August 2, 2016

Noevir Holdings Announces Consolidated Results for the First Nine Months of the Fiscal Year Ending September 30, 2016 (based on Japan GAAP)

Trade name: Noevir Holdings Co., Ltd.
Listing: Tokyo Stock Exchange, First Section (Code Number: 4928)
URL: http://www.noevirholdings.co.jp/
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Submission of securities report: August 4, 2016 Date of commencement of dividend payments: –
Supplemental materials for the financial results prepared: None
Results briefing for the reporting period held: None

1. Operating results for the first nine months of the fiscal year ending September 30, 2016 (October 1, 2015 – June 30, 2016)

* Amounts under one million yen have been rounded down.

(1) Consolidated operating results

(Millions of yen; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Nine months ended June 30, 2016	38,529	3.9%	6,437	2.1%	6,351	(6.2)%	2,857	(8.3)%
Nine months ended June 30, 2015	37,086	1.3%	6,305	5.7%	6,772	10.4%	3,115	4.2%

Note: Comprehensive income:
Nine months ended June 30, 2016: 2,788 million yen (-21.3)%
Nine months ended June 30, 2015: 3,541 million yen (15.1)%

	EPS (Yen)	Diluted EPS (Yen)
Nine months ended June 30, 2016	80.61	—
Nine months ended June 30, 2015	86.90	—

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
Nine months ended June 30, 2016	87,642	53,842	61.3
Year ended September 30, 2015	87,348	54,598	62.4

[Reference] Equity:
Nine months ended June 30, 2016: 53,721 million yen Nine months ended June 30, 2015: 54,483 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Year ended September 30, 2015	—	0.00	—	100.00	100.00
Year ending September 30, 2016	—	0.00	—		
Year ending September 30, 2016 (forecast)				100.00	100.00

Note: Revisions from the most recently announced dividend forecast: None

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2016
(October 1, 2015 – September 30, 2016)

(Millions of yen; percentage figures denote year-on-year change)

	Net Sales		Operating income		Ordinary income		Net income attributable to owners of the parent		EPS (Yen)
Full year	50,500	2.3%	7,700	1.5%	7,900	(2.4)%	5,100	4.3%	143.86

Note: Revisions from the most recently announced consolidated earnings forecast: None

* Notes

(1) Significant changes in subsidiaries (scope of consolidation) during period: None

(2) Special accounting treatment for preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, procedures, disclosure methods, etc.

1) Changes associated with revision in accounting standards: Yes
2) Other changes: None
3) Changes in accounting estimates: None
4) Restatements: None

Note: For details, please refer to “(3) Changes in accounting policies, accounting estimates, restatements, etc.” under “2. Summary information (Notes)” on page 6 of this report.

(4) Shares outstanding (common stock)

1) Shares outstanding (including treasury stock)
As of June 30, 2016: 35,451,653
As of September 30, 2015: 35,451,653

2) Treasury shares outstanding
As of June 30, 2016: 30
As of September 30, 2015: 0

3) Average shares outstanding over quarter (cumulative; consolidated)
As of June 30, 2016: 35,451,630
As of June 30, 2015: 35,852,770

* Explanation regarding audit procedures

Preparation of the audit procedures is not subject to the provisions set forth in the Japanese Financial Instruments and Exchange Act. Accordingly, audit procedures for table material under the Act have not been completed.

* Explanation regarding the appropriate use of business performance forecasts

Forward-looking statements included in these materials, such as forecasts of business performance, are based on information known to the Company’s management as of the time of writing, and reflect judgments believed to be reasonable on the basis of that information. There is, therefore, a possibility that actual business performance figures will differ substantially from our forecasts as a result of changes in the economic situation and other unforeseeable factors. Please refer to “(3) Estimates and forecasts pertaining to future plans and business results” under “1. Qualitative information regarding quarterly consolidated business performance” on page 5 the Attached Material.

