

AXXZIA

December 12th ,2022



Financial Results Presentation for Q1 FY07/23

AXXZIA Inc.





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1. Executive Summary

Q1 FY07/23

- **Net sales:** **2.62bn yen** **(+46.4% YoY)**
 - **Operating income:** **0.39bn yen** **(+21.8% YoY)**
- Both net sales and profits reached **record highs**.
 - Net sales surpassed the forecast by **19.5%**, and operating income did so by **128.7%**.

Topics

- Applied to change stock listing to the Prime Market on November 9, 2022.
- Sales via Douyin (TikTok for mainland China) were robust at **570mn yen** (**about 4x** the previous year's figure).
- Completed NMPA special cosmetics registration for UVα, the first for AXXZIA.
- Launched new products Sparkling Mask and N²axel Multi Capsule.
- Established AXXZIA R&D Center on November 1, 2022.



2. Business Results: Highlights

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

(Unit: Millions of yen)

	Q1 FY07/22	Q1 FY07/23	YoY change	Versus forecast
Net sales	1,788	2,619	+ 830 (+46.4%)	+ 427 (+19.5%)
Operating income	321	391	+ 70 (+21.8%)	+ 220 (+128.7%)
Operating margin	18.0%	15.0%	-3.0ppt	+7.1 ppt
Ordinary income	333	475	+ 142 (+42.9%)	+ 310 (+187.5%)
Profit attributable to owners of parent	218	320	+ 102 (+46.6%)	+ 208 (+185.7%)

Net sales and profits are projected to be weighted toward 2H, reflecting the seasonality of e-commerce events and other business attributes unique to AXXZIA.

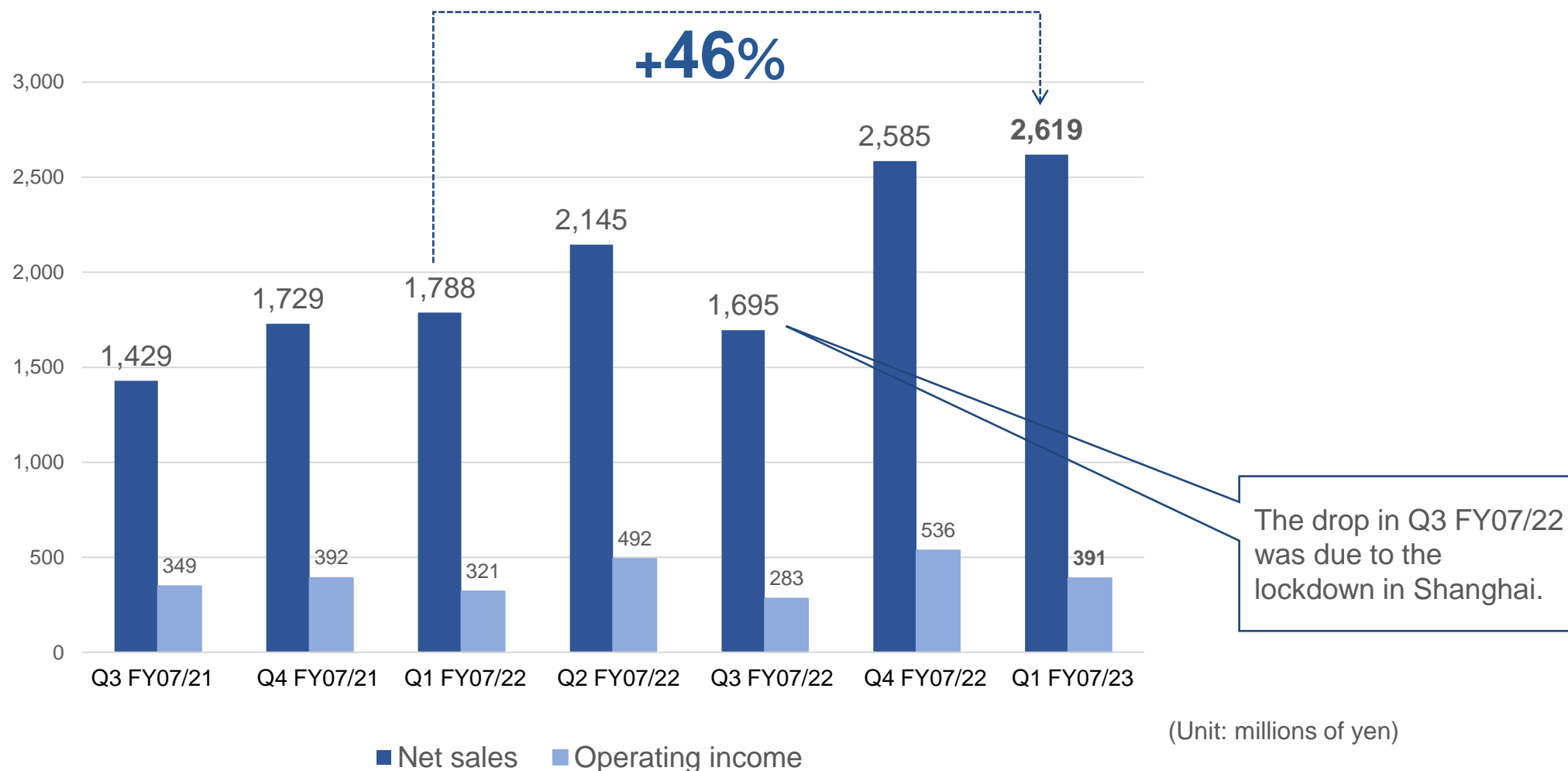
(Unit: millions of yen)

	FY07/23				
	Q1 est.	Q2 est.	Q3 est.	Q4 est.	Full-year forecast
Net sales	2,192	2,655	2,591	2,912	10,351
vs. Full-year forecast	21.2%	25.7%	25.0%	28.1%	100.0%
Operating income	171	465	540	640	1,818
vs. Full-year forecast	9.4%	25.6%	29.7%	35.2%	100.0%
Operating margin	7.8%	17.5%	20.9%	22.0%	17.6%

Quarterly Results

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Net sales grew steadily every quarter, due in part to the fact that sales and profits tend to be concentrated in 2H.

