



Supplementary Briefing Material on Financial Results for the First Quarter of the Fiscal Year Ending September 2021

February 5, 2021

Shinnihonseiyaku Co., Ltd.

Securities Code: 4931

First Section of the Tokyo Stock Exchange

Net Sales

Net Sales: 8,489 million yen (down 2.7% year on year)

- In the area of cosmetics, sales in the core mail order channel increased year on year even under the impact of restrained advertising investment in the previous fiscal year. Meanwhile, the performance of direct store and wholesale channels was a factor causing a decline in earnings.
- The launch of new product "PERFECT ONE Wrinkle Stretch Gel" and the effects of a brand strategy targeting young age groups have contributed to steady sales above expectations.

Expenses/
Profit

Operating Profit: 828 million yen (up 20.8% year on year)

- Operating expenses fell significantly from the same period of the previous year due to lower fulfillment (FF) costs and lower call center costs as a result of the progress in efficiency improvement measures, contributing to profit growth.
- All types of profit progressed steadily, far above the levels of a year earlier.

Growth
Strategy

Progress of Growth Strategy

- Up-selling of the new product "PERFECT ONE Wrinkle Stretch Gel" to existing customers was favorable.
- Brand strategy targeting young age groups contributed to capturing demand from the "Minimum Life" generation.*
- In the Smart Health Care Business, distribution of the new product "BODY AURA" began.

*: "Minimum Life" generation = Aged under 40

- 1 Summary of First Quarter Financial Results**
- 2 Plan for the Fiscal Year Ending September 2021**
- 3 Progress of Growth Strategy**
- 4 Initiatives for ESG**

APPENDIX

1. Summary of First Quarter Financial Results

Summary of First Quarter Financial Results

- In cosmetics, sales in the core mail order channel increased year on year. This was thanks to the effect of launching a new product along with the favorable brand strategy targeting young age groups, although direct store and wholesale sales were a factor behind a decline in earnings.
- Sales of healthcare products declined from the same period last year due to restrained advertising investment, but progress exceeded expectations.
- All types of profit increased steadily, far above the levels of a year earlier, mainly as a result of the progress in efficiency improvement measures.

(Unit: Million yen)

Items	First three months of FY ended Sept. 2020	First three months of FY ending Sept. 2021	Year-on-year comparison	
			Changes	Changes (%)
Net sales	8,726	8,489	-237	-2.7%
Cosmetics	8,027	7,914	-112	-1.4%
Healthcare	699	574	-124	-17.9%
Operating profit	685	828	+142	+20.8%
Ordinary profit	701	859	+158	+22.6%
Ordinary profit rate	8.0%	10.1%	+2.1pt	-
Profit	443	590	+147	+33.2%

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

Summary of First Quarter Financial Results - Supplemental Data

- Sales in the mail order channel fell due to healthcare, but sales of cosmetics rose year on year.
- Growth in net sales in the overseas and domestic EC channels was driven by the launch of a new product and the effects of a brand strategy targeting young age groups.
- In operating expenses, efficiency improvement measures made progress for FF costs while call center costs decreased.

(Unit: Million yen)

Items	First three months of FY ended Sept. 2020	First three months of FY ending Sept. 2021	Year-on-year comparison	
			Changes	Changes (%)

<Sales by channel>

Mail order	7,951	7,850	-101	-1.3%
Direct store/Wholesale	567	426	-140	-24.7%
Overseas	207	211	+3	+1.8%

<Overseas and domestic EC sales>

Overseas and domestic EC sales	850	948	+98	+11.6%
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<Marketing investment>

Advertising expenses	2,640	2,534	-106	-4.0%
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<Operating expenses>

