



Financial Results Presentation for FY07/24 Q1

AXXZIA Inc.

[TSE Prime: 4936]



AXXZIA



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1. Executive Summary

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FY07/24 Q1
Consolidated

Results

- **Net sales:** **2.73bn yen** (+4.2% YoY)
- **Operating income:** **0.25bn yen** (-34.3% YoY)

- In China, our primary market, a reluctance toward purchasing Japanese products emerged after the release of treated water into the ocean. Despite this operating environment, we generated a **4.2%** increase in sales.
- We discovered a very favorable opportunity in the video platform **Douyin**, which is currently expanding its share of the Chinese e-commerce market, and are advertising proactively. Meanwhile, advertising expenditures rose **30.6%** YoY due to **advertising on W11**.

Topics

- Sales generated through AGDrink X, which is primarily sold through Douyin, expanded significantly. (**+54.3%** YoY)
- Generating success through proactive advertising, we achieved a GMV growth rate in W11 that outpaced the overall market. (**+7.8%** YoY)
- **Profitability at Huit Laboratories was restored** thanks to the acquisition of an OEM contract from AXXZIA.

Future
Initiatives

- We plan to form a business alliance with a local Chinese company and **establish a joint venture** (November 2023). Additionally, we aim to fully enter the esthetic salon industry in China.
- We intend to **acquire and cancel treasury shares**. (December 2023)
- Furthermore, we seek to acquire shares in M&D Co., Ltd., **converting it into a wholly-owned subsidiary (scheduled to be completed in February 2024)**.



2. Business Results: Highlights

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Net Sales and Profit (FY07/24 Q1 consolidated results)

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Sales grew YoY, but income fell in large part because we **proactively spent on advertising** in accordance with our plans. Despite expanding YoY, sales fell short of our projections. Meanwhile, **profit attributable to owners of parent exceeded forecast by a wide margin** thanks mainly to forex impact.

(Unit: Millions of yen)

	FY07/23 Q1	FY07/24 Q1	YoY change	Versus forecast
Net sales	2,619	2,730	+110 (+4.2%)	-161 (-5.6%)
Operating income	391	257	-134 (-34.3%)	-79 (-23.7%)
Operating margin	15.0%	9.4%	-5.5ppt	-2.2ppt
Ordinary income	475	381	-94 (-19.9%)	+73 (+23.9%)
Profit attributable to owners of parent	320	261	-59 (-18.5%)	+47 (+21.9%)

Quarterly Earnings Estimates

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As in the past, we expect to generate a **disproportionately large share of our annual results in 2H**. During Q1, we incurred advertising expenses associated with W11 presales, but as W11 takes place in Q2, we expect our sales and operating income will be lowest in Q1.

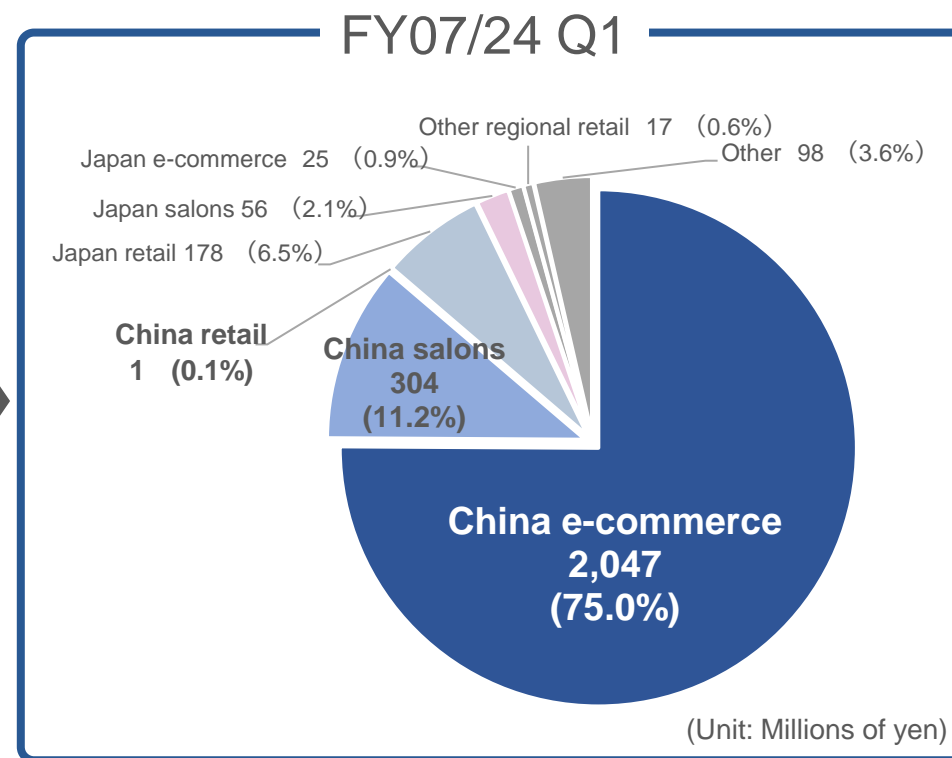
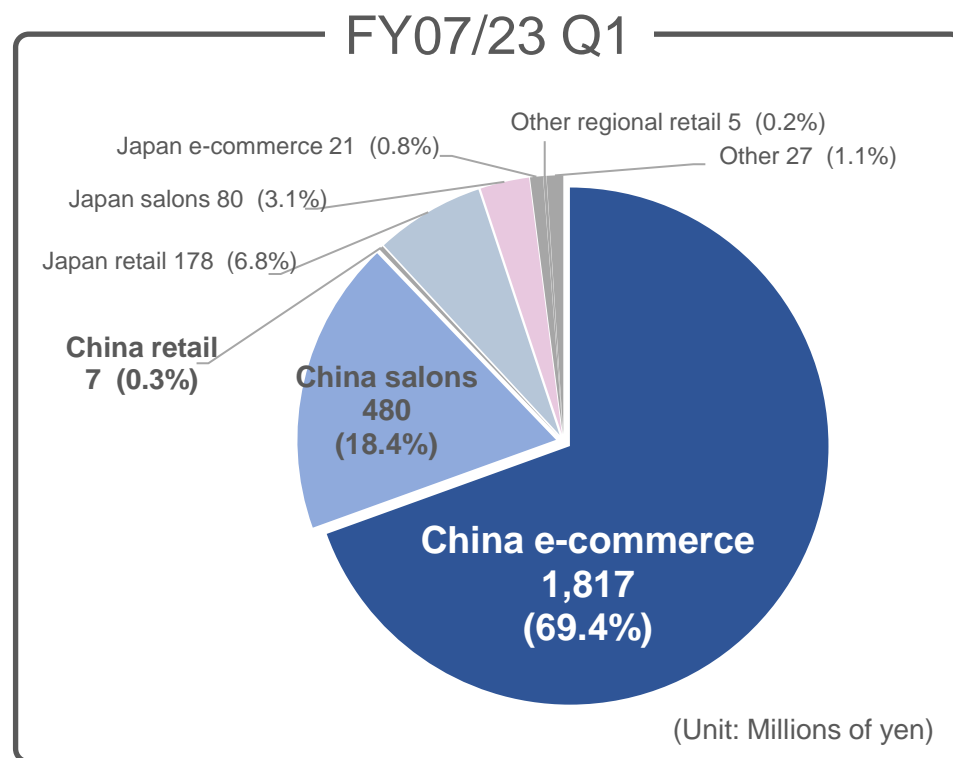
(Unit: Millions of yen)

	FY07/24				
	Q1 est.	Q2 est.	Q3 est.	Q4 est.	Full-year forecast
Net sales	2,891	3,144	3,164	3,799	13,000
vs. Full-year forecast	22.2%	24.2%	24.3%	29.2%	100.0%
Operating income	337	585	586	890	2,400
vs. Full-year forecast	14.1%	24.4%	24.5%	37.1%	100.0%
Operating margin	11.7%	18.6%	18.5%	23.4%	18.5%

Net Sales by Region and Channel (FY07/24 Q1 consolidated results)

Performance from some products was affected by external environmental factors, but overall sales generated within China rose **2.1% YoY**, driven by results achieved through e-commerce in China, our primary market. Sales secured in other regions jumped **249.8% YoY**, spurred ahead primarily by performance in North America and Singapore.

