

AXXZIA

December 10th ,2021



Financial Results Presentation for Q1 FY07/22

AXXZIA Inc.



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Executive Summary

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Executive Summary

Q1 FY07/2022

■ **Net sales:** **1,788mn yen**
(+46.0% YoY)

■ **Operating income:** **321mn yen**
(+5.4% YoY)

■ Net sales came in 13.9% above the forecast; operating income exceeded the forecast by 32.4%.

■ Revenues from W11 (China's largest e-commerce event) are expected to contribute to earnings from Q2. We issued a press release about the event in November 2021.

Topics

■ We opened a flagship store on Douyin (mainland Chinese version of video platform TikTok) and a flagship store on the e-commerce platform JD.com.

■ Launched new products Lacto Capsule, Liquid Lucent UP, and new series THE B PRO.



Business Results: Highlights

AXXZIA

Consolidated P&L (vs. Q1 FY07/21 results)

- Net sales: **1,788mn yen**, up **563mn yen** YoY (+46.0% YoY)
- Operating income: **321mn yen**, up **16mn yen** YoY (+5.4% YoY)

(Unit: millions of yen)

	Q1 FY07/21	Q1 FY07/22	YoY change (amount)	YoY change
Net sales	1,225	1,788	+563	+46.0%
Operating income	305	321	+16	+5.4%
Operating margin	24.9%	18.0%	—	-6.9pt
Ordinary income	309	333	+23	+7.7%
Profit attributable to owners of parent	209	218	+9	+4.5%

*Figures for Q1 FY07/21 are pre-listing figures (the Company was listed on the stock exchange in February 2021).

Quarterly Breakdown of Full-Year Forecast

- Earnings are expected to be **concentrated in 2H**, due in part to e-commerce events.
- Q1 earnings are projected to have the smallest weighting out of all quarters.

(Unit: millions of yen)

	Q1 FY07/22	Q2 FY07/22	Q3 FY07/22	Q4 FY07/22	Full-year FY07/22 Forecast
Net sales	1,570	1,832	1,759	1,954	7,117
vs. Full-year forecast	22.1%	25.8%	24.7%	27.5%	100.0%
Operating income	243	376	401	445	1,466
vs. Full-year forecast	16.6%	25.7%	27.4%	30.4%	100.0%
Ordinary income	241	372	372	438	1,424
vs. Full-year forecast	16.9%	26.1%	26.2%	30.8%	100.0%
Profit attributable to owners of parent	157	240	244	287	930
vs. Full-year forecast	16.9%	25.8%	26.3%	30.9%	100.0%

Results vs. Forecast

- Net sales: **+218mn yen** vs. Q1 forecast (**113.9%** progress rate)
- Operating income: **+78mn yen** vs. Q1 forecast (**132.4%** progress rate)
- Quarterly profit: **+61mn yen** vs. Q1 forecast (**139.0%** progress rate)

(Unit: millions of yen)

	Q1 FY07/22 Forecast	Q1 FY07/22 Results	Results vs. Forecast	Progress rate
Net sales	1,570	1,788	+218	113.9%
Operating income	243	321	+78	132.4%
Operating margin	15.5%	18.0%	—	+2.5pt
Ordinary income	241	333	+92	138.2%
Profit attributable to owners of parent	157	218	+61	139.0%

*Figures for Q1 FY07/21 are pre-listing figures (the Company was listed on the stock exchange in February 2021).

CoGS and SG&A Expenses

- CoGS-to-sales ratio: 28.0% (-1.1ppt YoY) SG&A-to-sales ratio: 54.0% (+8.0ppt YoY)
- Advertising expenses totaled 374mn yen, 5.4% above the Q1 budget of 355mn yen.
The surplus in advertising expenses is linked to higher e-commerce sales in China and have generated solid ROI. As such, we will continue to make advertising investments.

(Unit: millions of yen)

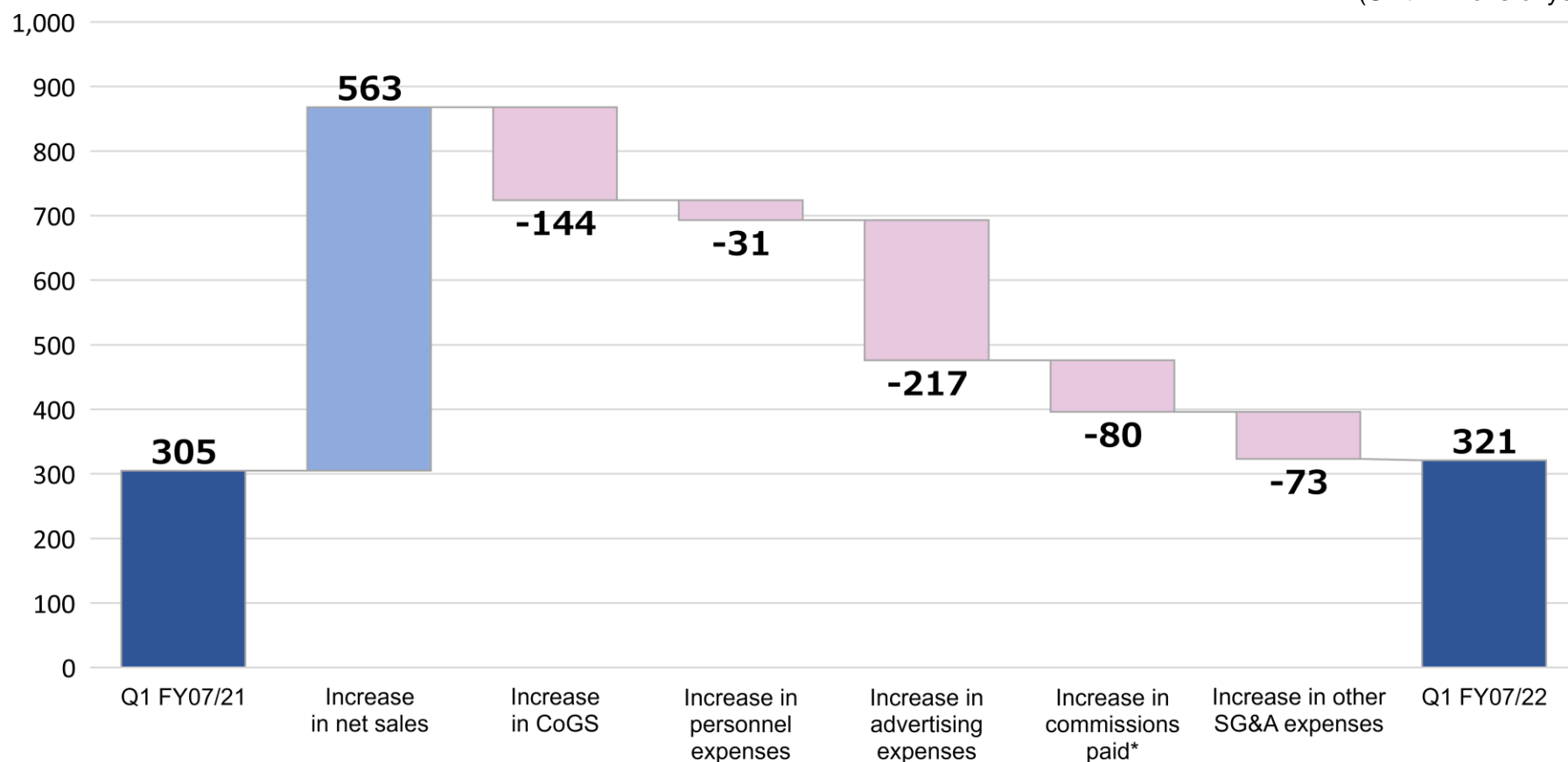
	Q1 FY07/21		Q1 FY07/22		YoY	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Change
Cost of goods sold	357	29.2%	501	28.0%	+144	-1.1ppt
SG&A expenses	562	45.9%	965	54.0%	+402	+8.0ppt
Advertising expenses	157	12.9%	374	20.9%	+217	+8.1ppt
Commissions paid	135	11.0%	215	12.0%	+80	+1.0ppt
Personnel expenses	166	13.6%	198	11.1%	+31	-2.5ppt
Depreciation & amortization	4	0.4%	13	0.7%	+8	+0.3ppt
R&D expenses	3	0.3%	3	0.2%	0	-0.1ppt
Other	95	7.8%	160	9.0%	+65	+1.2ppt

*Figures for Q1 FY07/21 are pre-listing figures (the Company was listed on the stock exchange in February 2021).

