

NOEVIR HOLDINGS

Noevir Holdings Co., Ltd. Public & Investor Relations
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May 8, 2014

Noevir Holdings Announces 2014 First Half Consolidated Results (based on Japan GAAP)

Trade name: Noevir Holdings Co., Ltd.
Listing: Tokyo Stock Exchange, First Section (Code Number: 4928)
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Submission of securities report: May 12, 2014

Date of commencement of dividend payments: –

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 first half of the fiscal year ending September 30, 2014
(October 1, 2013 – March 31, 2014)

* 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	
Six months ended March 31, 2014	24,600	9.4%	4,643	42.1%	4,803	41.7%	2,269	41.9%
Six months ended March 31, 2013	22,487	(3.2)%	3,268	38.2%	3,390	35.9%	1,599	49.9%

Note: Comprehensive income:

First half of fiscal year ending September 30, 2014: 2,355 million yen (19.8%)

First half of fiscal year ended September 30, 2013: 1,966 million yen (65.5%)

	EPS (Yen)	Diluted EPS (Yen)
Six months ended March 31, 2014	60.63	—
Six months ended March 31, 2013	42.72	—

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
First half ended March 31, 2014	86,645	53,761	62.0
Year ended September 30, 2013	86,871	53,278	61.3

[Reference] Equity:

First half ended March 31, 2014: 53,696 million yen Year ended September 30, 2013: 53,221 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Year ended September 30, 2013	—	0.00	—	50.00	50.00
Year ending September 30, 2014	—	0.00			
Year ending September 30, 2014 (forecast)			—	50.00	50.00

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

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)
Full year	48,000	3.2%	7,800	7.6%	8,000	6.0%	4,900	7.0%	130.87

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

* Notes

(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 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

(4) Shares outstanding (common stock)

1) Shares outstanding (including treasury stock)

As of March 31, 2014: 37,442,840

As of September 30, 2013: 37,442,840

2) Treasury shares outstanding

As of March 31, 2014: 113

As of September 30, 2013: 113

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

As of March 31, 2014: 37,442,727

As of March 31, 2013: 37,442,782

* Explanation regarding audit procedures

Preparation of the audit procedure 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

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 5 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 reporting first half (October 1, 2013 to March 31, 2014)

	First half ended March 31, 2013		First half ended March 31, 2014		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Cosmetics	15,284	68.0	17,380	70.7	2,095	13.7
Pharmaceuticals & Health Food	6,318	28.1	6,645	27.0	326	5.2
Other	883	3.9	574	2.3	(308)	(34.9)
Total sales	22,487	100.0	24,600	100.0	2,113	9.4

	First half ended March 31, 2013		First half ended March 31, 2014		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	3,268	14.5	4,643	18.9	1,374	42.1
Ordinary income	3,390	15.1	4,803	19.5	1,412	41.7
Net income	1,599	7.1	2,269	9.2	670	41.9

During the first half of fiscal 2014 (October 1, 2013 to March 31, 2014), the Japanese economy staged a moderate recovery, reflecting a weak yen and a rebound in corporate earnings.

In the domestic cosmetics business, the Group's main area of business, there was last-minute demand before the consumption tax hike. Consumption trends after the consumption tax hike are uncertain.

In this environment, net sales for the six-month period ended March 31, 2014 were 24,600 million yen (up 9.4% year on year), operating income came to 4,643 million yen (up 42.1%), and ordinary income was 4,803 million yen (up 41.7%). Net income stood at 2,269 million yen (up 41.9%).

The Cosmetics segment was overall affected by last-minute demand before the consumption tax hike. Sales of cosmetics sold through individual consultation were strong, reflecting the launch of renewed high-end basic skin care series. Sales of self-selection cosmetics rose with more promotions at stores. Reflecting these results, sales in the Cosmetics segment totaled 17,380 million yen (up 13.7%). Segment income was 5,166 million yen (up 40.8%).

In the Pharmaceuticals & Health Food segment, the Group launched renewed functional drinks. Sales of nutritional supplements were steady. Sales in this segment came to 6,645 million yen (up 5.2%), and segment income was 415 million yen (down 3.8%).

In the Other segment, demand in the aviation-related business in European and U.S. markets remained uncertain. Sales in this segment stood at 574 million yen (down 34.9%), and the segment loss was 19 million yen (compared with segment income of 56 million yen a year ago).

(2) Qualitative information regarding consolidated financial position

Total assets as of March 31, 2014 stood at 86,645 million yen, a decrease of 225 million yen from the previous fiscal year-end. This was mainly due to a decrease in cash and cash equivalents of 2,803 million yen and a net increase in equipment and vehicles of 1,764 million yen.

Liabilities came to 32,884 million yen, a decrease of 708 million yen, mainly due to a decrease of 899 million yen in income tax payable.

Net assets came to 53,761 million yen, an increase of 483 million yen over the previous fiscal year-end. This was primarily attributable to a 397 million yen increase in retained earnings, which reflected net income of 2,269 million yen and dividends of surplus of 1,872 million yen.

