

# Pharma Foods International Co., Ltd.

2929

Tokyo Stock Exchange Prime Market

6-Jun.-2022

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<https://www.fisco.co.jp>

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## Summary

### A biotechnology company aiming to create pharma foods by fusing pharmaceuticals and foods

Pharma Foods International Co., Ltd. <2929> (hereafter, also “the Company”) is a biotechnology company whose basic policy is to conduct business that contributes to people’s health by aiming to create pharma foods through fusing pharmaceuticals and foods. By focusing on raw ingredients derived from nature and providing proprietary technologies and products that are based on scientific evidence, it is creating food ingredients that clearly function to improve both health maintenance and QOL (Quality of Life).

#### 1. Company profile

Based on its Bio Business Triangle concept and biotechnologies, the Company conducts three businesses: Bio Seeds, Bio Medical, and Bio Value. The Bio Seeds business is building an earnings foundation and expanding its business scope, the Bio Value business is working to expand the business foundation based on the Bio Seeds business’s technological seeds, and the Bio Medical business is progressing based on these technologies and earnings. The Company changed segment categories and names to BtoB business, BtoC business, and Bio Medical business from 2Q FY7/22 to provide more suitable expression of business content for the overall group. The BtoB business handles R&D and manufacturing of primarily functional ingredient products and sells them to food and pharmaceutical manufacturers, distributors, and others. The main product is PharmaGABA®. The BtoC business conducts e-commerce sales of supplements, quasi-pharmaceutical products, and cosmetics that blend in the Company’s proprietary functional ingredients. Its leading product is Newmo® Hair Growth Formula, a hair restoration and new growth stimulant. The Bio Medical business is a drug discovery business that uses ALAgene® technology, the Company’s proprietary technology to produce antibodies derived from chickens and technology to develop bioactive peptides derived from chicken egg yolk.

#### 2. Outline of results for 1H FY7/22

In the Company’s 1H FY7/22 consolidated results\*, net sales increased 41.3% year on year (YoY) to ¥28,821mn, operating profit was ¥2,032mn (vs. an ¥81mn loss in the previous fiscal year), ordinary profit was ¥2,105mn (vs. a ¥49mn loss), and profit attributable to owners of parent was ¥1,561mn (vs. a ¥446mn loss), posting all-time high net sales and profits for 1H. Compared to the initial forecast, the Company overshot by 3.5% in net sales, 83.4% in operating profit, 88.1% in ordinary profit, and 191.8% in profit attributable to owners of parent, a robust pace. Despite continued aggressive investments with an 18.7% YoY rise in advertising expenses and a 47.1% increase in R&D expenses, the Company realized both investments and profit recovery on upbeat momentum in the BtoC business. At the segment level, the BtoB business booked sharply higher sales and profits thanks to the addition of 5.5 months (August 16, 2021 to January 31, 2022) of sales and income and losses in 2Q from Meiji Yakuin Co., Ltd., which was made into a consolidated subsidiary in August 2021, and the BtoC business performed well due to continued upbeat momentum in Newmo® Hair Growth Formula, a hair restoration and new growth stimulant and sales expansion from new products, such as Eyelash Deluxe WMOA, an eyelash beauty serum, that started sales in FY7/22.

\* The Company has applied Accounting Standard for Revenue Recognition, etc. from FY7/22, and figures for the 1H FY7/22 results reflect application of this standard, etc. Since the impact on results is modest, figures prior to application of this standard, etc. are used for YoY growth rates.

Summary

**3. Outlook for FY7/22**

Regarding FY7/22 consolidated results\*, the Company retains its initial forecast of ¥60,631mn in net sales (+29.7% YoY), ¥5,773mn in operating profit (+1.8%), ¥5,788mn in ordinary profit (+0.4%), and ¥4,021mn in profit attributable to owners of parent (+4.7%). It projects a double-digit rise in sales due to a continued upbeat trend in the BtoC business and contributions from the new consolidation of Meiji Yakuin, made into a subsidiary in August 2021. Meanwhile, profits are forecast to be on par due to continued aggressive investments in advertising and R&D expenses. While progress rates toward FY7/22 targets were 47.5% in net sales, 35.2% in operating profit, 36.4% in ordinary profit, and 38.8% in profit attributable to owners of parent, these levels reflect the full-year plan's disproportionate focus on 2H. The Company implemented priority investments in advertising expenses in 1H and expects an increase in regular customers and curtailment of advertising expenses in 2H. FISCO thinks the Company is capable of attaining its full-year forecast considering all-time net sales and profit highs and an excess in net sales and profits versus initial targets in 1H. Meanwhile, it is also necessary to take into account that the Company conducted extremely bold allocation of costs to focused products in its advertising strategy, and this might demonstrate confidence in further growth.

\* The Company has applied Accounting Standard for Revenue Recognition, etc. from FY7/22, and figures for the outlook reflect application of this standard, etc. Since the impact on results is modest, figures prior to application of this standard, etc. are used for YoY growth rates.

**4. Growth strategy**

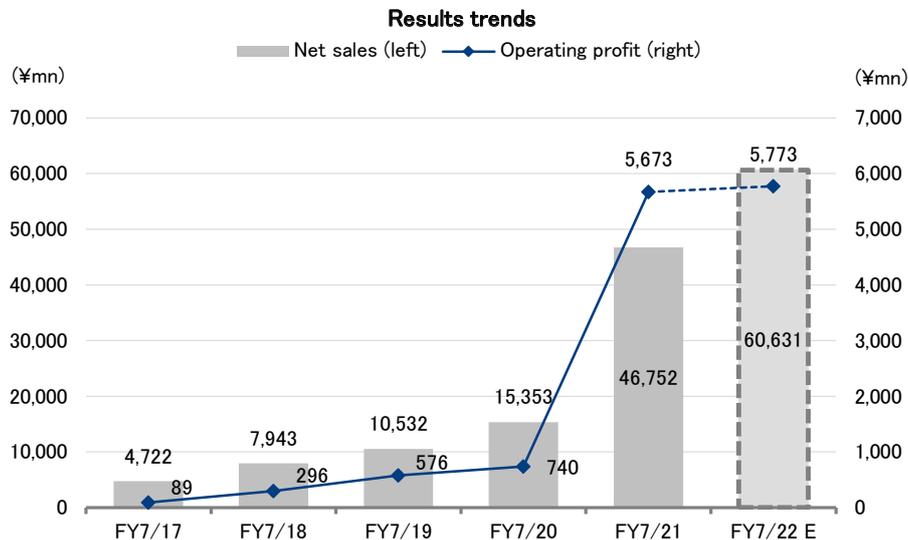
The Company has formulated Medium-Term Management Plan 2026. In the plan, it has set the medium-term management target of "Aiming to be 1K (a company with net sales of ¥100bn) through initiatives to create new value (new products, new markets, and a new organization)." Its numerical target for FY7/26 is net sales of ¥100bn (¥70bn from the growth of its existing businesses and ¥30bn from the creation of new value\*). The FY7/21 results were strong, driven by the Newmo® Hair Growth Formula that has become a hit product. Although there are some in the market voicing concerns about a rebound and a slowdown of growth from FY7/22 onwards, at FISCO, we think that the Company has the potential to achieve even further growth by creating new products and new markets and actively developing its businesses.

\* Includes the Company's own brand products, OEM and ODM, cross-border EC, new licensing-out of drug discovery, agriculture, chemicals, pharmaceutical e-commerce sales, cosmetics mall sales, and health devices.

**Key Points**

- A biotechnology company aiming to create pharma foods by fusing pharmaceuticals and foods
- In 1H FY7/22, the Company posted all-time high net sales and profits for 1H, and is likely to attain its full-year forecast
- Aiming for net sales of ¥100bn in FY7/26 through initiatives to create new value

Summary



Note: The Company has applied Accounting Standard for Revenue Recognition, etc. from FY7/22  
Source: Prepared by FISCO from the Company's financial results

## Company profile

### Creates food ingredients that clearly function to improve both health maintenance and QOL

#### 1. Company profile

The Company is a biotechnology company whose basic policy is to conduct management that contributes to people's health by aiming to create pharma foods through fusing pharmaceuticals and foods. By focusing on raw ingredients derived from nature and providing proprietary technologies and products that are based on scientific evidence, it is creating food ingredients that clearly function to improve both health maintenance and QOL.

At the end of 1H FY7/22, the location of the Company's headquarters was in Nishikyo Ward, Kyoto City, and the Pharma Foods International Group consisted of the Company, its four consolidated subsidiaries (PharmaFoods Communication Inc., FUTURE LABO Inc., medi-labo Co., Ltd., and Meiji Yakuin Co., Ltd.) and one equity-method affiliate (Benart Co., Ltd.). PharmaFoods Communication conducts call center operations for the BtoC business, FUTURE LABO and medi-labo sell cosmetics, Meiji Yakuin manufactures and sells pharmaceuticals and non-pharmaceutical products, and Benart conducts a natural energy business. Also, in August 2021, the Company acquired Meiji Yakuin as a wholly owned subsidiary, and it contributed as a consolidated entity from 1H FY7/22.

At the end of 1H FY7/22, total assets were ¥26,774mn, net assets were ¥9,199mn, capital was ¥2,041mn, the equity ratio was 34.4%, and the number of issued shares was 29,071,500 shares (includes 50,053 treasury shares).

