



Consolidated Financial Results
for the Fiscal Year Ended May 31, 2023
[Japanese GAAP]

July 13, 2023

Company name: IK HOLDINGS Co., Ltd
 Listing: Tokyo Stock Exchange
 Nagoya Stock Exchange
 Securities code: 2722
 URL: <https://www.ai-kei.co.jp>
 Representative: Chairman & CEO Hiroshi Iida
 Contact: Managing Director, Administration Nobuyoshi Takahashi
 Telephone: 052(856)3101
 Scheduled date of annual general meeting of shareholders: August 18, 2023
 Scheduled date to file annual securities report: August 21, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for Fiscal Year Ended May 31, 2023 (June 1, 2022 to May 31, 2023)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attribute to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
May 31, 2023	14,179	(13.2)	(224)	—	(205)	—	(463)	—
May 31, 2022	16,335	(21.3)	(360)	—	(323)	—	(905)	—

Note: Comprehensive income

Fiscal Year Ended May 31, 2023: ¥(466) million [—%]

Fiscal Year Ended May 31, 2022: ¥(912) million [—%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
May 31, 2023	(60.34)	—	(21.1)	(2.9)	(1.6)
May 31, 2022	(115.95)	—	(30.1)	(4.4)	(2.2)

(Reference) Share of profit (loss) of entities accounted for using equity method

Fiscal Year Ended May 31, 2023: ¥—million

Fiscal Year Ended May 31, 2022: ¥—million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
May 31, 2023	6,788	1,970	28.3	249.52
May 31, 2022	7,378	2,504	33.5	321.94

(Reference) Equity capital

Fiscal Year Ended May 31, 2023: ¥1,918 million

Fiscal Year Ended May 31, 2022: ¥2,470 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
May 31, 2023	66	(279)	109	971
May 31, 2022	(769)	(319)	(1,135)	1,075

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	yen	yen	yen	yen	yen	Millions of yen	%	%
Fiscal year ended May 31, 2022	—	0.00	—	12.00	12.00	92	—	3.1
Fiscal year ending May 31, 2023	—	0.00	—	0.00	0.00	0	—	—
Fiscal year ending December 31, 2024 (Forecast)	—	0.00	—	5.00	5.00		28.5	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending May 31, 2024 (June 1, 2023 to May 31, 2024)

(Percentages 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
Six months ending Nov 30, 2023	6,619	(8.6)	64	—	63	—	(59)	—	(7.68)
Fiscal year ending May 31, 2024	13,588	(4.2)	378	—	377	—	135	—	17.56

* Notes:

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

Newly included: — companies

Excluded: — companies

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Total number of issued shares (common shares)

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

As of May 31, 2023	8,308,000 shares
As of May 31, 2022	8,308,000 shares

② Total number of treasury shares at the end of the period:

As of May 31, 2023	621,276 shares
As of May 31, 2022	634,376 shares

③ Average number of shares outstanding during the period

Fiscal year ended May 31, 2023	7,682,381 shares
Fiscal year ended May 31, 2022	7,809,821 shares

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2023	5,325	(51.1)	60	(85.6)	(477)	—	(492)	—
May 31, 2022	10,883	(8.8)	421	28.4	90	(72.1)	(147)	—

	Basic earnings per share	Diluted earnings per share
As of May 31, 2023	yen (64.16)	yen —
As of May 31, 2022	yen (18.90)	yen —

Note: Significant fluctuations in non-consolidated operating results in the fiscal year ended May 31, 2023 is due to the shift to a holding company structure on December 1, 2022.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
May 31, 2023	4,618	2,076	43.8	263.33
May 31, 2022	6,175	2,638	42.2	339.41

Reference: Equity

As of May 31, 2023: ¥2,024 million

As of May 31, 2022: ¥2,604 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation

* Proper use of earnings forecasts, and other special matters

Forecasts and forward-looking statements in this document are based on management's assumptions and beliefs in light of the information currently available to it, and are therefore subject to a number of uncertainties. Actual results may differ from these forecasts due to changes in the business environment and other factors.

