

# Brief summary of Consolidated Fiscal 2018/02 3rd Quarter Financial Results

December 28, 2017

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# I . News & Topics

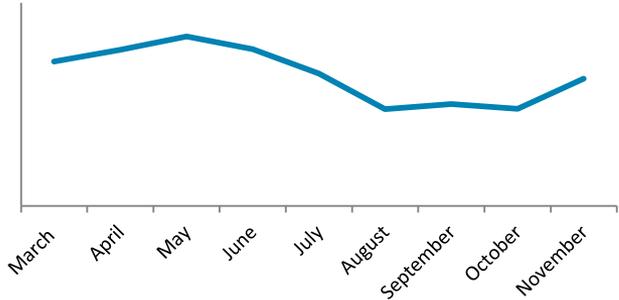
# Brand Topics

## GLOBAL WORK

Nine months net sales: 28.8 billion yen (101.5% YoY)

- Sales has been recovered modestly in 3rd quarter.
- The largest store in Japan, CANAL CITY HAKATA, opened in December.
  - Full product lineup in the 1,400 m<sup>2</sup> /two floors store
  - The first “GLOBAL WORK CAFE” in west Japan is attached.

Existing store sales YoY(%)  
three-month moving average



## niko and ...

Nine months net sales: 20.8 billion yen (116.5% YoY)

### ■ Strong performance of men category

- Nine months net sales is more than 150% year on year.
- Adding personnel to strengthen product planning
- Increasing common material with women category to improve the value of products
- Increasing marketing to raise brand awareness



### ■ Collaboration with worldwide franchise

- “minions” collaboration products helped to increase number of customers.
- “new balance "collaboration also created the buzz.



### ■ 10 year anniversary video

- Promotion video has been played in the stores nationwide and on TV in September



# Brand Topics



Nine months net sales: 18.0 billion yen (110.2% YoY)

- Strong performance of online-limited size products
- Net sales of Christmas goods is more than 120% year on year.



## repipi armario

- Launched in 2010 targeting junior high school girls
  - Ranked as top one favorite fashion brand for eight years in the row, in the survey conducted by teen magazine "nicola"
- Existing store sales stays more than 110% year on year for this fiscal year.
  - Gaining popularity because of affordable pricing ,seasonal products, and SNS marketing

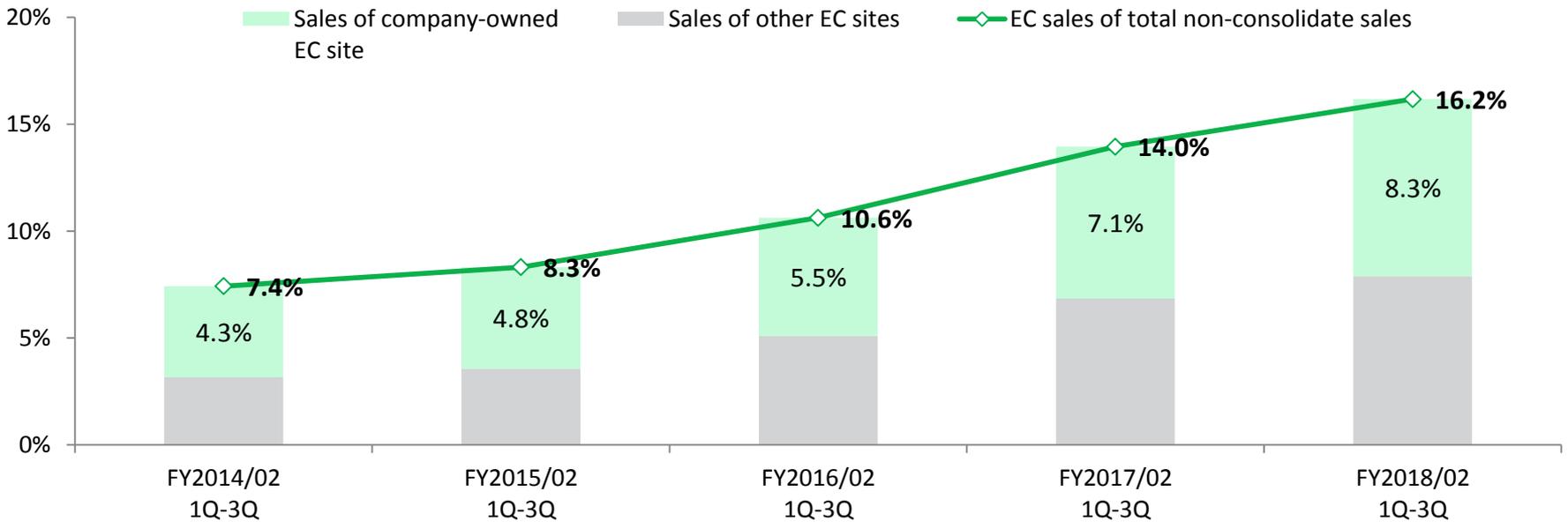


# Online Business

Nine months net sales: 23.8 billion yen (119.9% YoY)

