

# Noevir Holdings Co., Ltd.

## Results for the First Half of Fiscal 2017

(October 1, 2016 – March 31, 2017)

May 12, 2017

Noevir Holdings Co., Ltd.

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Management Strategy and Public & Investor Relations

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

|  |   |   |
|--|---|---|
|  |  | <p>Apparel business<br/>Aviation-related business</p> |
| <p>Cosmetics</p>   | <p>Pharmaceuticals &amp; Health Food</p>  | <p>Other</p>  |

◆Consolidated Subsidiaries

12 subsidiaries (5 domestic / 7 international)

◆Employees

111 (Non-consolidated), 1,609 (Consolidated)

◆Number of shareholders

17,348

◆Outstanding Shares

35,451,653

◆Market Capitalization

¥166.62 billion (May 11, 2017 @ ¥ 4,700)

# First Half of Fiscal 2017 Highlights

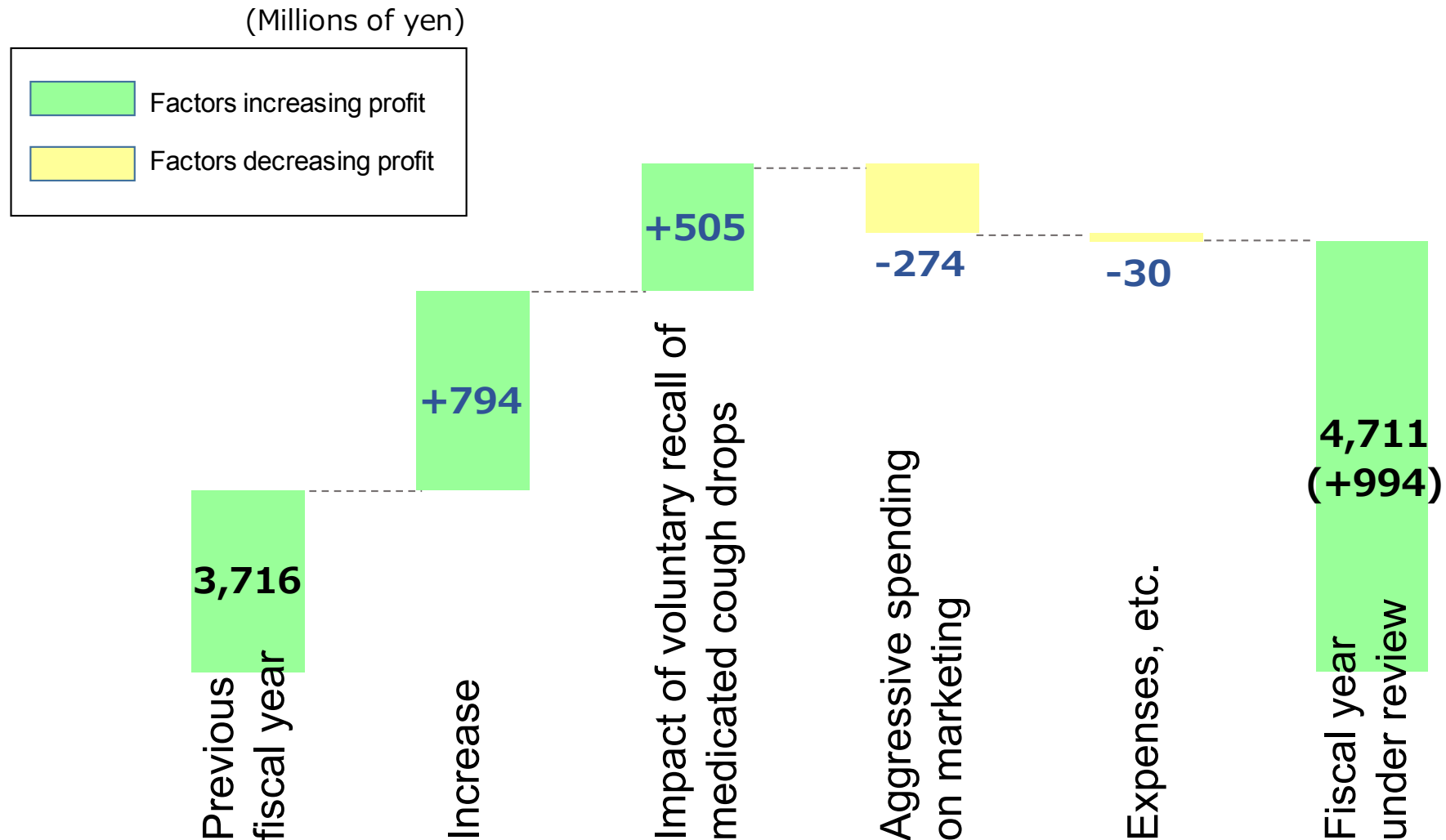
Net sales 26,715 million yen (up 7.2% Y o Y), operating income 4,711 million yen (up 26.8% Y o Y), ordinary income 4,874 million yen (up 32.7% Y o Y), net income attributable to owners of the parent 2,044 million yen (up 64.1% Y o Y)

