



Beyond innovation, for a beautiful smile!

Supplementary Briefing Material on Financial Results for the Second Quarter of the Fiscal Year Ending September 2024

May 13, 2024

Shinnihonseiyaku Co., Ltd.

Securities Code: 4931

Tokyo Stock Exchange Prime Market

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending September 2024

Net sales

Net sales **19,656 million yen** (up 7.7% Year-on-year)

- Cosmetics, with PERFECT ONE progressing as expected and the significant growth of FOCUS, are **up 3.2%**.
- Healthcare, with both Fun and Health and Wellness Food on a strong trend, is **up 48.0%**.
- Aim at fulfilling the full-year plan by changing the composition of the sales plan by channel based on the situation of overseas sales.

Expenses/ Profit

Operating profit **2,076 million yen** (up 41.5% Year-on-year)

- As for marketing investment, made aggressive investment in well-performing and developing brands, which progressed as planned.
- Continued to see a significant increase in profits due to a greater revenue effect and higher efficiencies regarding operating expenses.
- For the second half of the fiscal year, execute aggressive marketing investment while bearing the full-year profit plan in mind.

2Q Highlights

- With PERFECT ONE, domestic sales* exceeded those of the same period of the previous year and **progressed as planned**.
- FOCUS grew considerably **in 2Q by 87.0% year-on-year** thanks to sales of new products and its strong performance in EC malls.
- Fun and Health was **up 48.1% year-on-year in 2Q** due to an increase in the number of subscribers to *W no Kenko Aojiru* (Doubly Healthy Green Drink).
- Achieved a “B” score on in CDP “Climate Change Report 2023”, up 2 spots from the previous year.

*: Excluding net sales of PERFECT ONE from overseas sales and direct store sales.

INDEX

- 1. Summary of Second Quarter Financial Results**
- 2. Second Quarter Business Highlights**
- 3. Plan for the Fiscal Year Ending September 2024**
- 4. APPENDIX**

1. Summary of Second Quarter Financial Results

Summary of Second Quarter Financial Results

Cosmetics, with PERFECT ONE progressing as expected and **the accelerated growth of FOCUS, posted increased revenue.**

Healthcare **continued to increase revenue significantly** thanks to the growth of *W no Kenko Aojiru* and **Wellness Food.**

All measure of profit **continued to increase above** plan due to a greater revenue effect.

(Unit: Million yen)

Items	First half of FY ended Sept. 2023	First half of FY ending Sept. 2024		Year-on-year comparison		Comparison against plan
		Plan	Results	Changes	Changes(%)	
Net sales	18,250	19,374	19,656	+1,405	+7.7%	+281
Cosmetics	16,410	16,836	16,932	+521	+3.2%	+95
Healthcare	1,840	2,538	2,723	+883	+48.0%	+185
Operating profit	1,467	1,792	2,076	+609	+41.5%	+284
Operating profit margin	8.0%	9.3%	10.6%	+2.5pt	—	+1.3pt
Ordinary profit	1,467	1,795	2,083	+616	+42.0%	+288
Profit (attributable to owners of parent)	980	1,167	1,402	+422	+43.1%	+234

Summary of Second Quarter Financial Results - Supplemental Data

Mail order posted increased revenue **due to growth in domestic EC sales**.

In wholesale, sales of FOCUS in drug stores contributed to increased revenue.

Overseas sales posted a significant revenue decrease in the wake of **a revision to the existing business strategies in East Asia and ASEAN**.

As for marketing investment, aggressive investment was made in well-performing and developing brands, which progressed as generally planned.

The move to raise efficiency regarding operating expenses continued.

(Unit: Million yen)

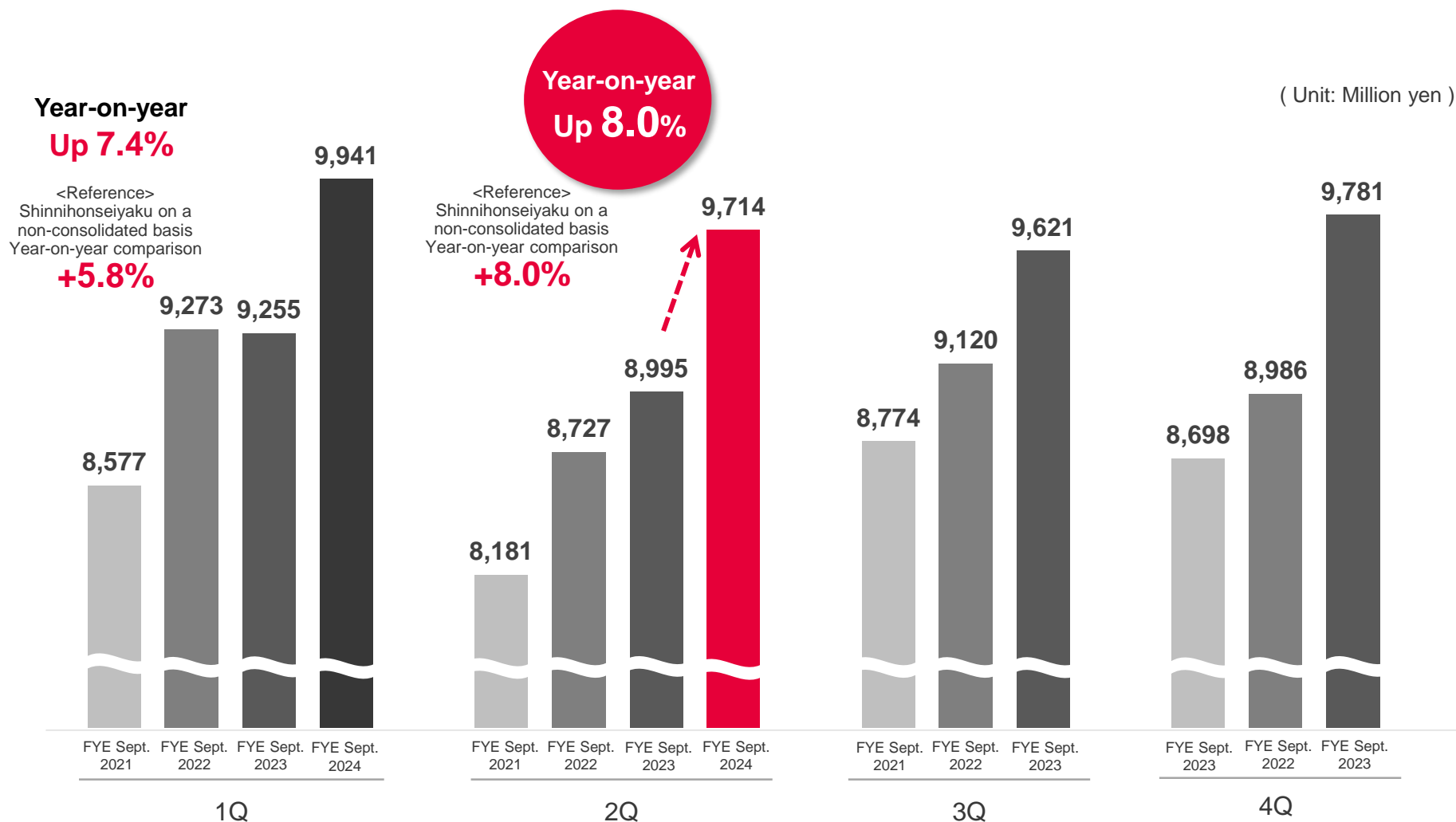
Items	First half of FY ended Sept. 2023	First half of FY ending Sept. 2024		Year-on-year comparison		Comparison against plan
		Plan	Results	Changes	Changes(%)	
<Sales by channel>						
Mail order	16,583	17,473	17,763	+1,179	+7.1%	+289
Wholesale	1,364	1,731	1,816	+452	+33.2%	+84
Overseas	303	169	76	-226	-74.7%	-92
<Overseas and domestic EC sales*1>						
Overseas and domestic EC sales	2,846	3,720	3,854	+1,007	35.4%	+133
<Marketing investment>						
Advertising expenses	5,291	5,763	5,548	+257	+4.9%	-215
Sales promotion expenses	2,533	2,501	2,560	+27	+1.1%	+59
<Operating expenses>						
FF cost*2	2,081	2,099	2,076	-4	-0.2%	-23
Call center costs	1,247	1,142	1,149	-98	-7.9%	+7

