

FANCL Corporation

Consolidated Financial Statements for the
Fiscal Year Ended March 31, 2023

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, 2023

FANCL CORPORATION

May 9, 2023

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

Stock exchange listings: TSE Prime Market, code number 4921

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CEO, President, Representative Director: Kazuyuki Shimada
 Scheduled date for regular shareholders' meeting: June 24, 2023
 Scheduled date for distribution of dividends: June 26, 2023
 Scheduled date for submission of financial report: June 26, 2023
 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, 2022 to March 31, 2023)

(1) Consolidated Operating Results

(Millions of yen, rounded down)

	FY ended March 31, 2023		FY ended March 31, 2022	
		% change		% change
Net sales	103,595	(0.4)	103,992	(9.5)
Operating income.....	7,843	(19.7)	9,771	(15.6)
Ordinary income.....	8,557	(17.7)	10,401	(11.7)
Net income attributable to owners of the parent company.....	4,970	(33.0)	7,421	(7.4)
Net income per share (¥)	41.11	--	61.50	--
Net income per share (diluted) (¥).....	40.95	--	61.25	--
Return on equity (%)	6.7	--	10.3	--
Ratio of ordinary income to total capital (%).....	8.4	--	10.5	--
Ratio of operating income to net sales (%)	7.6	--	9.4	--

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

2. Comprehensive income: FY ended March 31, 2023: ¥5,029 million (-33.5%)
 FY ended March 31, 2022: ¥7,563 million (-5.7%)

(2) Consolidated Financial Position

(Millions of yen, rounded down)

	As of March 31, 2023	As of March 31, 2022
Total assets.....	103,944	100,121
Net assets	75,662	74,073
Equity ratio (%).....	72.2	73.3
Shareholders' equity per share	620.72	608.51

Reference: Shareholders' equity: As of March 31, 2023: ¥75,058 million
 As of March 31, 2022: ¥73,432 million

(3) Cash Flows

(Millions of yen, rounded down)

	FY ended March 31, 2023	FY ended March 31, 2022
Net cash provided by operating activities.....	12,952	13,097
Net cash used in investing activities.....	(1,867)	(4,673)
Net cash used in financing activities	(4,247)	(4,155)
Cash and cash equivalents at end of year	37,039	30,108

2) Dividends

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ending March 31, 2024 (forecast)
Interim dividend per share (¥).....	17.00	17.00	17.00
Year-end dividend per share (¥)	17.00	17.00	17.00
Annual dividend per share (¥)	34.00	34.00	34.00
Total dividend payment (millions of yen).....	4,106	4,118	
Consolidated dividend payout ratio (%)	55.3	82.9	51.5
Dividend to net assets ratio (%).....	5.7	5.5	

3) Consolidated forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen, rounded down)

	Interim period ending September 30, 2023		FY Ending March 31, 2024	
		Change %		Change %
Net sales	52,480	3.6	111,000	7.1
Operating income.....	4,800	43.3	12,000	53.0
Ordinary income.....	4,900	17.3	12,200	42.6
Profit (loss) attributable to owners of parent.....	3,200	20.6	8,000	60.9
Net income per share (¥).....	26.46	--	66.16	--

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

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: Yes
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, 2023	130,353,200 shares	As of March 31, 2022	130,353,200 shares
2. Number of treasury shares	As of March 31, 2023	9,430,462 shares	As of March 31, 2022	9,677,463 shares
3. Average number of shares during the period	FY ended March 31, 2023	120,905,689 shares	FY ended March 31, 2022	120,673,202 shares

Note: The number of treasury shares at the end of the fiscal year includes the Company's shares held by the BIP Trust for Directors (209,915 shares as of March 31, 2023, 211,500 shares as of March 31, 2022). The Company's shares held by the BIP Trust for Directors are included in treasury shares as a deduction in the calculation of average number of shares outstanding during the fiscal year.

