FANCL Corporation

Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2009

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Interim results for the Fiscal Year Ending March 31, 2009

FANCL CORPORATION **November 4, 2008**

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Representative: Yoshifumi Narimatsu, CEO and Representative Director
Scheduled date for submission of the financial report: November 10, 2008
Scheduled date for distribution of dividends: December 1, 2008

1. Consolidated results for the interim period of Fiscal 2009 (April 1, 2008 to September 30, 2008)

Percentage figures represent changes compared to the equivalent period of the previous fiscal year

1) Consolidated Operating Results

Millions of yen, rounded down

	Interim period ended September 30, 2008		Interim period ended September 30, 2007	
		Change %		Change %
Net sales	48,581	--	48,410	0.9
Operating income	2,969	--	3,360	25.5
Ordinary income	3,134	--	3,508	24.1
Net income	1,345	--	1,439	(9.0)
Net income per share (¥)	21.96		¥22.45	
Net income per share (diluted) (¥)	21.95		¥22.31	

2) Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2008	As of March 31, 2008
Total assets (millions of yen)	86,147	85,685
Net assets (millions of yen)	70,908	70,268
Net assets / total assets (%)	81.9	81.6
Net assets per share (¥)	1,151.66	1,141.56

Note: Shareholders' equity:
Interim period ended September 30, 2008: ¥70,574 million
Fiscal year ended March 31, 2008: ¥69,899 million

2. Dividends

	FY Ended March 31, 2008	FY Ending March 31, 2009	FY Ending March 31, 2009 (forecast)
Interim	12.00	17.00	--
Year-end	12.00	--	17.00
Annual	24.00	--	34.00

Note: Revisions made to dividends forecast during the period: Yes

3. Consolidated forecasts for the fiscal year ending March 31, 2009 (April 1, 2008 to March 31, 2009) *Millions of yen*

	FY ending March 31, 2009	
	Amount	Change from previous fiscal year (%)
Net sales	100,000	0.7
Operating income	7,800	4.5
Ordinary income	8,000	3.0
Net income	3,800	2.8
Net income per share (¥)	62.01	

Note: Revisions made to consolidated financial results forecast during the period: Yes

4. Other

1) Transfer of important subsidiaries during the period (Transfers of subsidiaries resulting in changes in the scope of consolidation: Yes
   Newly established company: 1 (NICOSTAR BEAUTECH Co., Ltd.)   Eliminations: None
   Note: For details, see page 6 of *Consolidated operating results and financial position,* Section 4, *Other*
2) Use of simplified accounting methods or special accounting procedures: None
3) Changes in accounting principles, procedures and presentation in the preparation of these financial statements
   (1) Changes in accordance with revision to accounting standards: Yes
   (2) Other changes: Yes
   Note: For details, see page 6 – 7 of *Consolidated operating results and financial position,* Section 4, *Other*
4) Number of shares outstanding (ordinary shares)
   (1) Number of shares outstanding at end of period (including treasury shares):
   As of September 30, 2008: 70,176,600 shares;   As of March 31, 2008: 70,176,600 shares;
   (2) Number of treasury shares at end of period:
   As of September 30, 2008: 8,896,069 shares;   As of March 31, 2008: 8,944,863 shares
   (3) Average number of shares during the period:
   As of September 30, 2008: 61,270,080 shares;   As of March 31, 2008: 64,109,811 shares

* Notice regarding the appropriate use of the financial forecasts

1. This document contains revisions to year-end forecasts of the consolidated forecasts for the fiscal year that were announced on May 1, 2008.
2. Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For further detail, please see Page 6: *Consolidated operating results and financial position,* Section 3, *Forecasts for the consolidated fiscal year ending March 31, 2009*.
3. As of the current consolidated fiscal year, Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 12) and Application Guidelines related to Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 14) have been applied. Further, in accordance with the Regulations for Consolidated Quarterly Reporting quarterly consolidated financial reports are being prepared. Certain revisions to the terms used in the financial statements and policies related to shares and methods of preparation in the Cabinet Office Regulations, (Cabinet Office Regulations No. 50, August 7, 2008) supplementary provision No. 7, Section 1, Item 5 have been applied to the quarterly consolidated financial report.

Consolidated operating results and financial position

I. Operating results (consolidated)

In the domestic economy during the period under review, the difficulties in the economic environment advanced to a new level amidst global financial uncertainty and a sharp gain in the price of crude oil and raw materials. Meanwhile, capital investment was stagnant and growth in consumer spending was poor.

