

FANCL Corporation

Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2007

Consolidated and non-consolidated results for the period April 1, 2006 to June 30, 2006

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)

First Quarter Results for the Fiscal Year Ending March 31, 2007

FANCL CORPORATION

August 2, 2006

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1) Notes to preparation of these financial statements

(1) Use of simplified accounting methods: Yes

Details

Method of depreciation of fixed assets:

1. Tangible fixed assets Quarterly portion of estimated amount for the year
2. Intangible fixed assets Quarterly portion of estimated amount for the year

Standard for stating income taxes: Calculated using the estimated annual tax rate based on the effective statutory tax rate.

Simplified procedures are used for amounts with an immaterial effect.

(2) Changes from accounting methods used in most recent consolidated fiscal year: None

(3) Changes in scope of consolidation and application of equity method: None

2) Consolidated results for the first quarter of Fiscal 2007 (April 1, 2006 to June 30, 2006)

(1) Sales and Income

Millions of yen, rounded down

	Three months ended June 30, 2006		Three months ended June 30, 2005		Year ended March 31, 2006
Net sales	24,276	5.7%	22,960	9.6%	95,322
Operating income	1,260	(61.6)%	3,287	281.2%	8,574
Ordinary income	1,238	(62.5)%	3,300	293.9%	9,113
Quarterly net income	818	(56.4)%	1,877	785.3%	5,183
Earnings per share (¥)	12.67		88.25		242.56
Earnings per share (diluted) (¥)	12.48		87.92		240.78

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

(2) On April 1, 2006, a 1:3 share split took place. Per share figures adjusted to eliminate effect of share split are as follows:

Earnings per share: Three months ended June 30, 2005: ¥29.42 Full year ended March 31, 2006: ¥80.85

Earnings per share (diluted): Three months ended June 30, 2005: ¥29.31 Full year ended March 31, 2006: ¥80.26

(2) Financial Position

Millions of yen, rounded down

	As of June 30, 2006	As of June 30, 2005	As of March 31, 2006
Total assets	84,093	80,584	85,147
Shareholders' equity	71,609	67,581	71,405
Shareholders' equity/total assets (%)	85.2	83.9	83.9
Shareholders' equity per share (¥)	1,108.62	3,176.09	3,317.02

Note: On April 1, 2006, a 1:3 share split took place. Per share figures adjusted to eliminate effect of share split are as follows:

Shareholders' equity per share: Three months ended June 30, 2005: ¥1,058.70 Full year ended March 31, 2006: ¥1,105.67

(3) Cash Flows

Millions of yen, rounded down

	Three months ended June 30, 2006	Three months ended June 30, 2005	Year ended March 31, 2006
Net cash provided by (used in) operating activities	(5)	2,742	9,162
Net cash used in investing activities	456	(836)	(10,280)
Net cash used in financing activities	(523)	(447)	(21)
Cash and cash equivalents at end of period	21,094	23,766	21,167

3) Projected results for Fiscal 2007 (April 1, 2006 to March 31, 2007)

(1) Consolidated

Millions of yen

	Interim period	FY ending March 31, 2007
Net Sales	48,000	102,500
Ordinary Income	3,500	11,000
Net Income	1,900	6,200

Note: Consolidated net income per share forecast for the fiscal year ending March 31, 2007: ¥96.00

(2) Non-consolidated

Millions of yen

	Interim period	FY ending March 31, 2007
Net Sales	37,000	79,000
Ordinary Income	2,600	8,500
Net Income	1,500	4,800

Note: Non-consolidated net income per share forecast for the fiscal year ending March 31, 2007: ¥74.31

This forecast contains 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.

Qualitative statements about the forecasted results

The consolidated interim forecast has been revised in consideration of earnings performance during the three months ended June 30, 2006. The non-consolidated interim forecast has been revised in consideration of earnings performance during the three months ended June 30, 2006, in addition to the transfer of certain sections of the Germinated brown rice business to consolidated subsidiary FANCL Hatsuga Genmai Co., Ltd.

Operating results (consolidated)¹

Note: All comparisons are with the first quarter of the previous fiscal year, unless stated otherwise.

During the period under review in the domestic economy, there was an overall improvement in corporate earnings and an increase in capital expenditure. However, consumer spending continued to be sluggish and the business environment remains difficult.

Results in the cosmetics industry have trended sideways despite outstanding growth in certain skin care products.

Growth in the health foods business is expected to slacken due to factors such as the slowing down of the Coenzyme Q₁₀ boom that began two years ago.

Net Sales

Consolidated net sales increased 5.7% to ¥24,276 million. This was largely the result of a boom in cosmetics-related businesses, *Hatsuga genmai* (germinated brown rice) and other businesses.

Operating Income

Consolidated operating income decreased 61.6% to ¥1,260 million largely due to a ¥1,785 million increase in costs related to advertising campaigns and sales promotions aimed at strengthening our customer base. The operating income ratio dropped 9.1 percentage points to 5.2%.

Ordinary Income

Consolidated ordinary income decreased 62.5% to ¥1,238 million and the ordinary income margin decreased 9.3 percentage points to 5.1%.

Net Income

Consolidated net income for the period under review decreased 56.4% to ¥818 million and the net income margin decreasing 4.8 percentage points to 3.4%.

2. Consolidated financial position

Cash and cash equivalents as of June 30, 2006 were ¥21,094 million, ¥73 million lower than at the end of the previous fiscal year. The main contributing factors are detailed below.