Operating Income (Breakdown of YoY Change)

- Net sales: **Up 563mn yen** YoY (+46.0% YoY)
- Operating income: **Up 16mn yen** YoY (+5.4% YoY)
- As planned, we made upfront investments in advertising in order to raise brand awareness and expand the customer base.

(Unit: millions of yen)




*E-commerce platform usage fees, etc.

Consolidated B/S

- Continued to maintain a robust financial position, including current ratio and equity ratio.

(Unit: millions of yen)

		End-FY07/21		End-Q1 FY07/22		YoY change
		Amount	Ratio	Amount	Ratio	Amount
	Current assets	7,690	93.0%	7,659	93.2%	-30
	Non-current assets	577	7.0%	557	6.8%	-20
Total assets		8,267	100.0%	8,217	100.0%	-50
	Current liabilities	958	11.6%	714	8.7%	-243
	Non-current liabilities	116	1.4%	86	1.1%	-29
Total liabilities		1,074	13.0%	801	9.8%	-272
Total net assets		7,193	87.0%	7,415	90.2%	+222
Total liabilities and net assets		8,267	100.0%	8,217	100.0%	-50



Q1 FY07/22 Topics

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Q1 FY07/22 Topics (Flagship Store)

- In October, two flagship stores were opened at our Shanghai subsidiary.
- The demand for skincare products is rising in the Chinese market.
We will continue to promote the expansion of market share, brand awareness, and sales.

October 20, 2021

Opened AXXZIA Xiaozi Cosmetic Flagship Store specializing in skincare products on Douyin (mainland China version of video platform TikTok)



October 26, 2021

Opened AXXZIA JD.com Official Flagship Store on e-commerce platform JD.com



Q1 FY07/22 Topics (New Products)

- The following products and series were launched in Q1 FY07/22.



Venus Recipe Lacto Capsule



THE B PRO Series (professional skin care lineup)

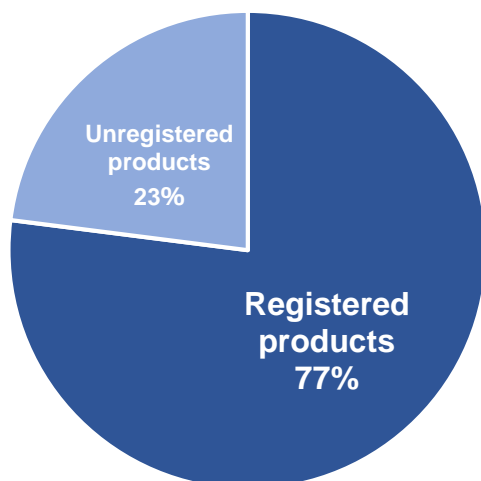


AXXZIA Beauty Force Liquid Lucent UP

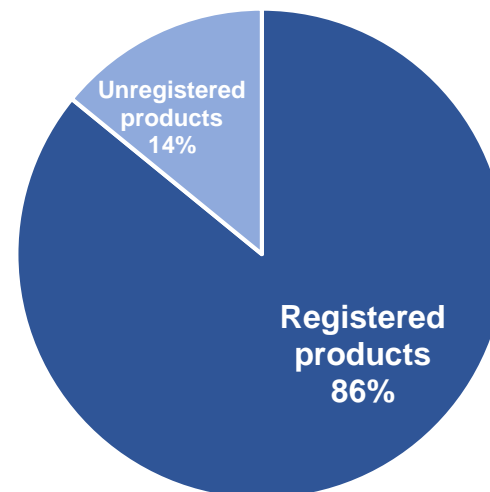
Q1 FY07/22 Topics (Obtaining NMPA Approval)

- AXXZIA's product design emphasizes the use of NMPA-approved ingredients and formulas in order to ensure a smooth approval process.
- **Approx. 77% NMPA*** approval out of the total SKUs of 87 products
- **Approx. 86%** out of all products developed for the Chinese market
- **100% approval rate** in the last two years (generally, other companies average 20%-30%)
- **3-month average application period** (generally, other companies average 6 months)

**NMPA registration ratio
(all products)**
(as of end-Nov. 2021)



**NMPA registration ratio
(products developed for Chinese market)**
(as of end-Nov. 2021)



*NMPA: National Medical Products Administration. Government agency administering requirements and review permits in China for sales of medical devices, pharmaceuticals, pharmaceutical packaging materials, cosmetics, and health foods in the Chinese market. Equivalent to the Ministry of Health, Labour and Welfare (MHLW) certificate (manufacturing and marketing approval certificate) in Japan, the premarket approval (PMA) by the US FDA, and CE marking in the EU. Graph entries relate only to cosmetics as AXXZIA's dietary supplements are sold as general foods and beverages.

*Figures only apply to cosmetics for which we are applying for NMPA approval as our policy for supplements is to obtain Chinese import approval.



Future Initiatives

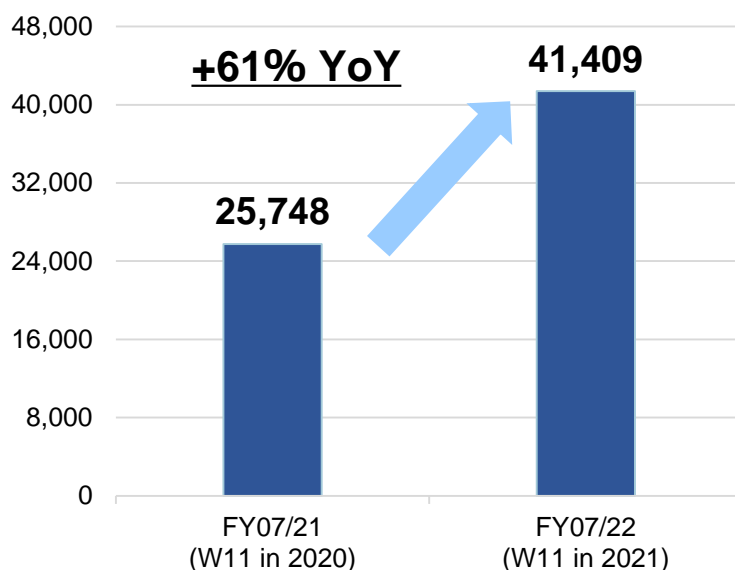
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Tmall, RED and Douyin Flagship Stores Results in W11 event

- Our gross merchandise volume (GMV^{*1}) during W11 Event (China's largest e-commerce event) : **+61% YoY**.
- Revenues from W11 are expected to **contribute to earnings from Q2**.

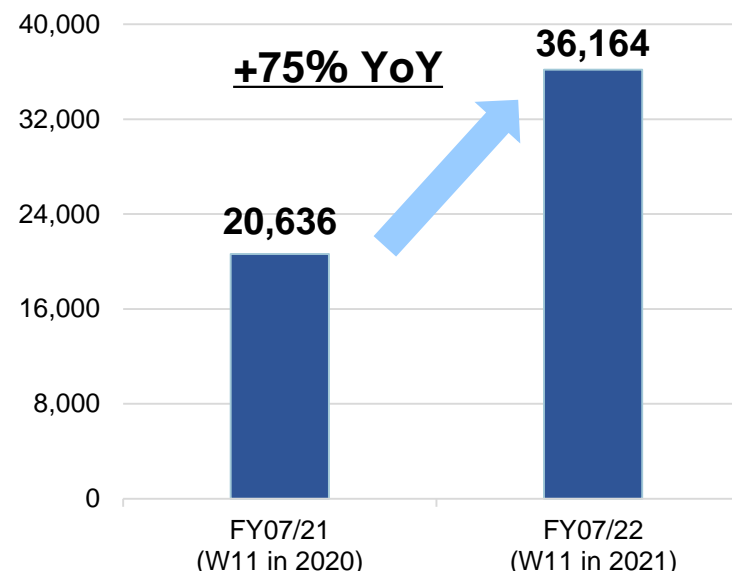
GMV comparison

(Unit: thousand yuan)



Core products^{*2} GMV comparison

(Unit: thousand yuan)



China's Three Major E-commerce Events

- China's largest e-commerce sales event held on Nov. 11 every year in celebration of Singles' Day
- E-commerce sales event for women's products held in conjunction with International Women's Day on March 8
- Annual e-commerce sales event held around June 18 every year, by Chinese e-commerce site JingdongMall

*1 GMV = Total GMV of AXXZIA's products at flagship stores (Cosmetics, Supplements) on Tmall Global, RED (Xiaohongshu) and Douyin flagship stores.

