Consolidated Financial Results
for the Fiscal Year Ended September 30, 2021
[Japanese GAAP]

November 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 ordinary general meeting of shareholders December 22, 2021
Scheduled date of commencing dividend payments: December 23, 2021
Scheduled date of filing the securities report December 23, 2021
Availability of supplementary briefing material on financial results Yes
Schedule of financial results briefing session Yes (For institutional investors and analysts)

(Amounts less than 1 million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2021 (October 1, 2020 to September 30, 2021)

(1) Consolidated Operating Results

(% indicates changes from the previous fiscal year.)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended September 30, 2021	33,899	—	3,424	—	3,414	—	2,317	—
Fiscal year ended September 30, 2020	—	—	—	—	—	—	—	—

(Note) Comprehensive income Fiscal year ended September 30, 2021 2,317 million yen (— %)
Fiscal year ended September 30, 2020 — million yen (— %)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets ratio	Operating profit margin
	Yen	Yen	%	%	%
Fiscal year ended September 30, 2021	107.45	106.43	14.5	14.7	10.1
Fiscal year ended September 30, 2020	—	—	—	—	—

(Reference) Share of profit (loss) of entities accounted for using equity method:
Fiscal year ended September 30, 2021 — million yen
Fiscal year ended September 30, 2020 — million yen

(Note) As the Company began preparing consolidated financial statements in the fiscal year ended September 30, 2021, the figures for the previous fiscal year or percentage changes between the fiscal year ended September 30, 2021 and the previous fiscal year are not presented. Return on equity and the ordinary profit rate to total assets for the fiscal year ended September 30, 2021 were calculated on the basis of the year-end equity and total assets respectively since the fiscal year ended September 30, 2021 is the first fiscal year that consolidated financial statements were prepared for.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	yen
As of September 30, 2021	23,197	16,174	68.9	747.07
As of September 30, 2020	—	—	—	—

(Reference) Equity: As of September 30, 2021 15,990 million yen
As of September 30, 2020 — million yen

(Note) As the Company began preparing consolidated financial statements in the fiscal year ended September 30, 2021, the figures for the fiscal year ended September 30, 2020 are not presented.

(3) Status of Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended September 30, 2021	2,071	(1,359)	672	13,652
Fiscal year ended September 30, 2020	—	—	—	—

(Note) As the Company began preparing consolidated financial statements in the fiscal year ended September 30, 2021, the figures for the fiscal year ended September 30, 2020 are not presented.

2. Dividends

	Annual dividends					Total amount of dividends	Dividend payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended September 30, 2020	—	0.00	—	30.00	30.00	642	—	—
Fiscal year ended September 30, 2021	—	0.00	—	32.50	32.50	695	30.2	4.4
Fiscal year ending September 30, 2022 (Forecast)	—	0.00	—	30.00	30.00		31.1	

(Note) As the Company began preparing consolidated financial statements in the fiscal year ended September 30, 2021, the dividend payout ratio (consolidated) and dividend to net assets ratio (consolidated) for the previous fiscal year are not presented. The dividend to net assets ratio (consolidated) for the fiscal year ended September 30, 2021 was calculated based on year-end netassets per share (consolidated) since the fiscal year ended September 30, 2021 is the first fiscal year that consolidated financial statements were prepared for.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2022 (October 1, 2021 to September 30, 2022)

(% indicates changes from the previous fiscal year.)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	37,000	—	3,095	—	3,020	—	2,067	—	96.60

(Note) As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and other standards have been applied since the beginning of the fiscal year ending September 30, 2022, the financial result forecast reflects figures based on the above standards. Accordingly, percentage changes presenting the year-on-year increase (decrease) from financial results prior to the application of the standards are not presented.

* Notes

(1) Significant changes to subsidiaries during the period (transfers of specific subsidiaries with changes in the scope of consolidation) Yes

New company: One (Company Name) Flatcraft, Inc. (Former Flatcraft Preparatory, Inc.)

Excluded - company (Company name) -

(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 September 30, 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 September 30, 2021	451,385 shares	As of September 30, 2020	190,140 shares
3) Average number of shares during the period	Fiscal year ended September 30, 2021	21,571,578 shares	Fiscal year ended September 30, 2020	21,546,178 shares

* These financial results are outside the scope of audit 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 are not intended to represent promises by the Company to achieve them. Actual results may vary significantly depending on various factors. Please refer to “1. Overview of Operating Results, etc. (4) Future Prospects” on page 3 of the attached material for the conditions that form the basis of the financial results forecast and precautions for using the financial results forecast.

