October 2, 2024

Company name: AXXZIA Inc.
Representative: Duan Zhuo, president and representative director
Securities code: 4936, TSE Prime
Contact person: Yasuhito Fukui, director
Telephone: +81-3-6911-3899

(Correction) Notice of Partial Correction to “Financial Results Presentation for FY0724”

AXXZIA Inc. announces that it has made the following corrections to the “Financial Results Presentation for FY0724” disclosed on September 26, 2024. We would also like to take this opportunity to apologize for any inconvenience this may cause.

Area and details of correction
The corrections are enclosed in red boxes.

1. Table on pp.9, Consolidated Cash Flows (FY07/24 consolidated results)

<Before correction>

(Unit: Millions of yen)

Classification	FY07/22	FY07/23	YoY change
	Amount	Amount	Amount
Balance at period start	6,389	**5,787**	-601
Operating CF	707	**800**	+92
Investing CF	-438	**-187**	+250
(Purchase of property, plant and equipment)	-393	**-363**	+29
Financing CF	-862	**-1,551**	-689
(Increase (decrease) in interest-bearing liabilities)	14	**-272**	-287
(Purchase of treasury shares)	-896	**-660**	+236
(Dividends paid)	-	**-599**	-599
Forex adjustment	-8	**80**	+88
Balance at period end	5,787	**4,928**	-859
Increase / Decrease (Amount)	-601	**-859**	-257

<After correction>

(Unit: Millions of yen)

Classification	FY07/23	FY07/24	YoY change
	Amount	Amount	Amount
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2. Table on pp.25, Medium-Term Management Plan (FY07/25-FY07/27)

<Before correction>

(Unit: Millions of yen)

	FY07/23 Results	FY07/24 Forecast	FY07/26 Plan (Final year of 3yr period)
Net sales	12,192	**15,417**	**19,282**
Operating income	918	**941**	**2,310**
Operating margin	7.5%	**6.1%**	**12.0%**
ROE	9.1%	**7.3%**	**13 - 15%**

<After correction>

(Unit: Millions of yen)

	FY07/24 Results	FY07/25 Forecast	FY07/27 Plan (Final year of 3yr period)
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3. Graph on pp.43, [Market Environment 2] Premium Skincare Market

<Before correction>



<After correction>



4. Table on pp.45, Historical Financial Data (consolidated results)

<Before correction>

		FY07/21	FY07/22	FY07/23	FY07/24
Net sales	millions of yen	5,787	8,215	11,341	**12,192**
Cost of goods sold	millions of yen	1,712	1,994	2,397	**2,581**
SG&A expenses	millions of yen	2,692	4,587	7,043	**8,692**
d expenses	millions of yen	686	860	1,280	**1,494**
ng expenses	millions of yen	793	1,578	2,464	**3,134**
ions paid	millions of yen	670	1,252	1,892	**2,170**
Operating income	millions of yen	1,383	1,633	1,899	**918**
Ordinary income	millions of yen	1,370	1,746	1,902	**1,122**
Profit attributable to owners of parent	millions of yen	868	1,116	1,330	**794**
ROE	%	18.4	14.3	15.4	**9.1**
EPS	yen	35.97	43.28	51.80	**32.06**
BPS	yen	278.81	325.43	354.00	**349.51**
Equity ratio	%	87.0	83.5	83.2	**80.9**
Dividend per share	yen	0.00	0.00	14.00	**20.00**

<After correction>

		FY07/21	FY07/22	FY07/23	FY07/24
Net sales	millions of yen	5,787	8,215	11,341	**12,192**
Cost of goods sold	millions of yen	1,712	1,994	2,397	**2,581**
SG&A expenses	millions of yen	2,692	4,587	7,043	**8,692**
Personnel expenses	millions of yen	686	860	1,280	**1,494**
Advertising expenses	millions of yen	793	1,578	2,464	**3,134**
Commissions paid	millions of yen	670	1,252	1,892	**2,170**
Operating income	millions of yen	1,383	1,633	1,899	**918**
Ordinary income	millions of yen	1,370	1,746	1,902	**1,122**
Profit attributable to owners of parent	millions of yen	868	1,116	1,330	**794**
ROE	%	18.4	14.3	15.4	**9.1**
EPS	yen	35.97	43.28	51.80	**32.06**
BPS	yen	278.81	325.43	354.00	**349.51**
Equity ratio	%	87.0	83.5	83.2	**80.9**
Dividend per share	yen	0.00	0.00	14.00	**20.00**









Financial Results Presentation for FY07/24

AXXZIA Inc.

[TSE Prime: 4936]

September 13th ,2024





AXXZIA

AXXZIA

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02 Business Results: Highlights
03 Status by Sales Channel
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1. Executive Summary

Executive Summary

AXXZIA

FY07/24 Consolidated Results

- **Net sales:** **12.19bn yen** (**+7.5% YoY** Vs. initial target **-0.1%**)
- **Operating income:** **0.91bn yen** (**-51.7% YoY** Vs. initial target **+10.6%**)

- Net sales reached a record-high. Operating income fell YoY due to the impact of ALPS treated water, but exceeded the full-year forecast released at the time of Q3 results announcement by more than 10%

FY07/25 Consolidated Forecast

- **Net sales:** **15.41bn yen** (**+26.4% YoY**)
- **Operating income:** **0.94bn yen** (**+2.6% YoY**)

- Forecast substantial growth in sales, due in part to the consolidation of M&D, which became a subsidiary in February 2024
- Expect a one-time decline in operating income, due to measures to recapture market share in China

Medium-Term Management Plan (～FY07/25)

- For FY07/27, target net sales of **19.0bn yen** and operating income of **2.3bn yen** (target operating margin: **12%**)
- While positioning China as the main market, aim to **establish a business foundation and bolster sales activities in Japan and the third markets**
- Promote **management mindful of the stock price and capital efficiency** (ROE target: **13–15%**)

* Compared with the forecast released at the time of Q3 results announcement in June 2024

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2. Business Results: Highlights

Net Sales and Profit (FY07/24 consolidated results)

Net sales reached a **record-high** (**+7.5%** YoY), primarily owing to **the success of various marketing initiatives on Douyin**, a major mobile video app in China, amid a persistently challenging business environment in the country.
Increased sales in Japan due to the consolidation of M&D as a subsidiary also contributed to net sales growth.
Operating income fell YoY due to a deterioration in advertising efficiency caused by the impact of ALPS treated water, but **exceeded** the full-year forecast released at the time of Q3 results announcement **by more than 10%.**

(Unit: Millions of yen)

	FY07/23	FY07/24	YoY change	Versus forecast*
Net sales	11,341	**12,192**	+851 (+7.5%)	-7 (-0.1%)
Operating income	1,899	**918**	-981 (-51.7%)	+88 (+10.6%)
Operating margin	16.8%	**7.5%**	-9.2ppt	+0.7ppt
Ordinary income	1,902	**1,122**	-780 (-41.0%)	+82(+7.9%)
Profit attributable to owners of parent	1,330	**794**	-536 (-40.3%)	+94 (+13.5%)
Earnings per share (yen)	51.80	**32.06**	-19.74	+3.94

* Compared with the forecast released at the time of Q3 results announcement in June 2024

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CoGS and SG&A expenses (FY07/24 consolidated results)

CoGS ratio was **flat YoY**.
While we made efforts to regain market share in China following a decline in Japanese skincare brands—caused by the release of ALPS-treated water and the rise of local Chinese skincare brands—advertising efficiency worsened, putting pressure on our operating margin.

(Unit: Millions of yen)

	FY07/23		FY07/24		YoY change
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	
Net sales	11,341	100.0%	**12,192**	**100.0%**	-
Cost of goods sold	2,397	21.1%	**2,581**	**21.2%**	+0.1pt
SG&A expenses	7,043	62.1%	**8,692**	**71.3%**	+9.2pt
（Personnel expenses）	1,280	11.3%	**1,494**	**12.3%**	+1.0pt
（Advertising expenses）	2,464	21.7%	**3,134**	**25.7%**	+4.0pt
（Commissions paid）	1,892	16.7%	**2,170**	**17.8%**	+1.1pt
Operating income	1,899	16.8%	**918**	**7.5%**	-9.3pt

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Consolidated B/S (FY07/24 consolidated results)

Financial leverage improved, owing to **semiannual dividend payments** and **share buybacks**, contributing to an **improvement in capital efficiency**.
We worked on measures to realize both sustainable growth and stable shareholder returns.

(Unit: Millions of yen)

	End-FY07/23	End-FY07/24	YoY change
	Amount	Amount	Amount
Current assets	9,150	**8,631**	-519
(Cash and deposits)	5,787	**4,928**	-859
Non-current assets	1,550	**1,911**	+361
Total assets	10,701	**10,543**	-158
Current liabilities	1,363	**1,684**	+321
Non-current liabilities	436	**321**	-114
Total liabilities	1,799	**2,006**	+206
(Interest-bearing liabities)	632	**975**	+343
Total net assets	8,901	**8,536**	-364
(Retained earnings)	5,473	**4,776**	-696
(Treasury shares)	-891	**-655**	+235
Total liabilities and net assets	10,701	**10,543**	-158

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Consolidated Cash Flows (FY07/24 consolidated results)

We made capital investments to establish the in-house logistics center, **FUJISANROKU PLC**.
As part of shareholder returns, we paid **dividends** and **bought back shares**,
which amounted to a total cash outflow of **1,259mn yen**.

(Unit: Millions of yen)

Classification	FY07/23	FY07/24	YoY change
	Amount	Amount	Amount
Balance at period start	6,389	**5,787**	-601
Operating CF	707	**800**	+92
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Forex adjustment	-8	**80**	+88
Balance at period end	5,787	**4,928**	-859
Increase / Decrease (Amount)	-601	**-859**	-257

- In-House Logistics Center
  FUJISANROKU PLC (Operational in May 2024)
- Expenditure for Shareholder Returns
  (semiannual dividend payments, share buybacks)

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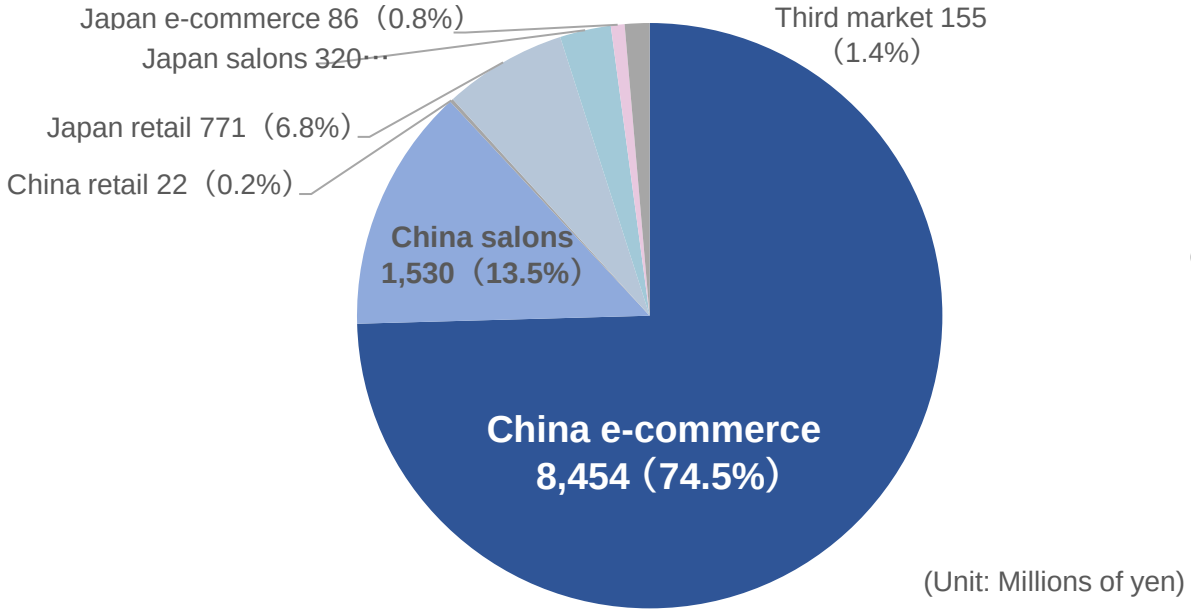
3. Status by Sales Channel

Net Sales by Region and Channel (FY07/24 consolidated results)

Sales **grew YoY** in China, even under a business environment characterized by a slowing macro economy and the impact of ALPS treated water.
E-commerce sales in Japan increased to 9x the previous year's level, owing to the acquisition of M&D as a subsidiary. As a result, the sales weighting of Japan and the third markets combined rose to **17.7%**.

