

# Cosmo Bio (TYO: 3386)

Contribute to the advancement of life sciences by providing research reagents and life science equipment

## Summary

◇ Cosmo Bio Co., Ltd is a trading company specialising in the life sciences with the aim of “Contribute to the advancement of life sciences”. Founded in 1983 as a subsidiary of the former Maruzen Oil, the company went through an MBO and is now an independent, specialised trading company. Approximately 80% of sales are research reagents used in research facilities of pharmaceutical companies, universities and research institutions. The company’s strengths lie in its extensive procurement network of more than 12 million products and services from 600 suppliers, including overseas suppliers, and its highly specialised personnel and sales force that accurately identify the needs of domestic customers. In recent years, the company has been adding value by providing its manufactured products and services and outsourced services.

◇ **Reagent market expected to grow steadily:** The domestic life science research reagent market is estimated to be worth approximately 120 billion yen and is growing steadily at an annual rate of around 3%. Given trends in R&D expenditure by client pharmaceutical companies and Grants-in-Aid for Scientific Research, a budget indicator for universities and research institutions, long-term stable growth is also expected.

Players in this market include Japanese subsidiaries of foreign reagent manufacturers, subsidiaries or business units of major Japanese chemical manufacturers and independent trading companies, including the company. The company’s market share is currently estimated at around 5%.

◇ **Risk factors:** First, trade area risk. Restructuring through mergers and acquisitions is routine in North American biotechnology-related ventures, which are frequent suppliers of reagents, and changes in shareholders may result in the loss of commercial rights. Overseas headquarters may also establish local subsidiaries in Japan. Secondly, there is the risk of exchange rate fluctuations. It is essential to mitigate cost increases due to a weaker yen by using forward exchange contracts and selling price adjustments, but in addition, offsetting foreign exchange risks by expanding exports overseas is also required.

◇ **FY12/2023:** Full-year results: net sales of 9.34 billion yen (-2.2% YoY), operating profit of 519 million yen (-36.3% YoY), profit attributable to owner of parent company of 442 million yen (-14.4% YoY). The factors contributing to these results were slow growth in contract service brokerage resulting from restrained sales activities during the COVID-19 disaster, inventory adjustments of consumables at customers, an increase in the cost of sales ratio due to the weaker yen (actual 140 Yen/USD, a 12 yen lower than the previous year), and an increase in SG&A expenses due to increased sales activities.

◇ **FY12/2024:** The company forecasts sales of 9.8 billion yen (+4.9% YoY), operating profit of 390 million yen (-25.0% YoY) and profit attributable to owner of parent company of 310 million yen (-30.0% YoY) at an assumed exchange rate of 150 Yen/USD. COGS ratio worsened due to the weak yen, and the build-up of selling, general and administrative expenses were the main reasons for the decline in profits. The profit and loss situation in the first quarter, which has a high weighting in terms of profits, will probably indicate the direction of the full year.

◇ **Three-year plan:** the first year of the three-year plan, with FY12/2023 as the first year, has now passed. The company aims to strengthen its trading company functions, such as by strengthening exports, and its manufacturing functions, such as by expanding its own contract services and manufacturing and sales. Sales of the manufacturing function appear to be growing steadily, and with the launch of the contract service matching website Scientist3 planned for spring 2024, expectations are high for the final year of the medium-term plan.

◇ **Share price observation:** In the past year, the share price has hovered around 1,000 yen. The share price is supported by the company’s profitable and sound financial position, low PBR and dividend yield in the 3% range despite declining profits. However, issues awaiting improvement, such as growth potential, ROE, and resistance to currency fluctuations, have prevented the company’s share price from keeping pace with the recent significant rise in the TOPIX. The investment focus will be on the results in the final year of the medium-term plan to see whether the measures in the medium-term plan are making steady progress and whether the company will enter a stage where these improvements can be envisaged in the near future.

## Basic Report

Pharmaceuticals and pharmaceutical wholesalers

As of 16 April, 2024

Share price (15/4)

1,007 Yen

52weeks high/low	¥1,072/940
Avg Vol (3 month)	7.1 thou shrs
Market Cap	¥6.09 bn
Enterprise Value	¥2.74 bn
PER (12/24 CE)	19.6 X
PBR (12/23 act)	0.69 X
Dividend Yield (12/24 CE)	2.97 %
ROE (12/22)	5.4 %
Operating margin (12/22)	5.6 %
Beta (5Y Monthly)	0.68
Shares Outstanding	5.835 mn shrs
Listed market	TSE Standard section

## Share price performance



## Points of interest

Specialist biotechnology trading company with the objective of 'contributing to the advancement of life science'. It is one of the leading providers of life science research reagents, offering 12 million items from some 600 manufacturers worldwide to meet the diverse needs of researchers. In recent years, the company has focused on its manufacturing function and expanded into in-house contract services and its own manufacturing and sales business, which is expected to contribute to earnings and improve capital efficiency.

This report (financial update) has been prepared at the request of Cosmo Bio. For details, please refer to the Disclaimer on the last page.

## Table of contents

Summary	1
Key financial data	2
Company profile	3
History/Breakdown of most recent sales/Company's group	3
Business overview	5
Japanese research reagent market/products and services	5
Corporate uniqueness, strengths/risk factors	8
Earnings trend	9
Financial results	10
Full-year results for FY12/2023	10
FY12/2024 full-year forecast	11
Growth strategy	13
Share price trend	16
Financial data	18
Corporate data	19
Corporate profile/history	19
The top management/Corporate governance	20
Major shareholders/Shareholding by ownership/Shareholder return policy	21

## Key financial data

(Unit: mn, yen)

	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12	2024/12
[Statements of income]							Company forecast
Net sales	7,261	7,590	8,092	9,231	9,553	9,340	9,800
Cost of sales	4,602	4,710	4,940	5,572	6,112	6,090	
Gross profit	2,659	2,879	3,152	3,658	3,440	3,249	
SG&A expenses	2,330	2,474	2,399	2,609	2,624	2,729	
<b>Operating income</b>	<b>328</b>	<b>405</b>	<b>752</b>	<b>1,048</b>	<b>816</b>	<b>519</b>	<b>390</b>
<b>Ordinary income</b>	<b>403</b>	<b>470</b>	<b>817</b>	<b>1,099</b>	<b>790</b>	<b>653</b>	<b>450</b>
Net profit before taxes	403	388	1,008	1,099	790	653	
<b>Net profit attributable to owners of the parent</b>	<b>260</b>	<b>237</b>	<b>674</b>	<b>737</b>	<b>517</b>	<b>442</b>	<b>310</b>
[Balance Sheets]							
Current assets	5,668	5,927	6,756	7,310	7,136	7,102	
Cash equivalents and short-term securities	2,268	2,516	3,259	3,555	3,036	3,025	
Non-current assets	2,832	2,962	2,883	2,761	3,176	3,770	
<b>Total assets</b>	<b>8,501</b>	<b>8,890</b>	<b>9,640</b>	<b>10,072</b>	<b>10,313</b>	<b>10,872</b>	
<b>Total liabilities</b>	<b>1,448</b>	<b>1,568</b>	<b>1,779</b>	<b>1,752</b>	<b>1,695</b>	<b>1,846</b>	
<b>Total net assets</b>	<b>7,053</b>	<b>7,321</b>	<b>7,861</b>	<b>8,319</b>	<b>8,617</b>	<b>9,026</b>	
Equity ratio (%)	77.4%	77.0%	76.3%	77.3%	78.1%	77.7%	
[Statements of cash flows]							
Cash flow from operating activities	908	549	803	648	284	736	
Cash flow from investing activities	-185	-115	42	-145	-291	-758	
Cash flow from financing activities	-85	-85	-97	-420	-236	-201	
Increase/decrease in cash and cash equivalents	684	348	743	95	-218	-210	

Source: Omega Investment from company materials

## Company profile

Cosmo Bio is a trading company specialising in the life-science field, focusing on reagents\*, with the Group's objective of "Contribute to the advancement of life sciences". Its main business is purchasing and wholesale research reagents, equipment, contract services and clinical reagents related to life sciences. Reagents' market size is different from those of diagnostics and therapeutics. Still, they are essential products and services indispensable for life science researchers worldwide to develop new drugs.

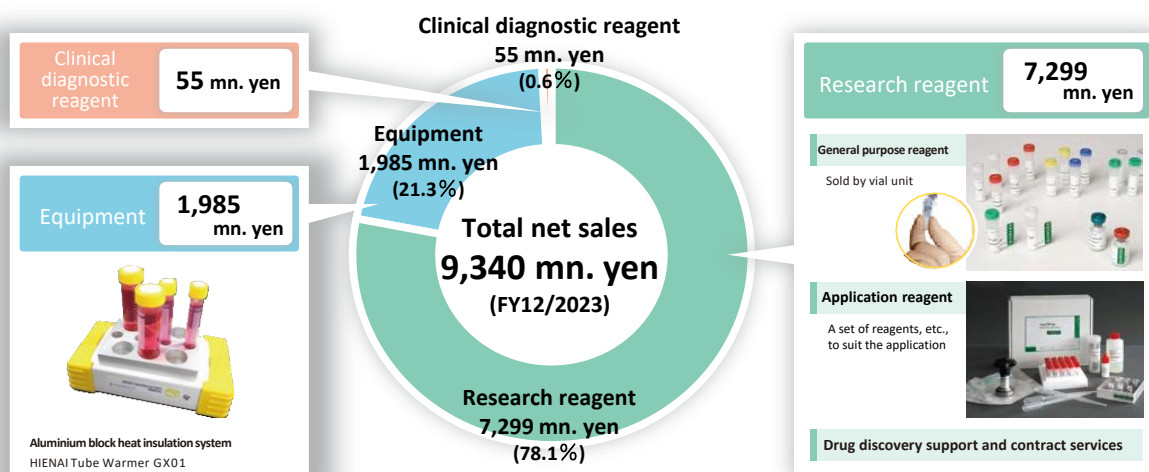
### History

The company's history can be traced back to 1983 when it was founded as Maruzen Oil Biochemical Co., Ltd as a subsidiary of the former Maruzen Oil (now Cosmo Oil) for basic biotechnology research reagent business. The company subsequently renamed itself to Cosmo Bio Co., Ltd. (1985) following a merger and restructuring of the parent company. In the same year, the company began selling equipment for bio-research. In September 2000, the company became independent from Cosmo Oil through an MBO. In August 2004, it established Cosmo Bio USA, Inc. in San Diego, California, one of the world's leading bioresearch centres and the location of many bio-ventures. It was made a base to search for reagents and promote the export of Japanese-made reagents. In September 2005, the company was listed on the JASDAQ market. Subsequently, the company expanded its operations by investing in and merging with companies in related fields. In December 2006, Primary Cell Co., Ltd. became a subsidiary, and Cosmo Bio entered the manufacturing business. In March 2010, BM Equipment Co., Ltd. was consolidated as a trading subsidiary that imports equipment and consumables for life science research. In October 2017, the company relocated and consolidated its Sapporo business facilities and opened the Sapporo Office, establishing a structure to reinforce its recent focus on contract services and manufacturing and sales. (See also the Alignment Chart on p. 19)

### Breakdown of most recent sales

Research reagents, Equipment and Clinical diagnostic reagents account for 78%, 21% and 1% of the company's FY12/2023 sales of 9,340 million yen, respectively.

