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## Summary of Non-Consolidated Financial Results for the Three Months Ended November 30, 2023 (Based on Japanese GAAP)

January 12, 2024

Company name: and factory, inc  
Stock exchange listing: Tokyo  
Stock code: 7035 URL <https://andfactory.co.jp/>  
Representative: Rinji Aoki, President and Representative Director  
Contact: Tomoki Hasumi, Director Phone: +81-3-6712-7646  
Scheduled date to file annual securities report: January 12, 2024  
Scheduled date to commence dividend payments: —  
Preparation of supplementary material on quarterly financial results: Yes  
Holding of annual financial results meeting: No

(Amounts less than one million yen are rounded down.)

### 1. Non-Consolidated financial results for the three months ended November 30, 2023

(From September 1, 2023 to November 30, 2023)

#### (1) Non-consolidated operating results (cumulative)

Percentages indicate year-on-year changes.

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended November 30, 2023	896	26.4	(195)	—	(207)	—	(66)	—
Three months ended November 30, 2022	709	6.3	25	1.0	15	—	14	—

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended November 30, 2023	(5.95)		—	
Three months ended November 30, 2022	1.42		1.42	

Notes: Although dilutive shares exist, diluted earnings per share are not stated as earnings per share were negative.

#### (2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2023	4,928	1,053	21.4
As of August 31, 2023	5,275	1,120	21.2

(Reference) Equity capital: November 30, 2023: ¥1,056 million August 31, 2023: ¥1,120 million

### 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Total
Year ended August 31, 2023	—	0.00	—	0.00	0.00
Year ending August 31, 2024	—				
Year ending August 31, 2024 (Forecast)		0.00	—	0.00	0.00

Notice concerning Revision of the Financial Forecasts : No

### 3. Forecast of non-consolidated financial results for the year ending August 31, 2024

(From September 1, 2023 to August 31, 2024)

Percentages indicate year-on-year changes.

	Net sales		Operating income		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,000	67.8	(338)	—	(364)	—	0	—	—

Notice concerning Revision of the Financial Forecasts : No

### 4. Notes

(1) Application of special accounting treatment for quarterly financial reporting: Yes

Note: For details, please refer to “2. Quarterly Non-Consolidated Financial Statements and Notes (3) Notes to the Quarterly Non-Consolidated Financial Statements (Application of Special Accounting Treatment for Quarterly Financial Reporting)” on page 8 of the attachments to this summary.

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

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

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: Yes

Restatement of prior period financial statements: No

(3) Number of issued shares (common stock)

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

As of November 30, 2023	11,261,970 shares	As of August 31, 2023	11,261,970 shares
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Number of treasury shares at the end of the period

As of November 30, 2023	257 shares	As of August 31, 2023	257 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended November 30, 2023	11,261,713 shares	Three months ended November 30, 2022	10,178,289 shares
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Notes: This financial report is exempt from the review.

Explanation about appropriate usage of business forecasts and other special notes:

The business forecasts and other forward-looking statements presented in this document are based on information that is currently available to the Company and on certain assumptions deemed reasonable, and the Company does not guarantee their achievement. In addition, actual results may differ significantly from projections due to a variety of factors. For assumptions underlying the Company's business forecasts and cautionary notes concerning the use of the forecasts, please refer to “(3) Operating Performance Forecast” on page 4 of the attachments to this summary.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Analysis of Operating Performance

The e-book market (the Company's main business category) continued to grow, according to the eBook Marketing Report 2023 by Impress Research Institute. According to this report, the e-book market had a value of ¥602.6 billion in fiscal 2022, up 9.4% from ¥551 billion in the previous year. Comics accounted for 86.3% of the total, or ¥519.9 billion. The same institute's reports for the previous year, "e-book Marketing Report 2021," showed that comics accounted for 84.6% of the e-book market size, indicating that the comics market is growing.