## 2. History

The Company was established as Pharma Foods Research Co., Ltd. in September 1997 in order to develop and sell functional food ingredients, and then changed its trade name to Pharma Foods International Co., Ltd. in October 2004. Regarding the main functional ingredient products, sales of the GABA-containing ingredient PharmaGABA® began in September 2001, the e-commerce sales brand Tamagokichi® and the Tamagosamine® with iHA® formulation supplement were launched in August 2012, and Newmo® Hair Growth Formula, a non-pharmaceutical product formulated with HGP® (Hair Growth Peptide), was launched in November 2018.

In M&As and alliances, the Company concluded a capital and business alliance agreement with Sanyo Chemical Industries, Ltd. <4471> in March 2021, and concluded a capital and business alliance agreement with ROHTO Pharmaceutical Co., Ltd. <4527> in July 2021. In August 2021, it invested in Ai-BrainScience Inc., which develops a cognitive function diagnosis app, while it also made a wholly owned subsidiary of Meiji Yakuin. It concluded a business alliance agreement with Onkyo Home Entertainment Corporation and entered the hearing aid business in December 2021. Additionally, it obtained the bioscience business of Intégrale Co., Ltd., which possesses top-level results and technology capabilities in protein analysis in Japan, via an absorption-type split in April 2022.

Regarding shares, the Company listed shares on the Tokyo Stock Exchange (TSE) Mothers Market in June 2006, switched to the TSE Second Section in December 2016, and moved to the TSE First Section in February 2021. It transitioned to the Prime Market accompanying the change in TSE market categories in April 2022.

**Pharma Foods International Co., Ltd.** | **6-Jun.-2022**  
 2929 Tokyo Stock Exchange Prime Market | <https://www.pharmafoods.co.jp/en>

## Company profile

**History**

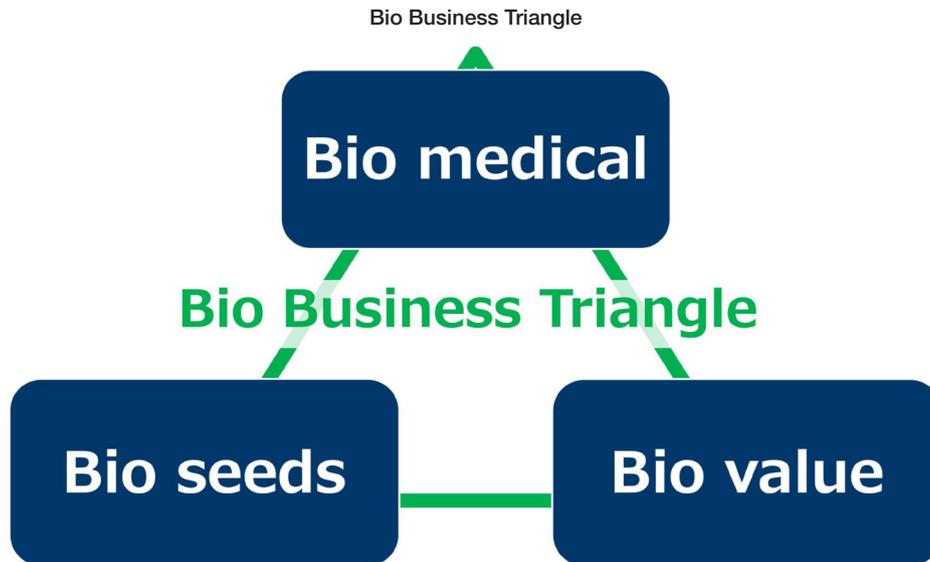
Date	Event
September 1997	Pharma Foods Research Co., Ltd. was established in order to develop and sell functional food ingredients
May 2001	Market launched Ovopron®, a helicobacter pylori chicken egg antibody
September 2001	Market launched PharmaGABA®, an ingredient containing GABA
October 2003	Market launched Pharma Foods Delicious Catechin™, an ingredient containing catechin
October 2004	Changed trade name to Pharma Foods International Co., Ltd.
March 2005	Market launched PF Alpha Lipoic Acid™, an ingredient containing alpha lipoic acid
June 2006	Listed on the TSE Mothers market
October 2006	Market launched Runpep®, an egg white peptides ingredient
April 2007	Established Hiroshima Bio Medical Co., Ltd. in order to conduct an R&D business in the field of blood purification therapy using chicken egg antibodies and to conduct a business for test drugs and reagents (Company's investment ratio: 49%)
February 2010	Established the LSI Department in order to conduct outsourced researched work in the LSI (Life Science Information) field
February 2012	Launched the Bio Value business
July 2012	Market launched iHA®, a hyaluronic acid production-stimulating ingredient Invested in and made an affiliate of Benart Co., Ltd., which conducts a solar power generation business, in order to enter the renewable energy field (Company's ratio of shareholding: 33.3%)
August 2012	Market launched the e-commerce sales brand Tamagokichi® and Tamagosamine with iHA®
October 2012	Sold some of its shares of Benart (Company's ratio of shareholding: 50%, currently an equity-method affiliate)
September 2013	For the fully fledged development of the drug discovery business, conducted an absorption merger of Hiroshima Bio Medical and established the Bio Medical Department
September 2014	Opened the Company's own call center for the Tamagokichi® e-commerce sales brand
May 2015	Acquired the ISO 9001 quality management system certification
August 2015	Established PharmaFoods Communication Inc. to conduct call center operations for health foods and cosmetics (made a wholly owned subsidiary in December 2018, currently a consolidated subsidiary)
December 2015	Began joint research with the National Cancer Center Japan to develop antibodies to treat malignant tumors
November 2016	To expand the Bio Value business, made FUTURE LABO Inc. a subsidiary (currently a consolidated subsidiary)
December 2016	Listing was changed to the TSE Second Section
September 2017	PharmaFoods Communication conducted an absorption merger of PharmaFoods Communication Tokai Inc. in order to expand call center operations
October 2018	Concluded a joint research agreement with Mitsubishi Tanabe Pharma Corporation for antibody pharmaceuticals indicated for the treatment of autoimmune diseases
November 2018	Market launched Newmo® Hair Growth Formula, a non-pharmaceutical product formulated with HGP®
August 2020	In order to expand call center operations, PharmaFoods Communication conducted an absorption merger of joint venture company fit Call Tokai
January 2021	Concluded an exclusive licensing agreement with Mitsubishi Tanabe Pharma for a new therapeutic antibody to treat autoimmune diseases
February 2021	Listing was upgraded to the TSE First Section
March 2021	Concluded a capital and business alliance agreement with Sanyo Chemical Industries, Ltd.
July 2021	Concluded a capital and business alliance agreement with ROHTO Pharmaceutical Co., Ltd.
August 2021	Invested in Ai-BrainScience Inc., which is developing a cognitive function diagnostic app Made a wholly owned subsidiary of Meiji Yakuin Co., Ltd., which manufactures and sells pharmaceuticals and non-pharmaceutical products
September 2021	Formulated the Agriculture and Nutrition Basic Plan with Sanyo Chemical Industries
December 2021	Concluded a business alliance agreement with Onkyo Home Entertainment Corporation and entered the hearing aid business Entered a new upcycle business using eggshell membranes
April 2022	Obtained the bioscience business of Intégrale Co., Ltd. via an absorption-type split Transitioned to the Prime Market accompanying the change in TSE market categories

Source: Prepared by FISCO from the Company's securities report and press releases

## Business summary

### Changed segment categories and names from 2Q FY7/22. Develops BtoB business, BtoC business, and Bio Medical business

Based on its Bio Business Triangle concept and biotechnologies, the Company conducts three businesses: Bio Seeds, Bio Medical, and Bio Value. The Bio Seeds business is building an earnings foundation and expanding its business scope, the Bio Value business is working to expand the business foundation based on the Bio Seeds business’s technological seeds, and the Bio Medical business is progressing based on these technologies and earnings. The Company is a fables company that conducts operations such as establishing R&D, marketing, sales and manufacturing methods and production processes and confirming hygiene management, and it outsources the production of products to the plants of its external partner companies.



Source: Prepared by FISCO from the Company’s results briefing materials

The Company changed its segment categories and names from 2Q FY7/22 to provide more suitable expression of business content for the overall group. The names of these segments were switched from the Bio Seeds business, Bio Value business, and Bio Medical business to the BtoB business, BtoC business, and Bio Medical business. It also revised segment categories from the previous method based on “products and services” to a method based on “products and services” and “sales channels” accompanying the inclusion of Meiji Yakuin’s results from 2Q FY7/22.

