新日本製薬

Beyond innovation, for a beautiful smile!

Supplementary Briefing Material on Financial Results for the Fiscal Year Ended September 2023

November 7, 2023

Shinnihonseiyaku Co., Ltd.

Securities Code: 4931

Tokyo Stock Exchange Prime Market

© Shinnihonseiyaku Co., Ltd.

Summary of Financial Results for Fiscal Year Ended September 2023

Fiscal Year Ended September 2023

Net sales **37,653 million yen** **(up 4.3% year-on-year)**

Operating profit **3,754 million yen** **(up 6.6% year-on-year)**

- **4Q net sales (July-September) growth rate increased to 8.8%,** ending up at 37.6 billion yen close to achieving the full-year plan
- Growth of **2.2%** in cosmetics **led by FOCUS**, and **23.9%** in healthcare **driven up by Fun and Health**
- Mail order sales **nearly hit double digits** in 4Q net sales **increase at 9.7%**

Fiscal Year Ending September 2024 Plan

Net sales **40,000 million yen** **(up 6.2% year-on-year)**

Operating profit **4,000 million yen** **(up 6.5% year-on-year)**

- **Plan to increase sales 6.2%** by adding **growth of developing brands FOCUS, Fun and Health, Wellness Food**, on top of **PERFECT ONE's sales increase**
- **Actively invest in marketing** for brand growth while **promoting cost structure reform, aiming to maintain profit growth and profit margin of 10%**

Growth Strategy VISION2025

- In the FY ended Sep. 2023, the second year, **net sales were slightly short of the target** but **operating profit exceeded the plan**
  Aim for further growth **by raising the target of consolidated operating profit margin to 10% or higher** for the FY ending Sep. 2025
- **In the FY ending Sep. 2024,** the third year, **continue active investment in an effort to achieve brand growth,** an important issue
- Key management indicators show steady progress in **healthcare, overseas and domestic EC, and developing brands**

INDEX

1. Summary of Financial Results for the Fiscal Year Ended September 2023

2. Plan for the Fiscal Year Ending September 2024

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

4. Initiatives for Sustainability

APPENDIX

1. Summary of Financial Results for the Fiscal Year Ended September 2023

Summary of Financial Results

Cosmetics finished the period with **2.2% growth** as **PERFECT ONE shifted to increased revenue*** and **FOCUS posted significant growth of 121.3% compared with the previous period**

Healthcare saw **a significant increase in sales by 23.9%** thanks to **solid performance of Wellness Food** in addition to **the accelerated growth of *W no Kenko Aojiru* (Doubly Healthy Green Drink)**

Operating profit **ended up exceeding the plan** by **pushing forward with cost structure reform,** after **implementing growth investments for the fiscal year ending September 2024**

(Unit: Million yen)

Items	FY ended Sept. 2022	FY ended Sept. 2023		Year-on-year comparison		Comparison against plan
		Plan	Results	Changes	Changes(%)	
Net sales	36,107	38,000	37,653	+1,545	+4.3%	-346
Cosmetics	32,666	34,127	33,390	+724	+2.2%	-736
Healthcare	3,441	3,872	4,262	+821	+23.9%	+389
Operating profit	3,522	3,560	3,754	+231	+6.6%	+194
Operating profit margin	9.8%	9.4%	10.0%	+0.2pt	—	+0.6pt
Ordinary profit	3,487	3,471	3,721	+233	+6.7%	+250
Profit (attributable to owners of parent)	2,357	2,380	2,394	+37	+1.6%	+13

*Year-on-year comparison of net sales in 4Q (from July to September)

Summary of Financial Results - Supplemental Data

Mail order **sales increased 9.7% in 4Q** thanks to **higher revenue of PERFECT ONE** as well as the **growth of FOCUS and *Aojiru***

Direct store sales and wholesale **reached a 4.1% increase**, **boosted by the growth of FOCUS,** despite the impact from the closure of direct stores

Overseas sales **finished up thanks to good performance in Taiwan,** despite **sharp decline in sales in China** , Ratio of overseas and domestic EC rose to 16.9%

In terms of cost, **improved efficiency in operational cost** contributed to the increase in profits, even after **implementing aggressive growth investments**

(Unit: Million yen)

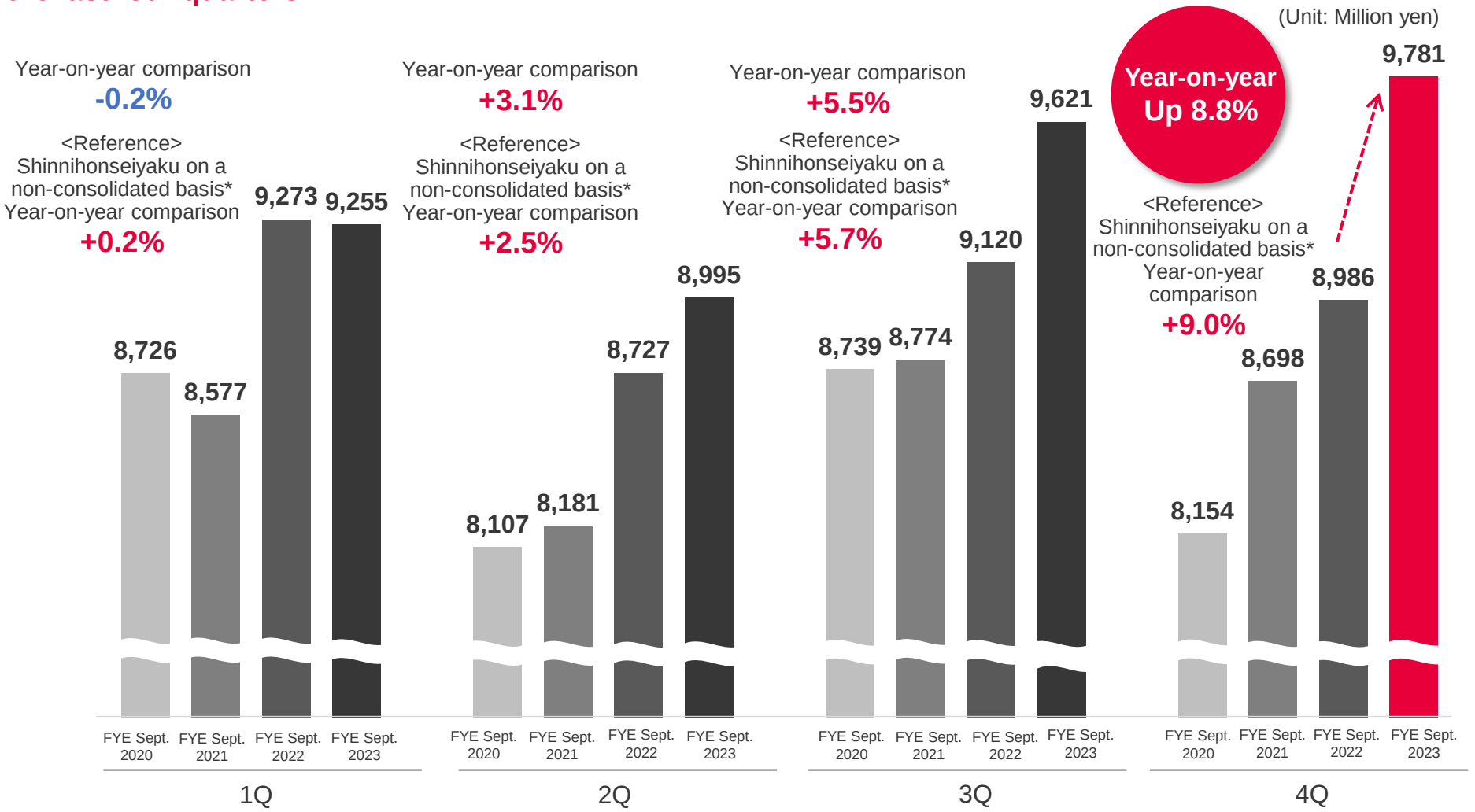
Items	FY ended Sept. 2022	FY ended Sept. 2023		Year-on-year comparison		Comparison against plan
		Plan	Results	Changes	Changes(%)	
<Sales by channel>						
Mail order	32,728	33,885	34,151	+1,423	+4.3%	+266
Direct store/Wholesale	2,802	3,215	2,917	+114	+4.1%	-298
Overseas	576	899	584	+8	+1.4%	-314
<Overseas and domestic EC sales>						
Overseas and domestic EC sales	4,760	6,024	6,376	+1,615	+33.9%	+351
<Marketing investment>						
Advertising expenses	9,729	10,250	10,602	+872	+9.0%	+352
Sales promotion expenses	4,617	5,048	4,901	+283	+6.1%	-147
<Operating expenses>						
FF cost*	4,217	4,192	4,229	+12	+0.3%	+36
Call center costs	2,533	2,654	2,463	-70	-2.8%	-191

* FF cost = Order fulfillment cost

[Reference] Trends in Quarterly Net Sales

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

In the fourth quarter, PERFECT ONE's revenue turnaround and significant growth in FOCUS and Fun and Health contributed to revenue growth, posting **record quarterly net sales and the highest quarterly sales growth rate in the last four quarters**



*Internal transactions are deducted from the non-consolidated sales of the Shinnihonseiyaku.

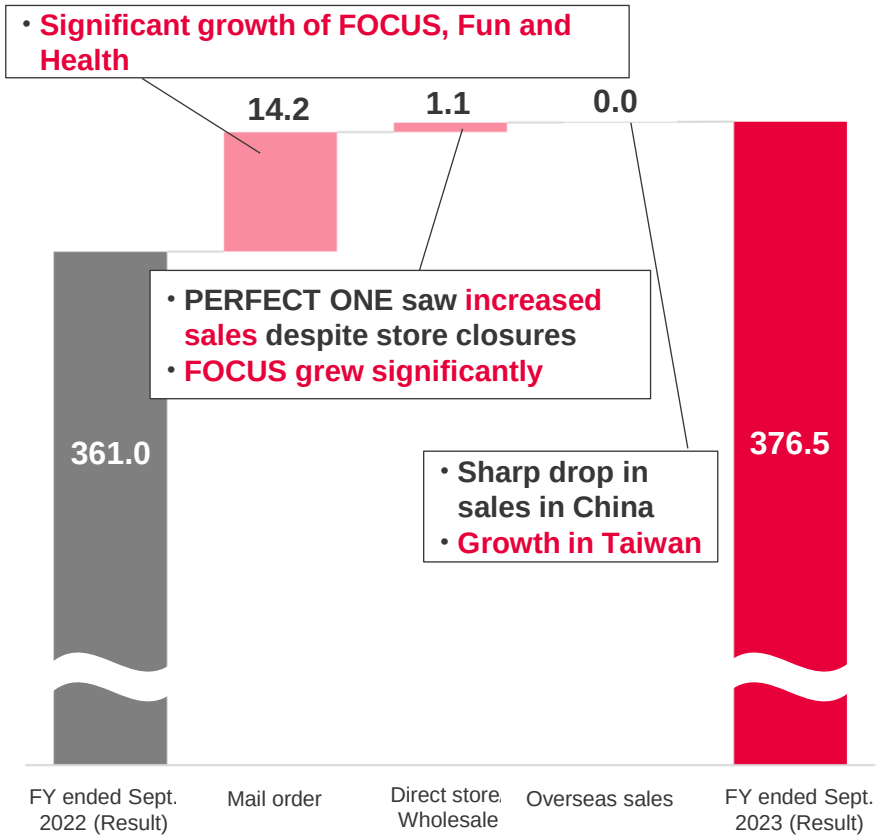
Summary of Financial Results - Sales by Channel Change Factor Analysis

