

# FY2023 2Q

March 14, 2023

Premier Anti-Aging Co., Ltd.  
TSE Growth 4934  
FY2023 2Q Results Briefing Material



PREMIER ANTI-AGING

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# 01 | Executive Summary

## FY2023 2Q Results

- ✓ Net sales almost achieved forecast figures
- ✓ Investment in efficient advertising and advancement of company-wide cost structure reforms led to operating profit greater than forecast and turned to profitability
- ✓ Toward becoming an anti-aging company, we ① established a new inner care business and launched two brands: SINTO and X, and ② entered the recovery business by acquiring Venex Co., Ltd. that develops recovery wear

## Future Direction

- ✓ To achieve full-year forecast of 30.0 billion yen in net sales and 1.5 billion yen in operating profit, aim for profitable growth by implementing balanced investment considering CPO and LTV for the key brands of DUO, CANADEL, and clayence
- ✓ Improve LTV by continuing to build long-term relationships with existing customers through CX
- ✓ Invest management resources into wholesale sales channels that monetizes faster than mail order/EC sales channels, strengthen personnel structures
- ✓ Advance process to integrate Venex Co., Ltd. and accelerate early expressions of synergistic effects to promote new value provision to customers

# 02 | FY2023 2Q Results

## Statement of Income (year-on-year)

- ✓ Sales of CANADEL and clayence significantly increased, but not enough to cover the decreased sales of DUO, leading to lower levels of overall net sales
- ✓ Gross profit fell due to the decline in net sales, but advertising investments focused on investment efficiency and promotion of company-wide cost structure reforms led to securing operating profit of 100 million yen
- ✓ In comparison to the first half forecast (net sales: 14.5 billion yen, operating profit: 0 billion yen), almost achieved the net sales forecast and exceeded the operating profit forecast to see a return to profitability

(Millions of yen)

	FY2022 1Q-2Q	FY2023 1Q-2Q	Increase/ (decrease)	YoY change (%)
<b>Net sales</b>	17,970	14,258	(3,711)	(20.7%)
L Mail order/EC	12,397	10,317	(2,080)	(16.8%)
L Wholesale	4,923	3,102	(1,821)	(37.0%)
L Others	648	839	190	29.4%
<b>Operating profit</b>	2,248	109	(2,139)	(95.2%)
<b>Operating profit margin (%)</b>	12.5%	0.8%	—	(11.7pts)
<b>Ordinary profit</b>	2,321	95	(2,226)	(95.9%)
<b>Profit (loss) attributable to owners of parent</b>	1,360	(26)	(1,386)	—

# Statement of Income (quarter-on-quarter)

- ✓ Net sales in the second quarter declined by 7% (QoQ) due to sluggish wholesale sales despite steady growth in mail order/EC sales of DUO and CANADEL
- ✓ Secured operating profit of 350 million yen by focusing on advertising investment efficiency and promoting company-wide cost control

(Millions of yen)	FY2022 2Q	FY2022 3Q	FY2022 4Q	FY2023 1Q	FY2023 2Q	Change from previous quarter (%)
<b>Net sales</b>	8,104	7,926	8,015	7,391	6,867	(7.1%)
L Mail order/EC	6,267	5,470	6,281	5,055	5,261	4.1%
L Wholesale	1,492	2,192	1,266	1,929	1,172	(39.2%)
L Others	344	263	467	406	432	6.4%
<b>Gross profit</b>	6,575	6,162	5,967	5,747	5,421	(5.7%)
<b>SG&amp;A Expenses</b>	6,401	6,453	5,510	5,991	5,068	(15.4%)
L Advertising expenses	3,572	3,678	2,718	3,045	2,430	(20.2%)
L Outsourcing	1,516	1,384	1,388	1,248	1,252	0.4%
L Payroll and allowances	244	302	304	325	293	(9.9%)
L R&D	114	115	122	127	102	(19.7%)
L Others	953	972	976	1,244	988	(20.5%)
<b>Operating profit (loss)</b>	173	(290)	456	(244)	353	—
<b>Operating profit margin (%)</b>	2.1%	(3.7%)	5.7%	(3.3%)	5.1%	8.4pts
<b>Ordinary profit (loss)</b>	189	(180)	430	(224)	320	—
<b>Profit (loss) attributable to owners of parent</b>	39	(138)	202	(198)	172	—

# Advertising Expenses

- ✓ Although the ratio of advertising expenses to sales increased from 36.3% to 38.4% year-on-year, considering that we were unable to actively invest in advertising in the first quarter of the previous fiscal year due to the impact of advertising regulation changes, advertising expenses are appropriately controlled
- ✓ Controlled CPO through strategic advertising investment focused on investment efficiency
- ✓ Moving into the second half, we will focus on profits by actively promoting advertising investment in brands that maintain good CPO/LTV levels.

## Breakdown of Advertising Expenses

Ad expenses/net sales (quarterly)  
1Q) 41.2% → 2Q) 35.4%

✓ Ad expenses/net sales

36.3% → 38.4%

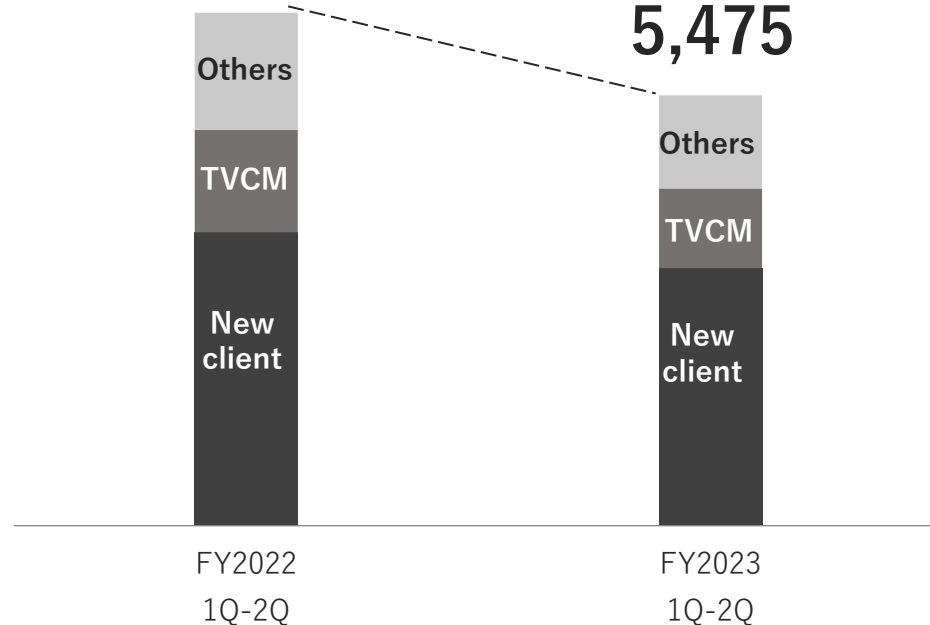
✓ New customer/net sales

20.8% → 23.0%

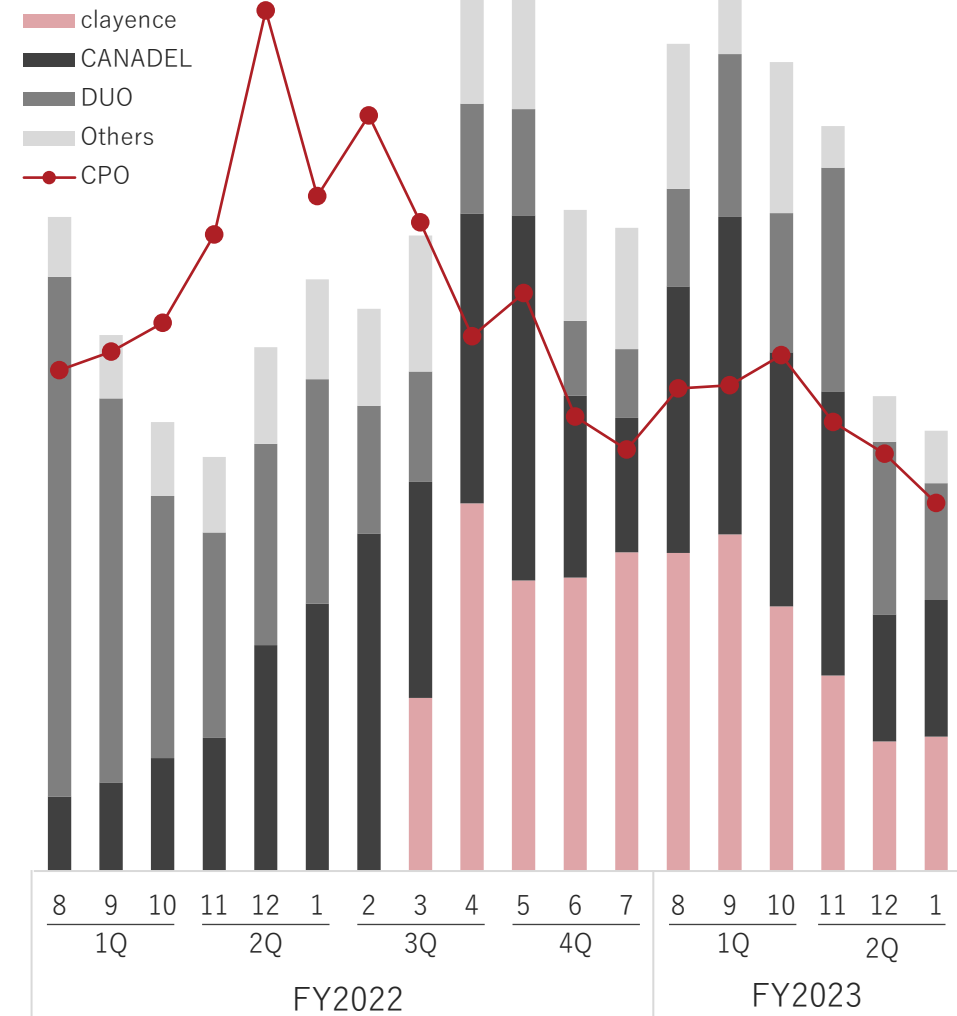
(Millions of yen)