*2 Our core products comprise AGDrink 5th, Essence Sheet Premium, and Essence Sheet.

Sign Up to the Baidu Baike LOFT New Advertising Service

- We have signed up to Baidu Baike LOFT, a new cross-border e-commerce advertising service recently launched by Baidu Japan Inc.
- By combining our use of Baidu with the service, we can further enhance our brand strength and expand our potential customer base in Chinese markets **as well as direct customers to our cross-border e-commerce flagship stores**. The service is expected to contribute to our earnings.



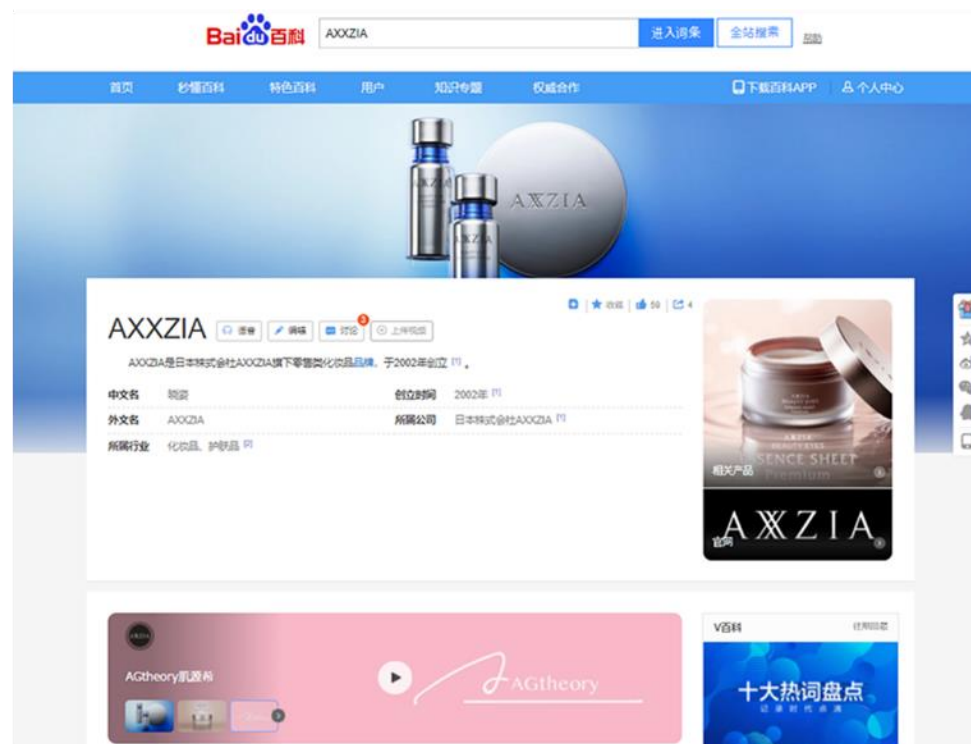
明星产品

臻璨御龄眼膜
点击购买 >

多效修护眼膜
点击购买 >

AXXZIA是日本株式会社AXXZIA旗下零售类化妆品品牌，于2002年创立^[1]。

中文名	晓姿
外文名	AXXZIA
所属行业	化妆品、护肤品 ^[2]
创立时间	2002年 ^[1]
所属公司	日本株式会社AXXZIA ^[1]



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相关产品: SENSE SHEET

AGtheory 肌源系

十大热词盘点



Appendix

AxxZIA

Company Overview

A X X Z I A

Creating things and experiences
that amaze people.

AXXZIA's Management Philosophy

The "XX" in AXXZIA represent the chromosome pair for women, and is the symbol of beauty. "AZIA" is a word coined to mean Asia. AXXZIA's mission is to seek out the value of dignified beauty in Asian women and pursue abundance within, not just outer beauty. We will present Asian beauty from Japan to the world through cosmetics, supporting radiance and a dignified way of life for each and every person.

Company Overview

Establishment	: December 21, 2011
Capital	: 2,109 million yen (As of end of July 2021)
Location	: Tokyo, JAPAN
Office	: Tokyo Head Office Tokyo 2 nd Head Office Osaka Sales Office Fukuoka Sales Office AXXZIA GINZA SIX
Business Activities	: Manufacturing, sales of cosmetics and supplements
Market	: TSE Mothers (4936)

Consolidated Subsidiaries

Xiaozi Cosmetic (Shanghai) Inc.
AXXZIA (HongKong) International Limited

Board of Directors

President	Dan Taku
Executive Vice President	Xiaowei Amano
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



Corporate History

Date	Topics
December 2011	Established Orientina Cosme Co.,Ltd. in Tokyo, Japan (Capital: 9 million yen) Started development and production of cosmetics for beauty salons
November 2012	Changed company name from Orientina Cosme Co.,Ltd. to AXXZIA Inc.
February 2013	Increased capital to 10 million yen
April 2013	Relocated head office
May 2013	Acquired a license granted for marketing and manufacturing cosmetics (Approval No. 13C0X11007) Acquired a license granted for manufacturing cosmetics (Approval No. 13CZ200772)
September 2013	Launched Le Cier de L'aube, skincare brand for beauty salons and spas
May 2016	Launched Beauty Eyes, eye care and skincare brand for the retail market
August 2016	Launched Venus Recipe, supplemental brand for the retail market
November 2017	Opened Osaka sales office in Osaka, Japan
April 2018	Established Xiaozhi Cosmetic (Shanghai) Inc. as a consolidated subsidiary (100%)
May 2018	Established AXXZIA (HongKong) International Limited as a 100% consolidated subsidiary Increased capital to 38 million yen
October 2018	Increased capital to 98 million yen
December 2018	Acquired the site for new plant in Mt. Fuji Submontane Frontier Park Koyama, Shizuoka, Japan
February 2019	Opened AXXZIA Flagship Store, an e-commerce flagship store on Xiaohongshu (RED), one of China's largest social commerce platforms
April 2019	Opened AXXZIA Flagship Store, an e-commerce flagship store on Tmall Global, another of China's largest social commerce platforms
May 2019	Launched AGtheory, skincare brand for the retail market
August 2020	Opened Fukuoka sales office in Fukuoka, Japan
February 2021	Listed on the Mothers market (section) of the Tokyo Stock Exchange Launched The B PRO, salon-exclusive brand for professional use
March 2021	Opened AXXZIA GINZA SIX Store, the Company's first directly managed store
May 2021	Opened AXXZIA's flagship store on Douyin/TikTok (China's leading mobile video app)
Oct. 2021	Shanghai subsidiary opened a flagship store specializing in skincare products on Douyin/TikTok (China's leading mobile video app) Shanghai subsidiary opened AXXZIA's flagship store on JD.com, a major e-commerce platform in China

Business Overview

- AXXZIA is involved in the planning, manufacturing, and sale of high-end (premium) and medium-range cosmetics and supplements.
- Cosmetics are generally divided into three categories: skincare, makeup, and fragrance. At AXXZIA, we mainly handle skincare products.