In comparison with the previous period, **mail order sales led to increased revenue supported by the growth of FOCUS and Fun and Health**

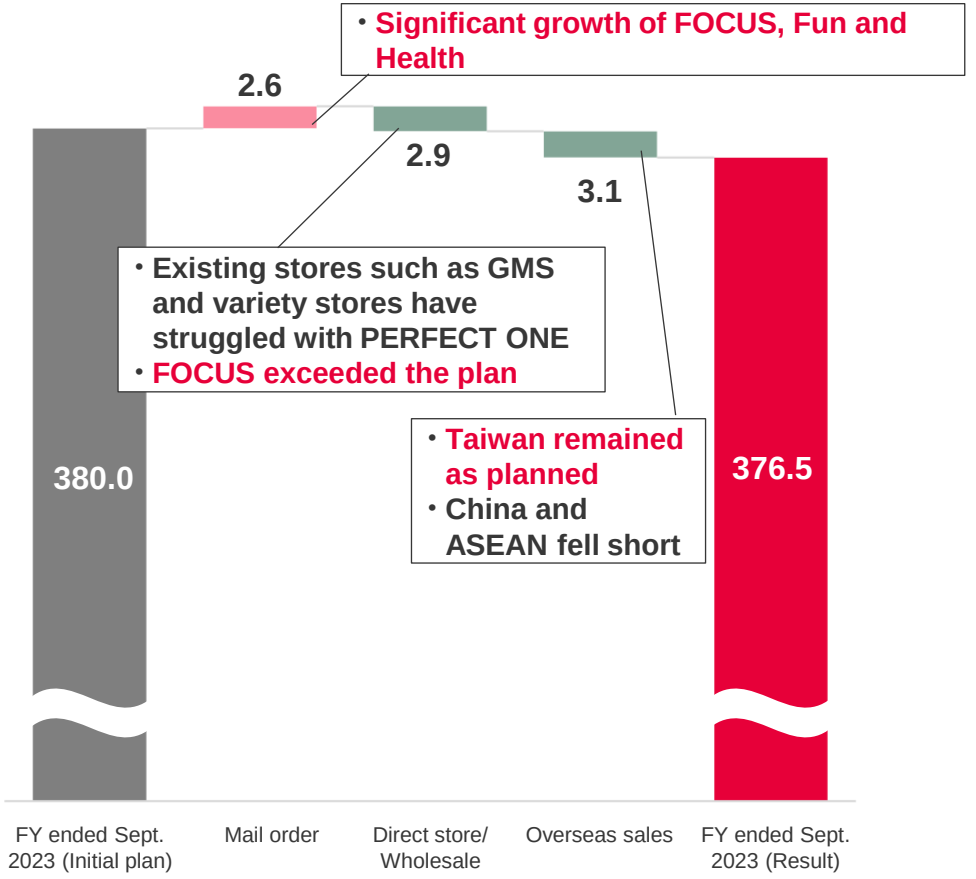
Compared with the plan, **direct store sales and wholesale, and overseas sales fell short**, but **mail order sales exceeded the target by 266 million yen**

(Unit: 100 million yen)

Comparison with the previous period



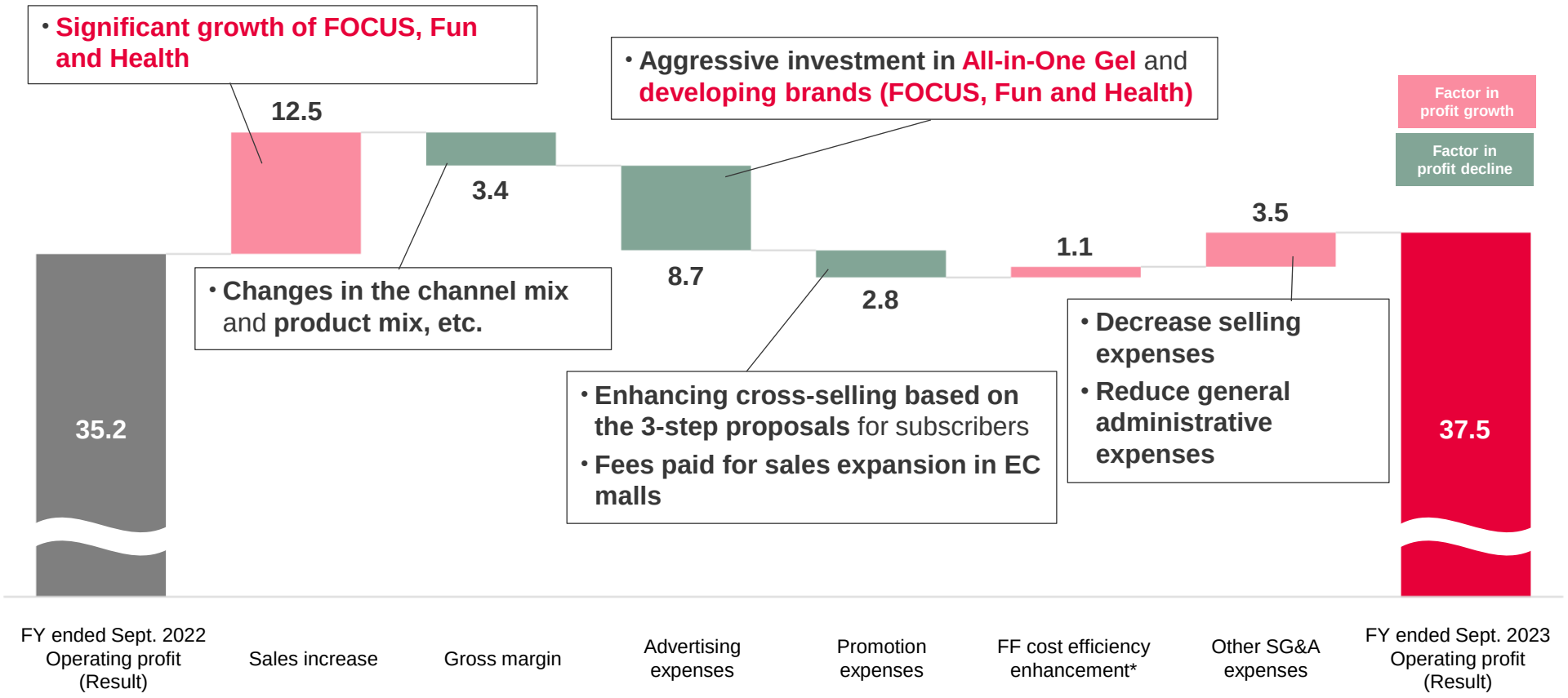
Comparison with the plan



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

Although **the decline in gross margin** due to the changes in channel mix and product mix and the **increase in growth investment (advertising and sales promotion expenses)** brought a decline in profit, **increase in revenue** from the growth of developing brands (FOCUS, Fun and Health) and **improved cost efficiency** contributed to the increase in profit
Operating profit grew 231 million yen year-on-year, and **operating profit margin increased to 10%**

(Unit: 100 million yen)

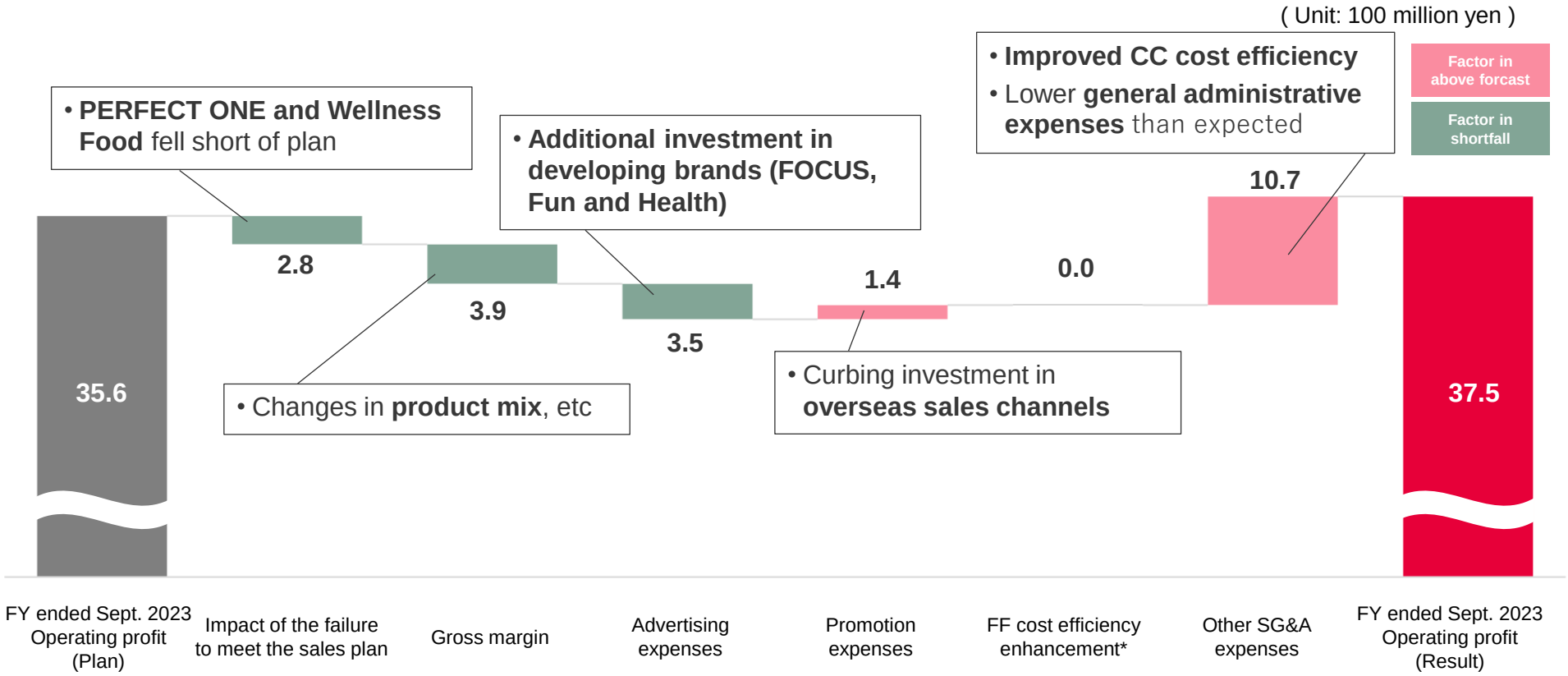


*Of FF cost, improved efficiency in shipping and delivery expenses and agency fees (payment commissions)

