

FY2021/02 1H Financial Results & Business Strategy

September 30, 2020

A D A S T R I A
— *Play fashion!*

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1 . FY2021/02 1st Half Overview



For The Growth to Continue

Global

- ✓ Establish a presence in growing markets
- ✓ Place priority in being “local” in every country

Digital

- ✓ Use the IoT to improve the customer experience and fully utilize data analysis
- ✓ Shift to a business structure that can succeed in today’s era of digital technology

Sustainability

- ✓ Increase CSR and other activities involving social issues
- ✓ Aim for growth with consistent profitability



**Create a business framework that
looks ahead to the world in 2025**

2. FY2021/02 1st Half Financial Results FY2021/02 Forecast



Summary of FY2021/02 1H

- **Sales and earnings decreased YoY due to impact of COVID-19**
 - Significant decline in first quarter sales as people stayed home, stores closed temporarily and operating hours were reduced
 - Second quarter sales were down again due to people staying home, but the downturn was better than the first quarter
- **Returned to an operating profit in the second quarter because of rapid inventory control and cost-reduction**
 - As a result of reductions in purchases of summer merchandise, the need to sell items at discounted prices reduced after July and the average customer price improved; inventory at the end of the 1H was down 11.2% YoY
 - Reexamined budgeted expenses to eliminate items that are unnecessary or not urgent
- **More Adastria's EC sales growth due to accelerating the measures to strengthen EC site**
 - More actions to increase EC customers while physical stores were closed; shifted to an operating framework that reflects the COVID-19 business climate
 - Strengthened STAFF BOARD (a channel for customers to receive information from store personnel), expanded online customer support by store personnel and took other actions; Domestic EC sales increased by 25.2% YoY and the EC members has reached 10.9 million.

Consolidated Income Statement

Millions of yen

	FY 2020/02 1H		FY 2021/02 1H		
	Results		Results		
		Ratio		Ratio	YoY
Net sales	108,981	100.0%	79,664	100.0%	73.1%
Aداستريا(Non-consolidated)	97,071	89.1%	69,995	87.9%	72.1%
Domestic subsidiaries *1	7,244	6.6%	6,385	8.0%	88.1%
Overseas subsidiaries *2	6,199	5.7%	4,697	5.9%	75.8%
Gross profit	61,261	56.2%	42,271	53.1%	69.0%
SG&A expenses	54,096	49.6%	46,682	58.6%	86.3%
Advertising & promotion	3,781	3.5%	3,360	4.2%	88.9%
Personnel	19,544	17.9%	18,232	22.9%	93.3%
Rent & depreciation	20,411	18.7%	16,212	20.4%	79.4%
Amortization of goodwill	87	0.1%	79	0.1%	90.1%
Others	10,269	9.4%	8,798	11.0%	85.7%
Operating profit	7,164	6.6%	-4,410	-	-
Aداستريا(non-consolidated)	6,584	-	-3,730	-	-
Domestic subsidiaries *1	320	-	-564	-	-
Overseas subsidiaries *2	-319	-	-573	-	-
Aداستريا Logistics	409	-	332	-	81.2%
Ordinary profit	6,987	6.4%	-2,730	-	-
Net income	4,410	4.0%	-2,461	-	-

EBITDA	10,557	9.7%	-1,129	-	-
Depreciation and amortization	3,304	3.0%	3,202	4.0%	96.9%
Amortization of goodwill	87	0.1%	79	0.1%	90.1%

Capital expenditure	4,794		4,633		
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*1 : Domestic subsidiaries is the sum of three domestic subsidiaries: BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Aداستريا eat Creations Co.,Ltd.

*2 : Overseas subsidiaries is the sum of overseas subsidiaries: Hong Kong, China, Taiwan, Korea, USA.

