

August 1, 2019

FANCL Corporation  
TSE 1<sup>st</sup> Section: 4921

**[Updated] Notice of Partial Correction to Consolidated Financial Statements  
for the First Quarter of the Fiscal Year Ending March 31, 2020**

**Yokohama**, August 1, 2019—FANCL Corporation today announced a correction of errors in Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2020, released on July 30, 2019. Details of the corrections are as follows.

1. Details reason for correction

The company has corrected errors identified in “Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2020,” announced July 30, 2019.

In the consolidated statement of income and consolidated statement of comprehensive income for the first quarter of the fiscal year ending March 2020, the calculation of "Income and other taxes" has been corrected from ¥873 million to ¥1,602 million, and "Total income and other taxes" has been corrected from ¥1,050 million to ¥1,779 million. As a result of these corrections, "Net income" and "Net income attributable to owners of the parent company" have both been revised from ¥3,339 million to ¥2,609 million.

Also, as a result of the above corrections, “Accrued income taxes” as displayed in the Consolidated Balance Sheets has been corrected from ¥1,103 million to ¥1,833 million, “Retained earnings” has been corrected from ¥60,315 million to ¥59,586 million, “Total shareholders' equity” has been corrected from ¥61,851 million to ¥61,121 million, and “Total net assets” has been corrected from ¥62,456 million to ¥61,726 million.

2. Corrections

Due to the high volume of corrections, the corrected version of the full text has been attached with corrections underlined.

3. Consolidated forecasts for the fiscal year ending March 31, 2020

As proper calculations are still ongoing, no changes have been made to consolidated forecasts for the second quarter cumulative period or full fiscal year.

**\*\*\*ENDS\*\*\***

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# FANCL Corporation

## Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2020

April 1, 2019 to June 30, 2019

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)

First Quarter Results for the Fiscal Year Ending March 31, 2020

**FANCL CORPORATION**

**July 30, 2019**

www.fancl.jp/en/

Stock exchange listings: Tokyo 1<sup>st</sup> section, code number 4921  
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Scheduled date for submission of first quarter *hokokusho* (securities report): August 13, 2019

Scheduled date for distribution of dividends: --

Availability of supplementary explanatory material for the first quarter results: Available

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

### **1) Consolidated results for the first quarter period (April 1, 2019 to June 30, 2019) of the fiscal year ending March 31, 2020**

#### (1) Consolidated Operating Results

*(Millions of yen, rounded down)*

|  | Three months ended<br>June 30, 2019 |          | Three months ended<br>June 30, 2018 |          |
|--|-------------------------------------|----------|-------------------------------------|----------|
|  |                                     | % change |                                     | % change |
| Net sales .....  | 32,544                              | 5.7      | 30,799                              | 19.0     |
| Operating income .....   | 4,377                               | (2.5)    | 4,487                               | 269.2    |
| Ordinary income .....  | 4,382                               | (3.5)    | 4,543                               | 259.9    |
| Net income attributable to owners of the<br>parent company ..... | 2,609                               | (17.4)   | 3,160                               | 314.9    |
| Earnings per share (¥) .....                                     | 21.75                               | --       | 24.85                               | --       |
| Earnings per share (diluted) (¥) .....                           | 21.56                               | --       | 24.53                               | --       |

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

2. Comprehensive income: Three months ended June 30, 2019: ¥2,609 million (-15.5%)

Three months ended June 30, 2018: ¥3,089 million (323.2%)

**Note:** Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. Earnings per share and earnings per share (diluted) are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

#### (2) Consolidated Financial Position

*(Millions of yen, rounded down)*

|   | As of June 30, 2019 | As of March 31, 2019 |
|---|---------------------|----------------------|
| Total assets .....                          | 89,842              | 80,307               |
| Net assets .....                            | 61,726              | 60,916               |
| Shareholders' equity/total assets (%) ..... | 67.8                | 74.8                 |

Shareholders' equity: As of June 30, 2019: ¥60,928 million

As of March 31, 2019: ¥60,050 million

### **2) Dividends per share**

|                      | FY ended<br>March 31, 2019 | FY ending<br>March 31, 2020 |
|----------------------|----------------------------|-----------------------------|
| Interim period ..... | 30.00                      | 17.00 (forecast)            |
| Year-end .....       | 15.00                      | 17.00 (forecast)            |
| Annual .....         | --                         | 34.00 (forecast)            |

Note: Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. The year-end dividend amount shown for the FY ended March 31, 2019 takes this share split into account, while the annual dividend amount for the FY ending March 31, 2019 has been left blank (--).

