

# NOEVIR HOLDINGS

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<https://www.noevirholdings.co.jp/english/>

# ANNUAL REPORT 2020

Year ended September 30, 2020

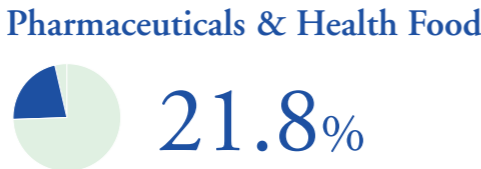


Segment Information



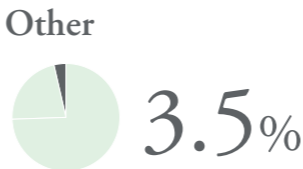
The Group develops, produces and sells a versatile collection of products under well-regarded brand names, including *Noevir* high-performance functional face-to-face channel skincare products; various popular products for the self-selection cosmetics market, including the *Nameraka Honpo* skincare brand and *excel* makeup brand; and the *NOV* hypoallergenic brand. The Group also undertakes the contract manufacturing of cosmetics.

- Channels
- Face-to-face Sales
  - Drugstores
  - Specialty Goods Stores
  - GMS (General Merchandise Stores)
  - Supermarkets
  - Online Stores
  - Noevir's Own Retail Stores
  - Convenience Stores
  - Contract Manufacturing



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

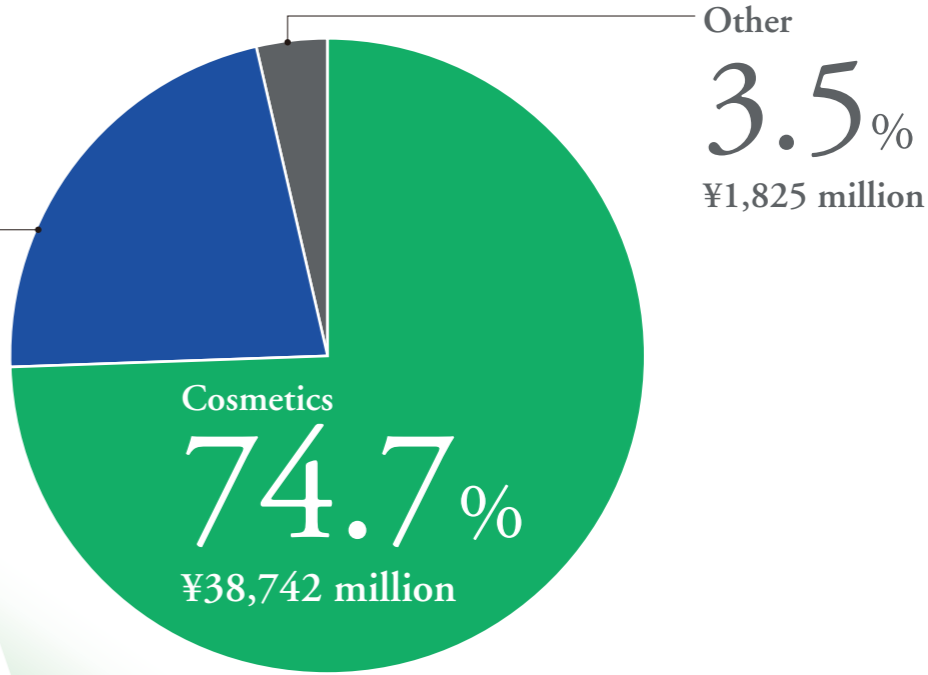
- Channels
- Face-to-face Sales
  - Convenience Stores
  - Drugstores
  - GMS (General Merchandise Stores)
  - Supermarkets
  - Online Stores
  - Contract Manufacturing



The Other segment encompasses apparel and aircraft sales and leasing.

- Channels
- Face-to-face Sales

Fiscal 2020 Sales by Segment



# Luxury Line

Face-to-face Channel Cosmetics

Cosmetics principally represented by prestige products sold through face-to-face sales channels

- Approximately 1,900 NOEVIR Beauty Studios operate in regions around the country, while Noevir's own retail stores cover mainly metropolitan areas
- These sales outlets engage in face-to-face sales employing consulting to both propose skincare products and provide facials
- Our high-end skincare products have garnered a solid reputation due to their superior anti-aging and skin-brightening functionalities



## A Unique Approach to R&D and Robust Manufacturing Systems Capable of Achieving both High Quality and Environmental Friendliness

- Expanding the scope of R&D and applying our expertise in botanical research, a field in which we have been engaged since our founding, as well as brain science, genetics and neuroscience to deliver a constant stream of unique products, with the Noevir Group Research Laboratory serving as a core facility
- Stepping up joint research with external business corporations as well as governmental and academic institutions
- Implementing thoroughgoing quality control while operating environment-friendly manufacturing systems



# Standard Line

Self-selection Cosmetics

Cosmetics principally represented by affordably priced products sold through general retailers

- Sold mainly through drugstores, specialty goods stores and general merchandise stores
- Boasting a robust sales structure backed by storefront promotional campaigns as well as advertising utilizing SNSs and other media
- Product planning capabilities that help create trendsetting items and unique offerings aimed at addressing specialized customer needs



## OEM (Original Equipment Manufacturing)

The contract manufacturing of cosmetics and quasi-drugs on an OEM basis, utilizing the Group's know-how in both fields

## Overseas business

Sales of face-to-face channel cosmetics and self-selection cosmetics in nine regions overseas:

- China
- Taiwan
- South Korea
- Hong Kong
- Singapore
- Thailand
- The United States
- Canada
- Russia

Medium-term Management Plan Concept:

# Realizing steady corporate growth by securing sustainability in every Group business segment

The Noevir Group is striving to best accommodate ever changing and increasingly diverse market needs. To this end, in addition to executing the following five policies, we have positioned net sales, operating income and return on equity (ROE) as key management indicators, thereby maximizing our corporate value and enhancing profitability.



