Translation

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Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending July 2025 (Based on Japanese GAAP)

December 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 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 2025 (from August 1, 2024 to October 31, 2024)

(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, 2024	3,079	12.8	57	(77.6)	51	(86.6)	29	(88.8)
First quarter ended October 31, 2023	2,730	4.2	257	(34.3)	381	(19.9)	261	(18.5)

(Note) Comprehensive income
First quarter ended October 31, 2024: 62 million yen [(79.5)%]
First quarter ended October 31, 2023: 304 million yen [(10.2)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First quarter ended October 31, 2024	1.21	-
First quarter ended October 31, 2023	10.40	10.37

(Note) Diluted earnings per share for the first quarter ended October 31, 2024 has not been provided, as there were no potential shares with dilutive effects.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of October 31, 2024	10,071	8,061	80.0
As of July 31, 2024	10,543	8,536	80.9

(Reference) Total shareholders' equity
As of October 31, 2024: 8,054 million yen As of July 31, 2024: 8,534 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, 2024	—	10.00	—	10.00	20.00
Fiscal year ending July 31, 2025	—				
Fiscal year ending July 31, 2025 (Forecast)		5.00	—	5.00	10.00

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

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

(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): Yes
Newly consolidated: 2 (AXXZIA Technology Inc., AXXZIA (Shenzhen) International E-Commerce Co., Ltd.)
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:	Yes
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, 2024	25,167,000 shares	As of July 31, 2024	25,167,000 shares

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

As of October 31, 2024	1,236,600 shares	As of July 31, 2024	750,000 shares

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

First quarter ended October 31, 2024	24,221,750 shares	First quarter ended October 31, 2023	25,157,380 shares

* The enclosed quarterly consolidated financial statements are not subject to review by a certified public accountant or an 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.

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

(1) Overview of Operating Results

In the first quarter of the fiscal year ending July 31, 2025 (August 1–October 31, 2024), the Japanese economy continued to recover gradually, supported by improvements in the employment and income conditions. Personal consumption showed signs of recovery as well, although some areas remained stagnant. However, uncertainties persisted due to factors such as the ongoing conflict in the Middle East, exchange rate fluctuations, and the impact of rising prices.

The cosmetics market in Japan remained strong. Inbound consumption grew steadily, driven by an increase in inbound tourists, despite a slight appreciation of the yen.

In the cosmetics market in China, the business environment remained challenging due to weakened consumer sentiment caused by an economic slowdown and intensifying competition from emerging local manufacturers.

Under these market conditions, the AXXZIA Group focused on further expanding sales in China, our key market, while advancing initiatives to establish a business foundation and strengthen sales activities in regions outside of China. In China, while the business environment remained challenging due to sluggish consumption, we worked to further boost sales of our mainstay products Essential Sheet and AGDrink. We also sought to cultivate skincare products of the AGTHEORY brand, whose core product is AGDrink, as well as inner care products, which are seeing growing demand in China. In Japan, we strove to enhance our brand image and increase recognition by conducting social media marketing and live sales through influencers and renovating our flagship store in GINZA SIX. Outside of China and Japan, we participated in a trade show in Dubai and conducted live sales in Singapore as part of efforts to bolster global expansion.

12.8% year-on-year), exceeding the year-ago results owing to the consolidation of M&D Co., Ltd. which became a subsidiary in February 2024. Meanwhile, operating income was 57,608 thousand yen (down 77.6% year-on-year), due in part to a deterioration in the cost ratio following the consolidation of M&D. Recurring income was 51,192 thousand yen (down 86.6% year-on-year) and profit attributable to owners of parent was 29,295 thousand yen (down 88.8% 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]

	First quarter of the fiscal year ended July 2024 Millions of yen	First quarter of the fiscal year ending July 2025 Millions of yen	Year-on-year changes %
Net sales	2,730	3,079	+12.8
Operating income	257	57	-77.6
Ordinary income	381	51	-86.6
Profit attributable to owners of parent	261	29	-88.8

(2) Financial Position

(Assets)

Total assets at the end of the first quarter ended October 31, 2024 amounted to 10,071,030 thousand yen, a decrease of 472,294 thousand yen (-4.5%) from the end of the previous fiscal year. Of this, current assets decreased by 461,600 thousand yen (-5.3%) from the end of the previous fiscal year to 8,170,204 thousand yen and non-current assets decreased by 10,693 thousand yen (-0.6%) from the end of the previous fiscal year to 1,900,826 thousand yen.

