FANCL Corporation

Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2009

Consolidated and non-consolidated results for the period
April 1, 2008 to December 31, 2008

SUMMARY OF FINANCIAL STATEMENTS

Third Quarter Results for the Fiscal Year Ending March 31, 2009

FANCL CORPORATION **February 3, 2009**

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

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1) Consolidated results for the third quarter (April 1, 2008 to December 31, 2008) of the fiscal year ending March 31, 2009

(1) Consolidated Operating Results

(Millions of yen, rounded down)

	Nine months ended December 31, 2008		Nine months ended December 31, 2007	
		% change		% change
Net sales	75,217	--	75,556	1.8
Operating income	4,869	--	6,033	4.9
Ordinary income	5,050	--	6,151	4.9
Net income	2,384	--	3,041	(15.6)
Earnings per share (¥)	38.91		47.61	
Earnings per share (diluted) (¥)	38.82		47.34	

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

(2) Consolidated Financial Position

	As of December 31, 2008	As of March 31, 2008
Total assets (millions of yen)	85,022	85,685
Net assets (millions of yen)	70,977	70,268
Shareholders' equity/total assets (%)	83.0%	81.6%
Net assets per share (¥)	¥1,151.48	¥1,141.56

Shareholders' equity: As of December 31, 2008: ¥70,562 million
As of March 31, 2008: ¥69,899 million

2) Dividends per share

	FY ended March 31, 2008	FY ending March 31, 2009	FY ending March 31, 2009 (forecast)
Interim period	¥12.00	¥17.00	--
Year-end	¥12.00	--	¥17.00
Annual	¥24.00	--	¥34.00

Note: Changes to the dividend forecast during the period under review: None

3) Consolidated forecasts for the fiscal year ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(1) Consolidated

Millions of yen

	FY ending March 31, 2009	
Net sales	98,700	(0.7)%
Operating income	7,000	(6.3)%
Ordinary income	7,000	(9.9)%
Net income	3,400	(8.0)%
Earnings per share (¥)	55.48	

Note: 1. The percentages shown above are a comparison with the previous fiscal year.
2. The consolidated forecasts have been revised during the period under review.

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 or special accounting procedures: No

(3) Changes in accounting principles, procedures and method of presentation associated with preparation of these consolidated financial statements. (Changes in important matters for preparation of Consolidated Financial Statements)

1. Changes due to revisions of accounting standards: Yes
2. Other changes: Yes

Note: For further detail, please see pages 6 and 7: Consolidated operating results and financial position, Section 4: Other.

(4) Number of outstanding shares (common stock)

1. Number of outstanding shares (including treasury shares):
   December 31, 2008: 65,176,600 shares
   March 31, 2008: 70,176,600 shares

2. Number of treasury shares:
   December 31, 2008: 3,896,653 shares
   March 31, 2008: 8,944,863 shares

3. Average number of shares during the period:
   Third quarter ended December 31, 2008: 61,273,503 shares
   Third quarter ended December 31, 2007: 63,885,907 shares

Notice regarding the appropriate use of the financial forecasts

1. This document contains revisions to the consolidated forecasts for the fiscal year ending March 31, 2009 that were announced on November 4, 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) will be applied. Further, in accordance with the Regulations for Consolidated Quarterly Reporting a quarterly consolidated financial report 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.

Consolidated operating results and financial position

1. Operating results (consolidated)

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

During the period under review, the domestic economy clearly worsened from the effects of the rapid global economic deceleration and from the financial crisis triggered in the U.S and Europe that has embroiled the financial markets. Other contributing factors included worsening corporate revenues due to a strong yen, reexamination of corporate spending and adjustments to employment plans.

Against this background, the cosmetics industry saw a certain degree of growth in sales of skin care products, while overall sales trended sideways.

In the health foods industry, the disparities between companies have become much clearer amidst the continuing market adjustments.