### Breakdown of sales by product



\*Reagents: according to the Japan Reagents Association, reagents are legally defined as 'chemical substances used for the detection or quantification of substances by chemical methods, experiments in the synthesis of substances or for physical properties'.

The general concept is also defined as "chemicals used for measurement standards, detection and confirmation of substances, quantification, separation and purification, synthesis experiments and measurement of physical properties in testing and research cases, such as inspection, testing, research and experiments, in the form of supply suitable for small quantities with guaranteed quality for the respective purpose of use". More specifically, they are agents used for experiments, research, and measurements and include chemical substances, components extracted from the body of a living organism (proteins, cells, nucleic acids, etc.), and solvents used to react with them. Reagents for life science are mainly extracted from living organisms or synthesised from such substances and are supplied in small quantities, such as several tens of micrograms.

On the other hand, diagnostic reagents are drugs doctors use in various tests to diagnose health or disease conditions. They are also known as in vitro diagnostic drugs or clinical diagnostic reagents and are distinguished from reagents.

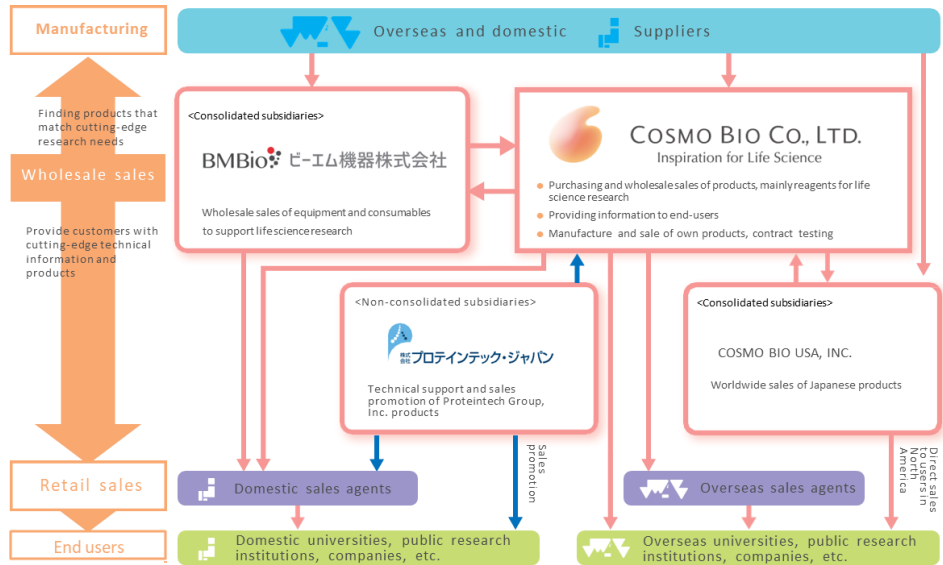
Generally, we take therapeutic drugs (ethical drugs) to cure diseases. They are administered to treat various diseases and are researched, developed, manufactured, and marketed by major national and international pharmaceutical companies.

The domestic market for life science research reagents is around 120 billion yen (2021, company data), the market size for diagnostics is about 800 billion yen (2021, Japan Association of Clinical Reagents Industries), and the market for therapeutic drugs (ethical drugs) is approximately 9.4 trillion (2021, IQVIA) being by far the largest.

## Company's group

The company's group comprises Cosmo Bio (the company), two consolidated subsidiaries: BM Equipment and Cosmo Bio USA, Inc., and the non-consolidated subsidiary Proteintech Japan Co., Ltd. For their respective businesses and product flows, see the diagram below. BM Equipment and Proteintech Japan are located on the same floor in the head office in Koto-ku, Tokyo, where Cosmo Bio is based, to facilitate communication as a group.

## Overview of the company's group and product flow



Source: Company materials

In addition to Koto-ku, Tokyo, mentioned above, where the company's head office is located, the company's other operating bases include the Sapporo Office and the Shinsuna Logistics Centre. As mentioned in history, the Sapporo Office (Otaru, Hokkaido) was established in October 2017 by relocating and consolidating the company's Sapporo area business facilities. The facility is responsible for contract services and manufacturing and sales, which are the company's growth areas of focus.

The Shinsuna Distribution Centre was opened in January 2013. The company runs a system to hold an inventory of hot-selling products (the Group's products and inventory on its BS at end-December 2023 amounted to about 1 billion yen) and ship them. The company can respond precisely to the needs of pharmaceutical companies, universities, and research institutions, which often require prompt deliveries.

### Sapporo Office



### Warehouses where the Shinsuna Logistics Centre is in



Source: Company materials, etc.

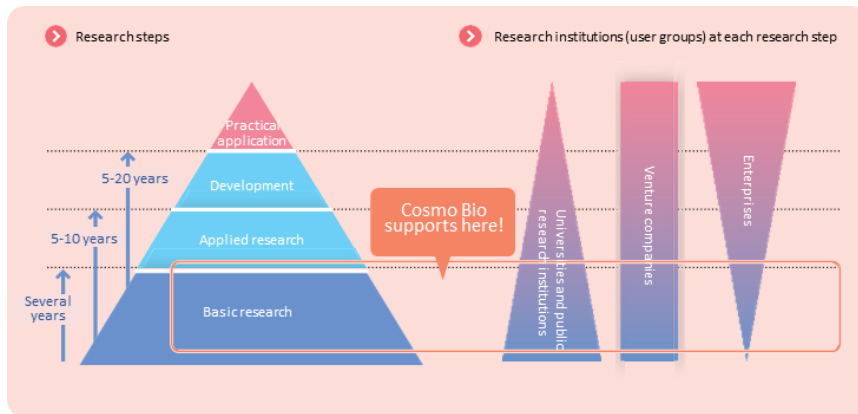
## Business overview

### Provides essential reagents and equipment for life science researchers worldwide

The company provides life science researchers worldwide with research reagents that are integral to the basic research process. The development of pharmaceuticals usually takes a long period, over ten years, involving basic research, applied research, development and clinical trials. In recent years, the development of antibody drugs and the linkage with IT, such as in silico (including the application of quantum computers to accelerate the process), are expected. Still, steady research activities in the research field are necessary.

The reagents and equipment provided by the company are essential items in basic research at pharmaceutical companies, universities, and research institutions, and demand is expected to grow steadily to ensure a stable and constant profit margin.

### Life science research and User demographic



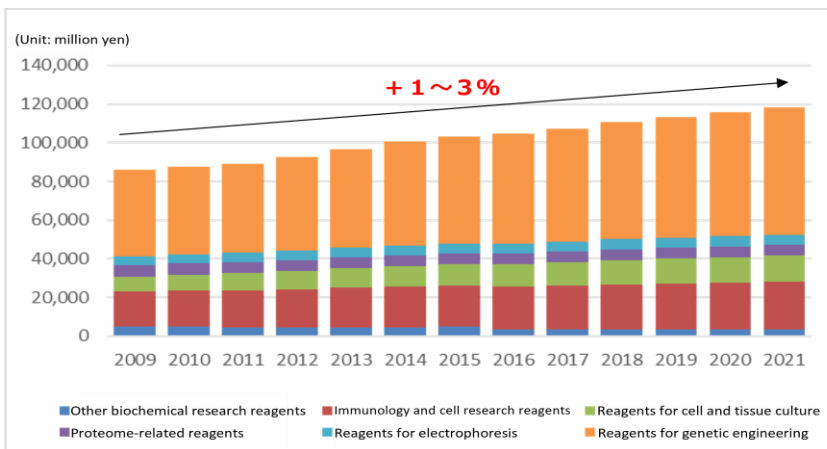
Source: Company materials

### Japanese life science research reagents market

The domestic life science research reagent market has grown at an average annual growth rate of about +3% so far, and the market size is estimated to be around 120 billion yen in 2021.

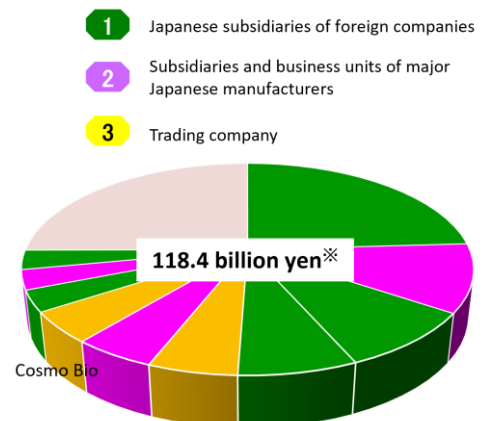
The market shares by operators are shown in the chart on the right below. Japanese subsidiaries of reagent companies in North America and elsewhere and group companies or business units of major Japanese chemical manufacturers account for a certain share. Two independent specialist trading companies, including the company, are also in the Top 10, and their share is estimated to be around 5%. Although competition between the companies is intense, each has its own areas of specialisation, and they can secure a certain level of sales and profits.

### Japan's life science research reagents - market size and trends



Source: Omega Investment from company materials

### Japan's life science research reagents - players and market share

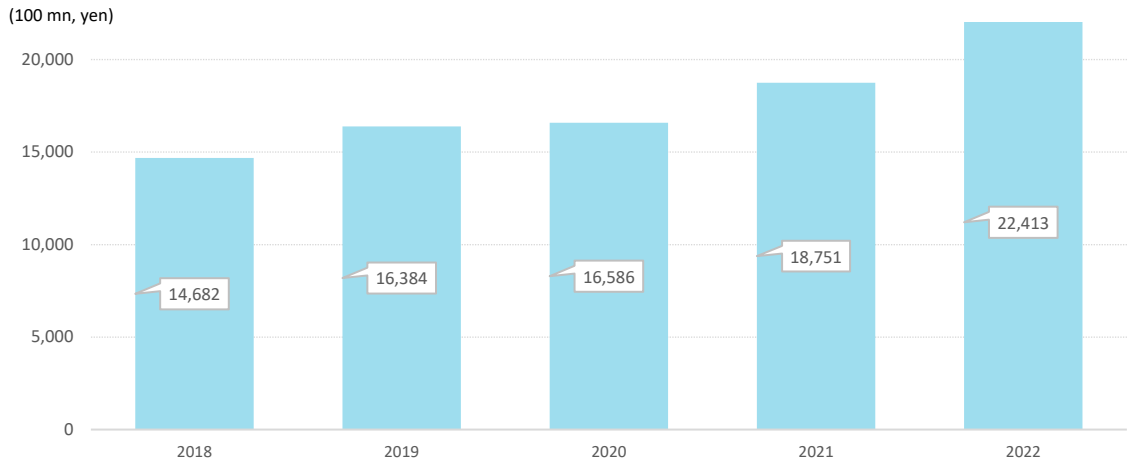




Next examines the status of the reagents' users. As mentioned, the customers of reagents are pharmaceutical companies, universities, research institutions and other research facilities in the life sciences sector.

