Consolidated Financial Results
for the Nine Months Ended June 30, 2022
[Japanese GAAP]

August 9, 2022

Company name:	Shinnihonseiyaku Co., Ltd.	Stock exchange listing:	Tokyo Stock Exchange
Code number:	4931	URL:	https://corporate.shinnihonseiyaku.co.jp
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Scheduled date of filing the quarterly securities report:	August 10, 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 Nine Months Ended June 30, 2022 (October 1, 2021 to June 30, 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	%
Nine months ended June 30, 2022	27,121	7.2	2,769	15.4	2,759	14.0	1,862	14.6
Nine months ended June 30, 2021	25,289	—	2,400	—	2,419	—	1,624	—

(Note) Comprehensive income Nine months ended June 30, 2022 1,859 million yen (14.4%)
Nine months ended June 30, 2021 1,624 million yen (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended June 30, 2022	86.86	86.22
Nine months ended June 30, 2021	75.24	74.50

(Note) As the Company began preparing quarterly consolidated financial statements in the third quarter of the fiscal year ended September 2021, the rate of change from the same quarter of the previous year is not presented for the nine months ended June 30, 2021.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	22,960	17,408	75.1
As of September 30, 2021	23,240	16,180	68.8

(Reference) Equity As of June 30, 2022 17,234 million yen
As of September 30, 2021 15,995 million yen

(Note) In the third quarter of the fiscal year ending September 30, 2022, the Company finalized the provisional accounting treatment for a business combination. Accordingly, the figures as of September 30, 2021 are ones in which a significant revision of the initial allocation of the acquisition cost was reflected as a result of finalizing the provisional accounting treatment.

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 nine months of the fiscal year under review (transfers of specific subsidiaries with changes in the scope of consolidation) No

New company __ company(ies) (company name)

Excluded company __ company(ies) (company name)

(2) Accounting policies adopted specially for the preparation of the consolidated quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

1) Total number of shares issued at the end of the period (including treasury shares)	As of June 30, 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 June 30, 2022	398,415 shares	As of September 30, 2021	451,385 shares
3) Average number of shares during the period (cumulative)	Nine months ended June 30, 2022	21,440,203 shares	Nine months ended June 30, 2021	21,596,658 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 Tuesday, August 9, 2022. The supplementary briefing material used in this briefing is disclosed today on TDnet and is posted on the Company's website.

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

(1) Explanation on Business Results

Forward-looking statements herein are based on the Shinnihonseiyaku Group's judgments on the final day of the third quarter under review.

The Company used provisional accounting treatment concerning the business combination with Flatcraft, Inc., which took place on June 30, 2021, in the third quarter of the previous fiscal year. However, since it was finalized during the third quarter under review, the figures after the revision as a result of finalizing provisional accounting are used for comparison with and analysis of the third quarter of the previous fiscal year and the previous fiscal year.

During the first nine months of the fiscal year under review, the Japanese economy showed signs of economic activities returning to normal due to various measures against COVID-19. Overseas, on the other hand, infections resurged, and this caused restrictions on activities and had other effects. Further, the outlook remains uncertain mainly due to changes to the international situation and surging prices of raw materials.

In this market environment, the Group worked on key challenges in accordance with "VISION 2025," the four-year medium-term management plan, setting the fiscal year under review as the first year.

Mail order drove net sales through faster acquisition of new customers as a result of continuing our aggressive advertising for "PERFECT ONE Glow & Cover Cushion Foundation" in cosmetics, which we did in the second quarter of the fiscal year under review. Health Foods saw the acquisition of new customers remain strong, resulting from an increase in the amount of investment in advertisements for food with a functional claim "*W no Kenko Aojiru* (Doubly Healthy Green Drink)." Additionally, the order closing rates in up-selling and cross-selling to regularly purchasing customers have reached a record high thanks to strengthening product proposals and sales promotion by communicators of the call center, which led to an increase in spending per customer. In EC sales, sales at external malls, in particular, stayed firm as people's awareness of "PERFECT ONE FOCUS," a skincare brand for young people, surged at a stroke through the better use of influencers and social-media-based measures.

In direct store sales and wholesale, the situation remained hard as a recovery in the number of customers visiting our stores was weak. Nonetheless, in the wake of the rising awareness of "PERFECT ONE FOCUS" and the launch of a new product line, the number of wholesale stores handling our products increased over 3,500 stores from the end of the second quarter to about 8,300 stores.

In overseas sales, progress in sales activities has been delayed in China, in particular, which is a focal country for sales expansion, due to the impact of lockdowns caused by spreading COVID-19 infections.

As a result of the foregoing, for the first nine months of the fiscal year under review, net sales were 27,121 million yen (up 7.2% year-on-year), operating profit was 2,769 million yen (up 15.4% year-on-year), ordinary profit was 2,759 million yen (up 14.0% year-on-year), and profit attributable to owners of parent was 1,862 million yen (up 14.6% year-on-year).

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

(2) Explanation on Financial Position

Total assets as of the end of the third quarter under review were 22,960 million yen, a decrease of 279 million yen from the end of the previous fiscal year. This was mainly due to a fall of 439 million yen in cash and deposits and a drop of 383 million yen in accounts receivable - trade in contrast to an increase of 527 million yen in merchandise.

