

April 27, 2018

Noevir Holdings Announces Consolidated Results for the First Six Months of the Fiscal Year Ending September 30, 2018 (based on Japan GAAP)

Trade name: Noevir Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange, First Section (Securities Code: 4928)
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Submission of securities report: May 8, 2018 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 six months of the fiscal year ending September 30, 2018 (October 1, 2017 – March 31, 2018)

* 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, 2018	28,433	6.4%	5,851	24.2%	5,919	21.4%	2,309	13.0%
Six months ended March 31, 2017	26,715	7.2%	4,711	26.8%	4,874	32.7%	2,044	64.1%

Note: Comprehensive income:

Six months ended March 31, 2018: 2,391 million yen (5.4)%

Six months ended March 31, 2017: 2,528 million yen 99.7%

	EPS (Yen)	Diluted EPS (Yen)
Six months ended March 31, 2018	67.00	—
Six months ended March 31, 2017	57.67	—

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
Six months ended March 31, 2018	78,431	46,466	58.9
Year ended September 30, 2017	93,567	59,365	63.2

[Reference] Equity:

Six months ended March 31, 2018: 46,232 million yen

Year ended September 30, 2017: 59,175 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Year ended September 30, 2017	—	0.00	—	150.00	150.00
Year ending September 30, 2018	—	0.00	—	—	—
Year ending September 30, 2018 (forecast)	—	—	—	150.00	150.00

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

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2018
(October 1, 2017 – September 30, 2018)

(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	56,000	2.8%	10,700	7.1%	10,900	5.9%	7,300	3.1%	212.75

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, 2018: 34,156,623
 - As of September 30, 2017: 35,451,653
 - 2) Treasury shares outstanding
 - As of March 31, 2018: 25
 - As of September 30, 2017: 30
 - 3) Average shares outstanding over quarter
 - As of March 31, 2018: 34,469,685
 - As of March 31, 2017: 35,451,623

* Quarterly financial results are not audited by a certified public accountant or audit company.

* 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 of the Attached Material.

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1. Qualitative information regarding quarterly consolidated business performance

(1) Operating results

Consolidated operating results for the first six months of the fiscal year ending September 30, 2018 (October 1, 2017 to March 31, 2018)

	Six months ended March 31, 2017		Six months ended March 31, 2018		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Total sales	26,715	100.0	28,433	100.0	1,718	6.4
Cosmetics	19,478	72.9	21,277	74.8	1,798	9.2
Pharmaceuticals & Health Food	6,273	23.5	6,202	21.8	(71)	(1.1)
Other	962	3.6	954	3.4	(8)	(0.9)

	Six months ended March 31, 2017		Six months ended March 31, 2018		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	4,711	17.6	5,851	20.6	1,139	24.2
Ordinary income	4,874	18.2	5,919	20.8	1,045	21.4
Net income attributable to owners of the parent	2,044	7.7	2,309	8.1	264	13.0

During the first six months of fiscal 2018 (the fiscal year ending September 30, 2018) (October 1, 2017 to March 31, 2018), the Japanese economy continued recovering gradually, mainly due to further improvements in corporate earnings and the employment situation. However, economic trends remained uncertain due to fluctuations in foreign exchange rates and uncertainty in economies overseas, among other factors.

In domestic and overseas markets where the Group conducts business operations, diverse latent consumer demand is anticipated.

Under these circumstances, the Group's operating results for the first six months of fiscal 2018 were as follows. Net sales came to 28,433 million yen (up 6.4% year on year). Operating income was 5,851 million yen (up 24.2%), ordinary income totaled 5,919 million yen (up 21.4%), and net income attributable to owners of the parent came to 2,309 million yen (up 13.0%).

In the Cosmetics segment, sales totaled 21,277 million yen (up 9.2% year on year), and segment income came to 6,369 million yen (up 16.8%). Face-to-face channel cosmetics saw brisk sales for high-end basic skincare lines. Self-selection cosmetics continued to deliver strong sales.

In the Pharmaceutical & Health Food segment, sales totaled 6,202 million yen (down 1.1% year on year), and segment income came to 549 million yen (up 123.0%).

In the Other segment, sales came to 954 million yen (down 0.9% year on year), while the segment income was 44 million yen (down 26.0% year on year).

(2) Financial position

Total assets as of March 31, 2018 stood at 78,431 million yen, a decrease of 15,136 million yen from the previous fiscal year-end. This was mainly due to a decrease in cash and cash equivalents of 14,692 million yen.

Total liabilities came to 31,964 million yen, a decrease of 2,237 million yen from the previous fiscal year-end. This was mainly due to a decrease in notes and accounts payable of 1,946 million yen.

