Supplementary Briefing Material on Financial Results for the Fiscal Year Ended September 2022

November 11, 2022

Shinnihonseiyaku Co., Ltd.
Securities Code: 4931
Tokyo Stock Exchange Prime Market

© Shinnihonseiyaku Co., Ltd.

© Shinnihonseiyaku Co., Ltd.

Summary of Financial Results for the Fiscal Year Ended September 2022

Fiscal Year Ended September 2022

Net sales **36,107 million yen** (up 5.5% year on year*) *Posted record-high net sales

Operating profit **3,522 million yen** (up 2.9% year on year*)

*Continued renewing record highs since listing on the stock exchange

- Growth of **cushion foundations** and **FOCUS** and **expansion of healthcare** drove the topline.
- **Wholesale and overseas sales** fall well short of plan due to the impact of COVID-19 on sales activities.
- **Improved efficiency of marketing investments** and **reduction in operating expense** helped boost profits.
- The **dividend forecast has been revised upward by 3.00 yen** as profit considerably exceeded the plan, **ending up with an increase.**

Fiscal Year Ending September 2023 Plan

Net sales **38,000 million yen** (up 5.2% year on year)

Operating profit **3,560 million yen** (up 1.1% year on year)

- **Plan to expand sales by introducing new products and launching new hair care brands**
- **Establish a new business model that integrates e-commerce malls and wholesale and thereby achieve both brand growth and profit growth** at the same time.
- **Push forward with** company-wide **cost structure reforms,** including **fulfilment (FF) costs and call center costs.**

Growth Strategy VISION2025

- In the first year, **focus on developing the second pillar** including **Cushion Foundation** and **FOCUS**, which will follow the success of All-in-One Gel and push forward with **acquiring new customers and cultivating young customers.**
- In healthcare, aim for steady growth in Fun and Health and Wellness Food.
- Aiming to achieve the medium-term management target while keeping active investment mainly in brands to develop

* This briefing material compares the period under review with the results of the fiscal year ended September 2021, to which the new revenue recognition standards were applied, and with the results after a revision due to finalizing the provisional accounting treatment related to the company combination with Flatcraft, Inc.

© Shinnihonseiyaku Co., Ltd.

INDEX

1. Summary of Financial Results for the Fiscal Year Ended September 2022

2. Plan for the Fiscal Year Ending September 2023

3. Medium-Term Management Plan “VISION2025” Progress in First Year and Policy for Second Year Onwards

4. Initiatives for Sustainability

APPENDIX

© Shinnihonseiyaku Co., Ltd.

1. Summary of Financial Results for the Fiscal Year Ended September 2022

© Shinnihonseiyaku Co., Ltd.

Summary of Financial Results

Cosmetics saw increased net sales as **Cushion Foundation, Wrinkle Stretch Gel, and FOCUS** expanded in mail order.

Healthcare significantly increased net sales due to the effect of consolidation in addition to **the continued organic growth of Fun and Health.**

Profit at each stage remarkably exceeded the plan and ended up with an increase thanks to improvements in investment efficiency and cost efficiency.

(Unit: Million yen)

Items	FY ended Sept. 2021 (based on the former standards)	FY ended Sept. 2021 (based on new revenue recognition standards)	FY ended Sept. 2022 (based on new revenue recognition standards)		Year-on-year comparison		Comparison against plan
			Plan	Results	Changes	Changes (%)	
Net sales	33,899	34,232	37,000	36,107	+1,874	+5.5%	-892
Cosmetics	31,521	31,840	34,125	32,666	+826	+2.6%	-1,458
Healthcare	2,378	2,392	2,874	3,441	+1,048	+43.8%	+566
Operating profit	3,424	3,424	3,095	3,522	+98	+2.9%	+427
Operating profit margin	10.1%	10.0%	8.4%	9.8%	-0.2pt	-	+1.4pt
Ordinary profit	3,415	3,415	3,020	3,487	+72	+2.1%	+467
Profit (attributable to owners of parent)	2,323	2,323	2,067	2,357	+33	+1.4%	+289

© Shinnihonseiyaku Co., Ltd.

Summary of Financial Results - Supplemental Data

Mail order posted significant increase in net sales, aided by **EC sales of Cushion Foundation** and **FOCUS**.

Direct store and wholesale finished the period with sales increase **thanks to the consolidation effects of Flatcraft (Wellness Food).**

Overseas sales suffered a sales decrease due to **the impact of lockdowns in China.**

Cost-wise, **the efficiency of advertising investment improved,** and promotion expenses were **aggressively incurred in cross-selling and up-selling.**

(Unit: Million yen)

Items	FY ended Sept. 2021 (based on the former standards)	FY ended Sept. 2021 (based on new revenue recognition standards)	FY ended Sept. 2022 (based on new revenue recognition standards)		Year-on-year comparison		Comparison against plan
			Plan	Results	Changes	Changes (%)	
<Sales by channel>							
Mail order	30,930	31,272	33,221	32,728	+1,456	+4.7%	-493
Direct store/Wholesale	2,054	2,045	2,823	2,802	+757	+37.0%	-21
Overseas	914	914	954	576	-338	-37.0%	-377
<Overseas and domestic EC sales>							
Overseas and domestic EC sales	4,117	4,153	4,980	4,760	+607	+14.6%	-219
<Marketing investment>							
Advertising expenses	9,908	9,908	10,169	9,729	-178	-1.8%	-439
Sales promotion expenses	3,853	3,853	5,066	4,617	+764	+19.8%	-448
<Operating expenses>							
FF cost*	3,935	4,276	4,109	4,217	-59	-1.4%	+107
Call center costs	2,588	2,588	2,857	2,533	-54	-2.1%	-324

＊：FF cost = Order fulfilment cost

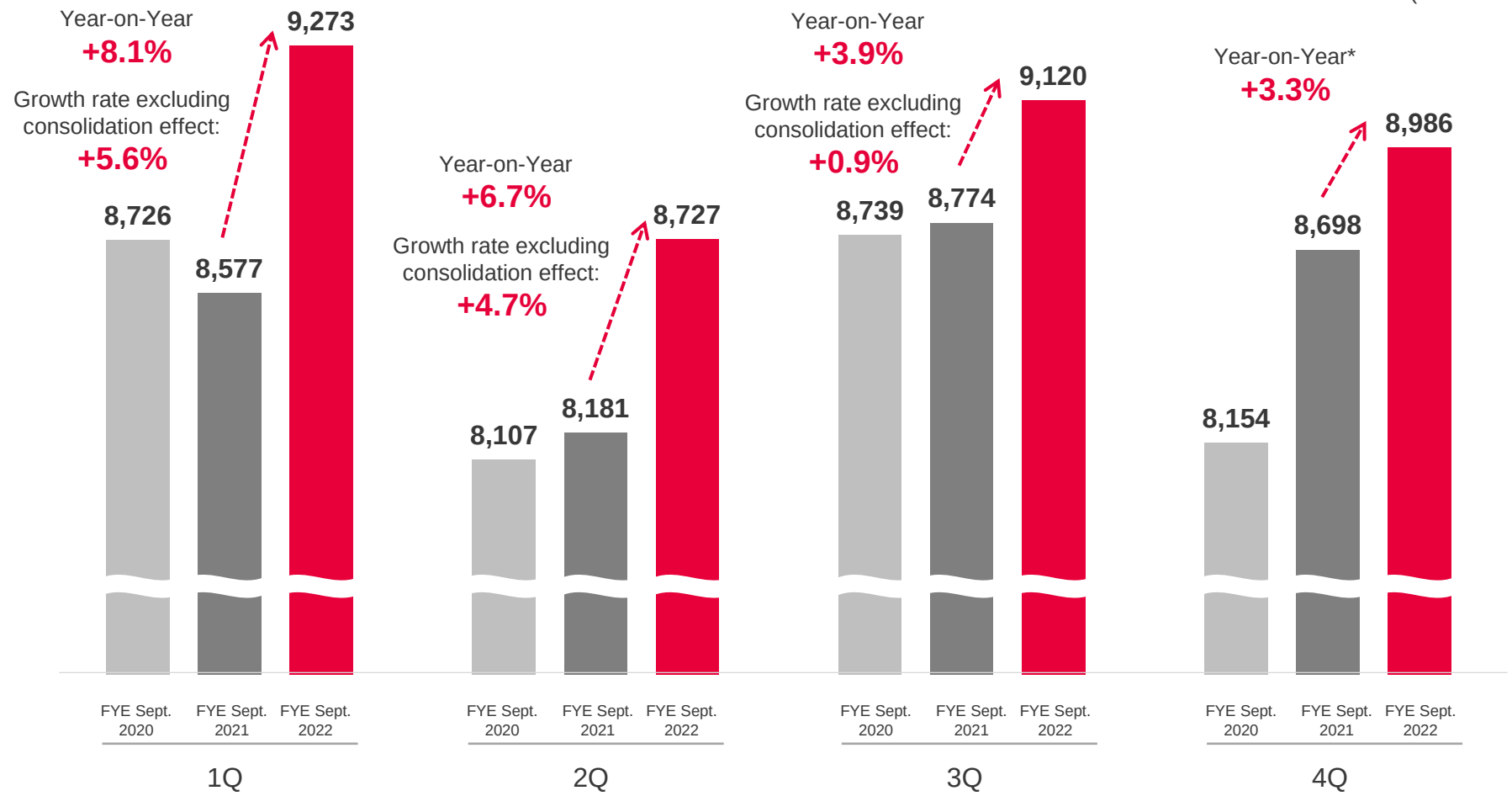
© Shinnihonseiyaku Co., Ltd.

[Reference] Trends in Quarterly Net Sales

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

Quarterly net sales for the fiscal year ended September 2022 grew by **3.3% to 8.1% year on year** thanks to the contribution of the **organic growth of Cushion Foundation, FOCUS and Fun and Health,** in addition to **the consolidation effect of Flatcraft**.

(Unit: Million yen)



*: The new consolidation effect of making Flatcraft a subsidiary occurred through the 3Q of the FY ended Sept. 2022

© Shinnihonseiyaku Co., Ltd.

