

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 28, 2022
(Six Months Ended August 31, 2021)

[Japanese GAAP]

September 30, 2021

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Scheduled date of filing of Quarterly Report: October 15, 2021

Scheduled date of payment of dividend: October 21, 2021

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 30, 2021 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 28, 2022
(March 1, 2021 – August 31, 2021)

(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, 2021	92,611	16.3	631	-	1,552	-	448	-
Six months ended Aug. 31, 2020	79,664	(26.9)	(4,410)	-	(2,730)	-	(2,461)	-

Note: Comprehensive income Six months ended Aug. 31, 2021: 625 million yen (-%)

Six months ended Aug. 31, 2020: (2,543) million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2021	9.93	-
Six months ended Aug. 31, 2020	(52.21)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2021	84,841	50,468	59.5
As of Feb. 28, 2021	95,449	50,701	53.1

Reference: Shareholders' equity As of Aug. 31, 2021: 50,468 million yen As of Feb. 28, 2021: 50,701 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, 2021	-	15.00	-	25.00	40.00
Fiscal year ending Feb. 28, 2022	-	25.00	-	-	-
Fiscal year ending Feb. 28, 2022 (forecast)	-	-	-	25.00	50.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 – February 28, 2022)

(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	219,000	19.1	6,500	747.7	6,500	118.0	3,800	-	84.14

Note: Revision to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: -

Excluded: 1 (Adastria Korea Co., Ltd.)

(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: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(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, 2021:	48,800,000 shares	As of Feb. 28, 2021:	48,800,000 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2021:	3,552,079 shares	As of Feb. 28, 2021:	3,639,505 shares
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3) Average number of shares outstanding during the period

Six months ended Aug. 31, 2021:	45,212,230 shares	Six months ended Aug. 31, 2020:	47,144,688 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 3 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 FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	YoY change (Amount)	YoY change (%)	
Net sales	79,664	92,611	12,946	16.3	
Operating profit	(4,410)	631	5,042	-	
Ordinary profit	(2,730)	1,552	4,283	-	
Net income attributable to owners of the parent	(2,461)	448	2,910	-	

Consolidated net sales in the first half (March 1 – August 31, 2021) increased 16.3% year-on-year to 92,611 million yen, operating profit was 631 million yen (operating loss of 4,410 million yen in the same period of the previous fiscal year), ordinary profit was 1,552 million yen (ordinary loss of 2,730 million yen in the same period of the previous fiscal year), and net income attributable to owners of the parent was 448 million yen (net loss of 2,461 million yen in the same period of the previous fiscal year).

First half sales in Japan increased 15.6% year-on-year to 86,673 million yen. In the first quarter, sales rebounded strongly from the same period a year earlier as the business environment of physical stores improved from the previous fiscal year. However, sales in the second quarter were marginally lower than the same period a year earlier as the state of emergency and priority measures were extended to more areas and prolonged to prevent the spread of COVID-19 infections. In addition, there was no rebound in consumption as was seen in the previous fiscal year and unseasonal weather, including long spells of rain, also affected sales. E-commerce sales increased steadily, rising 8.3% from the first half of the previous fiscal year. This increase was attributable to continuous initiatives to strengthen measures for attracting customers on the Adastria e-commerce site. The strong performance of BUZZWIT Co., Ltd., which sells merchandise exclusively online, also contributed to the growth of e-commerce sales.

Overseas sales increased 26.8% year-on-year to 5,937 million yen. Sales increased 169.3% year-on-year in China due to the opening of the second niko and ... store in Shanghai. Both sales and earnings were up in Hong Kong, where the impact of the COVID-19 pandemic was not significant. Sales and earnings were also higher in Taiwan although the Taiwanese economy slowed from May onward due to resurgence of COVID-19 infections. In the United States, wholesale sales as well as sales at physical stores rose as the U.S. economy recovered and this segment returned to profitability in the second quarter.

We opened 60 stores (including one overseas) and closed 17 stores (including four overseas), resulting in a total of 1,443 stores (including 65 overseas) at the end of the first half of the fiscal year.

In this environment, we kept inventories and discount sales in check by offering “the right product at the right price at the right time.” As a result, the gross profit margin exceeded from one year earlier to 54.8%, an increase of 1.7 percentage point.

Selling, general and administrative expenses increased 7.4% because there was no reduction or exemption of store rent as was the case previous fiscal year and stepped-up advertising and sales promotion for raising the awareness of our e-commerce operations. However, there was an operating surplus as the ratio of selling, general and administrative expenses improved by 4.5 percentage points to 54.1% of sales because of sales growth. In addition, we recorded as non-operating income subsidies for employment adjustment of 451 million yen associated with temporary store closings and a subsidy of 269 million yen related to shortened operating hours caused by COVID-19.

A gain of 81 million yen from the liquidation of the Korean subsidiary was recorded as extraordinary income, and an impairment loss of 179 million yen on stores was recorded as extraordinary loss.

