March 14, 2024

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending July 31, 2024 (Under Japanese GAAP)

Company name: Premier Anti-Aging Co., Ltd.
Listing exchange: Tokyo Stock Exchange
Securities code: 4934
URL: https://www.p-antiaging.co.jp/en
Representative: Kiyoshi Matsuura, President
Inquiries: Yuka Uehara, Head of Corporate Communication Division and Executive Officer
Phone: +81-3-3502-2020

Scheduled date to file quarterly securities report: March 14, 2024
Scheduled date for commencing dividend payments: -
Preparation of supplementary materials on quarterly financial results: Yes
Holding of quarterly financial results briefing: 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 six months of the fiscal year ending July 31, 2024 (from August 1, 2023 to January 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentage figures indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2024	10,649	(25.3)	(205)	-	(199)	-	(1,685)	-
January 31, 2023	14,258	(20.6)	109	(95.1)	95	(95.9)	(26)	-

Note: Comprehensive income Six months ended January 31, 2024: (1,686) million yen [- %]
Six months ended January 31, 2023: (38) million yen [- %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
January 31, 2024	(193.25)	-
January 31, 2023	(2.98)	-

Note: Although there are dilutive shares, diluted earnings per share are not indicated due to net loss per share.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
January 31, 2024	10,625	5,923	55.7
July 31, 2023	12,135	7,609	62.7

Reference: Total shareholders' equity
As of January 31, 2024: 5,923 million yen
As of July 31, 2023: 7,609 million yen

2. Cash dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2023	-	0.00	-	0.00	0.00
Fiscal year ending July 31, 2024	-	0.00			
Fiscal year ending July 31, 2024 (Forecast)			-	0.00	0.00

Note: Revisions to the most recently announced cash dividends forecast: None

3. Consolidated earnings forecasts for the fiscal year ending July 31, 2024 (from August 1, 2023 to July 31, 2024)

(Percentage figures indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		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	20,000	(24.2)	(1,000)	-	(1,000)	-	(2,500)	-	(286.68)

Note: Revisions to the most recently announced earnings forecast: Yes

* Notes

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Adoption of accounting treatments specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatements

i. Changes in accounting policies due to revisions to accounting standards, etc.: None
ii. Changes in accounting policies other than those in i. above: None
iii. Changes in accounting estimates: None
iv. Restatements: None

(4) Number of shares issued and outstanding (common shares)

i. Number of shares issued and outstanding at the end of the period (including treasury shares)

As of January 31, 2024	8,720,534 shares
As of July 31, 2023	8,720,534 shares

ii. Number of treasury shares at the end of the period

As of January 31, 2024	155 shares
As of July 31, 2023	155 shares

iii. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended January 31, 2024	8,720,379 shares
Six months ended January 31, 2023	8,720,379 shares

* The report on quarterly financial results is not subject to audit procedures by a certified public accountant or an auditing firm.

* Explanation regarding appropriate use of earnings forecasts, and other notes

(Caution regarding forward-looking statements, etc.)

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to, and certain assumptions that are deemed to be reasonable by the Company. Such statements are not intended as a promise by the Company that they will be achieved. Actual results may differ from the forecasts in this document 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. Qualitative information for the first six months of the fiscal year ending July 31, 2024, (4) Forward-looking information including consolidated earnings forecasts” on page 4 of the Attachment.

(Change of amount display unit)

The amounts of account items and other items shown in the Company's consolidated financial statements were previously stated in units of thousands of yen. However, starting from the current fiscal year, the amount has been changed to be stated in units of millions of yen. For ease of comparison, figures for the previous fiscal year and the first six months of the previous fiscal year have also been changed to units of millions of yen.

Contents of Attachment

1. Qualitative information for the first six months of the fiscal year ending July 31, 2024

(1) Consolidated financial results

In the first six months of the fiscal year ending July 31, 2024, economic and social activities continued to normalize. Although there were signs of stagnation in some areas, the Japanese economy continued to recover at a moderate pace. While there were signs of recovery in personal consumption due to the economic recovery, consumer confidence remained stagnant due to rising prices. In the domestic cosmetics market, personal consumption recovered due to increased opportunities to go out, and inbound demand increased due to the weaker yen.

