

ANNUAL REPORT 2017

Year ended September 30, 2017

Segment Information

Cosmetics 72.0%

The Group develops, produces and sells a versatile collection of products under well-regarded brand names, including *Noevir* high-performance functional face-to-face channel skincare products; various popular products for the self-selection cosmetics market, including the *Namerakahonpo* skincare line and *excel* makeup line; and *NOV* hypoallergenic cosmetics. The Group also undertakes the contract manufacturing of cosmetics.

Channels

- Face-to-face Sales
- Drugstores
- Specialty Goods Stores
- GMS (General Merchandise Stores)
- Supermarkets
- Online Stores
- Noevir's Own Retail Stores
- Convenience Stores
- Contract Manufacturing

Pharmaceuticals & Health Food 24.8%

The Group develops, produces and sells such flagship items as the long-selling *Nanten Nodo Ame* cough drops, functional drinks, such as the *Min Min Da Ha* lineup, and other OTC pharmaceuticals, including cold remedies and digestive aids, as well as nutritional supplements, health food and other products featuring high-quality natural ingredients.

Channels

- Face-to-face Sales
- Convenience Stores
- Drugstores
- GMS (General Merchandise Stores)
- Supermarkets
- Online Stores
- Contract Manufacturing

Other 3.2%

The Other segment encompasses apparel and aircraft sales and leasing.

Channels

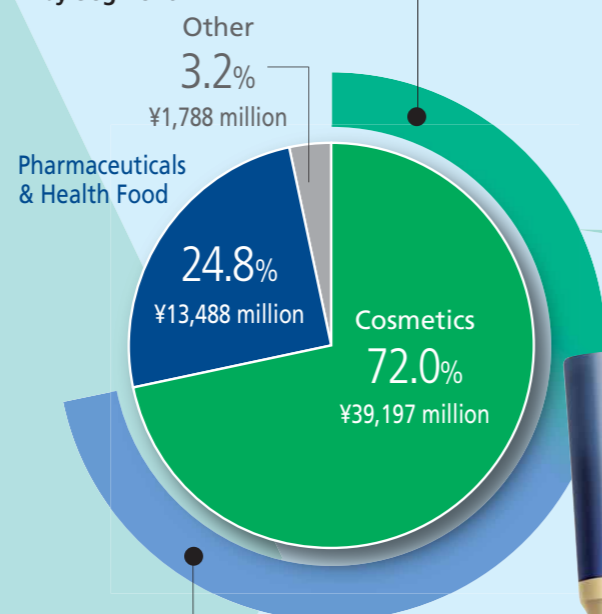
- Face-to-face Sales

Sales in the Cosmetics Business by Sales Route

Face-to-face Channel Cosmetics

Cosmetics principally represented by prestige products sold through such face-to-face sales channels as beauty studios and Noevir's own retail stores

Fiscal 2017 Net Sales by Segment



Self-selection Cosmetics

Cosmetics principally represented by affordable products sold through general retailers

Overseas business

Sales of face-to-face channel cosmetics and self-selection cosmetics in nine regions overseas:

China, Taiwan, South Korea, Hong Kong, Singapore, Thailand, the United States, Canada and Russia

OEM (Original Equipment Manufacturing)

The contract manufacturing of cosmetics and quasi-drugs on an OEM basis, utilizing the Group's know-how in both fields



A Unique Approach to R&D

- Constantly developing unique products that are insulated from price competition
- Expanding the scope of R&D and accumulating a wealth of expertise in botanical research, a field in which we have been engaged in since our founding, as well as brain science, genetics and neuroscience, with the Noevir Group Research Laboratory serving as a core facility
- Stepping up joint research with external business corporations as well as governmental and academic institutions

Face-to-face Channel Cosmetics Brands

Cosmetics principally represented by prestige products sold through face-to-face sales channels

- Approximately 1,850 Noevir Beauty Studios operate in regions around the country, while Noevir's own retail stores cover mainly metropolitan areas
- These sales outlets engage in face-to-face sales employing consulting to both propose skincare products and provide facials
- Our high-end skincare products have garnered a solid reputation due to their superior anti-aging and skin-brightening functionalities



Self-selection Cosmetics Brands

Cosmetics principally represented by affordable products sold through general retailers

- Sold mainly through drugstores, specialty goods stores and general merchandise stores
- Boasting a robust sales structure backed by storefront promotional campaigns as well as advertising utilizing SNSs and other media
- Product planning capabilities that help create trendsetting items and unique offerings aimed at addressing specialized customer needs

Medium-term Management Plan Concept:

“Realizing steady corporate growth by securing sustainability in every Group business segment”

Having established a medium-term management plan with its final year set at fiscal 2020, the Noevir Group is striving to best accommodate ever changing and increasingly diverse market needs. In addition to executing the following five policies aimed at steadily achieving the objectives of the plan, we have positioned net sales, operating income and return on equity (ROE) as key management indicators, thereby maximizing our corporate value and enhancing profitability.

Five policies

1. Pursue innovation and continuous profit generation in Japan
2. Enhance our brand value and develop new markets in countries worldwide
3. Diversify and globalize human resources and our corporate structure
4. Strengthen our manufacturing competitiveness
5. Promote a management approach that is responsive to changes in the business environment

Numerical Achievements and Targets

(Millions of yen)

	Fiscal 2017 results	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net sales	¥54,473	¥56,000	¥58,000	¥60,000
Operating income	9,986	10,700	11,500	12,000
ROE (%)	12.3%	13.0%	14.0%	15.0%



Noevir Co., Ltd.

