



# Medium-Term Management Plan "VISION2025"

**November 12, 2021**

**Shinnihonseiyaku Co., Ltd.**

**Securities Code: 4931**

**First Section of the Tokyo Stock Exchange**

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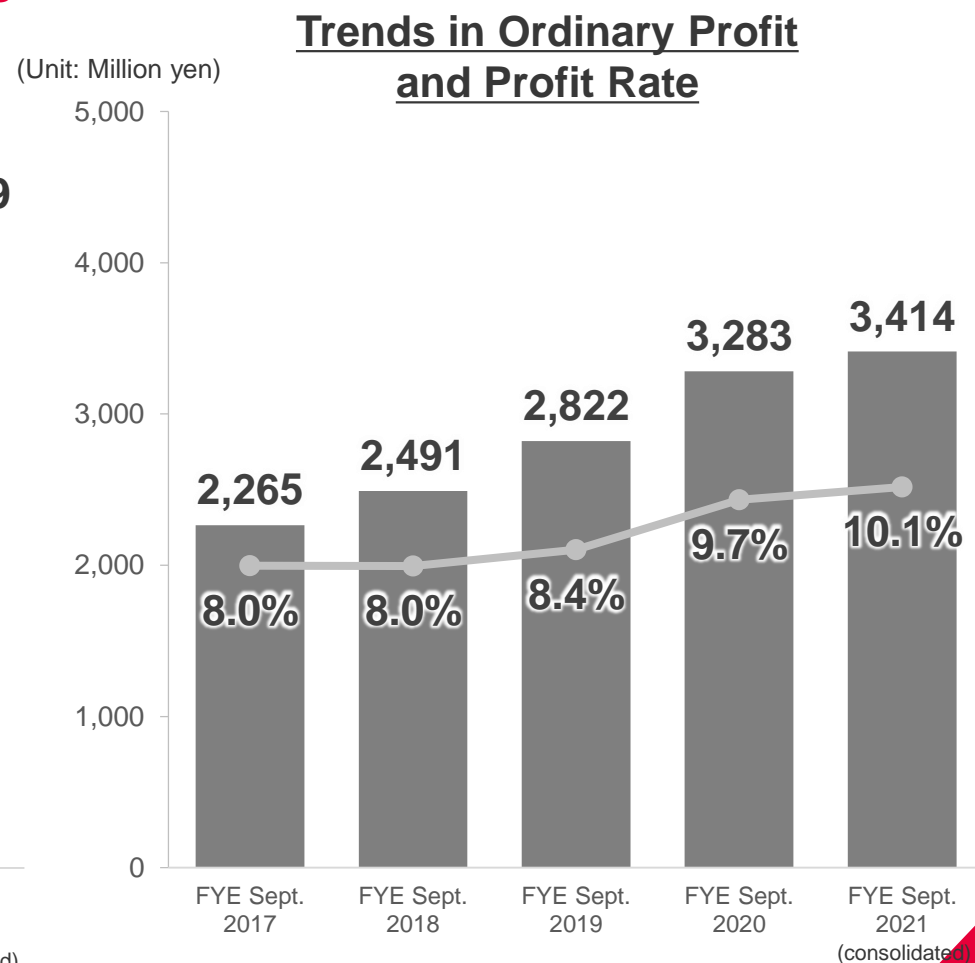
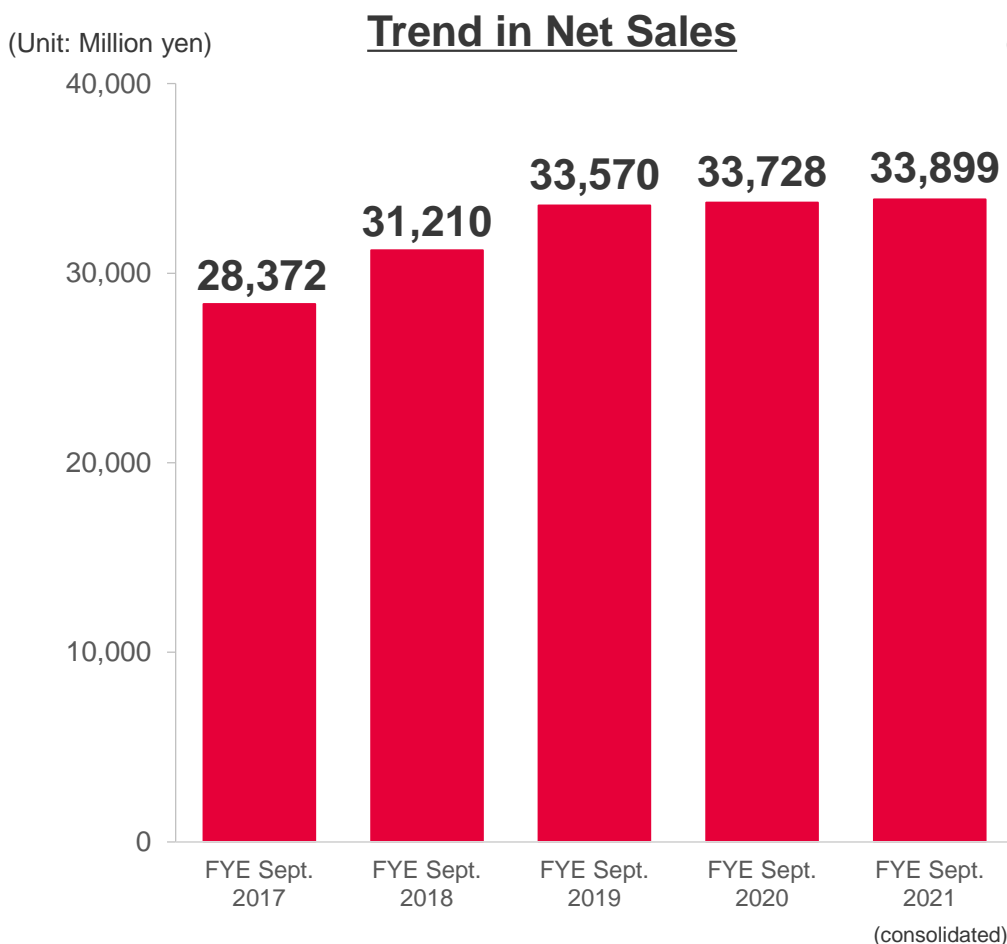
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# **I. Review of Business Performance and Financial Results**

# Review of Business Performance

In the last five fiscal years, net sales were at a CAGR of 4.6% and **continued to increase** despite the COVID-19 pandemic.