Consolidated Earnings Forecasts for Fiscal 2021	Net Sales	¥52,500 million
	Operating income	¥9,000 million



## Noevir Co., Ltd.

1964	J.H. Okura & Co., Ltd. established, initiating the import and sale of aircraft parts, medical equipment and commodities
1971	J.H. Okura & Co., Ltd. reorganized as a limited liability company, initiating the import and sale of natural cosmetics incorporating herbal extracts
1978	Company name changed to Noevir Co., Ltd. and the full-scale manufacture and marketing of cosmetics in Japan initiated
1979	Noevir, Inc. (now Noevir U.S.A., Inc.) established in the United States
1985	Nov Co., Ltd. established
1986	Sana Co., Ltd. established
1988	Noevir stock registered on the over-the-counter (OTC) market of the Japan Securities Dealers Association
1991	Noevir U.S.A., Inc. made Noevir Canada, Inc. its subsidiary
1993	Noevir International Corporation (now Noevir Aviation, Inc.) established in the United States
1994	Noevir Co., Ltd. made Japan Air Trust Co., Ltd. (now Noevir Aviation Co., Ltd.) its subsidiary, entering the aviation transport business
1996	Noevir Co., Ltd. made Noevir Taiwan, Inc. its subsidiary
	Bonanza Co., Ltd. established, initiating the OEM of cosmetics
2001	Noevir Holding of America, Inc. established in the United States, making Noevir Aviation, Inc., Noevir U.S.A., Inc. and Noevir Canada, Inc. its subsidiaries
2002	Noevir Co., Ltd. made TOKIWA Pharmaceutical Co., Ltd. its subsidiary, entering the pharmaceutical business
2004	TOKIWA Pharmaceutical Co., Ltd. merged with Nov Co., Ltd. and Sana Co., Ltd. Noevir stock listed on the JASDAQ Securities Exchange
2005	Noevir Europe s.r.l. established in San Marino
2007	Shanghai Noevir Co., Ltd. established as a joint venture Noevir stock listed on the Second Section of the Tokyo Stock Exchange
2011	Noevir Holdings Co., Ltd. established, with Noevir Co., Ltd. delisting its stock and becoming the former's subsidiary

## Noevir Holdings Co., Ltd.

2011	Noevir Holdings Co., Ltd. established, listing its stock on the Second Section of the Tokyo Stock Exchange Acquired equity in three subsidiaries (TOKIWA Pharmaceutical Co., Ltd., Bonanza Co., Ltd. and Noevir Aviation Co., Ltd.) of Noevir Co., Ltd.
2012	Noevir Holdings Co., Ltd. listed on the First Section of the Tokyo Stock Exchange



# Maintaining Our Strong Focus on We Are Accurately Accommodating

The Noevir Group has strengths in diverse product spectrums, including prestige face-to-face channel cosmetics available primarily through face-to-face sales and affordable self-selection cosmetics sold through retailers. Our highly functional products created through extensive R&D targeting both these fields boast significant market presence in Japan.

In the course of our medium-term management plan, we focused on innovation in the domestic market. To better embody the plan's concept of "Realizing steady corporate growth by securing sustainability in every Group business segment," we have endeavored to strengthen our competitiveness, to this end enhancing our brand value, developing our organizational structure and pursuing R&D. In these ways, we have striven to secure sustainable sources of profit.

## The Operating Environment and Fiscal 2020 Business Results

Fiscal 2020 began with the Japanese economy registering gradual recovery, mainly due to further improvement in corporate earnings and employment. The emergence of the novel coronavirus (COVID-19) pandemic, however, caused stagnation and economic trends to become even more uncertain. Although the Group anticipates a diverse range of latent consumer demand in the domestic and overseas cosmetics markets, its operating results have been impacted by the October 2019 enforcement of the consumption tax hikes and the fallout from the COVID-19 pandemic.

Against this backdrop, the Noevir Group took full advantage of findings from its cutting-edge R&D activities to upgrade existing lines and launch and maintain a stream of new products. At the same time, the Group promoted the ongoing development of a sales structure capable of adapting to a business environment influenced by the COVID-19 pandemic. As a result, consolidated net sales came to ¥51,841 million, while operating income totaled ¥8,060 million. Net income attributable to owners of the parent amounted to ¥5,618 million. The Group has thus recorded decreases in both revenues and profit. On the other hand, the operating income margin was 15.5%. Albeit down 4.7 percentage points compared with the previous fiscal year, this figure still represents an industry high and is attributable to our continued and stringent efforts to streamline selling, general and administrative (SG&A) expenses.



Demonstrating beauty tips as part of an online training session for sales representatives

## Our Fiscal 2020 Initiatives

Our medium-term management plan, aimed at helping us realize more profitable business management, places ongoing emphasis on the efficient utilization of management resources and sets forth initiatives for earning customer loyalty.

In fiscal 2020, however, our Cosmetics business saw decreases in both revenues and profit. Primary negative factors affecting sales of face-to-face channel cosmetics included a recoil from the vigorous consumption seen prior to the October 2019 consumption tax hikes. Furthermore, in the face of the COVID-19 pandemic, the temporary suspension of marketing activities that involve in-person counseling also contributed to the decrease in sales. However, the release of two functional beauty serums, namely, *Noevir NEUROGIC SERUM* and *Noevir WATERY OIL SERUM*, in December 2019 and June 2020, respectively, contributed to sales as they garnered favorable customer reviews. The strong showings of these products are indicative of the robust expectations of our existing customers with regard to the *Noevir* brand line of functional beauty serums, which has been constantly upgraded and successfully won the solid trust of users.

Sales of self-selection cosmetics have been similarly affected by the stagnant market environment, with sales of the *excel* makeup line declining due to the temporary operational suspension of specialty goods stores and an overall decrease in makeup demand that reflects the widespread use of face masks. On the other hand, sales of *NOV* hypoallergenic cosmetics remained firm. This was attributable to growing customer appreciation for the *NOV* brand's functional focus on accommodating the needs of those with sensitive skin, especially as the new practice of constantly wearing a mask has led to an increase in skin problems. Amid these circumstances, however, sales of the OEM-based contract manufacturing of cosmetics were strong.

The Pharmaceuticals & Health Food business saw decreases in revenues and profit. Although sales of nutritional supplements were firm, sales of mainstay functional drinks—popular among event attendees looking for an energy boost—were sluggish mainly because of the cancelation of events due to the COVID-19 pandemic.

The Other business segment, which encompasses apparel- and aircraft-related operations, recorded decreases in revenues and profit. However, the overall segment results remained on a profitable track.

