



# Financial Results Presentation for FY07/24 Q3



AXXZIA Inc.

[TSE Prime: 4936]

June 14<sup>th</sup> ,2024



# AXXZIA

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# 1. Executive Summary

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FY07/24 Q3  
Consolidated

## Results

- **Net sales: 9.11bn yen (+15.5% YoY)**
- **Operating income: 0.95bn yen (-28.8% YoY)**
- The move toward refraining from purchasing Japanese cosmetics following the release of treated water is **gradually coming to an end.**
- Achieved double-digit sales growth of **15.5% YoY** in cumulative Q3 thanks to various measures such as live sales events of inner care product AGDrink.
- **Revised full-year earnings forecast upward** as Q3 sales and profit both surpassed full-year forecasts disclosed alongside Q2 earnings announcement.

## Topics

- We organized a live sale to commemorate the first anniversary of the release of AGDrink X, marking **our highest single-day sales ever.**
- **In Japan, e-commerce sales quadrupled** YoY, driven by **M&D Co., Ltd. becoming a subsidiary.**
- Sales at **GINZA SIX** grew substantially, **tripling YoY** due to inbound demand.
- As part of our shareholder return strategy, we have implemented an **expansion of our Shareholder Benefit Plan.**



## 2. Business Results: Highlights

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## Net Sales and Profit (FY07/24 Q3 consolidated results)

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Net sales rose **15.5% YoY** thanks to the **success of various measures**, including live sales events for inner care product AGDrink. As a result, profits also **substantially surpassed projections** made at the time of Q2 earnings announcement.

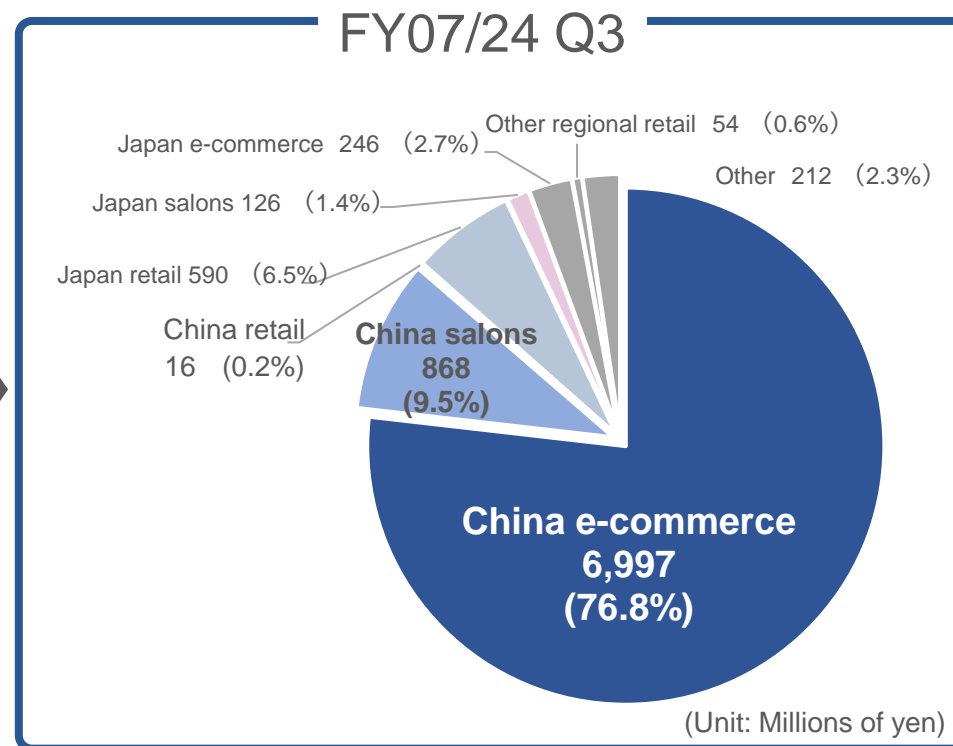
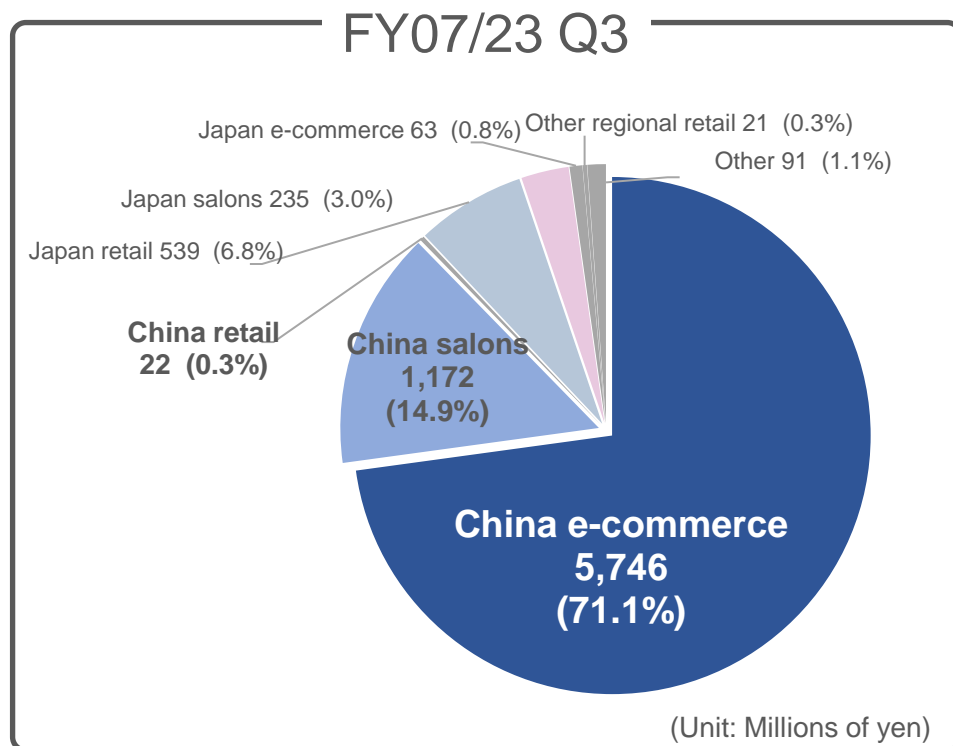
(Unit: Millions of yen)

