

AXXZIA

November 29, 2023

Supplementary Materials Concerning the Acquisition of Shares of M&D Co., Ltd.

AXXZIA Inc. (TSE Prime: 4936)

Overview of the Acquisition

The target company has been operating since 1993, selling imported cosmetics from its base in Fukuoka. **E-commerce makes up 80%** of its sales. It operates e-commerce store Blanc Lapin.

Overview of Target Company

Name	M&D Co., Ltd.
Location	1-28-24 Shiobaru, Minami-ku, Fukuoka, Fukuoka Prefecture
Founded	June 1993
Capital	30 million yen
Revenue	FY02/21 3,087mn yen
	FY02/22 3,010mn yen
	FY02/23 2,435mn yen
Business	<ul style="list-style-type: none"> Retail and wholesale sales of imported cosmetics (e-commerce: 80%, wholesaling to drugstores, etc.: 20%) Operation of Blanc Lapin e-commerce store

Overview of Share Acquisition

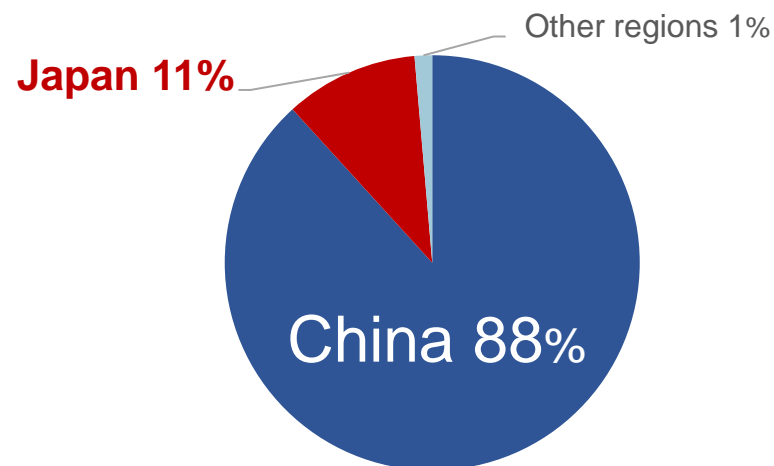
Execution date	February 1, 2024 (scheduled)
Acquisition cost	28 million yen (estimate)
Method of financing acquisition	Cash on hand
Impact on business performance	Impact on FY07/24 performance is expected to be negligible.

Purpose of the Acquisition

In November 2023, the Board of Directors resolved to acquire all shares of M&D Co., Ltd. for the main purpose of **increasing sales in Japan** and acquiring a **domestic e-commerce platform**.

Current Management Issues

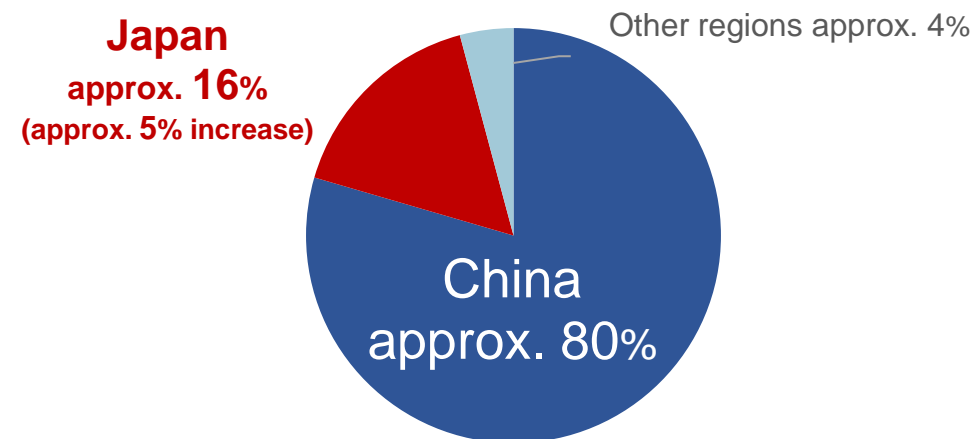
- Uneven sales portfolio (approximately 90% of sales in China)
- Lack of recognition of the AXXZIA Group in Japan



