



FY 2023/02 1st Quarter Financial Results

July 8, 2022



A D A S T R I A
— *Play fashion!*

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Consolidated Income Statement

The Accounting Standard for The New Revenue Recognition is applied from FY2023/02.

Millions of yen

	FY2022/02 1Q		FY2023/02 1Q		
	Results			Results	
		Ratio		Ratio	YoY
Net sales	46,387	100.0%	58,006	100.0%	125.0%
Aداستريا(Non-consolidated)	39,918	86.1%	48,540	83.7%	121.6%
Domestic subsidiaries *1	4,145	8.9%	4,268	7.4%	103.0%
Overseas subsidiaries *2	3,068	6.6%	3,983	6.9%	129.8%
Zetton (Food & Beverage Subsidiary)	-	-	1,943	3.4%	-
Gross profit	26,382	56.9%	33,303	57.4%	126.2%
SG&A expenses	25,757	55.5%	28,729	49.5%	111.5%
Advertising & promotion	2,308	5.0%	2,175	3.8%	94.2%
Personnel	9,152	19.7%	10,313	17.8%	112.7%
Rent & depreciation *3	9,005	19.4%	10,206	17.6%	113.3%
Amortization of goodwill	14	0.0%	51	0.1%	347.5%
Others	5,276	11.4%	5,983	10.3%	113.4%
Operating profit	624	1.3%	4,574	7.9%	732.1%
Aداستريا(non-consolidated)	487	1.1%	4,171	7.2%	855.1%
Domestic subsidiaries *1	- 94	-	64	0.1%	-
Overseas subsidiaries *2	- 21	-	96	0.2%	-
Aداستريا Logistics	128	0.3%	116	0.2%	90.8%
Zetton (Food & Beverage Subsidiary) *4	-	-	114	0.2%	-
Ordinary profit	961	2.1%	4,926	8.5%	512.5%
Net income attributable to owners of the parent	269	0.6%	3,313	5.7%	1227.5%

EBITDA	2,091	4.5%	6,357	11.0%	304.0%
Depreciation and amortization	1,451	3.1%	1,731	3.0%	119.3%
Amortization of goodwill	14	0.0%	51	0.1%	347.5%

*1 : Domestic subsidiaries are the sum of four domestic subsidiaries: BUZZWIT Co.,Ltd., ELEMENT RULE Co., Ltd., Aداستريا eat Creations Co.,Ltd., ADOORLINK Co., Ltd.(Period Feb. to Apr.)

*2 : Overseas subsidiaries are the sum of overseas subsidiaries: Hong Kong, Mainland China, Taiwan, USA.(Period Jan. to Mar.)

*3 : Rent & depreciation costs are the sum of Rent expenses, Lease expenses and Depreciation.

*4 : Operating profit of Zetton, Inc. is shown after consolidation adjustments.

Consolidated Income Statement – Summary (1)

■ **Summary:** Sales and earnings higher than planned due to sales recovery and cost controls

■ **Net sales: 58.0 billion yen (+25.0% YoY)**

- Parent company: Up 21.6% as apparel demand for going out recovered due to easing of pandemic restrictions; promotions also contributed to sales.
Strong sales of major products of GLOBAL WORK and of LAKOLE, as more stores were opened, contributed to sales growth.
- Domestic subsidiaries: Up 3% YoY. Strong sales of high-end brands raised earnings of ELEMENT RULE.
Sales at the EC company BUZZWIT were unchanged due to the recovery of sales at physical stores.
- Overseas subsidiaries: Up 29.8%; new brands were launched in Taiwan and USA sales and earnings increased because of strength in the wholesale sector; sales up in mainland China as new stores contributed to growth but earnings down due to the COVID-19; sales and earnings down in Hong Kong because of the pandemic.
- Food and beverage business: Higher earnings at newly consolidated Zetton, Inc.; the business climate is slowly returning to normal.

Effect of the new revenue recognition accounting standard	Consolidated sales: -637 million yen (-1.4% YoY conversion)
Increase due to M&A	Consolidated sales: +1,943 million yen (+4.2% YoY conversion)

■ **Gross profit margin: 57.4% (+0.5p YoY)**

- Negative effects of foreign exchange rates and the high cost of materials, but the gross profit margin in the apparel and other merchandise business was down only 0.2 pct. point from one year earlier due to supplying the products at the right times, prices and volumes and holding down discount sales.

