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On January 22, 2021, ADJUVANT COSME JAPAN CO., LTD. announced earnings results for Q3 FY03/21.

Cumulative (JPYmn)	FY03/19				FY03/20				FY03/21			FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of Est.	FY Est.
Sales	1,288	2,599	3,917	5,164	1,000	2,205	3,619	4,674	1,086	2,196	3,753	76.4%	4,914
YoY	-3.5%	1.4%	-0.7%	1.3%	-22.4%	-15.2%	-7.6%	-9.5%	8.6%	-0.4%	3.7%		5.1%
Gross profit	772	1,575	2,403	3,162	585	1,255	2,143	2,810	647	1,305	2,282	75.8%	3,011
YoY	-9.7%	-3.0%	-3.7%	-1.2%	-24.3%	-20.3%	-10.8%	-11.1%	10.7%	4.0%	6.5%		7.1%
Gross profit margin	59.9%	60.6%	61.3%	61.2%	58.5%	56.9%	59.2%	60.1%	59.6%	59.4%	60.8%		61.3%
SG&A expenses	720	1,412	2,115	2,992	755	1,495	2,223	2,995	654	1,306	2,027	72.3%	2,802
YoY	9.7%	9.7%	9.3%	10.8%	4.9%	5.9%	5.1%	0.1%	-13.4%	-12.6%	-8.8%		-6.4%
SG&A ratio	55.9%	54.3%	54.0%	57.9%	75.6%	67.8%	61.4%	64.1%	60.3%	59.5%	54.0%		57.0%
Operating profit	52	163	288	170	-171	-240	-81	-185	-7	-1	255	122.4%	208
YoY	-73.6%	-51.7%	-48.7%	-66.1%	-	-	-	-	-	-	-		-
Operating profit margin	4.1%	6.3%	7.3%	3.3%	-17.1%	-10.9%	-2.2%	-3.9%	-0.7%	0.0%	6.8%		4.2%
Recurring profit	61	179	333	251	-165	-219	-53	-158	-7	8	271	116.9%	232
YoY	-69.4%	-47.7%	-41.4%	-50.6%	-	-	-	-	-	-	-		-
Recurring profit margin	4.7%	6.9%	8.5%	4.9%	-16.5%	-9.9%	-1.5%	-3.4%	-0.6%	0.4%	7.2%		4.7%
Net income	33	103	117	25	-140	-200	-86	-228	-5	-94	105	102.6%	102
YoY	-73.2%	-52.7%	-67.3%	-91.9%	-	-	-	-	-	-	-		-
Net margin	2.6%	4.0%	3.0%	0.5%	-14.0%	-9.1%	-2.4%	-4.9%	-0.5%	-4.3%	2.8%		2.1%

Quarterly (JPYmn)	FY03/19				FY03/20				FY03/21		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	1,288	1,311	1,318	1,247	1,000	1,206	1,413	1,056	1,086	1,110	1,557
YoY	-3.5%	6.6%	-4.4%	8.0%	-22.4%	-8.0%	7.2%	-15.3%	8.6%	-8.0%	10.2%
Gross profit	772	803	828	759	585	671	888	667	647	658	976
YoY	-9.7%	4.4%	-5.0%	7.5%	-24.3%	-16.4%	7.2%	-12.1%	10.7%	-1.9%	10.0%
Gross profit margin	59.9%	61.2%	62.8%	60.9%	58.5%	55.6%	62.8%	63.2%	59.6%	59.3%	62.7%
SG&A expenses	720	692	703	877	755	739	728	771	654	652	721
YoY	9.7%	9.8%	8.6%	14.4%	4.9%	6.8%	3.6%	-12.0%	-13.4%	-11.9%	-1.1%
SG&A ratio	55.9%	52.8%	53.3%	70.3%	75.6%	61.3%	51.5%	73.1%	60.3%	58.7%	46.3%
Operating profit	52	110	125	-118	-171	-69	159	-104	-7	6	256
YoY	-73.6%	-20.3%	-44.3%	-	-	-	27.6%	-	-	-	60.6%
Operating profit margin	4.1%	8.4%	9.5%	-9.5%	-17.1%	-5.7%	11.3%	-9.9%	-0.7%	0.6%	16.4%
Recurring profit	61	118	154	-81	-165	-54	166	-105	-7	14	263
YoY	-69.4%	-17.6%	-31.8%	-	-	-	7.7%	-	-	-	58.8%
Recurring profit margin	4.7%	9.0%	11.7%	-6.5%	-16.5%	-4.5%	11.7%	-9.9%	-0.6%	1.3%	16.9%
Net income	33	70	14	-92	-140	-60	115	-142	-5	-89	199
YoY	-73.2%	-26.0%	-89.8%	-	-	-	699.0%	-	-	-	73.5%
Net margin	2.6%	5.3%	1.1%	-7.4%	-14.0%	-5.0%	8.1%	-13.5%	-0.5%	-8.0%	12.8%

