Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended July 2024 (Based on Japanese GAAP)

September 13, 2024

Company name: AXXZIA Inc. Listing exchange: Tokyo Stock Exchange

Securities code: 4936 URL: https://axxzia.co.jp/en/

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Scheduled date for next ordinary general meeting of shareholders: October 25, 2024

Scheduled date for commencing dividend payments: October 9, 2024

Scheduled date for filing securities report: October 28, 2024

Preparation of supplementary materials on financial results: Yes

Holding of 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 Fiscal Year Ended July 2024 (from August 1, 2023 to July 31, 2024)

(1) Consolidated Operating Results (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	%
Fiscal year ended July 31, 2024	12,192	7.5	918	(51.7)	1,122	(41.0)	794	(40.3)
Fiscal year ended July 31, 2023	11,341	38.0	1,899	16.3	1,902	8.9	1,330	19.2

(Note) Comprehensive income
Fiscal year ended July 2024: 865 million yen [(34.5%)] Fiscal year ended July 2023: 1,321 million yen [(8.4%)]

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating income/ net sales
	Yen	Yen	%	%	%
Fiscal year ended July 31, 2024	32.06	32.00	9.1	10.6	7.5
Fiscal year ended July 31, 2023	51.80	51.57	15.4	18.3	16.8

(Note) Equity in earnings of affiliates
Fiscal year ended July 2024: -3 million yen Fiscal year ended July 2023: - million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of July 31, 2024	10,543	8,536	80.9	349.51
As of July 31, 2023	10,701	8,901	83.2	354.00

(Reference) Total shareholders' equity
As of July 31, 2024: 8,534 million yen As of July 31, 2023: 8,901 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended July 31, 2024	800	(187)	(1,551	4,928
Fiscal year ended July 31, 2023	707	(438)	(862)	5,787

2. Cash Dividends

	Annual dividends per share					Total dividends	Payout ratio (Consolidated)	Dividends/ net assets (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended July 31, 2023	–	0.00	–	14.00	14.00	352	27.0	4.1
Fiscal year ended July 31, 2024	–	10.00	–	10.00	20.00	491	62.4	5.7
Fiscal year ending July 31, 2025 (Forecast)	–	5.00	–	5.00	10.00	–	38.3	–

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending July 2025 (from August 1, 2024 to July 31, 2025)

(Percentage figures indicate year-on-year changes for full year)

	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	15,417	26.4	941	2.6	906	(19.2)	636	(19.8)	26.09

* Notes

(1) Significant changes in scope of consolidation during the fiscal year: Yes

Newly consolidated: 1 (M&D Co., Ltd.) Excluded from consolidation: None

(2) 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

(3) Number of issued shares (common shares)

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

As of July 31, 2024	25,167,000 shares	As of July 31, 2023	25,896,000 shares

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

As of July 31, 2024	750,000 shares	As of July 31, 2023	750,000 shares

3) Average number of shares during the period

Fiscal year ended July 2024	24,776,251 shares	Fiscal year ended July 2023	25,694,445 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended July 2024 (from August 1, 2023 to July 31, 2024)

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

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended July 31, 2024	9,719	1.0	742	(50.0)	916	(37.5)	642	(35.9)
Fiscal year ended July 31, 2023	9,619	27.1	1,483	5.2	1,465	(4.1)	1,002	5.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended July 31, 2024	25.95	25.90
Fiscal year ended July 31, 2023	38.87	38.70

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of July 31, 2024	8,677	7,367	84.9	301.74
As of July 31, 2023	9,644	7,964	82.6	308.68

(Reference) Total shareholders' equity
As of July 31, 2024: 7,367 million yen As of July 31, 2023: 7,964 million yen

* This summary of financial results is not subject to review procedures by a public accountant or audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other notes
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 results, etc. may materially differ from the forecast due to various factors.
For the conditions forming the assumptions used in forecasting earnings and precautions regarding the use of earnings forecasts, please refer to "1. Overview of Operating Results, etc. (4) Future Outlook" on page 3 of the Attachment.