*1: Total of the domestic EC net sales in mail order sales and the EC net sales in overseas sales, among the net sales by channel * 2: FF cost = Order fulfillment cost

[Reference] Trends in Quarterly Net Sales

Results of the fiscal year ended September 2021 are based on the new revenue recognition standards.

Growth in the developing brands of FOCUS, Fun and Health and Wellness Food led to 8.0% increase in consolidated revenue.

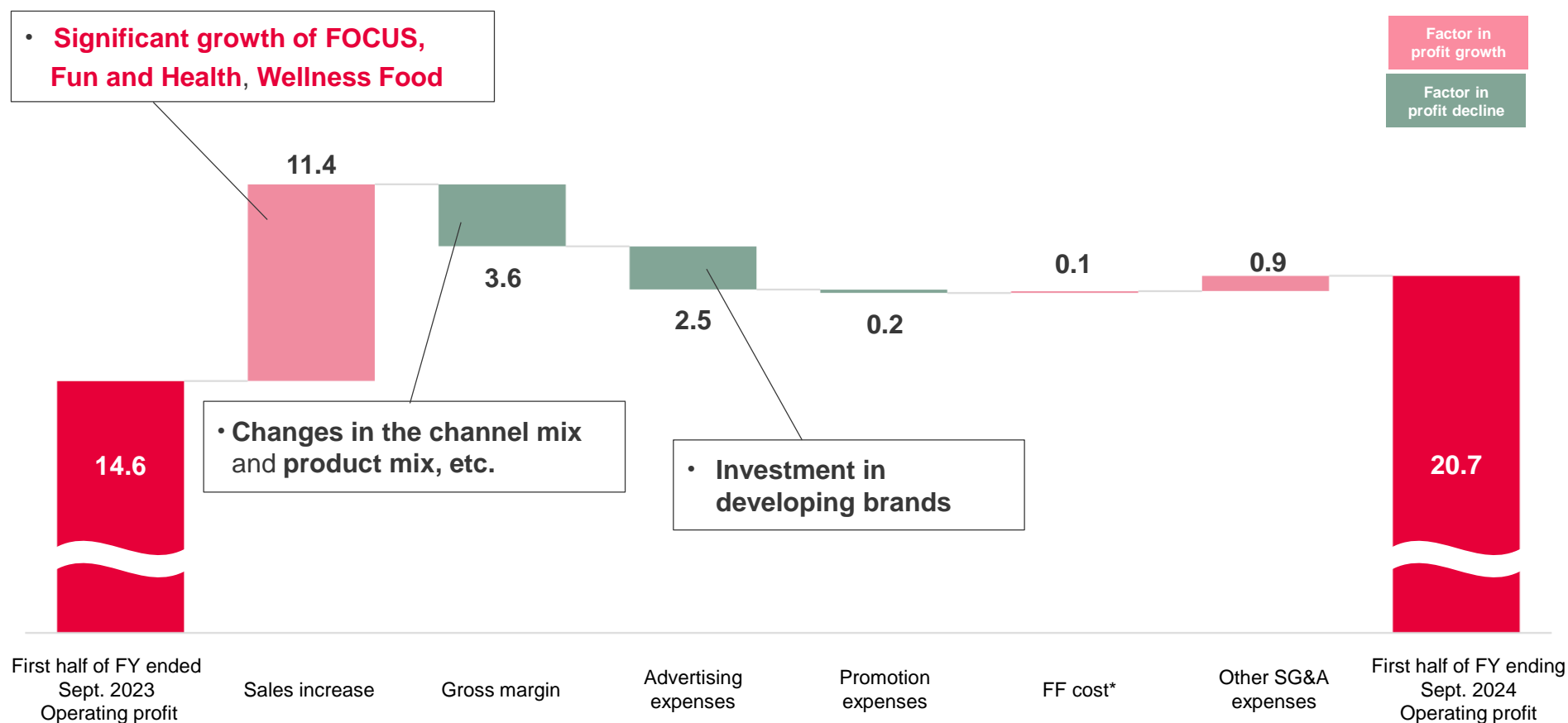


Summary of Second Quarter Financial Results

- Operating Profit Change Factor Analysis

Although **the decline in gross margin** due to the changes in channel and product mix and **the increase in advertising expenses** were factors in the decline of profit, **the increased revenue from the growth of developing brands** contributed to **the increase in profit**.

(Unit: 100 million yen)



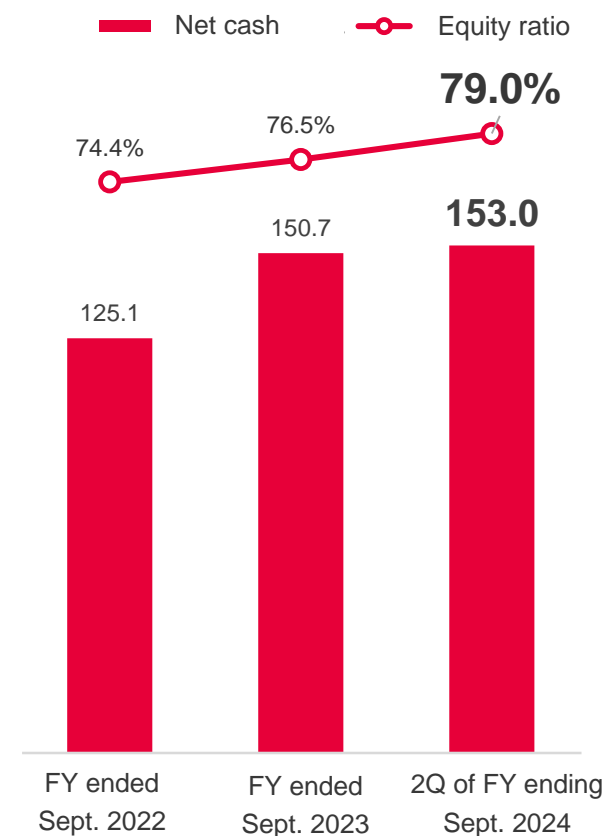
*:Of FF cost, Variance from the same period of the previous year in shipping and delivery costs and agency fees (payment commissions) among FF costs