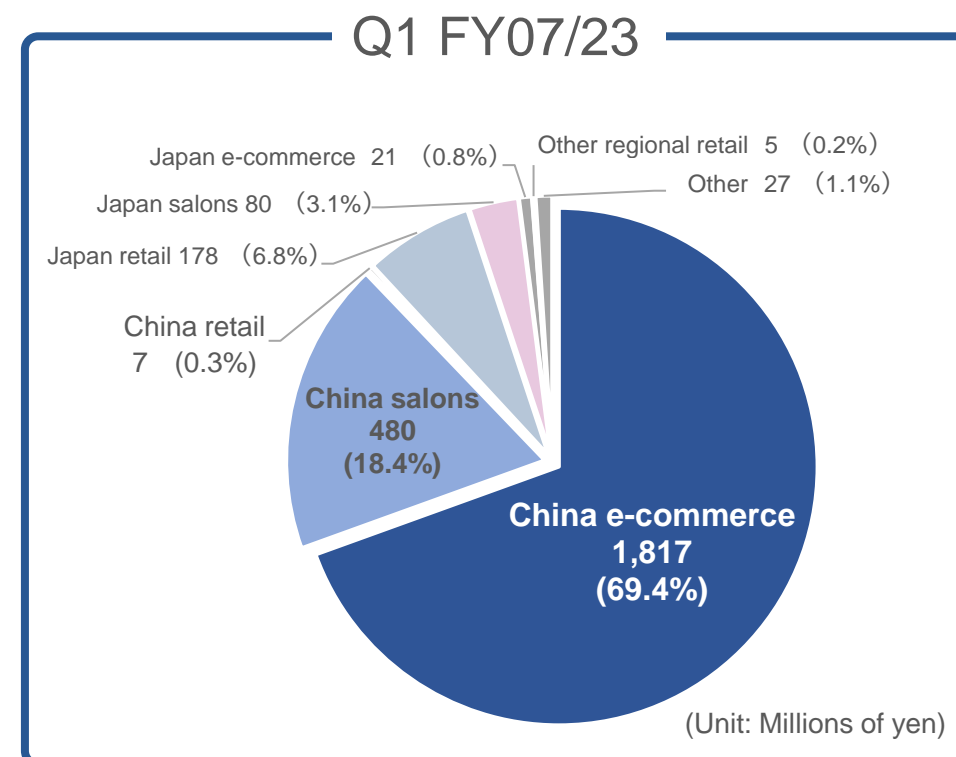
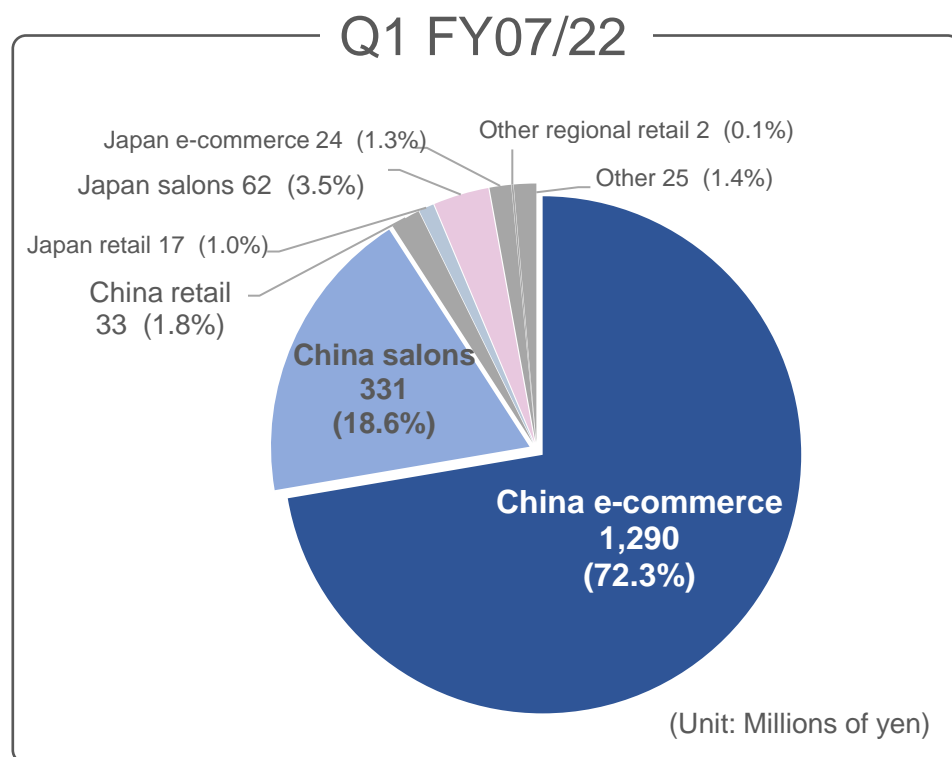


Net Sales by Region and Channel (Q1 FY07/23)

Sales in China continued to hold firm.