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

(1) Overview of Operating Results, Etc.

During the consolidated fiscal year ended July 31, 2024 (August 1, 2023, to July 31, 2024), the Japanese economy has shown a trend toward gradual recovery, backed by the normalization of economic activities, improvement in the employment and income environment, and an increase in inbound consumption. On the other hand, conditions remain uncertain due to factors such as the situation surrounding the Middle East region, foreign exchange trends, and price hikes.

In the domestic cosmetics market, consumption is recovering against the backdrop of a moderate economic recovery, and inbound demand is also recovering thanks to a weaker yen.

In China, while the movement to boycott Japanese products prompted by the release of ALPS treated water was gradually subsiding, the market environment remained challenging due to the ongoing deterioration of the real estate market and a slowdown in economic recovery against a backdrop of falling prices.

In this market environment, the AXXZIA Group ("the Group") has bolstered its advertising investments in mainland China to strengthen its sales capabilities. Additionally, we have been actively pursuing initiatives to develop next-generation growth products.

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. In China, the Group worked to further increase its recognition and sales, including by utilizing brand ambassadors and conducting live sales on Douyin, China's major mobile video app, to commemorate the first anniversary of the launch of AGDrink X, the Group's mainstay product. Further, we strove to enhance the AGTheory brand and expand the inner care product lineup. In response to projected increases in inbound tourism demand, the Group launched pop-up stores in major cities across Japan, including Shibuya, Umeda, Sapporo, and Shinjuku. We also opened a new directly managed store in the Shinjuku Keio Department Store complex. Additionally, to raise awareness in Japan, we aired large-screen advertisements for AGDrink X at Shibuya Station. In other regions, we have worked to expand our global business by participating in exhibitions in Dubai and Hong Kong, and by conducting live sales and events targeting the Singapore market.

As a result, operating results for the consolidated fiscal year ended July 31, 2024 were as follows:

For the consolidated fiscal year ended July 31, 2024, the Company posted net sales of 12,192,379 thousand yen (up 7.5% year-onyear). Sales gradually recovered from the impact of Chinese consumers refraining from purchasing Japanese cosmetics following the release of treated water into the ocean. Meanwhile, due to an increase in the share of e-commerce sales, including live sales, advertising expenses and commissions paid to influencers utilized in various promotional activities rose. As a result, operating income was 918,344 thousand yen (down 51.7% year-on-year), ordinary income was 1,122,306 thousand yen (down 41.0% year-on-year), and profit attributable to owners of parent was 794,348 thousand (down 40.3% year-on-year).

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

[Summary of Results]

	Previous fiscal year Millions of yen	Current fiscal year Millions of yen	Year-on-year changes %
Net sales	11,341	12,192	+7.5
Operating income	1,899	918	-51.7
Ordinary income	1,902	1,122	-41.0
Profit attributable to owners of parent	1,330	794	-40.3

(2) Financial Position

(Assets)

Total assets at the end of the current fiscal year amounted to 10,543,324 thousand yen, a decrease of 158,037 thousand yen from the end of the previous fiscal year. Of this, current assets decreased by 519,177 thousand yen from the end of the previous fiscal year to 8,631,804 thousand yen and non-current assets increased by 361,139 thousand yen from the end of the previous fiscal year to 1,911,520 thousand yen.

The decrease in current assets was mainly attributable to factors such as cash and deposits decreasing by 859,130 thousand yen through purchase of treasury shares, accounts receivable – trade decreasing by 252,024 thousand yen and merchandise and finished goods increasing by 275,971 thousand yen, while the increase in non-current assets was mainly attributable to property, plant and equipment increasing by 257,427 thousand yen, intangible assets increasing by 72,323 thousand yen and investments and other assets increasing by 31,388 thousand yen.

