新日本製薬

Supplementary Briefing Material on Financial Results for the First Quarter of the Fiscal Year Ending September 2022

February 4, 2022

Shinnihonseiyaku Co., Ltd.
Securities Code: 4931
First Section of the Tokyo Stock Exchange

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Summary of Financial Results for the First Quarter of the Fiscal Year Ending September 2022

Net sales

Net sales 9,273 million yen (up 8.1% year on year*)

- Achieved **the highest quarterly net sales growth rate** in the last three terms*.
- **Posted** a significant increase of **5.6% year on year** even in **the quarterly growth rate Shinnihonseiyaku Co., Ltd. alone *.**
- **Made** steady progress **exceeding the 1Q plan (25.1% progress rate against the full-year plan**).

Expenses/ Profit

Operating profit 825 million yen (down 0.3% year on year)

- Conducted **aggressive marketing investments** centered on nurturing brands.
- Made steady progress where **all types of profit surpassed planned targets** (**26.7% progress rate** for operating profit against the full-year plan), due to net sales exceeding the plan.

1Q Business Highlights

- **Successful acquisition of new customers** through PERFECT ONE “**Cushion Foundation**”
- **Winning the highest rating** for PERFECT ONE FOCUS "**Smooth Cleansing Balm**" in a cosmetics review magazine
- **Expansion of the BODY AURA product lineup** and launch of **new advertising strategy**

*Compared with the results for the fiscal year ended September 2021, when the new revenue recognition standards were adopted

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INDEX

1. Summary of First Quarter Financial Results

2. First Quarter Business Highlights

3. Plan for the Fiscal Year Ending September 2022

4. Initiatives for ESG

APPENDIX

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1. Summary of First Quarter Financial Results

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Summary of First Quarter Financial Results

Net sales increased 8.1% year on year, and on a quarterly basis, and achieved the highest quarterly net sales growth rate in the last three quarters. Even without effects from consolidation of Flatcraft, sales grew 5.6% year on year.

(Unit: Million yen)

Items	<Reference> First three months of FY ended Sept. 2021 (non-consolidated) (based on the former standards)	<Reference> First three months of FY ended Sept. 2021 (non-consolidated) (based on new revenue recognition standards)	First three months of FY ending Sept. 2022 (consolidated) (based on new revenue recognition standards)	Year-on-year comparison	
				Changes	Changes(%)
Net Sales	8,489	8,577	9,273	+695	+8.1%
Cosmetics	7,914	7,997	8,445	+448	+5.6%
Healthcare	574	580	827	+247	+42.6%
Operating profit	828	828	825	-2	-0.3%
Ordinary profit	859	859	831	-27	-3.2%
Ordinary profit rate	10.1%	10.0%	9.0%	-1.0pt	—
Profit (attributable to owners of parent)	590	590	547	-43	-7.3%

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Summary of First Quarter Financial Results - Supplemental Data

Mail order channels drove a revenue increase due to the contribution from higher sales of cushion foundation products as well as solid growth in the PERFECT ONE All-In-One Gel series.

(Unit: Million yen)

Items	<Reference> First three months of FY ended Sept. 2021 (non-consolidated) (based on the former standards)	<Reference> First three months of FY ended Sept. 2021 (non-consolidated) (based on new revenue recognition standards)	First three months of FY ending Sept. 2022 (consolidated) (based on new revenue recognition standards)	Year-on-year comparison	
				Changes	Changes (%)
<Sales by channel>					
Mail order	7,850	7,939	8,447	+507	+6.4%
Direct store/Wholesale	426	426	585	+159	+37.3%
Overseas	211	211	240	+28	+13.6%
<Overseas and domestic EC sales>					
Overseas and domestic EC sales	948	957	1,244	+287	+30.0%
<Marketing investment>					
Advertising expenses	2,534	2,534	2,617	+82	+3.3%
Sales promotion expenses	891	891	1,224	+333	+37.4%
<Operating expenses>					
FF cost*	989	1,083	1,081	-2	-0.2%
Call center costs	647	647	639	-8	-1.3%

*FF cost = Order fulfillment cost

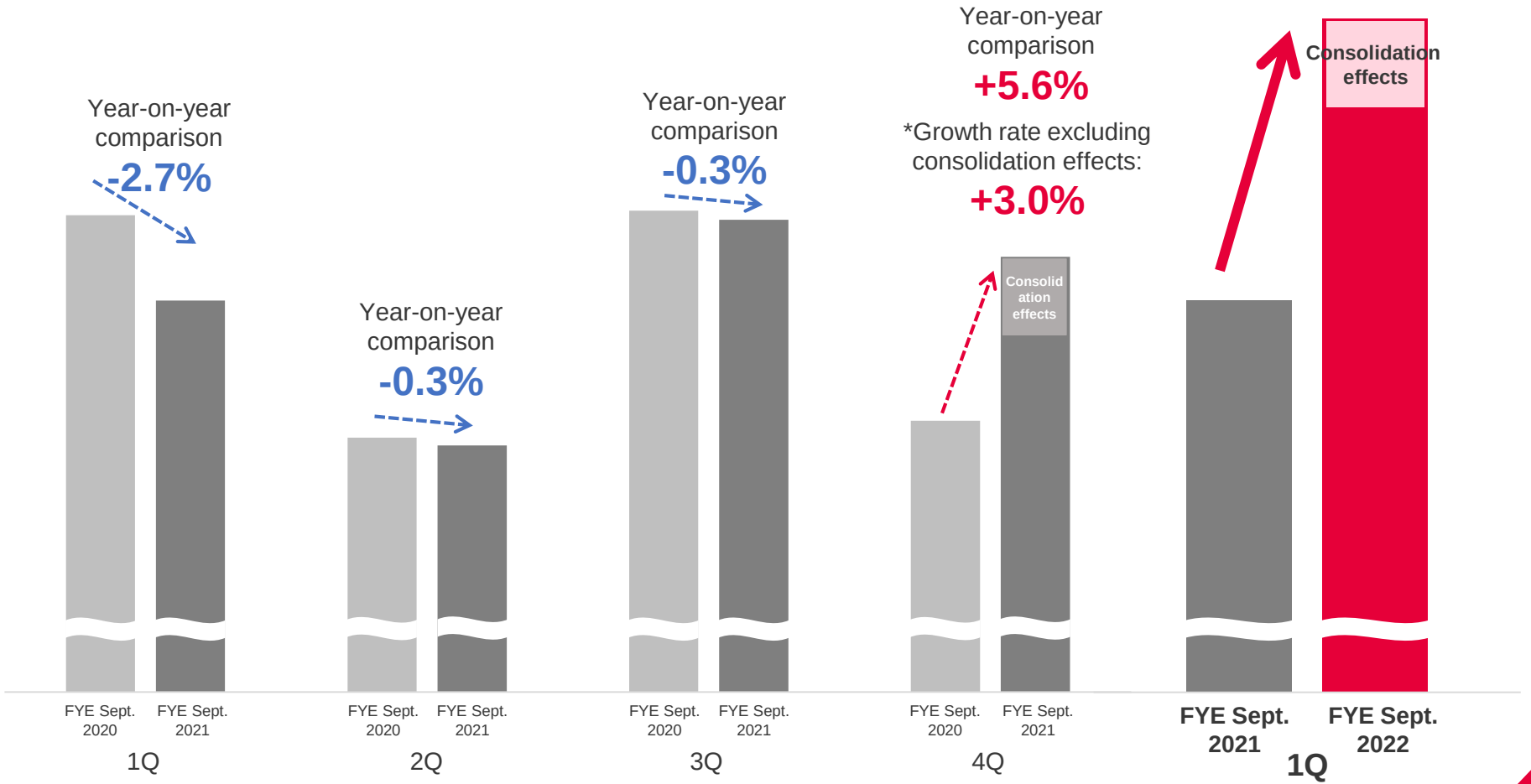
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[Reference] Trends in Quarterly Net Sales