Sales Composition by Region for FY07/23

Purpose of the Acquisition

- Increase Japan sales, strengthen domestic e-commerce business
- Improve sales portfolio and reduce country risk
- Acquire domestic e-commerce platform to attract new customers and increase recognition

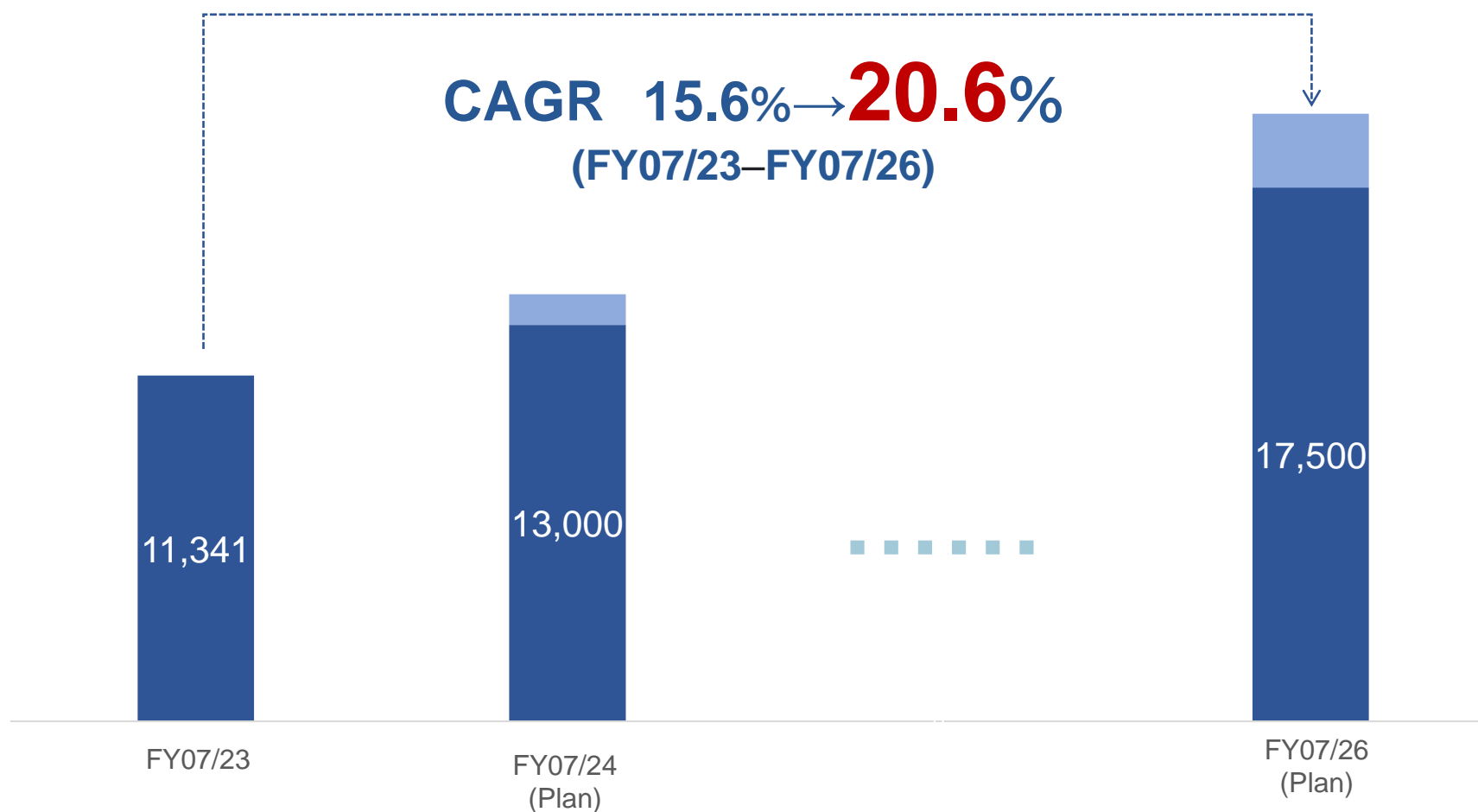


Sales Composition by Region (Forecast)

Aiming to achieve **high growth** exceeding the medium-term management plan targets.

