

Brief summary of Consolidated Fiscal 2018/02 1st Quarter Financial Results

June 30, 2017

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I . News & Topics

Brand Topics

GLOBAL WORK

Net sales: 9.8 billion yen (109.8% YoY)

- Ladies, Kids categories performed well
 - Increased fashionable element
 - Expanded into junior size for kids products



- First brand cafe opened
 “GLOBAL WORK CAFE” opened at GLOBAL WORK store at AEON MALL Hamamatsuichino



GLOBAL WORK CAFE



niko and ...

Net sales: 6.5 billion yen (117.8% YoY)

- E-commerce maintained high growth
- 10 year anniversary promotion
- Start large store’s shopping center version
 - Applied the concept and product lineup of the flagship store “niko and ... TOKYO” into renewal opened LaLaport TOKYO-BAY store, which is expanded and renovated.
 - Plan to use the same strategy on large store expansion at SC to target higher sales.

niko and...LaLaport TOKYO-BAY

Brand Topics

BAYFLOW

Net sales: 1.9 billion yen (163.3% YoY)

- Pop-up store at “GREENROOM FESTIVAL” (surf culture advocating music and art event)
 - Customers lined up for the festival limited items
- Awarded “Best New Brand” “The 19th Developer & Tenant Award” hosted by Senken News



HARE

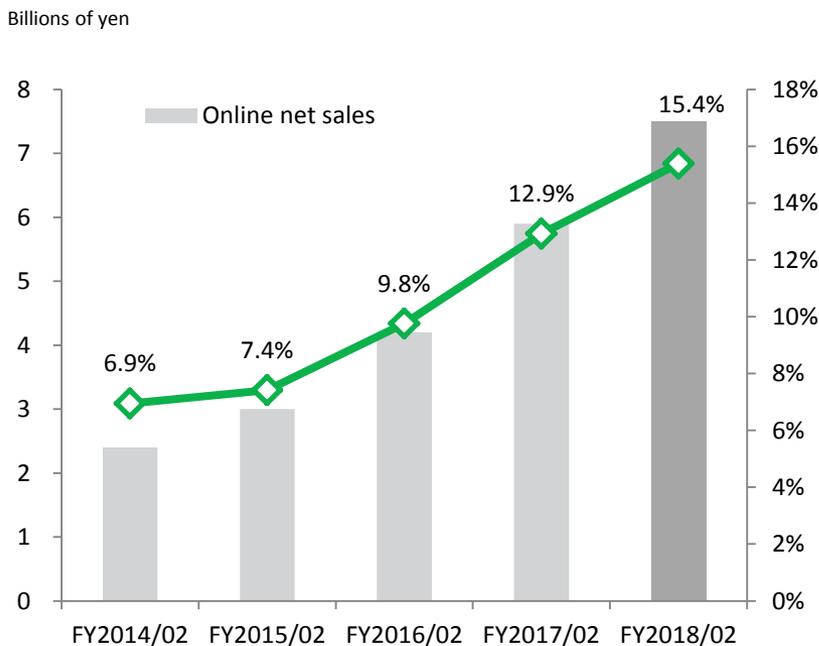
- “Amazon Fashion Week TOKYO” debut
 - One of the top five fashion weeks around the world
 - Implemented “SEE NOW BUY NOW”
Live streaming on the company owned E-commerce website [.st], part of the collections could be ordered while the show was broadcasting

Online Business

Net sales: 7.5 billion yen (127.0% YoY)

Online sales ratio of total Japan sales: 15.4% (company owned E-commerce site ratio: approx. 8%)

Members of [.st] : approx. 5.9 million (+0.3m compared with the end of FY2018/02)