Under such circumstances, Premier Anti-Aging Co., Ltd. (“the Company”) and its consolidated subsidiaries (“the Group”) have been working to promote structural reforms and establish a foundation for sustained growth, which is the goal for the first year of the medium-term management plan “2024-2027 +Beyond.”

Although sales of the recovery business conducted through the newly added subsidiary Venex Co., Ltd. (“the Venex”) increased, sales of the anti-aging business conducted by the Company decreased, resulting in overall sales of 10,649 million yen (down 25.3% year-on-year). As gross profit decreased due to the decline in sales, the impact could not be compensated for by growth in profits from the recovery business and by curbing advertising expenses for new acquisitions due to soaring advertising costs in the mail order market, resulting in an operating loss of 205 million yen (operating profit of 109 million yen in the same period of the previous fiscal year) and an ordinary loss of 199 million yen (ordinary profit of 95 million yen in the same period of the previous fiscal year).

Furthermore, 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 the first six months of the current fiscal year. In addition, as a result of reviewing the recoverability of the Company's deferred tax assets in light of future business performance trends, etc., the Company reversed 517 million yen of deferred tax assets and recorded the same amount in income tax adjustment. Income tax adjustment is included in income taxes - current. As a result, loss attributable to owners of parent was 1,685 million yen (loss attributable to owners of parent of 26 million yen in the same period of the previous fiscal year).

Business results by segment are as follows.

Anti-aging business

(Millions of yen)

	Six months ended January 31, 2023	Six months ended January 31, 2024	Year-on-year change (%)
Net sales	14,258	9.750	(31.6)
Operating loss	109	(360)	-

Net sales

Anti-aging business sales amounted to 9,750 million yen (down 31.6% year-on-year).

Although the "DUO" brand remains the number one seller of cleansing products, the market as a whole continues to shift from balm formulations to oil formulations, and competition with low-priced balm products is intensifying, resulting in continued struggling. In order to overcome this situation, the Company has strengthened communication to promote understanding of brand and product values through new TV commercials, as well as utilizing events and various Social Networking Services (SNS) by beauticians and influencers. However, in the first six months of the current fiscal year, the effects of the measures have not yet been fully realized, and although the pace of decline has slowed, sales decreased for both mail order and wholesale sales.

The "CANADEL" brand has increased its sales compared to the previous quarter as a result of airing new TV commercials to improve brand recognition and implementing in-store campaigns linked to the commercials to strengthen approaches to new and existing customers. However, as the competitive environment in the all-in-one market continued, and new acquisitions were lower than planned due to remained high advertising costs, resulting in lower sales compared to the same period of the previous fiscal year.

The "clayence" brand continues to sell as planned, mainly for color treatments, thanks to marketing measures linked to TV commercials. Sales of quasi-drug foamy gray hair color “Clayspa Quick Color” that dyes deeply introduced last

year are also increasing through test marketing. As a result, although sales were lower than the same period of the previous fiscal year, increasing sales trend continues on a quarterly basis.
In addition, products such as “SINTO” brand, a supplement in the inner care business, and “C+mania” brand, a high-concentration vitamin C skin care, both launched previous fiscal year as a nurturing brand group, were performing well through test marketing, but they have not been able to compensate for the decline in sales of core brands.

Operating profit (loss)
Although advertising expenses for new acquisitions were suppressed due to soaring advertising costs in the mail order market, gross profit decreased due to lower sales, resulting in an operating loss of 360 million yen (operating profit of 109 million yen in the same period of the previous fiscal year).

Recovery business

(Millions of yen)

	Six months ended January 31, 2023	Six months ended January 31, 2024	Year-on-year change (%)
Net sales	-	899	-
Operating profit	-	151	-

Net sales
Net sales reached a record high of 899 million yen, as the Group strengthened its supply chain management, established an additional production system, and demonstrated group synergy in developing new sales channels.

Operating profit
Along with the growth in sales, operating profit also reached a record high of 151 million yen.

(Note) Sales and operating profit of the recovery business for the first six months of the previous fiscal year have not been disclosed as the recovery business started from the third quarter of the previous fiscal year.

