AXXZIA

March 13th ,2023



Financial Results Presentation for Q2 FY07/23

AXXZIA Inc.

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1. Executive Summary

Executive Summary

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Q2 FY07/23

- **Net sales:** **5.12bn yen** **(+30.1% YoY)**
- **Operating income:** **0.92bn yen** **(+13.4% YoY)**

- Both net sales and profits reached **record highs.**
- Net sales surpassed the forecast by **5.6%**, and operating income did so by **45.0%.**

Topics

- Opened AXXZIA Haneda Airport Garden Store on January 31, 2023.
- Cumulative sales of the Essence Sheet series exceeded 5 million units.
- Launched five new products.
- On February 17, 2023, we changed our listing market classification to the Prime Market.
- Decided to introduce a dividend (annual dividend of 14 yen per share).

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2. Business Results: Highlights

Net Sales and Profit (Q2 FY07/23 consolidated results)

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Net sales and profits reached **record highs** and surpassed the forecast.

(Unit: Millions of yen)

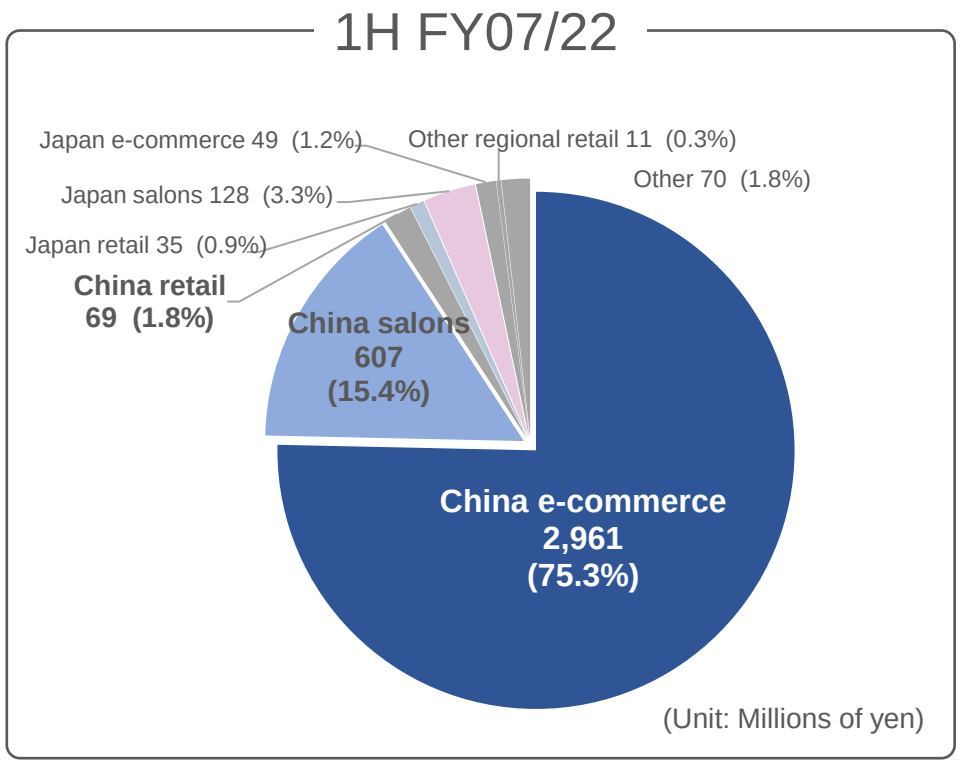
	1H FY07/22	1H FY07/23	YoY change	Versus forecast
Net sales	3,934	**5,118**	+1,184 (+30.1%)	+270 (+5.6%)
Operating income	813	**923**	+109 (+13.4%)	+286 (+45.0%)
Operating margin	20.7%	**18.0%**	-2.7ppt	+4.9ppt
Ordinary income	835	**867**	+32 (+3.9%)	+241 (+38.5%)
Profit attributable to owners of parent	542	**572**	+29 (+5.4%)	+160 (+38.8%)

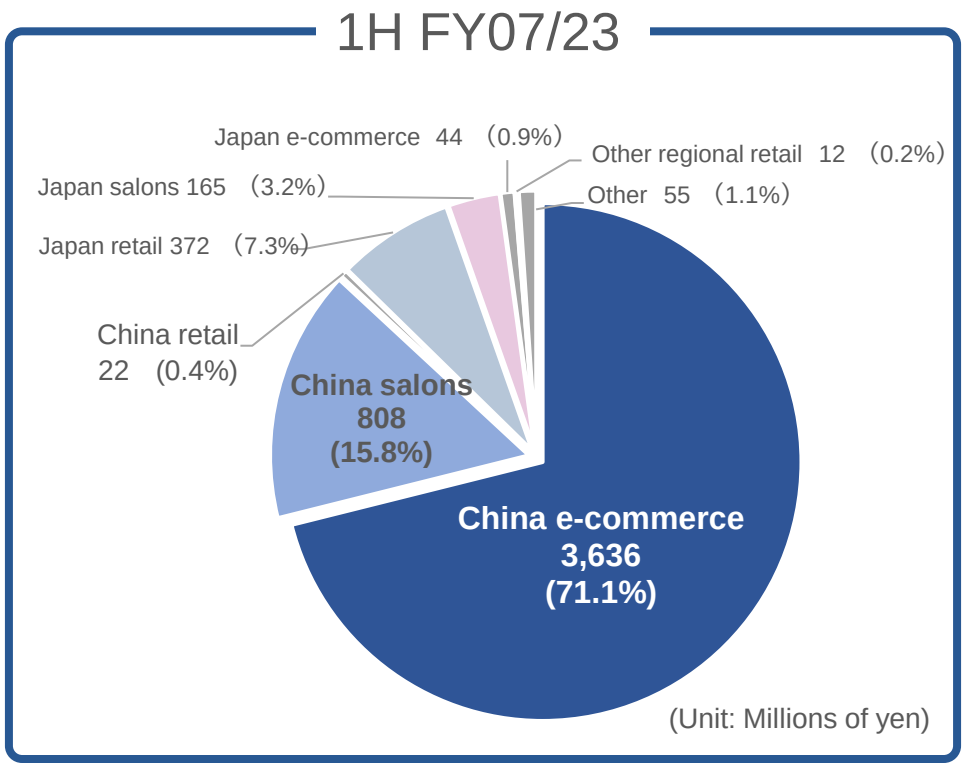
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Net Sales by Region and Channel (Q2 FY07/23 consolidated results)

