

ANNUAL REPORT 2018

Year ended September 30, 2018



NOEVIR HOLDINGS

Segment Information

Cosmetics 73.7%

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 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

Pharmaceuticals & Health Food 22.8%

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 lineups 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

Other 3.5%

The Other segment encompasses apparel and aircraft sales and leasing.

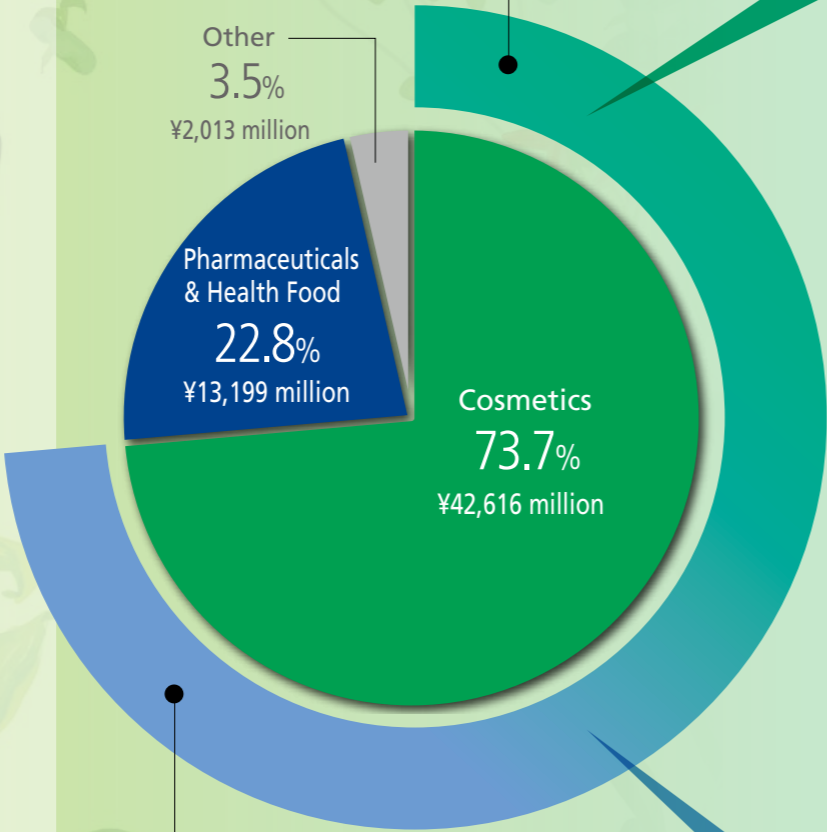
- Channels
- Face-to-face Sales

Sales in the Cosmetics Business by Sales Route

Face-to-face Channel Cosmetics

Cosmetics principally represented by prestige products sold through such face-to-face sales channels as beauty studios and Noevir's own retail stores

Fiscal 2018 Sales by Segment



Self-selection Cosmetics

Cosmetics principally represented by affordable products sold through general retailers

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 and Russia

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

Face-to-face Channel Cosmetics Brands



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 in 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



Self-selection Cosmetics Brands



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

Medium-term Management Plan Concept:

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

Having established a medium-term management plan with its final year set at fiscal 2021, the Noevir Group is striving to best accommodate ever changing and increasingly diverse market needs. In addition to executing the following five policies aimed at steadily achieving the objectives of the plan, we have positioned net sales, operating income and return on equity (ROE) as key management indicators, thereby maximizing our corporate value and enhancing profitability.

Five policies

- 1. Pursue innovation and continuous profit generation in Japan
- 2. Enhance our brand value and develop new markets in countries worldwide
- 3. Diversify and globalize human resources and our corporate structure
- 4. Strengthen our manufacturing competitiveness
- 5. Promote a management approach that is responsive to changes in the business environment



Numerical Achievements and Targets

	Fiscal 2018 results	Fiscal 2019	Fiscal 2020	Fiscal 2021
Net sales	¥57,828	¥59,500	¥61,000	¥62,000
Operating income	11,343	11,700	12,000	12,500
ROE (%)	14.1%	15%	15%	15%

(Millions of yen)



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
- 2001 Bonanza Co., Ltd. established, initiating the OEM of cosmetics

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

We have steadily expanded our customer base thanks to products that have garnered a solid reputation.

