

Noevir Holdings Co., Ltd.

Results for the First Half of Fiscal 2020

(October 1, 2019 – March 31, 2020)

May 14, 2020

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

 <p>Cosmetics</p>	 <p>Pharmaceuticals & Health Food</p>	<p>Apparel business Aviation-related business Other</p>
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- ◆Consolidated Subsidiaries 13 subsidiaries (6 domestic / 7 international)
- ◆Employees 1,530 (Consolidated)
- ◆Number of Shareholders 17,725
- ◆Outstanding Shares 34,156,623
- ◆Market Capitalization ¥166.684 billion (May 13, 2020 @ ¥ 4,880)

First Half of Fiscal 2020 Highlights

Net sales 27,789 million yen (down 5.7% YoY), operating income 5,068 million yen (down 16.4% YoY), ordinary income 5,135 million yen (down 16.8% YoY) and net income attributable to owners of the parent 2,398 million yen (down 15.0% YoY) all fell lower than the previous fiscal year due to the impact of the rebound against an increase in the consumption tax and the COVID-19 pandemic.

	1st half ended March 31, 2020	1st half ended March 31, 2019	Year-on-year change		Earnings forecast target	
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen	%
Net sales	27,789	29,483	(1,694)	(5.7)	29,700	(6.4)
Cost of sales	10,024	10,596	(572)	(5.4)		
Gross profit	17,765	18,887	(1,122)	(5.9)		
SG&A	12,696	12,825	(129)	(1.0)		
Operating income	5,068	6,061	(992)	(16.4)	6,100	(16.9)
Non-operating income/expenses	66	108	(41)	(38.4)		
Ordinary Income	5,135	6,169	(1,034)	16.8	6,200	(17.2)
Extraordinary Income/loss	0	1	(2)	-		
Income before income taxes	5,134	6,170	(1,036)	(16.8)		
Income taxes	2,735	3,349	(613)	(18.1)		
Net income attributable to owners of the parent	2,398	2,821	(422)	(15.0)	2,900	(17.3)
Cost ratio (%)	36.1	35.9	0.1	-	-	-
Operating income margin (%)	18.2	20.6	(2.3)	-	20.5	-
Ordinary income margin (%)	18.5	20.9	(2.4)	-	20.9	-
Net income attributable to owners of the parent margin	8.6	9.6	(0.9)	-	9.8	-
SG&A ratio (%)	45.7	43.5	2.2	-	-	-

Impact on the First Half of Fiscal 2020

(Millions of yen)

Net sales	Cosmetics segment	(700)
	Pharmaceuticals & Health Food segment	30
	Other segment	0
(670)		

Operating income
(400)

