

FANCL Corporation

Consolidated Financial Statements for the
Fiscal Year Ended March 31, 2022

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, 2022

FANCL CORPORATION

May 10, 2022

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

Stock exchange listings: TSE Prime Market, code number 4921
 Contact: Yuhei Komine
 Deputy Executive Officer, General Manager,
 Corporate Planning Office
 Telephone: +81-45-226-1200

CEO, President, Representative Director: Kazuyuki Shimada
 Scheduled date for regular shareholders' meeting: June 25, 2022
 Scheduled date for distribution of dividends: June 27, 2022
 Scheduled date for submission of financial report: June 27, 2022
 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, 2021 to March 31, 2022)

(1) Consolidated Operating Results

(Millions of yen, rounded down)

	FY ended March 31, 2022		FY ended March 31, 2021	
		% change		% change
Net sales	103,992	(9.5)	114,909	(9.4)
Operating income.....	9,771	(15.6)	11,576	(18.0)
Ordinary income.....	10,401	(11.7)	11,784	(17.7)
Net income attributable to owners of the parent company.....	7,421	(7.4)	8,016	(19.7)
Net income per share (¥)	61.50	--	66.45	--
Net income per share (diluted) (¥).....	61.25	--	66.18	--
Return on equity (%)	10.3	--	11.7	--
Ratio of ordinary income to total capital (%).....	10.5	--	12.3	--
Ratio of operating income to net sales (%)	9.4	--	10.1	--

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, 2022: ¥7,563 million (-5.7%) FY ended March 31, 2021: ¥8,023 million (-19.0%)

3. From the beginning of the fiscal year under review, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. As a result, net sales are ¥9,326 million lower, and operating income and ordinary income are each ¥61 million higher. If the figures for the fiscal year ended March 31, 2021 were estimated on the same basis, net sales would be 1.1% lower year-on-year.

Reference: Gain from investments in subsidiaries and affiliates accounted for by the equity method:

FY ended March 31, 2022: -- million FY ended March 31, 2021: -- million

(2) Consolidated Financial Position

(Millions of yen, rounded down)

	As of March 31, 2022	As of March 31, 2021
Total assets.....	100,121	97,533
Net assets	74,073	71,215
Equity ratio (%).....	73.3	72.3
Shareholders' equity per share	608.51	584.73

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

As of March 31, 2021: ¥70,554 million

(3) Cash Flows

(Millions of yen, rounded down)

	FY ended March 31, 2022	FY ended March 31, 2021
Net cash provided by operating activities.....	13,097	10,011
Net cash used in investing activities.....	(4,673)	(8,135)
Net cash used in financing activities	(4,155)	(4,170)
Cash and cash equivalents at end of year	30,108	25,487

2) Dividends

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ending March 31, 2023 (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).....	4,102	4,106	
Consolidated dividend payout ratio (%)	51.2	55.3	53.4
Dividend to net assets ratio (%).....	6.0	5.7	

3) Consolidated forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen, rounded down)

	Interim period ending September 30, 2022		FY Ending March 31, 2023	
		Change %		Change %
Net sales	52,760	5.8	111,000	6.7
Operating income.....	4,300	(16.8)	11,100	13.6
Ordinary income.....	4,370	(21.4)	11,250	8.2
Profit (loss) attributable to owners of parent.....	3,000	(26.3)	7,700	3.8
Net income per share (¥).....	24.86	--	63.81	--

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, 2022	130,353,200 shares	As of March 31, 2021	130,353,200 shares
2. Number of treasury shares	As of March 31, 2022	9,677,463 shares	As of March 31, 2021	9,690,356 shares
3. Average number of shares during the period	FY ended March 31, 2022	120,673,202 shares	FY ended March 31, 2021	120,639,516 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 (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, 2022

1) Non-consolidated Operating Results

(Millions of yen, rounded down)

	FY ended March 31, 2022		FY ended March 31, 2021	
		(% change)		(% change)
Sales.....	87,089	(12.1)	99,112	(9.6)
Operating income	8,814	(15.5)	10,433	(15.8)
Ordinary income	9,090	(14.6)	10,645	(15.2)
Net income.....	6,142	(14.4)	7,174	(16.3)
Net income per share (¥)	50.90		59.47	
Net income per share (diluted) (¥)	50.70		59.23	

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

2) Non-Consolidated financial position

	As of March 31, 2022	As of March 31, 2021
Total assets (millions of yen)	78,650	77,822
Net assets (millions of yen).....	55,913	54,460
Equity ratio (%)	70.3	69.1
Net assets per share (¥)	458.03	445.87

Reference: Shareholders' equity:

FY ended March 2022: ¥55,272 million

FY ended March 2021: ¥53,799 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, 2023.