Cash flows from operating activities

Cash flow from operating activities during the three-month period under review was minus ¥5 million as . income before income taxes of ¥1,229 million offset corporate tax payments of ¥1,956 million.

Cash flows from investing activities

Cash flow from investing activities during the period under review was ¥456 million. This was largely the result of ¥1,701 million in income from the redemption of marketable securities and the ¥1,223 million in payments to acquire fixed assets such as those used in store renovations.

Cash flows from financing activities

Cash flow from financing activities during the period under review was minus ¥523 million. This was largely due to the distribution of dividends of ¥555 million.

¹ Note: All comparisons are with the first quarter of the previous fiscal year, unless otherwise stated.

3. Consolidated Financial Statements

Consolidated Balance Sheets						
<i>Millions of yen, rounded down</i>						
	As of June 30, 2006		As of June 30, 2005		As of March 31, 2006	
ASSETS		%		%		%
I. Current assets:						
Cash and cash equivalents.....	15,177		19,839		19,247	
Notes and accounts receivable.....	9,402		8,957		8,977	
Marketable securities.....	10,919		3,926		8,625	
Inventories.....	6,475		5,687		6,680	
Others.....	1,768		1,829		1,436	
Total current assets.....	43,742	52.0	40,240	49.9	44,965	52.8
II. Fixed assets:						
Tangible fixed assets						
Buildings and structures.....	12,368		12,725		12,486	
Land.....	10,636		10,916		10,636	
Others.....	2,644		2,827		2,670	
Total tangible fixed assets.....	25,649	30.5	26,469	32.9	25,793	30.3
Intangible fixed assets.....	1,842	2.2	1,275	1.6	1,516	1.8
Investments and other assets						
Investments securities.....	2,026		1,954		2,026	
Long-term loans receivable.....	689		668		696	
Guarantee money.....	2,732		2,540		2,715	
Others.....	7,410		7,435		7,432	
Total investments and other assets.....	12,858	15.3	12,598	15.6	12,871	51.1
Total fixed assets.....	40,350	48.0	40,343	50.1	40,182	47.2
Total Assets.....	84,093	100.0	80,584	100.0	85,147	100.0
LIABILITIES				%		
I. Current liabilities:						
Notes and accounts payable.....	3,957		3,465		4,007	
Accrued liabilities.....	3,852		3,047		3,918	
Accrued income taxes.....	441		1,498		2,055	
Others.....	2,363		2,231		1,948	
Total current liabilities.....	10,615	12.6	10,242	12.7	11,929	14.0
II. Long-term liabilities:						
Allowance for retirement bonuses.....	1,287		1,198		1,281	
Allowance for directors' retirement bonuses.....	202		1,144		188	
Others.....	377		417		342	
Total long-term liabilities.....	1,868	2.2	2,760	3.4	1,812	2.1
Total liabilities.....	12,483	14.8	13,003	16.1	13,742	16.1
SHAREHOLDERS' EQUITY						
Common stock.....	10,795	12.8	10,795	13.4	10,795	12.7
Capital reserve.....	11,851	14.1	11,706	14.6	11,846	13.9
Retained earnings.....	55,499	66.0	52,554	65.2	55,326	65.0
Treasury stock.....	(6,597)	(7.8)	(7,496)	(9.3)	(6,624)	(7.8)
Shareholders' assets.....	71,547	85.1	67,559	83.9	71,343	83.8
Net Unrealized holding gain on other securities.....	66	0.1	26	0.0	66	0.1
Foreign currency translation adjustment.....	(4)	(0.0)	(4)	(0.0)	(4)	(0.0)
Total difference from exchange and evaluation.....	61	0.1	21	0.0	61	0.1
Total Shareholders' Equity.....	71,609	85.2	67,581	83.9	71,405	83.9
Total Liabilities and Shareholders' Equity..	84,093	100.0	80,584	100.0	85,147	100.0

Consolidated Statements of Income

Millions of yen, rounded down

	April 1 to June 30, 2006		April 1 to June 30, 2005		FY ended March 31, 2006	
Net sales	24,276	100.0	22,960	100.0	95,322	100.0
Cost of sales	8,511	35.1	7,829	34.1	33,239	34.9
Gross profit.....	15,765	64.9	15,130	65.9	62,082	65.1
Selling, general and administrative expenses	14,504	59.7	11,842	51.6	53,507	56.1
Operating income	1,260	5.2	3,287	14.3	8,574	9.0
Non-operating income						
Interest and dividend income	10		3		78	
Other non-operating income	37		80		945	
Total non-operating income	48	0.2	83	0.4	1,023	1.1
Non-operating expenses						
Loss on disposal of inventories.....	52		47		402	
Other non-operating expenses	18		23		82	
Total non-operating expenses	70	0.3	71	0.3	485	0.5
Ordinary income	1,238	5.1	3,300	14.4	9,113	9.6
Extraordinary income	--	--	--	--	24	0.0
Extraordinary expenses						
Loss on disposal of fixed assets	8		7		130	
Retirement benefit for directors.....	--		--		71	
Other extraordinary expenses.....	--		58		420	
Total extraordinary expenses	8	0.0	65	0.3	622	0.7
Income before income taxes	1,229	5.1	3,235	14.1	8,514	8.9
Income taxes	411	1.7	1,357	5.9	3,331	3.5
Net income.....	818	3.4	1,877	8.2	5,183	5.4