In this environment, overall sales in the cosmetics industry plateaued. However, sales of certain cosmetic products grew with anti-aging products being in demand.

In the health foods industry, the market continued its period of adjustment, and differences among competing companies have become clear.

Consolidated net sales during the interim period under review increased 0.4% to ¥48,581 million. This was largely the result of strong sales of renewed core products in our cosmetics business, which was offset by poor sales in the nutritional supplements business and other businesses. Operating income decreased 11.7% to ¥2,969 million as a result of an increase in management expenses related to the start-up costs surrounding the new logistics center and decreased revenues from the nutritional supplements business. The operating profit margin decreased 0.8 percentage points to 6.1%; ordinary income decreased 10.7% to ¥3,134 million; and the ordinary income margin decreased 0.7 percentage points to 6.5%.

Consolidated net income for the interim period under review decreased 6.5% to ¥1,345 million due to extraordinary losses such as recording a ¥178 million impairment loss from land and buildings. The net income margin decreased 0.2 percentage points to 2.8%.

1) Cosmetics Business

Sales increased 4.6% compared to the previous interim period, to ¥24,809 million.

	Interim period ended September 30, 2008		Interim period ended September 30, 2007		Increase (decrease) in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	19,284	77.7	18,480	77.9	4.4
ATTENIR Cosmetics	5,146	20.8	5,006	21.1	2.8
Others	378	1.5	225	1.0	68.0
Total	24,809	100.0	23,711	100.0	4.6

	Interim period ended September 30, 2008		Interim period ended September 30, 2007		Increase (decrease) in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	12,909	52.0	12,352	52.1	4.5
Retail store sales	8,804	35.5	8,722	36.8	0.9
Wholesales and others	3,095	12.5	2,636	11.1	17.4
Total	24,809	100.0	23,711	100.0	4.6

Sales of FANCL Cosmetics increased 4.4% to ¥19,284 million from a boom in sales of skin care products and *Facial Washing Powder* that benefited from the effects of product renewals, and strong sales of staple products such as *Mild Cleansing Oil*.

Sales of ATTENIR cosmetics increased 2.8% to ¥5,146 million, supported by the development of effective marketing policies and the renewal of whitening and other products.

In sales by sales channels, mail-order sales increased 4.5% to ¥12,909 million, retail store sales increased 0.9% to ¥8,804 million and wholesale sales through other sales channels increased 17.4% to ¥3,095 million with strong overseas sales.

Operating income

Operating income decreased 10.1% to ¥3,029 million, due to expenses for advertising activity aiming at acquiring more new customers. The operating income margin decreased 2.0 percentage points to 12.2%.

2) Nutritional Supplements Business

Nutritional supplement sales decreased 2.9% to ¥14,491 million.

	Interim period ended September 30, 2008		Interim period ended September 30, 2007		Increase (decrease) in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	6,320	43.6	6,664	44.6	(5.2)
Retail store sales	4,018	27.7	4,338	29.1	(7.4)
Wholesales and others	4,152	28.7	3,926	26.3	5.7
Total	14,491	100.0	14,929	100.0	(2.9)

Sales of *Beauty supplements* such as *HTC Collagen* benefited from marketing activities, and although strong, were unable to cover the decrease in sales of other product groups such as vitamins, minerals and herbs.

In sales by sales channels, mail-order sales decreased 5.2% to ¥6,320 million, retail store sales decreased 7.4% to ¥4,018 million while wholesale sales through other sales channels increased 5.7% to ¥4,152 million with strong overseas sales.

Operating income

Operating income decreased 7.3% to ¥1,681 million due to an increase in expenses for sales promotions aimed at a recovery in sales and other factors. The operating income margin declined 0.6 percentage points to 11.6%.

3) Other Businesses

Sales in Other businesses decreased 5.0% to ¥9,281 million.

(Millions of yen)

	Interim period ended September 30, 2008	Interim period ended September 30, 2007	Increase (decrease) in percent
Hatsuga Genmai business	1,865	1,813	2.8
Kale Juice business	1,868	1,959	(4.6)
IIMONO OHKOKU mail order business	3,846	4,141	(7.1)
Other businesses	1,700	1,854	(8.3)
Total	9,281	9,768	(5.0)

In the **Hatsuga Genmai business,** sales increased 2.8% to ¥1,865 million following an expansion of commercial sales such as sales to convenience stores.

