Financial Results Presentation for the 1st Half of the Fiscal Year Ending July 2025



ALCIA BEAUTY FORCE CATMENT MASK

AXXZIA Inc.

[TSE Prime: 4936]

AXXIA

AXXIA

目次

- 01 Executive Summary
- 02 Business Results: Highlights
- 03 Future Directions
- 04 Appendix

1. Executive Summary

	 Net sales: 6.28bn yen (+15.7% YoY) Operating income: 0.11bn yen (-80.9% YoY)
FY07/25 H1 Consolidated Results	 In our main market, Chinese e-commerce, sales declined by a single-digit percentage amid weakening individual consumption in China. Operating margin also declined due to a deterioration in advertising efficiency in Chinese e-commerce. Meanwhile, sales in Japan more than tripled YoY due to successful domestic sales-boosting measures, contributing to a 15.7% YoY increase in total net sales. Due to sluggish e-commerce sales in China, both sales and profit fell short of targets. While recovery measures are underway, the situation is expected to persist in 2H, prompting a downward revision to the full-year earnings forecast.
Topics	 Renewal and launch of The Pure Drink, a beauty drink that has surpassed cumulative sales of 300,000 boxes*. Launch of the AXXZIA brand's first hair care product, Moisturizing Hair Milk. Opening of AXXZIA Shibuya Hikarie ShinQs, the Company's fifth directly managed store in Japan. Repurchase and cancellation of treasury shares to enhance shareholder returns and improve capital efficiency.

Revision of Earnings Forecasts (FY07/25)

AXXIA

Regarding sales, due to weak consumer sentiment amid worsening economic conditions in China, our key market, **live sales in Chinese e-commerce are expected to remain sluggish**. Accordingly, we have revised our full-year earnings forecast as follows. Although we are **implementing strategic cost-cutting measures**, including enhanced controls on advertising expenses considering cost-effectiveness, these efforts have not been sufficient to offset the profit decline caused by the recent downturn in our Chinese e-commerce sales. As a result, operating profit is expected to fall short of the previous forecast.

	FY07/24	FY07/25 Previous	FY07/25 Revised	YoY change	YoY change
	Results	forecast	forecast	(amount)	for change
Net sales	12,192	15,417	13,281	-2,136	-13.9%
Operating income	918	941	207	-734	-78.0%
Operating margin	7.5%	6.1%	1.6%	-	-4.5pt
Ordinary income	1,122	906	185	-720	-79.5%
Profit attributable to owners of parent	794	636	111	-525	-82.6%

(Unit: Millions of yen)

Revised Cost Structure of Full-Year Forecast (FY07/25)

The cost of sales ratio is expected to deteriorate by 2.5ppt due to **an increased sales composition ratio of M&D**, whose cost ratio exceeds 70%, driven by sluggish growth in e-commerce sales in China. The advertising expense-to-sales ratio is expected to deteriorate by 3.2ppt due to increased costs from worsening advertising efficiency in China, as well as the reallocation of resources to new products and the Japanese market, **the effects of which will not become apparent until the next fiscal year or later**.

		FY07/25 Prev	ious forecast	H1 YoY change (Result)	H2 YoY change (Forecast)	FY07/25 Rev	ised forecast	Change	VS Previous forecast
		Amount	Ratio to Net sales	Amount	Amount	Amount	Ratio to Net sales		
N	et sales	15,417	100.0%	-1,255	-880	13,281	100.0%	-13.9%	+0.0pt
C	ost of goods sold	3,937	25.5%	-200	-21	3,714	28.0%	-5.6%	+2.5pt
S	G&A expenses	10,538	68.4%	-770	-408	9,358	70.5%	-11.2%	+2.1pt
	(Personnel expenses)	2,051	13.3%	-96	-115	1,838	13.8%	-10.4%	+0.5pt
	(Advertising expenses)	3,473	22.5%	-63	+2	3,412	25.7%	-1.8%	+3.2pt
	(Commissions paid)	2,917	18.9%	-544	-261	2,112	15.9%	-27.6%	-3.0pt
0	perating income	941	6.1%	-284	-449	207	1.6%	-78.0%	-4.5pt

(Unit: Millions of yen)

Reallocation of Advertising Expenses (FY07/25 2H)

AXXIA

In light of deteriorating advertising efficiency in the Chinese market, the Company **reallocated advertising expenditures originally planned for China in 2H to other uses**. In China, we will strengthen advertising for new products scheduled for launch in 2H, while in Japan, we will intensify advertising for focus products. Effects from advertising are not expected to be realized until **FY07/26 or later**.

