FANCL Corporation

Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2010

Consolidated and non-consolidated results for the period April 1, 2009 to June 30, 2009

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, 2010

FANCL CORPORATION **July 30, 2009**

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Scheduled date for submission of the financial report: August 11, 2009
Scheduled date for distribution of dividends: --

1) Consolidated results for the first quarter (April 1, 2009 to June 30, 2009) of the fiscal year ending March 31, 2010

(1) Consolidated Operating Results *Millions of yen, rounded down*

	Three months ended June 30, 2009		Three months ended June 30, 2008	
		% change		% change
Net sales	24,064	(2.8)	24,753	--
Operating income	1,802	(19.8)	2,247	--
Ordinary income	1,808	(22.4)	2,329	--
Net income	970	(12.6)	1,109	--
Earnings per share (¥)	¥15.83	--	¥18.11	--
Earnings per share (diluted) (¥)	¥15.80	--	¥18.10	--

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, 2009	As of March 31, 2009
Total assets	85,901	85,309
Net assets	71,178	71,242
Shareholders' equity/total assets (%)	82.4%	83.0%
Net assets per share (¥)	¥1,154.68	¥1,155.74

Shareholders' equity: As of June 30, 2009: ¥70,794 million
As of March 31, 2009: ¥70,823 million

2) Dividends per share

	FY ended March 31, 2009	FY ending March 31, 2010 (forecast)
Interim period	17.00	17.00
Year-end	17.00	17.00
Annual	34.00	34.00

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

3) Consolidated forecasts for the fiscal year ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Consolidated *Millions of yen*

	Six months ending September 30, 2009		Fiscal year ending March 31, 2010	
Net sales	47,900	(1.4)	97,500	(0.5)
Operating income	2,950	(0.6)	7,300	9.5
Ordinary income	2,950	(5.9)	7,300	5.2
Net income	1,350	0.3	3,400	27.7
Earnings per share (¥)	¥22.03	--	¥55.48	--

Note: 1. The percentages shown above are a comparison with the interim period of the previous fiscal year for 'Six months ending September 30, 2009' and a comparison with the previous fiscal year for 'Fiscal year ending March 31, 2010'.
2. Changes to the Consolidated forecasts during the period under review: None

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 preparation of these consolidated financial statements. (Changes in important matters for preparation of Consolidated Financial Statements)
1. Changes due to revisions of accounting standards: None
2. Other changes: Yes

Note: For further detail, please see page 7: Commentary on Results, Section 4: Other.

(4) Number of outstanding shares (common stock)
1. Number of outstanding shares (including treasury shares):
June 30, 2009: 65,176,600 shares
March 31, 2009: 65,176,600 shares

2. Number of treasury shares:
June 30, 2009: 3,865,685 shares
March 31, 2009: 3,896,949 shares

3. Average number of shares during the period:
First quarter ended June 30, 2009: 61,282,616 shares
First quarter ended June 30, 2008: 61,260,570 shares

Notice regarding the appropriate use of financial forecasts

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: Commentary on Results, Section 3, Forecasts for the consolidated fiscal year ending March 31, 2010.

Commentary on Results

1. Operating results (consolidated)

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

During the period under review, consumer spending was sluggish and the domestic economy remained challenging. Anxiety over employment and other concerns heightened following worsening corporate results due to the global financial and economic crisis that emerged from the financial crisis in the US.

Against this background, the environment for department store sales was harsh and overall industry sales remained relatively flat or trended downward.

In the health foods industry, the disparity between different companies is becoming clearer as the market continues to adjust.

During the period under review, net sales decreased 2.8% to ¥24,064 million as sales in the Nutritional supplements business and Other businesses struggled and despite strong sales in the Cosmetics industry from skin care products such as *Mild Cleansing Oil*, which was renewed in the previous term. Operating income decreased 19.8% to ¥1,802 million and the operating income ratio decreased 1.6 percentage points to 7.5%. Ordinary income decreased 22.4% to ¥1,808 million and the ordinary income ratio decreased 1.9 percentage points to 7.5%. This was a result of a decrease in revenues from both the Nutritional supplements business and the Cosmetics business due to increase in marketing expenses and despite improved earnings in Other businesses.

Net income for the period decreased 12.6% to ¥970 million and the net income ratio decreased 0.5 percentage points to 4.0%.