6,523

5,475



## Mail Order/EC CPO and Number of New Customers





# Balance Sheet (comparison with end of the previous fiscal year) PREMIER ANTI-AGING

- ✓ Consolidated the balance sheet of Venex Co., Ltd. from 2Q. Both non-current assets and non-current liabilities increased
- ✓ Non-current assets increased due to goodwill from acquisition of Venex Co. Ltd. of 562 million yen (provisional figure)
- ✓ Non-current liabilities increased due to increase in long-term borrowings by 815 million yen

(Millions of yen)

	FY2022	FY2023 2Q	Increase/ (decrease)	Percentage change
<b>Total assets</b>	12,300	13,726	1,425	11.6%
L Current assets	11,516	12,070	553	4.8%
L Non-current assets	783	1,656	872	111.4%
<b>Total liabilities</b>	3,952	5,417	1,464	37.1%
L Current liabilities	3,220	3,786	565	17.6%
L Non-current liabilities	731	1,630	899	122.8%
<b>Total net assets</b>	8,348	8,309	(38)	(0.5%)
<b>Total liabilities and net assets</b>	12,300	13,726	1,425	11.6%
<b>Equity ratio (%)</b>	67.9%	60.5%	—	(7.4pts)

## FY2023 Forecast (Repost)

- ✓ No change to full-year forecast for FY2023
- ✓ The business environment remains severe but we are aiming to achieve net sales of 30.0 billion yen and operating profit of 1.5 billion yen

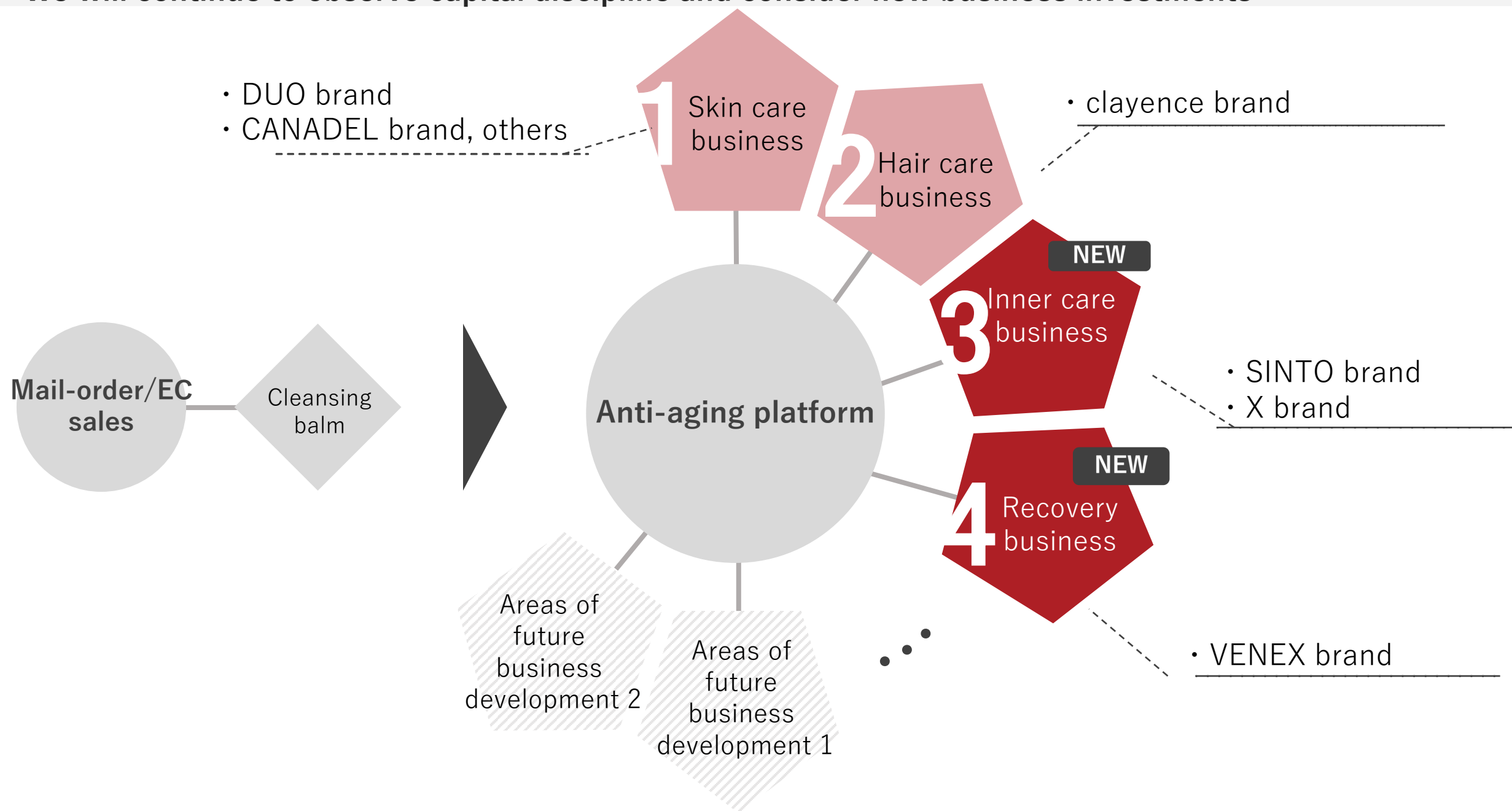
(Millions of yen)

	FY2022 Results	FY2023 Forecast	Increase/ (decrease)	YoY change (%)
Net sales	33,911	30,000	(3,911)	(11.5%)
Operating profit	2,414	1,500	(914)	(37.9%)
Operating profit margin (%)	7.1%	5.0%	–	(2.1pts)
Ordinary profit	2,572	1,520	(1,052)	(40.9%)
Profit attributable to owners of parent	1,424	820	(604)	(42.4%)

# 03 | Initiatives for 3Q and Beyond

# Transformation Into an Anti-Aging Company

- ✓ To become an anti-aging company, we entered the inner care and recovery businesses and steadily expanded our business domains
- ✓ Aim for a comprehensive anti-aging approach to a customer base of 3.7 million
- ✓ We will continue to observe capital discipline and consider new business investments



# Skin Care Business: DUO

- ✓ As a mature brand, we will continue to strengthen approaches to existing customers and aim to further improve brand value

## 2Q Topics

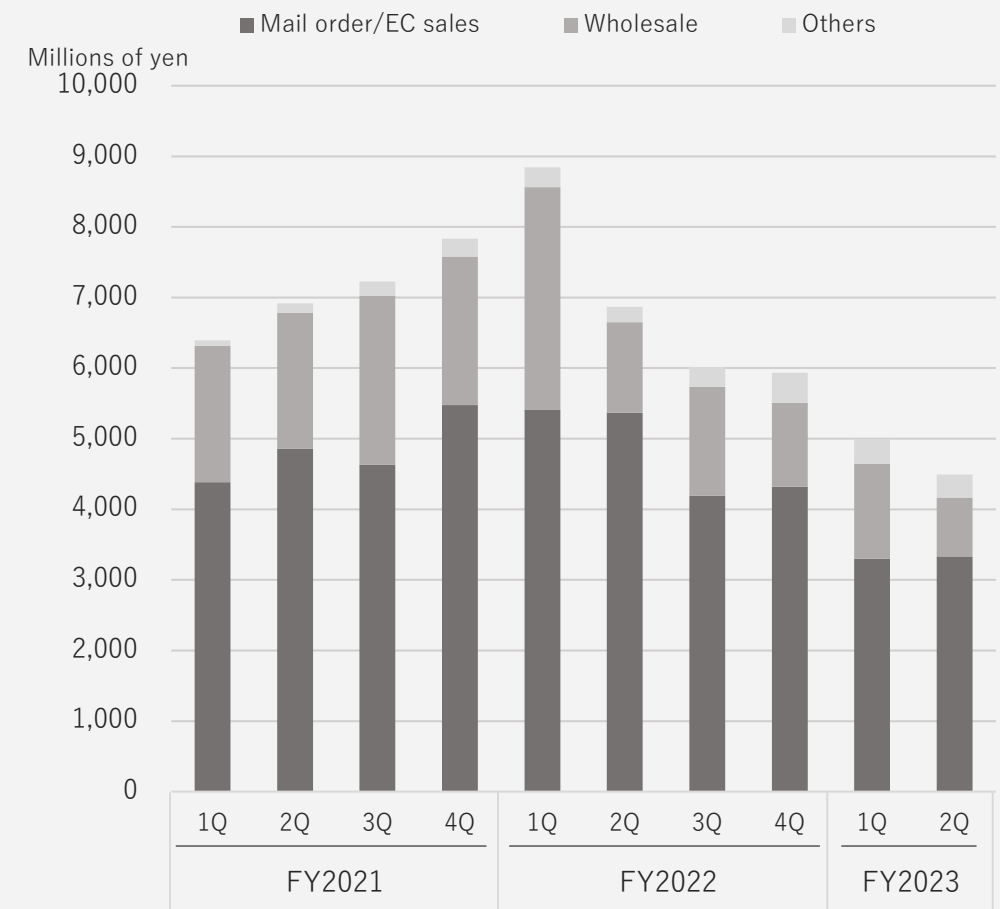
- ✓ DUO business environment continued to be severe and led to decreased sales
- ✓ New TV commercial coincided with launch of “The Cleansing Balm HOT”