(Liabilities)

Total liabilities at the end of the current fiscal year amounted to 2,006,452 thousand yen, an increase of 206,689 thousand yen from the end of the previous fiscal year. Of this, current liabilities increased by 321,558 thousand yen from the end of the previous fiscal year to 1,684,804 thousand yen, while non-current liabilities decreased by 114,869 thousand yen from the end of the previous fiscal year to 321,647 thousand yen.

The increase in current liabilities was mainly attributable to factors such as an increase in accounts payable - trade by 4,813 thousand yen, an increase in short-term borrowings by 450,000 thousand yen, an increase in accounts payable - other by 83,622 thousand yen and a decrease in income taxes payable by 181,681 thousand yen. The decrease in non-current liabilities was mainly attributable to factors such as a decrease in repayments of long-term borrowings by 52,280 thousand yen and a decrease due to the reversal of provision for share-based payments by 68,967 thousand yen.

(Net assets)
Total net assets at the end of the current fiscal year amounted to 8,536,872 thousand yen, a decrease of 364,726 thousand yen from the end of the previous fiscal year. This was mainly attributable to factors such as a decrease in retained earnings resulting from the payment of 599,817 thousand yen in dividends. Consequently, the equity ratio came to 80.9% (in contrast to 83.2% at the end of the previous fiscal year).

(3) Cash Flows

Cash and cash equivalents ("net cash") at the end of the current fiscal year decreased by 859,130 thousand yen from the end of the previous fiscal year to 4,928,836 thousand yen. The status of cash flows in the current fiscal year and their contributing factors are as follows.

(Cash flows from operating activities)
Net cash provided by operating activities at the end of the current fiscal year amounted to 800,357 thousand yen (in contrast with net cash provided amounting to 707,845 thousand yen in the previous fiscal year). This was mainly attributable to factors such a decrease in trade receivables of 372,504 thousand yen, a decrease in inventories of 108,221 thousand yen and income taxes paid of 545,408 thousand yen while profit before income taxes amounted to 1,110,778 thousand yen.

(Cash flows from investing activities)
Net cash used in investing activities at the end of the current fiscal year amounted to 187,809 thousand yen (in contrast with net cash used amounting to 438,692 thousand yen in the previous fiscal year). This mainly reflected cash outflows of 363,426 thousand yen in purchase of property, plant, and equipment and 26,160 thousand yen in purchase of intangible assets, partially offset by proceeds of 113,813 thousand yen from the acquisition of subsidiary shares involving a change in the scope of consolidation.

(Cash flows from financing activities)
Net cash used in financing activities at the end of the current fiscal year amounted to 1,551,765 thousand yen (in contrast with net cash used amounting to 862,745 thousand yen in the previous fiscal year). This was primarily attributable to proceeds from long-term borrowings of 168,000 thousand yen, repayments of short-term borrowings and long-term borrowings which were 80,000 thousand yen and 360,952 thousand yen respectively, expenditures of 660,298 thousand yen for the acquisition of treasury shares, and dividends paid of 599,040 thousand yen.

(4) Future Outlook

The Japanese economy is expected to continue on a path of gradual recovery, supported by improving employment and income conditions. However, persistently high interest rates in Europe and the US, the ongoing stagnation in the real estate market in China, forex rate fluctuations, and rising prices are expected to put downward pressure on the domestic economy.
In China, the Group's key market, while the boycott of Japanese products over the release of ALPS-treated water is expected to subside, the market environment is projected to remain challenging. This outlook is driven by concerns over a prolonged decline in individual consumption, largely due to difficult employment and income conditions, as well as cooling consumer sentiment.
In such a market environment, the Group believes it is vital to strengthen our business presence not only in China but also in Japan and other overseas markets such as Southeast Asia, including Singapore, North America (US, Canada), and Australia.
The Company expects to achieve net sales of 15,417 million yen (up 26.4% year-on-year), operating income of 941 million yen (up 2.6%), ordinary income of 906 million yen (down 19.2%) and profit attributable to owners of parent of 636 million yen (down 19.8%) for the fiscal year ending July 31, 2025.
Going forward, we will continue working to expand sales in China, our key market, by flexibly responding to drastic changes in the country. At the same time, we will leverage synergies with Huit Laboratories and M&D, which we made subsidiaries through M&A, and utilize newly established overseas subsidiaries to strengthen business development in Japan and overseas regions other than China.

