



BEYOND INNOVATION, FOR A BEAUTIFUL SMILE!

SUSTAINABILITY REPORT 2023

 新日本製薬



Philosophy

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

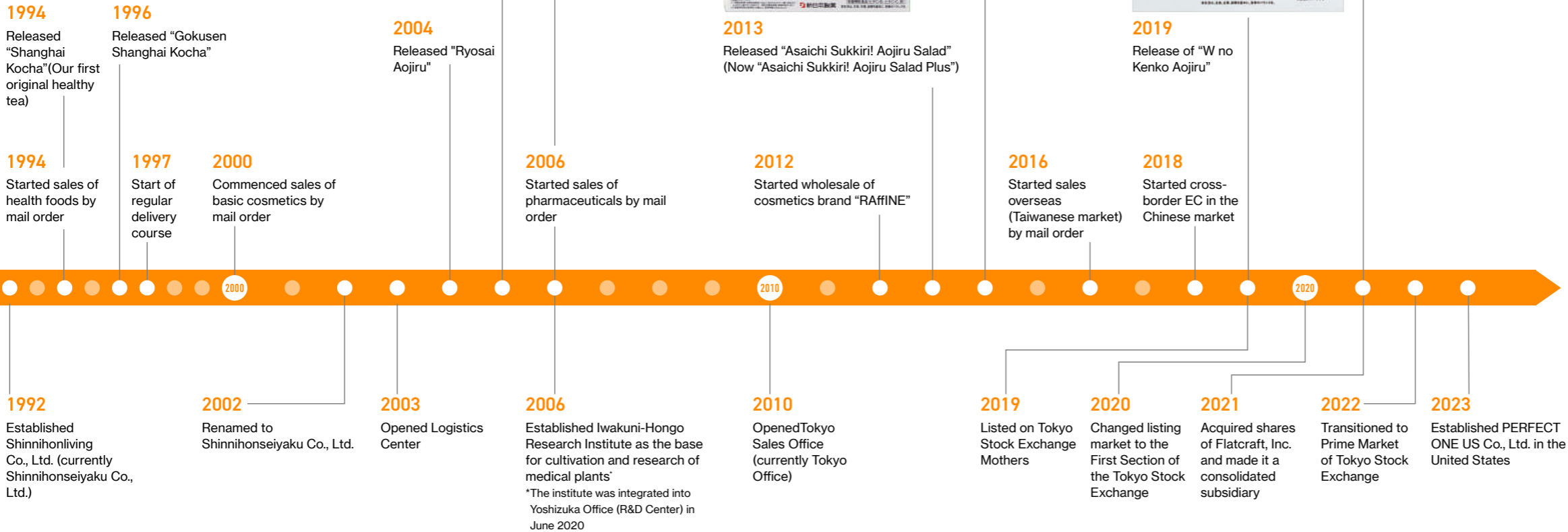
Value

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 of Shinnihonseiyaku



Editorial Policy

Editorial Policy for Sustainability Report 2023

The purpose of this report is to serve as a communication tool with stakeholders, and to convey our sustainability initiatives in an easy-to-understand manner. The contents of this report were discussed by the Sustainability Committee and approved by the Board of Directors meeting.

We will continue to expand and disclose information.

Website

We are updating the "Sustainability" page on the Shinnihonseiyaku Corporate Website.

Shinnihonseiyaku Corporate Site Sustainability Information
<https://corporate.shinnihonseiyaku.co.jp/en/company/sustainability/>

Scope of Report

Shinnihonseiyaku Co., Ltd.
*Part of the information includes information on the subsidiary "Flatcraft, Inc."

Period

FY2023 (October 2022 to September 2023)
*Where it is appropriate to present historical information, data, and recent examples, activities and information outside the period covered are reported.

Referenced Guidelines

The GRI Standards
TCFD (Task Force on Climate-related Financial Disclosures)

Disclaimer

Statements in this report are based on judgments made in light of the information currently available to us and involve potential risks and uncertainties that could cause the results of our business activities to differ materially from those projected.

Contents

History of Shinnihonseiyaku/ Editorial Policy/Contents	01
Message from the President	03
Shinnihonseiyaku Value Chain	05
Sustainability Management	07
Materiality Targets and Progress	09
Special Feature	
Purpose Permeation Project Roundtable Discussion	11
Human Resources Development Initiatives	13
Environment	
Environmental Policy and Targets	15
Response to Climate Change	16
Initiatives for a Recycling-Oriented Society	17
Conserve Biodiversity	18
Response to Water and Chemical Substances	19
Social	
R&D	20
Supply Chain Management	21
Initiatives for Safe and Secure Quality	22
Human Resources	23
Human Rights and Diversity	25
CSR	26
Governance	
Corporate Governance	27
Executive Compensation System	30
Risk Management and Compliance	31
Information Security/ Personal Information Protection	32
Stakeholder Engagement	33
Non-financial Data	35
Corporate Profile	36

Message from the President

Purpose

**Beyond innovation,
for a beautiful smile!**



A year that started with a focus on people to realize Purpose

In FY2023 we took new steps towards realizing our purpose, "Beyond innovation, for a beautiful smile!" I look back on a year in which we have worked together with all employees to discuss and advance what is needed to realize our Purpose.

When I consider realizing our Purpose, it is inevitable to think that human resources are what realize it and materialize it. I have long believed that people are the treasure of our company, and we have communicated this to our stakeholders. The establishment of the Purpose reaffirms this belief. A company is all about its philosophy and the people who gather there, and the successful synchronization of these will create a successful business. It is our human resources that support our products, services, and all our business. Therefore, I feel that taking care of employees and their families is more important than anything else for the future of the company. Investment in human capital is essential for the sustainable improvement of corporate value. In the last fiscal year, we formulated the Human Resource Development Policy and the Internal Environment Development Policy in order to make each employee understand the concept better. We declare that all employees have

dreams, aspirations and growth, and that we respect the personality, individuality, human rights and diversity of each and every person who works for us, and we will promote the creation of a workplace that can realize healthy and flexible working styles through the creation of a culture in which employees feel a sense of fulfillment.

Formulation of Environmental Policy and Procurement Policy. Bringing environmental perspectives to business

Since our founding, we have been engaged in the fields of beauty and health. All of the products we carry have their key ingredients derived from nature and are closely related to changes in the natural environment. The recent increase in extreme weather and natural disasters, which are said to be caused by global warming, could have a major impact on our products manufacturing.

Perfect One has a range of products that are multi-functional. For example, our main products, the PERFECT ONE All-in-One Gel series, combines more than six functions. It has also been considered to contribute to a resource-saving measure since the beginning of the sales. In addition, we will continue to make efforts for

environmental considerations, such as the use of certified forest paper and recycled paper for the packaging, which is certified as being made from properly managed forest wood, and a switch to mail delivery for delivery in conjunction with sales of refills. In the last fiscal year, we formulated the Environmental Policy. One of its objectives is to encourage employees to add an environmental perspective when considering products and services in the future. Once again, products and services are created by people. I believe that if everyone working at our company keeps in mind that our corporate activities are friendly to the global environment, we will be able to fulfill our social responsibility, develop our human resources, and further evolve our products. At the same time, we formulated our Procurement Policy. We owe our business to our many partners. We will continue to work to preserve the global environment throughout our supply chain with the cooperation of our partners.

Aiming for sustainable improvement of corporate value

In November 2021, we announced our medium-term business plan, VISION2025, and in FY2023, the second year of the plan, net sales, operating profit, and ordinary profit all exceeded those of the previous fiscal year.

In the mail order cosmetics segment, which has continued to perform well despite the COVID-19 pandemic, we have continued to receive high praise from customers even after the lifting of restrictions on activities, particularly for our All-in-One Gel series. PERFECT ONE FOCUS, which is expected to be a pillar of our developing brands, achieved net sales growth, mainly through EC malls, and significantly exceeded the plan at the beginning of the fiscal year, as a result of the launch of limited design products featuring popular characters among people in their teens and 20s, as well as collaboration measures with influencers. In the healthcare sector, sales of W no Kenko Aojiru (Doubly Healthy Green Drink), a food with functional claims, are driving net sales growth, with the acquisition of new customers in EC increasing further. While consumption by foreign visitors to Japan is recovering, we also promoted initiatives such as the launching of sales of PERFECT ONE at drug stores, the expansion of store bases handling PERFECT ONE FOCUS, and the re-stocking of our products at airport duty-free stores.

With regard to overseas sales, although there are differences in progress between countries due to the trend of lifting restrictions on activities in each country following the COVID-19 pandemic, net sales have remained at the same level as the previous year due to the expansion of sales in Taiwan. In July, we established a subsidiary in the United States with an eye to full-scale expansion



into the United States. The COVID-19 pandemic started when we were finally about to begin our overseas expansion, and we had to revise our original plans, but we hope to use this experience to change into a more resilient and stronger company.

Following the approval of the Ordinary General Meeting of Shareholders in December 2023, we transitioned to a company with an Audit and Supervisory Committee. There are two main purposes for this transition. One is to further enhance corporate governance by making Audit and Supervisory Committee Members constitute the Board of Directors, and to achieve more transparent management by having the Audit and Supervisory Committee, the majority of whose members are Outside Directors, responsible for auditing and supervising the legality and appropriateness of the execution of duties of Directors of the Board. The other is to speed up management decision-making and business execution by delegating some important business execution decisions to Directors of the Board. With this change in institutional design, we aim to further enhance our corporate value by establishing a structure that more accurately meets the expectations of our stakeholders in Japan and overseas.

At the core of our company are "customer satisfaction," "employee happiness," and "contribution to society." Growth for these three is the reason for our existence, and our ultimate target is to implement the Mission that incorporates this without becoming a mere shell, and to make Purpose tangible.

