FANCL Corporation

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2014

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Results for the Fiscal Year Ended March 31, 2014

FANCL CORPORATION **May 9, 2014**

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

www.fancl.co.jp

Contact: Kazuyuki Shimada
Executive Managing Director and General Manager of Group Support Center
Telephone: +81-45-226-1200

C.E.O. and Representative Director: Kazuyoshi Miyajima,
Scheduled date for regular shareholders' meeting: June 21, 2014
Scheduled date for submission of the financial report: June 23, 2014
Scheduled date for distribution of dividends: June 23, 2014
Appendix materials prepared to accompany this report: Yes
Investor conference call: Yes (For investors and analysts)

1. Consolidated results for the fiscal year April 1, 2013 to March 31, 2014

(1) Sales and Income

Millions of yen, rounded down

	FY ended March 31, 2014		FY ended March 31, 2013	
		Change (%)		Change (%)
Net sales	81,118	(2.0)	82,807	(6.1)
Operating income	3,943	2.2	3,858	(3.9)
Ordinary income	4,262	(3.7)	4,427	10.6
Net income	1,343	--	(2,193)	--
Net income per share (¥)	¥21.03		(¥33.81)	
Fully diluted earnings per share (¥)	20.91		--	
Return on equity	1.8%		(2.9%)	
Ratio of ordinary income to total capital	4.9%		5.0%	
Ratio of operating income to net sales	4.9%		4.7%	

Note: Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year.
Comprehensive income: FY to March 31, 2014: ¥1,342 million (--%) FY to March 31, 2013: -¥2,182 million (-17.1%)
Gain from investments in subsidiaries and affiliates accounted for by the equity method:
FY to March 31, 2014: -- million FY to March 31, 2013: -- million

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2014	As of March 31, 2013
Total assets	85,800	86,849
Shareholders' equity	72,154	74,542
Equity ratio (%)	83.5%	85.3%
Shareholders' equity per share (¥)	¥1,127.32	¥1,141.35

Shareholders' equity: FY to March 31, 2014: 71,645 FY ended March 2013: ¥74,081 million

(3) Cash Flows

Millions of yen, rounded down

	FY ended March 31, 2014	FY ended March 31, 2013
Net cash provided by operating activities	6,595	6,145
Net cash used in investing activities	1,402	(822)
Net cash used in financing activities	(3,956)	(2,251)
Cash and cash equivalents at end of year	32,377	28,227

2. Dividends

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ending March 31, 2015 (forecast)
Interim dividend per share (¥)	17.00	17.00	17.00
Year-end dividend per share (¥)	17.00	17.00	17.00
Annual dividend per share (¥)	34.00	34.00	34.00
Total dividend payment *(millions of yen)*	2,206	2,183	
Consolidated dividend payout ratio (%)	--	161.7%	98.2
Dividend to net assets ratio (%)	2.9%	3.0%	

3. Consolidated forecasts for the fiscal year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

Millions of yen

	Interim period ending September 30, 2014		FY Ending March 31, 2015	
		Change %		Change %
Net sales	38,500	(0.7)	81,000	(0.1)
Operating income	300	(57.8)	4,000	1.4
Ordinary income	300	(68.0)	4,000	(6.2)
Net income	100	--	2,200	63.7%
Net income per share (¥)	1.57		34.62	

Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year.

4. Other

1) Transfer of key subsidiaries during the period (transfers of certain subsidiaries resulting in changes in the scope of consolidation): None

2) Changes in accounting methods, procedures and presentation in the making of these financial statements

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

3) Number of shares outstanding (ordinary shares)

1. Number of shares outstanding (including treasury shares):
   As of March 31, 2014: 65,176,600
   As of March 31, 2013: 65,176,600
2. Number of treasury shares:
   As of March 31, 2014: 1,622,701
   As of March 31, 2013: 269,757
3. Average number of shares during the period:
   FY to March 31, 2014: 63,889,478
   FY to March 31, 2013: 64,886,796

Reference: Outline of Non-consolidated Financial Results

1. Non-consolidated operating results for the fiscal year ended March 31, 2014

1) Non-consolidated Operating Results

Millions of yen, rounded down

	FY ended March 31, 2014		FY ended March 31, 2013	
		(% change)		(% change)
Sales	67,957	(1.7)	69,098	0.8
Operating income	2,909	29.0	2,255	4.2
Ordinary income	10,869	242.8	3,170	7.9
Net income	8,945	--	(3,760)	--
Earnings per share (¥)	¥140.02		(¥57.96)	
Fully diluted earnings per share (¥)	139.20		--	

Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year.

2) Non-Consolidated financial position

	As of March 31, 2014	As of March 31, 2013
Total assets *(millions of yen)*	70,713	65,280
Net assets *(millions of yen)*	60,737	55,537
Equity ratio (%)	85.2%	84.4%
Net assets per share (¥)	¥947.68	¥848.54

Note: Shareholders' equity:
FY ended March 2010: ¥60,228 million
FY ended March 2009: ¥55,076 million

Disclosure of status of quarterly report review procedures

At time of disclosure of this quarterly financial report the review procedures for quarterly securities reports as stipulated under the Financial Instruments and Exchange Law had been completed.

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: Commentary on Results, Section 3, Forecasts for the consolidated fiscal year ending March 31, 2014.

Contents

1. Consolidated operating results and financial position

1) Summary of Business Performance (consolidated)

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

In the consolidated financial period under review, the Japanese economy slowly recovered due to robust consumer spending that has benefited from a positive shift in consumer sentiment against a backdrop of higher share prices since the end of 2012, and gradual improvements in capital expenditure and corporate results. We anticipate that the consumption tax increase will result in a temporary drop in sales but that the overall recovery trends will continue due to the improvements in employment and salaries, as well as policy.

Net sales for the consolidated financial period under review decreased 2.0% to ¥81,118 million due to a decline in sales in the Nutritional Supplements Business and the transfer of shares of NEUES Co., Ltd. a consolidated subsidiary in the beauty business, in the first quarter of the consolidated fiscal year to a non-group entity. Operating income increased 2.2% to ¥3,943 million due to higher revenues from the Cosmetics business, improved gross margin following the withdrawal from unprofitable businesses and overall cost-cutting. Ordinary income decreased 3.7% to ¥4,262 million. Net income rose to ¥1,343 million compared to a loss of ¥2,193 million due to the recording of a loss of ¥752 million for business withdrawal following the decision to liquidate the Taiwanese corporation and withdraw from the retail business in Taiwan and Singapore.

Segment results are as follows:

2) Status of operations

(1) Cosmetics Business

Sales

Cosmetics sales increased 1.7% compared to the previous year, reaching ¥47,525 million.

(Millions of yen)

	FY ended March 31, 2013		FY ended March 31, 2014		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	37,102	79.4	38,473	80.9	3.7
ATTENIR Cosmetics	8,014	17.2	7,965	16.8	(0.6)
Others	1,603	3.4	1,087	2.3	(32.2)
Totals	46,721	100.0	47,525	100.0	1.7

	FY ended March 31, 2013		FY ended March 31, 2014		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	23,375	50.0	23,805	50.1	1.8
Retail store sales	15,430	33.0	16,405	34.5	6.3
Wholesales and others	2,218	4.8	1,741	3.7	(21.5)
Overseas sales	5,696	12.2	5,572	11.7	(2.2)
Totals	46,721	100.0	47,525	100.0	1.7

Sales of **FANCL cosmetics** increased 3.7% to ¥38,473 million, due to strong sales of renewed products facial washing products and mild cleansing oil.
Sales of **ATTENIR cosmetics** decreased 0.6% to ¥7,965 million as sales of core products, such as Inner Effecter Basic Skincare, were strong and overall sales were largely in line with those of the previous year.