As a result, the equity ratio stood at 62.0%.

(Consolidated cash flows)

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis at the end of the first half decreased 2,800 million yen from the previous term-end (42,062 million yen), to 39,262 million yen.

The status of each cash flow and the factors contributing to an increase or a decrease for the six months ended March 31, 2014 are presented below.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,353 million yen (a 272 million yen increase in income compared with the corresponding period of the previous fiscal year). This was mainly due to income before income taxes of 4,770 million yen against an outflow from income tax paid of 2,939 million yen.

(Cash flows from investing activities)

Net cash used in investing activities came to 3,296 million yen (a 3,094 million yen increase in expenditures compared to the corresponding period of the previous fiscal year). The principal cash outflows were 2,478 million yen due to the purchase of property, plant and equipment and 810 million yen from payments for the acquisition of business.

(Cash flows from financing activities)

Net cash used in financing activities was 1,871 million yen (a 375 million yen increase in expenditures compared with the corresponding period of the previous fiscal year). This was due to cash dividends paid of 1,871 million yen.

(3) Qualitative information regarding consolidated business performance forecast

The consolidated business performance forecast for the full year ending September 30, 2014, announced on November 12, 2013 remains unchanged.

2. Summary information (Notes)

(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 (As of September 30, 2013)	As of March 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	42,096,084	39,292,182
Notes and accounts receivable	10,914,170	11,076,188
Merchandise and finished goods	5,254,686	5,974,733
Work in progress	216,484	131,873
Raw materials and purchased supplies	1,096,459	1,128,477
Deferred tax assets	1,180,534	1,034,879
Other receivables	1,925,344	1,892,057
Other	830,839	532,783
Allowance for doubtful accounts	(33,069)	(33,313)
Total current assets	63,481,536	61,029,862
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,770,138	4,610,138
Equipment and vehicles, net	647,121	2,412,106
Land	13,642,382	13,642,382
Lease assets, net	29,630	28,910
Construction in progress	60,146	384,143
Other, net	237,394	246,030
Total property, plant and equipment	19,386,814	21,323,711
Intangible assets		
Goodwill	—	193,314
Software	174,267	141,908
Other	94,299	101,080
Total intangible assets	268,567	436,303
Investments and other assets		
Investment securities	728,677	758,082
Deferred tax assets	1,951,096	2,000,133
Other	1,112,168	1,150,657
Allowance for doubtful accounts	(57,857)	(52,876)
Total investments and other assets	3,734,085	3,855,997
Total non-current assets	23,389,467	25,616,012
Total assets	86,871,003	86,645,874

(Thousands of yen)

	Previous fiscal year (As of September 30, 2013)	As of March 31, 2014
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	3,968,830	4,979,565
Lease obligations	11,176	11,569
Other accounts payable	3,045,128	3,138,119
Income tax payable	2,904,258	2,004,956
Reserve for bonuses	288,629	263,365
Reserve for product returns	543,031	479,109
Other	1,175,848	872,584
Total current liabilities	11,936,904	11,749,269
Long-term liabilities		
Lease obligations	19,917	18,765
Guarantee deposits received	16,577,786	16,244,486
Deferred tax liabilities	223,355	232,237
Reserve for employees' retirement benefits	4,649,363	4,454,011
Other	185,673	185,986
Total long-term liabilities	21,656,096	21,135,488
Total liabilities	33,593,000	32,884,757
NET ASSETS		
Shareholders' equity		
Common stock	7,319,000	7,319,000
Additional paid-in capital	3,484,620	3,484,620
Retained earnings	42,455,189	42,853,047
Treasury stock	(138)	(138)
Total shareholders' equity	53,258,671	53,656,529
Accumulated other comprehensive income		
Net unrealized gain on other securities	244,187	262,734
Foreign currency translation adjustments	(281,011)	(222,717)
Total accumulated other comprehensive income	(36,824)	40,017
Minority interests	56,155	64,569
Total net assets	53,278,002	53,761,116
Total liabilities and net assets	86,871,003	86,645,874

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income
First half period of the fiscal year ending September 30, 2014

(Thousands of yen)

	First half ended March 31, 2013	First half ended March 31, 2014
Net sales	22,487,067	24,600,299
Cost of sales	7,596,008	7,809,153
Gross profit	14,891,058	16,791,146
Selling, general and administrative expenses	11,622,879	12,148,036
Operating income	3,268,179	4,643,109
Non-operating income		
Interest income	5,696	3,755
Dividend income	3,756	4,468
Lease income	26,317	54,529
Exchange differences	18,605	47,159
Other	75,204	53,499
Total	129,580	163,412
Non-operating expenses		
Commitment fee	5,983	2,991
Other	809	11
Total	6,793	3,003
Ordinary income	3,390,966	4,803,518
Extraordinary income		
Gain on sale of fixed assets	7,499	1,806
Total	7,499	1,806
Extraordinary losses		
Loss on disposal of fixed assets	6,213	24,947
Impairment loss	—	9,454
Total	6,213	34,401
Income before income taxes	3,392,251	4,770,923
Income taxes – basic	1,678,237	2,274,055
Income taxes – deferred	110,428	220,615
Total	1,788,665	2,494,670
Income before minority interests	1,603,586	2,276,252
Minority interests	4,147	6,258
Net income	1,599,439	2,269,994