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

Failure to meet the PERFECT ONE sales target, decline in gross margin, and **increased advertising expenses** for developing brands were downward pressures

On the other hand, **the improved efficiency in call center cost** and **the promotion of cost structure reform throughout the company** contributed to be positive factors, **exceeding the plan by 194 million yen**



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

Status of Balance Sheet

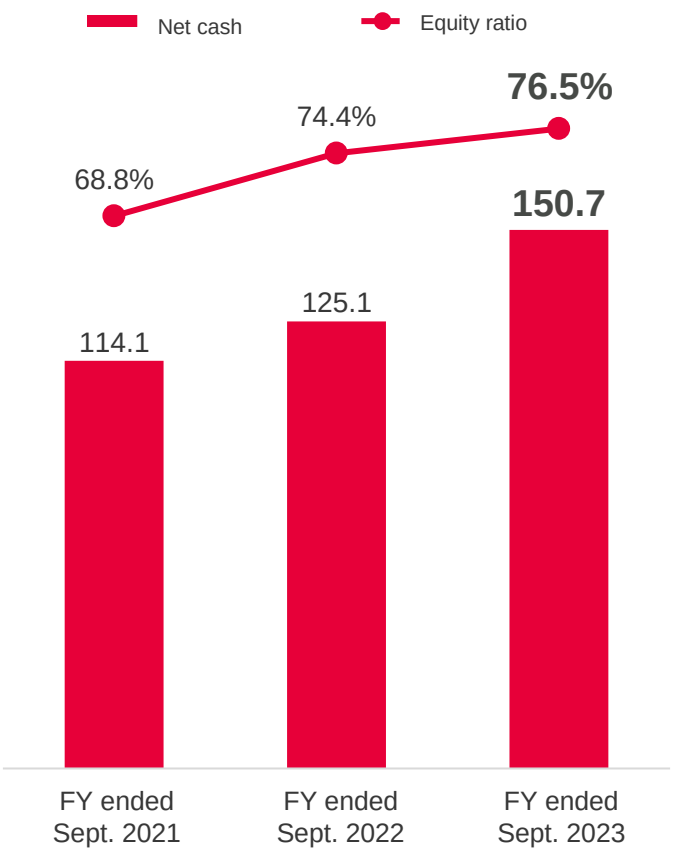
Financial base remains stable. Ensuring sufficient investment capacity to achieve “VISION2025” medium-term management plan

Plan to actively invest in **developing brands that are successfully launched, M&A, and development of PERFECT ONE in the United States**

(Unit: Million yen)

Items	End of FY ended Sept. 2021	End of FY ended Sept. 2022	End of FY ended Sept. 2023	Changes from previous fiscal year-end
Current assets	18,528	19,265	21,254	+1,989
Cash and deposits	13,652	14,351	15,518	+1,166
Accounts receivable-trade	3,196	2,862	3,171	+308
Inventories	1,404	1,735	2,092	+356
Non-current assets	4,711	4,592	4,247	-344
Total assets	23,240	23,857	25,501	+1,644
Liabilities	7,059	5,938	5,840	-97
Trade payables	527	553	946	+393
Interest-bearing debt	2,238	1,839	446	-1,393
Net assets	16,180	17,918	19,661	+1,742
Treasury shares	-852	-735	-647	+88
Total liabilities and net assets	23,240	23,857	25,501	+1,644

(Unit: 100 million yen)



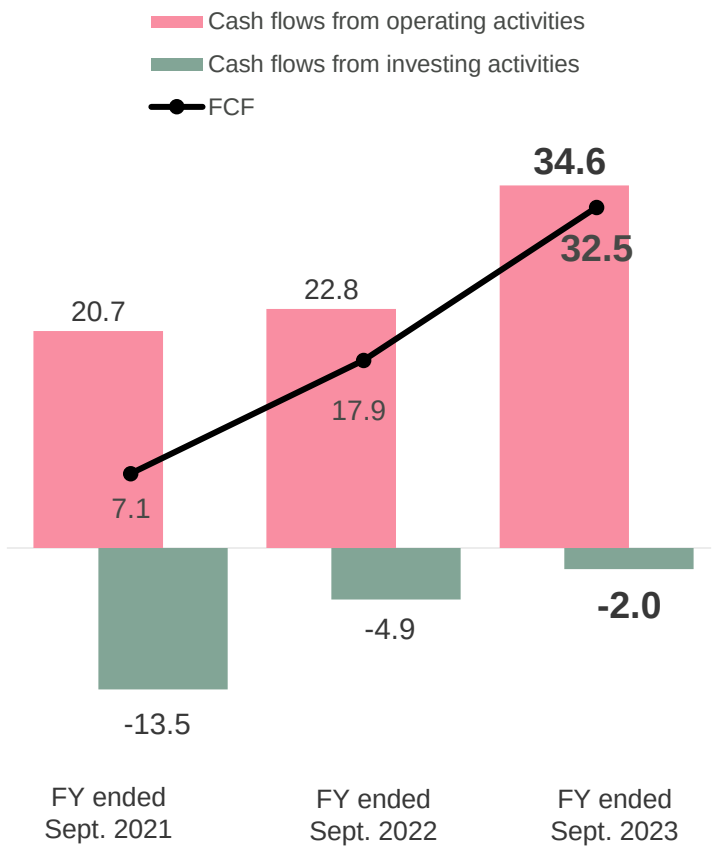
Status of Cash Flows

Operating cash flow **increased 1.18 billion yen** and free cash flow **increased 1.46 billion yen**

(Unit: Million yen)

Items	FY ended Sept. 2021	FY ended Sept. 2022	FY ended Sept. 2023	Changes from previous fiscal year
Cash flows from operating activities	2,071	2,287	3,468	+1,180
Cash flows from investing activities	-1,359	-496	-208	+287
Purchase of property, plant and equipment	-102	-41	-102	-60
Purchase of intangible assets	-68	-337	-104	+232
Purchase of investment securities	-45	-141	-14	+127
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-1,218	—	—	—
FCF	712	1,791	3,259	+1,468
Cash flows from financing activities	672	-1,093	-2,101	-1,007
Income and Repayments of long-term borrowings	1,220	-398	-1,393	-994
Proceeds from issuance of shares	664	—	—	—
Purchase of treasury shares	-581	0	—	+0
Dividends paid	-642	-695	-708	-13

(Unit: 100 million yen)



2. Plan for the Fiscal Year Ending September 2024

Plan for the Fiscal Year Ending September 2024

Cosmetics **plans to increase 4.1% year-on-year** due to **growth in PERFECT ONE** and **continued growth in FOCUS**

Healthcare **plans to increase 22.6%** expecting growth in **Fun and Health and Wellness Food** mainly led by *Aojiru*

Plan to achieve profit margin of 10% by **ensuring increased operating profit** after **actively investing in developing brands**

(Unit: Million yen)

Items	FY ended Sept. 2023 Results	FY ending Sept. 2024 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	37,653	19,374	20,625	40,000	+2,346	+6.2%
Cosmetics	33,390	16,836	17,937	34,773	+1,383	+4.1%
Healthcare	4,262	2,538	2,688	5,226	+963	+22.6%
Operating profit	3,754	1,792	2,207	4,000	+245	+6.5%
Operating profit margin	10.0%	9.3%	10.7%	10.0%	+0.0pt	—
Ordinary profit	3,721	1,795	2,185	3,980	+259	+7.0%
Profit (attributable to owners of parent)	2,394	1,167	1,412	2,580	+185	+7.8%

Premises of Plan for the Fiscal Year Ending September 2024

For mail order sales, **plan growth of 4.8%** led by **FOCUS and Fun and Health as the growth drivers**

Wholesale sales **plan to increase significantly by 26.5%** thanks to growth in **PERFECT ONE, FOCUS, and Wellness Food**

Overseas sales are **planned to decrease by 10.8%** due to restructuring of the Asia and ASEAN strategy, the overseas and domestic EC ratio **aims to reach 19.9%**

Marketing investment plans to **strengthen advertising spending** and **promote the growth of developing brands**

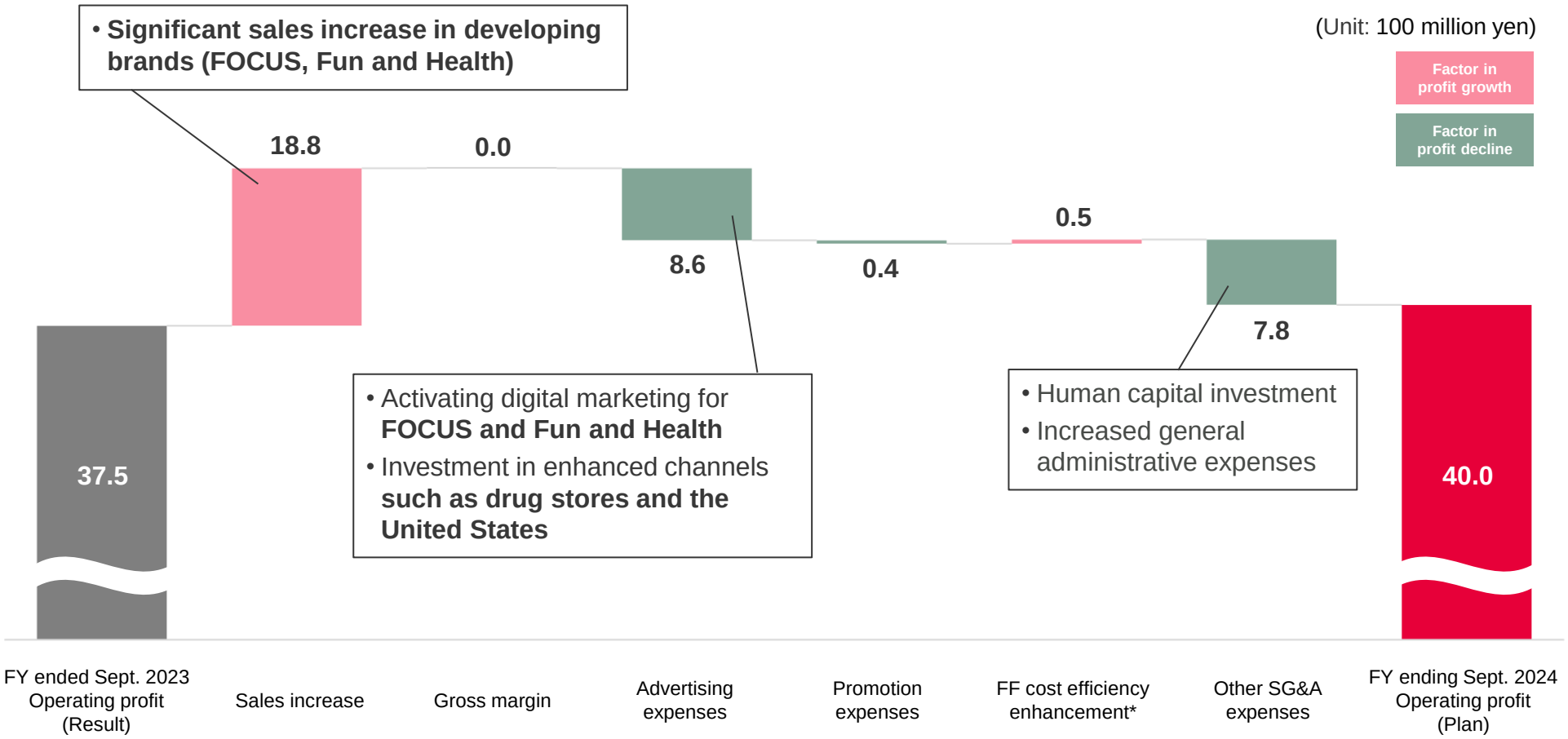
(Unit: Million yen)

