

Noevir Holdings Co., Ltd.

Results for Fiscal 2014

(October 1, 2013 – September 30, 2014)

November 13, 2014
Noevir Holdings Co., Ltd.
Takashi Okura, President and CEO

Noevir Holdings Co., Ltd. Ticker: 4928

- ◆ Date of Establishment March 22, 2011 (Noevir Co., Ltd. was founded in April 1964.)
- ◆ Paid-in Capital ¥7,319 million
- ◆ Line of Business



Cosmetics

Pharmaceuticals & Health Food

Aviation-related business
Apparel business

Other

- ◆ Consolidated Subsidiaries 13 subsidiaries (5 domestic / 8 international)
- ◆ Employees 121 (Non-consolidated), 1,641 (Consolidated) As of Sep. 30, 2014
- ◆ Number of shareholders 19,401
- ◆ Outstanding Shares 37,442,840
- ◆ Market Capitalization ¥72.45 billion (November 12, 2014 @ ¥1,935)

Fiscal 2014 Highlights

Results showed that net sales rose and profits declined in fiscal 2014. Made proactive investment in marketing expenses to deal with the impact of the tax hike, with net sales rising 3.7% year on year to 48,200 million yen and operating income resulting at 7,000 million yen, down 2.6% year on year.

	Year ended September 30, 2014		Year ended September 30, 2013		YoY change	
	Total value	As percentage of sales	Total value	As percentage of sales		
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	48,253	100.0	46,516	100.0	+1,737	+3.7
Cost of sales	16,523	34.2	15,707	33.8	+816	+5.2
Gross profit	31,730	65.8	30,809	66.2	+920	+3.0
SG&A	24,666	51.1	23,557	50.6	+1,108	+4.7
Operating income	7,064	14.6	7,252	15.6	(187)	(2.6)
Non-operating income/expenses	449	-	295	-	+153	+51.9
Ordinary income	7,513	15.6	7,547	16.2	(34)	(0.5)
Extraordinary income/loss	(54)	-	(39)	-	(14)	+37.0
Income before income taxes	7,458	-	7,507	-	(49)	(0.7)
Income taxes	3,098	-	2,919	-	+179	+6.1
Net income	4,349	9.0	4,580	9.8	(231)	(5.1)
EPS	¥116.16		¥122.34			
ROE	8.0%		8.9%			
Dividend payout ratio	51.7%		40.9%			

Major Factors Affecting SG&A

(Millions of yen)

Account category	Year ended September 30, 2014	Year ended September 30, 2013	Change
(1) Advertising expenses	1,852	1,337	+515
(2) Sales promotion expenses	3,959	3,851	+108
(3) Commissions paid	1,351	1,249	+101
(4) Expenses for consumables	363	267	+95
(5) Packing and freight expenses	2,015	1,934	+81
Total SG&A	24,666	23,557	+1,108

(1) & (2): Proactive investment in marketing expenses

(3) & (4): Investment in IT costs

(5) : Rise in transport expenses in line with sales levels and due to a surge in crude oil prices

Segment-Based Highlights

Segment	Year ended September 30, 2014	Year ended September 30, 2013	YoY change		Sales composition ratio (%)	
	Millions of yen	Millions of yen	Millions of yen	%	Year ended September 30, 2014	Year ended September 30, 2013
Cosmetics						
[Net sales]	32,100	31,278	+822	+2.6	66.5	67.3
[Segment income]	8,413	7,775	+638	+8.2		
Pharmaceuticals & Health Food						
[Net sales]	14,067	13,549	+518	+3.8	29.2	29.1
[Segment income]	674	1,295	(620)	(47.9)		
Other						
[Net sales]	2,085	1,688	+396	+23.5	4.3	3.6
[Segment income]	(158)	3	(161)	-		
Consolidated net sales	48,253	46,516	+1,737	+3.7	100.0	100.0

- Both net sales and income rose in the Cosmetics segment due to healthy sales of major self-selection cosmetics brands.
- Net sales increased, but profits fell in Pharmaceuticals & Health Food due to proactive investment in marketing expenses.
- The Other segment posted higher net sales but lower income despite healthy sales.

Net sales: 32,100 million yen Previous year: 31,278 million yen (+822 million yen, +2.6%)

Segment income: 8,413 million yen Previous year: 7,775 million yen (+638 million yen, +8.2 %)

Sales composition
ratio

66.5%

- High-priced cosmetics sold through individual consultation were strong, but existing products feel from the previous year

- Premium skincare cosmetics series *NOEVIR 505* skincare line was robust
- Existing basic cosmetics series fell below levels posted the previous year
- Makeup series were strong



NOEVIR 505 skincare line



Actrice



Excel makeup line



Sana Pore Putty makeup line

- Sales of mainstay brands were strong in self-selection cosmetics

- Strong sales of *Nameraka Honpo* skincare line due to new product launches, effect of sales promotions
- *Excel and Sana Pore Putty* makeup line grew due to new product launches, effect of sales promotions
- *NOV* skincare lines remained strong on closer relationships with medical institution channels

- Both the overseas and OEM businesses performed well.

