

FANCL Corporation

Consolidated Financial Statements for the
Fiscal Year Ended March 31, 2021

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, 2021

FANCL CORPORATION

May 10, 2021

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

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

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Scheduled date for regular shareholders' meeting: June 26, 2021
Scheduled date for distribution of dividends: June 28, 2021
Scheduled date for submission of financial report: June 28, 2021
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, 2020 to March 31, 2021)

(1) Consolidated Operating Results

(Millions of yen, rounded down)

	FY ended March 31, 2021		FY ended March 31, 2020	
		% change		% change
Net sales.....	114,909	(9.4)	126,810	3.5
Operating income.....	11,576	(18.0)	14,125	14.0
Ordinary income.....	11,784	(17.7)	14,313	15.9
Net income attributable to owners of the parent company.....	8,016	(19.7)	9,985	15.4
Earnings per share (¥).....	66.45	--	83.11	--
Earnings per share (diluted) (¥).....	66.18	--	82.47	--
Return on equity (%).....	11.7	--	15.8	--
Ratio of ordinary income to total capital (%).....	12.3	--	16.4	--
Ratio of operating income to net sales (%).....	10.1	--	11.1	--

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

Comprehensive income: FY ended March 31, 2021: ¥8,023 million (-19.0%) FY ended March 31, 2020: ¥9,901 million (15.0%)

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

FY ended March 31, 2021: -- million FY ended March 31, 2020: -- million

(2) Consolidated Financial Position

(Millions of yen, rounded down)

	As of March 31, 2021	As of March 31, 2020
Total assets.....	97,533	94,478
Net assets.....	71,215	67,138
Equity ratio (%).....	72.3	70.4
Shareholders' equity per share.....	584.73	551.99

Shareholders' equity: As of March 31, 2021: ¥70,554 million

As of March 31, 2020: ¥66,546 million

(3) Cash Flows

(Millions of yen, rounded down)

	FY ended March 31, 2021	FY ended March 31, 2020
Net cash provided by operating activities.....	10,011	14,380
Net cash used in investing activities.....	(8,135)	(11,309)
Net cash used in financing activities.....	(4,170)	6,292
Cash and cash equivalents at end of year.....	25,487	27,991

2) Dividends

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ending March 31, 2022 (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 (<i>millions of yen</i>).....	4,090	4,102	
Consolidated dividend payout ratio (%).....	40.9	51.2	50.6
Dividend to net assets ratio (%).....	6.5	6.0	

3) Consolidated forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen, rounded down)

	Interim period ending September 30, 2021		FY Ending March 31, 2022	
		Change %		Change %
Net sales.....	52,450	(3.3)	109,000	(5.1)
Operating income.....	5,000	2.5	12,000	3.7
Ordinary income.....	5,100	2.3	12,200	3.5
Profit (loss) attributable to owners of parent.....	3,500	(2.1)	8,100	1.0
Net income per share (¥).....	29.01	--	67.13	--

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

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. has been adopted from the beginning of the fiscal year ending March 31, 2022, the above consolidated financial forecast reflects the application of this accounting standard. If the same standard is applied to the fiscal year ended March 31, 2021, net sales would be 3.7% higher year on year. There is no change in the operating income, ordinary income and net income forecasts before and after the application of the new accounting standard.

4. Other

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

2) 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

3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury shares)	As of March 31, 2021	130,353,200 shares	As of March 31, 2020	130,353,200 shares
2. Number of treasury shares	As of March 31, 2021	9,690,356 shares	As of March 31, 2020	9,794,956 shares
3. Average number of shares during the period	FY ended March 31, 2021	120,639,516 shares	FY ended March 31, 2020	120,139,699 shares

Reference: Outline of Non-consolidated Financial Results

Non-consolidated operating results for the fiscal year ended March 31, 2021

1) Non-consolidated Operating Results

(Millions of yen, rounded down)

	FY ended March 31, 2021		FY ended March 31, 2020	
		(% change)		(% change)
Sales.....	99,112	(9.6)	109,628	2.2
Operating income.....	10,433	(15.8)	12,397	14.1
Ordinary income.....	10,645	(15.2)	12,554	16.0
Net income.....	7,174	(16.3)	8,576	16.3
Earnings per share (¥).....	59.47		71.39	
Fully diluted earnings per share (¥).....	59.23		70.83	

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

2) Non-Consolidated financial position

	As of March 31, 2021	As of March 31, 2020
Total assets (millions of yen).....	77,822	75,615
Net assets (millions of yen).....	54,460	51,231
Equity ratio (%).....	69.1	67.0
Net assets per share (¥).....	445.87	420.04

Reference: Shareholders' equity:

FY ended March 2021: ¥53,799 million

FY ended March 2020: ¥50,639 million

*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 7: 1. Operating Results, Section 4, Forecasts for the fiscal year ending March 31, 2022.