The actual figure exceeded this forecast. By fiscal 2027, the institute forecasts that the e-publishing market (including e-books) will grow by approximately 1.3 times larger of fiscal 2022, to ¥806.6 billion.

In this business environment, the Company pursues a mission to make people's lives more fulfilling by bringing a little "something extra" to their daily lives. In the Apps business, the Company has focused mainly on expanding earnings from smartphone manga apps developed in collaboration with large publishers.

In the three months ended November 30, 2023, in the manga apps business, which is the mainstay of the Apps segment, sales from in-app purchases increased, driven by robust performance of apps with high in-app purchase rates and of popular titles. In the entertainment business, fortune-telling performed well, and both sales and operating income for the Apps segment as a whole landed higher than in the same period of the previous year.

In the RET segment, profitability related to the operation of &AND HOSTEL facilities improved significantly as a result of business structure reforms, and occupancy rates at the facilities gradually recovered as easing restrictions on immigration drove up the number of foreign guests. From September 2023, the Company resumed operations at &AND HOSTEL SHINSAIBASHI EAST, a self-operated facility that had been closed for a long time, which led to an increase in accommodation sales, resulting in year-on-year sales growth. On the other hand, operating income saw a significant year-on-year decrease due to posting a loss on valuation of real estate for sale in the three months ended November 30, 2023 as a result of sales activities for properties purchased and held for the development of &AND HOSTEL smart hostels and the confirmed sale of some properties.

As a result, in the three months ended November 30, 2023, the Company generated net sales of ¥896,446 thousand (up 26.4% year on year), operating loss of ¥195,959 thousand (loss of ¥25,284 thousand in the corresponding period of the previous fiscal year), ordinary loss of ¥207,004 thousand (loss of ¥15,169 thousand in the corresponding period of the previous fiscal year), and net loss of ¥66,959 thousand (loss of ¥14,453 thousand in the corresponding period of the previous fiscal year).

By segment, earnings performance was as follows.

#### (1) Apps business

In the three months ended November 30, 2023, the seven manga apps operated in collaboration with publishers and Amutus Corporation registered strong MAU (\*1) mainly as a result of the acquisition of new users supported by efficient spending on advertising, and the implementation of measures to promote continued use by existing users. Sales from in-app purchases rose thanks to factors such as the release of popular content and new manga additions.

Advertising ARPU (\*2) was on a downward trend, leading to an overall decrease in advertising revenue. However, sales from in-app purchases increased, driven by the release of popular content and the robust performance of titles with high in-app purchase rates.

Further, the Company received proceeds from development fees for developing additional functions for existing manga apps and developing systems under contract, which also boosted sales.

As a result, in the three months ended November 30, 2023, sales in the Apps segment were ¥858,306 thousand (up 24.7% year on year). Segment profit came to ¥200,812 thousand (up 55.8% year on year).

\*1 The number of people who use an app at least once in a month

\*2 The average amount of revenue generated per person

Of the smartphone apps the Company operates in the Apps business, the following table outlines average MAUs by quarter for the manga apps.

(Thousands of people)

Date	Average MAUs	Date	Average MAUs
May 31, 2017	310	November 30, 2020	10,260
August 31, 2017	650	February 28, 2021	10,540
November 30, 2017	1,080	May 31, 2021	10,560
February 28, 2018	1,500	August 31, 2021	11,010
May 31, 2018	2,040	November 30, 2021	10,460
August 31, 2018	2,380	February 28, 2022	10,440
November 30, 2018	2,790	May 31, 2022	11,210
February 28, 2019	3,620	August 31, 2022	11,520
May 31, 2019	4,300	November 30, 2022	11,290
August 31, 2019	5,320	February 28, 2023	11,050
November 30, 2019	6,410	May 31, 2023	11,400
February 29, 2020	7,200	August 31, 2023	11,610
May 31, 2020	9,060	November 30, 2023	11,260
August 31, 2020	9,940		

Note: the average MAUs shown above are quarterly averages.