- 1964 J.H. Okura & Co., Ltd. established, initiating the import and sale of aircraft parts, medical equipment and commodities
- 1971 J.H. Okura & Co., Ltd. reorganized as a limited liability company, initiating the import and sale of natural cosmetics incorporating herbal extracts
- 1978 Company name changed to Noevir Co., Ltd. and the full-scale manufacture and marketing of cosmetics in Japan initiated
- 1979 Noevir, Inc. (now Noevir U.S.A., Inc.) established in the United States
- 1985 Nov Co., Ltd. established
- 1986 Sana Co., Ltd. established
- 1988 Noevir stock registered on the over-the-counter (OTC) market of the Japan Securities Dealers Association
- 1991 Noevir U.S.A., Inc. made Noevir Canada, Inc. its subsidiary

- 1993 Noevir International Corporation (now Noevir Aviation, Inc.) established in the United States
- 1994 Noevir Co., Ltd. made Japan Air Trust Co., Ltd. (now Noevir Aviation Co., Ltd.) its subsidiary, entering the aviation transport business
- 1996 Noevir Co., Ltd. made Noevir Taiwan, Inc. its subsidiary
- 2001 Bonanza Co., Ltd. established, initiating the OEM of cosmetics
Noevir Holding of America, Inc. established in the United States, making Noevir Aviation Inc., Noevir U.S.A., Inc. and Noevir Canada, Inc. its subsidiaries
- 2002 Noevir Co., Ltd. made Tokiwa Pharmaceutical Co., Ltd. its subsidiary, entering the pharmaceutical business
- 2004 Tokiwa Pharmaceutical Co., Ltd. merged with Nov Co., Ltd. and Sana Co., Ltd.
Noevir stock listed on the JASDAQ Securities Exchange
- 2005 Noevir Europe s.r.l. established in San Marino
- 2007 Shanghai Noevir Co., Ltd. established as a joint venture
Noevir stock listed on the Second Section of the Tokyo Stock Exchange
- 2011 Noevir Holdings Co., Ltd. established, with Noevir Co., Ltd. delisting its stock and becoming the former's subsidiary

Noevir Holdings Co., Ltd.

- 2011 Noevir Holdings Co., Ltd. established, listing its stock on the Second Section of the Tokyo Stock Exchange
Acquired equity in three subsidiaries (Tokiwa Pharmaceutical Co., Ltd., Bonanza Co., Ltd. and Noevir Aviation Co., Ltd.) of Noevir Co., Ltd.
- 2012 Noevir Holdings Co., Ltd. listed on the First Section of the Tokyo Stock Exchange

Paying close attention to market needs, we will steadily build strengths in our fields of specialty.

The Noevir Group has strengths in diverse product spectrums, including prestige face-to-face channel cosmetics available primarily through face-to-face sales and affordable self-selection cosmetics sold through retailers. Our highly functional products created through extensive R&D targeting both these fields boast significant market presence in Japan. Furthermore, we have been pursuing greater profitability by focusing on innovation in the domestic market in line with our medium-term management plan. Thanks to these efforts, in fiscal 2017 we were ahead of plan in achieving our targets for the key management indicators of operating income and ROE.

The Operating Environment and Fiscal 2017 Business Results

During fiscal 2017, the Japanese economy continued to register a modest but steady recovery, mainly due to improvements in corporate earnings and the employment situation. However, future economic trends remained uncertain due to dramatically fluctuating foreign exchange rates and increasing economic volatility overseas. The domestic cosmetics market grew nevertheless thanks to such factors as growing demand for high-value-added products.

Against this backdrop, consolidated net sales came to ¥54,473 million, while operating income totaled ¥9,986 million. Net income attributable to owners of the parent amounted to ¥7,077 million. The operating income margin was 18.3%, up 3.3 percentage points compared with the previous fiscal year, indicating further growth. The Company has thus registered a third consecutive year of record highs in both income categories.

Our Fiscal 2017 Initiatives

Our medium-term management plan, aimed at helping us realize more profitable business management, places ongoing emphasis on the efficient utilization of management resources and sets forth initiatives for earning customer loyalty. To better embody our medium-term management plan concept of

“Realizing steady corporate growth by securing sustainability in every Group business segment,” in November 2017 we revised said plan, resetting the clock for the plan’s final year to fiscal 2020, by which we expect to see even more robust growth in business performance. Please refer to page 2 for details regarding our management targets.

In fiscal 2017, our Cosmetics business achieved increases in both revenues and profit, as it did in the previous fiscal year, thanks to the introduction of new products designed to meet

customer needs and initiatives aimed at enhancing profitability. With Noevir Beauty Studios striving to provide services of even higher quality and serving as a key outlet for face-to-face channel cosmetics, we enjoyed firm sales of our highly functional beauty serums, including *Noevir Enrich 33*, an anti-aging serum that boasts dense placenta content, and an upgraded version of *Noevir BIOSIGN night smoothy*, a series of innovative anti-aging serums created employing our bioresearch findings. Also, such prestige skincare lines as *Noevir 505* and *Noevir SPECIALE* commanded strong sales. Meanwhile, sales of self-selection cosmetics were firm, showing significant year-on-year growth. In particular, the *Namerakahonpo* skincare line achieved strong sales by capturing an even broader customer base. Also, the *excel* makeup line garnered favorable customer reviews, contributing to sales growth thanks to a product lineup tailored to accurately meet



Facial service provided at a Noevir Beauty Studio



Noevir Enrich 33

the latest market needs and its superior quality. Overseas, we endeavored to expand a network of distribution outlets for the *Namerakahonpo* skincare line in such Asian markets as China, Hong Kong and Taiwan. In the Pharmaceuticals & Health Food business, sales of pharmaceuticals, functional drinks and nutritional supplements were robust. Celebrating the 20th anniversary of their release, we carried out unique promotional campaigns aimed at enhancing *Min Min Da Ha* functional drinks’ brand recognition. In addition, sales of medicated *Nanten Nodo Ame* cough drops were stable.



Product planning meeting

Future Outlook

In the Cosmetics business, we will steadily increase the number of Noevir Beauty Studios, our primary points of contact with customers, while focusing on enhancing their service quality and sales capabilities. Moreover, we expect demand for anti-aging cosmetics to grow even further due to the rapid aging of the Japanese population. Therefore, we will stay committed to developing anti-aging solutions that provide users with the functionality and superior skincare experience of our high quality products. We will also introduce new products, including an anti-aging serum encapsulating our latest achievements in collagen research called *Noevir Enrich 55* as well as new items in the *Namerakahonpo* skincare line and the *excel* makeup line while expanding the *NOV L&W* skincare lineup. In these ways, we will increase our customer base. As for overseas operations, we will increase the number of distribution outlets in Asia while stepping up sales via international e-commerce. At the same time, we will enhance the profitability of our Pharmaceuticals & Health Food business and, to this end, focus on developing unique healthcare-related products, such as functional drinks, in

addition to reinforcing the deposit sales of pharmaceuticals. We will also endeavor to capture new customers for the medicated cough drop brand *Nanten Nodo Ame* cough drops, which recently marked its 50th anniversary, by introducing new products.