■ China net sales*	2.3bn yen	(Weighting 88.0% → 86.2%)	+2.1% YoY
■ Japan and other regions net sales*	0.3bn yen	(Weighting 12.0% → 13.8%)	+19.8% YoY

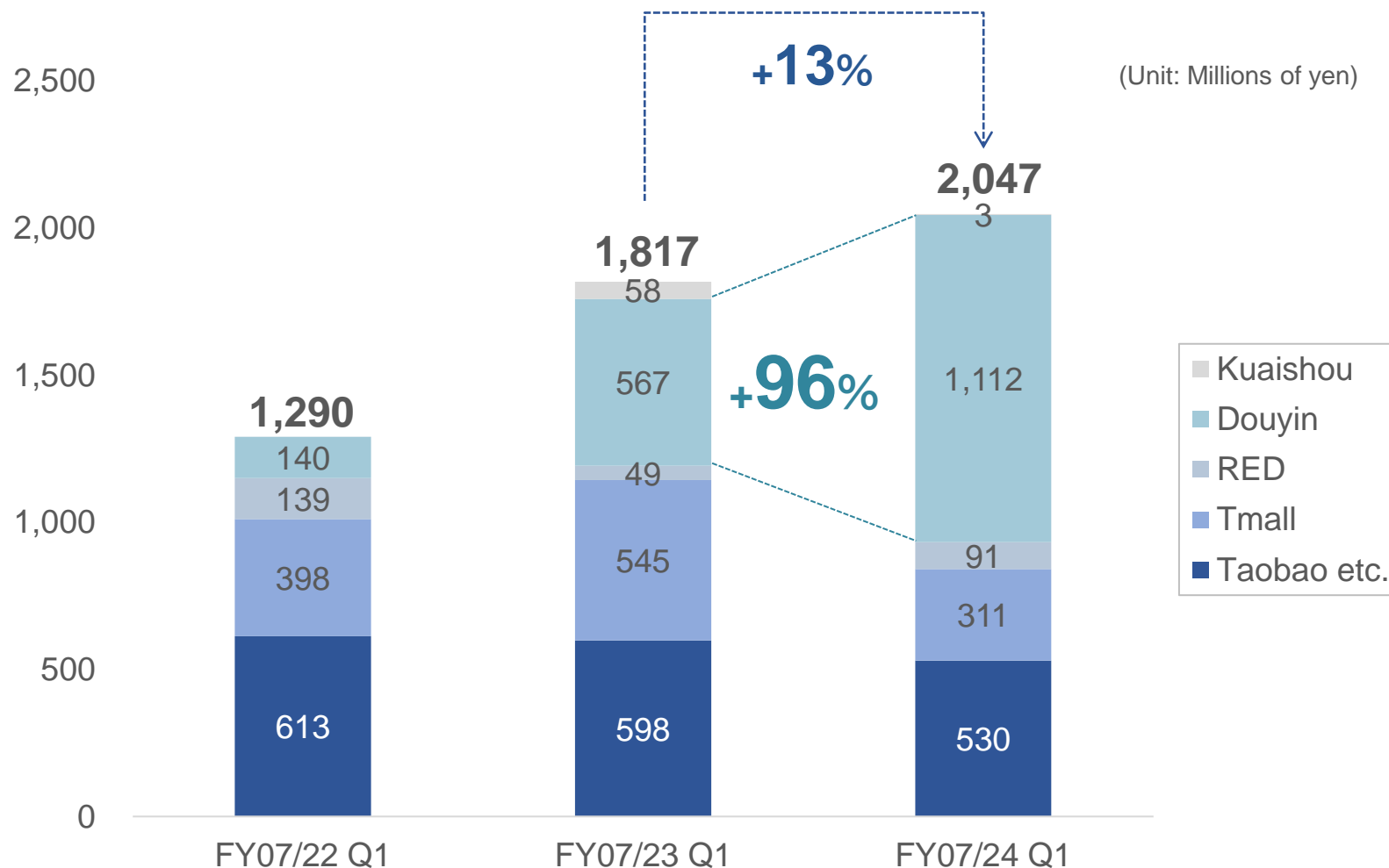


* Sales figures in China and Japan are the total of e-commerce, salon, and retail sales.

China E-commerce Sales Trend (FY07/24 Q1 consolidated results)

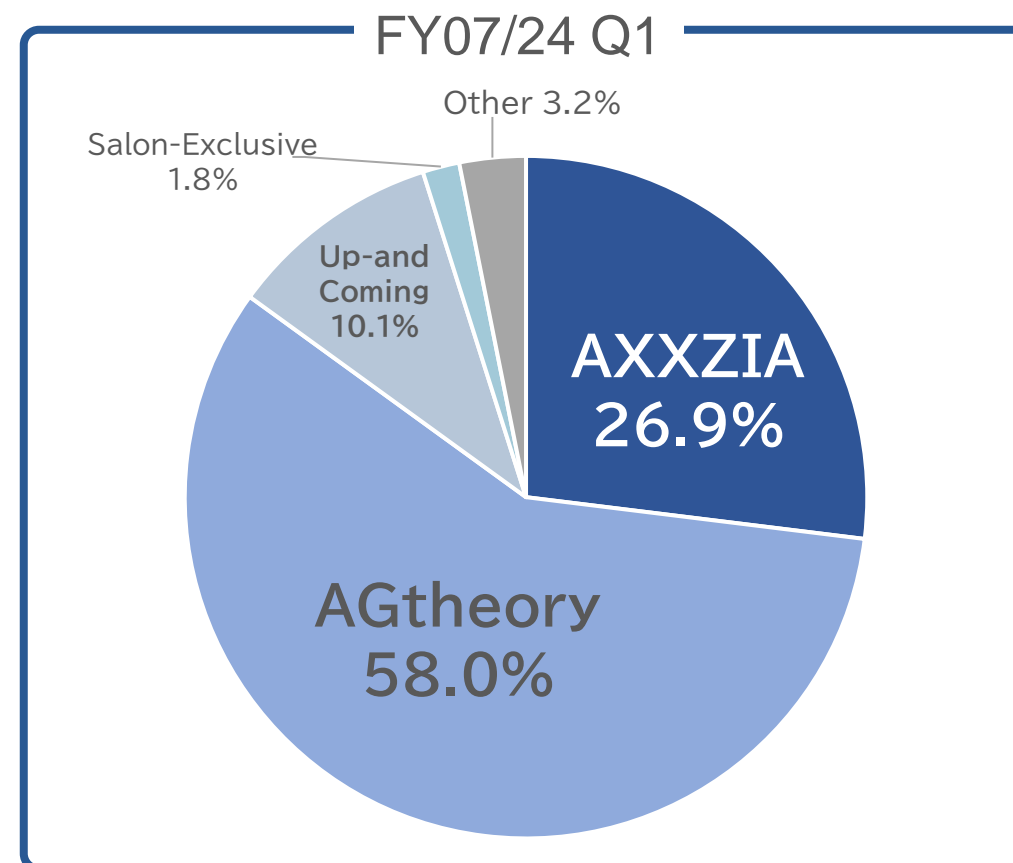
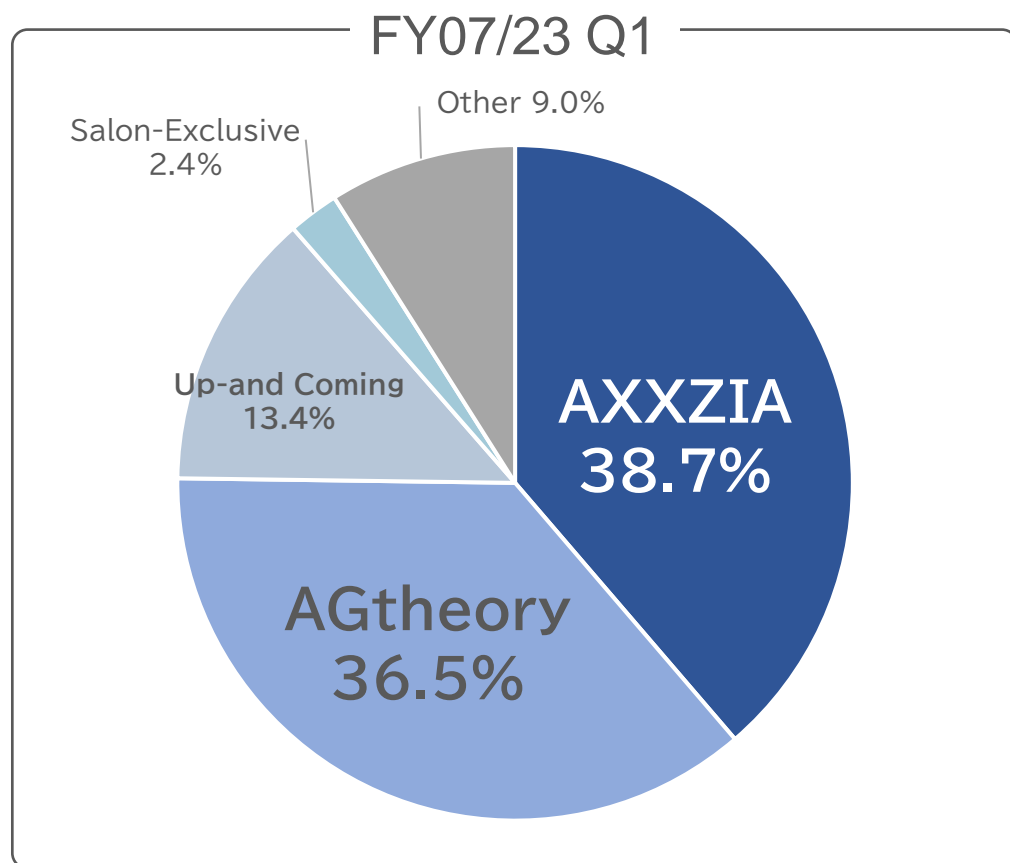
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We invested in advertising, concentrating heavily on **Douyin**, which is currently expanding its share of the Chinese e-commerce market. Consequently, sales expanded significantly, **approximately doubling** YoY and driving overall e-commerce sales in China.



