



Made in Japan Brand Led by a Chinese President Going Global with the Power of Japanese Quality Products

Made in Japan Cosmetics Brands Popular in China

Have you ever heard of a cosmetics company called AXXZIA? It is gaining popularity in the Chinese e-commerce market with made-in-Japan brands in the high- and mid-price range.

With a population of 1.4 billion, China's cosmetics market is the second largest in the world just behind the U.S. In 2021, it reached roughly USD 81.1 billion (about JPY 11.5 trillion / USD 1.142) and is growing at an annual rate of 10%. Incidentally, the Japanese market is roughly JPY 4.1 trillion and is declining every year. AXXZIA Inc., which designs, manufactures, and sells cosmetics, has grown rapidly within the Chinese market as its main target. In February 2021, in the midst of the COVID-19 pandemic, it was listed on the TSE Mothers (now Growth). Two years later, in February 2023, it moved to the TSE Prime.

The most unique feature of the company is that the President, Taku Dan is from China. It wouldn't be wrong to say that he aimed and hit the mark in the Chinese market because he was from China, but that being said, it is no small feat to build a listed company in a foreign country. It surely took a great deal of effort, wisdom, and foresight. We asked him about the process leading up to the company's listing in Japan.



Xiamen University, where sparked his entrepreneurial spirit.

President Taku Dan was born in Dalian, northern China. His parents were doctors, but they moved to the countryside when he was young as a result of the Cultural Revolution (1966-1976). He grew up in a rural village, living a relaxed life until the age of 12 or 13. However, it's difficult to get a university education while living in a rural area. At that time, the university enrollment rate in China was about 5%. High-level universities had an even lower rate. There, Taku Dan spent junior high and high school with his grandparents in Dalian and Shenyang, where he studied so hard that he says to have nothing but painful memories of the time.



The university Taku Dan chose was Xiamen University in Fujian Province. Located in the cosmopolitan city of Xiamen, along China's southeastern

overseas coast, it has a scenic environment and is considered to have one of the most beautiful campuses in China. It is also famous as the first university in history to be founded by an overseas Chinese.

“I always loved the sea and wanted to be a sea captain. In China, Shandong Ocean University is the best school for that, but it is very competitive, so my high school teacher recommended me to study Marine Science at Xiamen

University. However, I couldn't get into the department I wanted, so I joined the physics department and specialized in semiconductors. My thesis was on solar panels.”

He did not like physics very much, but greatly enjoyed campus life. Apparently, the business mindset is stronger in southern China than in the north. Xiamen University accepted many international students, and all of his friends had a strong desire to go into business. Taku Dan gradually became interested in starting his own business.

“Everyone was wanting to study abroad. Most people went to developed countries such as the United States and Japan. I came to Japan because I had connections with relatives there. I studied Japanese for the first year and a half, then entered Okinawa International University, and after graduation studied business administration at the graduate school of the University of the Ryukyus.”

Three men start an esthetic salon.

His first job was in Tokyo, where he was hired as a system engineer. He was surrounded by Japanese co-workers and battled feelings of aloneness as he tried his best to maintain a stable lifestyle. About four years later, he had heard that two of his Chinese friends from the University of the Ryukyus had each formed their own companies and started their own businesses. Inspired by this, he began to think it was about time he did the same. When he was trying to figure out what kind of company to start, a friend approached him to talk about starting an esthetic salon. He thought going from being an engineer to starting a B2C company to help people become beautiful sounded interesting and decided to go independent.



“The salon was started by three men including me in 2002. I had a science background, so I was good with numbers. Another of the men was from an advertising agency and was good with advertising. The third person came from a trading company and was very good at purchasing things at low prices. I was not allowed in the store because all the employees were women and so were the customers. I actually preferred it that way. If I had entered the store, I would have been so concerned about operations that I would not have had time to think about business development. By not going into the store, I was able to focus on expanding the store. As an extension of the salon, we developed a hair removal salon and a slimming salon.”