Ordinary profit grew steadily at a CAGR of 10.8% and **continued renewing record highs since listing on the stock exchange.**



# Review (Financial Highlights)

While improving financial soundness significantly, we were able **to keep ROE at the 15% level**

With cash flows trending firm, **a reserve fund for investment has been secured** for future growth

Financial closing month & year		Fiscal year ended September 2017	Fiscal year ended September 2018	Fiscal year ended September 2019	Fiscal year ended September 2020	(consolidated) Fiscal year ended September 2021
Net sales	(Million yen)	28,372	31,210	33,570	33,728	33,899
Ordinary profit	(Million yen)	2,265	2,491	2,822	3,283	3,414
Ordinary profit rate	(%)	8.0	8.0	8.4	9.7	10.1
Total assets	(Million yen)	8,560	9,491	18,575	19,956	23,197
Equity ratio	(%)	30.7	43.6	68.7	71.2	68.9
ROE	(%)	57.3	51.8	21.6	15.7	14.5
Cash flows from operating activities	(Million yen)	2,372	1,415	1,992	2,920	2,071
Cash flows from investing activities	(Million yen)	-280	-420	-943	-367	-1,359
Cash flows from financing activities	(Million yen)	-1,546	-419	6,567	-851	672

# Changes in Business Environment and Challenges for the Company

## Recent changes in the business environment

### Change in consumer behavior during the pandemic and a recovery in personal consumption after the end of the COVID-19 pandemic

- Sharp decline in inbound demand
- Advance of a non-face-to-face and non-contact society through fewer opportunities for outings

### Acceleration of the digital shift

- Growth in the EC market and digital services market
- Progress in cashless payment

### Intensifying competition in the all-in-one cosmetics market

- Competition intensified by new entries and expansion of the market.
- Rise in demand for all-in-one in new lifestyles

### Further enhancement of health consciousness

- Raising awareness of health management and self-defense (looking after oneself)
- Growth of health foods and supplement markets in China

### Higher awareness of a sustainable society

- Higher awareness of social issues, such as the global environment, represented by SDGs and ESG and acceleration of the initiatives

## Challenges for the Company

### Strengthening of business growth potential

- Strengthening of the growth potential of existing businesses
- Expansion and reinforcement of the portfolio by creating new businesses

### Response to the new normal

- Response to new lifestyles and habits
- Building of a business foundation responsive to a digitalized society

### Expansion of offered value by leveraging the strengths of a health & beauty company

- Maximization of offered value by taking advantage of the strength to provide both healthcare and beauty care

### Efforts for Sustainability

- Identification of key issues that should be prioritized and promotion of efforts to address social issues through business activities

### Strengthening of management foundation

- Improvement of cost efficiency and strengthening of a business administration system
- Strengthening of a management structure through creation of business and M&A

## **II. Recognition of Business Environment**

# Projected Changes in the Business Environment

## **Population dynamics (Worldwide／Domestic)**

- ▷ Considerable increase in the world population, centered on Asia
- ▷ As for social classes, expansion of the presence of the middle class
- ▷ Progress of an aging society in developed countries
- ▷ Further advance of Japan's super-aging society

## **Economy／Business**

- ▷ Resumption of economic activities after the end of the COVID-19 pandemic
- ▷ Expansion of personal consumption
- ▷ Acceleration of DX and utilization of AI and robotics
- ▷ Expectations for corporations to solve social issues

## **Individuals／Society**

- ▷ Establishment of positive attitude toward non-face-to-face, non-contact activities, and avoidance of mass gatherings and transformation of lifestyles
- ▷ The era of diversity in which "being yourself" is considered important
- ▷ Increased awareness of personal health management, pre-symptomatic state and prevention of illness
- ▷ Growing interest in environmental issues, such as climate change and global warming

# Social Issues That the Company Should Address and Growth Opportunities

## Social issues

### **Keeping skin in healthy condition**

Skin problems spreading widely due the need to wear a mask all times and the need for UV care

### **Improvement of QOL\* in a super-aging society**

Extension of healthy life expectancy, anti-aging, and contact and communication with society

### **Self-reliant health management**

Increasing awareness of health management and self-protection (looking after oneself), based on experiences during the pandemic

### **Promotion of active participation by women**

Improvement in women's health issues and health literacy

### **Good health through eating**

Dietary habits for a pre-symptomatic state and prevention of illness and health promotion through home cooking and precooked meals

### **Sustainability**

Efforts for environmental issues, such as global warming, and a recycling-oriented society

## Growth opportunities for the Company

### **Beauty care market**

- **Highly functional skincare**
- **Skincare suitable for the skin problems of different generations**
- **Hair care and inner beauty**

### **Self-healthcare market**

- **Foods with functional claims**
- **Wellness food/functional oil**

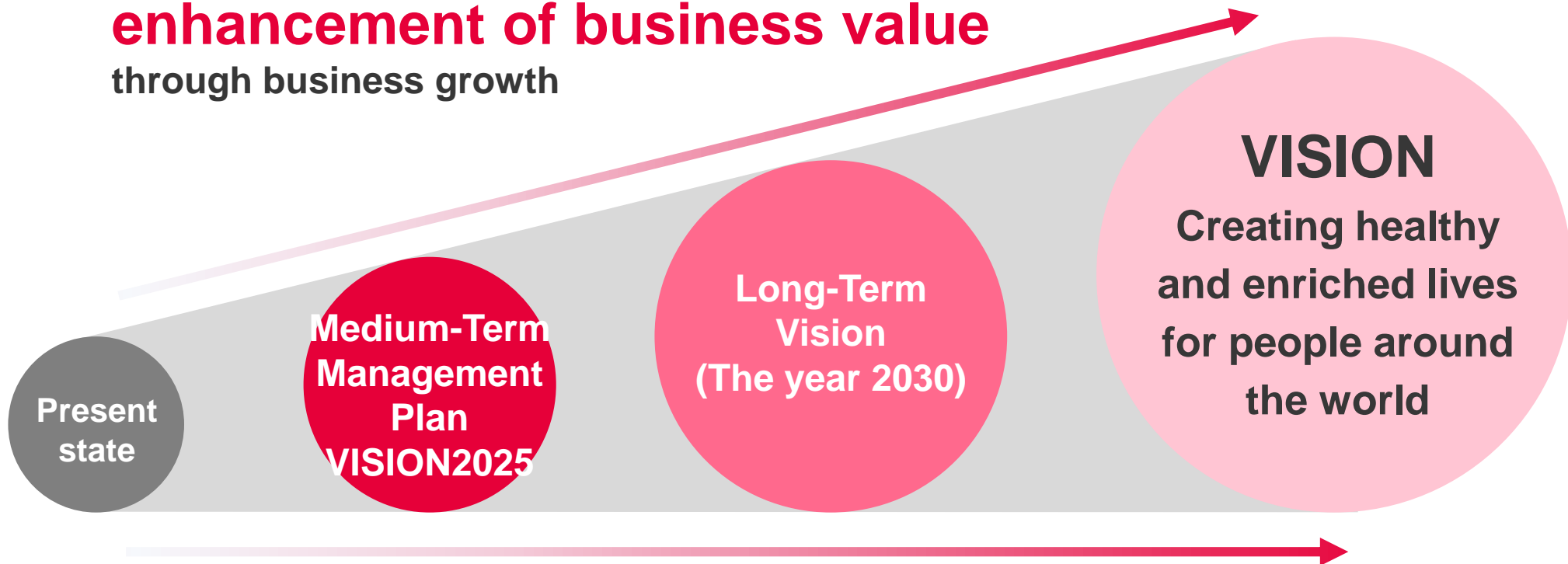
### **Femcare market and Femtec market**