Sales Breakdown by Brand (FY07/24 Q1 consolidated results)

AGDrink X, launched in FY07/23, has **continued to perform well since its launch, regardless of external environmental factors**. Therefore, sales rose regardless of adverse circumstances (+54.3% YoY), and as a result, the share of our net sales generated through AGtheory rose to **58%**.



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

CoGS and SG&A expenses (FY07/24 Q1 consolidated results)

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The share of our net sales generated through e-commerce, which is associated with lower cost of sales ratios, rose YoY, and our **overall cost of sales ratio dropped about four percentage points** YoY. Advertising expenses that we had planned to incur for KOL live sales were instead allocated to in-house live sales and advertising for W11.

Consequently, advertising expenses were **commensurate with our projections**.


(Unit: Millions of yen)

	FY07/23 Q1		FY07/24 Q1		Change	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	YoY	Versus forecast
Net sales	2,619	100.0%	2,730	100.0%	+4.2%	-5.6%
Cost of goods sold	615	23.5%	537	19.7%	-12.6%	-2.4%
SG&A expenses	1,612	61.5%	1,935	70.9%	+20.0%	-3.4%
(Personnel expenses)	318	12.2%	339	12.4%	+6.4%	-16.2%
(Advertising expenses)	582	22.2%	760	27.9%	+30.6%	+0.6%
(Commissions paid)	384	14.7%	444	16.3%	+15.5%	+1.2%
Operating income	391	15.0%	257	9.4%	-34.3%	-23.7%

We issued **352 million yen in dividends** using retained earnings as a source of funds. Furthermore, we maintained an excellent financial position with an equity ratio of **84.3%**.

(Unit: Millions of yen)

		End-FY07/23	End-FY07/24 Q1	YoY change
		Amount	Amount	Amount
	Current assets	9,150	9,003	-147
	(Cash and deposits)	5,787	5,602	-185
	Non-current assets	1,550	1,515	-34
Total assets		10,701	10,519	-181
	Current liabilities	1,363	1,351	-11
	Non-current liabilities	436	302	-134
	Total liabilities	1,799	1,653	-146
	(Interest-bearing liabilities)	632	562	-69
	Total net assets	8,901	8,866	-35
	(Retained earnings)	5,473	5,383	-90
	(Treasury shares)	-891	-891	-
	Total liabilities and net assets	10,701	10,519	-181



3. FY07/24 Q1 Topics

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[Topic 1] Revamping of Core Products

We conducted our first core product revamp, launching Essence Sheet Plus and Essence Sheet Premium Plus.



Reference: Advertising Plan Implemented to Promote Our Core Product Revamp AXXZIA

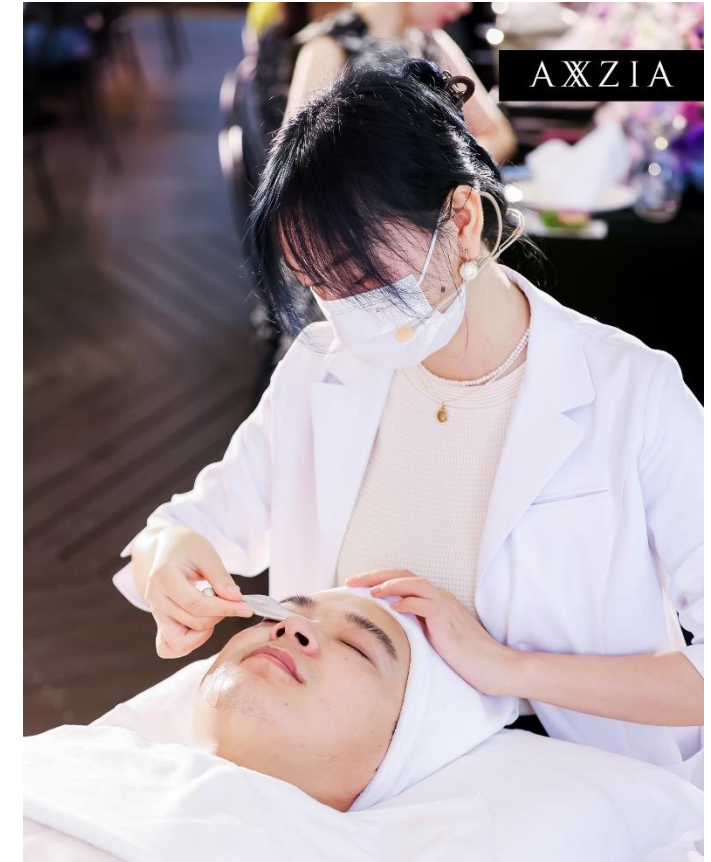
Focusing primarily on China, we conducted a worldwide advertising campaign to promote our core product revamp.



In a **total of 17 cities in seven countries** (China, Japan, the USA, Singapore, etc.), we held a promotional **campaign through which participants could win additional AXXZIA products** by shooting their own photos of AXXZIA products and posting them on social networking services such as RED or Douyin.



Collaborating with Regent Shanghai hotel, we arranged for the furnishing of **suites featuring AXXZIA products**.



Through a salon located within the InterContinental One Thousand Island Lake Resort, we offered a **skincare routine utilizing our revamped products**.