Using the Changing Times (SARS, the Shopping Spree, China's e-commerce law) to His Advantage

In 2011, they began developing their own products with the help of cosmetics manufacturers. This was the birth of the cosmetics brand, AXXZIA. The company used the product in its own salons and also began selling them in

Japan and China. However, they were not well known so they didn't sell at all. They were nothing but a blip in the China market.

The tide turned in 2016. Korean cosmetics were no longer selling in China due to SARS, and instead, Japanese luxury cosmetics were beginning to win the hearts of Chinese people. Just as they were gaining some purchasing power, people started wanting made-in-Japan products, even if they were a little more expensive. AXXZIA's sales also increased tenfold in an instant.

“Our products were sold in Japan and China at the same time, but they didn't sell well in Japan. For a product to be made in Japan is the norm in Japan, so it's hard to explain what makes your company high-end. In China, we advertised that it is a high-quality made-in Japan product, and it sold well. We then began to consider the Chinese market as our main target in order to expand where we could.”

The company developed products targeting Chinese consumers and succeeded in creating hero products, “AG Drink,” a beauty drink that supports youthfulness, and “Essence Sheet,” which is applied around the eyes. This quickly raised AXXZIA's profile.

Then the turning point was 2019. It was the time when Chinese tourists were known for buying up the Japanese market. Products purchased in Japan were resold in China, but the passage of China's e-commerce law made this business unviable. Japanese cosmetics companies saw their domestic sales plummet, and AXXZIA's business was severely affected. Just as they were thinking this was not going to end well, they were approached to open a store on the Alibaba Group's cross-border e-commerce platform.

“Our company was selected to open a flagship store on Alibaba's Tmall. I think it was because we were gaining recognition for our "AG Drink" and "Essence Sheet. With the opening of the Tmall store, we switched to a policy of aggressively advertising in the e-commerce market.

Leveraging E-Commerce Channels to Enhance Marketing

After opening its flagship store on Tmall, the company made rapid progress. At the time, Tmall accounted for 70% of cosmetics sales in China. Strategic collaboration with Tmall enabled them to obtain consumer needs in a timely manner, and all product development information was then collected in China.

“We also gather information from distributors and salons in China, but the main focus is on social networking services such as WeChat. So we gather information on what people want and what they need, and now we check it against Tmall's database. From the production stage, we check the materials for export to China, so once the product is completed, we conduct test marketing and apply for NMPA* with the Chinese authorities at the same time.”



E-commerce sales channels have been expanded to Taobao and Douyin, and live commerce is also available daily. A full menu of sales promotions suited to the Chinese market,

including regular campaigns and lottery events, is being developed to meet market needs. The speed and flexibility with which the Chinese business can be optimized from development to sales in one fell swoop, while controlling vast amounts of information, is what makes the Chinese business so amazing.

*Registration procedures with the Chinese authority, NMPA (National Medical Products Administration), which conducts examination and approval of medical devices, pharmaceuticals, and cosmetics for sale in China.

An Unexpected Reason to Want to List His Company

Taku Dan started to think about listing his company in 2018. It was around the time of the successful hero productization of "AG Drink" and "Essence Sheet" in China.

"We didn't actually think that much about listing. I didn't know why we should become listed. So, when I met an overseas Chinese businessman in Singapore, I asked him, 'Why do you need to go public?' He said, 'It depends on whether you want to make it big or not. If you just want to make a profit and take it easy, you don't have to get listed.' This motivated me. We aimed to make our JPY 2 billion company be worth JPY 10 billion.

When we asked Taku Dan what he wanted to do after making his Company bigger, he immediately responded "I wasn't sure. I just wanted to get bigger out of greed." And then he laughed.

What a frank answer. A Japanese person would feel obliged to speak up for some great cause. The desire to "just make it big" is similar to a child gazing out to sea and thinking, "I want to be a sea captain." This must be what the venture spirit is all about. We also asked Taku Dan how he felt when he went public.