Net sales: 14,067 million yen Previous year: 13,549 million yen (+518 million yen, +3.8%)
 Segment income: 674 million yen Previous year: 1,295 million yen (-620 million yen, -47.9%)

Sales composition
ratio
29.2%

- The household medicine business contributed to higher net sales due to acquisition of goodwill.
- The pharmaceuticals business stayed near the same levels as the previous year.
 - Drinks were nearly unchanged from year-ago levels (including pharmaceuticals/designated quasi-drugs).
 - *Nanten Nodo Ame* cough drops was strong due to the effect of an upgrade.
- Health food was robust.
 - *Min Min Da Ha* functional drinks was strong as a result of major sales promotions as well as the effect of an upgrade.
 - Nutritional supplements grew due to new product launches.



Nanten Nodo Ame cough drops



Min Min Da Ha functional drinks

Net sales: 2,085 million yen Previous year: 1,688 million yen (+396 million yen, +23.5%)
 Segment income: -158 million yen Previous year: 3 million yen (-161 million yen)

Sales composition
ratio
4.3%

- The Aviation-related business performed well due to recovery in demand in the European and American markets.
- The Apparel and Intimate Apparel business remained at around the year-ago levels.

Balance Sheets

(Millions of yen)

	As of Sep. 30, 2014	As of Sep. 30, 2013	Change
Current assets	62,268	63,481	(1,212)
Cash and cash equivalents	41,871 (1)	42,096	(224)
Notes and accounts receivable	10,504	10,914	(409)
Non-current assets	25,789	23,389	2,399
Property, plant and equipment	21,461 (2)	19,386	2,074
Buildings and structures, net	4,446	4,770	(323)
Equipment and vehicles, net	2,384	647	1,737
Land	13,642	13,642	0
Intangible assets	376	268	108
Goodwill	171 (3)	—	171
Investments and other assets	3,950 (4)	3,734	216
Investment securities	899	728	170
Total assets	88,058	86,871	1,187
Current liabilities	11,312	11,936	(624)
Long-term liabilities	20,727	21,656	(929)
Guarantee deposits received	15,922 (5)	16,577	(654)
Total liabilities	32,039	33,593	(1,553)
Shareholders' equity	55,735	53,258	2,476
Common stock	7,319	7,319	0
Additional paid-in capital	3,484	3,484	0
Retained earnings	44,932	42,455	2,477
Total net assets	56,018 (6)	53,278	2,740
Total liabilities and net assets	88,058	86,871	1,187

● Balance Sheets

Current assets: 62,268 million yen
(compared to Sep. 30, 2013: -1,212 million yen)

Balance of net cash and deposits 25.9 billion yen
(up 400 million yen from the previous year)
= (1) Net cash and deposit balance 41.8 billion yen
- (5) Guarantee deposits received 15.9 billion yen

Non-current assets: 25,789 million yen (+2,399 million yen)

(2) Property, plant and equipment: +2,074 million yen
(3) Goodwill +171 million yen
(4) Investments and other assets: +216 million yen

Total liabilities and net assets: 88,058 million yen
(+1,187 million yen)

(6) Equity ratio: 63.5% (Sep. 30, 2013: 61.3%)

● Capital Expenditures / Depreciation

(Millions of yen)

	Year ended Sep. 30, 2014	Year ended Sep. 30, 2013	Change
Capital expenditures	2,989	701	2,288
Depreciation	1,021	1,107	(85)

● Cash Flows

(Millions of yen)

	Year ended Sep. 30, 2014	Year ended Sep. 30, 2013	Change
Cash flows from operating activities	5,406	5,778	(372)
Cash flows from investing activities	(3,844)	1,393	(5,237)
Cash flows from financing activities	(1,874)	(1,498)	(375)
Cash and cash equivalents, end of year	41,840	42,062	(222)

Strategies for Fiscal 2015 & Forecasts

Concept

Realizing steady corporate growth by securing sustainability in every business segment