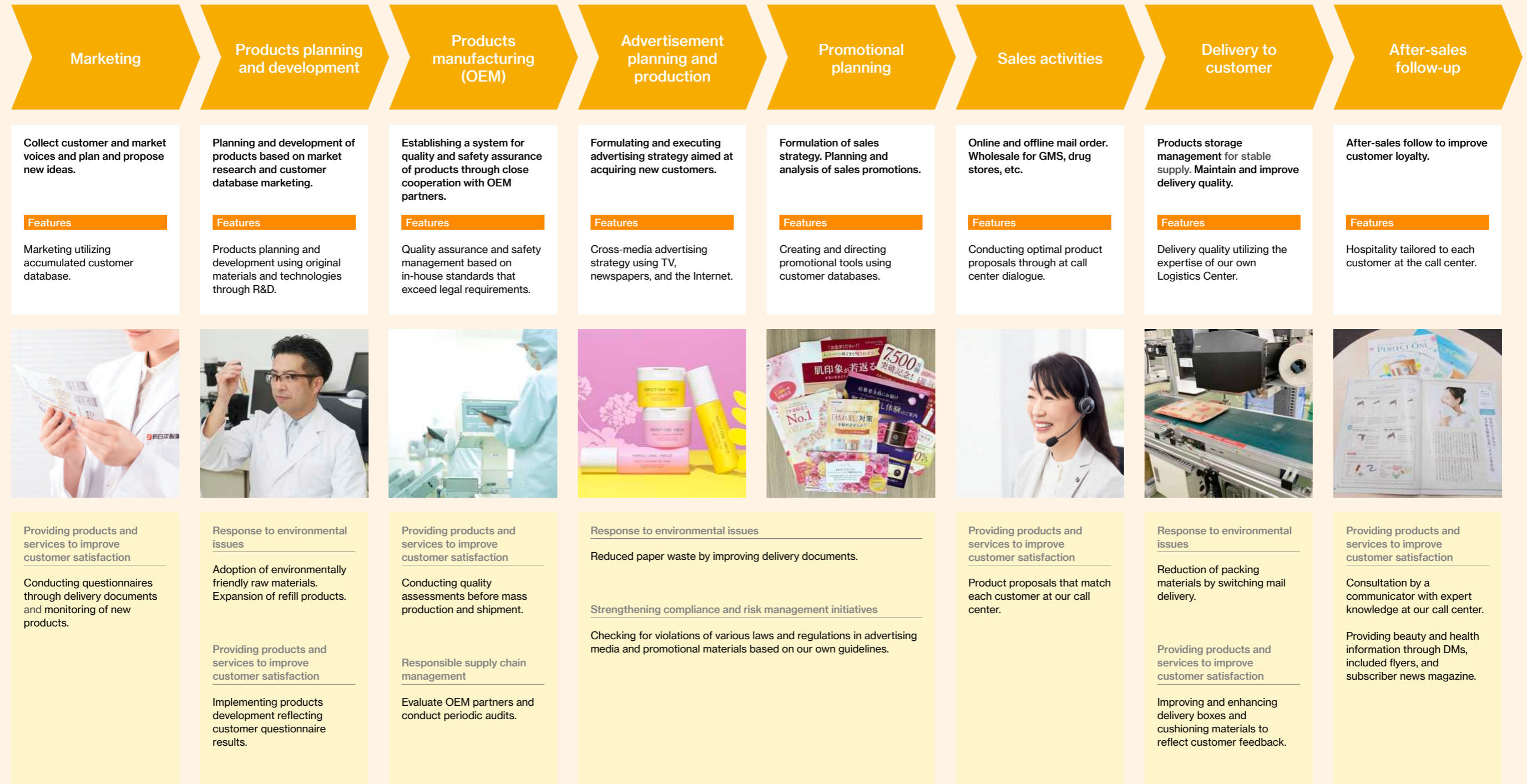
With the awareness that our efforts can affect each and every person on the planet, we will continue to conduct our business in a sustainable manner and contribute to bringing smiles to the faces of our customers every day.

President & Representative
Director of the Board and
Chief Executive Officer

後藤 孝洋
Takahiro Goto

Shinnihonseiyaku Value Chain

At each stage of our business activities, Shinnihonseiyaku is implementing initiatives to achieve a sustainable society.



Foundation for supporting our business

Compliance

Human resources

Risk management

Information security
Protection of personal information

Corporate governance

Sustainability Management

Shinnihonseiyaku is striving to promote management in order to achieve sustainable development as a company under our Purpose, "Beyond innovation, for a beautiful smile!" We will work together with our stakeholders to realize a sustainable society through the "beyond innovation" in beauty and health that we have set forth in our Purpose.

Basic Sustainability Policy

Limitless Future

Under the Purpose of "Beyond innovation, for a beautiful smile!" our Group aims to resolve issues surrounding the global environment and society, and contribute to the realization of a sustainable society together with our stakeholders.

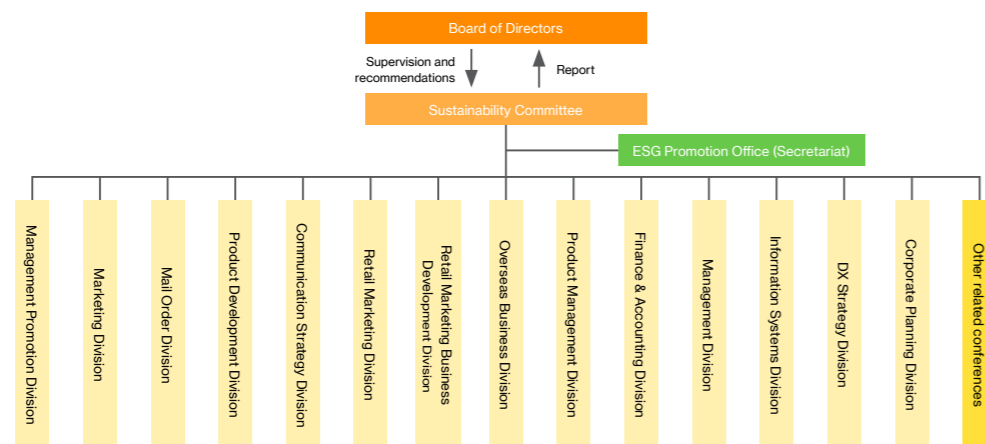
Toward the realization of a sustainable society

We will contribute to the realization of a sustainable society through our business activities based on the Shinnihonseiyaku Group Basic Sustainability Policy.

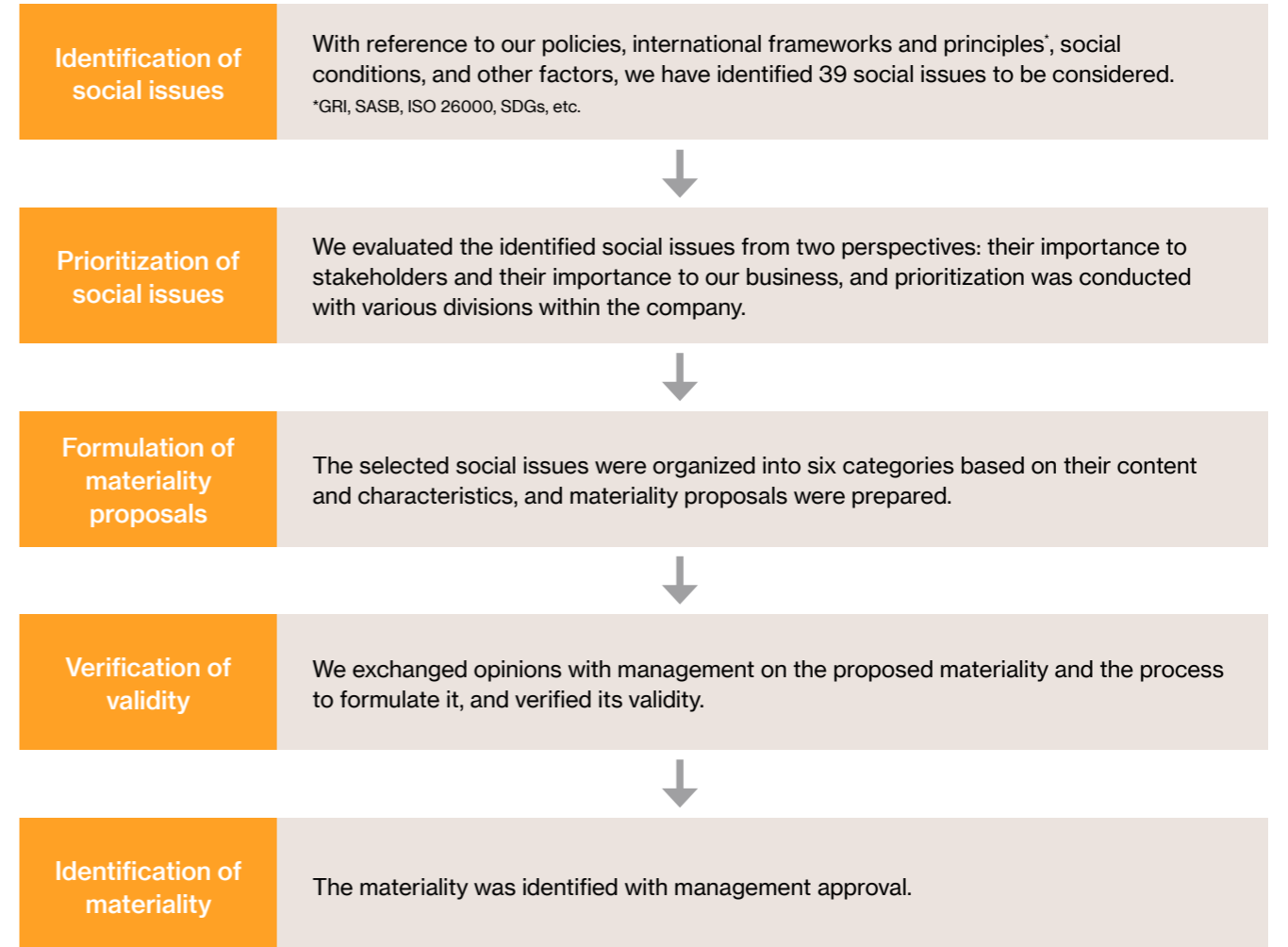


Sustainability promotion system

We have identified materiality (key issues) related to sustainability and are developing a promotion system to solve them. Materiality and other important matters related to sustainability are discussed and resolved by the Sustainability Committee chaired by the President & Representative Director of the Board and Chief Executive Officer. Matters discussed and resolved by the Sustainability Committee are reported to the Board of Directors as appropriate. In addition, targets have been set for efforts to resolve materiality, and related divisions and conferences across the company are taking initiatives and promoting efforts.

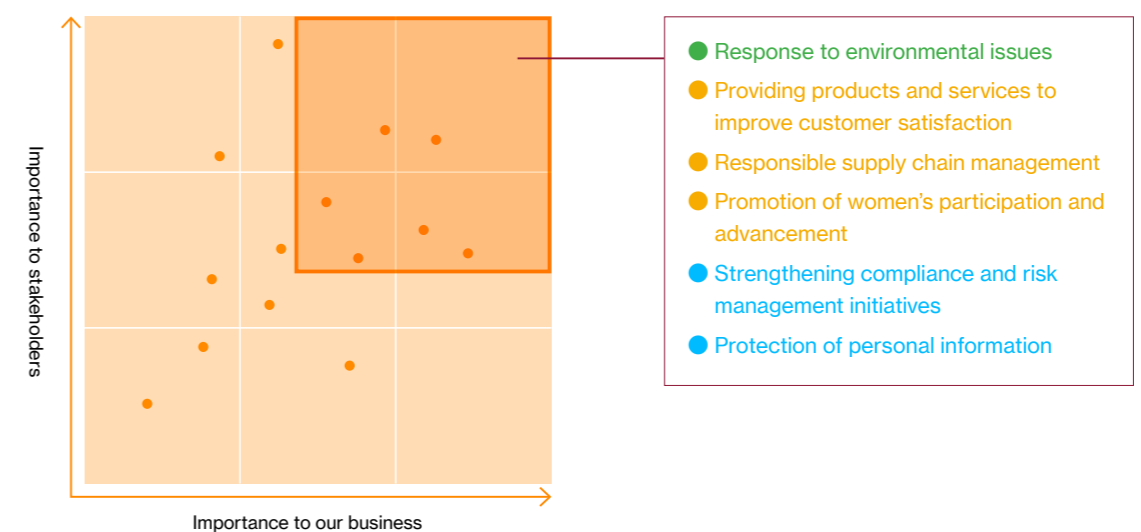


Materiality identification process






Materiality map

In identifying materiality, we evaluated social issues on two axes: "Importance to stakeholders (Customers, employees, shareholders, investors, environment, local communities, government, etc.)" and "importance to our business." We have identified social issues of particular importance to our company and identified six materialities (key issues) among them.



Materiality Targets and Progress

Shinnihonseiyaku has identified six materialities that need to be prioritized for the realization of a sustainable society and the sustainable growth of our company. We also set targets for the identified materialities and promote initiatives to achieve these targets under the supervision of the Sustainability Committee.