(How to obtain the Supplementary Briefing Material and the contents of the financial results briefing)

The Company plans to deliver an online financial results briefing for institutional investors and analysts on Wednesday, November 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. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Under Review

During the consolidated fiscal year ended September 30, 2021, the Japanese economy continued to face tough conditions due to the declaration of a state of emergency and the issuance of semi-emergency measures as COVID-19 spread broadly. Although a moderate recovery is expected to start primarily due to progress in vaccinations, there is no prospect for the end of the pandemic, and the outlook for the economic conditions in Japan and overseas is projected to remain uncertain.

Under such a market environment, during the consolidated fiscal year under review, we attempted to expand existing business by deploying new products and new brands and broaden new business areas through M&A.

In the Mail Order segment, up-selling of PERFECT ONE Wrinkle Stretch Gel to existing customers continued to be strong throughout the fiscal year thanks to aggressive product proposals by call center communicators, and simultaneously, cross-selling of seasonal products, mainly UV care products, remained firm. Domestic EC sales expanded steadily as a result of the airing of brand commercials featuring Kento Nakajima as the endorser, the implementation of sales promotional measures linked with social media, and the strengthening of digital marketing that made better use of apps and social media.

In the Direct Store Sales/Wholesale segment, while the business environment continued to be harsh with the number of people visiting the stores declining, resulting from the pandemic, we engaged in raising brand awareness and acquiring customers through measures including the holding of pop-up events and campaigns exclusive to stores. Further, in September, sales of our products started on a full-scale basis in drugstores, and this allowed us to make progress in developing a new point of contact with customers.

In the Overseas Sales segment, we engaged in business activities while closely monitoring the status of economic activities in each region. Sales at “W11” and “618,” which were two major events, exceeded those of the previous year as a result of carrying out marketing that leveraged social media and KOL in China, the main market, in an effort to raise brand awareness.

In the Smart Health Care Business, which we launched on the back of greater health consciousness and awareness of preventing illness (self-defense) resulting from the impact of the pandemic, we worked to expand and reinforce points of contact with customers and raise brand awareness through putting the supplement “BODY AURA” on the market.

We turned Flatcraft, Inc., which handled edible oils, centered on MCT oil, into a subsidiary at the end of June, and thus kick-started our expansion into the wellness food area.

As a result of the foregoing, for the consolidated fiscal year under review, net sales were 33,899 million yen, operating profit was 3,424 million yen, ordinary profit was 3,414 million yen, and profit attributable to owners of parent was 2,317 million yen.

As the Company began preparing consolidated financial statements in the consolidated fiscal year under review, a comparison with the previous year is not presented.

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

(2) Overview of Financial Position for the Fiscal Year Under Review

Total assets as of the end of the consolidated fiscal year under review were 23,197 million yen. The main components were cash and deposits of 13,652 million yen, accounts receivable-trade of 3,196 million yen, property, plant and equipment of 2,157 million yen, and intangible assets of 1,435 million yen.

Total liabilities as of the end of the consolidated fiscal year under review were 7,023 million yen. The main components were accounts payable-other of 2,108 million yen, long-term borrowings of 1,839 million yen, and income taxes payable of 739 million yen.

Net assets as of the end of the consolidated fiscal year under review were 16,174 million yen. The main components were share capital of 4,158 million yen, capital surplus of 4,150 million yen, and retained earnings of 8,532 million yen.

(3) Overview of Cash Flows for the Fiscal Year Under Review

Cash and cash equivalents as of the end of the consolidated fiscal year under review were 13,652 million yen.

The status of each cash flow at the end of the consolidated fiscal year under review and their factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 2,071 million yen at the end of the consolidated fiscal year under review. The main factors were profit before taxes of 3,401 million yen, an increase in trade receivables of 470 million yen, and income taxes paid of 1,142 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,359 million yen at the end of the consolidated fiscal year under review. The main factors included payments of 1,218 million yen for the purchase of shares of subsidiaries, 170 million yen for the purchase of non-current assets, and 45 million yen for the purchase of investment securities.

(Cash flows from financing activities)

Net cash provided by financing activities was 672 million yen at the end of the consolidated fiscal year under review. The main factors were proceeds from long-term borrowings of 1,400 million yen, dividends paid of 642 million yen, and purchase of treasury shares of 581 million yen.