[Topic 2] Appointment of Ambassadors

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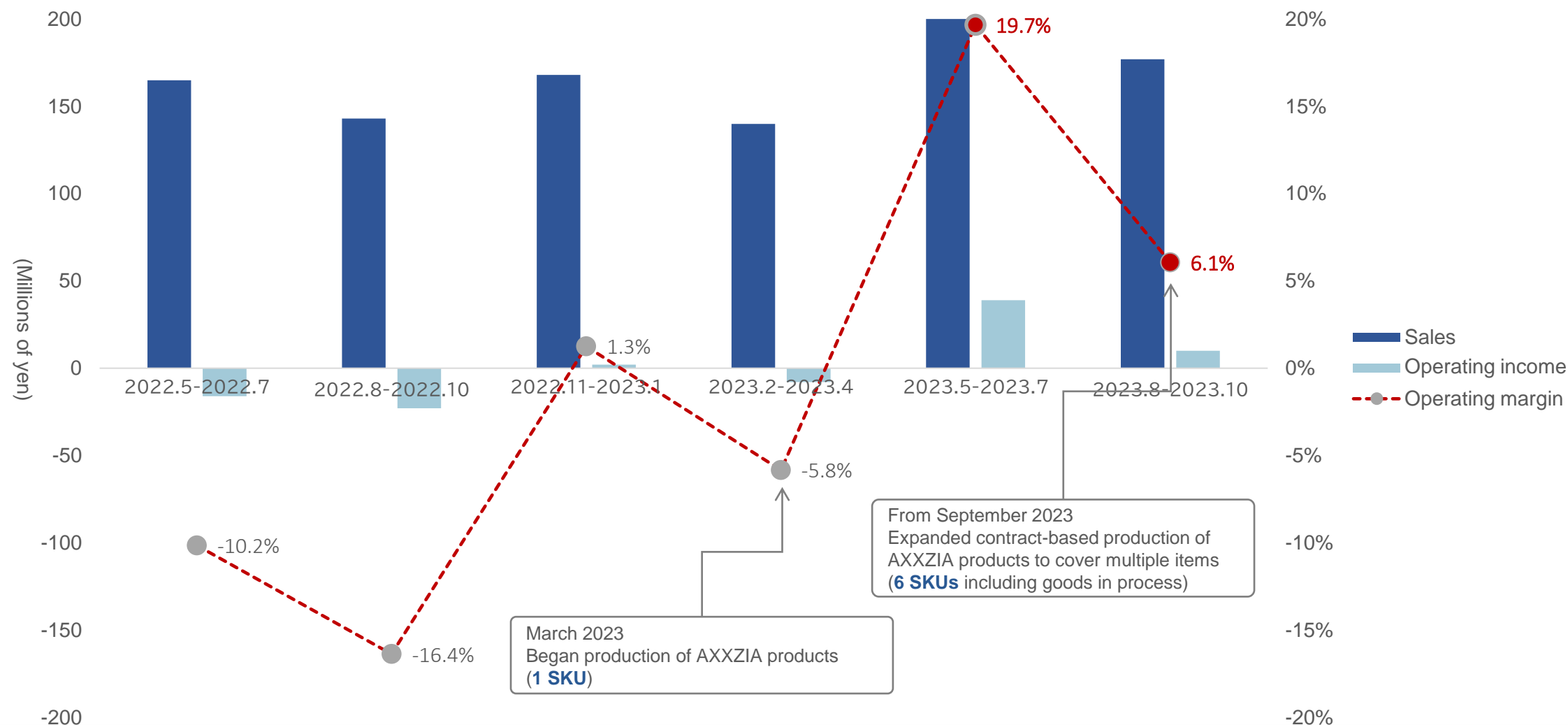
In October 2023, we appointed Kelly Yu (Yú Wénwén)* as our brand ambassador in China. Chinese celebrities and other notable Chinese individuals who had been reluctant to promote Japanese products due to incidents involving the oceanic release of treated water have started to come back.



* Kelly Yu is an actress and vocalist who enjoys national popularity in China. She has been appointed to serve as a brand ambassador from October 15, 2023 through January 14, 2024.

[Topic 3] Profitability Restored at Huit Laboratories

We successfully **restored profitability** at Huit Laboratories about one year after we acquired its shares in April 2022. **Huit Laboratories generated profit for six consecutive months beginning with May 2023.** Following the completion of post-merger integration, Huit Laboratories began **contract-based production** of AXXZIA products (thereby producing synergy) in March 2023.





4. Future Initiatives

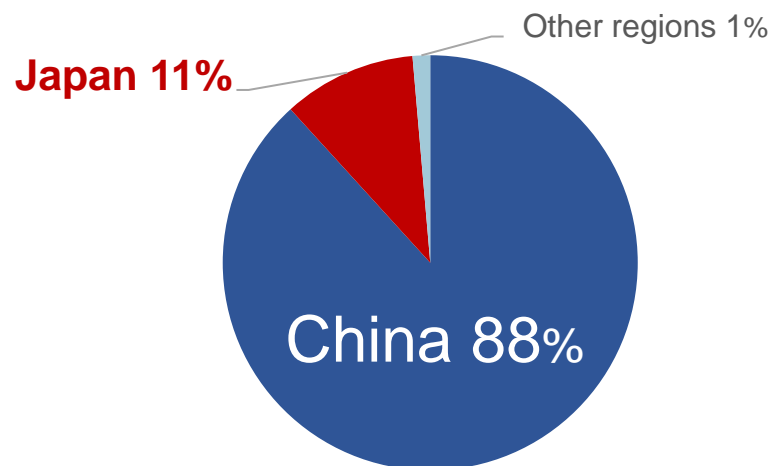
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[M&A] Purpose of the Acquisition

In November 2023, the Board of Directors resolved to acquire all shares of M&D Co., Ltd. for the main purpose of **increasing sales in Japan** and acquiring a **domestic e-commerce platform**.

Current Management Issues

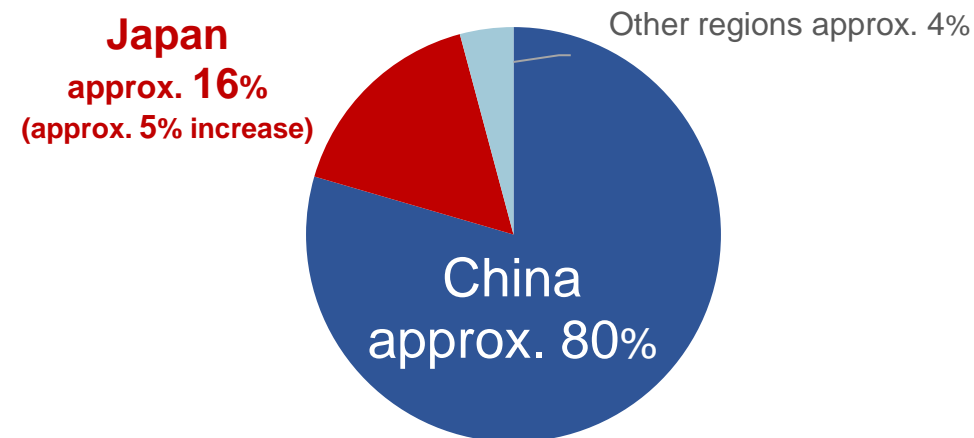
- Uneven sales portfolio (approximately 90% of sales in China)
- Lack of recognition of the AXXZIA Group in Japan



Sales Composition by Region for FY07/23

Purpose of the Acquisition

- Increase Japan sales, strengthen domestic e-commerce business
- Improve sales portfolio and reduce country risk
- Acquire domestic e-commerce platform to attract new customers and increase recognition