### **3) Consolidated forecasts for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)**

*Millions of yen*

|  | Interim period ending<br>September 30, 2019 |          | FY Ending<br>March 31, 2020 |          |
|--|---|----------|-----------------------------|----------|
|  |   | Change % |                             | Change % |
| Net sales .....                                      | 65,200                                      | 8.1      | 131,000                     | 6.9      |
| Operating income .....                               | 7,450                                       | 5.2      | 15,000                      | 21.1     |
| Ordinary income .....                                | 7,500                                       | 4.6      | 15,100                      | 22.3     |
| Profit (loss) attributable to owners of parent ..... | 5,100                                       | 5.2      | 10,200                      | 17.9     |
| Net income per share (¥) .....                       | 42.51                                       | --       | 85.03                       | --       |

Notes: 1. Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year.

2. To better reflect actual conditions, net income per share has been calculated based on the number of shares outstanding at the end of the fiscal year minus the number of treasury shares as of the end of the fiscal year.

3. Changes to the Consolidated forecasts during the period under review: None

#### **4) Other**

**(1) Transfer of important subsidiaries during the period:** None

Note: Indicates transfers of specified subsidiaries resulting in changes in the scope of consolidation during the period under review.

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

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

1. Changes following revisions to accounting standards: 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) | June 30, 2019                 | 130,353,200 shares | March 31, 2019                | 130,353,200 shares |
| 2. Number of treasury shares                                | June 30, 2019                 | 10,299,788 shares  | March 31, 2019                | 10,395,292 shares  |
| 3. Average number of shares during the three-month period   | Three months to June 30, 2019 | 119,966,035 shares | Three months to June 30, 2018 | 127,167,485 shares |

**\*This quarterly financial report is not subject to audit procedures by a certified public accountant or auditor.**

**\* Appropriate use of financial forecasts:**

(Cautionary note regarding forward-looking statements)

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, 2020.

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### 2. Consolidated Financial Statements

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# 1. Operating Results

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

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

During the three-month period under review, overall consolidated sales increased 5.7% to ¥32,544 million as a result of an increase in sales in the core cosmetics and nutritional supplements businesses, amid strong trends in both domestic and inbound demand. Operating income decreased 2.5% to ¥4,377 million due to increased marketing expenses mainly in the nutritional supplements business, which outweighed the increase in sales. Ordinary income decreased 3.5% to ¥4,382 million, and net income attributable to owners of the parent company decreased 17.4% to ¥2,609 million.

Segment results are as follows:

### 1) Cosmetics Business

#### Sales

Sales from the Cosmetics business increased 8.2% to ¥19,528 million.

(Millions of yen, rounded down)

|                   | Three months ended<br>June 30, 2019 |                     | Three months ended<br>June 30, 2018 |                     | Change (%) |
|-------------------|-------------------------------------|---------------------|-------------------------------------|---------------------|------------|
|                   | Amount in<br>¥ million              | Percent of<br>total | Amount in<br>¥ million              | Percent of<br>total |            |
| FANCL Cosmetics   | 15,811                              | 81.0                | 14,366                              | 79.6                | 10.1       |
| ATTENIR Cosmetics | 3,126                               | 16.0                | 2,869                               | 15.9                | 9.0        |
| boscia            | 397                                 | 2.0                 | 642                                 | 3.5                 | (38.2)     |
| Others            | 193                                 | 1.0                 | 177                                 | 1.0                 | 9.1        |
| Totals            | 19,528                              | 100.0               | 18,054                              | 100.0               | 8.2        |

|                            | Three months ended<br>June 30, 2019 |                     | Three months ended<br>June 30, 2018 |                     | Change (%) |
|----------------------------|-------------------------------------|---------------------|-------------------------------------|---------------------|------------|
|                            | Amount in<br>¥ million              | Percent of<br>total | Amount in<br>¥ million              | Percent of<br>total |            |
| Online and catalogue sales | 7,081                               | 36.3                | 6,744                               | 37.4                | 5.0        |
| Direct store sales         | 8,367                               | 42.8                | 7,461                               | 41.3                | 12.1       |
| Wholesales and others      | 2,409                               | 12.3                | 1,975                               | 10.9                | 21.9       |
| Overseas sales             | 1,670                               | 8.6                 | 1,872                               | 10.4                | (10.8)     |
| Totals                     | 19,528                              | 100.0               | 18,054                              | 100.0               | 8.2        |

