

January 31, 2019

Noevir Holdings Announces Consolidated Results for the First Three Months of the Fiscal Year Ending September 30, 2019 (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: February 4, 2019 Date of commencement of dividend payments: –
 Supplemental materials for the financial results prepared: None
 Results briefing for the reporting period held: None

1. Operating results for the first three months of the fiscal year ending September 30, 2019 (October 1, 2018 – December 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	
Three months ended December 31, 2018	16,226	5.4%	4,021	2.9%	4,063	2.8%	1,555	39.5%
Three months ended December 31, 2017	15,400	5.0%	3,908	20.6%	3,952	17.6%	1,114	(1.7)%

Note: Comprehensive income:

Three months ended December 31, 2018: 1,353 million yen 4.8%

Three months ended December 31, 2017: 1,291 million yen (13.7)%

	EPS (Yen)	Diluted EPS (Yen)
Three months ended December 31, 2018	45.53	—
Three months ended December 31, 2017	32.05	—

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
Three months ended December 31, 2018	78,511	47,203	59.9
Year ended September 30, 2018	82,809	51,998	62.6

[Reference] Equity:

Three months ended December 31, 2018: 47,011 million yen Year ended September 30, 2018: 51,836 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Year ended September 30, 2018	—	0.00	—	180.00	180.00
Year ending September 30, 2019	—				
Year ending September 30, 2019 (forecast)		0.00	—	180.00	180.00

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

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2019
(October 1, 2018 – September 30, 2019)

(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	29,700	4.5%	5,900	0.8%	6,000	1.4%	2,500	8.2%	73.19
Full year	59,500	2.9%	11,700	3.1%	11,900	2.8%	8,000	2.0%	234.22

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 December 31, 2018: 34,156,623

As of September 30, 2018: 34,156,623

2) Treasury shares outstanding

As of December 31, 2018: 56

As of September 30, 2018: 56

3) Average shares outstanding over quarter

As of December 31, 2018: 34,156,567

As of December 31, 2017: 34,775,966

*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 three months of the fiscal year ending September 30, 2019 (October 1, 2018 to December 31, 2018)

	Three months ended December 31, 2017		Three months ended December 31, 2018		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Total sales	15,400	100.0	16,226	100.0	826	5.4
Cosmetics	12,165	79.0	12,495	77.0	330	2.7
Pharmaceuticals & Health Food	3,149	20.4	3,125	19.3	(23)	(0.8)
Other	85	0.6	605	3.7	519	608.2

	Three months ended December 31, 2017		Three months ended December 31, 2018		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	3,908	25.4	4,021	24.8	113	2.9
Ordinary income	3,952	25.7	4,063	25.0	111	2.8
Net income attributable to owners of the parent	1,114	7.2	1,555	9.6	440	39.5

During the first three months of fiscal 2019 (the fiscal year ending September 30, 2019) (October 1, 2018 to December 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.

In this environment, the Company is working to realize the concept of its medium-term management plan: "Realizing steady corporate growth by securing sustainability in every Group business segment."

As a result, net sales for the first three months of fiscal 2019 came to 16,226 million yen (up 5.4% year on year), operating income was 4,021 million yen (up 2.9%), ordinary income amounted to 4,063 million yen (up 2.8%), and net income attributable to owners of the parent came to 1,555 million yen (up 39.5%).

Sales in the Cosmetics segment totaled 12,495 million yen (up 2.7% year on year), and segment income came to 4,328 million yen (up 1.7%). Face-to-face channel cosmetics saw solid sales for prestige lines. Self-selection cosmetics continued to deliver strong sales.

Sales in the Pharmaceutical & Health Food segment totaled 3,125 million yen (down 0.8% year on year), and segment income came to 355 million yen (up 48.0%).

Profits increased mainly because of efficient management of selling, general and administrative (SG&A) expenses.

Sales in the Other segment came to 605 million yen (up 608.2% year on year), while the segment loss was 22 million yen (compared to a segment loss of 38 million yen in the corresponding period of the previous fiscal year).

