

FANCL Corporation

Consolidated Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2022

April 1, 2021 to September 30, 2021

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Interim Results for the Fiscal Year Ending March 31, 2022

FANCL CORPORATION

October 28, 2021

www.fancl.jp/en/

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Scheduled date for submission of interim *hokokusho* (securities report): November 11, 2021

Scheduled date for distribution of dividends: December 3, 2021

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, 2021 to September 30, 2021) of the fiscal year ending March 31, 2022

(1) Consolidated Operating Results

(Millions of yen, rounded down)

	Six months ended September 30, 2021		Six months ended September 30, 2020	
		% change		% change
Net sales	49,876	(8.1)	54,265	(18.0)
Operating income	5,171	6.0	4,878	(45.2)
Ordinary income	5,558	11.5	4,986	(44.5)
Net income attributable to owners of the parent company	4,070	13.9	3,573	(39.1)
Earnings per share (¥)	33.73	--	29.63	--
Earnings per share (diluted) (¥)	33.59	--	29.50	--

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, 2021: ¥4,185 million (17.9%)

Six months ended September 30, 2020: ¥3,548 million (-39.2%)

3. From the beginning of the first quarter period, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. As a result, net sales are ¥4,267 million lower, and operating income and ordinary income are each ¥217 million higher. If the figures for the fiscal year ended March 2021 were estimated on the same basis, net sales would be 0.1% lower year-on-year.

(2) Consolidated Financial Position

(Millions of yen, rounded down)

	As of September 30, 2021	As of March 31, 2021
Total assets	97,034	97,533
Net assets	72,746	71,215
Shareholders' equity/total assets (%)	74.3	72.3

Shareholders' equity: As of September 30, 2021: ¥72,106 million

As of March 31, 2021: ¥70,554 million

2) Dividends per share

	FY ended March 31, 2021	FY ending March 31, 2022
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, 2022 (April 1, 2021 to March 31, 2022)

Millions of yen

	FY Ending March 31, 2022	
		Change %
Net sales	106,500	(7.3)
Operating income	12,000	3.7
Ordinary income	12,200	3.5
Profit (loss) attributable to owners of parent	8,100	1.0
Net income per share (¥)	67.12	--

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

3. As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. has been adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022, the above consolidated forecast reflects the application of this accounting standard. If the same standard is applied to the fiscal year ended March 31, 2021, net sales would be 1.3% higher year on year. There is no change in the operating income, ordinary income and net income forecasts before and after the application of the new accounting standard.

4) Other

(1) Transfer of important subsidiaries during the period: 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: Yes
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)	September 30, 2021	130,353,200 shares	March 31, 2021	130,353,200 shares
2. Number of treasury shares	September 30, 2021	9,677,338 shares	March 31, 2021	9,690,356 shares
3. Average number of shares during the six-month period	Six months to September 30, 2021	120,670,627 shares	Six months to September 30, 2020	120,616,163 shares

***This quarterly 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 3, Forecasts for the fiscal year ending March 31, 2022.

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1. Operating Results

(1) Summary of business performance (consolidated)

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

During the six-month period under review, consolidated sales decreased 8.1% to ¥49,876 million, operating income increased 6.0% to ¥5,171 million, ordinary income increased 11.5% to ¥5,558 million, and net income attributable to owners of the parent company increased 13.9% to ¥4,070 million.

From the beginning of the first quarter period, the Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. (hereafter "Accounting Standard for Revenue Recognition"). As a result, sales are ¥4,267 million lower, and operating income and ordinary income are each ¥217 million higher.

To provide a more realistic analysis of the operating results, the results of the same period of the previous fiscal year have been reclassified to reflect the adoption of this new accounting standard (hereafter "after reclassification").

During the six-month period under review, although sales in the core cosmetics and nutritional supplements businesses increased, overall sales declined 0.1% to ¥49,876 million due to factors including the absence of sales of non-woven masks that were sold in the previous comparable period. Operating income increased 6.0% to ¥5,171 million due to an increase in gross profit resulting from an improvement in the cost of sales ratio in Other Businesses, as well as the efficient use of advertising expenditure, despite an increase in depreciation expenses following the launch of operations at the Mishima Factory (supplements plant) and the Kansai Logistics Center, and the effect of the recording of personnel expenses associated with store closures as an extraordinary loss in the same period of the previous fiscal year. Ordinary income increased 11.5% to ¥5,558 million, and net income attributable to owners of the parent company increased 13.9% to ¥4,070 million.

Segment results are as follows:

1) Cosmetics Business

Sales

Sales from the Cosmetics business increased 1.9% to ¥28,244 million.