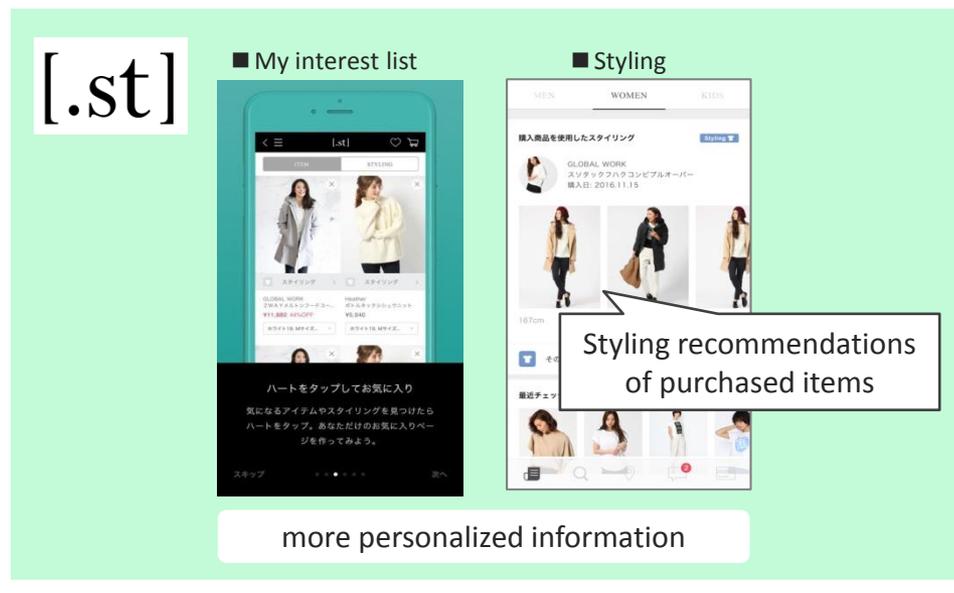


* FY2014/02 figures include TRINITY ARTS INC.

* Sales and ratio figures has been revised from the past due to the booking rule change for sales of company owned E-commerce site

Expand company owned E-commerce site [.st]

- The ratio of premium members increased after the benefits policy renewal
- Sales from smart phone app increased after the [.st] app renewal





Ⅱ . FY2018/02 1st quarter financial results

Consolidated Income Statement

Millions of yen

	FY2017/02 1Q		FY2018/02 1Q		
	Results		Results		
		Ratio		Ratio	YoY
Net sales	48,552	100.0%	54,066	100.0%	111.4%
Adastria(Non-consolidated)	46,222	95.2%	49,261	91.1%	106.6%
Overseas *1	2,708	5.6%	2,627	4.9%	97.0%
ALICIA *2	-	-	2,517	4.7%	-
Gross profit	29,727	61.2%	32,089	59.4%	107.9%
SG&A expenses	24,502	50.5%	28,092	52.0%	114.6%
Advertising & promotion	1,728	3.6%	2,067	3.8%	119.7%
Personnel	8,366	17.2%	8,890	16.4%	106.3%
Rent & depreciation	9,570	19.7%	11,193	20.7%	117.0%
Amortization of goodwill	546	1.1%	591	1.1%	108.3%
Others	4,291	8.8%	5,349	9.9%	124.6%
Operating income	5,224	10.8%	3,996	7.4%	76.5%
Adastria(non-consolidated, before amortization of goodwill)	5,905	-	4,783	-	81.0%
Overseas *1	-407	-	-440	-	-
ALICIA (before amortization of goodwill) *2	-	-	122	-	-
Adastria Logistics	156	-	169	-	108.3%
Ordinary income	5,284	10.9%	4,056	7.5%	76.8%
Net income	2,983	6.1%	5,383	10.0%	180.5%
EBITDA	7,113	14.7%	6,167	11.4%	86.7%
Depreciation and amortization	1,342	2.8%	1,579	2.9%	117.6%
Amortization of goodwill	546	1.1%	591	1.1%	108.3%

*1 : Overseas business is the sum of five overseas subsidiaries: Hong Kong, Taiwan, China, Singapore, Korea.

*2 : The sales and profit of ALICIA Co.,Ltd. 's is recorded from FY2018/1Q.

Consolidated Income Statement Highlights

- **Net sales: 54.0 billion yen (111.4% YoY)**
 - Nets sales of existing stores in Japan were 102.6.% year on year.
Solid performances by brands such as niko and... , BAYFLOW, studio,CLIP, GLOBAL WORK
 - Sales from ALICIA Co.,Ltd. is recorded from this quarter.
- **Gross profit margin: 59.4% (-1.8p YoY)**
 - The price discount rate increased for the spring inventory reduction, resulting in the controllable level of the inventory.
- **SG&A expense ratio: 52.0% (+1.5p YoY)**
 - Advertising & promotion: 3.8% (+ 0.3p YoY) TVCM and other promotions increased.
 - Personnel: 16.4% (-0.8p YoY) performance related bonus reversal of the last 2H fiscal
 - Rent & depreciation: 20.7% (+ 1.0p YoY) 0.4 billion yen of headquarter moving cost, number of store opened increased.
 - Others: 9.9% (+ 1.1p) delivery expenses, system licensing fee, etc. increased.
- **Operating income: 3.9 billion yen (76.5% YoY)**
 - Operating margin: 7.4% (-3.4p YoY), EBITDA margin: 11.4% (-3.3p)
- **Net income: 5.3 billion yen (180.5% YoY)**
 - 4.3 billion yen gain on sales of investment securities was recorded as extraordinary income.

