

FANCL Corporation

Consolidated Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2024

April 1, 2023 to September 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)

Interim Results for the Fiscal Year Ending March 31, 2024

FANCL CORPORATION

November 2, 2023

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

Stock exchange listings: TSE Prime Market, code number 4921
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Scheduled date for submission of interim *hokokusho* (securities report): November 13, 2023

Scheduled date for distribution of dividends: December 5, 2023

Availability of supplementary explanatory material for the interim results: Available

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

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

(1) Consolidated Operating Results

(Millions of yen, rounded down)

	Six months ended September 30, 2023		Six months ended September 30, 2022	
		% change		% change
Net sales	54,077	6.8	50,639	1.5
Operating income	6,057	80.8	3,350	(35.2)
Ordinary income	6,362	52.3	4,176	(24.9)
Net income attributable to owners of the parent company	4,316	62.6	2,654	(34.8)
Earnings per share (¥)	35.69	--	21.96	--
Earnings per share (diluted) (¥)	35.55	--	21.87	--

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

2. Comprehensive income: Six months ended September 30, 2023: ¥4,337 million (52.1%)

Six months ended September 30, 2022: ¥2,850 million (-31.9%)

(2) Consolidated Financial Position

(Millions of yen, rounded down)

	As of September 30, 2023	As of March 31, 2023
Total assets	106,425	103,944
Net assets	77,954	75,662
Equity ratio (%)	72.7	72.2

Shareholders' equity: As of September 30, 2023 ¥77,417 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

	FY Ending March 31, 2024	
		Change %
Net sales	111,000	7.1
Operating income	12,000	53.0
Ordinary income	12,200	42.6
Profit (loss) attributable to owners of parent	8,000	60.9
Net income per share (¥)	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: None

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)	September 30, 2023	130,353,200 shares	March 31, 2023	130,353,200 shares
2. Number of treasury stock	September 30, 2023	9,391,908 shares	March 31, 2023	9,430,462 shares
3. Average number of shares during the six-month period	Six months to September 30, 2023	120,938,741 shares	Six months to September 30, 2022	120,886,118 shares

Note: The number of treasury stock at the end of the fiscal year includes the Company's shares held by the BIP Trust for Directors (206,039 shares as of September 30, 2023, and 209,915 shares as of March 31, 2023). The Company's shares held by the BIP Trust for Directors are included in treasury stock as a deduction in the calculation of average number of shares outstanding during the fiscal year.

***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 six-month period of the previous fiscal year, unless stated otherwise.)

During the six-month period under review, overall sales increased 6.8% to ¥54,077 million, due to an increase in sales in the core cosmetics and nutritional supplements businesses. Operating income increased 80.8% to ¥6,057 million, due to increase in gross profit on higher sales, alongside efforts to effectively use advertising and promotion expenditure. Ordinary income increased 52.3% to ¥6,362 million, and net income attributable to owners of the parent company increased 62.6% to ¥4,316 million.

Segment results are as follows:

1) Cosmetics Business

Sales

Sales from the Cosmetics business increased 4.2% to ¥29,886 million.

(Millions of yen, rounded down)

	Six months ended September 30, 2023		Six months ended September 30, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	21,431	71.7	20,905	72.9	2.5
ATTENIR Cosmetics	7,675	25.7	6,744	23.5	13.8
boscia	358	1.2	398	1.4	(10.1)
Others	420	1.4	645	2.2	(34.8)
Totals	29,886	100.0	28,694	100.0	4.2

	Six months ended September 30, 2023		Six months ended September 30, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	16,033	53.7	15,269	53.2	5.0
Direct store sales	6,249	20.9	5,762	20.1	8.5
Wholesales and others	4,848	16.2	4,980	17.4	(2.6)
Overseas sales	2,754	9.2	2,682	9.3	2.7
Totals	29,886	100.0	28,694	100.0	4.2

Sales of **FANCL Cosmetics** increased 2.5% to ¥21,431 million due to strong trending sales of *BRIGHTENING*, a basic skincare line launched this spring, *MILD CLEANSING OIL BLACK & SMOOTH*, and special skin care product *CORE EFFECTOR*.