Consolidated Income Statement

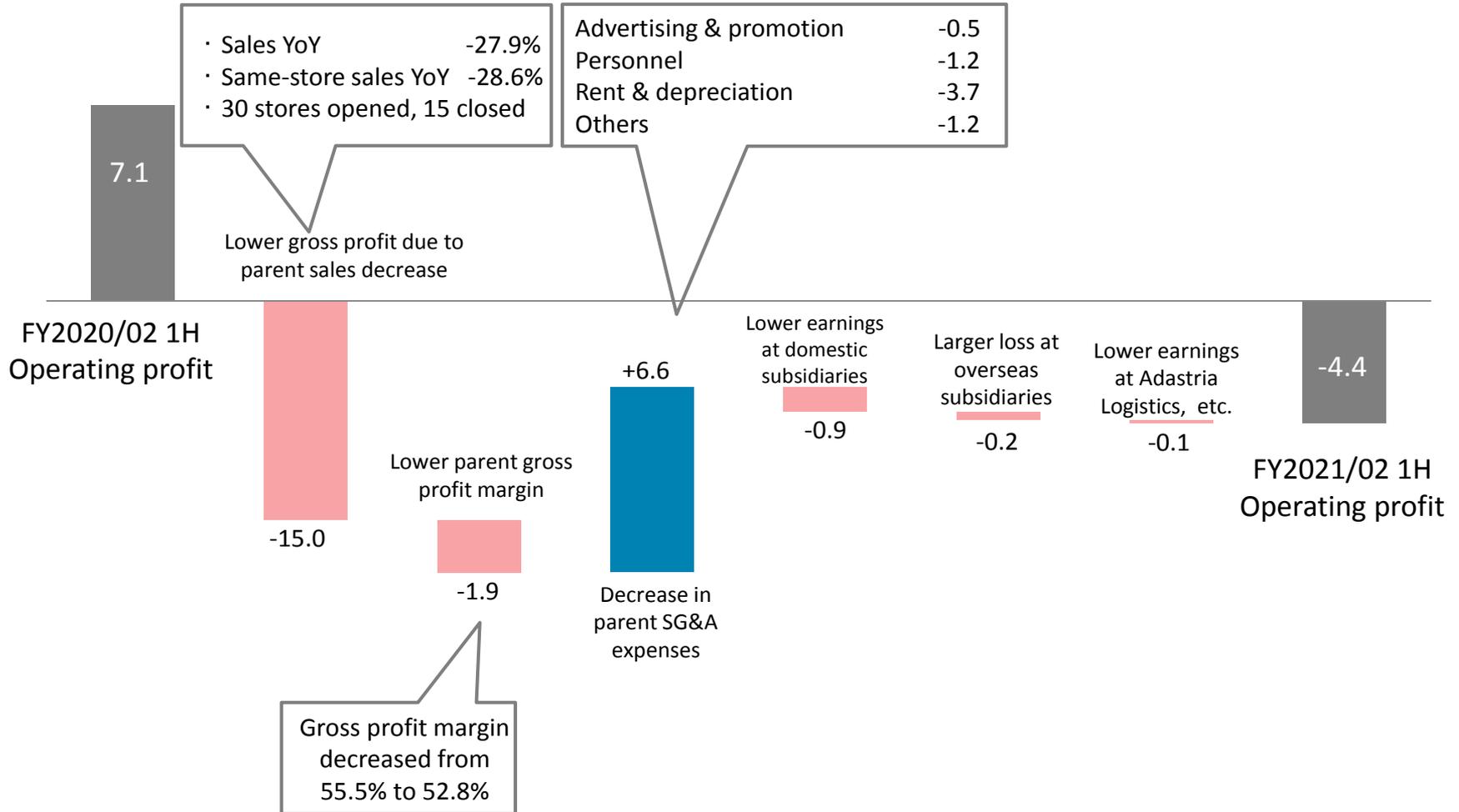
- **Net sales: 79.6 billion yen (-26.9% YoY)**
 - Parent company: Significant decline in sales as people stayed home, stores closed temporarily and operating hours were reduced
 - Domestic subsidiaries: Sales were down at ELEMENT RULE because of physical store closings just like the parent company, but BUZZWIT, solely operating online, remained strong
 - Overseas subsidiaries: Sales increased in China and Taiwan but were down in Hong Kong, South Korea and the U.S. due to the impact of COVID-19
- **Gross profit margin: 53.1% (-3.1p YoY) Down 5.2 points in 1Q but down only 0.9 points in 2Q**
 - Down YoY because of an increase in price discounting in order to reduce inventories of spring merchandise
- **SG&A expense ratio: 58.6% (+9.0p YoY, -7.4 billion yen YoY)**
 - Advertising & promotions: 4.2% (+0.7p, -0.4 billion yen)
Held down overall sales promotion expenses
 - Personnel: 22.9% (+5.0p, -1.3 billion yen)
Down because of temporary store closings and reduced operating hours
 - Rent and depreciation: 20.4% (+1.7p, -4.1 billion yen)
Lower rent due to temporary rent reductions caused by COVID-19
 - Other: 11.0% (+1.6p, -1.4 billion yen)
Reductions in card fees, packaging fees and other costs due to changes in formats of events and decrease in business travel
- **Operating profit: -4.4 billion yen**
 - EBITDA: -1.1 billion yen
- **Ordinary profit: -2.7 billion yen**
 - Includes a 1.6 billion yen employment adjustment subsidy (non-operating income)
- **Net income: -2.4 billion yen**