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

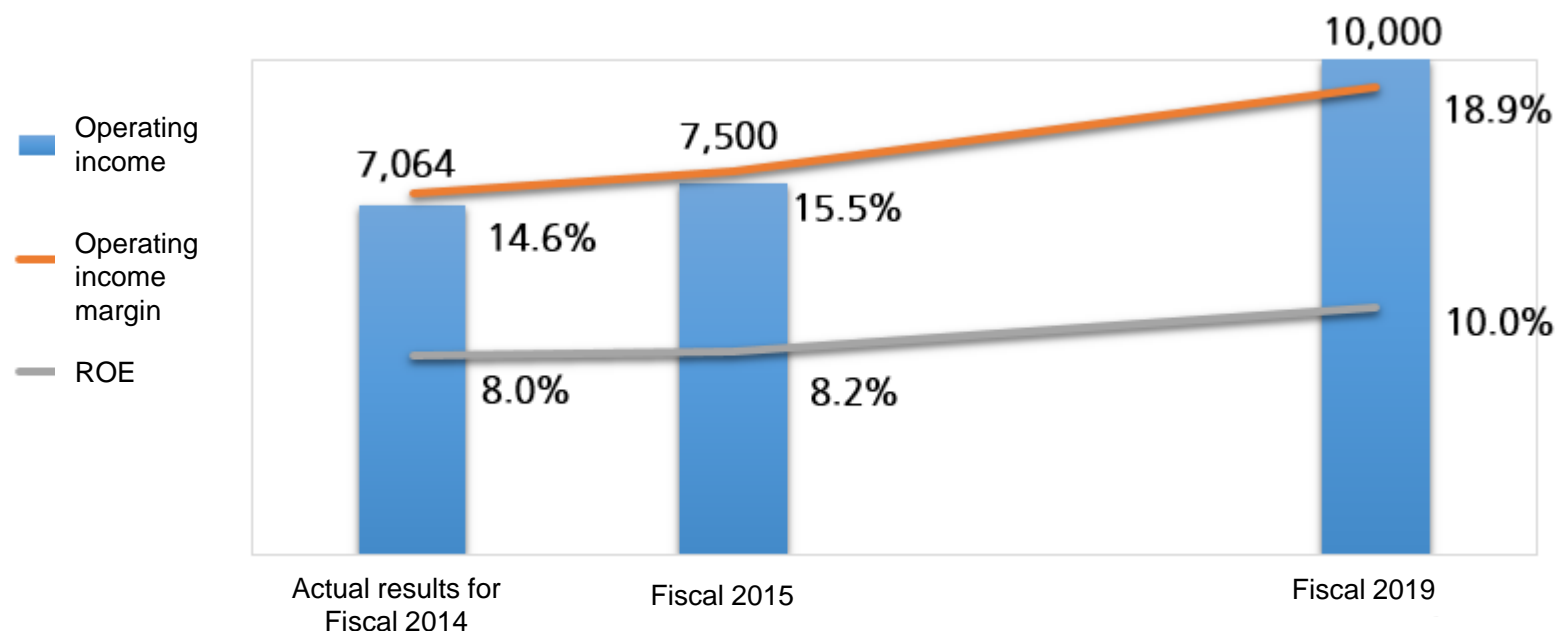
Medium-Term Management Plan and Forecast

– Fiscal 2019 –

Management targets for fiscal 2019 Operating income 10,000 million yen ROE 10%

(Millions of yen)

	Actual results for Fiscal 2014	Fiscal 2015	Fiscal 2019
Net sales	48,253	48,500	53,000
Operating income	7,064	7,500	10,000
Operating income margin	14.6%	15.5%	18.9%
ROE	8.0%	8.2%	10.0%



Having positioned the operating income margin and return on equity (ROE) as key management indicators, the Noevir Group aims to maximize its corporate value and enhance profitability.

Fiscal 2015 Forecasts

	Net Sales	Operating Income	Ordinary Income	Net Income	EPS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Full Year Forecasts	48,500	7,500	7,700	4,700	125.53
Fiscal 2014 Results	48,253	7,064	7,513	4,349	116.16
Change (%)	+0.5%	+6.2%	+2.5%	+8.1%	—

1st Half Forecasts (cumulative)	23,300	3,700	3,800	1,800	48.07
Fiscal 2014 1st Half Results	24,600	4,643	4,803	2,269	60.63
Change (%)	(5.3%)	(20.3%)	(20.9%)	(20.7%)	—

* Forecasts for this 1st half look for a decline in net sales and profit due to the impact of strong demand ahead of the hike in the consumption tax in the 1st half the previous year.

Major Initiatives for Fiscal 2015 (Cosmetics)

Cosmetics

● Cosmetics sold through individual consultation

- Upgrade mid-range priced mainstay brand *Noevir 99 Plus* skincare line and sell for first time in 11 years
 - A popular actress selected as a concept character for sales promotions
- Sales to focus on Noevir Beauty Studios as an important point of contact with customers
- Store revamp at directly managed Noevir Style stores
 - Aim to expand brand penetration



Magazine advertisement for *Noevir 99 Plus* skincare line (published in October 2014)

● Self-selection cosmetics

- In the *Nameraka Honpo* skincare line, enhance sales promotions by launching new products and featuring popular singer Ms. Rino Sashihara.
- New product launches and strengthen promotions for *Excel* makeup line
- In the *Sana Pore Putty* makeup line, enhance sales promotions by featuring TV personality Ms. Nana Suzuki
- Continue to focus *NOV* skincare line on strengthening relationships with medical institution channels



Excel makeup line



Sana Pore Putty makeup line

Pharmaceuticals & Health Food

- Promotion held for *Min Min Da Ha* functional drinks utilizing the Internet, SNS
- Planning to establish new production line to strengthen competitiveness of drink products
- Work on new business opportunities for PB/OEM products



Min Min Da Ha functional drinks

Other

- Will continue to handle the Aviation-related business cautiously, although recovery is seen in the European and North American markets
- New product launches for the Apparel and Intimate Apparel business



NOEVIR HOLDINGS

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