○Table of Contents of the Appendix

1. Business Performance Overview	2
(1) Business Performance Overview for Current Term.....	2
(2) Financial Position Overview for Current Term	2
(3) Cash Flow Overview for Current Term.....	3
(4) Future Outlook.....	3
2. Basic Policy on Selection of Accounting Standards	3
3. Consolidated Financial Statements and Major Notes	4
(1) Consolidated Balance Sheet.....	4
(2) Consolidated Statement of Profit and Loss and Consolidated Statement of Comprehensive Income	6
(3) Consolidated Statement of Change in Shareholders' Equity.....	8
(4) Consolidated Statement of Cash Flows.....	10
(5) Notes to Consolidated Financial Statements.....	12
(Notes on Going Concern Assumption).....	12
(Segment Information).....	13
(Per-share Information).....	16
(Important Subsequent Events)	16

1. Business Performance Overview

(1) Business Performance Overview for Current Term

In FY 2023, the Japanese economy saw a sign of recovery, as social and economic activities were gradually normalized after the easing of restrictions on activities for curbing the spread of COVID-19, but the outlook remains uncertain, as the rise in commodity prices became evident due to the global skyrocketing of prices of resources and the fluctuations in exchange rates and geopolitical risks intensified due to the war between Russia and Ukraine, etc.

In that situation, we revised proposals for projects and strove to improve our planning capability, product competitiveness, and market appeal, for the purpose of strengthening our marketing capability through co-op routes, which constitute our revenue bases. Regarding the Korean cosmetics positioned as new core products, we started selling them as a Japanese general distributor of the popular brands such as “ma:nyo,” “hince,” and “KAHL.” For the TV shopping “Prime Direct,” we have decreased airtime considerably, to pursue media use efficiency.

In addition, our corporate group shifted to a holding company structure in December 2022, renaming our company “IK HOLDINGS Co., Ltd.” We will further speed up decision making for business administration, formulate strategies flexibly, allocate managerial resources in an optimal manner, separate supervising and executing functions, delegate authority, and create new businesses and management personnel, with the aim of maximizing our corporate value as a corporate group.

As a result, the financial results for FY 2023 were sales of 14,179 million yen, down 13.2% year on year, an operating loss of 224 million yen (an operating loss of 360 million yen in the same period of the previous year), an ordinary loss of 205 million yen (an ordinary loss of 323 million yen in the same period of the previous year), and a loss attribute to owners of parent of 463 million yen (a loss attribute to owners of parent of 905 million yen in the same period of the previous year).

The performance in each segment is as follows: (Sales mean the sales to external customers.)

- Direct marketing business

For TV shopping, we shifted to a policy focused on media use efficiency to improve profitability, and reduced airtime. As a result, sales dropped considerably. Regarding the real shops of Korean cosmetics, we closed 7 unprofitable directly-managed shops and 3 franchised shops of “SKINFOOD” and opened 2 shops of “hince” and 1 shop that deals in diverse Korean brands of cosmetics. As a result, sales were 4,007 million yen, down 22.7% year on year, and operating loss was 327 million yen (805 million yen in the same period of the previous year).

- Sales marketing business

The sales from the food product project in the co-op route, which is our core route, were almost unchanged from the previous year, but the sales from the projects for miscellaneous goods and cosmetics decreased from the previous year. In addition, the sales via the mail-order and real-store routes declined slightly. Accordingly, the sales in this segment were 9,651 million yen, down 9.8% year on year, and operating income was 355 million yen.

As our corporate group shifted to a holding company structure, it became possible to estimate each segment’s share of group-wide expenses. Accordingly, the method for calculating the profit or loss in each segment was changed. Therefore, the year-on-year change in operating income/loss in each segment is omitted.

- IT solution business

Sales were 518 million yen, up 15.1% year on year, as the sales of the chat system “M-Talk,” which is a core product, increased steadily, but operating income was 13 million yen, down 55.5% year on year, as procurement costs augmented due to the effects of exchange rates.

