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October 4, 2024

Consolidated Financial Results for the Three Months Ended August 31, 2024 (Under Japanese GAAP)

Company name: Weathernews Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4825
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 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 the three months ended August 31, 2024 (from June 1, 2024 to August 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended August 31, 2024	5,843	4.7	455	9.6	388	(12.5)	279	(34.7)
August 31, 2023	5,580	6.8	415	(12.1)	443	(15.7)	428	16.1

Note: Comprehensive income For the three months ended August 31, 2024: ¥355 million [(29.5)%]
 For the three months ended August 31, 2023: ¥503 million [6.1%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
August 31, 2024	25.31	25.24
August 31, 2023	38.85	38.75

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
August 31, 2024	22,894	19,482	84.7
May 31, 2024	23,058	19,788	85.4

Reference: Equity

As of August 31, 2024: ¥19,399 million
 As of May 31, 2024: ¥19,699 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2024	–	60.00	–	60.00	120.00
Fiscal year ending May 31, 2025	–				
Fiscal year ending May 31, 2025 (Forecast)		70.00	–	35.00	–

- Notes: 1. Revisions to the forecast of cash dividends most recently announced: Yes
2. Weathernews Inc. (the “Company”) will conduct a stock split with a record date of November 30, 2024 (effective date December 1, 2024), whereby one common share is split into two shares. Total annual dividends for the fiscal year ending May 31, 2025 (forecast) is left blank because the stock split makes it impossible to simply aggregate the dividend amounts. Based on the basis of shares existing before the stock split, the forecast for annual dividends per share for the fiscal year ending May 31, 2025 would be a total of 140 yen with 70 yen paid in the fiscal year-end.

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2025 (from June 1, 2024 to May 31, 2025)

(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
Fiscal year ending May 31, 2025	23,500	5.7	3,800	16.2	3,800	13.7	2,700	10.8	122.12

- Notes: 1. Revisions to the consolidated earnings forecasts most recently announced: None
2. The Company will conduct a stock split with a record date of November 30, 2024 (effective date December 1, 2024), whereby one common share is split into two shares. The figure stated for basic earnings per share in the forecast for the fiscal year ending May 31, 2025 considers the effect of the stock split. Based on the basis of shares existing before the stock split, basic earnings per share for the fiscal year ending May 31, 2025 would be 244.24 yen.

* **Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of August 31, 2024	11,844,000 shares
As of May 31, 2024	11,844,000 shares

- (ii) Number of treasury shares at the end of the period

As of August 31, 2024	796,576 shares
As of May 31, 2024	799,051 shares

- (iii) Average number of shares outstanding during the period

Three months ended August 31, 2024	11,045,518 shares
Three months ended August 31, 2023	11,025,249 shares

- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

- * Proper use of earnings forecasts, and other special matters

Forward-looking statements in this material, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed reasonable. Actual results may differ significantly due to various factors. Please refer to "1. Qualitative Information on Quarterly Financial Results" of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

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1. Qualitative Information on Quarterly Financial Results

(1) Operating results

1) Business environment

We provide weather services to corporations and individuals, including transportation and infrastructure companies in the land, sea, and air domains for corporations, and to the general public through our apps and media platforms for individuals. The Internet Domain, which is a business targeting individuals, operates mainly in Japan and consists mostly of subscription service sales and advertising revenue from its app “Weathernews.” In addition, the Sea Domain, which was our business when the Company was founded and targets corporations, has a global presence. Our main service is to support large vessels on long voyages between countries and regions. Freight traffic in the oceangoing marine transportation market and the underlying geopolitical risks affect business performance.

In this business environment, for the three months ended August 31, 2024 (the “period under review”), consolidated net sales of the Company increased 4.7% year over year to ¥5,843 million. In the Sea Domain, freight traffic was strong, accompanying the recovery in the global economy, and the Company saw an increase in revenue due to the renewal of contracts with some large customers and the impact of foreign exchange rates. In the Land Domain, revenue increased as the number of customers increased, mainly in the expressway market.

