

Noevir Holdings Announces 2016 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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Annual General Meeting of Shareholders: December 7, 2016
 Date of commencement of dividend payments: December 8, 2016
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 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, 2016 (October 1, 2015 – September 30, 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	
Year ended September 30, 2016	51,180	3.6%	7,706	1.6%	7,832	(3.2)%	5,049	3.3%
Year ended September 30, 2015	49,387	2.4%	7,588	7.4%	8,091	7.7%	4,890	12.4%

Note: Comprehensive income:

Year ended September 30, 2016: 4,854 million yen (2.3)%

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

	EPS (Yen)	Diluted EPS (Yen)	ROE (%)	Ordinary income/Total assets (%)	Operating income/Total sales (%)
Year ended September 30, 2016	142.44	—	9.2	8.8	15.1
Year ended September 30, 2015	136.79	—	8.9	9.2	15.4

[Reference]

Equity in gains/losses of affiliated companies

Year ended September 30, 2016: — million yen

Year ended September 30, 2015: — million yen

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (Yen)
Year ended September 30, 2016	89,709	55,908	62.2	1,573.50
Year ended September 30, 2015	87,348	54,598	62.4	1,536.84

[Reference] Equity:

Year ended September 30, 2016: 55,783 million yen

Year ended September 30, 2015: 54,483 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, 2016	5,960	(1,377)	(3,640)	37,895
Year ended September 30, 2015	4,822	(3,412)	(6,209)	37,139

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, 2015	—	0.00	—	100.00	100.00	3,545	73.1	6.6
Year ended September 30, 2016	—	0.00	—	120.00	120.00	4,254	84.2	7.7
Year ending September 30, 2017 (forecast)	—	0.00	—	120.00	120.00		73.3	

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2017 (October 1, 2016 – September 30, 2017)

(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)
Half year	25,300	1.5%	3,800	2.2%	3,900	6.2%	1,300	4.3%	36.67
Full year	52,000	1.6%	8,500	10.3%	8,700	11.1%	5,800	14.9%	163.60

* 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, 2016: 35,451,653
 - As of September 30, 2015: 35,451,653
- 2) Treasury shares outstanding
 - As of September 30, 2016: 30
 - As of September 30, 2015: 0
- 3) Average shares outstanding over quarter
 - Year ended September 30, 2016: 35,451,628
 - Year ended September 30, 2015: 35,751,667

* 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

	Year ended September 30, 2015		Year ended September 30, 2016		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Total sales	49,387	100.0	51,180	100.0	1,792	3.6
Cosmetics	34,013	68.9	36,031	70.4	2,018	5.9
Pharmaceuticals & Health Food	13,456	27.2	13,243	25.9	(213)	(1.6)
Other	1,918	3.9	1,905	3.7	(12)	(0.7)

	Year ended September 30, 2015		Year ended September 30, 2016		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	7,588	15.4	7,706	15.1	117	1.6
Ordinary income	8,091	16.4	7,832	15.3	(258)	(3.2)
Net income attributable to owners of the parent	4,890	9.9	5,049	9.9	159	3.3

During fiscal 2016 (October 1, 2015 to September 30, 2016), the Japanese economy continued along the track of recovering gradually, mainly due to improvements in corporate capital investment and the employment situation. However, the economic trends remained uncertain due to signs of weakness in private consumption and corporate earnings in some areas as well as 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, the Cosmetics segment saw strong sales. Sales of cosmetics sold through individual consultation saw brisk sales of new products and the high-end basic skincare series. Sales of self-selection cosmetics grew atop the winning of support from a wide range of customers for both new products and existing series. Sales in the Pharmaceutical & Health Food segment declined year on year due to the impact of a voluntary recall of medicated cough drops. Sales in the Other segment declined year on year.

As a result, net sales for the fiscal year ended September 30, 2016 came to 51,180 million yen (up 3.6% year on year), operating income was 7,706 million yen (up 1.6%), ordinary income amounted to 7,832 million yen (down 3.2%), and net income attributable to owners of the parent came to 5,049 million yen (up 3.3%). Operating income and net income attributable to owners of the parent both recorded record highs for a second consecutive year.

Segment results

(a) Cosmetics

	(Millions of yen)			
	Year ended September 30, 2015	Year ended September 30, 2016	Change (Millions of yen)	Change (%)
Total sales	34,013	36,013	2,018	5.9
Segment income	8,705	9,537	832	9.6

Sales in the the Cosmetics segment totaled 36,031 million yen (up 5.9% year on year), and segment income came to 9,537 million yen (up 9.6%).

In sales of cosmetics sold through individual consultation, new products and high-end basic skincare series performed strongly.