Growth rate of quarterly net sales increased significantly.
(Highest level since FY ended September 2020)

+8.1%
year-on-year

***Growth rate excluding consolidation effects: +5.6%**



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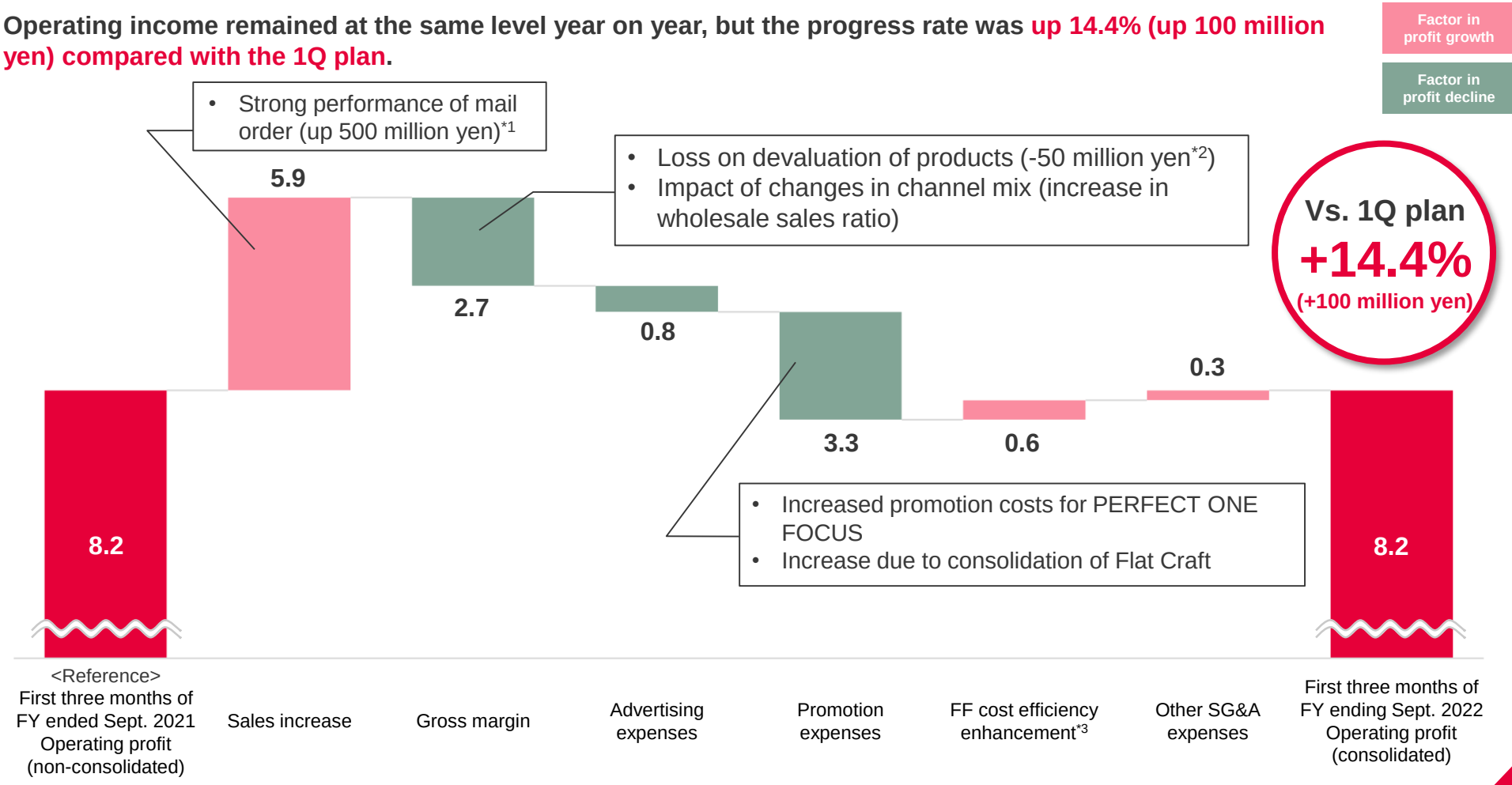
Summary of First Quarter Financial Results - Operating Profit Change Factor Analysis

Results for the first quarter of the fiscal year ended September 2021 are based on the new revenue recognition standards.

Strong performance of mail order channels (up 500 million yen year-on-year) led to an increase in net sales of 590 million yen.

Operating income remained at the same level year on year, but the progress rate was up 14.4% (up 100 million yen) compared with the 1Q plan.

(Unit: 100 million yen)



*1 Year-on-year comparison difference in mail order sales of first three months of FY ending September 2022
*2 Amount of cost of sales in 1Q of FY ending September 2022
*3 Of FF cost, the efficiency improvement effect in shipping and delivery costs and agency fees (payment commissions)