Results by **sales channels**: mail order sales increased 1.8% year on year to ¥23,805 million, retail store sales increased 6.3% to ¥16,405 million, wholesale sales decreased 21.5% to ¥1,741 million, while overseas sales decreased 2.2% to ¥5,572 million.

Operating income

Operating income increased 19.9% to ¥4,661 million due to an increase in revenues.

(2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 4.6% year on year to ¥25,386 million.

(Millions of yen)

	FY ended March 31, 2013		FY ended March 31, 2014		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	10,744	40.4	10,355	40.8	(3.6)
Retail store sales	6,008	22.6	6,106	24.1	1.6
Wholesales and others	7,079	26.6	6,607	26.0	(6.7)
Overseas sales	2,768	10.4	2,316	9.1	(16.3)
Totals	26,601	100.0	25,386	100.0	(4.6)

Revenues from **product sales** decreased due to poor sales in other products despite maintaining the same level of sales of dietary supplement *Calorie Limit* and growth in sales of products such as *Lutein and Blue Berry Enkin*.

Results by **sales channels** were: mail order sales decreased 3.6% year on year to ¥10,355 million, retail store sales increased 1.6% to ¥6,106 million, while wholesale sales decreased 6.7% to ¥6,607 million and overseas sales decreased 16.3% to ¥2,316 million.

Operating income

Operating income decreased 42.6% to ¥1,125 million, as a result of an increase in marketing expenses and a decrease in revenues.

(3) Other Businesses

Sales in Other businesses decreased 13.5% year on year to ¥8,207 million

(Millions of yen, rounded down)

	FY ended March 31, 2013	FY ended March 31, 2014	Change (%)
Hatsuga genmai business	2,922	2,830	(3.2)
Kale juice business	3,220	3,203	(0.5)
Other businesses	3,341	2,173	(35.0)
Totals	9,484	8,207	(13.5)

In the **Hatsuga genmai** (germinated brown rice) business, sales decreased 3.2% to ¥2,830 million due to poor mail order sales and despite strong wholesale sales.

In the **Kale juice** business, sales decreased 0.5% to ¥3,203 million, roughly on par with the previous year as sales of powder-type products such as *Honshibori Aojiru Premium* were strong and frozen-type were sluggish.

Sales at **other businesses** decreased 35.0% to ¥2,173 million due to the transfer of shares of NEUES Co., Ltd. a consolidated subsidiary in the beauty business, to a non-group entity.

Operating income

The operating loss for the period improved by ¥285 million over the previous consolidated financial period to ¥4 million, due to improved profitability resulting from decreased marketing expenses, the sale of the beauty business and others.

3. Forecasts for the fiscal year ending March 31, 2015

While the company expects a temporary market decline due to the rise in consumption tax, improved employment and incomes together with the effects of various policies indicate that recovery will continue on track.

Against this background, FANCL Group has been engaged in reinforcing its business foundations while maintaining a strong focus on profitable business operations in line with its medium-term management plan. (See page 9, "Management Policy").

With regard to the Company's Cosmetics Business, overseas sales decreased slightly following its withdrawal from retail business in Singapore and Taiwan. However, the Company anticipates that implementing measures such as the expansion and development of the sales channels of its core products, and the complete reformation of its makeup products will lead to an increase in domestic sales and revenue.

Sales for the Company's Nutritional Supplements Business are expected to be level with the previous period, due to sales of the dietary supplement Calorie Limit targeted at middle-aged and elderly customers, with contributions from supplements for the prevention of lifestyle-related diseases (Good Aging).

In other businesses, sales are expected to decline due to the transfer of shares of NEUES Co., Ltd. a consolidated subsidiary in the beauty business to a non-group entity.

In light of the above, the Company forecasts a decrease in sales of 0.1% to ¥81,000 million, an increase in operating income of 1.4% to ¥4,000 million, a decrease in ordinary profit of 6.2% to ¥4,000, and an increase in net income of 63.7% to ¥2,200 million.

(2) Summary of Consolidated Financial Position

Assets, liabilities and net asset value

Assets decreased ¥1,048 million to ¥85,800 million, compared with the end of the previous consolidated financial period, primarily the result of a ¥843 million increase in current assets and a ¥1,892 million decrease in fixed assets. The increase in current assets was largely the result of a ¥1,653 million increase in cash in hand and bank deposits, a ¥338 million increase in notes and accounts receivable, an increase in other current assets of ¥1,311 million due to an increase in accrued corporation tax refunds, and a decline in marketable securities of ¥1,356 million. The decrease in fixed assets was largely due to a ¥850 million decrease in tangible fixed assets as the result of depreciation and other factors, a ¥376 million decrease in intangible fixed assets, and a ¥665 million decrease in "Other" assets (investments and other assets) due to declines in deposits and guarantee money and deferred tax assets.

Liabilities increased ¥1,339 million to ¥13,646 million, compared with the end of the previous consolidated financial period, primarily the result of a ¥1,458 million increase in current liabilities and a ¥118 million decrease in long-term liabilities. The main factors contributing to the increase in current liabilities were a ¥638 million increase in notes and accounts payable, an increase in other current liabilities of ¥1,294 million due to an increase in deposits, and a ¥658 million decline in income taxes payable. The main contributing factor to the decrease in long-term liabilities was a ¥75 million decrease in deferred tax liabilities.

Net assets decreased ¥2,388 million to ¥72,154 million, compared with the end of the previous consolidated financial period. The primary contributing factors were a decline of ¥1,584 million due to an increase in treasury stock, a decrease in retained earnings of ¥2,183 million due to dividend payments, and an increase in retained earnings of ¥1,343 million due to the recording of net income for the fiscal year.

As a result, the shareholders' equity ratio decreased 1.8 percentage points from the end of the previous consolidated fiscal year to 83.5%.

Cash flow

Cash and cash equivalents ("funds") as of March 31, 2014 were ¥32,377 million, ¥4,149 million higher than at the end of the previous consolidated fiscal year. The main contributing factors to cash flows during the consolidated fiscal year ended March 31, 2014 are as follows:

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

Cash flow generated from operating activities during the period under review was ¥6,595 million, compared with ¥6,145 million in the previous consolidated fiscal year. The primary factors responsible included net income before income taxes of ¥2,326 million, depreciation expenses of ¥2,972 million, a decrease of ¥1,060 in inventory assets, and an increase in other current liabilities of ¥644 million. Factors reducing operating cash flow included tax and other payments of ¥1,318 million.

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

Cash flow generated from investing activities during the period under review was ¥1,402 million, compared with an outflow of ¥822 million in the previous consolidated fiscal year. This was largely the result of inflows including ¥3,861 million in income from the sale and redemption of marketable securities, and outgoings such as ¥1,571 million for the acquisition of tangible fixed assets and ¥868 million for the acquisition of intangible fixed assets.

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

Cash flow used in financing activities during the period under review was ¥3,956 million, compared with an outflow of ¥2,251 million in the previous consolidated fiscal year. This was primarily the result of ¥1,720 million used in the acquisition of the company's own stock and ¥2,179 million in dividend payments.

