

Noevir Holdings Announces Consolidated Results for the First Three Months of the Fiscal Year Ending September 30, 2018 (based on Japan GAAP)

Trade name: Noevir Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange, First Section (Securities Code: 4928)
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Submission of securities report: February 5, 2018 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, 2018 (October 1, 2017 – December 31, 2017)

* 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, 2017	15,400	5.0%	3,908	20.6%	3,952	17.6%	1,114	(1.7)%
Three months ended December 31, 2016	14,666	3.7%	3,240	20.5%	3,360	21.8%	1,133	20.5%

Note: Comprehensive income:

Three months ended December 31, 2017: 1,291 million yen (13.7)%

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

	EPS (Yen)	Diluted EPS (Yen)
Three months ended December 31, 2017	32.05	—
Three months ended December 31, 2016	31.99	—

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
Three months ended December 31, 2017	78,880	45,367	57.2
Year ended September 30, 2017	93,567	59,365	63.2

[Reference] Equity:

Three months ended December 31, 2017: 45,150 million yen Year ended September 30, 2017: 59,175 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Year ended September 30, 2017	—	0.00	—	150.00	150.00
Year ending September 30, 2018	—	—	—	—	—
Year ending September 30, 2018 (forecast)	—	0.00	—	150.00	150.00

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

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2018
(October 1, 2017 – September 30, 2018)

(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	27,600	3.3%	5,000	6.1%	5,100	4.6%	1,800	(12.0)%	50.77
Full year	56,000	2.8%	10,700	7.1%	10,900	5.9%	7,300	3.1%	205.91

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, 2017: 34,156,623

As of September 30, 2017: 35,451,653

2) Treasury shares outstanding

As of December 31, 2017: 25

As of September 30, 2017: 30

3) Average shares outstanding over quarter

As of December 31, 2017: 34,775,966

As of December 31, 2016: 35,451,623

*Quarterly financial results are not audited.

* 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.

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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, 2018 (October 1, 2017 to December 31, 2017)

	Three months ended December 31, 2016		Three months ended December 31, 2017		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Total sales	14,666	100.0	15,400	100.0	733	5.0
Cosmetics	11,233	76.6	12,165	79.0	931	8.3
Pharmaceuticals & Health Food	3,193	21.8	3,149	20.4	(44)	(1.4)
Other	238	1.6	85	0.6	(153)	(64.2)

	Three months ended December 31, 2016		Three months ended December 31, 2017		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	3,240	22.1	3,908	25.4	667	20.6
Ordinary income	3,360	22.9	3,952	25.7	592	17.6
Net income attributable to owners of the parent	1,133	7.7	1,114	7.2	(19)	(1.7)

During the first three months of fiscal 2018 (the fiscal year ending September 30, 2018) (October 1, 2017 to December 31, 2017), the Japanese economy continued recovering gradually, mainly due to further improvements in corporate earnings and the employment situation. However, economic trends remained uncertain due to fluctuations in foreign exchange rates and uncertainty in economies overseas, among other factors.

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 2018 came to 15,400 million yen (up 5.0% year on year). Operating income was 3,908 million yen (up 20.6%), ordinary income totaled 3,952 million yen (up 17.6%), and net income attributable to owners of the parent came to 1,114 million yen (down 1.7%).

Sales in the Cosmetics segment totaled 12,165 million yen (up 8.3% year on year), and segment income came to 4,254 million yen (up 16.4%). Face-to-face channel cosmetics saw brisk sales for high-end basic skincare lines. Self-selection cosmetics continued to deliver strong sales.

Sales in the Pharmaceutical & Health Food segment totaled 3,149 million yen (down 1.4% year on year), and segment income came to 240 million yen (up 60.1%).

Sales in the Other segment came to 85 million yen (down 64.2% year on year), while the segment loss was 38 million yen (compared to a segment loss of 21 million yen in the corresponding period of the previous fiscal year).

(2) Financial position

Total assets as of December 31, 2017 stood at 78,880 million yen, a decrease of 14,686 million yen from the previous fiscal year-end. This was mainly due to a decrease in cash and cash equivalents of 14,773 million yen.