### **Enhancement of corporate value through actively contributing to sustainability**

## III. Long-Term Vision

# Story of Value Creation

Creation of new value in beauty and health and  
**enhancement of business value**  
through business growth



**Enhancement of social value** by solving social  
issues through business activities  
(Efforts for six materialities)

# Long-Term Vision (The year 2030)

## What Shinnihonseiyaku aims to realize (VISION)

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**Creating healthy and enriched lives for people around the world**

## Goals that we intend to reach by 2030

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**Provision of Health & Beauty-care services that support the daily lives of customers and make five million people per year smile happily every day**

## Business Direction for 2030

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**Health & Beauty-care business that advances database marketing, thereby creating simple and smart lifestyles**

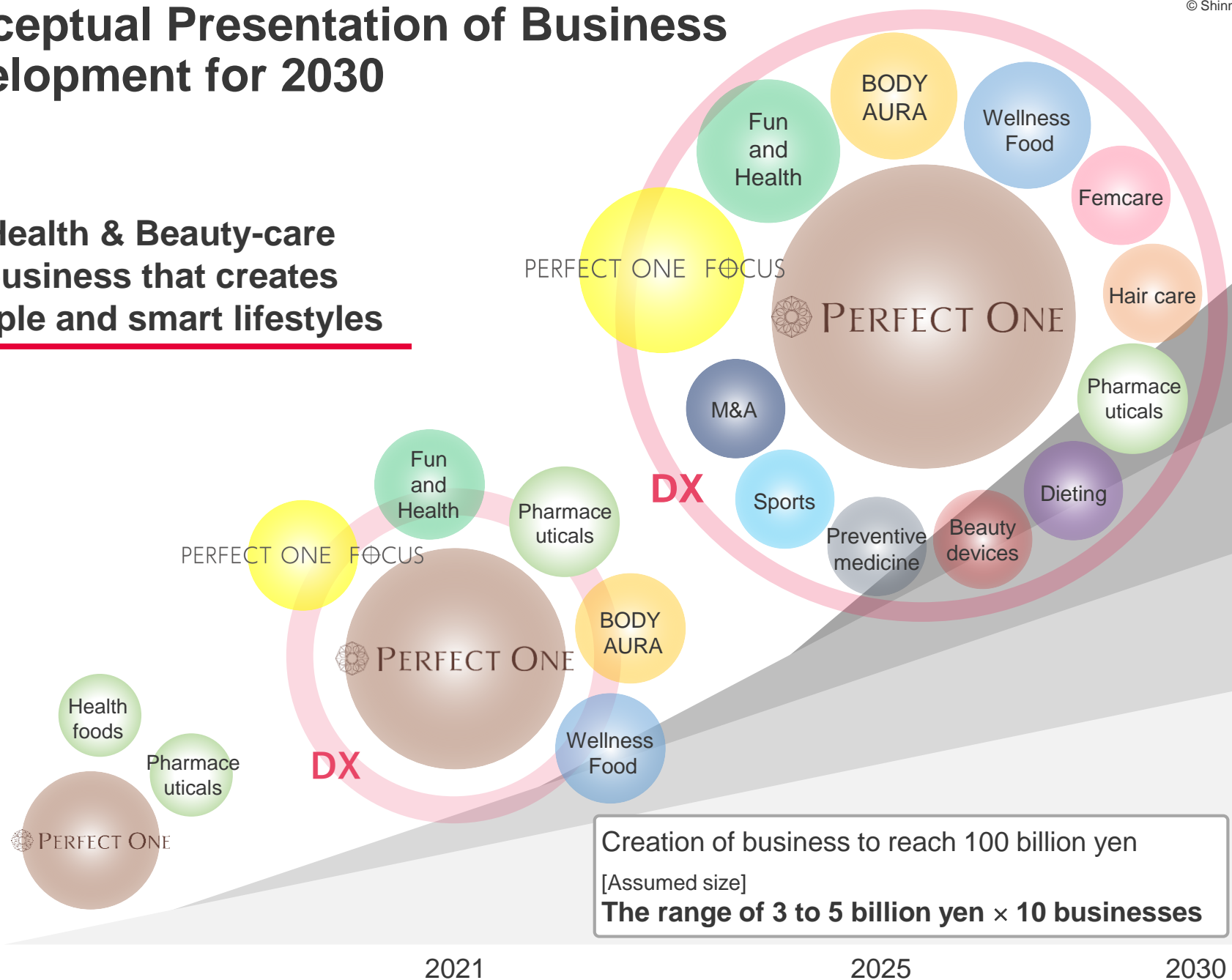
## Quantitative goals (assumptions for 2030)

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**Net sales 100 billion yen  
Ordinary profit rate 15%**

# Conceptual Presentation of Business Development for 2030

**Health & Beauty-care business that creates simple and smart lifestyles**



## **IV. Medium-Term Management Plan "VISION2025"** **(From FY ending September 2022 to FY ending September 2025)**

# Positioning of VISION2025 and Management Policy

## Positioning of VISION2025

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To be a leading Health & Beauty company,

- ▷ Engage in advance **key issues** and **strengthen the management structure** in the above fiscal years **as a period to solidify the foundation** for growth toward bringing the long-term vision into being
- ▷ **Prioritize investments for growth** in brands to be developed and development of new business, and **attach importance to business development and top-line growth that will be the mainstay of future earnings**

## Management policy

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Incorporate the goals of **developing Perfect One into a global brand** and fostering Healthcare Business into the **next mainstay** in the basic policy and **further evolve** database marketing

# Key Issues in VISION2025

## Expand business

- 1 Strengthening of database marketing**  
Expand investments in digital marketing  
Establish an offline and online hybrid model
- 2 Acceleration of overseas expansion**  
Strengthen marketing investment in the Chinese market  
Push forward with efforts for full-scale expansion into the U.S. market
- 3 Development and fostering of Healthcare Business**  
Establish and grow Healthcare Business through greater investment and capturing customers through strengthening of cross-selling
- 4 Development of new products and services**  
Accelerate investments for the development of new products and services needed in the daily lives of customers (24 hours a day, 365 days a year)

## Strengthening of the foundation

- 5 Cost structure reform**  
Improve operating expense efficiency and reinforce a business administration system
- 6 Human resource development**  
Develop human resources for business management, make optimal allocation, and secure diverse human resources
- 7 Strengthening of the structure to perform M&A**  
Strengthen M&A/alliances and establish a group management system