Status of Balance Sheet

(Unit: Million yen)

Items	End of FY ended Sept. 2022	End of FY ended Sept. 2023	2Q-end of FY ending Sept. 2024	Changes from previous fiscal year-end
Current assets	19,265	21,254	21,574	+320
Cash and deposits	14,351	15,518	15,648	+129
Accounts receivable-trade	2,862	3,171	3,317	+146
Inventories	1,735	2,092	2,203	+111
Non-current assets	4,592	4,247	4,097	-149
Total assets	23,857	25,501	25,672	+170
Liabilities	5,938	5,840	5,304	-536
Trade payables	553	946	498	-447
Interest-bearing debt	1,839	446	347	-99
Net assets	17,918	19,661	20,368	+706
Treasury shares	-735	-647	-552	+95
Total liabilities and net assets	23,857	25,501	25,672	+170

(Unit: 100 million yen)



2. Second Quarter Business Highlights

PERFECT ONE

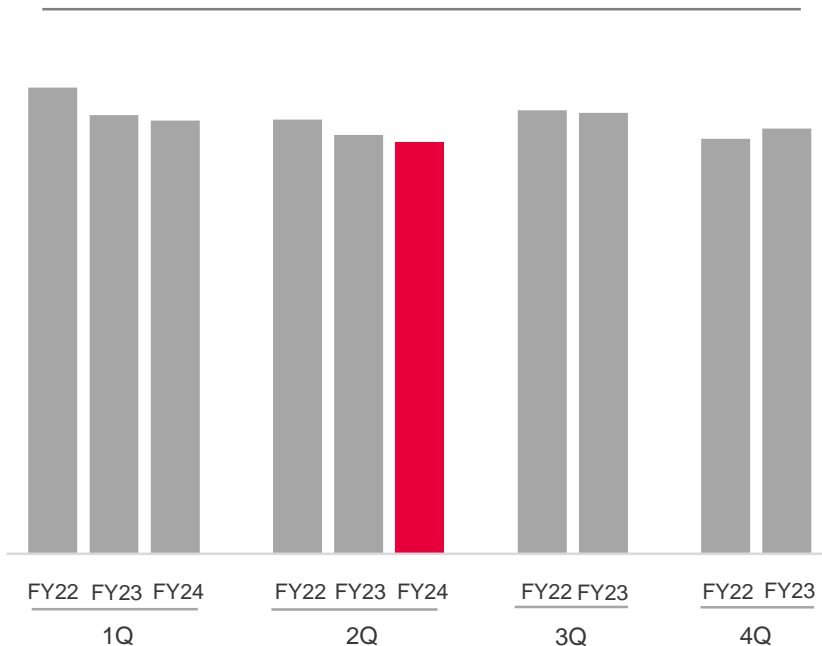
Domestic sales*1 exceeded those of the same period of the previous year
Gel took the No. 1 market share*2 for eight consecutive years

The PERFECT ONE brand experienced a decline in revenue, but progressed as planned.

Domestic sales*1 (Offline mail order, EC, wholesale) excluding the impact of overseas sales, etc., posted a year-on-year increase.

Continue to aim at keeping the increased revenue trend through maximizing LTV with the 3-STEP proposal and acquiring new customers with Serum series.

PERFECT ONE Quarterly Net Sales



PERFECT ONE All-in-One Gel series took the No. 1 market share*2 for eight consecutive years.

Maintained the top market share in the highly competitive all-in-one market.

New release

All-in-One Serum Series: Expansion and reinforcement of SKU



- Run the PDCA of test marketing by expanding and reinforcing SKU.
- Conduct new communications with new and existing customers by using Serum as the hook.

*1: Excluding net sales of PERFECT ONE from overseas sales and direct store sales.

*2: Including PERFECT ONE FOCUS series: Fuji Keizai "Cosmetics Marketing Handbook 2017-2024"(Moisture and all-in-one sections / 2016-2023 results of manufacturer, brand share)

PERFECT ONE FOCUS

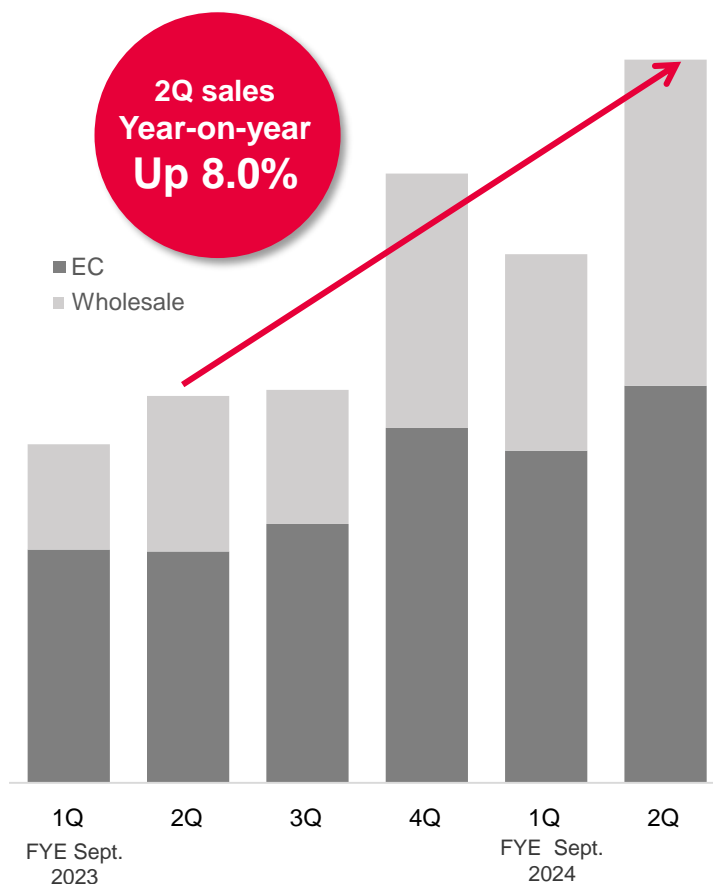
High growth in 2Q, a Year-on-year increase of 87.0%

Further expand the market share in the balm market

Both EC and wholesale kept the increased revenue trend. Moreover, “Deep Black,” which was balm that was put on the market in a limited amount in November, boosted the net sales expansion.

Aim at a further expanding the market share in the cleansing balm market **by making “Deep Black” a staple in stores.**

Trend of FOCUS quarterly net sales



EC

- Implemented large-scale programs* with influencers at Qoo10 as a new effort. As a result, **FOCUS took the No.1 spot in the Qoo10 overall ranking with more than 40,000 units of the product sold in four days.**



Wholesale

- Net sales per store grew **by 43% year-on-year in 2Q.**
- “Deep Black” became a staple in stores on April 1 because of its high popularity. It started being delivered to existing distribution stores.



*: (Planning and operation: Wacker, Inc.)

