

# NOEVIR HOLDINGS

7-6-15 Ginza, Chuo-ku Tokyo 104-8208, Japan

Phone: +81-3-5568-0305 Fax: +81-3-5568-0441

<http://www.noevirholdings.co.jp>



# NOEVIR HOLDINGS

Annual Report 2011

Year ended September 30, 2011

The Noevir Group established the holding company, Noevir Holdings Co., Ltd. in March 2011, taking the opportunity to refresh its business approach. As a comprehensive corporate group that contributes to health and beauty, the Noevir Group encompasses businesses that provide health food and OTC pharmaceuticals as well as a cosmetics business that offers skincare and makeup products.

Making the maximum use of the Group's management resources, including brand strengths, R&D capabilities, technological expertise related to production and marketing skills, Noevir Holdings will further bolster its competitiveness in growth markets in Japan and overseas.



Takashi Okura,  
President and Representative Director



# Making Groupwide Efforts to Move into a New Age



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## Notes to Financial Statements

Translations of consolidated financial statements and performance in this annual report are based on the Company's quarterly financial reports prepared in accordance with disclosure conditions stipulated by the Tokyo Stock Exchange. Quarterly financial reports are prepared based on Japan's Generally Accepted Accounting Principles (Japanese GAAP).

**Q1** Please tell us about what led to the establishment of the holding company and its purpose.

**A1** Amid a drastically changing market environment, it is increasingly necessary for companies to reinforce their business foundations and hone their competitive edge. With this in mind, we need to make the most of the Noevir Group's management resources, including capabilities related to branding, R&D, production technology and marketing, to maximize corporate value across the Group. In order to develop all our businesses and thus ensure that the Group can continue to provide higher-quality, higher-value-added products and proactively participate in growing markets both in Japan and overseas, we established Noevir Holdings Co., Ltd. on March 22, 2011, and made a new start.

The maximization of corporate value throughout the Group requires that the Group management and business promotion organizations are clearly separated to ensure that each business retains its uniqueness and expertise. At the same time, we must pursue total management optimization to enable flexible and prompt response to changing conditions. Alongside total management optimization, we will strive to reinforce Group strategic functions and corporate governance.

## Q2 How would you assess the current operating environment?

A2 With a mainstay Cosmetics business that ranges from counseling prestige cosmetics available primarily through direct sales to self-selection retail products popular with the young adult segment, the Noevir Group offers distinctive brands targeting the pharmaceutical, food and apparel industries.

Along with the effects of the Great East Japan Earthquake, which struck on March 11, 2011, we continue to face the unfavorable business environment of recent years, including intensifying competition in mature markets; consumer preference for lower-priced items and a declining

domestic population. Overseas, on the other hand, new growth markets are being developed, particularly in Asia. Therefore, it has become very important to maintain an accurate grasp of the rapidly changing market environment, create new demand and gain new growth opportunities.



Noevir Speciale Powder Serum

## Q3 Please tell us about Noevir Holdings' business performance and results for fiscal 2011, from March 22, 2011 to September 30, 2011?

A3 In fiscal 2011, the decline in sales of medium-priced and high-end products showed signs of bottoming out amid our efforts to set up a new sales strategy for our mainstay counseling cosmetics. For self-selection cosmetics and functional drinks, we focused on main brands and implemented efficient advertising and sales promotion activities. In addition, we aggressively developed overseas businesses by increasing the number of stores that handle our self-selection cosmetics in China. As a result, net sales amounted to ¥24,581 million, operating income

totaled ¥1,576 million and net income was ¥614 million, all of which topped forecasts announced in July 2011.



A store in China that handles self-selection cosmetics

## Q4 Could you please tell us about the new three-year medium-term management plan, the final year of which is fiscal 2014, ending September 30, 2014?

A4 Given the rapidly changing market environment, the new medium-term management plan is underpinned by the theme "Preparing for our growth strategy of becoming a company with a high profile

in Asian markets." We expect this to work as a first step toward the realization of our long-term vision. By promoting cost-reduction measures and continuing to focus on high-value-added prestige

cosmetics we intend to reach our key performance goal of raising the operating income ratio to 10%. Furthermore, to achieve an overseas sales ratio of 10% we will accelerate business expansion in Asia, mainly in China.

In terms of strategies for the domestic Cosmetics business, we will promote a gradual shift toward the operation of Noevir Beauty Studios, salons where sales representatives provide lessons in beauty care. This shift is expected to attract new customers and help secure sustainable profit. For the Cosmetics

business in Asia, we will accelerate the expansion of store networks that handle our self-selection cosmetics while laying out a plan for the establishment of an R&D structure tailored to Asian markets and local production operations.

In the Pharmaceuticals & Health Food segment, we will review our business structure by reducing costs and partially outsourcing production with the aim of increasing profitability.

On top of these efforts, we will strive to launch new businesses and positively consider M&A in Japan and Asia to further expand our business.

## Q5 What is the outlook for fiscal 2012?

A5 We will continue to position the Cosmetics business as the Noevir Group's flagship business. In Japan, we aim to open 1,000 Noevir Beauty Studios specializing in counseling cosmetics

throughout the nation, while focusing on other sales channels, such as mail order services. In Asia, we will particularly address the sales expansion of self-selection cosmetics. For the Pharmaceuticals and Health Food business, we will restructure the segment and continue to reduce costs across the Group.

Therefore, the consolidated performance forecast for fiscal 2012 (from October 1, 2011 to September 30, 2012) includes net sales of ¥49,500 million, operating income of ¥3,400 million and net income of ¥2,000 million.



A Noevir Beauty Studio



## Q6 Finally, please may we have a few words for Noevir Holdings' stakeholders?

A6 In our shift to a holding company system, we are building a tighter relationship between Noevir Co., Ltd. and Tokiwa Pharmaceutical Co., Ltd. while developing valuable products that meet social

demands. Together with this, we are striving to improve our earnings structure. As a result we anticipate the realization of a stronger presence as a global company poised to make a leap forward.

## Noevir at a Glance

### Business Activities

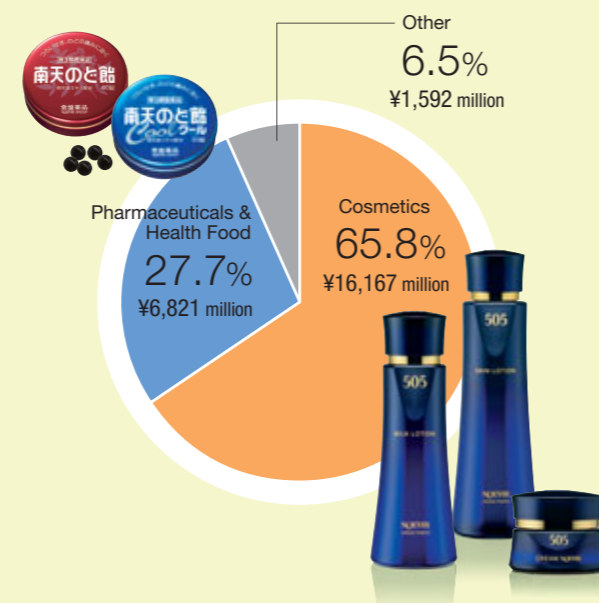
With a mainstay Cosmetics business that ranges from counseling prestige cosmetics available primarily through direct sales to self-selection retail products popular with the young adult segment, the Noevir Group offers distinctive brands targeting the pharmaceutical, food and apparel industries. Since entering the U.S. market in 1979, the Group has proactively engaged in overseas business development. In recent years, the Group has been steadily expanding its store chain in China. In November 2011, the Group announced its Group Vision 2014 medium-term management plan, the final year of which is fiscal 2014, ending September 30, 2014. With this plan as a stepping stone in accordance with its new growth strategy of becoming a company with a high profile in Asian markets, Noevir Holdings has embarked on a new chapter.