#### Segment category and name changes

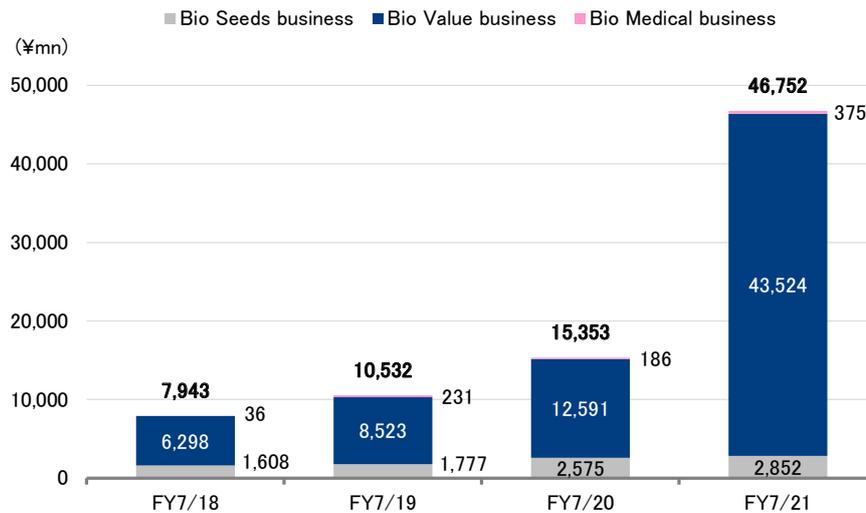
Previous segment	New segment	Main changes
Bio Seeds business	BtoB business	Newly added Meiji Yakuin’s contract manufacturing organization (CMO) business and consumer health care (CHC) business
Bio Value business	BtoC business	Newly added Meiji Yakuin’s new repeat e-commerce business
Bio Medical business	Bio Medical business	Plans to newly add Intégrale’s proteomic analysis business

Source: Prepared by FISCO from the Company’s results briefing materials

Business summary

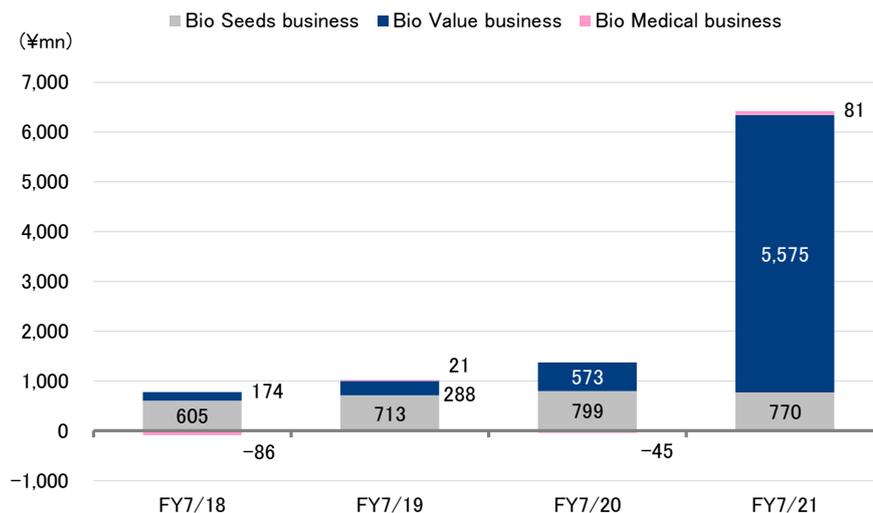
Looking at the trends in net sales and operating profit by business segment in the most recent five periods (FY7/18 to FY7/21), in the Bio Seeds business, net sales and operating profit grew steadily alongside the increase in the number of adopting companies. In the Bio Value business, Newmo® Hair Growth Formula, which was launched on the market in November 2018, has become a hit product and is contributing greatly to earnings as a whole. The Bio Medical business is at the development stage and it records lump-sum income relating to joint research and licensing as sales.

Trends in net sales by business segment



Source: Prepared by FISCO from the Company's financial results

Trends in operating profit by business segment



Note: From FY7/19, the Company changed the method of displaying Company-wide expenses and amortization of goodwill to a method displaying the adjustment amounts. Figures for FY7/18 reflect this change  
Source: Prepared by FISCO from the Company's financial results

Business summary

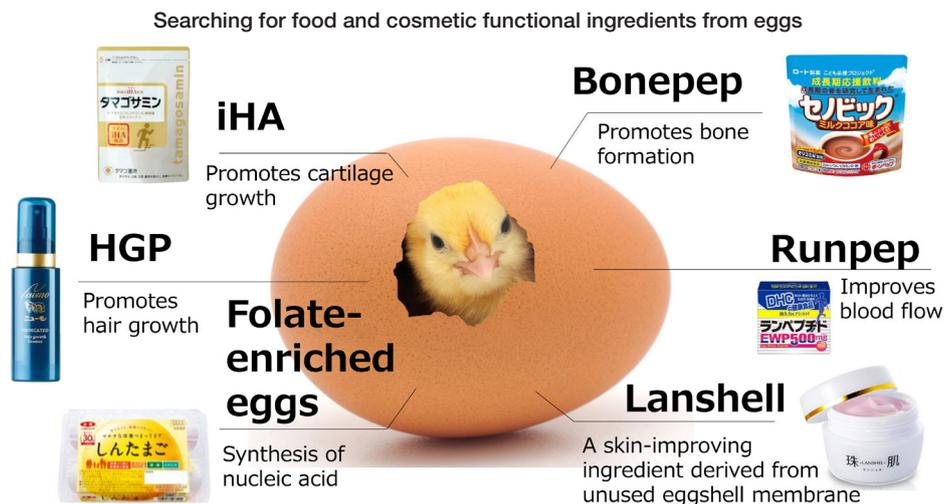
## Mainstay BtoB business product PharmaGABA® holds top share in GABA production

### 1. BtoB business

The BtoB business handles R&D and manufacturing of functional ingredients, health foods, pharmaceuticals, and other products and sells them to food and pharmaceutical manufacturers, distributors, and others. The Company's main functional ingredient products are PharmaGABA®, Bonepep®, Cerepron®, Runpep®, Pharma Biomix, HGP®, iHA®, and Moringa. Additionally, from 2Q FY7/22, it has included Meiji Yakuhiin's contract manufacturing organization (CMO) business\*1 and CHC business\*2, which sells functional foods, pharmaceuticals, and other products mainly in the drugstore channel, as new manufacturing and sales channels.

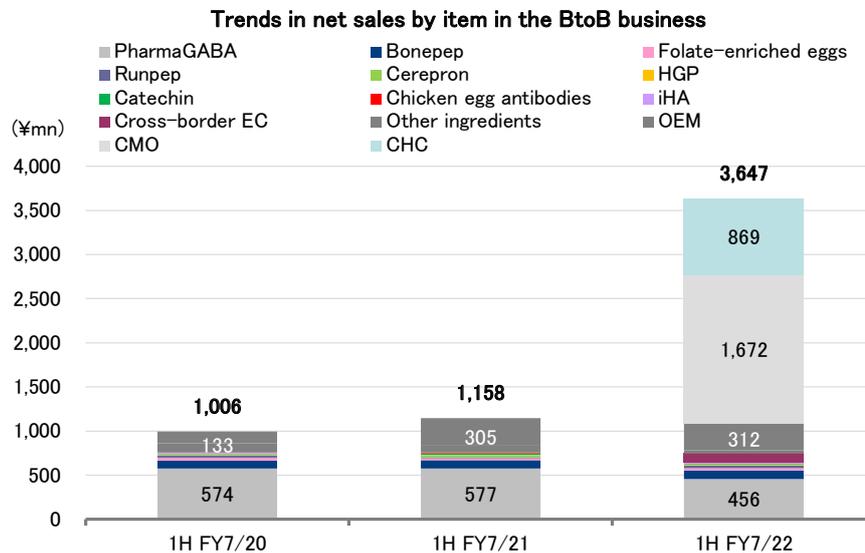
\*1 Abbreviation for contract manufacturing organization.

\*2 Abbreviation for consumer health care (refers to selling pharmaceuticals, functional foods, and other products at drugstores).



Source: The Company's results briefing materials

Business summary



Note: Net sales of CMO and CHC businesses are Meiji Yakuhi's sales from August 16, 2021 to January 31, 2022  
Source: Prepared by FISCO from the Company's results briefing materials

**(1) PharmaGABA®**

PharmaGABA® is the Company's mainstay product. GABA is a type of non-protein amino acid produced by animals and plants and microorganisms, and is said to act as a neurotransmitter in the brain's inhibitory system. The Company separated the GABA-producing lactic acid bacteria in food and established a method of producing GABA through a fermentation method, which it sells as PharmaGABA®. PharmaGABA® is able to display functional claims, including relieving stress, reducing fatigue, improving blood pressure, and improving sleep quality, and its adoption for foods with functional claims is growing. In the number of GABA notifications in the foods with functional claims system at the end of January 2022, it ranked highest with 625 notifications (Company data) and is maintaining a track record of adoptions. The growing adoptions of GABA by food manufacturers is leading to an increase in orders for PharmaGABA® made by the Company, which holds the top share of GABA.

PharmaGABA® has also been found to have other effects, including increasing muscle mass, improving cognitive functions, and improving skin elasticity, and the evidence for it is strengthening. The Company is also selling it overseas and is aggressively expanding sales activities in North America, China, and other regions, and its adoptions are growing. PharmaGABA® has acquired halal certification, so the plan is to launch fully fledged sales in the Southeast Asian region where there are many Muslims.

**(2) Bonepep®**

Bonepep® is a functional ingredient derived from egg yolk protein that was developed as a component to stimulate bone growth. A typical product that adopts it is Senobic sold by ROHTO Pharmaceutical.

**(3) Cerepron®**

Cerepron® is a functional ingredient derived from yeast as a skin whitening ingredient in food (active yeast extract powder) that can be expected to have skin whitening effects. Demand for skin whitening is increasing particularly in overseas markets, and its adoptions are growing mainly in Southeast Asia.

## Business summary

**(4) Runpep®**

Runpep® is a functional ingredient derived from egg white protein that was developed to be a component with blood vessel expansion and blood flow improvement effects. It is being adopted for products relating to improving blood flow and reducing exercise fatigue, diet-related products, and male-function products.

**(5) Pharma Biomix**

Pharma Biomix is a feed supplement to help hens to lay folate-enriched eggs. Within Japan, it has been adopted by JA.Z-TAMAGO. CO., LTD. for its “Shin-Tamago” and “Brown Shin-Tamago” products, and overseas, it has been adopted by Pulmuone Co., Ltd. (Pulmuone) in South Korea for functional eggs.

**(6) HGP®**

HGP® is a functional ingredient derived from egg yolk protein that was developed as a component that stimulates hair restoration and growth. Research results have been obtained that demonstrate the effects of taking the oral formulation, and it is being adopted by Japanese manufacturers and others.

