity	58,555	64,542
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95	134
Deferred gains or losses on hedges	(120)	450
Foreign currency translation adjustment	877	1,358
Total accumulated other comprehensive income	852	1,943
Non-controlling interests	1,355	1,470
Total net assets	60,762	67,956
Total liabilities and net assets	111,392	121,523

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Six-month Period)

(Million yen)

	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Net sales	112,578	132,896
Cost of sales	49,797	58,034
Gross profit	62,780	74,861
Selling, general and administrative expenses	57,210	64,549
Operating profit	5,570	10,311
Non-operating income		
Foreign exchange gains	460	210
Insurance claim income	-	101
Subsidy income	182	22
Subsidies for employment adjustment	37	-
Other	140	155
Total non-operating income	819	489
Non-operating expenses		
Interest expenses	85	123
Loss on valuation of derivatives	106	-
Other	40	38
Total non-operating expenses	232	161
Ordinary profit	6,157	10,639
Extraordinary losses		
Impairment loss	10	53
Total extraordinary losses	10	53
Net income before income taxes	6,146	10,585
Income taxes-current	1,962	3,398
Income taxes-deferred	1	53
Total income taxes	1,963	3,452
Net income	4,183	7,133
Net income attributable to non-controlling interests	289	39
Net income attributable to owners of the parent	3,893	7,094

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

(Million yen)

	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Net income	4,183	7,133
Other comprehensive income		
Valuation difference on available-for-sale securities	79	38
Deferred gains or losses on hedges	684	570
Foreign currency translation adjustment	526	481
Total other comprehensive income	1,289	1,090
Comprehensive income	5,472	8,224
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,091	8,117
Comprehensive income attributable to non-controlling interests	381	106

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Cash flows from operating activities		
Net income before income taxes	6,146	10,585
Depreciation	3,935	4,504
Impairment loss	10	53
Amortization of goodwill	121	112
Interest and dividend income	(6)	(13)
Interest expenses	85	123
Increase (decrease) in allowance for doubtful accounts	5	10
Increase (decrease) in provision for bonuses	242	615
Increase (decrease) in provision for point card certificates	(139)	(51)
Decrease (increase) in trade receivables	(2,072)	(1,521)
Decrease (increase) in inventories	(1,690)	(1,331)
Increase (decrease) in trade payables	2,408	2,092
Increase (decrease) in accounts payable-other	(175)	(999)
Increase (decrease) in accrued consumption taxes	(59)	227
Other, net	(498)	103
Subtotal	8,314	14,511
Interest and dividends received	8	19
Interest paid	(85)	(123)
Income taxes paid	(2,843)	(2,612)
Net cash provided by (used in) operating activities	5,393	11,795
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,712)	(3,251)
Purchase of intangible assets	(1,614)	(1,472)
Purchase of investment securities	(20)	(9)
Payments of leasehold and guarantee deposits	(415)	(522)
Proceeds from refund of leasehold and guarantee deposits	1,890	572
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(839)	-
Other, net	(23)	(84)
Net cash provided by (used in) investing activities	(3,734)	(4,769)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(165)	(200)
Proceeds from long-term borrowings	200	200
Repayments of long-term borrowings	(521)	(200)
Dividends paid	(1,369)	(1,597)
Purchase of treasury shares	(92)	(35)
Repayments of lease obligations	(493)	(628)
Other, net	(49)	8
Net cash provided by (used in) financing activities	(2,491)	(2,454)
Effect of exchange rate change on cash and cash equivalents	609	355
Net increase (decrease) in cash and cash equivalents	(222)	4,927
Cash and cash equivalents at beginning of period	16,863	16,343
Cash and cash equivalents at end of period	16,640	21,270

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in the Scope of Consolidation or Application of the Equity Method

Important changes in the scope of consolidation

In the second quarter of the current fiscal year, OPEN AND NATURAL Inc., which was a consolidated subsidiary of Adastria, was excluded from the scope of consolidation since this company was absorbed by BUZZWIT Co., Ltd., which became the surviving company, after which OPEN AND NATURAL was dissolved as of July 1, 2023.

Changes in Accounting Policies

Application of the Implementation Guidance on Accounting Standard for Measurement of Fair Value

The Company has applied the Implementation Guidance on Accounting Standard for Measurement of Fair Value (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Implementation Guidance on Accounting Standard for Measurement of Fair Value prospectively in accordance with the transitional treatment in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Measurement of Fair Value. There is no effect of the application of this guidance on the quarterly consolidated financial statements.

Additional Information

Accounting treatment and disclosure method when the group tax sharing system is used

Beginning with the first quarter of the current fiscal year, Adastria and some of its consolidated subsidiaries in Japan have changed from the single-entity tax system to the group tax sharing system. Due to this change, the accounting treatment and disclosure of corporate income taxes, local corporate income taxes and tax effect accounting are as prescribed in Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Issues Task Force (PITF) No. 42, August 12, 2021).

Segment Information

I. First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)

1. Information related to net sales and profit or loss for each reportable segment

(Million yen)

	Reportable segment	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Apparel and Sundry Goods-related Business				
Net sales					
External sales	107,610	4,968	112,578	-	112,578
Inter-segment sales and transfers	0	17	18	(18)	-
Total	107,610	4,985	112,596	(18)	112,578
Segment profit	5,869	288	6,157	-	6,157

Notes: 1. "Other" represents the businesses which are not included in the reportable segment and mainly consists of Food and Beverage Business.