Sales of **FANCL Cosmetics** increased 10.1% to ¥15,811 million, due to strong trends in sales of core products, as well as contributions from *DEEP CLEAR WASHING POWDER*, *Beauty BOUQUET*, and *AND MIRAI*.

Sales of **ATTENIR Cosmetics** increased 9.0% to ¥3,126 million, due to strong sales of the relaunched basic skin care and base makeup products.

Sales of **boscia** decreased 38.2% to ¥397 million, as strong performances with new business expansions in the US, Europe, and Middle and Near East were outweighed by sluggish sales to core US wholesalers.

Results by sales channels were: online and catalogue sales increased 5.0% year on year to ¥7,081 million, direct store sales increased 12.1% to ¥8,367 million, wholesale sales through other sales channels increased 21.9% to ¥2,409 million, and overseas sales decreased 10.8% to ¥1,670 million.

#### Operating income

Operating income increased 7.1% to ¥3,790 million, due to an increase in gross profit resulting from higher sales.

## 2) Nutritional Supplements Business

### Sales

Nutritional supplement sales increased 3.1% to ¥11,365 million.

(Millions of yen, rounded down)

|                            | Three months ended<br>June 30, 2019 |                     | Three months ended<br>June 30, 2018 |                     | Change (%) |
|----------------------------|-------------------------------------|---------------------|-------------------------------------|---------------------|------------|
|                            | Amount in<br>¥ million              | Percent of<br>total | Amount in<br>¥ million              | Percent of<br>total |            |
| Online and catalogue sales | 3,785                               | 33.3                | 3,506                               | 31.8                | 7.9        |
| Direct store sales         | 3,433                               | 30.2                | 3,862                               | 35.0                | (11.1)     |
| Wholesales and others      | 3,544                               | 31.2                | 3,151                               | 28.6                | 12.5       |
| Overseas Sales             | 601                                 | 5.3                 | 501                                 | 4.6                 | 19.9       |
| Totals                     | 11,365                              | 100.0               | 11,022                              | 100.0               | 3.1        |

Revenues from product sales increased due to strong trends in sales of Foods with Function Claims product *Naishi Support*, along with *Age Bracket-Based Supplements*.

Results by sales channels were: online and catalogue sales increased 7.9% to ¥3,785 million, direct store sales decreased 11.1% to ¥3,433 million, wholesale sales through other sales channels increased 12.5% to ¥3,544 million, and overseas sales increased 19.9% to ¥601 million.

### Operating income

Operating income decreased 34.8% to ¥940 million due to factors such as an increase in marketing costs in comparison to the previous year, which offset the growth in sales.

## 3) Other Businesses

### Sales

Other businesses decreased 4.2% year on year to ¥1,650 million.

(Millions of yen, rounded down)

|                | Three months ended<br>June 30, 2019 | Three months ended<br>June 30, 2018 | Change (%) |
|----------------|-------------------------------------|-------------------------------------|------------|
| Hatsuga genmai | 479                                 | 520                                 | (7.8)      |
| Kale juice     | 581                                 | 636                                 | (8.6)      |
| Other          | 589                                 | 565                                 | 4.2        |
| Totals         | 1,650                               | 1,722                               | (4.2)      |

### Operating income

Operating income of ¥68 million was recorded, compared to an operating loss of ¥61 million last year, due to an improvement in the profitability of Hatsuga genmai, which outweighed the decrease in sales.

## **(2) Summary of consolidated financial position**

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

Assets increased ¥9,534 million to ¥89,842 million, primarily due to an increase of ¥8,726 million in current assets and an increase of ¥807 million in fixed assets. Contributing to the increase in current assets were a ¥8,983 million increase in cash and cash equivalents, a ¥396 million increase prepaid expenses, and a ¥734 million decrease in notes and accounts receivable. Contributing to the increase in fixed assets was a ¥1,082 million increase in tangible fixed assets.