**(7) iHA®**

iHA® is a functional ingredient derived from egg yolk protein that was developed as a component stimulating the production of hyaluronic acid. Research results have verified its effects in animal experiments, and it is being adopted for the Company's e-commerce sales products and the products of domestic manufacturers.

**(8) Moringa**

Moringa is known to be a superfood and since ancient times, it has been used as herbal medication in Indian Ayurveda medicine. Research results have shown that it has an anti-aging effect, and it is being adopted for and used to create products in the foods and supplements fields.

**(9) OEM business**

In OEM business, in addition to selling various functional ingredients, the Company not only conducts outsourced OEM production but also plans and sells products including health foods and supplements that utilize the evidence cultivated in the development of functional ingredients, both in Japan and overseas, as an OEM business. As a field that it will focus on in the future, the Company is aiming to expand the OEM business for its own products.

**(10) CMO business**

In the CMO business, Meiji Yakuhi receives consignments to manufacture ethical pharmaceuticals and OTC pharmaceuticals from pharmaceutical companies. Manufacturing inquiries have been trending upward at Meiji Yakuhi following a number of business suspensions due to legal violations at multiple companies in the domestic generic drug industry.

**(11) CHC business**

In the CHC business, Meiji Yakuhi is selling its brand products to drugstores and other distribution channels. Sales have risen to cross-border EC distributors in recent years.

Business summary

## BtoC business strengthens the product lineup led by Newmo® Hair Growth Formula

### 2. BtoC business

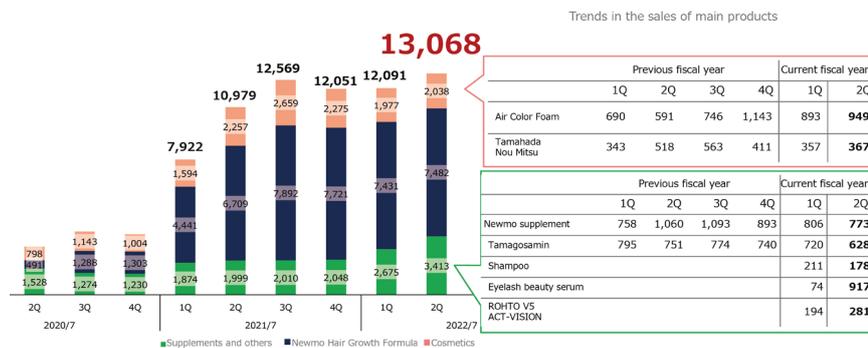
As an “invention company’s e-commerce business,” the BtoC business sells supplements and non-pharmaceutical products (under the Tamagokichi®) formulated using the Company’s proprietary functional ingredients and cosmetics (including under the FUTURE LABO brand). Sales methods comprise direct sales to consumers through e-commerce and wholesales to dedicated shopping channels. Furthermore, Meiji Yakuhi’s new repeat e-commerce business has been included from 1H FY7/22.

Main products include Tamagosamin® (iHA® formulation supplement for knee joints); non-pharmaceutical product Newmo® Hair Growth Formula (hair restoration and new growth stimulant); and Tamahada Lanshell® (cosmetic cream formulated from active eggshell membranes), Tamahada Nou Mitsu®, and Derma Qll® (keratin peeling gel) in cosmetics. In February 2021, the Company launched sales of Has V, a schedule III pharmaceutical, as phase 1 of its entry into the pharmaceutical e-commerce market. It also launched products such as ROHTO V5 ACT-VISION, an eye care supplement from ROHTO Pharmaceutical, as a cross-selling product in FY7/22.

By item, Newmo® Hair Growth Formula, which promotes hair growth and restoration, is a hit product that has reached No. 1 in sales in the hair care market just two years after its sales launch, and it is contributing greatly to earnings as a whole. Also, in the cosmetics field, sales of HAIR BEAUTE® ECLAT Botanical Air Color Foam (a non-pharmaceutical product), which is permanent hair dye for white hair, are growing rapidly. Moreover, cross-selling business is going well for products that started sales in FY7/22, such as Eyelash Deluxe WMOA, an eyelash beauty serum, and ROHTO V5 ACT-VISION.

Net sales by item in the BtoC business

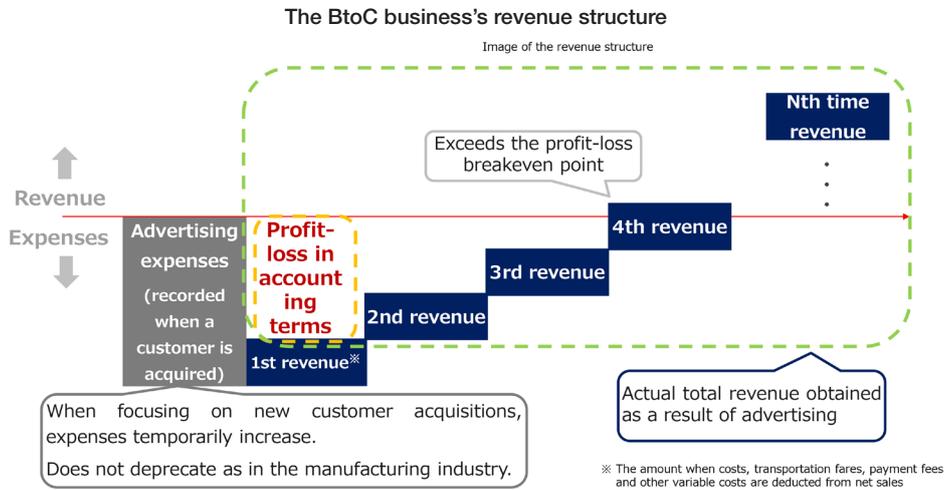
(¥mn)



Source: The Company’s results briefing materials

It is necessary to be aware that the revenue structure of the BtoC business is a structure in which advertising expenses and sales occur in different periods. Specifically, advertising expenses are recorded at the time a customer is acquired, but net sales are recorded continuously over the regular course. So when the Company focuses on acquiring new customers, this temporarily causes expenses to increase.

Business summary



Source: The Company's results briefing materials

## Developing a drug discovery business using its proprietary ALAgene® technology

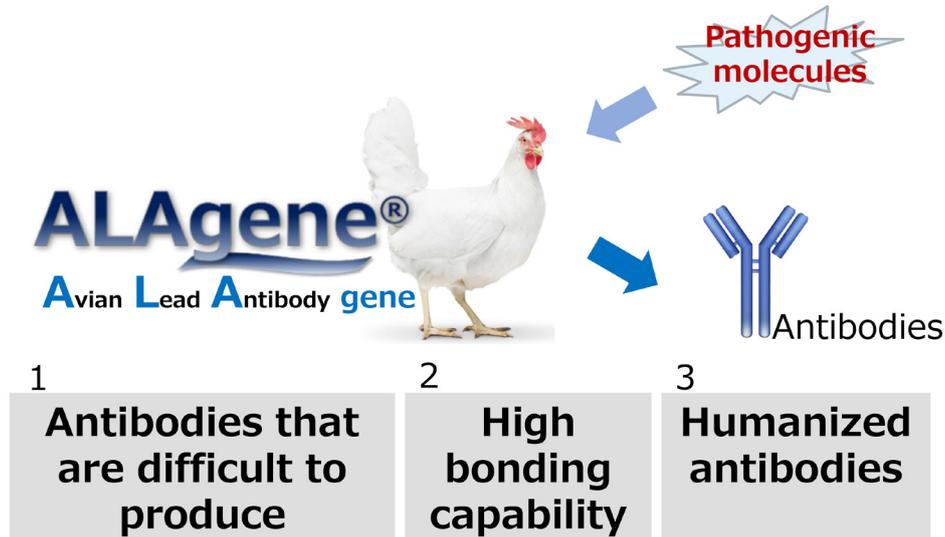
### 3. Bio Medical business

The Bio Medical business is a drug discovery business that uses ALAgene® technology, the Company's proprietary technology to produce antibodies derived from chickens, and a technology to develop bioactive peptides derived from chicken egg yolk. Additionally, the Company added Intégrale's proteomic analysis business, acquired through an absorption-type split on April 1, 2022.

ALAgene® technology is the Company's foundation technology that makes possible the production of antibodies for drug discovery target molecules that are difficult to produce using conventional technologies. It is using this technology to conduct R&D into antibody pharmaceuticals indicated for patients with autoimmune diseases and malignant tumors. Also, Reprotite®, which is a peptide derived from chicken egg yolk developed by the Company, has been successfully isolated and identified as a bioactive material involved in bone formation, and it is progressing its development as one important pipeline candidate.

Business summary

Producing antibody pharmaceuticals from chickens



Source: The Company's results briefing materials

Also, based on the technologies obtained from R&D relating to functional ingredients overall, the Company is conducting the LSI (Life Science Information) business, in which external companies outsource work such as analyses and efficacy evaluation tests to the Company. It effectively utilizes its technological capabilities to support the R&D of various manufacturers, mainly in the food industry, including by acquiring and analyzing data on functions, analyzing the components of various ingredients, and creating requests for finished products.

In terms of the business model, the Company progresses development up to the non-clinical trial stage, and from the clinical trials onwards, the pharmaceutical company to which the development-candidate antibody has been licensed-out conducts the manufacture, development and sales. The Company receives license revenue, including joint research lump-sum payments, lump-sum contract payments, development milestone payments, sales royalties after the market launch, and sales milestone payments. In the Autoimmune Disease Project, the Company progressed joint research with Mitsubishi Tanabe Pharma Corporation into antibody pharmaceuticals for two years starting in October 2018. As a result, they concluded an exclusive licensing agreement in January 2021.