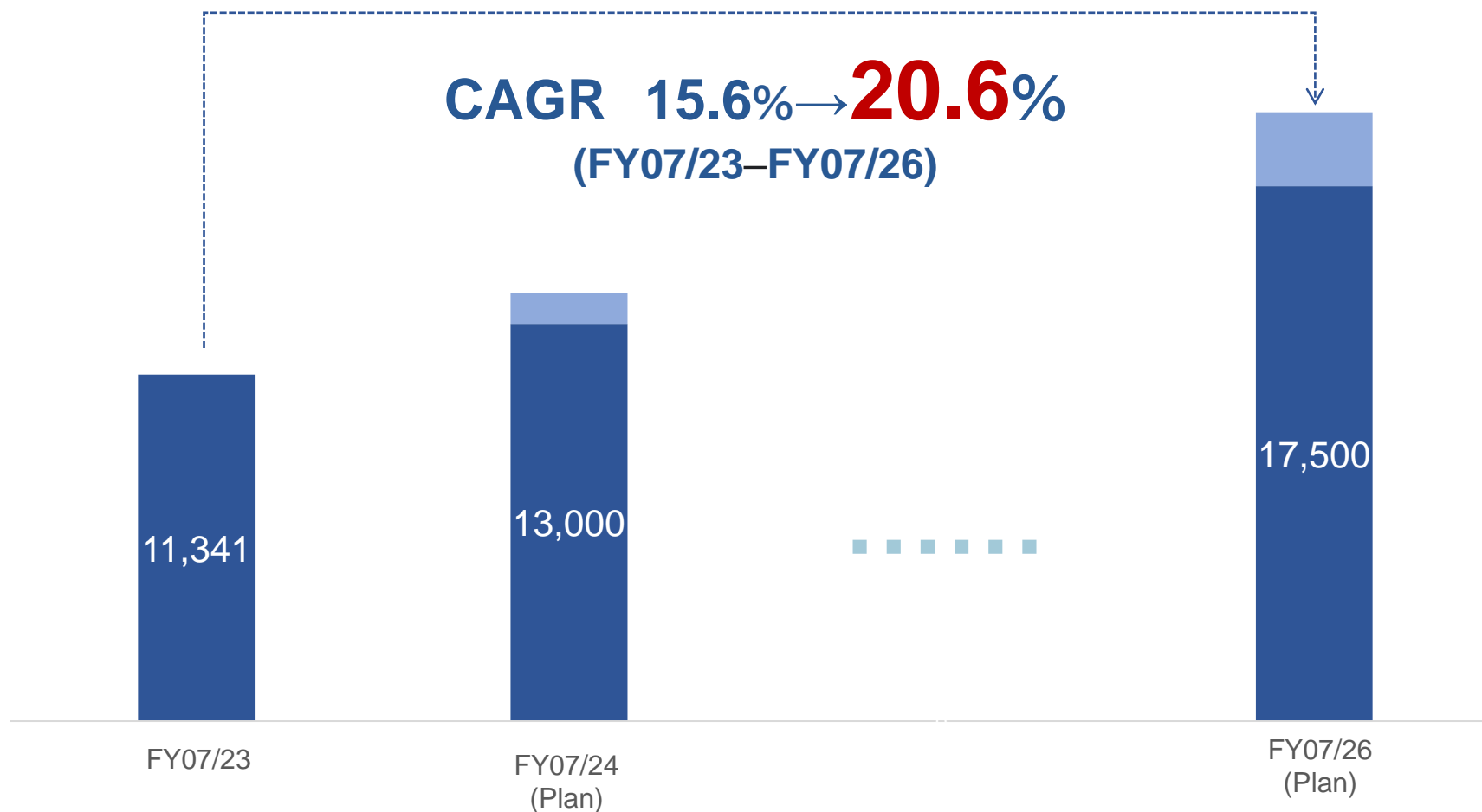


Sales Composition by Region (Forecast)

Aiming to achieve **high growth** exceeding the medium-term management plan targets.

AXXZIA Group Consolidated Sales

(Unit: Millions of Yen)

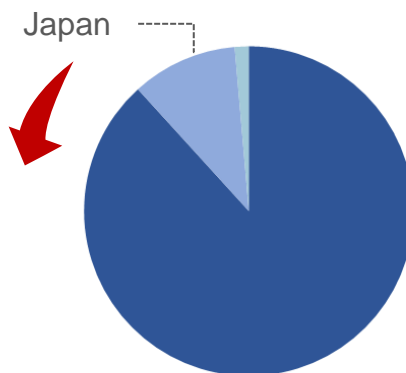


Acquiring e-commerce platform in Japan will accelerate the expansion of the AXXZIA Group's overall domestic e-commerce business. The acquisition will also improve the balance of the Company's sales portfolio and reduce country risk.

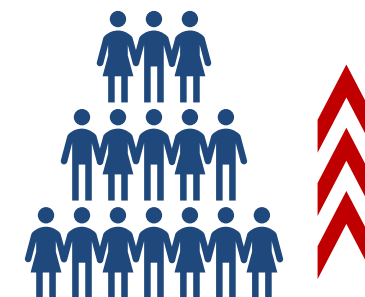
(1) Strengthening of the Japan E-Commerce Business



(2) Improvement of the Sales Portfolio



(3) Acquisition of New Customers and Increase in Awareness



Full-scale initiatives in the Japanese cosmetics and pharmaceuticals e-commerce market, which is worth approximately 1 trillion yen*.

*Reference: Information Economy Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry (FY2022 E-Commerce Market Survey)

[M&A] Projection of Three-Years of Development Following the Acquisition

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In the first year after the acquisition, the Company will **improve the subsidiary's profitability** through financial support. In the second and subsequent years, we will transform the business model to pursue synergies within the Group and develop it into the **foundation of AXXZIA's domestic e-commerce business**.



Phase 1 (FY02/24–FY02/25)

Profitability Improvement Phase

- Improvement in profitability and operating profit/loss on top-line growth and cutting of procurement costs and SG&A expenses
- Financial support using the Company's abundant resources
- Selection and addition of products handled to prepare for Phase 2

Phase 2 (FY02/25–FY02/27)

Pursuit of Synergy Phase

- Launch of private brand business for retail
- Sale of AXXZIA and Huit products through Blanc Lapin

**Create Group synergies from a medium- to long-term perspective.
Develop as the foundation of the AXXZIA Group's e-commerce business in Japan.**



[Joint Venture] Establishment of Shanghai Sakura Beauty Technology Co., Ltd. AXXZIA

Through our Shanghai subsidiary, we concluded a business alliance agreement with Shanghai Mo'er Culture Communication Co. in November 2023, establishing **Shanghai Sakura Beauty Technology Co., Ltd.**, an equity-method joint venture. By teaming up with a prominent local partner, we achieved full entry into the **Chinese esthetic salon industry**.

Joint venture profile

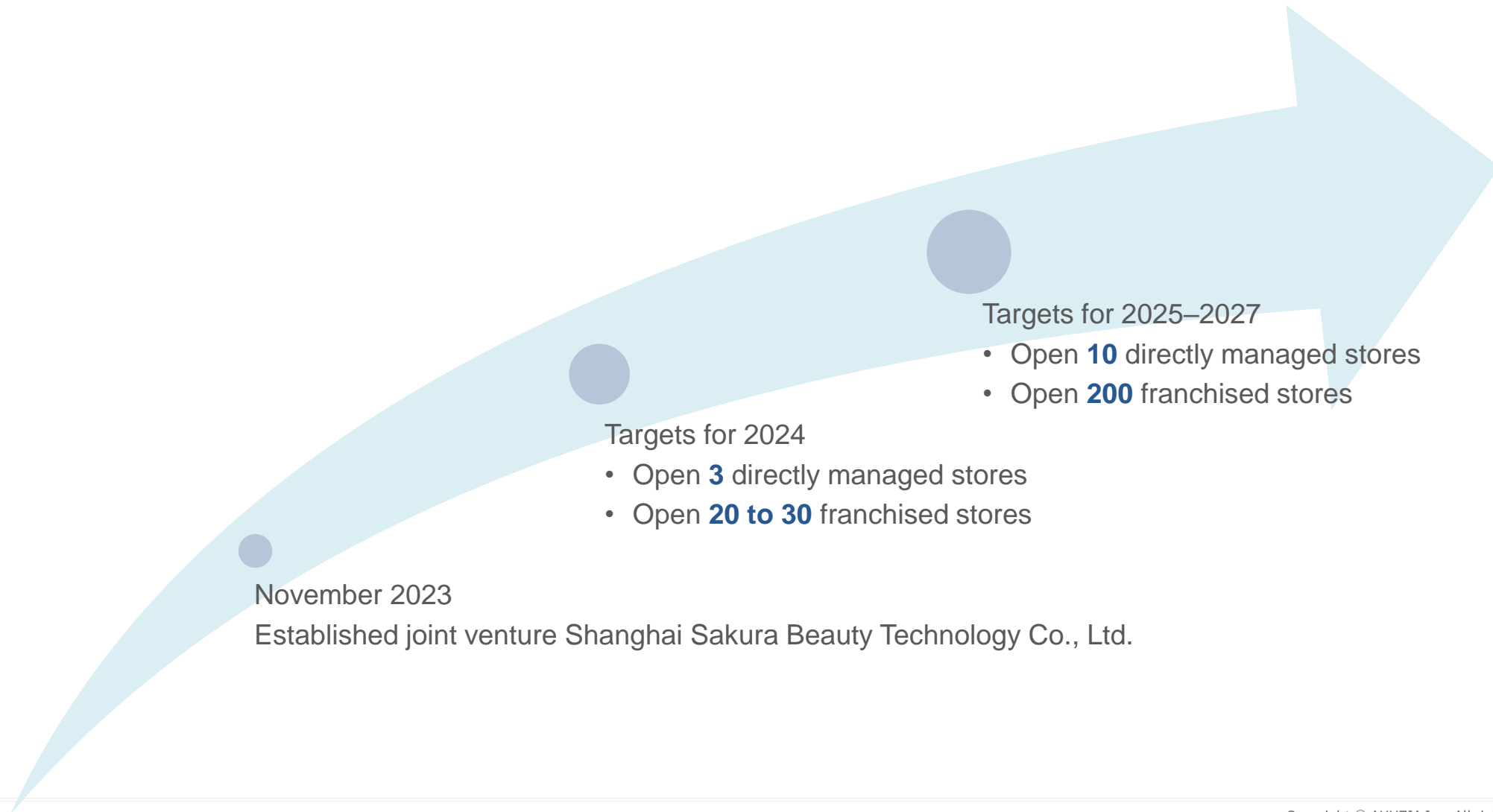
Name	Shanghai Sakura Beauty Technology Co., Ltd
Location	Shanghai, People's Republic of China
Representative	Jinlong Yang
Business details	Management and franchising of esthetic salons
Capital stock	5 million yuan
Date of establishment	November 2023
Accounting period end	December 31
Investment stake	Shanghai Mo'er Culture Communication Co.: 60% Xiaozi Cosmetic (Shanghai) Inc.: 40%