Overseas sales

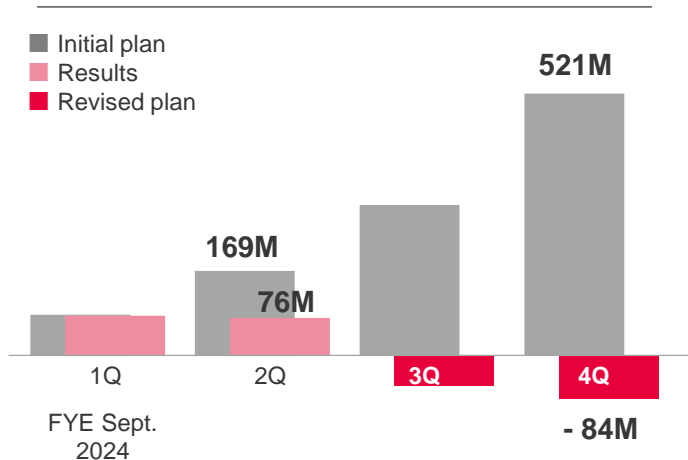
Revised the full-year plan

A part of deployment in the U.S started, and its full-scale will start in 3Q

East Asia and ASEAN

- Revised business strategies based on investment efficiency in the face of the deterioration of the market environment.
- Full-year sales are expected to see negative growth as a result of continuing the response to the revision in the second half.
- New business strategies are under consideration for re-implementation in the next fiscal year.

Net sales trend of overseas sales (cumulative)



United States

- Make preparations steadily and execute the strategy with some of the merchandise in some of the channels.
- Full-scale execution will start in 3Q and is expected to be reflected in consolidated net sales from 4Q.

GENTLE CLEANSING

CLEANSE PORES

THOROUGHLY WITH EASE

The soft balm transforms into a smooth oil with body heat. Easily removes even stubborn makeup.

NOT AVAILABLE IN STORES

SPECIAL INTRODUCTORY OFFER

#1 BEST SELLING ALL-IN-ONE SKINCARE 7 YEARS IN A ROW

Wholesale

The number of distributing drugstores expanded

Wholesale channel strategy by target

Target	Store	Strategy
Middle-age generation Inbound	Drug stores	<p>Increase the number of distributing stores</p> <p>Drug stores Planned to reach 900 stores at the end of May 2024 3,000 stores centered on major drugstores</p> <p>End of September 2023 560 stores</p> <p>Expansion into duty-free shops</p>
Inbound	Duty-free shop	
Senior-age generation	General merchandise stores (GMS)	<p>Increase spending per customer and net sales per store by creating sales counters suitable to promote the 3-STEP proposal</p>
"Millennial" generation	Variety shop	

- Marketing for foreign visitors also started in stores that benefited considerably from inbound demand.



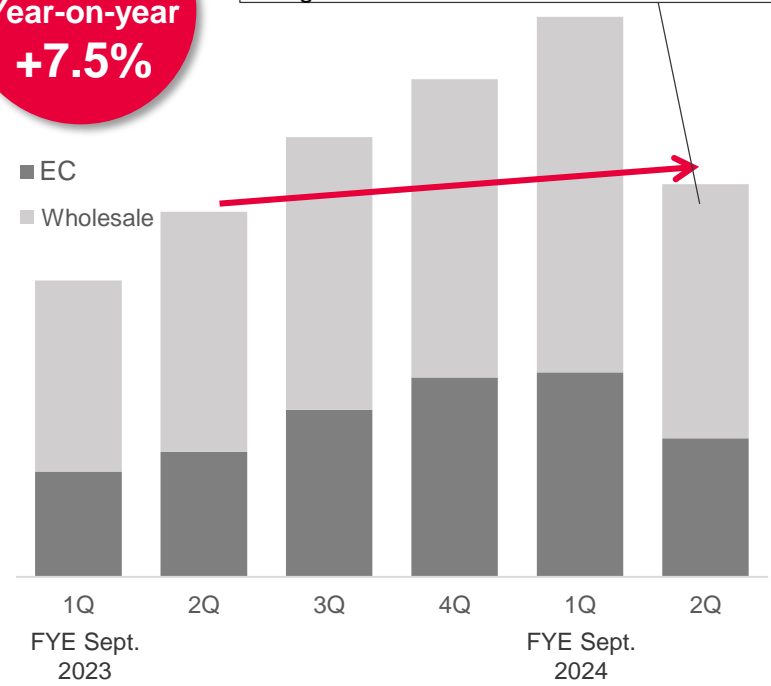
Wellness Food

Growth will continue on the back of the strong performance of EC

Wellness Food quarterly net sales

2Q sales Year-on-year +7.5%

Although net sales temporarily declined in 2Q due to the timing of receipt of orders, revenue will increase year-on-year, which will continue the growth trend.



Wholesale

- With MCT oil, our main merchandise, highlighted in the media, demand increased more than expected.

EC

- Strong sales at events in EC malls.

Fun and Health

W no Kenko Aojiru has laid the groundwork for stable growth

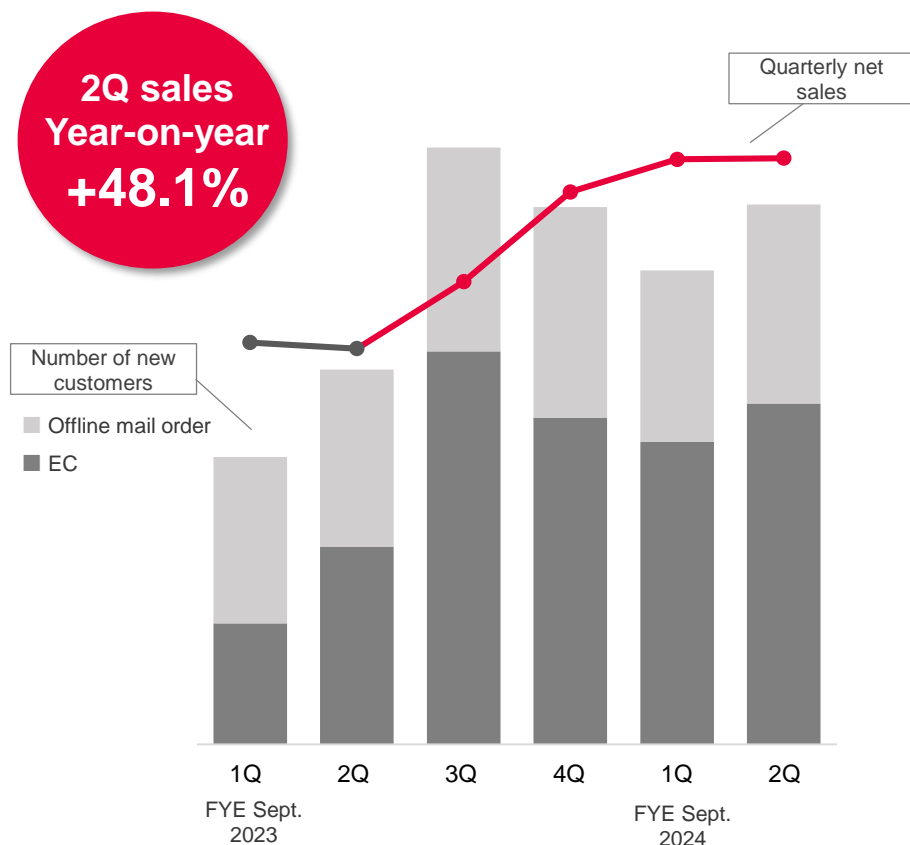
Aim at further growth with new products

Net sales **increased 48.1% year-on-year** due to the acquisition of new customers and an increase in subscribers mainly through ECs that sold *W no Kenko Aojiru*.

