

NOEVIR HOLDINGS

Noevir Holdings Co., Ltd. Public & Investor Relations
7-6-15 Ginza Chuo-ku, Tokyo 104-8208, Japan

November 12, 2013

Noevir Holdings Announces 2013 Consolidated Results (based on Japan GAAP)

Trade name: Noevir Holdings Co., Ltd.
Listing: Tokyo Stock Exchange, First Section (Code Number: 4928)
URL: <http://www.noevirholdings.co.jp/>
Representative: Takashi Okura, President and Representative Director
Contact: Mitsuyoshi Hanyu, General Manager, Accounting
Tel. +81-78-303-5121
Annual General Meeting of Shareholders: December 11, 2013
Date of commencement of dividend payments: December 12, 2013
Submission of securities report: December 11, 2013
Supplemental materials for the financial results prepared: Yes
Results briefing for the reporting period held: Yes (for institutional investors and analysts)

1. Operating results for the fiscal year ended September 30, 2013 (October 1, 2012 – September 30, 2013)

* 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		Net income	
Year ended September 30, 2013	46,516	(1.5)%	7,252	40.8%	7,547	38.5%	4,580	64.3%
Year ended September 30, 2012	47,220	—%	5,150	—%	5,451	—%	2,787	—%

Note: Comprehensive income:

Year ended September 30, 2013: 5,095 million yen (78.9%)

Year ended September 30, 2012: 2,847 million yen (—%)

	EPS (Yen)	Diluted EPS (Yen)	ROE (%)	Ordinary income/Total assets (%)	Operating income/Total sales (%)
Year ended September 30, 2013	122.34	—	8.9	8.9	15.6
Year ended September 30, 2012	73.37	—	5.5	6.4	10.9

[Reference]

Equity in gains/losses of affiliated companies

Year ended September 30, 2013: — million yen Year ended September 30, 2012: — million yen

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

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (Yen)
Year ended September 30, 2013	86,871	53,278	61.3	1,421.42
Year ended September 30, 2012	83,701	49,689	59.3	1,325.88

[Reference] Equity:

Year ended September 30, 2013: 53,221 million yen Year ended September 30, 2012: 49,644 million yen

(3) Consolidated cash flows

	(Millions of yen)			
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of year
Year ended September 30, 2013	5,778	1,393	(1,498)	42,062
Year ended September 30, 2012	4,228	585	(4,813)	36,253

2. Cash dividends

	Annual dividends					(Yen)		
	1st quarter	2nd quarter	3rd quarter	Year-end	Total	Total dividend amount (Millions of yen) (Annual)	Payout ratio (%) (Consolidated)	Dividends/Shareholders' equity (%) (Consolidated)
Year ended September 30, 2012	—	0.00	—	40.00	40.00	1,497	54.5	3.1
Year ended September 30, 2013	—	0.00	—	50.00	50.00	1,872	40.9	3.6
Year ending September 30, 2014 (forecast)	—	0.00	—	50.00	50.00		38.2	

Note: Breakdown of year-end dividends for the year ended September 30, 2012

Ordinary dividend: 36.00 yen, Commemorative dividend: 4.00 yen

Breakdown of year-end dividends for the year ended September 30, 2013

Ordinary dividend: 50.00 yen

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2014 (October 1, 2013 – September 30, 2014)

	(Millions of yen; percentage figures denote year-on-year change)								
	Net Sales		Operating income		Ordinary income		Net income		EPS (Yen)
Half year	23,400	4.1 %	3,500	7.1 %	3,600	6.2 %	1,800	12.5 %	48.07
Full year	48,000	3.2 %	7,800	7.6 %	8,000	6.0 %	4,900	7.0 %	130.87

4. Other

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

(2) Changes in accounting principles, procedures, disclosure methods, etc.

1) Changes associated with revision in accounting standards: None

2) Other changes: None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Shares outstanding (common stock)

1) Shares outstanding (including treasury stock)

Year ended September 30, 2013: 37,442,840

Year ended September 30, 2012: 37,442,840

2) Treasury shares outstanding

Year ended September 30, 2013: 113

Year ended September 30, 2012: 58

3) Average shares outstanding over quarter

Year ended September 30, 2013: 37,442,757

Year ended September 30, 2012: 37,994,056

* Explanation regarding audit procedures

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

* Explanation regarding the appropriate use of business performance forecasts

1. 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 "(1) Analysis of operating results" under "1. Operating results and financial information" on page 5 of "Attached Material."

