

NOEVIR HOLDINGS

Noevir Holdings Co., Ltd. Public & Investor Relations
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Aug 10, 2012

Noevir Holdings Announces 2012 Third Quarter Consolidated Results (based on Japan GAAP)

Trade name: Noevir Holdings Co., Ltd.
Listing: Tokyo Stock Exchange, Second Section (Code Number: 4928)
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Submission of Quarterly Business Report: Aug 14, 2012
Date of commencement of dividend payments: —
Supplemental materials for the financial results provided: None
Results briefing for the reporting period provided: None

1. Operating results for the first three quarters of the fiscal year ending September 30, 2012 (October 1, 2011 – June 30, 2012)

* Amounts under one million yen have been rounded down.

(1) Consolidated operating results

(Millions of yen; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income	
Third quarter ended June 30, 2012	35,770	—	4,433	—	4,617	—
Third quarter ended June 30, 2011	—	—	—	—	—	—

Note: Comprehensive income:

First three quarters ended June 30, 2012: 2,215 million yen (—%)

First three quarters ended June 30, 2011: — million yen (—%)

	Net income		EPS (Yen)	Diluted EPS (Yen)
Third quarter quarters ended June 30, 2012	2,142	—	56.10	—
Third quarter quarters ended June 30, 2011	—	—	—	—

Note: Due to the establishment of a holding company on March 22, 2011, the previous fiscal year ended September 30, 2011 (March 22, 2011 – September 30, 2011) was an irregular six-month accounting period. Because there is no previous period to serve as a basis for comparison, the year-on-year change from the corresponding period of the previous fiscal year is not included.

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
As of June 30, 2012	83,562	49,057	58.7%
As of September 30, 2011	87,427	51,595	59.0%

[Reference] Equity

As of June 30, 2012: 49,018 million yen

As of September 30, 2011: 51,571 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
Year ended September 30, 2011	—	—	—	36.00	36.00
Year ending September 30, 2012	—	0.00	—		
Year ending September 30, 2012 (forecast)				36.00	36.00

Note: Revisions from the most recently announced dividend forecast: None

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2012

(October 1, 2011 – September 30, 2012)

(Millions of yen; percentage figures denote year-on-year change)

	Net Sales		Operating income		Ordinary income		Net income		EPS (Yen)
Full year	49,500	—	4,300	—	4,600	—	2,000	—	51.89

Note: Revisions from the most recently announced consolidated earnings forecast: None

Due to the establishment of a holding company on March 22, 2011, the previous fiscal year ended September 30, 2011 (March 22, 2011 – September 30, 2011) was an irregular six-month accounting period. Therefore, the year-on-year change from the corresponding period of the previous fiscal year is not included.

* Other

(1) Significant changes in subsidiaries (scope of consolidation) during period: None

(2) Special accounting treatment for preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, restatements, etc.

1) Changes in accounting policies associated with revisions in accounting standards: None

2) Other changes in accounting policies: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Shares outstanding (common stock)

1) Shares outstanding (including treasury stock)

As of June 30, 2012: 37,442,840

As of September 30, 2011: 41,322,860

2) Treasury shares outstanding

As of June 30, 2012: 58

As of September 30, 2011: 20

3) Average shares outstanding over quarter (cumulative; consolidated)

As of June 30, 2012: 38,179,155

As of June 30, 2011: —

* Explanation regarding review procedures in preparing quarterly financial statements

Preparation of this quarterly financial statement is not subject to the provisions set forth in the Japanese Financial Instruments and Exchange Act. Accordingly, review procedures for table material under the Act have not been completed.

* Explanation regarding the appropriate use of business performance forecasts

Forward-looking statements included in these materials, such as forecasts of business performance, are based on information known to the Company's management as of the time of writing, and reflect judgments believed to be reasonable on the basis of that information. There is, therefore, a possibility that actual business performance figures will differ substantially from our forecasts as a result of changes in the economic situation and other unforeseeable factors. Please refer to "(3) Qualitative information regarding consolidated business performance forecast" under "1. Qualitative information regarding quarterly consolidated business performance" on page 4 of the Attached Material.

