Translation

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Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending July 2025 (Based on Japanese GAAP)

March 14, 2025

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 semi-annual securities report: March 14, 2025

Scheduled date for commencing dividend payments: April 9, 2025

Preparation of supplementary materials on financial results: Yes

Holding of 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 Half of the Fiscal Year Ending July 2025 (from August 1, 2024 to January 31, 2025)

(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 half of the fiscal year ending July 31, 2025	6,287	15.7	117	(80.9)	126	(82.9)	62	(87.5)
First half of the fiscal year ended July 31, 2024	5,431	6.1	613	(33.6)	740	(14.7)	498	(12.9)

(Note) Comprehensive income
First half of the fiscal year ending July 31, 2025: 69 million yen [(87.4%)]
First half of the fiscal year ended July 31, 2024: 552 million yen [2.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First half of the fiscal year ending July 31, 2025	2.61	-
First half of the fiscal year ended July 31, 2024	19.85	19.81

(Note) Diluted earnings per share for the first half of the fiscal year ending July 31, 2025 has not been provided, as there were no potential shares with dilutive effects.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of January 31, 2025	9,403	7,467	79.3
As of July 31, 2024	10,543	8,536	80.9

(Reference) Total shareholders' equity
As of January 31, 2025: 7,460 million yen As of July 31, 2024: 8,534 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, 2024	—	10.00	—	10.00	20.00
Fiscal year ending July 31, 2025	—	5.00			
Fiscal year ending July 31, 2025 (Forecast)			—	5.00	10.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending July 2025 (from August 1, 2024 to July 31, 2025)

(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	13,281	8.9	207	(77.4)	185	(83.5)	111	(86.0)	4.86

(Note) Revisions to the most recently announced earnings forecast: Yes

* Notes

(1) Changes in significant subsidiaries during the First Half
(changes in specified subsidiaries resulting in change in scope of consolidation): Yes
Newly consolidated: 2 (AXXZIA Technology Inc., AXXZIA (Shenzhen) International E-Commerce Co., Ltd.)
Excluded from consolidation: None

(2) Application of accounting method specific to preparation of semi-annual 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

(Note) For details, please refer to "2. Semi-Annual Consolidated Financial Statements and Significant Notes Thereto (4) Notes to Semi-Annual Consolidated Financial Statements (Notes on Changes in Accounting Policies)" on page 8 of the Attachment.

(4) Number of issued shares (common shares)

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

As of January 31, 2025	24,107,000 shares	As of July 31, 2024	25,167,000 shares

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

As of January 31, 2025	1,236,600 shares	As of July 31, 2024	750,000 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

First half of the fiscal year ending July 31, 2025	23,822,596 shares	First half of the fiscal year ended July 31, 2024	25,099,537 shares

* This summary of consolidated financial results for the first half of the fiscal year ending July 2025 is not subject to 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 3 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 half of the fiscal year ending July 31, 2025 (August 1–January 31, 2025), the Japanese economy continued to recover gradually, supported by improvements in the employment and income conditions. Personal consumption showed signs of recovery as well, although some areas remained stagnant. However, uncertainties persisted due to factors such as the trend of the U.S. policy, the ongoing conflict in the Middle East, exchange rate fluctuations, and the impact of rising prices.

The cosmetics market in Japan remained strong. Inbound consumption grew steadily, driven by an increase in inbound tourists, despite a slight appreciation of the yen.

In the cosmetics market in China, the business environment remained challenging due to weakened consumer sentiment caused by an economic slowdown and intensifying competition from emerging local manufacturers.