(2) Financial position

Total assets as of December 31, 2018 stood at 78,511 million yen, a decrease of 4,298 million yen from the previous fiscal year-end. This was mainly due to a decrease in cash and cash equivalents of 3,401 million yen.

Total liabilities came to 31,307 million yen, an increase of 496 million yen from the previous fiscal year-end. This was mainly due to an increase in notes and accounts payable of 342 million yen.

Net assets came to 47,203 million yen, a decrease of 4,794 million yen from the previous fiscal year-end. This was primarily attributable to a decrease in retained earnings of 4,593 million yen, reflecting a due to payment of 6,148 million yen in dividends at the previous fiscal year-end, which was partially offset by net income attributable to owners of the parent of 1,555 million yen.

As a result, the equity ratio stood at 59.9%.

(Consolidated cash flow)

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis for the period under review stood at 25,304 million yen, a decrease of 3,397 million yen compared with the 28,701 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 three months of fiscal 2019 are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 3,571 million yen (2,794 million yen more than in the corresponding period of the previous fiscal year). The main item increasing cash was the posting of 4,065 million yen in income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities came to 831 million yen (518 million yen more than in the corresponding period of the previous fiscal year). The principal cash outflow was 833 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to 6,100 million yen (9,151 million yen less than in the corresponding period of the previous fiscal year). This was mainly due to the payment of 6,071 million yen in dividends.

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

The consolidated business performance forecasts for the first half and full year ending September 30, 2019, announced on November 7, 2018, remain unchanged.

2. Quarterly consolidated financial statements and notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of September 30, 2018)	As of December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	28,775	25,374
Notes and accounts receivable	11,764	12,407
Merchandise and finished goods	6,618	6,710
Work in progress	104	106
Raw materials and purchased supplies	1,448	1,422
Other receivables	4,087	2,322
Other	546	598
Allowance for doubtful accounts	(23)	(44)
Total current assets	53,321	48,898
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,259	4,183
Equipment and vehicles, net	2,717	2,932
Land	13,716	13,716
Lease assets, net	1,331	1,308
Construction in progress	601	950
Other, net	222	204
Total property, plant and equipment	22,849	23,294
Intangible assets		
Goodwill	2	2
Software	131	130
Other	91	78
Total intangible assets	225	211
Investments and other assets		
Investment securities	2,490	2,208
Net defined benefit asset	192	205
Deferred tax assets	2,477	2,390
Other	1,277	1,326
Allowance for doubtful accounts	(25)	(24)
Total investments and other assets	6,413	6,106
Total non-current assets	29,488	29,612
Total assets	82,809	78,511

(Millions of yen)

	Previous fiscal year (As of September 30, 2018)	As of December 31, 2018
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,000	3,343
Lease obligations	115	115
Other accounts payable	3,119	3,071
Income tax payable	2,155	1,648
Reserve for bonuses	81	47
Reserve for product returns	391	419
Other	938	1,883
Total current liabilities	9,802	10,528
Long-term liabilities		
Lease obligations	1,325	1,300
Guarantee deposits received	13,875	13,740
Deferred tax liabilities	432	373
Net defined benefit liability	5,240	5,229
Other	135	135
Total long-term liabilities	21,008	20,779
Total liabilities	30,811	31,307
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Retained earnings	43,796	39,203
Treasury stock	(0)	(0)
Total shareholders' equity	51,115	46,522
Accumulated other comprehensive income		
Net unrealized gain on other securities	913	717
Foreign currency translation adjustments	(97)	(133)
Remeasurements of defined benefit plans, net of tax	(95)	(94)
Total accumulated other comprehensive income	720	489
Non-controlling interests	162	192
Total net assets	51,998	47,203
Total liabilities and net assets	82,809	78,511

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income
First three months of the fiscal year ending September 30, 2019

(Millions of yen)

