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Consolidated Financial Results for the Year Ended September 30, 2023 [Japanese GAAP]

November 10, 2023

Company name: 4Cs HD Co., Ltd.

Stock exchange listing: Tokyo

Code number: 3726

URL: <https://www.4cs-holdings.co.jp>

Representative: Yoshimi Tendo

,President and Representative Director

Contact: Masanori Uehata

,Director and General Manager of Administration Headquarters

Phone: +81-92-720-5460

Scheduled date of Annual General Meeting of Shareholders: December 22, 2023

Scheduled date of commencing dividend payments: -

Scheduled date of filing annual securities report: December 26, 2023

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2023 (October 1, 2022 to September 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended September 30, 2023	2,136	(8.1)	(214)	-	(216)	-	(272)	-
September 30, 2022	2,324	(5.9)	(119)	-	(116)	-	(156)	-

(Note) Comprehensive income: Fiscal year ended September 30, 2023: ¥ (272) million [-%]
Fiscal year ended September 30, 2022: ¥ (156) million [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
September 30, 2023	(35.29)	-	(56.6)	(14.0)	(10.0)
September 30, 2022	(21.76)	-	(30.2)	(7.1)	(5.1)

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended September 30, 2023: ¥ - million
Fiscal year ended September 30, 2022: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	1,643	518	31.4	63.88
September 30, 2022	1,454	454	30.9	62.05

(Reference) Equity: As of September 30, 2023: ¥ 515 million
As of September 30, 2022: ¥ 448 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 the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2023	(324)	(102)	317	489
September 30, 2022	(41)	(4)	(124)	599

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
September 30, 2022	-	0.00	-	0.00	0.00	-	-	-
September 30, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending September 30, 2024 (Forecast)	-	-	-	-	-		-	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2024 (October 1, 2023 to September 30, 2024)

(% indicates changes from the previous corresponding period.)

	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 March 31, 2024	1,308	27.2	(22)	-	(24)	-	(34)	-	(4.28)
Full year	2,790	30.6	29	-	23	-	19	-	2.38

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New 1 (Company name: iiy Co.,Ltd)
 Exclusion: 1 (Company name: Cure Co.,Ltd)

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

- 1) Changes in accounting policies due to the revision of accounting standards: Yes
 2) Changes in accounting policies other than 1) above: No
 3) Changes in accounting estimates: Yes
 4) Retrospective restatement: No

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

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

September 30, 2023: 8,077,670 shares
 September 30, 2022: 7,419,970 shares

2) Number of treasury shares at the end of the period:

September 30, 2023: 9,869 shares
 September 30, 2022: 189,490 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended September 30, 2023: 7,725,225 shares
 Fiscal Year ended September 30, 2022: 7,191,767 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2023 (October 1, 2022 to September 30, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	1,780	26.7	(209)	-	(223)	-	(300)	-
September 30, 2022	1,404	354.4	(72)	-	(136)	-	(172)	-

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2023	(38.90)	-
September 30, 2022	(23.99)	-

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2023	1,583	512	32.2	63.13
September 30, 2022	1,252	475	37.6	65.06

(Reference) Equity: As of September 30, 2023: ¥ 509 million
As of September 30, 2022: ¥ 470 million

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	649,439	539,510
Accounts receivable - trade	149,407	193,914
Merchandise and finished goods	323,968	407,801
Raw materials and supplies	12,111	34,568
Other	41,457	66,814
Allowance for doubtful accounts	(451)	(137)
Total current assets	1,175,932	1,242,472
Non-current assets		
Property, plant and equipment		
Buildings	18,641	16,555
Accumulated depreciation	(18,162)	(16,196)
Buildings, net	479	359
Other	104,239	34,403
Accumulated depreciation	(104,148)	(34,222)
Other, net	90	181
Total property, plant and equipment	570	540
Intangible assets		
Goodwill	53,238	213,690
Customer relationship	122,317	101,044
Other	3,951	1,936
Total intangible assets	179,506	316,671
Investments and other assets		
Leasehold and guarantee deposits	96,440	81,951
Deferred tax assets	-	360
Other	1,633	1,390
Total investments and other assets	98,073	83,702
Total non-current assets	278,150	400,914
Total assets	1,454,083	1,643,387

(Thousands of yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	73,532	62,977
Short-term borrowings	300,000	300,000
Current portion of long-term borrowings	127,384	112,829
Lease liabilities	1,023	433
Income taxes payable	31,495	24,792
Provision for bonuses	1,200	1,180
Provision for point card certificates	-	3,560
Provision for shareholder benefit program	21,708	28,237
Asset retirement obligations	2,674	-
Other	145,677	151,907
Total current liabilities	704,696	685,916
Non-current liabilities		
Bonds payable	-	200,000
Long-term borrowings	221,813	144,512
Lease liabilities	433	-
Deferred tax liabilities	27,361	19,738
Asset retirement obligations	45,577	73,455
Other	85	1,598
Total non-current liabilities	295,270	439,303
Total liabilities	999,966	1,125,220
Net assets		
Shareholders' equity		
Share capital	992,447	1,122,822
Capital surplus	459,505	611,956
Retained earnings	(943,591)	(1,216,215)
Treasury shares	(59,731)	(3,152)
Total shareholders' equity	448,630	515,410
Share acquisition rights	5,486	2,755
Total net assets	454,116	518,166
Total liabilities and net assets	1,454,083	1,643,387

