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On **October 18, 2019**, ADJUVANT COSME JAPAN CO., LTD. announced earnings results for 1H FY03/20.

Cumulative (JPYmn)	FY03/18				FY03/19				FY03/20		FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	1,335	2,564	3,943	5,098	1,288	2,599	3,917	5,164	1,000	2,205	43.9%	5,022
YoY	22.8%	13.8%	7.1%	6.8%	-3.5%	1.4%	-0.7%	1.3%	-22.4%	-15.2%	-	-2.7%
Gross profit	855	1,624	2,495	3,201	772	1,575	2,403	3,162	585	1,255	-	-
GPM	64.1%	63.3%	63.3%	62.8%	59.9%	60.6%	61.3%	61.2%	58.5%	56.9%	-	-
SG&A expenses	656	1,287	1,934	2,701	720	1,412	2,115	2,992	755	1,495	-	-
YoY	23.0%	13.3%	12.1%	8.5%	9.7%	9.7%	9.3%	10.8%	4.9%	5.9%	-	-
SG&A ratio	49.2%	50.2%	49.0%	53.0%	55.9%	54.3%	54.0%	57.9%	75.6%	67.8%	-	-
Operating profit	199	327	561	500	52	163	288	170	-171	-240	-	-335
YoY	20.5%	20.4%	-10.1%	-3.6%	-73.6%	-51.7%	-48.7%	-66.1%	-	-	-	-
OPM	14.9%	13.2%	14.2%	9.8%	4.1%	6.3%	7.3%	3.3%	-	-	-	-
Recurring profit	198	342	567	509	61	179	333	251	-165	-219	-	-305
YoY	21.0%	23.8%	-10.1%	-3.6%	-69.4%	-47.7%	-41.4%	-50.6%	-	-	-	-
RPM	14.9%	13.3%	14.4%	10.0%	4.7%	6.9%	8.5%	4.9%	-	-	-	-
Net income	123	218	358	311	33	103	117	25	-140	-200	-	-302
YoY	-16.4%	0.4%	-19.1%	-5.9%	-73.2%	-52.7%	-67.3%	-91.9%	-	-	-	-
Net margin	9.2%	8.5%	9.1%	6.1%	2.6%	4.0%	3.0%	0.5%	-	-	-	-
Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20		FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	1,335	1,230	1,379	1,155	1,288	1,311	1,318	1,247	1,000	1,206	43.9%	5,022
YoY	22.8%	5.4%	-3.5%	6.0%	-3.5%	6.6%	-4.4%	8.0%	-22.4%	-8.0%	-	-
Gross profit	855	769	871	706	772	803	828	759	585	671	-	-
GPM	64.1%	62.5%	63.2%	61.1%	59.9%	61.2%	62.8%	60.9%	58.5%	55.6%	-	-
SG&A expenses	656	630	647	767	720	692	703	877	755	739	-	-
YoY	23.0%	4.7%	9.9%	0.2%	9.7%	9.8%	8.6%	14.4%	4.9%	6.8%	-	-
SG&A ratio	49.2%	51.3%	47.0%	66.4%	55.9%	52.8%	53.3%	70.3%	75.6%	61.3%	-	-
Operating profit	199	139	224	-61	52	110	125	-118	-171	-69	-	-
YoY	20.5%	20.3%	-34.9%	-	-73.6%	-20.3%	-44.3%	-	-	-	-	-
OPM	14.9%	11.3%	16.2%	-	4.1%	8.4%	9.5%	-	-	-	-	-
Recurring profit	198	143	226	-58	61	118	154	-81	-165	-54	-	-
YoY	21.0%	27.9%	-36.4%	-	-69.4%	-17.6%	-31.8%	-	-	-	-	-
RPM	14.9%	11.6%	16.4%	-	4.7%	9.0%	11.7%	-	-	-	-	-
Net income	123	95	141	-47	33	70	14	-92	-140	-60	-	-
YoY	-16.4%	35.8%	-37.8%	-	-73.2%	-26.0%	-89.8%	-	-	-	-	-
Net margin	9.2%	7.7%	10.2%	-	2.6%	5.3%	1.1%	-	-	-	-	-
Segments (cumulative) (JPYmn)	FY03/18				FY03/19				FY03/20		FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	1,335	2,565	3,943	5,098	1,288	2,599	3,917	5,164	1,000	2,205	43.9%	5,022
Skin Care	548	1,031	1,593	2,017	435	896	1,451	1,916	367	897	-	-
Hair Care	573	1,151	1,804	2,381	761	1,476	2,160	2,790	535	1,112	-	-
Other	290	531	804	1,007	175	397	593	812	168	360	-	-
Sales rebates	-77	-150	-259	-309	-84	-170	-288	-355	-71	-165	-	-
YoY	22.8%	13.8%	7.1%	6.8%	-3.5%	1.3%	-0.7%	1.3%	-22.4%	-15.1%	-	-2.7%
Skin Care	5.9%	5.4%	-0.1%	0.2%	-20.6%	-13.1%	-8.9%	-5.0%	-15.6%	0.1%	-	-
Hair Care	-7.1%	-2.7%	-1.0%	2.7%	32.8%	28.2%	19.7%	17.2%	-29.7%	-24.7%	-	-
Other	822.6%	136.0%	59.8%	39.7%	-39.7%	-25.2%	-26.2%	-19.4%	-4.0%	-9.3%	-	-
Segments (quarterly) (JPYmn)	FY03/18				FY03/19				FY03/20		FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	1,335	1,230	1,379	1,155	1,288	1,311	1,318	1,247	1,000	1,206	43.9%	5,022
Skin Care	548	483	562	424	435	461	555	465	367	530	-	-
Hair Care	573	578	653	577	761	715	684	630	535	577	-	-
Other	290	241	273	203	175	222	196	219	168	192	-	-
Sales rebates	-77	-73	-109	-50	-84	-86	-118	-67	-71	-94	-	-
YoY	22.8%	5.4%	-3.5%	6.0%	-3.5%	6.6%	-4.4%	8.0%	-22.4%	-8.0%	-	-
Skin Care	5.9%	4.8%	-8.9%	1.4%	-20.6%	-4.6%	-1.2%	9.7%	-15.6%	15.0%	-	-
Hair Care	-7.1%	0.0%	2.0%	16.3%	32.8%	23.7%	4.7%	9.2%	-29.7%	-19.3%	-	-
Other	822.6%	24.2%	-1.8%	-6.9%	-39.7%	-7.9%	-28.2%	7.9%	-4.0%	-13.5%	-	-

