Consolidated Financial Results
for the Nine Months Ended June 30, 2023
[Japanese GAAP]

August 8, 2023

Company name: Shinnihonseiyaku Co., Ltd. Stock exchange listing: Tokyo Stock Exchange
Code number: 4931 URL: https://corporate.shinnihonseiyaku.co.jp
Representative Takahiro Goto, President & Representative Director of the Board and Chief Executive Officer
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Scheduled date of filing the quarterly securities report: August 10, 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 Nine Months Ended June 30, 2023 (October 1, 2022 to June 30, 2023)

(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	%
Nine months ended June 30, 2023	27,872	2.8	2,838	2.5	2,813	2.0	1,836	(1.4)
Nine months ended June 30, 2022	27,121	7.2	2,769	15.4	2,759	14.0	1,862	14.6

(Note) Comprehensive income Nine months ended June 30, 2023 1,835 million yen (-1.3%)
Nine months ended June 30, 2022 1,859 million yen (14.4%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended June 30, 2023	85.43	85.00
Nine months ended June 30, 2022	86.86	86.22

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	23,501	19,086	80.6
As of September 30, 2022	23,857	17,918	74.4

(Reference) Equity As of June 30, 2023 18,939 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	—	0.00	—		
Fiscal year ending September 30, 2023 (Forecast)				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 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	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 nine 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 June 30, 2023	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 June 30, 2023	343,110 shares	As of September 30, 2022	389,909 shares
3) Average number of shares during the period (cumulative)	Nine months ended June 30, 2023	21,496,681 shares	Nine months ended June 30, 2022	21,440,203 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

(Caution regarding forward-looking statements)

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, August 8, 2023. The supplementary briefing material used in this briefing is disclosed today on TDnet and is posted on the Company's website.

Table of Contents

1. Qualitative Information for Quarterly Financial Results for the Period Under Review 2
(1) Explanation on Business Results 2
(2) Explanation on Financial Position 2
(3) Explanation on Consolidated Financial Results Forecast and Other Forward-Looking Information 2
2. Quarterly Consolidated Financial Statements and Primary Notes 3
(1) Quarterly Consolidated Balance Sheet 3
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income 5
(3) Notes to the Quarterly Consolidated Financial Statements 7
(Notes on going concern assumption) 7
(Notes when there was a substantial change in the amount of shareholders' equity) 7
(Segment information, etc.) 7
(Significant subsequent events) 7

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 third quarter under review.

During the first nine months of the current fiscal year, the Japanese economy has been on a moderate recovery trend with economic activity progressing toward normalization including moving COVID-19 to a Category V Infectious Disease and a recovery in inbound demand. On the other hand, the outlook remains uncertain due to rising prices of global natural resources and higher prices of commodities due to changes in exchange rates.

In this market environment, the Group worked to promote key challenges in accordance with the medium-term management plan "VISION2025."

With mail order sales of cosmetics, we focused on investing in advertising with an emphasis on lifetime value (LTV), mainly of the PERFECT ONE All-in-One Gel series, and strove to build a subscriber base as a foundation for growth. Additionally, the ratio of customers who buy multiple products and spending per subscriber have continued to increase as a result of our continued efforts to propose a wide range of merchandise based on the 3-STEP skincare concept of "remove, moisturize, and attract." With PERFECT ONE FOCUS, we launched a limited design package featuring characters popular among young people aged over 10 or in their 20s, and collaborated with VTubers. As a result, net sales increased mainly at EC malls, and surpassed our initial plan significantly. Net sales of healthcare products have been driven by further acquisition of new customers of EC through improving the advertising investment efficiency of *W no Kenko Aojiru* (Doubly Healthy Green Drink), a food with functional claims.

In direct store sales and wholesale, we launched a full-fledged deployment of PERFECT ONE to drug stores with the aim of attracting new customer bases from the third quarter of current fiscal year as customer traffic further recovered and inbound demand expanded. We have deployed the product to about 500 stores, mainly major drugstores, and plan to expand the number in the future.

In overseas sales, we had planned to start full-scale sales in China in the third quarter of current fiscal year, but this has been delayed. Going forward, we will shift from an Asia-ASEAN strategy centered on China and Taiwan to a global strategy, taking advantage of our expansion into the United States, and enlarge our overseas business while identifying growth opportunities and country risks.