# R&D, Evolving Market Needs

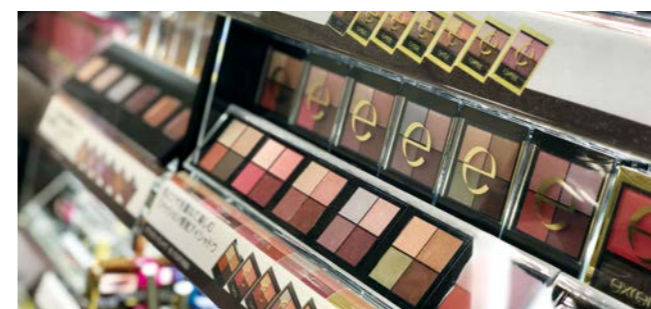
## Future Outlook

In the Cosmetics business, we will promote face-to-face channel cosmetics by increasing customer contact points. To this end, we will continue to focus on taking advantage of face-to-face sales, our mainstay sales method, at NOEVIR Beauty Studios and retail stores operated by Noevir Co., Ltd. while employing e-commerce and online counseling sales. Updating our educational structure, we will also hold online briefings for sales representatives to instill the knowledge of new products while providing them with online makeup training sessions. In addition, we are facilitating the proactive utilization of web-based ordering systems. Moreover, in December 2020 we released *Noevir WRINKLE SERUM*, a medicated beauty serum capable of improving wrinkles, the first of its kind created by Noevir Co., Ltd. This full-scale entry into the field of wrinkle improvement serums, one of the major anti-aging solution categories, is a remarkable accomplishment.

In self-selection cosmetics, we will continue with the timely provision of products that accurately meet needs of customers amid drastic changes in their lifestyle norms.

Along with the strengthening of our sales structure via the endeavors described above, we will maintain our ongoing focus on the development of new products with the aim of improving profitability.

Taking these factors into account, our consolidated performance forecasts for fiscal 2021 (from October 1, 2020 to September 30, 2021) comprise net sales of ¥52,500 million, operating income of ¥9,000 million and net income attributable to owners of the parent of ¥6,300 million.



Store display of the *excel* makeup line



Noevir WATERY OIL SERUM

## Our Policy regarding Shareholder Returns

We have positioned the return of profit to our shareholders as an important management issue. Accordingly, we strive to act on our basic policy of ensuring stable shareholder returns in a way that gives due consideration to the latest trends in the Group's operating results. As for full-year cash dividends for fiscal 2020, we decided to pay out ¥205 per share, an increase from ¥200 per share paid as full-year cash dividends for fiscal 2019, as we retain sufficient cash and deposits despite the decreases in revenues and profit. It is also our ninth consecutive annual increase in dividends. Reflecting this move, our dividend payout ratio came to 124.6%. For fiscal 2021, we plan to pay ¥205 per share.

Striving to contribute to health and beauty, the Noevir Group has long been helping people maintain and improve their quality of life through its business operations. Thanks to this dedication, the Group has won the trust of society. Looking ahead, we will continue to enhance our corporate value while boosting our ability to quickly and flexibly accommodate market changes and diversifying needs.



Main Brands

- *Noevir SPECIALE*
- *Noevir 99 Plus*
- *Noevir 505*
- *Noevir 105*
- *Noevir 80 pure*
- *Noevir EXTRA*
- *Noevir TOUT BLANC*
- *Noevir BIOSIGN*

Noevir  
NEUROGIC SERUM



Noevir SPECIALE skincare line



Noevir 505 skincare line



Noevir 99 Plus skincare line

Product Strategy

Our face-to-face channel cosmetics brand portfolio consists mainly of prestige skincare products, which boast strengths as anti-aging and skin brightening solutions and provide users with a superior skincare experience, as well as beauty serums and other functional cosmetics, the lineups of which are periodically expanded and renewed to reflect our latest R&D accomplishments.

In fiscal 2020, we released *Noevir NEUROGIC SERUM*, which incorporates two types of unique ingredients supporting beauty, and *Noevir WATERY OIL SERUM*, an oil-based serum focused on utilizing the beneficial effect of proteoglycans. These two anti-aging serums have been created through the application of our expertise in botany and dermatology, fields in which we rigorously pursue R&D. We also enhanced the lineup of our flagship series via the release of *Noevir 99 Plus Medicated Enrich Skin Conditioner*. Thanks to its ability to condition the skin, this product garnered support among the growing number of customers who, in the face of the COVID-19 pandemic, embraced wearing a mask as a new daily habit and subsequently found that their skin had become more susceptible to irritation.

Aiming to enrich our face-to-face channel cosmetics brands, we are fully leveraging our distinctive strengths in R&D, thereby maintaining a constant stream of new products with superior functionality.

Sales Strategy

The Noevir Group markets its face-to-face channel cosmetics brands mainly through face-to-face sales channels backed by beauty studios while also offering them through retail stores operated by Noevir Co., Ltd. In addition, the Group has enhanced its sales capabilities by introducing an in-house system that certifies those NOEVIR Beauty Studios that demonstrate service quality and techniques that meet strict standards. As of September 30, 2020, approximately 1,900 salons have been certified. With the aim of maintaining robust customer communications despite the effects of the COVID-19 pandemic, we have also introduced alternative counseling methods, including online counseling.

The network of retail stores operated by Noevir Co., Ltd. service major cities across Japan, securing contact points with potential customers and enhancing brand recognition. In addition, in 2020, Noevir Co., Ltd. opened NOEVIR SALON DE SPECIALE IKEBUKURO, bringing the total number of these outlets to 10.

In addition, we strive to accommodate diversifying consumer needs by enhancing the content of services offered via NOEVIR Style, an online shopping website aimed at winning loyal customers. We also provide NOEVIR Support, an online outlet specializing in supporting our sales representatives.



## Product Strategy

With regard to self-selection cosmetics targeting the general retail market, *Nameraka Honpo*—our mainstay brand of affordable skincare products—is the market leader\* in terms of soymilk-based skincare products, while the hypoallergenic *NOV* brand enjoys considerable market share in Japan. We have been enriching these two brands, both of which boast lines with distinctive functional features, and steadily expanded our customer base.