(2) Consolidated financial position

(Assets)
Total assets at the end of the first six months of the current fiscal year decreased by 1,509 million yen from the end of the previous fiscal year to 10,625 million yen. The main factors of increase and decrease were as follows.
Current assets decreased by 861 million yen from the end of the previous fiscal year to 8,368 million yen.This was mainly due to a decrease of 725 million yen in cash and deposits.
Non-current assets decreased by 648 million yen from the end of the previous fiscal year to 2,256 million yen. This was mainly due to an increase of 570 million yen in property, plant and equipment, a decrease of 453 million yen in software in progress included in "other" intangible assets, and a decrease of 517 million yen in deferred tax assets included in investments and other assets.

(Liabilities)
Total liabilities at the end of the first six months of the current fiscal year increased by 176 million yen from the end of the previous fiscal year to 4,702 million yen.
Current liabilities increased by 298 million yen from the end of the previous fiscal year to 3,315 million yen. This was mainly due to an increase of 158 million yen in current portion of long-term borrowings and an increase of 69 million yen in short-term borrowings.
Non-current liabilities decreased by 122 million yen from the end of the previous fiscal year to 1,386 million yen. This was mainly due to a decrease of 243 million yen in long-term borrowings.

(Net Assets)
Net assets at the end of the first six months of the current fiscal year decreased by 1,686 million yen from the end of

the previous fiscal year to 5,923 million yen. This was mainly due to recording loss attributable to owners of parent of 1,685 million yen.
As a result, the equity ratio was 55.7%.

(3) Consolidated cash flows

Cash and cash equivalents (“net cash”) at the end of the first six months of the current fiscal year amounted to 3,938 million yen (decreased by 720 million yen from the end of the previous fiscal year).
The status of cash flows and their factors during the first six months of the current fiscal year were as follows.

(Cash flows from operating activities)
Net cash provided by operating activities in the first six months of the current fiscal year amounted to 38 million yen (773 million yen provided in the same period of the previous fiscal year). The major factors of cash inflows included an increase of 193 million yen in trade receivables, a decrease of 236 million yen in inventories, an increase of 250 million yen in provision for contract loss and an increase of 492 million yen in impairment loss, while the major factor of cash outflows was recording loss before income taxes of 1,108 million yen.

(Cash flows from investing activities)
Net cash used in investing activities in the first six months of the current fiscal year amounted to 745 million yen (436 million yen used in the same period of the previous fiscal year). The major factors of cash outflows were payments for purchase of property, plant and equipment of 599 million yen and purchase of intangible assets of 151 million yen.

(Cash flows from financing activities)
Net cash used in financing activities in the first six months of the current fiscal year amounted to 29 million yen (1,094 million yen provided in the same period of the previous fiscal year). The major factor of cash inflows was net increase in short-term borrowings of 69 million yen, while the major factor of cash outflows included repayments of long-term borrowings of 85 million yen.

(4) Forward-looking information including consolidated earnings forecasts

The Company has revised the full-year earnings forecasts for the fiscal year ending July 31, 2024, based on currently available information and forecasts, taking into consideration competitive environments for cosmetics, the Group's main sales products, and the progress of the Group’s business performance in the first six months of the current fiscal year. For details, please refer to the " 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" separately released today (March 14, 2024).