(2) Explanation of Financial Position

1) Balance sheet position

Total assets decreased 10,608 million yen from as of February 28, 2021 to 84,841 million yen as of August 31, 2021. There was an increase of 2,266 million yen in inventories but there were decreases of 12,117 million yen in cash and deposits and 736 million yen in notes and accounts receivable-trade.

Liabilities decreased 10,374 million yen to 34,373 million yen. There were decreases of 833 million yen in electronically recorded obligations-operating, 5,552 million yen in accounts payable-other and 3,334 million yen in income taxes payable.

Net assets decreased 233 million yen to 50,468 million yen. This was mainly due to a decrease of 281 million yen in treasury shares (increase in net assets), an increase of 204 million yen in foreign currency translation adjustment and a decrease of 692 million yen in retained earnings.

2) Cash flow position

Cash and cash equivalents (hereinafter “net cash”) as of August 31, 2021 decreased 12,127 million yen from as of February 28, 2021 to 11,955 million yen.

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 used in operating activities totaled 7,280 million yen (compared with 6,089 million yen used in the same period of the previous fiscal year). This was mainly due to net income before income taxes of 1,454 million yen and a decrease in accrued consumption taxes of 4,592 million yen and income taxes paid of 3,077 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 3,448 million yen (compared with 4,013 million yen used in the same period of the previous fiscal year). This was mainly due to the payments of 1,991 million yen for the purchase of property, plant and equipment and 1,443 million yen for the purchase of intangible assets.

Cash flows from financing activities

Net cash used in financing activities totaled 1,593 million yen (compared with 1,889 million yen used in the same period of the previous fiscal year). This was mainly due to cash dividends paid of 1,141 million yen and repayments of lease obligations of 451 million yen.

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

There are no revisions to the consolidated forecast for the current fiscal year that was announced on April 5, 2021.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Million yen)

	FY2/21 (As of Feb. 28, 2021)	Second quarter of FY2/22 (As of Aug. 31, 2021)
Assets		
Current assets		
Cash and deposits	24,179	12,062
Notes and accounts receivable-trade	9,751	9,014
Inventories	15,718	17,985
Other	1,995	1,669
Allowance for doubtful accounts	(74)	(68)
Total current assets	51,569	40,663
Non-current assets		
Property, plant and equipment		
Store interior equipment, net	4,222	4,588
Other, net	10,354	9,948
Total property, plant and equipment	14,577	14,537
Intangible assets		
Goodwill	113	83
Other	7,179	7,762
Total intangible assets	7,292	7,846
Investments and other assets		
Investment securities	260	464
Leasehold and guarantee deposits	15,162	15,091
Other	7,772	7,456
Allowance for doubtful accounts	(1,184)	(1,216)
Total investments and other assets	22,010	21,795
Total non-current assets	43,880	44,178
Total assets	95,449	84,841
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,548	10,038
Electronically recorded obligations-operating	7,360	6,527
Accounts payable-other	14,040	8,487
Income taxes payable	4,151	816
Provision for bonuses	2,170	1,799
Provision for point card certificates	1,285	1,364
Other provisions	420	431
Other	2,077	1,581
Total current liabilities	41,055	31,047
Non-current liabilities		
Provisions	356	230
Other	3,336	3,094
Total non-current liabilities	3,692	3,325
Total liabilities	44,747	34,373

(Million yen)

	FY2/21 (As of Feb. 28, 2021)	Second quarter of FY2/22 (As of Aug. 31, 2021)
Net assets		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	7,213	7,213
Retained earnings	48,479	47,787
Treasury shares	(7,917)	(7,635)
Total shareholders' equity	50,435	50,025
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	2
Deferred gains or losses on hedges	34	5
Foreign currency translation adjustment	231	436
Total accumulated other comprehensive income	266	443
Non-controlling interests	-	0
Total net assets	50,701	50,468
Total liabilities and net assets	95,449	84,841

(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 FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)
Net sales	79,664	92,611
Cost of sales	37,393	41,833
Gross profit	42,271	50,777
Selling, general and administrative expenses	46,682	50,146
Operating profit (loss)	(4,410)	631
Non-operating income		
Foreign exchange gains	-	139
Subsidy income	117	269
Subsidies for employment adjustment	1,620	451
Other	198	199
Total non-operating income	1,936	1,060
Non-operating expenses		
Interest expenses	71	71
Foreign exchange losses	137	-
Loss on valuation of derivatives	22	23
Other	24	44
Total non-operating expenses	255	139
Ordinary profit (loss)	(2,730)	1,552
Extraordinary income		
Gain on liquidation of subsidiaries and associates	-	81
Total extraordinary income	-	81
Extraordinary losses		
Impairment loss	96	179
Total extraordinary losses	96	179
Net income (loss) before income taxes	(2,826)	1,454
Income taxes-current	419	598
Income taxes-deferred	(785)	406
Total income taxes	(365)	1,005
Net income (loss)	(2,461)	448
Loss attributable to non-controlling interests	-	(0)
Net income (loss) attributable to owners of the parent	(2,461)	448

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Million yen)