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1. Qualitative information regarding quarterly consolidated business performance

(1) Qualitative information regarding consolidated business performance

Consolidated operating results for the first three quarters (October 1, 2011 to June 30, 2012)

	Third quarter quarters ended June 30, 2012	
	Sales (Millions of yen)	% of total sales
Cosmetics	25,336	70.8
Pharmaceuticals & Health Food	9,643	27.0
Other	791	2.2
Total sales	35,770	100.0

	Third quarter quarters ended June 30, 2012	
	Amount (Millions of yen)	% of total sales
Operating income	4,433	12.4
Ordinary income	4,617	12.9
Net income	2,142	6.0

During the third quarter of fiscal 2012 (year ending September 30, 2012), there was a moderate economic recovery, but with the yen's protracted appreciation and the European financial turmoil, the future of the Japanese economy remained uncertain.

In Japan's cosmetics market, the Group's main area of business, competition has intensified further due to continued consumer preference for lower-priced products, even though expansion was seen for some higher-priced products.

Under these circumstances, net sales for the nine-month period ended June 30, 2012 came to 35,770 million yen, operating income was 4,433 million yen, and ordinary income was 4,617 million yen. Net income came to 2,142 million yen as a result of an increase in income taxes – deferred owing to the reversal of deferred tax assets due to a tax system revision.

In the Cosmetics segment, the Group actively promoted its services to new and existing customers in the Noevir Beauty Studios (total beauty care salons used for skin care and makeup classes) that handle its line of cosmetics sold through individual consultation. We also released a new whitening beauty serum product. In the self-selection cosmetic range, the Group launched new product versions in its whitening skincare line, its flagship brand, ran television commercials, and strengthened its in-store promotions. In addition, we launched new versions of our makeup products. As a result, sales in the Cosmetics segment totaled 25,336 million yen.

In the Pharmaceuticals and Health Food segment, sales of nutritional supplements continued to be strong. As a result, sales in the Pharmaceuticals and Health Food segment totaled 9,643 million yen.

In the Other segment, sales in our aviation business were affected by the stagnant demand due to the economic slowdown in US and European markets. As a result, sales in the Other segment came in at 791 million yen.

As Noevir holds a "Skincare Cosmetics Fair" twice a year (in summer and in winter, both lasting two months), so sales and income from cosmetics sold through individual consultation tend to be higher in the first quarter (October 1 to December 31) and the third quarter (April 1 to June 30).

(Reference)

	Noevir Co., Ltd. (consolidated) Six months ended March 20, 2011 (September 21, 2010 to March 20, 2011)		Noevir Holdings Co., Ltd.(consolidated) First quarter ended June 21, 2011 (March 22, 2011 to June 21, 2011)	
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales
Sales	24,493	100.0	13,136	100.0
Operating income	1,296	5.3	1,752	13.3
Ordinary income	1,438	5.9	1,765	13.4
Net income	533	2.2	961	7.3

(Regarding reference information)

Due to the establishment of a holding company on March 22, 2011, the previous fiscal year ended September 30, 2011 (March 22, 2011 – September 30, 2011) was an irregular six-month accounting period. Because there is no previous period to serve as a basis for comparison, the year-on-year change from the corresponding period of the previous fiscal year is not included.

On this basis, financial data for the first half (September 21, 2010 – March 20, 2011) of the fiscal year ended September 20, 2011 of Noevir Co., Ltd., and financial data for the first quarter (March 22, 2011 – June 21, 2011) of the fiscal year ended September 30, 2011 of Noevir Holdings Co., Ltd., which are equivalent to the third quarter under review of Noevir Holdings, have been provided for comparative purposes with the corresponding period of the previous fiscal year.

(2) Qualitative information regarding consolidated financial position

The Company's total assets as of June 30, 2012 stood at 83,562 million yen, down 3,864 million yen from the end of the previous fiscal year. This was mainly attributable to an 814 million yen decline from the previous term-end in property, plant and equipment, cancellation of the purchase of treasury stock described below, as well as a decrease in cash and cash equivalents of 866 million yen.

Liabilities came to 34,505 million yen, down 1,326 million yen from the previous term-end. This was primarily due to a 1,428 million yen decrease in current liabilities (Other) and to an 879 million yen decline in guarantee deposits received.

Net assets stood at 49,057 million yen, down 2,537 million yen from the previous term-end. This was principally due to the purchase of 3,880,000 shares of treasury stock on November 17, 2011 at a price of 3,325 million yen, and its retirement on November 28 of the same year.