In September 2010, before making the transition to a holding company system, Noevir changed the organization of its segments, integrating the Pharmaceuticals and Health Food businesses to form the new Pharmaceuticals & Health Food segment.

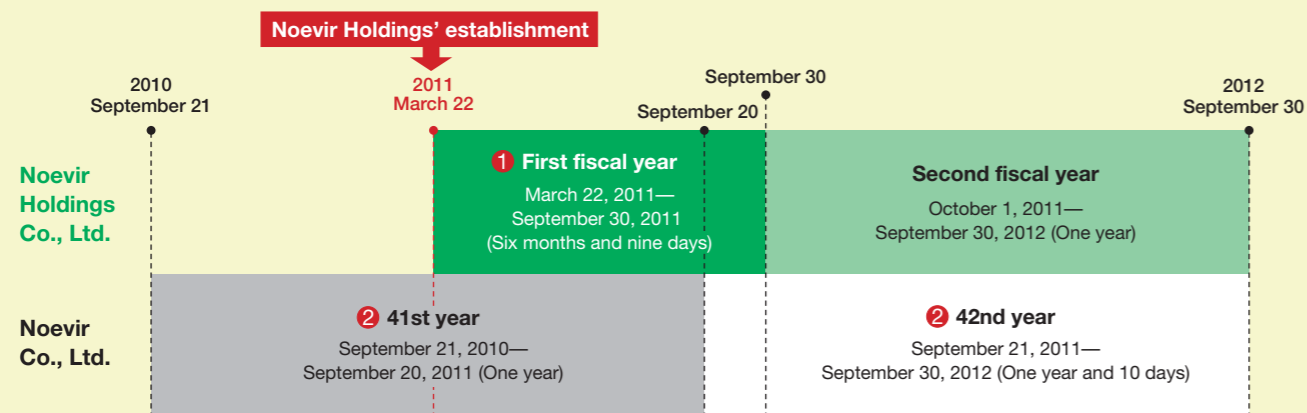
### Noevir Holdings' Financial Highlights for Fiscal 2011

Fiscal 2011 Results (Millions of yen)	
March 22, 2011–September 30, 2011	
Net sales	¥ 24,581
Operating income	1,576
Net income	614
Total assets	87,427
Total net assets	51,595
Earnings per share (yen)	¥ 14.88
Total net assets per share (yen)	¥ 1,248.02
Dividends per share (yen)	¥ 36.00

### Fiscal 2011 Sales by Segment



### Accounting Period of Noevir Holdings Co., Ltd. and Noevir Co., Ltd.



① Noevir Holdings Co., Ltd.'s accounting period for fiscal 2011 was from March 22, 2011 to September 30, 2011, totaling six months and nine days, and it does not include Noevir Co., Ltd.'s consolidated results from September 21, 2010 to March 20, 2011.

② Noevir Co., Ltd.'s accounting period for fiscal 2011 (the 41st year) was one year from September 21, 2010 to September 20, 2011. The accounting period ending September 2012 (the 42nd year) will be from September 21, 2011 to September 30, 2012, totaling one year and 10 days (376 days).

## Medium-Term Management Plan

Targeting sustainable growth, the Noevir Group established a three-year medium-term management plan covering the fiscal 2012–2014 period.

### The subject of our medium-term management plan

“Preparing for our growth strategy of becoming a company with a high profile in Asian markets”

### Medium-term growth strategy

#### Cosmetics Segment

- 1) Accelerate expansion in Asia
- 2) Continuously generate profits in Japan

#### Pharmaceuticals & Health Food Segment

- 3) Speed up business restructuring

#### Overall Group

- 4) Start up new businesses and promote mergers and acquisitions in Japan and Asia
- 5) Lower operating costs
- 6) Globalize human resources and the organization

### Key Initiatives for Fiscal 2012

- Expanding the number of stores that handle self-selection cosmetics in the Asian market
- Increasing the number of Noevir Beauty Studio lesson-type salons to 1,000
- Upgrading mainstay brands in the self-selection cosmetics lines
- Continuing cost-reduction efforts across the Group

### Fiscal 2012 Forecast and Subsequent Targets

(Millions of yen)

	Fiscal 2012 Forecast	Fiscal 2013 Target	Fiscal 2014 Target
Net sales	¥49,500	¥51,000	¥52,500
Operating income	3,400	4,500	5,300
Net income	2,000	2,600	3,100
Operating income margin	6.9%	8.8%	10.1%
Overseas sales margin	—	—	10.0%

Even though conventional year-on-year comparisons with the previous fiscal year's results cannot be presented due to discrepancies in the lengths of fiscal 2011 and 2010, in this document we present "year-on-year" comparisons based on Noevir Holdings Co., Ltd.'s consolidated results for the fiscal year under review and those of Noevir Co., Ltd. for the second half of fiscal 2010 (March 21, 2010 to September 20, 2010), solely for the purpose of aiding reader comprehension.

## Cosmetics



Noevir SPECIALE skincare lines

### Overview

The Group develops, produces and sells a versatile collection of products under well-regarded brand names, including *Noevir* high-performance functional counseling skincare products; the popular *Sana* products for the self-selection cosmetic market; and *NOV* hypoallergenic cosmetics. In addition, consolidated subsidiary Bonanza Co., Ltd. undertakes the contract manufacturing of cosmetics.

### Fiscal 2011 Results

In counseling cosmetics, two beauty serums were introduced in January and June 2011 in the *Noevir BIOSIGN* high-functional skincare line, contributing to results and forestalling a further decline in sales of both medium-priced and high-end skincare products. Nevertheless, sales of counseling cosmetics declined year on year, reflecting such special factors as a surge in initial purchases of facial massage equipment that contributed significantly to this segment's overall sales in the previous fiscal year.

In self-selection cosmetics, various brands recorded sales increases, including *Sana HADANOMY* and *NOV*, which successfully implemented sales strengthening policies. Sales of the mainstay *Sana Nameraka Honpo* skincare line, however, fell due to the intensifying competition. Sales of overall self-selection cosmetics edged up year on year.

As a result, net sales in the Cosmetics segment showed a year-on-year decline to ¥16,167 million and segment income grew to ¥2,273 million.

### Channels

- Direct Sales
- Supermarkets
- Drugstores
- Variety Stores
- Mail Order
- Directly Managed Stores
- Contract Manufacturing



Noevir 99 skincare line

NOV III skincare line



Sana HADANOMY line

Sana Keana Putty Shokunin

Sana Super Quick

## Pharmaceuticals & Health Food



Min Min Da Ha and Kyo Kyo Da Ha functional drinks

### Overview

The Group develops, produces and sells such flagship items as the long-selling *Nanten Nodo Ame* cough drops, functional drinks, such as the *Min Min Da Ha* lineup, and other OTC pharmaceuticals, including cold remedies and eye drops, as well as nutritional supplements featuring high-quality natural ingredients and such health food products as tea.