Items	FY ended Sept. 2023 Results	FY ending Sept. 2024 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	34,151	17,473	18,315	35,789	+1,637	+4.8%
Wholesale	2,917	1,731	1,957	3,689	+772	+26.5%
Overseas	584	169	351	521	-63	-10.8%
<Overseas and domestic EC sales>						
Overseas and domestic EC sales	6,376	3,720	4,256	7,976	+1,599	+25.1%
<Marketing investment>						
Advertising expenses	10,602	5,763	5,701	11,465	+863	+8.1%
Sales promotion expenses	4,901	2,501	2,442	4,943	+42	+0.9%
<Operating expenses>						
FF cost	4,229	2,099	2,327	4,426	+197	+4.7%
Call center costs	2,463	1,142	1,220	2,362	-100	-4.1%

Plan for the Fiscal Year Ending September 2024 - Operating Profit Change Factor Analysis

Plan to increase revenue by 1.88 billion yen thanks to **the growth of FOCUS and Fun and Health,** in addition to PERFECT ONE's revenue increase

Expect to see higher profits by improving efficiency of operating costs, while proceeding with aggressive digital marketing



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

Dividend Policy

Continue stable dividend payout based on the basic policy of continuous and stable profit distribution in line with business performance

Based on the profit growth plan in the fiscal year ending September 2024, the dividend per share is estimated to increase by 2 yen to 35 yen

(Yen/Share)	FY ended Sept. 2021	FY ended Sept. 2022	FY ended Sept. 2023 Plan	Forecast for FY ending Sept. 2024
Basic earnings per share*1	107.72	109.91	111.37	120.00
Dividend per share	32.50	33.00	33.00	35.00
Consolidated dividend payout ratio*2	30.2%	30.0%	29.6%	29.2%

*1 : Calculated by dividing the profit attributable to the parent company shareholder by the average number of shares during the period

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

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

“VISION2025” Management Targets and Key Management Indicators

Net sales fell short of plan in the fiscal year ended September 2023 but **operating profit made good progress exceeding plan**

Raised the initial 8.5% to 10.0% **target for consolidated operating profit margin to 10% or higher**

Will continue to invest aggressively in achieving brand growth in the fiscal year ending September 2024 and **aim for growth of the top and bottom lines**

(Unit: 100 million yen)

			VISION2025 (4-Year Plan)			
	FY ended Sept. 2021	FY ended Sept. 2022	FY ended Sept. 2023		FY ending Sept. 2024	FY ending Sept. 2025
	Results	Results	Plan	Results	Plan	Plan
Consolidated net sales	342.3	361.0	380.0	**376.5**	**400.0**	500.0
Consolidated operatin profit margin	10.1%	9.8%	9.4%	**10.0%**	**10.0%**	10% or higher

<Key management indicators>

(1)	Healthcare net sales	23.9	34.4	38.7	**42.6**	**52.2**	100.0
(2)	Overseas net sales	9.1	5.7	8.9	**5.8**	**5.2**	50.0
(3)	Overseas and domestic EC sales*1	41.5	47.6	60.2	**63.7**	**79.7**	100.0
(4)	Net sales of brands to be developed*2	24.7	44.9	55.1	**66.6**	**88.2**	120.0

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

“VISION2025” Key Management Indicators

Overseas sales were delayed significantly due to China’s effects, but **domestic sales** were driven by **the growth of FOCUS and Fun and Health, and sales of healthcare, overseas and domestic EC, and developing brands all progressed steadily**

(Unit: 100 million yen)

<Key management indicators>	FY ended Sept. 2022	FY ended Sept. 2023		Major progress in the second year	
	Results	Plan	Results		
(1) Healthcare net sales	34.4	38.7	**42.6**	**Steady**	・*W no Kenko Aojiru* has rapidly grown to become **“No.1 in the domestic functional Aojiru market share”** thanks to **the success of product differentiation and digital advertisement strategies,** and driven the growth ・However, further growth is required to achieve the plan for FY ending Sept. 2025
(2) Overseas net sales	5.7	8.9	**5.8**	**Delay**	・**China** falls short of plan due to **significant delays in new strategy rollout** due to partner switching
(3) Overseas and domestic EC sales*1	47.6	60.2	**63.7**	**Steady**	・With a focus on **SNS marketing**, trendy gimmicks led FOCUS to **strong growth in EC mall sales** ・Fun and Health saw **strong growth in new acquisitions and in-house EC sales** thanks to **its digital advertising strategy** ・Wellness Food had **strong growth in EC mall sales**
(4) Net sales of brands to be developed*2	44.9	55.1	**66.6**	**Steady**	・FOCUS progressed to **“No.2 in the domestic cleansing balms market share”** thanks to the strategic initiatives designed to **optimize EC and drug store deployment** ・Fun and Health **sales increase significantly over plan**

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

“VISION2025” Developing Brands

With **improved condition**, PERFECT ONE **plans to increase revenue in the fiscal year ending September 2024**

Among the developing brands **FOCUS and Fun and Health accelerated growth in the fiscal year ended September 2023** and **aim for substantial growth in the fiscal year ending September 2024**

Wellness Food **aims to accelerate growth from the fiscal year ending September 2024** by strengthening sales channels

(Unit: 100 million yen)

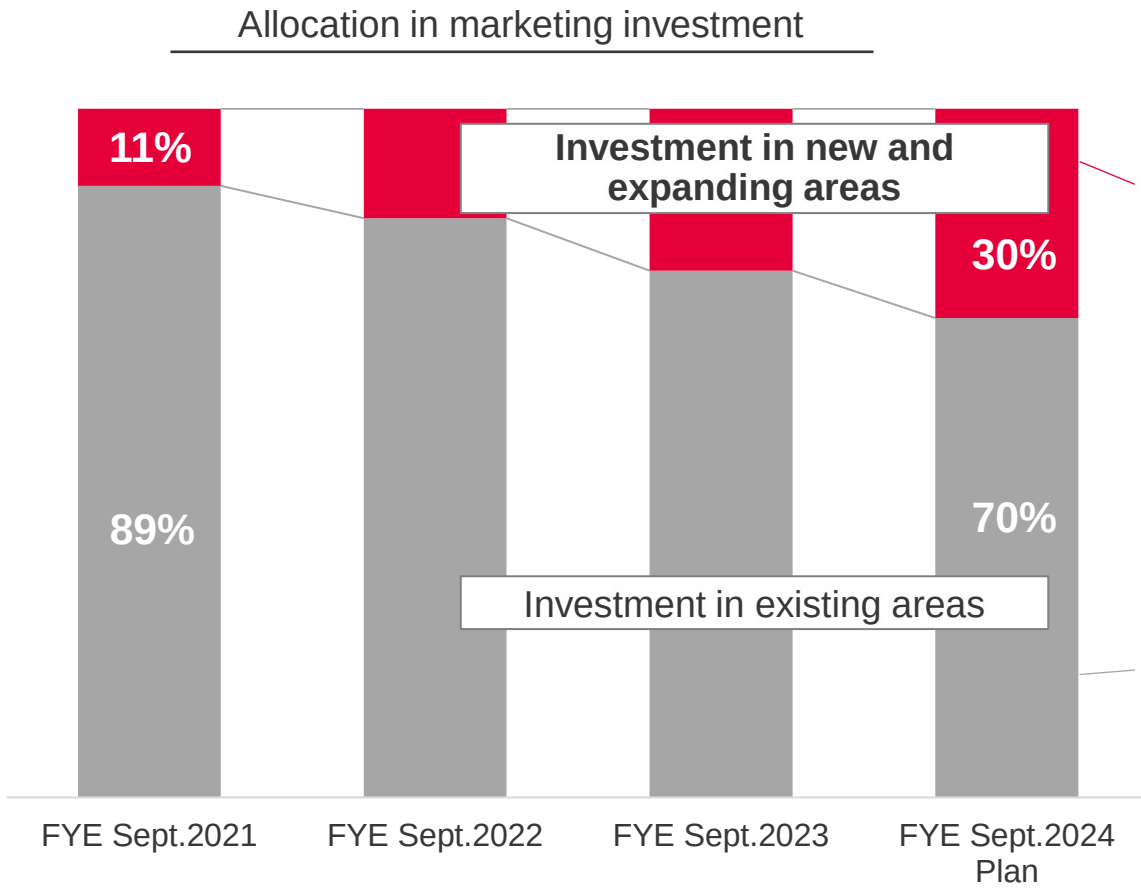
Brands		Main merchandise	FY ended Sept. 2022 Results	FY ended Sept. 2023 Plan	FY ended Sept. 2023 Results	FY ending Sept. 2024 Plan
PERFECT ONE		・All-in-One Gel ・Cushion Foundation	316.1	324.8	**309.8**	**311.7**
Developing brands	FOCUS	・Smooth Cleansing Balm	10.5	16.2	**23.3**	**35.6**
	Fun and Health	・*W no Kenko Aojiru* (Doubly Healthy Green Drink)	24.6	28.0	**33.3**	**41.2**
	Wellness Food	・MCT Oil ・Linseed Oil	9.3	10.4	**9.5**	**11.0**
	Other	・Scalp Nano Shampoo*, etc.	0.4	0.3	**0.4**	**0.2**

*: Sales of PERFECT ONE HAIRNEST started in FY ended Sept. 2023

“VISION2025” Investment Strategy for FY Ending Sept. 2024 and Beyond

Further expand marketing investments in developing brands and new channels for medium- to long-term sustainable growth

Strive for stable growth in existing areas through **efficient investment**



<Developing brands and channels **aiming for substantial growth by increasing investment**>

- **PERFECT ONE**
  (**Drug stores, overseas [U.S.]**)
- **FOCUS**
- **Fun and Health**
- **Wellness Food**

<Areas for **stable growth through efficient investment**>

- **PERFECT ONE**
  (Mail order sales/EC, GMS, etc.)

