

# FANCL Corporation

## Consolidated Financial Statements for the Third quarter of the Fiscal Year Ending March 31, 2014

April 1, 2013 to December 31, 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)

Results for the nine-month period for the fiscal year ending March 31, 2014

**FANCL CORPORATION**

**February 12, 2014**

www.fancl.co.jp

Stock exchange listings: Tokyo 1<sup>st</sup> section, code number 4921  
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Scheduled date for submission of the third quarter *hokokusho* (securities report): February 12, 2014

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, 2013 to December 31, 2013) of Fiscal 2014

#### (1) Consolidated Operating Results

*Millions of yen, rounded down*

	Nine months ended December 31, 2013		Nine months ended December 31, 2012	
		% change		% change
Net sales .....	59,807	(4.5)	62,603	(8.5)
Operating income .....	1,713	(28.6)	2,397	(30.8)
Ordinary income .....	2,018	(27.1)	2,768	(17.9)
Net income .....	160	(90.4)	1,674	(10.7)
Earnings per share (¥) .....	2.51	--	25.80	--
Earnings per share (diluted) (¥) .....	2.50	--	25.68	--

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, 2013: ¥164 million (-90.2%)

Nine months ended December 31, 2012: ¥1,684 million (-8.6%)

#### (2) Consolidated Financial Position

*Millions of yen, rounded down*

	As of December 31, 2013	As of March 31, 2013
Total assets .....	81,316	86,849
Net assets .....	70,942	74,542
Shareholders' equity/total assets (%) .....	86.6%	85.3%

Shareholders' equity: As of December 31, 2013: ¥70,447 million

As of March 31, 2013: ¥74,081 million

### 2) Dividends per share

	FY ended March 31, 2013	FY ending March 31, 2014
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, 2014 (April 1, 2013 to March 31, 2014)

#### (1) Consolidated

*Millions of yen*

	Fiscal year ending March 31, 2014	
Net sales .....	79,500	(4.0)
Operating income .....	2,700	(30.0)
Ordinary income .....	3,000	(32.2)
Net income .....	750	--
Earnings per share (¥) .....	¥11.56	--

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)	December 31, 2013	65,176,600 shares	March 31, 2013:	65,176,600 shares
2. Number of treasury shares	December 31, 2013	1,628,633 shares	March 31, 2013:	269,757 shares
3. Average number of shares during the nine-month period	Nine months to December 31, 2013	64,000,608 shares	Nine months to December 31, 2012	64,885,194 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: 1. Operating Results, Section 3, Forecasts for the fiscal year ending March 31, 2014.

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# 1. Operating Results

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

(All comparisons are with the nine-month period of the previous fiscal year, unless stated otherwise.)

During the nine-month period under review, the Japanese economy steadily improved due to strong consumer sentiment against a backdrop of higher stock prices since the end of 2012, and a gradual recovery in capital expenditure due to improvements in company performance. Despite concern over future uncertainty in overseas economies, a recovery trend is expected to strengthen due to improvements in the employment and income environment and the effects of various policy measures.

During the period under review, consolidated sales decreased 4.5% to ¥59,807 million, mainly due to a decline in sales in the Nutritional Supplements business and 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 28.6% to ¥1,713 million, despite a decrease in marketing expenses, which failed to offset the decline in sales. Ordinary income decreased 27.1% to ¥2,018 million. Net income for the quarterly period decreased 90.4% to ¥160 million due to the recording of an extraordinary loss of ¥891 million resulting from the decision to withdraw from the Taiwan and Singapore retail businesses and to liquidate the locally incorporated Taiwanese company.