In addition, the Noevir Group's unique product planning strategies have helped the popular *excel* brand makeup line garner a solid reputation among consumers in Japan and other Asian countries, and the line's large number of loyal customers cover a broad age range.

At the same time, our Pharmaceuticals & Health Food segment provides an array of unique products, including the long-selling *Nanten Nodo Ame* cough drops, *Min Min Da Ha* functional drinks and *GRONVITER* nutritional drinks.

\* Based on the storefront sales of self-selection skincare products incorporating soymilk ingredients calculated from POS data gleaned by five retailers throughout 2019

## Sales Strategy

As for the marketing channels for self-selection cosmetics, the Group utilizes such general retailers as general merchandise stores, drugstores and specialty goods stores. With regard to pharmaceuticals, the Group markets a variety of products, including functional drinks and cough drops, through such outlets as drugstores and convenience stores in addition to employing face-to-face sales channels to secure contracted households and companies to which products are delivered on regular basis.

Amid the COVID-19 pandemic, which makes it difficult to carry out storefront promotional campaigns, we have been employing SNSs to implement ongoing sales promotion initiatives for the *Nameraka Honpo* skincare brand and the *excel* makeup brand. At the same time, we aim to boost sales of *NOV* brand hypoallergenic cosmetics by stepping up collaboration with medical institutions. These initiatives are designed to communicate product information in a way that evokes a sense of intimacy and trust.

In addition, the Group undertakes the contract manufacturing of cosmetics and quasi-drugs on an OEM basis.

## Main Brands

- *Nameraka Honpo*
- *excel*
- *Pore Putty*
- *New Born*
- *NOV*
- *Nanten Nodo Ame*
- *Min Min Da Ha*
- *GRONVITER*
- *VITAC*



Livestreaming of a 2020 presentation event that unveiled a new product in the *excel* line via Instagram Live



*Nameraka Honpo* skincare brand lineup



*Nameraka Honpo* skincare brand lineup



*excel* brand makeup lineup



*Pore Putty* makeup brand lineup



*New Born* makeup brand lineup



*NOV* brand lineup



*Nanten Nodo Ame* cough drop brand lineup



*Min Min Da Ha* functional drink brand lineup  
*GRONVITER* nutritional drink brand

Research and Development, Quality Assurance

Continually striving to expand the scope of its R&D activities, the Noevir Group has built a wealth of expertise in brain science, genetics and neuroscience in addition to its strengths in botanical research—a field in which it has been engaged since its founding. Moreover, the Group is rallying its overall strengths to take on the challenge of entering new R&D fields as it strives to enhance the market competitiveness of its products. Also, we are actively engaged in collaboration with universities, medical institutions and other external research organizations with the aim of creating unique products that are insulated from price competition.



Research and Development

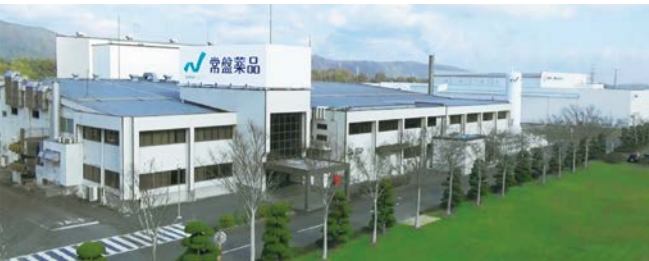
With the Noevir Group Research Laboratory in Shiga Prefecture serving as the core, our robust network of R&D facilities includes the Suzuka Alpine Plants Research Center, Minami Daito Island Marine Research Center and Hokkaido Shokanbetsu Mountain Pilot Farm. These facilities engage in basic research on such subjects as native plants that thrive in extreme climates.

In addition, we have long been focused on creating synergies by engaging in external collaboration with a range of partners and by rallying the Group's R&D resources, including those of Noevir Co., Ltd. and TOKIWA Pharmaceutical Co., Ltd. Since 2016, we have been helping the University of Tokyo's Department of Immunology provide an endowed course on osteoimmunology. We are thus addressing immunology, a major subject drawing researchers' attention in the pharmaceutical field.

Striving to swiftly accommodate evolving consumer mindsets and needs influenced by the fallout from the COVID-19 pandemic, we will promote R&D activities aimed at exploring new possibilities of cosmetics, harnessing their potential to enhance customers' quality of life (QOL).



The Noevir Group Research Laboratory



The Mie Factory

Quality Assurance

The Noevir Group provides high-quality products capable of satisfying stringent safety standards designed to live up to customer expectations. The Shiga Factory has established a management system in conformity with the technical requirements stipulated in Good Manufacturing Practice (GMP) guidelines for the manufacture and quality control of cosmetics alongside its in-house manufacturing management system encompassing all its production lines. Moreover, this factory has acquired certification for compliance with ISO 22716: Cosmetics—Good Manufacturing Practices (GMP)—Guidelines on Good Manufacturing Practices.

The Mie Factory, meanwhile, is certified by Mie Prefecture as a food manufacturing facility satisfying Hazard Analysis and Critical Control Point (HACCP) standards for voluntary hygiene management, while maintaining compliance with Standards for Manufacturing Control and Quality Control for Drugs and Quasi-drugs (pharmaceutical GMP based on a ministerial ordinance). Having put in place ever more sophisticated quality assurance systems, this factory is engaged in the production of such offerings as energy drinks and other health foods.

Corporate Governance



1. Fundamental Concepts of Corporate Governance

To realize the ongoing enhancement of corporate value and maintain the trust of all of its stakeholders, including shareholders, the Noevir Group has positioned corporate governance as a key management issue. Accordingly, the Group has developed a robust management structure while strengthening auditing functions to ensure strict compliance with laws, regulations and corporate ethics as well as its articles of incorporation. Moreover, the Group has set up internal control and risk management systems, both of which are constantly upgraded.

To deepen the understanding of its stakeholders and ensure their appropriate evaluation, Noevir Holdings Co., Ltd. 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 division, appointed a director to be in charge of IR, and regularly holds briefings for analysts and institutional investors in addition to updating IR information posted on its website.