2. Noevir Holdings is a holding company whose earnings are dependent upon internal transactions between Group companies. Therefore, its nonconsolidated earnings and earnings forecast are not presented herein.

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1. Operating results and financial information
 (1) Analysis of operating results
 1) Operating results for the reporting fiscal period

Background

(Millions of yen)

	Year ended September 30, 2012		Year ended September 30, 2013		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Cosmetics	32,223	68.2	31,278	67.3	(944)	(2.9)
Pharmaceuticals & Health Food	13,595	28.8	13,549	29.1	(46)	(0.3)
Other	1,401	3.0	1,688	3.6	287	20.5
Total sales	47,220	100.0	46,516	100.0	(703)	(1.5)

	Year ended September 30, 2012		Year ended September 30, 2013		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	5,150	10.9	7,252	15.6	2,102	40.8
Ordinary income	5,451	11.5	7,547	16.2	2,096	38.5
Net income	2,787	5.9	4,580	9.8	1,793	64.3

During fiscal 2013 (October 1, 2012 to September 30, 2013), with the downward correction in the yen's value and rising stock prices, the prospects for Japan's economic recovery have increased.

In Japan's cosmetics market, the Group's main area of business, increasingly harsh competition for lower-priced products continued, despite signs of an ongoing modest recovery for higher-priced products.

Under these circumstances, in the Cosmetics segment, for cosmetics sold through individual consultation, the Group continued to promote its services to customers at Noevir Beauty Studios (total beauty care salons used for skin care and makeup classes). In its self-selection cosmetic range, the Group launched new versions of existing products of its leading brands and new product lines and conducted more in-store promotions to increase consumer recognition.

In the Pharmaceuticals & Health Food Segment, we aggressively advertised and promoted sales of functional drinks. In addition, we launched new nutritional supplement products.

As a result, net sales for the fiscal year ended September 30, 2013 came to 46,516 million yen (down 1.5% year on year), operating income was 7,252 million yen (up 40.8%), ordinary income amounted to 7,547 million yen (up 38.5%), and net income came to 4,580 million yen (up 64.3%). We established record profits by achieving our profit target for the fiscal year ending September 30, 2015, the final year of the medium-term management plan, in the first year of the plan.

Segment results

(a) Cosmetics

	Year ended September 30, 2012	Year ended September 30, 2013	Change (Millions of yen)	(Millions of yen) Change (%)
Total sales	32,223	31,278	(944)	(2.9)
Segment income	5,591	7,775	2,184	39.1

In cosmetics sold through individual consultation, the Group actively promoted its services to customers at Noevir Beauty Studios. The Group also launched a new version of its high-end skincare line. In our self-selection cosmetic range, we launched new versions of existing products of our leading brands and new product lines and increased consumer recognition by strengthening in-store promotions.

As a result, sales in the Cosmetics segment totaled 31,278 million yen (down 2.9% year on year), while operating income came to 7,775 million yen (up 39.1%).

(b) Pharmaceuticals & Health Food

	Year ended September 30, 2012	Year ended September 30, 2013	Change (Millions of yen)	(Millions of yen) Change (%)
Total sales	13,595	13,549	(46)	(0.3)
Segment income	1,245	1,295	49	4.0

For our functional drinks, we carried out aggressive advertising and sales promotion campaigns. Moreover, sales of nutritional supplements remained strong thanks to new product launches.

As a result, sales in the Pharmaceuticals & Health Food segment totaled 13,549 million yen (down 0.3% year on year) and operating income was 1,295 million yen (up 4.0%).

(c) Other

	Year ended September 30, 2012	Year ended September 30, 2013	Change (Millions of yen)	(Millions of yen) Change (%)
Total sales	1,401	1,688	287	20.5
Segment income	70	3	(66)	(94.5)

The Aviation business remained strong, despite unstable demand in Europe and the United States. Apparel was also remained strong due to new product launches.