## (2) RET business

In the three months ended November 30, 2023, occupancy rates at all of the &AND HOSTEL operated by the Company recovered on an increase in reservations from foreign guests, helped in part by the impact of easing restrictions on immigration.

Operations at &AND HOSTEL SHINSAIBASHI EAST, which had been closed since October 2021, resumed in September 2023 and it has been performing well. As a result, there was an increase in accommodation sales, and overall sales in the RET segment were up year on year. The Company also adjusted agreements for some locations, which reduced sales generated from such locations as well as expenses.

Operating income was significantly lower than in the same period of the previous year due to posting a loss on valuation of real estate for sale in the three months ended November 30, 2023 as a result of the confirmed sale of some properties that had been purchased and held for the development of &AND HOSTEL smart hostels.

Consequently, in the three months ended November 30, 2023, sales in the RET segment came to ¥38,139 thousand (up 84.9% year on year), with a segment loss of ¥317,934 thousand (loss of ¥12,024 thousand in the corresponding period of the previous fiscal year).

## (3) Other businesses

The Company plans, explores, and gathers information on new entertainment areas unrelated to its other segments.

As a result, in the three months ended November 30, 2023, sales in the Other segment came to ¥0 thousand (—% year on year).

Segment loss came to ¥912 thousand (Ploft of ¥670 thousand in the corresponding period of the previous year).

## (2) Analysis of Financial Conditions

### (Assets)

As of November 30, 2023, total assets amounted to ¥4,928,229 thousand, down ¥347,143 thousand from August 31, 2023. This mainly reflected a decrease of ¥1,403,584 thousand in real estate for sale due to the transfer of ¥1,092,857 thousand from real estate for sale to buildings (¥757,914 thousand), structures (¥1,196 thousand), land (¥424,058 thousand) and to accumulated depreciation (¥90,311 thousand) due to a change in the purpose of holding, and a loss on valuation of real estate for sale of ¥310,726 thousand recorded under cost of sales.

### (Liabilities)

Total liabilities amounted to ¥3,874,523 thousand as of November 30, 2023, down ¥280,183 thousand from August 31, 2023..

This mainly reflected increase of ¥41,873 thousand in other current liabilities, while accounts payable-other and long-term loans payable (including current portion of long-term loans payable) decreased by ¥63,380 thousand and ¥219,284 thousand respectively.

### (Net assets)

As of November 30, 2023, net assets totaled ¥1,053,705 thousand, down ¥66,959 thousand from end of the August 31, 2023.

This was due to the posting ¥66,959 thousand in retained earnings as a result of the net loss for the quarter.

The equity ratio came to 21.4% (21.2% in the end of the August 31, 2023).

## (3) Operating Performance Forecast

At the present time, the Company has made no changes to its full-year forecast announced on December 14, 2023.

The forecast above is based on information available as of the date of this release, and actual results may differ from projections due to various factors in the future.

## 2. Quarterly Non-Consolidated Financial Statements

### (1) Quarterly Non-Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2023	As of November 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	925,363	944,032
Accounts receivable–trade	547,279	568,183
Work in process	49,720	45,272
Real estate for sale	3,109,620	1,706,036
Advances paid	230,609	167,131
Income taxes refund receivable	-	4,617
Other	132,980	118,099
Allowance for doubtful accounts	(17,627)	(12,969)
<b>Total current assets</b>	<b>4,977,946</b>	<b>3,540,403</b>
Non-current assets		
Property, plant and equipment		
Buildings	11,640	769,554
Structures	-	1,196
Tools, furniture and fixtures	69,124	71,554
Land	-	424,058
Accumulated depreciation	(54,457)	(156,420)
<b>Total property, plant and equipment</b>	<b>26,307</b>	<b>1,109,943</b>
Intangible assets		
Software	38,022	32,260
Software in progress	18,873	38,767
<b>Total intangible assets</b>	<b>56,896</b>	<b>71,027</b>
Investments and other assets		
Investment securities	165,607	162,201
Deferred tax assets	2,536	-
Leasehold and guarantee deposits	42,648	42,278
Other	3,429	2,375
<b>Total investments and other assets</b>	<b>214,222</b>	<b>206,855</b>
<b>Total non-current assets</b>	<b>297,426</b>	<b>1,387,826</b>
<b>Total assets</b>	<b>5,275,373</b>	<b>4,928,229</b>