Online sales ratio of total non-consolidated sales : 16.2% (company-owned EC site 8.3%)

- Members of company's e-commerce website [.st]: approx. 6.6 million(+1m from 9 months ago)
  - Rewards program connecting online and offline stores contributed .



- 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.

# IT System Update

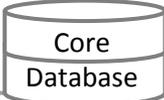
## What to accomplish

## Schedule

### Infra-structure system

- Stabilize the system
- Integrate with acquired companies
- Connect data with vendors such as factories
- Real-time synchronize inventory/rewarded point data
- Strengthen security
- Adjust for new business

Start cutover function by function from FY2019/02



### Global EC

- Japan
- Improve capacity for sales increase
  - Adjust to be compatible for more devices
  - Reinforce for omni channel
- Overseas
- Start company-owned EC site in Taiwan

Japan

- Schedule to launch in FY2019/02

Overseas

- Start in Spring 2018





## II ■ FY2018/02 3rd Quarter Financial Results

# Consolidated Income Statement

Millions of yen

Consolidated	FY2017/02 Q3				FY2018/02 Q3					
	Nine Months Ended		Three Months Ended		Nine Months Ended			Three Months Ended		
		Ratio		Ratio		Ratio	YoY		Ratio	YoY
Net sales	148,925	100.0%	51,198	100.0%	163,269	100.0%	109.6%	55,476	100.0%	108.4%
Aadstria(Non-consolidated)	142,369	95.6%	48,954	95.6%	147,297	90.2%	103.5%	49,972	90.1%	102.1%
Overseas *1 *2	7,871	5.3%	2,614	5.1%	10,190	6.2%	129.5%	3,959	7.1%	151.5%
ALICIA *3	-	-	-	-	6,961	4.3%	-	1,903	3.4%	-
Gross profit	87,456	58.7%	30,910	60.4%	92,176	56.5%	105.4%	32,076	57.8%	103.8%
SG&A expenses	73,823	49.6%	25,332	49.5%	85,286	52.2%	115.5%	29,219	52.7%	115.3%
Advertising & promotion	4,889	3.3%	1,918	3.7%	6,037	3.7%	123.5%	2,576	4.6%	134.3%
Personnel	25,149	16.9%	8,368	16.3%	28,116	17.2%	111.8%	9,470	17.1%	113.2%
Rent & depreciation	29,410	19.7%	10,086	19.7%	33,577	20.6%	114.2%	11,255	20.3%	111.6%
Amortization of goodwill	1,638	1.1%	546	1.1%	2,008	1.2%	122.6%	706	1.3%	129.4%
Others	12,736	8.6%	4,412	8.6%	15,546	9.5%	122.1%	5,210	9.4%	118.1%
Operating income	13,632	9.2%	5,578	10.9%	6,890	4.2%	50.5%	2,856	5.1%	51.2%
Aadstria (Non-consolidated) (before amortization of goodwill )	14,911	-	5,990	-	9,267	-	62.2%	3,821	-	63.8%
Overseas (before amortization of goodwill ) *1 *2	▲ 394	-	▲ 59	-	▲ 1,127	-	-	▲ 262	-	-
ALICIA (before amortization of goodwill ) *3	-	-	-	-	18	-	-	▲ 166	-	-
Aadstria Logistics	497	-	135	-	558	-	-	157	-	116.2%
Ordinary income	13,800	9.3%	5,749	11.2%	7,238	4.4%	52.4%	3,094	5.6%	53.8%
Net income	11,172	7.5%	6,324	12.4%	6,594	4.0%	59.0%	1,557	2.8%	24.6%
EBITDA	19,511	13.1%	7,607	14.9%	13,849	8.5%	71.0%	5,248	9.5%	69.0%
Depreciation and amortization	4,240	2.8%	1,483	2.9%	4,951	3.0%	116.8%	1,684	3.0%	113.6%
Amortization of goodwill	1,638	1.1%	546	1.1%	2,008	1.2%	122.6%	706	1.3%	129.4%

\*1 : Oversea business is the sum of 6 overseas subsidiaries: Hong Kong, Taiwan, China, Singapore, Korea, USA.