2. Basic Principle on the Choice of Accounting Standards

For the time being, the Group makes it a policy to prepare its consolidated financial statements based on Japanese GAAP, in view of the comparability for the period covered by the consolidated financial statements and inter-company comparability.
With regarding to the application of the International Financial Reporting Standards (IFRS), the Company intends to respond to the application in an appropriate manner, based on the situations of various factors both in and outside Japan and taking into account the trend of other companies in the same industry.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of July 31, 2023)	Current fiscal year (As of July 31, 2024)
Assets		
Current assets		
Cash and deposits	5,787,967	4,928,836
Accounts receivable - trade	1,081,314	829,289
Merchandise and finished goods	1,616,600	1,892,571
Work in process	11,464	11,429
Raw materials and supplies	268,682	208,832
Income taxes refund receivable	-	44,421
Other	386,336	725,734
Allowance for doubtful accounts	(1,383)	(9,311)
Total current assets	9,150,982	8,631,804
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	166,047	699,339
Land	393,578	385,132
Other, net	491,184	223,766
Total property, plant and equipment	1,050,810	1,308,238
Intangible assets		
Goodwill	56,011	133,154
Other	133,911	129,091
Total intangible assets	189,922	262,246
Investments and other assets		
Deferred tax assets	145,670	175,575
Other	163,976	165,459
Total investments and other assets	309,647	341,035
Total non-current assets	1,550,380	1,911,520
Total assets	10,701,362	10,543,324

(Thousands of yen)

	Previous fiscal year (As of July 31, 2023)	Current fiscal year (As of July 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	219,764	224,577
Short-term borrowings	-	450,000
Current portion of long-term borrowings	239,080	220,280
Accounts payable - other	441,579	525,201
Income taxes payable	237,875	56,194
Provision for bonuses	34,945	41,944
Provision for shareholder benefit program	634	10,883
Other	189,366	155,722
Total current liabilities	1,363,246	1,684,804
Non-current liabilities		
Long-term borrowings	331,010	278,730
Deferred tax liabilities	1,954	1,976
	68,967	-
Other	34,585	40,941
Total non-current liabilities	436,517	321,647
Total liabilities	1,799,763	2,006,452
Net assets		
Shareholders' equity		
Share capital	2,147,315	2,155,505
Capital surplus	2,049,315	2,057,304
Retained earnings	5,473,634	4,776,900
Provision for share-based payments	(891,265)	(655,867)
Total shareholders' equity	8,778,998	8,333,842
Accumulated other comprehensive income		
Foreign currency translation adjustment	122,600	200,201
Total accumulated other comprehensive income	122,600	200,201
Non-controlling interests	-	2,828
Total net assets	8,901,599	8,536,872
Total liabilities and net assets	10,701,362	10,543,324

