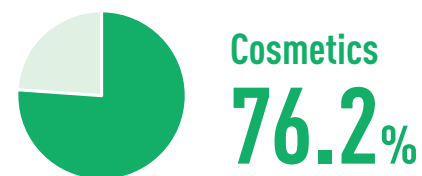


ANNUAL REPORT 2019

Year ended September 30, 2019

Business Model

Segment Information



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 *Nameraka Honpo* skincare brand and *excel* makeup brand; and the *NOV* hypoallergenic brand. 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



The Group develops, produces and sells such flagship items as the long-selling *Nanten Nodo Ame* cough drop brand, the *Min Min Da Ha* functional drink brand 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

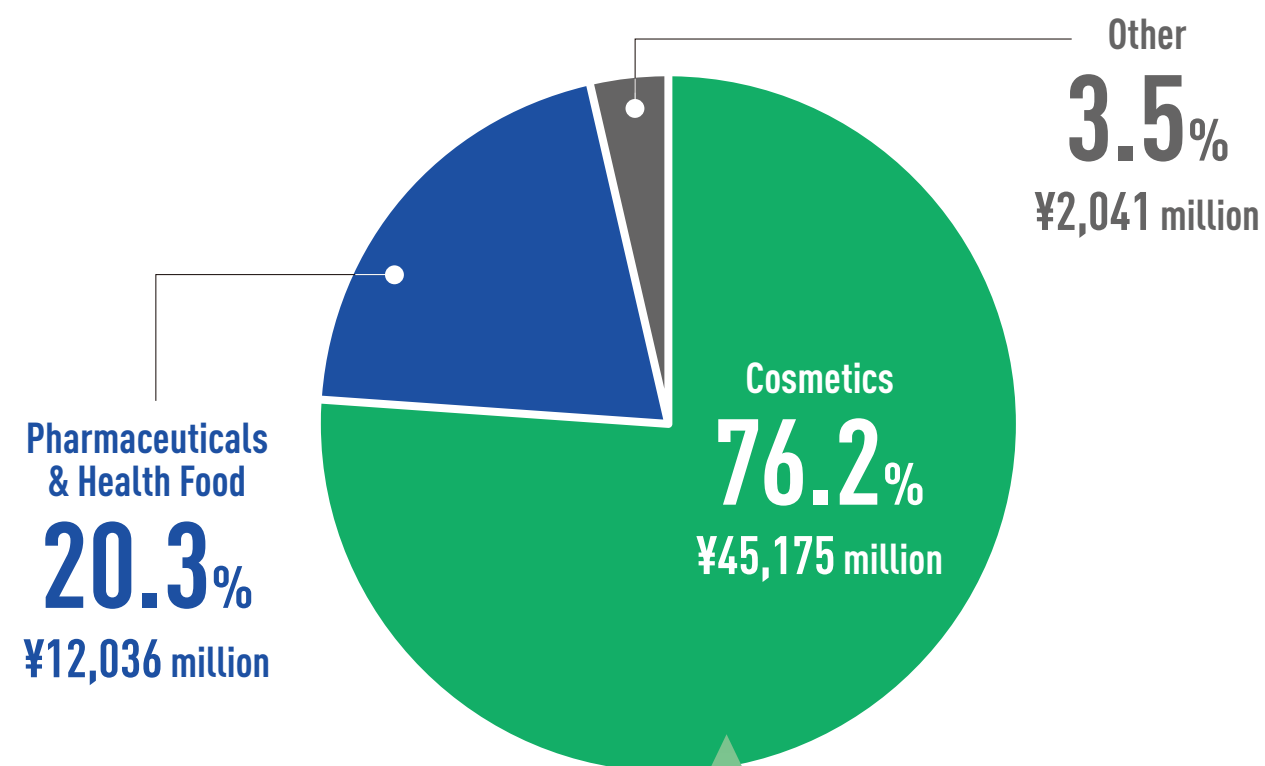


The Other segment encompasses apparel and aircraft sales and leasing.

Channels

- Face-to-face Sales

Fiscal 2019 Sales by Segment



Sales in the Cosmetics Business by Sales Route

Luxury Line Face-to-face Channel Cosmetics



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

- Approximately 1,900 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

A Unique Approach to R&D and Robust Manufacturing Systems Capable of Achieving both High Quality and Environmental Friendliness

- Expanding the scope of R&D and applying our expertise in botanical research, a field in which we have been engaged since our founding, as well as brain science, genetics and neuroscience to deliver a constant stream of unique products, 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
- Implementing thoroughgoing quality control while operating environment-friendly manufacturing systems

Standard Line Self-selection Cosmetics



Cosmetics principally represented by affordably priced 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

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

Medium-Term Management Plan

Medium-term Management Plan Concept:

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

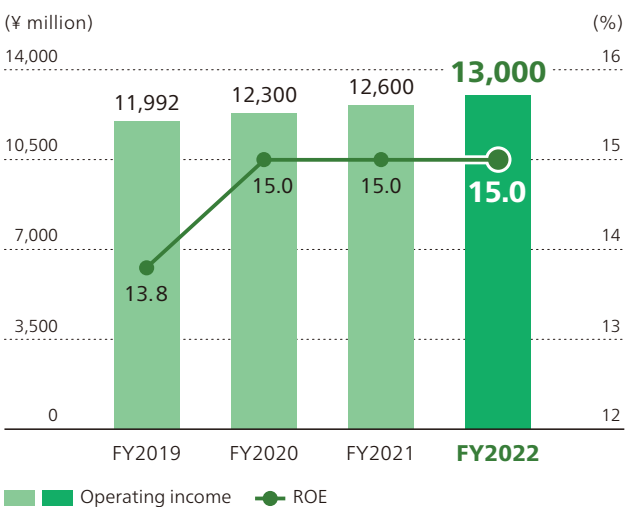
Having established a medium-term management plan with its final year set at fiscal 2022, the Noevir Group is striving to best accommodate ever changing and increasingly diverse market needs. In addition to executing the following five policies aimed at steadily achieving the objectives of the plan, we 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 the domestic market
- 2. Enhance our brand value
- 3. Accelerate efforts to diversify human resources and our corporate structure
- 4. Strengthen our competitiveness by stepping up the diversification of our R&D, production and logistics systems
- 5. Promote a management approach that is responsive to changes in the business environment

Numerical Achievements and Targets

	Net sales	Operating income	ROE
	(Millions of yen)		
Fiscal 2019 results	¥59,252	¥11,992	13.8%
Fiscal 2020	¥59,800	¥12,300	15%
Fiscal 2021	¥60,400	¥12,600	15%
Fiscal 2022	¥61,000	¥13,000	15%



History of the Noevir Group

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
	Bonanza Co., Ltd. established, initiating the OEM of cosmetics
2001	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

We Are Meeting Rapidly Evolving Market Needs via the Combined Application of Our Latest R&D Findings

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.

In the course of our medium-term management plan, we focused on innovation in the domestic market. To better embody the plan's concept of "Realizing steady corporate growth by securing sustainability in every Group business segment," we have endeavored to strengthen our competitiveness, to this end enhancing our brand value, developing our organizational structure and pursuing R&D. In these ways, we have striven to secure sustainable sources of profit.

The Operating Environment and Fiscal 2019 Business Results

In fiscal 2019, the Japanese economy continued to register a modest but steady recovery, mainly due to further improvements in corporate earnings and the employment situation. However, future economic trends remained uncertain due to such factors as increasing volatility in economies overseas. Nevertheless, in the domestic cosmetics market a growing number of quasi-drugs have been introduced to meet anti-aging solution needs, while makeup awareness among young adults has become stronger than ever. Thanks to these factors, the market continued to grow in size.

Against this backdrop, the Noevir Group took full advantage of findings from its cutting-edge R&D activities to upgrade existing lines and maintain a stream of new products. As a result, consolidated net sales came to ¥59,252 million, while operating income totaled ¥11,992 million. Net income attributable to owners of the parent amounted to ¥7,226 million. The operating income margin was 20.2%, up 0.6 of a percentage point compared with the previous fiscal year. The Group has thus achieved a fifth consecutive year of record-high operating income.

Our Fiscal 2019 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.

In November 2019, we updated the plan's five policies in light of the latest market trends. Please refer to page 2 for details regarding our management targets.

In fiscal 2019, our Cosmetics business achieved increases in both revenues and profit. With regard to face-to-face channel cosmetics, strong showings of high-end cosmetic products contributed to segment sales. In particular, the inclusion of makeup products in the lineup of our most prestigious skincare line, *Noevir SPECIALE*, helped us acquire new customers and expand sales. We also opened NOEVIR SALON DE SPECIALE GINZA, adding yet another luxury-oriented outlet to the network of our own retail stores, in line with our aim of enhancing brand capabilities and recognition. Furthermore, we released *Noevir Enrich 77* anti-aging serum. Thanks to the application of the Noevir Group's expertise in botanical research and the latest findings in dermatology, this product garnered a solid reputation in the market for functional skincare products.

Showings of our self-selection cosmetics also remained robust. In particular, the *excel* brand makeup line succeeded in

introduction of new products and an increase in the number of distribution outlets. We also expanded the lineup of our mainstay skincare brand, *Nameraka Honpo*, in an effort to broaden the range of customers.

The Pharmaceuticals & Health Food business saw a decrease in revenues and an increase in profit. *Nanten Nodo Ame* cough drops, our flagship pharmaceutical brand, continued to earn solid customer support thanks mainly to the release of offerings

with specially designed packages aimed at celebrating its 50th anniversary as well as the introduction of new products.