	Three months ended December 31, 2017	Three months ended December 31, 2018
Net sales	15,400	16,226
Cost of sales	4,958	5,700
Gross profit	10,441	10,526
Selling, general and administrative expenses	6,532	6,504
Operating income	3,908	4,021
Non-operating income		
Interest income	1	1
Dividend income	6	5
Exchange differences	0	—
Other	35	39
Total	44	47
Non-operating expenses		
Exchange differences	—	5
Other	0	0
Total	0	5
Ordinary income	3,952	4,063
Extraordinary income		
Gain on sale of fixed assets	0	1
Total	0	1
Extraordinary losses		
Loss on disposal of fixed assets	14	0
Total	14	0
Income before income taxes	3,938	4,065
Income taxes – basic	2,650	2,364
Income taxes – deferred	151	112
Total	2,801	2,477
Net income	1,136	1,588
Net income attributable to non-controlling interests	22	33
Net income attributable to owners of the parent	1,114	1,555

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Three months ended December 31, 2017	Three months ended December 31, 2018
Net income	1,136	1,588
Other comprehensive income		
Net unrealized gain on other securities	128	(196)
Foreign currency translation adjustments	25	(39)
Remeasurements of defined benefit plans, net of tax	0	0
Total	154	(235)
Comprehensive income	1,291	1,353
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,264	1,323
Comprehensive income attributable to non-controlling interests	26	29

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended December 31, 2017	Three months ended December 31, 2018
Cash flows from operating activities		
Income before income taxes	3,938	4,065
Depreciation	440	406
Amortization of goodwill	11	0
Increase (decrease) in reserve for doubtful accounts	(6)	20
Increase (decrease) in reserve for bonuses	(33)	(34)
Increase (decrease) in reserve for product returns	26	27
Increase (decrease) in net defined benefit asset and liability	(3)	(22)
Interest and dividends received	(8)	(7)
Loss (gain) on currency translation	0	1
Loss (gain) on sales of disposal of non-current assets	14	(1)
Decrease (increase) in trade receivables	(651)	(653)
Decrease (increase) in inventories	130	(82)
Increase (decrease) in trade payables	(1,023)	349
Increase (decrease) in guarantee deposits	(120)	(134)
Other	540	669
Subtotal	3,255	4,605
Interest and dividends received	7	6
Income tax (paid) refunded	(2,486)	(1,040)
Net cash provided by (used in) operating activities	776	3,571
Cash flows from investing activities		
Expenditure for deposit to time deposits	(18)	(7)
Proceeds from withdrawal of time deposits	18	7
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(311)	(833)
Proceeds from sale of property, plant and equipment	0	2
Purchase of intangible assets	(1)	(0)
Net cash provided by (used in) investing activities	(313)	(831)
Cash flows from financing activities		
Purchase of treasury stock	(9,971)	—
Cash dividends paid	(5,251)	(6,071)
Other	(29)	(28)
Net cash provided by (used in) financing activities	(15,252)	(6,100)
Effects of exchange rate changes on cash and cash equivalents	14	(36)
Net change in cash and cash equivalents	(14,774)	(3,397)
Cash and cash equivalents, beginning of the period	40,350	28,701
Cash and cash equivalents, end of the period	25,575	25,304

(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)
Not applicable

(Additional information)

Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc."

The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the three months ended December 31, 2018. Accordingly, deferred tax assets have been presented under investments and other assets and deferred tax liabilities have been presented under long-term liabilities.

(Segment information)

I Consolidated results for the first three months of the fiscal year ended September 30, 2018
(October 1, 2017 to December 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	12,165	3,149	85	15,400	—	15,400
(2) Intersegment sales	—	—	46	46	(46)	—
Total	12,165	3,149	132	15,446	(46)	15,400
Segment income (loss)	4,254	240	(38)	4,456	(548)	3,908

(Note 1) Intersegment eliminations totaling 174 million yen and unallocated corporate expenses totaling (722) million yen have been included in the segment income (loss) adjustment totaling (548) 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 (loss) 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 three months of the fiscal year ending September 30, 2019
(October 1, 2018 to December 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	12,495	3,125	605	16,226	—	16,226
(2) Intersegment sales	—	—	41	41	(41)	—
Total	12,495	3,125	646	16,268	(41)	16,226
Segment income (loss)	4,328	355	(22)	4,661	(640)	4,021

(Note 1) Intersegment eliminations totaling 176 million yen and unallocated corporate expenses totaling (816) million yen have been included in the segment income (loss) adjustment totaling (640) 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 (loss) 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