

Translation

Notice: This document has been translated from the Japanese original for reference purposes. In the event of any discrepancy between this translated document and the Japanese original, the latter shall prevail.

## Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending July 2024 (Based on Japanese GAAP)

December 15, 2023

Company name:	AXXZIA Inc.	Listing exchange: Tokyo Stock Exchange
Securities code:	4936	URL: <a href="https://axxzia.co.jp/en">https://axxzia.co.jp/en</a>
Representative:	Dan Taku, President and Representative Director	
Inquiries:	Yasuhito Fukui, Director in charge of Administration Division	Phone: +81-3-6911-3899
Scheduled date for filing quarterly securities report:	December 15, 2023	
Scheduled date for commencing dividend payments:	—	
Preparation of supplementary materials on quarterly financial results:	Yes	
Holding of quarterly financial results briefing session:	Yes (for institutional investors and analysts)	

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

### 1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending July 2024 (from August 1, 2023 to October 31, 2023)

#### (1) Consolidated Operating Results (Cumulative) (Percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter ended October 31, 2023	2,730	4.2	257	(34.3)	381	(19.9)	261	(18.5)
First quarter ended October 31, 2022	2,619	46.4	391	21.8	475	42.9	320	46.6

(Note) Comprehensive income

First quarter ended October 31, 2023: 304 million yen [(10.2)%]

First quarters ended October 31, 2022: 339 million yen [42.0%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First quarter ended October 31, 2023	10.40	10.37
First quarter ended October 31, 2022	12.44	12.39

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of October 31, 2023	10,519	8,866	84.3
As of July 31, 2023	10,701	8,901	83.2

(Reference) Total shareholders' equity

As of October 31, 2023: 8,866 million yen    As of July 31, 2023: 8,901 million yen

### 2. Cash Dividends

	Annual dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2023	—	0.00	—	14.00	14.00
Fiscal year ending July 31, 2024	—	—	—	—	—
Fiscal year ending July 31, 2024 (Forecast)	—	10.00	—	10.00	20.00

(Note) Revisions to the most recently announced dividend forecast: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending July 2024 (from August 1, 2023 to July 31, 2024)

(Percentage figures indicate year-on-year changes for full year and each quarter)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	13,000	14.6	2,400	26.3	2,300	20.9	1,635	22.9	67.05

(Note) Revisions to the most recently announced earnings forecast: No

\* Notes

(1) Changes in significant subsidiaries during the first quarter

(changes in specified subsidiaries resulting in change in scope of consolidation): No

Newly consolidated: None

Excluded from consolidation: None

(2) Application of accounting method specific to preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations: No

2) Changes in accounting policies other than those in 1) above: No

3) Changes in accounting estimates: No

4) Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)

As of October 31, 2023	25,911,000 shares	As of July 31, 2023	25,896,000 shares
------------------------	-------------------	---------------------	-------------------

2) Number of treasury shares at the end of the period

As of October 31, 2023	750,000 shares	As of July 31, 2023	750,000 shares
------------------------	----------------	---------------------	----------------

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

First quarter ended October 31, 2023	25,157,380 shares	First quarter ended October 31, 2022	25,805,315 shares
--------------------------------------	-------------------	--------------------------------------	-------------------

\* This summary of quarterly financial results is not subject to quarterly review procedures by a certified public accountant or audit firm.

\* Explanation regarding appropriate use of earnings forecasts, and other notes

(Notes on forward-looking statements)

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual business performance and other results may differ materially due to various factors.

In addition, for the conditions forming the assumptions used in forecasting earnings and precautions regarding the use of earnings forecasts, please refer to "1. Qualitative Information on the Financial Results for the Period under Review (3) Explanations on Consolidated Earnings Forecast and Other Forward-looking Statements" on page 2 of the Attachment.

Contents of Attachment

<b>1. Qualitative Information on the Financial Results for the Period under Review</b> .....	2
<b>(1) Overview of Operating Results</b> .....	2
<b>(2) Financial Position</b> .....	2
<b>(3) Explanations on Consolidated Earnings Forecast and Other Forward-looking Statements</b> .....	2
<b>2. Quarterly Consolidated Financial Statements and Significant Notes Thereto</b> .....	3
<b>(1) Quarterly Consolidated Balance Sheets</b> .....	3
(2) Quarterly Consolidated Statement of Income and Consolidated Statements of Comprehensive Income .....	5
Quarterly Consolidated Statement of Income .....	5
(Consolidated results for the first quarter) .....	5
Quarterly Consolidated Statements of Comprehensive Income.....	6
(Consolidated results for the first quarter) .....	6
(3) Notes to Quarterly Consolidated Financial Statements .....	7
(Notes on Going Concern Assumption).....	7
(Notes on Significant Changes in Shareholders' Equity) .....	7
(Additional Information) .....	7
(Segment Information, Etc.).....	7
(Significant Subsequent Events).....	7

## 1. Qualitative Information on the Financial Results for the Period under Review

### (1) Overview of Operating Results

During the first quarter of the fiscal year ending July 31, 2024 (August 1, 2023 through October 31, 2023), the Japanese economy achieved recovery following the reclassification of COVID-19 as a Class 5 infectious disease. Meanwhile, while consumer spending and consumption resulting from inbound tourism are increasing, circumstances remain uncertain due to a range of factors including events in the Middle East, changes in exchange rates, and rising prices.