	Materiality	Items	Targets	FY2023 Results	Relevant SDGs
Environment	Response to environmental issues	Maintaining adequate inventory turnover	25	23	
		Percentage of eco-friendly cushioning materials used	100% by FY2030	100%	
		Percentage of certified paper used in product packages and shipping boxes	100% by FY2030	Shipping boxes: 88% Product packages: 35%	
		Survey and understanding resource usage Understand the actual situation in order to set specific reduction targets	Completed by FY2023	Completed	
Social	Providing products and services to improve customer satisfaction	Organize unique evaluation items and set targets to improve customer satisfaction	Completed by FY2023	Completed	
	Responsible supply chain management	Formulation of the Procurement Policy that considers sustainability	Completed by FY2023	Completed	
		Conduct awareness-raising activities for suppliers based on the Procurement Policy	FY2024	Started considering supplier guidelines for awareness activities.	
	Promotion of women's participation and advancement	Ratio of female managers* *Section manager or above	30% or more by FY2030	15%	
		Building a system for balancing childcare and nursing care with work Review of the current system and establishment of a new system	Completed by FY2024	Under consideration for achieving the target	
		In-house breast cancer implementation rate	100%	100%	
	Improving breast cancer screening rates in Fukuoka Prefecture	55% or more by FY2026* *Scheduled to refer to the "Comprehensive Survey of Living Conditions" published by the Ministry of Health, Labour and Welfare in 2026	Conduct awareness activities for breast cancer screening		
Governance	Strengthening compliance and risk management initiatives	Number of serious compliance violations	0	0	
		Training attendance rates for compliance and risk management	100%	100%	
	Protection of personal information	Number of serious incidents related to information security	0	0	
		Number of serious personal information breaches	0	0	
		Training attendance rates for information security and personal information protection	100%	100%	

*Maintain numerical values for those that do not have a set achievement year

Major initiatives in FY2023

Survey and understanding resource usage

Related pages: p17 Initiatives for a Recycling-Oriented Society

Resource-saving efforts

To reduce the use of plastic, we launched a refill for our main products, PERFECT ONE Moisture Gel, in May 2023. We plan to launch refillable versions of all the products in the All-in-One Gel series.

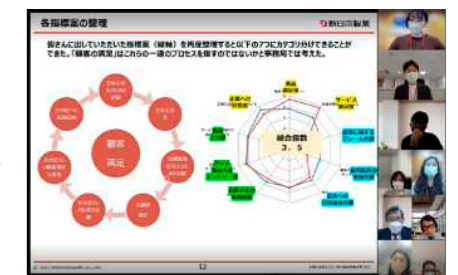


Organize unique evaluation items and set targets to improve customer satisfaction

Related pages: p22 Initiatives for Safe and Secure Quality

Formulation of evaluation indicators to improve customer satisfaction

Leaders of relevant divisions, mainly those participating in the Quality Conference, met to discuss our company's original customer satisfaction and formulated evaluation items to measure customer satisfaction.



Formulation of the Procurement Policy that considers sustainability

Related pages: p21 Supply Chain Management

Formulation of the Procurement Policy

Managers of departments deeply involved in products procurement, including the Product Management Division, met to discuss what it would take to build a sustainable supply chain, and then formulated the Procurement Policy.



Improving breast cancer screening rates in Fukuoka Prefecture

Related pages: p26 CSR

Conduct awareness activities for breast cancer screening in Fukuoka Prefecture

We carried out activities to raise awareness of breast cancer screening in cooperation with Happy Mamma, an NPO certified by Fukuoka City, at a match of Avispa Fukuoka, a professional soccer team based in Fukuoka, which was sponsored by our company.



Purpose Permeation Project Roundtable Discussion

Shinnihonseiyaku established its Purpose in January 2023. The employees in charge of the Purpose Permeation Project were asked to review the project so far and discuss future activities.

Participants

IR and Public Relations Office, Management Promotion Division:
Konishi, Hirabayashi, Yonemura

Q What circumstances led you to launch the Purpose Permeation Project? Also, please let us know your thoughts and feelings when you started this project.

Yonemura: In 2022, when our company celebrated its 30 year anniversary, we worked together with management to formulate the Purpose. From the formulation phase, we thought that it would be meaningless if we did not make it permeate throughout the company, so we very naturally decided to launch the Purpose Permeation Project. The Purpose is the "why" of the company, and the Mission is the "what" (what we do). I believe that awareness of the "why" will lead to the realization of our Mission.

Hirabayashi: Since I joined the project after the Purpose was formulated, I did a lot of information gathering to understand what the Purpose is. I thought other people would probably feel the same way about the questions I was having, so I thought I had to understand them first.



Announcement of Purpose at the Management Policy Presentation

Konishi: At first, I was not familiar with the word "Purpose" because I also joined the project after it was formulated. As I proceeded to understand it better, I came to realize that "we should just keep on valuing what our company has always valued."

Q What did you do in the Permeation Project?

Yonemura: In carrying out this project, I thought that without a goal for the project itself, the purpose of the project would be to implement measures along the way. So we worked on setting goals first. After discussions with the members, the goal was set as "a situation in which employees are voluntarily practicing actions with awareness of the Purpose." And it was decided to work toward this goal by dividing the phases into recognition, understanding, empathy, commitment, and voluntary actions. In FY2023, we promoted awareness and understanding of the Purpose.

Q Is the implementation of group work and the display of the Purpose throughout the company are part of the measures for this "recognition" and "understanding" phase, isn't it?

Konishi: Yes. At first, I had all sorts of worries about how to promote awareness and understanding, and how to communicate this to employees. However, when I had the opportunity to speak with a person who is in charge of the purpose permeation in other company, I was advised to strike while the iron is hot. Those words made me think that we should keep moving forward with the measures that we can implement anyway, and see the results and correct the course. I'm working on it every day "let's just give it a try." Now, in order to make sure that all employees understand that Purpose is the axis of our company in the future, we put Purpose on every bulletin board, ballpoint pen, sticky note, PC wallpaper...and everywhere else.



Purpose goods distributed to employees



Employees participating in group work

Hirabayashi: I gathered employees from each division and conducted group work on the Purpose. I hoped that this group work would help employees who were wondering, as I did at the beginning, "What is a Purpose?" And I hoped that this group work would give employees the opportunity to find out for themselves what other companies have as their Purposes. Therefore, we incorporated a game where participants matched Purposes to companies into this group work. I believe that by thinking about the connections between other companies' Purposes and the company's business on their own, they were able to think about Purposes in a more active manner.

Q Thank you. Now, as one of our employees, I feel that wherever I look in the company, the Purpose catches my eye. I am sure that all employees feel the axis of the company is changing through these visually noticeable changes. Finally, what is your outlook for the future?

Konishi: I believe that there are two things, and one is to promote this project with a sense of speed, and to dissolve the project when the Purpose is talked about within the company as a matter of course.

Yonemura: The other is that as more and more new employees join, we need to consider how to incorporate the practice from the permeation of the Purpose into the internal structure of the company. I believe that there is no end to efforts to promote the permeation of Purpose when there is employees are moving around, and I would like to continue to work with the aim of making it a normal part of our company's culture.

Human Resources Development Initiatives

We believe that human resources are important for our company to continue to grow and develop. With the establishment of Purpose, we reviewed our Ideal Human Resource Image and defined our ideal employee as "A person who embodies the Mission and practices the Credo to realize the Purpose." In addition, we have formulated the Human Resource Development Policy to realize our vision for the Ideal Human Resource Image. In the future, we will continue to improve the workplace environment based on the Internal Environment Development Policy formulated in parallel with the Human Resource Development Policy, as well as develop human resources development measures and personnel systems based on the Human Resource Development Policy.

Related pages: p23 Human Resources



Environmental Policy and Targets



For the sake of an “unlimited future,” Shinnihonseiyaku considers that addressing environmental issues, including climate change, is an important issue for the continuation of our business, and we will continue to take environmentally friendly measures in all aspects of our corporate activities.

Environmental Policy

In June 2023, Shinnihonseiyaku formulated the Environmental Policy after receiving approval of the Sustainability Committee. In line with this policy, we will work to promote our business and solve environmental issues.

Environmental Policy

In order to realize the Our Group's Purpose of “Beyond innovation, for a beautiful smile!,” we will engage in corporate activities that are friendly to the global environment, and that contribute to local communities and society through business activities.

Effective use of resources

We will make effective use of limited resources to strive to improve the recycling rate of resources, reduce waste, conserve energy, and conserve water.

Conservation of biodiversity

We will strive to understand the impact on biodiversity in our value chain, and strive to conserve and restore biodiversity.

Response to the climate change

We will contribute to a decarbonized society by reducing emissions of greenhouse gases, especially CO₂, from our business activities and preventing global warming.

Compliance with laws and regulations

We will comply with the legal rules concerning environmental conservation.

Working with our supply chain

We will strive for environmental consideration in our business activities through cooperation with our business partners.

In-house education and awareness

We will strive to improve employees' understanding of the Environmental Policy and awareness of environmental conservation.

Environmental targets

We set various targets to promote our response to environmental issues, and discuss their progress with the Sustainability Committee.

Items	Targets
Maintaining adequate inventory turnover	25
Percentage of eco-friendly cushioning materials used	100% by FY2030
Percentage of certified paper used in product packages and shipping boxes	100% by FY2030
Survey and understanding resource usage	Completed by FY2023

Promotion system

In order to promote company-wide efforts to address environmental issues, Shinnihonseiyaku holds discussions at the Sustainability Committee. In FY2023, the Sustainability Committee discussed and formulated the Environmental Policy.

We will continue to collect information and conduct risk assessments on environmental issues to be addressed as a company, in addition to the identified materiality, in order to engage in business activities and environmental conservation.

Response to Climate Change



In recent years, extreme weather events, which are thought to be caused by global warming, have been occurring frequently and are becoming more serious every year. Since FY2022, Shinnihonseiyaku has been monitoring CO₂ emissions and promoting efforts to reduce them.

Understanding CO₂ emissions

Shinnihonseiyaku is working to understanding the amount of CO₂ emissions in order to set a target for reducing emissions.

In the future, we will consider reduction targets based on the determined emissions.

CO₂ emissions in FY2023 (unit: t-CO₂)

Scope1	2.0
Scope2	488.0
Scope3	26,095.4

Calculation period: October 2022 - September 2023 Calculation range: Shinnihonseiyaku Co., Ltd.

*Categories 1, 4, and 12 in Scope 3 are calculated only for cosmetics. Categories 8, 10, 11, 13, 14, and 15 are excluded from the calculation due to reasons such as the absence of relevant emissions, inclusion in other categories, and inclusion in Scope 1 + 2. In FY2023, the industrial waste data used for calculation of Category 5 was not calculated because it was not yet collected.

TCFD

Based on the risks and opportunities identified in accordance with the TCFD last year, we identified the financial impact.

Based on the financial impacts identified, we reassessed the risks and opportunities and revised our assessment as follows.