Sales of self-selection cosmetics grew atop winning support from a wide range of customers for both new products and existing series.

(b) Pharmaceuticals & Health Food

	(Millions of yen)			
	Year ended September 30, 2015	Year ended September 30, 2016	Change (Millions of yen)	Change (%)
Total sales	13,456	13,243	(213)	(1.6)
Segment income	1,012	170	(842)	(83.2)

Sales in the Pharmaceutical & Health Food segment totaled 13,243 million yen (down 1.6% year on year), and segment income came to 170 million yen (down 83.2%).

Sales and income both declined year on year due to the recording of a loss of 583 million yen related to a voluntary recall of medicated cough drops.

Sales of pharmaceutical drinks and health drinks were level with the previous fiscal year.

Sales of nutritional supplements were strong.

(c) Other

	(Millions of yen)			
	Year ended September 30, 2015	Year ended September 30, 2016	Change (Millions of yen)	Change (%)
Total sales	1,918	1,905	(12)	(0.7)
Segment loss	(241)	(63)	178	—

Sales in the Other segment came to 1,905 million yen (down 0.7% year on year), while the segment loss was improved at 63 million yen (compared to a segment loss of 241 million yen in the previous fiscal year).

Sales and in the apparel-related business were level year on year.

Sales in the aviation-related business decreased year on year due to unstable demand from the European and U.S. markets.

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, 2016, 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, 2017

The Company will move forward aiming to realize the concept of its medium-term management plan: “Realizing steady corporate growth by securing sustainability in every Group business segment.”

Based on the above, the Company’s consolidated forecast for the fiscal year ending September 30, 2017 is for net sales of 52,000 million yen, operating income of 8,500 million yen, ordinary income of 8,700 million yen, and net income attributable to owners of the parent of 5,800 million yen.

(2) Analysis of financial position

1) Assets, liabilities and equity

Total assets at fiscal 2016 year-end stood at 89,709 million yen, an increase of 2,361 million yen compared with the previous fiscal year-end. This was mainly due to increases of 1,268 million yen in lease assets, net, as a result of warehousing equipment investment, and 786 million yen in other receivables.

Total liabilities came to 33,801 million yen, an increase of 1,051 million yen over the previous fiscal year-end. This was mainly due to an increase in lease obligations (long-term) of 1,282 million yen due to warehousing equipment investment.

Net assets came to 55,908 million yen, an increase of 1,309 million yen from the previous fiscal year-end. This was primarily attributable to an increase in retained earnings of 1,504 million yen, due to an increase of 5,049 million yen in net income attributable to owners of the parent which absorbed the payment of 3,545 million yen in dividends at the previous fiscal year-end.

As a result, the equity ratio stood at 62.2%, down 0.2 percentage points from the previous fiscal year end, and net assets per share stood at 1,573.50 yen, an increase of 36.66 yen.

2) Cash flow

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis as of September 30, 2016 stood at 37,895 million yen, an increase of 755 million yen compared with the 37,139 million yen at the previous fiscal year-end.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 5,960 million yen (1,137 million yen more than in the corresponding period of the previous fiscal year). The main items increasing cash were the posting of 7,815 million yen in income before income taxes and depreciation of 1,654 million yen. The main item decreasing cash was income tax paid of 3,360 million yen.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,377 million yen (2,035 million yen less than in the corresponding period of the previous fiscal year). The principal cash outflow was 1,690 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to 3,640 million yen (2,569 million yen less than in the corresponding period of the previous fiscal year). This was mainly due to the payment of 3,542 million yen in dividends.

	Year ended Sept. 30, 2012	Year ended Sept. 30, 2013	Year ended Sept. 30, 2014	Year ended Sept. 30, 2015	Year ended Sept. 30, 2016
Equity ratio (%)	59.3	61.3	63.5	62.4	62.2
Equity ratio (market capitalization, %)	50.1	72.3	88.1	104.9	121.7
Cash flows/ interest-bearing debt ratio (%)	—	—	—	5.5	—
Interest coverage ratio (times)	—	—	—	7,802.6	3,280.3

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 2016 (ended September 30, 2016), based on the aforementioned policy, we plan to pay a year-end dividend of 120 yen per share, which is a 20 yen increase from our most recent dividend forecast.

For the current fiscal year, ending September 30, 2017, we plan to pay a dividend of 120 yen per share.

