# FANCL Corporation

# Consolidated Financial Statements for the Third quarter of the Fiscal Year Ending March 31, 2012

April 1, 2011 to December 31, 2011

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

## SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Results for the nine-month period for the fiscal year ending March 31, 2012

**FANCL CORPORATION** **February 2, 2012**

www.fancl.co.jp

Stock exchange listings: Tokyo 1st section, code number 4921

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Scheduled date for submission of the third quarter *hokokusho* (securities report): February 10, 2012

Scheduled date for distribution of dividends: -

Availability of supplementary explanatory material for third quarter results: Available

Presentation meeting for third quarter results: Scheduled (for institutional investors and analysts)

### 1) Consolidated results for the nine-month period (April 1, 2011 to December 31, 2011) of Fiscal 2012

(1) Consolidated Operating Results

*Millions of yen, rounded down*

| | Nine months ended December 31, 2011 | | Nine months ended December 31, 2010 | |
|---|---|---|---|---|
| | | % change | | % change |
| Net sales | 68,396 | (4.9) | 71,885 | (6.2) |
| Operating income | 3,462 | (37.6) | 5,551 | (17.3) |
| Ordinary income | 3,371 | (38.1) | 5,443 | (19.5) |
| Net income | 1,875 | (32.0) | 2,758 | (10.0) |
| Earnings per share (¥) | 28.90 | -- | 42.48 | -- |
| Earnings per share (diluted) (¥) | 28.80 | -- | 42.38 | -- |

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.
2. Comprehensive income: Nine months ended December 31, 2011: ¥1,842 million (-35.6%)
Nine months ended December 31, 2010: ¥2,862 million (--%)

(2) Consolidated Financial Position

*Millions of yen, rounded down*

| | As of December 31, 2011 | As of March 31, 2011 |
|---|---|---|
| Total assets | 91,627 | 94,030 |
| Net assets | 78,179 | 78,647 |
| Shareholders' equity/total assets (%) | 85.0% | 83.2% |

Shareholders' equity: As of December 31, 2011: ¥77,851 million
As of March 31, 2011: ¥78,269 million

### 2) Dividends per share

| | FY ended March 31, 2011 | FY ending March 31, 2012 |
|---|---|---|
| Interim period | 17.00 | 17.00 |
| Year-end | 17.00 | 17.00 (forecast) |
| Annual | 34.00 | 34.00 (forecast) |

Note: Changes to the dividend forecast during the period under review: None

### 3) Consolidated forecasts for the fiscal year ending March 31, 2012 (April 1, 2011 to March 31, 2012)

(1) Consolidated

*Millions of yen*

| | Fiscal year ending March 31, 2012 | |
|---|---|---|
| Net sales | 89,000 | (5.1) |
| Operating income | 4,300 | (39.6) |
| Ordinary income | 4,200 | (37.0) |
| Net income | 2,400 | (15.8) |
| Earnings per share (¥) | ¥36.96 | -- |

Note: 1. The percentages shown above are a comparison with the previous full fiscal year
2. Changes to the Consolidated forecasts during the period under review: None

## 4) Other

(1) **Transfer of important subsidiaries during the period:** None
Note: Indicates transfers of specified subsidiaries resulting in changes in the scope of consolidation during the period under review.

**(2) Use of simplified accounting methods or special accounting procedures:** None

**(3) Changes in accounting policy, changes in accounting estimates, and restatements:**

1. Changes following revisions to accounting standards: Yes
2. Other changes: None
3. Changes in accounting estimates: None
4. Restatements: None

**(4) Number of outstanding shares (common stock)**

| | | | | |
|---|---|---|---|---|
| 1. Number of shares outstanding (including treasury shares) | December 31, 2011 | 65,176,600 shares | March 31, 2011: | 65,176,600 shares |
| 2. Number of treasury shares | December 31, 2011 | 291,117 shares | March 31, 2011: | 240,901 shares |
| 3. Average number of shares during the nine-month period | Nine months to December 31, 2011 | 64,901,768 shares | Nine months to December 31, 2010 | 64,929,876 shares |

**Important Notice**

Disclosure of status of quarterly report review procedures:
At time of disclosure of this quarterly financial report the review procedure for quarterly securities reports as stipulated under the Financial Instruments and Exchange Law was in progress.