Firstly, the total R&D expenditure of Japan's top 10 largest pharmaceutical companies was worth 2.2 trillion yen in FY2022 and is growing steadily, as shown below. Much of the company's reagent business is estimated to be related to research expenditure in Japan, and it appears that this part of the business is also generally performing well.

### Trends in research and development expenditure of major domestic pharmaceutical companies



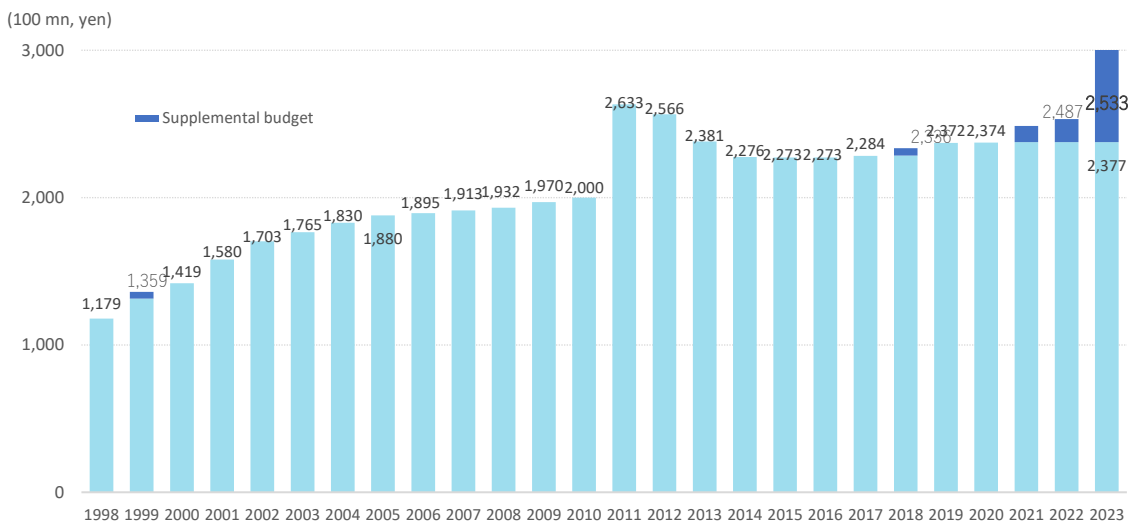
Note: Total R&D expenditure of Takeda Pharmaceutical, Daiichi Sankyo, Astellas, Otsuka HD, Eisai, Chugai Pharmaceutical, Sumitomo Pharma, Ono Pharmaceutical, Shionogi&Co and Kyowa Kirin Co. Mitsubishi Tanabe Pharma has been excluded because it was not possible to obtain consecutive figures.

Source: Prepared by Omega Investment from the companies' annual reports.

Next, trends in Grants-in-Aid for Scientific Research (KAKENHI) at Japanese universities and educational institutions are as follows. University-related budgets have often been cut, but Grants-in-Aid for Scientific Research are on an increasing trend to promote contemporary demands and innovation in academia while reforming the system. The underlying trend can be considered solid, although the rise in utility costs has put pressure on field budgets at some points.

As described above, the life science research reagent market can be considered a stable growth market.

### Trends in Grants-in-Aid for Scientific Research



Source: Prepared by Omega Investment from the Ministry of Education website and other sources.



## The range of products and services offered by the company

The company introduces 12 million state-of-the-art products from some 600 suppliers worldwide, adds its value and provides them to life science researchers through its approximately 200 distributors. Furthermore, in addition to the traditional trading company business, in recent years, the company has promoted the development and manufacture of its own products and the provision of its own contract services. Examples of current products and services are as follows.

### 1. life sciences trading business

Introducing state-of-the-art products from around the world and providing them to researchers involved in basic research.

#### (1) Research reagents

##### General purpose reagent

Antibodies, hormones and other biological substances, media additives, chemicals, etc.

##### Application reagent

Kits used in genetic analysis, protein expression and other research, and kits for the detection and quantification of biological substances and environmental contaminants.



#### (2) Research equipment, instruments, and consumables

##### Research equipment and instruments

Gel imaging equipment, gene transfer equipment, PCR equipment, ultrasound disruption equipment, etc. used in bioresearch.

##### Consumables

Pipette tips, PCR tubes, cell culture petri dishes/plates, gloves, etc.

#### (3) Clinical diagnostics (in vitro diagnostics)

Medicines used for the diagnosis of health conditions of patients and healthy people.

#### (4) Drug discovery research support and contract services

##### Drug discovery research support

Analysis essential for drug discovery, such as drug candidate discovery, target discovery and biomarker analysis, on behalf of clients.

##### Other contract services

Measurement of the activity of test substances and the creation of custom products according to researcher's requirements.



#### (5) Export of research reagents and equipment

The US subsidiary Cosmo Bio USA plays a central role.

### 2. life science-related manufacturing and development operations

Development and manufacture of own products and provision of contract services, in collaboration with universities and other research institutions.

#### (1) Primary cultured cells and other reagent production and contract testing

Production and sale of cells that cannot be replaced by imported cells, provision of contract services using cells, etc.

In addition to imported cells, development and production of reagents that are not available on the market, reflecting the demands of researchers.

##### Cell/cell culture products

Adipose tissue-related, bone, cartilage and tooth-related, pancreas-related, liver function-related, cardiovascular-related, immune-related, and mesenchymal stem cells, feeder cells, tumour cell lines, macrophage-related, coating reagents, etc.

##### Assay kit related

Various measuring, staining and detection/purification kits, etc., including neuro/dementia-related, macrophage/immunity-related, exosome-related, anti-glycation and anti-ageing-related.

##### Bioresearch equipment

Constant temperature transport containers, aluminium block and mat heat insulation devices, anti-condensation glass plates, etc.

##### Contract services

Gut flora analysis, tear fluid analysis services, cell assays, etc.

##### Product development in collaboration with research institutions

Development of own-brand products in collaboration with research institutions with superior technology and know-how.

##### Cell/cell culture products

Adipose tissue-related, bone, cartilage and tooth-related, pancreas-related, liver function-related, cardiovascular-related, immune-related, and mesenchymal stem cells, feeder cells, tumour cell lines, macrophage-related, coating reagents, etc.

#### (2) Custom peptide synthesis & antibody production services

Custom synthesis of peptides with sequences that meet researchers' requirements.

Providing products and services that support not only basic research at universities and other institutions but also drug discovery by pharmaceutical companies. Additionally, the company offers contract services for antibody production using this peptide as a material (antigen).

##### Custom peptide synthesis

Peptide synthesis, including AQUA-grade peptide design and synthesis services.

##### Antibody production service

MODELAGON epitope design service, polyclonal antibody production, monoclonal antibody production, etc.

#### (3) Protein production and contract manufacturing using chicken egg bioreactors

Commercialised a technology to produce large quantities of value-added functional proteins in genome-modified chicken eggs. In July 2019, the company started a contract manufacturing business to produce and purify large quantities of proteins required by users and deliver them to them.



## Corporate uniqueness/strengths

**Strong relationships of trust with clients and suppliers:** In research and development, where reagents are used, a single reagent is rarely used in large quantities. A variety of reagents in microgram quantities are required at each research level. The company is attentive to diverse needs based on 40 years of building trusting relationships with clients and solid relationships with suppliers of state-of-the-art reagents, mainly in North America.

**Providing state-of-the-art information in the life-science field:** As a specialist life sciences trading company, in addition to the information-gathering capabilities of its head office, the company, in cooperation with COSMO BIO USA, INC, also exhibits and participates in various bio-related events, providing cutting-edge information in the life sciences sector to anticipate the needs of its clients.

**Responding to user needs by manufacturing and developing in-house products:** In addition to its principal business as an importer and trading company, it manufactures and sells cells that cannot be replaced by imported cells and provides contract services using cells. To achieve further growth, the company plans to focus on the manufacture and sale of its own products and the provision of contract services.

**Accumulation and possession of various know-how related to the reagent business:** Products in the life sciences sector, especially those related to reagents, require different knowledge and know-how than the import and export of ordinary products. Many of the products handled by the company need to comply with various laws and administrative guidance, such as the Pharmaceutical and Medical Device Act (Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices), the Poisonous and Deleterious Substances Control Act and the Narcotics and Psychotropics Control Act. These laws vary from country to country, and knowledge and information on the differences between countries are also important. In addition, some reagents are of animal origin and are subject to animal quarantine. Furthermore, some reagents, such as proteins, nucleic acids, and cells, are of biological origins. Appropriate temperature control is required, such as packing dry ice during international transport procedures. The company's know-how and expertise in these reagents are one of its strengths.

## Risk factor

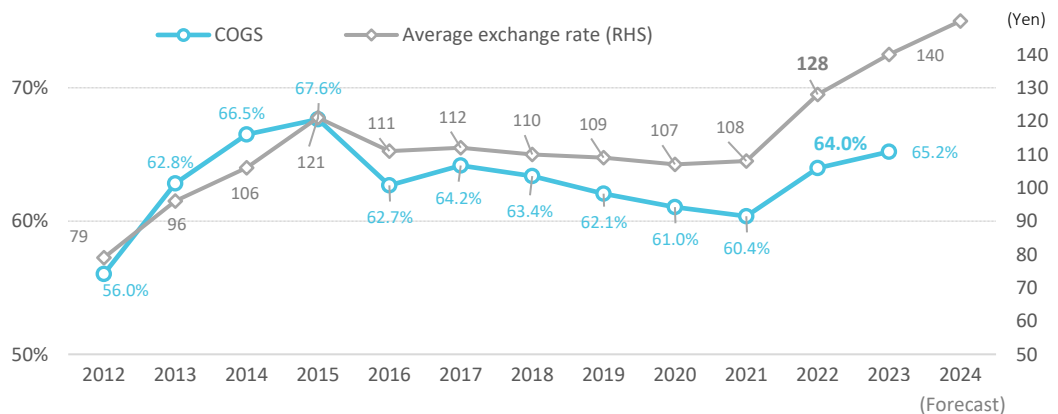
**Risks from mergers and acquisitions of suppliers:** Of the company's 600 suppliers, 400 are overseas and are mainly North American suppliers. Management control of these companies could be transferred through mergers and acquisitions, which could result in the company losing its commercial rights in Japan. Alternatively, overseas suppliers could establish their own domestic sales network or switch to a competing trading company.

