

August 4, 2022

Noevir Holdings Announces Consolidated Results for the First Nine Months of the Fiscal Year Ending September 30, 2022 (based on Japan GAAP)

Trade name: Noevir Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange, Prime Market (Securities Code: 4928)
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Submission of securities report: August 12, 2022 Date of commencement of dividend payments: –
 Supplemental materials for the financial results prepared: None
 Results briefing for the reporting period held: None

(Amounts under one million yen have been rounded down)

1. Operating results for the first nine months of the fiscal year ending September 30, 2022 (October 1, 2021 – June 30, 2022)

(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, 2022	45,892	—%	7,959	—%	8,127	—%	4,653	—%
Nine months ended June 30, 2021	38,826	(2.3)%	6,961	0.5%	7,191	2.2%	3,601	0.7%

Note: Comprehensive income:

Nine months ended June 30, 2022: 4,869 million yen [—%]

Nine months ended June 30, 2021: 4,069 million yen [2.6%]

	EPS (Yen)	Diluted EPS (Yen)
Nine months ended June 30, 2022	136.25	—
Nine months ended June 30, 2021	105.45	—

Note: The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the three months ended December 31, 2021. The figures for the first nine months of the fiscal year ending September 30, 2022 are presented after application of this accounting standard, etc. Therefore, year-on-year changes for these figures are not disclosed.

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
Nine months ended June 30, 2022	74,607	49,455	65.7
Year ended September 30, 2021	80,448	52,233	64.5

[Reference] Equity:

Nine months ended June 30, 2022: 49,019 million yen

Year ended September 30, 2021: 51,926 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Year ended September 30, 2021	—	0.00	—	210.00	210.00
Year ending September 30, 2022	—	0.00	—		
Year ending September 30, 2022 (forecast)				210.00	210.00

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

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2022 (October 1, 2021 – September 30, 2022)

(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	58,500	14.1%	9,200	7.5%	9,400	4.8%	6,500	1.8%	190.30

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

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the fiscal year ending September 30, 2022. If figures for the fiscal year ended September 30, 2021 were calculated based on the same standard, net sales for the full fiscal year would be expected to increase by 0.3% year on year.

These changes are expected to have a negligible impact on operating income, ordinary income, and net income attributable to owners of the parent.

* 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
- (4) Shares outstanding (common stock)
 - 1) Shares outstanding (including treasury stock)
 - As of June 30, 2022: 34,156,623
 - As of September 30, 2021: 34,156,623
 - 2) Treasury shares outstanding
 - As of June 30, 2022: 239
 - As of September 30, 2021: 235
 - 3) Average shares outstanding over quarter
 - Nine months ended June 30, 2022: 34,156,386
 - Nine months ended June 30, 2021: 34,156,493

* Quarterly financial results are not audited by a certified public accountant or audit company.

* 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 4 of the Attached Material.

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1. Qualitative information regarding quarterly consolidated business performance

(1) Operating results

During the first nine months of fiscal 2022 (October 1, 2021 to June 30, 2022), economic trends remained uncertain, mainly due to the continuing impact of COVID-19, although some signs of recovery were observed.

The Group has been impacted by the COVID-19 pandemic in markets where it conducts business operations. In this environment, the Company is working to realize the concept of its medium-term management plan: "Realizing steady corporate growth by securing sustainability in every Group business segment."

As a result, net sales for the first nine months of fiscal 2022 came to 45,892 million yen, operating income was 7,959 million yen, ordinary income amounted to 8,127 million yen, and net income attributable to owners of the parent came to 4,653 million yen.

In the Cosmetics segment, net sales totaled 35,991 million yen, and segment income came to 8,502 million yen.

In the Pharmaceuticals & Health Food segment, net sales totaled 8,200 million yen, and segment income came to 927 million yen.

In the Other segment, sales totaled 1,700 million yen, and segment income came to 233 million yen.

Note: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the three months ended December 31, 2021. As a result, the accounting treatment of revenue differs from that for the nine months ended June 30, 2021, so business performance is explained without presenting year-on-year changes. If operating results for the fiscal year ended September 30, 2021 had been calculated based on the same standard, the year-on-year changes in operating results for the nine months ended June 30, 2022 would have been as follows: an increase of 3.5% year on year in net sales, an increase of 17.0% year on year in operating income and an increase of 15.6% in ordinary income.