Strive to reinforce EC channels with the aim of seeing further growth following the thinking that puts importance on investment efficiency.

Fun and Health

Trends in quarterly net sales and the number of new customers



Marketing strategy

- Strengthen the CRM that highlights the safety of quality.
- Release a healthcare support app in late April. Support customers' healthy habits and drive the effort to convert customers into loyal ones.



New release Slimore Coffee

- Launched on March 1: Test marketing started offline and at ECs.
- Coffee that is a beverage with functional claims. Assist people who are a bit on the heavy side in reducing weight and belly fat.



3. Plan for the Fiscal Year Ending September 2024

Plan for the Fiscal Year Ending September 2024

Although the first half exceeded the plan, the full-year plan remains unchanged by taking the status of Overseas Sales and market trends into account.

Aim at fulfilling the plan by continuing the growth of FOCUS in Cosmetics and **Fun and Health** in healthcare.

Ramp up aggressive marketing investment toward achieving the sales plan **while paying attention to the plan in terms of operating profit.**

(Unit: Million yen)

Items	FY ended Sept. 2023 Results	FY ending Sept. 2024		Year-on-year change in the full-year plan	Year-on-year change in the full-year plan (%)
		Results in the first half	Full-year plan		
Net sales	37,653	19,656	40,000	+2,346	+6.2%
Cosmetics	33,390	16,932	34,367	+977	+2.9%
Healthcare	4,262	2,723	5,632	+1,369	+32.1%
Operating profit	3,754	2,076	4,000	+245	+6.5%
Operating profit margin	10.0%	10.6%	10.0%	+0.0pt	—
Ordinary profit	3,721	2,083	3,980	+259	+7.0%
Profit (attributable to owners of parent)	2,394	1,402	2,580	+185	+7.8%

Premises of Plan for the Fiscal Year Ending September 2024

Overseas sales are assumed to see a net sales decrease by factoring in the impact of the business revision.

Aim at fulfilling the full-year plan by changing the composition of sales by channel in light of the situation and offsetting the decrease of Overseas with well-performing mail order.

As for marketing investment, become more aggressive in investing in well-performing ECs and developing brands.

(Unit: Million yen)

Items	FY ended Sept. 2023 Results	FY ending Sept. 2024		Year-on-year change in the full-year plan	Year-on-year change in the full-year plan (%)
		Results in the first half	Full-year plan		

<Sales by channel>

Mail order	34,151	17,763	36,394	+2,243	+6.6%
Wholesale	2,917	1,816	3,689	+772	+26.5%
Overseas	584	76	-84	-669	-114.4%

<Overseas and domestic EC sales>

Overseas and domestic EC sales	6,376	3,854	8,140	+1,763	+27.7%
-----------------------------------	-------	-------	-------	--------	--------

<Marketing investment>

Advertising expenses	10,602	5,548	11,465	+863	+8.1%
Sales promotion expenses	4,901	2,560	4,943	+42	+0.9%

<Operating expenses>

FF cost	4,229	2,076	4,426	+197	+4.7%
Call center costs	2,463	1,149	2,362	-100	-4.1%

APPENDIX

Position of the Company's Products in Each Market

All-in-one market

Share of domestic sales

NO.1^{*1}

All-in-one market
2023 (Actual)

Market size 133.7 billion yen ^{*2}



Cushion foundation market

Share of domestic sales

NO.1^{*3}

Cushion foundation market
2022 (Actual)

Market size 26.8 billion yen ^{*5}



Cleansing balm market

Share of domestic sales

NO.2^{*4}

Cleansing balm market
2023 (Actual)

Market size 23.8 billion yen ^{*2}



Aojiru market of food with functional claims

Share of Aojiru market of food with functional claims

NO.1^{*6}

【Reference】
Green charge market
2022 (Estimate)