Sales in China continued to hold firm.
Domestic sales were also strong, especially in retail where sales increased approximately **10x YoY**, following the complete consolidation of Huit Laboratories, Inc..

■ China net sales* **4.5bn yen**（+**22.8%**） ■ Japan and other regions net sales* **650mn yen**（+**120.3%**）





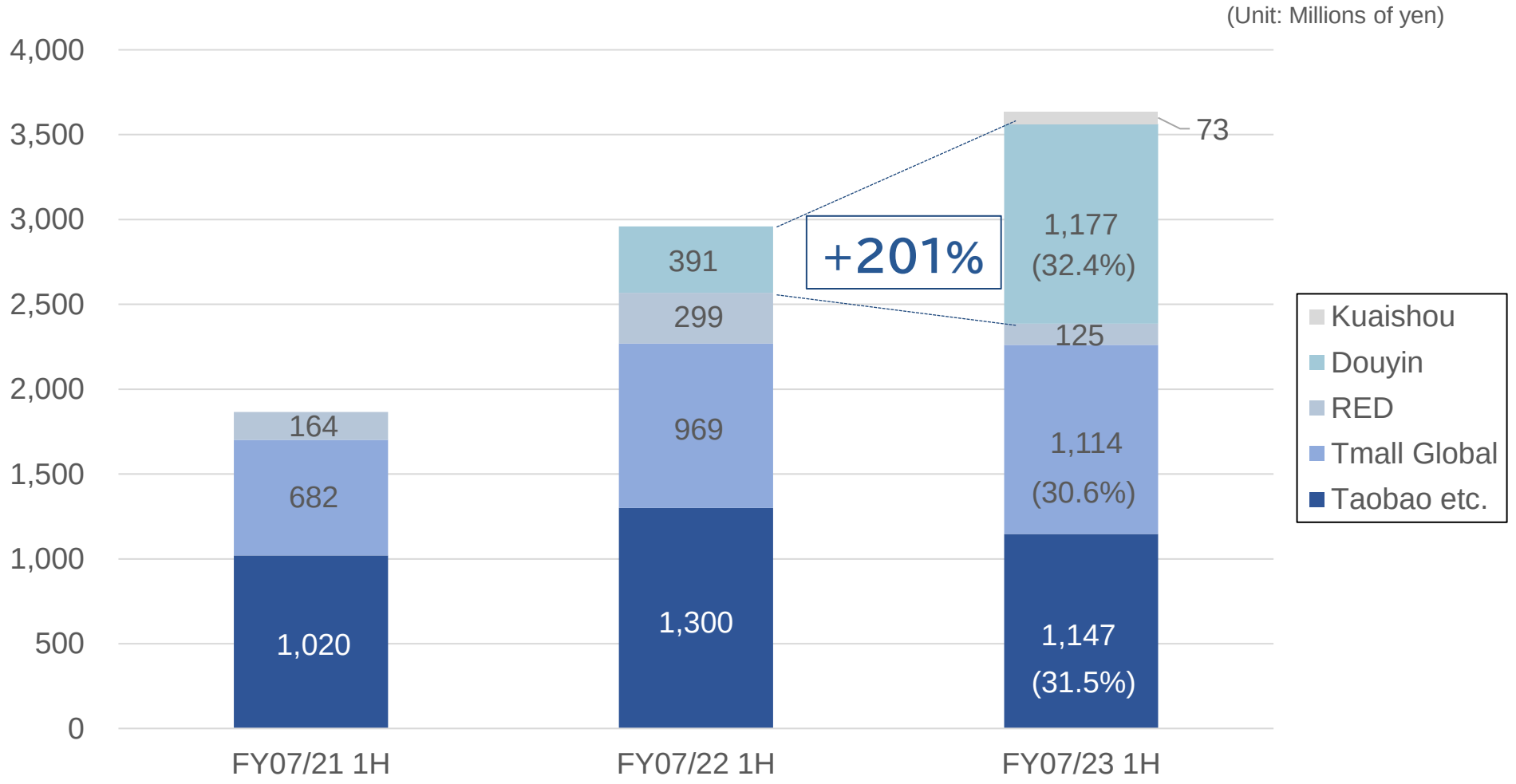
* Sales figures in China and Japan are the total of e-commerce, salon, and retail sales.