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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 decreased 9.4% to ¥114,909 million due to lower sales in the core cosmetics business and nutritional supplements business, resulting from a drop in domestic and inbound demand caused by the impact of COVID-19. Operating income decreased 18.0% to ¥11,576 million, mainly due to a decline in gross profit due to lower sales, which outweighed efforts to efficiently use advertising expenses and a decrease in variable expenses such as sales commission fees in selling, general and administrative expenses. Ordinary income declined 17.7% to ¥11,784 million, and net income attributable to owners of the parent company declined 19.7% to ¥8,016 million.

Segment results are as follows:

2) Status of operations

(1) Cosmetics Business

Sales

Sales from the Cosmetics business decreased 14.2% to ¥65,140 million.

(Millions of yen, rounded down)

	FY ended March 31, 2021		FY ended March 31, 2020		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	49,637	76.2	59,478	78.4	(16.5)
ATTENIR Cosmetics	12,337	19.0	12,674	16.7	(2.7)
boscia	2,421	3.7	2,810	3.7	(13.9)
Others	743	1.1	927	1.2	(19.8)
Totals	65,140	100.0	75,891	100.0	(14.2)

	FY ended March 31, 2021		FY ended March 31, 2020		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	32,017	49.1	29,081	38.3	10.1
Direct store sales	18,078	27.8	29,666	39.1	(39.1)
Wholesales and others	7,726	11.9	9,096	12.0	(15.1)
Overseas sales	7,317	11.2	8,047	10.6	(9.1)
Totals	65,140	100.0	75,891	100.0	(14.2)

Sales of **FANCL Cosmetics** decreased 16.5% to ¥49,637 million, as direct store sales, wholesale and other sales, and overseas sales declined due to the impact of COVID-19, outweighing an increase in online and catalogue sales resulting from proactive efforts to direct customers from direct store sales to online and catalogue sales as well as the strengthening of external online and catalogue platforms.

Sales of **ATTENIR Cosmetics** decreased 2.7% to ¥12,337 million, as direct store sales declined due to the impact of COVID-19, which outweighed an increase in overseas sales where online and catalogue sales and cross-border e-commerce sales to China were strong.

Sales of **boscia** decreased 13.9% to ¥2,421 million despite efforts to strengthen e-commerce channels, which was outweighed by a decline in sales at specialty cosmetics stores and department stores resulting from the impact of COVID-19.

Operating income

Operating income declined 32.4% to ¥7,954 million, due to a decrease in gross profit resulting from lower sales, which outweighed the impact of the efficient use of advertising expenditure and a decline in variable expenses such as sales commission fees.

(2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 6.4% to ¥41,191 million.

(Millions of yen, rounded down)

	FY ended March 31, 2021		FY ended March 31, 2020		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	17,994	43.7	15,710	35.7	14.5
Direct store sales	8,072	19.6	12,501	28.4	(35.4)
Wholesales and others	11,989	29.1	13,176	29.9	(9.0)
Overseas Sales	3,134	7.6	2,617	6.0	19.8
Totals	41,191	100.0	44,006	100.0	(6.4)

Online and catalogue sales increased due to proactive efforts to drive customers from direct store sales to online and catalogue sales, along with efforts to strengthen subscription sales and sales via external online and catalogue platforms. Overseas sales also increased due to strong cross-border e-commerce sales to China. However, direct store sales and wholesale sales through other sales channels decreased due to the impact of COVID-19.

Operating income

Operating income increased 23.1% to ¥5,042 million despite a decline in sales, which was outweighed by an improvement in the gross profit margin resulting from an increase in the sales composition ratio of core products, as well as the efficient use of advertising expenditure and a decline in variable expenses such as sales commission fees.

(3) Other Businesses

Sales

Other businesses increased 24.1% year on year to ¥8,578 million.