Under these market conditions, the AXXZIA Group focused on further expanding sales in China, our key market, while advancing initiatives to establish a business foundation and strengthen sales activities in regions outside of China. In China, while the business environment remained challenging due to sluggish consumption, we worked to further boost sales of our mainstay products Essential Sheet and AGDrink. We also sought to cultivate skincare products of the AGTHEORY brand, whose core product is AGDrink, as well as inner care products, which are seeing growing demand in China. In Japan, we strove to enhance our brand image and increase recognition by conducting social media marketing and live sales through influencers, renovating our flagship store in GINZA SIX, opening AXXZIA Shibuya Hikarie ShinQs Store, and so forth. Outside of China and Japan, we participated in a trade show in Dubai, conducted live sales, and launched a pop-up store at a department store in Singapore as part of efforts to bolster global expansion.

For the first half of the fiscal year ending July 31, 2025, the Company posted net sales of 6,287,382 thousand yen (up 15.7% year-on-year), exceeding the year-ago results owing to the consolidation of M&D Co., Ltd. which became a subsidiary in February 2024. Meanwhile, operating income was 117,330 thousand yen (down 80.9% year-on-year), due to the decrease in Chinese e-commerce sales resulting from the deterioration in advertising efficiency driven by a decline in consumption in the Chinese market. Ordinary income was 126,545 thousand yen (down 82.9% year-on-year) and profit attributable to owners of parent was 62,181 thousand yen (down 87.5% year-on-year). Note that descriptions by segment are omitted, as the Group has a single operating segment engaged in the cosmetics business.

[Summary of Results]

	First half of the fiscal year ended July 2024 Millions of yen	First half of the fiscal year ending July 2025 Millions of yen	Year-on-year changes %
Net sales	5,431	6,287	+15.7
Operating income	613	114	-80.9
Ordinary income	740	126	-82.9
Profit attributable to owners of parent	498	62	-87.5

(2) Financial Position

(1) Assets, liabilities and net assets

(Assets)

Total assets at the end of the second quarter ended January 31, 2025 amounted to 9,403,973 thousand yen, a decrease of 1,139,351 thousand yen (-10.8%) from the end of the previous fiscal year. Of this, current assets decreased by 1,178,452 thousand yen (-13.7%) from the end of the previous fiscal year to 7,453,352 thousand yen and non-current assets increased by 39,100 thousand yen (+2.0%) from the end of the previous fiscal year to 1,950,620 thousand yen.

The changes in current assets were mainly attributable to factors such as cash and deposits decreasing by 983,222 thousand yen and merchandise and finished goods decreasing by 103,208 thousand yen. The changes in non-current assets were mainly attributable to factors such as property, plant and equipment increasing by 112,695 thousand yen, intangible assets decreasing 29,072 by thousand yen and investments and other assets decreasing by 44,521 thousand yen.

(Liabilities)

Total liabilities at the end of the second quarter ended January 31, 2025 amounted to 1,936,827 thousand yen, a decrease of 69,624 thousand yen (-3.5%) from the end of the previous fiscal year. Of this, current liabilities decreased by 73,785 thousand yen (-4.4%) from the end of the previous fiscal year to 1,611,019 thousand yen and non-current liabilities increased by 4,160 thousand yen (+1.3%) from the end of the previous fiscal year to 325,808 thousand yen.

The changes in current liabilities were mainly attributable to factors such as a decrease in accounts payable - trade by 53,021 thousand yen and a decrease in repayments of current portion of long-term borrowings by 56,300 thousand yen. The changes in non-current liabilities were mainly attributable to factors such as a decrease in repayments of long-term borrowings by 63,240 thousand yen.

(Net assets)

Total net assets at the end of the second quarter ended January 31, 2024 amounted to 7,467,145 thousand yen, a decrease of 1,069,727 thousand yen (-12.5%) from the end of the previous fiscal year. This was mainly attributable to factors such as a decrease in retained earnings resulting from the payment of 244,170 thousand yen in dividends and the cancellation of treasury shares by 718,584 thousand yen.

Consequently, the equity ratio came to 79.3% (in contrast to 80.9% at the end of the previous fiscal year).

(2) Cash flows

Cash and cash equivalents (“net cash”) at the end of the second quarter ended January 31, 2025 decreased by 1,181,167 thousand yen from the end of the previous fiscal year to 3,308,814 thousand yen.