Consolidated Statements of Cash Flows

Millions of yen, rounded down

	April 1 to June 30, 2006	April 1 to June 30, 2005	FY ended March 31, 2006
I. Cash flows from operating activities			
Income before income taxes	1,229	3,235	8,514
Depreciation	605	602	2,540
Increase (decrease) in allowance for bonuses	439	450	124
Increase (decrease) in allowance for retirement benefits.....	6	3	86
Interest and dividend income	(10)	(3)	(78)
Loss on disposal of tangible fixed assets	8	5	59
Decrease (increase) in trade receivables	(424)	(244)	(263)
Decrease (increase) in inventories	204	(23)	(1,016)
Decrease (increase) in other current assets.....	(370)	605	1,028
Increase (decrease) in trade payables	(49)	415	958
Increase (decrease) in other current liabilities.....	237	(593)	(119)
Others	58	17	(1,007)
Sub-total	1,935	4,473	10,827
Interest and dividends received.....	10	3	74
Income taxes paid	(1,956)	(1,781)	(2,813)
Others	5	48	1,074
Net cash provided by (used in) operating activities.....	(5)	2,742	9,162
II. Cash flows from investing activities			
Acquisition of marketable securities	--	--	(7,703)
Sale of marketable securities	1,701	--	999
Purchase of tangible fixed assets.....	(760)	(556)	(1,410)
Purchase of intangible fixed assets	(463)	(227)	(881)
Purchase of other investments.....	(41)	(48)	(376)
Others	19	(4)	(907)
Net cash provided by (used in) investing activities	456	(836)	(10,280)
III. Cash flows from financing activities			
Net payment for purchase (and proceeds from sale) of treasury stock	31	(4)	1,008
Cash dividends paid	(555)	(478)	(1,065)
Proceeds from underwriting of capital increase by minority shareholders	--	36	36
Net cash used in financing activities	(523)	(447)	(21)
IV. Effect of exchange rate changes on cash and cash equivalents	-	--	--
V. Net increase in cash and cash equivalents	(73)	1,459	(1,139)
VI. Cash and cash equivalents at the beginning of the period.....	21,167	22,307	22,307
VII. Cash and cash equivalents at end of period ...	21,094	23,766	21,167

4. Segment Information

Business Segments

Three months ended June 30, 2006

Millions of yen, rounded down

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales:						
(1) Sales to external customers	10,848	7,662	5,765	24,276	--	24,276
(2) Inter-segmental sales or transfers	--	--	--	--	--	--
Total sales	10,848	7,662	5,765	24,276	--	24,276
Operating expenses	9,342	6,831	6,388	22,562	452	23,015
Operating income (loss)	1,505	831	(622)	1,713	(452)	1,260

Three months ended June 30, 2005

Millions of yen, rounded down

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales:						
(1) Sales to external customers	9,991	8,233	4,735	22,960	--	22,960
(2) Inter-segmental sales or transfers	--	--	--	--	--	--
Total sales	9,991	8,233	4,735	22,960	--	22,960
Operating expenses	7,922	6,581	4,716	19,221	451	19,672
Operating income (loss)	2,069	1,651	18	3,739	(451)	3,287

5. Operating Results (Quarterly Summary)²

1) Cosmetics Business

SALES

Sales in the cosmetics business increased 8.6% compared to the same period last year to ¥10,848 million. (Millions of yen)

	Three months ended June 30, 2006		Three months ended June 30, 2005		% change
	Amount	% of total	Amount	% of total	
FANCL Cosmetics	8,123	74.9	7,421	74.3	9.5%
ATTENIR Cosmetics	2,602	24.0	2,425	24.3	7.3%
Other	122	1.1	145	1.4	(15.6%)
Total	10,848	100.0	9,991	100.0	8.6%

(Millions of yen)

	Three months ended June 30, 2006		Three months ended June 30, 2005		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	6,202	57.2	5,957	59.6	4.1%
Retail store sales	3,685	34.0	3,214	32.2	14.7%
Other	960	8.8	820	8.2	17.1%
Total	10,848	100.0	9,991	100.0	8.6%

Sales of FANCL cosmetics increased 9.5% to ¥8,123 million on the back of continued strong sales of renewed products such as *Mild Cleansing Oil* and *Facial Washing Powder* and from the sales of new product *Beauty Concentrate*.

Sales of ATTENIR cosmetics increased 7.3% to ¥2,602 million as a result of strong sales of skin care products. Our customer base is growing strongly as a result of aggressive marketing campaigns.

Sales increased through all sales channels. Results by sales channels were: mail-order sales increased 4.1% to ¥6,202 million; store sales increased 14.7% to ¥3,685 million from the effects of the expansion of stores, and other sales increased 17.1% to ¥960 million driven by strong overseas sales.

OPERATING INCOME

Operating income in this segment decreased 27.2% to ¥1,505 million, due to the costs associated with aggressive marketing and product promotion campaigns for ATTENIR products. The operating income margin decreased 6.8 percentage points to 13.9%.

2) Nutritional Supplements Business

SALES

Sales in the nutritional supplements business decreased 6.9% to ¥7,662 million. (Millions of yen)

	Three months ended June 30, 2006		Three months ended June 30, 2005		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	3,616	47.2	4,475	54.4	(19.2)
Retail store sales	1,988	26.0	2,024	24.6	(1.8)
Other	2,056	26.8	1,733	21.0	18.7
Total	7,662	100.0	8,233	100.0	(6.9)

Record sales of beauty supplements such as *HTC Collagen* and diet related products such as *Perfect Slim α* and *Calorie Limit* were not enough to offset declines in *Co-enzyme Q₁₀* sales from the record highs achieved in the first quarter of last fiscal year.

