

## Translation

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# Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending July 2023 (Based on Japanese GAAP)

December 12, 2022

Company name: AXXZIA Inc. Listing exchange: Tokyo Stock Exchange  
Securities code: 4936 URL: <https://axxzia.co.jp/en>  
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Scheduled date for filing quarterly securities report: December 13, 2022  
Scheduled date for commencing dividend payments: —  
Preparation of supplementary materials on quarterly financial results: Yes  
Holding of quarterly financial results briefing session: 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 Quarter of the Fiscal Year Ending July 2023 (from August 1, 2022 to October 31, 2022)

### (1) Consolidated Operating Results (Cumulative)

(Percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter ended October 31, 2022	2,619	46.4	391	21.8	475	42.9	320	46.6
First quarter ended October 31, 2021	1,788	46.0	321	5.4	333	7.7	218	4.5

(Note) Comprehensive income

First quarter ended October 31, 2022: 339 million yen [42.0%]

First quarters ended October 31, 2021: 239 million yen [9.0%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First quarter ended October 31, 2022	12.44	12.39
First quarter ended October 31, 2021	8.48	8.45

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of October 31, 2022	10,311	8,754	84.9
As of July 31, 2022	10,053	8,396	83.5

(Reference) Total shareholders' equity

As of October 31, 2022: 8,754 million yen As of July 31, 2022: 8,396 million yen

## 2. Cash Dividends

	Annual dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd 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	—				
Fiscal year ending July 31, 2023 (Forecast)		0.00	—	0.00	0.00

(Note) Revisions to the most recently announced dividend forecast: No

### 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending July 2023 (from August 1, 2022 to July 31, 2023)

(Percentage figures indicate year-on-year changes for full year and each quarter)

	Net sales		Operating income		Ordinary income		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	10,351	26.0	1,818	11.3	1,797	2.9	1,172	5.0	45.43

(Note) Revisions to the most recently announced earnings forecast: No

#### \* Notes

##### (1) Changes in significant subsidiaries during the first quarter

(changes in specified subsidiaries resulting in change in scope of consolidation): No

Newly consolidated: None

Excluded from consolidation: None

##### (2) Application of accounting method specific to preparation of quarterly consolidated financial statements: No

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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies other than those in 1) above: No

3) Changes in accounting estimates: No

4) Restatement of prior period financial statements: No

##### (4) Number of issued shares (common shares)

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

As of October 31, 2022	25,824,000 shares	As of July 31, 2022	25,800,000 shares
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###### 2) Number of treasury shares at the end of the period

As of October 31, 2022	- shares	As of July 31, 2022	- shares
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###### 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

First quarter ended October 31, 2022	25,805,315 shares	First quarter ended October 31, 2021	25,800,000 shares
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\* This summary of quarterly financial results is not subject to quarterly review procedures by a certified public accountant or audit firm.

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

(Notes on forward-looking statements)

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual business performance and other results may differ materially due to various factors.

In addition, for the conditions forming the assumptions used in forecasting earnings and precautions regarding the use of earnings forecasts, please refer to "1. Qualitative Information on the Financial Results for the Period under Review (3) Explanations on Consolidated Earnings Forecast and Other Forward-looking Statements" on page 2 of the Attachment.

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## 1. Qualitative Information on the Financial Results for the Period under Review

### (1) Overview of Operating Results

During the first quarter of the fiscal year ending July 2023 (August 1, 2022 to October 31, 2022), although the Japanese economy has been on a recovery trend from diminished economic activity caused by COVID-19, raw material and fuel price hikes caused by Russia's invasion of Ukraine and currency fluctuations caused by monetary tightening have resulted in conditions remaining difficult.

In the domestic cosmetics market, the stagnation of economic activity caused by COVID-19 is subsiding and inbound business is recovering due to the relaxation of border controls, but the economic outlook remains uncertain due to raw material price hikes associated with the increasing depreciation of the yen.

In the Chinese cosmetics market, the outlook continued to be uncertain due to the occurrence of action restrictions in various regions resulting from the impact of the zero-COVID policy of keeping new COVID-19 infections to zero.

Under such market conditions, the AXXZIA Group ("the Group") has strengthened its investment in advertisement in the Chinese market and further strengthened its sales capabilities. In addition, the Group is developing products mainly targeting the Chinese market, and taking advantage of the Chinese characteristics of being able to sell even mid- and high-priced products on e-commerce, it is working to further enhance its brand power and raise its name recognition through measures such as registering government approval for cosmetics for special purpose (a category defined by Chinese pharmaceutical regulations and, like Japan's quasi-drugs, positioned between medicine and cosmetics) that are allowed to claim effects and efficacy.

As a result, the Company posted net sales of 2,619,664 thousand yen (up 46.4% year-on-year) for the first quarter of the fiscal year ending July 2023 due to strong performance of sales in China including cross-border EC. Furthermore, the Company posted operating income of 391,996 thousand yen (up 21.8%), ordinary income of 475,891 thousand yen (up 42.9%) and profit attributable to owners of parent of 320,974 thousand yen (up 46.6%).