Trends in Cash Flow-related Indices

	FY ended March 31, 2010	FY ended March 31, 2011	FY ended March 31, 2012	FY ended March 31, 2013	FY ended March 31, 2014
Equity ratio (%)	83.0	83.2	85.5	85.3	83.5
Equity ratio based on market price (%)	123.7	80.5	78.8	76.7	90.8
Debt service coverage (%)	--	--	--	--	--

Interest coverage ratio (times)	1,182.3	--	--	--	--

Notes:
Equity ratio: Shareholders' equity /Total assets
Equity ratio based on market price: Market capitalization/Total assets
Debt service coverage: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/interest paid

1. Calculations based on consolidated financial results figures.
2. Market capitalization = market price on last trading day of period x total shares outstanding at end of period (excluding treasury shares)
3. Operating cash flow is the Net Cash Provided From Operating Activities figure in the consolidated statements of cash flows.
4. Interest bearing debt includes all debt on which interest is paid recorded in the liabilities section of the consolidated balance sheet. Interest paid is reflected on the consolidated statements of cash flow under interest paid.

(3) Policy Regarding Allocation of Earnings and Proposed Dividends

FANCL recognizes that ensuring shareholders obtain a fair return on their investment is a key management responsibility. Our basic policy for allocation of earnings is as follows:

Dividends	Maintain a dividend pay out ratio of at least 40% of consolidated net income
Acquisition of treasury shares	Flexibly consider the acquisition of treasury shares with the aim of improving the capital efficiency ratio, while taking into account trends in the share price and future capital funding requirements
Cancellation of treasury shares	Treasury shares in excess of approximately 10% of the total number of outstanding shares will be cancelled

As determined by the Board of Directors, FANCL will pay dividends from retained earnings using September 30 of each year as the record date for payment of the interim dividend. Further, FANCL will pay dividends twice annually—an interim and year-end dividend—from retained earnings.

Based on the above, dividends for the fiscal year ended March 31, 2013 will be ¥34.00 per share representing a dividend per share of ¥17.00 for both interim and year-end dividends.

For the fiscal year ending March 31, 2014, we forecast an annual dividend of ¥34.00 per share representing a dividend per share of ¥17.00 for both interim and year-end dividends.

FANCL will conform to consolidated dividend regulations.

2. Management Policy

(1) Basic Management Policy

Management policy for the Group operations is aimed at building a structure through which we will strive to eliminate the negatives in health and beauty. Today, “dissatisfaction” and “safety concerns” are just some of the negative factors in society. The FANCL Group companies are fully focused on creating new markets and value by eliminating such negatives. Looking forward, we believe that a policy that endeavors to eliminate the negative factors will lead to increased corporate value and long-term profitability for our shareholders.

(2) Management Targets and the Medium-Term Management Strategy and Key Issues

Since its establishment, the FANCL Group has operated under a philosophy of building a system to eliminate negatives in the consumer experience, and has continued to challenge common industry practice with its preservative-free cosmetics, nutritional supplements, *Hatsuga Genmai* (germinated brown rice) and Kale Juice businesses. However, it has become apparent that there has been a weakening in FANCL’s commitment to its management philosophy of eliminating dissatisfaction and constantly striving to provide customers with greater happiness. In order to overcome the rapid change in the market and competitive environment, and to make progress towards globalization and renewing corporate growth, we believe that further reinforcing our fundamental customer-focused approach and developing strong connections with customers around the world are a top priority.

In this environment, in January 2013, the Company shifted to a new management structure that enables Company founder and Honorary Chairman, Kenji Ikemori, to be directly involved in executive management.

Since his return to the Company, Mr. Ikemori has continued steady efforts to strengthen the business foundations focusing his attention on elimination of all unprofitable business, including the closure of non-profitable stores and withdrawal from the Singapore and Taiwanese retail businesses. In addition, he has placed a greater focus on the customer through improvements to the distinctiveness of cosmetics items and the establishment of FANCL College to provide special training to retail personnel and support for developing future managers. He has also renewed FANCL’s flagship FANCL Ginza Square as a place to learn and disseminate information on global development. In addition, the company is making preparations to shift to a holding company structure as of April 1, 2014.

As of this consolidated fiscal year, FANCL group has begun a new medium-term plan under a new management structure. Based on the basic policies of the medium-term strategies, we aim to strengthen our operating base and enhance awareness of profitability among management.

Basic Philosophy

Utilize strengths as a research and development-focused manufacturer with direct sales capabilities

Reinforce business foundations while maintaining a strong focus on profitable business operations.

<Reinforcing business foundations>

・Strengthen product development for products targeting middle-aged to elderly customers and improve understanding of core products.

・Further strengthen R&D capabilities and cultivate new markets and services.

<Profit-focused business operations>

・Aim to reduce cost ratio of core products by 5% within 3 years.

・Focus on profitability and productivity indicators, and achieve extensive cost reductions.

Business Strategy

1. **Beauty business strategy**

Increase customer numbers and raise brand loyalty by further expanding the Mutenka (additive free) cosmetics market, using its unique position built around Mutenka anti-stress skin care.

<Product strategy>

・Renew core products, reinforce product lineup and anti-aging research, and develop a new product lineup targeting an aging society.

・Enter premium market segment by developing highly functional prestige brands (personal skin care) using our cutting edge additive-free technology, including the world's first diagnosis for assessing the aging of a person's skin.

・Utilize our existing Mutenka technology to develop products for distribution that meet the diverse needs of wholesalers.

<Sales strategy>

・Expand customer contact points by strengthening the development of mail order sales channels in addition to the direct sales channel.

・Increase customer satisfaction and brand loyalty through the deployment of staff with specialist knowledge and counseling capabilities, and the introduction of counseling tools.

<ATTENIR>

・Strengthen business by redefining ATTENIR's brand concept as Innovation, Honesty and Elegance, developing cosmetics lineup and the most advanced lineup of aging-care products, and restructuring our sales system.

2. Health business strategy

Scientifically support our customers' pursuit of lifelong health and the realization of "Good Aging" by maintaining good physical and mental health.

<Product strategy>

・We will specialize in prevention of lifestyle-related diseases and promote the development of evidence-based products for middle-aged and senior customers by collaborating with medical institutions.

・FANCL will aim to differentiate itself from competitors and develop unique products by leveraging our strengths in R&D, focusing on "efficacy in body" and "long lasting."

・We are developing new frontline products such as Koshirax and Calorie Limit for middle-aged and seniors. In addition, we will consolidate several products that are alike and establish a lineup that is easy to choose from.

・In anticipation of the future direction of health food products, FANCL will create new markets by developing functional foods that are easily incorporated into daily meals.

< Sales strategy>

・Strengthen sales channel by developing new business partners and product launches.

・Utilize direct marketing and edifying advertisements that communicate FANCL's corporate attitude to establish new advertising strategy.

・Improve customer continuity by expanding periodic services applied to limited products to all supplements.

Strategy for each sales channel

1. Store strategy

・Within the next three years we are aiming to renew or change, including through consolidation, the function of directly managed stores to specialist cosmetic and health food stores to respond to the needs of customers from a specialist perspective while positioning them as showrooms.

2. Internet strategy

・Based on the progress of internet technology, changes in devices, and increase in percentage of customer purchases made online, we will further improve usability and enhance our personal approach to improve user-friendliness and loyalty.

3. Overseas strategy

(ASIA)

・Conducted fundamental review of business, and withdrew from retail business in Taiwan and Singapore in March 2014, and planning to reenter as a wholesaler after April 2014.

(North America)

・While expanding the boscia brand in overseas markets, in particular the United States, we will pursue a market strategy considering redevelopment of the FANCL brand.

Strengthen business foundations

1. Operating base

・To enhance R&D capabilities and improve development speed we will further strengthen our research system by establishing a second research facility and increasing the number of research workers.

