

FANCL Corporation

Consolidated Financial Statements for the
Fiscal Year Ended March 31, 2020

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

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Results for the Fiscal Year Ended March 31, 2020

FANCL CORPORATION

May 7, 2020

<https://www.fancl.jp/en/>

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Scheduled date for regular shareholders' meeting: June 20, 2020
Scheduled date for distribution of dividends: June 22, 2020
Scheduled date for submission of financial report: June 22, 2020
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, 2019 to March 31, 2020)

(1) Consolidated Operating Results

(Millions of yen, rounded down)

	FY ended March 31, 2020		FY ended March 31, 2019	
		% change		% change
Net sales.....	126,810	3.5	122,496	12.4
Operating income.....	14,125	14.0	12,387	46.6
Ordinary income.....	14,313	15.9	12,348	42.8
Net income attributable to owners of the parent company.....	9,985	15.4	8,649	39.7
Earnings per share (¥).....	83.11	--	68.82	--
Earnings per share (diluted) (¥).....	82.47	--	68.02	--
Return on equity (%).....	15.8	--	12.8	--
Ratio of ordinary income to total capital (%).....	16.4	--	14.3	--
Ratio of operating income to net sales (%).....	11.1	--	10.1	--

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

Comprehensive income: FY ended March 31, 2020: ¥9,901 million (15.0%) FY ended March 31, 2019: ¥8,610 million (41.7%)

Gain from investments in subsidiaries and affiliates accounted for by the equity method:

FY ended March 31, 2020: -- million FY ended March 31, 2019: -- million

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 March 31, 2020	As of March 31, 2019
Total assets.....	94,478	80,307
Net assets.....	67,138	60,916
Equity ratio (%).....	70.4	74.8
Shareholders' equity per share.....	551.99	500.59

Shareholders' equity: As of March 31, 2020: ¥66,546 million

As of March 31, 2019: ¥60,050 million

Note: Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. Shareholders' equity per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(3) Cash Flows

(Millions of yen, rounded down)

	FY ended March 31, 2020	FY ended March 31, 2019
Net cash provided by operating activities.....	14,380	8,731
Net cash used in investing activities.....	(11,309)	(3,160)
Net cash used in financing activities.....	6,292	(23,559)
Cash and cash equivalents at end of year.....	27,991	18,635

2) Dividends

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ending March 31, 2021 (forecast)
Interim dividend per share (¥).....	30.00	17.00	17.00
Year-end dividend per share (¥).....	15.00	17.00	17.00
Annual dividend per share (¥).....	--	34.00	34.00
Total dividend payment (<i>millions of yen</i>).....	3,710	4,090	--
Consolidated dividend payout ratio (%).....	43.6	40.9	41.0
Dividend to net assets ratio (%).....	5.5	6.5	--

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

3) Consolidated forecasts for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen, rounded down)

	Interim period ending September 30, 2020		FY Ending March 31, 2021	
		Change %		Change %
Net sales.....	53,850	(18.7)	127,000	0.1
Operating income.....	3,000	(66.3)	14,500	2.6
Ordinary income.....	3,050	(66.0)	14,600	2.0
Profit (loss) attributable to owners of parent.....	1,800	(69.3)	10,000	0.1
Net income per share (¥).....	14.93		82.95	

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: None
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, 2020	130,353,200 shares	As of March 31, 2019	130,353,200 shares
2. Number of treasury shares	As of March 31, 2020	9,794,956 shares	As of March 31, 2019	10,395,292 shares
3. Average number of shares during the period	FY ended March 31	120,139,699 shares	FY ended March 31, 2019	126,685,258 shares

Note: Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. The Number of shares outstanding (ordinary shares) is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

Reference: Outline of Non-consolidated Financial Results

Non-consolidated operating results for the fiscal year ended March 31, 2020

1) Non-consolidated Operating Results

(Millions of yen, rounded down)

