



Consolidated Financial Results
for the Six Months Ended March 31, 2022
[Japanese GAAP]

May 9, 2022

Company name: Shinnihonseiyaku Co., Ltd. Stock exchange listing: Tokyo Stock Exchange
Code number: 4931 URL: <https://corporate.shinnihonseiyaku.co.jp>
Representative: Takahiro Goto, President & Representative Director of the Board and Chief Executive Officer
Contact: Tetsuya Ono, Corporate Officer, General Manager of Corporate Administration
Div. and Finance & Accounting Dept. (TEL) +81-92-720-5800

Scheduled date of filing the quarterly securities report: May 12, 2022

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts)

(Amounts less than 1 million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended March 31, 2022 (October 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results (Cumulative)

(% indicates the change from the corresponding period of the previous fiscal year.)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended March 31, 2022	18,001	—	1,675	—	1,694	—	1,137	—
Six months ended March 31, 2021	—	—	—	—	—	—	—	—

(Note) Comprehensive income Six months ended March 31, 2022 1,134 million yen (-%)
Six months ended March 31, 2021 - million yen (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended March 31, 2022	53.06	52.66
Six months ended March 31, 2021	—	—

(Note) As the Company began preparing quarterly consolidated financial statements in the third quarter of the fiscal year ended September 2021, the figures for the second quarter of the fiscal year ended September 2021 and the rate of change from the same quarter of the previous year are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2022	22,796	16,661	72.4
As of September 30, 2021	23,197	16,174	68.9

(Reference) Equity As of March 31, 2022 16,502 million yen
As of September 30, 2021 15,990 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2021	—	0.00	—	32.50	32.50
Fiscal year ending September 30, 2022	—	0.00			
Fiscal year ending September 30, 2022 (Forecast)			—	30.00	30.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2022 (October 1, 2021 to September 30, 2022)

(% indicates changes from the previous fiscal year.)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	37,000	—	3,095	—	3,020	—	2,067	—	96.60

- (Notes) 1. Revision from the most recently announced financial results forecast: No
2. As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and other standards have been applied since the beginning of the fiscal year ending September 30, 2022, the financial result forecast reflects figures based on the above standards. Accordingly, percentage changes presenting the year-on-year increase (decrease) from financial results prior to the application of the standards are not presented.

* Notes

- (1) Significant changes to subsidiaries during the first six months of the fiscal year under review (transfers of specific subsidiaries with changes in the scope of consolidation) No
- New company ___ company(ies) (company name)
- Excluded company ___ company(ies) (company name)
- (2) Accounting policies adopted specially for the preparation of the consolidated quarterly financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(3) Total number of shares issued (common stock)

1) Total number of shares issued at the end of the period (including treasury shares)	As of March 31, 2022	21,855,200 shares	As of September 30, 2021	21,855,200 shares
2) Total number of treasury shares at the end of the period	As of March 31, 2022	398,715 shares	As of September 30, 2021	451,385 shares
3) Average number of shares during the period (cumulative)	Six months ended March 31, 2022	21,433,096 shares	Six months ended March 31, 2021	21,565,687 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or auditing firms.

* Explanation on the proper use of financial results forecast and other notes

Financial results forecasts and other forward-looking statements herein are based on currently available information and certain assumptions that the Company deems reasonable, and actual results, etc. may differ significantly from these forecasts due to various factors.

(How to obtain the Supplementary Briefing Material and the contents of the financial results briefing)

The Shinnihonseiyaku Group plans to stream online the financial results briefing for institutional investors and analysts on Monday, May 9, 2022. The supplementary briefing material used in this briefing is disclosed today on TDnet and is posted on the Company's website.

Table of Contents

1. Qualitative Information for Quarterly Financial Results for the Period Under Review	2
(1) Explanation on Business Results	2
(2) Explanation on Financial Position	2
(3) Explanation on Consolidated Financial Results Forecast and Other Forward-Looking Information	2
2. Quarterly Consolidated Financial Statements and Primary Notes	3
(1) Quarterly Consolidated Balance Sheet	3
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	5
(3) Notes to the Quarterly Consolidated Financial Statements.....	7
(Notes on going concern assumption).....	7
(Notes when there was a substantial change in the amount of shareholders' equity)	7
(Changes in accounting policies)	7
(Segment information, etc.)	8

1. Qualitative Information for Quarterly Financial Results for the Period Under Review

(1) Explanation on Business Results

During the second quarter under review, the Japanese economy saw a global resurgence of infections by the Omicron variant of COVID-19. Further, the outlook remained uncertain mainly due to changes to the international situation and surging prices of crude oil and raw materials.