(Millions of yen, rounded down)

	Six months ended September 30, 2021		Six months ended September 30, 2020 (After reclassification)		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	20,271	71.8	20,577	74.2	(1.5)
ATTENIR Cosmetics	7,004	24.8	5,794	20.9	20.9
boscia	529	1.9	1,021	3.7	(48.2)
Others	439	1.5	335	1.2	31.0
Totals	28,244	100.0	27,729	100.0	1.9

	Six months ended September 30, 2021		Six months ended September 30, 2020 (After reclassification)		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	14,588	51.6	15,203	54.8	(4.0)
Direct store sales	6,109	21.6	5,643	20.4	8.3
Wholesales and others	3,998	14.2	3,573	12.9	11.9
Overseas sales	3,574	12.6	3,308	11.9	7.2
Totals	28,244	100.0	27,729	100.0	1.9

Sales of **FANCL Cosmetics** decreased 1.5% to ¥20,271 million, due to a slowdown in sales of basic skin care product *ENRICH* prior to its renewal, which outweighed strong sales of *DEEP CLEAR WASHING POWDER*, *CORE EFFECTOR* and others.

Sales of **ATTENIR Cosmetics** increased 20.9% to ¥7,004 million, due to contributions from *Dress snow* basic skin care which launched in April, and cross-border e-commerce sales to China.

Sales of **boscia** decreased 48.2% to ¥529 million due to sluggish wholesale sales to real stores.

Results **by sales channels** were: online and catalogue sales decreased 4.0% to ¥14,588 million, direct store sales increased 8.3% to ¥6,109 million, wholesale sales through other sales channels increased 11.9% to ¥3,998 million, and overseas sales increased 7.2% to ¥3,547 million.

Operating income

Operating income increased 13.6% to ¥3,512 million, due to an increase in gross profit resulting from higher sales, as well as the efficient use of advertising expenditure.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales increased 2.6% to ¥18,460 million.

(Millions of yen, rounded down)

	Six months ended September 30, 2021		Six months ended September 30, 2020 (After reclassification)		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	8,376	45.4	8,173	45.4	2.5
Direct store sales	3,264	17.7	2,730	15.2	19.6
Wholesales and others	4,677	25.3	5,596	31.1	(16.4)
Overseas Sales	2,141	11.6	1,494	8.3	43.3
Totals	18,460	100.0	17,995	100.0	2.6

Although sales of *Naishi Support* were lower year on year due to a slowdown ahead of its renewal, sales of *Age Bracket-Based Supplements* increased significantly, particularly in the overseas channel, resulting in an increase in overall sales.

Results by **sales channels** were: Online and catalogue sales increased 2.5% to ¥8,376 million, direct store sales increased 19.6% to ¥3,264 million, wholesale sales through other sales channels declined 16.4% to ¥4,677 million, and overseas sales increased 43.3% to ¥2,141 million.

Operating income

Operating income increased 4.9% to ¥2,528 million, due to an increase in gross profit from higher sales and the efficient use of advertising expenditure, despite an increase in depreciation expenses for the newly established Mishima Factory (supplements plant).

3) Other Businesses

Sales

Other businesses decreased 24.1% year on year to ¥3,171 million.

(Millions of yen, rounded down)

	Six months ended September 30, 2021	Six months ended September 30, 2020 (After reclassification)	Change (%)
Hatsuga genmai	1,010	1,007	0.3
Kale juice	980	1,100	(10.9)
Other	1,180	2,070	(43.0)
Totals	3,171	4,178	(24.1)

In addition to a decrease in sales of Kale juice, Other sales also decreased as a result of a decline in sales of non-woven masks.

Operating income

An operating loss of ¥21 million was recorded (compared to operating income of ¥227 million in the previous comparable period) due to a decrease 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 decreased ¥498 million to ¥97,034 million, primarily due to a decrease of ¥942 million in current assets and an increase of ¥443 million in fixed assets. The main factors contributing to the decrease in current assets were a ¥2,573 million decrease in notes and accounts receivable, a ¥1,029 million increase in cash and cash equivalents, and a ¥910 million increase in other current assets due to an increase in accounts receivable - other. The main factor contributing to the increase in fixed assets was a ¥309 million increase in tangible fixed assets.

Liabilities decreased ¥2,030 million from the end of the previous fiscal year to ¥24,288 million. The primary contributing factor was a decrease of ¥1,963 million in current liabilities. Factors contributing to the decrease in current liabilities included a ¥2,014 million decrease in provision for points, a ¥460 million decrease in notes and accounts payable, and a ¥922 million increase other current liabilities due to an increase in contract liability and a decrease in accounts payable - other.

