FANCL Corporation

Consolidated Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2007

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

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Interim results for the Fiscal Year Ending March 31, 2007

FANCL CORPORATION **November 1, 2006**

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

Contact: Shoji Shiba
Executive Officer/General Manager of Administrative Headquarters
Telephone: +81-45-226-1200

www.fancl.co.jp

Representative: Kenji Fujiwara, CEO and Representative Director
Date of board meeting: November 1, 2006

Use of U.S. accounting standards: No

1) Consolidated results for the interim period of Fiscal 2007 (April 1, 2006 to September 30, 2006)

(1) Sales and Income

Millions of yen, rounded down

	Interim period ended September 30, 2006		Interim period ended September 30, 2005		Year ended March 31, 2006
		Change %		Change %	
Net sales	47,980	4.8	45,766	8.3	95,322
Operating income	2,676	(35.8)	4,171	222.7	8,574
Ordinary income	2,826	(36.5)	4,449	198.6	9,113
Net income	1,581	(32.2)	2,332	1,466.4	5,183
Earnings per share (¥)	24.47		109.52		242.56
Earnings per share (diluted) (¥)	24.14		108.64		240.78

Notes:

1. Average number of shares outstanding (consolidated) during the period:
   - Interim period ended September 30, 2006: 64,639,172 shares.
   - Interim period ended September 30, 2005: 21,298,831 shares
   - Fiscal year ended March 31, 2006: 21,370, 955 shares

   On April 1, 2006, we implemented a 3-for-1 share split of the shares held by shareholders as of March 31, 2006.
   Previous period per share figures adjusted to reflect the average number of shares issued during the current period are:
   Interim net income per share:
   Interim period ended September 30, 2005: ¥36.51 Fiscal year ended March 31, 2006: ¥80.85
   Interim net income per share (diluted):
   Interim period ended September 30, 2005: ¥36.21 Fiscal year ended March 31, 2006: ¥80.26
2. There has been no change in accounting methods used
3. Year-on-year change for net sales, operating income, ordinary income and net income reflects a comparison with the same period in the previous fiscal year.

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
Total assets	84,535	81,266	85,147
Shareholders' equity	72,517	68,384	71,405
Shareholders' equity/total assets (%)	85.8	84.1	83.9
Shareholders' equity per share (¥)	1,120.28	3,201.56	3,317.02

Note: Number of shares outstanding (consolidated) at end of periods:
- Interim period ended September 30, 2006: 64,725,190 shares.
- Interim period ended September 30, 2005: 21,359,728 shares
- Fiscal year ended March 31, 2006: 21,527,106 shares

On April 1, 2006, we implemented a 3-for-1 share split of the shares held by shareholders as of March 31, 2006.
Previous period per share figures adjusted to reflect the average number of shares issued during the current period are:
Interim net assets per share:
Interim period ended September 30, 2005: ¥1,067.19 Fiscal year ended March 31, 2006: ¥1,105.67

(3) Cash Flows

Millions of yen, rounded down

	Interim period ended September 30, 2006	Interim period ended September 30, 2005	Year ended March 31, 2006
Net cash provided by operating activities	110	4,673	9,162
Net cash used in investing activities	(2,322)	(2,189)	(10,280)
Net cash used in financing activities	(465)	(168)	(21)
Cash and cash equivalents at end of period	18,490	24,621	21,167

(4) Scope of consolidation and application of the equity method:

Consolidated subsidiaries: 6 Non-consolidated companies accounted for by the equity method: None Equity method affiliates: None

(5) Changes in scope of consolidation and application of the equity method: No changes.

2) Consolidated forecasts for the fiscal year ending March 31, 2007 (April 1, 2006 to March 31, 2007) *Millions of yen*

	FY ending March 31, 2007
Net sales	98,700
Ordinary income	7,500
Net income	4,100

Note: Consolidated net income per share forecast for the fiscal year ending March 31, 2007: ¥63.34

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. Please refer to page 12 for further information.

1. FANCL Group

The FANCL Group comprises FANCL CORPORATION, 13 subsidiaries and three affiliates, and is primarily engaged in the manufacture and sales of cosmetics and nutritional supplements. Sales activities are principally conducted through mail order, directly managed retail outlets, and wholesale distribution.

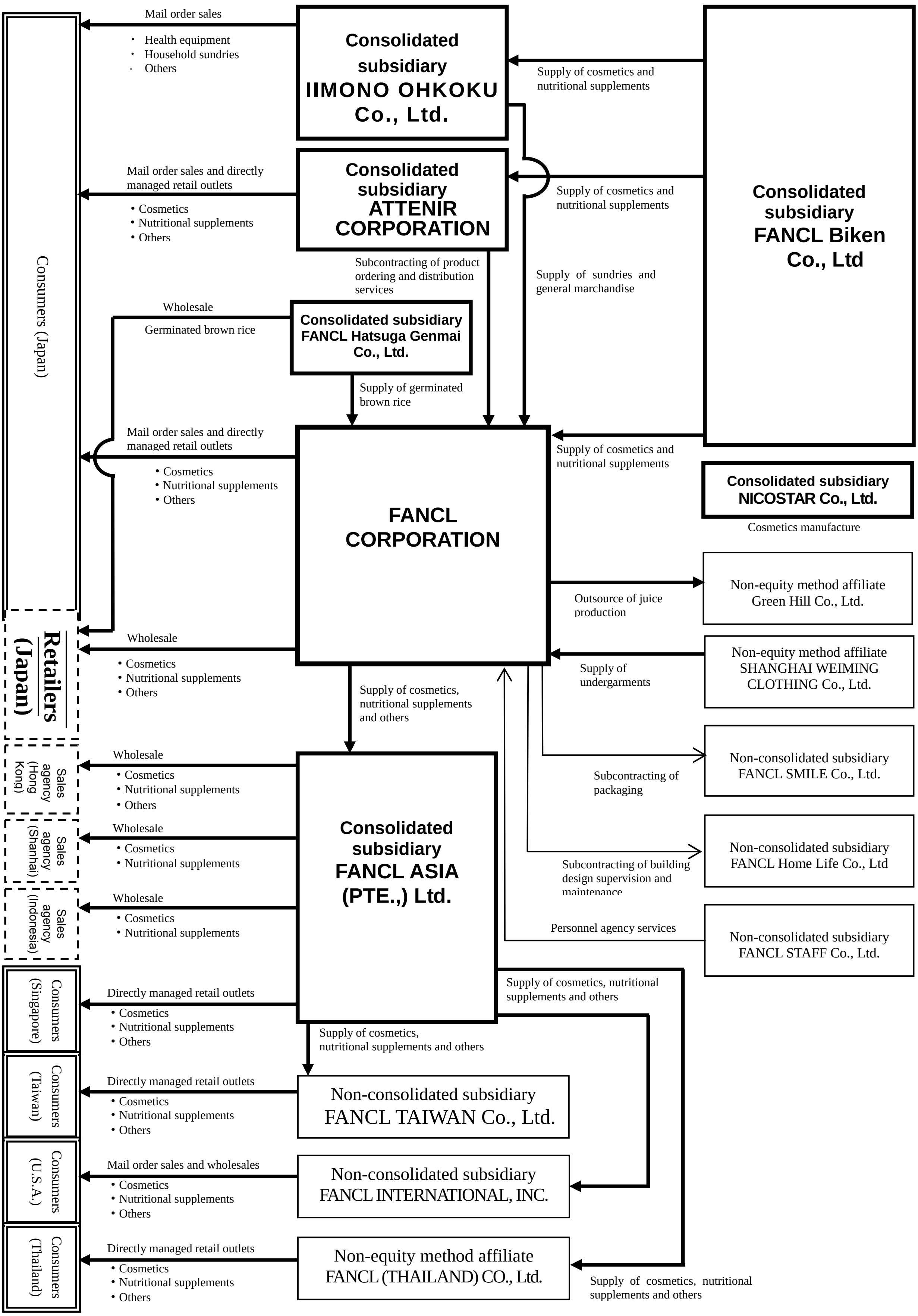
The Group's operations and the business segments in which they operate are as follows:

Cosmetics Business:	The manufacture of preservative-free FANCL cosmetics is conducted by the consolidated subsidiary FANCL Biken Co., Ltd., and sales are handled by FANCL. ATTENIR Cosmetics are manufactured by FANCL Biken and sold by ATTENIR CORPORATION (a consolidated subsidiary). NICOSTAR Co., Ltd. (a consolidated subsidiary) supplies cosmetics on an OEM basis.
Nutritional Supplements Business:	Nutritional supplements are manufactured by FANCL Biken, and sold by FANCL and ATTENIR.
Other Businesses:	IIMONO OHKOKU Co., Ltd. (a consolidated subsidiary) is engaged in mail-order sales of health equipment and household sundries. *Kaiteki Hadagi* (comfort undergarments) products are manufactured primarily by SHANGHAI WEIMING CLOTHING Co., Ltd. (an affiliate not accounted for by the equity method) and sold by FANCL. Sundries and general merchandise for women are sold by FANCL which sources from IIMONO OHKOKU and also sold by ATENIR which sources from external manufacturers. *Hatsuga Genmai* (germinated brown rice) is manufactured by FANCL Hatsuga Genmai Co., Ltd. (a consolidated subsidiary) and sold by FANCL and FANCL Hatsuga Genmai. Kale Juice is manufactured on consignment by Green Hill Co., Ltd. (an affiliate not accounted for by the equity method) and external manufacturers, and sold by FANCL.