Reallocation of Advertising Expenses

-		Q3	Q4		
	1) The Pure Drink* (inner care)	Launch			
Eor Chine	2) New product (inner care)	Launch			
For China	3) New product (inner care)		Launch		
	4) New product (inner care)		Launch		
For Japan	 1) Essence Sheet (sheet masks for the eye area) + MATE FOR EYES (beauty device for the eye area) 	Increase inve	stment value		
	2) Comb Iron (comb-type hair iron)	Increase inve	stment value		
* The renewed The W	* The renewed The White Drink product, positioned in the up-and-coming segment.				

2. Business Results: Highlights

Net Sales and Profit (FY07/25 H1 consolidated results)

Sales **increased 15.7%** YoY due to the success of sales-boosting measures in Japan. Operating margin, on the other hand, decreased due to deteriorated advertising efficiency in China.

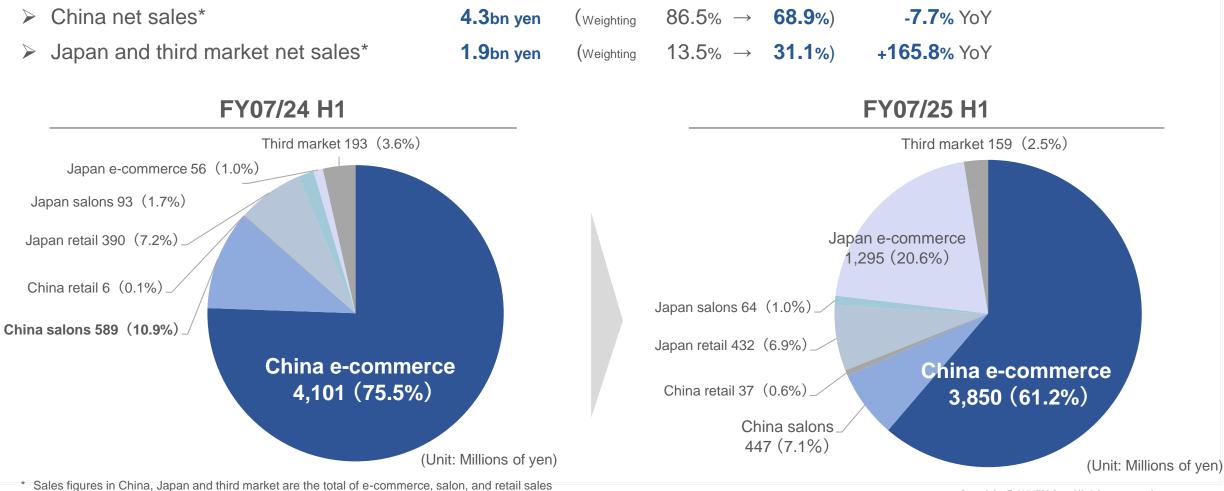
			、 、	
	FY07/24 H1	FY07/25 H1	YoY change (amount)	YoY change
Net sales	5,431	6,287	+855	+15.7%
Operating income	613	117	-495	-80.9%
Operating margin	11.3%	1.9%	-	-9.4pt
Ordinary income	740	126	-613	-82.9%
Profit attributable to owners of parent	498	62	-436	-87.5%

(Unit: Millions of yen)

Net Sales by Region and Channel (FY07/25 H1 consolidated results)

AXXIA

Against the backdrop of weak individual consumption in China, our sales in the country **declined by a single-digit percentage**. Meanwhile, strengthened sales in Japan proved effective, with sales **more than tripling** YoY. This contributed to **improvement of the regional portfolio**.

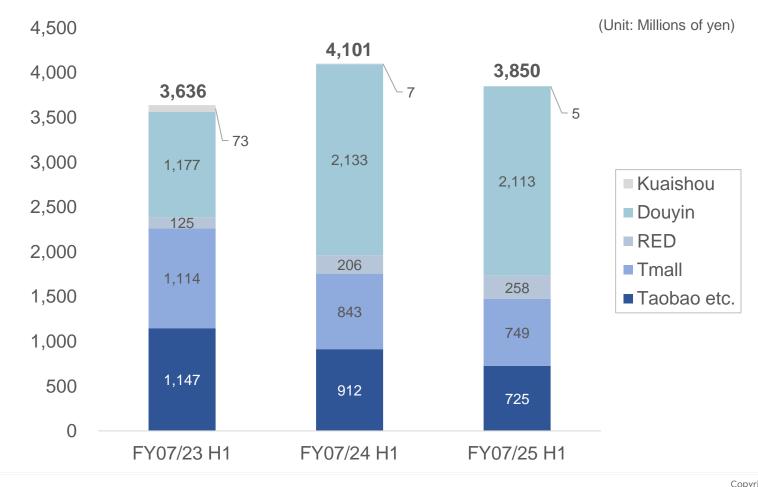


Copyright © AXXZIA Inc. All rights reserved.

