

FANCL Corporation

Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2008

Consolidated and non-consolidated results for the period April 1, 2007 to June 30, 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)

First Quarter Results for the Fiscal Year Ending March 31, 2008

FANCL CORPORATION

July 30, 2007

www.fancl.co.jp

Stock exchange listings: Tokyo 1st section, code number 4921
Contact: Toshinori Ryuchi
Executive Officer and Director/General Manager of
Administrative Headquarters
Telephone: +81-45-226-1200

Representative: Kazuyoshi Miyajima, CEO and Representative Director

1) Consolidated results for the first quarter (April 1, 2007 to June 30, 2007) of the fiscal year ending

March 31, 2008

(1) Consolidated Operating Results

Millions of yen, rounded down

	Three months ended June 30, 2007		Three months ended June 30, 2006		Year ended March 31, 2007
		% change		% change	
Net sales	24,929	2.7%	24,276	5.7%	101,065
Operating income	2,470	95.9%	1,260	(61.6)%	8,370
Ordinary income	2,495	101.5%	1,238	(62.5)%	8,388
Net income	1,208	47.7%	818	(56.4)%	2,547
Earnings per share (¥)	18.88		12.67		39.59
Earnings per share (diluted) (¥)	18.76		12.48		39.13

Note: The percentages shown above are a comparison with the same period in the previous fiscal year.

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of June 30, 2007	As of June 30, 2006	As of March 31, 2007
Total assets	88,289	84,093	86,931
Shareholders' equity	72,251	71,609	71,560
Shareholders' equity/total assets (%)	81.7	85.2	82.2
Shareholders' equity per share (¥)	1,124.06	1,108.62	1,116.59

(3) Consolidated Cash Flows

Millions of yen, rounded down

	Three months ended June 30, 2007	Three months ended June 30, 2006	Year ended March 31, 2007
Net cash provided by (used in) operating activities	1,697	(5)	6,472
Net cash provided by (used in) investing activities	(58)	456	(1,733)
Net cash provided by (used in) financing activities	(412)	(523)	(2,495)
Cash and cash equivalents at end of period	24,638	21,094	23,411

2) Dividends

	Three months ended June 30, 2007	Three months ended June 30, 2006
Dividend per share	--	--

3) Consolidated forecasts for the fiscal year ending March 31, 2008 (April 1, 2007 to March 31, 2008)

(1) Consolidated

Millions of yen

	Interim period ending September 30, 2007		FY ending March 31, 2008	
Net sales	49,600	3.4%	103,500	2.4%
Operating income	3,500	30.7%	9,000	7.5%
Ordinary income	3,400	20.3%	8,800	4.9%
Net income	2,000	26.5%	5,000	96.3%
Net income per share (yen)	31.26		78.14	

4) Other

(1) Transfer of important subsidiaries during the period (Transfers of subsidiaries resulting in changes in the scope of consolidation: None

(2) Use of simplified accounting methods: Yes

(3) Change in accounting methods since previous fiscal year: None

Note: For further detail, please see page 3, Commentary on Results, 4. Other

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.

Commentary on Results

1. Operating results (consolidated)

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

Note: Until December 31, 2006 the accounting method used to record points has been changed so that points are recorded as an expense at time of issue. Previously, points were recognized as a cost at time of use and deducted from net sales. For reference in the following section (including the charts), like-for-like comparative figures are provided in brackets and marked with an asterisk to show the year-on-year changes in net sales and ordinary income if the figures for the year under review are calculated using the previous accounting standard.

For the domestic economy during the period under review corporate earnings continues to progress steadily, although a full-scale recovery in consumer spending has yet to materialize.

In the cosmetics industry the boom in anti-aging skin care products has continued while overall sales in the industry have been relatively stable.

In the nutritional supplements industry the market has continued to slow down. Administrative advice regarding product information and security has become more stringent and the differences between successful and unsuccessful companies are becoming clear.

Net Sales

Consolidated net sales increased 2.7% (*decreased 1.6%) to ¥24,929 million on the back of a continuing boom in the cosmetics businesses and despite sluggish performance from nutritional supplements businesses other businesses.

Operating Income

Consolidated operating income increased 95.9%(*96.7%) to ¥2,470 million, from factors such as an improvement in the gross profit ratio from a drop in the price of the raw materials of certain products and from efficient use of advertising and sales promotion expenditures.

Ordinary Income

Consolidated ordinary income increased 101.5% (*102.3%) to ¥2,495 million and the ordinary income margin increased 4.9 percentage points (*5.1 percentage points) to 10.0%.

