AXXZIA

March 15, 2022



Supplementary Materials Concerning the Acquisition of Shares in Huit Laboratories, Inc.

AXXZIA Inc.

Copyright © AXXZIA Inc. All rights reserved.

Summary of the Acquisition of Huit Laboratories, Inc. as a Subsidiary

AXXZIA

Summary

Acquisition of 100% of shares in Huit Laboratories, Inc., thereby converting it into a subsidiary

Planned date of share acquisition	April 1, 2022
Cost of share acquisition	860mn yen *Share acquisition price
Method for the procurement of necessary funds	Cash and deposits on hand + borrowings (under consideration) *Currently reviewing fund position and leverage effect

Impact on consolidated financial results for FY07/22

We plan to acquire Huit Laboratories in April 2022 and expects the acquisition to have only a negligible impact on performance in FY07/22.

Challenges, Objectives, and Potential Synergies

Challenges	Bottlenecks associated with order lot sizes and lead times encountered when performing original equipment manufacturing for other companies
Objectives	• Enabling of **speedy development, manufacture, and launch** of a wide variety of products in small quantities • Intended use of funds at time of IPO: **Construction of a new plant** • Shortening of the time required for plant construction and launch **by about 1.5 years** • **Reduction of risks** associated with the recruitment of personnel and the launch of operations • **Acquisition of domestic sales network (to generate revenue from sales)**
Synergies	• **Internalization** of outsourced manufacturing • **Acquisition of licenses and expertise** related to the manufacture of cosmetics and quasi-pharmaceutical products • **Sales channel and customer base expansion** achieved through the acquisition of brands with different price ranges

Copyright © AXXZIA Inc. All rights reserved.

Company profile of Huit Laboratories, Inc.

AXXZIA

Company profile

History

1977	Founded as LisBlanc Co., Ltd.
2011	Absorbed by Nissui Pharmaceutical Co., Ltd., a pharmaceutical company in the Nissui Group, and became Nissui Pharmaceutical's cosmetics division
2016	Spun off from Nissui Pharmaceutical as Nissui Pharma Cosmetics Co., Ltd.
July 2017	Became a wholly owned subsidiary of Senshukai Co., Ltd.
September 2017	Changed name to Huit Laboratories, Inc.

Business

Manufacture and wholesale of cosmetics and quasi-pharmaceutical products; original equipment manufacturing

Size

FY12/21

Net sales: **717**mn yen

Total assets: **858**mn yen

Net assets: **727**mn yen

Business model

Yatsugatake Plant

Located in Hokuto City, Yamanashi Prefecture, which is endowed with a rich natural environment, this manufacturing plant for cosmetics and quasi-pharmaceutical products uses natural water pumped directly from within the premise as the base for its products.





Wholesale business (core brands)

LisBlanc This brand of skin care cosmetics has been on the market for over 40 years. These products are distributed through wholesale to approximately 1,000 stores throughout Japan.

OEM business Through this business, we conduct original equipment manufacturing focused primarily on skin care products.

