

May 13, 2020

Noevir Holdings Announces Consolidated Results for the First Six 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: May 15, 2020 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, 2020 (October 1, 2019 – March 31, 2020)

* 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, 2020	27,789 (5.7)%	5,068 (16.4)%	5,135 (16.8)%	2,398 (15.0)%
Six months ended March 31, 2019	29,483 3.7%	6,061 3.6%	6,169 4.2%	2,821 22.1%

Note: Comprehensive income:

Six months ended March 31, 2020: 2,496 million yen [(11.3)%]

Six months ended March 31, 2019: 2,815 million yen [17.7%]

	EPS (Yen)	Diluted EPS (Yen)
Six months ended March 31, 2020	70.22	—
Six months ended March 31, 2019	82.59	—

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
Six months ended March 31, 2020	78,287	48,612	61.8
Year ended September 30, 2019	83,330	52,946	63.3

[Reference] Equity:

Six months ended March 31, 2020: 48,348 million yen

Year ended 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	—	0.00			
Year ending September 30, 2020 (forecast)			—	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)
Full year	54,000 (8.9)%	9,500 (20.8)%	9,700 (20.8)%	6,600 (8.7)%	193.23

Note: Revisions from the most recently announced consolidated earnings forecast: Yes

The Company has accounted for the impact of the COVID-19 pandemic based on assumptions at this point in time, but this is subject to the possibility of significant changes due to movements going forward and timing of the end of the pandemic.

* 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, 2020: 34,156,623

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

2) Treasury shares outstanding

As of March 31, 2020: 56

As of September 30, 2019: 56

3) Average shares outstanding over quarter

Six months ended March 31, 2020: 34,156,567

Six months ended March 31, 2019: 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 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, 2020 (October 1, 2019 to March 31, 2020)

	Six months ended March 31, 2019		Six months ended March 31, 2020		Change (Millions of yen)	Change (%)
	Sales (Millions of yen)	% of total sales	Sales (Millions of yen)	% of total sales		
Total sales	29,483	100.0	27,789	100.0	(1,694)	(5.7)
Cosmetics	22,438	76.1	21,182	76.2	(1,255)	(5.6)
Pharmaceuticals & Health Food	5,926	20.1	5,597	20.2	(328)	(5.5)
Other	1,118	3.8	1,008	3.6	(110)	(9.8)

	Six months ended March 31, 2019		Six months ended March 31, 2020		Change (Millions of yen)	Change (%)
	Amount (Millions of yen)	% of total sales	Amount (Millions of yen)	% of total sales		
Operating income	6,061	20.6	5,068	18.2	(992)	(16.4)
Ordinary income	6,169	20.9	5,135	18.5	(1,034)	(16.8)
Net income attributable to owners of the parent	2,821	9.6	2,398	8.6	(422)	(15.0)

During the first six months of the fiscal year ending September 30, 2020 (October 1, 2019 to March 31, 2020), the Japanese economy continued recovering gradually, mainly due to further improvements in corporate earnings and the employment situation. However, uncertain economic trends were heightened due to the impact of the COVID-19 pandemic.

Although, diverse latent consumer demand is anticipated in the domestic and overseas markets where the Group conducts business operations, the Group has been impacted by an increase in the consumption tax and COVID-19 pandemic.

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 six months of fiscal 2020 came to 27,789 million yen (down 5.7% year on year), operating income was 5,068 million yen (down 16.4%), ordinary income amounted to 5,135 million yen (down 16.8%), and net income attributable to owners of the parent came to 2,398 million yen (down 15.0%).

In the Cosmetics segment, sales totaled 21,182 million yen (down 5.6% year on year), and segment income came to 5,683 million yen (down 14.1%). Sales were sluggish in face-to-face channel cosmetics and self-selection cosmetics.

In the Pharmaceuticals & Health Food segment, sales totaled 5,597 million yen (down 5.5% year on year), while segment income came to 688 million yen (up 1.9%).

In the Other segment, sales came to 1,008 million yen (down 9.8% year on year), while segment income was 92 million yen (up 96.1%).