Summary of Financial Results
- Sales by Channel Change Factor Analysis (Year-on-Year)

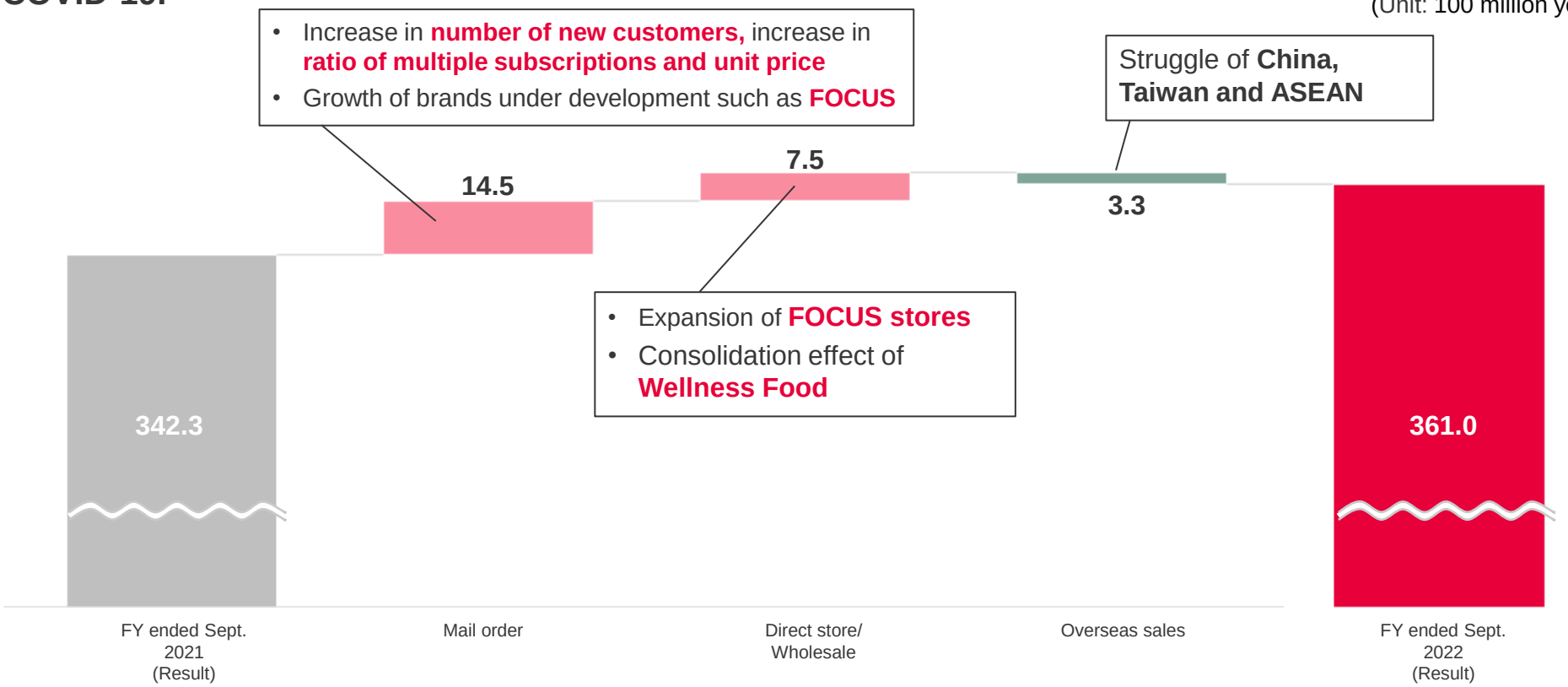
Results of the fiscal year ended September 2021 are based on the new revenue recognition standards.

Mail order growth driven by **Cushion Foundation, FOCUS and Fun and Health** led sales increase

In addition, wholesale sales contributed to higher sales due to the expansion of **FOCUS** drugstore operations and the consolidation effect of **Flatcraft**

On the other hand, **China, Taiwan and ASEAN struggled in overseas sales due to the impact of COVID-19.**

(Unit: 100 million yen)



新日本製薬
© Shinnihonseiyaku Co., Ltd.

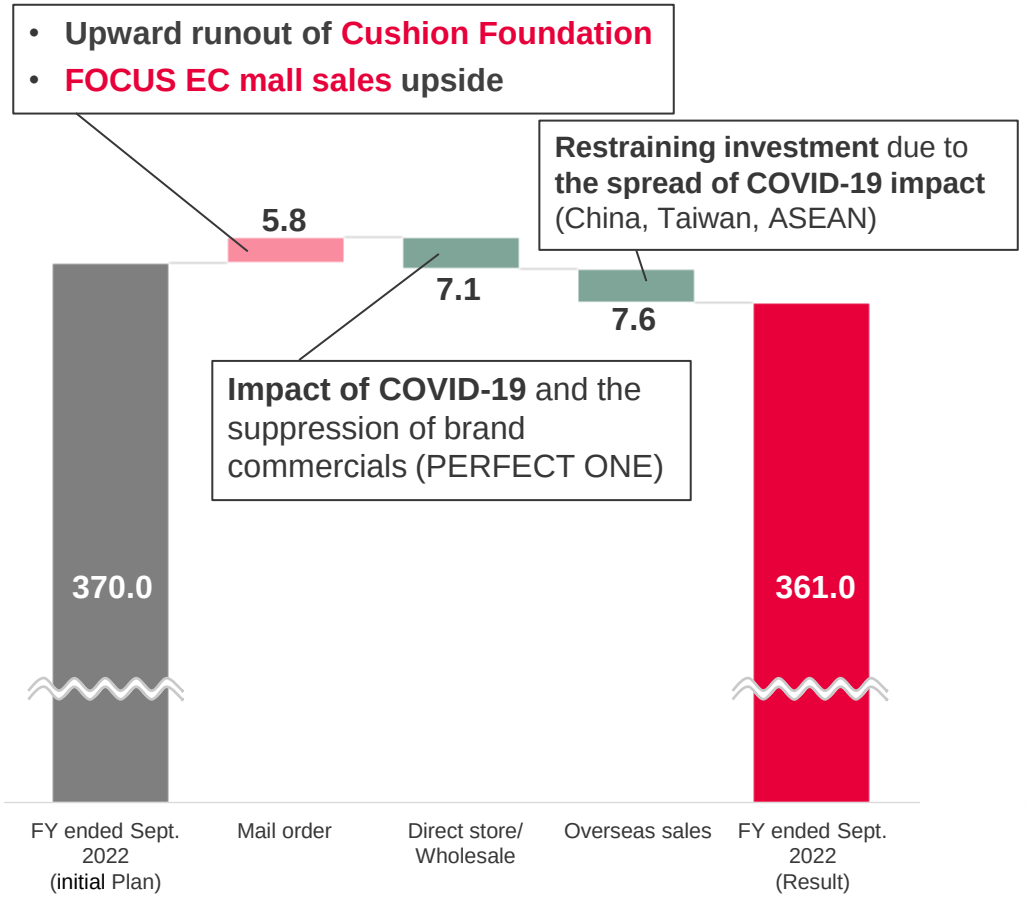
Summary of Financial Results
- Sales by Channel Change Factor Analysis (Comparison against full-year plan)

Mail order sales were driven by **Cushion Foundation** and **FOCUS, exceeding the initial plan by 580 million yen**

On the other hand, **wholesale sales and overseas sales of PERFECT ONE** were significantly negative, landing at 36.1 billion yen

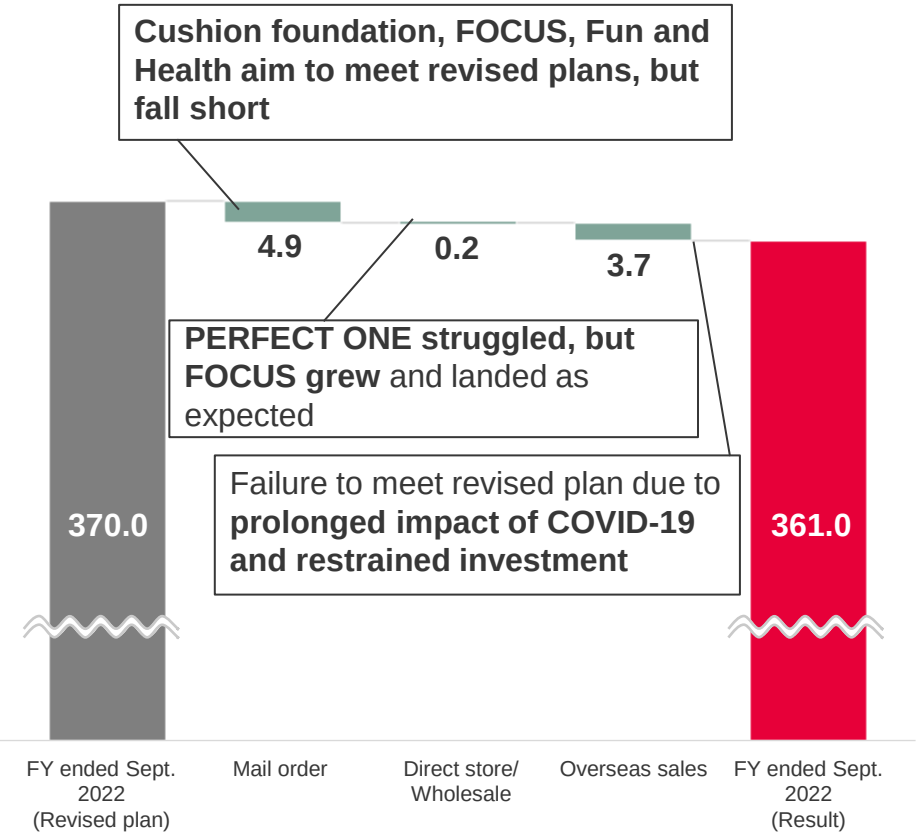
Comparison with initial plan
(announced November 12,2021)

(Unit: 100 million yen)



Comparison with revised plan
(announced May 9, 2022)

(Unit: 100 million yen)



© Shinnihonseiyaku Co., Ltd.

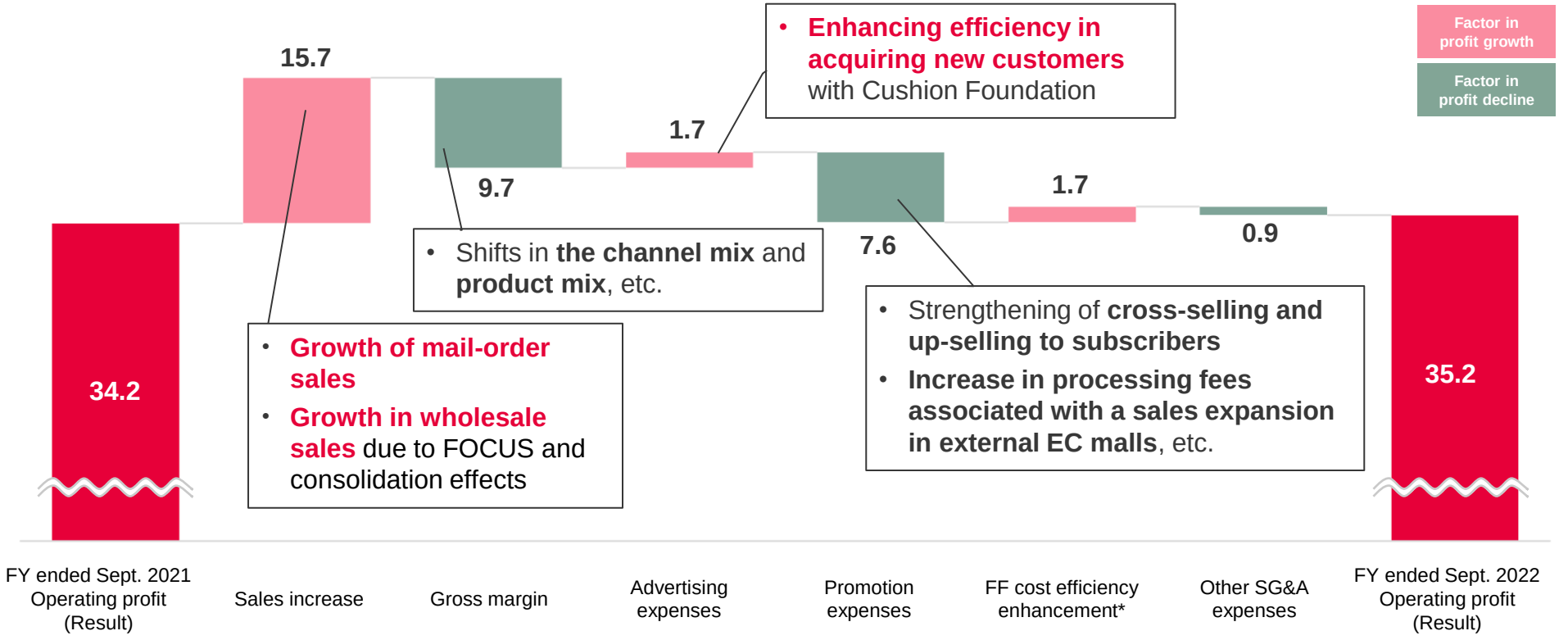
Summary of Financial Results
- Operating Profit Change Factor Analysis (Year-on-Year)

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

Growth in mail order channels made a significant contribution to a sales increase effect of 1,570 million yen.