During the period under review, consolidated net sales decreased 0.4% to ¥75,217 million. Sales in Other businesses such as the IIMONO OHKOKU mail order business, and the Nutritional supplements business were sluggish although performance was strong in the Cosmetics business, supported largely by the renewal of core products. Operating income decreased 19.3% to ¥4,869 million as profits declined in the core Cosmetics business and Nutritional supplements business and despite improved profits in other businesses such as the Hatsuga Genmai business and Kale juice business. The operating income ratio decreased 1.5 percentage points to 6.5%, ordinary income decreased 17.9% to ¥5,050 million and the ordinary income ratio decreased 1.4 percentage points to 6.7%.

Net income for the period decreased 21.6% to ¥2,384 million as extraordinary losses were recorded, including an impairment loss of ¥178 million for land and buildings, and the net income ratio decreased 0.8 percentage points to 3.2%.

1) Cosmetics Business

Sales

Sales from the Cosmetics business increased 2.9% to ¥38,091 million.

(Millions of yen, rounded down)

	Nine months ended December 31, 2008		Nine months ended December 31, 2007		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	29,439	77.3	28,887	78.1	1.9
ATTENIR Cosmetics	7,806	20.5	7,829	21.1	(0.3)
Others	845	2.2	286	0.8	194.7
Totals	38,091	100.0	37,003	100.0	2.9

	Nine months ended December 31, 2008		Nine months ended December 31, 2007		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	20,031	52.6	19,644	53.1	2.0
Retail store sales	13,217	34.7	13,345	36.1	(1.0)
Wholesales and others	4,843	12.7	4,013	10.8	20.7
Totals	38,091	100.0	37,003	100.0	2.9

Sales of **FANCL cosmetics** increased 1.9% to ¥29,439 million from robust sales of renewed products such as skin care products and *Facial Washing Powder.*

Sales of **ATTENIR cosmetics** decreased 0.3% to ¥7,806 million as customer numbers did not increase despite pro-active advertising.

Results by sales channels were: mail order sales increased 2.0% to ¥20,031 million, retail store sales decreased 1.0% to ¥13,217 million due to a decrease in the number of stores, and wholesale sales through other sales channels increased 20.7% to ¥4,843 million, with strong results from overseas sales.

Operating income

Operating income decreased 15.8% to ¥4,909 million, due to expenses incurred from factors such as active investments in advertising aiming to increase customer numbers. The operating income margin decreased 2.9 percentage points to 12.9%.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 1.9% to ¥22,511 million. *(Millions of yen, rounded down)*

	Nine months ended December 31, 2008		Nine months ended December 31, 2007		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	9,940	44.2	10,293	44.9	(3.4)
Retail store sales	6,127	27.2	6,564	28.6	(6.7)
Wholesales and others	6,443	28.6	6,080	26.5	6.0
Totals	22,511	100.0	22,938	100.0	(1.9)

Sales of actively marketed *HTC Collagen* and other beauty supplements were strong but failed to offset the decrease in sales of other product groups such as vitamins, minerals and herbs.

Results by sales channels: Mail order sales decreased 3.4% to ¥9,940 million, retail store sales decreased 6.7% to ¥6,127 million following a decrease in the number of stores and sluggish sales at existing stores, while wholesale sales through other sales channels increased 6.0% to ¥6,443 million, supported by strong overseas sales.

Operating income

Operating income decreased 19.8% to ¥2,224 million due to a decrease in revenues following a fall in income, an increase in expenses from sales promotions and other factors. The operating income margin decreased 2.2 percentage points to 9.9%.

3) Other Businesses

Sales in Other businesses decreased 6.4% to ¥14,614 million.

(Millions of yen, rounded down)

	Nine months ended December 31, 2008	Nine months ended December 31, 2007	Change (%)
Hatsuga genmai business	2,806	2,840	(1.2)
Kale juice business	2,790	2,880	(3.1)
IIMONO OHKOKU mail order business	6,387	6,847	(6.7)
Other businesses	2,630	3,047	(13.7)
Totals	14,614	15,615	(6.4)

In the Hatsuga Genmai (germinated brown rice) business, sales decreased 1.2% to ¥2,806 million as mail order sales decreased due to a reduction in the number of customers and despite an expansion of commercial sales such as sales to convenience stores.