As a result, sales in the Other segment came to 1,688 million yen (up 20.5% year on year), while segment income was 3 million yen (down 94.5%).

2) Forecast for the current fiscal year ending September 30, 2014

In the Cosmetics segment in particular, we pursue innovation and continuous profit generation in Japan and **enhance our brand value and develop new markets in countries worldwide.**

As a result of the foregoing, for the fiscal year ending September 30, 2014, net sales of 48,000 million yen, operating income of 7,800 million yen, ordinary income of 8,000 million yen, and net income of 4,900 million yen are projected on a consolidated basis.

(2) Analysis of financial position

1) Assets, liabilities and equity

The Company's total assets at fiscal 2013 year-end stood at 86,871 million yen, up 3,169 million yen compared with the previous fiscal year-end. This was mainly due to increases in cash and cash equivalents of 3,842 million yen.

Total liabilities at year-end decreased 418 million yen year on year to 33,593 million yen. This was largely due to a decrease in notes and accounts payable of 855 million yen.

Net assets at year-end increased 3,588 million yen to 53,278 million yen. This was mainly attributable to a 3,083 million yen increase in retained earnings from the recording of net income.

As a result of the foregoing, the equity ratio stood at 61.3%, while net assets per share came to 1,421.42 yen, increases of 2.0% and 95.54 yen, respectively.

2) Cash flow

Cash and cash equivalents on a consolidated basis at the reporting year-end stood at 42,062 million yen, an increase of 5,809 million yen compared with 36,253 million yen at the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 5,778 million yen (an increase of 1,550 million yen year on year). This was mainly due to posting income before income taxes of 7,507 million yen, against an outflow of 1,976 million yen for income tax paid.

(Cash flows from investing activities)

Net cash provided by investing activities came to 1,393 million yen (an increase of 807 million yen). This was primarily due to 4,000 million yen in proceeds from withdrawal of time deposits. The primary outflow was 2,031 million yen in expenditure for deposit to time deposits and payments of 505 million yen for property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 1,498 million yen (a decrease of 3,314 million yen). This was mainly attributable to cash dividends paid of 1,498 million yen.

	Year ended Sept. 30, 2011	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013
Equity ratio (%)	59.0	59.3	61.3
Equity ratio (market capitalization, %)	41.6	50.1	72.3
Cash flows/interest-bearing debt ratio (%)	—	—	—
Interest coverage ratio (times)	—	—	—

Notes:

Equity ratio = Shareholders' equity/Total assets

Equity ratio (market capitalization) = Market capitalization/Total assets

Cash flow versus interest-bearing debt ratio = Interest-bearing debt/Operating cash flow

Interest coverage ratio = Operating cash flow/Interest expense

* All figures are calculated on a consolidated basis.

* Market capitalization is calculated based on shares outstanding excluding treasury stock.

* Interest-bearing debt covers all debt (including zero-coupon bonds) recorded on the balance sheets for which interest is being paid. There was no interest-bearing debt in any of the three fiscal year periods shown above.

(3) Profit distribution/dividend payment for the reporting term and the current term

With respect to profit returns, Noevir Holding's basic policy is to continuously pay dividends with a focus on returning profits to shareholders while ensuring the necessary internal reserves for future business expansion and a stronger management structure.

For fiscal 2013 (ended September 30, 2013), based aforementioned policy, we plan to pay a year-end dividend of 50 yen per share, which is a 10 yen increase from our initial dividend forecast.

For the current fiscal year ending September 30, 2014, we plan to pay an ordinary dividend of 50 yen per share.

2. Management strategy

(1) Basic Management Policies and Medium- to Long-Term Strategy

The Noevir Group has established "Securing sustainability in every business segment" as the theme of its Medium-Term Management Plan (fiscal 2014 through fiscal 2016). Taking maximum advantage of the Group's brand power along with its R&D, manufacturing technology, and marketing capabilities, the entire Group will swiftly execute the following 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

(2) Targets

Under the latest medium-term management plan, which sets the target year at fiscal 2016, we are striving to improve profitability to achieve consolidated net sales of ¥50 billion, operating income of ¥10 billion and an overseas sales ratio of 10%.