1) Cosmetics Business

Sales

Sales from the Cosmetics business increased 1.7% to ¥12,786 million. *(Millions of yen, rounded down)*

	Three months ended June 30, 2009		Three months ended June 30, 2008		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	9,818	76.8	9,709	77.2	1.1
ATTENIR Cosmetics	2,539	19.9	2,674	21.3	(5.0)
Others	428	3.3	194	1.5	119.8
Totals	12,786	100.0	12,578	100.0	1.7

	Three months ended June 30, 2009		Three months ended June 30, 2008		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	6,644	52.0	6,615	52.6	0.4
Retail store sales	4,238	33.1	4,394	34.9	(3.6)
Wholesales and others	1,903	14.9	1,568	12.5	21.3
Totals	12,786	100.0	12,578	100.0	1.7

Sales of **FANCL cosmetics** increased 1.1% to ¥9,818 million from robust sales of *Mild Cleansing Oil* renewed in the previous term in addition to strong sales of skin care products.

Sales of **ATTENIR cosmetics** decreased 5.0% to ¥2,539 million due to a decrease in customer numbers.

Results by sales channels were: mail order sales increased 0.4% year on year to ¥6,644 million, retail store sales decreased 3.6% to ¥4,238 million and wholesale sales through other sales channels increased 21.3% to ¥1,903 million, with strong results from overseas sales.

Operating income

Operating income decreased 20.1% to ¥1,790 million, due to an increase in advertising and other marketing expenses. The operating income margin decreased 3.8 percentage points to 14.0%.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 9.4% to ¥6,766 million. *(Millions of yen, rounded down)*

	Three months ended June 30, 2009		Three months ended June 30, 2008		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	3,023	44.7	3,305	44.3	(8.6)
Retail store sales	1,825	27.0	2,066	27.7	(11.7)
Wholesales and others	1,918	28.3	2,093	28.0	(8.4)
Totals	6,766	100.0	7,466	100.0	(9.4)

In products, strong sales of beauty supplements and supplements such as Bitoki that target middle-aged and elderly customers were not enough to offset the decrease in sales of other product groups such as vitamins and minerals.

Results by sales channels: Mail order sales decreased 8.6% to ¥3,023 million, retail store sales decreased 11.7% to ¥1,825 million and wholesale sales through other sales channels decreased 8.4% to ¥1,918 million.

Operating income

Operating income decreased 25.0% to ¥705 million due to a decrease in sales and despite an improvement to the sales cost ratio. The operating income margin decreased 2.2 percentage points to 10.4%.

3) Other Businesses

Sales in Other businesses decreased 4.2% year on year to ¥4,510 million

(Millions of yen, rounded down)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Change (%)
Hatsuga genmai business	776	1,001	(22.4)
Kale juice business	913	915	(0.2)
IIMONO OHKOKU mail order business	2,005	1,894	5.8
Other businesses	815	897	(9.1)
Totals	4,510	4,709	(4.2)

In the Hatsuga Genmai (germinated brown rice) business, sales decreased 22.4% to ¥776 million due to a decrease in commercial sales in contrast to strong commercial sales in the same period of the previous fiscal year.

In the Kale juice business, sales decreased 0.2% to ¥913 million due to a decrease in sales of frozen type and despite strong sales of powder type.

Sales through the IIMONO OHKOKU mail order business increased 5.8% year on year to ¥2005 million due to strong catalogue sales.

Sales at other businesses decreased 9.1% to ¥815 million as sales of sundries and undergarments performed poorly.

Operating income

Operating loss improved ¥69 million to ¥193 million due to reduced operating losses as a result of cost efficiencies and despite reduced sales.

For reference: Sales network

	Number of stores as of June 30, 2009	Change compared to March 31, 2009
FANCL Ginza Square	1	--
FANCL Shop (Next Generation Store)	16	+2
FANCL House	91	-2
FANCL House J	68	--
Genki Station	5	--
ATTENIR Shop	13	--
Other	3	--
Total	197	--

2. Financial situation

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

Assets increased ¥591 million to ¥85,901 million. The primary contributing factors were an increase of ¥359 million in current assets and an increase of ¥232 million in fixed assets. The increase in current assets was largely the result of a ¥233 million increase in notes and accounts receivable, and a ¥132 million increase in inventories. The increase in fixed assets was primarily due to the acquisition of shares in affiliate companies such as those of FANCL INTERNATIONAL, INC. and despite a decrease from the depreciation of tangible fixed assets and intangible fixed assets.

Liabilities increased ¥656 million to ¥14,723 million. The primary contributing factors were an increase of ¥706 million in current assets and a decrease of ¥49 million in current liabilities and a decrease of ¥41 million in noncurrent liabilities. The increase in current liabilities was largely due to increases in accounts payable and allowance for bonuses and arose despite a decrease in accrued income taxes following a payment of corporate and other taxes. The decrease in noncurrent liabilities was the result of a decrease ‘others’ under noncurrent liabilities as a result of payments for the allowance for retirement benefits for directors at the parent company and a decrease in allowance for retirement benefits.

Net assets decreased ¥64 million to ¥71,178 million, primarily due to a ¥1,041 million decrease for a payment of dividends and despite a ¥970 million increase in net income recorded during the period under review.