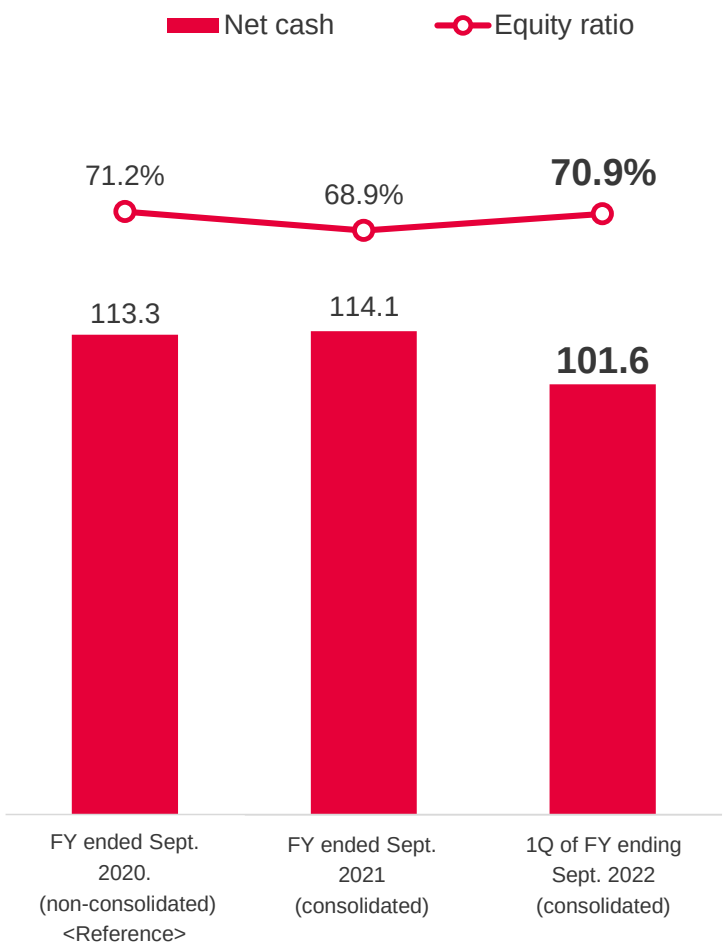
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Status of Balance Sheet

(Unit: Million yen)

Items	End of FY ended Sept. 2020 (non-consolidated)	End of FY ended Sept. 2021 (consolidated)	1Q-end of FY ending Sept. 2022 (consolidated)	Changes from previous fiscal year-end
Current assets	16,211	18,528	17,747	-780
Cash and deposits	12,271	13,652	12,304	-1,347
Accounts receivable-trade	2,607	3,196	3,068	-128
Inventories	1,193	1,404	1,975	+570
Non-current assets	3,744	4,669	4,671	+2
Total assets	19,956	23,197	22,419	-778
Liabilities	5,688	7,023	6,377	-645
Trade payables	509	527	614	+86
Interest-bearing debt	936	2,238	2,143	-95
Net assets	14,267	16,174	16,041	-132
Treasury shares	-299	-852	-784	+67
Total liabilities and net assets	19,956	23,197	22,419	-778

(Unit: 100 million yen)



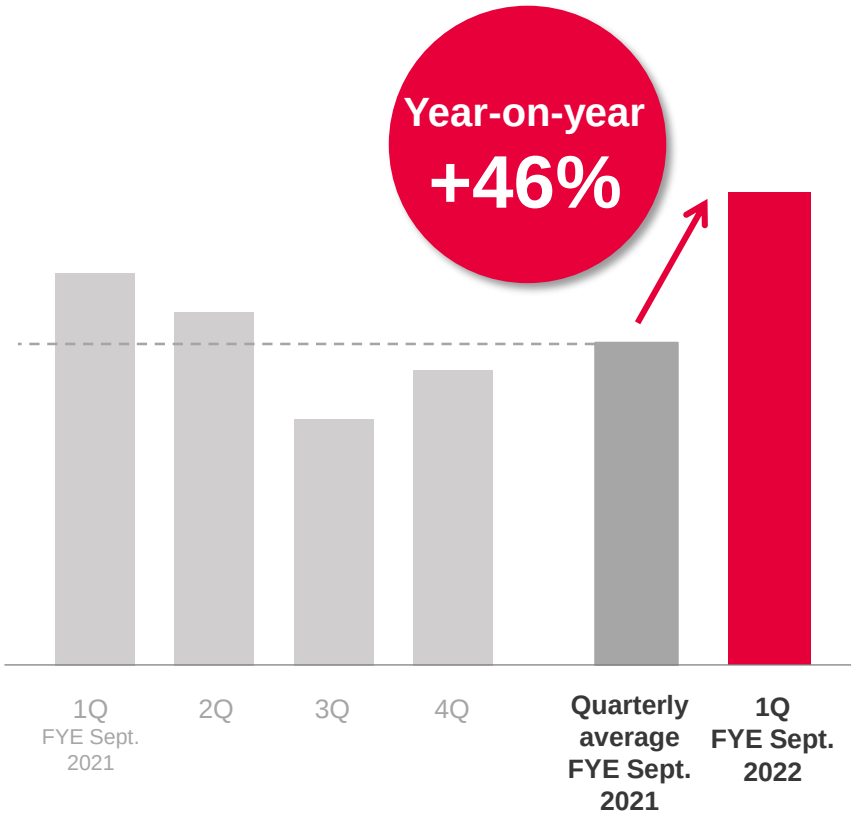
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2. First Quarter Business Highlights

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PERFECT ONE
Successful Acquisition of New Customers through PERFECT ONE Cushion Foundation

Record level of new customer acquisition*



Cushion Foundation **drives new customer acquisition.**

High product appeal to meet customer needs

All-In-One Cushion Foundation



- Mask-friendly and high coverage effect
- Sold out at 1.4 times the target during limited sale
- **Added to standard products** because of based on high customer needs

*Through mail order

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PERFECT ONE　FOCUS
Achieving the Highest Rating for Smooth Cleansing Balm in a Cosmetics Review Magazine

In the January 2022 issue of *LDK the Beauty*, a magazine that candidly reviews cosmetics without any advertising or tie-ups,**it ranked first in the pore cleansing category, received the Bestbuy award, and received an overall rating of A.**

People's awareness of it is currently expanding.







Since winning the award, we have received feedback mainly from EC malls and been expanding sales.

coming soon

A new product line is scheduled to be introduced in April 2022.

Aiming to increase the number of customers in their 20s and 30s,we are planning to expand the drugstore channels and implement new promotion measures.

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BODY AURA
Expansion of Product Lineup and Launch of New Advertising Strategy

A healthcare brand that supports people's health management with the concept of **maintaining and improving daily performance**.

The products respond to **the needs of people in their 30s and 40s who want to stay in shape and are highly health-conscious** as their lifestyle changes due to the spread of the coronavirus.

Product Strategy



PROTECT capsule: 4,320 yen

- **All-in-one supplement** to maintain your usual physical condition

NEW



BOOSTER drink: 2,200 yen/10 pcs.

- An energy drink that can quickly aid in **immune system improvement** and **recovery from fatigue**

NEW



ENERGY tablet: 4,320 yen

- Supplement containing vitamins B1 and B6 to **support energy production**

Advertising Strategy



A new commercial featuring actor Joe Odagiri started airing in December.

Now available at 2,500 drugstores*
To be introduced to 1,000 more stores
We will strengthen promotion aiming to expand awareness.

*As of December 31, 2021

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Fun and Health Strengthening Marketing Investment







Strengthened marketing investment to **acquire new senior customers** and promote **cross-selling**. The number of newly acquired customers increased **2.3 times year on year**.