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 line with our medium-term management plan, we focused on innovation in the domestic market in fiscal 2018. Thus far, we have succeeded in realizing higher profitability by taking a thoroughgoing approach to enhancing the efficiency of selling, general and administrative (SG&A) expenses as well as advertising and promotional costs. Consequently, our fiscal 2018 operating income and net income attributable to owners of the parent reached record highs for a fourth consecutive fiscal year. In terms of these two items and ROE, another important management indicator, our consolidated operating results were in excess of performance forecasts at the beginning of the fiscal year.

The Operating Environment and Fiscal 2018 Business Results

During fiscal 2018, the Japanese economy continued to register a modest but steady recovery, mainly due to further improvements in corporate earnings and the employment situation. However, future economic trends remained uncertain due to fluctuating foreign exchange rates and increasing volatility in economies overseas, among other factors. Nevertheless, demand in the domestic cosmetics market is becoming ever stronger thanks to a number of positive factors, such as growing beauty awareness among the general public and burgeoning inbound market demand due to an increase in the number of foreign tourists as well as an ongoing trend

toward hassle-free skincare solutions.

Against this backdrop, the Noevir Group strove to satisfy market needs by delivering highly functional products created via cutting-edge R&D activities. In these ways, we have achieved steady growth in the cosmetics market despite the increasing diversification of latent needs among consumers. As a result, consolidated net sales came to ¥57,828 million, while operating income totaled ¥11,343 million. Net income attributable to owners of the parent amounted to ¥7,842 million. The operating income margin was 19.6%, up 1.3 percentage points compared with the previous fiscal year.

Our Fiscal 2018 Initiatives



Noevir Enrich 55

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. To better embody our medium-term management plan concept of “Realizing steady corporate growth by securing sustainability in every Group business segment,” in November 2018 we revised said plan, resetting the clock for the plan’s final year to fiscal 2021, by which we expect to see even more robust growth in business performance. Please refer to page 2 for details regarding our management targets.

In fiscal 2018, our Cosmetics business achieved increases in both revenues and

profit. With regard to face-to-face channel cosmetics, sales of prestige skincare lines were firm. Moreover, we have released *NOEVIR Enrich 55*, a new anti-aging serum and *NOEVIR AQUATURE*, a beauty serum with superior capabilities to enhance the skin’s moisture retention. We have thus diversified our lineup of beauty serums, a product category that enjoys a strong market. These efforts, in turn, helped us achieve profit growth.

At the same time, we enjoyed an increase in revenues from self-selection cosmetics. This was mainly attributable to the success of initiatives to raise the number of domestic distribution outlets



A sales representative recommending a NOV brand product to a dermatologist

handling *Nameraka Honpo*, our mainstay skincare brand, and the *excel* brand makeup line; efforts to secure an even broader customer base; and strong showings from the hypoallergenic *NOV* brand skincare line thanks to its enhanced lineup. Also contributing to sales growth were increases in the number of overseas distribution outlets for the *Nameraka Honpo* skincare brand in China, Hong Kong, Taiwan and elsewhere in Asia.

Profit in the Pharmaceuticals & Health Food business rose significantly thanks to the efficient management of SG&A expenses. We also secured profit in areas covered by the Other business segment, which encompasses apparel- and aircraft-related operations.



Product planning meeting

Future Outlook

In the Cosmetics business, consumer expectations for highly functional cosmetics are growing due to R&D advances affecting efficacy and user experience. With this in mind, we will continue to promote face-to-face channel cosmetics with strong profitability, thereby seizing opportunities arising from future growth in market demand. In particular, we have positioned beauty serums as a mainstay product category and intend to develop a constant stream of products offering anti-aging functions and capable of providing users with a superior skincare experience. By doing so, we will expand our customer base for the various skincare lines.

