

# Translation

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## Summary of Consolidated Financial Results for the Fiscal Year Ended July 2023 (Based on Japanese GAAP)

September 14, 2023

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 27, 2023  
 Scheduled date for commencing dividend payments: October 11, 2023  
 Scheduled date for filing securities report: October 30, 2023  
 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 2023 (from August 1, 2022 to July 31, 2023)

#### (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, 2023	11,341	38.0	1,899	16.3	1,902	8.9	1,330	19.2
Fiscal year ended July 31, 2022	8,215	42.0	1,633	18.1	1,746	27.4	1,116	28.6

(Note) Comprehensive income

Fiscal year ended July 2023: 1,321 million yen [8.4%]

Fiscal year ended July 2022: 1,219 million yen [34.7%]

	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, 2023	51.80	51.57	15.4	18.3	16.8
Fiscal year ended July 31, 2022	43.28	43.15	14.3	19.1	19.9

#### (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, 2023	10,701	8,901	83.2	354.00
As of July 31, 2022	10,053	8,396	83.5	325.43

(Reference) Total shareholders' equity

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

As of July 31, 2022: 8,396 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, 2023	707	(438)	(862)	5,787
Fiscal year ended July 31, 2022	797	(775)	386	6,389

## 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, 2022	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended July 31, 2023	–	0.00	–	14.00	14.00	352	27.0	4.1
Fiscal year ending July 31, 2024 (Forecast)	–	10.00	–	10.00	20.00	–	30.7	–

## 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)

	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	65.05

### \* Notes

#### (1) Changes in significant subsidiaries during the fiscal year

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

Newly consolidated: None

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: 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

#### (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, 2023	25,896,000 shares	As of July 31, 2022	25,800,000 shares
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##### 2) Number of treasury shares at the end of the period

As of July 31, 2023	750,000 shares	As of July 31, 2022	- shares
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##### 3) Average number of shares during the period

Fiscal year ended July 2023	25,694,445 shares	Fiscal year ended July 2022	25,800,000 shares
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## (Reference) Overview of Non-consolidated Financial Results

### 1. Non-Consolidated Financial Results for the Fiscal Year Ended July 2023 (from August 1, 2022 to July 31, 2023)

#### (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, 2023	9,619	27.1	1,483	5.2	1,465	△4.1	1,002	5.9
Fiscal year ended July 31, 2022	7,568	40.4	1,410	25.0	1,528	36.6	946	41.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended July 31, 2023	38.87	38.70
Fiscal year ended July 31, 2022	36.70	36.59

(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, 2023	9,644	7,964	82.6	308.68
As of July 31, 2022	9,209	7,777	84.5	301.45

(Reference) Total shareholders' equity

As of July 31, 2023: 7,964 million yen

As of July 31, 2022: 7,777 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, 2023 (August 1, 2022, to July 31, 2023), the Japanese economy demonstrated a trend toward recovery as the adverse impact of COVID-19 diminished. Amid the policy transitions aiming to coexist with COVID-19, we saw a resurgence in economic activities, fueled by the recovery of inbound demand and the increase in outings and related consumption that had previously been restrained. Nonetheless, challenges such as the situation in Ukraine, currency fluctuations, and rising resource prices continue, contributing to a persistent state of uncertainty.

In the domestic cosmetics market, eased movement restrictions and more frequent outings have gradually boosted consumption.

In the overseas cosmetics market, we are witnessing a modest recovery. However, the future remains clouded with uncertainty due to variables such as ongoing developments in Ukraine, implications of tightening financial policies, and rising resource prices. In the Chinese market, following the stabilization of the rapid surge in COVID-19 cases due to the shift away from a zero-COVID policy, there has been a noticeable trend of recovery in mobility. However, while consumer spending is picking up, its pace is gentle, and the future outlook remains uncertain.

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 China, the Group reinforced sales on video platform Douyin, the mainland version of TikTok, and the cross-border e-commerce platform Tmall Global, deepening its footprint in Chinese e-commerce. To further enhance our brand strength and awareness, we also leveraged word-of-mouth campaigns through RED (Xiaohongshu) in conjunction with our efforts to boost advertising investments and augment our sales capabilities. With our product development mainly tailored for the Chinese market, we are harnessing the distinctive feature of Chinese e-commerce that allows for selling mid-to-high-end products, aiming to elevate our brand strength and recognition even further.