	FY07/23 Q3	FY07/24 Q3	YoY change	2Q Announced Forecast Progress Rate
Net sales	7,892	<b>9,113</b>	+1,221 (+15.5%)	79.9%
Operating income	1,340	<b>953</b>	-386 (-28.8%)	128.9%
Operating margin	17.0%	<b>10.5%</b>	-6.5ppt	-
Ordinary income	1,290	<b>1,155</b>	-134 (-10.5%)	144.4%
Profit attributable to owners of parent	842	<b>811</b>	-30 (-3.7%)	153.1%

Net Sales by Region and Channel (FY07/24 Q3 consolidated results)

Sales in the **Chinese e-commerce** market, our main market, grew by **21.8%**.  
 In Japan, **e-commerce sales quadrupled** YoY following the acquisition of M&D Co., Ltd. in February.

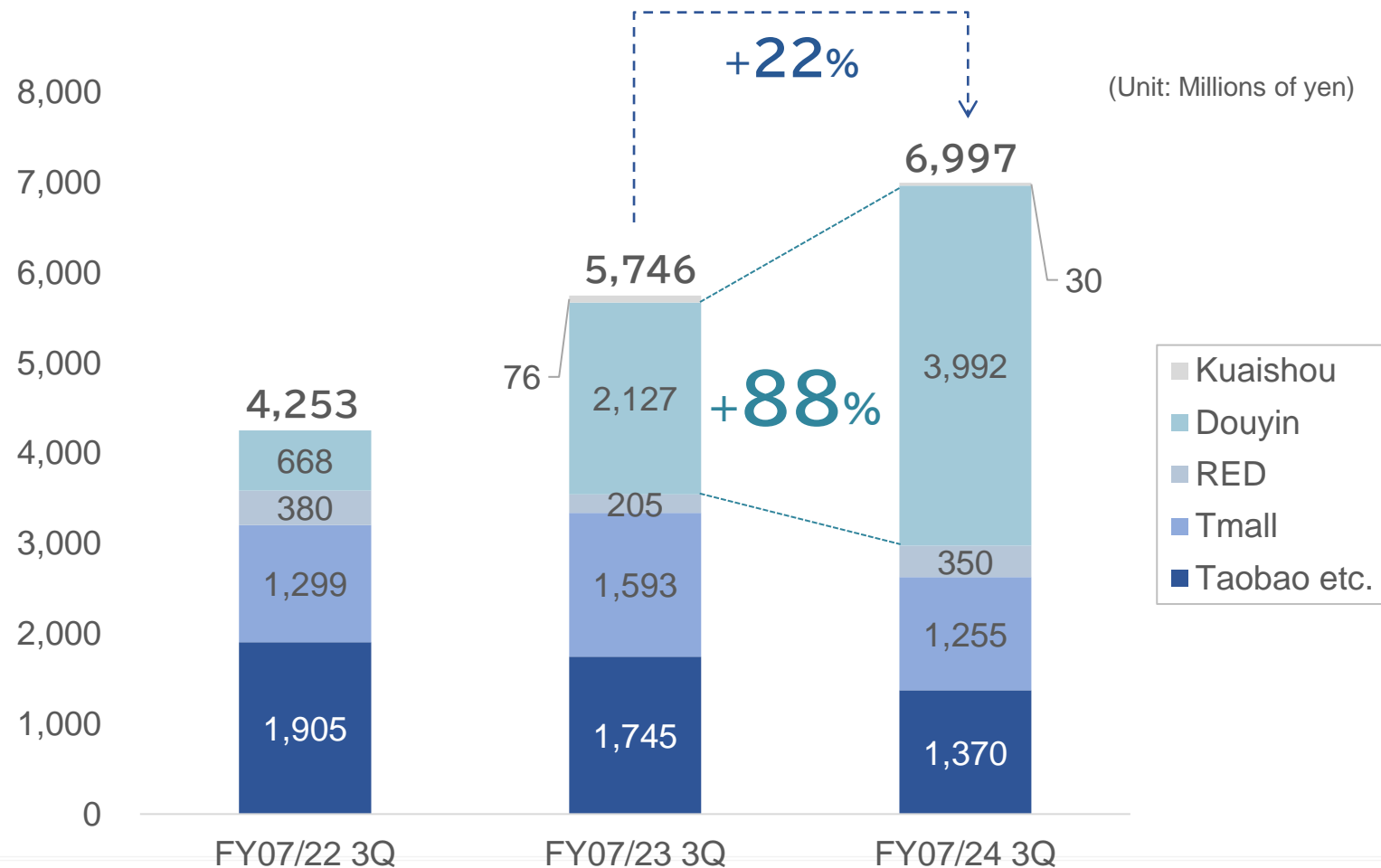
- China net sales\* **7.8bn yen** (Weighting 87.9% → **86.5%**) **+13.6%** YoY
- Japan and other regions net sales\* **1.2bn yen** (Weighting 12.1% → **13.5%**) **+29.4%** YoY



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

## China E-commerce Sales Trend (FY07/24 Q3 consolidated results)

We boosted the number of **live sales featuring key opinion leaders (KOL)** on Douyin, which is currently expanding its share of the Chinese e-commerce market. In addition, we recorded **our highest single-day sales ever** thanks to the success of the live sales event planned at Douyin. As a result, cumulative Q3 sales grew by **88% YoY**, driving the overall growth of our Chinese e-commerce sales.