Taking these factors into account, our consolidated performance forecasts for fiscal 2018 (from October 1, 2017 to September 30, 2018) comprise net sales of ¥56,000 million, operating income of ¥10,700 million and net income attributable to owners of the parent of ¥7,300 million.



An overseas sales outlet carrying the *excel* makeup line

Our Policy regarding Shareholder Returns

We have positioned the return of profit to our shareholders as an important management issue. In line with our basic policy of ensuring stable shareholder returns, in November 2017 we executed the cancelation of treasury stock following the repurchase of shares. As for full-year cash dividends for fiscal 2017, we decided to pay out ¥150 per share. Not only is this amount ¥30 higher than the dividend forecast made at the beginning of the year, it is our sixth consecutive annual increase

in dividends. For fiscal 2018, we plan to pay ¥150 per share.

Striving to contribute to health and beauty, the Noevir Group has long been helping people maintain and improve their quality of life through its business operations. Thanks to this dedication, the Group has won the trust of society. Looking ahead, we will continue to enhance our corporate value while boosting our ability to quickly and flexibly accommodate market changes and diversifying needs.



Main Brands

- *Noevir SPECIALE*
- *Noevir 99 Plus*
- *Noevir 505*
- *Noevir 80*
- *Noevir TOUT BLANC*
- *Noevir BIOSIGN*



Noevir SPECIALE skincare line

Product Strategy

Our face-to-face channel cosmetics brand portfolio consists mainly of prestige skincare products, which boast strengths as anti-aging and skin brightening solutions and provide users with a superior skincare experience, as well as beauty serums and other functional cosmetics, the lineups of which are periodically expanded and renewed to reflect our latest R&D accomplishments.

In fiscal 2017, we released *Noevir Enrich 33*, an anti-aging serum that encapsulates our achievements in placenta research over the course of more than 30 years as well as findings from our botanical research. Also, we released an upgraded version of *Noevir BIOSIGN night smoothy*, an innovative nighttime repair treatment, enhancing the lineup of *BIOSIGN* skincare brand products, which are backed by a combination of cutting-edge bioresearch and botanical research expertise. We are constantly introducing new products that, like these, provide both functionality and a superior skincare experience; efforts that ensure we are positioned to win customers' trust in our product development capabilities and earn their loyalty.

Sales Strategy

The Noevir Group markets its face-to-face channel cosmetics brands mainly through face-to-face sales channels backed by beauty studios while also offering them through Noevir's own retail stores. In addition, the Group has enhanced its sales capabilities by introducing an in-house system that certifies those Noevir Beauty Studios that demonstrate service quality and techniques that meet strict standards, choosing from among beauty studios. As of September 30, 2017, approximately 1,850 salons have been certified. Meanwhile, Noevir operates a network of its own retail stores that encompasses nine outlets in major cities across Japan. Serving as contact points with potential customers, these stores strive to help enhance customer understanding of the importance of consulting, stimulate purchasing and promote brand recognition.



Noevir 505 skincare line



Noevir 99 Plus skincare line



Noevir BIOSIGN night smoothy



Noevir Enrich 33

Product Strategy

With regard to self-selection cosmetics targeting the general retail market, both the *Namerakahonpo*—our mainstay brand of affordable skincare products that boasts an extensive lineup and is the market leader* in terms of soymilk-based skincare products—and the hypoallergenic *NOV* skincare lines command considerable market shares in Japan. In addition, the *excel* makeup line has garnered a solid reputation among consumers in Japan and other Asian countries in a broad age range thanks to the Noevir Group's unique product planning strategies, with sales from this line increasing at a significant pace.

Meanwhile, our Pharmaceuticals & Health Food segment provides an array of unique products, including the long-selling *Nanten Nodo Ame* cough drops and *Min Min Da Ha* functional drinks.

* Based on the storefront sales of self-selection skincare products incorporating soymilk ingredients calculated from POS data gleaned by five retailers throughout 2016

Sales Strategy

As for the marketing channels for self-selection cosmetics, the Group utilizes such general retailers as general merchandise stores, drugstores and specialty goods stores. With regard to pharmaceuticals, the Group markets a variety of products, including functional drinks and cough drops, through such outlets as drugstores and convenience stores in addition to employing face-to-face sales channels to secure contracted households and companies to which products are delivered on regular basis.

Looking to enhance brand recognition and an understanding of our products among the general public, we are engaged in ongoing sales promotion initiatives via social networking services (SNSs). In particular, we are working to capture new customers for the *Namerakahonpo* skincare line and the *excel* makeup line via

storefront promotional campaigns aimed at making a lasting impression. At the same time, we aim to boost sales of *NOV* hypoallergenic cosmetics by stepping up collaboration with medical institutions. Furthermore, our 2017 advertising activities for *Min Min Da Ha* functional drinks included the release of special products emblazoned with the images of popular cartoon characters as well as online releases of advertising videos and simultaneous SNS-based campaigns, thereby celebrating the 20th anniversary of this series. In addition, the Group undertakes the contract manufacturing of cosmetics and quasi-drugs on an OEM basis.