² Note: All comparisons are with the first quarter of the previous fiscal year, unless stated otherwise.

Sales in other channels increased 18.7% to ¥2,056 million due in the increase in number of sales partners. Mail-order sales decreased 19.2 to ¥3,616 million and store sales decreased 1.8% to ¥1,988 million.

OPERATING INCOME

Operating income in this segment decreased 49.7% to ¥831 million, as a result of the increase in the price of certain raw materials and the decline in sales. The operating income margin decreased 9.3 percentage points to 10.8%.

3) Other businesses

SALES

Sales in this segment increased 21.8% to ¥5,765 million.

(Millions of yen)

	Three months ended June 30, 2006	Three months ended June 30, 2005	% change
<i>Germinated brown rice</i> business	1,388	1,126	23.3
Kale juice business	982	985	(0.3)
IIMONO OHKOKU mail-order business	2,368	1,833	29.2
Other related businesses	1,026	789	30.0
Total	5,765	4,735	21.8

***Germinated brown rice* business**

Overall sales increased 23.3% to ¥1,388 million from coverage in a popular health television program.

Kale juice business

Sales decreased 0.3% to ¥982 million with no growth from frozen type and powdered type kale-juice.

IIMONO OHKOKU (Kingdom of Wonderful Things) Co., Ltd. mail-order business

Sales increased 29.2% to ¥2,368 million supported by strong sales in products such as golf goods and continued strong sales of *Walking Shoes* developed in cooperation with Mizuno Corporation.

Other related businesses

Sales increased 30.0% to ¥1,026 million due to growth in sales of household sundries and comfort undergarments.

OPERATING INCOME

Operating income in this segment was ¥622 million, a decrease of ¥641 million compared with the same period last fiscal year, as a result of the costs of marketing and product promotion campaigns.

Number of stores by business type

	As of June 30, 2006	Compared with March 31, 2006
FANCL Ginza Square	1	--
FANCL House	113	--
FANCL House J	75	+ 4
Genki Station	9	--
ATTENIR Shop	10	--
Other	4	--
Total	212	+ 4

FOR REFERENCE:

Non-consolidated Financial Statements and Notes

Summary of First Quarter Non-consolidated Balance Sheets						
<i>Millions of yen, rounded down</i>						
	As of June 30, 2006		As of June 30, 2005		As of March 31, 2006	
ASSETS		%		%		%
I. Current assets:						
Cash and cash equivalents.....	7,578		10,572		7,861	
Notes and accounts receivable.....	7,688		7,080		7,708	
Marketable securities.....	7,922		3,926		8,625	
Inventories.....	2,254		1,952		2,453	
Others.....	2,178		2,420		1,897	
Total current assets.....	27,623	40.7	25,951	38.9	28,546	41.6
II. Fixed assets:						
Tangible fixed assets						
Buildings and structures.....	6,488		6,399		6,293	
Land.....	7,176		7,456		7,176	
Others.....	973		1,030		1,236	
Total tangible fixed assets.....	14,638	21.6	14,886	22.3	14,706	21.5
Intangible fixed assets.....	1,661	2.4	832	1.3	1,317	1.9
Investments and other assets						
Investments securities.....	1,083		1,055		1,083	
Long-term loans receivable.....	6,277		7,210		6,224	
Guaranty money.....	2,455		2,258		2,437	
Others.....	14,121		14,471		14,237	
Total investments and other assets.....	23,937	35.3	24,995	37.5	23,983	35.0
Total fixed assets.....	40,238	59.3	40,715	61.1	40,007	58.4
Total Assets.....	67,861	100.0	66,666	100.0	68,554	100.0

Summary of First Quarter Non-consolidated Balance Sheets (continued)

Millions of yen, rounded down

	As of June 30, 2006		As of June 30, 2005		As of March 31, 2006	
		%		%		%
LIABILITIES						
I. Current liabilities:						
Notes and accounts payable.....	2,282		2,326		2,588	
Accrued liabilities	2,660		2,141		2,979	
Accrued income taxes.....	428		1,075		1,100	
Others	1,851		1,620		1,351	
Total current liabilities.....	7,223	10.6	7,163	10.8	8,018	11.7
II. Long-term liabilities:						
Allowance for retirement bonuses.....	830		800		820	
Allowance for directors retirement.....	202		1,144		188	
Others	167		78		60	
Total long-term liabilities.....	1,200	1.8	2,024	3.0	1,070	1.6
Total liabilities.....	8,423	12.4	9,188	13.8	9,089	13.3
SHAREHOLDERS' EQUITY						
Common stock.....	10,759	15.9	10,795	16.2	10,795	15.7
Capital reserve	11,851	17.5	11,706	17.5	11,846	17.2
Retained earnings	43,322	63.8	42,447	63.7	43,380	63.3
Treasury stock.....	(6,597)	(9.7)	(7,496)	(11.2)	(6,624)	(9.6)
Shareholders' assets.....	59,371	87.5	57,451	86.2	59,397	86.6
Net Unrealized holding gain on other securities.....	66		26		66	
Total difference from exchange and evaluation	66		26	0.0	66	0.1
Total Shareholders' Equity.....	59,438	87.6	57,478	86.2	59,464	86.7
Total Liabilities and Shareholders' Equity	67,861	100.0	66,666	100.0	68,554	100.0