2. Corporate Governance Structure Overview

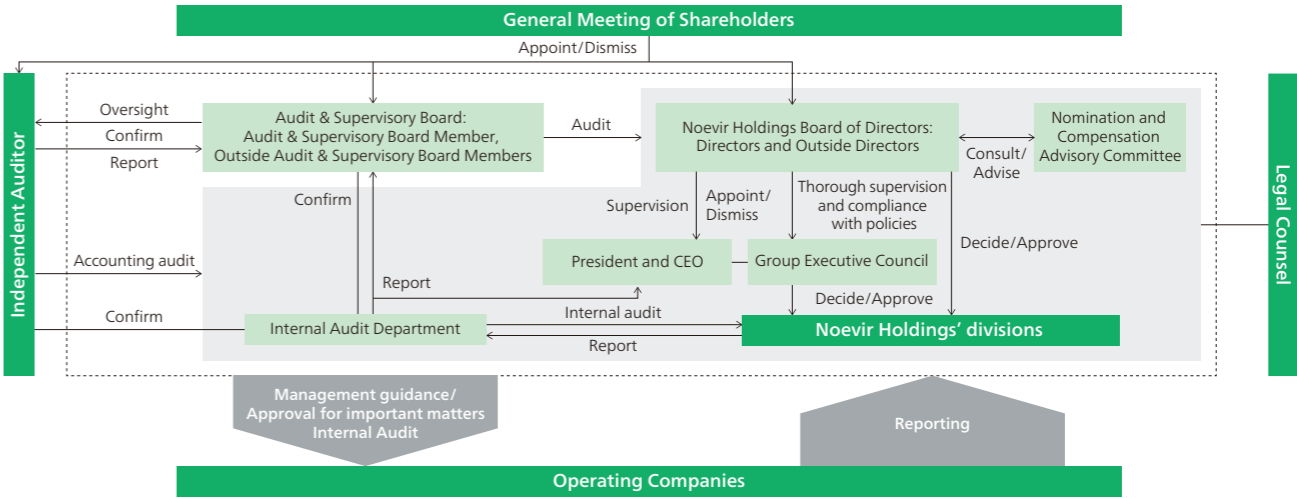
Type of governance model	A company with auditors
Number of directors (of whom, outside directors)	8 (3)
Number of Audit & Supervisory Board members (of whom, outside members)	3 (2)
Number of independent directors and Audit & Supervisory Board members (within outside directors and outside Audit & Supervisory Board members)	5 (3:2)
Directors' term	One year
Frequency of Board of Directors' meetings	Monthly (plus extraordinary meetings convened on an as-needed basis)
Number of Board of Directors' meetings held during fiscal 2020	12
The establishment of an internal audit department	Yes
Adoption of an executive officer system	Yes
Advisory body supporting president's decision making	Group Executive Council
Remuneration systems for directors and Audit & Supervisory Board members	Directors: Determined based on individual contributions to annual operating results Audit & Supervisory Board members: Determined based on comprehensive assessments of individuals' auditing skills and track records
Accounting auditor	Deloitte Touche Tohmatsu LLC
Systems for supporting outside directors and outside Audit & Supervisory Board members	Persons in charge of support are appointed from the Legal Affairs Department

3. Fundamental Concepts of Internal Control System

To ensure the appropriate and sound execution of its Group operations, Noevir Holdings undertakes the storage, management and streamlining of information associated with the execution of directors' duties while endeavoring to maintain clarity in its risk management structure as well as to strengthen and promote its compliance structure under the Corporate Governance Policy and the Noevir Group Code of Conduct.

With the aim of securing a structure for reporting to the Audit & Supervisory Board and conducting effective audits and reliable financial reporting, Noevir Holdings continues to further enhance its internal control and compliance systems in order to ensure strict adherence to laws, regulations and its articles of incorporation.

4. Corporate Governance Organizational Structure



## Basic Philosophy

Working toward the realization of high quality of life for all stakeholders, the Noevir Group is engaged in the creation of beauty and health. In addition to pursuing further business growth, we have clearly defined the responsibilities we are called on to fulfill as a good corporate citizen and are implementing proactive initiatives aimed at contributing to sound social development under five themes: customers and business partners; shareholders; employees; society; and the environment.

## Ongoing Fundraising via Noevir Green Charity

Since 2010, Noevir Co., Ltd. has been engaged in an ongoing fundraising campaign via Noevir Green Charity, setting aside a portion of proceeds from designated items sold during biannual skincare product fairs for donation to the Manaslu fund. Headed by alpinist Ken Noguchi, this fund aims to raise money for school construction at the foot of the Himalayas and for the provision of other support of the region's children. As we are in full agreement with Mr. Noguchi's aspiration to support education and thereby help local communities thrive, we will encourage a growing number of Group members to take part in social contribution activities of this kind.



Social contribution activity undertaken at the foot of the Himalayas (©KEN NOGUCHI OFFICE)

## Initiatives Undertaken by the Noevir Green Foundation

The Noevir Green Foundation hosts environmental classes for children, addressing various topics related to the mountains, the sea, the sky and islands with the hope of inspiring them about what they can do to preserve the environment and empowering them to someday become advocates for a better future. In May 2020, after the emergence of the COVID-19 pandemic, we initiated the live streaming of web-based classes via our official YouTube channel, offering ongoing learning opportunities to young people.

To celebrate the seventh anniversary of the foundation's establishment, we also held a photo exhibition in autumn 2020. The exhibition focused on the dynamic performances of the junior athletes who have been the main beneficiaries of the foundation's subsidy program and was successful in raising said program's public recognition. Looking ahead, we will continue to extend a broad range of assistance via the foundation to bring vitality to sports activities while helping children enjoy robust learning opportunities and otherwise supporting their sound upbringing.



A photo exhibition held by Noevir Green Foundation to celebrate its seventh anniversary

## Noevir's Work Style Reform Initiatives

Businesses today are facing growing calls to gear up efforts to promote work style reforms due to the COVID-19 pandemic. Since April 2015, the Noevir Group has been pushing ahead with the diversification of employee work styles by, for example, furnishing employees with mobile phones and laptops that allow them to work remotely as well as by introducing a location-free office platform and a work-at-home scheme. In fiscal 2020, we expanded the scope of employees eligible to choose unconventional work styles, with the aim of helping them fully realize individual competencies even as they work with confidence and strike a balance between their job and family duties or other private activities.

