

February 8, 2022

Noevir Holdings Announces Consolidated Results for the First Three Months of the Fiscal Year Ending September 30, 2022 (based on Japan GAAP)

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 Listing: Tokyo Stock Exchange, First Section (Securities Code: 4928)
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Submission of securities report: February 14, 2022 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, 2022 (October 1, 2021 – December 31, 2021)

(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, 2021	15,571 - %	2,773 - %	2,828 - %	856 - %
Three months ended December 31, 2020	13,872 (10.3)%	3,025 (10.5)%	3,068 (10.4)%	1,087 (19.9)%

Note: Comprehensive income:

Three months ended December 31, 2021: 1,098 million yen [-%]

Three months ended December 31, 2020: 1,365 million yen [(16.0)%]

	EPS (Yen)	Diluted EPS (Yen)
Three months ended December 31, 2021	25.09	—
Three months ended December 31, 2020	31.84	—

Note: The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the three months ended December 31, 2021. The figures for the first three months of the fiscal year ending September 30, 2022 are presented after application of this accounting standard, etc. Therefore, year-on-year changes for these figures are not disclosed.

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
Three months ended December 31, 2021	74,853	45,685	60.6
Year ended September 30, 2021	80,448	52,233	64.5

[Reference] Equity:

As of December 31, 2021: 45,334 million yen

As of September 30, 2021: 51,926 million yen

2. Cash dividends

(Yen)

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Year ended September 30, 2021	—	0.00	—	210.00	210.00
Year ending September 30, 2022	—				
Year ending September 30, 2022 (forecast)		0.00	—	210.00	210.00

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

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2022 (October 1, 2021 – September 30, 2022)

(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	29,400	13.7%	4,600	1.6%	4,700	1.6%	2,100	4.8%	61.48
Full year	58,500	14.1%	9,200	7.5%	9,400	4.8%	6,500	1.8%	190.30

Note: Revisions from the most recently announced consolidated earnings forecast: None

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the fiscal year ending September 30, 2022. If figures for the fiscal year ended September 30, 2021 were calculated based on the same standard, net sales for the full fiscal year would be expected to increase by 0.3% year on year.

These changes are expected to have a negligible impact on operating income, ordinary income, and net income attributable to owners of the parent.

* 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: Yes

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, 2021: 34,156,623

As of September 30, 2021: 34,156,623

2) Treasury shares outstanding

As of December 31, 2021: 235

As of September 30, 2021: 235

3) Average shares outstanding over quarter

Three months ended December 31, 2021: 34,156,388

Three months ended December 31, 2020: 34,156,519

* 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

During the first three months of fiscal 2022 (October 1, 2021 to December 31, 2021), economic trends remained uncertain, mainly due to the continuing impact of the COVID-19 pandemic.

The Group has been impacted by the COVID-19 pandemic in markets where it conducts business operations. 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 2022 came to 15,571 million yen, operating income was 2,773 million yen, ordinary income amounted to 2,828 million yen, and net income attributable to owners of the parent came to 856 million yen.

Sales in the Cosmetics segment totaled 12,754 million yen and segment income came to 3,000 million yen.

Sales in the Pharmaceuticals & Health Food segment totaled 2,627 million yen, and segment income came to 365 million yen.

Sales in the Other segment amounted to 189 million yen and segment income came to 23 million yen.

Note: The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the three months ended December 31, 2021. As a result, the accounting treatment of revenue differs from that for the three months ended December 31, 2020, so business performance is explained without presenting year-on-year changes. If operating results for the fiscal year ended September 30, 2021 had been calculated based on the same standard, the year-on-year changes in operating results for the three months ended December 31, 2021 would have been as follows: a decrease of 0.3% year on year in net sales, a decrease of 0.1% year on year in operating income and an increase of 0.4% in ordinary income.

(2) Financial position

Total assets as of December 31, 2021 stood at 74,853 million yen, a decrease of 5,595 million yen from the previous fiscal year-end. This was mainly due to a decrease in cash and cash equivalents of 5,061 million yen.