Segment results are as follows:

### 1) Cosmetics Business

#### Sales

Sales from the Cosmetics business decreased 1.8% to ¥34,348 million. *(Millions of yen, rounded down)*

	Nine months ended December 31, 2013		Nine months ended December 31, 2012		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	27,765	80.8	27,885	79.7	(0.4)
ATTENIR Cosmetics	5,730	16.7	5,904	16.9	(3.0)
Others	853	2.5	1,189	3.4	(28.3)
Totals	34,348	100.0	34,980	100.0	(1.8)

	Nine months ended December 31, 2013		Nine months ended December 31, 2012		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	17,311	50.4	17,567	50.2	(1.5)
Retail store sales	11,814	34.4	11,650	33.3	1.4
Wholesales and others	1,318	3.8	1,710	4.9	(22.9)
Overseas Sales	3,903	11.4	4,052	11.6	(3.7)
Totals	34,348	100.0	34,980	100.0	(1.8)

Sales of **FANCL cosmetics** were largely in line with the previous period decreasing 0.4% to ¥27,765 million, as strong sales of Facial Washing Powder and Mild Cleansing Oil which were renewed in Japan, largely offset slow overseas sales.

Sales of **ATTENIR cosmetics** decreased 3.0% to ¥5,730 million, amid the implementation of reforms aimed at restructuring the business.

Results by sales channels were: mail order sales decreased 1.5% year on year to ¥17,311 million, retail store sales increased 1.4% to ¥11,814 million, wholesale sales through other sales channels decreased 22.9% to ¥1,318 million, and overseas sales decreased 3.7% to ¥3,903 million.

#### Operating income

Operating income increased 9.8% to ¥2,843 million as a result of a decrease in marketing expenses.

## 2) Nutritional Supplements Business

### Sales

Nutritional supplement sales decreased 5.8% to ¥19,142 million. *(Millions of yen, rounded down)*

	Nine months ended December 31, 2013		Nine months ended December 31, 2012		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	7,684	40.1	8,133	40.0	(5.5)
Retail store sales	4,556	23.8	4,546	22.4	0.2
Wholesales and others	5,138	26.9	5,546	27.3	(7.4)
Overseas Sales	1,762	9.2	2,100	10.3	(16.1)
Totals	19,142	100.0	20,327	100.0	(5.8)

Revenues from product sales decreased due to poor sales in other products and despite sales of dietary supplement *Calorie Limit* being in line with the previous year.

Results by sales channels were: mail order sales decreased 5.5% to ¥7,684 million, retail store sales increased 0.2% to ¥4,556 million, wholesale sales through other sales channels decreased 7.4% to ¥5,138 million and overseas sales decreased 16.1% to ¥1,762 million.

### Operating income

Operating income decreased 72.2% to ¥380 million, as a result of a decrease in revenues, as well as an increase in marketing expenses for acquisition of new customers and implementation of promotional campaigns for new products.

## 3) Other Businesses

Sales in Other businesses decreased 13.4% year on year to ¥6,317 million

*(Millions of yen, rounded down)*

	Nine months ended December 31, 2013	Nine months ended December 31, 2012	Change (%)
Hatsuga genmai business	2,129	2,239	(4.9)
Kale juice business	2,411	2,496	(3.4)
Other businesses	1,775	2,559	(30.6)
Totals	6,317	7,296	(13.4)

In the Hatsuga genmai (germinated brown rice) business, sales decreased 4.9% to ¥2,129 million as strong wholesale sales failed to offset slow mail order sales.

In the Kale juice business, sales decreased 3.4% to ¥2,411 million as strong sales of *Honshibori Kale juice Premium and Honshibori kale juice Daizu Plus* failed to offset slow sales in other products.

Sales at other businesses decreased 30.6% to ¥1,775 million due to the transfer of shares of consolidated subsidiary NEUES Co.,Ltd. a beauty salon operator, to an entity outside of the group in the first quarter period.

### Operating income

An operating loss of ¥50 million was recorded for the nine-month period, representing a reduction of ¥147 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, and despite a decrease in revenue.

