

November 10, 2015

Noevir Holdings Announces 2015 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 CEO
Contact: Mitsuyoshi Hanyu, General Manager, Accounting
Tel. +81-78-303-5121

Annual General Meeting of Shareholders: December 9, 2015

Date of commencement of dividend payments: December 10, 2015

Submission of securities report: December 9, 2015

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, 2015 (October 1, 2014 – September 30, 2015)

* 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, 2015	49,387	2.4%	7,588	7.4%	8,091	7.7%	4,890	12.4%
Year ended September 30, 2014	48,253	3.7%	7,064	(2.6)%	7,513	(0.5)%	4,349	(5.1)%

Note: Comprehensive income:

Year ended September 30, 2015: 4,971 million yen 9.1%

Year ended September 30, 2014: 4,558 million yen (10.5)%

	EPS (Yen)	Diluted EPS (Yen)	ROE (%)	Ordinary income/Total assets (%)	Operating income/Total sales (%)
Year ended September 30, 2015	136.79	—	8.9	9.2	15.4
Year ended September 30, 2014	116.16	—	8.0	8.6	14.6

[Reference]

Equity in gains/losses of affiliated companies

Year ended September 30, 2015: — million yen

Year ended September 30, 2014: — million yen

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (Yen)
Year ended September 30, 2015	87,348	54,598	62.4	1,536.84
Year ended September 30, 2014	88,058	56,018	63.5	1,494.14

[Reference] Equity:

Year ended September 30, 2015: 54,483 million yen

Year ended September 30, 2014: 55,944 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, 2015	4,822	(3,412)	(6,209)	37,139
Year ended September 30, 2014	5,406	(3,844)	(1,874)	41,840

2. Cash dividends

(Yen)

	Annual dividends					Total dividend amount (Millions of yen) (Annual)	Payout ratio (%) (Consolidated)	Dividends/ Shareholders' equity (%) (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Total			
Year ended September 30, 2014	—	0.00	—	60.00	60.00	2,246	51.7	4.1
Year ended September 30, 2015	—	0.00	—	100.00	100.00	3,545	73.1	6.6
Year ending September 30, 2016 (forecast)	—	0.00	—	100.00	100.00		69.5	

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2016 (October 1, 2015 – September 30, 2016)

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

	Net Sales		Operating income		Ordinary income		Net income attributable to owners of parent		EPS (Yen)
Half year	24,300	2.8%	3,200	(10.2)%	3,300	(16.0)%	1,200	(20.0)%	33.85
Full year	50,500	2.3%	7,700	1.5%	7,900	(2.4)%	5,100	4.3%	143.86

* 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: Yes
- 2) Other changes: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(3) Shares outstanding (common stock)

- 1) Shares outstanding (including treasury stock)
 - As of September 30, 2015: 35,451,653
 - As of September 30, 2014: 37,442,840
- 2) Treasury shares outstanding
 - As of September 30, 2015: 0
 - As of September 30, 2014: 187
- 3) Average shares outstanding over quarter
 - Year ended September 30, 2015: 35,751,667
 - Year ended September 30, 2014: 37,442,710

* 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.

* Change in units of amounts shown

The numerical amounts shown for accounting items and other items presented in the consolidated financial statements had been shown in units of one thousand yen. However, this has been changed to units of one million yen from the fiscal year ended September 30, 2015.

To facilitate comparison, amounts for the previous fiscal year are also shown in units of one million yen.

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1. Operating results and financial information

(1) Analysis of operating results

1) Operating results for the reporting fiscal period

Background

	Year ended September 30, 2014		Year ended September 30, 2015		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Cosmetics	32,100	66.5	34,013	68.9	1,912	6.0
Pharmaceuticals & Health Food	14,067	29.2	13,456	27.2	(611)	(4.3)
Other	2,085	4.3	1,918	3.9	(167)	(8.0)
Total sales	48,253	100.0	49,387	100.0	1,133	2.4

	Year ended September 30, 2014		Year ended September 30, 2015		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	7,064	14.6	7,588	15.4	523	7.4
Ordinary income	7,513	15.6	8,091	16.4	578	7.7
Net income	4,349	9.0	4,890	9.9	541	12.4

During fiscal 2015 (October 1, 2014 to September 30, 2015), the Japanese economy continued on a gradual recovery track after a fall in demand in the aftermath of an increase in the consumption tax. However, the outlook remains cloudy due to concerns that certain parts of the economy overseas may slow down.