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of July 31, 2023	As of January 31, 2024
Assets		
Current assets		
Cash and deposits	4,670	3,944
Accounts receivable - trade	2,080	1,887
Finished goods	1,464	1,162
Raw materials and supplies	444	511
Other	568	863
Total current assets	9,229	8,368
Non-current assets		
Property, plant and equipment	77	647
Intangible assets		
Goowill	394	373
Other	1,117	701
Total intangible assets	1,511	1,075
Investments and other assets	1,316	533
Total non-current assets	2,905	2,256
Total assets	12,135	10,625
Liabilities		
Current liabilities		
Accounts payable - trade	258	246
Short-term borrowings	568	637
Current portion of long-term borrowings	230	388
Current portion of bonds payable	26	26
Accounts payable - other	1,171	1,060
Income taxes payable	22	85
Provision for bonuses	53	64
Provision for cotract loss	-	81
Other	685	724
Total current liabilities	3,016	3,315
Non-current liabilities		
Bonds payable	70	57
Long-term borrowings	1,366	1,122
Provision for contract loss	-	168
Asset retirement obligations	38	6
Other	34	30
Total non-current liabilities	1,509	1,386
Total liabilities	4,525	4,702
Net assets		
Shareholders' equity		
Share capital	1,351	1,351
Capital surplus	1,351	1,351
Retained earnings	4,888	3,203
Treasury shares	(1)	(1)
Total shareholders' equity	7,590	5,904
Accumulated other comprehensive income		
Foreign currency translation adjustment	19	18
Total accumulated other comprehensive income	19	18
Total net assets	7,609	5,923
Total liabilities and net assets	12,135	10,625

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

(Quarterly consolidated statement of income)

(Six months ended January 31)

(Millions of yen)

	Six months ended January 31, 2023 (From August 1, 2022 to January 31, 2023)	Six months ended January 31, 2024 (From August 1, 2023 to January 31, 2024)
Net sales	14,258	10,649
Cost of sales	3,090	2,160
Gross profit	11,168	8,489
Selling, general and administrative expenses	11,059	8,694
Operating profit (loss)	109	(205)
Non-operating income		
Interest income	0	0
Profit on currency exchange	-	19
Miscellaneous income	6	2
Total non-operating income	7	22
Non-operating expenses		
Interest expenses	6	11
Loss on currency exchange	13	-
Miscellaneous losses	0	4
Total non-operating expenses	20	15
Ordinary profit (loss)	95	(199)
Extraordinary losses		
Impairment loss	-	492
Cotract loss	-	147
Provision of allowance for contract loss	-	250
Other	-	18
Total extraordinary losses	-	908
Profit (loss) before income taxes	95	(1,108)
Income taxes - current	121	577
Profit (loss)	(26)	(1,685)
Profit (loss) attributable to owners of parent	(26)	(1,685)

(Quarterly consolidated statement of comprehensive income)

(Six months ended January 31)

(Millions of yen)

	Six months ended January 31, 2023 (From August 1, 2022 to January 31, 2023)	Six months ended January 31, 2024 (From August 1, 2023 to January 31, 2024)
Profit (loss)	(26)	(1,685)
Other comprehensive income		
Foreign currency translation adjustment	(12)	(0)
Total other comprehensive income	(12)	(0)
Comprehensive income	(38)	(1,686)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(38)	(1,686)

(3) Quarterly consolidated statement of cash flows

(Miillions of yen)

	Six months ended January 31, 2023 (From August 1, 2022 to January 31, 2023)	Six months ended January 31, 2024 (From August 1, 2023 to January 31, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	95	(1,108)
Depreciation	79	82
Amortization of goodwill	-	20
Loss on retirement of non-current assets	-	16
Impairment loss	-	492
Loss on valuation of shares of affiliated company	-	2
Increase (decrease) in allowance for doubtful accounts	-	1
Increase (decrease) in provision for contract loss	-	250
Interest and dividend income	(0)	(0)
Interest expenses	6	11
Decrease (increase) in trade receivables	844	193
Decrease (increase) in inventories	442	236
Increase (decrease) in trade payables	(32)	(12)
Increase (decrease) in accounts payable - other	(437)	(87)
Increase (decrease) in accrued expenses	(36)	128
Decrease (increase) in prepaid expenses	(164)	23
Other, net	127	(277)
Subtotal	923	(27)
Interest and dividend received	0	0
Interest paid	(7)	(10)
Income taxes (paid) refunded	(143)	75
Net cash provided by (used in) operating activities	773	38
Cash flows from investing activities		
Decrease (increase) in time deposits	(0)	4
Purchase of property, plant and equipment	(32)	(599)
Purchase of intangible assets	(278)	(151)
Purchase of shares of subsidiaries resulting from change in scope of consolidation	(124)	-
Proceeds from collection of loans	-	1
Payments of leasehold	(0)	-
Payments of leasehold and guarantee deposits	-	(0)
Net cash provided by (used in) investing activities	(436)	(745)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	758	69
Proceeds from long-term borrowings	500	-
Repayments of long-term borrowings	(163)	(85)
Payments of redemption of bonds	-	(13)
Net cash provided by (used in) financing activities	1,094	(29)
Effect of exchange rate changes on cash and cash equivalents	(14)	15
Net increase (decrease) in cash and cash equivalents	1,416	(720)
Cash and cash equivalents at beginning of period	2,963	4,659
Cash and cash equivalents at end of period	4,379	3,938