Total liabilities came to 29,167 million yen, an increase of 951 million yen from the previous fiscal year-end. The main changes were an increase of 2,115 million yen in other under current liabilities and decreases of 634 million in income tax payable and 589 million yen in reserve for product returns.

Net assets came to 45,685 million yen, a decrease of 6,547 million yen from the previous fiscal year-end. The main change was a decrease in retained earnings of 6,789 million yen, which reflected a decrease of 7,172 million yen from year-end dividends for the previous fiscal year, and a decrease of 474 million yen in retained earnings at the beginning of the year due to the application of the “Accounting Standard for Revenue Recognition”, etc., and net income attributable to owners of the parent of 856 million yen.

As a result, the equity ratio stood at 60.6%.

(Consolidated cash flows)

Cash and cash equivalents (hereinafter, “cash”) on a consolidated basis for the period under review stood at 25,777 million yen, a decrease of 5,063 million yen compared with 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 2022 are presented as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,288 million yen (1,109 million yen less than in the corresponding period of the previous fiscal year). The main item increasing cash was the posting of 2,824 million yen in income before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities came to 288 million yen (195 million yen more than in the corresponding period of the previous fiscal year). The principal cash outflow was 266 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to 7,135 million yen (171 million yen more than in the corresponding period of the previous fiscal year). This was mainly due to the payment of 7,107 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, 2022, announced on November 9, 2021, remain unchanged.

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

(Millions of yen)

	Previous fiscal year (As of September 30, 2021)	As of December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	31,101	26,040
Notes and accounts receivable	9,307	9,254
Merchandise and finished goods	5,951	5,869
Work in progress	116	87
Raw materials and purchased supplies	1,263	1,339
Other receivables	2,836	2,411
Other	571	549
Allowance for doubtful accounts	(20)	(21)
Total current assets	51,128	45,531
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,322	5,269
Equipment and vehicles, net	1,418	1,271
Land	13,964	13,964
Lease assets, net	1,027	1,005
Construction in progress	122	183
Other, net	186	186
Total property, plant and equipment	22,041	21,881
Intangible assets		
Goodwill	240	232
Software	70	62
Other	120	137
Total intangible assets	431	432
Investments and other assets		
Investment securities	2,779	2,934
Deferred tax assets	2,705	2,721
Other	1,382	1,372
Allowance for doubtful accounts	(20)	(20)
Total investments and other assets	6,847	7,008
Total non-current assets	29,320	29,321
Total assets	80,448	74,853

(Millions of yen)

	Previous fiscal year (As of September 30, 2021)	As of December 31, 2021
LIABILITIES		
Current liabilities		
Notes and accounts payable	2,592	2,583
Lease obligations	112	113
Other accounts payable	2,401	2,623
Income tax payable	1,649	1,015
Reserve for bonuses	102	56
Reserve for product returns	589	—
Other	1,192	3,308
Total current liabilities	8,639	9,700
Long-term liabilities		
Lease obligations	1,000	976
Guarantee deposits received	12,415	12,303
Deferred tax liabilities	492	565
Net defined benefit liability	5,531	5,484
Other	136	136
Total long-term liabilities	19,575	19,466
Total liabilities	28,215	29,167
NET ASSETS		
Shareholders' equity		
Common stock	7,319	7,319
Retained earnings	43,040	36,251
Treasury stock	(1)	(1)
Total shareholders' equity	50,357	43,568
Accumulated other comprehensive income		
Net unrealized gain on other securities	1,730	1,837
Foreign currency translation adjustments	(27)	54
Remeasurements of defined benefit plans, net of tax	(134)	(126)
Total accumulated other comprehensive income	1,568	1,765
Non-controlling interests	306	351
Total net assets	52,233	45,685
Total liabilities and net assets	80,448	74,853

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income
First three months of the fiscal year ending September 30, 2022