In the **Kale Juice business**, sales of frozen-type kale juice were sluggish and sales decreased 4.6% to ¥1,868 million.

Sales in the **IIMONO OHKOKU** (Kingdom of Wonderful Things) **mail order business** decreased 7.1% to ¥3,846 million due to sluggish catalogue sales.

Other businesses decreased 8.3% to ¥1,700 million due to poor sales of comfort undergarments and despite strong sales of household sundries.

Operating income

An operating loss of ¥536 million was recorded, an improvement of ¥327 million on the operating loss recorded in the previous interim period due to reduced operating losses in the Hatsuga Genmai business resulting from management expense efficiencies and other factors.

For reference: Sales network

	Number of stores as of September 30, 2008	Change compared to March 31, 2008
FANCL Ginza Square	1	--
FANCL Shop (Next Generation Store)	11	+4
FANCL House	97	-3
FANCL House J	83	-4
Genki Station	7	-1
ATTENIR Shop	13	+2
Other	3	-1
Total	215	-3

From the current consolidated fiscal year, Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 12) and Application Guidelines related to Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 14) have been applied. As a result, the accounting standards used for the preparation of the income statement for the quarterly consolidated financial period and the income statement for the interim consolidated financial period of the previous fiscal year differ. Information related to the interim period of the previous fiscal year has been included as a reference.

2. Financial situation

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

Assets increased ¥462 million to ¥86,147 million as a result of ¥1,795 million decrease in current assets and a ¥2,257 million increase in fixed assets.

The decrease in current assets was largely the result of a ¥1,221 million decrease in cash and bank deposits due to factors such as the business transfer following the establishment of NICOSTAR BEAUTECH Co., Ltd., a ¥226 million decrease in trade receivables due factors such as a decrease in sales at consolidated subsidiaries, and a ¥678 million decrease in inventories as a result of efforts to reduce inventory assets.

The increase in fixed assets was largely the result of an increase in tangible fixed assets and intangible fixed assets due to the business transfer and acquisition of a factory following the establishment of NICOSTAR BEAUTECH Co., Ltd. and system maintenance for the new logistics center. Further, investments and other assets increased due to deposits made into fixed term deposits.

Liabilities decreased ¥177 million to ¥15,239 million as a result of a ¥369 million decrease in current liabilities and a ¥192 million increase in long-term liabilities.

The decrease in current liabilities was due to factors such as decreases in accounts payable and accrued income taxes. In long-term liabilities, long-term accounts payable decreased as a result of payments for the allowance for director’s retirement bonuses; however, due to the recording of deferred tax liabilities following the consolidation of the new subsidiary leading overall long-term liabilities increased.

Net assets increased ¥639 million to ¥70,908 million, primarily due to increases in retained earnings from net income recorded during the period under review, and other factors.

As a result, the shareholders’ equity ratio improved 0.3 percentage points from the end of the previous fiscal year to 81.9%.

Cash flow

Cash and cash equivalents as of September 30, 2008 were ¥21,847 million, ¥2,212 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 generated from operating activities during the period under review was ¥3,164 million. Factors increasing operating cash flow were income before income taxes of ¥2,863 million and depreciation expenses of ¥1,482 million. Factors reducing operating cash flow included tax payments of ¥1,779 million.

Cash flows from investing activities

Cash used in investing activities during the period under review was ¥4,601 million. This was largely the result of decreases from outlays such as ¥4,993 million for the acquisition of marketable securities, ¥1,048 million for acquisitions of tangible fixed assets such as equipment for new and renewed stores, and an outlay of ¥1,250 million for the transfer of operations following the establishment of NICOSTAR BEAUTECH Co., Ltd. Increases included a ¥2,999 million gain from the redemption and sale of marketable securities.

Cash flows from financing activities

Cash flow used in financing activities during the period under review was ¥786 million, primarily due to dividend payments of ¥732 million.