## 3Q and Beyond

- ✓ Strengthen LTV-conscious ad investment and promote approaches to customer segments that are expected to have a higher level of LTV
- ✓ Enhance sales floor activities to elevate DUO’s product appeal in stores
- ✓ Promotions through both mail order/EC and in-store (wholesale sales) channels, timed with new TV commercial
- ✓ Launch MATCHA (green tea) balm targeting inbound tourists (scheduled release date: May 19)



Shift in Quarterly Net Sales of DUO



# Skin Care Business: CANADEL

- ✓ Highly appealing products support steady sales growth
- ✓ Continue strengthening outreach to loyal customers and promote cross-selling and up-selling

## 2Q Topics

- ✓ Steady progress in net sales in line with revised forecast
- ✓ Improved brand awareness after CM release
- ✓ Continue outreach to loyal customers by offering high-end products with high added value

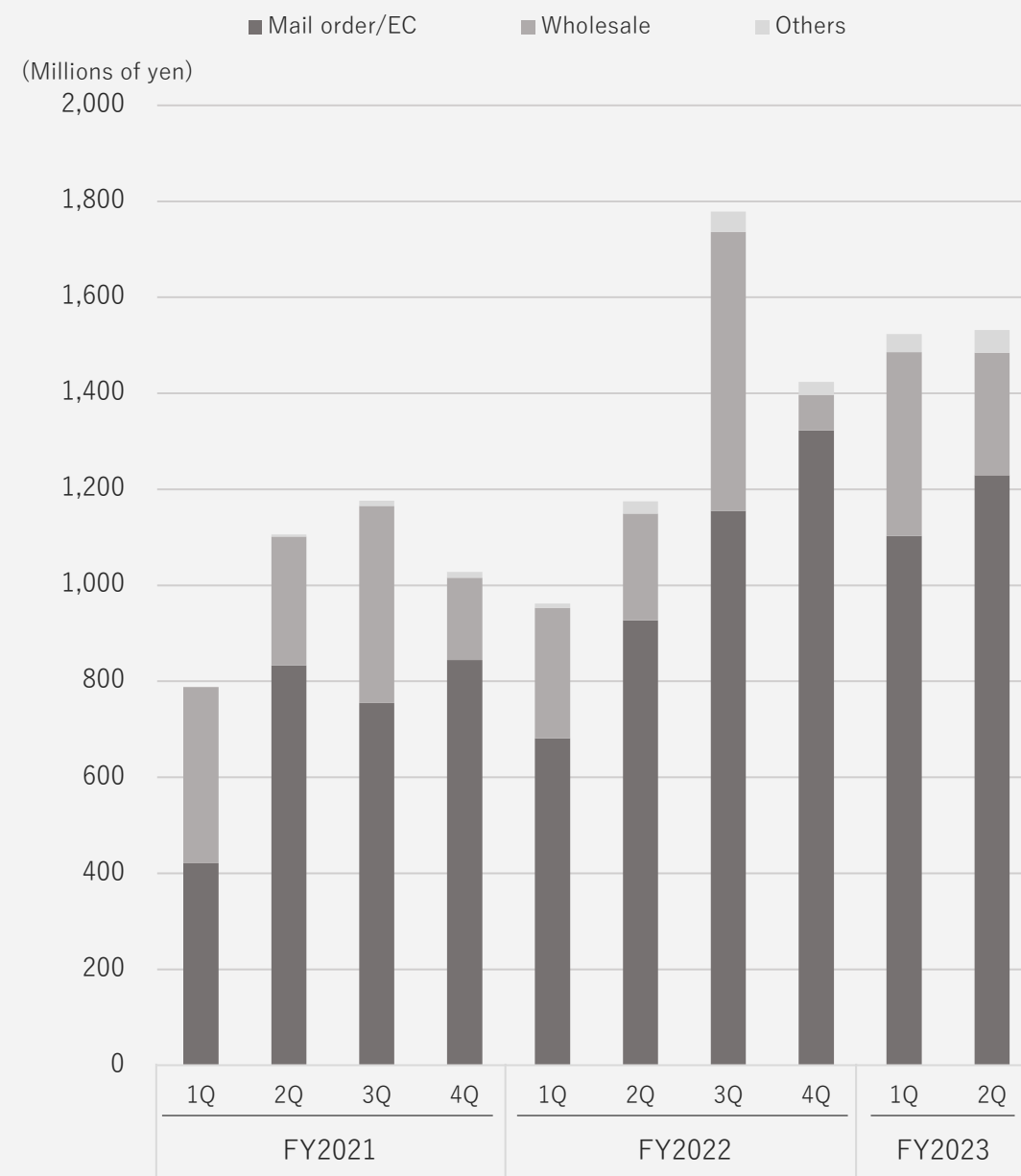
## 3Q and Beyond

- ✓ Redevelop existing products as quasi-drug products with an aim to further strengthen product appeal



CANADEL Premier Lift  
 Quasi-drug product Therapeutic Premier Lift

## Shift in Quarterly Net Sales of CANADEL



# Hair Care Business: clayence

- ✓ Maintain direct communication with customers - one of our strengths – to offer comprehensive solutions to customers’ diverse hair issues

## 2Q Topics

- ✓ Sales growing in both mail order/EC and wholesale sales channels
- ✓ New customer acquisition subdued because of efficiency-focused advertising investment
- ✓ Implemented measures reflecting customer opinions – one of our greatest strengths. Upward trend in retention rate achieved by strengthening communication on products, such as by sharing product features and proper usage instructions, and introducing products that counteract usability issues often experienced with color treatments

## 3Q and Beyond

- ✓ Continue to pay attention to shifts in retention rate and invest in advertising focused on the CPO/LTV relationship
- ✓ Introduce new products offering comprehensive solutions for diverse hair issues
- ✓ Strengthen wholesale structures, seeking to increase number of retail outlets



Pamphlet included in packaging shares proper usage instructions



# Inner Care Business and Recovery Business

- ✓ Test marketing has started for the newly entered inner care business. Brand development will be implemented while we carefully assess the investment effect
- ✓ In collaboration with Venex, which has joined the Premier Anti-Aging Group, we will take action toward the full-scale development of the recovery business

## 3Q and Beyond

- ✓ Started test marketing for the newly entered inner care brand
- ✓ Emphasize investment efficiency and determine investment timing



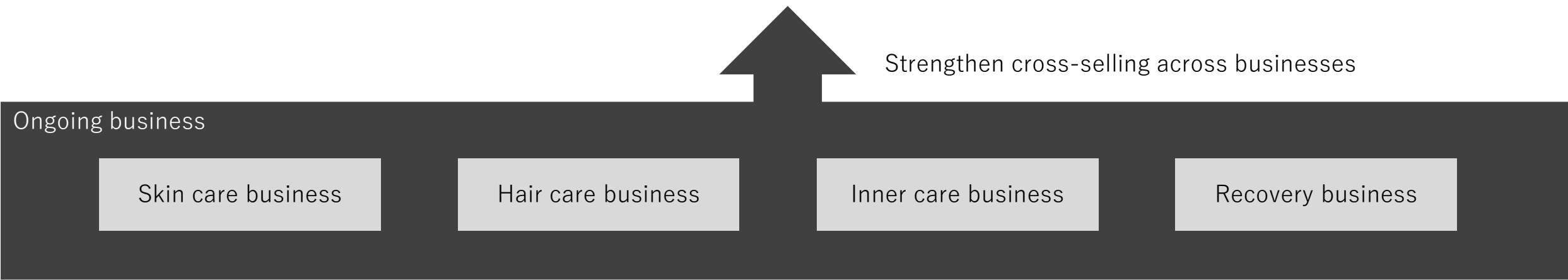
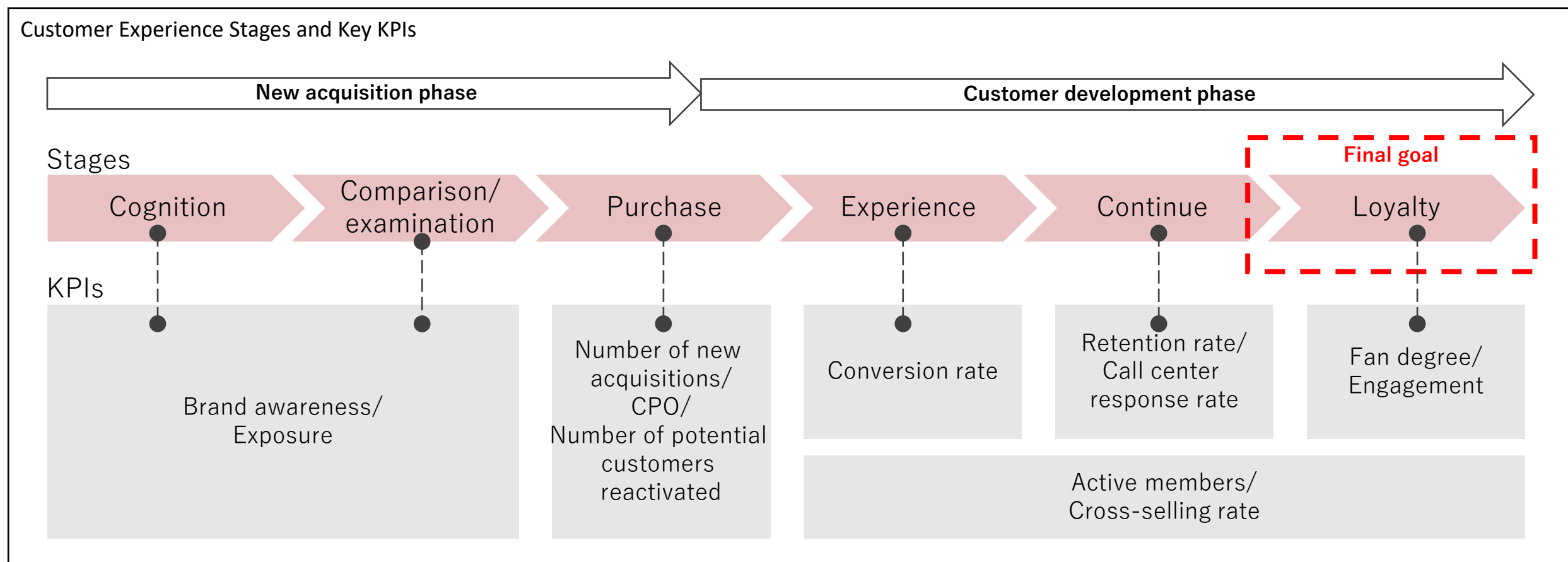
- ✓ Take action for early realization of integration effects
- ✓ Prepare for joint manufacturing and sales of new products
- ✓ Continuing educational activities for recovery products