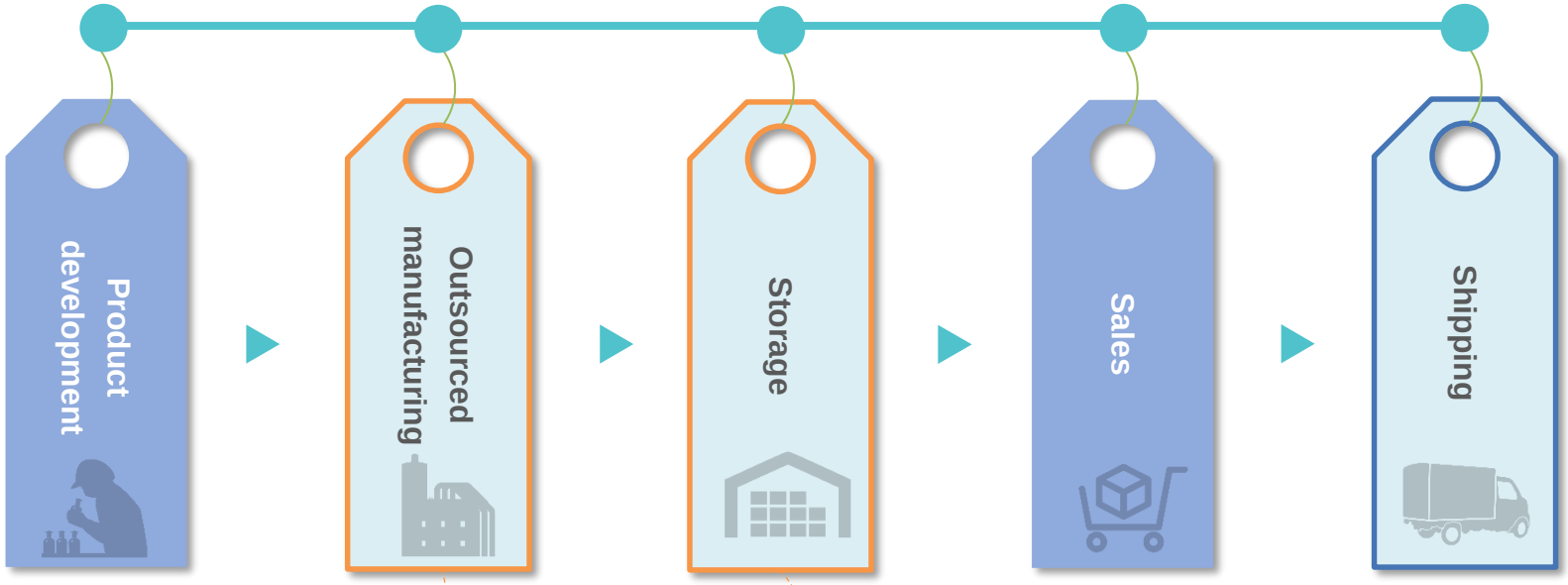


Copyright © AXXZIA Inc. All rights reserved.

Role of Huit Laboratories, Inc.

AXXZIA

Supplement outsourced manufacturing and storage operations of the AXXZIA Group (aside from product development and sales)



Disadvantages of outsourcing

The outsourcing company has limited control over production lot sizes and lead times due primarily to the need to secure production lines operated by its subcontractors.

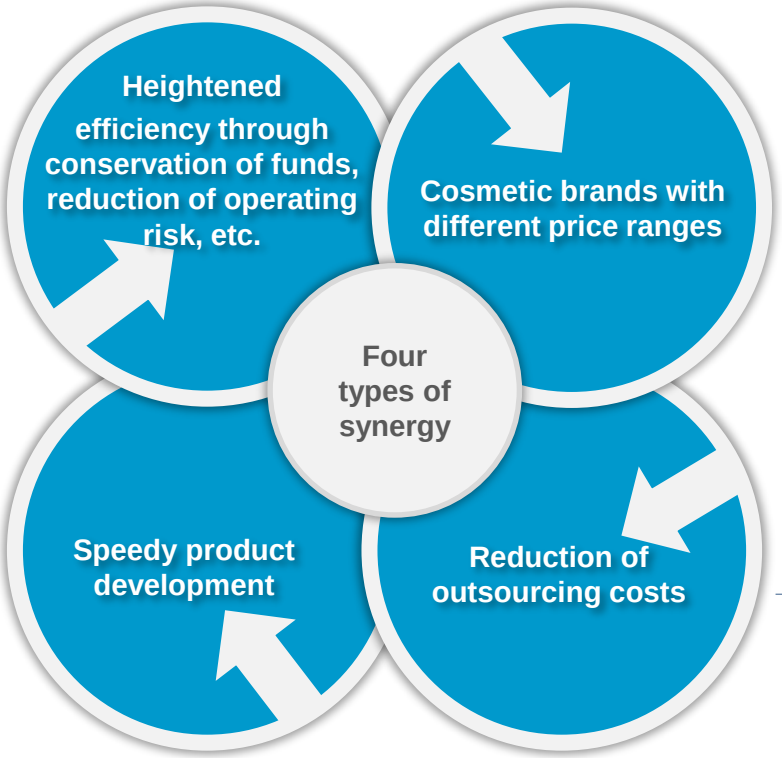
The outsourcing company incurs storage costs