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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 9.5% to ¥103,992 million, operating income decreased 15.6% to ¥9,771 million, ordinary income declined 11.7% to ¥10,401 million, and net income attributable to owners of the parent company declined 7.4% to ¥7,421 million.

From the beginning of the consolidated financial year under review, 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 ¥9,326 million lower, and operating income and ordinary income are each ¥61 million higher.

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

During the consolidated financial year under review, although sales in the nutritional supplements business increased, overall sales declined 1.1% to ¥103,992 million due to a decline in sales in the cosmetics business, as well as in other businesses due to factors including the absence of sales of non-woven masks that were sold in the previous fiscal year. Operating income declined 15.6% to ¥9,771 million due to a decrease in gross profit from lower sales, an increase in advertising expenditure associated with the renewal of core products, an increase in depreciation expenses following the launch of operations at the Kansai Logistics Center, and the effect of the recording of personnel expenses associated with store closures as an extraordinary loss in the previous fiscal year. Ordinary income decreased 11.7% to ¥10,401 million, and net income attributable to owners of the parent company decreased 7.4% to ¥7,421 million.

Segment results are as follows:

2) Status of operations

(1) Cosmetics Business

Sales

Sales from the Cosmetics business decreased 0.7% to ¥58,809 million.

(Millions of yen, rounded down)

	FY ended March 31, 2022		FY ended March 31, 2021		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	42,758	72.7	44,150	74.5	(3.2)
ATTENIR Cosmetics	13,797	23.5	12,071	20.4	14.3
boscia	1,161	2.0	2,255	3.8	(48.5)
Others	1,091	1.8	743	1.3	46.8
Totals	58,809	100.0	59,221	100.0	(0.7)

	FY ended March 31, 2022		FY ended March 31, 2021		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	30,459	51.8	30,679	51.8	(0.7)
Direct store sales	13,213	22.5	13,876	23.4	(4.8)
Wholesales and others	8,339	14.2	7,513	12.7	11.0
Overseas sales	6,797	11.5	7,151	12.1	(5.0)
Totals	58,809	100.0	59,221	100.0	(0.7)

Sales of **FANCL Cosmetics** decreased 3.2% to ¥42,758 million, due to a slowdown in sales of makeup and special care products, which outweighed a strong trend in sales of *MILD CLEANSING OIL*, and *ENRICH+* which were subject to renewal.

Sales of **ATTENIR Cosmetics** increased 14.3% to ¥13,797 million, as a result of strong trending sales of *Dress Snow* basic skin care which launched in April, and *SKIN CLEAR CLEANSE OIL*, as well as contributions from cross-border e-commerce sales to China.

Sales of **boscia** decreased 48.5% to ¥1,161 million due to sluggish wholesale sales to real stores.

Results **by sales channels** were: online and catalogue sales decreased 0.7% to ¥30,459 million, direct store sales decreased 4.8% to ¥13,213 million, wholesale sales through other sales channels increased 11.0% to ¥8,339 million, and overseas sales decreased 5.0% to ¥6,797 million.

Operating income

Operating income declined 4.7% to ¥7,581 million, due to a decrease in gross profit resulting from lower sales and the proactive use of advertising expenditure, which outweighed efforts towards the efficient use of sales promotion expenditure.

(2) Nutritional Supplements Business

Sales

Nutritional supplement sales increased 1.6% to ¥38,471 million.

