Consolidated Financial Results
for the Three Months Ended December 31, 2021
[Japanese GAAP]

February 4, 2022

Company name: Shinnihonseiyaku Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 4931
URL: https://corporate.shinnihonseiyaku.co.jp
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Scheduled date of filing the quarterly securities report: February 9, 2022
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 less than 1 million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended December 31,2021 (October 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results (Cumulative)

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

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended December 31, 2021	9,273	—	825	—	831	—	547	—
Three months ended December 31, 2020	—	—	—	—	—	—	—	—

(Note) Comprehensive income Three months ended December 31, 2021 544 million yen (-%)
Three months ended December 31, 2020 - million yen (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended December 31, 2021	25.56	25.35
Three months ended December 31, 2020	—	—

(Note) As the Company began preparing quarterly consolidated financial statements in the third quarter of the fiscal year ended September 2021, the figures for the first quarter of the fiscal year ended September 2021 and the rate of change from the same quarter of the previous year are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	22,419	16,041	70.9
As of September 30, 2021	23,197	16,174	68.9

(Reference) Equity As of December 31, 2021 15,895 million yen
As of September 30, 2021 15,990 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, 2021	—	0.00	—	32.50	32.50
Fiscal year ending September 30, 2022	—				
Fiscal year ending September 30, 2022 (Forecast)		0.00	—	30.00	30.00

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

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) 1. Revision from the most recently announced financial results forecast: No

2. 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 first three months of the fiscal year under review (transfers of specific subsidiaries with changes in the scope of consolidation) No

New company __ company(ies) (company name)

Excluded company __ company(ies) (company name)

(2) Accounting policies adopted specially for the preparation of the consolidated quarterly financial statements: No

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

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 December 31, 2021	21,855,200 shares	As of September 30, 2021	21,855,200 shares
2) Total number of treasury shares at the end of the period	As of December 31, 2021	415,385 shares	As of September 30, 2021	451,385 shares
3) Average number of shares during the period (cumulative)	Three months ended December 31, 2021	21,423,040 shares	Three months ended December 31, 2020	21,483,713 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 contents of the financial results briefing)

The Shinnihonseiyaku Group plans to stream online the financial results briefing for institutional investors and analysts on Friday, February 4, 2022. The supplementary briefing material used in this briefing is disclosed today on TDnet and is 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 quarter under review, the Japanese economy was expected to show signs of recovery in economic activities in light of the progress of vaccination against COVID-19 and a decrease in the number of infections. But the outlook remained uncertain due to concerns about new waves of infections caused by mutated strains.

In this market environment, the Group worked to promote key challenges in accordance with “VISION2025,” the four-year medium-term management plan starting from the fiscal year under review.

Mail orders drove net sales due to the successful acquisition of new customers through aggressive advertising focused on “Perfect One Grow & Cover Cushion Foundation.” In addition, up-selling to "PERFECT ONE Wrinkle Stretch Gel" targeting existing customers continued to be strong, and this contributed to an increase in spending per customer.

In direct store sales and wholesale sales, the number of customers continued to decline due to the impact of COVID-19. However, we made steady progress in expanding sales at drugstores and sales promotion activities for “PERFECT ONE FOCUS,” a skincare brand for young people, and "BODY AURA BOOSTER drink" and "BODY AURA ENERGY tablet," newly launched from the BODY AURA brand. As a result, we were able to expand contact with new customer bases.

In overseas sales, as we engaged in business activities while closely monitoring the status of economic activities in each region, we have been steadily expanding our brand awareness in the Chinese market as sales at W11, an EC shopping event held in China (on November 11, designated as single’s day), exceeded those in the previous year.

As a result of the foregoing, for the first three months of the fiscal year under review, net sales were 9,273 million yen, operating profit was 825 million yen, ordinary profit was 831 million yen, and profit attributable to owners of parent was 547 million yen.

As the Company began preparing quarterly consolidated financial statements in the third quarter of the fiscal year ended September 2021, the rate of change from the same period of the previous fiscal 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) Explanation on Financial Position

Total assets as of the end of the first quarter under review were 22,419 million yen, a decrease of 778 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,347 million yen in cash and deposits, despite an increase of 544 million yen in merchandise.

Liabilities totaled 6,377 million yen, a decrease of 645 million from the end of the previous fiscal year. This was mainly due to a decrease of 511 million yen in income taxes payable.

Net assets totaled 16,041 million yen, a decrease of 132 million from the end of the previous fiscal year. This was mainly due to a decrease of 144 million yen in retained earnings.

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

The forecast for the fiscal year ending September 2022 has not changed from the forecast announced in "Non-Consolidated Financial Results for the Fiscal Year Ended September 30, 2021" dated November 12, 2021.