Main Brands

- *Namerakahonpo*
- *excel*
- *Pore Putty*
- *New Born*
- *NOV*
- *Cellnew*
- *Nanten Nodo Ame*
- *Min Min Da Ha*
- *Gronvita*
- *Vita C*



Namerakahonpo skincare line displayed at a retail store in Shanghai



Namerakahonpo skincare line



Namerakahonpo skincare line



excel makeup line



Pore Putty makeup line

New Born makeup line



NOV hypoallergenic cosmetics displayed at a retail store in Taiwan



NOV brand



Nanten Nodo Ame cough drops

Min Min Da Ha functional drink brand



Continually striving to expand the scope of its R&D activities, the Noevir Group has built a wealth of expertise in brain science, genetics and neuroscience, in addition to its strengths in botanical research—a field in which it has been engaged in since its founding. Moreover, the Group is rallying its overall strengths to take on the challenge of entering new R&D fields as it strives to enhance the market competitiveness of its products. Also, we are actively engaged in collaboration with universities, medical institutions and other external research organizations with the aim of creating unique products that are insulated from price competition.

Our R&D Facilities

With the Noevir Group Research Laboratory in Shiga Prefecture serving as the core, our robust network of R&D facilities includes the Suzuka Alpine Plants Research Center, Minami Daito Island Marine Research Center and Hokkaido Shokanbetsu Mountain Pilot Farm. These facilities engage in basic research on such subjects as native plants that thrive in extreme climates.

Our recent research using Japanese angelica* cultivated at the Hokkaido Shokanbetsu Mountain Pilot Farm, which is certified under the Japanese Agricultural Standard (JAS) for Organic Plants, has determined that a certain ingredient extracted from the roots of this plant facilitates the production of collagen and the formation of collagen fiber in skin cells. We will move forward with applying this finding in R&D aimed at creating highly functional cosmetics.

* *Angelica acutiloba* Kitagawa var. *sugiyamae* Hikino



The Noevir Group Research Laboratory

Quality Assurance

The Noevir Group provides high-quality products capable of satisfying stringent safety standards. Constantly upgrading its quality assurance structure, the Group implements a quality policy that places the utmost priority on customer satisfaction while supplying safe products of superior quality. Guided by this policy, the Shiga Factory has established a management system that satisfies the technical requirements stipulated in Good Manufacturing Practice (GMP) guidelines for the manufacture and quality control of cosmetics alongside its in-house manufacturing management system encompassing all its production sites.

Moreover, in October 2015 this factory acquired certification for compliance with ISO 22716: Cosmetics—Good Manufacturing Practices (GMP)—Guidelines on Good Manufacturing Practices. The Mie Factory, meanwhile, maintains a sophisticated management system, producing an array of offerings, including pharmaceuticals, functional drinks and health foods. In addition, efforts are now under way at each factory to promote facility automation and introduce labor-saving production processes with the aim of enhancing our quality assurance capabilities and reducing manufacturing costs.



1. Fundamental Concepts of Corporate Governance

To realize the ongoing enhancement of corporate value and maintain the trust of all of its stakeholders, including shareholders, the Noevir Group has positioned corporate governance as a key management issue. Accordingly, the Group has developed a robust management structure while strengthening auditing functions to ensure strict compliance with laws, regulations and corporate ethics as well as its articles of incorporation. Moreover, the Group has set up internal control and risk management systems, both of which are constantly upgraded.

To deepen the understanding of its stakeholders and ensure their appropriate evaluation, Noevir Holdings voluntarily and consistently discloses important information pertaining to the Group in a fair, timely and appropriate manner. To disseminate investor relations (IR) information, Noevir Holdings established a dedicated division, appointed a director to be in charge of IR, and regularly holds briefings for analysts and institutional investors in addition to updating IR information posted on its website.

2. Corporate Governance Structure Overview

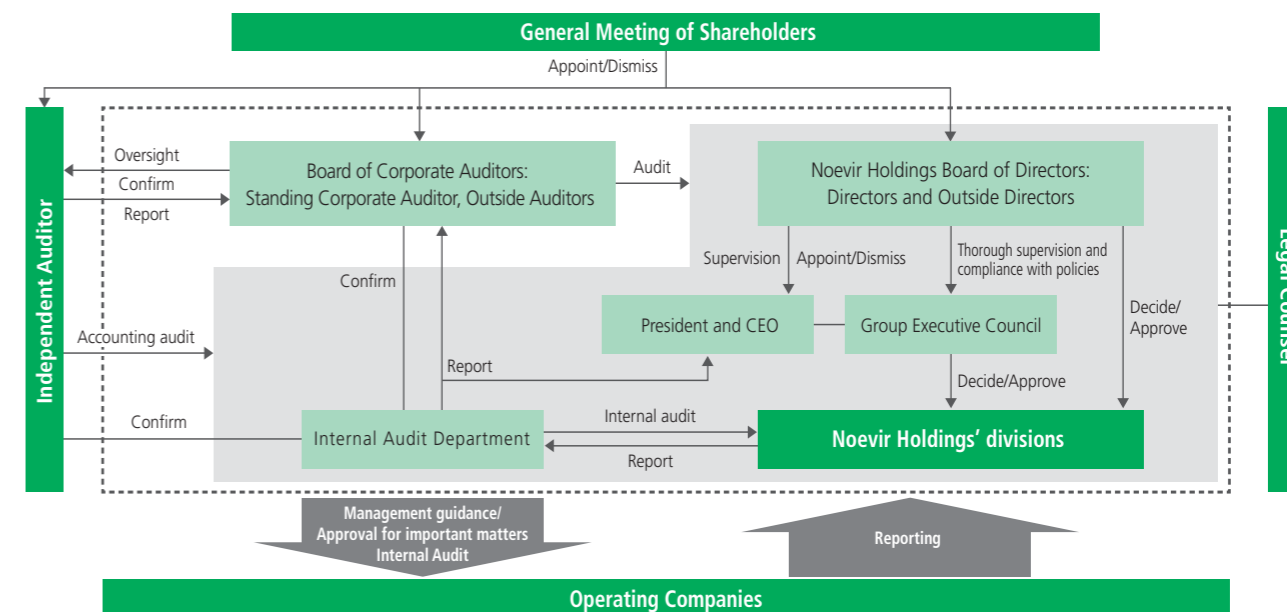
Type of governance model	A company with auditors	The establishment of an internal audit department	Yes
Number of directors (of whom, outside directors)	7 (2)	Adoption of an executive officer system	Yes
Number of corporate auditors (of whom, outside corporate auditors)	3 (2)	Advisory body supporting president's decision making	Group Executive Council
Number of independent directors and corporate auditors (within outside directors and corporate auditors)	4 (2:2)	Remuneration systems for directors and corporate auditors	Directors: Performance-based remuneration system Corporate auditors: Fixed remuneration
Directors' term	One year	Accounting auditor	Deloitte Touche Tohmatsu LLC
Frequency of Board of Directors' meetings	Monthly (plus extraordinary meetings convened on an as-needed basis)	Systems for supporting outside directors and corporate auditors	Persons in charge of support are appointed from Corporate Affairs Department
Number of Board of Directors' meetings held during fiscal 2017	12		