# Medium-Term Management Targets

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

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

### <Key management indicators>

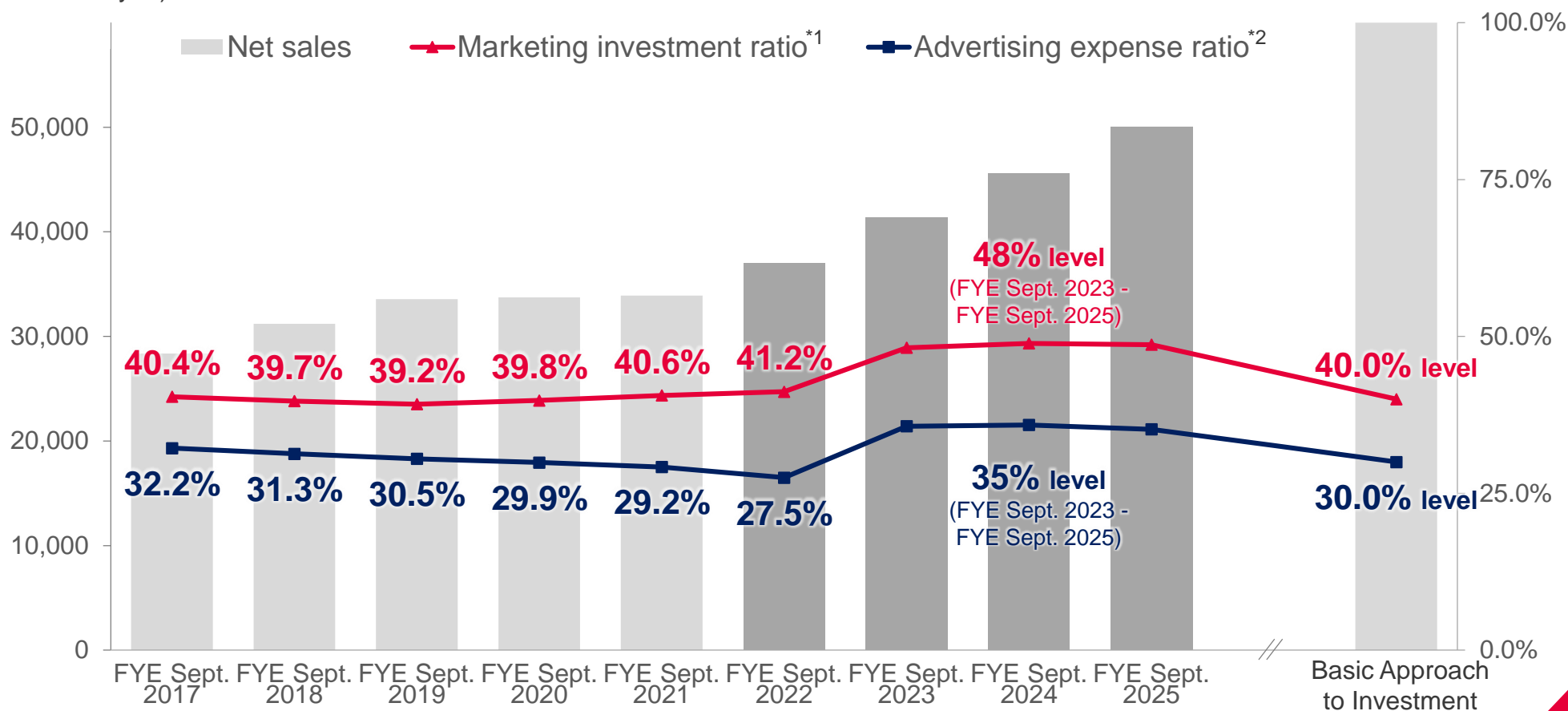
	[FY ended Sept. 2021]		[FY ending Sept. 2025]
1 Healthcare net sales	2.3 billion yen	▷	10 billion yen level
2 Overseas net sales	0.9 billion yen	▷	5 billion yen level
3 Overseas and domestic EC net sales* <sup>1</sup>	4.1 billion yen	▷	10 billion yen level
4 Net sales of brands to be developed* <sup>2</sup>	2.4 billion yen	▷	12 billion yen level

**Aim to develop operations into a business size where it is used by**  
**2.5 million people a year in 2025**

# Approach to Investments for Medium-Term Growth

In addition to ordinary marketing investment (advertising expenses + sales promotion expenses), we will make **aggressive investments** for growth in **brands to be developed and new businesses**, thereby strongly pushing forward with business development

(Unit: Million yen)



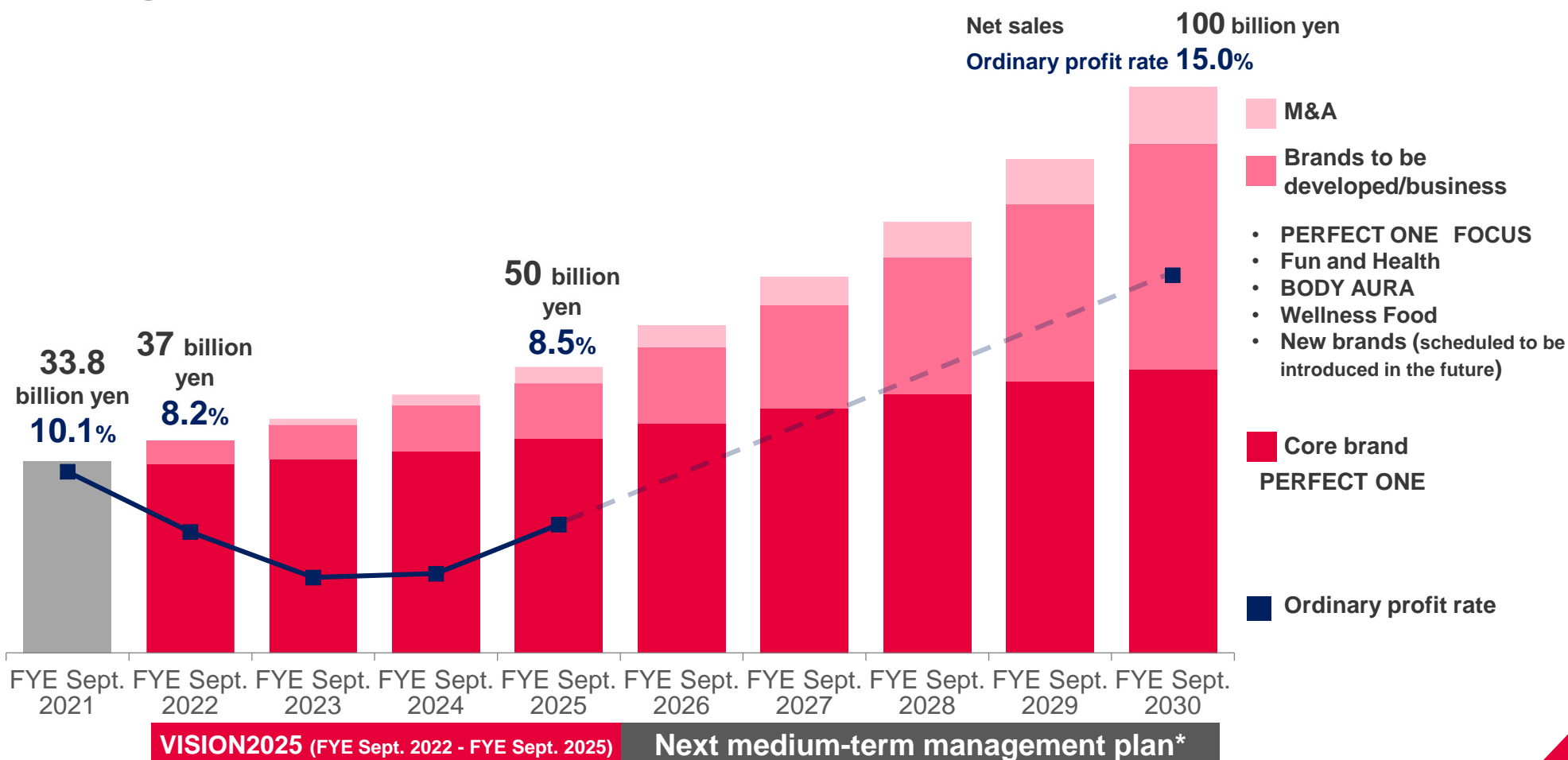
\*1: Percentages of advertising expenses and sales promotion expense in net sales