Contents of the Attached Material

1. Qualitative information regarding quarterly consolidated business performance

(1) Operating results

Consolidated operating results for the first nine months of the fiscal year ending September 30, 2016 (October 1, 2015 to June 30, 2016)

	Nine months ended June 30, 2015		Nine months ended June 30, 2016		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Cosmetics	26,320	71.0	28,280	73.4	1,959	7.4
Pharmaceuticals & Health Food	9,485	25.6	9,077	23.6	(408)	(4.3)
Other	1,280	3.4	1,171	3.0	(108)	(8.5)
Total sales	37,086	100.0	38,529	100.0	1,442	3.9

	Nine months ended June 30, 2015		Nine months ended June 30, 2016		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	6,305	17.0	6,437	16.7	132	2.1
Ordinary income	6,772	18.3	6,351	16.5	(421)	(6.2)
Net income attributable to owners of the parent	3,115	8.4	2,857	7.4	(257)	(8.3)

During the first nine months of fiscal 2016(the fiscal year ending September 30, 2016) (October 1, 2015 to June 30, 2016), the Japanese economy continued to recover gradually as a trend mainly due to improvements in corporate capital investment and the employment situation. However, the outlook remained uncertain due to signs of weakness in private consumption and corporate earnings in some areas as well as dramatic fluctuations in exchange rates and concerns over slowdowns in economies overseas.

The cosmetics market in Japan—the Group's main business domain—has saturated and matured, while consumer needs have continued to change, particularly in showing greater diversity and segmentation.

Under these circumstances, net sales for the first nine-months of fiscal 2016 came to 38,529 million yen (up 3.9% year on year). Operating income was 6,437 million yen (up 2.1%), ordinary income totaled 6,351 million yen (down 6.2%), and net income attributable to owners of the parent came to 2,857 million yen (down 8.3%).

On January 19, 2016, Tokiwa Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company, announced a voluntary recall of its medicated cough drops from the market. The Company has recorded a loss of 559 million yen as the costs related to the voluntary recall in its consolidated financial statements for the first nine months of fiscal 2016.

Sales in the Cosmetics segment totaled 28,280 million yen (up 7.4% year on year), and segment income came to 8,012 million yen (up 9.1 %). In sales of cosmetics sold through individual consultation declined year on year due to lackluster sales of mid-priced products, although sales of a new aging care skincare lotion and the high-end basic skincare series were strong. Sales of self-selection cosmetics increased on the back of the launch of new products and existing series winning support from a wide array of customers.

Sales in the Pharmaceutical & Health Food segment totaled 9,077 million yen (down 4.3% year on year), and segment loss came to 66 million yen (compared with segment income of 676 million yen in the corresponding period of the previous fiscal year). Sales of pharmaceutical and health drinks were brisk; while sales of nutritional supplements declined year on year and 559 million yen was recorded as a loss related to the voluntary recall of medicated cough drops. This caused the segment's sales and operating performance to decline from the corresponding period of the previous year.

Sales in the Other segment came to 1,171 million yen (down 8.5% year on year), while segment loss came to 123 million yen (compared with segment loss of 194 million yen in the corresponding period of the previous fiscal year). Sales in the apparel-related business were level year on year, while sales in the aviation-related business decreased due to unstable demand from the European and U.S. markets.

Sales and income from cosmetics sold through individual consultation tend to be higher in the three-month period from October 1 to December 31 and the three-month period from April 1 to June 30. This is primarily attributable to the "Skincare Cosmetics Fair" held by Noevir twice a year over a two-month period in both summer and winter.

(2) Financial position

Total assets as of June 30, 2016 stood at 87,642 million yen, an increase of 293 million yen over the previous fiscal year-end. This was mainly due to an increase in lease assets, net of 1,294 million yen due to production equipment investment.

Total liabilities came to 33,800 million yen, an increase of 1,050 million yen over the previous fiscal year-end. This was mainly due to an increase in lease obligations (long-term) of 1,311 million yen due to production equipment investment.

Net assets came to 53,842 million yen, a decrease of 756 million yen from the previous fiscal year-end. This was primarily attributable to a decrease in additional paid-in capital of 687 million yen, due to the payment of 3,545 million yen in year-end dividends for the previous fiscal year and a decrease of 211 million yen in foreign currency translation adjustments, which absorbed an increase due to recording 2,857 million yen in net income attributable to owners of the parent.

As a result, the equity ratio stood at 61.3%.

(Consolidated cash flows)

Cash and cash equivalents (hereinafter, “cash”) on a consolidated basis as of June 30, 2016 stood at 36,542 million yen, a decrease of 597 million yen compared with the 37,139 million yen at the previous fiscal year-end.