(2) Financial Position Overview for Current Term

(Assets)

Current assets at the end of the current consolidated fiscal year were down 825 million yen from the end of the previous fiscal year. This is mainly because “cash and deposits,” “notes and accounts receivable - trade,” and “merchandise and finished goods” decreased 104 million yen, 428 million yen, and 154 million yen, respectively.

Non-current assets at the end of the current consolidated fiscal year were up 235 million yen from the end of the previous fiscal year. This is mainly because “intangible assets” increased 259 million yen.

As a result, the total assets at the end of the current consolidated fiscal year stood at 6,788 million yen, down 589 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the current consolidated fiscal year were up 246 million yen from the end of the previous fiscal year. This is mainly because “short-term loans payable” augmented 550 million yen, and “accounts payable - trade” and “income taxes payable” decreased 220 million yen and 77 million yen, respectively.

Non-current liabilities at the end of the current consolidated fiscal year were down 301 million yen from the end of the

previous fiscal year. This is mainly because “long-term loans payable” decreased 311 million yen.

As a result, the liabilities at the end of the current consolidated fiscal year stood at 4,818 million yen, down 55 million yen from the end of the previous fiscal year.

(Net assets)

The net assets at the end of the current consolidated fiscal year were down 534 million yen from the end of the previous fiscal year. This is mainly because “retained earnings” declined 555 million yen through the posting of a net loss.

(3) Cash Flow Overview for Current Term

The cash and cash equivalents (hereinafter referred to as “funds”) at the end of the current consolidated fiscal year stood at 971 million yen (1,075 million yen in the same period of the previous year).

The status of each cash flow and its factors are as described below.

(Cash flow from operating activities)

Through operating activities, funds increased 66 million yen (decreased 769 million yen in the same period of the previous year). The main factors in increasing funds were an impairment loss of 190 million yen, a 428-million-yen decrease in notes and accounts receivable - trade, and a 213-million-yen decrease in inventory assets. The main factors in decreasing funds were a net loss before taxes and other adjustments of 397 million yen, a 220-million-yen decrease in accounts payable - trade, and a payment of income taxes of 190 million yen.

(Cash flow from investing activities)

Through investing activities, funds decreased 279 million yen (decreased 319 million yen in the same period of the previous year). The main factor in decreasing funds were purchase of property, plant and equipment of 146 million yen and purchase of intangible assets of 118 million yen.

(Cash flow from financing activities)

Through financing activities, funds increased 109 million yen (increased 1,135 million yen in the same period of the previous year). The main factors in increasing funds were a net increase in short-term loans payable of 550 million yen and proceeds from long-term loans payable of 400 million yen. The factors in decreasing funds were repayments of long-term loans payable of 750 million yen and dividends paid of 90 million yen.

(4) Future Outlook

The outlook for the economy remains uncertain, due to the global skyrocketing of prices of resources and the risk of exchange rate fluctuations, although there is a sign of economic recovery as economic activities are being normalized after the easing of restrictions on activities for coping with COVID-19.

In this situation, our corporate group has formulated a new mid-term management plan (IK WAY to 2026) as a rolling plan, in order to achieve a V-shaped recovery of revenues. In order to improve our business portfolio management to complete the mid-term management plan, we will review the businesses in which we invest intensively and enhance product development and marketing for products for co-op routes, which constitute our revenue base. In addition, we will promote the Korean cosmetics “ma:nyo,” “hince,” “KAHI,” “OLIVEYOUNG,” and “SKINFOOD” as priority products, for which we have established a position as a general distributor in Japan. For sales channels via TV shopping programs, we will review and narrow down airtime to improve media use efficiency.

Through these measures, we aim to make all business segments profitable and achieve a V-shaped recovery of consolidated business performance.

The full-year consolidated earnings forecast for the next term calls for sales of 13,580 million yen, an operating income of 378 million yen, an ordinary income of 377 million yen, and a profit attributable to owners of parent of 135 million yen.

2. Basic Policy on Selection of Accounting Standards

Our corporate group has adopted Japanese GAAP as our accounting standard, considering the period comparability of the consolidated financial statements and the comparability between companies.