The Other business segment, which encompasses apparel- and aircraft-related operations, recorded an increase in revenues and a decrease in profit.



Noevir Enrich 77

Future Outlook

In the Cosmetics business, consumer expectations for highly functional cosmetics are growing due to R&D advances affecting efficacy and user experience. With this in mind, we will continue to promote face-to-face channel cosmetics with strong profitability, thereby seizing opportunities arising from future growth in market demand. In particular, we have positioned beauty serums as a mainstay product category and intend to develop a constant stream of products offering anti-aging functions and capable of providing users with a superior skincare experience. By doing so, we will expand our customer base for the various skincare lines.

In addition, we will improve the service quality and sales capabilities of NOEVIR Beauty Studios, our primary points of contact with customers, in order to attract additions to and nurture our existing loyal customer base. To increase sales of self-selection cosmetics, we will endeavor to capture an even broader range of customers by introducing new products in the mainstay *Nameraka Honpo*, *excel* and hypoallergenic *NOV* brand lineups. We will also focus on storefront promotional activities aimed at evoking a sense of intimacy and communicating the quality of our products to shoppers in an effort to draw in and win over a diverse range of customers.

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, we have implemented such measures as the cancellation of treasury stock via the repurchase of shares while giving due consideration to the latest trends in the Group's operating results. As for full-year cash dividends for fiscal 2019, we decided to pay out ¥200 per share. Not only is this amount ¥20 higher than ¥180 per share paid as full-year cash dividends for fiscal 2018, it is our eighth consecutive annual

Taking these factors into account, our consolidated performance forecasts for fiscal 2020 (from October 1, 2019 to September 30, 2020) comprise net sales of ¥59,800 million, operating income of ¥12,300 million and net income attributable to owners of the parent of ¥8,500 million.



A sales promotion event for the *excel* makeup line



NOEVIR SALON DE SPECIALE GINZA

securing an even broader customer base as we introduced new products, which, in turn, contributed to sales, while raising the number of distribution outlets handling this line. In addition to sales of the *New Born* and *Pore Putty* brand makeup lines growing, sales of the *NOV* brand skincare line rose due to the

Main Brands

- *Noevir SPECIALE*
- *Noevir 99 Plus*
- *Noevir 505*
- *Noevir 105*
- *Noevir 80 pure*
- *Noevir EXTRA*
- *Noevir TOUT BLANC*
- *Noevir BIOSIGN*



SPECIALE



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 2019, we released *Noevir Enrich 77*, an anti-aging serum created through the application of botanical research expertise and the latest findings in dermatology—a field in which our knowledge is deep and longstanding—to draw on the beneficial effects of retinol on certain skin conditions. We also released *Noevir MOISTURE LIFT*, another anti-aging serum. This serum employs Q10 coenzyme and five different peptides that together vitalize the skin and improve its moisture retention and elasticity. In addition, we strove to expand the makeup line under our most prestigious skincare brand, *Noevir SPECIALE*. Specifically, we released attractive point makeup* products designed to entice a growing number of customers into choosing this brand's skincare products.

Aiming to enrich our face-to-face channel cosmetics brands, we are fully leveraging our distinctive strengths in R&D, thereby maintaining a constant stream of new products with superior functionality.

* Products for eyes, cheeks and lips

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. As of September 30, 2019, approximately 1,900 salons have been certified.

With regard to its retail stores, Noevir's network has been up and running in major cities across Japan since 2007. In August 2019, Noevir augmented this network with the opening of NOEVIR SALON DE SPECIALE GINZA, an outlet that provides customers with the trial use of the *Noevir SPECIALE* lines. Furnishing contact points with potential customers, this network now consists of 10 outlets, including eight NOEVIR Style stores covering metropolitan areas as well as two NOEVIR SALON DE SPECIALE outlets designed to offer high-end services in luxury settings. Through the operation of its own retail stores, Noevir strives to enhance customer understanding of the importance of consulting, stimulate purchasing and promote brand recognition.



Noevir MOISTURE LIFT



Noevir SPECIALE skincare line



Noevir 505 skincare line



Noevir 99 Plus skincare line

Self-Selection Cosmetics, Pharmaceuticals & Health Food

Product Strategy

With regard to self-selection cosmetics targeting the general retail market, *Nameraka Honpo*—our mainstay brand of affordable skincare products—is the market leader* in terms of soymilk-based skincare products, while the hypoallergenic *NOV* brand enjoys considerable market share in Japan. We have been enriching these two brands, both of which boast lines with distinctive functional features, and steadily expanded our customer base.

In addition, the Noevir Group’s unique product planning strategies have helped the popular *excel*/ brand makeup line garner a solid reputation among consumers in Japan and other Asian countries, and the line’s large number of loyal customers cover a broad age range.