2. Cost reduction

・Aim to reduce cost of core products within three years by improving added value of products, while conducting a review of the development process and materials procurement from product planning to manufacture.

3. Employee development

・Strive to build a relationship of trust with customers and improve customer satisfaction by strengthening specialized training of retail and contact center staff, utilizing FANCL College, which was established in March 2013. Continue to implement Ikemori leadership training to include our management philosophy, a women managerial training program and executive manager training for candidate staff. These activities aim to cultivate the *Essence of FANCL,* contribute to society, take on the challenge of new ventures, remain aware of our customers' point of view and spread awareness of our managing principles. We will also implement enhanced training for regular employees and cultivate the next generation of managers.

・Aim to promote the appointment of women to managerial level targeting to achieve a ratio of 40% by FY 2015 (FY 2012 ratio = 31%).

3. Consolidated Financial Statements

1) Consolidated Balance Sheet

Millions of yen, rounded down

	As of March 31, 2014	As of March 31, 2013
ASSETS		
I. Current assets:		
Cash and cash equivalents	20,374	18,720
Notes and accounts receivable	10,410	10,071
Marketable securities	12,003	13,359
Merchandise and products	2,283	2,834
Work in progress	31	43
Raw materials and supplies	2,652	3,176
Deferred tax assets	1,111	1,139
Others	2,167	855
Allowance for doubtful accounts	(58)	(70)
Total current assets	50,975	50,131
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures[3]	21,997	22,673
Accumulated depreciation and accumulated impairment loss	(13,696)	(13,729)
Buildings and structures (net)	8,301	8,944
Machinery and transport equipment	6,693	6,563
Accumulated depreciation and accumulated impairment loss	(5,678)	(5,314)
Machinery and transport equipment (net)	1,014	1,249
Furniture, tools and fixtures	7,410	7,332
Accumulated depreciation and accumulated impairment loss	(6,342)	(6,233)
Furniture, tools and fixtures (net)	1,067	1,098
Land[3,4]	10,177	10,216
Lease assets	319	326
Accumulated depreciation and accumulated impairment loss	(137)	(213)
Lease assets (net)	181	112
Construction in progress	62	32
Total tangible fixed assets	20,804	21,655
Intangible fixed assets		
Other intangible fixed assets	3,420	3,796
Total intangible fixed assets	3,420	3,796
Investments and other assets		
Investments securities[1]	7,241	7,327
Long-term loans receivable	--	458
Deposits and guarantee money	1,511	1,793
Long-term prepaid expense	118	135
Deferred tax assets	790	945
Others[1]	1,379	1,046
Allowance for doubtful accounts	(441)	(442)
Total investments and other assets	10,599	11,265
Total fixed assets	34,824	36,717
Total assets	**85,800**	**86,849**

Consolidated Balance Sheet

Millions of yen, rounded down

	As of March 31, 2014	As of March 31, 2013
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	2,258	2,383
Lease obligations	84	62
Accrued liabilities	3,462	2,824
Accrued expenses	679	697
Accrued income taxes	274	932
Allowance for bonuses	1,051	933
Allowance for points	1,406	1,434
Allowance for loss on business withdrawal	212	--
Asset retirement obligations	2	2
Others	1,947	652
Total current liabilities	11,381	9,922
II. Long-term liabilities:		
Lease obligations	111	67
Deferred tax liabilities	--	75
Allowance for retirement bonuses	--	1,593
Allowance for loss on business withdrawal	1,579	
Allowance for directors' retirement bonuses	76	54
Asset retirement obligations	453	498
Others	43	94
Total long-term liabilities	2,265	2,383
Total liabilities	13,646	12,306
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	11,706	11,706
Retained earnings	51,043	51,906
Treasury stock	(1,917)	(333)
Total shareholders' equity	71,626	74,074
Valuation and translation gain		
Net unrealized holding gain on other securities	5	6
Total adjustments related to retirement benefits	14	--
Total valuation and translation gain	19	6
Share warrants	508	461
Total net assets	72,154	74,542
Total Liabilities and Net Assets	85,800	86,849

2) Consolidated Statement of Income

Millions of yen, rounded down

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013
Net sales	81,118	82,807
Cost of sales[1,5]	25,724	27,278
Gross profit	55,393	55,528
Selling, general and administrative expenses		
Sales promotion expenses	9,426	9,189
Packing and transport expenses	3,225	3,235
Advertising expenses	8,265	8,631
Sales commission fee	5,141	4,940
Communications expenses	1,628	1,554
Directors remuneration	540	467
Salaries and bonuses	9,032	8,889
Provision for accrued bonuses	874	771
Retirement benefit expenses	490	493
Provision for retirement benefits for directors and corporate auditors	22	21
Compulsory welfare expenses	1,221	1,151
Welfare expenses	285	262
Depreciation	2,120	2,329
Research and development expenses	734	813
Rent expenses	1,571	1,566
Provisions for allowance for bad debt	25	21
Other	6,844	7,331
Total selling, general and administrative expenses[1,5]	51,450	51,670
Operating income	3,943	3,858
Non-operating income		
Interest income	58	113
Dividend income	1	141
Exchange gain	134	76
Compensation payments received	15	15
Investment income from anonymous associations	18	19
Refund of insurance premiums	1	14
Reversal of allowance for doubtful accounts	--	82
Commissions earned	73	
Other non-operating income	131	154
Total net operating income	435	615
Non-operating expenses		
Allowance for bad debts	0	0
Idle asset expense	79	--
Miscellaneous	36	46
Total net operating expenses	116	46
Ordinary income	4,262	4,427

2) Consolidated Statement of Income (continued)

Millions of yen, rounded down

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013
Extraordinary income		
Gain from sale of fixed assets[2]	0	--
Gain on reversal of subscription rights to shares	2	--
Gain on conversion of dividend in kind	--	107
Compensation payments received	--	292
Others	0	--
Total extraordinary income	2	399
Extraordinary expenses		
Loss on sale of fixed assets[3]	14	--
Loss on retirement of fixed assets[4]	257	99
Loss on revaluation of marketable securities	--	4,690
Impairment loss[6]	189	585
Loss on store closures	195	137
Litigation related loss	223	--
Loss on withdrawal of operations[7]	752	--
Loss on sale of affiliate company equity	136	--
Loss on liquidation of subsidiaries and affiliates[8]	153	365
Other extraordinary expenses	15	167
Total extraordinary expenses	1,939	6,046
Income before income taxes	2,326	(1,218)
Income taxes	877	1,310
Adjustment for income taxes	105	(335)
Total income before income taxes	982	975
Income before minority interests	1,343	(2,193)
Net income	**1,343**	**(2,193)**

Consolidated Statement of Comprehensive Income

Millions of yen, rounded down

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013
Income before minority interests	1,343	(2,193)
Other comprehensive income		
Net unrealized holding gain on other securities	(1)	11
Total other comprehensive income*	(1)	11
Comprehensive income	1,342	(2,182)
(Breakdown)		
Comprehensive income attributable to owners of the parent company	1,342	(2,182)
Comprehensive income attributable to minor interests	--	--

(3) Changes in Shareholders' Equity During the Period

April 1, 2013 to March 31, 2014 *Millions of yen, rounded down*

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,795	11,706	51,906	(333)	74,074
Changes of items during period					
Dividends of surplus			(2,183)		(2,183)
Net income (loss)			1,343		1,343
Purchase of treasury shares				(1,720)	(1,720)
Disposal of treasury shares			(24)	136	112
Net changes of items other than shareholders' equity					
Total changes of items during period			(863)	(1,584)	(2,447)
Balance at end of current period	10,795	11,706	51,043	(1,917)	71,626

