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March 14, 2023

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending July 31, 2023 (Under Japanese GAAP)

Company name: Premier Anti-Aging Co., Ltd.
 Listing exchange: Tokyo Stock Exchange
 Securities code: 4934
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 Scheduled date to file quarterly securities report: March 14, 2023
 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, 2023 (from August 1, 2022 to January 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentage figures indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
January 31, 2023	14,258	(20.6)	109	(95.1)	95	(95.9)	(26)	-
January 31, 2022	17,970	17.4	2,248	(8.7)	2,321	(5.4)	1,360	(13.5)

Note: Comprehensive income Six months ended January 31, 2023: (38) million yen [- %]
 Six months ended January 31, 2022: 1,370 million yen [(12.8) %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
January 31, 2023	(2.98)	-
January 31, 2022	156.01	155.77

Note: Although there are dilutive shares, diluted earnings per share for the six months ended January 31, 2023 is not indicated due to net loss per share for the six months ended January 31, 2023.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
January 31, 2023	13,726	8,309	60.5
July 31, 2022	12,300	8,348	67.9

Reference: Total shareholders' equity
 As of January 31, 2023: 8,309 million yen
 As of July 31, 2022: 8,348 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, 2022	-	0.00	-	0.00	0.00
Fiscal year ending July 31, 2023	-	0.00			
Fiscal year ending July 31, 2023 (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, 2023 (from August 1, 2022 to July 31, 2023)

(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	30,000	(11.5)	1,500	(37.9)	1,520	(40.9)	820	(42.2)	94.03

Note: Revisions to the most recently announced earnings forecast: None

* Notes

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

(Note) Venex Co., Ltd., whose shares were acquired on January 31, 2023, has been included in the scope of consolidation from the second quarter of the current fiscal year, although it does not fall under the category of change in specified subsidiary.

(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.: Yes

ii. Changes in accounting policies other than those in i. above: None

iii. Changes in accounting estimates: None

iv. Restatements: None

(Note) For details, please refer to "2. Quarterly consolidated financial statements and major notes (4) Notes to quarterly consolidated financial statements (Changes in accounting policies)" on page 8 of the attached document.

(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, 2023	8,720,534 shares
As of July 31, 2022	8,720,534 shares

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

As of January 31, 2023	155 shares
As of July 31, 2022	155 shares

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

Six months ended January 31, 2023	8,720,379 shares
Six months ended January 31, 2022	8,720,105 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

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, 2023, (4) Forward-looking information including consolidated earnings forecasts" on page 3 of the Attachment.

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1. Qualitative information for the first six months of the fiscal year ending July 31, 2023

(1) Consolidated financial results

In the first six months of the fiscal year ending July 31, 2023, the Japanese economy saw gradual normalization of economic activities, including the first year-end and New Year holidays in three years with no restrictions on movement due to the spread of vaccinations, and a gradual recovery in domestic consumer spending. On the other hand, prices of various consumer goods were being raised. Price hikes in a wide range of fields will hinder in demand for consumer goods that rely heavily on preference, and it is expected that a full-fledged recovery in the domestic cosmetics market will still take time.

Under such circumstances, Premier Anti-Aging Co., Ltd. (“the Company”) and its consolidated subsidiaries (“the Group”) have been committed to “being unique” since establishment and have launched two new brands, “SINTO” and “X,” in the inner care business by combining our strengths in “product planning capability” and “marketing capability” with our “subscription sales model.” In addition, the Company has promoted the expansion of anti-aging businesses, including the acquisition of Venex Co., Ltd. with the aim of acquiring brands and research and development functions in the recovery business area.