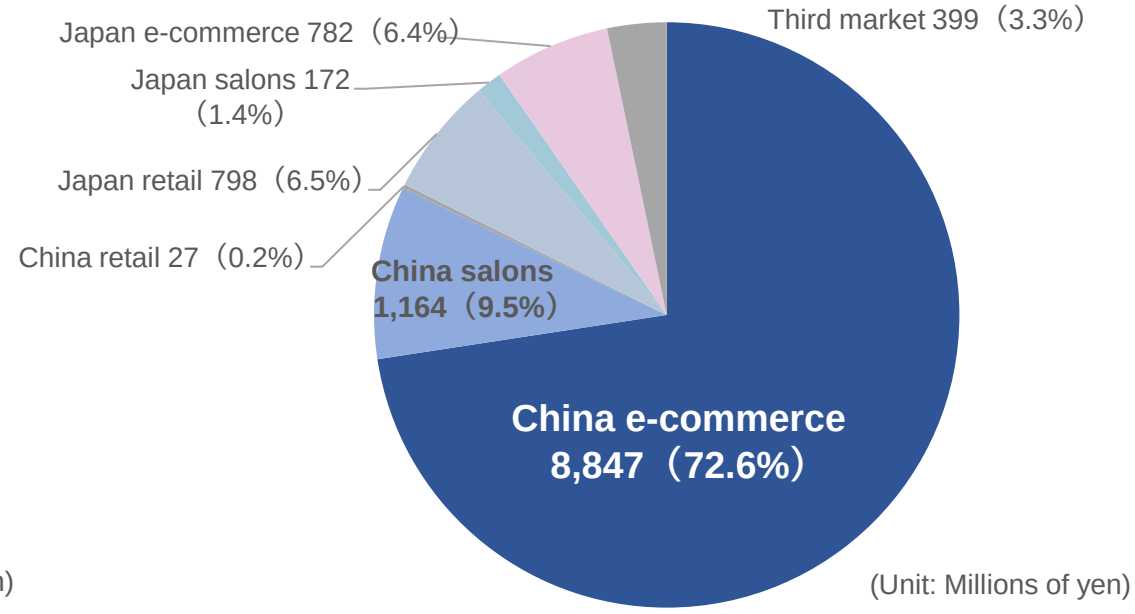
- China net sales* **10.0bn yen** (Weighting 88.2% → **82.3%**) **+0.3%** YoY
- Japan and third market net sales* **2.1bn yen** (Weighting 11.8% → **17.7%**) **+61.4%** YoY

FY07/23



(Unit: Millions of yen)

FY07/24



(Unit: Millions of yen)

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

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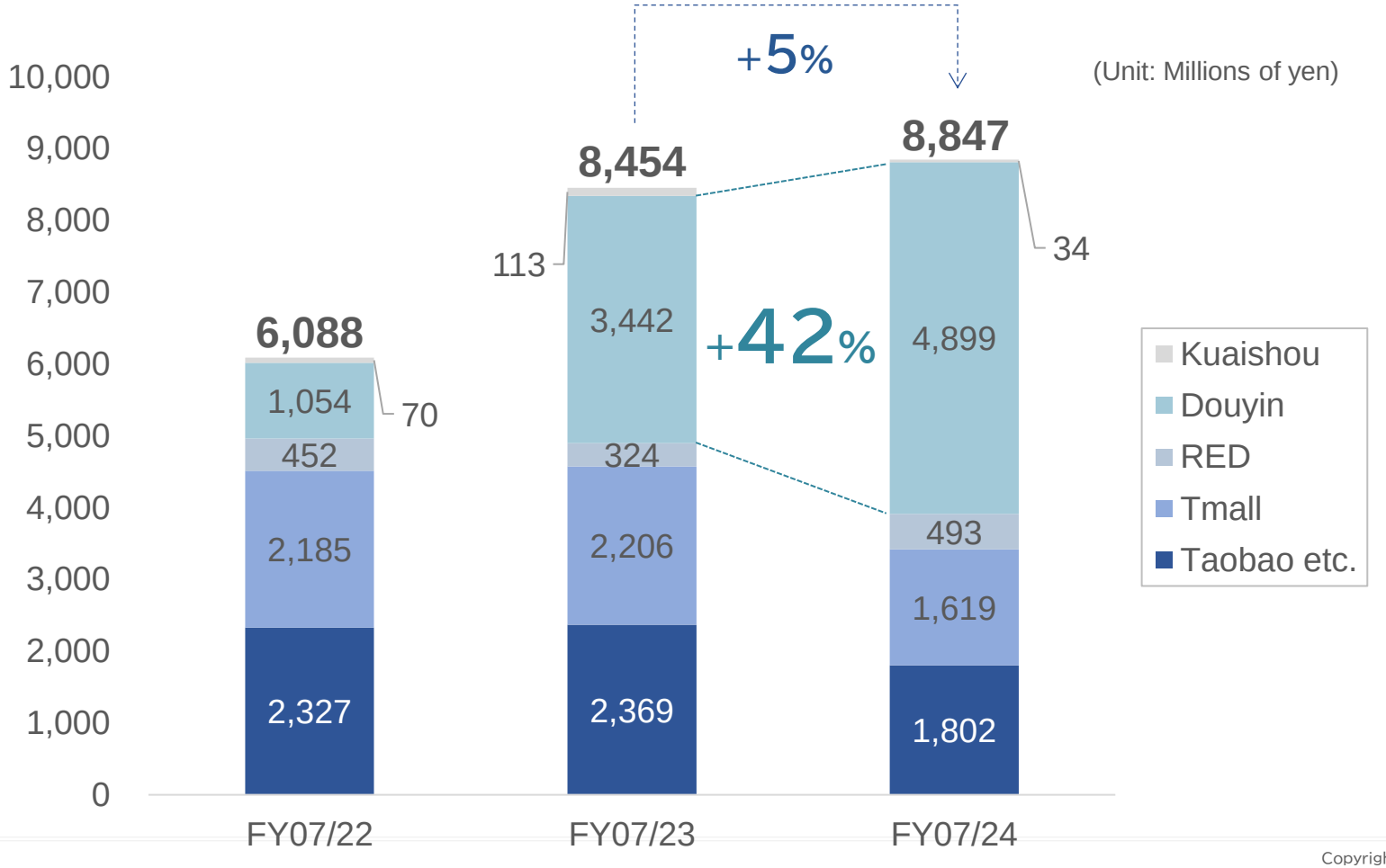
China E-commerce Sales Trend (FY07/24 consolidated results)

Overall sales in major e-commerce events held in Q4 were lackluster, due to a weakening macro economy and changing consumer behavior in China, which negatively affected Japanese skincare brands overall.
That being said, sales of inner care products increased, **exceeding the year-ago level**.
Douyin's high growth rate (**+42%** YoY) drove China's e-commerce sales.



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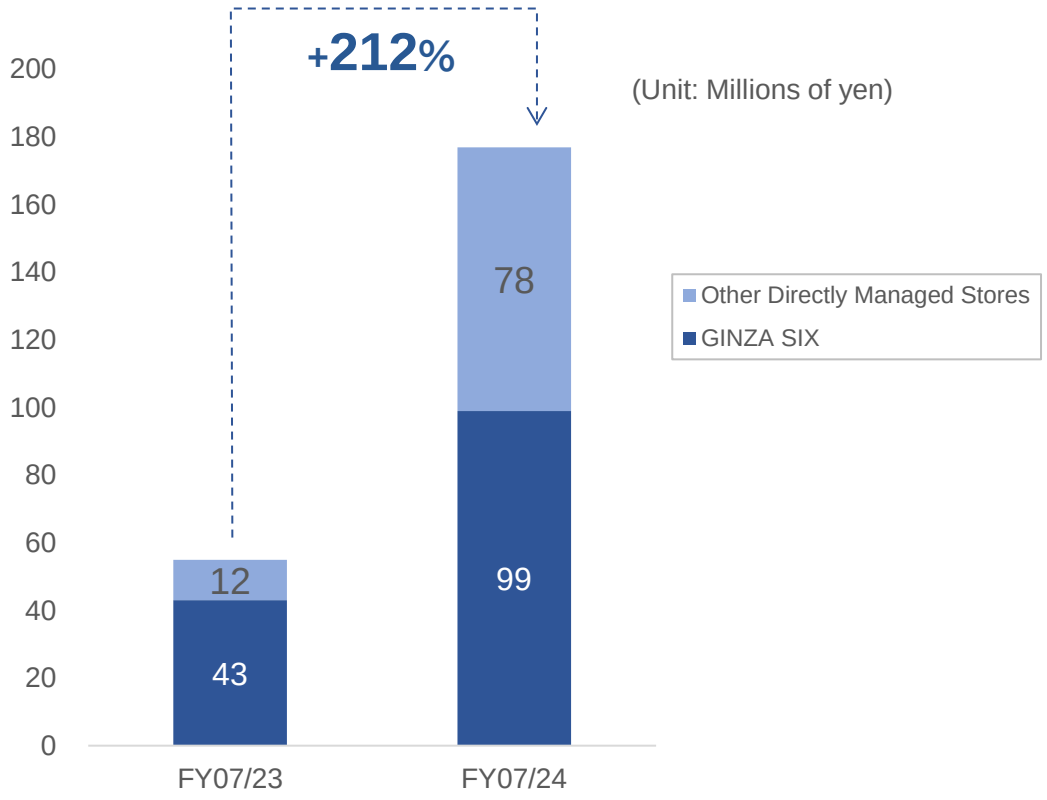
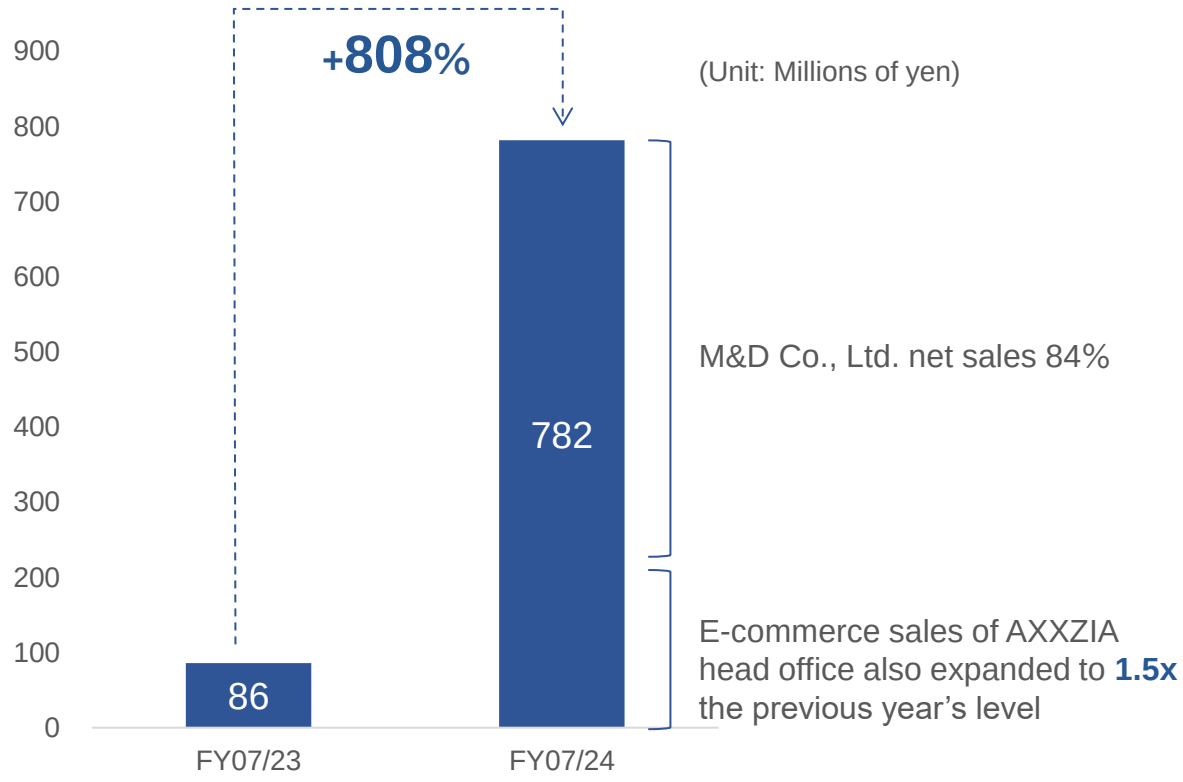
Business performance in Japan (FY07/24)