Effect of the new revenue recognition accounting standard	Gross profit margin: -0.4%
Effect of higher food and beverage business sales	Gross profit margin: +0.7%

Consolidated Income Statement – Summary (2)

■ SG&A expense ratio: 49.5% (-6.0p YoY)

- Advertising & promotions: 3.8% (-1.2p YoY) (-0.13 billion yen YoY)
Decreased due to the application of revenue recognition accounting standard
- Personnel: 17.8% (-1.9p YoY) (+1.16 billion yen YoY)
Higher salaries and bonuses as stores returned to normal operating
- Rent & depreciation: 17.6% (-1.8p YoY) (+1.2 billion yen YoY)
Higher rent due to higher sales; includes 40 million yen increase in depreciation because of Zetton PPA*
- Other: 10.3% (-1.1p YoY) (+0.7 billion yen YoY)
Higher credit card fees, delivery expenses, electricity fees and other expenses

Effect of the new revenue recognition accounting standard	SG&A expenses: -605 million yen (SG&A expenses ratio: -0.5%)
Increase due to M&A (including amortization)	SG&A expenses: +1,464 million yen (SG&A expenses ratio: +0.8%)

■ Operating profit: 4.5 billion yen (+3.94 billion yen YoY)

- Operating income ratio: 7.9%, EBITDA margin: 11.0%

■ Ordinary profit: 4.9 billion yen (+3.96 billion yen YoY)

- Non-operating income: Subsidy income of 129 million yen for shortened operating hours and other measures for safety during the pandemic, employment adjustment subsidy of 50 million yen and foreign exchange gains of 274 million yen
- Non-operating expenses: Derivative valuation loss of 106 million yen involving the termination of operations in South Korea

■ Net income attributable to owners of the parent 3.3 billion yen (+3.04 billion yen YoY)

*PPA (Purchase Price Allocation): Purchase price allocation is the allocation of the cost of acquiring a company based on fair values of all assets and liabilities of the acquired company.

Adastria non-consolidated Income Statement

Millions of yen

	FY2022/02 1Q	FY2023/02 1Q	
	Results	Results	
			YoY
Net sales	39,918	48,540	121.6%
(Same stores YoY)	145.7%	119.0%	-
GLOBAL WORK	9,001	12,099	134.4%
niko and...	5,963	7,319	122.7%
LOWRYS FARM	4,594	5,403	117.6%
studio CLIP	4,427	4,803	108.5%
LEPSIM	3,041	3,407	112.0%
BAYFLOW	2,141	2,481	115.9%
JEANASIS	2,271	2,421	106.6%
LAKOLE	948	1,866	196.9%
Gross profit	22,784	27,654	121.4%
Gross margin	57.1%	57.0%	- 0.1p
SG&A expenses	22,297	23,482	105.3%
SG&A ratio	55.9%	48.4%	- 7.5p
Operating profit	487	4,171	855.1%
Operating margin	1.2%	8.6%	+7.4p

* : Amortization of goodwill for FY2022/02 1Q: 14 million yen, FY2023/02 1Q : 14 million yen.

* : Net sales are shown before elimination of internal transactions.

Product Promotion Initiatives

■ TV promotion of GLOBAL WORK's main products

- Product commercial featuring actress/model "Tsubasa Honda" for the standard-selling hit item "Utsuku-silhouette trousers", which has sold a total of 2 million units in the series.
- Analysed customer comments and purchase data reflected in products and marketing to attract repeat purchases.
- A virtuous circle of higher sales volumes leading to lower costs.