Net Income

Consolidated net income for the period under review increased 47.7% to ¥1,208 million and the net income margin increased 1.4 percentage points to 4.8%.

2. Consolidated financial position

Total assets as of June 30, 2007 were ¥88,289 million, ¥1,358 million higher than at the end of the previous fiscal year. The main contributing factors from current assets included a ¥1,551 million increase in cash and cash equivalents, a ¥232 million increase in notes and accounts receivable and a ¥1,009 million decrease in marketable securities. The main contributing factors from current liabilities included a ¥805 million decrease in accrued income taxes.

Net assets increased ¥690 million to ¥72,251 million.

3. Forecasts for the consolidated fiscal year ending March 31, 2008

There are no changes to the forecasts made on May 1, 2007 for the consolidated fiscal year ending March 31, 2008.

4. Other

Use of simplified accounting methods:

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.

3. Consolidated Financial Statements

Consolidated Balance Sheets			
	<i>Millions of yen, rounded down</i>		
	As of June 30, 2007	As of June 30, 2006	As of March 31, 2007
ASSETS			
I. Current assets:			
Cash and cash equivalents	15,855	15,177	14,303
Notes and accounts receivable	10,216	9,402	9,983
Marketable securities	15,285	10,919	16,294
Inventories	7,022	6,475	6,746
Others	2,610	1,768	2,242
Total current assets.....	50,989	43,742	49,570
II. Fixed assets:			
Tangible fixed assets			
Buildings and structures.....	11,378	12,368	11,582
Land.....	10,627	10,636	10,627
Others.....	2,681	2,644	2,753
Total tangible fixed assets.....	24,686	25,649	24,963
Intangible fixed assets	3,015	1,842	2,761
Investments and other assets			
Investments securities	830	2,026	830
Long-term loans receivable.....	660	689	655
Guarantee money	2,684	2,732	2,684
Others	5,422	7,410	5,464
Total investments and other assets	9,598	12,858	9,635
Total fixed assets	37,299	40,350	37,360
Total Assets.....	88,289	84,093	86,931
LIABILITIES			
I. Current liabilities:			
Notes and accounts payable.....	3,952	3,957	3,741
Accrued liabilities	3,731	3,852	3,313
Accrued income taxes.....	1,221	441	2,027
Allowance for points.....	1,757	--	1,849
Others	2,953	2,363	1,938
Total current liabilities	13,616	10,615	12,869
II. Long-term liabilities:			
Allowance for retirement bonuses.....	1,416	1,287	1,388
Allowance for directors' retirement bonuses ..	196	202	223
Others	807	377	889
Total long-term liabilities	2,421	1,868	2,500
Total liabilities.....	16,037	12,483	15,370
NET ASSETS			
Common stock.....	10,795	10,795	10,795
Additional paid-in capital.....	11,877	11,851	11,852
Retained earnings	56,892	55,499	56,451
Treasury stock	(7,492)	(6,597)	(7,699)
Shareholders' equity	72,073	71,547	71,399
Total difference from exchange and evaluation.....	50	61	50
Warrants	128	--	111
Total Net Assets.....	72,251	71,609	71,560
Total Liabilities and Net Assets	88,289	84,093	86,931

Consolidated Statements of Income

Millions of yen, rounded down

	April 1 to June 30, 2007	April 1 to June 30, 2006	FY ended March 31, 2007
Net sales	24,929	24,276	101,065
Cost of sales	8,111	8,511	33,895
Gross profit.....	16,818	15,765	67,170
Selling, general and administrative expenses.....	14,347	14,504	58,800
Operating income	2,470	1,260	8,370
Non-operating income			
Interest and dividend income	32	10	118
Other non-operating income	87	37	502
Total non-operating income.....	119	48	621
Non-operating expenses			
Loss on disposal of inventories.....	75	52	429
Other non-operating expenses	19	18	174
Total non-operating expenses	94	70	603
Ordinary income	2,495	1,238	8,388
Extraordinary income	--	--	641
Extraordinary expenses			
Loss on disposal of fixed assets	3	8	163
Other extraordinary expenses.....	286	--	3,820
Total extraordinary expenses	289	8	3,983
Income before income taxes	2,205	1,229	5,045
Income taxes	996	411	2,498
Net income.....	1,208	818	2,547

Notes: 1. In the previous fiscal year, the accounting method used to record points¹ has been changed so that points are recorded under selling, general and administrative expenses at time of issue. Previously, points were recognized as a cost at time of use and were deducted from net sales. Applying the current accounting method to the results of the first quarter of the previous fiscal year would result in net sales of ¥25,324 million (an increase of ¥1,048 million compared to the previous accounting method), selling, general and administrative expenses of ¥15,557 million (an increase of ¥1,053 million) and ordinary income of ¥1,233 million (an decrease of ¥5 million).

