FANCL Corporation

Consolidated Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2014

April 1, 2013 to September 30, 2013

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)

Interim Period Results for the Fiscal Year Ending March 31, 2014

FANCL CORPORATION **November 14, 2013**

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

www.fancl.co.jp

Contact: Kazuyuki Shimada
Director, Executive Officer and General Manager of Administration Headquarters
Telephone: +81-45-226-1200

President, Representative Director: Kazuyoshi Miyajima

Scheduled date for submission of the interim *hokokusho* (securities report): November 14, 2013

Scheduled date for distribution of dividends: December 5, 2013

Availability of supplementary explanatory material for interim results: Available

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

1) Consolidated results for the interim period (April 1, 2013 to September 30, 2013) of fiscal 2014

(1) Consolidated Operating Results

Millions of yen, rounded down

	Six months ended September 30, 2013		Six months ended September 30, 2012	
		% change		% change
Net sales	38,752	(4.6)	40,610	(7.5)
Operating income	710	(15.6)	841	(44.7)
Ordinary income	937	(14.5)	1,097	(25.4)
Net income	(537)	--	648	(19.0)
Earnings per share (¥)	(8.37)	--	10.0	--
Earnings per share (diluted) (¥)	--	--	9.95	--

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.

2. Comprehensive income: Six months ended September 30, 2013: -¥537 million (--%)
Six months ended September 30, 2012: ¥657 million (-17.9%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2013	As of March 31, 2013
Total assets	81,488	86,849
Net assets	71,210	74,542
Shareholders' equity/total assets (%)	86.9	85.3

Shareholders' equity: As of September 30, 2013: ¥70,822 million
As of March 31, 2013: ¥74,081 million

2) Dividends per share

	FY ended March 31, 2013	FY ending March 31, 2014 (forecast)
Interim period	17.00	17.00
Year-end	17.00	17.00
Annual	34.00	34.00

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

3) Consolidated forecasts for the fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Consolidated

Millions of yen

	Fiscal year ending March 31, 2014	
Net sales	78,500	(5.2)
Operating income	1,100	(71.5)
Ordinary income	1,300	(70.6)
Net income	(300)	--
Earnings per share (¥)	(¥4.62)	--

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: Yes

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: None
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)	September 30, 2013	65,176,600 shares	March 31, 2013:	65,176,600 shares
2. Number of treasury shares	September 30, 2013	1,630,341 shares	March 31, 2013:	269,757 shares
3. Average number of shares during the interim period	Six months to September 30, 2013	64,228,276 shares	Six months to September 30, 2012	64,885,243 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, 2014.

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 interim period under review, the Japanese economy steadily improved due to strong consumer sentiment against a backdrop of higher stock prices since the end of last year, and capital expenditure gradually recovering due to improvements in company performance. Despite concern over a future downturn in overseas economies, economic recovery is expected to strengthen due to improvements in the employment income environment and a continued upward trend in capital expenditure.

During the period under review, consolidated sales decreased 4.6% to ¥38,752 million, reflecting the absence of a large-scale promotion on rebranding implemented in the previous comparable fiscal period, and due to the transfer of shares of consolidated subsidiary NEUES K.K., a beauty salon operator, to an entity outside of the group in the first quarter period. Operating income decreased 15.6% to ¥710 million, despite a decrease in marketing expenses, which failed to offset a decrease in gross margin resulting from the decline in sales. Ordinary income decreased 14.5% to ¥937 million in contrast to the same period of the previous fiscal year which benefited from the recording of dividend income following restructuring of non-consolidated subsidiaries. An extraordinary loss of ¥891 million was recorded, due to the decision to withdraw from the Taiwan and Singapore retail businesses and liquidate the locally incorporated Taiwanese company, resulting in a net loss of ¥537 million for the quarterly period, compared to net income of ¥648 million in the previous comparable period.

Segment results are as follows:

1) Cosmetics Business

Sales

Sales from the Cosmetics business decreased 4.0% to ¥21,741 million. *(Millions of yen, rounded down)*

	Six months ended September 30, 2013		Six months ended September 30, 2012		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	17,454	80.3	18,162	80.2	(3.9)
ATTENIR Cosmetics	3,718	17.1	3,720	16.4	(0.1)
Others	568	2.6	766	3.4	(25.8)
Totals	21,741	100.0	22,649	100.0	(4.0)

	Six months ended September 30, 2013		Six months ended September 30, 2012		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	10,827	49.8	11,126	49.1	(2.7)
Retail store sales	7,643	35.1	7,723	34.1	(1.0)
Wholesales and others	841	3.9	1,148	5.1	(26.8)
Overseas Sales	2,429	11.2	2,651	11.7	(8.4)
Totals	21,741	100.0	22,649	100.0	(4.0)

Sales of **FANCL cosmetics** decreased 3.9% to ¥17,454 million. Despite strong sales of *Facial Washing Powder* which was renewed on June 20, 2013, and efforts to support sales with the launch limited edition products, sales decreased in contrast to the previous comparable period during which a large-scale rebranding promotion was implemented.