For the Internet Domain, subscription service sales and advertising revenue increased as the number of app users grew due to the raised public profile of the service through investment in advertising, such as TV commercials, as well as improved advertising market conditions. On the other hand, sales to mobile carriers decreased year over year.

In terms of expenses, advertising investments have been flexibly implemented in light of the current weather conditions, and increased year over year in the period under review. Telecommunication costs were incurred due to the continued implementation of the shift to cloud computing for development and operation environments. As for personnel expenses, although our efforts to strengthen human resources for SaaS-type product development and other IT development are continuing, there was a smaller increase in the number of personnel year over year due to progress in system enhancements. As a result, operating profit increased 9.6% year over year to ¥455 million.

Ordinary profit decreased 12.5% year over year to ¥388 million due to the impact of foreign exchange losses, and profit attributable to owners of parent decreased 34.7% year over year to ¥279 million due to the impact of recognizing tax effects that arose in the three months ended August 31, 2023 from the introduction of the mandatory retirement system.

2) Business overview by business domain

<Sea Domain>

In the marine transportation market, freight traffic was strong due to the recovery in the global economy, despite continuing logistics disruptions caused by the situation in the Middle East. Revenue for the Company increased due to the renewal of contracts accompanying price increases for some large customers in Europe and the positive impact of foreign exchange rates.

<Sky Domain>

In the airline market, the number of travelers recovered as domestic leisure demand and inbound demand resulting from the impact of the weak yen were robust. For the Company, sales increased mainly for Asian airline customers.

<Land Domain>

Due to increasing needs for weather information that includes regional characteristics from the perspectives of disaster prevention and transportation effects at bases when extreme weather events occur and ensuring safety, the number of customers increased primarily in the expressway market. In addition, in the energy and retail markets, revenue increased due to expanded sales for conventional services as well as for the WxTech services (SaaS-type products).

<Internet Domain>

Amid the growing needs for weather information against the backdrop of increasingly severe abnormal weather events, frequent occurrence of weather disasters and other factors, the frequency of app usage improved and the number of app users grew through continued advertising investments such as TV commercials and internet advertising. In addition, subscription service sales and advertising revenue increased due to improved advertising market conditions. On the other hand, sales to mobile carriers continued to decrease.

The number of downloads of the app “Weathernews” exceeded a cumulative total of 45,000,000 and the number subscribers to the YouTube channel “Weathernews LiVE” exceeded 1,320,000. In addition, we began offering the “Weathernews Pro” service for professionals at the end of July.

Business domain	Three months ended August 31, 2023	Three months ended August 31, 2024	Rate of change
	(Millions of yen)	(Millions of yen)	(%)
Sea	1,411	1,550	9.9
Sky	287	327	14.1
Land	1,487	1,600	7.6
Internet	2,212	2,222	0.5
Total recurring sales	5,398	5,701	5.6
Non-recurring sales	181	141	(22.1)
Total	5,580	5,843	4.7

Note: Recurring sales: Sales continually generated in the form of consideration for the provision of services

Non-recurring sales: Sales from one-time investigations and system sales

(Reference) Net sales by region

Regional segment	Three months ended August 31, 2023	Three months ended August 31, 2024	Rate of change
	(Millions of yen)	(Millions of yen)	(%)
Japan	4,200	4,328	3.1
Asia	811	837	3.1
Europe	488	559	14.6
Americas	79	117	47.8
Total	5,580	5,843	4.7

(2) Financial position

Assets, liabilities and net assets

As of August 31, 2024, total assets decreased by ¥164 million compared with the end of the previous fiscal year to ¥22,894 million, reflecting decreases in contract assets and other items. Total liabilities increased by ¥141 million compared with the end of the previous fiscal year to ¥3,411 million, reflecting increases in accounts payable - other and other items. Net assets decreased by ¥306 million compared with the end of the previous fiscal year to ¥19,482 million, as a result of distributing dividends of ¥662 million at the end of the previous fiscal year, while recording profit attributable to owners of parent of ¥279 million.