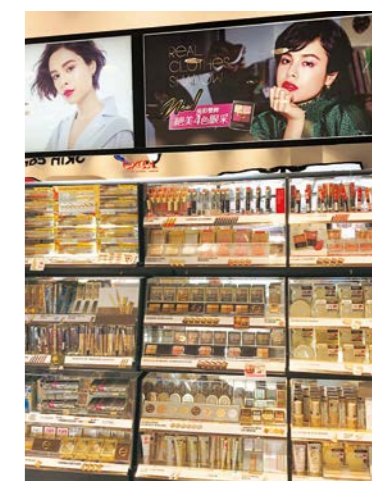
In addition, we will improve the service quality and sales capabilities of Noevir Beauty Studios, our primary points of contact with customers, in order to attract additions to and nurture our existing loyal customer base. To increase sales of self-selection cosmetics, we will endeavor to capture an even broader range of customers by introducing new products in the mainstay *Nameraka Honpo*, *excel* and hypoallergenic *NOV* brand lineups. We will also focus on storefront promotional activities aimed at evoking a sense of intimacy and communicating the quality of our products to shoppers in an effort to draw in and win over a diverse range of customers.

Our Policy regarding Shareholder Returns

We have positioned the return of profit to our shareholders as an important management issue. In line with our basic policy of ensuring stable shareholder returns, in November 2017 we executed the cancellation of treasury stock following the repurchase of shares. As for full-year cash dividends for fiscal 2018, we decided to pay out ¥180 per share. Not only is this amount ¥30 higher than the dividend forecast made at the beginning of the year, it is our seventh consecutive annual

increase in dividends. For fiscal 2019, we plan to pay ¥180 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.

At the same time, we will work to enhance the profitability of our Pharmaceuticals & Health Food business. Specifically, we will restructure our functional drink business to strengthen its brand capabilities while stepping up cost control. Taking these factors into account, our consolidated performance forecasts for fiscal 2019 (from October 1, 2018 to September 30, 2019) comprise net sales of ¥59,500 million, operating income of ¥11,700 million and net income attributable to owners of the parent of ¥8,000 million.



A display at an overseas sales outlet carrying the *excel* brand makeup line



Main Brands

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



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 2018, we released *NOEVIR Enrich 55*, an anti-aging serum created through the application of expertise in botanical research and the latest findings from dermatology research associated with mechanisms that create collagen in the skin—an area where our knowledge is deep and longstanding. We also released *NOEVIR AQUATURE*, a beauty serum with superior capabilities to enhance the skin’s moisture retention thanks to the success of our research into the generation of the intercellular lipid ceramide.

Moreover, we introduced the first makeup items (lip, eye and cheek colors) in *NOEVIR SPECIALE*, a selection of the most prestigiously ranked skincare products in the *NOEVIR* lineup. 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 Noevir’s own retail stores. 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, choosing from among beauty studios. As of September 30, 2018, approximately 1,900 salons have been certified. Meanwhile, Noevir operates a network of its own retail stores that encompasses nine outlets in major cities across Japan. Serving as contact points with potential customers, these stores strive to help enhance customer understanding of the importance of consulting, stimulate purchasing and promote brand recognition.



Noevir SPECIALE skincare line



Noevir 505 skincare line



Noevir 99 Plus skincare line



Noevir AQUATURE

Self-Selection Cosmetics, Pharmaceuticals & Health Food

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 soy milk-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 Nodome* cough drops and *Min Min Da Ha* functional drinks.

* Based on the storefront sales of self-selection skincare products incorporating soy milk ingredients calculated from POS data gleaned by five retailers from January to June 2018

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.

Looking to enhance brand recognition and an understanding of our products among the general public, we are engaged in ongoing sales promotion initiatives via social networking services (SNSs). In particular, we are working to capture new customers for

the *Nameraka Honpo* skincare brand and the *excel* brand via storefront promotional campaigns aimed at making a lasting impression. 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 Nodome*
- *Min Min Da Ha*
- *Gronvita*
- *Vita C*



Nameraka Honpo skincare brand displayed at a retail store in China



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 hypoallergenic cosmetics displayed at a retail store in Taiwan



NOV brand lineup



Nanten Nodome cough drop brand lineup



Min Min Da Ha functional drink brand lineup



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 in 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 2018, we released the *Vie deLight* brand skincare line in the United States. Designed for vegans,* this line boasts plant-based skincare products that do not use animal-derived ingredients and are made without animal testing. The Noevir Group is thus developing new products in a way that respects diverse consumer lifestyles and a broad range of value systems.

*Vegans are vegetarians who completely reject the consumption of any animal food, including eggs and dairy products. Adopted not only for the sake of avoiding cruelty, the practice of veganism is also driven by an awareness of the individual's responsibility to help preserve the global environment.



