FANCL Corporation

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2019

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, 2019

FANCL CORPORATION **April 25, 2019**

Stock exchange listings: Tokyo 1st section, code number 4921

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

Contact: Yukihiro Ishigami
Executive Director, General Manager, Corporate Planning Division
Telephone: +81-45-226-1200

President, Representative Director: Kazuyuki Shimada

Scheduled date for distribution of dividends: June 24, 2019

Scheduled date for regular shareholders' meeting: June 22, 2019

Scheduled date for submission of the financial report: June 24, 2019

Appendix materials prepared to accompany this report: Yes

Presentation meeting: Scheduled (For investors and analysts)

1. Consolidated results for the fiscal year April 1, 2018 to March 31, 2019

(1) Sales and Income

Millions of yen, rounded down

	FY ended March 31, 2019		FY ended March 31, 2018	
		Change (%)		Change (%)
Net sales	122,496	12.4	109,019	13.2
Operating income	12,387	46.6	8,448	276.4
Ordinary income	12,348	42.8	8,650	262.6
Net income attributable to owners of the parent company	8,649	39.7	6,191	20.3
Net income per share (¥)	68.82	--	48.83	--
Fully diluted earnings per share (¥)	68.02	--	48.28	--
Return on equity	12.8	--	8.5	--
Ratio of ordinary income to total capital	14.3	--	9.7	--
Ratio of operating income to net sales	10.1	--	7.7	--

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

Comprehensive income: FY ended March 31, 2019: ¥8,610 million (41.7%) FY ended March 31, 2018: ¥6,076 million (18.5%)

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

FY ended March 31, 2019: -- million FY ended March 31, 2018: -- million

Note: Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. Net income per share and Fully diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2019	As of March 31, 2018
Total assets	80,307	92,380
Shareholders' equity	60,916	75,597
Equity ratio (%)	74.8%	81.0%
Shareholders' equity per share (¥)	500.59	588.40

Shareholders' equity: FY ended March 31, 2019: ¥60,050 million FY ended March 2018: ¥74,805 million

Note: Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. Shareholders' equity per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(3) Cash Flows

Millions of yen, rounded down

	FY ended March 31, 2019	FY ended March 31, 2018
Net cash provided by operating activities	8,731	10,531
Net cash used in investing activities	(3,160)	(2,392)
Net cash used in financing activities	(23,559)	(3,126)
Cash and cash equivalents at end of year	18,635	36,641

2. Dividends

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ending March 31, 2020 (forecast)
Interim dividend per share (¥)	29.0	30.0	17.00
Year-end dividend per share (¥)	29.0	15.0	17.00
Annual dividend per share (¥)	58.0	--	34.00
Total dividend payment *(millions of yen)*	3,683	3,710	
Consolidated dividend payout ratio (%)	59.4%	43.6%	40.0%
Dividend to net assets ratio (%)	5.0	5.5	

Breakdown of interim dividend for the FY ended March 31, 2018: Ordinary dividend: ¥17.00; special dividend: ¥12.00

Breakdown of year-end dividend for the FY ended March 31, 2018: Ordinary dividend: ¥17.00; special dividend: ¥12.00

Note: Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. Taking the effect of this share split into account, the annual dividend amount for the FY ending March 31, 2019 has been left blank (-).

3. Consolidated forecasts for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

Millions of yen

	Interim period ending September 30, 2019		FY Ending March 31, 2020	
		Change %		Change %
Net sales	65,200	8.1	131,000	6.9
Operating income	7,450	5.2	15,000	21.1
Ordinary income	7,500	4.6	15,100	22.3
Profit (loss) attributable to owners of parent	5,100	5.2	10,200	17.9
Net income per share (¥)	42.51		85.03	

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

Note: To better reflect actual conditions, net income per share has been calculated based on the number of shares outstanding as of March 31, 2019 minus the Number of treasury shares as of March 31, 2019.