(Millions of yen, rounded down)

	FY ended March 31, 2022		FY ended March 31, 2021		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	17,330	45.1	16,948	44.8	2.3
Direct store sales	6,586	17.1	6,137	16.2	7.3
Wholesales and others	9,898	25.7	11,633	30.7	(14.9)
Overseas Sales	4,655	12.1	3,134	8.3	48.5
Totals	38,471	100.0	37,854	100.0	1.6

Although sales of *Naishi Support* and *Calolimit* were lower year on year, sales of *Age Bracket-Based Supplements* grew significantly, particularly in the overseas channel, resulting in an increase in overall sales.

Results **by sales channels** were: Online and catalogue sales increased 2.3% to ¥17,330 million, direct store sales increased 7.3% to ¥6,586 million, wholesale sales through other sales channels declined 14.9% to ¥9,898 million, and overseas sales increased 48.5% to ¥4,655 million.

Operating income

Operating income decreased 22.6% to ¥3,902 million due to deterioration of the cost of sales ratio resulting from an increase in depreciation expenses for the newly established Mishima Factory (supplements plant), as well as an increase in depreciation expenses resulting from the launch of operations at the Kansai Logistics Center, and an increase in research and development expenses.

(3) Other Businesses

Sales

Other businesses decreased 16.9% year on year to ¥6,710 million.

(Millions of yen, rounded down)

	FY ended March 31, 2022	FY ended March 31, 2021	Change (%)
Hatsuga genmai	2,056	2,059	(0.1)
Kale juice	2,110	2,270	(7.0)
Other	2,543	3,741	(32.0)
Totals	6,710	8,071	(16.9)

In addition to a decrease in sales of Kale juice, Other sales also decreased as a result of an absence of sales of non-woven masks which were sold in the previous period.

Operating income

An operating loss of ¥25 million was recorded (compared to operating income of ¥224 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 increased ¥2,587 million to ¥100,121 million, primarily due to an increase of ¥3,582 million in current assets and a decrease of ¥994 million in fixed assets. The primary factors contributing to the increase in current assets were a ¥4,620 million increase in cash and cash equivalents, a ¥1,046 million increase in other current assets due to an increase in accounts receivable – other, and a ¥1,677 million decrease in accounts receivable.

The primary factors contributing to the decrease in fixed assets were a ¥1,700 million decrease in tangible fixed assets due to depreciation, a ¥334 million increase in intangible fixed assets - other due to an increase in software, and a ¥749 million increase in deferred tax assets.

Liabilities decreased ¥269 million from the end of the previous fiscal year to ¥26,048 million. The primary contributing factors were a decrease of ¥425 million in current liabilities and an increase of ¥155 million in long-term liabilities. Factors contributing to the decrease in current liabilities included a ¥803 million decrease in accounts payable - other, a ¥2,014 million decrease in provision for points, and a ¥2,461 million increase in contract liability. The primary factor contributing to the increase in long-term liabilities was a ¥108 million increase in provision for share awards for directors.

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 ¥2,857 million to ¥74,073 million. Contributing factors included a ¥7,421 million increase in retained earnings due to the recording of net income attributable to owners of the parent, and a ¥4,102 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 1.0 points compared to the end of the previous fiscal year, to 73.3%.

(3) Summary of Cash flows

Cash and cash equivalents ("funds") as of March 31, 2022, were ¥30,108 million, ¥4,620 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, 2022 are as follows:

Cash flows from operating activities

Cash flow gained from operating activities during the period under review was ¥13,097 million, compared with an inflow of ¥10,011 million in the previous consolidated fiscal year.

Factors increasing operating cash flow included income before income taxes of ¥9,575 million, depreciation of ¥4,563 million, and a decrease in accounts receivable of ¥1,779 million. The main factors decreasing operating cash flow included income taxes paid of ¥3,304 million.

Cash flows from investing activities

Cash flow used in investing activities during the period under review was ¥4,673 million, compared with an outflow of ¥8,135 million in the previous consolidated fiscal year. This was primarily due to outlays of ¥4,007 million for acquisitions of tangible fixed assets, and outlays of ¥1,081 million for acquisitions of intangible fixed assets.

Cash flows from financing activities

Cash flow used in financing activities during the period under review was ¥4,155 million, compared with an outflow of ¥4,170 million in the previous consolidated fiscal year. The main factor reducing cash flow from financing activities was ¥4,097 million for dividend payments.

