AXXZIA

June 12th ,2023



Financial Results Presentation for FY07/23 Q3

AXXZIA Inc.

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AXXZIA

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1. Executive Summary

Executive Summary

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FY07/23 Q3 (cumulative)

- **Net sales: 7.89bn yen (+40.2% YoY)**
- **Operating income: 1.34bn yen (+22.2% YoY)**

- **Record-high** sales and profits, with sales rising sharply by **over 40%.**
- China sales grew 33%, led by Douyin, despite Women's Day challenges.
- Japan saw signs of inbound demand recovery and rising sales from domestic directly-managed stores.

Topics

- Launched new product, AGDrink X, with has had a strong start.
- Decided to construct a logistics center with processing capability.
- R&D Center: Signed strategic business alliance.
- Huit Laboratories' Yatsugatake factory obtained ISO9001 and ISO14001 certifications.
- Shareholder returns: Bought back own shares.

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2. Business Results: Highlights

Net Sales and Profit (FY07/23 Q3 consolidated results)

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Net sales and profits reached **record highs**.
On track with full-year forecast, with **76.2%** sales achievement rate.

(Unit: Millions of yen)

	FY07/22 3Q	FY07/23 3Q	YoY change	Versus forecast
Net sales	5,630	**7,892**	+2,262 (+40.2%)	+452 (+6.1%)
Operating income	1,097	**1,340**	+243 (+22.2%)	+163 (+13.9%)
Operating margin	19.5%	**17.0%**	-2.5ppt	+1.2ppt
Ordinary income	1,177	**1,290**	+112 (+9.6%)	+128 (+11.0%)
Profit attributable to owners of parent	747	**842**	+94 (+12.6%)	+81 (+10.7%)

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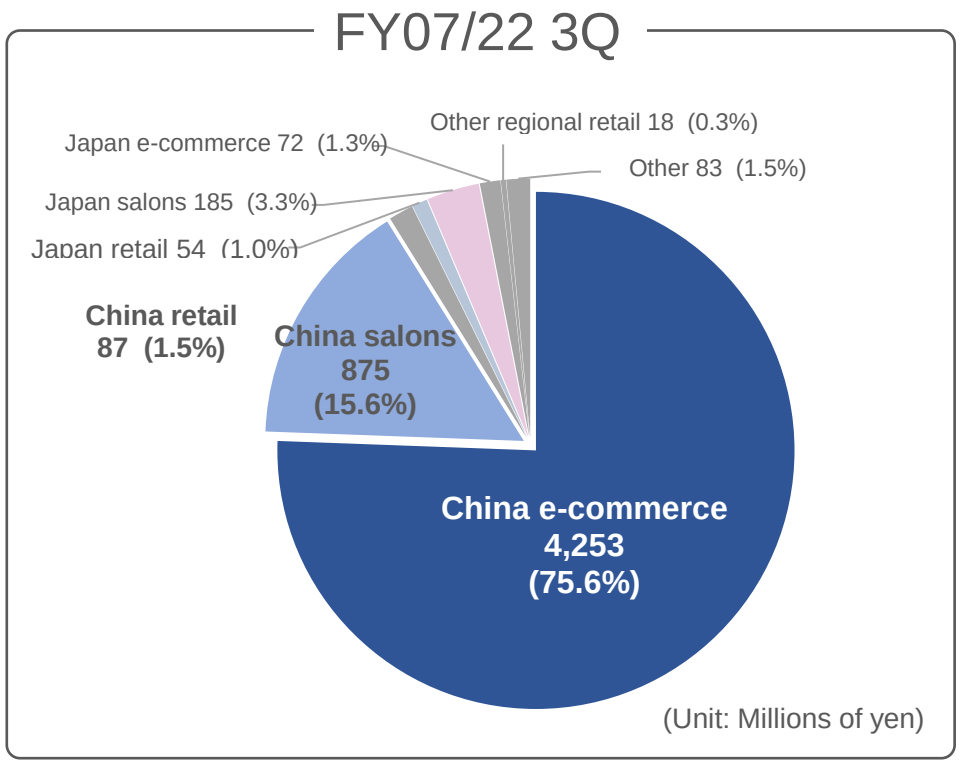
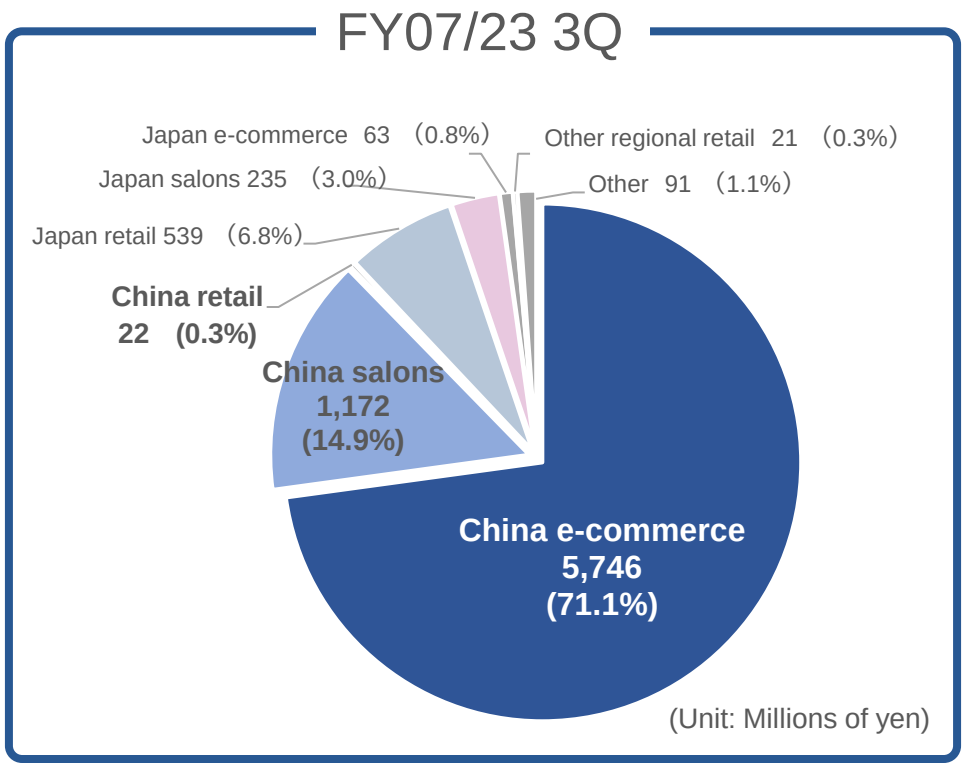
Net Sales by Region and Channel (FY07/23 Q3 consolidated results)

China sales **remained strong** (up 33.1% YoY).
Domestic sales are also robust (up 129.5% YoY), thanks to inbound demand and the consolidation of Huit Laboratories.
We continue to seek expansion opportunities in regions beyond China (Japan and other areas) as part of our growth strategy.