Sales in Japan also grew YoY, owing to the consolidation of Huit Laboratories, Inc.

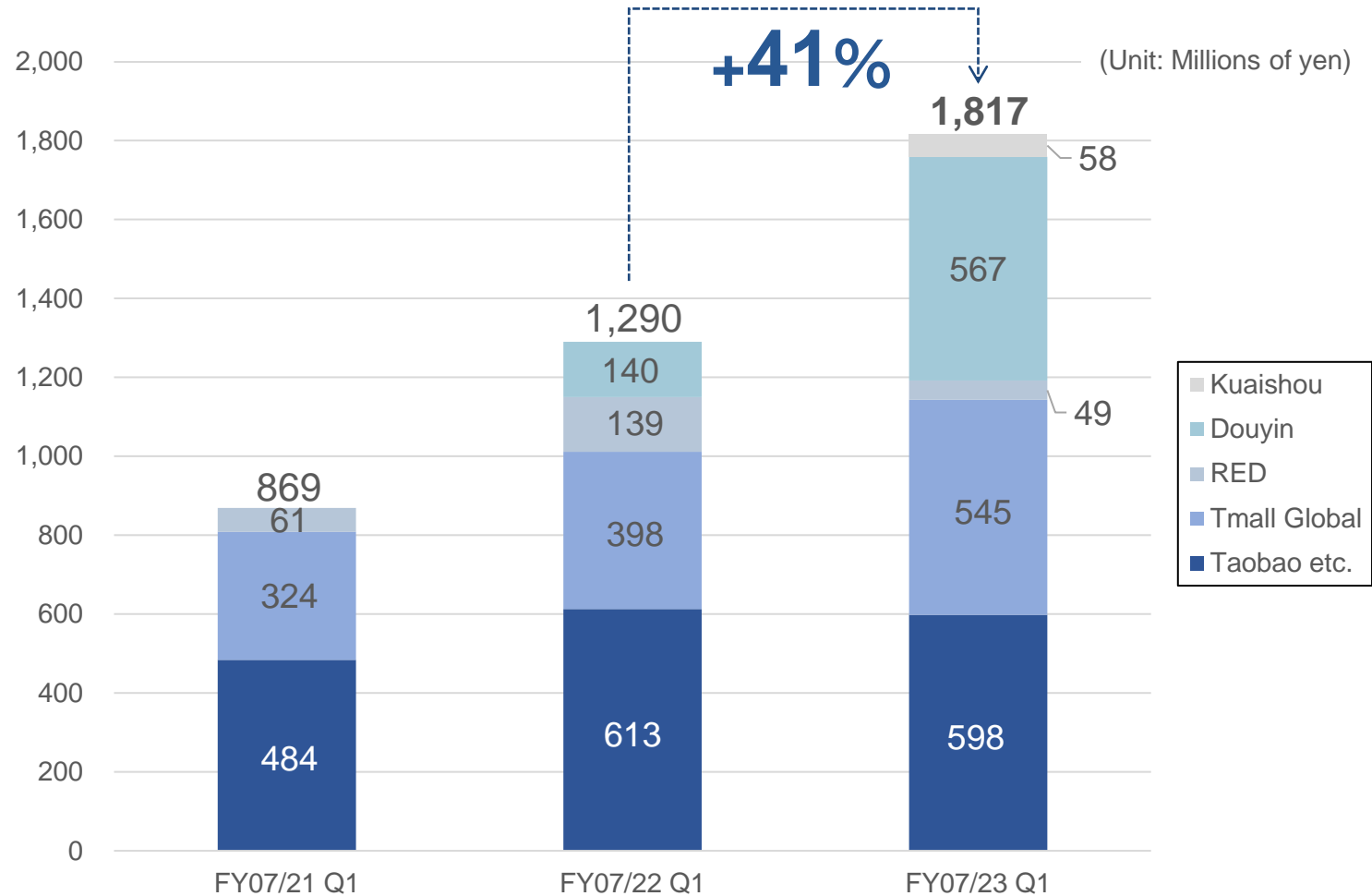
■ China net sales* **2.3bn yen (+39.2%)** ■ Japan and other regions net sales* **300mn yen (+136.3%)**