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	Previous fiscal year (August 1, 2022 - July 31, 2023)	Current fiscal year (August 1, 2023 - July 31, 2024)
Net sales	11,341,033	12,192,379
Cost of sales	2,397,851	2,581,823
Gross profit	8,943,181	9,610,556
Selling, general and administrative expenses	7,043,411	8,692,211
Operating income	1,899,770	918,344
Non-operating income		
Interest and dividend income	4,882	42,877
Subsidy income	17,456	24,835
Foreign exchange gains	10,005	147,943
Other	3,520	5,576
Total non-operating income	35,864	221,233
Non-operating expenses		
Interest expenses	6,065	8,079
Share issuance costs	18,946	-
Commission for purchase of treasury shares	5,120	4,431
Share of loss of entities accounted for using equity method	-	3,782
Other	3,098	977
Total non-operating expenses	33,231	17,271
Ordinary income	1,902,403	1,122,306
Extraordinary income		
Gain on sale of non-current assets	-	14,280
Gain on sale of investment securities	-	2,278
Total extraordinary income	-	16,558
Extraordinary losses		
Loss on retirement of non-current assets	-	821
Loss on store closings	-	27,265
Total extraordinary losses	-	28,086
Profit before income taxes	1,902,403	1,110,778
Income taxes - current	621,048	352,016
Income taxes - deferred	(49,509)	(29,215)
Total income taxes	571,538	322,801
Profit	1,330,864	787,976
Loss attributable to non-controlling interests	-	(6,371)
Profit attributable to owners of parent	1,330,864	794,348

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (August 1, 2022 – July 31, 2023)	Current fiscal year (August 1, 2023 – July 31, 2024)
Profit	1,330,864	787,976
Other comprehensive income		
Foreign currency translation adjustment	(8,965)	77,600
Total other comprehensive income	(8,965)	77,600
Comprehensive income	1,321,898	865,577
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,321,898	871,949
Comprehensive income attributable to non-controlling interests	-	(6,371)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended July 31, 2023 (August 1, 2022 to July 31, 2023)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	2,109,875	2,011,875	4,142,769	-	8,264,519	131,566	131,566	-	8,396,086
Changes of items during period									
Dividends of surplus					-				-
Profit attributable to owners of parent			1,330,864		1,330,864				1,330,864
Issuance of new shares	37,440	37,440			74,880				74,880
Purchase of treasury shares				(891,265)	(891,265)				(891,265)
Cancellation of treasury shares					-				-
Change in ownership interest of parent due to transactions with non-controlling interests					-				-
Net changes in items other than shareholders' equity						(8,965)	(8,965)		(8,965)
Total changes during period	37,440	37,440	1,330,864	(891,265)	514,478	(8,965)	(8,965)	-	505,512
Balance at end of period	2,147,315	2,049,315	5,473,634	(891,265)	8,778,998	122,600	122,600	-	8,901,599

Fiscal year ended July 31, 2024 (August 1, 2023 to July 31, 2024)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	2,147,315	2,049,315	5,473,634	(891,265)	8,778,998	122,600	122,600	-	8,901,599
Changes of items during period									
Dividends of surplus			(599,817)		(599,817)				(599,817)
Profit attributable to owners of parent			794,348		794,348				794,348
Issuance of new shares	8,190	8,190			16,380				16,380
Purchase of treasury shares				(655,867)	(655,867)				(655,867)
Cancellation of treasury shares			(891,265)	891,265	-				-
Change in ownership interest of parent due to transactions with non-controlling interests		(200)			(200)				(200)
Net changes in items other than shareholders' equity						77,600	77,600	2,828	80,428
Total changes during period	8,190	7,989	(696,733)	235,398	(445,155)	77,600	77,600	2,828	(364,726)
Balance at end of period	2,155,505	2,057,304	4,776,900	(655,867)	8,333,842	200,201	200,201	2,828	8,536,872