**Foreign exchange risk:** Most of the company group's products are imported goods settled in foreign currencies, and the cost of sales rises or falls depending on exchange rate fluctuations. Under its internal policy, the company uses forward exchange contracts within a certain range of actual demand. Still, in the event of a sharp depreciation of the yen, such as from mid-2022 onwards, there will be a delay in the transfer to selling prices, and the cost of sales will rise sharply, which will significantly impact performance. (See diagram below)

**Competition risk:** Competition within the industry in the domestic market for life science research-related products is also severe.

**Regulatory risk:** Some of the company's products must comply with various laws and regulations. An accident or other event that violates these laws and regulations may occur, and if these laws and regulations are amended, a new response will be required.

The Yen-dollar exchange rate and COGS ratio



Source: Omega Investment from company materials

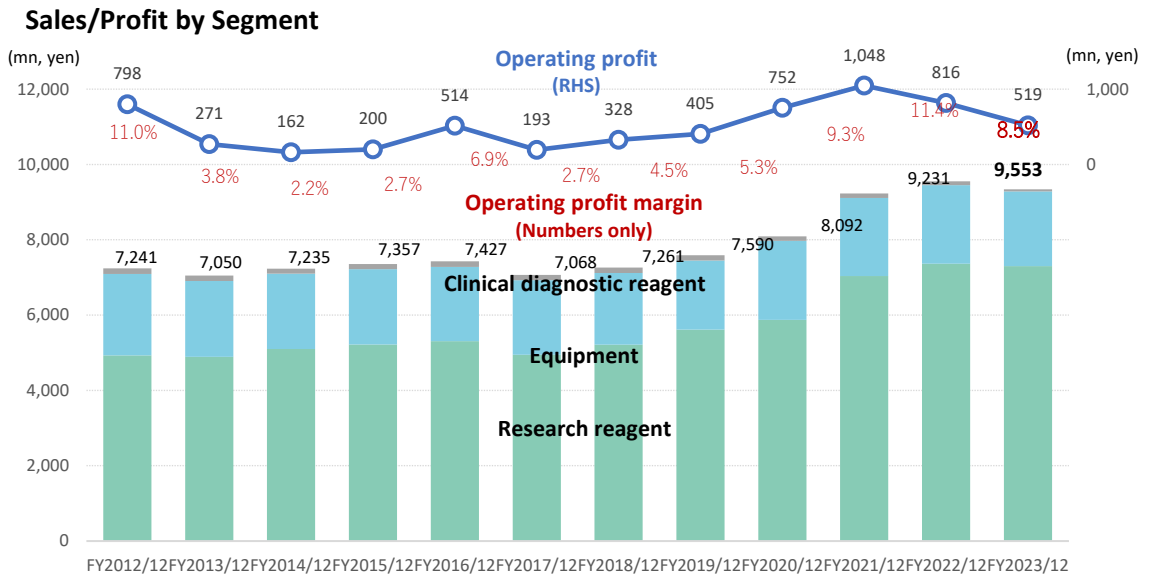


## Earnings trend

The company's long-term financial performance is reviewed. Sales have generally risen steadily due to the steady market expansion mentioned earlier and the company's precise business development. In terms of profits, the company has been profitable since its establishment, providing investors with some degree of reassurance.

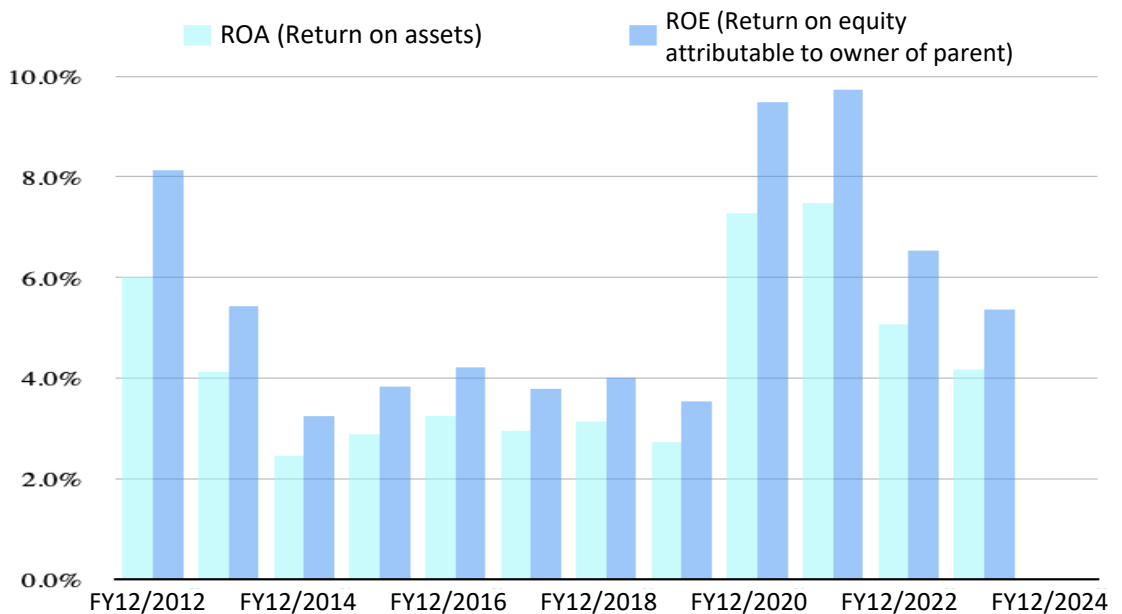
However, the operating profit fluctuated between 100 million yen and 1 billion yen, as shown in the graph below. As mentioned above, the high volume of imported products means that, in some cases, there are advantages to the strong yen and disadvantages to the weak yen, affecting the COGS ratio. SG&A expenses have generally trended lower as sales have grown. Still, the operating profit margin has been affected by fluctuations in the COGS ratio, which has fluctuated between the 2% and 11% range.

As a result, ROA and ROE have also fluctuated widely: while at one time, ROE exceeded 8% and was close to 10%, it has fallen into the low single digits in the last two years. In the long term, ROE has often been below the guideline of 8% in many financial years, and improvements in capital efficiency through upgrading the business structure are awaited. As discussed later, it is hoped that the steady implementation of the Group's Three-Year Plan, which is currently underway, will increase ROE.



Source: Omega Investment from company materials

## ROA/ROE

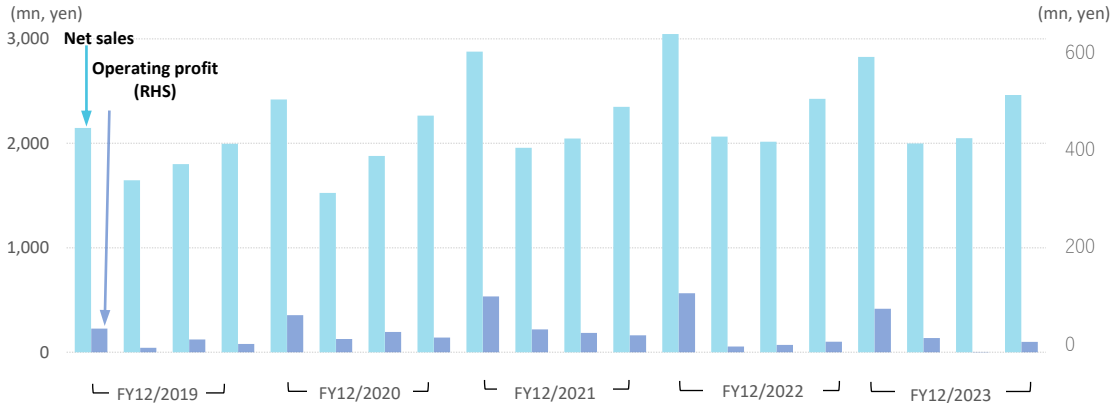


Source: Omega Investment from company materials



The company's revenues and profits tend to be weighted towards the January-March period (Q1), as the financial year of many of its customers ends in March.

## Sales/Profit by Segment (Quarterly basis)



Source: Omega Investment from company materials

## Financial results

### 1) FY12/2023 financial results: 2.2% decline in revenue and 36.3% decline in operating profit.

For FY12/2023, the company reported sales of 9.34 billion yen (-2.2% YoY), operating profit of 519 million yen (-36.3% YoY) and net profit attributable to owners of parent of 442 million yen (-14.4% YoY).

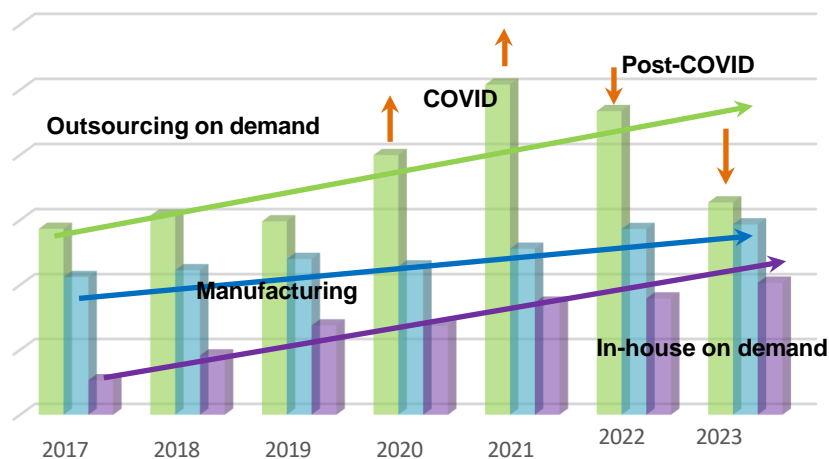
Sales by product category were 7,299 million yen (-0.9% YoY) for Research reagents, 1,985 million yen (-4.8% YoY) for Equipment and 55 million yen (-45.0% YoY) for Clinical diagnostic reagents, with all categories declining. This was due to sluggish growth in contract service intermediaries included in research reagents, as sales activities had to be curbed in the COVID-19 disaster, and to inventory adjustments on the part of users for consumables included in Equipment.