Total liabilities came to 33,513 million yen, a decrease of 688 million yen from the previous fiscal year-end. This was mainly due to a decrease in notes and accounts payable of 1,019 million yen.

Net assets came to 45,367 million yen, a decrease of 13,997 million yen from the previous fiscal year-end. This was primarily attributable to a decrease in retained earnings of 14,174 million yen, due to cancellation of treasury stock of 9,971 million yen and payment of 5,317 million yen in dividends at the previous fiscal year-end.

As a result, the equity ratio stood at 57.2%.

(Consolidated cash flow)

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis for the period under review stood at 25,575 million yen, a decrease of 14,774 million yen compared with the 40,350 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 2018 are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 776 million yen (1,564 million yen less than in the corresponding period of the previous fiscal year). The main item increasing cash was the posting of 3,938 million yen in income before income taxes. The main items decreasing cash was net income tax paid of 2,486 million yen and decrease in trade payables of 1,023 million yen.

(Cash flows from investing activities)

Net cash used in investing activities came to 313 million yen (337 million yen more than in the corresponding period of the previous fiscal year). The principal cash outflow was 311 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to 15,252 million yen (11,022 million yen more than in the corresponding period of the previous fiscal year). This was mainly due purchase of treasury stock of 9,971 million yen and the payment of 5,251 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, 2018, announced on November 7, 2017, remain unchanged.

2. Quarterly consolidated financial statements and notes
(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of September 30, 2017)	As of December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	40,424	25,650
Notes and accounts receivable	11,922	12,587
Merchandise and finished goods	5,859	5,843
Work in progress	107	96
Raw materials and purchased supplies	1,240	1,141
Deferred tax assets	782	661
Other receivables	3,250	2,887
Other	633	651
Allowance for doubtful accounts	(20)	(20)
Total current assets	64,200	49,500
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,477	4,394
Equipment and vehicles, net	3,505	3,379
Land	13,716	13,716
Lease assets, net	1,439	1,412
Construction in progress	54	204
Other, net	192	200
Total property, plant and equipment	23,384	23,307
Intangible assets		
Goodwill	48	37
Software	153	140
Other	85	85
Total intangible assets	288	263
Investments and other assets		
Investment securities	2,438	2,625
Net defined benefit asset	161	174
Deferred tax assets	1,861	1,804
Other	1,270	1,237
Allowance for doubtful accounts	(38)	(32)
Total investments and other assets	5,693	5,809
Total non-current assets	29,366	29,380
Total assets	93,567	78,880

(Millions of yen)

	Previous fiscal year (As of September 30, 2017)	As of December 31, 2017
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	5,860	4,841
Lease obligations	116	116
Other accounts payable	3,077	3,065
Income tax payable	1,993	1,648
Reserve for bonuses	83	50
Reserve for product returns	388	414
Other	1,166	1,970
Total current liabilities	12,687	12,107
Long-term liabilities		
Lease obligations	1,438	1,410
Guarantee deposits received	14,323	14,202
Deferred tax liabilities	422	452
Net defined benefit liability	5,196	5,206
Other	134	134
Total long-term liabilities	21,515	21,406
Total liabilities	34,202	33,513
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Retained earnings	51,243	37,068
Treasury stock	(0)	(0)
Total shareholders' equity	58,562	44,387
Accumulated other comprehensive income		
Net unrealized gain on other securities	819	948
Foreign currency translation adjustments	(107)	(86)
Remeasurements of defined benefit plans, net of tax	(99)	(98)
Total accumulated other comprehensive income	612	763
Non-controlling interests	189	216
Total net assets	59,365	45,367
Total liabilities and net assets	93,567	78,880

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income
First three months of the fiscal year ending September 30, 2018

(Millions of yen)