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

* Based on the storefront sales of self-selection skincare products incorporating soymilk ingredients calculated from POS data gleaned by five retailers from January to June 2019

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 *Nameraka Honpo* skincare brand and the *excel*/ brand via storefront promotional campaigns aimed at making a lasting impression. At the same time, we aim to boost sales of *NOV* brand hypoallergenic cosmetics by

stepping up collaboration with medical institutions. These initiatives are designed to communicate product information in a way that evokes a sense of intimacy and trust.

In addition, the Group undertakes the contract manufacturing of cosmetics and quasi-drugs on an OEM basis.

Main Brands

- *Nameraka Honpo*
- *excel*
- *Pore Putty*
- *New Born*
- *NOV*
- *Nanten Nodo Ame*
- *Min Min Da Ha*
- *GRONVITER*
- *VITAC*



A display at an overseas sales outlet carrying the excel/ brand makeup line



Nameraka Honpo skincare brand lineup



Nameraka Honpo skincare brand lineup



excel/ brand makeup lineup



Pore Putty makeup brand lineup



New Born makeup brand lineup



NOV hypoallergenic cosmetics displayed at a retail store in Taiwan



NOV brand lineup



Nanten Nodo Ame cough drop brand lineup



Min Min Da Ha functional drink brand lineup
GRONVITER nutritional drink brand

Research and Development, Quality Assurance

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.

Research and Development

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. In 2016, the Noevir Group began helping the University of Tokyo’s Department of Immunology provide an endowed course on osteoimmunology, and the second round of this course has been ongoing since May 2019. In addition to collaborating with universities, medical institutions and other external research organizations, we are rallying R&D resources across the Group, including those of Noevir Co., Ltd. and TOKIWA Pharmaceutical Co., Ltd., to create synergies that will yield cutting-edge research findings that can be applied to the development of cosmetics and such health foods as nutritional supplements.

Quality Assurance

The Noevir Group provides high-quality products capable of satisfying stringent safety standards designed to live up to customer expectations. The Shiga Factory has established a management system in conformity with 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 lines. Moreover, this factory has acquired certification for compliance with ISO 22716: Cosmetics—Good Manufacturing Practices (GMP)—Guidelines on Good Manufacturing Practices. The Mie Factory, meanwhile, was certified by Mie Prefecture in August 2018 as a food manufacturing facility satisfying Hazard Analysis and Critical Control Point (HACCP) standards for voluntary hygiene management, while maintaining compliance with Standards for Manufacturing Control and Quality Control for Drugs and Quasi-drugs (pharmaceutical GMP based on a ministerial ordinance). Having put in place ever more sophisticated quality assurance systems, this factory is engaged in the production of such offerings as energy drinks and other health foods.



The Noevir Group Research Laboratory



The Mie Factory

Corporate Governance

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
Number of directors (of whom, outside directors)	8 (3)
Number of corporate auditors (of whom, outside corporate auditors)	3 (2)
Number of independent directors and corporate auditors (within outside directors and corporate auditors)	5 (3:2)
Directors’ term	One year
Frequency of Board of Directors’ meetings	Monthly (plus extraordinary meetings convened on an as-needed basis)
Number of Board of Directors’ meetings held during fiscal 2019	12

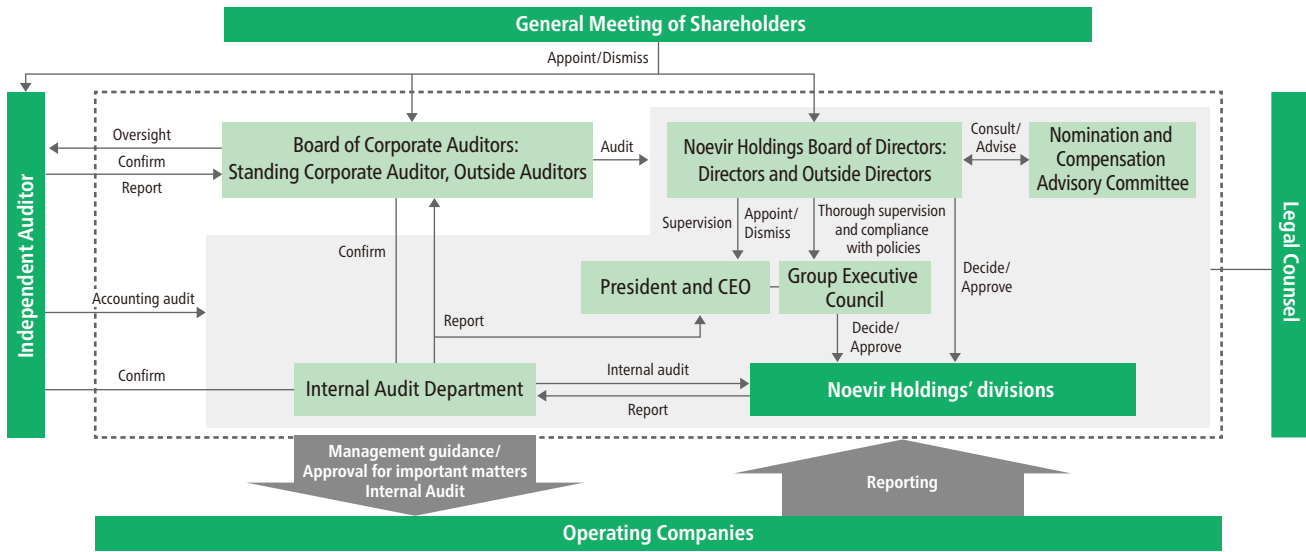
The establishment of an internal audit department	Yes
Adoption of an executive officer system	Yes
Advisory body supporting president’s decision making	Group Executive Council
The establishment of a nomination and compensation advisory committee	Chair: Outside director; Committee members: President and CEO and an outside corporate auditor
Accounting auditor	Deloitte Touche Tohmatsu LLC
Systems for supporting outside directors and corporate auditors	Persons in charge of support are appointed from Corporate Affairs Department