In the Kale juice business, sales decreased 3.1% to ¥2,790 million, as sales of frozen type kale juice were poor.

Sales through the IIMONO OHKOKU (Kingdom of Wonderful Things) mail order business decreased 6.7% to ¥6,387 million, as sales through catalogue were sluggish.

Sales at other businesses decreased 13.7% to ¥2,630 million following poor sales of undergarments.

Operating income

Operating loss of ¥654 million was recorded, an improvement of ¥346 million, due to improved income in the Hatsuga Genmai and Kale juice businesses and despite worsening operating losses in the IIMONO OHKOKU mail order business.

For reference: Sales network

	Number of stores as of December 31, 2008	Change compared to March 31, 2008
FANCL Ginza Square	1	--
FANCL Shop (Next Generation Store)	13	+6
FANCL House	96	(4)
FANCL House J	78	(9)
Genki Station	5	(3)
ATTENIR Shop	13	+2
Other	3	(1)
Total	209	(9)

Note: 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 consolidated financial period under review and the income statement for the same consolidated financial period of the previous fiscal year differ. Information related to the third quarter 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 decreased ¥663 million to ¥85,022 million. The primary contributing factors were a decrease of ¥1,965 million in current assets and an increase of ¥1,301 million in fixed assets.

The decrease in current assets was largely the result of a sale and redemption of securities resulting from a payment following the business transfer of NICOSTAR BEAUTECH Co., Ltd. and deposits made into long-term fixed deposits as well as from a reduction of inventories resulting from 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 IT investments for the new logistics center. Further, investments and other assets increased due to investments made into long-term fixed term deposits.

Liabilities decreased ¥1,372 million to ¥14,044 million resulting from the net balance of a ¥1,540 million decrease in current liabilities and a ¥168 million increase in long-term liabilities.

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

Net assets increased ¥708 million to ¥70,977 million, primarily from net income recorded during the period. As a result of the elimination of treasury shares, capital reserve declined by ¥159 million, retained earnings by ¥6,206 million and treasury stock by ¥6,365 million.

As a result of the above, the shareholders’ equity ratio improved 1.4 percentage points from the end of the previous fiscal year to 83.0%.

Cash flow
Cash and cash equivalents as of December 31, 2008 were ¥22,251 million, ¥1,809 million lower than at the end of the previous fiscal year. The main contributing factors are detailed below.

<u>Cash flow from operating activities</u>
Cash provided by operating activities during the period under review was ¥3,347 million. Primary factors increasing operating cash flow were income before income taxes of ¥4,513 million and depreciation expenses of ¥2,319 million. Factors reducing operating cash flow included tax payments of ¥3,341 million.

<u>Cash flow from investing activities</u>
Cash used in investing activities during the period under review was ¥3,326 million. This largely reflected a payment of ¥7,983 million for the acquisition of marketable securities, an outlay of ¥1,539 million for the acquisition of tangible fixed assets such as equipment for new and renewed stores and an outlay of ¥1,315 million for the transfer of operations following the establishment of NICOSTAR BEAUTECH Co., Ltd. Increases included a ¥7,997 million gain from the redemption and sale of marketable securities.

<u>Cash flow from financing activities</u>
Cash used in financing activities during the period under review was ¥1,812 million, primarily due to dividend payments of ¥1,753 million and other factors.

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

In consideration of circumstances during the third quarter, the financial results forecasts announced November 4, 2008 have been revised as follows:

Forecasts for the consolidated fiscal year ending March 31, 2009 *(Millions of yen)*

	Net Sales	Operating income	Ordinary income	Net income
Previous forecasts (A) (Announced November 4, 2008)	100,000	7,800	8,000	3,800
Current revisions (B)	98,700	7,000	7,000	3,400
Amount change (B – A)	(1,300)	(800)	(1,000)	(400)
Percentage change	(1.3)%	(10.3)%	(12.5)%	(10.5)%
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:
None

(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 third quarter of the fiscal year ending March 31, 2009 declined by ¥238 million, ordinary income declined by ¥7 million and income before income taxes declined by ¥60 million 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 useful lives of certain equipment and machinery assets has been changed concomitant with revisions to the corporate tax law.