Although **a change in gross margin** mainly due to changes in the channel mix and **an increase in promotion expenses** became factors in profit decline, **improved efficiency in advertising investment and better efficiency in operating expense helped actual profit exceed the plan and end up increasing**.

(Unit: 100 million yen)



* Of FF cost, the efficiency improvement effect in shipping and delivery costs and agency fees (payment commissions)

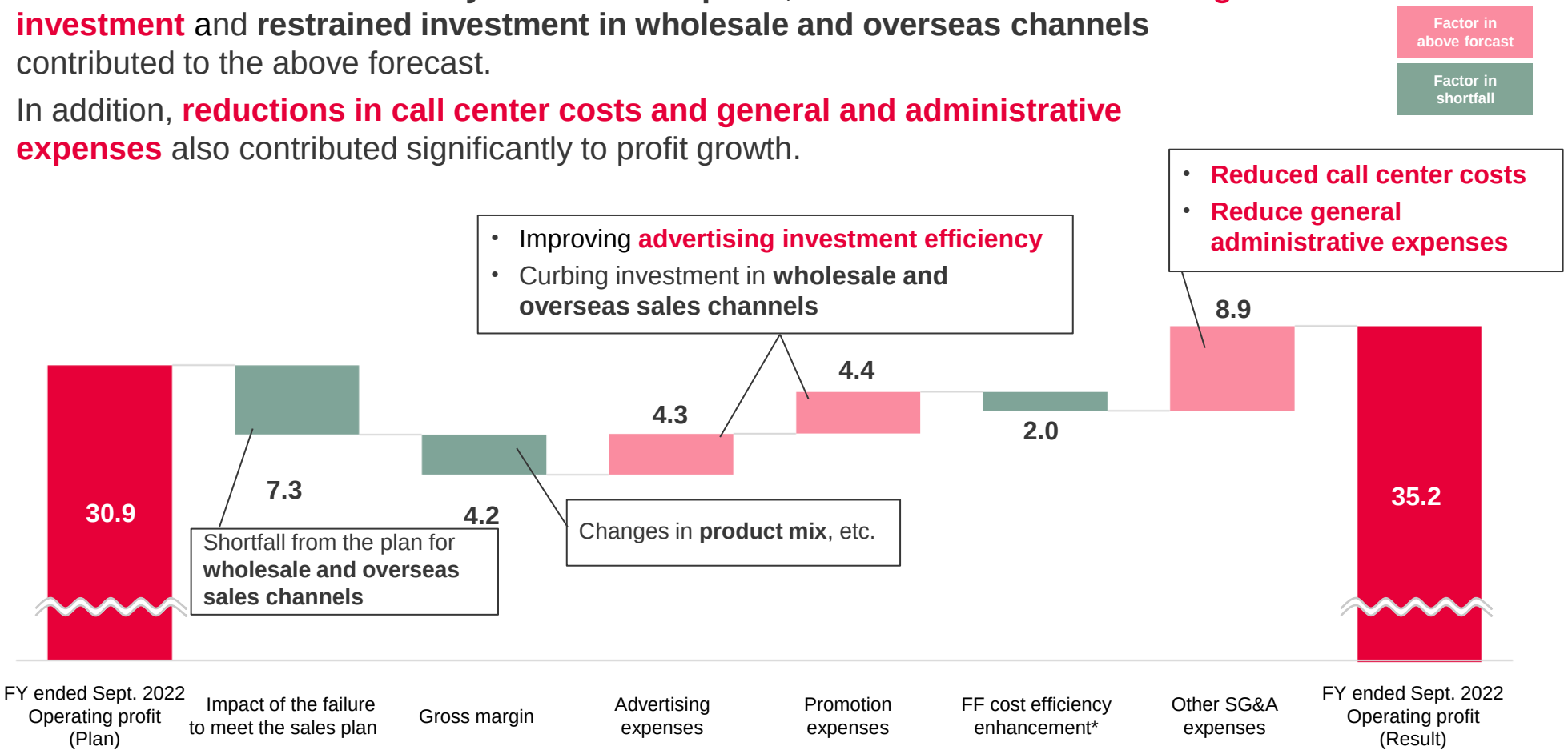
© Shinnihonseiyaku Co., Ltd.

Summary of Financial Results
- Operating Profit Change Factor Analysis (Comparison against full-year plan)

Non-achievement of the sales plan for **wholesale and overseas sales channels** was the **reason for the 730 million yen shortfall in profit**, **but more efficient marketing investment** and **restrained investment in wholesale and overseas channels** contributed to the above forecast.

In addition, **reductions in call center costs and general and administrative expenses** also contributed significantly to profit growth.

(Unit: 100 million yen)



* Of FF cost, the efficiency improvement effect in shipping and delivery costs and agency fees (payment commissions)

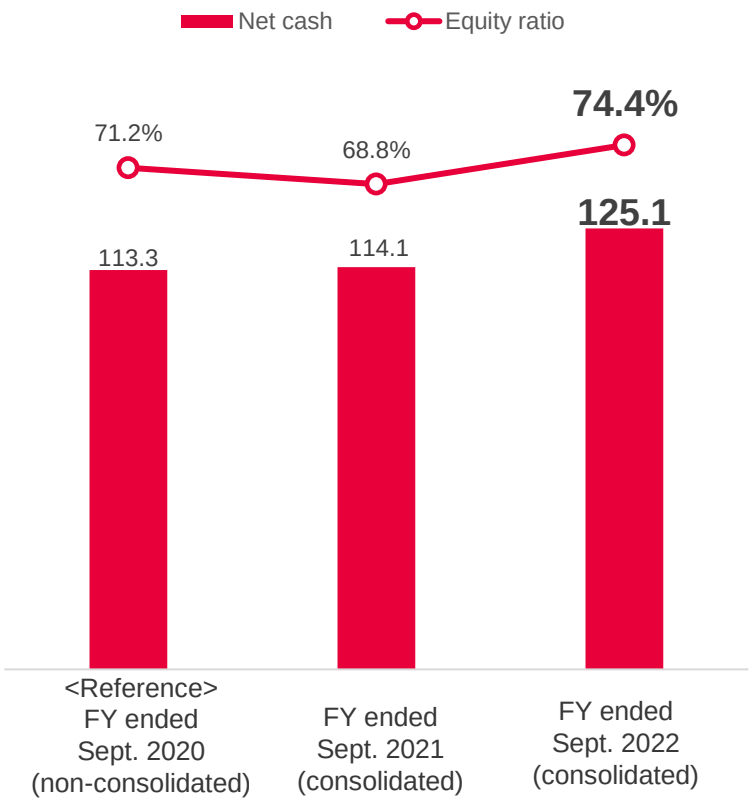
© Shinnihonseiyaku Co., Ltd.

Status of Balance Sheet

(Unit: Million yen)

Items	<Reference> End of FY ended Sept. 2020 (non-consolidated)	End of FY ended Sept. 2021 (consolidated)	End of FY ended Sept. 2022 (consolidated)	Changes from previous fiscal year-end
Current assets	16,211	18,528	19,265	+736
Cash and deposits	12,271	13,652	14,351	+699
Accounts receivable-trade	2,607	3,196	2,862	-333
Inventories	1,193	1,404	1,735	+331
Non-current assets	3,744	4,711	4,592	-119
Total assets	19,956	23,240	23,857	+617
Liabilities	5,688	7,059	5,938	-1,121
Trade payables	509	527	553	+25
Interest-bearing debt	936	2,238	1,839	-398
Net assets	14,267	16,180	17,918	+1,738
Treasury shares	-299	-852	-735	+116
Total liabilities and net assets	19,956	23,240	23,857	+617

(Unit: 100 million yen)



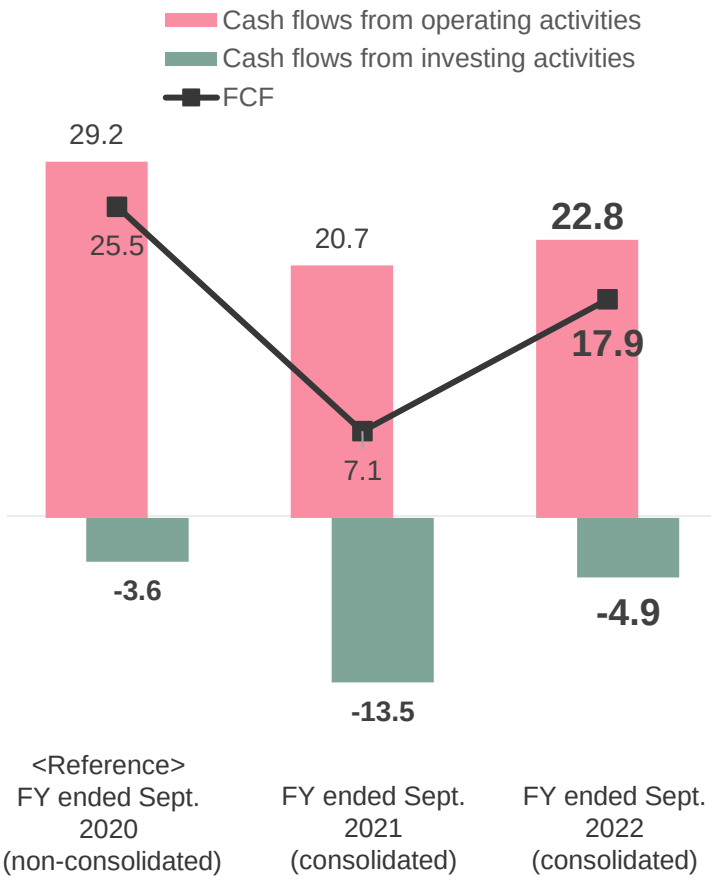
© Shinnihonseiyaku Co., Ltd.

Status of Cash Flows

(Unit: Million yen)

Items	<Reference> FY ended Sept. 2020 (non-consolidated)	FY ended Sept. 2021 (consolidated)	FY ended Sept. 2022 (consolidated)	Changes from previous fiscal year-end
Cash flows from operating activities	2,920	2,071	2,287	+216
Cash flows from investing activities	-367	-1,359	-496	+863
Purchase of property, plant and equipment	-268	-102	-41	+60
Purchase of intangible assets	-80	-68	-337	-268
Purchase of investment securities	-54	-45	-141	-96
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-1,218	-	+1,218
FCF	2,553	712	1,791	+1,079
Cash flows from financing activities	-851	672	-1,093	-1,766
Income and Repayments of long-term borrowings	-173	1,220	-398	-1,619
Proceeds from issuance of shares	-	664	-	-664
Purchase of treasury shares	-300	-581	0	+581
Dividends paid	-377	-642	-695	-52

(Unit: 100 million yen)



© Shinnihonseiyaku Co., Ltd.