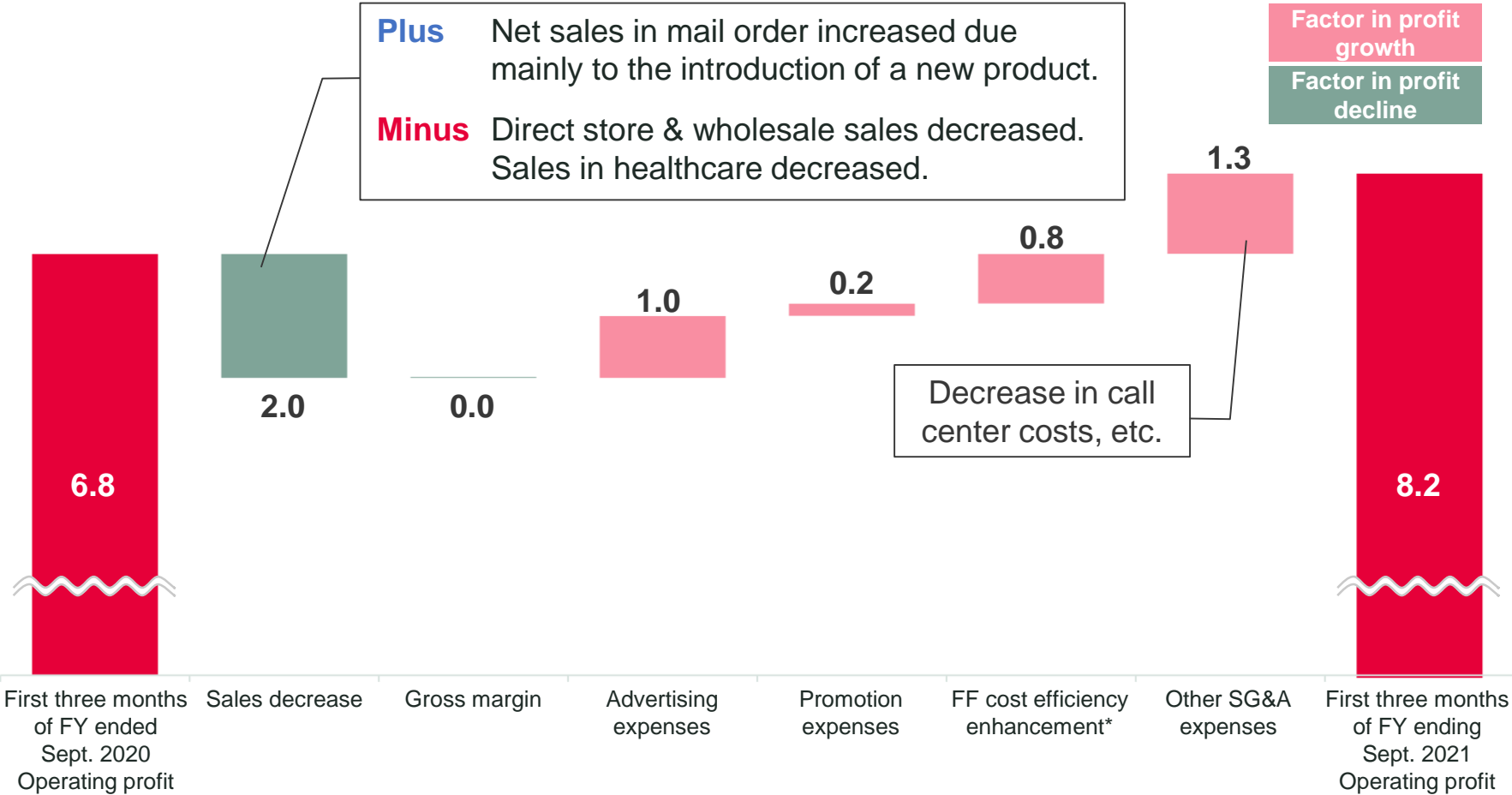
FF cost*	1,094	989	-104	-9.5%
Call center cost	779	647	-131	-16.8%

*: FF cost = Order fulfillment cost

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

- Made progress in attracting new customers as advertising expenses were recorded as generally planned while we assessed investment efficiency.
- Decline in operating expenses backed mainly by the progress in efficiency improvement measures contributed to a significant increase in operating profit.

(Unit: 100 million yen)



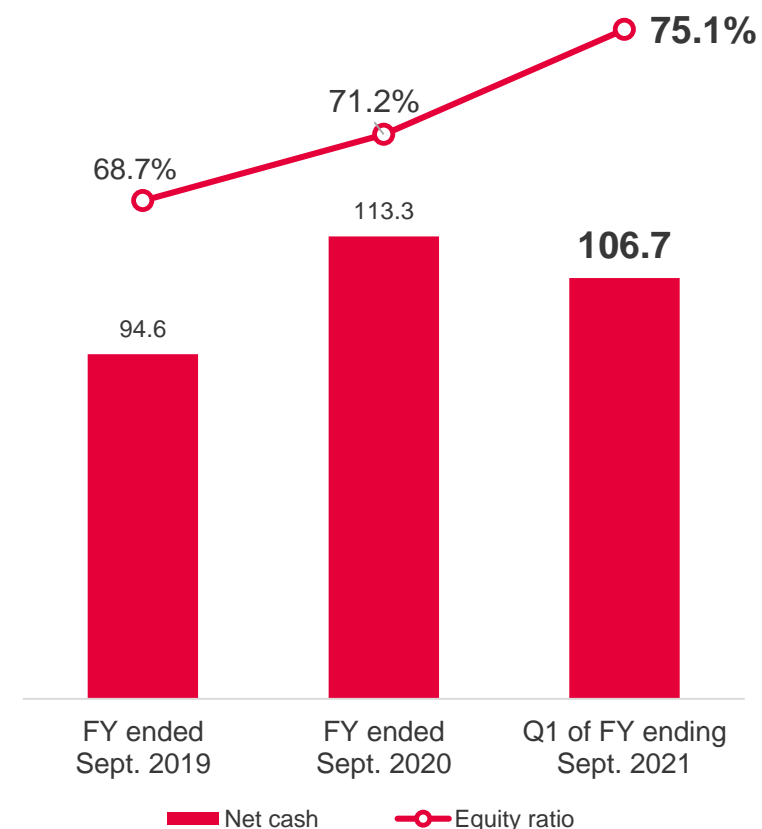
* Effectiveness of improved efficiency of shipping and delivery costs and agency fees among FF costs

- Equity ratio rose to 75.1% due to the issuance of new shares by way of third-party allotment in December 2020.
- The Company plans to use the funds procured to develop brands, products and customers in its Smart Health Care Business.