Segments (cumulative) (JPYmn)	FY03/19				FY03/20				FY03/21			FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of Est.	FY Est.
Sales	1,288	2,599	3,917	5,164	1,000	2,205	3,619	4,674	1,086	2,196	3,753	76.4%	4,914
YoY	-3.5%	1.4%	-0.7%	1.3%	-22.4%	-15.2%	-7.6%	-9.5%	8.6%	-0.4%	3.7%		5.1%
Skin Care	435	896	1,451	1,916	367	897	1,446	1,797	386	764	1,249	76.7%	1,629
YoY	-20.6%	-13.1%	-8.9%	-5.0%	-15.6%	0.1%	-0.3%	-6.2%	5.2%	-14.8%	-13.6%		-9.3%
Hair Care	761	1,476	2,160	2,790	535	1,112	1,831	2,327	586	1,167	2,106	76.4%	2,757
YoY	32.8%	28.2%	19.7%	17.2%	-29.7%	-24.7%	-15.2%	-16.6%	9.5%	4.9%	15.0%		18.5%
Other	175	397	593	812	168	360	624	884	188	413	678	76.3%	889
YoY	-39.7%	-25.2%	-26.2%	-19.4%	-4.0%	-9.3%	5.2%	8.9%	11.9%	14.7%	8.7%		0.6%
Sales rebates	-84	-170	-288	-355	-71	-165	-284	-335	-75	-150	-281		-472

Segments (quarterly) (JPYmn)	FY03/19				FY03/20				FY03/21		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	1,288	1,311	1,318	1,247	1,000	1,206	1,413	1,056	1,086	1,110	1,557
YoY	-3.5%	6.6%	-4.4%	8.0%	-22.4%	-8.0%	7.2%	-15.3%	8.6%	-8.0%	10.2%
Skin Care	435	461	555	465	367	530	549	351	386	378	485
YoY	-20.6%	-4.6%	-1.2%	9.7%	-15.6%	15.0%	-1.1%	-24.5%	5.2%	-28.7%	-11.7%
Hair Care	761	715	684	630	535	577	719	496	586	581	939
YoY	32.8%	23.7%	4.7%	9.2%	-29.7%	-19.3%	5.1%	-21.3%	9.5%	0.7%	30.6%
Other	175	222	196	219	168	192	264	260	188	225	265
YoY	-39.7%	-7.9%	-28.2%	7.9%	-4.0%	-13.5%	34.7%	18.7%	11.9%	17.2%	0.4%
Sales rebates	-84	-86	-118	-67	-71	-94	-119	-51	-75	-75	-131

Source: Shared Research based on company data

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

Note: Starting in Q1 FY03/19, hair dye products, which had been reported under the "Hair Dye" segment, were moved to the "Hair Care" segment.

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.

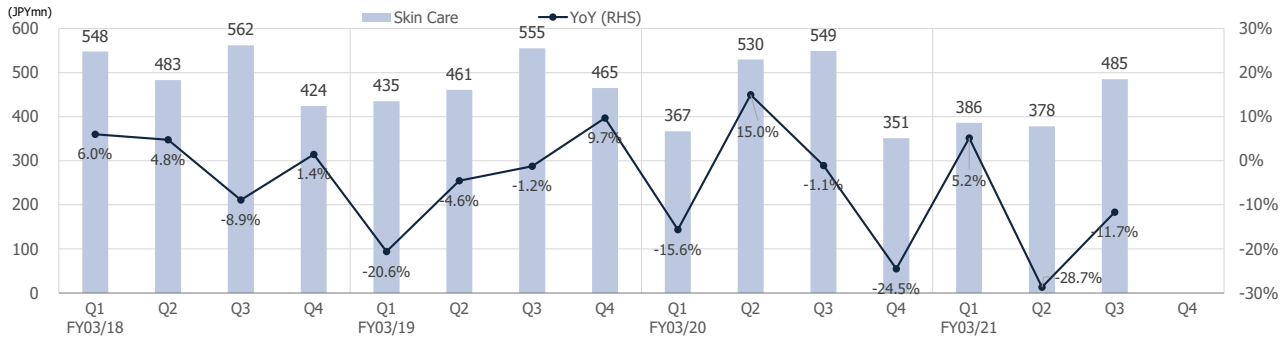
Q3 FY03/21 results (out January 22, 2021)