FY2021/02 1H Analysis of Change in Operating Profit

Billions of yen

Positive factors

Negative factors



Parent Company (non-consolidated) Income Statement

Millions of yen

	FY2020/02 1H	FY2021/02 1H	
	Results	Results	
			YoY
Net sales	97,071	69,995	72.1%
(Existing stores YoY)	104.6%	71.4%	
GLOBAL WORK	19,887	14,422	72.5%
niko and...	15,731	11,281	71.7%
LOWRYS FARM	11,919	8,608	72.2%
studio CLIP	11,475	8,569	74.7%
LEPSIM	7,127	4,930	69.2%
Gross profit	53,908	36,923	68.5%
Gross margin	55.5%	52.8%	-2.7p
SG&A expenses	47,323	40,653	85.9%
SG&A ratio	48.8%	58.1%	+9.3p
Operating profit	6,584	-3,730	-
Operating margin	6.8%	-	-

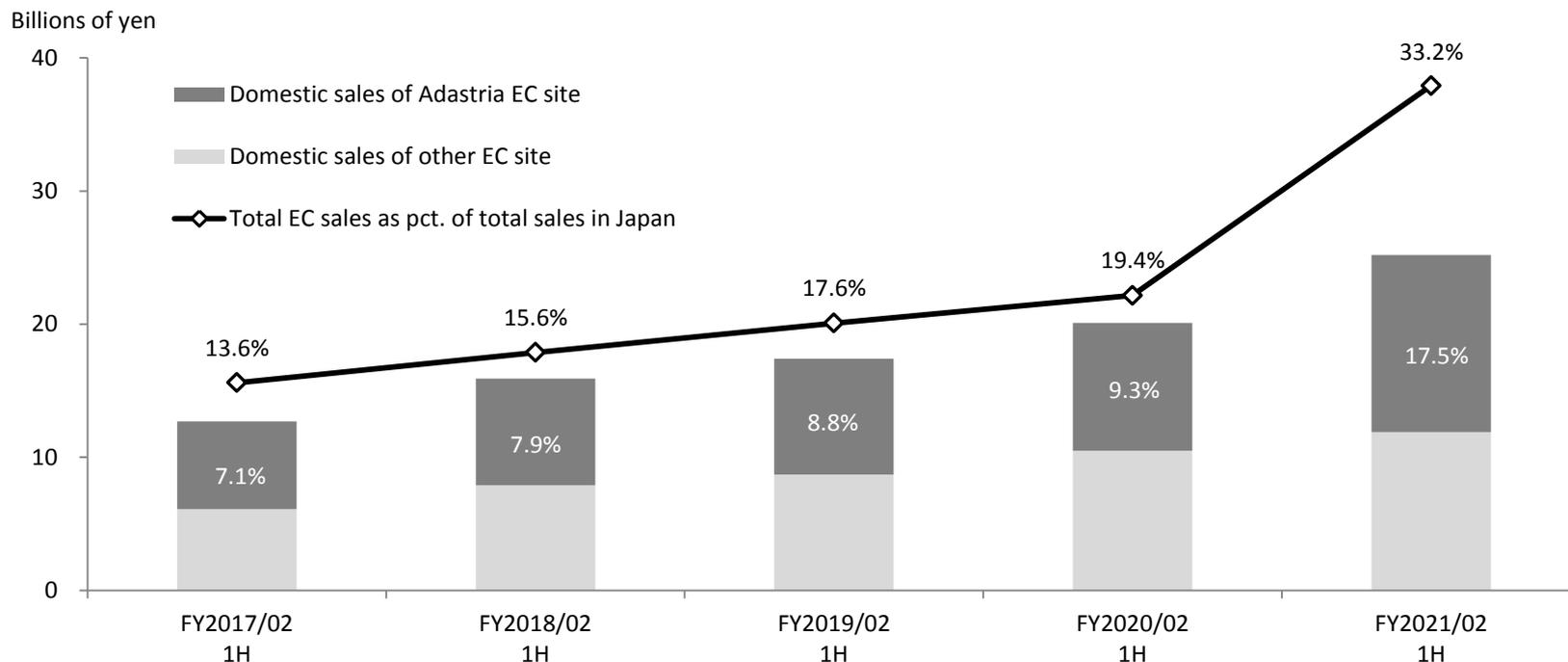
Opened	19	30
Closed	16	15
Renovated	14	26
As of the end of 1H	1,265	1,241