4. Other

1) Transfer of key subsidiaries during the period (transfers of certain subsidiaries resulting in changes in the scope of consolidation): None

2) Changes in accounting methods, procedures and presentation in the making of these financial statements

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

3) Number of shares outstanding (ordinary shares)

1. Number of shares outstanding (including treasury shares):
   As of March 31, 2019: 130,353,200
   As of March 31, 2018: 130,353,200
2. Number of treasury shares:
   As of March 31, 2019: 10,395,292
   As of March 31, 2018: 3,220,014
3. Average number of shares during the period:
   FY ended March 31, 2019: 125,685,258
   FY ended March 31, 2018: 126,806,972

Note: Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. The Number of shares outstanding (ordinary shares) is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

Reference: Outline of Non-consolidated Financial Results

Non-consolidated operating results for the fiscal year ended March 31, 2019

1) Non-consolidated Operating Results

Millions of yen, rounded down

	FY ended March 31, 2019		FY ended March 31, 2018	
		(% change)		(% change)
Sales	107,233	15.6	92,764	36.3
Operating income	10,869	71.3	6,346	--
Ordinary income	10,825	46.0	7,415	--
Net income	7,372	3.7	7,111	89.5
Earnings per share (¥)	58.66		56.08	
Fully diluted earnings per share (¥)	57.98		55.45	

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

2) Non-Consolidated financial position

	As of March 31, 2019	As of March 31, 2018
Total assets *(millions of yen)*	63,212	76,497
Net assets *(millions of yen)*	46,335	62,252
Equity ratio (%)	71.9	80.3%
Net assets per share (¥)	379.04	483.44

Reference: Shareholders' equity:
FY ended March 2019: ¥45,468 million
FY ended March 2018: ¥61,460 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 8: 1. Operating Results, Section 4, Forecasts for the fiscal year ending March 31, 2020.

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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 financial year under review, overall consolidated sales increased 12.4% to ¥122,496 million as a result of a significant increase in sales in the core cosmetics and nutritional supplements businesses, amid strong trends in domestic demand in addition to contributions from inbound demand. Operating income increased 46.6% to ¥12,387 million due to an increase in gross profit from increased sales, which outweighed an increase in marketing expenses and human resource expenses associated with the improvement in business performance. Ordinary income increased 42.8% to ¥12,348 million, and net income attributable to owners of the parent company increased 39.7% to ¥8,649 million.

Segment results are as follows:

2) Status of operations

(1) Cosmetics Business

Sales

Cosmetics sales increased 8.4% compared to the previous year, to ¥71,599 million.

(Millions of yen, rounded down)

	FY ended March 31, 2019		FY ended March 31, 2018		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	56,779	79.3	51,091	77.4	11.1
ATTENIR Cosmetics	11,515	16.1	11,041	16.7	4.3
boscia	2,615	3.6	3,119	4.7	(16.1)
Others	689	1.0	795	1.2	(13.4)
Totals	71,599	100.0	66,048	100.0	8.4

	FY ended March 31, 2019		FY ended March 31, 2018		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue sales	27,183	38.0	27,408	41.5	(0.8)
Direct store sales	29,000	40.5	23,822	36.1	21.7
Wholesales and others	7,536	10.5	6,638	10.0	13.5
Overseas sales	7,878	11.0	8,179	12.4	(3.7)
Totals	71,599	100.0	66,048	100.0	8.4

Sales of **FANCL cosmetics** increased 11.1% to ¥56,779 million, due to strong sales of basic skin care products and core products such as *Mild Cleansing Oil*, along with *WRINKLE CREAM*, which is currently being cultivated as a key strategic product.

Sales of **ATTENIR cosmetics** increased 4.3% to ¥11,515 million, as a result of strong sales of core product *SkinClear Cleanse Oil*.

Sales of **boscia** decreased 16.1% to ¥2,615 million, as proactive initiatives to expand sales channels in the US, Europe and the Middle and Near East were outweighed by the absence of a temporary concentration of orders which occurred in the previous fiscal year.

Results by **sales channels**: online and catalogue sales decreased 0.8% year on year to ¥27,183 million, direct store sales increased 21.7% to ¥29,000 million, wholesale sales increased 13.5% to ¥7,536 million, and overseas sales decreased 3.7% to ¥7,878 million.

Operating income

Operating income increased 21.3% to ¥11,101 million due to an increase in gross profit resulting from higher sales, as well as an improvement in production efficiency accompanying a growth in sales.

(2) Nutritional Supplements Business

Sales

Nutritional supplement sales increased 22.2% year on year to ¥43,919 million.

(Millions of yen, rounded down)

	FY ended March 31, 2019		FY ended March 31, 2018		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Online and catalogue	14,641	33.3	13,622	37.9	7.5
Direct store sales	14,042	32.0	10,366	28.9	35.5
Wholesales and others	12,728	29.0	9,925	27.6	28.2
Overseas sales	2,506	5.7	2,018	5.6	24.2
Totals	43,919	100.0	35,933	100.0	22.2

Revenues from **product sales** increased due to strong trends in sales of Foods with Function Claims product *Naishi Support* as well as *Age Bracket-Based Supplements*.