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Net sales	13,872	15,571
Cost of sales	4,667	4,551
Gross profit	9,204	11,020
Selling, general and administrative expenses	6,179	8,247
Operating income	3,025	2,773
Non-operating income		
Interest income	1	1
Dividend income	8	8
Exchange differences	1	16
Other	31	28
Total	43	55
Non-operating expenses		
Other	0	0
Total	0	0
Ordinary income	3,068	2,828
Extraordinary income		
Gain on sale of fixed assets	—	0
Total	—	0
Extraordinary losses		
Loss on disposal of fixed assets	0	4
Total	0	4
Income before income taxes	3,068	2,824
Income taxes – basic	1,930	1,724
Income taxes – deferred	17	212
Total	1,948	1,937
Net income	1,120	887
Net income attributable to non-controlling interests	32	31
Net income attributable to owners of the parent	1,087	856

Quarterly consolidated statements of comprehensive income
First three months of the fiscal year ending September 30, 2022

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Net income	1,120	887
Other comprehensive income		
Net unrealized gain on other securities	244	106
Foreign currency translation adjustments	2	96
Remeasurements of defined benefit plans, net of tax	(2)	7
Total	245	210
Comprehensive income	1,365	1,098
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,326	1,053
Comprehensive income attributable to non-controlling interests	38	45

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Cash flows from operating activities		
Income before income taxes	3,068	2,824
Depreciation	328	344
Amortization of goodwill	7	7
Increase (decrease) in reserve for doubtful accounts	(2)	(0)
Increase (decrease) in reserve for bonuses	(43)	(46)
Increase (decrease) in reserve for product returns	93	—
Increase (decrease) in net defined benefit asset and liability	46	(46)
Interest and dividends received	(10)	(10)
Loss (gain) on currency translation	2	(3)
Loss (gain) on sales of disposal of non-current assets	0	4
Decrease (increase) in trade receivables	(885)	(667)
Decrease (increase) in inventories	234	161
Increase (decrease) in trade payables	358	(24)
Increase (decrease) in guarantee deposits	(124)	(111)
Other	1,275	1,670
Subtotal	4,351	4,102
Interest and dividends received	8	8
Income tax (paid) refunded	(962)	(1,823)
Net cash provided by (used in) operating activities	3,397	2,288
Cash flows from investing activities		
Expenditure for deposit to time deposits	(17)	(14)
Proceeds from withdrawal of time deposits	17	14
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(92)	(266)
Proceeds from sale of property, plant and equipment	—	3
Purchase of intangible assets	(0)	(25)
Net cash provided by (used in) investing activities	(93)	(288)
Cash flows from financing activities		
Cash dividends paid	(6,936)	(7,107)
Other	(27)	(28)
Net cash provided by (used in) financing activities	(6,964)	(7,135)
Effects of exchange rate changes on cash and cash equivalents	(4)	72
Net change in cash and cash equivalents	(3,664)	(5,063)
Cash and cash equivalents, beginning of the period	29,199	30,841
Increase (decrease) in cash and cash equivalents resulting from changes in the accounting period of consolidated subsidiaries	16	—
Cash and cash equivalents, end of the period	25,550	25,777

(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

(Changes in accounting principles)

(Application of "Accounting Standard for Revenue Recognition", etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) (hereinafter, "Revenue Recognition Accounting Standards"), etc. from the beginning of the three months ended December 31, 2021. Under this accounting standard, the Company recognizes revenue as the amount of consideration it expects to obtain in exchange for promised goods or services when the control of the goods or services is transferred to customers. Moreover, the Company has applied the alternative treatment specified in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) Under this alternative treatment, the Company recognizes revenue for merchandise and products sold in Japan upon shipment when there is a normal period of time from shipment until control of merchandise or products is transferred to customers.

As a result, while the Company previously recognized revenue upon sales to directly contracted sales representatives, the Company has switched to a method of recognizing this revenue upon shipment to customers. It has also switched to a method of recording sales commissions, which had previously been deducted from net sales, as selling, general and administrative expenses. Moreover, some sales promotion fees paid to customers, which had previously been recorded as selling, general and administrative expenses, are now deducted from net sales. Furthermore, the estimated loss on product returns for sales with product return options had previously been recorded as reserve for product returns. For these sales, the Company has switched to a method of recording refund liabilities for the projected product return component and for sales rebates, which had previously been recorded in estimated amounts, in accordance with rules on variable consideration for each of these items.