FYE Sept.2023 net sales **30.98** billion yen

FYE Sept.2024 net sales **31.17** billion yen (+0.6%)

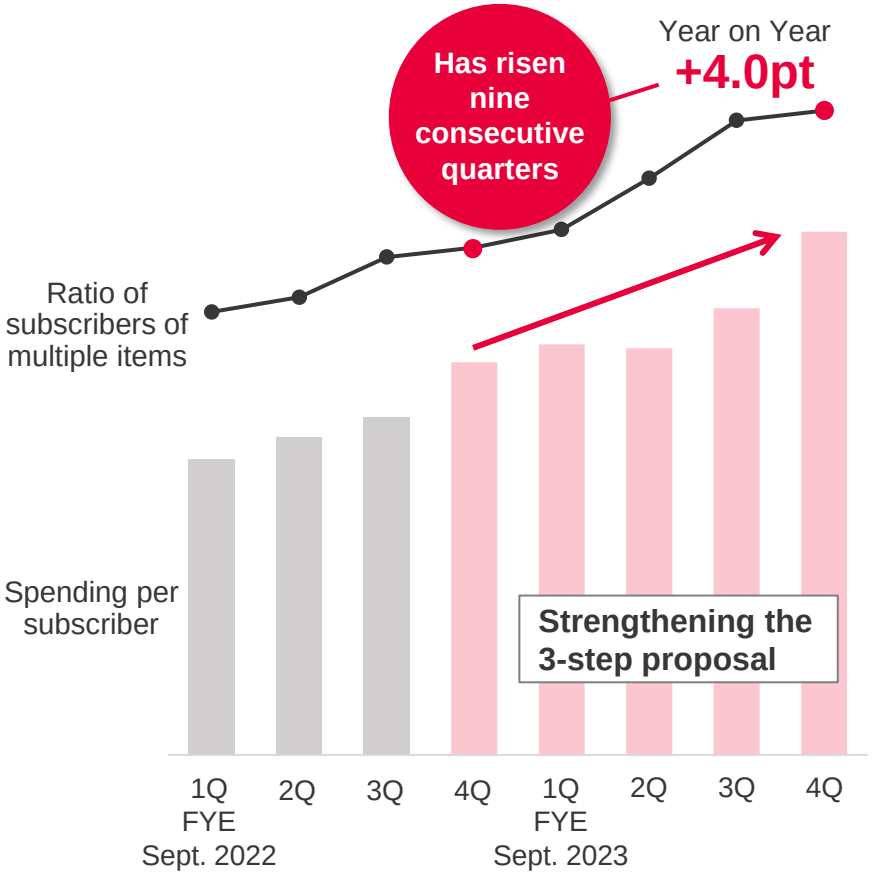
新日本製薬

PERFECT ONE
All-in-One Gel further recovered and PERFECT ONE improved its sales

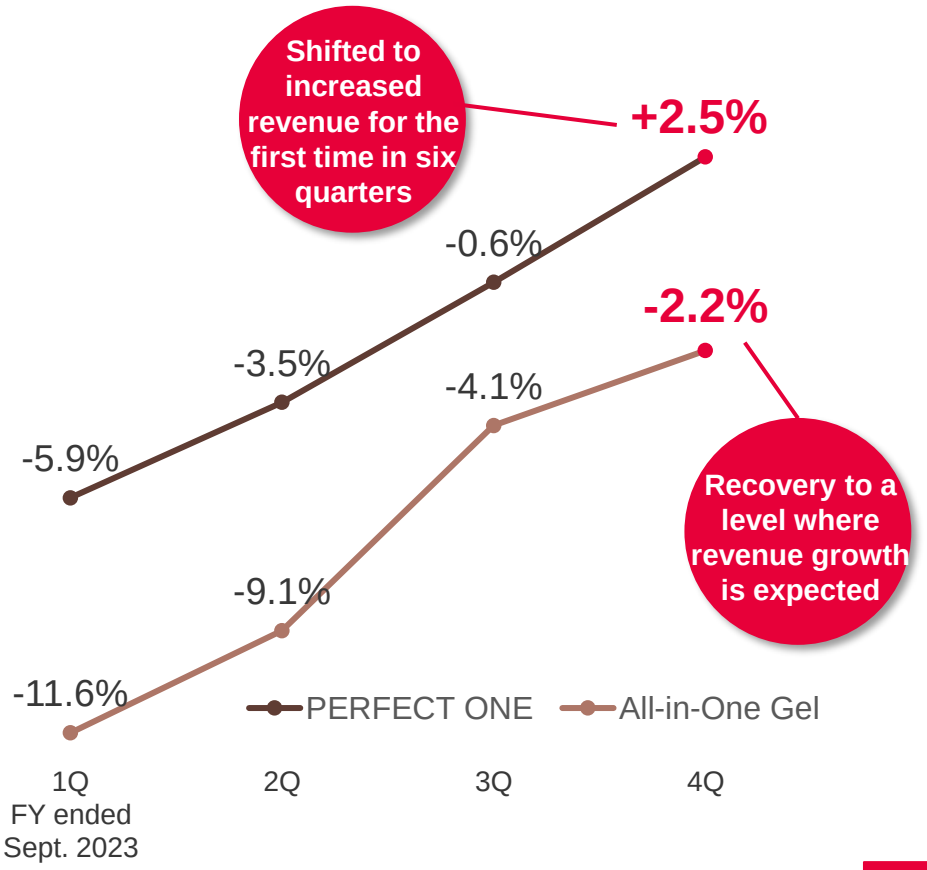
Net sales in the fourth quarter of the fiscal year ended September 2023 **shifted to increased revenue, for the first time in six quarters**, driven by the promotion of an **LTV-focused advertising investment strategy** and **CRM strategy,** centering on All-in-One Gel

All-in-One Gel **performed better in sales trend** and **recovered to a level where a return to revenue growth can be expected**

Ratio of subscribers of multiple items*1 and spending per subscriber*2



PERFECT ONE quarterly sales growth rate



*1: Mail order sales excluding EC, the number of subscribers of multiple items divided by the number of subscribers *2: Mail order sales excluding EC

PERFECT ONE
Launch All-in-One Serum / Increase Market Share

To acquire customers of middle age generation(in their 40s to 50s), a serum-type All-in-One series is released

Starting with the launch of Medicated Wrinkle Stretch Serum (in December), we plan to launch new products of the serum type one after another



New release

- **The first** serum-type All-in-One for **PERFECT ONE**
- Entering **the serum market (approx. 230 billion yen*1)**

Contains two types of active ingredients
- Vitamin PP
- Provitamin B5*2

The first in Japan*3

Infiltration technology*4

Two types of infiltration technology*4
- Infiltration promoting ingredients*5
- The moist splash formula to promote skin affinity

- Liposomal collagen *6
- Nanocapsule Vitashikon*7
- Integrated type collagen*8, etc.

Contains 45 types of moisturizing ingredients *9

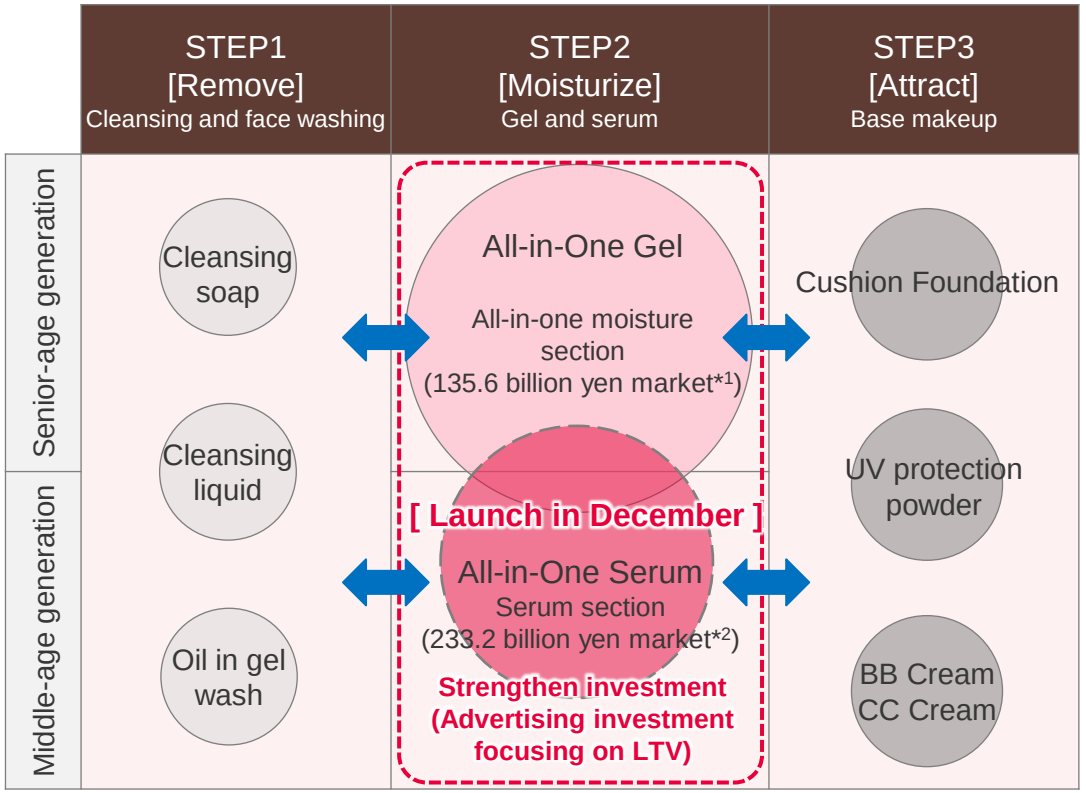
*1: Fuji Keizai “Cosmetics Marketing Handbook 2023” (Actual results in the serum section for 2022) *2: D-Pantothenyl Alcohol
*3: The only all-in-one medicinal serum in Japan that contains two active ingredients (Vitamin PP and D-Pantothenyl Alcohol) (according to TPC Marketing Research, as of 2023/3/24) *4: Penetrates to the dead skin cells *5: Cyclohexanedicarboxylic acid bisethoxydiglycol (moisturizing ingredient) *6: Water-soluble collagen (moisturizing ingredient), L-xyproline (moisturizing ingredient), hydrogenated soybean phospholipids (emulsifier)
*7: Oil-soluble Lithospermum erythrorhizon root extract (1), dl-α-tocopherol 2-L-ascorbic acid phosphoric acid diester potassium salt (moisturizing ingredient), ascorbyl tetra2-hexyldecanoate, natural vitamin E (product antioxidant), hydrogenated soybean phospholipids (emulsifier) *8: Skin-toning and moisturizing ingredient *9: Including *5

PERFECT ONE
Future investment strategy / Maintain revenue growth through LTV-focused strategies

Continue the "**LTV-focused investment strategy"** that yielded results in the fiscal year ended September 2023, and further strengthen **advertising investment to increase subscribers**

In CRM, we will **strengthen upgrading to subscribers** through All-in-One Gel and Serum and proceed with **developing subscribers of multiple items** via the 3-STEP proposal to achieve stable growth of PERFECT ONE

3-STEP strategy for PERFECT ONE



*1: Fuji Keizai "Cosmetics Marketing Handbook 2023" (Actual results in the all-in-one section for 2022)
*2: Fuji Keizai "Cosmetics Marketing Handbook 2023" (Actual results in the serum section for 2022)