	Other comprehensive income			New share warrants	Total net assets
	Change in other revaluation of marketable securities	Adjustments related to retirement benefits	Total other comprehensive income		
Balance at beginning of current period	6		6	461	74,542
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares					(2,183)
Dividends of surplus					1,343
Net income					(1,720)
Purchase of treasury shares					112
Net changes of items other than shareholders' equity	(1)	14	12	46	59
Total changes of items during period	(1)	14	12	46	(2,388)
Balance at end of current period	5	14	19	508	72,154

(3) Consolidated statements of changes in shareholders' equity

April 1, 2012 to March 31, 2013 *Millions of yen, rounded down*

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,795	11,706	56,317	(360)	78,458
Changes of items during period					
Dividends of surplus			(2,206)		(2,206)
Net income (loss)			(2,193)		(2,193)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(10)	27	16
Net changes of items other than shareholders' equity					
Total changes of items during period			(4,410)	26	(4,383)
Balance at end of current period	10,795	11,706	51,906	(333)	74,074

	Other comprehensive income		New share warrants	Total net assets
	Change in revaluation of marketable securities	Total other comprehensive income		
Balance at beginning of current period	(4)	(4)	343	78,796
Changes of items during period				
Issuance of new shares - exercise of subscription rights to shares				(2,206)
Dividends of surplus				(2,193)
Net income				(0)
Purchase of treasury shares				16
Net changes of items other than shareholders' equity	11	11	118	129
Total changes of items during period	11	11	118	(4,254)
Balance at end of current period	6	6	461	74,542

Consolidated Statement of Cash Flows

Millions of yen, rounded down

	FY ended March 31, 2014	FY ended March 31, 2013
Cash flows from operating activities		
Income before income taxes	2,326	(1,218)
Depreciation	2,972	3,443
Impairment loss	189	585
Stock compensation expense	148	134
Amortization of goodwill	--	56
Increase (decrease) in allowance for doubtful accounts	(11)	(17)
Increase (decrease) in allowance for bonuses	127	(11)
Increase (decrease) in allowance for points	(27)	53
Increase (decrease) in allowance for retirement benefits	--	(9)
Increase (decrease) in retirement benefit related obligation	0	
Increase (decrease) in allowance for directors retirement bonuses	22	(62)
Increase (decrease) in allowance for loss on business withdrawal	212	
Interest and dividend income	(59)	(254)
Loss (gain) from foreign exchange	(116)	(118)
Loss (gain) on investments in anonymous association	(18)	(19)
Loss (gain) on sale of sale of affiliate company equity	136	--
Loss (gain) on valuation of investment securities	--	4,690
Loss (gain) from sale of fixed assets	13	--
Loss on disposal of fixed assets	257	99
Loss on store closures	195	137
Gain on reversal of subscription rights to shares	2	--
Litigation related loss	223	--
Loss on business withdrawal	139	--
Exchange gain on cash dividends	--	(107)
Compensation payments received	--	(292)
Loss on liquidation of subsidiaries and affiliates	153	365
Decrease (increase) in accounts receivable	(419)	(782)
Decrease (increase) in inventories	1,060	223
Decrease (increase) in other current assets	12	36
Decrease (increase) in other fixed assets	45	72
Decrease (increase) in accounts payable	(100)	431
Increase (decrease) in other current liabilities	644	(821)
Increase (decrease) in other fixed liabilities	(3)	(73)
Others	(88)	53
Sub-total	8,039	6,596
Interest and dividends received	78	246
Dividends received from anonymous associations	18	30
Proceeds from compensation	--	292
Income taxes paid	(1,318)	(1,019)
Litigation related loss paid	(223)	
Net cash provided by (used in) operating activities	**6,595**	**6,145**

Consolidated Statement of Cash Flows (continued)

Millions of yen, rounded down

	FY ended March 31, 2014	FY ended March 31, 2013
II. Cash flows from investing activities		
Proceeds from refund of fixed-term deposits	--	500
Payment for acquisition of marketable securities	--	(1,000)
Proceeds from redemption and sale of marketable securities	3,861	6,138
Payment for purchase of tangible fixed assets	(1,571)	(1,968)
Proceeds from sale of tangible fixed assets	2	1
Payment for acquisition of intangible fixed assets	(868)	(1,406)
Proceeds from sale of intangible fixed assets	2	
Payments for purchase of marketable securities	--	(4,000)
Proceeds from sale and redemption of investment securities	0	1,000
Payment for investment in affiliate company	(44)	
Payments for acquisition of shares in affiliates	(8)	(203)
Payment for shares of subsidiary following changes to scope of consolidation[2]	(101)	--
Payments for loans	--	(99)
Proceeds from collection of loans	32	125
Other payments	(63)	(102)
Other proceeds	162	191
Net cash used in investing activities	1,402	(822)
III. Cash flows from financing activities		
Proceeds from disposal of treasury stock	13	0
Payment for purchase of treasury stock	(1,720)	(0)
Cash dividends paid	(2,179)	(2,200)
Others	(68)	(50)
Net cash used in financing activities	(3,956)	(2,251)
IV. Effect of exchange rate changes on cash and cash equivalents	107	101
V. Net increase in cash and cash equivalents	4,149	3,171
VI. Cash and cash equivalents at the beginning of the period	28,227	25,056
VII. Cash and cash equivalents at end of period[1]	**32,377**	**28,227**

(5) Notes to the Consolidated Financial Statements

Items related to a going concern

None

Significant items for the Preparation of Consolidated Financial Statements

Except for the items stated below, items are omitted for any information that did not change significantly in the period since the most recent Securities Report (filed June 17, 2013).

Changes to the scope of consolidation
NEUES Co., Ltd. which was a consolidated subsidiary in the previous consolidated fiscal year, was transferred to an entity outside the group and so removed from the scope of consolidation. However, loss and income will be consolidated until the transfer of shares. Similarly, on December 1, 2013, the former NICOSTAR BEAUTECH Co., Ltd. which was a consolidated subsidiary in the previous consolidated fiscal year, absorbed into NICOSTAR BEAUTECH Co., Ltd. established on October 1, 2013 through an absorption split of the cosmetics business. On the same day, the former consolidated subsidiary NICOSTAR BEAUTECH Co., Ltd. was eliminated and absorbed into FANCL B&H Co., Ltd.

Changes in Accounting Policies

As of the current consolidated fiscal year, The “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012 and the “Application Guideline for Accounting Standard Related to Retirement Benefits” (ASBJ Guideline No. 25, May 17, 2012) will be applied. (Excluding Accounting Standard for Retirement Benefits Clause 35 and Application Guideline for Accounting Standard Related to Retirement Benefits Clause 67). The method has changed to record the amount of pension assets subtracted from retirement benefit obligation as a retirement benefit related liability, and unrecognized actuarial differences and unrecognized service costs will be recorded as retirement benefit related liability. With the application of Accounting Standard for Retirement Benefits, and in accordance with the processes in Accounting Standard for Retirement Benefits Clause 35, at the end of the current consolidated fiscal year, the amounts impacted by this change will be included retirement benefit related adjustments under other comprehensive income.

As a result of this change, retirement benefit related liability was ¥1,579 million at the end of the current consolidated fiscal year. Other comprehensive income increase by ¥14 million.

Also, net assets per share in the period under review increased by ¥0.22.