Vie deLight skincare line

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 Noevir Group Research Laboratory

The Mie Factory, meanwhile, was certified by Mie Prefecture in August 2018 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 food.



The Mie Factory

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 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

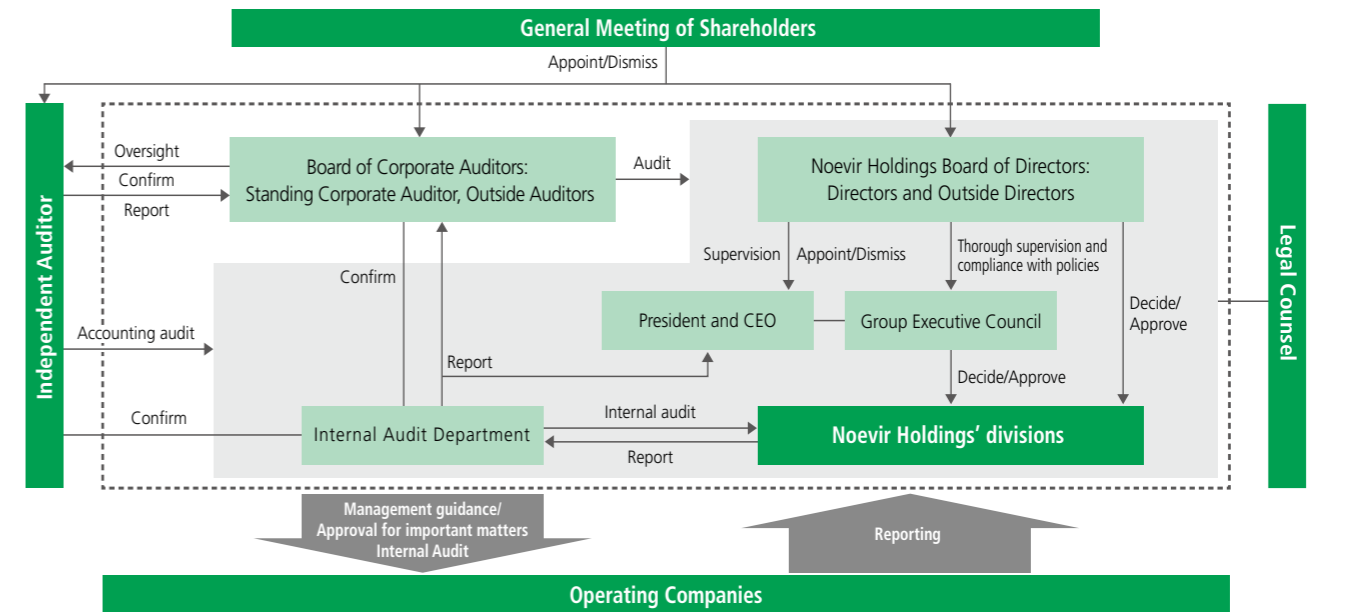
Type of governance model	A company with auditors	The establishment of an internal audit department	Yes
Number of directors (of whom, outside directors)	8 (3)	Adoption of an executive officer system	Yes
Number of corporate auditors (of whom, outside corporate auditors)	3 (2)	Advisory body supporting president's decision making	Group Executive Council
Number of independent directors and corporate auditors (within outside directors and corporate auditors)	5 (3:2)	Remuneration systems for directors and corporate auditors	Directors: Performance-based remuneration system Corporate auditors: Fixed remuneration
Directors' term	One year	Accounting auditor	Deloitte Touche Tohmatsu LLC
Frequency of Board of Directors' meetings	Monthly (plus extraordinary meetings convened on an as-needed basis)	Systems for supporting outside directors and corporate auditors	Persons in charge of support are appointed from Corporate Affairs Department
Number of Board of Directors' meetings held during fiscal 2017	12		

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 a board of auditors 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.