3. Forecasts for the consolidated fiscal year ending March 31, 2009

In consideration of circumstances during the interim period, the financial results forecasts announced May 1, 2008 have been revised as follows:

(Millions of yen)

	Net Sales	Operating income	Ordinary income	Net income
Previous forecasts (A) (Announced May 1, 2008)	101,500	8,000	8,000	4,200
Current revisions (B)	100,000	7,800	8,000	3,800
Change amount (B – A)	(1,500)	(200)	--	(400)
Percentage change	(1.5%)	(2.5%)	--	(9.5%)
Results for the fiscal year ended March 31, 2008	99,349	7,467	7,765	3,694

4. Other

(1) Transfer of important subsidiaries during the period (Transfers of subsidiaries resulting in changes in the scope of consolidation:

As of the consolidated interim period, newly established NICOSTAR BEAUTECH Co., Ltd. has been included in the scope of consolidation.

(2) Use of simplified accounting methods or special accounting procedures:

None

(3) Changes in accounting principles, procedures and method of presentation associated with the preparation of the consolidated financial statements.

1. From the current consolidated fiscal year, Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 12) and Application Guidelines related to Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Application Guideline 14) have been applied. Further, in accordance with the Regulations for Consolidated Quarterly Reporting quarterly consolidated financial reports are being prepared. Certain revisions to the terms used in the financial statements and policies related to shares and methods of preparation in the Cabinet Office Regulations, (Cabinet Office Regulations No. 50, August 7, 2008) supplementary provision No. 7, Section 1, Item 5 have been applied to the quarterly consolidated financial report.

2. Previously, assets held in inventory for ordinary sale were calculated based on the overall average cost method. However, as of the first quarter of the current fiscal year, and following the application of Accounting Standards Related to the Evaluation of Inventory Assets (Accounting Standards Board of Japan, Article 9, July 5, 2006), assets held in inventory have been calculated primarily using the overall average of cost method (using the reduced book value method for balance sheet amounts based on profitability declines).

   With the application of the above accounting standard, loss on inventory write-offs, previously recorded as a non-operating expense, has been included in cost of sales as of the consolidated period under review.

   As a result of these changes, operating income for the interim period of the fiscal year ending March 31, 2009 declined by ¥177 million, ordinary income declined by ¥6 million and income before income taxes declined by ¥41 million by compared to the method formerly employed.

   For information on the effect on each of the business segments, please see page 14, Segment Information

3. From the first quarter of the current fiscal year, the number of years of the useful lives of certain assets has been changed following reviews concerning the revision to income taxes regarding the number of years of the useful life of equipment and machinery.

   The impact of this change on operating income, ordinary income and income before income taxes during the interim period of the current fiscal year is immaterial.

4. Previously, the accounting treatment for finance lease transactions, other than those involving ownership transfer, was based on accounting methods for operating lease transactions. However, we are now able to apply the Accounting Standards Related to Lease Transactions (Accounting Standards Board of Japan, Article 13, June 17, 1993, (First Committee of the Business Accounting

Council)), revised March 30, 2007, and the Application Guidelines for Accounting Standards Related to Lease Transactions (Accounting Standards Board of Japan, Application Guideline 16, January 18, 1994) (Japanese Institute of Certified Public Accountants, Committee on Accounting Systems)), revised March 30, 2007, to the consolidated financial reports for the consolidated accounting year beginning April 1, 2008. As a result, from the first quarter of the current fiscal year these accounting standards have been applied for ordinary sales transactions. Further, as regards the depreciation method for leased assets related to financial lease transactions other than those involving ownership transfer, the straight-line method will be applied to the residual value over the useful life of the asset until it reaches zero.

The impact of this change on operating income, ordinary income and income before income taxes during the interim period of the fiscal year is immaterial.

If the starting date of a finance lease transaction without transfer of ownership is prior to the starting year of application, the accounting process for rental transactions will to continue to apply.

5. The Accounting Procedures Of The Foreign Subsidiaries On Preparation Of Consolidated Financial Statements For The Foreseeable Future' (Report On Handling Business Practices No.18, May 17, 2006) has been applied as of the first quarter of the consolidated fiscal year.

   The impact of this change on operating income, ordinary income and Income before income taxes during the interim period of the fiscal year is immaterial.