**4. Risk factors, feature of earnings, and countermeasures**

The risk factors include competition, delays in responding to product development and technological innovation, reliance on specific products, laws and regulations including the Pharmaceuticals and Medical Devices Act and Food Sanitation Act, and the protection of personal information.

Regarding competition, PharmaGABA®, which is the mainstay product in the BtoB business, holds the top share for GABA production, so currently there are few concerns about competition intensifying.

## Business summary

The risk factors in the BtoC business include the effects of consumer preferences and purchasing trends, an increase in advertising expenses and sales that are less than forecast, and the extent of the reliance on specific products. Currently, it is highly reliant on Newmo® Hair Growth Formula, a hair restoration and new growth stimulant. But the Company is actively developing new products, including Eyelash Deluxe WMOA, an eyelash beauty serum, and Egg Placenta® beauty cream that contains its proprietary ingredients, and its policy is to mitigate reliance-related risk by enhancing its product lineup. It also aims to mitigate risk related to advertising expenses by responsively controlling advertising expenses while observing sales and CPO\* trends. The BtoC business concentrates spending on advertising in 1H, while in 2H, repeat purchases by regular customers increase. This reinforces the feature of earnings in which net sales and profits as a whole are concentrated in 2H.

\* Abbreviation for Cost Per Order. It means the amount of advertising expenses required to acquire one customer.

In the Bio Medical business, a long period of time is required from the development of a new drug until its market launch, so there is risk relating to future uncertainty (development delays, discontinuations, etc.) To deal with this risk, when progressing a drug's business, the Company cautiously determines factors such as its market potential and the possibility of an actual market launch, and formulates a business plan for it covering a long period of time.

## Results trends

### In 1H FY7/22, posted all-time high net sales and profits for 1H

#### 1. Outline of results for 1H FY7/22

The Company's 1H FY7/22 consolidated results reported ¥28,821mn in net sales (+41.3% YoY), ¥2,032mn in operating profit (vs. an ¥81mn loss in the previous fiscal year), ¥2,105mn in ordinary profit (vs. a ¥49mn loss), and ¥1,561mn in profit attributable to owners of parent (vs. a ¥446mn loss), posting all-time high net sales and profits for 1H. Compared to the initial forecast, the Company overshot by 3.5% in net sales, 83.4% in operating profit, 88.1% in ordinary profit, and 191.8% in profit attributable to owners of parent, a robust pace. The Company has applied Accounting Standard for Revenue Recognition, etc. from the beginning of FY7/22, causing reductions in 1H FY7/22 of ¥35mn in net sales, ¥18mn in costs of sales, and ¥16mn in each of operating profit, ordinary profit, and profit before income taxes.

## Results trends

## Consolidated results for 1H FY7/22

	1H FY7/21		Initial forecast	1H FY7/22		Vs. the initial forecast	YoY
	Results	% of total		Results	% of total		
Net sales	20,393	100.0%	27,850	28,821	100.0%	3.5%	41.3%
BtoB business	1,158	5.7%	-	3,647	12.7%	-	214.8%
BtoC business	18,902	92.7%	-	25,159	87.3%	-	33.1%
Bio Medical business	332	1.6%	-	14	0.0%	-	-95.7%
Gross profit	17,291	84.8%	-	23,035	79.9%	-	33.2%
SG&A expenses	17,373	85.2%	-	21,002	72.9%	-	20.9%
Operating profit (loss)	-81	-0.4%	1,108	2,032	7.1%	83.4%	-
BtoB business	323	27.9%	-	541	14.8%	-	67.5%
BtoC business	-235	-1.2%	-	2,070	8.2%	-	-
Bio Medical business	174	52.4%	-	-138	-985.7%	-	-
Adjustment amount	-344	-	-	-440	-	-	-
Ordinary profit (loss)	-49	-0.2%	1,119	2,105	7.3%	88.1%	-
Profit attributable to owners of parent	-446	-2.2%	535	1,561	5.4%	191.8%	-

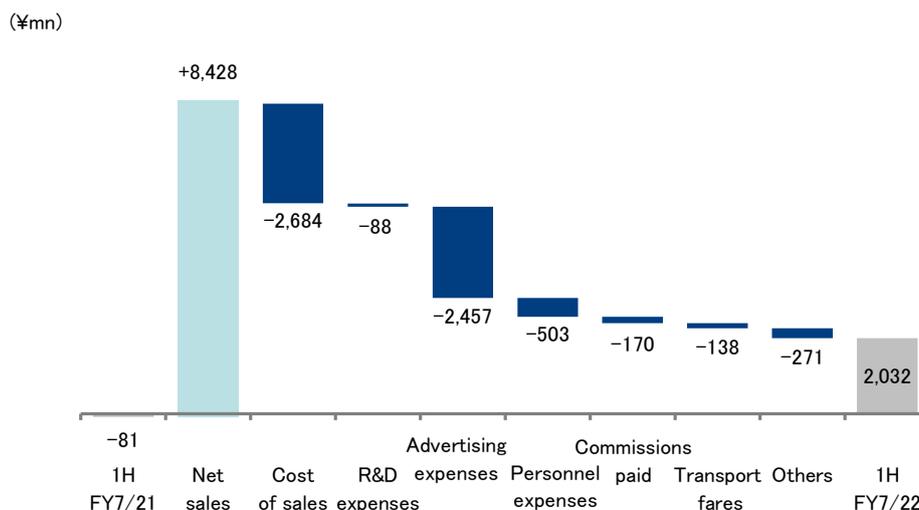
Notes: The Company has applied Accounting Standard for Revenue Recognition, etc. from FY7/22, and figures for the 1H FY7/22 results reflect application of this standard, etc. Previous years and comparisons use figures prior to application of the standard, etc.

In 1H FY7/22, BtoB business net sales include ¥2,541mn in Meiji Yakuin's net sales from August 16, 2021 to January 31, 2022

Source: Prepared by FISCO from the Company's financial results

Advertising expenses increased 18.7% YoY to ¥15,614mn (including an increase of 18.3% to ¥15,561mn in the BtoC business). The Company successfully implemented advertising investments in products with better investment efficiency thanks to expansion of its product lineup. R&D expenses climbed 47.1% to ¥310mn amid continued aggressive investment. Nevertheless, the Company realized both investment and profit recovery on upbeat momentum in the BtoC business. Gross profit increased 33.2%, and the gross margin declined 4.9ppt to 79.9%. While SG&A expenses were up 20.9%, the SG&A expenses ratio dropped 12.3ppt to 72.9%. Due to these trends, the Company achieved profits at all income levels and realized steep profit gains.

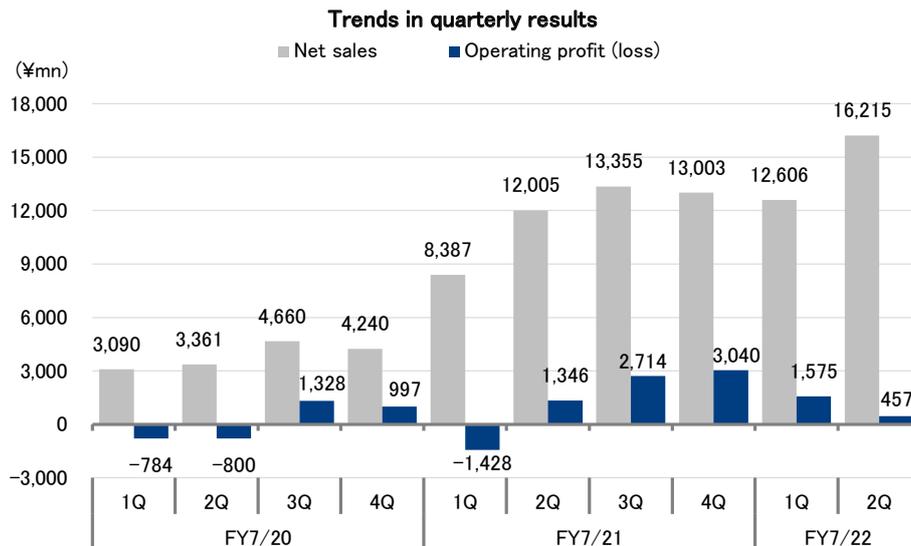
## Overview of operating profit



Source: Prepared by FISCO from the Company's results briefing materials

Results trends

In quarterly results, net sales were at ¥12,606mn in 1Q FY7/22 and ¥16,215mn in 2Q FY7/22, and operating profit was at ¥1,575mn in 1Q FY7/22 and ¥457mn in 2Q FY7/22. Main factors were the addition of 5.5 months (August 16, 2021 to January 31, 2022) of net sales and income and loss from Meiji Yakuhi in 2Q and focus on R&D investments, advertising investments in new products and mainstay products, and M&A initiatives and alliance development in 2Q.



