Consolidated Financial Results
for the Three Months Ended December 31, 2022
[Japanese GAAP]

February 7, 2023

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, 2023
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, 2022 (October 1, 2022 to December 31, 2022)

(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, 2022	9,255	(0.2)	839	1.6	840	1.0	561	2.4
Three months ended December 31, 2021	9,273	—	826	—	832	—	548	—

(Note) Comprehensive income Three months ended December 31, 2022 561 million yen (2.9%)
Three months ended December 31, 2021 545 million yen (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended December 31, 2022	26.14	25.99
Three months ended December 31, 2021	25.61	25.39

(Notes) 1. 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 quarter of the previous year is not presented for the three months ended December 31, 2021.

2. In the third quarter of the fiscal year ended September 30, 2022, the Company finalized the provisional accounting treatment for a business combination. Accordingly, the figures for the three months ended December 31, 2021 are ones in which a significant revision of the initial allocation of the acquisition cost was reflected as a result of finalizing the provisional accounting treatment.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	23,804	17,779	74.1
As of September 30, 2022	23,857	17,918	74.4

(Reference) Equity As of December 31, 2022 17,642 million yen
As of September 30, 2022 17,741 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, 2022	—	0.00	—	33.00	33.00
Fiscal year ending September 30, 2023	—				
Fiscal year ending September 30, 2023 (Forecast)		0.00	—	33.00	33.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2023 (October 1, 2022 to September 30, 2023)

(% indicates the change from the corresponding period of 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
First half (cumulative)	18,600	3.3	1,409	(16.0)	1,390	(18.0)	949	(16.7)	44.25
Full-year	38,000	5.2	3,560	1.1	3,471	(0.5)	2,380	1.0	110.98

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

* 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: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) 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, 2022	21,855,200 shares	As of September 30, 2022	21,855,200 shares
2) Total number of treasury shares at the end of the period	As of December 31, 2022	358,609 shares	As of September 30, 2022	389,909 shares
3) Average number of shares during the period (cumulative)	Three months ended December 31, 2022	21,482,541 shares	Three months ended December 31, 2021	21,423,040 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 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 Tuesday, February 7, 2023. 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

Forward-looking statements herein are based on the Shinnihonseiyaku Group's judgments on the final day of the first quarter under review.

The Company used provisional accounting treatment concerning the business combination with Flatcraft, Inc., which took place on June 30, 2021, in the first quarter of the previous fiscal year. However, since the said accounting was finalized during the third quarter of the previous fiscal year, the figures after the revision as a result of finalizing provisional accounting treatment are used for comparison with the first quarter of the previous fiscal year and the quarterly analysis.

During the first three months of the fiscal year under review, the Japanese economy showed signs of economic activities recovering gradually as movement restrictions were eased in the wake of progress in COVID-19 vaccinations. On the other hand, negative factors have arisen, such as surging prices of crude oil and raw materials worldwide due to changes to the international situation and price hikes of food, daily necessities, heating and lighting expenses, and other items mainly caused by the rapid depreciation of the yen. Consequently, the future outlook remains uncertain.

In this market environment, the Group worked on key challenges in accordance with "VISION 2025," the medium-term management plan.

In mail order, we stepped up investment in advertisements for "PERFECT ONE Wrinkle Stretch Gel" in addition to those mainly for "PERFECT ONE Glow & Cover Cushion Foundation," in cosmetics, thereby engaging in building a subscriber base that would become a growth foundation. Additionally, we doubled down on the effort to propose the regular purchase of multiple items, pivoted on the three-step skincare proposal of "Remove, Moisturize and Attract," which kept cross-selling performing well, contributing to an increase in spending per subscriber. In healthcare, as a result of strengthening investment in advertisements for food with a functional claim "*W no Kenko Aojiru* (Doubly Healthy Green Drink)" that started in the previous fiscal year, the acquisition of new customers remained strong. In EC sales, sales of "PERFECT ONE FOCUS" expanded particularly in major EC malls as a result of the effort to make the merchandise the talk of the town and raise consumer awareness through the launch of the limited edition "PERFECT ONE FOCUS Smooth Cleansing Balm VC7" in addition to the use of influencers and continued employment of social-media-based marketing that targeted consumers in their 20s and 30s.

In direct store sales and wholesale, we held the pop-up event of "PERFECT ONE FOCUS" in Tokyo and Osaka, offering real customer experience, through which we strove to create a fan base and make our merchandise a buzzword. Furthermore, we switched to displays, linked with brand commercials that proposed the three-step skincare, resulting in wholesale trending firm mainly in "PERFECT ONE Glow & Cover Cushion Foundation."

In overseas sales, amid restrictions on activities due to the spread of COVID-19 infections, we pushed forward with efforts for a speedy recovery from the second quarter onward in China, including making preparations for opening a flagship store in the major cross-border EC mall Tmall Global and for expanding social media marketing toward implementing a new strategy. Additionally, we actively engaged in cultivating new sales channels, such as starting to sell our merchandise in the large-scale drugstore Watsons in Taiwan.