Net assets came to 46,466 million yen, a decrease of 12,898 million yen from the previous fiscal year-end. This was primarily attributable to a decrease in retained earnings of 12,979 million yen due to cancellation of treasury stock of 9,971 million yen, a decrease due to payment of 5,317 million yen in dividends at the previous fiscal year-end, and recording of net income attributable to owners of the parent of 2,309 million yen.

As a result, the equity ratio stood at 58.9%.

(Consolidated cash flow)

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis for the period under review stood at 25,687 million yen, a decrease of 14,662 million yen compared with the 40,350 million yen at the previous fiscal year-end.

The status of each cash flow together with the factors contributing to their increase or decrease for the first six months of fiscal 2018 are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 1,444 million yen (3,020 million yen less than in the corresponding period of the previous fiscal year). The main item increasing cash was the posting of 5,912 million yen in income before income taxes. The main items decreasing cash were net income tax paid of 2,481 million yen and decrease in trade payables of 1,941 million yen.

(Cash flows from investing activities)

Net cash used in investing activities came to 715 million yen (686 million yen more than in the corresponding period of the previous fiscal year). The principal cash outflow was 774 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to 15,340 million yen (11,030 million yen more than in the corresponding period of the previous fiscal year). This was mainly due purchase of treasury stock of 9,971 million yen and the payment of 5,310 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, 2018, announced on November 7, 2017, remain unchanged.

2. Quarterly consolidated financial statements and notes
(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of September 30, 2017)	As of March 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	40,424	25,732
Notes and accounts receivable	11,922	11,602
Merchandise and finished goods	5,859	6,042
Work in progress	107	165
Raw materials and purchased supplies	1,240	1,476
Deferred tax assets	782	688
Other receivables	3,250	2,913
Other	633	471
Allowance for doubtful accounts	(20)	(21)
Total current assets	64,200	49,070
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,477	4,324
Equipment and vehicles, net	3,505	3,170
Land	13,716	13,716
Lease assets, net	1,439	1,385
Construction in progress	54	509
Other, net	192	210
Total property, plant and equipment	23,384	23,316
Intangible assets		
Goodwill	48	25
Software	153	127
Other	85	85
Total intangible assets	288	238
Investments and other assets		
Investment securities	2,438	2,610
Net defined benefit asset	161	187
Deferred tax assets	1,861	1,801
Other	1,270	1,231
Allowance for doubtful accounts	(38)	(26)
Total investments and other assets	5,693	5,805
Total non-current assets	29,366	29,360
Total assets	93,567	78,431

(Millions of yen)

	Previous fiscal year (As of September 30, 2017)	As of March 31, 2018
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	5,860	3,914
Lease obligations	116	115
Other accounts payable	3,077	2,775
Income tax payable	1,993	2,475
Reserve for bonuses	83	84
Reserve for product returns	388	379
Other	1,166	904
Total current liabilities	12,687	10,649
Long-term liabilities		
Lease obligations	1,438	1,381
Guarantee deposits received	14,323	14,091
Deferred tax liabilities	422	461
Net defined benefit liability	5,196	5,244
Other	134	134
Total long-term liabilities	21,515	21,314
Total liabilities	34,202	31,964
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Retained earnings	51,243	38,263
Treasury stock	(0)	(0)
Total shareholders' equity	58,562	45,582
Accumulated other comprehensive income		
Net unrealized gain on other securities	819	938
Foreign currency translation adjustments	(107)	(190)
Remeasurements of defined benefit plans, net of tax	(99)	(98)
Total accumulated other comprehensive income	612	649
Non-controlling interests	189	234
Total net assets	59,365	46,466
Total liabilities and net assets	93,567	78,431

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income
First six months of the fiscal year ending September 30, 2018

(Millions of yen)

	Six months ended March 31, 2017	Six months ended March 31, 2018
Net sales	26,715	28,433
Cost of sales	9,298	9,944
Gross profit	17,416	18,489
Selling, general and administrative expenses	12,705	12,638
Operating income	4,711	5,851
Non-operating income		
Interest income	3	3
Dividend income	5	6
Exchange differences	19	—
Settlement received	84	6
Compensation for damages received	1	14
Other	50	46
Total	164	77
Non-operating expenses		
Exchange differences	—	8
Other	1	0
Total	1	9
Ordinary income	4,874	5,919
Extraordinary income		
Gain on sale of fixed assets	175	10
Gain on revision of retirement benefit plan	37	—
Total	212	10
Extraordinary losses		
Loss on disposal of fixed assets	2	17
Impairment loss	199	—
Total	202	17
Income before income taxes	4,884	5,912
Income taxes – basic	2,844	3,420
Income taxes – deferred	(35)	136
Total	2,809	3,557
Net income	2,075	2,354
Net income attributable to non-controlling interests	30	45
Net income attributable to owners of the parent	2,044	2,309