Domestically, in anticipation of the recovery in inbound demand due to relaxed travel restrictions, the Group has expanded its directly-managed stores (Haneda Airport Garden Store, Daimaru Shinsaibashi Store, and Daimaru Shinsaibashi South Building) and pop-up stores. For our Japanese e-commerce operations, we established AXXZIA Value Creator Inc. in June 2023 and have been actively working on sales growth through enhanced promotion on social media. Furthermore, to improve profitability, our consolidated subsidiary, Huit Laboratories Inc., has been advancing the production of AXXZIA products in its factory.

As a result, the Company posted net sales of 11,341,033 thousand yen (up 38.0% year-on-year) for the current fiscal year and has successfully renewed its highest record. This was the same for profit with the gross profit renewing the highest record at 8,943,181 thousand yen due to the revenue increasing effect. In addition, with the aim of improving its recognition and brand power, the Company conducted aggressive upfront investments such as advertisement as it did last year, which resulted in an increase in selling, general and administrative expenses. The Company posted operating income of 1,899,770 thousand yen (up 16.3%), ordinary income of 1,902,403 thousand yen (up 8.9%) and profit attributable to owners of parent of 1,330,864 thousand yen (up 19.2%), marking record highs for respective figures for profit as well.

Please note that from this consolidated fiscal year, we have changed the end date of the accounting period for our consolidated subsidiary, Huit Laboratories Inc., from December 31 to July 31. Due to this shift, for the fiscal year ending July 2024, the consolidation period for the said subsidiary covers 13 months, from July 1, 2022, to July 31, 2023.

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	8,215	11,341	+38.0
Operating income	1,633	1,899	+16.3
Ordinary income	1,746	1,902	+8.9
Profit attributable to owners of parent	1,116	1,330	+19.2

### (2) Financial Position

#### (Assets)

Total assets at the end of the current fiscal year amounted to 10,701,362 thousand yen, an increase of 647,839 thousand yen from the end of the previous fiscal year. Of this, current assets increased by 354,984 thousand yen from the end of the previous fiscal year to 9,150,982 thousand yen and non-current assets increased by 292,855 thousand yen from the end of the previous fiscal year to 1,550,380 thousand yen.

The increase in current assets was mainly attributable to factors such as cash and deposits decreasing by 601,723 thousand yen through purchase of treasury shares, accounts receivable – trade increasing by 573,341 thousand yen and finished goods increasing by 459,072 thousand yen, while the increase in non-current assets was mainly attributable to property, plant and equipment increasing by 279,142 thousand yen, intangible assets decreasing by 19,225 thousand yen and investments and other assets increasing by 32,937 thousand yen.

#### (Liabilities)

Total liabilities at the end of the current fiscal year amounted to 1,799,763 thousand yen, an increase of 142,327 thousand yen from the end of the previous fiscal year. Of this, current liabilities increased by 119,820 thousand yen from the end of the

previous fiscal year to 1,363,246 thousand yen. This was mainly attributable to factors such as an increase in accounts payable - trade by 91,622 thousand yen, an increase in accounts payable - other by 172,450 thousand yen, a decrease in income taxes payable by 138,868 thousand yen and a decrease in repayments of short-term borrowings by 79,877 thousand yen. Non-current liabilities amounted to 436,517 thousand yen, an increase of 22,506 thousand yen from the end of the previous fiscal year. This was mainly attributable to factors such as an increase in 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 8,901,599 thousand yen, an increase of 505,512 thousand yen from the end of the previous fiscal year. This was mainly attributable to factors such as an increase in retained earnings resulting by 1,330,864 thousand yen from recording of profit attributable to owners of parent, etc. Consequently, the equity ratio came to 83.2% (in contrast to 83.5% 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 601,723 thousand yen from the end of the previous fiscal year to 5,787,967 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 707,845 thousand yen (in contrast with net cash provided amounting to 797,693 thousand yen in the previous fiscal year). This was mainly attributable to factors such as payments due to an increase in trade receivables of 574,039 thousand yen, payments due to an increase in inventories of 315,190 thousand yen and income taxes paid of 760,044 thousand yen while profit before income taxes amounted to 1,902,403 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities at the end of the current fiscal year amounted to 438,692 thousand yen (in contrast with net cash used amounting to 775,356 thousand yen in the previous fiscal year). This was mainly attributable to factors such as purchase of property, plant and equipment of 393,090 thousand yen and purchase of intangible assets of 32,001 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities at the end of the current fiscal year amounted to 862,745 thousand yen (in contrast with net cash provided amounting to 386,430 thousand yen in the previous fiscal year). This was primarily attributable to proceeds from long-term borrowings of 250,000 thousand yen, repayments of short-term borrowings and long-term borrowings which were 79,877 thousand yen and 155,544 thousand yen respectively, and expenditures of 896,386 thousand yen for the acquisition of treasury shares.

