Non-Consolidated Financial Results for the Three Months Ended December 31, 2020 [Japanese GAAP]

February 5, 2021

Company name: Shinnihonseiyaku Co., Ltd. Stock exchange listing: Tokyo Stock Exchange
Code number: 4931 URL: https://corporate.shinnihonseiyaku.co.jp
Representative: Takahiro Goto, President & Representative Director and Chief Executive Officer
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Scheduled date of filing the quarterly securities report: February 10, 2021
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Yes
Schedule of quarterly financial results briefing session: Yes (For institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Financial Results for the Three Months Ended December 31, 2020 (October 1, 2020 to December 31, 2020)

(1) Operating Results (Cumulative)

(% indicates the change from the corresponding period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended December 31, 2020	8,489	(2.7)	828	20.8	859	22.6	590	33.2
Three months ended December 31, 2019	8,726	-	685	—	701	—	443	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended December 31, 2020	27.50	27.23
Three months ended December 31, 2019	20.53	20.53

(Note) Since the Company did not prepare quarterly financial statements for the first quarter of the fiscal year ended September 2019, the percentage change from the corresponding period of the previous fiscal year for the first quarter of the fiscal year ended September 2020 (three months ended December 31, 2019) is not indicated.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2020	19,729	14,914	75.1
As of September 30, 2020	19,956	14,267	71.2

(Reference) Equity: As of December 31, 2020 14,818 million yen
As of September 30, 2020 14,201 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2020	—	0.00	—	30.00	30.00
Fiscal year ending September 30, 2021	—				
Fiscal year ending September 30, 2021 (Forecast)		0.00	—	32.50	32.50

(Notes) Revision from the most recently announced dividend forecast: No

3. Financial Results Forecast for the Fiscal Year Ending September 30, 2021 (October 1, 2020 to September 30, 2021)

(% indicates changes from the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	35,000	3.8	3,500	5.1	3,460	5.4	2,300	8.4	106.14

(Notes) Revision from the most recently announced financial results forecast: No

* Notes

(1) Accounting policies adopted specially for the preparation of the quarterly financial statements No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(2) Total number of shares issued (common stock)

1) Total number of shares issued at the end of the period (including treasury shares)	As of December 31, 2020	21,855,200 shares	As of September 30, 2020	21,611,300 shares
2) Total number of treasury shares at the end of the period	As of December 31, 2020	186,072 shares	As of September 30, 2020	190,140 shares
3) Average number of shares during the period (cumulative)	Three months ended December 31, 2020	21,483,713 shares	Three months ended December 31, 2019	21,611,300 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or auditing firms.

* Explanation on the proper use of financial results forecast and other notes

Financial results forecasts and other forward-looking statements herein are based on currently available information and certain assumptions that the Company deems as reasonable, and actual results, etc. may differ significantly from these forecasts due to various factors.

(How to obtain the supplementary briefing material and the content of the financial results briefing)

The Company plans to deliver an online financial results briefing for institutional investors and analysts on Wednesday, February 10, 2021. The supplementary briefing material used in this briefing is disclosed today on TDnet as well as posted on the Company's website.

Table of Contents

1. Qualitative Information for Quarterly Financial Results for the Period Under Review 2
(1) Explanation on Business Results 2
(2) Explanation on Financial Position 2
(3) Explanation on Financial Results Forecast and Other Forward-Looking Information 3
2. Quarterly Financial Statements and Primary Notes 4
(1) Quarterly Balance Sheet 4
(2) Quarterly Statement of Income 6
(3) Notes to the Quarterly Financial Statements 7
(Notes on going concern assumptions) 7
(Notes when there was a substantial change in the amount of shareholders' equity) 7
(Segment information, etc.) 7
(Additional information) 7

1. Qualitative Information for Quarterly Financial Results for the Period Under Review

(1) Explanation on Business Results

During the three months ended December 31, 2020, the Japanese economy remained in a difficult situation due to stagnation of economic activities and worsening consumer spending caused by the spread of COVID-19 infections. With concerns about a resurge in infections, the outlook for the economy in Japan and overseas is expected to remain uncertain although a moderate recovery in economic activities is likely as measures are taken to prevent the spread of infections.