	FY ended March 31, 2020		FY ended March 31, 2019	
		(% change)		(% change)
Sales.....	109,628	2.2	107,233	15.6
Operating income.....	12,397	14.1	10,869	71.3
Ordinary income.....	12,554	16.0	10,825	46.0
Net income.....	8,576	16.3	7,372	3.7
Earnings per share (¥).....	71.39		58.66	
Fully diluted earnings per share (¥).....	70.83		57.98	

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

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) Non-Consolidated financial position

	As of March 31, 2020	As of March 31, 2019
Total assets (millions of yen).....	75,615	63,212
Net assets (millions of yen).....	51,231	46,335
Equity ratio (%).....	67.0	71.9
Net assets per share (¥).....	420.04	379.04

Reference: Shareholders' equity:

FY ended March 2020: ¥50,639 million

FY ended March 2019: ¥45,468 million

Note: Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. Shareholders' equity per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

***This 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 8: 1. Operating Results, Section 4, Forecasts for the fiscal year ending March 31, 2021.

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1. Operating Results

(1) Summary of business performance (consolidated)

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

1) Overview of the consolidated financial year under review

During the consolidated fiscal year under review, overall consolidated sales increased 3.5% to ¥126,810 million due to an increase in sales largely centered on the cosmetics business resulting from the effects of new products and the expansion of direct store and cross-border e-commerce sales channels, and despite the COVID-19 outbreak impacting domestic and inbound demand. Operating income increased 14.0% to ¥14,125 million due to an increase in gross profit from higher sales. Ordinary income increased 15.9% to ¥14,313 million, and net income attributable to owners of the parent company increased 15.4% to ¥9,985 million.

Segment results are as follows:

2) Status of operations

(1) Cosmetics Business

Sales

Sales from the Cosmetics business increased 6.0% to ¥75,891 million.

(Millions of yen, rounded down)

	FY ended March 31, 2020		FY ended March 31, 2019		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	59,478	78.4	56,779	79.3	4.8
ATTENIR Cosmetics	12,674	16.7	11,515	16.1	10.1
boscia	2,810	3.7	2,615	3.6	7.5
Others	927	1.2	689	1.0	34.6
Totals	75,891	100.0	71,599	100.0	6.0

	FY ended March 31, 2020		FY ended March 31, 2019		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	29,081	38.3	27,183	38.0	7.0
Direct store sales	29,666	39.1	29,000	40.5	2.3
Wholesales and others	9,096	12.0	7,536	10.5	20.7
Overseas sales	8,047	10.6	7,878	11.0	2.1
Totals	75,891	100.0	71,599	100.0	6.0

Sales of **FANCL Cosmetics** increased 4.8% to ¥59,478 million, due to strong trends in sales of core products such as *Mild Cleansing Oil*, in addition to contributions from new product *DEEP CLEAR WASHING POWDER*, and *Beauty BOUQUET*.

Sales of **ATTENIR Cosmetics** increased 10.1% to ¥12,674 million, due to strong sales of basic skin care products and the relaunched *Skin Clear Cleanse Oil*, and an expansion in direct store and cross-border e-commerce sales channels.

Sales of **boscia** increased 7.5% to ¥2,810 million, as a result of an expansion of US chain stores newly carrying the products.

Results by **sales channels** were: online and catalogue sales increased 7.0% year on year to ¥29,081 million, direct store sales increased 2.3% to ¥29,666 million, wholesale sales increased 20.7% to ¥9,096 million, and overseas sales increased 2.1% to ¥8,047 million.

Operating income

Operating income increased 6.0% to ¥11,768 million, due to an increase in gross profit resulting from higher sales.

(2) Nutritional Supplements Business

Sales

Nutritional supplement sales increased 0.2% to ¥44,006 million.