Net sales, operating income, ordinary income, and net income all increased year on year and beat forecasts.

|  | 1st half ended March 31, 2017 |                        | 1st half ended March 31, 2016 |                        | Year-on-year change |             | Earnings forecast target |                     |
|--|-------------------------------|------------------------|-------------------------------|------------------------|---------------------|-------------|--------------------------|---------------------|
|  | Total value                   | As percentage of sales | Total value                   | As percentage of sales |                     |             | Total value              | Year-on-year change |
|  | Millions of yen               | %                      | Millions of yen               | %                      | Millions of yen     | %           | Millions of yen          | %                   |
| <b>Net sales</b>                                       | <b>26,715</b>                 | <b>100.0</b>           | <b>24,926</b>                 | <b>100.0</b>           | <b>1,788</b>        | <b>7.2</b>  | <b>25,300</b>            | <b>5.6</b>          |
| Cost of sales  | 9,298                         | 34.8                   | 8,711                         | 34.9                   | 586                 | 6.7         |                          |                     |
| <b>Gross profit</b>                                    | <b>17,416</b>                 | <b>65.2</b>            | <b>16,214</b>                 | <b>65.1</b>            | <b>1,201</b>        | <b>7.4</b>  |                          |                     |
| SG&A   | 12,705                        | 47.6                   | 12,498                        | 50.1                   | 207                 | 1.7         |                          |                     |
| <b>Operating income</b>                                | <b>4,711</b>                  | <b>17.6</b>            | <b>3,716</b>                  | <b>14.9</b>            | <b>994</b>          | <b>26.8</b> | <b>3,800</b>             | <b>24.0</b>         |
| Non-operating income/expenses                          | 162                           | 0.6                    | (42)                          | -                      | 205                 | -           |                          |                     |
| <b>Ordinary Income</b>                                 | <b>4,874</b>                  | <b>18.2</b>            | <b>3,673</b>                  | <b>14.7</b>            | <b>1,200</b>        | <b>32.7</b> | <b>3,900</b>             | <b>25.0</b>         |
| Extraordinary Income/loss                              | 10                            | 0.0                    | (3)                           | -                      | 13                  | -           |                          |                     |
| Income before income taxes                             | 4,884                         | 18.3                   | 3,670                         | 14.7                   | 1,213               | 33.1        |                          |                     |
| Income taxes   | 2,809                         | 10.5                   | 2,399                         | 9.6                    | 410                 | 17.1        |                          |                     |
| <b>Net income attributable to owners of the parent</b> | <b>2,044</b>                  | <b>7.7</b>             | <b>1,245</b>                  | <b>5.0</b>             | <b>798</b>          | <b>64.1</b> | <b>1,300</b>             | <b>57.2</b>         |

# Reasons for Change in Operating Income

Operating income increased year on year, reflecting the impact of higher sales in the Cosmetics segment and last year's recording of a loss of 505 million yen in relation to the voluntary recall of medicated cough drops