Sales of ATTENIR cosmetics were largely in line with the previous period, down 0.1% to ¥3,718 million, as mail order customers increased steadily, up 8.1% from the previous period.

Results by sales channels were: mail order sales decreased 2.7% year on year to ¥10,827 million, retail store sales decreased 1.0% to ¥7,643 million, wholesale sales through other sales channels decreased 26.8% to ¥841 million, and overseas sales decreased 8.4% to ¥2,429 million.

Operating income

Despite a decline in revenues, operating income increased 58.4% to ¥1,631 million, as a result of a decrease in marketing expenses.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 2.8% to ¥12,812 million. *(Millions of yen, rounded down)*

	Six months ended September 30, 2013		Six months ended September 30, 2012		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	4,956	38.7	5,177	39.3	(4.3)
Retail store sales	3,083	24.1	3,018	22.9	2.1
Wholesales and others	3,451	26.9	3,586	27.2	(3.7)
Overseas Sales	1,320	10.3	1,403	10.6	(5.9)
Totals	12,812	100.0	13,185	100.0	(2.8)

Revenues from product sales decreased due to poor sales in other products and despite strong sales of dietary supplement *Calorie Limit*.

Results by sales channels were: mail order sales decreased 4.3% to ¥4,956 million, retail store sales increased 2.1% to ¥3,083 million, wholesale sales through other sales channels decreased 3.7% to ¥3,451 million and overseas sales decreased 5.9% to ¥1,320 million.

Operating income

Operating income decreased 87.7% to ¥103 million, as a result of a decrease in revenues and an increase in marketing expenses for capturing new customers.

3) Other Businesses

Sales in Other businesses decreased 12.1% year on year to ¥4,197 million

(Millions of yen, rounded down)

	Six months ended September 30, 2013	Six months ended September 30, 2012	Change (%)
Hatsuga genmai business	1,359	1,412	(3.7)
Kale juice business	1,584	1,677	(5.6)
Other businesses	1,253	1,685	(25.6)
Totals	4,197	4,775	(12.1)

In the Hatsuga genmai (germinated brown rice) business, sales decreased 3.7% to ¥1,359 million as strong wholesale sales failed to offset slow mail order sales.

In the Kale juice business, sales decreased 5.6% to ¥1,584 million as strong sales of *Honshibori Kale juice Daizu Plus* failed to offset slow sales in other products.

Sales at other businesses decreased 25.6% to ¥1,253 million due to the transfer of shares of consolidated subsidiary NEUES K.K., a beauty salon operator, to an entity outside of the group in the first quarter period.

Operating income

An operating loss of ¥27 million was recorded for the interim period, representing a reduction of ¥117 million in operating loss compared to the previous comparable period due to a decrease in marketing expenses, and an improvement in profitability resulting from the sale of the beauty salon business.

(2) Summary of consolidated financial position

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

Assets decreased ¥5,360 million to ¥81,488 million. The primary contributing factors were a decrease of ¥3,923 million in current assets and a decrease of ¥1,436 million in fixed assets. Primary factors contributing to the decrease in current assets were a ¥964 million decrease in cash and deposits, a ¥1,892 million decrease in notes and accounts receivable and a ¥527 million decrease in inventory assets. The decrease in fixed assets was primarily the result of a ¥592 million decrease in tangible fixed assets due to the effects of depreciation, a ¥425 million decrease in intangible fixed assets, a ¥206 million decrease in investment securities, and a ¥212 million decrease in other investment assets due to a decline in guarantee deposits.

Liabilities decreased ¥2,028 million to ¥10,277 million. The primary contributing factors were a decrease of ¥2,003 million in current liabilities and a decrease of ¥25 million in noncurrent liabilities. Contributing factors to the decrease in current liabilities include a ¥693 million decrease in notes and accounts payable, a ¥765 million decrease in accrued income taxes and a ¥768 million decrease in Other current liabilities due to a decrease in accrued accounts payable. The decrease in fixed liabilities was primarily the result of a ¥32 million decrease in “Other” fixed liabilities stemming from a decrease in lease liabilities.