The status of cash flows in the period under review and their contributing factors.

(Cash flows from operating activities)
Net cash provided by operating activities during the first half of the fiscal year ending July 2025 amounted to 358,999 thousand yen (in contrast with net cash provided amounting to 380,674 thousand yen during the same period previous year). This was mainly attributable to increases in cash from profit before income taxes of 121,541 thousand yen, a decrease in inventories of 84,807 thousand yen and an increase in Increase/decrease in consumption taxes payable/consumption taxes refund receivable of 172,582 thousand yen, while cash decreasing from trade receivables increasing by 121,362 thousand yen and trade payables decreasing by 53,022 thousand yen.

(Cash flows from investing activities)
Net cash used in investing activities during the first half of the fiscal year ending July 2025 amounted to 304,418 thousand yen (in contrast with net cash used amounting to 255,807 thousand yen during the same period previous year). This was mainly attributable to factors such as payments into time deposits of 631,802 thousand yen, proceeds from withdrawal of time deposits of 438,156 thousand yen, purchase of property, plant and equipment of 101,512 thousand yen and purchase of intangible assets of 9,266 thousand yen.

(Cash flows from financing activities)
Net cash used in financing activities during the first half of the fiscal year ending July 2025 amounted to 1,223,938 thousand yen (in contrast with net cash used amounting to 1,564,622 thousand yen during the same period previous year). This was mainly attributable to factors such as repayments of long-term borrowings by 119,415 thousand yen, purchase of treasury shares of 902,552 thousand yen and dividends paid of 243,938 thousand yen.

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

With regard to the earnings forecast for the fiscal year ending July 31, 2025, we have revised the forecast based on currently available information and projections, taking into consideration market trends in the Chinese market, which is the Group's main market, as well as the progress of our business performance in the first half of the current consolidated fiscal year. For details, please refer to the "Notice of Revision of Full-Year Earnings Forecasts" released today (March 14, 2025).
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. Semi-Annual Consolidated Financial Statements and Significant Notes Thereto

(1) Semi-Annual Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of July 31, 2024)	Second quarter ended January 31, 2025 (As of January 31, 2025)
Assets		
Current assets		
Cash and deposits	4,928,836	3,945,614
Accounts receivable - trade	829,289	951,301
Merchandise and finished goods	1,892,571	1,789,362
Work in process	11,429	10,515
Raw materials and supplies	208,832	230,080
Income taxes refund receivable	44,421	0
Other	725,734	535,786
Allowance for doubtful accounts	(9,311)	(9,309)
Total current assets	8,631,804	7,453,352
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	699,339	723,357
Land	385,132	396,595
Other, net	223,766	300,980
Total property, plant and equipment	1,308,238	1,420,933
Intangible assets		
Goodwill	133,154	118,888
Other	129,091	114,285
Total intangible assets	262,246	233,173
Investments and other assets		
Deferred tax assets	175,575	149,217
Other	165,459	147,296
Total investments and other assets	341,035	296,513
Total non-current assets	1,911,520	1,950,620
Total assets	10,543,324	9,403,973

(Thousands of yen)

	Previous fiscal year (As of July 31, 2024)	Second quarter ended January 31, 2025 (As of January 31, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	224,577	171,555
Short-term borrowings	450,000	500,000
Current portion of long-term borrowings	220,280	163,980
Accounts payable - other	525,201	466,896
Income taxes payable	56,194	51,887
Provision for bonuses	41,944	44,763
Provision for shareholder benefit program	10,883	4,331
Other	155,722	207,604
Total current liabilities	1,684,804	1,611,019
Non-current liabilities		
Long-term borrowings	278,730	215,490
Deferred tax liabilities	1,976	5,009
Other	40,941	105,309
Total non-current liabilities	321,647	325,808
Total liabilities	2,006,452	1,936,827
Net assets		
Shareholders' equity		
Share capital	2,155,505	2,155,505
Capital surplus	2,057,304	2,057,304
Retained earnings	4,776,900	3,876,327
Treasury shares	(655,867)	(838,300)
Total shareholders' equity	8,333,842	7,250,836
Accumulated other comprehensive income		
Foreign currency translation adjustment	200,201	209,516
Total accumulated other comprehensive income	200,201	209,516
Non-controlling interests	2,828	6,791
Total net assets	8,536,872	7,467,145
Total liabilities and net assets	10,543,324	9,403,973