### Fiscal 2011 Results

In mainstay functional drinks, sales of the *Min Min Da Ha* line edged down year on year in face of an upcoming product upgrade, while the *New Gronvita D* energy drink enjoyed a sales increase year on year. Sales of *Nanten Nodo Ame* cough drops grew from a year earlier on the back of reinforced in-store sales promotion. However, high-end counseling-type

nutritional supplements suffered from weaker demand and, accordingly, sales in the Pharmaceuticals & Health Food segment dropped year on year to ¥6,821 million. Despite such results, segment income stood at ¥94 million, reflecting cutbacks in selling, general and administrative (SG&A) expenses.

### Channels

- Direct Sales
- Supermarkets
- Drugstores
- Convenience Stores
- Variety Stores
- Deposit Sales
- Mail Order
- Directly Managed Stores
- Contract Manufacturing



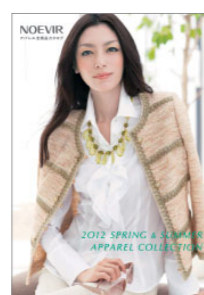
MOMO JELLY COLLAGEN



KENTOSHIATSU Ad nutritional supplement

Nanten Nodo Ame cough drops

## Other



Apparel product catalog

### Overview

The Other segment encompasses apparel and aircraft sales and leasing.

### Fiscal 2011 Results

Apparel sales decreased despite new product launches. Also, even though demand in the aviation-related business was stable, an unusual surge in sales worldwide in the previous fiscal year

caused sales to decline on a year-on-year basis.

Other segment sales thus totaled ¥1,592 million. Segment income was ¥75 million, reflecting reduced SG&A expenses and the cutting of unprofitable businesses.

### Channels

- Direct Sales



Aviation business

With cosmetics positioned as its flagship products, the Noevir Group leverages its cosmetic development know-how to offer items that promote beauty and health, such as nutritional supplements, energy drinks and pharmaceuticals.

The Group's particular strengths in the cosmetics business, which accounts for 65.8% of net sales, lie in the area of skincare products. The Group boasts a broad lineup encompassing prestige skincare products, functional cosmetics developed through extensive R&D and, for the young adult segment, affordably priced skincare products

that enjoy a strong presence in the general retail market.

Since commencing its cosmetics business in the 1970s, Noevir has abided by the guiding principle "Noevir, where beauty is science" and offered counseling cosmetics that incorporate active ingredients derived from natural sources, an approach that has helped build its credibility in the market. In recent years, Noevir has been emphasizing anti-aging and skin brightening products. In addition, Noevir has focused on regularly upgrading products in the *Noevir 505* and *Noevir Speciale* skincare lines, while

invigorating its brands by proactively developing a few high-end functional products per year. Furthermore, Tokiwa's flagship brands, the *Sana Nameraka Honpo Soy milk Isoflavone* skincare line in the self-selection cosmetics field, the *NOV* hypoallergenic cosmetic line, the functional drink *Min Min Da Ha* and the long-selling pharmaceutical product *Nanten Nodo Ame* cough drops, succeeded in capturing high market shares in an increasingly competitive environment due to their brand status as enriching, unique, highly functional items.

# Development of highly unique products



- 1 Noevir Speciale Lotion
- 2 Noevir 99 Moist Lotion
- 3 Sana Nameraka Honpo Lotion
- 4 Sana HADANOMY Cream
- 5 Min Min Da Ha functional drink
- 6 Kyufu Gold DX

## Flagship Products and New Products



### Launch of the BIOSIGN Line

As the culmination of the Group's 22-year's of bio research, Noevir introduced the *Noevir BIOSIGN* high-functional skincare line in 2011. The first product, *Noevir BIOSIGN inner treatment*, an anti-aging serum, was released in January, and *Noevir BIOSIGN blanc beauté*, a skin brightening serum (quasi-drug), came out in June.



### Upgrading of the Sana Nameraka Honpo Moisturizing Line

Since its introduction in 2004, the *Sana Nameraka Honpo Moisturizing* skincare line has gained great popularity for its products made from natural ingredients. In the period under review, Tokiwa upgraded the product line for the first time in seven years. Leveraging its unique enrichment process, Tokiwa was able to double the isoflavone concentration (obtained through the fermentation of soy liquor) in existing products. In addition, it redesigned the line's packaging.



### 2011 Autumn Makeup Line

In August 2011, Noevir introduced a new line of cosmetic products for autumn designed to make women look younger and fresher. The product lineup includes eye colors, eye liner, liquid lip rouge and eau de toilette.

**Research and Development**

The Noevir Group's research network consists of the Shiga Research Center, which develops cosmetics and quasi-drugs, and the Tokiwa R&D Center, which conducts pharmaceutical research. Aiming to amplify throughout the Group the effects of synergy between Noevir and Tokiwa, the Group consolidated the related R&D activities of Noevir and Tokiwa at the relevant respective research centers in June 2010.

R&D concepts vary largely by brand, particularly with regard to cosmetics. The Group's research for the Noevir brand focuses on a wide range of plants and is based on a policy of being "natural to the skin." At the same time, the Group pursues other avenues of research in accordance with its proprietary beauty science concept. For the Tokiwa brand, on the other hand, the Group proactively engages in joint study with universities, focusing on basic research that explores the potential of materials.

**R&D Activities in Fiscal 2011**

- **Discovery of antioxidation and anti-inflammatory effects in *Rhizophora apiculata***  
The Group found that the extract of *Rhizophora apiculata* leaves incorporated in the *Noevir 99 (Moisture Type)* skincare line has excellent anti-inflammatory and antioxidation effects on skin cells. The Group also discovered cryptochlorogenic acid, an active ingredient that not only has a skin brightening effect but is highly effective in promoting the production of hyaluronic acid. The Noevir Group applied for a patent for cryptochlorogenic acid.
- **Joint study with the Faculty of Pharmaceutical Sciences, Kobe Gakuin University and the Faculty of Medicine, Osaka University**

Through a study conducted jointly with the Faculty of Pharmaceutical Sciences, Kobe Gakuin University, and the Faculty of Medicine, Osaka University, the Group identified aging factors that cause damage when skin is exposed to ultraviolet light as well as the anti-aging properties of eucalyptus shoot extract.

• **Difference by age in changes in cerebral blood flow brought about by facial massage**

The Noevir Group has been conducting research into how blood flow changes as a result of skincare methods. Its research has shown that there is a difference according to age group in how cerebral blood flow fluctuates in response to facial massage, findings that were presented at an academic conference in September 2011. The Group's research has thus revealed that the sensory functions of the skin change in tandem with aging and introduced causal factors.

• **Confirmation of the efficacy of the *Sana Nameraka Honpo* skincare line**

To confirm the efficacy of soy isoflavone-based cosmetics, Tokiwa Pharmaceutical conducted a joint study with Kobe Gakuin University. Based on the study results, Tokiwa Pharmaceutical verified the potentially excellent moisturizing effects on both the epidermis and dermis of the isoflavone contained in the *Sana Nameraka Honpo* skincare line.