Source: Shared Research based on company data

Note: Figures may differ from company data due to differences in rounding methods.

Note: From FY03/17, the body care series that was previously included in "Other" is including in "Skin Care." Starting in Q1 FY03/19, hair dye products, which had been reported under the "Hair Dye" segment, were moved to the "Hair Care" segment; the figures for FY03/18 have been adjusted retroactively.

Note: The company holds an invitation-only event for customers (typically salon owners or managers) sometime during the first three months of every year. Operating profit tends to be lower in Q4 due to booking of expenses related to this event.

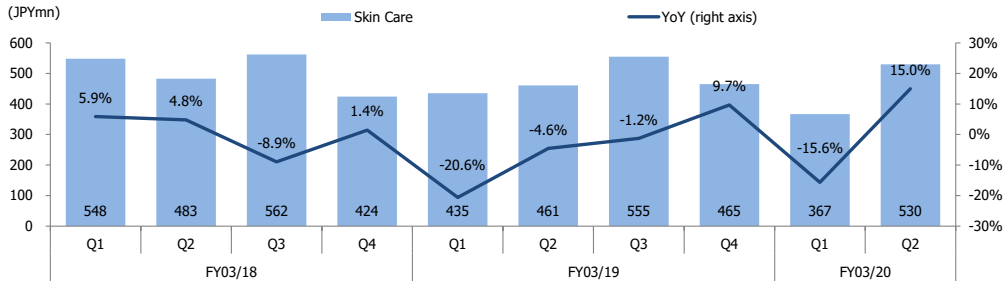
1H FY03/20 results (out October 18, 2019)

