

FANCL Corporation

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

April 1, 2023 to December 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 Nine-Month Period of the Fiscal Year Ending March 31, 2024

FANCL CORPORATION

February 6, 2024

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

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Scheduled date for submission of third quarter *hokokusho* (securities report): February 13, 2024

Scheduled date for distribution of dividends: --

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

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

1) Consolidated results for the nine-month period (April 1, 2023 to December 31, 2023) of the fiscal year ending March 31, 2024

(1) Consolidated Operating Results

(Millions of yen, rounded down)

	Nine months ended December 31, 2023		Nine months ended December 31, 2022	
		% change		% change
Net sales	83,415	5.6	78,954	0.0
Operating income	10,051	56.0	6,442	(23.5)
Ordinary income	10,396	42.9	7,277	(18.1)
Net income attributable to owners of the parent company	6,952	59.5	4,358	(32.9)
Earnings per share (¥)	57.48	--	36.05	--
Earnings per share (diluted) (¥)	57.27	--	35.91	--

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

2. Comprehensive income: Nine months ended December 31, 2023: ¥7,047 million (54.0%)

Nine months ended December 31, 2022: ¥4,574 million (-31.0%)

(2) Consolidated Financial Position

(Millions of yen, rounded down)

	As of December 31, 2023	As of March 31, 2023
Total assets	106,174	103,944
Net assets	78,604	75,662
Equity ratio (%)	73.5	72.2

Shareholders' equity: As of December 31, 2023: ¥78,067 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
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, rounded down)

	FY Ending March 31, 2024	
		Change %
Net sales	111,500	7.6
Operating income	12,500	59.4
Ordinary income	12,850	50.2
Profit (loss) attributable to owners of parent	8,500	71.0
Net income per share (¥)	70.27	--

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: Yes

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 stock)	December 31, 2023	130,353,200 shares	March 31, 2023	130,353,200 shares
2. Number of treasury stocks	December 31, 2023	9,395,697 shares	March 31, 2023	9,430,462 shares
3. Average number of shares during the nine-month period	Nine months to December 31, 2023	120,945,765 shares	Nine months to December 31, 2022	120,899,488 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 (206,039 shares as of December 31, 2023, 209,915 shares 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.

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1. Operating Results

(1) Summary of business performance (consolidated)

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

During the nine-month period under review, overall sales increased 5.6% to ¥83,415 million, driven by increased sales in the core cosmetics and nutritional supplements businesses. Operating income increased 56.0% to ¥10,051 million, due to an increase in gross profit on higher sales, alongside efforts to effectively use advertising and promotion expenditure. Ordinary income increased 42.9% to ¥10,396 million, and net income attributable to owners of the parent company increased 59.5% to ¥6,952 million.

Segment results are as follows:

1) Cosmetics Business

Sales

Sales from the Cosmetics business increased 3.9% to ¥45,877 million.

(Millions of yen, rounded down)

	Nine months ended December 31, 2023		Nine months ended December 31, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	33,066	72.1	32,226	73.0	2.6
ATTENIR Cosmetics	11,662	25.4	10,426	23.6	11.9
boscia	535	1.2	594	1.3	(9.8)
Others	612	1.3	929	2.1	(34.1)
Totals	45,877	100.0	44,176	100.0	3.9

	Nine months ended December 31, 2023		Nine months ended December 31, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	25,667	55.9	24,066	54.5	6.7
Direct store sales	9,347	20.4	8,847	20.0	5.7
Wholesales and others	7,194	15.7	7,313	16.6	(1.6)
Overseas sales	3,668	8.0	3,949	8.9	(7.1)
Totals	45,877	100.0	44,176	100.0	3.9

Sales of **FANCL Cosmetics** increased 2.6% to ¥33,066 million due to strong trending sales of make-up and special care products, in addition to *MILD CLEANSING OIL BLACK & SMOOTH* which was launched in April 2023.

Sales of **ATTENIR Cosmetics** increased 11.9% to ¥11,662 million, due to strong sales on external online and catalogue platforms, and growth in cross-border e-commerce sales to China.

Sales of **boscia** decreased 9.8% to ¥535 million due to sluggish wholesale sales to real stores.

Results by **sales channels** were: online and catalogue sales increased 6.7% to ¥25,667 million, direct store sales increased 5.7% to ¥9,347 million, wholesale sales through other sales channels decreased 1.6% to ¥7,194 million, and overseas sales decreased 7.1% to ¥3,668 million.

