November 29, 2023

Company name: AXXZIA Inc.
Representative: Dan Taku, president and representative director
Securities code: 4936, TSE Prime
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Notice Concerning the Acquisition of Shares of M&D Co., Ltd. (Making it a Subsidiary)

AXXZIA Inc. (the “Company”) announces that, during a meeting held on November 29, 2023, its Board of Directors reached the decision to acquire all shares of M&D Co., Ltd. (hereinafter “M&D”), and have concluded a share purchase agreement to make it a subsidiary.

1. Reason for the acquisition of shares

Based on the corporate philosophy of “becoming a general beauty solution company that introduces Asian Beauty to the world,” the AXXZIA Group has been expanding sales primarily in the Chinese market. The Chinese market, which is the Group’s main area of competition, is a rapidly changing market. In the past, the Company has faced challenges such as the Shanghai lockdown in March 2022 and a large-scale pandemic caused by the shift in the zero-COVID policy in December 2022. However, even under such circumstances, the Group has continued to achieve revenue and profit growth every period by responding to challenges in a prompt and effective manner.

Nevertheless, the Company has for some time recognized the need to step up its expansion into regions other than China from the perspective of business risk diversification. In the medium-term management plan disclosed on September 14, 2023, the Company positioned the bolstering of its presence in Japan and “third markets” (regions other than China and Japan) as a sustainable growth strategy. The Company is accelerating its activities accordingly. Specifically, it established AXXZIA Value Creator Inc. in June 2023 to enhance social media marketing in Japan, and established a subsidiary in Singapore in August 2023 for business expansion into Southeast Asian countries.

The target company, M&D, has been operating since 1993, achieving success in the sale of imported cosmetics from its base in Fukuoka. Domestic e-commerce sales account for 80% of its revenue, while wholesale sales to drugstores account for 20%. M&D’s e-commerce in Japan particularly centers on the operation and development of BLANC LAPIN.

The Company believes that this acquition of shares will enable us to aim for a significant increase in the scale of consolidated sales in Japan. This will allow it to further its goal of reducing business risk and improving the sales composition, which currently relies heavily on China (to the tune of approximately 90% of its business portfolio). The Company believes that this acquisition will provide a beneficial foundation for the organic growth strategy of the AXXZIA Group by providing it with a foundation for e-commerce sales in Japan, in addition to future opportunities for the joint development and commercialization of private brands. For M&D, the acquisition provides an opportunity to leverage the AXXZIA Group’s strong financial foundation, a network of trading partners, and resources to pursue new business development and steer away from unprofitable operations, shifting toward improved profitability. Both parties have agreed to the acquisition because they expect to derive the above benefits.

Following the acquisition of shares, the Company will enhance business exchange among its group companies, aim to maximize corporate value by creating synergies, and drive further growth.

2. Overview of subsidiary to be transferred (M&D Co., Ltd.)

(1)	Name	M&D Co., Ltd.	
(2)	Location	1-28-24 Shiobaru, Minami-ku, Fukuoka, Fukuoka Prefecture	
(3)	Title and name of representative	Masahide Kurisaki, President and Representative Director Atsunobu Hatae, Chairman of the Board	
(4)	Business	Retail and wholesale sales of cosmetics	
(5)	Capital	30 million yen	
(6)	Date established	March 12, 1997	
(7)	Major shareholders and shareholding ratios	Atsunobu Hatae 30% Masahide Kurisaki 30% Junko Hatae 25% Teruyuki Mochimatsu 5% Nobuhito Suetsugu 5% Kazuhiro Iduma 5%	
(8)	Relationship between the listed company and the company to be transferred	Capital ties	None
		Personal relationships	None
		Business relationship	None

(9) Operating results and financial condition of the company to be transferred (past three years)

Fiscal year	FY02/21	FY02/22	FY02/23
Net assets	62mn yen	29mn yen	-41mn yen
Total assets	748mn yen	765mn yen	701mn yen
Net assets per share	104,108 yen	48,397 yen	-69,826 yen
Net sales	3,087 mn yen	3,010mn yen	2,435mn yen
Operating income	22mn yen	-40mn yen	-66mn yen
Ordinary income	18mn yen	-32mn yen	-70mn yen
Net income	15mn yen	-33mn yen	-70mn yen
Net income per share	25,237 yen	-55,711 yen	-118,223 yen

3. Overview of the share acquisition counterparties

(1)	Name	Atsunobu Hatae
(2)	Address	Fukuoka, Fukuoka Prefecture
(3)	Relationship between the listed company and the individual concerned	There is nothing to report.

(1)	Name	Masahide Kurisaki
(2)	Address	Kasuya District, Fukuoka Prefecture
(3)	Relationship between the listed company and the individual concerned	There is nothing to report.

(1)	Name	Junko Hatae
(2)	Address	Fukuoka, Fukuoka Prefecture
(3)	Relationship between the listed company and the individual concerned	There is nothing to report.

(1)	Name	Teruyuki Mochimatsu
(2)	Address	Miyaki District, Saga Prefecture
(3)	Relationship between the listed company and the individual concerned	There is nothing to report.

(1)	Name	Nobuhito Suetsugu
(2)	Address	Chikushino, Fukuoka Prefecture
(3)	Relationship between the listed company and the individual concerned	There is nothing to report.

(1)	Name	Kazuhiro Iduma
(2)	Address	Fukuoka, Fukuoka Prefecture
(3)	Relationship between the listed company and the individual concerned	There is nothing to report.

4. Number of shares to be acquired, acquisition price, and shareholding status before and after the acquisition

(1)	Number of shares held before the transfer	– shares (Number of voting rights: –) (Percentage of voting rights held: –%)
(2)	Number of shares to be acquired	600 shares (Number of voting rights: 600)
(3)	Acquisition price	The acquisition price of the common stock of M&D Co., Ltd., together with due diligence costs, etc., is estimated to be 28mn yen.
(4)	Number of shares to be held after the transfer	600 shares (Number of voting rights: 600) (Percentage of voting rights held: 100%)

5. Schedule

(1)	Resolution by the Board of Directors	November 29, 2023
(2)	Conclusion of contract	December 5, 2023 (scheduled)
(3)	Execution of the stock transfer	Febuary 1, 2024 (scheduled)

6. Outlook

M&D will become a subsidiary of the Company as a result of the acquisition. The Company expects the impact on Group performance for this fiscal year to be minimal but will promptly disclose any matters requiring disclosure that may happen to arise moving forward.