(2) Financial position

Total assets on a consolidated basis as of June 30, 2022 stood at 74,607 million yen, a decrease of 5,841 million yen from the previous fiscal year-end. This was mainly due to decreases of 2,711 million yen in cash and cash equivalents, 873 million yen in notes and accounts receivable, and 870 million yen in deferred tax assets, respectively.

Total liabilities came to 25,151 million yen, a decrease of 3,064 million yen from the previous fiscal year-end. This was mainly due to decreases of 5,006 million yen in net defined benefit liability, and respective increases of 1,143 million yen in other accounts payable, and 1,039 million yen in other under current liabilities, respectively.

Net assets came to 49,455 million yen, a decrease of 2,777 million yen from the previous fiscal year-end. This was primarily attributable to a decrease in retained earnings of 2,993 million yen, due to payment of 7,172 million yen in dividends at the previous fiscal year-end, which was partly offset by net income attributable to owners of the parent of 4,653 million yen.

As a result, the equity ratio stood at 65.7%.

(Consolidated cash flow)

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis for the period under review stood at 28,122 million yen, a decrease of 2,718 million yen compared to the end of the previous fiscal year.

The status of each cash flow together with the factors contributing to their increase or decrease for the first nine months of fiscal 2022 on a consolidated basis are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 4,486 million yen (2,713 million yen less than in the corresponding period of the previous fiscal year). The main item increasing cash was 8,895 million yen in income before income taxes, and the main item decreasing cash was 4,046 million yen in decrease in net defined benefit asset and liability.

(Cash flows from investing activities)

Net cash used in investing activities came to 372 million yen (38 million yen more than in the corresponding period of the previous fiscal year). The principal cash outflow was 512 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to 7,249 million yen (164 million yen more than in the corresponding period of the previous fiscal year). This was mainly due to the payment of 7,165 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, 2022, announced on November 9, 2021, remain unchanged.

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

(Millions of yen)

	Previous fiscal year (As of September 30, 2021)	As of June 30, 2022
ASSETS		
Current assets		
Cash and cash equivalents	31,101	28,390
Notes and accounts receivable	9,307	8,434
Merchandise and finished goods	5,951	6,381
Work in progress	116	150
Raw materials and purchased supplies	1,263	1,438
Other receivables	2,836	2,435
Other	571	709
Allowance for doubtful accounts	(20)	(22)
Total current assets	51,128	47,917
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,322	5,042
Equipment and vehicles, net	1,418	949
Land	13,964	13,605
Lease assets, net	1,027	954
Construction in progress	122	338
Other, net	186	170
Total property, plant and equipment	22,041	21,061
Intangible assets		
Goodwill	240	217
Software	70	129
Other	120	90
Total intangible assets	431	437
Investments and other assets		
Investment securities	2,779	2,052
Deferred tax assets	2,705	1,835
Other	1,382	1,322
Allowance for doubtful accounts	(20)	(19)
Total investments and other assets	6,847	5,190
Total non-current assets	29,320	26,689
Total assets	80,448	74,607

(Millions of yen)

	Previous fiscal year (As of September 30, 2021)	As of June 30, 2022
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	2,592	3,356
Lease obligations	112	99
Other accounts payable	2,401	3,544
Income tax payable	1,649	971
Reserve for bonuses	102	55
Reserve for product returns	589	—
Other	1,192	2,232
Total current liabilities	8,639	10,260
Long-term liabilities		
Lease obligations	1,000	934
Guarantee deposits received	12,415	12,088
Deferred tax liabilities	492	320
Net defined benefit liability	5,531	524
Other	136	1,022
Total long-term liabilities	19,575	14,890
Total liabilities	28,215	25,151
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Retained earnings	43,040	40,046
Treasury stock	(1)	(1)
Total shareholders' equity	50,357	47,364
Accumulated other comprehensive income		
Net unrealized gain on other securities	1,730	1,223
Foreign currency translation adjustments	(27)	446
Remeasurements of defined benefit plans, net of tax	(134)	(14)
Total accumulated other comprehensive income	1,568	1,654
Non-controlling interests	306	436
Total net assets	52,233	49,455
Total liabilities and net assets	80,448	74,607

