

# Cosmo Bio (TYO: 3386)

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

## ◆ The company's results for the first quarter of FY12/2024: Sales increase and profit decrease, but in line with expectations

Cosmo Bio's 1Q (Jan-Mar) FY12/2024 results, announced after the close of trading on May 9, 2024, showed increased sales and decreased profits. Sales were 2.94 billion yen (+4% YoY), operating profit was 300 million yen (-23% YoY), ordinary profit was 290 million yen (-28% YoY), and net profit attributable to owner of parent company was 230 million yen (-12% YoY).

According to the company, results were in line with expectations. Sales and ordinary profit were 30% and 66% of the company's full-year forecasts, respectively. It should be noted that the company's full-year forecasts are for higher sales and lower profits, but the rate of progress is fine.

It should also be noted that under the new President Shibayama's leadership, the company is progressing in developing its business structure.

## ◆ Forecasts for the FY12/2024: unchanged

The 2Q cumulative and full-year forecasts have not been changed. The assumed exchange rate for the full year is 150 yen to the US dollar.

## ◆ Share price trend and future focus: expect progress in growth strategy and countermeasures for low PBR

The share price has recently started to rise. The following points are worth noting for the share price to get on a full-fledged upward trajectory.

Firstly, what are the future trends in the dollar/yen exchange rate (will the yen stop weakening) and with this, will there be (upward) revisions to the full-year forecast at or after the announcement of the 2Q results? Will foreign exchange risk management methods become more sophisticated?

Secondly, will concrete projects be built up regarding strengthening and expanding the trading company function, developing and expanding the manufacturing function, and globalising the business, as set out in the medium-term growth strategy? As a result, will investors be able to see a path towards a structure that will allow the company to increase sales and profits while structurally reducing foreign exchange risks?

Finally, will there be concrete measures on the medium-term business strategy to improve ROE and the prospects of PBR rising above 1x?

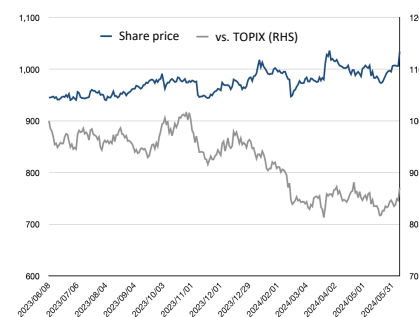
## 1Q results update

Pharmaceuticals and pharmaceutical wholesalers

As of June 27, 2024

<b>Share price (6/26)</b>	<b>1,039 Yen</b>
52weeks high/low	¥1,072/937
Avg Vol (3 month)	7.1 thou shrs
Market Cap	¥6.28 bn
Enterprise Value	¥3.24 bn
PER (24/12 CE)	20.3 X
PBR (23/12 act)	0.71 X
Dividend Yield (24/12 CE)	2.88 %
ROE (23/12 act)	5.4 %
Operating margin (23/12)	5.6 %
Beta (5Y Monthly)	0.61
Shares Outstanding	5.834 mn shrs
Listed market	TSE Standard section

### Share price performance



% of	1mo.	3mo.	12mo.
Share prices	3.0%	5.4%	9.4%
Relative share price	2.7%	4.3%	-13.0%

### Points of interest

Specialist biotechnology trading company with the objective of 'contribute to the advancement of life sciences'. One of the leading providers of life science research reagents, offering 12 million items from some 600 manufacturers worldwide. In recent years, the company has strengthened its manufacturing function and expanded into in-house contract services and its own manufacturing and sales business. This 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.

## ◇ Cosmo Bio's 1Q FY12/2024 results: sales and profits up, but in line with expectations

Cosmo Bio's 1Q (Jan-Mar) results for FY12/2024, announced after the close of trading on May 9, 2024, showed an increase in sales and a decrease in profit. Sales were 2.94 billion yen (+4% YoY), operating profit was 300 million yen (-23% YoY), ordinary profit was 290 million yen (-28% YoY), and net profit attributable to owner of parent company was 230 million yen (-12% YoY).

In terms of sales, demand from the private sector appears to have been strong. The operating profit margin was 10.3%, down 3.7 percentage points YoY. This was mainly due to higher purchase and delivery costs, as the yen depreciated 9% YoY against the US dollar to 146 yen. As a result, profits decreased despite the increase in sales.

Thus, the company captured demand in 1Q, which is positive. According to the company, its performance was in line with expectations, which is also noteworthy. Progress against the company's full-year forecasts is in line with expectations, with sales at 30% and ordinary profit at around 66%.

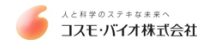
However, the results also reiterate the need to raise added value by strengthening manufacturing, improving labour productivity, and shifting from an import-oriented business structure to one that balances imports and exports in order to fundamentally improve profitability.

As a point of interest other than financial results, it should be pointed out that under the new President Shibayama's leadership, organisational reforms are underway to promote the medium-term plan. Specifically, as of April 1, 2024, the Human Resources Department, Marketing Department, Product Legal Department and Manufacturing Engineering Department were newly established, and the Sapporo Business Department was abolished and its functions transferred mainly to the Business Development Department and Manufacturing Engineering Department. The aim appears to be to establish a structure to increase exports and to improve the efficiency of in-house product development. This is a serious approach to the company's business structure management issues mentioned above.