The cosmetics market in Japan—the Group’s main business domain—has saturated and matured, while consumer needs have changed rapidly, particularly in showing greater diversity and segmentation.

Under these circumstances, in the Cosmetics segment, sales of cosmetics sold through individual consultation were down year on year as demand for new products released last year had run its course. Sales of self-selection cosmetics increased on the back of the launch of new products and aggressive spending on marketing. In the Pharmaceuticals & Health Food segment, sales of pharmaceuticals and pharmaceutical drinks were sluggish. Meanwhile, SG&A expenses were streamlined.

As a result, net sales for the fiscal year ended September 30, 2015 came to 49,387 million yen (up 2.4% year on year), operating income was 7,588 million yen (up 7.4%), ordinary income amounted to 8,091 million yen (up 7.7%), and net income came to 4,890 million yen (up 12.4%). The Group posted record-high earnings at the operating income, ordinary income and net income levels.

Segment results

(a) Cosmetics

	(Millions of yen)			
	Year ended September 30, 2014	Year ended September 30, 2015	Change (Millions of yen)	Change (%)
Total sales	32,100	34,013	1,912	6.0
Segment income	8,413	8,705	291	3.5

Sales in the Cosmetics segment totaled 34,013 million yen (up 6.0% year on year), and operating income came to 8,705 million yen (up 3.5%).

Sales of cosmetics sold through individual consultation were down year on year as demand for new products released last year had run its course.

Sales of self-selection cosmetics increased on the back of the launch of new products and aggressive spending on marketing.

(b) Pharmaceuticals & Health Food

	(Millions of yen)			
	Year ended September 30, 2014	Year ended September 30, 2015	Change (Millions of yen)	Change (%)
Total sales	14,067	13,456	(611)	(4.3)
Segment income	674	1,012	337	50.1

Sales in the Pharmaceuticals & Health Food segment totaled 13,456 million yen (down 4.3% year on year) and operating income was 1,012 million yen (up 50.1%).

Sales of pharmaceuticals and pharmaceutical drinks decreased year on year in line with sluggish demand. Meanwhile, SG&A expenses were streamlined.

(c) Other

	(Millions of yen)			
	Year ended September 30, 2014	Year ended September 30, 2015	Change (Millions of yen)	Change (%)
Total sales	2,085	1,918	(167)	(8.0)
Segment loss	(158)	(241)	(83)	—

Sales in the Other segment came to 1,918 million yen (down 8.0% year on year), while segment loss came to 241 million yen (compared with segment loss of 158 million yen in the previous fiscal year).

Sales related to apparel were mostly on a par with the previous fiscal year.

Sales related to aviation decreased year on year.

Note: Segment operating income (loss) represents the amount before adjustment for intersegment eliminations and unallocated corporate expenses. For details on the segment income (loss) adjustment for the fiscal year ended September 30, 2015, please see “3) Information concerning sales, income and loss, assets, liabilities and other item amounts in each reporting segment (Note 1) in (Segment information)” on page 18.

2) Forecast for the current fiscal year ending September 30, 2016

Given the uncertain economic outlook, we are pursuing our management plan concept of “Realizing steady corporate growth by securing sustainability in every business segment.”

As a result of the above, for the fiscal year ending September 30, 2016, net sales of 50,500 million yen, operating income of 7,700 million yen, ordinary income of 7,900 million yen, and net income attributable to owners of parent of 5,100 million yen are projected on a consolidated basis.

(2) Analysis of financial position

1) Assets, liabilities and equity

Total assets at fiscal 2015 year-end stood at 87,348 million yen, down 709 million yen compared with the previous fiscal year-end. This was mainly due to a decline in cash and cash equivalents of 4,039 million yen, partly offset by increases in equipment and vehicles, net of 1,054 million yen, and merchandise and finished goods of 503 million yen.