Items related to the Consolidated Financial Statements

Items related to the Consolidated Balance Sheet

*1 Non-consolidated subsidiaries and affiliates

Millions of yen

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Investment securities (equities)	865	791
Investments and other assets	311	230

*2 Contingent liabilities
Fiscal year ended March 31, 2013
The company is a co-guarantor of ¥1,528 million in borrowings by Nagareyama Industrial Park from SHOKOCHUKIN Bank along with the other 15 co-partners in the industrial park.

Fiscal year ended March 31, 2014
The company is a co-guarantor of ¥1,520 million in borrowings by Nagareyama Industrial Park from SHOKOCHUKIN Bank along with the other 13 co-partners in the industrial park.

*3 Assets pledged as collateral
Fiscal year ended March 31, 2013
Land associated with the Chiba factory (Chiba Prefecture, Nagareyama City) (with a book value at the end of the period of ¥591 million) and buildings (with a book value at the end of the period of ¥1,328 million) have been pledged as collateral against borrowings from Chiba Prefecture and SHOKOCHUKIN Bank as part of the collectivized factory business operations, implemented by the Nagareyama Industrial Park Cooperative.

Fiscal year ended March 31, 2014
Land associated with the Chiba factory (Chiba Prefecture, Nagareyama City) (with a book value at the end of the period of ¥591 million) and buildings (with a book value at the end of the period of ¥1,273 million) have been pledged as collateral against borrowings from Chiba Prefecture and SHOKOCHUKIN Bank as part of the collectivized factory business operations, implemented by the Nagareyama Industrial Park Cooperative.

*4 Advanced depreciation from receipt of national subsidies have been recorded on the consolidated balance sheet less the following amounts.

Millions of yen

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Land	¥173	¥173

Items related to the Consolidated Statements of Income

*1 Research and development expenses included in SG&A expenses and production expenses for the period are as follows.

Millions of yen

Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
¥2,498	¥2,428

*2
Fiscal year ended March 31, 2013
None

Fiscal year ended March 31 2014
Income from the sale of fixed assets was primarily due to the sale of store fixtures, etc.

*3
Fiscal year ended March 31 2013
None

Fiscal year ended March 31 2014
Losses from sale of fixed assets were primarily due to the sale of esthetic systems, etc.

*4
Fiscal year ended March 31 2013
Losses from disposal of fixed assets were primarily due disposal of software in accordance with the termination of use

Fiscal year ended March 31 2014
Losses from disposal of fixed assets were primarily due disposal of store facilities, etc.

*5. Reductions in book value from reduced profitability of inventory assets held for normal sales:

Millions of yen

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cost of sales	36	286
Selling, general and administrative expenses	2	--
Total	38	286

*6 Impairment losses

Fiscal year ended March 31, 2013
Impairment losses were recorded on assets for the current consolidated fiscal year.

Millions of yen

Facility	Type	Amount	Location
Retail facilities	Buildings &. Structures	214	Kanto area
	Equipment and fixtures	14	
	Software	81	
	Long-term prepaid expenses	1	
	Buildings &. Structures	8	Chubu area
	Equipment and fixtures	0	
	Buildings &. Structures	31	Kinki area
	Equipment and fixtures	2	
	Buildings &. Structures	4	Other areas
	Equipment and fixtures	0	
Cosmetics related business	Goodwill	227	NICOSTAR BEAUTECH Co., Ltd.
Total		585	

Recognition of impairment losses:
1. In regards to the retail facilities, the company has accounted for ¥358 million of impairment losses where the book value was reduced to their recoverable value following the decision to close or renovate stores. These have been recorded in extraordinary loss.
2. In regards to the goodwill generated as a result of the acquisition of shares in CHALONE Inc. (absorbed into consolidated subsidiary NICOSTAR BEAUTECH Co., Ltd. on March 1, 2011), the company has recorded ¥227 million of impairment losses since it has become unlikely that the initially forecasted profits will be achieved. These have been recorded in extraordinary loss.

Grouping method
The FANCL Group primarily groups assets by type of operation. Idle assets are grouped by facility.

Method of calculating recoverable value:
1. The recoverable value of stores is calculated from estimated net sale values. Assets without other applications are recorded as zero since there is the possibility that it will not be sold.

2. The recoverable value of the goodwill is calculated based on the future business plan.

Fiscal year ended March 31, 2014
Impairment losses were recorded on assets for the current consolidated fiscal year.

Millions of yen

Facility	Type	Amount	Location
Retail facilities	Buildings & structures Equipment and fixtures	8 1	Kanto area
	Buildings & structures Equipment and fixtures	2 0	Kinki area
	Equipment and fixtures* Software*	75 0	Singapore
Storage facilities	Buildings & structures Land	26 25	Kagawa Prefecture, Mitoyo City
Plant facilities	Buildings & structures Land	111 13	Kagawa Prefecture, Mitoyo City
Total		265	

Note: Loss on business withdrawal is included on the consolidated statements of income.

Recognition of impairment losses:
3) In regards to the retail facilities, the company has accounted for ¥88 million of impairment losses where the book value was reduced to their recoverable value following the decision to close or renovate stores. These have been recorded in extraordinary loss.
4) In regards to the storage facilities, as a result of a large disparity between market and book value, the company has recorded ¥52 million of impairment losses since it has become unlikely that the initially forecasted profits will be achieved. These have been recorded in extraordinary loss.
5) In regards to the plant facilities, as a result of a large disparity between market and book value, the company has recorded ¥124 million of impairment losses since it has become unlikely that the initially forecasted profits will be achieved. These have been recorded in extraordinary loss.

Grouping method
The FANCL Group primarily groups assets by type of operation. Idle assets are grouped by facility.

Method of calculating recoverable value:
1. The recoverable value of stores is calculated from estimated net sale values. Assets without other applications are recorded as zero since there is the possibility that it will not be sold.
2. The recoverable value of storage facilities is calculated from estimated fair sale value, their market value and real estate appraisal value.
3. The recoverable value of plant facilities is calculated from estimated fair sale value, their market value and real estate appraisal value.

*7 Losses incurred from business withdrawal

Losses incurred from the decision to withdraw from business in Taiwan and Singapore and to close a Taiwanese incorporated company are as follows:

Millions of yen

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Singapore related:		
Impairment loss	--	75
Allowance for loss on business withdrawal		
Payments for breach of contract following closure of stores	--	163
Other	--	49
Other	--	2
Taiwan related:		
Loss on revaluation of shares in affiliates	--	20
Bad debt	--	441
Total	--	752

*8 Loss on liquidation of subsidiaries and affiliates

Millions of yen

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Loss on revaluation of capital in affiliates	314	91
Loss on revaluation of inventory assets	51	--
Loss on revaluation of shares in affiliates	--	62
Total	365	153

Items related to the Consolidated Statement of Comprehensive Income

*Other comprehensive income related to reclassification adjustment and tax effect

Millions of yen

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net unrealized holding gain on other securities		
Amount during the term	¥18	(¥2)
Reclassification adjustment	¥--	---
Before tax effect	¥18	(¥2)
Tax effect	(¥6)	¥0
Net unrealized holding gain on other securities	¥11	(¥1)
Total other comprehensive income	¥11	(¥1)

Changes to Shareholders' Equity During the Period April 1, 2012 to March 31, 2013

1. Number and type of common shares issued and treasury stock

	Number of shares as of March 31, 2012	Increase of shares during fiscal year to March 31, 2013	Decrease of shares during fiscal year to March 31, 2013	Number of shares as of March 31, 2013
Shares issued				
Common shares (note 1)	65,176,600	--	--	65,176,600
Total	65,176,600	--	--	65,176,600
Treasury stock				
Common shares (note 2,3)	291,185	572	22,000	269,757
Total	291,185	572	22,000	269,757

Note: 1. The increase of 572 in common shares was due to the purchase of odd lot shares.
2. The decrease of 22,000 in treasury stock was due to the exercise of share warrants.