(3) Key Issues

The domestic and overseas market environment for Cosmetics, Pharmaceuticals & Health Food – the three main businesses of the Noevir Group, are rapidly changing and diversifying. We recognize that securing sustainability in every business segment, and the achievement of moderate growth are key issues.

3. Consolidated financial statements
(1) Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2012	As of September 30, 2013
ASSETS		
Current assets		
Cash and cash equivalents	38,253,228	42,096,084
Notes and accounts receivable	11,754,160	10,914,170
Merchandise and finished goods	5,694,420	5,254,686
Work in progress	206,578	216,484
Raw materials and purchased supplies	1,299,798	1,096,459
Deferred tax assets	1,097,329	1,180,534
Other receivables	1,761,543	1,925,344
Other	455,123	830,839
Allowance for doubtful accounts	(55,945)	(33,069)
Total current assets	60,466,236	63,481,536
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,005,520	4,770,138
Equipment and vehicles, net	792,277	647,121
Land	13,642,382	13,642,382
Lease assets, net	30,118	29,630
Construction in progress	1,609	60,146
Other, net	203,938	237,394
Total property, plant and equipment	19,675,847	19,386,814
Intangible assets		
Goodwill	32	—
Software	328,769	174,267
Other	98,853	94,299
Total intangible assets	427,654	268,567
Investments and other assets		
Investment securities	409,322	728,677
Deferred tax assets	1,796,916	1,951,096
Other	1,021,442	1,112,168
Allowance for doubtful accounts	(96,333)	(57,857)
Total investments and other assets	3,131,347	3,734,085
Total non-current assets	23,234,849	23,389,467
Total assets	83,701,086	86,871,003

(Thousands of yen)

	As of September 30, 2012	As of September 30, 2013
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	4,824,771	3,968,830
Lease obligations	10,262	11,176
Other accounts payable	3,393,112	3,045,128
Income tax payable	1,294,737	2,904,258
Deferred tax liabilities	1,194	—
Reserve for bonuses	161,982	288,629
Reserve for product returns	691,425	543,031
Other	1,376,080	1,175,848
Total current liabilities	11,753,567	11,936,904
Long-term liabilities		
Lease obligations	21,358	19,917
Guarantee deposits received	17,358,866	16,577,786
Deferred tax liabilities	—	223,355
Reserve for employees' retirement benefits	4,692,944	4,649,363
Other	184,689	185,673
Total long-term liabilities	22,257,858	21,656,096
Total liabilities	34,011,425	33,593,000
NET ASSETS		
Shareholders' equity		
Common stock	7,319,000	7,319,000
Additional paid-in capital	3,484,620	3,484,620
Retained earnings	39,372,029	42,455,189
Treasury stock	(50)	(138)
Total shareholders' equity	50,175,599	53,258,671
Accumulated other comprehensive income		
Net unrealized gain on other securities	39,651	244,187
Foreign currency translation adjustments	(570,493)	(281,011)
Total accumulated other comprehensive income	(530,841)	(36,824)
Minority interests	44,902	56,155
Total net assets	49,689,660	53,278,002
Total liabilities and net assets	83,701,086	86,871,003

(2) Consolidated statements of income and comprehensive income
Consolidated statements of income

(Thousands of yen)

	Year ended September 30, 2012	Year ended September 30, 2013
Net sales	47,220,289	46,516,576
Cost of sales	16,372,870	15,707,046
Gross profit	30,847,418	30,809,529
Selling, general and administrative expenses		
Cost of sales	4,030,696	3,851,354
Advertising expenses	1,425,780	1,337,360
Salaries and bonuses	7,878,143	6,912,695
Accrued allowance for bonuses	122,845	228,121
Retirement benefits for employees	819,908	589,248
Depreciation	1,143,508	693,048
Research and development expenses	1,090,749	968,914
Other	9,185,785	8,976,496
Total	25,697,417	23,557,239
Operating income	5,150,001	7,252,290
Non-operating income		
Interest income	11,940	9,141
Dividend income	9,286	9,455
Exchange differences	14,532	20,267
Sales of promotional materials	26,506	22,398
Lease income	56,097	54,227
Insurance dividends	77,402	76,400
Other	120,318	115,677
Total	316,084	307,569
Non-operating expenses		
Commitment fee	12,032	9,486
Other	2,849	2,388
Total	14,882	11,875
Ordinary income	5,451,204	7,547,984
Extraordinary income		
Gain on sale of fixed assets	160,775	9,577
Gain on sale of investment securities	2,563	—
Gain on transfer of business	64,000	—
Total	227,338	9,577
Extraordinary losses		
Loss on disposal of fixed assets	60,660	49,566
Impairment loss	86,187	—
Other	5,000	—
Total	151,847	49,566
Income before income taxes	5,526,695	7,507,995
Income taxes – basic	1,782,066	3,040,322
Income taxes – deferred	944,316	(120,862)
Total	2,726,383	2,919,460
Income before minority interests	2,800,312	4,588,535
Minority interests	12,618	7,664
Net income	2,787,693	4,580,870