¹ Points system: FANCL customers are awarded approximately 5% of their purchases in points redeemable at 1 yen per point at the time of their next purchase.

Consolidated Statements of Cash Flows

Millions of yen, rounded down

	April 1 to June 30, 2007	April 1 to June 30, 2006	FY ended March 31, 2007
I. Cash flows from operating activities			
Income before income taxes	2,205	1,229	5,045
Depreciation	702	605	2,669
Impairment losses	--	--	981
Increase (decrease) in allowance for bonuses	487	439	46
Increase (decrease) in allowance for retirement benefits.....	28	6	107
Interest and dividend income	(32)	(10)	(118)
Loss on disposal of tangible fixed assets	3	8	150
Decrease (increase) in trade receivables	(232)	(424)	(1,006)
Decrease (increase) in inventories	(276)	204	(66)
Decrease (increase) in other current assets.....	(259)	(370)	(47)
Increase (decrease) in trade payables	211	(49)	(265)
Increase (decrease) in other current liabilities.....	734	237	(118)
Others	(201)	58	1,513
Sub-total	3,370	1,935	8,891
Interest and dividends received.....	30	10	105
Income taxes paid	(1,766)	(1,956)	(3,381)
Others	64	5	856
Net cash provided by (used in) operating activities	1,697	(5)	6,472
II. Cash flows from investing activities			
Acquisition of marketable securities	(4,492)	--	(12,988)
Income from redemption of marketable securities....	4,997	1,701	12,695
Acquisition of tangible fixed assets.....	(232)	(760)	(2,145)
Acquisition of intangible fixed assets.....	(498)	(463)	(1,829)
Acquisition of other investments.....	(26)	(41)	(305)
Others	193	19	2,835
Net cash provided by (used in) investing activities.....	(58)	456	(1,733)
III. Cash flows from financing activities			
Net payment for purchase (and proceeds from sale) of treasury stock	205	31	(1,076)
Cash dividends paid	(617)	(555)	(1,418)
Net cash used in financing activities	(412)	(523)	(2,495)
IV. Effect of exchange rate changes on cash and cash equivalents	--	--	--
V. Net increase in cash and cash equivalents	1,226	(73)	2,243
VI. Cash and cash equivalents at the beginning of the period.....	23,411	21,167	21,167
VII. Cash and cash equivalents at end of period ...	24,638	21,094	23,411

4. Segment Information

Business Segments

Three months ended June 30, 2007

Millions of yen, rounded down

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Total sales	12,180	7,556	5,192	24,929	--	24,929
Operating expenses	9,702	6,666	5,601	21,971	488	22,459
Operating income (loss)	2,478	889	(409)	2,958	(488)	2,470

Three months ended June 30, 2006

Millions of yen, rounded down

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
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

Fiscal year ended March 31, 2007 (For reference)

Millions of yen, rounded down

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales	46,376	31,665	23,023	101,065	--	101,065
Operating expenses	39,242	27,763	23,921	90,926	1,768	92,695
Operating income (loss)	7,133	3,902	(897)	10,138	(1,768)	8,370

Note: Accounting methods for the fiscal year ended March 31, 2007 have changed with regard to the awarding of points. The effects of this change on each segment for the period ended June 30, 2006 are shown as gains and losses below.

Millions of yen, rounded down

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total
Sales	+513	+368	+166	+1,048
Operating expenses	+516	+369	+167	+1,053
Operating income (loss)	(2)	(1)	(0)	(5)

5. Operating Results (Quarterly Summary)

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

1) Cosmetics Business

SALES

Sales in the cosmetics business increased 12.3% (*7.2%) to ¥12,180 million.

Millions of yen rounded down

	Three months ended June 30, 2007		Three months ended June 30, 2006		% change
	Amount	% of total	Amount	% of total	
FANCL Cosmetics	9,399	77.2	8,123 <i>8,637</i>	74.9 <i>76.0</i>	15.7 <i>8.8</i>
ATTENIR Cosmetics	2,653	21.8	2,602	24.0 <i>22.9</i>	2.0
Other	127	1.0	122	1.1 <i>1.1</i>	3.8
Total	12,180	100.0	10,848 <i>11,362</i>	100.0	12.3 <i>7.2</i>

