

Noevir Holdings Co., Ltd. Results for Fiscal 2017

(October 1, 2016 – September 30, 2017)

November 14, 2017

Noevir Holdings Co., Ltd.

Ikkou Yoshida, Director,

Management Strategy and Public & Investor Relations

Company Overview

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



◆ Consolidated Subsidiaries

12 subsidiaries (5 domestic / 7 international)

◆ Employees

1,560 (Consolidated)

◆ Number of shareholders

17,003

◆ Outstanding Shares

35,451,653

◆ Market Capitalization

¥271.21 billion (November 13, 2017 @ ¥ 7,650)

Fiscal 2017 Highlights

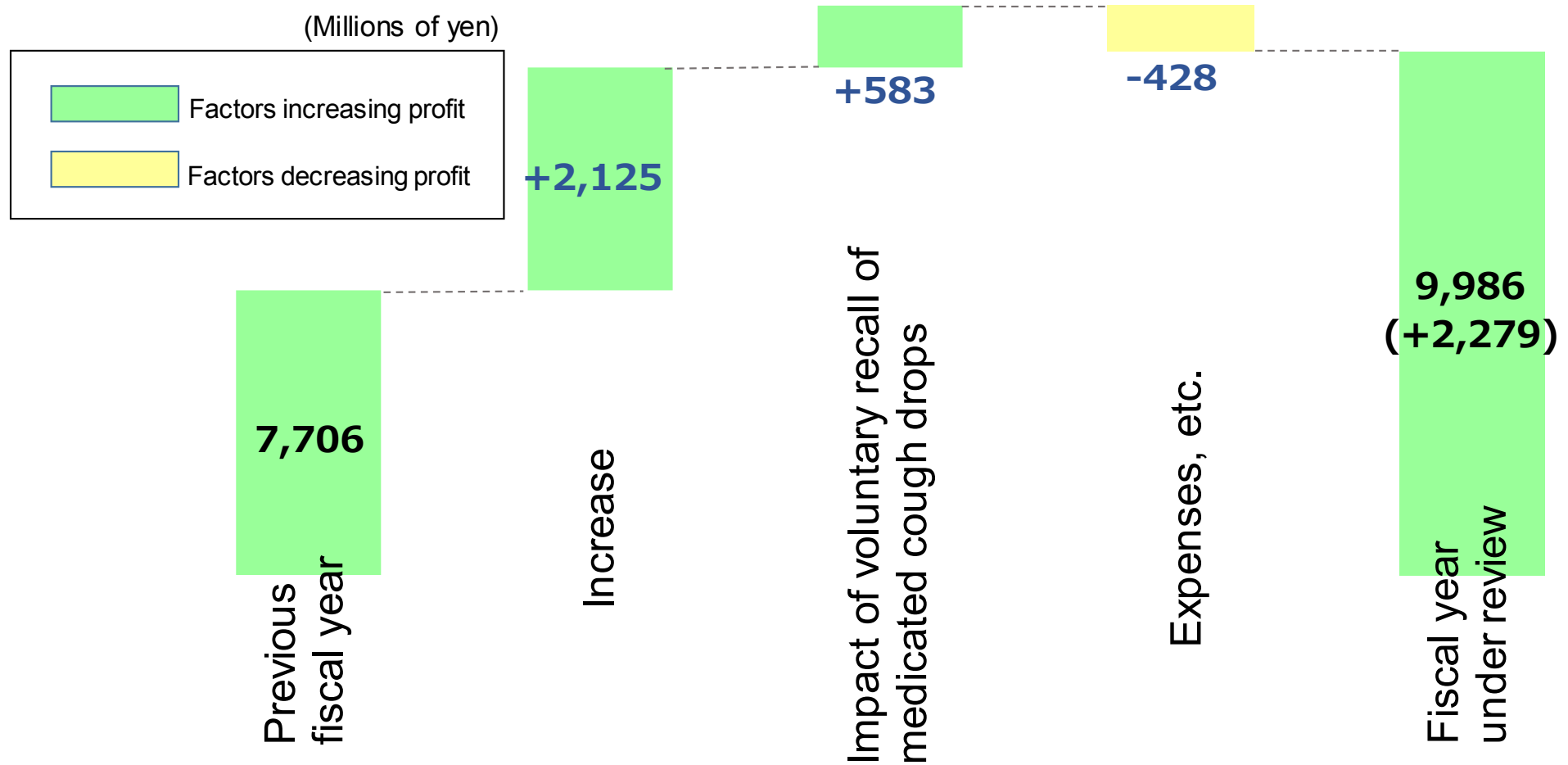
Net sales 54,473 million yen (up 6.4% Y o Y), operating income 9,986 million yen (up 29.6% Y o Y), ordinary income 10,291 million yen (up 31.4% Y o Y), net income attributable to owners of the parent 7,077 million yen (up 40.2% Y o Y)