2. The amount of adjustment to segment profit is an adjustment to unrealised profit related to inter-segment transactions.

3. The segment profit is consistent with the ordinary profit of the Quarterly Consolidated Statement of Income.

4. The segment profit includes corporate expenses that are allocated to each reportable segment.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)

1. Information related to net sales and profit or loss for each reportable segment

(Million yen)

	Reportable segment	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Apparel and Sundry Goods-related Business				
Net sales					
External sales	126,477	6,418	132,896	-	132,896
Inter-segment sales and transfers	1	22	23	(23)	-
Total	126,478	6,441	132,920	(23)	132,896
Segment profit	10,581	57	10,639	-	10,639

Notes: 1. "Other" represents the businesses which are not included in the reportable segment and mainly consists of Food and Beverage Business.

2. The amount of adjustment to segment profit is an adjustment to unrealized profit related to inter-segment transactions.

3. The segment profit is consistent with the ordinary profit of the Quarterly Consolidated Statement of Income.

4. The segment profit includes corporate expenses that are allocated to each reportable segment.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

3. Supplementary Information

(1) Sales for Brands and Regions

Brand / region		First six months of FY2/24		YoY change (%)
		Sales (million yen)	Composition (%)	
	GLOBAL WORK	25,231	19.0	16.9
	niko and ...	16,321	12.3	13.0
	studio CLIP	11,215	8.4	13.8
	LOWRYS FARM	11,141	8.4	11.2
	LEPSIM	6,735	5.1	7.5
	JEANASiS	5,680	4.3	20.7
	BAYFLOW	5,277	4.0	8.9
	LAKOLE	5,263	4.0	48.6
	Others	17,932	13.4	14.5
Total (Adastria)		104,798	78.9	15.3
BUZZWIT Co., Ltd. (Note 3)		5,526	4.2	35.3
ELEMENT RULE Co., Ltd.		5,311	4.0	7.8
Other consolidated subsidiaries		427	0.2	312.6
Total (Japan)		116,063	87.3	16.0
	Hong Kong	1,745	1.3	27.7
	Mainland China	1,968	1.5	126.5
	Taiwan	2,769	2.1	51.2
	Thailand	83	0.1	-
	USA	3,846	2.9	10.0
Total (Overseas)		10,413	7.9	37.7
Total (Apparel and Sundry Goods-related Business)		126,477	95.2	17.5
	Zetton, Inc. (Note 4)	6,203	4.7	32.4
	ADASTRIA eat Creations Co., Ltd.	215	0.1	(24.1)
Total (Food and Beverage Business)		6,418	4.8	29.2
Total (Group)		132,896	100.0	18.0

- 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.
3. Sales of BUZZWIT Co., Ltd. include sales of its consolidated subsidiary OPEN AND NATURAL, Inc. An absorption-type merger was carried out with BUZZWIT Co., Ltd. as the surviving company and OPEN AND NATURAL, Inc. as the dissolving company as of 1 July 2023.
4. Sales of Zetton, Inc. include sales of its consolidated subsidiary ZETTON, INC (USA Business).

(2) Sales for Merchandise Categories

Category	First six months of FY2/24		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	19,604	14.8	16.0
Lady's apparel (bottoms, tops)	80,628	60.7	16.2
Others	32,663	24.5	24.1
Total	132,896	100.0	18.0

- 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, 2023	First six months of FY2/24				As of Aug. 31, 2023
			Opened	Changed	Closed	Increase /decrease	
	GLOBAL WORK	205	8	-	(2)	6	211
	niko and ...	141	2	-	(1)	1	142
	studio CLIP	174	7	-	(1)	6	180
	LOWRYS FARM	129	2	-	(2)	-	129
	LEPSIM	114	1	-	(1)	-	114
	JEANASiS	71	-	-	-	-	71
	BAYFLOW	61	1	-	(1)	-	61
	LAKOLE	63	8	-	-	8	71
	Others	264	6	-	(4)	2	266
	Total (Adastria)	1,222	35	-	(12)	23	1,245
	BUZZWIT Co., Ltd. (Note 3)	29	1	-	(2)	(1)	28
	ELEMENT RULE Co., Ltd.	81	5	-	(3)	2	83
	Other consolidated subsidiaries	8	4	-	-	4	12
	Total (Japan)	1,340	45	-	(17)	28	1,368
	Hong Kong	21	1	-	(1)	-	21
	Mainland China	13	1	-	-	1	14
	Taiwan	52	12	-	-	12	64
	Thailand	-	1	-	-	1	1
	USA	9	1	-	-	1	10
	Total (Overseas)	95	16	-	(1)	15	110
	Total (Apparel and Sundry Goods-related Business)	1,435	61	-	(18)	43	1,478
	Zetton, Inc. (Note 4)	71	4	-	(1)	3	74
	ADASTRIA eat Creations Co., Ltd.	3	-	-	(3)	(3)	-
	Total (Food and Beverage Business)	74	4	-	(4)	-	74
	Total (Group)	1,509	65	-	(22)	43	1,552

- 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.
3. The number of stores of BUZZWIT Co., Ltd. includes sales of its consolidated subsidiary OPEN AND NATURAL Inc. An absorption-type merger was carried out with BUZZWIT Co., Ltd. as the surviving company and OPEN AND NATURAL, Inc. as the dissolving company as of 1 July 2023.
4. The number of stores of Zetton, Inc. includes sales of its consolidated subsidiary ZETTON, INC (USA Business).

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.