Total liabilities at the fiscal year-end increased 710 million yen year on year to 32,749 million yen. This was mainly due to an increase in notes and accounts payable of 533 million yen.

Net assets at the fiscal year-end decreased 1,420 million yen to 54,598 million yen. This was mainly attributable to a decrease in additional paid-in capital of 3,484 million yen, due to the retirement of treasury stock, partly offset by a 1,983 million yen increase in retained earnings, which reflected net income of 4,890 million yen and dividends of surplus of 2,246 million yen.

As a result of the foregoing, the equity ratio stood at 62.4%, while net assets per share came to 1,536.84 yen, representing a decrease of 1.2 percentage points in the equity ratio and an increase of 42.70 yen in net assets per share.

2) Cash flow

Cash and cash equivalents on a consolidated basis at the reporting year-end stood at 37,139 million yen, a decrease of 4,700 million yen compared with 41,840 million yen at the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 4,822 million yen (a decrease of 583 million yen year on year). This was mainly due to posting income before income taxes of 8,077 million yen and depreciation of 1,237 million yen, against an outflow of 2,989 million yen for income tax paid.

(Cash flows from investing activities)

Net cash used in investing activities came to 3,412 million yen (a decrease of 431 million yen in outflows). The primary outflows were expenditure for deposit to time deposits of 2,694 million yen and purchase of property, plant and equipment of 2,352 million yen. The primary inflow was proceeds from withdrawal of time deposits of 2,028 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 6,209 million yen (an increase of 4,335 million yen in outflows). This was mainly attributable to purchase of treasury stock of 3,964 million yen and cash dividends paid of 2,245 million yen.

	Year ended Sept. 30, 2011	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013	Year ended Sept. 30, 2014	Year ended Sept. 30, 2015
Equity ratio (%)	59.0	59.3	61.3	63.5	62.4
Equity ratio (market capitalization, %)	41.6	50.1	72.3	88.1	104.9
Cash flows/ interest-bearing debt ratio (%)	—	—	—	—	5.5
Interest coverage ratio (times)	—	—	—	—	7,802.6

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 (excluding lease obligations by the interest-paid inclusive method) recorded on the balance sheets for which interest is paid.

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

The Company regards profit distribution to shareholders as an important management issue. Therefore, its basic policy is to continue to pay dividends with a focus on returning profits to shareholders while ensuring the necessary reserves for business expansion in the medium and long term and a stronger management structure. For fiscal 2015 (ended September 30, 2015), based on the aforementioned policy, we plan to pay a year-end dividend of 100 yen per share, which is a 40 yen increase from our initial dividend forecast.

For the current fiscal year ending September 30, 2016, we plan to pay an ordinary dividend of 100 yen per share.

2. Management strategy

(1) Basic management policies and medium- to long-term strategy

The Noevir Group has established “Realizing steady corporate growth by securing sustainability in every business segment” as its medium-term management plan concept. The entire Group will execute this concept based on 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) Numerical targets and achievements

Having positioned the operating income margin and return on equity (ROE) as key management indicators, the Noevir Group aims to maximize its corporate value and enhance profitability.

(3) Key issues

The domestic and overseas market environment for Cosmetics, Pharmaceuticals & Health Food – the main businesses of the Noevir Group, have been rapidly changing and diversifying. We recognize that pushing ahead with realizing steady corporate growth by securing sustainability in every business segment, which is our medium-term management plan concept for meeting those challenges, is the issue we must address.

3. Basic Approach to Selecting Accounting Principles

For the foreseeable future, the Group plans to prepare consolidated financial statements based on generally accepted accounting principles in Japan. This policy takes into account factors such as the need to maintain comparability between the accounting periods of the consolidated financial statements and the fact that the Group has very little need to procure funds in overseas markets. Going forward, the Group plans to give due consideration to the adoption of international financial reporting standards (IFRS), taking into account conditions in Japan and overseas.

4. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2014	As of September 30, 2015
ASSETS		
Current assets		
Cash and cash equivalents	41,871	37,832
Notes and accounts receivable	10,504	10,814
Merchandise and finished goods	5,052	5,555
Work in progress	92	140
Raw materials and purchased supplies	1,087	1,167
Deferred tax assets	1,006	888
Other receivables	2,027	2,302
Other	658	501
Allowance for doubtful accounts	(32)	(31)
Total current assets	62,268	59,170
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,446	4,406
Equipment and vehicles, net	2,384	3,439
Land	13,642	13,834
Lease assets, net	51	283
Construction in progress	661	1,291
Other, net	274	265
Total property, plant and equipment	21,461	23,521
Intangible assets		
Goodwill	171	140
Software	118	99
Other	86	157
Total intangible assets	376	397
Investments and other assets		
Investment securities	899	1,272
Deferred tax assets	1,943	1,846
Other	1,157	1,180
Allowance for doubtful accounts	(50)	(41)
Total investments and other assets	3,950	4,258
Total non-current assets	25,789	28,177
Total assets	88,058	87,348

(Millions of yen)

	As of September 30, 2014	As of September 30, 2015
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	4,505	5,038
Lease obligations	14	28
Other accounts payable	3,565	3,842
Income tax payable	1,416	1,475
Reserve for bonuses	262	65
Reserve for product returns	430	429
Other	1,116	1,098
Total current liabilities	11,312	11,979
Long-term liabilities		
Lease obligations	32	274
Guarantee deposits received	15,922	15,351
Deferred tax liabilities	250	258
Net defined benefit liability	4,336	4,735
Other	183	150
Total long-term liabilities	20,727	20,770
Total liabilities	32,039	32,749
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Additional paid-in capital	3,484	—
Retained earnings	44,932	46,915
Treasury stock	(0)	—
Total shareholders' equity	55,735	54,234
Accumulated other comprehensive income		
Net unrealized gain on other securities	294	377
Foreign currency translation adjustments	(140)	(59)
Remeasurements of defined benefit plans, net of tax	55	(68)
Total accumulated other comprehensive income	208	248
Minority interests	74	115
Total net assets	56,018	54,598
Total liabilities and net assets	88,058	87,348

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

(Millions of yen)

	Year ended September 30, 2014	Year ended September 30, 2015
Net sales	48,253	49,387
Cost of sales	16,523	16,800
Gross profit	31,730	32,587
Selling, general and administrative expenses		
Cost of sales	3,959	4,196
Advertising expenses	1,852	1,936
Salaries and bonuses	6,849	6,942
Accrued allowance for bonuses	210	70
Retirement benefits for employees	592	406
Depreciation	563	661
Research and development expenses	1,040	1,102
Other	9,597	9,681
Total	24,666	24,999
Operating income	7,064	7,588
Non-operating income		
Interest income	11	18
Dividend income	10	13
Exchange differences	173	255
Lease income	89	70
Other	168	146
Total	453	504
Non-operating expenses		
Interest expenses	—	0
Commitment fee	3	—
Other	0	0
Total	4	1
Ordinary income	7,513	8,091
Extraordinary income		
Gain on sale of fixed assets	3	11
Total	3	11
Extraordinary losses		
Loss on disposal of fixed assets	30	25
Impairment loss	27	—
Total	58	25
Income before income taxes	7,458	8,077
Income taxes – basic	2,823	2,774
Income taxes – deferred	275	375
Total	3,098	3,149
Income before minority interests	4,360	4,927
Minority interests	11	37
Net income	4,349	4,890

Consolidated statements of comprehensive income

(Millions of yen)

	Year ended September 30, 2014	Year ended September 30, 2015
Income before minority interests	4,360	4,927
Other comprehensive income		
Net unrealized gain on other securities	50	82
Foreign currency translation adjustments	147	84
Remeasurements of defined benefit plans, net of tax	—	(123)
Total	197	43
Comprehensive income	4,558	4,971
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,539	4,930
Comprehensive income attributable to minority interests	18	40