2. Share warrants and treasury share warrants

Type	Breakdown of share warrants	Type of shares for share warrants	Number of shares resulting from share warrants (Thousands of shares)				Balance as of March 31, 2013 (¥ million)
			FY ending March 31, 2012	Increase of shares during fiscal year to March 31, 2013	Decrease of shares during fiscal year to March 31, 2013	Number of shares at end fiscal year March 31, 2013	
Parent company	Stock option share warrants	—	—	—	—	—	461
Total			—	—	—	—	461

3. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
May 2, 2012 Board of directors' meeting	Common shares	¥1,103 million	¥17.00	March 31, 2012	June 18, 2012
November 2, 2013 Board of directors' meeting	Common shares	¥1,103 million	¥17.00	September 30, 2012	December 5, 2012

(2) Dividends for which the effective date is in the following fiscal year

Decision-making schedule as follows:

Date to be confirmed	Type of stock	Total Dividends paid	Source of dividends	Dividends per share	Dividend record date	Effective date
May 13, 2013 Board of directors' meeting	Common shares	¥1,103 million	Profit reserve	¥17.00	March 31, 2013	June 17, 2014

Changes to shareholders' equity during the period April 1, 2013 to March 31, 2014

1. Number and type of common shares issued and treasury stock

	Number of shares as of March 31, 2014	Increase of shares during fiscal year to March 31, 2014	Decrease of shares during fiscal year to March 31, 2014	Number of shares as of March 31, 2014
Shares issued				
Common shares	65,176,600	--	--	65,176,600
Total	65,176,600	--	--	65,176,600
Treasury stock				
Common shares (note 1,2)	269,757	1,468,784	115,840	1,622,701
Total	269,757	1,468,784	115,840	1,622,701

Note: 1. The increase of 1,468,784 in common shares was due to the acquisition of 1,467,000 treasury shares in accordance with a resolution of the Board of Directors, and the purchase of 1,784 odd lot shares.
2. The decrease of 115,840 in common shares was due to a reduction of 115,800 shares through the exercise of share warrants and a decrease of 40 shares as a result of applications to purchase odd lot shares.

2. Share warrants and treasury share warrants

Type	Breakdown of share warrants	Type of shares for share warrants	Number of shares resulting from share warrants (Thousands of shares)				Balance as of March 31, 2014 (¥ million)
			FY ending March 31, 2013	Increase of shares during fiscal year to March 31, 2014	Decrease of shares during fiscal year to March 31, 2014	Number of shares at end fiscal year March 31, 2014	
Parent company	Stock option share warrants	—	—	—	—	—	508
Total			—	—	—	—	508

3. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
May 13, 2013 Board of directors' meeting	Common shares	¥1,103 million	¥17.00	March 31, 2013	June 17, 2013
November 14, 2012 Board of directors' meeting	Common shares	¥1,080 million	¥17.00	September 30, 2013	December 5, 2013

(2) Dividends for which the effective date is in the following fiscal year

Decision-making schedule as follows:

Date to be confirmed	Type of stock	Total Dividends paid	Source of dividends	Dividends per share	Dividend record date	Effective date
May 19, 2014 Board of directors' meeting	Common shares	¥1,080 million	Profit reserve	¥17.00	March 31, 2014	June 23, 2013

Items related to the Consolidated Statements of Cash Flows

(Millions of yen)

April 1, 2012 to March 31, 2013		April 1, 2013 to March 31, 2014	
1. Relationship of cash and cash equivalents at the period end to amounts recorded in the consolidated balance sheets		1. Relationship of cash and cash equivalents at the period end to amounts recorded in the consolidated balance sheets	
	As of March 31, 2013		As of March 31, 2014
Cash and deposits	18,720	Cash and deposits	20,374
Marketable securities	13,359	Marketable securities	12,003
TOTAL	32,080	TOTAL	32,377
Fixed deposits with maturities exceeding 3 months	-	Fixed deposits with maturities exceeding 3 Months	--
Marketable securities with maturities exceeding 3 months	(3,852)	Marketable securities with maturities exceeding 3 months	--
Cash and cash equivalents	28,227	Cash and cash equivalents	32,377

2. Breakdown of company assets and liabilities following removal from scope of consolidation of subsidiary from sale of equity:
Core components of assets and liabilities decreased by sale of equity are as follows:
NEUES K.K.. (As of June 30, 2013)

	(Millions of yen)
Current assets	231
Fixed assets	438
Current liabilities	(481)
Fixed liabilities	(43)
Loss on sale of shares	(136)
Value of shares sold	7
Cash and cash equivalents	(108)
Deduction: Payment on sale	(101)

Segment Information

1) Overview of Reportable Segments

The reportable segments of the Group consist of business components for which separate financial statements are available. The reportable segments are the subject of periodical review by board of directors' meetings for the purpose of making decisions on the allocation of business resources and evaluating business performance.

The Corporate Group is engaged in a wide range of businesses focusing primarily on the manufacture and sale of cosmetics and nutritional supplements. Within the Company and its consolidated subsidiaries, there are some companies that do not manufacture a single product, but rather manufacture and sell multiple products, and the Corporate Group pursues it business by formulating overriding strategies for Japan and overseas for each product handled.

Therefore, the Corporate Group is comprised of segments delineated by product based on the products handled, and the Group has two reportable segments, Cosmetics-related Business and Nutritional Supplement-related Business.

Cosmetics-related Business consists of the manufacture and sale of cosmetics and supply for OEMs. Nutritional Supplement-related Business comprises the manufacture and sale of nutritional supplements.

2) Accounting methods for sales, income and losses, assets and liabilities and other items in each reportable segment

Accounting methods for reportable segments are identical to those described in the Significant items for the Preparation of Consolidated Financial Statements.

Reportable segment income figures are on an operating income basis.

3. SEGMENT INFORMATION

a. Business Segments

For the fiscal year April 1, 2012 to March 31, 2013 *(Millions of yen)*

	Reportable segments			Other*[1]	Total	Adjustments*[2]	Consolidated*[3]
	Cosmetics Business	Nutritional Supplements Business	Total				
1. Sales and operating income:							
(1) Sales to external customers	46,721	26,601	73,322	9,484	82,807	--	82,807
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	46,721	26,601	73,322	9,484	82,807	--	82,807
Segment income (loss)	3,888	1,962	5,851	(290)	5,561	(1,702)	3,858
Segment Assets	35,513	15,882	51,396	7,116	58,513	28,335	86,849
Others							
Impairment losses	2,145	857	3,002	315	3,317	83	3,401
Amortization of goodwill	56	--	56	--	56	--	56
Increase in tangible and intangible fixed assets	1,697	986	2,683	271	2,955	35	2,991

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. Adjustments are as follows
   (1) The adjustment amount on segment income (loss) of (¥1,702) 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.
   (2) The adjustment on segment assets of ¥28,335 million, include total company expenses not distributed to each reportable segment and consist primarily of cash and deposits, marketable securities, land, and investment securities of the General Affairs section of the parent company not included in the reportable segments.
3. Segment income (loss) is adjusted for operating income (loss) as recorded in the consolidated financial statements.