The decrease in provision for points and increase in contract liability were the result of the adoption of accounting standards for revenue recognition.

Net assets increased ¥1,531 million to ¥72,746 million. Contributing factors included a ¥4,070 million increase in retained earnings due to the recording of net income attributable to owners of the parent, a ¥2,051 million decrease in retained earnings due to dividend payments, and a ¥602 million decrease in retained earnings at the beginning of the period due to the adoption of the Accounting Standard for Revenue Recognition. As a result, the shareholders' equity ratio increased 2.0 points compared to the end of the previous fiscal year, to 74.3%.

Cash flow

Cash and cash equivalents as of September 30, 2021 were ¥26,517 million, ¥1,029 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 ¥6,396 million compared to an inflow of ¥2,637 million in the interim period of the previous fiscal year. Factors increasing operating cash flow included income before income taxes of ¥5,480 million, depreciation expenses of ¥2,117 million, a decrease in accounts receivable of ¥2,656 million, and an increase in other current assets of ¥1,122 million. Factors reducing operating cash flow included a decrease in provision for points of ¥2,014 million, and income taxes paid of ¥1,720 million.

Cash flows from investing activities

Cash used in investing activities during the interim period under review was ¥3,568 million, compared to an outflow of ¥2,819 million in the interim period of the previous fiscal year. Factors reducing investment cash flow included outlays of ¥3,183 million for acquisitions of tangible fixed assets, and outlays of ¥568 million for acquisitions of intangible fixed assets.

Cash flows from financing activities

Cash used in financing activities during the interim period under review was ¥2,079 million, compared to an outflow of ¥2,081 million in the interim period of the previous fiscal year. The main factor reducing cash flow from financing activities was ¥2,048 million for dividend payments.

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

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, 2022 (April 1, 2021 to March 31, 2022) that were previously announced on May 10, 2021.

Due to the spread of COVID-19 and the prolonged state of emergency, consolidated sales for the six-month period under review fell short of the plan. Accordingly, sales for the fiscal year ending March 31, 2022 are forecast to be ¥106,500 million.

Additionally, despite a decrease in gross profit due to interim sales falling short of the plan, the forecasted operating income, ordinary income and net income attributable to owners of the parent company remain unchanged, due to streamlining of marketing expenditure and reductions in fixed costs.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	<i>Millions of yen, rounded down</i>	
	As of September 30, 2021	As of March 31, 2021
ASSETS		
I. Current assets:		
Cash and cash equivalents	26,517	25,487
Notes and accounts receivable.....	11,017	13,590
Merchandise and products.....	5,542	5,805
Raw materials and supplies	5,697	5,848
Others	2,416	1,506
Allowance for doubtful accounts.....	(111)	(216)
Total current assets.....	51,080	52,022
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures.....	34,696	31,670
Accumulated depreciation and accumulated impairment loss	(18,087)	(17,768)
Buildings and structures (net)	16,609	13,901
Machinery and transport equipment.....	16,489	11,699
Accumulated depreciation and accumulated impairment loss	(9,416)	(8,730)
Machinery and transport equipment (net).....	7,072	2,969
Furniture, tools and fixtures	10,038	9,299
Accumulated depreciation and accumulated impairment loss	(8,235)	(8,032)
Furniture, tools and fixtures (net).....	1,803	1,267
Land	14,214	14,214
Lease assets	196	258
Accumulated depreciation and accumulated impairment loss.....	(111)	(150)
Lease assets (net)	85	108
Construction in progress	165	7,180
Total tangible fixed assets	39,951	39,642
Intangible fixed assets		
Other	2,470	2,253
Total intangible fixed assets.....	2,470	2,253
Investments and other assets		
Investment securities	176	199
Others	3,355	3,416
Total investments and other assets.....	3,532	3,615
Total fixed assets	45,954	45,511
Total Assets	97,034	97,533

Consolidated Balance Sheets, continued

Millions of yen, rounded down

	As of September 30, 2021	As of March 31, 2021
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	2,309	2,770
Accrued income taxes	1,522	1,943
Provision for bonuses.....	1,310	1,293
Provision for points.....	--	2,014
Asset retirement obligations	1	7
Others.....	7,691	6,769
Total current liabilities	12,835	14,798
II. Long-term liabilities:		
Convertible bonds with stock acquisition rights.....	10,125	10,150
Retirement benefit liabilities	814	783
Asset retirement obligations	410	427
Others.....	101	158
Total long-term liabilities	11,452	11,519
Total liabilities	24,288	26,318
NET ASSETS		
Shareholders' equity		
Common stock	10,795	10,795
Additional paid-in capital	11,706	11,706
Retained earnings	69,460	68,050
Treasury stock.....	(19,700)	(19,726)
Total shareholders' equity	72,261	70,825
Other comprehensive income		
Foreign currency translation adjustment...	59	(19)
Total adjustments related to retirement benefits.....	(214)	(251)
Total other comprehensive income.....	(155)	(270)
Warrants	640	660
Total net assets	72,746	71,215
Total Liabilities and Net Assets	97,034	97,533