Net sales, operating income, ordinary income, and net income all increased year on year and beat the forecast. All profits achieved new record high levels, and the medium-term management plan was achieved two years early.

	Year ended September 30, 2017	Year ended September 30, 2016	Year-on-year change		Initial earnings forecast target		Revised earnings forecast target	
	Millions of yen	Millions of yen	Millions of yen	(%)	Millions of yen	Actual-to- forecast(%)	Millions of yen	Actual-to- forecast(%)
Net sales	54,473	51,180	3,293	6.4	52,000	4.8	53,500	1.8
Cost of sales	18,712	17,995	716	4.0				
Gross profit	35,761	33,184	2,576	7.8				
SG&A	25,775	25,478	296	1.2				
Operating income	9,986	7,706	2,279	29.6	8,500	17.5	9,400	6.2
Non-operating income/expenses	305	126	178	141.1				
Ordinary Income	10,291	7,832	2,458	31.4	8,700	18.3	9,700	6.1
Extraordinary Income/loss	(1)	(17)	15	-				
Income before income taxes	10,289	7,815	2,474	31.7				
Income taxes	3,211	2,765	446	15.4				
Net income attributable to owners of the parent	7,077	5,049	2,028	40.2	5,800	22.0	6,500	8.9
Cost ratio (%)	34.4	35.2	(0.8)	-	-	-	-	-
Operating income margin (%)	18.3	15.1	3.3	-	16.3	-	17.6	-
Ordinary income margin (%)	18.9	15.3	3.6	-	16.7	-	18.1	-
Net income margin (%)	13.0	9.9	3.1	-	11.2	-	12.1	-
SG&A ratio (%)	47.3	49.8	(2.5)	-	-	-	-	-
EPS	¥199.64	¥142.44						
ROE	12.3%	9.2%						

Reasons for Change in Operating Income

Operating income rose year on year due to the effect of higher sales in the Cosmetics segment.
 Also, in the previous fiscal year, we recorded a loss of 583 million yen related to the voluntary recall of medicated cough drops.



Segment-Based Highlights

	Year ended September 30, 2017	Year ended September 30, 2016		
	Millions of yen	Millions of yen	Year-on-year change	%
Cosmetics				
(Net sales)	39,197	36,031	3,165	8.8
(Segment income)	11,002	9,537	1,465	15.4
Pharmaceuticals & Health Food				
(Net sales)	13,488	13,243	245	1.9
(Segment income)	745	170	575	338.0
Other				
(Net sales)	1,788	1,905	(117)	(6.2)
(Segment income)	128	(63)	191	—
Consolidated net sales	54,473	51,180	3,293	6.4

- In the Cosmetics segment, net sales and segment income both rose year on year. Face-to-face channel cosmetics saw brisk sales for placenta-enriched anti-aging skincare serum and high-end basic skincare lines. Self-selection cosmetics sales grew in new products and existing lines of skincare, makeup and color cosmetics.
- The Pharmaceuticals & Health Food segment saw strong sales for pharmaceuticals and health foods. Net sales and operating income increased year on year following a loss recorded in the previous year related to the voluntary recall of medicated cough drops.
- In the Other segment, net sales declined year on year, but segment income improved from a loss to a profit.