Regarding the application for IFRS (International Financial Reporting Standards), we will take appropriate measures while considering domestic and international situations.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY 2022 (As of May 31, 2022)	FY 2023 (As of May 31, 2023)
Assets		
Current assets		
Cash and deposits	1,075,932	971,922
Notes and accounts receivable - trade	2,612,223	2,183,608
Merchandise and finished goods	2,405,121	2,250,407
Raw materials and supplies	15,299	13,676
Other	445,800	309,328
Allowance for doubtful accounts	(1,239)	(841)
Total current assets	6,553,139	5,728,103
Non-current assets		
Property, plant and equipment		
Buildings and structures	245,813	247,663
Accumulated depreciation	(158,574)	(165,272)
Buildings and structures, net	87,239	82,391
Land	80,216	80,216
Other	169,406	203,524
Accumulated depreciation	(139,646)	(150,721)
Other, net	29,760	52,803
Total property, plant and equipment	197,216	215,411
Intangible assets		
Goodwill	72,038	117,314
Other	136,115	350,142
Total intangible assets	208,153	467,456
Investments and other assets		
Investment securities	41,485	24,428
Long-term loans receivable	104,577	87,477
Deferred tax assets	92,709	113,328
Guarantee deposits	144,839	127,660
Other	47,368	35,419
Allowance for doubtful accounts	(11,2189)	(10,535)
Total investments and other assets	419,761	377,780
Total non-current assets	825,132	1,060,647
Total assets	7,378,271	6,788,751

(Thousands of yen)

	FY 2022 (As of May 31, 2022)	FY 2023 (As of May 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	893,214	672,377
Short-term loans payable	800,000	1,350,000
Current portion of long-term loans payable	692,777	653,296
Accounts payable - other	720,741	738,271
Income taxes payable	115,846	38,575
Provision for bonuses	33,530	12,324
Provision for loss on business	15,660	4,021
Other	248,135	297,478
Total current liabilities	3,519,906	3,766,344
Non-current liabilities		
Long-term borrowings	1,044,007	732,989
Net defined benefit liability	140,835	155,510
Other	168,875	163,512
Total non-current liabilities	1,353,717	1,052,011
Total liabilities	4,873,623	4,818,355
Net assets		
Shareholders' equity		
Share capital	620,949	620,949
Capital surplus	680,412	681,430
Retained earnings	1,401,804	846,187
Treasury shares	(233,023)	(228,211)
Total shareholders' equity	2,470,143	1,920,355
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,165	—
Foreign currency translation adjustment	(902)	(2,344)
Total accumulated other comprehensive income	263	(2,344)
Subscription rights to shares	34,240	52,384
Total net assets	2,504,647	1,970,395
Total liabilities and net assets	7,378,271	6,788,751

(2) Consolidated Statement of Profit and Loss and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Profit and Loss)

(Thousands of yen)

	FY 2022 (From June 1, 2021 to May 31, 2022)	FY 2023 (From June 1, 2022 to May 31, 2023)
Net sales	16,335,372	14,179,066
Cost of sales	8,934,976	8,228,197
Gross profit	7,400,396	5,950,868
Selling, general and administrative expenses	7,760,431	6,175,745
Operating loss	(360,035)	(224,877)
Non-operating income		
Interest income	993	739
Dividend income	863	8,048
Commission income	1,042	590
House rent income	855	544
Subsidy income	4,407	—
Foreign exchange gains	33,824	—
Gain on sale of investment securities	2,415	1,356
Employee dispatch burden	9,600	—
Cooperation money income	—	20,542
Other	8,147	9,616
Total non-operating income	62,150	41,437
Non-operating expenses		
Interest expenses	8,370	10,229
Store closure penalty	—	4,232
Provision for loss on business	15,660	6,303
Other	1,503	990
Total non-operating expenses	25,533	21,757
Ordinary loss	(323,419)	(205,196)
Extraordinary income		
Reversal of provision for surcharge	13,943	—
Gain on transfer of trade marks	—	30,000
Gain on sale of shares of subsidiaries and associates	—	6,471
Total extraordinary income	13,943	36,471
Extraordinary losses		
Loss on retirement of non-current assets	21,997	—
Loss on valuation of investment securities	—	9,999
Impairment losses	251,844	190,381
The cost of customer compensation, etc.	115,151	—
Loss on litigation	17,545	27,958
Total extraordinary losses	406,538	228,339
Loss before income taxes	(716,014)	(397,064)
Income taxes - current	173,137	86,573
Income taxes - deferred	19,329	(20,105)
Total income taxes	192,467	66,468
Loss	(908,481)	(463,533)
Loss attributable to non-controlling interests	(2,948)	—
Loss attributable to owners of parent	(905,533)	(463,533)