	Three months ended December 31, 2016	Three months ended December 31, 2017
Net sales	14,666	15,400
Cost of sales	4,778	4,958
Gross profit	9,888	10,441
Selling, general and administrative expenses	6,647	6,532
Operating income	3,240	3,908
Non-operating income		
Interest income	1	1
Dividend income	5	6
Exchange differences	30	0
Settlement received	51	3
Other	32	32
Total	120	44
Non-operating expenses		
Other	1	0
Total	1	0
Ordinary income	3,360	3,952
Extraordinary income		
Gain on sale of fixed assets	174	0
Total	174	0
Extraordinary losses		
Loss on disposal of fixed assets	1	14
Impairment loss	199	—
Total	201	14
Income before income taxes	3,334	3,938
Income taxes – basic	2,207	2,650
Income taxes – deferred	(21)	151
Total	2,185	2,801
Net income	1,148	1,136
Net income attributable to non-controlling interests	14	22
Net income attributable to owners of the parent	1,133	1,114

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Three months ended December 31, 2016	Three months ended December 31, 2017
Net income	1,148	1,136
Other comprehensive income		
Net unrealized gain on other securities	103	128
Foreign currency translation adjustments	221	25
Remeasurements of defined benefit plans, net of tax	22	0
Total	347	154
Comprehensive income	1,496	1,291
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,464	1,264
Comprehensive income attributable to non-controlling interests	32	26

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended December 31, 2016	Three months ended December 31, 2017
Cash flows from operating activities		
Income before income taxes	3,334	3,938
Depreciation	382	440
Impairment loss	199	—
Amortization of goodwill	11	11
Increase (decrease) in reserve for doubtful accounts	(5)	(6)
Increase (decrease) in reserve for bonuses	(15)	(33)
Increase (decrease) in reserve for product returns	58	26
Increase (decrease) in net defined benefit liability	(88)	—
Increase (decrease) in net defined benefit asset and liability	—	(3)
Interest and dividends received	(7)	(8)
Gain/loss on currency translation	(15)	0
Gain/loss on sales of property, plant and equipment	(173)	14
Decrease (increase) in trade receivables	(1,325)	(651)
Decrease (increase) in inventories	353	130
Increase (decrease) in trade payables	263	(1,023)
Increase (decrease) in guarantee deposits	(136)	(120)
Other	938	540
Subtotal	3,774	3,255
Interest and dividends received	6	7
Income tax (paid) refunded	(1,440)	(2,486)
Net cash provided by (used in) operating activities	2,340	776
Cash flows from investing activities		
Expenditure for deposit to time deposits	(17)	(18)
Proceeds from withdrawal of time deposits	17	18
Purchase of investment securities	(90)	(0)
Purchase of property, plant and equipment	(87)	(311)
Proceeds from sale of property, plant and equipment	211	0
Purchase of intangible assets	(9)	(1)
Net cash provided by (used in) investing activities	24	(313)
Cash flows from financing activities		
Purchase of treasury stock	—	(9,971)
Cash dividends paid	(4,200)	(5,251)
Other	(29)	(29)
Net cash provided by (used in) financing activities	(4,230)	(15,252)
Effects of exchange rate changes on cash and cash equivalents	159	14
Net change in cash and cash equivalents	(1,705)	(14,774)
Cash and cash equivalents, beginning of the period	37,895	40,350
Cash and cash equivalents, end of the period	36,190	25,575

(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)

At its Board of Directors' meeting held on November 7, 2017, the Company adopted a resolution to purchase and cancel treasury stock. On November 9, the Company purchased 1,295,000 shares (9,971 million yen) of treasury stock, and on November 28, it cancelled 1,295,030 shares (9,971 million yen) of treasury stock.

As a result, retained earnings decreased by 9,971 million yen in the first three months of fiscal 2018.

(Segment information)

I Consolidated results for the first three months of the fiscal year ended 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 (loss) 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 Pharmaceuticals & 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 Pharmaceuticals & Health Food segment.

II Consolidated results for the first three months of the fiscal year ending September 30, 2018
(October 1, 2017 to December 31, 2017)

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	12,165	3,149	85	15,400	—	15,400
(2) Intersegment sales	—	—	46	46	(46)	—
Total	12,165	3,149	132	15,446	(46)	15,400
Segment income (loss)	4,254	240	(38)	4,456	(548)	3,908

(Note 1) Intersegment eliminations totaling 174 million yen and unallocated corporate expenses totaling (722) million yen have been included in the segment income (loss) adjustment totaling (548) 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 (loss) 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