### **(4) Future Outlook**

Although a recovery in consumption is anticipated as the economy transitions to coexisting with COVID-19, the global economic outlook remains uncertain due to factors like the situation in Ukraine, currency fluctuations, and rising resource prices.

In China, the Group's primary market, there are concerns about an intensified boycott movement due to the ocean release of ALPS treated water. In the domestic market, easing of travel restrictions is expected to lead to more outings, and a continued recovery in consumption is expected.

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 (Singapore, Thailand, Vietnam, Malaysia, Indonesia), North America (Canada, US), and Australia.

The Company expects to achieve net sales of 13,000 million yen (up 14.6% year-on-year), operating income of 2,400 million yen (up 26.3%), ordinary income of 2,300 million yen (up 20.9%) and profit attributable to owners of parent of 1,635 million yen (up 22.9%) for the fiscal year ending July 31, 2024.

Moving forward, we will demonstrate our agility in adapting to the rapidly changing Chinese market, continuing to expand sales in this key market, while promoting business growth in Japan and other regions.

## **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 regard 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, 2022)	Current fiscal year (As of July 31, 2023)
Assets		
Current assets		
Cash and deposits	6,389,690	5,787,967
Accounts receivable - trade	507,972	1,081,314
Finished goods	1,157,528	1,616,600
Work in process	10,745	11,464
Raw materials and supplies	418,177	268,682
Other	313,504	386,336
Allowance for doubtful accounts	(1,621)	(1,383)
Total current assets	8,795,997	9,150,982
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	163,797	166,047
Land	393,578	393,578
Other, net	214,291	491,184
Total property, plant and equipment	771,667	1,050,810
Intangible assets		
Goodwill	66,719	56,011
Other	142,428	133,911
Total intangible assets	209,148	189,922
Investments and other assets		
Deferred tax assets	116,187	145,670
Other	160,521	163,976
Total investments and other assets	276,709	309,647
Total non-current assets	1,257,525	1,550,380
Total assets	10,053,522	10,701,362

	(Thousands of yen)	
	Previous fiscal year (As of July 31, 2022)	Current fiscal year (As of July 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	128,141	219,764
Short-term borrowings	79,877	-
Current portion of long-term borrowings	155,544	239,080
Accounts payable - other	269,128	441,579
Income taxes payable	376,743	237,875
Provision for bonuses	21,410	34,945
Provision for shareholder benefit program	-	634
Other	212,579	189,366
Total current liabilities	1,243,425	1,363,246
Non-current liabilities		
Long-term borrowings	320,090	331,010
Deferred tax liabilities	20,812	1,954
	-	68,967
Other	73,108	34,585
Total non-current liabilities	414,010	436,517
Total liabilities	1,657,436	1,799,763
Net assets		
Shareholders' equity		
Share capital	2,109,875	2,147,315
Capital surplus	2,011,875	2,049,315
Retained earnings	4,142,769	5,473,634
Provision for share-based payments	-	(891,265)
Total shareholders' equity	8,264,519	8,778,998
Accumulated other comprehensive income		
Foreign currency translation adjustment	131,566	122,600
Total accumulated other comprehensive income	131,566	122,600
Total net assets	8,396,086	8,901,599
Total liabilities and net assets	10,053,522	10,701,362



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

## Consolidated Statements of Income

(Thousands of yen)

