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FOR IMMEDIATE RELEASE

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(Securities Code: 4934 Tokyo Stock Exchange)
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Notice concerning difference between consolidated earnings forecasts and actual results for the first six months of the fiscal year ending July 31, 2024, recording extraordinary losses (impairment loss, etc.), reversal of deferred tax assets and revision of full-year consolidated earnings forecasts

Premier Anti-Aging Co., Ltd. ("the Company") announces that there is a difference between consolidated earnings forecasts for the first six months of the fiscal year ending July 31, 2024 (August 1, 2023 to January 31, 2024) announced on September 14, 2023, and the actual results announced today due to recording extraordinary losses (impairment loss, etc.) and reversal of deferred tax assets.

In addition, in light of recent business performance trends, the Company has decided to revise the full-year consolidated earnings forecasts for the fiscal year ending July 31, 2024 (August 1, 2023 to July 31, 2024) as follows.

1. Difference between consolidated earnings forecasts for the first six months of the fiscal year ending July 31, 2024 (August 1, 2023 to January 31, 2024) and actual results

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previous Forecast (A)	11,800	(800)	(800)	(500)	(57.34) yen
Actual Results (B)	10,649	(205)	(199)	(1,685)	(193.25) yen
Difference (B－A)	(1,150)	594	600	(1,185)	
Rate of Change (%)	(9.7)	-	-	-	
(Reference) Previous Actual Results (First Six Months of Fiscal Year ended July 2023)	14,258	109	95	(26)	(2.98) yen

(Rational for difference between consolidated earnings forecasts for the first six months of the fiscal year ending July 31, 2024 and actual results)

In the first six months of the fiscal year ending July 31, 2024, sales of “clayence'', mainly color treatments, were in line with plan in the anti-aging business, and sales of the recovery business exceeded the plan with strong sales of recovery wear. On the other hand, although the “DUO” brand remains the number one seller of cleansing products, sales of “DUO The Cleansing Balm,” which account for more than half of the Company’s sales, continued to decline due to intensified competition in the cleansing market, with a shift from balm formulations to oil formulations and a continued shift toward low-priced balm products. In addition, as advertising costs continue to remain high due to intensifying competition in the advertising market, progress in acquiring new customers has fallen short of plan, and as a result, the number of subscription customers leaving the mail order business exceeded the number of new customer acquisition, and mainly sales of mail order business were lower than planned. Furthermore, although sales of "CANADEL" increased compared to the previous quarter as a result of marketing measures linked to the new commercial, new acquisitions did not progress as planned due to the impact of remained high advertising expenses, mail order sales fell short of plan. As a result of the above, sales for the first six months of the fiscal year ending July 31, 2024 were lower than planned, mainly due to DUO and CANADEL's mail order sales being lower than planned. Although gross profit decreased due to a decline of sales, there was a discrepancy between the operating profit/loss and ordinary profit/loss plans and actual results due to recovery business profits growing faster than planned and selling, general and administrative expenses, mainly advertising expenses, being suppressed. The majority of the approximately 600 million yen improvement in operating profit/loss was due to reductions in selling, general and administrative expenses.

On the other hand, as the development of a new sales system was discontinued in consideration of the deterioration of the business environment and the uncertainty of the future outlook, impairment loss and contract loss related to software in progress, as well as provision of allowance for contract loss, were recorded as extraordinary losses in first six months of the current fiscal year. In addition, regarding the amount of income tax adjustment, the Company expected to record deferred tax assets of 280 million yen, which was calculated by multiplying the quarterly loss before income taxes by the estimated effective tax rate in the earnings forecasts. However, as a result of reviewing the recoverability of the Company's deferred tax assets based on future performance trends, etc., it is no longer expected that the deferred tax assets and income tax adjustments (gains) will be recorded, and the deferred tax assets that have already been recorded 517 million yen was reversed and the same amount was recorded as income tax adjustment. As a result of the above, loss attributable to owners of parent exceeded plan.

Regarding the impairment of software in progress, in light of the current management situation and the business environment surrounding the Company, the Company determined at this stage that it would be difficult to continue developing the new sales system that was being developed based on the premise of rapid business growth and new business models. Accordingly the book value of the software in progress was reduced to its recoverable amount as an idle asset, and 492 million yen was recorded as an impairment loss.

In addition, a contract loss of 147 million yen and provision of allowance for contract loss of 250 million yen were recorded as losses related to a license agreement for a cloud service that will serve as a platform for the new sales system for which development has been decided to be discontinued. Provision for contract loss is a reserve for the estimated amount of losses that may occur as a result of future contract fulfillment.

2. Revision of consolidated earnings forecasts for the fiscal year ending July 31, 2024 (August 1, 2023 to July 31, 2024)

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previous Forecast (A)	26,000	100	100	200	22.93 yen
Revised Forecast (B)	20,000	(1,000)	(1,000)	(2,500)	(286.68)
Difference (B－A)	(6,000)	(1,100)	(1,100)	(2,700)	
Rate of Change (%)	(23.1)	-	-	-	
(Reference) Previous Actual Results (Fiscal Year ended July 2023)	26,400	(611)	(631)	(733)	(84.17) yen

(Rational for revision of consolidated earnings forecasts for the fiscal year ending July 31, 2024)

In the first six months of the fiscal year ending July 31, 2024, new acquisitions in mail order sales were lower than planned, mainly due to intensifying competition and high advertising costs, primarily for “DUO” and “CANADEL.” This trend is expected to continue into the third quarter and beyond. In addition, since sales from new customers that the Company had planned to acquire in the first six months and become subscription mail-order customers will no longer be expected in the second half and it is necessary to carefully estimate the effects of measures to improve conversion rates for existing customers, mail-order sales are expected to be significantly lower than originally planned. The environment of intensifying competition in wholesale sales is also expected to continue. In consideration of the above circumstances, the Company has revised its sales forecast downward as stated above. Approximately 70% of the revised sales forecast downward is due to a revision to the mail order sales forecast.

Gross profit is expected to decrease significantly due to the downward revision of sales. Although there is a slight improvement in losses due to reductions in selling, general and administrative expenses centered on curbing advertising expenses and growth in the recovery business, the Company has also revised operating profit/loss and ordinary profit/loss downward as stated above.

Additionally, loss attributable to owners of parent is expected to worsen significantly due to the recording of extraordinary losses and the reversal of deferred tax assets in the first six months of the current fiscal year.

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(Note) The above forecast is based on the information currently available, and the actual results may change due to various factors.