Net assets decreased ¥3,331 million to ¥71,210 million. Primary contributing factors included a ¥1,665 million decline in retained earnings due to dividend payments and a ¥1,593 million decline due to the purchase of own shares.
As a result, the shareholders’ equity ratio increased 1.6 percentage points from the end of the previous fiscal year to 86.9%.

Cash flow

Cash and cash equivalents as of September 30, 2013 were ¥27,265 million, ¥962 million lower than at the end of the previous fiscal year. The main contributing factors are detailed below.

<u>Cash flows from operating activities</u>

Cash flow gained in operating activities during the interim period under review was ¥2,326 million compared to an inflow of ¥611 million in the interim period of the previous fiscal year. Factors increasing operating cash flow included a decrease in trade receivables of ¥1,811 million, depreciation expenses of ¥1,491 million, and a decrease of ¥500 million in inventory assets. Factors reducing operating cash flow included a ¥669 million decrease in accounts payable, and income taxes paid of ¥860 million.

<u>Cash flows from investing activities</u>

Cash used in investing activities during the interim period under review was ¥504 million, compared to an outflow of ¥1,862 million in the interim period of the previous fiscal year. Factors reducing investment cash flow included outlays of ¥690 million for acquisitions of tangible fixed assets, ¥253 million for acquisitions of intangible fixed assets, and ¥108 million for the sale of affiliate company shares due to a change in the scope of consolidation. Factors increasing investment cash flow included inflows of ¥527 million for the sale and redemption of marketable securities.

<u>Cash flows from financing activities</u>

Cash flow used in financing activities during the period under review was ¥2,851 million, compared to an outflow of ¥1,123 million in the interim period of the previous fiscal year, and was primarily due to outlays of ¥1,719 million for the acquisition of own shares and dividend payments of ¥1,102 million.

(3) Forecasts for the fiscal year ending March 31, 2014

The Company has refrained from publishing consolidated financial results forecasts for the consolidated financial year ending March 2014 since we were unable to prepare forecasts with a reasonable degree of accuracy. However, the medium-term strategy has now been confirmed, and forecasts have been published as as follows.

Millions of yen, rounded down

	FY ending March 31, 2014	
	Amount	Change %
Net sales	78,500	(5.2)
Operating income (loss)	1,100	(71.5)
Ordinary income (loss)	1,300	(70.6)
Net income (loss)	(300)	--
Net income per share	(4.62)	--

In the Cosmetics business, despite growth from the renewal of *Facial Washing Powder* and *Mild Cleansing Oil*, revenues are expected to decrease in contrast to the previous year, which benefited from a large-scale promotion on rebranding. Sales of ATTENIR cosmetics are expected to remain in line with the previous year due to steady acquisition of new customers.

In the Nutritional Supplements business, despite anticipating continued strong sales of dietary supplement, *Calorie Limit,* revenues are expected to decrease due to continued sluggish sales in other domestic products and slowing sales of supplements for overseas export.

In other businesses, revenues are expected to decrease due to the transfer of shares of consolidated subsidiary NEUES K.K., a beauty salon operator, to an entity outside of the group in the first quarter period.

As a result, consolidated net sales for the fiscal year ending March 31, 2014 are forecast to decrease 5.2% year on year to ¥78,500 million.

Operating income is forecast to decrease 71.5% to ¥1,100 million due to a decrease in revenues and active investment aimed at re-growth such as the implementation of marketing investment for *Hatsugamai Power PSG*, a strategic product targeting middle-aged and elderly customers. Ordinary income is forecast to decrease 70.6% to ¥1,300 million, and a consolidated net loss of ¥300 million is forecast (compared to a ¥2,193 million loss in the previous year), due to the recording of a loss on business withdrawal in the interim period under review resulting from the withdrawal from the Taiwan and Singapore retail businesses and the liquidation of the locally incorporated Taiwanese company.

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: None

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen, rounded down

	As of September 30, 2013	As of March 31, 2013
ASSETS		
I. Current assets:		
Cash and bank deposits	17,756	18,720
Notes and accounts receivable	8,179	10,071
Marketable securities	12,836	13,359
Merchandise and products	2,359	2,834
Work in progress	49	43
Raw materials and supplies	3,118	3,176
Others	2,283	1,995
Allowance for doubtful accounts	(374)	(70)
Total current assets	46,208	50,131
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	22,002	22,673
Accumulated depreciation and accumulated impairment loss	(13,520)	(13,729)
Buildings and structures (net)	8,481	8,944
Machinery and transport equipment	6,641	6,563
Accumulated depreciation and accumulated impairment loss	(5,484)	(5,314)
Machinery and transport equipment (net)	1,156	1,249
Furniture, tools and fixtures	7,228	7,332
Accumulated depreciation and accumulated impairment loss	(6,185)	(6,233)
Furniture, tools and fixtures (net)	1,042	1,098
Land	10,216	10,216
Lease assets	264	326
Accumulated depreciation and accumulated impairment loss	(158)	(213)
Lease assets (net)	106	112
Others	58	32
Total tangible fixed assets	21,062	21,655
Intangible fixed assets		
Others	3,371	3,796
Total intangible fixed assets	3,371	3,796
Investments and other assets		
Investment securities	7,121	7,327
Others	3,725	3,937
Total investments and other assets	10,846	11,265
Total fixed assets	35,280	36,717
Total Assets	**81,488**	**86,849**