Market size 78.3 billion yen ^{*7}

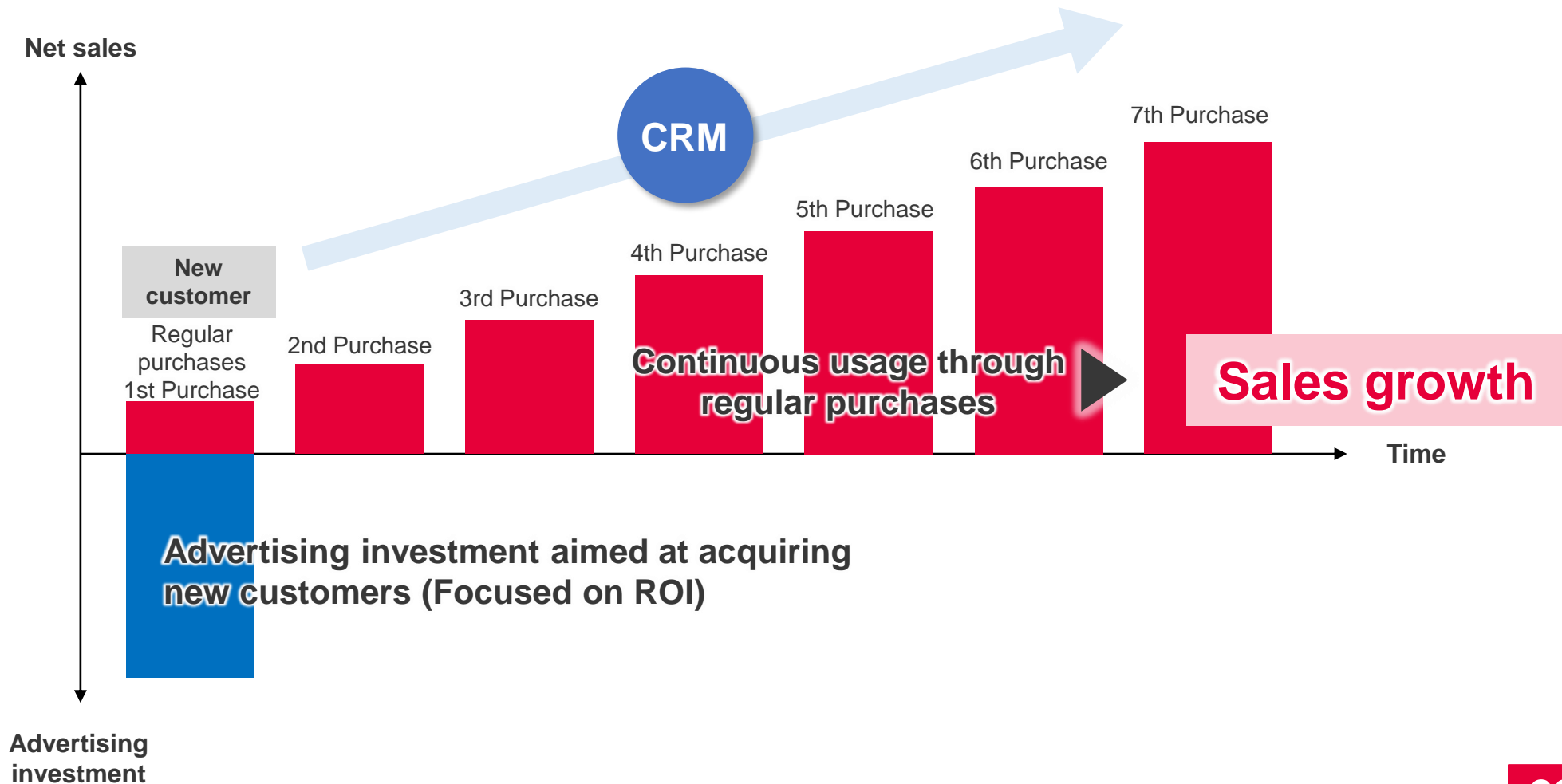


*1: Including PERFECT ONE FOCUS series: Fuji Keizai "Cosmetics Marketing Handbook 2024" (Moisture and all-in-one sections / 2023 results of manufacturer, brand share)
 *2: Fuji Keizai "Cosmetics Marketing Handbook 2024" (All-in-one sections, Cleansing balm section)
 *3: Fuji Keizai "Cosmetics Marketing Handbook 2023" (Cushion foundation section / 2022 results of manufacturer, brand)
 *4: Fuji Keizai "Cosmetics Marketing Handbook 2024" (Cleansing balm section / 2023 results of manufacturer, brand)
 *5: Fuji Keizai "Cosmetics Marketing Handbook 2023" (Cushion foundation section)
 *6: Research by TPC Marketing Research (Shipment from manufacturer in 2022)
 *7: Fuji Keizai "Health & Beauty Food Marketing Handbook 2023"

Our Strength: Recurring Revenue Model

Recurring Revenue Model through periodic purchase of products

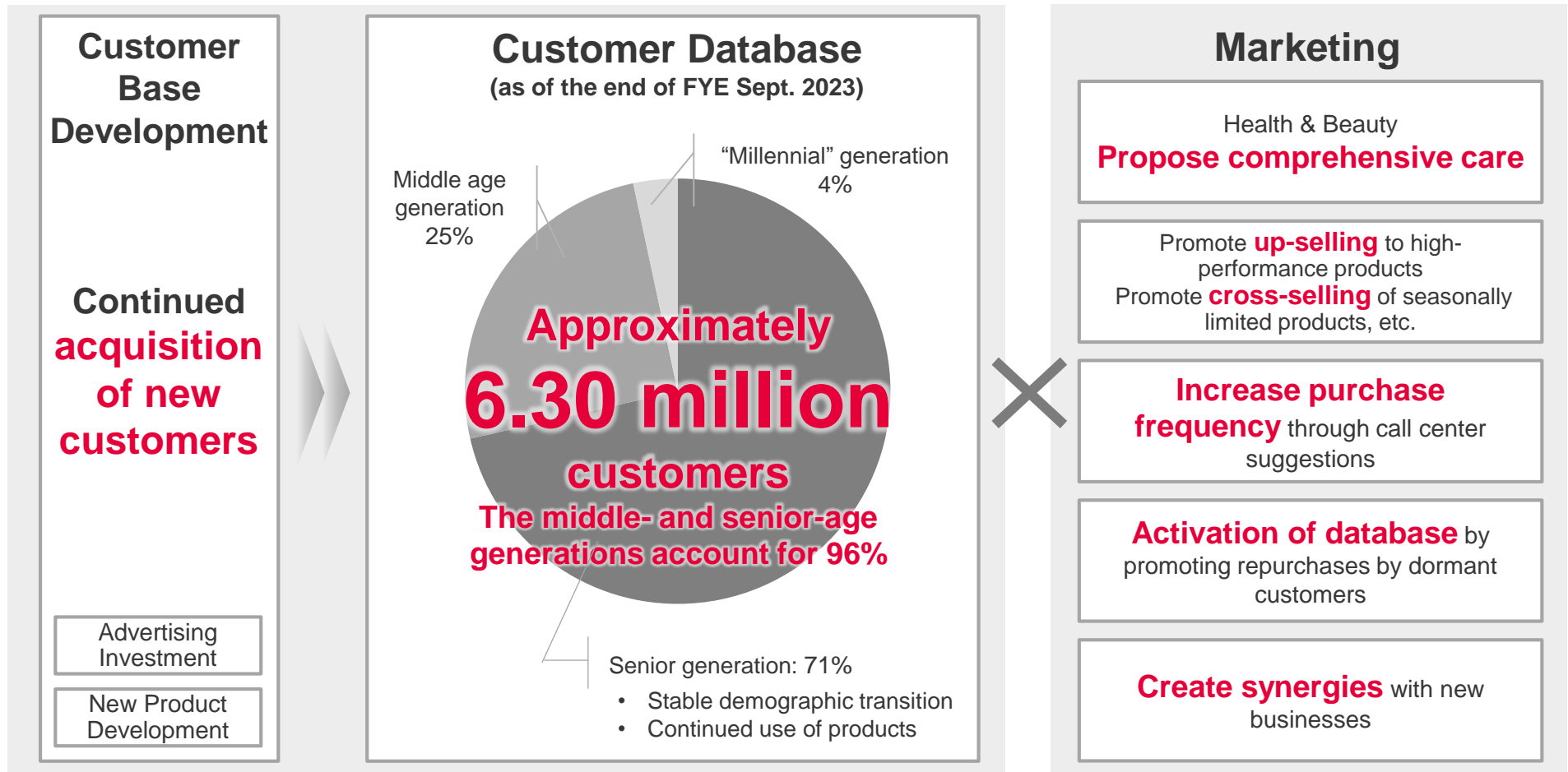
Build a foundation for sales growth based on the acquisition of new customers through prioritizing advertising investment.



Our Strength: Marketing Utilizing Customer Database

Utilize the database of approximately 6.30 million customers accumulated through continued acquisition of new customers.

Implement strategies to **maximize the asset value of the customer database**, with a focus on middle- and senior-age generations.