Results by **sales channels** were: online and catalogue sales increased 7.5% year on year to ¥14,641 million, direct store sales increased 35.5% to ¥14,042 million, while wholesale sales increased 28.2% to ¥12,728 million and overseas sales increased 24.2% to ¥2,506 million.

Operating income

Operating income increased 307.0% to ¥3,519 million, due to an increase in gross profit from higher sales, which offset an increase in advertising expenses resulting from the proactive promotion of Foods with Function Claims product *Naishi Support*.

(3) Other Businesses

Sales in Other businesses decreased 0.9% year on year to ¥6,977 million

(Millions of yen, rounded down)

	FY ended March 31, 2019	FY ended March 31, 2018	Change (%)
Hatsuga genmai	2,037	2,248	(9.4)
Kale juice	2,622	2,615	0.3
Other	2,316	2,174	6.6
Totals	6,977	7,037	(0.9)

Operating income

An operating loss of ¥299 million was recorded, compared to operating income of ¥149 million last year, due to a decrease in gross profit from lower sales of Hastuga genmai.

(2) Summary of Consolidated Financial Position

Assets decreased ¥12,072 million to ¥80,307 million, compared with the end of the previous consolidated financial period. This was primarily the result of a ¥12,854 million decrease in current assets. The decrease in current assets was largely the result of a ¥1,789 million increase in notes and accounts receivable, a ¥1,134 million increase in merchandise and products, a ¥2,015 million increase in raw materials and supplies, and a ¥18,006 million decrease in cash and cash equivalents.

Liabilities increased ¥2,607 million to ¥19,390 million, compared with the end of the previous consolidated financial period. This was primarily the result of a ¥2,527 million increase in current liabilities. The main factors contributing to the increase in current liabilities included a ¥2,369 million increase in accrued income taxes.

Net assets decreased ¥14,680 million to ¥60,916 million, compared with the end of the previous consolidated financial period. Contributing factors included a ¥8,649 million increase in retained earnings due to the recording of net income attributable to owners of the parent, a ¥18,821 decrease resulting from the acquisition of treasury stock and a ¥3,754 million decrease in retained earnings due to dividend payments.
As a result, the shareholders' equity ratio decreased 6.2 percentage points from the end of the previous consolidated fiscal year to 74.8%.

(3) Summary of Cash flows

Cash and cash equivalents ("funds") as of March 31, 2019, were ¥18,635 million, ¥18,006 million lower 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, 2019 are as follows:

Cash flows from operating activities

Cash flow gained from operating activities during the period under review was ¥8,731 million, compared with an inflow of ¥10,531 million in the previous consolidated fiscal year.

Factors increasing operating cash flow included income before income taxes of ¥12,349 million, and depreciation of ¥3,057 million. Factors decreasing operating cash flow included an increase in inventories of ¥3,165 million and an increase in accounts receivable of ¥1,793 million.

Cash flows from investing activities

Cash flow used in investing activities during the period under review was ¥3,160 million, compared with an outflow of ¥2,392 million in the previous consolidated fiscal year. This was primarily due to outlays of ¥2,916 million for acquisitions of tangible fixed assets, and outlays of ¥766 million for acquisitions of intangible fixed assets.

Cash flows from financing activities

Cash flow used in financing activities during the period under review was ¥23,559 million, compared with an outflow of ¥3,126 million in the previous consolidated fiscal year. This was primarily due to outflows of ¥20,004 million for the acquisition of treasury stock and ¥3,749 million for dividend payments.

(4) Forecasts for the fiscal year ending March 31, 2020

FANCL Group will aim to realize sustainable growth and profitability based on the policies set out in its 2nd Medium-term Management Plan ACTION 2020 for the three-year period starting FY2019 (FY2019-FY2021).

The FANCL Cosmetics business plans to continue to strengthen sales of Mutenka skincare, while also working to cultivate new star products such as *WRINKLE CREAM* and *DEEP CLEAR WASHING POWDER*.

The business will aim to achieve growth in customers of ATTENIR cosmetics, centered on its skincare line which was renewed in January 2019. For boscia, the third pillar brand, the business will work to further expand sales channels in the US, Europe and the Middle and Near East, as well as increasing the product range.