Note that descriptions by segment are omitted, as the Group has a single operating segment engaged in the cosmetics business.

#### [Summary of Results]

	First quarter of the fiscal year ended July 2022 Millions of yen	First quarter of the fiscal year ending July 2023 Millions of yen	Year-on-year changes %
Net sales	1,788	2,619	+46.4
Operating income	321	391	+21.8
Ordinary income	333	475	+42.9
Profit attributable to owners of parent	218	320	+46.6

### (2) Financial Position

#### (Assets)

Total assets at the end of the first quarter ended October 31, 2022 amounted to 10,311,095 thousand yen, an increase of 257,572 thousand yen (+2.6%) from the end of the previous fiscal year. Of this, current assets increased by 273,673 thousand yen (+3.1%) from the end of the previous fiscal year to 9,069,671 thousand yen and non-current assets decreased by 16,101 thousand yen (-1.3%) from the end of the previous fiscal year to 1,241,424 thousand yen.

The increase in current assets was mainly attributable to factors such as an increase in net sales and accounts receivable - trade increasing by 231,492 thousand yen due to the impact of the balance of accounts receivable - trade with a comparatively long collection site, while the decrease in non-current assets was mainly attributable to property, plant and equipment decreasing by 13,919 thousand yen.

#### (Liabilities)

Total liabilities at the end of the first quarter ended October 31, 2022 amounted to 1,556,727 thousand yen, a decrease of 100,708 thousand yen (-6.1%) from the end of the previous fiscal year. Of this, current liabilities decreased by 60,171 thousand yen (-4.8%) from the end of the previous fiscal year to 1,183,253 thousand yen and non-current liabilities decreased by 40,536 thousand yen (-9.8%) from the end of the previous fiscal year to 373,473 thousand yen.

The decrease in current liabilities was mainly attributable to a decrease of 226,241 thousand yen caused by payment of income taxes payable, and the decrease in non-current liabilities was mainly attributable to transferring long-term borrowings to the current portion of long-term borrowings.

#### (Net assets)

Total net assets at the end of the first quarter ended October 31, 2022 amounted to 8,754,368 thousand yen, an increase of 358,281 thousand yen (+4.3%) from the end of the previous fiscal year.

This was mainly attributable to factors such as an increase in retained earnings resulting from recording 320,974 thousand yen in profit attributable to owners of parent.

Consequently, the equity ratio came to 84.9% (in contrast to 83.5% at the end of the previous fiscal year).

### (3) Explanations on Consolidated Earnings Forecast and Other Forward-looking Statements

With regard to the earnings forecast for the fiscal year ending July 31, 2023, no change has been made to the forecast for the entire fiscal year announced on September 14, 2022 in the Summary of Consolidated Financial Results for the Fiscal Year Ended July 2022. Please note that the forecast has been prepared based on the information available as of today and certain assumptions deemed to be reasonable. Accordingly, actual business results may differ from the forecast figures due to various factors arising going forward.

**2. Quarterly Consolidated Financial Statements and Significant Notes Thereto**  
**(1) Quarterly Consolidated Balance Sheets**

	(Thousands of yen)	
	Previous fiscal year (As of July 31, 2022)	First quarter ended October 31, 2022 (As of October 31, 2022)
Assets		
Current assets		
Cash and deposits	6,389,690	6,408,405
Accounts receivable - trade	507,972	739,465
Finished goods	1,157,528	1,244,621
Work in process	10,745	9,103
Raw materials and supplies	418,177	334,682
Other	313,504	335,014
Allowance for doubtful accounts	(1,621)	(1,621)
Total current assets	8,795,997	9,069,671
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	163,797	177,127
Land	393,578	393,578
Other, net	214,291	187,042
Total property, plant and equipment	771,667	757,748
Intangible assets		
Goodwill	66,719	64,248
Other	142,428	146,599
Total intangible assets	209,148	210,848
Investments and other assets		
Deferred tax assets	116,187	111,320
Other	160,521	161,507
Total investments and other assets	276,709	272,827
Total non-current assets	1,257,525	1,241,424
Total assets	10,053,522	10,311,095

(Thousands of yen)

	Previous fiscal year (As of July 31, 2022)	First quarter ended October 31, 2022 (As of October 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	128,141	181,773
Short-term borrowings	79,877	—
Current portion of long-term borrowings	155,544	155,544
Income taxes payable	376,743	150,502
Provision for bonuses	21,410	65,361
Other	481,708	630,073
Total current liabilities	1,243,425	1,183,253
Non-current liabilities		
Long-term borrowings	320,090	281,204
Deferred tax liabilities	20,812	8,975
Provision for Share-based Compensation	-	20,775
Other	73,108	62,518
Total non-current liabilities	414,010	373,473
Total liabilities	1,657,436	1,556,727
Net assets		
Shareholders' equity		
Share capital	2,109,875	2,119,235
Capital surplus	2,011,875	2,021,235
Retained earnings	4,142,769	4,463,744
Total shareholders' equity	8,264,519	8,604,214
Accumulated other comprehensive income		
Foreign currency translation adjustment	131,566	150,153
Total accumulated other comprehensive income	131,566	150,153
Total net assets	8,396,086	8,754,368
Total liabilities and net assets	10,053,522	10,311,095