(Millions of yen, rounded down)

	FY ended March 31, 2021	FY ended March 31, 2020	Change (%)
Hatsuga genmai	2,172	2,031	6.9
Kale juice	2,462	2,420	1.7
Other	3,943	2,459	60.3
Totals	8,578	6,911	24.1

Sales of Kale juice and Hatsuga genmai increased due to heightened awareness of personal health, and Other sales increased as a result of the launch of sales of non-woven masks and the CLEAN & BARRIER series.

Operating income

Operating income increased 146.9% to ¥224 million, due to an increase in gross profit resulting from higher sales.

(2) Summary of consolidated financial position

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

Assets increased ¥3,055 million to ¥97,533 million, primarily due to a decrease of ¥1,274 million in current assets and an increase of ¥4,329 million in fixed assets. The primary factors contributing to the decrease in current assets was a ¥2,503 million decrease in cash and cash equivalents, and a ¥1,475 million increase in notes and accounts receivable. The primary factor contributing to the increase in fixed assets was a ¥4,317 million increase in tangible fixed assets.

Liabilities decreased ¥1,021 million from the end of the previous fiscal year to ¥26,318 million. The primary contributing factor was a decrease of ¥937 million in current liabilities. Factors contributing to the decrease in current liabilities included a ¥443 million decrease in accrued income taxes, a ¥222 million decrease in Other current liabilities due to a decrease in accrued expenses, and a ¥147 million decrease in accounts payable.

Net assets increased ¥4,076 million to ¥71,215 million. Contributing factors included a ¥8,016 million increase in retained earnings due to the recording of net income attributable to owners of the parent, and a ¥4,100 million decrease in retained earnings due to dividend payments.

As a result, the shareholders' equity ratio increased 1.9 points compared to the end of the previous fiscal year, to 72.3%.

(3) Summary of Cash flows

Cash and cash equivalents ("funds") as of March 31, 2021, were ¥25,487 million, ¥2,503 million lower 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, 2021 are as follows:

Cash flows from operating activities

Cash flow gained from operating activities during the period under review was ¥10,011 million, compared with an inflow of ¥14,380 million in the previous consolidated fiscal year.

Factors increasing operating cash flow included income before income taxes of ¥11,235 million, and depreciation of ¥3,665 million. Factors decreasing operating cash flow included an increase in accounts receivable of ¥1,526 million income taxes paid of ¥3,564 million.

Cash flows from investing activities

Cash flow used in investing activities during the period under review was ¥8,135 million, compared with an outflow of ¥11,309 million in the previous consolidated fiscal year. This was primarily due to outlays of ¥7,395 million for acquisitions of tangible fixed assets, and outlays of ¥812 million for acquisitions of intangible fixed assets.

Cash flows from financing activities

Cash flow used in financing activities during the period under review was ¥4,170 million, compared with an inflow of ¥6,292 million in the previous consolidated fiscal year. The main factor reducing cash flow from financing activities was ¥4,096 million for dividend payments.

(4) Forecasts for the fiscal year ending March 31, 2022

Looking at the future economic environment, the Japanese economy is expected to recover to a certain degree due to the rollout of vaccinations for the COVID-19 pandemic and other factors, however the outlook for the complete containment of the virus remains uncertain. In addition, new needs created by COVID-19 and changes in lifestyles are expected to grow further.

Under these circumstances, based on the policies of the Medium-Term Management Plan, the first year of which is the fiscal year ending March 2022, the Group will work to eliminate new "negatives" that have arisen as a result of the COVID-19 pandemic, and respond quickly to changes in the social environment to achieve sustainable growth in Japan and overseas. In addition to the uniqueness of our products, which is one of FANCL's greatest strengths, we will further strengthen initiatives to achieve OMO that is unique to FANCL by utilizing our multi-channel structure (online and catalogue, direct store, wholesale, and overseas).

In the Cosmetics Business, for FANCL Cosmetics we will carry out a renewal of basic skin care products to cultivate customers with a high level of continuity, and will also launch new special care items. For ATTENIR, we will aggressively launch new products such as *Dress snow*, while positioning overseas as a growth driver and strengthening cross-border e-commerce in China by developing products that meet local needs.

For boschia, in addition to sales via Costco and Amazon, which are performing strongly, we will strengthen our own channel, boschia.com, to increase the ratio of e-commerce sales.

In the Nutritional Supplements Business, in addition to product development centered on Foods with Function Claims products and the periodic renewal of star products, we will strive to achieve growth of Personal ONE by leveraging

the strengths of its scientifically backed services and its extensive product lineup. Overseas, we will aim to expand sales by further strengthening cross-border e-commerce in China and increasing the number of items available via general trade sales.