- ▷ 1H FY03/20 results: The company reported consolidated sales of JPY2.2bn (-15.2% YoY), an operating loss of JPY240mn (operating profit of JPY163mn in 1H FY03/19), a recurring loss of JPY219mn (recurring profit of JPY179mn), and a net loss attributable to owners of the parent of JPY200mn (net income of JPY103mn). Results were in line with downward forecast revisions announced on October 11, 2019.
- ▷ Skin Care: Sales were JPY897mn (+0.1% YoY) in 1H. Sales were affected by the time taken to adopt the new promotional campaign system introduced in FY03/20, and the reactionary fall due to the front-loading of orders in FY03/19, ahead of the campaign system switch. The company said that sales of its updated All Enrich (AE) series product line-up were largely in line with plan. In Q1 (April to June 2019), Skin Care segment sales were -15.6% YoY, but in Q2 (July to September 2019) they started growing again and were +15.0% YoY.
- ▷ Hair Care: Sales were JPY1.1bn (-24.7% YoY). Sales were affected by the time taken to adopt the new promotional campaign system introduced in FY03/20, the reactionary fall due to the front-loading of orders in FY03/19, ahead of the switch, and sluggish sales of products released in FY03/19. In 1H FY03/19, sales received a boost from the launch of the Class S product line (using the company's in-house prescription), but the impact appears to have run its course. Sales in 1H FY03/20 were in line with 1H FY03/18 (JPY1.2bn).
- ▷ Other (consolidated subsidiaries): Sales were JPY360mn (-9.3% YoY). The company reported solid growth in Salon Answer customer management system contracts in 1H. It logged 699 new contracts including 68 Adjuvant partner salon contracts.
- ▷ Adjuvant partner salons: The company had 7,546 registered Adjuvant partner salons (which make an initial purchase of at least JPY100,000 worth of products and enter an agreement regarding specific ways to explain products to customers under the guidance of the Adjuvant group), up 186 YoY, pointing to ongoing growth in the customer base.
- ▷ Gross profit: 1H gross profit was JPY1.3bn (-20.3% YoY). In addition to lower back sales, GPM was 56.9% versus 60.6% a year earlier.
- ▷ SG&A expenses: 1H SG&A expenses were JPY1.3bn (+5.9% YoY). SG&A expenses are in an uptrend as the company is hiring personnel to build a platform for growth. An increase in the SG&A-to-sales ratio from 54.3% in 1H FY03/19 to 67.8% was one factor in declining margins.
- ▷ Profit forecast revisions: The company revised its FY03/20 forecasts downward to sales of JPY5.0bn (-2.7% YoY), operating loss of JPY335mn (operating profit of JPY170mn in FY03/19), recurring loss of JPY305mn (recurring profit of JPY251mn), and net loss of JPY302mn (net income of JPY25mn). (Initial forecasts were for sales of JPY5.6bn, operating profit of JPY127mn, and net income of JPY30mn.) The downward revisions were due to 1H results falling short of initial forecasts, expectations that the selling environment in 2H will be tougher than initial expectations, and plans to continue building its growth platform. The company forecasts a net loss per share of JPY38.02. BPS was JPY571.94 at end-FY03/19. The company unchanged its FY03/20 DPS forecast (year-end only) at JPY24.
- ▷ Patent application: On October 18, 2019, the company applied for a patent for a hair growth agent. This came from the results of a joint research project by its consolidated subsidiary Adjuvant Cosmetics with RIKEN and Organ Technologies comprising scientific analysis of mechanisms involved in changes to hair quality, which looked for and evaluated candidates for new hair care substances. The company said there would be no impact on earnings in the short term, but this would be extremely useful in future product development.

Starting in Q1 FY03/19, hair dye products, which had been reported under the Hair Dye segment, were moved to the Hair Care segment; the figures for FY03/18 have been adjusted retroactively to reflect this change.

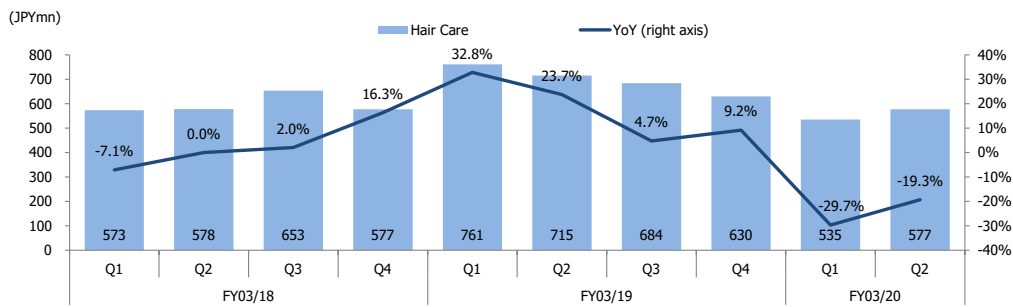
By segment

Skin Care sales



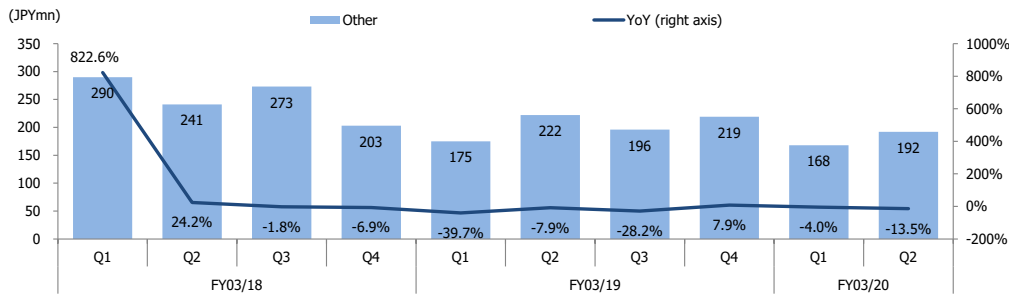
Source: Shared Research based on company data