Noevir Green Charity Begins to Operate in U.S.A

Since 2010, Noevir Co., Ltd. has been engaged in an ongoing fund-raising 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. In 2018, we included a skincare set sold under the Vie deLight brand, a new skincare line released by Noevir U.S.A., Inc. specifically for vegans and marketed only in the United



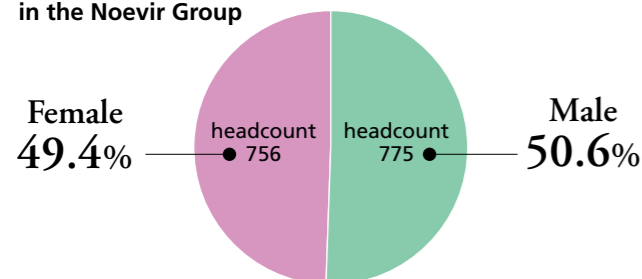
Social contribution activity undertaken at the foot of the Himalayas

States, into the lineup of designated items mentioned above. Looking ahead, we will encourage a growing number of Group members to take part in various social contribution activities.

Noevir's Work Style Reform Initiatives

The Noevir Group constantly endeavors to enable all of its employees to strike an optimal balance between their work and family duties or other private activities while helping them fully realize their potential as individuals. In particular, 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 striving to minimize overtime. Moreover, we have implemented various initiatives, including letting eligible personnel work at locations other than the office via a telecommuting system, enhancing childcare leave plans, allowing those engaged in child rearing or nursing care to shorten their working hours and

Proportion of Male and Female Employees in the Noevir Group



Noevir Green Foundation Celebrates the 5th Anniversary

In 2018, the Noevir Green Foundation, a public interest incorporated foundation, celebrated the fifth anniversary of its establishment. The foundation helps nurture young athletes aspiring to take part in international tournaments, including the Olympic and Paralympic games, while providing assistance to support the physically and emotionally sound upbringing of youth. To this end, the foundation offers subsidies to beneficiaries chosen via an open application process. Also, the foundation holds unique environmental educational classes for children—the future leaders of global natural environment preservation and protection efforts—in addition to promoting environmental preservation initiatives undertaken as part of projects aimed at reconstructing areas affected by the Great Hanshin-Awaji Earthquake Disaster. Going forward, we will remain committed to assisting children in the pursuit of their dreams and ambitions.



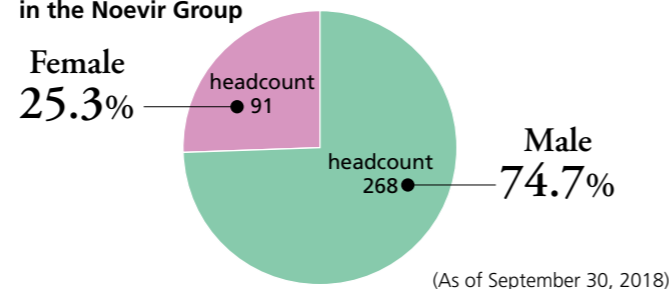
Female fencer Sera Azuma (right), a beneficiary of the foundation's fiscal 2017 subsidy program

introducing nursing care 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 began to provide assistance to employees' health promotion efforts, taking a management approach that places even greater emphasis on ensuring employee health.



Proportion of Male and Female Managers in the Noevir Group



Overview

During fiscal 2018 (October 1, 2017 to September 30, 2018), the Japanese economy continued to register a modest but steady recovery, mainly due to further improvements in corporate earnings and the employment situation. However, future economic trends remained uncertain due to fluctuating foreign exchange rates and increasing volatility in economies overseas, among other factors.

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."

In particular, the Group's Cosmetics segment secured profit growth backed by strong sales thanks to the success of its efforts to capture a diverse range of latent consumer demand.

As a result, net sales for the fiscal year ended September 30, 2018 came to ¥57,828 million. The cost of sales amounted to ¥20,588 million, and as a percentage of net sales was 35.6%. Selling, general and administrative (SG&A) expenses were ¥25,896 million and as a percentage of net sales came to 44.8%. Accordingly, the ratio of cost of sales to net sales deteriorated year on year by 1.3 percentage points, while the ratio of SG&A expenses to net sales improved by 2.5 percentage points.

Operating income was ¥11,343 million, and net income attributable to owners of the parent came to ¥7,842 million. Both operating income and net income attributable to owners of the parent were record highs.

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 the *excel* brand; and *NOV* brand. The Group also undertakes the contract manufacturing of cosmetics.

Fiscal 2018 Results

Sales of face-to-face channel cosmetics were solid due to strong showings of newly released beauty serums and prestige skincare lines. In self-selection cosmetics, sales of new and existing lines of skincare products, makeup, and color cosmetics grew steadily.

As a result, the Cosmetics segment saw growth in both revenues and profit, with segment sales and income totaling ¥42,616 million and ¥12,155 million, respectively.