In light of the above, in the fiscal year ending March 31, 2022, the Company forecasts a 5.1% decline in net sales to ¥109,000 million, a 3.7% increase in operating income to ¥12,000 million, a 3.5% increase in ordinary income to ¥12,200 million, and a 1.0% increase in net income of ¥8,100 million.

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. has been adopted from the beginning of the fiscal year ending March 31, 2022, the above consolidated financial forecast reflects the application of this accounting standard. If the same standard is applied to the fiscal year ended March 31, 2021, net sales would be 3.7% higher year on year. There is no change in the operating income, ordinary income and net income forecasts before and after the application of the new accounting standard.

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, 2021	As of March 31, 2020
ASSETS		
I. Current assets:		
Cash and cash equivalents	25,487	27,991
Notes and accounts receivable	13,590	12,114
Merchandise and products	5,805	5,602
Raw materials and supplies	5,848	6,579
Others	1,506	1,274
Allowance for doubtful accounts	(216)	(264)
Total current assets	52,022	53,296
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	31,670	30,380
Accumulated depreciation and accumulated impairment loss	(17,768)	(16,983)
Buildings and structures (net)	13,901	13,396
Machinery and transport equipment	11,699	11,503
Accumulated depreciation and accumulated impairment loss	(8,730)	(7,863)
Machinery and transport equipment (net)	2,969	3,639
Furniture, tools and fixtures	9,299	8,886
Accumulated depreciation and accumulated impairment loss	(8,032)	(7,509)
Furniture, tools and fixtures (net)	1,267	1,377
Land	14,214	14,143
Lease assets	258	294
Accumulated depreciation and accumulated impairment loss	(150)	(141)
Lease assets (net)	108	152
Construction in progress	7,180	2,616
Total tangible fixed assets	39,642	35,324
Intangible fixed assets		
Other intangible fixed assets	2,253	2,246
Total intangible fixed assets	2,253	2,246
Investments and other assets		
Investment securities	199	226
Long-term loans	100	--
Deferred tax assets	1,885	1,965
Others	1,456	1,443
Allowance for doubtful accounts	(25)	(26)
Total investments and other assets	3,615	3,609
Total fixed assets	45,511	41,181
Total assets	97,533	94,478

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

	As of March 31, 2021	As of March 31, 2020
LIABILITIES		
I. Current liabilities:		
Accounts payable.....	2,770	2,918
Lease obligations.....	53	62
Accrued liabilities.....	5,392	5,476
Accrued income taxes.....	1,943	2,387
Provision for bonuses.....	1,293	1,306
Provision for points.....	2,014	1,918
Asset retirement obligations.....	7	4
Provision for directors' bonuses.....	--	116
Others.....	1,322	1,545
Total current liabilities.....	14,798	15,735
II. Long-term liabilities:		
Convertible bonds with stock acquisition rights.....	10,150	10,200
Lease obligations.....	63	101
Retirement benefit liabilities.....	783	777
Asset retirement obligations.....	427	434
Others.....	94	90
Total long-term liabilities.....	11,519	11,604
Total liabilities.....	26,318	27,339
NET ASSETS		
Shareholders' equity:		
Common stock.....	10,795	10,795
Capital reserve.....	11,706	11,706
Retained earnings.....	68,050	64,260
Treasury stock.....	(19,726)	(19,938)
Total shareholders' equity.....	70,825	66,823
Other comprehensive income		
Foreign currency translation adjustment.....	(19)	52
Total adjustments related to retirement benefits.....	(251)	(329)
Total other comprehensive income.....	(270)	(277)
Warrants.....	660	592
Total net assets.....	71,215	67,138
Total Liabilities and Net Assets.....	97,533	94,478