Sales at directly managed stores grew sharply (**+212%** YoY),
backed by **the success of measures to capture inbound demand.**
E-commerce sales in Japan expanded to **about 9x** the previous year's level, due to the consolidation of M&D.

Directly Managed Stores



E-commerce



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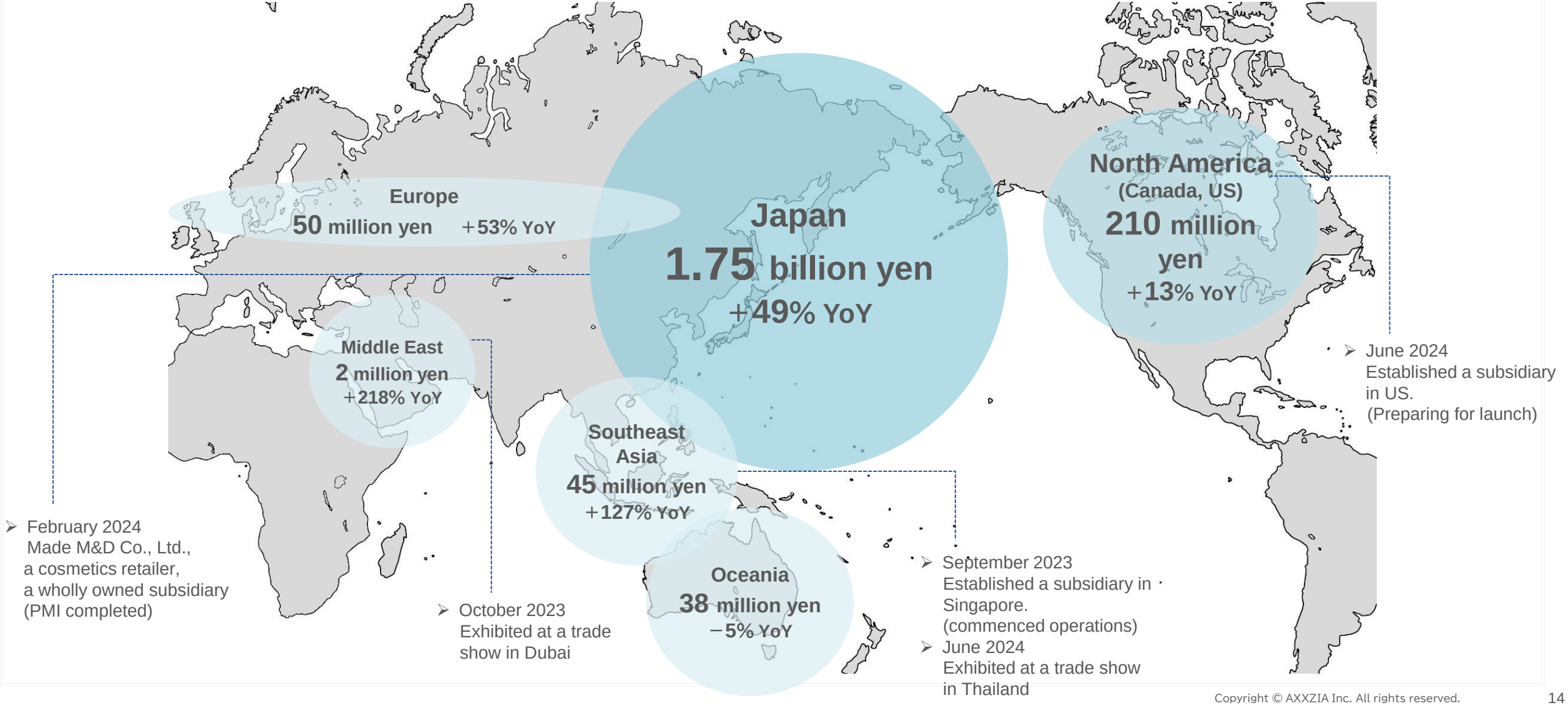
Expansion Status Outside China (FY07/24)

Sales outside China are gradually **expanding** (recording sales of **2.1 billion yen**, constituting **18%** of the total).
This is part of our strategy to **diversify business risks.**



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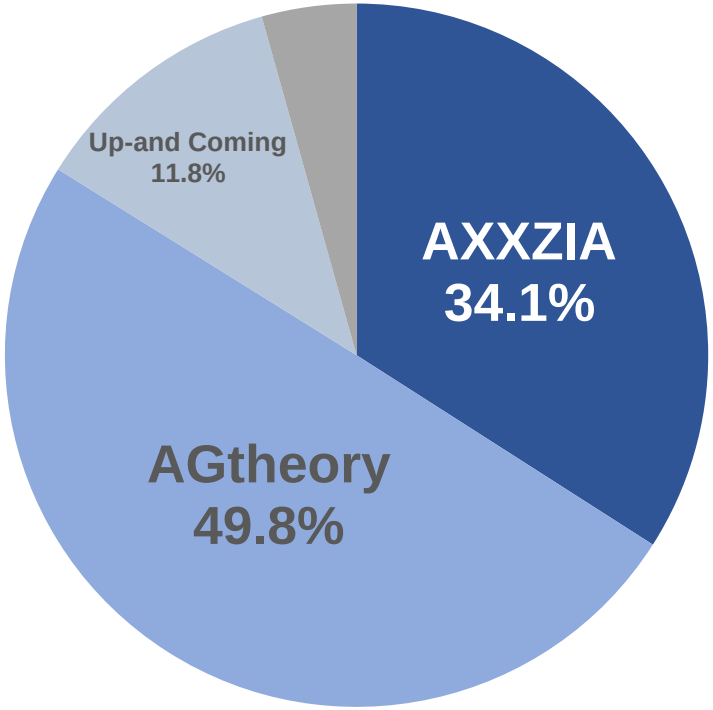
4. Overview by Brand

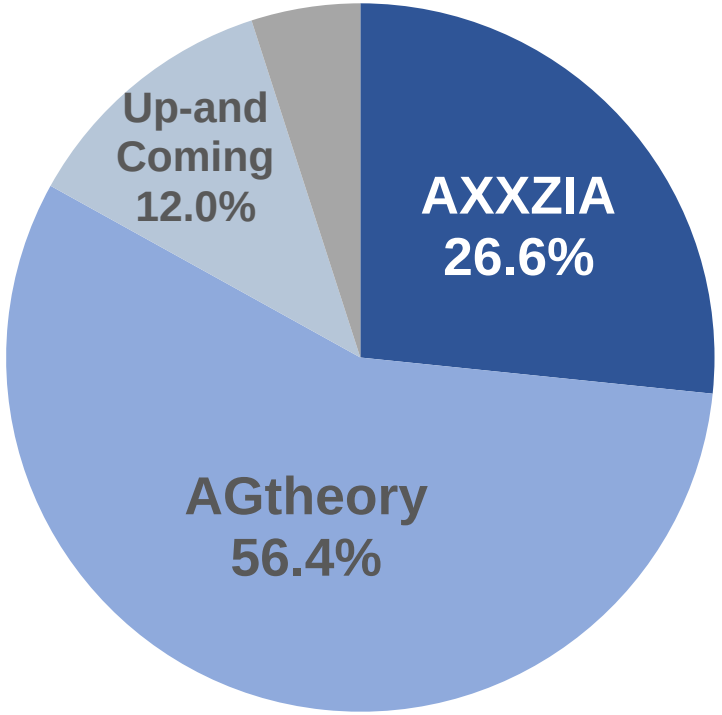
Net Sales by Brand (FY07/24)

Sales of inner care product **AGDrink X** increased, owing to the success of **live sales initiatives on Douyin**.
Sales weighting of the inner care product **The White Drink**, in the up-and-coming series, also grew YoY, resulting in an increase in the series' sales weighting.

FY07/23



FY07/24



*1 We position our beauty supplements (The White Drink, etc.) and sunscreens (Uvα, etc.) as up-and-coming products.
*2 The above figures and composition ratios are calculated based on our company's standalone shipments.

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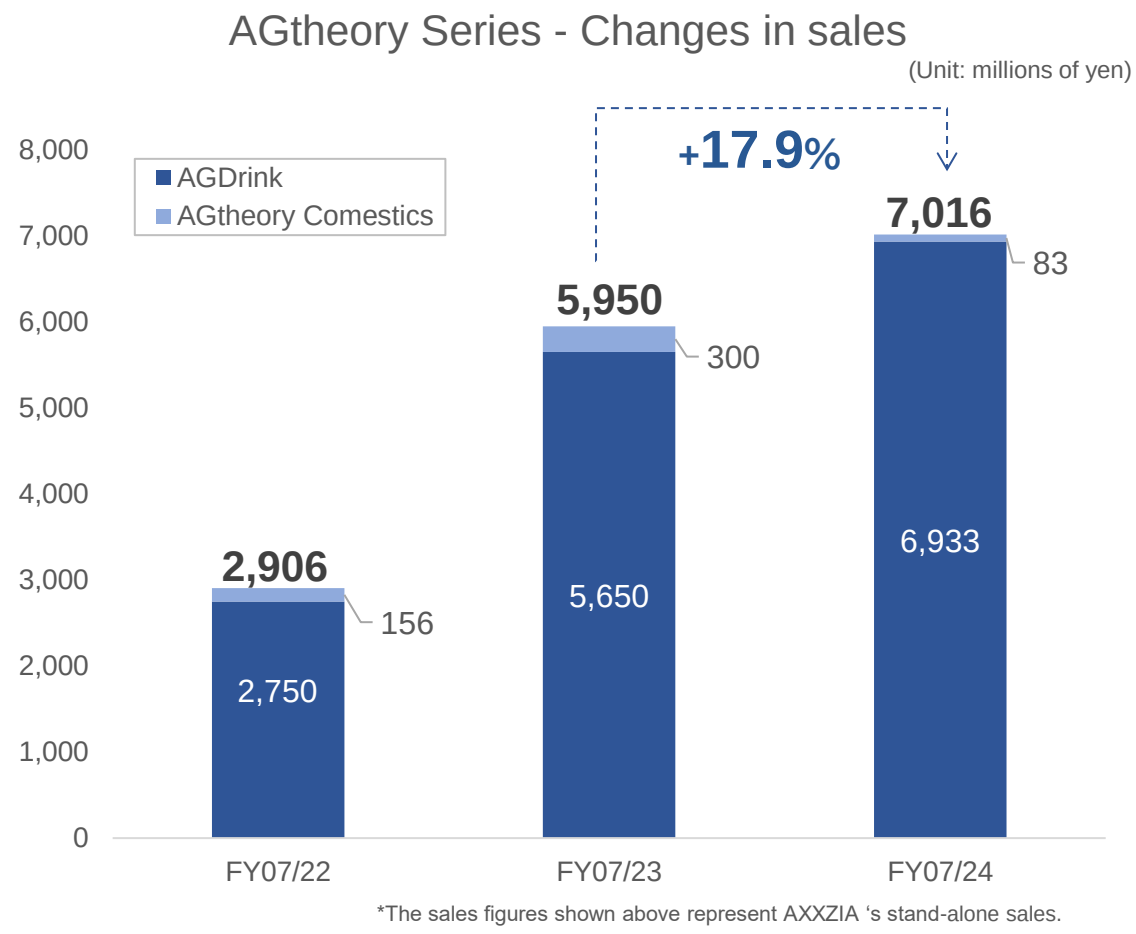
[Main Brands1]
AGtheory Series (FY07/24)

Sales of inner care product **AGDrink X** increased **17.9%** YoY, despite a slowing macro economy in China, backed by growing demand for inner care products.