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	FY 2022 (From June 1, 2021 to May 31, 2022)	FY 2023 (From June 1, 2022 to May 31, 2023)
Loss	(908,481)	(463,533)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,618)	(1,165)
Foreign currency translation adjustment	(87)	(1,442)
Total other comprehensive income	(3,706)	(2,608)
Comprehensive income	(912,187)	(466,141)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(909,610)	(466,141)
Comprehensive income attributable to non-controlling interests	(2,577)	—

(3) Consolidated Statement of Change in Shareholders' Equity
 Previous consolidated fiscal year (June 1, 2021 – May 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	620,949	674,845	2,400,412	(156,964)	3,539,242
Changes during period					
Dividends of surplus			(94,085)		(94,085)
Loss attributable to owners of parent			(905,533)		(905,533)
Purchase of treasury shares				(80,087)	(80,087)
Disposal of treasury shares		3,567		4,028	7,596
Capital increase of consolidated subsidiaries		2,000			2,000
Adjustment for change in scope of consolidation			1,010		1,010
Net changes in items other than shareholders' equity					
Total changes during period	-	5,567	(998,607)	(76,059)	(1,069,099)
Balance at end of period	620,949	680,412	1,401,804	(233,023)	2,470,143

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	4,784	(444)	4,340	11,315	2,577	3,557,475
Changes during period						
Dividends of surplus						(94,085)
Loss attributable to owners of parent						(905,533)
Purchase of treasury shares						(80,087)
Disposal of treasury shares						7,596
Capital increase of consolidated subsidiaries						2,000
Adjustment for change in scope of consolidation						1,010
Net changes in items other than shareholders' equity	(3,618)	(457)	(4,076)	22,925	(2,577)	16,270
Total changes during period	(3,618)	(457)	(4,076)	22,925	(2,577)	(1,052,828)
Balance at end of period	1,165	(902)	263	34,240	-	2,504,647

Current consolidated fiscal year (June 1, 2022 – May 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	620,949	680,412	1,401,804	(233,023)	2,470,143
Changes during period					
Dividends of surplus			(92,083)		(92,083)
Loss attributable to owners of parent			(463,533)		(463,533)
Disposal of treasury shares		1,017		4,812	5,829
Net changes in items other than shareholders' equity					
Total changes during period	—	1,017	(555,617)	4,812	(549,787)
Balance at end of period	620,949	681,430	846,187	(228,211)	1,920,355

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	1,165	(902)	263	34,240	2,504,647
Changes during period					
Dividends of surplus					(92,083)
Loss attributable to owners of parent					(463,533)
Disposal of treasury shares					5,829
Net changes in items other than shareholders' equity	(1,165)	(1,442)	(2,608)	18,143	15,535
Total changes during period	(1,165)	(1,442)	(2,608)	18,143	(534,252)
Balance at end of period	—	(2,344)	(2,344)	52,384	1,970,395