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

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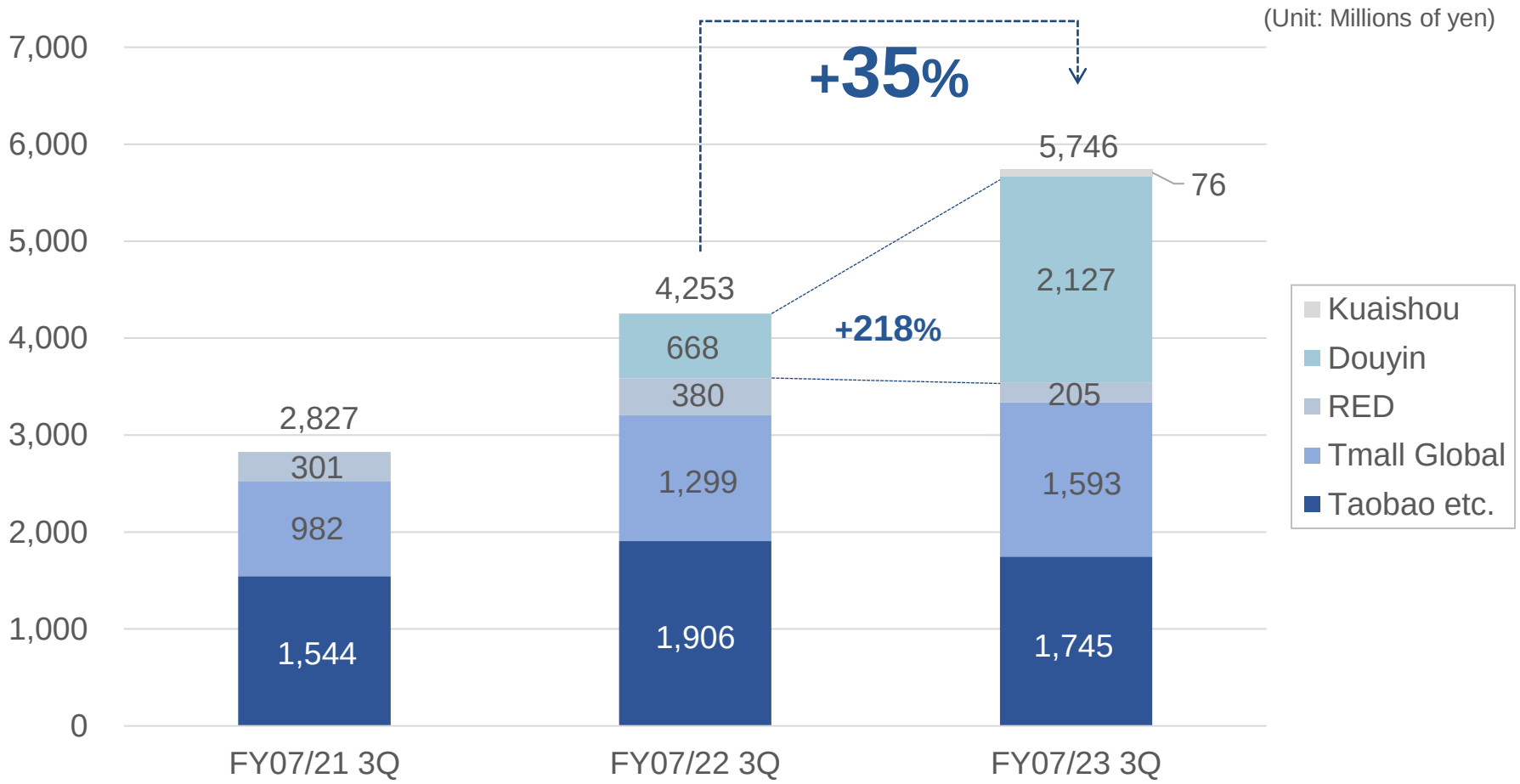
China E-commerce Sales Trend (FY07/23 Q3 consolidated results)

China e-commerce sales **grew 35%** YoY.
Sales on Douyin, the mainland Chinese version of TikTok, remained strong (**over 3x** YoY).



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Sales Breakdown by Brand (FY07/23 Q3 consolidated results)

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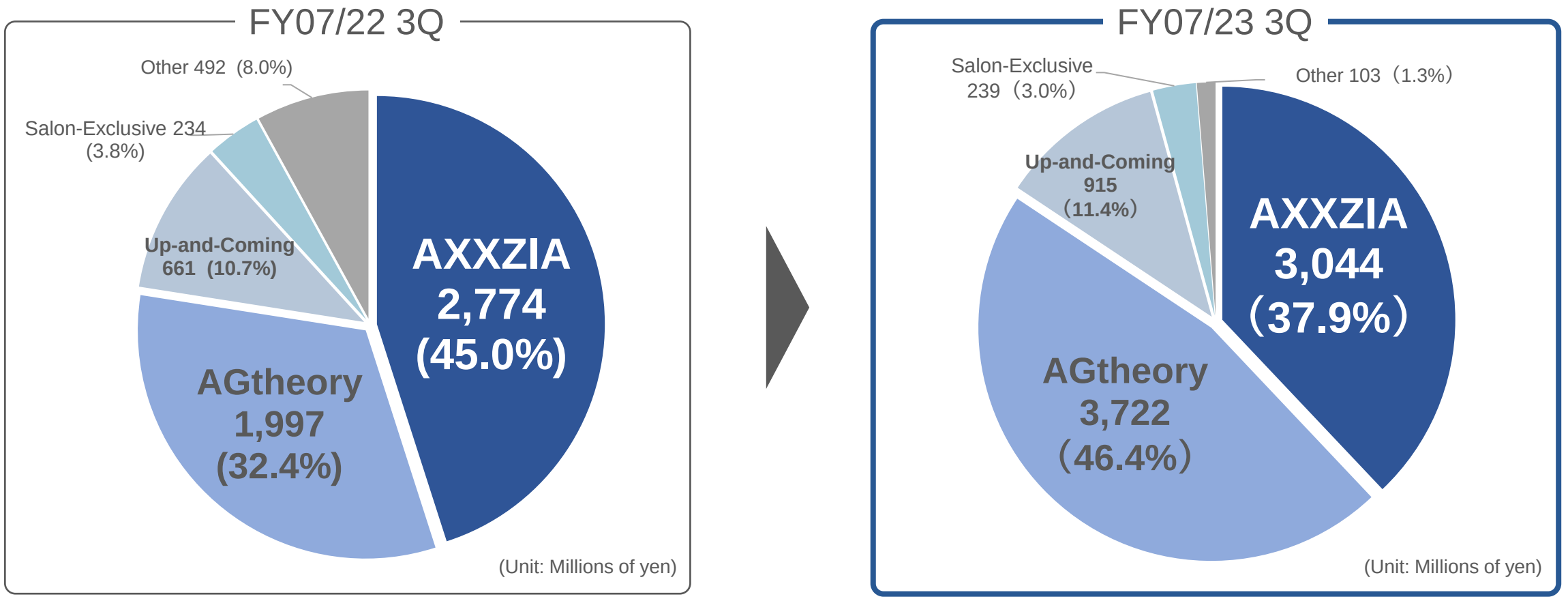
AGtheory's share of sales rose from 32.4% to 46.4%, driven by AGDrink's strong sales.
Up-and-coming products also expanded their share from 10.7% to 11.4%, fueled by White Drink's **near twofold** sales increase.