Millions of yen rounded down

	Three months ended June 30, 2007		Three months ended June 30, 2006		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	6,527	53.6	6,202 <i>6,476</i>	57.2 <i>57.0</i>	5.2 <i>0.8</i>
Retail store sales	4,423	36.3	3,685 <i>3,925</i>	34.0 <i>34.5</i>	20.0 <i>12.7</i>
Other	1,230	10.1	960	8.8 <i>8.5</i>	28.1
Total	12,180	100.0	10,848 <i>11,362</i>	100.0	12.3 <i>7.2</i>

Note: The italicized lower figures in the amount column and the % of total column are the operating results for the previous year are represented using the accounting methods employed for the three months ended June 30, 2007. The italicized figures in the % change column are a comparison of the current and previous fiscal year first quarter sales using the accounting methods employed for the three months ended June 30, 2007.

Sales of FANCL cosmetics increased 15.7% (*8.8%) to ¥9,399 million on the back of continued strong sales of core products such as *Mild Cleansing Oil* and from a boom in sales of renewed products such as whitening-related products and make up products.

Sales of ATTENIR cosmetics increased 2.0% to ¥2,653 million as a result of strong sales of skin care products renewed in September 2006.

Sales increased through all sales channels. Results by sales channels were: mail-order sales increased 5.2% (*0.8%) to ¥6,527 million; store sales at existing stores were very strong, increasing 20.0% (*12.7%) to ¥4,423 million; and wholesale, overseas and other sales were also very strong increasing 28.1% to ¥1,230 million.

OPERATING INCOME

Operating income in this segment increased 64.6% (*64.9%) to ¥2,478 million, from the effect of an increase in sales and the efficient use of advertising and sales promotion expenditures. The operating income margin increased 6.4 percentage points (*7.1 percentage points) to 20.3%.

2) Nutritional Supplements Business

SALES

Sales in the nutritional supplements business decreased 1.4% (*5.9%) to ¥7,556 million.

Millions of yen rounded down

	Three months ended June 30, 2007		Three months ended June 30, 2006		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	3,401	45.0	3,616 <i>3,852</i>	47.2 <i>48.0</i>	(6.0) <i>(11.7)</i>
Retail store sales	2,185	28.9	1,988 <i>2,121</i>	26.0 <i>26.4</i>	9.9 <i>3.0</i>
Other	1,969	26.1	2,056	26.8 <i>25.6</i>	(4.2) <i>(5.9)</i>
Total	7,556	100.0	7,662 <i>8,030</i>	100.0	(1.4) <i>(5.9)</i>

Note: The italicized lower figures in the amount column and the % of total column are the operating results for the previous year are represented using the accounting methods employed for the three months ended June 30, 2007. The italicized figures in the % change column are a comparison of the current and previous fiscal year first quarter sales using the accounting methods employed for the three months ended June 30, 2007.

Sales of beauty supplements such as *HTC Collagen* were very strong, however the decline in sales of *Coenzyme Q₁₀* continued and sales of *Support Series* and *Herbal products* were sluggish.

Results by sales channels were: store sales increased 9.9% (*3.0%) to ¥2,185 million; mail-order sales decreased 6.0% (*11.7%) to ¥3,401 million; and wholesale, overseas and other sales decreased 4.2% to ¥1,969 million.

OPERATING INCOME

Operating income in this segment increased 7.0% (*7.2%) to ¥889 million, due to a drop in the cost of raw materials for certain products and the efficient use of sales promotion expenditure. The operating income margin increased 1.0 percentage points (*1.4 percentage points) to 11.8%.

3) Other businesses

SALES

Sales in this segment decreased 9.9% (*12.5%) to ¥5,192 million.

Millions of yen rounded down

	Three months ended June 30, 2007	Three months ended June 30, 2006	% change
<i>Germinated brown rice</i> business	1,001	1,388 <i>1,449</i>	(27.9) <i>(30.9)</i>
Kale juice business	1,007	982 <i>1,031</i>	2.5 <i>(2.4)</i>
IIMONO OHKOKU mail-order business	2,268	2,368	(4.2)
Other related businesses	916	1,026 <i>1,082</i>	(10.7) <i>(15.3)</i>
Total	5,192	5,765 <i>5,931</i>	(9.9) <i>(12.5)</i>

Note: The italicized lower figures in the amount column and the % of total column are the operating results for the previous year are represented using the accounting methods employed for the three months ended June 30, 2007. The italicized figures in the % change column are a comparison of the current and previous fiscal year first quarter sales using the accounting methods employed for the three months ended June 30, 2007.