# Segment-Based Highlights

|                                  | 1st half ended<br>March 31, 2017 | 1st half ended March 31, 2016 |                     |      |
|----------------------------------|----------------------------------|-------------------------------|---------------------|------|
|                                  | Millions of yen                  | Millions of yen               | Year-on-year change | %    |
| Cosmetics                        |                                  |                               |                     |      |
| (Net sales)                      | 19,478                           | 18,256                        | 1,221               | 6.7  |
| (Segment income)                 | 5,453                            | 4,852                         | 601                 | 12.4 |
| Pharmaceuticals &<br>Health Food |                                  |                               |                     |      |
| (Net sales)                      | 6,273                            | 5,846                         | 427                 | 7.3  |
| (Segment income)                 | 246                              | (121)                         | 367                 | —    |
| Other                            |                                  |                               |                     |      |
| (Net sales)                      | 962                              | 823                           | 139                 | 16.9 |
| (Segment income)                 | 60                               | (86)                          | 147                 | —    |
| Consolidated net sales           | 26,715                           | 24,926                        | 1,788               | 7.2  |

- In the Cosmetics segment, net sales and segment income both grew year on year. Sales of face-to-face channel cosmetics increased year on year, mainly due to the new demand stimulated by placenta-enriched aging care skincare lotion and the high-end basic skincare series. Self-selection cosmetics delivered strong sales as new products and existing lines won support from a wide range of customers.
- In the Pharmaceuticals & Health Foods segment, net sales and segment income both grew year on year. Pharmaceutical sales were up from the previous fiscal year and food product sales also performed strongly. The result also reflects last year's recording of a loss in relation to the voluntary recall of medicated cough drops.
- In the Other segment, net sales increased and the segment returned to profitability.

**Net sales: 19,478 million yen** Previous 1st half: 18,256 million yen (+1,221 million yen, +6.7%)  
**Segment income: 5,453 million yen** Previous 1st half: 4,852 million yen (+601 million yen, +12.4%)

Sales composition ratio  
**72.9%**

## ● Face-to-face channel cosmetics

- New products and high-end basic skincare series performed strongly
- Increased quality of Noevir Beauty Studio and opening of locations

## ● Self-selection cosmetics

- *Nameraka Honpo* skincare line: launched new products and expanded customer base, enabling sales growth
- Sales of the *excel*, *Pore Putty* 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

## ● Overseas and OEM business sales

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



Noevir PLACENTA Enrich 33



Nameraka Honpo skincare line



NOV makeup line



excel makeup line



New Born makeup line

**Net sales: 6,273 million yen**

Previous 1st half : 5,846 million yen (+427 million yen, +7.3%)

**Segment income: 246 million yen**

Previous 1st half : -121 million yen (+367 million yen)

Sales composition ratio

**23.5%**

● Strong sales in both pharmaceuticals and foods

- Recommended sales of medicated cough drops, with sales recovering
- Strong performance in nutritional supplements and health drinks



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



*Min Min Da Ha* functional drinks

**Net sales: 962 million yen**

Previous 1st half : 823 million yen (+139 million yen, +16.9%)

**Segment income: 60 million yen**

Previous 1st half : -86 million yen (+147 million yen)

Sales composition ratio

**3.6%**

- Lackluster sales in the apparel-related business
- Aviation-related business losses improved

# Balance Sheets

(Millions of yen)