Sales of **ATTENIR Cosmetics** increased 13.8% to ¥7,675 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 10.1% to ¥358 million due to sluggish wholesale sales to real stores.

Results **by sales channels** were: online and catalogue sales increased 5.0% to ¥16,033 million, direct store sales increased 8.5% to ¥6,249 million, wholesale sales through other sales channels decreased 2.6% to ¥4,848 million, and overseas sales increased 2.7% to ¥2,754 million.

Operating income

Operating income increased 49.0% to ¥4,056 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 13.4% to ¥21,394 million.

(Millions of yen, rounded down)

	Six months ended September 30, 2023		Six months ended September 30, 2022		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	9,416	44.0	8,794	46.6	7.1
Direct store sales	3,557	16.6	2,751	14.6	29.3
Wholesales and others	6,194	29.0	5,581	29.6	11.0
Overseas Sales	2,226	10.4	1,738	9.2	28.1
Totals	21,394	100.0	18,866	100.0	13.4

Overall product sales increased as a result of strong-trending sales of *Calolimit for the Mature Aged* which was subject to strengthened advertising, *and Age Bracket-Based Supplements*, as well as growth in cross-border e-commerce sales to China.

Results by **sales channels** were: Online and catalogue sales increased 7.1% to ¥9,416 million, direct store sales increased 29.3% to ¥3,557 million, wholesale sales through other sales channels increased 11.0% to ¥6,194 million, and overseas sales increased 28.1% to ¥2,226 million.

Operating income

Operating income increased 109.2% to ¥2,938 million, due to an increase in gross profit on higher sales alongside efforts to effectively use advertising and promotion expenditure.

3) Other Businesses

Sales

Other businesses decreased 9.2% year on year to ¥2,796 million.

(Millions of yen, rounded down)

	Six months ended September 30, 2023	Six months ended September 30, 2022	Change (%)
Hatsuga genmai	889	996	(10.7)
Kale juice	923	964	(4.2)
Other	983	1,118	(12.0)
Totals	2,796	3,078	(9.2)

Operating income

An operating loss of ¥139 million was recorded (compared to operating income of ¥65 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 ¥2,480 million to ¥106,425 million, primarily due to an increase of ¥3,338 million in current assets and a decrease of ¥858 million in fixed assets. The primary factors contributing to the increase in current assets were a ¥1,245 million increase in notes and accounts receivable, an ¥828 million increase in raw materials and supplies, and a ¥725 million increase in cash and cash equivalents. The primary factor contributing to the decrease in fixed assets was a ¥858 million decrease in tangible fixed assets due to depreciation.

Liabilities increased ¥189 million from the end of the previous fiscal year to ¥28,471 million. The primary contributing factors were an increase of ¥10,214 million in current liabilities and a decrease of ¥10,025 million in long-term liabilities. Factors contributing to the increase in current liabilities included a ¥10,025 million increase due to reclassification of the current portion of convertible bonds with stock acquisition rights from long-term liabilities to current liabilities, a ¥520 million increase in accrued income taxes, and a ¥658 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 ¥2,291 million to ¥77,954 million. Contributing factors included a ¥4,316 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 increased 0.5 points compared to the end of the previous fiscal year, to 72.7%.

Cash flow

Cash and cash equivalents as of September 30, 2023 were ¥37,765 million, ¥725 million higher than at the end of the previous fiscal year. The main contributing factors are detailed below.

Cash flows from operating activities

Cash gained from operating activities during the interim period under review was ¥3,635 million compared to an inflow of ¥6,150 million in the interim period of the previous fiscal year. Factors increasing operating cash flow included income before income taxes of ¥6,301 million, and depreciation expenses of ¥1,937 million. Factors reducing operating cash flow included income taxes paid of ¥1,504 million, a decrease in accounts payable of ¥1,234 million, and an increase in inventories of ¥1,196 million.

Cash flows from investing activities

Cash used in investing activities during the interim period under review was ¥1,011 million, compared to an outflow of ¥922 million in the interim period of the previous fiscal year. Factors reducing investment cash flow included outlays of ¥800 million for acquisitions of tangible fixed assets, and outlays of ¥372 million for acquisitions of intangible fixed assets.