(Unit: Million yen)

(Unit: 100 million yen)

Items	End of FY ended Sept. 2019	End of FY ended Sept. 2020	Q1-end of FY ending Sept. 2021	Changes from previous fiscal year-end
Current assets	14,693	16,211	16,084	-127
Cash and deposits	10,576	12,271	11,573	-698
Accounts receivable-trade	2,913	2,607	2,863	+255
Inventories	1,063	1,193	1,445	+251
Non-current assets	3,882	3,744	3,645	-98
Total Assets	18,575	19,956	19,729	-226
Liabilities	5,817	5,688	4,815	-873
Trade payables	416	509	389	-119
Interest-bearing debt	1,109	936	895	-40
Net assets	12,758	14,267	14,914	+647
Treasury shares	-	(299)	(293)	+6
Total liabilities and net assets	18,575	19,956	19,729	-226



2. Plan for the Fiscal Year Ending September 2021

- Although a state of emergency was declared due to the third wave of infections, there is no major change in the assumed impact on business at present.
- We will continue to promote our business activities as initially planned, while closely watching the spread of infections and the status of the economic environment.

Impact on business in the FY ended September 2020		Assumed impact on business in the FY ending September 2021	
Overall business	<ul style="list-style-type: none">■ Stable needs for skincare products (Limited impact from people making it a practice to wear a mask and reduced opportunities to go out)■ Meanwhile, sales of cosmetics down from the previous fiscal year■ Direct impact from COVID-19 limited to some channels		<ul style="list-style-type: none">■ Continuing stable needs for skincare products■ Expanding needs for skincare products that alleviate concerns, such as rough skin caused by wearing masks■ Expanding needs for healthcare products, driven by enhanced health awareness
Mail order	<ul style="list-style-type: none">■ Impact of changes in consumer sentiment regarding the advertising investment environment■ Greater opportunities for proposals due to increased customer service hours■ Fewer incoming calls on delivery and product inquiries■ Delays in production of advertising and sales promotion tools		<ul style="list-style-type: none">■ Continuing stable needs for mail order and e-commerce (EC)■ Continuing downward trend in calls received for delivery and product inquiries■ Greater opportunities for proposing new products due to increasing customer service hours on telephone■ Changes in the advertising investment environment
Direct store & Wholesale	<ul style="list-style-type: none">■ Temporary suspension of operations at direct stores and other distributing stores due to temporary shutdown of department stores and shopping centers■ Fewer customers, etc. due to decreased opportunities to go out		<ul style="list-style-type: none">■ Level in the number of customers visiting stores has been unchanged since last spring■ Shorter business hours under the declaration of a state of emergency■ Greater opportunities to expand sales channels for new smart healthcare products due to growing healthcare needs
Overseas sales	<ul style="list-style-type: none">■ Temporary impact of delays in exports to China and the suspension of domestic distribution in China■ Fewer customers mainly due to restrictions on going out		<ul style="list-style-type: none">■ No particular impact from delays in exports, suspension of distribution and other factors■ Expanding sales opportunities in e-commerce, including live commerce■ Temporary impact of regional lockdowns

- Initial forecast for the fiscal year ending September 2021 remains unchanged based on the results of the first quarter.
- In cosmetics, sales expansion is expected due to the effects of new product launches and the capturing of customers through a brand strategy targeting young consumers.
- In healthcare, we aim to achieve growth above the plan with our Smart Health Care Business, launched in the first quarter, at the core.

(Unit: Million yen)

Items	FY ended Sept. 2019	FY ended Sept. 2020	FY ending Sept. 2021		Year-on-year change in the full-year plan (%)
			Results in the first three months	Full-year plan	
Net sales	33,570	33,728	8,489	35,000	+3.8%
Cosmetics	30,575	31,098	7,914	32,539	+4.6%
Healthcare	2,994	2,630	574	2,460	-6.4%
Operating profit	2,864	3,329	828	3,500	+5.1%
Ordinary profit	2,822	3,283	859	3,460	+5.4%
Ordinary profit rate	8.4%	9.7%	10.1%	9.9%	-
Profit	1,824	2,122	590	2,300	+8.4%

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

- Assumptions of the plan for the fiscal year ending September 2021 remain unchanged based on the results for the first quarter.
- From the second quarter onward, we will strengthen our advertising investment in new products and further intensify efforts to attract new customers through our mail order channel.
- The conservative initial plan is left unchanged although the initiative to increase efficiency of operating expenses is making good progress.