In applying the Revenue Recognition Accounting Standards, etc., the Company follows the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standards. The cumulative effect of retroactively applying the new accounting principles to periods prior to the beginning of the three months ended December 31, 2021, has been added to or subtracted from retained earnings at the beginning of the three months ended December 31, 2021, and the new accounting principles have been applied from the beginning balance of the three months ended December 31, 2021.

As a result, for the three months ended December 31, 2021, net sales increased by 1,693 million yen, cost of sales decreased by 151 million yen, gross profit increased by 1,844 million yen, and selling, general and administrative expenses increased by 2,112 million yen. Operating income, ordinary income, and income before income taxes each decreased by 268 million yen. In addition, the balance of retained earnings at the beginning of the three months ended December 31, 2021 decreased by 474 million yen.

As a result of applying the Revenue Recognition Accounting Standards, etc., reserve for product returns, which was presented under current liabilities on the consolidated balance sheet for the previous fiscal year, has been included in other under current liabilities as refund liabilities, from the three months ended December 31, 2021. The Company has not reclassified the consolidated financial statements for the previous fiscal year using the new presentation method in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standards. Furthermore, information about breakdown of revenue from contracts with customers for the first three months of the previous fiscal year (three months ended December 31, 2020) has not been presented in accordance with the transitional treatment stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No.12, March 31, 2020).

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) (hereinafter, "Fair Value Measurement Accounting Standards"), etc. from the beginning of the three months ended December 31, 2021. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standards and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies set forth in the Fair Value Measurement Accounting Standards, etc. into the future. This will have no effect on the quarterly consolidated financial statements.

(Additional information)

(Accounting estimates concerning the impact of the COVID-19 pandemic)

There are no major changes from the accounting estimates concerning the impact of the COVID-19 pandemic that were included in the “Additional information” section of the securities report for the previous fiscal year (the fiscal year ended September 30, 2021).

(Segment information)

I Consolidated results for the first three months of the fiscal year ended September 30, 2021
(October 1, 2020 to December 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						
Sales, external	10,929	2,775	167	13,872	—	13,872
Intersegment sales	—	—	66	66	(66)	—
Total	10,929	2,775	233	13,938	(66)	13,872
Segment income (loss)	3,271	440	16	3,728	(702)	3,025

(Note 1) Intersegment eliminations totaling 210 million yen and unallocated corporate expenses totaling (913) million yen have been included in the segment income adjustment totaling (702) 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 three months of the fiscal year ending September 30, 2022
(October 1, 2021 to December 31, 2021)

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						
Revenue from contracts with customers	12,754	2,627	166	15,548	—	15,548
Other revenue	—	—	23	23	—	23
Sales, external	12,754	2,627	189	15,571	—	15,571
Intersegment sales	—	—	65	65	(65)	—
Total	12,754	2,627	255	15,637	(65)	15,571
Segment income	3,000	365	23	3,389	(616)	2,773

(Note 1) Intersegment eliminations totaling 129 million yen and unallocated corporate expenses totaling (745) million yen have been included in the segment income adjustment totaling (616) 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

3. Notes on changes in reportable segments

As described in changes in accounting principles, the Company has applied the Revenue Recognition Accounting Standards, etc. from the beginning of the three months ended December 31, 2021 and has changed its accounting treatment for revenue recognition. For this reason, the Company has made the same changes to its calculation method for income or loss of business segments.

As a result of these changes, for the three months ended December 31, 2021, net sales in the Cosmetics segment increased by 1,691 million yen while segment income decreased by 217 million yen; net sales in the Pharmaceuticals & Health Food segment decreased by 29 million yen while segment income decreased by 49 million yen, and net sales in the Other segment increased by 31 million yen while segment income decreased by 1 million yen, compared to what would have been recorded under the previous method.