

FANCL Corporation

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2024

April 1, 2023 to June 30, 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)

First Quarter Results for the Fiscal Year Ending March 31, 2024

FANCL CORPORATION

August 4, 2023

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

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Scheduled date for submission of first quarter *hokokusho* (securities report): August 10, 2023

Scheduled date for distribution of dividends: --

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

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

1) Consolidated results for the first quarter period (April 1, 2023 to June 30, 2023) of the fiscal year ending March 31, 2024

(1) Consolidated Operating Results

(Millions of yen, rounded down)

	Three months ended June 30, 2023		Three months ended June 30, 2022	
		% change		% change
Net sales	27,152	6.0	25,610	1.7
Operating income	3,202	84.3	1,737	(42.3)
Ordinary income	3,327	70.0	1,956	(39.6)
Net income attributable to owners of the parent company	2,189	87.4	1,168	(47.5)
Earnings per share (¥)	18.11	--	9.67	--
Earnings per share (diluted) (¥)	18.04	--	9.63	--

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

2. Comprehensive income: Three months ended June 30, 2023: ¥2,157 million (73.0%)

Three months ended June 30, 2022: ¥1,246 million (-46.4%)

(2) Consolidated Financial Position

(Millions of yen, rounded down)

	As of June 30, 2023	As of March 31, 2023
Total assets	104,432	103,944
Net assets	75,767	75,662
Equity ratio (%)	72.0	72.2

Shareholders' equity: As of June 30, 2023: ¥75,210 million

As of March 31, 2023: ¥75,058 million

2) Dividends per share

	FY ended March 31, 2023	FY ending March 31, 2024
Interim period	17.00	17.00 (forecast)
Year-end	17.00	17.00 (forecast)
Annual	34.00	34.00 (forecast)

Notes: 1. Changes to dividend forecasts during the period under review: None

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

(Millions of yen)

	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	--	66.14	--

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

2. Changes to the Consolidated forecasts during the period under review: No

4) Other

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

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

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

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

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

(4) Number of outstanding shares (common stock)

1. Number of shares outstanding (including treasury shares)	June 30, 2023	130,353,200 shares	March 31, 2023	130,353,200 shares
2. Number of treasury shares	June 30, 2023	9,402,130 shares	March 31, 2023	9,430,462 shares
3. Average number of shares during the three-month period	Three months to June 30, 2023	120,922,909 shares	Three months to June 30, 2022	120,848,804 shares

Note: The number of treasury stocks at the end of the period includes shares held by the Officer Compensation BIP (Board Incentive Plan) Trust Account (208,039 shares as of June 30, 2023, 209,915 as of March 31, 2023). Furthermore, the treasury stock held by the Officer Compensation BIP Trust Account are included in the treasury stock deducted in the calculation of the average number of shares outstanding during the period.

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

*** Appropriate use of financial forecasts, other special notes**

(Cautionary note regarding forward-looking statements)

Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For further detail, please see Page 7: 1. Operating Results, Section 3, Forecasts for the fiscal year ending March 31, 2024.

Contents

1. Operating Results

(1) Summary of business performance.....	5
(2) Summary of consolidated financial position.....	7
(3) Forecasts for the fiscal year ending March 31, 2024.....	7

2. Consolidated Financial Statements

(1) Consolidated balance sheets.....	8
(2) Consolidated statement of income and Consolidated statement of comprehensive income....	10
Consolidated statement of income.....	10
Consolidated statement of comprehensive income.....	11
(3) Notes to the consolidated financial statements.....	12
Items related to going concern.....	12
Note on significant change in shareholders' equity.....	12
Segment information.....	12

1. Operating Results

(1) Summary of business performance (consolidated)

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

During the three-month period under review, overall sales increased 6.0% to ¥27,152 million, due to an increase in sales in the mainstay cosmetics and nutritional supplements businesses. Operating income increased 84.3% to ¥3,202 million due to an increase in gross profit on higher sales, alongside efforts to effectively use advertising and promotion expenditure. Ordinary income increased 70.0% to ¥3,327 million, and net income attributable to owners of the parent company increased 87.4% to ¥2,189 million.