3. Fundamental Concepts of Internal Control System

To ensure the appropriate and sound execution of its Group operations, Noevir Holdings undertakes the storage, management and streamlining of information associated with the execution of directors' duties while endeavoring to maintain clarity in its risk management structure as well as to strengthen and promote its compliance structure under the Corporate Governance Policy and

the Noevir Group Code of Conduct. With the aim of securing a structure for reporting to a board of auditors and conducting effective audits and reliable financial reporting, Noevir Holdings continues to further enhance its internal control and compliance systems in order to ensure strict adherence to laws, regulations and its articles of incorporation.

4. Corporate Governance Organizational Structure



Basic Philosophy

Working toward the realization of high quality of life for all stakeholders, the Noevir Group is engaged in the creation of beauty and health. In addition to pursuing further business growth, we have clearly defined the responsibilities we are called on to fulfill as a good corporate citizen and are implementing proactive initiatives aimed at contributing to sound social development under five themes: customers and business partners; shareholders; employees; society; and the environment.

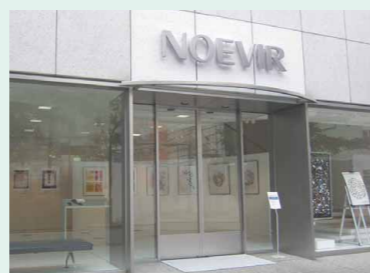
Launching a New Female Sailing Team in the 49erFX Class

In April 2017, the Noevir Group launched a new female sailing team in the 49erFX Class. This high-speed and dynamic female sailing racing category is often equated with motor sports' Formula One. To assist female athletes pursuing their dreams, we will continue to implement this and other ongoing sports promotion initiatives while enhancing our brand value.



NOEVIR Ginza Gallery Celebrates Its 10th Anniversary

NOEVIR Ginza Gallery, which was established on the first floor of the Company's Tokyo Headquarters with the aim of introducing timeless masterpieces, celebrated its 10th anniversary in fiscal 2017. This venue is host to major art events four to five times a year, exhibiting pieces created by prominent Japanese and foreign artists in genres ranging from painting, woodblock printing, poster art and photography to calligraphy. Looking ahead, the facility will continue to showcase and introduce artwork that appeals to visitors' aesthetic sense, taking advantage of its location in Ginza—the trendsetting center of Tokyo's arts and culture scene.



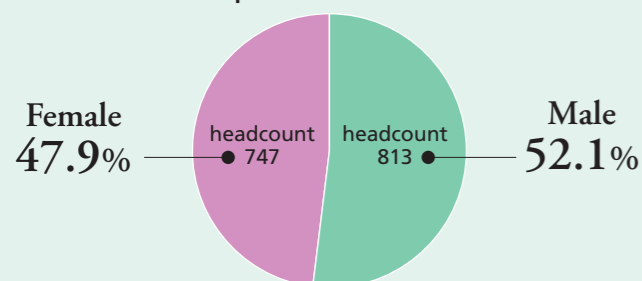
Noevir's Work Style Reform Initiatives



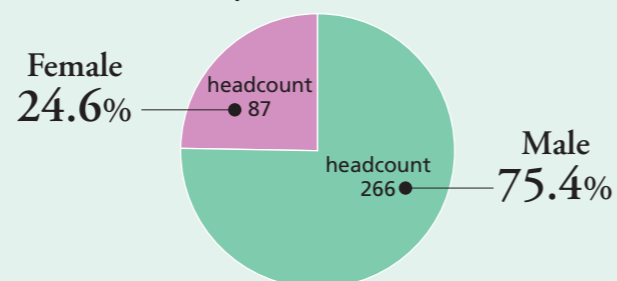
The Noevir Group constantly endeavors to enable all of its employees to strike an optimal balance between their work and

family duties or other private activities while helping them fully realize their potential as individuals. In particular, we strive to ensure that the career development paths of all individuals in our workforce are unconstrained by such events as childbirth, child rearing or nursing care. We encourage employees to fully utilize annual paid leave while striving to minimize overtime. Moreover, we have implemented various initiatives, including letting eligible personnel work at locations other than the office via a telecommuting system, enhancing childcare leave plans, allowing those engaged in child rearing or nursing care to shorten their working hours and introducing nursing care leave plans. In addition, we have formulated concrete action plans and set numerical targets with an eye to pushing forward initiatives that support women aiming for career success.

Proportion of Male and Female Employees in the Noevir Group



Proportion of Male and Female Managers in the Noevir Group



(As of September 30, 2017)

Overview

During fiscal 2017 (October 1, 2016 to September 30, 2017), the Japanese economy continued to register a modest but steady recovery, mainly due to improvements in corporate earnings and the employment situation. However, future economic trends remained uncertain due to dramatically fluctuating foreign exchange rates and increasing volatility in economies overseas.

Against this backdrop, the Group's Cosmetics segment succeeded in meeting diverse customer needs while capturing latent consumer demand.

Revenues from face-to-face channel cosmetics were firm thanks to brisk sales of a placenta-enriched anti-aging skincare serum and other high-end basic skincare lines. In the Group's self-selection cosmetics, new products and existing series of skincare, makeup and color cosmetics continued to enjoy strong sales.