Summary of Non-consolidated Statements of Income

Millions of yen, rounded down

	April 1 to June 30, 2006		April 1 to June 30, 2005		FY ended March 31, 2006	
Net sales.....	18,560	100.0	18,055	100.0	74,628	100.0
Cost of sales.....	6,858	37.0	6,543	36.2	27,814	37.3
Gross profit.....	11,702	63.0	11,512	63.8	46,813	62.7
Selling, general and administrative expenses.....	10,941	58.9	9,288	51.5	42,086	56.4
Operating income.....	760	4.1	2,223	12.3	4,727	6.3
Non-operating income						
Interest and dividend income.....	84		79		196	
Other non-operating income.....	172		166		1,262	
Total non-operating income.....	257	1.4	245	1.4	1,458	2.0
Non-operating expenses						
Loss from disposal of inventories.....	46		44		304	
Other non-operating expenses.....	15		18		48	
Total non-operating expenses.....	62	0.4	63	0.4	352	0.5
Ordinary income.....	955	5.1	2,405	13.3	5,833	7.8
Extraordinary income.....	--	--	--	--	24	0.0
Extraordinary expenses	4	0.0	64	0.3	1,301	1.7
Income before income taxes.....	950	5.1	2,341	13.0	4,555	6.1
Income taxes.....	362	1.9	960	5.3	1,707	2.3
Net income.....	587	3.2	1,381	7.7	2,848	3.8

Sales By Segment

(Millions of yen, %)

Consolidated		Three Months ended 6/04			Three Months ended 6/05			Three Months ended 6/06		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
C O S M E	Mail Order	5,575	62.9	0.2	5,957	59.6	6.9	6,202	57.2	4.1
	Retail Store	2,683	30.2	0.5	3,214	32.2	19.8	3,685	34.0	14.7
	Wholesale	611	6.9	(1.4)	820	8.2	34.1	960	8.8	17.1
	Sub total	8,870	42.3	0.2	9,991	43.5	12.6	10,848	44.7	8.6
S U P P L I E	Mail Order	3,850	53.3	(1.6)	4,475	54.4	16.3	3,616	47.2	(19.2)
	Retail Store	1,612	22.3	17.8	2,024	24.6	25.5	1,988	26.0	(1.8)
	Wholesale	1,767	24.4	13.1	1,733	21.0	(2.0)	2,056	26.8	18.7
	Sub total	7,230	34.5	5.6	8,233	35.9	13.9	7,662	31.6	(6.9)
O T H E R S	Mail Order	3,645	75.2	(9.0)	3,622	76.5	(0.6)	4,513	78.3	24.6
	Retail Store	298	6.1	8.0	382	8.1	28.1	391	6.8	2.6
	Wholesale	906	18.7	0.1	730	15.4	(19.5)	859	14.9	17.7
	Sub total	4,850	23.2	(6.5)	4,735	20.6	(2.4)	5,765	23.7	21.8
T O T A L	Mail Order	13,070	62.4	(3.0)	14,056	61.2	7.5	14,333	59.0	2.0
	Retail Store	4,594	21.9	6.5	5,620	24.5	22.3	6,066	25.0	7.9
	Wholesale	3,286	15.7	6.4	3,283	14.3	(0.1)	3,876	16.0	18.1
	Sub total	20,951	100.0	0.3	22,960	100.0	9.6	24,276	100.0	5.7

(Millions of yen, %)

		Three Months ended 6/04			Three Months ended 6/05			Three Months ended 6/06		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
R I C E	Mail Order	742	51.4	(18.3)	640	56.8	(13.8)	741	53.4	15.8
	Retail Store	81	5.7	4.7	94	8.4	16.2	114	8.3	21.0
	Wholesale	620	42.9	7.6	391	34.8	(36.9)	532	38.3	36.0
	Sub total	1,444	6.9	(7.6)	1,126	4.9	(22.0)	1,388	5.7	23.3
K A I E	Mail Order	320	46.1	(20.2)	445	45.2	38.7	459	46.8	3.3
	Retail Store	122	17.6	34.6	243	24.7	98.7	246	25.1	1.1
	Wholesale	252	36.3	(15.9)	296	30.1	17.3	275	28.1	(7.0)
	Sub total	696	3.3	(12.3)	985	4.3	41.5	982	4.0	(0.3)

Sales By Segment

(Millions of yen, %)

Consolidated		Six Months ended 9/04			Six Months ended 9/05			Six Months ended 9/06 (Projection)		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
C O S M E	Mail Order	11,059	61.9	4.8	11,595	58.8	4.8	12,000	55.8	3.5
	Retail Store	5,438	30.5	3.5	6,458	32.7	18.7	7,500	34.9	16.1
	Wholesale	1,353	7.6	18.5	1,683	8.5	24.4	2,000	9.3	18.8
	Sub total	17,852	42.3	5.3	19,736	43.1	10.6	21,500	44.8	8.9
S U P P L I E	Mail Order	7,889	53.1	(0.2)	8,453	51.2	7.2	6,900	44.5	(18.4)
	Retail Store	3,403	22.9	19.9	4,154	25.1	22.1	4,100	26.5	(1.3)
	Wholesale	3,557	24.0	2.0	3,916	23.7	10.1	4,500	29.0	14.9
	Sub total	14,850	35.1	4.4	16,524	36.1	11.3	15,500	32.3	(6.2)
O T H E R S	Mail Order	7,097	74.4	(8.4)	7,260	76.4	2.3	8,500	77.3	17.1
	Retail Store	667	7.0	20.5	761	8.0	14.1	770	7.0	1.1
	Wholesale	1,778	18.6	4.1	1,483	15.6	(16.6)	1,730	15.7	16.6
	Sub total	9,543	22.6	(4.7)	9,505	20.8	(0.4)	11,000	22.9	15.7
T O T A L	Mail Order	26,046	61.7	(0.6)	27,309	59.7	4.8	27,400	57.1	0.3
	Retail Store	9,509	22.5	10.0	11,374	24.8	19.6	12,370	25.8	8.8
	Wholesale	6,689	15.8	5.5	7,083	15.5	5.9	8,230	17.1	16.2
	Sub total	42,245	100.0	2.5	45,766	100.0	8.3	48,000	100.0	4.9