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

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

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Both sales and profits grew as advertising expenses were kept around 20% of sales.

(Unit: Millions of yen)

	FY07/22 3Q		FY07/23 3Q		YoY	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Change
Net sales	5,630	100.0%	**7,892**	**100.0%**	+2,262	-
Cost of goods sold	1,418	25.2%	**1,761**	**22.3%**	+343	-2.9pt
SG&A expenses	3,114	55.3%	**4,789**	**60.7%**	+1,675	+5.4pt
（Personnel expenses）	578	10.3%	**919**	**11.6%**	+340	+1.4pt
（Advertising expenses）	1,076	19.1%	**1,669**	**21.1%**	+592	+2.0pt
（Commissions paid）	839	14.9%	**1,247**	**15.8%**	+408	+0.9pt
Operating income	1,097	19.5%	**1,340**	**17.0%**	+243	-2.5pt

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Consolidated B/S (FY07/23 Q3 consolidated results)

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Continued expanding business efficiently and maintained a healthy financial position.
Spent 1.1 billion yen on share buybacks.

(Unit: Millions of yen)

	End-FY07/22	End-Q3 FY07/23	YoY change
	Amount	Amount	Amount
Current assets	8,795	**9,622**	+826
(Cash and deposits)	6,389	**5,471**	-918
Non-current assets	1,257	**1,298**	+41
Total assets	10,053	**10,920**	+867
Current liabilities	1,243	**1,425**	+182
Non-current liabilities	414	**344**	-69
Total liabilities	1,657	**1,770**	+112
(Interest-bearing liabities)	654	**431**	-222
Total net assets	8,396	**9,150**	+754
(Retained earnings)	4,142	**4,984**	+842
Total liabilities and net assets	10,053	**10,920**	+867

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3. FY07/23 Q3 Topics

【Topic 1】Launched New Product "AGDrink X"

Released AGDrink X, **our ultimate formula to date***, as a revamped version of AGDrink 5th.



Note: Each bottle contains 100mg of nut peel extract from Trapa bicornis, an ingredient discovered in quest for beauty.

■ About Trapa bicornis:
- A type of water caltrop, also called “devil nut” for its black, horned appearance.
- The nut peel has a beauty component that supports daily moisture, a key factor for those who want to age beautifully.



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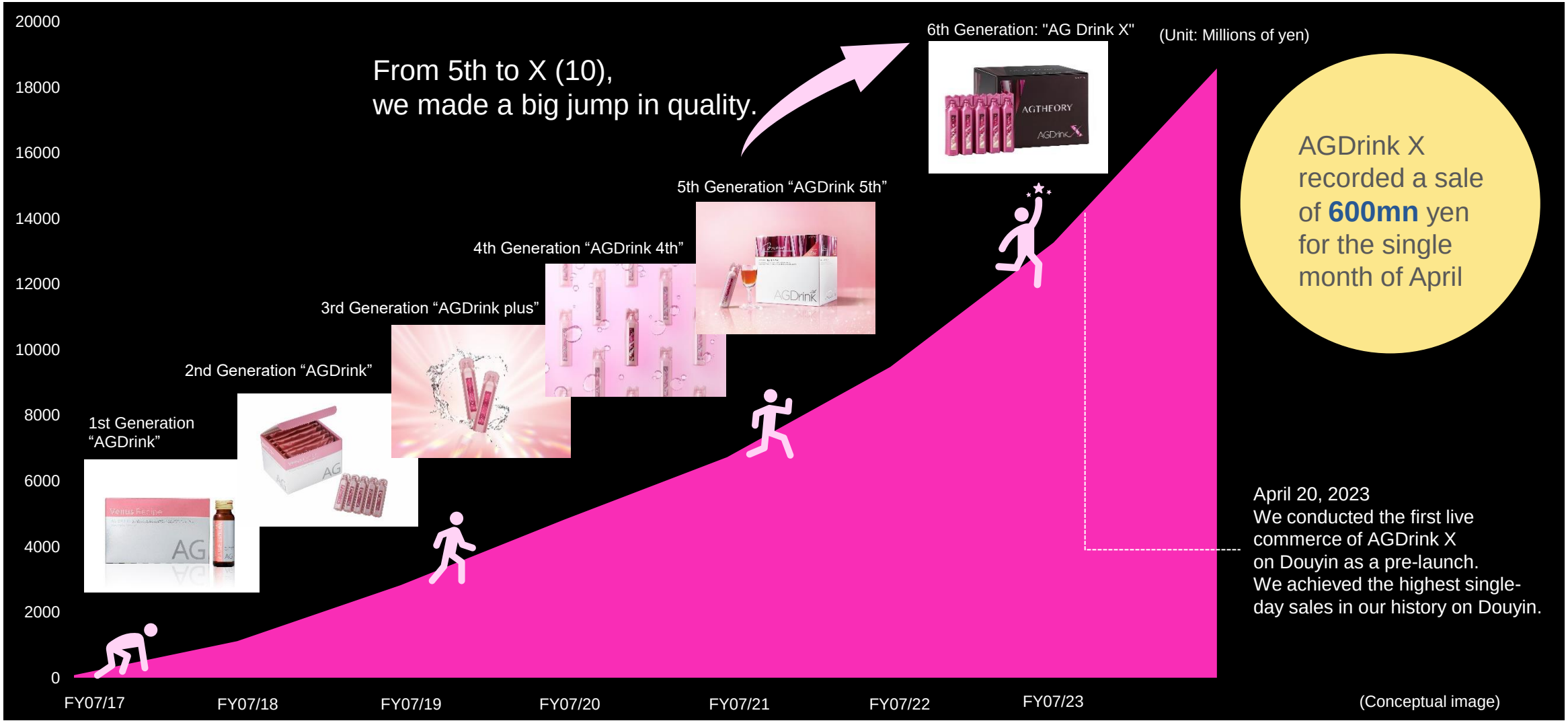
<Reference> AGDrink's Growth Trajectory