Under such a market environment, during the three months ended December 31, 2020, sales of PERFECT ONE Wrinkle Stretch Gel, which was newly launched from our core Perfect One All-in-One Gel series, were favorable. However, net sales declined from the same period of the previous fiscal year mainly due to a temporary restraint in advertising investment in consideration of the change in consumer sentiment caused by the concern about the spread of COVID-19 infections in the latter half of the previous fiscal year and the impact of COVID-19 infections on sales in the direct store and wholesale channels. Also, as part of our brand strategy to acquire new customer bases, we broadcasted brand commercials featuring Kento Nakajima as a character and implemented promotional measures linked to social media. As a result, we achieved particularly strong customer acquisition for the Minimum Life generation (Under 40 years old).

In the Mail Order segment, although sales of healthcare products decreased year on year due to a decline in advertising investment, sales of cosmetics through the mail order channel increased year on year due to an increase in unit purchase prices as a result of better-than-expected promotion measures for the gift campaign, in which Kento Nakajima's products were awarded, and efforts to up-sell "PERFECT ONE Wrinkle Stretch Gel" to customers who purchase regularly. Domestic EC sales continued to be strong, and net sales increased by two orders of magnitude over the same period of the previous fiscal year.

Although sales in Direct Store Sales/Wholesale segment were lower than the same period of the previous fiscal year due to the impact of COVID-19 infections, the number of customers and sales greatly exceeded our expectations at the pop-up event held at @cosme TOKYO in Harajuku for a limited period of time, and brand recognition among the Minimum Life generation is expanding.

In Overseas Sales segment, we are continuously working to raise awareness and increase sales through promotions utilizing social media and popular influencers. In China, sales at Double Eleven, a shopping event held on Single's Day (November 11 every year), exceeded those of the previous year, and brand recognition is steadily increasing, mainly in the 20s and 30s. In addition, from the first quarter of the current fiscal year, we started test marketing aimed at sales of the Perfect One brand in the U.S., and we are steadily making efforts to grow into a global standard brand.

In the first quarter of the current fiscal year, we launched the "Smart Healthcare Business" and in October, we launched the "Beauty within protein" as our first product for building strong and beautiful bodies. In the wake of the outbreak of COVID-19 infections, "self-defense" in which individuals manage their own health have been attracting attention. In the Smart Healthcare Business, we plan to sequentially develop products and services based on the concepts of "Evidence" (Products of assured quality supervised by doctors), "Lifestyle" (Autonomous and smart values and behavior), and "SmartTech" (Visualization of body and effects).

As a result of the foregoing, for the first three months of the current fiscal year, net sales were 8,489 million yen (down 2.7% year on year), operating profit was 828 million yen (up 20.8% year on year), ordinary profit was 859 million yen (up 22.6% year on year), and profit was 590 million yen (up 33.2% year on year).

The Company’s business segments consist of Mail Order, Direct Store Sales/Wholesale, and Overseas Sales of cosmetics and merchandise related to health care. As the ratio of Direct Store Sales/Wholesale and Overseas Sales to overall sales is insignificant, and their materiality as disclosed information is low, description by business segment has been omitted.

(2) Explanation on Financial Position

Total assets as of the end of the first quarter under review were 19,729 million yen, a decrease of 226 million yen from the end of the previous fiscal year. This was mainly due to a 698 million yen decrease in cash and deposits, a 269 million yen increase in merchandise, and a 255 million yen increase in accounts receivable-trade.

Liabilities totaled 4,815 million yen, a decrease of 873 million from the end of the previous fiscal year. The main factors for the decrease were a decrease of 349 million yen in income taxes payable, a decrease of 313 million yen in accounts payable-other, and a decrease of 119 million yen in accounts payable-trade.

Net assets came to 14,914 million yen, an increase of 647 million yen from the end of the previous fiscal year. The main factors were an increase of 664 million yen due to issuance of new shares, posting of profit of 590 million yen, and a decrease of 642 million yen due to payment of dividends.