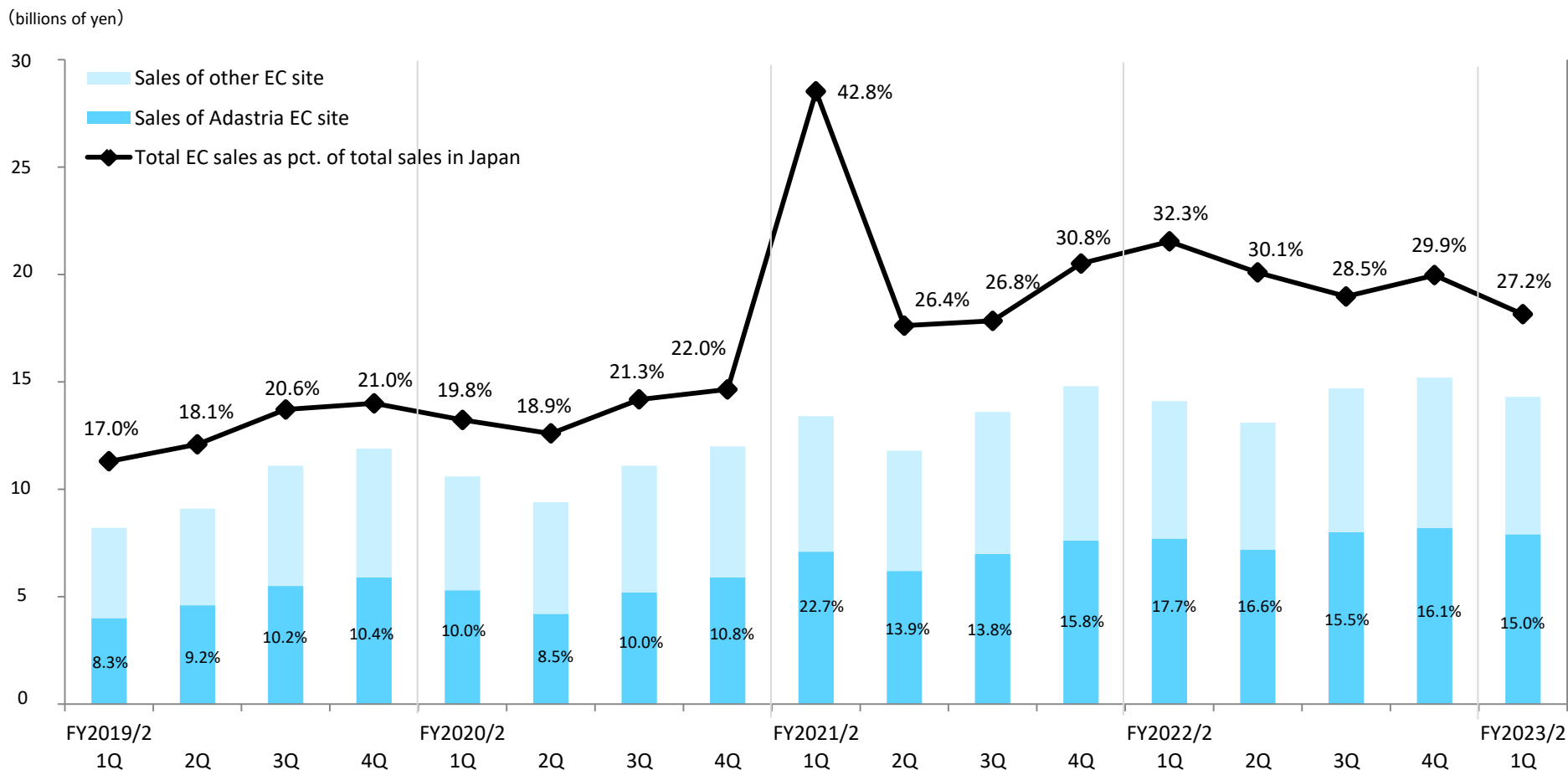


Popular with a wide range of sizes and colours.

Online Business

■ 2023/02 1st quarter domestic e-commerce sales:14.3 billion yen (+0.9% YoY)

- Domestic online business ratio: 27.2% (of which Own EC site: approx. 15.0%)
- Own EC site “.st” has about 14,1million members (0.5million from the end of FY2022/02)



*Starting in FY2019/02, non-consolidated sales and sales in ALICIA CO., LTD. and ELEMENT RULE Co., Ltd. were included. ALICIA CO., LTD. was renamed BUZZWIT Co., Ltd. in August 2018.

*Starting in FY2022/02, non-consolidated sales and sales in ADOORLINK Co., Ltd. was included.

Improve recognition by promoting own EC site

■ Own EC site “.st” Promotion

- Continued advertising and promotion measures aimed at raising awareness of the company's EC over the long term.
- Continued to featuring “Kazunari Ninomiya” and in a cross-channel campaign between our own EC and physical stores with the commercial period.