We have a strategy of **renewing our product before its peak** to extend its lifetime value (LTV).



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【Topic 2】Establishment of Our Own Logistics Center

We have decided to reallocate some of our IPO funds to build a **logistics center with in-house processing capabilities** in Oyama, Shizuoka.

Overview

Overview	• Decided to build a logistics center with in-house processing capabilities. • **512 million yen** of the 4.0 billion yen raised during our IPO on the Tokyo Stock Exchange Mothers market in February 2021 will be allocated to capital investments.
Projected Allocation Period	From FY07/23 to FY07/24
Construction Site	Land in Oyama, Shizuoka (already purchased)
Expected Operational Start Date	April 2024 (planned)

Purpose

Purpose	• Utilize our owned land in Oyama, Shizuoka, to establish our own factory • Diversify our logistics bases for BCP readiness • Prepare for continuous growth in storage, processing, and logistics volume • Cut down on logistics costs
Conceptual Image	

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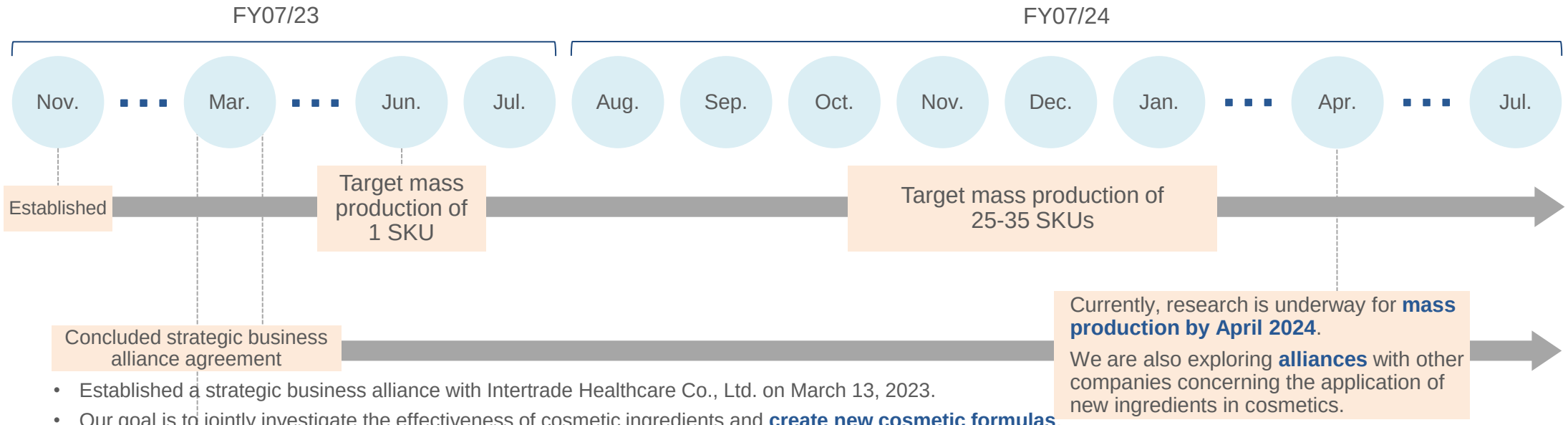
【Topic 3】Research and Development

Our R&D Center is now **fully operational**, targeting mass production at our own factory.
Additionally, Huit Laboratories' Yatsugatake Factory has obtained **ISO certification**.



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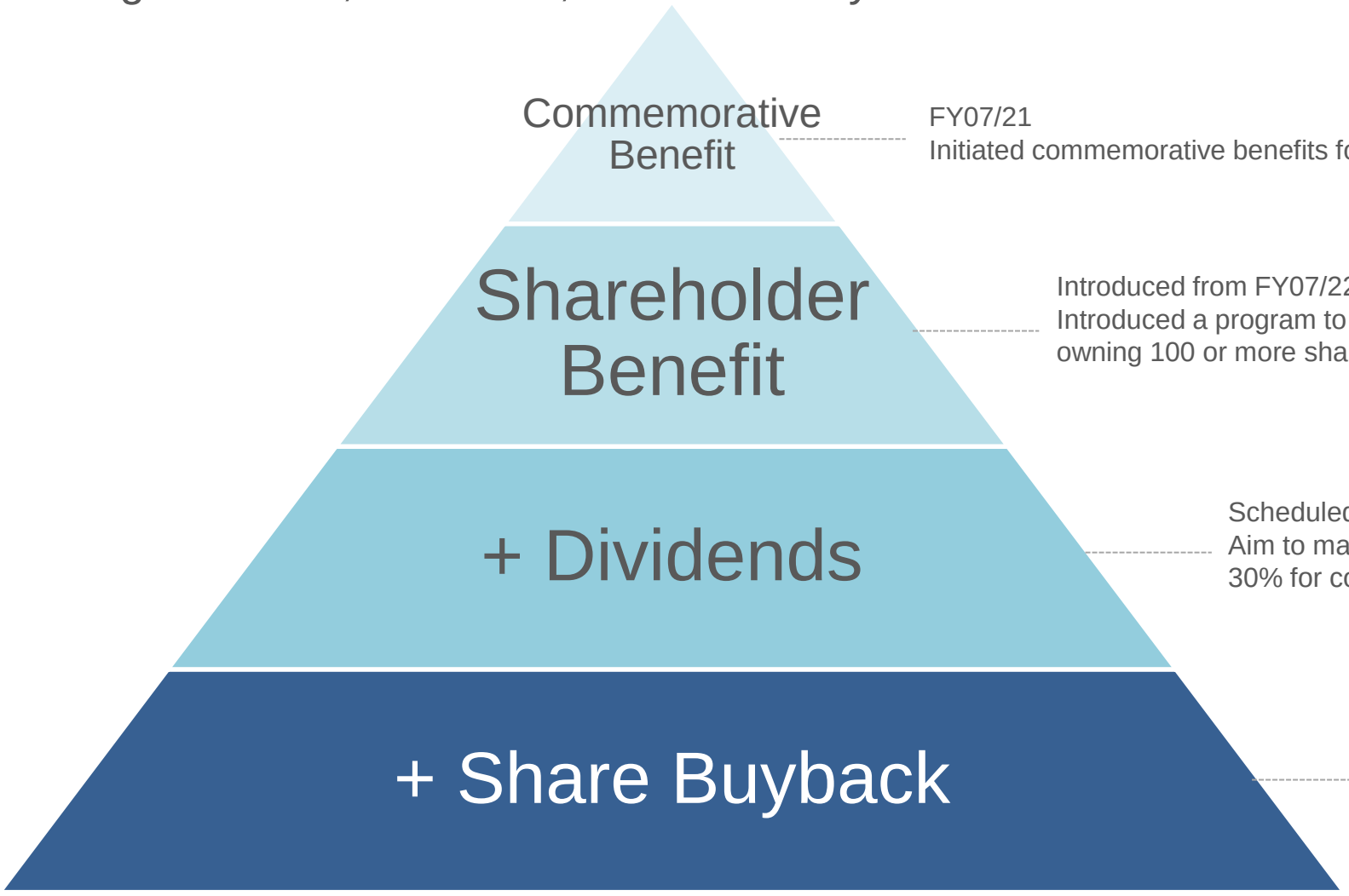
【Topic 4】Enhancing Shareholder Returns