Non-consolidated Income Statement

Millions of yen

	FY2017/02	FY2018/02	
	Results	Results	
			YoY
Net sales	46,222	49,261	106.6%
(Existing stores YoY)	(104.7%)	(102.6%)	-
GLOBAL WORK	8,992	9,871	109.8%
niko and...	5,591	6,584	117.8%
LOWRYS FARM	6,137	6,055	98.7%
studio CLIP	4,853	5,444	112.2%
LEPSIM	3,842	3,759	97.8%
Gross profit	28,297	29,269	103.4%
Gross margin	61.2%	59.4%	- 1.8p
SG&A expenses (before amortization of goodwill)	22,392	24,486	109.4%
SG&A ratio	48.4%	49.7%	+1.3p
Operating income (before amortization of goodwill)	5,905	4,783	81.0%
Operating margin	12.8%	9.7%	- 3.1p
Opened	31	59	
Closed	1	5	
Renovated	30	25	
As of the end of fiscal year	1,250	1,297	

Overseas Business

Millions of yen

	FY2017/02 1Q	FY2018/02 1Q		
	Results	Results		
			YoY (JPY)	YoY (Local currency)
Net sales	2,708	2,627	97.0%	98.2%
Hong Kong	1,677	1,578	94.1%	95.4%
China	454	437	96.2%	104.1%
Korea	181	191	105.5%	102.8%
Taiwan	395	420	106.4%	101.6%
Singapore	0	-	-	-
Operating income	-407	-440	-	-
Hong Kong	-214	-283	-	-
China	-109	-95	-	-
Korea	-115	-68	-	-
Taiwan	27	7	26.5%	25.3%
Singapore	4	-	-	-

Consolidated Balance Sheet

Millions of yen

Consolidated	End of 2016/5		End of 2017/2		End of 2016/5			
		Ratio		Ratio		Ratio	Compared with the end of 2016/5	Compared with the end of 2017/2
Current assets	40,450	46.5%	48,178	53.3%	48,078	50.3%	7,628	-99
Cash and deposits	9,070	10.4%	20,734	22.9%	12,130	12.7%	3,059	-8,603
Inventories	16,602	19.1%	16,351	18.1%	18,954	19.8%	2,352	2,603
Fixed assets	46,583	53.5%	42,210	46.7%	47,507	49.7%	923	5,296
Property, plant and equipment	11,684	13.4%	10,444	11.6%	12,537	13.1%	852	2,092
Goodwill	4,947	5.7%	3,309	3.7%	7,205	7.5%	2,258	3,896
Investments and other assets	28,419	32.7%	26,213	29.0%	25,065	26.2%	-3,354	-1,147
Total assets	87,033	100.0%	90,389	100.0%	95,585	100.0%	8,551	5,196
Liabilities	32,145	36.9%	34,353	38.0%	38,477	40.3%	6,331	4,123
Interest-bearing debt	1,743	2.0%	2,027	2.2%	2,544	2.7%	800	516
Net assets	54,888	63.1%	56,035	62.0%	57,108	59.7%	2,220	1,073
Treasury stocks	-1835	-2.1%	-4,645	-5.1%	-4,647	-4.9%	-2,811	-1

- Cash and deposits: 2.2 billion yen net cash increased compared with the end of 2016/05.
- Inventories: 103.7% compared with the end of 2016/05 on the non-consolidated basis.
- Fixed assets: 1 billion yen goodwill of ALICIA and approximately 3.3 billion yen goodwill of Velvet are newly recorded. Investments and other assets decreased due to the sale of investment securities.
- Net assets : Net assets ratio maintained steady level at 59.7%.