As a result, the shareholders’ equity ratio decreased 0.6 percentage points over the end of the previous fiscal year to 82.4%.

Cash flow

Cash and cash equivalents as of June 30, 2009 were ¥26,467 million, ¥265 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 used in operating activities during the period under review was ¥1,890 million compared to ¥1,431 million for the first quarter of the previous fiscal year. Factors increasing operating cash flow were income before income taxes of ¥1,772 million and depreciation expenses of ¥738 million. Factors reducing operating cash flow included tax payments of ¥1,310 million.

Cash flows from investing activities

Cash used in investing activities during the period under review was ¥1,318 million, compared to ¥799 million for the first quarter of the previous fiscal year. This largely reflected outlays of ¥563 million for acquisitions of tangible fixed assets, ¥290 million for the acquisition of intangible fixed assets and ¥508 million for the acquisition of shares in affiliates.

Cash flows from financing activities

Cash flow used in financing activities during the period under review was ¥896 million, compared to ¥663 million for the first quarter of the previous fiscal year, and were primarily due to dividend payments of ¥875 million.

3. Forecasts for the consolidated fiscal year ending March 31, 2010

There are no changes to the forecasts made on May 1, 2009 for the consolidated fiscal year ending March 31, 2010.

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.

As of the three-month period under review, the significance of the amount of loss from the closure of stores, included in loss from disposal of fixed assets under extraordinary loss, has increased and it has been included as a separate item. In the three-month period of the previous fiscal year loss from the closure of stores was included under loss from disposal of fixed assets and was ¥5 million.

3. Consolidated Financial Statements

Consolidated Balance Sheet

Millions of yen, rounded down

	As of June 30, 2009	As of March 31, 2009
ASSETS		
I. Current assets:		
Cash and bank deposits	18,441	16,209
Notes and accounts receivable	10,201	9,967
Marketable securities	11,025	13,520
Merchandise and products	3,228	3,060
Work in progress	77	68
Raw materials and supplies	2,996	3,041
Others	2,681	2,418
Allowance for doubtful accounts	(164)	(157)
Total current assets	48,487	48,128
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	21,666	21,650
Accumulated depreciation and accumulated impairment loss	(11,032)	(10,832)
Buildings and structures (net)	10,634	10,817
Machinery and transport equipment	5,431	5,385
Accumulated depreciation and accumulated impairment loss	(4,110)	(4,018)
Machinery and transport equipment (net)	1,321	1,366
Furniture, tools and fixtures	5,998	5,961
Accumulated depreciation and accumulated impairment loss	(4,955)	(4,899)
Furniture, tools and fixtures (net)	1,043	1,061
Land	10,971	10,971
Lease assets	257	194
Accumulated depreciation and accumulated impairment loss	(49)	(33)
Lease assets (net)	208	160
Others	120	51
Total tangible fixed assets	24,300	24,430
Intangible fixed assets		
Goodwill	850	898
Others	2,955	3,075
Total intangible fixed assets	3,805	3,973
Total investments and other assets	9,307	8,777
Total fixed assets	37,413	37,181
Total Assets	85,901	85,309

Consolidated Balance Sheet, continued

Millions of yen, rounded down

	As of June 30, 2009	As of March 31, 2009
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	3,459	3,206
Accrued income taxes	1,098	1,477
Allowance for bonus	1,499	1,021
Allowance for points	1,337	1,353
Others	4,770	4,400
Total current liabilities	12,165	11,459
II. Noncurrent liabilities:		
Allowance for retirement benefits	1,789	1,818
Allowance for directors' retirement bonuses	65	60
Others	702	728
Total noncurrent liabilities	2,557	2,607
Total liabilities	14,723	14,066
NET ASSETS		
Shareholders' equity		
Common stock	10,795	10,795
Additional paid-in capital	11,706	11,706
Retained earnings	53,212	53,288
Treasury stock	(4,921)	(4,960)
Total shareholders' equity	70,792	70,828
Difference from exchange and evaluation		
Valuation difference on other marketable securities	6	(0)
Foreign exchange adjustment account	(4)	(4)
Total difference from exchange and evaluation	1	(5)
Warrants	274	310
Minority interests	109	109
Total net assets	71,178	71,242
Total Liabilities and Net Assets	85,901	85,309