## (2) Quarterly Consolidated Statement of Income and Consolidated Statements of Comprehensive Income

## Quarterly Consolidated Statement of Income

(Consolidated results for the first quarter)

(Thousands of yen)

	First quarter ended October 31, 2021 (August 1, 2021 - October 31, 2021)	First quarter ended October 31, 2022 (August 1, 2022 - October 31, 2022)
Net sales	1,788,917	2,619,664
Cost of sales	501,788	615,374
Gross profit	1,287,129	2,004,289
Selling, general and administrative expenses	965,242	1,612,292
Operating income	321,886	391,996
Non-operating income		
Interest and dividend income	239	367
Foreign exchange gains	12,048	85,221
Other	99	473
Total non-operating income	12,388	86,062
Non-operating expenses		
Interest expenses	1,050	1,908
Other	103	259
Total non-operating expenses	1,153	2,167
Ordinary income	333,121	475,891
Profit before income taxes	333,121	475,891
Income taxes - current	100,463	161,873
Income taxes - deferred	13,769	(6,956)
Total income taxes	114,233	154,916
Profit	218,888	320,974
Profit attributable to owners of parent	218,888	320,974

Quarterly Consolidated Statements of Comprehensive Income  
(Consolidated results for the first quarter)

(Thousands of yen)

	First quarter ended October 31, 2021 (August 1, 2021 - October 31, 2021)	First quarter ended October 31, 2022 (August 1, 2022 - October 31, 2022)
Profit	218,888	320,974
Other comprehensive income		
Deferred gains or losses on hedges	(4,122)	—
Foreign currency translation adjustment	24,337	18,587
Total other comprehensive income	20,215	18,587
Comprehensive income	239,103	339,561
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	239,103	339,561
Comprehensive income attributable to non-controlling interests	—	—



### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan [ASBJ] Guidance No. 31) from the beginning of the first quarter of the fiscal year ending July 2023, and decided to adopt the new accounting policies set forth by the said Implementation Guidance on Accounting Standard for Fair Value Measurement going forward in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

Note that this change has not affected the quarterly consolidated financial statements.

(Additional Information)

(Impact of the COVID-19 Infections)

Although the Group predicts the impact of the COVID-19 Infections to continue over a certain period of time, accounting estimates are reflected in accounting based on currently available information in preparing consolidated financial statements. The future impact of COVID-19 remains uncertain and may affect our financial position and operating results in the future.

(Post-Delivery Type Performance-Linked Share-Based Compensation Program)

Pursuant to a resolution of the ordinary general meeting of shareholders held on October 24, 2022, the Company has introduced a post-delivery type performance-linked share-based compensation program (performance share units plan). This is to grant monetary compensation claims to the members of the Company's board of directors (excluding external directors) and employees in order to grant them the common shares of the Company in numbers in proportion to the level of achievement of predetermined performance targets, and the evaluation period is from August 2022 to July 2024.

The aim of this is to enhance our efforts to improve our medium-to-long-term corporate value and further share value with our shareholders.

The directors and employees subject to the program will, under the condition that they continuously serve as the Company's directors or employees over a certain period of time, be granted with monetary compensation claims for being granted with the Company's common shares according to the achievement ratio, etc. of numerical targets for such as performance for the evaluation period. The directors and employees will be granted with the Company's common shares by paying the entire amount of the concerned monetary compensation claims in kind. The standard number of shares to be granted is 123,389 shares and the final number of shares to be granted will be calculated by multiplying the level of achievement of performance target, etc. which will be calculated within the range of 0 – 200% according to the achievement ratio, etc. of numerical targets for such as performance for the concerned performance evaluation period. Accordingly, the Company has posted 20,775 thousand yen of share-based payment expenses in the first quarter of the fiscal year ending July 2023.

For reference, this is not included in the calculation of diluted earnings per share due to the uncertainty of whether the conditions will be fulfilled.

(Segment Information, Etc.)

[Segment information]

I. First quarter of the fiscal year ended July 2022 (August 1, 2021 - October 31, 2021)

The information is omitted as the Company has a single operating segment engaged in the cosmetics business.

II. First quarter of the fiscal year ending July 2023 (August 1, 2022 - October 31, 2022)

The information is omitted as the Company has a single operating segment engaged in the cosmetics business.

(Significant Subsequent Events)

Not applicable.

### **3. Other**

On November 9, 2022, the Company filed an application for a change of market segment to the Tokyo Stock Exchange Prime Market. The date of approval remains undetermined at present, and approval by Tokyo Stock Exchange, Inc. may not be given if the requirements for the change are not satisfied for some reason.

Any information that should be disclosed that arises in the future in relation to this matter will be promptly disclosed.