Pharmaceuticals & 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 2018 Results

In the Pharmaceuticals & Health Food segment, the Group took a thoroughgoing approach to enhancing the efficiency of SG&A expenses with the aim of securing greater profit.

As a result, although segment sales slightly decreased year on year to ¥13,199 million, segment income rose significantly to ¥1,309 million.

Other

Overview

The Other segment encompasses apparel and aircraft sales and leasing.

Fiscal 2018 Results

Sales in the apparel-related business and the aviation-related business performed strongly. As a result, sales in the Other segment came to ¥2,013 million, while segment income came to ¥135 million.

Assets, Liabilities and Net Assets

Total assets at the fiscal 2018 year-end stood at ¥82,817 million, a decrease of ¥10,750 million from the previous fiscal year-end. This was mainly due to a decrease in cash and cash equivalents of ¥11,649 million.

Total liabilities came to ¥30,818 million, a decrease of ¥3,383 million from the previous fiscal year-end. This was mainly due to a decrease in notes and accounts payable of ¥2,860 million.

Net assets came to ¥51,998 million, a decrease of ¥7,366 million from the previous fiscal year-end. This was primarily attributable to a decrease in retained earnings of ¥7,446 million, reflecting the cancellation of treasury stock of ¥9,971 million and the payment of ¥5,317 million in dividends for the previous fiscal year-end as well as the recording of net income attributable to owners of the parent totaling ¥7,842 million.

As a result, the equity ratio stood at 62.6%, down 0.7 of a percentage point from the previous fiscal year-end, and net assets per share stood at ¥1,517.61, a decrease of ¥151.57.

Cash Flows

Cash and cash equivalents on a consolidated basis as of September 30, 2018 stood at ¥28,701 million, a decrease of ¥11,648 million compared with the ¥40,350 million at the previous fiscal year-end.

Net cash provided by operating activities amounted to ¥4,965 million. The main item increasing cash was the posting of ¥11,604 million in income before income taxes. The main items decreasing cash were income tax paid of ¥4,024 million and decrease in trade payables of ¥2,857 million.

Net cash used in investing activities came to ¥1,119 million. The principal cash outflow was ¥1,261 million for the purchase of property, plant and equipment.

Net cash used in financing activities came to ¥15,503 million. This was mainly due to the purchase of treasury stock of ¥9,971 million and the payment of ¥5,315 million in dividends.

Five-Year Summary

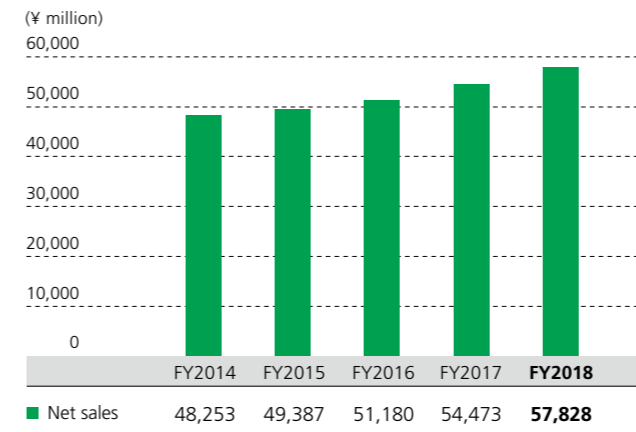
Fiscal Year	2014	2015	2016	2017	2018
Period/Item	October 1, 2013– September 30, 2014	October 1, 2014– September 30, 2015	October 1, 2015– September 30, 2016	October 1, 2016– September 30, 2017	October 1, 2017– September 30, 2018
Net sales	¥ 48,253	¥ 49,387	¥ 51,180	¥ 54,473	¥ 57,828
Operating income	7,064	7,588	7,706	9,986	11,343
Net income	4,349	4,890	5,049*	7,077*	7,842*
Total assets	88,058	87,348	89,709	93,567	82,817
Net assets	56,018	54,598	55,908	59,365	51,998
Capital expenditures	2,989	3,225	2,506	1,497	1,375
Depreciation	1,021	1,237	1,654	1,845	1,850
R&D expenses**	1,044	1,106	1,185	1,134	1,046
Cash dividends per share (yen)	¥ 60.00	¥ 100.00	¥ 120.00	¥ 150.00	¥ 180.00
Earnings per share, basic (yen)	¥ 116.16	¥ 136.79	¥ 142.44	¥ 199.64	¥ 228.56
Net assets per share (BPS) (yen)	¥1,494.14	¥1,536.84	¥1,573.50	¥1,669.18	¥1,517.61
ROE (%)	8.0%	8.9%	9.2%	12.3%	14.1%
Equity ratio (%)	63.5%	62.4%	62.2%	63.2%	62.6%
Number of employees (consolidated)	1,641	1,674	1,609	1,560	1,531
Cosmetics					
Net sales	¥ 32,100	¥ 34,013	¥ 36,031	¥ 39,197	¥ 42,616
Segment income	8,413	8,705	9,537	11,002	12,155
Pharmaceuticals & Health Food					
Net sales	14,067	13,456	13,243	13,488	13,199
Segment income	674	1,012	170	745	1,309
Other					
Net sales	2,085	1,918	1,905	1,788	2,013
Segment income	(158)	(241)	(63)	128	135