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

Milestones for sustained growth

- AGDrink was revamped as AGDrink X in April 2023, registering strong sales even during its pre-sale period.
- Fully revamped skincare line with ingredients linked to AGDrink X in June 2024.

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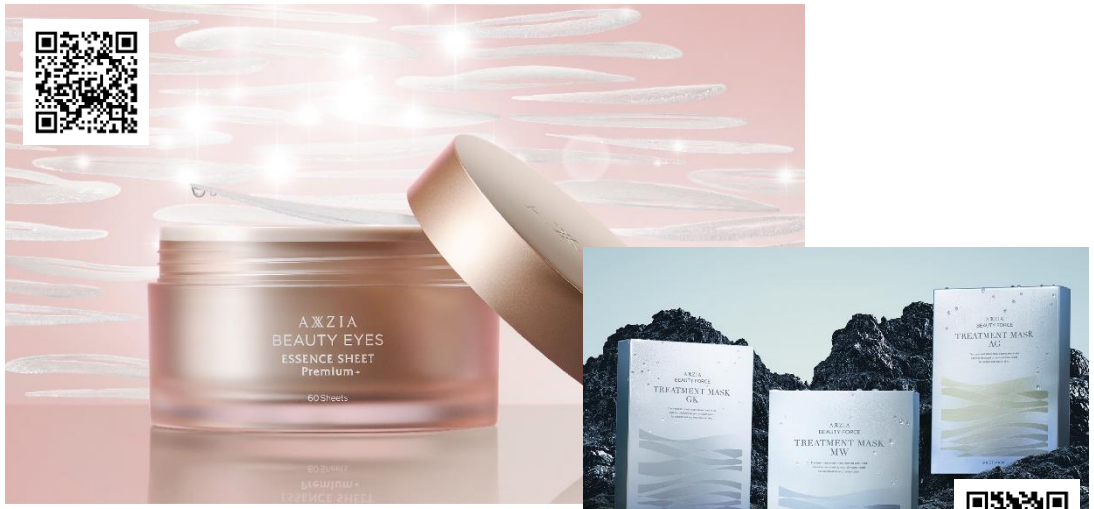
[Main Brands2]
AXXZIA Series (FY07/24)

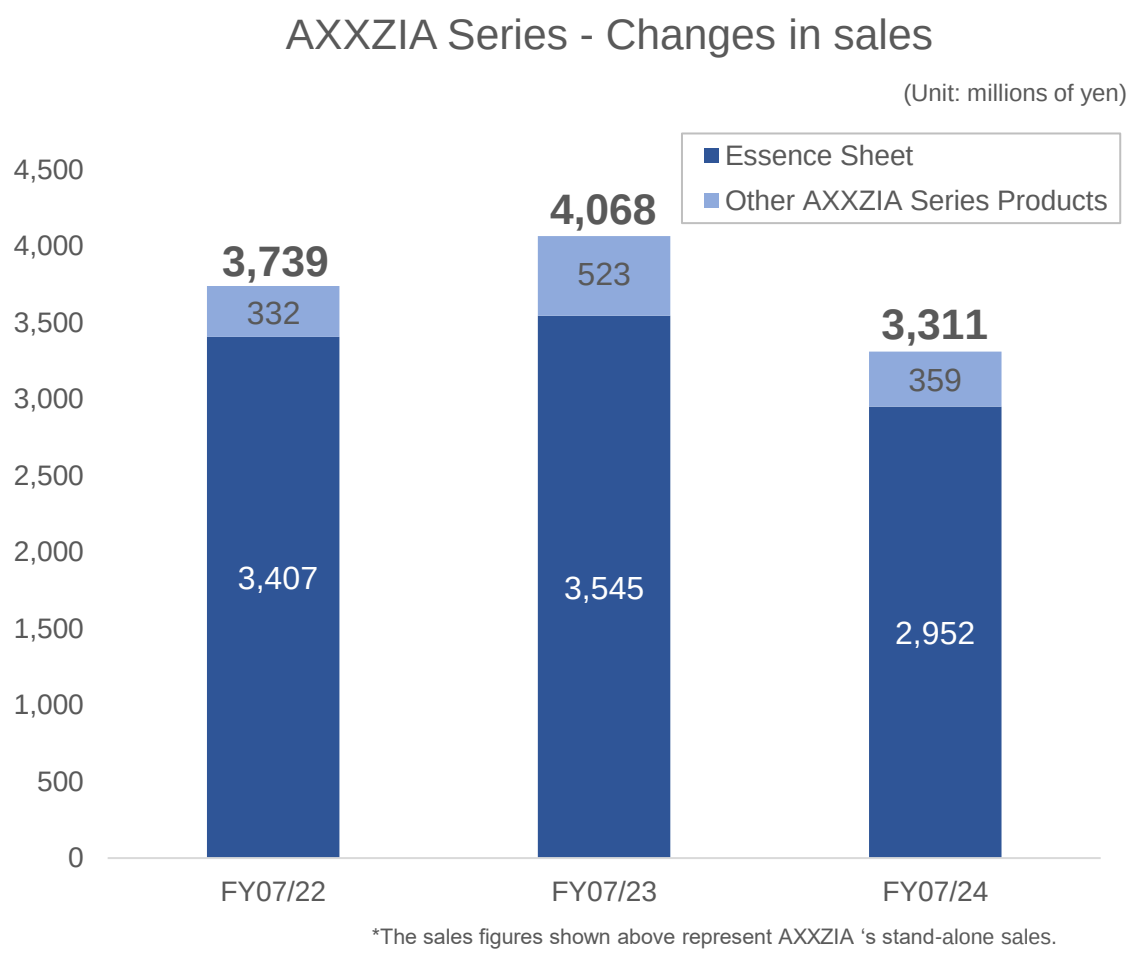
Sales of skincare product Essence Sheet were affected by the decline in the market share of Japanese skincare brands in China due to the impact of ALPS treated water and the accompanying **growth of local skincare brands in the country**.



↑「Treatment Mask [GK/MW/AG]」

Milestones for sustained growth

- Brought product range to market centered on Essence Sheet.
- Full renewal of AXXZIA Beauty Force's basic skincare line in May 2023.
- September 2023: First revamp of skincare sheets for the eye area; launched the Essence Sheet Plus and Essence Sheet Premium Plus.



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

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[Up-and-Coming (Whitening Appeal) Series]
The White Drink / Sunscreen (FY07/24)

AXXZIA

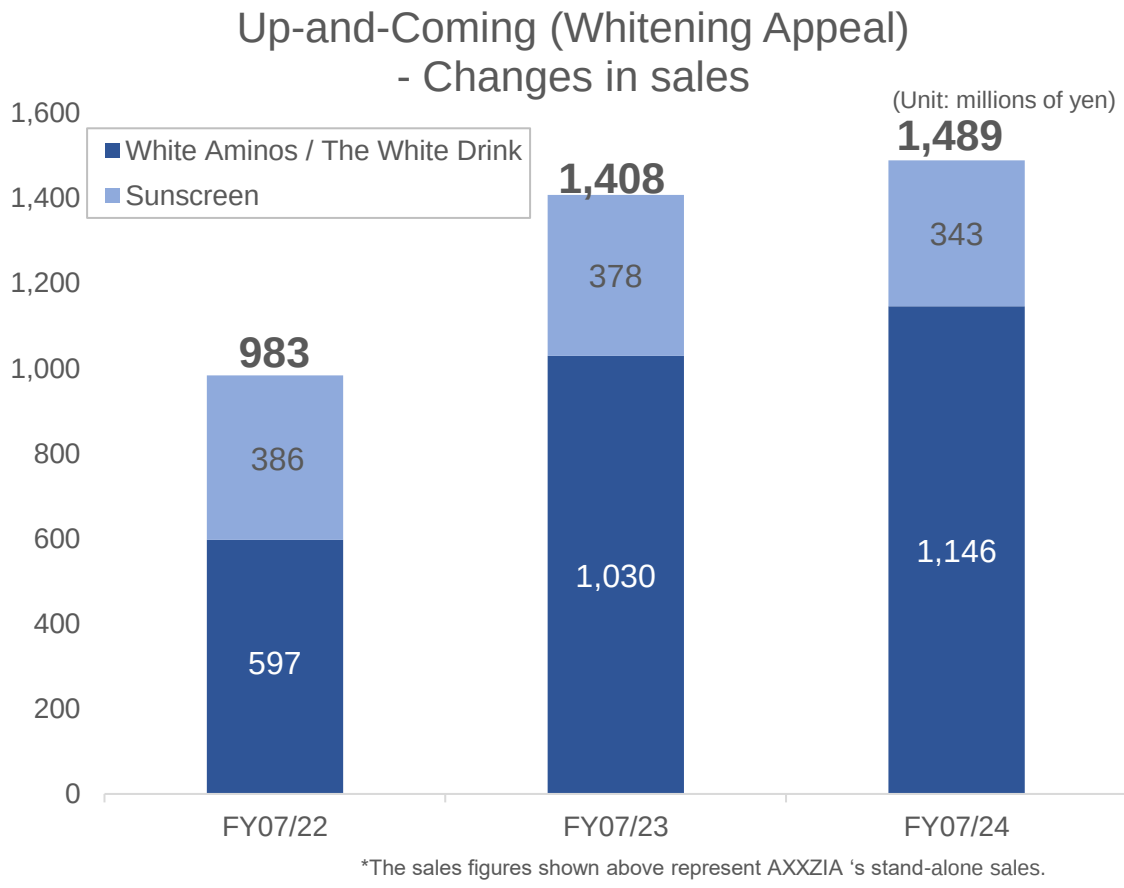
Sales of The White Drink, an inner care product and **a potential third hit product** following Essence Sheet and AGDrink, increased, growing **5.8%** YoY.





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.



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

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5. Forecast for FY07/25

FY07/25 Earnings Forecast

We forecast **substantial sales growth** for FY07/25, backed by earnings contributions from M&D, which we acquired and made a subsidiary in February 2024. Meanwhile, we expect operating margin to decline temporarily, as we push forward with measures to recapture market share in China, and launch and establish business bases in Japan and the third markets. We forecast ordinary income and operating income to be flat YoY.