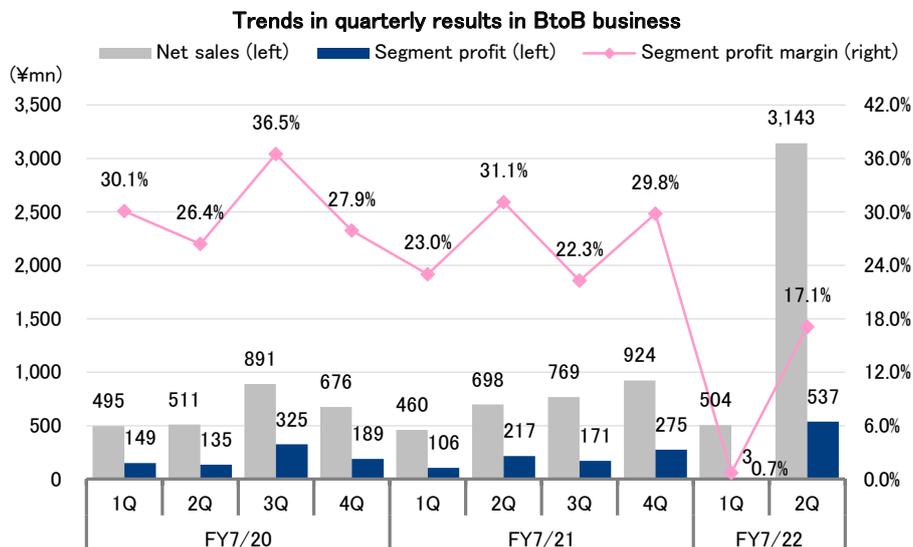
Source: Prepared by FISCO from the Company's results briefing materials

2. Trends by business segment

(1) BtoB business

The BtoB business booked ¥3,647mn in net sales (+214.8% YoY) and ¥541mn in segment profit (+67.5%). While existing product net sales were roughly flat, this segment realized sharply higher sales and profits due to expansion of cross-border EC as a new business and the addition of 5.5 months of net sales and income and loss from Meiji Yakuhi in 2Q as a consolidated subsidiary from August 2021.

Results trends



Source: Prepared by FISCO from the Company's results briefing materials

In functional ingredient sales, net sales of mainstay PharmaGABA® dropped 20.9% YoY to ¥456mn due to backlash decline from increased overseas shipments in 4Q FY7/21. In the number of GABA notifications in the foods with functional claims system at the end of January 2022 in Japan, it ranked highest with 625 notifications (Company data) and is maintaining a track record of adoption, and food manufacturers continue to expand adoption of GABA. Meanwhile, Bonepep® net sales rose 7.1% to ¥98mn primarily on steady adoption by overseas dairy product manufacturers.

In the OEM business, net sales increased 2.3% YoY to ¥312mn. Sales increased, mainly in Japan, including of diet foods and healthy beverages for healthcare companies and pouch jelly for convenience stores.

Cross-border EC business, a new business area, recorded ¥108mn in net sales. The Company focused on sales to Tmall Global and other EC platforms and local distributors.

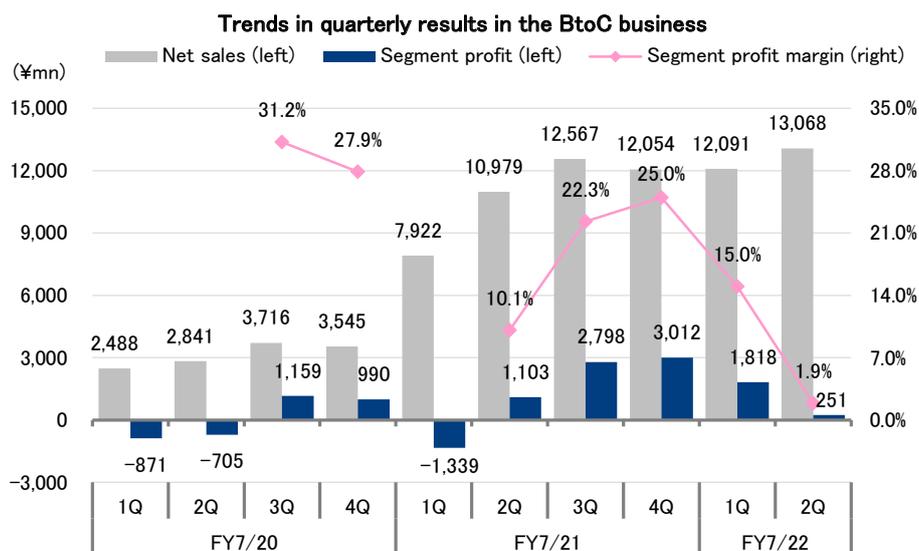
In new production and sales channels, the CMO business, which covers consigned production, booked ¥1,672mn in net sales, and the CHC business, which conducts sales of functional foods, pharmaceuticals, and other products in the drugstore channel, posted ¥869mn in net sales under Meiji Yakuin.

Results trends

(2) BtoC business

The BtoC business reported ¥25,159mn in net sales (+33.1% YoY) and ¥2,070mn in segment profit (vs. a ¥235mn loss in the previous fiscal year). Due to aggressive advertising investment in new products while emphasizing customer acquisition efficiency indicators such as CPO and LTV\*, the Company obtained 834,139 regular customers as of the end of January 2022 (vs. 773,844 regular customers at the end of FY7/21). Repeat purchases generated by this customer base continue to support the early generation of profits and rise in the profit level. Buildup of regular customers, mainly in Newmo® Hair Growth Formula, sharply increased the number of regular customers to the 700,000 level in FY7/21. Although the absolute number of cancellations by regular customers acquired in the first half of FY7/21 increased, the Company sustained regular customer volume in the upper 700,000 range throughout the period due to balancing with new additions. In FY7/22, the Company has been steadily boosting the number of regular customers for new products, in addition to Newmo® Hair Growth Formula, including a net rise of about 30,000 customers for eyelash beauty serum Eyelash Deluxe WMOA and healthy ramp-up of Meiji Yakuhin's repeat e-commerce business, mainly Shiboranaito GOLD. In Newmo® Hair Growth Formula, the Company aims to lower the burden of advertising expense risk by flexibly controlling advertising expenses while monitoring sales and CPO trends.

\* Abbreviation for Life Time Value.



Source: Prepared by FISCO from the Company's results briefing materials

Newmo® Hair Growth Formula net sales were healthy at ¥14,913mn, and the Company's ongoing focus on cross-selling to Newmo® Hair Growth Formula customers drove net sales of ¥1,580mn in Newmo® Supplement and ¥389mn in Newmo® Shampoo. Additionally, emphasis on eyelash beauty serum Eyelash Deluxe WMOA advertising as a horizontal initiative with the Newmo® brand supported ¥992mn in net sales. The Company also conducted cross-selling of ROHTO Pharmaceutical's eye care supplement ROHTO V5 ACT-VISION to customers who purchased magnifying eyeglasses PFI Hakase (professor) Loupe®, resulting in net sales of ¥476mn.

In cosmetics sales, net sales of HAIR BEAUTE® ECLAT Botanical Air Color Foam totaled ¥1,842mn. The Company conducted customer acquisition prioritizing CPO, and as a result, at the end of January 2022, the number of regular customers was 83,502 (98,210 at the end of FY7/21).

## Results trends

Meiji Yakuhi's Shiboranaite GOLD surpassed 100,000 regular customers in just four months after beginning sales, setting a new speed record in reaching this level, thanks to repeat e-commerce sales that incorporate the Company's e-commerce business know-how.

In response to the increases in orders and regular customer volume, Meiji Yakuhi is adding a call center facility with 100 booths and continues to invest in bolstering its ability to handle orders.

### (3) Bio Medical business

The Bio Medical business reported ¥14mn in net sales (-95.7% YoY) and a ¥138mn segment loss (vs. a ¥174mn profit in the previous fiscal year). While it recorded lump-sum income relating to joint research and a licensing contract with Mitsubishi Tanabe Pharma as sales in the same period of the previous fiscal year, these sales were not recorded in 1H FY7/22.

As a segment topic, the Company has established a dedicated AI and bioinformatics team and is working to identify the best antibodies in the shortest amount of time through AI selection and optimization. It is strengthening hires of research personnel aimed at bolstering drug discovery target searches and obtained the bioscience business of Intégrale, which possesses top-level results and technology capabilities in protein analysis for Japan, via an absorption-type split in April 2022.

## Financial condition is highly sound

### 3. Financial condition

At the end of 1H FY7/22, total assets increased ¥5,829mn on the end of the previous fiscal year to ¥26,774mn. This was mainly due to increases of ¥1,611mn in merchandise and finished goods because of sales expansion in the BtoC business, ¥2,929mn in property, plant and equipment accompanying the acquisition of Meiji Yakuhi as a subsidiary, and ¥1,008mn in investment securities related to acquisition of shares of ROHTO Pharmaceutical and Sanyo Chemical Industries. Total liabilities at the end of 1H FY7/22 climbed ¥5,096mn to ¥17,574mn mainly because of rises of ¥1,888mn in accounts payable-other related to the increase in advertising expenses and ¥5,000mn in short-term borrowings following implementation of borrowing based on a commitment line agreement, albeit with some offset via a ¥1,459mn decline in income taxes payable, etc. Total net assets rose ¥733mn to ¥9,199mn due to accumulation of profit attributable to owners of parent. The equity ratio hence dropped 6.0ppt to 34.4%.

Alongside the rapid increase in sales, the balance sheet as a whole expanded, and therefore the equity ratio declined. However, when considering the early generation of profits and rise in the profit level are continuing due to active investment, it can be said that the Company's financial condition is highly sound.