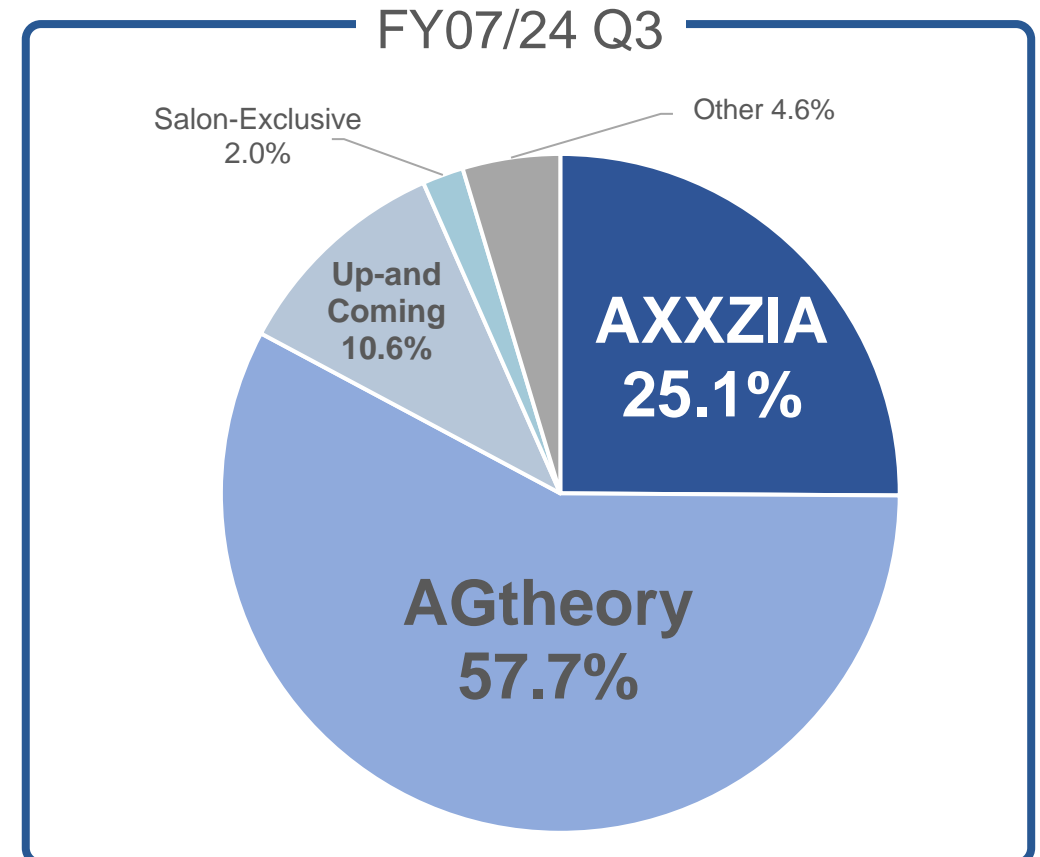
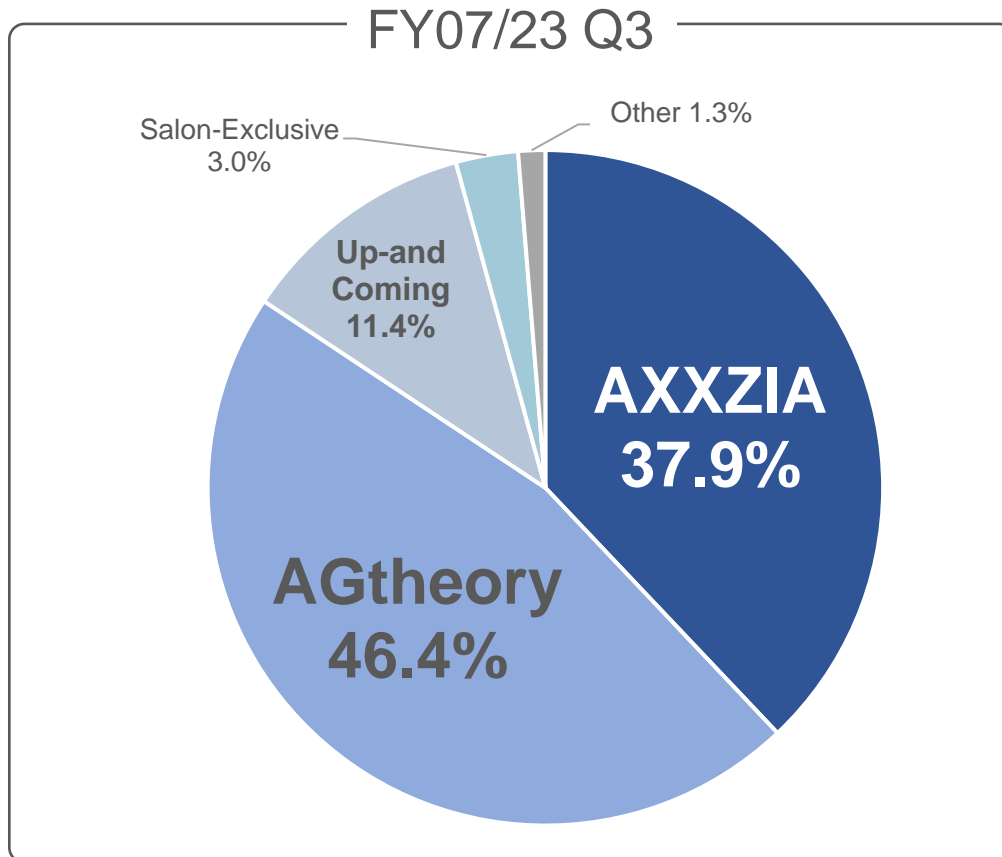




## Sales Breakdown by Brand (FY07/24 Q3 consolidated results)

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**Sales expanded substantially (+52.1% YoY)** thanks to **inner care product** AGDrink X's strong brand power, and as a result, the share of our net sales generated through AGtheory rose to **57.7%**.



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

Cost of sales ratio **improved 3.3ppt YoY** reflecting an increase in our e-commerce ratio. In addition, advertising expenses and commissions paid to KOLs rose as we increased the number of **live sales featuring KOLs** and planned various measures including **live sales featuring famous KOLs** in China.

(Unit: Millions of yen)

	FY07/23 Q3		FY07/24 Q3		Change
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	YoY
Net sales	7,892	100.0%	<b>9,113</b>	<b>100.0%</b>	+15.5%
Cost of goods sold	1,761	22.3%	<b>1,734</b>	<b>19.0%</b>	-1.6%
SG&A expenses	4,789	60.7%	<b>6,425</b>	<b>70.5%</b>	+34.2%
(Personnel expenses)	919	11.6%	<b>1,046</b>	<b>11.5%</b>	+13.9%
(Advertising expenses)	1,669	21.1%	<b>2,316</b>	<b>25.4%</b>	+38.8%
(Commissions paid)	1,247	15.8%	<b>1,721</b>	<b>18.9%</b>	+38.0%
Operating income	1,340	17.0%	<b>953</b>	<b>10.5%</b>	-28.8%

Non-current assets increased (buildings: +516 million yen) as we established our own logistics center **Fuji Sanroku PLC**. In addition, we executed **share buybacks** from December 2023 to March 2024, and **cancelled** 750,000 shares in December 2024.