Despite these challenging sales figures, the strategic businesses of manufacturing and sales and in-house contract services continue to show steady growth. This is a point that should be appreciated.

In terms of profit, the operating profit margin fell to 5.6% (-2.9 percentage points YoY) due to a weaker yen (FY12/2022: 128 Yen/USD, FY12/2023: 140 Yen/USD), which increased the cost of sales ratio, and an increase in SG&A expenses due to more active sales activities.

BS remains healthy. Inventories are slightly down YoY, and the net cash position continues concerning borrowing.

## Sales without Distribution



Source: Company materials



**2) Forecast for FY12/2024: The company forecasts a 4.9% increase in revenue and a 25.0% decrease in operating profit.**

The company's FY12/2024 forecasts are sales of 9.8 billion yen (+4.9% YoY), operating profit of 390 million yen (-25.0% YoY), net profit attributable to owners of the parent of 310 million yen (-30.0% YoY) and an assumed exchange rate of 150 Yen/USD.

Factors contributing to the forecast of higher sales but lower profits are the deterioration of the COGS due to the assumed weaker yen and the build-up of SG&A for increased staffing and sales and administration. Although the prevailing exchange rate is estimated to have been stronger than this assumption to date, the next results will be the focus of attention as P/L in the first quarter, which has a high weighting in terms of profits, will indicate the direction of the full-year results.

## Financial trend

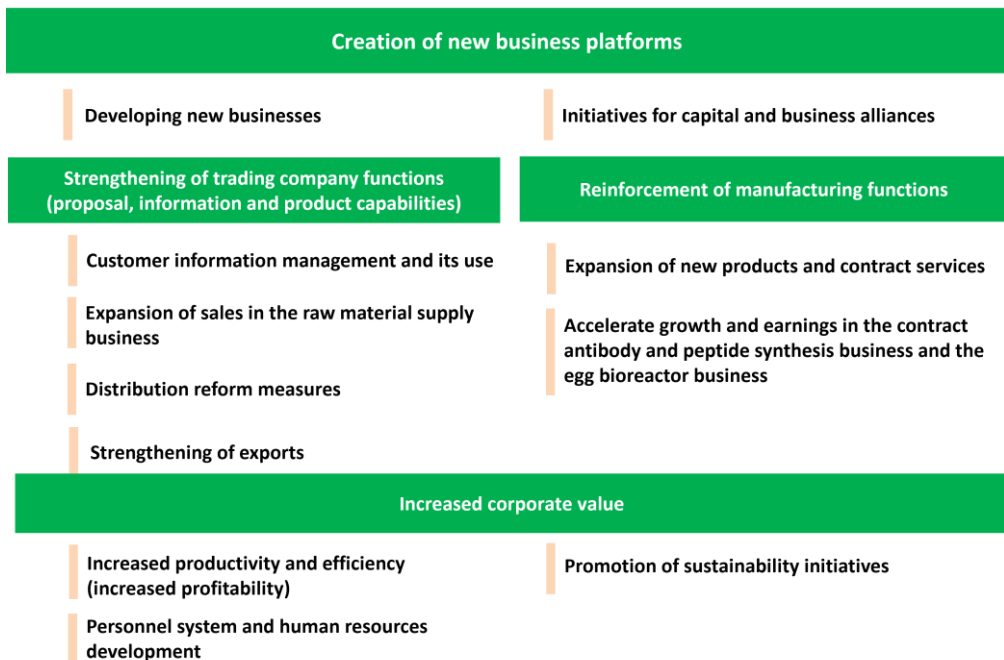
Unit: mn, yen	FY12/2019	FY12/2020	FY12/2021	FY12/2022	FY12/2023	FY12/2024
<b>[Statements of income]</b>						Company forecast
<b>Net sales</b>	<b>7,590</b>	<b>8,092</b>	<b>9,231</b>	<b>9,553</b>	<b>9,340</b>	<b>9,800</b>
Year-on-year basis	4.5%	6.6%	14.1%	3.5%	-2.2%	4.9%
Research reagent	5,613	5,872	7,035	7,365	7,299	
Equipment	1,836	2,099	2,075	2,086	1,985	
Clinical diagnostic reagent	140	119	120	101	55	
Gross profit	2,879	3,152	3,658	3,440	3,249	
SG&A expenses	2,474	2,399	2,609	2,624	2,729	
<b>Operating profit</b>	<b>405</b>	<b>752</b>	<b>1,048</b>	<b>816</b>	<b>519</b>	<b>390</b>
Year-on-year basis	23.5%	85.7%	39.4%	-22.2%	-36.3%	-25.0%
Operating profit margin	5.3%	9.3%	11.4%	8.5%	5.6%	4.0%
<b>Ordinary Profit</b>	<b>470</b>	<b>817</b>	<b>1,099</b>	<b>790</b>	<b>653</b>	<b>450</b>
<b>Net profit</b>	<b>237</b>	<b>674</b>	<b>737</b>	<b>517</b>	<b>442</b>	<b>310</b>
Year-on-year basis	-8.8%	184.4%	9.3%	-29.9%	-14.4%	-30.0%
Net profit ratio	3.1%	8.3%	8.0%	5.4%	4.7%	3.2%
<b>[Balance Sheets]</b>						
Current assets	5,927	6,756	7,310	7,136	7,102	
Cash equivalents and short-term securities	2,516	3,259	3,555	3,036	3,025	
Non-current assets	2,962	2,883	2,761	3,176	3,770	
<b>Total assets</b>	<b>8,890</b>	<b>9,640</b>	<b>10,072</b>	<b>10,313</b>	<b>10,872</b>	
Current liabilities	987	1,226	1,093	1,038	1,123	
Short-term borrowings	20	20	20	20	20	
Non-current liabilities	581	552	658	656	722	
<b>Total liabilities</b>	<b>1,568</b>	<b>1,779</b>	<b>1,752</b>	<b>1,695</b>	<b>1,846</b>	
<b>Total net assets</b>	<b>7,321</b>	<b>7,861</b>	<b>8,319</b>	<b>8,617</b>	<b>9,026</b>	
Shareholders' equity	6,843	7,358	7,787	8,052	8,443	
<b>Total liabilities and net assets</b>	<b>8,890</b>	<b>9,640</b>	<b>10,072</b>	<b>10,313</b>	<b>10,872</b>	
(Shareholders' equity ratio)	77.0%	76.3%	77.3%	78.1%	77.7%	
<b>[Statements of cash flows]</b>						
Cash flow from operating activities	549	803	648	284	736	
Cash flow from investing activities	-115	42	-145	-291	-758	
Cash flow from financing activities	-85	-97	-420	-236	-201	
<b>Free cash flow</b>	<b>434</b>	<b>845</b>	<b>503</b>	<b>-7</b>	<b>-22</b>	
[Per share] Unit: yen						
Profit attributable to owner of parent	40	114	127	89	76	53
Annual dividend per share	14	34	36	36	30	30
Book value per share	1,154	1,241	1,344	1,385	1,447	
Consolidated dividend payout ratio	35%	30%	28%	40%	39%	56%
<b>[Financial indicators]</b>						
ROA (Return on assets)	2.7%	7.3%	7.5%	5.1%	4.2%	
ROE (Return on equity attributable to owner of parent)	3.5%	9.5%	9.7%	6.5%	5.4%	
<b>[Exchange rate]</b>						
Yen/USD	109	107	108	128	140	150

## Growth strategy

### 1) New Three-Year Plan (2023-2025): “Contribute to the advancement of life sciences” as the Group’s objective

The company announced its new three-year plan (FY12/2023-2025) in conjunction with its FY12/2022 results. The plan sets out the group's objective "to contribute to the advancement of life science", as well as the group's philosophy and policies. The specific long-term strategies are: 1) to create products and services that will become new pillars of growth; 2) to enter non-research markets with a focus on life sciences; 3) to strengthen synergies between group companies; 4) to expand overseas operations, including export business; and 5) to achieve stable and sustainable growth.

### Cosmo Bio Three-Year Plan - Measures -



Source: Company materials

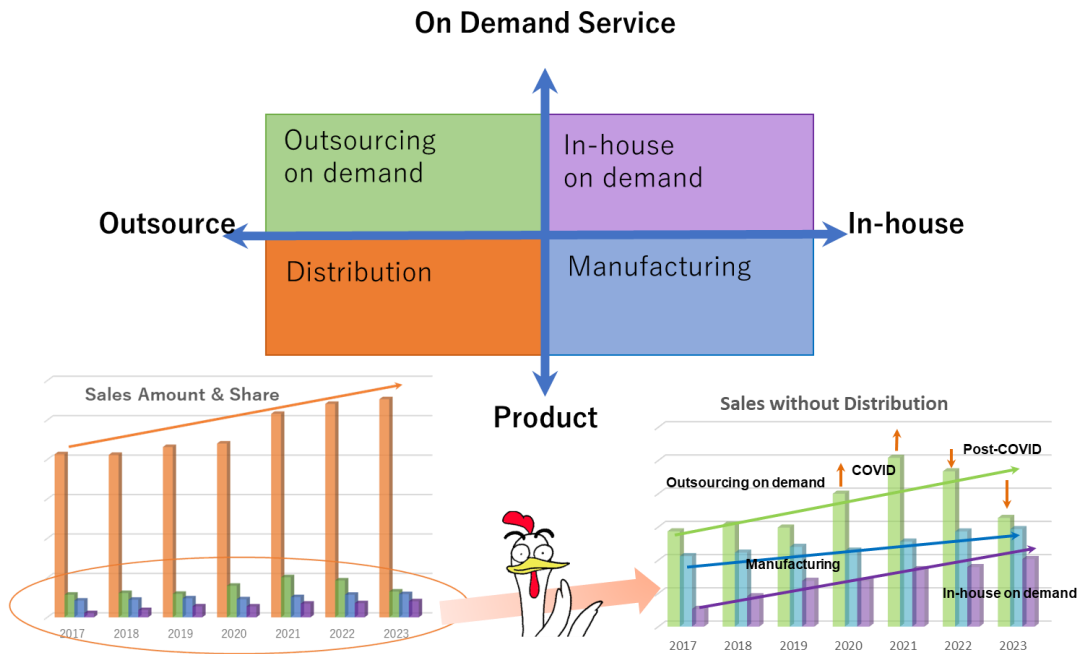
The company's business matrix is shown on the next page. The trading company function in the lower left orange quadrant, 'Purchasing and Sales', has been the company's main business to date and has shown a steady increase in revenue. The trading company function is a stable business, but it is a so-called margin business with limited profitability and is easily affected by currency fluctuations.