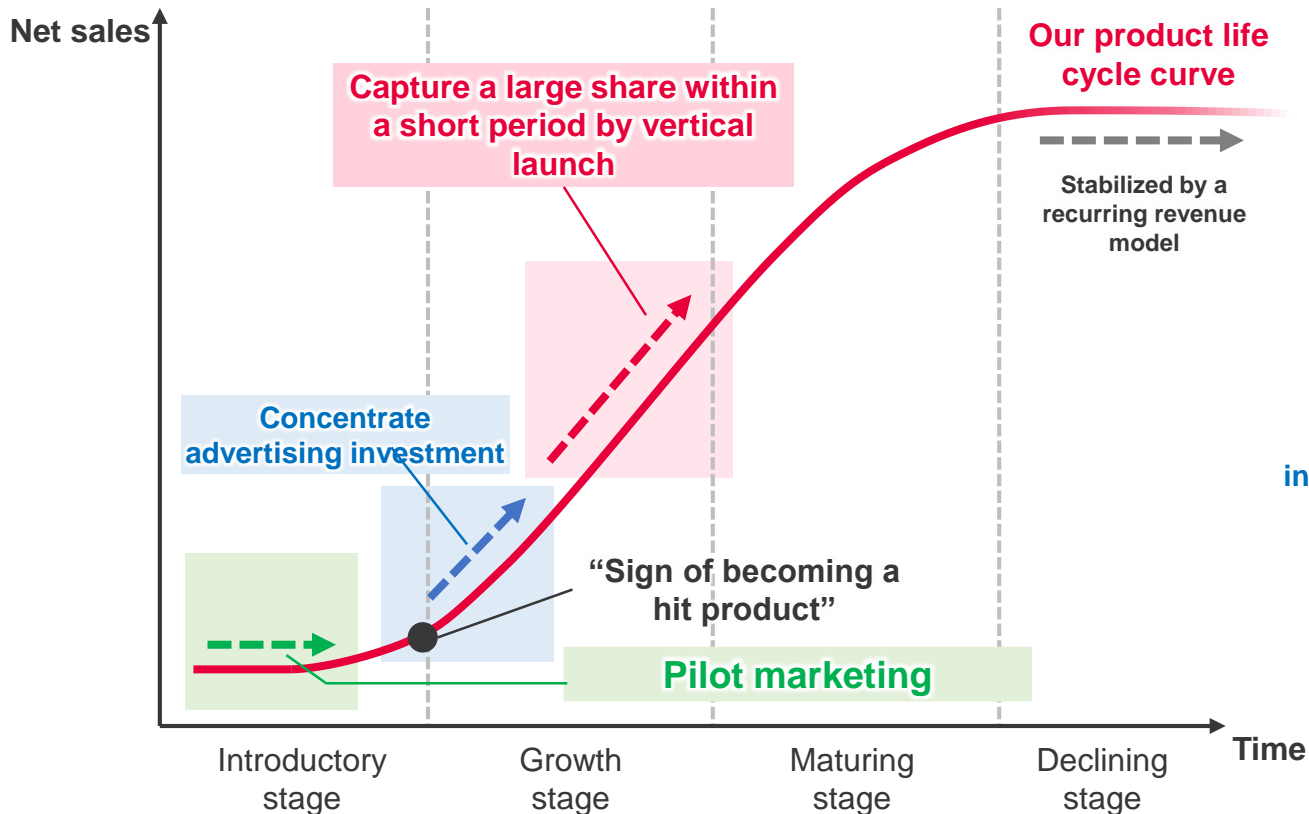


Our Strength: “Selling Power” of Mail Order Channels

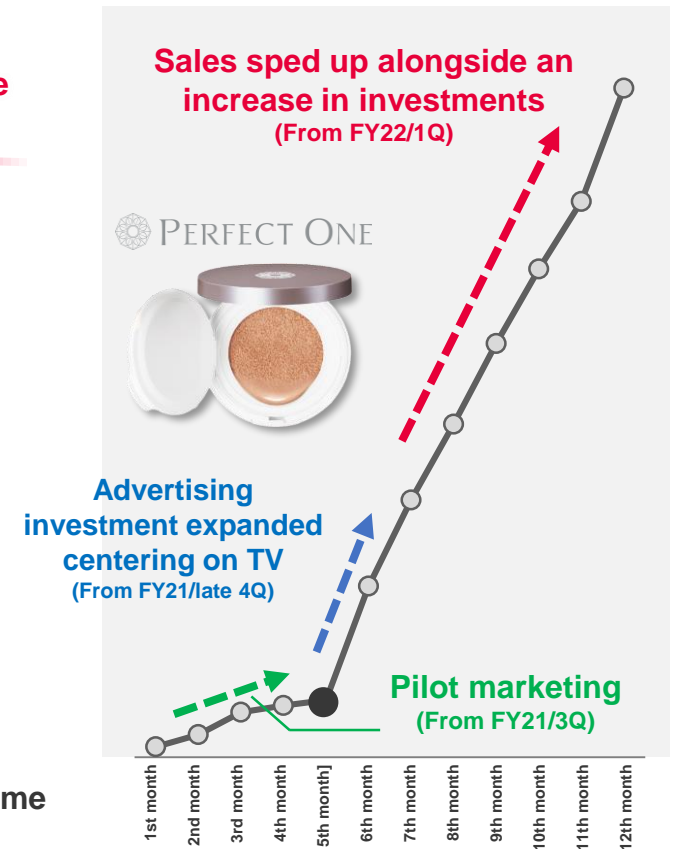
Develop new products swiftly, and during the introductory stage, run the PDCA cycle of pilot marketing at high speed.

Grab a dominant market share in one breath within a short period before competition intensifies **by ramping up advertising investment once a sign of becoming a hit product** appears.

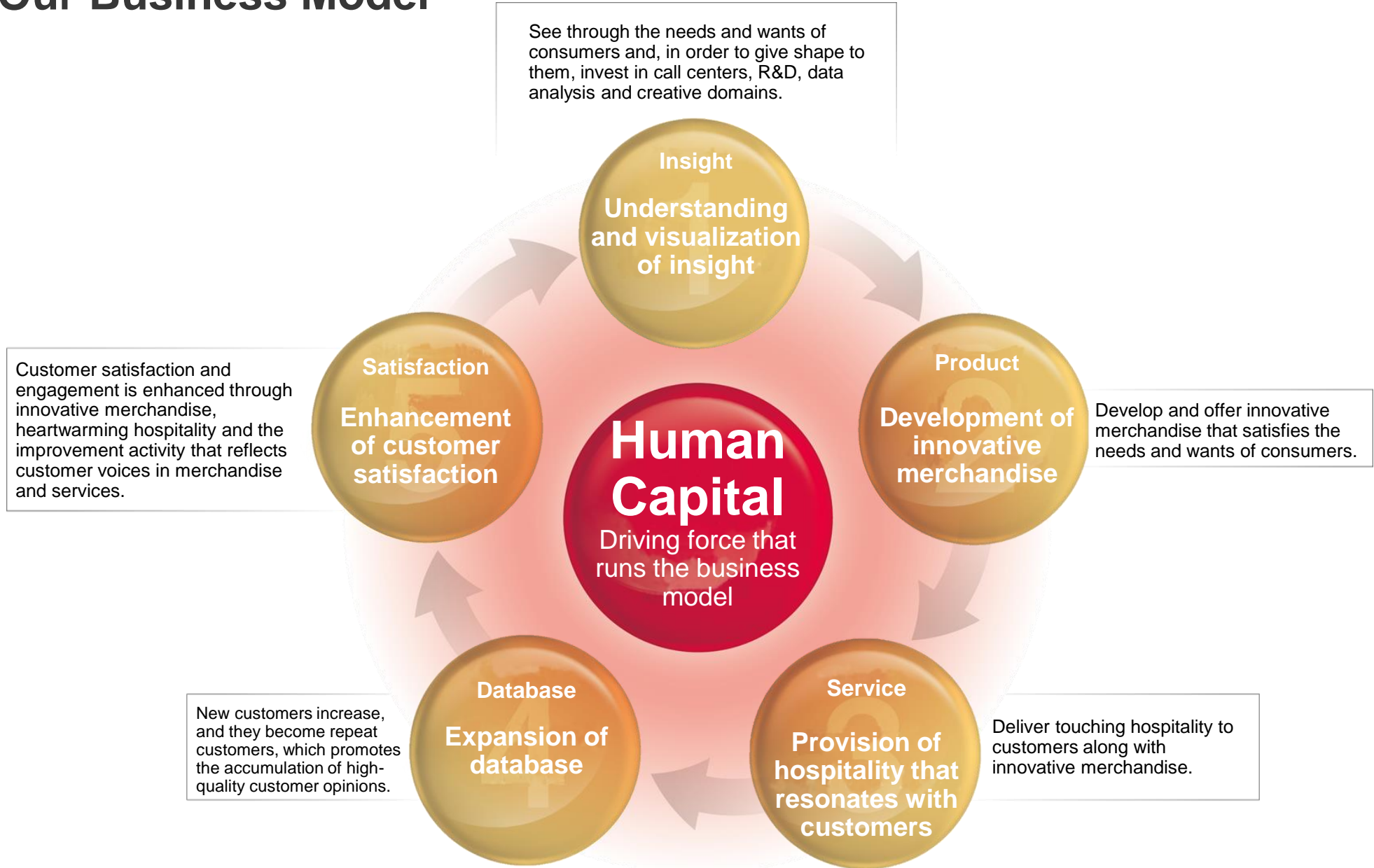
Product life cycle management of our mail order channels