(Unit: Millions of yen)

	End-FY07/23	End-FY07/24 Q3	YoY change
	Amount	Amount	Amount
Current assets	9,150	<b>9,134</b>	-16
(Cash and deposits)	5,787	<b>4,018</b>	-1,769
Non-current assets	1,550	<b>1,959</b>	+409
<b>Total assets</b>	<b>10,701</b>	<b>11,094</b>	<b>+393</b>
Current liabilities	1,363	<b>2,198</b>	+835
Non-current liabilities	436	<b>288</b>	-147
<b>Total liabilities</b>	<b>1,799</b>	<b>2,487</b>	<b>+687</b>
(Interest-bearing liabilities)	632	<b>1,079</b>	+446
<b>Total net assets</b>	<b>8,901</b>	<b>8,607</b>	<b>-294</b>
(Retained earnings)	5,473	<b>4,794</b>	-679
(Treasury shares)	-891	<b>-655</b>	+235
<b>Total liabilities and net assets</b>	<b>10,701</b>	<b>11,094</b>	<b>+393</b>

## Revision of Earnings Forecasts (FY07/24)

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From the third quarter onward, we saw a gradual **recovery in consumption** following the impact of the release of the treated water, while various measures, such as **live sales events for our inner care product AGDrink**, proved successful and contributed to sales, resulting in better-than-expected performance in the Chinese e-commerce market. As a result, **we have revised our earnings forecast** accordingly.

(Unit: Millions of yen)

	FY07/23 results	FY07/24 Previous forecast	FY07/24 Revised forecast	YoY change (amount)	YoY change
Net sales	11,341	11,400	<b>12,200</b>	+800	+7.0%
Operating income	1,899	740	<b>830</b>	+90	+12.2%
Operating margin	16.8%	6.5%	<b>6.8%</b>	-	+0.3pt
Ordinary income	1,902	800	<b>1,040</b>	+240	+30.0%
Profit attributable to owners of parent	1,330	530	<b>700</b>	+170	+32.1%

### 3. FY07/24 Q3 Topics

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The impact of the released treated water is coming to an end, but the recovery in consumption is slow, and the **outlook for the Chinese cosmetics market remains uncertain**. Under this market environment, our **Chinese e-commerce** sales rose **21.8% YoY**.

External environment	<ul style="list-style-type: none"> <li>■ Cosmetics exports to China, which had been stagnant since the release of treated water in August 2023, have picked up since March 2024, but have <b>yet to return to last year's level*</b>.</li> <li>■ The movement for Chinese consumers to refrain from purchasing Japanese cosmetics following the release of the treated water is coming to an end, but the <b>outlook for the Chinese cosmetics market remains uncertain</b>.</li> </ul>
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Our situation	E-commerce	<ul style="list-style-type: none"> <li>■ <b>Number of live sales rose</b> following a period from March 2024 onward when we could not conduct live sales using KOLs.</li> <li>■ We were also able to hold live sales events featuring famous KOLs and planned a variety of events. As a result, our Chinese e-commerce sales grew <b>21.8% YoY</b>.</li> </ul>
	Inner care products	<ul style="list-style-type: none"> <li>■ <b>Sales remained strong</b> for mainstay inner care products <b>AGDrink</b> and <b>White Drink</b>.</li> </ul>
	Skincare products	<ul style="list-style-type: none"> <li>■ Sales of skincare product <b>Essence Sheet</b> showed <b>signs of recovery</b> recently, as the impact of the released treated water is coming to an end.</li> </ul>

From Ministry of Finance Trade Statistics

[China] Live Sales on Douyin

To break free from the impact of the released treated water, we quickly organized a **live sale to commemorate the first anniversary of the release of AGDrink X**. We enlisted a leading KOL in China to conduct a 2-day live sales event on Douyin. As a result, our product **ranked first** in Douyin's health food and supplements category\* on the first day of the event, also **marking our highest single-day sales ever**.



Laozhaokiki (@laozhaokiki)



Live sale

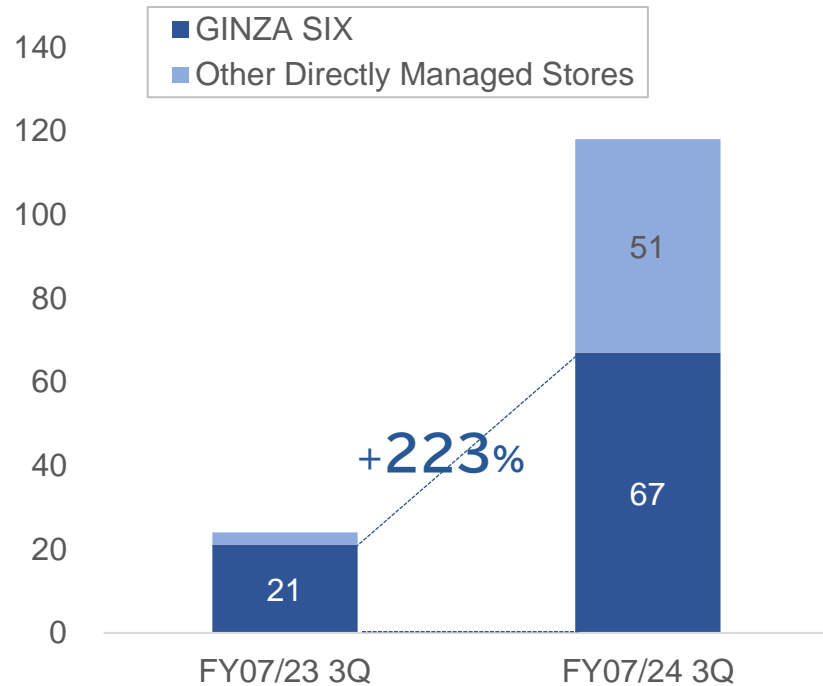
\* Industry ranking across all Douyin platforms, including general trade and cross-border stores. Our company sold only through the Douyin cross-border e-commerce flagship store "Douyin AXXZIA Overseas Flagship Store" for this event.