As a result, the equity ratio was 58.7%

(Consolidated cash flows)

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis at the end of the third quarter increased 1,659 million yen over the previous term-end (36,148 million yen), to 37,808 million yen.

The status of each cash flow together with the factors contributing to an increase or decrease for the first nine months ended June 30, 2012 are presented below.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 3,833 million yen. This was mainly due to posting of income before income taxes of 4,655 million yen. The main outflow was the payment of 1,356 million yen for income tax paid.

(Cash flows from investing activities)

Net cash provided by investing activities came to 2,528 million yen. This was primarily due to 2,556 million yen for proceeds from withdrawal of time deposits.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 4,812 million yen. This was attributable to 3,325 million yen for the purchase of treasury stock and 1,486 million yen for cash dividends paid.

(3) Qualitative information regarding consolidated business performance forecast

The consolidated business performance forecast for the full year ending September 30, 2012 announced on April 26, 2012 remains unchanged.

2. Summary information (Other)

(1) Significant changes in subsidiaries during period
Not applicable.

(2) Special accounting treatment for preparation of quarterly consolidated financial statements
Not applicable

(3) Changes in accounting policies, accounting estimates, restatements, etc.
Not applicable

3. Quarterly consolidated financial statements
(1) Quarterly consolidated balance sheets

(Thousands of yen)

	Previous fiscal year (Fiscal year ended September 30, 2011)	3rd quarter ended June 30, 2012
ASSETS		
Current assets		
Cash and cash equivalents	38,674,720	37,808,121
Notes and accounts receivable	10,579,759	10,737,175
Merchandise and finished goods	6,202,007	5,724,542
Work in progress	300,999	233,667
Raw materials and purchased supplies	1,446,797	1,221,227
Deferred tax assets	1,524,090	1,404,040
Other receivables	2,698,721	2,231,008
Other	405,175	531,310
Allowance for doubtful accounts	(76,378)	(68,184)
Total current assets	61,755,894	59,822,908
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,666,478	5,109,835
Equipment and vehicles, net	877,414	881,945
Land	13,881,827	13,722,497
Lease assets, net	24,490	30,889
Construction in progress	1,384	—
Other, net	332,757	224,556
Total property, plant and equipment	20,784,352	19,969,724
Intangible assets		
Goodwill	1,012	194
Software	888,107	475,888
Other	97,511	90,612
Total intangible assets	986,631	566,695
Investments and other assets		
Investment securities	426,532	412,078
Deferred tax assets	2,368,259	1,849,590
Other	1,252,446	1,040,177
Allowance for doubtful accounts	(146,841)	(98,500)
Total investments and other assets	3,900,397	3,203,345
Total non-current assets	25,671,381	23,739,765
Total assets	87,427,276	83,562,673

(Thousands of yen)

	Previous fiscal year (Fiscal year ended September 30, 2011)	3rd quarter ended June 30, 2012
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	4,339,797	4,919,234
Lease obligations	7,238	9,972
Other accounts payable	3,280,105	3,549,061
Income tax payable	781,103	1,597,879
Reserve for bonuses	329,611	280,749
Reserve for product returns	1,033,114	908,979
Other	2,167,964	739,880
Total current liabilities	11,938,935	12,005,757
Long-term liabilities		
Lease obligations	18,449	22,438
Guarantee deposits received	18,446,472	17,566,577
Reserve for employees' retirement benefits	5,193,496	4,727,238
Other	234,697	183,367
Total long-term liabilities	23,893,116	22,499,621
Total liabilities	35,832,051	34,505,378
NET ASSETS		
Shareholders' equity		
Common stock	7,319,000	7,319,000
Additional paid-in capital	6,809,798	3,484,620
Retained earnings	37,944,986	38,726,424
Treasury stock	(17)	(50)
Total shareholders' equity	52,073,767	49,529,994
Accumulated other comprehensive income		
Net unrealized gain (loss) on other securities	18,362	41,616
Foreign currency translation adjustments	(520,373)	(552,704)
Total accumulated other comprehensive income	(502,010)	(511,088)
Minority interests	23,468	38,389
Total net assets	51,595,224	49,057,295
Total liabilities and net assets	87,427,276	83,562,673

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income
Thrrd quarter of the fiscal year ending September 30, 2012