(Unit: Million yen)

Items	FY ended Sept. 2019	FY ended Sept. 2020	FY ending Sept. 2021		Year-on-year change in the full-year plan (%)
			Results in the first three months	Full-year plan	

<Sales by channel>

Mail order	30,804	30,875	7,850	31,213	+1.1%
Direct store/Wholesale	2,151	2,145	426	2,836	+32.2%
Overseas	614	707	211	950	+34.3%

<Overseas and domestic EC sales>

Overseas and domestic EC sales	2,816	3,444	948	4,477	+30.0%
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<Marketing investment>

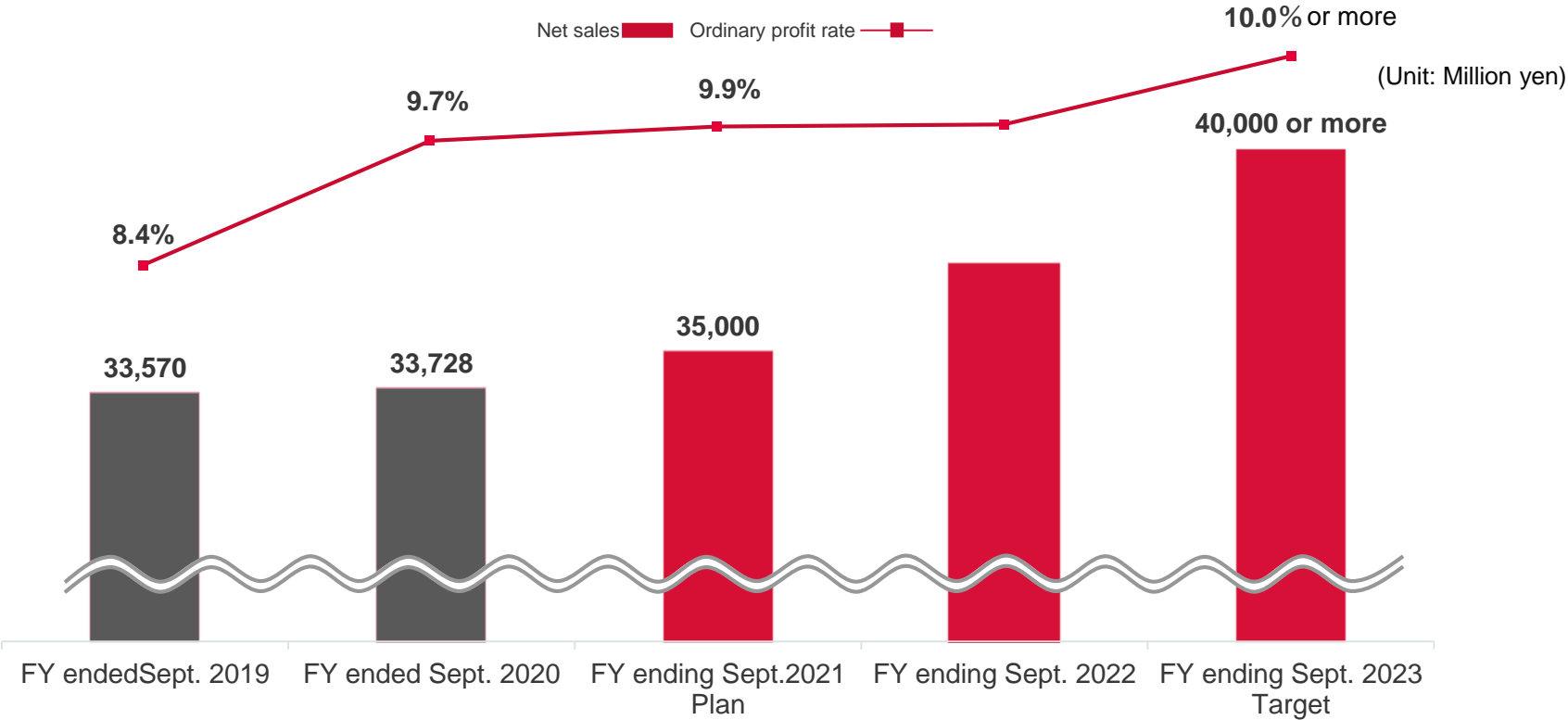
Advertising expenses	10,245	10,079	2,534	10,846	+7.6%
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<Operating expenses>

FF cost	4,575	4,194	989	4,109	-2.0%
Call center cost	3,082	2,857	647	3,070	+7.5%

The Company aims to achieve net sales of **40 billion yen or above** and an ordinary profit rate of **10% or above** in the fiscal year ending September 2023.

We will promote our growth strategy by positioning the fiscal year ending September 2021 as a period for **acquiring a wide range of customers** and **achieving brand growth**.