List of risks/opportunities and importance assessment

Classification	Risk factors	Risk details (Expected financial impact)	Impact on our company			
			2°C or less scenario		4°C scenario	
(i) Risk			2030	2050	2030	2050
Transition risk	Policy and legal	Stronger regulation of GHG emissions Accelerating supply chain decarbonization	Large	Large	Small	Small
		Introduction of a carbon tax	Small	Small	Small	Small
	Market	Change in consumer behavior Products and services that are not environmentally friendly and low carbon are eliminated.	Large	Large	Small	Small
Physical risk	Acute	Increase in extreme weather such as heavy rain and floods Supply chain manufacturing outages and disruptions	Small	Medium	Medium	Large
		Average temperature rise, long-term heat wave Harvest and capture of natural raw materials	Small	Small	Small	Large
	Chronic	Average temperature rise, long-term heat wave Change in weather patterns Effect of water withdrawal restrictions on cosmetics manufacturing	Small	Small	Medium	Medium
Physical risk	Chronic	Average temperature rise, long-term heat wave Quality maintenance	Small	Medium	Medium	Large
		Increase in extreme weather such as heavy rain and floods Supply chain manufacturing outages and disruptions	Small	Medium	Medium	Large
		Average temperature rise, long-term heat wave Harvest and capture of natural raw materials	Small	Small	Small	Large
(ii) Opportunity			Impact on our company			
			2°C or less scenario		4°C scenario	
			2030	2050	2030	2050
Resource efficiency	Efficient production and distribution processes	Reduce manufacturing and management costs. Energy saving and streamlining of logistics processes, DX, and the use of direct marketing methods reduce manufacturing and administrative costs.	Medium	Medium	Medium	Medium
Products and services	Development and expansion of low-carbon products and services	Increase in sales through low-carbon products and services. Low-carbonization of the PERFECT ONE Brand products, use of certified palm oil and certified paper, and calculation and reduction of the carbon footprint of the company's products will increase products value and corporate value, leading to increased sales.	Medium	Large	Small	Small
	Change in consumer preferences	Revenue will increase as demand for products adapted for climate change increases. (Examples: cosmetics with cooling ingredients, base makeup products with sunscreen and UV benefits, products for infectious diseases, products for heat stroke, etc.)	Medium	Large	Medium	Large
Reputation	Change in rating among stakeholders	Higher stock price and lower cost of capital if the company's response to climate change is highly rated by an external evaluation agency.	Small	Medium	Small	Small

*Risks and opportunities reassessed after calculating financial impact

Initiatives for a Recycling-Oriented Society



To continue to make effective use of limited resources, in addition to ongoing 3R activities, Shinnihonseiyaku is promoting initiatives to reduce the amount of plastic used and to switch to materials made from recycled raw materials.

Understanding the amount of resources used to promote resource-saving initiatives

Shinnihonseiyaku worked to survey and understand the amount of resources used in order to reduce the resources used and promote effective utilization.

We organized resources as follows to understand the amount of resources used in business activities, promotional activities and office activities, and the amount of resources that are not recycled and disposed of.

Activities	Resource type	
Business activities	Containers and packaging	Glass bottles (clear)
		Glass bottles (brown)
		Glass bottles (other)
		Paper
		Plastic
Promotional activities	Paper	Packing material
		Cushioning material
		Material included in the products
		DM
		In-store promotional materials
Office activities	Bottles and cans	
	Paper	
	Plastic	

Based on the amount of waste we have identified, we plan to set targets in the future for resource conservation.

Reduction of plastic usage

We have started selling refills of our mainstay PERFECT ONE Moisture Gel, which was relaunched in May 2023.

We have received many requests from customers for refill products, and we launched them with the aim of achieving both environmental consideration and customer satisfaction.

In addition to reducing the amount of resources used, we are also able to reduce the weight of packaging and delivery, which we believe will reduce CO₂ emissions related to delivery.



Reduce discarded paper resources by reviewing delivery documents

In order to reduce waste paper resources, we have been reviewing the delivery documents that are included when delivering products to customers.

We used to prepare and package five types of delivery documents, depending on the customer's shopping stage and the products they ordered.

However, since many types of delivery documents were disposed of, we worked to reduce the types of delivery documents in order to reduce resources while maintaining convenience for customers.

First, we extracted and analyzed customer feedback (VOC*) collected at our call center, and based on the results, we worked out a layout and wording that would be easy to understand. As a result, we were able to combine five types of delivery documents into two types.

As a result, we expect to reduce the amount of waste paper used in delivery documents. We will continue to reduce the amount of resources used and the amount of waste.

*Voice Of Customer

Conserve Biodiversity



Shinnihonseiyaku uses many natural ingredients in its products. We believe that conservation of biodiversity is important to continue providing products that satisfies our customers, and we are promoting initiatives both internally and externally.

Establishment of cultivation method and adoption of Lithospermum erythrorhizon, listed as Endangered IB (EN), as products

Shinnihonseiyaku is focusing on Shikon (root of Lithospermum erythrorhizon), which has been used as a traditional Chinese medicine since ancient times and is conducting research with the idea that its ingredients can improve and resolve the loss of collagen, which causes wrinkles and sagging skin.

Lithospermum erythrorhizon, however, is listed as an Endangered IB (EN) and relies on imports for much of its supply. For this reason, we have been researching methods for Japanese cultivation of Lithospermum erythrorhizon since 2006. In 2009, we succeeded in Japanese cultivation using tube cultivation, and in 2016, we obtained a patent for a cultivation technique to increase the useful ingredient content of Lithospermum erythrorhizon. In addition, we have obtained a patent for a manufacturing method of "Capsule Shikon" that can enhance skin penetration by liposomalizing Shikon extract extracted from Shikon.

*Oil-soluble Shikon extract (1), hydrogenated soy phospholipids (moisturizing ingredients)

Related pages: p20 R&D

Number of products containing Lithospermum erythrorhizon*	39
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*Number of PERFECT ONE and PERFECT ONE FOCUS products (excluding limited items and samples)



Cultivation of Lithospermum erythrorhizon

Adoption of FSC® certified paper

Due to the rapid decline of the world's forests, we are actively promoting the adoption of FSC® certified paper made from wood from forests that are confirmed to be properly managed following international standards or from other materials that supports sustainable use of forest resources. In addition to PERFECT ONE All-in-One Gel series packages, PERFECT ONE FOCUS, which began sales in 2021, also uses FSC® certified paper. In addition, FSC® certified paper has been used in the delivery boxes used to deliver products since the same year. (FSC®N003734)



PERFECT ONE FOCUS Smooth Cleansing Balm

Response to Water and Chemical Substances



At the Yoshizuka Office, where our research facilities are located, Shinnihonseiyaku is working to comply with environmental laws and regulations.

Prevention of water and soil pollution

At the Yoshizuka Office, where Shinnihonseiyaku's research facilities are located, we are working to prevent soil and groundwater from being contaminated by leakage of waste and waste liquid containing chemical substances. In accordance with the Soil Contamination Countermeasures Act, the Act on Waste Management and Public Cleansing, the Air Pollution Control Act, the Water Pollution Prevention Act, and other laws and regulations that control waste, wastewater, and exhaust gas emitted by corporate activities, as well as related ordinances of local governments, we record, store, move, discard, and conduct necessary investigations and inspection on a regular basis.



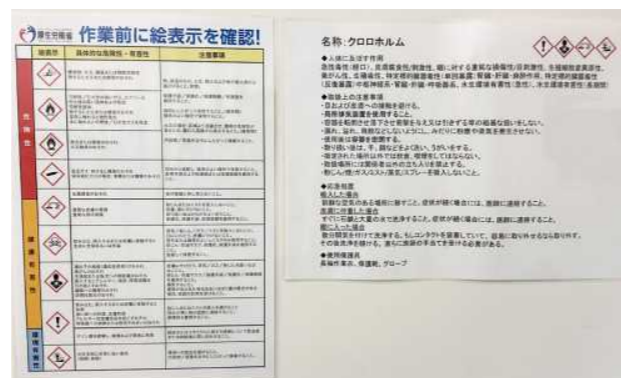
Yoshizuka Office

Chemical substance risk assessment

The revised Industrial Safety and Health Act, which came into effect in June 2016, requires risk assessment of certain hazardous chemical substances at all workplaces where chemical substances are handled. Employees from the Quality Assurance Section and the R&D Center Section work at Yoshizuka Office, where we take to measures to reduce the risk of hazards and health problems. Specifically, we are implementing the following six initiatives.

- **Regular medical examinations: Special medical examinations are conducted once every six months.**
We conduct medical examinations for workers engaged in work that is particularly harmful in terms of occupational health measures stipulated in the Industrial Safety and Health Act.

- **Working environment measurement**
In order to prevent workers from suffering from health problems caused by harmful factors, we measure the environment of the workplace once a year and manage it.
- **Reagent management**
Precautions for handling (ventilation, etc.) are posted on devices using reagents. In addition, a record-keeping ledger is kept to record the quantities of chemicals used before and after their use, who used them, etc., and to manage them.
- **Permanent organic solvent work chief**
Employees who have completed a training course for supervisors in charge of instructing employees on workplaces and work methods for handling organic solvents are permanently stationed.
- **Education and training**
We conduct study sessions on chemicals (especially organic solvents) based on government textbooks.
- **Disposal of chemicals**
For the disposal of chemicals, waste tanks are prepared according to the type of chemicals used, specific treatment is carried out, and disposal is entrusted to industrial waste companies. We also report the industrial waste management slips (manifests) we receive to local governments in the form of a status report on the issuance of industrial waste management slips, etc.



Display of warnings

R&D



In the domain of Health & Beauty, Shinnihonseiyaku is engaged in R&D to realize new and smart lifestyles for customers.

R&D policy

Shinnihonseiyaku has established the R&D policy of "smart life science" in order to deliver new value to customers goes beyond the boundaries of conventional wisdom.

Strengths of R&D

Our R&D focuses on the development of new materials and biological barrier research. Our strength in developing new materials is the development of highly functional and unique new materials, focusing on the three areas collagen, medicinal plants, and advanced materials. We use the new raw materials developed in our products in order to develop products that satisfy our customers. We are also conducting joint research with universities and other organizations on the function of biological barriers. It has been proven that the deterioration of the biological barrier function accelerates the aging of the skin and body, and Shinnihonseiyaku believes that it is important to enhance the biological barrier function and is working on R&D in this area. We are actively applying for patents for the results of our R&D activities.

Efforts to develop new materials

Development of Lithospermum erythrorhizon fermented collagen

Through joint research* with Professor Masanori Sugiyama of the Graduate School of Biomedical and Health Sciences (Pharmaceutical Sciences), Hiroshima University, we have developed "Lithospermum erythrorhizon fermented collagen," the world's first proprietary material in which collagen is fermented with lactic acid bacteria discovered from the flowers of the medicinal plant Lithospermum erythrorhizon. Lithospermum erythrorhizon fermented collagen has been confirmed to have a higher amount of amino acids than unfermented collagen and to be more effective in producing hyaluronic acid. It is expected to have cosmetic effects such as moisturizing and improving elasticity of the skin, and is planned to be used in cosmetics in the future.