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



Corporate Social Responsibility

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.

Ongoing Fundraising via Noevir Green Charity

Since 2010, Noevir Co., Ltd. has been engaged in an ongoing fundraising campaign via Noevir Green Charity, setting aside a portion of proceeds from designated items sold during biannual skincare product fairs for donation to the Manaslu fund. Headed by alpinist Ken Noguchi, this fund aims to raise money for school construction at the foot of the Himalayas and for the provision of other support of the region's children. As we are in full agreement with Mr. Noguchi's aspiration to support education and thereby help local communities thrive, we will encourage a growing number of Group members to take part in social contribution activities of this kind.



Social contribution activity undertaken at the foot of the Himalayas (©KEN NOGUCHI OFFICE)

Forest Preservation at the Rokko Mountain Range

In 2008, as part of its environmental preservation activities, Noevir Co., Ltd. began engaging in forest preservation at the Rokko mountain range in Hyogo Prefecture. Noevir Green Foundation took over the management of this initiative in 2013, and we were able to celebrate its eleventh anniversary in 2019. With the aim of reconstructing areas affected by the Great Hanshin-Awaji Earthquake Disaster, the foundation is currently engaged in tasks associated with forest administration, including tree trimming, on a quarterly basis. By doing so, it helps protect and nurture a green belt that safeguards communities from landslides.

As the Noevir Group is tasked with the creation of cosmetics, pharmaceuticals and health food that incorporate the blessings of nature, it aspires to pass down an abundant natural environment to future generations. To this end, we are focused on helping conserve a living environment surrounded by rich nature in addition to maintaining a robust forest that functions as a bulwark against disaster.



Participants in one of the forest preservation activities undertaken in 2019

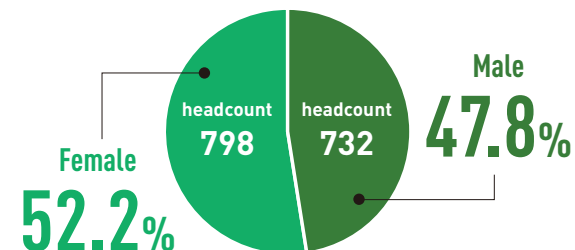
Noevir's Work Style Reform Initiatives

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.

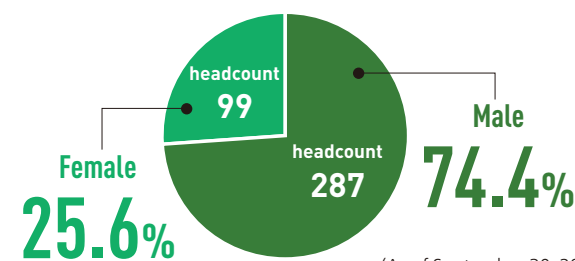
Furthermore, we provide assistance to employees' health promotion efforts, taking a management approach that places great emphasis on ensuring employee health.



Proportion of Male and Female Employees in the Noevir Group



Proportion of Male and Female Managers in the Noevir Group



(As of September 30, 2019)

Management's Discussion and Analysis

Overview

During fiscal 2019 (October 1, 2018 to September 30, 2019), the Japanese economy continued to register a modest but steady recovery, mainly due to further improvements in corporate earnings and the employment situation. However, future economic trends remained uncertain due to such factors as increasing volatility in economies overseas.

Against this backdrop, the Company worked 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 fiscal year ended September 30, 2019 came to ¥59,252 million. The cost of sales amounted to ¥21,039 million and as a percentage of net sales was 35.5%. Selling, general and administrative (SG&A) expenses were ¥26,220 million and as a percentage of net sales came to 44.3%. Accordingly, the ratio of cost of sales to net sales and the ratio of SG&A expenses to net sales improved year on year by 0.1 of a percentage point and by 0.5 of a percentage point, respectively.