3. Progress of Growth Strategy

Category	Target	Medium-term strategy
Cosmetics	Senior generation	Raising LTV and attracting new customers <ul style="list-style-type: none"> ✓ Launch the new All-in-One Gel product (wrinkle improvement and skin whitening) ✓ Develop new products and services ✓ Strengthen database marketing
	“Minimum Life” generation	Cultivating customers in their 20s and 30s <ul style="list-style-type: none"> ✓ Deploy a new brand strategy using a celebrity ✓ Digital marketing utilizing social media
	Middle age generation “Minimum Life” generation	Acceleration of EC and digital expansion <ul style="list-style-type: none"> ✓ Concentrate investments and strengthen digital marketing ✓ Strengthen CRM through online-offline collaboration measures and applications ✓ Utilize influencers
	Overseas	Brand development and growth for nurturing global brands <ul style="list-style-type: none"> ✓ China: Growth driver ✓ ASIA/ASEAN: Brand development ✓ North America: New entries
Healthcare	Middle age generation “Minimum Life” generation Senior generation	Development of Smart Health Care Business <ul style="list-style-type: none"> ✓ Pursue brand value ✓ Acquire customers in segments that were not focused on conventionally

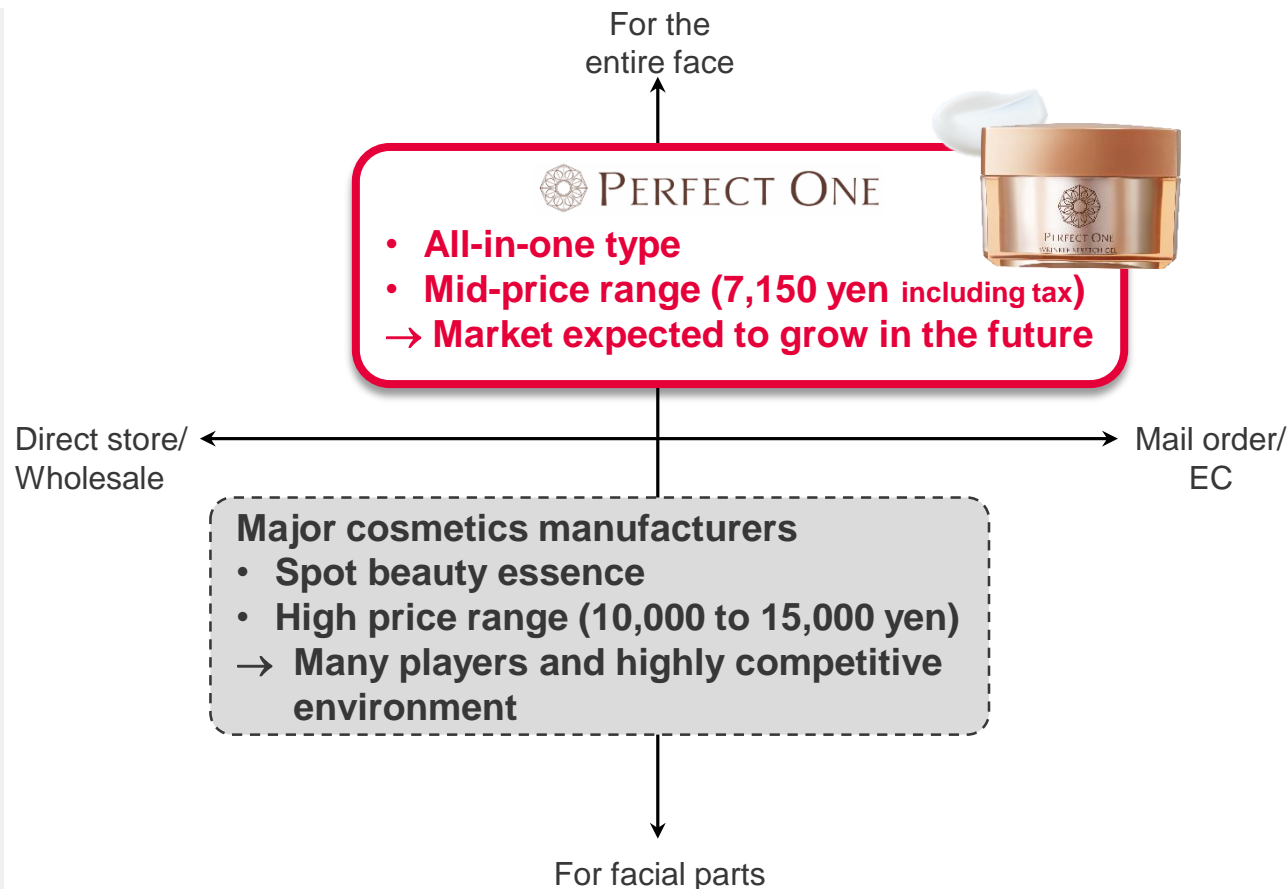
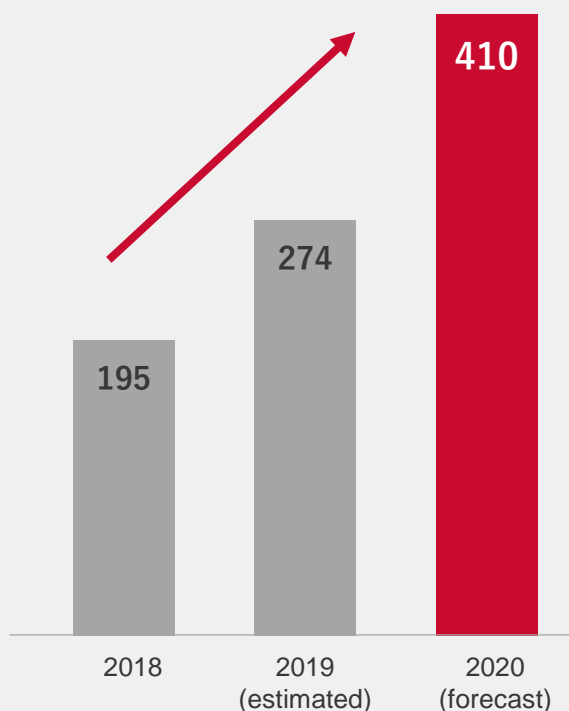
Further Growth of Perfect One Brand