Consolidated statements of comprehensive income

(Thousands of yen)

	Year ended September 30, 2012	Year ended September 30, 2013
Income before minority interests	2,800,312	4,588,535
Other comprehensive income		
Net unrealized gain on other securities	22,181	204,535
Foreign currency translation	25,073	302,369
Total	47,255	506,904
Comprehensive income	2,847,568	5,095,440
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,833,369	5,074,887
Comprehensive income attributable to minority interests	14,198	20,552

(3) Consolidated changes to equity

(Thousands of yen)

	Year ended September 30, 2012	Year ended September 30, 2013
Shareholders' equity		
Common stock		
Balance at beginning of the year	7,319,000	7,319,000
Changes during the reporting period		
Total changes during the period	—	—
Balance at end of the year	7,319,000	7,319,000
Additional paid-in capital		
Balance at beginning of the year	6,809,798	3,484,620
Changes during the reporting period		
Retirement of treasury stock	(3,325,177)	—
Total changes during the period	(3,325,177)	—
Balance at end of the year	3,484,620	3,484,620
Retained earnings		
Balance at beginning of the year	37,944,986	39,372,029
Changes during the reporting period		
Distribution of dividends from retained earnings	(1,487,622)	(1,497,711)
Net income	2,787,693	4,580,870
Increase (decrease) due to change in accounting period of consolidated subsidiaries	126,971	—
Total changes during the period	1,427,043	3,083,159
Balance at end of the year	39,372,029	42,455,189
Treasury stock		
Balance at beginning of the year	(17)	(50)
Changes during the reporting period		
Purchase of own shares	(3,325,210)	(87)
Retirement of treasury stock	3,325,177	—
Total changes during the period	(32)	(87)
Balance at end of the year	(50)	(138)
Total shareholders' equity		
Balance at beginning of the year	52,073,767	50,175,599
Changes during the reporting period		
Distribution of dividends from retained earnings	(1,487,622)	(1,497,711)
Net income	2,787,693	4,580,870
Purchase of own shares	(3,325,210)	(87)
Retirement of treasury stock	—	—
Increase (decrease) due to change in accounting period of consolidated subsidiaries	126,971	—
Total changes during the period	(1,898,167)	3,083,071
Balance at end of the year	50,175,599	53,258,671

(Thousands of yen)

	Year ended September 30, 2012	Year ended September 30, 2013
Accumulated other comprehensive income		
Net unrealized gain on other securities		
Balance at beginning of the year	18,362	39,651
Changes during the reporting period		
Changes during the reporting period, excluding shareholders' equity	21,289	204,535
Total changes during the period	21,289	204,535
Balance at end of the year	39,651	244,187
Foreign currency translation		
Balance at beginning of the year	(520,373)	(570,493)
Changes during the reporting period		
Changes during the reporting period, excluding shareholders' equity	(50,119)	289,481
Total changes during the period	(50,119)	289,481
Balance at end of the year	(570,493)	(281,011)
Accumulated other comprehensive income		
Balance at beginning of the year	(502,010)	(530,841)
Changes during the reporting period		
Changes during the reporting period, excluding shareholders' equity	(28,830)	494,016
Total changes during the period	(28,830)	494,016
Balance at end of the year	(530,841)	(36,824)
Minority interests		
Balance at beginning of the year	23,468	44,902
Changes during the reporting period		
Changes during the reporting period, excluding shareholders' equity	21,434	11,253
Total changes during the period	21,434	11,253
Balance at end of the year	44,902	56,155
Total net assets		
Balance at beginning of the year	51,595,224	49,689,660
Changes during the reporting period		
Distribution of dividends from retained earnings	(1,487,622)	(1,497,711)
Net income	2,787,693	4,580,870
Purchase of own shares	(3,325,210)	(87)
Retirement of treasury stock	—	—
Increase (decrease) due to change in accounting period of consolidated subsidiaries	126,971	—
Changes during the reporting period, excluding shareholders' equity	(7,396)	505,270
Total changes during the period	(1,905,564)	3,588,341
Balance at end of the year	49,689,660	53,278,002