Also, we strive to ensure that the career development paths of all individuals in our workforce are unconstrained by such events as childbirth, child rearing or nursing care. We encourage employees to fully utilize annual paid leave while endeavoring to minimize overtime. Moreover, we have implemented various initiatives, including enhancing childcare leave plans. In addition, we have formulated concrete action plans and set numerical targets with an eye to pushing forward initiatives that support women aiming for career success.

Furthermore, we provide assistance to support employees' health promotion efforts, taking a management approach that places great emphasis on ensuring employee health.

As of September 30, 2020, the number of Noevir Group employees totaled 1,507. At 707 to 800, the male to female composition suggests that women are proactively serving as key players. In addition, of the 393 Group employees in team leader or other supervisory positions 100, or 25.4%, are women. Moreover, of the 206 managerial employees in assistant manager or higher positions, 46, or 22.3%, are women.

As such, the Group is striving to promote gender equality in terms of weight of tasks and responsibilities assigned to employees while ensuring equal opportunities for career development.



## Overview

Fiscal 2020 (October 1, 2019 to September 30, 2020) began with the Japanese economy registering a modest but steady recovery, mainly due to further improvements in corporate earnings and employment. The emergence of the COVID-19 pandemic, however, caused stagnation and economic trends became increasingly uncertain.

Against this backdrop, the Company worked 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 fiscal year ended September 30, 2020 came to ¥51,841 million. The cost of sales amounted to ¥18,760 million and as a percentage of net sales was 36.2%. Selling, general and

administrative (SG&A) expenses were ¥25,020 million and as a percentage of net sales came to 48.3%.

Operating income was ¥8,060 million, and net income attributable to owners of the parent came to ¥5,618 million.

Although the outlook is expected to remain unclear as the extent of the impact of the COVID-19 pandemic is still uncertain, the Company's consolidated forecasts for the fiscal year ending September 30, 2021 include net sales of ¥52,500 million, operating income of ¥9,000 million, ordinary income of ¥9,200 million, and net income attributable to owners of the parent of ¥6,300 million.

## Segment Information

## Cosmetics

## Overview

The Group develops, produces and sells a versatile collection of products under well-regarded brand names, including Noevir high-performance functional face-to-face channel skincare products; various popular products for the self-selection cosmetics market, including the *Nameraka Honpo* skincare brand and *excel* makeup brand; and the *NOV* brand. The Group also undertakes the contract manufacturing of cosmetics.

## Fiscal 2020 Results

Sales of face-to-face channel cosmetics and self-selection cosmetics were sluggish due to the impact of the October 2019 enforcement of consumption tax hikes and the COVID-19 pandemic.

As a result, the Cosmetics segment saw decreases in both revenues and profit, with segment sales and income totaling ¥38,742 million and ¥9,505 million, respectively.

## Pharmaceuticals &amp; Health Food

## Overview

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

## Fiscal 2020 Results

Despite sluggish sales of its mainstay functional and nutritional drinks, the Pharmaceuticals & Health Food segment saw strong sales of nutritional supplements.

As a result, segment sales came to ¥11,273 million, while segment income was ¥1,261 million.

## Other

## Overview

The Other segment encompasses apparel and aircraft sales and leasing.

## Fiscal 2020 Results

Sales in the apparel-related business and the aviation-related business were sluggish. As a result, sales in the Other segment came to ¥1,825 million, while segment income came to ¥10 million.

## Assets, Liabilities and Net Assets

Total assets at the fiscal 2020 year-end stood at ¥80,052 million, a decrease of ¥3,277 million from the previous fiscal year-end. This result was mainly due to decreases of ¥1,598 million in notes and accounts receivable and ¥1,283 million in cash and cash equivalents.

Total liabilities came to ¥27,809 million, a decrease of ¥2,574 million from the previous fiscal year-end. This result was mainly due to decreases of ¥1,040 million in income tax payable, ¥566 million in other accounts payable, and ¥556 million in notes and accounts payable.

Net assets came to ¥52,243 million, a decrease of ¥703 million from the previous fiscal year-end. This was primarily attributable to decreases in retained earnings of ¥1,213 million, reflecting the payment of ¥6,831 million in year-end dividends for the previous fiscal year, and net income attributable to owners of the parent totaling ¥5,618 million.

As a result, the equity ratio stood at 64.9%, up 1.7 percentage points from the previous fiscal year-end, and net assets per share stood at ¥1,521.77, a decrease of ¥21.95.

## Cash Flows

Cash and cash equivalents on a consolidated basis as of September 30, 2020 stood at ¥29,199 million, a decrease of ¥1,249 million compared with the ¥30,448 million at the previous fiscal year-end.

Net cash provided by operating activities amounted to ¥7,312 million. The main item increasing cash was the posting of ¥8,233 million in income before income taxes.

Net cash used in investing activities came to ¥1,615 million. The principal cash outflow was ¥1,635 million for the purchase of property, plant and equipment.

Net cash used in financing activities came to ¥6,962 million. This was mainly due to the payment of ¥6,827 million in dividends.