2. Plan for the Fiscal Year Ending September 2023

© Shinnihonseiyaku Co., Ltd.

Plan for the Fiscal Year Ending September 2023

Plan to ensure that **the growth of PERFECT ONE and FOCUS** drives net sales increase.

In healthcare, we plan to increase revenues significantly with the strong performance of **Fun and Health**.

In terms of profits, **plan to finish the period with a similar profit to that of the previous fiscal year** on the premise that proactive marketing is implemented.

(Unit: Million yen)

Items	FY ended Sept. 2022 Results	FY ending Sept. 2023 Plan			Year-on-year change in the full-year plan	Year-on-year change in the full-year plan (%)
		First half	Second half	Full-year		
Net sales	36,107	18,600	19,400	38,000	+1,892	+5.2%
Cosmetics	32,666	16,741	17,385	34,127	+1,460	+4.5%
Healthcare	3,441	1,858	2,014	3,872	+431	+12.5%
Operating profit	3,522	1,409	2,150	3,560	+37	+1.1%
Operating profit margin	9.8%	7.6%	11.1%	9.4%	-0.4pt	-
Ordinary profit	3,487	1,390	2,080	3,471	-16	-0.5%
Profit (attributable to owners of parent)	2,357	949	1,431	2,380	+23	+1.0%

© Shinnihonseiyaku Co., Ltd.

Premises of Plan for the Fiscal Year Ending September 2023

In mail order, plan to ensure that **the growth of PERFECT ONE and FOCUS** drives a net sales increase.

Directly managed stores and wholesale sales will grow by **expanding the number of FOCUS stores and increasing sales per store**

Overseas sales are expected to increase, mainly in **China and Taiwan**, while domestic and overseas EC sales are expected to increase significantly **centering on FOCUS**.

Marketing investment plans to **increase investment in wholesale distribution and overseas sales channel**

(Unit: Million yen)

Items	FY ended Sept. 2022 Results	FY ending Sept. 2023 Plan			Year-on-year change in the full-year plan	Year-on-year change in the full-year plan (%)
		First half	Second half	Full-year		
<Sales by channel>						
Mail order	32,728	16,662	17,222	33,885	+1,156	+3.5%
Direct store/Wholesale	2,802	1,647	1,568	3,215	+412	+14.7%
Overseas	576	290	609	899	+322	+56.0%
<Overseas and domestic EC sales>						
Overseas and domestic EC sales	4,760	2,745	3,279	6,024	+1,263	+26.5%
<Marketing investment>						
Advertising expenses	9,729	5,451	4,798	10,250	+520	+5.4%
Sales promotion expenses	4,617	2,628	2,420	5,048	+431	+9.3%
<Operating expenses>						
FF cost	4,217	2,072	2,119	4,192	-24	-0.6%
Call center costs	2,533	1,324	1,329	2,654	+120	+4.8%

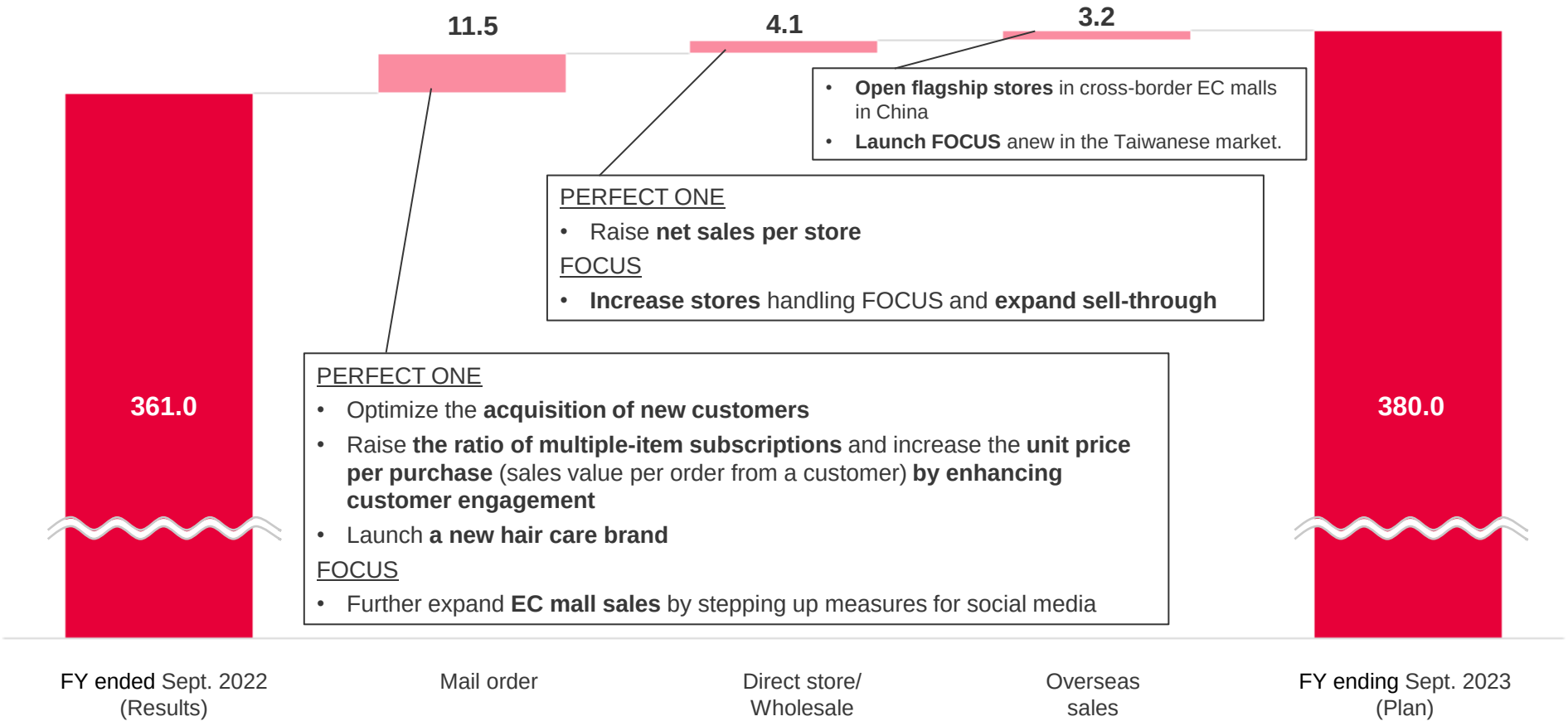
© Shinnihonseiyaku Co., Ltd.

Plan for the Fiscal Year Ending September 2023 - Sales by Channel Change Factor Analysis

PERFECT ONE and FOCUS will **drive growth, mainly through the mail order channel.**

In Overseas, **place sales on a growth track at an early stage by opening flagship stores in cross-border EC malls and launching FOCUS anew.**

(Unit: 100 million yen)



© Shinnihonseiyaku Co., Ltd.

Plan for the Fiscal Year Ending September 2023 - Operating Profit Change Factor Analysis

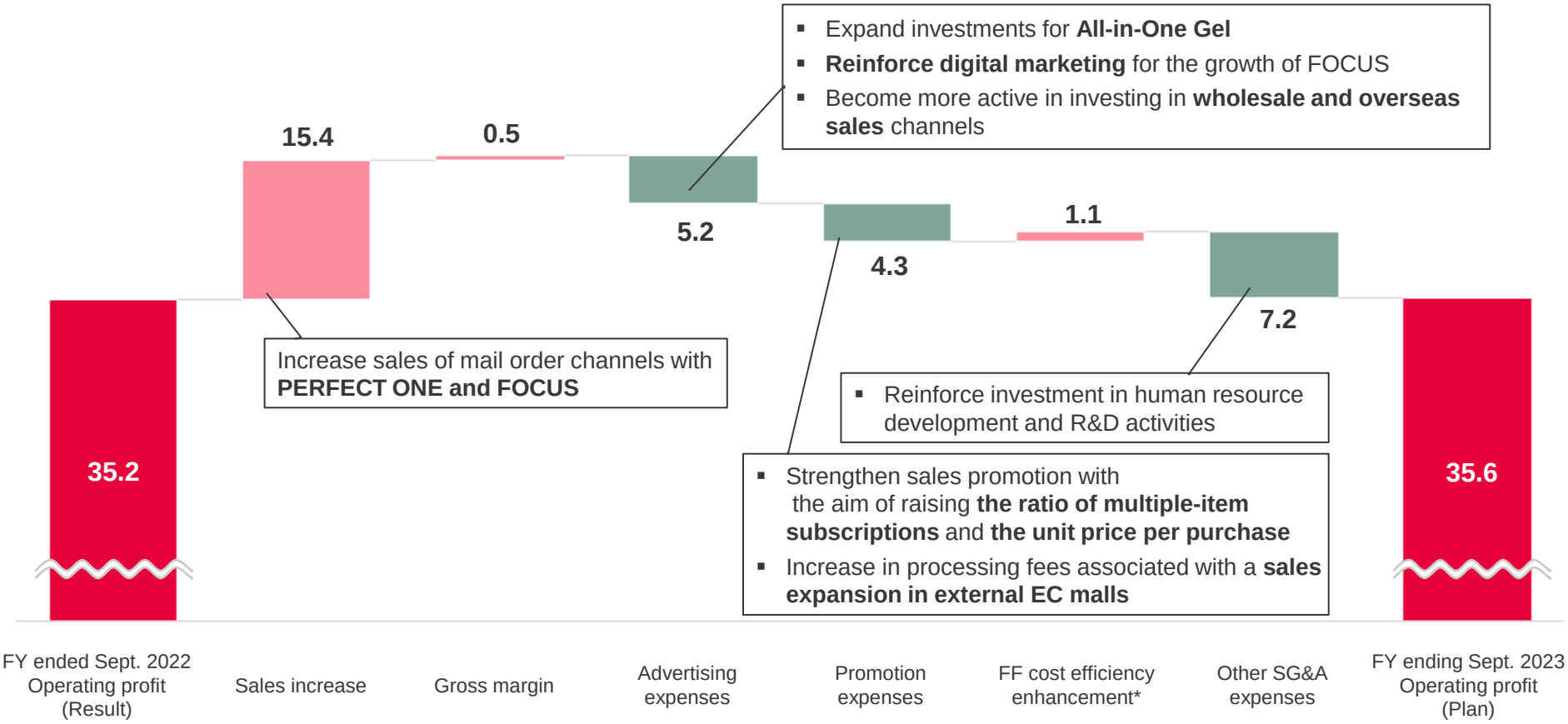
(Unit: 100 million yen)

Plan a sales-increase effect of 1,540 million yen, mainly by expanding mail-order channels

Aim to realize brand growth and profit growth at the same time by pushing forward with the establishment of a new business model that integrates EC malls and wholesale sales

Factor in profit growth

Factor in profit decline



* Of FF cost, the efficiency improvement effect in shipping and delivery costs and agency fees (payment commissions)

© Shinnihonseiyaku Co., Ltd.

Dividend Policy

For the fiscal year ended September 2022, **the dividend forecast was revised upward by 3.00 yen**, based on **higher profit than the initial plan**.

For the fiscal year ending September 2023, **the dividend per share is forecast to be 33.00 yen**.