(4) Forecasts for the fiscal year ending March 31, 2023

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 a full-fledged recovery in consumption is not expected. Under these circumstances, the Group will work to eliminate the "negatives" that have arisen as a result of the COVID-19 pandemic, and respond quickly to changes in the social environment to accelerate its global expansion.

In the Cosmetics Business, we will aim to increase new customer acquisitions by investing in marketing for FANCL Cosmetics, focusing on basic skin care products. We will also introduce *CLAY GEL FACIAL WASH*, a gel-type face wash, to meet growing needs for pore care, and also work to develop our Prestige brand.

For Attenir, we will continue to strengthen *Dress Snow*, while overseas we aim to achieve further growth by rolling

out a new formulation of *SKIN CLEAR CLEANSE OIL* and continuing to invest in advertising. We will aim to build boscia into a global brand in the clean beauty category, and will also reorganize the business including strengthening the e-commerce structure.

In the Nutritional Supplements Business, we will work to further develop our long-popular *Calolimit* series and *Enkin* products, as well aggressively investing in marketing for *Sleep & Fatigue Care* which was launched in October 2021, and other products, to help them develop into star products and to establish a strong customer base. Overseas, we will work to further develop key products such as *Age Bracket-Based Supplements* followed by *Calolimit*, and expand our customer base by strengthening local marketing.

In light of the above, in the fiscal year ending March 31, 2023, the Company forecasts a 6.7% increase in net sales to ¥111,000 million, a 13.6% increase in operating income to ¥11,100 million, an 8.2% increase in ordinary income to ¥11,250 million, and a 3.8% increase in net income to ¥7,700 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, 2022	As of March 31, 2021
ASSETS		
I. Current assets:		
Cash and cash equivalents.....	30,108	25,487
Notes and accounts receivable.....	--	13,590
Notes receivable.....	6	--
Accounts receivable.....	11,910	--
Merchandise and products.....	5,518	5,805
Raw materials and supplies.....	5,610	5,848
Others.....	2,553	1,506
Allowance for doubtful accounts.....	(101)	(216)
Total current assets.....	55,605	52,022
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures.....	34,715	31,670
Accumulated depreciation and accumulated impairment loss.....	(19,103)	(17,768)
Buildings and structures (net).....	15,611	13,901
Machinery and transport equipment.....	16,783	11,699
Accumulated depreciation and accumulated impairment loss.....	(10,326)	(8,730)
Machinery and transport equipment (net).....	6,456	2,969
Furniture, tools and fixtures.....	9,981	9,299
Accumulated depreciation and accumulated impairment loss.....	(8,435)	(8,032)
Furniture, tools and fixtures (net).....	1,546	1,267
Land.....	14,214	14,214
Lease assets.....	205	258
Accumulated depreciation and accumulated impairment loss.....	(127)	(150)
Lease assets (net).....	78	108
Construction in progress.....	34	7,180
Total tangible fixed assets.....	37,941	39,642
Intangible fixed assets		
Other intangible fixed assets.....	2,587	2,253
Total intangible fixed assets.....	2,587	2,253
Investments and other assets		
Investment securities.....	125	199
Long-term loans.....	50	100
Deferred tax assets.....	2,634	1,885
Others.....	1,201	1,456
Allowance for doubtful accounts.....	(24)	(25)
Total investments and other assets.....	3,986	3,615
Total fixed assets.....	44,516	45,511
Total assets.....	100,121	97,533

Consolidated Balance Sheet (continued)