• **Discovery of the neutral fat reducing effect of oyster extract peptide (OEP)**

Based on a joint study conducted by Tokiwa Pharmaceutical and the Graduate School of the University of Nagasaki, the Group discovered that OEP has a neutral fat reducing effect that could be effective in curbing acute hepatic disorder and chronic hepatic dysfunction.

With regard to sales methods, the Noevir Group employs both face-to-face sales backed by individual counseling by sales representatives and regular sales at retail stores, including general merchandise stores (GMSs) and drugstores. Underpinned by these operations, the Group continues to introduce new sales methods in response to diversifying customer needs.

Noevir is striving to shift from the existing business model in which sales representatives deal only with high-end counseling cosmetics to new business models as needed with the

aim of improving customer satisfaction. Specifically, with its sales representatives now undergoing a generation change, Noevir is emphasizing nurturing younger representatives, helping them to acquire professional knowledge, while developing a new management environment in which sales representatives can create profits more easily. Principal features of the new management environment include the Noevir Skincare Advisor System adopted in September 2010 and Noevir Beauty Studios introduced in May 2011.

# Cultivating sales channels that meet specific needs



A beauty-care lesson at a directly managed store



R&D activities



The Shiga Research Center focuses on cosmetics formulation.



Pharmaceutical research is conducted at the Tokiwa R&D Center.

The Noevir Skincare Advisor System provides sales representatives with training on the concepts behind beauty consulting as well as instruction in beauty care-related skills. This is followed by qualification testing. This approach enables the level of service to be standardized while ensuring the ongoing maintenance and enhancement of service quality. Together with the Noevir Ginza Academy (name to be changed to Noevir

Beauty Academy on January 21, 2012), which opened in 2002 and now offers four courses, the Noevir Skincare Advisor System reinforces the Group's human resource development and further improves the quality of beauty consulting and beauty care-related services.

Operated by sales representatives, Noevir Beauty Studios are shops incorporating beauty salon functions. They are not one-on-one esthetic clinic-type salons, but lesson-

## Sales Channels

### ● Direct Sales

Handling Noevir brand cosmetics, mainly offering counseling by sales representatives with beauty care-related knowledge and skills

### ● Mail Order

Offering Noevir Style and Tokiwa Style in response to diversifying customer lifestyles as well as the *Simp's* line for people with sensitive skin

### ● Directly Managed Stores

Three types—Angelic Smile, Noevir Style and SALON DE SPECIALE—offering product trials and sales as well as beauty events

### ● General Retailers

GMSs and drugstores handling self-selection cosmetics, pharmaceuticals and health foods, convenience stores and boutiques offering unique selections of items.

### ● Deposit Sales

Delivery of pharmaceuticals to contracted households and companies, with the settling of accounts based on actual volume consumed

### ● Contract Manufacturing

Original equipment manufacturing of cosmetics and quasi-drugs that leverages Group know-how

常盤薬品  
NOEVIR GROUP

SDN48 公式ドリンク

SDN48と眠眠打破で  
いけるとこまでいっちゃおう!

眠眠打破  
お仕事・勉強・遊びにも  
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Noevir's directly managed stores offer large numbers of people the opportunity to experience prestige cosmetics.



A Sales Representative provides skincare services.



The "Angelic Smile" Shinjuku store offers Noevir Group products.

TV commercials for *Min Min Da Ha* and *Kyo Kyo Da Ha* functional drinks featuring a popular singing group

type salons for small groups that were created with the aim of nurturing closer relationships with customers in local communities. Noevir is aiming to increase the number of Noevir Beauty Studios to 1,000 by 2012.

By supporting and improving the quality of sales representatives, Noevir strives to gain and maintain loyal customers for its counseling cosmetics.

### Sales Support Activities

Aiming to increase its brand recognition, the Noevir Group continues to open directly managed stores while proactively conducting promotion activities.

In September 2011, Noevir opened its fourth Angelic Smile store, which offers a wide

variety of Noevir Group brand items as well as skincare and makeup lessons in Shinjuku, Tokyo. Angelic Smile directly managed stores located in prime metropolitan locations serve a wide age-range of customers, to whom they provide makeup and color coordination lessons and introduce new product lineups.

Furthermore, the Noevir Group holds various events and campaigns targeting specific customers by brand characteristic. For example, free samples of Noevir brand items are distributed as an in-flight service, events are held at such facilities as runners' changing rooms, and a popular singing group was recruited to perform in TV commercials for *Min Min Da Ha*, a functional drink line.



**Organizational Structure**

The Board of Directors of Noevir Holdings (“the Company”) consists of seven members, including one outside director. Board of directors’ meetings are held monthly on a regular basis, with extraordinary meetings convened as necessary. During the fiscal year under review, seven meetings were held. With a view to strengthening corporate governance, the Company performs duties that ensure the viability of its internal control system and has established a framework whereby the entire Group strictly adheres to legal requirements and Noevir Holdings’ articles of incorporation. Noevir Holdings has adopted a corporate auditor system, with a board of corporate auditors comprising one standing corporate auditor and two outside corporate auditors. In addition, the Company has established an Internal Audit Department, made up of seven full-time staff members, that conducts regular audits across all divisions and reports directly to the President and Representative Director. The corporate auditors, the Internal Audit Department and an independent auditor attend Board of Corporate Auditors’ meetings. This facilitates mutual cooperation and enables a three-way audit control system that effectively executes its duties.

Furthermore, Noevir Holdings has adopted an executive officer system with the aim of strengthening the corporate governance structure. The executive officer system is expected to reinforce the Board of Directors’

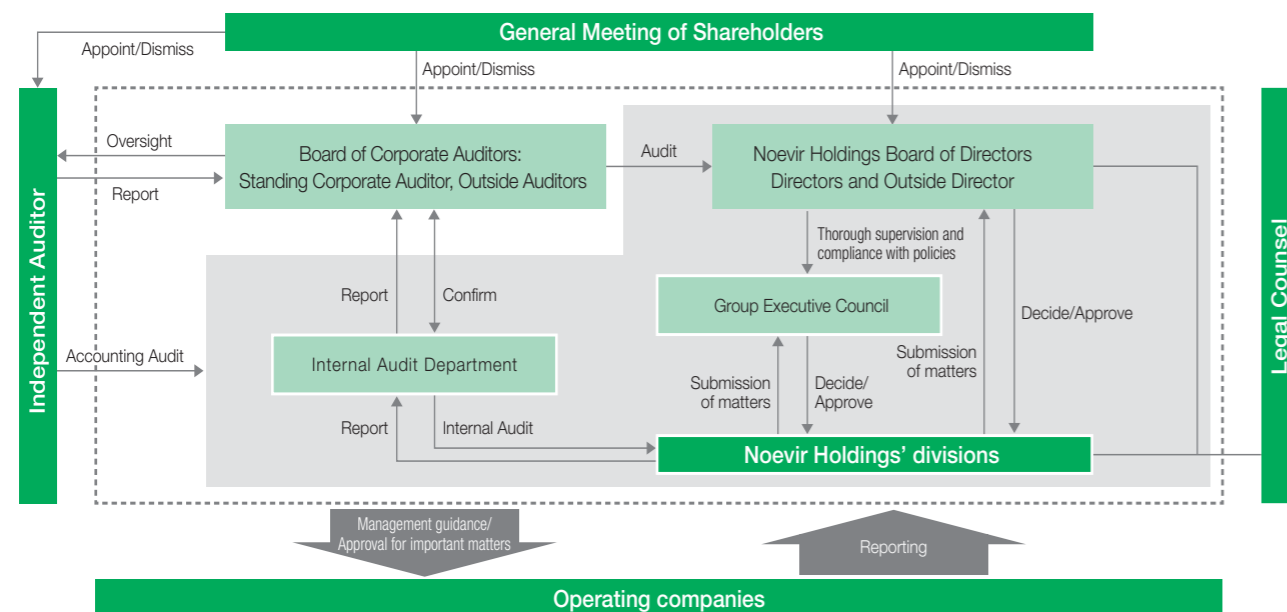
decision-making and auditing functions, accelerate business execution and clarify the Company’s responsibilities.