Operating income was ¥11,992 million, and net income attributable to owners of the parent came to ¥7,226 million. Of these, operating income was record high.

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 *Nameraka Honpo* skincare brand and the *excel* brand; and the *NOV* brand. The Group also undertakes the contract manufacturing of cosmetics.

Fiscal 2019 Results

Sales of face-to-face channel cosmetics were solid due to strong showings of high-end product lines. In self-selection cosmetics, sales of new and existing product lines were robust.

As a result, the Cosmetics segment saw growth in both revenues and profit, with segment sales and income totaling ¥45,175 million and ¥13,183 million, respectively.

Pharmaceuticals & Health Food

Overview

The Group develops, produces and sells such flagship items as the long-selling *Nanten Nodo Ame* cough drop brand, functional drinks, such as the *Min Min Da Ha* functional drink brand 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 2019 Results

In the Pharmaceuticals & Health Food segment, the Group saw a decrease in sales of functional drinks and nutritional supplements from fiscal 2018. However, segment income grew year on year thanks mainly to initiatives to enhance the efficiency of SG&A expenses.

As a result, segment sales came to ¥12,036 million, while segment income was ¥1,312 million.

Other

Overview

The Other segment encompasses apparel and aircraft sales and leasing.

Fiscal 2019 Results

Sales in the apparel-related business and the aviation-related business performed strongly. As a result, sales in the Other segment came to ¥2,041 million, while segment income came to ¥70 million.

Assets, Liabilities and Net Assets

Total assets at the fiscal 2019 year-end stood at ¥83,330 million, an increase of ¥520 million from the previous fiscal year-end. This was mainly due to an increase in cash and cash equivalents of ¥1,964 million.

Total liabilities came to ¥30,383 million, a decrease of ¥427 million from the previous fiscal year-end. This was mainly due to a decrease in guarantee deposits received of ¥503 million.

Net assets came to ¥52,946 million, an increase of ¥947 million from the previous fiscal year-end. This was primarily attributable to a net increase in retained earnings of ¥1,078 million, reflecting the payment of ¥6,148 million in year-end dividends for the previous fiscal year and the recording of net income attributable to owners of the parent totaling ¥7,226 million.

As a result, the equity ratio stood at 63.3%, up 0.7 of a percentage point from the previous fiscal year-end, and net assets per share stood at ¥1,543.72, an increase of ¥26.11.

Cash Flows

Cash and cash equivalents on a consolidated basis as of September 30, 2019 stood at ¥30,448 million, an increase of ¥1,746 million compared with the ¥28,701 million at the previous fiscal year-end.

Net cash provided by operating activities amounted to ¥10,191 million. The main item increasing cash was the posting of ¥11,033 million in income before income taxes.

Net cash used in investing activities came to ¥2,067 million. The principal cash outflow was ¥1,832 million for the purchase of property, plant and equipment.

Net cash used in financing activities came to ¥6,287 million. This was mainly due to the payment of ¥6,147 million in dividends.

Five-Year Summary

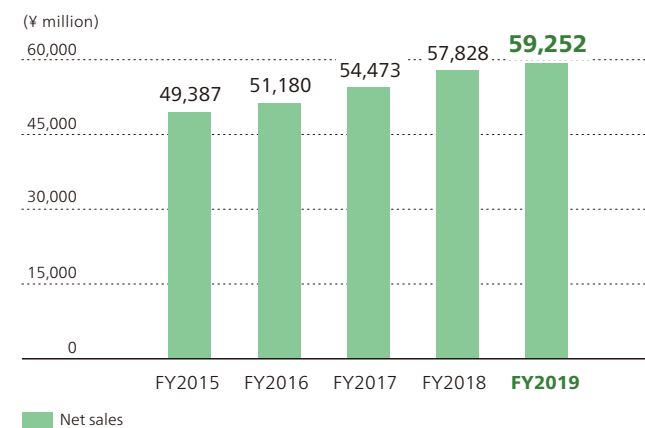
(Millions of yen)					
Fiscal Year	2015	2016	2017	2018	2019
Period/Item	October 1, 2014– September 30, 2015	October 1, 2015– September 30, 2016	October 1, 2016– September 30, 2017	October 1, 2017– September 30, 2018	October 1, 2018– September 30, 2019
Net sales	¥ 49,387	¥ 51,180	¥ 54,473	¥ 57,828	¥ 59,252
Operating income	7,588	7,706	9,986	11,343	11,992
Net income attributable to owners of the parent	4,890*	5,049	7,077	7,842	7,226
Total assets	87,348	89,709	93,567	82,809	83,330
Net assets	54,598	55,908	59,365	51,998	52,946
Capital expenditures	3,225	2,506	1,497	1,375	1,994
Depreciation	1,237	1,654	1,845	1,850	1,808
R&D expenses**	1,106	1,185	1,134	1,046	1,097
Cash dividends per share (yen)	¥ 100.00	¥ 120.00	¥ 150.00	¥ 180.00	¥ 200.00
Earnings per share, basic (yen)	¥ 136.79	¥ 142.44	¥ 199.64	¥ 228.56	¥ 211.57
Net assets per share (BPS) (yen)	¥1,536.84	¥1,573.50	¥1,669.18	¥1,517.61	¥1,543.72
ROE (%)	8.9%	9.2%	12.3%	14.1%	13.8%
Equity ratio (%)	62.4%	62.2%	63.2%	62.6%	63.3%
Number of employees (consolidated)	1,674	1,609	1,560	1,531	1,530
Cosmetics					
Net sales	¥ 34,013	¥ 36,031	¥ 39,197	¥ 42,616	¥ 45,175
Segment income	8,705	9,537	11,002	12,155	13,183
Pharmaceuticals & Health Food					
Net sales	13,456	13,243	13,488	13,199	12,036
Segment income	1,012	170	745	1,309	1,312
Other					
Net sales	1,918	1,905	1,788	2,013	2,041
Segment income	(241)	(63)	128	135	70