The Company has been trying to bolster sales of the “DUO” brand by rolling out new TV commercials from last September and launching a new product, “DUO The Cleansing Balm Hot.” However, sales of the “DUO” brand decreased in both mail order and wholesale sales channels due to the calming down of the boom for “DUO The Cleansing Balm Black Repair,” the continued intensification of competition in the cleansing market and balm formulations, and the decrease in new customer acquisitions due to advertising investments focused on investment efficiency. From February of this year, the Company has released a new TV commercial “King of Balm” and has launched a limited product “DUO The Kingdom Cleansing Balm.” In addition, we are strengthening our approach to existing customers, such as holding ambassador roundtables as a loyal customer measure and are developing measures to put a brake on the decline in sales of our main brand “DUO.”

In the “CANADEL” brand, the Company has steadily increased sales of unique new products including “CANADEL Barrier Fix.” We launched refill products last September, we have been developing promotions centered on new commercials since last October and we launched a unique new product with gold leaf last November in an aim to expand to the main target segment of the all-in-one cosmetics market.

The Company expanded sales of the “clayence” brand, which was launched last March, to retail outlets in line with the roll out of TV commercials last October and completed distribution to 8,000 retail outlets by the end of October. Until the previous fiscal year, it was sold through mail order alone, but through a media mix strategy that utilizes mass marketing such as TV commercials, it has further increased its recognition, and sales are growing in both mail order and wholesale sales channels. In addition, in order to eliminate dissatisfaction with the feeling of color-treatment specific use and raise awareness of correct usage, we are working to improve the retention rate by including leaflets on how to use in the delivery box and strengthening the contact center functions.

As a result of the above activities, net sales in the first six months ended January 31, 2023 amounted to 14,258,716 thousand yen (down 3,711,423 thousand yen year-on-year), operating profit was 109,034 thousand yen (down 2,139,345 thousand yen year-on-year), ordinary profit was 95,237 thousand yen (down 2,226,669 thousand yen year-on-year), and loss attributable to owners of parent was 26,013 thousand yen (profit attributable to owners of parent of 1,360,409 thousand yen in the same period of the previous fiscal year).

Note that descriptions by segment are omitted, as the Group has a single business segment engaged in manufacturing and sales of cosmetics.

(2) Consolidated financial position

Assets, liabilities and net assets at the end of the second quarter of the current fiscal year were as follows.

(Assets)

Total assets at the end of the second quarter of the current fiscal year increased by 1,425,921 thousand yen from the end of the previous fiscal year to 13,726,368 thousand yen. The main factors of increase and decrease were as follows. Current assets increased by 553,198 thousand yen from the end of the previous fiscal year to 12,070,131 thousand yen. This was mainly due to an increase of 1,417,172 thousand yen in cash and deposits, a decrease of 660,669 thousand

yen in accounts receivable - trade, a decrease of 409,892 thousand yen in finished goods and an increase of 171,560 thousand yen in prepaid expenses included in current assets "other."

Non-current assets increased by 872,722 thousand yen from the end of the previous fiscal year to 1,656,237 thousand yen. This was mainly due to an increase of 561,942 thousand yen in goodwill.

(Liabilities)

Total liabilities at the end of the second quarter of the current fiscal year increased by 1,464,674 thousand yen from the end of the previous fiscal year to 5,417,101 thousand yen.

Current liabilities increased by 565,586 thousand yen from the end of the previous fiscal year to 3,786,127 thousand yen. This was mainly due to an increase of 758,000 thousand yen in short-term borrowings and a decrease of 381,931 thousand yen in accounts payable - other.

Non-current liabilities increased by 899,087 thousand yen from the end of the previous fiscal year to 1,630,974 thousand yen. This was mainly due to an increase of 815,140 thousand yen in long-term borrowings.

(Net Assets)

Net assets at the end of the second quarter of the current fiscal year decreased by 38,753 thousand yen from the end of the previous fiscal year to 8,309,267 thousand yen. This was mainly due to recording loss attributable to owners of parent of 26,013 thousand yen.

As a result, the equity ratio was 60.5%.