[Japan] Sales (directly managed stores, e-commerce)

Sales at **GINZA SIX** grew substantially, **tripling YoY** due to inbound demand. E-commerce sales **quadrupled YoY**, driven by **M&D Co., Ltd. becoming a subsidiary**.

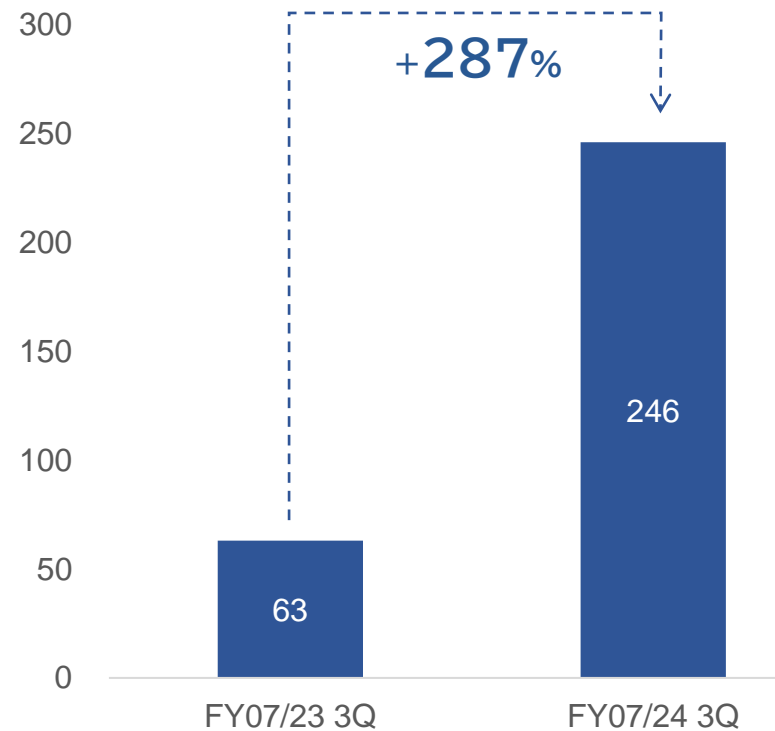
Directly managed stores

(Unit: Millions of yen)



E-commerce

(Unit: Millions of yen)



Topics

- Included one month of sales of **M&D Co., Ltd.**
- Won **first place** in the GINZA SIX Awards for **year-on-year sales\* (fashion and cosmetics)**.
- Aired **large-screen advertisement for AGDrink X at Shibuya Station** as part of measures to boost awareness.

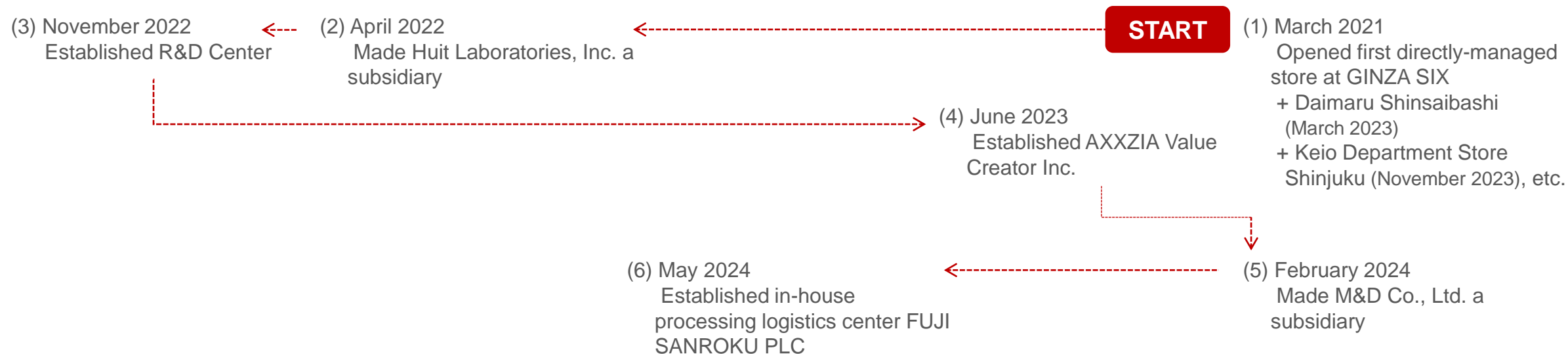
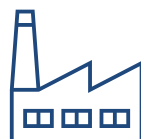


\* Summary period: March 1, 2023 - February 29, 2024 (Previous year: March 1, 2022 - February 28, 2023)



[Japan] Business Expansion in Japan

We used the funds raised from our IPO to **strengthen our value chain** through capital investment and M&A. Aiming to improve our sales portfolio and further expand sales in Japan, we plan to achieve growth **both organically and inorganically** going forward.