(Millions of yen, %)

		Six Months ended 6/04			Six Months ended 6/05			Six Months ended 6/06 (Projection)		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
R I C E	Mail Order	1,391	53.0	(18.0)	1,239	57.1	(10.9)	1,380	55.2	11.4
	Retail Store	157	6.0	8.5	178	8.3	13.3	200	8.0	11.8
	Wholesale	1,077	41.0	3.6	751	34.6	(30.3)	920	36.8	22.5
	Sub total	2,626	6.2	(8.8)	2,169	4.8	(17.4)	2,500	5.2	15.3
K A I E	Mail Order	710	43.0	(11.8)	888	43.8	25.1	930	44.3	4.7
	Retail Store	326	19.8	67.4	492	24.3	50.9	500	23.8	1.5
	Wholesale	614	37.2	(0.6)	647	31.9	5.3	670	31.9	3.5
	Sub total	1,651	3.9	2.0	2,028	4.4	22.9	2,100	4.4	3.5

Sales By Segment

(Millions of yen, %)

Consolidated	FY2005			FY2006			FY2007 (Projection)			
	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	
C o s m e t i c s	Mail Order	22,829	61.5	4.4	24,060	58.3	5.4	25,300	55.8	5.2
	Retail Store	11,491	31.0	8.3	13,721	33.2	19.4	16,100	35.6	17.3
	Wholesale	2,777	7.5	13.5	3,504	8.5	26.2	3,900	8.6	11.3
	Sub total	37,098	42.2	6.2	41,286	43.3	11.3	45,300	44.2	9.7
S u p p l e	Mail Order	16,709	53.7	1.6	16,822	50.6	0.7	16,900	47.7	0.5
	Retail Store	7,175	23.0	19.7	8,393	25.2	17.0	9,900	28.0	17.9
	Wholesale	7,246	23.3	0.3	8,030	24.2	10.8	8,600	24.3	7.1
	Sub total	31,131	35.4	5.0	33,246	34.9	6.8	35,400	34.5	6.5
O t h e r s	Mail Order	15,004	76.1	(7.0)	16,353	78.7	9.0	16,600	76.1	1.5
	Retail Store	1,400	7.1	25.1	1,492	7.2	6.6	1,700	7.8	13.9
	Wholesale	3,301	16.8	5.6	2,943	14.1	(10.9)	3,500	16.1	18.9
	Sub total	19,706	22.4	(3.3)	20,789	21.8	5.5	21,800	21.3	4.9
T o t a l	Mail Order	54,543	62.0	0.2	57,237	60.0	4.9	58,800	57.4	2.7
	Retail Store	20,067	22.8	13.2	23,607	24.8	17.6	27,700	27.0	17.3
	Wholesale	13,326	15.2	4.1	14,477	15.2	8.6	16,000	15.6	10.5
	Sub total	87,937	100.0	3.5	95,322	100.0	8.4	102,500	100.0	7.5

(Millions of yen, %)

	FY2005			FY2006			FY2007 (Projection)			
	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	
R i c e	Mail Order	2,838	56.5	(11.7)	2,639	58.0	(7.0)	2,750	55.0	4.2
	Retail Store	332	6.6	19.4	361	7.9	8.8	400	8.0	10.7
	Wholesale	1,855	36.9	(1.8)	1,549	34.1	(16.5)	1,850	37.0	19.4
	Sub total	5,026	5.7	(6.6)	4,549	4.8	(9.5)	5,000	4.9	9.9
K a l e	Mail Order	1,557	44.2	8.5	1,858	46.1	19.4	2,050	44.6	10.3
	Retail Store	725	20.6	66.9	963	23.9	32.8	1,100	23.9	14.1
	Wholesale	1,241	35.2	11.4	1,207	30.0	(2.8)	1,450	31.5	20.1
	Sub total	3,524	4.0	18.1	4,029	4.2	14.3	4,600	4.5	14.2

Number of Active Customers

	As of June 30, 2004	As of June 30, 2005	As of June 30, 2006	Increase	
F A N C L	Cosmetics	1,052,490	1,176,880	1,349,647	172,767
	Cosmetics Mail Order	604,916	615,073	651,222	36,149
	Cosmetics Retail Stores	530,597	662,600	817,997	155,397
	Nutritional Supple	1,058,023	1,141,436	1,142,911	1,475
	Supple Mail Order	655,683	638,779	615,867	(22,912)
	Supple Retail Stores	446,572	561,533	588,796	27,263
	Rice Mail Order	395,685	221,397	274,818	53,421
	Kale Mail Order	91,343	98,541	123,627	25,086
	Mail order	1,346,016	1,129,846	1,209,767	79,921
	Retail Stores	852,868	1,041,209	1,201,429	160,220
Others	403,739	418,770	501,490	82,720	

