Non-Consolidated Financial Results for the Six Months Ended March 31, 2021 [Japanese GAAP]

May 12, 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: May 13, 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 Six Months Ended March 31, 2021 (October 1, 2020 to March 31, 2021)

(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	%
Six months ended March 31, 2021	16,575	(1.5)	1,398	27.3	1,430	30.0	965	40.8
Six months ended March 31, 2020	16,834	1.7	1,098	(24.1)	1,100	(22.5)	685	(20.7)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended March 31, 2021	44.79	44.34
Six months ended March 31, 2020	31.74	31.62

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2021	20,277	15,344	75.0
As of September 30, 2020	19,956	14,267	71.2

(Reference) Equity: Six months ended March 31, 2021 15,217 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	—	0.00			
Fiscal year ending September 30, 2021 (Forecast)			—	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)

Preface to the financial results forecast

(% 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

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

1) Total number of shares issued at the end of the period (including treasury shares)	As of March 31, 2021	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 March 31, 2021	173,435 shares	As of September 30, 2020	190,140 shares
3) Average number of shares during the period (cumulative)	Six months ended March 31, 2021	21,565,687 shares	Six months ended March 31, 2021	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, May 12, 2021. The supplementary briefing material used in this briefing is disclosed today on TDnet as well as posted on the Company's website.

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

(1) Explanation on Business Results

During the first six months of the current fiscal year, the second declaration of the state of emergency was issued due to the resurgence in COVID-19 infections. This had a major impact on economic activities and personal consumption, and the Japanese economy still continues to be in a difficult situation. 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 first six months of the current fiscal year, net sales declined from the same period of the previous fiscal year. This was due to a temporary restraint in advertising investment in the latter half of the previous fiscal year and a decrease in the number of customers visiting direct stores and other stores that handle our products amid the COVID-19 pandemic, but progressed in line with the plan.

In the Mail Order segment, domestic EC sales expanded steadily, supported by the smooth acquisition of new customers driven by active advertising investment in addition to the up-selling of "PERFECT ONE Wrinkle Stretch Gel" to existing customers, which continued to be strong as in the first quarter.

In the Direct Store Sales/Wholesale segment, the business environment has remained harsh mainly due to continued self-restraint on outings following the declaration of a state of emergency issued in January.

In the Overseas Sales segment, we are working to expand sales while closely monitoring the impact of COVID-19 infections and the status of economic activities in the local areas. In China, our main market, we have been steadily increasing sales through the implementation of live commerce utilizing SNS and popular KOL, etc. In ASEAN, we have started to deploy our products in major EC malls such as Lazada, Shopee, and Konvy in Thailand and are working to increase awareness of and sales to the younger generations in the local areas.

In the Smart Health Care Business, we launched "BODY AURA," a supplement which boosts the ability to protect yourself* (self-protection power) necessary for health management in the new normal era. We began selling the product through our own online shop and at drugstores nationwide. We will work to increase brand awareness and sales through TV commercials and SNS.

As a result of the foregoing, for the first six months of the current fiscal year, net sales were 16,575 million yen (down 1.5% year on year), operating profit was 1,398 million yen (up 27.3% year on year), ordinary profit was 1,430 million yen (up 30.0% year on year), and profit was 965 million yen (up 40.8% 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.

* The ability to maintain strength by eating and exercising.

(2) Explanation on Financial Position

Total assets as of the end of the second quarter of the current fiscal year were 20,277 million yen, an increase of 321 million yen from the end of the previous fiscal year. This was mainly due to a 354 million yen increase in cash and deposits, a 199 million yen increase in merchandise, and a 181 million yen decrease in non-current assets.

Liabilities totaled 4,933 million yen, a decrease of 755 million yen from the end of the previous fiscal year. The main factors for the decrease were a decrease of 307 million yen in accounts payable-other, a decrease of 154 million yen in accounts payable-trade, and a decrease of 106 million yen in income taxes payable.

Net assets came to 15,344 million yen, an increase of 1,077 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 965 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)	Second quarter of the current fiscal year (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	12,271	12,626
Accounts receivable - trade	2,607	2,516
Merchandise	1,058	1,258
Other	350	395
Allowance for doubtful accounts	(76)	(80)
Total current assets	16,211	16,715
Non-current assets		
Property, plant and equipment	2,297	2,219
Intangible assets	470	376
Investments and other assets	975	967
Total non-current assets	3,744	3,562
Total assets	19,956	20,277

(Unit: Million yen)

	Previous fiscal year (As of September 30, 2020)	Second quarter of the current fiscal year (As of March 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	509	355
Current portion of long-term borrowings	173	173
Accounts payable - other	2,342	2,035
Income taxes payable	631	524
Provision for bonuses	189	163
Provision for point card certificates	173	264
Provision for sales returns	34	33
Other	420	239
Total current liabilities	4,474	3,789
Non-current liabilities		
Long-term borrowings	762	676
Provision for retirement benefits	159	165
Provision for retirement benefits for directors (and other officers)	168	—
Other	123	302
Total non-current liabilities	1,214	1,144
Total liabilities	5,688	4,933
Net assets		
Shareholders' equity		
Share capital	3,826	4,158
Capital surplus	3,817	4,152
Retained earnings	6,857	7,180
Treasury shares	(299)	(273)
Total shareholders' equity	14,201	15,217
Share acquisition rights	65	126
Total net assets	14,267	15,344
Total liabilities and net assets	19,956	20,277

(2) Quarterly Statement of Income

First six months of the fiscal year

(Unit: Million yen)

	First six months of the previous fiscal year (From October 1, 2019 to March 31, 2020)	First six months of the current fiscal year (From October 1, 2020 to March 31, 2021)
Net sales	16,834	16,575
Cost of sales	2,540	2,545
Gross profit	14,293	14,029
Provision for sales returns	(0)	(0)
Gross profit - net	14,293	14,030
Selling, general and administrative expenses	13,195	12,631
Operating profit	1,098	1,398
Non-operating income		
Dividend income	18	41
Other	8	11
Total non-operating income	27	53
Non-operating expenses		
Foreign exchange losses	4	2
Loss on valuation of investment securities	16	13
Loss on retirement of non-current assets	2	4
Other	1	0
Total non-operating expenses	25	21
Ordinary profit	1,100	1,430
Extraordinary losses		
Provision of allowance for investment loss	—	29
Total extraordinary losses	—	29
Profit before income taxes	1,100	1,401
Income taxes - current	400	468
Income taxes - deferred	13	(32)
Total income taxes	414	436
Profit	685	965

(3) Notes to the Quarterly Financial Statements

(Notes on going concern assumption)
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 4,152 million yen at the end of the second 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.