In the cosmetics and other industries as well, where the Company has expanded business, there are concerns about the impacts of surges in crude oil and raw material prices. However, the performance of the Group has not been affected yet.

In this market environment, the Group worked to promote key challenges in accordance with “VISION2025,” the four-year medium-term management plan starting from the fiscal year under review.

Mail order drove net sales due to the successful acquisition of new customers by “PERFECT ONE Glow & Cover Cushion Foundation” as a result of aggressive advertising that has continued from the first quarter. In addition, the number of customers who bought multiple products on a regular basis rose as a result of strengthening product proposals and sales promotion by communicators in the call center, which led to an increase in spending per customer. In EC sales, sales at external malls stayed firm due to stepping up sales promotional measures through campaigns and social media.

In direct store sales and wholesales, the number of customers remained low under a quasi-state of emergency in the wake of the spread of infections by the Omicron variant. On the other hand, the Group was able to see a steady increase in the number of stores that handled brands to be developed, such as “PERFECT ONE FOCUS,” a skincare brand for young people and “BODY AURA,” a healthcare brand for people in their 30s to 40s.

In overseas sales, as we engaged in business activities while closely monitoring the status of economic activities in each region, sales of “PERFECT ONE FOCUS” started in China through cross-border EC, expanding and reinforcing the lineup of products handled.

As a result of the foregoing, for the first six months of the fiscal year under review, net sales were 18,001 million yen, operating profit was 1,675 million yen, ordinary profit was 1,694 million yen, and profit attributable to owners of parent was 1,137 million yen.

The Group’s business segments consist of Mail Order, Direct Store Sales/Wholesale, and Overseas Sales of cosmetics and merchandise related to healthcare. As the ratio of Direct Sales/Wholesale and Overseas Sales to overall sales is insignificant, and their materiality as disclosed information is low, a description by business segment has been omitted.

(2) Explanation on Financial Position

Total assets as of the end of the second quarter under review were 22,796 million yen, a decrease of 400 million yen from the end of the previous fiscal year. This was mainly due to a fall of 614 million yen in cash and deposits and a drop of 407 million yen in accounts receivable – trade despite an increase of 489 million yen in merchandise and an increase of 139 million yen in Other of intangible assets in non-current assets (software in progress, etc.).

Liabilities totaled 6,135 million yen, a decrease of 887 million yen from the end of the previous fiscal year. This was mainly due to a fall of 259 million yen in accounts payable – other, a decrease of 213 million yen in income taxes payable and a drop of 199 million yen in long-term borrowings.

Net assets totaled 16,661 million yen, an increase of 487 million yen from the end of the previous fiscal year. This was mainly due to an increase of 441 million yen in retained earnings.

(3) Explanation on Consolidated Financial Results Forecast and Other Forward-Looking Information

The forecast for the fiscal year ending September 2022 has not changed from the forecast announced in “Non-Consolidated Financial Results for the Fiscal Year Ended September 30, 2021” dated November 12, 2021.

Financial results and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable at the date of publication of this document. Actual results, etc. may differ significantly from these forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Million yen)

	Previous consolidated fiscal year (As of September 30, 2021)	Second quarter of the current fiscal year (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	13,652	13,037
Accounts receivable - trade	3,196	2,788
Merchandise	1,264	1,753
Other	483	578
Allowance for doubtful accounts	(67)	(61)
Total current assets	18,528	18,096
Non-current assets		
Property, plant and equipment	2,157	2,111
Intangible assets		
Goodwill	1,107	1,050
Other	327	466
Total intangible assets	1,435	1,517
Investments and other assets	1,075	1,070
Total non-current assets	4,669	4,700
Total assets	23,197	22,796

(Unit: Million yen)

	Previous consolidated fiscal year (As of September 30, 2021)	Second quarter of the current fiscal year (As of March 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	527	531
Current portion of long-term borrowings	398	398
Accounts payable - other	2,108	1,849
Income taxes payable	739	525
Provision for bonuses	242	172
Provision for points card certificates	303	—
Provision for sales returns	37	—
Other	354	536
Total current liabilities	4,712	4,014
Non-current liabilities		
Long-term borrowings	1,839	1,640
Retirement benefit liability	171	178
Other	299	301
Total non-current liabilities	2,311	2,121
Total liabilities	7,023	6,135
Net assets		
Shareholders' equity		
Share capital	4,158	4,158
Capital surplus	4,150	4,125
Retained earnings	8,532	8,974
Treasury shares	(852)	(752)
Total shareholders' equity	15,990	16,506
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(0)	(3)
Total accumulated other comprehensive income	(0)	(3)
Share acquisition rights	184	158
Total net assets	16,174	16,661
Total liabilities and net assets	23,197	22,796