Promotion Details

- (1) TV commercial (16 Mar.-27 Apr.)
Broadcast in domestic 12 areas.
- (2) “20% point reduction” campaign (16 Mar.- 1 Apr.)
Carried out in our own EC site “.st” and in physical stores.

Effectiveness during the period

TV commercial period 3/16~4/27

App Download

330,000 App downloads
+20% YoY

Amount of EC orders

+8% YoY

Progress on Strategy to Open Own EC site “.st”

- **Expansion of third party companies' products on own EC site “.st” with the medium-term management plan.**
 - As of the end of May, the number of participating companies have increased to four, and the categories handled have been enhanced.
 - Our staff post attractive contents to usage scenarios and strengthen lifestyle proposals.
 - As a mall-type business, mutual customer transfer and a new revenue model have been achieved.
 - Approx. 50% of purchases are in combination with our products, and many purchases are made by registered customers in their 30s and 40s, matching our EC target demographic.

Food



Electronics



Beauty device



Love,
Bonito

Overseas
apparel

Overseas Business

Millions of yen

	FY2021/12 1Q	FY2022/12 1Q		
	Results	Results		
			YoY (JPY)	YoY (Local currency)
Net sales	3,068	3,983	129.8%	117.6%
Hong Kong	679	614	90.4%	82.9%
Mainland China	576	736	127.8%	113.4%
Taiwan	830	1,064	128.1%	115.7%
USA *	981	1,568	159.8%	145.7%
Operating profit	-21	96	-	-
Hong Kong	6	-36	-	-
Mainland China	-41	-167	-	-
Taiwan	108	194	178.5%	161.3%
USA *	-87	105	-	-

* The Zetton, Inc. (USA Business) are not include.

Situation in each Overseas Region

■ Status of store operations and progress of initiatives in each region.

Hong Kong

Store opening conditions

- Mid-Jan. Increase in the number of COVID-19 infections
- from 25 Feb. All stores open at reduced hours
- from 21 Apr. Recovery to normal business operations

Initiatives

- Preparing for launch of own EC (.st)
- Opening of 1 new store

Mainland China

Store opening conditions

- Late-Feb. Increase in the number of COVID-19 infections
- from 13 Mar. Some stores open at reduced hours.
- from 1 Apr. All stores closed
- from 6 Jun. All stores reopen

Initiatives

- Preparation for opening of 3 stores in Shanghai, and Chengdu, Chongqing
- Multi-branding of T-mall (currently 6 brands)

Taiwan

Store opening conditions

- Mostly normal business (a few days of shortened hours and closures)

Initiatives

- Multi-brand of own EC (.st) (10 brands at the end of May)
- 6 new stores opened, including newly developed brands

USA

Store opening conditions

- normal business operations & Economic environment remains strong

Initiatives

- Wholesale business is performing well for spring/summer products, and received large orders
- Preparation for pop-up store development
- Website renewal for web business growth

Consolidated Balance Sheet

Millions of yen

	End of 2021/05		End of 2022/02		End of 2022/05			
		Ratio		Ratio		Ratio	Compared with the end of 2021/05	Compared with the end of 2022/02
Current assets	48,128	51.8%	48,169	49.2%	53,715	50.1%	+5,587	+5,545
Cash and deposits	17,212	18.5%	16,976	17.3%	17,045	15.9%	-167	+68
Inventories	18,157	19.5%	19,259	19.7%	19,095	17.8%	+937	-164
Fixed assets	44,760	48.2%	49,787	50.8%	53,402	49.9%	+8,642	+3,615
Property, plant and equipment	14,854	16.0%	16,005	16.3%	20,002	18.7%	+5,147	+3,997
Intangible assets	7,653	8.2%	10,836	11.1%	11,676	10.9%	+4,022	+839
Goodwill	98	0.1%	922	0.9%	1,726	1.6%	+1,627	+803
Investments and other assets	22,251	24.0%	22,945	23.4%	21,724	20.3%	-527	-1,221
Total assets	92,888	100.0%	97,957	100.0%	107,118	100.0%	+14,229	+9,161
Liabilities	42,624	45.9%	42,994	43.9%	49,434	46.1%	+6,810	+6,440
Loans payable	-	-	1,447	1.5%	4,548	4.2%	+4,548	+3,100
Net assets	50,264	54.1%	54,963	56.1%	57,684	53.9%	+7,419	+2,720
Treasury shares	-7,634	-8.2%	-7,636	-7.8%	-7,395	-6.9%	+239	+240