Appropriate use of financial forecasts:
Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For further detail, please see Page 7: Operating Results, Section 3, Forecasts for the fiscal year ending March 31, 2012.

## Contents

# 1. Operating Results

## (1) Summary of business performance (consolidated)

(All comparisons are with the first half of the previous fiscal year, unless stated otherwise.)

During the nine-month period under review, the overall operating environment remained very challenging due several factors including a significant decrease in production and exports at the beginning of the period caused by supply limitations and electrical shortages stemming from the Great East Japan Earthquake. The end of these restrictions led to a temporary recovery; however conditions worsened again in the latter half of the period due to stagnation in overseas economies, the European debt crisis, the floods in Thailand and other factors.

Net sales for the nine-month period under review decreased 4.9% to ¥68,396 million due to sluggish sales of ATTENIR cosmetics, restrictions on food imports by the Chinese government and other factors.

Operating income decreased 37.6% to ¥3,462 million, ordinary income decreased 38.1% to ¥3,371 million, and net income decreased 32.0% to ¥1,875 million due to higher year-on-year advertising spend for TV commercials for dietary supplement *Calorie Limit* and despite advances in cost efficiencies such as reduced personnel expenses.

Segment results are as follows:

1) Cosmetics Business

Sales

Sales from the Cosmetics business decreased 4.5% to ¥35,088 million. *(Millions of yen, rounded down)*

| | Nine months ended December 31, 2011 | | Nine months ended December 31, 2010 | | Change (%) |
|---|---|---|---|---|---|
| | Amount in ¥ million | Percent of total | Amount in ¥ million | Percent of total | |
| FANCL Cosmetics | 27,960 | 79.7 | 28,795 | 78.4 | (2.9) |
| ATTENIR Cosmetics | 6,212 | 17.7 | 6,842 | 18.6 | (9.2) |
| Others | 915 | 2.6 | 1,112 | 3.0 | (17.7) |
| Totals | 35,088 | 100.0 | 36,749 | 100.0 | (4.5) |

| | Nine months ended December 31, 2011 | | Nine months ended December 31, 2010 | | Change (%) |
|---|---|---|---|---|---|
| | Amount in ¥ million | Percent of total | Amount in ¥ million | Percent of total | |
| Mail order sales | 18,018 | 51.4 | 18,903 | 51.4 | (4.7) |
| Retail store sales | 11,393 | 32.5 | 11,890 | 32.4 | (4.2) |
| Wholesales and others | 1,660 | 4.7 | 1,877 | 5.1 | (11.6) |
| Overseas Sales | 4,016 | 11.4 | 4,077 | 11.1 | (1.5) |
| Totals | 35,088 | 100.0 | 36,749 | 100.0 | (4.5) |

Sales of **FANCL cosmetics** decreased 2.9% to ¥27,960 million, as strong sales of *Mild Cleansing Oil* and *Facial Washing Powder* failed to offset sluggish sales of makeup and other products.

Sales of **ATTENIR** cosmetics decreased 9.2% to ¥6,212 million. Strong sales of *Class A Basic Skincare*, re-launched in September, were unable to cover the decrease in sales compared to the same period of the previous fiscal year in which a special pricing campaign was held for two new lines of cosmetic products.

Results by sales channels were: mail order sales decreased 4.7% year on year to ¥18,018 million, retail store sales decreased 4.2% to ¥11,393 million, wholesale sales through other sales channels decreased 11.6% to ¥1,660 million, and overseas sales decreased 1.5% to ¥4,016 million.

Operating income

Operating income decreased 26.2% to ¥4,032 million due reduced revenues and costs related to rebranding of Fancl cosmetic products planned for March of this year and other factors..