(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, 2021	Fiscal year ended March 31, 2020
Net sales	114,909	126,810
Cost of sales.....	33,798	36,266
Gross profit.....	81,110	90,543
Selling, general and administrative expenses		
Sales promotion expenses.....	15,668	14,542
Packing and transport expenses	5,881	5,375
Advertising expenses	11,850	15,402
Sales commission fee.....	6,819	9,315
Communications expenses	1,895	1,934
Directors remuneration	522	677
Salaries and bonuses	10,813	12,089
Provision for accrued bonuses.....	958	1,057
Retirement benefit expenses	469	316
Compulsory welfare expenses	1,792	1,829
Welfare expenses	300	371
Depreciation.....	2,160	2,062
Research and development expenses.....	1,003	1,229
Rent expenses	1,148	1,545
Provisions for allowance for bad debt.....	38	93
Other	8,210	8,574
Total selling, general and administrative expenses	69,534	76,417
Operating income.....	11,576	14,125
Non-operating income		
Interest income.....	51	52
Dividend income	0	0
Rent income	152	57
Compensation payments received.....	14	16
Commissions earned	34	44
Insurance proceeds	14	46
Subsidy income	42	--
Other non-operating income.....	56	55
Total net operating income.....	366	272
Non-operating expenses		
Rent expenses on fixed assets.....	13	12
Loss on foreign exchange	118	0
Bond issue expenses	--	44
Miscellaneous.....	27	28
Total net operating expenses	158	85
Ordinary income	11,784	14,313

Consolidated Statement of Income (continued)

Millions of yen, rounded down

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Extraordinary income		
Income from sale of fixed assets	1	0
Gain on transfer of retirement benefit plan.....	--	36
Subsidy income.....	482	--
Total extraordinary income.....	483	36
Extraordinary loss		
Loss on sale of fixed assets	--	1
Loss on retirement of fixed assets	54	16
Impairment loss	246	40
Loss on closures of stores.....	66	100
COVID-19 related loss	617	--
Other.....	47	4
Total extraordinary loss.....	1,033	162
Income before income taxes.....	11,235	14,187
Income taxes and other taxes.....	3,175	3,874
Adjustments to income and other taxes	42	328
Total income before income taxes	3,218	4,202
Income before minority interests	8,016	9,985
Net income	8,016	9,985

Consolidated Statement of Comprehensive Income

Millions of yen, rounded down

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Income before minority interests.....	8,016	9,985
Other comprehensive income		
Foreign currency translation adjustment	(71)	(15)
Adjustments related to retirement benefits	77	(67)
Total other comprehensive income	6	(83)
Comprehensive income	8,023	9,901
(Breakdown)		
Comprehensive income attributable to owners of the parent company	8,023	9,901
Comprehensive income attributable to minor interests	--	--

(3) Changes in Shareholders' Equity during the Period

April 1, 2020 to March 31, 2021

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	64,260	(19,938)	66,823
Changes of items during period					
Dividends of surplus	--	--	(4,100)	--	(4,100)
Net income attributable to owners of the parent company	--	--	8,016	--	8,016
Purchase of treasury shares	--	--	--	(1)	(1)
Disposal of treasury shares	--	--	(126)	213	87
Net changes of items other than shareholders' equity	--	--	--	--	--
Total changes of items during period	--	--	3,789	212	4,001
Balance at end of current period	10,795	11,706	68,050	(19,726)	70,825

	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	52	(329)	(277)	592	67,138
Changes of items during period					
Dividends of surplus	--	--	--	--	(4,100)
Net income attributable to owners of the parent company	--	--	--	--	8,016
Purchase of treasury shares	--	--	--	--	(1)
Disposal of treasury shares	--	--	--	--	87
Net changes of items other than shareholders' equity	(71)	77	6	68	75
Total changes of items during period	(71)	77	6	68	4,076
Balance at end of current period	(19)	(251)	(270)	660	71,215

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

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

	FY ended March 31, 2021	FY ended March 31, 2020
I. Cash flows from operating activities		
Income before income taxes	11,235	14,187
Depreciation.....	3,665	3,307
Impairment loss.....	246	40
Stock compensation expense	156	161
Increase (decrease) in allowance for doubtful accounts	(43)	93
Increase (decrease) in Provision for bonuses	(12)	(206)
Increase (decrease) in Provision for directors' bonuses	(116)	51
Increase (decrease) in Provision for points.....	96	242
Increase (decrease) in retirement benefit related obligation.....	118	(59)
Interest and dividend income	(51)	(52)
Loss (gain) from foreign exchange	191	2
Loss (gain) from sale of fixed assets	(1)	1
Loss on disposal of fixed assets.....	54	16
Loss on closures of stores	66	100
Bond issue expenses	--	44
Insurance proceeds.....	(14)	(46)
Subsidy income.....	(524)	--
COVID-19 related loss.....	617	--
Decrease (increase) in accounts receivable	(1,526)	3,462
Decrease (increase) in inventories	500	(732)
Decrease (increase) in other current assets	(335)	(121)
Decrease (increase) in other fixed assets.....	50	5
Decrease (increase) in accounts payable.....	(135)	(335)
Increase (decrease) in other current liabilities.....	(347)	(708)
Increase (decrease) in other fixed liabilities	(10)	(33)
Others	(227)	(11)
Sub-total	13,652	19,409
Interest and dividends received.....	1	2
Income taxes paid	(3,564)	(5,077)
Subsidies received	524	--
COVID-19 related loss.....	(617)	--
Others	14	46
Net cash provided by (used in) operating activities	10,011	14,380