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

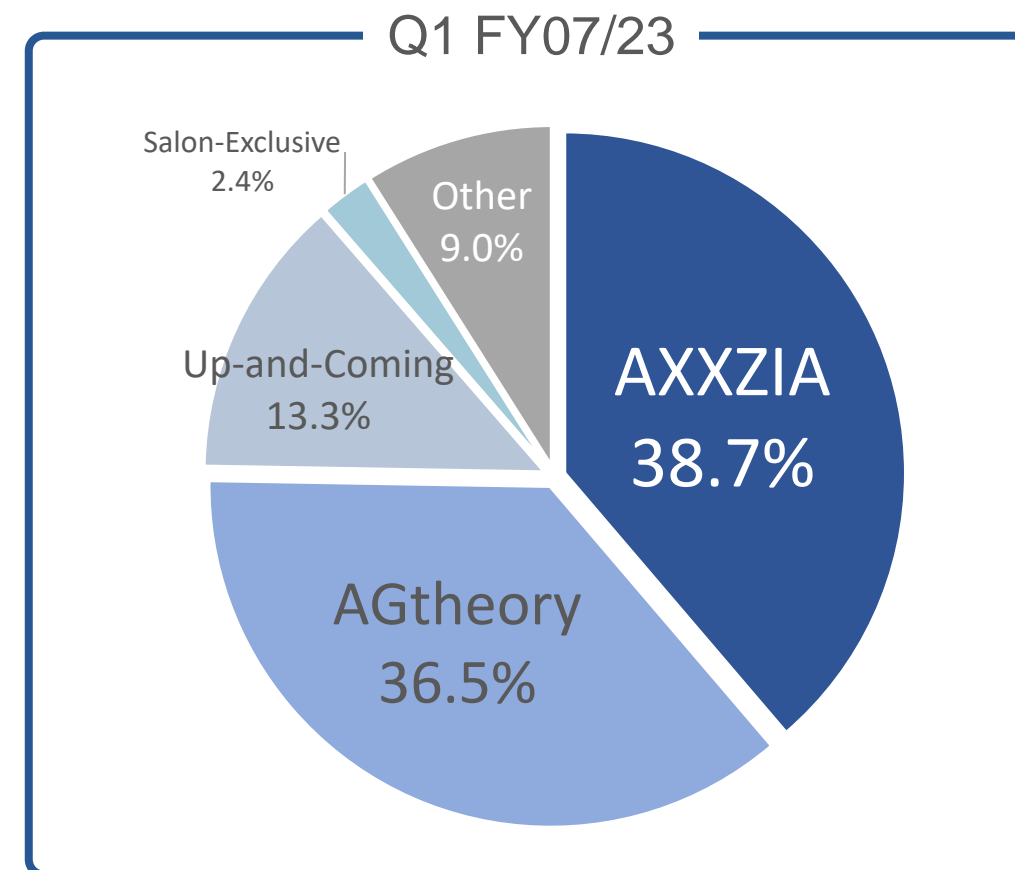
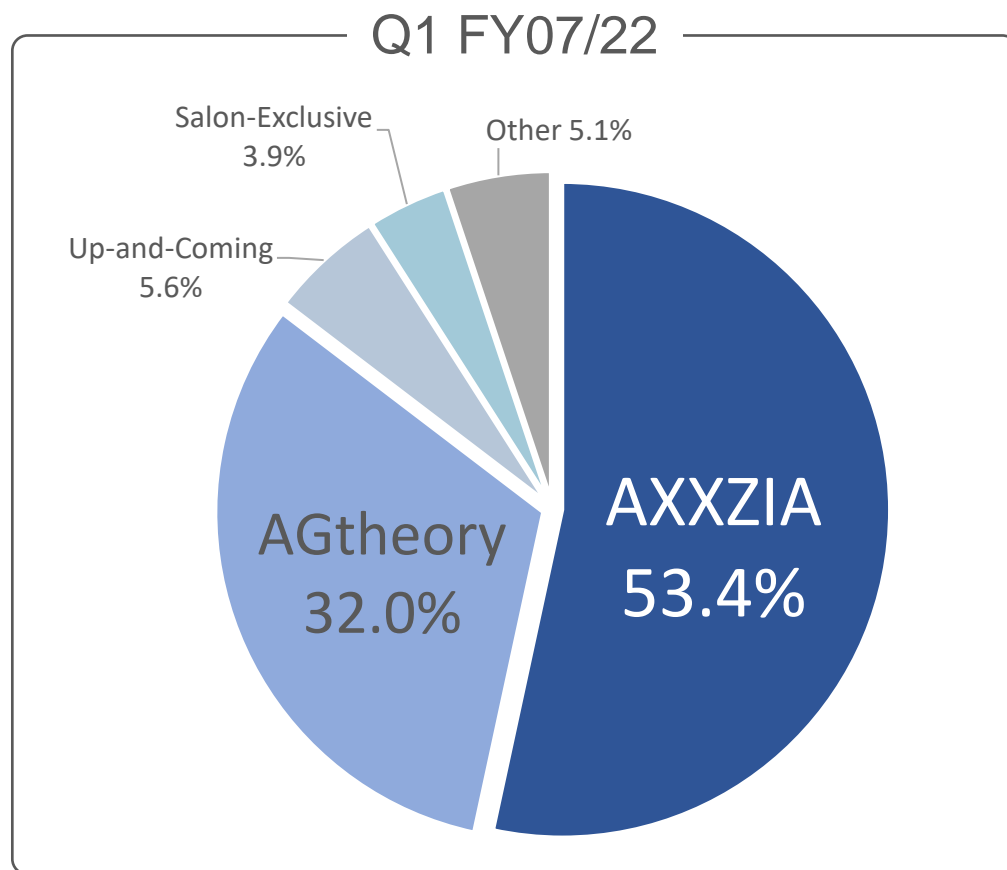
China E-commerce Sales Trend (Q1 FY07/23)

Steady growth of Douyin, the mainland China version of video platform TikTok.



Sales Breakdown by Brand (Q1 FY07/23)

Successfully expanded sales of The White Drink, with the product driving growth of up-and-coming brands. Grew sales of the two mainstay brands, while promoting portfolio management aimed at lessening dependence on them.



Note: Sales breakdown was calculated based on parent shipments.