*Collected lactic acid bacteria from various medicinal plants through joint research and determined scientific names

List of patents

Cosmetic raw material combining amino acid unique to collagen and medicinal plants (Cosmetics material) (No. 7313755)	Cosmetics raw materials that have been confirmed to improve the skin barrier function and moisturizing function by combining amino acids unique to collagen and ingredients extracted from the medicinal plants Glycyrrhiza and Lithospermum erythrorhizon.
Technology for applying guanine crystals to cosmetics (Cosmetic composition, brightening gel cosmetic, cream cosmetic for eye area and cream cosmetic for foundation) (No. 7039086)	Inspired by the habit of fish to manipulate light and assimilate it into the surrounding environment, development of a new material that covers dark spots and dullness and brightens skin tone, and a method for manufacturing cosmetic compositions
Placenta collagen (Method for producing cosmetic composition) (No. 6944606)	A material and method for manufacturing cosmetic compositions that combine the functions of the beauty ingredient placenta extract and collagen, focusing on the fact that collagen is also abundantly contained in the placenta.
VC collagen (Method of manufacturing cosmetics) (No. 6727468)	A method for manufacturing cosmetic material that combines the action of collagen for producing beautiful skin and vitamin C, which is necessary for collagen production, and that excels in promoting collagen production by approximately five times compared to common collagen raw materials.
Liposomal Shikon (root of Lithospermum erythrorhizon) extract (Method of manufacturing cosmetics raw materials) (No. 6242422)	A production method in which Shikon extract is made into liposomes with a lamellar structure consisting of alternating layers of water and oil, which allows for greater penetration into the skin.
Method of cultivating Lithospermum erythrorhizon (Method of cultivating Lithospermum erythrorhizon) (No. 5885320)	A cultivation method to improve the survival rate of rare and valuable Lithospermum erythrorhizon by mixing arbuscular mycorrhizal fungi spores (symbiotic fungi) into the medium used for growing Lithospermum erythrorhizon seedlings, and to increase the content of active ingredients.
Shinnihonseiyaku GG01 (Registration number: 29026)	Registered as the first new variety of Glycyrrhiza glabra in Japan. Compared to the growing period of the conventional Glycyrrhiza glabra, the glycyrrhizic acid content, a key component, was increased to 2.0%, the standard value in the Japanese Pharmacopoeia, within 18 months after planting.

Supply Chain Management

Cooperation with suppliers is essential to the continuation of Shinnihonseiyaku's business and the resolution of social issues. We are committed to sustainable procurement activities, including compliance with laws and social norms, human rights, occupational health and safety, and environmental considerations.

Procurement Policy

To realize sustainable procurement, Shinnihonseiyaku formulated its Procurement Policy in June 2023. Going forward, we will implement responsible supply chain management in cooperation with our suppliers.

Procurement Policy

Under our Purpose, "Beyond innovation, for a beautiful smile!," Shinnihonseiyaku will consider the social responsibility to be fulfilled throughout the entire supply chain, including suppliers involved in our products and services, and will conduct sustainable procurement.

Compliance and fair trade

We will always conduct free competition and fair, impartial, and honest transactions in compliance with laws and regulations, international norms, and social norms.

Human rights and working conditions

We respect the human rights and diversity of our employees and provide a comfortable and pleasant working environment.

Quality, safety, and customer satisfaction

We continuously provide products and services with quality and safety that meet laws and regulations and requirements, and earn customer satisfaction and trust.

Environmental considerations

We will engage in environmentally friendly business activities and reduction of environmental burdens, envisioning the entire process from products planning to disposal after use.

Relationship with society

Recognizing that we are members of society, we conduct activities that contribute to the development of local communities with gratitude. We will also disclose information appropriately as a company open to society.

Supply chain management targets

Items	Targets
Formulation of the Procurement Policy that considers sustainability	Completed by FY2023
Conduct awareness-raising activities for suppliers based on the Procurement Policy	FY2024

Plans for future initiatives

Based on our Procurement Policy, we plan to conduct awareness-raising activities for suppliers, document inspections in the form of questionnaires, and feedback. We aim for sustainable procurement based on quality audits, which we have already implemented in quality management.

TOPICS

Procurement Policy Formulation Project

To formulate the Procurement Policy, the managers of divisions deeply involved in the procurement of products, such as the Quality Assurance, Logistics, Product Development, and Mail Order divisions, gathered together.

In formulating the Procurement Policy, we consulted external guidelines. After a total of six rounds of discussions by project members, and exchanges of opinions with Directors of the Board the Procurement Policy was formulated with the approval of the Sustainability Committee.

Going forward, we will continue to strengthen cooperation with our suppliers and promote the construction of sustainable supply chains.

Initiatives for Safe and Secure Quality

Based on the Quality Policy established in accordance with our Mission and Charter of Conduct, Shinnihonseiyaku listens to our customers and promotes initiatives to improve and maintain the quality of our products and services. To earn the trust of customers who purchase our products, we work with our OEM partners to ensure safe and secure quality control.

Formulation of customer satisfaction indicators

We strive for the highest level of customer satisfaction in order to realize "a beautiful smile" in our Purpose. We have formulated "customer satisfaction indicators" for all employees to engage with customer satisfaction on a daily basis.

Our company's concept of customer satisfaction consists of the following six indicators, which we believe will lead to the improvement of customer satisfaction as considered by Shinnihonseiyaku.

Our view of customer satisfaction



In the future, targets will be set for each indicator, and related departments will work to achieve the targets.

We think about each indicator as follows.

Evaluation item	Example targets
(i) Activities for safety and security	Number of quality audits conducted and employee safety and security training attendance rates
(ii) Safety and security results	Number of violations of laws and regulations concerning products and services
(iii) Activities to improve customer satisfaction	Percentage of customer feedback reflected in products and services
(iv) Customer satisfaction	Satisfaction based on customer satisfaction surveys
(v) Activities to pursue our company character (i.e., our Purpose)	Number of customer hospitality programs conducted
(vi) Customer satisfaction typical of our company (i.e., our Purpose)	Smile level based on customer satisfaction surveys

Quality initiatives

We have established a quality control system to ensure that customers can use our products with confidence, and are taking measures based on our Quality Policy.

We are particularly committed to safety and security, and the Quality Assurance Section assesses whether products manufactured by OEM partners meet our quality standards by obtaining samples before shipment and before mass production. We check the quality according to the standard determined after the stability test. However, if there is a fluctuation in the value even if it is within the standard, we check directly with the OEM partner to maintain quality stability. In addition, we have established in-house quality manuals, quality assurance regulations, and procedure manuals based on the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, to ensure thorough quality control and quality assurance.

Quality audits in FY2023

Quality audit results	100%
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TOPICS

Customer Satisfaction Indicator Formulation Project

The managers of Product Development, Call Center, Quality Assurance, Sales Promotion Planning, and other divisions gathered to formulate customer satisfaction indicators.

In formulating the policy, our products must be safe and secure for customers, and based on the established purpose, we discussed "what constitutes customer satisfaction unique to our company" six times in total.

Targets set for each indicator are to be achieved by the division in charge, and the entire company aims to improve customer satisfaction along with the realization of the Purpose.

Human Resources



Shinnihonseiyaku considers people to be its strength and is working to develop talent that embodies its Ideal Human Resource Image. We are working to develop a human resources development system so that each employee can demonstrate their individuality and play an active role, and to create an environment in which they can work lively and with a sense of fulfilment.

Related pages: p13 Special Feature "Human Resources Development Initiatives"

Human Resource Development Policy

We believe that in order to realize "Beyond innovation, for a beautiful smile!" as stated in our Purpose, it is essential for all employees to have dreams and aspirations, and to grow through daily challenges.

1. We will realize our Mission and management policy, as well as develop the next generation of leaders who will solve social issues.
2. We will develop human resources who continue to challenge themselves, without losing sight of their own value, even in a complex and ever-changing environment.
3. In order to continue to create new value in times of high uncertainty, we will develop diverse human resources by respecting individuality such as age, gender, nationality, expertise, and experience.
4. We will develop human resources who do not take everything for granted and strive to realize their dreams and aspirations with gratitude.

Human resources development and training system

Shinnihonseiyaku has been developing various training programs to improve the individual knowledge and skills of employees and to support their challenges and growth. In addition to training by job level according to the employee's role and by department according to the expertise of the department, we also provide training that employees can participate in on their own initiative.

Main training by grade and division

- Onboarding training
- Specialized training
- Logical thinking training
- Facilitation training
- Management training
- Compliance training

FY	FY2023
Total annual education and training hours	1,053 hours
Annual education and training costs per employee	29,513 yen

Support for voluntary learning by employees

We have established a self-development allowance system to support the attitude and actions of each employee to study and improve their knowledge and skills for their own personal growth. With an annual limit of 50,000 yen, the company pays the expenses required for learning for the purpose of self-development. In addition, as opportunities to support employees' independent learning, as well as company-led training by rank and department, employees serve as instructors for courses to acquire qualifications and improve knowledge and skills. Courses offered with the approval of the Human Resources Section are open to all participants regardless of their department or employment status.

*A lottery system may be applied depending on capacity

Creating an environment that fosters a sense of fulfillment

Shinnihonseiyaku aims to achieve the "rewarding culture" set forth in its Internal Environment Development Policy. We respect the autonomy and challenging spirit of our employees and work to create an environment where they can feel fulfilled.

Award system

In addition to the personnel evaluation system, various award systems are established.

Innovation Award

A system to recognize employees who have created innovative technologies that are different from the conventional or systems that are recognized as meaningful to the company.

*Entry system for self-recommendations and recommendations by others

MVP Award

A system to award employees who are considered to have contributed the most to the company's performance from among those who have received a certain level of recognition in personnel evaluations



Scenes from the MVP Award Ceremony

Employee awareness survey

In order to create an environment where employees can work in a lively and positive manner, we conduct an annual employee awareness survey of all employees, regardless of their employment status. Based on the survey results, we are working to identify and improve issues in the organizational culture.

Sharing career design

At Shinnihonseiyaku, once a year, employees submit a career design sheet to inform the company of their views on career development as an opportunity to think about their own careers. The contents of the declaration are used for personnel rotation and human resources development measures to support the career development of employees.

Health and Productivity Management

Under the "Shinnihonseiyaku Health and Productivity Management Declaration," Shinnihonseiyaku believes that a healthy lifestyle for employees is an essential element of sustainable corporate management, and is committed to providing support to employees both mentally and physically.

Health and Productivity Management Declaration

Shinnihonseiyaku endorsed the founding objectives of the Kyushu-Fukuoka Health and Productivity Management Promotion Council*, which was launched in February 2018, and participated as one of the initiating organizations. Taking this opportunity, we declared that we realize health and productivity management.

*Established by the Japan Society of Preventive Medicine Foundation as a company promoting health and productivity management in Kyushu

Shinnihonseiyaku Health and Productivity Management Declaration

1. We will provide a work environment where employees can work comfortably, vigorously, and happily.
2. We will realize a system that enables employees to work with peace of mind and well-being.
3. We will create a corporate culture where employees can try new things and feel a sense of fulfillment.

Initiatives for health and productivity management

Employee cafeteria that pays attention to employee health

The company cafeteria at the Head Office offers a menu that takes into consideration the health of employees, including a daily set meal supervised by a registered dietitian based on sports nutrition and smoothies made with the company's own products, "Asaichi Sukkiri! Aojiru Salad Plus." The company cafeteria is located on the top floor with a great view, and serves as a place for employees to relax.

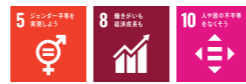


Aojiru Salad smoothie served in the company cafeteria

Counseling for mental and physical

In order to help employees lead a comfortable corporate life, we have established a contact point where they can consult directly with a professional counselor outside the company. Employees can discuss personal concerns as well as their concerns about interpersonal relationships and work.

Human Rights and Diversity



Shinnihonseiyaku aims to create a workplace environment in which diverse human resources with various values and ideas can demonstrate their individuality and abilities and play an active role. We will also conduct business activities that respect the human rights of all stakeholders.

Respect for human rights and diversity

Shinnihonseiyaku has established respect for human rights and diversity in its Internal Environment Development Policy, committed to creating a workplace environment where all human resources can play an active role and a culture that respects human rights and diversity. In addition, the Procurement Policy clearly states respect for the human rights and diversity of employees and aims to create a comfortable working environment. Based on these policies, we will create an environment in which individual employees can demonstrate their individuality and abilities, and conduct business activities that respect human rights and diversity throughout the supply chain.