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China E-commerce Sales Trend (Q2 FY07/23 consolidated results)

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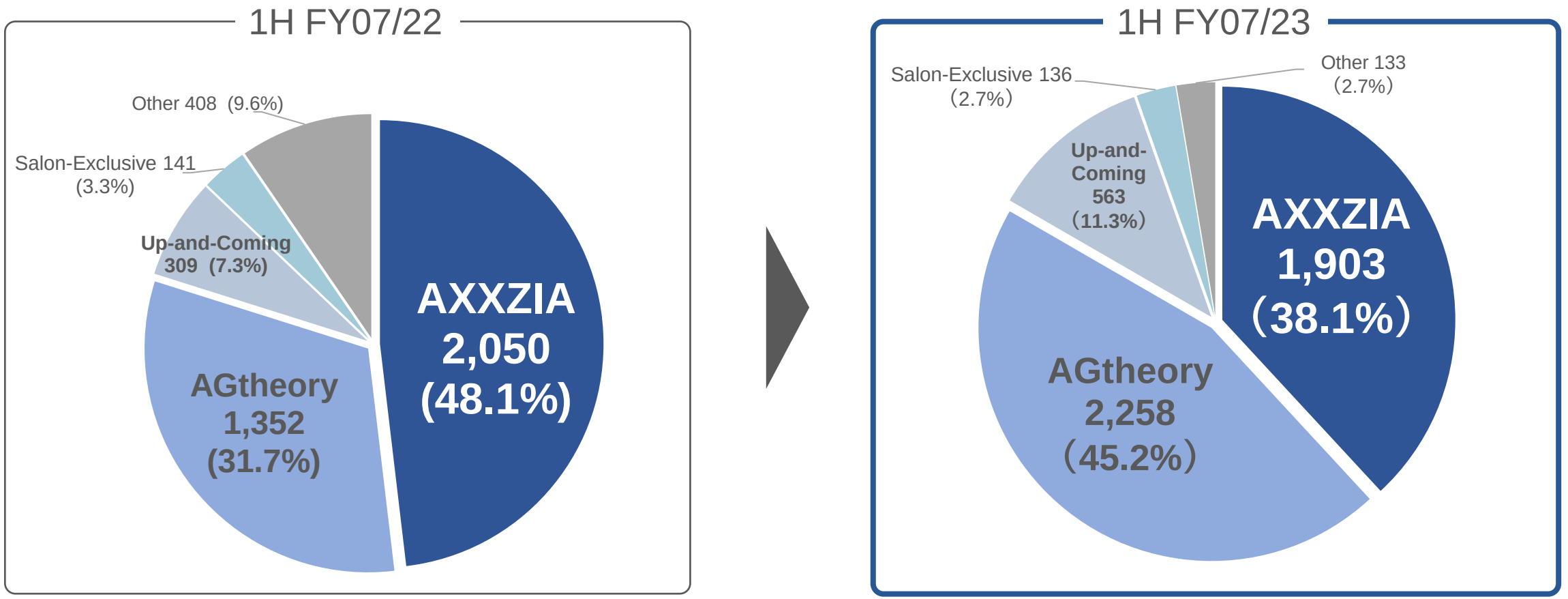
Sales on Douyin, the Chinese domestic version of TikTok, increased approximately **3x YoY**.
We are steadily diversifying our sales channels in the Chinese e-commerce market.



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Sales Breakdown by Brand (Q2 FY07/23 consolidated results)

Grew sales of the two mainstay brands, while promoting portfolio management aimed at lessening dependence on them.
The composition ratio of up-and-coming products has exceeded 10% for the first time (11.3%).



* The above figures and composition ratios are calculated based on our company's standalone shipments.

* We position our whitening supplements (White Aminos Drink, The White Drink) and sunscreens (UV Veil EX, Uvα) as up-and-coming products.

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CoGS and SG&A expenses (Q2 FY07/23 consolidated results)

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Upfront advertising expenditures in line with plan led to substantial growth in sales and profits.

（Operating income: **920mn yen** [operating margin: **18.0%**], **+110mn yen YoY**）

(Unit: Millions of yen)

	1H FY07/22		1H FY07/23		YoY	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Change
Net sales	3,934	100.0%	**5,118**	**100.0%**	+1,184	-
Cost of goods sold	996	25.3%	**1,175**	**23.0%**	+178	-2.4pt
SG&A expenses	2,123	54.0%	**3,020**	**59.0%**	+896	+5.0pt
（Personnel expenses）	387	9.9%	**622**	**12.2%**	+235	+2.3pt
（Advertising expenses）	744	18.9%	**995**	**19.4%**	+251	+0.5pt
（Commissions paid）	614	15.6%	**785**	**15.3%**	+171	-0.3pt
Operating income	813	20.7%	**923**	**18.0%**	+109	-2.7pt

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Consolidated B/S (Q2 FY07/23 consolidated results)

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Continued expanding business efficiently, and maintained a healthy financial position.

(Unit: Millions of yen)

	End-FY07/22	End-Q2 FY07/23	YoY change
	Amount	Amount	Amount
Current assets	8,795	**9,089**	+293
(Cash and deposits)	6,389	**6,679**	+289
Non-current assets	1,257	**1,266**	+8
Total assets	10,053	**10,355**	+301
Current liabilities	1,243	**1,012**	-230
Non-current liabilities	414	**367**	-46
Total liabilities	1,657	**1,380**	-276
(Interest-bearing liabities)	654	**476**	-177
Total net assets	8,396	**8,974**	+578
(Retained earnings)	4,142	**4,714**	+572
Total liabilities and net assets	10,053	**10,355**	+301

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3. Q2 FY07/23 Topics

Topic 1: AXXZIA Haneda Airport Garden Store Opens

On January 31, 2023, we opened our second directly-managed store in Japan, AXXZIA Haneda Airport Garden Store*.