* Net income

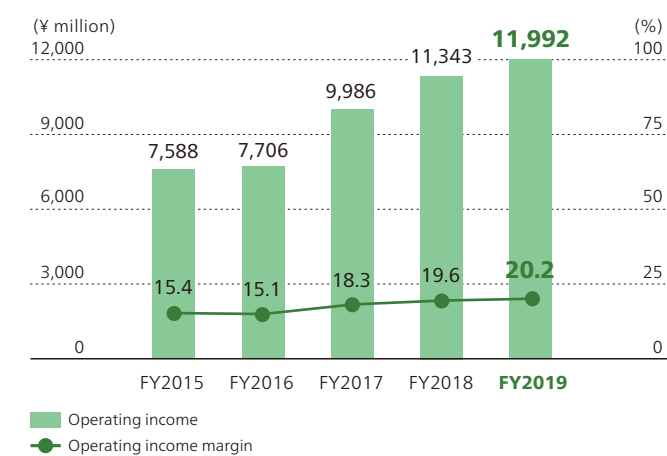
** The total of R&D expenses recorded as part of SG&A expenses and those recorded as part of production costs during the fiscal year under review.

Financial Highlights

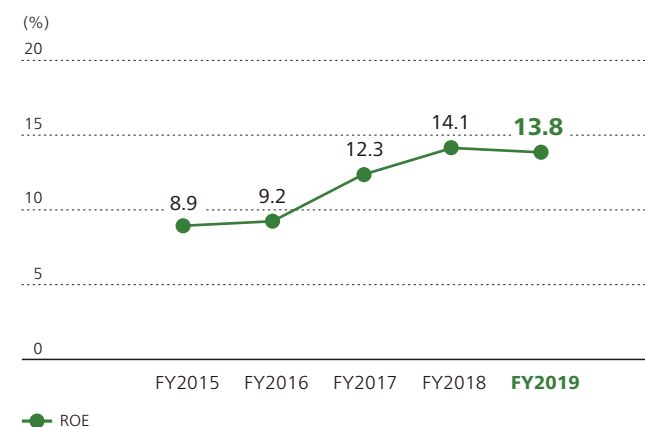
Net Sales



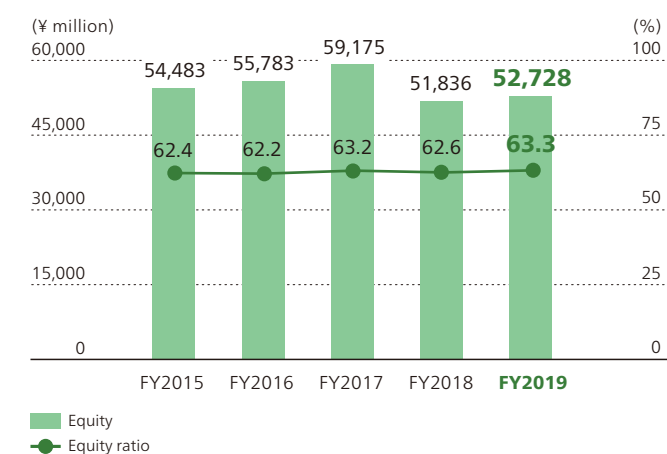
Operating Income / Operating Income Margin