Wellness Food Accelerating New Initiatives for Growth



MCT oil



GHEE x MCT oil

EC **Strengthening expansion into EC malls**

Started sales on Rakuten Mall

Opened our first shop on Amazon Black Friday

Wholesale **Expanding the number of stores handling these oils**

Started new business with major general merchandise stores (GMS*'s), drugstores, and variety shops.

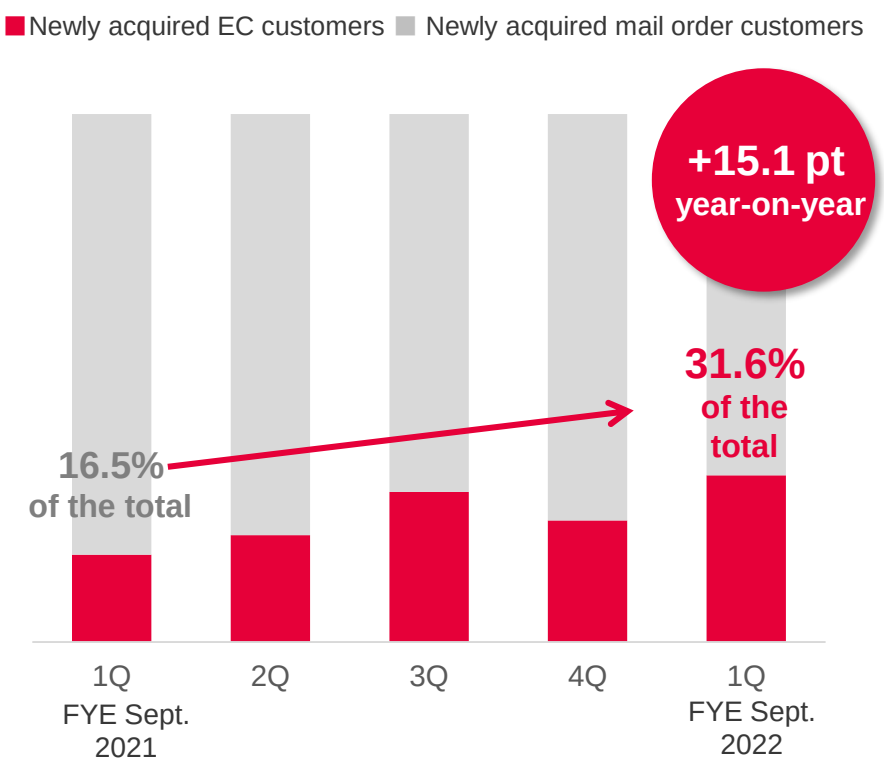
* General supermarket

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Overseas and Domestic EC Channels

The number of PERFECT ONE users has been increasing steadily in Japan and overseas, which is accelerating the development of EC channels.

Status of Newly Acquired EC Customers in Mail-Order Channels



EC customers increased due to enhanced digital marketing investment.
Steadily expanding the customer base aiming to **increase the EC sales ratio**

Strengthening awareness focused on **live commerce**





Sales on November 11 (designated as single's day, and called **W11 or double eleven in Japan)** increased **40% year on year**.

Net sales in China doubled year on year.
(About 20% higher than in 1Q of FY ended September 2020, which was before the coronavirus spread)

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3. Plan for the Fiscal Year Ending September 2022

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Plan for the Fiscal Year Ending September 2022

(Unit: Million yen)

Items	FY ended Sept. 2021 (based on the former standards)	FY ended Sept. 2021 (based on new revenue recognition standards)	FY ending Sept. 2022 (based on new revenue recognition standards)			Year-on-year change in the full-year plan (%)
			Results in the first three months	First-half plan	Full-year plan	
Net sales	33,899	34,232	9,273	18,233	37,000	+8.1%
Cosmetics	31,521	31,840	8,445	16,763	34,052	+6.9%
Healthcare	2,378	2,392	827	1,470	2,947	+23.2%
Operating profit	3,424	3,424	825	1,215	3,095	-9.6%
Ordinary profit	3,414	3,414	831	1,166	3,020	-11.5%
Ordinary profit rate	10.1%	10.0%	9.0%	6.4%	8.2%	—
Profit (attributable to owners of parent)	2,317	2,317	547	794	2,067	-10.8%

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Premises of Plan for the Fiscal Year Ending September 2022

(Unit: Million yen)

Items	FY ended Sept. 2021 (based on the former standards)	FY ended Sept. 2021 (based on new revenue recognition standards)	FY ending Sept. 2022 (based on new revenue recognition standards)			Year-on-year change in the full-year plan (%)
			Results in the first three months	First-half plan	Full-year plan	
<Sales by channel>						
Mail order	30,930	31,272	8,447	16,026	32,143	+2.8%
Direct store/Wholesale	2,054	2,045	585	1,610	3,516	+71.9%
Overseas	914	914	240	595	1,340	+46.5%
<Overseas and domestic EC sales>						
Overseas and domestic EC sales	4,117	4,153	1,244	2,604	5,399	+30.0%
<Marketing investment>						
Advertising expenses	9,908	9,908	2,617	5,347	10,169	+2.6%
Sales promotion expenses	3,853	3,853	1,224	2,528	5,066	+31.5%
<Operating expenses>						
FF cost	3,935	4,276	1,081	2,052	4,109	-3.9%
Call center costs	2,588	2,588	639	1,417	2,857	+10.4%

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4. Initiatives for ESG

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Governance: Strengthening Corporate Governance

■ Strengthening the management structure by adding one female outside director
Release of management's skill matrix

- Added one **female outside director aiming to promote the diversity of the management structure.**
- **Released a skill matrix** featuring seven directors (including three outside directors) and three auditors.

(Reference) https://corporate.shinnihonseiyaku.co.jp/ir/ir_library/meeting
"Notice of Convocation Annual General Meeting 2021" (November 29, 2021)

■ Release of the results of evaluation on the effectiveness of the Board of Directors

- Made sure that **effectiveness had been appropriately ensured** and that **problems had been improved**.