Through the above initiatives, the Company forecasts an increase in sales in the Cosmetics business.

The Nutritional Supplements Business plans to develop *Nyosan Support,* which launched in February 2019, into a new star product, alongside *Naishi Support* which was a hit product in the previous fiscal year. Overseas, the Company will continue to reinforce the cross-border e-commerce business in China, which was launched in October 2018. Through such initiatives, the Company forecasts an increase in sales in the Nutritional Supplements Business.

In light of the above, in the year ending March 31, 2020, the Company forecasts an increase in sales of 6.9% to ¥131,000 million, an increase in operating income of 21.1% to ¥15,000 million, an increase in ordinary income of 22.3% to ¥15,100million, and an increase in net income of 17.9% to ¥10,200 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

Millions of yen, rounded down

	As of March 31, 2019	As of March 31, 2018
ASSETS		
I. Current assets:		
Cash and cash equivalents	18,635	36,641
Notes and accounts receivable	15,580	13,791
Merchandise and products	5,244	4,109
Work in progress	26	21
Raw materials and supplies	6,185	4,169
Others	1,189	965
Allowance for doubtful accounts	(171)	(155)
Total current assets	46,689	59,543
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	28,082	27,402
Accumulated depreciation and accumulated impairment loss	(16,321)	(15,665)
Buildings and structures (net)	11,760	11,736
Machinery and transport equipment	9,467	8,541
Accumulated depreciation and accumulated impairment loss	(7,421)	(6,831)
Machinery and transport equipment (net)	2,045	1,709
Furniture, tools and fixtures	8,800	8,204
Accumulated depreciation and accumulated impairment loss	(7,384)	(7,088)
Furniture, tools and fixtures (net)	1,416	1,116
Land	11,839	11,607
Lease assets	256	301
Accumulated depreciation and accumulated impairment loss	(106)	(170)
Lease assets (net)	150	131
Construction in progress	314	302
Total tangible fixed assets	27,526	26,603
Intangible fixed assets		
Other intangible fixed assets	2,229	2,465
Total intangible fixed assets	2,229	2,465
Investments and other assets		
Investment securities	176	126
Long-term loans	100	205
Deposits and guarantee money	1,051	1,137
Long-term prepaid expense	136	87
Deferred tax assets	2,263	2,078
Others	158	158
Allowance for doubtful accounts	(24)	(26)
Total investments and other assets	3,862	3,768
Total fixed assets	33,617	32,836
Total assets	**80,307**	**92,380**

(1) Consolidated Balance Sheet (continued)

Millions of yen, rounded down

	As of March 31, 2019	As of March 31, 2018
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	3,253	3,025
Lease obligations	63	77
Accrued liabilities	6,470	6,146
Accrued expenses	969	950
Accrued income taxes	3.600	1,230
Allowance for bonuses	1,512	1,343
Allowance for points	1,676	1,576
Others	406	1,074
Total current liabilities	17,951	15,424
II. Long-term liabilities:		
Lease obligations	98	63
Retirement benefit liabilities	738	703
Asset retirement obligations	412	409
Allowance for directors' bonuses	64	-
Others	123	182
Total long-term liabilities	1,438	1,358
Total liabilities	19,390	16,782
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	11,706	11,706
Retained earnings	58,902	54,796
Treasury stock	(21,160)	(2,338)
Total shareholders' equity	60,243	74,959
Other comprehensive income		
Foreign currency translation adjustment	67	89
Total adjustments related to retirement benefits	(261)	(243)
Total other comprehensive income	(193)	(154)
Warrants	866	791
Total net assets	60,916	75,597
Total Liabilities and Net Assets	80,307	92,380

(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, 2019	Fiscal year ended March 31, 2018
Net sales	122,496	109,019
Cost of sales	35,118	31,588
Gross profit	87,378	77,431
Selling, general and administrative expenses		
Sales promotion expenses	13,430	12,839
Packing and transport expenses	5,306	4,717
Advertising expenses	15,919	15,164
Sales commission fee	8,971	7,364
Communications expenses	1,921	1,779
Directors remuneration	798	567
Salaries and bonuses	11,683	10,817
Provision for accrued bonuses	1,286	1,156
Retirement benefit expenses	323	359
Compulsory welfare expenses	1,843	1,729
Welfare expenses	291	329
Depreciation	1,866	1,843
Research and development expenses	1,348	1,083
Rent expenses	1,307	1,188
Provisions for allowance for bad debt	56	69
Other	8,635	7,972
Total selling, general and administrative expenses	74,990	68,983
Operating income	12,387	8,448
Non-operating income		
Interest income	3	4
Dividend income	0	0
Rent income	80	103
Foreign exchange gain	4	27
Compensation payments received	16	21
Commissions earned	44	41
Other non-operating income	39	69
Total net operating income	189	267
Non-operating expenses		
Interest expenses	0	-
Rent expenses on fixed assets	29	35
Compensation expenses	166	-
Miscellaneous	32	29
Total net operating expenses	228	65
Ordinary income	12,348	8,650