(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 4,379,740 thousand yen (increased by 1,416,573 thousand 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 773,554 thousand yen (1,833,203 thousand yen used in the same period of the previous fiscal year). The major factors of cash inflows included recording of profit before income taxes of 95,237 thousand yen and a decrease in trade receivables of 844,374 thousand yen, while the major factors of cash outflows were a decrease in accounts payable - other of 437,553 thousand yen and income taxes paid of 143,001 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities in the first six months of the current fiscal year amounted to 436,754 thousand yen (33,539 thousand yen used in the same period of the previous fiscal year). The major factors of cash outflows were payments for purchase of intangible assets of 278,925 thousand yen and purchase of shares of subsidiaries resulting in change in scope of consolidation of 124,013 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities in the first six months of the current fiscal year amounted to 1,094,454 thousand yen (562,581 thousand yen provided in the same period of the previous fiscal year). The major factors of cash inflows were net increase in short-term borrowings of 758,000 thousand yen and proceeds from long-term borrowings of 500,000 thousand yen, while the major factors of cash outflows included repayments of long-term borrowings of 163,546 thousand yen.

(4) Forward-looking information including consolidated earnings forecasts

The consolidated earnings forecast for the fiscal year ending July 31, 2023 remains unchanged from the forecast announced on December 14, 2022. The Company will promptly disclose it if it becomes necessary to revise the earnings forecast.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of July 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	2,973,269	4,390,441
Accounts receivable - trade	3,071,846	2,411,176
Finished goods	3,784,814	3,374,922
Raw materials and supplies	576,394	656,843
Other	1,110,607	1,236,746
Total current assets	11,516,933	12,070,131
Non-current assets		
Property, plant and equipment	110,246	111,437
Intangible assets		
Goowill	-	561,942
Other	266,267	555,800
Total intangible assets	266,267	1,117,742
Investments and other assets	407,000	427,057
Total non-current assets	783,514	1,656,237
Total assets	12,300,447	13,726,368
Liabilities		
Current liabilities		
Accounts payable - trade	435,845	449,618
Short-term borrowings	390,000	1,148,000
Current portion of long-term borrowings	322,114	401,797
Current portion of bonds payable	-	26,600
Accounts payable - other	1,568,285	1,186,353
Income taxes payable	165,723	141,567
Provision for bonuses	18,607	52,976
Other	319,964	379,215
Total current liabilities	3,220,541	3,786,127
Non-current liabilities		
Bonds payable	-	83,600
Long-term borrowings	701,114	1,516,254
Asset retirement obligations	30,772	31,120
Total non-current liabilities	731,886	1,630,974
Total liabilities	3,952,427	5,417,101
Net assets		
Shareholders' equity		
Share capital	1,351,544	1,351,544
Capital surplus	1,351,544	1,351,544
Retained earnings	5,622,227	5,596,214
Treasury shares	(1,313)	(1,313)
Total shareholders' equity	8,324,004	8,297,990
Accumulated other comprehensive income		
Foreign currency translation adjustment	24,016	11,276
Total accumulated other comprehensive income	24,016	11,276
Total net assets	8,348,020	8,309,267
Total liabilities and net assets	12,300,447	13,726,368

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(Six months ended January 31, 2023)

(Thousands of yen)

	Six months ended January 31, 2022 (From August 1, 2021 to January 31, 2022)	Six months ended January 31, 2023 (From August 1, 2022 to January 31, 2023)
Net sales	17,970,140	14,258,716
Cost of sales	3,470,608	3,090,233
Gross profit	14,499,531	11,168,483
Selling, general and administrative expenses	12,251,152	11,059,449
Operating profit	2,248,379	109,034
Non-operating income		
Interest income	723	782
Surrender value of insurance policies	35,693	-
Profit on currency exchange	42,483	-
Miscellaneous income	5,391	6,337
Total non-operating income	84,292	7,120
Non-operating expenses		
Interest expenses	8,740	6,609
Loss on currency exchange	-	13,486
Miscellaneous losses	2,025	820
Total non-operating expenses	10,765	20,917
Ordinary profit	2,321,906	95,237
Profit before income taxes	2,321,906	95,237
Income taxes - current	961,497	121,250
Profit (loss)	1,360,409	(26,013)
Profit (loss) attributable to owners of parent	1,360,409	(26,013)