In addition, the contract service matching website Scientist<sup>3</sup> (Scientist Cube) is being closely tested during the quarter under review.

For reference, the key measures for the current year are shown below.

### 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

JPY, mn, %	Net sales	YoY	Oper.	YoY	Ord.	YoY	Profit	YoY	EPS	DPS
		%	profit	%	profit	%	ATOP	%	(¥)	(¥)
2019/12	7,590	4.5	405	23.5	470	16.5	237	-8.6	40.14	14.00
2020/12	8,092	6.6	752	85.6	817	73.7	674	183.2	113.70	34.00
2021/12	9,231	14.1	1,048	39.4	1,099	34.5	737	9.4	126.94	36.00
2022/12	9,553	3.5	816	-22.2	790	-28.1	517	-29.8	89.13	36.00
2023/12	9,340	-2.2	519	-36.3	653	-17.4	442	-14.4	75.97	30.00
2024/12 (CE)	9,800	4.9	390	-25.0	450	-31.1	310	-30.0	53.12	30.00
2023/12 1Q	2,828	-7.2	400	-30.7	416	-26.2	264	-17.8	45.46	0.00
2024/12 1Q	2,943	4.1	305	-23.8	299	-28.1	230	-12.6	39.56	0.00

## ◇ Company forecasts for FY12/2024: unchanged

The 2Q cumulative and full-year forecasts have not been changed. The assumed exchange rate for the full year is 150 yen to the US dollar.

## ◇ Stock price trends and future highlights: expect progress in growth strategies and countermeasures for low PBR

The company's share price has underperformed the TOPIX over the past year, although it has been slowly rising. The share price has recently increased. This is due to the company's undervalued PBR of 0.71x, the high rate of progress in 1Q profits against the full-year plan as mentioned above, and the fact that the company is attracting increasing attention as a 'dementia-related stock' dealing in dementia products.

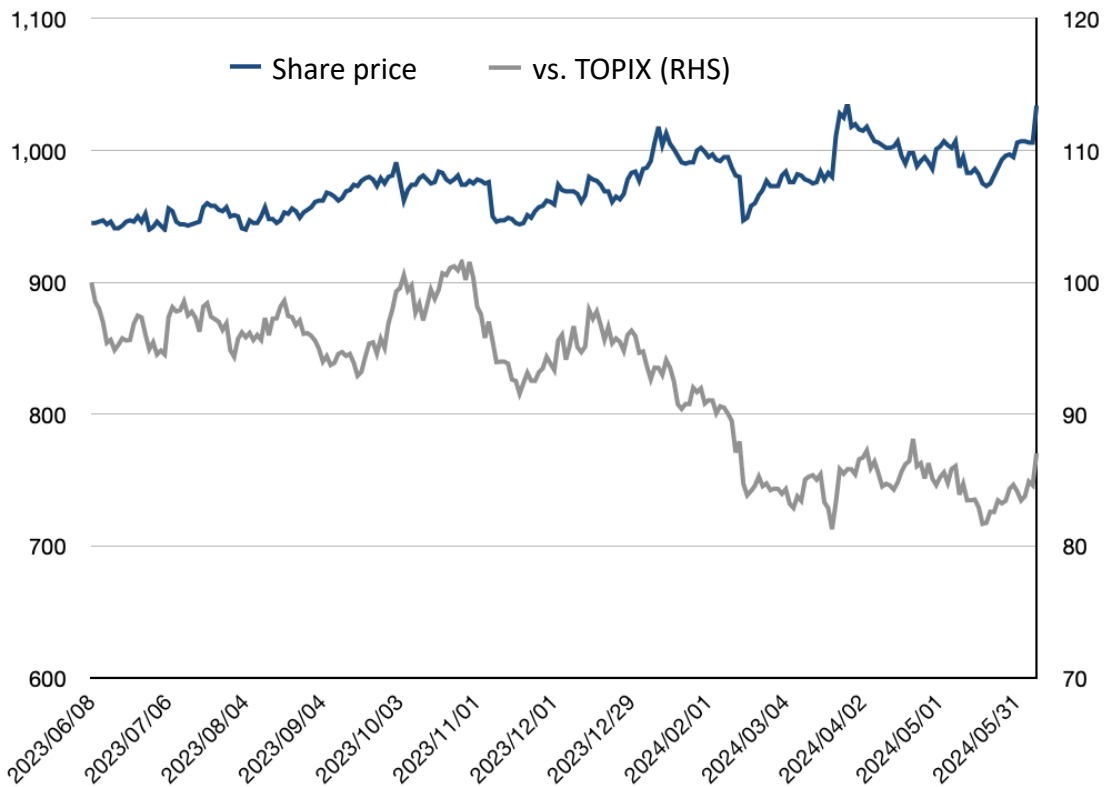
Thus, the stock price recovery may have been triggered, but for a full-fledged recovery, the following factors should be noted.