Consolidated Statement of Income (continued)

Millions of yen, rounded down

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Extraordinary income		
Gain from sale of fixed assets	299	-
Gain on reversal of subscription warrants	17	3
Gain on transfer of retirement benefit plan	-	5
Total extraordinary income	316	9
Extraordinary expenses		
Loss on sale of fixed assets	-	0
Loss on retirement of fixed assets	201	68
Impairment loss	12	6
Loss on store closures	93	124
Other extraordinary expenses	8	18
Total extraordinary expenses	315	219
Income before income taxes	12,349	8,440
Income and other taxes	3,878	1,509
Adjustment for income taxes	(178)	739
Total income before income taxes	3,700	2,248
Income before minority interests	8,649	6,191
Net income attributable to owners of the parent company	**8,649**	**6,191**

Consolidated Statement of Comprehensive Income

Millions of yen, rounded down

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018
Income before minority interests	8,649	6,191
Other comprehensive income		
Foreign currency translation adjustment	(21)	(30)
Adjustments related to retirement benefits	(17)	(84)
Total other comprehensive income	(39)	(115)
Comprehensive income	8,610	6,076
(Breakdown)		
Comprehensive income attributable to owners of the parent company	8,610	6,076
Comprehensive income attributable to minor interests	-	-

(3) Changes in Shareholders' Equity during the Period

April 1, 2018 to March 31, 2019 *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	54,796	(2,338)	74,959
Changes of items during period					
Dividends of surplus	--	--	(3,754)	--	(3,754)
Net income attributable to owners of the parent company	--	--	8,649	--	8,649
Purchase of treasury shares	--	--	--	(20,004)	(20,004)
Disposal of treasury shares	--	--	(790)	1,183	393
Net changes of items other than shareholders' equity	--	--	--	--	--
Total changes of items during period	--	--	4,105	(18,821)	(14,715)
Balance at end of current period	10,795	11,706	58,902	(21,160)	60,243

	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	89	(243)	(154)	791	75,597
Changes of items during period					
Dividends of surplus	--	--	--	--	(3,754)
Net income attributable to owners of the parent company	--	--	--	--	8,649
Purchase of treasury shares	--	--	--	--	(20,004)
Disposal of treasury shares	--	--	--	--	393
Net changes of items other than shareholders' equity	(21)	(17)	(39)	74	35
Total changes of items during period	(21)	(17)	(39)	74	(14,680)
Balance at end of current period	67	(261)	(193)	866	60,916

April 1, 2017 to March 31, 2018 *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	52,339	(3,170)	71,670
Changes of items during period					
Dividends of surplus	--	--	(3,667)	--	(3,667)
Net income attributable to owners of the parent company	--	--	6,191	--	6,191
Purchase of treasury shares	--	--	--	(5)	(5)
Disposal of treasury shares	--	--	(67)	837	770
Net changes of items other than shareholders' equity	--	--	--	--	--
Total changes of items during period	--	--	2,457	832	3,289
Balance at end of current period	10,795	11,706	54,796	(2,338)	74,959

	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	119	(159)	(39)	771	72,402
Changes of items during period					
Dividends of surplus	--	--	--	--	(3,667)
Net income attributable to owners of the parent company	--	--	--	--	6,191
Purchase of treasury shares	--	--	--	--	(5)
Disposal of treasury shares	--	--	--	--	770
Net changes of items other than shareholders' equity	(30)	(84)	(115)	20	(94)
Total changes of items during period	(30)	(84)	(115)	20	3,195
Balance at end of current period	89	(243)	(154)	791	75,597