(2) Semi-Annual Consolidated Statement of Income and Consolidated Statements of Comprehensive Income

Semi-Annual Consolidated Statement of Income

(Consolidated Results for the First Half)

(Thousands of yen)

	First half of the fiscal year ended July 31, 2024 (August 1, 2023 - January 31, 2024)	First half of the fiscal year ending July 31, 2025 (August 1, 2024 - January 31, 2025)
Net sales	5,431,998	6,287,382
Cost of sales	1,002,499	1,771,675
Gross profit	4,429,499	4,515,706
Selling, general and administrative expenses	3,816,315	4,398,376
Operating income	613,183	117,330
Non-operating income		
Interest and dividend income	35,364	11,458
Foreign exchange gains	70,727	-
Subsidy income	24,250	31,200
Other	2,420	3,248
Total non-operating income	132,762	45,907
Non-operating expenses		
Interest expenses	2,669	9,256
Commission for purchase of treasury shares	2,343	1,535
Foreign exchange losses	-	12,454
Share of loss of entities accounted for using equity method	-	12,922
Other	694	523
Total non-operating expenses	5,707	36,692
Ordinary income	740,238	126,545
Extraordinary income		
Gain on sale of non-current assets	14,280	-
Total extraordinary income	14,280	-
Extraordinary losses		
Loss on retirement of non-current assets	-	5,004
Total extraordinary losses	-	5,004
Profit before income taxes	754,518	121,541
Income taxes - current	227,733	55,633
Income taxes - deferred	30,111	5,763
Total income taxes	257,844	61,396
Profit	496,673	60,144
Loss attributable to non-controlling interests	(1,673)	(2,037)
Profit attributable to owners of parent	498,347	62,181

Semi-Annul Consolidated Statements of Comprehensive Income
(Consolidated Results for the First Half)

(Thousands of yen)

	First half of the fiscal year ended July 31, 2024 (August 1, 2023 - January 31, 2024)	First half of the fiscal year ending July 31, 2025 (August 1, 2024 - January 31, 2025)
Profit	496,673	60,144
Other comprehensive income		
Foreign currency translation adjustment	55,595	9,315
Total other comprehensive income	55,595	9,315
Comprehensive income	552,268	69,460
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	553,942	71,497
Comprehensive income attributable to non-controlling interests	(1,673)	(2,037)

(3) Semi-Annual Consolidated Cash Flows

(Thousands of yen)