(Thousands of yen)

	As of August 31, 2023	As of November 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	120,035	140,088
Short-term borrowings	205,000	190,000
Current portion of long-term borrowings	677,136	1,851,150
Accounts payable–other	580,747	517,366
Income taxes payable	11,933	-
Provision for bonuses	21,144	-
Provision for bonuses for directors (and other officers)	7,770	-
Provision for shareholder benefit program	6,983	4,481
Other	95,798	137,672
Total current liabilities	1,726,547	2,840,758
Non-current liabilities		
Long-term borrowings	2,425,070	1,031,772
Long-term guarantee deposits	100	-
Other	2,989	1,993
Total non-current liabilities	2,428,159	1,033,765
Total liabilities	4,154,707	3,874,523
<b>Net assets</b>		
Shareholders' equity		
Share capital	801,818	801,818
Capital surplus	800,460	800,460
Retained earnings	(481,040)	(548,000)
Treasury shares	(572)	(572)
Total shareholders' equity	1,120,665	1,053,705
Total net assets	1,120,665	1,053,705
<b>Total liabilities and net assets</b>	<b>5,275,373</b>	<b>4,928,229</b>

(2) Quarterly Non-Consolidated Statements of Income

(Thousands of yen)

	Three months ended November 30, 2022	Three months ended November 30, 2023
Net sales	709,102	896,446
Cost of sales	294,921	705,727
Gross profit	414,181	190,719
Selling, general and administrative expenses	388,896	386,678
Operating profit (loss)	25,284	(195,959)
Non-operating income		
Interest income	0	39
Subsidy income	574	2,388
Other	6	144
Total non-operating income	581	2,572
Non-operating expenses		
Interest expenses	7,850	12,234
Share issuance costs	2,288	-
Other	557	1,383
Total non-operating expenses	10,696	13,617
Ordinary profit (loss)	15,169	(207,004)
Extraordinary income		
Gain on sale of non-current assets	227	-
Gain on sale of investment securities	-	143,523
Total extraordinary income	227	143,523
Extraordinary losses		
Loss on retirement of non-current assets	-	0
Total extraordinary losses	-	0
Profit (loss) before income taxes	15,396	(63,480)
Income taxes	943	3,479
Profit (loss)	14,453	(66,959)

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes Related to the Going Concern Assumption)

Not applicable

(Notes in the Events of Significant Changes in Shareholders' Equity)

Three months ended November 30, 2022 (September 1, 2022 to November 30, 2022)

On November 10, 2022, the Company received payment for a third-party allotment of shares to Septeni Holdings Co., Ltd.

As a result, share capital and legal capital surplus both increased by ¥249,999 thousand in the three months ended November 30, 2023. As of November 30, 2023, share capital and capital surplus stood at ¥801,818 thousand and ¥800,460 thousand, respectively.

Three months ended November 30, 2023 (September 1, 2023 to November 30, 2023)

Not applicable

(Changes in accounting estimates)

The Company uses a cost method based on the specific identification method as the valuation method for real estate for sale (Balance sheet values are calculated by writing down book values based on decreased profitability). If the net sales value, which is the estimated saleable value at the end of the period less anticipated sales expenses, is less than the book value, the difference is recorded as a loss on valuation of inventories. In the past, the Company had utilized real estate appraisals by external appraisers to determine the saleable value. However, for real estate for sale where a sales contract was concluded after the end of the period, the Company has changed the method to determine the net sales value based on the sales price in the contract.