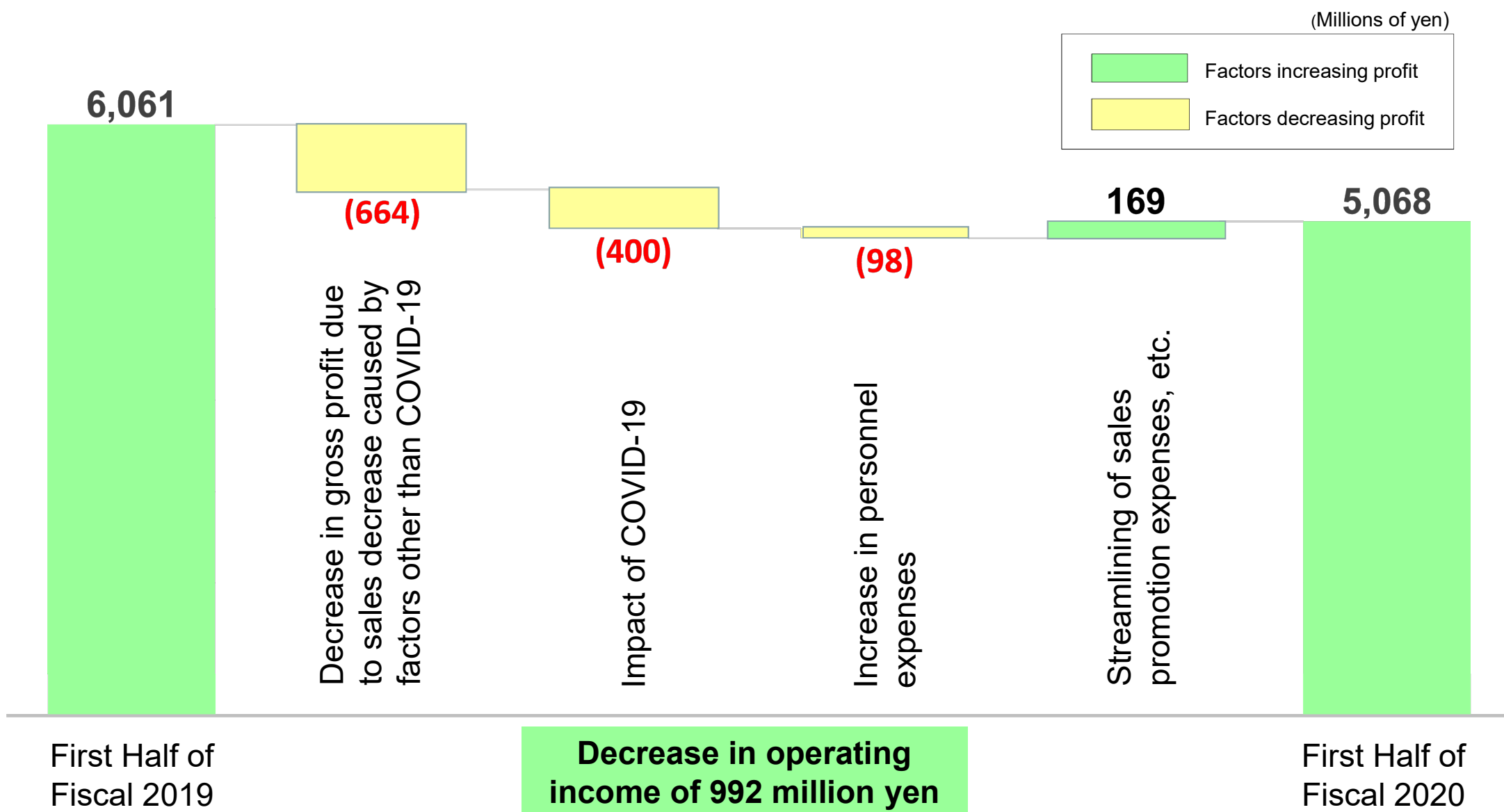
Forecast Impact on the Full Year for Fiscal 2020

(Millions of yen)

Net sales	Cosmetics segment	(4,170)
	Pharmaceuticals & Health Food segment	(280)
	Other segment	(150)
(4,600)		

Operating income
(2,300)

Reasons for Change in Operating Income



Segment-Based Highlights

	1st half ended March 31, 2020 Millions of yen	1st half ended March 31, 2019		
		Millions of yen	Year-on-year change	%
Cosmetics				
(Net sales)	21,182	22,438	(1,255)	(5.6)
(Segment income)	5,683	6,614	(930)	(14.1)
Pharmaceuticals & Health Food				
(Net sales)	5,597	5,926	(328)	(5.5)
(Segment income)	688	676	12	1.9
Other				
(Net sales)	1,008	1,118	(110)	(9.8)
(Segment income)	92	46	45	96.1
Consolidated net sales	27,789	29,483	(1,694)	(5.7)

- Cosmetics segment: Sales and profits decreased year on year
Face-to-face channel cosmetics and self-selection cosmetics performed sluggishly
- Pharmaceuticals & Health Food segment: Sales declined and profits increased year on year
Profits increased, mainly due to efficient management of selling, general and administrative expenses.
- Other segment: Sales declined and profits increased year on year

Net sales: 21,182 million yen Previous year: 22,438 million yen (-1,255 million yen, -5.6%)
Segment income: 5,683 million yen Previous year: 6,614 million yen (-930 million yen, -14.1%)

Sales composition
ratio

76.2%

● Face-to-face channel cosmetics

- New serum performed strongly, but decreased mainly through existing series
- Increased the opening of NOEVIR Beauty Studio locations



Noevir NEUROGIC Serum

● Self-selection cosmetics

- Sales decreased for the *excel* brand makeup line due to the COVID-19 pandemic
- Strong sales of new products in the *Nameraka Honpo* skincare brand, but decreased mainly through existing series
- Strong sales of the *New Born* and the *Pore Putty* makeup brand
- Strong sales of the *NOV* brand



excel brand lineup



Nameraka Honpo
brightening skincare line

● Overseas and OEM business sales

- Strong sales of OEM products

Net sales: 5,597 million yen Previous year: 5,926 million yen (-328 million yen, -5.5%)
Segment income: 688 million yen Previous year: 676 million yen (+12 million yen, +1.9%)

Sales composition
ratio

20.2%

- Sales decreased due to sluggish sales of national brand drinks
- Profits increased mainly because of efficient management of selling, general and administrative (SG&A) expenses