SEGMENT INFORMATION

a. Business Segments

For the fiscal year April 1, 2013 to March 31, 2014 *(Millions of yen)*

	Reportable segments			Other*[1]	Total	Adjustments*[2]	Consolidated*[3]
	Cosmetics Business	Nutritional Supplements Business	Total				
1. Sales and operating income: (1) Sales to external customers	47,525	25,386	72,911	8,207	81,118	--	81,118
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	47,525	25,386	72,911	8,207	81,118		81,118
Segment income (loss)	4,661	1,125	5,787	(4)	5,782	(1,839)	3,943
Segment Assets	31,212	13,992	45,205	4,599	49,804	36,015	85,820
Others							
Impairment losses	1,844	776	2,618	222	2,840	97	2,937
Amortization of goodwill	--	--	--	--	--	--	--
Increase in tangible and intangible fixed assets	1,575	825	2,400	207	2,607	61	2,669

Notes:

4. 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.
5. Adjustments are as follows
   (1) The adjustment amount on segment income (loss) of (¥1,839) 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.
   (2) The adjustment on segment assets of ¥36,015 million, include total company expenses not distributed to each reportable segment and consist primarily of cash and deposits, marketable securities, land, and investment securities of the General Affairs section of the parent company not included in the reportable segments.
6. Segment income (loss) is adjusted for operating income (loss) as recorded in the consolidated financial statements.

Related information
For the fiscal year April 1, 2012 to March 31, 2013

1. Information for each product and service
The same information is provided in the Segment Information and therefore was omitted.

2. Segment Information by Location
(1) Sales

Millions of yen, rounded down

Japan	Asia	Other	Total
74,299	8,489	18	82,807

Note: Sales are based on the location of customers, and are classified by country or region.

(2) Tangible Fixed Assets
Tangible fixed assets held in Japan accounted for over 90% of total consolidated balance sheet, and therefore tangible fixed assets by location was omitted.

3. Segment Information by customer
Of total sales to external customers, no customer accounts for more than 10% of sales in the consolidated financial statements, and therefore this section has been omitted.

Related information
For the fiscal year April 1, 2013 to March 31, 2014

1. Information for each product and service
The same information is provided in the Segment Information and therefore was omitted.

2. Segment Information by Location
(1) Sales
Japan accounted for over 90% total net sales and therefore segment information by location was omitted.

(2) Tangible Fixed Assets
Tangible fixed assets held in Japan accounted for over 90% of total consolidated balance sheet, and therefore tangible fixed assets by location was omitted.

3. Segment Information by customer
Of total sales to external customers, no customer accounts for more than 10% of sales in the consolidated financial statements, and therefore this section has been omitted.

Impairment losses on tangible fixed assets by segment

For the fiscal year April 1, 2012 to March 31, 2013 *(Millions of yen)*

	Segments			Other Businesses	Eliminations or Corporate	Consolidated
	Cosmetics Business	Nutritional Supplements Business	Total			
Impairment loss	361	158	519	65	--	585

Note: 1. Amounts for Other businesses include the *hatsuga genmai*, kale juice, beauty clinic and other businesses

For the fiscal year April 1, 2013 to March 31, 2014 *(Millions of yen)*

	Segments			Other Businesses	Eliminations or Corporate	Consolidated
	Cosmetics Business	Nutritional Supplements Business	Total			
Impairment loss	90	43	134	131	--	265

Note: 1. Amounts for Other businesses include the *hatsuga genmai*, kale juice, beauty clinic and other businesses

Amortization of goodwill and balance of unamortized goodwill by segment

For the fiscal year April 1, 2012 to March 31, 2013

No balance of unamortized goodwill. With regard to the balance of amortized goodwill, the same information is provided in Segment Information and therefore was omitted.

For the fiscal year April 1, 2013 to March 31, 2014

No balance of unamortized goodwill. With regard to the balance of amortized goodwill, the same information is provided in Segment Information and therefore was omitted.

Occurrence of negative goodwill by segment

For the fiscal year April 1, 2012 to March 31, 2013

No applicable items

For the fiscal year April 1, 2013 to March 31, 2014

No applicable items

Per Share Information

	FY Ended March 31, 2013	FY ended March 31, 2014
Net assets per share	1,141.35	¥1,127.32
Net income per share	(¥33.81)	¥21.03
Net income per share (diluted)	Net income per share (diluted) is omitted as a net loss was recorded	¥20.91

Note: The basis for the calculation of net income (loss) per share and the net income per share after adjustment for residual securities is as follows:

	FY Ended March 31, 2013	FY ended March 31, 2014
Net income per share		
Net income (loss) (¥ million)	(2,193)	1,343
Amount not attributable to common shareholders (¥ million)	--	--
Net income (loss) attributable to common shares (¥ million)	(2,193)	1,343
Average number of outstanding common shares during the year (1,000 shares)	64,886,796	63,889,478
Fully diluted earnings per share		
Net income adjustments (¥ million)	--	--
Breakdown of additional common shares used for calculating net income per share (diluted) (1,000 shares)	--	378,795
Residual securities not included in the calculation of the net income after adjustment for residual securities due to the fact that these securities had no dilutive effect.	--	New share warrant: 1 type (Number of diluted shares: 1,440, 800)

Important information after the preparation of this report

FANCL's transition to a holding company structure following the splitting of the Company

In accordance with the Board of Directors meeting held May 14, 2013, FANCL transitioned into a holding company structure (simple incorporate-type company split) on April 1, 2014

1. Objectives of the transition to a holding company system

(1) Strengthening operations and business implementation structures

FANCL switched to a company system in order to promote rapid decision making and business execution. To endorse this change, FANCL has clarified responsibilities for each business and sought to better understand the customers' perspective and operate under our own founding principles. In future, through the holding company structure, FANCL will be able to raise the level of specialization and autonomy of each of its businesses, and strengthen corporate governance through the appropriate checks and balances.

(2) Strengthening the global nature of the Group

We are currently rebranding the Cosmetics business and endeavoring to raise our corporate brand value. Looking ahead, however, we are aware that these initiatives must address the global marketplace, and in implementing these initiatives, we believe that a holding structure is the most appropriate for FANCL to implement rapid decision making and present policies that are optimal for the entire group.

2. Structure of formed companies

FANCL Corporation's cosmetics division and health foods division will be split from the Company (a simple incorporation-type company split) and incorporated as new companies "FANCL COSMETICS CORPORATION" and "FANCL HEALTH SCIENCE CORPORATION" respectively. In addition, FANCL Corporation shall bear responsibility for the manufacturing and sale of "FANCL" brand products, as a company licensed under the Pharmaceutical Affairs Act, and shall also be responsible, as a listed company, for supervising the business of the FANCL Group. Furthermore, as overseas business is an important management issue, FANCL Corporation will retain the management of these operations within the holding company for the time being.

3. Outline of newly established formed company

1. Company name	FANCL COSMETICS CORPORATION	FANCL HEALTH SCIENCE CORPORATION
2. Main business	Sale of cosmetics, others	Sale of health foods, others,
3. Head office address	Yokohama city, Naka-ku, Yamashita cho 89-1	Yokohama city, Naka-ku, Yamashita cho 89-1
4. Representative director	President, Representative Director: Minako Yamaoka	President, Representative Director: Tsuyoshi Tatai
5. Capital	¥500 million	¥500 million
6. No. of shares issued	10,000 shares	10,000 shares
7. Fiscal year end	March 31	March 31

4. Other

(1) Changes Regarding Directors

Changes will be announced as they are decided.

(2) Other

No applicable items