(2) Financial position

Total assets as of March 31, 2020 stood at 78,287 million yen, a decrease of 5,042 million yen from the previous fiscal year-end. This was mainly due to declines in cash and cash equivalents of 3,164 million yen and other receivables of 944 million yen, respectively.

Total liabilities came to 29,675 million yen, a decrease of 708 million yen from the previous fiscal year-end. This was mainly due to decreases in other accounts payable of 349 million yen, and long-term guarantee deposits of 242 million yen.

Net assets came to 48,612 million yen, a decrease of 4,334 million yen from the previous fiscal year-end. This was primarily attributable to a decrease in retained earnings of 4,432 million yen, due to payment of 6,831 million yen in dividends at the previous fiscal year-end, which was partly offset by net income attributable to owners of the parent of 2,398 million yen.

As a result, the equity ratio stood at 61.8%.

(Consolidated cash flow)

Cash and cash equivalents (hereinafter, "cash") on a consolidated basis for the period under review stood at 27,283 million yen, a decrease of 3,164 million yen compared with the 30,448 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 2020 are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 4,789 million yen (447 million yen less than in the corresponding period of the previous fiscal year). The main item decreasing cash was the posting of 5,134 million yen in income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,103 million yen (99 million yen less than in the corresponding period of the previous fiscal year). The principal cash outflow was 1,097 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to 6,875 million yen (677 million yen more than in the corresponding period of the previous fiscal year). This was mainly due to the payment of 6,819 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, 2020 announced on November 7, 2019 have changed based on the consolidated business performance of the first half of the fiscal year ending September, 2020.

For details of the revision, please refer to the press release "Noevir Holdings Revises Forecast for Fiscal 2020 Group Earnings" that was issued on May 13, 2020.

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 March 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	30,739	27,574
Notes and accounts receivable	10,827	9,926
Merchandise and finished goods	7,050	6,660
Work in progress	98	127
Raw materials and purchased supplies	1,494	1,643
Other receivables	3,309	2,365
Other	537	611
Allowance for doubtful accounts	(36)	(23)
Total current assets	54,021	48,885
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,946	5,594
Equipment and vehicles, net	2,451	2,059
Land	13,713	13,755
Lease assets, net	1,227	1,175
Construction in progress	614	491
Other, net	261	261
Total property, plant and equipment	23,213	23,336
Intangible assets		
Goodwill	302	286
Software	114	98
Other	78	76
Total intangible assets	494	461
Investments and other assets		
Investment securities	1,522	1,534
Deferred tax assets	2,542	2,546
Other	1,567	1,545
Allowance for doubtful accounts	(32)	(22)
Total investments and other assets	5,600	5,603
Total non-current assets	29,309	29,402
Total assets	83,330	78,287

(Millions of yen)

	Previous fiscal year (As of September 30, 2019)	As of March 31, 2020
LIABILITIES		
Current liabilities		
Notes and accounts payable	2,704	2,632
Lease obligations	112	139
Other accounts payable	2,968	2,619
Income tax payable	2,150	2,197
Reserve for bonuses	101	98
Reserve for product returns	360	353
Other	1,237	1,308
Total current liabilities	9,634	9,349
Long-term liabilities		
Lease obligations	1,217	1,133
Long-term guarantee deposits	13,371	13,129
Deferred tax liabilities	469	455
Net defined benefit liability	5,315	5,231
Other	375	375
Total long-term liabilities	20,749	20,326
Total liabilities	30,383	29,675
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Retained earnings	44,875	40,442
Treasury stock	(0)	(0)
Total shareholders' equity	52,193	47,760
Accumulated other comprehensive income		
Net unrealized gain on other securities	861	869
Foreign currency translation adjustments	(218)	(188)
Remeasurements of defined benefit plans, net of tax	(109)	(93)
Total accumulated other comprehensive income	534	587
Non-controlling interests	218	263
Total net assets	52,946	48,612
Total liabilities and net assets	83,330	78,287