Liabilities increased ¥8,725 million from the end of the previous fiscal year to ¥28,115 million. The primary contributing factor was a decrease of ¥1,511 million in current liabilities and a ¥10,236 million increase in long-term liabilities. Factors contributing to the decrease in current liabilities included a ¥1,766 million decrease in accrued income taxes. Factors contributing to the increase in long-term liabilities included a ¥10,237 million increase in convertible bonds with stock acquisition rights.

Net assets increased ¥809 million to ¥61,726 million. Contributing factors included a ¥683 million increase in retained earnings due to the recording of net income attributable to owners of the parent and other factors. As a result, the shareholders' equity ratio declined 7.0 points compared to the end of the previous fiscal year, to 67.8%.

## **(3) Forecasts for the fiscal year ending March 31, 2020**

The interim and full-year forecast remains unchanged from that previously announced on April 25, 2019.



## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

Millions of yen, rounded down

|   | As of<br>June 30, 2019 | As of<br>March 31, 2019 |
|---|------------------------|-------------------------|
| <b>ASSETS</b>   |                        |                         |
| <b>I. Current assets:</b>   |                        |                         |
| Cash and cash equivalents .....                                   | 27,619                 | 18,635                  |
| Notes and accounts receivable.....                                | 14,873                 | 15,580                  |
| Merchandise and products.....                                     | 5,233                  | 5,244                   |
| Work in progress .....  | 25                     | 26                      |
| Raw materials and supplies .....                                  | 6,287                  | 6,185                   |
| Others .....  | 1,562                  | 1,189                   |
| Allowance for doubtful accounts.....                              | (185)                  | (171)                   |
| Total current assets.....   | 55,416                 | 46,689                  |
| <b>II. Fixed assets:</b>  |                        |                         |
| <b>Tangible fixed assets</b>                                      |                        |                         |
| Buildings and structures.....                                     | 28,249                 | 28,082                  |
| Accumulated depreciation and accumulated<br>impairment loss.....  | (16,502)               | (16,321)                |
| Buildings and structures (net).....                               | 11,746                 | 11,760                  |
| Machinery and transport equipment.....                            | 9,737                  | 9,467                   |
| Accumulated depreciation and accumulated<br>impairment loss.....  | (7,543)                | (7,421)                 |
| Machinery and transport equipment (net) .....                     | 2,193                  | 2,045                   |
| Furniture, tools and fixtures .....                               | 8,959                  | 8,800                   |
| Accumulated depreciation and accumulated<br>impairment loss ..... | (7,390)                | (7,384)                 |
| Furniture, tools and fixtures (net).....                          | 1,568                  | 1,416                   |
| Land .....  | 11,839                 | 11,839                  |
| Lease assets.....   | 245                    | 256                     |
| Accumulated depreciation and accumulated<br>impairment loss.....  | (107)                  | (106)                   |
| Lease assets (net).....   | 138                    | 150                     |
| Construction in progress.....                                     | 1,122                  | 314                     |
| Total tangible fixed assets .....                                 | 28,608                 | 27,526                  |
| <b>Intangible fixed assets</b>                                    |                        |                         |
| Other .....   | 2,158                  | 2,229                   |
| Total intangible fixed assets.....                                | 2,158                  | 2,229                   |
| <b>Investments and other assets</b>                               |                        |                         |
| Investment securities .....                                       | 176                    | 176                     |
| Others.....   | 3,481                  | 3,685                   |
| Total investments and other assets .....                          | 3,657                  | 3,862                   |
| Total fixed assets .....  | 34,425                 | 33,617                  |
| <b>Total Assets</b> .....   | <b>89,842</b>          | <b>80,307</b>           |