   The impact of this change on operating income, ordinary income and income before income taxes for the third quarter of the fiscal year ending March 31, 2009 was 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 for the third quarter of the fiscal year ending March 31, 2009 was 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 continue to apply.

5. Accounting Procedures of Foreign Subsidiaries in Preparation of the Consolidated Financial Statements (Report on 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 for the third quarter of the fiscal year ending March 31, 2009 was immaterial.

5.Consolidated Financial Statements

Consolidated Balance Sheet

Millions of yen, rounded down

	As of December 31, 2008	As of March 31, 2008
ASSETS		
I. Current assets:		
Cash and cash deposits	17,726	16,551
Notes and accounts receivable	10,942	10,053
Marketable securities	9,518	13,508
Merchandise and products	3,237	3,229
Work in progress	53	78
Raw materials and supplies	3,206	3,402
Others	2,573	2,338
Allowance for doubtful accounts	(221)	(159)
Total current assets	47,037	49,003
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	21,814	21,140
Accumulated depreciation and accumulated impairment loss	(10,619)	(10,112)
Buildings and structures (net)	11,195	11,028
Machinery and transport equipment	5,472	5,419
Accumulated depreciation and accumulated impairment loss	(3,980)	(4,014)
Machinery and transport equipment (net)	1,491	1,404
Furniture, tools and fixtures	5,921	5,724
Accumulated depreciation	(4,788)	(4,639)
Furniture, tools and fixtures (net)	1,133	1,085
Land	11,000	10,901
Others	113	74
Total tangible fixed assets	24,934	24,494
Intangible fixed assets		
Goodwill	947	738
Others	3,062	2,953
Total intangible fixed assets	4,010	3,692
Investments and other assets	9,039	8,496
Total fixed assets	37,984	36,682
Total assets	**85,022**	**85,685**

Consolidated Balance Sheets

Millions of yen, rounded down

	As of December 31, 2008	As of March 31, 2008
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	4,072	3,599
Accrued liabilities	416	1,865
Allowance for bonuses	534	1,037
Allowance for points	1,461	1,496
Others	4,927	4,954
Total current liabilities	11,412	12,953
II. Long-term liabilities:		
Allowance for retirement bonuses	1,763	1,642
Allowance for directors' retirement bonuses	57	46
Others	810	773
Total long-term liabilities	2,631	2,462
Total liabilities	14,044	15,416
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	11,706	11,861
Retained earnings	53,017	58,608
Treasury stock	(4,960)	(11,387)
Total shareholders' equity	70,557	69,877
Difference from exchange and valuation		
Valuation difference on other marketable securities	9	27
Foreign exchange adjustment account	(4)	(4)
Total Difference from exchange and valuation	4	22
Warrants	310	275
Minority interests	104	94
Total net assets	70,977	70,268
Total Liabilities and Net Assets	**85,022**	**85,685**

Consolidated Statements of Income
(Nine months to December 31, 2008)

Millions of yen, rounded down

	April 1, 2008 to December 31, 2008
Net sales	75,217
Cost of sales	24,894
Gross profit	50,322
Selling, general and administrative expenses	45,453
Operating income	4,869
Non-operating income	
Interest income	120
Dividend income	13
Other non-operating income	164
Total non-operating income	298
Non-operating expenses	
Interest expense	0
Exchange loss	50
Other non-operating expenses	66
Total non-operating expenses	116
Ordinary income	5,050
Extraordinary income	
Income from sale of fixed assets	31
Reversal of allowance for doubtful accounts	36
Income from recovery of bad debts	10
Others	23
Total extraordinary income	101
Extraordinary loss	
Loss on sale of fixed assets	49
Loss on disposal of fixed assets	155
Impairment loss	178
Others	255
Total extraordinary loss	638
Income before income taxes	4,513
Income tax and other taxes	1,741
Adjustments to income tax and other taxes	378
Total income and other taxes	2,119
Income from minority interests	10
Net income	**2,384**