(Reference) https://corporate.shinnihonseiyaku.co.jp/release/archives/category/ir
"Notice of Summary of the Results of Evaluation on the Effectiveness of the Board of Directors of Our Company" (November 16, 2021) ※Japanese only

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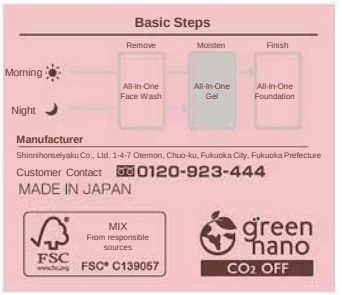
Environment: Promoting Initiatives for Environmental Protection and a Decarbonized Society

- Transition to new packaging that is eco-friendly and **reduces CO_2 emissions by approximately 60%** in conjunction with the rebranding of PERFECT ONE
  - **Adopted green nanotechnology for the containers of three products** of the PERFECT ONE All-in-One Gel series that were relaunched on October 1, 2021.
  - **Can reduce CO_2 emissions** caused by burning plastic by **approximately 60%.**
- Promotion of initiatives to preserve the forest environment with the adoption of Forest certified paper for cosmetic boxes



Containers for the PERFECT ONE All-In-One Gel series relaunched on October 1, 2021

green nano®



Left: Green Nano logo mark; Right: Cosmetic box for PERFECT ONE Super Moisture Gel

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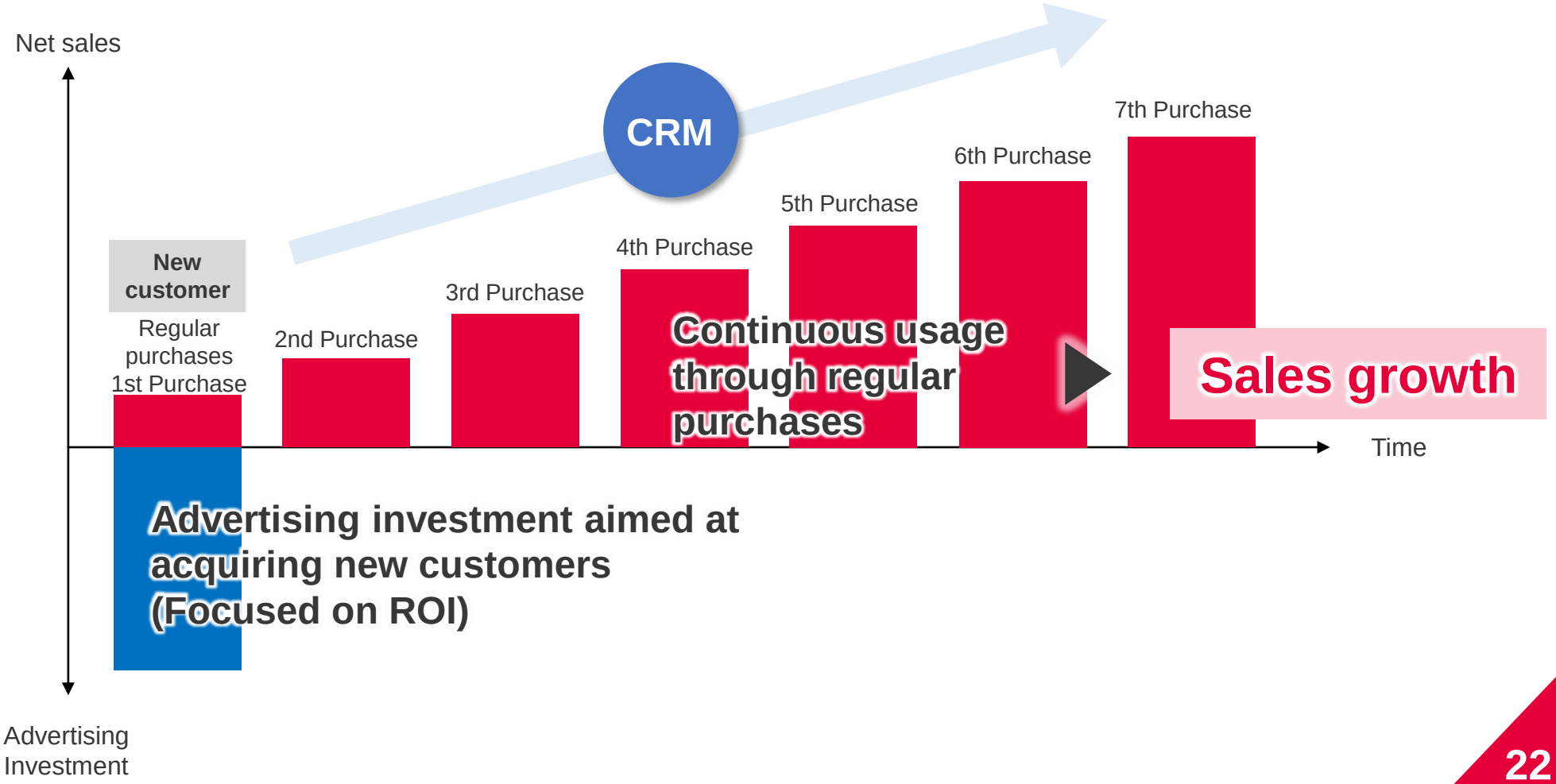
APPENDIX

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Our Strength: Recurring Revenue Model

Recurring Revenue Model through periodic purchase of products

Build a foundation for sales growth based on the acquisition of new customers through **prioritizing advertising investment**.



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Our Strength: Marketing Utilizing Customer Database

Utilize the **database of approximately 5.5 million customers** accumulated through continued acquisition of new customers.

Implement strategies to **maximize the asset value of the customer database**, with a focus on the middle- and senior-age generations.

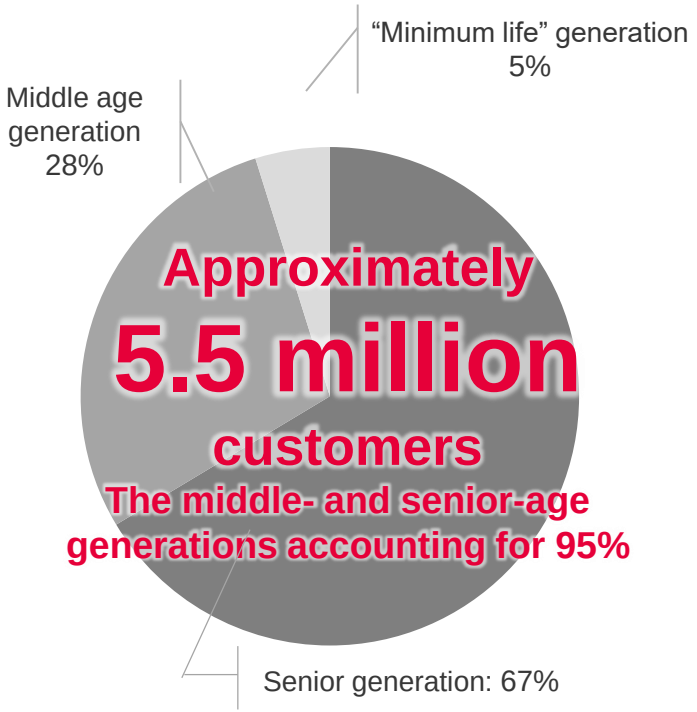
Customer Base Development

Continued acquisition of new customers

- Advertising Investment
- New Product Development

Customer Database

(as of the end of FYE Sept. 2021)