[Reference]: Trend in cumulative sales of Cushion Foundation



Our Business Model



Company Overview

Company name	Shinnihonseiyaku Co., Ltd.	
Representative	Takahiro Goto, President & Representative Director of the Board and Chief Executive Officer	
Established	March 1992	
Head office	1-4-7 Otemon, Chuo-ku, Fukuoka City, Fukuoka Prefecture	
Share capital	4,158 million yen [as of Mar 31, 2024]	
Executives	<p>Takahiro Goto, President & Representative Director of the Board and Chief Executive Officer</p> <p>Mitsuyoshi Fukuhara, Senior Executive Director of the Board and Chief Operating Officer</p> <p>Haruki Murakami, Outside Director</p> <p>Kazuyo Yunoki, Outside Director</p> <p>Sachiyo Yasuda, Outside Director</p>	<p>Keiichi Zenmyo, Outside Director (Audit and Supervisory Committee Member (full-time))</p> <p>Takashi Tanabe, Outside Director (Audit and Supervisory Committee Member)</p> <p>Yuji Nakanishi, Outside Director (Audit and Supervisory Committee Member)</p>
Business profile	Planning, mail order, wholesale of cosmetics, health foods, and pharmaceuticals.	
Bases	Fukuoka (head office), Tokyo Office, Yoshizuka Office and Logistics Center, Itoshima Call Center	
Group companies	Flatcraft, Inc., PERFECT ONE US Co., Ltd.	
Net sales	37.65 billion yen [FY ended September 2023]	
Total assets	25.67 billion yen [as of March 31, 2024]	

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

Date	Overview
March 1992	Founded Shinnihonliving Co., Ltd. (currently Shinnihonseiyaku Co., Ltd.) as a company that planned and sold daily essentials in Higashi-Ori, Onojo City, Fukuoka Prefecture (share capital of 10 million yen).
July 1994	Started sales of health foods by mail order.
June 1996	Relocated the head office to Otogana-Higashi, Onojo City, Fukuoka Prefecture.
December 2000	Commenced sales of basic cosmetics by mail order.
April 2002	Renamed Shinnihonliving Co., Ltd. to Shinnihonseiyaku Co., Ltd.
March 2003	Opened a logistics center in Yoshizuka, Hakata-ku, Fukuoka City, Fukuoka Prefecture.
	April Relocated the head office to Yoshizuka, Hakata-ku, Fukuoka City, Fukuoka Prefecture.
May 2005	Started sales of cosmetics brand "RAffINE series."
May 2006	Relocated the head office to Akasaka, Chuo-ku, Fukuoka City, Fukuoka Prefecture.
	May Launched RAffINE Perfect One.
October	Established Iwakuni-Hongo Research Institute as the base for cultivation and research of medical plants.*1
November	Started sales of pharmaceuticals by mail order.
March 2010	Opened its first direct store in Fukuoka PARCO shopping mall.
	July Opened a Tokyo sales office in Uchisaiwaicho, Chiyoda-ku, Tokyo (currently Tokyo Office).
April 2012	Started wholesale of "RAffINE series."
October 2013	Relocated the head office to Otemon, Chuo-ku, Fukuoka City, Fukuoka Prefecture.
April 2014	Changed the cosmetics brand name to "PERFECT ONE."
December 2016	Started sales overseas by mail order (Taiwanese market).
	March PERFECT ONE All-in-One Gel series took the No.1 spot*2 in domestic sales* in the all-in-one market.
June 2019	Listed on Tokyo Stock Exchange Mothers.
January 2020	Relocated Tokyo Office to Marunouchi Building in Chiyoda-ku, Tokyo.
December 2020	Changed listing market to the First Section of the Tokyo Stock Exchange.
June 2021	Acquired shares of Flatcraft, Inc. and made it a consolidated subsidiary.
April 2022	Moved from the First Section of the Tokyo Stock Exchange to Prime Market.
July 2023	Established PERFECT ONE US Co., Ltd. in the United States.
April 2024	Opened Itoshima Call Center in Itoshima City, Fukuoka Prefecture

*1: The institute was integrated into Yoshizuka Office (R&D Center) in June 2020.

*2: Fuji Keizai "Cosmetics Marketing Handbook 2017" (actual manufacturer and brand market shares in the moisture section and the all-in-one section in 2016)

Financial Highlights

Financial closing month & year		September 2020 (non-consolidated)	September 2021 (consolidated)*	September 2022 (consolidated)	September 2023 (consolidated)	2Q of FYE September 2024 (consolidated)
Net sales	Million yen	33,728	33,899	36,107	37,653	19,656
Ordinary profit	Million yen	3,283	3,415	3,487	3,721	2,083
Profit	Million yen	2,122	2,323	2,357	2,394	1,402
Share capital	Million yen	3,826	4,158	4,158	4,158	4,158
Total number of shares issued	Shares	21,611,300	21,855,200	21,855,200	21,855,200	21,855,200
Net assets	Million yen	14,267	16,180	17,918	19,661	20,368
Total assets	Million yen	19,956	23,240	23,857	25,501	25,672
Equity ratio	%	71.2	68.8	74.4	76.5	79.0
Return on equity	%	15.7	14.5	14.0	12.9	—
Dividend payout ratio	%	30.5	30.2	30.0	29.6	—
Cash flows from operating activities	Million yen	2,920	2,071	2,287	3,468	—
Cash flows from investing activities	Million yen	-367	-1,359	-496	-208	—
Cash flows from financing activities	Million yen	-851	672	-1,093	-2,101	—
Cash and cash equivalents at the end of the period	Million yen	12,271	13,652	14,351	15,518	15,648
Number of employees (excluding temporary employees and including seconded employees)	People	330	309	302	307	—
Net assets per share	Yen	662.97	747.34	826.51	906.72	—
Basic earnings per share	Yen	98.50	107.72	109.91	111.37	—
Dividend per share	Yen	30.00	32.50	33.00	33.00	—

*Results used are ones after revision as a result of finalizing provisional accounting treatment related to the business combination with Flatcraft, Inc.

Disclaimer concerning the proper use of forecasts of business results

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

Contact for inquiries regarding this document

IR & PR Division, Shinnihonseiyaku Co., Ltd.
TEL:092-303-8318 FAX:092-720-5819

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

We will reply to you as soon as we can.

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



新日本製薬

Beyond innovation, for a beautiful smile!