The status of each cash flow together with the factors contributing to an increase or decrease for the first nine months of fiscal 2016 are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 4,306 million yen (361 million yen more than in the corresponding period of the previous fiscal year). The main items increasing cash were the posting of 6,340 million yen in income before income taxes and depreciation of 1,178 million yen. The main item decreasing cash was income tax paid of 3,359 million yen.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,103 million yen (11,038 million yen less than in the corresponding period of the previous fiscal year). The principal cash outflow was 1,423 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to 3,608 million yen (2,600 million yen less than in the corresponding period of the previous fiscal year). This was mainly due to the payment of 3,541 million yen in dividends.

(3) Estimates and forecasts pertaining to future plans and business results

The consolidated business performance forecasts for the full year ending September 30, 2016, announced on November 10, 2015, remain unchanged.

2. Summary information (Notes)

(1) Significant changes in subsidiaries during period

Not applicable

(2) Special accounting treatment for preparation of quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policies, accounting estimates, restatements, etc.

(Changes in accounting policies)

(Adoption of the Accounting Standard for Business Combinations)

Effective October 1, 2015, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter the “Business Combination Accounting Standard”), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter the “Consolidated Accounting Standard”) and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter the “Business Divestiture Accounting Standard”). As a result, gain or loss arising from a change in the Company’s equity in subsidiaries in cases where control is retained was revised to a method recognizing them as an adjustment to capital surplus, along with recognizing the acquisition costs in connection with business combinations as expenses in the consolidated fiscal year in which they arise. At the same time, for business combinations that take place on or after October 1, 2015, the disclosure method was revised so as to restate the distribution of acquisition cost upon provisional accounting recognition in the statements of the fiscal year in which the combination took place. In addition, the presentation of quarterly net income, etc. was changed, and the presentation of minority interest was changed to the presentation of non-controlling interests. As a result, the consolidated financial statements were restated for the third quarter and the full term of the previous fiscal year.

With regard to the adoption of the Business Combination Accounting Standard and other accounting standards, the Company has adopted the Business Combination Accounting Standard from October 1, 2015, the beginning of the first quarter ended December 31, 2015 onward in accordance with the transitional treatment set forth in Article 58-2 (4) of the Business Combination Accounting Standard, Article 44-5 (4) of the Consolidated Accounting Standard, and Article 57-4 (4) of the Business Divestiture Accounting Standard.

The effect of this change on the quarterly consolidated financial statements for the third quarter ended June 30, 2016 ,was negligible.

(Change in depreciation method for property, plant and equipment)

In accordance with an amendment to the Corporation Tax Act, the Company and certain domestic consolidated subsidiaries have applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issue Task Force (PITF) No. 32 issued on June 17, 2016) from three-month period from April 1 to June 30, 2016. Accordingly, they have changed the depreciation method for buildings and accompanying facilities and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

This change in accounting policy had a negligible effect the consolidated financial statements for the first nine months of fiscal 2016.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of September 30, 2015)	**As of June 30, 2016**
ASSETS		
Current assets		
Cash and cash equivalents	37,832	**36,607**
Notes and accounts receivable	10,814	**10,363**
Merchandise and finished goods	5,555	**6,220**
Work in progress	140	**90**
Raw materials and purchased supplies	1,167	**1,140**
Deferred tax assets	888	**860**
Other receivables	2,302	**2,663**
Other	501	**589**
Allowance for doubtful accounts	(31)	**(27)**
Total current assets	59,170	**58,507**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,406	**4,740**
Equipment and vehicles, net	3,439	**3,934**
Land	13,834	**13,832**
Lease assets, net	283	**1,577**
Construction in progress	1,291	**63**
Other, net	265	**244**
Total property, plant and equipment	23,521	**24,394**
Intangible assets		
Goodwill	140	**106**
Software	99	**151**
Other	157	**84**
Total intangible assets	397	**341**
Investments and other assets		
Investment securities	1,272	**1,567**
Deferred tax assets	1,846	**1,743**
Other	1,180	**1,127**
Allowance for doubtful accounts	(41)	**(40)**
Total investments and other assets	4,258	**4,398**
Total non-current assets	28,177	**29,134**
Total assets	87,348	**87,642**

(Millions of yen)