Sales composition ratio

72.0%

Net sales: 39,197 million yen

Previous year: 36,031 million yen (+3,165 million yen, +8.8%)

Segment income: 11,002 million yen

Previous year: 9,537 million yen (+1,465 million yen, +15.4%)

Face-to-face channel cosmetics

- Strong sales of new products and high-end basic skincare lines
- Increased quality of Noevir Beauty Studio and opening of locations



Noevir Enrich 33



Noevir BIOSIGN night smoothy

Self-selection cosmetics

- *Nameraka Honpo* skincare line: launched new products and expanded customer base, enabling sales growth
- Sales of the *excel* and *New Born* makeup lines grew due to new product launches and increased merchants handling products / an expanded customer base
- Renewal launch of *NOV* makeup line



Nameraka Honpo skincare line



NOV makeup line

Overseas and OEM business sales

- Increase in OEM orders and increase in the number of merchants distributing products, mainly in Asian markets



excel makeup line



New Born makeup line

Sales composition ratio

24.8%

Net sales: 13,488 million yen Previous year: 13,243 million yen (+245 million yen, +1.9%)
Segment income: 745 million yen Previous year: 170 million yen (+575 million yen, +338.0%)

● Steady sales of both pharmaceuticals and foods

- Recommended sales of medicated cough drops and sales recovered
- Strong performance in nutritional supplements and health drinks



The "Min Min Brothers," the sales promotion characters for the *Min Min Da Ha* functional drink brand



Min Min Da Ha functional drinks

© YUDETAMAGO/TOEI ANIMATION

Sales composition ratio

3.2%

Net sales: 1,788 million yen Previous year: 1,905 million yen (-117 million yen, -6.2%)
Segment income: 128 million yen Previous year: -63 million yen (+191 million yen)

- Lackluster sales in the apparel-related business
- Aviation-related business moved from loss to profit

Balance Sheets

(Millions of yen)

	As of Sep. 30, 2016	As of Sep. 30, 2017	Change
Current assets	60,552	64,200	3,647
Cash and cash equivalents	37,959	40,424 ①	2,464
Notes and accounts receivable	10,880	11,922	1,041
Non-current assets	29,157	29,366	209
Property, plant and equipment	24,198	23,384 ②	(814)
Buildings and structures, net	4,672	4,477	(194)
Equipment and vehicles, net	3,711	3,505	(206)
Land	13,832	13,716	(116)
Lease assets, net	1,551	1,439	(111)
Construction in progress	210	54	(156)
Intangible assets	328	288	(40)
Goodwill	94	48	(45)
Investments and other assets	4,629	5,693	1,064
Investment securities	1,641	2,438	797
Total assets	89,709	93,567	3,857
Current liabilities	11,921	12,687	766
Long-term liabilities	21,880	21,515	(364)
Guarantee deposits received	14,827	14,323 ③	(504)
Total liabilities	33,801	34,202	401
Shareholders' equity	55,739	58,562	2,823
Common stock	7,319	7,319	-
Retained earnings	48,420	51,243	2,823
Total net assets	55,908	59,365 ④	3,456
Total liabilities and net assets	89,709	93,567	3,857

● Balance Sheets

Current assets: 64,200 million yen
(compared to Sep. 30, 2016: +3,647 million yen)

Balance of net cash and deposits 26.1 billion yen (up 2.9 billion yen year on year) = ① Cash and cash equivalents 40.4 billion yen - ③ Guarantee deposits received 14.3 billion yen

Non-current assets: 29,366 million yen
(+209 million yen year on year)

② Property, plant and equipment: -814 million yen

Total liabilities and net assets: 93,567 million yen
(+3,857 million yen year on year)

④ Equity ratio: 63.2% (Sep. 30, 2016 : 62.2%)

● Capital Expenditures / Depreciation

(Millions of yen)

	Year ended Sep. 30, 2016	Year ended Sep. 30, 2017	Change
Capital Expenditures	2,506	1,497	(1,009)
Depreciation	1,654	1,845	191