In order to deepen the understanding of its stakeholders and ensure their appropriate evaluation, Noevir Holdings voluntarily and consistently discloses important information pertaining to the Group in a fair, timely and appropriate manner. To disseminate investor relations (IR) information, Noevir Holdings established a dedicated department, created the position of IR director, and regularly holds briefings for analysts and institutional investors.

**Internal Control System Strengthening**

To ensure the appropriate and sound execution of its business operations, Noevir Holdings endeavors to maintain an internal control system that strictly adheres to legal requirements and its articles of incorporation. The Company undertakes the storage and management of information associated with directors’ duties, the execution of which is thoroughly streamlined. The Company works to maintain clarity in its risk management structure as well as to strengthen and promote its compliance structure under the Noevir Group Strategy and the Noevir Group Code of Conduct. By securing a structure for reporting to an independent board of auditors and conducting effective audits and reliable financial reporting, Noevir Holdings continues to further enhance its internal control system.

**Corporate Governance Organizational Structure**



**Basic Philosophy**

Working toward the realization of affluent lifestyles for all stakeholders, the Noevir Group is engaged in the creation of beauty and health. In addition to this, the Group aims for the further development of its organization while meeting the needs of society in five areas of corporate social responsibility.

**Five Responsibilities**

• **Together with Customers and Business Partners**

Placing top priority on the fulfillment of corporate social responsibility and in pursuit of better customer satisfaction, the Noevir Group has set the objective of ensuring product quality. Accordingly, the Group strictly complies with the cosmetics GMP (Good Manufacturing Practice) stipulated by the Ministry of Health, Labour and Welfare as well GMP standards for pharmaceuticals and quasi-drugs and has established an advanced quality assurance system. Furthermore, Noevir has obtained the ISO 9001 quality management system certificate.

• **Together with Shareholders**

Since taking its stock public in May 1988, Noevir has strengthened its management platform and secured sustainable shareholder returns by establishing a stable dividend policy and a shareholder special benefit plan. In addition, the Company strives to disclose information, including management policies and financial data, on a timely basis.

• **Together with Employees**

The Noevir Group strives to maintain a comfortable working environment that boosts the morale of every employee while exercising their skills. Underpinned by its respect for human rights and diversity, the Group is developing systems in which employees can balance work and private life to enjoy affluent and fulfilling lifestyles.

• **Together with Society**

The Noevir Group maintains close contact with local communities through corporate social activities. When the Great East Japan Earthquake struck in March 2011, the Group offered relief supplies and monetary donations and supplied a company plane as well as a helicopter to aid in the dispatch of a team of doctors.

Furthermore, the Group widely participates in CSR activities aimed at nurturing future generations. As part of such efforts, the Group conducts joint research with multiple universities in a variety of fields, including component analysis in the areas of cosmetics, pharmaceuticals and health food, while pursuing new materials development and providing endowments for courses.

• **Together with the Environment**

The Noevir Group strives to prevent the pollution of water in the production process, reduce the generation of waste, promote the use of environment-friendly packaging based on its own guidelines and facilitate the collection and recycling of used containers. Together with this, the Group makes across-the-board efforts to prevent global warming by saving energy. Furthermore, in collaboration with alpinist Ken Noguchi, the Group maintains the Noevir Green Charity, which is focused on the future of the natural environment and offers environmental classes for parents and children to experience and understand the abundance and importance of nature.

Overview

During Noevir Holdings Co., Ltd.'s fiscal 2011 term (from March 22, 2011 to September 30, 2011), the Japanese economy plummeted due to the Great East Japan Earthquake, which had struck the country on March 11, 2011, although conditions in some industries began to gradually recover later in the period. In addition, the debt crisis in Europe led to increased economic uncertainty. Conditions in the Japanese market have been harsh, with intensifying competition among companies due to a trend in consumer preferences toward lower-priced items. In contrast, brisk growth in demand has been seen in Asian markets.

Amid this environment, the Group opened Noevir Beauty Studios nationwide. At these salons, in-house certified sales representatives provide beauty-related lessons centering on counseling cosmetics. This new sales format was established for prestige cosmetics. In other areas, the Group implemented proactive advertising and sales promotion activities for self-selection cosmetics and energy drinks sold at drugstores as well as functional drinks offered through convenience stores. In China, the number of stores handling self-selection cosmetics increased. Overall, the operational impact of the Great East Japan Earthquake was limited.

On March 22, 2011, Noevir Holdings Co., Ltd. was established as the wholly owing parent company of Noevir Co., Ltd. through a share transfer. Therefore, fiscal 2011 results do not include Noevir's consolidated results for the

period preceding the establishment of Noevir Holdings and year-on-year comparisons are not presented.

Consolidated net sales for the fiscal 2011 term amounted to ¥24,581 million.

The cost of sales amounted to ¥9,377 million, and the cost of sales as a percentage of net sales was 38.1%. Selling, general and administrative (SG&A) expenses were ¥13,627 million, and the ratio of SG&A expenses to net sales was 55.4%. Operating income totaled ¥1,576 million and net income was ¥614 million.

