

Cosmetic company mainly handling mid to high price range products that enjoys expansion of the Chinese EC market

This report is an English translation of part of the report issued on February 22, 2021.
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[4936 AXXZIA Sector : Chemicals]

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Jul. 2019	3,448	-	1,419	-	1,383	-	903	-	39.6	68.1	0.0
Jul. 2020	4,290	24.4	1,075	-24.2	1,030	-25.5	717	-20.6	31.5	99.3	0.0
Jul. 2021 f	5,172	20.5	1,283	19.3	1,252	21.6	883	23.2	36.6	-	0.0

Note: Consolidated basis. Figures for fiscal year ending July 2021 are the company's forecasts.
It conducted 1-to-1,000 stock split on October 1 2020. Per share indices are adjusted retroactively.

Cosmetic Company Focusing on EC Sales in China

AXXZIA is engaged in planning, manufacturing and sales of supplements and cosmetics centering on skincare products. Led by its president, who is from China and has long business experience in Japan, the company's greatest feature is that it developed a business model that focuses on sales through Chinese e-commerce.

The company discloses net sales by region and by sales channel. In China, which accounted for 86.0% of net sales in the fiscal year ended July 2020, sales were mainly from its e-commerce channel, but sales from its salon channel are also rapidly expanding. On the other hand, in Japan, net sales has decreased with the impact of the COVID-19 pandemic and its sales composition in the fiscal year ended July 2020 has decreased from 31.2% in the previous fiscal year to 10.8%.

Figure 1: Net Sales by Region/Channel

Business segment	Fiscal year ended Jul. 2019		Fiscal year ended Jul. 2020		
	Net sales	Composition	Net sales	Year-on-year comparison	Composition
	(million yen)	(%)	(million yen)	(%)	(%)
China	2,250	65.3	3,690	63.9	86.0
Salon	66	1.9	770	1,066.5	18.0
e-commerce	2,165	62.8	2,899	33.9	67.6
Retail	19	0.6	20	9.2	0.5
Japan	1,075	31.2	465	-56.8	10.8
Salon	362	10.5	189	-47.6	4.4
Retail	621	18.0	230	-62.9	5.4
Others	92	2.7	44	-51.6	1.0
Other regions	121	3.5	135	10.9	3.2
Retail	56	1.6	40	-29.3	0.9
Others	65	1.9	95	45.9	2.2
Total	3,448	100.0	4,290	24.4	100.0

Source: Prepared by Stock Research Center based on the notifiable prospectus.

Product Lineup

The company's products are developed with the Chinese market in mind, and the product lineups are tailored to sales channels. For salons, the company has "Le Ciel de L'aube," a high price range brand with an average unit price of over 10,000 yen, and has the

cosmetic lineup centering on skincare products. For sales through e-commerce and retail stores, it has set mid to high price range brands with an average unit price of over 5,000 yen.

The company is a fables manufacturer and it outsources manufacturing of cosmetics as well as supplements to multiple manufacturers in Japan. Among them, the largest outsourcee is CS Labo (Toshima Ward, Tokyo) and 75.6% of the company's outsourcing expenses are for CS Labo.

Figure 2: Financial Statements

Statement of income	Fiscal Year	Jul. 2019		Jul. 2020		Three months to Oct. 2020	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		3,448	100.0	4,290	100.0	1,225	100.0
Cost of sales		1,101	31.9	1,252	29.2	357	29.2
Gross profit		2,347	68.1	3,037	70.8	868	70.8
Selling, general and administrative expenses		927	26.9	1,961	45.7	562	45.9
Operating profit		1,419	41.2	1,075	25.1	305	24.9
Non-operating income		8	-	3	-	4	-
Non-operating expenses		45	-	49	-	0	-
Ordinary profit		1,383	40.1	1,030	24.0	309	25.2
Profit before income taxes		1,383	40.1	1,032	24.1	309	25.2
Profit attributable to owners of parent		903	26.2	717	16.7	209	17.1

Balance sheet	Fiscal Year	Jul. 2019		Jul. 2020		Three months to Oct. 2020	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		2,040	84.3	2,454	84.9	2,671	85.3
Cash and deposits		976	40.3	924	32.0	974	31.1
Accounts receivable-trade		489	20.2	310	10.7	371	11.8
Inventories		513	21.2	1,018	35.2	1,118	35.7
Non-current assets		379	15.7	436	15.1	461	14.7
Property, plant and equipment		287	11.9	296	10.2	294	9.4
Intangible assets		6	0.3	38	1.3	49	1.6
Investments and other assets		86	3.6	102	3.5	117	3.7
Total assets		2,420	100.0	2,891	100.0	3,133	100.0
Current liabilities		712	29.4	470	16.3	496	15.8
Accounts payable-trade		116	4.8	256	8.9	168	5.4
Non-current liabilities		156	6.4	156	5.4	153	4.9
Net assets		1,552	64.1	2,264	78.3	2,483	79.3
Owners' equity		1,552	64.1	2,264	78.3	2,483	79.3

Statement of cash flows	Fiscal Year	Jul. 2019	Jul. 2020
		(mn yen)	(mn yen)
Cash flows from operating activities		749	161
Depreciation		10	27
Cash flows from investing activities		-317	-90
Cash flows from financing activities		246	-105
Dividends paid		-	-
Net increase in cash and cash equivalents		663	-51
Cash and cash equivalents		976	924

Note: Consolidated basis.

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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