FANCL ASIA (PTE) LTD. (a consolidated subsidiary) markets FANCL products in Singapore, as well as in the United States through FANCL INTERNATIONAL, INC. (a non-consolidated subsidiary), in Taiwan through FANCL TAIWAN Co., Ltd. (a non-consolidated subsidiary), and in Thailand through FANCL (THAILAND) CO., Ltd. (an affiliate not accounted for by the equity method), respectively.

In Japan, FANCL STAFF Co., Ltd. (a non-consolidated subsidiary) is a personnel agency and introduction business serving mainly Group companies. FANCL SMILE Co., Ltd. (a non-consolidated subsidiary), established as a special corporation in line with legislation in Japan aimed at promoting employment opportunities for disabled persons, packages FANCL group products. FANCL Home Life Co., Ltd. (a non-consolidated subsidiary) primarily carries out design supervision and maintenance of buildings for the FANCL group of companies. FANCL Insurance Service (a non-consolidated subsidiary) is an insurance agency.

FANCL GROUP Operating Structure



Affiliates

Company	Location	Paid-In Capital (million yen)	Principal Business	Percentage of Voting/ Nonvoting Stock Held		Relationship with FANCL	Relevant Notes
				Voting (%)	Nonvoting (%)		
ATTENIR CORPORATION	Sakae-ku, Yokohama, Japan	¥150	Cosmetics and nutritional supplements business	100.0	—	Subcontracts product ordering and distribution services Seconded directors: 3	(See Note 4)
NICOSTAR Co., Ltd.	Sakae-ku, Yokohama, Japan	¥10	Cosmetics business	100.0	—	— Seconded directors: 1	—
IIMONO OHKOKU Co., Ltd.	Shibuya-ku, Tokyo, Japan	¥196	Other businesses	81.6	—	Supplies sundries and general merchandise. Loans provided internally. Seconded directors: 1	—
FANCL Hatsuga Genmai Co., Ltd.	Tomi City, Nagano, Japan	¥95	Other businesses	84.6	—	Manufactures germinated brown rice Seconded directors: 2	(See Note 7)
FANCL ASIA (PTE.,) LTD .	Singapore	¥875	Cosmetics, nutritional supplements business and other businesses	100.0	—	Sells cosmetics, nutritional supplements and others Seconded directors: 2	(See Note 6)
FANCL Biken Co., Ltd.	Sakae-ku, Yokohama, Japan	¥100	Cosmetics and nutritional supplements businesses	100.0	—	Cosmetics and nutritional supplements manufactured internally. Loans provided internally. Seconded directors: 4	(See notes 2, 6)

Notes:
1. Business segment names are shown in the spaces for principal businesses.
2. FANCL Biken Co., Ltd. is a specified subsidiary.
3. None of FANCL's affiliates prepares *yuka shoken todokedesho* (securities registration statements) or *yuka shoken hokokusho* (reports of registered securities).
4. ATTENIR CORPORATION accounts for more than 10% of FANCL's consolidated net sales, excluding intersegment transactions. The company's principal profit/loss information for the period under review was as follows:

(Millions of yen)

Principal Operating Results of ATTENIR CORPORATION				
Net Sales	Ordinary Income	Net Income	Net Assets	Total Assets
5,903	109	49	6,610	7,819

5. None of FANCL's affiliates currently carries material excessive debt.

2. Management Policy

(1) Basic Management Policy

The FANCL Group's basic management policy is to cultivate a core competence based on beauty and health, and centered on an ability to resolve negative issues. Consumers often have negative feelings—such as dissatisfaction and uneasiness or concern—about the products they use. FANCL's ongoing goal as a company is to maximize sensitivity and creativity to transcend accepted norms, thereby continuing to create new markets and offer new value. Our aim is to expand into new areas that will enhance our ability to resolve negative issues. These efforts also reflect our recognition that to increase corporate value and ensure stable, long-term returns to shareholders we must constantly work to identify new market needs and seek ways to resolve related negative issues.

(2) Policy Regarding Allocation of Earnings

FANCL recognizes that ensuring shareholders obtain a fair return on their investment is a key management responsibility. Accordingly, our dividend policy is to maintain stable returns, taking into account funding requirements for business development, increasing dividends or undertaking share splits as appropriate to any improvement in business performance. Retained earnings will be applied to capital investment, research and development and investment in new businesses, with the aim of reinforcing and broadening our operating foundation. Retained earnings may also be used to acquire treasury shares.

For the fiscal year ending March 31, 2007, an annual dividend of ¥24.00 (Interim: ¥12 and Year-end: ¥12) per share is planned.

(3) Share Trading Unit

FANCL lowered its share trading unit from 1,000 shares to 100 shares in August 1999. Share splits were also implemented in May 1999 (1 : 1.3), May 2000 (1 : 1.3) , May 2002 (1 : 1.2) and April 2006 (1 : 3). Any further share splits will be considered as appropriate with regard to the market price of FANCL shares.

(4) Management Target Indices, Medium-Term Business Strategy and Key Management Tasks

FANCL has launched *FANCL Change & Challenge plan Phase 2*, its medium-term management plan for the fiscal year ending March 2007 through March 2009, targeting steady income growth. We are aiming for a steady increase in sales and improvements in profitability with the goal of achieving record net sales and income in the fiscal year ending March 2009.

Despite the results of our core Cosmetics business being broadly in line with expectations, forecast net sales and income for the current fiscal year have been significantly revised downwards due to factors such as delays in responding to market changes and the increasingly competitive environment of the Nutritional Supplements businesses.

Looking forward, we will endeavor to develop high value-added products and to cultivate middle-aged and senior customer markets. However, a full-fledged recovery will require some time, and as such we have revised our numerical targets.

Quantitative consolidated targets
(For the fiscal year ending March 31, 2009)

	Net sales	Ordinary income	Ordinary income margin	Ratio of earnings on total capital	Rate of return on equity
Revised forecasts	¥110.0 billion	¥12.0 billion	11%	13%	8%
Previous forecasts (announced May 1, 2006)	¥115.0 billion	¥15.0 billion	13%	15%	10%

Strategy by business segment

- In **cosmetics**, FANCL will continue developing competitive products with an emphasis on unique functionality. FANCL's skin care cosmetic brands will be revitalized and the Company will aim to increase its share of the market for sensitive skin products.
- In **nutritional supplements**, FANCL will seek to produce products with high added value. The Company will strengthen its operations in supplements that support beauty while also developing

products for middle-aged and senior customer groups.

- In **other businesses**, FANCL will seek to restore profitability. In germinated brown rice and kale juice the Company will seek to grow sales and return to profit by enhancing the product lineup. In mail-order sales at IIMON OHKOKU the Company will pursue higher earnings margins by improving the product mix and reducing expenses.

Strategy by sales channel

- FANCL will seek to make maximum use of the strengths of each channel and derive clear synergy benefits.
- The Company will strengthen its highly profitable internet sales channel, along with its retail network and overseas development.
- In internet sales, the processing capability will be improved and higher sales targeted through the introduction of new services.
- In the retail store network, while emphasizing profitability, initiatives to revitalize existing stores will continue along with control over cost management. The company will proceed cautiously with store expansion while focusing on staff training.
- Overseas development will focus on establishing a presence in China.

(6) Matters relating to parent company

FANCL is not a subsidiary of any parent company.

3. Consolidated operating results and financial position

1. Operating results (consolidated)[1]

The domestic economy maintained it's recovery trend during the interim period under review, supported by factors such as continued improvements in corporate profitability and early signs of increasing consumer consumption.

In the cosmetics industry, sales of make-up products were strong; however, the difficulties that emerged for skin care products in the previous fiscal year have continued.

In the nutritional supplements industry, the *Coenzyme* Q_{10} boom came to an end and competition intensified, resulting in very difficult conditions.

Consolidated net sales during the interim period under review increased 4.8% to ¥47,980 million. This was largely the result of strong sales in our cosmetics businesses and other businesses such as IIMONO HOKOKU mail order operations.

Consolidated ordinary income decreased 36.5% to ¥2,826 million mainly due to a ¥1,207 million increase over the previous comparable period in advertising and promotion expenses aimed at strengthening our customer base and the reduced income from the highly profitable Nutritional supplements business. Ordinary income margin dropped 3.8 percentage points to 5.9%, Consolidated net income for the interim period under review fell 32.2% to ¥1,581 million and the net income margin fell 1.8 percentage points to 3.3%.

1) Cosmetics Business

Sales

Cosmetics sales increased 9.7% compared to the previous interim period, reaching ¥21,656 million.