(Unit: Millions of yen)

	FY07/24 Results	FY07/25 Forecast	YoY change
Net sales	12,192	**15,417**	+3,224 (+26.4%)
Operating income	918	**941**	+23 (+2.6%)
Operating margin	7.5%	**6.1%**	-1.4ppt
Ordinary income	1,122	**906**	-215 (-19.2%)
Profit attributable to owners of parent	794	**636**	-157 (-19.8%)
Earnings per share (yen)	32.06	**26.09**	-5.97

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Initiatives for FY07/25

In addition to expanding our business in China, we aim to **establish a business foundation and bolster sales activities in Japan and the third markets**. We will continue pursuing **synergies** with the two companies we acquired and made subsidiaries.

China: Expand sales of key products

- **E-commerce in China**
  - Focus on live sales that have high advertising efficiency
  - Utilize **renowned KOLs*** in live sales events. Aim to increase sales and recognition
  - Employ trending sales tactics. **Strengthen in-house live sales**
- **Products (China)**
  - Continue growing sales of **AGDrink**, and leverage its brand power to strengthen sales activities for the **AGTheory** brand of skincare products
  - Recover sales of **Essence Sheet**

Japan: Build a sales foundation

- **Retail sales in Japan**
  - **Unify brand image** through an overhaul of directly managed stores
  - Increase the number of multi-product retailers handling AXXZIA products to improve recognition
- **E-commerce in Japan**
  - Increase sales and recognition through social media marketing and YouTube tie-ups **utilizing influencers**
- **Products (Japan)**
  - Increase sales of **products for the eye area**, such as Essence Sheet
  - Enter the **beauty devices market** in full-scale through subsidiary AXXZIA Technologies

Third markets: Launch full-scale operations through subsidiaries

- **Singapore**
  - Aim for sales growth **primarily through e-commerce**, such as Shopee and TikTok
  - Conduct live sales utilizing **local influencers**. Aim for increased recognition as well as sales growth
- **US**
  - Launch full-scale operation of the local subsidiary
  - Aim for sales expansion **primarily through e-commerce**, such as Amazon and TikTok

M&A: Pursue synergies with subsidiaries

- **Huit Laboratories**
  - **Curb CoGS** by increasing OEM manufacturing of AXXZIA products
  - Make **capital investments** aimed at increasing productivity in the future, including installation of automation equipment
- **M&D**
  - Having completed PMI, start working on **improving profit**. Rationalize SKUs to focus on ones with high sales efficiency by clearing out slow moving inventory
  - Sell AXXZIA products on the e-commerce site Blanc Lapin

* KOL, short for key opinion leader, refers to individuals, particularly in Greater China, who have a large number of followers on social media platforms and share information about products or brands they endorse

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6. Medium-Term Management Plan

Basic policy for achieving the medium-term plan targets (FY07/25 – FY07/27)

We have positioned FY2025–FY2027 as a period for **building the foundation for long-term growth.**
We aim to expand sales in China, our focus market, while **establishing a business foundation and bolstering sales activities in markets outside China (Japan and the third markets),** laying the ground work for **sustainable growth**.
We will also focus on **improving profitability**.

External environment

- Slowing growth of the macro economy in China
- Intensifying competition due to the emergence of Chinese local brands
- Changing consumer attitudes and behavior regarding skincare products

Basic policy

1. Pursue stable and sustainable growth in existing businesses
(Consolidated CAGR: **10%** or above)
2. Aim for strategic cost reductions and resulting profit growth
3. Explore opportunities for inorganic growth, such as M&A and business alliances

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Medium-Term Management Plan (FY07/25-FY07/27)

We pushed back the timing for recovering operating margin by a year, due to the need to respond to changes in the business environment in China.

In the next three years, we aim to **further increase sales** and **enhance profitability** by improving advertising efficiency through SKU rationalization and utilizing assets acquired through M&A.

We will also promote **management mindful of capital efficiency**, with the goal of **enhancing corporate value**.

Medium-Term Management Plan

(Unit: Millions of yen)

	FY07/24 Results	FY07/25 Forecast	FY07/27 Plan (Final year of 3yr period)
Net sales	12,192	**15,417**	**19,282**
Operating income	918	**941**	**2,310**
Operating margin	7.5%	**6.1%**	**12.0%**
ROE	9.1%	**7.3%**	**13 - 15%**

* This plan only assumes organic growth of current businesses and does not include growth through M&A or alliances.

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Growth strategies (Highlights)

We have established six growth strategies for achieving the medium-term plan targets.
We will make **groupwide efforts** to rigorously implement the strategies.



01 Further grow the two mainstay brands and up-and-coming series

02 Strengthen market presence in Japan

03 Establish a sales foundation in the third markets and lay a groundwork for sustainable growth

04 Adopt an earnings structure that can generate competitive strengths

05 Rebuild brand image

06 Utilize M&A and business alliances

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Growth strategy 1: Further grow the two mainstay brands and up-and-coming series

We aim to further expand sales of the two mainstay brands, AGTheory in China and AXXZIA in Japan.
We will also accelerate growth of the up-and-coming series. To capitalize on the **growing demand for inner care products** in China, we plan to launch more inner care products and bolster marketing in the country.
In Japan, we intend to make a full-scale entry into the **beauty devices** market.

Further growth of two mainstay brands	➢ For the high-end **AGTheory brand, further increase sales of our hero product**, AGDrink, **in China**, while also **expanding sales of skincare products** in the same brand (with AGDrink as the core product) ➢ Strengthen **sales** of **AXXZIA brand** products, including Essence Sheet for the eye area **in Japan**

AXXZIA 

AGTHEORY 

Accelerate growth of up-and-coming series	➢ Focus on capturing **inner care demand** in China. Aim to increase sales and recognition of **Venus Recipe**, which belongs to the existing up-and-coming series The White Drink, and **RevWell**, a wellness brand ➢ In Japan, utilize subsidiary AXXZIA Technology to bolster marketing for **beauty devices**

Venus Recipe 

RevWell 

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Growth strategy 2: Increase market presence in Japan

We have developed existing products to meet the tastes of Chinese consumers, and hence these products do not have much appeal for Japanese consumers. To strengthen business in Japan, we will begin **developing products for the Japanese market.** Positioning e-commerce operations at the core, we intend to increase customer touchpoints offline. We will also promote CRM by centralizing customer data.

Product development targeting Japan

Offline

- **Increase customer touchpoints**
  - Increase directly managed stores
  - Expand the number of multi-product retailers handling our products
  - Leverage Huit Laboratories' sales network
- **Enhance brand image and increase recognition**
  - Fully renovate existing stores, and unify the brand image of directly managed stores



Head office

CRM

Collect and analyze customer data

Online

- **Strengthen social media marketing**
  - Attract customers to e-commerce sites through social media marketing and YouTube tie-ups using well-known influencers
  - Strengthen live sales on social media
- **Leverage synergies with subsidiaries**
  - Sell AXXZIA Group's products on M&D's e-commerce site, Blanc Lapin

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Growth strategy 3: Establish a sales foundation in the third markets and lay a groundwork for sustainable growth

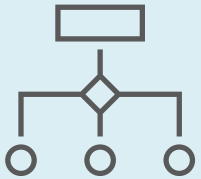
Focused on **North America** and **Southeast Asia**, we will research consumer needs through overseas subsidiaries and aim to establish a **stable sales foundation**. With an eye to **centralizing e-commerce operations at our Shenzhen subsidiary**, we will build expertise in e-commerce operations.



Market development



Research



Operation

Establish a sales foundation	Continue market research	Centralize e-commerce operations
In both North America and Southeast Asia, target sales growth **centered on e-commerce**. In Southeast Asia, bolster **marketing targeting local consumers**, by utilizing local influencers.	Continue researching consumer needs of each market through local subsidiaries. In the future, consider **product development tailored to local market characteristics**.	At the newly established Shenzhen subsidiary, outsource e-commerce operations to a proxy management company to accumulate expertise. Then transfer e-commerce operations of each subsidiary to the Shenzhen subsidiary. In the future, aim to **centralize e-commerce operations** of all group companies at the Shenzhen subsidiary.

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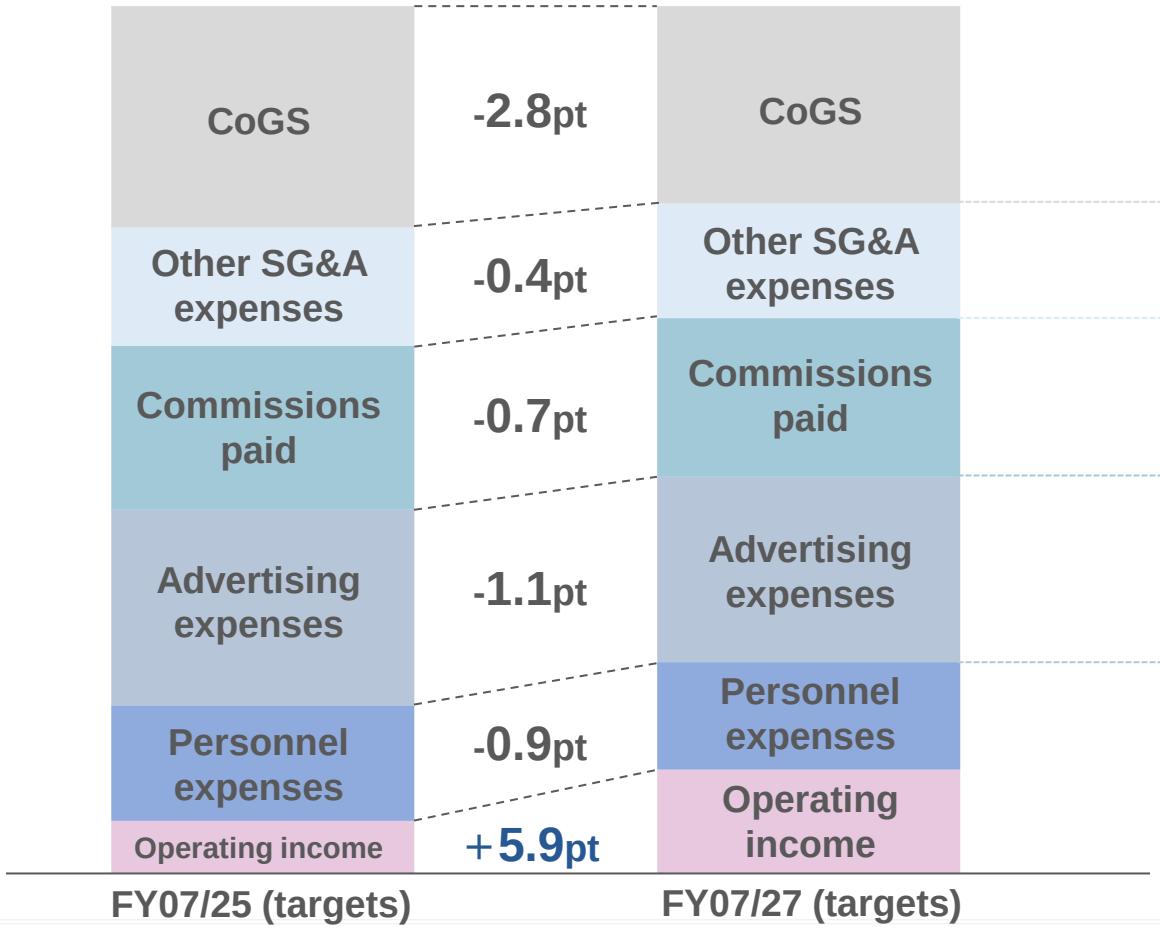
Growth strategy 4: Adopt an earnings structure that can generate competitive strengths

The Group as a whole will work to curb CoGS and key SG&A expenses.
We aim to recover operating margin to **12%** by 2027.