Marketing

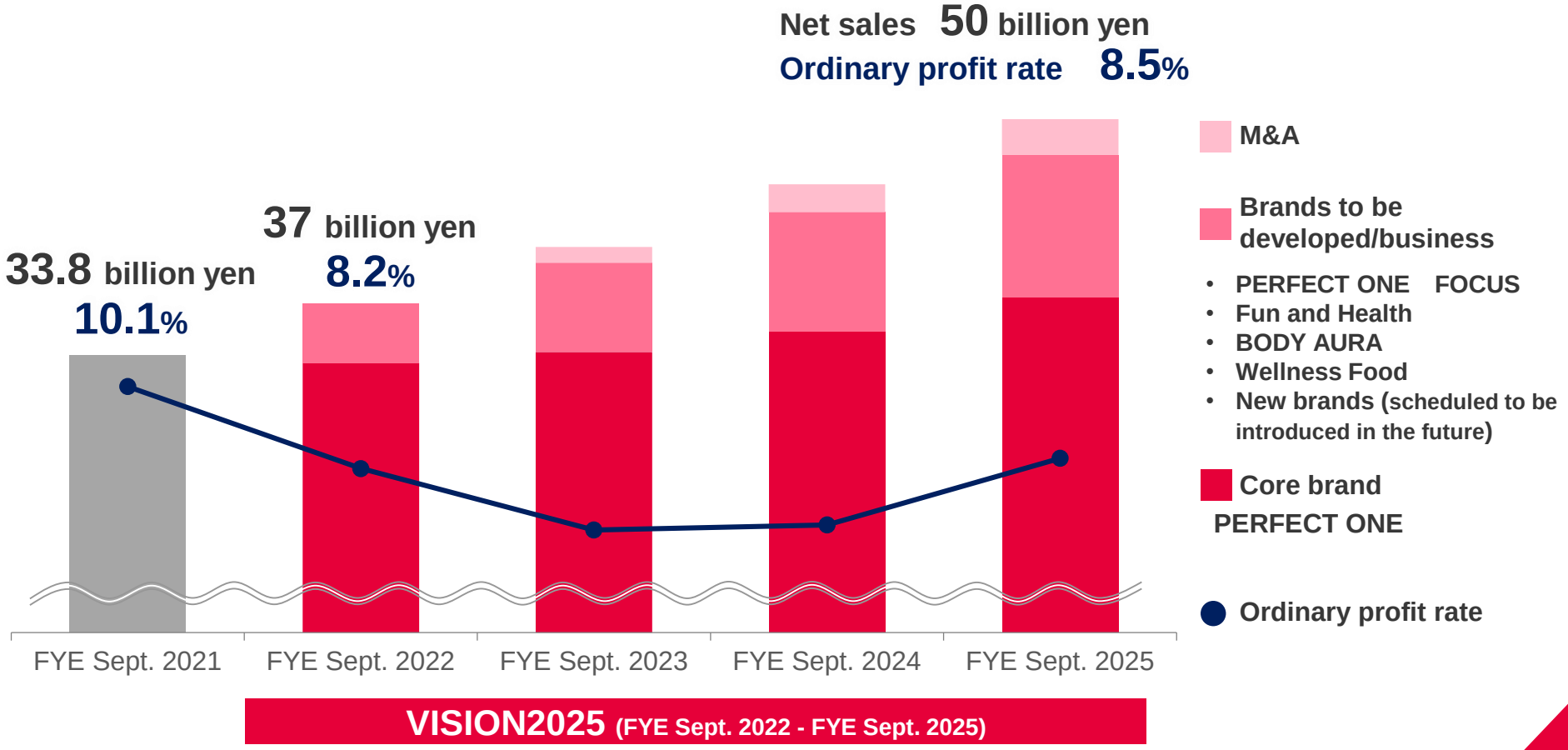
- Health & Beauty
  Propose comprehensive care
- Promote **up-selling** to high-performance products
  Promote **cross-selling** of seasonally limited products, etc.
- **Increase purchases frequency** through call center suggestions
- **Activation of database** by promoting repurchases by dormant customers
- **Create synergies** with new businesses

Senior generation = aged 60s and over; Middle age generation = aged 40s and 50s; "Minimum life" generation = aged 30s and under

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Conceptual Graph of Medium- to Long-term Growth (Medium-Term Management Plan)

In the fiscal year ending September 2022, as the first year of VISION2025, the Medium-Term Management Plan, we will **prioritize investments in brands to be developed and development of new business to nurture business and enhance the growth potential**.



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Brand Strategy in the Beauty Care Field

Provide beauty care tailored to diverse lifestyles of women that enables them to experience the effects through simple steps.

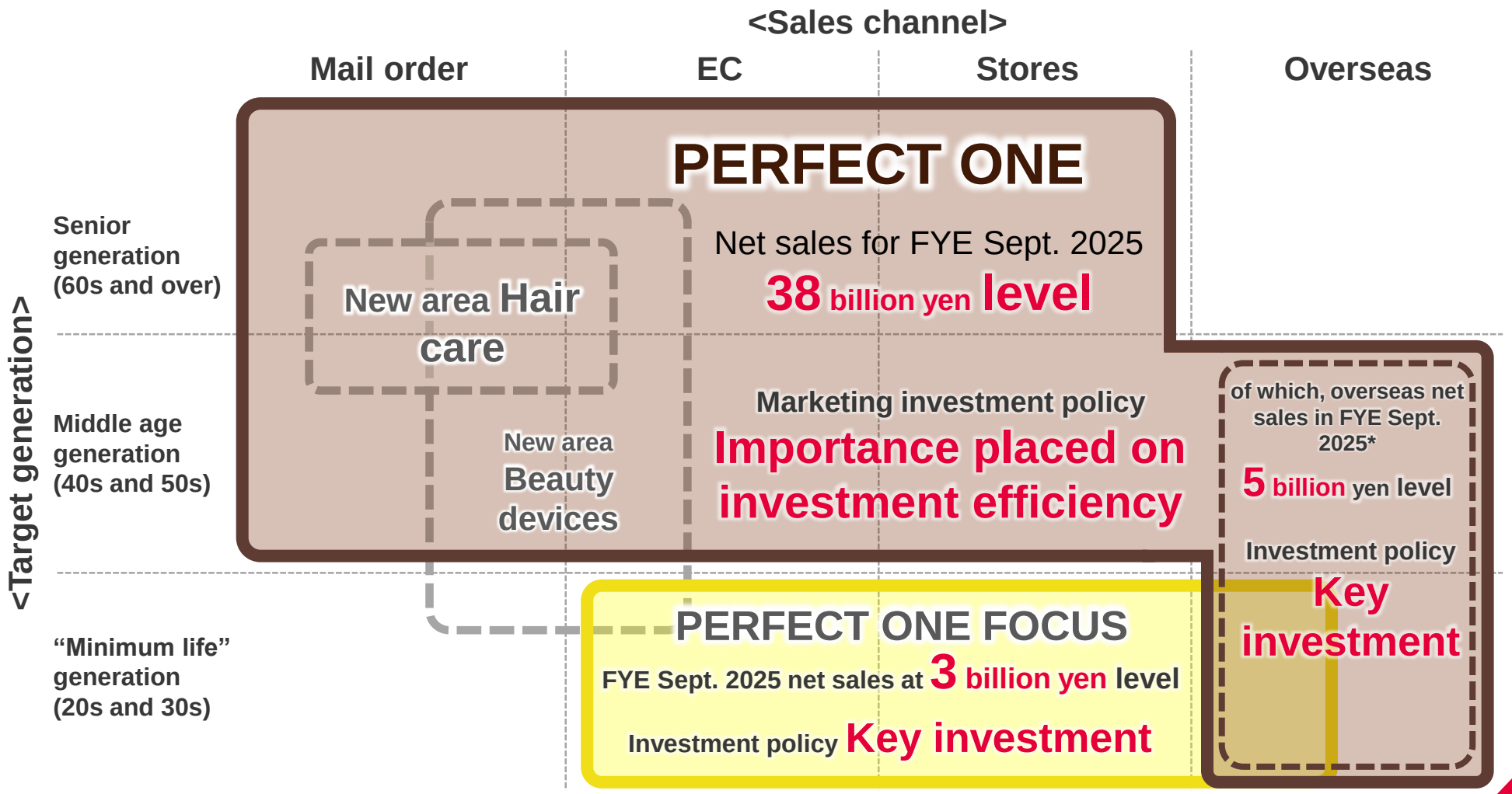
	STEP1 Remove	STEP2 Moisturize	STEP3 Attract
PERFECT ONE 2021.10 Rebranding	Net sales **800 million yen***	Net sales **24 billion yen*** Stable growth phase	Net sales **600 million yen*** **Growth expansion** phase
	 Cleansing soap & liquid	 All-In-One Gel	 NEW All-in-One Cushion Foundation
PERFECT ONE FOCUS 2021.9 New Release	 NEW Smooth Cleansing Balm	 NEW Smooth Watery Gel	Currently planning development in the next phase