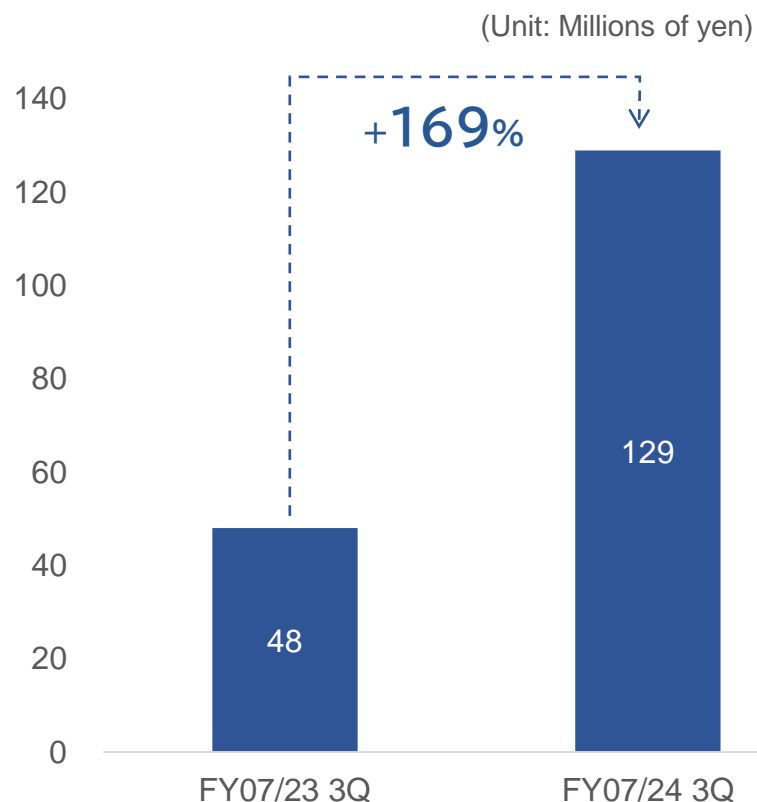


## [Third Market] Sales (US, Southeast Asia)

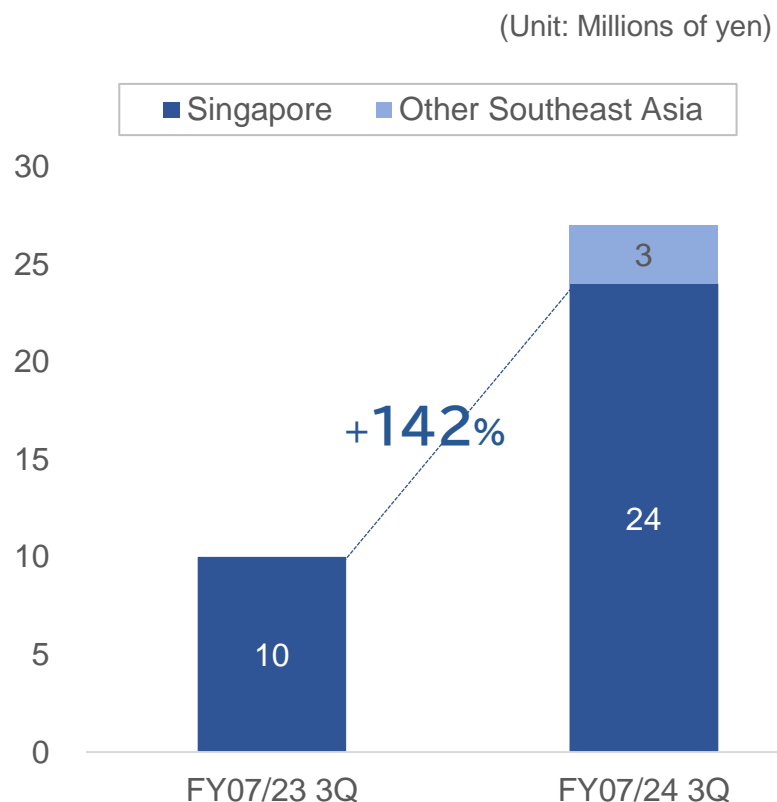
AXZIA

Selling Essence Sheet and other mainstay cosmetics **primarily through e-commerce in the US**, with FDA\*1 registration in progress. Additionally, we conduct **live sales in Singapore** every other month.

### US



### Southeast Asia



### Topics

#### ■ US

- Mainly selling through **e-commerce sites** such as Yami.
- Completed **FDA\*1 registration** of mainstay cosmetics such as Essence Sheet in April 2024.

#### ■ Southeast Asia

- Planning to participate in an **exhibit in Thailand** in June 2024.
- Completed **HSA\*2 registration** for relatively low-priced **LisBlanc** products in addition to mainstay cosmetics such as Essence Sheet.



\*1 FDA stands for Food and Drug Administration, a US government agency that regulates cosmetics and other products.

\*2 HSA stands for Health Sciences Authority. It is mandatory to notify the HSA before selling cosmetics in Singapore.

[Product] Expansion of the AGtheory Brand

Following the strong sales of AGDrink X, we launched **8 basic cosmetics** and **UV cream** products in June 2024, which contain ingredients linked to AGDrink X. Currently **stepping up sales in China and Japan** under the AGtheory brand.



AGtheory UV Protection Cream, launched on April 12, won the **No. 1 position in the daily** Sunscreen Lotion Popularity Ranking\* on the Douyin Shopping Mall Ranking on May 1.

\* Douyin Shopping Mall's Popularity Ranking is a daily popularity ranking calculated based on Douyin's own aggregation methods for products and live broadcasts over a 14-day period (updated daily).

In order to further boost **shareholder returns** and to promote stable stock prices through **continuous ownership**, we have changed our shareholder benefit plan to include **long-term holding incentives**.

## Details of the change

Shareholders listed or recorded in the shareholders' register as of the end of July each year will receive **coupons that can be used at the Company's official online store**.

Number of shares held	Benefits		
	Continuous holding period of less than one year	Continuous holding period of more than one year but less than three years	Continuous holding period of three years or more
200 to 499 shares	Coupon for 6,000 yen	Coupon for 7,500 yen	Coupon for 9,000 yen
500 to 999 shares	Coupon for 12,000 yen	Coupon for 18,000 yen	Coupon for 24,000 yen
1,000 shares or more	Coupon for 18,000 yen	Coupon for 27,000 yen	Coupon for 36,000 yen

Visit our official online store here.



## Timing of the change

The new system will be implemented for shareholders listed or recorded in the shareholder register as of July 31, 2024.

The background features two large, overlapping wireframe structures. The one on the left is a complex, multi-faceted polyhedron-like shape, while the one on the right is a more elongated, angular structure. Both are composed of thin, light gray lines on a dark gray background.

## 4. Appendix

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# AXXZIA

Creating things and experiences  
that amaze people.

### Board of Directors

■ President	Duan Zhuo
■ Executive 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 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	2,155 million yen (As of end of January 2024)
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.
- M&D Co., Ltd.