Operating income

Operating income increased 31.2% to ¥6,419 million due to an increase in gross profit from higher sales, as well as efforts to effectively use advertising and promotion expenditure.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales increased 10.0% to ¥33,065 million.

(Millions of yen, rounded down)

	Nine months ended December 31, 2023		Nine months ended December 31, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	14,517	43.9	13,714	45.6	5.9
Direct store sales	5,649	17.1	4,376	14.6	29.1
Wholesales and others	9,662	29.2	8,888	29.6	8.7
Overseas Sales	3,235	9.8	3,080	10.2	5.0
Totals	33,065	100.0	30,060	100.0	10.0

Overall **product sales** increased as a result of strong sales of *Calolimit for the Mature Aged, Anti-Cholesterol Support* and *Age Bracket-Based Supplements*, which were subject to strengthened advertising.

Results **by sales channels** were: online and catalogue sales increased 5.9% to ¥14,517 million, direct store sales increased 29.1% to ¥5,649 million, wholesale sales through other sales channels increased 8.7% to ¥9,662 million, and overseas sales increased 5.0% to ¥3,235 million.

Operating income

Operating income increased 85.4% to ¥5,039 million, due to an increase in gross profit from higher sales as well as efforts to effectively use advertising and promotion expenditure.

3) Other Businesses

Sales

Other businesses decreased 5.2% year on year to ¥4,472million.

(Millions of yen, rounded down)

	Nine months ended December 31, 2023	Nine months ended December 31, 2022	Change (%)
Hatsuga genmai	1,370	1,503	(8.9)
Kale juice	1,472	1,531	(3.9)
Other	1,629	1,682	(3.1)
Totals	4,472	4,717	(5.2)

Operating income

An operating loss of ¥197 million was recorded (compared to operating income of ¥89 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 ¥2,230 million to ¥106,174 million, primarily due to an increase of ¥3,750 million in current assets and a decrease of ¥1,520 million in fixed assets. The primary factors contributing to the increase in current assets were a ¥2,214 million increase in notes and accounts receivable, and a ¥1,541 million increase in merchandise and products. The primary factor contributing to the decrease in fixed assets was a ¥1,273 million decrease in tangible fixed assets due to depreciation.

Liabilities decreased ¥711 million from the end of the previous fiscal year to ¥27,570 million. The primary contributing factors were an increase of ¥9,387 million in current liabilities and a decrease of ¥10,098 million in long-term liabilities. Factors contributing to the increase in current liabilities included a ¥10,012 million increase due to reclassification of the current portion of convertible bonds with stock acquisition rights from long-term liabilities to current liabilities, and a ¥930 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 ¥2,941 million to ¥78,604 million. Contributing factors included a ¥6,952 million increase in retained earnings due to the recording of net income attributable to owners of the parent company, and a ¥4,119 million decrease in retained earnings due to dividend payments.

As a result, the shareholders' equity ratio increased 1.3 points compared to the end of the previous fiscal year, to 73.5%.

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

In light of recent trends in business performance, the Company has revised the full year consolidated results forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024) that were announced in conjunction with the financial results on May 9, 2023.

The Company has revised the full year forecasts for net sales, operating income, ordinary income and net income attributable to owners of the parent company for the fiscal year ending March 31, 2024, due to strong trends in the performance of our main businesses in Japan, and our prompt efforts to address the issue of treated water released from the nuclear power plant which resulted a smaller financial impact than originally anticipated.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen, rounded down)

	As of December 31, 2023	As of March 31, 2023
ASSETS		
I. Current assets:		
Cash and cash equivalents	36,877	37,039
Notes and accounts receivable	13,895	11,680
Merchandise and products	7,540	5,999
Raw materials and supplies	5,618	5,532
Others	1,886	1,801
Allowance for doubtful accounts	(105)	(91)
Total current assets	65,712	61,962
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	34,272	34,216
Accumulated depreciation and accumulated impairment loss	(20,220)	(19,695)
Buildings and structures (net)	14,051	14,520
Machinery and transport equipment	17,226	16,928
Accumulated depreciation and accumulated impairment loss	(12,672)	(11,815)
Machinery and transport equipment (net)	4,554	5,113
Furniture, tools and fixtures	9,269	9,889
Accumulated depreciation and accumulated impairment loss	(8,143)	(8,677)
Furniture, tools and fixtures (net)	1,126	1,211
Land	13,897	13,914
Leased assets	275	317
Accumulated depreciation and accumulated impairment loss	(165)	(173)
Leased assets (net)	110	144
Others	145	124
Accumulated depreciation and accumulated impairment loss	(69)	(34)
Others	76	89
Construction in progress	124	219
Total tangible fixed assets	33,940	35,213
Intangible fixed assets		
Others	2,492	2,485
Total intangible fixed assets	2,492	2,485
Investments and other assets		
Investment securities	125	125
Others	3,904	4,157
Total investments and other assets	4,029	4,283
Total fixed assets	40,462	41,982
Total Assets	106,174	103,944