(3) Explanation on Financial Results Forecast and Other Forward-Looking Information

The forecast for the fiscal year ending September 30 2021 has not changed from the forecast announced on November 6, 2020 "Non-Consolidated Financial Results for the Fiscal Year Ended September 30, 2020."

Financial results and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable at the date of publication of this document. Actual results, etc. may differ significantly from these forecasts due to various factors.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheet

(Unit: Million yen)

	Previous fiscal year (As of September 30, 2020)	First quarter of the current fiscal year (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	12,271	11,573
Accounts receivable - trade	2,607	2,863
Merchandise	1,058	1,327
Other	350	410
Allowance for doubtful accounts	(76)	(91)
Total current assets	16,211	16,084
Non-current assets		
Property, plant and equipment	2,297	2,253
Intangible assets	470	437
Investments and other assets	975	955
Total non-current assets	3,744	3,645
Total assets	19,956	19,729

(Unit: Million yen)

	Previous fiscal year (As of September 30, 2020)	First quarter of the current fiscal year (As of December 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	509	389
Current portion of long-term borrowings	173	173
Accounts payable - other	2,342	2,029
Income taxes payable	631	281
Provision for bonuses	189	96
Provision for point card certificates	173	234
Provision for sales returns	34	39
Other	420	385
Total current liabilities	4,474	3,628
Non-current liabilities		
Long-term borrowings	762	722
Provision for retirement benefits	159	164
Provision for retirement benefits for directors (and other officers)	168	—
Other	123	299
Total non-current liabilities	1,214	1,186
Total liabilities	5,688	4,815
Net assets		
Shareholders' equity		
Share capital	3,826	4,158
Capital surplus	3,817	4,147
Retained earnings	6,857	6,805
Treasury shares	(299)	(293)
Total shareholders' equity	14,201	14,818
Share acquisition rights	65	96
Total net assets	14,267	14,914
Total liabilities and net assets	19,956	19,729

(2) Quarterly Statement of Income

First three months of the fiscal year

(Unit: Million yen)

	First three months of the previous fiscal year (From October 1, 2019 to December 31, 2019)	First three months of the current fiscal year (From October 1, 2020 to December 31, 2020)
Net sales	8,726	8,489
Cost of sales	1,316	1,286
Gross profit	7,410	7,202
Provision for sales returns	7	5
Gross profit - net	7,403	7,197
Selling, general and administrative expenses	6,717	6,368
Operating profit	685	828
Non-operating income		
Dividend income	18	41
Other	5	6
Total non-operating income	23	48
Non-operating expenses		
Foreign exchange losses	5	4
Loss on valuation of investment securities	—	8
Loss on retirement of non-current assets	1	4
Other	0	0
Total non-operating expenses	8	17
Ordinary profit	701	859
Profit before income taxes	701	859
Income taxes - current	202	251
Income taxes - deferred	54	16
Total income taxes	257	268
Profit	443	590

(3) Notes to the Quarterly Financial Statements

(Notes on going concern assumptions)
Not applicable

(Notes when there was a substantial change in the amount of shareholders' equity)
As a result of the issuance of 243,900 new shares through paid-in capital increase through third-party allotment (capital increase by third-party allotment in connection with offering by over-allotment) on December 23, 2020, share capital and capital surplus each increased by 332 million yen. As a result, share capital was 4,158 million yen and capital surplus was 4,147 million yen at the end of the first quarter under review.

(Segment information, etc.)
The Company’s business segments consist of Mail Order, Direct Store Sales/Wholesale, and Overseas Sales of cosmetics and merchandise related to health care. As the ratio of Direct Store Sales/Wholesale and Overseas Sales to overall sales is insignificant, and their materiality as disclosed information is low, description by business segment has been omitted.

(Additional information)
(Abolition of the retirement benefits system for directors and other officers)

At the 32nd Ordinary General Meeting of Shareholders held on December 23, 2020, the Company passed a resolution to discontinue the retirement benefits system for directors and other officers. As a result, "Provision for retirement benefits for directors (and other officers)" was reduced in its entirety, and 172 million yen recorded in the account has been included in "Long-term accounts payable-other" in "Other" of non-current liabilities.