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income

(Millions of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Net sales	29,483	27,789
Cost of sales	10,596	10,024
Gross profit	18,887	17,765
Selling, general and administrative expenses	12,825	12,696
Operating income	6,061	5,068
Non-operating income		
Interest income	3	3
Dividend income	5	6
Exchange differences	—	6
Other	101	51
Total	110	67
Non-operating expenses		
Exchange differences	2	—
Other	0	0
Total	2	0
Ordinary income	6,169	5,135
Extraordinary income		
Gain on sale of fixed assets	2	—
Total	2	—
Extraordinary losses		
Loss on disposal of fixed assets	0	0
Total	0	0
Income before income taxes	6,170	5,134
Income taxes – basic	3,237	2,719
Income taxes – deferred	48	(27)
Total	3,285	2,692
Net income	2,885	2,442
Net income attributable to non-controlling interests	64	43
Net income attributable to owners of the parent	2,821	2,398

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Net income	2,885	2,442
Other comprehensive income		
Net unrealized gain on other securities	(23)	7
Foreign currency translation adjustments	(50)	31
Remeasurements of defined benefit plans, net of tax	4	15
Total	(69)	54
Comprehensive income	2,815	2,496
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,751	2,451
Comprehensive income attributable to non-controlling interests	64	45

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Cash flows from operating activities		
Income before income taxes	6,170	5,134
Depreciation	840	810
Amortization of goodwill	1	15
Increase (decrease) in reserve for doubtful accounts	17	(23)
Increase (decrease) in reserve for bonuses	20	(2)
Increase (decrease) in reserve for product returns	(16)	(6)
Increase (decrease) in net defined benefit asset and liability	(75)	(83)
Interest and dividends received	(9)	(10)
Gain/loss on currency translation	1	(0)
Gain/loss on sales of property, plant and equipment	(1)	0
Decrease (increase) in trade receivables	83	918
Decrease (increase) in inventories	(570)	223
Increase (decrease) in trade payables	127	(76)
Increase (decrease) in guarantee deposits	(246)	(242)
Other	(62)	(28)
Subtotal	6,281	6,628
Interest and dividends received	8	9
Income tax (paid) refunded	(1,052)	(1,848)
Net cash provided by (used in) operating activities	5,236	4,789
Cash flows from investing activities		
Expenditure for deposit to time deposits	(22)	(52)
Proceeds from withdrawal of time deposits	22	52
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(1,206)	(1,097)
Proceeds from sale of property, plant and equipment	5	—
Purchase of intangible assets	(0)	(5)
Net cash provided by (used in) investing activities	(1,202)	(1,103)
Cash flows from financing activities		
Cash dividends paid	(6,140)	(6,819)
Other	(57)	(56)
Net cash provided by (used in) financing activities	(6,197)	(6,875)
Effects of exchange rate changes on cash and cash equivalents	(33)	24
Net change in cash and cash equivalents	(2,196)	(3,164)
Cash and cash equivalents, beginning of the period	28,701	30,448
Cash and cash equivalents, end of the period	26,505	27,283

(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 six months of the fiscal year ended September 30, 2019
(October 1, 2018 to March 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	22,438	5,926	1,118	29,483	—	29,483
(2) Intersegment sales	—	—	83	83	(83)	—
Total	22,438	5,926	1,202	29,567	(83)	29,483
Segment income	6,614	676	46	7,337	(1,276)	6,061

(Note 1) Intersegment eliminations totaling 346 million yen and unallocated corporate expenses totaling (1,622) million yen have been included in the segment income adjustment totaling (1,276) 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 six months of the fiscal year ending September 30, 2020
(October 1, 2019 to March 31, 2020)

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	21,182	5,597	1,008	27,789	—	27,789
(2) Intersegment sales	—	—	123	123	(123)	—
Total	21,182	5,597	1,131	27,912	(123)	27,789
Segment income	5,683	688	92	6,464	(1,396)	5,068

(Note 1) Intersegment eliminations totaling 379 million yen and unallocated corporate expenses totaling (1,775) million yen have been included in the segment income adjustment totaling (1,396) 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