Advertising investment strategy

- Further strengthen advertising investment effective for **increasing subscribers** based on All-in-One Gel
- Accelerate the **development of middle-age-generation customers** through the introduction of All-in-One Serum
- Improve **the quality and quantity of customer database by optimizing the balance** with number-focused investment

CRM strategy

- Further strengthen cross-selling through the 3-STEP proposal and accelerate **development of subscribers of multiple items**
- Strengthen **upgrading to subscribers** focusing on All-in-One Gel and Serum
- Improve **customer engagement and LTV** with optimized CRM

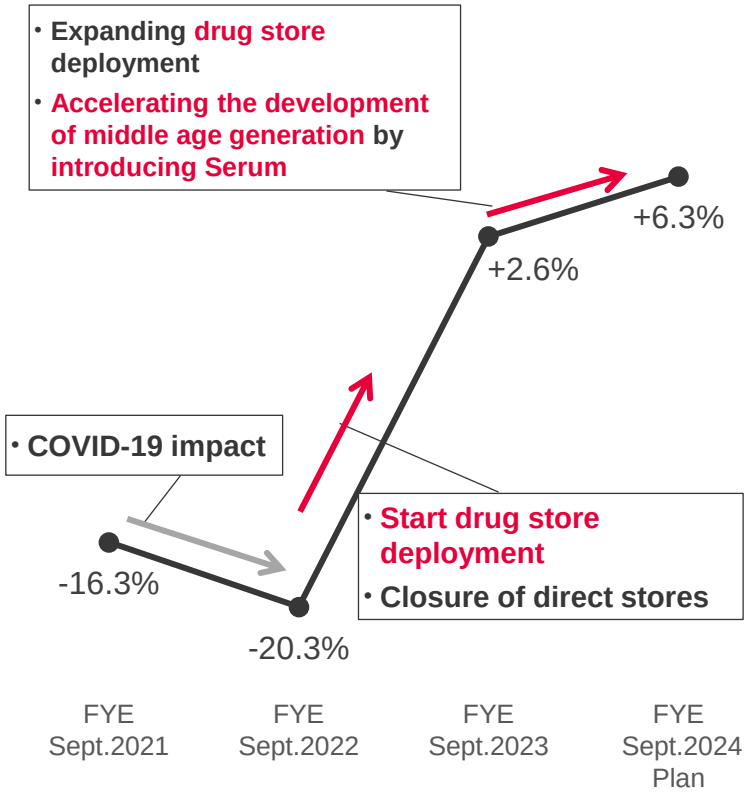
Direct store sales/Wholesale
Accelerating development of the middle-age generation by expanding drug stores and introducing Serum

From the third quarter of the fiscal year ended September 2023, we **started drug store development** for the first time for PERFECT ONE's main merchandise

In the fiscal year ending September 2024, we will focus on **raising spending per customer** and **increasing sales per store** based on the 3-STEP proposal

Accelerating the **development of middle-age generation customers** with the launch of the Serum series. Seek to **capture inbound demand** as well

Trend of net sales growth rate in direct store sales/wholesale (PERFECT ONE alone)



Wholesale channel strategy by target

Target	Store	Strategy
Middle-age generation Inbound	**Drug stores**	**Increase the number of distributing stores** Drug stores 560 stores ▶ **3,000 stores** centered on major operators
Inbound	**Duty-free shop**	Expansion into duty-free shops
Senior-age generation	**General merchandise stores** (GMS)	Increase **spending per customer** and **net sales per store** by **strengthening the 3-STEP proposal**
"Millennial" generation	**Variety shop**	

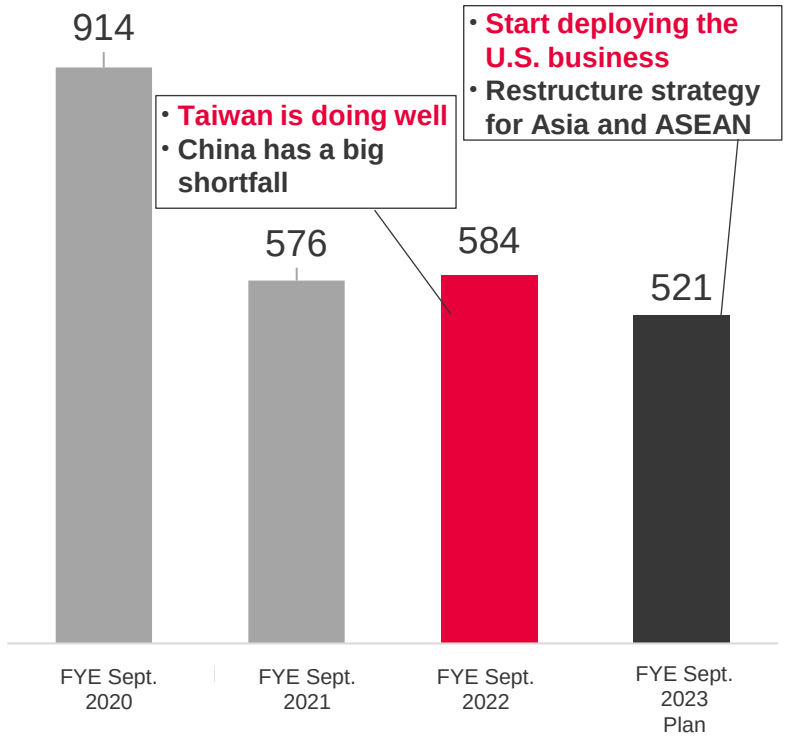
Overseas sales
Shifting to global strategy with expansion to the United States. Striving to solidify the foundation for regrowth

In the fiscal year ended September 2023, sales in China fell sharply while sales in **Taiwan remained strong. Won the best award* in a local popular program of Taiwan in September**

In the fiscal year ending September 2024, we will **start investing in expansion in the United States** and **build a foundation for medium- to long-term growth.**

In Asia and ASEAN, we develop business focusing on investment efficiency by identifying **growth opportunities** and **country risks** in each market

Trend of overseas net sales (Unit: Million yen)



	FY ending Sept. 2024 Investment Policy and Business Strategy	
Taiwan China ASEAN	**Focus on investment efficiency and profitability**	We develop business **focusing on investment efficiency** by identifying **growth opportunities** and **country risks** in each market
United States	**Strengthen investment**	**Plan to start operations** in the fiscal year ending September 2024 as **the core of our global strategy** **Build a subscription-based revenue model by applying our strong know-how in mail order sales**

*: PERFECT ONE Silky Whip won the top prize in the cleansing form category at the award of Taiwan's popular program "Queen"

FYE Sept.2023 net sales **2.33** billion yen ▶ FYE Sept.2024 net sales **3.56** billion yen (+52.9%)

新日本製薬

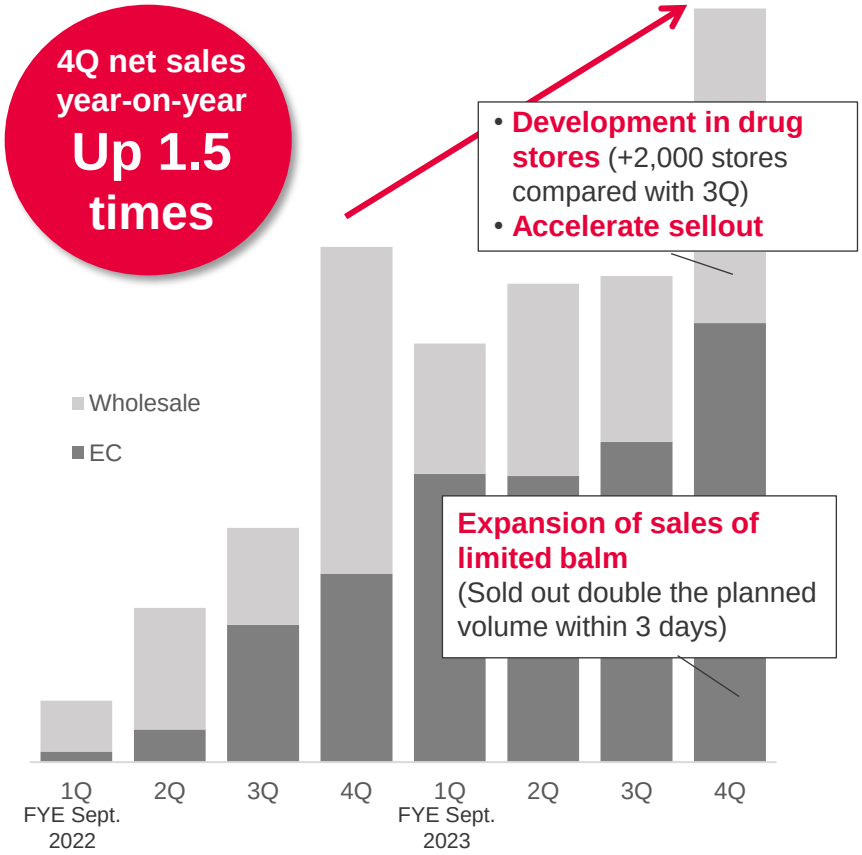
PERFECT ONE FOCUS
FY ended Sept. 2023 significantly exceeded the initial plan. Increase investment and aim for growth in FY ending Sept. 2024

In the fourth quarter of the fiscal year ended September 2023, limited balm product (VC7*), which was sold out in the previous year, was reintroduced and **both EC and wholesale increased (1.5 times year-on-year)**

In FY ending Sept. 2024, we will **further expand investment**. Grow EC and wholesale as two pillars, **aiming for +52.9% increase in sales**

New balm products for those in their 30's will be introduced in November. **Increase market share in the balm market** by attracting new customers

Trend of FOCUS quarterly net sales



Channel strategy

- For EC we **launched new products to coincide with mall sales events** and **collaborated with well-known influencers** to create buzz and **developed a strategic long-life hit brand**
- In the wholesale market, in addition to **expanding the development in drug stores**, we aim to achieve both **an increase in spending per customer and an expansion of sales volume**

MD strategy

Starting with Black Balm, we will introduce new products one after another to acquire new customers in 30's

New release



<Limited release>

Smooth Cleansing Balm Deep Black

Release on November 15

Seek to expand its market share in the domestic cleansing balm market

*: PERFECT ONE FOCUS Smooth Cleansing Balm VC7

FYE Sept.2023 net sales 3.33 billion yen ▶ FYE Sept.2024 net sales 4.12 billion yen (+23.9%)