(Millions of yen, rounded down)

	FY ended March 31, 2020		FY ended March 31, 2019		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	15,710	35.7	14,641	33.3	7.3
Direct store sales	12,501	28.4	14,042	32.0	(11.0)
Wholesales and others	13,176	29.9	12,728	29.0	3.5
Overseas Sales	2,617	6.0	2,506	5.7	4.4
Totals	44,006	100.0	43,919	100.0	0.2

Revenues from **product sales** increased due to strong trends in sales of Foods with Function Claims products *Naishi Support* and *Nyosan Support*.

Results by **sales channels** were: online and catalogue sales increased 7.3% to ¥15,710 million, direct store sales decreased 11.0% to ¥12,501 million, wholesale sales increased 3.5% to ¥13,176 million, and overseas sales increased 4.4% to ¥2,617 million.

Operating income

Operating income increased 16.4% to ¥4,095 million due to an improvement in the gross profit margin in addition to efforts such as the streamlining of advertising expenditure.

(3) Other Businesses

Sales

Other businesses decreased 0.9% year on year to ¥6,911 million.

(Millions of yen, rounded down)

	FY ended March 31, 2020	FY ended March 31, 2019	Change (%)
Hatsuga genmai	2,031	2,037	(0.3)
Kale juice	2,420	2,622	(7.7)
Other	2,459	2,316	6.2
Totals	6,911	6,977	(0.9)

Operating income

Operating income of ¥90 million was recorded, compared to an operating loss of ¥299 million last year, due to an improvement in the profitability of the Hatsuga genmai and Kale juice businesses.

(2) Summary of consolidated financial position

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

Assets increased ¥14,171 million to ¥94,478 million, primarily due to an increase of ¥6,607 million in current assets and an increase of ¥7,563 million in fixed assets. The primary factors contributing to the increase in current assets was a ¥9,355 million increase in cash and cash equivalents, and a ¥3,465 million decrease in notes and accounts receivable. The primary factors contributing to the increase in fixed assets was a ¥7,798 million increase in tangible fixed assets.

Liabilities increased ¥7,949 million from the end of the previous fiscal year to ¥27,339 million. The primary contributing factors were a decrease of ¥2,216 million in current liabilities and a ¥10,165 million increase in long-term liabilities. Factors contributing to the decrease in current liabilities included a ¥1,212 million decrease in accrued income taxes and a ¥993 million decrease in accrued liabilities. Factors contributing to the increase in long-term liabilities included a ¥10,200 million increase in convertible bonds with stock acquisition rights.

Net assets increased ¥6,221 million to ¥67,138 million. Contributing factors included a ¥9,985 million increase in retained earnings due to the recording of net income attributable to owners of the parent, and a ¥3,840 million decrease in retained earnings due to dividend payments.

As a result, the shareholders' equity ratio declined 4.4 points compared to the end of the previous fiscal year, to 70.4%.

(3) Summary of Cash flows

Cash and cash equivalents ("funds") as of March 31, 2020, were ¥27,991 million, ¥9,355 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, 2020 are as follows:

Cash flows from operating activities

Cash flow gained from operating activities during the period under review was ¥14,380 million, compared with an inflow of ¥8,731 million in the previous consolidated fiscal year.

Factors increasing operating cash flow included income before income taxes of ¥14,187 million, a decrease in accounts receivable of ¥3,462 million, and depreciation of ¥3,307 million. Factors decreasing operating cash flow included income taxes paid of ¥5,077 million.

Cash flows from investing activities

Cash flow used in investing activities during the period under review was ¥11,309 million, compared with an outflow of ¥3,160 million in the previous consolidated fiscal year. This was primarily due to outlays of ¥10,533 million for acquisitions of tangible fixed assets, and outlays of ¥699 million for acquisitions of intangible fixed assets.

Cash flows from financing activities

Cash flow gained from financing activities during the period under review was ¥6,292 million, compared with an outflow of ¥23,559 million in the previous consolidated fiscal year. Factors increasing financing cash flow included inflows of ¥10,205 million for the issue of convertible bonds with stock acquisition rights, and factors decreasing financing cash flow included ¥3,834 million for dividend payments.