\*2: Percentage of advertising expenses in net sales

**VISION2025** (FYE Sept. 2022 - FYE Sept. 2025)

# Conceptual Graph of Medium- to Long-Term Growth

In VISION2025, we will make advance investment, **give priority to boosting the growth potential** toward net sales of 100 billion yen, and continue cost structure reform in an effort to **build the foundation for improving earnings power in the next medium-term management plan**.



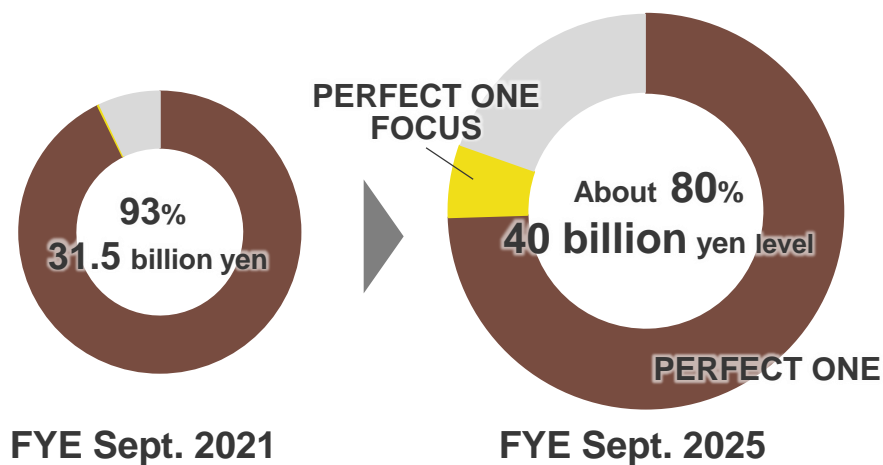
\*Net sales plan and composition from FYE Sept. 2026 to FYE Sept. 2030 are examples to give a sense of them

# Business Portfolio

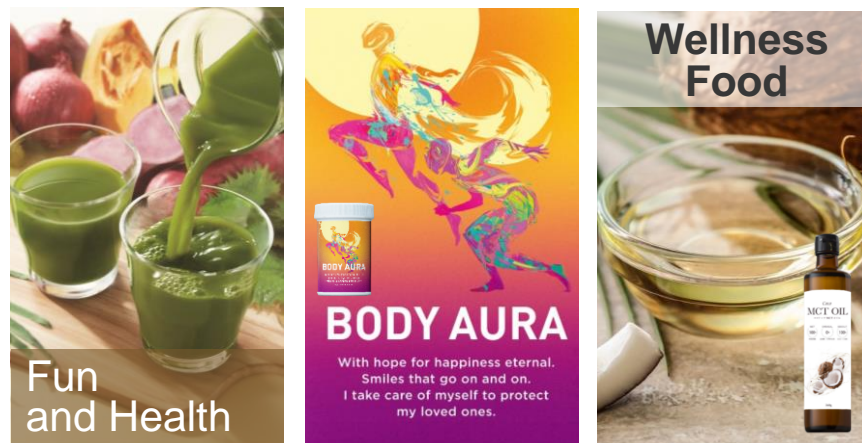
## Beauty-care



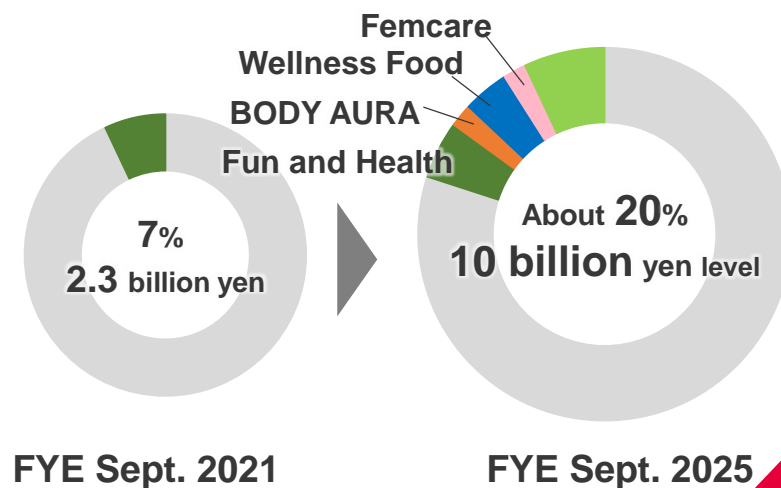
Medium-term net sales structure (assumptions)