China E-commerce Sales Trend (FY07/25 H1 consolidated results)

AXXIA

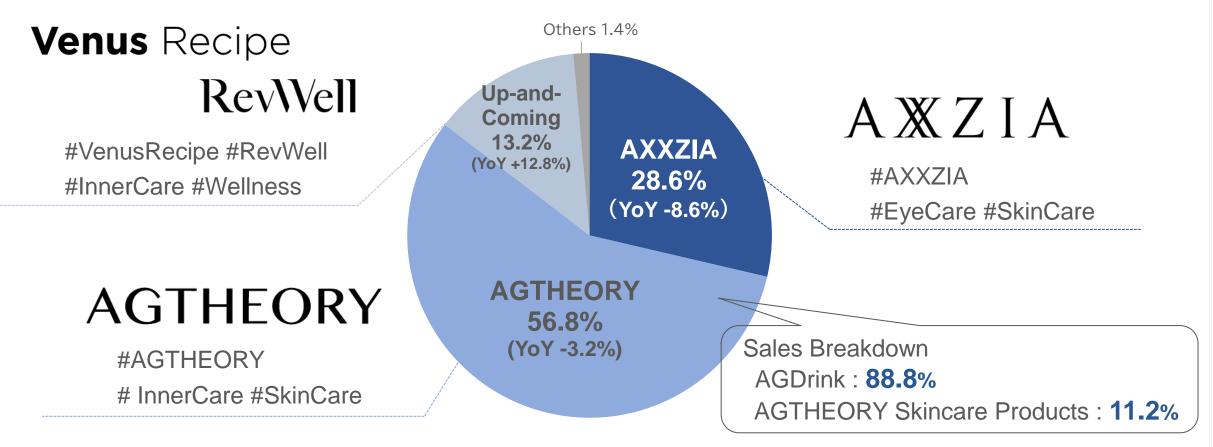
Due to factors such as declining consumption of Japanese cosmetic brands in the Chinese market, sales across Chinese e-commerce channels fell short of expectations. As a result, overall e-commerce sales in China declined 6.1% YoY.



Sales Breakdown by Brand (FY07/25 H1 consolidated results)

AXXIA

Prompted by increased demand for inner care products in China, we have positioned two inner care brands as up-and-coming series. Thanks to the success of measures aimed at capturing demand, sales of up-and-coming series overall **increased 12.8%** YoY.



The above composition ratios and year-on-year comparisons are calculated based on our company's standalone shipments

CoGS and SG&A expenses (FY07/25 H1 consolidated results)

The cost of sales ratio decreased by 9.8ppt YoY due to the impact of the consolidation of M&D Co., Ltd. The main factor behind the decline in operating profit was the deterioration in advertising efficiency in Chinese e-commerce. We strengthened control over commissions paid to Chinese e-commerce platforms by **enhancing in-house live sales**.

		FY07/2	24 H1	FY07/25 H1		YoY	
		Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Change
Ne	et sales	5,431	100.0%	6,287	100.0%	+855	-
Сс	ost of goods sold	1,002	18.5%	1,771	28.2%	+769	+9.8pt
SG&A expenses		3,816	70.3%	4,398	70.0%	+582	-0.3pt
	(Personnel expenses)	645	11.9%	909	14.5%	+264	+2.6pt
	(Advertising expenses)	1,440	26.5%	1,633	26.0%	+192	-0.5pt
	(Commissions paid)	925	17.0%	884	14.1%	-40	-3.0pt
Operating income		613	11.3%	117	1.9%	-495	-9.4pt

(Unit: Millions of yen)

Consolidated B/S (FY07/25 H1 consolidated results)

Repurchase and retire treasury shares to enhance shareholder returns and improve capital efficiency.