Assets, Liabilities and Net Assets

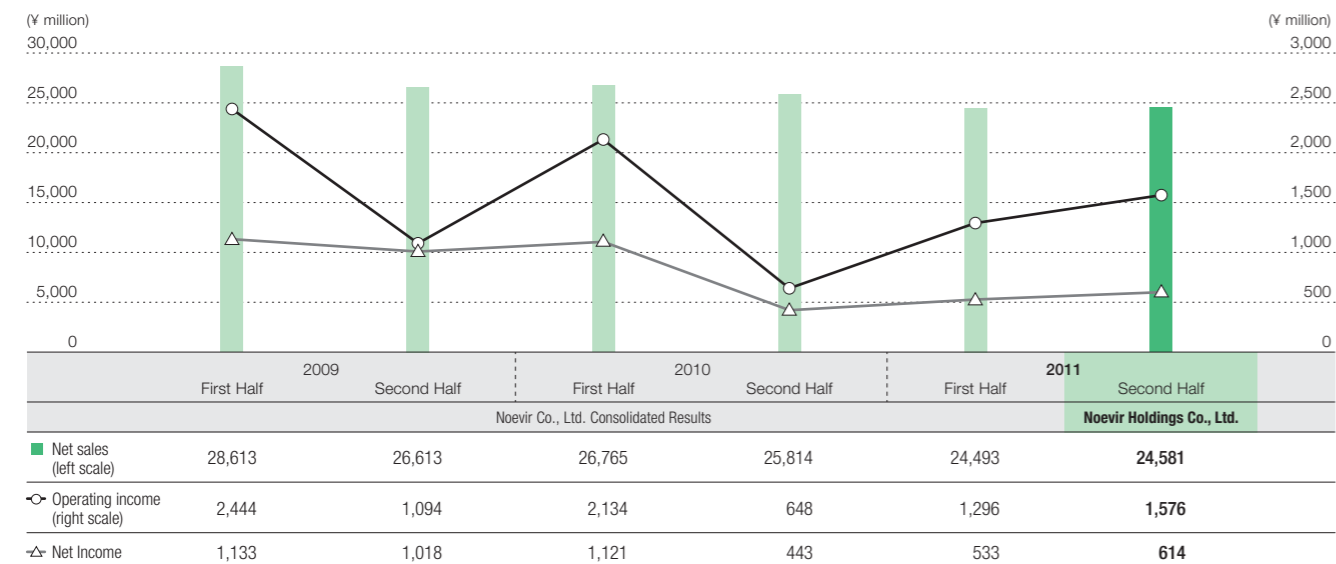
Total assets at the fiscal year-end were ¥87,427 million.

Total current assets stood at ¥61,755 million and included cash and cash equivalents of ¥38,674 million, notes and accounts receivable of ¥10,579 million, and inventories of merchandise and other items amounting to ¥7,949 million.

Non-current assets totaled ¥25,671 million, and comprised property, plant and equipment, including buildings and structures, of ¥20,784 million, intangible assets, including goodwill, of ¥986 million and investments and other assets, such as investment securities, of ¥3,900 million.

Total liabilities were ¥35,832 million. Total current liabilities were ¥11,938 million and included notes and accounts payable of ¥4,339 million and other accounts payable of ¥3,280 million. Long-term liabilities amounted to ¥23,893 million, which included guarantee deposits received of ¥18,446 million and a reserve for employees' retirement benefits of ¥5,193 million.

Net Sales/Operating Income/Net Income



Total net assets at the end of fiscal 2011 were ¥51,595 million.

As a result, the equity ratio became 59.0% and total net assets per share were ¥1,248.02.

Cash Flows

Cash and cash equivalents, end of year, increased ¥2,619 million compared with the beginning of the fiscal 2011 period to ¥36,148 million. This was mainly due to cash inflows from operating activities outstripping cash outflows

from investing and financing activities.

Net cash provided by operating activities was ¥2,826 million. This was primarily attributable to income before income taxes of ¥1,561 million and a ¥1,610 million decrease in trade receivables.

Net cash used in investing activities amounted to ¥199 million due mainly to ¥266 million used for the purchase of property, plant and equipment.

Net cash used in financing activities was ¥2 million, mainly comprising ¥2 million in cash dividends paid.

Five-Year Summary

Fiscal Year	Noevir Co., Ltd. Consolidated Results				Noevir Holdings Co., Ltd.	
	2007	2008	2009	2010	2011	
	September 21–September 20				September 21, 2010–March 20, 2011 (March 21, 2011*)	March 22, 2011–September 30, 2011
Net sales	¥ 59,352	¥ 58,669	¥ 55,227	¥ 52,580	¥ 24,493	¥ 24,581
Operating income	3,869	4,043	3,539	2,782	1,296	1,576
Net income	2,018	2,937	2,152	1,565	533	614
Total assets	99,787	95,818	89,308	88,797	86,841	87,427
Total net assets	44,223	51,600	51,903	52,012	50,992	51,595
Capital expenditures	2,094	2,726	1,277	710	361	186
Depreciation	1,493	2,064	2,099	1,894	854	910
R&D costs	1,640	1,659	1,487	1,541	775	675
Dividends per share (yen)	¥ 36.00	¥ 36.00	¥ 36.00	¥ 36.00	—	¥ 36.00
Earnings per share, basic (yen)	¥ 56.33	¥ 71.94	¥ 52.07	¥ 37.88	¥ 12.90	¥ 14.88
Total net assets per share (yen)	¥1,232.78	¥1,247.93	¥1,255.50	¥1,258.20	¥1,233.49	¥1,248.02
ROE (%)**	4.6%	6.1%	4.2%	3.0%	—	—
ROA (%)**	2.0%	3.0%	2.3%	1.8%	—	—
Equity ratio (%)	44.3%	53.9%	58.1%	58.6%	58.7%	59.0%
Number of employees (consolidated)	2,370	2,333	2,336	2,287	—	2,097
Cosmetics						
Net sales	¥ 37,982	¥ 38,513	¥ 36,825	¥ 34,589	¥ 16,030	¥ 16,167
Operating income/Segment income	6,282	6,399	5,524	4,799	2,046	2,273
Pharmaceuticals***						
Net sales	7,624	6,809	6,939	6,539	—	—
Operating income	(496)	(571)	(511)	(729)	—	—
Health Food***						
Net sales	9,227	8,507	8,553	8,440	—	—
Operating income	(315)	212	580	346	—	—
Pharmaceuticals & Health Food***						
Net sales	—	—	—	—	7,404	6,821
Segment income	—	—	—	—	(13)	94
Other						
Net sales	4,519	4,840	2,910	3,012	1,059	1,592
Operating income/Segment income	137	149	(12)	(77)	(32)	75

\* March 21, 2011 is included in Noevir Co., Ltd.'s accounting period from September 21, 2010 to March 20, 2011. March 21, 2011 was a public holiday in Japan, and the impact on Noevir's business results is minor.

\*\* 2011 became an irregular accounting period due to the establishment of the holdings company. Accordingly, ROE and ROA are not presented due to the difficulty in calculating a year-on-year comparison of indices.

\*\*\* In September 2010, Noevir changed the organization of its segments.

## Consolidated Financial Statements

### Consolidated Balance Sheets

	(Thousands of yen)
	Year ended September 30, 2011
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	¥38,674,720
Notes and accounts receivable	10,579,759
Merchandise and finished goods	6,202,007
Work in progress	300,999
Raw materials and purchased supplies	1,446,797
Deferred tax assets	1,524,090
Other receivables	2,698,721
Other	405,175
Allowance for doubtful accounts	(76,378)
<b>Total current assets</b>	<b>61,755,894</b>
<b>Non-current assets</b>	
Property, plant and equipment	
Buildings and structures, net	5,666,478
Equipment and vehicles, net	877,414
Land	13,881,827
Lease assets, net	24,490
Construction in progress	1,384
Other, net	332,757
<b>Total property, plant and equipment</b>	<b>20,784,352</b>
Intangible assets	
Goodwill	1,012
Software	888,107
Other	97,511
<b>Total intangible assets</b>	<b>986,631</b>
Investments and other assets	
Investment securities	426,532
Deferred tax assets	2,368,259
Other	1,252,446
Allowance for doubtful accounts	(146,841)
<b>Total investments and other assets</b>	<b>3,900,397</b>
<b>Total non-current assets</b>	<b>25,671,381</b>
<b>Total assets</b>	<b>¥87,427,276</b>