CoGS and SG&A expenses (Q1 FY07/23 consolidated results)

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

(Operating income: **390mn yen** [operating margin: **15.0%**], **+70mn yen YoY**)

(Unit: Millions of yen)

	Q1 FY07/22		Q1 FY07/23		YoY	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Change
Net sales	1,788	100.0%	2,619	100.0%	+830	-
Cost of goods sold	501	28.0%	615	23.5%	+113	-4.6pt
SG&A expenses	965	54.0%	1,612	61.5%	+647	+7.6pt
(Personnel expenses)	199	11.2%	318	12.2%	+118	+1.0pt
(Advertising expenses)	374	20.9%	582	22.2%	+207	+1.3pt
(Commissions paid)	215	12.0%	384	14.7%	+169	+2.6pt
Operating income	321	18.0%	391	15.0%	+70	-3.0pt

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

(Unit: Millions of yen)

		End-FY07/22	End-Q1 FY07/23	YoY change
		Amount	Amount	Amount
	Current assets	8,795	9,069	+273
	(Cash and deposits)	6,389	6,408	+18
	Non-current assets	1,257	1,241	-16
Total assets		10,053	10,311	+257
	Current liabilities	1,243	1,183	-60
	Non-current liabilities	414	373	-40
	Total liabilities	1,657	1,556	-100
	(Interest-bearing liabilities)	654	525	-128
Total net assets		8,396	8,754	+358
Total liabilities and net assets		10,053	10,311	+257



3. Q1 FY07/23 Topics

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Topic 1: AXXZIA's First Special Cosmetics Registration with the NMPA*

Completed **special cosmetics** registration for sunscreen AXXZIA Beauty Force UVα with the NMPA, allowing the product to be marketed as cosmetics with specific **effects and efficacy**, AXXZIA's first.

Special cosmetics

Cosmetics that claim to have **specific effects and efficacy**, such as skin whitening products, sunscreens, and hair coloring agents.

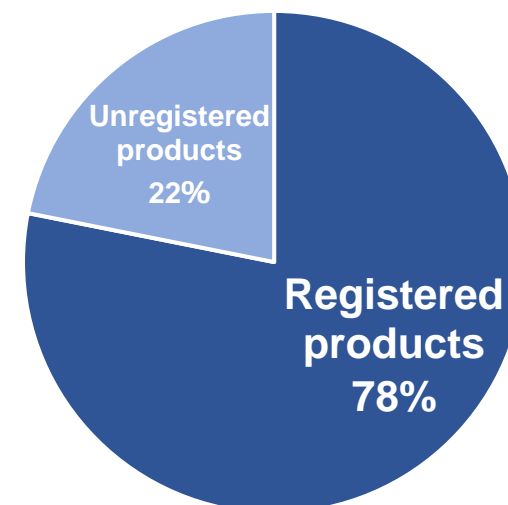
- Completed registration of UVα as special cosmetics, AXXZIA's first.
- The registration enables UVα to be exported to China as a cosmetics product with **claimed effects and efficacy**.
- Began accepting orders in August 2022 through general international trade.



General cosmetics

Cosmetics **other than** special cosmetics. General skincare products, makeup products, etc.

- Approx. **78%** NMPA approval out of the total SKUs of 96 products.
- **3-month** average application period (generally, average 6 months).



*Note: NMPA (National Medical Products Administration) is a Chinese government agency that manages the review and approval of medical and cosmetics products. Cosmetics products imported into China through general trade routes cannot be sold in the Chinese market without NMPA certification. NMPA categorizes cosmetics as “special cosmetics” or “general cosmetics.”

Topic 2: New Product Launches

AXXZIA

Launched Sparkling Mask and N²axel Multi Capsule.



THE B MAISON
“Sparkling Mask”



Venus Recipe
“N²axel Multi Capsule”



4. Future Initiatives

On November 1, 2022, established **AXXZIA R&D Center.**

Pursue ingredients research and original formula development, and aim to speedily deliver products that can achieve high levels of customer satisfaction.

Initiative

1

Needs

- Reflect market and consumer trends and preferences in concepts for new products.

Initiative

2

Speed

- Propose new products in a timely manner while guaranteeing safety, security, and trust in terms of quality.