Nanten Noto Ame
cough drop brand product



Min Min Da Ha functional drink
brand lineup

Net sales: 1,008 million yen Previous year: 1,118 million yen (-110 million yen, -9.8%)
Segment income: 92 million yen Previous year: 46 million yen (+45 million yen, +96.1%)

Sales composition
ratio

3.6%

- Sales in the apparel-related business and the aviation-related business performed strongly

Balance Sheets

(Millions of yen)

	As of Mar. 31, 2019	As of Mar. 31, 2020	Change
Current assets	49,650	48,885	(765)
Cash and cash equivalents	26,575	27,574 ①	999
Notes and accounts receivable	11,651	9,926	(1,725)
Non-current assets	29,871	29,402	(468)
Property, plant and equipment	23,236	23,336	99
Buildings and structures, net	4,202	5,594	1,392
Equipment and vehicles, net	2,693	2,059	(634)
Land	13,713	13,755	42
Lease assets, net	1,281	1,175	(105)
Construction in progress	1,142	491	(651)
Intangible assets	209	461	252
Goodwill	1	286	285
Investments and other assets	6,425	5,603	(821)
Investment securities	2,458	1,534	(923)
Total assets	79,522	78,287	(1,234)
Current liabilities	10,179	9,349	(829)
Long-term liabilities	20,676	20,326	(350)
Guarantee deposits received	13,628	13,129 ②	(499)
Total liabilities	30,855	29,675	(1,180)
Shareholders' equity	47,788	47,760	(27)
Common stock	7,319	7,319	—
Retained earnings	40,469	40,442	(27)
Total net assets	48,666	48,612	(53)
Total liabilities and net assets	79,522	78,287	(1,234)

● Balance Sheets

Current assets: 48,885 million yen
(compared to Mar. 31, 2019: -765 million yen)

Balance of net cash and deposits: 14.4 billion yen (up: 1.4 billion yen year on year) = ① Cash and cash equivalents: 27.5 billion yen - ② Guarantee deposits received: 13.1 billion yen

Total assets / Total liabilities and net assets:
78,287 million yen
(-1,234 million yen year on year)

● Capital Expenditures / Depreciation

(Millions of yen)

	1st half ended Mar. 31, 2019	1st half ended Mar. 31, 2020	Change
Capital Expenditures	1,218	929	(289)
Depreciation	840	810	(30)

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

Medium-Term Management Plan and Forecast

– Three-Year Plan through Fiscal 2022 –

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 the domestic market
2. Enhance our brand value
3. Accelerate efforts to diversify human resources and our corporate structure
4. Strengthen our competitiveness by stepping up the diversification of our R&D, production and logistics systems
5. Promote a management approach that is responsive to changes in the business environment



Management Targets for Fiscal 2022

Net sales	61,000 million yen	Operating income	13,000 million yen	ROE	15%
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(Millions of yen)

	Fiscal 2019 Results	Fiscal 2020	Fiscal 2021	Fiscal 2022
Net sales	59,252	54,000	60,400	61,000
Operating income	11,992	9,500	12,600	13,000
ROE	13.8%	13%	15%	15%