Reference: Outline of Non-consolidated Financial Results

Non-consolidated operating results for the fiscal year ended March 31, 2023

1) Non-consolidated Operating Results

(Millions of yen, rounded down)

	FY ended March 31, 2023		FY ended March 31, 2022	
		(% change)		(% change)
Sales.....	86,891	(0.2)	87,089	(12.1)
Operating income	8,015	(9.1)	8,814	(15.5)
Ordinary income	9,330	2.6	9,090	(14.6)
Net income.....	6,523	6.2	6,142	(14.4)
Net income per share (¥)	53.96		50.90	
Net income per share (diluted) (¥)	53.74		50.70	

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

2) Non-Consolidated financial position

	As of March 31, 2023	As of March 31, 2022
Total assets (millions of yen)	83,191	78,650
Net assets (millions of yen).....	58,997	55,913
Equity ratio (%)	70.2	70.3
Net assets per share (¥)	482.90	458.03

Reference: Shareholders' equity:

FY ended March 2023: ¥58,393 million

FY ended March 2022: ¥55,272 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, 2024.

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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 0.4% to ¥103,595 million, as domestic store sales were slow due to the impact of the COVID-19 pandemic, and overseas sales declined due to the impact of lockdowns in China. Operating income decreased 19.7% to ¥7,843 million, mainly due to the proactive use of advertising expenditure to expand the customer base. Ordinary income declined 17.7% to ¥8,557 million, and net income attributable to owners of the parent company declined 33.0% to ¥4,970 million.

Segment results are as follows:

2) Status of operations

(1) Cosmetics Business

Sales

Sales from the Cosmetics business decreased 2.3% to ¥57,448 million.

(Millions of yen, rounded down)

	FY ended March 31, 2023		FY ended March 31, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	42,102	73.3	42,758	72.7	(1.5)
ATTENIR Cosmetics	13,447	23.4	13,797	23.5	(2.5)
boscia	783	1.4	1,161	2.0	(32.5)
Others	1,114	1.9	1,091	1.8	2.1
Totals	57,448	100.0	58,809	100.0	(2.3)

	FY ended March 31, 2023		FY ended March 31, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	31,404	54.7	30,459	51.8	3.1
Direct store sales	11,825	20.6	13,213	22.5	(10.5)
Wholesales and others	8,800	15.3	8,339	14.2	5.5
Overseas sales	5,417	9.4	6,797	11.5	(20.3)
Totals	57,448	100.0	58,809	100.0	(2.3)

Sales of **FANCL Cosmetics** decreased 1.5% to ¥42,102 million, due to factors including a slowdown in direct store sales and overseas sales due to the impact of the COVID-19 pandemic, which outweighed growth in online and catalogue sales and wholesales and others, for which we strengthened advertising.

Sales of **ATTENIR Cosmetics** decreased 2.5% to ¥13,447 million, as a decline in overseas sales, impacted by the lockdowns and inventory adjustments in China, outweighed strong domestic sales of *SKIN CLEAR CLEANSE OIL* and special care products.

Sales of **boscia** decreased 32.5% to ¥783 million due to sluggish wholesale sales to cosmetics specialty stores and department stores.

Operating income

Operating income declined 22.1% to ¥5,905 million, due to the proactive use of advertising expenditure, which outweighed improvements in the gross profit margin and efforts towards the efficient use of sales promotion expenditure.

(2) Nutritional Supplements Business

Sales

Nutritional supplement sales increased 3.6% to ¥39,871 million.

(Millions of yen, rounded down)

	FY ended March 31, 2023		FY ended March 31, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	18,176	45.6	17,330	45.1	4.9
Direct store sales	5,828	14.6	6,586	17.1	(11.5)
Wholesales and others	11,541	28.9	9,898	25.7	16.6
Overseas Sales	4,325	10.9	4,655	12.1	(7.1)
Totals	39,871	100.0	38,471	100.0	3.6

Domestic sales increased due to an increase in online and catalogue sales and wholesale sales as a result of strengthened advertising, which outweighed a decline in direct store sales caused by the impact of the COVID-19 pandemic.

Overseas sales declined due to lockdowns and inventory adjustments in China.

Operating income

Operating income decreased 12.1% to ¥3,429 million due to the proactive use of advertising expenditure, which outweighed an increase in gross profit on higher sales.