Profit and loss structure



- Make capital investments to enhance productivity, including for the **expansion of automation equipment and facilities** at Huit Laboratories' Yatsugatake Plant
- Rationalize SKUs handled by M&D, and replace with **more profitable SKUs**

- **Reduce logistics-related expenses** by utilizing in-house logistics center FUJISANROKU PLC. Prevent the outflow of related expenses to outside parties

- Bring **cross-border e-commerce operations** at the Shanghai subsidiary **in-house**
- Control sales-linked commissions paid to KOLs by strengthening **in-house live sales function**

- Formulate and implement advertising strategies prioritizing advertising efficiency
- **Rationalize existing product SKUs**. Invest in advertising focused on key products and up-and-coming series

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Growth strategy 5: Rebuild brand image

We are working to revamp our brand design to better resonate with the target customer base. By standardizing product images and advertising visuals for each brand, we aim to **establish a consistent visual identity (VI).**
The goal is to enhance the brand image and strengthen brand power.



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Growth strategy 6: Utilize M&A and business alliances

To resolve the imbalance in regional portfolio and lack of recognition in Japan and the third markets,we will **actively seek out M&A and business alliance opportunities**.
We plan to allocate sufficient funds to **improve the regional portfolio.**

	M&A	Alliance
Issues to address 	➢ Imbalance in regional portfolio (China accounts for about 80% of total sales)	➢ Lack of recognition of the AXXZIA Group in Japan ➢ Insufficient measures to address local consumer needs in the third markets and research on efficient sales tactics
Purpose of considering M&A 	➢ To increase sales in Japan ➢ To build a **more appropriate regional portfolio**	➢ To increase **recognition and brand power** in Japan, and accordingly expand sales in Japan ➢ To increase sales and recognition in the third market
Specific measures 	➢ Acquire cosmetics or supplement companies with **sales of several billions of yen**	➢ **Research and commercialize new formulations and ingredients** in collaboration with alliance partners ➢ Sell collaboration products developed through **IP utilization** ➢ Expand globally in collaboration with local marketing partners in the third markets

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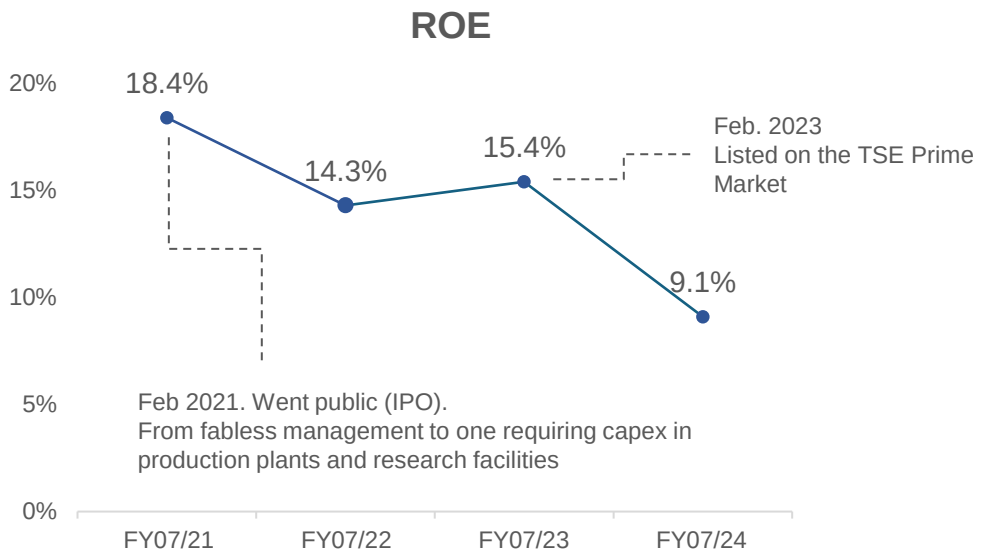
Bolstering the management base: Management mindful of cost of equity and stock prices

Since listing, **ROE has remained above the cost of shareholders' equity**, but due to a decline in the profit margin (ratio of profit attributable to owners of parent to net sales), ROE has been declining. By staging **a recovery in the profit margin**, we aim for **ROE of 13–15%** in the final year of the medium-term management plan (FY07/27).
The goal is to **enhance corporate value** by improving ROE.

Analysis of current situation

- We understand that our cost of shareholder's equity is **at the same level with that of industry peers***
- Since listing, **ROE has consistently stayed above the cost of shareholder's equity**
- Meanwhile, since IPO in FY07/21, ROE has trended around 14–16%, with our transition from fabless management to one requiring capex in production plants and research centers
- In FY07/24, ROE fell to 9.1%, due to a **deterioration in the profit margin** caused by an increase in SG&A ratio
- The increase in the SG&A ratio was due to weak sales and worsening advertising efficiency, reflecting **slowing growth in the macro economy in China**, our main market, and **consumer boycott of Japanese products over the release of ALPS treated water**



Targets

- By improving ROE, mainly through a recovery in the profit margin, we aim to expand the equity spread (ROE–cost of shareholders' equity) and enhance corporate value.

ROE target: **13–15%** (by FY07/27)

* Cost of shareholders' equity is calculated using CAPM

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Bolstering the management base: Measures to improve capital efficiency

To achieve **ROE of 13–15%** in FY07/27, we will **continue making investments to achieve sustainable sales growth** and work on **measures to improve profitability**, including by leveraging synergies with subsidiaries acquired through M&A, i.e., utilize their functions.
We will also consider taking out borrowings for future investments, with a goal of **improving capital efficiency.**

Increase ROE

Profit margin $= \frac{Proift\ attributable\ to\ owners\ of\ parent}{Net\ sales}$

- Improve productivity by utilizing Huit Laboratories' Yatsugatake Factory and the FUJISANROKU PLC logistics center
- Leverage synergies by utilizing functions acquired through M&A

Total asset turnover $= \frac{Net\ sales}{Total\ assets}$

- Further expand sales, by increasing efforts to cultivate products other than the mainstays, and bolstering development in markets other than China
- Setting two months' worth of inventory as the optimal inventory level, control inventory based on inventory turnover

Financial leverage $= \frac{Total\ assets}{Shareholders'equity}$

- Consider utilizing borrowings when making investments in M&A and others
- Consistently pay stable dividends with a target payout ratio of 30%

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Bolstering the management base: Toward sustainable management

We have identified material issues (materiality) regarding sustainability, and set medium- to long-term targets to address them. To **realize both a sustainable society and growth in corporate value**, we will promote sustainable management.

Materiality	Initiatives	Indicator	Target	Target year	Corresponding SDGs
Reduce environmental burden	・Countermeasures for climate change ・Conserve and efficiently use water and forest resources ・Reduce waste	CO2 emissions and water use measurements, understanding current status	Measure and understand	FY2025	
Sustainable product development	・Procure raw materials in a sustainable and responsible manner ・Adopt sustainable packaging materials	Establish a sustainable procurement policy	Establish the policy	FY2025	
		Percentage of FSC-certified paper used	100%	FY2025	
		Adoption of containers made of eco-friendly materials	Selection of materials with reduced environmental impact	FY2025	
Diversity & inclusion	・Hire and appoint employees regardless of attributes such as gender or nationality, and foster a workplace culture that embraces diversity ・Respect human rights	Percentage of female managers	40–50%	Every year (on an ongoing basis)	
		Eruboshi certification	Obtain certification	FY2027	
Sustainable corporate growth by maximizing personnel value	・Develop human resources ・Increase employee engagement	Introduction of talent management system	Introduce and start operation	FY2025	
		Health & Productivity Management Outstanding Organization certification	Obtain certification	FY2027	
Strengthen governance	・Promote fair and highly transparent management ・Ensure appropriate information security and personal information management	Conduct Board of Directors effectiveness evaluation	Conduct evaluation	FY2027	
		Renewal of Privacy Mark Certification	Ongoing	Every year	

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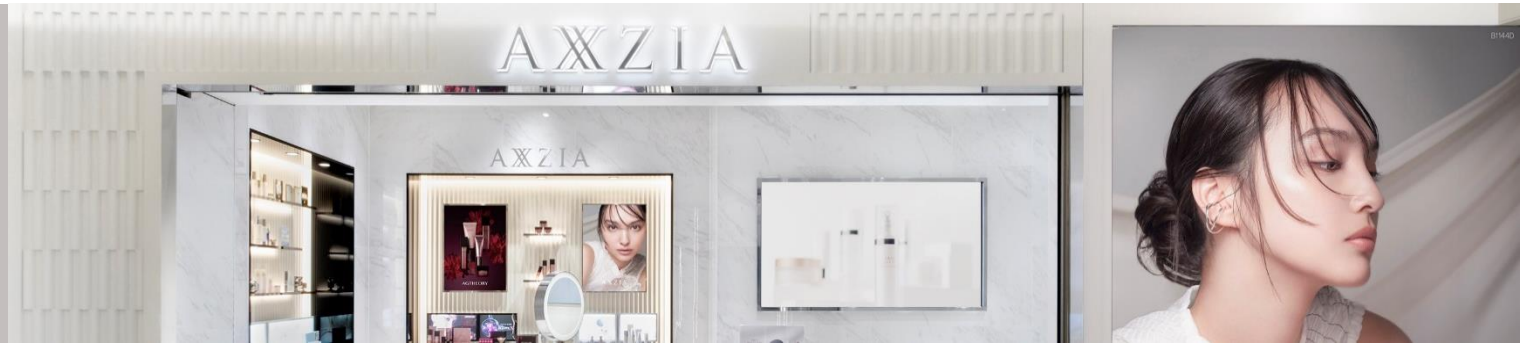
Long-term vision: Investment for growth

Actively invest in the following three areas in the long term to pursue further growth.

Brand



R&D



System



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Long-term vision: To be a total beauty solutions company

With the theme of Beauty & Wellness, we will continue pursuing the vision of becoming a total beauty solutions company.

Beauty & Wellness

Femcare

Health care

Supplements

Inner care





Suncare

Skincare

Eye area care



Aging care*

Beauty devices



Men’s skincare

Hair care

New areas

Fragrance

Cosmetics/make-up

* Age appropriate skincare

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7. Appendix

Company Overview

AXXZIA

AXXZIA

Our company name has been created
from the word of XX (female's chromosome) and ASIA (=AZIA).
We will present "Asian Beauty"
with innovative and passionate attitude from Japan to the world.