(Quarterly consolidated statement of comprehensive income)

(Six months ended January 31, 2023)

(Thousands of yen)

	Six months ended January 31, 2022 (From August 1, 2021 to January 31, 2022)	Six months ended January 31, 2023 (From August 1, 2022 to January 31, 2023)
Profit (loss)	1,360,409	(26,013)
Other comprehensive income		
Foreign currency translation adjustment	10,525	(12,739)
Total other comprehensive income	10,525	(12,739)
Comprehensive income	1,370,934	(38,753)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,370,934	(38,753)

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended January 31, 2022 (From August 1, 2021 to January 31, 2022)	Six months ended January 31, 2023 (From August 1, 2022 to January 31, 2023)
Cash flows from operating activities		
Profit before income taxes	2,321,906	95,237
Depreciation	29,856	79,503
Interest and dividend income	(723)	(782)
Interest expenses	8,740	6,609
Decrease (increase) in trade receivables	681,417	844,374
Decrease (increase) in inventories	(2,105,179)	442,024
Increase (decrease) in trade payables	(205,602)	(32,253)
Increase (decrease) in accounts payable - other	118,557	(437,553)
Increase (decrease) in accrued expenses	(10,336)	(36,420)
Decrease (increase) in prepaid expenses	(251,411)	(164,615)
Other, net	(772,225)	127,094
Subtotal	(185,001)	923,218
Interest and dividend received	723	781
Interest paid	(9,408)	(7,444)
Income taxes paid	(1,639,516)	(143,001)
Net cash provided by (used in) operating activities	(1,833,203)	773,554
Cash flows from investing activities		
Decrease (increase) in time deposits	(600)	(600)
Purchase of property, plant and equipment	(9,687)	(32,420)
Purchase of intangible assets	(101,306)	(278,925)
Purchase of shares of subsidiaries resulting from change in scope of consolidation	-	(124,013)
Payments of leasehold and guarantee deposits	(264)	(795)
Proceeds from collection of lease and guarantee deposits	1,566	-
Proceeds from cancellation of insurance funds	76,752	-
Net cash provided by (used in) investing activities	(33,539)	(436,754)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	760,000	758,000
Proceeds from long-term borrowings	-	500,000
Repayments of long-term borrowings	(197,419)	(163,546)
Net cash provided by (used in) financing activities	562,581	1,094,454
Effect of exchange rate changes on cash and cash equivalents	10,548	(14,681)
Net increase (decrease) in cash and cash equivalents	(1,293,613)	1,416,572
Cash and cash equivalents at beginning of period	6,052,155	2,963,167
Cash and cash equivalents at end of period	4,758,541	4,379,740

(4) Notes to quarterly consolidated financial statements

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

Venex Co., Ltd. was included in the scope of consolidation as it was acquired during the second quarter of the fiscal year ending July 31, 2023. Since December 31, 2022 was set as the deemed acquisition date, only the balance sheet is consolidated in the first six months under review.

In addition, there are no material changes to the scope of application of the equity method.

(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 fiscal year, including the second quarter, and multiplying profit before income taxes by the estimated effective tax rate.

(Changes in accounting policies)

(Application of implementation guidance on accounting standard for calculation of fair value and others)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, the "Implementation Guidance on Accounting Standard for Fair Value Measurement") is applied from the beginning of the first quarter of the fiscal year ending July 31, 2023, and in accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has decided to apply prospectively the new accounting policies established by the Implementation Guidance on Accounting Standard for Fair Value Measurement. This change has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

(Segment information)

This information is omitted as the Group has a single business segment engaged in manufacture and sale of cosmetics.