Promotion of women's participation and advancement

Our main products, the PERFECT ONE All-in-One Gel series, was developed so that women who are busy with their careers, housework, childcare, and other daily activities due to their participation in society can experience the benefits of skincare without the time and effort. In addition, at our company, where approximately 80% of our employees are women, we have identified the promotion of women's participation as a materiality and aim to create a working environment and society where women can play an active role.

Formulation of action plans based on the Act on the Promotion of Women's Active Engagement in Professional Life and Act on Advancement of Measures to Support Raising Next-Generation Children

In order to realize a workplace environment in which women and other diverse human resources can play an active role, Shinnihonseiyaku has formulated an action plan* that includes support for women's careers and consideration of initiatives to encourage participation in childcare regardless of gender. We are promoting initiatives in line with this action plan.

* We are disclosing this action plan on the Ministry of Health, Labour and Welfare's "Information site to support efforts to balance work and family life: Support for Balancing Work and Family Life."

System for balancing childcare and nursing care with work

Childcare leave at birth	Leave that can be taken for up to 28 days within 8 weeks after the birth of the child to be cared for
Childcare leave	Leave that can be taken when taking care of a child up to the age of 2
Changes in working hours due to childcare	A system under which working hours can be reduced by up to two hours a day when raising a child until the end of the third grade year of elementary school
Nursing care leave	Leave that can be taken when caring for a family member in need of nursing care
Changes in working hours due to nursing care	A system that allows employees to change their working hours when caring for a family member in need of nursing care
Child nursing leave	Leave to take care of children up to the end of the third grade year of elementary school (5 days per fiscal year; 10 days per fiscal year for two or more children)
Nursing leave	Leave to care for a family member in need of nursing care (5 days per fiscal year; 10 days per fiscal year for two or more family members)

*There are requirements for using some systems.

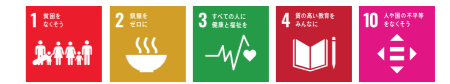
Towards a workplace where all can play an active role

Shinnihonseiyaku employs people with intellectual disabilities at the Logistics Center responsible for shipping products. They are in charge of sorting and packaging products to be shipped to customers. Instead of providing temporary work, we aim to create a safe working environment by examining within the company the work that is essential to deliver products to our customers.

Trends in employment of persons with disabilities

FY	FY2021	FY2022	FY2023
Employment rate for persons with disabilities	3.2%	3.6%	4.0%

CSR



Shinnihonseiyaku is committed to CSR activities that bring happiness to local communities. Employees actively participate in the activities, fostering a sense of participation in society by each and every employee.

Campaign to eradicate drunk driving

Shinnihonseiyaku has been working to eradicate drunk driving since 2008 in Fukuoka Prefecture, where its Head Office is located. Since the Fukuoka Uminonakamichi Ohashi Bridge drunk driving incident occurred, the entire prefecture has been working to eradicate drunk driving, but we have yet to eradicate it. In FY2023, we held a lecture by Miyako Yamamoto, the representative of NPO Heart Space that works to eliminate drunk driving, in cooperation with Hakata High School, and released balloons with the wish of eradicating driving under the influence.

At the same time, we conducted an awareness-raising campaign for employees with the aim of eradicating drunk driving.



Collaborative project with Fukuoka City and Avispa Fukuoka, "Fukuoka Clean Campaign" and others

In recent years, as climate change and global warming have become social issues and the importance of forests has increased, we wanted to expand activities for the local community, so we organized "Making our Home beautiful! Fukuoka Clean Campaign" (clean-up) event in collaboration with Avispa Fukuoka, who are based in Fukuoka and for which we are the uniform sponsor (chest), and "FUKUOKA TAKE ACTION!," a J League social collaboration project initiative.

Pink Ribbon Campaign at Avispa Fukuoka home match

About 80% of Shinnihonseiyaku's employees are women. For this reason, all female employees, regardless of age, can receive medical examinations for the female-specific cancers of breast cancer and cervical cancer in order to create a safe working environment for women. On the other hand, in order to improve the low breast cancer screening rate in Fukuoka Prefecture, we have been conducting the Pink Ribbon Campaign at our sponsored Avispa Fukuoka matches since 2021. In cooperation with NPO Happy Mamma, we are working to raise awareness of medical examinations by distributing educational leaflets and distributing original goods.



Breast cancer screening targets

Items	Targets
In-house breast cancer implementation rate	100% annually
Improving breast cancer screening rates in Fukuoka Prefecture	55% or more by 2026*

*Scheduled to refer to the "Comprehensive Survey of Living Conditions" published by the Ministry of Health, Labour and Welfare in 2026

Main CSR activities

- Avispa Fukuoka/Premium Uniform Partner
- RIZING ZEPHYR FUKUOKA/Official Partner, Wheelchair Team Sponsorship
- Japan Heart/Sponsorship of Smile Smile PROJECT
- NPO Heart Space/Sponsorship
- Oita International Wheelchair Marathon/Sponsorship
- FUKUOKA MARATHON/Sponsorship
- C's Athlete/Sponsorship
- Kyushu Pro-Wrestling/Kyushu Genkitai Member (Platinum)

Corporate Governance

Shinnihonseiyaku believes that streamlining management and increasing soundness, transparency and compliance will lead to long-term improvements in corporate value, and is actively working to build an organizational structure that can respond quickly and flexibly to changes in the business environment, while strengthening corporate governance.

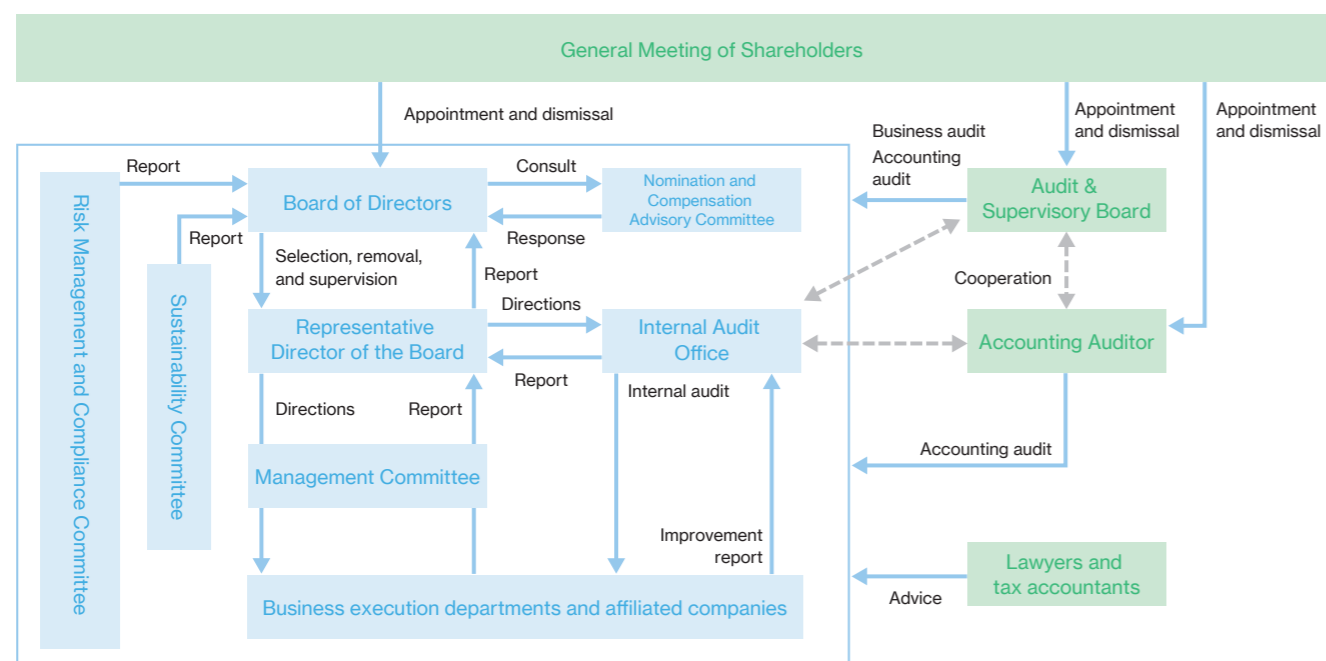
Changes in corporate governance

2016	Establishment of Board of Directors		
2018	Establishment of Risk Management and Compliance Committee Establishment of Audit & Supervisory Board	2020	Establishment of Nomination and Compensation Advisory Committee Changed listing market to the First Section of the Tokyo Stock Exchange Introduction of stock-based compensation system
2019	Listed on Tokyo Stock Exchange Mothers	2021	Appointment of female Outside Director
		2022	Transitioned from the First Section to the Prime Market of the Tokyo Stock Exchange Establishment of Sustainability Committee

Corporate governance system

The company has adopted a company with an Audit & Supervisory Board as the organizational design under the Companies Act, and has adopted the following corporate governance system in the belief that the soundness, objectivity and appropriateness of management can be ensured through inter-organizational cooperation.

*The company became a company with an Audit and Supervisory Committee on December 19, 2023.



Board of Directors

The Board of Directors makes decisions based on open and natural discussion of basic policies such as management strategy and management plans. The Board of Directors consists of six Directors of the Board, three of whom are Independent Outside Directors. Outside Directors express their high insights and objective opinions from an independent standpoint, and the Board of Directors conducts discussions from multiple perspectives.

Meetings of the Board of Directors

Chair	President & Representative Director of the Board and Chief Executive Officer
Number of meetings	15 times
Attendance rate	100%

Audit & Supervisory Board

The Audit & Supervisory Board consists of three members, one full-time Audit & Supervisory Board Member and two part-time Audit & Supervisory Board Members, all of whom are Outside Audit & Supervisory Board Members. Under the chairpersonship of the full-time Audit & Supervisory Board Member, the Board monitors the governance and its operational status and audits the day-to-day activities of Directors of the Board, including their execution of duties. In accordance with the Audit & Supervisory Board Member Audit Plan and Regulations, the system is set up so that the full-time Audit & Supervisory Board Member can always monitor the execution of duties of Directors of the Board, such as by attending important meetings such as the Management Strategy Conference as well as the General Meeting of Shareholders and the Board of Directors meeting and others, and making statements of opinions as necessary.

Meetings of the Audit & Supervisory Board

Chair	Full-time Audit & Supervisory Board Member
Number of meetings	20 times
Attendance rate	98%

Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee, a voluntary advisory body to the Board of Directors, serves as both the Nomination Committee and the Compensation Committee. The committee is chaired by the President & Representative Director of the Board and Chief Executive Officer and consists of five members, including three Outside Directors. In principle, meetings are held once a year, but issues are set for each fiscal year and extraordinary committee meetings are held as necessary. The committee deliberates on the policy for nomination and selection/dismissal of Directors of the Board and Audit & Supervisory Board Members, the policy for remuneration, etc. of Directors of the Board and the details of

remuneration, etc. for each individual Director of the Board, succession planning, and other advisory matters deemed necessary by the Board of Directors, and reports to the Board of Directors on the results of its deliberations.

Meetings of the Nomination and Compensation Advisory Committee

Chair	President & Representative Director of the Board and Chief Executive Officer
Number of meetings	6 times
Attendance rate	100%

Risk Management and Compliance Committee

The Risk Management and Compliance Committee, which is established as part of the corporate governance structure, is chaired by the President & Representative Director of the Board and Chief Executive Officer and is composed of full-time Directors of the Board, Corporate Officers, and General Managers. In principle, meetings are held once a quarter, but when necessary, extraordinary committee meetings are held to discuss and decide on the overall management of all risks associated with Shinnihonseiyaku, compliance, and specific issues and responses to specific risks. It also plans, manages, and implements compliance education for officers and employees.