|   | As of Mar. 31<br>2016 | As of Mar. 31<br>2017 | Change  |
|---|-----------------------|-----------------------|---------|
| <b>Current assets</b>                   | 57,457                | 60,285                | 2,827   |
| Cash and cash equivalents               | 36,359                | 38,210 ①              | 1,851   |
| Inventory assets                        | 9,749                 | 10,902                | 1,153   |
| <b>Non-current assets</b>               | 29,472                | 28,948                | (524)   |
| Property, plant and equipment           | 24,675                | 23,455 ②              | (1,220) |
| Buildings and structures, net           | 4,776                 | 4,503                 | (273)   |
| Equipment and vehicles, net             | 4,202                 | 3,423                 | (779)   |
| Land                                    | 13,832                | 13,446                | (386)   |
| Lease assets, net                       | 1,608                 | 1,494                 | (114)   |
| Construction in progress                | —                     | 370                   | 370     |
| Intangible assets                       | 365                   | 298                   | (66)    |
| Goodwill                                | 117                   | 71                    | (45)    |
| Investments and other assets            | 4,431                 | 5,193                 | 762     |
| Investment securities                   | 1,544                 | 1,943                 | 399     |
| <b>Total assets</b>                     | 86,929                | 89,233                | 2,303   |
| <b>Current liabilities</b>              | 12,767                | 13,424                | 656     |
| <b>Long-term liabilities</b>            | 21,842                | 21,626                | (216)   |
| Guarantee deposits received             | 15,081                | 14,562 ③              | (519)   |
| <b>Total liabilities</b>                | 34,610                | 35,050                | 440     |
| <b>Shareholders' equity</b>             | 51,935                | 53,529                | 1,594   |
| Common stock                            | 7,319                 | 7,319                 | -       |
| Retained earnings                       | 44,616                | 46,210                | 1,594   |
| <b>Total net assets</b>                 | 52,319                | 54,182 ④              | 1,862   |
| <b>Total liabilities and net assets</b> | 86,929                | 89,233                | 2,303   |

## ● Balance Sheets

Current assets: 60,285 million yen  
(compared to Mar. 31, 2016: +2,827 million yen)

Balance of net cash and deposits 23.6 billion yen (up 2.3 billion yen year on year) = ① Cash and cash equivalents 38.2 billion yen - ③ Guarantee deposits received 14.5 billion yen

Non-current assets: 28,948 million yen  
(-524 million yen year on year)

② Property, plant and equipment: -1,220 million yen

Total liabilities and net assets: 89,233 million yen  
(+2,303 million yen year on year)

④ Equity ratio: 60.5% (Mar. 31, 2016: 60.0%)

## ● Capital Expenditures / Depreciation

(Millions of yen)

|                             | As of Mar. 31<br>2016 | As of Mar. 31<br>2017 | Change  |
|-----------------------------|-----------------------|-----------------------|---------|
| <b>Capital Expenditures</b> | 2,085                 | 510                   | (1,575) |
| <b>Depreciation</b>         | 774                   | 816                   | 41      |



# **Medium-Term Management Plan, Main Initiatives in the Second Half of the Year, and Forecast**

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.