Unit Prices (FANCL)

(Yen, %)

	Three Months ended 6/05	Three Months ended 6/06	% change
Cosmetics Mail Order	5,853	6,038	3.2
Supple Mail Order	5,932	5,834	(1.7)
Retail Stores	3,360	3,382	0.7

Existing Stores Year-on-year-change

Three Months ended 6/04	Three Months ended 6/05	Three Months ended 6/06
102.4%	109.5%	96.3%

Segment Information

(Millions of yen, %)

		Three Months ended 6/04			Three Months ended 6/05			Three Months ended 6/06		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
C o m m e	Sales	8,870	42.3	0.2	9,991	43.5	12.6	10,848	44.7	8.6
	Gross Profit	6,626	74.7		7,449	74.6		8,169	75.3	
	SGA	5,028	56.7	9.6	5,380	53.9	7.0	6,663	61.4	23.8
	Advertising	956	10.8	57.8	823	8.2	(13.9)	1,172	10.8	42.4
	Operating Income	1,597	18.0	(26.3)	2,069	20.7	29.5	1,505	13.9	(27.2)
S u p p l i e	Sales	7,230	34.5	5.6	8,233	35.9	13.9	7,662	31.6	(6.9)
	Gross Profit	4,710	65.1		5,221	63.4		4,700	61.3	
	SGA	4,098	56.7	35.1	3,569	43.4	(12.9)	3,869	50.5	8.4
	Advertising	1,161	16.1	238.1	274	3.3	(76.4)	457	6.0	66.9
	Operating Income	611	8.5	(52.6)	1,651	20.1	170.1	831	10.8	(49.7)
O t h e r s	Sales	4,850	23.2	(6.5)	4,735	20.6	(2.4)	5,765	23.7	21.8
	Gross Profit	2,426	50.0		2,459	51.9		2,895	50.2	
	SGA	3,269	67.4	26.3	2,441	51.6	(25.3)	3,518	61.0	44.1
	Advertising	886	18.3	66.2	388	8.2	(56.2)	1,098	19.1	182.9
	Operating Income	(843)	(17.4)	-	18	0.4	-	(622)	(10.8)	-
Eliminations or Corporate		(503)			(451)			(452)		
T o t a l	Sales	20,951	100.0	0.3	22,960	100.0	9.6	24,276	100.0	5.7
	Gross Profit	13,763	65.7		15,130	65.9		15,765	64.9	
	SGA	12,901	61.6	20.3	11,842	51.6	(8.2)	14,504	59.7	22.5
	Advertising	3,005	14.3	102.5	1,486	6.5	(50.5)	2,729	11.2	83.6
	Operating Income	862	4.1	(71.9)	3,287	14.3	281.2	1,260	5.2	(61.6)

General and administrative expenses

(Millions of yen, %)

		Three Months ended 6/04			Three Months ended 6/05			Three Months ended 6/06		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
	Advertising	3,005	14.3	102.5	1,486	6.5	(50.5)	2,729	11.2	83.6
	Sales Promotions	2,220	10.6	15.3	2,207	9.6	(0.6)	2,749	11.3	24.6
	Transport	998	4.8	0.9	1,010	4.4	1.2	1,021	4.2	1.2
	Communications	554	2.6	(16.8)	498	2.2	(10.1)	610	2.5	22.4
	Fees/outourcing	1,855	8.9	6.1	1,937	8.4	4.4	2,135	8.8	10.2
	Salaries	2,644	12.6	10.4	2,952	12.9	11.6	3,288	13.5	11.4
	Depreciations	324	1.5	(21.2)	331	1.4	2.0	362	1.5	9.5
	Others	1,297	6.2	17.2	1,420	6.2	9.4	1,606	6.6	13.1
	Total	12,901	61.6	20.3	11,842	51.6	(8.2)	14,504	59.7	22.5

Segment Information

(Millions of yen, %)

		Six Months ended 9/04			Six Months ended 9/05			Six Months ended 9/06 (Projection)		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
C o m m e	Sales	17,852	42.3	5.3	19,736	43.1	10.6	21,500	44.8	8.9
	Gross Profit	13,214	74.0		14,639	74.2		16,000	74.4	
	SGA	11,158	62.5	21.1	12,277	62.2	10.0	13,400	62.3	9.1
	Advertising	2,563	14.4	82.6	2,862	14.5	11.7	2,900	13.5	1.3
	Operating Income	2,055	11.5	(43.9)	2,361	12.0	14.9	2,600	12.1	10.1
S u p p l i e	Sales	14,850	35.1	4.4	16,524	36.1	11.3	15,500	32.3	(6.2)
	Gross Profit	9,852	66.3		10,384	62.8		9,650	62.3	
	SGA	8,123	54.7	29.3	7,603	46.0	(6.4)	7,450	48.1	(2.0)
	Advertising	1,911	12.9	114.0	877	5.3	(54.1)	900	5.8	2.5
	Operating Income	1,729	11.6	(35.3)	2,780	16.8	60.8	2,200	14.2	(20.9)
O t h e r s	Sales	9,543	22.6	(4.7)	9,505	20.8	(0.4)	11,000	22.9	15.7
	Gross Profit	4,697	49.2		4,954	52.1		5,650	51.4	
	SGA	6,162	64.6	7.8	5,093	53.6	(17.4)	6,200	56.4	21.7
	Advertising	1,556	16.3	5.4	960	10.1	(38.3)	1,700	15.5	76.9
	Operating Income	(1,465)	(15.4)	-	(138)	(1.5)	-	(550)	(5.0)	-
Eliminations or Corporate		(1,027)			(831)			(850)		
T o t a l	Sales	42,245	100.0	2.5	45,766	100.0	8.3	48,000	100.0	4.9
	Gross Profit	27,764	65.7		29,977	65.5		31,300	65.2	
	SGA	26,471	62.6	19.0	25,806	56.4	(2.5)	27,900	58.1	8.1
	Advertising	6,031	14.3	59.8	4,700	10.3	(22.1)	5,500	11.5	17.0
	Operating Income	1,292	3.1	(73.6)	4,171	9.1	222.7	3,400	7.1	(18.5)