As a result of the foregoing, for the first three months of the fiscal year under review, net sales were 9,255 million yen (down 0.2% year-on-year), operating profit was 839 million yen (up 1.6% year-on-year), ordinary profit was 840 million yen (up 1.0% year-on-year), and profit attributable to owners of parent was 561 million yen (up 2.4% year-on-year).

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 23,804 million yen, a decrease of 53 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 602 million yen in cash and deposits,

despite an increase of 188 million yen in accounts receivable-trade and an increase of 447 million yen in merchandise.
Liabilities totaled 6,024 million yen, an increase of 86 million from the end of the previous fiscal year. This was mainly due to an increase of 228 million yen in accounts payable-trade and an increase of 210 million yen in accounts payable-other despite a decrease of 254 million yen in income taxes payable and a decrease of 114 million yen in provision for bonuses.
Net assets totaled 17,779 million yen, a decrease of 139 million from the end of the previous fiscal year. This was mainly due to a decrease of 146 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 2023 has not changed from the forecast announced in "Consolidated Financial Results for the Fiscal Year Ended September 30, 2022" dated November 11, 2022.
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 fiscal year (As of September 30, 2022)	First quarter of the current fiscal year (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	14,351	13,749
Accounts receivable - trade	2,862	3,050
Merchandise	1,565	2,013
Other	526	547
Allowance for doubtful accounts	(42)	(44)
Total current assets	19,265	19,316
Non-current assets		
Property, plant and equipment	2,050	2,041
Intangible assets		
Goodwill	923	897
Other	568	548
Total intangible assets	1,492	1,445
Investments and other assets	1,049	1,000
Total non-current assets	4,592	4,487
Total assets	23,857	23,804

(Unit: Million yen)

	Previous fiscal year (As of September 30, 2022)	First quarter of the current fiscal year (As of December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	553	781
Current portion of long-term borrowings	396	398
Accounts payable - other	1,814	2,024
Income taxes payable	500	245
Provision for bonuses	201	86
Other	509	621
Total current liabilities	3,975	4,158
Non-current liabilities		
Long-term borrowings	1,443	1,346
Retirement benefit liability	182	185
Other	337	335
Total non-current liabilities	1,963	1,866
Total liabilities	5,938	6,024
Net assets		
Shareholders' equity		
Share capital	4,158	4,158
Capital surplus	4,121	4,110
Retained earnings	10,199	10,052
Treasury shares	(735)	(676)
Total shareholders' equity	17,744	17,645
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(3)	(3)
Total accumulated other comprehensive income	(3)	(3)
Share acquisition rights	177	137
Total net assets	17,918	17,779
Total liabilities and net assets	23,857	23,804

(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 previous fiscal year (From October 1, 2021 to December 31, 2021)	First three months of the current fiscal year (From October 1, 2022 to December 31, 2022)
Net sales	9,273	9,255
Cost of sales	1,662	1,714
Gross profit	7,610	7,540
Selling, general and administrative expenses	6,784	6,700
Operating profit	826	839
Non-operating income		
Dividend income	0	0
Rental income	2	2
Reversal of provision for shareholder benefits	2	—
Other	2	2
Total non-operating income	9	6
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	2	1
Loss on valuation of investment securities	—	3
Other	0	0
Total non-operating expenses	3	6
Ordinary profit	832	840
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	840
Income taxes - current	199	216
Income taxes - deferred	71	62
Total income taxes	270	278
Profit	548	561
Profit attributable to owners of parent	548	561

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

(Unit: Million yen)

	First three months of the previous fiscal year (From October 1, 2021 to December 31, 2021)	First three months of the current fiscal year (From October 1, 2022 to December 31, 2022)
Profit	548	561
Other comprehensive income		
Remeasurements of defined benefit plans	(3)	(0)
Total other comprehensive income	(3)	(0)
Comprehensive income	545	561
(Breakdown)		
Comprehensive income attributable to owners of parent	545	561

(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

(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.

(Matters related to business combination)

(Significant revision of the initial allocation of the acquisition cost in comparative information)

During the first quarter of the previous fiscal year, provisional accounting treatment was applied to the business combination with Flatcraft, Inc., which was carried out on June 30, 2021, and the said accounting was finalized during the third quarter of the previous fiscal year.

In line with finalizing the provisional accounting treatment, the comparative information included in the quarterly consolidated financial statements for the first three months of the fiscal year under review reflects a significant revision of the initial allocation of the acquisition cost. As a result, the amount of goodwill totaled 1,055 million yen, a decrease of 80 million yen from 1,136 million yen, which was calculated on a provisional basis, due to the finalization of the accounting treatment. The decrease of goodwill was due to increases of 122 million yen in other intangible assets and 42 million yen in other non-current liabilities.

The impact on Quarterly Consolidated Statement of Income for the first three months of the previous fiscal year is minimal.