Medium-Term Management Plan, Main Forward-Looking Initiatives and Forecasts

Medium-Term Management Plan and Forecast

– Three-Year Plan Through Fiscal 2020 –

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



Medium-Term Management Plan Concept

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



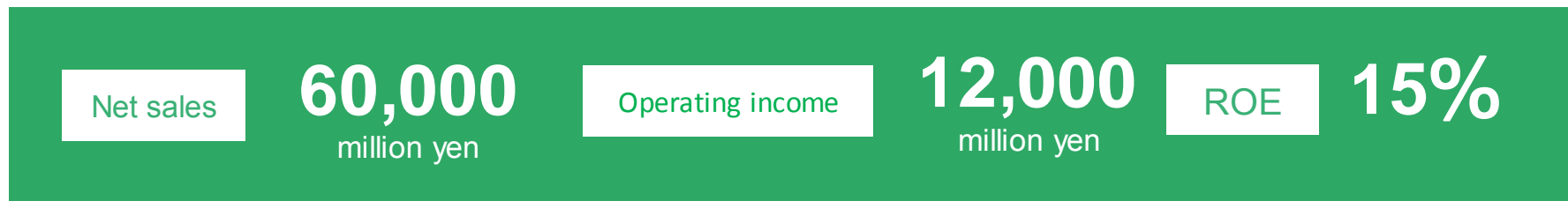
Five policies

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

– Three-Year Plan Through Fiscal 2020 –

Management Targets for Fiscal 2020



(Millions of yen)

	Fiscal 2017 Results	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net sales	54,473	56,000	58,000	60,000
Operating income	9,986	10,700	11,500	12,000
ROE	12.3%	13.0%	14.0%	15.0%

Fiscal 2018 Forecasts

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	EPS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Full Year Forecasts	56,000	10,700	10,900	7,300	205.91
Fiscal 2017 Results	54,473	9,986	10,291	7,077	199.64
Change	2.8%	7.1%	5.9%	3.1%	—

1st Half Forecast	27,600	5,000	5,100	1,800	50.77
Fiscal 2017 1st Half Results	26,715	4,711	4,874	2,044	57.67
Change	3.3%	6.1%	4.6%	△12.0%	—

2nd Half Forecast	28,400	5,700	5,800	5,500	155.14
Fiscal 2017 2nd Half Results	27,757	5,274	5,416	5,033	141.97
Change	2.3%	8.1%	7.1%	9.3%	—

Cosmetics

Launch new products that encapsulate customer needs in high-end basic skincare and self-selection cosmetics, increase profitability as a core business

● Face-to-face channel cosmetics

- Launch *Noevir Enrich 55* anti-aging skincare serum, etc., and concentrate on expanding sales

- Noevir Beauty Studio

Improve service quality and concentrate on sales with Noevir Beauty Studios as an important point of contact with customers

● Self-selection cosmetics

- Acquire a wide customer base and aim to expand sales with the launch of new products in the *Nameraka Honpo* skincare line and *excel* makeup line

- Expand the *NOV L&W* super-moisturizing anti-aging skincare line for sensitive skin and concentrate on expanding sales

● Overseas and OEM business sales

Focus on increasing the number of merchants distributing products and e-commerce malls, mainly in Asian markets



Noevir Enrich 55



excel makeup line



NOV L&W skincare line

Major Initiatives for Fiscal 2018 (Pharmaceuticals & Health Food / Other)

Pharmaceuticals & Health Food

Launch distinctive new healthcare products centered on drinks, and increase profitability by strengthening the deposit sales channel

- *Min Min Da Ha* functional drinks
Further strengthen the brand by launching promotions utilizing the Internet and social media with the *Min Min* Brothers, the sales promotion characters for the *Min Min Da Ha* functional drink brand.
- *Nanten Nodo Ame* cough drops
Aim to expand sales ahead of the 50th anniversary of launch by capturing new customers through launch of special products and new products, etc.



The “*Min Min* Brothers,” the sales promotion characters for the *Min Min Da Ha* functional drink brand

Other

Improve profitability

- Launch new apparel and intimate apparel products
- Continue to proceed with caution in the aviation-related business



Nanten Nodo Ame cough drops

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NOEVIR HOLDINGS

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