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY 2022 (From June 1, 2021 to May 31, 2022)	FY 2023 (From June 1, 2022 to May 31, 2023)
Cash flows from operating activities		
Loss before income taxes	(716,014)	(397,064)
Depreciation	253,561	47,241
Impairment losses	251,844	190,381
Amortization of goodwill	12,732	35,625
Share-based payment expenses	28,372	26,886
Increase (decrease) in allowance for doubtful accounts	400	(1,081)
Increase (decrease) in provision for bonuses	(468)	(21,206)
Increase (decrease) in retirement benefit liability	(2,438)	14,675
Increase (decrease) in provision for loss on business	15,660	(11,639)
Increase (decrease) in provision for the cost of customer compensation, etc.	(17,447)	—
Increase (decrease) in provision for surcharge	(13,943)	—
Loss (gain) on sale of investment securities	(2,415)	(1,356)
Interest and dividend income	(1,857)	(8,787)
Interest expenses	8,370	10,229
Foreign exchange losses (gains)	(28,985)	(1,306)
Subsidy income	(4,407)	—
Cooperation money income	—	(20,542)
Gain on transfer of trade marks	—	(30,000)
Loss (gain) on sale of shares of subsidiaries and associates	—	(6,471)
Loss on retirement of non-current assets	21,997	—
Gain on reversal of loss on valuation of investment securities	—	9,999
Decrease (increase) in notes and accounts receivable - trade	201,748	428,615
Decrease (increase) in inventories	(472,774)	213,684
Increase (decrease) in notes and accounts payable - trade	(134,935)	(220,837)
Decrease (increase) in consumption taxes refund receivable	(105,043)	80,160
Increase (decrease) in accrued consumption taxes	(28,304)	3,010
Increase (decrease) in accounts payable – other	105,530	(182,544)
Decrease (increase) in other assets	166,326	49,757
Increase (decrease) in other liabilities	(33,700)	(21,050)
Subtotal	(496,192)	186,381
Interest and dividends received	1,837	8,786
Interest paid	(8,699)	(10,392)
Subsidies received	17,132	—
Cooperation money received	—	20,542
Surcharge paid	(33,320)	—
Income taxes paid	(250,248)	(190,424)
Income taxes refund	—	51,528
Cash flows from operating activities	(769,489)	66,421
Cash flows from investing activities		
Purchase of property, plant and equipment	(256,489)	(146,002)
Purchase of intangible assets	(38,126)	(118,075)
Purchase of investment securities	(10,000)	—
Proceeds from sale of investment securities	29,216	3,204
Purchase of shares of subsidiaries and associates	(62,000)	—
Proceeds from sale of shares of subsidiaries and associates	—	10,000
Loan advances	(1,350)	—
Proceeds from collection of loans receivable	24,118	16,250
Payments of guarantee deposits	(16,972)	(4,252)
Proceeds from refund of guarantee deposits	11,822	19,099
Proceeds from transfer of trade marks	—	30,000
Payments for acquisition of businesses	—	(89,529)
Cash flows from investing activities	(319,782)	(279,305)

(Thousands of yen)

	FY 2022 (From June 1, 2021 to May 31, 2022)	FY 2023 (From June 1, 2022 to May 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	800,000	550,000
Proceeds from long-term loans payable	1,100,000	400,000
Repayments of long-term loans payable	(671,655)	(750,499)
Dividends paid	(92,781)	(90,490)
Cash flows from financing activities	1,135,563	109,010
Effect of exchange rate change on cash and cash equivalents	28,898	(135)
Net increase (decrease) in cash and cash equivalents	75,189	(104,010)
Cash and cash equivalents at beginning of period	967,145	1,075,932
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	33,597	—
Cash and cash equivalents at end of period	1,075,932	971,922

(5) Notes to Consolidated Financial Statements
(Notes on Going Concern Assumption)
There is no related information.

(Segment Information)

[Segment information]

1. Outline of segments to be reported

The financial information on each segment to be reported can be obtained and is regularly reviewed, in order for the board of directors to determine the allocation of managerial resources and evaluate business performance.

Direct Marketing Business: Retail business, such as the sale of cosmetic products of SKINFOOD via TV shopping programs, online stores, and real stores

Sales Marketing Business: Wholesale to consumers' co-operative, mail-order companies, retail stores, overseas partner companies, etc.

IT Solution Business: Sale of chat systems and voice call recording systems, etc.