(4) Forecasts for the fiscal year ending March 31, 2021

Looking at the future economic environment, difficult conditions are expected to continue for the Japanese economy as the spread of the novel coronavirus (COVID-19) is predicted cause prolonged stagnation of economic activities, with no certainty regarding when the pandemic will be brought under control. In such a business environment, the Company has established the following assumptions as a basis for its forecasts.

Forecast assumptions

Forecasts assume that the impact of COVID-19 will continue in Japan through to August 2020, and inbound demand will begin to gradually recover from October 2020.

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Domestic	x	x	△	△	△	○	○	○	○	○	○	○
Inbound	x	x	x	x	x	x	△	△	△	○	○	○

x: Stagnant △: Recovering ○: Normal

Quarter		Assumptions
Q1	External environment	<ul style="list-style-type: none"> ▪ Domestically, economic activity is greatly restricted by the declaration of emergency. Ongoing restraint. ▪ Inbound significantly down due to travel restrictions.
	FANCL	<ul style="list-style-type: none"> ▪ Direct stores closed until May. Operations resume by June, though a full recovery in sales is yet to be seen. ▪ Wholesale sales begin to gradually recover from June, though a full recovery is yet to be seen.
Q2	External environment	<ul style="list-style-type: none"> ▪ Domestic economic activity begins to gradually recover. ▪ Inbound remains significantly down due to travel restrictions.
	FANCL	<ul style="list-style-type: none"> ▪ Domestic sales gradually recover in both direct stores and wholesale, and by August they reach levels equivalent to the previous year.
Q3 onwards	External environment	<ul style="list-style-type: none"> ▪ Domestic economic activity returns to normal. ▪ Inbound begins to gradually recover as travel restrictions are lifted.
	FANCL	<ul style="list-style-type: none"> ▪ Domestic sales in both direct stores and wholesale recover to levels above the previous year. ▪ Inbound gradually recovers as flights resume, making a full recovery in Q4.

Under these circumstances, the Company will work to grow its business by fully leveraging its greatest strengths which lie in its multiple channels (online and catalogue, direct store, wholesale, and overseas) and its unique product offerings, while also expanding into new sales channels.

The Cosmetics business will work to cultivate high-continuity customers for FANCL cosmetics with its Mutenka skincare offerings, and will strengthen the facial cleansing, special care and sunscreen categories. For Attenir, the business will work to strengthen skincare products and expand cross-border e-commerce sales channels. For boschia, the business plans to expand sales channels at major drugstores. Although the Company aims to grow the business through these initiatives, they are not expected to fully offset the impact of COVID-19, and as such the Company forecasts a decline in sales in the Cosmetics business.

The Nutritional Supplements business will work to nurture star products that utilize the Foods with Function Claims system, and acquire new users with product development in the form of beverages and food products via collaborations with major food manufacturers. The business will also focus on the development of personal supplements that respond to the unique health needs of each individual. Overseas, the business will expand the cross-border e-commerce platform, as well as obtaining permission to sell vitamins and minerals in China and launch product sales as health foods. Through such initiatives, the Company forecasts an increase in sales in the Nutritional Supplements business.

In light of the above, in the year ending March 31, 2021, FANCL forecasts an increase in sales of 0.1% to 127,000 million, an increase in operating income of 2.6% to 14,500 million, an increase in ordinary income of 2.0% to 14,600 million, and an increase in net income of 0.1% to 10,000 million.

2. Basic Rationale on Selection of Accounting Standards

FANCL Group currently prepares consolidated financial accounts based on Japanese accounting standards, having considered such factors as suitability for year-on-year comparisons of results.