*: Net sales for FY ended September 2021

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Cosmetics - Business Portfolio

Cosmetics net sales target: 40 billion yen level
(FY ending Sept. 2025)



*: Included in the net sales of PERFECT ONE for FYE Sept. 2025, which also include net sales of PERFECT ONE FOCUS

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Brand Strategy in the Healthcare Field

Provide healthcare that supports the extension of healthy life expectancy in the era of a 100-year life span and enables people to experience evidence-based effects.



Health management



Prevention



Pre-symptomatic state



Treatment

Fun and Health









Provide a wide range of support in resolving physical disorders and worries.

Re-growth phase
- Acquisition of new customers
- Strengthening of cross-selling

BODY AURA







Growth phase
- Expansion of MD
- Expansion of distribution channels

Provide support in maintaining and improving daily performance.

Wellness Food







Stable growth phase
- Expansion of EC channels
- Expansion of MD

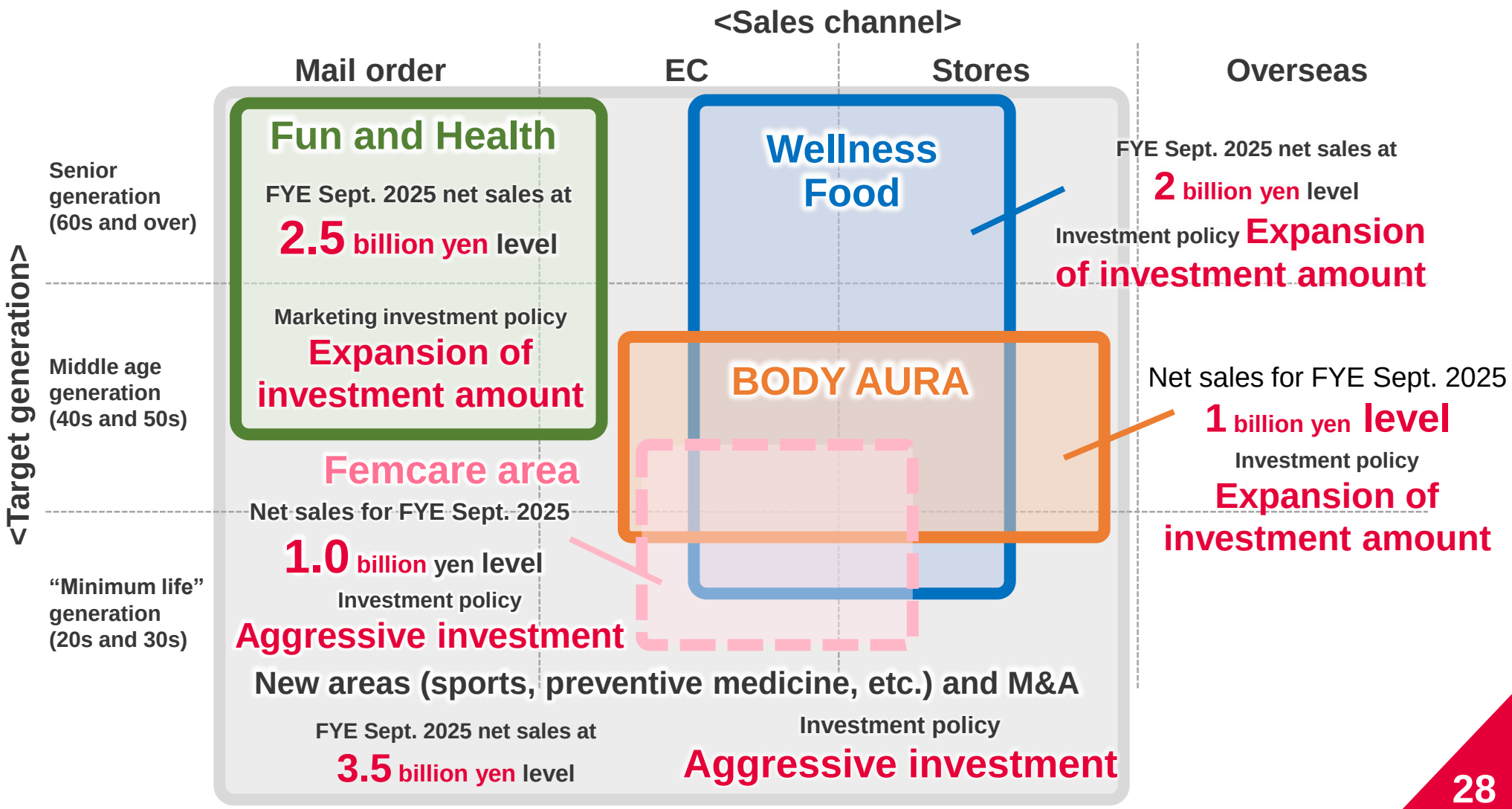
Provide support for health through daily meals.