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Six months ended March 31, 2017	Six months ended March 31, 2018
Net income	2,075	2,354
Other comprehensive income		
Net unrealized gain on other securities	147	118
Foreign currency translation adjustments	176	(83)
Remeasurements of defined benefit plans, net of tax	129	1
Total	453	36
Comprehensive income	2,528	2,391
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,487	2,346
Comprehensive income attributable to non-controlling interests	40	44

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended March 31, 2017	Six months ended March 31, 2018
Cash flows from operating activities		
Income before income taxes	4,884	5,912
Depreciation	816	894
Impairment loss	199	—
Amortization of goodwill	22	22
Increase (decrease) in reserve for doubtful accounts	(7)	(10)
Increase (decrease) in reserve for bonuses	16	0
Increase (decrease) in reserve for product returns	13	(8)
Increase (decrease) in net defined benefit asset and liability	(199)	21
Interest and dividends received	(8)	(9)
Gain/loss on currency translation	(6)	1
Gain/loss on sales of property, plant and equipment	(172)	7
Gain on revision of retirement benefit plan	(37)	—
Decrease (increase) in trade receivables	22	325
Decrease (increase) in inventories	(111)	(496)
Increase (decrease) in trade payables	417	(1,941)
Increase (decrease) in guarantee deposits	(265)	(231)
Other	303	(570)
Subtotal	5,886	3,916
Interest and dividends received	8	9
Income tax (paid) refunded	(1,429)	(2,481)
Net cash provided by (used in) operating activities	4,464	1,444
Cash flows from investing activities		
Expenditure for deposit to time deposits	(38)	(22)
Proceeds from withdrawal of time deposits	38	50
Purchase of investment securities	(90)	(0)
Purchase of property, plant and equipment	(274)	(774)
Proceeds from sale of property, plant and equipment	352	35
Purchase of intangible assets	(16)	(2)
Net cash provided by (used in) investing activities	(28)	(715)
Cash flows from financing activities		
Purchase of treasury stock	—	(9,971)
Cash dividends paid	(4,250)	(5,310)
Other	(59)	(58)
Net cash provided by (used in) financing activities	(4,309)	(15,340)
Effects of exchange rate changes on cash and cash equivalents	117	(51)
Net change in cash and cash equivalents	243	(14,662)
Cash and cash equivalents, beginning of the period	37,895	40,350
Cash and cash equivalents, end of the period	38,139	25,687

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

(Note on significant changes in the amount of shareholders' equity)

At its Board of Directors' meeting held on November 7, 2017, the Company adopted a resolution to purchase and cancell treasury stock. On November 9, the Company purchased 1,295,000 shares (9,971 million yen) of treasury stock, and on November 28, it cancelled 1,295,030 shares (9,971 million yen) of treasury stock.

As a result, retained earnings decreased by 9,971 million yen in the first six months of fiscal 2018.

(Segment information)

I Consolidated results for the first six months of the fiscal year ended September 30, 2017
(October 1, 2016 to March 31, 2017)

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	19,478	6,273	962	26,715	—	26,715
(2) Intersegment sales	—	—	85	85	(85)	—
Total	19,478	6,273	1,047	26,800	(85)	26,715
Segment income	5,453	246	60	5,761	(1,050)	4,711

(Note 1) Intersegment eliminations totaling 217 million yen and unallocated corporate expenses totaling (1,267) million yen have been included in the segment income adjustment totaling (1,050) 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

(Significant impairment loss related to property, plant and equipment)

In the Cosmetics and the Pharmaceuticals & Health Food segments, the Company wrote down the carrying amount of land and buildings of facilities that are to be sold to the recoverable amount, and recognized the amount of the write-down as impairment losses.

The impairment losses for the first six months of fiscal 2017 were recognized as 189 million yen in the Cosmetics segment and 10 million yen in the Pharmaceuticals & Health Food segment.

II Consolidated results for the first six months of the fiscal year ending September 30, 2018
(October 1, 2017 to March 31, 2018)

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	21,277	6,202	954	28,433	—	28,433
(2) Intersegment sales	—	—	88	88	(88)	—
Total	21,277	6,202	1,042	28,521	(88)	28,433
Segment income	6,369	549	44	6,964	(1,113)	5,851

(Note 1) Intersegment eliminations totaling 347 million yen and unallocated corporate expenses totaling (1,461) million yen have been included in the segment income adjustment totaling (1,113) 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