				it: Millions of yen)
		End-FY07/24	End-FY07/25 Q2	YoY change
		Amount	Amount	Amount
Current assets		8,631	7,453	-1,178
(Cash and depo	osits)	4,928	3,945	-983
Non-current assets		1,911	1,950	+39
Total assets		10,543	9,403	-1,139
Current liabilities		1,684	1,611	-73
Non-current liabilitie	S	321	325	+4
Total liabilities		2,006	1,936	-69
(Interest-bearin	g liabities)	975	995	+20
Total net assets		8,536	7,467	-1,069
(Retained ear	nings)	4,776	3,876	-900
(Treasury sha	res)	-655	-838	-182
Total liabilities and net assets		10,543	9,403	-1,139

(Unit: Millions of yen)

Dividends Paid (-244mn yen)

Cancellation of Treasury Shares (-718mn yen)

AXXIA

Acquisition of Treasury Shares (-901mn yen)

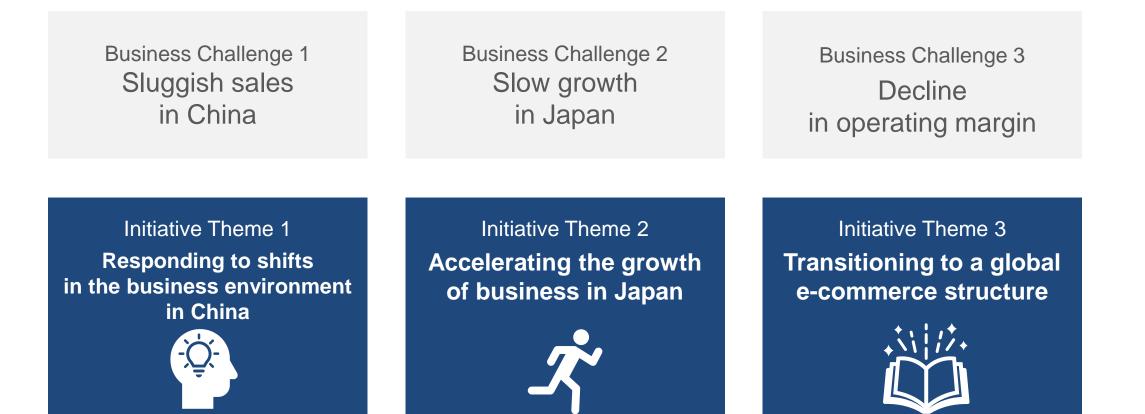
Cancellation of Treasury Shares (+718mn yen)

3. Future Directions

Initiatives to Address Management Issues

AXXIA

In the short to medium term, we aim to **recover sales in China** by adapting to changes in the business environment, **expand sales in Japan** by promoting growth acceleration measures, and **improve our regional portfolio**. In the long term, considering the business environment in China, our key market, we are promoting **a shift to a global ecommerce structure** to establish shared e-commerce expertise not only in China but also globally.



Theme 1: Responding to Shifts in the Business Environment in China

AXXIA

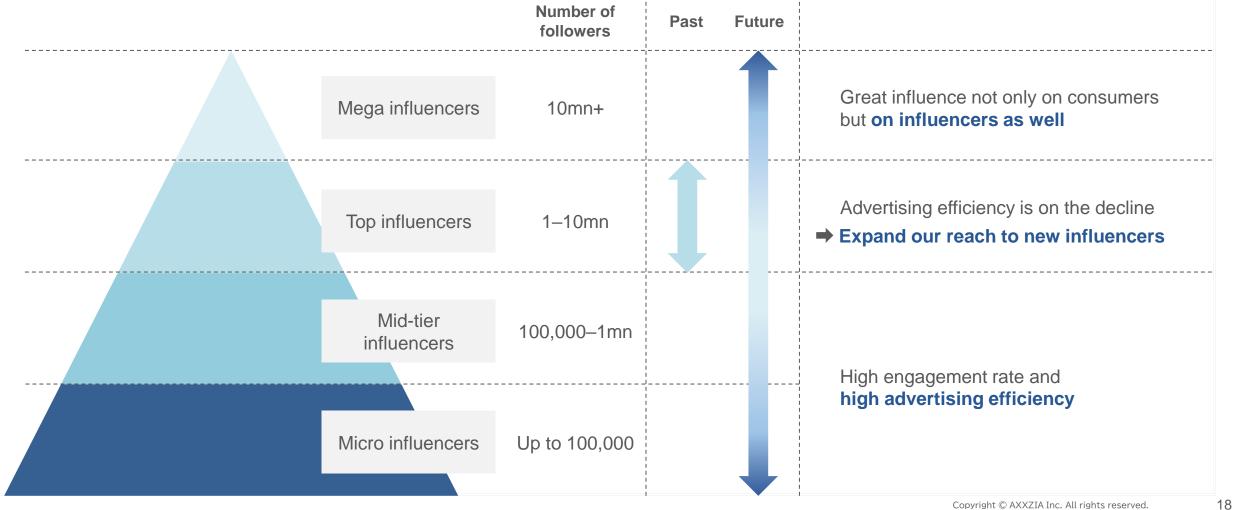
Taking into account the market size, the Company will continue to position China as its main market and maintain focus on it, while **revising its strategy**. We will **swiftly and flexibly develop and launch new products** in response to shifts in Chinese consumers' purchasing attitudes and behaviors caused by the deteriorating macro environment. We will also promote the strengthening of **in-house live sales** to achieve **sustainable growth**.

