

February 1, 2017

Noevir Holdings Announces Consolidated Results for the First Three Months of the Fiscal Year Ending September 30, 2017 (based on Japan GAAP)

Trade name: Noevir Holdings Co., Ltd.
Listing: Tokyo Stock Exchange, First Section (Code Number: 4928)
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Submission of securities report: February 3, 2017 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 three months of the fiscal year ending September 30, 2017 (October 1, 2016 – December 31, 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	
Three months ended December 31, 2016	14,666	3.7%	3,240	20.5%	3,360	21.8%	1,133	20.5%
Three months ended December 31, 2015	14,138	10.9%	2,690	7.5%	2,758	(2.8)%	941	(16.2)%

Note: Comprehensive income:

Three months ended December 31, 2016: 1,496 million yen 36.0%

Three months ended December 31, 2015: 1,100 million yen (15.8)%

	EPS (Yen)	Diluted EPS (Yen)
Three months ended December 31, 2016	31.99	—
Three months ended December 31, 2015	26.55	—

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
Three months ended December 31, 2016	88,262	53,150	60.0
Year ended September 30, 2016	89,709	55,908	62.2

[Reference] Equity:

Three months ended December 31, 2016: 52,993 million yen Year ended September 30, 2016: 55,783 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Year ended September 30, 2016	—	0.00	—	120.00	120.00
Year ending September 30, 2017	—				
Year ending September 30, 2017 (forecast)		0.00	—	120.00	120.00

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

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2017
(October 1, 2016 – September 30, 2017)

(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)
Half year	25,300	1.5%	3,800	2.2%	3,900	6.2%	1,300	4.3%	36.67
Full year	52,000	1.6%	8,500	10.3%	8,700	11.1%	5,800	14.9%	163.60

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: None
 - 2) Other changes: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None
- (4) Shares outstanding (common stock)
- 1) Shares outstanding (including treasury stock)
 - As of December 31, 2016: 35,451,653
 - As of September 30, 2016: 35,451,653
 - 2) Treasury shares outstanding
 - As of December 31, 2016: 30
 - As of September 30, 2016: 30
 - 3) Average shares outstanding over quarter
 - As of December 31, 2016: 35,451,623
 - As of December 31, 2015: 35,451,643

* 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 of the Attached Material.

Contents of the Attached Material

1. Qualitative information regarding quarterly consolidated business performance	4
(1) Operating results.....	4
(2) Financial position	5
(3) Estimates and forecasts pertaining to future plans and business results	5
2. Summary information (Notes).....	5
(1) Additional information	5
3. Quarterly consolidated financial statements	6
(1) Quarterly consolidated balance sheets.....	6
(2) Quarterly consolidated statements of income and comprehensive income.....	8
(3) Quarterly consolidated statements of cash flows.....	10
(4) Notes to the quarterly consolidated financial statements.....	11
(Note on assumptions for going concern).....	12
(Note on significant changes in the amount of shareholders' equity)	12
(Segment information)	12

1. Qualitative information regarding quarterly consolidated business performance

(1) Operating results

Consolidated operating results for the first three months of the fiscal year ending September 30, 2017 (October 1, 2016 to December 31, 2016)

	Three months ended December 31, 2015		Three months ended December 31, 2016		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Total sales	14,138	100.0	14,666	100.0	528	3.7
Cosmetics	10,617	75.1	11,233	76.6	616	5.8
Pharmaceuticals & Health Food	3,356	23.7	3,193	21.8	(162)	(4.8)
Other	164	1.2	238	1.6	74	45.6

	Three months ended December 31, 2015		Three months ended December 31, 2016		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	2,690	19.0	3,240	22.1	550	20.5
Ordinary income	2,758	19.5	3,360	22.9	601	21.8
Net income attributable to owners of the parent	941	6.7	1,133	7.7	192	20.5

During the first three months of fiscal 2017 (the fiscal year ending September 30, 2017) (October 1, 2016 to December 31, 2016), the Japanese economy continued along the track of recovering gradually, mainly due to improvements in corporate earnings and the employment situation. However, economic trends remained uncertain due to dramatic fluctuations in foreign exchange rates and increasing uncertainty in economies overseas.

In domestic and overseas markets where the Group conducts business operations, diverse latent consumer demand is anticipated.

Under these circumstances, net sales for the first three months of fiscal 2017 came to 14,666 million yen (up 3.7% year on year). Operating income was 3,240 million yen (up 20.5%), ordinary income totaled 3,360 million yen (up 21.8%), and net income attributable to owners of the parent came to 1,133 million yen (up 20.5%).

Sales in the Cosmetics segment totaled 11,233 million yen (up 5.8% year on year), and segment income came to 3,655 million yen (up 5.4%). Sales of face-to-face channel cosmetics increased year on year, mainly due to the launch of new products. Self-selection cosmetics delivered strong sales as new products and existing lines won support from a wide range of customers.