Segment results are as follows:

1) Cosmetics Business

Sales

Sales from the Cosmetics business increased 3.4% to ¥15,391 million.

(Millions of yen, rounded down)

	Three months ended June 30, 2023		Three months ended June 30, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	11,149	72.5	10,882	73.1	2.5
ATTENIR Cosmetics	3,884	25.2	3,469	23.3	12.0
boscia	150	1.0	233	1.6	(35.4)
Others	206	1.3	300	2.0	(31.4)
Totals	15,391	100.0	14,885	100.0	3.4

	Three months ended June 30, 2023		Three months ended June 30, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	8,141	52.9	7,795	52.4	4.4
Direct store sales	3,345	21.7	3,281	22.0	1.9
Wholesales and others	2,501	16.3	2,364	15.9	5.8
Overseas sales	1,403	9.1	1,443	9.7	(2.8)
Totals	15,391	100.0	14,885	100.0	3.4

Sales of **FANCL Cosmetics** increased 2.5% to ¥11,149 million due to strong trending sales of *BRIGHTENING*, a basic skincare line launched this spring, and *MILD CLEANSING OIL Black & Smooth*.

Sales of **ATTENIR Cosmetics** increased 12.0% to ¥3,884 million, due to growth in sales on external online and catalogue platforms, and strong cross-border e-commerce sales to China.

Sales of **boscia** decreased 35.4% to ¥150 million due to sluggish wholesale sales to real stores.

Results **by sales channels** were: online and catalogue sales increased 4.4% to ¥8,141 million, direct store sales increased 1.9% to ¥3,345 million, wholesale sales through other sales channels increased 5.8% to ¥2,501 million, and overseas sales decreased 2.8% to ¥1,403 million.

Operating income

Operating income increased 40.5% to ¥2,132 million, due to an increase in gross profit resulting from higher sales, alongside efforts to effectively use advertising and promotion expenditure.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales increased 12.5% to ¥10,331 million.

(Millions of yen, rounded down)

	Three months ended June 30, 2023		Three months ended June 30, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	4,611	44.6	4,339	47.2	6.3
Direct store sales	1,839	17.8	1,345	14.7	36.6
Wholesales and others	3,058	29.6	2,723	29.7	12.3
Overseas Sales	822	8.0	773	8.4	6.3
Totals	10,331	100.0	9,182	100.0	12.5

In addition to robust sales of *Calolimit for the Mature Aged and Enkin*, which were subject to strengthened advertising, cross-border e-commerce sales to China were also strong, resulting in an increase in overall sales.

Results by **sales channels** were: Online and catalogue sales increased 6.3% to ¥4,611 million, direct store sales increased 36.6% to ¥1,839 million, wholesale sales through other sales channels increased 12.3% to ¥3,058 million, and overseas sales increased 6.3% to ¥822 million.

Operating income

Operating income increased 150.4% to ¥1,500 million, due to an increase in gross profit on higher sales.

3) Other Businesses

Sales

Other businesses declined 7.2% year on year to ¥1,430 million.

(Millions of yen, rounded down)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Change (%)
Hatsuga genmai	463	493	(6.1)
Kale juice	442	466	(5.2)
Other	524	581	(9.8)
Totals	1,430	1,541	(7.2)

Operating income

An operating loss of ¥29 million was recorded (compared to operating income of ¥14 million in the previous comparable period) due to a decline in gross profit resulting from lower sales.

(2) Summary of consolidated financial position

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

Assets increased ¥487 million to ¥104,432 million, primarily due to an increase of ¥743 million in current assets and a decrease of ¥255 million in fixed assets. The primary factors contributing to the increase in current assets were a ¥286 million increase in cash and cash equivalents, and a ¥296 million increase in Other current assets due to an increase in prepaid expenses. The primary factor contributing to the decrease in fixed assets was a ¥359 million decrease in tangible fixed assets due to depreciation.