	Transformation of the Chinese market	The Company's response
Product strategy	 Cosmetics Emerging local brands and intensified competition Shift toward a focus on efficacy Inner care products Intensified competition in the low price range (8,000 yen or less) Decline in demand in the high price range (15,000 yen or more) 	 Cosmetics Focus on niche markets (eye care, glycation care) Development of products with functional claims (slated for launch in FY07/26) Inner care products Development of mid-price products (8,000 to 15,000 yen) and continuous introduction of new products (approximately 5 SKUs to be launched in FY07/25–FY07/26)
Marketing strategy	Rising live sales commission feesDeclining customer draw of top influencers	 Strengthening in-house live sales and controlling commissions paid Developing new influencers

Theme 1: Responding to Shifts in the Business Environment in China

AXXIA

Previously, the Company focused mainly on partnerships with top influencers, but it is now expanding its reach to mega influencers to strengthen brand power while also promoting greater engagement with micro influencers that have high advertising efficiency.



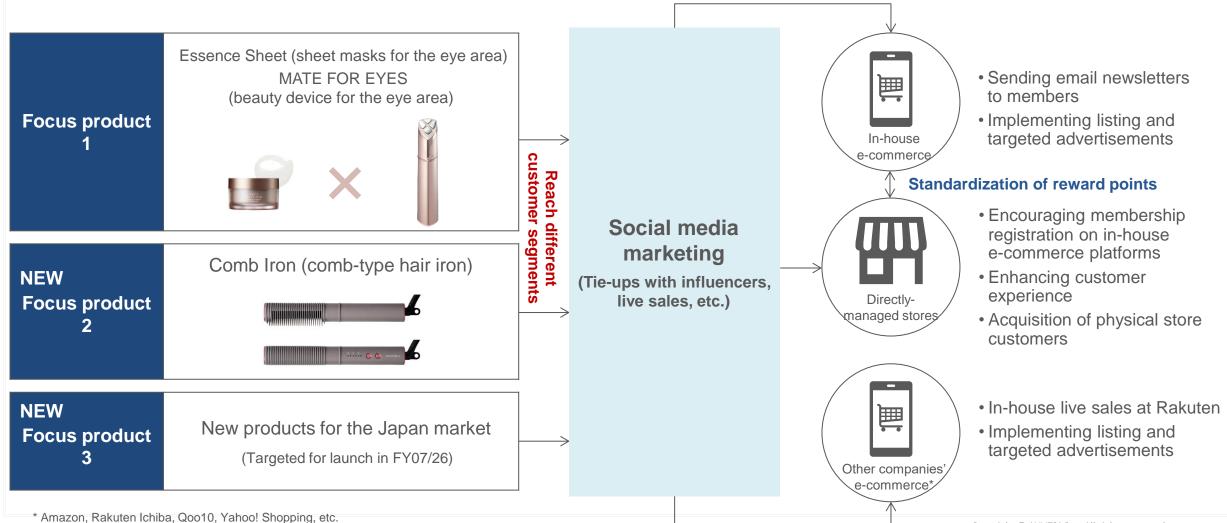
Theme 2: Accelerating the Growth of Business in Japan

AXXIA

Copyright © AXXZIA Inc. All rights reserved.