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 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

# [Main Brands1]

## AXXZIA Series (FY07/24 Q3 consolidated results)

AXXZIA

Although sales of **skincare product Essence Sheet** fell YoY as Chinese consumers refrained from purchasing Japanese cosmetics following the release of treated water into the ocean, the impact is diminishing and **sales have been recovering recently.**



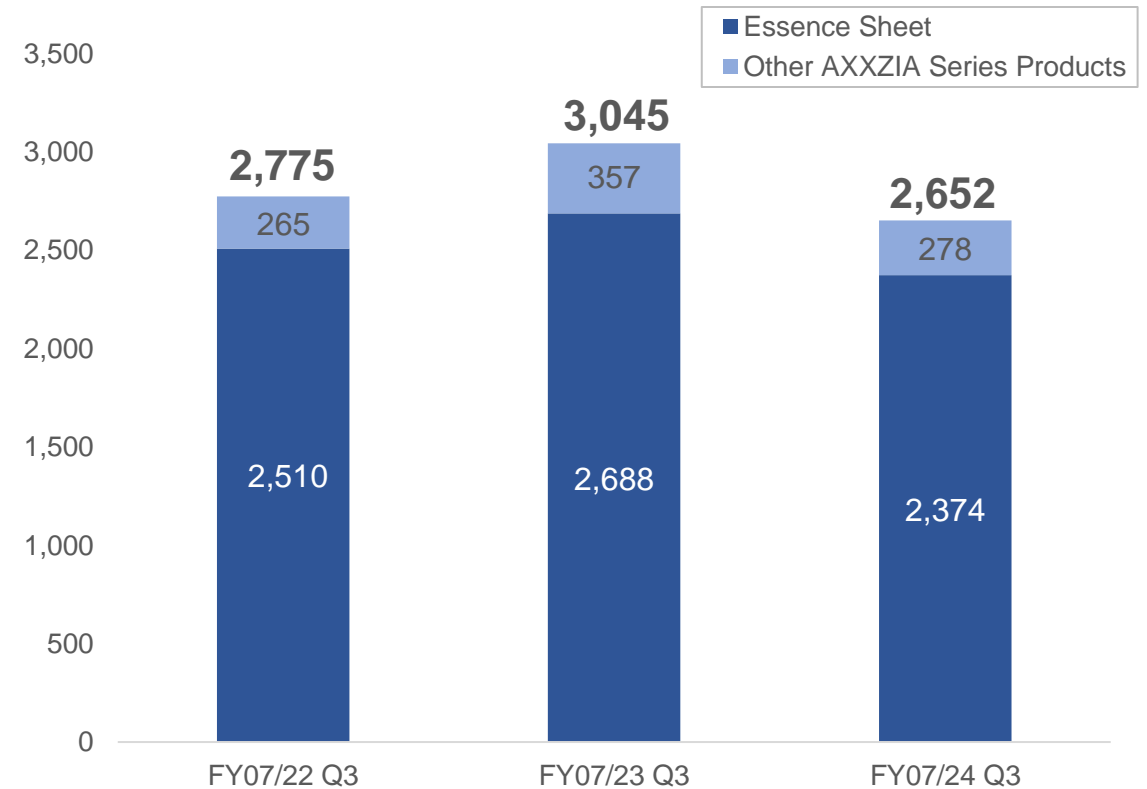
↑「Treatment Mask [GK/MW/AG]」

### 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 Q3 consolidated results)

AXZIA

Sales continued to grow substantially as we **focused our management resources on Douyin**, where we mainly sell **AGDrink (+60.5% YoY)**.

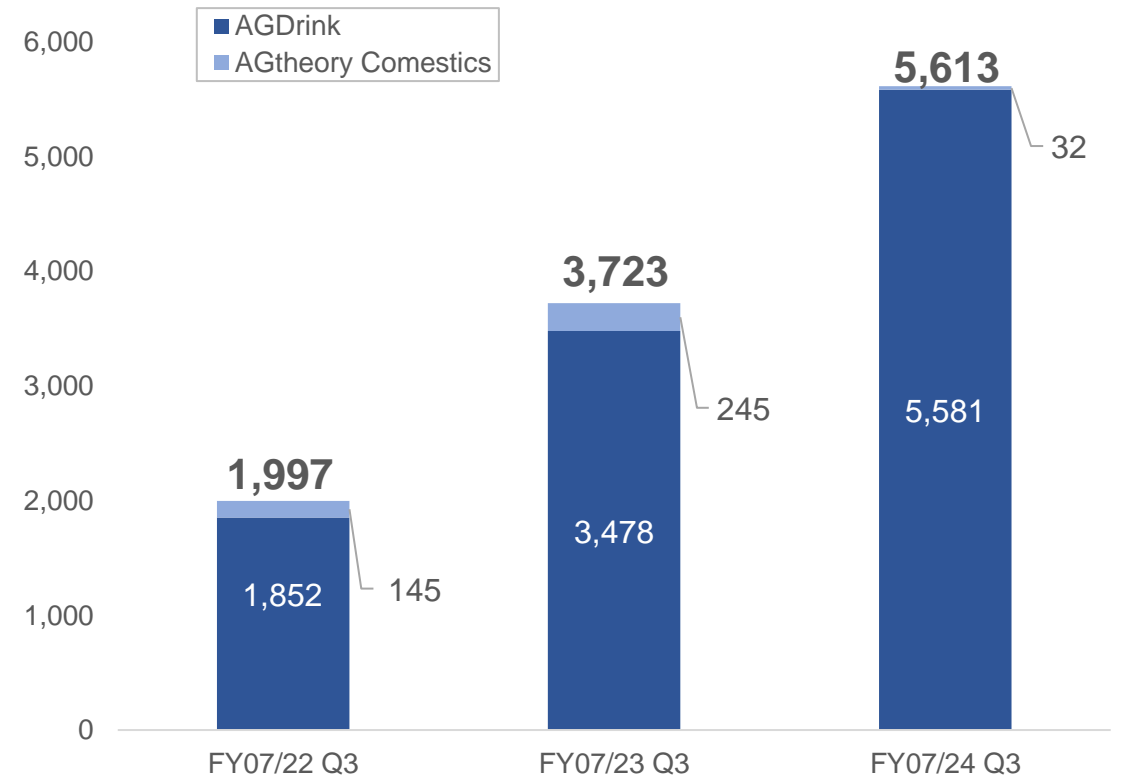


#### Milestones for sustained growth

- 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.