As a result, net sales for the fiscal year ended September 30, 2017 came to ¥54,473 million, while the cost of sales amounted to ¥18,712 million and as a percentage of net sales was 34.4%. Selling, general and administrative (SG&A) expenses were ¥25,775 million and as a percentage of net sales came to 47.3%. Accordingly, the ratios of cost of sales and SG&A expenses to net sales improved year on year by 0.8 and 2.5 percentage points, respectively.

Operating income was ¥9,986 million and net income attributable to owners of the parent came to ¥7,077 million, up 40.2% compared with the previous fiscal year. Thus, the Company registered record highs for both operating income and net income attributable to owners of the parent for a third consecutive year.

Segment Information

Cosmetics

Overview

The Group develops, produces and sells a versatile collection of products under well-regarded brand names, including *Noevir* high-performance functional face-to-face channel skincare products; various popular products for the self-selection cosmetics market, including the *Namerakahonpo* skincare line and the *excel* makeup line; and *NOV* hypoallergenic cosmetics. The Group also undertakes the contract manufacturing of cosmetics.

Fiscal 2017 Results

Sales of face-to-face channel cosmetics were favorable due to the strong performance of a placenta-enriched anti-aging skincare serum and other high-end basic skincare lines. In self-selection cosmetics, new products and existing series of skincare, makeup and color cosmetics continued to enjoy strong sales.

As a result, the Cosmetics segment saw growth in both revenues and profit, with segment sales and income totaling ¥39,197 million and ¥11,002 million, respectively.

Pharmaceuticals & Health Food

Overview

The Group develops, produces and sells such flagship items as the long-selling *Nanten Nodo Ame* cough drops, functional drinks, such as the *Min Min Da Ha* lineup, and other OTC pharmaceuticals, including cold remedies and digestive aids, as well as nutritional supplements, health food and other products featuring high-quality natural ingredients.

Fiscal 2017 Results

Pharmaceuticals and health foods both performed strongly. In particular, segment profit rose significantly year on year due to the absence of a ¥583 million loss recorded in the previous fiscal year in connection with a voluntary recall of medicated cough drops. Thus, the Pharmaceutical & Health Food segment saw growth in both revenues and profit, with segment sales and income amounting to ¥13,488 million and ¥745 million, respectively.

Other

Overview

The Other segment encompasses apparel and aircraft sales and leasing.

Fiscal 2017 Results

Sales in the apparel-related business decreased year on year. However, sales in the aviation-related business were firm. As a result, the Other segment saw a turnaround in its operating results, with segment sales and income totaling ¥1,788 million and ¥128 million, respectively.

Assets, Liabilities and Net Assets

Total assets at fiscal 2017 year-end stood at ¥93,567 million, an increase of ¥3,857 million from the previous fiscal year-end. This was mainly due to a ¥2,464 million increase in cash and cash equivalents and a ¥1,041 million increase in notes and accounts receivable.

Total liabilities came to ¥34,202 million, an increase of ¥401 million from the previous fiscal year-end. This was mainly due to an increase in income tax payable of ¥568 million.

Net assets came to ¥59,365 million, an increase of ¥3,456 million from the previous fiscal year-end. Primary factors contributing to net assets included a ¥568 million increase in accumulated other comprehensive income and a ¥2,823 million increase in retained earnings, with the payment of ¥4,254 million in dividends from retained earnings at the previous fiscal year-end offset by the posting of net income attributable to owners of the parent totaling ¥7,077 million.

As a result, the equity ratio stood at 63.2%, up 1.1 percentage points from the previous fiscal year-end, and net assets per share stood at ¥1,669.18, an increase of ¥95.68.

Cash Flows

Cash and cash equivalents on a consolidated basis as of September 30, 2017 stood at ¥40,350 million, an increase of ¥2,454 million compared with the ¥37,895 million yen at the previous fiscal year-end.

Net cash provided by operating activities amounted to ¥8,136 million. The main item increasing cash was the posting of ¥10,289 million in income before income taxes. The main item decreasing cash was income tax paid of ¥2,858 million.

Net cash used in investing activities came to ¥1,426 million. The principal cash outflow was ¥1,517 million for the purchase of property, plant and equipment.

Net cash used in financing activities came to ¥4,389 million. This was mainly due to the payment of ¥4,252 million in dividends.

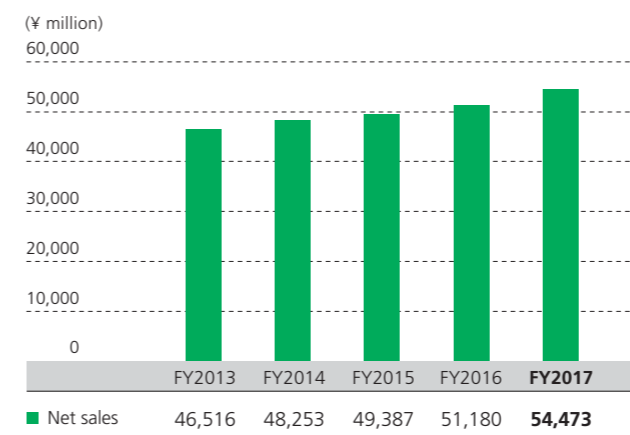
(Millions of yen)

Fiscal Year	2013	2014	2015	2016	2017
Period/Item	October 1, 2012– September 30, 2013	October 1, 2013– September 30, 2014	October 1, 2014– September 30, 2015	October 1, 2015– September 30, 2016	October 1, 2016– September 30, 2017
Net sales	¥ 46,516	¥ 48,253	¥ 49,387	¥ 51,180	¥ 54,473
Operating income	7,252	7,064	7,588	7,706	9,986
Net income	4,580	4,349	4,890	5,049*	7,077*
Total assets	86,871	88,058	87,348	89,709	93,567
Net assets	53,278	56,018	54,598	55,908	59,365
Capital expenditures	701	2,989	3,225	2,506	1,497
Depreciation	1,107	1,021	1,237	1,654	1,845
R&D expenses**	974	1,044	1,106	1,185	1,134
Cash dividends per share (yen)	¥ 50.00	¥ 60.00	¥ 100.00	¥ 120.00	¥ 150.00
Earnings per share, basic (yen)	¥ 122.34	¥ 116.16	¥ 136.79	¥ 142.44	¥ 199.64
Net assets per share (BPS) (yen)	¥1,421.42	¥1,494.14	¥1,536.84	¥1,573.50	¥1,669.18
ROE (%)	8.9%	8.0%	8.9%	9.2%	12.3%
Equity ratio (%)	61.3%	63.5%	62.4%	62.2%	63.2%
Number of employees (consolidated)	1,670	1,641	1,674	1,609	1,560
Cosmetics					
Net sales	¥ 31,278	¥ 32,100	¥ 34,013	¥ 36,031	¥ 39,197
Segment income	7,775	8,413	8,705	9,537	11,002
Pharmaceuticals & Health Food					
Net sales	13,549	14,067	13,456	13,243	13,488
Segment income	1,295	674	1,012	170	745
Other					
Net sales	1,688	2,085	1,918	1,905	1,788
Segment income	3	(158)	(241)	(63)	128