Quarterly consolidated statements of comprehensive income

(Thousands of yen)

	First half ended March 31, 2013	First half ended March 31, 2014
Income before minority interests	1,603,586	2,276,252
Other comprehensive income		
Net unrealized gain on other securities	117,632	18,547
Foreign currency translation adjustments	245,044	60,450
Total	362,676	78,997
Comprehensive income	1,966,262	2,355,250
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,952,078	2,346,837
Comprehensive income attributable to minority interests	14,184	8,413

(3) Quarterly consolidated statements of cash flows

(Thousands of yen)

	First half ended March 31, 2013	First half ended March 31, 2014
Cash flows from operating activities		
Income before income taxes	3,392,251	4,770,923
Depreciation	564,575	435,875
Impairment loss	—	9,454
Amortization of goodwill	32	21,479
Increase (decrease) in reserve for doubtful accounts	(9,836)	(4,882)
Increase (decrease) in reserve for bonuses	113,432	(25,355)
Increase (decrease) in reserve for product returns	(93,959)	(63,921)
Increase (decrease) in reserve for retirement benefits	(112,151)	(195,404)
Interest and dividends received	(9,452)	(8,223)
Gain/loss on currency translation	(6,728)	(13,864)
Gain/loss on sales of property, plant and equipment	(1,285)	23,140
Decrease (increase) in trade receivables	1,720,727	(109,879)
Decrease (increase) in inventories	(109,973)	(235,474)
Increase (decrease) in trade payables	(403,904)	1,026,698
Increase (decrease) in guarantee deposits	(406,090)	(333,327)
Other	(803,424)	(11,168)
Subtotal	3,834,213	5,286,069
Interest and dividends received	9,376	7,266
Income tax (paid) refunded	(1,761,805)	(2,939,346)
Net cash provided by (used in) operating activities	2,081,784	2,353,989
Cash flows from investing activities		
Expenditure for deposit to time deposits	(2,030,185)	(2,029,637)
Proceeds from withdrawal of time deposits	2,000,000	2,032,411
Purchase of securities	—	(1,999,447)
Proceeds from redemption of securities	—	2,000,000
Purchase of investment securities	(900)	(900)
Purchase of property, plant and equipment	(176,223)	(2,478,740)
Proceeds from sale of property, plant and equipment	9,319	27,879
Purchase of intangible assets	(4,415)	(38,164)
Payments for transfer of business	—	(810,000)
Net cash provided by (used in) investing activities	(202,404)	(3,296,599)
Cash flows from financing activities		
Cash dividends paid	(1,495,723)	(1,871,143)
Net cash provided by (used in) financing activities	(1,495,723)	(1,871,143)
Effects of exchange rate changes on cash and cash equivalents	108,967	13,241
Net change in cash and cash equivalents	492,624	(2,800,511)
Cash and cash equivalents, beginning of year	36,253,228	42,062,888
Cash and cash equivalents, end of year	36,745,852	39,262,376

(4) Notes to quarterly consolidated financial statements
(Note on assumptions for going concern)
Not applicable

(Notes if there is a significant change in shareholders' equity)
Not applicable

(Segment information)

I Consolidated results for the previous first half (October 1, 2012 to March 31, 2013) of fiscal 2013

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	15,284,943	6,318,415	883,708	22,487,067	—	22,487,067
(2) Intersegment sales	—	—	79,455	79,455	(79,455)	—
Total	15,284,943	6,318,415	963,163	22,566,522	(79,455)	22,487,067
Segment income (loss)	3,669,738	432,009	56,992	4,158,740	(890,561)	3,268,179

(Note 1) Intersegment eliminations totaling 119,082 thousand yen and unallocated corporate expenses totaling (1,009,644 thousand) yen have been included in the segment income (loss) adjustment totaling (890,561 thousand) yen. Corporate expenses refer to Noevir Holdings Co., Ltd.'s 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

Not applicable

II Consolidated results for the first half (October 1, 2013 to March 31, 2014) of fiscal 2014

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	17,380,195	6,645,111	574,993	24,600,299	—	24,600,299
(2) Intersegment sales	—	—	78,733	78,733	(78,733)	—
Total	17,380,195	6,645,111	653,726	24,679,033	(78,733)	24,600,299
Segment income (loss)	5,166,990	415,787	(19,114)	5,563,663	(920,554)	4,643,109

(Note 1) Intersegment eliminations totaling 131,621 thousand yen and unallocated corporate expenses totaling (1,052,175 thousand) yen have been included in the segment income (loss) adjustment totaling (920,554 thousand) yen. Corporate expenses refer to Noevir Holdings Co., Ltd.'s 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)

Not applicable