Firstly, what are the future trends in the dollar/yen exchange rate (will the yen stop weakening) and with this, will there be (upward) revisions to the full-year forecast at or after the announcement of the 2Q results? Will foreign exchange risk management methods become more sophisticated?

Secondly, will concrete projects be built up regarding strengthening and expanding the trading company function, developing and expanding the manufacturing function, and globalising the business, as set out in the medium-term growth strategy? As a result, will we see a path towards a structure that will allow the company to increase sales and profits while structurally reducing foreign exchange risks?

Finally, will there be concrete measures on the medium-term business strategy to improve ROE and the prospects of PBR rising above 1x?

President Shibayama is fully aware of the low ROE and PBR issues. We expect the stock market to take a greater interest in future news flows.



## Financial data

Unit: million 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 (Forecast)
<b>[Statements of income]</b>													
<b>Net sales</b>	<b>7,241</b>	<b>7,050</b>	<b>7,235</b>	<b>7,357</b>	<b>7,427</b>	<b>7,068</b>	<b>7,261</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	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	
<b>Gross profit</b>	<b>3,184</b>	<b>2,620</b>	<b>2,424</b>	<b>2,380</b>	<b>2,772</b>	<b>2,532</b>	<b>2,659</b>	<b>2,879</b>	<b>3,152</b>	<b>3,658</b>	<b>3,440</b>	<b>3,249</b>	
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>	<b>798</b>	<b>271</b>	<b>162</b>	<b>200</b>	<b>514</b>	<b>193</b>	<b>328</b>	<b>405</b>	<b>752</b>	<b>1,048</b>	<b>816</b>	<b>519</b>	<b>390</b>
Year-on-year	-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>	<b>801</b>	<b>444</b>	<b>285</b>	<b>373</b>	<b>483</b>	<b>397</b>	<b>403</b>	<b>470</b>	<b>817</b>	<b>1,099</b>	<b>790</b>	<b>653</b>	<b>450</b>
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 attributable to owner of parent</b>	<b>411</b>	<b>313</b>	<b>201</b>	<b>230</b>	<b>254</b>	<b>237</b>	<b>260</b>	<b>237</b>	<b>674</b>	<b>737</b>	<b>517</b>	<b>442</b>	<b>310</b>
Year-on-year	-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>													
<b>Current assets</b>	<b>5,413</b>	<b>5,527</b>	<b>5,234</b>	<b>5,266</b>	<b>5,495</b>	<b>5,143</b>	<b>5,668</b>	<b>5,927</b>	<b>6,756</b>	<b>7,310</b>	<b>7,136</b>	<b>7,102</b>	
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	
<b>Non-current assets</b>	<b>1,541</b>	<b>2,750</b>	<b>2,927</b>	<b>2,523</b>	<b>2,438</b>	<b>2,982</b>	<b>2,832</b>	<b>2,962</b>	<b>2,883</b>	<b>2,761</b>	<b>3,176</b>	<b>3,770</b>	
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>	<b>6,955</b>	<b>8,277</b>	<b>8,161</b>	<b>7,790</b>	<b>7,934</b>	<b>8,126</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>Current liabilities</b>	<b>916</b>	<b>818</b>	<b>1,130</b>	<b>1,017</b>	<b>916</b>	<b>799</b>	<b>945</b>	<b>987</b>	<b>1,226</b>	<b>1,093</b>	<b>1,038</b>	<b>1,123</b>	
Short-term borrowings	20	20	20	20	20	20	20	20	20	20	20	20	
<b>Non-current liabilities</b>	<b>317</b>	<b>660</b>	<b>497</b>	<b>394</b>	<b>436</b>	<b>488</b>	<b>502</b>	<b>581</b>	<b>552</b>	<b>658</b>	<b>656</b>	<b>722</b>	
<b>Total liabilities</b>	<b>1,234</b>	<b>1,479</b>	<b>1,628</b>	<b>1,412</b>	<b>1,352</b>	<b>1,288</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>5,720</b>	<b>6,797</b>	<b>6,532</b>	<b>6,378</b>	<b>6,581</b>	<b>6,838</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>	
<b>Shareholders' equity</b>	<b>5,230</b>	<b>6,311</b>	<b>6,050</b>	<b>5,951</b>	<b>6,135</b>	<b>6,381</b>	<b>6,581</b>	<b>6,843</b>	<b>7,358</b>	<b>7,787</b>	<b>8,052</b>	<b>8,443</b>	
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 and exchange differences	37	924	579	327	352	466	451	558	494	574	530	654	
<b>Total liabilities and net assets</b>	<b>6,955</b>	<b>8,277</b>	<b>8,161</b>	<b>7,790</b>	<b>7,934</b>	<b>8,126</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>	
(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>	<b>1,532</b>	<b>1,435</b>	<b>1,383</b>	<b>1,098</b>	<b>1,648</b>	<b>1,383</b>	<b>2,068</b>	<b>2,416</b>	<b>3,159</b>	<b>3,255</b>	<b>3,036</b>	<b>2,826</b>	
FCF	180	27	70	-134	672	-146	723	434	845	503	-7	-22	



## 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.