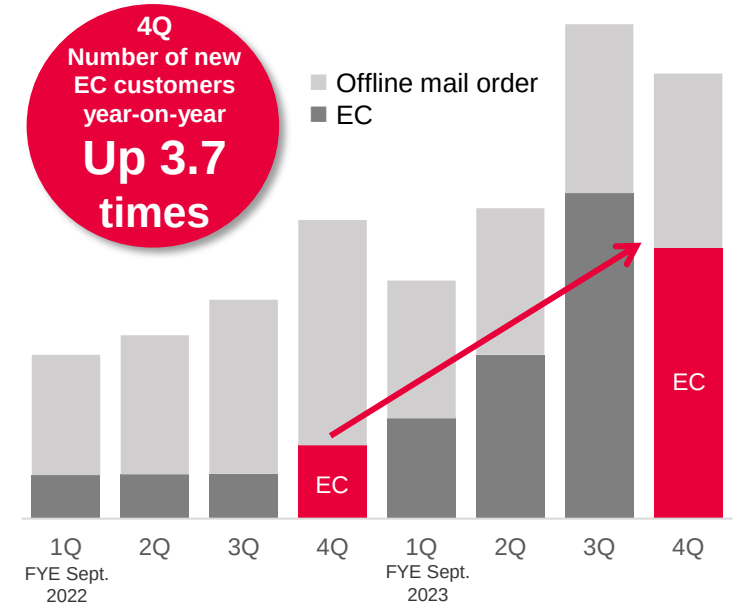
新日本製薬

Fun and Health

Create a new hit product that can be a pillar based on the success model of *Aojiru*

The new EC acquisition was 3.7 times stronger than the same period of the previous year, and *W no Kenko Aojiru* (Doubly Healthy Green Drink) **obtained No.1 sales**[*1] in the *Aojiru* market of food with functional claims
Implement to **create continuous hit products** and **attract new customers** by **applying a successful marketing model of *Aojiru***

Trend in number of new customers





機能性表示食品 青汁 国内売上 No.1※

- ***W no Kenko Aojiru*** **(Doubly Healthy Green Drink) wins No.1 domestic sales**[*1]
- **Net sales performed well and doubled year-on-year**[*2]

*1: Research by TPC Marketing (shipments from manufacturer in 2022)
*2: Net sales by product of *W no Kenko Aojiru* (Doubly Healthy Green Drink)

Channel strategy

- **Continue investment in well-performing Aojiru** mainly in EC
- In addition to attracting senior-age generation by taking advantage of the **"sales power"** of **mail order sales**, we aims to attract middle-age generation customers and gain a foundation for growth by applying the **successful digital marketing model** used for *Aojiru*

Products for future investment

Senior-age generation



Middle-age generation



Scheduled to be released in 2Q 2024
New diet product



New release **Tuneme**

- **Supplements of food with functional claims** that reduce mental and physical fatigue
- Release on October 2

FYE Sept.2023 net sales **0.95** billion yen

FYE Sept.2024 net sales **1.10** billion yen (+14.9%)

新日本製薬

Wellness Food
Stabilize the profit return model by strengthening wholesale and expanding EC advertising investment

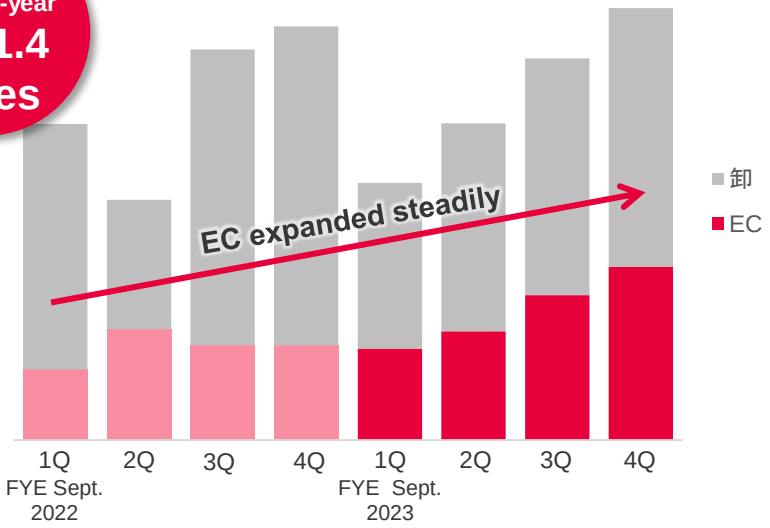
Wholesale struggled due to price hikes etc. but **EC net sales increased 1.4 times compared with the previous period, ending up with increased revenue**

Wholesale has been gradually improving by **starting development in drug stores and Costco**, centering on MCT Oil

Building a stable business model to maximize profits by leveraging profits from wholesale business to investment in EC advertising

Trend in Wellness Food quarterly net sales

EC net sales year-on-year **Up 1.4 times**



Position of main merchandise in the market



MCT Oil　GHEE Oil　Linseed Oil

Highly rated for taste and cost performance.
Each category achieved No.1 in sales in Rakuten Ichiba

- In EC, Rakuten **significantly grew 5.3 times compared with the previous period**
- Repeated improvements in test and creative initiatives to **acquire customers while improving investment efficiency**
- In wholesale, **Costco Taiwan** started to **roll out MCT Oil in July**

Channel strategy

- Wholesale will **expand the number of drug stores** and **introduce new products** to generate profits
- Position EC as an investment channel to **expand advertising investment** and further increase sales at Rakuten and Amazon

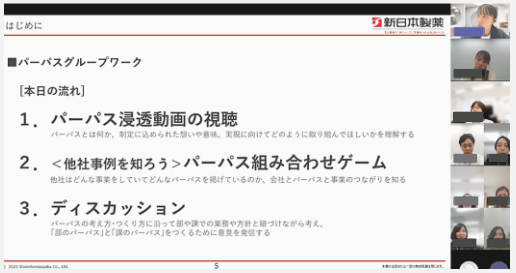
4. Initiatives for Sustainability

Sustainability Initiatives

Promoting various initiatives under the purpose of "Beyond innovation, for a beautiful smile!”

Internal measures for **"Understanding Purpose"**

Implement various initiatives to promote employee recognition, understanding, and empathy of Purpose.
Promotion of activities to promote the understanding of Purpose, such as a group work in which employees discuss Purpose and a production of goods with logos.



Example of group work

“Human Capital” initiatives

In order to realize Purpose and develop human resources that contribute to create a company continuing to thrive for 100 years, we formulated the Human Resources Development Policy.
In addition, as concrete measures, we promote human resources development initiatives such as selective training and in-house study sessions.



View of selective training

Social initiative of **“Elimination of drunk driving”**

In cooperation with NPO Heart Space, an event was held at Hakata High School to express the wish of eliminating drunk driving.

Message cards written by students were released with 500 balloons in the hope of realizing a society where zero drink driving is the norm.



Balloon releasing

Transition to **"Company with Audit and Supervisory Committee"**

Resolved that the Company shall be converted into a "Company with Audit and Supervisory Committee" subject to the approval at the 35th Ordinary General Meeting of Shareholders to be held in late December 2023.
The transition to a company with an audit and supervisory committee will improve management transparency and speed up management decision-making and business execution, as a measure to strengthen the management foundation.

APPENDIX

Position of the Company's Products in Each Market

All-in-one market

Share of domestic sales

NO.1[*1]

All-in-one market
2022 (Actual)

Market size 135.6 billion yen [*2]



Cushion foundation market

Share of domestic sales

NO.1[*3]

Cushion foundation market
2022 (Actual)

Market size 26.8 billion yen [*2]



Cleansing balm market

Share of domestic sales

NO.2[*4]

Cleansing balm market
2022 (Actual)

Market size 29.2 billion yen [*2]



Aojiru market of food with functional claims

Share of *Aojiru* market of food with functional claims

NO.1[*5]

【Reference】
Green charge market
2022 (Estimate)

Market size 78.3 billion yen [*6]

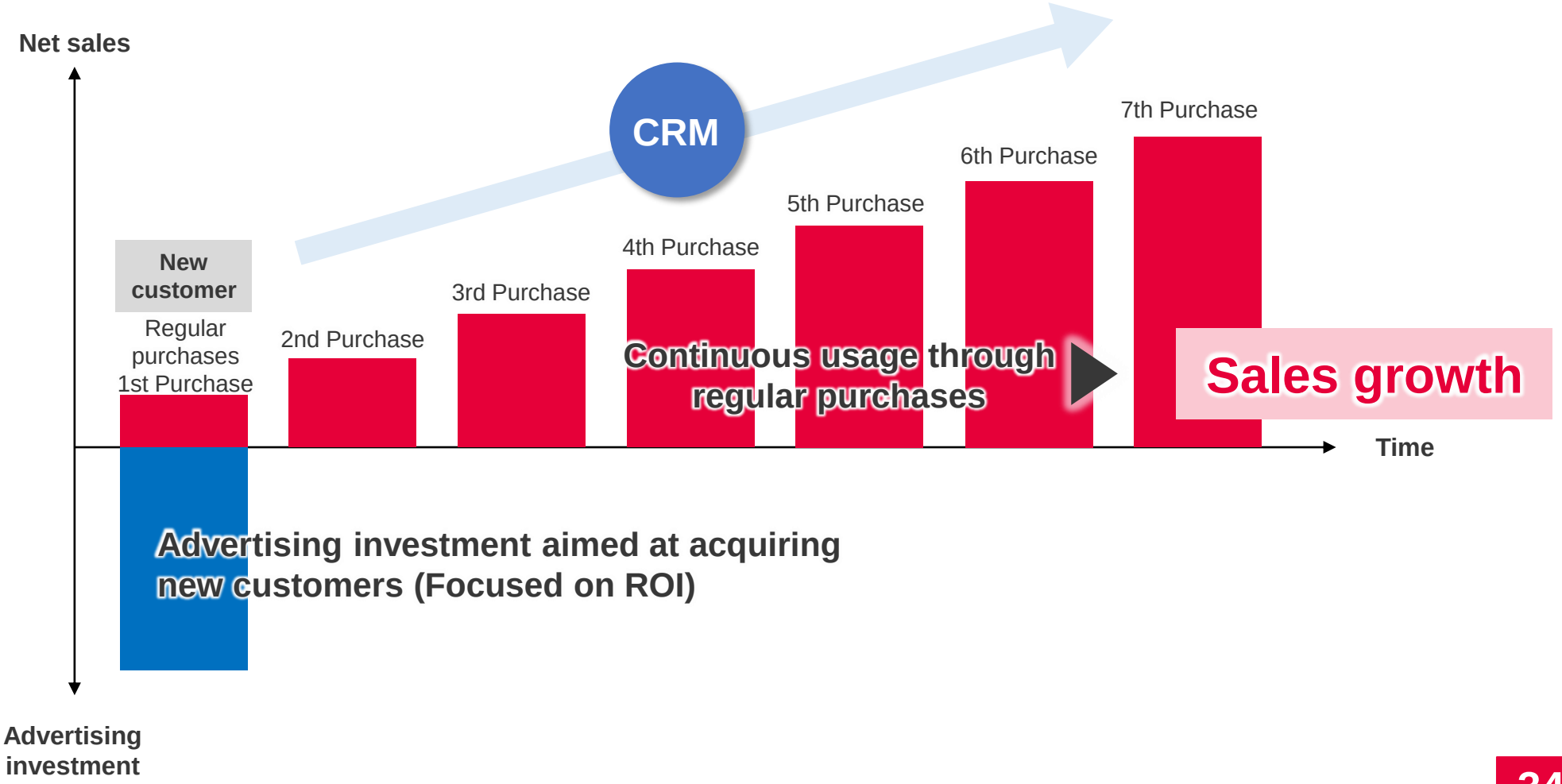


*1: Including PERFECT ONE FOCUS series: Fuji Keizai "Cosmetics Marketing Handbook 2023" (Moisture and all-in-one sections / 2022 results of manufacturer, brand share)
*2: Fuji Keizai "Cosmetics Marketing Handbook 2023"
*3: Fuji Keizai "Cosmetics Marketing Handbook 2023" (Cushion foundation section / 2022 results of manufacturer, brand share)
*4: Fuji Keizai "Cosmetics Marketing Handbook 2023" (Cleansing balm section / 2022 results of manufacturer, brand share)
*5: Research by TPC Marketing Research (Shipment from manufacturer in 2022)
*6: Fuji Keizai "Health & Beauty Food Marketing Handbook 2023"

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**.