Millions of yen, rounded down

	As of March 31, 2022	As of March 31, 2021
LIABILITIES		
I. Current liabilities:		
Accounts payable	3,431	2,770
Lease obligations	50	53
Accounts payable	4,589	5,392
Accrued income taxes	1,271	1,943
Contract liability	2,461	--
Provision for bonuses	1,234	1,293
Provision for points	--	2,014
Asset retirement obligations	2	7
Others	1,332	1,322
Total current liabilities	14,373	14,798
II. Long-term liabilities:		
Convertible bonds with stock acquisition rights	10,100	10,150
Lease obligations	35	63
Provision for share awards for directors	108	--
Retirement benefit liabilities	880	783
Asset retirement obligations	496	427
Others	54	94
Total long-term liabilities	11,675	11,519
Total liabilities	26,048	26,318
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	12,003	11,706
Retained earnings	70,766	68,050
Treasury stock	(20,003)	(19,726)
Total shareholders' equity	73,561	70,825
Other comprehensive income		
Foreign currency translation adjustment	100	(19)
Total adjustments related to retirement benefits	(228)	(251)
Total other comprehensive income	(128)	(270)
Warrants	640	660
Total net assets	74,073	71,215
Total Liabilities and Net Assets	100,121	97,533

(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, 2022	Fiscal year ended March 31, 2021
Net sales	103,992	114,909
Cost of sales.....	34,876	33,798
Gross profit.....	69,116	81,110
Selling, general and administrative expenses		
Sales promotion expenses	7,645	15,668
Packing and transport expenses.....	5,448	5,881
Advertising expenses.....	12,577	11,850
Sales commission fee.....	2,933	6,819
Communications expenses.....	1,688	1,895
Directors' remuneration	426	522
Salaries and bonuses	11,075	10,813
Provision for accrued bonuses	1,006	958
Provision for share-based remuneration.....	108	--
Retirement benefit expenses	505	469
Compulsory welfare expenses.....	1,763	1,792
Welfare expenses	286	300
Depreciation	2,611	2,160
Research and development expenses.....	1,257	1,003
Rent expenses.....	1,216	1,148
Provisions for allowance for bad debt.....	43	38
Other.....	8,749	8,210
Total selling, general and administrative expenses.....	59,345	69,534
Operating income	9,771	11,576
Non-operating income		
Interest income.....	51	51
Dividend income.....	0	0
Foreign exchange gain.....	283	--
Rent income	130	152
Compensation payments received	17	14
Commissions earned.....	27	34
Subsidy income	109	42
Other non-operating income.....	59	71
Total net operating income	680	366
Non-operating expenses		
Interest expenses	0	--
Rent expenses on fixed assets.....	11	13
Loss on foreign exchange	--	118
Miscellaneous losses	37	27
Total net operating expenses	49	158
Ordinary income	10,401	11,784

Consolidated Statement of Income (continued)

Millions of yen, rounded down

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Extraordinary income		
Income from sale of fixed assets.....	0	1
Gain on sale of investment securities.....	31	--
Subsidy income.....	--	482
Total extraordinary income.....	31	483
Extraordinary loss		
Loss on sale of fixed assets	0	--
Loss on disposal of fixed assets.....	25	54
Impairment loss	680	246
Loss on closures of stores.....	43	66
COVID-19 related loss.....	--	617
Other	108	47
Total extraordinary loss	858	1,033
Income before income taxes.....	9,575	11,235
Income and other taxes.....	2,643	3,175
Adjustments to income and other taxes	(489)	42
Total income before income taxes	2,153	3,218
Income before minority interests	7,421	8,016
Net income	7,421	8,016

Consolidated Statement of Comprehensive Income

Millions of yen, rounded down

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Income before minority interests	7,421	8,016
Other comprehensive income		
Foreign currency translation adjustment.....	119	(71)
Adjustments related to retirement benefits	22	77
Total other comprehensive income	142	6
Comprehensive income	7,563	8,023
(Breakdown)		
Comprehensive income attributable to owners of the parent company.....	7,563	8,023
Comprehensive income attributable to minor interests	--	--

(3) Changes in Shareholders' Equity during the Period

April 1, 2021 to March 31, 2022

Millions of yen, rounded down

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	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			New share warrants	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

April 1, 2020 to March 31, 2021

Millions of yen, rounded down

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,795	11,706	64,260	(19,938)	66,823
Changes of items during period					
Dividends of surplus	--	--	(4,100)	--	(4,100)
Net income attributable to owners of the parent company	--	--	8,016	--	8,016
Purchase of treasury shares	--	--	--	(1)	(1)
Disposal of treasury shares	--	--	(126)	213	87
Net changes of items other than shareholders' equity	--	--	--	--	--
Total changes of items during period	--	--	3,789	212	4,001
Balance at end of current period	10,795	11,706	68,050	(19,726)	70,825