(3) Consolidated changes to equity
Year ended (September 30, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	7,319	3,484	42,455	(0)	53,258
Cumulative impact due to changes in accounting policies					
Balance at the beginning of the year, reflecting changes in accounting policies	7,319	3,484	42,455	(0)	53,258
Changes during the reporting period					
Distribution of dividends from retained earnings			(1,872)		(1,872)
Net income			4,349		4,349
Purchase of own shares				(0)	(0)
Changes during the reporting period, excluding shareholders' equity					
Total changes during the period	—	—	2,477	(0)	2,476
Balance at end of the year	7,319	3,484	44,932	(0)	55,735

	Accumulated other comprehensive income				Minority interests	Total net assets
	Net unrealized gain on other securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance at beginning of the year	244	(281)	—	(36)	56	53,278
Cumulative impact due to changes in accounting policies						
Balance at the beginning of the year, reflecting changes in accounting policies	244	(281)	—	(36)	56	53,278
Changes during the reporting period						
Distribution of dividends from retained earnings						(1,872)
Net income						4,349
Purchase of own shares						(0)
Changes during the reporting period, excluding shareholders' equity	50	140	55	245	18	263
Total changes during the period	50	140	55	245	18	2,740
Balance at end of the year	294	(140)	55	208	74	56,018

Year ended (September 30, 2015)

(Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	7,319	3,484	44,932	(0)	55,735
Cumulative impact due to changes in accounting policies			(180)		(180)
Balance at the beginning of the year, reflecting changes in accounting policies	7,319	3,484	44,751	(0)	55,554
Changes during the reporting period					
Distribution of dividends from retained earnings			(2,246)		(2,246)
Net income			4,890		4,890
Purchase of own shares				(3,964)	(3,964)
Retirement of treasury stock		(3,484)	(479)	3,964	—
Changes during the reporting period, excluding shareholders' equity					
Total changes during the period	—	(3,484)	2,164	0	(1,320)
Balance at end of the year	7,319	—	46,915	—	54,234

	Accumulated other comprehensive income				Minority interests	Total net assets
	Net unrealized gain on other securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance at beginning of the year	294	(140)	55	208	74	56,018
Cumulative impact due to changes in accounting policies						(180)
Balance at the beginning of the year, reflecting changes in accounting policies	294	(140)	55	208	74	55,838
Changes during the reporting period						
Distribution of dividends from retained earnings						(2,246)
Net income						4,890
Purchase of own shares						(3,964)
Retirement of treasury stock						—
Changes during the reporting period, excluding shareholders' equity	82	80	(123)	40	40	80
Total changes during the period	82	80	(123)	40	40	(1,239)
Balance at end of the year	377	(59)	(68)	248	115	54,598

(4) Consolidated statements of cash flows

(Millions of yen)

	Year ended September 30, 2014	Year ended September 30, 2015
Cash flows from operating activities		
Income before income taxes	7,458	8,077
Depreciation	1,021	1,237
Impairment loss	27	—
Amortization of goodwill	42	45
Increase (decrease) in reserve for doubtful accounts	(8)	(9)
Increase (decrease) in reserve for bonuses	(26)	(196)
Increase (decrease) in reserve for product returns	(112)	(1)
Increase (decrease) in net defined benefit liability	(228)	(125)
Interest and dividends received	(21)	(31)
Interest expenses	—	0
Gain/loss on currency translation	(123)	(189)
Gain/loss on sales of property, plant and equipment	27	14
Decrease (increase) in trade receivables	481	(282)
Decrease (increase) in inventories	779	(569)
Increase (decrease) in trade payables	532	526
Increase (decrease) in guarantee deposits	(655)	(571)
Other	612	(131)
Subtotal	9,807	7,793
Interest and dividends received	16	19
Interest paid	—	(0)
Income tax (paid) refunded	(4,417)	(2,989)
Net cash provided by (used in) operating activities	5,406	4,822
Cash flows from investing activities		
Expenditure for deposit to time deposits	(4,029)	(2,694)
Proceeds from withdrawal of time deposits	4,034	2,028
Purchase of securities	(11,995)	(19,992)
Proceeds from redemption of securities	12,000	20,002
Purchase of investment securities	(91)	(271)
Purchase of property, plant and equipment	(2,939)	(2,352)
Proceeds from sale of property, plant and equipment	33	41
Purchase of intangible assets	(46)	(83)
Payments for transfer of business	(810)	(90)
Net cash provided by (used in) investing activities	(3,844)	(3,412)
Cash flows from financing activities		
Purchase of treasury stock	(0)	(3,964)
Cash dividends paid	(1,874)	(2,245)
Net cash provided by (used in) financing activities	(1,874)	(6,209)
Effects of exchange rate changes on cash and cash equivalents	89	98
Net change in cash and cash equivalents	(222)	(4,700)
Cash and cash equivalents, beginning of year	42,062	41,840
Cash and cash equivalents, end of year	41,840	37,139