## Health-care

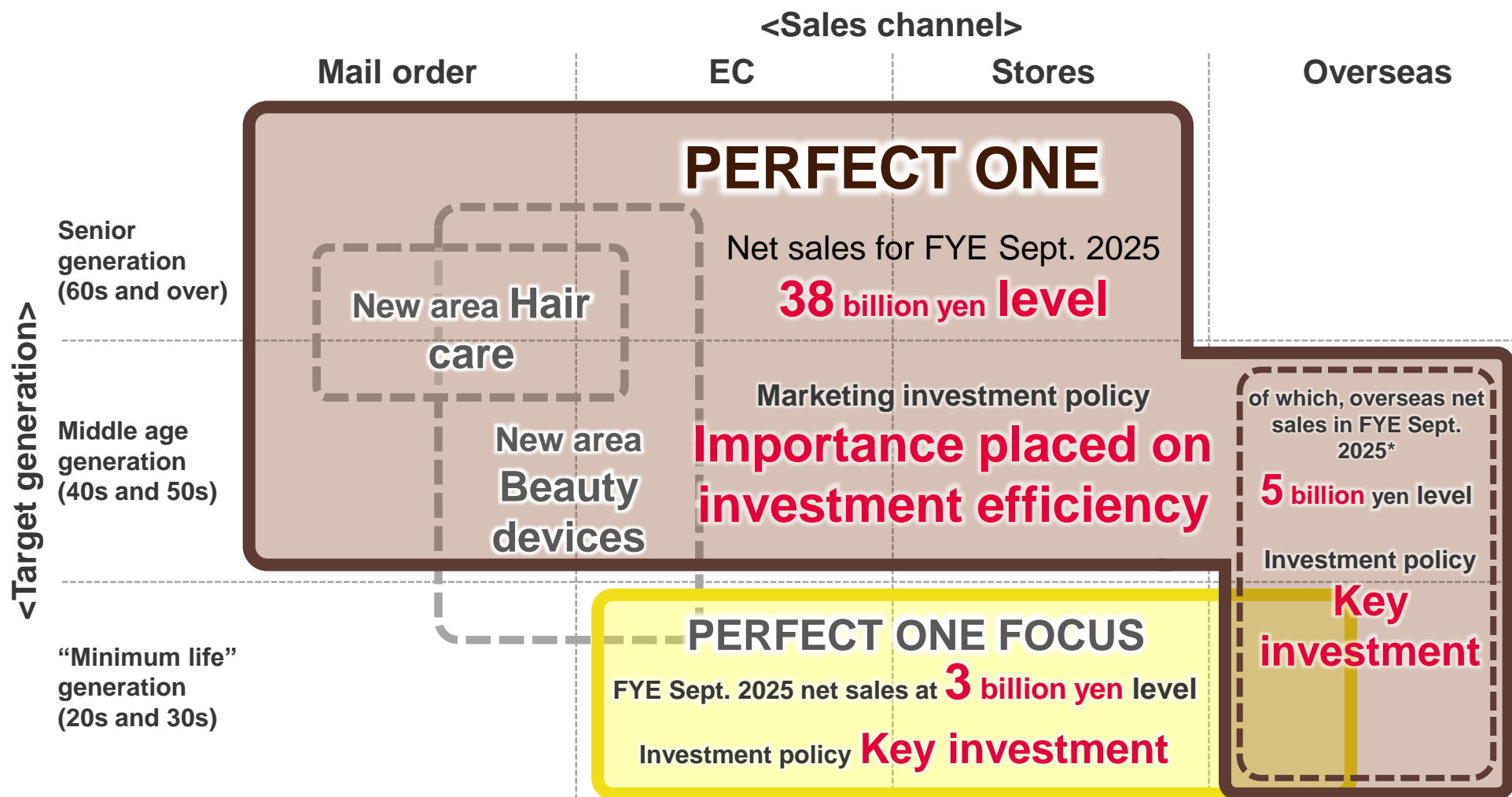


Medium-term net sales structure (assumptions)



# Cosmetics - Business Portfolio

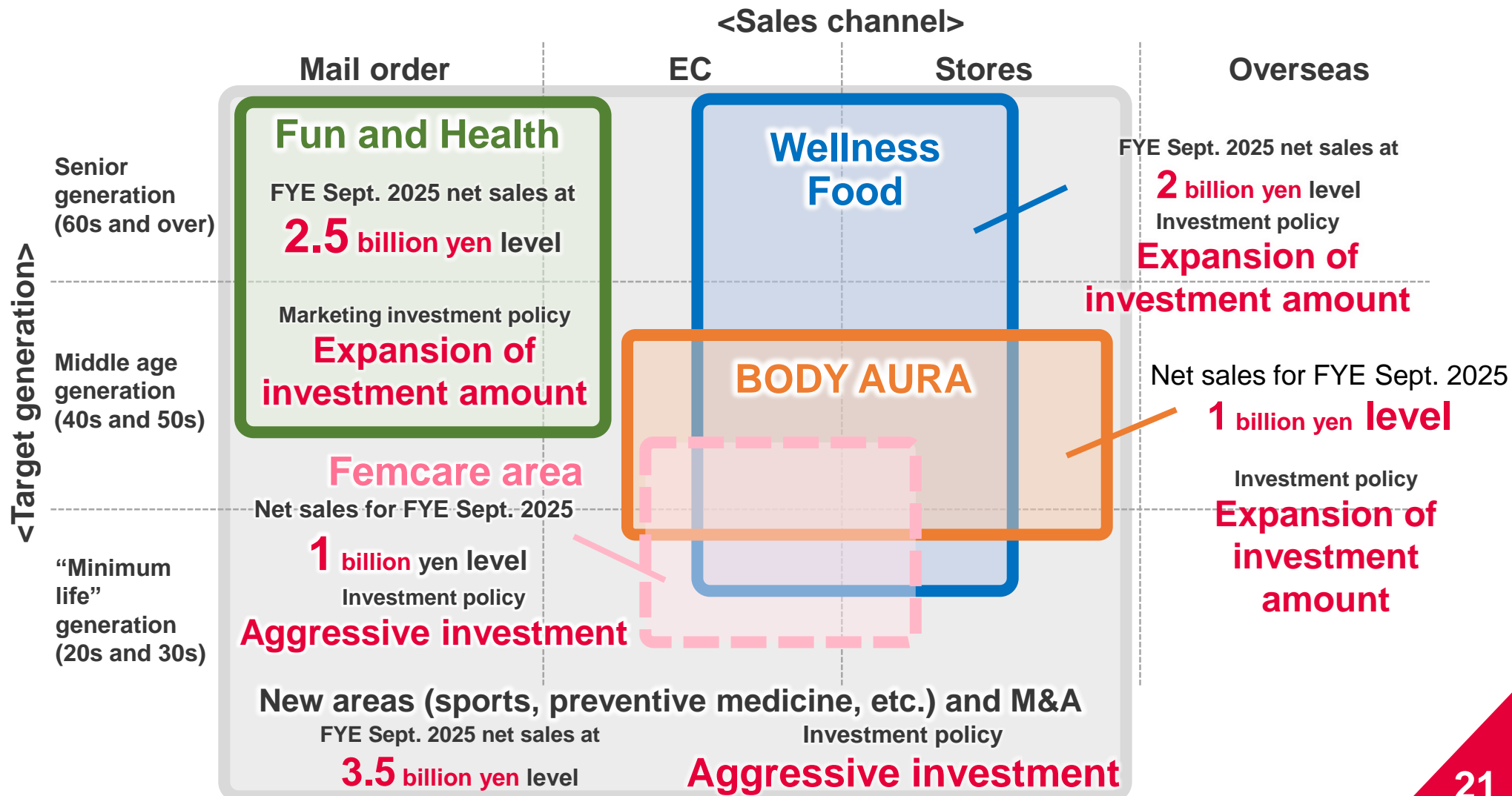
Cosmetics net sales target: **40 billion yen** level  
(FY ending Sept. 2025)



