

FY2023 Results Briefing Q&A  
for the Fiscal Year Ended July 2023



PREMIER ANTI-AGING

Premier Anti-Aging Co., Ltd.  
September 21, 2023

Summary of Q&A for Financial Results Briefing  
of Fiscal Year Ended July 31, 2023  
(held on September 14, 2023)

[Notes]

The "Summary of Q&A for Financial Results Briefing" is not a verbatim transcription of the questions and answers that took place at the briefing but has been summarized concisely at our discretion for those who were unable to attend.

**1. At the third quarter financial results briefing, it was explained that "We recorded an inventory valuation loss of approximately 500 million yen in the third quarter, and we were expecting an inventory valuation loss of approximately several hundred million yen in the fourth quarter." However, in the latest financial results announcement, inventory valuation losses have increased to approximately 1.2 billion yen, including those for the third quarter, and another loss of 200 million yen was recorded. Could you explain the details?**

As we accumulated business profits in the fourth quarter, we recorded a temporary loss that was larger than planned in order to further strengthen the foundation on which we can execute our growth strategy. This includes valuation losses on excess inventories of 450 million yen in the third quarter and 840 million yen in the fourth quarter, totaling approximately 1.2 billion yen. Other losses related to the launch and a partial review of new business developments were 200 million yen. At the end of July 2022, inventories exceeded 4.3 billion yen, accounting for more than 50% of net assets, but by the end of July 2023, this had fallen to around 25%, and the Company's financial position had significantly improved.

**2. Will inventory valuation losses and other losses occur in the fiscal year ending July 2024? Operating profit for the fiscal year ended July 2023 should have been around 1.2 billion yen excluding temporary losses. Why is the operating profit of 100 million yen only even you will not expect a large temporary loss?**

We do not expect inventory valuation losses or other losses to occur on the same scale as the previous fiscal year in the fiscal year ending July 2024. From this fiscal year onwards, the Company will have to bear the costs of the organization and system infrastructure that it has built on the assumption that sales would expand due to rapid business growth, and these costs have been factored into the plan. We would like to revise it to a level commensurate with the

current business scale.

**3. For the fiscal year ending July 2024, you are forecasting a decrease in sales and profits in the first half, and an increase in sales and profits in the second half. Why will the sales and profits in the first half and second half be in such a balance?**

As the Company promoted structural reforms aimed at improving its financial position, advertising investment in the second half of the fiscal year ended July 2023 significantly decreased to 3.1 billion yen. In the first half of the fiscal year ending July 2024, in order to secure sales at the same level as the previous year and strengthen the foundation for medium- to long-term sales growth, we will carry out solid advertising investments, and we expect the results to be seen from the second half onwards.

**4. The growth in the number of members in the mail order channel, which accounts for 70% of your company's sales, is slowing down. This seems to be due to the fact that the number of canceled members is increasing faster than the number of new members. The medium-term plan also calls for a shift that emphasizes subscription sales membership. Could you explain the measures and timeline for increasing the number of subscription sales members?**

Although the number of members is increasing, it is true that the rate of increase is decreasing. DUO's recognition rate is over 80%, and the Company believes that the room for new customer acquisition is limited to a certain extent. On the other hand, there are many customers who say, "I know about DUO, but what's better?" Through beauticians, influencers, YouTubers, etc., we are developing activities to communicate how people use our products and what benefits they feel, and we are strengthening our communication with new and existing customers. Also, as is generally the case with any company, when sales reach a certain level, CRM measures become more important. We will also further strengthen CRM measures for subscription sales customers and increase LTV per person. In addition to DUO, we would like to increase the number of subscription sales members by acquiring new customers for such as CANADEL and clayence, and SINTO, which is showing positive results in the test market. It is difficult to give a clear answer as to when the number of subscription sales members will increase, as the level of CPO and target number of acquisitions will vary depending on the market environment.

**5. Do you expect sales of DUO and CANADEL to increase in the fiscal year ending July 2024?**

Although we will refrain from disclosing the sales forecast for each brand, it is important to know when DUO will bottom out and reverse its decline. The Company aims to recover sales by strengthening its measures with beauticians and influencers, and through communication

that promotes understanding of product value. CANADEL's sales decreased due to the impact of reduced advertising investment, but like DUO, the Company aims to increase sales compared to the previous fiscal year by strengthening communication to promote understanding of product value through beauticians, influencers, etc.

**6. In the medium-term management plan, you are forecasting sales of 40 billion yen and operating profit margin of over 10% in the fiscal year ending July 2027. How will you achieve this?**

Regarding sales of 40 billion yen, we aim to accumulate and achieve this goal by generating approximately 29 billion yen from the three main brands that support our growth: DUO, CANADEL, and clayence, and approximately 11 billion yen from developing brands such as SINTO and DUO MEN, and new areas such as Venex. In terms of costs, we hope to keep cost of sales and variable costs to 34% of sales, promotional expenses and fixed costs to 56% of sales, and aim to achieve an operating profit margin of 10% or more.

**7. Please explain the overseas business strategy in the medium-term management plan.**

The Company narrows down its market, which had previously expanded to North and South America, and concentrate on Greater China, with China and Taiwan, and Southeast Asia, with Singapore as its gateway. In China in particular, in addition to cross-border e-commerce, we aim to expand through general trade in collaboration with local partner companies that we are currently in discussions with.

**8. When formulating the medium-term management plan, you looked back on your past management and found that communication loss occurred due to the rapid expansion of business. How will you improve this? What exactly is structural reform?**

A few years ago, the Company with around 40 employees where each employee could be recognized individually has expanded to a company with around 300 employees due to rapid business growth. We believe that communication between organizations, departments, and upper and lower levels needs to be improved as the Company expands in scale. Additionally, as there are some parts of the organizational infrastructure that do not match the overall scale, we will reduce costs in stages while maintaining the current level and correct the scale to an appropriate size.

## Disclaimer Regarding Forecasts and Projections

- ✓ The document and information provided as part of our results announcement include forward-looking statements, which reflect our current expectations and assumptions about forecasts and risks. Our actual results may materially differ from those described in the forecast due to unknown risks and uncertainties.
- ✓ These risks and uncertainties include domestic and international economic conditions such as general industry and market conditions, interest, and currency exchange rate fluctuations.
- ✓ Cosmetics mail order/EC market trends may prove to be a major risk factor that impacts our growth and execution of business plans, but through active promotions and application of our understanding of customers' potential needs to product planning, we will do our utmost to mitigate such risks and hone our competitive edge. For other types of risks, please refer to the "Business Risks, etc." as highlighted in our Securities Report.

**【Contact】**

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