Our Strength: Marketing Utilizing Customer Database

Utilize the database of approximately 6.30 million customers accumulated through continued acquisition of new customers.

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

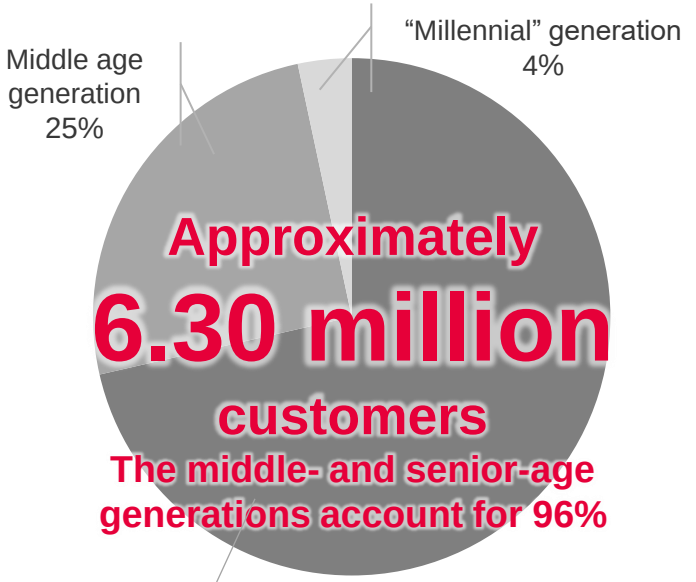
Customer Base Development

Continued acquisition of new customers

- Advertising Investment
- New Product Development

Customer Database

(as of the end of FYE Sept. 2023)



Senior generation: 71%

- Stable demographic transition
- Continued use of products

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

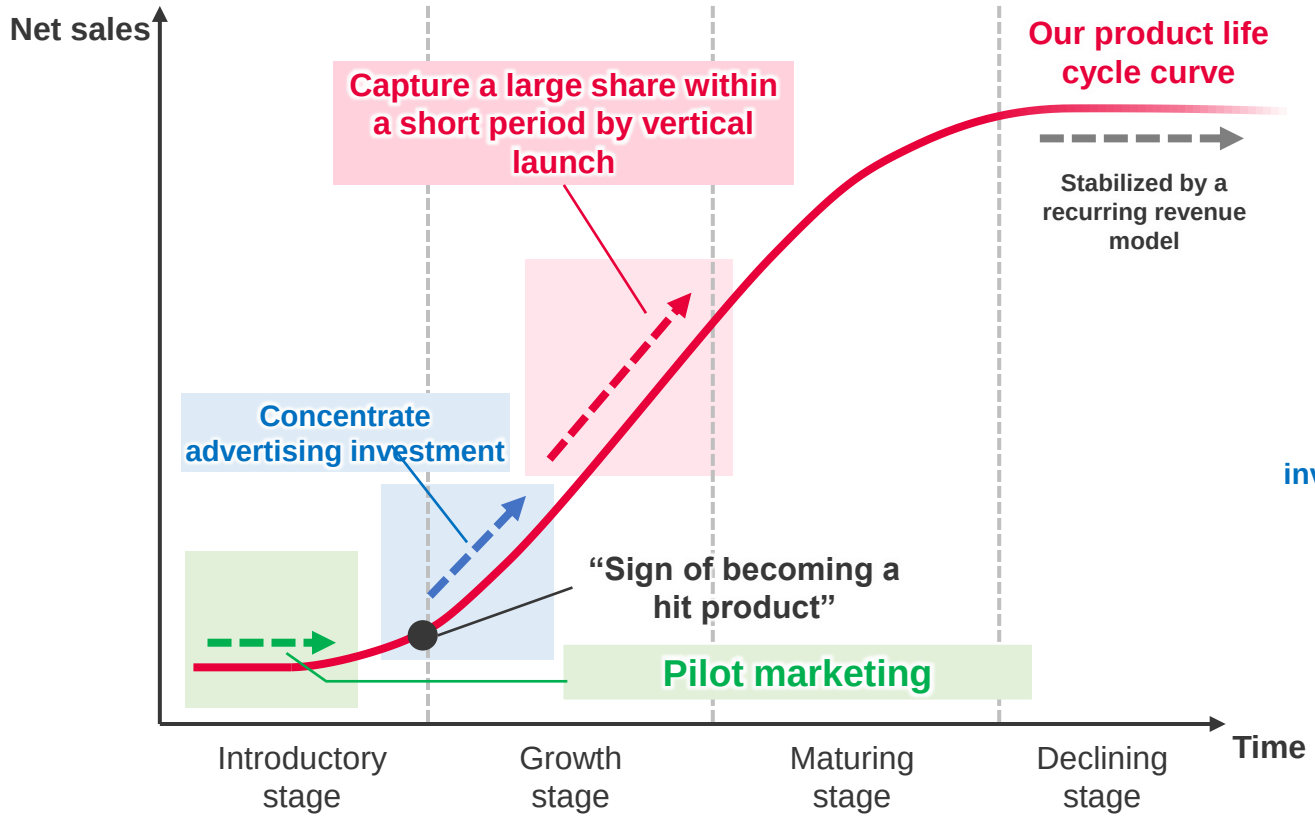
Senior generation = aged 60s and over; Middle age generation = aged 40s and 50s; "Millennial" generation = aged 30s and under

Our Strength: “Selling Power” of Mail Order Channels

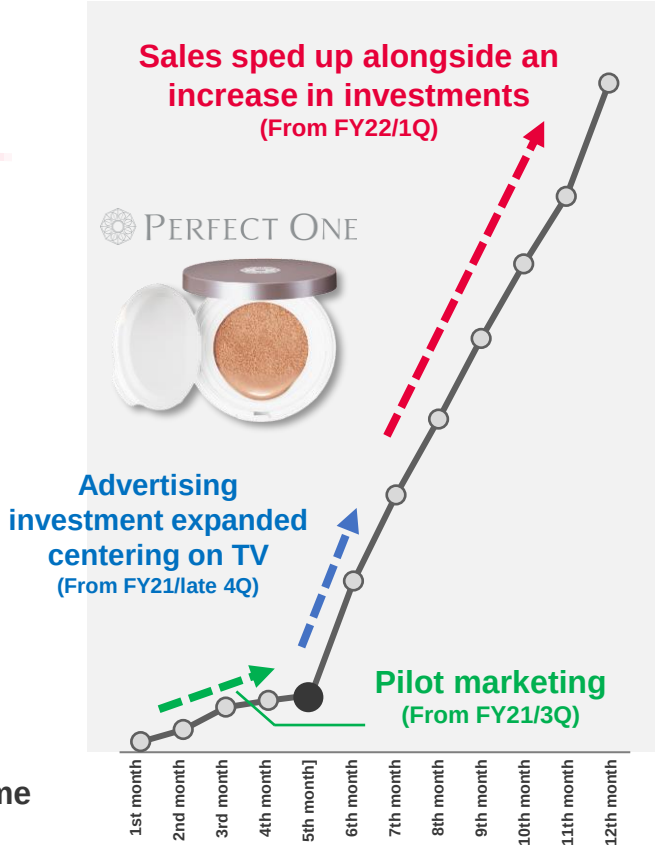
Develop new products swiftly, and during the introductory stage**, run the PDCA cycle of** pilot marketing **at high speed.**

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



Our Business Model

See through the needs and wants of consumers and, in order to give shape to them, invest in call centers, R&D, data analysis and creative domains.



Customer satisfaction and engagement is enhanced through innovative merchandise, heartwarming hospitality and the improvement activity that reflects customer voices in merchandise and services.

Develop and offer innovative merchandise that satisfies the needs and wants of consumers.

New customers increase, and they become repeat customers, which promotes the accumulation of high-quality customer opinions.

Deliver touching hospitality to customers along with innovative merchandise.

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 Sept 30, 2023]
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 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, wholesale of cosmetics, health foods, and pharmaceuticals.
Bases	Fukuoka (head office), Tokyo Office, Yoshizuka Office and Logistics Center
Group companies	Flatcraft, Inc., PERFECT ONE US Co., Ltd.
Net sales	37.65 billion yen [FY ended September 2023]
Total assets	25.5 billion yen [as of September 30, 2023]

PURPOSE

Beyond innovation, for a beautiful smile!

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

VALUE

Creating inspiration

CREDO

We will:

Place importance on greetings, smiles, and altruism.

Thoroughly implement listening, empathy, and gratitude.

Act in a challenge, change, and growth-oriented manner.

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.
July 2023	Established PERFECT ONE US Co., Ltd. in the United States.

*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 2019 (non-consolidated)	September 2020 (non-consolidated)	September 2021 (consolidated)*	September 2022 (consolidated)	**September 2023 (consolidated)**
Net sales	Million yen	33,570	33,728	33,899	36,107	**37,653**
Ordinary profit	Million yen	2,822	3,283	3,415	3,487	**3,721**
Profit	Million yen	1,824	2,122	2,323	2,357	**2,394**
Share capital	Million yen	3,826	3,826	4,158	4,158	**4,158**
Total number of shares issued	Shares	21,611,300	21,611,300	21,855,200	21,855,200	**21,855,200**
Net assets	Million yen	12,758	14,267	16,180	17,918	**19,661**
Total assets	Million yen	18,575	19,956	23,240	23,857	**25,501**
Equity ratio	%	68.7	71.2	68.8	74.4	**76.5**
Return on equity	%	21.6	15.7	14.5	14.0	**12.9**
Dividend payout ratio	%	15.4	30.5	30.2	30.0	**29.6**
Cash flows from operating activities	Million yen	1,992	2,920	2,071	2,287	**3,468**
Cash flows from investing activities	Million yen	-943	-367	-1,359	-496	**-208**
Cash flows from financing activities	Million yen	6,567	-851	672	-1,093	**-2,101**
Cash and cash equivalents at the end of the period	Million yen	10,576	12,271	13,652	14,351	**15,518**
Number of employees (excluding temporary employees and including seconded employees)	People	354	330	309	302	**307**

Net assets per share	Yen	590.37	662.97	747.34	826.51	**906.72**
Basic earnings per share	Yen	113.99	98.50	107.72	109.91	**111.37**
Dividend per share	Yen	17.50	30.00	32.50	33.00	**33.00**

*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

IR & PR Division, 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

Beyond innovation, for a beautiful smile!