	Interim period ended September 30, 2006		Interim period ended September 30, 2005		Increase in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	16,582	76.6	14,791	74.9	12.1
ATTENIR Cosmetics	4,861	22.4	4,726	24.0	2.9
Others	211	1.0	218	1.1	(3.0)
Totals	21,656	100.0	19,736	100.0	9.7

	Interim period ended September 30, 2006		Interim period ended September 30, 2005		Increase in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	11,986	55.3	11,595	58.8	3.4
Retail store sales	7,552	34.9	6,458	32.7	16.9
Others	2,116	9.8	1,683	8.5	25.7
Totals	21,656	100.0	19,736	100.0	9.7

Sales of FANCL Cosmetics increased 12.1% to ¥16,582 million due to sales growth of *Mild Cleansing Oil* , *Facial Washing Powder* and *Beauty Concentrate* and other skin care products and from growth in sales of make-up products renewed in August.

Sales of ATTENIR cosmetics increased 2.9% to ¥4,861 million from the effects of a boom in sales of new make-up and body care products. A wide-range of skin care products renewed in September also performed well. Additionally, the number of customers has steadily increased as a result of aggressive marketing activities.

Sales through sales channels increased 3.4% to ¥11,986 million. Store sales increased 16.9% to ¥7,552 million largely from the effects of newly opened stores. In other sales channels, overseas sales performed well, increasing 25.7% to ¥2,116 million.

Operating income

Operating income increased 5.2% to ¥2,483 million, supported by increased revenues and offsetting a decrease of 0.5 percentage points in the operating income margin to 11.5% as a result of expenses incurred related to advertising and promotions for ATTENIR cosmetics.

[1] Note: All comparisons are with the interim period of the previous fiscal year, unless otherwise stated.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 8.4% to ¥15,129 million.

	Interim period ended September 30, 2006		Interim period ended September 30, 2005		Increase in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	7,026	46.4	8,453	51.2	(16.9)
Retail store sales	4,013	26.5	4,154	25.1	(3.4)
Others	4,090	27.1	3,916	23.7	4.5
Totals	15,129	100.0	16,524	100.0	(8.4)

In manufacturing, sales of *Beauty supplements* such as *HTC Collagen* and diet related products such as *Perfect Slim α* and *Calorie Limit* were strong; however, they did not reach the record sales levels of the last fiscal year and they were not enough to offset the reduction in sales of *Coenzyme* Q_{10} *and Alpha Lipoic Acid*.

Sales by sales channels were: Other sales channels, including overseas sales, were strong, rising 4.5% to ¥4,090 million; however, mail-order sales decreased 16.9% to ¥7,026 million and store sales decreased 3.4% to ¥4,013 million.

Operating income

Operating income decreased 27.6% to ¥2,014 million largely due to a significant reduction in revenue from highly profitable mail-order sales. The Operating income margin decreased 3.5 percentage points to 13.3%.

3) Other Businesses

Sales in Other businesses increased 17.8% to ¥11,194 million.

(Millions of yen)

	Interim period ended September 30, 2006	Interim period ended September 30, 2005	Increase (decrease) in percent
Hatsuga Genmai Business	2,572	2,169	18.6
Kale juice business	1,950	2,028	(3.8)
IIMONO OHKOKU mail order business	4,624	3,564	29.7
Other	2,047	1,742	17.5
Totals	11,194	9,505	17.8

In the **Hatsuga Genmai** (germinated brown rice) **business,** sales increased through all sales channels, rising 18.6% to ¥2,572 million due to such factors as positive coverage on a television health program.

In the **Kale juice business**, sales decreased 3.8% to ¥1,950 million as sales of frozen-type and powder-type kale juice failed to grow despite undertaking marketing activities.

Sales through the **IIMONO OHKOKU** (Kingdom of Wonderful Things) **mail order business** increased 29.7% to ¥4,624 million supported by continued strong sales of walking shoes, developed in cooperation with Mizuno Corporation, and a boom in sales of golfing products and other products.

Other sales increased 17.5% to ¥2,047 million with growth in sales of comfort undergarments in household sundries.

Operating income

An operating loss of ¥936 million was recorded, ¥797 larger than the operating loss recorded in the previous interim period due to the effect of advertising activities for the Hatsuga Genmai business and kale juice business.

For reference: Sales network

	Number of stores as of September 30, 2006	Change compared to March 31, 2006
FANCL Ginza Square	1	—
FANCL House	111	(2)
FANCL House J	80	+9
Genki Station	9	—
ATTENIR Shop	10	—
Other	4	—
Total	215	+7

2. Consolidated financial position

Cash and cash equivalents as of September 30, 2006 were ¥18,490 million, ¥2,677 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 six-month period under review was ¥110 million. Factors contributing to an increase in operating cash flow included Income before income taxes of ¥2,562 million, and a decrease of ¥1,260 million in depreciation and amortization. Factors contributing to a reduction of operating cash flow included an increase in accounts receivable of ¥1,033 million and corporate tax payments of ¥1,954 million.

Cash flows from investing activities

Cash used in investing activities during the period under review was ¥2,322 million. This was largely the result of ¥1,298 million used to acquire fixed assets for new stores, and ¥632 million used in the acquisition of intangible fixed assets.

Cash flows from financing activities

Cash flow from financing activities during the period under review was ¥465 million. This was primarily due to ¥644 million paid out in dividends and ¥178 million received through the sale of treasury shares.

Trends in Cash Flow-related Indices

	Interim period ended September 30, 2004	FY ended March 31, 2005	Interim period ended September 30, 2005	FY ended March 31, 2006	Interim period ended September 30, 2006
Equity ratio (%)	84.9	83.4	84.1	83.9	85.8
Equity ratio based on market price (%)	110.6	110.9	147.7	183.9	131.9
Debt service coverage (years)	—	—	—	—	—
Interest coverage ratio (times)	—	—	—	—	—

Notes:
Equity ratio based on market price: Market capitalization/Total assets
Debt service coverage: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/interest paid

1. All indices are calculated from consolidated financial results figures.
2. Market capitalization = market price on last trading day of period x total shares outstanding at end of period
3. Operating cash flow is the Net Cash Provided From Operating Activities figure in the consolidated statements of cash flows. Interest bearing debt includes all debt on which interest is paid recorded in the liabilities section of the consolidated balance sheet. Interest paid is the Interest Paid figure in the consolidated statements of cash flows.

(3) Business risks

1. Product development and competitive environment

In the FANCL Group's product development, the product planning and development division is responsible for formulating and proposing product plans based on customer needs and market research. In collaboration with related departments such as the Central Research Center, it makes final decisions on commercialization. At present, the Group develops cosmetics and nutritional supplements using its own technology, but there is no guarantee that this will result in successful development and new products. Further, in light of the increasing numbers of women with sensitive skin and greater health consciousness, there are more new entrants into the markets of cosmetics for sensitive skin and nutritional supplements and the appearance of similar products could operate to reduce the relative competitiveness of the FANCL lineup and hurt our growth potential and earning capabilities.

2. Product manufacturing and quality assurance

The FANCL Group's cosmetics, nutritional supplements and germinated brown rice are manufactured at five directly managed domestic factories, while kale juice and undergarments production is outsourced to subsidiaries. Departments in charge of procurement manage all aspects of raw materials purchases and, working in cooperation with marketing departments, disperse purchases among multiple suppliers and coordinate purchases with suppliers. Nevertheless, unanticipated conditions due to external factors may make it impossible to procure planned quantities. A quality assurance department has been established to improve product quality. At quality conferences it verifies the quality control situation with respective departments, and strives to maintain quality by conducting on-site plant inspections and other means. If a quality problem arises, it could impact negatively on the Group's operating results.

3. Disasters and bad weather

To minimize the effects of fire and natural disasters on its production system, the FANCL Group conducts periodic inspections and checking on all its facilities. Geographic dispersion of plants is intended to reduce risks. Nevertheless, there are no guarantees that the impact of fire or natural disaster can be fully prevented. The harvest volumes of rice and kale, the raw materials for germinated brown rice and kale juice, are subject to the vagaries of the weather. We therefore strive for dispersion of producing areas and raw material stockpiling, but weather factors can cause shortages and higher prices that impact adversely on Group operating results.

4. Limits of intellectual property protection

The Group is moving forward with securing patents and other rights to its accumulated technology and other intellectual property, but this is an area in which the legal basis is not fully prepared and cannot cover all business development domains. And because it takes at least a year and a half from patent application to publication, there is the possibility that there may be development investment in technology for which other companies have already sought patents. In future, after commercialization other companies' patents could be published and involve the Company in patent infringement cases.

5. Legal restrictions

The Cosmetic Businesses is governed by the Pharmaceutical Affairs Law to assure the quality, effectiveness and safety of pharmaceuticals, over-the-counter drugs, cosmetics and medical equipment. It is under this legislation that the FANCL Group manufactures manages its Pharmaceutical control division and sells cosmetics and related products. The Nutritional Supplement Business is subject to the Food Sanitation Law, which prescribes food standards, additives, sanitation surveillance and business permissions. For foods for sale, the Nutrition Improvement Law prescribes standards for display of nutritional elements and caloric values. Those of the Company's supplements that meet certain requirements are also subject to the regulations of the functional foods health system, which enables selection with assurance of foods corresponding to consumers' eating habits.

The Group is also governed by the Specified Commercial Transactions Law, whose objectives are fair conduct of mail-order businesses for protection of consumers, and by the Law for Prevention of Unfair Premiums and Unfair Labeling, intended to prevent customer inducement by those means.