	Other comprehensive income			New share warrants	Total net assets
	Foreign currency translation adjustment	Cumulative adjustments related to retirement benefits	Total other comprehensive income		
Balance at beginning of current period	52	(329)	(277)	592	67,138
Changes of items during period					
Dividends of surplus	--	--	--	--	(4,100)
Net income attributable to owners of the parent company	--	--	--	--	8,016
Purchase of treasury shares	--	--	--	--	(1)
Disposal of treasury shares	--	--	--	--	87
Net changes of items other than shareholders' equity	(71)	77	6	68	75
Total changes of items during period	(71)	77	6	68	4,076
Balance at end of current period	(19)	(251)	(270)	660	71,215

(4) Consolidated Statement of Cash Flows

	<i>Millions of yen, rounded down</i>	
	FY ended March 31, 2022	FY ended March 31, 2021
I. Cash flows from operating activities		
Income before income taxes.....	9,575	11,235
Depreciation.....	4,563	3,665
Impairment loss	680	246
Stock compensation expense	--	156
Increase (decrease) in allowance for doubtful accounts	(114)	(43)
Increase (decrease) in provision for bonuses	(59)	(12)
Increase (decrease) in provision for directors' bonuses.....	--	(116)
Increase (decrease) in provision for share awards for directors	108	--
Increase (decrease) in provision for points	--	96
Increase (decrease) in retirement benefit related obligation	129	118
Interest and dividend income	(51)	(51)
Interest expenses and interest on bonds	0	--
Loss (gain) from foreign exchange	(319)	191
Loss (gain) from sale of investment securities	(31)	--
Loss (gain) from sale of fixed assets	(0)	(1)
Loss on disposal of fixed assets	25	54
Loss on closures of stores	43	66
Subsidy income	(109)	(524)
COVID-19 related loss	--	617
Decrease (increase) in accounts receivable	1,779	(1,526)
Decrease (increase) in inventories	560	500
Decrease (increase) in other current assets	(964)	(335)
Decrease (increase) in other fixed assets.....	(4)	50
Increase (decrease) in accounts payable	639	(135)
Increase (decrease) in contract liability.....	27	--
Increase (decrease) in other current liabilities	3	(347)
Increase (decrease) in other fixed liabilities	(40)	(10)
Others.....	(150)	(241)
Sub-total	16,291	13,652
Interest and dividends received	1	1
Interest paid	(0)	--
Income taxes paid.....	(3,304)	(3,564)
Subsidies received.....	109	524
COVID-19 related loss	--	(617)
Others	--	14
Net cash provided by (used in) operating activities	13,097	10,011

Consolidated Statement of Cash Flows (continued)

Millions of yen, rounded down

	FY ended March 31, 2022	FY ended March 31, 2021
II. Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	(4,007)	(7,395)
Income from sale of tangible fixed assets	1	2
Payment for acquisition of intangible fixed assets	(1,081)	(812)
Payment for acquisition of investment securities	103	--
Other payments	(86)	(210)
Other proceeds	398	279
Net cash used in investing activities	(4,673)	(8,135)
III. Cash flows from financing activities		
Proceeds from disposal of treasury stock	733	0
Payment for purchase of treasury stock	(734)	(1)
Cash dividends paid	(4,097)	(4,096)
Others	(56)	(72)
Net cash used in financing activities	(4,155)	(4,170)
IV. Effect of exchange rate changes on cash and cash equivalents	351	(208)
V. Net increase in cash and cash equivalents	4,620	(2,503)
VI. Cash and cash equivalents at the beginning of the period	25,487	27,991
VIII. Cash and cash equivalents at end of period	30,108	25,487

(5) Notes to the Consolidated Financial Statements

Items related to a going concern

No applicable items

Changes in accounting policy

Adoption of Accounting Standard for Revenue Recognition

From the beginning of the fiscal year 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 fiscal year under review, was added to or deducted from retained earnings at the beginning of the fiscal year under review, and the new accounting policy has been applied from the beginning balance of the fiscal year under review.