## 2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 2.2% to ¥20,738 million. *(Millions of yen, rounded down)*

| | Nine months ended December 31, 2011 | | Nine months ended December 31, 2010 | | Change (%) |
|---|---|---|---|---|---|
| | Amount in ¥ million | Percent of total | Amount in ¥ million | Percent of total | |
| Mail order sales | 8,827 | 42.6 | 9,015 | 42.5 | (2.1) |
| Retail store sales | 4,985 | 24.0 | 5,582 | 26.3 | (10.7) |
| Wholesales and others | 5,418 | 26.1 | 4,691 | 22.1 | 15.5 |
| Overseas Sales | 1,507 | 7.3 | 1,915 | 9.1 | (21.3) |
| Totals | 20,738 | 100.0 | 21,205 | 100.0 | (2.2) |

Revenues from product sales decreased as a result of restrictions on food imports by the Chinese government and other factors and despite significant growth in sales of dietary supplement *Calorie Limit.*

Results by sales channels were: mail order sales decreased 2.1% to ¥8,827 million, retail store sales decreased 10.7% to ¥4,985 million, wholesale sales through other sales channels increased 15.5% to ¥5,418 million and overseas sales decreased 21.3% to ¥1,507 million.

Operating income

Operating income decreased 37.7% to ¥1,056 million due to reduced revenues and comparatively higher marketing costs for dietary supplement *Calorie Limit.*

## 3) Other Businesses

Sales in Other businesses decreased 9.8% year on year to ¥12,569 million

*(Millions of yen, rounded down)*

| | Nine months ended December 31, 2011 | Nine months ended December 31, 2010 | Change (%) |
|---|---|---|---|
| Hatsuga genmai business | 2,207 | 2,224 | (0.8) |
| Kale juice business | 2,622 | 2,879 | (8.9) |
| IIMONO OHKOKU mail order business | 5,173 | 5,853 | (11.6) |
| Other businesses | 2,565 | 2,972 | (13.7) |
| Totals | 12,569 | 13,930 | (9.8) |

In the Hatsuga genmai (germinated brown rice) business, sales decreased 0.8% to ¥2,207 million due to as an increase in revenues from wholesale sales failed to offset sluggish sales in other channels.

In the Kale juice business, sales decreased 8.9% to ¥2,622 million due to sluggish sales of other products while core product *Kale Marugoto Shibori* remained largely flat.

Sales through the IIMONO OHKOKU mail order business decreased 13.7% to ¥2,565 million due to factors including a sale of inventory at reduced prices following restructuring of the sundries business.

Operating income

The operating loss for the nine-month period improved by ¥31 million to ¥304 million, primarily due to significant growth in profit margins for the Hatsuga Genmai business due to an improved COGS ratio.

### (2) Summary of consolidated financial position
(All comparisons are with the end of the previous fiscal year, unless stated otherwise.)

Assets decreased ¥2,402 million to ¥91,627 million. The primary contributing factors were a decrease of ¥1,786 million in current assets and a decrease of ¥615 million in fixed assets. Primary factors contributing to the decrease in current assets were a ¥2,610 million decrease in cash and deposits, a ¥341 million decrease in notes and accounts receivable, and a ¥1,436 million increase in marketable securities. The decrease in fixed assets was primarily the result of a ¥878 million decrease in Other, under the Other assets due to a decrease in security deposits, long-term loans receivable and deferred tax assets and a ¥365 million increase in intangible fixed assets due to investments in our IT systems.

Liabilities decreased ¥1,934 million to ¥13,448 million. The primary contributing factors were a decrease of ¥1,416 million in current liabilities and a decrease of ¥517 million in noncurrent liabilities. Contributing factors to the decrease in current liabilities include a ¥1,021 million decrease in accrued income taxes following payment of corporate and other taxes and a ¥464 million decrease in allowance for bonus. The decrease in noncurrent liabilities was primarily the result of a ¥433 million decrease in allowance for employee retirement benefits.

Net assets decreased ¥468 million to ¥78,179 million. Primary contributing factors included a ¥2,206 million decline from payment of dividends, ¥49 million decline in subscription warrants and for recording of ¥1,875 million in net income for the period.

As a result, the shareholders' equity ratio increased 1.8 percentage points from the end of the previous fiscal year to 85.0%.