Sales in the Pharmaceutical & Health Food segment came to 3,193 million yen (down 4.8% year on year), while segment income was 150 million yen (compared to a segment loss of 185 million yen in the corresponding period of the previous fiscal year). Although sales of pharmaceuticals declined year on year, health food sales were brisk.

Sales in the Other segment came to 238 million yen (up 45.6% year on year), while the segment loss was 21 million yen (compared to a segment loss of 104 million yen in the corresponding period of the previous fiscal year). Sales in the apparel-related business were lower year on year, while sales in the aviation-related business increased.

(2) Financial position

Total assets as of December 31, 2016 stood at 88,262 million yen, a decrease of 1,446 million yen from the previous fiscal year-end. This was mainly due to a decrease in cash and cash equivalents of 1,697 million yen.

Total liabilities came to 35,111 million yen, an increase of 1,310 million yen over the previous fiscal year-end. This was mainly due to increases in other accounts payable of 344 million yen, notes and accounts payable of 277 million yen, and current liabilities— other of 676 million yen.

Net assets came to 53,150 million yen, a decrease of 2,757 million yen from the previous fiscal year-end. This was primarily attributable to a decrease in retained earnings of 3,120 million yen, due to payment of 4,254 million yen in dividends at the previous fiscal year-end, which was partially offset by net income attributable to owners of the parent of 1,133 million yen.

As a result, the equity ratio stood at 60.0%.

(Consolidated cash flows)

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis for the period under review stood at 36,190 million yen, a decrease of 1,705 million yen compared with the 37,895 million yen at the previous fiscal year-end.

The status of each cash flow together with the factors contributing to their increase or decrease for the first three months of fiscal 2017 are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,340 million yen (1,601 million yen more than in the corresponding period of the previous fiscal year). The main item increasing cash was the posting of 3,334 million yen in income before income taxes. The main item decreasing cash was net income tax paid of 1,440 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities was 24 million yen (a change of 9,948 million yen from net use of cash in the corresponding period of the previous fiscal year). The main item providing cash was proceeds from sale of property, plant and equipment of 211 million yen. The main items decreasing cash were purchase of investment securities of 90 million yen and purchase of property, plant and equipment of 87 million yen.

(Cash flows from financing activities)

Net cash used in financing activities came to 4,230 million yen (728 million yen more than in the corresponding period of the previous fiscal year). This was mainly due to the payment of 4,200 million yen in dividends.

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

The consolidated business performance forecasts for the first half and full year ending September 30, 2017, announced on November 8, 2016, remain unchanged.

2. Summary information (Notes)

(1) Additional information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

“Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the first quarter of fiscal 2017.

3. Quarterly consolidated financial statements
 (1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of September 30, 2016)	As of December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	37,959	36,261
Notes and accounts receivable	10,880	12,248
Merchandise and finished goods	5,787	5,703
Work in progress	110	93
Raw materials and purchased supplies	1,319	1,128
Deferred tax assets	807	746
Other receivables	3,088	2,405
Other	627	624
Allowance for doubtful accounts	(28)	(22)
Total current assets	60,552	59,188
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,672	4,562
Equipment and vehicles, net	3,711	3,625
Land	13,832	13,653
Lease assets, net	1,551	1,524
Construction in progress	210	218
Other, net	219	221
Total property, plant and equipment	24,198	23,805
Intangible assets		
Goodwill	94	83
Software	143	135
Other	90	90
Total intangible assets	328	309
Investments and other assets		
Investment securities	1,641	1,881
Deferred tax assets	1,855	1,939
Other	1,171	1,178
Allowance for doubtful accounts	(39)	(40)
Total investments and other assets	4,629	4,958
Total non-current assets	29,157	29,074
Total assets	89,709	88,262

(Millions of yen)

	Previous fiscal year (As of September 30, 2016)	As of December 31, 2016
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	5,570	5,847
Lease obligations	117	117
Other accounts payable	3,407	3,752
Income tax payable	1,425	1,594
Reserve for bonuses	65	51
Reserve for product returns	375	433
Other	959	1,635
Total current liabilities	11,921	13,432
Long-term liabilities		
Lease obligations	1,557	1,527
Guarantee deposits received	14,827	14,691
Deferred tax liabilities	264	319
Net defined benefit liability	5,093	5,006
Other	136	134
Total long-term liabilities	21,880	21,679
Total liabilities	33,801	35,111
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Retained earnings	48,420	45,299
Treasury stock	(0)	(0)
Total shareholders' equity	55,739	52,618
Accumulated other comprehensive income		
Net unrealized gain on other securities	453	557
Foreign currency translation adjustments	(292)	(88)
Remeasurements of defined benefit plans, net of tax	(116)	(94)
Total accumulated other comprehensive income	44	374
Non-controlling interests	125	157
Total net assets	55,908	53,150
Total liabilities and net assets	89,709	88,262

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income
First three months of the fiscal year ending September 30, 2017

(Millions of yen)