Joint venture partner profile

Name	Shanghai Mo'er Culture Communication Co.
Location	Shanghai, People's Republic of China
Representative	Wang Yao Rong
Business details	Training and education related to esthetic business operations, franchise start-up support, and distribution (sale) of cosmetics products on behalf of clients
Capital stock	1 million yuan
Date of establishment	September 2018
Accounting period end	December 31
Investment stake	Wang Yao Rong: 80% Jinlong Yang: 20%

[Joint Venture] Medium- to Long-Term Development Goals

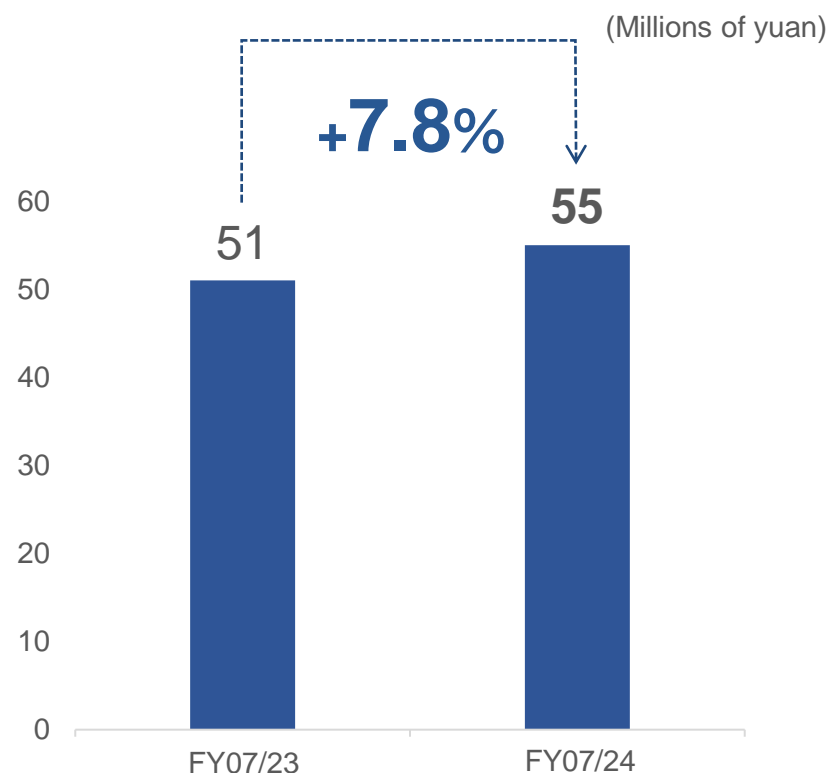
Over the medium to long term, we aim to expand the scope of our joint venture's operations to include **10 directly managed stores** and **200 franchised stores**.



[Events in China] Achievements Generated through W11

We achieved **record-high** gross merchandise volume (GMV) in W11, one of the three major e-commerce events in China. GMV rose **7.8%** YoY, outpacing growth generated through events overall.

FY07/24 GMV



Growth Rate Comparison (YoY)

All events*

+2.1%

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+7.8%

*Source: 星图数据(SYNTUN)『2023年双十一 全网销售和据解读报告』

Calculation Method

Period covered: October 20–November 11, 2023

Platforms covered: Our cross-border flagship e-commerce stores (Douyin, Kuaishou, RED, Tmall)

* W11 is an annual event held in China around November 11 to celebrate Singles' Day and is the largest e-commerce sales event convened in China

[Shareholder Return] Acquisition and Cancellation of Treasury Shares

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We adopted a resolution authorizing the **acquisition and cancellation of treasury shares** as a means of further returning profits to our shareholders.

Acquisition of treasury shares

Type of shares	Common shares in AXXZIA
Total number of shares to be acquired	750,000 shares (maximum)
Total acquisition cost	1.1 billion yen (maximum)
Period of acquisition	December 18, 2023–March 29, 2024
Acquisition method	Purchase executed via the Tokyo Stock Exchange

Cancellation of treasury shares

Type of shares	Common shares in AXXZIA
Total number of shares to be cancelled	750,000 shares (cancellation to begin with all shares acquired as treasury shares during April through June 2023)
Scheduled date of cancellation	December 25, 2023

Initial EPS forecast

65.05 yen



Up approximately
2 yen

EPS projected following
cancellation of treasury shares*

67.05 yen

* Does not reflect impact from the exercise of stock options



5. Appendix

AXXZIA



Creating things and experiences
that amaze people.

Board of Directors

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

Company Overview

Establishment	December 21, 2011
Capital	2,153 million yen (As of end of October 2023)
Location	Tokyo, JAPAN
Office	Tokyo Head Office, Osaka Sales Office, Fukuoka Sales Office
Flagship Store	AXXZIA GINZA SIX Store, AXXZIA HANEDA Airport Garden Store, AXXZIA Daimaru Shinsaibashi Store, AXXZIA Daimaru Shinsaibashi South Building Store, AXXZIA Keio Department Store
Business Activities	Manufacturing, sales of cosmetics and supplements
Market	TSE Prime (4936)

Consolidated Subsidiaries

- Xiaozi Cosmetic (Shanghai) Inc.
- AXXZIA (Hong Kong) International Limited
- Huit Laboratories, Inc.
- AXXZIA Value Creator Inc.
- AXXZIA Cosmetic Singapore Pte. Ltd.

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 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%)



[Main Brands¹]

AXXZIA Series (FY07/24 Q1 consolidated results)

AXXZIA

Essence Sheet sales declined due in part to impact stemming from incidents involving the oceanic release of treated water. Meanwhile, overall sales of other AXXZIA brand products increased (+20.1% YoY), driven by the Face Mask, which we aim to develop into a hit product.



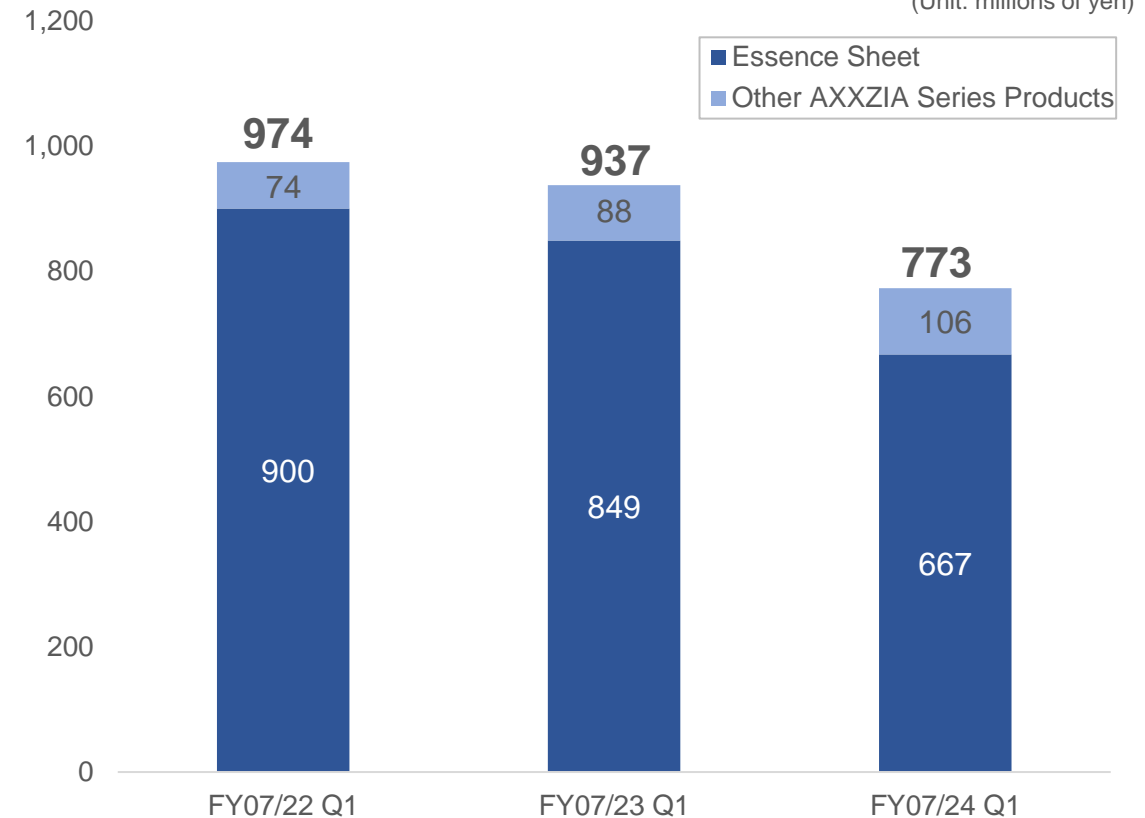
↑「Treatment Mask [GK/MW/AG]」

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

AXXZIA Series - Changes in sales

(Unit: millions of yen)