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous fiscal year (August 1, 2022 - July 31, 2023)	Current fiscal year (August 1, 2023 - July 31, 2024)
Cash flows from operating activities		
Profit before income taxes	1,902,403	1,110,778
Depreciation	136,597	151,550
Loss on store closings	-	4,819
Amortization of goodwill	10,708	16,100
Increase (decrease) in allowance for doubtful accounts	(237)	7,927
Increase (decrease) in provision for share-based payments	68,967	(68,967)
Interest and dividend income	(4,882)	(42,877)
Interest expenses	6,065	8,079
Share issuance costs	18,946	-
Foreign exchange losses (gains)	5,019	(35,652)
Decrease (increase) in trade receivables	(574,039)	372,504
Decrease (increase) in inventories	(315,190)	108,221
Decrease (increase) in prepaid expenses	(11,873)	(106,601)
Increase (decrease) in trade payables	91,687	(22,102)
Increase (decrease) in accounts payable - other	190,846	23,107
Increase (decrease) in income taxes payable - factor based tax	(346)	(32,712)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(105,190)	(130,482)
Other, net	50,012	(49,418)
Subtotal	1,469,493	1,314,275
Interest and dividends received	4,882	40,181
Interest paid	(6,485)	(8,691)
Income taxes refund (paid)	(760,044)	(545,408)
Net cash provided by (used in) operating activities	707,845	800,357
Cash flows from investing activities		
Purchase of property, plant and equipment	(393,090)	(363,426)
Proceeds from sale of property, plant and equipment	-	46,500
Purchase of intangible assets	(32,001)	(26,160)
Purchase of investment securities	-	(900)
Proceeds from sale of investment securities	-	32,745
Purchase of shares of subsidiaries and associates	-	(16,640)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	113,813
Purchase of insurance funds	-	(381)
Proceeds from cancellation of insurance funds	-	30,861
Other, net	(13,600)	(4,220)
Net cash provided by (used in) investing activities	(438,692)	(187,809)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(79,877)	(80,000)
Proceeds from long-term borrowings	250,000	168,000
Repayments of long-term borrowings	(155,544)	(360,952)
Proceeds from issuance of shares	74,880	16,380
Payments for issuance of shares	(18,946)	-
Purchase of treasury shares	(896,386)	(660,298)
Dividends paid	-	(599,040)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	-	9,000
Others, net	(36,870)	(44,853)
Net cash provided by (used in) financing activities	(862,745)	(1,551,765)

Effect of exchange rate change on cash and cash equivalents	(8,131)	80,087
Net increase (decrease) in cash and cash equivalents	(601,723)	(859,130)
Cash and cash equivalents at beginning of period	6,389,690	5,787,967
Cash and cash equivalents at end of period	5,787,967	4,928,836

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Change in Presentation Method)

(Consolidated Cash Flow Statement)

In the previous consolidated fiscal year, the "Decrease (increase) in prepaid expenses," which were included in "Other" under "Cash flows from operating activities," have also become more significant in value. Therefore, from this consolidated fiscal year, we have decided to list them separately. To account for this change in presentation method, we reclassified the consolidated financial statements of the previous fiscal year.

As a result, the 38,138 thousand yen, which was displayed under "Other" in "Cash flows from operating activities" of the consolidated cash flow statement of the previous fiscal year, has been reclassified as "Decrease (increase) in prepaid expenses" at a negative 11,873 thousand yen and "Other" of 50,012 thousand yen.

(Segment Information, Etc.)

[Segment information]

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

[Related information]

Previous fiscal year (from August 1, 2022 to July 31, 2023)

1. Information by product and service

This information is omitted as sales to external customers concerning the cosmetics business account for more than 90% of net sales in the consolidated statements of income.

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	China	Others	Total
1,178,581	10,007,137	155,314	11,341,033

(Note) Net sales are classified by country or region based on the final delivery destination.

(2) Property, plant and equipment

Over 90% of the property, plant, and equipment value on the consolidated balance sheet pertains to assets located in Japan. Therefore, no specific details are provided.

3. Information by major customer

(Thousands of yen)

Name of customer	Net Sales	Name of related segment
Dalian Jiayue Commerce&Trading Inc.	1,295,070	Cosmetics business

Current fiscal year (from August 1, 2023 to July 31, 2024)

1. Information by product and service

This information is omitted as sales to external customers concerning the cosmetics business account for more than 90% of net sales in the consolidated statements of income.

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	China	Others	Total
1,754,282	10,039,054	399,043	12,192,379

(Note) Net sales are classified by country or region based on the final delivery destination.

(2) Property, plant and equipment

Over 90% of the property, plant, and equipment value on the consolidated balance sheet pertains to assets located in Japan. Therefore, no specific details are provided.