In the domestic cosmetics market, consumption is recovering as consumers encounter more opportunities to leave their homes. At the same time, demand associated with inbound tourism is also on the rebound thanks in part to yen depreciation and the easing of restrictions on immigration.

In the Chinese cosmetics market, prospects remained uncertain in large part because Chinese consumers demonstrated a reluctance to purchase Japanese products in response to the oceanic release of ALPS-treated water.

In this market environment, the AXXZIA Group (“the Group”) has bolstered its advertising investments in mainland China to strengthen its sales capabilities. Additionally, the Group has been endeavoring to intensify its expansion into regions outside of China. Within China, the Group has appointed a new brand ambassador while striving to further raise local awareness and sales. In Japan, the Group responded to projections indicating an upcoming rebound in demand associated with inbound tourism by launching pop-up stores in major cities nationwide (Shibuya, Umeda, Sapporo, and Shinjuku) and opening a new directly managed store in the Shinjuku Keio Department Store complex. Elsewhere, the Group has been undertaking efforts targeting global business expansion, including its participation in exhibitions held in both Dubai and Hong Kong.

As a result, the Company posted net sales of 2,730,538 thousand yen (up 4.2% year-on-year) for the first quarter of the fiscal year ending July 2024 due to strong performance of sales in China including cross-border EC. Furthermore, the Company posted operating income of 257,565 thousand yen (down 34.3%), ordinary income of 381,218 thousand yen (down 19.9%) and profit attributable to owners of parent of 261,546 thousand yen (down 18.5%).

Note that descriptions by segment are omitted, as the Group has a single operating segment engaged in the cosmetics business.

#### [Summary of Results]

	First quarter of the fiscal year ended July 2023 Millions of yen	First quarter of the fiscal year ending July 2024 Millions of yen	Year-on-year changes %
Net sales	2,619	2,730	+4.2
Operating income	391	257	-34.3
Ordinary income	475	381	-19.9
Profit attributable to owners of parent	320	261	-18.5

### (2) Financial Position

#### (Assets)

Total assets at the end of the first quarter ended October 31, 2023 amounted to 10,519,565 thousand yen, a decrease of 181,796 thousand yen (-1.7%) from the end of the previous fiscal year. Of this, current assets decreased by 147,072 thousand yen (-1.6%) from the end of the previous fiscal year to 9,003,909 thousand yen and non-current assets decreased by 34,724 thousand yen (-2.2%) from the end of the previous fiscal year to 1,515,655 thousand yen.

The decrease in current assets was mainly attributable to factors such as accounts receivable - trade decreasing by 157,089 thousand yen, while the decrease in non-current assets was mainly attributable to property, deferred tax assets decreasing by 25,866 thousand yen.

#### (Liabilities)

Total liabilities at the end of the first quarter ended October 31, 2023 amounted to 1,653,528 thousand yen, a decrease of 146,234 thousand yen (-8.1%) from the end of the previous fiscal year. Of this, current liabilities decreased by 11,874 thousand yen (-0.9%) from the end of the previous fiscal year to 1,351,371 thousand yen and non-current liabilities decreased by 134,360 thousand yen (-30.8%) from the end of the previous fiscal year to 302,156 thousand yen.

The decrease in current liabilities was mainly attributable to a decrease of 119,772 thousand yen caused by payment of income taxes payable, and the decrease in non-current liabilities was mainly attributable to transferring long-term borrowings to the current portion of long-term borrowings.

#### (Net assets)

Total net assets at the end of the first quarter ended October 31, 2023 amounted to 8,866,037 thousand yen, a decrease of 35,562 thousand yen (-0.4%) from the end of the previous fiscal year.

Despite positive impact on retained earnings that stemmed from the Company's recording of 261,546 thousand yen in profit attributable to owners of parent, net assets decreased due primarily to a larger negative retained earnings impact of 352,044 thousand yen, which resulted from the Company's payment of dividends.

Consequently, the equity ratio came to 84.3% (in contrast to 83.2% at the end of the previous fiscal year).