* : Amortization of goodwill FY2020/02 1H: 65 million yen, FY2021/02 1H: 57 million yen

Online Business

More EC sales growth due to accelerating the measures to strengthen EC site

- FY2021/02 1H domestic e-commerce sales: 25.2 billion yen (+25.2% YoY)
 - Domestic sales ratio: 33.2% (Adastria EC site: approx. 17.5%)
- Adastria's ".st" EC site has about 10.9 million members (+0.6 million from the end of FY2020/02)



*From FY2018/02, sales of ALICIA CO., LTD. were added to sales of parent company.

*From FY2019/02, sales of ELEMENT RULE Co., Ltd. are added to sales of parent company and BUZZWIT Co., Ltd. (formerly ALICIA CO., LTD.) .

Overseas Business

Million of yen

	FY2019/12 1H	FY2020/12 1H		
	Results	Results		
			YoY (JPY)	YoY (Local currency)
Net sales	6,199	4,697	75.8%	76.8%
Hong Kong	1,687	1,222	72.5%	72.9%
China	273	422	154.9%	163.9%
Taiwan	1,164	1,169	100.5%	98.6%
Korea	600	351	58.6%	62.7%
USA	2,474	1,530	61.8%	62.9%
Operating profit	-319	-573	-	-
Hong Kong	-140	-64	-	-
China	-187	-149	-	-
Taiwan	78	42	54.2%	53.2%
Korea	-51	-71	-	-
USA	-17	-330	-	-

* : Amortization of goodwill of USA FY2019/12 1H: 12 million yen, FY2020/12 1H: 12 million yen

- Sales declined in Hong Kong and Korea due to the impact of COVID-19 and the store closures.
- In China, sales and profits increased due to the strong performance of niko and... Shanghai flagship store.
- In the USA, sales and profits declined due to the continuous impact of COVID-19.

Consolidated Balance Sheet

Millions of yen

	End of 2019/8		End of 2020/2		End of 2020/8			
		Ratio		Ratio		Ratio	Compared with the end of 2019/8	Compared with the end of 2020/2
Current assets	50,472	52.2%	53,234	54.4%	42,468	48.1%	-8,004	-10,766
Cash and deposits	21,649	22.4%	26,462	27.0%	14,438	16.3%	-7,211	-12,024
Inventories	16,865	17.5%	15,008	15.3%	14,981	17.0%	-1,883	-27
Non-current assets	46,142	47.8%	44,689	45.6%	45,852	51.9%	-290	+1,162
Property, plant and equipment	15,092	15.6%	15,265	15.6%	14,650	16.6%	-441	-614
Goodwill	555	0.6%	478	0.5%	396	0.4%	-158	-81
Investments and other assets	23,804	24.6%	23,146	23.6%	24,463	27.7%	+659	+1,317
Total assets	96,615	100.0%	97,924	100.0%	88,320	100.0%	-8,294	-9,604
Liabilities	40,558	42.0%	40,883	41.7%	34,886	39.5%	-5,672	-5,996
Interest-bearing debt	2,344	2.4%	0	0.0%	0	0.0%	-2,344	0
Net assets	56,056	58.0%	57,041	58.3%	53,434	60.5%	-2,622	-3,607
Treasury shares	-4,371	-4.5%	-4,372	-4.5%	-4,244	-4.8%	127	+128

- Cash and deposits: Net cash decreased by 4.8 billion yen year-on-year
- Inventories: Decreased 11.2% year-on-year due to rigorous inventory control
- Liabilities: Decreased mainly due to decreases in Electronically recorded obligations-operating and Interest-bearing debt
- Net assets: Net asset ratio of 60.5%, +2.5% year-on-year

Established a three-year commitment line of 30 billion yen with four major banks that serve Adastria
A flexible and reliable medium-term source of funds to be prepared for the possibility of an extended impact of COVID-19