(4) Notes to quarterly consolidated financial statements

(Changes in scope of consolidation or scope of equity method application)

During the first six months of the current fiscal year, an absorption-type merger was carried out in which the Company became the surviving company and Premier Wellness Science Co., Ltd., which was a wholly owned subsidiary of the Company, became the dissolved company, so it was excluded from the scope of consolidation.

(Notes on going concern assumption)

Not applicable

(Notes when there are significant changes in accounts of equity)

Not applicable

(Application of accounting treatments specific to the preparation of quarterly consolidated financial statements)

(Calculation of income tax expense)

Income tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, including the first six months under review, and multiplying profit (loss) before income taxes by the estimated effective tax rate. However, if tax expenses calculated using the estimated effective tax rate result in significantly lacking rationality, the statutory effective tax rate is used.

(Changes in accounting policies)

Not applicable.

(Segment information, etc.)

1. Overview of reporting segments

(1) Method of determining reporting segments

The Company's reporting segments are aggregates of the Company's constituent units according to certain standards. These components have separate financial information available and are subject to periodic review by the highest management decision-making body to determine resource allocation and evaluate performance.

Since the Company mainly evaluates business performance by consolidated subsidiary, this is the unit for identifying business segments. Reporting segments are determined by aggregating those business segments that have similarities in terms of economic characteristics, markets in which products and services are sold, types of customers, etc.

(2) Types of products and services belonging to each reporting segment

The main products and services handled by each segment are listed below.

・Anti-aging business

The business primarily manufactures and sells skin care, hair care, and inner care products, and includes brands such as DUO, CANADEL, and clayence.

・Recovery business

This business primarily manufactures and sells recovery wear through Venex Co., Ltd..

2. Information regarding the amount of sales and profit (loss) by reporting segment

I. Six months ended January 31, 2023 for the previous fiscal year (From August 1, 2022 to January 31, 2023)

The descriptions by segment are omitted as the Group has a single business segment, anti-aging business.

II. Six months ended January 31, 2024 for the current fiscal year (From August 1, 2023 to January 31, 2024)

(Millions of yen)

	Reporting segment			Adjustment amount Note 1	Amount recorded in quarterly consolidated statement of income Note 2
	Anti-aging business	Recovery business	Total		
Sales					
Sales to external customers	9,750	899	10,649	-	10,649
Internal sales between segments	-	-	-	-	-
Total	9,750	899	10,649	-	10,649
Segment profit (loss)	(360)	151	(209)	3	(205)

Notes: 1. The adjustment amount of 3 million yen for segment profit (loss) is the elimination of intersegment transactions.

2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

3. Change in reporting segment

Previously, the Group's reporting segment was only the "cosmetics manufacturing and sales business," and other business segments were of little importance, so segment information was omitted. However, from the first quarter of the current fiscal year, segment information has been disclosed for "recovery business" as its importance has increased among the Group.

Additionally, starting from the first quarter of the current fiscal year, the name of the reporting segment that was previously called "cosmetics manufacturing and sales business" has been changed to "anti-aging business."

Furthermore, regarding the segment information for the first six months of the previous fiscal year, which was created using the reporting segment classification method for the first six months of the current fiscal year, it is not disclosed as the "recovery business" started in the third quarter of the previous fiscal year.

4. Information regarding impairment losses on non-current assets or goodwill, etc. for each reporting segment

(Significant impairment loss on non-current assets)

An impairment loss was recorded on some software in progress in the “anti-aging business” segment. The amount of impairment loss recorded was 492 million yen.

(Significant changes in the amount of goodwill)

Not applicable