2. Management strategy

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

To achieve the Noevir Group's medium-term management plan concept, "Realizing steady corporate growth by securing sustainability in every Group business segment," the Group will 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) Numerical targets and achievements

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

(3) Key issues

To respond to change and diversification in the markets for the Group's core Cosmetics and Pharmaceuticals & Health Food businesses, the Group recognizes that promoting its medium-term management plan concept, "Realizing steady corporate growth by securing sustainability in every Group business segment" is an important priority.

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, 2015	As of September 30, 2016
ASSETS		
Current assets		
Cash and cash equivalents	37,832	37,959
Notes and accounts receivable	10,814	10,880
Merchandise and finished goods	5,555	5,787
Work in progress	140	110
Raw materials and purchased supplies	1,167	1,319
Deferred tax assets	888	807
Other receivables	2,302	3,088
Other	501	627
Allowance for doubtful accounts	(31)	(28)
Total current assets	59,170	60,552
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,406	4,672
Equipment and vehicles, net	3,439	3,711
Land	13,834	13,832
Lease assets, net	283	1,551
Construction in progress	1,291	210
Other, net	265	219
Total property, plant and equipment	23,521	24,198
Intangible assets		
Goodwill	140	94
Software	99	143
Other	157	90
Total intangible assets	397	328
Investments and other assets		
Investment securities	1,272	1,641
Deferred tax assets	1,846	1,855
Other	1,180	1,171
Allowance for doubtful accounts	(41)	(39)
Total investments and other assets	4,258	4,629
Total non-current assets	28,177	29,157
Total assets	87,348	89,709

(Millions of yen)

	As of September 30, 2015	As of September 30, 2016
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	5,038	5,570
Lease obligations	28	117
Other accounts payable	3,842	3,407
Income tax payable	1,475	1,425
Reserve for bonuses	65	65
Reserve for product returns	429	375
Other	1,098	959
Total current liabilities	11,979	11,921
Long-term liabilities		
Lease obligations	274	1,557
Guarantee deposits received	15,351	14,827
Deferred tax liabilities	258	264
Net defined benefit liability	4,735	5,093
Other	150	136
Total long-term liabilities	20,770	21,880
Total liabilities	32,749	33,801
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Retained earnings	46,915	48,420
Treasury stock	—	(0)
Total shareholders' equity	54,234	55,739
Accumulated other comprehensive income		
Net unrealized gain on other securities	377	453
Foreign currency translation adjustments	(59)	(292)
Remeasurements of defined benefit plans, net of tax	(68)	(116)
Total accumulated other comprehensive income	248	44
Non-controlling interests	115	125
Total net assets	54,598	55,908
Total liabilities and net assets	87,348	89,709

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

(Millions of yen)

	Year ended September 30, 2015	Year ended September 30, 2016
Net sales	49,387	51,180
Cost of sales	16,800	17,995
Gross profit	32,587	33,184
Selling, general and administrative expenses		
Cost of sales	4,196	4,403
Advertising expenses	1,936	2,035
Salaries and bonuses	6,942	6,742
Accrued allowance for bonuses	70	69
Retirement benefits for employees	406	551
Depreciation	661	877
Research and development expenses	1,102	1,184
Other	9,681	9,613
Total	24,999	25,478
Operating income	7,588	7,706
Non-operating income		
Interest income	18	12
Dividend income	13	13
Exchange differences	255	—
Lease income	70	76
Insurance income	18	107
Dividend income of insurance	34	60
Other	93	98
Total	504	369
Non-operating expenses		
Interest expenses	0	1
Exchange differences	—	236
Other	0	4
Total	1	243
Ordinary income	8,091	7,832
Extraordinary income		
Gain on sale of fixed assets	11	0
Total	11	0
Extraordinary losses		
Loss on disposal of fixed assets	25	12
Loss on valuation of membership rights	—	4
Total	25	17
Income before income taxes	8,077	7,815
Income taxes – basic	2,774	2,649
Income taxes – deferred	375	76
Total	3,149	2,726
Net income	4,927	5,089
Net income attributable to non-controlling interests	37	39
Net income attributable to owners of the parent	4,890	5,049

Consolidated statements of comprehensive income

(Millions of yen)

	Year ended September 30, 2015	Year ended September 30, 2016
Net income	4,927	5,089
Other comprehensive income		
Net unrealized gain on other securities	82	76
Foreign currency translation adjustments	84	(262)
Remeasurements of defined benefit plans, net of tax	(123)	(47)
Total	43	(234)
Comprehensive income	4,971	4,854
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,930	4,844
Comprehensive income attributable to non-controlling interests	40	10

(3) Consolidated changes to equity
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 attributable to owners of the parent			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				non-controlling interests	Total net assets
	Net unrealized gain on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total 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 attributable to owners of the parent						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

Year ended (September 30, 2016)