**Cash flow**
Cash and cash equivalents as of December 31, 2011 were ¥24,455 million, ¥3,614 million lower than at the end of the previous fiscal year. The main contributing factors are detailed below.

Cash flows from operating activities
Cash flow gained in operating activities during the period under review was ¥4,200 million compared to ¥3,648 million for the same period of the previous fiscal year. Factors increasing operating cash flow include income before income taxes of ¥3,284 million, depreciation expenses of ¥2,499 million and an increase in other current liabilities of ¥422 million. Factors reducing operating cash flow included income taxes paid of ¥2,050 million.

Cash flows from investing activities
Cash used in investing activities during the period under review was ¥5,501 million, compared to a ¥2,526 million outflow for the same period of the previous fiscal year. Factors reducing investment cash flow included outlays of ¥4,000 million for acquisition for marketable securities, ¥1,848 million for acquisition of tangible current assets, ¥1,359 million for the acquisition of intangible current assets. Factors increasing investment cash flow included revenues of ¥1,502 million for income from sale and redemption of marketable securities.

Cash flows from financing activities
Cash flow used in financing activities during the period under review was ¥2,289 million, compared to an outflow of ¥2,241 million in the same period of the previous fiscal year, and mainly comprised dividend payments of ¥2,182 million and the purchase of treasury stock of ¥53 million.

### (3) Forecasts for the fiscal year ending March 31, 2012
Changes to the consolidated full-year results forecasts for the fiscal year ending March 31, 2012 were announced on January 26, 2012.
See "Fancl announces revisions to operating results forecasts", published January 26, 2012.

## 2. Other
(1) Changes to subsidiaries during the period: None

(2) Use of special accounting procedures: None

(3) Changes in accounting policy, changes in accounting estimates, and restatements:
As of the first quarter of the current fiscal year, the *Accounting Standard for Earnings Per Share* (Accounting Standards Board of Japan (ASBJ) Statement No. 2 issued on June 30, 2010) and the

*Guidance on Accounting Standard for Earnings Per Share* (ASBJ Guidance No. 4 issued on June 30, 2010) have been adopted.

For the purpose of calculating quarterly diluted earnings per share, with regard to stock options that become effective after a certain period of service, the method of calculating the amount assumed to be received on the exercise of options has been changed to include in the fair value of stock options the portion attributable to future services provided to the company.

There is no material effect as a result of this change.

## 3. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

*Millions of yen, rounded down*

| | As of December 31, 2011 | As of March 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| **I. Current assets:** | | |
| Cash and bank deposits | 16,050 | 18,661 |
| Notes and accounts receivable | 9,845 | 10,187 |
| Marketable securities | 12,347 | 10,911 |
| Merchandise and products | 3,020 | 3,090 |
| Work in progress | 36 | 33 |
| Raw materials and supplies | 3,316 | 3,178 |
| Others | 2,100 | 2,422 |
| Allowance for doubtful accounts | (208) | (189) |
| Total current assets | 46,509 | 48,295 |
| **II. Fixed assets:** | | |
| Tangible fixed assets | | |
| Buildings and structures | 23,167 | 23,183 |
| Accumulated depreciation and accumulated impairment loss | (13,084) | (12,709) |
| Buildings and structures (net) | 10,083 | 10,474 |
| Machinery and transport equipment | 5,999 | 5,582 |
| Accumulated depreciation and accumulated impairment loss | (4,876) | (4,609) |
| Machinery and transport equipment (net) | 1,123 | 973 |
| Furniture, tools and fixtures | 6,924 | 6,210 |
| Accumulated depreciation and accumulated impairment loss | (5,596) | (5,182) |
| Furniture, tools and fixtures (net) | 1,328 | 1,028 |
| Land | 10,860 | 10,885 |
| Lease assets | 276 | 286 |
| Accumulated depreciation and accumulated impairment loss | (211) | (180) |
| Lease assets (net) | 65 | 105 |
| Others | 38 | 85 |
| Total tangible fixed assets | 23,499 | 23,552 |
| Intangible fixed assets | | |
| Goodwill | 312 | 397 |
| Others | 3,820 | 3,370 |
| Total intangible fixed assets | 4,133 | 3,768 |
| Investments and other assets | | |
| Investment securities | 11,858 | 11,906 |
| Others | 5,628 | 6,507 |
| Total investments and other assets | 17,486 | 18,413 |
| Total fixed assets | 45,118 | 45,734 |
| **Total Assets** | 91,627 | 94,030 |