Consolidated Statements of Income
(Three months to December 31, 2008)

Millions of yen, rounded down

	October 1, 2008 to December 31, 2008
Net sales	26,635
Cost of sales	9,029
Gross profit	17,606
Selling, general and administrative expenses	15,705
Operating income	1,900
Non-operating income	
Interest income	33
Dividend income	0
Other non-operating income	46
Total non-operating income	81
Non-operating expenses	
Exchange loss	39
Other non-operating expenses	25
Total non-operating expenses	65
Ordinary income	1,916
Extraordinary income	
Income from sale of fixed assets	21
Income from recovery of bad debts	36
Others	(0)
Total extraordinary income	56
Extraordinary loss	
Loss on sale of fixed assets	35
Loss on disposal of fixed assets	82
Others	204
Total extraordinary loss	323
Income before income taxes	1,649
Income tax and other taxes	318
Adjustments to income tax and other taxes	291
Total income and other taxes	610
Income from minority interests	1
Net income	1,038

Consolidated Statements of Cash Flows
(Nine months to December 31, 2008)

Millions of yen, rounded down

	April 1, 2008 to December 31, 2008
I. Cash flows from operating activities	
Income before income taxes	4,513
Depreciation	2,319
Impairment loss	178
Stock compensation plan expense	87
Amortization of goodwill	111
Increase (decrease) in allowance for doubtful accounts	(69)
Increase (decrease) in allowance for bonuses	(502)
Increase (decrease) in allowance for points	(34)
Increase (decrease) in allowance for retirement benefits	120
Increase (decrease) in allowance for directors retirement bonuses	11
Interest and dividend income	(133)
Interest paid	0
Increase of foreign exchange	30
Decrease (increase) from revaluation of investment in marketable securities	95
Decrease from revaluation of shares in affiliate companies	59
Loss on sale of tangible fixed assets	17
Loss from disposal of other investments	155
Decrease (increase) in trade receivables	(891)
Decrease (increase) in inventories	300
Decrease (increase) in other current assets	(223)
Decrease (increase) in accounts payable	471
Increase (decrease) in other current liabilities	81
Increase (decrease) in other fixed liabilities	(247)
Others	80
Sub-total	6,532
Interest and dividends received	107
Interest paid	(0)
Other income	0
Income taxes paid	(3,293)
Net cash provided by (used in) operating activities	3,347
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	(7,983)
Proceeds from sale and redemption of marketable securities	7,997
Payment for purchase of tangible fixed assets	(1,539)
Proceeds from sale of tangible fixed assets	203
Payment for purchase of intangible fixed assets	(798)
Payment for purchase of shares in affiliates	(36)
Payments for transfer of operations	(1,315)
Payments for loans	(30)
Proceeds from collection of loans	13
Other payments	(81)
Others proceeds	260
Others	(17)
Net cash used in investing activities	(3,326)

Consolidated Statements of Cash Flows continued
(Nine months to December 31, 2008)

	Millions of yen, rounded down
	April 1, 2008 to December 31, 2008
III. Cash flows from financing activities	
Repayment of long-term loans	(48)
Proceeds from sale of treasury stock	3
Payment for purchase of treasury stock	(1)
Cash dividends paid	(1,753)
Others	(12)
Net cash used in financing activities	(1,812)
IV. Effect of exchange rate changes on cash and cash equivalents	**(17)**
V. Net increase in cash and cash equivalents	**(1,809)**
VI. Cash and cash equivalents at the beginning of the period	**24,060**
VII. Cash and cash equivalents at end of period	**22,251**

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 from October 1, 2008 to December 31, 2008 *(Millions of yen)*

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales (1) Sales to external customers	13,282	8,019	5,333	26,635	--	26,635
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	13,282	8,019	5,333	26,635	--	26,635
Operating income (loss)	1,879	542	(118)	2,303	(403)	1,900

Nine-month period from April 1, 2008 to December 31, 2008 *(Millions of yen)*

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales (1) Sales to external customers	38,091	22,511	14,614	75,217	--	75,217
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	38,091	22,511	14,614	75,217	--	75,217
Operating income (loss)	4,909	2,224	(654)	6,478	(1,609)	4,869

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 ¥103 million in the cosmetics business, ¥106 million in the nutritional supplements business and by ¥27 million in other businesses over the nine-month period.