### (3) Explanations on Consolidated Earnings Forecast and Other Forward-looking Statements

With regard to the earnings forecast for the fiscal year ending July 31, 2024, no change has been made to the forecast for the entire fiscal year announced on September 14, 2023 in the Summary of Consolidated Financial Results for the Fiscal Year Ended July 2023. Please note that the forecast has been prepared based on the information available as of today and certain assumptions deemed to be reasonable. Accordingly, actual business results may differ from the forecast figures due to various factors arising going forward.

**2. Quarterly Consolidated Financial Statements and Significant Notes Thereto**  
**(1) Quarterly Consolidated Balance Sheets**

	(Thousands of yen)	
	Previous fiscal year (As of July 31, 2023)	First quarter ended October 31, 2023 (As of October 31, 2023)
Assets		
Current assets		
Cash and deposits	5,787,967	5,602,961
Accounts receivable - trade	1,081,314	924,224
Finished goods	1,616,600	1,808,810
Work in process	11,464	10,786
Raw materials and supplies	268,682	265,409
Other	386,336	392,932
Allowance for doubtful accounts	(1,383)	(1,215)
Total current assets	9,150,982	9,003,909
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	166,047	181,583
Land	393,578	385,132
Other, net	491,184	479,775
Total property, plant and equipment	1,050,810	1,046,491
Intangible assets		
Goodwill	56,011	53,540
Other	133,911	136,393
Total intangible assets	189,922	189,934
Investments and other assets		
Deferred tax assets	145,670	119,803
Other	163,976	159,426
Total investments and other assets	309,647	279,230
Total non-current assets	1,550,380	1,515,655
Total assets	10,701,362	10,519,565

(Thousands of yen)

	Previous fiscal year (As of July 31, 2023)	First quarter ended October 31, 2023 (As of October 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	219,764	225,043
Current portion of long-term borrowings	239,080	239,080
Accounts payable - other	441,579	474,260
Income taxes payable	237,875	118,102
Provision for bonuses	34,945	33,794
Provision for shareholder benefit program	634	-
Provision for share-based payments	-	64,107
Other	189,366	196,982
Total current liabilities	1,363,246	1,351,371
Non-current liabilities		
Long-term borrowings	331,010	271,240
Deferred tax liabilities	1,954	233
Provision for Share-based Compensation	68,967	-
Other	34,585	30,683
Total non-current liabilities	436,517	302,156
Total liabilities	1,799,763	1,653,528
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,147,315	2,153,165
Capital surplus	2,049,315	2,055,165
Retained earnings	5,473,634	5,383,136
Treasury shares	(891,265)	(891,265)
Total shareholders' equity	8,778,998	8,700,200
Accumulated other comprehensive income		
Foreign currency translation adjustment	122,600	165,836
Total accumulated other comprehensive income	122,600	165,836
Total net assets	8,901,599	8,866,037
Total liabilities and net assets	10,701,362	10,519,565

## (2) Quarterly Consolidated Statement of Income and Consolidated Statements of Comprehensive Income

## Quarterly Consolidated Statement of Income

(Consolidated results for the first quarter)

(Thousands of yen)

	First quarter ended October 31, 2022 (August 1, 2022 - October 31, 2022)	First quarter ended October 31, 2023 (August 1, 2023 - October 31, 2023)
Net sales	2,619,664	2,730,538
Cost of sales	615,374	537,637
Gross profit	2,004,289	2,192,901
Selling, general and administrative expenses	1,612,292	1,935,336
Operating income	391,996	257,565
Non-operating income		
Interest and dividend income	367	18,040
Subsidy income	-	24,130
Foreign exchange gains	85,221	81,503
Other	473	1,623
Total non-operating income	86,062	125,297
Non-operating expenses		
Interest expenses	1,908	1,437
Other	259	206
Total non-operating expenses	2,167	1,644
Ordinary income	475,891	381,218
Extraordinary income		
Gain on sale of non-current assets	-	14,280
Total extraordinary income	-	14,280
Profit before income taxes	475,891	395,498
Income taxes - current	161,873	109,819
Income taxes - deferred	(6,956)	24,132
Total income taxes	154,916	133,951
Profit	320,974	261,546
Profit attributable to owners of parent	320,974	261,546

Quarterly Consolidated Statements of Comprehensive Income  
(Consolidated results for the first quarter)

(Thousands of yen)

	First quarter ended October 31, 2022 (August 1, 2022 - October 31, 2022)	First quarter ended October 31, 2023 (August 1, 2023 - October 31, 2023)
Profit	320,974	261,546
Other comprehensive income		
Foreign currency translation adjustment	18,587	43,235
Total other comprehensive income	18,587	43,235
Comprehensive income	339,561	304,781
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	339,561	304,781
Comprehensive income attributable to non-controlling interests	-	-



### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Additional Information)

(Post-Delivery Type Performance-Linked Share-Based Compensation Program)

Pursuant to a resolution of the ordinary general meeting of shareholders held on October 24, 2022, the Company has introduced a post-delivery type performance-linked share-based compensation program (performance share units plan). This is to grant monetary compensation claims to the members of the Company's board of directors (excluding external directors) and employees in order to grant them the common shares of the Company in numbers in proportion to the level of achievement of predetermined performance targets, and the evaluation period is from August 2022 to July 2024.