(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	—	46,915	—	54,234
Changes during the reporting period					
Distribution of dividends from retained earnings			(3,545)		(3,545)
Net income attributable to owners of the parent			5,049		5,049
Purchase of own shares				(0)	(0)
Changes during the reporting period, excluding shareholders' equity					
Total changes during the period	—	—	1,504	(0)	1,504
Balance at end of the year	7,319	—	48,420	(0)	55,739

	Accumulated other comprehensive income				non-controlling interests	Total net assets
	Net unrealized gain on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the year	377	(59)	(68)	248	115	54,598
Changes during the reporting period						
Distribution of dividends from retained earnings						(3,545)
Net income attributable to owners of the parent						5,049
Purchase of own shares						(0)
Changes during the reporting period, excluding shareholders' equity	76	(233)	(47)	(204)	10	(194)
Total changes during the period	76	(233)	(47)	(204)	10	1,309
Balance at end of the year	453	(292)	(116)	44	125	55,908

(4) Consolidated statements of cash flows

(Millions of yen)

	Year ended September 30, 2015	Year ended September 30, 2016
Cash flows from operating activities		
Income before income taxes	8,077	7,815
Depreciation	1,237	1,654
Amortization of goodwill	45	45
Increase (decrease) in reserve for doubtful accounts	(9)	(4)
Increase (decrease) in reserve for bonuses	(196)	1
Increase (decrease) in reserve for product returns	(1)	(54)
Increase (decrease) in net defined benefit liability	(125)	358
Interest and dividends received	(31)	(26)
Interest expenses	0	1
Gain/loss on currency translation	(189)	151
Gain/loss on sales of property, plant and equipment	14	12
Decrease (increase) in trade receivables	(282)	(113)
Decrease (increase) in inventories	(569)	(435)
Increase (decrease) in trade payables	526	562
Loss on valuation of membership rights	—	4
Increase (decrease) in guarantee deposits	(571)	(522)
Other	(131)	(150)
Subtotal	7,793	9,301
Interest and dividends received	19	21
Interest paid	(0)	(1)
Income tax (paid) refunded	(2,989)	(3,360)
Net cash provided by (used in) operating activities	4,822	5,960
Cash flows from investing activities		
Expenditure for deposit to time deposits	(2,694)	(69)
Proceeds from withdrawal of time deposits	2,028	686
Purchase of securities	(19,992)	(9,996)
Proceeds from redemption of securities	20,002	10,000
Purchase of investment securities	(271)	(271)
Purchase of property, plant and equipment	(2,352)	(1,690)
Proceeds from sale of property, plant and equipment	41	2
Purchase of intangible assets	(83)	(39)
Payments for transfer of business	(90)	—
Net cash provided by (used in) investing activities	(3,412)	(1,377)
Cash flows from financing activities		
Purchase of treasury stock	(3,964)	(0)
Cash dividends paid	(2,245)	(3,542)
Other	—	(97)
Net cash provided by (used in) financing activities	(6,209)	(3,640)
Effects of exchange rate changes on cash and cash equivalents	98	(186)
Net change in cash and cash equivalents	(4,700)	755
Cash and cash equivalents, beginning of year	41,840	37,139
Cash and cash equivalents, end of year	37,139	37,895

(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.

In the Pharmaceutical & Health Food segment, the Company manufactures and sells pharmaceuticals and food products.

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 9, 2015).

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 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.

Consolidated results for fiscal 2016 (October 1, 2015 to September 30, 2016)

(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	36,031	13,243	1,905	51,180	—	51,180
Intersegment sales	—	—	183	183	(183)	—
Total	36,031	13,243	2,089	51,364	(183)	51,180
Segment income or loss	9,537	170	(63)	9,644	(1,938)	7,706
Segment assets	57,521	22,729	1,356	81,607	8,101	89,709
Other items						
Depreciation	734	697	142	1,575	79	1,654
Amortization of goodwill	2	43	—	45	—	45
Increases of property, plant and equipment and intangible assets	2,128	2,227	1	4,356	(1,850)	2,506

(Note 1) Adjustments are as follows.

- 1) Intersegment eliminations totaling 572 million yen and unallocated corporate expenses totaling 2,511 million yen have been included in the segment income (loss) adjustment totaling (1,938) 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
 Not applicable

Amortization and unamortized balance of goodwill for each reportable segment
 Previous 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.

Reporting fiscal year (October 1, 2015 to September 30, 2016)

(Millions of yen)

	Cosmetics	Pharmaceuticals & Health Food	Other	Elimination/ corporate (total)	Total
Balance at the end of the year	4	90	—	—	94

(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