Number of Stores

	End of FY2020	FY2021/02 1H				
	Number of stores	Transferred *2	Opened	Changed	Closed	End of 1H
GLOBAL WORK	210	-	1	-1	-1	209
niko and ...	144	-	2	0	-1	145
LOWRYS FARM	136	-	0	0	0	136
studio CLIP	183	-	4	0	0	187
LEPSIM	128	-	0	0	-2	126
JEANASIS	73	-	0	0	-1	72
BAYFLOW	54	-	2	0	-1	55
RAGEBLUE	54	-	1	0	-2	53
Others	247	-3	20	1	-7	258
Adastria non-consolidated total	1,229	-3	30	0	-15	1241
(Online store included)	(54)	(2)	(13)	(0)	(-1)	(64)
Domestic subsidiaries total *1	86	3	13	0	-3	99
(Online store included)	(16)	(2)	(5)	(0)	(0)	(23)
Japan total	1,315	-	43	0	-18	1,340
(Online store included)	(70)	-	(18)	(0)	(-1)	(87)
Hong Kong	16	-	0	0	-2	14
China	1	-	1	0	0	2
Taiwan	37	-	3	0	0	40
Korea	13	-	0	0	-6	7
USA	10	-	0	0	0	10
Oversea total	77	-	4	0	-8	73
(Online store included)	(13)	-	(1)	(0)	(-3)	(11)
Consolidated total	1,392	-	47	0	-26	1,413
(Online store included)	(83)	-	(19)	0	(-4)	(98)

FY2021/02 Plan				
Transferred *2	Open	Change	Close	End of FY2021/02
-	3	-1	-2	210
-	3	0	-3	144
-	0	0	-1	135
-	4	0	-1	186
-	0	0	-4	124
-	2	0	-3	72
-	5	0	-2	57
-	1	0	-4	51
-3	34	1	-24	255
-3	52	0	-44	1,234
(-2)	(15)	(0)	(-1)	(66)
3	25	0	-5	109
(2)	(13)	(0)	(0)	(31)
-	77	0	-49	1,343
-	(28)	(0)	(-1)	(97)
-	0	0	-2	14
-	2	0	0	3
-	4	0	-1	40
-	0	0	-6	7
-	1	0	0	11
-	7	0	-9	75
-	(1)	(0)	(-3)	(11)
-	84	0	-58	1,418
-	(29)	(0)	(-4)	(108)

*1: Domestic subsidiaries is the sum of three domestic subsidiaries: BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Adastria eat Creations Co.,Ltd.

*2 : From March 2010, 3 stores of PAS TIERRA brand were transferred from parent company to ELEMENT RULE Co., Ltd.

FY2021/02 Consolidated Forecast

No revisions to the July 16 forecast

Millions of yen

	FY2020/02	FY2021/02			
	Results	Forecast			YoY
			% to sales	Change in % to sales	
Net sales	222,376	189,000	100.0%	-	85.0%
Gross profit	123,383	103,800	54.9%	- 0.6p	84.1%
SG&A expenses	110,497	104,800	55.4%	+5.7p	94.8%
Operating profit	12,885	-1,000	-	-	-
Ordinary profit	12,843	-1,100	-	-	-
Net income	6,363	-2,200	-	-	-
ROE	11.6%	-4.0%	-	-	-
EBITDA	20,357	5,660	3.0%	- 6.2p	27.8%
Depreciation and amortization	7,304	6,500	3.4%	+0.2p	89.0%
Amortization of goodwill	167	160	0.1%	+0.0p	95.8%
Capital expenditure	11,170	8,000			

- Forecast a 15.0% decline in full-year sales (189 billion yen) resulted from a significant decline in 1H due to COVID-19 but expect a gradually recovery from 2H
- Forecast a parent operating profit of 100 million yen but a consolidated operating loss of 1 billion yen
- Capital expenditure priorities are stores for new brands and projects of digital technology

* The consolidated forecast does not incorporate the possibility of a major decline in economic activity caused by another increase in COVID-19 infections. Consequently, actual performance may differ significantly from this forecast.