(Yen/Share)	FY ended Sept. 2021	FY ended Sept. 2022		Forecast for FY ending Sept. 2022 (consolidated)
		Forecast at the beginning of FY	Revised forecast	
Basic earnings per share*1	107.72	96.60	109.91	110.98
Dividend per share	32.50	30.00	33.00	33.00
Consolidated dividend payout ratio*2	30.2%	31.1%	30.0%	29.7%

*1 Calculated by dividing profit by the average number of shares during the period

*2 Calculated by dividing dividend per share by basic earnings per share

© Shinnihonseiyaku Co., Ltd.

3. Medium-Term Management Plan “VISION2025” Progress in First Year and Policy for Second Year Onwards

© Shinnihonseiyaku Co., Ltd.

Medium-Term Management Targets

Medium-Term Management Plan "VISION2025"
Fiscal year ending September 2025

Consolidated net sales 50 billion yen (FY ending September 2025)

<Key management indicators>

		(Results) [FY ended Sept. 2021]		First year (Results) [FY ended Sept. 2022]		Final Year (Plan) [FY ending Sept. 2025]
1	Healthcare net sales	2.3 billion yen	▷	3.4 billion yen	▷	10 billion yen level
2	Overseas net sales	0.9 billion yen	▷	0.5 billion yen	▷	5 billion yen level
3	Overseas and domestic EC net sales*1	4.1 billion yen	▷	4.7 billion yen	▷	10 billion yen level
4	Net sales of brands to be developed*2	2.4 billion yen	▷	4.4 billion yen	▷	12 billion yen level

*1: Domestic EC net sales and overseas EC net sales *2: Net sales excluding PERFECT ONE

© Shinnihonseiyaku Co., Ltd.

Key Issues in VISION2025

<Progress in priority issues during FY ended Sept. 2022>

Expand business

1 Strengthening of database marketing

- **The number of new customers*1 rose 50% from the previous fiscal year thanks to improved investment efficiency.**
- **The ratio of multiple-item subscriptions and the unit price per purchase increased** as a result of strengthening **customer engagement.**
- Failed to meet the plan by as much as 370 million yen **due to the impact of lockdowns in China.**
- Rebuilt overseas strategies that took **country risks** into account.

2 Acceleration of overseas expansion

3 Development and fostering of Healthcare Business

- **The growth of *W no Kenko Aojiru*** (Doubly Healthy Green Drink) contributed to higher net sales at the Healthcare Business.
- Wellness Food **saw strong performance in functional oils** on the back of rising demand.

4 Development of new products and services

- With Balm*2 becoming a big hit in the market, **FOCUS achieved sales of 1 billion yen in the first year**.
- **Preparations for the launch of a new brand in the hair care field were completed**.

Strengthening of the foundation

5 Cost structure reform

- **Operating expenses decreased by 110 million yen** through reducing **payment processing fees (agency commissions)** and **optimizing the system for receiving incoming calls.**

6 Human resource development

- **Seminars aimed at selection of management executives** were held, and deliberations **on plans for developing management successors** took place.

7 Strengthening of the structure to perform M&A

- **Strengthen execution structure** and looked into more than 150 cases a year.

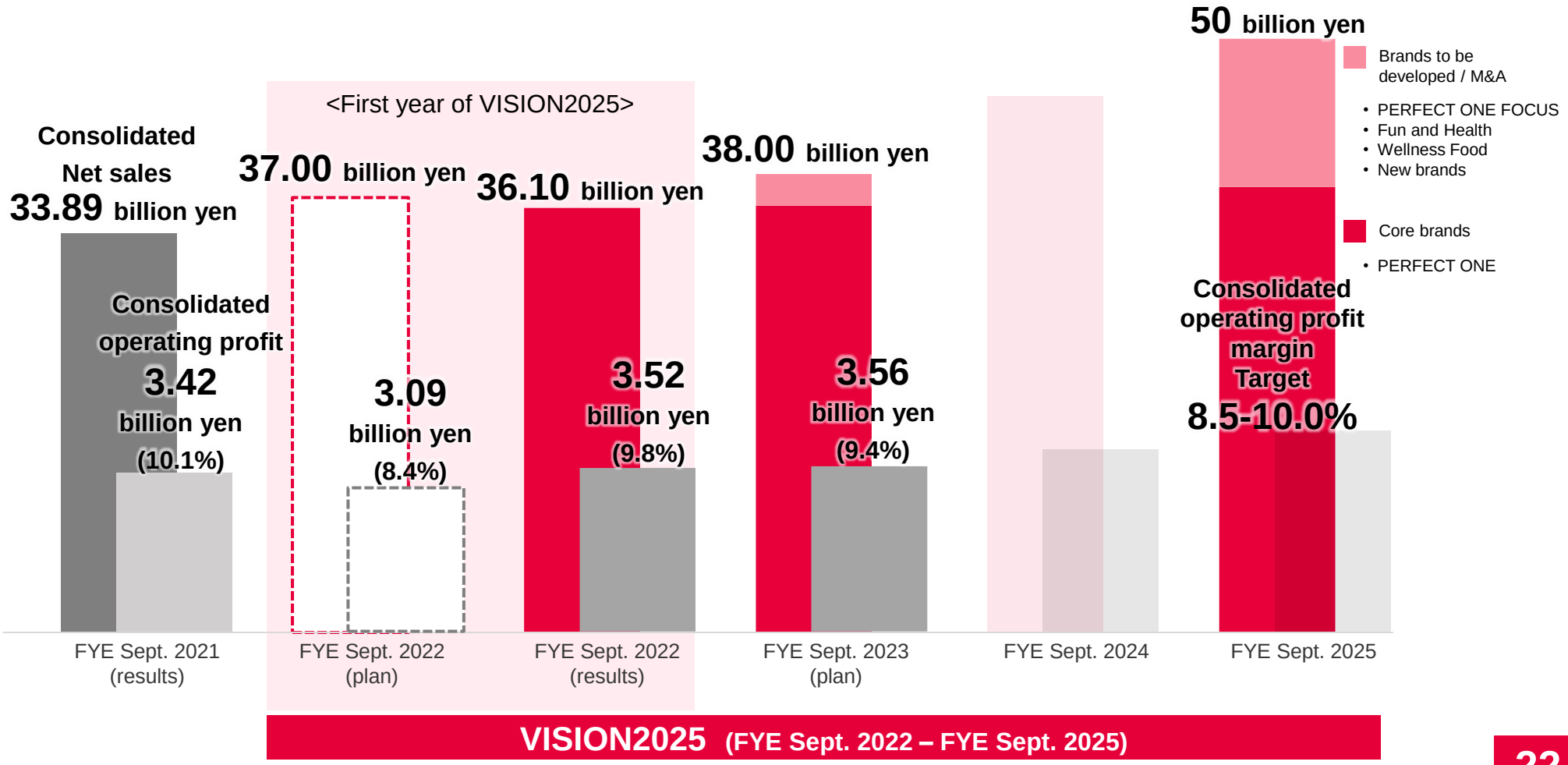
*1: Mail order excluding EC (the year-on-year growth rate is 47% when including EC)
*2: Smooth Cleansing Balm

© Shinnihonseiyaku Co., Ltd.

Conceptual Graph of Medium- to Long-Term Growth in VISION2025

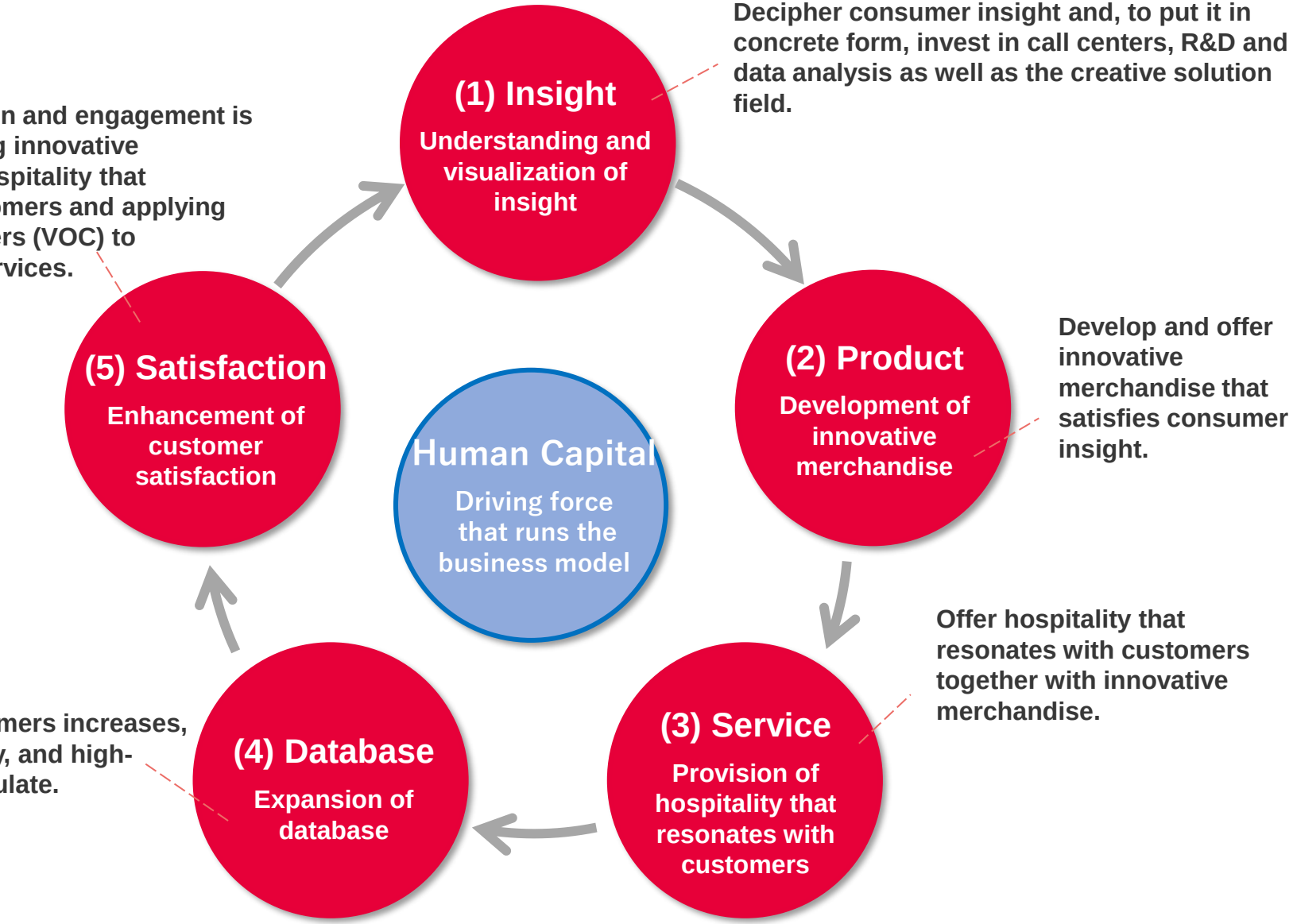
In the first year, **profit ended up higher than the plan** thanks to improved investment efficiency and reduced operating expenses.

From the fiscal year ending September 2023 onwards, the Company will **carry out aggressive growth investment** and boost the topline **while continuing to increase profit.**



© Shinnihonseiyaku Co., Ltd.