(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 apparel- and 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 apparel- and 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 11, 2014).

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 2014 (October 1, 2013 to September 30, 2014)

(Millions of yen)

	Cosmetics	Pharmaceuticals & Health Food	Other	Total	Adjustment (Note 1)	Amounts included in quarterly consolidated statements of income (Note 2)
Net Sales						
Sales, external	32,100	14,067	2,085	48,253	—	48,253
Intersegment sales	—	—	136	136	(136)	—
Total	32,100	14,067	2,221	48,389	(136)	48,253
Segment income or loss	8,413	674	(158)	8,930	(1,865)	7,064
Segment assets	59,171	20,421	4,094	83,686	4,371	88,058
Other items						
Depreciation	604	321	105	1,031	(10)	1,021
Amortization of goodwill	1	40	—	42	—	42
Increases of property, plant and equipment and intangible assets	888	289	1,857	3,035	(45)	2,989

(Note 1) Adjustments are as follows.

- 1) Intersegment eliminations totaling 214 million yen and unallocated corporate expenses totaling 2,080 million yen have been included in the segment income (loss) adjustment totaling (1,865) million 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 related to 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 2015 (October 1, 2014 to September 30, 2015)

(Millions of yen)

	Cosmetics	Pharmaceuticals & Health Food	Other	Total	Adjustment (Note 1)	Amounts included in quarterly consolidated statements of income (Note 2)
Net Sales						
Sales, external	34,013	13,456	1,918	49,387	—	49,387
Intersegment sales	—	—	108	108	(108)	—
Total	34,013	13,456	2,026	49,496	(108)	49,387
Segment income or loss	8,705	1,012	(241)	9,476	(1,887)	7,588
Segment assets	58,542	22,187	4,085	84,815	2,532	87,348
Other items						
Depreciation	697	321	238	1,257	(19)	1,237
Amortization of goodwill	2	43	—	45	—	45
Increases of property, plant and equipment and intangible assets	1,353	1,825	63	3,242	(16)	3,225

(Note 1) Adjustments are as follows.

- 1) Intersegment eliminations totaling 624 million yen and unallocated corporate expenses totaling 2,512 million yen have been included in the segment income (loss) adjustment totaling (1,887) million 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 related to 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.

Impairment loss for non-current assets by reportable segment

Previous fiscal year (October 1, 2013 to September 30, 2014)

(Millions of yen)

	Cosmetics	Pharmaceuticals & Health Food	Other	Elimination/ corporate (total)	Total
Impairment loss	—	27	—	—	27

Reporting fiscal year (October 1, 2014 to September 30, 2015)

Not applicable

Amortization and unamortized balance of goodwill for each reportable segment

Previous fiscal year (October 1, 2013 to September 30, 2014)

(Millions of yen)

	Cosmetics	Pharmaceuticals & Health Food	Other	Elimination/ corporate (total)	Total
Balance at the end of the year	7	163	—	—	171

(Note) Amortization of goodwill is omitted because similar information is disclosed in Segment Information.

Reporting fiscal year (October 1, 2014 to September 30, 2015)

(Millions of yen)

	Cosmetics	Pharmaceuticals & Health Food	Other	Elimination/ corporate (total)	Total
Balance at the end of the year	6	134	—	—	140

(Note) Amortization of goodwill is omitted because similar information is disclosed in Segment Information.

Information about gain on bargain purchase for each reportable segment

Not applicable