The Group will continue to assess the situation domestically and abroad with regard to the adoption of International Financial Reporting Standards (IFRS) and will respond appropriately.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Millions of yen, rounded down

	As of March 31, 2020	As of March 31, 2019
ASSETS		
I. Current assets:		
Cash and cash equivalents.....	27,991	18,635
Notes and accounts receivable.....	12,114	15,580
Merchandise and products.....	5,602	5,244
Work in progress.....	--	26
Raw materials and supplies.....	6,579	6,185
Others.....	1,274	1,189
Allowance for doubtful accounts.....	(264)	(171)
Total current assets.....	53,296	46,689
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures.....	30,380	28,082
Accumulated depreciation and accumulated impairment loss.....	(16,983)	(16,321)
Buildings and structures (net).....	13,396	11,760
Machinery and transport equipment.....	11,503	9,467
Accumulated depreciation and accumulated impairment loss.....	(7,863)	(7,421)
Machinery and transport equipment (net).....	3,639	2,045
Furniture, tools and fixtures.....	8,886	8,800
Accumulated depreciation and accumulated impairment loss.....	(7,509)	(7,384)
Furniture, tools and fixtures (net).....	1,377	1,416
Land.....	14,143	11,839
Lease assets.....	294	256
Accumulated depreciation and accumulated impairment loss.....	(141)	(106)
Lease assets (net).....	152	150
Construction in progress.....	2,616	314
Total tangible fixed assets.....	35,324	27,526
Intangible fixed assets		
Other intangible fixed assets.....	2,246	2,229
Total intangible fixed assets.....	2,246	2,229
Investments and other assets		
Investment securities.....	226	176
Long-term loans.....	--	100
Deposits and guarantee money.....	1,157	1,051
Long-term prepaid expense.....	121	136
Deferred tax assets.....	1,965	2,263
Others.....	165	158
Allowance for doubtful accounts.....	(26)	(24)
Total investments and other assets.....	3,609	3,862
Total fixed assets.....	41,181	33,617
Total assets.....	94,478	80,307

(1) Consolidated Balance Sheet (continued)*Millions of yen, rounded down*

	As of March 31, 2020	As of March 31, 2019
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	2,918	3,253
Lease obligations	62	63
Accrued liabilities	5,476	6,470
Accrued expenses	759	969
Accrued income taxes	2,387	3,600
Allowance for bonuses	1,306	1,512
Allowance for points	1,918	1,676
Allowance for directors'	116	--
Asset retirement obligations	4	--
Others	786	406
Total current liabilities	15,735	17,951
II. Long-term liabilities:		
Convertible bonds with stock acquisition	10,200	--
Lease obligations	101	98
Retirement benefit liabilities	777	738
Asset retirement obligations	434	412
Allowance for directors' bonuses	--	64
Others	90	123
Total long-term liabilities	11,604	1,438
Total liabilities	27,339	19,390
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	11,706	11,706
Retained earnings	64,260	58,902
Treasury stock	(19,938)	(21,160)
Total shareholders' equity	66,823	60,243
Other comprehensive income		
Foreign currency translation adjustment	52	67
Total adjustments related to retirement benefits	(329)	(261)
Total other comprehensive income	(277)	(193)
Warrants	592	866
Total net assets	67,138	60,916
Total Liabilities and Net Assets	94,478	80,307