- Inventories: Increased 5.2% because of more overseas stores and sales growth, but inventories remain at a proper level
- Property, plant and equipment: Recognized 2.6 billion yen of right of use assets due to the application of ASC No. 842*in US business
- Intangible assets: 1.4 billion yen is included in other intangible assets retrospectively to end-Feb. 2022 due to Zetton PPA**
- Goodwill: 860 million yen for Zetton, 850 million yen for OPEN AND NATURAL; Zetton goodwill changed at end of Feb. 2022 due to finalization of PPA
- Liabilities: Short-term borrowings of 3.2 billion yen and long-term borrowings of 1.2 billion yen (Includes current portion of long-term debt of 400 million.)
- Net assets: Net asset ratio of 53.9%, -0.2p YoY

*ASC No. 842 is a new accounting standard for leases that requires recognition on the balance sheet of right of use assets and lease liabilities for operating leases.

** PPA (Purchase Price Allocation): Purchase price allocation is the allocation of the cost of acquiring a company based on fair values of all assets and liabilities of the acquired company.

Number of Stores

	End of FY2022	FY2023/02 1Q				
	Number of stores	Increase	Opened	Changed	Closed	End of the quarter
GLOBAL WORK	206	-	0	0	-1	205
niko and ...	144	-	1	0	-1	144
LOWRYS FARM	136	-	1	0	-1	136
studio CLIP	184	-	1	0	-3	182
LEPSIM	120	-	1	0	0	121
BAYFLOW	60	-	1	0	0	61
JEANASIS	73	-	0	0	-1	72
LAKOLE	47	-	6	0	0	53
Others	275	-	6	0	-1	280
Adastria non-consolidated total	1,245	-	17	0	-8	1,254
(Online store included)	(66)	-	(0)	(0)	(0)	(66)
Domestic subsidiaries total*1	105	-	7	0	-9	103
(Online store included)	(42)	-	(3)	(0)	(- 7)	(38)
Japan total	1,350	-	24	0	-17	1,357
(Online store included)	(108)	-	(3)	(0)	(- 7)	(104)

Hong Kong	14	-	1	0	0	15
Mainland China	6	-	1	0	0	7
Taiwan	43	-	6	0	-1	48
USA	10	-	0	0	0	10
Oversea total	73	-	8	0	-1	80
(Online store included)	(12)	-	(4)	(0)	(- 1)	(15)

Zetton *2	-	73	1	0	0	74
ADASTRIA eat Creations	5	-	0	0	0	5

Consolidated total	1,428	73	33	0	-18	1,516
(Online store included)	(120)	(0)	(7)	(0)	(- 8)	(119)

*1 Domestic subsidiaries are the sum of four domestic subsidiaries: BUZZWIT Co., Ltd., ELEMENT RULE Co., Ltd., ADOORLINK Co., Ltd.

*2 The number of stores of Zetton, Inc. includes its consolidated subsidiary ZETTON, INC (USA Business).

*3 FY2023/02 1Q 9 remodeled stores in the consolidated.

*4. The number of OPEN AND NATURAL Inc. stores will be combined from the 2Q of FY2023/02.

New Stores

■ Opening stores for new brands faster



.st Hachinohe Pia Do store

- An OMO (online-merge-offline) store with no competing stores nearby
- Goal is to establish a presence in new areas of Japan



LAKOLE ekisoare Nishijinchuo store

- The largest store for the LAKOLE brand (780m²)
- Includes self check-out counter and photo space for styling ideas



.st THE OUTLETS KITAKYUSHU store

- A store that combines the outlet and OMO formats
- Uses digital technologies and has reduced inventories for a smaller environmental impact



ALAND mozo WONDER CITY store

- A source in South Korea of the latest information on fashion trends
- Large (almost 800m²) store expresses the worldview of this brand