(4) Consolidated statements of cash flows

(Thousands of yen)

	Year ended September 30, 2012	Year ended September 30, 2013
Cash flows from operating activities		
Income before income taxes	5,526,695	7,507,995
Depreciation	1,702,321	1,107,223
Impairment loss	86,187	—
Amortization of goodwill	777	7,547
Increase (decrease) in reserve for doubtful accounts	(25,784)	(62,718)
Increase (decrease) in reserve for bonuses	(23,612)	125,919
Increase (decrease) in reserve for product returns	(351,488)	(148,394)
Increase (decrease) in reserve for retirement benefits	(446,200)	(43,581)
Interest and dividends received	(21,226)	(18,597)
Gain/loss on currency translation	(15,284)	(21,640)
Gain/loss on marketable and investment securities	(2,563)	—
Gain/loss on sales of property, plant and equipment	(100,114)	39,988
Decrease (increase) in trade receivables	(565,961)	923,872
Decrease (increase) in inventories	539,274	813,198
Increase (decrease) in trade payables	430,169	(906,117)
Increase (decrease) in guarantee deposits	(1,055,687)	(781,446)
Other	(21,261)	(807,582)
Subtotal	5,656,239	7,735,667
Interest and dividends received	23,467	19,327
Income tax (paid) refunded	(1,451,551)	(1,976,109)
Net cash provided by (used in) operating activities	4,228,155	5,778,884
Cash flows from investing activities		
Expenditure for deposit to time deposits	(2,031,921)	(2,031,637)
Proceeds from withdrawal of time deposits	2,556,561	4,000,000
Purchase of investment securities	(1,800)	(2,110)
Proceeds from sale of investment securities	52,248	—
Purchase of investments in subsidiaries	—	(16,814)
Purchase of property, plant and equipment	(301,208)	(505,983)
Proceeds from sale of property, plant and equipment	326,727	11,719
Purchase of intangible assets	(15,098)	(61,944)
Net cash provided by (used in) investing activities	585,508	1,393,228
Cash flows from financing activities		
Purchase of treasury stock	(3,325,210)	(87)
Cash dividends paid	(1,488,057)	(1,498,589)
Net cash provided by (used in) financing activities	(4,813,267)	(1,498,676)
Effects of exchange rate changes on cash and cash equivalents	27,024	136,223
Net change in cash and cash equivalents	27,420	5,809,660
Cash and cash equivalents, beginning of year	36,148,890	36,253,228
Net change in cash and cash equivalents due to change in accounting period of consolidated subsidiaries	76,916	—
Cash and cash equivalents, end of year	36,253,228	42,062,888

(Segment information)

Segment Information

1) Reportable segments

The Company's reportable segments are the subject of regular management review, for the purposes of decision-making for resource allocation and performance evaluation by the Board of Directors, in as much as financial information relating to individual units of the Company are available.

The Company and Group companies engage principally in the manufacture and marketing of cosmetics, pharmaceuticals and health foods, as well as operating other businesses including aviation-related businesses.

Because the Company and Group companies manufacture and market many different products, comprehensive strategic plans are drawn up for, and business operations are tailored to, particular categories of product.

Accordingly, the Cosmetics segment and the Pharmaceuticals & Health Food segment form the two principal segments of the Company, reflecting its major product categories.

The Cosmetics segment manufactures and markets cosmetics products.

The Pharmaceuticals & Health Food segment manufactures and markets pharmaceuticals, health food products, and nutritional supplements.