On the other hand, businesses related to the manufacturing function on the right require upfront investment. Still, once sales cross the break-even point, they can expect higher marginal profits than the trading company business and can also expect to expand their sales channels, including overseas.

Currently, most sales are related to the trading company function (purchasing and sales). Still, the other quadrants of the matrix - contract service intermediary, manufacturing and sales, and in-house contract services - are generally on a growth trajectory. In particular, if the manufacturing function increases, the company's profitability is expected to increase in both size and quality through increased revenues, improved profit margins and reduced foreign exchange risks.

This could lead to an improvement in ROE and a higher share price valuation, although this is not explicitly affirmed in the medium-term plan. The stock market is likely to pay close attention to whether the business restructuring is progressing as envisaged and whether this can be realised in earnings.

## Cosmo Bio's business overview and performance



Source: Company materials

### 2) Progress in strengthening manufacturing functions

Since 2006, the company has steadily strengthened its manufacturing and development functions based at its Sapporo Plant. Initially, the company started with reagent production and contract testing, including primary cultured cells. Since 2016, it has been developing custom peptide synthesis, contract antibody production, and protein production using genome-edited chickens (egg bioreactor business).

The following table summarises an overview of each business and its aims. As can be seen here, the company is developing its manufacturing business to broaden its base and is awaiting a full-scale take-off.

In FY2023, progress was made in the joint development of a substrate for immobilising biological samples with Gellycle Co., Ltd. and its exclusive sale as a research reagent in Japan, the commercialisation of ubiquitin detection reagents, and the transfer of the manufacturing and marketing rights for research reagent products from Kyowa Pharma Medical and the commencement of in-house production.

	Overview	Aims
① Primary cell and other reagent production and contract testing	Cells are isolated from living organisms and cultured until the first passaging (primary cells) is provided. Customers can conduct drug research and development using cells close to actual cells.	Provide reagents and services not available on the market ⇒ Enhanced research reagents and services
② Custom peptide synthesis and antibody production	Custom synthesis of peptides with sequences that meet researchers' requirements and contract antibody production using these peptides as materials (antigens) are also offered.	While providing peptides for research use, we also offer production and services that go one step beyond research use, such as supplying peptides as raw materials.
③ Protein production using genome-edited chickens (egg bioreactor project).	Technology that modifies chickens through genome editing to produce eggs containing large amounts of useful proteins in the egg white part of the egg. Produces the desired protein in large quantities at low cost.	Production is mainly aimed at supplying raw materials, not research reagents.

Source: Omega Investment from company materials



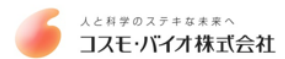
### 3) Strengthening the trading company function

The company plans to launch the contract service matching website Scientist3 in the spring of 2024 or later to strengthen the contract service intermediary part of the trading company function. The site matches life science researchers with suppliers of contract services in Japan and overseas and is likely to start contributing to profits from FY2025 onwards. The service is expected to be easy to use, with everything from enquiries to ordering completed online and the company's experienced staff supporting the flow of goods. Although the risk of cannibalisation needs to be considered, it could become an efficient and attractive business for the company.

### 4) Key initiatives for FY2024

The initiatives for FY2024 are as follows.

The company is aware that it is "ready" to upgrade its business structure by strengthening its trading company functions and expanding its manufacturing functions and intends to focus on investment activities. It will be interesting to see whether the foundations for the next medium-term plan will be firmly laid.



## Three-year plan - Key initiatives for 2024 -

- Reinforcement of overall marketing, including own brands
  - Review of internal and inter-group roles and organisational structures
  - Formulate company-wide product sales strategies, develop products, and provide product information to customers based on these strategies
  - Reinforcement of product competitiveness to expand overseas sales
  
- Active recruitment with a view to business expansion
  - Strengthening of personnel
  - Active recruitment of specialist personnel in new business fields
  
- Launch of the contract service matching website Scientist3
  - More types of contract services are offered through a sophisticated system
  
- Raw material supply business plan
  - Expansion of poultry houses, etc.

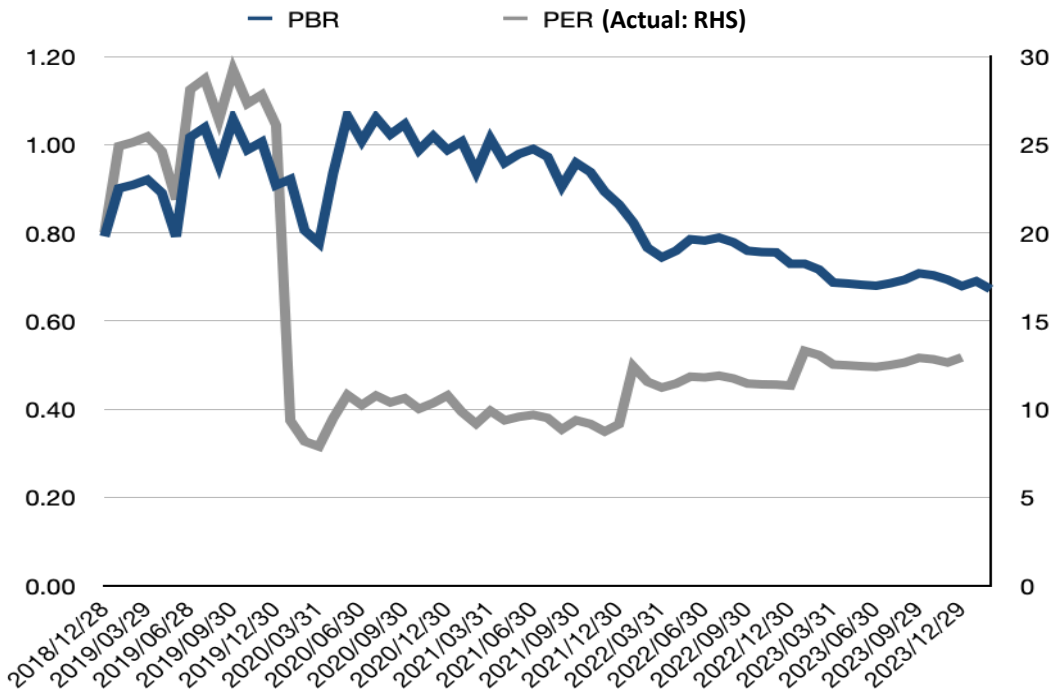
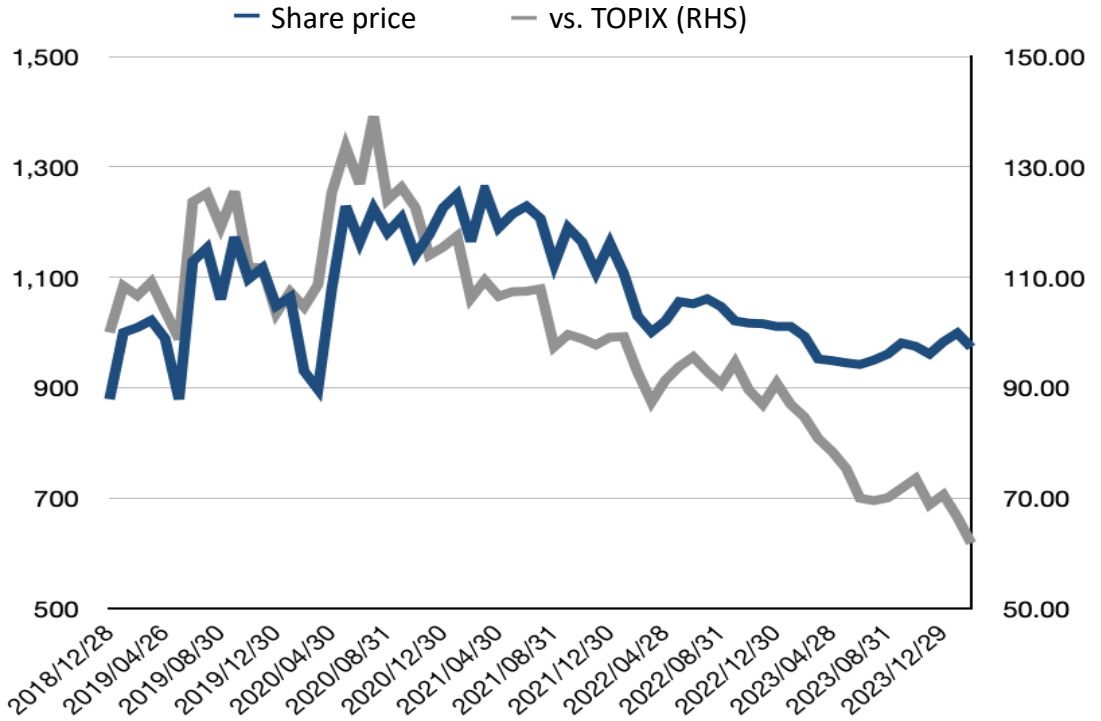
Source: Company materials



## Share price trends and catalysts

The company's share price has generally been in the range of JPY 900 to 1,300 yen for the past five years. In the past year, the share price has remained stable at around JPY 1,000. The company's share price valuation is low at a forecast PER of 18.5x for FY12/2024 and PBR of 0.68x and is felt to be not overdone.

On the other hand, the company's share price relative to TOPIX has been on a downtrend for the past three years. In other words, the company's share price has lagged behind the recent rally in the Tokyo stock market.







The reasons for the share price lagging the stock market are that most of the company's business is dependent on import sales to domestic customers, yen depreciation makes the company difficult to secure profit margins, ROE is on a downward trend against a background of these factors and is below the 8% mark, which is seen as the threshold for a listed company. Another factor is that the company's forecast for December 2024 is a decrease in profits.

Entering 2024, Mr Norihiko Shibayama will assume the position of President and Representative Director from Senior Managing Director and Acting President and CEO of Operations. Although this does not constitute a change of line in practical terms, it is considered an opportunity to give impetus to the company's structural reforms.

In the short term, the share price catalysts include (1) a path for the current performance trend to return to higher sales and profits and (2) effective management of foreign exchange risks. On the other hand, from a medium-term perspective, the catalysts include (3) the establishment of a foundation for growth in the manufacturing function and contract service intermediation and (4) the direction of the next medium-term plan's framework and numerical targets (with a particular focus on capital efficiency and specific measures to improve PBR).

Although still difficult to see from a numerical perspective, the impression is that the company has taken the steps it needs to take to reform its business structure. The company will soon reach such an inflexion point, where it can shift up the scale of its business and see capital efficiency by utilising its strong financial base and allocating more than enough funds to strategic businesses with good returns on investment. This would also bring diversification of the shareholder structure and improved share liquidity.