#### Consolidated balance sheet

	End of FY7/20	End of FY7/21	End of 1H FY7/22	Change
	(¥mn)			
<b>Total assets</b>	10,096	20,944	26,774	5,829
<b>Current assets</b>	7,437	17,933	19,450	1,517
<b>Non-current assets</b>	2,659	3,010	7,323	4,313
<b>Total liabilities</b>	5,188	12,478	17,574	5,096
<b>Current liabilities</b>	2,837	10,978	15,983	5,005
<b>Non-current liabilities</b>	2,350	1,499	1,591	92
<b>Total net assets</b>	4,907	8,465	9,199	733
<b>Equity ratio</b>	48.6%	40.4%	34.4%	-6.0pt

Source: Prepared by FISCO from the Company's financial results

## ■ Outlook

**Although the Company keeps its initial forecasts for FY7/22 unchanged, it expects the BtoC business to continue performing well. The Company plans to sustain aggressive investment from 3Q onward with the prospect of business expansion from FY7/23**

### 1. Outlook for FY7/22

Regarding the FY7/22 consolidated results, the Company retained its initial forecasts of ¥60,631mn in net sales (+29.7% YoY), ¥5,773mn in operating profit (+1.8%), ¥5,788mn in ordinary profit (+0.4%), and ¥4,021mn in profit attributable to owners of parent (+4.7%).

#### Consolidated outlook for FY7/22

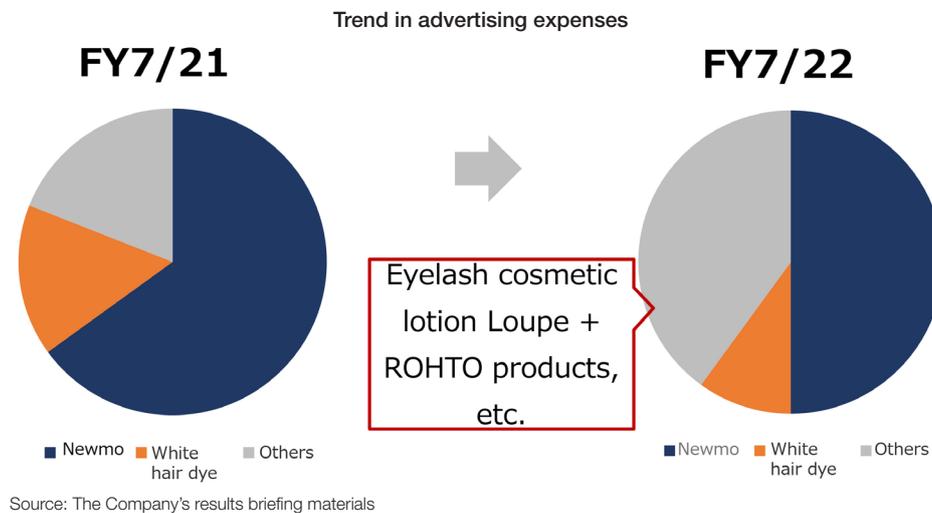
	FY7/21		FY7/22		YoY	1H progress rates
	Results	% of sales	Forecast	% of sales		
Net sales	46,752	100.0%	60,631	100.0%	29.7%	47.5%
Operating profit	5,673	12.1%	5,773	9.5%	1.8%	35.2%
Ordinary profit	5,767	12.3%	5,788	9.5%	0.4%	36.4%
Profit attributable to owners of parent	3,841	8.2%	4,021	6.6%	4.7%	38.8%
Earnings per share (EPS) (¥)	132.21	-	138.36	-	-	-

Note: The Company has applied Accounting Standard for Revenue Recognition, etc. from FY7/22, and figures for the outlook reflect application of this standard, etc. Previous years and comparisons use figures prior to application of the standard, etc.

Source: Prepared by FISCO from the Company's financial results

The BtoC business is expected to continue to perform well, and Meiji Yakuin, a consolidated subsidiary newly acquired in August 2021, will also contribute, so sales are forecast to increase by double digits. Conversely, profits are expected to be basically unchanged YoY, as the Company will continue to actively invest in advertising and R&D. Advertising expenses of around ¥30bn are expected, mainly for the internet, paper media, and television. Its policy is not to solely rely on Newmo® Hair Growth Formula, but also to develop the next period's large-scale products and to focus on CRM. But it plans to boldly shift the allocation of advertising expenses among media and products, depending on trends in CPO and LTV. Furthermore, in R&D investments, the Company intends to continue aggressive investments from 3Q in anticipation of business expansion from FY7/23.

Outlook



While progress rates toward FY7/22 targets were 47.5% for net sales, 35.2% for operating profit, 36.4% for ordinary profit, and 38.8% for profit attributable to owners of parent, these levels reflect the full-year plan's disproportionate focus on 2H. The Company implemented priority investments of advertising expenses in 1H and expects an increase in regular customers and curtailment of advertising expenses in 2H. FISCO thinks the Company is capable of attaining its full-year forecasts considering all-time net sales and profit highs and excess in net sales and profits versus initial targets in 1H. Meanwhile, it is also necessary to take into account that the Company conducted extremely bold allocation of costs to focused products in its advertising strategy, and this might demonstrate confidence in further growth.

**2. Outlook by business segment**

**(1) BtoB business**

In mainstay PharmaGABA®, while sales declined YoY in 1H FY7/22 because of impact from backlash decline after increased overseas shipments in 4Q FY7/21, a major beverage manufacturer plans to release a new product and the Company anticipates stronger sales in 2H FY7/22. It intends to continue to focus on the OEM business.

Also, the Company will quickly acquire the necessary authorizations and approvals in each country to strengthen overseas sales and build an overseas production system in order to support sales expansion and stably supply to the overseas markets. To foster the sales structure, it is aiming to strengthen recruitment of human resources who can respond to overseas markets, while in addition to the main markets of North America and China, its policy is to conduct business development for the Southeast Asia region, whose market is expected to grow in the future.

In new production and sales channels, the Company expects to sustain healthy sales in 2H in the CMO business, which covers consigned production, and the CHC business, which conducts sales of functional foods, pharmaceuticals, and other products in the drugstore channel, under Meiji Yakuin. In FY7/22, it aims to book a combined ¥5bn in sales from the CMO and CHC businesses (¥2,541mn in 1H).

In cross-border EC business, a new business area, the Company started sales to China and Vietnam in June 2021. For the time being, it intends to gradually expand use of advertisements through Tmall Global and influencers and pursue development of the sales foundation.

## Outlook

The Company plans to continue investing in reinforcing its capacity for handling orders and strengthening R&D investments.

**(2) BtoC business**

Thanks to the ongoing upbeat sales trend, the Company is targeting sales of ¥30,000mn in Newmo® Hair Growth Formula, a hair restoration and growth stimulant, in FY7/22. It also expects contributions from rising sales of HAIR BEAUTE® ECLAT Botanical Air Color Foam, new offering Eyelash Deluxe WMOA (eyelash beauty serum), and Meiji Yakuhi's Shiboranaito GOLD. It plans to continue making aggressive investments in strong products with emphasis on efficiency targeting further growth. With hopes to book at least ¥1bn in FY7/22 sales for Shiboranaito GOLD and other products, businesses under Meiji Yakuhi are making efforts to expand sales via repeat e-commerce sales that incorporate Pharma Foods' e-commerce know-how.

**(3) Bio Medical business**

In the Bio Medical business, the Company aims to simultaneously promote existing and new pipeline research. It has also included consignment sales from Intégrale's proteomic analysis business from 3Q FY7/22.

## Growth strategy

### Aiming for net sales of ¥100bn in FY7/26 through initiatives to create new value

The Company has newly formulated Medium-Term Management Plan 2026. In the plan, it has set the medium-term management target of "Aiming to be 1K (a company with net sales of ¥100bn) through initiatives to create new value (new products, new markets, and a new organization)," and its numerical target for FY7/26 is net sales of ¥100bn (¥70bn from the growth of existing businesses and ¥30bn from the creation of new value). Other than this, it has stated its commitment to targeting a compound annual growth rate (CAGR) for net sales of at least 20% and a total payout ratio of 20% by FY7/26, including acquisitions of treasury shares. For the profit level, it is aiming to build a structure that can secure an average operating profit margin of 10%. Up to FY7/26, its policy is to develop businesses without fear of the profit margin declining in any single fiscal year and to aim to expand scale while boldly taking on risks.

The FY7/21 results were strong, driven by Newmo® Hair Growth Formula that has become a hit product. Although there are some in the market voicing concerns about a rebound and a slowdown of growth from FY7/22 onwards, at FISCO, we think that the Company has the potential to achieve even further growth through creating new products and new markets and by actively developing its businesses.

## Growth strategy

**1. Creation of new products**

For the creation of new products, toward creating the next hit products to follow on from products such as PharmaGABA®, Newmo® Hair Growth Formula, and Derma Qll®, the Company is progressing R&D including to develop new ingredients (wine ceramide, Lipi Smart®, sialo sugar chains, egg placenta, and eggshell membrane peptides), new applications and effects (a brain function cocktail theory drink, Moringa, Wellmune, Banafine, and collagen eggshell membrane peptides), and next-generation antibodies. It is also developing products for the scalp and skin field (creating active components for non-pharmaceutical products, hair restorer formulas, wrinkle improvers, egg placenta, and ELLE brand cosmetics), pharmaceutical e-commerce field, and oral care field.

In July 2021, the Company concluded a sales agreement with Mitsui Sugar Co., Ltd. of the Mitsui DM Sugar Holdings <2109> Group for Lipi Smart®, which is a functional foods ingredient that suppresses absorption of triglycerides and contains sesame as a raw ingredient. Through joint development with Mitsui Sugar, the Company has developed a proprietary technology (patent pending) to manufacture Lipi Smart® from sesame. Through this, it will launch a product onto the metabolic market for the first time.