The Group has established a Compliance & Legal Division, responsible for compliance and ensuring more thoroughgoing observance of laws and regulations. Notwithstanding this, any violations that occur may adversely affect the Group's operating results.

6. Personal information

The Group's use of mail order and the internet as its main sales channels has resulted in possession of personal information about many individuals. The Group strictly observes the “Guidelines for Personal Data Protection” prescribed by the Japan Direct Marketing Association, and has established an all-Company committee to reinforce the information control system. Continuous efforts are also made with regard to employee education in this area. Nevertheless, should there occur leakage of such information outside the Company, a loss of customer trust could reduce sales and subject the Company to losses from payment of liability damages to customers.

(4) Outlook for the full year

Looking forward, the economic environment is expected to continue its slow-paced recovery.

In the Cosmetics business, revenues from FANCL cosmetics are expected to increase, supported by product renewals for make-up products and continued strong sales from skin care products. Income from ATTENIR cosmetics is forecast to increase from the effects of skincare product renewals.

In the Nutritional Supplements business, we are expecting a decrease in revenues despite the introduction of high value-added products targeting the middle-aged and senior market and diet products and beauty related product as we forecast a continuation of the difficult conditions and a large decrease in revenues from Coenzyme Q_{10} and Alpha Lipoic Acid compared to last years high sales growth.

In the *Hatsuga Genmai* business, revenue is expected to rise due to increases in the number of mail-order customers and stronger sales to catering industry.

In the kale juice business, revenues are expected to decrease due to an increase in the number of competitive products and an expected continuation of difficult conditions for frozen-type and powder-type kale juice.

Based on the above, consolidated net sales for the fiscal year ending March 31, 2007 are expected to increase 3.5% year on year to ¥98,700 million. Ordinary income is forecast to decrease 17.7% to ¥7,500 million from a decrease in the highly profitable Nutritional supplements business. Consolidated net income for the year is forecast to increase 20.9% year on year to ¥4,100 million.

For the fiscal year ending March 31, 2007 the planned dividend is ¥24 per share, including an interim dividend payment of ¥12.00.

4. Consolidated Interim Financial Statements

Consolidated Interim Balance Sheets

Millions of yen, rounded down

	As of September 30, 2006		As of March 31, 2006		As of September 30, 2005	
ASSETS		%		%		%
I. Current assets:						
Cash and cash equivalents	15,689		19,247		18,695	
Notes and accounts receivable	10,010		8,977		9,162	
Marketable securities	9,910		8,625		6,926	
Inventories	6,414		6,680		5,764	
Deferred tax assets	474		524		545	
Others	1,439		1,046		1,204	
Allowance for doubtful accounts	(145)		(134)		(139)	
Total current assets	43,793	51.8	44,965	52.8	42,158	51.9
II. Fixed assets:						
Tangible fixed assets						
Buildings and structures	12,165		12,486		12,554	
Machinery and transport equipment	1,588		1,493		1,572	
Furniture, tools and fixtures	1,280		1,119		1,114	
Land	10,636		10,636		10,720	
Construction in progress	186		57		9	
Total tangible fixed assets	25,857	30.6	25,793	30.3	25,971	32.0
Intangible fixed assets						
Goodwill	20		—		—	
Consolidated adjustment account	—		26		162	
Software	1,337		1,006		887	
Others	617		483		113	
Total intangible fixed assets	1,974	2.3	1,516	1.8	1,163	1.4
Investments and other assets						
Investments securities	2,018		2,026		1,977	
Long-term loans receivable	694		696		696	
Guarantee money	2,669		2,715		2,607	
Deferred tax assets	192		150		202	
Others	7,744		7,697		6,930	
Allowance for doubtful accounts	(409)		(414)		(440)	
Total investments and other assets	12,909	15.3	12,871	15.1	11,973	14.7
Total fixed assets	40,742	48.2	40,182	47.2	39,108	48.1
Total Assets	**84,535**	**100.0**	**85,147**	**100.0**	**81,266**	**100.0**

Consolidated Interim Balance Sheets

Millions of yen, rounded down

	As of September 30, 2006		As of March 31, 2006		As of September 30, 2005	
LIABILITIES		%		%		%
I. Current liabilities:						
Notes and accounts payable	3,548		4,007		3,638	
Accrued liabilities	3,588		3,918		4,210	
Accrued expenses	666		566		298	
Accrued income taxes	1,062		2,055		1,529	
Allowance for bonuses	1,016		905		1,046	
Others	275		476		355	
Total current liabilities	10,157	12.0	11,929	14.0	11,078	13.7
II. Long-term liabilities:						
Allowance for retirement bonuses	1,350		1,281		1,249	
Allowance for directors' retirement bonuses	216		188		162	
Others	292		342		392	
Total long-term liabilities	1,860	2.2	1,812	2.1	1,803	2.2
Total liabilities	12,018	14.2	13,742	16.1	12,882	15.9
SHAREHOLDERS' EQUITY						
I. Common stock	--	--	10,795	12.7	10,795	13.3
II. Capital reserve	--	--	11,846	13.9	11,752	14.5
III. Retained earnings	--	--	55,326	65.0	53,009	65.2
IV. Net unrealized holding gain on other securities	--	--	66	0.1	43	0.0
V. Foreign currency translation adjustment	--	--	(4)	(0.0)	(4)	(0.0)
VI. Treasury stock	--	--	(6,624)	(7.8)	(7,211)	(8.9)
Total shareholders' equity	--	--	71,405	83.9	68,384	84.1
Total Liabilities and Shareholders' Equity	**--**	**--**	**85,147**	**100.0**	**81,266**	**100.0**
NET ASSETS						
I. Shareholders' equity						
1. Common stock	10,795	12.8	--	--	--	--
2. Capital reserve	11,855	14.0	--	--	--	--
3. Retained earnings	56,262	66.5	--	--	--	--
4. Treasury stock	6,455	(7.6)	--	--	--	--
Total shareholders' equity	72,458	85.7	--	--	--	--
II. Valuation and translation gain			--	--	--	--
1. Net unrealized holding gain on other securities	57	0.1	--	--	--	--
2. Foreign currency translation adjustment	(4)	(0.0)	--	--	--	--
Total valuation and translation gain	52	(0.1)	--	--	--	--
III. Share warrants	6	0.0	--	--	--	--
Total net assets	72,517	85.8	--	--	--	--
Total Liabilities and Net Assets	84,535	100.0	--	--	--	--

Consolidated Interim Statements of Income

Millions of yen, rounded down

	April 1 to September 30, 2006		April 1 to September 30, 2005		FY ended March 31, 2006	
Net sales	47,980	100.0	45,766	100.0	95,322	100.0
Cost of sales	16,965	35.4	15,789	34.5	33,239	34.9
Gross profit	31,015	64.6	29,977	65.5	62,082	65.1
Selling, general and administrative expenses *1	28,338	59.0	25,806	56.4	53,507	56.1
Operating income	2,676	5.6	4,171	9.1	8,574	9.0
Net operating income	**342**	**0.7**	**429**	**0.9**	**1,023**	**1.1**
Interest and dividend income	54		38		78	
Refund of insurance premiums	118		177		360	
Income from investments in anonymous associations	87		82		161	
Other non-operating income	81		131		423	
Net operating expenses	**192**	**0.4**	**151**	**0.3**	**485**	**0.5**
Loss on disposal of obsolete inventories	155		114		402	
Other non-operating expenses	37		36		82	
Ordinary income	2,826	5.9	4,449	9.7	9,113	9.6
Extraordinary income	**0**	**0.0**	**--**	**--**	**24**	**0.0**
Gain on sale of fixed assets *2	0	0.0	--	--	24	0.0
Extraordinary loss	**264**	**0.6**	**447**	**1.0**	**622**	**0.7**
Loss on disposal of fixed assets *3	22		77		130	
Impairment loss *4	--		237		237	
Directors' retirement benefit expenses	--		71		71	
Provision for reserve for directors' retirement benefits in previous fiscal year	24		--		--	
Loss on cancellation of leases	--		55		55	
Loss on disposal of merchandise	--		--		101	
Valuation loss on inventories	136		--		--	
Valuation loss on investment securities	--		--		25	
Loss on revisions of purchase amounts at affiliate companies for prior years	33		--		--	
Compensation for overtime in previous fiscal year	48		--		--	
Other extraordinary expenses	--		5		--	
Income before income taxes	**2,562**	**5.3**	**4,001**	**8.7**	**8,514**	**8.9**
Income taxes	966	1.9	1,350	2.9	2,954	3.1
Adjustment for income taxes	14	0.1	318	0.7	376	0.4
Net income	**1,581**	**3.3**	**2,332**	**5.1**	**5,183**	**5.4**

Consolidated Statements of Retained Earnings

Millions of Yen, rounded down

	April 1 to September 30, 2005		FY ended March 31, 2006	
Capital Reserve				
Balance at beginning of the period		11,706		11,706
Increase in capital surplus from:				
Gain on sale of treasury stock	46	46	140	140
Balance at end of the period		11,752		11,846
Retained earnings				
Balance at beginning of the period		51,172		51,172
Increase in retained earnings from:				
Interim net income	2,332		5,183	
Increase in capital from minority shareholders......................................	36	2,368	36	5,219
Decrease in retained earnings from:				
Dividends	531	531	1,065	1,065
Retained earnings at end of period		53,009		55,326