Germinated brown rice business

Sales decreased 27.9% (*30.9%) to ¥1,001 million compared to the first quarter of the previous fiscal year when coverage in a popular health television program helped to boost sales. Although prices have dropped 20% since April 2007, there has been no impact on sales volumes and sales through all sales channels have decreased.

Kale juice business

Sales increased 2.5% (*decreased 2.4%) to ¥1,007 million with no growth from frozen type and powdered type kale-juice.

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

Sales decreased 4.2% to ¥2,268 million despite strong sales of *Walking Shoes* developed in cooperation with Mizuno Corporation that have continued since the previous term. Sales of health equipment and other products declined due to the emergence of competitive products.

Other related businesses

Sales decreased 10.7% (*15.3%) to ¥916 million due to sluggish sales of household sundries and comfort undergarments.

OPERATING INCOME

Operating income in this segment was ¥409 million, a increase of ¥213 million (*¥214 million) compared with the same period last fiscal year, as a result of improved profitability in the Kale juice business from curtailing advertising expenditures and despite worsening profitability of IIMONO OHKOKU.

Number of stores by business type

	As of June 30, 2007	Compared to March 31, 2007
FANCL Ginza Square	1	-
FANCL House	106	- 1
FANCL House J	89	+ 1
Genki Station	8	-
ATTENIR Shop	10	-
Other	4	-
Total	218	-

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, 2007	As of June 30, 2006	As of March 31, 2007
ASSETS			
I. Current assets:			
Cash and cash equivalents.....	9,067	7,578	7,594
Notes and accounts receivable.....	8,144	7,688	7,605
Marketable securities.....	10,290	7,922	12,293
Inventories.....	3,010	2,254	2,808
Others.....	2,530	2,178	2,502
Total current assets.....	33,042	27,623	32,804
II. Fixed assets:			
Tangible fixed assets			
Buildings and structures.....	6,101	6,488	6,208
Land.....	7,167	7,176	7,167
Others.....	886	973	922
Total tangible fixed assets.....	14,154	14,638	14,298
Intangible fixed assets.....	2,893	1,661	2,622
Investments and other assets			
Investments securities.....	284	1,083	284
Long-term loans receivable.....	6,136	6,277	6,238
Guaranty money.....	2,438	2,455	2,438
Others.....	10,910	14,121	10,912
Total investments and other assets.....	19,768	23,937	19,873
Total fixed assets.....	36,816	40,238	36,794
Total Assets.....	69,859	67,861	69,599

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

Millions of yen, rounded down

	As of June 30, 2007	As of June 30, 2006	As of March 31, 2007
LIABILITIES			
I. Current liabilities:			
Trade accounts payable.....	2,460	2,282	2,672
Accrued liabilities	2,716	2,660	2,369
Accrued income taxes.....	812	428	1,776
Allowance for points.....	1,757	--	1,849
Others	2,079	1,851	1,513
Total current liabilities	9,825	7,223	10,180
II. Long-term liabilities:			
Allowance for retirement bonuses.....	928	830	906
Allowance for directors retirement.....	161	202	189
Others	87	167	105
Total long-term liabilities	1,177	1,200	1,201
Total liabilities	11,003	8,423	11,381
NET ASSETS			
Common stock.....	10,795	10,795	10,795
Additional paid-in capital.....	11,877	11,851	11,852
Retained earnings	43,492	43,322	43,103
Treasury stock	(7,492)	(6,597)	(7,699)
Shareholders' equity	58,672	59,371	58,050
Total difference from exchange and evaluation	54	66	54
Warrents	128	--	111
Total Net Assets	58,855	59,438	58,217
Total Liabilities and Net Assets	69,859	67,861	69,599

Summary of Non-consolidated Statements of Income

Millions of yen, rounded down

	April 1 to June 30, 2007	April 1 to June 30, 2006	FY ended March 31, 2007
Net sales.....	18,854	18,560	76,574
Cost of sales.....	6,278	6,858	26,042
Gross profit.....	12,576	11,702	50,532
Selling, general and administrative expenses	10,902	10,941	45,355
Operating income	1,673	760	5,177
Non-operating income			
Interest and dividend income	104	84	210
Other non-operating income.....	235	172	1,043
Total non-operating income	339	257	1,253
Non-operating expenses			
Loss from disposal of inventories	64	46	304
Other non-operating expenses.....	13	15	212
Total non-operating expenses	78	62	517
Ordinary income	1,934	955	5,914
Extraordinary income.....	--	--	636
Extraordinary expenses	0	4	3,453
Income before income taxes	1,933	950	3,097
Income taxes	776	362	1,952
Net income	1,156	587	1,144