General and administrative expenses

(Millions of yen, %)

		Six Months ended 9/04			Six Months ended 9/05			Six Months ended 9/06 (Projection)		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
	Advertising	6,031	14.3	59.8	4,700	10.3	(22.1)	5,500	11.5	17.0
	Sales Promotions	4,789	11.3	31.4	4,315	9.4	(9.9)	5,000	10.4	15.9
	Transport	2,057	4.9	5.5	2,026	4.4	(1.5)	2,000	4.2	(1.3)
	Communications	1,119	2.6	(12.8)	1,007	2.2	(10.0)	1,100	2.3	9.2
	Fees/Outsourcing	3,763	8.9	11.1	4,043	8.8	7.5	4,200	8.8	3.9
	Salaries	5,225	12.4	6.4	6,030	13.2	15.4	6,500	13.5	7.8
	Depreciations	696	1.6	(17.4)	678	1.5	(2.6)	750	1.6	10.6
	Others	2,789	6.6	13.5	3,003	6.6	7.7	2,850	5.9	(5.1)
	Total	26,471	62.6	19.0	25,806	56.4	(2.5)	27,900	58.1	8.1

Segment Information

(Millions of yen, %)

		FY2005			FY2006			FY2007 (Projection)		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
C o s m e	Sales	37,098	42.2	6.2	41,286	43.3	11.3	45,300	44.2	9.7
	Gross Profit	27,592	74.4		30,655	74.2		33,700	74.4	
	SGA	22,846	61.6	13.6	25,087	60.8	9.8	27,000	59.6	7.6
	Advertising	5,073	13.7	29.0	5,464	13.2	7.7	5,000	11.0	(8.5)
	Operating Income	4,745	12.8	(24.5)	5,567	13.5	17.3	6,700	14.8	20.3
S u p p l i e	Sales	31,131	35.4	5.0	33,246	34.9	6.8	35,400	34.5	6.5
	Gross Profit	20,623	66.2		20,829	62.7		23,100	65.3	
	SGA	15,985	51.3	16.9	15,424	46.4	(3.5)	17,500	49.4	13.5
	Advertising	3,291	10.6	31.6	1,835	5.5	(44.2)	2,600	7.3	41.6
	Operating Income	4,638	14.9	(13.6)	5,405	16.3	16.5	5,600	15.8	3.6
O t h e r s	Sales	19,706	22.4	(3.3)	20,789	21.8	5.5	21,800	21.3	4.9
	Gross Profit	9,689	49.2		10,597	51.0		11,300	51.8	
	SGA	11,656	59.2	(3.5)	11,359	54.6	(2.5)	11,400	52.3	0.4
	Advertising	2,740	13.9	(20.1)	2,492	12.0	(9.1)	3,000	13.8	20.4
	Operating Income	(1,967)	(10.0)	-	(761)	(3.7)	-	(100)	(0.5)	-
Eliminations or Corporate		(1,988)			(1,636)			(1,700)		
T o t a l	Sales	87,937	100.0	3.5	95,322	100.0	8.4	102,500	100.0	7.5
	Gross Profit	57,905	65.8		62,082	65.1		68,100	66.4	
	SGA	52,476	59.7	9.5	53,507	56.1	2.0	57,600	56.2	7.6
	Advertising	11,105	12.6	12.6	9,792	10.3	(11.8)	10,600	10.3	8.3
	Operating Income	5,428	6.2	(30.1)	8,574	9.0	57.9	10,500	10.2	22.5

General and administrative expenses

(Millions of yen, %)

		FY2005			FY2006			FY2007 (Projection)		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
	Advertising	11,105	12.6	12.6	9,792	10.3	(11.8)	10,600	10.3	8.3
	Sales Promotions	9,475	10.8	18.5	9,319	9.8	(1.6)	10,400	10.1	11.6
	Transport	4,240	4.8	6.1	4,214	4.4	(0.6)	4,200	4.1	(0.3)
	Communications	2,199	2.5	(9.5)	2,205	2.3	0.3	2,300	2.2	4.3
	Fees/Outsourcing	7,482	8.5	4.2	8,050	8.4	7.6	9,100	8.9	13.0
	Salaries	10,689	12.2	8.7	12,393	13.0	15.9	13,400	13.1	8.1
	Depreciations	1,450	1.6	(13.4)	1,440	1.5	(0.7)	1,600	1.6	11.1
	Others	5,834	6.6	17.9	6,091	6.4	4.4	6,000	5.9	(1.5)
	Total	52,476	59.7	9.5	53,507	56.1	2.0	57,600	56.2	7.6