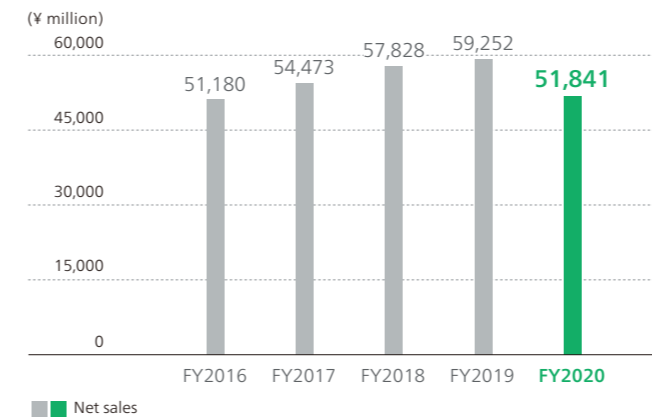
## Five-Year Summary

(Millions of yen)					
Fiscal Year	2016	2017	2018	2019	2020
Period/Item	October 1, 2015– September 30, 2016	October 1, 2016– September 30, 2017	October 1, 2017– September 30, 2018	October 1, 2018– September 30, 2019	October 1, 2019– September 30, 2020
Net sales	¥ 51,180	¥ 54,473	¥ 57,828	¥ 59,252	¥ 51,841
Operating income	7,706	9,986	11,343	11,992	8,060
Net income attributable to owners of the parent	5,049	7,077	7,842	7,226	5,618
Total assets	89,709	93,567	82,809	83,330	80,052
Net assets	55,908	59,365	51,998	52,946	52,243
Capital expenditures	2,506	1,497	1,375	1,994	1,456
Depreciation	1,654	1,845	1,850	1,808	1,668
R&D expenses*	1,185	1,134	1,046	1,097	1,065
Cash dividends per share (yen)	¥ 120.00	¥ 150.00	¥ 180.00	¥ 200.00	¥ 205.00
Earnings per share, basic (yen)	¥ 142.44	¥ 199.64	¥ 228.56	¥ 211.57	¥ 164.48
Net assets per share (BPS) (yen)	¥1,573.50	¥1,669.18	¥1,517.61	¥1,543.72	¥1,521.77
ROE (%)	9.2%	12.3%	14.1%	13.8%	10.7%
Equity ratio (%)	62.2%	63.2%	62.6%	63.3%	64.9%
Number of employees (consolidated)	1,609	1,560	1,531	1,530	1,507
Cosmetics					
Net sales	¥ 36,031	¥ 39,197	¥ 42,616	¥ 45,175	¥ 38,742
Segment income	9,537	11,002	12,155	13,183	9,505
Pharmaceuticals & Health Food					
Net sales	13,243	13,488	13,199	12,036	11,273
Segment income	170	745	1,309	1,312	1,261
Other					
Net sales	1,905	1,788	2,013	2,041	1,825
Segment income	(63)	128	135	70	10

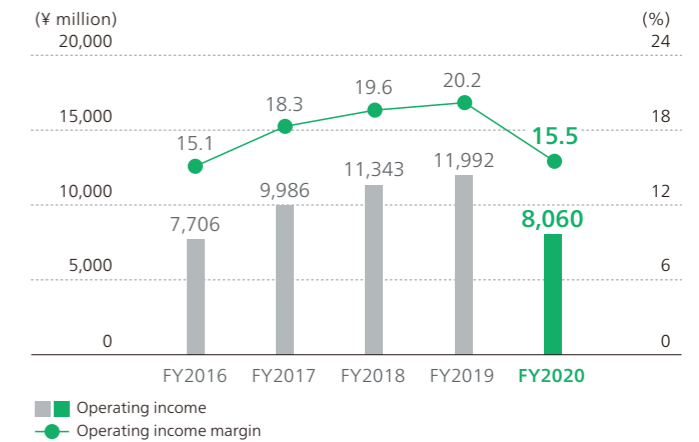
\* The total of R&D expenses recorded as part of SG&A expenses and those recorded as part of production costs during the fiscal year under review.

## Financial Highlights

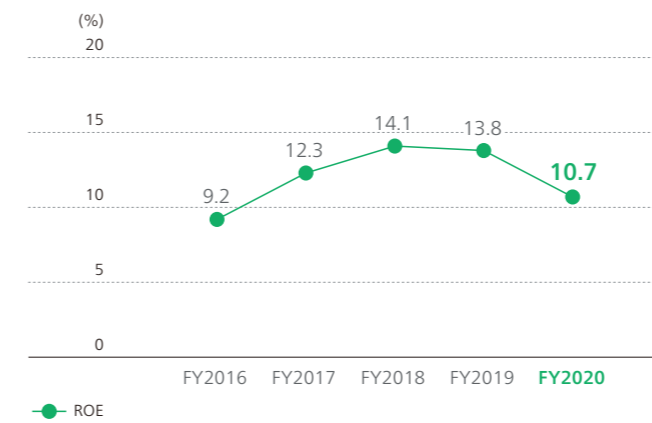
### Net Sales



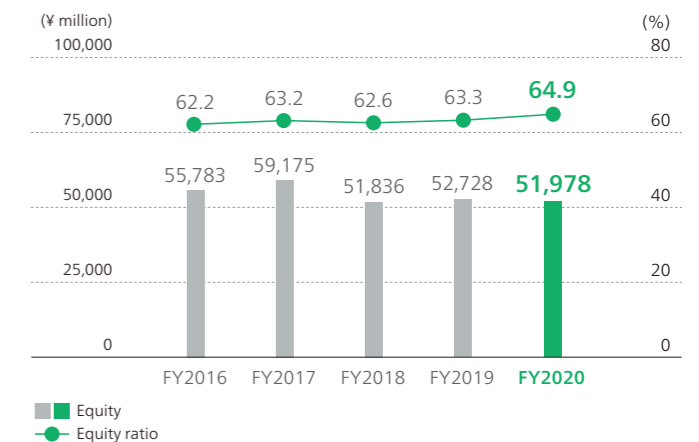
### Operating Income / Operating Income Margin



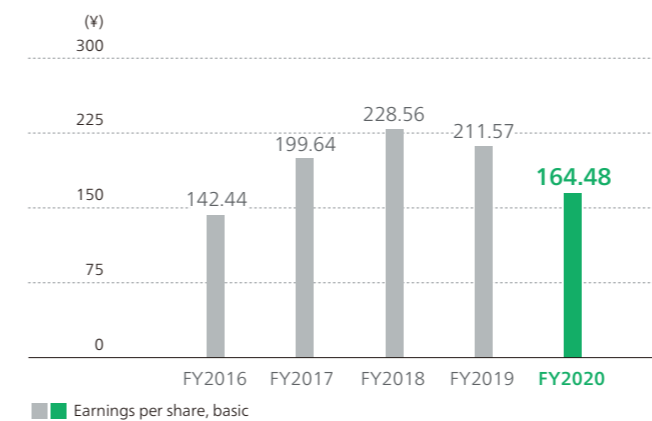
### ROE



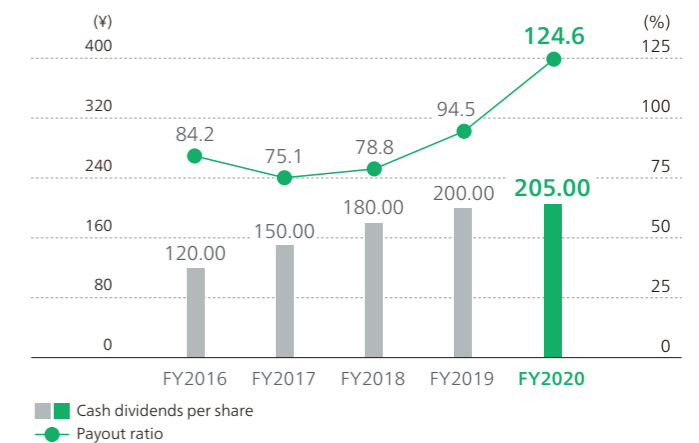
### Equity / Equity Ratio



### Earnings per Share, Basic



### Cash Dividends per Share / Payout Ratio



Principal Consolidated Subsidiaries (As of September 30, 2020)