We aim to **balance growth investments with shareholder returns** through benefits, dividends, and share buybacks.



Commemorative Benefit
FY07/21
Initiated commemorative benefits for IPO.

Shareholder Benefit
Introduced from FY07/22
Introduced a program to gift Group products to shareholders owning 100 or more shares, scaled to the amount of shares held.

+ Dividends
Scheduled to be introduced from FY07/23
Aim to maintain a dividend payout ratio around 30% for consistent, stable returns.

+ Share Buyback
From April 18, 2023, to June 30, 2023
Plan to repurchase up to 2.9% of total issued shares (excluding treasury shares), equating to approximately 750,000 shares.

Enhancement of shareholder returns

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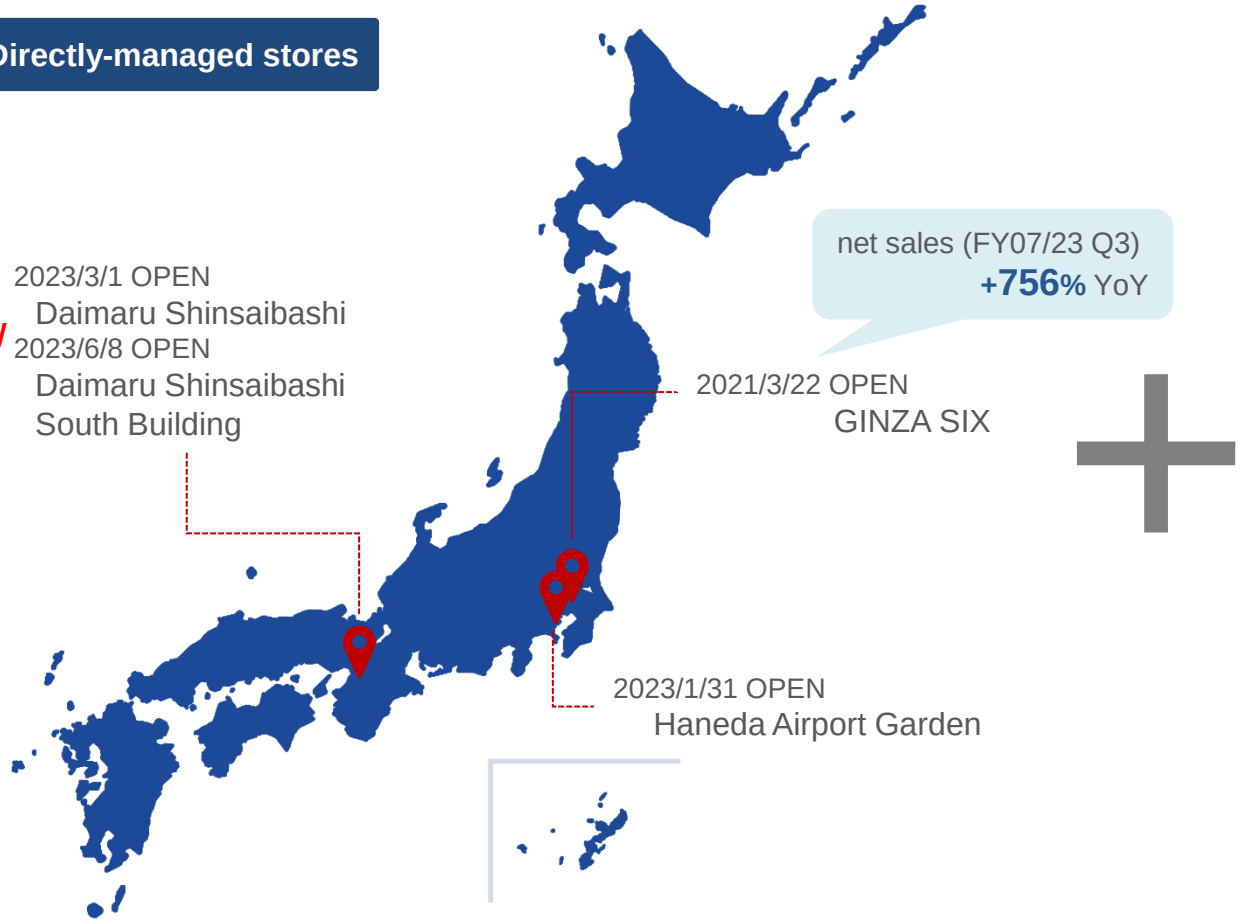
4. Future Initiatives

Seizing Inbound Demand & Bolstering Japan Sales

By expanding directly-managed stores (including Daimaru Shinsaibashi South Building), hosting pop-up stores, and broadening our footprint in drugstores, we aim to build a **robust system to capture inbound demand**.
By tapping into Huit Laboratories' sales network and capabilities, we are poised to **bolster our sales in Japan**.