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

[Main Brands2]

AGtheory Series (FY07/24 Q1 consolidated results)

AXXZIA

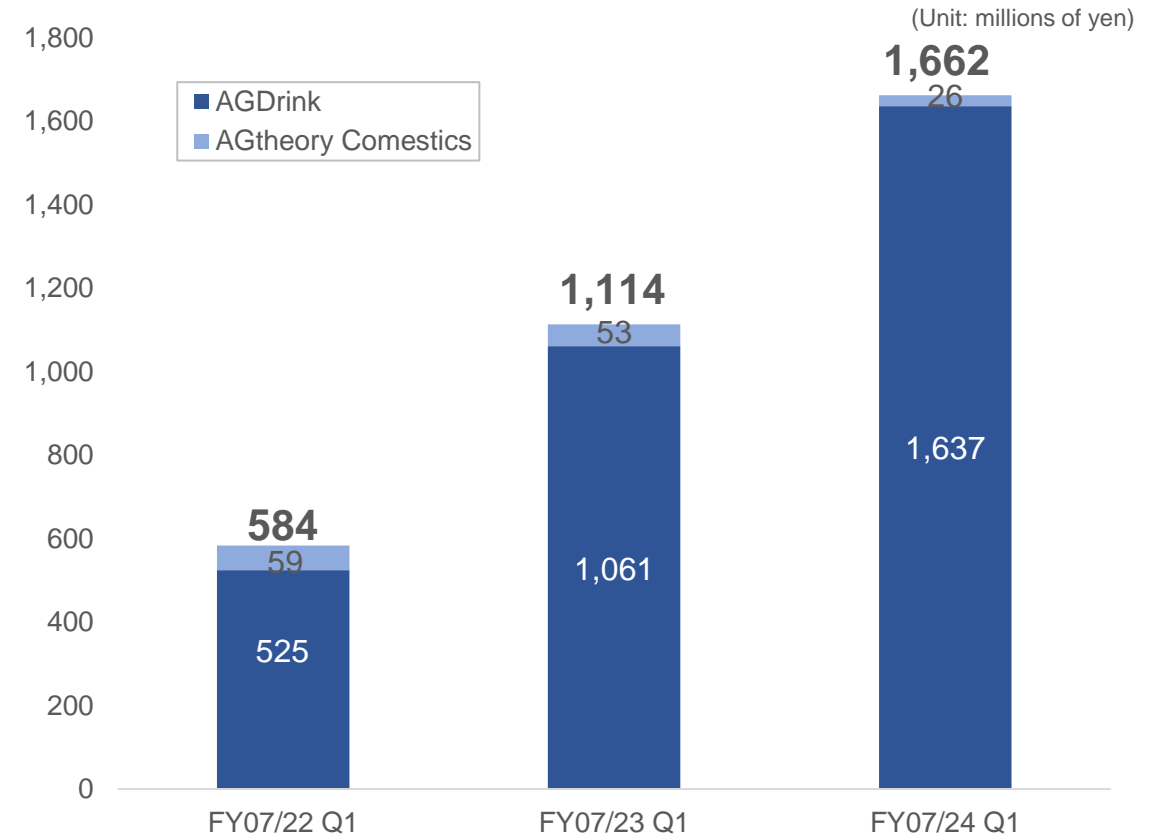
The renewal in April 2023 was successful, leading to a significant increase in sales of AG Drink (+105.4% YoY)



Milestones for sustained growth

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

AGtheory Series - Changes in sales



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

[Up-and-Coming (Whitening Appeal) Series]

The White Drink / UV α (FY07/24 Q1 consolidated results)

AXXZIA

Whitening Appeal product sales remained roughly level YoY despite impact stemming from incidents involving the oceanic release of treated water.

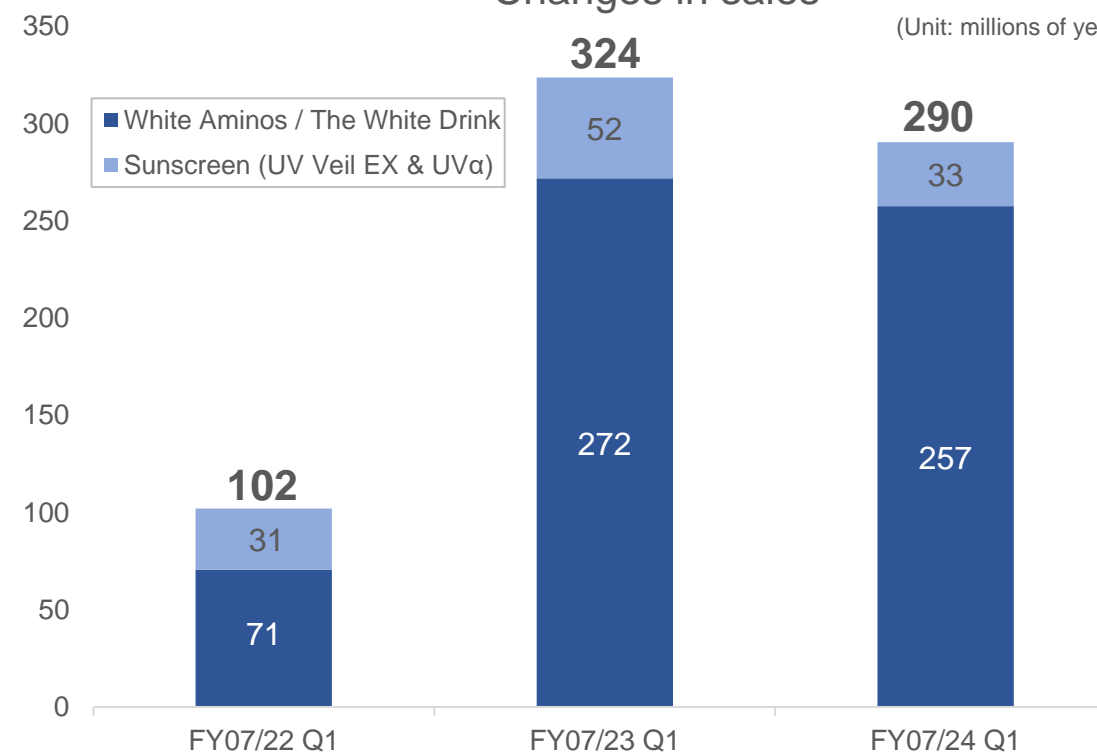


Milestones for turning into main series

- 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

Up-and-Coming (Whitening Appeal) - Changes in sales

(Unit: millions of yen)



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

[Salon-Exclusive Series]

Le Ciel de L'aube / The B (FY07/24 Q1 consolidated results)

