

January 29, 2020

Noevir Holdings Announces Consolidated Results for the First Three Months of the Fiscal Year Ending September 30, 2020 (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 5, 2020 Date of commencement of dividend payments: –

Supplemental materials for the financial results prepared: None

Results briefing for the reporting period held: None

(Amounts under one million yen have been rounded down)

1. Operating results for the first three months of the fiscal year ending September 30, 2020 (October 1, 2019 – December 31, 2019)

(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, 2019	15,469	(4.7)%	3,382	(15.9)%	3,425	(15.7)%	1,358	(12.6)%
Three months ended December 31, 2018	16,226	5.4%	4,021	2.9%	4,063	2.8%	1,555	39.5%

Note: Comprehensive income:

Three months ended December 31, 2019: 1,625 million yen [20.1%]

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

	EPS (Yen)	Diluted EPS (Yen)
Three months ended December 31, 2019	39.78	—
Three months ended December 31, 2018	45.53	—

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
Three months ended December 31, 2019	78,921	47,740	60.2
Year ended September 30, 2019	83,330	52,946	63.3

[Reference] Equity:

As of December 31, 2019: 47,482 million yen

As of September 30, 2019: 52,728 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Year ended September 30, 2019	—	0.00	—	200.00	200.00
Year ending September 30, 2020	—				
Year ending September 30, 2020 (forecast)		0.00	—	200.00	200.00

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

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2020 (October 1, 2019 – September 30, 2020)

(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	0.7%	6,100	0.6%	6,200	0.5%	2,900	2.8%	84.90
Full year	59,800	0.9%	12,300	2.6%	12,500	2.1%	8,500	17.6%	248.85

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, 2019: 34,156,623

As of September 30, 2019: 34,156,623

2) Treasury shares outstanding

As of December 31, 2019: 56

As of September 30, 2019: 56

3) Average shares outstanding over quarter

Three months ended December 31, 2019: 34,156,567

Three months ended December 31, 2018: 34,156,567

* 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 3 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, 2020
(October 1, 2019 to December 31, 2019)

	Three months ended December 31, 2018		Three months ended December 31, 2019		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Total sales	16,226	100.0	15,469	100.0	(757)	(4.7)
Cosmetics	12,495	77.0	12,150	78.5	(345)	(2.8)
Pharmaceuticals & Health Food	3,125	19.3	2,863	18.5	(262)	(8.4)
Other	605	3.7	456	3.0	(149)	(24.6)

	Three months ended December 31, 2018		Three months ended December 31, 2019		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	4,021	24.8	3,382	21.9	(639)	(15.9)
Ordinary income	4,063	25.0	3,425	22.1	(638)	(15.7)
Net income attributable to owners of the parent	1,555	9.6	1,358	8.8	(196)	(12.6)

During the first three months of fiscal 2020 (October 1, 2019 to December 31, 2019) the Japanese economy continued recovering gradually, mainly due to further improvements in corporate earnings and the employment situation. However, economic trends remained opaque due to uncertainty in economies overseas, among other factors.

Although diverse latent consumer demand is anticipated in the domestic and overseas markets where the Group conducts business operations, the first three months of fiscal 2020 were impacted by a decline in consumption brought about by an increase in the consumption tax.

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 2020 came to 15,469 million yen (down 4.7% year on year), operating income was 3,382 million yen (down 15.9%), ordinary income amounted to 3,425 million yen (down 15.7%), and net income attributable to owners of the parent came to 1,358 million yen (down 12.6%).

In the Cosmetics segment, net sales totaled 12,150 million yen (down 2.8% year on year), and segment income came to 3,717 million yen (down 14.1%). Face-to-face channel cosmetics saw a decline. Self-selection cosmetics performed strongly.

In the Pharmaceutical & Health Food segment, net sales totaled 2,863 million yen (down 8.4% year on year), and segment income came to 348 million yen (down 2.2%).