Company Name	AXXZIA Inc.
Representative	President Duan Zhuo
Establishment	December 21, 2011
Capital	2,155 million yen （As of end of July 2024）
Location	Shinjuku Sumitomo Building 35F, 2-6-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo, 163-0235 Japan
Office	Tokyo Head Office, Osaka Sales Office, Fukuoka Sales Office
Business Activities	Manufacturing, sales of cosmetics and supplements
Market	TSE Prime (4936)
Board of Directors	President Duan Zhuo Vice President Shoi Dan Managing Director Wu Jun Managing Director Zhang Hui Director Masahiro Yoshida Director Yasuhito Fukui Outside Director Yujiro Arakawa Outside Director Reiko Shuho Outside Director Junichi Ito Corporate Auditor Masahiro Miyajima Outside Auditor Kenji Shimizu Outside Auditor Kuninobu Okuda

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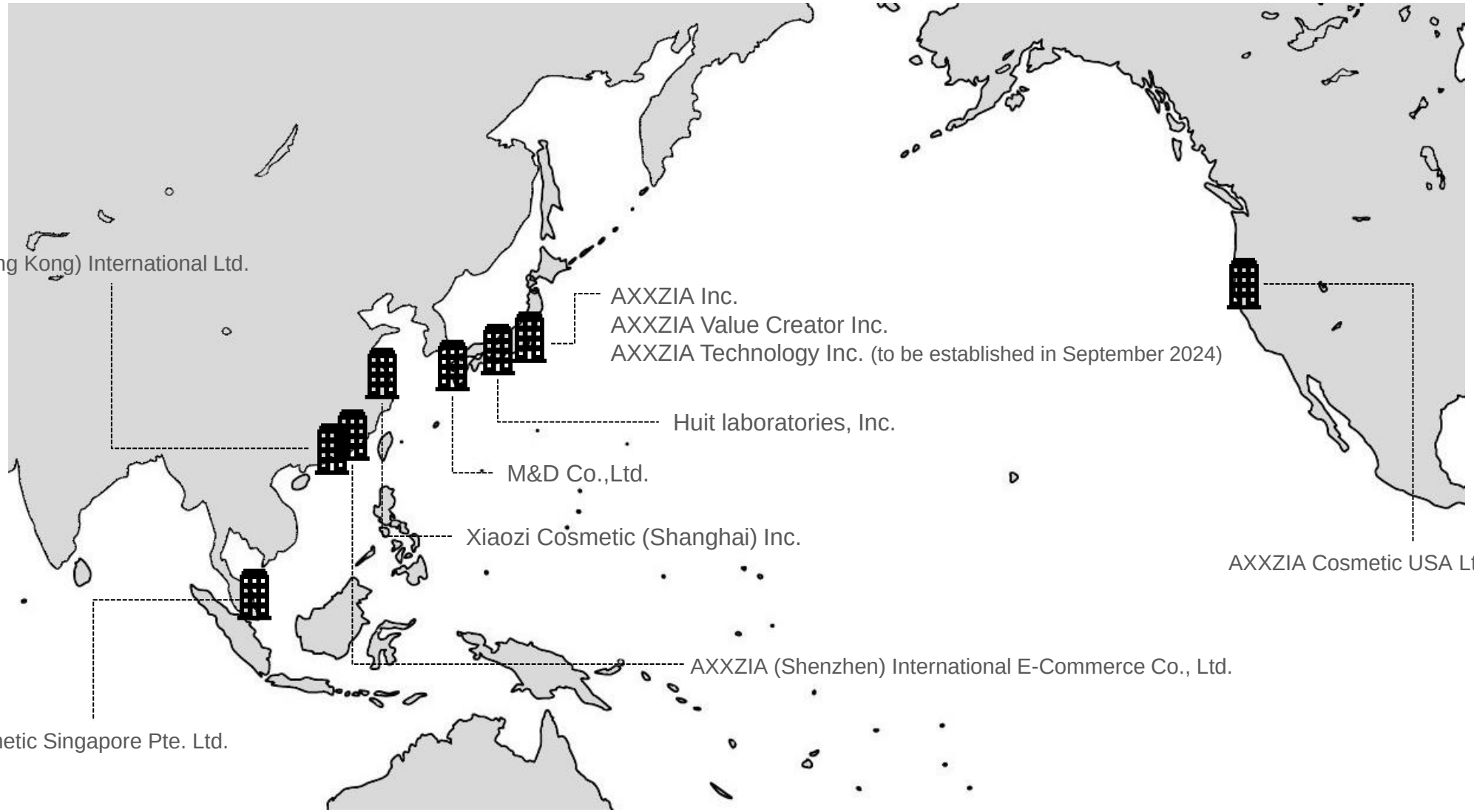
Consolidated Subsidiaries



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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 Opened AXXZIA flagship store for major Chinese e-commerce platform JD.com
2022	Made Huit Laboratories a wholly owned subsidiary Opened AXXZIA flagship store for major Chinese mobile video app Kuaishou
2023	Changed its listing to the Prime section of the Tokyo Stock Exchange Established AXXZIA Value Creator Inc. as a consolidated subsidiary (100%) Established AXXZIA Cosmetic Singapore Pte. Ltd. as a consolidated subsidiary (100%)
2024	Made M&D Co., Ltd. a wholly owned subsidiary Established AXXZIA Cosmetic USA Ltd. as a consolidated subsidiary (100%)

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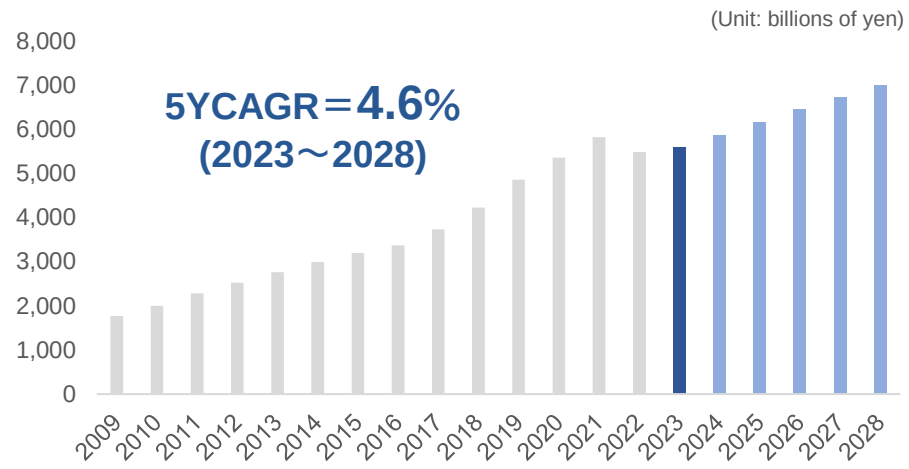
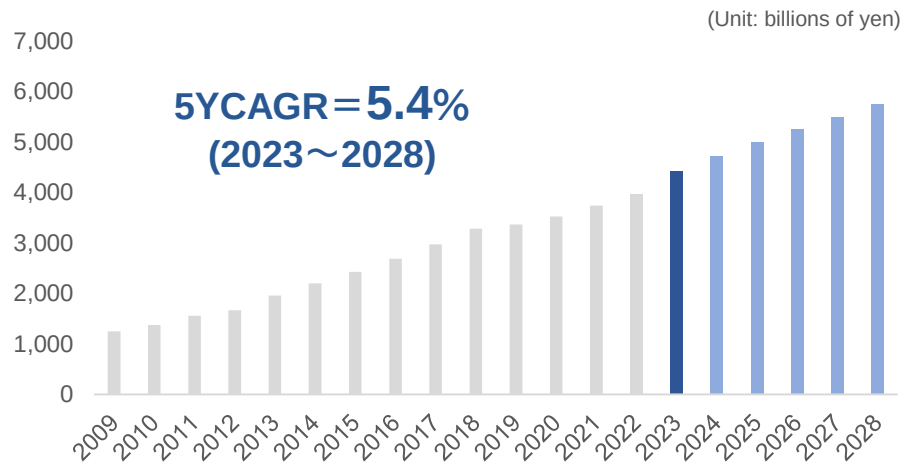
[Market Environment 1] Skincare and Supplement Market

AXXZIA

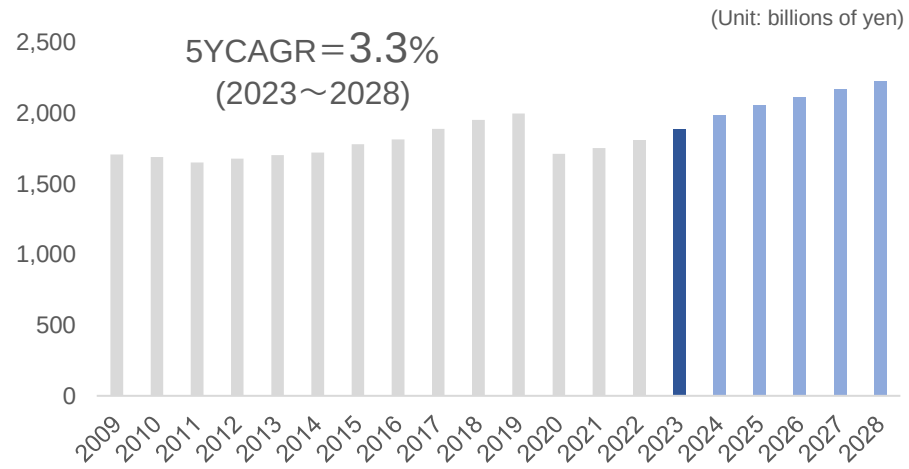
Skincare market size in China: 5,588.5bn yen (retail sales in 2023)



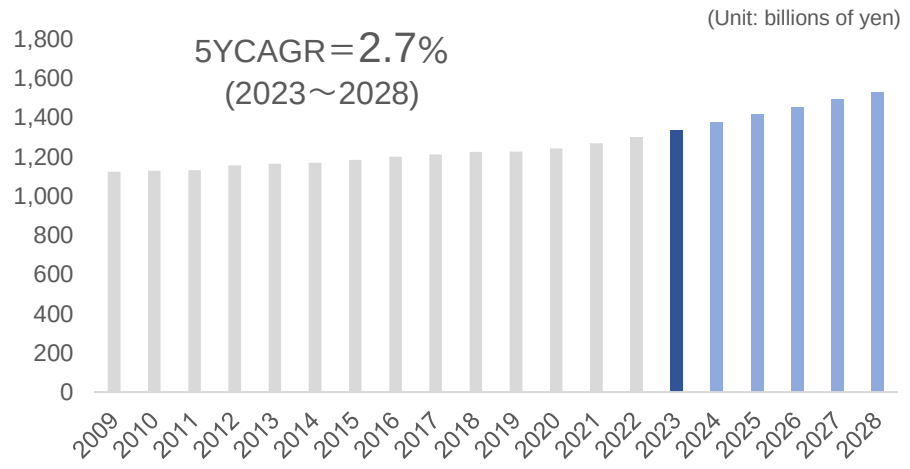
Supplements market size in China: 4,420.9bn yen (retail sales in 2023)



Skincare market size in Japan: 1,889.1bn yen (retail sales in 2023)



Supplements market size in Japan: 1,334.0bn yen (retail sales in 2023)



Source :Euromonitor International Limited, Beauty and Personal Care 2023 edition, retail value RSP fixed 2023 exchange rates, current prices, data extracted on 17 April 2024

Source :Euromonitor International Limited, Consumer Health 2023 edition, retail value RSP, fixed 2023 exchange rates, current prices, data extracted on 17 April 2024