In the Other segment, we mainly operate aviation-related businesses.

2) Method for calculating sales, income and loss, assets, liabilities and other item amounts in each reporting segment

The accounting procedure for reporting business segments is largely the same as described in Basis for Presentation of Consolidated Financial Reports, which was disclosed in the latest securities report (submitted December 12, 2012).

Reportable segment income figures are on an operating income basis.

Internal rates of return and transfer within the Group are based on the actual market price.

3) Information concerning sales, income and loss, assets, liabilities and other item amounts in each reporting segment

Consolidated results for fiscal 2012 (October 1, 2011 to September 30, 2012)

(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	32,223,403	13,595,361	1,401,524	47,220,289	—	47,220,289
(2) Intersegment sales	—	—	155,543	155,543	(155,543)	—
Total	32,223,403	13,595,361	1,557,068	47,375,832	(155,543)	47,220,289
Segment income (loss)	5,591,217	1,245,934	70,779	6,907,930	(1,757,928)	5,150,001
Segment assets	57,886,034	19,792,286	1,829,055	79,507,375	4,193,710	83,701,086
Other items						
Depreciation	1,200,786	489,111	23,630	1,713,528	(11,206)	1,702,321
Increases of property, plant and equipment and intangible assets	111,368	144,780	685	256,835	(22,600)	234,235

(Note 1) Adjustments are as follows.

- 1) Intersegment eliminations totaling 199,991 thousand yen and unallocated corporate expenses totaling 1,957,919 thousand yen have been included in the segment income (loss) adjustment totaling (1,757,928) thousand yen. Corporate expenses refer to parent company administration costs which do not come under any reportable segments.
- 2) The segment income adjustment is for assets of the entire Company that are not allocated to each reporting segment. Assets of the entire Company are primarily the Company's financial assets (cash and cash equivalents, investment securities, etc.) that do not belong to reporting segments and assets related to administrative divisions.
- 3) The depreciation adjustment is for the depreciation of assets of the entire Company and elimination/corporate.
- 4) The adjustment on the increase of property, plant and equipment and intangible assets is due to intersegment eliminations.

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

Consolidated results for fiscal 2013 (October 1, 2012 to September 30, 2013)

(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	31,278,738	13,549,242	1,688,596	46,516,576	—	46,516,576
(2) Intersegment sales	—	—	157,110	157,110	(157,110)	—
Total	31,278,738	13,549,242	1,845,707	46,673,687	(157,110)	46,516,576
Segment income (loss)	7,775,350	1,295,498	3,881	9,074,729	(1,822,439)	7,252,290
Segment assets	60,142,887	19,281,563	2,547,795	81,972,246	4,898,756	86,871,003
Other items						
Depreciation	741,113	361,035	10,591	1,112,740	(5,516)	1,107,223
Increases of property, plant and equipment and intangible assets	505,957	192,418	3,000	701,376	—	701,376

(Note 1) Adjustments are as follows.

- 1) Intersegment eliminations totaling 235,192 thousand yen and unallocated corporate expenses totaling 2,057,631 thousand yen have been included in the segment income (loss) adjustment totaling (1,822,439) thousand yen. Corporate expenses refer to parent company administration costs which do not come under any reportable segments.
- 2) The segment income adjustment is for assets of the entire Company that are not allocated to each reporting segment. Assets of the entire Company are primarily the Company's financial assets (cash and cash equivalents, investment securities, etc.) that do not belong to reporting segments and assets related to administrative divisions.
- 3) The depreciation adjustment is for the depreciation of assets of the entire Company and elimination/corporate.

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

Impairment loss for non-current assets by reportable segment

Previous fiscal year (October 1, 2011 to September 30, 2012)

(Thousands of yen)

	Cosmetics	Pharmaceuticals & Health Food	Other	Elimination/ corporate (total)	Impairment loss
Impairment loss	73,114	13,072	—	—	86,187

Reporting fiscal year (October 1, 2012 to September 30, 2013)

Not applicable

Amortization and unamortized balance of goodwill for each reportable segment

Omitted because impact was considered immaterial

Information about gain on bargain purchase for each reportable segment

Not applicable