In the Other segment, net sales came to 456 million yen (down 24.6% year on year), while segment income was 27 million yen (a segment loss of 22 million yen in the corresponding period of the previous fiscal year).

(2) Financial position

Total assets as of December 31, 2019 stood at 78,921 million yen, a decrease of 4,409 million yen from the previous fiscal year-end. This was mainly due to a decrease in cash and cash equivalents of 3,583 million yen.

Total liabilities came to 31,180 million yen, an increase of 796 million yen from the previous fiscal year-end. This was mainly due to an increase in notes and accounts payable of 428 million yen.

Net assets came to 47,740 million yen, a decrease of 5,205 million yen from the previous fiscal year-end. This was primarily attributable to a decrease in retained earnings of 5,472 million yen, reflecting a payment of 6,831 million yen in dividends at the previous fiscal year-end, which was partially offset by net income attributable to owners of the parent of 1,358 million yen.

As a result, the equity ratio stood at 60.2%.

(Consolidated cash flows)

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis for the period under review stood at 26,863 million yen, a decrease of 3,584 million yen compared with the 30,448 million yen at the previous fiscal year.

The status of each cash flow together with the factors contributing to their increase or decrease for the first three months of fiscal 2020 are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 3,446 million yen (124 million yen less than in the corresponding period of the previous fiscal year). The main item increasing cash was the posting of 3,425 million yen in income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities came to 278 million yen (552 million yen less than in the corresponding period of the previous fiscal year). The principal cash outflow was 276 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to 6,798 million yen (697 million yen more than in the corresponding period of the previous fiscal year). This was mainly due to the payment of 6,770 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, 2020, announced on November 7, 2019, remain unchanged.

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

(Millions of yen)

	Previous fiscal year (As of September 30, 2019)	As of December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	30,739	27,155
Notes and accounts receivable	10,827	11,434
Merchandise and finished goods	7,050	6,630
Work in progress	98	124
Raw materials and purchased supplies	1,494	1,402
Other receivables	3,309	2,355
Other	537	616
Allowance for doubtful accounts	(36)	(26)
Total current assets	54,021	49,693
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,946	4,873
Equipment and vehicles, net	2,451	2,230
Land	13,713	13,713
Lease assets, net	1,227	1,201
Construction in progress	614	710
Other, net	261	263
Total property, plant and equipment	23,213	22,992
Intangible assets		
Goodwill	302	294
Software	114	105
Other	78	76
Total intangible assets	494	476
Investments and other assets		
Investment securities	1,522	1,730
Deferred tax assets	2,542	2,490
Other	1,567	1,559
Allowance for doubtful accounts	(32)	(21)
Total investments and other assets	5,600	5,758
Total non-current assets	29,309	29,228
Total assets	83,330	78,921

(Millions of yen)

	Previous fiscal year (As of September 30, 2019)	As of December 31, 2019
LIABILITIES		
Current liabilities		
Notes and accounts payable	2,704	3,132
Lease obligations	112	139
Other accounts payable	2,968	3,004
Income tax payable	2,150	1,434
Reserve for bonuses	101	60
Reserve for product returns	360	390
Other	1,237	2,453
Total current liabilities	9,634	10,616
Long-term liabilities		
Lease obligations	1,217	1,161
Guarantee deposits received	13,371	13,237
Deferred tax liabilities	469	523
Net defined benefit liability	5,315	5,266
Other	375	375
Total long-term liabilities	20,749	20,563
Total liabilities	30,383	31,180
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Retained earnings	44,875	39,402
Treasury stock	(0)	(0)
Total shareholders' equity	52,193	46,721
Accumulated other comprehensive income		
Net unrealized gain on other securities	861	1,006
Foreign currency translation adjustments	(218)	(142)
Remeasurements of defined benefit plans, net of tax	(109)	(101)
Total accumulated other comprehensive income	534	761
Non-controlling interests	218	258
Total net assets	52,946	47,740
Total liabilities and net assets	83,330	78,921

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income
First three months of the fiscal year ending September 30, 2020