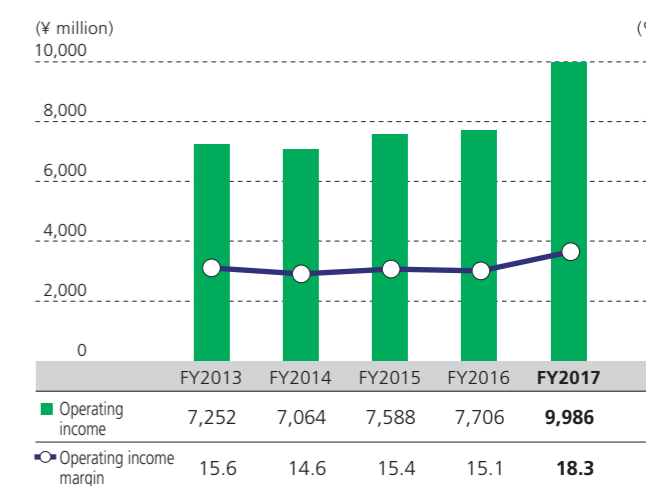
* Net income attributable to owners of the parent

** The total of R&D expenses recorded as part of SG&A expenses and those recorded as part of production costs during the fiscal year under review.

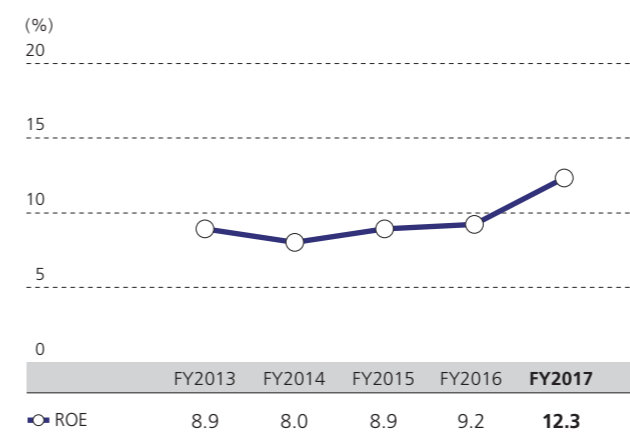
Net Sales



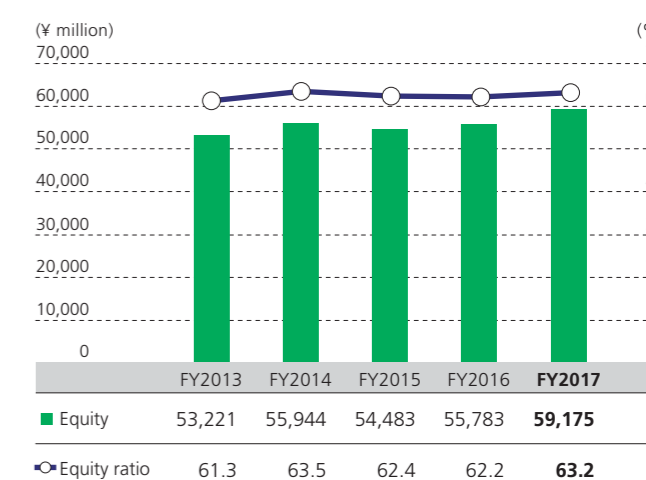
Operating Income / Operating Income Margin