2. Methods for calculating sales, profit/loss, assets, and other items in each segment

The accounting for each business segment follows the accounting standards adopted for consolidated financial statements.

The profit of each segment means an operating income.

The internal sales or transfer between segments is based on prevailing market prices.

(Items regarding changes in the segments to be reported)

As our corporate group shifted to a holding company structure on December 1, 2022, it became possible to estimate each segment's share of group-wide expenses and assets, which were difficult to divide into segments and included the Sales Marketing Business. Accordingly, the method for calculating the profit or loss in each segment was changed, and a new method has been used from the third quarter of FY 2023.

Regarding the profit or loss in each segment in the previous fiscal year, it is difficult to apply the new method after the shift to the holding company structure, so the calculation method before the shift was applied.

Since the shift to the holding company structure, we have been disclosing the assets allocated to respective segments.

The assets in each segment in the previous fiscal year, which were calculated with the method used in said year, are omitted, because assets were not allocated to respective segments before the shift to the holding company structure.

3. Information on Sales, Profits or Losses, Assets, Liabilities, and Other Items for each Segment

The previous consolidated fiscal year (June 1, 2021 – May 31, 2022)

(Thousands of yen)

	Reporting segment				Adjustment Amount*1, *2	Consolidated Balance sheet amount*3
	Direct Marketing Business	Sales Marketing Business	IT Solutions Business	Total		
Net sales						
Sales to external customers	5,184,804	10,699,680	450,887	16,335,372	—	16,335,372
Intersegment sales or transferred amount	660,706	201,506	1,910	864,123	(864,123)	—
Total	5,845,511	10,901,187	452,797	17,199,496	(864,123)	16,335,372
Segment income (loss)	(805,843)	395,322	29,822	(380,697)	20,661	(360,035)
Segment assets	2,253,726	6,203,141	223,683	8,680,550	(1,302,279)	7,378,271
Other items						
Depreciation	192,615	57,822	3,260	253,699	(138)	253,561
Amortization of goodwill	—	12,000	732	12,732	—	12,732
Increase in property, plant, and equipment and intangible assets	253,523	106,499	5,587	365,609	—	365,609

Notes

1. The adjustment of segment profit/loss (20,661) thousand yen is attributable to the removal from consolidated results.

2. The adjustment of segment assets (-1,302,279) thousand yen is the eliminated amount of receivables and payables between segments.

3. Segment profit/loss was adjusted with the operating loss in the consolidated profit-and-loss statement.

The current consolidated fiscal year (June 1, 2022 – May 31, 2023)

(Thousands of yen)

	Reporting segment				Adjustment Amount*1	Consolidated Balance sheet amount*2
	Direct Marketing Business	Sales Marketing Business	IT Solutions Business	Total		
Net sales						
Sales to external customers	4,007,151	9,651,827	518,766	14,177,746	1,320	14,179,066
Intersegment sales or transferred amount	662,140	316,584	—	978,724	(978,724)	—
Total	4,669,292	9,968,411	518,766	15,156,470	(977,404)	14,179,066
Segment income (loss)	(327,724)	355,148	13,275	40,699	(265,577)	(224,877)
Segment assets	1,612,261	3,888,581	177,496	5,678,339	1,110,412	6,788,751
Other items						
Depreciation	213	24,353	2,910	27,476	19,764	47,241
Amortization of goodwill	14,831	12,000	8,794	35,625	—	35,625
Increase in property, plant, and equipment and intangible assets	266,685	25,743	7,870	300,299	244,753	545,053

Notes

- (1) The adjustment of segment profit/loss (-265,577) thousand yen is composed of mainly the group-wide expense for operating the holding company, which is not allocated to business segments.
 - (2) The adjustment of segment assets (1,110,412) thousand yen includes the deletion of inter-segment transactions (-3,507,893) thousand yen and group-wide assets (4,618,305) thousand yen, which are not allocated to business segments.
 - (3) The adjustment of depreciation (19,764) thousand yen is composed of mainly the depreciation of group-wide assets, which are not allocated to business segments.
 - (4) The adjustment of the increases in tangible and intangible fixed assets (244,753) thousand yen is the capital investment of the holding company not attributable to business segments.
2. Segment profit/loss was adjusted with the operating loss in the consolidated profit-and-loss statement.