19

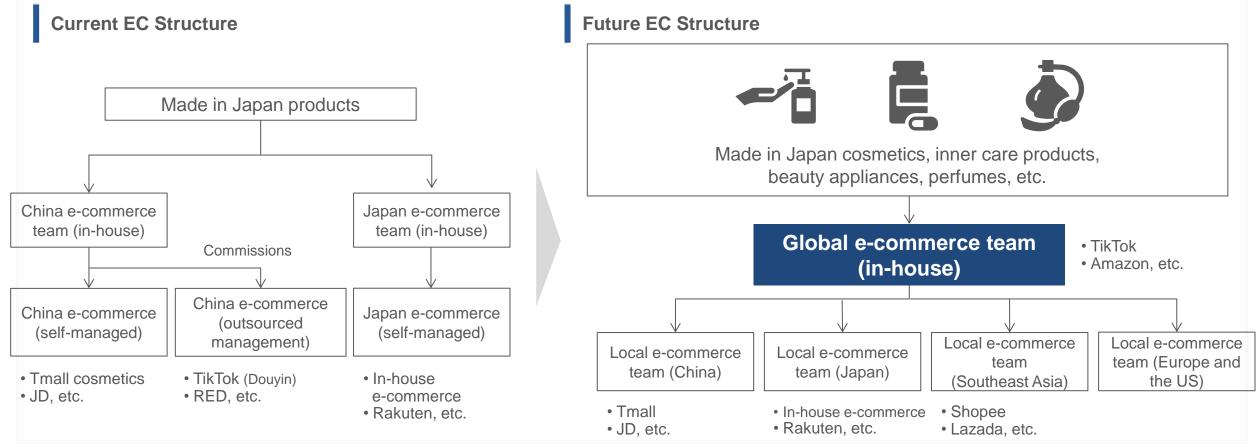
To accelerate the growth of business in Japan, we will strengthen measures to attract **new customers in Japan**. We will utilize **social media marketing** and **concentrate advertising on focused products**, and expand recognition and increase sales simultaneously.



Theme 3: Transitioning to a Global E-Commerce Structure

AXXIA

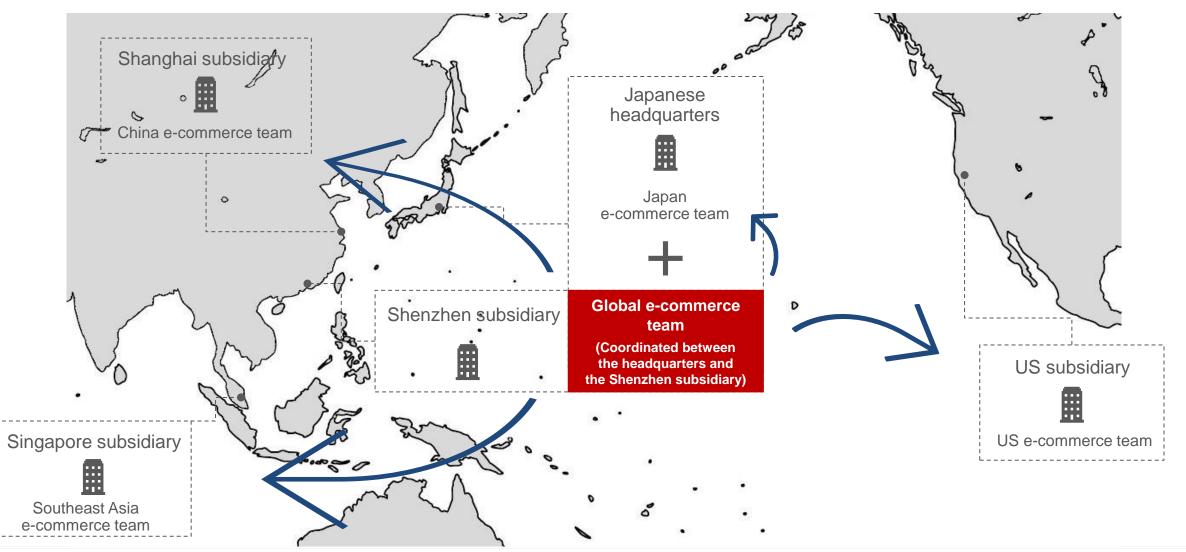
Established a global e-commerce team during 2H FY07/25. Local e-commerce teams are responsible for managing local e-commerce operations, while the global e-commerce team both oversees global e-commerce operations and supervises the local e-commerce teams. By leveraging the global e-commerce expertise cultivated in the Chinese e-commerce market in each region while implementing operations tailored to local characteristics and centralizing management, we aim to achieve effective and sustainable e-commerce sales growth.