(4) Future Prospects

With regard to the future prospects, a gradual recovery in economic activity is hoped for due to the progress of vaccinations against COVID-19 and other factors, but the likelihood that the pandemic will come to an end is projected to remain uncertain. In this market environment, new lifestyles have spread due to the wearing of masks and a decrease in opportunities to go out, and these have changed the values of consumers, compared to the pre-pandemic era. In the cosmetics and healthcare markets as well, where the Group operates, we find it important to grasp changes to customer needs and lifestyles, and develop business in response to these changes.

Against this backdrop, the Group has formulated its VISION2025, the medium-term management plan, for which the fiscal year ending September 30, 2022 is the first fiscal year, as a growth strategy for realizing its management vision. Under VISION2025, in order to achieve the management goal of consolidated net sales of 50 billion yen, we will push forward with efforts for the following key issues under the themes of "Make the PERFECT ONE brand a global brand" and "Develop the healthcare business into the next mainstay" to realize sustainable growth.

i. Strengthening of database marketing centered on digital marketing
ii. Acceleration of overseas expansion
iii. Development and fostering of Healthcare Business
iv. Development of new products and services
v. Cost structure reform
vi. Human resource development
vii. Strengthening of the structure to perform M&A

For the fiscal year ending September 30, 2022, we forecast net sales of 37,000 million yen, operating profit of 3,095 million yen, ordinary profit of 3,020 million yen and profit of 2,067 million yen.

As of the beginning of the fiscal year ending September 30, 2022, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. Therefore, the above financial results forecast is based on amounts after the application of the relevant accounting standard, etc., and percentages of changes between the fiscal year ending September 30, 2022 and the previous fiscal year are not presented.

2. Basic Policy Regarding Selection of Accounting Standards

The Group has prepared financial statements in accordance with Japanese GAAP in consideration of the burden of establishing a system that prepares financial statements with comparability between the periods of consolidated financial statements and companies and in compliance with International Accounting Standards.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: Million yen)

	Consolidated fiscal year (As of September 30, 2021)
Assets	
Current assets	
Cash and deposits	13,652
Accounts receivable - trade	3,196
Merchandise	1,264
Supplies	140
Prepaid expenses	277
Other	65
Allowance for doubtful accounts	(67)
Total current assets	18,528
Non-current assets	
Property, plant and equipment	
Buildings and structures	1,648
Accumulated depreciation	(374)
Buildings and structures, net	1,273
Land	639
Construction in progress	0
Other	782
Accumulated depreciation	(538)
Other, net	243
Total property, plant and equipment	2,157
Intangible assets	
Software	280
Goodwill	1,107
Other	47
Total intangible assets	1,435
Investments and other assets	
Investment securities	384
Deferred tax assets	515
Other	253
Allowance for investment loss	(78)
Total investments and other assets	1,075
Total non-current assets	4,669
Total assets	23,197

(Unit: Million yen)

	Consolidated fiscal year (As of September 30, 2021)
Liabilities	
Current liabilities	
Accounts payable - trade	527
Current portion of long-term borrowings	398
Accounts payable - other	2,108
Accrued expenses	152
Income taxes payable	739
Provision for bonuses	242
Provision for point card certificates	303
Provision for sales returns	37
Other	202
Total current liabilities	4,712
Non-current liabilities	
Long-term borrowings	1,839
Retirement benefit liability	171
Long-term accounts payable-other	172
Asset retirement obligations	119
Other	7
Total non-current liabilities	2,311
Total liabilities	7,023
Net assets	
Shareholders' equity	
Share capital	4,158
Capital surplus	4,150
Retained earnings	8,532
Treasury shares	(852)
Total shareholders' equity	15,990
Accumulated other comprehensive income	
Remeasurements of defined benefit plans	(0)
Total accumulated other comprehensive income	(0)
Share acquisition rights	184
Total net assets	16,174
Total liabilities and net assets	23,197

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Unit: Million yen)

	Consolidated fiscal year (From October 1, 2020 to September 30, 2021)
Net sales	33,899
Cost of sales	5,439
Gross profit	28,460
Provision for sales returns	3
Gross profit - net	28,456
Selling, general and administrative expenses	25,032
Operating profit	3,424
Non-operating income	
Dividend income	42
Rental income	11
Gain on insurance claims	8
Other	13
Total non-operating income	75
Non-operating expenses	
Interest expenses	1
Foreign exchange losses	15
Loss on valuation of investment securities	58
Loss on retirement of non-current assets	9
Other	0
Total non-operating expenses	85
Ordinary profit	3,414
Extraordinary losses	
Provision of allowance for investment loss	12
Total extraordinary losses	12
Profit before income taxes	3,401
Income taxes - current	1,200
Income taxes - deferred	(116)
Total income taxes	1,083
Profit	2,317
Profit attributable to owners of parent	2,317