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 Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Million yen)

	Previous consolidated fiscal year (As of September 30, 2021)	First quarter of the current fiscal year (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	13,652	12,304
Accounts receivable - trade	3,196	3,068
Merchandise	1,264	1,808
Other	483	633
Allowance for doubtful accounts	(67)	(66)
Total current assets	18,528	17,747
Non-current assets		
Property, plant and equipment	2,157	2,142
Intangible assets		
Goodwill	1,107	1,079
Other	327	393
Total intangible assets	1,435	1,473
Investments and other assets	1,075	1,056
Total non-current assets	4,669	4,671
Total assets	23,197	22,419

(Unit: Million yen)

	Previous consolidated fiscal year (As of September 30, 2021)	First quarter of the current fiscal year (As of December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	527	614
Current portion of long-term borrowings	398	398
Accounts payable - other	2,108	2,086
Income taxes payable	739	227
Provision for bonuses	242	93
Provision for points card certificates	303	—
Provision for sales returns	37	—
Other	354	733
Total current liabilities	4,712	4,154
Non-current liabilities		
Long-term borrowings	1,839	1,744
Retirement benefit liability	171	178
Other	299	299
Total non-current liabilities	2,311	2,222
Total liabilities	7,023	6,377
Net assets		
Shareholders' equity		
Share capital	4,158	4,158
Capital surplus	4,150	4,136
Retained earnings	8,532	8,387
Treasury shares	(852)	(784)
Total shareholders' equity	15,990	15,899
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(0)	(3)
Total accumulated other comprehensive income	(0)	(3)
Share acquisition rights	184	145
Total net assets	16,174	16,041
Total liabilities and net assets	23,197	22,419

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

Quarterly Consolidated Statement of Income

First three months of the fiscal year

(Unit: Million yen)

	First three months of the current fiscal year (From October 1, 2021 to December 31, 2021)
Net sales	9,273
Cost of sales	1,662
Gross profit	7,610
Selling, general and administrative expenses	6,784
Operating profit	825
Non-operating income	
Dividend income	0
Rental income	2
Reversal of provision for shareholder benefits	2
Other	2
Total non-operating income	9
Non-operating expenses	
Interest expenses	1
Foreign exchange losses	2
Other	0
Total non-operating expenses	3
Ordinary profit	831
Extraordinary income	
Gain on reversal of share acquisition rights	0
Total extraordinary income	0
Extraordinary losses	
Provision of allowance for investment loss	12
Total extraordinary losses	12
Profit before income taxes	819
Income taxes - current	199
Income taxes - deferred	72
Total income taxes	271
Profit	547
Profit attributable to owners of parent	547

Quarterly Consolidated Statement of Comprehensive Income
First three months of the fiscal year

(Unit: Million yen)

	First three months of the current fiscal year (From October 1, 2021 to December 31, 2021)
Profit	547
Other comprehensive income	
Remeasurements of defined benefit plans	(3)
Total other comprehensive income	(3)
Comprehensive income	544
(Breakdown)	
Comprehensive income attributable to owners of parent	544

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)
Not applicable

(Notes when there was a substantial change in the amount of shareholders' equity)
Not applicable

(Changes in accounting policies)
(Application of the Accounting Standard for Revenue Recognition)

The Company has been applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 released on March 31, 2021, hereinafter referred to as "Revenue Recognition Accounting Standard") from the beginning of the first quarter of the fiscal year under review. Revenue is recognized on the basis of the amount expected to be received from a customer in exchange for the promised goods or services at the time when control of the goods or services is transferred to the customer.

In the case of domestic sales where the time period between shipment of the goods and the transfer of control of the goods to the customer is a normal period, revenue is recognized at the time of shipment by means of applying the alternative treatment set forth in Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition.”

The main changes resulting from the application of the Revenue Recognition Accounting Standard are as follows.

- Revenue Recognition Related to the Company's Point System

Points granted to customers at the time of the sale of products were previously recorded as provision for points card certificates for the amount equivalent to the points expected to be used in the future in order to prepare for sales discounts resulting from the use of the points granted. However, the points granted are now recognized as obligations to customers and recorded as contractual liabilities.

- Revenue Recognition for Delivery Services in Mail Order

Delivery charges received from customers were previously deducted from selling, general and administrative expenses, but the charges are now recognized as revenue because delivery services are included in performance obligations in providing products.

With regard to the application of the Revenue Recognition Accounting Standard, the Company is in accordance with the transitional provisions set forth in Paragraph 84 of the standards. The new accounting policy has been applied to the balance at the beginning of the first quarter under review after the cumulative effects of retroactively applying the new accounting policy to the accounting periods prior to the beginning of the first quarter under review were added to or subtracted from retained earnings as of the beginning of the first quarter under review. However, the new accounting policy has not been applied retroactively to contracts for which almost all of the revenue amounts were recognized in accordance with previous treatment by the means set forth in Paragraph 86 of the Revenue Recognition Accounting Standard before the beginning of the first quarter under review.

As a result, the impact on profits and losses for the first quarter under review is minimal. Also, there is no impact on the balance of retained earnings as of the beginning of the fiscal year under review.

As a result of the application of the Revenue Recognition Accounting Standard, “Provision for points card certificates” included in “Current liabilities” in the consolidated balance sheet for the previous fiscal year is now included in “Other” under “Current liabilities” as contractual liabilities starting from the first quarter under review.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made for the previous fiscal year using a new presentation method.

(Application of Accounting Standard for Fair Value Measurement)

The Company has been applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 released on July 4, 2019, hereinafter referred to as "Fair Value Measurement Accounting Standard") from the beginning of the first quarter under review. In accordance with the transitional treatments stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 released on July 4, 2019), the new accounting policies stipulated in the Fair Value Measurement Accounting Standard will continue to be applied in the future. There is no impact on quarterly consolidated financial statements.

(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.