As a result of the foregoing, for the first nine months of the fiscal year under review net sales were 27,872 million yen (up 2.8% year-on-year), operating profit came to 2,838 million yen (up 2.5% year-on-year), ordinary profit was 2,813 million yen (up 2.0% year-on-year), and profit attributable to owners of parent recorded 1,836 million yen (down 1.4% 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 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 third quarter under review were 23,501 million yen, down 356 million yen from the end of the previous fiscal year. This was mainly due to a fall of 643 million yen in cash and deposits and a drop of 180 million yen in investments and other assets in contrast to an increase of 476 million yen in merchandise.
Liabilities totaled 4,414 million yen, down 1,524 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,348 million yen in long-term borrowings (including the current portion of long-term borrowings) and a drop of 159 million yen in income taxes payable.
Net assets totaled 19,086 million yen, up 1,167 million yen from the end of the previous fiscal year. This was mainly due to an increase of 1,128 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)	Third quarter of the current fiscal year (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	14,351	13,708
Accounts receivable - trade	2,862	3,026
Merchandise	1,565	2,042
Other	526	547
Allowance for doubtful accounts	(42)	(44)
Total current assets	19,265	19,279
Non-current assets		
Property, plant and equipment	2,050	1,998
Intangible assets		
Goodwill	923	844
Other	568	509
Total intangible assets	1,492	1,354
Investments and other assets	1,049	868
Total non-current assets	4,592	4,221
Total assets	23,857	23,501

(Unit: Million yen)

	Previous fiscal year (As of September 30, 2022)	Third quarter of the current fiscal year (As of June 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	553	654
Current portion of long-term borrowings	396	190
Accounts payable - other	1,814	1,890
Income taxes payable	500	341
Provision for bonuses	201	89
Other	509	421
Total current liabilities	3,975	3,588
Non-current liabilities		
Long-term borrowings	1,443	301
Retirement benefit liability	182	192
Other	337	333
Total non-current liabilities	1,963	826
Total liabilities	5,938	4,414
Net assets		
Shareholders' equity		
Share capital	4,158	4,158
Capital surplus	4,121	4,104
Retained earnings	10,199	11,327
Treasury shares	(735)	(647)
Total shareholders' equity	17,744	18,943
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(3)	(3)
Total accumulated other comprehensive income	(3)	(3)
Share acquisition rights	177	147
Total net assets	17,918	19,086
Total liabilities and net assets	23,857	23,501

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

Quarterly Consolidated Statement of Income

First nine months of the fiscal year

(Unit: Million yen)

	First nine months of the previous fiscal year (From October 1, 2021 to June 30, 2022)	First nine months of the current fiscal year (From October 1, 2022 to June 30, 2023)
Net sales	27,121	27,872
Cost of sales	4,914	5,290
Gross profit	22,207	22,581
Selling, general and administrative expenses	19,437	19,743
Operating profit	2,769	2,838
Non-operating income		
Dividend income	1	1
Rental income	8	9
Gain on sale of non-current assets	11	6
Other	8	9
Total non-operating income	30	26
Non-operating expenses		
Interest expenses	4	2
Foreign exchange losses	5	3
Loss on valuation of investment securities	16	27
Loss on retirement of non-current assets	15	18
Other	0	0
Total non-operating expenses	41	51
Ordinary profit	2,759	2,813
Extraordinary income		
Reversal of allowance for investment loss	-	0
Gain on reversal of share acquisition rights	0	-
Total extraordinary income	0	0
Extraordinary losses		
Loss on valuation of investment securities	-	98
Provision of allowance for investment loss	16	-
Total extraordinary losses	16	98
Profit before income taxes	2,743	2,716
Income taxes - current	745	825
Income taxes - deferred	136	54
Total income taxes	881	880
Profit	1,862	1,836
Profit attributable to owners of parent	1,862	1,836

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

(Unit: Million yen)

	First nine months of the previous fiscal year (From October 1, 2021 to June 30, 2022)	First nine months of the current fiscal year (From October 1, 2022 to June 30, 2023)
Profit	1,862	1,836
Other comprehensive income		
Remeasurements of defined benefit plans	(3)	(0)
Total other comprehensive income	(3)	(0)
Comprehensive income	1,859	1,835
(Breakdown)		
Comprehensive income attributable to owners of parent	1,859	1,835

(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.

(Significant subsequent events)

(Establishment of a subsidiary)

The Company established an overseas subsidiary on July 5, 2023, as shown below, following the resolution of the Board of Directors meeting held on June 15, 2023.

1. Purpose of the establishment

The Company launched its mail order business in Taiwan in 2016 and has since expanded the business to China and ASEAN countries. The medium-term management plan "VISION2025" places the acceleration of overseas expansion as a key issue, and we are working to increase the business with the aim of growing PERFECT ONE into a global brand.

As part of our efforts to achieve this goal, we have decided to establish a new company mainly for sales operations in the United States, the world's largest cosmetics market, to start a full-scale business there.

2. Overview of the subsidiary

(1) Company Name:	PERFECT ONE US Co., Ltd.
(2) Location:	Delaware, USA
(3) Representative:	Mitsuyoshi Fukuhara
(4) Business Profile:	Sales of cosmetics etc.
(5) Share Capital:	About 2.14 million USD
(6) Date of Establishment:	July 5, 2023
(7) Investment Ratio:	100% by the Company