(3) Other Businesses

Sales

Other businesses decreased 6.5% year on year to ¥6,276 million.

(Millions of yen, rounded down)

	FY ended March 31, 2023	FY ended March 31, 2022	Change (%)
Hatsuga genmai	1,985	2,056	(3.4)
Kale juice	2,005	2,110	(5.0)
Other	2,285	2,543	(10.2)
Totals	6,276	6,710	(6.5)

Operating income

Despite a decline in sales, operating income of ¥92 million was recorded (compared to an operating loss of ¥25 million in the previous comparable period) due to efforts towards the efficient use of sales promotion expenditure.

(2) Summary of consolidated financial position

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

Assets increased ¥3,823 million to ¥103,944 million, primarily due to an increase of ¥6,356 million in current assets and a decrease of ¥2,533 million in fixed assets. The primary factor contributing to the increase in current assets was a ¥6,931 million increase in cash and cash equivalents. The primary factors contributing to the decrease in fixed assets were a ¥2,728 million decrease in tangible fixed assets due to depreciation, a ¥265 million increase in fixed assets - other due to an increase in long-term prepaid expenses.

Liabilities increased ¥2,233 million from the end of the previous fiscal year to ¥28,282 million. The primary contributing factors were an increase of ¥1,719 million in current liabilities and an increase of ¥514 million in long-term liabilities.

Factors contributing to the increase in current liabilities included a ¥994 million increase in current liabilities – others resulting from an increase in consumption tax payable, and a ¥646 million increase in accrued income taxes.

The primary factor contributing to the increase in long-term liabilities was a ¥342 million increase in retirement benefit liabilities and a ¥151 million increase in provision for share awards for directors.

Net assets increased ¥1,589 million to ¥75,662 million. Contributing factors included a ¥4,970 million increase in retained earnings due to the recording of net income attributable to owners of the parent company, a ¥4,114 million decrease in retained earnings due to dividend payments, a ¥524 million decrease in treasury stock due to the disposal of treasury stock, and a ¥186 million increase in capital reserve.

As a result, the shareholders' equity ratio decreased 1.1 points compared to the end of the previous fiscal year, to 72.2%.

(3) Summary of Cash flows

Cash and cash equivalents ("funds") as of March 31, 2023, were ¥37,039 million, ¥6,931 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, 2023 are as follows:

Cash flows from operating activities

Cash flow gained from operating activities during the period under review was ¥12,952 million, compared with an inflow of ¥13,097 million in the previous consolidated fiscal year.

Factors increasing operating cash flow included income before income taxes of ¥8,214 million, depreciation of ¥4,377 million, and an increase in other current assets of ¥1,360 million. The main factor decreasing operating cash flow was income taxes paid of ¥2,527 million.

Cash flows from investing activities

Cash flow used in investing activities during the period under review was ¥1,867 million, compared with an outflow of ¥4,673 million in the previous consolidated fiscal year. This was primarily due to outlays of ¥1,143 million for acquisitions of tangible fixed assets, and outlays of ¥882 million for acquisitions of intangible fixed assets.

Cash flows from financing activities

Cash flow used in financing activities during the period under review was ¥4,247 million, compared with an outflow of ¥4,155 million in the previous consolidated fiscal year. The main factor reducing cash flow from financing activities was ¥4,109 million for dividend payments.

(4) Forecasts for the fiscal year ending March 31, 2024

Looking at the future economic environment, the Japanese economy is expected to experience a certain degree of recovery from the slowdown in economic activity caused by the COVID-19 pandemic, however due to inflation, a full-fledged recovery in consumption is not expected. Under these circumstances, the Group will work to respond quickly to changes in the social environment, strengthen the foundations of its domestic business, and accelerate its global expansion.

In the Cosmetics Business, we will aim to increase new customer acquisitions by investing in marketing centered on the BRIGHTENING line, which was relaunched this spring, and *MILD CLEANSING OIL –BLACK & SMOOTH–* which was launched in April. For Attenir, in the domestic market we will carry out renewals of three core basic skin care products, and strengthen our investment in advertising. Overseas, in addition to continuing the growth of our China cross-border e-commerce business, we will launch general trade sales in China.