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

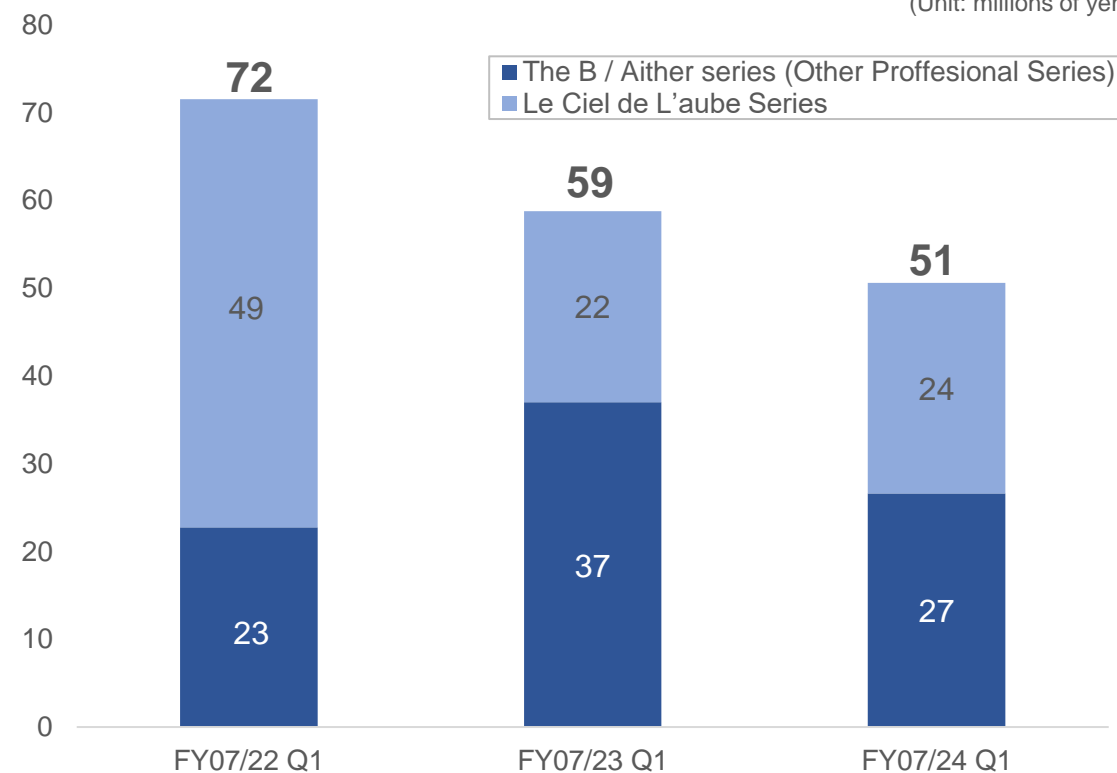


Milestones for sustained growth

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

Salon Exclusive Sales (Professional) Series - Changes in sales

(Unit: millions of yen)



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

[M&A] Overview of the Acquisition

The target company has been operating since 1993, selling imported cosmetics from its base in Fukuoka. **E-commerce makes up 80%** of its sales. It operates e-commerce store Blanc Lapin.

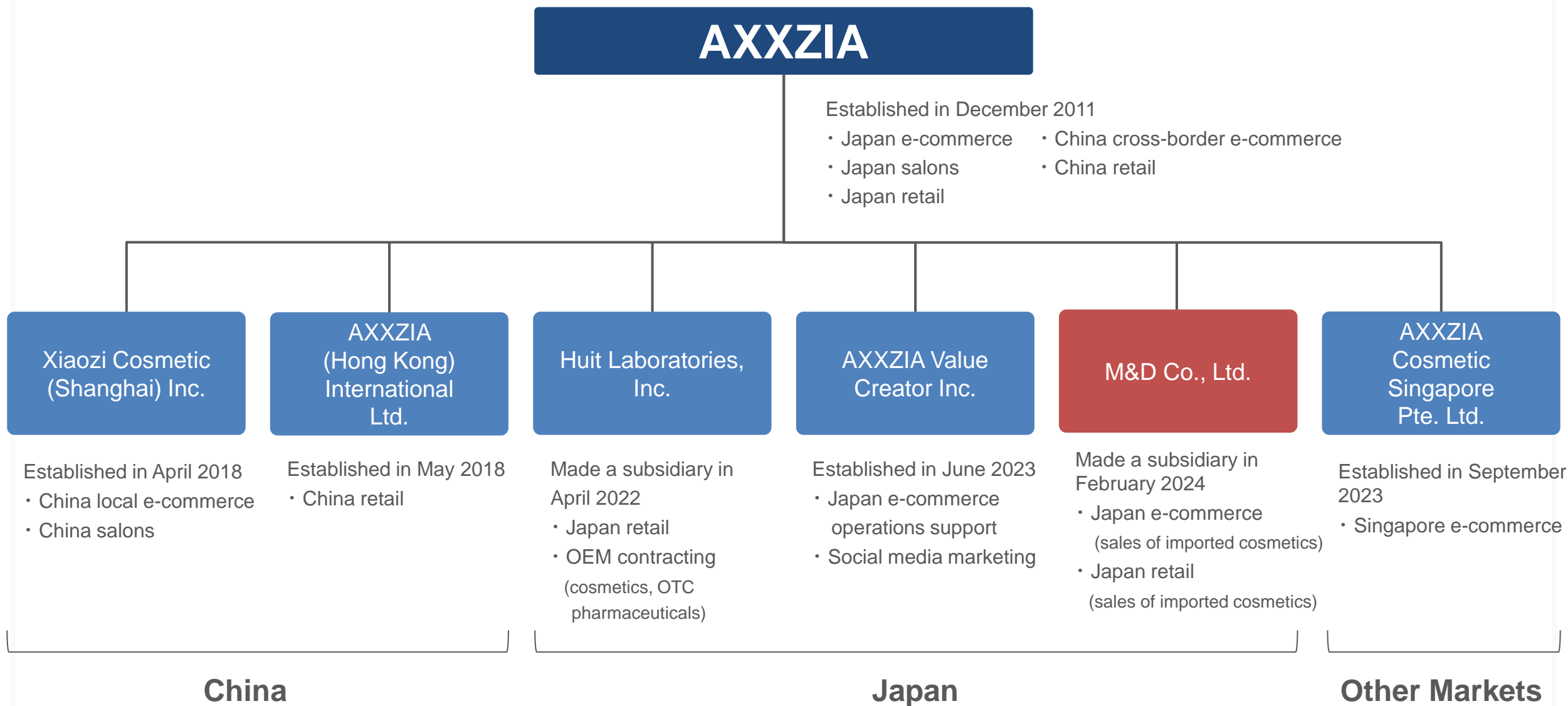
Overview of Target Company

Name	M&D Co., Ltd.
Location	1-28-24 Shiobaru, Minami-ku, Fukuoka, Fukuoka Prefecture
Founded	June 1993
Capital	30 million yen
Revenue	FY02/21 3,087mn yen
	FY02/22 3,010mn yen
	FY02/23 2,435mn yen
Business	<ul style="list-style-type: none"> Retail and wholesale sales of imported cosmetics (e-commerce: 80%, wholesaling to drugstores, etc.: 20%) Operation of Blanc Lapin e-commerce store

Overview of Share Acquisition

Execution date	February 1, 2024 (scheduled)
Acquisition cost	28 million yen (estimate)
Method of financing acquisition	Cash on hand
Impact on business performance	Impact on FY07/24 performance is expected to be negligible.

[M&A] AXXZIA Group Post-Acquisition (Transition to a Larger Group Structure) A X X Z I A



Reference: Past Award History of the Target Company's "Blanc Lapin" E-Commerce Store AXXZIA

- Yahoo! Shopping Best Store of the Year, Cosmetics, Beauty, and Hair Care Category, 3rd place
- Rakuten SHOP OF THE AREA 2021, Kyushu/Okinawa Area Award
- au PAY Market Best Shop Award 2021 Cosmetics and Perfume Category Award

2021

2019

2020

2018

2017

- Yahoo! Shopping Best Store of the Year, Skincare and Makeup Category, 1st place
- Yahoo! Shopping Kyushu/Okinawa Area, Beauty and Health Care Category, 1st Place
- Wowma! Best Shop Award 2018, Beauty and Cosmetics Category Award

- Yahoo! Shopping Best Store of the Year, Skin Care and Makeup Category, 1st place
- Yahoo! Shopping Kyushu/Okinawa Area, Beauty and Healthcare Category, 1st place
- Wowma! Best Shop Award 2017, Beauty and Cosmetics Category Award
- Rakuten EXPO AWARD 2017 Kyushu Area, Home Life Category Award
- Rakuten SHOP OF THE AREA 2017 Kyushu/Okinawa Area Award

- Yahoo! Shopping Best Store of the Year, Cosmetics, Beauty, and Hair Care Category, 3rd place
- Rakuten SHOP OF THE AREA 2020, Kyushu/Okinawa Area Award
- au PAY Market Best Shop Award 2020, Cosmetics and Perfume Category Award

- Yahoo! Shopping Best Store of the Year, Skincare and Makeup Category, 3rd place
- Yahoo! Shopping Kyushu/Okinawa Area, Beauty and Healthcare Category Award, 1st Place
- Wowma! Best Shop Award 2019, Beauty and Cosmetics Category Award

*Reference: Target company's website
<https://mdco.world/blanc-lapin/>

Disclaimer and notes regarding the future outlook

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- 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.

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Creating things and experiences
that amaze people.

[Contact]

AXXZIA Inc. (Securities code: 4936)

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