As a result of these changes in accounting estimates, cost of sales for the current fiscal year increased by ¥310,726 thousand, leading to corresponding decreases in gross profit, operating income, ordinary profit, and profit before income taxes of ¥310,726 thousand each.

(Application of Special Accounting Treatment for Quarterly Financial Reporting)

(Calculation of Tax Expenses)

When computing tax expenses, the Company has rationally estimated the effective tax rate following the application of tax-effect accounting to profit before income taxes for the fiscal year that includes the three months ended November 30, 2022. The Company then calculated tax expenses by multiplying the profit (loss) before income taxes by this rate. However, if the tax expenses calculated using the estimated effective tax rate yield unreasonable results, the statutory effective tax rate may be used.

(Additional Information)

(Change in purpose of holding)

In the three months ended November 30, 2023, ¥1,092,857 thousand from real estate for sale was transferred to buildings (¥757,914 thousand) structures (¥1,196), land (¥424,058 thousand) and to accumulated depreciation (¥90,311 thousand) due to a change in the purpose of holding.

1. Information related to sales, profits or losses for each reportable segment

(Thousands of yen)

	Reportable segments			Other (Note)	Total
	APPs	RET	Total		
Net Sales					
Manga apps	554,793	—	554,793	—	554,793
Fortune	124,788	—	124,788	—	124,788
&AND HOSTEL	—	794	794	—	794
RET	—	300	300	—	300
Other	8,895	405	9,300	—	9,300
Revenue from contracts with customers	688,477	1,500	689,977	—	689,977
Other revenue	—	19,124	19,124	—	19,124
Sales to external customers	688,477	20,624	709,102	—	709,102
Intersegment sales or transfer	—	—	—	—	—
Total	688,477	20,624	709,102	—	709,102
Segment profit (loss)	128,850	(12,024)	116,825	670	117,496

Note : “Other” refers to businesses not included within the Company's reportable segments and mainly comprises lodging and rental property services, as well as internet advertising agency services.

2. Total profits or losses for reportable segments and the primary reasons for discrepancies between these values and corresponding figures stated in the quarterly non-consolidated statements of income (matters related to the adjustment of discrepancies)

(Thousands of yen)

Income or Loss	Amount
Subtotal for reportable segments	116,825
Income from “Other” businesses	670
Company-wide expenses (Note)	(92,211)
Operating profit (loss) in the quarterly non-consolidated statements of income	25,284

Note: Company-wide expenses are mainly general and administrative expenses not attributable to reportable segments.

3. Information related to losses on the impairment of fixed assets or goodwill for each reportable segment

(Significant impairment losses related to fixed assets)

Not applicable

Three months ended November 30, 2023 (September 1, 2023 to November 30, 2023)

1. Information related to sales, profits or losses for each reportable segment

(Thousands of yen)

	Reportable segments			Other (Note)	Total
	APPs	RET	Total		
Net Sales					
Manga apps	671,288	—	671,288	—	671,288
Fortune	179,142	—	179,142	—	179,142
&AND HOSTEL	—	34,549	34,549	—	34,549
RET	—	2,996	2,996	—	2,996
Other	7,875	—	7,875	—	7,875
Revenue from contracts with customers	858,306	37,545	895,851	—	895,851
Other revenue	—	594	594	—	594
Sales to external customers	858,306	38,139	896,446	—	896,446
Intersegment sales or transfer	—	—	—	—	—
Total	858,306	38,139	896,446	—	896,446
Segment profit (loss)	200,812	(317,934)	(117,122)	(912)	(118,034)

Notes : “Other” refers to businesses not included within the Company's reportable segments and mainly comprises entertainment related business operations that utilize new technologies.

2. Total profits or losses for reportable segments and the primary reasons for discrepancies between these values and corresponding figures stated in the quarterly non-consolidated statements of income (matters related to the adjustment of discrepancies)

(Thousands of yen)

Loss	Amount
Subtotal for reportable segments	(117,122)
Losses in the “Other” businesses	(912)
Company-wide expenses (Note)	(77,924)
Operating loss in the quarterly non-consolidated statements of income	(195,959)

Note : Company-wide expenses are mainly general and administrative expenses not attributable to reportable segments.