## Consolidated Balance Sheets, continued

Millions of yen, rounded down

|  | As of<br>June 30, 2019 | As of<br>March 31, 2019 |
|--|------------------------|-------------------------|
| <b>LIABILITIES</b>                                     |                        |                         |
| I. Current liabilities:                                |                        |                         |
| Notes and accounts payable .....                       | 3,158                  | 3,253                   |
| Accrued income taxes .....                             | 1,833                  | 3,600                   |
| Allowance for bonus .....                              | 2,182                  | 1,512                   |
| Allowance for points .....                             | 1,775                  | 1,676                   |
| Others .....   | 7,491                  | 7,909                   |
| Total current liabilities .....                        | <u>16,440</u>          | 17,951                  |
| II. Long-term liabilities:                             |                        |                         |
| Convertible bonds with stock acquisition rights .....  | 10,237                 | --                      |
| Retirement benefit liabilities .....                   | 723                    | 738                     |
| Asset retirement obligations .....                     | 416                    | 412                     |
| Allowance for directors' bonuses .....                 | 82                     | 64                      |
| Others .....   | 214                    | 222                     |
| Total long-term liabilities .....                      | 11,674                 | 1,438                   |
| Total liabilities .....                                | <u>28,115</u>          | 19,390                  |
| <b>NET ASSETS</b>                                      |                        |                         |
| Shareholders' equity                                   |                        |                         |
| Common stock .....                                     | 10,795                 | 10,795                  |
| Additional paid-in capital .....                       | 11,706                 | 11,706                  |
| Retained earnings .....                                | 59,586                 | 58,902                  |
| Treasury stock .....                                   | (20,965)               | (21,160)                |
| Total shareholders' equity .....                       | <u>61,121</u>          | 60,243                  |
| Other comprehensive income                             |                        |                         |
| Foreign currency translation adjustment...             | 66                     | 67                      |
| Total adjustments related to retirement benefits ..... | (260)                  | (261)                   |
| Total other comprehensive income .....                 | (193)                  | (193)                   |
| Warrants .....   | 798                    | 866                     |
| Total net assets .....                                 | <u>61,726</u>          | 60,916                  |
| <b>Total Liabilities and Net Assets .....</b>          | <b>89,842</b>          | <b>80,307</b>           |

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

*Millions of yen, rounded down*

|  | April 1, 2019 to<br>June 30, 2019 | April 1, 2018 to<br>June 30, 2018 |
|--|-----------------------------------|-----------------------------------|
| Net sales.....   | 32,544                            | 30,799                            |
| Cost of sales.....   | 9,108                             | 8,805                             |
| Gross profit.....  | 23,435                            | 21,993                            |
| Selling, general and administrative<br>expenses .....            | 19,058                            | 17,506                            |
| Operating income .....   | 4,377                             | 4,487                             |
| Non-operating income   |                                   |                                   |
| Interest income .....  | 13                                | 1                                 |
| Dividend income .....  | 0                                 | 0                                 |
| Rental income.....   | 11                                | 26                                |
| Foreign exchange gain.....                                       | --                                | 14                                |
| Other non-operating income.....                                  | 35                                | 30                                |
| Total non-operating income.....                                  | 60                                | 71                                |
| Non-operating expenses   |                                   |                                   |
| Rent expenses on fixed asses.....                                | 3                                 | 9                                 |
| Loss on foreign exchange .....                                   | 1                                 | --                                |
| Bond issue expenses .....  | 44                                | --                                |
| Other non-operating expenses .....                               | 5                                 | 6                                 |
| Total non-operating expenses .....                               | 54                                | 15                                |
| Ordinary income .....  | 4,382                             | 4,543                             |
| Extraordinary income   |                                   |                                   |
| Gain on reversal of subscription rights to<br>shares .....       | --                                | 0                                 |
| Income from sale of fixed assets .....                           | 0                                 | --                                |
| Gain on transfer of retirement benefit<br>plan .....             | 35                                | --                                |
| Total extraordinary income .....                                 | 35                                | 0                                 |
| Extraordinary loss   |                                   |                                   |
| Loss on sale of fixed assets.....                                | 0                                 | --                                |
| Loss on disposal of fixed assets .....                           | 5                                 | 1                                 |
| Impairment loss.....   | --                                | 1                                 |
| Loss on closure of stores.....                                   | 22                                | 8                                 |
| Other .....  | 0                                 | 0                                 |
| Total extraordinary loss .....                                   | 28                                | 11                                |
| Income before income taxes .....                                 | 4,389                             | 4,531                             |
| Income and other taxes.....                                      | 1,602                             | 1,485                             |
| Adjustments to income and other taxes.....                       | 177                               | (113)                             |
| Total income and other taxes .....                               | 1,779                             | 1,371                             |
| Net income .....   | 2,609                             | 3,160                             |
| Net income attributable to owners of the<br>parent company ..... | 2,609                             | 3,160                             |