Main product lineup

High-end

Avg. selling price: Over 10,000 yen

(Salon-exclusive brand)

Medium-range to high-end

Avg. selling price: Over 5,000 yen

(B2C brand)

Aging Care series

Eye Care series

Transparency and Luster series

Cosmetics
(mainly skincare)



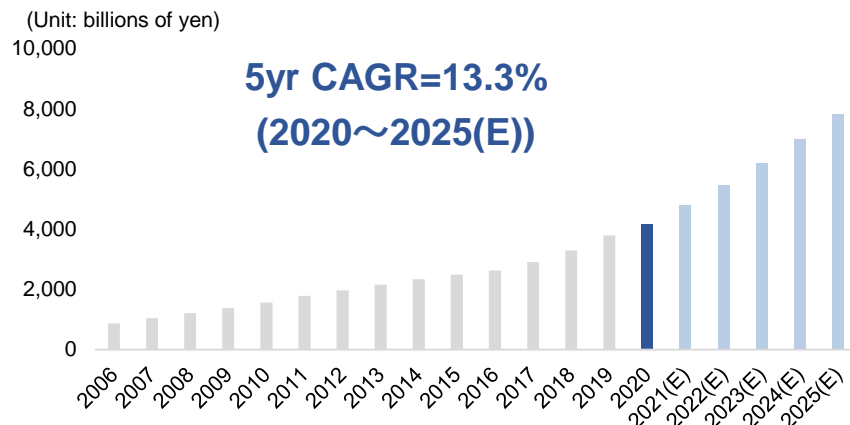
Supplements



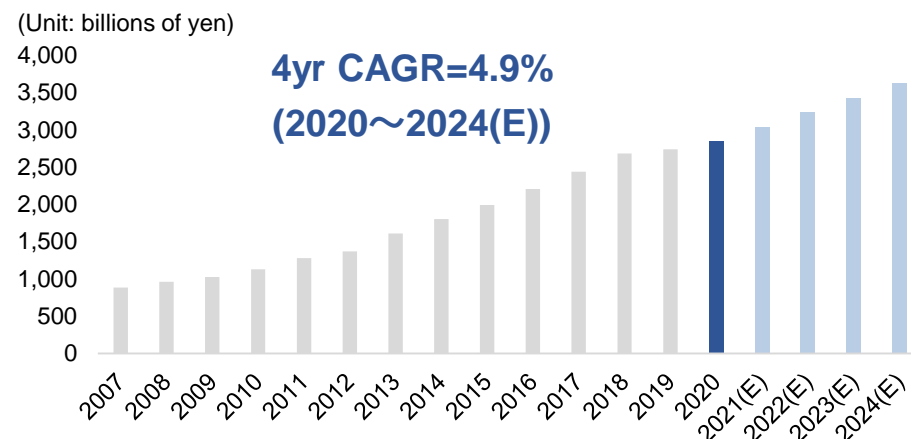
Market Environment: The Market in China (Our Target Area) is Expanding

- The skincare and supplements market, which accounts for a large portion of China's cosmetics market, is growing significantly on the back of rising income levels associated with economic growth and an increase in the number of people using cosmetics.

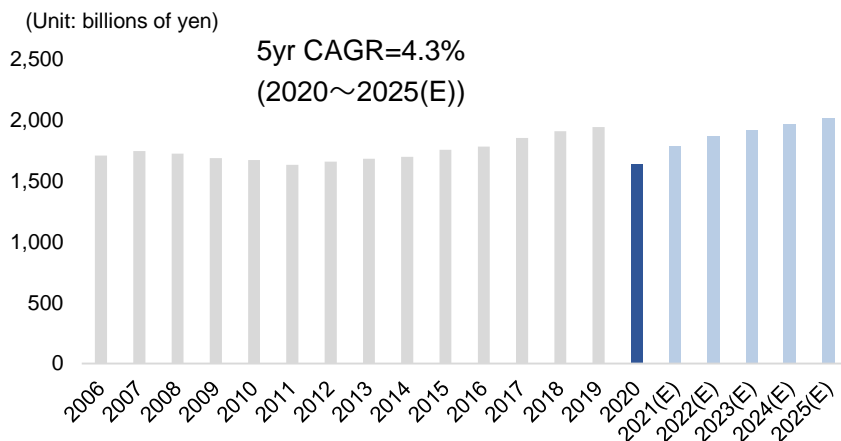
Skincare market size in China: 4,178.9bn yen (retail sales in 2020)



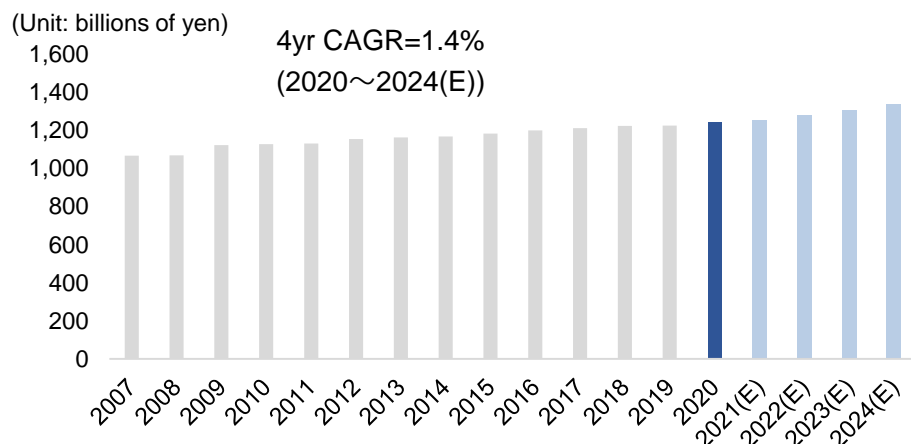
Supplements market size in China: 2,739.7bn yen (retail sales in 2020)



Skincare market size in Japan: 1,634.3bn yen (retail sales in 2020)



Supplements market size in Japan: 1,241.0bn yen (retail sales in 2020)



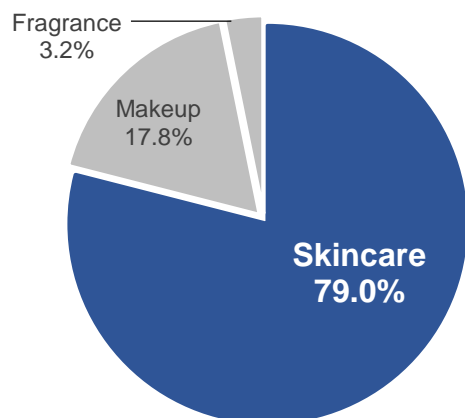
Source: Euromonitor International Limited, Beauty and Personal Care 2021 edition, retail value RSP fixed 2019 exchange rates, current prices, data extracted on 8 October 2021

Source: Euromonitor International Limited, Consumer Health 2021 edition, retail value RSP, fixed 2019 exchange rates, current prices, data extracted on 8 October 2021

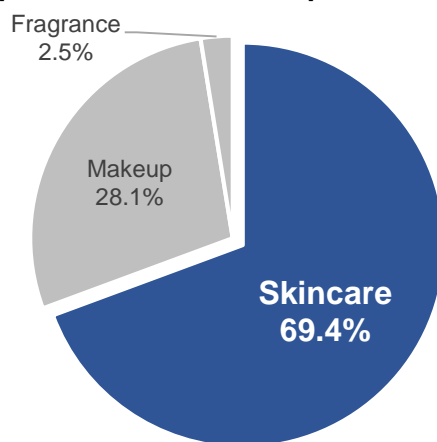
Market Trends: Product Categories and Premium Market for Cosmetics in China

- Compared to Japan, skincare sales within the cosmetics market is larger in China, at roughly 80%
- The skincare market in China also shows a rapid growth in the premium segment, with the growth of the portion within the overall cosmetics market