3. Information related to losses on the impairment of fixed assets or goodwill for each reportable segment  
(Significant impairment losses related to fixed assets)

Not applicable

(Significant subsequent event)

[Transfer of significant assets]

At the Board of Directors meetings held on November 14, 2023 and December 4, 2023, the Company resolved to transfer the following two properties, and for property (1) listed in “2. Details of transferred assets” below, the sale and purchase agreement was finalized on November 22, 2023 and the transfer of the property was completed on December 6, 2023. The sale and purchase agreement for property (2) was finalized on December 15, 2023, and the transfer of the property is scheduled to be on January 19, 2024.

#### 1. Overview of transferee, etc.

While we will refrain from disclosing the buyer and the sale price due to confidentiality obligations with the transferee in the sale and purchase agreement, the sale price corresponds to an amount exceeding 10% of our net sales for the most recent fiscal year (fiscal year ended August 31, 2023). There are no notable capital, personal, or business relationships between our Company and the transferee, nor are there any matters to be noted as related parties.

#### 2. Details of assets to be transferred

Properties (1) ~ (2) below are to be sold to the same seller.

##### Property (1)

Location	Taito-ku, Tokyo
Facility name	&AND HOSTEL UENO NORTH
Type	Land, building and attached facilities, etc.
Use before transfer	Real estate for sale

##### Property (2)

Location	Taito-ku, Tokyo
Facility name	&AND HOSTEL UENO IRIYA
Type	Land, building and attached facilities, etc.
Use before transfer	Real estate for sale

#### 3. Schedule of transfer

##### Property(1)

Date of Board Resolution	November 14, 2023
Date of conclusion of sale and purchase agreement	November 22, 2023
Delivery date (transfer date)	December 6, 2023

(1)

##### Property (2)

Date of Board Resolution	December 4, 2023
Date of conclusion of sale and purchase agreement	December 15, 2023
Delivery date (transfer date)	January 19, 2024 (scheduled)

#### 4. Impact on business performance

As described in “Changes in accounting estimates,” cost of sales increased by ¥310,726 thousand in the three months ended November 30, 2023, leading to corresponding decreases in gross profit, operating income, ordinary profit, and profit before income taxes of ¥310,726 thousand each.

Furthermore, from the first half of the current fiscal year, in association with these sales, the Company anticipates increases in net sales, cost of sales, and selling, general and administrative expenses, of ¥1,754,771 thousand, ¥2,011,762 thousand, and

¥52,712 thousand, respectively..

(Early repayment of loans)

As described in “Transfer of significant assets” above, the Company completed the transfer of property (1) was completed on December 6, 2023. The Company made early repayment of loans as described below.

#### 1. Overview of loans subject to early repayment

(Thousands of yen)

Lender	Initial loan amount	Balance before repayment	Loan disbursement date	Repayment date	Collateral
Resona Bank, Limited	600,000	505,502	August 31, 2020	May 31, 2040	Real Estate

#### 2. Details of early repayment

##### (1) Date of early repayment

Resona Bank, Limited                      December 6, 2023

##### (2) Amount to be paid before the expiration date

(Thousands of yen)

Lender	Balance before repayment	Repayment amount	Balance after repayment
Resona Bank, Limited	505,502	505,502	—

#### 3. Status of borrowings, etc., after the early repayment

(Thousands of yen)

	Balance before repayment of loan	Balance after repayment of loan	Change
Current portion of long-term loans payable	1,851,150	1,345,648	505,502
Long-term Borrowings	1,031,772	1,031,772	—
Total	2,882,922	2,377,420	505,502

Note : The balance of borrowings for the three months ended November 30, 2023 is stated net of the balance of borrowings that have been repaid prior to the maturity date.

#### 4. Estimated decrease in interest expenses due to prepayment

¥1,634 thousand