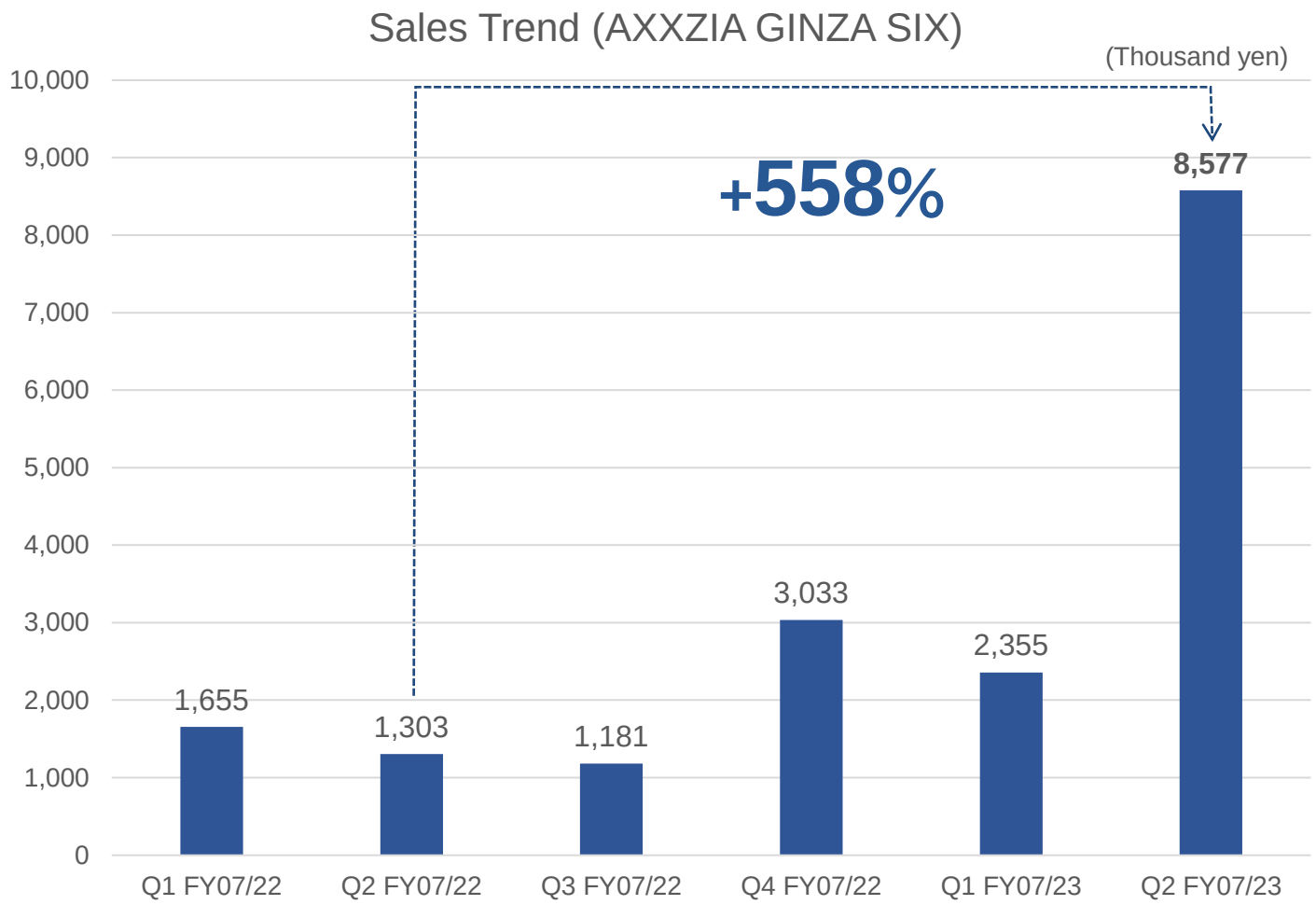
* Haneda Airport Garden is a large-scale multipurpose facility directly connected to the front of the arrival lobby on the 2nd floor of Haneda Airport International Terminal.

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Topic 2: Capturing Inbound Demand

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Due to the recovery of inbound demand, sales at GINZA SIX increased by **558.3% YoY**.