Segment information by area:

The third quarter of the consolidated fiscal year (October 1, 2008 to December 31, 2008) and the nine-month period of the consolidated fiscal year ended December 31, 2008 (April 1, 2008 to December 31, 2008)

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

Overseas sales:

The third quarter of the consolidated fiscal year (October 1, 2008 to December 31, 2008) and the nine-month period of the consolidated fiscal year ended December 31, 2008 (April 1, 2008 to December 31, 2008)

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

6. Special changes to shareholders equity

At a board of directors meeting held November 4, 2008, the Company resolved to cancel 5,000,000 treasury shares based on Article 178 of the Companies Act, implemented on November 28, 2008, bringing the total number of treasury shares to 65,176,600 . As a result, the capital reserve declined by ¥159 million, retained earnings by ¥6,206 million and treasury stock by ¥6,365 million during the period.

FOR REFERENCE:

Consolidated Statements of Income
Nine months to December 31, 2007

Millions of yen, rounded down

	April 1, 2007 to December 31, 2007
	Amount
Net sales	75,556
Cost of sales	24,615
Gross profit	50,940
Selling, general and administrative expenses	44,907
Operating income	6,033
Non-operating income	464
Interest income and dividends	109
Other non-operating income	355
Non-operating expenses	346
Loss on disposal of obsolete inventories	259
Other non-operating expenses	87
Ordinary income	6,151
Extraordinary income	6
Extraordinary loss	316
Loss on disposal of fixed assets	29
Others	287
Income before income taxes	5,841
Tax expenses	2,799
Net income	**3,041**

Consolidated Statements of Cash Flows
Nine months to December 31, 2007

Millions of yen, rounded down

	April 1, 2007 to December 31, 2007
I. Cash flows from operating activities	
Income before income taxes	5,841
Depreciation	2,229
Impairment losses	--
Increase (decrease) in allowance for bonuses	(435)
Increase (decrease) in allowance for retirement benefits	143
Interest and dividend income	(109)
Loss on disposal of tangible fixed assets	26
Decrease (increase) in trade receivables	(1,313)
Decrease (increase) in inventories	(75)
Decrease (increase) in other current assets	(24)
Decrease (increase) in accounts payable	378
Increase (decrease) in other current liabilities	734
Other	(446)
Sub-total	6,948
Interest and dividends received	119
Income taxes paid	(3,569)
Other	241
Net cash provided by (used in) operating activities	3,740
II. Cash flows from investing activities	
Acquisition of investment marketable securities	(12,479)
Proceeds from redemption of marketable securities	14,485
Payment for purchase of tangible fixed assets	(859)
Payment for purchase of intangible fixed assets	(721)
Payment for purchase of other investments	(51)
Other	(1,980)
Net cash used in investing activities	(1,607)
III. Cash flows from financing activities	
Net proceeds (payment) for purchase of treasury stock	(2,818)
Cash dividends paid	(1,405)
Net cash used in financing activities	(4,224)
IV. Effect of exchange rate changes on cash and cash equivalents	**(5)**
V. Net increase in cash and cash equivalents	**(2,096)**
VI. Cash and cash equivalents at the beginning of the period	**23,411**
VII. Cash and cash equivalents at end of period	**21,314**

Nine-month period from April 1, 2007 to December 31, 2007 *Millions of yen, rounded down*

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Net sales	37,003	22,938	15,615	75,556	--	75,556
Operating expenses	31,171	20,166	16,617	67,954	1,569	69,523
Operating income	5,832	2,772	(1,001)	7,602	(1,569)	6,033

Segment information by area:

April 1, 2007 to December 31, 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 December 31, 2007

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