FY2021/02 Parent Company (non-consolidated) Forecast

Millions of yen

	FY2020/02	FY2021/02	
	Results	Forecast	
Net sales	197,451	166,500	84.3%
(Same stores YoY)	101.0%	83.3%	
Gross profit	108,354	89,800	82.9%
Gross profit margin	54.9%	53.9%	- 1.0p
SG&A expenses	96,343	89,700	93.1%
SG&A expense ratio	48.8%	53.9%	+5.1p
Operating profit	12,010	100	0.8%
Operating margin	6.1%	0.1%	- 6.0p

Opened	33	52
Closed	-66	-44
Renovated	27	40
As of the end of fiscal year	1,229	1,234

- Net sales: 166.5 billion yen (-15.7% YoY)
 - Same store sales: Down 16.7% YoY (1H -28.6%, 2H forecast -6.5%)
- Gross profit margin: 53.9% (-1.0p YoY)
 - Expect lower discounting ratio due to inventory optimization in 2H
- SG&A expense ratio: 53.9% (+5.1p YoY) (-6.6 billion yen YoY)
 - Strategic growth expenditures about 1 billion yen, including new brands
- Opened/closed stores
 - Decisions about new stores will be made carefully while considering current market situations

Return to Shareholders

Millions of Yen

	FY2016/02	FY2017/02	FY2018/02	FY2019/02	FY2020/02	FY2021/02 (Forecast)
Dividend per share* (Yen)	65	75	50	50	50	40
Interim dividend	(20)	(35)	(35)	(20)	(25)	(15)
Total dividend	3,138	3,608	2,379	2,379	2,382	1,906
Net profit (consolidated)	9,122	11,575	863	3,890	6,363	-2,200
Amortization of goodwill*	2,213	2,184	4,712	1,306	167	160
Dividend payout ratio	34.5%	30.9%	272.3%	60.5%	37.0%	-
(Amortization of goodwill excluded)	(27.8%)	(26.0%)	(42.2%)	(45.3%)	(36.1%)	-
Share repurchase	1,395	2,564	0	0	0	-

*1: Dividends per share are adjusted for the 2:1 stock split on March 1, 2016.

*2: Goodwill amortization includes an impairment loss recorded as an extraordinary loss.

- The policy is 30% consolidated payout ratio before goodwill amortization.
- No change in the forecast of a 40 yen annual dividend per share (15 yen interim and 25 yen year-end dividends) for FY2021/02.

3. Growth Strategy Progress



The 2025 Growth Strategy

Our goal: More customers x More value for customers

Play fashion!

Joyful options galore!

More value for customers

Growth Strategy I

Use multiple brands to serve customers throughout their lives

Growth Strategy II

Use services and experiences to maximize customer interaction

Growth Strategy III

Use resources of regions worldwide to create value jointly

Growth Strategy IV

Start new businesses linked to enjoyable and fulfilling lives

More customers

I. Use Multiple Brands to Serve Customers Throughout Their Lives

Merchandise for a broader range of age segments

■ Developing brands for 50+ age segments

As of 2020, about half of the female population of in Japan is at least 50 years old*1

Adastria is creating brands that reflect the upcoming change in markets as the life expectancy increases

Elura

Apparel mainly for women in their 50s

Launched in October 2019

Using e-commerce and sales areas at some GLOBAL WORK stores

Started opening physical stores in March 2020 due to the popularity of this brand

Opened four stores in FY2021/02 1H and plan to open three in the 2H

Plan to have 10 stores, including 3 online stores by the end of this fiscal year



The Elura Sotetsu Joinus Store in Yokohama opened in September 2020

Utao:

Apparel for women in their 60s

Vibrant, youthful fashions that are unlike traditional “senior apparel” for everyday use mainly by women in the age 60 segment

Launched in September 2020

Sales began by using e-commerce and sales areas at some studio CLIP stores. Plan to open stores in suburban shopping centers and near major city-center railway stations



*1 Source: 2020 Population Estimates, August Report (Statistics Bureau, Ministry of Internal Affairs and Communications)
<https://www.stat.go.jp/data/jinsui/pdf/202008.pdf>

I. Use Multiple Brands to Serve Customers Throughout Their Lives

Cover a broader spectrum of fashion domains

■ More merchandise for the lifestyle and wellness domains

Plan to use apparel lines linked to existing brands as well as merchandise that uses existing brands



Sable.madle
Shoes and handbags operated by sundries dept.



e/r/m (apart by lowrys)
Apparel for use at home



HEREIAM (BAYFLOW)
Wellness apparel



eL (JEANASIS)
Fashions for older women



re: (HARE)
Remake fashions (made from sample items)



NUMERALS (niko and ...)
Urban sports apparel



JEANASIS YOGA (JEANASIS)
Yoga apparel

II. Use Services and Experiences to Maximize Customer Interaction

New and innovative services that can raise the value of customer experiences while reflecting changes in customers' behavior and working styles during the COVID-19 crisis

Online Customer Service

STAFF BOARD



Use live streaming for online customer service.
Recorded versions are also available.
Can be a reference for shopping online and a trigger for store visit.