- ▷ In cumulative Q3 FY03/21, the company reported consolidated sales of JPY3.8bn (+3.7% YoY), operating profit of JPY255mn (versus loss of JPY81mn in cumulative Q3 FY03/20), and net income of JPY105mn (versus loss of JPY86mn in cumulative Q3 FY03/20). Since many consumers are cutting back on outings due to the impact of the COVID-19 pandemic, recovery in the frequency of salon visits has been delayed, which has affected the company's sales. In Q3 (three months), sales were JPY1.6bn (+10.2% YoY), operating profit was JPY256mn (+60.6% YoY), and net income was JPY199mn (+73.5% YoY). Sales were up compared to Q2 thanks to the launch of new hair care brand KASUI, which uses patented ingredients, on October 1. However, the pandemic caused delays in promoting the brand to salons, and non-KASUI sales, in which the company was expecting recovery, were flat QoQ. These factors kept sales below plan. GPM was generally in line with the forecast. Meanwhile, the company curtailed SG&A expenses more than expected as employee headcount was lower than expected and the company refrained from some sales activities.
- ▷ Company forecast: For full-year FY03/21, the company forecasts consolidated sales of JPY4.9bn (+5.1% YoY), operating profit of JPY208mn (versus loss of JPY185mn in FY03/20), and net income of JPY102mn (versus loss of JPY228 in FY03/20). This represents a downward revision from the previous forecast announced in October 2020 (consolidated sales of JPY5.9bn, operating profit of JPY601mn, and net income of JPY338mn). The new forecast reflects non-KASUI sales coming in below plan in addition to the effect of delays in promoting KASUI to salons. The company expects sales of KASUI to rise in Q4 as the brand gradually achieves market penetration. On the cost front, the forecast factors in a lower-than-expected employee headcount. It also takes into account the curtailing beyond company expectations of sales activity-related expenses such as promotion and travel expenses. The company has left the dividend forecast for FY03/21 unchanged at JPY24 per share (year-end only).
- ▷ By product: Q3 Skin Care sales were JPY485mn (-11.7% YoY). Although sales increased compared to Q2, demand for skin care products continued to decline as there were fewer opportunities for consumers to leave the home. Hair Care sales were JPY939mn (+30.6% YoY). Initial shipments of KASUI helped to prop up sales, but sales of other products were sluggish. Other sales were JPY265mn (+0.4% YoY). Subsidiary EXCEED system achieved solid results, thanks in part to the steady deployment of Salon Answer System. Sales at the company's Hong Kong subsidiary declined on the impact of the COVID-19 pandemic.
- ▷ Change of president: Adjuvant Cosme Japan announced that it will withdraw its medium-term management plan announced in April 2018. The company had been working toward achieving consolidated sales of JPY10.0bn, operating profit of JPY2.0bn, and OPM of 20% by FY03/23, but determined it would be difficult to achieve these targets based on FY03/21 results. At the same time, it announced that Kenji Matsui, who has been spearheading the company, will resign as president, and Yutaka Nakamura, the current chairman, will concurrently serve as president. Further, the company expects that it will take time to formulate a new medium-term plan due to the necessity of comprehensively considering aspects of the market and business environment.
- ▷ Strengthening governance: The company announced that it has decided to strengthen corporate governance by starting to hammer out the details of the transition to a holding company structure and adopting the Audit and Supervisory Committee system. Adjuvant Cosme Japan will be split into a holding company and an operating company through a demerger with the holding company expected to remain listed. After approval at the general meeting of shareholders, the company plans to engage in preparations to complete the move on September 21, 2021. The company will establish an Audit and Supervisory Committee after amending its Articles of Incorporation at the general meeting of shareholders in June. The aim is to grant voting rights to directors serving as Audit and Supervisory committee members, including multiple outside directors, thereby strengthening the supervisory function of the Board of Directors.

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.