As a result of these factors, equity-to-asset ratio was 84.7%.

(3) Explanation on consolidated earnings forecasts and other forward-looking statements

In terms of sales, we expect continued growth in the Internet Domain due to subscription service sales resulting from enhancement of original content and an increase in advertising revenue through further expansion of the advertising business. In the Sea Domain, we plan to increase revenues by expanding sales of routing services in the European region, and in the Land Domain, we plan to grow by shifting to a SaaS-type business model.

For investments, we plan to invest in human resources, mainly to strengthen our overseas sales structure, in data and cloud computing in anticipation of full-scale development of our SaaS-type business, in global weather data acquisition, and in ongoing advertising in the Internet Domain.

As a result of the above, our initial forecasts are unchanged, and we expect to achieve consolidated net sales of ¥23,500 million, operating profit of ¥3,800 million, ordinary profit of ¥3,800 million, and profit attributable to owners of parent of ¥2,700 million for the fiscal year ending May 31, 2025. The exchange rate is assumed to be ¥150 per U.S. dollar.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of May 31, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	14,313,310	14,587,133
Accounts receivable - trade	3,428,022	3,373,089
Contract assets	724,552	512,276
Work in process	28,447	73,920
Supplies	209,876	202,495
Other	704,703	698,672
Allowance for doubtful accounts	(16,132)	(15,355)
Total current assets	19,392,781	19,432,232
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,006,442	963,361
Tools, furniture and fixtures, net	360,409	333,105
Land	413,062	413,062
Construction in progress	61,046	65,533
Other, net	18,461	7,872
Total property, plant and equipment	1,859,422	1,782,935
Intangible assets		
Software	396,389	346,200
Software in progress	3,574	3,315
Other	26,244	26,129
Total intangible assets	426,208	375,644
Investments and other assets		
Investment securities	199,960	189,528
Deferred tax assets	770,537	749,150
Other	432,384	388,286
Allowance for doubtful accounts	(22,915)	(23,579)
Total investments and other assets	1,379,967	1,303,386
Total non-current assets	3,665,597	3,461,966
Total assets	23,058,378	22,894,199

(Thousands of yen)

	As of May 31, 2024	As of August 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	65,758	86,251
Accounts payable - other	342,297	748,955
Income taxes payable	620,463	94,005
Contract liabilities	576,088	543,026
Provision for loss on litigation	38,866	41,030
Other	1,074,758	1,348,873
Total current liabilities	2,718,233	2,862,143
Non-current liabilities		
Asset retirement obligations	551,268	549,276
Other	568	519
Total non-current liabilities	551,837	549,796
Total liabilities	3,270,070	3,411,940
Net assets		
Shareholders' equity		
Share capital	1,706,500	1,706,500
Capital surplus	1,570,590	1,575,542
Retained earnings	16,937,920	16,554,793
Treasury shares	(858,808)	(856,046)
Total shareholders' equity	19,356,202	18,980,789
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,627	27,793
Foreign currency translation adjustment	311,040	390,866
Total accumulated other comprehensive income	343,668	418,660
Share acquisition rights	81,304	74,998
Non-controlling interests	7,134	7,809
Total net assets	19,788,308	19,482,258
Total liabilities and net assets	23,058,378	22,894,199

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income (cumulative)**

(Thousands of yen)

	Three months ended August 31, 2023	Three months ended August 31, 2024
Net sales	5,580,143	5,843,234
Cost of sales	3,042,356	3,093,382
Gross profit	2,537,787	2,749,851
Selling, general and administrative expenses	2,122,525	2,294,556
Operating profit	415,261	455,294
Non-operating income		
Interest income	575	792
Dividend income	500	500
Foreign exchange gains	27,957	-
Gain on forfeiture of unclaimed dividends	883	823
Other	822	1,029
Total non-operating income	30,739	3,146
Non-operating expenses		
Commitment line expenses	2,434	2,436
Foreign exchange losses	-	64,049
Other	73	3,709
Total non-operating expenses	2,507	70,195
Ordinary profit	443,493	388,244
Profit before income taxes	443,493	388,244
Income taxes - current	71,013	82,887
Income taxes - deferred	(55,889)	25,462
Total income taxes	15,124	108,350
Profit	428,369	279,894
Profit attributable to non-controlling interests	-	324
Profit attributable to owners of parent	428,369	279,570