## Financial data

Unit: mn, yen	2012/12	2013/12	2014/12	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12	2024/12
<b>[Statements of income]</b>													Company forecast
<b>Net sales</b>	7,241	7,050	7,235	7,357	7,427	7,068	7,261	7,590	8,092	9,231	9,553	9,340	9,800
Year-on-year basis	0.7%	-2.6%	2.6%	1.7%	1.0%	-4.8%	2.7%	4.5%	6.6%	14.1%	3.5%	-2.2%	4.9%
Cost of sales	4,057	4,429	4,811	4,976	4,655	4,535	4,602	4,710	4,940	5,572	6,112	6,090	
Gross profit	3,184	2,620	2,424	2,380	2,772	2,532	2,659	2,879	3,152	3,658	3,440	3,249	
SG&A expenses	2,386	2,349	2,261	2,180	2,257	2,339	2,330	2,474	2,399	2,609	2,624	2,729	
<b>Operating profit</b>	798	271	162	200	514	193	328	405	752	1,048	816	519	390
Year-on-year basis	-10.4%	-66.0%	-40.2%	23.5%	157.0%	-62.5%	69.9%	23.5%	85.7%	39.4%	-22.2%	-36.3%	-25.0%
Operating profit margin	11.0%	3.8%	2.2%	2.7%	6.9%	2.7%	4.5%	5.3%	9.3%	11.4%	8.5%	5.6%	4.0%
Non-operating profit	46	177	128	175	21	208	89	72	71	71	57	136	
Non-operating expenses	43	3	5	2	51	3	13	7	6	20	83	2	
<b>Ordinary Profit</b>	801	444	285	373	483	397	403	470	817	1,099	790	653	450
Extraordinary profit	3	9	46	34	55	8			190				
Extraordinary expenses	30	2	1	0	82	5		81					
Income before income taxes	774	451	330	407	456	400	403	388	1,008	1,099	790	653	
Total income taxes	336	137	131	158	180	148	126	142	307	331	238	191	
<b>Net profit</b>	411	313	201	230	254	237	260	237	674	737	517	442	310
Year-on-year basis	-10.3%	-23.8%	-35.8%	14.4%	10.4%	-6.7%	9.7%	-8.8%	184.4%	9.3%	-29.9%	-14.4%	-30.0%
Net profit ratio	5.7%	4.4%	2.8%	3.1%	3.4%	3.4%	3.6%	3.1%	8.3%	8.0%	5.4%	4.7%	3.2%
<b>[Balance Sheets]</b>													
Current assets	5,413	5,527	5,234	5,266	5,495	5,143	5,668	5,927	6,756	7,310	7,136	7,102	
Cash equivalents and short-term securities	2,143	2,036	1,482	1,498	1,948	1,483	2,268	2,516	3,259	3,555	3,036	3,025	
Non-current assets	1,541	2,750	2,927	2,523	2,438	2,982	2,832	2,962	2,883	2,761	3,176	3,770	
Property, plant and equipment	178	185	213	227	319	690	636	695	636	599	577	572	
Investments and other assets	1,201	2,456	2,613	2,071	1,842	2,041	1,943	2,068	2,081	1,979	2,428	3,042	
<b>Total assets</b>	6,955	8,277	8,161	7,790	7,934	8,126	8,501	8,890	9,640	10,072	10,313	10,872	
Current liabilities	916	818	1,130	1,017	916	799	945	987	1,226	1,093	1,038	1,123	
Short-term borrowings	20	20	20	20	20	20	20	20	20	20	20	20	
Non-current liabilities	317	660	497	394	436	488	502	581	552	658	656	722	
<b>Total liabilities</b>	1,234	1,479	1,628	1,412	1,352	1,288	1,448	1,568	1,779	1,752	1,695	1,846	
<b>Total net assets</b>	5,720	6,797	6,532	6,378	6,581	6,838	7,053	7,321	7,861	8,319	8,617	9,026	
Shareholders' equity	5,230	6,311	6,050	5,951	6,135	6,381	6,581	6,843	7,358	7,787	8,052	8,443	
Share capital	918	918	918	918	918	918	918	918	918	918	918	918	
Capital surplus	1,221	1,221	1,221	1,251	1,251	1,251	1,251	1,251	1,251	1,258	1,260	1,261	
Retained earnings	3,119	3,314	3,397	3,521	3,680	3,812	4,026	4,181	4,761	5,274	5,560	5,805	
Treasury shares	-67	-67	-67	-67	-67	-67	-67	-67	-67	-239	-216	-194	
Valuation/exchange differences	37	924	579	327	352	466	451	558	494	574	530	654	
<b>Total liabilities and net assets</b>	6,955	8,277	8,161	7,790	7,934	8,126	8,501	8,890	9,640	10,072	10,313	10,872	
(Shareholders' equity ratio)	75.2%	76.2%	74.1%	76.4%	77.3%	78.5%	77.4%	77.0%	76.3%	77.3%	78.1%	77.7%	
<b>[Statements of cash flows]</b>													
Cash flow from operating activities	347	126	297	129	573	89	908	549	803	648	284	736	
Cash flow from investing activities	-167	-99	-227	-263	99	-235	-185	-115	42	-145	-291	-758	
Cash flow from financing activities	-126	-126	-122	-151	-107	-109	-85	-85	-97	-420	-236	-201	
Net increase in cash and cash equiv.	61	-97	-52	-285	549	-264	684	348	743	95	-218	-210	
Cash and cash equiv. at beginning of period	1,471	1,532	1,435	1,383	1,098	1,648	1,383	2,068	2,416	3,159	3,255	3,036	
<b>Cash and cash equiv. at end of period</b>	1,532	1,435	1,383	1,098	1,648	1,383	2,068	2,416	3,159	3,255	3,036	2,826	
Free cash flow	180	27	70	-134	672	-146	723	434	845	503	-7	-22	



## Company data

### Company Profile

Cosmo Bio Co., Ltd.

**【Head Office】**

Toyo-Ekimae Bldg., 2-20,  
Toyo 2-chome, Koto-ku, Tokyo

<https://www.cosmobio.com/jp/>



**【Sapporo Office】**

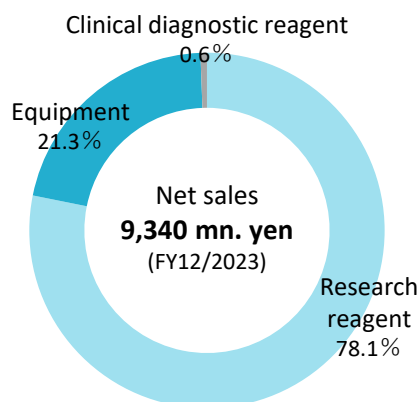
3-513-2, Zenibako, Otaru City, Hokkaido

**【Shinsuna logistics centre】**

12-39, Shinsuna, Koto-ku, Tokyo  
3F, Building B, Warehouse No. 3, Shinsuna, Nippon Express Co.

Number of Employees : 155 (Consolidated; as of Dec.31, 2023)

### Sales by product category



### History

Month/Year	Event
Aug. 1983	Maruzen Oil Biochemicals Co. Ltd. was established as a subsidiary of Maruzen Oil (now Cosmo Oil Co., Ltd.) in Minato-ku, Tokyo, for the purpose of marketing basic biotechnology research reagents.
Apr. 1986	Company name changed to Cosmo Bio Ltd. and sales of bio-research equipment begun.
Dec. 1986	Licensed to sell medicines
Apr. 1998	Establishment of wholly-owned subsidiary CB Development Co., Ltd. to search for suppliers.
Sep. 2000	Independence from Cosmo Oil through a management buyout (MBO). CB Development Co., Ltd. became a non-subsiary company through a share transfer.
Dec. 2000	Absorption merger of CB Development Co., Ltd.
Aug. 2004	Establishment of wholly-owned subsidiary Cosmo Bio USA Inc. in San Diego, California, USA, to search for suppliers and promote exports.
Sep. 2005	Listed on the JASDAQ stock exchange.
Dec. 2006	Acquired 80% of the shares of Primary Cell Co., Ltd., a company engaged in the research, development, manufacture and sale of primary cultured cells (primary cells) and contract analysis using these cells, and made it a subsidiary.
Nov. 2007	Acquired 30% of the outstanding shares of BM Equipment Co., Ltd., an importer and distributor of consumables and equipment for bio-research, and made it an equity-accounted affiliate.
Jul. 2008	Primary Cell Co., Ltd., a consolidated subsidiary, became a wholly owned subsidiary.
Mar. 2010	Acquired an additional 33% of the outstanding shares of BM Equipment Co., Ltd., making it a consolidated subsidiary with a total shareholding of approximately 63%.
Jan. 2013	Relocated the distribution centre and started operation at the Shinsuna Logistics Centre.
Jul. 2013	Merged with Primary Cell Co., Ltd.
Jul. 2013	Listed on the JASDAQ (Standard) of the Tokyo Stock Exchange following the merger of the Tokyo Stock Exchange and the Osaka Securities Exchange.
Nov. 2016	Established a joint venture Proteintech Japan Co., Ltd. with Proteintech Group, Inc.
Oct. 2017	Relocated and consolidated Sapporo business facilities and opened the Sapporo Site.
Jan. 2018	Cosmo Bio USA, became a consolidated subsidiary.
Mar. 2022	Transition to a company with an audit committee
Apr. 2022	Listed on the TSE Standard following the reorganisation of the Tokyo Stock Exchange.