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

Millions of yen, rounded down

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Net sales	126,810	122,496
Cost of sales.....	36,266	35,118
Gross profit.....	90,543	87,378
Selling, general and administrative expenses		
Sales promotion expenses.....	14,542	13,430
Packing and transport expenses	5,375	5,306
Advertising expenses	15,402	15,919
Sales commission fee.....	9,315	8,971
Communications expenses	1,934	1,921
Directors remuneration	677	798
Salaries and bonuses	12,089	11,683
Provision for accrued bonuses.....	1,057	1,286
Retirement benefit expenses	316	323
Compulsory welfare expenses	1,829	1,843
Welfare expenses	371	291
Depreciation.....	2,062	1,866
Research and development expenses.....	1,229	1,348
Rent expenses	1,545	1,307
Provisions for allowance for bad debt.....	93	56
Other	8,574	8,635
Total selling, general and administrative expenses	76,417	74,990
Operating income.....	14,125	12,387
Non-operating income		
Interest income.....	52	3
Dividend income	0	0
Rent income	57	80
Foreign exchange gain.....	--	4
Compensation payments received.....	16	16
Commissions earned	44	44
Insurance proceeds	46	--
Other non-operating income.....	55	39
Total net operating income.....	272	189
Non-operating expenses		
Interest expenses	--	0
Rent expenses on fixed assets.....	12	29
Loss on foreign exchange	0	--
Compensation expenses.....	--	166
Bond issue expenses	44	--
Miscellaneous.....	28	32
Total net operating expenses	85	228
Ordinary income	14,313	12,348

Consolidated Statement of Income (continued)

Millions of yen, rounded down

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Extraordinary income		
Gain from sale of fixed assets	0	299
Gain on reversal of subscription warrants	--	17
Gain on transfer of retirement benefit plan	36	--
Total extraordinary income	36	316
Extraordinary expenses		
Loss on sale of fixed assets	1	--
Loss on retirement of fixed assets	16	201
Impairment loss	40	12
Loss on store closures	100	93
Other extraordinary expenses	4	8
Total extraordinary expenses	162	315
Income before income taxes	14,187	12,349
Income taxes	3,874	3,878
Adjustment for income taxes	328	(178)
Total income before income taxes	4,202	3,700
Income before minority interests	9,985	8,649
Net income	9,985	8,649

Consolidated Statement of Comprehensive Income

Millions of yen, rounded down

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Income before minority interests.....	9,985	8,649
Other comprehensive income		
Foreign currency translation adjustment	(15)	(21)
Adjustments related to retirement benefits	(67)	(17)
Total other comprehensive income	(83)	(39)
Comprehensive income	9,901	8,610
(Breakdown)		
Comprehensive income attributable to owners of the parent company	9,901	8,610
Comprehensive income attributable to minor interests	--	--

(3) Changes in Shareholders' Equity during the Period

April 1, 2019 to March 31, 2020

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	58,902	(21,160)	60,243
Changes of items during period					
Dividends of surplus	--	--	(3,840)	--	(3,840)
Net income attributable to owners of the parent company	--	--	9,985	--	9,985
Purchase of treasury shares	--	--	--	(1)	(1)
Disposal of treasury shares	--	--	(786)	1,223	437
Net changes of items other than shareholders' equity	--	--	--	--	--
Total changes of items during period	--	--	5,358	1,221	6,580
Balance at end of current period	10,795	11,706	64,260	(19,938)	66,823

	Other comprehensive income			New share warrants	Total net assets
	Foreign currency translation adjustment	Cumulative adjustments related to retirement benefits	Total other comprehensive income		
Balance at beginning of current period	67	(261)	(193)	866	60,916
Changes of items during period					
Dividends of surplus	--	--	--	--	(3,840)
Net income attributable to owners of the parent company	--	--	--	--	9,985
Purchase of treasury shares	--	--	--	--	(1)
Disposal of treasury shares	--	--	--	--	437
Net changes of items other than shareholders' equity	(15)	(67)	(83)	(274)	(358)
Total changes of items during period	(15)	(67)	(83)	(274)	6,221
Balance at end of current period	52	(329)	(277)	592	67,138

April 1, 2018 to March 31, 2019

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	54,796	(2,338)	74,959
Changes of items during period					
Dividends of surplus	--	--	(3,754)	--	(3,754)
Net income attributable to owners of the parent company	--	--	8,649	--	8,649
Purchase of treasury shares	--	--	--	(20,004)	(20,004)
Disposal of treasury shares	--	--	(790)	1,183	393
Net changes of items other than shareholders' equity	--	--	--	--	--
Total changes of items during period	--	--	4,105	(18,821)	(14,715)
Balance at end of current period	10,795	11,706	58,902	(21,160)	60,243