In the Nutritional Supplements Business, we will work to further develop our star products including the *Calolimit* series, *Naishi Support* and *Enkin* products, as well as cultivating new customer segments such as "active seniors" and external online platform users. Overseas, we will offer different products and information on e-commerce

platforms according to customer attributes.

In light of the above, in the fiscal year ending March 31, 2024, the Company forecasts a 7.1% increase in net sales to ¥111,000 million, a 53.0% increase in operating income to ¥12,000 million, a 42.6% increase in ordinary income to ¥12,200 million, and a 60.9% increase in net income attributable to owners of the parent company to ¥8,000 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		
<i>(Millions of yen, rounded down)</i>		
	As of March 31, 2023	As of March 31, 2022
ASSETS		
I. Current assets:		
Cash and cash equivalents.....	37,039	30,108
Notes receivable.....	6	6
Accounts receivable.....	11,673	11,910
Merchandise and products.....	5,999	5,518
Raw materials and supplies.....	5,532	5,610
Others.....	1,801	2,553
Allowance for doubtful accounts.....	(91)	(101)
Total current assets.....	61,962	55,605
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures.....	34,216	34,715
Accumulated depreciation and accumulated impairment loss.....	(19,695)	(19,103)
Buildings and structures (net).....	14,520	15,611
Machinery and transport equipment.....	16,928	16,783
Accumulated depreciation and accumulated impairment loss.....	(11,815)	(10,326)
Machinery and transport equipment (net).....	5,113	6,456
Furniture, tools and fixtures.....	9,889	9,981
Accumulated depreciation and accumulated impairment loss.....	(8,677)	(8,435)
Furniture, tools and fixtures (net).....	1,211	1,546
Land.....	13,914	14,214
Leased assets.....	317	205
Accumulated depreciation and accumulated impairment loss.....	(173)	(127)
Leased assets (net).....	144	78
Other.....	124	--
Accumulated depreciation and accumulated impairment loss.....	(34)	--
Other (net).....	89	--
Construction in progress.....	219	34
Total tangible fixed assets.....	35,213	37,941
Intangible fixed assets		
Other intangible fixed assets.....	2,485	2,587
Total intangible fixed assets.....	2,485	2,587
Investments and other assets		
Investment securities.....	125	125
Long-term loans.....	100	50
Deferred tax assets.....	2,642	2,634
Others.....	1,466	1,201
Allowance for doubtful accounts.....	(51)	(24)
Total investments and other assets.....	4,283	3,986
Total fixed assets.....	41,982	44,516
Total assets.....	103,944	100,121

Consolidated Balance Sheet (continued)

(Millions of yen, rounded down)

	As of March 31, 2023	As of March 31, 2022
LIABILITIES		
I. Current liabilities:		
Accounts payable	3,378	3,431
Lease obligations	116	50
Accrued liabilities.....	4,127	4,589
Accrued income taxes	1,918	1,271
Contract liability	3,002	2,461
Provision for bonuses.....	1,223	1,234
Asset retirement obligations	--	2
Others.....	2,326	1,332
Total current liabilities.....	16,092	14,373
II. Long-term liabilities:		
Convertible bonds with stock acquisition rights	10,050	10,100
Lease obligations	135	35
Provision for share awards for directors	259	108
Retirement benefit liabilities	1,223	880
Asset retirement obligations	448	496
Others	72	54
Total long-term liabilities.....	12,189	11,675
Total liabilities.....	28,282	26,048
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	12,189	12,003
Retained earnings	71,623	70,766
Treasury stock.....	(19,479)	(20,003)
Total shareholders' equity	75,128	73,561
Other comprehensive income		
Foreign currency translation adjustment	242	100
Total adjustments related to retirement benefits	(312)	(228)
Total other comprehensive income	(70)	(128)
Stock acquisition rights.....	603	640
Total net assets	75,662	74,073
Total Liabilities and Net Assets.....	103,944	100,121