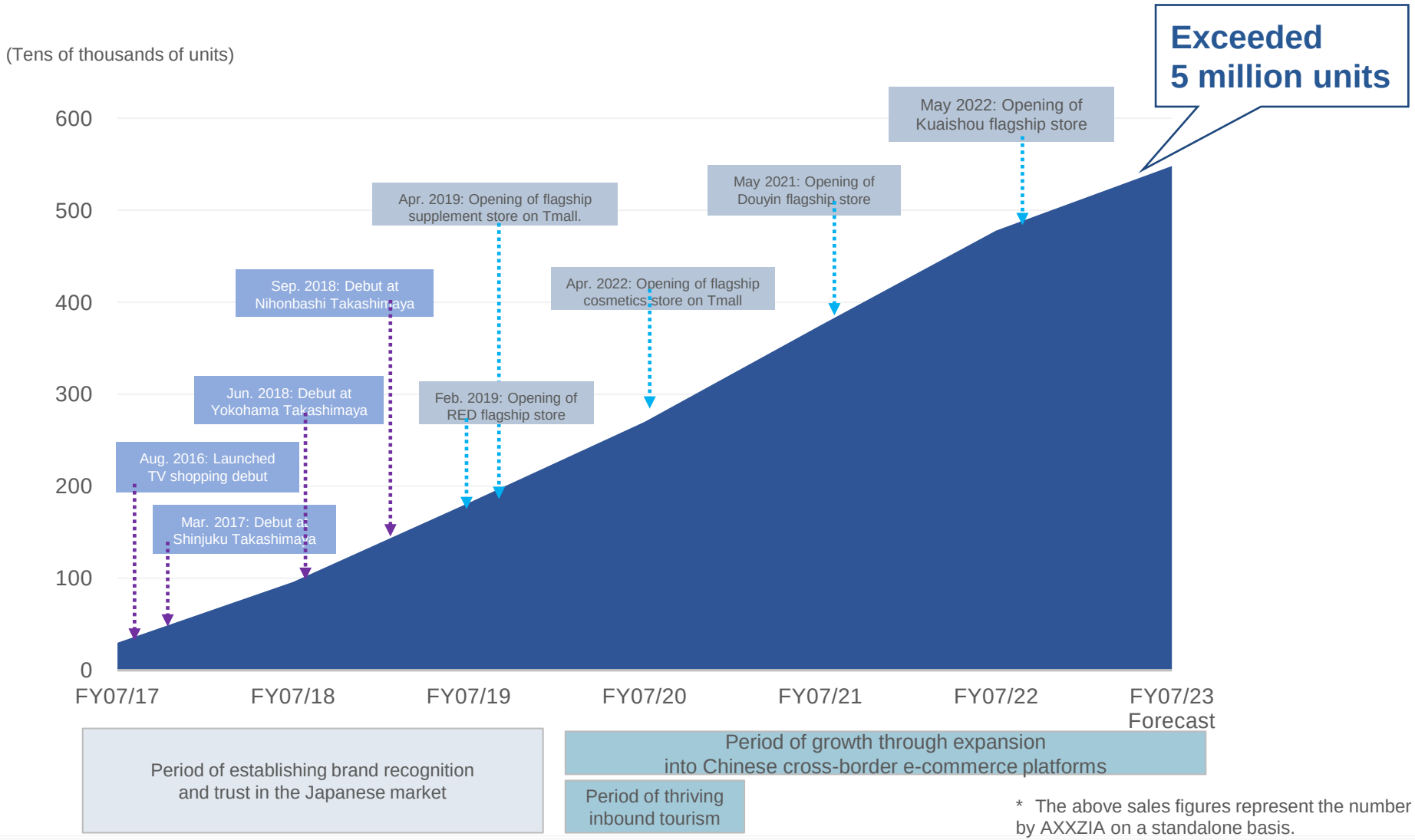


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Topic 3: Essence Sheet Series Cumulative Sales Exceed 5 Million

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The cumulative sales of Essence Sheet and Essence Sheet Premium have exceeded **5 million units.**



* The above sales figures represent the number of units sold by AXXZIA on a standalone basis.

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Topic 4: New Product Launch

We have launched the following new products: Treatment Mask [GK/MW/AG] sheet mask; Routine Care Essence Premium and Routine Care Cream Premium eye care products.

AXXZIA Beauty Force
Treatment Mask [GK/MW/AG]



AXXZIA Beauty Eyes
Routine Care Cream Premium

AXXZIA Beauty Eyes
Routine Care Essence Premium



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4. Future Initiatives

AXXZIA Daimaru Shinsaibashi Store Opens

On March 1, 2023, we opened our third directly managed store in Japan, AXXZIA Daimaru Shinsaibashi Store, the first in the Kansai area.
We aim to expand our reach to new customers, including inbound tourists and those in the Kansai area.



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Improvement of R&D and Production Capacity

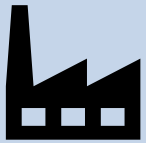
We are currently promoting a project to utilize our R&D center and the Yatsugatake Factory of Huit Laboratories, Inc., which we acquired in the previous fiscal year.



R&D Center

- We are currently **developing formulations in anticipation of NMPA registration in China**, and are designing them to meet the strengthened Chinese regulations on cosmetic ingredients.
  As of the end of January 2023, **14 development projects** are underway.
- Our plan is to begin **researching original cosmetic formulations** soon, with the intention of applying for intellectual property rights in the future.

Once the prototype is qualified, we will transition to mass production at the Yatsugatake Factory.



Huit Yatsugatake Factory

- Starting March 2023, the Yatsugatake Factory will **begin contract manufacturing** AXXZIA's new products as we work toward achieving synergies.
- We have introduced a new high-speed automatic filling machine that can **fill up to 8,000 sheets per hour.** The trial run has been completed, **enabling us to efficiently produce face mask products at high speeds.**

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Classification Change to Prime Market

On February 17, 2023, our **listing market classification was changed** to the Tokyo Stock Exchange **Prime Market.** Our goal is to **enhance our corporate value** by increasing brand recognition both domestically and internationally.

Offering structure	Sales by underwriters' purchase commitments	2,650,000 shares
	Sales by overallotment	Up to 397,400 shares
	Total	Up to 3,047,400 shares
Offeror and number of shares offered	Dan Taku	1,000,000 shares
	Dan Xiaowei	1,000,000 shares
	Wu Jun	500,000 shares
	Dan Seijun	150,000 shares
Main schedule	Resolution date: January 30 (Mon.) Sale price determination date: February 7 (Tue.) Delivery date (Prime Market designation date): February 17 (Fri.)	
Purpose of offering	To comply with the free float ratio requirement for new listing on the Prime Market.	



At the Tokyo Stock Exchange on February 17, 2023

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Enhancement of Shareholder Returns

We have decided to introduce a dividend in addition to our existing shareholder benefit program as a way to return value to shareholders.

Dividend policy

While maintaining the flexibility for future growth investments, we will **continue to provide consistent and stable** dividends.
We aim for a dividend payout ratio of approximately **30%** per fiscal year.

FY07/23 dividend details

Annual dividend per share	**14 yen**
Dividend payout ratio	**30.9%**

Shareholder returns

Shareholder benefit program
*Implemented in FY07/22

+

Dividend
*To be implemented from FY07/23

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5. Appendix

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Creating things and experiences
that amaze people.

Board of Directors

President	Dan Taku
Executive Vice President	Dan Xiaowei
Managing Director	Wu Jun
Managing Director	Zhang Hui
Director	Masahiro Yoshida
Director	Yasuhito Fukui
Outside Director	Yujiro Arakawa
Outside Director	Reiko Akemine
Corporate Auditor	Masahiro Miyajima
Outside Corporate Auditor	Kenji Shimizu
Outside Corporate Auditor	Kuninobu Okuda

Company Overview

Establishment	December 21, 2011
Capital	2,129 million yen （As of end of January 2023）
Location	Tokyo, JAPAN
Office	Tokyo Head Office, Osaka Sales Office, Fukuoka Sales Office, AXXZIA GINZA SIX Store, AXXZIA Haneda Airport Garden Store, AXXZIA DAIMARU SHINSAIBASHI Store
Business Activities	Manufacturing, sales of cosmetics and supplements
Market	TSE Prime (4936)

Consolidated Subsidiaries

- Xiaozi Cosmetic (Shanghai) Inc.
- AXXZIA (HongKong) International Limited
- Huit Laboratories, Inc.