Liabilities increased ¥382 million from the end of the previous fiscal year to ¥28,664 million. The primary contributing factors were an increase of ¥10,457 million in current liabilities and a decrease of ¥10,074 million in long-term liabilities. Factors contributing to the increase in current liabilities included a ¥10,037 million increase due to reclassification of the current portion of convertible bonds with stock acquisition rights from long-term liabilities to current liabilities, a ¥736 million increase in allowance for bonuses, and a ¥264 million decrease in accounts payable. Factors contributing to the decrease in long-term liabilities included a ¥10,050 million decrease due to reclassification of the current portion of convertible bonds with stock acquisition rights from long-term liabilities to current liabilities.

Net assets increased ¥104 million to ¥75,767 million. Contributing factors included a ¥2,189 million increase in retained earnings due to the recording of net income attributable to owners of the parent, and a ¥2,059 million decrease in retained earnings due to dividend payments.

As a result, the shareholders' equity ratio decreased 0.2 points compared to the end of the previous fiscal year, to 72.0%.

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

The full-year consolidated results forecasts are unchanged from those announced on May 9, 2023.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen, rounded down)

	As of June 30, 2023	As of March 31, 2023
ASSETS		
I. Current assets:		
Cash and cash equivalents.....	37,326	37,039
Notes and accounts receivable.....	11,919	11,680
Merchandise and products	5,639	5,999
Raw materials and supplies	5,817	5,532
Others	2,097	1,801
Allowance for doubtful accounts	(95)	(91)
Total current assets	62,705	61,962
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	34,238	34,216
Accumulated depreciation and accumulated impairment loss	(19,907)	(19,695)
Buildings and structures (net)	14,330	14,520
Machinery and transport equipment	17,206	16,928
Accumulated depreciation and accumulated impairment loss	(12,103)	(11,815)
Machinery and transport equipment (net).....	5,103	5,113
Furniture, tools and fixtures	9,841	9,889
Accumulated depreciation and accumulated impairment loss	(8,656)	(8,677)
Furniture, tools and fixtures (net)	1,184	1,211
Land	13,914	13,914
Leased assets	317	317
Accumulated depreciation and accumulated impairment loss	(194)	(173)
Leased assets (net).....	122	144
Other	130	124
Accumulated depreciation and accumulated impairment loss	(44)	(34)
Other (net).....	86	89
Construction in progress	112	219
Total tangible fixed assets	34,854	35,213
Intangible fixed assets		
Other intangible fixed assets	2,420	2,485
Total intangible fixed assets	2,420	2,485
Investments and other assets		
Investment securities	125	125
Others	4,327	4,157
Total investments and other assets	4,452	4,283
Total fixed assets	41,727	41,982
Total assets.....	104,432	103,944

Consolidated Balance Sheet (continued)		
	<i>(Millions of yen, rounded down)</i>	
	As of June 30, 2023	As of March 31, 2023
LIABILITIES		
I. Current liabilities:		
Accounts payable	3,114	3,378
Current portion of convertible bonds with stock acquisition rights	10,037	--
Accrued income taxes	1,641	1,918
Contract liability	2,987	3,002
Provision for bonuses	1,959	1,223
Asset retirement obligations	2	--
Others	6,806	6,569
Total current liabilities	26,549	16,092
II. Long-term liabilities:		
Convertible bonds with stock acquisition rights	--	10,050
Provision for share awards for directors	296	259
Retirement benefit liabilities	1,234	1,223
Asset retirement obligations	441	448
Others	142	208
Total long-term liabilities	2,115	12,189
Total liabilities	28,664	28,282
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	12,175	12,189
Retained earnings	71,753	71,623
Treasury stock	(19,412)	(19,479)
Total shareholders' equity	75,312	75,128
Other comprehensive income		
Foreign currency translation adjustment	188	242
Total adjustments related to retirement benefits	(290)	(312)
Total other comprehensive income	(102)	(70)
Stock acquisition rights	557	603
Total net assets	75,767	75,662
Total Liabilities and Net Assets	104,432	103,944