Consolidated Balance Sheets, continued

	Millions of yen, rounded down	
	As of September 30, 2013	As of March 31, 2013
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	1,689	2,383
Accrued income taxes	166	932
Allowance for bonus	923	933
Allowance for points	1,394	1,434
Provision for loss on business withdrawal	277	--
Asset retirement obligations	--	2
Others	3,468	4,236
Total current liabilities	7,919	9,922
II. Noncurrent liabilities:		
Allowance for retirement benefits	1,608	1,593
Allowance for directors' retirement bonuses	65	54
Asset retirement obligations	480	498
Others	204	236
Total non-current liabilities	2,358	2,383
Total liabilities	10,277	12,306
NET ASSETS		
Shareholders' equity		
Common stock	10,795	10,795
Additional paid-in capital	11,706	11,706
Retained earnings	50,241	51,906
Treasury stock	(1,926)	(333)
Total shareholders' equity	70,815	74,074
Other comprehensive income		
Valuation difference on other marketable securities	7	6
Total other comprehensive income	7	6
Warrants	387	461
Total net assets	71,210	74,542
Total Liabilities and Net Assets	**81,488**	**86,849**

(2) Consolidated statements of income and Consolidated statements of comprehensive income

Consolidated statements of income

Millions of yen, rounded down

	April 1, 2013 to September 30, 2013	April 1, 2012 to September 30, 2012
Net sales	38,752	40,610
Cost of sales	12,493	13,213
Gross profit	26,259	27,397
Selling, general and administrative expenses	25,548	26,556
Operating income	710	841
Non-operating income		
Interest income	39	52
Dividend income	10	150
Exchange gain	97	8
Other non-operating income	109	115
Total non-operating income	256	327
Non-operating expenses		
Provisions for allowance for bad debt	3	52
Other non-operating expenses	26	19
Total non-operating expenses	29	71
Ordinary income	937	1,097
Extraordinary income		
Income from sale of fixed assets	0	--
Gain on reversal of warrants	0	--
Exchange gain on dividends in kind	--	107
Total extraordinary income	0	107
Extraordinary loss		
Loss on sale of fixed assets	14	--
Loss on disposal of fixed assets	135	6
Impairment loss	7	239
Loss on closure of stores	84	45
Loss on litigation	223	--
Loss on sale of shares in affiliates	136	--
Loss on business withdrawal	891	--
Other	2	10
Total extraordinary loss	1,495	301
Income before income taxes	(557)	902
Income and other taxes	157	157
Adjustments to income and other taxes	(177)	96
Total income and other taxes	(19)	254
Net income from minority interests prior to adjustments	(537)	648
Net income	(537)	648

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2013 to September 30, 2013	April 1, 2012 to September 30, 2012
Income before minority interests	(537)	648
Other comprehensive income		
Net unrealized holding gain on other securities	0	8
Total other comprehensive income	0	8
Comprehensive income	(537)	657
(Breakdown)		
Comprehensive income attributable to owners of the parent company	(537)	657
Comprehensive income attributable to minor interests	--	--