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Corporate History

Date	Topics
2011	Established Orientina Cosme Co.,Ltd. in Tokyo, Japan (Capital: 9 million yen) Started development and production of cosmetics for beauty salons
2012	Changed company name from Orientina Cosme Co.,Ltd. to AXXZIA Inc.
2013	Launched Le Cier de L'aube, skincare brand for beauty salons and spas
2016	Launched Beauty Eyes, eye care and skincare brand for the retail market Launched Venus Recipe, supplemental brand for retail the market
2018	Established Xiaozi Cosmetic (Shanghai) Inc. as a consolidated subsidiary (100%)
2019	Opened AXXZIA Flagship Store, an e-commerce flagship store on Xiaohongshu (RED), one of China's largest social commerce platforms Opened AXXZIA Flagship Store, an e-commerce flagship store on Tmall Global, another of China's largest social commerce platforms Launched AGtheory, skincare brand for the retail market
2021	Listed on the Mothers market (section) of the Tokyo Stock Exchange Launched The B Pro, a salon-exclusive skincare brand Opened AXXZIA GINZA SIX Store, the Company's first directly managed store Launched LisBeau, skincare brand for the retail market Opened AXXZIA flagship store for China's largest mobile video app Douyin/TikTok Shanghai subsidiary opened flagship skincare product store for Douyin/TikTok Opened AXXZIA flagship store for major Chinese e-commerce platform JD.com
2022	Made Huit Laboratories a wholly owned subsidiary Listed on Tokyo Stock Exchange Growth Market following the exchange's market restructuring Opened AXXZIA flagship store for major Chinese mobile video app Kuaishou
2023	Opened our second directly managed store, AXXZIA Haneda Airport Garden Store. Opened our third directly managed store, AXXZIA Daimaru Shinsaibashi Store.











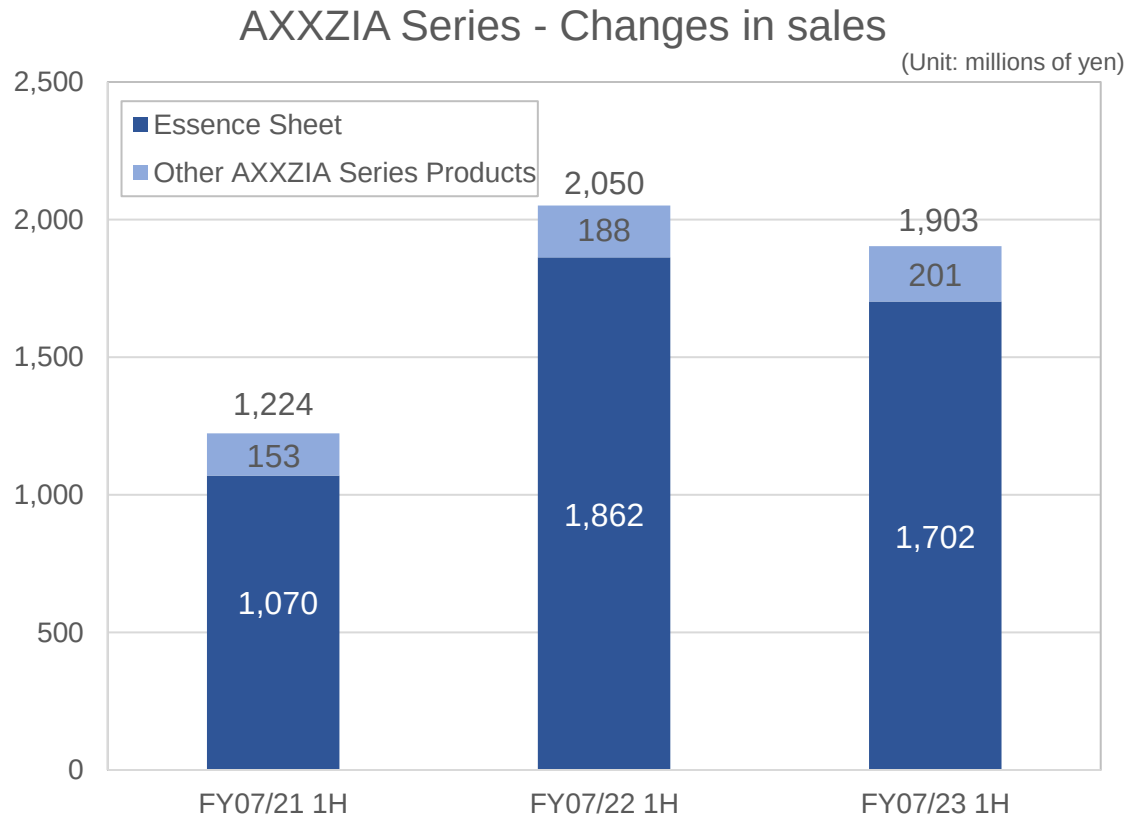


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Essence Sheet continued to drive sales, with cumulative sales of the series exceeding 5 million units.

Core retail brand centered on eye care products





*The sales figures shown above represent AXXZIA 's stand-alone sales.