Consolidated Statement of Comprehensive Income

(Unit: Million yen)

	Consolidated fiscal year (From October 1, 2020 to September 30, 2021)
Profit	2,317
Comprehensive income	2,317
(Breakdown)	
Comprehensive income attributable to owners of parent	2,317

(3) Consolidated Statement of Changes in Equity

Consolidated Fiscal Year (From October 1, 2020 to September 30, 2021)

(Unit: Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,826	3,817	6,857	(299)	14,201
Changes in items during period					
Issuance of new shares	332	332			664
Dividend of surplus			(642)		(642)
Profit attributable to owners of parent			2,317		2,317
Purchase of treasury shares				(581)	(581)
Disposal of treasury shares		1		29	30
Net changes in items other than shareholders' equity					
Total changes in items during period	332	333	1,675	(552)	1,788
Balance at the end of period	4,158	4,150	8,532	(852)	15,990

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	—	—	65	14,267
Changes in items during period				
Issuance of new shares				664
Dividend of surplus				(642)
Profit attributable to owners of parent				2,317
Purchase of treasury shares				(581)
Disposal of treasury shares				30
Net changes in items other than shareholders' equity	(0)	(0)	118	118
Total changes in items during period	(0)	(0)	118	1,907
Balance at the end of period	(0)	(0)	184	16,174

(4) Consolidated Statement of Cash Flows

(Unit: Million yen)

	Consolidated fiscal year (From October 1, 2020 to September 30, 2021)
Cash flows from operating activities	
Profit before income taxes	3,401
Depreciation	396
Amortization of goodwill	28
Increase (decrease) in allowance for doubtful accounts	(8)
Increase (decrease) in provision for bonuses	52
Increase (decrease) in provision for point card certificates	129
Increase (decrease) in provision for sales returns	3
Increase (decrease) in provision for retirement benefits	11
Increase (decrease) in allowance for investment loss	12
Increase (decrease) in provision for share awards for directors (and other officers)	5
Interest and dividend income	(42)
Interest expenses	1
Loss on retirement of non-current assets	9
Loss (gain) on valuation of investment securities	58
Decrease (increase) in trade receivables	(470)
Decrease (increase) in inventories	(77)
Increase (decrease) in trade payables	(13)
Increase (decrease) in accounts payable - other	(194)
Proceeds from rental income	(11)
Other, net	(79)
Subtotal	3,215
Interest and dividends received	0
Interest paid	(2)
Income taxes (paid) refund	(1,142)
Net cash provided by (used in) operating activities	2,071
Cash flows from investing activities	
Purchase of property, plant and equipment	(102)
Purchase of intangible assets	(68)
Purchase of investment securities	(45)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,218)
Other, net	74
Net cash provided by (used in) investing activities	(1,359)
Cash flows from financing activities	
Proceeds from long-term borrowings	1,400
Repayments of long-term borrowings	(179)
Proceeds from issuance of shares	664
Purchase of treasury shares	(581)
Proceeds from sale of treasury shares	11
Dividends paid	(642)
Net cash provided by (used in) financing activities	672
Effect of exchange rate changes on cash and cash equivalents	(4)
Net increase (decrease) in cash and cash equivalents	1,380
Cash and cash equivalents at the beginning of the period	12,271
Cash and cash equivalents at the end of the period	13,652

(5) Notes to the Consolidated 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 4,150 million yen at the end of the consolidated fiscal year under review.

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

(Additional information)
(Abolition of 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.”

(Per Share Information)

	Consolidated fiscal year (From October 1, 2020 to September 30, 2021)
Net assets per share	747.07 Yen
Basic earnings per share	107.45 Yen
Diluted earnings per share	106.43 Yen

(Note) The basis of the calculation of basic earnings per share and diluted earnings per share is as follows.

	Consolidated fiscal year (From October 1, 2020 to September 30, 2021)
Basic earnings per share	
Profit attributable to owners of parent (Million yen)	2,317
Amount not attributable to common shareholders (Million yen)	—
Profit attributable to owners of parent of common stock (Million yen)	2,317
Average number of common stock during the fiscal year (Shares)	21,571,578
Diluted earnings per share	
Adjustment of profit attributable to owners of parent (Million yen)	—
Increase in shares of common stock (Shares)	207,552
(Of which, share acquisition rights) (Shares)	(207,552)
Outline of dilutive shares not included in the calculation of diluted earnings per share because they have no dilutive effect	—

(Significant subsequent events)

Not applicable