## Consolidated Balance Sheets, continued

*Millions of yen, rounded down*

| | As of December 31, 2011 | As of March 31, 2011 |
|---|---|---|
| **LIABILITIES** | | |
| I. Current liabilities: | | |
| Notes and accounts payable | 3,179 | 3,367 |
| Accrued income taxes | 632 | 1,654 |
| Allowance for bonus | 502 | 966 |
| Allowance for points | 1,465 | 1,391 |
| Asset retirement obligations | 4 | 3 |
| Others | 4,941 | 4,759 |
| Total current liabilities | 10,725 | 12,142 |
| II. Noncurrent liabilities: | | |
| Allowance for retirement benefits | 1,721 | 2,155 |
| Allowance for directors' retirement bonuses | 110 | 99 |
| Asset retirement obligations | 489 | 485 |
| Others | 400 | 500 |
| Total non-current liabilities | 2,723 | 3,240 |
| Total liabilities | 13,448 | 15,382 |
| **NET ASSETS** | | |
| Shareholders' equity | | |
| Common stock | 10,795 | 10,795 |
| Additional paid-in capital | 11,706 | 11,706 |
| Retained earnings | 55,738 | 56,069 |
| Treasury stock | (360) | (306) |
| Total shareholders' equity | 77,879 | 78,264 |
| Other comprehensive income | | |
| Valuation difference on other marketable securities | (28) | 5 |
| Total other comprehensive income | (28) | 5 |
| Warrants | 327 | 377 |
| Total net assets | 78,179 | 78,647 |
| **Total Liabilities and Net Assets** | 91,627 | 94,030 |

## (2) Consolidated statements of income

*Millions of yen, rounded down*

| | April 1, 2011 to December 31, 2011 | April 1, 2010 to December 31, 2010 |
|---|---|---|
| Net sales | 68,396 | 71,885 |
| Cost of sales | 22,616 | 24,396 |
| Gross profit | 45,780 | 47,489 |
| Selling, general and administrative expenses | 42,317 | 41,937 |
| Operating income | 3,462 | 5,551 |
| Non-operating income | | |
| Interest income | 57 | 62 |
| Dividend income | 16 | 19 |
| Proceeds from insurance | 15 | -- |
| Other non-operating income | 75 | 84 |
| Total non-operating income | 164 | 165 |
| Non-operating expenses | | |
| Investment loss on equity method | -- | 188 |
| Exchange loss | 59 | 53 |
| Provisions for allowance for bad debt | 148 | -- |
| Other non-operating expenses | 47 | 31 |
| Total non-operating expenses | 255 | 274 |
| Ordinary income | 3,371 | 5,443 |
| Extraordinary income | | |
| Income from sale of fixed assets | 4 | 4 |
| Subsidy income | -- | 15 |
| Gain on negative goodwill | -- | 51 |
| Reversal of allowance for bad debt | 125 | -- |
| Insurance proceeds | 67 | -- |
| Gain on reversal of warrants | 139 | -- |
| Other | -- | 1 |
| Total extraordinary income | 335 | 72 |
| Extraordinary loss | | |
| Loss on sale of fixed assets | 3 | 19 |
| Loss on disposal of fixed assets | 13 | 20 |
| Impairment loss | 45 | 54 |
| Loss on closure of stores | 100 | 75 |
| Effect of change in accounting standards for disposal of fixed assets | -- | 309 |
| Disaster loss | 61 | -- |
| Loss on extinguishment of tie-in shares | 143 | -- |
| Other | 55 | 83 |
| Total extraordinary loss | 422 | 563 |
| Income before income taxes | 3,284 | 4,951 |
| Income and other taxes | 996 | 2,018 |
| Adjustments to income and other taxes | 412 | 176 |
| Total income and other taxes | 1,409 | 2,194 |
| Net income from minority interests prior to adjustments | 1,875 | 2,757 |
| Minority shareholder income | -- | (1) |
| Net income | 1,875 | 2,758 |

