

April 28, 2016

Noevir Holdings Announces 2016 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 10, 2016 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, 2016 (October 1, 2015 – March 31, 2016)

* 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 attributable to owners of the parent	
Six months ended March 31, 2016	24,926	5.5%	3,716	4.3%	3,673	(6.4)%	1,245	(16.9)%
Six months ended March 31, 2015	23,635	(3.9)%	3,563	(23.3)%	3,926	(18.3)%	1,499	(34.0)%

Note: Comprehensive income:

First half of fiscal year ending September 30, 2016: 1,266 million yen (29.8)%

First half of fiscal year ended September 30, 2015: 1,803 million yen (23.4)%

	EPS (Yen)	Diluted EPS (Yen)
Six months ended March 31, 2016	35.14	—
Six months ended March 31, 2015	41.58	—

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
First half ended March 31, 2016	86,929	52,319	60.0
Year ended September 30, 2015	87,348	54,598	62.4

[Reference] Equity:

First half ended March 31, 2016: 52,190 million yen Year ended September 30, 2015: 54,483 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Year ended September 30, 2015	—	0.00	—	100.00	100.00
Year ending September 30, 2016	—	0.00	—	—	—
Year ending September 30, 2016 (forecast)	—	—	—	100.00	100.00

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

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 the parent		EPS (Yen)
Full year	50,500	2.3%	7,700	1.5%	7,900	(2.4)%	5,100	4.3%	143.86

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: Yes

2) Other changes: None

3) Changes in accounting estimates: None

4) Restatements: None

Note: For details, please refer to “(3) Changes in accounting policies, accounting estimates, restatements, etc.” under “2. Summary information (Notes)” on page 6 of this report.

(4) Shares outstanding (common stock)

1) Shares outstanding (including treasury stock)

As of March 31, 2016: 35,451,653

As of September 30, 2015: 35,451,653

2) Treasury shares outstanding

As of March 31, 2016: 30

As of September 30, 2015: 0

3) Average shares outstanding over quarter

As of March 31, 2016: 35,451,633

As of March 31, 2015: 36,053,329

* 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

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) Estimates and forecasts pertaining to future plans and business results” under “1. Qualitative information regarding quarterly consolidated business performance” on page 5 the Attached Material.

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1. Qualitative information regarding quarterly consolidated business performance

(1) Operating results

Consolidated operating results for the reporting first half (October 1, 2015 to March 31, 2016)

	First half ended March 31, 2015		First half ended March 31, 2016		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Cosmetics	16,494	69.8	18,256	73.2	1,761	10.7
Pharmaceuticals & Health Food	6,186	26.2	5,846	23.5	(339)	(5.5)
Other	954	4.0	823	3.3	(130)	(13.7)
Total sales	23,635	100.0	24,926	100.0	1,291	5.5

	First half ended March 31, 2015		First half ended March 31, 2016		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	3,563	15.1	3,716	14.9	153	4.3
Ordinary income	3,926	16.6	3,673	14.7	(252)	(6.4)
Net income attributable to owners of the parent	1,499	6.3	1,245	5.0	(253)	(16.9)

During the first half of fiscal 2016 (October 1, 2015 to March 31, 2016), the Japanese economy continued to recover gradually as a trend mainly due to improvements in corporate earnings and the employment situation. However, the outlook remained uncertain, due to dramatic fluctuations in exchange rates and concerns over slowdowns in economies overseas.

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

Under these circumstances, net sales for the first half ended March 31, 2016 came to 24,926 million yen (up 5.5% year on year). Operating income was 3,716 million yen (up 4.3%), ordinary income totaled 3,673 million yen (down 6.4%), and net income attributable to owners of the parent came to 1,245 million yen (down 16.9%).

On January 19, 2016, Tokiwa Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company, announced a voluntary recall of its medicated cough drops from the market. The Company has recorded a loss of 505 million yen as the costs related to the voluntary recall in its consolidated financial statements for the first half ended March 31, 2016.