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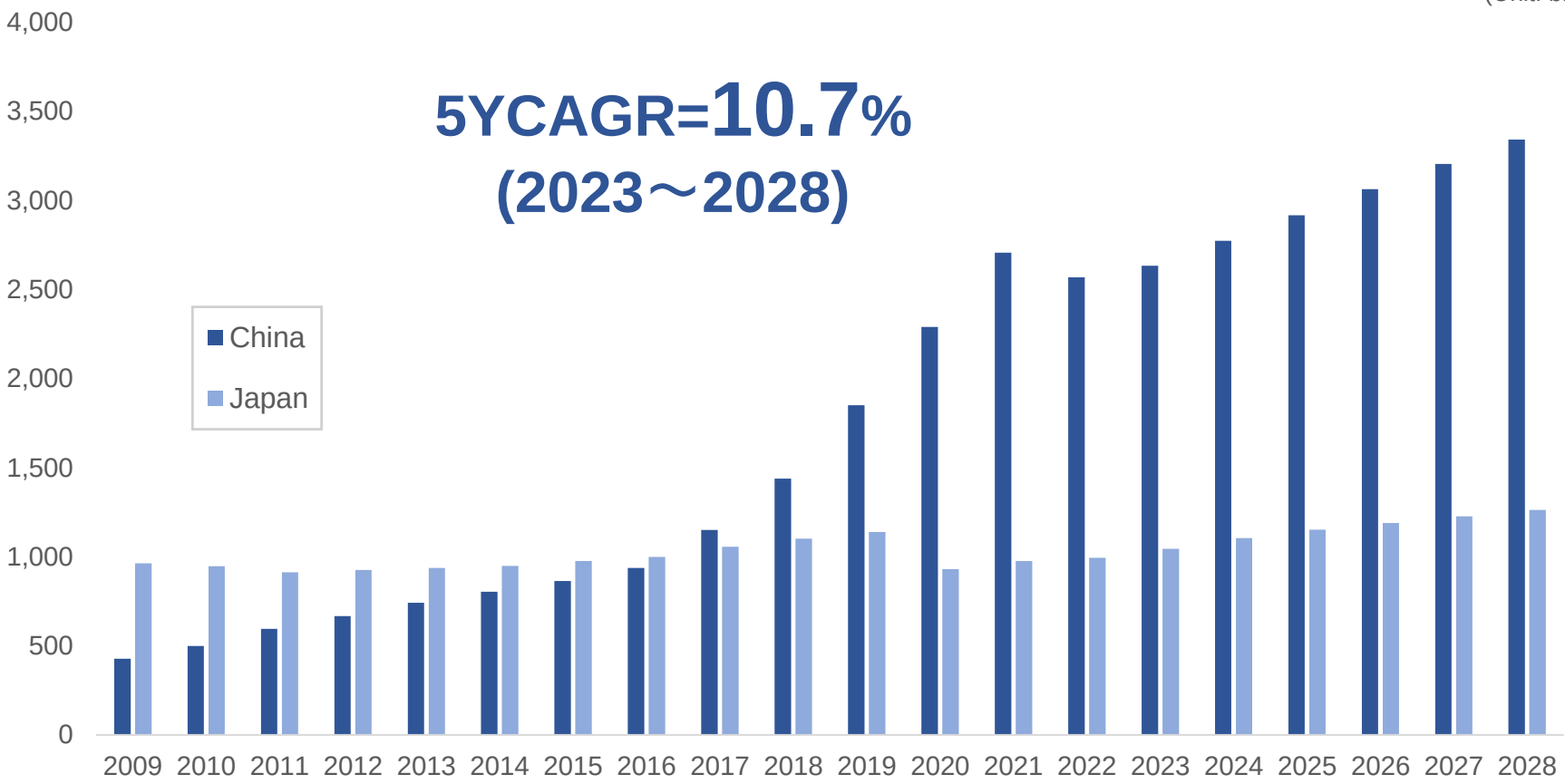
[Market Environment 2] Premium Skincare Market

Premium skincare market in China and Japan

(Unit: billions of yen)



（Source：Euromonitor International Limited, Beauty and Personal Care 2023 edition, retail value RSP fixed 2023 exchange rates, current prices, data extracted on 12 June 2024）

* Premium = high-end cosmetics. Luxury lineup for customers who are highly conscious of beauty and are willing to spend more money on beauty products and services. Positioned as series exclusively for premium channels such as department stores and directly-managed shops.

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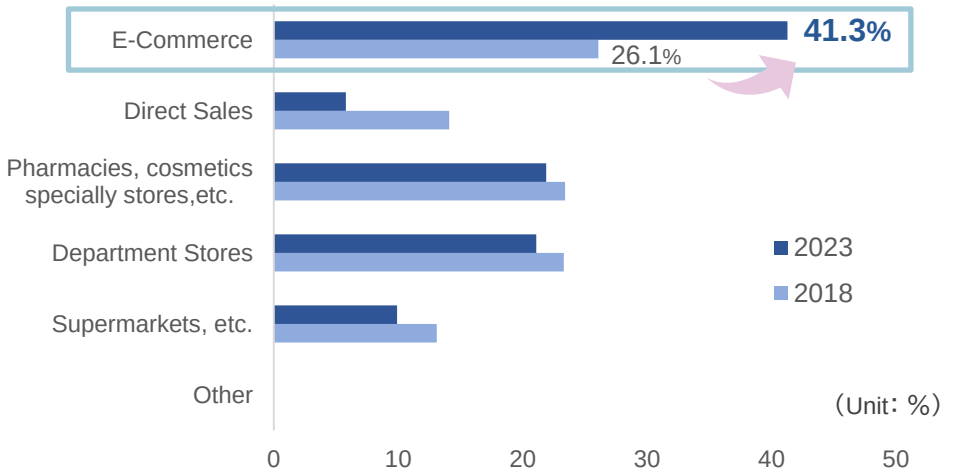
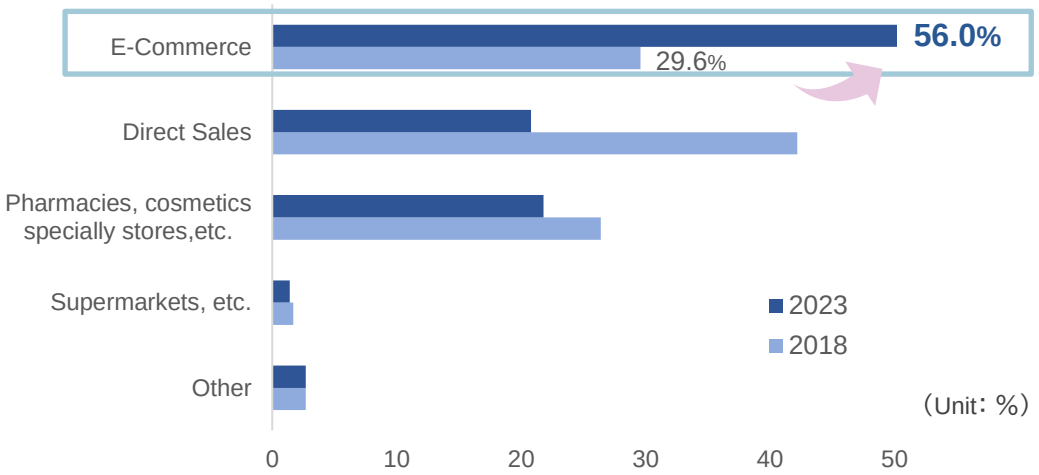
[Market Environment 3] E-commerce Market

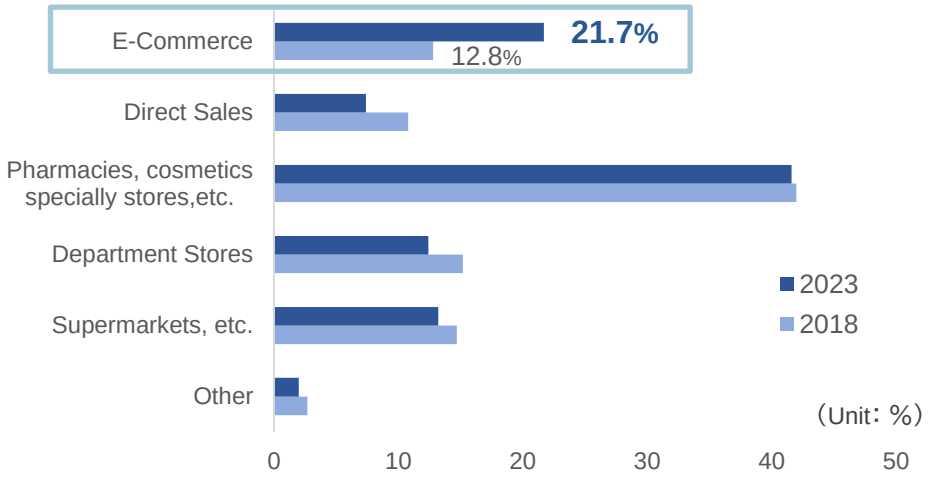
Chinese skincare market



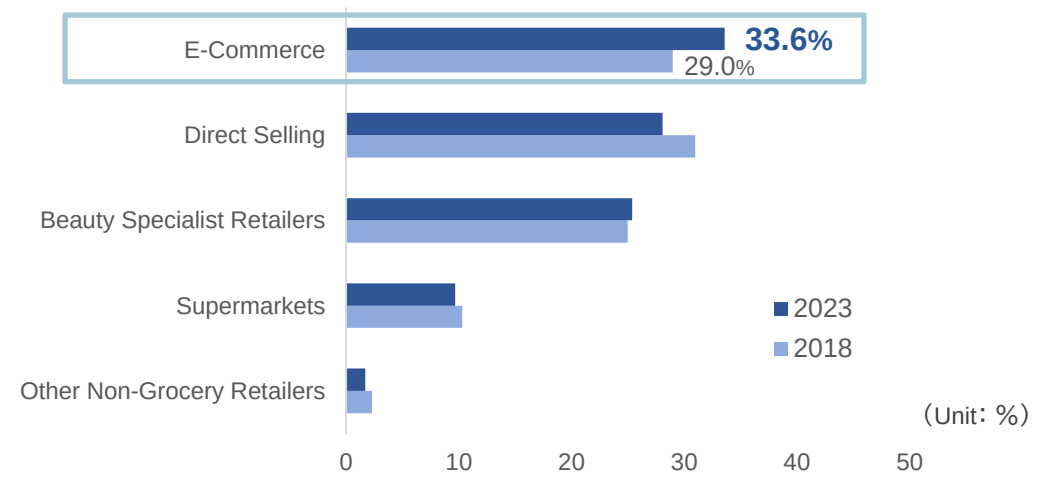
Chinese supplement market



Japanese skincare market



Japanese supplement market



Source：Euromonitor International Limited, Skin Care 2023 edition, retail value RSP fixed 2023 exchange rates, current prices, data extracted on 12 June 2024

Source：Euromonitor International Limited, Consumer Health 2023 edition, retail value RSP, fixed 2023 exchange rates, current prices, data extracted on 12 June 2024

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Historical Financial Data (consolidated results)

AXXZIA

		FY07/21	FY07/22	FY07/23	FY07/24
Net sales	millions of yen	5,787	8,215	11,341	**12,192**
Cost of goods sold	millions of yen	1,712	1,994	2,397	**2,581**
SG&A expenses	millions of yen	2,692	4,587	7,043	**8,692**
Personnel expenses	millions of yen	686	860	1,280	**1,494**
Advertising expenses	millions of yen	793	1,578	2,464	**3,134**
Commissions paid	millions of yen	670	1,252	1,892	**2,170**
Operating income	millions of yen	1,383	1,633	1,899	**918**
Ordinary income	millions of yen	1,370	1,746	1,902	**1,122**
Profit attributable to owners of parent	millions of yen	868	1,116	1,330	**794**
ROE	%	18.4	14.3	15.4	**9.1**
EPS	yen	35.97	43.28	51.80	**32.06**
BPS	yen	278.81	325.43	354.00	**349.51**
Equity ratio	%	87.0	83.5	83.2	**80.9**
Dividend per share	yen	0.00	0.00	14.00	**20.00**

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Disclaimer and notes regarding the future outlook

- This document is intended solely to provide information about AXXZIA Inc., and is not intended to solicit investment in securities issued by the Company. AXXZIA Inc. does not guarantee the accuracy, completeness, validity, etc. of the numerical figures, information, opinions, and other statements in this document, and will not pay any compensation for any damages, losses, or consequences resulting from use of or reliance on these numerical figures, information, opinions, or any other statement.

- 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.

[Contact]

AXXZIA Inc. (Securities code: 4936)

Management department (X : axxzia-ir)
E-mail：axxzia-ir@axxzia.co.jp
URL ：https://axxzia.co.jp/en/ir/

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