## (2) Summary of consolidated financial position

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

Assets decreased ¥5,532 million to ¥81,316 million. The primary contributing factors were a decrease of ¥4,169 million in current assets and a decrease of ¥1,363 million in fixed assets. Primary factors contributing to the decrease in current assets were a ¥419 million decrease in notes and accounts receivable, a ¥3,849 million decrease in marketable securities, and a ¥785 million decrease in inventory assets. The decrease in fixed assets was primarily the result of a ¥419 million decrease in tangible fixed assets due to the effects of depreciation, a ¥414 decrease in intangible fixed assets, a ¥198 million decrease in investment securities, and a ¥331 million decrease in other investment assets due to a decline in guarantee deposits.

Liabilities decreased ¥1,932 million to ¥10,373 million. The primary contributing factors were a decrease of ¥1,833 million in current liabilities and a decrease of ¥99 million in noncurrent liabilities. Contributing factors to the decrease in current liabilities include a ¥864 million decrease in notes and accounts payable, a ¥835 million decrease in accrued income taxes and a ¥412 million decrease in allowance for bonus. The decrease in noncurrent liabilities was primarily the result of a ¥116 million decrease in "Other" fixed liabilities stemming from a decrease in deferred tax liabilities.

Net assets decreased ¥3,600 million to ¥70,942 million. Primary contributing factors included a ¥2,047 million decrease in retained earnings from payment of dividends, and a ¥1,591 million decline due to the purchase of own shares.

As a result, the shareholders' equity ratio increased 1.3 percentage points from the end of the previous fiscal year to 86.6%.

### Cash flow

Cash and cash equivalents as of December 31, 2013 were ¥29,025 million, ¥797 million higher 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 ¥2,778 million compared to ¥2,794 million for the same period of the previous fiscal year. Factors increasing operating cash flow included depreciation expenses of ¥2,213 million, a decrease in inventory assets of ¥758 million, and a decrease in notes and accounts receivable of ¥338 million. Factors reducing operating cash flow included a decrease in trade payables of ¥840 million and income taxes paid of ¥1,352 million.

#### Cash flows from investing activities

Cash flow gained in investing activities during the period under review was ¥1,870 million, compared to a ¥2,595 million outflow for the same period of the previous fiscal year. Factors increasing investment cash flow included revenues of ¥3,861 million for income from sale and redemption of marketable securities. Factors reducing investment cash flow included outlays of ¥1,345 million for acquisition of tangible noncurrent assets, and ¥555 million for the acquisition of intangible noncurrent assets.

#### Cash flows from financing activities

Cash flow used in financing activities during the period under review was ¥3,926 million, compared to an outflow of ¥2,215 million in the same period of the previous fiscal year, and was primarily due to outlays of ¥1,720 million for the acquisition of own shares and a decrease from dividend payments of ¥2,161 million.

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

The following revisions were made to the consolidated results forecasts for the consolidated fiscal year ending March 31, 2014 that were issued on November 14, 2013.

*Millions of yen, rounded down*

	Previously announced forecasts		Revised forecasts	
	Amount	Change %	Amount	Change %
Net sales.....	78,500	(5.2)	79,500	(4.0)
Operating income (loss).....	1,100	(71.5)	2,700	(30.0)
Ordinary income (loss).....	1,300	(70.6)	3,000	(32.2)
Net income (loss).....	(300)	--	750	--
Net income per share .....	(4.62)	--	11.56	--

Net sales forecasts have been increased by ¥1,000 million to ¥79,500 million due stronger-than-expected sales of FANCL Cosmetics in the Cosmetics business.

Due to a stronger-than-expected increase in revenues, and lower-than-expected outlays for expenses related to a review of sales plans for new products in the Nutritional Supplements business, we forecast operating income of ¥2,700 million, ordinary income of ¥3,000 million and consolidated net income of ¥750 million.