	Previous fiscal year (August 1, 2021 - July 31, 2022)	Current fiscal year (August 1, 2022 - July 31, 2023)
Net sales	8,215,618	11,341,033
Cost of sales	1,994,330	2,397,851
Gross profit	6,221,287	8,943,181
Selling, general and administrative expenses	4,587,519	7,043,411
Operating income	1,633,768	1,899,770
Non-operating income		
Interest and dividend income	1,130	4,882
Subsidy income	-	17,456
Foreign exchange gains	113,956	10,005
Other	2,475	3,520
Total non-operating income	117,561	35,864
Non-operating expenses		
Interest expenses	4,440	6,065
Share issuance costs	-	18,946
Commission for purchase of treasury shares	-	5,120
Other	16	3,098
Total non-operating expenses	4,457	33,231
Ordinary income	1,746,872	1,902,403
Profit before income taxes	1,746,872	1,902,403
Income taxes - current	666,026	621,048
Income taxes - deferred	(35,819)	(49,509)
Total income taxes	630,206	571,538
Profit	1,116,666	1,330,864
Profit attributable to owners of parent	1,116,666	1,330,864

# Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (August 1, 2021 – July 31, 2022)	Current fiscal year (August 1, 2022 – July 31, 2023)
Profit	1,116,666	1,330,864
Other comprehensive income		
Foreign currency translation adjustment	102,802	(8,965)
Total other comprehensive income	102,802	(8,965)
Comprehensive income	1,219,468	1,321,898
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,219,468	1,321,898
Comprehensive income attributable to non-controlling interests	-	-

### (3) Consolidated Statements of Changes in Equity

Fiscal year ended July 31, 2022 (August 1, 2021 to July 31, 2022)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		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	3,042,755	-	7,164,505	28,764	28,764	7,193,269
Cumulative effects of changes in accounting policies			(16,651)		(16,651)			(16,651)
Restated balance	2,109,875	2,011,875	3,026,103	-	7,147,853	28,764	28,764	7,176,617
Changes of items during period								
Profit attributable to owners of parent			1,116,666		1,116,666			1,116,666
Issuance of new shares								
Purchase of treasury shares								
Net changes in items other than shareholders' equity						102,802	102,802	102,802
Total changes during period	-	-	1,116,666	-	1,116,666	102,802	102,802	1,219,468
Balance at end of period	2,109,875	2,011,875	4,142,769	-	8,264,519	131,566	131,566	8,396,086

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

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		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
Cumulative effects of changes in accounting policies								
Restated balance	2,109,875	2,011,875	4,142,769		8,264,519	131,566	131,566	8,396,086
Changes of items during period								
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)
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

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	Previous fiscal year (August 1, 2021 - July 31, 2022)	Current fiscal year (August 1, 2022 - July 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,746,872	1,902,403
Depreciation	82,429	136,597
Amortization of goodwill	2,669	10,708
	-	(237)
	-	68,967
Interest and dividend income	(1,130)	(4,882)
Interest expenses	4,440	6,065
Share issuance costs	-	18,946
Foreign exchange losses (gains)	5,192	5,019
Decrease (increase) in trade receivables	(3,670)	(574,039)
Decrease (increase) in inventories	(237,944)	(315,190)
Increase (decrease) in trade payables	(58,277)	91,687
	71,780	190,846
Increase (decrease) in income taxes payable - factor based tax	(16,777)	(346)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(72,269)	(105,190)
Other, net	(33,656)	38,138
Subtotal	1,489,660	1,469,493
Interest and dividends received	1,130	4,882
Interest paid	(4,666)	(6,485)
Income taxes refund (paid)	(688,430)	(760,044)
Net cash provided by (used in) operating activities	797,693	707,845
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,231)	(393,090)
Purchase of intangible assets	(57,602)	(32,001)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(646,864)	-
Other, net	(63,657)	(13,600)
Net cash provided by (used in) investing activities	(775,356)	(438,692)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	79,877	(79,877)
Proceeds from long-term borrowings	450,000	250,000
Repayments of long-term borrowings	(110,044)	(155,544)
Proceeds from issuance of shares	-	74,880
Payments for issuance of shares	-	(18,946)
	-	(896,386)
Others, net	(33,402)	(36,870)
Net cash provided by (used in) financing activities	386,430	(862,745)
Effect of exchange rate change on cash and cash equivalents	45,562	(8,131)
Net increase (decrease) in cash and cash equivalents	454,330	(601,723)
Cash and cash equivalents at beginning of period	5,935,360	6,389,690
Cash and cash equivalents at end of period	6,389,690	5,787,967