(4) Consolidated Statement of Cash Flows

Millions of yen, rounded down

	FY ended March 31, 2019	FY ended March 31, 2018
Cash flows from operating activities		
Income before income taxes	12,349	8,440
Depreciation	3,057	2,826
Impairment loss	12	6
Stock compensation expense	207	164
Increase (decrease) in allowance for doubtful accounts	15	77
Increase (decrease) in allowance for bonuses	169	312
Increase (decrease) in allowance for directors' bonuses	64	-
Increase (decrease) in allowance for points	100	(41)
Increase (decrease) in retirement benefit related obligation	9	(721)
Interest and dividend income	(4)	(4)
Loss (gain) from foreign exchange	9	(17)
Loss (gain) from sale of fixed assets	(299)	0
Loss on disposal of fixed assets	201	68
Loss on store closures	93	124
Gain on reversal of subscription rights to shares	(17)	(3)
Decrease (increase) in accounts receivable	(1,793)	(2,699)
Decrease (increase) in inventories	(3,165)	(694)
Decrease (increase) in other current assets	(173)	136
Decrease (increase) in other fixed assets	(51)	(34)
Decrease (increase) in accounts payable	230	721
Increase (decrease) in other current liabilities	(603)	2,522
Increase (decrease) in other fixed liabilities	(61)	(0)
Others	141	(140)
Sub-total	10,492	11,044
Interest and dividends received	4	4
Income taxes paid	(1,598)	(1,185)
Income taxes refunded	-	668
Others	(166)	-
Net cash provided by (used in) operating activities	**8,731**	**10,531**

(4)Consolidated Statement of Cash Flows (continued)

Millions of yen, rounded down

	FY ended March 31, 2019	FY ended March 31, 2018
II. Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	(2,916)	(1,489)
Income from sale of tangible fixed assets	0	6
Payment for acquisition of intangible fixed assets	(766)	(986)
Income from sale and redemption of investment securities	300	-
Payments of loans receivable	(49)	-
Proceeds from liquidation of subsidiaries	100	-
Other payments	(42)	(147)
Other proceeds	215	224
Net cash used in investing activities	(3,160)	(2,392)
III. Cash flows from financing activities		
Proceeds from disposal of treasury stock	277	630
Payment for purchase of treasury stock	(20,004)	(5)
Cash dividends paid	(3,749)	(3,661)
Others	(83)	(90)
Net cash used in financing activities	(23,559)	(3,126)
IV. Effect of exchange rate changes on cash and cash equivalents	(17)	18
V. Net increase in cash and cash equivalents	(18,006)	5,031
VI. Cash and cash equivalents at the beginning of the period	36,641	31,609
VIII. Cash and cash equivalents at end of period	**18,635**	**36,641**

(5) Notes to the Consolidated Financial Statements

Items related to a going concern
No applicable items

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 it 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, personnel 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 (submitted June 25, 2018).

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, 2018 to March 31, 2019 *(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	71,599	43,919	6,977	122,496	--	122,496
(2) Inter-segment sales or transfers	-	-	-	-	-	-
Total sales	71,599	43,919	6,977	122,496	-	122,496
Segment income (loss)	11,101	3,519	(299)	14,322	(1,934)	12,387
Segment Assets	33,843	19,015	2,725	55,574	24,732	80,307
Others						
Depreciation	1,539	963	164	2,667	390	3,057
Impairment losses	8	4	0	12	-	12
Increase in tangible and intangible fixed assets	2,361	1,071	226	3,659	369	4,029

Notes:

1. Other businesses: Sundries, personnel effects, comfort undergarments, *Hatsuga genmai* (germinated brown rice), and Kale juice.
2. Adjustments are as follows
   (1) The adjustment amount on segment income (loss) of (¥1,934 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.
   (2) The adjustment on segment assets of ¥24,732 million, include total company expenses not distributed to each reportable segment and consist primarily of cash and deposits, land, buildings, and investment securities of the General Affairs section of the parent company not included in the reportable segments.
3. Segment income is adjusted for operating income (loss) as recorded in the consolidated financial statements.