- New Product: PERFECT ONE Wrinkle Stretch Gel

- The Company launched for the first time in Japan a new product in the All-in-One Gel series, “PERFECT ONE Wrinkle Stretch Gel,” containing vitamin PP as an active ingredient.
- With the expansion of the anti-aging skincare market, the Company, by putting itself in a position where competition with major cosmetics manufacturers is less likely and we can better demonstrate our strengths, can achieve further growth of the Perfect One Brand.

Domestic market for anti-aging skincare*
(Wrinkle improvement active ingredient)

(Unit: 100 million yen)



*: Compiled from Fuji Keizai PRESS RELEASE dated April 30, 2020 "Survey of the Japanese market for anti-aging skincare products by pharmaceutical product category"

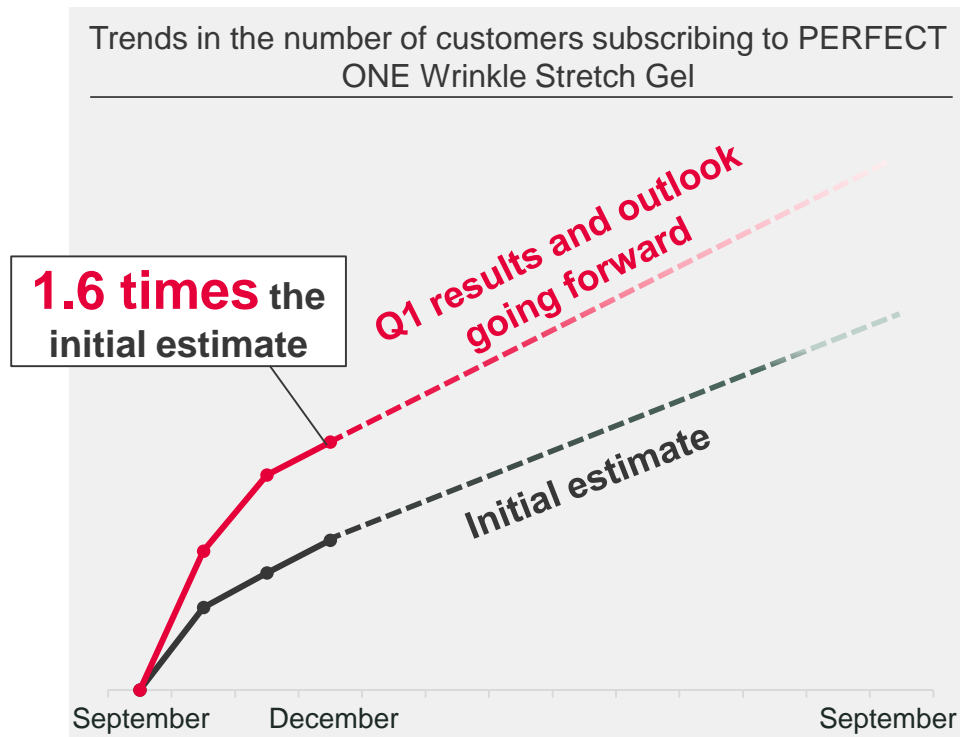
Further Growth of Perfect One Brand

- New Product: PERFECT ONE Wrinkle Stretch Gel

Page 16

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- Up-selling to existing customers progressed faster than expected, contributing to higher customer unit prices and LTV.
- From the second quarter onward, we will focus our advertising investment on PERFECT ONE Wrinkle Stretch Gel and accelerate the acquisition of new customers.