The Company's Business Model



* Voice of customer

© Shinnihonseiyaku Co., Ltd.

PERFECT ONE

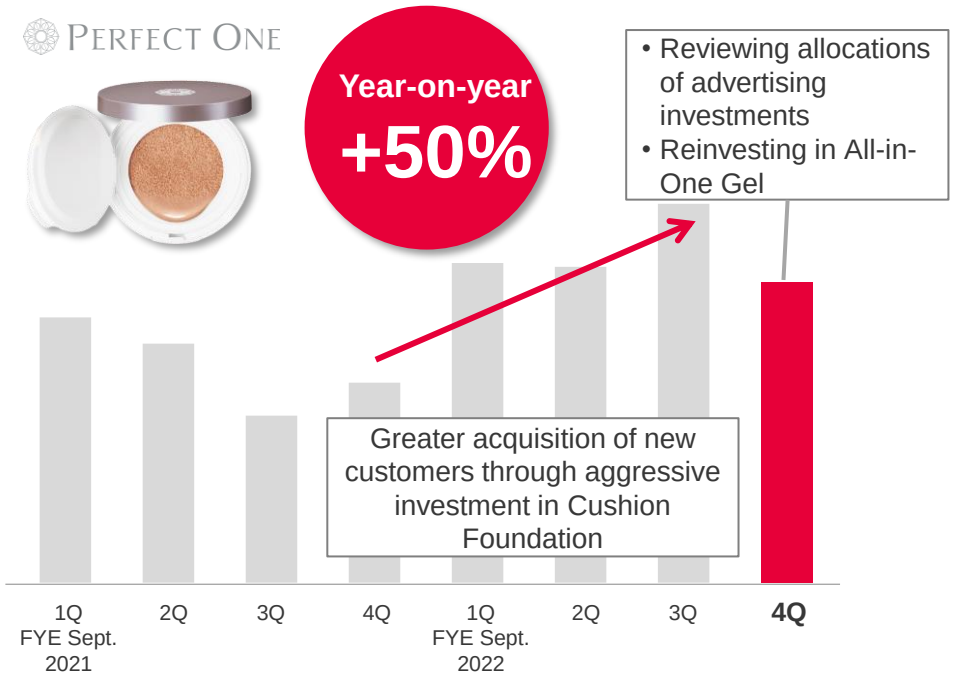
FY22

Brand sales 31.61 billion

■ **Implemented advertising investment with an emphasis on acquisition efficiency.**

Database expanded as **new customers were steadily acquired** through aggressive investment in Cushion Foundation.

Trend in the number of newly acquired customers in mail order*



* Mail order excluding EC (year-on-year growth rate is 47% when including EC)

FY23

Brand sales 32.48 billion

■ **Optimization of acquisition of new customers**

Reinforce investments in All-In-One-Gel along with an efficient investment in Cushion Foundation.

■ **Creation of supporters and maximization of LTV by enhancing customer engagement**

Aim to raise the ratio of multiple-item subscriptions and the unit price per purchase while enhancing engagement through optimal proposals tailored to each customer.

■ **Launch of a hair care new brand (in January 2023)**

Start sales of a hair care brand for women in their 40s and older.



© Shinnihonseiyaku Co., Ltd.

Direct store/Wholesale

FY22

■ Struggled to expand product-handling stores in the face of the pandemic

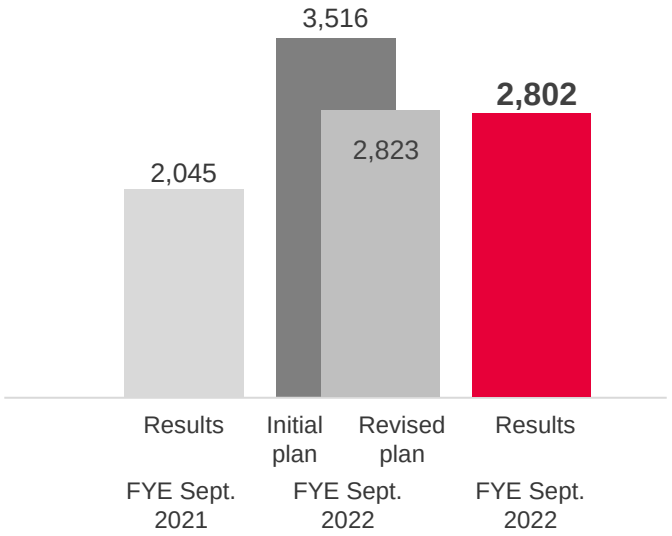
The number of the senior generation visiting stores did not recover sufficiently, leading to the failure to achieve the plan.

■ There was also some impact from curtailment of brand commercials due to the strong performance of cushion foundation

Existing stores struggled to increase sales as a result of increasing the volume of ad placement for mail order.

Net Sales

(Unit: Million yen)



FY23

■ Pursue higher sales per store

Roll out brand commercials that propose products for each step of care and switch to displays that align with this move.





Brand commercial "*Ohitotsu* (One item),"



Concept of POP at storefront

© Shinnihonseiyaku Co., Ltd.

Overseas

FY22

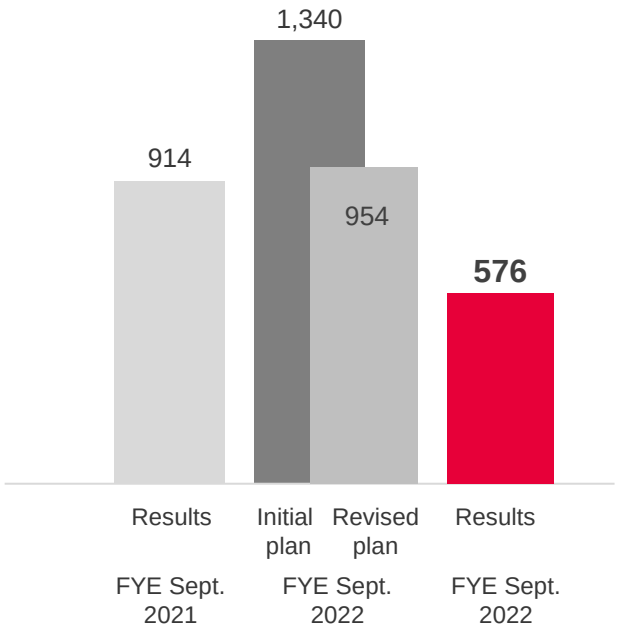
■ **Significant delay in sales plan due to the impact of COVID-19**

Sales in China were 0.4 billion yen under the plan, severely hit by lockdowns there.

Taiwan and ASEAN countries too were influenced and suffered a wide deviation from the sales plans.

Net Sales

(Unit: Million yen)



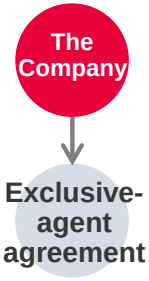
FY23

■ **Accelerate customer acquisition in China with new strategy.**

A scheme change will make it possible for the Company to take the lead in **implementing flexible marketing** that meets the trends and the market environment.

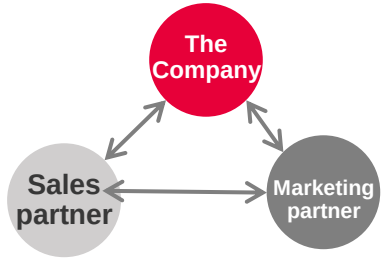
Aim for a smooth launch (scheduled for January 2023) by combining the **opening of a flagship store on Tmall Global** with the **new introduction of FOCUS**.

(Former) Exclusive-agent-type scheme



Outsource sales and marketing activities

(New) Partner-type scheme



Cooperative system led by the Company after building alliance with each partner

■ **Accelerate growth by launching FOCUS in Taiwan**

■ **Rollout of channel strategy with an eye on a recovery in inbound demand in China and ASEAN countries**

© Shinnihonseiyaku Co., Ltd.

Hair care

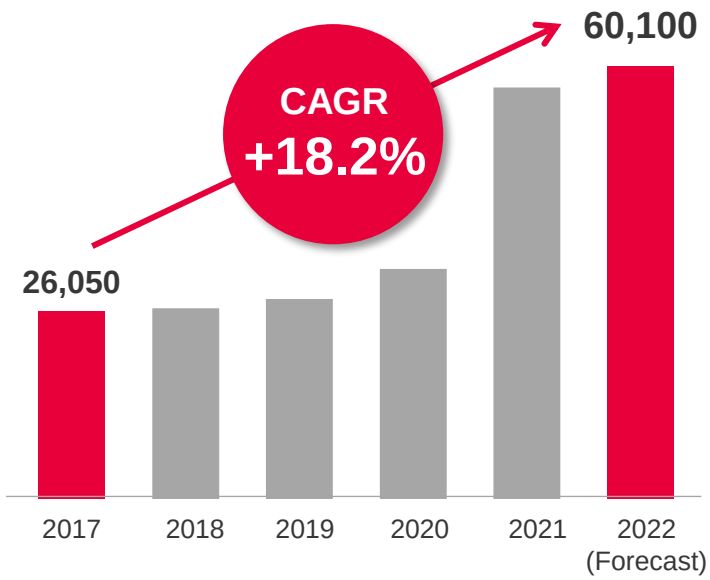
FY23

■ **Introduce a new brand in January 2023 that will come after PERFECT ONE FOCUS.**

Seek to grasp the opportunity of a vertical launch while leveraging the selling power of the mail order channel and running the PDCA cycle of test marketing.

Make better use of the database on customers in their 40s or older, which is an asset for the Company.

Female scalp care market* (Unit: Million yen)



Concept

Get hair that you are confident of throughout your lifetime.
Simple hair care, focusing on the power of the root of medicinal plants, for adult women.

Target

Women in their 40s and older who have complex hair problems such as loss, thinning, curling and dryness

Merchandise

Roll out two products: **multiple-function shampoo** and **hair growth essence**, as the first launch.

Mixing merchandise with the original ingredient "Capsule Shikon," for which the Company has patent rights

- We have established a cultivation method for purple root, an endangered species, and patented it in 2016.
- Formulated with "Capsule Shikon," a patented, encapsulated purple root extract extracted from the endangered Lithospermum.



Shikon (Lithospermum root)



State of cultivation

*Cosmetics Marketing Handbook 2022 NO.2 by Fuji Keizai

© Shinnihonseiyaku Co., Ltd.

PERFECT ONE FOCUS

FY22

Brand sales 1.05 billion

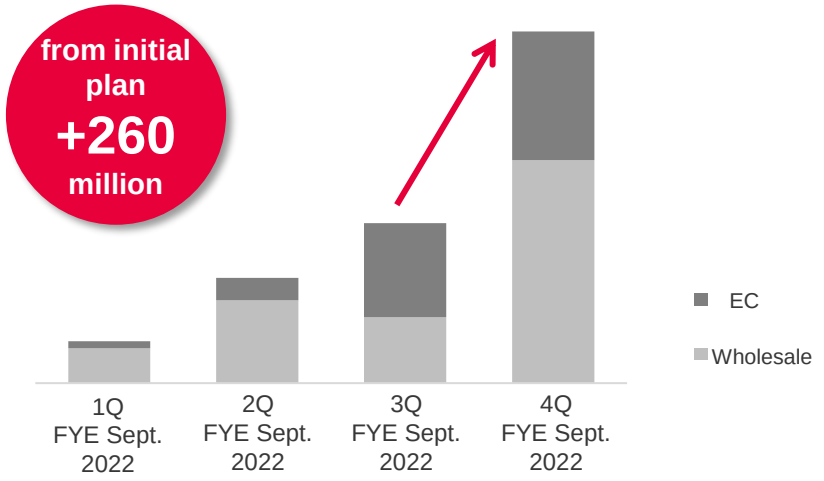
■ **Cleansing Balm drove the growth as product appeal × social media marketing became the talk of the town**
Cultivation of young-generation customers, which has been an issue, is progressing smoothly

Smooth Cleansing Balm **won four titles in "LDK the Beauty,"** a magazine that does not mince words in critiquing cosmetics.