## (5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan [ASBJ] Guidance No. 31) from the beginning of the fiscal year ended July 2023, and decided to adopt the new accounting policies set forth by the said Implementation Guidance on Accounting Standard for Fair Value Measurement going forward in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. Note that this change has not affected the consolidated financial statements.

(Change in Presentation Method))

(Consolidated Balance Sheet)

In the previous consolidated fiscal year, "Accounts payable - other," which were included in "Other" under "Current liabilities," gained significant importance in terms of their value. As a result, from this consolidated fiscal year, we have decided to present them separately. To reflect this change in presentation method, we have reclassified the consolidated financial statements of the previous fiscal year.

As a result, the 481,708 thousand yen, which was displayed under "Other" in "Current liabilities" of the consolidated balance sheet of the previous fiscal year, has been reclassified as "Accounts payable - other" of 269,128 thousand yen and "Other" at 212,579 thousand yen.

(Consolidated Cash Flow Statement)

In the previous consolidated fiscal year, the "Increase (decrease) in accounts payable - other," 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 38,124 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 "Increase (decrease) in accounts payable - other" of 71,780 thousand yen and "Other" at a negative 33,656 thousand yen.

(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 114,224 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, 68,967 thousand yen was recorded as provision for share-based payments in the fiscal year ended 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.

(Acquisition of Treasury Shares)

The Company resolved at the Board of Directors meeting held on April 17, 2023, 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 July 31, 2023)

- |  |   |
|--|---|
| (1) Type of shares acquired:           | Common shares of the Company                                |
| (2) Total number of shares acquired:   | 750,000 shares  |
| (3) Total amount of acquisition price: | 891,265,800 yen   |
| (4) Acquisition period:                | April 18, 2023 to June 8, 2023 (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 April 17, 2023

- |  |   |
|--|---|
| (1) Type of shares to be acquired:               | Common shares of the Company  |
| (2) Total number of shares to be acquired:       | Up to 750,000 shares<br>(Ratio to total number of issued shares (excluding treasury shares): 2.90%) |
| (3) Total amount of acquisition price of shares: | Up to 1,100,000,000 yen   |
| (4) Acquisition period:                          | April 18, 2023 to June 30, 2023   |
| (5) Method of acquisition of shares:             | Market purchase on the Tokyo Stock Exchange   |

(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, 2021 to July 31, 2022)

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
586,092	7,499,804	129,722	8,215,618

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

(2) Property, plant and equipment

(Thousands of yen)

Japan	China	Others	Total
681,256	90,411	0	771,667

(Note) Property, plant and equipment are classified by country or region based on their location.

3. Information by major customer

(Thousands of yen)

Name of customer	Net Sales	Name of related segment
Dalian Jiayue Commerce&Trading Inc.	986,330	Cosmetics business

Current 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

[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, 2021 to July 31, 2022)

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

Current 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.

[Information about gain on bargain purchase by reportable segment]

Not applicable.

(Per Share Information)

	Previous fiscal year (August 1, 2021 – July 31, 2022)	Current fiscal year (August 1, 2022 - July 31, 2023)
Net assets per share	325.43 yen	354.00 yen
Basic earnings per share	43.28 yen	51.80 yen
Diluted earnings per share	43.15 yen	51.57 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, 2021 - July 31, 2022)	Current fiscal year (August 1, 2022 – July 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent	1,116,666	1,330,864
Amount not attributable to common shareholders	—	—
Profit attributable to owners of parent for common shares	1,116,666	1,330,864
Average number of common shares during period	25,800 thousand shares	25,694 thousand shares
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	—	—
Increase in the number of common shares	77 thousand shares	113 thousand shares
(Of which, increase in the number of share subscription rights)	(77 thousand shares)	(113 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.