Milestones for sustained growth

- Brought product range to market centered on Essence Sheet
- Launched Essence Sheet Premium in December 2020, which has been selling well
- Added new sunscreen product in spring 2022; making it a second growth driver

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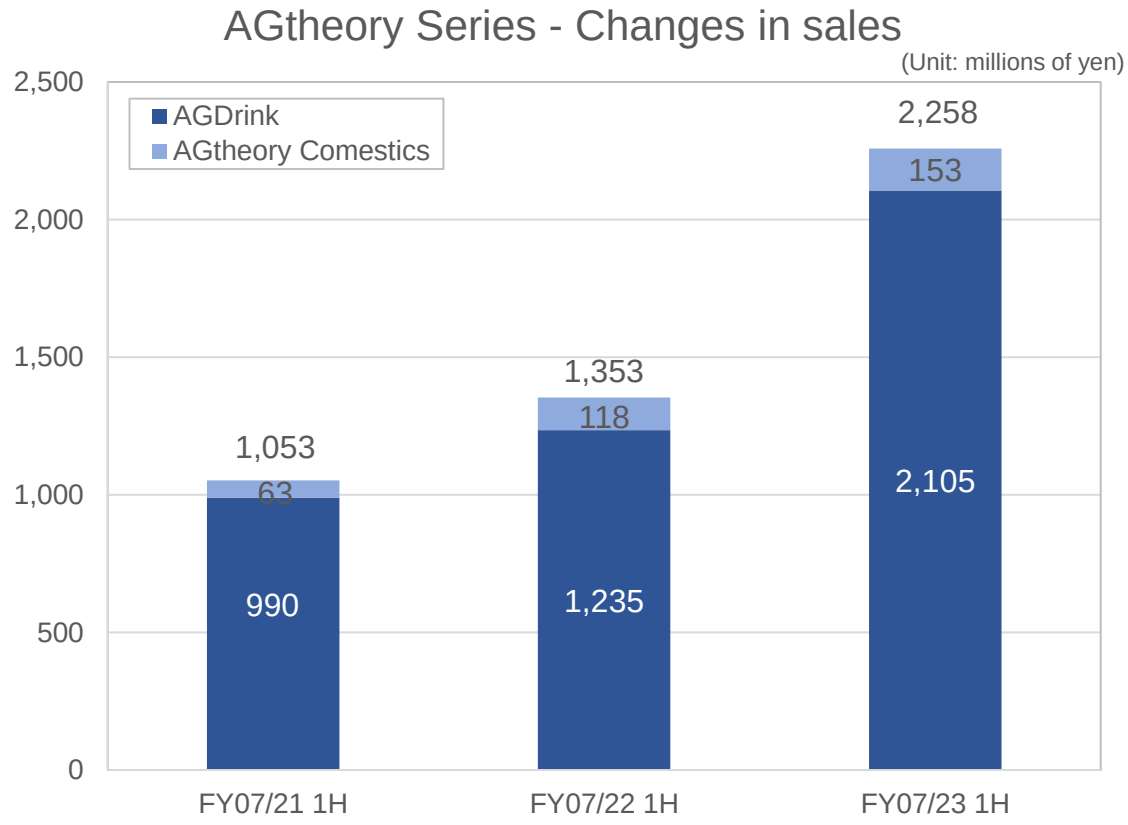
Launched cosmetics series with same concept as **AGDrink** for the product's fans.
Successful live commerce efforts resulted in sales expansion. (net sales: **2.1bn yen**)

Second core retail brand integrating cosmetics with AGDrink



Milestones for sustained growth

- Renewed AGDrink to launch fifth generation in March 2021; sales stable at around 10,000 units per month
- Completed AGtheory cosmetics range in October 2021 with addition of cleanser/face wash



*The sales figures shown above represent AXXZIA 's stand-alone sales.

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Up-and-Coming (Whitening Appeal) Series （Q2 FY07/23 results）

The White Drink is growing steadily as up-and-coming products that **we hope will become our third major brand.** (net sales: **400mn yen**)

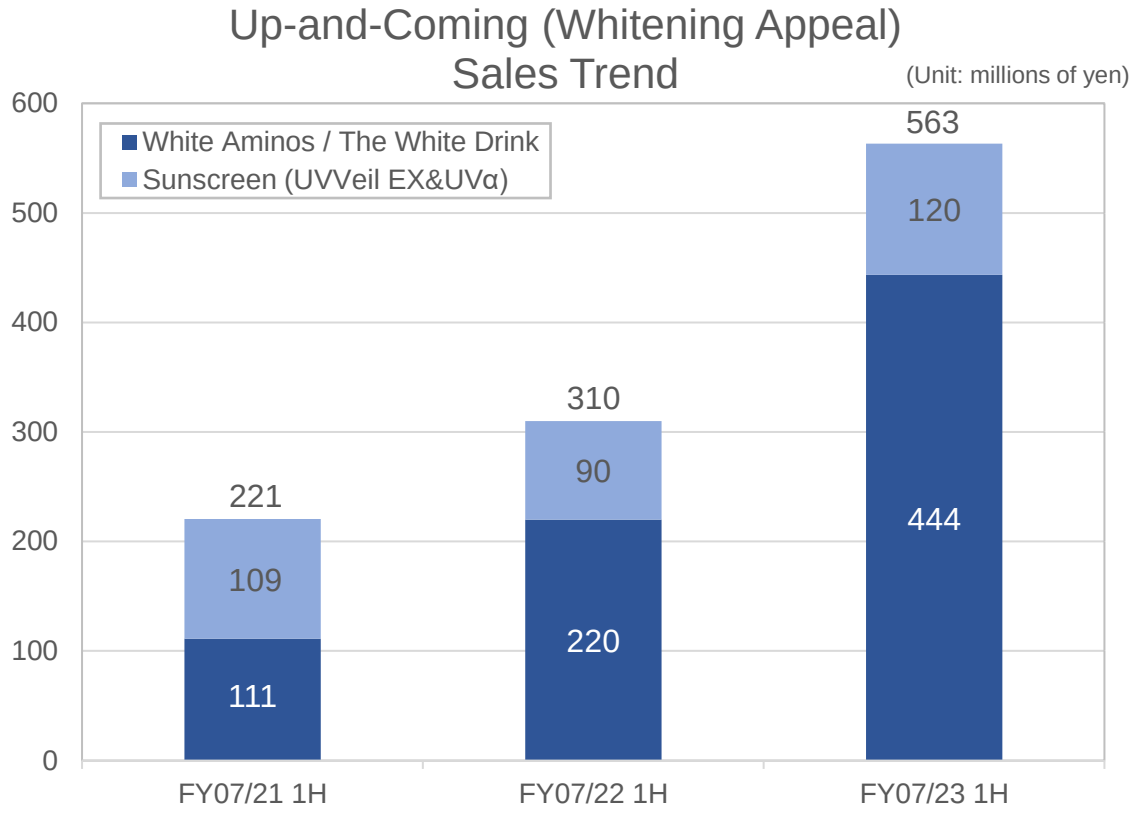
Positioned beauty supplements and sunscreen as up-and-coming products to turn into third major brand