(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, 2023	Fiscal year ended March 31, 2022
Net sales	103,595	103,992
Cost of sales.....	34,382	34,876
Gross profit.....	69,213	69,116
Selling, general and administrative expenses		
Sales promotion expenses	6,887	7,645
Packing and transport expenses.....	5,478	5,448
Advertising expenses.....	14,868	12,577
Sales commission fee.....	3,111	2,933
Communications expenses.....	1,711	1,688
Directors' remuneration	415	426
Salaries and bonuses	11,016	11,075
Provision for accrued bonuses	1,027	1,006
Provision for share-based remuneration.....	156	108
Retirement benefit expenses	525	505
Compulsory welfare expenses.....	1,750	1,763
Welfare expenses	276	286
Depreciation	2,612	2,611
Research and development expenses.....	1,225	1,257
Rent expenses.....	1,172	1,216
Provisions for allowance for bad debt	28	43
Other.....	9,105	8,749
Total selling, general and administrative expenses.....	61,370	59,345
Operating income	7,843	9,771
Non-operating income		
Interest income.....	51	51
Dividend income	0	0
Foreign exchange gain (loss)	509	283
Rent income	119	130
Compensation payments received	17	17
Commissions earned.....	28	27
Other non-operating income.....	112	168
Total net operating income	839	680
Non-operating expenses		
Interest expenses	0	0
Rent expenses on fixed assets.....	8	11
Restricted stock-related expenses	24	--
Allowance for doubtful accounts.....	50	--
Miscellaneous losses	43	37
Total net operating expenses	126	49
Ordinary income	8,557	10,401

Consolidated Statement of Income (continued)

(Millions of yen, rounded down)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Extraordinary income		
Income from sale of fixed assets.....	0	0
Gain on sale of investment securities.....	--	31
Gain on reversal of share acquisition rights	7	--
Total extraordinary income.....	7	31
Extraordinary loss		
Loss on sale of fixed assets	--	0
Loss on disposal of fixed assets.....	70	25
Impairment loss	204	680
Loss on store closings.....	74	43
Other	--	108
Total extraordinary loss	350	858
Income before income taxes.....	8,214	9,575
Income and other taxes.....	3,186	2,643
Adjustments to income and other taxes	57	(489)
Total income before income taxes	3,244	2,153
Income before minority interests	4,970	7,421
Net income	4,970	7,421

Consolidated Statement of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Income before minority interests	4,970	7,421
Other comprehensive income		
Foreign currency translation adjustment.....	141	119
Adjustments related to retirement benefits	(83)	22
Total other comprehensive income	58	142
Comprehensive income	5,029	7,563
(Breakdown)		
Comprehensive income attributable to owners of the parent company.....	5,029	7,563
Comprehensive income attributable to minor interests	--	--

(3) Changes in Shareholders' Equity during the Period

April 1, 2022 to March 31, 2023

(Millions of yen, rounded down)

	Shareholders' equity				
	Common stock	Capital reserve	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	10,795	12,003	70,766	(20,003)	73,561
Changes of items during period					
Dividends of surplus	--	--	(4,114)	--	(4,114)
Net income attributable to owners of the parent company	--	--	4,970	--	4,970
Purchase of treasury shares	--	--	--	(0)	(0)
Disposal of treasury shares	--	186	--	525	712
Net changes of items other than shareholders' equity	--	--	--	--	--
Total changes of items during period	--	186	856	524	1,567
Balance at end of current period	10,795	12,189	71,623	(19,479)	75,128

	Other comprehensive income			Stock acquisition rights	Total net assets
	Foreign currency translation adjustment	Cumulative adjustments related to retirement benefits	Total other comprehensive income		
Balance at beginning of current period	100	(228)	(128)	640	74,073
Changes of items during period					
Dividends of surplus	--	--	--	--	(4,114)
Net income attributable to owners of the parent company	--	--	--	--	4,970
Purchase of treasury shares	--	--	--	--	(0)
Disposal of treasury shares	--	--	--	--	712
Net changes of items other than shareholders' equity	141	(83)	58	(36)	21
Total changes of items during period	141	(83)	58	(36)	1,589
Balance at end of current period	242	(312)	(70)	603	75,662

April 1, 2021 to March 31, 2022

(Millions of yen, rounded down)