Consolidated Financial Statements

Consolidated Balance Sheet

Millions of yen, rounded down

	As of September 30, 2008	As of March 31, 2008
ASSETS		
I. Current assets:		
Cash and cash deposits	15,330	16,551
Notes and accounts receivable	9,826	10,053
Marketable securities	13,515	13,508
Merchandise and products	2,769	3,229
Work in progress	85	78
Raw materials and supplies	3,177	3,402
Others	2,659	2,338
Allowance for doubtful accounts	(156)	(159)
Total current assets	(47,207)	49,003
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	21,853	21,140
Accumulated depreciation and accumulated impairment loss	(10,550)	(10,112)
Buildings and structures (net)	11,303	11,028
Machinery and transport equipment	5,454	5,419
Accumulated depreciation and accumulated impairment loss	(3,980)	(4,014)
Machinery and transport equipment (net)	1,473	1,404
Furniture, tools and fixtures	5,937	5,724
Accumulated depreciation	(4,708)	(4,639)
Furniture, tools and fixtures (net)	1,229	1,085
Land	11,050	10,901
Others	64	74
Total tangible fixed assets	25,121	24,494
Intangible fixed assets		
Goodwill	999	738
Others	3,148	2,953
Total intangible fixed assets	4,147	3,692
Investments and other assets	9,671	8,496
Total fixed assets	38,940	36,682
Total assets	**86,147**	**85,685**

Consolidated Balance Sheets

Millions of yen, rounded down

	As of September 30, 2008	As of March 31, 2008
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	3,385	3,599
Accrued liabilities	1,459	1,865
Allowance for bonuses	1,059	1,037
Allowance for points	1,446	1,496
Others	5,232	4,954
Total current liabilities	12,584	12,953
II. Long-term liabilities:		
Allowance for retirement bonuses	1,732	1,642
Allowance for directors' retirement bonuses	52	46
Others	870	773
Total long-term liabilities	2,655	2,462
Total liabilities	15,239	15,416
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	11,865	11,861
Retained earnings	59,218	58,608
Treasury stock	(11,325)	(11,387)
Total shareholders' equity	70,554	69,877
Difference from exchange and valuation		
Valuation difference on other marketable securities	25	27
Foreign exchange adjustment account	(4)	(4)
Total Difference from exchange and valuation	20	22
Warrants	230	275
Minority interests	103	94
Total net assets	70,908	70,268
Total Liabilities and Net Assets	**86,147**	**85,685**

Consolidated Statements of Income
(Interim period of FY 2009)

Millions of yen, rounded down

	April 1, 2008 to September 30, 2008
Net sales	48,581
Cost of sales	15,865
Gross profit	32,716
Selling, general and administrative expenses	29,747
Operating income	2,969
Non-operating income	
Interest income	86
Dividend income	12
Other non-operating income	117
Total net operating income	216
Non-operating expenses	
Interest expense	0
Exchange loss	10
Other non-operating expenses	41
Total non-operating expenses	51
Ordinary income	3,134
Extraordinary income	
Income from sale of fixed assets	10
Income from recovery of bad debts	10
Others	24
Total extraordinary income	45
Extraordinary loss	
Loss on sale of fixed assets	13
Loss on disposal of fixed assets	72
Impairment loss	178
Others	50
Total extraordinary loss	315
Income before income taxes	2,863
Income tax and other taxes	1,422
Adjustments to income tax and other taxes	86
Total income and other taxes	1,509
Income from minority interests	8
Net income	**1,345**

Consolidated Statements of Income
(Second Quarter of FY 2009)

Millions of yen, rounded down

	July 1, 2008 to September 30, 2008
Net sales	23,828
Cost of sales	7,877
Gross profit	15,950
Selling, general and administrative expenses	15,229
Operating income	721
Non-operating income	
Interest income	56
Dividend income	10
Other non-operating income	41
Total net operating income	108
Non-operating expenses	
Interest expense	0
Exchange loss	0
Other non-operating expenses	24
Total non-operating expenses	25
Ordinary income	805
Extraordinary income	
Income from sale of fixed assets	5
Income from recovery of bad debts	2
Others	23
Total extraordinary income	31
Extraordinary loss	
Loss on sale of fixed assets	13
Loss on disposal of fixed assets	64
Others	10
Total extraordinary loss	88
Income before income taxes	748
Income tax and other taxes	302
Adjustments to income tax and other taxes	205
Total income and other taxes	508
Income from minority interests	3
Net income	**235**

Consolidated Statements of Cash Flows
(Interim period of FY 2009)