# CX Promotion: Customer Experience Stages and KPIs (updated) PREMIER ANTI-AGING

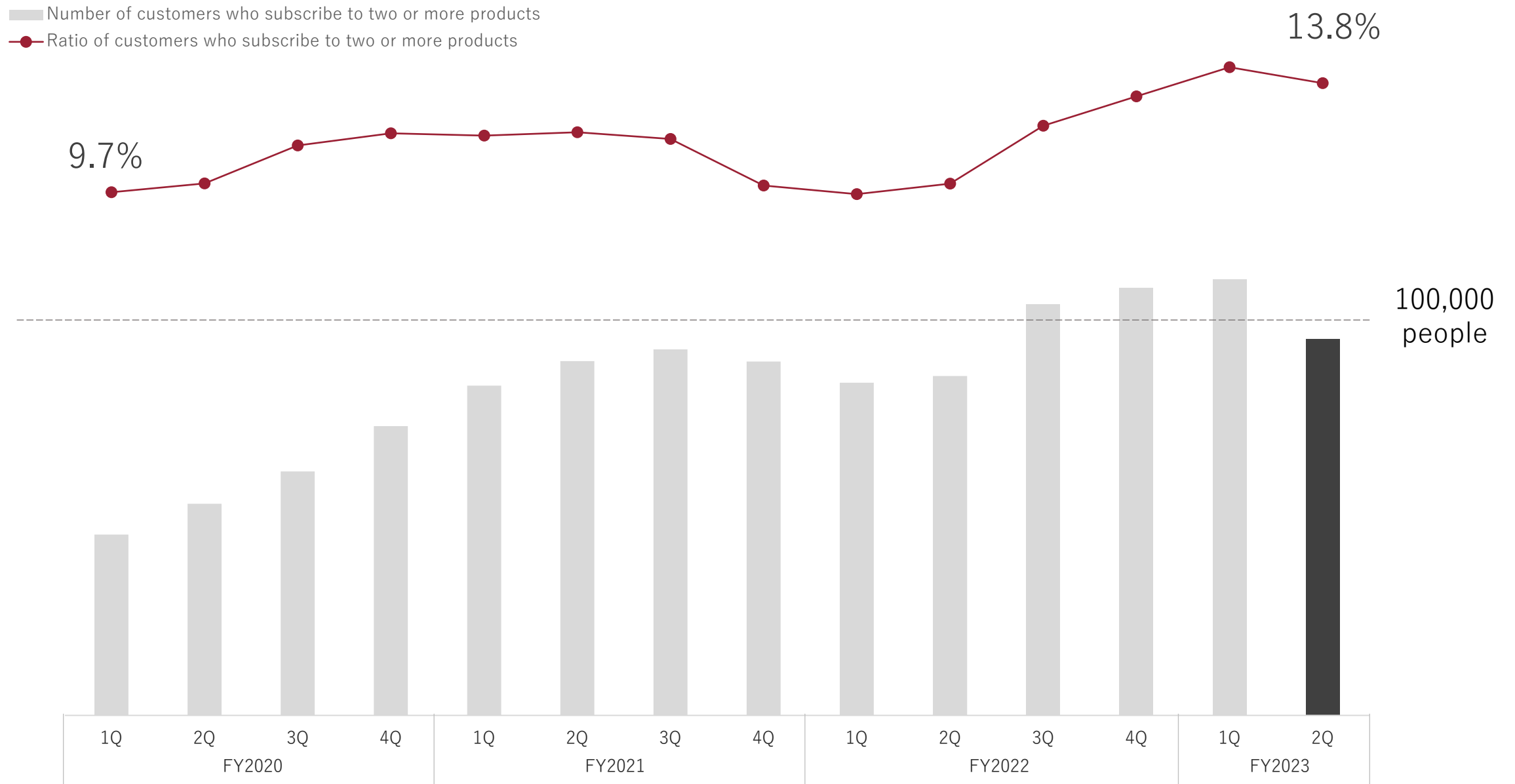
- ✓ Recognizing different issues at each stage and extracting priority issues
- ✓ Implementing various measures focused on strengthening the customer development phase
- ✓ Strengthening cross-selling across businesses by expanding business areas



# Number of Cross-Selling Customers

- ✓ The number of customers who subscribe to two or more products decreased due to the subdued new customers of clayence, which has a high cross-selling rate
- ✓ Cross-selling rates of DUO and CANADEL are on the rise due to continuous CX promotion

Number of Customers Who Subscribe to Two or More Products and the Relevant Ratio



Note: The number of customers who subscribe to two or more products refers to customers who are purchasing two or more product categories (e.g., balms and serums) on a regular basis.

# Sustainability Initiatives

✓ Continue to implement sustainability initiatives

## Introduction of eco-friendly packaging

From November 2022, we started delivering packages without boxes to subscription sales customers beginning from the second delivery



Conventional package



Eco-friendly package

## Sponsoring the Cosme Bank Project

Participated in the project as a cooperating company. We provided products to women who cannot afford cosmetics due to financial and other reasons



## Sponsoring Japan's largest International Women's Day event

Supports the philosophy of the “HAPPY WOMAN®” project, which promotes the empowerment of women and the realization of a gender equal society, and sponsors the events



## Certified as 2023 Certified Health & Productivity Management Outstanding Organization

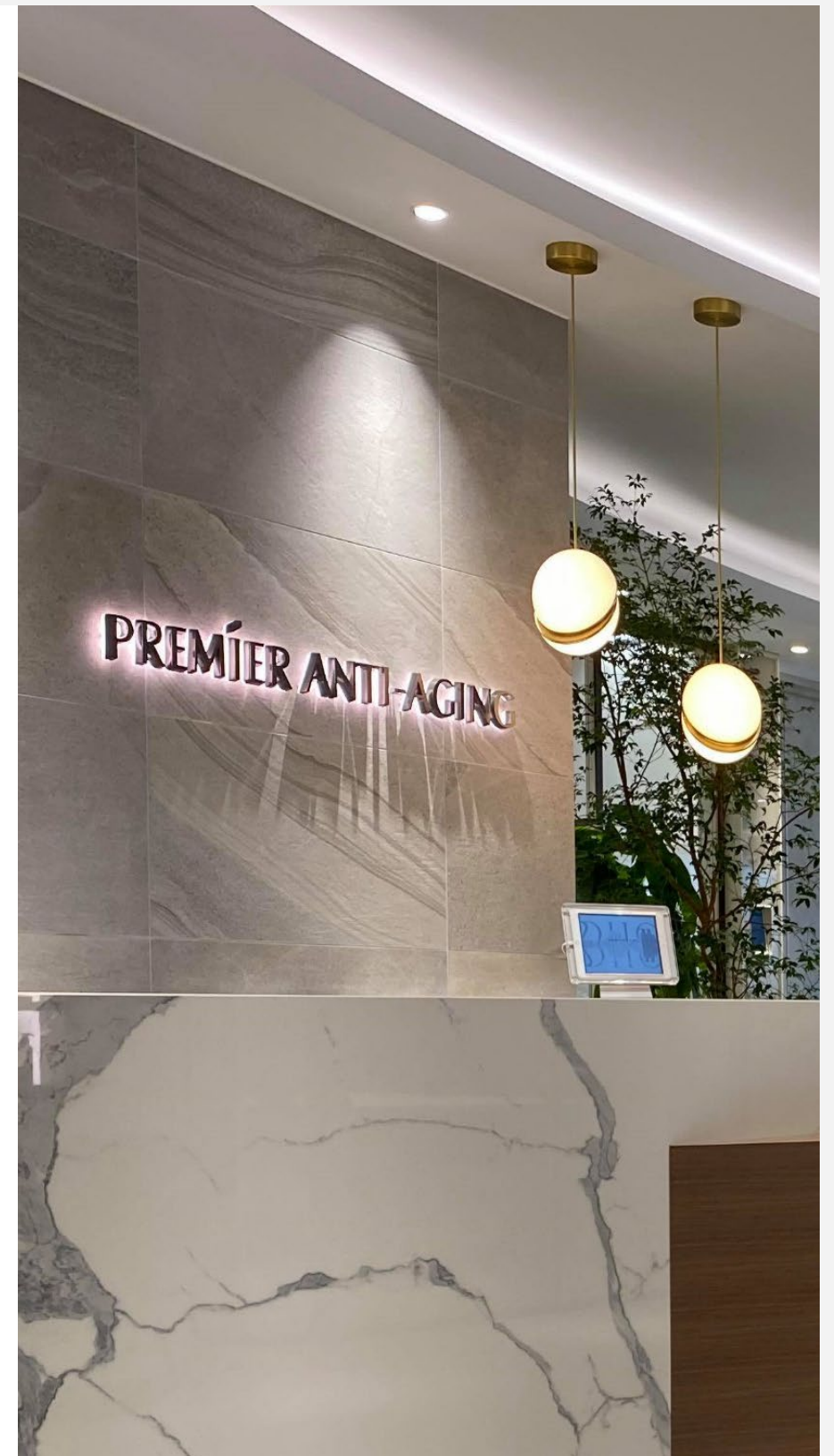
We are working on health management based on the health management declaration and have been certified as a “2023 Health and Productivity Management Outstanding Organization” selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