(Thousands of yen)

	3rd quarter ended June 30, 2012
Net sales	35,770,780
Cost of sales	12,145,903
Gross profit	23,624,876
Selling, general and administrative expenses	19,191,726
Operating income	4,433,150
Non-operating income	
Interest income	9,046
Dividend income	8,540
Lease income	41,035
Exchange differences	17,293
Other	119,890
Total	195,806
Non-operating expenses	
Commitment fee	9,008
Other	2,203
Total	11,212
Ordinary income	4,617,744
Extraordinary income	
Gain on sale of fixed assets	113,030
Gain on sale of investment securities	2,563
Gain on transfer of business	64,000
Total	179,594
Extraordinary losses	
Loss on disposal of fixed assets	50,947
Impairment loss	86,187
Other	5,000
Total	142,134
Income before income taxes	4,655,204
Income taxes – basic	1,925,154
Income taxes – deferred	582,202
Total	2,507,356
Income before minority interests	2,147,847
Minority interests	5,811
Net income	2,142,036

Quarterly consolidated statements of comprehensive income

(Thousands of yen)

	First three quarters ended June 30, 2012
Income before minority interests	2,147,847
Other comprehensive income	
Net unrealized gain (loss) on other securities	24,198
Foreign currency translation adjustment	43,157
Total other comprehensive income	67,355
Comprehensive income	2,215,202
(Breakdown)	
Comprehensive income attributable to owners of the parent	2,207,516
Comprehensive income attributable to minority interests	7,685

(3) Quarterly consolidated statements of cash flows

(Thousands of yen)

	3rd quarter ended June 30, 2012
Cash flows from operating activities	
Income before income taxes	4,655,204
Depreciation	1,317,966
Impairment loss	86,187
Amortization of goodwill	615
Increase (decrease) in reserve for doubtful accounts	(11,380)
Increase (decrease) in reserve for bonuses	95,153
Increase (decrease) in reserve for product returns	(133,934)
Increase (decrease) in reserve for retirement benefits	(411,906)
Interest and dividends received	(17,586)
Gain/loss on currency translation	(16,212)
Gain/loss on marketable and investment securities	(2,563)
Gain/loss on sales of property, plant and equipment	(62,083)
Decrease (increase) in trade receivables	446,013
Decrease (increase) in inventories	575,600
Increase (decrease) in trade payables	508,474
Increase (decrease) in guarantee deposits	(848,018)
Other	(1,018,836)
Subtotal	5,162,695
Interest and dividends received	26,903
Income tax (paid)	(1,356,284)
Net cash provided (used in) by operating activities	3,833,313
Cash flows from investing activities	
Expenditure for deposit to time deposits	(31,731)
Proceeds from withdrawal of time deposits	2,556,452
Purchase of investment securities	(1,350)
Proceeds from sale of investment securities	52,248
Purchase of property, plant and equipment	(242,351)
Proceeds from sale of property, plant and equipment	198,383
Purchase of intangible assets	(3,232)
Net cash provided by investing activities	2,528,419
Cash flows from financing activities	
Purchase of treasury stock	(3,325,210)
Cash dividends paid	(1,486,945)
Net cash (used in) financing activities	(4,812,156)
Effects of exchange rate changes on cash and cash equivalents	32,737
Net change in cash and cash equivalents	1,582,314
Cash and cash equivalents, beginning of year	36,148,890
Net change in cash and cash equivalents due to change in accounting period of consolidated subsidiaries	76,916
Cash and cash equivalents, as of June 30, 2012	37,808,121

(4) Note on assumptions for going concern
Not applicable

(5) Additional information

(Application of accounting standards for accounting changes and error corrections)

Since the beginning of the first quarter of the fiscal year under review, the Company has applied Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, issued on December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, issued on December 4, 2009).

(Effects from changes in income tax rate)

The “Law that partially revises the income tax rate to create a tax system that addresses changes in the socioeconomic structure” (Law No. 114, 2011) and “Act on special measures for securing necessary financial resources to implement measures for reconstruction after the Great East Japan Earthquake” (Law No. 117, 2011) were issued on December 2, 2011 and the income tax will be lowered and a special reconstruction tax will be imposed from the consolidated fiscal year that begins from April 1, 2012. Therefore, the effective statutory tax rate used to calculate deferred tax assets and liabilities will change from the existing 40.6% to 37.9% for temporary differences, which are expected to be eliminated in the fiscal year beginning from October 1, 2012, through the fiscal year beginning from October 1, 2014), and then to 35.5% for temporary differences, which are expected to be eliminated in the consolidated fiscal year beginning from October 1, 2015. As a result of these tax rate changes, deferred tax assets (the amount remaining after deducting deferred tax liabilities) decreased by 320,344 thousand yen and income tax – deferred increased by 323,786 thousand yen.