For the fiscal year April 1, 2016 to March 31, 2017 *(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	66,048	35,993	7,037	109,019	-	109,019
(2) Inter-segment sales or transfers	-	-	-	-	-	-
Total sales	66,048	35,933	7,037	109,019	-	109,019
Segment income	9,150	864	149	10,165	(1,717)	8,448
Segment Assets	32,231	17,357	2,460	52,049	40,331	92,380
Others						
Depreciation	1,377	899	133	2,409	370	2,780
Impairment losses	4	2	0	6	--	6
Increase in tangible and intangible fixed assets	1,546	805	159	2,511	321	2,833

Notes:

1. Other businesses: Sundries, personnel effects, comfort undergarments, *Hatsuga genmai* (germinated brown rice), and Kale juice.
2. Adjustments are as follows
   (1) The adjustment amount on segment income of (¥1,717 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.
   (2) The adjustment on segment assets of ¥40,331 million, include total company expenses not distributed to each reportable segment and consist primarily of cash and deposits, land, buildings, and investment securities of the General Affairs section of the parent company not included in the reportable segments.
3. Segment income is adjusted for operating income (loss) as recorded in the consolidated financial statements.

Per Share Information

	FY ended March 31, 2019	FY Ended March 31, 2018
Net assets per share	¥500.59	¥588.40
Net income per share	68.82	48.83
Net income per share (diluted)	68.02	48.28

Note:

1. Effective December 1, 2018, a share split was implemented, with each share of common stock split for 2 shares. Per Share Information is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.
2. The basis for the calculation of net income (loss) per share and the net income per share after adjustment for residual securities is as follows.

	FY ended March 31, 2019	FY Ended March 31, 2018
Net income per share		
Net income (loss) (¥ million)	8,649	6,191
Amount not attributable to common shareholders (¥ million)	-	-
Net income (loss) attributable to common shares (¥ million)	8,649	6,191
Average number of outstanding common shares during the year	125,685,258	126,806,972
Fully diluted earnings per share		
Net income adjustments (¥ million)	-	-
Breakdown of additional common shares used for calculating net income per share New share warrants	1,478,190	1,432,577
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.	-	-

Important information after the preparation of this report

Issue of Euro-Yen Convertible Bonds with Stock Acquisition Rights

FANCL Corporation resolved at a meeting of the board of directors held on April 2, 2019, to issue Euro Yen Convertible Bonds (hereafter: the “Bonds with Stock Acquisition Rights”), due 2024, and completed payment on April 18, 2019 (London time; hereafter the same unless stated otherwise).

1. Total issue amount
   The combined total of ¥10,000 million and the aggregate principal amount of Bonds relating to replacement certificates for Bonds with Stock Acquisition Rights

2. Issue price
   102.5% of the principal amount of the Bonds (the principal amount of each Bond is ¥10 million)

3. Issue price (offer price)
   105% of the principal amount of the Bonds

4. Payment date
   April 18, 2019

5. Redemption date
   To be redeemed at 100% of the principal amount of the Bonds on April 18, 2024

6. Interest rate
   The Bonds will accrue no interest

7. The Class and number of shares subject to the stock acquisition rights
   (1) Class of shares
   Common stock of FANCL Corporation

   (2) Number of shares
   The number of Shares to be issued or transferred by FANCL (hereafter "issue" and "transfer" of common stock referred to as “issue” of common stock) exercising the Stock Acquisition Rights will be determined by dividing the aggregate Issue Price of the Bonds for which Stock Acquisition Rights are exercised by the Conversion Price, as determined in accordance with 9 below.

8. Total number of Stock Acquisition Rights to be issued
   The combined total of 1,000 and the number obtained by dividing the aggregate principal amount of the Bonds relating to replacement certificates for Bonds with Stock Acquisition Rights by ¥10 million

9. Amount to be paid upon exercise of the Stock Acquisition Rights
   Upon exercise of each Stock Acquisition Right, the associated bond shall be vested, and the price of the Bond shall be equal to its issue price. The Conversion Price shall be ¥3,908.

10. Exercise period of the Stock Acquisition Rights
    The exercise period of the Stock Acquisition Rights shall be from May 7, 2019 to April 4, 2024 (local time of the location in which the request to exercise is received); however, there are certain fixed conditions for their issue.

11. Conditions to the exercise of Stock Acquisition Rights
    No Stock Acquisition Right may be exercised in part only.

12. Use of proceeds
    (1) By March 2020, approximately ¥2,000 million will be used to partially fund capital investment via a subsidiary for the construction of a new plant specialized in the production of *Mild Cleansing Oil,* a core product in the Cosmetics business.
    (2) By March 2021, approximately ¥4,000 million will be used to partially fund capital investment via a subsidiary for the construction of a new plant in the Nutritional Supplements business.
    (3) By March 2021, approximately ¥4,000 million will be used to partially fund capital investment for a new Kansai Distribution Center planned for construction.