Cash flows from financing activities

Cash used in financing activities during the interim period under review was ¥2,129 million, compared to an outflow of ¥2,118 million in the interim period of the previous fiscal year. The main factor reducing cash flow from financing activities was ¥2,055 million for dividend payments.

(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 September 30, 2023	As of March 31, 2023
ASSETS		
I. Current assets:		
Cash and cash equivalents	37,765	37,039
Notes and accounts receivable	12,925	11,680
Merchandise and products	6,391	5,999
Raw materials and supplies	6,361	5,532
Others	1,956	1,801
Allowance for doubtful accounts	(99)	(91)
Total current assets	65,300	61,962
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	34,177	34,216
Accumulated depreciation and accumulated impairment loss	(20,000)	(19,695)
Buildings and structures (net)	14,177	14,520
Machinery and transport equipment	17,253	16,928
Accumulated depreciation and accumulated impairment loss	(12,419)	(11,815)
Machinery and transport equipment (net)	4,834	5,113
Furniture, tools and fixtures	9,384	9,889
Accumulated depreciation and accumulated impairment loss	(8,250)	(8,677)
Furniture, tools and fixtures (net)	1,133	1,211
Land	13,897	13,914
Leased assets	277	317
Accumulated depreciation and accumulated impairment loss	(147)	(173)
Leased assets (net)	130	144
Other	141	124
Accumulated depreciation and accumulated impairment loss	(57)	(34)
Other (net)	83	89
Construction in progress	99	219
Total tangible fixed assets	34,355	35,213
Intangible fixed assets		
Other intangible fixed assets	2,486	2,485
Total intangible fixed assets	2,486	2,485
Investments and other assets		
Investment securities	125	125
Others	4,156	4,157
Total investments and other assets	4,282	4,283
Total fixed assets	41,124	41,982
Total assets	106,425	103,944

Consolidated Balance Sheet (continued)

(Millions of yen, rounded down)

	As of September 30, 2023	As of March 31, 2023
LIABILITIES		
I. Current liabilities:		
Accounts payable.....	2,720	3,378
Current portion of convertible bonds with stock acquisition rights	10,025	--
Accrued income taxes	2,438	1,918
Contract liability.....	2,923	3,002
Provision for bonuses.....	1,418	1,223
Asset retirement obligations.....	1	--
Others.....	6,779	6,569
Total current liabilities.....	26,306	16,092
II. Long-term liabilities:		
Convertible bonds with stock acquisition rights	--	10,050
Provision for share awards for directors.....	333	259
Retirement benefit liabilities	1,272	1,223
Asset retirement obligations.....	420	448
Others.....	138	208
Total long-term liabilities	2,164	12,189
Total liabilities	28,471	28,282
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	12,170	12,189
Retained earnings	73,879	71,623
Treasury stock	(19,379)	(19,479)
Total shareholders' equity.....	77,466	75,128
Other comprehensive income		
Foreign currency translation adjustment.....	219	242
Total adjustments related to retirement benefits	(268)	(312)
Total other comprehensive income	(49)	(70)
Stock acquisition rights.....	536	603
Total net assets.....	77,954	75,662
Total Liabilities and Net Assets.....	106,425	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 September 30, 2023	April 1, 2022 to September 30, 2022
Net sales.....	54,077	50,639
Cost of sales.....	17,432	16,393
Gross profit.....	36,644	34,245
Selling, general and administrative expenses	30,587	30,895
Operating income	6,057	3,350
Non-operating income		
Interest income	26	25
Dividend income	0	0
Foreign exchange gain (loss)	172	735
Rental income.....	59	60
Other non-operating income.....	76	96
Total non-operating income.....	334	917
Non-operating expenses		
Interest expenses	--	0
Rent expenses on fixed assets.....	4	4
Restricted stock-related expenses.....	16	7
Provisions for allowance for bad debt.....	--	50
Other non-operating expenses	8	29
Total non-operating expenses	29	91
Ordinary income.....	6,362	4,176
Extraordinary income		
Income from sale of fixed assets	3	0
Total extraordinary income	3	0
Extraordinary loss		
Loss on sale of fixed assets	0	--
Loss on retirement of fixed assets	33	3
Impairment loss	4	4
Loss on store closings	21	61
Other.....	5	--
Total extraordinary loss	64	69
Income before income taxes	6,301	4,107
Income and other taxes.....	2,193	1,708
Adjustments to income and other taxes	(208)	(255)
Total income and other taxes	1,985	1,453
Net income	4,316	2,654
Net income attributable to owners of the parent company	4,316	2,654