\*2 : The sales and profit of Aadstria USA, Inc. is recorded from FY2018/2Q.

\*3 : The sales and profit of ALICIA Co.,Ltd. is recorded from FY2018/1Q.

# Consolidated Income Statement Highlights

(Three months ended November 30, 2017)

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■ **Net sales: 55.4 billion yen (108.4% YoY)**

Nets sales of existing stores in Japan is 99.2% year on year.

Brands such as niko and..., repipi armario, BAYFLOW contributed.

■ **Gross profit ratio: 57.8% (-2.6p YoY)**

Price discount rate increased on both Japan and overseas.

Cost ratio increased.

■ **SG&A expense ratio: 52.7% (+3.2p YoY)**

- Advertising & promotion: 4.6% (+0.9p YoY) Marketing for core brand increased.

- Personnel: 17.1% (+0.8p YoY) Ratio of store and subsidiaries personnel cost increased.

- Rent & depreciation: 20.3% (+0.6p YoY) Rent ratio of subsidiaries increased.

- Others: 9.4% (+0.8p YoY) Delivery and IT system cost increased.

■ **Operating income: 2.8 billion yen (51.2% YoY)**

Operating margin: 5.1% (-5.8p YoY), EBITDA margin: 9.5% (-5.4p YoY)

■ **Net income: 1.5 billion yen (24.6% YoY)**

3.7 billion yen gain on sale of investment securities is recorded as extraordinary income in last fiscal year 3rd quarter.

# Non-consolidated Income Statement

Millions of yen

(non-consolidated)	FY2017/02 Q3		FY2018/02 Q3			
	Nine Months Ended	Three Months Ended	Nine Months Ended		Three Months Ended	
				YoY		YoY
Net sales	142,369	48,954	147,297	103.5%	49,972	102.1%
(Existing stores YoY)	102.5%	103.0%	99.7%	-	99.2%	-
Global Work *1	28,387	10,023	28,806	101.5%	9,978	99.5%
niko and...	17,871	6,242	20,820	116.5%	7,211	115.5%
studio CLIP	16,356	5,345	18,024	110.2%	5,620	105.1%
LOWRYS FARM *1	18,767	6,785	17,030	90.7%	5,879	86.7%
LEPSIM	11,716	3,975	11,413	97.4%	3,969	99.9%
Gross profit	82,644	29,366	82,673	100.0%	28,913	98.5%
Gross margin	58.0%	60.0%	56.1%	▲ 1.9p	57.9%	▲ 2.1p
SG&A expenses (before amortization of goodwill )	67,733	23,376	73,405	108.4%	25,091	107.3%
SG&A ratio	47.6%	47.8%	49.8%	+2.3p	50.2%	+2.5p
Operating income (before amortization of goodwill )	14,911	5,990	9,267	62.2%	3,821	63.8%
Operating margin	10.5%	12.2%	6.3%	▲ 4.2p	7.6%	▲ 4.6p

Number of stores	FY2017/02 Q3		FY2018/02 Q3	
Opened	72	34	98	27
Closed	26	5	24	8
Renovated	61	20	59	29
As of the end of fiscal year	1,266	1,266	1,317	1,317

\*1 : Since the operation of 12 outlet stores has been transferred to brands from FY2018/3Q, net sales numbers has been adjusted for both FY2017/Q3 and FY 2018/Q3.

# Overseas Business

Millions of yen

	FY2017/02 Q3		FY 2018/02 Q3					
	Nine Months Ended	Three Months Ended	Nine Months Ended			Three Months Ended		
				YoY (JPY)	YoY (Local currency)		YoY (JPY)	YoY (Local currency)
Net sales	7,871	2,614	10,190	129.5%	126.3%	3,959	151.5%	143.1%
Hong Kong	4,842	1,592	4,519	93.3%	90.9%	1,536	96.5%	90.0%
China	1,344	454	1,410	104.9%	105.7%	515	113.4%	105.4%
Korea	581	218	714	122.8%	116.6%	282	129.3%	120.7%
Taiwan	1,102	349	1,207	109.5%	99.5%	400	114.8%	100.7%
Singapore	-	-	-	-	-	-	-	-
USA	-	-	2,338	-	-	1,224	-	-
Operating income (before amortization of goodwill )	▲ 394	▲ 59	▲ 1,127	-	-	▲ 262	-	-
Hong Kong	▲ 194	▲ 41	▲ 517	-	-	▲ 174	-	-
China	▲ 147	▲ 6	▲ 224	-	-	▲ 17	-	-
Korea	▲ 177	▲ 34	▲ 133	-	-	▲ 39	-	-
Taiwan	120	23	84	69.9%	63.5%	14	62.2%	52.8%
Singapore	4	-	-	-	-	-	-	-
USA (before amortization of goodwill )	-	-	▲ 337	-	-	▲ 45	-	-