## Consolidated statements of comprehensive income

*Millions of yen, rounded down*

| | April 1, 2011 to December 31, 2011 | April 1, 2010 to December 31, 2010 |
|---|---|---|
| Income before minority interests | 1,875 | 2,757 |
| **Other comprehensive income** | | |
| Net unrealized holding gain on other securities | (33) | 1 |
| Investments in affiliated companies using the equity method | -- | 103 |
| Total other comprehensive income | (33) | 105 |
| **Comprehensive income** | 1,842 | 2,862 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent company | 1,842 | 2,863 |
| Comprehensive income attributable to minor interests | -- | (1) |

## (3) Consolidated statements of cash flows

*Millions of yen, rounded down*

| | April 1, 2011 to December 31, 2011 | April 1, 2010 to December 31, 2010 |
|---|---|---|
| I. Cash flows from operating activities | | |
| Income before income taxes | 3,284 | 4,951 |
| Depreciation | 2,499 | 2,179 |
| Impairment losses | 45 | 54 |
| Share-based compensation expenses | 89 | 65 |
| Amortization of goodwill | 85 | 85 |
| Increase (decrease) in allowance for doubtful accounts | 25 | 14 |
| Increase (decrease) in allowance for bonuses | (474) | (548) |
| Increase (decrease) in allowance for points | 74 | 35 |
| Increase (decrease) in allowance for retirement benefits | (448) | 173 |
| Increase (decrease) in allowance for directors retirement benefits | 10 | 14 |
| Interest and dividend income | (70) | (81) |
| Gain (loss) from foreign exchange | 69 | 60 |
| Proceeds from investment in equity method affiliates | -- | 188 |
| Gain on the sale of investment securities | 7 | 0 |
| Gain (loss) from revaluation of investment securities | 7 | 5 |
| Gain on sale of fixed assets | (1) | 15 |
| Loss from disposal of fixed assets | 67 | 74 |
| Effect of change in accounting standards for disposal of fixed assets | -- | 309 |
| Loss on extinguishment of tie-in shares | 143 | -- |
| Gain on reversal of warrants | (139) | -- |
| Decrease (increase) in trade receivables | 363 | (384) |
| Decrease (increase) in inventories | (61) | (163) |
| Decrease (increase) in other current assets | 325 | (228) |
| Decrease (increase) in other fixed assets | 55 | (209) |
| Increase (decrease) in trade payables | (190) | (26) |
| Increase (decrease) in other current liabilities | 422 | 589 |
| Increase (decrease) in other fixed liabilities | (5) | (51) |
| Others | (0) | 14 |
| Sub-total | 6,187 | 7,139 |
| Interest and dividends received | 62 | 78 |
| Income taxes paid | (2,050) | (3,569) |
| Net cash provided by (used in) operating activities | 4,200 | 3,648 |
| II. Cash flows from investing activities | | |
| Proceeds from redemption of time deposits | -- | 1,000 |
| Acquisition of marketable securities | (4,000) | (5,995) |
| Income from sale and redemption of marketable securities | 1,502 | 5,499 |
| Acquisition of tangible fixed assets | (1,848) | (1,258) |
| Income from sale of tangible fixed assets | 30 | 65 |
| Acquisition of intangible fixed assets | (1,359) | (1,085) |
| Income from sale and redemption of investment securities | 1 | 0 |
| Payments for investments in capital of affiliates | -- | (600) |
| Acquisition of shares of affiliates | -- | (172) |
| Payment of loans receivable | (90) | (95) |
| Income from loans receivable | 4 | 13 |
| Other payments | (69) | (101) |
| Other income | 327 | 203 |
| Net cash provided by (used in) investing activities | 5,501 | (2,526) |