Directly-managed stores



Pop-up stores
- **Hosted at Yokohama Takashimaya (from May 17 to 23)**
  + Planning to sequentially host in other regions

Pursuing sales synergies with Huit Laboratories
- Offer AXXZIA products to Huit's business partners
- Engage dormant AXXZIA customers through novel approaches

Drugstores
(Matsumotokiyoshi, Sundrug, etc.)
- Target distribution to approximately 400 stores

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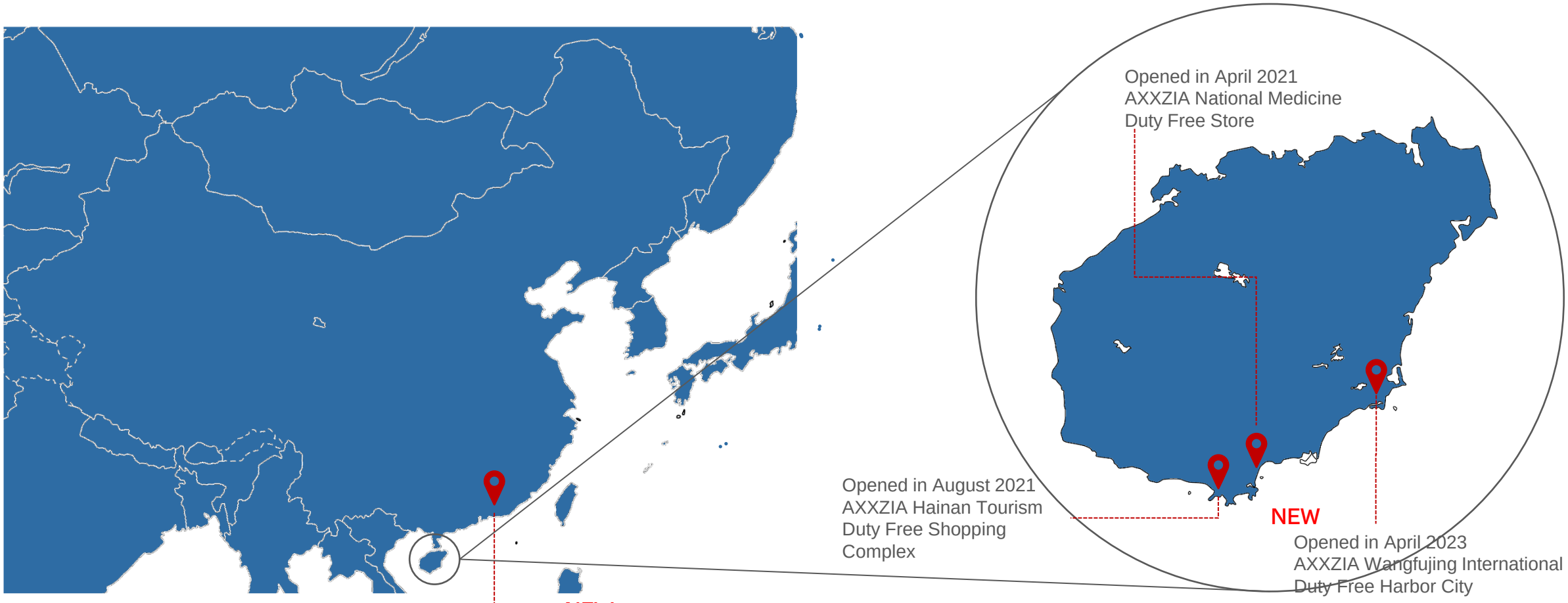
Expanding Presence in Chinese Duty-Free Malls

We opened stores at Wangfujing International Duty Free Harbor City in Wanning City, Hainan Province, and Zhuhai Duty Free Gongbei Port in Zhuhai City, Guangdong Province. With these additions, we now have a **presence in four locations** within Chinese duty-free malls. **We plan to progressively increase our stores** in preparation of a recovery in China's domestic travel.



Note: Hainan Island, a resort area at China's southernmost point also known as "China's Hawaii," implemented an offshore duty-free policy in April 2011, enabling Chinese consumers to benefit from duty-free shopping within the country.

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Establishing a New Subsidiary

We plan to launch our domestic subsidiary, **Axxzia Value Creator Inc.** in June 2023

Overview

Subsidiary Overview

Name	Axxzia Value Creator Inc.
Representative	Dan Xiaowei
Business	• Social media marketing support • E-commerce store operation support
Capital	30 million yen (planned)
Shareholding ratio	AXXZIA Inc. 100%
Establishment date	June 15, 2023 (planned)
Fiscal year end	End of July

Purpose

Purpose of Subsidiary Establishment

Current challenge	• Sales and brand recognition in Japan
Purpose	• To **expand sales** in Japan through both online (strengthening social media outreach) and offline (growing physical store presence) strategies. • To **curtail costs** and further improve the **profitability** of the business by bringing the e-commerce operations in-house

Impact on consolidated performance for the fiscal year ending July 2023

The impact on the consolidated performance forecast for the fiscal year ending July 2023 is expected to be minor.

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5. Appendix

Company Overview

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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	2,143 million yen （As of end of April 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 AXXZIA Daimaru Shinsaibashi South Building 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.
- Axxzia Value Creator Inc.（planned to be established in June）

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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. Changed its listing to the Prime section of the Tokyo Stock Exchange Opened our third directly managed store, AXXZIA Daimaru Shinsaibashi Store.