The aim of this is to enhance our efforts to improve our medium-to-long-term corporate value and further share value with our shareholders.

The directors and employees subject to the program will, under the condition that they continuously serve as the Company's directors or employees over a certain period of time, be granted with monetary compensation claims for being granted with the Company's common shares according to the achievement ratio, etc. of numerical targets for such as performance for the evaluation period. The directors and employees will be granted with the Company's common shares by paying the entire amount of the concerned monetary compensation claims in kind. The standard number of shares to be granted is 108,909 shares and the final number of shares to be granted will be calculated by multiplying the level of achievement of performance target, etc. which will be calculated within the range of 0 – 200% according to the achievement ratio, etc. of numerical targets for such as performance for the concerned performance evaluation period. Accordingly, the Company has posted (4,859) thousand yen of share-based payment expenses in the first quarter of the fiscal year ending July 2023.

For reference, this is not included in the calculation of diluted earnings per share due to the uncertainty of whether the conditions will be fulfilled.

(Segment Information, Etc.)

[Segment information]

- I. First quarter of the fiscal year ended July 2023 (August 1, 2022 - October 31, 2022)

The information is omitted as the Company has a single operating segment engaged in the cosmetics business.

- II. First quarter of the fiscal year ending July 2024 (August 1, 2023 - October 31, 2023)

The information is omitted as the Company has a single operating segment engaged in the cosmetics business.

(Significant Subsequent Events)

(Business combinations through acquisition)

Through a meeting of its Board of Directors held on November 29, 2023, the Company resolved to acquire all shares in M&D Co., Ltd. and concluded a share purchase agreement with the latter on December 5, 2023.

1. Outline of business combination

- (1) Name of company to be acquired and its business description

Name of acquired company: M&D Co., Ltd.

Business: Retail and wholesale trade of cosmetics, etc.

- (2) Date of business combination

February 1, 2024 (tentative)

- (3) Legal form of business combination

Acquisition of shares

- (4) Name of the company to be acquired following the business combination

No change

- (5) Percentage of voting rights to be acquired

100%

- (6) Bases for choosing the company to be acquired

This business combination will provide the Group with a foundation for e-commerce sales in Japan, thereby supporting the Group's efforts to expand the consolidated sales it generates domestically while bringing its business portfolio, of which operations in China comprise approximately 90%, closer in line with its strategic direction (reducing business risks and improving the Group's sales portfolio).

2. Acquisition cost of company to be acquired and breakdown by type of consideration

Currently undetermined

3. Amount, origin, amortization method, and amortization period of goodwill projected to result from the acquisition

Currently undetermined

4. Breakdown of assets and liabilities projected to be acquired on the acquisition date

Currently undetermined

(Acquisition of treasury shares)

Through a meeting of its Board of Directors held on December 15, 2023, the Company has adopted all submitted resolutions pertaining to the acquisition of treasury shares in accordance with Article 459, Paragraph 1 of Japan's Companies Act and Article 45 of its Articles of Incorporation. During the same meeting, the Company also adopted all proffered resolutions concerning the cancellation of treasury shares pursuant to Article 178 of the Companies Act.

1. Reason for acquisition of treasury shares

The Company will acquire and cancel treasury shares to ensure proper balance between growth investment and shareholder return and facilitate the further return of profits to shareholders.

2. Details of resolution concerning acquisition of treasury shares

- |  |   |
|--|---|
| (1) Type of shares to be acquired:         | Common shares in AXXZIA Inc.  |
| (2) Total number of shares to be acquired: | 750,000 (maximum)<br>(3.0% of total outstanding shares [excluding treasury shares]) |
| (3) Total acquisition price of shares:     | 1.1 billion yen (maximum)   |
| (4) Period of acquisition:                 | December 18, 2023–March 29, 2024  |
| (5) Method of acquisition:                 | Purchase to be executed via the Tokyo Stock Exchange                                |

3. Details of resolution concerning cancellation of treasury shares

- |   |                              |
|---|------------------------------|
| (1) Type of shares to be cancelled:         | Common shares in AXXZIA Inc. |
| (2) Total number of shares to be cancelled: | 750,000                      |
| (3) Tentative cancellation date:            | December 25, 2023            |