China: Composition of cosmetics product categories

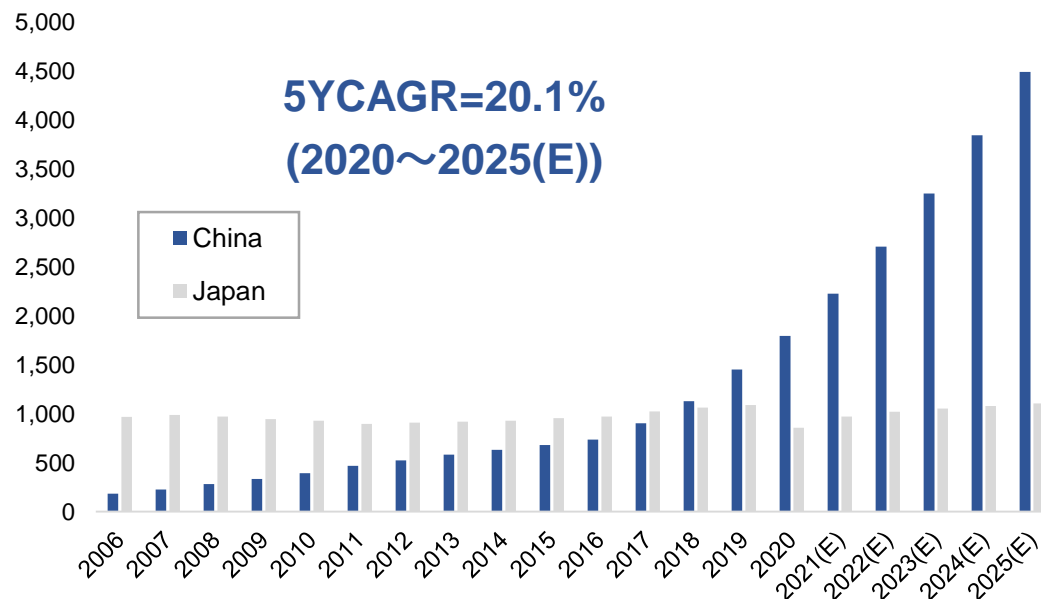


Japan: Composition of cosmetics product categories



Skincare premium market in China and Japan

(Unit: billions of yen)



*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 a series exclusively for premium channels such as department stores and directly-managed shops.

Source: Euromonitor International Limited, Beauty and Personal Care 2021 edition, retail value RSP fixed 2020 exchange rates, current prices, data extracted on 8 October 2021



Brand Strategy

- We will continue our efforts to enhance the overall value of AXXZIA's brands under the three strategic policies that have been in place since our founding.

1 Launch brand series and develop “hero products” (hit items)

Introduce brand series that meet a wide range of beauty needs (i.e., create a product lineup comparable to major brands). Achieve sustainable growth of the brand series by raising awareness through the development of “hero products” (hit items).

2 Protect brands and build trust (intellectual property, anti-counterfeiting)

Take thorough measures against counterfeit products by registering IP rights (trademarks, designs) in major markets and introducing a security labeling system to realize healthy brand growth and build trust.

3 Multi-channel strategy in our main market China (NMPA registration of cosmetics)

Carry out multi-channel sales in the Chinese market (cross-border e-commerce business + physical retail sales in mainland China) through product development premised on registration of products with the National Medical Products Administration (NMPA).
(49 cosmetics products are registered with the NMPA as of end-July 2021)

Main Brands: AXXZIA Series

Our main retail brand consisting mainly of eye care cosmetics products.

- Succeeded in turning Essence Sheet into a hero product.
(Grew sales by approx. +76% to 900mn yen in Q1 FY07/22 from 511mn yen in Q1 FY07/21)
- Greater brand awareness also leads to awareness of the Company, because the brand carries the company name.

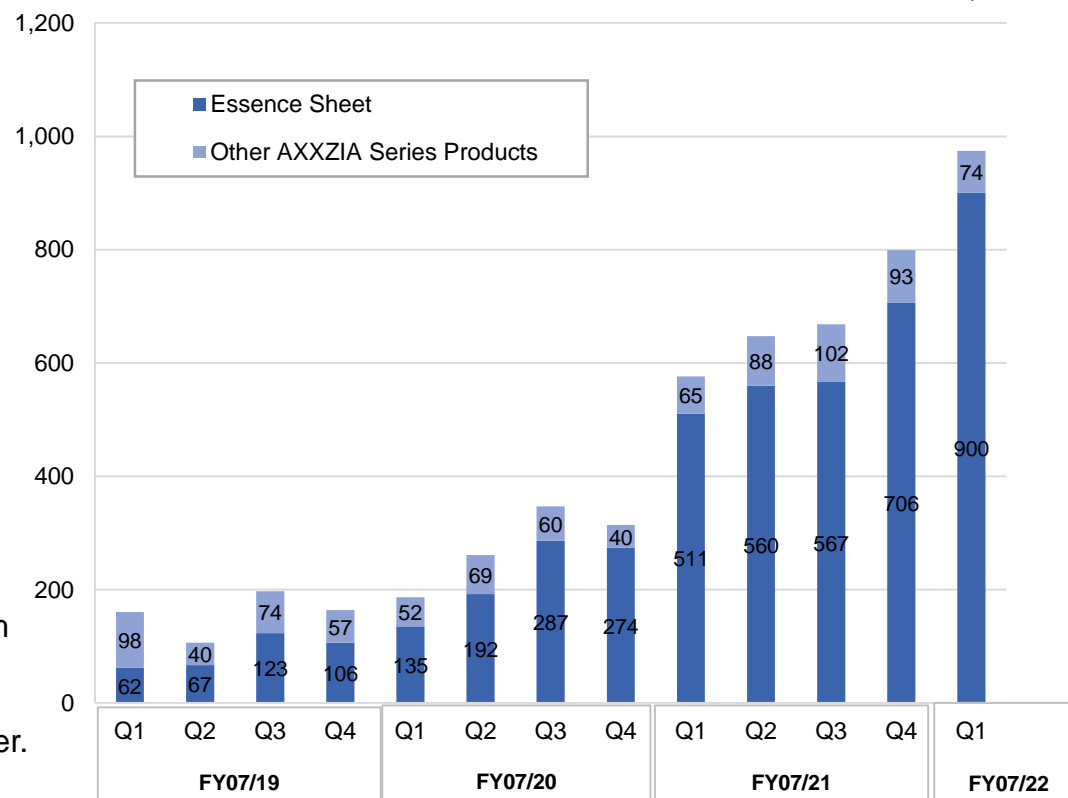


<Milestones for sustainable growth>

- Released a product series based on Essence Sheet.
- In December 2020, we launched Essence Sheet Premium Edition and sales are progressing favorably.
- In the spring of 2022, we plan to add a new sunscreen product to the series and turn it into a second growth driver.

AXXZIA Series - Changes in sales

(Unit : million yen)



Main Brands: AGtheory Series

Second main retail brand consisting of the core AG Drink product and cosmetics products based on the same concept.

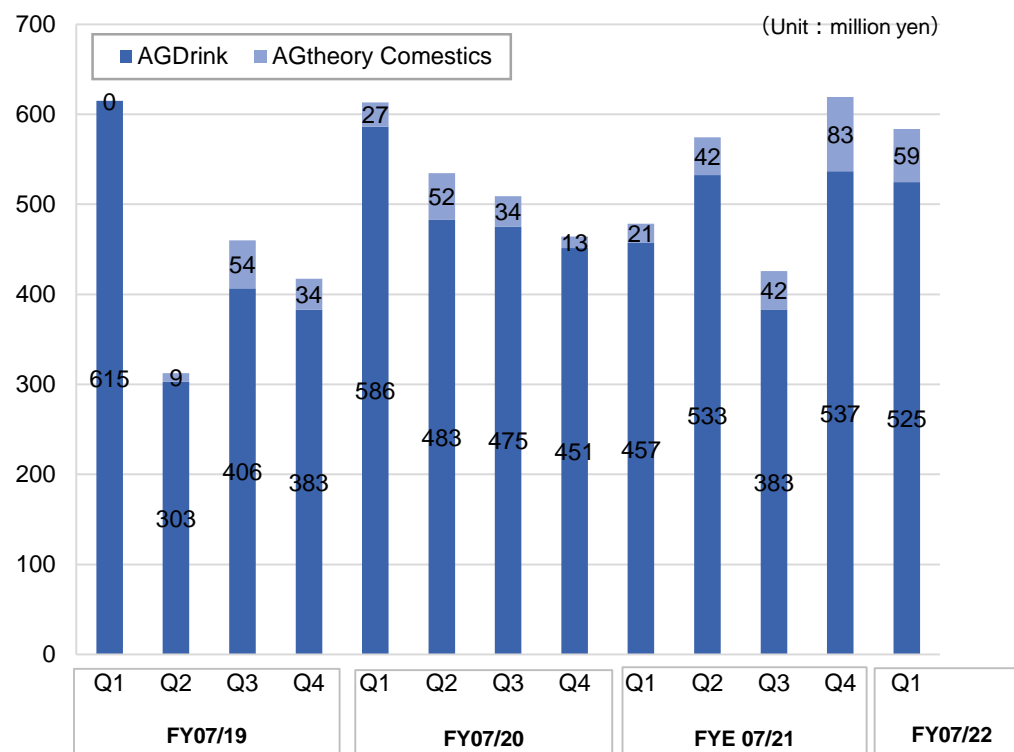
- Created a brand series that combine AG Drink (hero product) with AGtheory cosmetics (based on the same concept) to target the existing loyal users of AG Drink.
- AG Drink sales have increased steadily by approx. +15% to 525mn yen in Q1 FY07/22 from 457mn yen in Q1 FY07/21.
- Expanding sales of AGtheory cosmetics based on AG Drink.