Changes to shareholders' equity during the interim period April 1 to September 30, 2006 (Millions of yen)

	Shareholders' equity				
	Capital	Capital reserve	Profit reserve	Treasury stock	Total Shareholders' equity
Shareholders' funds as of March 31, 2006	10,795	11,846	55,326	(6,624)	71,343
Changes during the interim period					
Dividends	—	—	(645)	—	(645)
Interim net income	—	—	1,581	—	1,581
Acquisition of treasury stock	—	—	—	(1)	(1)
Sale of treasury stock	—	8	—	171	180
Other net	—	—	—	—	—
Total change during the interim period	—	8	935	169	1,114
Shareholders' funds as of September 30, 2006	10,795	11,855	56,262	(6,455)	72,458

	Valuation and translation differences			Stock options	Total net assets
	Valuation differences and other marketable securities	Foreign exchange translation adjustment account	Total valuation and translation differences		
Shareholders' funds as of March 31, 2006	66	(4)	61		71,405
Changes during the interim period					
Dividends	—	—	—	—	(645)
Interim net income	—	—	—	—	1,581
Acquisition of treasury stock	—	—	—	—	(1)
Sale of treasury stock	—	—	—	—	180
Other net	(9)	—	(9)	6	(3)
Total change during the interim period	(9)	—	(9)	6	1,111
Shareholders' funds as of September 30, 2006	57	(4)	52	6	72,517

Consolidated Statements of Cash Flows

Millions of yen

	April 1 to September 30, 2006	April 1 to September 30, 2005	FY ended March 31, 2006
I. Cash flows from operating activities			
Income before income taxes	2,562	4,001	8,514
Depreciation and amortization	1,260	1,213	2,540
Stock compensation expenses	6	--	--
Impairment loss	--	237	237
Amortization in excess of investment cost over equity in net assets of consolidated subsidiaries	--	136	272
Amortization of goodwill	6	--	--
Increase (decrease) in allowance for bonuses	110	265	124
Increase (decrease) in allowance for doubtful accounts	5	(21)	(34)
Increase (decrease) in allowances for directors' retirement bonuses	28	(955)	(929)
Increase (decrease) in allowance for retirement benefits	69	54	86
Interest and dividend income	(54)	(38)	(78)
Foreign exchange loss (gain)	(1)	(1)	(9)
Valuation loss on investment securities	--	--	25
Investment gain on anonymous association	(87)	(82)	(161)
Net refund of insurance premiums	(118)	(177)	(358)
Gain on sale of tangible fixed assets	(0)	--	(24)
Loss on sale of tangible fixed assets	3	4	4
Loss on disposal of tangible fixed assets	14	31	79
Loss on disposal of other investments	3	--	--
Loss on disposal of intangible fixed assets	--	42	43
Decrease (increase) in trade receivables	(1,033)	(448)	(263)
Decrease (increase) in inventories	265	(100)	(1,016)
Decrease (increase) in other current assets	(373)	869	1,028
Increase (decrease) in trade payables	(458)	588	958
Increase (decrease) in other current liabilities	(154)	185	(119)
Increase (decrease) in other fixed liabilities	(49)	(50)	(100)
Others	(1)	1	6
Sub-total	2,005	5,756	10,827
Interest and dividends received	50	25	74
Refund on insurance received	8	626	1,074
Income taxes paid	(1,954)	(1,735)	(2,813)
Net cash provided by (used in) operating activities	**110**	**4,673**	**9,162**
II. Cash flows from investing activities			
Repayment of fixed-term deposits	(120)	--	(1,000)
Acquisition of investment securities	(8,987)	(999)	(7,703)
Gain from maturity of investment securities	8,702	--	999
Payment for purchase of tangible fixed assets	(1,298)	(724)	(1,410)
Proceeds from sales of tangible fixed assets	4	3	129
Payment for purchase of intangible fixed assets	(632)	(270)	(881)
Payment for purchase of investment securities	--	--	(800)
Proceeds from sales of investment securities	--	--	800
Payments for purchase of investments in affiliates	(9)	--	(30)
Lending of loans	--	(55)	(76)
Proceeds from collection of loans	20	23	42

Consolidated Statements of Cash Flows continued

	April 1 to September 30, 2006	April 1 to September 30, 2005	FY ended March 31, 2006
			Millions of yen
Payment for purchase of other investments	(129)	(188)	(376)
Proceeds from sales of other investments	126	22	27
Net cash used in investing activities	(2,322)	(2,189)	(10,280)
III. Cash flows from financing activities			
Proceeds from capital increase by minority shareholders	--	36	36
Payment for purchase of treasury stock	178	327	1,008
Cash dividends paid	(644)	(531)	(1,065)
Net cash used in financing activities	(465)	(168)	(21)
IV. Effect of exchange rate changes on cash and cash equivalents	**--**	**--**	--
V. Net increase in cash and cash equivalents	(2,677)	2,314	(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	18,490	24,621	21,167

Significant items for the Preparation of Consolidated Financial Statements

Item	Interim period ended September 30, 2006	Interim period ended September 30, 2005	Fiscal year ended March 31, 2006
1.Scope of Consolidation	1) Number of consolidated subsidiaries: 6 Name of consolidated subsidiaries: Same as right 2) Main Non-Consolidated companies: Same as right	1) Number of consolidated subsidiaries: 6 Name of consolidated subsidiaries: ATTENIR CORPORATION NICOSTAR Co., Ltd. IIMONO OHKOKU Co., Ltd FANCL Hatsuga Genmai Co., Ltd. FANCL ASIA (PTE.,) LTD. FANCL Biken Co., Ltd. 2) Main Non-Consolidated companies FANCL STAFF Co., Ltd. FANCL Home Life Co., Ltd. Reasons for not being included in the scope of consolidation: Non-consolidated subsidiaries are not included in the scope of consolidation because they are small-sized companies and their respective total assets, (in proportion to equity) and retained earnings (in proportion to equity) would not have a significant effect on the interim consolidated financial statements.	Reasons for not being included in the scope of consolidation: Non-consolidated subsidiaries are not included in the scope of consolidation because they are small-sized companies and their respective total assets, (in proportion to equity) and retained earnings (in proportion to equity) would not have a significant effect on the consolidated financial statements.
2. Application of the Equity Method	Same as right	1) Non-consolidated companies accounted for by the equity method: Not applicable 2) Affiliate companies accounted for by the equity method: Not applicable 1) Name of main Non-consolidated and affiliate companies accounted for by the Equity Method: Non-consolidated: FANCL STAFF Co., Ltd. FANCL Home Life Co., Ltd. Affiliate companies: SHANGHAI WEMMING CLOTHING CO., Ltd. Reasons for not being accounted for by the equity method: Companies not accounted for by the equity method do not have a material effect on items such as net income and retained earnings and are therefore excluded from application of the equity method.	Same as left
3. Fiscal Year-End of Consolidated Subsidiaries	Same as right	Among consolidated subsidiaries, the period closing date of FANCL ASIA (PTE.,) LTD. is December 31. The financial statements as of the closing date are used in preparing the consolidated financial statements. Consolidation adjustments are made as necessary for significant transactions occurring until the consolidated closing date.	Same as left

Item	Interim period ended September 30, 2006	Interim period ended September 30, 2005	Fiscal year ended March 31, 2006
4. Accounting Standards (1) Basis and method for valuation of major assets	1) Other marketable securities: Stocks with market value: At lower of cost or market by the moving average method, based on the market closing price on the last day of the period. (Valuation gains and losses resulting are calculated by the full net capital costing method; cost of disposal is calculated by the moving average method.) Stocks with no market value: Same as right	1) Other marketable securities: Stocks with market value: At lower of cost or market by the moving average method, based on the market closing price on the last day of the period. (Valuation gains and losses resulting are calculated by the full capital costing method; cost of disposal is calculated by the moving average method.) Stocks with no market value: At cost by the average method 2) Derivatives: Market value method 3) Inventories Finished goods, work in process, raw materials: At cost by the average method Merchandise: At cost by the monthly average method Supplies: At cost by the last purchase price method	Same as left
(2) Depreciation of Fixed Assets	Same as right	1) Tangible fixed assets: The estimated useful lives for such assets are as follows: Buildings and structures: 3–50 years Machinery and transport equipment: 2–22 years Furniture, tools and fixtures: 2–20 years 2) Intangible fixed assets: Straight-line method, with the exception of software intended for internal use, which is amortized by the straight-line method over its estimated useful life (five years) 3) Long-term prepaid expenses: Straight-line method	Same as left
(3) Allowances	1) Allowance for doubtful accounts: Same as right 2) Allowance for bonuses: Same as right 3) Allowance for retirement bonuses: Same as right	1) Allowance for doubtful accounts: The Company makes provisions against estimated uncollectible receivables sufficient to cover possible losses on the collection of receivables based on a review of the potential for recovery of individual receivables. 2) Allowance for bonuses: To prepare for future bonus payments to employees, the Company makes provisions in the amount accrued based on the estimated payment. 3) Allowance for retirement bonuses: To prepare for future retirement benefit payments to employees, the Company makes provisions in the amount recognized as accruing at the end of the consolidated fiscal year based on the estimated retirement benefit obligation and pension assets at the end of the consolidated fiscal year. Actuarial gains and losses are charged to income on a straight-line basis over a certain number of years (five years) within the average remaining years of service starting from the year after the gain or loss arises.	Same as left