	Previous fiscal year (As of September 30, 2015)	**As of June 30, 2016**
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	5,038	**5,831**
Lease obligations	28	**120**
Other accounts payable	3,842	**3,175**
Income tax payable	1,475	**1,581**
Reserve for bonuses	65	**37**
Reserve for product returns	429	**396**
Other	1,098	**948**
Total current liabilities	11,979	**12,092**
Long-term liabilities		
Lease obligations	274	**1,586**
Guarantee deposits received	15,351	**14,937**
Deferred tax liabilities	258	**257**
Net defined benefit liability	4,735	**4,789**
Other	150	**136**
Total long-term liabilities	20,770	**21,708**
Total liabilities	32,749	**33,800**
NET ASSETS		
Shareholders' equity		
Common stock	7,319	**7,319**
Retained earnings	46,915	**46,228**
Treasury stock	—	**(0)**
Total shareholders' equity	54,234	**53,547**
Accumulated other comprehensive income		
Net unrealized gain on other securities	377	**402**
Foreign currency translation adjustments	(59)	**(270)**
Remeasurements of defined benefit plans, net of tax	(68)	**42**
Total accumulated other comprehensive income	248	**174**
Non-controlling interests	115	**120**
Total net assets	54,598	**53,842**
Total liabilities and net assets	87,348	**87,642**

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income

First nine months of the fiscal year ending September 30, 2016

(Millions of yen)

	Nine months ended June 30, 2015	**Nine months ended June 30, 2016**
Net sales	37,086	**38,529**
Cost of sales	12,227	**13,159**
Gross profit	24,859	**25,369**
Selling, general and administrative expenses	18,554	**18,932**
Operating income	6,305	**6,437**
Non-operating income		
Interest income	13	**11**
Dividend income	12	**12**
Lease income	51	**53**
Exchange differences	247	**—**
Other	143	**80**
Total	467	**156**
Non-operating expenses		
Interest expenses	—	**1**
Exchange differences	—	**239**
Other	0	**1**
Total	0	**243**
Ordinary income	6,772	**6,351**
Extraordinary income		
Gain on sale of fixed assets	10	**0**
Total	10	**0**
Extraordinary losses		
Loss on disposal of fixed assets	15	**6**
Loss on valuation of membership rights	—	**4**
Total	15	**10**
Income before income taxes	6,768	**6,340**
Income taxes – basic	3,312	**3,367**
Income taxes – deferred	310	**83**
Total	3,623	**3,450**
Net income	3,144	**2,890**
Net income attributable to non-controlling interests	29	**32**
Net income attributable to owners of the parent	3,115	**2,857**

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended June 30, 2015	**Nine months ended June 30, 2016**
Net income	3,144	**2,890**
Other comprehensive income		
Net unrealized gain on other securities	210	**25**
Foreign currency translation adjustments	156	**(237)**
Remeasurements of defined benefit plans, net of tax	29	**111**
Total	396	**(101)**
Comprehensive income	3,541	**2,788**
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,503	**2,783**
Comprehensive income attributable to non-controlling interests	37	**5**

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended June 30, 2015	**Nine months ended June 30, 2016**
Cash flows from operating activities		
Income before income taxes	6,768	**6,340**
Depreciation	865	**1,178**
Amortization of goodwill	34	**34**
Increase (decrease) in reserve for doubtful accounts	(7)	**(4)**
Increase (decrease) in reserve for bonuses	(224)	**(26)**
Increase (decrease) in reserve for product returns	9	**(32)**
Increase (decrease) in net defined benefit liability	(125)	**55**
Interest and dividends received	(25)	**(23)**
Interest expenses	―	**1**
Gain/loss on currency translation	(234)	**95**
Gain/loss on sales of property, plant and equipment	4	**6**
Decrease (increase) in trade receivables	112	**412**
Decrease (increase) in inventories	(855)	**(667)**
Increase (decrease) in trade payables	1,014	**827**
Loss on valuation of membership rights	―	**4**
Increase (decrease) in guarantee deposits	(453)	**(412)**
Other	93	**(141)**
Subtotal	6,976	**7,648**
Interest and dividends received	17	**19**
Interest paid	―	**(1)**
Income tax (paid) refunded	(3,049)	**(3,359)**
Net cash provided by (used in) operating activities	3,944	**4,306**
Cash flows from investing activities		
Expenditure for deposit to time deposits	(2,678)	**(70)**
Proceeds from withdrawal of time deposits	2,031	**688**
Purchase of securities	(19,992)	**(9,996)**
Proceeds from redemption of securities	10,001	**10,000**
Purchase of investment securities	(91)	**(271)**
Purchase of property, plant and equipment	(1,307)	**(1,423)**
Proceeds from sale of property, plant and equipment	41	**0**
Purchase of intangible assets	(55)	**(31)**
Payments for transfer of business	(90)	**―**
Net cash provided by (used in) investing activities	(12,141)	**(1,103)**
Cash flows from financing activities		
Purchase of treasury stock	(3,964)	**(0)**
Cash dividends paid	(2,244)	**(3,541)**
Other	―	**(67)**
Net cash provided by (used in) financing activities	(6,208)	**(3,608)**
Effects of exchange rate changes on cash and cash equivalents	145	**(191)**
Net change in cash and cash equivalents	(14,261)	**(597)**
Cash and cash equivalents, beginning of year	41,840	**37,139**
Cash and cash equivalents, end of year	27,579	**36,542**