### 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

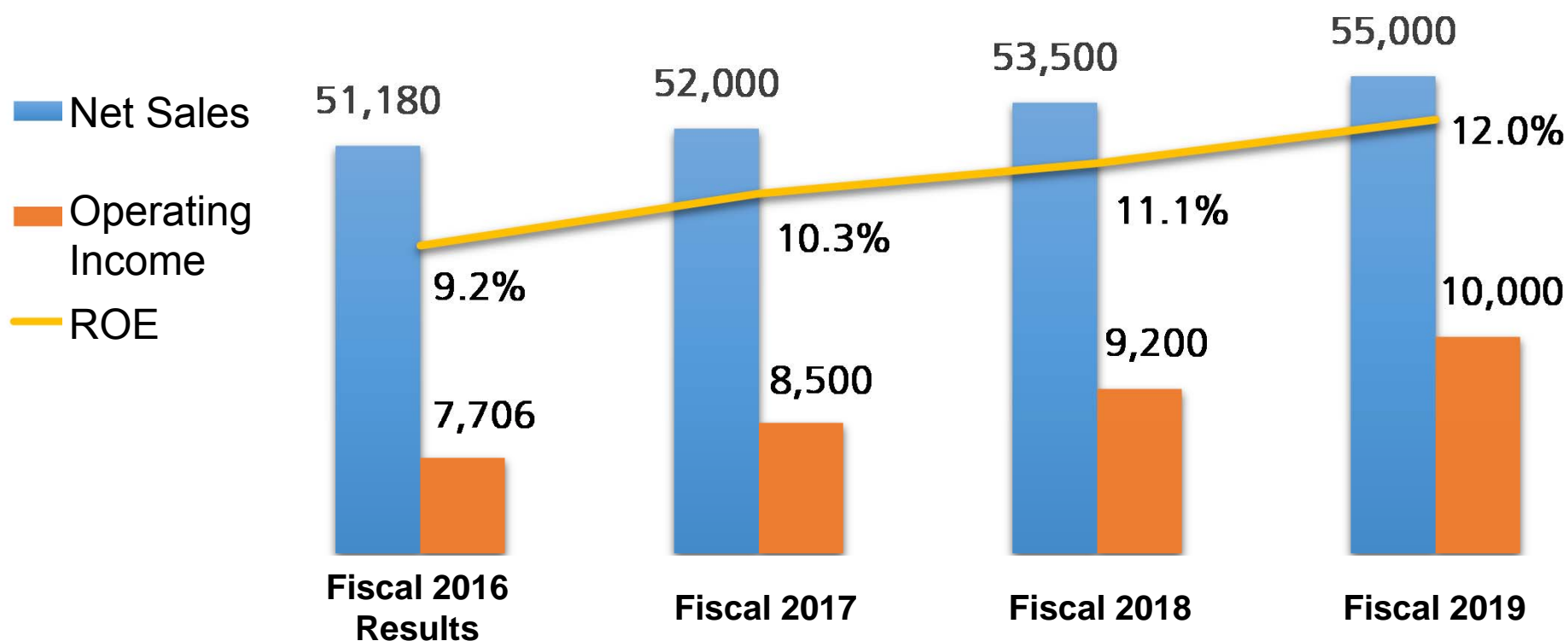
– Three-Year Plan Through Fiscal 2019 –

## Management Targets for Fiscal 2019

Net sales 55,000 million yen    Operating income 10,000 million yen    ROE 12%

(Millions of yen)

|                  | Fiscal 2016 Results | Fiscal 2017 | Fiscal 2018 | Fiscal 2019 |
|------------------|---------------------|-------------|-------------|-------------|
| Net sales        | 51,180              | 52,000      | 53,500      | 55,000      |
| Operating income | 7,706               | 8,500       | 9,200       | 10,000      |
| ROE              | 9.2%                | 10.3%       | 11.1%       | 12.0%       |



# Fiscal 2017 Forecasts

|  | Net Sales<br>Millions of yen | Operating Income<br>Millions of yen | Ordinary Income<br>Millions of yen | Net Income<br>Attributable<br>to Owners of<br>Parent<br>Millions of yen | EPS<br>Yen |
|--|------------------------------|-------------------------------------|------------------------------------|---|------------|
| Fiscal 2017<br>1st Half Results        | 26,715                       | 4,711                               | 4,874                              | 2,044   | 57.67      |
| Fiscal 2017<br>2nd Half Forecasts      | 25,284                       | 3,788                               | 3,825                              | 3,755   | 105.93     |
| Fiscal 2017<br>Full Year Forecasts (A) | 52,000                       | 8,500                               | 8,700                              | 5,800   | 163.60     |

|                         |        |       |       |       |        |
|-------------------------|--------|-------|-------|-------|--------|
| Fiscal 2016 Results (B) | 51,180 | 7,706 | 7,832 | 5,049 | 142.44 |
| Change (A-B)            | 819    | 793   | 867   | 750   | 21.16  |
| Change (%)              | 1.6%   | 10.3% | 11.1% | 14.9% | 14.9%  |

Note: No Revisions from the most recently announced dividend forecast

## 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 aging care skincare cream *Noevir BIOSIGN Medicated Night Smoothy* and focused on sales expansion
- Noevir Beauty Studio  
Improve service quality and concentrate on sales with Noevir Beauty Studios as an important point of contact with customers



*Noevir BIOSIGN Medicated Night Smoothy*

### ● 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
- Increase lineup in the *NOV L&W skincare* line and promote further sales expansion of the makeup series



*excel* makeup line



*NOV L&W* skincare line

### ● Overseas and OEM business sales

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

# Major Initiatives for the 2nd Half (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 brand by utilizing internet and social media to mark the 20th anniversary of launch
- *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 new sales promotion characters for the *Min Min Da Ha* functional drink brand



*Min Min Da Ha* functional drinks

## 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



BEAUPOWER



# NOEVIR HOLDINGS

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