\*: Included in the net sales of PERFECT ONE for FYE Sept. 2025, which also include net sales of PERFECT ONE FOCUS

# Healthcare - Business Portfolio

Healthcare net sales target: **10 billion yen** level  
(FY ending Sept. 2025)



# Business Policy of VISION2025

## **Policy 1** **PERFECT ONE**

**Retain the No.1 market share in the all-in-one market and further expand the market share through advertising investment attaching importance to having optimized and efficient investment allocation**

## **Policy 2** **Brands to be developed**

**Develop new targets through active investments in product development and business development (including M&A) and nurture mainstays for next growth**

## **Policy 3** **Key channels**

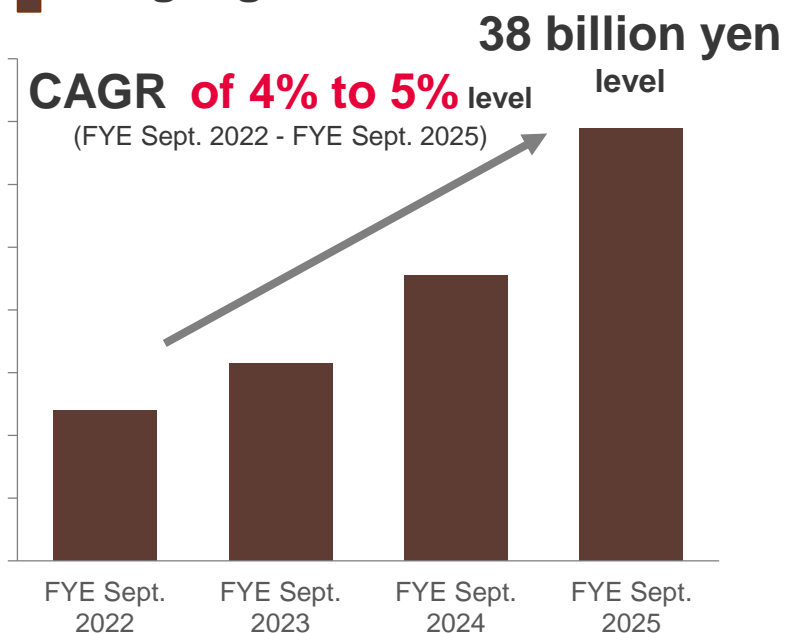
**Strengthen injection of management resources by setting EC, distribution (wholesale), and overseas as key channels that should be developed**

# PERFECT ONE

## Retain No. 1 domestic sales in the all-in-one skincare market\*

- Policy**
- Invest in all-in-one gel with importance placed on efficiency
  - Expand the scale of investment in new products, such as cushion foundation
  - Maximize LTV by increasing up-selling and cross-selling

### Target growth rate



\*: Assuming that we acquired the No.1 share on the basis of actual results 2021 to 2024 in “Cosmetics Marketing Handbook” by Fuji Keizai

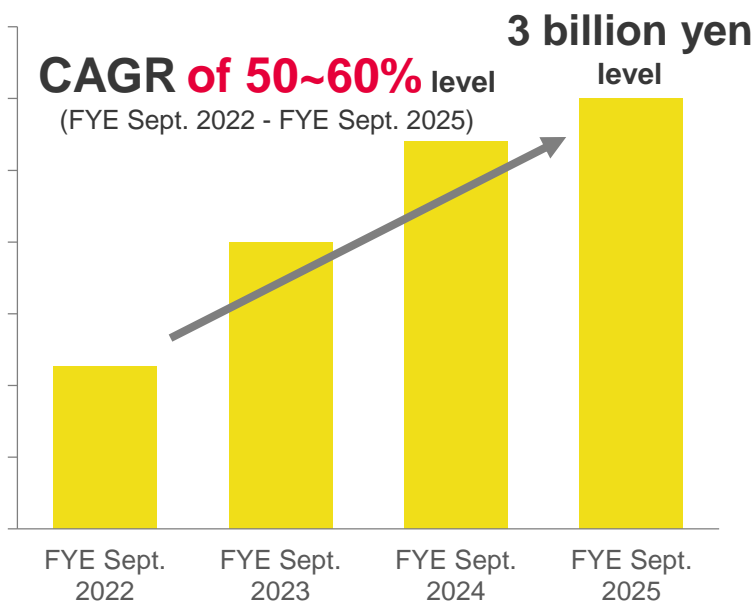
# PERFECT ONE FOCUS

## Policy

**Develop this into a second mainstay in Cosmetics through key investment**

- Strengthen digital marketing investment to explore customers in their 20s and 30s
- Expand the number of stores, mainly drugstores, which sell the product
- Expand and reinforce product lineups (the launch of new series and new products)

## Target growth rate



# Healthcare

## Fun and Health



Target  
growth  
rate

**CAGR of 10-15%** level  
(FYE Sept. 2022 - FYE Sept. 2025)

- Develop new products and expand advertising investment
- Strengthen cross-selling by database marketing
- Develop new products, such as foods with functional claims

## BODY AURA



Target  
growth  
rate

**CAGR of 70-80%** level  
(FYE Sept. 2022 - FYE Sept. 2025)

- Expand and reinforce the lineups and deploy them in new markets (BOOSTER drink & ENERGY tablet)
- Expand distribution channels centered on drugstores

# Wellness Food／New Business／M&A／Alliance

## Wellness Food



- Create a new lifestyle in the food area by deploying carefully selected ingredients from all over the world
- Expand EC business through database marketing that utilizes the Group's strengths

## New Business／M&A／Alliance



- Launch a new business in the femcare area targeting women's health issues
- Create new businesses through alliance with startups and venture companies
- M&A investments at a maximum of the 30 billion yen scale

# Channel Strategy (mail order and EC)

## Mail order



**Policy** Increase sales and profits by stepping up the acquisition of new customers and maximizing LTV

- Strengthen the capturing of the senior generation through new products
- Enhance up-selling and cross-selling by leveraging the power to make proposals at call centers

## EC



**Policy** Accelerate investments in digital and DX, centered on brands to be developed

- Strengthening the acquisition of young consumers by expanding digital marketing investments
- Step up investments in EC systems and DX

# Channel Strategy (stores and overseas)

## Stores



**Policy** Expand offline touch points centered on brands to be developed

- Expand the number of stores centered on drugstores
- Establish a new sales model via online × offline
- Develop new health and beauty business formats

## Overseas



**Policy** Develop the brand into a global one in simple skin care that originated in Japan

- Increase the market share in the Chinese skincare market and enter the Chinese healthcare market
- Expand into the U.S. on a full scale and increase investments therein
- Develop brands in the ASEAN market