Initiative

3

Differentiation and creation

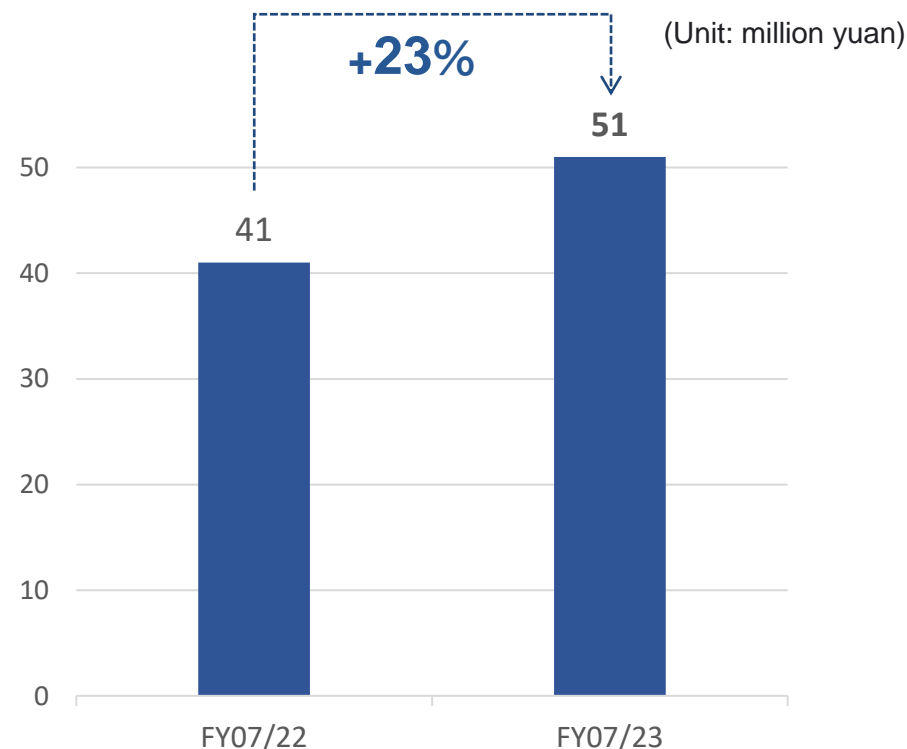
- Explore and research new materials and ingredients, and design formulations that will give rise to new effects, leading to product differentiation and originality.

Results of Singles' Day (W11) Sales Event

GMV for the Singles' Day (W11) sales event, one of China's three largest e-commerce events, jumped **23%** YoY, reaching a record high.

According to rankings disclosed by Douyin, AXXZIA came in **4th in brand**, and **3rd in product**.

FY07/23 results (GMV)



*W11
Singles' Day (November 11) event in China; largest e-commerce sale in China.

Ranking

Brand ranking	 4th	A X X Z I A
Product ranking	 3rd	AG Drink 5th 

Target platform:

Douyin EC Global

Periods covered:

October 31, 0:00 to November 11, 24:00

Ranking based on:

GMV

As part of environmental initiatives, on October 31, 2022, AXXZIA **donated 5mn yen** to **the city of Hokuto, Yamanashi Prefecture**, where Huit Laboratories is headquartered.



Hokuto City Hall,
November 21, 2022.
Left: Mayor Kamimura,
Right: President Taku Dan

The background features two complex wireframe polyhedrons, one on the left and one on the right, rendered in a light gray color against a dark gray background. These structures are composed of numerous interconnected lines forming various triangular and quadrilateral faces.

5. Appendix

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AXXZIA

Creating things and experiences
that amaze people.

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

Company Overview

Establishment	December 21, 2011
Capital	2,119 million yen (As of end of October 2022)
Location	Tokyo, JAPAN
Office	Tokyo Head Office, Osaka Sales Office, Fukuoka Sales Office AXXZIA GINZA SIX
Business Activities	Manufacturing, sales of cosmetics and supplements
Market	TSE Growth (4936)

Consolidated Subsidiaries

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

Corporate History

AXXZIA

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 Xiaozhi 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



Essence Sheet sales **continued to grow**, driving sales increase of Eye Care series (net sales **+800mn yen**).

Core retail brand centered on eye care products

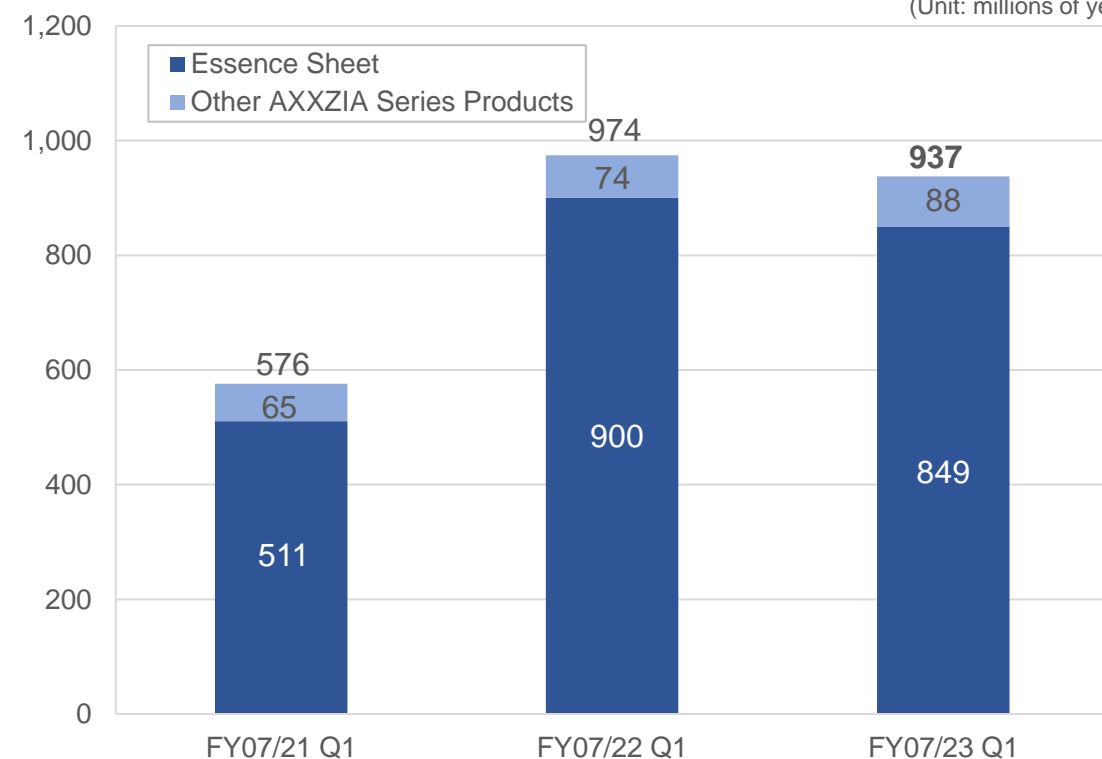


Milestones for sustained growth

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

AXXZIA Series - Changes in sales

(Unit: millions of yen)