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

(Millions of yen, rounded down)

	April 1, 2023 to June 30, 2023	April 1, 2022 to June 30, 2022
Net sales	27,152	25,610
Cost of sales	8,608	8,336
Gross profit	18,544	17,273
Selling, general and administrative expenses	15,342	15,536
Operating income	3,202	1,737
Non-operating income		
Interest income	12	12
Dividend income	0	0
Rental income	29	30
Foreign exchange gain	65	184
Other non-operating income	30	62
Total non-operating income	138	289
Non-operating expenses		
Interest expenses	--	0
Rent expenses on fixed assets	2	2
Restricted stock-related expenses	6	1
Provisions for allowance for bad debt	--	50
Other non-operating expenses	4	16
Total non-operating expenses	13	70
Ordinary income	3,327	1,956
Extraordinary income		
Income from sale of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary loss		
Loss on sale of fixed assets	0	--
Loss on retirement of fixed assets	26	2
Impairment loss	--	0
Loss on store closings	12	--
Total extraordinary loss	38	2
Income before income taxes	3,288	1,954
Income and other taxes	1,399	1,079
Adjustments to income and other taxes	(301)	(293)
Total income and other taxes	1,098	785
Net income	2,189	1,168
Net income attributable to owners of the parent company	2,189	1,168

Consolidated statement of comprehensive income

(Millions of yen, rounded down)

	April 1, 2023 to June 30, 2023	April 1, 2022 to June 30, 2022
Income before minority interests.....	2,189	1,168
Other comprehensive income		
Foreign currency translation adjustment.....	(53)	58
Adjustments related to retirement benefits	21	20
Total other comprehensive income	(32)	78
Comprehensive income	2,157	1,246
(Breakdown)		
Comprehensive income attributable to owners of the parent company	2,157	1,246
Comprehensive income attributable to minor interests.....	--	--

(3) Notes to the consolidated financial statements

Items related to going concern:

No applicable items

Note on significant change in shareholders' equity

No applicable items

Segment information

Business Segments

1. Three months ended June 30, 2023

(Millions of yen, rounded down)

	Business Segments			Total	Eliminations or Corporate* ²	Consolidated * ³
	Cosmetics Business	Nutritional Supplements Business	Other Businesses * ¹			
1. Sales and operating income:						
(1) Sales to external customers	15,391	10,331	1,430	27,152	--	27,152
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	15,391	10,331	1,430	27,152	--	27,152
Operating income (loss)	2,132	1,500	(29)	3,603	(401)	3,202

Notes:

1. The Other Businesses segment consists of sundries, personal effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and kale juice.
2. The adjustment amount on segment income (loss) of (¥401 million) includes total company expenses not distributed to each reportable segment and consist primarily of costs related to the General Affairs section of the parent company not included in the reportable segments.
3. Segment income and loss is adjusted for operating income as recorded in the consolidated financial statements.

2. Three months ended June 30, 2022

(Millions of yen, rounded down)

	Business Segments			Total	Eliminations or Corporate* ²	Consolidated * ³
	Cosmetics Business	Nutritional Supplements Business	Other Businesses * ¹			
1. Sales and operating income:						
(1) Sales to external customers	14,885	9,182	1,541	25,610	--	25,610
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	14,885	9,182	1,541	25,610	--	25,610
Operating income	1,517	599	14	2,131	(394)	1,737

Notes:

1. The Other Businesses segment consists of sundries, personal effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and kale juice.
2. The adjustment amount on segment income of (¥394 million) includes total company expenses not distributed to each reportable segment and consist primarily of costs related to the General Affairs section of the parent company not included in the reportable segments.
3. Segment income is adjusted for operating income as recorded in the consolidated financial statements.