Meetings of the Risk Management and Compliance Committee

Chair	President & Representative Director of the Board and Chief Executive Officer
Number of meetings	4 times
Attendance rate	100%

Sustainability Committee

The Sustainability Committee, which has been established to strengthen the sustainability promotion system, is chaired by the President & Representative Director of the Board and Chief Executive Officer, and is composed of full-time Directors of the Board and Corporate Officers. The committee formulates targets for key issues related to sustainability, and conducts progress management, supervision, and monitoring. In addition, matters to be discussed are reported to the Board of Directors as appropriate.

Meetings of the Sustainability Committee

Chair	President & Representative Director of the Board and Chief Executive Officer
Number of meetings	5 times
Attendance rate	100%

Evaluation of the effectiveness of the Board of Directors

We conducted an analysis and evaluation of the effectiveness of the Board of Directors with the aim of improving its functions. All Directors of the Board and Audit & Supervisory Board Members participated in the analysis and evaluation, and Outside Directors also participated in the discussion.

Summary

Implementation period: September 2023

Respondents: All Directors of the Board (6) and All Audit & Supervisory Board Members (3)

Methods: Self-evaluation method using questionnaire

- (1) An anonymous effectiveness evaluation questionnaire was administered to all Directors of the Board and all Audit & Supervisory Board Members.
- (2) Reported the summary of the results of the effectiveness evaluation questionnaire at a meeting attended by Directors of the Board and Audit & Supervisory Board Members, and discussed the summary of the results and future issues.
- (3) The Board of Directors confirmed the evaluation of the effectiveness of the Board of Directors.

Question

- (1) Questions about the composition of the Board of Directors (7 questions)
 - Adequacy of number and diversity the Board of Directors
 - Appropriateness of execution of duties of Directors of the Board
 - Adequacy of knowledge and abilities of Outside Directors, status of concurrent positions, and appropriate period of appointment
- (2) Questions about the operation of the Board of Directors (9 questions)
 - Appropriateness of the schedule and frequency of meetings of the Board of Directors
 - Appropriateness of content and quantity of agenda materials for the Board of Directors meeting, and sufficiency of time for prior consideration and deliberation of proposals
 - Appropriateness of the proceedings of the Board of Directors meeting, status and atmosphere of remarks at meetings, etc.
- (3) Questions on the Board of Directors' agenda (12 questions)
 - Appropriateness of the agenda, timeliness of proposals, and content of deliberations of the Board of Directors

- Appropriateness and sufficiency of discussions on succession development plans, remuneration, appointment and dismissal of officers, and Medium-Term Management Plans, etc.

(4) Questions about the structure that supports the Board of Directors (8 questions)

- Adequacy of provision of information to Outside Directors and Audit & Supervisory Board Members
- Adequacy of cooperation between Directors of the Board and Audit & Supervisory Board Members
- Appropriateness of membership, management, and reports of the Nomination and Compensation Advisory Committee

Evaluation

In the effectiveness evaluation questionnaire for the fiscal year ended September 2023, a high percentage of the respondents answered "sufficient" or "appropriate" on most questions. All Directors of the Board and Audit & Supervisory Board Members responded that (2) Questions about the operation of the Board of Directors, (3) Questions on the Board of Directors' agenda, and (4) Questions about the structure that supports the Board of Directors were generally appropriate.

On the other hand, when asked about (1) Questions about the composition of the Board of Directors, there was an opinion that the number of members of the Board of Directors and its diversity should be strengthened on the executive side, including Directors of the Board, and that specialist personnel and Corporate Officers should be trained. Based on these opinions, we will further enhance our efforts by promoting the succession plan formulated last year to develop specialist personnel and Corporate Officers.

In addition, in the effectiveness evaluation for the fiscal year ended September 2022, with regard to (3) the agenda of the Board of Directors, we have set as a challenge the creation of a system that enables strategic and big-picture discussions at Board of Directors meetings. In response to these issues, the Board of Directors reviewed the content of deliberations and increased and created opportunities for Directors of the Board to discuss the issues. As a result, in the effectiveness evaluation questionnaire for the fiscal year ended September 2023, the majority of the respondents answered that it was being discussed appropriately, confirming that improvements are being made.

Taking the above results into consideration, we believe that the effectiveness of the Board of Directors for the fiscal year ended September 2023 has been appropriately ensured.

Our Board of Directors will fulfill the roles and responsibilities of the Board of Directors, including addressing the above issues, and work to further improve its effectiveness. By doing so, we will further enhance our corporate governance and aim to continuously improve our corporate value.

Executive Compensation System



Shinnihonseiyaku's executive compensation system is designed to enhance its commitment not only to the short-term but also to the medium- to long-term improvement of business performance and the sustainable improvement of corporate value to continuously improve corporate value.

Basic Policy on Executive Compensation

Executive compensation consists of fixed monetary compensation paid in consideration of the execution of duties, stock-based compensation linked to performance in the fiscal year under review and over the medium to long term, and stock-based compensation in lieu of retirement benefits for Executives. The 32nd Annual General Meeting of Shareholders held on December 23, 2020 approved the introduction of the stock-based compensation system. With regard to compensation for the Company's executives, the 27th Annual General Meeting of Shareholders held on June 20, 2016 resolved that the maximum amount of compensation for Directors of the Board shall be 200 million yen per year (the number of Directors of the Board at the close of such meeting was 3), and the maximum amount of compensation for Audit & Supervisory Board Members shall be 50 million yen per year (the number of Audit & Supervisory Board Members at the close of such meeting was 1).

Directors of the Board

Compensation for executive Directors of the Board consists of monetary compensation and stock-based compensation (performance share unit system and restricted stock system). The payment ratio is designed to be approximately 75% for monetary compensation and 25% for stock-based compensation (when performance-linked compensation is paid at the base amount).

Outside Directors

Compensation for Outside Directors consists of monetary compensation only.

Audit & Supervisory Board Members

Compensation for Audit & Supervisory Board Members consists of monetary compensation only.

Process of determining compensation

Regarding compensation for Directors of the Board, the Nomination and Compensation Advisory Committee, an advisory body to the Board of Directors, comprehensively considers each Director of the Board's duties, contributions, and performance, and compares them with other companies in the same industry and of the same size, before reporting its deliberations to the Board of Directors. In response to the report of the Committee, the Board of Directors makes decisions within the limits resolved at the General Meeting of Shareholders. Compensation for Audit & Supervisory Board Members is determined by consultation of Audit & Supervisory Board Members within the limit amount resolved at the General Meeting of Shareholders.

Total amount of remuneration of executives

The total amount of remuneration for executives for the fiscal year is as follows.

Executive classification	Number of people receiving compensation	Monetary compensation	Stock-based compensation	Total amount of remuneration, etc.
Director of the Board	3 people	99 million yen	8 million yen	107 million yen
Outside Director	3 people	17 million yen	–	17 million yen
Audit & Supervisory Board Member (of which Outside)	3 (3) people	24 (24) million yen	–	24 (24) million yen

Risk Management and Compliance

As part of its corporate governance, Shinnihonseiyaku believes that it is important to identify and respond to potential risks in the promotion of our business. In addition, in order to remain a company that is trusted by our customers and society, we are implementing various initiatives to promote and improve compliance.

Risk management

Under the Basic Risk Management Policy, Shinnihonseiyaku strives to accurately identify the various risks facing our company and reduce the possibility of such risks, minimize losses in the event of such risks, and prevent early recovery and recurrence.

Risk assessment

We create a matrix to evaluate critical risks on two axes, the degree of impact on the business and the frequency of occurrence, and assign points to prioritize and determine critical risks. Based on this, we determine the main division responsible for responding to risks, and form a team including related divisions to respond. Critical risks are reviewed by the Risk Management and Compliance Committee at the beginning of the fiscal year, and progress is checked approximately once a quarter. The committee is chaired by the President & Representative Director of the Board and Chief Executive Officer, full-time Directors of the Board, Corporate Officers and General Managers.

Compliance

In accordance with our Mission and Charter of Conduct, Shinnihonseiyaku complies with laws, regulations, and internal regulations, and strives to be a company that is trusted by all stakeholders, including customers, business partners, employees, shareholders, and local communities. Under the Basic Compliance Policy, executives and all employees understand the significance of compliance and conduct corporate activities in compliance with it. We also strive to promote, improve, and enhance compliance by continuously evaluating and reviewing our policies and management systems.

Compliance Consultation Desk (Whistleblowing system)

We have established a Compliance Consultation Desk (Legal Division) as an internal consultation desk for compliance violations. In addition, we have an external consultation service (at our legal advisory office) that allows direct consultation and reporting without going through the internal consultation service and the company, and the external consultation service also allows anonymous reporting. In addition, we have established whistleblower protection regulations aimed at protecting whistleblowers, and have taken appropriate measures, such as conducting follow-up surveys to ensure that counselors and whistleblowers are not treated unfavorably.

Number whistleblowing and consultations	3 cases
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*There were no reports of serious violations of law.

Compliance promotion and whistleblowing system



*Whistleblowing concerning the President & Representative Director of the Board and Chief Executive Officer shall be reported to the Audit & Supervisory Board.

Information Security/Personal Information Protection

Shinnihonseiyaku regards the appropriate management and protection of confidential information related to research and products development, including about 6 million pieces of personal information possessed by Shinnihonseiyaku, as one of its important management issues, and focuses on strengthening the governance of information security and educating employees.

Information Security Policy

Based on our Mission, Shinnihonseiyaku has established and strictly adheres to an information security policy to ensure and improve confidentiality, integrity, and availability, the three major requirements for information security, in order to earn the trust of our customers and society as a whole.

- Compliance with laws
- Establishment of information security management system
- Establishment of Information Security Regulations
- Implementation of information security measures
- Implementation of information security education and training
- Evaluation of implementation of information security measures and continuous improvement

Initiatives to improve information security literacy

We are working to improve the information security literacy of our employees in order to prevent serious incidents due to human causes. We conduct e-learning for all employees once a year on information security and personal information protection, and continue to raise awareness on our intranet.

Percentage taking e-learning courses on information security

Percentage taking e-learning courses on information security	100%
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Thorough protection of personal information

Shinnihonseiyaku considers the safe and appropriate management of customer personal information and other personal information entrusted to it by all stakeholders in our company to be a top priority and has established a privacy policy. We also conduct training and education in accordance with the Personal Information Protection Regulations and strive to ensure the protection of personal information.