	Other comprehensive income			New share warrants	Total net assets
	Foreign currency translation adjustment	Cumulative adjustments related to retirement benefits	Total other comprehensive income		
Balance at beginning of current period	89	(243)	(154)	791	75,597
Changes of items during period					
Dividends of surplus	--	--	--	--	(3,754)
Net income attributable to owners of the parent company	--	--	--	--	8,649
Purchase of treasury shares	--	--	--	--	(20,004)
Disposal of treasury shares	--	--	--	--	393
Net changes of items other than shareholders' equity	(21)	(17)	(39)	74	35
Total changes of items during period	(21)	(17)	(39)	74	(14,680)
Balance at end of current period	67	(261)	(193)	866	60,916

(4) Consolidated Statement of Cash Flows*Millions of yen, rounded down*

	FY ended March 31, 2020	FY ended March 31, 2019
I. Cash flows from operating activities		
Income before income taxes	14,187	12,349
Depreciation.....	3,307	3,057
Impairment loss.....	40	12
Stock compensation expense	161	207
Increase (decrease) in allowance for doubtful accounts	93	15
Increase (decrease) in allowance for bonuses	(206)	169
Increase (decrease) in allowance for directors' bonuses	51	64
Increase (decrease) in allowance for points.....	242	100
Increase (decrease) in retirement benefit related obligation.....	(59)	9
Interest and dividend income	(52)	(4)
Loss (gain) from foreign exchange	2	9
Loss (gain) from sale of fixed assets	1	(299)
Loss on disposal of fixed assets.....	16	201
Loss on store closures.....	100	93
Bond issue expenses	44	--
Insurance proceeds.....	(46)	--
Gain on reversal of subscription rights to shares.....	--	(17)
Decrease (increase) in accounts receivable	3,462	(1,793)
Decrease (increase) in inventories	(732)	(3,165)
Decrease (increase) in other current assets	(121)	(173)
Decrease (increase) in other fixed assets.....	5	(51)
Decrease (increase) in accounts payable.....	(335)	230
Increase (decrease) in other current liabilities.....	(708)	(603)
Increase (decrease) in other fixed liabilities	(33)	(61)
Others	(11)	141
Sub-total	19,409	10,492
Interest and dividends received.....	2	4
Income taxes paid	(5,077)	(1,598)
Others	46	(166)
Net cash provided by (used in) operating activities	14,380	8,731

(4) Consolidated Statement of Cash Flows (continued)*Millions of yen, rounded down*

	FY ended March 31, 2020	FY ended March 31, 2019
II. Cash flows from investing activities		
Payment for acquisition of tangible fixed assets.....	(10,533)	(2,916)
Income from sale of tangible fixed assets.....	1	0
Payment for acquisition of intangible fixed assets.....	(699)	(766)
Income from sale of intangible fixed assets.....	--	300
Payment for acquisition of investment securities.....	(49)	(49)
Payments of loans receivable.....	100	100
Other payments.....	(209)	(42)
Other proceeds.....	81	215
Net cash used in investing activities.....	(11,309)	(3,160)
III. Cash flows from financing activities		
Proceeds from issuance of convertible bonds with stock acquisition rights.....	10,205	--
Proceeds from disposal of treasury stock.....	0	277
Payment for purchase of treasury stock.....	(1)	(20,004)
Cash dividends paid.....	(3,834)	(3,749)
Others.....	(77)	(83)
Net cash used in financing activities.....	6,292	(23,559)
IV. Effect of exchange rate changes on cash and cash equivalents.....	(8)	(17)
V. Net increase in cash and cash equivalents.....	9,355	(18,006)
VI. Cash and cash equivalents at the beginning of the period.....	18,635	36,641
VIII. Cash and cash equivalents at end of period.....	27,991	18,635

(5) Notes to the Consolidated Financial Statements

Items related to a going concern

No applicable items

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 its 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 three reportable segments, Cosmetics Business, Nutritional Supplements Business and Other Businesses.