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of December 31, 2023	As of March 31, 2023
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	2,448	3,378
Current portion of convertible bonds with stock acquisition rights	10,012	--
Accrued income taxes	2,061	1,918
Contract liability	3,050	3,002
Provision for bonuses	695	1,223
Others	7,212	6,569
Total current liabilities	25,480	16,092
II. Long-term liabilities:		
Convertible bonds with stock acquisition rights	--	10,050
Provision for share awards for directors...	328	259
Retirement benefit liabilities	1,232	1,223
Asset retirement obligations	420	448
Others	109	208
Total long-term liabilities	2,090	12,189
Total liabilities	27,570	28,282
NET ASSETS		
Shareholders' equity		
Common stock	10,795	10,795
Capital reserve	12,170	12,189
Retained earnings	74,456	71,623
Treasury stock	(19,379)	(19,479)
Total shareholders' equity	78,042	75,128
Other comprehensive income		
Foreign currency translation adjustment...	271	242
Total adjustments related to retirement benefits	(246)	(312)
Total other comprehensive income	24	(70)
Stock acquisition rights	536	603
Total net assets	78,604	75,662
Total Liabilities and Net Assets	106,174	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 December 31, 2023	April 1, 2022 to December 31, 2022
Net sales	83,415	78,954
Cost of sales.....	26,712	25,841
Gross profit	56,702	53,112
Selling, general and administrative expenses	46,651	46,669
Operating income	10,051	6,442
Non-operating income		
Interest income	39	38
Dividend income	0	0
Foreign exchange gain (loss)	153	685
Rental income.....	88	89
Other non-operating income	109	127
Total non-operating income	391	941
Non-operating expenses		
Interest expenses	--	0
Rent expenses on fixed asses	6	6
Restricted stock-related expenses	23	15
Provisions for allowance for bad debt.....	--	50
Other non-operating expenses.....	16	34
Total non-operating expenses.....	46	106
Ordinary income	10,396	7,277
Extraordinary income		
Income from sale of fixed assets.....	4	0
Total extraordinary income.....	4	0
Extraordinary loss		
Loss on sale of fixed assets	0	--
Loss on retirement of fixed assets	34	5
Impairment loss	19	128
Loss on store closings.....	21	65
Other	5	--
Total extraordinary loss.....	81	199
Income before income taxes	10,320	7,077
Income and other taxes	3,402	2,517
Adjustments to income and other taxes.....	(34)	201
Total income and other taxes	3,367	2,719
Net income	6,952	4,358
Net income attributable to owners of the parent company	6,952	4,358

Consolidated statement of comprehensive income

(Millions of yen, rounded down)

	April 1, 2023 to December 31, 2023	April 1, 2022 to December 31, 2022
Income before minority interests.....	6,952	4,358
Other comprehensive income		
Foreign currency translation adjustment	29	155
Adjustments related to retirement benefits.....	65	60
Total other comprehensive income.....	94	215
Comprehensive income	7,047	4,574
(Breakdown)		
Comprehensive income attributable to owners of the parent company.....	7,047	4,574
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. Nine months ended December 31, 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	45,877	33,065	4,472	83,415	--	83,415
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	45,877	33,065	4,472	83,415	--	83,415
Operating income (loss)	6,419	5,039	(197)	11,261	(1,209)	10,051

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 (¥1,209 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. Nine months ended December 31, 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	44,176	30,060	4,717	78,954	--	78,954
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	44,176	30,060	4,717	78,954	--	78,954
Operating income	4,893	2,718	89	7,702	(1,259)	6,442

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 (¥1,259 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.