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Healthcare - Business Portfolio

Healthcare net sales target: 10 billion yen level

(FY ending Sept. 2025)



Company Overview

Company Name	Shinnihonseiyaku Co., Ltd.
Representative	Takahiro Goto, President & Representative Director of the Board and Chief Executive Officer
Established	March 1992
Head office	1-4-7 Otemon, Chuo-ku, Fukuoka City, Fukuoka Prefecture
Share capital	4,158 million yen [as of December 31, 2021]
Executives	Mitsuyoshi Fukuhara, Senior Executive Director of the Board and Chief Operating Officer Seiichiro Hatori, Director of the Board Kazuhiro Tagami, Director of the Board Masayuki Kakio, Outside Director Haruki Murakami, Outside Director Kazuyo Yunoki, Outside Director Keiichi Zenmyo, Outside Audit & Supervisory Board Member（full-time） Takashi Tanabe, Outside Audit & Supervisory Board Member Yuji Nakanishi, Outside Audit & Supervisory Board Member
Business profile	Planning, mail order, store sales and wholesale of cosmetics, health foods, and pharmaceuticals.
Bases	Fukuoka (head office), Tokyo Office, eight direct stores, Yoshizuka Office and Logistics Center
Group companies	Flatcraft, Inc.
Net sales	33.89 billion yen [FY ended September 2021]
Total assets	22.41 billion yen [as of December 31, 2021]

Vision

Creating Healthy and Enriched Lives for People around the World

Mission

Achieving the Greatest Possible Satisfaction and Trust from Our Customers, Making Our Employees Happy and Giving Them Dreams for the Future, as a Company That Contributes to Society, We Aim to Expand Our Efforts Far and Wide without Limitation

Domain

One to One health & beauty-care.

Creator of Lifestyles that Fosters Beauty and Good Health Through Database Marketing

History

Date	Overview
March 1992	Founded Shinnihonliving Co., Ltd. (currently Shinnihonseiyaku Co., Ltd.) as a company that planned and sold daily essentials at Higashi-Ori, Onojo City, Fukuoka Prefecture (share capital of 10 million yen).
July 1994	Started sales of health foods by mail order.
June 1996	Relocated the head office to Otogana-Higashi, Onojo City, Fukuoka Prefecture.
December 2000	Commenced sales of basic cosmetics by mail order.
April 2002	Renamed Shinnihonliving Co., Ltd. to Shinnihonseiyaku Co., Ltd.
March 2003	Opened a logistics center in Yoshizuka, Hakata-ku, Fukuoka City, Fukuoka Prefecture.
April	Relocated the head office to Yoshizuka, Hakata-ku, Fukuoka City, Fukuoka Prefecture.
May 2005	Started sales of cosmetics brand “RAffINE series.”
May 2006	Relocated the head office to Akasaka, Chuo-ku, Fukuoka City, Fukuoka Prefecture.
May	Launched RAffINE Perfect One.
October	Established Iwakuni-Hongo Research Institute as the base for cultivation and research of medical plants.*1
November	Started sales of pharmaceuticals by mail order.
March 2010	Opened its first direct store in Fukuoka PARCO shopping mall.
July	Opened a Tokyo sales office in Uchisaiwaicho, Chiyoda-ku, Tokyo (currently Tokyo Office).
April 2012	Started wholesale of “RAffINE series.”
October 2013	Relocated the head office to Otemon, Chuo-ku, Fukuoka City, Fukuoka Prefecture.
April 2014	Changed the cosmetics brand name to “PERFECT ONE.”
December 2016	Started sales overseas by mail order (Taiwanese market).
February 2017	Was awarded the Steering Committee Award in the 7th “Company I Want to Cherish Most in Japan” Grand Prize.
March	PERFECT ONE All-in-One Gel series achieved the number one*2 sales in the Japanese all-in-one skincare market.
September 2018	Started cross-border EC in the Chinese market.
September	Was awarded the top prize and the rookie of the year at the beauty awards hosted by Taiwan’s popular infotainment TV show “Queen.”
June 2019	Listed on Tokyo Stock Exchange Mothers.
January 2020	Relocated Tokyo Office to Marunouchi Building in Chiyoda-ku, Tokyo.
December 2020	Changed listing market to the First Section of the Tokyo Stock Exchange.
June 2021	Acquired shares of Flatcraft, Inc. and made it a consolidated subsidiary.

*1: The institute was integrated into Yoshizuka Office(R&D Center) in June 2020.
*2: Fuji Keizai “Cosmetics Marketing Handbook 2017” (actual manufacturer and brand market shares in the moisture section and the all-in-one section in 2016)

Financial Highlights

Financial closing month & year		September 2018 (non-consolidated)	September 2019 (non-consolidated)	September 2020 (non-consolidated)	September 2021 (consolidated)	**1Q of FY ending September 2022 (consolidated)**
Net sales	Million yen	31,210	33,570	33,728	33,899	**9,273**
Ordinary profit	Million yen	2,491	2,822	3,283	3,414	**831**
Profit	Million yen	1,751	1,824	2,122	2,317	**547**
Share capital	Million yen	250	3,826	3,826	4,158	**4,158**
Total number of shares issued	Shares	1,009,630	21,611,300	21,611,300	21,855,200	**21,855,200**
Net assets	Million yen	4,191	12,758	14,267	16,174	**16,041**
Total assets	Million yen	9,491	18,575	19,956	23,197	**22,419**
Equity ratio	%	43.6	68.7	71.2	68.9	**70.9**
Return on equity	%	51.8	21.6	15.7	14.5	—
Dividend payout ratio	%	20.1	15.4	30.5	30.2	—
Cash flows from operating activities	Million yen	1,415	1,992	2,920	2,071	—
Cash flows from investing activities	Million yen	-420	-943	-367	-1,359	—
Cash flows from financing activities	Million yen	-419	6,567	-851	672	—
Cash and cash equivalents at the end of the period	Million yen	2,954	10,576	12,271	13,652	**12,304**
Number of employees (excluding temporary employees and including seconded employees)	People	361	354	330	309	—

Net assets per share	Yen	409.58	590.37	662.97	747.07	—
Basic earnings per share	Yen	174.46	113.99	98.5	107.45	—
Dividend per share	Yen	35.00	17.50	30.00	32.5	—

Prior-year ordinary profit is retroactively adjusted for changes in accounting policies

<Disclaimer concerning the proper use of forecasts of business results>

The content presented in this material is based on multiple assumptions and is not intended to promise or guarantee the realization of future planned numbers or measures.

<Contact for inquiries regarding this document>

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For inquiries, please use the inquiry form on the Shinnihonseiyaku Co., Ltd. website.

We will reply to you as soon as we can.

https://corporate.shinnihonseiyaku.co.jp/contact/



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