Fiscal 2020 Forecasts

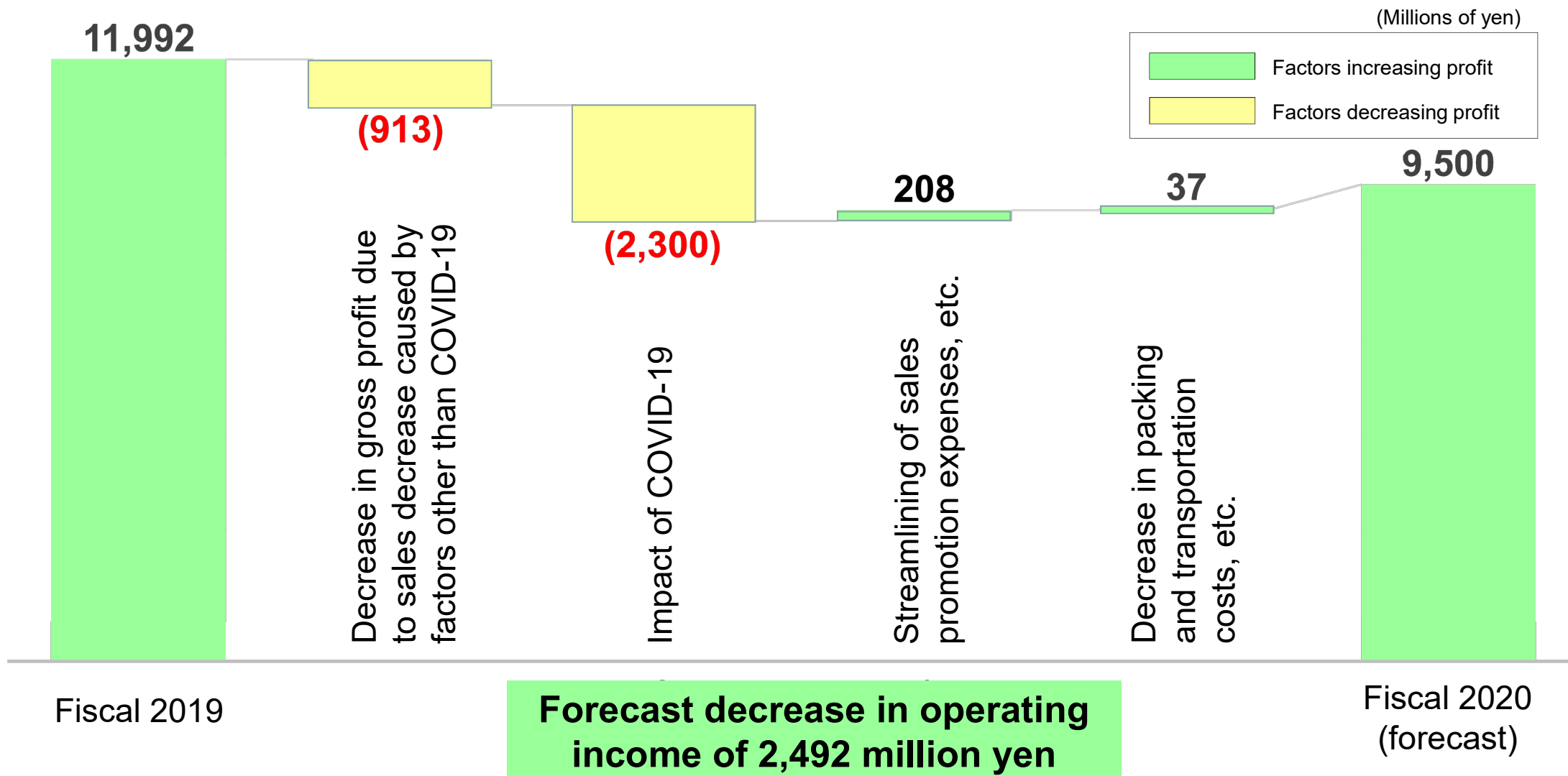
	Net Sales (Millions of yen)	Operating Income (Millions of yen)	Ordinary Income (Millions of yen)	Net Income Attributable to owners of the Parent (Millions of yen)	EPS (Yen)
1st Half Results	27,789	5,068	5,135	2,398	70.22
2nd Half Forecast	26,211	4,432	4,565	4,202	123.05
Full Year Forecasts (A)	54,000	9,500	9,700	6,600	193.23

Fiscal 2019 Results (B)	59,252	11,992	12,247	7,226	211.57
Change (A-B)	(5,252)	(2,492)	(2,547)	(626)	(18.34)
Change	(8.9)%	(20.8)%	(20.8)%	(8.7)%	(8.7)%

Previous Full-Year Forecast (C)	59,800	12,300	12,500	8,500	248.85
Change (A-C)	(5,800)	(2,800)	(2,800)	(1,900)	(55.62)
Change	(9.7)%	(22.8)%	(22.4)%	(22.4)%	(22.4)%

Fiscal 2020 Reasons for Change in Operating Income Forecast

Controlled costs, but the impacts of the rebound accompanying the consumption tax increase and COVID-19 pandemic drove down gross profits and operating income fell below the previous fiscal year.



Launch new products that encapsulate customer needs in the face-to-face channel and self-selection cosmetics, increase profitability as a core business

● Face-to-face channel cosmetics

- Launch new products such as *Noevir WATERLY OIL SERUM*, etc., and concentrate on expanding sales
- NOEVIR Beauty Studio
Improve service quality and concentrate on sales with NOEVIR Beauty Studio as an important point of contact with customers
- Accelerate spread of NOEVIR support, an online ordering system for sales outlets
- Expand earnings and attract customers at the directly-managed NOEVIR Style and NOEVIR SALON DE SPECIALE stores



Noevir WATERLY OIL SERUM

● Self-selection cosmetics

- Acquire a wide customer base and expand sales with the launch of attractive new products in the *Nameraka Honpo* skincare brand, *excel* brand makeup line, *New Born*, and *Pore Putty* makeup brand
Acquire a wide array of customers and further expand earnings
- Focus on sales expansion of *NOV* mainstay *III* and *L&W* skincare lines