Sales in the Cosmetics segment totaled 18,256 million yen (up 10.7% year on year), and segment income came to 4,852 million yen (up 14.5 %). The launch of a new aging care skincare lotion and the high-end basic skincare series underscored a firm trend in sales of cosmetics sold through individual consultation, enabling a performance exceeding the previous year. Sales of self-selection cosmetics increased on the back of the launch of new products and existing series winning support from a wide array of customers.

Sales in the Pharmaceutical & Health Food segment totaled 5,846 million yen (down 5.5% year on year), and the segment loss came to 121 million yen (compared with a segment income of 460 million yen in the first half of the previous fiscal year). Sales of pharmaceutical and health drinks increased, while sales of nutritional supplements declined year on year and 505 million yen was recorded as a loss related to the voluntary recall of medicated cough drops. This caused the segment’s sales and operating performance to decline from the previous year.

Sales in the Other segment came to 823 million yen (down 13.7% year on year), while segment loss came to 86 million yen (compared with a segment loss of 122 million yen in the corresponding period of the previous fiscal year). Sales in the apparel-related business firmed year on year while sales in the aviation-related business decreased due to unstable demand from the European and U.S. markets.

(2) Financial position

Total assets as of March 31, 2016 stood at 86,929 million yen, a decrease of 418 million yen over the previous fiscal year-end. This was mainly due to a decrease in cash and cash equivalents of 1,472 million yen.

Total liabilities came to 34,610 million yen, an increase of 1,860 million yen over the previous fiscal year-end. This was mainly due to increases in lease obligations (non-current) of 1,341 million yen due to production equipment investment.

Net assets came to 52,319 million yen, a decrease of 2,279 million yen from the previous fiscal year-end. This was primarily attributable to a decrease in additional paid-in capital of 2,299 million yen, due to the payment of 3,545 million yen in dividends, which absorbed an increase of 1,245 million yen in net income attributable to owners of the parent.

As a result, the equity ratio stood at 60.0%.

(Consolidated cash flows)

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis for the period under review stood at 36,271 million yen, a decrease of 867 million yen compared with the 37,139 million yen at the previous fiscal year-end.

The status of each cash flow together with the factors contributing to an increase or decrease for the six-months ended March 31, 2016 are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 3,039 million yen (718 million yen more than in the corresponding period of the previous fiscal year). The main items increasing cash were the posting of 3,670 million yen in income before income taxes and a decrease of 1,050 million yen in trade receivables. The main items decreasing cash were the payment and refund of 2,035 million yen in income taxes.

(Cash flows from investing activities)

Net cash used in investing activities came to 248 million yen (1,182 million yen less than in the corresponding period of the previous fiscal year). The principal cash outflows were 552 million yen for purchase of property, plant and equipment and 270 million yen for purchase of investment securities. The principal inflow was 600 million yen in proceeds from withdrawal of time deposits (net).

(Cash flows from financing activities)

Net cash used in financing activities came to 3,575 million yen (2,632 million yen less than in the corresponding period of the previous fiscal year). This was mainly due to the payment of 3,538 million yen in dividends.

(3) Estimates and forecasts pertaining to future plans and business results

The consolidated business performance forecasts for the full year ending September 30, 2016, announced on November 10, 2015, remain 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.

(Changes in accounting policies)

Effective October 1, 2015, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter the "Business Combination Accounting Standard"), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter the "Consolidated Accounting Standard") and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter the "Business Divestiture Accounting Standard"). As a result, gain or loss arising from a change in the Company's equity in subsidiaries in cases where control is retained was revised to a method recognizing them as an adjustment to capital surplus, along with recognizing the acquisition costs in connection with business combinations as expenses in the consolidated fiscal year in which they arise. At the same time, for business combinations that take place on or after October 1, 2015, the disclosure method was revised so as to restate the distribution of acquisition cost upon provisional accounting recognition in the statements of the fiscal year in which the combination took place. In addition, the presentation of quarterly net income, etc. was changed, and the presentation of minority interest was changed to the presentation of non-controlling interests. As a result, the consolidated financial statements were restated for the first half and the full term of the previous fiscal year.