## Top management

### President : Norihiko Shibayama

Apr. 1994 Joined Maruzen Petrochemical Co., Ltd.  
 Oct. 2000 Joined the Company  
 Apr. 2012 General Manager, Information Systems Department  
 Mar. 2014 Director, BM Equipment Co., Ltd.  
 Nov. 2016 General Manager of General Affairs Department and General Manager of the Information Systems Department  
 Mar. 2017 Director and General Manager of the General Affairs Department and Information Systems Department  
 Mar. 2020 Managing Director and General Manager of the General Affairs Department and Information Systems Department  
 Mar. 2022 President and Representative Director of BM Equipment Co., Ltd. (to present)  
 Apr. 2022 Managing Director and General Manager of the General Affairs Department  
 Mar. 2023 Senior Managing Director and General Manager of the General Affairs Department  
 Nov. 2023 Representative Director, Senior Managing Director and General Manager of the General Affairs Department of the company, acting for the President and CEO  
 Mar. 2024 Representative Director and President (to present)

### Managing Director : Junko Tochigi

Apr. 1998 Joined the Company  
 Apr. 2013 Head of Product Communications Department  
 Mar. 2017 Director and Head of Product Communications Department  
 Apr. 2017 Director and Head of Corporate Planning Department  
 Mar. 2021 Director, BM Equipment Co., Ltd.  
 Mar. 2022 President and Representative Director, Cosmo Bio USA, Inc. (to present)  
 Representative Director, Proteintech Japan Co., Ltd. (to present)  
 Mar. 2023 Managing director and Head of Corporate Planning Department (to present)

### Director : Masanori Hayashi

Apr. 1994 Joined Kyowa Hakko Kogyo Co., Ltd.  
 May. 2012 Joined the Company  
 Apr. 2019 Head of Finance Department  
 Mar. 2022 General Manager, Finance Department, BM Equipment Co., Ltd (to present)  
 Mar. 2023 Director and Head of Finance Department (to present)

### Director, Full-time Audit and Supervisory Committee Member : Kazutoshi Sato

Apr. 1987 Joined Sumitomo Real Estate Sales Co., Ltd.  
 Jan. 1993 Joined Cosmo Oil Co., Ltd.  
 Jun. 2011 Branch Manager, Sapporo Branch, Cosmo Oil Co., Ltd.  
 Jun. 2014 Branch Manager, Takamatsu Branch, Cosmo Oil Co., Ltd.  
 Oct. 2015 Cosmo Oil Marketing (Japan) Co., Ltd., Takamatsu Branch Branch manager  
 Jun. 2017 Director, Executive Officer and General Manager, General Affairs Department, Maruzen Petrochemical Co., Ltd.  
 Mar. 2020 Director, Maruzen Petrochemical Co., Ltd.  
 Outside auditor of the company  
 Auditor of BM Equipment Co., Ltd. (to present)  
 Mar. 2022 Director and full-time audit committee member (to present)

### Director, Audit and Supervisory Committee Member : Haruo Sasaki

Nov. 1974 Joined Chuo Audit Corporation  
 Feb. 1990 Established Sasaki Accounting Office, Director (to present)  
 Dec. 2000 Outside auditor of the Company  
 Mar. 2022 Director and Audit Committee member (to present)

### Director, Audit and Supervisory Committee Member : Kazuya Shimamura

Oct. 1995 Joined Deloitte Touche Tohmatsu (now Deloitte Touche Tohmatsu LLC)  
 Apr. 1998 Registered as a chartered accountant  
 Oct. 2004 Registered as a lawyer  
 Joined Abe, Ikubo & Katayama Law Office  
 Mar. 2008 Established Shimamura Law & Accounting Office, Representative (to present)  
 Mar. 2014 Outside director of the Company  
 Mar. 2022 Director and Audit Committee member (to present)

### Director, Audit and Supervisory Committee Member : Junichiro Haraguchi

Apr. 1984 Joined Tokyo Small and Medium Business Investment & Consultation Co., Ltd.  
 Apr. 2017 Counsellor, Acting Chief Examiner, Tokyo Small and Medium Business Investment & Consultation Co., Ltd.  
 Oct. 2020 Acting Director of Tokyo Small and Medium Business Investment & Consultation Co., Ltd.  
 Apr. 2021 Specially Appointed Counsellor (Operations Department 5 and Sales Management Department), Tokyo Small and Medium Business Investment & Consultation Co., Ltd.  
 Apr. 2023 Specially Appointed Counsellor (Operations Department 5 and Business Management Department), Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (to present)  
 Mar. 2024 Director and Audit Committee member of the Company (to present)

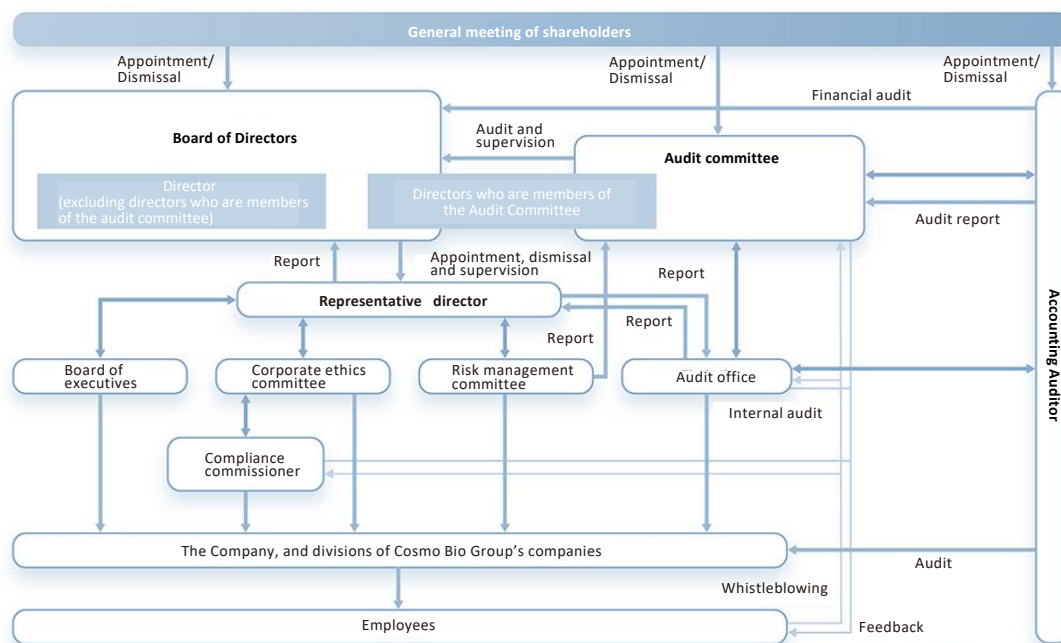
Mr Norihiko Shibayama was appointed representative director on 26 March 2024, and Mr Haruhisa Sakurai, who has served as representative director, was appointed adviser.

## Skills matrix of the Board of Directors' Members

Name	Position	Expertise/experience							
		Business management	Sales and marketing	Finance, accounting	IT/DX	Human resources	Legal, risk management	Global	R & D
Norihiko Shibayama	President	●	●	●	●	●	●	●	
Junko Tochigi	Managing Director	●	●				●	●	●
Masanori Hayashi	Director	●		●			●		
Kazutoshi Sato	Director, outside Full-time Audit and Supervisory Committee Member	●	●	●			●		
Haruo Sasaki	Director, outside Audit and Supervisory Committee Member	●		●		●	●		
Kazuya Shimamura	Director, outside Audit and Supervisory Committee Member	●		●		●	●		
<small>New appointment</small> Junichiro Haraguchi	Director, outside Audit and Supervisory Committee Member	●		●		●	●		

Source: Company materials

## Corporate governance structure



Source: Omega Investment from company materials

## Major shareholders (As of 31, December, 2023)

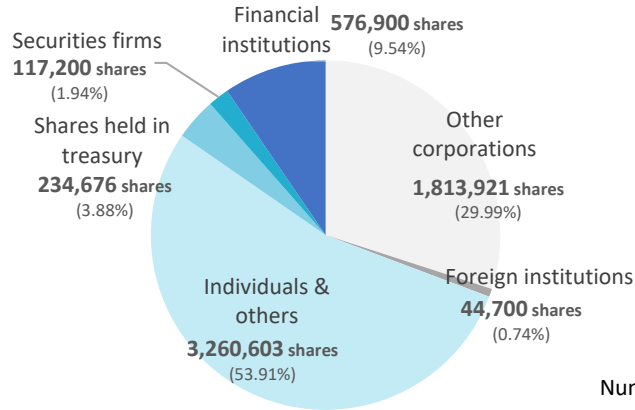
(%)

Name	Number of shares owned	Ratio of the number of shares owned to the total number of issued shares (%)
Tokyo Small and Medium Business Investment & Consultation Co., Ltd.	1,152,000	19.74
Mizuho Trust & Banking Corporation Cosmo Oil Co., Ltd. Pension Fund.	576,000	9.87
Re-trustee Custody Bank of Japan, Ltd.	435,900	7.46
Hikari Tsushin, Inc.	184,600	3.16
UH Partners 2, Inc.	128,100	2.19
Cosmo Bio Employee Stock Ownership Plan	82,300	1.41
Yumiko Suzuki	76,000	1.30
Shoichi Matsunami	75,400	1.29
Toshiaki Funato	69,000	1.18
Harada, Masanori	61,900	1.06
Haruhisa Sakurai		
<b>Total</b>	<b>2,756,200</b>	<b>47.47</b>

Note: The percentage of shares held to the total number of shares issued (%) excludes treasury shares (212,633 shares).

Source: Omega Investment from company materials

## Shareholding by ownership (As of 31, December, 2023)

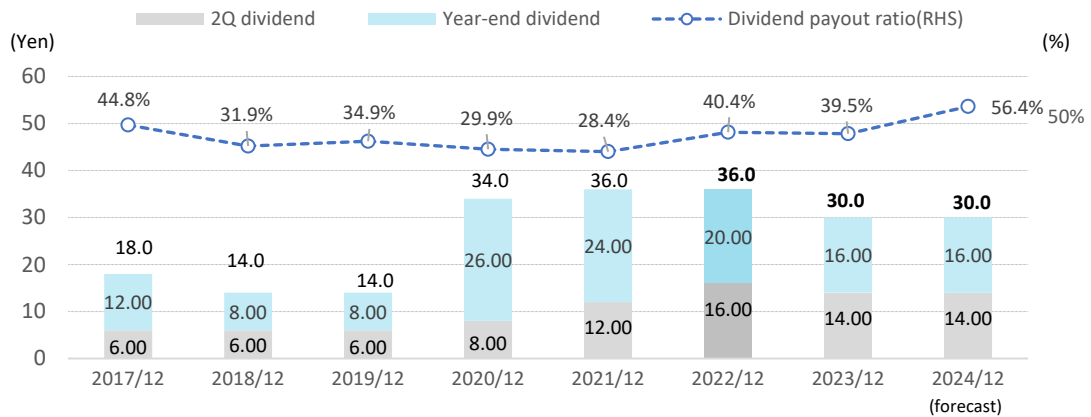


Number of shareholders : 5,523

Source: Omega Investment from company materials

## Shareholder return policy

### Dividends



Source: Omega Investment from company materials



## General disclaimer and copyright

This report was created and displayed based on interviews with the company concerned and financial statements, but we do not guarantee the accuracy, completeness, or credibility of the content and data. This report is for informational purposes only and is not intended to solicit or recommend investment. Omega Investment is not responsible for the consequences of using this report.

This report is informed by the target company through interviews with the target company, but the hypotheses, conclusions and all other content contained in this report are based on research by Omega Investment.

Intellectual ownership, including copyrights of the text and data, belongs to Omega Investment. Distribution, transfer, reproduction, transfer or other use constitutes copyright infringement of this report and is strictly prohibited.