	Millions of yen
	April 1, 2008 to September 30, 2008
I. Cash flows from operating activities	
Income before income taxes	2,863
Depreciation	1,482
Impairment loss	178
Stock compensation plan expense	67
Amortization of goodwill	63
Increase (decrease) in allowance for doubtful accounts	(3)
Increase (decrease) in allowance for bonuses	22
Increase (decrease) in allowance for points	(49)
Increase (decrease) in allowance for retirement benefits	89
Increase (decrease) in allowance for directors retirement bonuses	6
Interest and dividend income	(99)
Interest paid	0
Increase of foreign exchange	(5)
Loss on sale of tangible fixed assets	3
Loss from disposal of other investments	72
Decrease (increase) in trade receivables	226
Decrease (increase) in inventories	735
Decrease (increase) in other current assets	(403)
Decrease (increase) in accounts payable	(214)
Increase (decrease) in other current liabilities	36
Increase (decrease) in other fixed liabilities	(192)
Others	(24)
Sub-total	4,855
Interest and dividends received	87
Interest paid	(0)
Other income	0
Income taxes paid	(1,779)
Net cash provided by (used in) operating activities	3,164
II. Cash flows from investing activities	
Increase in fixed-term deposits	(1,000)
Proceeds from cancellation of fixed-term deposits	1,000
Acquisition of investment marketable securities	(4,993)
Proceeds from sale and redemption of marketable securities	2,999
Payment for purchase of tangible fixed assets	(1,048)
Proceeds from sale of tangible fixed assets	100
Payment for purchase of intangible fixed assets	(352)
Payments for transfer of operations	(1,250)
Payments for loans	(30)
Proceeds from collection of loans	8
Other payments	(92)
Others proceeds	57
Net cash used in investing activities	(4,601)

Consolidated Statements of Cash Flows continued
(Interim period of FY 2009)

	Millions of yen
	April 1, 2008 to September 30, 2008
III. Cash flows from financing activities	
Repayment of long-term loans	(48)
Proceeds from sale of treasury stock	2
Payment for purchase of treasury stock	(0)
Cash dividends paid	(732)
Others	(7)
Net cash used in financing activities	(786)
IV. Effect of exchange rate changes on cash and cash equivalents	**10**
V. Net increase in cash and cash equivalents	**(2,212)**
VI. Cash and cash equivalents at the beginning of the period	**24,060**
VII. Cash and cash equivalents at end of period	**21,847**

From the current fiscal year, Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 12) and Application Guidelines related to Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 14) have been applied. Further, in accordance with the Regulations for Consolidated Quarterly Reporting quarterly consolidated financial reports are being made will be prepared.

Certain revisions to the terms used in the financial statements and policies related to shares and methods of preparation in the Cabinet Office Regulations, (Cabinet Office Regulations No. 50, August 7, 2008) supplementary provision No. 7, Section 1, Item 5 have been applied to the quarterly consolidated financial report.

(4) Items related to the company as a going concern

None

(5) Segment Information

Three month period July 1, 2008 to September 30, 2008 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales (1) Sales to external customers	12,231	7,025	4,571	23,828	--	23,828
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	12,231	7,025	4,571	23,828	--	23,828
Operating income (loss)	788	741	(272)	1,257	(536)	721

Interim period April 1, 2008 to September 30, 2008 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales (1) Sales to external customers	24,809	14,491	9,281	48,581	--	48,581
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	24,809	14,491	9,281	48,581	--	48,581
Operating income (loss)	3,029	1,681	(536)	4,175	(1,206)	2,969

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 Genmai* (germinated brown rice) and Kale Juice, etc.
3. Changes to accounting methods

   Accounting standards related to the evaluation of inventory assets

   As described in section 2 of *Changes in accounting principles, procedures and method of presentation associated with preparation of the consolidated financial statements*, as of the first quarter of the consolidated current fiscal year, Accounting Standards Related to the Evaluation of Inventory Assets (Accounting Standards Board of Japan, Article 9, July 5, 2006) have been applied.

   As a result of this change, compared to the former accounting method, operating income decreased by ¥75 million in the cosmetics business, ¥84 million in the nutritional supplements business and by ¥16 million in other businesses over the interim period.

Segment information by area:

The second quarter of the consolidated fiscal year (July 1, 2008 to September 30, 2008) and the interim period of the consolidated fiscal year (April 1, 2008 to September 30, 2008)

Since the domestic business comprises over 90% of total for sales, segment information by area has been omitted.