With regard to the adoption of the Business Combination Accounting Standard and other accounting standards, the Company has adopted the Business Combination Accounting Standard from October 1, 2015, the beginning of the first quarter ended December 31, 2015 onward in accordance with the transitional treatment set forth in Article 58-2 (4) of the Business Combination Accounting Standard, Article 44-5 (4) of the Consolidated Accounting Standard, and Article 57-4 (4) of the Business Divestiture Accounting Standard.

The effect of this change on the quarterly consolidated financial statements for the first half ended March 31, 2016 was negligible.

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

(Millions of yen)

	Previous fiscal year (As of September 30, 2015)	As of March 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	37,832	36,359
Notes and accounts receivable	10,814	9,749
Merchandise and finished goods	5,555	6,228
Work in progress	140	115
Raw materials and purchased supplies	1,167	1,196
Deferred tax assets	888	898
Other receivables	2,302	2,447
Other	501	490
Allowance for doubtful accounts	(31)	(27)
Total current assets	59,170	57,457
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,406	4,776
Equipment and vehicles, net	3,439	4,202
Land	13,834	13,832
Lease assets, net	283	1,608
Construction in progress	1,291	—
Other, net	265	254
Total property, plant and equipment	23,521	24,675
Intangible assets		
Goodwill	140	117
Software	99	161
Other	157	86
Total intangible assets	397	365
Investments and other assets		
Investment securities	1,272	1,544
Deferred tax assets	1,846	1,747
Other	1,180	1,179
Allowance for doubtful accounts	(41)	(39)
Total investments and other assets	4,258	4,431
Total non-current assets	28,177	29,472
Total assets	87,348	86,929

(Millions of yen)

	Previous fiscal year (As of September 30, 2015)	As of March 31, 2016
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	5,038	5,684
Lease obligations	28	121
Other accounts payable	3,842	3,797
Income tax payable	1,475	1,777
Reserve for bonuses	65	64
Reserve for product returns	429	412
Other	1,098	910
Total current liabilities	11,979	12,767
Long-term liabilities		
Lease obligations	274	1,616
Guarantee deposits received	15,351	15,081
Deferred tax liabilities	258	245
Net defined benefit liability	4,735	4,762
Other	150	136
Total long-term liabilities	20,770	21,842
Total liabilities	32,749	34,610
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Retained earnings	46,915	44,616
Treasury stock	—	(0)
Total shareholders' equity	54,234	51,935
Accumulated other comprehensive income		
Net unrealized gain on other securities	377	386
Foreign currency translation adjustments	(59)	(137)
Remeasurements of defined benefit plans, net of tax	(68)	5
Total accumulated other comprehensive income	248	255
Non-controlling interests	115	129
Total net assets	54,598	52,319
Total liabilities and net assets	87,348	86,929

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income
First half period of the fiscal year ending September 30, 2016

(Millions of yen)

	First half ended March 31, 2015	First half ended March 31, 2016
Net sales	23,635	24,926
Cost of sales	8,084	8,711
Gross profit	15,550	16,214
Selling, general and administrative expenses	11,987	12,498
Operating income	3,563	3,716
Non-operating income		
Interest income	9	9
Dividend income	5	5
Lease income	33	36
Exchange differences	203	—
Other	111	52
Total	362	103
Non-operating expenses		
Interest expenses	—	1
Exchange differences	—	142
Other	0	1
Total	0	146
Ordinary income	3,926	3,673
Extraordinary income		
Gain on sale of fixed assets	9	0
Total	9	0
Extraordinary losses		
Loss on disposal of fixed assets	12	3
Total	12	3
Income before income taxes	3,923	3,670
Income taxes – basic	2,103	2,346
Income taxes – deferred	304	53
Total	2,407	2,399
Net income	1,515	1,271
Net income attributable to non-controlling interests	16	25
Net income attributable to owners of the parent	1,499	1,245

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	First half ended March 31, 2015	First half ended March 31, 2016
Net income	1,515	1,271
Other comprehensive income		
Net unrealized gain on other securities	151	9
Foreign currency translation adjustments	117	(89)
Remeasurements of defined benefit plans, net of tax	19	74
Total	288	(5)
Comprehensive income	1,803	1,266
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,780	1,251
Comprehensive income attributable to non-controlling interests	22	14