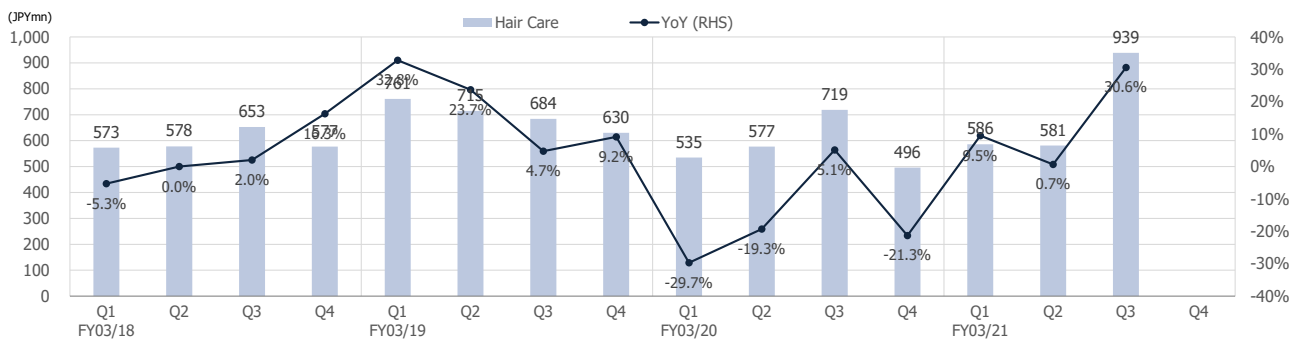
By segment

Skin Care sales



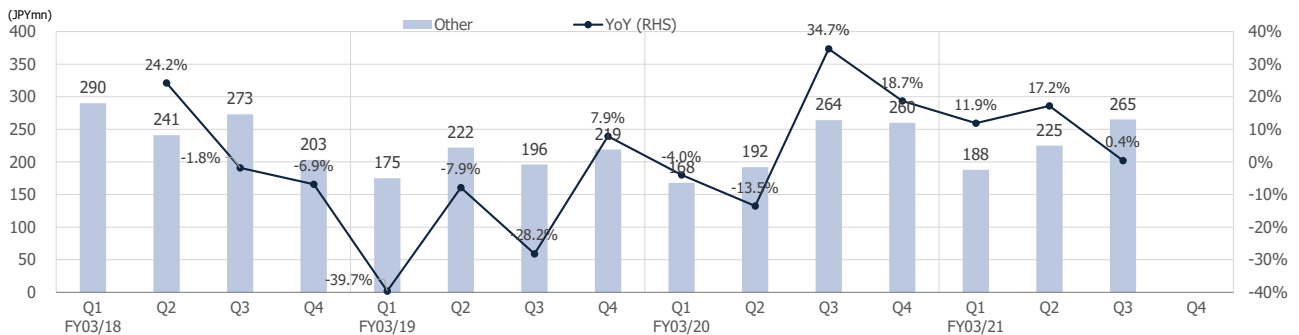
Source: Shared Research based on company data

Hair Care sales



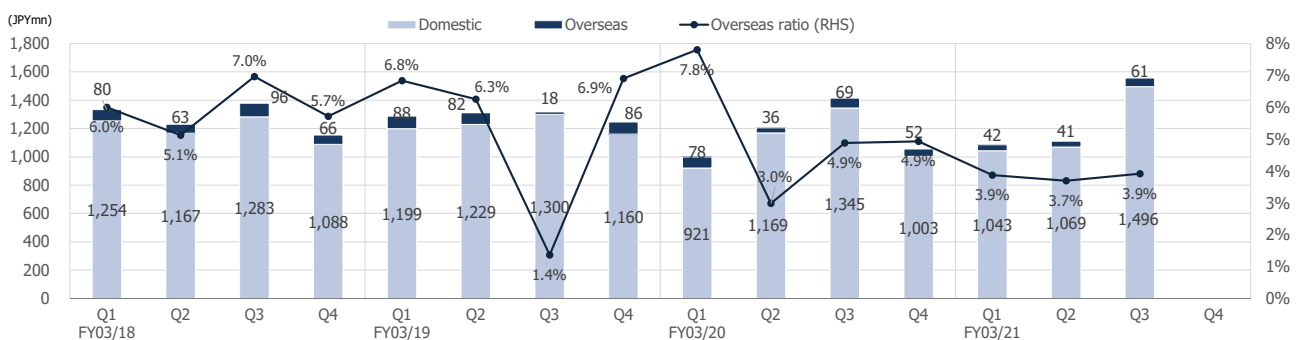
Source: Shared Research based on company data