<Milestones for Growth>

- In March 2021, we released a renewed 5th-generation AG Drink. Sales have been steady around 10,000 units/month.
- In October 2021, we will expand the AGtheory cosmetics series to include cleansing and facial cleansing products, completing the full lineup.

AGtheory Series - Changes in sales



Up-and-Coming (Whitening Appeal) Series

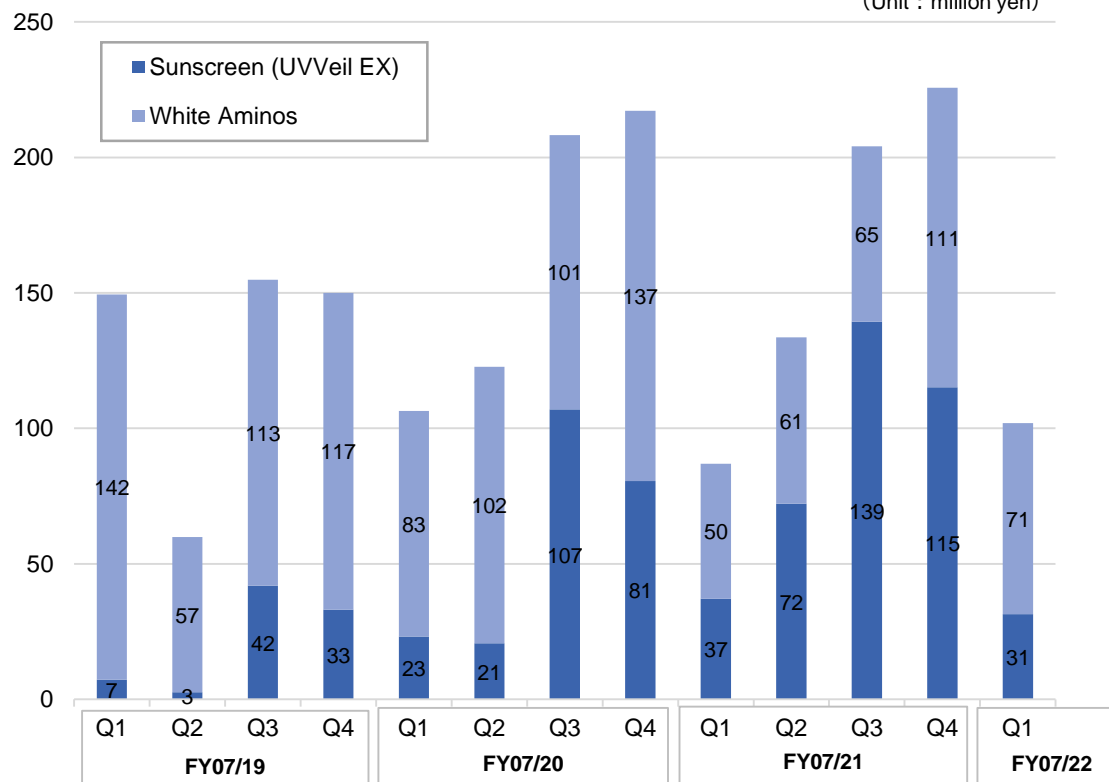
We position beauty supplements (White Aminos) and sunscreens (UV Veil EX) as up-and-coming products, which we hope to turn into our third major brand.

- Both White Aminos and sunscreens (UV Veil EX) have become mid-sized hit products.
(Grew sales by approx. +76% to 900mn yen in Q1 FY07/22 from 511mn yen in Q1 FY07/21)
- Developing these items into product series is under consideration.



Up-and-Coming (Whitening Appeal) Sales Trend

(Unit : million yen)



<Milestones for turning into main series>

- The following plans are underway for the full-scale launch starting in the spring of 2022.
- Release of a renewed White Aminos drink with a unique container.
- Release of AXXZIA's first cosmetics series (quasi-drugs) with skin whitening features.

Salon-Exclusive (Professional) Series

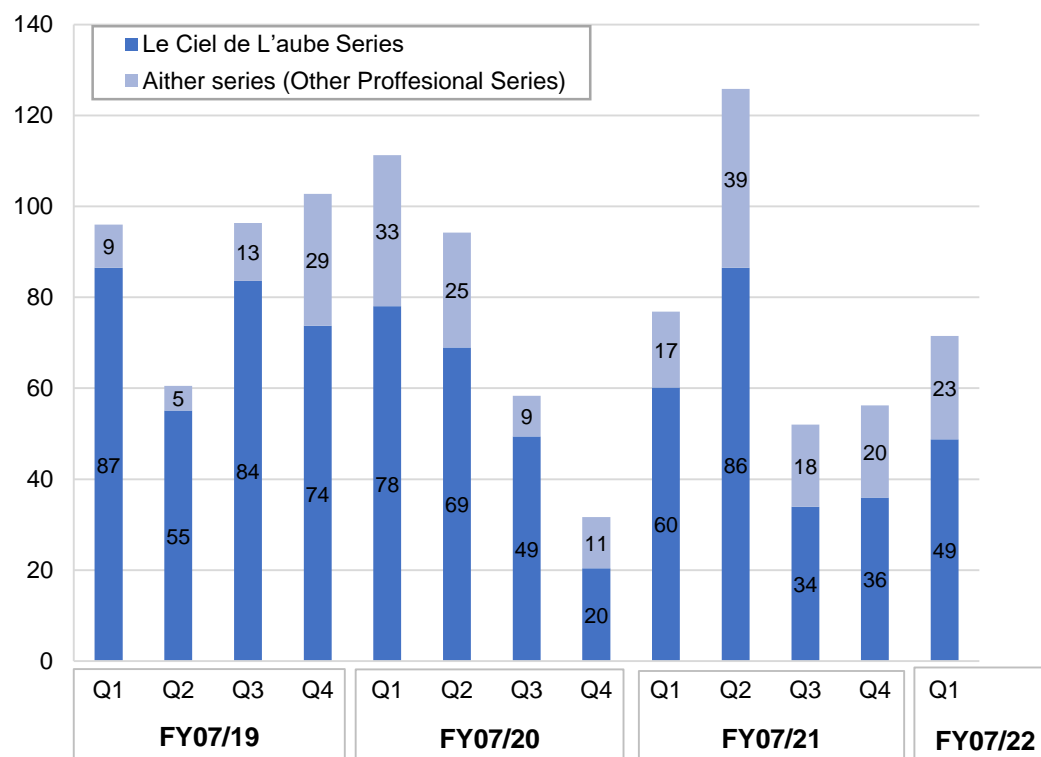
Salon-exclusive products have been AXXZIA's strength and distinctive business area since its establishment.

- In addition to Le Ciel de L'aube, a long-selling brand available since AXXZIA's founding, we offer a range of special cosmetics (Eyetail Series) for professional use.
- We were one of the first companies to register cosmetics in China and launched a business targeting Chinese salons with made-in-Japan cosmetics, contributing to the success of our Shanghai subsidiary.