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. Other Businesses comprise of sundries, personnel effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and Kale juice.

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" in the most recent Annual Securities Report (submitted June 24, 2019).

Reportable segment income figures are on an operating income basis.

3) Sales, income and losses, assets and liabilities and other items by reportable segment

For the fiscal year April 1, 2019 to March 31, 2020

(Millions of yen)

	Reportable segments			Total	Adjustments*2	Consolidated*3
	Cosmetics Business	Nutritional Supplements Business	Other Businesses*1			
1. Sales and operating income:						
(1) Sales to external customers	75,891	44,006	6,911	126,810	--	126,810
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	75,891	44,006	6,911	126,810	-	126,810
Segment income (loss)	11,768	4,095	90	15,955	(1,829)	14,125
Segment Assets	36,369	21,127	2,745	60,242	34,235	94,478
Others						
Depreciation	1,744	1,006	150	2,900	407	3,307
Impairment losses	27	12	0	40	-	40
Increase in tangible and intangible fixed assets	5,664	5,098	214	10,977	231	11,208

Notes:

- Other businesses: Sundries, personal effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and Kale juice.
- Adjustments are as follows
 - The adjustment amount on segment income (loss) of (¥1,829 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.
 - The adjustment on segment assets of ¥34,235 million, include total company expenses not distributed to each reportable segment and consist primarily of cash and deposits, land, and buildings of the parent company not included in the reportable segments.
- Segment income is adjusted for operating income as recorded in the consolidated financial statements.

For the fiscal year April 1, 2018 to March 31, 2019

(Millions of yen)

	Reportable segments			Total	Adjustments*2	Consolidated*3
	Cosmetics Business	Nutritional Supplements Business	Other Businesses *1			
1. Sales and operating income:						
(1) Sales to external customers	71,599	43,919	6,977	122,496	--	122,496
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	71,599	43,919	6,977	122,496	-	122,496
Segment income (loss)	11,101	3,519	(299)	14,322	(1,934)	12,387
Segment Assets	33,843	19,015	2,725	55,574	24,732	80,307
Others						
Depreciation	1,539	963	164	2,667	390	3,057
Impairment losses	8	4	0	12	--	12
Increase in tangible and intangible fixed assets	2,361	1,071	226	3,659	369	4,029

Notes:

- Other businesses: Sundries, personal effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and Kale juice.
- Adjustments are as follows
 - The adjustment amount on segment income (loss) of (¥1,934 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.
 - The adjustment on segment assets of ¥24,732 million, include total company expenses not distributed to each reportable segment and consist primarily of cash and deposits, land, buildings, and investment securities of the parent company not included in the reportable segments.
- Segment income is adjusted for operating income as recorded in the consolidated financial statements.

Per Share Information

	FY ended March 31, 2020	FY Ended March 31, 2019
Net assets per share	¥551.99	¥500.59
Net income per share	¥83.11	¥68.82
Net income per share (diluted)	¥82.47	¥68.02

Note:

- Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. Per Share Information is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.
- 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, 2020	FY Ended March 31, 2019
Net income per share		
Net income (loss) attributable to owners of the parent company (¥ million)	9,985	8,649
Amount not attributable to common shareholders (¥ million)	--	--
Net income (loss) attributable to common shares (¥ million)	9,985	8,649
Average number of outstanding common shares during the year	120,139,699	125,685,258
Fully diluted earnings per share		
Net income adjustments (¥ million)	--	--
Breakdown of additional common shares used for calculating net income per share		
New share warrants	943,817	1,478,190
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.	Euro-yen convertible bonds with stock acquisition rights, due 2024 (1,000 stock acquisition rights with a face value of ¥10,000 million)	--

Important information after the preparation of this report

No applicable items