# Consolidated Balance Sheet

Millions of yen

Consolidated	End of 2016/11		End of 2017/02		End of 2017/11			
		Ratio		Ratio		Ratio	YoY	Compared with the end of 2017/02
Current assets	48,666	53.3%	48,178	53.3%	53,553	53.9%	+4,887	+5,374
Cash and deposits	10,660	11.7%	20,734	22.9%	11,580	11.7%	+919	▲ 9,153
Inventories	20,743	22.7%	16,351	18.1%	22,998	23.2%	+2,255	+6,646
Fixed assets	42,611	46.7%	42,210	46.7%	45,758	46.1%	+3,147	+3,548
Property, plant and equipment	11,482	12.6%	10,444	11.6%	12,500	12.6%	+1,018	+2,055
Goodwill	3,855	4.2%	3,309	3.7%	5,707	5.7%	+1,852	+2,398
Investments and other assets	25,454	27.9%	26,213	29.0%	23,469	23.6%	▲ 1,984	▲ 2,743
Total assets	91,277	100.0%	90,389	100.0%	99,312	100.0%	+8,034	+8,923
Liabilities	35,843	39.3%	34,353	38.0%	42,701	43.0%	+6,858	+8,347
Interest-bearing debt	1,564	1.7%	2,027	2.2%	2,862	2.9%	+1,298	+835
Net assets	55,434	60.7%	56,035	62.0%	56,610	57.0%	+1,176	+575
Treasury stocks	▲ 4,643	▲ 5.1%	▲ 4,645	▲ 5.1%	▲ 4,650	▲ 4.7%	▲ 7	▲ 4

- Inventories: 110.9% year on year on consolidated basis due to the consolidation of new subsidiaries. 103.1% year on year on non-consolidated basis, about the same level of sales increase.
- Fixed assets : Recorded goodwill of ALICIA(1 billion yen) in the 1st quarter ; Velvet (provisional 3.3 billion yen) in the 2nd quarter. Other assets decreased as sales of investment securities in the 1st quarter.
- Net assets : Net assets ratio remains stable at 57.0%.

# Number of Stores

	FY2017/02	FY2018/02 3Q Nine Months Ended				
	Fiscal year end	Increased *1 *3	Opened	Changed	Closed	end of 3Q
GLOBAL WORK	192	-	11	12	▲ 2	213
niko and ...	129	-	9	0	▲ 2	136
studio CLIP	182	-	15	0	▲ 1	196
LOWRYS FARM	152	-	7	0	▲ 2	157
LEPSIM	134	-	11	0	▲ 3	142
JEANASIS	80	-	4	0	▲ 2	82
RAGEBLUE	58	-	3	1	▲ 1	61
BAYFLOW	32	-	7	0	0	39
Others	284	-	31	▲ 13	▲ 11	291
Adastria Japan total	1,243	-	98	0	▲ 24	1,317
(Web store included)	(39)	-	(6)	0	0	(45)
ALICIA total *1	-	113	5	0	▲ 12	106
(Web store included)	-	(6)	(0)	(0)	(0)	(6)
Japan total	1,243	113	103	0	▲ 36	1,423
(Web store included)	(39)	(6)	(6)	(0)	(0)	(51)
Hong Kong	25	-	0	0	▲ 1	24
China *2	45	-	12	0	▲ 11	46
Taiwan	29	-	0	0	0	29
Korea	9	-	2	0	0	11
US *3	-	9	1	0	0	10
Oversea total	108	9	15	0	▲ 12	120
(Web store included)	(8)	(1)	(0)	(0)	(0)	(9)
Consolidated total	1,351	122	118	0	▲ 48	1,543

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

\*2 : Distributor (20 stores as of the end of FY2018/3Q) are included.

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

**A D A S T R I A**  
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