Salon Exclusive Sales (Professional) Series
- Changes in sales

(Unit : million yen)

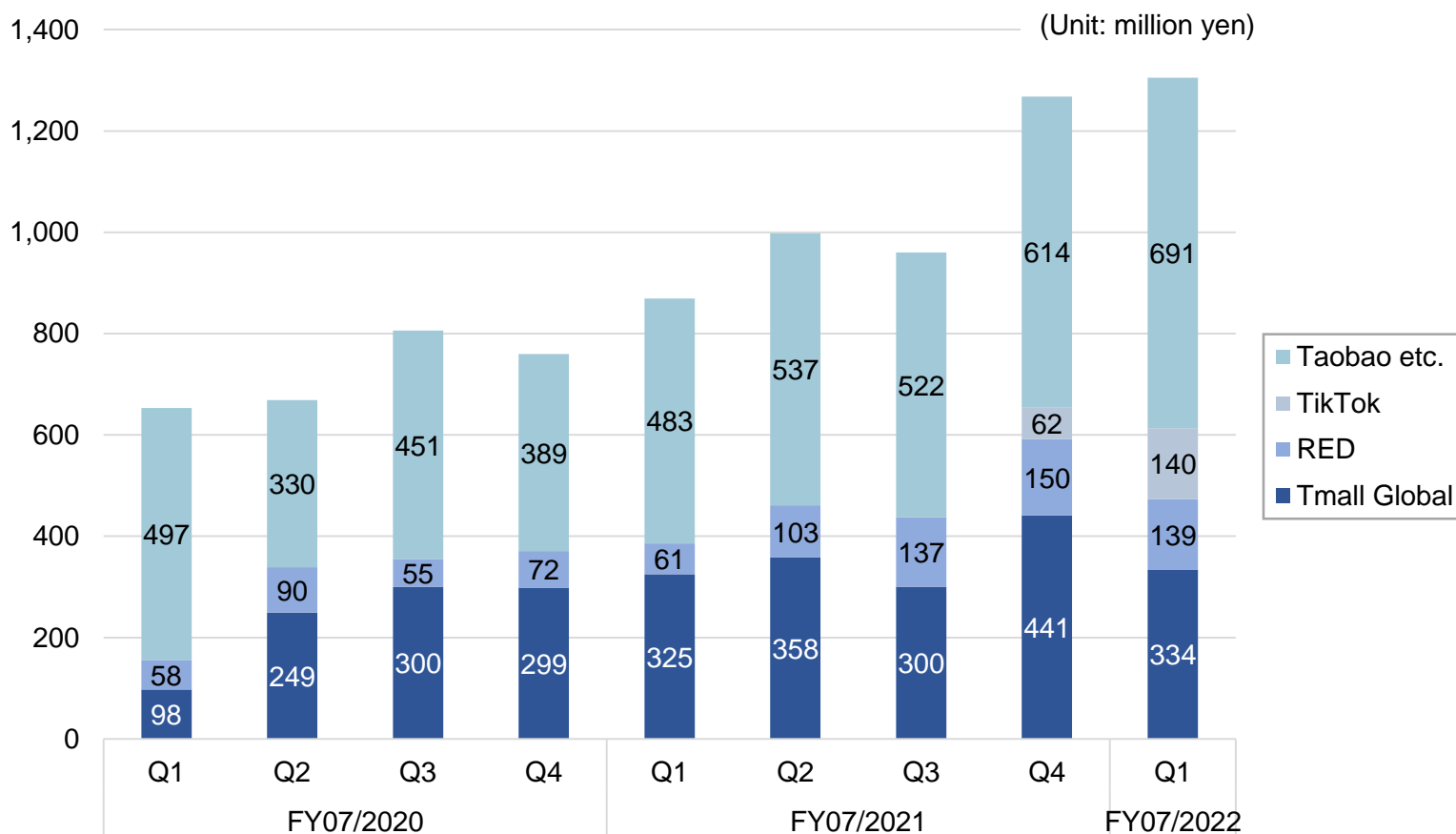


<Milestones for sustainable growth>

- In March 2021, we launched a new premium version skincare brand called The B. We aim to create a new growth driver by developing and expanding cosmetics catering to special-care needs.
- We will use this series as a leeway for introducing new products that employ novel technologies and ingredients.

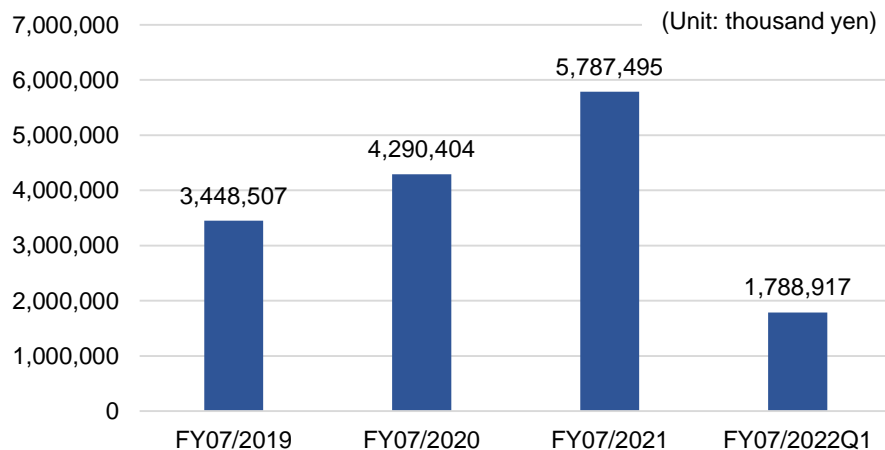
China E-commerce Sales Trend (Quarterly, FY07/20–21)

- In the increasingly competitive Chinese e-commerce channel, quarterly sales via Alibaba platforms (Tmall Global, Taobao), RED and TikTok grew steadily.
- FY07/22 Q1 sales of 1,304mn yen was up 435mn yen YoY (+50.1% YoY) from 869mn yen in FY07/21 Q1.
- Our sales promotion strategy of utilizing both top-down and bottom-up approaches to marketing has been successful.

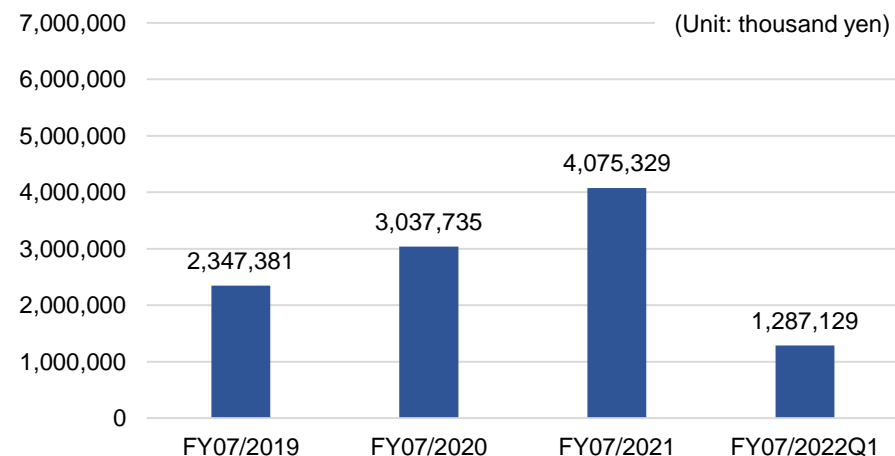


Operating Results (Consolidated)