Reference: Image of the Future Global E-Commerce Structure

AXXIA

The global e-commerce team oversees local e-commerce teams worldwide.



4. Appendix

Company Overview

AXXIA

A X Z I A

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

Company Name	AXXZIA Inc.		
Representative	President Duan Zhuo		
Establishment	December 21, 2011		
Capital	,	As of end of January 2025)	
Location	•	Building 35F, 2-6-1 Nishi-Shinjuku,	
Office	Tokyo Head Office,	, Osaka Sales Office, Fukuoka Sales Office	
Business Activities	Manufacturing, sale	s of cosmetics and supplements	
Market	TSE Prime (4936)		
Board of Directors	President Vice President Managing Director Managing Director Director Outside Director Outside Director Outside Director Corporate Auditor Outside Auditor	Wu Jun Zhang Hui Yasuhito Fukui Yujiro Arakawa Junichi Ito Yuko Shitamori Masahiro Miyajima Kenji Shimizu	
	Outside Auditor	Kuninobu Okuda	

Corporate History

Date	Topics
2011	Established Orientina Cosme Co.,Ltd. in Tokyo, Japan (Capital: 9 million yen) Started development and production of cosmetics for beauty salons
2012	Changed company name from Orientina Cosme Co., Ltd. to AXXZIA Inc.
2013	Launched Le Cier de L'aube, skincare brand for beauty salons and spas
2016	Launched Beauty Eyes, eye care and skincare brand for the retail market Launched Venus Recipe, supplemental brand for retail the market
2018	Established Xiaozi Cosmetic (Shanghai) Inc. as a consolidated subsidiary (100%)
2019	Opened AXXZIA Flagship Store, an e-commerce flagship store on Xiaohongshu (RED), one of China's largest social commerce platforms Opened AXXZIA Flagship Store, an e-commerce flagship store on Tmall Global, another of China's largest social commerce platforms Launched AGtheory, skincare brand for the retail market
2021	Listed on the Mothers market (section) of the Tokyo Stock Exchange Launched The B Pro, a salon-exclusive skincare brand Opened AXXZIA GINZA SIX Store, the Company's first directly managed store Launched LisBeau, skincare brand for the retail market Opened AXXZIA flagship store for China's largest mobile video app Douyin/TikTok Opened AXXZIA flagship store for major Chinese e-commerce platform JD.com
2022	Made Huit Laboratories a wholly owned subsidiary Opened AXXZIA flagship store for major Chinese mobile video app Kuaishou
2023	Changed its listing to the Prime section of the Tokyo Stock Exchange Established AXXZIA Value Creator Inc. as a consolidated subsidiary (100%) Established AXXZIA Cosmetic Singapore Pte. Ltd. as a consolidated subsidiary (100%)
2024	Made M&D Co., Ltd. a wholly owned subsidiary Established AXXZIA Cosmetic USA Ltd. as a consolidated subsidiary (100%) Established AXXZIA Technology Inc. as a consolidated subsidiary (100%) Established AXXZIA (Shenzhen) International E-Commerce Co., Ltd. as a consolidated subsidiary (100%)

[Main Brands1]

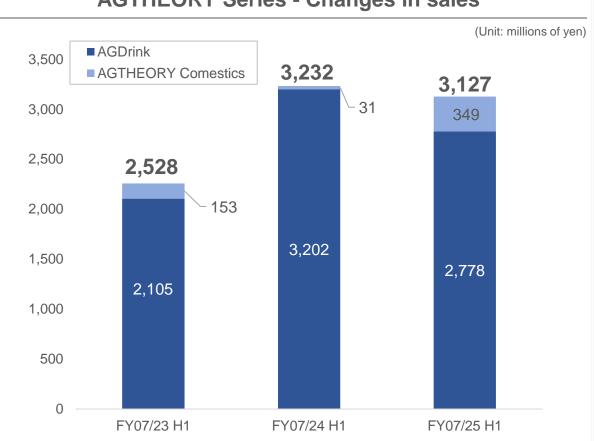
AGTHEORY Series (FY07/25 H1)

Although sales of AGDrink, a core product, declined YoY due to weakened demand for high-price products in China, strengthened sales of **AGTHEORY cosmetics** were successful, allowing the overall brand to **achieve sales on par with the previous year**.