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

Millions of yen, rounded down

	April 1, 2021 to September 30, 2021	April 1, 2020 to September 30, 2020
Net sales.....	49,876	54,265
Cost of sales.....	16,530	16,462
Gross profit.....	33,346	37,802
Selling, general and administrative expenses	28,174	32,924
Operating income	5,171	4,878
Non-operating income		
Interest income	25	25
Dividend income	0	0
Foreign exchange gain.....	162	--
Rental income.....	68	75
Other non-operating income.....	159	43
Total non-operating income.....	417	145
Non-operating expenses		
Interest expenses	0	--
Rent expenses on fixed assets.....	5	6
Provisions for allowance for bad debt.....	--	1
Loss on foreign exchange	--	16
Other non-operating expenses.....	23	13
Total non-operating expenses	29	37
Ordinary income	5,558	4,986
Extraordinary income		
Income from sale of fixed assets	0	1
Subsidy income.....	--	482
Other	--	3
Total extraordinary income	0	487
Extraordinary loss		
Loss on sale of fixed assets	0	--
Loss on disposal of fixed assets	24	41
Impairment loss	3	--
Loss on closure of stores.....	27	--
Compensation.....	20	--
COVID-19 related loss	--	617
Other.....	3	0
Total extraordinary loss	78	660
Income before income taxes	5,480	4,813
Income and other taxes.....	1,286	1,246
Adjustments to income and other taxes.....	124	(6)
Total income and other taxes	1,410	1,240
Net income	4,070	3,573
Net income attributable to owners of the parent company	4,070	3,573

Consolidated statement of comprehensive income

Millions of yen, rounded down

	April 1, 2021 to September 30, 2021	April 1, 2020 to September 30, 2020
Income before minority interests.....	4,070	3,573
Other comprehensive income		
Foreign currency translation adjustment.....	78	(20)
Adjustments related to retirement benefits.....	36	(3)
Total other comprehensive income.....	115	(24)
Comprehensive income	4,185	3,548
(Breakdown)		
Comprehensive income attributable to owners of the parent company.....	4,185	3,548
Comprehensive income attributable to minor interests	--	--

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

	April 1, 2021 to September 30, 2021	April 1, 2020 to September 30, 2020
Cash flows from operating activities		
Income before income taxes	5,480	4,813
Depreciation	2,117	1,761
Impairment loss	3	--
Increase (decrease) in allowance for doubtful accounts.....	(104)	(8)
Increase (decrease) in provision for bonuses	16	28
Increase (decrease) in provision for directors' bonuses	--	(12)
Increase (decrease) in provision for points.....	(2,014)	84
Increase (decrease) in retirement benefit related obligation ..	83	(12)
Interest and dividend income.....	(26)	(26)
Interest expenses on borrowings and bonds	0	--
Loss (gain) from foreign exchange.....	(260)	21
Loss (gain) on sale of fixed assets.....	(0)	(1)
Loss on disposal of fixed assets	24	41
Loss on store closures	27	--
Subsidy income	--	(482)
Compensation	20	--
COVID-19 related loss	--	617
Decrease (increase) in accounts receivable.....	2,656	468
Decrease (increase) in inventories.....	436	(518)
Decrease (increase) in other current assets.....	(878)	(163)
Decrease (increase) in other fixed assets	12	5
Decrease (increase) in accounts payable.....	(470)	(331)
Increase (decrease) in other current liabilities	1,122	(1,499)
Increase (decrease) in other long-term liabilities	(39)	(0)
Others	(71)	(67)
Sub-total	8,136	4,717
Interest and dividends received	1	1
Interest paid.....	(0)	--
Income taxes paid.....	(1,720)	(1,945)
Compensation paid	(20)	--
Subsidies received.....	--	482
COVID-19 related losses.....	--	(617)
Net cash provided by (used in) operating activities.....	6,396	2,637

Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen, rounded down</i>	
	April 1, 2021 to September 30, 2021	April 1, 2020 to September 30, 2020
II. Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	(3,183)	(2,470)
Income from sale of tangible fixed assets.....	0	2
Payment for acquisition of intangible fixed assets	(568)	(399)
Proceeds from sales and redemption of investment securities	22	--
Purchase of shares of subsidiaries and associates	(44)	--
Other payments	(35)	(99)
Other proceeds	240	147
Net cash used in investing activities.....	(3,568)	(2,819)
III. Cash flows from financing activities		
Proceeds from disposal of treasury stock	0	0
Payment for purchase of treasury stock	(0)	(0)
Cash dividends paid	(2,048)	(2,047)
Others	(30)	(33)
Net cash used in financing activities	(2,079)	(2,081)
IV. Effect of exchange rate changes on cash and cash equivalents	281	(26)
V. Net increase in cash and cash equivalents	1,029	(2,288)
VI. Cash and cash equivalents at the beginning of the period.....	25,487	27,991
VII. Cash and cash equivalents at end of period.....	26,517	25,702

(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

Changes in accounting policy

Adoption of Accounting Standard for Revenue Recognition

From the beginning of the first quarter period under review, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. (hereafter "Accounting Standard for Revenue Recognition"), and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to the customer.

The main changes resulting from the adoption of this accounting standard are as follows:

(1) Accounting for sales promotion expenses, etc.

With respect to certain sales promotion expenses, and sales commissions which are compensation paid to customers, while previously recorded as selling, general and administrative expenses, the Company has shifted to a method of deducting from sales.

In addition, for expenses pertaining to the performance obligation to grant free promotional items to customers in response to sales, the Company has shifted to a method of recording in cost of sales.

(2) Revenue recognition related to points programs

With respect to points programs, the Company previously recorded expenses that are expected to be required to be exchanged for points in the future as an allowance. However, the Company has now shifted to a method of identifying them as a performance obligation and deferring the recognition of revenue when the points provide significant rights to customers.

(3) Revenue recognition for sales with a right of return

With respect to sales with a right of return, the Company has shifted to a method of not recognizing revenue at the time of sale for the portion of returns expected, in accordance with the provisions on variable consideration.

In accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the first quarter period, was added to or deducted from retained earnings at the beginning of the first quarter period, and the new accounting policy has been applied from the beginning balance of the fiscal year under review.

As a result, sales for the interim period are ¥4,267 million lower, cost of sales is ¥652 million higher, and gross profit is ¥4,919 million lower. Selling, general and administrative expenses are ¥5,137 million lower, and operating income, ordinary income and income before income taxes and minority interests are each ¥217 million higher. In addition, the balance of retained earnings at the beginning of the fiscal year is ¥602 million lower.

As a result of the application of the Accounting Standard for Revenue Recognition, "Provision for points," which was presented in "Current liabilities" in the consolidated balance sheet for the previous fiscal year, is presented as "Contract liability" in "Other current liabilities" from the first quarter period. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation method.

Additional information

Accounting Standard for Fair Value Measurement

The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereafter "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the first quarter period under review. The Company will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The Company does not hold any financial instruments whose fair value is used as the value on the

quarterly consolidated balance sheets, and there is no impact on the quarterly consolidated financial statements.

Segment information

Business Segments

1. Six months ended September 30, 2021

(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	28,244	18,460	3,171	49,876	--	49,876
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	28,244	18,460	3,171	49,876	--	49,876
Operating income	3,512	2,528	(21)	6,019	(848)	5,171

Notes:

- The Other Businesses segment consists of sundries, personal effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and Kale juice
- The adjustment amount on segment income (loss) of (¥848 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.
- Segment income (loss) is adjusted for operating income as recorded in the consolidated financial statements.
- As described in "Changes in accounting policy", effective from the beginning of the first quarter period, the Company has adopted the Accounting Standard for Revenue Recognition and changed its accounting method for revenue recognition. The Company has made similar changes to the method of calculating income and loss in its Business Segments. As a result of this change, in the first quarter period, compared with the previous method of calculation, Cosmetics Business sales are ¥2,505 million lower and segment income is ¥16 million higher, Nutritional Supplements Business sales are ¥1,567 million lower and segment income is ¥207 million higher, and Other Businesses sales are ¥194 million lower and segment income is ¥6 million higher.

2. Six months ended September 30, 2020

(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	30,349	19,485	4,429	54,265	--	54,265
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	30,349	19,485	4,429	54,265	--	54,265
Operating income	3,091	2,410	227	5,729	(851)	4,878

Notes:

- The Other Businesses segment consists of sundries, personal effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and Kale juice
- The adjustment amount on segment income (loss) of (¥851 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.
- Segment income is adjusted for operating income as recorded in the consolidated financial statements.