Milestones for turning into main series

- Renewed White Aminos Drink with unique container
- Launched AXXZIA's first Whitening Appeal cosmetics series (quasi drug)
- Completed NMPA special cosmetics registration in July 2022 (first special cosmetics registration for AXXZIA). To begin sales in China of products imported by Shanghai subsidiary.



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Salon-Exclusive (Professional) Series（Q2 FY07/23 results）

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Includes long-selling Le Ciel de L’aube and The B premium skincare range.

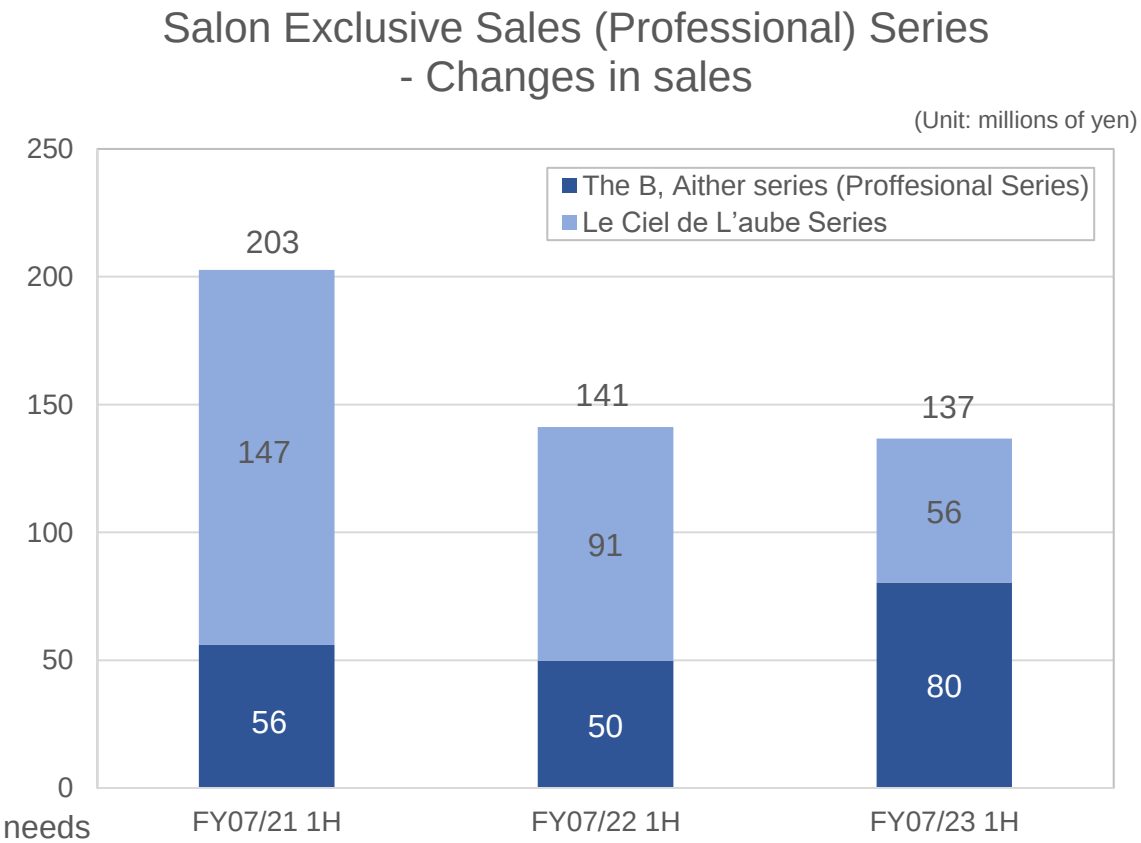
Salon-exclusive products have been AXXZIA’s strength and distinctive business area since its founding





Milestones for sustained growth

- Launched The B premium skincare brand in March 2021. To nurture into new earnings pillar by development and expansion of cosmetics catering to special-care needs
- To use the series also as new trial products that harness new technologies and ingredients
- Launched Sparkling Mask of THE B MAISON series in October 2022.



*The sales figures shown above represent AXXZIA ‘s stand-alone sales.

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- Information provided in this document and this presentation includes forward-looking statements. These statements are based on current expectations, forecasts, and assumptions with a degree of risk, and therefore include some uncertainties that could lead to substantially different results.

- These risks and uncertainties include general Japanese and international economic conditions, such as general industry and market conditions, interest rates, and currency exchange fluctuations.

- AXXZIA Inc. has no obligation to update or revise these forward-looking statements, even if new information comes to light or there are new events in the future.

AXXZIA

Creating things and experiences
that amaze people.

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