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

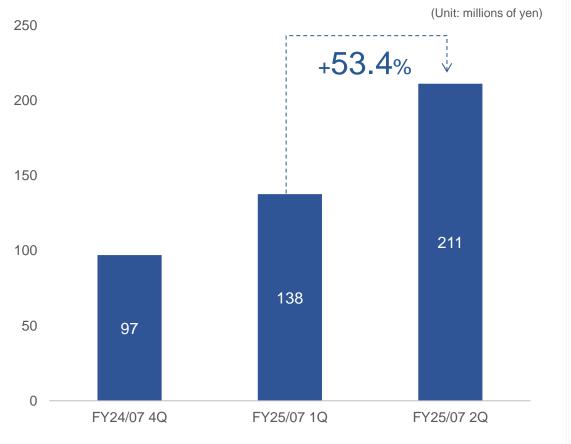
*The sales figures shown above represent AXXZIA 's stand-alone sales.

Reference: Growth of AGTHEORY Skincare Products (QonQ)

Since the launch in Q4 FY07/24, it has continued to record high growth.

In the quarter, **sales exceeded 200mn yen**. The concept design focused on the niche field of **glycation care**, which has relatively few competitors in China. We will continue to strengthen sales.



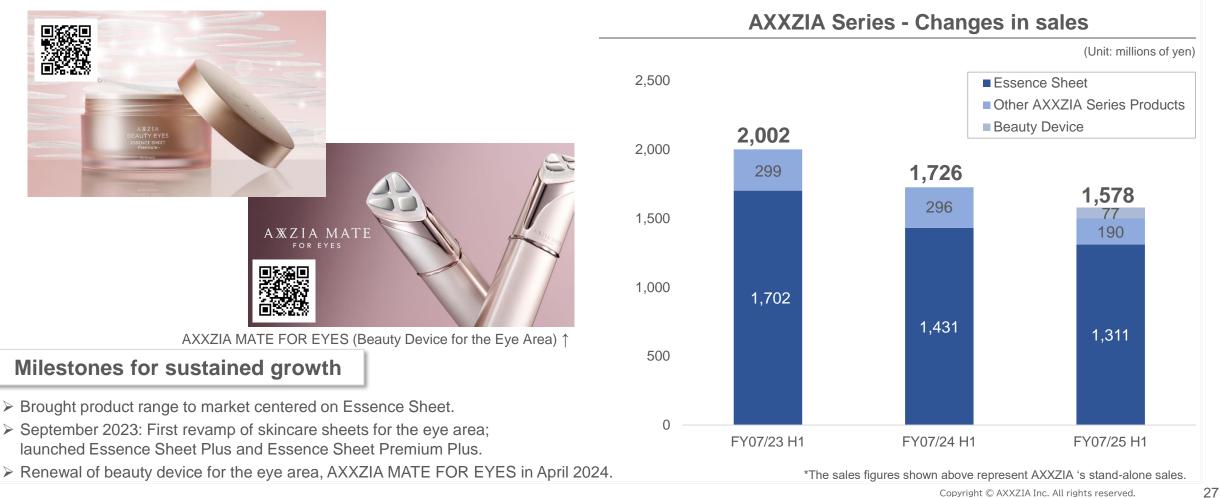


*The sales figures shown above represent AXXZIA 's stand-alone sales.

[Main Brands2]

AXXZIA Series (FY07/25 H1)

Sales declined YoY due to the severe business environment in the Chinese cosmetics market. Meanwhile, **sales are recovering** due to strengthened sales and the cross-selling effect of Essence Sheet and MATE FOR EYES (beauty device for the eye area) in Japan.



[Up-and-Coming Series]

Venus Recipe / RevWell (FY07/25 H1)

Successful launch of new products capturing the growing demand in the Chinese inner-care market led to steady growth across all up-and-coming series (+12.8% YoY). We will continue to launch new inner care products.



- > Launched the inner care product with a unique chewy texture, HM Plump Ball from "Venus Recipe" in August 2024.
- Renewal of "The White Drink", Launched "The Pure Drink" in February 2025.

The White Drink 800 Other Venus Recipe Products 725 RevWell 700 - 19 643 187 600 179 504 500 60 400 300 519 464 444 200 100 0 FY07/23 H1 FY07/24 H1 FY07/25 H1

Up-and-Coming - Changes in sales

(Unit: millions of yen)

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.



Creating things and experiences that amaze people.

[Contact]

AXXZIA Inc. (Securities code: 4936)

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