	(Thousands of yen)
	Year ended September 30, 2011
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current liabilities</b>	
Notes and accounts payable	¥ 4,339,797
Lease obligations	7,238
Other accounts payable	3,280,105
Income tax payable	781,103
Reserve for bonuses	329,611
Reserve for product returns	1,033,114
Other	2,167,964
<b>Total current liabilities</b>	<b>11,938,935</b>
<b>Long-term liabilities</b>	
Lease obligations	18,449
Guarantee deposits received	18,446,472
Reserve for employees' retirement benefits	5,193,496
Other	234,697
<b>Total long-term liabilities</b>	<b>23,893,116</b>
<b>Total liabilities</b>	<b>35,832,051</b>
<b>NET ASSETS</b>	
<b>Shareholders' equity</b>	
Common stock	7,319,000
Additional paid-in capital	6,809,798
Retained earnings	37,944,986
Treasury stock	(17)
<b>Total shareholders' equity</b>	<b>52,073,767</b>
Accumulated other comprehensive income	
Net unrealized gain on other securities	18,362
Foreign currency translation adjustments	(520,373)
<b>Accumulated other comprehensive income</b>	<b>(502,010)</b>
Minority interests	23,468
<b>Total net assets</b>	<b>51,595,224</b>
<b>Total liabilities and net assets</b>	<b>¥87,427,276</b>

## Consolidated Statements of Income and Comprehensive Income

### Consolidated Statements of Income

	(Thousands of yen)
	Year ended September 30, 2011
<b>Net sales</b>	<b>¥24,581,835</b>
<b>Cost of sales</b>	<b>9,377,231</b>
Gross profit	15,204,603
<b>Selling, general and administrative expenses</b>	
Cost of sales	2,058,088
Advertising expenses	513,294
Salaries and bonuses	4,239,596
Accrued allowance for bonuses	239,935
Retirement benefits for employees	456,872
Depreciation	590,264
Research and development expenses	671,954
Other	4,857,948
Total	13,627,955
Operating income	1,576,648
<b>Non-operating income</b>	
Interest income	11,265
Dividend income	5,644
Sales of promotional materials	14,234
Lease income	26,020
Insurance dividends	37,442
Other	38,029
Total	132,635
<b>Non-operating expenses</b>	
Loss on currency translation	17,278
Commitment fee	4,928
Amortization of inaugural expenses	32,971
Other	1,413
Total	56,591
Ordinary income	1,652,692
<b>Extraordinary income</b>	
Gain on sale of fixed assets	123
Gain on sale of investment securities	5,918
Reversal of allowance for doubtful accounts	51,374
Adjustment to the loss on disaster	13,389
Other	682
Total	71,488
<b>Extraordinary losses</b>	
Loss on disposal of fixed assets	161,385
Loss on sale of investment securities	1,357
Total	162,742
<b>Income before income taxes</b>	<b>1,561,437</b>
<b>Income taxes – basic</b>	<b>764,002</b>
<b>Income taxes – deferred</b>	<b>180,863</b>
<b>Total</b>	<b>944,866</b>
<b>Income before minority interests</b>	<b>616,571</b>
<b>Minority interests</b>	<b>1,805</b>
<b>Net income</b>	<b>¥ 614,766</b>

### Consolidated Statements of Comprehensive Income

	(Thousands of yen)
	Year ended September 30, 2011
Income before minority interests	¥616,571
Other comprehensive income	
Valuation adjustment	(13,093)
Foreign currency translation	(1,027)
Total	(14,120)
Comprehensive income	602,451
(Breakdown)	
Comprehensive income attributable to owners of the parent	600,375
Comprehensive income attributable to minority interests	2,076

### Consolidated Changes to Equity

	(Thousands of yen)
	Year ended September 30, 2011
<b>Shareholders' equity</b>	
Common stock	
Balance at end of the previous year	¥ —
Changes during the reporting period	
Increase by share transfers	7,319,000
Total changes during the period	7,319,000
Balance at end of the year	7,319,000
Additional paid-in capital	
Balance at end of the previous year	—
Changes during the reporting period	
Increase by share transfers	6,809,798
Total changes during the period	6,809,798
Balance at end of the year	6,809,798
Retained earnings	
Balance at end of the previous year	—
Changes during the reporting period	
Increase by share transfers	37,330,220
Net income	614,766
Total changes during the period	37,944,986
Balance at end of the year	37,944,986
Treasury stock	
Balance at end of the previous year	—
Changes during the reporting period	
Purchase of own shares	(17)
Total changes during the period	(17)
Balance at end of the year	(17)

## Consolidated Changes to Equity (Continued)

	(Thousands of yen)
	Year ended September 30, 2011
Total shareholders' equity	
Balance at end of the previous year	¥ —
Changes during the reporting period	
Increase by share transfers	51,459,018
Purchase of own shares	(17)
Net income	614,766
Total changes during the period	52,073,767
Balance at end of the year	52,073,767
Accumulated other comprehensive income	
Valuation adjustment	
Balance at end of the previous year	—
Changes during the reporting period	
Increase by share transfers	31,455
Changes during the reporting period, excluding shareholders' equity	(13,093)
Total changes during the period	18,362
Balance at end of the year	18,362
Foreign currency translation	
Balance at end of the previous year	—
Changes during the reporting period	
Increase by share transfers	(519,075)
Changes during the reporting period, excluding shareholders' equity	(1,298)
Total changes during the period	(520,373)
Balance at end of the year	(520,373)
Accumulated other comprehensive income	
Balance at end of the previous year	—
Changes during the reporting period	
Increase by share transfers	(487,619)
Changes during the reporting period, excluding shareholders' equity	(14,391)
Total changes during the period	(502,010)
Balance at end of the year	(502,010)
Minority interests	
Balance at end of the previous year	—
Changes during the reporting period	
Increase by share transfers	21,391
Changes during the reporting period, excluding shareholders' equity	2,076
Total changes during the period	23,468
Balance at end of the year	23,468
Total assets	
Balance at end of the previous year	—
Changes during the reporting period	
Increase by share transfers	50,992,791
Purchase of own shares	(17)
Net income	614,766
Changes during the reporting period, excluding shareholders' equity	(12,315)
Total changes during the period	51,595,224
Balance at end of the year	¥51,595,224