#### 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]

### The White Drink / Sunscreen (FY07/24 Q3 consolidated results)

AXXZIA

Sales of The White Drink, the **third potential hit product** following Essence Sheet and AGDrink, grew steadily with a **29.9% YoY** increase.

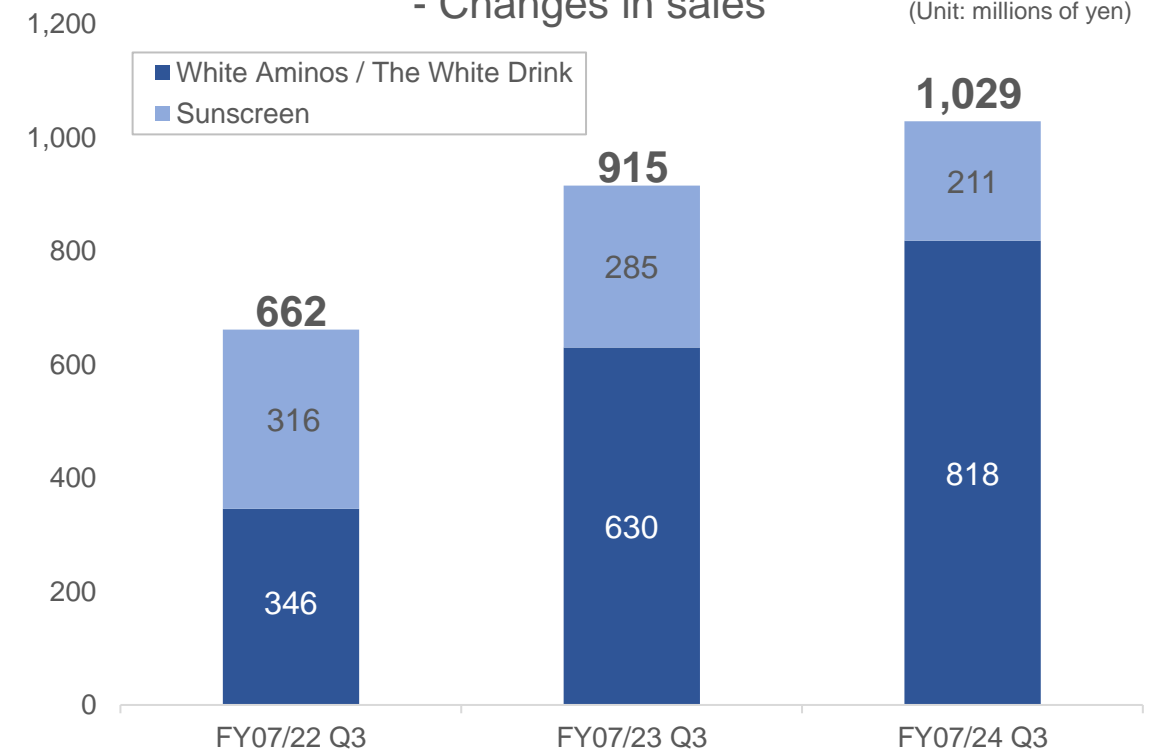


#### Milestones for turning into main series

- 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 Q3 consolidated results)

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

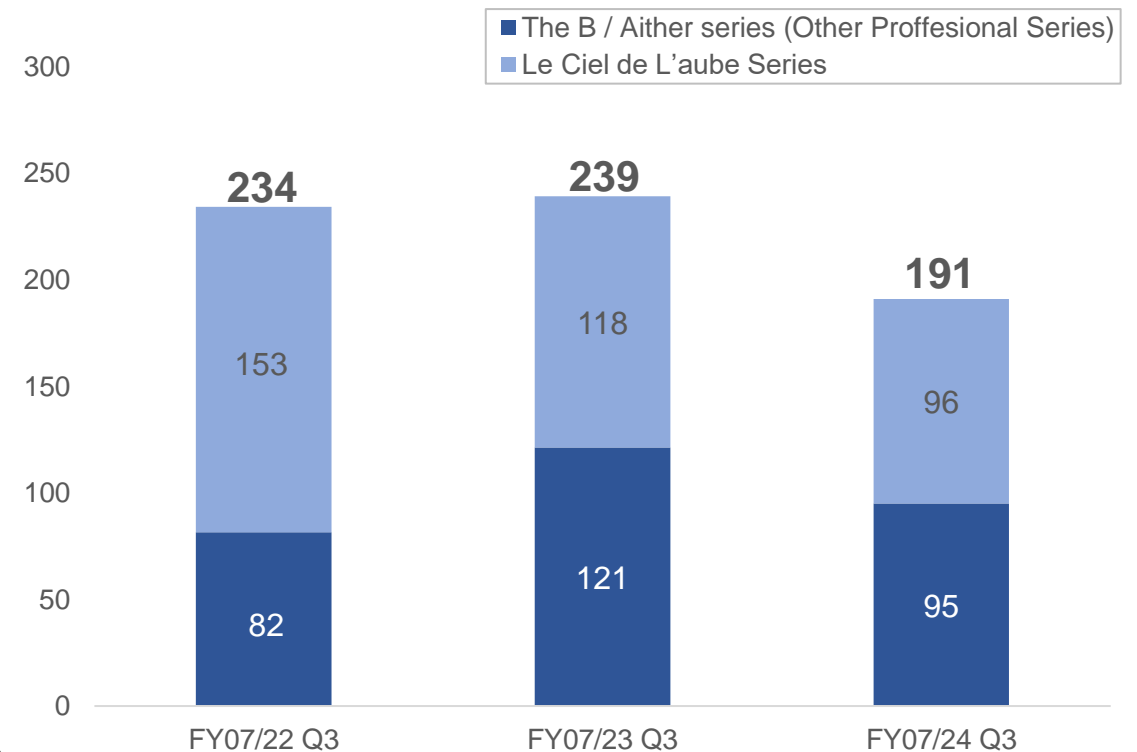


### Milestones for sustained growth

- 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.

## 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.

A X X Z I A

Creating things and experiences  
that amaze people.

[Contact]

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