- ✓ Up-selling progressed **faster than expected**
- ✓ Expected to **exceed the estimated number of customers** as of the fiscal year-end
 - Effects: **Higher unit price per customer and higher LTV**



Further promote up-selling initiatives

Concentrate investment to accelerate the acquisition of new customers

- Appointed Kento Nakajima to appear in the brand commercial in November 2020 in an aim to enhance awareness of the Perfect One Brand with a focus on the “Minimum Life” generation, thereby cultivating a new customer base.
- Acquisition of new customers in the “Minimum Life” generation progressed favorably as we actively disseminated information using social media and implemented online and offline measures.

Limited-time campaign launched



Perfect One original Kento Nakajima mask case

Pop-up event held at @cosme TOKYO



Inside view of pop-up space



Commercial broadcast on digital screen

Trend in number of social media account followers

No. 1 in Twitter search trends
achieved soon after the launch of
new commercial

Instagram
Twitter

July August September October November December

55-fold
growth in
five months
from launch

5-fold
growth in
three months
from launch

Status of acquisition of new customers in the “Minimum Life” generation in domestic EC channels

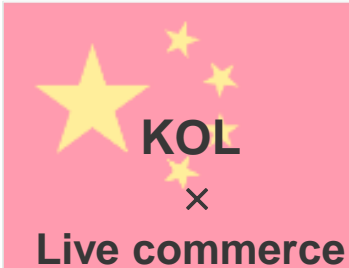
Number of new customers in the “Minimum Life” generation doubled
from the September level since the
start of new commercials

Number of new customers acquired
in the month
Cumulative number of customers up
to the previous month

September October November December





- Promoting expansion of overseas sales based on EC, focusing on China with high growth potential.
- In China, efforts were made to expand brand awareness through live commerce by KOL* and promotion on social media. In the 2020 W11 (Double Eleven) event, sales were steady, exceeding the previous year's level.
- Furthermore, in anticipation of full-scale deployment in the U.S, began test marketing using KOL in the first quarter.

	Target	Sales channel	Policy
Taiwan/ Hong Kong	Mainly consumers in their 20s to 40s with high spending power	EC (Company website, MOMO, etc.) Direct store/Wholesale (Variety shops) Mail order	Strengthen brand awareness and promote multi-channel marketing
China		EC (Cross-border EC, RED, Tmall, etc.)	Approach consumers in their 20s with strong ability to send out information to increase awareness and heighten LTV.
ASEAN • Singapore • Vietnam • Thailand		EC (Company website, shopee, etc.) Direct store/ Wholesale (Variety shops)	Aggressively deploy mid- priced products in view of potential consumption power.
U.S.		EC (Company website)	Increase awareness for full- scale deployment.



*: Abbreviation of Key Opinion Leader. Refers to an influencer with specialties.

- Launched the Smart Health Care Business to support "self-reliant health care" of individuals heading toward the new normal era.
- With EC at the core, also began distributing products in drugstores, targeting the “Minimum Life” and middle-age generations.
- Distinguish from the conventional healthcare in terms of customers and channels and promote incremental sales.

	Smart Health Care	Healthcare
Concept	Supports "self-reliant health care"	Assists in "maintaining good health" or "solving concerns"
Target	<p>“Minimum Life” and middle-age generations</p> 	<p>Senior generation</p> 
Products		
Sales channel	EC (dedicated site) Drugstores	Mail order EC

- In the Smart Health Care Business, launched the second new product "BODY AURA" in January 2021.
- A supplement that boosts people's self-protection power*1 necessary for managing health going ahead.

Second
new
product

ニューノーマル時代のサプリメント

BODY AURA

L.ラムノサス菌 FWGE

世界に先駆けて
日本先行
販売



BODY AURA
6,480 yen (including tax)

- ✓ A supplement containing 40 billion*2 **L. rhamnosus** lactic acid bacteria, which can actively reach the intestines, coupled with fermented wheat germ extract **FWGE**, which is made by fermenting and concentrating original baker's yeast obtained by separating only the wheat germ from wheat.
- ✓ This is the first health food in Japan that combines these two ingredients, and the Company has obtained exclusive sales rights.



In addition to EC sales, we plan to distribute the product to 5,000 drugstores throughout Japan by the end of the current fiscal year

Distribution in 1,500 stores has already been decided as of the end of December

Working to achieve incremental sales by targeting customers and channels that do not cannibalize with existing products

*1: The ability to maintain strength by eating and exercising.
*2: Contains 40 billion L. rhamnosus bacteria at the time of manufacturing the product

4. Initiatives for ESG

- Aiming to increase corporate value over the long term by enhancing management soundness, transparency and compliance.
- Aggressively working to build an organizational structure that can respond quickly and flexibly to recent changes in the business environment while strengthening governance.



August 2020

Establishment of the Nomination and Compensation Committee

Composed of three members: President & Representative Director of the Board CEO and two Outside Directors.