# 04 | Appendix

# Company Profile

Name	Premier Anti-Aging Co., Ltd.
Established	December 2009
Head office	Toranomon Hills Mori Tower 8F, 1-23-1 Toranomom, Minato-ku, Tokyo
Board members	<p>Kiyoshi Matsuura, President          Koji Kawabata, Director and Managing Executive Officer          Yoichiro Ito, Director and Managing Executive Officer, CFO          Takahiro Toya, Director and Executive Officer          Takuyuki Fukumoto, Independent Outside Director          Sakiko Sakai, Independent Outside Director          Motoyasu Ishihara, Independent Audit and Supervisory Board Member          Akira Ide, Independent Audit and Supervisory Board Member          Yosuke Kondo, Independent Audit and Supervisory Board Member          Keigo Uemura, Executive Officer          Kiyoshi Iwakawa, Executive Officer          Yuka Uehara, Executive Officer</p>
Employees	245 (as of January 31, 2023)
Line of business	Planning, development, import/export, mail-order/EC, wholesale and retail business of cosmetics and health food products
Group companies	<p>Premier Wellness Science Co., Ltd.          Premier Anti-Aging (Shanghai) Co., Ltd.          Venex Co., Ltd.</p>



## Unleashing Time

Time is fleeting, and it passes equally,  
whether you are young or old.

Hours become days, days become the future.

We want to be an integral part of people's time.

By offering an exceptionally “**unique value,**”  
we want to enrich people's lives and change the future.

Let us unleash your future.

- 2009**
  - December: Established Premier Anti-Aging Co., Ltd. in Toranomom, Minato-ku, Tokyo
- 2010**
  - February: Started sales of cosmetic products with the launch of the DUO brand and began selling The Cleansing Balm through Mail-order/EC service
- 2012**
  - July: Relocated the head office to Roppongi Hills Keyakizaka Terrace
- 2018**
  - September: Started airing TV commercials (featuring KinKi Kids, a popular male duo), the first such ad for DUO
- 2019**
  - April: Launched the CANADEL brand, an aging care brand for adults
- 2020**
  - October: Cumulative sales of the DUO “The Cleansing Balm” series exceeded 10 million units
  - March: Relocated the head office to Toranomom Hills Mori Tower
  - September: Launched “sitrana,” a new brand for sensitive skin
  - September: Started airing the first round of TV commercials for CANADEL (featuring actress Ryoko Yonekura)
  - October: Launched “immuno,” a new organic cosmetic brand
  - October: Listed on the Tokyo Stock Exchange Mothers market
  - December: Established Premier Wellness Science Co., Ltd.
- 2021**
  - February: Established Premier Anti-Aging (Shanghai) Co., Ltd.
- 2022**
  - March: Launched the “clayence” hair care brand
  - April: Launched “DUO MEN,” a men’s skin care brand
  - August : Cumulative sales of the DUO “The Cleansing Balm” series exceeded 40 million units
  - October : Started airing the first round TV commercials for clayence (featuring actress Rei Dan)
- 2023**
  - January: Launched the “SINTO” inner care brand
  - January: Venex Co., Ltd. became a consolidated subsidiary
  - February : Launched the “X” inner care brand



# Key Brands and Sales Composition Ratio

- ✓ Skin care brands “DUO” and “CANADEL” and hair care brand “clayence” drove sales

**SKIN CARE**

- ✓ Main brand since our founding. Has driven sales for our company as a pioneer in the cleansing balm market.
- ✓ Launched February 2010.
- ✓ Offering 35 SKUs\*1

Sales composition ratio\*2  
**66%**

**SKIN CARE**

- ✓ Being nurtured as the second key brand after DUO. Addresses needs of contemporary women by saving time.
- ✓ Launched April 2019.
- ✓ Offering 11 SKUs\*1

Sales composition ratio\*2  
**21%**

**CANADEL**

**HAIR CARE**

- ✓ Applying brand nurturing know-how gained through DUO and CANADEL.
- ✓ Home hair care brand that focuses on young generation with graying hair.
- ✓ Launched March 2022.
- ✓ Offering 6 SKUs\*1

Sales composition ratio\*2  
**10%**

clayence

\*1: SKU refers to the number of regular products as of January 31, 2023, excluding limited editions and different sizes \*2: Calculated based on FY2023 2Q net sales.



# Net Sales by Channel

- ✓ Although mail-order sales of CANADEL and clayence were solid, sales of DUO continued to struggle due to the outflow to oil formulations
- ✓ CANADEL and clayence were also solid in wholesale sales, but DUO struggled as the outflow to oil formulations and low-priced balms continued

(Millions of yen)

12,000

### Trends in net sales by channel

Mail-order/EC  
 Wholesale  
 Others (including overseas subsidiary)