* Net income attributable to owners of the parent

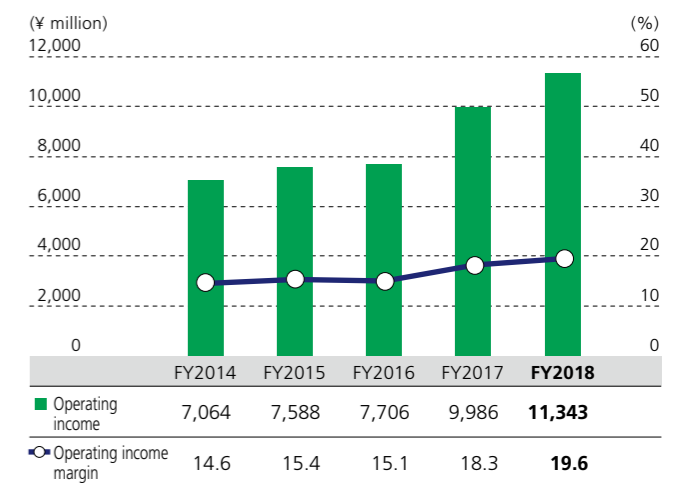
** The total of R&D expenses recorded as part of SG&A expenses and those recorded as part of production costs during the fiscal year under review.

Financial Highlights

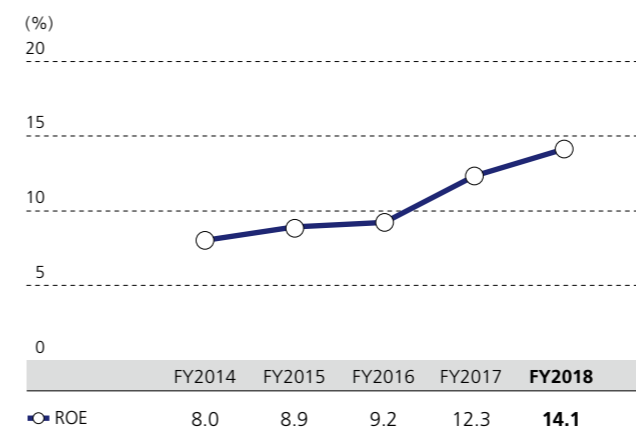
Net Sales



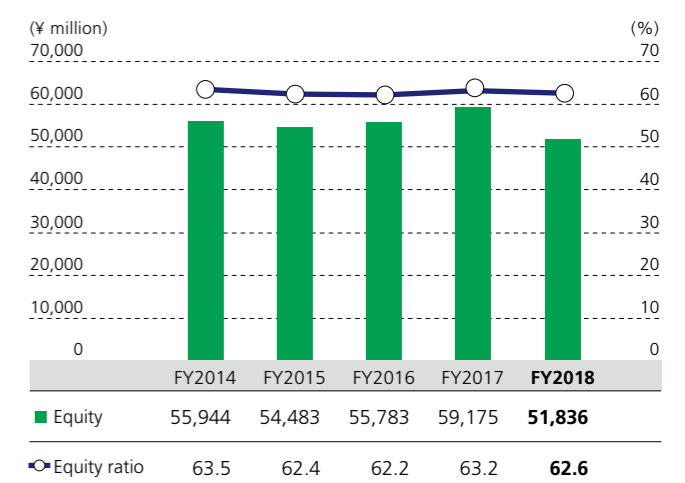
Operating Income / Operating Income Margin