# Financial Strategy

Aggressive growth investments will be made while optimizing financial leverage from the perspective of capital efficiency. In an implementation financial KPI, the debt-to-equity ratio is set at 1.0 as the ceiling\*<sup>1</sup>, by paying attention to the soundness of the financial foundation

Major investment areas		Investment scale	
		Investment amount (total for four years)	Compared with FYE Sept. 2021* <sup>2</sup>
1	<b>Marketing investment to expand customer database</b> (Advertising expenses)	<ul style="list-style-type: none"> <li>Invest in PERFECT ONE Brand with <b>importance attached to customer acquisition efficiency</b></li> <li><b>Expand investment in key channels (EC and overseas)</b></li> </ul>	<b>38 billion yen scale</b> <b>+7%</b>
2	<b>Marketing investment to revitalize database and elevate LTV</b> (Sales promotion expense)	<ul style="list-style-type: none"> <li><b>Strengthen up-selling</b> to high-priced products</li> <li>Raise unit prices by <b>stepping up cross-selling</b></li> <li><b>Expand investment in key channels (distribution)</b></li> </ul>	<b>16 billion yen scale</b> <b>+9%</b>
3	<b>Investments in brand development, business development, R&amp;D and new product development</b> (Including advertising expenses and sales promotion expense)	<ul style="list-style-type: none"> <li>Invest in <b>brands to be developed and new products</b> for business expansion</li> <li>Invest for <b>development of new products and new business</b></li> <li><b>Invest in R&amp;D for development</b> of new effects</li> </ul>	<b>24 billion yen scale</b> <b>+400%</b>
4	<b>Investment in systems for reinforcing the business foundation</b>	<ul style="list-style-type: none"> <li><b>DX investment</b> for business expansion</li> <li>Investment for <b>improving operational efficiency and reinforcing security</b></li> </ul>	<b>2 billion yen scale</b> <b>+30%</b>
5	<b>M&amp;A Investment for business growth</b>	<ul style="list-style-type: none"> <li>Investment <b>for acquiring products and brands</b></li> <li>Investment for <b>acquiring new customer bases</b></li> </ul>	<b>6 billion yen scale</b> <b>(A maximum of the 30 billion yen scale)</b> <b>+440%*<sup>3</sup></b>

\*1: Debt Equity Ratio (a financial ratio that compares a company's total liability with its shareholder equity) \*2: Comparison between the annual average investment amount over the next four years with the actual investments for FY ended Sept. 2021 \*3: Comparison with the maximum value

# Shareholder Return Policy

## Approach to shareholder returns under the Medium-Term Management Plan “VISION2025”

Prioritize aggressive growth investments for business growth and strive to return profits to shareholders **by expanding business performance and enhancing corporate value**



## **V. Efforts for Sustainability**

# Sustainable declaration

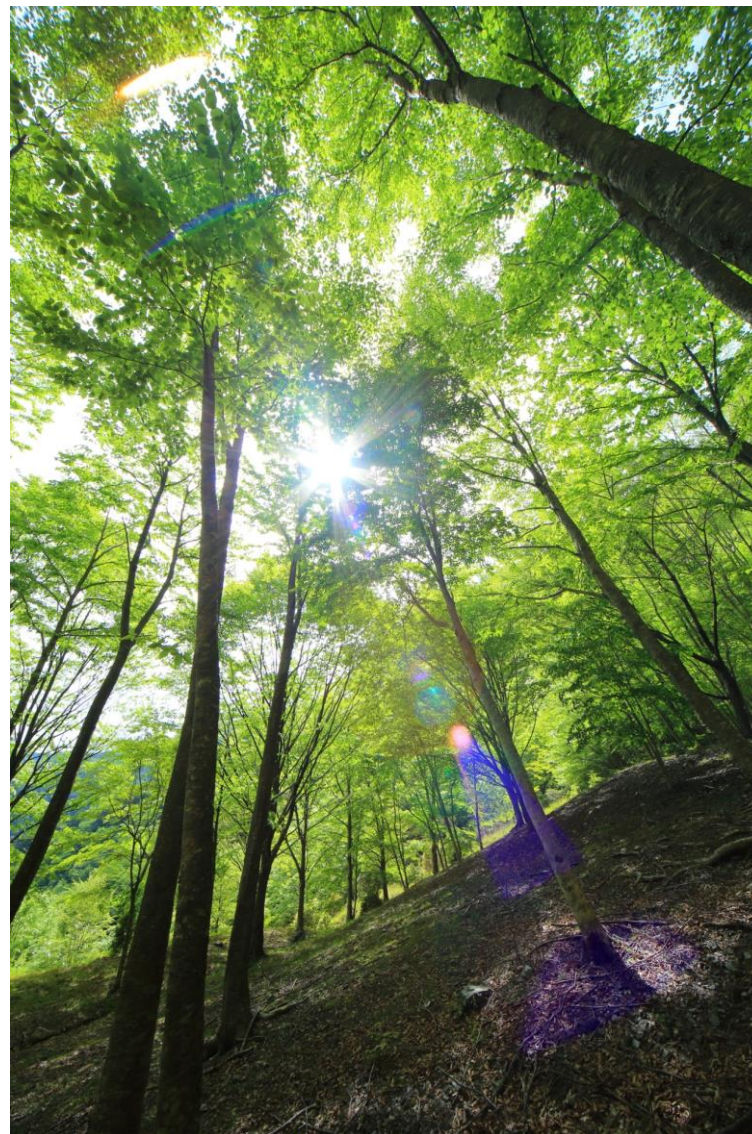
Shinnihonseiyaku “Sustainable Declaration”

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## Limitless Future















Shinnihonseiyaku aims to solve issues surrounding the earth's environment and society in the business area of "One to One health & beauty-care."

We will contribute to the realization of a sustainable society together with our stakeholders under our vision of “Creating healthy and enriched lives for people around the world.”



# Materiality

Identify six priority issues as materialities and promote medium- to long-term initiatives

Social issues	Materiality	Related SDGs
<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Reduction of waste</li> <li>Resource-saving</li> </ul>	Response to environmental issues	      
<ul style="list-style-type: none"> <li>Development of products centered on improving customer satisfaction</li> <li>Provision of safe and secure services</li> <li>Improvement of customer engagement</li> <li>Overall supply chain management (The Company, OEM partners, and subcontractors)</li> <li>Responsible procurement (palm oil, etc.)</li> <li>Promotion of active participation by women</li> </ul>	<p>Provision of products and services to enhance customer satisfaction</p> <p>Responsible supply chain management</p> <p>Promotion of active participation by women</p>	     
<ul style="list-style-type: none"> <li>Risk management</li> <li>Strengthening of the effort for compliance</li> <li>Protection of personal information</li> <li>Ensuring of information security</li> </ul>	<p>Stepping up efforts for compliance and risk management</p> <p>Protection of personal information</p>	

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## **<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>**

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

**We will reply to you as soon as we can.**

**<https://corporate.shinnihonseiyaku.co.jp/contact/>**



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