Consolidated statement of comprehensive income

(Millions of yen, rounded down)

	April 1, 2023 to September 30, 2023	April 1, 2022 to September 30, 2022
Income before minority interests.....	4,316	2,654
Other comprehensive income		
Foreign currency translation adjustment	(22)	155
Adjustments related to retirement benefits	43	40
Total other comprehensive income	20	196
Comprehensive income	4,337	2,850
(Breakdown)		
Comprehensive income attributable to owners of the parent company	4,337	2,850
Comprehensive income attributable to minor interests	--	--

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

	April 1, 2023 to September 30, 2023	April 1, 2022 to September 30, 2022
Cash flows from operating activities		
Income before income taxes	6,301	4,107
Depreciation	1,937	2,143
Impairment loss	4	4
Increase (decrease) in allowance for doubtful accounts.....	(5)	88
Increase (decrease) in allowance for bonuses	194	84
Increase (decrease) in provision for share awards for directors.....	87	81
Increase (decrease) in contract liabilities	(78)	282
Increase (decrease) in retirement benefit liabilities	112	106
Interest and dividend income.....	(26)	(25)
Interest expenses on borrowings and bonds	--	0
Loss (gain) on foreign exchange.....	(283)	(1,066)
Loss (gain) on sale of fixed assets.....	(3)	(0)
Loss on retirement of fixed assets	33	3
Loss on store closures	21	61
Decrease (increase) in accounts receivable	(1,234)	778
Decrease (increase) in inventories.....	(1,196)	490
Decrease (increase) in other current assets.....	127	823
Decrease (increase) in other fixed assets	(120)	(36)
Increase (decrease) in accounts payable.....	(662)	(1,117)
Increase (decrease) in other current liabilities	67	13
Increase (decrease) in other long-term liabilities	(39)	19
Others	(97)	443
Sub-total	5,138	7,286
Interest and dividends received	1	0
Interest expenses	--	(0)
Income taxes paid.....	(1,504)	(1,136)
Net cash provided by (used in) operating activities.....	3,635	6,150

Consolidated Statement of Cash Flows (continued)

	<i>(Millions of yen, rounded down)</i>	
	April 1, 2023 to September 30, 2023	April 1, 2022 to September 30, 2022
II. Cash flows from investing activities		
Acquisition of tangible fixed assets	(800)	(610)
Income from sale of tangible fixed assets.....	21	0
Acquisition of intangible fixed assets	(372)	(404)
Other payments	(27)	(84)
Other proceeds	167	176
Net cash used in investing activities.....	(1,011)	(922)
III. Cash flows from financing activities		
Proceeds from disposal of treasury stock	0	0
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(2,055)	(2,052)
Others	(73)	(66)
Net cash used in financing activities	(2,129)	(2,118)
IV. Effect of exchange rate changes on cash and cash equivalents	230	1,112
V. Net increase in cash and cash equivalents	725	4,223
VI. Cash and cash equivalents at the beginning of the period	37,039	30,108
VII. Cash and cash equivalents at end of period	37,765	34,331

(4) 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. Six months ended September 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	29,886	21,394	2,796	54,077	--	54,077
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	29,886	21,394	2,796	54,077	--	54,077
Operating income	4,056	2,938	(139)	6,855	(798)	6,057

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 (¥798 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. Six months ended September 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	28,694	18,866	3,078	50,639	--	50,639
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	28,694	18,866	3,078	50,639	--	50,639
Operating income	2,722	1,404	65	4,192	(841)	3,350

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 (¥841 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.