Overseas sales:

The second quarter of the consolidated fiscal year (July 1, 2008 to September 30, 2008) and the interim period of the consolidated fiscal year (April 1, 2008 to September 30, 2008)

Since overseas sales are less than 10% of consolidated sales overseas sales has been omitted.

6. Special changes to shareholders equity

No applicable items

FOR REFERENCE:

Consolidated Statements of Income
(Interim period of FY 2008)

Millions of yen, rounded down

	April 1, 2007 to September 30, 2007	
	Amount	%
Net sales	48,410	100.0
Cost of sales	15,766	32.6
Gross profit	32,643	67.4
Selling, general and administrative expenses	29,282	60.5
Operating income	3,360	6.9
Non-operating income		
Interest income and dividends	82	
Insurance premiums returned	92	
Investment return from anonymous associations	9	
Compensation payments received	102	
Other non-operating income	107	
Total non-operating income	394	0.8
Non-operating expenses		
Loss on disposal of obsolete inventories	194	
Other non-operating expenses	51	
Total non-operating expenses	246	0.5
Ordinary income	3,508	7.2
Extraordinary income	--	--
Extraordinary loss		
Loss on disposal of fixed assets	23	
Loss on voluntary product recall	286	
Others	0	
Total extraordinary loss	310	0.6
Income before income taxes	3,197	6.6
Income tax and other taxes	1,586	
Adjustment for income taxes	172	
Total income tax and other taxes	1,758	3.6
Net income	**1,439**	**3.0**

Consolidated Statements of Cash Flows
(Interim period of FY 2008)

	Millions of yen
	April 1, 2007 to September 30, 2007
I. Cash flows from operating activities	
Income before income taxes	3,197
Depreciation	1,444
Stock compensation plan expense	62
Amortization of goodwill	6
Increase (decrease) in allowance for bonuses	79
Increase (decrease) in allowance for points	(284)
Increase (decrease) in allowance for doubtful accounts	(6)
Increase (decrease) in allowance for directors retirement bonuses	(186)
Increase (decrease) in allowance for retirement benefits	92
Interest and dividend income	(82)
Increase (decrease) from foreign exchange	(4)
Investment gain on anonymous associations	(9)
Net refund of insurance premiums	(92)
Loss on disposal of tangible fixed assets	21
Loss from disposal of other investments	2
Decrease (increase) in trade receivables	522
Decrease (increase) in inventories	17
Decrease (increase) in other current assets	(91)
Decrease (increase) in accounts payable	(449)
Increase (decrease) in other current liabilities	588
Increase (decrease) in other fixed liabilities	18
Sub-total	4,846
Interest and dividends received	96
Dividends received from anonymous associations	10
Refund received on insurance premiums	189
Income taxes paid	(1,883)
Net cash provided by (used in) operating activities	3,260
II. Cash flows from investing activities	
Proceeds from cancellation of fixed-term deposits	180
Acquisition of investment marketable securities	(8,483)
Proceeds from redemption of marketable securities	12,487
Payment for purchase of tangible fixed assets	(565)
Payment for purchase of intangible fixed assets	(590)
Payment for purchase of investment securities	(500)
Proceeds from collection of loans	14
Payment for purchase of other investments	(44)
Proceeds from sale of other investments	14
Net cash used in investing activities	2,512
III. Cash flows from financing activities	
Net proceeds (payment) for purchase of treasury stock	248
Cash dividends paid	(766)
Net cash used in financing activities	(517)
IV. Effect of exchange rate changes on cash and cash equivalents	**---**
V. Net increase in cash and cash equivalents	**5,256**
VI. Cash and cash equivalents at the beginning of the period	**23,411**
VII. Cash and cash equivalents at end of period	**28,667**

Interim period April 1, 2007 to September 30, 2007 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales (1) Sales to external customers	23,711	14,929	9,768	48,410	--	48,410
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	23,711	14,929	9,768	48,410	--	48,410
Operating expenses	20,340	13,114	10,632	44,088	961	45,049
Operating income (loss)	3,371	1,814	(863)	4,322	(961)	3,360

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 Genmai* (germinated brown 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.

Segment information by area:

April 1, 2007 to September 30, 2007

Since the domestic business comprises over 90% of total for sales, segment information by area has been omitted.

Overseas sales:

April 1, 2007 to September 30, 2007

Since overseas sales are less than 10% of consolidated sales overseas sales has been omitted.