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
Quarterly Consolidated Statement of Income
First six months of the fiscal year

	(Unit: Million yen)
	First six months of the current fiscal year (From October 1, 2021 to March 31, 2022)
Net sales	18,001
Cost of sales	3,222
Gross profit	14,778
Selling, general and administrative expenses	13,102
Operating profit	1,675
Non-operating income	
Dividend income	0
Rental income	5
Gain on sale of non-current assets	11
Other	6
Total non-operating income	24
Non-operating expenses	
Interest expenses	2
Foreign exchange losses	1
Loss on valuation of investment securities	1
Other	0
Total non-operating expenses	5
Ordinary profit	1,694
Extraordinary income	
Gain on reversal of share acquisition rights	0
Total extraordinary income	0
Extraordinary losses	
Provision of allowance for investment loss	12
Total extraordinary losses	12
Profit before income taxes	1,682
Income taxes - current	469
Income taxes - deferred	75
Total income taxes	544
Profit	1,137
Profit attributable to owners of parent	1,137

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

	(Unit: Million yen)
	First six months of the current fiscal year (From October 1, 2021 to March 31, 2022)
Profit	1,137
Other comprehensive income	
Remeasurements of defined benefit plans	(3)
Total other comprehensive income	(3)
Comprehensive income	1,134
(Breakdown)	
Comprehensive income attributable to owners of parent	1,134

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes when there was a substantial change in the amount of shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition)

The Company has been applying the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 released on March 31, 2021, hereinafter referred to as "Revenue Recognition Accounting Standard") from the beginning of the first quarter of the fiscal year under review. Revenue is recognized on the basis of the amount expected to be received from a customer in exchange for the promised goods or services at the time when control of the goods or services is transferred to the customer.

In the case of domestic sales where the time period between shipment of the goods and the transfer of control of the goods to the customer is a normal period, revenue is recognized at the time of shipment by means of applying the alternative treatment set forth in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition."

The main changes resulting from the application of the Revenue Recognition Accounting Standard are as follows.

- Revenue Recognition Related to the Company's Points System

Points granted to customers at the time of the sale of products were previously recorded as provision for points card certificates in the amount equivalent to the points expected to be used in the future in order to prepare for sales discounts resulting from the use of the points granted. However, the points granted are now recognized as obligations to customers and recorded as contractual liabilities.

- Revenue Recognition for Delivery Services in Mail Order

Delivery charges received from customers were previously deducted from selling, general and administrative expenses, but the charges are now recognized as revenue because delivery services are included in performance obligations in providing products.

With regard to the application of the Revenue Recognition Accounting Standard, the Company is in accordance with the transitional provisions set forth in Paragraph 84 of the standards. The new accounting policy has been applied to the balance at the beginning of the first quarter under review after the cumulative effects of retroactively applying the new accounting policy to the accounting periods prior to the beginning of the first quarter under review were added to or subtracted from retained earnings as of the beginning of the first quarter under review. However, the new accounting policy has not been applied retroactively to contracts for which almost all of the revenue amounts were recognized in accordance with previous treatment by the means set forth in Paragraph 86 of the Revenue Recognition Accounting Standard before the beginning of the first quarter under review.

As a result, the impact on profits and losses for the second quarter under review is minimal. Also, there is no impact on the balance of retained earnings as of the beginning of the fiscal year under review.

As a result of the application of the Revenue Recognition Accounting Standard, "Provision for points card certificates" included in "Current liabilities" in the consolidated balance sheet for the previous fiscal year is now included in "Other" under "Current liabilities" as contractual liabilities starting from the first quarter under review.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made for the previous fiscal year using a new presentation method.

(Application of Accounting Standard for Fair Value Measurement)

The Company has been applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 released on July 4, 2019, hereinafter referred to as "Fair Value Measurement Accounting Standard") from the beginning of the first quarter under review. In accordance with the transitional treatments stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 released on July 4, 2019), the new accounting policies stipulated in the Fair Value Measurement Accounting Standard will continue to be applied in the future. There is no impact on quarterly consolidated financial statements.

(Segment information, etc.)

The Group's business segments consist of Mail Order, Direct Store Sales/Wholesale, and Overseas Sales of cosmetics and merchandise related to healthcare. As the ratio of Direct Store Sales/Wholesale and Overseas Sales to overall sales is insignificant, and their materiality as disclosed information is low, a description by business segment has been omitted.