November 2020

Evaluation of the effectiveness of the Board of Directors

Conducted a questionnaire survey and recognized the appropriateness of and issues with the Board of Directors to further improve its functions.

December 2020

Abolition of retirement benefits system for directors and other officers and introduction of performance-based stock compensation system and transfer-restricted stock compensation system

Implemented with a view to improving medium- to long-term business results and corporate value.

*Approved at the Ordinary General Meeting of Shareholders in December 2020.

APPENDIX

Company Name	Shinnihonseiyaku Co., Ltd.	
Representative	Takahiro Goto, President & Representative Director of the Board Chief Executive Officer	
Established	March 1992	
Head Office	1-4-7 Otemon, Chuo-ku, Fukuoka City, Fukuoka Prefecture	
Share Capital	4,158 million yen [as of December 31, 2020]	
Executives	Takahiro Goto, President & Representative Director of the Board Chief Executive Officer Mitsuyoshi Fukuhara, Executive Director of the Board Seiichiro Hatori, Director of the Board Kazuhiro Tagami, Director of the Board	Masayuki Kakio, Outside Director Haruki Murakami, Outside Director Keiichi Zenmyo, Full-time Outside Auditor 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.	
Net Sales	33.72 billion yen [FY ended September 30, 2020]	
Bases	Fukuoka (head office), Tokyo Office, 12 direct stores, Yoshizuka Office and Logistics Center	
Total Assets	19.7 billion yen [as of December 31, 2020]	

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 Foster Beauty and Good Health Through Database Marketing

Date	Overview
March 1992	Founded Shinnihonliving Co., Ltd. (currently Shinnihonseiyaku Co., Ltd.) as a company that planned and sold daily essentials at Higashi-Ori, Onojo City, Fukuoka Prefecture (share capital of 10 million yen).
July 1994	Started sales of health foods by mail order.
June 1996	Relocated the head office to Otogana-Higashi, Onojo City, Fukuoka Prefecture.
December 2000	Commenced sales of basic cosmetics by mail order.
April 2002	Renamed Shinnihonliving Co., Ltd. to Shinnihonseiyaku Co., Ltd.
March 2003	Opened a logistics center in Yoshizuka, Hakata-ku, Fukuoka City, Fukuoka Prefecture.
April	Relocated the head office to Yoshizuka, Hakata-ku, Fukuoka City, Fukuoka Prefecture.
May 2005	Started sales of cosmetics brand “RAffINE series.”
May 2006	Relocated the head office to Akasaka, Chuo-ku, Fukuoka City, Fukuoka Prefecture.
May	Launched RAffINE Perfect One.
October	Established Iwakuni-Hongo Research Institute as the base for cultivating and researching 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 became number one*2 in the Japanese all-in-one skincare market.
September 2018	Started cross-border EC in the Chinese market.
September	Was awarded the top prize and the rookie of the year at the beauty awards hosted by Taiwan’s popular infotainment TV show “Queen.”
June 2019	Listed on Tokyo Stock Exchange Mothers.
January 2020	Relocated Tokyo Office to Marunouchi Building in Chiyoda-ku, Tokyo.
December 2020	Changed listing market to the First Section of the Tokyo Stock Exchange.

*1: 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 closing year & month		September 2017	September 2018	September 2019	September 2020	Q1 of FY ending September 2021
Net sales	Million yen	28,372	31,210	33,570	33,728	8,489
Ordinary profit	Million yen	2,265	2,491	2,822	3,283	859
Profit	Million yen	1,477	1,751	1,824	2,122	590
Share capital	Million yen	220	250	3,826	3,826	4,158
Total number of shares issued	Shares	1,003,630	1,009,630	21,611,300	21,611,300	21,855,200
Net assets	Million yen	2,685	4,191	12,758	14,267	14,914
Total assets	Million yen	8,560	9,491	18,575	19,956	19,729
Equity ratio	%	30.7	43.6	68.7	71.2	75.1
Return on equity	%	57.3	51.8	21.6	15.7	-
Dividend payout ratio	%	20.7	20.1	15.4	30.5	-
Cash flows from operating activities	Million yen	2,372	1,415	1,992	2,920	-
Cash flows from investing activities	Million yen	(280)	(420)	(943)	(367)	-
Cash flows from financing activities	Million yen	(1,546)	(419)	6,567	(851)	-
Cash and cash equivalents at the end of the period	Million yen	2,377	2,954	10,576	12,271	11,573
Number of employees (excluding temporary employees)	People	346	361	354	330	-
Net assets per share	Yen	261.97	409.58	590.37	662.97	-
Earnings per share	Yen	147.69	174.46	113.99	98.5	-
Dividend per share	Yen	30.50	35.00	17.50	30.00	-

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

<Disclaimer concerning the proper use of business results forecast>

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

<Contact for inquiries regarding this document>

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We will reply to you as soon as we can.

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