【Related information】

The previous consolidated fiscal year (June 1, 2021 – May 31, 2022)

1. Information on each Product and each Service

Omitted because this information has been disclosed in the section of segment information.

2. Information on each Region

(1) Net sales

Omitted because sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Omitted because our company has no property, plant and equipment located outside Japan.

3. Information on each Major Customer

Omitted because there are no customers that account for 10% or more of net sales in the consolidated statements of income.

The current consolidated fiscal year (June 1, 2022 – May 31, 2023)

1. Information on each Product and each Service

Omitted because this information has been disclosed in the section of segment information.

2. Information on each Region

(1) Net sales

Omitted because sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of

income.

(2) Property, plant and equipment

Omitted because our company has no property, plant and equipment located outside Japan.

3. Information on each Major Customer

Omitted because there are no customers that account for 10% or more of net sales in the consolidated statements of income.

[Information on impairment loss on non-current assets in each segment]

The previous consolidated fiscal year (June 1, 2021 – May 31, 2022)

(Thousands of yen)

	Direct Marketing Business	Sales Marketing Business	IT Solutions Business	Consolidated/eliminated	Total
Impairment losses	251,844	—	—	—	251,844

The current consolidated fiscal year (June 1, 2022 – May 31, 2023)

(Thousands of yen)

	Direct Marketing Business	Sales Marketing Business	IT Solutions Business	Consolidated/eliminated	Total
Impairment losses	190,381	—	—	—	190,381

[Information on amortization of goodwill and unamortized balance in each segment]

The previous consolidated fiscal year (June 1, 2021 – May 31, 2022)

(Thousands of yen)

	Direct Marketing Business	Sales Marketing Business	IT Solutions Business	Consolidated/eliminated	Total
Reimbursement for the current period	—	12,000	732	—	12,732
Balance at end of period	—	31,000	41,038	—	72,038

The current consolidated fiscal year (June 1, 2022 – May 31, 2023)

(Thousands of yen)

	Direct Marketing Business	Sales Marketing Business	IT Solutions Business	Consolidated/eliminated	Total
Reimbursement for the current period	14,831	12,000	8,794	—	35,625
Balance at end of period	66,069	19,000	32,244	—	117,314

[Information on the gain on negative goodwill in each segment]

The previous consolidated fiscal year (June 1, 2021 – May 31, 2022)

There is no related information.

The current consolidated fiscal year (June 1, 2022 – May 31, 2023)

There is no related information.

(Per-share Information)

	FY 2022 (From June 1, 2021 to May 31, 2022)	FY 2023 (From June 1, 2022 to May 31, 2023)
Net assets per share (yen)	321.94	249.52
Profit (loss) per share (yen)	(115.95)	(60.34)
Diluted profit per share (yen)	—	—

(Notes) 1. Diluted profit per share is not presented because a net loss per share was posted for the period despite the existence of diluted shares.

2. The basis for calculation of net income per share and diluted net income per share is as follows

	FY 2022 (From June 1, 2021 to May 31, 2022)	FY 2023 (From June 1, 2022 to May 31, 2023)
(1) Loss attributable to owners of parent		
Loss attributable to owners of parent on common stock (thousand yen)	(905,533)	(463,533)
Amount not attributable to common shareholders (thousand yen)	—	—
Loss attributable to owners of parent on common stock (thousand yen)	(905,533)	(463,533)
The average number of stocks outstanding (shares)	7,809,821	7,682,381
(2) Diluted profit per share		
Adjustment on the profit attributable to owners of parent (thousand yen)	—	—
Increase in common stock (shares)	—	—
(of which subscription rights to shares (shares))	(—)	(—)
Residual shares not included in the calculation of diluted profit per share because they have no dilutive effect	—	—

(Important Subsequent Events)

There is no related information.