## **2. Other**

(1) Changes to subsidiaries during the period: None

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

(3) Changes in accounting policy, changes in accounting estimates, and restatements: None



### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	<i>Millions of yen, rounded down</i>	
	As of December 31, 2013	As of March 31, 2013
<b>ASSETS</b>		
<b>I. Current assets:</b>		
Cash and bank deposits .....	19,514	18,720
Notes and accounts receivable .....	9,652	10,071
Marketable securities .....	9,510	13,359
Merchandise and products .....	2,423	2,834
Work in progress .....	13	43
Raw materials and supplies .....	2,832	3,176
Others .....	2,429	1,995
Allowance for doubtful accounts .....	(413)	(70)
Total current assets .....	45,962	50,131
<b>II. Fixed assets:</b>		
Tangible fixed assets		
Buildings and structures .....	22,283	22,673
Accumulated depreciation and accumulated impairment loss .....	(13,624)	(13,729)
Buildings and structures (net) .....	8,658	8,944
Machinery and transport equipment .....	6,674	6,563
Accumulated depreciation and accumulated impairment loss .....	(5,578)	(5,314)
Machinery and transport equipment (net) .....	1,095	1,249
Furniture, tools and fixtures .....	7,371	7,332
Accumulated depreciation and accumulated impairment loss .....	(6,255)	(6,233)
Furniture, tools and fixtures (net) .....	1,116	1,098
Land .....	10,216	10,216
Lease assets .....	264	326
Accumulated depreciation and accumulated impairment loss .....	(173)	(213)
Lease assets (net) .....	91	112
Others .....	57	32
Total tangible fixed assets .....	21,236	21,655
Intangible fixed assets .....		
Others .....	3,382	3,796
Total intangible fixed assets .....	3,382	3,796
Investments and other assets		
Investment securities .....	7,129	7,327
Others .....	3,606	3,937
Total investments and other assets .....	10,735	11,265
Total fixed assets .....	35,354	36,717
<b>Total Assets .....</b>	<b>81,316</b>	<b>86,849</b>

## Consolidated Balance Sheets, continued

	<i>Millions of yen, rounded down</i>	
	As of December 31, 2013	As of March 31, 2013
<b>LIABILITIES</b>		
I. Current liabilities:		
Notes and accounts payable.....	1,519	2,383
Accrued income taxes.....	96	932
Allowance for bonus.....	521	933
Allowance for points.....	1,463	1,434
Provision for loss on business withdrawal.....	244	--
Asset retirement obligations.....	5	2
Others.....	4,237	4,236
Total current liabilities.....	8,089	9,922
II. Noncurrent liabilities:		
Allowance for retirement benefits.....	1,624	1,593
Allowance for directors' retirement bonuses.....	71	54
Asset retirement obligations.....	467	498
Others.....	120	236
Total non-current liabilities.....	2,284	2,383
Total liabilities.....	10,373	12,306
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock.....	10,795	10,795
Additional paid-in capital.....	11,706	11,706
Retained earnings.....	49,859	51,906
Treasury stock.....	(1,924)	(333)
Total shareholders' equity.....	70,435	74,074
Other comprehensive income		
Valuation difference on other marketable securities.....	11	6
Total other comprehensive income.....	11	6
Warrants.....	495	461
Total net assets.....	70,942	74,542
<b>Total Liabilities and Net Assets.....</b>	<b>81,316</b>	<b>86,849</b>

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

*Millions of yen, rounded down*

	April 1, 2013 to December 31, 2013	April 1, 2012 to December 31, 2012
Net sales .....	59,807	62,603
Cost of sales .....	18,881	20,358
Gross profit .....	40,926	42,245
Selling, general and administrative expenses .....	39,213	39,847
Operating income .....	1,713	2,397
Non-operating income		
Interest income .....	54	84
Dividend income .....	10	150
Gain (loss) from foreign exchange .....	122	27
Proceeds from insurance .....	1	4
Other non-operating income .....	159	169
Total non-operating income .....	348	438
Non-operating expenses		
Provisions for allowance for bad debt .....	4	38
Other non-operating expenses .....	39	29
Total non-operating expenses .....	43	67
Ordinary income .....	2,018	2,768
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 .....	1	107
Extraordinary loss		
Loss on sale of fixed assets .....	14	--
Loss on disposal of fixed assets .....	151	14
Impairment loss .....	12	268
Loss on closure of stores .....	118	59
Loss on litigation .....	223	--
Loss on sale of shares in affiliates .....	136	--
Loss on business withdrawal .....	891	--
Other .....	4	15
Total extraordinary loss .....	1,552	357
Income before income taxes .....	466	2,518
Income and other taxes .....	218	609
Adjustments to income and other taxes .....	87	234
Total income and other taxes .....	306	843
Net income from minority interests prior to adjustments .....	160	1,674
Net income .....	160	1,674