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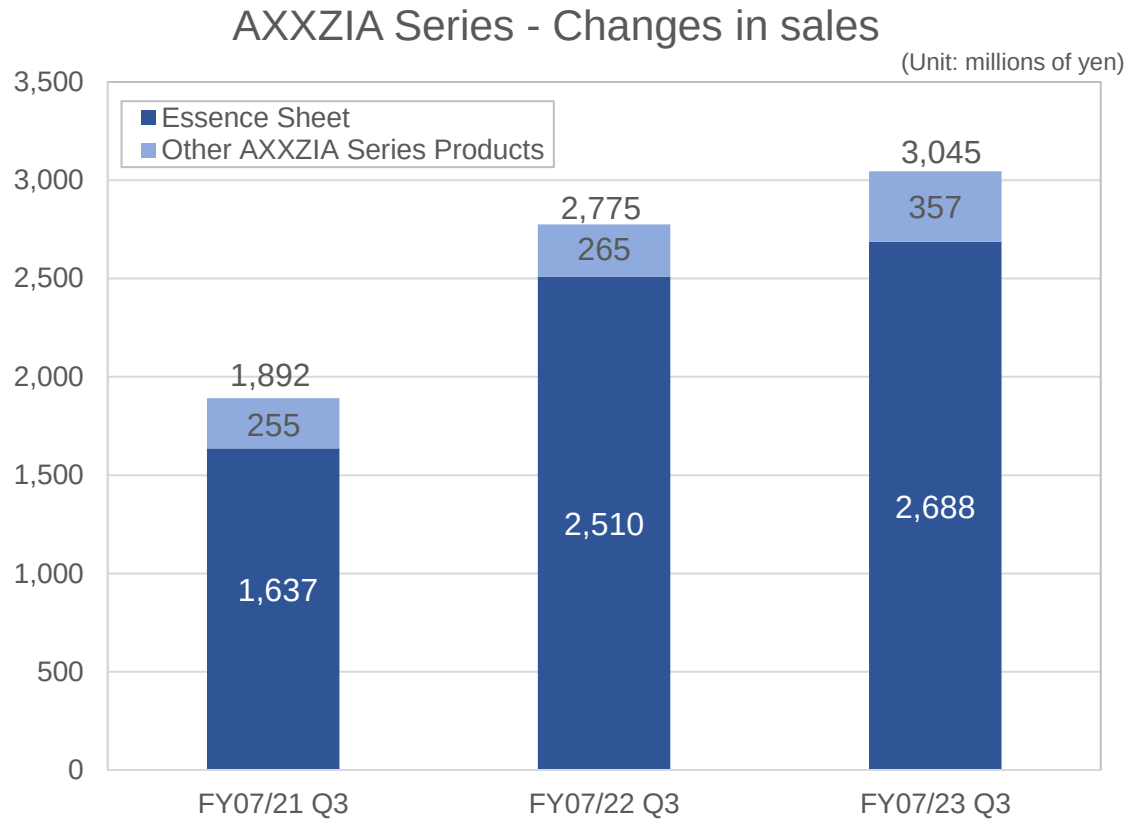
Essence Sheet continued to drive sales, with cumulative sales of the series exceeding 5 million units.

Core retail brand centered on eye care products



Milestones for sustained growth

- Brought product range to market centered on Essence Sheet
- Launched Essence Sheet Premium in December 2020
- Full renewal of AXXZIA Beauty Force's basic skincare line in May 2023



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

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AGtheory Series (FY07/23 Q3 consolidated results)

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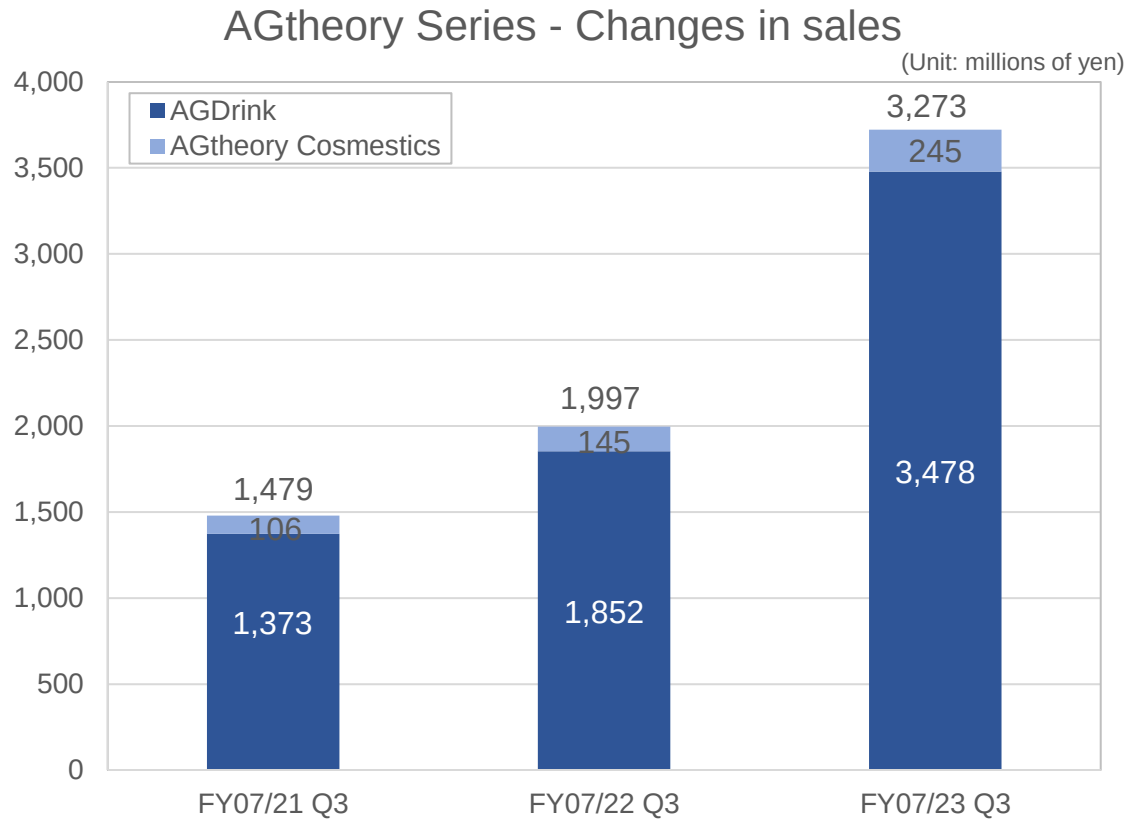
Launched cosmetics series with same concept as **AGDrink** for the product's fans.
Successful live commerce efforts resulted in sales expansion.

Second core retail brand integrating cosmetics with AGDrink



Milestones for sustained growth

- Completed AGtheory cosmetics range in October 2021 with addition of cleanser/face wash
- AGDrink was revamped as AGDrink X in April 2023, registering strong sales even during its pre-sale period



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Up-and-Coming (Whitening Appeal) Series (FY07/23 Q3 consolidated results)

The White Drink is growing steadily as up-and-coming products that **we hope will become our third hero product.** From June 2023, we are launching **our first functional food product** in Japan.