The decrease in current assets was mainly attributable to factors such as cash and deposits decreasing by 780,145 thousand yen and accounts receivable – trade increasing by 248,359 thousand yen. The decrease in non-current assets was mainly attributable to factors such as buildings and structures increasing by 36,992 thousand yen and deferred tax assets decreasing by 13,025 thousand yen.

(Liabilities)

Total liabilities at the end of the first quarter ended October 31, 2024 amounted to 2,009,844 thousand yen, an increase of 3,392 thousand yen (+0.2%) from the end of the previous fiscal year. Of this, current liabilities increased by 31,826 thousand yen (+1.9%) from the end of the previous fiscal year to 1,716,631 thousand yen and non-current liabilities decreased by 28,434 thousand yen (-8.8%) from the end of the previous fiscal year to 293,213 thousand yen.

The increase in current liabilities was mainly attributable to factors such as a decrease in accounts payable - trade by 70,423 thousand yen, an increase in short-term borrowings by 50,000 thousand yen and an increase in accounts payable - other by 34,943 thousand yen. The decrease in non-current liabilities was mainly attributable to factors such as a decrease in repayments of long-term borrowings by 22,270 thousand yen.

(Net assets)

Total net assets at the end of the first quarter ended October 31, 2024 amounted to 8,061,186 thousand yen, a decrease of 475,686 thousand yen (-5.6%) from the end of the previous fiscal year.

Despite positive impact on retained earnings that stemmed from the Company's recording of 29,295 thousand yen in profit attributable to owners of parent, net assets decreased due primarily to a larger negative retained earnings impact of 244,170 thousand yen, which resulted from the Company's payment of dividends.

Consequently, the equity ratio came to 80.0% (in contrast to 80.9% 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, 2025, no change has been made to the forecast for the entire fiscal year announced on September 13, 2024 in the Summary of Consolidated Financial Results for the Fiscal Year Ended July 2024. 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, 2024)	First quarter ended October 31, 2024 (As of October 31, 2024)
Assets		
Current assets		
Cash and deposits	4,928,836	4,148,691
Accounts receivable - trade	829,289	1,077,649
Merchandise and finished goods	1,892,571	2,013,197
Work in process	11,429	8,902
Raw materials and supplies	208,832	206,457
Income taxes refund receivable	44,421	43,127
Other	725,734	681,700
Allowance for doubtful accounts	(9,311)	(9,522)
Total current assets	8,631,804	8,170,204
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	699,339	736,331
Land	385,132	396,595
Other, net	223,766	199,885
Total property, plant and equipment	1,308,238	1,332,812
Intangible assets		
Goodwill	133,154	126,021
Other	129,091	120,551
Total intangible assets	262,246	246,572
Investments and other assets		
Deferred tax assets	175,575	162,549
Other	165,459	158,891
Total investments and other assets	341,035	321,441
Total non-current assets	1,911,520	1,900,826
Total assets	10,543,324	10,071,030

(Thousands of yen)

	Previous fiscal year (As of July 31, 2024)	First quarter ended October 31, 2024 (As of October 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	224,577	154,153
Short-term borrowings	450,000	500,000
Current portion of long-term borrowings	220,280	182,780
Accounts payable - other	525,201	560,145
Income taxes payable	56,194	36,274
Provision for bonuses	41,944	40,350
Provision for shareholder benefit program	10,883	6,542
Provision for share-based payments	-	2,950
Other	155,722	233,433
Total current liabilities	1,684,804	1,716,631
Non-current liabilities		
Long-term borrowings	278,730	256,460
Deferred tax liabilities	1,976	-
Other	40,941	36,753
Total non-current liabilities	321,647	293,213
Total liabilities	2,006,452	2,009,844
Net assets		
Shareholders' equity		
Share capital	2,155,505	2,155,505
Capital surplus	2,057,304	2,057,304
Retained earnings	4,776,900	4,562,026
Treasury shares	(655,867)	(955,864)
Total shareholders' equity	8,333,842	7,818,971
Accumulated other comprehensive income		
Foreign currency translation adjustment	200,201	235,040
Total accumulated other comprehensive income	200,201	235,040
Non-controlling interests	2,828	7,174
Total net assets	8,536,872	8,061,186
Total liabilities and net assets	10,543,324	10,071,030