(Millions of yen)

	Three months ended December 31, 2018	Three months ended December 31, 2019
Net sales	16,226	15,469
Cost of sales	5,700	5,461
Gross profit	10,526	10,008
Selling, general and administrative expenses	6,504	6,626
Operating income	4,021	3,382
Non-operating income		
Interest income	1	2
Dividend income	5	6
Exchange differences	—	7
Other	39	28
Total	47	44
Non-operating expenses		
Exchange differences	5	—
Other	0	1
Total	5	1
Ordinary income	4,063	3,425
Extraordinary income		
Gain on sale of fixed assets	1	—
Total	1	—
Extraordinary losses		
Loss on disposal of fixed assets	0	0
Total	0	0
Income before income taxes	4,065	3,425
Income taxes – basic	2,364	1,996
Income taxes – deferred	112	39
Total	2,477	2,035
Net income	1,588	1,389
Net income attributable to non-controlling interests	33	31
Net income attributable to owners of the parent	1,555	1,358

Quarterly consolidated statements of comprehensive income
 First three months of the fiscal year ending September 30, 2020

(Millions of yen)

	Three months ended December 31, 2018	Three months ended December 31, 2019
Net income	1,588	1,389
Other comprehensive income		
Net unrealized gain on other securities	(196)	144
Foreign currency translation adjustments	(39)	83
Remeasurements of defined benefit plans, net of tax	0	7
Total	(235)	235
Comprehensive income	1,353	1,625
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,323	1,586
Comprehensive income attributable to non-controlling interests	29	39

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended December 31, 2018	Three months ended December 31, 2019
Cash flows from operating activities		
Income before income taxes	4,065	3,425
Depreciation	406	392
Amortization of goodwill	0	7
Increase (decrease) in reserve for doubtful accounts	20	(20)
Increase (decrease) in reserve for bonuses	(34)	(40)
Increase (decrease) in reserve for product returns	27	30
Increase (decrease) in net defined benefit asset and liability	(22)	(49)
Interest and dividends received	(7)	(8)
Loss (gain) on currency translation	1	(0)
Loss (gain) on sales of disposal of non-current assets	(1)	0
Decrease (increase) in trade receivables	(653)	(582)
Decrease (increase) in inventories	(82)	504
Increase (decrease) in trade payables	349	419
Increase (decrease) in guarantee deposits	(134)	(134)
Other	669	1,331
Subtotal	4,605	5,275
Interest and dividends received	6	7
Income tax (paid) refunded	(1,040)	(1,836)
Net cash provided by (used in) operating activities	3,571	3,446
Cash flows from investing activities		
Expenditure for deposit to time deposits	(7)	(27)
Proceeds from withdrawal of time deposits	7	27
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(833)	(276)
Proceeds from sale of property, plant and equipment	2	—
Purchase of intangible assets	(0)	(2)
Net cash provided by (used in) investing activities	(831)	(278)
Cash flows from financing activities		
Cash dividends paid	(6,071)	(6,770)
Other	(28)	(28)
Net cash provided by (used in) financing activities	(6,100)	(6,798)
Effects of exchange rate changes on cash and cash equivalents	(36)	46
Net change in cash and cash equivalents	(3,397)	(3,584)
Cash and cash equivalents, beginning of the period	28,701	30,448
Cash and cash equivalents, end of the period	25,304	26,863

(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

(Segment information)

I Consolidated results for the first three months of the fiscal year ended 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

II Consolidated results for the first three months of the fiscal year ending September 30, 2020
(October 1, 2019 to December 31, 2019)

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	12,150	2,863	456	15,469	—	15,469
(2) Intersegment sales	—	—	62	62	(62)	—
Total	12,150	2,863	518	15,531	(62)	15,469
Segment income	3,717	348	27	4,092	(710)	3,382

(Note 1) Intersegment eliminations totaling 190 million yen and unallocated corporate expenses totaling (901) million yen have been included in the segment income adjustment totaling (710) 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