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

Launched cosmetics series with same concept as **AGDrink** for the product's fans.
Sales grew (net sales: **800mn yen**) **on success of live commerce.**

Second core retail brand integrating cosmetics with AGDrink

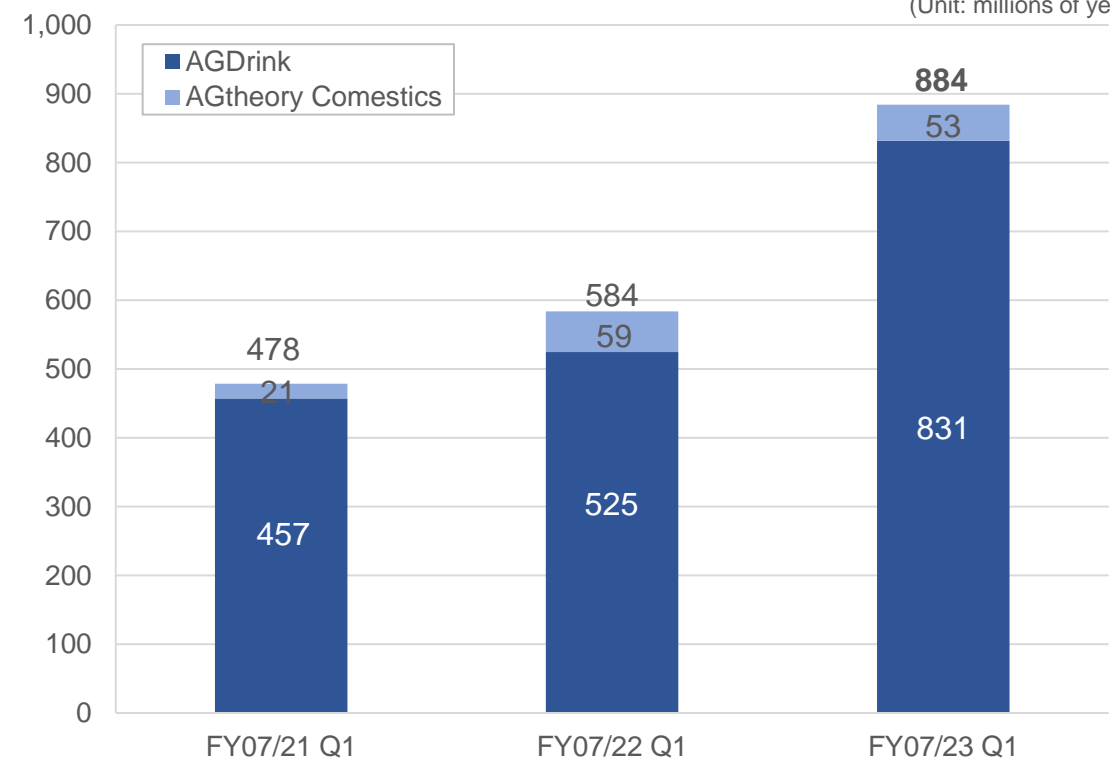


Milestones for sustained growth

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

AGtheory Series - Changes in sales

(Unit: millions of yen)



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

Up-and-Coming (Whitening Appeal) Series (Q1 FY07/23 results)

The White Drink is growing steadily as up-and-coming products that **we hope will become our third major brand** (net sales: **300mn yen**).