10,000

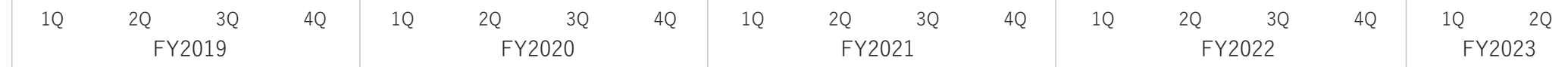
8,000

6,000

4,000

2,000

0

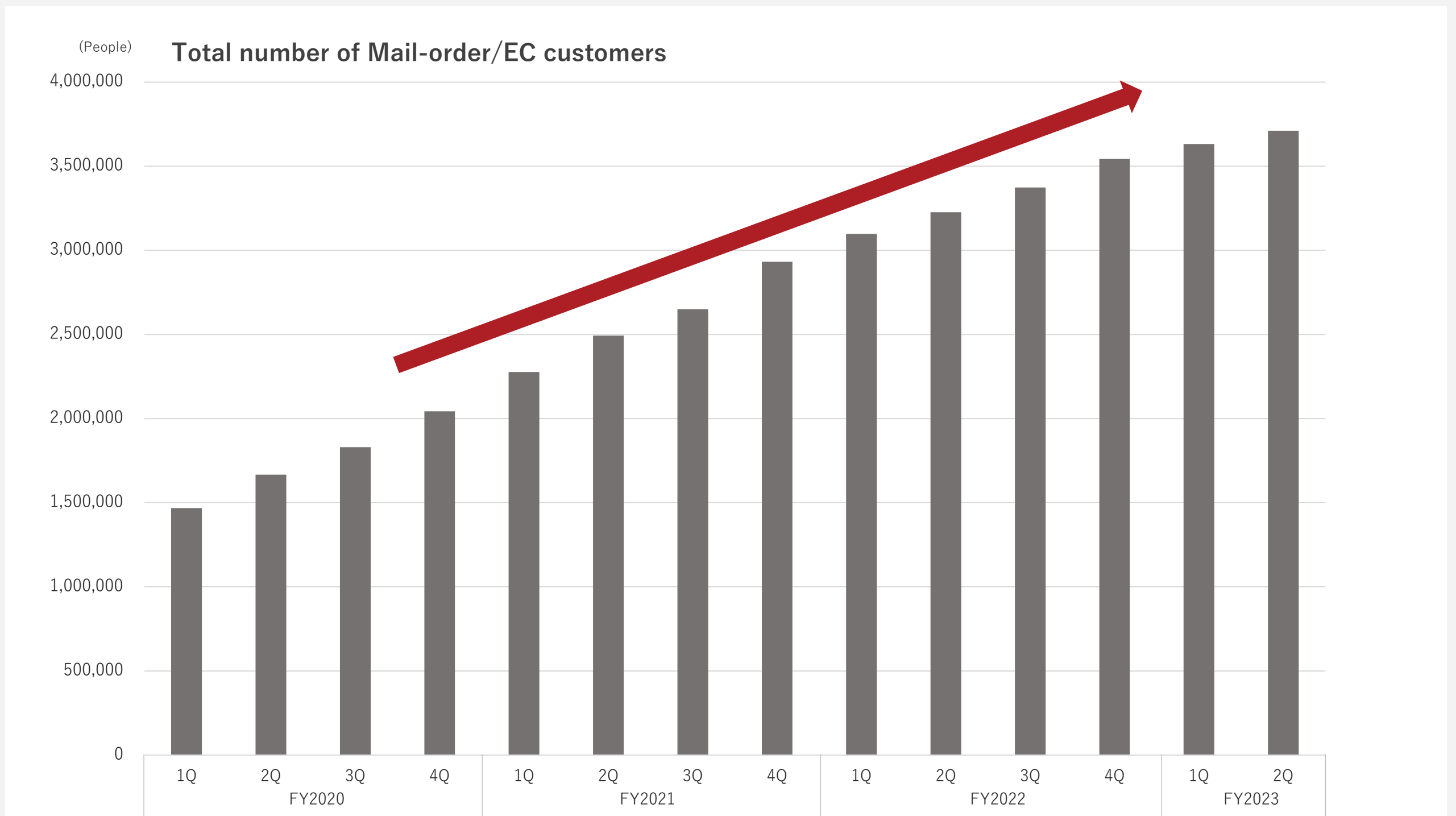


Wholesale

Mail-order/EC

# Total Number of Mail-order/EC Customers

✓ The total number of members exceeded about 3.7 million



# Situation by Brand: DUO

- ✓ The core brand since inauguration, DUO continues to drive sales as the pioneer in the cleansing balm market



\*The SKU figure refers to the number of regular products as of January 31, 2023, excluding limited items and different sizes.

# Situation by Brand: CANADEL

- ✓ Being fostered as the second brand following DUO, CANADEL focuses on the busy modern women's needs for spending less time on skin care

## CANADEL

Based on the concept of “continuously pursuing beauty, being true to oneself, and enjoying life,” CANADEL is a highly advanced aging care brand launched in April 2019 to address the changing skin care needs of mature consumers. Four types of all-in-one creams and eye cream are currently available, taking in mind the lifestyles of modern women proactively living busy daily lives. We currently have 11 SKUs\* centering on all-in-one cosmetics.

Major cosmetics awards granted in the first half of 2022



**LIPS June 1 issue**  
LIPS Best Cosmetics  
First Half of 2022  
New Category Award  
All-in-One Category  
2nd place



**LEE August issue**  
Immediate solutions to  
your skin problems! Best  
Cosmetics 2022 Summer  
Fluctuating & Acne-prone  
Skin Care  
Grand Prize

+5 more awards



\*The SKU figure refers to the number of regular products as of January 31, 2023, excluding limited items and different sizes.



# Situation by Brand: sitrana

- ✓ A cosmetics brand for sensitive skin with cica substance\*<sup>1</sup> in all products, sitrana targets the Chinese market

## sitrana

Featuring a unique anti-pollution capability, the sitrana products protect the skin from dryness that causes skin irritation and such external stimuli as air pollution and dirt/grime. The cica substances\*<sup>1</sup> under our original blending help fix the damaged skin and facilitate users to attain their ideal skin. We currently have 14 SKUs\*<sup>2</sup>.

Major cosmetics awards granted in the first half of 2022



**MAQUIA September Issue**  
Everyone's Best Cosmetics  
Maquia Influencers  
BEST COSMETICS



**LEE August issue**  
Immediate solutions to  
your skin problems!  
Best Cosmetics 2022  
Summer  
Skincare for pores category  
+3 more awards



\*1: Cica refers to the substance extracted from a plant called Centella asiatica. \*2: The SKU figure refers to the number of regular products as of January 31, 2023, excluding limited items and different sizes.



# Situation by Brand: immuno

- ✓ A functional organic cosmetics brand, immuno takes SDGs into consideration and promotes sustainable development

## immuno

While reflecting the comfort, aroma and eco-consciousness of organic products, the immuno brand was developed to achieve “desired results for skin” from a scientific perspective, not just for “feeling great.” It offers “functional aging care” that allows users to sense the difference after use rather than feeling somehow good. We currently have 9 SKUs\*.

Major cosmetics awards granted in the first half of 2022



**LEE August issue**  
 Immediate solutions to your skin problems!  
 Best Cosmetics 2022 Summer  
 Beauty Wise Men's  
 Best-Loved Cosmetics



**&ROSY August issue**  
 The 20 beauty experts  
 The best cosmetics that meet the aesthetic sense  
 The best cosmetics of the 20 beauty experts!  
 Oil category 1st place

+3 more awards



\*The SKU figure refers to the number of regular products as of January 31, 2023, excluding limited items and different sizes.

# Situation by Brand: clayence

- ✓ A home hair care brand that focuses on young generation with graying hair, clayence was developed by applying the brand nurturing know-how gained through DUO and CANADEL



A hair care brand inspired by a clay spa, clayence was created by combining the power of clay and cutting-edge science to provide hair and scalp treatment while coloring gray hair. With calming aroma on top of carefully selected clay and beauty substances, the product transforms tedious hair care into luxurious time at the spa. We currently have 6 SKUs\*.

Major cosmetics awards granted in the first half of 2022



**LEE August issue**  
 Immediate solutions to your skin problems!  
 Best Cosmetics 2022 Summer  
 Beauty Wise Men's Best-Loved  
 Cosmetics Department



**MAQUIA August Issue**  
 MAQUIA 2022 First Half  
 Best Cosmetics  
 Announcement Shampoo  
 & Conditioner category  
 3rd place

+4 more awards

\*The SKU figure refers to the number of regular products as of January 31, 2023, excluding limited items and different sizes.



## Situation by Brand: DUO men

- ✓ With DUO men, we newly entered the fast-growing men's cosmetics market by taking advantage of the high awareness of DUO brand

# DUO *men*

While staying true to DUO's brand concept of "Beauty is reborn from skin care," we took a close look at skin problems and damage specific for men from the viewpoint of ecological and biological science. DUO men offers secure and effective skin care requiring only a few easy steps, allowing all men living busy lives to continue skin care in an enjoyable way. We currently have 4 SKUs\*.

Major cosmetics awards granted in the first half of 2022



**FINEBOYS August issue**  
The 15th FINEBOYS  
Men's Beauty Awards!  
Facial Cleanser Category  
2nd place



**MEN'S CLUB August issue**  
MEN'S CLUB BEAUTY  
the best of the best 2022  
Facial Cleansing Category  
3rd place

+1 more awards



\*The SKU figure refers to the number of regular products as of January 31, 2023, excluding limited items and different sizes.



✓ Developing two inner care brands based on the development philosophy of “response with results”



# X

Aiming to support the creation of an ideal body, it was born under the lead of a food health instructor certified by the Japan Health and Nutrition Food Association. We propose optimal supplements (functional foods) that match the two styles of “those who want to incorporate exercise” and “those who want to improve their eating habits” to support body fat reduction.

We currently have 2 SKUs\*.

# SINTO

Based on the idea that bodily sensations are the essence of supplements, we adopted the same DDS technology as in the medical field. Thoroughly sticking to the "experience" of the ingredients, we aim to renew the relationship between the body and the ingredients from the area of "penetration". It is a health care supplement for adults who enjoy aging that pursues a high experience with a high amount of compounding (high compounding) and high absorption and high penetration type (liposomes).

We currently have 2 SKUs\*.



\*The SKU figure refers to the number of regular products as of January 31, 2023, excluding limited items and different sizes



# Venex's Brand: VENEX

- ✓ As a pioneer in the recovery field, Venex has developed products using fabrics made with its unique patented technology



Based on the concept of "maximizing the self-healing power that humans have," we propose clothing for recovery. With our proprietary special fiber "PHT (Platinum Harmonized Technology)" and a non-compression design that does not constrict the body, it supports high-quality recovery just by wearing it.

We currently have 76 SKUs\*.



\*The SKU figure refers to the number of regular products as of January 31, 2023, excluding limited items, different sizes and colors.



# Premier Wellness Science's Brand : Ko

- ✓ A brand with CBD (cannabidiol) as a key ingredient, which has a wide range of usefulness in beauty and health



Focusing on the human endocannabinoid system (ECS) and circadian rhythm. The key ingredient CBD (cannabidiol) supports daily rhythms and helps maintain a healthy mind and body. To ensure the safety and transparency of CBD raw materials, we have introduced a traceability system that allows inspection, identification, and tracking through a combination of lot number and serial number identifiers.

We currently have 3 SKUs\*.



\*The SKU figure refers to the number of regular products as of January 31, 2023, excluding limited items and different sizes.

# Premier Wellness Science's Brand : Reinca

- ✓ A skin care brand that uses a unique stem cell extract as a core ingredient created through joint research with the University of Tokyo

## Reinca

Based on the brand concept of “Facing the source of skin and sensibility with the power of SKIN & SENCE science,” we advocate skin cell care born from advanced skin research and care for the five senses that pursues the comfort of physical sensations.