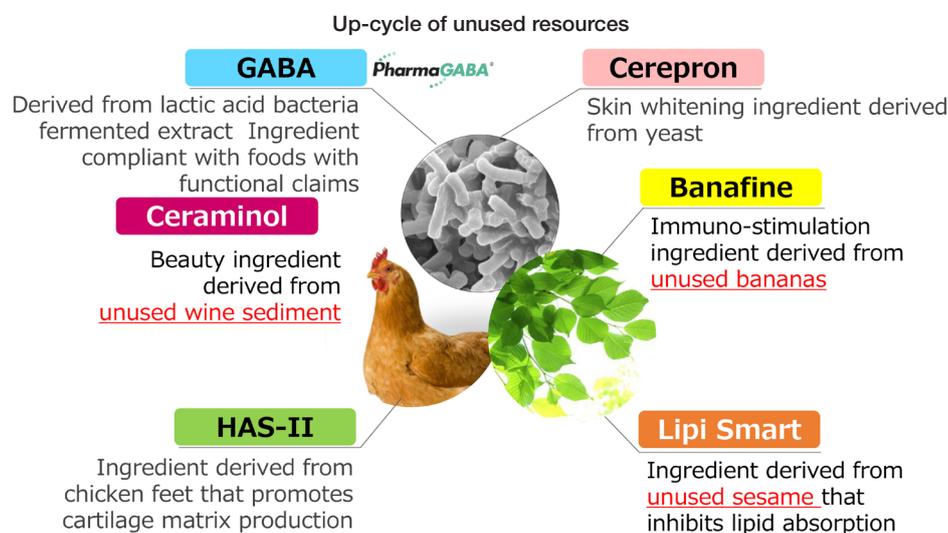
**2. Creation of new markets**

For the creation of new markets, the Company will progress initiatives for the expanding health market, including to strengthen brands and develop overseas markets (US market, China market through cross-border EC, and Southeast Asia market through halal certification), deepen the e-commerce business in the domestic market (develop new products and services that utilize the D2C platform of 800,000 people), shift the business orientation from BtoB to BtoC (develop the Company's own brand products for the distribution networks of drugstores and convenience stores), conduct initiatives for SDGs (create upcycle markets for unused resources), and enter the health support devices and medical devices fields (health devices, facial beauty devices, measuring devices, and hearing aids).

Of these initiatives, to develop the US market, the Company is aiming to acquire GARS (Generally Recognized as Safe) certification from the FDA (US Food and Drug Administration) for PharmaGABA®. By acquiring the FDA's GARS certification, it will widen its current target of supplements to general food and beverages. This will lead to its adoption by major food and beverage manufacturers in the US, which can be expected to result in its rapid growth in the US market.

With regard to creating an upcycling market for unused resources, the Company intends to harness unused natural ingredients and utilize technology for new value creation from natural products in farming. Specifically, it prepared the Agriculture and Nutrition Basic Plan with Sanyo Chemical Industries in September 2021 that integrates the development and technological capabilities of both companies aimed at solving the global farming crisis. It plans to begin verification tests aimed at building a new farming system in Shintomi Town (Miyazaki Prefecture) in 2022, develop high-value-added crops with enhanced high yields, resilience, and functionality using bio-stimulants that combine technologies from both companies in 2024, begin sales via the Company's e-commerce sales channel of high-performance health foods and cosmetics made from unused portions of high-value-added crops in 2025, expand target crops and promote sixth sector industrialization and brand formation in 2026, and develop a sustainable farming system in 2030. The Company also announced its entry into the fiber and plant vitalizing agent markets through advanced utilization of eggshell membranes as a new unused resources upcycling business in December 2021. Through this upcycling, it aims to convert the 260,000 tons of eggshells thrown away annually in Japan into high-value-added products and thereby contribute to realization of a sustainable society.

Growth strategy



Source: The Company's results briefing materials

### 3. Creation of a new organization

For the creation of a new organization, the Company will progress initiatives including conducting reforms for the organizational, personnel, and hiring aspects, such as providing salary levels enabling employees to work with peace of mind and incentives for growth; developing and strengthening the Global Solution Team, including building overseas manufacturing and overseas sales bases; and conducting M&A and entering into alliances. Within these initiatives, the Company will utilize cash on hand and its financing framework for M&A and alliances, and has in its sights companies with a sales scale of ¥10bn in relation to new products and markets. The Company explains that “attention should be given to pursuit of collaboration with a variety of companies even now.”

#### Recent M&A and alliances

Date	Company name	M&A and alliance	Amount	Summary
March 2021	Sanyo Chemical Industries, Ltd.	Business and capital alliance	Roughly ¥400mn	Collaboration in R&D and sales for cosmetics, agri-nutrition, pharmaceuticals, and other products
July 2021	ROHTO Pharmaceutical Co., Ltd.	Business and capital alliance	Roughly ¥600mn	Collaboration in product development, production, and sales in health and beauty care and food areas
August 2021	Meiji Yakuin Co., Ltd.	Acquisition as a wholly owned subsidiary	Roughly ¥2.3bn	Utilization of managerial resources including production and drugstore sales channels
August 2021	Ai-BrainScience Inc.	Underwriting of third-party allocation of shares	¥60mn	Combination of early discovery of cognitive function decline and functional food ingredients to improve conditions
December 2021	Onkyo Home Entertainment Corporation	Business alliance		New entry into hearing aid business Combination of medical devices, sensors, and other devices with food and other solutions
April 2022	Intégrale Co., Ltd.	Absorption-type split		Strengthening drug discovery target searches and identification through the combination of ALAgene® technology and Intégrale's proteomic analysis technology

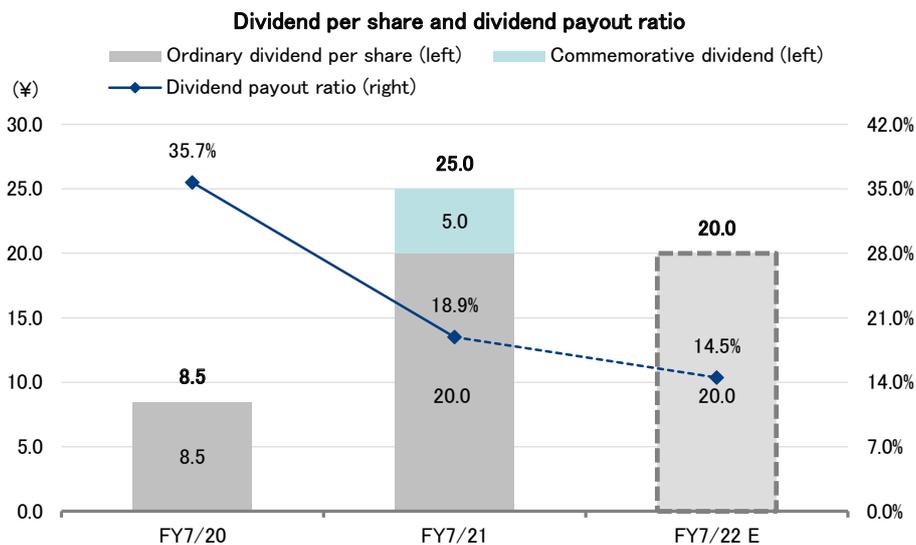
Source: Prepared by FISCO from the Company's results briefing materials

## Shareholder return policy

### Targets total shareholder return ratio of 20% including acquisitions of treasury shares as shareholder return policy. Expects ¥20.0 for the FY7/22 annual dividend per share

The Company’s basic policy for returning profits to shareholders is, based on its business policy of achieving both corporate growth potential and profitability, to actively return profits to shareholders through dividends and other means, while continuing to expand investment for aspects such as R&D, advertising and M&A. Based on this policy and considering maintaining a balance between investing in growth, securing financial soundness, and strengthening returns to shareholders, it targets a total shareholder return ratio of 20%, including acquisitions of treasury shares.

In FY7/21, the Company paid an annual dividend per share of ¥25.0 (dividend payout ratio: 18.9%), including a commemorative dividend of ¥5.0. In FY7/22, it plans to reduce the annual dividend per share by ¥5.0 YoY (same as the previous fiscal year on an ordinary dividend basis) to ¥20.0 (dividend payout ratio: 14.5%, total shareholder return ratio: 21.9%). Other than this, it acquired 108,300 treasury shares (total purchase price: ¥299mn) in September 2021.



Source: Prepared by FISCO from the Company’s financial results

## ■ Initiatives for ESG and SDGs

### Formulated the Sustainability Basic Policy and bolstering related initiatives

As the Company's business itself involves the development and sales of food and cosmetic functional ingredients and products made from naturally derived raw ingredients that relate to people's life activities and health maintenance, its business is consistent with the SDGs. It formulated the Sustainability Basic Policy in December 2021 and is bolstering initiatives in ESG (environment, social, governance) management and SDGs. The Company presents a sustainability vision of meaningful prosperity and health in an era with lives spanning 100 years and intends to make efforts so that its own business growth contributes to realization of a sustainable society as a company that provides comprehensive support in health maintenance. Key issues (materiality) are enhancement of people's QOL, upcycling of unused resources, and respect for diversity. Through its responses to these issues, the Company aims to achieve its sustainability vision and further enhance corporate value.

As a topic, the Company's previously mentioned eggshell membrane fiber, which it is pursuing as a new upcycle business using eggshell membranes, has attracted considerable attention, including special coverage on TV programs. The Company started joint research on the role of "food" in improvement of cognitive function with the vascular dementia specialty medical team at the National Cerebral and Cardiovascular Center in April 2022. It aims to remove brain waste, promote brain blood flow, and activate brain nerve cells with a "brain function cocktail" that includes GABA. The Company plans to exhibit at the Osaka Pavilion with a theme of "Eggs can save mankind" at Expo 2025 Osaka, Kansai, Japan scheduled in 2025.



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