Liabilities totaled 5,552 million yen, a decrease of 1,507 million yen from the end of the previous fiscal year. This was mainly due to decreases of 209 million yen in accounts payable - other, 572 million yen in income taxes payable and 152 million yen in provision for bonuses as well as a drop of 298 million yen in long-term borrowings.

Net assets totaled 17,408 million yen, an increase of 1,228 million yen from the end of the previous fiscal year. This was mainly due to an increase of 1,166 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 "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)	Third quarter of the current fiscal year (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	13,652	13,213
Accounts receivable - trade	3,196	2,812
Merchandise	1,264	1,791
Other	483	575
Allowance for doubtful accounts	(67)	(63)
Total current assets	18,528	18,329
Non-current assets		
Property, plant and equipment	2,157	2,075
Intangible assets		
Goodwill	1,029	950
Other	448	606
Total intangible assets	1,478	1,557
Investments and other assets	1,075	998
Total non-current assets	4,711	4,630
Total assets	23,240	22,960

(Unit: Million yen)

	Previous consolidated fiscal year (As of September 30, 2021)	Third quarter of the current fiscal year (As of June 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	527	531
Current portion of long-term borrowings	398	398
Accounts payable - other	2,108	1,899
Income taxes payable	739	166
Provision for bonuses	242	89
Provision for points card certificates	303	—
Provision for sales returns	37	—
Other	354	406
Total current liabilities	4,712	3,492
Non-current liabilities		
Long-term borrowings	1,839	1,541
Retirement benefit liability	171	180
Other	336	339
Total non-current liabilities	2,347	2,060
Total liabilities	7,059	5,552
Net assets		
Shareholders' equity		
Share capital	4,158	4,158
Capital surplus	4,150	4,125
Retained earnings	8,538	9,705
Treasury shares	(852)	(752)
Total shareholders' equity	15,996	17,237
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(0)	(3)
Total accumulated other comprehensive income	(0)	(3)
Share acquisition rights	184	174
Total net assets	16,180	17,408
Total liabilities and net assets	23,240	22,960

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

Quarterly Consolidated Statement of Income

First nine months of the fiscal year

(Unit: Million yen)

	First nine months of the previous fiscal year (From October 1, 2020 to June 30, 2021)	First nine months of the current fiscal year (From October 1, 2021 to June 30, 2022)
Net sales	25,289	27,121
Cost of sales	3,893	4,914
Gross profit	21,395	22,207
Provision for sales returns	14	—
Gross profit - net	21,381	22,207
Selling, general and administrative expenses	18,981	19,437
Operating profit	2,400	2,769
Non-operating income		
Dividend income	42	1
Rental income	8	8
Gain on sale of non-current assets	—	11
Other	8	8
Total non-operating income	59	30
Non-operating expenses		
Interest expenses	1	4
Foreign exchange losses	6	5
Loss on valuation of investment securities	27	16
Loss on retirement of non-current assets	4	15
Other	0	0
Total non-operating expenses	39	41
Ordinary profit	2,419	2,759
Extraordinary income		
Gain on reversal of share acquisition rights	—	0
Total extraordinary income	—	0
Extraordinary losses		
Provision of allowance for investment loss	37	16
Total extraordinary losses	37	16
Profit before income taxes	2,381	2,743
Income taxes - current	789	745
Income taxes - deferred	(32)	136
Total income taxes	757	881
Profit	1,624	1,862
Profit attributable to owners of parent	1,624	1,862

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

(Unit: Million yen)

	First nine months of the previous fiscal year (From October 1, 2020 to June 30, 2021)	First nine months of the current fiscal year (From October 1, 2021 to June 30, 2022)
Profit	1,624	1,862
Other comprehensive income		
Remeasurements of defined benefit plans	−	(3)
Total other comprehensive income	−	(3)
Comprehensive income	1,624	1,859
(Breakdown)		
Comprehensive income attributable to owners of parent	1,624	1,859

(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, 2020, 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 of the fiscal year 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 of the fiscal year 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 first nine months 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 of the fiscal year 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. Additionally, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12 released on March 31, 2020), information that disaggregates revenue arising from contracts with customers for the first nine months of the previous fiscal year is not presented.

(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 of the fiscal year 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.

(Matters related to business combination)

(Finalization of provisional treatment related to the business combination and a significant revision of the initial allocation of the acquisition cost in the comparative information)

During the third quarter of the previous fiscal year, provisional accounting treatment was applied to the business combination with Flatcraft, Inc., which was carried out on June 30, 2021, and the said accounting was finalized during the third quarter under review.

In line with finalizing the provisional accounting treatment, the comparative information included in the quarterly consolidated financial statements for the first nine months of the fiscal year under review reflects a significant revision of the initial allocation of the acquisition cost. As a result, the amount of goodwill totaled 1,055 million yen, a decrease of 80 million yen from 1,136 million, which was calculated on a provisional basis, due to the finalization of the accounting treatment. The decrease of goodwill was due to increases of 122 million yen in other intangible assets and 42 million yen in other non-current liabilities. At the end of the previous fiscal year, goodwill decreased by 78 million yen, other intangible assets increased by 120 million yen, and other non-current liabilities increased by 36 million yen.

However, there is no impact on the quarterly consolidated statement of income for the first nine months of the previous fiscal year, as the above was included in the scope of consolidation at the end of the third quarter of the previous fiscal year.