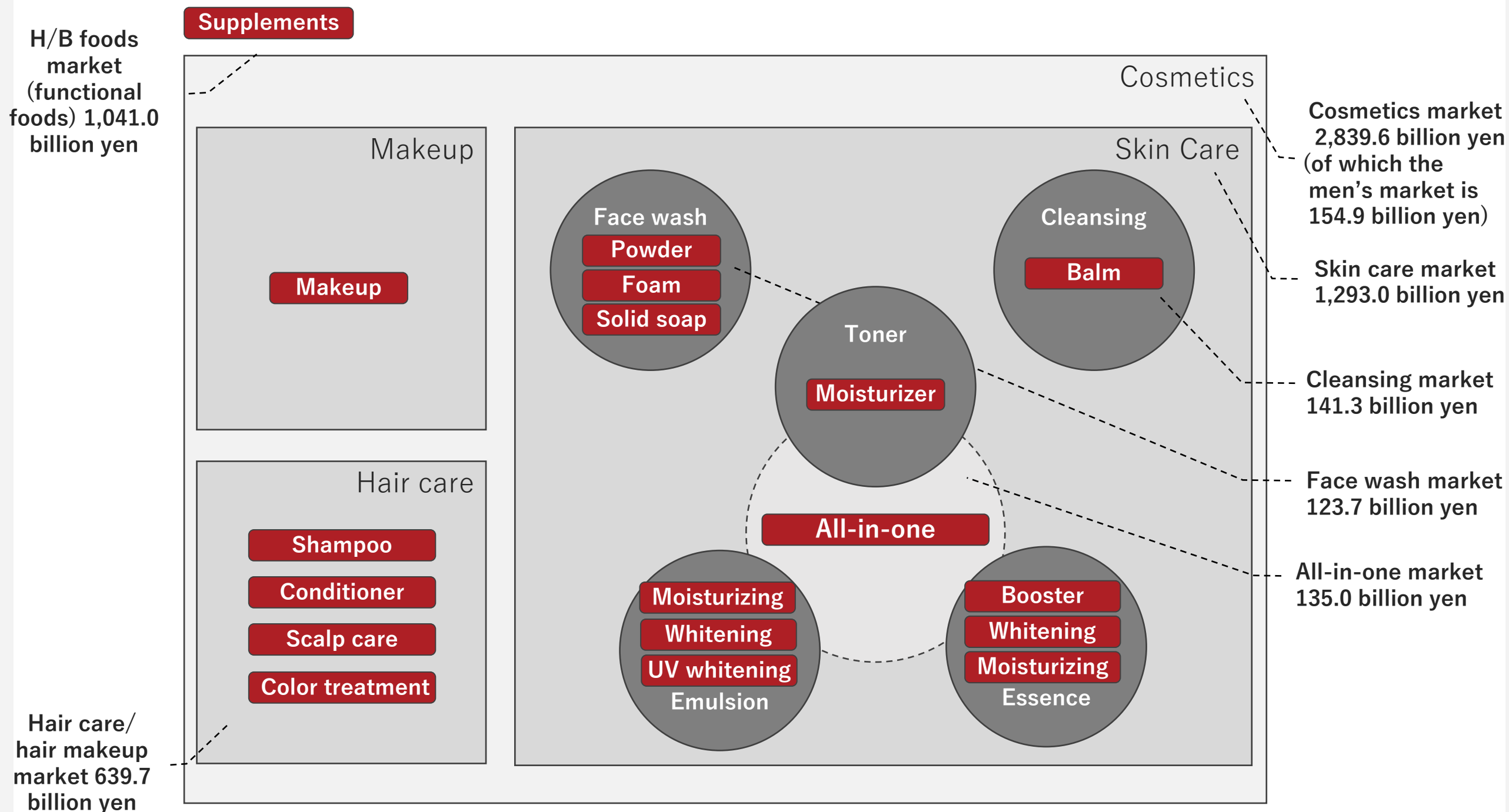
We have developed a brand based on our original dental pulp stem cell culture supernatant "ENGY Stem S", which was successfully commercialized through joint research with the University of Tokyo. We currently have 5 SKUs\*.



\*The SKU figure refers to the number of regular products as of January 31, 2023, excluding limited items and different sizes.

# Market Size of the Domestic Cosmetics Market

✓The domestic cleansing market, which includes balms, totaled 141.3 billion yen in 2021

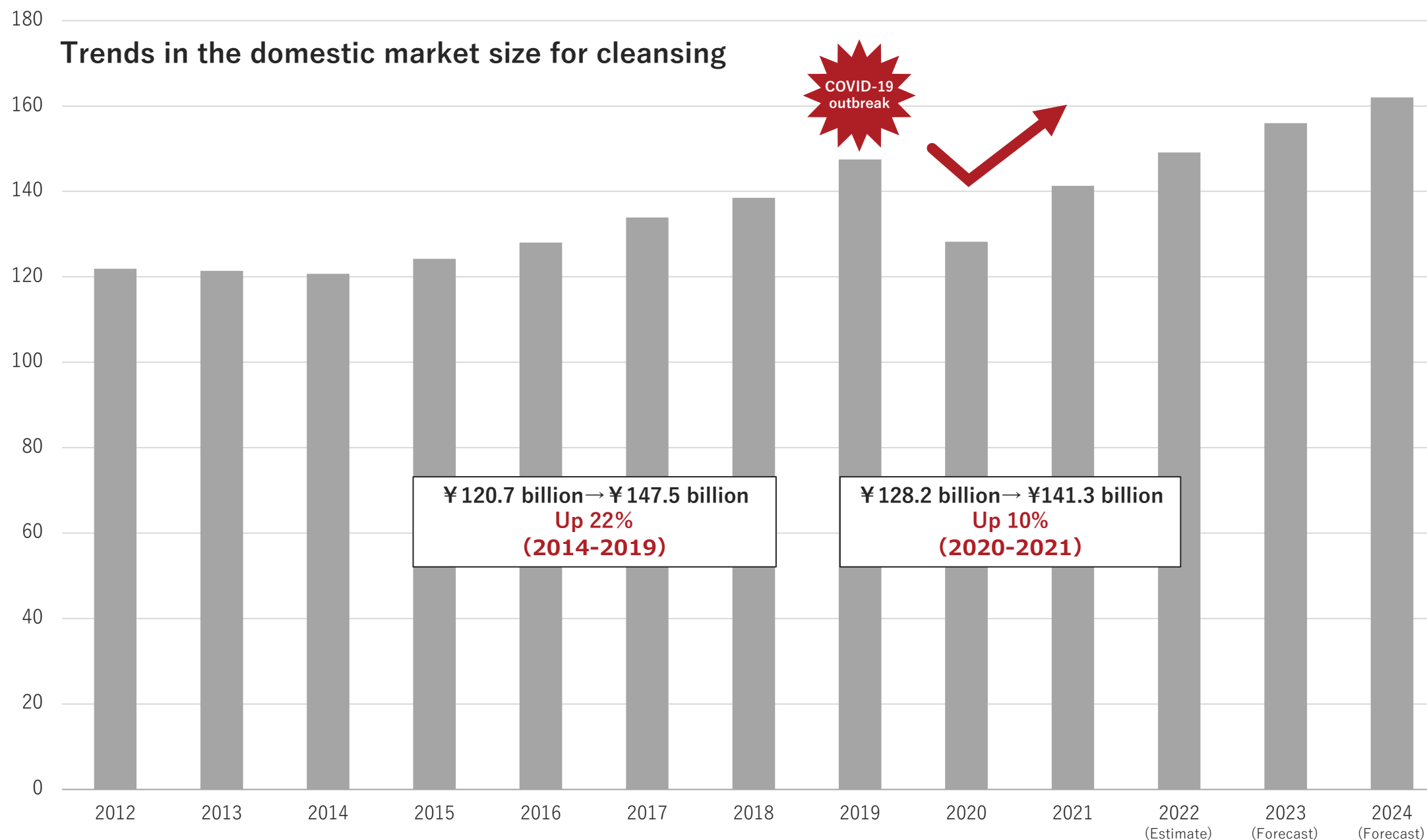


Note: Gray circles indicate the markets, and red boxes represents our products. Source: "Cosmetics Marketing Handbook 2022 No. 1, No. 3" and "H/B Foods Marketing Handbook 2023 No.1" by Fuji Keizai

# Domestic Market Size for Cleansing

- ✓ Domestic cleansing market plummeted due to disappearance of inbound demand caused by COVID-19
- ✓ The market expanded again in 2021 as the positioning of cleansing products changes from makeup remover to skin care products

(Billions of yen)