## Consolidated Statements of Cash Flows

	(Thousands of yen)
	Year ended September 30, 2011
<b>Cash flows from operating activities</b>	
Income before income taxes	¥ 1,561,437
Depreciation	910,990
Amortization of goodwill	1,771
Decrease in reserve for doubtful accounts	(72,666)
Decrease in reserve for bonuses	(49,540)
Decrease in reserve for product returns	(143,809)
Increase in reserve for retirement benefits	27,844
Interest and dividends received	(16,909)
Loss on currency translation	9,809
Gain on marketable and investment securities	(4,560)
Gain on valuation of marketable and investment securities	(682)
Loss on sales of property, plant and equipment	161,261
Adjustment to the loss on disaster	(13,389)
Decrease in trade receivables	1,610,233
Decrease in inventories	409,808
Decrease in trade payables	(111,010)
Decrease in guarantee deposits	(418,700)
Other	(575,685)
Subtotal	3,286,202
Interest and dividends received	21,238
Income tax paid	(480,498)
Net cash provided by operating activities	2,826,942
<b>Cash flows from investing activities</b>	
Expenditure for deposit to time deposits	(2,501,250)
Proceeds from withdrawal of time deposits	2,500,000
Purchase of investment securities	(1,261)
Proceeds from sale of investment securities	20,368
Purchase of property, plant and equipment	(266,100)
Proceeds from sale of property, plant and equipment	72,457
Purchase of intangible assets	(27,144)
Proceeds from collection of long-term loans	3,578
Net cash used in investing activities	(199,352)
<b>Cash flows from financing activities</b>	
Purchase of treasury stock	(17)
Cash dividends paid	(2,756)
Net cash used in financing activities	(2,774)
<b>Effects of exchange rate changes on cash and cash equivalents</b>	(5,802)
<b>Net change in cash and cash equivalents</b>	2,619,012
<b>Cash and cash equivalents, beginning of year</b>	33,529,877
<b>Cash and cash equivalents, end of year</b>	¥36,148,890

## Principal Consolidated Subsidiaries

(As of September 30, 2011)

Name	Location	Issued Share Capital (millions of yen, except as otherwise stated)	Direct or Indirect Ownership by the Company (percent)	Principal Business
<b>Noevir Co., Ltd.</b>	(Kobe Headquarters) 6-13-1 Minatojima-nakamachi Chuo-ku, Kobe 650-8521 Japan (Tokyo Headquarters) 7-6-15 Ginza, Chuo-ku Tokyo 104-8208 Japan	¥7,319	100.00%	Production and sale of cosmetics, toiletries and food products as well as purchase and sale of make-up items and apparel
<b>Tokiwa Pharmaceutical Co., Ltd.</b>	3-5-12 Azuchi-machi Chuo-ku, Osaka 541-0052 Japan	¥4,301	100.00%	Production and sale of cosmetics, toiletries and food products as well as purchase and sale of make-up items/Production and sale of over-the-counter (OTC) pharmaceuticals and quasi-drugs
<b>Bonanza Co., Ltd.</b>	6-13-1 Minatojima-nakamachi Chuo-ku, Kobe 650-8521 Japan	¥10	100.00	Production and sale of cosmetics, toiletries and as well as purchase and sale of make-up items
<b>Tokiwa Medical Service Co., Ltd.</b>	3-12-23 Kitahorie Nishi-ku, Osaka 550-0014 Japan	¥98	100.00	Sale of cosmetics, toiletries and food products as well as purchase and sale of make-up items/ Production and sale of over-the-counter (OTC) pharmaceuticals and quasi-drugs
<b>Noevir Aviation Co., Ltd.</b>	2-12 Yao Airport Yao, Osaka 581-0043 Japan	¥35	100.00	Air transportation business
<b>Noevir Tourist Co., Ltd.</b>	3-5-12 Azuchi-machi Chuo-ku, Osaka 541-0052 Japan	¥100	100.00	General travel services and life insurance agency business
<b>Noevir Holding of America, Inc.</b>	1095 Southeast Main Street Irvine, California 92614 U.S.A.	US\$7,250 thousand	100.00	Holding company for two U.S. subsidiaries and one Canadian subsidiary
<b>Noevir U.S.A., Inc.</b>	1095 Southeast Main Street Irvine, California 92614 U.S.A.	US\$5,900 thousand	100.00	Sale of cosmetics and food products
<b>Noevir Canada, Inc.</b>	7360 River Road, Richmond British Columbia V6X 1X6 Canada	C\$1,131 thousand	100.00	Sale of cosmetics and food products
<b>Noevir Taiwan, Inc.</b>	8th Fl.-2, No.111 Songjiang Road, Jhongshan District Taipei City 10486 Taiwan	NT\$31,000 thousand	96.77	Sale of cosmetics and food products
<b>Noevir Shanghai, Inc.</b>	Room 802, No. 6 Jilong Road Waigaoqiao Free Trade Zone Pudong New Area, Shanghai 200131 China	3,311 thousand Chinese yuan	100.00	Procurement and sale of sales promotion goods for the Noevir Group
<b>Shanghai Noevir Co., Ltd.</b>	Room 2206, Feidiao International Plaza No. 1065A Zhaojiabang Road Shanghai 200030 China	5,000 thousand Chinese yuan	50.00	Sale of cosmetics as well as procurement and sale of sales promotion goods for the Noevir Group
<b>Noevir Aviation, Inc.</b>	200 West Grand Avenue Montvale, New Jersey 07645 U.S.A.	US\$1,350 thousand	100.00	Purchase from and sale to companies outside the Noevir Group of aircraft and vessels
<b>Noevir Europe s.r.l.</b>	Via Tre Settembre, 99 (5°-#183) 47891 Dogana Repubblica di San Marino	26,000 euro	100.00	Market research in Europe

## Board of Directors and Auditors

(As of December 9, 2011)

**Chairman and Representative Director**  
Hiroshi Okura

**President and Representative Director**  
Takashi Okura

**Vice President and Representative Director**  
Masashi Akagawa

**Directors**  
Ikkou Yoshida  
Yasuo Kaiden  
Masataka Nakano

**Standing Corporate Auditor**  
Yoshiharu Hayashi

**Outside Corporate Auditors**  
Masakazu Ueda  
Kazuhiro Kida

**Outside Director**  
Sanae Tanaka

## Investor Information

(As of September 30, 2011)

**Name:**  
Noevir Holdings Co., Ltd.

**Date of Establishment:**  
March 22, 2011  
(Noevir Co., Ltd. was founded in April 1964.)

**Paid-in Capital:**  
¥7,319 million

**Headquarters:**  
• Tokyo  
7-6-15 Ginza, Chuo-ku  
Tokyo 104-8208, Japan  
Phone: +81-3-5568-0305  
Fax: +81-3-5568-0441

• Kobe  
6-13-1 Minatojima-nakamachi  
Chuo-ku, Kobe 650-8521, Japan

**Stock Listing:**  
Tokyo Stock Exchange, 2nd Section (Ticker: 4928)

**Transfer Agent and Registrar:**  
The Chuo Mitsui Trust and Banking Co., Ltd.  
3-33-1 Shiba, Minato-ku, Tokyo 105-8574, Japan

### Major Shareholders

Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (percent)
Hiroshi Okura	8,438	20.41%
NII Co., Ltd.	6,972	16.87
Okura Kohsan, Ltd.	4,491	10.86
Takashi Okura	3,699	8.95
Noevir Holdings Employees Shareholding Scheme	1,205	2.91
Sumitomo Mitsui Banking Corporation	900	2.17
Mizuho Bank, Ltd.	600	1.45
Sumitomo Life Insurance Company	300	0.72
Nihon Kolmar Co., Ltd.	300	0.72
Kiyomi Yamamoto	196	0.47
Total	27,101	65.58%

### Forward-Looking Statements

Statements in this annual report with respect to Noevir Holdings' plans, strategies, projected financial results and beliefs as well as other statements that are not historical facts, are forward-looking statements based on information currently available, and such statements involve risks and uncertainties that could cause actual results to differ substantially from expectations.