(Matters concerning the accounting years of consolidated subsidiaries)

The previous account closing date of September 20 for our three domestic consolidated subsidiaries (Noevir Co., Ltd., Bonanza Co., Ltd., and Noevir Aviation Co., Ltd.) and the account closing date of June 30 for our two domestic subsidiaries (Tokiwa Pharmaceutical Co., Ltd. and Tokiwa Medical Service Co., Ltd.) were changed to September 30 beginning from the current fiscal year.

In line with the change of Noevir Co., Ltd.’s account closing date to September 30, overseas consolidated subsidiaries that had used June 30 as the consolidated closing date of their financial statements began using September 30 as the account closing date of their financial statements starting from the current fiscal year.

As a result, the Third quarter consolidated accounting period of the current fiscal year shall be the nine-month period of the aforementioned consolidated subsidiaries, from October 1, 2011 to June 30, 2012.

In line with the change of the account closing date, gains and losses of the aforementioned consolidated subsidiaries during the 10-day period from September 21, to September 30, 2011 and during the three-month period from July 1 to September 30, 2011 shall be directly added to or subtracted from retained earnings. Changes in cash and cash equivalents during said period shall be presented as “Net change in cash and cash equivalents due to change in accounting period of consolidated subsidiaries” in the “Quarterly consolidated statements of cash flows.”

(Significant changes in the scope of consolidation during period)

Noevir Tourist Co., Ltd. completed liquidation in the Third quarter under review so it has been removed from the scope of consolidation.

(6) Segment information

(Business segment information)

Consolidated results for the Third quarter (October 1, 2011 to June 30, 2012) of fiscal 2012

1. Sales and income (loss) data, by reportable segment

(Thousands of yen)

	Cosmetics	Pharmaceuticals & Health Food	Other	Total	Adjustment (Note 1)	Amounts included in quarterly consolidated statements of income (Note 2)
Net Sales						
(1) Sales, external	25,336,534	9,643,027	791,218	35,770,780	—	35,770,780
(2) Intersegment sales	—	—	113,809	113,809	(113,809)	—
Total	25,336,534	9,643,027	905,028	35,884,590	(113,809)	35,770,780
Segment income (loss)	5,003,532	648,541	72,676	5,724,749	(1,291,599)	4,433,150

(Note 1) Intersegment eliminations totaling 132,751 thousand yen and unallocated corporate expenses totaling (1,424,350 thousand) yen have been included in the segment income (loss) adjusted amount totaling (1,291,599 thousand) yen. Corporate expenses refer to parent company administration costs which do not come under any reportable segments.

(Note 2) Segment income refers to operating income as reported in the quarterly consolidated statements of income, after adjustment.

2. Impairment loss for non-current assets and goodwill, by reportable segment

(Major impairment loss for non-current assets)

An impairment loss of 45,901 thousand yen has been recorded for the Cosmetics and Pharmaceuticals & Health Food segments due to internal work needed to fix-up a subsidiary's new office following the termination of its lease agreement. In addition, an impairment loss for a production facility of 40,285 thousand yen was recorded in the Cosmetics segment.

Further, the recorded amount of said impairment loss in the Third quarter of the fiscal year ending September 30, 2012 was 73,114 thousand yen for the Cosmetics segment and 13,072 thousand yen for the Pharmaceuticals & Health Food segment.

(7) Note on significant changes in the amount of shareholders' equity

At the Board of Director's meeting held on November 16, 2011, the Company decided to purchase and retire treasury stock. On November 17, 2011, the Company purchased 3,880,000 shares of treasury stock (3,325,160 thousand) yen and November 28, 2011, it retired 3,880,020 shares of treasury stock (3,325,177 thousand) yen.

As a result, additional paid-in capital decreased by 3,325,177 thousand yen during the consolidated Third quarter.