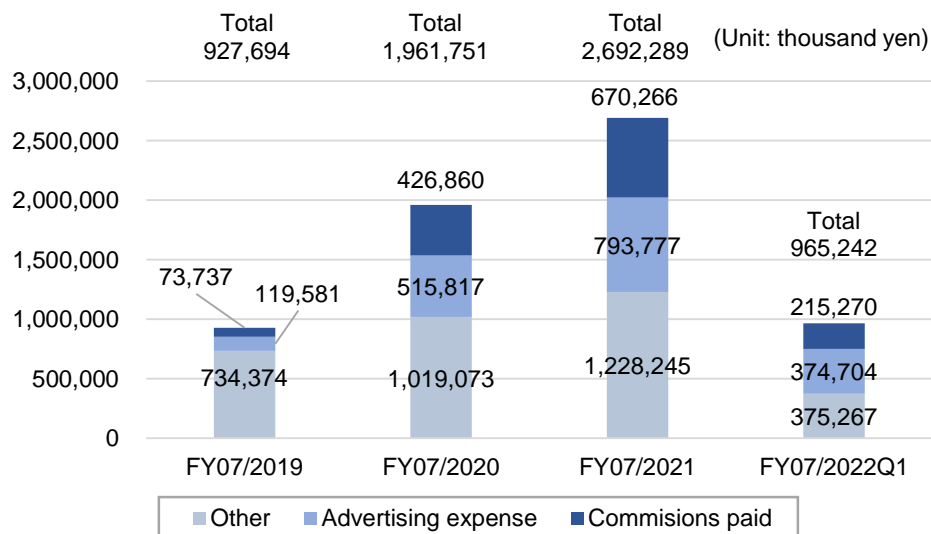
(1) Net sales



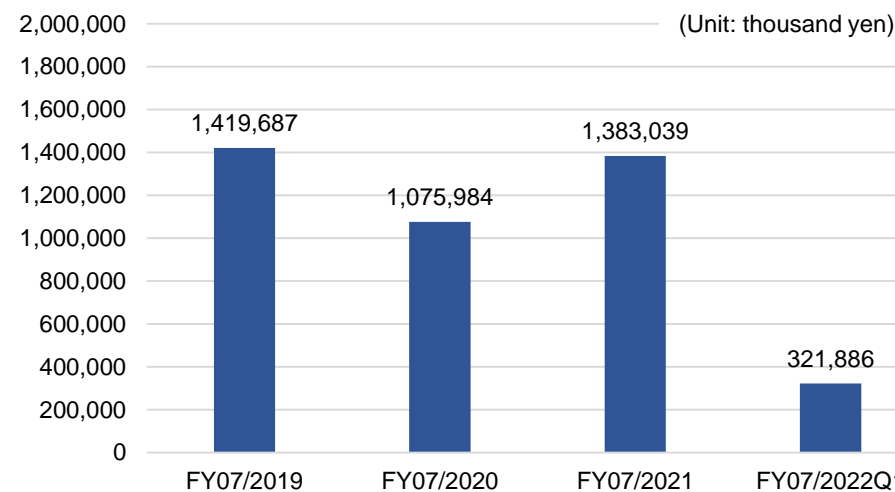
(2) Gross profit



(3) SG&A expenses

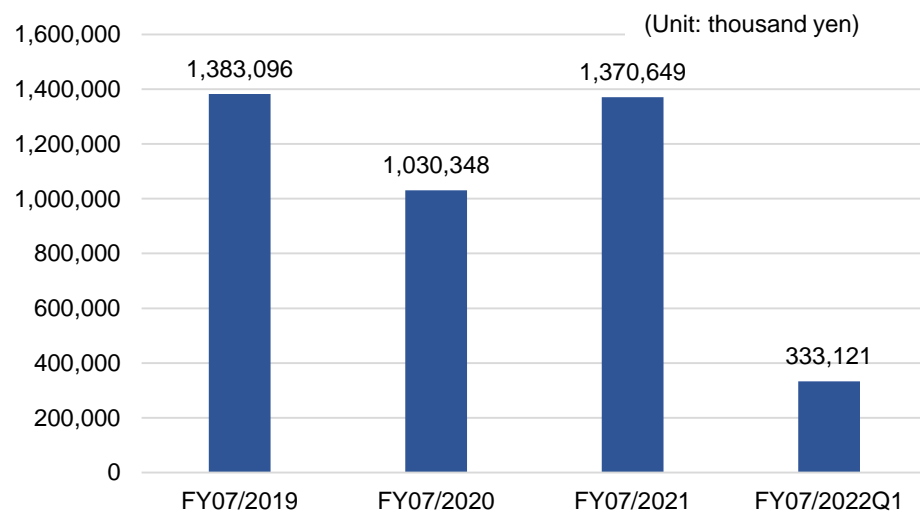


(4) Operating income

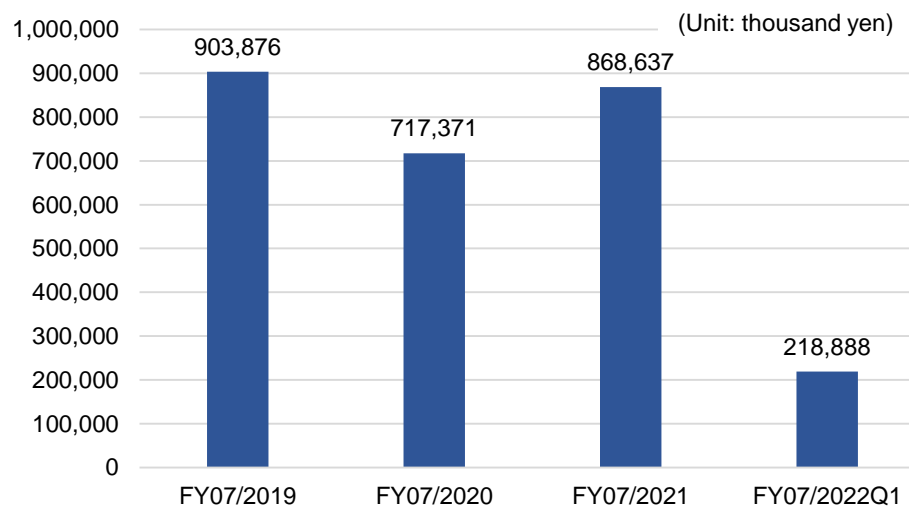


Operating Results (Consolidated)

(5) Ordinary income



(6) Profit attributable to owners of parent



Awards in Japan

2016	Awarded 2016 Best of Venture Award by Beauty and Healthcare News Inc.
2017	Ranked 1st Place in Rakuten Research Ranking in the Cosmetics Popular Among Adult Women category Awarded 2017 Growth Company Brand by Beauty and Healthcare News Inc.
2018	Awarded 2018 Monde Selection Bronze Award Awarded product: Venus Recipe AG Drink Plus Awarded Smile Award, Gritter Award, and Happy Award in Girls Happy Style Selection 2018 (selected by Japanese TV program Girls Happy Style) Awarded product: AGtheory Clarifying Essence, Venus Recipe AG Drink Plus Ranked 1st Place in selection by JMRO, Inc. in Cosmetics Popular Among Adult Women category Survey overview: November 2018 image survey
2019	Ranked 3rd Place in @cosme word-of-mouth ranking in the Skincare Beauty Appliances category Survey period: May 1, 2019 to July 31, 2019 (three months) Awarded product: MATE FOR EYES
2021	Ranked 1st Place in selection by JMRO, Inc. in the Eye Care Cosmetics Recommended by Beauty Professionals category According to JMRI, Inc.'s survey Survey overview: February 2021 brand image survey Survey period: January 19, 2021 to February 2, 2021



2016 Best of Venture Award



2017 Popular Cosmetics Among Adult Women



2017 Growth Companies



2018 Monde Selection Bronze Award



Girls Happy Style Selection 2018, Smile Award, Gritter Award, Happy Award



2018 Popular Cosmetics Among Adult Women



2021 Eye Care Cosmetics Recommended by Beauty Professionals No. 1 in Category

International Awards

2019	Winner of 医药保健双11-新店成长奖 (Winner of Supplement Category W11 Rapid Growth Award by Tmall)
2020	Winner of 财年新锐奖 (Winner of 2020 Emerging Company of the Year Award by Tmall)
2021	Winner of 优质战略合作品牌方 (Winner of 2020 Outstanding Strategic Alliance Enterprise Award by Japan Buyers Community)
	Winner of 卓越价值品牌 (Winner of Excellent Value Brand Award by Japan Buyers Community)
	Winner of 2021小红书美护趋势品牌 (Winner of 2021 RED Skincare Trends Brand Award)



Tmall
Supplement Category
W11 Rapid Growth Award



Tmall
2020 Emerging Company of the
Year Award



Japan Buyers Community
2020 Outstanding Strategic
Alliance Enterprise Award



Japan Buyers Community
Excellent Value Brand Award



2021 RED Skincare Trends
Brand Award

Disclaimer and notes regarding the future outlook

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- 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.

A X X Z I A

Creating things and experiences
that amaze people.

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