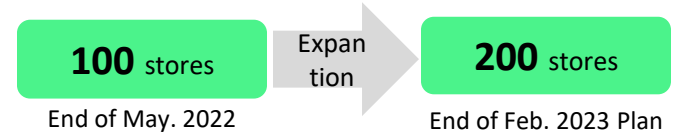
Sustainability Management Initiatives



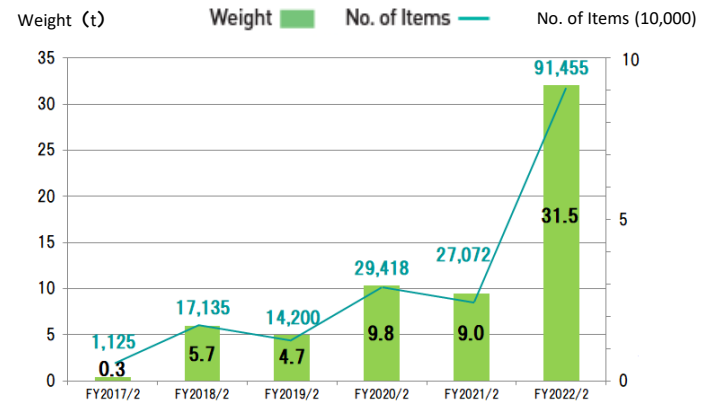
- Signing the United Nations Global Compact.
- Providing clothing and financial support to displaced people in Ukraine.
- Stock sale held in Mito, where the company was founded, to revitalise the local community.
- Expansion of the number of permanent Play Cycle! (used clothing collection box) stores.

A D A S T R I A
B A Z A A R !
 アダストリアバザール 2022

5/28 • 5/29 10:00 | 17:00
 SAT SUN



Play Cycle! Collection results



* Details of the event can be found at the following URL.
<https://www.adastria.co.jp//bazaar/>

* In addition the “GLOBAL WORK” stores, “LEPSIM”, “BAYFLOW” and “repi armario” have joined in June.

Responses to the Current Business Climate

Supply chain

Delays in the 1Q in deliveries of some merchandise because of the Shanghai lockdown; operations started returning to normal in June and there are currently no significant supply chain disruptions.

Rising cost of materials/logistics

The price of cotton, which had been increasing, has started to decline but still developing functional materials and using materials across brands. Responding to higher cargo transport expenses by reducing empty space in containers used for shipments. The benefits of the RCEP are also showing.

Yen's rapid depreciation

Orders for fall/winter merchandise are mostly completed. Forex forward contracts in place. Although forex rates are locked in for some up-front expenditures in key areas, current forex rates are certain to have an effect on orders later in the fiscal year.

Creating merchandise with **value customers recognize** even as expenses rise rapidly

1

▶ **Activities for more efficient production**
Consolidation of factories by grouping production of items for brands with similar characteristics

2

▶ **More diversity for production**
About **30%** of internal production has been **shifted to the ASEAN region**; In China, expanding the interior area production and **use of RCEP***

3

▶ **New ideas involving materials**
Use of the same materials for many brands; development of **functional materials** (including use of recycled materials)

* RCEP (Regional Comprehensive Economic Partnership) Economic partnership providing for tariff reductions and exemptions on industrial products, including textiles, and agricultural, forestry and fisheries products, etc., which entered into force in January 2022.

FY2023/02 Consolidated Forecast (Re-posting)

- 1Q results better than planned, but uncertainty in the external environment remained through the second half of the year and initial forecasts were unchanged.

Millions of yen

	FY2022/02	FY 2023/02		
	Results		Forecast	
			% to sales	YoY
Net sales	201,582	230,000	100.0%	114.1%
Gross profit	111,012	129,500	56.3%	116.7%
SG&A expenses	104,448	119,500	52.0%	114.4%
Operating profit	6,564	10,000	4.3%	152.3%
Ordinary profit	8,166	10,000	4.3%	122.5%
Net income	4,917	6,300	2.7%	128.1%
ROE	9.4%	11.3%	-	+1.9p
EBITDA	13,302	17,400	7.6%	130.8%
Depreciation and amortization	6,679	6,900	3.0%	103.3%
Amortization of goodwill	58	500	0.2%	862.1%
Capital expenditure	9,974	13,200		
Dividend per share (Yen)	55	55		
Interim dividend	(25)	(25)		



A D A S T R I A
— *Play fashion!*