With the high functionality of merchandise attracting attention, videos of beauty/cosmetics-themed influencers, introducing products, went viral.

■ **Number of stores handling the product expanded to 10,600**

Trend of FOCUS quarterly sales



FY23

Brand sales 1.62 billion

■ **Strengthen digital marketing and expand sales at EC malls**

Further strengthen measures for social media through adopting strong influencers and short videos.

Apply sales know-how, acquired in major EC malls, to other brands including PERFECT ONE.

■ **Expand the number of stores handling the product to 15,000**
■ **Raise unit prices by introducing new products and nurture repeat customers**

New limited product released in October had a good start in EC malls.

Plan to add new products to the category of Cleansing Balm, which made a big hit (in the spring of 2023).





Newly released limited product Cleansing Balm VC7

Fun and Health

FY22

Brand sales 2.46 billion

■ **Expanded advertising investment for *W no Kenko Aojizu*, leading to strong acquisition of new customers. The business shifted to a growth phase**

Acquisition of new customers is going well with the need for dieting mounting partly due to lack of exercise under the pandemic.

Trend in new acquisitions*



*: Mail order excluding EC

FY23

Brand sales 2.80 billion

■ **Double down on acquiring new customers**

Speedily conduct creative tests and select advertising media and thereby further pursue improvement in investment efficiency.

■ **Maximize LTV through cross-selling**

Guide customers through information on subscribing to multiple items, propose healthcare products to cosmetics customers with the aim of raising the unit purchase price per customer.





■ **Strengthen development of new products**

Introduce new products and develop the next pillar of Fun and Health that can follow the success of *W no Kenko Aojiru*.

Wellness Food

FY22

Brand sales 0.93 billion

■ **Growing wholesale sales of MCT oil**

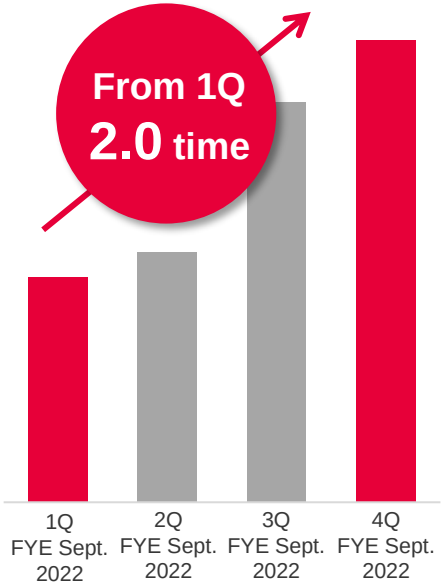
Demand for MCT oil and linseed oil has **expanded globally**.

Sales started becoming strong from the second half **mainly in member warehouse supermarkets.**



Coco MCT Oil

Trend of quarterly sales of MCT oil products





FY23

Brand sales 1.04 billion

■ **Strengthen digital marketing** and **expand sales at major EC malls** including Rakuten and Amazon



■ **Reinforce a sales structure** and **cultivate new sales channels**

■ **Introduce a second product** targeting women from the **"EVERYDAY BUTTER COFFEE"** series

Launch from the series that won first place in a popular magazine.





Butter Rooibos Tea
Launched in October 2022

© Shinnihonseiyaku Co., Ltd.

4. Initiatives for Sustainability

© Shinnihonseiyaku Co., Ltd.

Initiatives for Sustainability

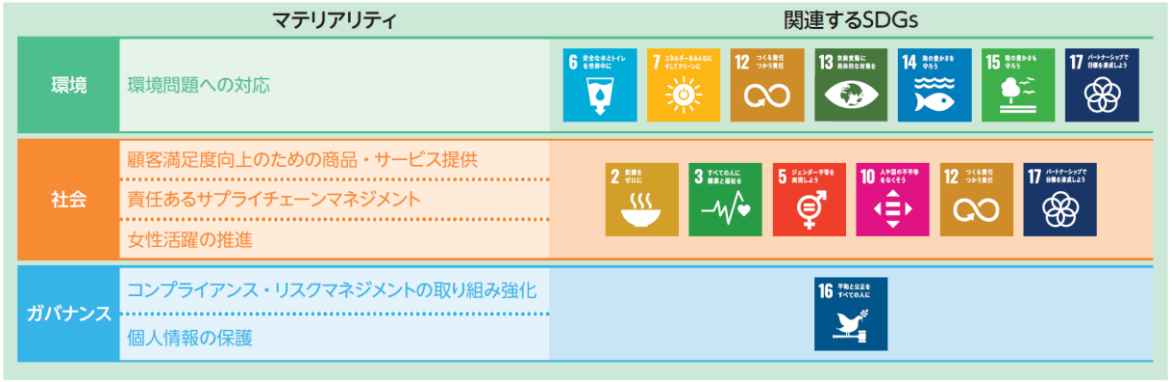
The Sustainability Committee was established in May 2022 and **the Basic Sustainability Policy was formulated** in July.

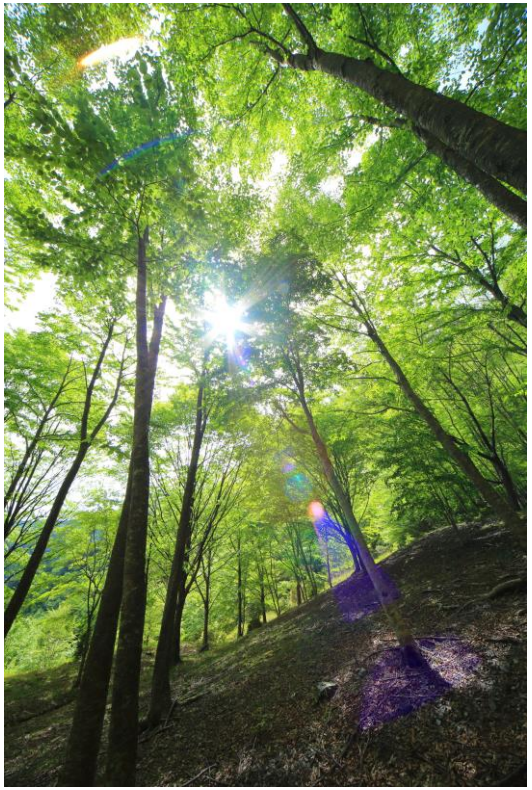
Based on our policy, we aim to solve social issues with a focus on material issues.

Shinnihonseiyaku Group Basic Sustainability Policy

Limitless Future

The Shinnihonseiyaku Group aims to solve issues surrounding the earth's environment and society in the business area of "One to One health & beauty-care."
We will contribute to the realization of a sustainable society together with our stakeholders under our vision of "Creating healthy and enriched lives for people around the world."





TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Shinnihonseiyaku has expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures established by the Financial Stability Board in October 2022.

© Shinnihonseiyaku Co., Ltd.

Initiatives for Sustainability

Environment

- Response to environmental issues





Actively roll out refill pouches



Reduction of packaging materials and reduction of CO2 for re-delivery by mail delivery

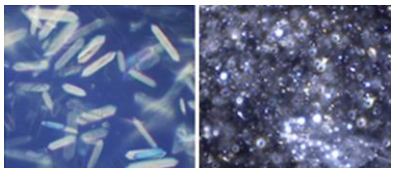
From used containers to new containers



Implement a container recycling program

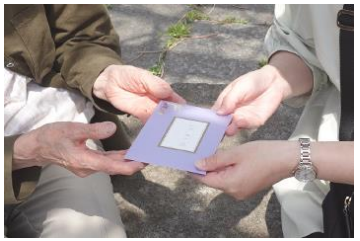
Society

- Providing products and services to improve customer satisfaction
- Responsible Supply Chain Management
- Promotion of active participation by women





Develop the technology that applies Guanine crystals, from which the benefit of concealing skin problems can be expected, to cosmetics.



Employees working at the call center deliver thank-you letters directly to customers.

Governance

- Strengthen compliance and risk management initiatives
- Protection of personal information



Adopt Zero Trust Network to reinforce information security



Advance employees' knowledge through in-house only intranet and seminars by e-learning

© Shinnihonseiyaku Co., Ltd.

APPENDIX

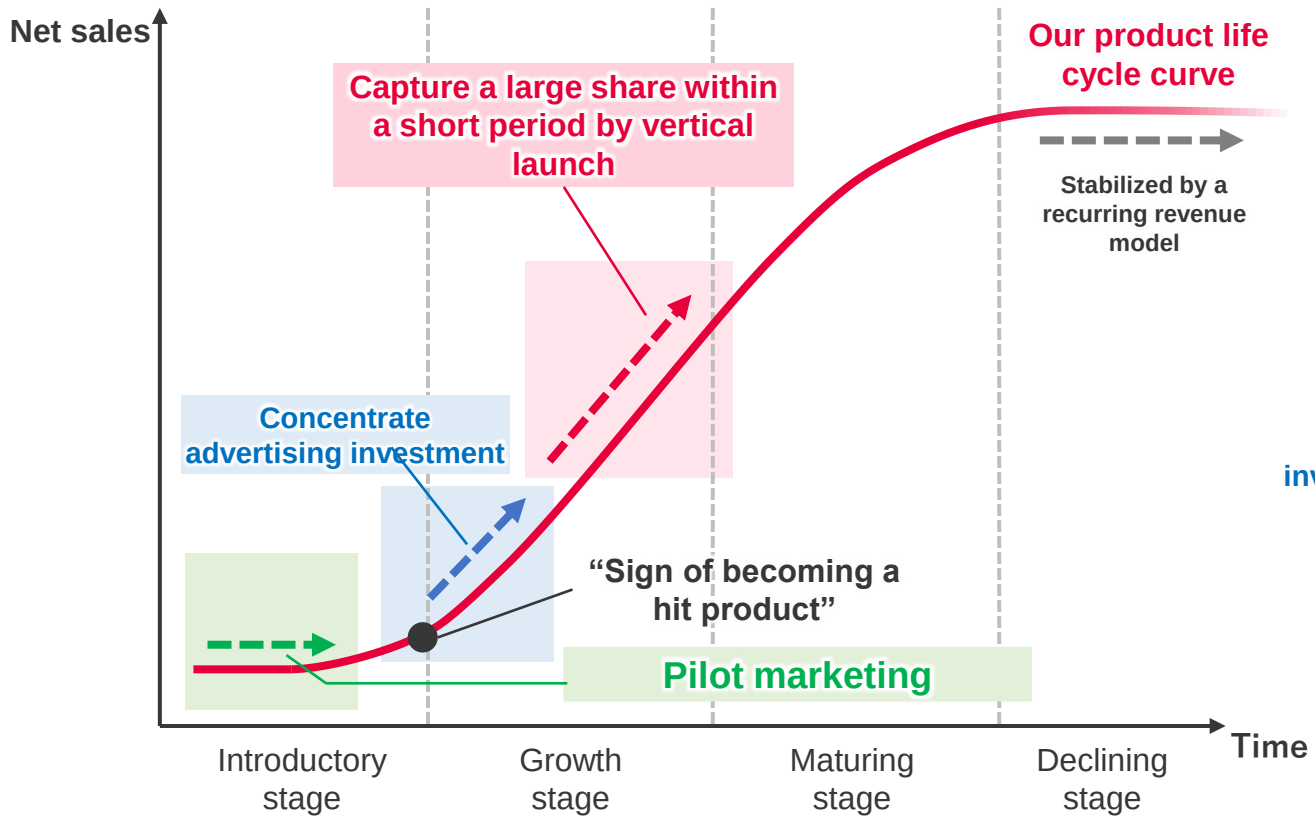
© Shinnihonseiyaku Co., Ltd.