Hair Care sales



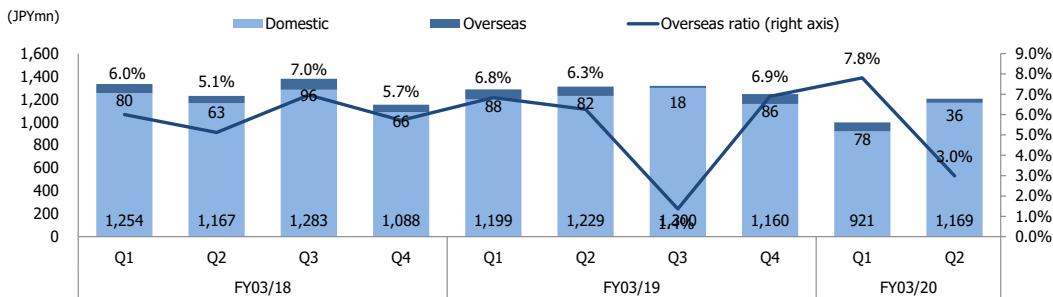
Source: Shared Research based on company data

Other sales



Source: Shared Research based on company data

Domestic and overseas sales



Source: Shared Research based on company data

Full-year company forecasts

Earnings (JPYmn)	FY03/18			FY03/19			FY03/20		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	2,564	2,533	5,098	2,599	2,564	5,164	2,205	2,817	5,022
YoY	13.8%	0.6%	6.8%	1.4%	1.2%	1.3%	-15.2%	9.8%	-2.7%
Operating profit	337	163	500	163	7	170	-240	-95	-335
YoY	20.5%	-31.7%	-3.5%	-51.7%	-95.8%	-66.1%	-	-	-
OPM	13.2%	6.4%	9.8%	6.3%	0.3%	3.3%	-10.9%	-3.4%	-6.7%
Recurring profit	342	168	509	179	73	251	-219	-86	-305
YoY	23.9%	-33.6%	-3.6%	-47.6%	-56.6%	-50.6%	-	-	-
RPM	13.3%	6.6%	10.0%	6.9%	2.8%	4.9%	-9.9%	-3.1%	-6.1%
Net income	218	93	311	103	-78	25	-200	-102	-302
YoY	0.6%	-18.0%	-5.8%	-52.7%	-	-91.9%	-	-	-
Net margin	8.5%	3.7%	6.1%	4.0%	-3.0%	0.5%	-9.1%	-3.6%	-6.0%

Sales by product (JPYmn)	FY03/18			FY03/19			FY03/20		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	2,583	2,515	5,098	2,599	2,565	5,164	2,205	2,817	5,022
Skin Care	1,031	986	2,017	896	1,020	1,916	897	-	-
Hair Care	1,151	1,190	2,341	1,476	1,314	2,790	1,112	-	-
Hair Dye	20	19	39	-	-	-	-	-	-
Other	531	476	1,007	397	415	812	360	-	-
Sales rebates	-150	-159	-309	-170	-185	-355	-165	-	-
YoY	14.6%	-0.1%	6.8%	0.6%	2.0%	1.3%	-15.2%	9.8%	-2.7%
Skin Care	5.4%	-4.7%	0.2%	-13.1%	3.4%	-5.0%	0.1%	-	-
Hair Care	-2.7%	4.8%	0.9%	26.0%	10.4%	17.2%	-24.7%	-	-
Hair Dye	-16.7%	-13.6%	-15.2%	-	-	-	-	-	-
Other	136.0%	-4.0%	39.7%	-25.2%	-12.8%	-19.4%	-9.3%	-	-
Sales composition	100.0%	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%	-	-
Skin Care	39.9%	39.2%	39.6%	34.5%	39.8%	37.1%	40.7%	-	-
Hair Care	44.6%	47.3%	45.9%	56.8%	51.2%	54.0%	50.4%	-	-
Hair Dye	0.8%	0.8%	0.8%	-	-	-	-	-	-
Other	20.6%	18.9%	19.8%	15.3%	16.2%	15.7%	16.3%	-	-
Sales rebates	-5.8%	-6.3%	-6.1%	-6.5%	-7.2%	-6.9%	-7.5%	-	-

Source: Shared Research based on company data

Note: Figures may differ from company data due to differences in rounding methods. In Sales by segment, Hair Care sales for FY03/19 include Hair Dye, and YoY comparisons are calculated on the same basis.

This note is the most recent addition to the [full report](#).

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