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

	FY ended March 31, 2021	FY ended March 31, 2020
II. Cash flows from investing activities		
Payment for acquisition of tangible fixed assets.....	(7,395)	(10,533)
Income from sale of tangible fixed assets.....	2	1
Payment for acquisition of intangible fixed assets.....	(812)	(699)
Payment for acquisition of investment securities.....	--	(49)
Income from loans receivable.....	--	100
Other payments.....	(210)	(209)
Other proceeds.....	279	81
Net cash used in investing activities.....	(8,135)	(11,309)
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	0
Payment for purchase of treasury stock.....	(1)	(1)
Cash dividends paid.....	(4,096)	(3,834)
Others.....	(72)	(77)
Net cash used in financing activities.....	(4,170)	6,292
IV. Effect of exchange rate changes on cash and cash equivalents.....	(208)	(8)
V. Net increase in cash and cash equivalents.....	(2,503)	9,355
VI. Cash and cash equivalents at the beginning of the period.....	27,991	18,635
VIII. Cash and cash equivalents at end of period.....	25,487	27,991

(5) Notes to the Consolidated Financial Statements

Items related to a going concern

No applicable items

(Change in presentation method)

(Consolidated Balance Sheet)

"Investments and other assets", "Deposits and guarantee money" and "Long-term prepaid expense" which were presented as separate items in the previous fiscal year, are included in "Other" in the fiscal year under review due to their amounts becoming immaterial.

In addition, "Accrued expenses" under "Current liabilities" is included in "Other" from the fiscal year under review due to its amount becoming immaterial.

The consolidated financial statements for the previous fiscal year have also been retrospectively restated to reflect this change in presentation.

As a result, in the Consolidated Balance Sheet for the previous fiscal year, ¥1,157 million of "Deposits and guarantee money" ¥121 million of "Long-term prepaid expenses", and ¥165 million of "Other", which were presented under "Investments and other assets," have been reclassified as ¥1,443 million of "Other".

In addition, ¥759 million of "Accrued expenses" and ¥786 million of "Other", which were presented under "Current liabilities," have been reclassified as ¥1,545 million of "Other".

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.

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, 2020 to March 31, 2021

(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	65,140	41,191	8,578	114,909	--	114,909
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	65,140	41,191	8,578	114,909	--	114,909
Segment income (loss)	7,954	5,042	224	13,221	(1,644)	11,576
Segment Assets	36,763	26,940	4,040	67,744	29,789	97,533
Others						
Depreciation	2,098	1,028	151	3,279	386	3,665
Impairment losses	162	78	4	246	0	246
Increase in tangible and intangible fixed assets	2,023	5,883	246	8,153	212	8,365

Notes:

- Other businesses: Sundries, personnel effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and Kale juice.
- Adjustments are as follows
 - The adjustment amount on segment income (loss) of (¥1,644 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 ¥29,789 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, 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:

1. Other businesses: Sundries, personnel effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and Kale juice.
2. Adjustments are as follows
 - (1) 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.
 - (2) 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.
3. Segment income is adjusted for operating income as recorded in the consolidated financial statements.

Per Share Information

	FY ended March 31, 2021	FY Ended March 31, 2020
Net assets per share	¥584.73	¥551.99
Net income per share	¥66.45	¥83.11
Net income per share (diluted)	¥66.18	¥82.47

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, 2021	FY Ended March 31, 2020
Net income per share		
Net income (loss) attributable to owners of the parent company(¥ million)	8,016	9,985
Amount not attributable to common shareholders (¥ million)	--	--
Net income (loss) attributable to common shares (¥ million)	8,016	9,985
Average number of outstanding common shares during the year	120,639,516	120,139,699
Fully diluted earnings per share		
Net income adjustments (¥ million)	--	--
Breakdown of additional common shares used for calculating net income per share		
New share warrants	496,263	943,817
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)	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