Item	Interim period ended September 30, 2006	Interim period ended September 30, 2005	Fiscal year ended March 31, 2006
	4) Allowance for directors' retirement bonuses: For the parent company and domestic affiliate companies to prepare for future retirement bonus payments to directors, the necessary provisions at the interim period based on internal regulations are made. (Additional Information) Following the passage of a motion at the 26th. Ordinary General Meeting of Shareholders, held June 17, 2006, to abolish the system of retirement allowances for directors, and to pay, instead, a retirement allowance to each resigning board member and corporate auditor corresponding to their term in office, the parent company has reported no reserves for retirement benefits for directors and corporate auditors in the period since. With regard to domestic consolidated subsidiaries, reserves for retirement benefits for directors and corporate auditors necessary for the period have been recorded in line with internal policies.	4) Allowance for directors' retirement bonuses: To prepare for future retirement bonus payments to directors, the Company makes the necessary provisions at the interim period based on internal regulations.	4) Allowance for directors' retirement bonuses: To prepare for future retirement bonus payments to directors, the Company makes the necessary provisions at the end of the fiscal year based on internal regulations.
(4) Lease Accounting	Same as right	Finance leases other than those which transfer the right of ownership to the lessee are accounted for in the same manner as ordinary operating lease transactions.	Same as left
(5) Hedge accounting	Same as right	1) Hedge accounting policy: Derivative instruments are accounted for using deferral hedge accounting. Forward exchange contracts meeting the appropriate criteria are accounted for using the allocation method. 2) Hedging instruments/targets: Forward exchange contracts/payables or forecast transactions denominated in foreign currencies. 3) Policy regarding use of hedging: The Company enters into forward exchange and interest rate swap contracts in the normal course of its business to manage currency and interest rate exposure. 4) Method of assessing hedge effectiveness: As a rule, the Company uses individual forward exchange contracts and thus does not assess hedge effectiveness. 5) Other risk management information relevant to hedge accounting: The Company has formulated standards to govern its use of derivatives. The use of derivatives in daily business is managed by the Accounting Department, which reports to the Board of Directors on the progress of transactions. Consolidated subsidiaries do not engage in derivative transactions.	Same as left
(6) Others	Same as right	All transactions are posted in amounts prior to deduction of consumption and other taxes.	Same as left

5) Scope of Cash and Cash Equivalents	Same as right	Cash and cash equivalents in the consolidated statements of cash flows consist primarily of cash on hand, cash deposits and short-term, highly liquid investments with original maturities of three months or less which are readily convertible into cash with insignificant risk of change in value.	Same as left

Change in accounting treatment

Interim period ended September 30, 2006	Interim period ended September 30, 2005	Fiscal year ended March 31, 2006
Same as right	Accounting standards for impairment of fixed assets: Accounts have been prepared in accordance with Accounting Standards for Impairment of Fixed Assets (issued by the Accounting Standards Board of Japan on August 9, 2002) and the Financial Accounting Standards Implementation Guidance No. 6, “Implementation Guidance for Accounting Standards for Impairment of Fixed Assets” (issued by the Accounting Standards Board of Japan on October 31, 2003). In accordance with the adoption of these standards and implementation guidance, impairment losses of ¥237 million on land and buildings have been recorded as an extraordinary loss. Compared to the former accounting standard, this resulted in a decrease in net income before taxes and other adjustments for the period of ¥237 million and Interim net income before taxes and other adjustments declined by the same amount when compared with original accounting methods. Accumulated impairment losses on the aforementioned land and buildings, these shall be directly deducted from the amount in the land and buildings account based on the revised provisions covering interim consolidated financial statements.	Accounting standards for impairment of fixed assets: Accounts have been prepared in accordance with Accounting Standards for Impairment of Fixed Assets (issued by the Accounting Standards Board of Japan on August 9, 2002) and the Financial Accounting Standards Implementation Guidance No. 6, “Implementation Guidance for Accounting Standards for Impairment of Fixed Assets” (issued by the Accounting Standards Board of Japan on October 31, 2003). In accordance with the adoption of these standards and implementation guidance, impairment losses of ¥237 million on land and buildings have been recorded as an extraordinary loss. Compared to the former accounting standard, this resulted in a decrease in net income before taxes and other adjustments for the period of ¥237 million. The land and buildings referred to above were disposed of during the fiscal year.
(Accounting standards for presentation of net assets in balance sheet) From this interim consolidated accounting period the company has applied “Accounting standards for Presentation of net Assets in Balance Sheet,” Accounting Standards Board of Japan (ASBJ) Statement No. 5 of December 27, 2005 and “Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet,” ASBJ Implementation Guidance No. 8 of December 9, 2005. The amount corresponding to total assets to date is Yen 72,510 million. Net assets in the interim consolidated balance sheet during this interim consolidated accounting period, have been prepared in line with revised provisions covering balance sheets, following amendments to the provisions on balance sheets.		
(Accounting standards covering stock options) From this interim consolidated accounting period the company has applied “Accounting Standards for Stock Options,” Accounting Standards Board of Japan (ASBJ) Statement No. 8 December 27, 2005, and “Guidance on Accounting Standards for Stock Options,” ASBJ Implementation Guidance No. 11 of May 31, 2006. As a result, operating profit, current profit, and interim net income before taxes and other adjustments each declined Yen 6.0 million.		

Change in the method of disclosure

Interim period ended September 30, 2006	Interim period ended September 30, 2005
(Interim Consolidated Balance Sheet) Items displayed as the “Consolidated Adjustment Account” during the previous interim consolidated accounting period, will be displayed as “Goodwill” from the present interim consolidated accounting period.	----------------
(Interim Consolidated Cash Flow Account) Items displayed as “Consolidated Adjustment Account Write Offs,” during the previous interim consolidated accounting period, will displayed as “Goodwill Write Offs” from the present interim consolidated accounting period.	Consolidated Statements of Cash Flows As of this interim period, Increase (decrease) in bonuses for directors (which was a decrease of ¥128 million last fiscal year) has been separated from Increase (decrease) in other fixed liabilities found in the Cash Flow from operating activities section.

Interim period ended September 30, 2006	Interim period ended September 30, 2005	Fiscal year ended March 31, 2006
*1 Tangible Fixed Asset Accumulated Depreciation: ¥15,458 million Contingent Liabilities *2 The company is a co-guarantor of ¥2,141 million in borrowings by the Nagareyama Industrial Park from the Chiba Prefectural SHOKOCHUKIN Bank along with the other 17 co-partners in the industrial park. The company also guarantees bank borrowings of ¥17 million (US$ 150,000) to our non-consolidated subsidiary FANCL International, Inc.) *3 Assets pledged as collateral Land located in Nagareyama city, Chiba prefecture associated with the Chiba factory and Chiba logistics center (with a book value at the end of the period of ¥591 million,) and buildings (with a book value at the end of the period of ¥1,710 million) have been pledged as collateral against borrowings from the Chiba Prefectural SHOKOCHUKIN Bank as part of the collectivized factory business operations, implemented by the Nagareyama Industrial Park Cooperative. *4 Same as right *5 Same as right	*1 Tangible Fixed Asset Accumulated Depreciation: ¥13,483 million Contingent Liabilities *2 The company is a co-guarantor of ¥2,295 million in borrowings by the Nagareyama Industrial Park from the Chiba Prefectural SHOKOCHUKIN Bank along with the other 18 co-partners in the industrial park. *3 Assets pledged as collateral Land located in Nagareyama city, Chiba prefecture associated with the Chiba factory and Chiba logistics center (with a book value at the end of the period of ¥591 million,) and buildings (with a book value at the end of the period of ¥1,795 million) have been pledged as collateral against borrowings from the Chiba Prefectural SHOKOCHUKIN Bank as part of the collectivized factory business operations, implemented by the Nagareyama Industrial Park Cooperative. *4 The accounts contain advanced depreciation allowances of ¥23 million for buildings and ¥173 million for land as a result of the company receiving state subsidies, and amounts reported in the balance sheet have been deducted to account for this advanced depreciation allowance. *5 Consumption taxes Amounts adjusted for canceling the balance of consumption taxes on suspense payments with those on receipts included in balances at the end of the interim period are contained under “Other” current liabilities.	*1 Tangible Fixed Asset Accumulated Depreciation: ¥14,550 million Contingent Liabilities *2 The company is a co-guarantor of ¥2,218 million in borrowings by the Nagareyama Industrial Park from the Chiba Prefectural SHOKOCHUKIN Bank along with the other 19 co-partners in the industrial park. The company also guarantees bank borrowings of ¥33 million (US$ 280,000) to our non-consolidated subsidiary FANCL International, Inc.) *3 Assets pledged as collateral Land located in Nagareyama city, Chiba prefecture associated with the Chiba factory and Chiba logistics center (with a book value at the end of the period of ¥591 million,) and buildings (with a book value at the end of the period of ¥1,742 million) have been pledged as collateral against borrowings from the Chiba Prefectural SHOKOCHUKIN Bank as part of the collectivized factory business operations, implemented by the Nagareyama Industrial Park Cooperative. *4 The accounts contain advanced depreciation allowances of ¥23 million for buildings and ¥173 million for land as a result of the company receiving state subsidies, and amounts reported in the balance sheet have been deducted to account for this advanced depreciation allowance. -----------------------