"It didn't actually feel like I had listed," he said. "More importantly, the stock price was going down, so we had to grow more, and this was the best thing we could do. In April in a previous year, we acquired Huit laboratories Inc., a manufacturer and wholesaler of cosmetics and quasi-drugs, as well as an OEM business, as a subsidiary. This was a very big experience."



"After all, being listed on the stock exchange gives us social credibility, which facilitates fund raising, including bank loans. We could also gather information about Merging and Acquisition. We also have affiliated alliances available now to talk to major companies. If we were not listed, we would not be taken seriously by major companies, but now that we are listed, we are expected to be a strong company in Chinese sales and are in talks for tie-ups. I feel that it is really only after we go public that we have a chance to grow. We would like to expand through merging and acquisition as well as our own growth, and to do so at a faster pace."

Message to Entrepreneurs

In the after-corona world, IT and DX have become more advanced, and the world has become even closer. More and more foreigner entrepreneurs will be starting their own businesses and going public. Are there any disadvantages for a foreign entrepreneur to start a business in Japan?

"No. Not at all. I think Japan has a very high level of globalization. I have been doing business in Japan for 20 years and have always been treated fairly with no hang-ups for being foreign. I do think it is difficult for foreigners to start a business and go public in other countries, especially in Asia."

"There are many foreign business owners around me, and they are all doing business by successfully combining resources and contacts in their home countries. When I was running esthetic salons, I used to buy beauty equipment from China at 1/10 the price of Japanese products, and now I sell Japanese products to China. So you have the advantage of business being a little easier. But as far as listing their company goes, people may not be taking on the challenge because they think it is too difficult."

"Therefore, I would like to tell them to have big goals and to keep challenging themselves. There is a famous American theory that says, 'A word from a stranger can change your life.' Mine too, was changed by a word from a senior colleague I met in Singapore. Maybe there are people whose lives will be changed by my one word. I really like that kind of thing. It really is the chance of a lifetime."

"Life isn't planned", Taku Dan says. "If I had not gone to Xiamen University, I might not have started my own business. I came to Japan because I happened to have relatives there. None of the encounters with the esthetic business, or the advice in Singapore, were planned."

"After Corona, I went to Hong Kong and Guangzhou for the first time in three years. There I met someone who graduated from the same college after me, who also runs a cosmetics company, and the growth was amazing. I was surprised when I heard that their sales were JPY 40 billion in six years. I went back home really motivated. I want to consistently be in motivating situations like this."

"We tell our employees, 'We are a venture company. We move speedily, do new things rapidly, move forward, and go abroad, not limiting ourselves to Japan, China, or any other country'. Since our largest market is China, about 30% of our employees are from China, but our goal is to become a global company. We would like to bring in



human resources from various countries, including Southeast Asia, to compete on the world stage. Japanese brands have so much potential. In the case of cosmetics,

Japanese products are not just beautiful products, they are also a ‘brand’. Like French and Italian brands, they connect people to Japanese culture. That’s why they sell. I want to promote this Japanese brand to the world and make it a globally accepted brand.”

Foreign managers sense the value of Japan even more than Japanese people do and convert it to global business. As the number of such foreign managers increases, Japan’s presence in the world will increase. This will have a positive effect on both Japanese companies and inbound tourism or other forms of business. Diversity is encouraged in various aspects of business, and diversity in management is also welcome. We look forward to seeing Taku Dan’s made-in-Japan products, which have flexibility and strength that varies from those of Japanese!

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Profile

Taku Dan
AXXZIA Inc.
President

- 1966 Born in China
- 1989 Graduated from Xiamen University (China)
- 1990 Studied abroad in Okinawa
- 1996 Graduated from Okinawa International University
- 1998 Completed graduate studies at University of the Ryukyus
- 1998 Joined Aegis Corporation as an engineer
- 2002 Started esthetic salon business as a co-owner
- 2011 Founded AXXZIA Inc. Appointed as President
- 2021 Listed on TSE Mothers (currently Growth)
- 2023 Market transfer to TSE Prime