	Shareholders' equity				
	Common stock	Capital reserve	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	10,795	11,706	68,050	(19,726)	70,825
Cumulative effects of changes in accounting policies	--	--	(602)	--	(602)
Restated balance	10,795	11,706	67,448	(19,726)	70,223
Changes of items during period					
Dividends of surplus	--	--	(4,102)	--	(4,102)
Net income attributable to owners of the parent company	--	--	7,421	--	7,421
Purchase of treasury shares	--	--	--	(734)	(734)
Disposal of treasury shares	--	296	--	457	754
Net changes of items other than shareholders' equity	--	--	--	--	--
Total changes of items during period	--	296	3,318	(277)	3,337
Balance at end of current period	10,795	12,003	70,766	(20,003)	73,561

	Other comprehensive income			Stock acquisition rights	Total net assets
	Foreign currency translation adjustment	Cumulative adjustments related to retirement benefits	Total other comprehensive income		
Balance at beginning of current period	(19)	(251)	(270)	660	71,215
Cumulative effects of changes in accounting policies	--	--	--	--	(602)
Restated balance	(19)	(251)	(270)	660	70,613
Changes of items during period					
Dividends of surplus	--	--	--	--	(4,102)
Net income attributable to owners of the parent company	--	--	--	--	7,421
Purchase of treasury shares	--	--	--	--	(734)
Disposal of treasury shares	--	--	--	--	754
Net changes of items other than shareholders' equity	119	22	142	(20)	121
Total changes of items during period	119	22	142	(20)	3,459
Balance at end of current period	100	(228)	(128)	640	74,073

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

	FY ended March 31, 2023	FY ended March 31, 2022
I. Cash flows from operating activities		
Income before income taxes.....	8,214	9,575
Depreciation.....	4,377	4,563
Impairment loss	204	680
Increase (decrease) in allowance for doubtful accounts	(10)	(114)
Increase (decrease) in provision for bonuses	(11)	(59)
Increase (decrease) in provision for share awards for directors	156	108
Increase (decrease) in retirement benefit liabilities	222	129
Interest and dividend income	(51)	(51)
Interest expenses on borrowings and bonds	0	0
Loss (gain) on foreign exchange.....	(25)	(319)
Loss (gain) on sale of investment securities	--	(31)
Loss (gain) on sale of fixed assets.....	(0)	(0)
Loss on retirement of fixed assets	70	25
Loss on store closings	74	43
Subsidy income	--	(109)
Decrease (increase) in accounts receivable	303	1,779
Decrease (increase) in inventories	(354)	560
Decrease (increase) in other current assets	1,360	(964)
Decrease (increase) in other fixed assets.....	(415)	(4)
Increase (decrease) in accounts payable	(91)	639
Increase (decrease) in contract liability.....	540	27
Increase (decrease) in other current liabilities	457	3
Increase (decrease) in other fixed liabilities	18	(40)
Others	438	(150)
Sub-total	15,478	16,291
Interest and dividends received	1	1
Interest expenses	(0)	(0)
Income taxes paid.....	(2,527)	(3,304)
Subsidies received.....	--	109
Net cash provided by (used in) operating activities	12,952	13,097

Consolidated Statement of Cash Flows (continued)

(Millions of yen, rounded down)

	FY ended March 31, 2023	FY ended March 31, 2022
II. Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	(1,143)	(4,007)
Income from sale of tangible fixed assets	0	1
Payment for acquisition of intangible fixed assets	(882)	(1,081)
Proceeds on sale of investment securities	--	103
Other payments	(131)	(86)
Other proceeds	288	398
Net cash used in investing activities	(1,867)	(4,673)
III. Cash flows from financing activities		
Proceeds from disposal of treasury stock	0	733
Purchase of treasury stock	(0)	(734)
Cash dividends paid	(4,109)	(4,097)
Others	(137)	(56)
Net cash used in financing activities	(4,247)	(4,155)
IV. Effect of exchange rate changes on cash and cash equivalents	93	351
V. Net increase in cash and cash equivalents	6,931	4,620
VI. Cash and cash equivalents at the beginning of the period	30,108	25,487
VIII. Cash and cash equivalents at end of period	37,039	30,108