	First half of the fiscal year ended July 31, 2024 (August 1, 2023 - January 31, 2024)	First half of the fiscal year ending July 31, 2025 (August 1, 2024 - January 31, 2025)
Cash flows from operating activities		
Profit before income taxes	754,518	121,541
Depreciation	66,887	79,638
Amortization of goodwill	4,942	14,266
Increase (decrease) in allowance for doubtful accounts	(134)	(2)
Increase (decrease) in provision for share-based payments	(68,967)	—
Interest and dividend income	(35,364)	(11,458)
Interest expenses	2,669	9,256
Foreign exchange losses (gains)	(16,650)	13,521
Decrease (increase) in trade receivables	73,975	(121,362)
Decrease (increase) in inventories	(92,272)	84,807
Decrease (increase) in prepaid expenses	(32,273)	25,737
Increase (decrease) in trade payables	(98,604)	(53,022)
Increase (decrease) in accounts payable	(5,281)	(33,209)
Increase (decrease) in income taxes payable - factor based tax	(27,659)	357
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	37,265	172,582
Other, net	10,158	69,095
Subtotal	573,209	371,750
Interest and dividends received	21,208	12,514
Interest paid	(2,539)	(9,404)
Income taxes refund (paid)	(211,204)	(15,861)
Net cash provided by (used in) operating activities	380,674	358,999
Cash flows from investing activities		
Payments into time deposits	(205,200)	(631,802)
Proceeds from withdrawal of time deposits	-	438,156
Purchase of property, plant and equipment	(71,461)	(101,252)
Proceeds from sale of property, plant and equipment	41,850	-
Purchase of intangible assets	(19,498)	(9,266)
Other, net	(1,497)	(254)
Net cash provided by (used in) investing activities	(255,807)	(304,418)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	50,000
Repayments of long-term borrowings	(119,594)	(119,415)
Proceeds from issuance of shares	16,380	-
Purchase of treasury shares	(352,804)	(902,552)
Decrease (increase) in deposits for acquisition of treasury shares	(746,961)	-
Dividends paid	(350,942)	(243,938)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	9,000	-
Proceeds from share issuance to non-controlling shareholders	-	6,000
Others, net	(19,699)	(14,031)
Net cash provided by (used in) financing activities	(1,564,622)	(1,223,938)
Effect of exchange rate change on cash and cash equivalents	53,239	(11,810)
Net increase (decrease) in cash and cash equivalents	(1,386,516)	(1,181,167)
Cash and cash equivalents at beginning of period	5,787,967	4,489,982
Cash and cash equivalents at end of period	4,401,451	3,308,814

(4) Notes to Semi-Annual Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Pursuant to a resolution approved at the Board of Directors meeting held on September 20, 2024, the Company acquired 486,600 shares during the period from September 24, 2024, to September 27, 2024. Also, pursuant to a resolution approved at the Board of Directors meeting held on December 13, 2024, the Company acquired 1,060,000 shares on December 17, 2024, and cancelled 1,060,000 shares on January 10, 2025.

As a result, treasury shares increased by 182,433 thousand yen, and treasury shares amounted to 838,300 thousand yen at the end of the second quarter of the current fiscal year.

(Notes on Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes)

From the beginning of the second quarter of the fiscal year under review, the Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, issued October 28, 2022; hereafter, the "Revised Accounting Standard 2022") and related guidelines.

Regarding the amendments to the classification of income taxes (taxes on other comprehensive income), the Company has adopted the transitional treatment stipulated in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the proviso of Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, issued October 28, 2022). The change in accounting policies had no impact on the semi-annual consolidated financial statements for the first half of the fiscal year under review.

(Change in presentation)

(Semi-Annual Consolidated Cash Flows)

In the first half of the fiscal year ended July 31, 2024, the "Decrease (increase) in prepaid expenses," and "Increase (decrease) in accounts payable" which were included in "Other" under "Cash flows from operating activities," have also become more significant in value. Therefore, from the first half of the fiscal year ending July 31, 2025, we have decided to list them separately. To account for this change in presentation method, we reclassified the consolidated financial statements of the first half of the fiscal year ended July 31, 2024.

As a result, the negative 27,396 thousand yen, which was displayed under "Other" in "Cash flows from operating activities" of the consolidated cash flow statement of the first half of the fiscal year ended July 31, 2024, has been reclassified as "Decrease (increase) in prepaid expenses" at a negative 32,273 thousand yen, "Increase (decrease) in accounts payable" at a negative 5,281 thousand yen and "Other" of 10,158 thousand yen.

(Additional Information)

Not applicable.

(Segment Information, Etc.)

[Segment information]

I. First half of the fiscal year ended July 2024 (August 1, 2023 - January 31, 2024)

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

II. First half of the fiscal year ending July 2025 (August 1, 2024 - January 31, 2025)

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

(Significant Subsequent Events)

Not applicable.