## Consolidated statement of comprehensive income

*Millions of yen, rounded down*

|   | April 1, 2019 to<br>June 30, 2019 | April 1, 2018 to<br>June 30, 2018 |
|---|-----------------------------------|-----------------------------------|
| Income before minority interests.....                                     | <u>2,609</u>                      | 3,160                             |
| <b>Other comprehensive income</b>   |                                   |                                   |
| Foreign currency translation adjustment .....                             | (0)                               | (73)                              |
| Adjustments related to retirement benefits.....                           | 0                                 | 2                                 |
| Total other comprehensive income.....                                     | (0)                               | (71)                              |
| <b>Comprehensive income</b>   | <u>2,609</u>                      | 3,089                             |
| (Breakdown)   |                                   |                                   |
| Comprehensive income attributable to owners of<br>the parent company..... | <u>2,609</u>                      | 3,089                             |
| Comprehensive income attributable to minor<br>interests .....             | --                                | --                                |

### (3) 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. Three months ended June 30, 2019

(Millions of yen, rounded down)

|                                       | Business Segments     |  |                                       | Total  | Eliminations<br>or<br>Corporate* <sup>2</sup> | Consolidated<br>* <sup>3</sup> |
|---------------------------------------|-----------------------|--|---------------------------------------|--------|---|--------------------------------|
|                                       | Cosmetics<br>Business | Nutritional<br>Supplements<br>Business | Other<br>Businesses<br>* <sup>1</sup> |        |   |                                |
| <b>1. Sales and operating income:</b> |                       |  |                                       |        |   |                                |
| (1) Sales to external customers       | 19,528                | 11,365                                 | 1,650                                 | 32,544 | --  | 32,544                         |
| (2) Inter-segment sales or transfers  | --                    | --                                     | --                                    | --     | --  | --                             |
| Total sales                           | 19,528                | 11,365                                 | 1,650                                 | 32,544 | --  | 32,544                         |
| Operating income                      | 3,790                 | 940                                    | 68                                    | 4,799  | (422)   | 4,377                          |

Notes:

1. The Other Businesses segment consists of sundries, personnel effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and kale juice
2. The adjustment amount on segment income of (¥422 million) includes total company expenses not distributed to each reportable segment and consist primarily of costs related to the General Affairs section of the parent company not included in the reportable segments.
3. Segment income is adjusted for operating income as recorded in the consolidated financial statements.

#### 2. Three months ended June 30, 2018

(Millions of yen, rounded down)

|                                       | Business Segments     |  |                                       | Total  | Eliminations<br>or<br>Corporate* <sup>2</sup> | Consolidated<br>* <sup>3</sup> |
|---------------------------------------|-----------------------|--|---------------------------------------|--------|---|--------------------------------|
|                                       | Cosmetics<br>Business | Nutritional<br>Supplements<br>Business | Other<br>Businesses<br>* <sup>1</sup> |        |   |                                |
| <b>1. Sales and operating income:</b> |                       |  |                                       |        |   |                                |
| (1) Sales to external customers       | 18,054                | 11,022                                 | 1,722                                 | 30,799 | --  | 30,799                         |
| (2) Inter-segment sales or transfers  | --                    | --                                     | --                                    | --     | --  | --                             |
| Total sales                           | 18,054                | 11,022                                 | 1,722                                 | 30,799 | --  | 30,799                         |
| Operating income (loss)               | 3,540                 | 1,443                                  | (61)                                  | 4,921  | (434)   | 4,487                          |

Notes:

1. The Other Businesses segment consists of sundries, personnel effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and kale juice
2. The adjustment amount on segment income (loss) of (¥434 million) includes total company expenses not distributed to each reportable segment and consist primarily of costs related to the General Affairs section of the parent company not included in the reportable segments.
3. Segment income (loss) is adjusted for operating income as recorded in the consolidated financial statements.