



March 15, 2022

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Securities code: 4963, TSE
Mothers
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Notice Regarding Acquisition of Shares in Huit Laboratories, Inc.

AXXZIA Inc. (the "Company") announces that, during a meeting held on March 4, 2022, its Board of Directors reached the decision to acquire all shares in Huit Laboratories, Inc., converting the latter into a subsidiary. All shares of Huit Laboratories are currently held by Senshukai Co., Ltd., and the Company's Board of Directors has resolved to conclude a share transfer agreement with Senshukai that will facilitate the consignment of shares in Huit Laboratories to the Company.

1. Reasons for acquisition of shares

Since its establishment, the AXXZIA Group has operated in accordance with its corporate philosophy: "Our company name has been created from the word of XX (female's chromosome) and ASIA(=AZIA). We will present 'Asian Beauty' with innovative and passionate attitude from Japan to the world." AXXZIA recognizes that its corporate group is regarded as a nicher within the industry, and it accordingly maintains a basic nicher strategy of discovering market segments through which it can leverage its strengths and devote management resources. Through this strategy, the company has become a leader in a variety of local market segments, thereby establishing a competitive advantage.

Drawing strength from this basic strategy and competitive advantage, the Company targeted a further breakthrough by listing on the Mothers section of the Tokyo Stock Exchange on February 18, 2021 and raising funds through a public stock offering. The most substantial purpose of this public offering was the establishment of a capital investment fund (2.0bn yen) for the construction of a new plant. To date, the Group has developed cosmetics and dietary supplements for thematically niche markets (anti-aging care, eye care, etc.) while simultaneously developing these markets. The Company reached the decision to establish a new plant because it believes that it must rapidly develop, manufacture, and launch a wide variety of products in small quantities to ensure that it can continue to introduce thematic products to niche markets in the future.

At the time of this release, the Company has reached the decision to allocate the capital investment fund it established for the construction of this new plant to the acquisition of shares in Huit Laboratories, thereby shortening time required for the construction and launch of the plant and reducing risks associated with securing manufacturing expertise and human resources before the launch. The total funds used to complete this acquisition will be less than the amount the Company planned to use for the establishment of the plant when it conducted its initial public offering. Accordingly, this decision will enable the Company to reduce investment expenditures and secure opportunities to invest in new research and development activities and recruitment of human resources.

Huit Laboratories owns a cosmetics and quasi-pharmaceutical product manufacturing plant (the "Yatsugatake Plant"), as well corresponding land and structures, in Hokuto, Yamanashi Prefecture. This plant's manufacturing facilities are comparable to those that the Company had originally planned

to construct when it made the decision to build a new plant. Located within a rich natural environment, the Yatsugatake Plant uses natural Yatsugatake water pumped directly from the plant grounds as the base for its products. Huit Laboratories is engaged in the manufacture, wholesale, and online and catalog sale of cosmetics and quasi-pharmaceutical products, including its own brand of basic skincare products, LisBlanc. Furthermore, Huit Laboratories operates an OEM business that is underpinned by its extensive track record in the area of production.

The acquisition of all shares in Huit Laboratories will enable the AXXZIA Group to assemble skincare brands of different price ranges that can be separated and classified by sales channel and customer base. Additionally, this acquisition will allow the Group to utilize Huit Laboratories' manufacturing facilities, thereby speeding up its product development. Furthermore, the acquisition will enable the Group to leverage the expertise that Huit Laboratories has developed through its OEM business to quickly develop thematic cosmetics and quasi-pharmaceutical products that will form new pillars of its business strategy.

In light of the factors indicated above, the AXXZIA Group believes it has high affinity with Huit Laboratories and can collaborate with the latter to conduct mutually beneficial management. By generating synergy with Huit Laboratories, the Group will seek to maximize its corporate value and facilitate future growth.

2. Outline of the subsidiary to be transferred (Huit Laboratories, Inc.)

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(1)	Name:	Huit Laboratories, Inc.		
(2)	Location:	725-1 Shibusawa, Nagasaka-cho, Hokuto City, Yamanashi		
(3)	Name and title of representative:	Hiroyuki Suzuki, president and representative director		
(4)	Business:	Manufacture and sale of cosmetics and quasi-pharmaceutical products, subcontracted manufacturing, etc.		
(5)	Capital:	100mn yen		
(6)	Established:	July 1, 2016		
(7)	Major shareholders and their ownership ratios:	Senshukai Co., Ltd. (100%)		
(8)	Relationships between the Company and Huit Laboratories:	Capital:	None	
		Personal:	None	
		Business:	None	
(9)	Operating results and financial standing of Huit Laboratories over the past three years			
	Accounting period:	FY12/19	FY12/20	FY12/21
(JPY)	Net assets:	753mn	759mn	727mn
↓	Total assets:	901mn	930mn	858mn
	Net assets per share:	75,330	75,982	72,700
	Net sales:	782mn	753mn	717mn
	Operating income:	17mn	30mn	11mn
	Ordinary income:	17mn	31mn	13mn
	Profit attributable to owners of parent:	11mn	18mn	(9mn)
	Net income per share:	1,198	1,852	(981)

3. Outline of the company from which shares will be acquired

(1)	Name:	Senshukai Co., Ltd.
(2)	Location:	1-6-23, Doshin, Kita-ku, Osaka-shi, Osaka
(3)	Name and title of	Kenji Kajiwara, president and representative director

	representative:	
(4)	Business:	Online and catalog sales, etc.
(5)	Capital:	100mn yen
(6)	Date of establishment:	November 9, 1955
(7)	Net assets:	33,202mn yen (FY12/21)
(8)	Total assets:	52,476mn yen (FY12/21)
(9)	Major shareholders and their ownership ratios*:	East Japan Railway Company (12.18%) Brastsheave Co., Ltd. (7.78%) Toppan Inc. (3.92%) Sumitomo Mitsui Banking Corporation (3.55%) Dai Nippon Printing Co., Ltd. (3.22%) The Master Trust Bank of Japan, Ltd. (Trust account; 2.46%) Nippon Life Insurance Company (1.69%) MUFG Bank, Ltd. (1.61%) Sumitomo Mitsui Trust Bank, Limited (1.50%) Yuugengaisya Sauzan (1.26%)
(10)	Relationships between the Company and Senshukai:	Capital: None
		Personal: None
		Business: None
		Relationships with affiliated parties: None

Note: Information regarding major shareholders and their ownership ratios is current as of June 30, 2021.

4. Number of shares to be acquired, the acquisition price, and the status of the Company's shareholdings prior to and following the acquisition

(1)	Number of shares held before the share transfer:	0 shares (No voting rights) (0% of voting rights owned)
(2)	Number of shares to be acquired:	10,000 shares (10,000 voting rights)
(3)	Acquisition price:	860mn yen for common shares in Huit Laboratories, Inc.
(4)	Number of shares to be held following the share transfer:	10,000 shares (10,000 voting rights to be held) (100% of voting rights)

5. Schedule

(1)	Date of resolution adopted by the Board of Directors:	March 4, 2022
(2)	Date of share transfer agreement:	March 4, 2022
(3)	Scheduled date of share transfer:	April 1, 2022

6. Future outlook

The Company projects that this acquisition (and resulting goodwill) will have negligible impact on its future business performance.