Copyright © AXXZIA Inc. All rights reserved.

Potential Synergies

- At the time of IPO, we established a 2.0bn yen fund for the construction of a new plant. We will **convert Huit Laboratories, Inc. into a subsidiary for 860mn yen**.
- Through this acquisition, we will **shorten the amount of time** required to establish and launch the plant.
- This acquisition will help us **eliminate risks (associated with acquisition of manufacturing licenses and expertise or personnel recruitment)** incurred prior to the launch of operations at the plant.

- Our skincare cosmetics and dietary supplements lie in the mid- to high-price range.
- This acquisition will **facilitate sales channel and customer base expansion** achieved through LisBlanc and other mid- to low-price skincare cosmetics.



- In comparison to outsourced manufacturing, this acquisition will allow us to increase our control over production lot sizes and **shorten lead times** that occur prior to product completion.
- This acquisition will empower us to manufacture prototypes of a wide variety of products in small quantities and **enable speedy product launches.**

- Currently, all of the Company's products are manufactured by subcontractors
- Internalizing a portion of the manufacturing operations that were previously outsourced will allow us to **reduce associated costs**.

Copyright © AXXZIA Inc. All rights reserved.

Future Brand Development

AXXZIA

- Current status: Brand lineup featuring high- (premium) and mid-priced cosmetics and dietary supplements
- Future status: Complement this brand lineup by expanding sales channels and customer bases through the addition of mid- to low-priced products

	Salon-exclusive brand	B2C brand			B2C brand
	High-end Avg. selling price: Over 10,000 yen	Medium-range to high-end Avg. selling price: Over 5,000 yen			Medium- to low-range Avg. selling price: 3,000 yen
		Aging Care series	Eye Care series	Transparency and Luster series	Skincare series
Cosmetics (mainly skincare)					LisBlanc  Basic natural skin care cosmetics that have been sold for over 40 years
Supplements					

Current lineup

Future lineup

Copyright © AXXZIA Inc. All rights reserved.

Disclaimer

- This document is intended solely to provide information about AXXZIA Inc., and is not intended to solicit investment in securities issued by the Company.

- This supplementary material includes forward-looking statements related to the Company, including forecasts, targets, and objectives. These statements may include, but are not limited to, passages containing words such as "anticipate," "expect," "intend," "may," or other terms of similar meaning. These forward-looking statements are based on judgments made by the Company using information that was available when these materials were prepared. Accordingly, they reflect a measurable degree of hypothetical assumptions made by the Company. Therefore, a variety of risks and uncertainties surround these statements and assumptions, and actual results may differ substantially. Those viewing this supplementary material are cautioned not to place undue reliance on these forward-looking statements.

- The statements included in this material were accurate as of March 4, 2022 (or as otherwise specified therein), and the Company is not required by any obligation or policy to make periodic updates to the information contained within these statements. Details regarding companies other than AXXZIA Inc. are based on either publicly available information or data prepared by third parties. The Company has not verified this information and therefore provides no guarantees regarding its accuracy or appropriateness.

AXXZIA

Creating things and experiences
that amaze people.

[Contact]

AXXZIA Inc. (Securities code: 4936)
Management Department
E-mail: axxzia-ir@axxzia.co.jp
URL: https://axxzia.co.jp/

Copyright © AXXZIA Inc. All rights reserved.