Our Strength: “Selling Power” of Mail Order Channels

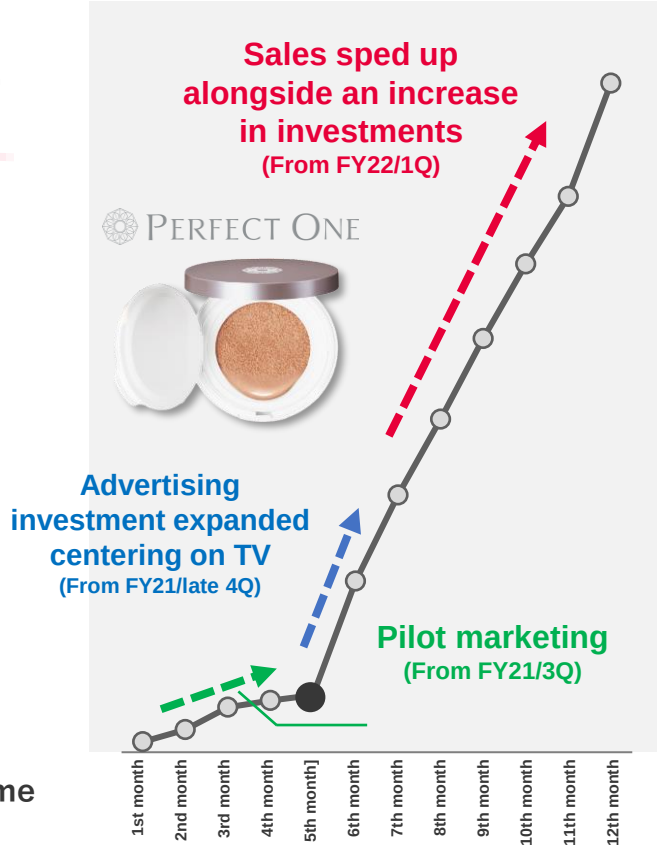
Develop new products swiftly, and during the introductory stage**, run the PDCA cycle of** pilot marketing **at high speed.**

Grab a dominant market share in one breath within a short period before competition intensifies **by ramping up advertising investment once a sign of becoming a hit product appears.**

Product life cycle management of our mail order channels



[Reference]: Trend in cumulative sales of Cushion Foundation

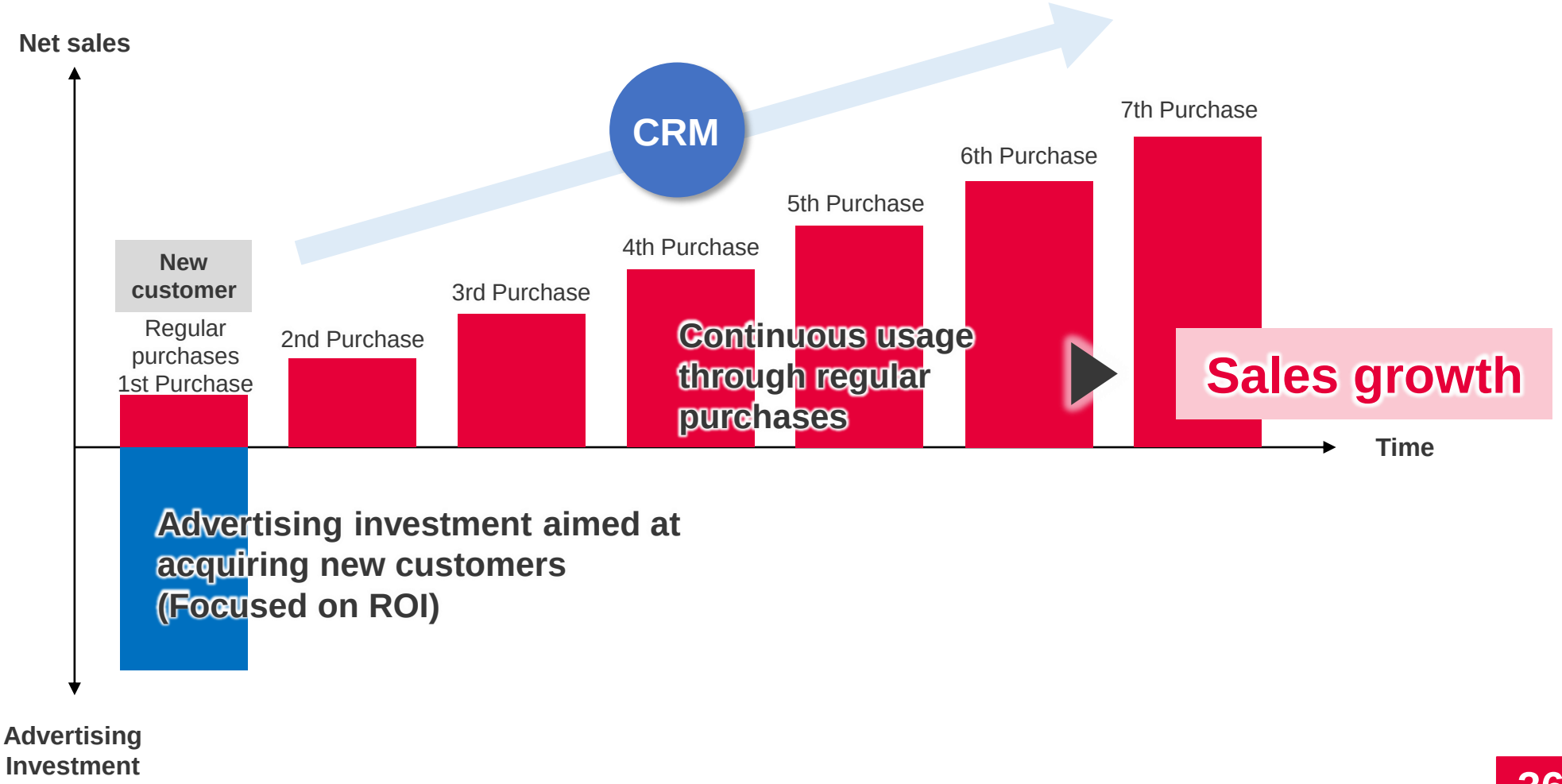


© Shinnihonseiyaku Co., Ltd.

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**.



© Shinnihonseiyaku Co., Ltd.

Our Strength: Marketing Utilizing Customer Database

Utilize the database of approximately 5.95 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.

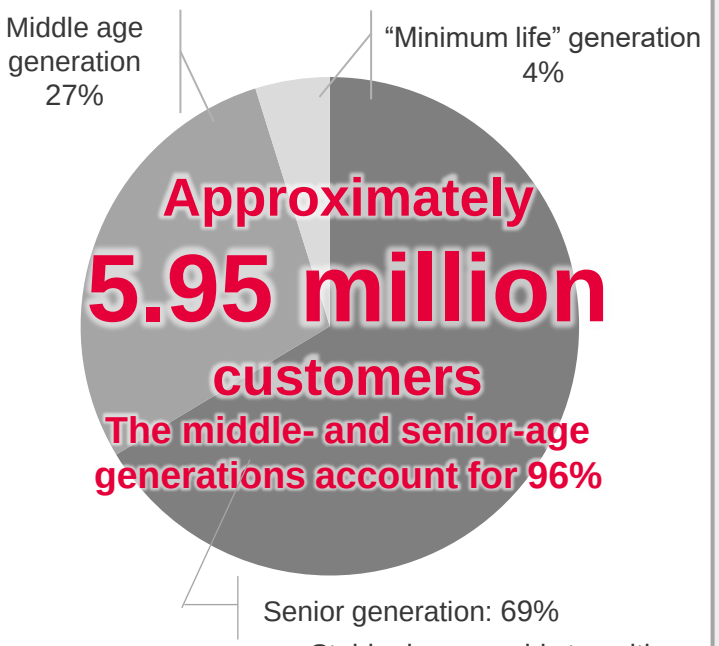
Customer Base Development

Continued acquisition of new customers

- Advertising Investment
- New Product Development

Customer Database

(as of the end of FYE Sept. 2022)



Marketing

Health & Beauty
Propose comprehensive care

Promote **up-selling** to high-performance products
Promote **cross-selling** of seasonally limited products, etc.

Increase purchase 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

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 September 30, 2022]
Executives	Takahiro Goto, President & Representative Director of the Board and Chief Executive Officer 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, Direct stores, Yoshizuka Office and Logistics Center
Group companies	Flatcraft, Inc.
Net sales	36.10 billion yen [FY ended September 2022]
Total assets	23.85 billion yen [as of September 30, 2022]

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 in 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./ 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.
April 2022	Moved from the First Section of the Tokyo Stock Exchange to Prime Market.

*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)*	**September 2022 (consolidated)**
Net sales	Million yen	31,210	33,570	33,728	33,899	**36,107**
Ordinary profit	Million yen	2,491	2,822	3,283	3,415	**3,487**
Profit	Million yen	1,751	1,824	2,122	2,323	**2,357**
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	16,180	**17,918**
Total assets	Million yen	9,491	18,575	19,956	23,240	**23,857**
Equity ratio	%	43.6	68.7	71.2	68.8	**74.4**
Return on equity	%	51.8	21.6	15.7	14.5	**14.0**
Dividend payout ratio	%	20.1	15.4	30.5	30.2	**30.0**
Cash flows from operating activities	Million yen	1,415	1,992	2,920	2,071	**2,287**
Cash flows from investing activities	Million yen	-420	-943	-367	-1,359	**-496**
Cash flows from financing activities	Million yen	-419	6,567	-851	672	**-1,093**
Cash and cash equivalents at the end of the period	Million yen	2,954	10,576	12,271	13,652	**14,351**
Number of employees (excluding temporary employees and including seconded employees)	People	361	354	330	309	**302**
Net assets per share	Yen	409.58	590.37	662.97	747.34	**826.51**
Basic earnings per share	Yen	174.46	113.99	98.50	107.72	**109.91**
Dividend per share	Yen	35.00	17.50	30.00	32.50	**33.00**

Prior-year ordinary profit is retroactively adjusted for changes in accounting policies
*Results used are ones after revision as a result of finalizing provisional accounting treatment related to the business combination with Flatcraft, Inc.

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

Management Promotion Office, Shinnihonseiyaku Co., Ltd.

TEL: 092-303-8318　FAX: 092-720-5819

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

We will reply to you as soon as we can.

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



新日本製薬