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

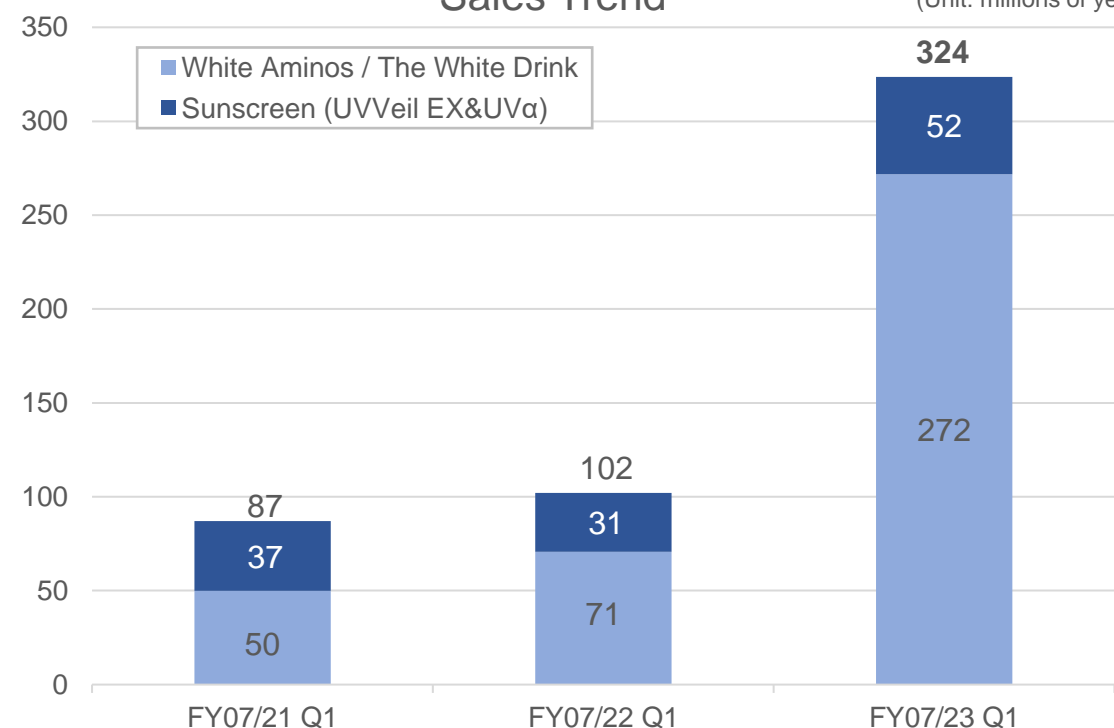


Milestones for turning into main series

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

Up-and-Coming (Whitening Appeal) Sales Trend

(Unit: millions of yen)



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

Salon-Exclusive (Professional) Series (Q1 FY07/23 results)

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

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

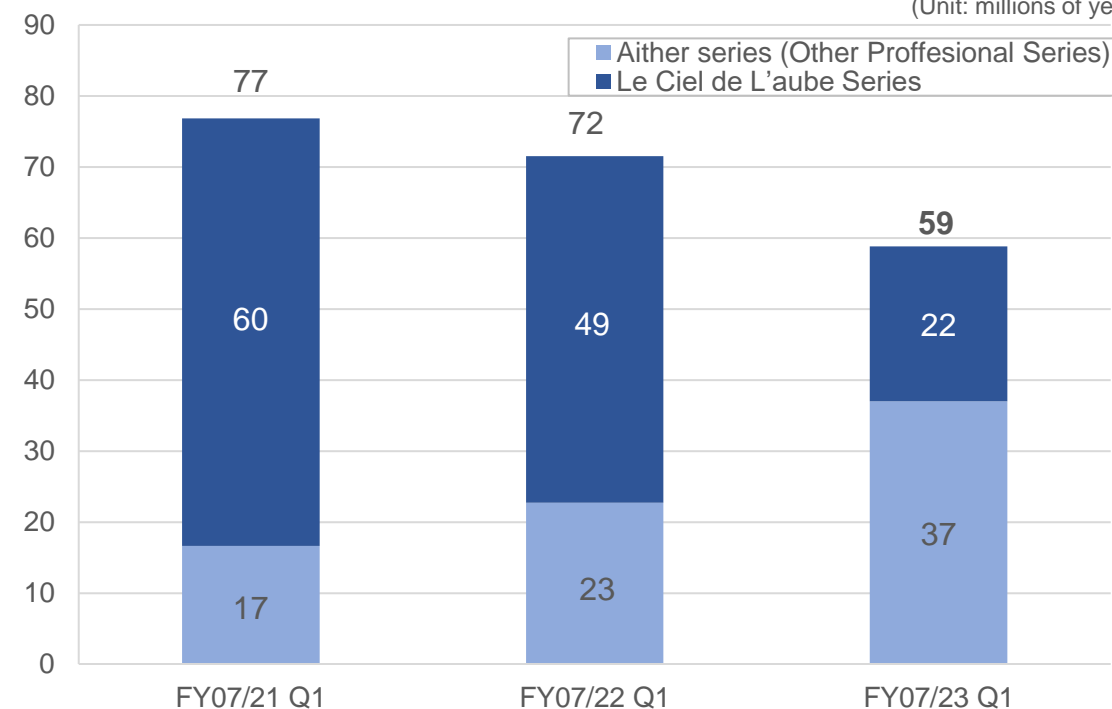


Milestones for sustained growth

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

Salon Exclusive Sales (Professional) Series - Changes in sales

(Unit: millions of yen)



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

Awards in Japan

AXZIA

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
2022	Awarded Gold Prize in Esthe Selection 2022 Awards announced in <i>Esthetic Wired</i> (professional magazine for beauty salon operators) August 2022 issue (published July 10, 2022) by Beauty and Healthcare News Inc. Awarded product: THE B MAISON series



2016 Best of Venture Award



成長企業銘柄
2017
美容業界を牽引する急成長企業
2017
〔美容経済新聞社・選出〕

2017 Growth Companies



Girls Happy Style Selection
2018
「Smile Award」「Gritter Award」「Happy Award」



2017 Popular Cosmetics
Among Adult Women



2018 Monde Selection
Bronze Award



2018 Popular Cosmetics
Among Adult Women

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

International Awards

AXXZIA

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)
	Winner of 2021畅销抗衰眼膜大奖 (Winner of 2021 Bestseller Anti-aging Eye Sheet Grand Prize)
2022	Winner of 2021 Top 100潜力新品牌 (Winner of Top 100 Brands with Potential Award)
	Winner of 新势力品牌榜 Top 10 (Winner of 2021-2022 Top 10 Newcomer Brands 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



2021 Bestseller Anti-aging Eye Sheet
Grand Prize

Disclaimer and notes regarding the future outlook

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- 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.

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Creating things and experiences
that amaze people.

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