AXXZIA Group Consolidated Sales

(Unit: Millions of Yen)

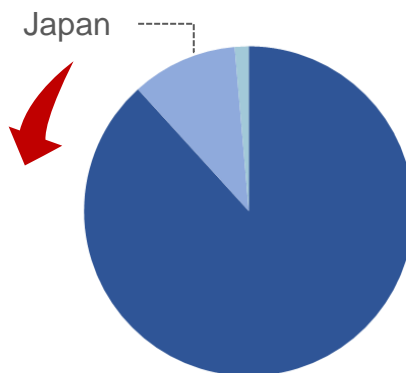


Acquiring e-commerce platform in Japan will accelerate the expansion of the AXXZIA Group's overall domestic e-commerce business. The acquisition will also improve the balance of the Company's sales portfolio and reduce country risk.

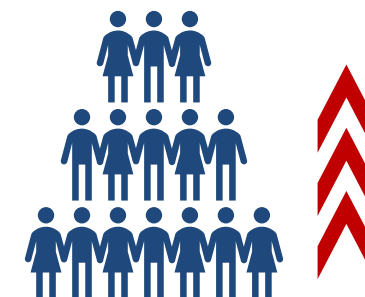
(1) Strengthening of the Japan E-Commerce Business



(2) Improvement of the Sales Portfolio



(3) Acquisition of New Customers and Increase in Awareness



Full-scale initiatives in the Japanese cosmetics and pharmaceuticals e-commerce market, which is worth approximately 1 trillion yen*.

*Reference: Information Economy Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry (FY2022 E-Commerce Market Survey)

Projection of Three-Years of Development Following the Acquisition

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In the first year after the acquisition, the Company will **improve the subsidiary's profitability** through financial support. In the second and subsequent years, we will transform the business model to pursue synergies within the Group and develop it into the **foundation of AXXZIA's domestic e-commerce business**.



Phase 1 (FY02/24–FY02/25)

Profitability Improvement Phase

- Improvement in profitability and operating profit/loss on top-line growth and cutting of procurement costs and SG&A expenses
- Financial support using the Company's abundant resources
- Selection and addition of products handled to prepare for Phase 2

Phase 2 (FY02/25–FY02/27)