## (3) Consolidated statements of cash flows (continued)

*Millions of yen, rounded down*

| | April 1, 2011 to December 31, 2011 | April 1, 2010 to December 31, 2010 |
|---|---|---|
| III. Cash flows from financing activities | | |
| Sale of treasury stock | 0 | 0 |
| Acquisition of treasury stock | (53) | (0) |
| Cash dividends paid | (2,182) | (2,185) |
| Others | (53) | (55) |
| Net cash provided by (used in) financing activities | (2,289) | (2,241) |
| IV. Effect of exchange rate changes on cash and cash equivalents | (59) | (50) |
| V. Net increase (decrease) in cash and cash equivalents | (3,649) | (1,170) |
| VI. Cash and cash equivalents at the beginning of the period | 28,070 | 25,010 |
| VII. Decrease in cash and cash equivalents following changes to scope of consolidation | 34 | -- |
| VIII. Cash and cash equivalents at end of period | **24,455** | **23,840** |

## (4) Items related to going concern:

No applicable items

## (5) Segment information

Business Segments

**1. Nine months ended December 31, 2011** (Millions of yen, rounded down)

| | Business Segments | | | Other*1 | Total | Eliminations or Corporate*2 | Consolidated *3 |
|---|---|---|---|---|---|---|---|
| | Cosmetics Business | Nutritional Supplements Business | Total | | | | |
| **1. Sales and operating income:** | | | | | | | |
| (1) Sales to external customers | 35,088 | 20,738 | 55,827 | 12,569 | 68,396 | -- | 68,396 |
| (2) Inter-segment sales or transfers | -- | -- | -- | -- | -- | -- | -- |
| Total sales | 35,088 | 20,738 | 55,827 | 55,827 | 12,569 | -- | 68,396 |
| Operating income (loss) | 4,032 | 1,056 | 5,089 | (304) | 4,785 | (1,322) | 3,462 |

Notes:

1. The Others business segment includes sales of Hatsuga Genmai (germinated brown rice), kale juice, mail-order sales by consolidated subsidiary IIMONO OHKOKU (Kingdom of Wonderful Things) Co., Ltd., Kaiteki Hadagi comfort undergarments and household sundries, and beauty salon operations.
2. The Eliminations or Corporate amount of a loss of ¥1,322 million recorded in segmental operating income (loss) includes overall costs not allocated in each segment, and mainly consists of corporate costs applicable to the business segments, such as costs pertaining to the General Affairs Department of the parent company.
3. Segment income or loss has been adjusted with the operating income for the consolidated income statement for the quarter

**2. Nine months ended December 31, 2010**

(Millions of yen, rounded down)

| | Business Segments | | | Other*1 | Total | Eliminations or Corporate*2 | Consolidated *3 |
|---|---|---|---|---|---|---|---|
| | Cosmetics Business | Nutritional Supplements Business | Total | | | | |
| **1. Sales and operating income:** | | | | | | | |
| (1) Sales to external customers | 36,749 | 21,205 | 57,955 | 13,930 | 71,885 | -- | 71,885 |
| (2) Inter-segment sales or transfers | -- | -- | -- | -- | -- | -- | -- |
| Total sales | 36,749 | 21,205 | 57,955 | 13,930 | 71,885 | -- | 71,885 |
| Operating income (loss) | 5,460 | 1,697 | 7,158 | (335) | 6,822 | (1,271) | 5,551 |

Notes:

1. The Others business segment includes sales of Hatsuga Genmai (germinated brown rice), kale juice, mail-order sales by consolidated subsidiary IIMONO OHKOKU (Kingdom of Wonderful Things) Co., Ltd., Kaiteki Hadagi comfort undergarments and household sundries, and beauty salon operations.
2. The Eliminations or Corporate amount of a loss of ¥1,271 million recorded in segmental operating income (loss) includes overall costs not allocated in each segment, and mainly consists of corporate costs applicable to the business segments, such as costs pertaining to the General Affairs Department of the parent company.
3. Segment income or loss has been adjusted with the operating income for the consolidated income statement for the quarter

## (6) Note on significant change in shareholders' equity

No applicable items