(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, 2023 (August 1, 2023 - October 31, 2023)	First quarter ended October 31, 2024 (August 1, 2024 - October 31, 2024)
Net sales	2,730,538	3,079,351
Cost of sales	537,637	856,102
Gross profit	2,192,901	2,223,248
Selling, general and administrative expenses	1,935,336	2,165,639
Operating income	257,565	57,608
Non-operating income		
Interest and dividend income	18,040	6,156
Subsidy income	24,130	-
Foreign exchange gains	81,503	-
Other	1,623	797
Total non-operating income	125,297	6,954
Non-operating expenses		
Interest expenses	1,437	2,609
Commission for purchase of treasury shares	-	967
Foreign exchange losses	-	7,195
Share of loss of entities accounted for using equity method	-	2,485
Other	206	113
Total non-operating expenses	1,644	13,371
Ordinary income	381,218	51,192
Extraordinary income		
Gain on sale of non-current assets	14,280	-
Total extraordinary income	14,280	-
Extraordinary losses		
Loss on retirement of non-current assets	-	113
Total extraordinary losses	-	113
Profit before income taxes	395,498	51,078
Income taxes - current	109,819	11,190
Income taxes - deferred	24,132	12,246
Total income taxes	133,951	23,436
Profit	261,546	27,641
Loss attributable to non-controlling interests	-	(1,654)
Profit attributable to owners of parent	261,546	29,295

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

(Thousands of yen)

	First quarter ended October 31, 2023 (August 1, 2023 - October 31, 2023)	First quarter ended October 31, 2024 (August 1, 2024 - October 31, 2024)
Profit	261,546	27,641
Other comprehensive income		
Foreign currency translation adjustment	43,235	34,839
Total other comprehensive income	43,235	34,839
Comprehensive income	304,781	62,481
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	304,781	64,135
Comprehensive income attributable to non-controlling interests	-	(1,654)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Pursuant to a resolution approved at the Board of Directors meeting held on September 20, 2024, the Company acquired 486,600 shares during the period from September 24, 2024, to September 27, 2024. As a result, treasury shares increased by 299,997 thousand yen, and treasury shares amounted to 955,864 thousand yen at the end of the first quarter of the current fiscal year.

(Notes on Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes)

From the beginning of the first quarter of the fiscal year under review, the Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, issued October 28, 2022; hereafter, the "Revised Accounting Standard 2022") and related guidelines.

Regarding the amendments to the classification of income taxes (taxes on other comprehensive income), the Company has adopted the transitional treatment stipulated in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the proviso of Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, issued October 28, 2022). The change in accounting policies had no impact on the quarterly consolidated financial statements for the first quarter of the fiscal year under review.

(Additional Information)

(Acquisition of Treasury Shares)

The Company resolved at the Board of Directors meeting held on September 20, 2024, based on the provisions of Article 459, Paragraph 1 of the Companies Act and Article 45 of the Company's Articles of Incorporation, matters concerning the acquisition of treasury shares. The acquisition status is as follows.

Status of acquisition of treasury shares (as of November 30, 2024)

(1) Type of shares acquired:	Common shares of the Company
(2) Total number of shares acquired:	486,600 shares
(3) Total amount of acquisition price:	299,997,600 yen
(4) Acquisition period:	September 24, 2024 to September 27, 2024 (on a settlement date basis)
(5) Method of acquisition:	Market purchase on the Tokyo Stock Exchange

(Reference) Resolution at the Board of Directors meeting held on September 20, 2024

(1) Type of shares to be acquired:	Common shares of the Company
(2) Total number of shares to be acquired:	Up to 500,000 shares (Ratio to total number of issued shares (excluding treasury shares): 1.99%)
(3) Total amount of acquisition price of shares:	Up to 300,000,000 yen
(4) Acquisition period:	September 24, 2024 to January 31, 2025
(5) Method of acquisition of shares:	Market purchase on the Tokyo Stock Exchange

(Notes on the Quarterly Consolidated Statement of Cash Flows)

The quarterly consolidated statement of cash flows for the first quarter of the fiscal year under review has not been prepared. Depreciation expenses for the first quarter are as follows.

(Thousands of yen)

	First quarter ended October 31, 2023 (August 1, 2023 - October 31, 2023)	First quarter ended October 31, 2024 (August 1, 2024 - October 31, 2024)
Depreciation	37,805	37,309
Amortization of goodwill	2,471	7,133

(Segment Information, Etc.)

[Segment information]

I. First quarter of the fiscal year ended 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.

II. First quarter of the fiscal year ending July 2025 (August 1, 2024 - October 31, 2024)

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

(Significant Subsequent Events)

(Acquisition and cancellation of treasury shares)

Through a meeting of its Board of Directors held on December 13, 2024, 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. For details, please refer to the "Notice Regarding Acquisition and Cancellation of Treasury Shares" released today.