## Consolidated statements of comprehensive income

	<i>Millions of yen, rounded down</i>	
	April 1, 2013 to December 31, 2013	April 1, 2012 to December 31, 2012
Income before minority interests.....	160	1,674
<b>Other comprehensive income</b>		
Net unrealized holding gain on other securities .....	4	10
Total other comprehensive income	4	10
<b>Comprehensive income</b>	164	1,684
(Breakdown)		
Comprehensive income attributable to owners of the parent company.....	164	1,684
Comprehensive income attributable to minor interests .....	--	--

**(3) Consolidated statements of cash flows**

	<i>Millions of yen, rounded down</i>	
	April 1, 2013 to December 31, 2013	April 1, 2012 to December 31, 2012
<b>I. Cash flows from operating activities</b>		
Income before income taxes.....	466	2,518
Depreciation .....	2,213	2,558
Impairment losses.....	12	268
Share-based compensation expenses.....	133	119
Amortization of goodwill.....	--	56
Increase (decrease) in allowance for doubtful accounts .....	360	12
Increase (decrease) in allowance for bonuses .....	(403)	(409)
Increase (decrease) in allowance for points .....	29	74
Increase (decrease) in allowance for retirement benefits .....	30	40
Increase (decrease) in allowance for directors retirement benefits .....	16	16
Increase (decrease) in allowance for business withdrawal.....	244	--
Interest and dividend income .....	(64)	(235)
Loss (gain) from foreign exchange .....	(85)	(33)
Loss (gain) on the sale of shares in affiliates .....	136	--
Loss (gain) on sale of fixed assets .....	13	--
Loss from disposal of fixed assets .....	151	14
Loss on closure of stores .....	118	59
Loss on litigation .....	223	--
Loss on business withdrawal .....	275	--
Exchange gain on dividends in kind.....	--	(107)
Decrease (increase) in trade receivables.....	338	(316)
Decrease (increase) in inventories.....	758	42
Decrease (increase) in other current assets .....	(132)	(155)
Decrease (increase) in other fixed assets.....	32	8
Increase (decrease) in trade payables.....	(840)	(234)
Increase (decrease) in other current liabilities.....	320	(585)
Increase (decrease) in other fixed liabilities .....	(16)	(26)
Others .....	(55)	(25)
Sub-total .....	4,280	3,659
Interest and dividends received .....	75	223
Income taxes paid .....	(1,352)	(1,088)
Payments for loss on litigation .....	(223)	--
Net cash provided by (used in) operating activities.....	2,778	2,794
<b>II. Cash flows from investing activities</b>		
Proceeds from redemption of time deposits.....	--	500
Income from sale and redemption of marketable securities .....	3,861	4,000
Acquisition of tangible fixed assets .....	(1,345)	(1,698)
Income from sale of tangible fixed assets .....	2	1
Acquisition of intangible fixed assets .....	(555)	(1,336)
Income from sale of intangible fixed assets .....	2	--
Acquisition of investment securities .....	--	(4,000)
Income from sale and redemption of investment securities .....	0	200
Payments for investments in capital of affiliates .....	(44)	--
Acquisition of shares of affiliates.....	(8)	(203)
Payment on sale of affiliate company shares due to a change in the scope of consolidation .....	(108)	--
Payment of loans receivable .....	--	(76)
Income from loans receivable .....	25	47
Other payments .....	(32)	(74)
Other income .....	73	45
Net cash provided by (used in) investing activities.....	1,870	(2,595)