(5) Notes to the Consolidated Financial Statements

Items related to a going concern

No applicable items

Changes in accounting policy

Adoption of Accounting Standards Codification (ASC) 842, Leases

From the beginning of the fiscal year under review, foreign consolidated subsidiaries that use U.S. accounting standards have adopted ASC 842, Leases. As a result, with regard to lease transactions at such foreign consolidated subsidiaries, the Company has decided, in principle, to record all leases as assets and liabilities on the balance sheet. In applying this accounting standard, the cumulative effect of adopting this accounting standard is recognized at the date of adoption, as permitted by transitional measures.

As a result, at the beginning of the fiscal year under review, right-of-use assets are included in "Other" under tangible fixed assets, and lease obligations are included in "Other" under current liabilities.

The effect of the application of this accounting standard on the quarterly consolidated statements of income is immaterial.

Change in presentation method

Consolidated Statement of Income

"Subsidy Income" which was presented as a separate item under "Non-operating income" in the previous fiscal year, is included in "Other non-operating income" in the fiscal year under review due to its amount becoming immaterial. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been retrospectively restated.

As a result, "Subsidy income" of ¥109 million and "Other non-operating income" of ¥59 million presented in "Non-operating income" in the consolidated statement of income for the previous fiscal year have been restated as "Other non-operating income" of ¥168 million.

Additional Information

Performance-linked stock price-based compensation plan

At the 41st Ordinary General Meeting of Shareholders held on June 26, 2021, the Company resolved to introduce a performance-linked stock compensation plan (hereafter "Plan") for FANCL Corporation Directors and Executive Officers (excluding Outside Directors and non-residents of Japan; hereafter "Company Directors, etc.") and subsidiary Directors (excluding Outside Directors and non-residents of Japan; hereafter "applicable Directors, etc." when combined with Company Directors, etc.), with the goal of enhancing the link between the remuneration of applicable Directors, etc. and the Company's business performance and shareholder value, to raise awareness of the contribution to increasing long-term business performance and increasing shareholder value, in the pursuit of achieving FANCL Group's Medium-Term Management Plan and enhancing corporate value.

(1) Outline

The Plan will use a system known as an officer compensation BIP (Board Incentive Plan) trust (hereafter the "Trust"). In the Plan, Company shares and money equivalent to the conversion of Company shares into cash (hereafter "Company Shares, etc.") in proportion to the job positions of the applicable Directors, etc. and the degree to which they have achieved their targets, will be granted and paid (hereafter "Granted, etc.") to the applicable Directors, etc.

(2) Company shares remaining in the trust

The Company's shares remaining in the Trust are recorded at their book value in the Trust (excluding the amount of incidental expenses) as treasury stock under net assets.

The book value and number of such treasury stock were ¥733 million and 211,500 shares, respectively, at the end of the previous fiscal year, and ¥728 million and 209,915 shares, respectively, at the end of the fiscal year under review.

Disposal of treasury stock as restricted stock compensation

Based on the program to grant restricted transferable shares to employees of the Company and its subsidiaries through the FANCL Employee Stock Ownership Plan (hereafter the "Program"), the Company has disposed of treasury stock as restricted transferable shares (the "Disposal of Treasury Stock") with the Employee Stock Ownership Plan as the allottee, as described below.

(1) Disposal date	April 28, 2022
(2) Class and number of shares subject to disposal	246,340 shares of common stock of the Company
(3) Disposal price	2,748 yen per share
(4) Total value of disposal	¥676,942,320
(5) Allotment method	Third-party allotment
(6) Other	The Company has submitted a securities registration statement in accordance with the Financial Instruments and Exchange Act.

2. Purpose and reason for disposal

The Company will provide the employees of the Company and its subsidiaries who are members of the FANCL Employee Stock Ownership Plan and who agree to the Program (the "Eligible Employees") with the opportunity to acquire the Restricted Shares (common stock of the Company) issued or disposed of by the Company through the FANCL Employee Stock Ownership Plan as a measure to promote the welfare of the Eligible Employees, thereby helping them to build their wealth and providing them with an incentive to continuously improve the corporate value of the Company and to promote further value sharing between Eligible Employees and the Company's shareholders. At a meeting of the Board of Directors held on January 28, 2022, the Company resolved to conduct a Disposal of Treasury Stock, and the payment was completed on April 28, 2022.