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended September 30, 2022	For the fiscal year ended September 30, 2023
Net sales	2,324,589	2,136,884
Cost of sales	745,381	705,388
Gross profit	1,579,208	1,431,496
Selling, general and administrative expenses	1,698,289	1,645,710
Operating loss	(119,080)	(214,214)
Non-operating income		
Interest income	7	6
Income on compensation	974	123
Subsidy income	5,739	733
Commission income	1,409	5,454
Other	2,488	2,845
Total non-operating income	10,619	9,163
Non-operating expenses		
Interest expenses	5,776	4,509
Interest expenses on bonds	-	1,413
Share issuance costs	162	-
Share acquisition rights issuance costs	2,168	3,544
Other	425	2,412
Total non-operating expenses	8,532	11,880
Ordinary loss	(116,993)	(216,931)
Extraordinary income		
Gain on sale of non-current assets	2,699	738
Gain on reversal of share acquisition rights	5,683	250
Total extraordinary income	8,383	988
Extraordinary losses		
Impairment losses	38,115	43,223
Other	-	1,330
Total extraordinary losses	38,115	44,553
Loss before income taxes	(146,725)	(260,496)
Income taxes - current	20,360	20,111
Income taxes - deferred	(10,558)	(7,983)
Total income taxes	9,801	12,127
Loss	(156,527)	(272,624)
Loss attributable to owners of parent	(156,527)	(272,624)

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended September 30, 2022	For the fiscal year ended September 30, 2023
Loss	(156,527)	(272,624)
Comprehensive income	(156,527)	(272,624)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(156,527)	(272,624)
Comprehensive income attributable to non-controlling interests	-	-

Consolidated Statements of Changes in Equity
For the fiscal year ended September 30, 2022

(Thousands of yen)

	Shareholders' equity					Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	983,131	450,186	(787,063)	(59,692)	586,561	8,939	595,501
Changes during period							
Issuance of new shares	9,315	9,315			18,631		18,631
Loss attributable to owners of parent			(156,527)		(156,527)		(156,527)
Purchase of treasury shares				(44)	(44)		(44)
Disposal of treasury shares		2		6	9		9
Net changes in items other than shareholders' equity						(3,453)	(3,453)
Total changes during period	9,315	9,318	(156,527)	(38)	(137,931)	(3,453)	(141,385)
Balance at end of period	992,447	459,505	(943,591)	(59,731)	448,630	5,486	454,116

For the fiscal year ended September 30, 2023

(Thousands of yen)

	Shareholders' equity					Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	992,447	459,505	(943,591)	(59,731)	448,630	5,486	454,116
Changes during period							
Issuance of new shares	130,375	130,375			260,750		260,750
Changes by share exchanges		21,738		56,127	77,865		77,865
Loss attributable to owners of parent			(272,624)		(272,624)		(272,624)
Purchase of treasury shares				(27)	(27)		(27)
Disposal of treasury shares		337		478	816		816
Net changes in items other than shareholders' equity						(2,730)	(2,730)
Total changes during period	130,375	152,450	(272,624)	56,578	66,780	(2,730)	64,049
Balance at end of period	1,122,822	611,956	(1,216,215)	(3,152)	515,410	2,755	518,166

Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended September 30, 2022	For the fiscal year ended September 30, 2023
Cash flows from operating activities		
Loss before income taxes	(146,725)	(260,496)
Depreciation	35,485	25,674
Impairment losses	38,115	43,223
Amortization of goodwill	9,258	22,328
Increase (decrease) in allowance for doubtful accounts	384	(340)
Increase (decrease) in provision for bonuses	(4,599)	(20)
Increase (decrease) in provision for sales returns	(7,891)	-
Increase (decrease) in provision for point card certificates	-	3,560
Increase (decrease) in provision for shareholder benefit program	(7,193)	6,529
Interest and dividend income	(7)	(7)
Interest expenses on borrowings and bonds	5,776	5,923
Gain on sale of non-current assets	(2,699)	(738)
Gain on reversal of share acquisition rights	(5,683)	(250)
Decrease (increase) in trade receivables	26,315	(30,391)
Decrease (increase) in inventories	96,081	(63,700)
Increase (decrease) in trade payables	(27,478)	(10,555)
Increase (decrease) in accounts payable - other, and accrued expenses	(28,040)	11,217
Increase (decrease) in accrued consumption taxes	(12,566)	-
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	-	(39,628)
Increase (decrease) in deposits received	(465)	5,974
Other, net	15,326	8,269
Subtotal	(16,607)	(273,427)
Interest and dividends received	6	6
Interest paid	(5,685)	(4,478)
Income taxes refund	-	4,030
Income taxes paid	(18,974)	(50,518)
Net cash provided by (used in) operating activities	(41,261)	(324,387)

(Thousands of yen)

	For the fiscal year ended September 30, 2022	For the fiscal year ended September 30, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,358)	(8,114)
Proceeds from sale of property, plant and equipment	2,700	812
Purchase of intangible assets	(500)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(97,947)
Payments of leasehold deposits	(34)	(155)
Proceeds from refund of leasehold deposits	268	1,627
Payments of guarantee deposits	(2,390)	(3,025)
Proceeds from refund of guarantee deposits	12,956	21,000
Payments for asset retirement obligations	(14,350)	(17,128)
Net cash provided by (used in) investing activities	(4,708)	(102,931)
Cash flows from financing activities		
Repayments of long-term borrowings	(142,294)	(137,896)
Proceeds from issuance of bonds	-	200,000
Repayments of lease liabilities	(1,001)	(1,023)
Purchase of treasury shares	(44)	(27)
Proceeds from disposal of treasury shares	9	226
Proceeds from issuance of share acquisition rights	205	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	18,325	256,108
Net cash provided by (used in) financing activities	(124,800)	317,388
Net increase (decrease) in cash and cash equivalents	(170,770)	(109,930)
Cash and cash equivalents at beginning of period	770,145	599,375
Cash and cash equivalents at end of period	599,375	489,444