Name	Location	Issued Share Capital (millions of yen, except as otherwise stated)	Direct or Indirect Ownership by the Company (percent)	Principal Business
Noevir Co., Ltd.	6-13-1 Minatojima-nakamachi Chuo-ku Kobe 650-8521 Japan	¥7,319	100.00	Production and sale of cosmetics, toiletries and food products as well as purchase and sale of makeup items and apparel
TOKIWA Pharmaceutical Co., Ltd.	6-13-1 Minatojima-nakamachi Chuo-ku Kobe 650-8521 Japan	¥4,301	100.00	Production and sale of cosmetics, toiletries and food products as well as purchase and sale of makeup items/ Production and sale of over-the-counter (OTC) pharmaceuticals and quasi-drugs
TOKIWA Medical Service Co., Ltd.	6-13-1 Minatojima-nakamachi Chuo-ku Kobe 650-8521 Japan	¥98	100.00	Sale of cosmetics, toiletries and food products as well as purchase and sale of makeup items/Production and sale of over-the-counter (OTC) pharmaceuticals and quasi-drugs
Bonanza Co., Ltd.	6-13-1 Minatojima-nakamachi Chuo-ku Kobe 650-8521 Japan	¥10	100.00	Production and sale of cosmetics and toiletries as well as purchase and sale of makeup items
Noevir Aviation Co., Ltd.	2-12 Yao Airport Yao, Osaka 581-0043 Japan	¥35	100.00	Air transportation and provision of charter flights, ground handling services and hangar rental
Nihon Flight Safety Co., Ltd.	Tokyo Heliport 4-7-44 Shinkiba, Koto-ku Tokyo 136-0082 Japan	¥100	100.00	Provision of aircraft flight training
Noevir Holding of America, Inc.	1095 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
Noevir U.S.A., Inc.	1095 Main Street Irvine, California 92614 U.S.A.	US\$5,900 thousand	100.00	Sale of cosmetics, makeup products, toiletries and food products
Noevir Canada, Inc.	7360 River Road, Richmond British Columbia V6X 1X6 Canada	C\$1,131 thousand	100.00	Sale of cosmetics, makeup products, toiletries and food products
Noevir Aviation, Inc.	200 West Grand Avenue Montvale, New Jersey 07645 U.S.A.	US\$1,350 thousand	100.00	Purchase and sale of aircraft and vessels as well as aviation-related operations
Noevir Taiwan, Inc.	8th Fl.-2, No. 111 Songjiang Road, Zhongshan District Taipei City 10486 Taiwan	NT\$31,000 thousand	100.00	Sale of cosmetics, makeup products, toiletries and food products
Shanghai Noevir Co., Ltd.	Room 605, Hongwell International Plaza A No.1600, Zhongshan West Rd. Xuhui District, Shanghai 200235 China	5,000 thousand Chinese yuan	50.00	Sale of cosmetics, makeup products and toiletries as well as procurement and sale of sales promotion goods for the Noevir Group
Noevir Europe s.r.l.	Via Tre Settembre, 99 (3°-#116) 47891 Dogana Republic of San Marino	26,000 euro	100.00	Market research in Europe

Board of Directors and Auditors (As of December 4, 2020)

Chairman and Representative Director

Hiroshi Okura

President and CEO

Takashi Okura

Directors

Ikkou Yoshida

Yasuo Kaiden

Masataka Nakano

Outside Directors

Sanae Tanaka\*

Maho Kinami\*

Emima Abe\*

Audit & Supervisory Board Member

Masayuki Hamaguchi

Outside Audit & Supervisory Board Members

Kazuya Sugimoto\*\*

Ryo Tsuchida\*\*

\* Independent directors

\*\* Independent Audit & Supervisory Board members

Profiles of Outside Directors

Sanae Tanaka	Representative of Sanae Tanaka Law Office Outside director of PILOT CORPORATION Outside director of Shochiku Co., Ltd. Outside director of Kintetsu World Express, Inc.
Maho Kinami	Representative of Kinami Law Office Outside director of Advanex Inc.
Emima Abe	Attorney-at-law, Max General Law Firm

Profiles of Outside Audit & Supervisory Board Members

Kazuya Sugimoto	Representative of Sugimoto CPA Office
Ryo Tsuchida	Professor of Sophia Law School Attorney-at-law, Frontier Law Firm Outside director of UPR Corp.

Investor Information (As of September 30, 2020)

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

• Kobe

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

• Tokyo

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

Stock Listing

Tokyo Stock Exchange, First Section (Ticker: 4928)

Transfer Agent and Registrar

Sumitomo Mitsui Trust Bank, Limited

1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

Major Shareholders

Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (percent)
NII Co., Ltd.	12,382	36.25
Takashi Okura	3,699	10.83
Hiroshi Okura	1,000	2.93
Sumitomo Mitsui Banking Corporation	900	2.63
SMBC Nikko Securities Inc.	889	2.60
The Master Trust Bank of Japan, Ltd. (Trust Account)	773	2.26
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON TREATY ACCOUNT 15. 315 PCT	535	1.57
Noevir Holdings Employees Shareholdings Scheme	400	1.17
Custody Bank of Japan, Ltd. (Trust Account)	390	1.14
JAPAN POST INSURANCE Co., Ltd.	371	1.09

Note: The shareholding ratio is calculated excluding treasury stock  
(104 shares) and is rounded off to two decimal places.

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.