NOV III skincare line

● Overseas and OEM business sales

- Acquire further new OEM orders

Launch distinctive new products centered on drinks and increase profitability by strengthening cost control

- *Min Min Da Ha* functional drink brand
Deploy promotions using internet and social media
- *Nanten Nodo Ame* cough drop brand
Aim to increase earnings by capturing new customers through launch of special products and new products, etc.
- Strengthen orders for private brands and OEM



Min Min Da Ha functional drink brand lineup

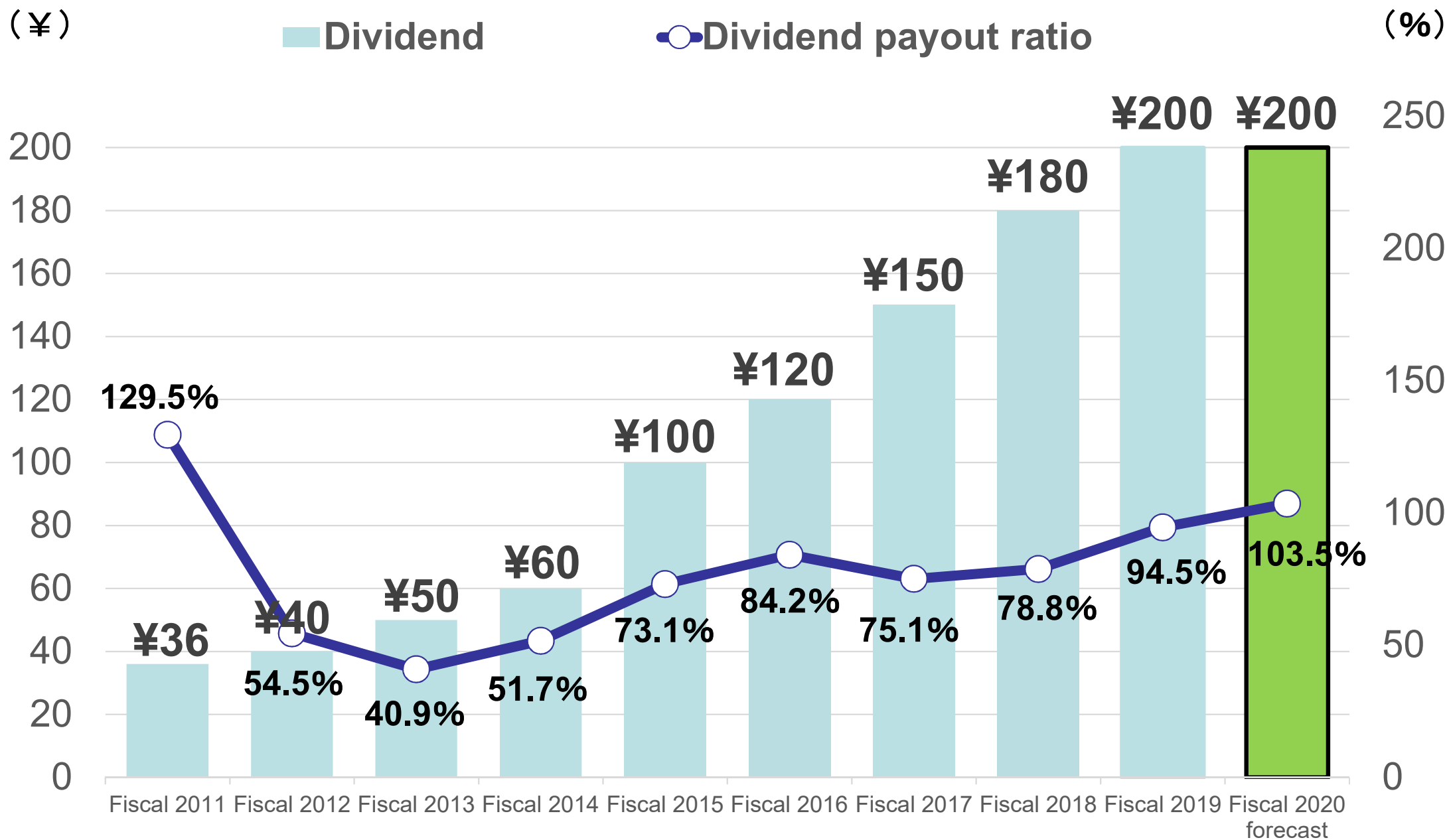


Nanten Nodo Ame cough drop brand lineup

Improve profitability

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

Dividend and Dividend Payout Ratio





NOEVIR HOLDINGS

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