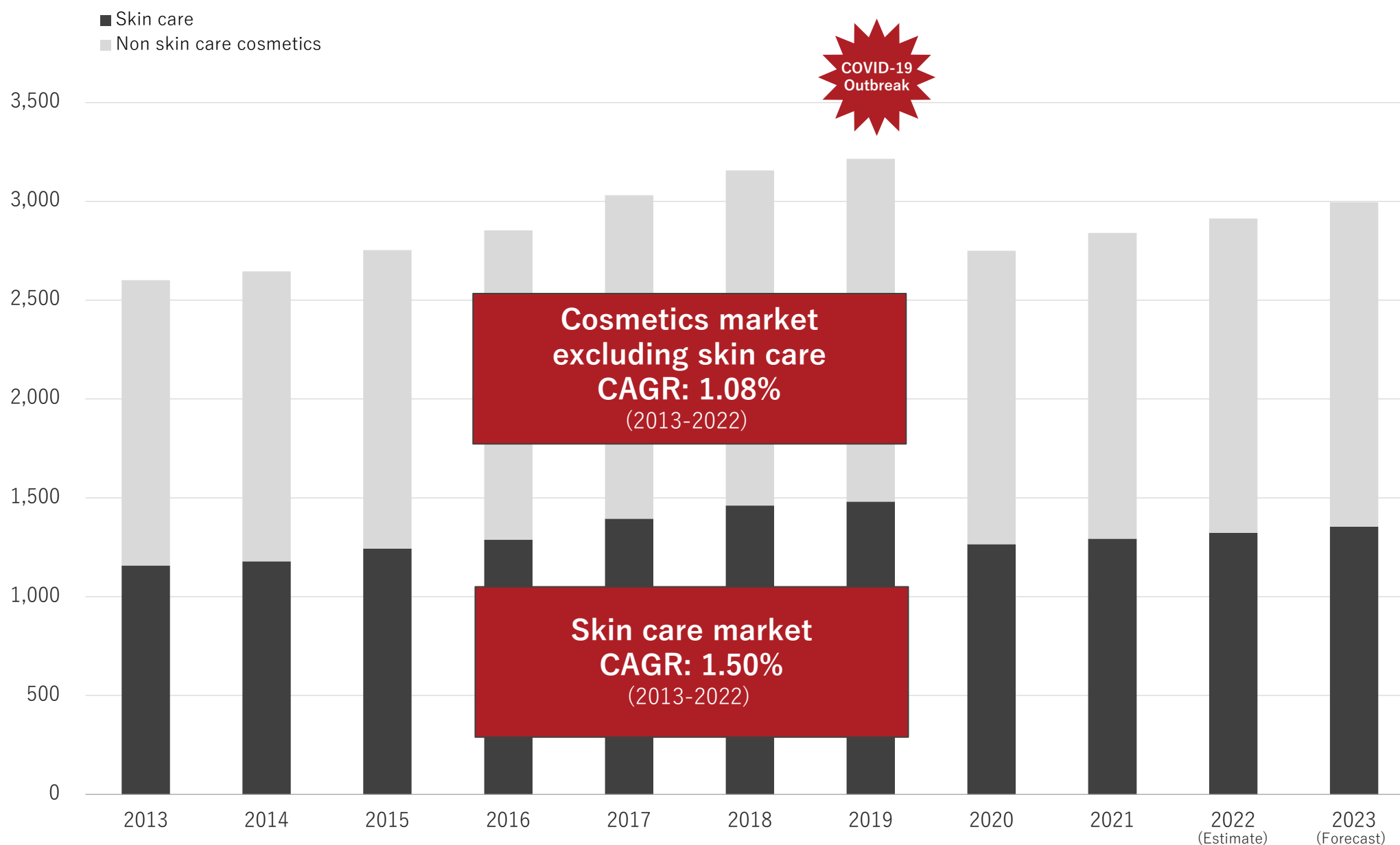


# Domestic Market Size for Cosmetics and Skin Care

- ✓ Domestic cosmetics market, which continued to grow moderately through 2019, declined significantly with COVID-19
- ✓ Recovery trend in 2021 due to reassessment of the importance of skin care under masked lifestyles

Trends in the domestic market size for cosmetics and skin care

(Billions of yen)



Source: "Cosmetics Marketing Handbook 2022" No.3 by Fuji Keizai

# Organizational Characteristics

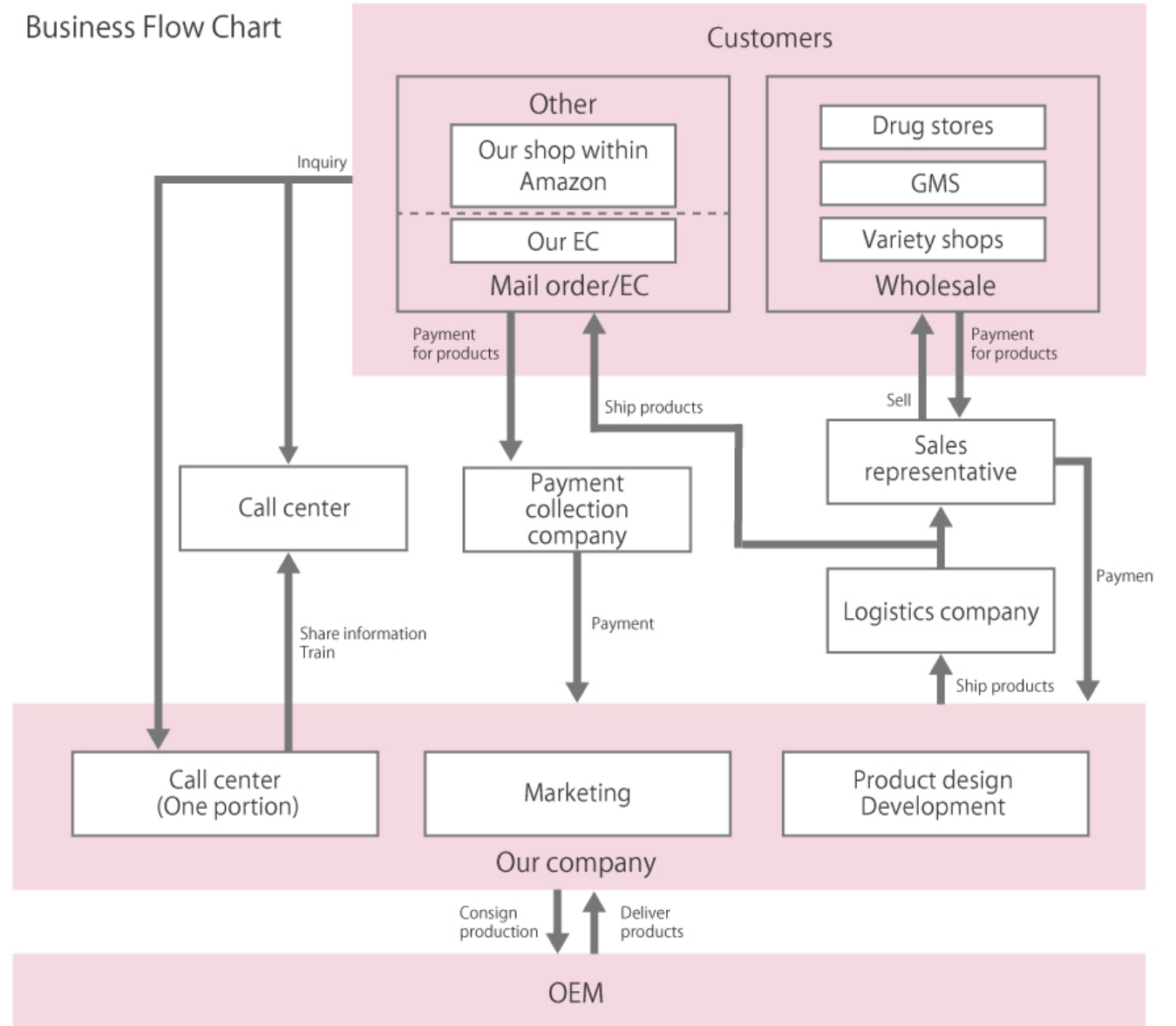
✓ We have created an organization that focuses on core operations to achieve high productivity and mobility

## 1. Fables manufacturing

We have built a nationwide network of OEM manufacturers and select the optimal OEM production system for each product. By outsourcing production, we can maintain a flexible production system highly adaptable to environmental changes.

## 2. Sales per employee

We focus on core operations such as product development and marketing, while outsourcing logistics, manufacturing, and most of the call center operations, etc. By doing so, the ratio of non-current assets is kept low and sales per employee is at a higher level than our competitors.





# Environmental Initiatives

✓ We are actively promoting eco-conscious initiatives

FSC® certified packaging materials are used for all brands that use paper packaging

FSC® certification is a system in which the FSC® label is attached to wood products produced from forests deemed to be well-managed or other products using low-risk wood, allowing them to be sold as certified products.



The mark of responsible forestry

Received the semi grand prize of "2022GP Environmental Grand Prize"

The GP mark certifies that printing materials, manufacturing process and all activities undertaken by a printing company is eco-conscious.



Starting with cleansing balm, we are considering introducing Green Nano to other products. Stability study underway.

Green nano technology can reduce CO2 emissions from burning materials by approximately 60% by adding green nano substances to the materials.



Adoption of waterless printing contributes to reducing the number of hazardous substances used and emitted

We use a technology called the "waterless lithography method" that does not discharge harmful waste liquids during printing, and actively adopt printed materials printed with this method.



- ✓ The document and information provided in our results briefing include forward-looking statements, which are based on our current expectations, forecasts and assumptions involving risks. As such, there are uncertainties that may cause actual results to practically differ from what are described in such statements.
- ✓ These risks and uncertainties include general industry and market conditions as well as general domestic and international economic conditions such as interest rate and currency exchange rate fluctuations.
- ✓ The Company considers cosmetics market trends to be a major risk that may materially impact its growth and execution of business plans. However, the Company endeavors to mitigate such risks and maintain the competitive edge of its products by actively conducting promotions and understanding customers' potential needs to reflect on product planning. For other types of risks, please refer to the "Business Risks, etc." as highlighted in our Securities Report.
- ✓ The Company does not undertake any obligation to revise or update these forward-looking statements included in this material even in the face of new information or future events.

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