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income

(Millions of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Net sales	38,826	45,892
Cost of sales	13,601	13,981
Gross profit	25,225	31,911
Selling, general and administrative expenses	18,264	23,951
Operating income	6,961	7,959
Non-operating income		
Interest income	6	6
Dividend income	16	16
Exchange differences	38	73
Surrender value of insurance policies	127	—
Other	82	72
Total	270	169
Non-operating expenses		
Litigation settlement	40	—
Other	0	1
Total	40	1
Ordinary income	7,191	8,127
Extraordinary income		
Gain on sale of fixed assets	6	121
Gain on revision of retirement benefit plan	—	961
Total	6	1,083
Extraordinary losses		
Loss on disposal of fixed assets	5	5
Impairment loss	—	310
Total	5	315
Income before income taxes	7,192	8,895
Income taxes – basic	3,615	3,095
Income taxes – deferred	(104)	1,078
Total	3,511	4,173
Net income	3,681	4,722
Net income attributable to non-controlling interests	79	68
Net income attributable to owners of the parent	3,601	4,653

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Net income	3,681	4,722
Other comprehensive income		
Net unrealized gain on other securities	220	(507)
Foreign currency translation adjustments	175	535
Remeasurements of defined benefit plans, net of tax	(8)	119
Total	388	147
Comprehensive income	4,069	4,869
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,959	4,739
Comprehensive income attributable to non-controlling interests	110	130

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Cash flows from operating activities		
Income before income taxes	7,192	8,895
Depreciation	1,060	1,051
Impairment loss	—	310
Amortization of goodwill	23	23
Increase (decrease) in reserve for doubtful accounts	(4)	(1)
Increase (decrease) in reserve for bonuses	(45)	(47)
Increase (decrease) in reserve for product returns	110	—
Increase (decrease) in net defined benefit asset and liability	102	(4,046)
Increase (decrease) in accounts payable due to transition to a retirement benefit plan	—	1,876
Interest and dividends received	(22)	(23)
Loss (gain) on currency translation	(6)	(26)
Loss (gain) on sales of property, plant and equipment	(0)	(116)
Gain on revision of retirement benefit plan	—	(961)
Surrender value of insurance policies	(127)	—
Decrease (increase) in trade receivables	273	198
Decrease (increase) in inventories	219	(402)
Increase (decrease) in trade payables	605	712
Increase (decrease) in guarantee deposits	(393)	(327)
Other	194	624
Subtotal	9,180	7,740
Interest and dividends received	20	22
Income tax refunded (paid)	(2,256)	(3,275)
Surrender value of insurance policies received	255	—
Net cash provided by (used in) operating activities	7,200	4,486
Cash flows from investing activities		
Expenditure for deposit to time deposits	(187)	(238)
Proceeds from withdrawal of time deposits	187	238
Purchase of investment securities	(1)	(1)
Purchase of property, plant and equipment	(309)	(512)
Proceeds from sale of property, plant and equipment	20	207
Purchase of intangible assets	(43)	(66)
Net cash provided by (used in) investing activities	(333)	(372)
Cash flows from financing activities		
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(7,001)	(7,165)
Other	(83)	(84)
Net cash provided by (used in) financing activities	(7,085)	(7,249)
Effects of exchange rate changes on cash and cash equivalents	139	416
Net change in cash and cash equivalents	(79)	(2,718)
Cash and cash equivalents, beginning of the period	29,199	30,841
Increase (decrease) in cash and cash equivalents resulting from changes in the accounting period of consolidated subsidiaries	16	—
Cash and cash equivalents, end of the period	29,136	28,122

(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

(Changes in accounting principles)

(Application of "Accounting Standard for Revenue Recognition", etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) (hereinafter, "Revenue Recognition Accounting Standards"), etc. from the beginning of the three months ended December 31, 2021. Under this accounting standard, the Company recognizes revenue as the amount of consideration it expects to obtain in exchange for promised goods or services when the control of the goods or services is transferred to customers. Moreover, the Company has applied the alternative treatment specified in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) Under this alternative treatment, the Company recognizes revenue for merchandise and products sold in Japan upon shipment when there is a normal period of time from shipment until control of merchandise or products is transferred to customers.

As a result, while the Company previously recognized revenue upon sales to directly contracted sales representatives, the Company has switched to a method of recognizing this revenue upon shipment to customers. It has also switched to a method of recording sales commissions, which had previously been deducted from net sales, as selling, general and administrative expenses. Moreover, some sales promotion fees paid to customers, which had previously been recorded as selling, general and administrative expenses, are now deducted from net sales. Furthermore, the estimated loss on product returns for sales with product return options had previously been recorded as reserve for product returns. For these sales, the Company has switched to a method of recording refund liabilities for the projected product return component and for sales rebates, which had previously been recorded in estimated amounts, in accordance with rules on variable consideration for each of these items.