	Three months ended December 31, 2015	Three months ended December 31, 2016
Net sales	14,138	14,666
Cost of sales	4,946	4,778
Gross profit	9,191	9,888
Selling, general and administrative expenses	6,501	6,647
Operating income	2,690	3,240
Non-operating income		
Interest income	5	1
Dividend income	5	5
Exchange differences	14	30
Lease income	18	3
Settlement received	—	51
Other	28	28
Total	71	120
Non-operating expenses		
Interest expenses	0	—
Other	1	1
Total	2	1
Ordinary income	2,758	3,360
Extraordinary income		
Gain on sale of fixed assets	—	174
Total	—	174
Extraordinary losses		
Loss on disposal of fixed assets	3	1
Impairment loss	—	199
Total	3	201
Income before income taxes	2,755	3,334
Income taxes – basic	1,934	2,207
Income taxes – deferred	(136)	(21)
Total	1,798	2,185
Net income	957	1,148
Net income attributable to non-controlling interests	15	14
Net income attributable to owners of the parent	941	1,133

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Three months ended December 31, 2015	Three months ended December 31, 2016
Net income	957	1,148
Other comprehensive income		
Net unrealized gain on other securities	102	103
Foreign currency translation adjustments	4	221
Remeasurements of defined benefit plans, net of tax	36	22
Total	143	347
Comprehensive income	1,100	1,496
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,086	1,464
Comprehensive income attributable to non-controlling interests	13	32

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended December 31, 2015	Three months ended December 31, 2016
Cash flows from operating activities		
Income before income taxes	2,755	3,334
Depreciation	347	382
Impairment loss	—	199
Amortization of goodwill	11	11
Increase (decrease) in reserve for doubtful accounts	(2)	(5)
Increase (decrease) in reserve for bonuses	(24)	(15)
Increase (decrease) in reserve for product returns	315	58
Increase (decrease) in net defined benefit liability	24	(88)
Interest and dividends received	(10)	(7)
Interest expenses	0	—
Gain/loss on currency translation	(11)	(15)
Gain/loss on sales of property, plant and equipment	3	(173)
Decrease (increase) in trade receivables	(1,195)	(1,325)
Decrease (increase) in inventories	(422)	353
Increase (decrease) in trade payables	1,097	263
Increase (decrease) in guarantee deposits	(147)	(136)
Other	853	938
Subtotal	3,595	3,774
Interest and dividends received	8	6
Interest paid	(0)	—
Income tax (paid) refunded	(2,865)	(1,440)
Net cash provided by (used in) operating activities	738	2,340
Cash flows from investing activities		
Expenditure for deposit to time deposits	(19)	(17)
Proceeds from withdrawal of time deposits	619	17
Purchase of securities	(9,996)	—
Purchase of investment securities	(0)	(90)
Purchase of property, plant and equipment	(505)	(87)
Proceeds from sale of property, plant and equipment	0	211
Purchase of intangible assets	(22)	(9)
Net cash provided by (used in) investing activities	(9,923)	24
Cash flows from financing activities		
Purchase of treasury stock	(0)	—
Cash dividends paid	(3,494)	(4,200)
Other	(7)	(29)
Net cash provided by (used in) financing activities	(3,501)	(4,230)
Effects of exchange rate changes on cash and cash equivalents	4	159
Net change in cash and cash equivalents	(12,682)	(1,705)
Cash and cash equivalents, beginning of the period	37,139	37,895
Cash and cash equivalents, end of the period	24,457	36,190

(4) Notes to the quarterly consolidated financial statements
(Note on assumptions for going concern)
Not applicable

(Note on significant changes in the amount of shareholders' equity)
Not applicable

(Segment information)

I Consolidated results for the first three months of the fiscal year ended September 30, 2016
(October 1, 2015 to December 31, 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	10,617	3,356	164	14,138	—	14,138
(2) Intersegment sales	—	—	40	40	(40)	—
Total	10,617	3,356	204	14,178	(40)	14,138
Segment income (loss)	3,469	(185)	(104)	3,179	(489)	2,690

(Note 1) Intersegment eliminations totaling 166 million yen and unallocated corporate expenses totaling (655) million yen have been included in the segment income (loss) adjustment totaling (489) 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 three months of the fiscal year ending September 30, 2017
(October 1, 2016 to December 31, 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	11,233	3,193	238	14,666	—	14,666
(2) Intersegment sales	—	—	43	43	(43)	—
Total	11,233	3,193	282	14,709	(43)	14,666
Segment income (loss)	3,655	150	(21)	3,784	(543)	3,240

(Note 1) Intersegment eliminations totaling 76 million yen and unallocated corporate expenses totaling (620) million yen have been included in the segment income (loss) adjustment totaling (543) 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

(Significant impairment loss related to property, plant and equipment)

In the Cosmetics and the Pharmaceutical & Health Food segments, the Company wrote down the carrying amount of land and buildings of facilities that are to be sold to the recoverable amount, and recognized the amount of the write-down as impairment losses.

The impairment losses for the first three months of fiscal 2017 were recognized as 189 million yen in the Cosmetics segment and 10 million yen in the Pharmaceutical & Health Food segment.