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, personal 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 (issued June 27, 2022).

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, 2022 to March 31, 2023

(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	57,448	39,871	6,276	103,595	--	103,595
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	57,448	39,871	6,276	103,595	--	103,595
Segment income (loss)	5,905	3,429	92	9,427	(1,584)	7,843
Segment Assets	38,168	28,923	4,445	71,536	32,407	103,944
Others						
Depreciation	2,098	1,960	247	4,306	68	4,377
Impairment losses	152	49	3	204	--	204
Increase in tangible and intangible fixed assets	1,099	888	153	2,141	51	2,192

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 (¥1,584 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 ¥32,407 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, 2021 to March 31, 2022

(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	58,809	38,471	6,710	103,992	--	103,992
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	58,809	38,471	6,710	103,992	--	103,992
Segment income (loss)	7,581	3,902	(25)	11,458	(1,687)	9,771
Segment Assets	36,689	27,226	3,944	67,860	32,260	100,121
Others						
Depreciation	2,084	1,853	220	4,158	405	4,563
Impairment losses	457	208	15	680	--	680
Increase in tangible and intangible fixed assets	1,353	2,320	209	3,882	518	4,401

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 (¥1,687 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 ¥32,260 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 (loss) is adjusted for operating income as recorded in the consolidated financial statements.

Related Information

Fiscal year under review (April 1, 2022 to March 31, 2023)

1. Information by product and service

This information is omitted because the same information is disclosed in Segment Information.

2. Information by region

(1) Net sales

Information about net sales has been omitted as the amount of net sales located in Japan exceeds 90% of the amount in the consolidated statement of income.

(2) Tangible fixed assets

Information about tangible fixed assets has been omitted as the amount of tangible fixed assets located in Japan exceeds 90% of the amount on the consolidated balance sheet.

3. Information by major customer

This information is omitted as there is no single customer who accounts for 10% or more of the net sales in the consolidated statements of income.

Previous fiscal year (April 1, 2021 to March 31, 2022)

1. Information by product and service

This information is omitted because the same information is disclosed in Segment Information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Asia	Other	Total
92,526	10,336	1,129	103,992

(Note) Net sales are based on the location of customers and are classified by country or region.

(2) Tangible fixed assets

Information about tangible fixed assets has been omitted as the amount of tangible fixed assets located in Japan exceeds 90% of the amount on the consolidated balance sheet.

3. Information by major customer

This information is omitted as there is no single customer who accounts for 10% or more of the net sales in the consolidated statement of income.

Per Share Information

	FY ended March 31, 2023	FY Ended March 31, 2022
Net assets per share	620.72	¥608.51
Net income per share	41.11	¥61.50
Net income per share (diluted)	40.95	¥61.25

Note:

- For the purpose of calculating Net income per share and Net income per share (diluted), the Company's shares held by the BIP Trust for Directors are included in treasury shares as a deduction in the calculation of average number of shares outstanding during the fiscal year. The number of such treasury stock deducted was 211,500 shares in the previous fiscal year and 209,915 shares in the fiscal year under review, and the average number of shares was 211,500 shares in the previous fiscal year and 210,895 shares in the fiscal year under review
- The basis for the calculation of net income per share and the Net income per share (diluted) for residual securities is as follows.

	FY ended March 31, 2023	FY ended March 31, 2022
Net income per share		
Net income attributable to owners of the parent company(¥ million)	4,970	7,421
Amount not attributable to common shareholders (¥ million)	--	--
Net income attributable to common shares (¥ million)	4,970	7,421
Average number of outstanding common shares during the year	120,905,689	120,673,202
Net income per share (diluted)		
Net income adjustments (¥ million)	--	--
Breakdown of additional common shares used for calculating net income per share		
New share warrants	481,444	488,740
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