Adastria Co., Ltd.
January 24, 2018

Adastria Announces Revised Earnings Forecast for Fiscal Year Ending February 28, 2018

Adastria Co., Ltd. announced that, at a Board of Directors meeting held today, it resolved to revise its consolidated earnings forecast for the fiscal year ending February 28, 2018 (March 1, 2017 to February 28, 2018), previously announced on September 29, 2017, as follows.

1. Revised consolidated earnings forecast for the fiscal year ending February 28, 2018 (March 1, 2017 to February 28, 2018)

Millions of yen, excluding per share data in yen

	Net sales	Operating profit	Ordinary profit	Net income attributable to owners of the parent	Net income per share
Previous forecast (A) (Announced on September 29, 2017）	230,500	13,500	13,500	11,000	233.84
Revised forecast (B)	223,000	5,000	5,400	4,400	93.53
Change (B - A)	(7,500)	(8,500)	(8,100)	(6,600)	
Change in percent (%)	(3.3)	(63.0)	(60.0)	(60.0)	
For reference: FY02/17 actual results	203,686	14,916	15,126	11,575	242.49

Reference

EBITDA:

Fiscal year ending Feb. 28, 2018 (forecast): 22,800 million yen (previous) →14,300 million yen (revised)

EPS before goodwill amortization:

Fiscal year ending Feb. 28, 2018 (forecast): 291.23 yen (previous) →150.93yen (revised)

2. Reasons for consolidated earnings forecast revision

Although brands such as *niko and…*, that proposing lifestyle ideas to customers through various products categories are performing well, sluggish young causal apparel market and insufficient adjustment according to weather changes, resulted in net sales that were lower than the number announced previously.

As the second half of the fiscal year started, although we tried to adjust merchandizing to control price discount rate, weaker than expected sales continued and price discount rate increased for reducing inventories. Cost also increased due to the shorter lead time, that causing by merchandizing adjustment. As the result, the gross profit margin decreased.

Regarding to overseas subsidiaries, sales and gross profit margin were also lower than expected because the merchandizing did not meet market needs adequately in Hong Kong and China, which account for large portion of total overseas sales. The profit of Velvet, LLC, a newly consolidated subsidiary in this fiscal year, was also lower than expected because the declining retailing market in the United States.

Besides, the revision is also taking into account the expected loss on disposal of IT system assets and inventory valuation reserve. With all the reasons mentioned above, all the profit forecast has revised downward.

Note: These forecasts are based on assumptions deemed reasonable by the company at the present time, based on currently available information. Actual performance may differ from forecasts due to a range of factors.

For inquiries, please contact the IR team at adastria-ir@adastria.co.jp