Consolidated Statements of Income

Millions of yen, rounded down

	April 1, 2009 to June 30, 2009	April 1, 2008 to June 30, 2008
Net sales	24,064	24,753
Cost of sales	7,969	7,987
Gross profit	16,094	16,765
Selling, general and administrative expenses	14,292	14,518
Operating income	1,802	2,247
Non-operating income		
Interest income	24	30
Dividend income	1	1
Other non-operating income	31	76
Total non-operating income	57	108
Non-operating expenses		
Interest expense	-	0
Exchange loss	37	9
Other non-operating expenses	13	16
Total non-operating expenses	51	26
Ordinary income	1,808	2,329
Extraordinary income		
Income from sale of fixed assets	0	5
Income from recovery of bad debts	-	7
Other	0	0
Total extraordinary income	0	13
Extraordinary loss		
Loss on disposal of fixed assets	1	8
Impairment loss	13	178
Loss on store closures	6	-
Other	14	40
Total extraordinary loss	36	226
Income before income taxes	1,772	2,115
Income and other taxes	952	1,119
Adjustments to income and other taxes	(150)	(118)
Total income and other taxes	801	1,000
Income from minority interests	0	5
Net income	970	1,109

Consolidated Statements of Cash Flows

Millions of yen, rounded down

	April 1, 2009 to June 30, 2009	April 1, 2008 to June 30, 2008
I. Cash flows from operating activities		
Income before income taxes	1,772	2,115
Depreciation	738	714
Impairment losses	13	178
Stock compensation expenses	19	35
Amortization of goodwill	48	28
Increase (decrease) in allowance for doubtful accounts	14	(4)
Increase (decrease) in allowance for bonuses	478	554
Increase (decrease) in allowance for points	(16)	(20)
Increase (decrease) in allowance for retirement benefits	(29)	39
Increase (decrease) in allowance for directors retirement benefits	5	0
Interest and dividend income	(25)	(31)
Interest paid	-	0
Gain (loss) from foreign exchange	(63)	(0)
Gain (loss) from revaluation of investment in securities	6	--
Gain on sale of fixed assets	0	(5)
Loss from disposal of fixed assets	1	8
Decrease (increase) in trade receivables	(234)	(154)
Decrease (increase) in inventories	(132)	531
Decrease (increase) in other current assets	(188)	(353)
Increase (decrease) in trade payables	253	(315)
Increase (decrease) in other current liabilities	572	(35)
Increase (decrease) in other noncurrent liabilities	(54)	(118)
Others	7	(0)
Sub-total	3,187	3,165
Interest and dividends received	13	18
Interest paid	-	(0)
Other income	-	0
Income taxes paid	(1,310)	(1,753)
Net cash provided by (used in) operating activities	1,890	1,431
II. Cash flows from investing activities		
Acquisition of marketable securities	(998)	(999)
Income from sale and redemption of marketable securities	997	999
Acquisition of tangible fixed assets	(563)	(697)
Income from sale of tangible fixed assets	23	70
Acquisition of intangible fixed assets	(290)	(180)
Acquisition of shares in affiliates	(508)	--
Income from loans receivable	12	4
Other payments	(77)	(20)
Other income	86	24
Net cash provided by (used in) investing activities	(1,318)	(799)
III. Cash flows from financing activities		
Repayment of long-term loans	-	(12)
Sale of treasury stock	0	0
Acquisition of treasury stock	(0)	(0)
Cash dividends paid	(875)	(647)
Others	(19)	(3)
Net cash provided by (used in) financing activities	(896)	(663)
IV. Effect of exchange rate changes on cash and cash equivalents	58	7
V. Net increase in cash and cash equivalents	(265)	(23)
VI. Cash and cash equivalents at the beginning of the period	26,732	24,060
VII. Cash and cash equivalents at end of period	**26,467**	**24,037**

4. Items related to going concern assumption
No applicable items

5. Segment Information
a. Business Segments

Three months ended June 30, 2009 (Millions of yen, rounded down)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales and operating income:						
(1) Sales to external customers	12,786	6,766	4,510	24,064	--	24,064
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	12,786	6,766	4,510	24,064	--	24,064
Operating income (loss)	1,790	705	(193)	2,301	(499)	1,802

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.

Three months ended June 30, 2008 (Millions of yen, rounded down)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales and operating income:						
(1) Sales to external customers	12,578	7,466	4,709	24,753	--	24,753
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	12,578	7,466	4,709	24,753	--	24,753
Operating income (loss)	2,240	940	(263)	2,917	(669)	2,247

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 of the first quarter of the current fiscal year, Accounting Standards Related to the Evaluation of Inventory Assets (Accounting Standards Board of Japan, Article 9, July 5, 2006) will be applied.
As a result of this change, and in comparison to the former accounting method, operating income decreased by ¥17 million in the cosmetics business, ¥47 million in the nutritional supplements business and by ¥8 million in other businesses.

b. Segment information by area:

April 1, 2009 to June 30, 2009

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

April 1, 2008 to June 30, 2008

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

c. Overseas sales:

April 1, 2009 to June 30, 2009

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

April 1, 2008 to June 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

3. Segment Information

a. 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

b. Segment information by area:

April 1, 2007 to June 30, 2007

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

c. Overseas sales:

April 1, 2007 to June 30, 2007

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