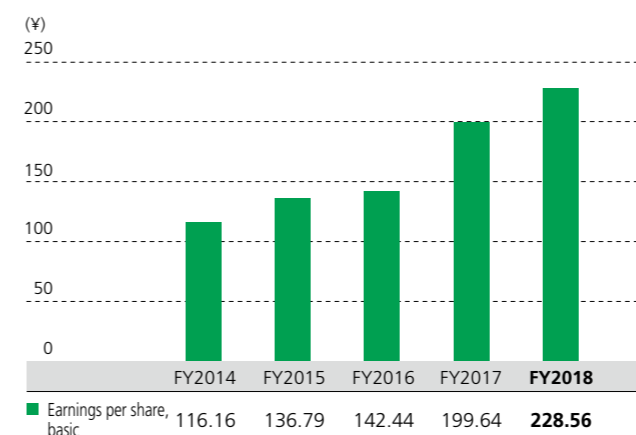
ROE



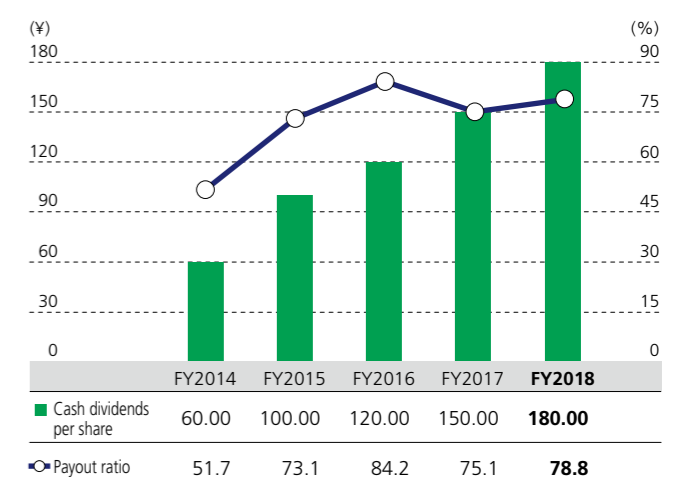
Equity / Equity Ratio



Earnings per Share, Basic



Cash Dividends per Share / Payout Ratio



Principal Consolidated Subsidiaries (As of September 30, 2018)

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.	3-5-12 Azuchi-machi Chuo-ku, Osaka 541-0052 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
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
TOKIWA Medical Service Co., Ltd.	3-5-12 Azuchi-machi Chuo-ku, Osaka 541-0052 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
Noevir Aviation Co., Ltd.	2-12 Yao Airport Yao, Osaka 581-0043 Japan	¥35	100.00	Air transportation business
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 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 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 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 7, 2018)

**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*

Standing Corporate Auditor
Masashi Akagawa

Outside Corporate Auditors
Kazuya Sugimoto**
Tsuchida Ryo**

* Independent directors
** Independent corporate auditors

Profiles of Outside Directors

Sanae Tanaka	Representative of Sanae Tanaka Law Office Vice chairperson of TV Asahi Corporation Program Assessment Council 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
Emima Abe	Attorney-at-law, Max General Law Firm

Profiles of Outside Corporate Auditors

Kazuya Sugimoto	Representative of Sugimoto CPA Office
Tsuchida Ryo	Attorney-at-law, Frontier Law Firm Professor of Law, Senshu University Outside Corporate Auditor of Resona Bank, Ltd. Outside director of UPR Corp.

Investor Information (As of September 30, 2018)

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.	7,972	23.34
Hiroshi Okura	5,410	15.84
Takashi Okura	3,699	10.83
Sumitomo Mitsui Banking Corporation	900	2.63
The Master Trust Bank of Japan, Ltd. (Trust Account)	867	2.54
Japan Trustee Services Bank, Ltd. (Trust Account)	540	1.58
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	428	1.26
Noevir Holdings Employees Shareholdings Scheme	408	1.20
Japan Trustee Services Bank, Ltd. (Trust Account 9)	362	1.06
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/ JASDEC SECURITIES/UCITS ASSETS	342	1.00

*The shareholding ratio 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.

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