(4) Notes to the quarterly consolidated financial statements

(Note on assumptions for going concern)

Not applicable

(Additional information)

(Revision of amounts of deferred tax assets and deferred tax liabilities due to change in corporate income tax rate, etc.)

Following the promulgation of the "Act for Partial Revision of the Income Tax Act" (Act No.15, 2016) and “Act for Partial Revision of the Local Tax Act” (Act No.13, 2016) on March 31, 2016, the corporate income tax rate was changed for the fiscal years beginning on or after April 1, 2016.

In line with this change, the statutory income tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary differences expected to reverse in or after the fiscal year beginning on October 1, 2016 will be reduced from the previous 33.0% to 30.8%. Likewise, the statutory tax rate will be lowered to 30.5% for temporary differences expected to be reverse in the fiscal years beginning on or after October 1, 2018.

As a result of this change in taxation rate, the net amount of deferred tax assets (less the amount of deferred tax liabilities) was reduced by 122 million yen and the amount of deferred income taxes increased by 134 million yen.

(Note on significant changes in shareholders’ equity)

Not applicable

(Segment information)

Ⅰ Consolidated results for the first nine months of the fiscal year ended September 30, 2015 (October 1, 2014 to June 30, 2015)

1. Sales and income (loss) data, by reportable segment

(Millions of yen)

	Cosmetics	Pharmaceuticals & Health Food	Other	Total	Adjustment (Note 1)	Amounts included in quarterly consolidated statements of income (Note 2)
Net Sales						
(1) Sales, external	26,320	9,485	1,280	37,086	—	37,086
(2) Intersegment sales	—	—	78	78	(78)	—
Total	26,320	9,485	1,358	37,165	(78)	37,086
Segment income (loss)	7,346	676	(194)	7,828	(1,522)	6,305

(Note 1) Intersegment eliminations totaling 418 million yen and unallocated corporate expenses totaling (1,940) million yen have been included in the segment income (loss) adjustment totaling (1,522) million yen. Corporate expenses refer to Noevir Holdings Co., Ltd.'s administration costs which do not come under any reportable segments.

(Note 2) Segment income refers to operating income as reported in the quarterly consolidated statements of income, after adjustment.

2. Impairment loss for non-current assets and goodwill, by reportable segment

Not applicable

Ⅱ Consolidated results for the first nine months of the fiscal year ended September 30, 2016 (October 1, 2015 to June 30, 2016)

1. Sales and income (loss) data, by reportable segment

(Millions of yen)

	Cosmetics	Pharmaceuticals & Health Food	Other	Total	Adjustment (Note 1)	Amounts included in quarterly consolidated statements of income (Note 2)
Net Sales						
(1) Sales, external	28,280	9,077	1,171	38,529	—	38,529
(2) Intersegment sales	—	—	138	138	(138)	—
Total	28,280	9,077	1,309	38,667	(138)	38,529
Segment income (loss)	8,012	(66)	(123)	7,821	(1,383)	6,437

(Note 1) Intersegment eliminations totaling 495 million yen and unallocated corporate expenses totaling (1,879) million yen have been included in the segment income (loss) adjustment totaling (1,383) million yen. Corporate expenses refer to Noevir Holdings Co., Ltd.'s administration costs which do not come under any reportable segments.

(Note 2) Segment income refers to operating income as reported in the quarterly consolidated statements of income, after adjustment.

2. Impairment loss for non-current assets and goodwill, by reportable segment

Not applicable