Notes to Consolidated Interim Statements of Income

(Millions of yen)

<table>
<tr><th>Interim period ended
September 30, 2006</th><th>Interim period ended
September 30, 2005</th><th>Fiscal year ended
March 31, 2006</th></tr>
<tr>
<td>1 Principal components of selling, general and administrative expenses
Advertising 5,144
Sales promotions 5,079
Transport 2,050
Communications 1,163
Fees 2,757
Salaries 4,816
Depreciation 747
Transfer of reserve for doubtful accounts 54</td>
<td>1 Principal components of selling, general and administrative expenses
Advertising 4,700
Sales promotions 4,315
Transport 2,026
Communications 1,007
Fees 2,698
Salaries 4,011
Depreciation 678
Transfer of reserve for doubtful accounts 3</td>
<td>1 Principal components of selling, general and administrative expenses
Advertising 9,792
Sales promotions 9,319
Transport 4,214
Communications 2,205
Fees 5,577
Salaries 9,480
Depreciation 1,440
Transfer of reserve for doubtful accounts 61</td>
</tr>
<tr>
<td>2 Income from the disposal of fixed assets was from the sale of machinery.</td>
<td>――――――</td>
<td>2 Income from the disposal of fixed assets was primarily due to the sale of land and buildings in Yokohama Sakae-ku.</td>
</tr>
<tr>
<td>3 Disposal losses from fixed assets was primarily due to disposals associated with store renovations.</td>
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</tr>
<tr>
<td></td>
<td>4 Impairment losses
millions of yen
<table>
<tr><th>Application</th><th>Type</th><th>Value</th><th>Location</th></tr>
<tr><td rowspan="2">Office</td><td>Bldg.</td><td>39</td><td>Yokohama Sakae-ku</td></tr>
<tr><td>Land</td><td>198</td><td></td></tr>
</table>
The FANCL Group mainly conducts asset grouping on a business category basis.
Idle assets are grouped on a facility unit basis.
The company has processed ¥237 million of impairment accounting where the recoverable value of idle assets undercuts the book value.
The company has calculated the recoverable value of idle assets via net sale value, and using the appraisal value to calculate fair market value.</td>
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The company has calculated the recoverable value of idle assets via net sale value, and using the appraisal value to calculate fair market value.</td>
</tr>
</table>

Changes to shareholders' equity during the consolidated interim period April 1 to September 30, 2006

1. Number and type of treasury stock and common shares issued (thousand shares)

	Number of shares as of March 31, 2006	Increase of shares during interim period April 1 to September 30, 2006	Decrease of shares during interim period April 1 to September 30, 2006	Number of shares as of September 30, 2006
Shares issued				
Common shares (note 1)	23,392	46,784	—	70,176
Total	23,392	46,784	—	70,176
Treasury stock				
Common shares (note 2,3)	1,865	3,730	144	5,451
Total	1,865	3,730	144	5,451

Note: 1. Increases of 46,784,000 in total outstanding common shares were due to a stock split of 3:1 ordinary shares executed on April 1, 2006.
2. Increases of 3,730 thousand in common stock for treasury purposes are based on increases of 3,730 thousand stocks through a stock split of 3:1 common shares executed on April 1, 2006, and 796 stocks as a result of purchases of odd lot shares.
3. Reductions of 144 thousand in common stock for treasury purposes were due to a reduction of 144 thousand stocks via the exercise of share warrants, and 368 stocks as a result of sales of odd lot shares.

2. Share warrants and Treasury share warrants

Type	Breakdown of share warrants	Type shares for share warrants	Target number of shares for share warrants (Thousands of shares)				Balance at end of current interim period
			FY ending March 31, 2006	Increase during current interim period	Decrease during current interim period	Number of shares at current interim period	
Holding company	Stock option share warrants	—	—	—	—	—	6

3. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
June 17, 2006 Shareholders' meeting	Common shares	¥645 million	¥30	March 31, 2006	June 17, 2006 Shareholders' meeting

(2) Dividends

Date confirmed	Type of stock	Total Dividends paid	Source of dividends	Dividends per share	Dividend record date	Effective date
November 1, 2006 Board of directors' meeting	Common shares	¥776 million	Accumulated income	¥12	September 30, 2006	December 4, 2006

Notes to Consolidated Interim Statements of Cash Flows

(Millions of yen)

As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
Relationship between the ending balance of cash and cash equivalents and the category names used in the consolidated balance sheets	Relationship between the ending balance of cash and cash equivalents and the category names used in the consolidated balance sheets	Relationship between the ending balance of cash and cash equivalents and the category names used in the consolidated balance sheets
Cash and deposits account 15,689 Securities account 9,910 Total 25,600 Deposits with maturities of more than three months (120) Securities with maturities of more than three months (6,989) Cash and cash equivalents 18,490	Cash and deposits account 18,695 Securities account 6,926 Total 25,621 Securities with maturities of more than three months (999) Cash and cash equivalents 24,621	Cash and deposits account 19,247 Securities account 8,625 Total 27,872 Securities with maturities of more than three months (6,704) Cash and cash equivalents 21,167

Leases

(Millions of yen)

As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
1. Finance leases in which the right of ownership is not transferred to the lessee	1 Finance leases in which the right of ownership is not transferred to the lessee	1 Finance leases in which the right of ownership is not transferred to the lessee
1. Purchase cost, accumulated depreciation and balance at end of period	1. Purchase cost, accumulated depreciation and balance at end of period	1. Purchase cost, accumulated depreciation and balance at end of period

	As of September 30, 2006			As of September 30, 2005			As of March 31, 2006		
	Purchase cost	Accumulated depreciation	Balance at end of period	Purchase cost	Accumulated depreciation	Balance at end of period	Purchase cost	Accumulated depreciation	Balance at end of period
Machinery and transport equipment	5,466	2,592	2,874	5,512	1,939	3,572	5,510	2,284	3,225
Furniture, tools and fixtures	1,060	353	706	894	244	649	912	295	616
Total	6,526	2,945	3,580	6,406	2,183	4,222	6,422	2,580	3,841

As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
2. Future lease payments Within one year 823 More than one year 2,762 Total 3,585	2. Future lease payments Within one year 864 More than one year 3,343 Total 4,208	2. Future lease payments Within one year 839 More than one year 3,049 Total 3,889
3. Outstanding lease payments and depreciation Outstanding lease payments 554 Depreciation expenses 458 Interest expense 52	3. Outstanding lease payments and depreciation Outstanding lease payments 543 Depreciation expenses 439 Interest expense 53	3. Outstanding lease payments and depreciation Outstanding lease payments 967 Depreciation expenses 884 Interest expense 100
4. Method of calculating depreciation and interest expenses Same as right	4. Method of calculating depreciation and interest expenses Method of calculating depreciation expense Depreciation expense is calculated by the straight -line method over the lease term of the lease asset assuming no residual value.	4. Method of calculating depreciation and interest expenses Same as left
Method of calculating interest expense Same as right	Method of calculating interest expense Interest expense is calculated by the interest method, whereby the difference between total lease payment and purchase cost is distributed in equal installments over the term of the lease.	Method of calculating interest expense Same as left
2. Operating leases (Millions of yen) Within one year 1 More than one year 1 Total 2	2. Operating leases (Millions of yen) Within one year 1 More than one year 2 Total 4	2. Operating leases (Millions of yen) Within one year 1 More than one year 2 Total 3

2. Securities

1. Market Value of Other Marketable Securities (Millions of yen)

Type	As of September 30, 2006			As of September 30, 2005			As of March 31, 2006		
Other marketable securities	Acquisition Cost	Book Value	Unrealized Gain	Acquisition Cost	Book Value	Unrealized Gain	Acquisition Cost	Book Value	Unrealized Gain
1. Stocks	66	162	95	66	140	73	66	178	112
2. Bonds	--	--	--	--	--	--	--	--	--
3. Others	--	--	--	--	--	--	--	--	--
Total	66	162	95	66	140	73	66	178	112

2. Securities for which Market Value is Not Calculated (Millions of yen)

Type	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
Other marketable securities	Book Value	Book Value	Book Value
(Current assets)			
Money management funds (MMF)	922	2,927	921
Commercial paper (CP)	5,988	2,999	6,697
Bonds	---	999	1,006
Foreign bonds	3,000	---	---
(Fixed assets)			
Unlisted stocks (excluding over-the-counter stocks)	105	124	104
Unlisted foreign bonds	800	800	800
Total	10,815	7,850	9,529

Note: No market value has been calculated for discount bonds acquired with four-month maturities

3. Value of Derivative Contracts, Market Value and valuation Gain and Losses

As of September 30, 2006

No derivative transactions were undertaken during the interim period ended September 30, 2006.