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	First half ended March 31, 2015	First half ended March 31, 2016
Cash flows from operating activities		
Income before income taxes	3,923	3,670
Depreciation	542	774
Amortization of goodwill	23	22
Increase (decrease) in reserve for doubtful accounts	(7)	(5)
Increase (decrease) in reserve for bonuses	(198)	(0)
Increase (decrease) in reserve for product returns	(14)	(17)
Increase (decrease) in net defined benefit liability	(89)	26
Interest and dividends received	(15)	(14)
Interest expenses	—	1
Gain/loss on currency translation	(193)	133
Gain/loss on sales of property, plant and equipment	2	3
Decrease (increase) in trade receivables	435	1,050
Decrease (increase) in inventories	(791)	(709)
Increase (decrease) in trade payables	857	670
Increase (decrease) in guarantee deposits	(304)	(269)
Other	(107)	(270)
Subtotal	4,063	5,065
Interest and dividends received	9	10
Interest paid	—	(1)
Income tax (paid) refunded	(1,751)	(2,035)
Net cash provided by (used in) operating activities	2,320	3,039
Cash flows from investing activities		
Expenditure for deposit to time deposits	(2,053)	(51)
Proceeds from withdrawal of time deposits	2,029	651
Purchase of securities	(9,996)	(9,996)
Proceeds from redemption of securities	10,001	10,000
Purchase of investment securities	(90)	(270)
Purchase of property, plant and equipment	(1,234)	(552)
Proceeds from sale of property, plant and equipment	32	0
Purchase of intangible assets	(29)	(30)
Payments for transfer of business	(90)	—
Net cash provided by (used in) investing activities	(1,430)	(248)
Cash flows from financing activities		
Purchase of treasury stock	(3,964)	(0)
Cash dividends paid	(2,243)	(3,538)
Other	—	(36)
Net cash provided by (used in) financing activities	(6,207)	(3,575)
Effects of exchange rate changes on cash and cash equivalents	110	(83)
Net change in cash and cash equivalents	(5,207)	(867)
Cash and cash equivalents, beginning of year	41,840	37,139
Cash and cash equivalents, end of year	36,632	36,271

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

(Additional information)

(Revision of amounts of deferred tax assets and deferred tax liabilities due to change in corporate income tax rate, etc.)

Following the promulgation of the "Act for Partial Revision of the Income Tax Act" (Act No.15, 2016) and "Act for Partial Revision of the Local Tax Act" (Act No.13, 2016) on March 31, 2016, the corporate income tax rate was changed for the fiscal years beginning on or after April 1, 2016.

In line with this change, the statutory income tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary differences expected to reverse in or after the fiscal year beginning on October 1, 2016 will be reduced from the previous 33.0% to 30.8%. Likewise, the statutory tax rate will be lowered to 30.5% for temporary differences expected to be reverse in the fiscal years beginning on or after October 1, 2018.

As a result of this change in taxation rate, the net amount of deferred tax assets (less the amount of deferred tax liabilities) was reduced by 120 million yen and the amount of deferred income taxes increased by 132 million yen.

(Note on significant changes in shareholders' equity)
Not applicable

(Segment information)

I Consolidated results for the previous first half (October 1, 2014 to March 31, 2015) of fiscal 2015

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

(Millions 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	16,494	6,186	954	23,635	—	23,635
(2) Intersegment sales	—	—	53	53	(53)	—
Total	16,494	6,186	1,007	23,688	(53)	23,635
Segment income (loss)	4,239	460	(122)	4,577	(1,014)	3,563

(Note 1) Intersegment eliminations totaling 282 million yen and unallocated corporate expenses totaling (1,296) million yen have been included in the segment income (loss) adjustment totaling (1,014) million 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, 2015 to March 31, 2016) of fiscal 2016

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

(Millions 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	18,256	5,846	823	24,926	—	24,926
(2) Intersegment sales	—	—	86	86	(86)	—
Total	18,256	5,846	909	25,012	(86)	24,926
Segment income (loss)	4,852	(121)	(86)	4,644	(928)	3,716

(Note 1) Intersegment eliminations totaling 331 million yen and unallocated corporate expenses totaling (1,259) million yen have been included in the segment income (loss) adjustment totaling (928) million 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