* The goodwill amount of Velvet, LLC is preliminary estimation

Number of Stores

	FY2017/02	FY2018/02 1Q				
	Fiscal year end	Increased *1 *3	Opened	Changed	Closed	end of 1Q
GLOBAL WORK	192	-	9	0	-1	200
niko and ...	129	-	6	0	-1	134
LOWRYS FARM	152	-	4	0	0	156
studio CLIP	182	-	8	0	0	190
LEPSIM	134	-	7	0	0	141
JEANASIS	80	-	2	0	0	82
RAGEBLUE	58	-	0	0	0	58
BAYFLOW	32	-	4	0	0	36
Others	284	-	19	0	-3	300
Adastria Japan total	1,243	-	59	0	-5	1,297
(Web store included)	(39)	-	(5)	(0)	(0)	(44)
ARICIA total	-	113	1	0	-2	112
(Web store included)	-	(6)	(0)	(0)	(0)	(6)
Japan total	1,243	113	60	0	-7	1,409
(Web store included)	(39)	(6)	(5)	(0)	(0)	(50)
Hong Kong	25	-	0	0	-1	24
China	45	-	1	0	-3	43
Taiwan	29	-	0	0	0	29
Korea	9	-	0	0	0	9
US	-	9	0	0	0	9
Oversea total	108	9	1	0	-4	114
(Web store included)	(8)	(1)	(0)	(0)	(0)	(9)
Consolidated total	1,351	122	61	0	-11	1,523

*1 : The sales and profit of ALICIA Co.,Ltd. is recorded from FY2018/1Q.

*2 : Distributor (20 stores as of the end of FY2018/1Q) are included.

*3 : Velvet, LLC 's balance sheet is consolidated from FY2018/1Q.

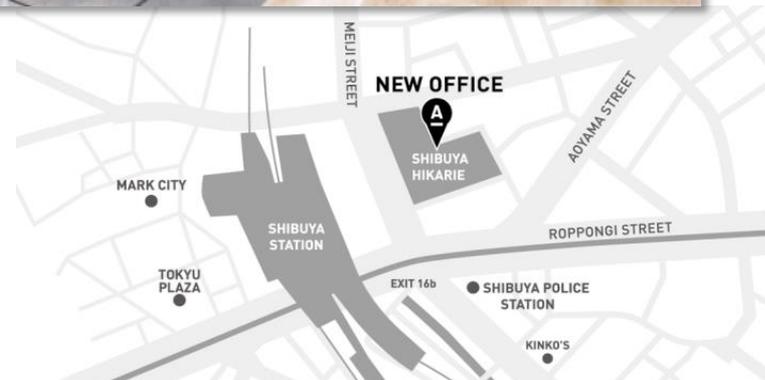
FY2018/02 Forecast (Consolidated)

Same as announced
at April 4, 2017

(Consolidated)	FY2017/02			FY2018/02 forecast						
	Results			1H		2H		Full-year		
	1H	2H	Full-year		YoY		YoY		Ratio	YoY
Net sales	97,726	105,960	203,686	110,300	112.9%	122,700	115.8%	233,000	100.0%	114.4%
Operating income	8,054	6,861	14,916	5,500	68.3%	9,500	138.5%	15,000	6.4%	100.6%
Ordinary income	8,050	7,075	15,126	5,500	68.3%	9,400	132.9%	14,900	6.4%	98.5%
Net income	4,848	6,726	11,575	5,900	121.7%	6,000	89.2%	11,900	5.1%	102.8%
ROE	-	-	21.2%	-		-	-	19.8%	-	- 1.4p
EBITDA	11,903	11,124	23,028	9,600	80.7%	14,000	125.9%	23,600	10.1%	102.5%
Depreciation & Amortization	2,757	3,171	5,928	2,900	105.2%	3,300	104.1%	6,200	2.7%	104.6%
Amortization of goodwill	1,092	1,092	2,184	1,200	109.9%	1,200	109.9%	2,400	1.0%	109.9%

New Headquarter Office

New headquarter office starts from July, 2017



業績予想の適切な利用に関する説明

本資料に記載されている業績見通し等の将来に関する記述は、当社が現在入手している情報及び合理的であると判断する一定の前提に基づいており、実際の業績等は今後様々な要因によって大きく異なる結果となる可能性があります。

その他留意事項

資料内の数値は百万円未満を切り捨て表示し、百分率は元データから算出しております。

A D A S T R I A
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