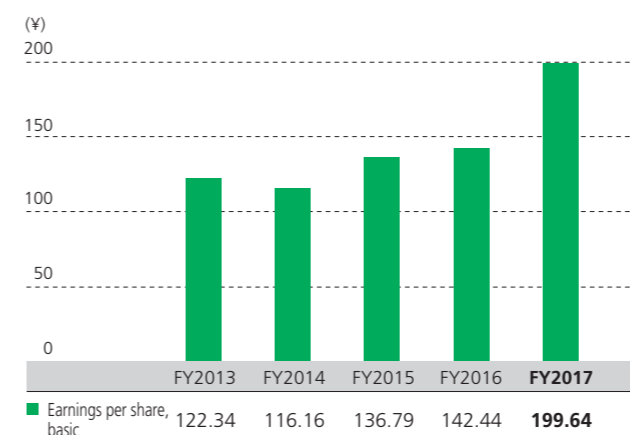
ROE



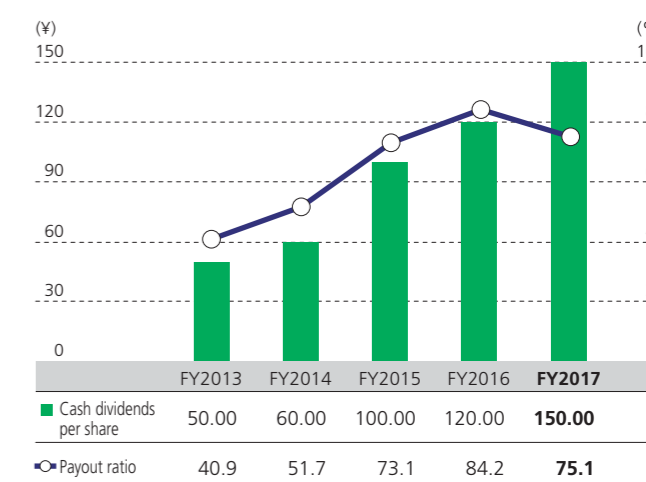
Equity / Equity Ratio



Earnings per Share, Basic



Cash Dividends per Share / Payout Ratio



Name	Location	Issued Share Capital (millions of yen, except as otherwise stated)	Direct or Indirect Ownership by the Company (percent)	Principal Business
Noevir Co., Ltd.	6-13-1 Minatojima-nakamachi Chuo-ku, Kobe 650-8521 Japan	¥7,319	100.00	Production and sale of cosmetics, toiletries and food products as well as purchase and sale of makeup items and apparel
Tokiwa Pharmaceutical Co., Ltd.	3-5-12 Azuchi-machi Chuo-ku, Osaka 541-0052 Japan	¥4,301	100.00	Production and sale of cosmetics, toiletries and food products as well as purchase and sale of makeup items/Production and sale of over- the-counter (OTC) pharmaceuticals and quasi-drugs
Bonanza Co., Ltd.	6-13-1 Minatojima-nakamachi Chuo-ku, Kobe 650-8521 Japan	¥10	100.00	Production and sale of cosmetics and toiletries as well as purchase and sale of makeup items
Tokiwa Medical Service Co., Ltd.	3-5-12 Azuchi-machi Chuo-ku, Osaka 541-0052 Japan	¥98	100.00	Sale of cosmetics, toiletries and food products as well as purchase and sale of makeup items/ Production and sale of over-the- counter (OTC) pharmaceuticals and quasi-drugs
Noevir Aviation Co., Ltd.	2-12 Yao Airport Yao, Osaka 581-0043 Japan	¥35	100.00	Air transportation business
Noevir Holding of America, Inc.	1095 Main Street Irvine, California 92614 U.S.A.	US\$7,250 thousand	100.00	Holding company for two U.S. subsidiaries and one Canadian subsidiary
Noevir U.S.A., Inc.	1095 Main Street Irvine, California 92614 U.S.A.	US\$5,900 thousand	100.00	Sale of cosmetics, makeup products, toiletries and food products
Noevir Canada, Inc.	7360 River Road, Richmond British Columbia V6X 1X6 Canada	C\$1,131 thousand	100.00	Sale of cosmetics, makeup products, toiletries and food products
Noevir Taiwan, Inc.	8th Fl.-2, No. 111 Songjiang Road, Zhongshan District Taipei City 10486 Taiwan	NT\$31,000 thousand	100.00	Sale of cosmetics, makeup products, toiletries and food products
Shanghai Noevir Co., Ltd.	Room 2206, Feidiao International Plaza No. 1065A Zhaojiebang Road Shanghai 200030, China	5,000 thousand Chinese yuan	50.00	Sale of cosmetics, makeup products and toiletries as well as procurement and sale of sales promotion goods for the Noevir Group
Noevir Aviation, Inc.	200 West Grand Avenue Montvale, New Jersey 07645 U.S.A.	US\$1,350 thousand	100.00	Purchase and sale of aircraft and vessels as well as aviation-related operations
Noevir Europe s.r.l.	Via Tre Settembre, 99 (5°-#183) 47891 Dogana Republic of San Marino	26,000 euro	100.00	Market research in Europe

**Chairman and
Representative Director**
Hiroshi Okura

President and CEO
Takashi Okura

Directors
Ikkou Yoshida
Yasuo Kaiden
Masataka Nakano

Outside Directors
Sanae Tanaka*
Maho Kinami*

Standing Corporate Auditor
Masashi Akagawa

Outside Corporate Auditors
Masakazu Ueda**
Kazuhiro Kida**

* Independent directors
** Independent corporate auditors

Profiles of Outside Directors

Sanae Tanaka	Representative of Sanae Tanaka Law Office Vice chairperson of TV Asahi Corporation Program Assessment Council Outside director of PILOT CORPORATION Outside director of Shochiku Co., Ltd. Outside director of Kintetsu World Express, Inc.
Maho Kinami	Attorney-at-law, Zao Law Office

Profiles of Outside Corporate Auditors

Masakazu Ueda	Representative of Ueda Law Office Professor of the Faculty of Law, Teikyo University
Kazuhiro Kida	Representative of Kida Certified Public Accountant Office Representative partner of Haruka Audit Corporation

Investor Information (As of September 30, 2017)

Name

Noevir Holdings Co., Ltd.

Date of Establishment

March 22, 2011
(Noevir Co., Ltd. was founded in April 1964.)

Paid-in Capital

¥7,319 million

Headquarters

• **Kobe**
6-13-1 Minatojima-nakamachi
Chuo-ku, Kobe 650-8521, Japan

• **Tokyo**
7-6-15 Ginza, Chuo-ku
Tokyo 104-8208, Japan

Stock Listing

Tokyo Stock Exchange, First Section (Ticker: 4928)

Transfer Agent and Registrar

Sumitomo Mitsui Trust Bank, Limited
1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

Major Shareholders

Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (percent)
NII Co., Ltd.	7,972	22.48
Hiroshi Okura	6,438	18.15
Takashi Okura	3,699	10.43
Sumitomo Mitsui Banking Corporation	900	2.53
The Master Trust Bank of Japan, Ltd. (Trust Account)	815	2.29
Japan Trustee Services Bank, Ltd. (Trust Account)	619	1.74
Mizuho Bank, Ltd.	600	1.69
Noevir Holdings Employees Shareholdings Scheme	499	1.40
Nihon Kolmar Co., Ltd.	310	0.87
Sumitomo Life Insurance Company	300	0.84

*The shareholding ratio is rounded off to two decimal places.

Forward-Looking Statements

Statements in this annual report with respect to Noevir Holdings' plans, strategies, projected financial results and beliefs as well as other statements that are not historical facts are forward-looking statements based on information currently available, and such statements involve risks and uncertainties that could cause actual results to differ substantially from expectations.

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<http://www.noevirholdings.co.jp/english/>