As a result, sales for the fiscal year under review are ¥9,326 million lower, cost of sales is ¥1,475 million higher, and gross profit is ¥10,801 million lower. Selling, general and administrative expenses are ¥10,863 million lower, and operating income, ordinary income and income before income taxes and minority interests are each ¥61 million higher. In addition, the balance of retained earnings at the beginning of the fiscal year under review is ¥602 million lower.

Net assets per share 4.63 yen lower, and net income per share and diluted net income per share are higher by 0.36 yen and 0.35 yen, respectively.

As a result of the application of the Accounting Standard for Revenue Recognition, "Notes and accounts receivable," which was presented under "Current liabilities" in the consolidated balance sheet for the previous fiscal year, is presented as "Notes receivable" and "Accounts receivable" from the fiscal year under review. In addition, "Provision for points," which was presented under "Current liabilities" in the consolidated balance sheet for the previous fiscal year, is presented as "Contract liability" under "Other current liabilities" from the fiscal year under review. 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.

Change in presentation method

Consolidated Statement of Income

"Insurance 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, "Insurance income" of ¥14 million and "Other non-operating income" of ¥56 million presented in "Non-operating income" in the consolidated statements of income for the previous fiscal year have been restated as "Other non-operating income" of ¥71 million.

Consolidated Statement of Cash Flows

"Insurance proceeds" which was presented as a separate item under "Cash flows from operating activities" in the previous fiscal year, is included in "Others" 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, "Insurance proceeds" of (¥14 million) and "Other" of (¥227 million) presented in "Cash flows from operating activities" in the consolidated statement of cash flows for the previous fiscal year have been reclassified as "Others" of (¥241 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 fiscal year under review.

Adoption of 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 fiscal year under review. The Company has applied 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 consolidated balance sheet amount, and there is no impact on the consolidated financial statements.

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 28, 2021).

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, 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 is adjusted for operating income as recorded in the consolidated financial statements.

For the fiscal year April 1, 2020 to March 31, 2021

(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	65,140	41,191	8,578	114,909	--	114,909
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	65,140	41,191	8,578	114,909	-	114,909
Segment income	7,954	5,042	224	13,221	(1,644)	11,576
Segment Assets	36,763	26,940	4,040	67,744	29,789	97,533
Others						
Depreciation	2,098	1,028	151	3,279	386	3,665
Impairment losses	162	78	4	246	--	246
Increase in tangible and intangible fixed assets	2,023	5,883	246	8,153	212	8,365

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 of (¥1,644 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 ¥29,789 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.

4) Matters relating to changes to Reportable Segments

From the beginning of the fiscal year under review, the Company has adopted the "Accounting Standard for Revenue Recognition". Accordingly, the method of calculating profit or loss in each segment has also been changed. As a result of this change, compared with the pervious calculation method, Cosmetics segment net sales is ¥5,446 million lower and segment income is ¥71 million lower, Nutritional Supplements segment net sales is ¥3,487 million lower and segment income is ¥140 million higher, and Other segment net sales is ¥391 million lower and segment loss is ¥6 million higher.

Related Information

Fiscal year under review (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 sheets.

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, 2020 to March 31, 2021)

1. Information by product and service

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

2. Information by region

(1) Net sales

This information is omitted as sales to external customers in Japan account for more than 90% of net sales in the consolidated statements 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 in the consolidated balance sheets.

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.

Per Share Information

	FY ended March 31, 2022	FY Ended March 31, 2021
Net assets per share	¥608.51	¥584.73
Net income per share	¥61.50	¥66.45
Net income per share (diluted)	¥61.25	¥66.18

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 average number of such treasury stock deducted was 0 shares in the previous fiscal year and 211,500 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, 2022	FY Ended March 31, 2021
Net income per share		
Net income attributable to owners of the parent company(¥ million)	7,421	8,016
Amount not attributable to common shareholders (¥ million)	--	--
Net income attributable to common shares (¥ million)	7,421	8,016
Average number of outstanding common shares during the year	120,673,202	120,639,516
Net income per share (diluted)		
Net income adjustments (¥ million)	--	--
Breakdown of additional common shares used for calculating net income per share		
New share warrants	488,740	496,263
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