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended August 31, 2023	Three months ended August 31, 2024
Profit	428,369	279,894
Other comprehensive income		
Valuation difference on available-for-sale securities	4,745	(4,833)
Foreign currency translation adjustment	70,566	80,177
Total other comprehensive income	75,312	75,343
Comprehensive income	503,681	355,238
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	503,681	354,562
Comprehensive income attributable to non-controlling interests	–	675

(3) Notes to quarterly consolidated financial statements**(Notes to premise of going concern)**

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Notes on changes in accounting policies)Application of the Accounting Standard for Current Income Taxes, etc.

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”), etc. from the beginning of the first quarter of the fiscal year ending May 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022). The Company does not expect that this change will have a material impact on its quarterly consolidated results.

(Notes to segment information, etc.)

The Company and its consolidated subsidiaries engage in the provision of comprehensive content centered on weather information as referred to as the description of the business thereof, which constitutes a single business segment. Therefore, segment information is omitted.

(Notes to quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows is not prepared for the period under review. The amounts of depreciation (including amortization related to intangible assets) for the three months ended August 31, 2023 and 2024 are as follows.

	(Thousands of yen)	
	Three months ended August 31, 2023	Three months ended August 31, 2024
Depreciation	138,282	151,631

(Subsequent events)

Stock split and amendment to the Articles of Incorporation in relation to the stock split

The Company resolved at a meeting of its Board of Directors held on October 4, 2024 to conduct a stock split and amend the Articles of Incorporation in relation to the stock split.

1. Purpose of the stock split

The purpose of the stock split is to expand the investor base by increasing the liquidity of the Company's shares through a reduction in the price per investment unit and by creating a more investment-friendly environment for the Company's shares.

2. Overview of the stock split

(1) Method of the stock split

The Company will conduct a 2-for-1 stock split of common shares owned by shareholders recorded in the final shareholder register as of the record date of Saturday, November 30, 2024.

(2) Number of shares to be increased by the stock split

1) Total number of issued shares before the stock split	11,844,000 shares
2) Number of shares to be increased by this stock split	11,844,000 shares
3) Total number of issued shares after the stock split	23,688,000 shares
4) Total number of shares authorized to be issued after the stock split	94,000,000 shares

(3) Schedule of the stock split

Date of public notice of the record date	Wednesday, November 13, 2024
Record date	Saturday, November 30, 2024*
Effective date	Sunday, December 1, 2024

* Since the record date is a non-business day of the shareholder register administrator, the date shall effectively be Friday, November 29, 2024 (scheduled).

(4) Impact on per share information

Assuming that the stock split was conducted at the beginning of the fiscal year ended May 31, 2024, the per share information is as follows.

(Yen)

	Three months ended August 31, 2023	Three months ended August 31, 2024
Basic earnings per share	19.42	12.65
Diluted earnings per share	19.37	12.62

3. Amendment to the Articles of Incorporation in relation to the stock split

(1) Reason for the amendment

In accordance with the stock split and pursuant to the provision of Article 184, Paragraph 2 of the Companies Act, the total number of shares authorized to be issued as stipulated in Article 6 of the Company's Articles of Incorporation will be changed with an effective date of Sunday, December 1, 2024.

(2) Details of the amendment

The details of the amendment are as follows. (Amended parts are underlined)

Current Articles of Incorporation	Articles of Incorporation after the amendment
Article 6 The total number of shares authorized to be issued by the Company shall be <u>47,000,000</u> .	Article 6 The total number of shares authorized to be issued by the Company shall be <u>94,000,000</u> .

There will be no change in the amount of share capital of the Company as a result of this stock split.