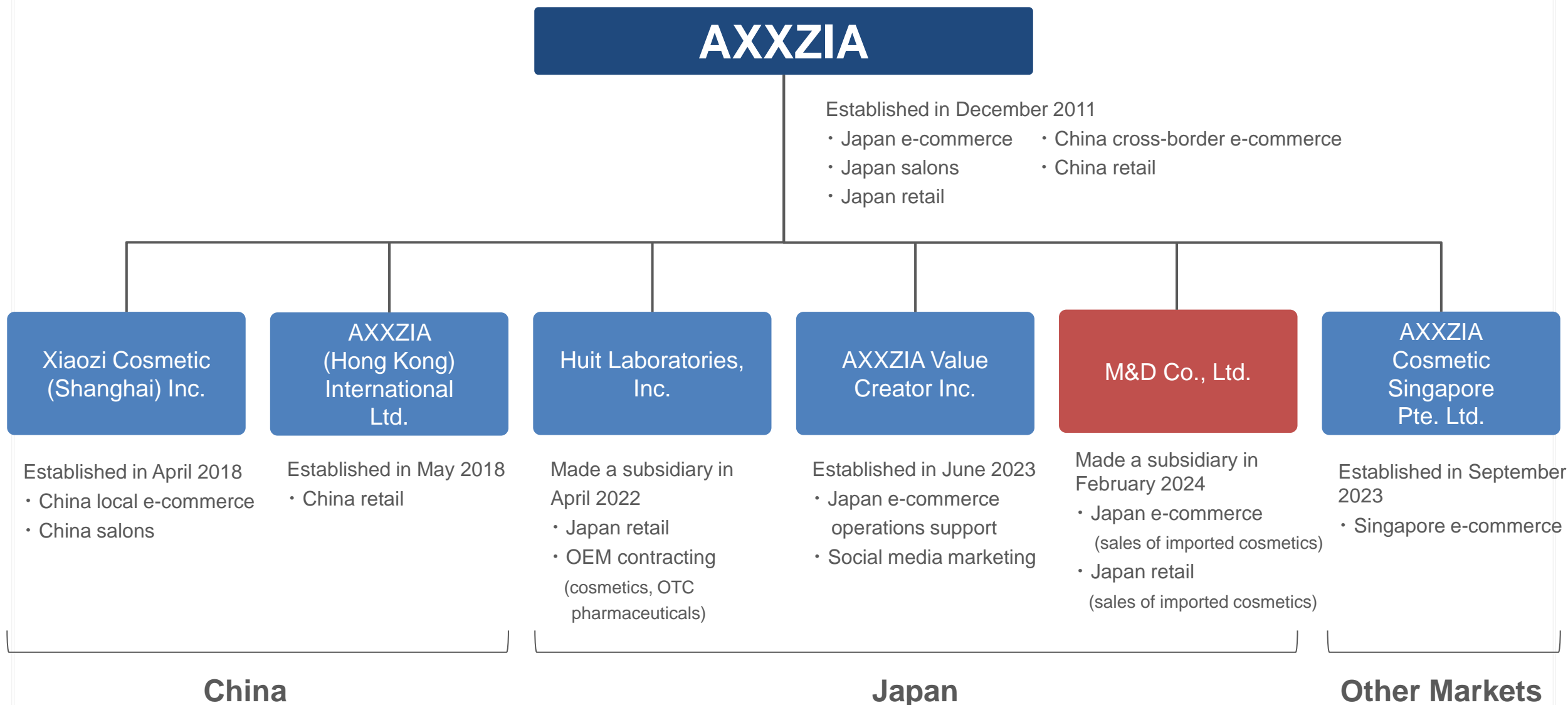
Pursuit of Synergy Phase

- Launch of private brand business for retail
- Sale of AXXZIA and Huit products through Blanc Lapin

**Create Group synergies from a medium- to long-term perspective.
Develop as the foundation of the AXXZIA Group's e-commerce business in Japan.**

AXXZIA Group Post-Acquisition (Transition to a Larger Group Structure)

AXXZIA



Reference: Past Award History of the Target Company's "Blanc Lapin" E-Commerce Store

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- Yahoo! Shopping Best Store of the Year, Cosmetics, Beauty, and Hair Care Category, 3rd place
- Rakuten SHOP OF THE AREA 2021, Kyushu/Okinawa Area Award
- au PAY Market Best Shop Award 2021 Cosmetics and Perfume Category Award

2021

2019

2020

2018

2017

- Yahoo! Shopping Best Store of the Year, Skincare and Makeup Category, 1st place
- Yahoo! Shopping Kyushu/Okinawa Area, Beauty and Health Care Category, 1st Place
- Wowma! Best Shop Award 2018, Beauty and Cosmetics Category Award

- Yahoo! Shopping Best Store of the Year, Skin Care and Makeup Category, 1st place
- Yahoo! Shopping Kyushu/Okinawa Area, Beauty and Healthcare Category, 1st place
- Wowma! Best Shop Award 2017, Beauty and Cosmetics Category Award
- Rakuten EXPO AWARD 2017 Kyushu Area, Home Life Category Award
- Rakuten SHOP OF THE AREA 2017 Kyushu/Okinawa Area Award

- Yahoo! Shopping Best Store of the Year, Cosmetics, Beauty, and Hair Care Category, 3rd place
- Rakuten SHOP OF THE AREA 2020, Kyushu/Okinawa Area Award
- au PAY Market Best Shop Award 2020, Cosmetics and Perfume Category Award

- Yahoo! Shopping Best Store of the Year, Skincare and Makeup Category, 3rd place
- Yahoo! Shopping Kyushu/Okinawa Area, Beauty and Healthcare Category Award, 1st Place
- Wowma! Best Shop Award 2019, Beauty and Cosmetics Category Award

*Reference: Target company's website
<https://mdco.world/blanc-lapin/>

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- This document contains descriptions of future outlooks, plans, goals, and other forward-looking statements related to the Company. These descriptions may include terms such as “expect,” “anticipate,” “intend,” “may,” or similar expressions, but are not limited to these terms. These forward-looking statements are based on AXXZIA Inc.’s judgment at the time of creating this document, taking into account the information currently available to the Company and certain assumptions. However, these statements and assumptions are subject to various risks and uncertainties, and actual results may differ significantly from these statements. Therefore, please be aware not to rely solely on these forward-looking statements.
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AXXZIA

Creating things and experiences
that amaze people.

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