Other sales



Source: Shared Research based on company data

Domestic and overseas sales



Source: Shared Research based on company data

Full-year company forecast for FY03/21

Earnings (JPYmn)	FY03/20			FY03/21			FY03/21 (out Oct. 23, 2020)			FY03/21 Initial Est.		
	1H	2H	FY	1H Act.	2H Est.	FY Est.	1H Act.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
Sales	2,205	2,469	4,674	2,196	2,718	4,914	2,196	3,707	5,903	2,535	3,710	6,245
YoY	-15.2%	-3.7%	-9.5%	-0.4%	10.1%	5.1%	-0.4%	50.2%	26.3%	15.0%	50.3%	33.6%
Gross profit	1,255	1,555	2,810	1,305	1,706	3,011	1,305	2,340	3,645	1,395	2,342	3,737
YoY	-20.3%	-2.0%	-11.1%	4.0%	9.7%	7.1%	4.0%	50.5%	29.7%	11.1%	50.6%	33.0%
Gross profit margin	56.9%	63.0%	60.1%	59.4%	62.7%	61.3%	59.4%	63.1%	61.7%	55.0%	63.1%	59.8%
SG&A expenses	1,495	1,500	2,995	1,306	1,496	2,802	1,306	1,737	3,043	1,648	1,731	3,380
YoY	5.9%	-5.1%	0.1%	-12.6%	-0.3%	-6.4%	-12.6%	15.8%	1.6%	10.2%	15.4%	12.9%
SG&A ratio	67.8%	60.8%	64.1%	59.5%	55.0%	57.0%	59.5%	46.8%	51.6%	65.0%	46.7%	54.1%
Operating profit	-240	55	-185	-1	209	208	-1	602	601	-253	610	357
YoY	-	705.3%	-	-	278.7%	-	-	991.2%	-	-	1005.9%	-
Operating profit margin	-10.9%	2.2%	-3.9%	0.0%	7.7%	4.2%	0.0%	16.2%	10.2%	-10.0%	16.4%	5.7%
Recurring profit	-219	61	-158	8	224	232	8	606	614	-247	614	367
YoY	-	-15.9%	-	-	266.3%	-	-	890.6%	-	-	903.4%	-
Recurring profit margin	-9.9%	2.5%	-3.4%	0.4%	8.2%	4.7%	0.4%	16.3%	10.4%	-9.7%	16.5%	5.9%
Net income	-200	-28	-228	-94	196	102	-94	432	338	-182	414	231
YoY	-	-	-	-	-	-	-	-	-	-	-	-
Net margin	-9.1%	-1.1%	-4.9%	-4.3%	7.2%	2.1%	-4.3%	11.7%	5.7%	-7.2%	11.2%	3.7%

Sales by product (JPYmn)	FY03/20			FY03/21			FY03/21 (out Oct. 23, 2020)			FY03/21 Initial Est.		
	1H	2H	FY	1H Act.	2H Est.	FY Est.	1H Act.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
Total sales	2,205	2,469	4,674	2,196	2,718	4,914	2,196	3,707	5,903	2,535	3,710	6,245
YoY	-15.2%	-3.7%	-9.5%	-0.4%	10.1%	5.1%	-0.4%	50.2%	26.3%	15.0%	50.3%	33.6%
Skin Care	897	900	1,797	764	865	1,629	764	1,231	1,995	881	1,227	2,108
YoY	0.1%	-11.8%	-6.2%	-14.8%	-3.9%	-9.3%	-14.8%	36.8%	11.0%	-1.8%	36.3%	17.3%
% of total sales	40.7%	36.5%	38.4%	34.8%	31.8%	33.2%	34.8%	33.2%	33.8%	34.8%	33.1%	33.8%
Hair Care	1,112	1,215	2,327	1,167	1,590	2,757	1,167	2,327	3,494	1,244	2,243	3,487
YoY	-24.7%	-7.5%	-16.6%	4.9%	30.9%	18.5%	4.9%	91.5%	50.2%	11.9%	84.6%	49.8%
% of total sales	50.4%	49.2%	49.8%	53.2%	58.5%	56.1%	53.2%	62.8%	59.2%	49.1%	60.5%	55.8%
Other	360	524	884	413	476	889	413	472	885	592	553	1,145
YoY	-9.3%	26.3%	8.9%	14.7%	-9.2%	0.6%	14.7%	-9.9%	0.1%	64.4%	5.5%	29.5%
% of total sales	16.3%	21.2%	18.9%	18.8%	17.5%	18.1%	18.8%	12.7%	15.0%	23.4%	14.9%	18.3%
Sales rebates	-165	-170	-335	-150	-211	-361	-150	-322	-472	-182	-314	-496
% of total sales	-7.5%	-6.9%	-7.2%	-6.8%	-7.8%	-7.3%	-6.8%	-8.7%	-8.0%	-7.2%	-8.5%	-7.9%

Source: Shared Research based on company data

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

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

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