In applying the Revenue Recognition Accounting Standards, etc., the Company follows the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standards. The cumulative effect of retroactively applying the new accounting principles to periods prior to the beginning of the three months ended December 31, 2021, has been added to or subtracted from retained earnings at the beginning of the three months ended December 31, 2021, and the new accounting principles have been applied from the beginning balance of the three months ended December 31, 2021.

As a result, for the nine months ended June 30, 2022, net sales increased by 5,493 million yen, cost of sales decreased by 202 million yen, gross profit increased by 5,695 million yen, and selling, general and administrative expenses increased by 5,858 million yen. Operating income, ordinary income, and income before income taxes each decreased by 162 million yen. In addition, the balance of retained earnings at the beginning of the nine months ended June 30, 2022 decreased by 474 million yen.

As a result of applying the Revenue Recognition Accounting Standards, etc., reserve for product returns, which was presented under current liabilities on the consolidated balance sheet for the previous fiscal year, has been included in other under current liabilities as refund liabilities, from the three months ended December 31, 2021. The Company has not reclassified the consolidated financial statements for the previous fiscal year using the new presentation method in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standards. Furthermore, information about breakdown of revenue from contracts with customers for the first nine months of the previous fiscal year (nine months ended June 30, 2021) has not been presented in accordance with the transitional treatment stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No.12, March 31, 2020).

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) (hereinafter, “Fair Value Measurement Accounting Standards”), etc. from the beginning of the three months ended December 31, 2021. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standards and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies set forth in the Fair Value Measurement Accounting Standards, etc. into the future. This will have no effect on the quarterly consolidated financial statements.

(Additional information)

(Accounting estimates concerning the impact of the COVID-19 pandemic)

There are no major changes from the accounting estimates concerning the impact of the COVID-19 pandemic that were included in the “Additional information” section of the securities report for the fiscal year ended September 30, 2021.

(Segment information)

I Consolidated results for the first nine months of the fiscal year ended September 30, 2021
(October 1, 2020 to June 30, 2021)

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						
Sales, external	29,579	8,075	1,171	38,826	—	38,826
Intersegment sales	—	—	194	194	(194)	—
Total	29,579	8,075	1,366	39,021	(194)	38,826
Segment income (loss)	7,860	1,068	65	8,994	(2,032)	6,961

(Note 1) Intersegment eliminations totaling 627 million yen and unallocated corporate expenses totaling (2,660) million yen have been included in the segment income adjustment totaling (2,032) 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

II Consolidated results for the first nine months of the fiscal year ending September 30, 2022
(October 1, 2021 to June 30, 2022)

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						
Revenue from contracts with customers	35,991	8,200	1,636	45,828	—	45,828
Other revenue	—	—	64	64	—	64
Sales, external	35,991	8,200	1,700	45,892	—	45,892
Intersegment sales	—	—	218	218	(218)	—
Total	35,991	8,200	1,919	46,111	(218)	45,892
Segment income	8,502	927	233	9,664	(1,704)	7,959

(Note 1) Intersegment eliminations totaling 381 million yen and unallocated corporate expenses totaling (2,085) million yen have been included in the segment income adjustment totaling (1,704) 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)

The Company wrote down the carrying amount of land and buildings of facilities that are to be sold to the recoverable price, and recognized the amount of the write-down as impairment losses.

The impairment losses for the first nine months of fiscal 2022 were recognized as 276 million yen in the Cosmetics segment, 27 million yen in the Pharmaceuticals & Health Food segment, and 6 million yen in the Other segment.

3. Notes on changes in reportable segments

As described in changes in accounting principles, the Company has applied the Revenue Recognition Accounting Standards, etc. from the beginning of the three months ended December 31, 2021 and has changed its accounting treatment for revenue recognition. For this reason, the Company has made the same changes to its calculation method for income or loss of business segments.

As a result of these changes, for the nine months ended June 30, 2022, net sales in the Cosmetics segment increased by 5,069 million yen while segment income decreased by 0 million yen; net sales in the Pharmaceuticals & Health Food segment increased by 288 million yen while segment income decreased by 161 million yen, and net sales in the Other segment increased by 135 million yen while segment income decreased by 1 million yen, compared to what would have been recorded under the previous method.