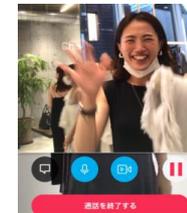
Customer Service Reservation



Reserve date and staff



Customer service at store



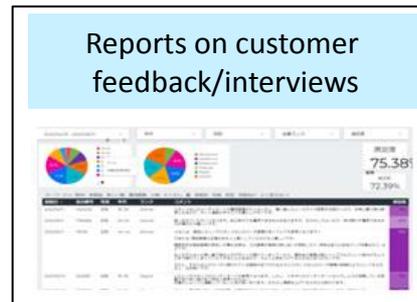
Online customer service

ELEMENT RULE has started running the trial from August.

Provide more personal real-time service for high unit price products and bulk purchase...etc.

Visualization and utilization of data

Reports on customer feedback/interviews



.st member data



III. Use Resources of Regions Worldwide to Create Value Jointly

Stronger brands and greater awareness in Greater China

■ The first “niko and ... SHANGHAI” store is performing well

Jun. 2020 The store opened at the T mall sells merchandise via live streaming featuring well-known influencers in China

Aug. 2020 The store received the 2018-2020 Huangpu Outstanding Store Award of the Shanghai Huangpu Commerce Committee

■ The second “niko and ... SHANGHAI” store will open in December 2020

The two-story West Nanjing Road “In Point” store will have about 1,500 square meters located in the center of the West Nanjing Road district, one of Shanghai’s prime shopping districts.



Customer traffic at the first “niko and ... SHANGHAI” store started recovering in April

A rendering of the second “niko and ... SHANGHAI” store in “In Point” in the West Nanjing Road district

III. Use Resources of Regions Worldwide to Create Value Jointly

Use operational skills to bring in popular foreign brands to Japan

ÅLAND

■ A popular Korean multi-brand store – First store opening on October 8, 2020 in Tokyo

Established in South Korea in 2005, ALAND has become very popular among young people in South Korea and Japan

The first store in Japan will allow customers to experience and enjoy the latest fashion trends in South Korea



Merchandise reflecting the latest design and subculture trends in South Korea

A rendering of the ALAND SHIBUYA store

IV. Start New Businesses Linked to Enjoyable and Fulfilling Lives

Food and beverage business

■ ADASTRIA eat Creations

Work with partner companies and brands to aim for rapid growth of new businesses



A casual Chinese restaurant supervised by Toshiro Minami, the Michelin-star chef of the Mimosa restaurant in Tokyo's Omotesando district

Opened at NewoMan Yokohama store on June, 2020

MS. CASABLANCA has popular items served at Mimosa as well as original menu items for casual but upscale dining



MS. CASABLANCA NewoMan Yokohama store



Jamba Juice started in 1990 in the United States

Currently has a chain of shops selling smoothies and other juice beverages in U.S., South Korea, Taiwan and the ASEAN region. Adastia has the exclusive right to operate shops in Japan.

August, 2020

Miyashita Park store

Minamimachida Grandberry Park store



jamba juice Minamimachida Grandberry Park store

Our Commitment to Sustainable Management

Use business operations to play a role in solving industry and social issues

■ July 2020: Distributed 500,000 eco-bags during REBAG Week

Due to Japan's enactment of the amended Container and Packaging Recycling Law, which requires paying for shopping bags at stores, Adastria stores are helping people switch to the new custom of carrying their own reusable shopping bags.

■ Declaration of switching to 100% sustainable cotton by 2025

Adastria has established its own sustainability standards for cotton, polyester and rayon and created symbols for merchandise that complies with these standards. The use of these symbols will begin in FY2021/02 2H at Adastria Group stores.



A website specifically for matching eco-bags and apparel



Adastria's .st EC site has a section featuring products associated with sustainability

A D A S T R I A

—

Play fashion!