Percentage taking e-learning courses on protection of personal information

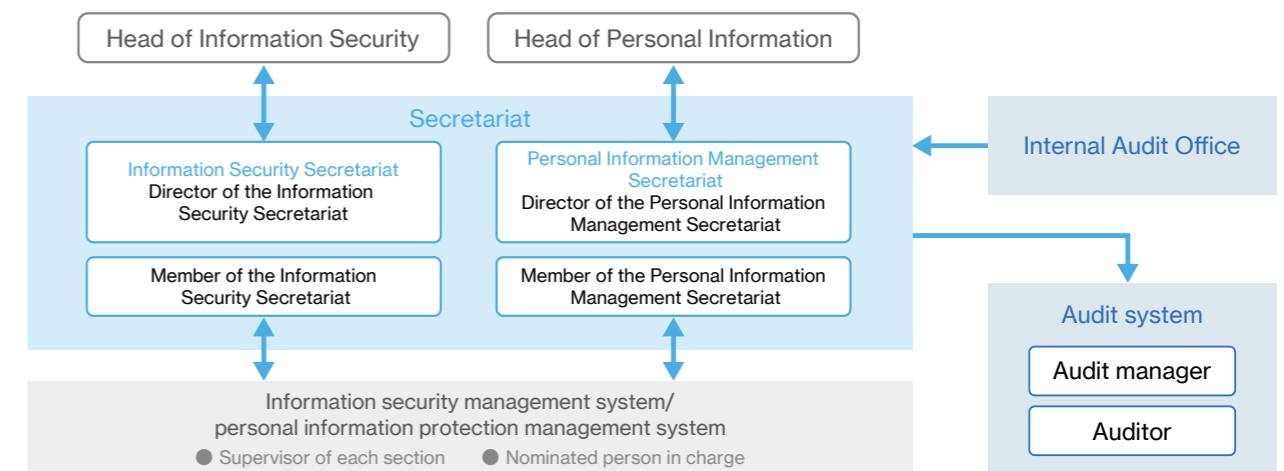
Percentage taking e-learning courses on protection of personal information	100%
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Obtaining PrivacyMark

In April 2005, we obtained the PrivacyMark, which is recognized as proof that a business has an appropriate system for handling personal information, and we continue to renew it.



Information security promotion system



Stakeholder Engagement

In order to achieve our Purpose, Shinnihonseiyaku is working to understand the opinions and requests of stakeholders through various mechanisms, such as proactive information disclosure and surveys, and to reflect them in our business activities.

Communication with Stakeholders

Stakeholders	Dialogue and communication	Frequency
Customers	<ul style="list-style-type: none"> Business activities Customer contact points such as call centers and websites Website Customer questionnaire Customer satisfaction survey 	Daily Daily Always Daily As needed
Shareholders and Investors	<ul style="list-style-type: none"> General Meeting of Shareholders Financial results briefing Small meetings with investors Individual inquiries Corporate site Responses to questionnaires and surveys from ESG rating agencies 	Once per year Four times per year As needed As needed As needed As needed
Suppliers	<ul style="list-style-type: none"> Procurement activities Partner briefings Quality Conference Quality Improvement Report Meeting Quality audit 	Daily As needed Regular Regular Regular
Employees	<ul style="list-style-type: none"> Various interviews Management Policy Presentation Intranet and internal newsletters Whistleblowing system 	As needed Once per year As needed Daily
Local Communities	<ul style="list-style-type: none"> Participation in local events CSR 	As needed As needed
NPOs, NGOs	<ul style="list-style-type: none"> Meetings and collaboration with NPOs and NGOs 	As needed
Government, local government, industry, and academic societies	<ul style="list-style-type: none"> Participation in industry activities Research in collaboration between industry and academia 	As needed As needed

Dialogue with Customers

Customer questionnaire

At Shinnihonseiyaku, we conduct a questionnaire in the delivery document that is included when we deliver products to customers who have placed an order. The results of the questionnaire are used for business activities such as products development, sales promotion, and advertising.

Company-wide sharing of VOC*

In addition to the voices of customers gathered at call centers on a daily basis, messages sent to subscriber news magazines are shared throughout the company on the intranet and through internal postings, and reflected in products improvements and service improvements.

*Short for Voice Of Customer



VOC displayed inside the company

Dialogue with Shareholders and Investors

Financial results briefings, individual interviews, and small meetings

In addition to dialogue at the General Meeting of Shareholders, we hold quarterly financial results briefings for shareholders and investors, as well as individual interviews and small meetings for follow-up. A total of 74 individual interviews and small meetings were held in FY2023.



Scenes from the 34th Annual General Meeting of Shareholders

Dialogue with Employees

Management Policy Presentation

Once a year, at the beginning of each fiscal year, we hold a presentation called the Midterm Strategy Conference (MSC) as an opportunity to deliver management strategies and execution plans for the fiscal year directly from top management and department managers to each employee. After the conference, we conduct a questionnaire for all employees. The results of the questionnaire are reported to the management and reflected in the management of the conference to enable better communication.



View of the MSC event

Dialogue with Local Communities

CSR/Campaign to eradicate drunk driving

Shinnihonseiyaku is committed to CSR activities that create smiles in the community in order to realize "a beautiful smile" in our Purpose. One of the CSR activities we continue to carry out is the campaign to eradicate drunk driving. In FY2023, an event to eradicate drunk driving was held at Hakata High School (Fukuoka City) in conjunction with the NPO Heart Space (Fukuoka City, President: Miyako Yamamoto) to coincide with Drunk Driving Eradication Week set by Fukuoka Prefecture.



A message from a student expressing a wish to eradicate drunk driving

Non-financial Data

Environment

		Unit	FY2021	FY2022	FY2023
Amount of industrial waste *1		t	22.2	56.2	-
CO ₂ emissions	Scope 1	tCO ₂	1.4	0.9	2.0
	Scope 2*2		655.1	520.3	488.0
	Scope 3*3		-	24977.1	26095.4
Water consumption (domestic water and sewage) *4		m ³	2329.9	2205.1	2038.1

*1: Total amount of industrial waste at the three locations of: Head Office, Yoshizuka Office, and Logistics Center. The calculation period for the amount of industrial waste was FY2021 (April 2021 to March 2022) and FY2022 (April 2022 to March 2023). The figures for FY2023 are scheduled for calculation in April 2024 or later. We believe that the increase in FY2022 was due to the disposal of heavy products using bottles.

*2: Adopt market standards. In line with the revision of the calculation method, we recalculated the amount of emissions in FY2021 and FY2022. We believe that the decrease in FY2023 was due to the closing of company-operated stores.

*3: The calculation range is non-consolidated for Shinnihonseiyaku Co., Ltd. Categories 1, 4, and 12 are calculated only for cosmetics. Categories 8, 10, 11, 13, 14, and 15 are excluded from the calculation due to reasons such as the absence of relevant emissions, inclusion in other categories, and inclusion in Scope 1 + 2.

In FY2023, the industrial waste data used for calculation of Category 5 was not calculated because it was not yet collected.

*4: Total amount of water and sewage used at the three locations of: Head Office, Yoshizuka Office, and Logistics Center.

Human Resources

	Scope of Report	Unit	FY2021	FY2022	FY2023
Number of employees	Full-time employee	Female	212	198	206
		Male	93	99	95
		Total	305	297	301
	Contract employees	Female	165	171	158
		Male	20	22	21
		Total	185	193	179
	Dispatch employees	Female	19	21	2
		Male	1	1	1
		Total	20	22	3
Average years of service	Total	510	512	483	
Average age	Female	Year	8.7	8.7	8.8
	Male	Year	6.1	6.2	6.4
	Total	Year	7.9	7.9	8.0
Number of managers	Female	Age	38.0	37.8	37.7
	Male	Age	38.4	39.7	40.1
	Total	Age	38.1	38.4	38.5
Ratio of female managers	Total	People	4	4	5
Ratio of female employees	Total	People	22	26	29
Employment rate for persons with disabilities	Total	People	26	30	34
Number of childcare leave system users	Total	People	22	26	29
Childcare leave acquisition rate	Total	People	26	30	34
Paid leave acquisition rate	Total	People	26	30	34
Self-development allowance utilization rate*5	Total	People	26	30	34
Filial allowance utilization rate*5	Total	People	26	30	34
Ratio of female managers	Total	People	22	26	29
Ratio of female employees	Total	People	26	30	34
Employment rate for persons with disabilities	Total	People	26	30	34
Number of childcare leave system users	Total	People	26	30	34
Childcare leave acquisition rate	Total	People	26	30	34
Paid leave acquisition rate	Total	People	26	30	34
Self-development allowance utilization rate*5	Total	People	26	30	34
Filial allowance utilization rate*5	Total	People	26	30	34

*5: Our company's unique benefit system. The usage rate is the number of employees using the system divided by the number of eligible employees (directly employed employees).

Governance

Corporate governance system			Unit	FY2023	
Number of Directors of the Board	Internal	Female	People	0	
		Male		3	
		Total internal		3	
	Outside	Female		1	
		Male		2	
		Total outside		3	
	Independent outside	Female		1	
		Male		2	
		Total outside		3	
			Total	6	
Ratio of Independent Outside Directors				50.0	
Ratio of female Directors of the Board				16.7	
Number of Audit & Supervisory Board Members	Internal	Female	People	0	
		Male		0	
	Independent outside	Female		0	
		Male		3	
		Total		3	
Ratio of Independent Outside Audit & Supervisory Board Members				100	
Term of Directors of the Board				Year	1
Number of Board of Directors meetings				Time	15
Attendance at Board of Directors meetings (Directors of the Board)				%	100
Attendance at Board of Directors meetings (Audit & Supervisory Board Members)				%	100
Number of meetings of the Audit & Supervisory Board				Time	20
Attendance at Audit & Supervisory Board meetings				%	98.3
Attendance rate of Independent Audit & Supervisory Board Members				%	98.3
Number of Corporate Officers		Female	People	0	
		Male		7	
		Total		7	
Ratio of female Corporate Officers				%	0
Number of Nomination and Compensation Advisory Committee members	Number of Internal Directors of the Board	Female	People	0	
		Male		2	
	Number of Independent Outside Directors	Female		1	
		Male		2	
		Total		5	
Number of meetings of the Nomination and Compensation Advisory Committee				Time	6
Attendance at meetings of the Nomination and Compensation Advisory Committee				%	100
Compliance			Unit	FY2023	
Number whistleblowing and consultations				Cases	3
Number of legal violations				Cases	0
Number of personal information breaches				Cases	0

Period: FY2021 (October 2020 to September 2021), FY2022 (October 2021 to September 2022), FY2023 (October 2022 to September 2023)

Corporate Profile

Company name

Shinnihonseiyaku Co., Ltd.

Representative

President & Representative Director of the Board
and Chief Executive Officer
Takahiro Goto

Head Office

1-4-7 Otemon, Chuo-ku, Fukuoka City,
810-0074, Japan
TEL 092-720-5800

Established

March 11, 1992

Capital

4,158 million yen

Number of employees

483 people

Memberships and qualifications

Japan Direct Marketing Association
Japan Health and Nutrition Food Association
COSMETIC FAIR TRADE CONFERENCE
Japan Cosmetic Industry Association
Call Center Association of Japan
Council for Responsible Nutrition of Japan
The Pharmaceutical Society of Japan
The Japanese Society of Pharmacognosy
Japanese Society of Anti-Aging Medicine
Japan Anti-Aging Foundation
Japan Self-Medication Industry
Japan Online Drug Association
Cosmetics Manufacturing and Sales Business License
Japanese Cosmetic Science Society
Pharmaceutical Store Sales Business License
Pharmaceutical Wholesale Sales Business License
Type 2 Pharmaceuticals Manufacturing and Sales Business licenses
Quasi-drug Products Manufacturing and Sales Business licenses
Japan Advertising Review Organization

Other offices

Tokyo Office
Marunouchi Building 16F, 2-4-1 Marunouchi,
Chiyoda-ku, Tokyo,
100-6316, Japan
TEL 03-6837-1685

Yoshizuka Office
8-7-11 Yoshizuka, Hakata-ku, Fukuoka City,
812-0041, Japan
TEL 092-626-8822

Logistics Center
8-5-75 Yoshizuka, Hakata-ku, Fukuoka City,
812-0041, Japan
TEL 092-626-8163

As of September 30, 2023