	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)
Net income (loss)	(2,461)	448
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	1
Deferred gains or losses on hedges	(44)	(28)
Foreign currency translation adjustment	(33)	204
Total other comprehensive income	(82)	177
Comprehensive income	(2,543)	625
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(2,543)	626
Comprehensive income attributable to non-controlling interests	-	(0)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)
Cash flows from operating activities		
Net (loss) income before income taxes	(2,826)	1,454
Depreciation	3,352	3,187
Impairment loss	96	179
Amortization of goodwill	79	29
Interest and dividend income	(34)	(8)
Interest expenses	71	71
Increase (decrease) in allowance for doubtful accounts	44	25
Increase (decrease) in provision for bonuses	(35)	(374)
Increase (decrease) in provision for point card certificates	(903)	78
Loss (gain) on liquidation of subsidiaries and associates	-	(81)
Decrease (increase) in trade receivables	107	795
Decrease (increase) in inventories	(2)	(2,149)
Increase (decrease) in trade payables	(4,900)	(421)
Increase (decrease) in accounts payable-other	(903)	(1,037)
Increase (decrease) in accrued consumption taxes	962	(4,592)
Other, net	(709)	(1,295)
Subtotal	(5,601)	(4,138)
Interest and dividends received	4	6
Interest paid	(71)	(71)
Income taxes paid	(421)	(3,077)
Net cash provided by (used in) operating activities	(6,089)	(7,280)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,071)	(1,991)
Purchase of intangible assets	(1,202)	(1,443)
Purchase of investment securities	(0)	(201)
Payments of leasehold and guarantee deposits	(302)	(388)
Proceeds from refund of leasehold and guarantee deposits	656	597
Other, net	(1,091)	(21)
Net cash provided by (used in) investing activities	(4,013)	(3,448)
Cash flows from financing activities		
Dividends paid	(1,192)	(1,141)
Purchase of treasury shares	(0)	(0)
Repayments of lease obligations	(696)	(451)
Net cash provided by (used in) financing activities	(1,889)	(1,593)
Effect of exchange rate change on cash and cash equivalents	(38)	195
Net increase (decrease) in cash and cash equivalents	(12,031)	(12,127)
Cash and cash equivalents at beginning of period	26,377	24,082
Cash and cash equivalents at end of period	14,345	11,955

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

3. Supplementary Information

(1) Sales for Brands and Regions

Brand / region	First six months of FY2/22		YoY change (%)
	Sales (million yen)	Composition (%)	
GLOBAL WORK	17,109	18.5	18.6
niko and ...	12,487	13.5	10.7
STUDIO CLIP	9,449	10.2	10.3
LOWRYS FARM	9,137	9.9	6.1
LEPSIM	5,679	6.1	15.2
JEANASIS	4,616	5.0	18.0
BAYFLOW	4,270	4.6	12.9
RAGEBLUE	2,504	2.7	12.4
Others	13,235	14.3	21.8
Total (Adastria)	78,491	84.8	14.4
BUZZWIT Co., Ltd.	3,371	3.6	22.3
ELEMENT RULE Co., Ltd.	4,582	5.0	30.1
Other consolidated subsidiaries	228	0.2	129.7
Total (Japan)	86,673	93.6	15.6
Hong Kong	1,302	1.4	6.5
China	1,118	1.2	169.3
Taiwan	1,234	1.3	5.6
USA	2,282	2.5	49.2
Total (Overseas)	5,937	6.4	26.8
Total (Group)	92,611	100.0	16.3

- Notes: 1. Sales are 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.

(2) Sales for Merchandise Categories

Category	First six months of FY2/22		YoY change (%)
	Sales (million yen)	Composition (%)	
Men's apparel (bottoms, tops)	13,417	14.5	24.8
Lady's apparel (bottoms, tops)	59,100	63.8	18.3
Others	20,093	21.7	5.9
Total	92,611	100.0	16.3

- 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, 2021	First six months of FY2/22				As of Aug. 31, 2021
		Opened	Changed	Closed	Increase /decrease	
GLOBAL WORK	209	1	-	(2)	(1)	208
niko and ...	144	2	-	-	2	146
STUDIO CLIP	183	3	-	(1)	2	185
LOWRYS FARM	134	4	-	-	4	138
LEPSIM	122	-	-	-	-	122
JEANASIS	72	2	-	-	2	74
BAYFLOW	56	4	-	-	4	60
RAGEBLUE	49	1	-	-	1	50
Others	259	22	-	(2)	20	279
Total (Adastria)	1,228	39	-	(5)	34	1,262
BUZZWIT Co., Ltd.	14	-	-	(1)	(1)	13
ELEMENT RULE Co., Ltd.	87	15	-	(7)	8	95
Other consolidated subsidiaries	3	5	-	-	5	8
Total (Japan)	1,332	59	-	(13)	46	1,378
Hong Kong	14	1	-	(2)	(1)	13
China	3	-	-	-	-	3
Taiwan	41	-	-	(1)	(1)	40
USA	10	-	-	(1)	(1)	9
Total (Overseas)	68	1	-	(4)	(3)	65
Total (Group)	1,400	60	-	(17)	43	1,443

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.

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.