3. Information by major customer

We have omitted information by key customer, as no sales to any one customer amounted to 10% of consolidated net sales as recorded on the consolidated income statement.

[Information about impairment loss on non-current assets by reportable segment]

Not applicable.

[Information about amortization and unamortized balance of goodwill by reportable segment]

Previous fiscal year (from August 1, 2022 to July 31, 2023)

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

Current fiscal year (from August 1, 2023 to July 31, 2024)

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

[Information about gain on bargain purchase by reportable segment]

Not applicable.

(Business Combinations)

(Business Combinations through Acquisition)

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) Major reasons for the business combination
   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).
   (3) Date of business combination
   February 1, 2024
   (4) Legal form of business combination
   Acquisition of shares
   (5) Name of the company to be acquired following the business combination
   No change
   (6) Percentage of voting rights to be acquired
   100%
   (7) Bases for choosing the company to be acquired
   This is because the Company acquired shares in exchange for cash.

2. Period of the acquired company's performance included in the quarterly consolidated statement of income for the cumulative quarter
   from February 1, 2024 to February 29, 2024

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

Compensation of the acquisition	Cash	10,000 thousand yen
Acquisition cost		10,000 thousand yen

4. Description and amounts of major acquisition-related expenses
   Advisory expenses, etc. 17,460 thousand yen

5. Amount, reason, amortization method, and amortization period of goodwill projected to result from the acquisition
   (1) Amount of goodwill recognized
   93,244 thousand yen
   (2) Reason for recognizing goodwill
   This was mainly due to the excess profitability expected from future business development.
   (3) Amortization method and period
   Straight-line method over 5 years
   During the first nine months of the current fiscal year, the Company applied a provisional accounting treatment for the allocation of acquisition costs based on reasonable information available at the time of preparing the quarterly consolidated financial statements. However, the allocation of acquisition costs had been completed at the end of the current fiscal year.

6. Amounts of assets and liabilities acquired on the day of the business combination and their major breakdown

Current assets	571,862 thousand yen
Non-current assets	84,786
Total assets	656,648
Current liabilities	634,730
Non-current liabilities	105,162
Total liabilities	739,893

7. Approximate amounts of impact of the business combination on the consolidated statements of income for the current fiscal year if it is assumed that the business combination was completed on the first day of the current fiscal year, and the method for calculating that amount

Net sales	1,308,617 thousand yen
Operating income	41,001
Ordinary income	48,535
Profit before income taxes	48,535
Profit attributable to owners of parent	48,535

(Calculation method of the approximate amounts)

The difference between the net sales calculated based on the assumption that the business combination was completed on the first day of the fiscal year and the amount in information on income is used as the approximate amount of the impact.

In addition, the approximate amounts have not been audited.

(Per Share Information)

	Previous fiscal year (August 1, 2022 – July 31, 2023)	Current fiscal year (August 1, 2023 - July 31, 2024)
Net assets per share	354.00 yen	349.51 yen
Basic earnings per share	51.80 yen	32.06 yen
Diluted earnings per share	51.57 yen	32.00 yen

(Note) The basis of calculating basic earnings per share and diluted earnings per share is as follows.

(Thousands of yen)

Item	Previous fiscal year (August 1, 2022 - July 31, 2023)	Current fiscal year (August 1, 2023 – July 31, 2024)
Basic earnings per share		
Profit attributable to owners of parent	1,330,864	794,348
Amount not attributable to common shareholders	—	—
Profit attributable to owners of parent for common shares	1,330,864	794,348
Average number of common shares during period	25,694 thousand shares	24,776 thousand shares
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	—	—
Increase in the number of common shares	113 thousand shares	49 thousand shares
(Of which, increase in the number of share subscription rights)	(113 thousand shares)	(49 thousand shares)
Description of dilutive shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects	—	—

(Significant Subsequent Events)

Not applicable.