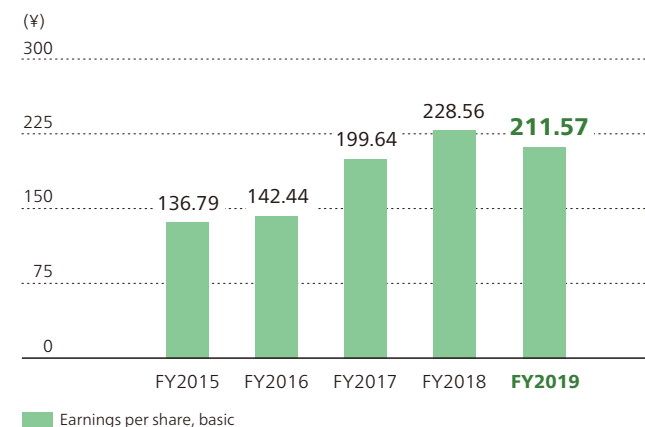
ROE



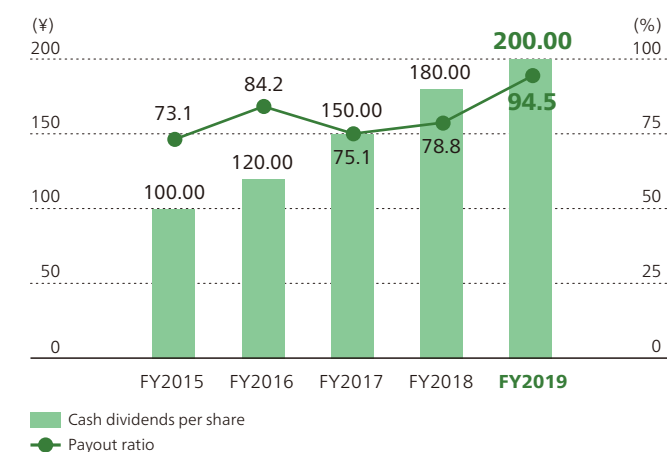
Equity / Equity Ratio



Earnings per Share, Basic



Cash Dividends per Share / Payout Ratio



Principal Consolidated Subsidiaries (As of September 30, 2019)

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.	6-13-1 Minatojima-nakamachi, Chuo-ku Kobe 650-8521 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
TOKIWA Medical Service Co., Ltd.	6-13-1 Minatojima-nakamachi, Chuo-ku Kobe 650-8521 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
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
Noevir Aviation Co., Ltd.	2-12 Yao Airport Yao, Osaka 581-0043 Japan	¥35	100.00	Air transportation and provision of charter flights, ground handling services and hangar rental
Nihon Flight Safety Co., Ltd.	Tokyo Heliport 4-7-44 Shinkiba, Koto-ku Tokyo 136-0082 Japan	¥100	100.00	Provision of aircraft flight training
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 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 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 605, Hongwell International Plaza A No.1600, Zhongshan West Rd. Xuhui District, Shanghai 200235 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 Europe s.r.l.	Via Tre Settembre, 99 (3°-#116) 47891 Dogana Republic of San Marino	26,000 euro	100.00	Market research in Europe

Board of Directors and Auditors (As of December 5, 2019)

Chairman and Representative Director

Hiroshi Okura

President and CEO

Takashi Okura

Directors

Ikkou Yoshida

Yasuo Kaiden

Masataka Nakano

Outside Directors

Sanae Tanaka*

Maho Kinami*

Emima Abe*

Standing Corporate Auditor

Masayuki Hamaguchi

Outside Corporate Auditors

Kazuya Sugimoto**

Ryo Tsuchida**

* Independent directors

** Independent corporate auditors

Profiles of Outside Directors

Sanae Tanaka	Representative of Sanae Tanaka Law Office Outside director of PILOT CORPORATION Outside director of Shochiku Co., Ltd. Outside director of Kintetsu World Express, Inc.
Maho Kinami	Representative of Kinami Law Office Outside director of Advanex Inc.
Emima Abe	Attorney-at-law, Max General Law Firm

Profiles of Outside Corporate Auditors

Kazuya Sugimoto	Representative of Sugimoto CPA Office
Ryo Tsuchida	Professor of Law, Senshu University Attorney-at-law, Frontier Law Firm Outside director of UPR Corp.

Investor Information (As of September 30, 2019)

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	23.34
Hiroshi Okura	5,410	15.84
Takashi Okura	3,699	10.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,250	3.66
Japan Trustee Services Bank, Ltd. (Trust Account)	942	2.76
Sumitomo Mitsui Banking Corporation	900	2.63
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	560	1.64
Noevir Holdings Employees Shareholdings Scheme	397	1.16
Japan Trustee Services Bank, Ltd. (Trust Account 5)	382	1.12
Japan Trustee Services Bank, Ltd. (Trust Account 9)	335	0.98

Note: The shareholding ratio is calculated excluding treasury stock (56 shares) and 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.

NOEVIR HOLDINGS

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