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

	<i>Millions of yen, rounded down</i>	
	April 1, 2013 to December 31, 2013	April 1, 2012 to December 31, 2012
III. Cash flows from financing activities		
Income from disposal of treasury stock .....	6	--
Acquisition of treasury stock .....	(1,720)	(0)
Cash dividends paid.....	(2,161)	(2,179)
Others.....	(50)	(35)
Net cash provided by (used in) financing activities	(3,926)	(2,215)
IV. Effect of exchange rate changes on cash and cash equivalents .....	73	27
V. Net increase (decrease) in cash and cash equivalents.....	797	(1,989)
VI. Cash and cash equivalents at the beginning of the period ....	28,227	25,056
VII. Cash and cash equivalents at end of period.....	<b>29,025</b>	<b>23,066</b>

#### (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. Nine months ended December 31, 2013

(Millions of yen, rounded down)

	Business Segments			Other* <sup>1</sup>	Total	Adjusted amount * <sup>2</sup>	Consolidated * <sup>3</sup>
	Cosmetics Business	Nutritional Supplements Business	Total				
<b>1. Sales and operating income:</b>							
(1) Sales to external customers	34,348	19,142	53,490	6,317	59,807	--	59,807
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	34,348	19,142	53,490	6,317	59,807	--	59,807
Segmental operating income (loss)	2,843	380	3,224	(50)	3,174	(1,461)	1,713

Notes:

- The Others business segment are those businesses not listed in Business Segments and include wholesales sales of sundries, personnel effects and comfort undergarments, and the Hatsuga Genmai (germinated brown rice), kale juice and beauty salon businesses.
- The -1,461 million figure for Segmental operating income (loss) recorded under Adjusted amount in 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.
- Segmental operating income (loss) has been adjusted to reflect operating income recorded in the Consolidated Statements of Income for the quarter

##### 2. Nine months ended December 31, 2012

(Millions of yen, rounded down)

	Business Segments			Other* <sup>1</sup>	Total	Adjusted amount* <sup>2</sup>	Consolidated * <sup>3</sup>
	Cosmetics Business	Nutritional Supplements Business	Total				
<b>1. Sales and operating income:</b>							
(1) Sales to external customers	34,980	20,327	55,307	7,296	62,603	--	62,603
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	34,980	20,327	55,307	7,296	62,603	--	62,603
Segmental operating income (loss)	2,589	1,370	3,960	(197)	3,762	(1,364)	2,397

Notes:

- The Others business segment are those businesses not listed in Business Segments and include wholesales sales of sundries, personnel effects and comfort undergarments, health equipment and household sundries, and the Hatsuga Genmai (germinated brown rice), kale juice and beauty salon businesses.
- The -1,364 million figure for Segmental operating income (loss) recorded under Adjusted amount in 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.
- Segmental operating income (loss) has been adjusted to reflect operating income recorded in the Consolidated Statements of Income for the quarter

## Significant Post-Balance Sheet Events

At a board meeting held January 15, 2014, and pursuant to the provisions of Articles 236, 238, and 240-1 of the Companies Act, it was resolved that the Company would issue the following incentive stock options to employees of the Company and affiliate companies:

1. Number of eligible persons:  
Employees of the Company and affiliate companies: 2,993
2. Date of allotment of stock options:  
February 24, 2014
3. Total number of shares options:  
15,953
4. Class of shares to be issued:  
Common stock
5. Number of stock to be issued:  
1,595,3000 (100 shares issued per stock option)
6. Total amount payable upon exercise of stock options:  
TBD on February 24, 2014  
(The amount to be paid per share is either the average closing share price between January 1, 2014 and January 31, 2014, or the closing share price on February 24, 2014, whichever is higher.)
7. Exercise period:  
January 16, 2016 to January 15, 2019
8. Share value and incorporated assets in case of issue of shares upon exercise of stock options:  
Undecided