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2013 to September 30, 2013	April 1, 2012 to September 30, 2012
I. Cash flows from operating activities		
Income before income taxes	(557)	902
Depreciation	1,491	1,659
Impairment losses	7	239
Share-based compensation expenses	24	30
Amortization of goodwill	--	56
Increase (decrease) in allowance for doubtful accounts	327	41
Increase (decrease) in allowance for bonuses	(1)	37
Increase (decrease) in allowance for points	(39)	4
Increase (decrease) in allowance for retirement benefits	14	25
Increase (decrease) in allowance for directors retirement benefits	10	10
Increase (decrease) in allowance for business withdrawal	277	--
Interest and dividend income	(49)	(202)
Gain (loss) from foreign exchange	(78)	(12)
Gain (loss) on sale of shares in affiliates	136	--
Gain on sale of fixed assets	13	--
Loss from disposal of fixed assets	135	6
Loss on closure of stores	84	45
Loss on litigation	223	--
Loss on business withdrawal	275	--
Exchange gain on dividends in kind	--	(107)
Decrease (increase) in trade receivables	1,811	(480)
Decrease (increase) in inventories	500	154
Decrease (increase) in other current assets	(105)	(174)
Decrease (increase) in other fixed assets	4	4
Increase (decrease) in trade payables	(669)	(14)
Increase (decrease) in other current liabilities	(434)	(1,163)
Increase (decrease) in other noncurrent liabilities	(16)	(18)
Others	(28)	(16)
Sub-total	3,359	1,028
Interest and dividends received	50	200
Income taxes paid	(860)	(617)
Payments for loss on litigation	223	--
Net cash provided by (used in) operating activities	2,326	611
II. Cash flows from investing activities		
Proceeds from redemption of time deposits	--	500
Income from sale and redemption of marketable securities	527	3,000
Acquisition of tangible fixed assets	(690)	(951)
Income from sale of tangible fixed assets	2	--
Acquisition of intangible fixed assets	(253)	(1,180)
Income from sale of intangible fixed assets	2	--
Acquisition of investment securities	--	(3000)
Income from sale and redemption of investment securities	0	--
Payments for investments in capital of affiliates	(44)	--
Acquisition of shares in affiliate companies	--	(203)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(108)	--
Payment of loans receivable	--	(73)
Income from loans receivable	19	42
Other payments	(28)	(36)
Other income	67	41
Net cash provided by (used in) investing activities	(504)	(1,862)

III. Cash flows from financing activities		
Disposal of treasury stock	4	--
Acquisition of treasury stock	(1,719)	(0)
Cash dividends paid..	(1,102)	(1,099)
Others...	(33)	(23)
Net cash provided by (used in) financing activities	(2,851)	(1,123)
IV. Effect of exchange rate changes on cash and cash equivalents	66	8
V. Net increase in cash and cash equivalents	(962)	(2,365)
VI. Cash and cash equivalents at the beginning of the period	28,227	25,056
VII. Cash and cash equivalents at end of period.........................	**27,265**	**22,690**

(4) Notes to the consolidated financial statements

Items related to going concern

No applicable items

Note on significant change in shareholders' equity

No applicable items

Segment information

Business Segments

1. Six months ended September 30, 2013

(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	21,741	12,812	34,554	4,197	38,752	--	38,752
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	21,741	12,812	34,554	4,197	38,752	--	38,752
Operating income (loss)	1,631	103	1,735	(27)	1,707	(997)	710

Notes:

1. Other businesses: Mail-order of personal sundries, accessories, undergarments, health equipment and household sundries, mail-order and retail sales and wholesales of Hatsuga Genmai (germinated brown rice) and Kale Juice, etc.
2. The adjustment amount on segment income (loss) of (¥997) million includes total company expenses not distributed to each reportable segment and consist primarily of costs related to the General Affairs section of the parent company not included in the reportable segments.
3. Segment income or loss has been adjusted with the operating income for the consolidated income statement for the quarter

2. Six months ended September 30, 2012

(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	22,649	13,185	35,835	4,775	40,610	--	40,610
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	22,649	13,185	35,835	4,775	40,610	--	40,610
Operating income (loss)	1,030	842	1,873	(144)	1,728	(886)	841

Notes:

1. Other businesses: Mail-order of sundries, accessories and undergarments, and the Hatsuga Genmai (germinated brown rice), Kale Juice, and beauty salon businesses etc.
2. The adjustment amount on segment income (loss) of (¥886) million includes total company expenses not distributed to each reportable segment and consist primarily of costs related to the General Affairs section of the parent company not included in the reportable segments.
3. Segment income or loss has been adjusted with the operating income for the consolidated income statement for the quarter

Significant Post-Balance Sheet Events

At a board meeting held November 14, 2013, and pursuant to the provisions of Articles 236, 238, 240-1 of the Companies Act, it was resolved that the Company would issue the following incentive stock options to directors and executive officers:

1. Number of eligible persons:
   Directors: 10 Executive Officers: 10
2. Date of allotment of stock options:
   December 2, 2013
3. Total number of stock options:
   Undecided
4. Class of shares to be issued:
   Common stock
5. Number of stock to be issued:
   100 shares issued per stock option:
6. Total amount payable upon exercise of stock options:
   ¥1 per share
7. Exercise period:
   December 3, 2013 to December 2, 2033
8. Share value and incorporated assets in case of issue of shares upon excersice of stock options:
   Undecided