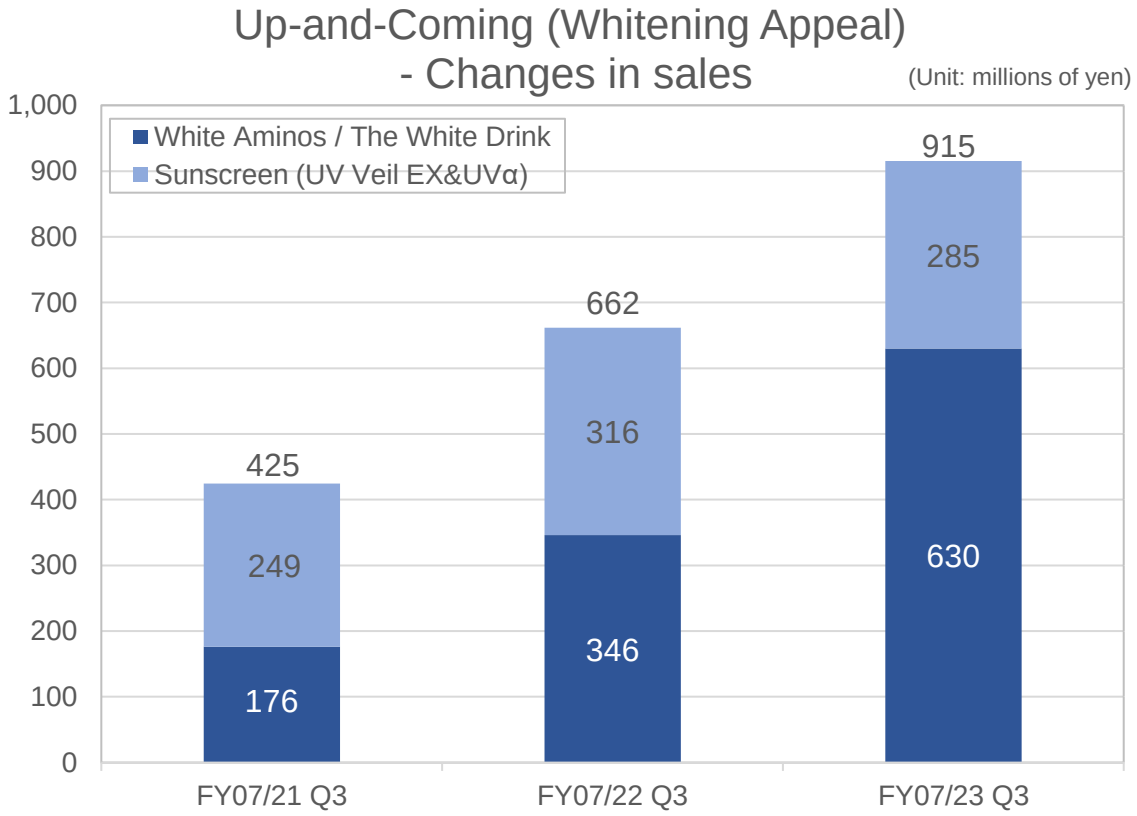
Positioned beauty supplements and sunscreen as up-and-coming products to turn into third major brand





Milestones for turning into main series

- Launched AXXZIA's first Whitening Appeal cosmetics series
- Completed NMPA special cosmetics registration. To begin sales in China of products imported by Shanghai subsidiary
- The White Drink is now approved for sale as our first functional food product



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Salon-Exclusive (Professional) Series (FY07/23 Q3 consolidated results)

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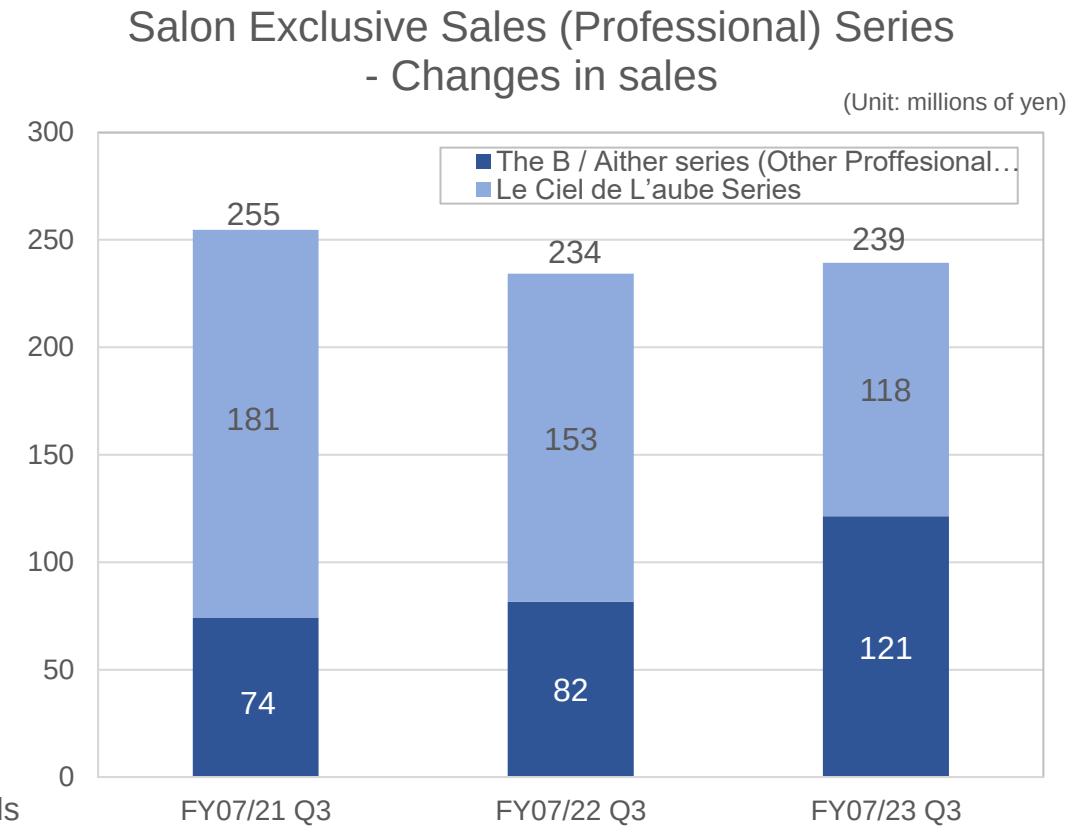
Includes long-selling Le Ciel de L'aube and The B premium skincare range.

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







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

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.

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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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