As of September 30, 2005

No pertinent derivative transactions were undertaken during the interim period ended September 30, 2005. The Company did undertake forward exchange contracts during the period, but these are accounted for using hedge accounting and are therefore not indicated herein.

As of March 31, 2006

No pertinent derivative transactions were undertaken during the fiscal year ended March 31, 2006.

The Company did undertake forward exchange contracts during the period, but these are accounted for using hedge accounting and are therefore not indicated herein.

4. Stock options, etc.

Interim period April 1 to September 30, 2006

1. Expenses for stock options incurred this interim period are as follows:

SG&A ¥6 million

2. Breakdown of stock option

Stock options granted during the interim period ending September 30, 2006 are as follows:

	Stock options for 2006
Number of and eligible recipients	FANCL Board of directors: 10 FANCL Subsidiary board members: 6 FANCL and subsidiary employees: 1,534
Type of stock options granted and number of shares converted*	648,900 common shares
Date granted	September 1, 2006
Terms related to share rights	In exercising this stock option, all exercisers must be directors, auditors, executive officers or employees of FANCL or its consolidated subsidiaries. However, this condition may not be applied if directors, auditors or executive officers of FANCL or its consolidated subsidiaries retire at the end of their elected terms, or if employees of FANCL or its consolidated subsidiaries end their employment on reaching retirement age, or are transferred between FANCL companies, or in other circumstances approved by the board of directors of FANCL in which the circumstances are deemed appropriate.
Operative employment period	Not specified
Exercise date	August 11, 2008 to August 10, 2011
Strike price	¥1,670
Market value (Day granted)	¥281

Note: Includes number of shares converted.

5. Segment Information

a. Business Segments

Interim period April 1 to September 30, 2006 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales and operating income: (1) Sales to external customers	21,656	15,129	11,194	47,980	--	47,980
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	21,656	15,129	11,194	47,980	--	47,980
Operating expenses	19,172	13,115	12,130	44,419	884	45,303
Operating income (loss)	2,483	2,014	(936)	3,561	(884)	2,676

Notes:

1. Segmentation has been adopted for internal management purposes.
2. Segment operations are as follows:
   Cosmetic Business: Mail-order and retail sales and wholesaling of a variety of cosmetics products
   Nutritional Supplements Business: Mail-order and retail sales and wholesaling of a variety of nutritional supplements
   Other businesses: Mail-order of personal sundries, accessories, undergarments, health equipment and household sundries, mail-order and retail sales and wholesales of *Hatsuga mai* (germinated rice) and Kale Juice, etc.
3. Unallocatable operating expenses included in “Eliminations or Corporate” consist of operating expenses incurred by the Administration Department of the Company.

Total company assets are the amounts for items mentioned in Eliminations and Corporate and are composed of the Cash and cash equivalents, Marketable securities, Land, Investment securities and Insurance premiums of the parent company.

Interim period April 1 to September 30, 2005 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales and operating income: (1) Sales to external customers	19,736	16,524	9,505	45,766	—	45,766
(2) Inter-segmental sales or transfers	—	—	—	—	—	—
Total sales	19,736	16,524	9,505	45,766	—	45,766
Operating expenses	17,375	13,743	9,643	40,763	831	41,595
Operating income (loss)	2,361	2,780	(138)	5,003	(831)	4,171

Notes:

1. Segmentation has been adopted for internal management purposes.
2. Segment operations are as follows:
   Cosmetic Business: Mail-order and retail sales and wholesaling of a variety of cosmetics products
   Nutritional Supplements Business: Mail-order and retail sales and wholesaling of a variety of nutritional supplements
   Other businesses: Mail-order of personal sundries, accessories, undergarments, health equipment and household sundries, mail-order and retail sales and wholesales of *Hatsuga mai* (germinated rice) and Kale Juice, etc.
4. Unallocatable operating expenses included in “Eliminations or Corporate” consist of operating expenses incurred by the Administration Department of the Company.
5. Total company assets are the amounts for items mentioned in Eliminations and Corporate and are composed of the Cash and cash equivalents, Marketable securities, Land, Investment securities and Insurance premiums of the parent company.

Fiscal year ending March 31, 2006 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales and operating income: (1) Sales to external customers	41,286	33,246	20,789	95,322	—	95,322
(2) Inter-segmental sales or transfers	—	—	—	—	—	—
Total sales	41,286	33,246	20,789	95,322	—	95,322
Operating expenses	35,718	27,841	21,551	85,111	1,636	86,747
Operating income (loss)	5,567	5,405	(761)	10,211	(1,636)	8,574

Notes:

1. Segmentation has been adopted for internal management purposes.
2. Segment operations are as follows:

   Cosmetic Business: Mail-order and retail sales and wholesaling of a variety of cosmetics products

   Nutritional Supplements Business: Mail-order and retail sales and wholesaling of a variety of nutritional supplements

   Other businesses: Mail-order of personal sundries, accessories, undergarments, health equipment and household sundries, mail-order and retail sales and wholesales of *Hatsuga mai* (germinated rice) and Kale Juice, etc.

6. Unallocatable operating expenses included in “Eliminations or Corporate” consist of operating expenses incurred by the Administration Department of the Company.
7. Total company assets are the amounts for items mentioned in Eliminations and Corporate and are composed of the Cash and cash equivalents, Marketable securities, Land, Investment securities and Insurance premiums of the parent company.

b. Geographic Area

Domestic sales for the interim period ending September 30, 2005, the interim period ending September 30, 2006 and fiscal year ended March 31, 2006 accounted for more than 90 percent of total net sales. Therefore, segment information by geographic area is not provided.

c. Overseas Sales

Sales in overseas markets accounted for less than 10 percent of consolidated net for the interim period ending September 30, 2005, the interim period ending September 30, 2006 and and fiscal year ended March 31, 2006. Accordingly, overseas sales information is not provided.

Per Share Information

<table>
<tr><th></th><th>April 1 to
September 30, 2006</th><th>April 1 to
September 30, 2005</th><th>FY ended
March 31, 2006</th></tr>
<tr><td>Net assets per share</td><td>1,120.28</td><td>3,201.56</td><td>3,317.02</td></tr>
<tr><td>Net income per share</td><td>24.47</td><td>109.52</td><td>242.56</td></tr>
<tr><td>Net income per share (diluted)</td><td>24.14</td><td>108.64</td><td>240.78</td></tr>
<tr><td></td><td>On April 1, 2006 FANCL conducted a 3:1 share split. Assuming the share split occurred at the begging of the previous fiscal year, per share information would be as follows:
<table>
<tr><td>Interim period for FY ending 03/2006</td><td>FY ending 03/2006</td></tr>
<tr><td>Net assets per share:
¥1,067.19</td><td>Net assets per share
¥1,105.67</td></tr>
<tr><td>Net income per share
¥36.51</td><td>Net income per share ¥80.85</td></tr>
<tr><td>Earnings per share (diluted)
¥36.21</td><td>Earnings per share (diluted)
¥80.26</td></tr>
</table>
</td><td></td><td></td></tr>
</table>

Note: 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:

	April 1 to September 30, 2006	April 1 to September 30, 2005	FY ended March 31, 2006
Net income (loss) (¥ million)	1,581	2.332	5,183
Amount not attributable to common shareholders (¥ million)	--	--	--
Net income (loss) attributable to common shares	1,581	2,332	5,183
Average number of outstanding common shares during the year (1,000 shares)	64,639	21,298	21,370
Breakdown of additional common shares used for calculating Interim net income per share (diluted) (Thousand shares) Stock options	871	173	158
Increase in the number of ordinary shares (1,000 shares)	871	173	158
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.	1 type of subscription rights: Number of residual securities: 468,000	1 type of subscription rights: Number of residual securities: 166,920	1 type of subscription rights: Number of residual securities: 163,800

5. Status of production, orders and sales

1. Status of production

Production results (million yen)

Segmental results	April 1 to September 30, 2006	April 1 to September 30, 2005	FY ended March 31, 2006
Cosmetic businesses	21,802	18,257	39,937
Nutritional supplements businesses	14,841	16,562	32,700
Other businesses	4,777	4,518	8,652
Total	41,420	39,338	81,289

Note: 1. 'Other businesses' are Hatsuga Genmai (germinated rice) and Kale juice production results.
2. Amounts shown are value of sales.
3. Consumption taxes are not included in the above figures.

2. Status of orders

Because production is mainly based on forecast sales, no information is recorded for this item.

3. Status of sales

Sales by businesses (million yen)

Businesses	April 1 to September 30, 2006	April 1 to September 30, 2005	FY ended March 31, 2006
Cosmetic related businesses	21,656	19,736	41,286
Nutritional supplements businesses	15,129	16,524	33,246
Other businesses	11,194	9,505	20,789
Total	47,980	45,766	95,322

Note: 1. 'Other businesses' comprises sales of Hatsuga Genmai (germinated rice), Kale juice, sundry and other goods.
2. Amounts shown are value of sales.